

# Cattle, Beef, and AgInflation

by Brett Stuart

We are in the midst of a “perfect storm.” Just as global economic and population growth are springing millions per year out of the third world, regional droughts combine with U.S. renewable fuel mandates to create a wave of hyper-inflation in the grain markets.



2007 corn crop appears well on track to reach expectations above 13 billion bushels, we are fortunate to have had the planting and growing conditions necessary to get there. While these favorable conditions may continue next year and beyond, a drought in the Corn Belt would cause corn prices to skyrocket and feeder and calf prices to do just the opposite. More corn will be needed next year (and the next) to fuel the expanding ethanol production. Keep in mind: Corn at \$5 per bushel on a \$90/cwt. fed cattle market makes 550-pound steers worth \$75-80/cwt.

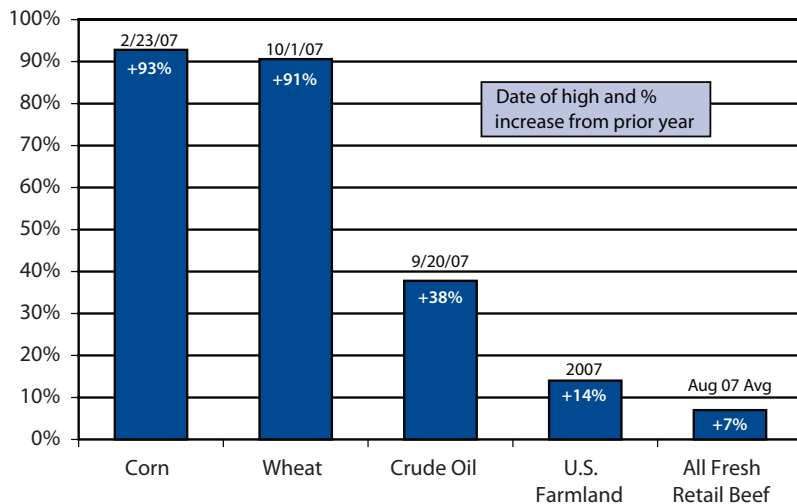
- Consumer dollars will be stretched. While showing strong preferences for beef in recent years, consumers faced with higher costs of bread and milk may cut back on beef spending. Record high-beef prices are meeting with record high pork production and may trim beef’s market share on consumer’s plates. However, this is not a disaster considering the tight beef supplies. With beef cow slaughter still 10% above last year and heifer placements above previous herd-building levels, these tight beef supplies will exist in 2008 and at least through 2009.

Wheat and corn have seen highs near 100% above previous year levels during the last year. Soybean prices saw a 91% increase, while fluid milk prices jumped up 50%. The lack of growth in the U.S. beef cattle herd and strong consumer demand drove the U.S. all-fresh retail beef price to an all-time record in September at \$3.85 per pound. Crude oil reached record highs above \$83 a barrel in recent weeks, a 361% price increase from January 2002 when crude oil traded at \$18 per barrel.

Since none, if any, of these factors appear poised to relax anytime soon, what does this mean for the cattle industry?

- First of all, production costs will remain high. Fertilizer, diesel, land and equipment will continue to drive cow/calf costs higher.
- Volatility will continue in feedgrains markets. While the

Recent Inflation Peaks



Sources: CBOT, NYMEX, USDA

## NAHMS Launching New Study

This November, personnel from state agricultural statistics offices in the nation’s 24 major cow-calf states will visit beef cow-calf producers to enroll them in Beef 2007-08, the National Animal Health Monitoring System’s (NAHMS) new study of the U.S. beef industry. The study will help producers benchmark their operations against others in their region and nationally. Producers will be asked to provide basic information on production practices and animal health.

Producers on qualifying operations will be invited to collect biological samples that will be tested to

determine if their operations have calves persistently infected with BVD virus and to evaluate the parasite burdens in their cattle. Testing will be done at no cost to participating producers. All information supplied to USDA as part of Beef 2007-08 will be confidential, and no individual data will be reported. For more information, contact Dr. David Dargatz at (970) 494-7000 or [NAHMS@aphis.usda.gov](mailto:NAHMS@aphis.usda.gov) or Teresa Howes at (970) 494-7410, [teresa.k.howes@aphis.usda.gov](mailto:teresa.k.howes@aphis.usda.gov) or visit the NAHMS Web site at: <http://nahms.aphis.usda.gov>.