

Today, we follow-up yesterday's newsletter on pork and look at beef, using the same three graph format. This longer-term view extrapolates from various reports by USDA agencies and incorporates preliminary 2019 analysis by the Livestock Marketing Information Center (LMIC).

On an annual basis, U.S. commercial beef production this calendar year is projected at about 26.3 billion pounds, an increase of 4.2% compared to 2016's. LMIC forecasts for 2018 and 2019 are for annual increases of 3-5% and 1-4%, respectively. Turning to quarterly production levels (see graphic below), just like for pork, year-over-year increases in U.S. beef production are forecast throughout 2019.

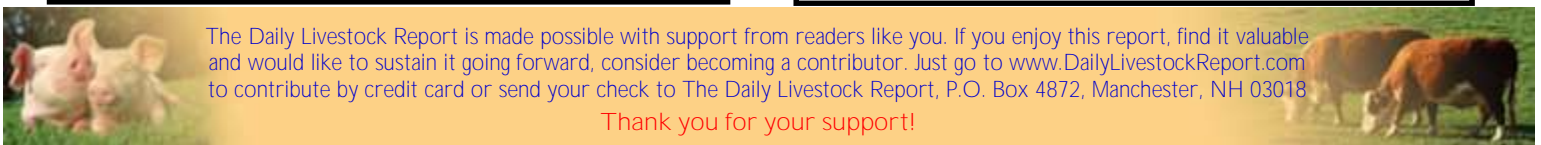
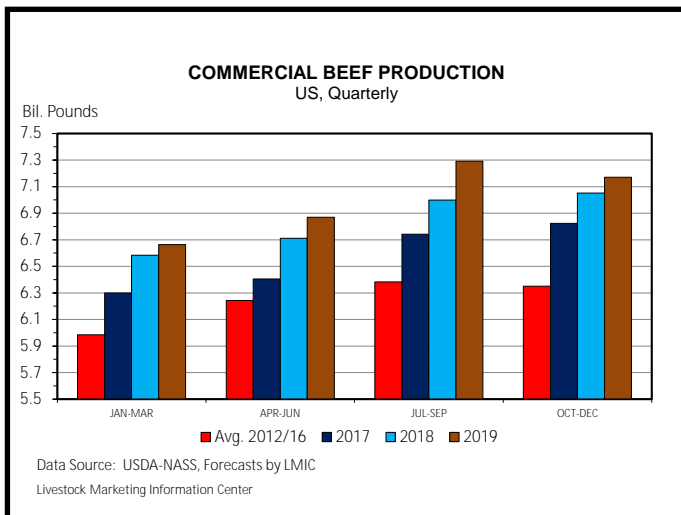
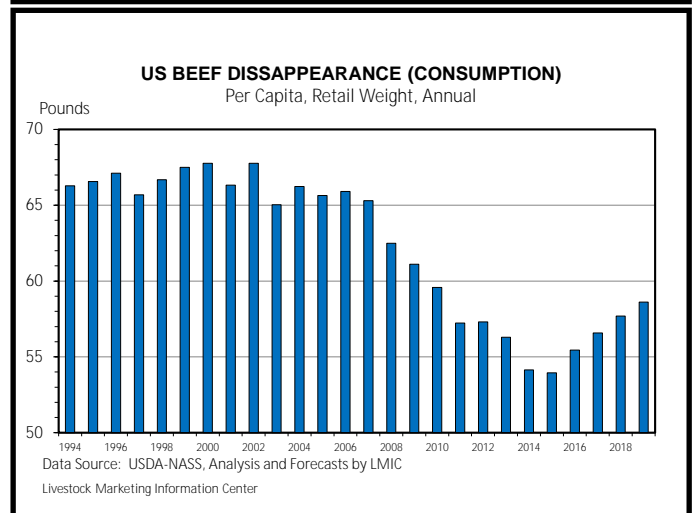
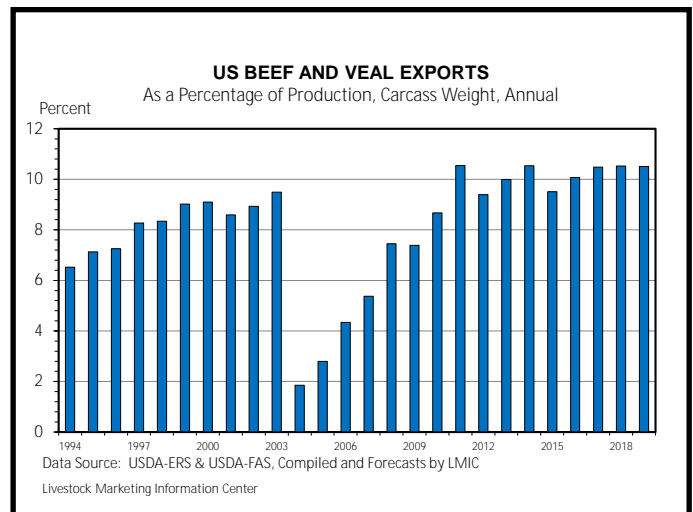
Underlying the expected ramp-up in beef output are higher cattle slaughter levels and heavier average carcass weights. Slaughter increases will be driven by larger calf crops and proportionally more heifers and cows in the harvest mix. Heavier animal weights simply reflect the long-term trend.

Regarding demand, the export markets for beef will remain critical. Forecasts call for continued annual increases in tonnage sold to foreign countries. However, as with pork, exports may only continue to grow in-line with production levels. That is, as depicted in the second graph, U.S. beef export tonnage (meat only, not variety meats, hides, etc.) may not grow significantly as a percentage of pounds produced. That forecast can be exceeded if the U.S. bolsters markets for beef cuts beyond those historically sold. (Note that a huge drop-off in exports occurred in 2009 after

the discovery in late 2008 of a cow in the U.S. with BSE.)

Annual U.S. beef per capita disappearance (retail weight) will continue to rise for the next two years. In 2019, it is expected to be the largest since 2010 (third graph). If all else is equal, selling additional pounds per person requires lower retail prices.

Regular readers know that we often take the opportunity to reinforce that that in economic analysis consumption is **not** demand. In an aggregate sense, domestic consumer demand is a relationship between quantity (i.e., per capita consumption) and retail price. Demand is a downward sloping curve.



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