

Darrell R. Mark, Ph.D.
Asst. Professor, Department of Agricultural Economics, University of Nebraska

Beef Exports To Japan

Considerable effort on the part of the U.S. beef industry and government has been devoted to regaining the Japanese export market since it was closed following the December 23, 2003 case of BSE in the U.S. At 37% of 2003 U.S. beef exports by volume, Japan has traditionally ranked first in exports. Resumption of trade with Japan be beneficial from the quantity of beef it would import and it would likely result in additional countries relaxing or eliminating their bans on U.S. beef.

In 2003, the last year with mostly normal beef exports, the U.S. exported 9-10% of beef production on a carcass weight basis. If Japan were to resume exports equivalent to its 2003 market share, roughly 3.7% of U.S. beef production (on a volume basis) would be exported to Japan. With an expected 25.1 billion pound commercial beef production forecasted for 2005, this would imply that exports to Japan would be about 929 million pounds. Assuming that for every one percent of supply that the U.S. does not have to consume domestically fed cattle price increases 1.6%, approximately a 6% fed cattle price increase might be expected if trade were normalized to its 2003 level. At a base \$85/cwt, this translates into about a \$5/cwt price response to regaining trade with Japan. This, however, assumes that 2005 would include 12 months of “normal” trade, which will not occur as it will likely be mid-year at the earliest before trade resumes.

When beef trade does resume with Japan, it will likely not immediately jump to pre-ban levels either, for a couple of reasons. First, technical issues and regulations will have to be negotiated between the U.S. and Japan. Second, transaction costs are likely to be higher as U.S. exporters will need to provide age verification and other assurances. Third, Japanese beef buyers have identified other sources of beef that will likely provide stiff competition for the U.S.

The Markets

Kansas slaughter cattle prices were up nearly \$2/cwt last week, with the bulk of last week’s trade at \$91. In Nebraska, dressed sales averaged \$141.30, up \$1.56 higher from the previous week. Unlike the previous week, boxed beef prices improved throughout the week. Still, Choice boxed beef averaged more than \$5/cwt lower than the previous week that experienced a large decline at the week’s end. Last week the Choice-Select spread declined \$1.32/cwt. Prices for feeder steers (500-600 lbs.) were about \$4 higher in Kansas and Nebraska last week, while yearling steer prices (700-800 lbs.) were up about \$2.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$90.58	\$88.90	\$75.05
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$141.30	\$139.65	\$122.93
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$104.92	\$102.73	\$85.34
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$124.90	\$120.37	\$99.32
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$107.97	\$105.99	\$88.65
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$134.92	\$131.21	\$114.43
Choice Boxed Beef Price, 600-900 lb. carcass	\$142.69	\$148.12	\$128.37
Choice-Select Spread, 600-900 lb. carcass	\$4.73	\$6.05	\$6.20