

# Surviving High Price\$: Beef Demand

Charley Martinez

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## Overview

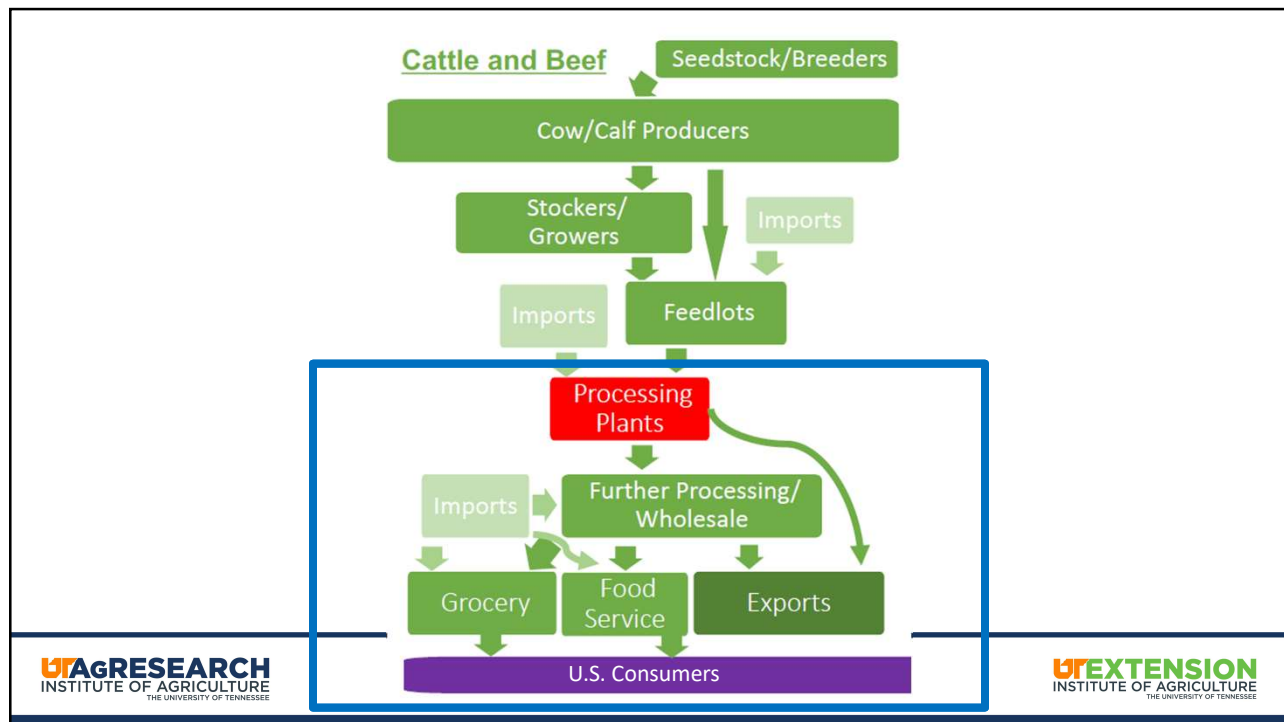
- ❖ Dr. Anderson's Talk
  - Supply
  - Prices
  - Demand
- ❖ Setting the stage for the other talks

