# THE FACTS BEHIND BEEF PRICES

## INCREASING FEED COSTS

The 2012 U.S. drought reduced grain and oilseed yields, and pushed up feed prices for livestock producers. That summer, corn prices increased 60 percent and soybean meal prices increased 25 percent.

## GLOBAL DEMAND

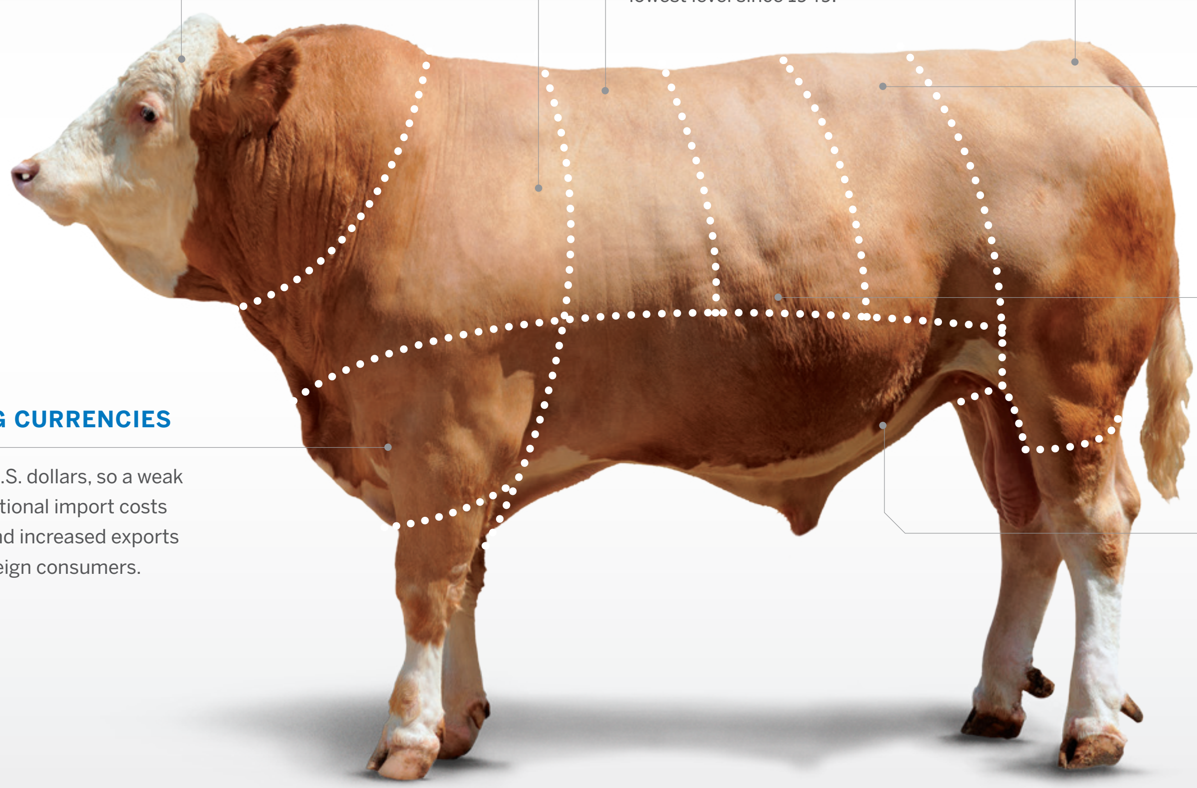
A growing middle class in China and India means increased demand for meat. The U.N. estimates 50 percent more food will need to be produced by 2030 to meet growing global demand, with world population expected to reach 9 billion by 2040.

## WEATHER

Severe U.S. drought in 2011 and 2012 – and the ensuing shortage of feed and grass – resulted in ranchers sending cattle to market sooner to thin out herds, rather than bear the cost of feeding large herds through the winter. The 2011 beef cow slaughter was 15 percent higher than the previous 5-year average. Additionally, the 2012 calf crop was at its lowest level since 1949.

## COMPETITION

Pork and chicken price levels impact the cost of beef because these alternative protein sources are less expensive per pound and compete for consumers' spending.



## GLOBAL TRADE RESTRICTIONS

Ten percent of beef consumed in the U.S. is imported and is taxed according to the exporting countries' tariff quotas, resulting in higher costs to consumers.

## REDUCED CATTLE WEIGHTS

When the cost to raise cattle is high, producers must sell cattle at lighter weights. This results in less beef production, lower revenue for producers and higher prices for consumers.

## FLUCTUATING CURRENCIES

Beef is priced in U.S. dollars, so a weak dollar means additional import costs for foreign beef and increased exports of U.S. beef to foreign consumers.

## FOOD SAFETY CONCERNS

Food safety concerns – such as Bovine Spongiform Encephalopathy or "mad cow disease" – can have an impact on both cattle and beef prices. In the past, food safety concerns have resulted in bans on U.S. beef exports, driving down domestic cattle and beef prices, in the short term, as demand for beef decreased and supplies built up.