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ILLINOIS FARM AND FOOD OUTLOOK
COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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STRONG CONSUMER DEMAND FOR MEAT IN 1979

CONSUMER DEMAND FOR MEAT recovered sharply in 1978 from the low level of 1977 and is likely to gain further in 1979. Consumer expenditures for meat of all kinds are a function of real disposable income (income adjusted for taxes and inflation) and the total supply of available meat. As real income rises, meat expenditures increase almost proportionately. As meat supplies increase, expenditures decline. More-than-proportionate price concessions are necessary to induce consumers to take more meat when it is available. They resist cutting back when supplies are reduced. So prices rise by a greater proportion than the percentage reduction in the supply.

During the twenty years of 1957 to 1976, real disposable income per capita increased 50 percent. The supply of meat, including poultry, rose 33 percent. Real expenditures per capita went up 25 percent. The market for meat grew rapidly.

While changes in real income and meat supplies account for most of the year-to-year variations in expenditures, consumer behavior is not altogetner consistent. There have been deviations from usual patterns in three recent years. In 1974 and 1975, decreases in real disposable income were associated with the recession. History suggested that there would be a sharp cut back in meat expenditures. The actual reduction was small. Purchases of meat carried a high priority, despite reduced incomes. Some of the greater-than-expected expenditures may have been the result of income supplements that do not get counted as income. These include the school lunch programs, food stamps, and unemployment compensation.

In 1977, meat expenditures fell sharply below expected levels. Real disposable income per capita increased 1.7 percent. Total meat supplies per capita were essentially unchanged. Expenditures declined by 7.7 percent. The result was a sharp decrease in real meat prices, 8.1 percent. The relatively abundant supply of beef sold at record low prices, after taking inflation into account. Where the money went that used to go for meat purchases is not known. However, 1977 was a year of huge automobile purchases.

After a shakey start, consumers returned to historical patterns in 1978. Real income rose 4.3 percent, meat supplies decreased 1.3 percent, and expenditures rose 12.8 percent. The net result of these three things was an increase of 14.2 percent in the real price of meat. Wherever consumers went in 1977, they returned to the meat counters in 1978. This activity is the primary explanation, along with inflation, for the sharp increase in cattle and hog prices during 1978. Those prices were not abnormally high. Rather, they rose from abnormally low levels.

Following the 1977 experience, we must regard 1979 with trepidation. The general expectation is for a slowing down in the rate of economic growth which, if it occurs, will slow the rate of increase in consumer income. Based on the 1974 and 1975 experience, the impact on expenditures for meat may be small.

Total meat supplies in 1979 will not be changed greatly from those in 1978, but the composition will be different. Broiler and turkey supplies will increase more than usual. Pork producers indicate intentions to increase output sharply, but that will not be available until the second half of the year. Beef production will be down at least as much as the others are up. How much of an impact the change in composition will have on consumer expenditures is uncertain.

Consumer were willing spenders for meat in early 1979. Their response to the changing composition of the meat supply will be an important factor in cattle and hog price relationships during the balance of the year.

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