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Products such as beef, mutton, and chicken have become regular staples in the diet of billions of people around the world and as such they command a significant level of consumer demand however just like any product various external influences can result in a dramatic shift in their prices especially if their means of production are directly affected. Today, the prices of beef, chicken and mutton have invariably changed compared to what they were several decades ago.

While it may be true that salaries have also risen along with the prices of certain goods the fact remains that modern means of agricultural production have greatly improved since the early to mid 1900’s resulting in a far more efficient and faster means of raising cattle, sheep and chicken. One basic economic principle dictates that demand should match supply in order for the most efficient means of production and distribution to occur. Lately various statistical data has shown that the amount of supply created (beef, chicken, mutton) actually exceeds the amount of demand in cases with large excesses of production.

One example of this can be seen in the various countries of the E. U. due to the CARP (common agricultural policy) which has helped in creating an overabundance of certain agricultural products (beef, mutton and chicken included). Despite this factor, prices of beef, chicken and mutton have not been going lower and in fact there is a growing trend of significant increases in their prices especially in developing and third world countries.

This indicates that other factors are at work in affecting the prices of these products since despite the abundance of supply prices have not been going and instead have been increasing.

Understanding Tariffs, Protectionist policies and their effect on the importation of beef, mutton and chicken

It is a well known fact that when it comes to producing certain goods or services some countries are better at it than others. A truly ideal situation would if countries focused on what they are best at making and not produce anything else.

Unfortunately various countries tend to diversify their production capabilities in order to remain, in their words, " economically competitive" when in fact their production of a plethora of various goods is not as efficient as producing what they are good at and taking the methods of production of that particular commodity to their zenith. Various countries have their own agricultural means of raising cattle, sheep and chicken however due to their limited capacity in doing so there remains a distinct necessity to import such products from other countries in order to make up for the lack of supply. The inherent problem with this is that most countries tend to erect protectionist policies such as limiting the amount of beef, chicken or mutton being imported into the country or imposing strict tariffs which increase the price of such products. Such measures are done in order to protect local industries from being overwhelmed by cheap foreign imports. Mentioned earlier was the fact that some countries are basically better at producing a certain type of product as compared to others. As such the overall prices of goods that are produced can be significantly lower than that of other countries that have a harder time in producing the same type of product. If tariffs and various other protectionist policies were not put into effect, as defined by a free-market system, then most people would prefer the obviously the cheaper and plentiful foreign imports rather than the expensive and limited locally produced products. Taking such factors into consideration it can thus be assumed that countries with a limited production capacity for beef, chicken and mutton would thus have stringent protectionist measures in place to prevent cheap foreign imports from flooding their markets and driving local farmers out of business.

In such a case beef, chicken and mutton prices are artificially raised not out of a lack of supply but rather out of the necessity to protect an inefficient system of production. While such a system may not make sense from an economical standpoint it does from a socio-political one since the backlash from farmers who have significant influence in various political groups would cause potential problems for the government. There is also an ethical standpoint to consider since the oldest businesses in most countries are often agricultural enterprises and as such knowingly allowing them to go out of business in order to let consumers have lower prices is morally ambiguous at best.

The oil industry and the added costs of transportation

For those of you that follow the news on a regular basis a distinct relationship can be seen between the price of oil and that of products such as beef, chicken and mutton.

The price of oil at any given date adversely affects the price of products in the global economy which in turn affects the prices of basic commodities such as food. In order to better understand this concept it is necessary to take into account three distinct factors: Cows, chickens and sheep are usually raised in areas far from where they are actually eaten Gasoline fueled trucks are needed in order to transport them to locations where they will be butchered and then from there to supermarkets where they will be bought for consumption Lastly, while the international exportation of beef, chicken and mutton is cost prohibitive in certain cases there are instances where demand is so great that the added cost of tariffs is negligible The first and second factors are easy to explain, since cows, chickens and sheep are located in farms that are beyond most city limits the added cost of transportation is factored into the price when such meat or poultry products are sold. As such there is an inverse relationship at play wherein the higher the price of gasoline gets the higher the price of meat and poultry products become despite no added value being introduced into the products themselves. The third factor to consider deals with the fact that international oil prices affect large container ships just as much as they affect cars, trucks and buses, while container ships may be able to offset prices by adding more cargo items to their manifest the fact remains that this is only a temporary stop gap measure and eventually rising oil prices will affect the price of international transportation. This presents a problem for international exporters since if a country has high protectionist rates for certain types of meat and poultry products and is combined with the increased cost of transportation prices of beef, chicken and mutton would of course have to be increased as a result. The inherent problem with this lies with the fact that overly high prices would discourage consumer consumption of certain goods and since meat and poultry products rot easily there is a possibility that various exporters would lose money over the products they export.

