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It appears that concerns over the one cow found with BSE in Canada are subsiding in the U.S. BSE tests of the cow's herd mates have been negative, indicating this is likely an isolated single case. CME live cattle futures have recovered from last Tuesday's limit lower move and fed cattle trade this week was typical of pre Memorial Day weekend trade. If you would have told any cattle feeder last fall when calves were being placed on feed that BSE would be found in North America but fed cattle would still sell for \$79 in the 3rd week of May, they would have had you committed.

What is driving this years cattle market? Federally inspected cattle slaughter through April is only 34,000 head less than in 2002, a reduction of only 0.3%. However, fed steer and heifer carcass weights have been declining this year and are now 20-25 lbs. lighter than a year ago. Total beef production has been 2% lower this year. If all other conditions in the market place were constant, then beef prices would be expected to be 3-4% higher. Actual box beef prices have been 9% higher this year, compared to last year. The 5-state live cattle price has averaged \$78.51 this year compared to \$69.64 last year.

Higher box beef prices are not only a result of a reduced supply of beef, but also of strengthening beef demand. Cattle feeders are also seeing the impact of improved demand. Cattle feeders are also enjoying improved bargaining position. Last year, cattle were too heavy, feeders knew it and packers knew it. Prices were below expectations and cattle feeders continued to feed cattle to heavier weights hoping for a better market. This year, packers have wanted more cattle than are available, and have had to pay higher prices than many expected. This has led to cattle feeders marketing cattle ahead of schedule, at lighter weights, to take advantage of higher prices. By my calculations, reduction in carcass weight has added \$3 to the fed cattle market, improved beef demand has added another \$3, and improved bargaining position also has been worth \$3 per cwt.

The Markets

Slaughter cattle prices were \$1 lower in the southern plains, with the bulk of the trade occurring at \$79. Prices were \$2-3 lower in the north with slaughter cattle prices mostly at \$125 dressed. Choice boxed beef prices were higher for the week and the Choice -Select spread continues to increase. Feeder cattle prices were generally higher in Kansas and trade in Nebraska was almost non existent for the week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$78.47	\$79.77	\$63.54
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$124.89	\$126.34	\$102.61
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$86.69	\$84.13	\$77.13
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$101.66	\$99.93	\$91.35
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$84.35	\$87.59	\$84.24
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$107.37	\$105.28	\$98.35
Choice Boxed Beef Price, 600-750 lb. carcass	\$142.89	\$140.59	\$115.78
Choice-Select Spread, 600-750 lb. carcass	\$17.45	\$18.25	\$8.33