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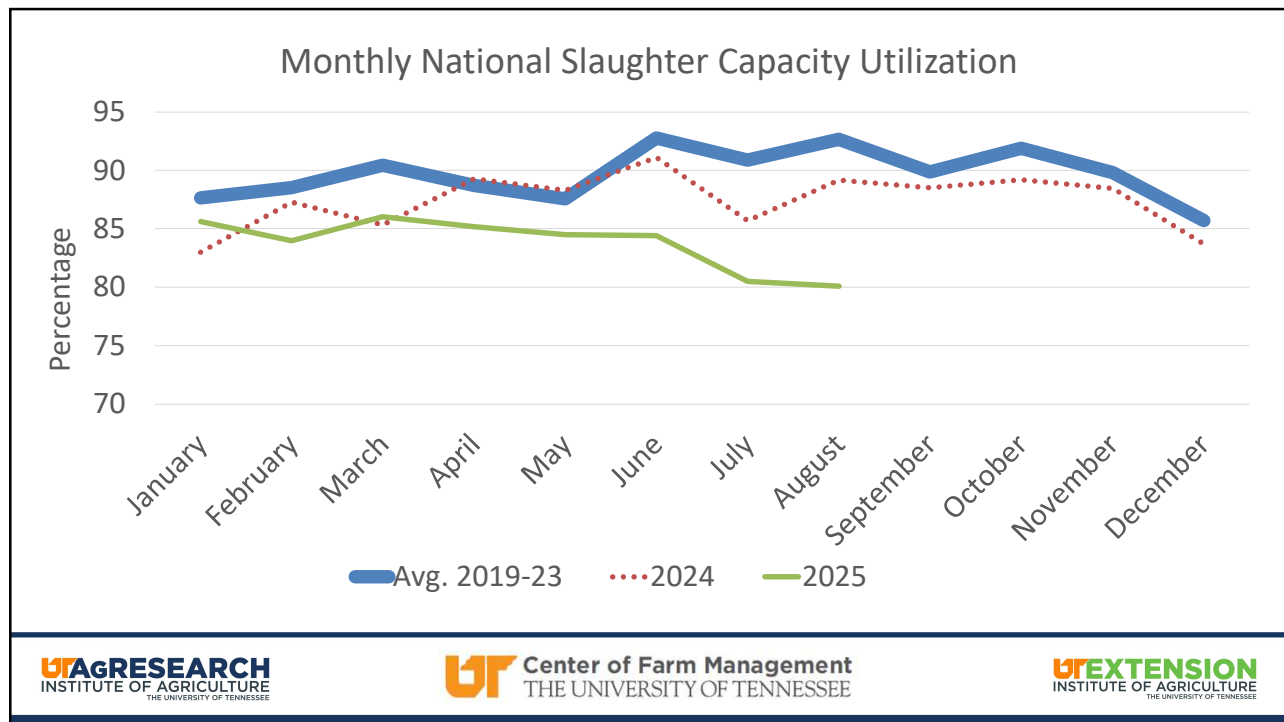
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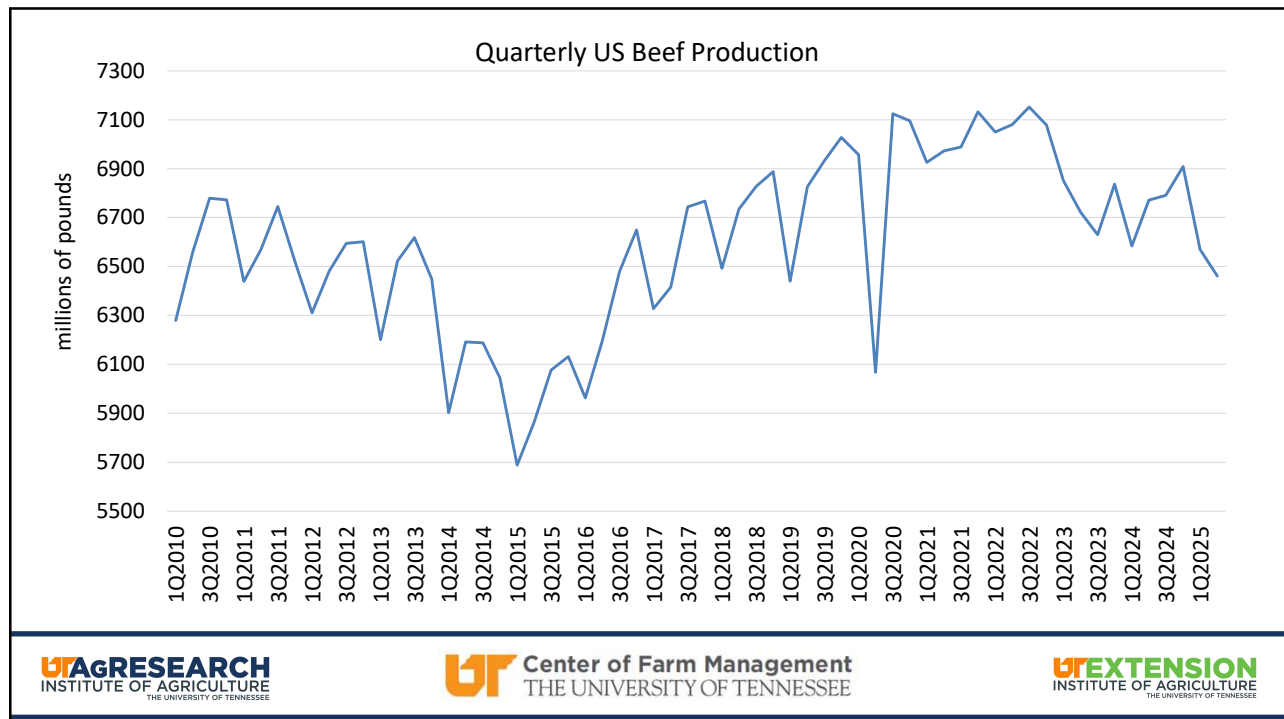
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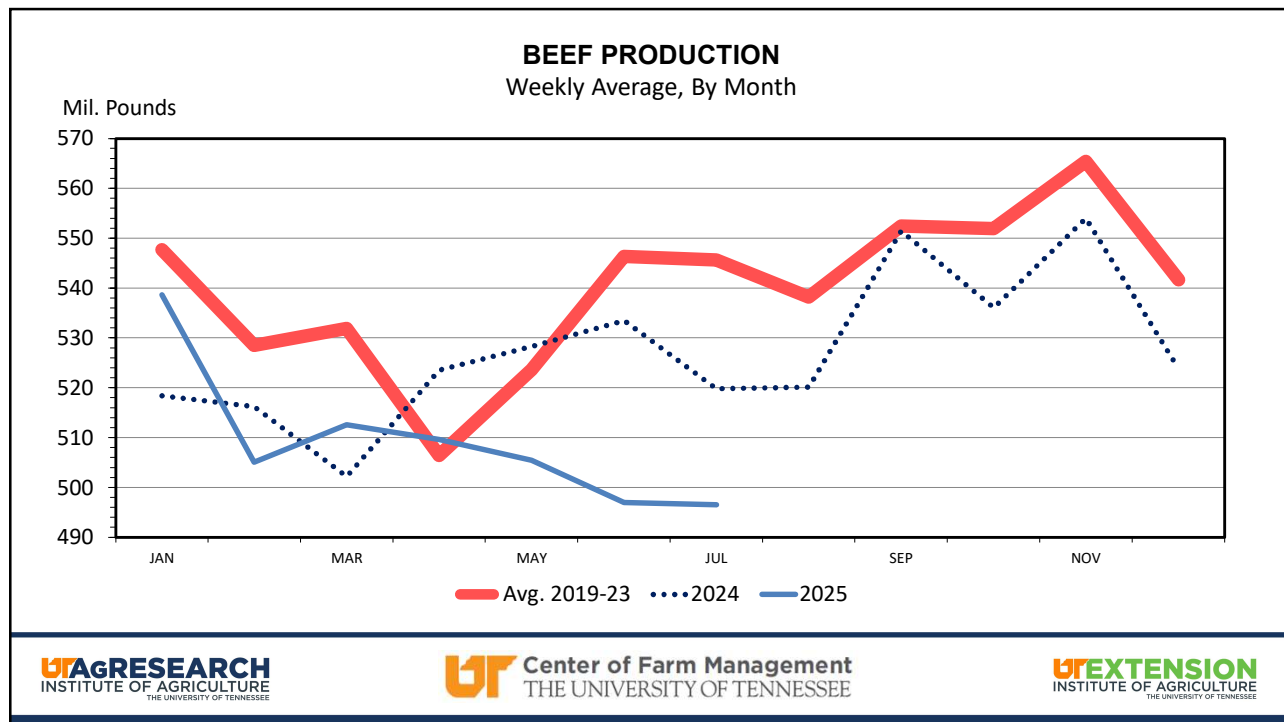
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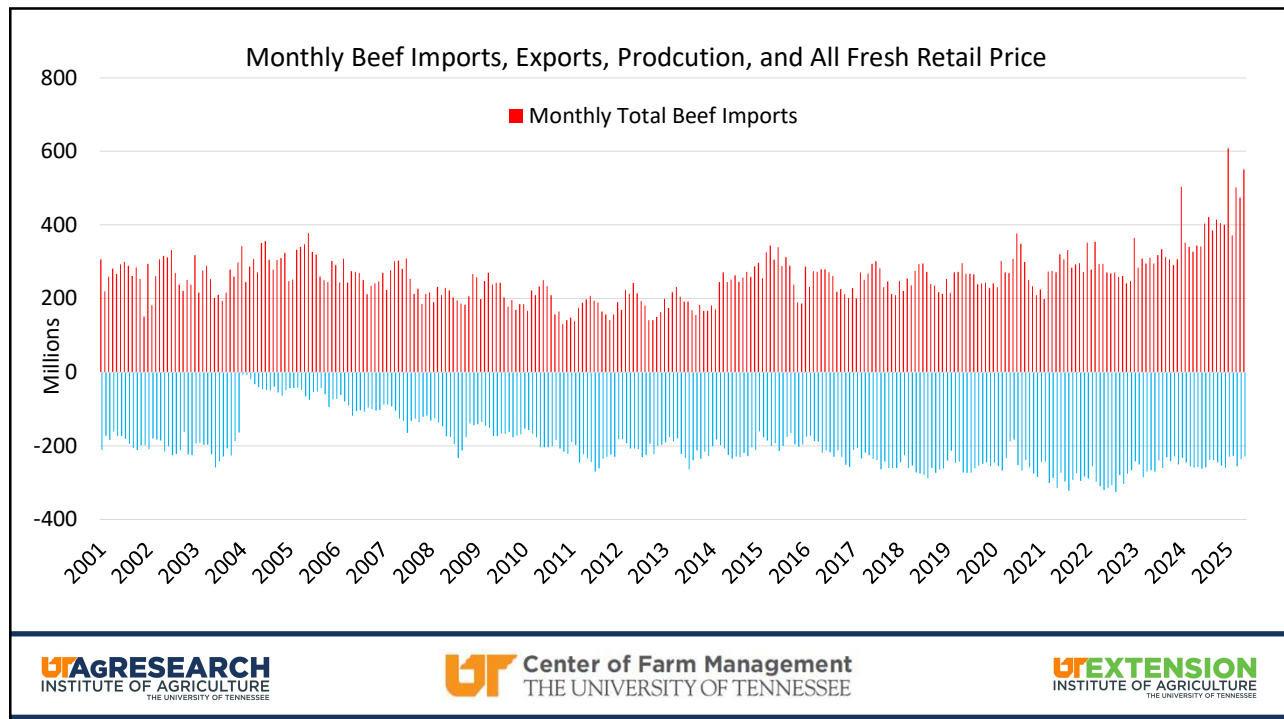
