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### **Canadian Prices Improve, But Still Well Below U.S.**

Prices for Canadian slaughter cattle dropped precipitously last spring and summer when the Canadian beef and cattle sector was hit with the loss of access to export markets. Exports are much more important to Canada than to the U.S. Prior to the BSE announcement, Canada was exporting nearly 60% of its production, either as beef or live cattle. In contrast, boxed beef exports from the U.S. totaled about 9.6% of U.S. production during 2003. So, loss of export markets had a much bigger impact on the Canadian beef industry than in the U.S. Last spring and summer, Alberta slaughter steer prices dropped from an average of \$78.40/cwt. (U.S. \$'s) in mid-May, the week before the BSE announcement, to a low of \$24.98 in late August, a decline of approximately 68 percent.

Normally, Alberta fed cattle prices move in tandem with U.S. prices, albeit at a discount. For example, during the first two months of 2002 Alberta slaughter steer prices averaged about \$3/cwt. lower than Kansas slaughter steer prices. Similarly, during January and February 2003, Alberta slaughter steers averaged approximately \$4/cwt. lower than Kansas slaughter steers. Loss of access to export markets during 2003 threw a monkey wrench into the historical relationship between U.S. and Canadian prices. When Alberta slaughter steer prices bottomed out last summer, they were nearly \$56/cwt. lower than in Kansas.

Although the relationship is not back to normal, Alberta slaughter steers are trading at a much smaller discount to Kansas prices than they were before the U.S. announced it had identified a cow with BSE in Washington. During the first seven weeks of 2004, Alberta slaughter steers averaged \$17/cwt. below Kansas slaughter steers. In contrast, during the last two months of 2003, prices in Alberta averaged nearly \$36/cwt. below Kansas prices. The smaller discount is attributable to the U.S. losing access to export markets and Canada regaining access to key North American markets. In particular, Canadian exports to Mexico have skyrocketed in response to the ban on beef trade between the U.S. and Mexico. Further narrowing of the spread between Canadian and U.S. prices will require reopening of other beef importer's borders, especially Japan and S. Korea. If the U.S.-Mexico border reopens soon, and Asian borders remain closed, the spread could actually widen.

### **The Markets**

Cash slaughter cattle prices rose \$3/cwt (live) in Kansas and over \$6/cwt. (dressed) in Nebraska last week. The price increase pushed the weekly average in Kansas to \$81.90/cwt. (steers, live weight) and to \$131.77/cwt. (steers, dressed weight) in Nebraska. Last week marked just the second week this year that Kansas slaughter steers traded in the \$80's. Boxed beef prices rose during the week, as USDA's light Choice cutout rose over \$4/cwt. to average \$131.73/cwt. The light Choice-Select spread increased \$1.50 to average \$8.08 last week. The improvement in slaughter cattle prices provided encouragement to cattle buyers and feeder cattle prices in both Kansas and Nebraska were stronger last week. Prices for 500-600 pound steers in Kansas increased \$2/cwt. to average \$108.40 and feeder prices rose \$1 to average nearly \$90/cwt.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, wtd. average, live weight	\$81.90	\$78.91	\$79.34
Nebraska Fed Steer Price, wtd. average, dressed weight	\$131.77	\$125.61	\$124.70
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$89.92	\$88.97	\$77.03
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	\$108.40	\$106.53	\$91.58
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$92.55	\$90.98	\$79.51
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$117.07	\$114.05	\$99.16
Choice Boxed Beef Price, 600-750 lb. carcass	\$131.73	\$127.58	\$129.33
Choice-Select Spread, 600-750 lb. carcass	\$8.08	\$6.47	\$6.34