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U.S.-Canada Border Reopens-Partially

Last Friday USDA announced that it was lifting the ban on imports of some Canadian boneless beef products. Products eligible for importation into the U.S. include boneless beef derived from cattle less than 30 months old when slaughtered, in addition to fresh and frozen beef livers. Boxed beef imports will not be allowed before late August, according to USDA's announcement. Live cattle imports will not be allowed in the short run, but a rule making process is being initiated to outline conditions that will guide future live animal imports. Restrictions associated with lifting the import ban imply that boxed beef imports from Canada to the U.S. will likely be smaller than before the ban, perhaps half to two-thirds of their pre-ban level. Relaxation of the ban on boxed beef imports will, over time, help Canada gain access to other markets around the world and it effectively increases available world beef supplies, just as the ban temporarily reduced available world beef supplies.

In the short-run, U.S. markets are attempting to determine how much affect the beef supply increase will have on U.S. cattle and beef prices. During the first four months of 2003, daily imports of Canadian boxed beef averaged the equivalent of 4.3% of U.S. beef production. If current estimates that imports will range from about one-half to two-thirds of their pre-ban total are realized, it implies that imports of Canadian beef this fall will average less than 3% of U.S. daily beef production. But the impact on supplies faced by U.S. consumers will be less than the change in Canadian imports because the U.S. is expected to gain export market share, especially in Japan. As a result, the net increase in U.S. domestic supplies this fall could be modest, perhaps less than 2%. And if that's the case, downward pressure on both boxed beef prices and cattle prices this fall will be small, averaging about 3% or less.

The Markets

Weekly average Kansas slaughter cattle prices weakened to \$78.93 (live weight) last week, down \$1/cwt. compared to the prior week. Dressed weight slaughter steer prices in Nebraska dropped back about \$0.60/cwt., compared to the previous week. But weekly average light Choice boxed beef prices rose nearly \$5/cwt. compared to a week ago. The light Choice-Select spread was virtually unchanged from the prior week at \$6.58/cwt., but about \$1.50/cwt. above its late July low. Weakness in slaughter cattle prices, and rising feed prices, caused feeder cattle prices to lose ground last week. Feeder weight steers in Kansas dropped nearly \$5/cwt. and steer calf prices declined over \$4/cwt., both compared to the prior week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$78.93	\$79.93	\$61.79
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$127.65	\$128.25	\$98.86
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$90.58	\$95.22	\$80.69
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	\$99.05	\$103.42	\$84.23
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$97.09	NA	\$83.27
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$108.81	NA	\$91.19
Choice Boxed Beef Price, 600-750 lb. carcass	\$138.56	\$133.81	\$108.56
Choice-Select Spread, 600-750 lb. carcass	\$6.58	\$6.54	\$5.36