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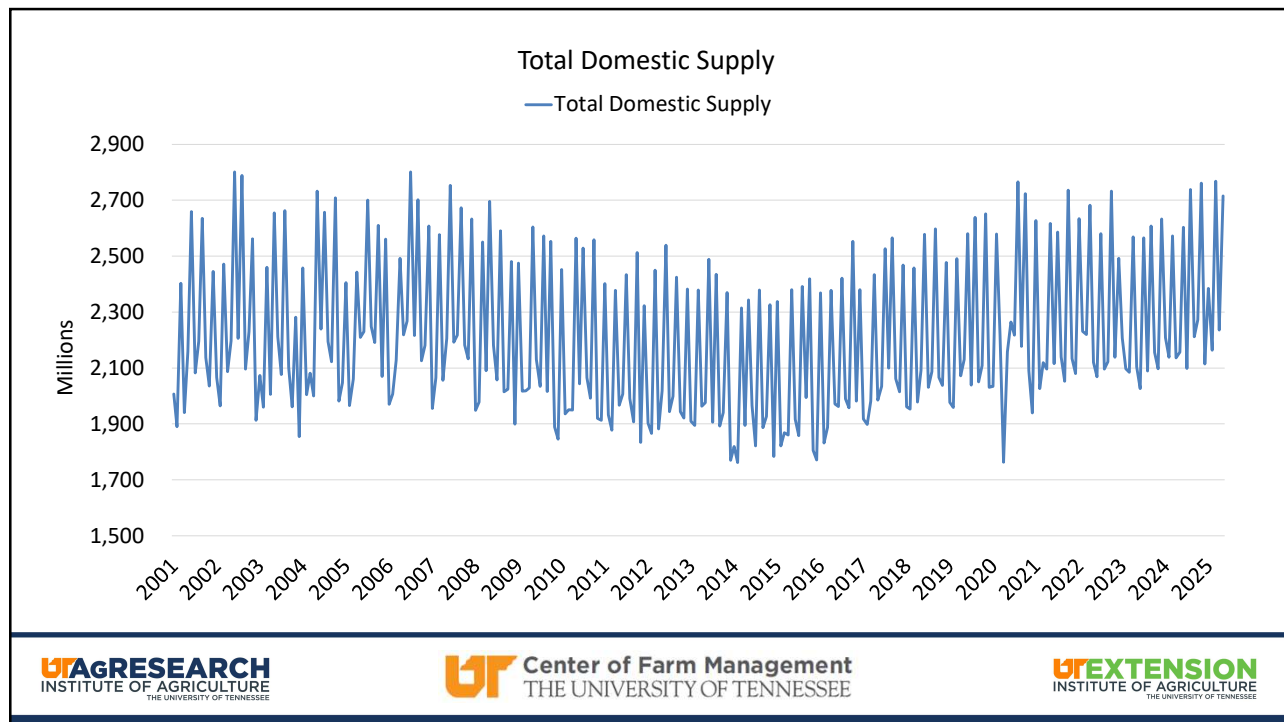
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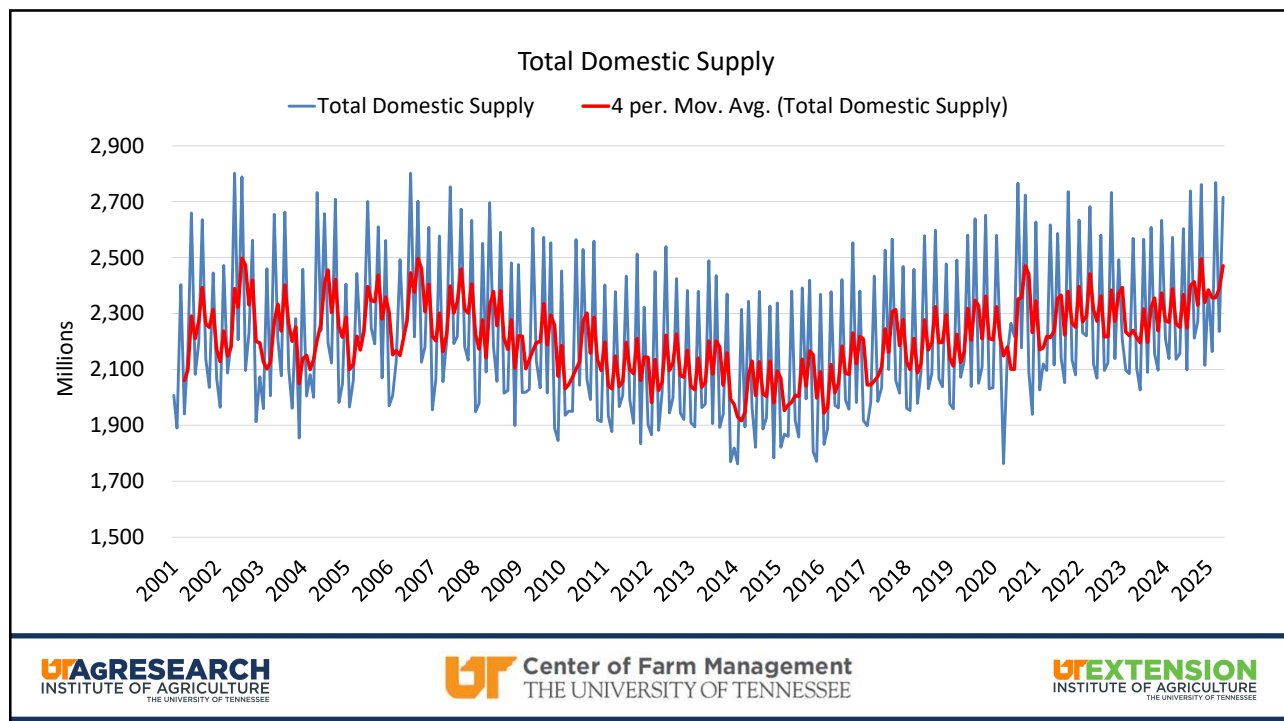
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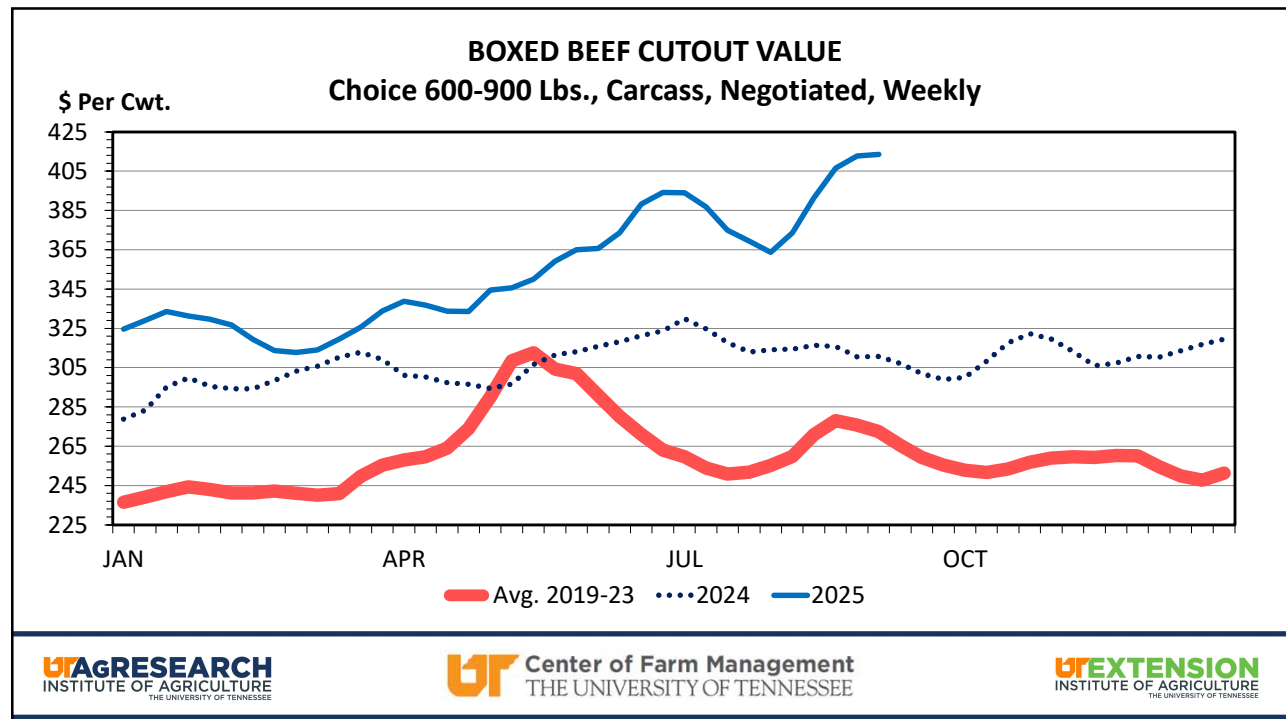
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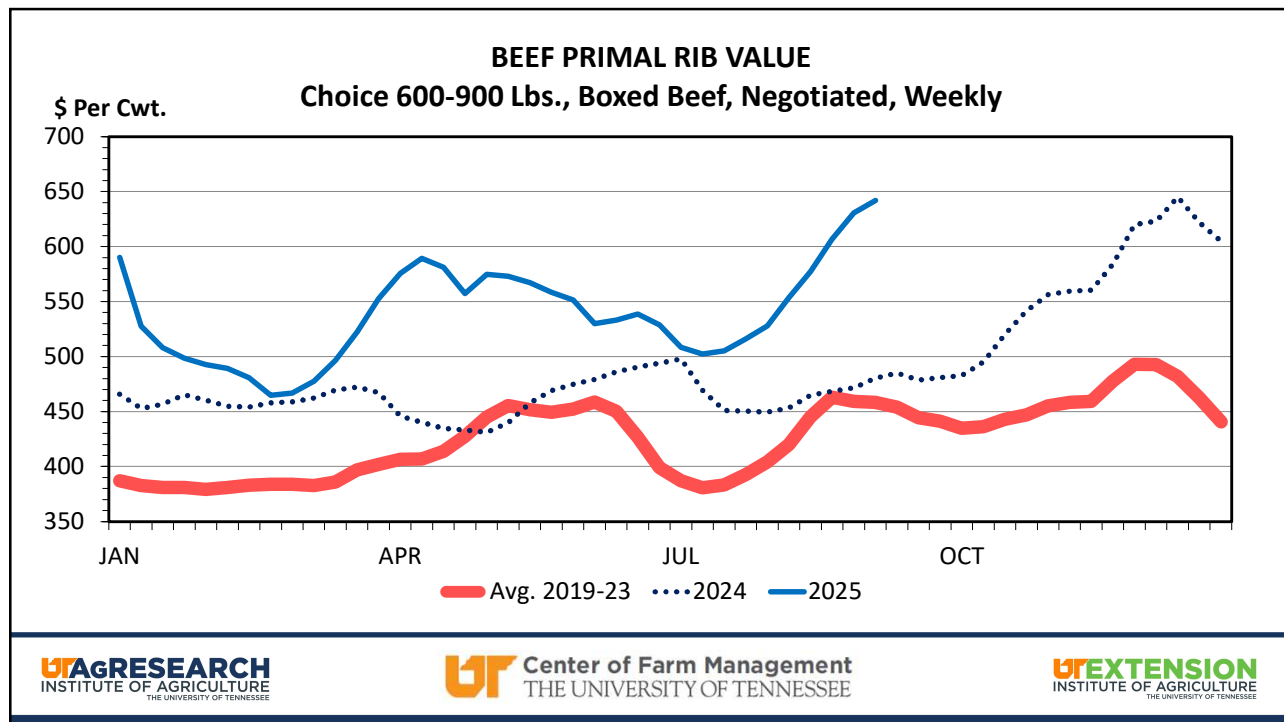
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# Prices

