In The Cattle Markets
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North American Slaughter Shifting North

Federally inspected U.S. cattle slaughter has been at or below 600,000 head per week for the last month and has averaged 615,000 head per week so far in 2004. Through mid-November, this year's total slaughter is 29.1 million head, down 8.9% compared to 2003. In addition to tight domestic supplies of cattle, the ban on imports of live cattle from Canada has contributed to this reduction in U.S. slaughter. As a result of not exporting live cattle, Canadian processors have increased their slaughter pace substantially in 2004. At 3.3 million head, year-to-date cattle slaughter in Canada is up 25.5% since last year, and 13% from the five-year average. Average weekly Canadian slaughter is over 70,000 in 2004, compared to 57,000 last year and 62,000 over the last five years.

It appears that Canadian processing capacity may expand in response to the U.S. border remaining closed. This will likely be slowed if the U.S. lifts the ban within the next few months, as is being suggested. While this would likely translate into somewhat lower U.S. cattle prices, it will increase U.S. slaughter and cattle fed in U.S. feedyards. By increasing slaughter, the U.S. processing capacity would be more fully utilized, allowing plants to capture economies of scale and, in some cases, remain open – and provide a market for U.S. cattle producers.

What are the implications of the border remaining closed in the long run to live cattle? Likely, new construction of processing slaughter and processing facilities would occur in Canada, with the possibility of some U.S. plants running at reduced kill levels. With additional processing capacity in Canada, it may eventually capture more export market business. With demands that international consumers have for traceability and verification, the countries in the world beef export market that can provide these assurances using an animal identification system will be most competitive. Canada has had an identification system for several years, whereas the U.S. is currently developing its system.

The Markets

Kansas slaughter cattle prices were up more than $1/cwt last week, with the bulk of last week's trade at $90. In Nebraska, dressed sales were $2 higher for the week. Choice boxed beef advanced $8.34/cwt last week while the Choice-Select spread increased $0.86/cwt. Prices for feeder steers were about $1 higher in Kansas last week, but about $3 lower in Nebraska. Yearling steer prices were down about $4.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	$89.93	$88.70	$99.93
Neb. Fed Steer Price, dressed weight (35-65% Choice)	$140.66	$138.55	$162.00
700-800 lb. Feeder Steer Price, Kansas 4 market average	$106.45	$110.13	$103.65
500-600 lb. Feeder Steer Price, Kansas 4 market average	$120.95	$119.99	$109.84
700-800 lb. Feeder Steer Price, Neb. 7 market average	$110.87	$114.83	$108.45
500-600 lb. Feeder Steer Price, Neb. 7 market average	$127.25	$130.24	$117.39
Choice Boxed Beef Price, 600-750 lb. carcass	$146.65	$138.31	$160.60
Choice-Select Spread, 600-750 lb. carcass	$5.94	$5.08	$15.70