



**Press release of the
9th agri benchmark
Beef and Sheep Network
Conference 2011 in Austria
(Semmering and Vienna, June 14 – 22)**



Participants of the Conference in Semmering

Beef prices high, feed costs increasing further

In most of the world regions beef prices in the year 2010 were higher than prior to the economic crisis. At the same time, a significant rise in feed prices has taken place. This is one of the results from the 9th annual conference of the global *agri benchmark* Beef and Sheep Network in Austria.

Agricultural economists from 25 countries work together in the *agri benchmark* Beef and Sheep network to analyse and discuss the recent developments and the future trends of beef and sheep production in the most important production regions in the world. The Johann Heinrich von Thünen-Institut (vTI) and the German Agricultural Society (DLG) coordinate the activity. The annual comparison of typical cow calf and beef finishing farms is a core activity of the network and shows the main differences in the beef production systems, their costs and profitability using a globally standardised approach.

More than 35 beef economists from all continents met at this year's conference in Austria. In addition to the beef analysis, first results of the recently established sheep analysis were presented. A major result was that in most world regions, beef prices in 2010 have recovered as a result of an increase in demand. At the same time, feed prices and costs increased to a similar extent. Together with other factors such as exchange rate movements and price developments for calves, weaner and backgrounders, profitability improved in many countries. It is expected that the grain and feed price increases observed in the first half of 2011 will result in lower profits.

Some Asian countries as well as Russia are facing a growing gap between domestic supply and demand. Latest figures on declining cattle numbers in China suggest a significantly higher import requirement in the future. Extraordinary weather events in some parts of the world (for example Australia, Russia, EU) will continue to impact grain and cereal production and prices and as a consequence beef production.

South American countries remain low cost producers compared with the EU. However, differences between Argentina and Brazil on one hand and Australia, the US and Canada on the other hand have diminished in recent years. The reasons for this closing gap are rises in land and labour prices and the appreciation of the Brazilian Real against the US\$. The volatility of the exchange rate is a growing concern for the main countries with high export shares like Australia, Brazil and Canada.

In a number of EU-27 countries such as France, Spain, Italy and Austria, the possible shift of single-farm payments into land-based payments could have a negative income impacts on finishing farms with high stocking rates.

The beef value chain in Austria manages to link small producers into the market. This is achieved through vertical integration, which facilitates the implementation of beef quality programmes and serves as well as reinforces the consumer demand for national/regional origin of beef.

Beef continues to be affected by developments in the other meat sectors and vice versa; for example the improved profitability in beef in some European countries may have resulted in processors partially offsetting losses in the pig sector.

High grain prices push grass-fed beef production out of locations where crop production becomes profitable. Grain-fed beef competes with grain production for direct human use and slow growing grass-fed beef has higher greenhouse gas emissions. The combined effect of these factors is expected to trigger the intensification of beef production on grassland for both cow-calf and finishing as well as an increasing importance of feedlotting.

„The question where and with which type of production systems beef will be produced in the future, is in the focus of *agri benchmark*'s future work“, the coordinator of the network, Dr. Claus Deblitz from the Johann Heinrich von Thünen-Institut in Germany, said.

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