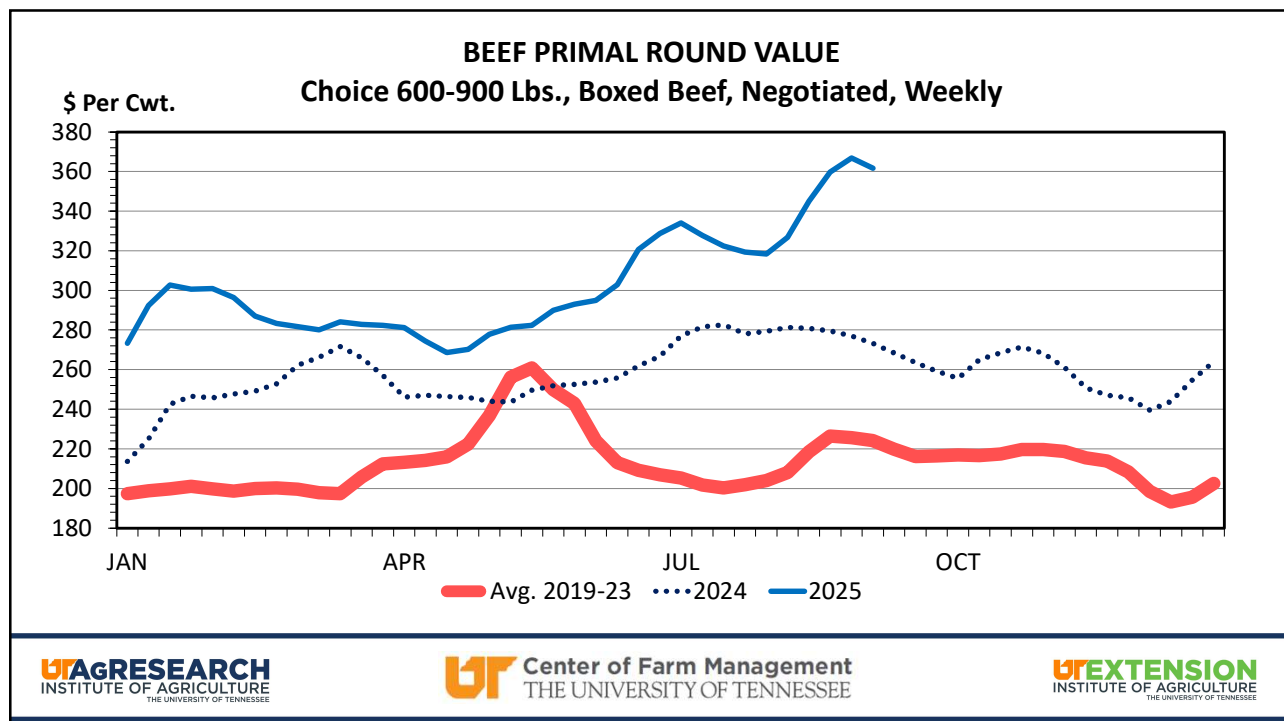
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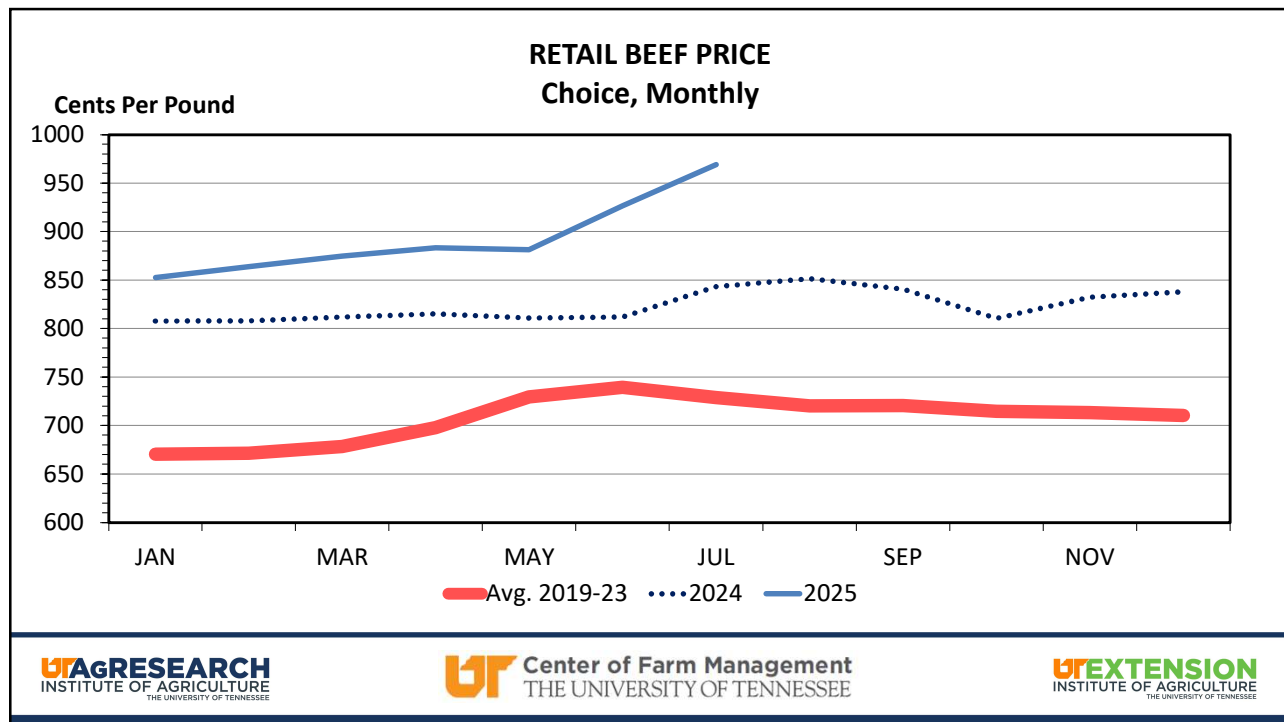
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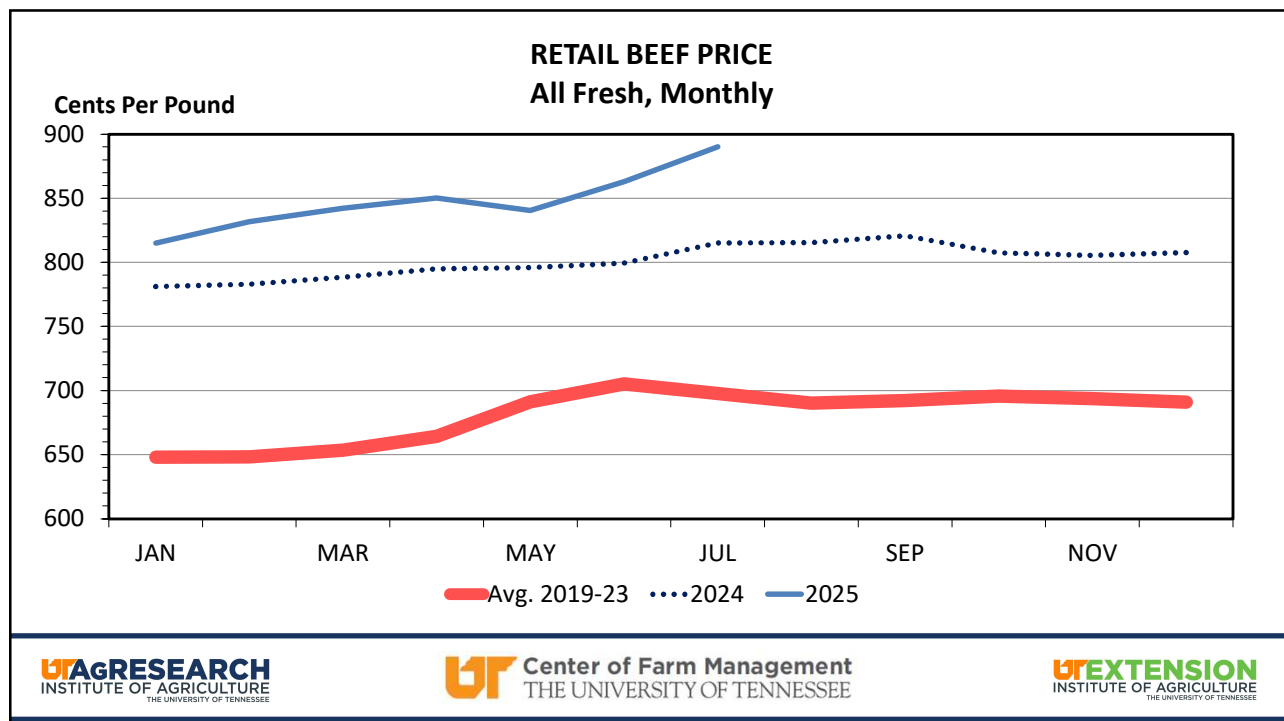
