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

Recent reporting about data on U.S. meat and poultry consumption has created a false and overly-simplistic impression that demand for meat 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 primary reason is a decrease in production. Red meat and poultry production in 2012 is expected to be down 1.7% from 2011 and down 2.9% from 2008. The secondary reason is an increase in U.S. meat and poultry exports combined with a decline in imports. U.S. exports of beef, pork, broiler and turkey were each record high in 2011. Combined beef, pork, broiler and turkey imports in 2011 were the lowest since 1997. In addition, growth in the U.S. population makes less meat and poultry available per capita.

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

The cost of livestock and poultry feed has risen to record levels in recent years because ethanol producers are using a rapidly growing share of the U.S. corn crop. Since 2006 the government has mandated increased ethanol use. Only 14% of the 2005 U.S. corn crop was used to make ethanol; 40% of the 2011 corn crop is being used to make ethanol. The sharp ramp-up in corn usage for ethanol production means less is available for livestock and poultry feed. That has sent corn prices to record levels with little, if any, relief in sight. When it costs more to feed livestock and poultry, farmers produce fewer animals. As livestock and poultry supplies decrease, the price consumers pay for meat and poultry increases.

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

Consumer meat demand is typically measured by looking at two factors: per capita consumption and deflated 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 declined only 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 will discourage some moviegoers. Prices that rise even more will 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 deflated meat and poultry prices will cause a 0.75 percent decline in per capita consumption. Similarly, a drop in deflated meat and poultry prices will cause a rise in consumption. 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 1.3 percent. As the data below shows, in 2011 demand for all four meats combined was up from 2010 and higher than in 1998.

**U.S. Annual Domestic Retail Meat Demand as Calculated by Ron Plain, University of Missouri**

	-----Pork-----		-----Beef-----		--Young Chicken-		-----Turkey-----		----All 4 Meats---	
	Percent Change Year Ago	Index 1998= 100	Percent Change Year Ago	Index 1998= 100	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	1.0	104.6	-1.2	102.0	1.0	102.9	0.5	100.4