

FarmEcon LLC

A source of information on global farming
and food systems

Thomas E. Elam, PhD
President

FarmEcon LLC

3825 Constitution Dr.

Carmel, IN 46032

317-873-9949

www.farmecon.com

thomaselam@farmecon.com

Total Meat Per Capita – The Great Collapse, and Recovery



April 18, 2017

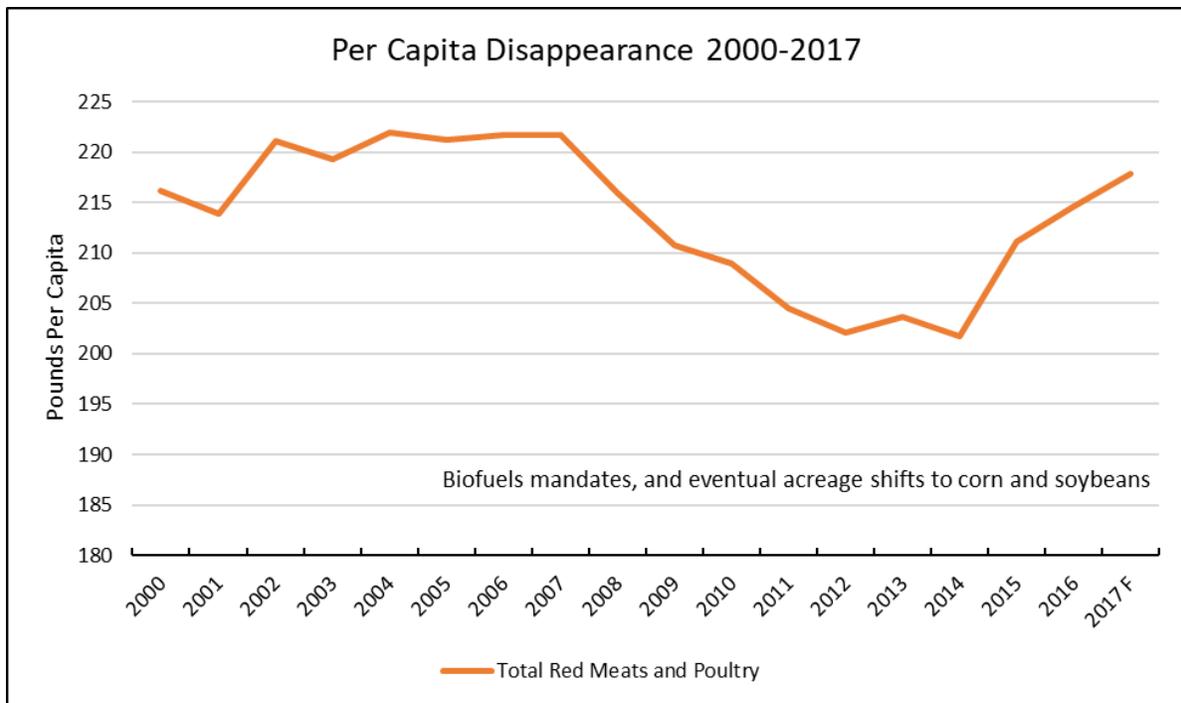
*For: Joel Brandenberger,
President, NTF*

*By: Dr. Thomas E. Elam
President, FarmEcon LLC*

The last few newsletter columns have focused on turkey demand – domestic and export. In this column we are going to look at some long term trends in per capita “disappearance.” “Consumption” is a word that is frequently used in place of disappearance. The meanings are nearly the same, but not quite. Disappearance includes all uses that we cannot account for after considering production, stocks, exports and imports. It includes wastage, spoilage, pet food, and all other uses. Actual human consumption will always be less than disappearance.