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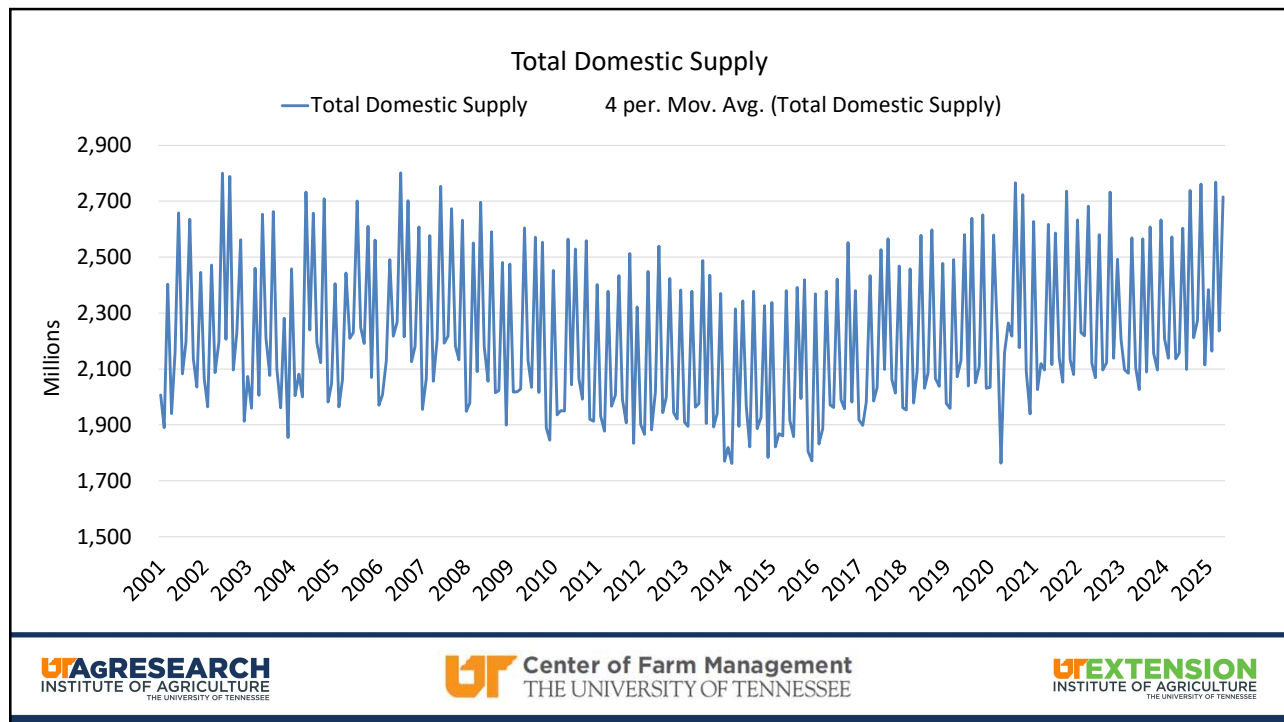
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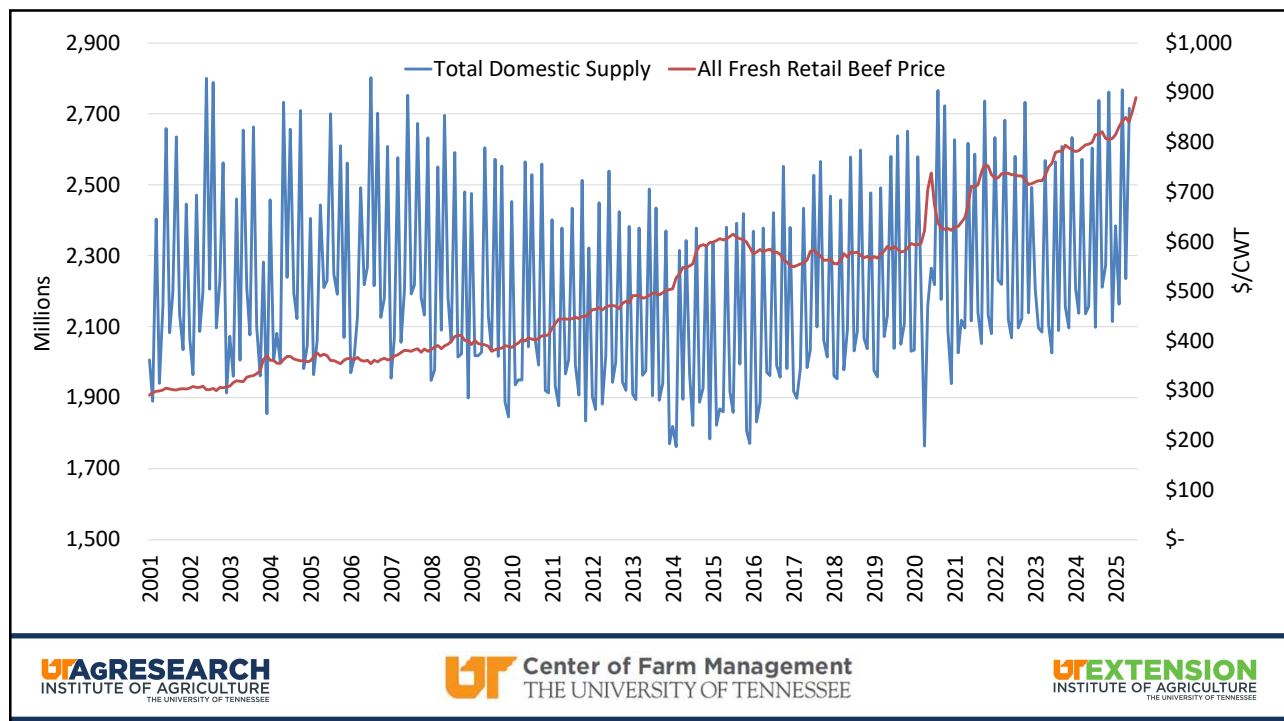
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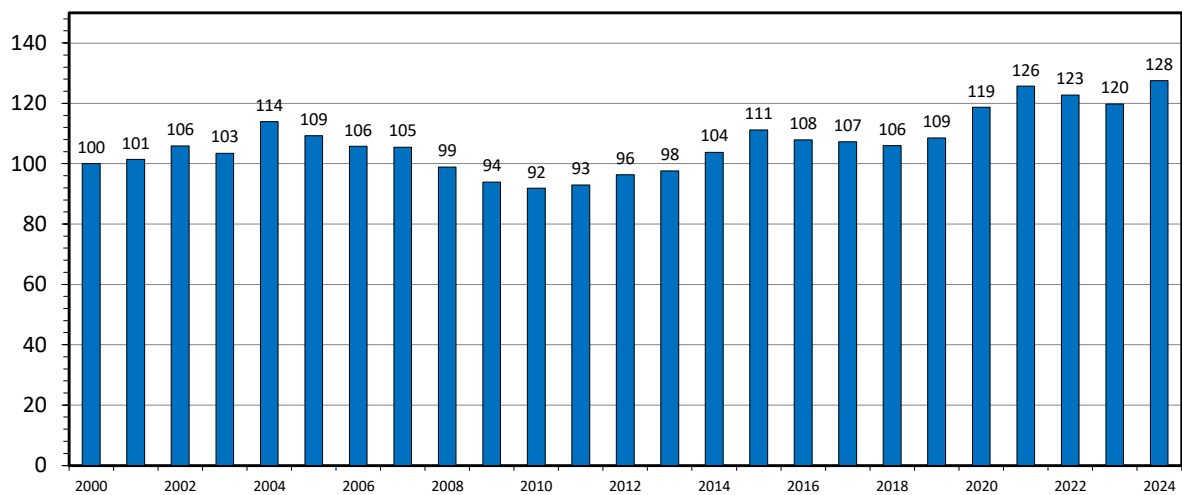
# Demand