How droughts and natural disasters affect the price of grain and corn which in turn adversely affect the price of beef, chicken and mutton

In the past cows, chickens and sheep were fed natural agricultural products such as corn, maize or were merely grass fed. While such a practice continues in isolated farms up to this day a majority of farms feed their livestock using corn meal or pellet derivatives that come from corn products. The reason behind this is that this special type of agricultural feed contains higher levels of carbohydrates which helps to easily fatten cows, chicken or sheep. As seen in numerous documentaries animals that are fed such products grow faster and are far larger than other animals fed on natural products. One unfortunate consequence of this is that should areas that produce the corn that goes into the pellets be affected by an external force the price of the pellets go up which as a result affects the price of animals sold due to the increased cost in feeding them. Various abnormal weather patterns, storms, hurricanes and typhoons that adversely affect corn producing regions have the effect of increasing pellet prices due to affected supplies which in turn affects the price of beef, mutton and chicken.

The Status of the Global Economy and how this affects meat and poultry prices

When the global economy entered into a recession following the U. S. housing collapse overall consumer demand dropped creating an adverse effect on the prices of beef, mutton, chicken as well as other commodities. In order to show the proper relation between the recession and its effect on prices what this paper will do is conduct an examination on how consumer preference over product choice changes depending on the status of the global economy.

When the 2008 global recession hit not only did this result in the collapse of multiple companies but also brought forth a concept called “ consumer fear”. This particular concept posits that a chaotic external financial environment will result in a lack of consumer confidence in the stability of companies as well as financial institutions resulting in distinct reluctance for them to spend. Such a situation was clearly seen at the start of and in the years during the financial recession where the distinct lack of consumer spending was one of the main reasons why the financial crisis continued to exacerbate the way it did. The price of goods and various commodities are inherently linked with the rate of consumer spending, the lower the amount of people buying products at any one time the greater the likelihood of companies choosing to lower prices in order to entice customers to spend. Unfortunately lack of consumer confidence in the economy continued to worsen the stagnation of consumer spending habits resulting in even lower prices however no one was actually willing to commit to buying. One of the reasons behind this lies with the fact that as the financial crisis worsened millions of people around the world lost their jobs and as a result lacked the appropriate amount of consumer confidence to actually buy certain amounts of meat or poultry products due to the limited amount of funds available.

An unfortunate consequence of this is that suppliers try to balance the amount of supply and demand by reducing operations, unfortunately this resulted in various supermarkets losing a vast majority it of meat and poultry inventory which gradually increased the prices of the remaining stock however in this case the continued lack of demand caused intense fluctuations in prices that they changed on an almost monthly basis. On the other hand once the economy had recovered to a sufficient level and consumer confidence returned prices continued to remain high as the previously reduced level of operations meant that despite the higher level of demand suppliers could not match it. This resulted in another series of price fluctuations until finally both the supply and demand side stabilized as a result of an increase in operations on the side of the supplier. It is based on this that a definite relationship can be seen between the prices of beef, mutton and chicken and the state of the global economy. On the other hand there are exceptions to this; countries such as the Philippines, South Korea, Indonesia and Taiwan were not greatly impacted by the financial crisis so as a result no great degree of price fluctuation occurred in their markets for meat and poultry.

It must be noted that while the global economy can directly impact the prices of beef, mutton and chicken the fact remains that what affects one country may not affect another and as such one of the best indicators to determine the rise or fall of prices is to look at supply side of the production line since prices of produced commodities are more likely to be affected by changes in how they are made or transported rather than the financial system where they are bought and sold.

