

Expect 8 Percent Meat Price Increase In 2013 Due To Drought's Impact On Livestock

COLUMBIA, MO.

The livestock industry is taking a direct hit by this summer's drought, and that will impact consumers' wallets next year, says a University of Missouri agricultural economist.

"I expect to see food inflation, but it will take time," said Scott Brown, research assistant professor in the MU College of Agriculture, Food and Natural Resources (CAFNR). "The short-term effects will be fairly muted for the remainder of 2012, but we're going to see food price increases in 2013 and maybe into 2014 because of this drought."

Brown expects to see an 8 percent rise in meat, dairy and poultry prices next year.

The drought has dramatically reduced the feedstuffs that animal agriculture needs to raise cattle, swine and poultry. Corn yields, Brown said, will probably suffer a 10 percent or more decrease compared to last year. This has caused corn futures to jump to \$8 per bushel in late July from \$5.50 per bushel at the beginning of June.

Soybean meal and hay prices, also staples as animal feed, have also reached extremely high levels. "It is sobering to realize that 2013 feed expenses very well could be three times higher than the 1990-2004 average, and 70 percent above the 2007-2010 average," Brown said.

The livestock industry will experience a lot of short-term pain as it tries to adjust, Brown said. Some producers will have to exit the industry. Producers are already culling and slaughtering their animal inventories to a level they can afford to feed.

To offset the rising feed prices, some producers are now using pasture hay that is usually banked to feed cattle during the winter months.

"This creates an added uncertainty for the cattle industry in the hardest-hit areas," Brown said. "Fall rains will be essential if any additional pasture growth is to occur. If available forage supplies are difficult to source or un-

available entirely, I expect to see herd liquidation."

This shrinking livestock supply will mean less meat in grocery refrigerators in 2013. "That's certainly going to raise prices," he said.

Brown said that the pork and chicken industries will fare worse because there are not many substitutes for their rations of corn and soybeans.

The U.S. Department of Agriculture in August added nearly 220 counties in a dozen drought-stricken states to the government's list of natural disaster areas. Counties in Arkansas, Georgia, Iowa, Illinois, Indiana, Kansas, Mississippi, Nebraska, Oklahoma, South Dakota, Tennessee and Wyoming were included in the announcement. The USDA uses the weekly U.S. Drought Monitor to help decide which counties to deem disaster areas, which makes farmers and ranchers eligible for federal aid, including low-interest emergency loans.

Nearly half of the nation's corn crop was rated poor to very poor, according to the USDA's National Agricultural Statistics Service. About 37 percent of the U.S. soybean crop also rated in that category, while nearly three-quarters of U.S. cattle acreage is in drought-affected areas, the survey showed.

The impact on producers and consumers will become worse if the drought continues into 2013, Brown said. "I don't know what to think about what will happen then to the domestic livestock industries," he said.

Brown is a member of a team at MU that is launching a new program to help increase the value of high-quality cattle and provide producers with economic feedback about their cattle. This long-term opportunity will be essential to help the cattle industry recover despite the lack of options many cattle producers have today given the current drought. For more information go to www.quality-beef.com. Δ



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