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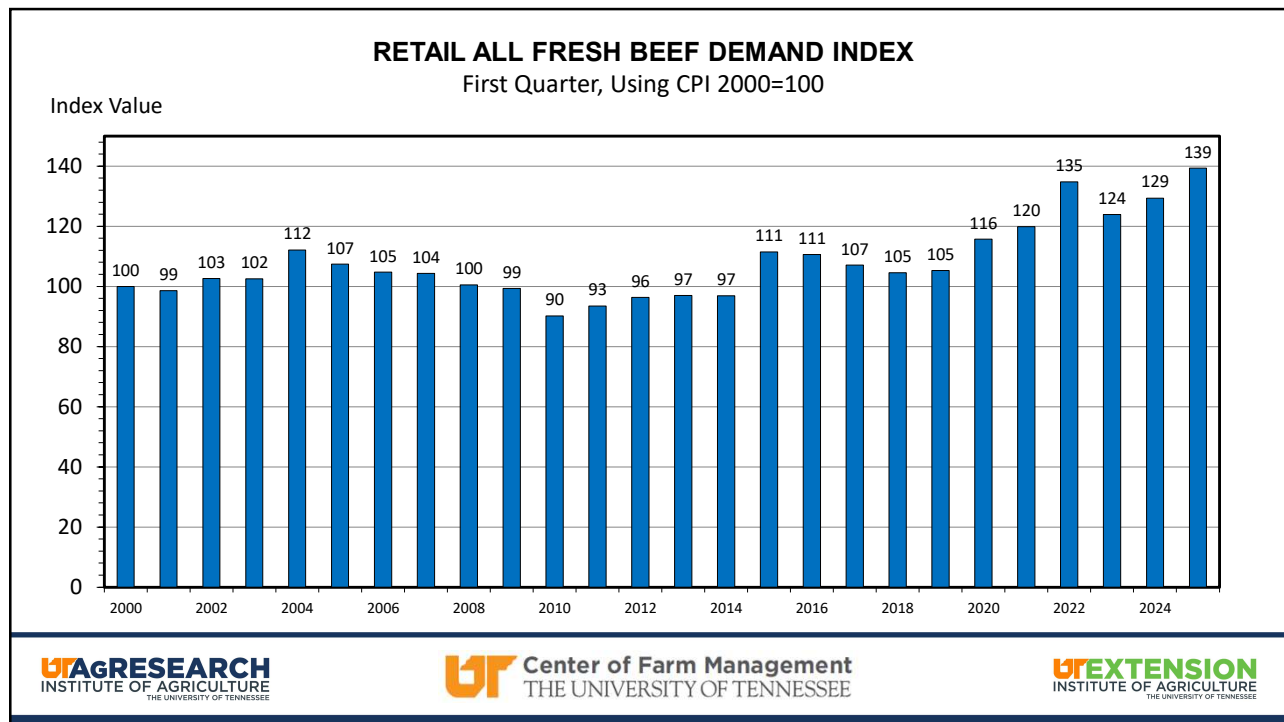
## RETAIL ALL FRESH BEEF DEMAND INDEX

