

Smaller cattle herds lead to rising beef prices in U.S.

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Cattle futures have reached record highs 10 times so far this year as rising demand for U.S. beef tightens supply and increases costs for restaurants, including Chipotle Mexican Grill Inc. Feeder cattle also reached a record.

The U.S. cattle herd as of Jan. 1 was the smallest for that date since 1952, and beef exports surged 21 percent in 2011. The U.S. Department of Agriculture forecast a 4.1 percent drop in beef output this year, boosting the cost of the meat for consumers by as much as 5 percent this year, more than any other food group except seafood.

Global food prices in January rose by the most in 11 months. Retail beef last month was the most expensive ever, and wholesale prices are up 13 percent in the past year, boosting costs for retailers including Whole Foods Market Inc., the Austin, Texas-based owner of specialty supermarkets, and Ruth's Hospitality Group Inc., operator of upscale steakhouses.

"Everyone wants to be bullish on cattle just because of the lower supplies," Chad Henderson, a market analyst at Prime Agricultural Consultants Inc. in Brookfield, Wis., said in a telephone interview. "That's where all the bullish enthusiasm comes from."

The cattle are fattened on corn for about four to five months until they weigh about 1,200 pounds, when they are sold to meatpackers.

Ruth's Hospitality, based in Heathrow, Fla., projects beef inflation ranging from 5 percent to 8 percent this year, Chief Financial Officer Arne Haak said during a recent earnings conference call. Whole Foods has had "sharp cost increases" for meat, Co-Chief Executive Officer Walter Robb said on an earnings conference call.