

# Experts Say Beef Prices Will Likely Rise for 2 Years

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Consumers should expect higher beef prices for the next two years due to the smallest cattle herd in 60 years, and it's unclear whether costs will drop in later years because growing demand could keep supplies tight even as ranchers breed more animals.

Experts said retail prices for beef could climb as much as 10 percent a year in 2012 and 2013, and the increase could be even greater if demand from other countries increases.

Last month the U.S. Department of Agriculture reported the U.S. herd had declined to 90.8 million cattle, 2 percent less than the previous year and the lowest inventory since 1952, when there were 88.1 million.

"We're producing less beef so prices are going to go up," Texas AgriLife Extension Service livestock economist David Anderson said.

Ranchers have sold more of their cattle in recent years to meet increased costs for feed, fuel and other expenses. The soaring feed costs come amid heightened demand for corn to produce ethanol and to meet a growing export market.

The situation has been worst in Texas, the nation's leading cattle producer, and other parts of the southern plains and southwest, where a record drought caused pastures to wither, leaving ranchers with few options but to sell their cattle or pay top-dollar for feed.

There are 1.4 million fewer cattle — a record 660,000 of those cows — in Texas this year compared with the previous year, accounting for about 74 percent of the drop in numbers nationally. The animals were either moved to another state or were slaughtered.

Texas still leads the nation with 11.9 million head of cattle and calves, an 11 percent drop from last January. Cattle numbers plunged 12 percent in Oklahoma, to 4.5 million head, and in New Mexico by 10 percent, to 1.39 million head.

While cattle numbers dropped in those states, they have climbed elsewhere, especially in the Northern Plains where more rain led to plentiful pastureland.

Even in the southwest, there has been some good news, as the USDA reports that producers held onto more heifers, or young cows, than some expected. The January report showed a 1 percent increase over last year's number of heifers retained.

That could put the industry in position to grow the herd more quickly

Until the cattle supply increases, consumers will see higher prices, said Lane Broadbent, a livestock analyst with KIS Futures in Oklahoma City.

Broadbent said worldwide demand for U.S. beef also could increase in the next couple of years, causing prices to stay steady or rise even if the herd size grows as expected.

"An era of cheap meat might not happen for another two to three years," Broadbent said. "It's basically supply and demand, and this USDA report showed that our supplies are going to increase."

USDA livestock analyst Shayle Shagam said producers who see good prices at auction might still sell off their heifers. Ranchers must weigh whether they'll come out ahead by selling those heifers in coming months or hang onto them and sell the calves from the animals.

"There's potential for increased retention," Shagam said. "How that evolves during the year will depend on these producer decisions."

The cattle industry has for decades gone through cycles of expansion and contraction. The U.S. herd typically grows for about 10 years before supplies increase to a point where cattle and beef prices begin to drop. That's when ranchers begin to sell off their animals and the contraction begins.

"This is free enterprise," Texas AgriLife Extension Service economist Stephen Amosson said.

"Everything goes to the bottom line. If they'd be making a bunch of money they would have been expanding before this."

Starting in the 1980s and through the 1990s the cycles were influenced by a shift in demand, which brought about big declines in cattle numbers. During that time people began to eat more chicken when the meat started showing up as nuggets, wings and in forms other than whole chickens, Anderson, the economist, said.

The USDA projects per capita beef consumption will drop to 55.7 pounds in 2013 before climbing to 58.9 pounds in 2020. Meanwhile per capita consumption of chicken was forecast to increase throughout the

decade, with 2020 showing 91.5 pounds.

Richard Thorpe, a rancher in Winters, about 200 miles southwest of Fort Worth, culled more than 75 percent of his 1,000-head herd because of drought. He plans to slowly rebuild with the animals he kept, and is optimistic now that the long drought is finally over.

“We've kept the youngest, best and most fertile,” said Winters. “We have a lot of hope we are through with this horrible drought. What makes it scary to us is we have to have spring grass.”