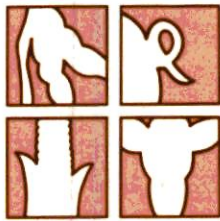




Cooperative
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WEEKLY OUTLOOK

Department of Agricultural Economics
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QUALITY AND CONVENIENCE, NOT HEALTH, SEEN AS DETERMINANTS OF CHANGE IN MEAT DEMAND

Low real prices for both beef and pork in the 1980s, as well as low profits in the livestock industry, have led to concern about a decline in demand for meat. Frequently, increased consumer concern about cholesterol is blamed for a change in consumer demand for beef and pork. As a result, both beef and pork producers have voted to continue the checkoff programs that fund advertising and promotion of their products. Our understanding of motivations behind the apparent change in consumer behavior is still incomplete, but recent research at the University of Illinois has shed some light on what consumers want in meat products.

In order to gain insight into the causes of changing demand for meat, researchers at the University of Illinois decided to look at demand for individual meat products. Most meat demand research in the past has looked at total beef, pork, or chicken, rather than the individual meat products obtained from the different animals. The University of Illinois study looked instead at demand for hamburger, beef table cuts, whole chickens, and cut-up chicken parts. Hamburger and whole birds were found to be inferior goods, which means that people buy less of these products as their income grows. In contrast, more cut-up chicken parts and table cuts of beef are eaten as consumer incomes go up.

The chicken industry has changed the nature of the product sold over the last 20 years. The share of broiler slaughter marketed as whole birds declined from 74 percent in 1965 to 28 percent in 1985. Cut-up parts and processed chicken products increased from 26 percent to 72 percent. As cut-up parts are preferred to whole birds, this shift in product mix should have increased overall consumer demand for chicken.

In fact, demand for chicken parts has grown by 6.4 percent every year since 1965, independent of changes in prices or consumer incomes. Demand for beef table cuts, on the other hand, has declined 3.5 percent per year since 1974. Demand for whole birds and hamburger has remained stable. In other words, demand for these low-quality products responds to changes in prices and income the same way now as in 1965.

The research showed that consumers don't make the choice between "beef" and "chicken" at the meat counter. Instead, they are looking for products that fill a particular need, such as low cost or convenience. Consumers appear to choose low-quality products, such as hamburger or whole birds, based on their cost. Consumer choice between high-quality meats, such as steak or cut-up chicken parts, does not reflect prices. The substitution of cut-up chicken parts for table cuts of beef during the last 10 years reflects an increase in consumer preference for high-quality chicken.

If health were the motivation for the shift from beef to chicken in the last 10 years, preference changes should have been observed in all products. The concentration of preference changes in high-quality products, however, suggests that the increased convenience of cut-up chicken products was also a motivating factor. Increased demand for convenience is a plausible explanation for the growth in demand for chicken parts because the value of time for the principal meal preparer has increased during the last 25 years. Between 1960 and 1985, the proportion of women who work outside the home increased from 35 percent to 50 percent; households headed by women increased from 18 percent to 28 percent; and single-person households increased from 13 percent to 24 percent of all households. Working women and single-person households need products that are convenient to prepare. The chicken industry has taken advantage of increased demand for convenience by marketing new cut-up and processed chicken products.

What are the implications of these findings for the response of the beef and pork industries to competition from chicken? Any industry facing strong competition can respond in one or more of three ways: (1) reduce the costs of production to stay price competitive, (2) promote the product, or (3) develop new products. The above research suggests that consumers of low-quality meat products are highly motivated by prices and that consumers of high-quality products are motivated by convenience as well as health concerns. Therefore, promotion efforts based only on health concerns may have only a limited effect. Lower product prices and development of products that meet the taste and convenience needs of the changing American consumer must be part of any strategy for boosting consumer demand for pork and beef.



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