

**Dillon Feuz, Ph.D.****Professor, Department of Agricultural Economics, University of Nebraska****Border Wars**

“Border Wars” is often the phrase used to describe the annual football game between rival state universities. In this case, I apply the term to cattle trade with Canada. However, the battle is not a U.S. versus Canada struggle but rather it is a battle between competing U.S. cattle and beef industry segments and the USDA. There are individuals and groups who are willing to go to court to see that the Canadian border remains closed to Canadian cattle indefinitely. There are also individuals and groups that are willing to go to court to demand that the border be open to all cattle and beef, so long as the appropriate specified risk materials are removed from the carcasses. In between these two polar opposite positions is a whole range of issues and positions, each with differing economic consequences. Some believe there are 2 million head of cattle in Canada just waiting to get wheels under them in March and head south. If that happened, the fed cattle market decline would likely be greater than \$10 per cwt. Others would maintain that Canada has increased their slaughter capacity, that there are good prospects for green grass this spring and therefore the number of cattle that will head south will be much less, perhaps less than 1 million head, and that these cattle will come over a longer time period. Under that scenario, there will be minimal market disruptions with fed cattle prices only declining a couple of dollars per cwt. The reality is, no one knows for sure.

Here is my opinion. Feeder cattle and calves are going to move across the border slowly. It will take some time to get them branded and certified into specific feedlots. I also believe that many 2004 calves will remain in Canada for most of the spring and summer. We are currently importing beef (less than 30 months of age) from Canada at pre BSE levels. As the present USDA rule is written, there will be an economic incentive for Canada to slaughter more older cows and ship that beef to the U.S. since the beef from cattle over 30 months can move south but the cows can't. To accomplish this, Canadian packers will reduce their steer and heifer slaughter. Therefore, there will be less steer and heifer beef being shipped to the U.S. and more fed cattle will be shipped. The price impact with this scenario could be a \$5-7 decline in the fed cattle market. Whether the cow beef comes from Canada in the form of beef (present USDA rule) or as cows crossing the border (American Meat Institute challenge) the price impact on the U.S. cull cow market will be similar and negative for either scenario. Given the two recent BSE cases in Canada, in my opinion, the USDA would be wise to remove the 30-month and older beef from the present rule. Let feeder and fed cattle trade normalize. Reestablish our export markets. Then, write a separate rule for older cow and beef trade and delay implementation of this rule to see if Canada discovers any more BSE in older cows.

**The Markets**

Slaughter cattle prices were higher than last week. An active trade occurred at \$92-93 in the south and prices were mostly \$145 in the north. Volume was sufficient to clean up most showlists. Choice boxed beef prices were higher for the week as many retailers found that they needed product. Choice box beef prices were up over \$11. The Choice-Select spread decreased and is near the historical level. Feeder cattle prices were

generally higher in Kansas and Nebraska on a fairly large volume. Lighter weight calves were lower in Kansas and steady Nebraska on a small volume.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight (35-65% Choice)	\$92.09	\$88.10	\$78.76
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$144.91	\$139.73	\$127.75
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$106.32	\$105.80	\$90.46
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$120.56	\$128.02	\$108.68
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$108.54	\$106.30	\$94.83
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$128.55	\$128.61	\$115.23
Choice Boxed Beef Price, 600-750 lb. carcass	\$151.97	\$140.76	\$137.30
Choice-Select Spread, 600-750 lb. carcass	\$6.54	\$7.06	\$7.43