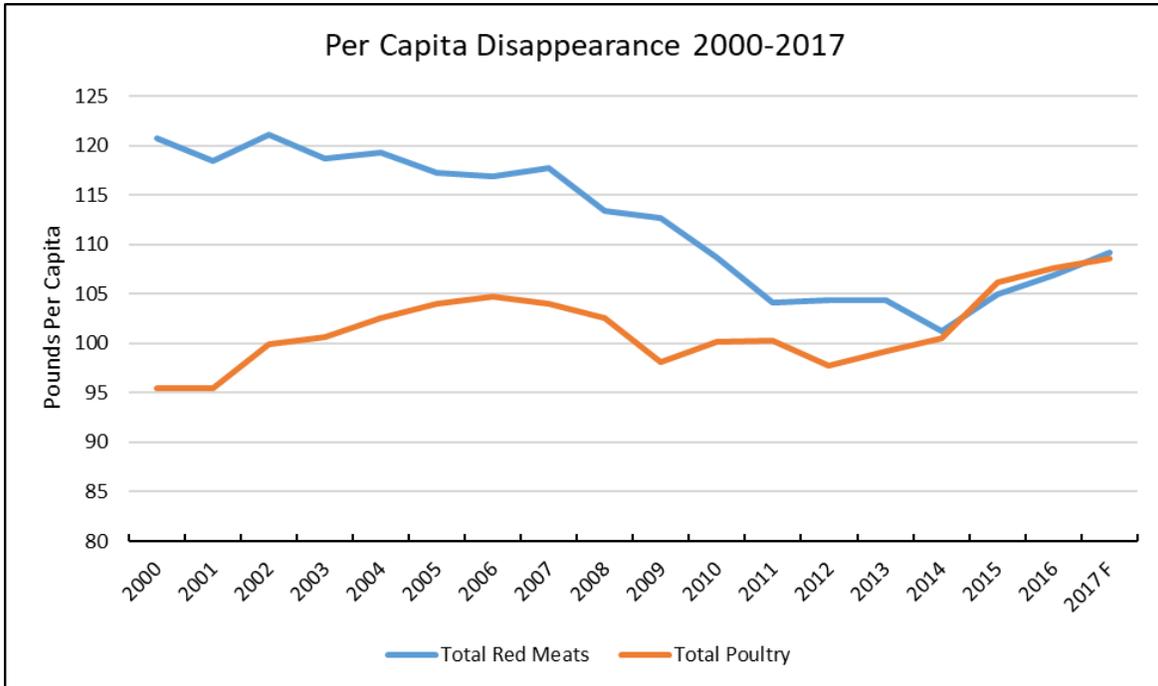
Disappearance trends are not to be confused with “demand.” They do reflect demand forces, but no price considerations are included. What we will see in the graphs is a combination of demand and supply forces. On the demand side is the 2008-2009 recession followed by economic recovery. The supply side forces include mainly effects of biofuel mandates and 2010-2012 weather on feed costs. The 2012 drought ended a string of bad weather years, and marked the beginning of more normal yields and higher acreage. By early 2014 feeds costs had stabilized at much lower levels. Supply side forces are much more important than demand over the 2008-2017 timeframe.

Total red meats and poultry: After several years above 220 pounds, disappearance dropped rapidly to near 220 pounds in 2011 to 2014. While the recession was a factor, a rapid increase in biofuels mandates coupled with several years of poor weather were the underlying causes. A rapid rebound from the 2014 low point is the fastest growth on record. Shifts in acreage from wheat and other crops into corn and soybeans coupled with much better weather after the 2012 drought brought costs down and improved feedstuffs supply. Still, we have not recovered to the 220+ pound level that prevailed prior to 2008.

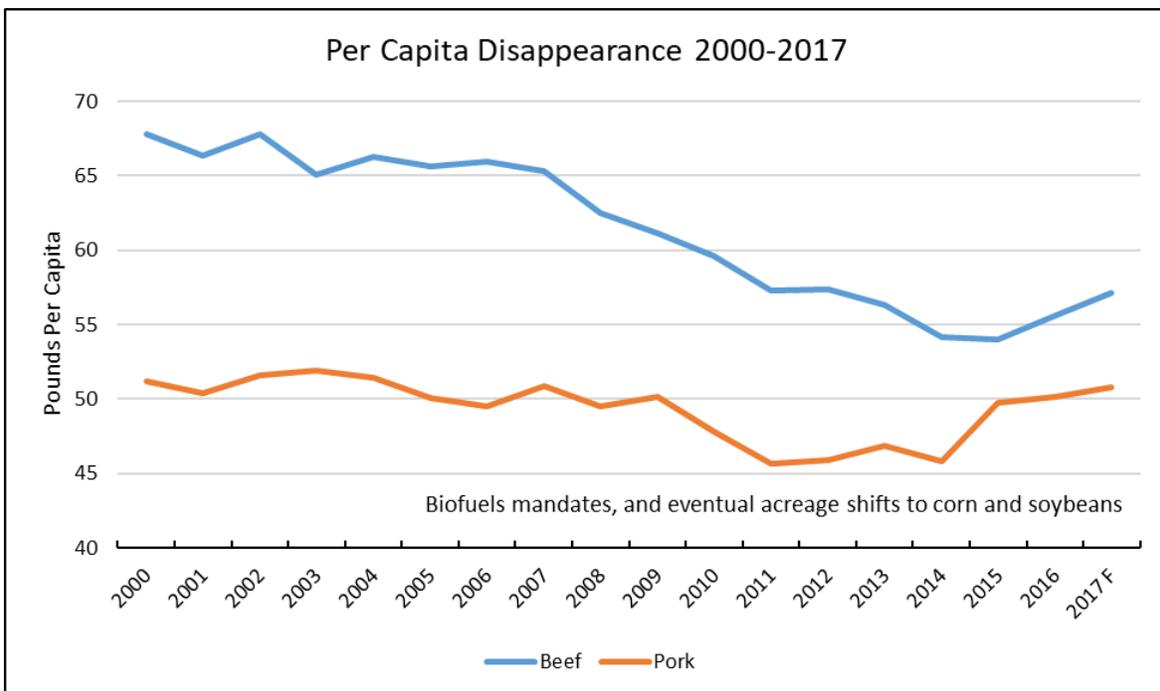


Red meats versus poultry: The disappearance recovery has strongly favored poultry. In 2000 red meat disappearance was 26 pounds higher than poultry. The 2008-2014 decline in total disappearance was

mostly in red meats. By 2014 red meats and poultry disappearance were the same, wiping out that 26 pound difference of just 14 years earlier. Since 2014 the increases in both categories are essentially the same. Pork and broilers have led post-2014 growth, but turkey has contributed 1.5 pounds.



