Daily Livestock Report

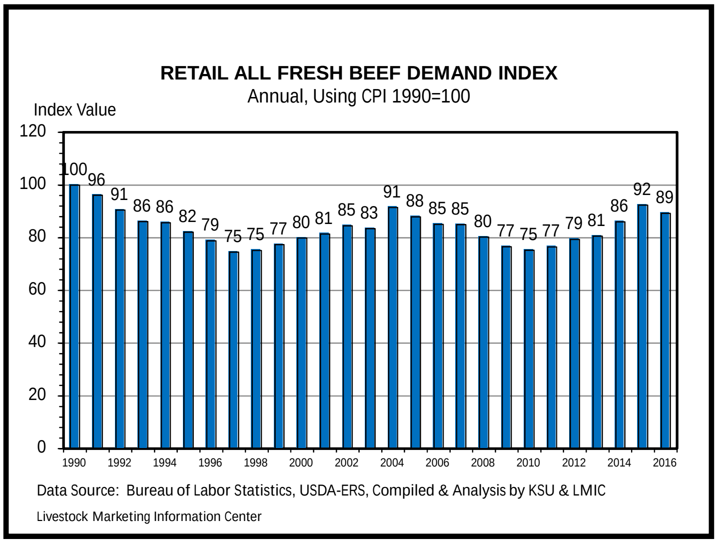
Vol. 15, No. 34 / February 21, 2017

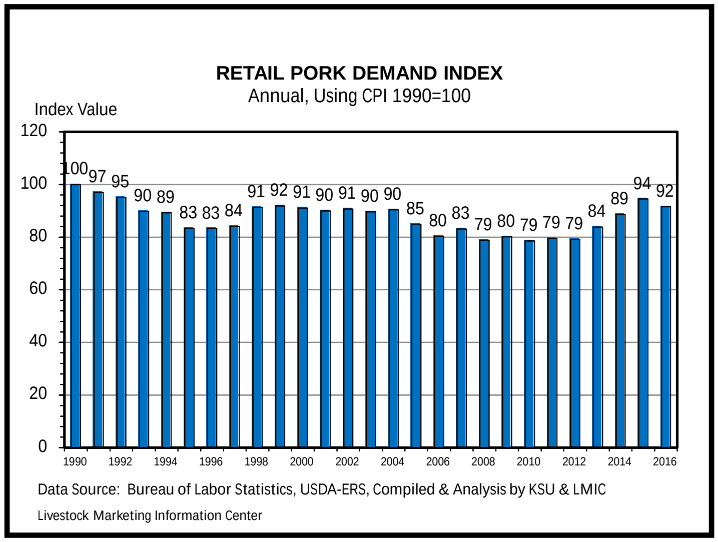
From an economist's perspective, a demand index is a depictions changes over time compared to a base period (i.e. shifts in the demand relationship). Graphically, demand is a curve with prices on the vertical axis and quantities on a horizontal axis. A major assumption in calculation the index is that the base period relationship between price and quantity is unchanged (for the economist readers, the own-price elasticity is constant over time). For more background on the logic of a retail beef demand index, see the short summary by Dr. Tonsor at Kansas State University done in 2010, which is available here.

Interpreting retail meat demand indexes is rather straight forward. For example, an index value of 79 in 2012 means that relative the base year of 1990 (which has an index of 100) that the retail beef price (adjusted for inflation) was 21% below what would have occurred if demand remained at 1990's base level. That is a reduction in demand, economically.

Today, we include two annual retail price demand index graphics, one each for beef and pork. Before we discuss those, these indexes should be interpreted with a bit of caution. Beyond the significant fixed elasticity assumption noted above, the retail prices are calculated by USDA's Economic Research Service (ERS) from a limited scope of meats collected from grocery stores for the purpose of calculating the overall U.S. Consumer Price Index by the Bureau of Labor Statistics. Those price data are not collected to provide anything close to a full-scale assessment of demand. Second, without going into detail, the quantity data have some limitations and assumptions, too. So, to use an analogy from weather, this type of index is more like measurement from a barometer rather than the detailed scale of a thermometer to understand what is like outside and what has been happening. Evaluation should focus on direction of change and not absolute index levels. Of course, beef and pork demand are simplifications as consumers not only buy product from grocery stores but also from restaurants and they eat individual items like hamburger and not generic "beef".

Comparing the history of retail demand indexes for beef and pork since 1990, it's clear that beef has moved over a wider range and that the economic environment is important. Note, for example, that the recent bottom in the beef demand index is tied to the last recession. From a historical perspective, the decline in beef demand from 1990 through 1997 was largely attributable to chicken taking market share away from beef.





For calendar year 2016, both beef and pork retail demand indexes slipped compared to 2015's. Still, demand was strong compared to levels posted since the early 1990's. For both beef and pork, the nature of the retail price series calculated by ERS may have overstated the 2015 indexes some. In an aggregate sense, both beef and port items faced considerable competition from chicken in 2016, which may have contributed to the slight negative shift in demand last year.

Vol. 15, No. 34 / February 21, 2017

PRODUCTION & PRICE SUMMARY

Week Ending 2/18/2017

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary.