State of the Local Economy

One interesting aspect that must be mentioned is the fact that it is not only economic depreciation in the form of a recession that also affects prices but also excessive economic appreciation. When examining the prices of products sold in the U. S. with those sold in countries such as the Philippines and Taiwan it becomes apparent the basic commodities sold in the U. S.

are apparently more expensive than those located in other countries despite them being exactly the same. The reason behind this is a combination of two factors: first is the inflation of the U. S. economy over the past few decades and the set minimum wage in the country.

Inflation can be described as a distinct rise in the level of prices of certain good, commodities and services within a particular economy over a set period, usually in the span of a few years. As the price level of commodities rise the ability of currency to purchase those types of goods goes down. On the other end of the spectrum the minimum wage allotment for workers also plays a crucial role in the rise of prices as the high minimum wage rate in the U. S. compared to various Asian countries actually causes prices to go higher. Businesses have to set a certain price for goods and services that takes into account the wages given to employees of the business. The higher the amount of the allotted minimum wage the higher the price of production and services would be. On the other hand Asian countries have a far lower rate of minimum wage as such the price of commodities such as beef, mutton and chicken is far lower as a result.

As such while the purchasing power of the U. S. is high in other countries within its own borders it is actually quite low compared to what a person could get for the same amount in another country.

Understanding When Price Shifts Occur and Why

When it comes to understanding how and why price shifts occur for beef, mutton or chicken over a given year it must first be stated that due to differences in overall biology price shifts for chicken are distinctly different than that of beef or mutton and as such must explained separately from there. The cattle and sheep industry actually revolves around a cyclical cycle that expands and contracts over an 8 to 12 year period due to the biological cycle of the animals. There is actually a 3 year time lag in the time it takes a producer to receive the signal to expand herds to when calves/lambs are produced and the older cows and sheep are slaughtered by companies for various meat products. As such the cycle follows a distinct cycle of herd expansion and herd liquidation.

It is due to this that price shifts naturally occur during the periods of herd expansion and herd liquidation. If a certain year falls during a date where herd expansion is in place it is unlikely that prices would be low due to the lack of animals actually being slaughtered, on the other hand during years where herd liquidation is in effect prices would of course be lower. The thing is though periods of expansion and liquidation are not set to a particular industry standard with different producers choosing different times for either expansion or liquidation. It is due to this that price shifts naturally occur between countries depending on the schedule animal ranchers adhere to with the price of beef and mutton either increasing, decreasing or staying the same depending on the extent of cattle operations in that particular country or on the amount of beef being imported or exported. It must be noted though that the cycle of expansion and liquidation is actually vulnerable to changes in the weather, inflation, shifts in grain prices, and changes in the overall structure of the industry it is part of.

Such changes do not reflect on that particular year but are seen later on in the succeeding year as the amount of animals actually slaughtered may be far lower due to culling measures undertaken in order to reduce the costs of operations. Chicken prices on the other hand are dictated by seasonal factors and the cost of grain or grain derivatives that are fed to chickens. The fact is most chicken feed is derived from various form of grain and corn meal, during times of the year where grain is in abundance chicken prices usually go down however if there has been a drought the resulting increase in grain prices will adversely affect chicken prices. Seasonal factors also play a factor in this, winter months are usually not as conducive to raising chicks as compared to spring, summer or autumn as such the chicken population suffers as a result especially during instances where an increased rate of liquidation occurs. Variances in consumer demand over the course of a year also affect prices, holidays in particular cause sudden rises in prices as the demand for particular products exceeds that of the available supply.

Consumer holidays such as Christmas, New Years, Thanksgiving and various other holidays attributed to different religions all play a part in increasing demand and as a result the price of commodities. Beef, mutton and chicken in particular are in great demand during such occasions and as a result prices increase in order to take advantage of the demand. It must be noted though that at times prices are increased without any problems with the supply line of a particular product. Various stores are able to match or even exceed demand with stored supplies yet increase prices due to the almost assured level of profits that they would incur over the holiday period.