

## **2011 U.S. Meat and Poultry Consumption and Demand: The Facts**

Recent reporting about U.S. Department of Agriculture meat and poultry consumption data has created a false and overly-simplistic impression that somehow demand for the products is declining. This is simply not the case. This backgrounder aims to explain the difference between consumption and demand and will show that meat and poultry demand has actually risen.

### **Is U.S. per capita meat and poultry consumption declining?**

Data from recent years show that U.S. per capita meat and poultry *consumption* has declined. But that doesn't mean that consumer interest or *demand* has declined.

Declines in per capita meat and poultry consumption are due to a number of factors. The basic reason is the decrease in production. In addition the growth in the population makes less meat and poultry available per capita and the expansion of meat and poultry exports results in less availability.

### **Why are we producing less meat and poultry?**

Livestock and poultry feed costs have risen to record levels in recent years because ethanol producers since 2006 have been mandated by the government to compete with livestock and poultry farmers for corn. The sharp ramp-up in corn usage has sent corn prices to record levels with little, if any, relief in sight. Also, when it costs more to feed livestock and poultry, farmers produce fewer animals. When livestock and poultry supplies decrease, the price per animal increases. And, this cost/price squeeze requires that meat and poultry producers pass-on the costs to food retailers and eventually the consumer.

### **How do you measure meat and poultry demand?**

Consumer "meat demand" is typically measured by looking at two factors: per capita consumption and retail price.

If meat and poultry prices increase faster than the rate of inflation and per capita consumption does not decline, then meat and poultry demand has increased. If meat and poultry prices increase more slowly than the rate of inflation and per capita consumption does not increase, then meat and poultry demand has declined. In the case of meat and poultry, in recent years, we've seen these prices increase much faster than the rate of inflation, but consumption has only declined slightly, meaning meat and poultry demand has increased.

This pattern can be observed throughout the consumer landscape. If the price of movie tickets increases, people may go to the theater less often, but it doesn't mean they don't want to see movies. A rise in price may discourage some moviegoers. Prices that rise even more may discourage more moviegoers. To understand the situation, an economist would consider how many tickets are purchased at a higher price compared to the original price to evaluate just how strongly people demand movie theater tickets.

**Since meat and poultry are essential food products for the vast majority of consumers, is there a typical pattern observed in meat and poultry demand?**

Typically, a 1 percent increase in meat and poultry prices will cause a 0.75 percent decline in per capita consumption. Similarly, a drop in meat and poultry prices will cause a rise in demand. Meat and poultry demand are calculated by comparing the actual change in per capita consumption to the change in consumption that is normally expected when prices shift.

**Using this approach, what are the real trends in meat and poultry demand?**

Overall domestic meat and poultry demand increased from 1998 through 2004. It declined in 2005 and 2006, grew slightly in 2007 before dropping in 2008, 2009 and 2010. For calendar year 2011, pork, beef, and turkey were up compared to 2010. Chicken demand was down 1.5 percent. As the data below shows, demand for all four meats in 2011 is up from 1998.

U.S. Annual Domestic Retail Meat Demand

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	-----Pork-----		-----Beef-----		--Young Chicken--		-----Turkey-----		----All 4 Meats----	
	Percent Change	Index 1998 =	Percent Change	Index 1998 =	Percent Change Year Ago	Index 1998 = 100	Percent Change Year Ago	Index 1998 = 100	Percent Change Year Ago	Index 1998 = 100
1998		100.0		100.0		100.0		100.0		100.0
1999	0.4	100.4	2.8	102.8	4.9	104.9	-2.7	97.3	2.6	102.6
2000	-0.2	100.2	2.5	105.4	-1.5	103.4	-1.1	96.3	0.5	103.1
2001	-0.7	99.5	3.2	108.7	-1.2	102.1	3.6	99.8	0.9	104.0
2002	0.3	99.8	-0.2	108.6	6.2	108.4	-2.4	97.4	1.7	105.8
2003	-1.0	98.8	3.9	112.9	-0.6	107.7	-1.0	96.4	1.0	106.8
2004	0.6	99.4	6.5	120.2	6.6	114.9	-4.1	92.5	4.8	111.9
2005	-3.8	95.6	-2.7	117.0	0.3	115.2	-5.1	87.7	-2.0	109.7
2006	-3.7	92.1	-3.6	112.7	-7.8	106.2	1.5	89.0	-4.8	104.4
2007	1.9	93.8	0.0	112.8	-0.3	106.0	3.4	92.0	0.5	105.0
2008	-4.0	90.1	-4.5	107.7	-1.1	104.8	5.0	96.6	-3.0	101.8
2009	1.4	91.4	-2.7	104.8	-2.4	102.3	5.8	102.2	-1.4	100.4
2010	-1.0	90.5	-1.3	103.5	0.9	103.3	-0.4	101.8	-0.4	100.0
2011*	1.2	91.6	0.9	104.4	-1.5	101.8	0.9	102.7	0.4	100.3

\*2011 values are based on actual values through November and preliminary/estimated data for December