




HEARTLAND

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ANNUAL CATTLE ISSUE

New Age Farming and Old Traditions

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WHO'S GOT BEEF WITH HIGH CATTLE PRICES?

By Audra Clemons

For producers, the selling price of cattle is historically the highest it has ever been, which means consumers, on the other end, have some beef with their beef prices. When consumers scream for change, a slow shift in the economy occurs. However, contrary to popular belief, there are a myriad of factors that contribute to these high prices; let's explore them.

Simple economics show that when product demand is high and supply is low, the product price will also be high. Currently, cattle inventory in the United States of America is the lowest it's been since 1945. This coupled with high land prices due to land development, drought conditions and environmental protection policies have reduced herd size. On the other end of the spectrum, demand has increased because of population growth in our country; better economic conditions in the Asian market; and leaner, healthier cuts of meat being offered due to ramped-up research and development.

Input costs to maintain a cattle herd also contribute to the price tag of meat in the grocery store. Higher costs of feed, fertilizer, fuel, animal health services and government regulations have all played a part in the total cost of the final product - meat.

Corn is another contributor. The most fundamental commodity in the food chain is corn. Corn used to be so cheap that farmers had to be subsidized by the government to stay in business. The Federal government came up with the CRP (Crop Reduction Program) to lower the amount of acres of corn being planted. The Federal government actually paid farmers NOT to plant corn in order to raise the price on the market.

The green economy also comes into play when mentioning corn. Trucks and cars were scorned for running on gas, and bio-diesel was considered to be the more environmentally friendly, alternative choice. With the price of oil being exorbitant, our country was dependent on foreign oil to meet our needs. We could not refine all the oil needed to meet our country's needs. Hence, a mandated ethanol blended gas. Where does ethanol come from? Corn. And, what did the high price level of corn do to the cost of beef? Made it go higher, of course.

When corn goes high, it has a drastic effect on the price of all food because it is used in so much of what we eat. When consumers became concerned about the high food prices, the Federal government reduced the level of mandated ethanol gas that had to be processed. (In the meantime, new oil fields are being discovered but there is controversy over whether-or-not harm will be done to the environment if these lands are drilled for oil. The bottom line here is don't make fuel out of food.)

This brings us to the new World Market, also a large contributor to high beef prices. As third-world countries reach an economic level and have the ability to modify their diets, they add protein - meat. The first thing people do as they attain a higher income is to eat better. The Trans Pacific Pact being negotiated now will further enhance our country's ability to export beef at a more competitive price by lowering tariff rates.

In conclusion, all of these factors combined play a role in the high beef prices we are experiencing. Furthermore, and going by a standard economic structure, we can expect to see these beef prices remain high until a level is reached where the cattle herd increases to meet the consumer demand. And, that's the dish on beef prices!