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			18-Feb-17	11-Feb-17		20-Feb-16			
	Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	1,817	1,838	-1.1%	1,765	3.0%	11,905	0.2%
C	FI Slaughter	Thou. Head	572	577	-0.9%	525	9.0%	4,049	3.1%
A	FI Cow Slaughter **	Thou. Head	117	116	0.7%	108	8.0%	565	0.2%
T	Avg. Dressed Weight	Lbs.	822	824	-0.2%	823	-0.1%	823	-0.6%
T	Beef Production	Million Lbs.	468.7	472.0	-0.7%	430.8	8.8%	3,334	2.5%
L	Live Fed Steer Price, 5-Mkt	$ per cwt	118.97	119.75	-0.7%	133.63	-11.0%		
E	Dressed Steer Price, 5-Mkt	$ per cwt	187.44	190.05	-1.4%	209.82	-10.7%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	142.08	141.14	0.7%	169.68	-16.3%		
&	Choice Beef Cutout	$ per cwt	188.93	189.39	-0.2%	213.84	-11.6%		
	Hide/Offal	$ per cwt, live wt	11.90	11.93	-0.3%	10.55	12.8%		
B	Rib, Primal, Choice	$ per cwt	279.79	286.77	-2.4%	335.32	-16.6%		
E	Round, Primal, Choice	$ per cwt	166.60	165.77	0.5%	199.92	-16.7%		
E	Chuck, Primal, Choice	$ per cwt	155.56	155.78	-0.1%	174.20	-10.7%		
F	Trimmings, 50%, Fresh	$ per cwt	78.76	77.76	1.3%	51.62	52.6%		
	Trimmings, 90%, Fresh	$ per cwt	209.22	208.11	0.5%	209.93	-0.3%		
	FI Slaughter	Thou. Head	2,363	2,364	0.0%	2,288	3.3%	16,226	-1.2%
H	FI Sow Slaughter **	Thou. Head	59.8	58.1	2.9%	55.5	7.9%	281	-2.0%
O	Avg. Dressed Weight	Lbs.	213.0	213.0	0.0%	213.0	0.0%	213	-0.2%
G	Pork Production	Million Lbs.	502.6	503.6	-0.2%	486.6	3.3%	3,455	-1.3%
S	Iowa-S. Minn. Direct	Wtd. Avg.	73.84	71.28	3.6%	64.11	15.2%		
	Natl. Base Carcass Price	Wtd. Avg.	72.72	70.32	3.4%	64.94	12.0%		
&	Natl. Net Carcass Price	Wtd. Avg.	75.00	72.70	3.2%	67.13	11.7%		
	Pork Cutout	$ per cwt	85.01	85.11	-0.1%	75.97	11.9%		
P	By-product Value	$ per cwt, live wt	3.98	3.96	0.5%	3.23	23.2%		
O	Ham, Primal	$ per cwt	59.55	61.60	-3.3%	55.48	7.3%		
R	Loin, Primal	$ per cwt	75.08	74.45	0.9%	79.35	-5.4%		
K	Belly, Primal	$ per cwt	181.91	181.32	0.3%	127.73	42.4%		
	Trimmings, 72%, Fresh	$ per cwt	61.13	60.54	1.0%	58.93	3.7%		
C	Young Chicken Slaughter *	Million Head	162.2	162.4	-0.1%	158.87	2.1%	957	0.3%
H	Avg. Weight (RTC)	Lbs.	4.61	4.63	-0.3%	4.67	-1.3%	4.69	-0.1%
I	Young Chicken Production (RTC)	Million Lbs.	748.3	751.7	-0.4%	742.5	0.8%	4,488	0.2%
C	Eggs Set (19-state)	Million	212.3	210.5	0.9%	208.7	1.7%	1,265	1.3%
K	Chicks Placed (19-state)	Million Head	172.1	170.1	1.2%	170.7	0.8%	1,032	1.1%
E	National Composite Whole Bird	Composite	85.67	84.68	1.2%	81.77	4.8%		
N	Northeast Breast, B/S	$ per cwt	106.86	101.79	5.0%	108.53	-1.5%		
	Northeast Leg Quarters	$ per cwt	33.52	33.59	-0.2%	26.37	27.1%		
T	Total Turkey Slaughter *	Million Head	3.74	4.38	-14.5%	4.19	-10.8%	24.2	-4.4%
U	Avg. Weight (RTC)	Lbs.	25.97	25.19	3.1%	24.93	4.2%	25.91	1.3%
R	Turkey Production (RTC)	Million Lbs.	97.2	110.3	-11.9%	104.6	-7.0%	628	-3.2%
K	National Hen (8-12 Lbs)	$ per cwt	99.35	100.50	-1.1%	109.17	-9.0%		
G	Corn, Omaha	$ per Bushel	3.39	3.42	-0.9%	3.56	-4.8%		
R	Distillers Grain, Chicago	$ per Ton	100.00	NQ	N/A	NQ	N/A		
A	Wheat, Kansas City (delivered)	$ per Bushel	4.81	4.85	-0.8%	NQ	N/A		
I	Soybean, Cntrl IL	$ per Bushel	10.35	10.37	-0.2%	8.92	16.0%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	339.00	335.40	1.1%	272.50	24.4%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago (part of 'actual" rather than "preliminary" weekly slaughter report).