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WORLD NEWS

Low-Carb Diet Fad, Thinner Herds Fatten Wallets of Ranchers

**U.S. Beef Industry Sees Demand
Increase as Supply Has Declined
Due to Drought, Food Guidelines**

By **BLAINE HARDEN**
THE WASHINGTON POST

DILLON, Montana -- After years of having been seldom seen, local ranchers are stomping into the only jewelry store in this cow town. You name the bauble. Men with manure-crusting boots are buying it for their wives this Christmas season.

Ditto down at Dilmart Furniture. Carpets, sofas and large-screen television sets are riding off in pickup trucks that usually haul heifers.

A more sizable stampede of spending is under way at Dillon Implement and the local Chevrolet dealership, where \$85,000 (€68,500) tractors and \$35,000 pickups are jumping out of the lots. "There is a buzz in Dillon," said Ryan Gaasch, sales manager at Dillon Implement, where tractor sales have doubled year to year. "Business couldn't be better."

The buzz, echoing across cattle country from Montana to Texas, comes from what the U.S. Department of Agriculture calls the highest beef prices on record. Ranchers who have endured decades of declining consumer demand for beef -- as well as five punishing years of drought -- now find that what they are herding is just what the doctor ordered. That is, the late Robert C. Atkins, along with his many imitators in the low-carbohydrate, high-protein diet craze.

Dietary fashion, having long punished ranchers for their supposed role in making Americans fat, is handsomely rewarding them for their supposed role in making Americans skinny. Here on the mountain-ringed rangeland of southwest Montana, in the heart of the state's No. 1 beef-producing county, obesity isn't an entirely discouraging word.

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"That Atkins diet has really helped demand for beef," said Bill Garrison, 62 years old, who, along with his two sons, raises cattle on 18,000 acres north of Dillon. He is also the immediate past president of the Montana Stockgrowers Association. "Prices are higher now than I thought I would ever see."

Swimming in Cash

Compared with last fall, Mr. Garrison and other ranchers around Dillon received about \$100 more for each calf they sold in November for delivery to feedlots in Nebraska and Kansas. That means a \$40,000 jump in income for the average local rancher, who sells about 400 calves in the fall. It also means Dillon, a beef-dependent town of 3,752 people, is suddenly swimming in cash.

"Because ranchers are spending this money in the community, it creates an influx of dollars," said Clint Rouse, president of State Bank & Trust Co., a Dillon lender that specializes in cattle loans. "It is a real positive thing, there is no doubt about it. We have a lot more money to loan.... I attribute it to Dr. Atkins."

There is more, of course, to this fall's record-setting increase in beef prices -- and Dillon's infusion of cash -- than diet fads.

Part of it is weather-driven. A severe drought has seared rangelands since 1998, stunted grasslands, dried up reservoirs and water holes, and forced ranchers to cull herds.

Smaller Herds

The number of cattle in the U.S. has fallen to a seven-year low, according to the USDA. There were 103.5 million cattle in 1996; at the start of this year, there were 96.1 million. Many ranchers around Dillon have been forced to cut their herds. Five consecutive years of drought here have shattered low-rainfall records that date to the Dust Bowl days of the 1930s.

"Nationally, this year's calf crop is the lowest since 1951," said Ronald Gustafson, chief beef analyst for the USDA in Washington. "That means prices are going to stay high for at least a couple more years." Although prices have fallen slightly since their peak in October, analysts expect them to remain high and increase in the coming years.

In addition, a ban on imports of Canadian beef and cattle -- after a single cow in Canada was confirmed in May as having bovine spongiform encephalopathy, known as mad-cow disease -- has reduced supply and helped increase prices.

What makes ranchers smile, though, is that the declining supply of cattle is coinciding with a jump in consumer demand for beef. Demand is up 10% since 1998, according to the National Cattlemen's Beef Association, a trade group. (The association calculates demand by correlating how much beef consumers eat with how much they are willing to pay for it.) Spending on beef has increased \$14 billion in the past four years.

Tweezing out reasons for increased demand isn't an exact science. But association officials say that the rising popularity of Atkins, South Beach and other diets that emphasize protein over carbohydrates has played an important role.

The U.S. taste for beef fell off the table in 1977, when a Senate select committee issued dietary recommendations that instructed Americans to eat more chicken and less red meat.

Almost immediately, to the horror of the \$93 billion cattle industry, consumers did as they were told. The year before the recommendation, per-capita beef consumption was at an all-time high of nearly 89 pounds (40 kilograms) a year. Within three years, it slumped to 73 pounds; it finally bottomed out in 1993, at 61.2 pounds a year, which represented a 31% decline in beef consumption.

It appears unlikely that Americans will ever again eat as much beef as they did in the 1970s. Although per-capita consumption has increased since the mid-1990s, it was just 64.4 pounds last year. The silver lining for ranchers is that consumers are eating much fancier beef than ever before. The USDA says consumers have acquired a taste for high-end beef that is more expensive to buy and more profitable to produce.

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