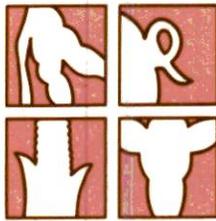




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
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MEAT DEMAND UPDATE

THE TOTAL PER CAPITA CONSUMPTION of red meat and poultry will decline in 1986. This is the first such instance since 1982. This decline in total meat supplies is due to the drop in per capita pork and beef consumption. Poultry consumption continues to increase, but real prices for both pork and beef have declined since 1982, relative to chicken prices. Increased marketing of preferred chicken products seems to have bolstered chicken demand, even though chicken has become relatively more expensive. Record large meat supplies in 1985 contributed to weak prices for both red meat and poultry. The current tightening of the total meat supply has contributed to better hog and cattle prices in late 1986. The expected decline in red meat supply during 1987 should lead to an increase in the real prices of red meats in 1987.

From 1982 to 1985, total per capita consumption of red meats (including veal and lamb) and poultry increased from 203 pounds to 215 pounds (retail weight). Per capita consumption of red meat increased from 139 pounds to 144 pounds, while poultry increased more rapidly from 64 pounds to 70 pounds. Poultry's share of the total meat consumption increased slightly from 31.5 percent to 32.7 percent.

The real retail prices of beef and pork declined from 1982 to 1985 by 14 and 17 percent respectively. Chicken prices increased in real terms between 1982 and 1984, and then fell in 1985 when the total meat supply reached record levels. Red meat prices fell in relation to chicken from 1982 to 1984 and then increased slightly relative to chicken in 1985. Even though chicken remains a much cheaper meat, it is becoming more expensive relative to pork and beef.

Chicken consumption has increased faster than red meat consumption in spite of its rising relative price. One reason is the growth in availability of preferred chicken products. Whole birds are an inferior good--consumption falls with rising income. But cut-up parts and processed chicken consumption increase as consumer income grows. Over the last 15 years, the chicken product market has changed dramatically. In 1970, 70 percent of chickens came to retailers as whole birds, and

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only 30 percent were cut up or processed further. By 1980, whole birds had declined to 50 percent of the supply. In 1985, whole birds were only 30 percent of the marketed supply, cut-up parts were 30, percent and processed chicken products were 20 percent. (Data are from USDA and the National Broiler Council.) Marketing of preferred products apparently increased consumer demand for chicken.

The USDA estimates that poultry consumption in 1986 will rise to 73.8 pounds per capita. Red meat consumption will decline to 140.1 pounds, a 3 percent drop from 1985. Most of the decline in the red meat supply is occurring in the second half of the year. This drop in supply has contributed to the very strong hog prices and the modest recovery in cattle prices during the second half of 1986. The tightening of the total red meat supply is expected to continue through 1987, and should contribute to more robust prices for the entire meat complex. The real price of pork should increase in 1986 for the first time since 1982, and the real price of beef may increase in 1987 for the first time since 1979.

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