

In The Cattle Markets

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Exports To Japan Still Weak

Beef export tonnage rose 18% above last year during June, according to USDA. The June tonnage increase followed increases during April and May, pushing the April-June quarter's total 18% above 2001's.

Exports to Japan were still soft, declining 30% below last year's volume during June. But large increases in the quantity of beef exported to other countries such as Mexico (+51%) and S. Korea (+190%) more than offset the decline in the volume of beef shipped to Japan.

The export landscape takes on a different hue, however, when the value of all beef exports (including byproducts) are examined instead of the quantity of table cut beef exports. During the January-March quarter, beef export tonnage rose approximately 1%, but the value of beef, beef variety meats, and hides exported actually fell 11%, both compared to the prior year. Similarly, during the April-June quarter, beef export tonnage rose 18%, but the value of all beef and beef by-product exports rose just 1.5%. The difference between the reported increase in the quantity of beef exports and the value of all beef exports was largely attributable to the fact that the value of beef by-product exports declined sharply. During the first half of 2002, the value of beef variety meat exports declined 12%, and hide export values fell 20%, both compared to last year. Notably, variety meat export values collapsed during June, falling 30% below 2001's.

Broiler exports continue to be a problem for the U.S. meat and poultry sector. Broiler export tonnage fell 16% below a year ago during June and from January-June broiler exports declined 18% vs. a year ago. Turkey exports also nose dived during June, falling 30% below the prior year and were 2% smaller during January-June than in 2001.

Broiler exports could finally start to pick up this fall, on the heels of an agreement between the U.S. and Russia that, presumably, settles the trade dispute between the two countries. If that's the case, it would take some pressure off of the U.S. red meat sector. Unfortunately, it remains to be seen whether the trade dispute has really been resolved or not. For example, at the end of August the mayor of Moscow announced that the ban on imports of U.S. poultry would remain in place, at least in Moscow. So, it looks like the fate of U.S. broiler exports still depends on posturing by Russian politicians.

The Markets

Slaughter cattle prices declined a \$1.00/cwt. (live weight) last week, averaging \$63.31 (35-65% Choice steers), which was 9.5% lower than a year ago. Nebraska slaughter steers (35-65% Choice) averaged \$100.59/cwt., down \$1.38 from the prior week's average of \$101.97. USDA's light Choice boxed beef cutout averaged \$112.81, up 0.5% from the prior week, but 5.9% below a year ago. The light Choice-Select spread averaged \$9.37/cwt., up nearly \$2/cwt. compared to last week and \$2.65/cwt. higher than a year ago. Prices for 700-800 pound steers at Dodge City averaged \$81.34, about \$1.00 higher compared to the prior week. The same weight steers at seven Nebraska markets averaged \$84.45/cwt., about \$0.50/cwt. lower than the prior week's average. The weighted average price for 500-600 pound steers at four Kansas auctions last week was \$88.23/cwt.