

James Mintert, Ph.D.
Professor, Department of Agricultural Economics, Kansas State University

News that a lone beef cow in Alberta, Canada tested positive for BSE rocked the cattle markets today. The announcement led USDA to temporarily close the U.S.-Canada border to all cattle and beef trade. At this point it's not clear how long the trade disruption will last, but it's likely to last long enough to seriously disrupt beef and cattle movement in North America.

The BSE announcement will impact the cattle and beef markets in several ways. First, it could have a negative impact on consumer demand for beef in Canada, the U.S., and, possibly, other countries that import beef from North America. Discovery of BSE in Europe and Japan resulted in large reductions in beef demand. Only time will tell how large the impact on consumer demand will be, but it could depend on whether additional BSE cases are found in Canada. In Japan, discovery of additional BSE cases hampered attempts to restore consumer confidence in beef.

Second, cattle and beef supplies in the U.S. could wind up lower as a result of two factors: the suspension of beef and cattle imports from Canada, and Canada's likely loss of other major export markets including Japan. Last year net imports (imports minus exports) of cattle from Canada into the U.S. totaled 1.55 million head, equivalent to about 4.3% of all cattle slaughtered in the U.S. Also, net imports of beef from Canada into the U.S. were equivalent to about 3.1% of U.S. beef production during 2002. Suspension of beef and cattle trade with Canada will, in the short run, effectively lead to a smaller beef and cattle supply because Canada is also likely to face export bans in other major importing countries, such as Japan and Mexico. As a result, Canada will not be able to offset loss of the U.S. market with larger shipments to other beef importing countries, which could have substituted for U.S. beef in those markets.

Ultimately, the impact of today's announcement that a lone cow in the Alberta cattle herd tested positive for BSE on cattle and beef prices will depend on how consumers in the U.S., and in major beef importing countries, respond. And to determine that, we'll have to wait and see.

The Markets

Weekly average Kansas slaughter cattle prices increased to nearly \$80 (live weight) last week, just \$0.28 below the April price peak. Dressed weight slaughter steer prices in Nebraska rose about \$0.70, compared to the previous week. Steer calf prices rose about \$1/cwt. in Kansas and about \$4/cwt. in Nebraska. Feeder weight steer prices were flat compared to the prior week in both Kansas and Nebraska. Weekly average light Choice boxed beef prices jumped about \$4.00/cwt. and the light Choice-Select spread increased for the ninth week in a row averaging \$18.25/cwt.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$79.77	\$78.19	\$66.73
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$126.34	\$125.65	\$105.60
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$84.27	\$84.13	\$78.30
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	\$99.93	\$98.97	\$91.82
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$87.59	\$87.75	\$82.47
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$105.28	\$101.52	\$101.73
Choice Boxed Beef Price, 600-750 lb. carcass	\$140.59	\$134.52	\$118.34
Choice-Select Spread, 600-750 lb. carcass	\$18.25	\$17.48	\$8.78