Red meats: While pork declined from 2000 to 2014, beef was the main loser after 2007. Only since 2015 has beef staged a modest recovery. As the most expensive meat in the grocery and on restaurant menus, beef has suffered a competitive disadvantage that led to its long-term decline.

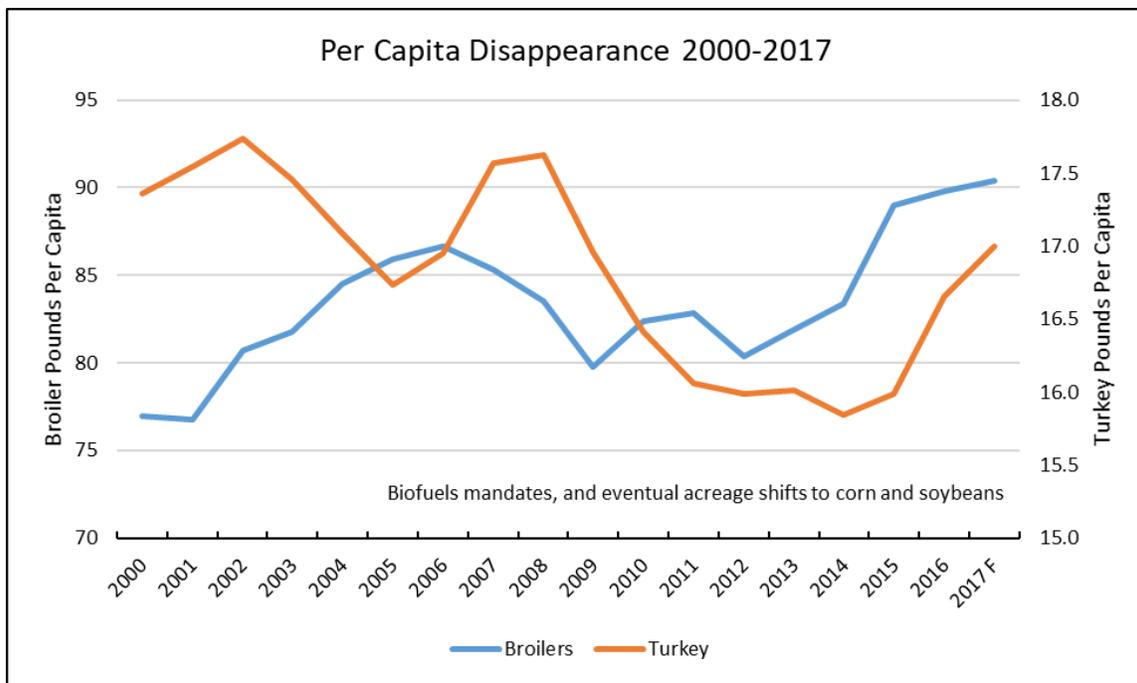


Poultry: To plot broilers and turkey in the same chart you need to use two different scales to show how they change over time. The disappearance levels are so different that plotted on a single axis they look like flat lines. When plotted correctly, the drop in post-2008 disappearance and later recovery become very apparent for both.

In the graph below broilers are measured on the left vertical axis, and turkey on the right. Broiler disappearance was growing from 2000 to about 2007. Like all other meats, disappearance dropped in 2008 to 2012. Once feed costs stabilized at lower levels, growth resumed. Disappearance has now reached record levels of about 90 pounds as costs came down, and the economy recovered after 2009.

In 2002, 2007 and 2008 turkey disappearance was very close to the 1996 record-high 18.2 pounds. Similar to other meats, disappearance contracted sharply after 2008 as costs soared, the economy went into recession, and production stagnated. Once crops improved and feed costs declined after 2012, turkey disappearance started to grow, even in the face of the 2015 HPAI outbreak. Growth has also coincided with the 2014 beginning of TDET promotion efforts.

In percentage terms, in the post-2012 era of more abundant and lower cost feed, turkey disappearance has outgrown beef and broilers, but not pork.



The long-term outlook: The forecast for 2017 and beyond is for continued growth in total meat production and disappearance unless there are disruptions in feed supply, and costs. It’s going to be a buyer’s market, with continued competitive pressure on all proteins. Unless there are further disruptions to crop supplies, by 2018 or 2019 disappearance will be back closer to the pre-ethanol 220 pound per capita level. Protein production increases will slow as the reality of plentiful supplies are reflected in producer bottom lines.

Data Source: USDA/Economic Research Service, Livestock & Meat Domestic Data spreadsheet