Annual, Using CPI 2000=100

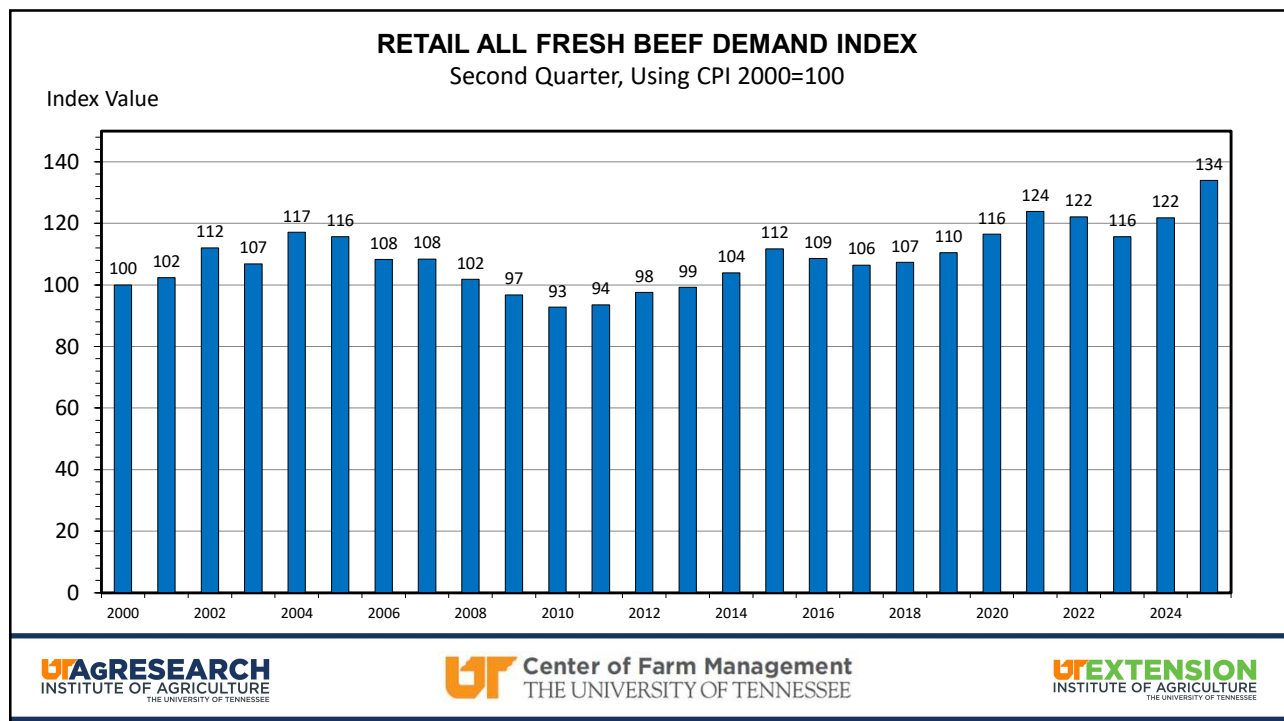
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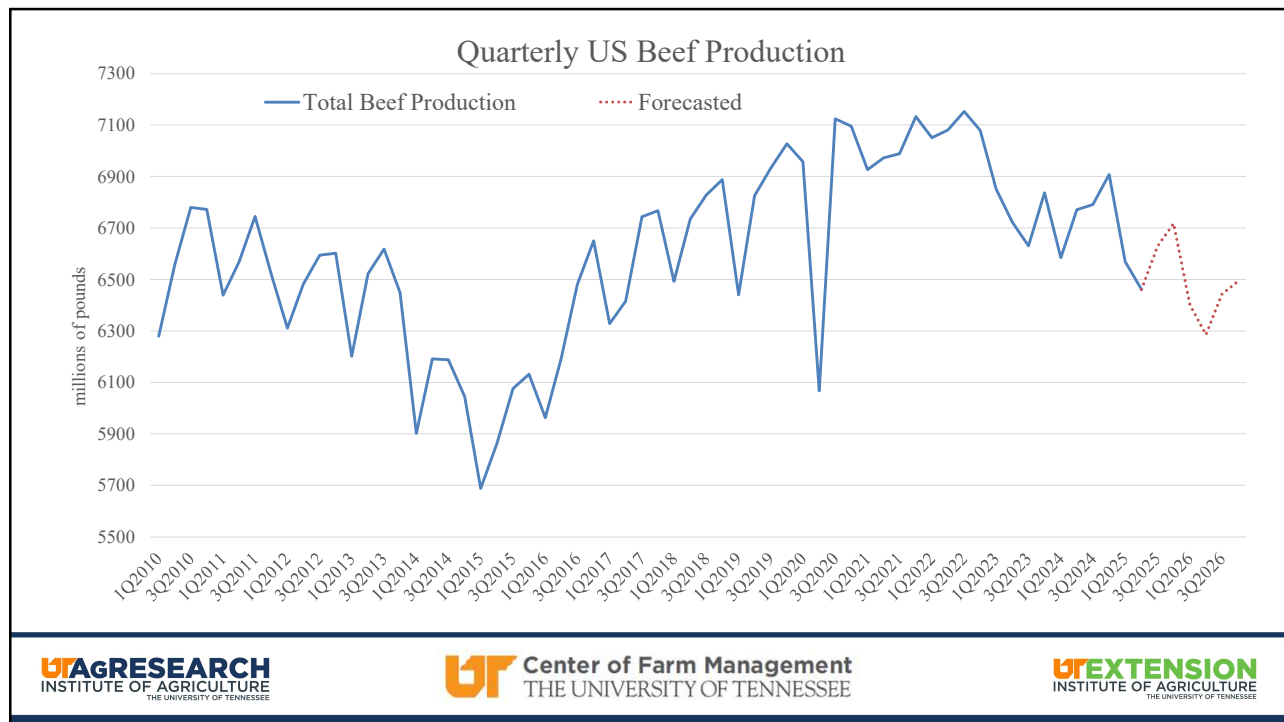
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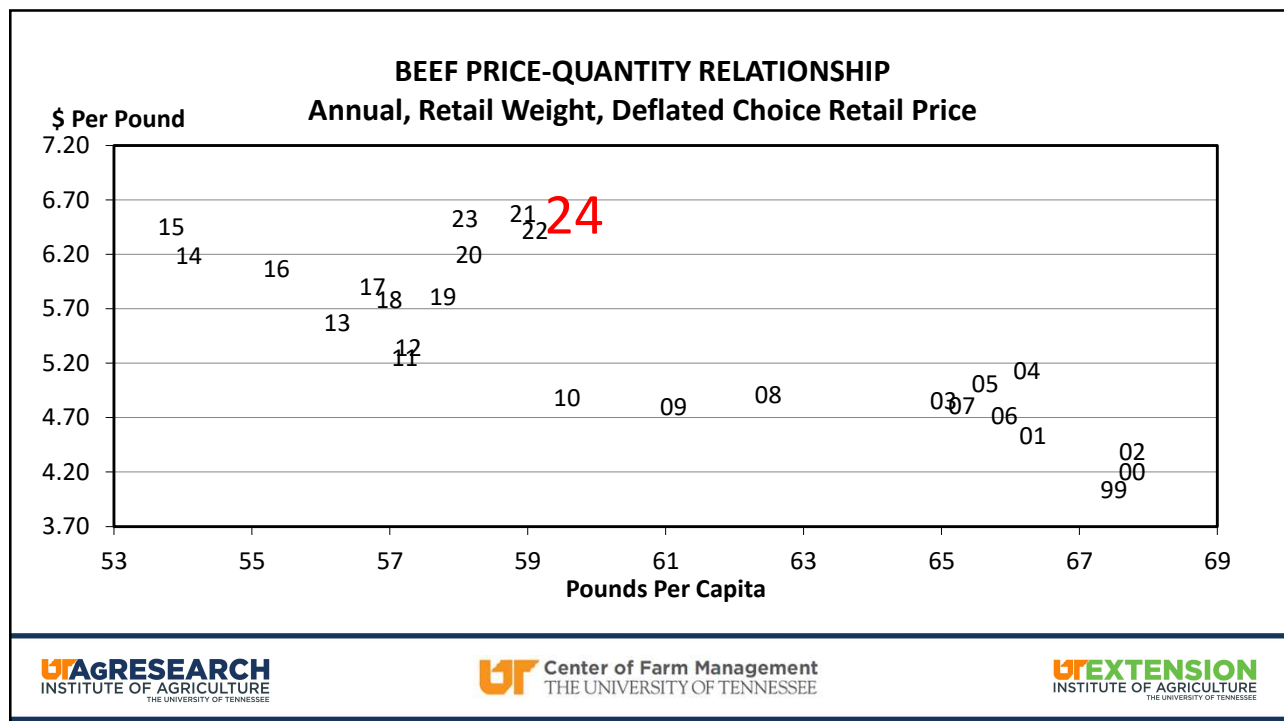
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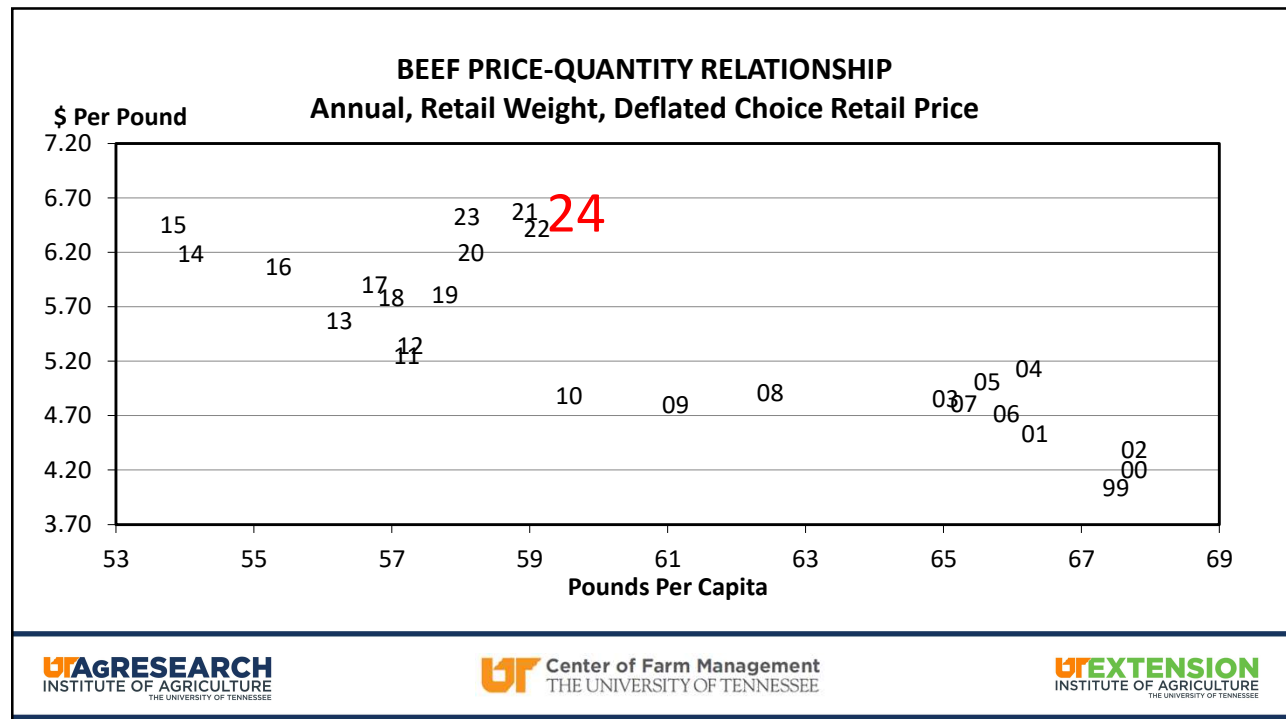


