

The long-term trends in U.S. meat and poultry production and consumption have shifted in the past few years and more changes are in the offing. The charts at right (which come from the Livestock Marketing Information Center in Denver) tell an interesting story, we think — and one that is economics in action for both producers and consumers.

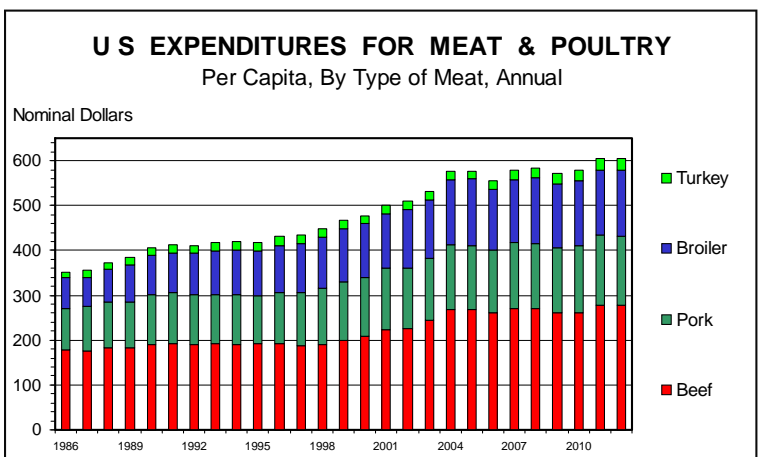
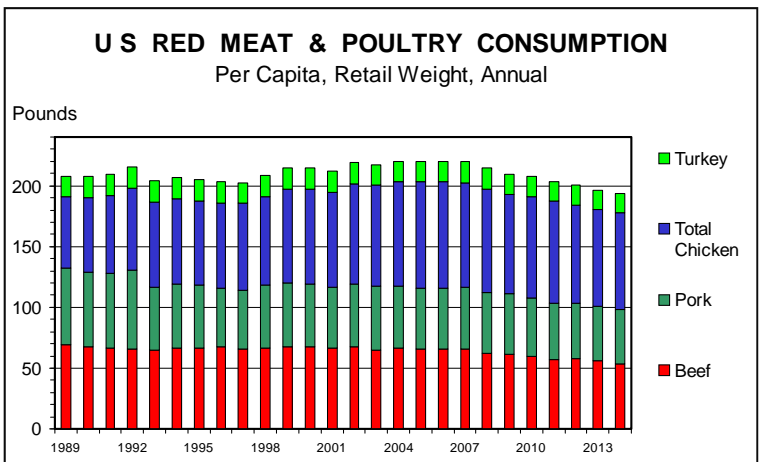
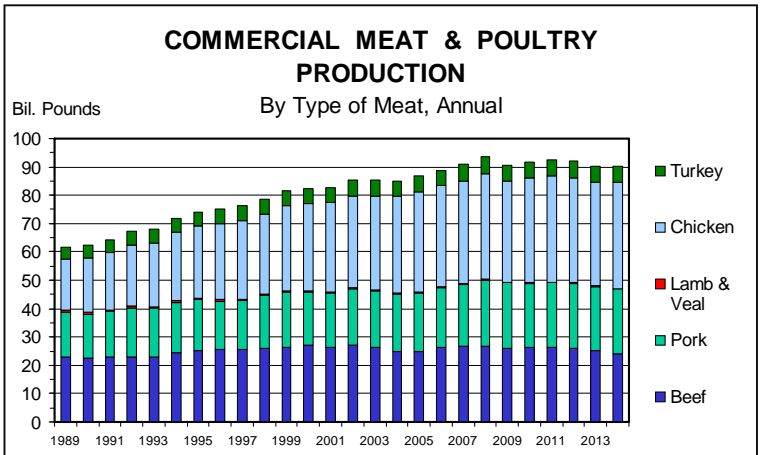
The top chart indicates that total U.S. meat and poultry output did top out in 2008 at 93.6 billion pounds carcass/ready-to-cook weight. Perhaps surprisingly, that output level has not fallen sharply with 2011 output coming in at 92.42 billion pounds and 2012 output forecast by LMIC to total 92.12 billion pounds. In spite of higher costs, U.S. producers have pretty well maintained total production levels — until now. LMIC's forecasts 2013 and 2014 total meat and poultry output to be only 90.37 billion pounds in each year, down 2% from the 2012 level.

The second chart shows U.S. per capita consumption of the four major species. Lamb is omitted from this chart since Americans, on average, ate less than 1 pound per person in 2011. While production has remained steady from the 2008 peak to last year, per cap consumption began falling in 2008 and continues to decline steadily. If LMIC's projections are correct, next year will mark the first time since 1990 that Americans will consume less than 200 pounds of total beef, pork, chicken and turkey. Veal, lamb and other meats would add another couple of pounds to that total but the lesson is clear: Per cap animal protein consumption is falling.

Why the decline? One obvious reason is the growth of meat and poultry exports. The U.S. pork, beef and chicken industries all set annual export records in 2012. A growing and, more importantly, increasingly affluent world population (especially in Asia) continues to draw more and more product out of the U.S. market. U.S. consumers will have to compete with buyers in other countries for these products.

Some also argue that American tastes and preferences have just shifted against meat consumption. The loud and persistent growth of vegetarianism/veganism and Baby Boomers now hitting retirement have, according to this position, reduced U.S. meat and poultry demand. We do not minimize these factors in any way. They are important and the second one will have a growing impact it appears.

But we believe the real reason for the decline in U.S. meat and poultry consumption is even simpler: Americans cannot afford as much meat and poultry as they once could. This inability is driven by reduced means as a result of the Great Recession and higher prices that have been driven by higher farm-level costs. Per capita real disposable income (PCRD) increased roughly 10% in the 5 years from the beginning of 2003 through 2007. The past 5 years have not been so kind. PCRD finally recovered to the level of December 2007 in JULY, meaning the 5 years since December 2007 will see virtually no gain in the amount of money Americans have to spend. DLR readers know all too well what has happened to costs. U.S. meat protein producers would like to sell their product at prices that U.S. consumers can better afford — but they cannot, given today's production costs. The bottom chart shows that U.S. consumers are willing to spend money on animal proteins. Would total expenditures be rising if people did not, in general, want to buy these products? We think not. It's simply a matter of means and cost.



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