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CONNECTING LIVESTOCK PRODUCERS WITH ECONOMIC RESEARCH

This publication seeks to facilitate a wider distribution of peer-reviewed journal article information on economic issues of interest to modern livestock producers and other industry decision makers.



CLIPPER Series

1. Importance of Health Attributes in Purchasing Decisions

Summary: A recent study evaluated the importance of health attributes including fat content in ground meat purchasing decisions of Canadian households. Examining consumption data ending in 2007, the authors found extra lean products across species (e.g. ground beef and chicken) to be stronger substitutes than products within a species (e.g. extra lean and “regular” ground beef).

Implications: This study’s findings suggest Canadian meat consumers have influential health preferences driving purchasing decisions. While a direct parallel application to US consumers is not readily available, US livestock producers and industry stakeholders should recognize the likely similar increase in domestic demand for “healthier” products. This study is also an example of how assessments of consumer demand for products at a less aggregate level (e.g. examining extra lean and regular ground beef rather than beef in composite) can be conducted with household- and retail-level scanner data. Industry stakeholders would be well-served to recognize parallel insights, beyond demand for leanness as focused on in this study, offered by these more detailed data sets and facilitate corresponding research opportunities of benefit to the industry.

2. Cow-Calf Producer Risk Preferences

Summary: Researchers at Kansas State University recently examined how risk preferences of cow-calf producers influence decisions regarding retained ownership of calves post-weaning. The authors found the most risk-averse producers to have a 60% probability of selling calves at weaning compared to a 20% probability for the most risk-tolerant producers.

Implications: Agricultural economists have a long history of researching the profit potential of various ownership and marketing strategies available to cow-calf producers and yet regularly find themselves asking why observed behavior does not better match their expectations. This study’s implication of risk preferences being a significant driver in these decisions should deepen understanding of typical producer ownership patterns. The implications of this are timely in the current cattle market of historically higher price volatility coupled with at least periodically historically high potential gains



from retained ownership. Furthermore, the implications of this on what segments of the cow-calf industry are most (or least) likely to pull the trigger on individual herd expansion, and the parallel decision regarding subsequent retained ownership strategies, is important to observe if and when the national beef cow herd begins to expand.

3. International Cattle ID and Traceability - US Implications

Summary: A recently released study led by Kansas State University economists examined the status of cattle identification (ID) and traceability systems globally. The authors found the US lags behind both major export and import countries in the development, implementation, and adoption of cattle ID and tracing systems.

Implications: The observation of domestic cattle ID and tracing systems lagging behind a developing global standard is particularly troubling. While US cattle markets in 2011 were notably boosted by growing beef exports, the comparative disadvantage regarding current ID and tracing systems puts these (and future) beef export gains at risk. Moreover, to date the domestic beef market has largely been trusting of US cattle producers and not overwhelming “forced” implementation of additional ID and tracing systems. This lack of domestic pressure may soon change as domestic consumers are increasingly interested in understanding food production practices. Moreover, this “blessing” of limited domestic pressure to-date may eventually be looked back upon as a “curse” in that it failed to further encourage quicker implementation of additional ID and tracing systems. The US beef industry would be well served to give these and related implications of this study serious thought before additional ID and traceability systems further and more fully become a “cost of doing business” both domestically and abroad.

References:

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Glynn Tonsor
Kansas State University
Department of Agricultural Economics
342 Waters Hall
Manhattan, KS 66506-4011
785.532.6702
www.agmanager.info