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## Takeaways

- Beef demand has been strong during this price run
  - Different cut selection? Size? Thickness? Amount?
- Elastic?

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# Takeaways

- Beef demand has been strong during this price run
  - Different cut selection? Size? Thickness? Amount?
- Elastic?
- Give an anchor for prices to stay in the current realm, but risk management could be/is useful

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### Growth in Forward Delivery Beef Sales

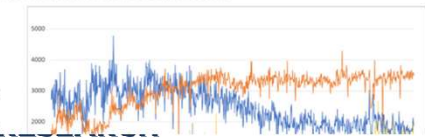
In 2022, beef production has been higher than last year. An indication of beef demand can be seen in wholesale beef prices. Anderson (2022) highlighted how the wholesale price of primals translate to the retail consumer. In addition to the based beef output value report, beef sales in the wholesale market can provide insights into current and future market demand for increased beef production this year.

Beef sales are reported by four types or methods: negotiated cash sale with the beef being delivered in 0-21 days, negotiated cash sale with the beef delivery in 22+ days, formula, and forward contract. For definition, a negotiated sale can have a delivery window of either 21 or less days or 22+ days. This means that the contracted beef will be delivered from the packer to the buyer in either 21 or less days or in 22 or more days. Prior to the mid-2000s, most beef was sold using negotiated cash sales. After the mid-2000s, formula-based sales became the predominant way beef was sold in the wholesale market. Although volume of negotiated sales has decreased since 2002, the decrease depends on the type of delivery window of the sale. The trends and data discussed below use sales data from the weekly comprehensive output report. Figure 1 displays the total number of weekly total sales for the four transaction methods: negotiated cash sale with the beef being delivered in 0-21 days, negotiated cash sale with the beef delivery in 22+ days, formula, and forward contract.

As indicated in Figure 1, negotiated sales with delivery in 21 days or less (blue line) has trended downward since 2010, while negotiated sales with delivery in 22+ days (yellow line), and formula sales (orange line) has trended upwards in volume during the same time frame. Forward contract volumes have remained relatively unchanged. Thus, the net loss seen in negotiated beef sales is attributable to the decrease in negotiated sales with delivery in 21 or less days.

Compared to this week a year ago, volume of negotiated sales with delivery of 0-21 and 22+ days are down by 18% and 7%, respectively. But, through September of this year, volume of negotiated sales with delivery of 0-21 and 22+ days are down by 2%, and up 6%, respectively. The increase use of negotiated cash sales with deferred delivery could be an indicator of risk management by wholesale market participants with an expectation of future price movement.

**Figure 1. Weekly Beef Sales by Transaction Method, Number of Lots**






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**Charley Martinez**  
[cmart113@utk.edu](mailto:cmart113@utk.edu)

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