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K-State BSE Study

K-State agricultural economists (Coffey, Mintert, Fox, Schroeder, Valentin) released a comprehensive report entitled “Economic Impact of BSE on the U.S. Beef Industry: Product Value Losses, Regulatory Costs, and Consumer Reactions” last week. The report addresses market losses attributable to lost export markets, cost and revenue changes in the beef packing sector associated with BSE related regulatory changes, the potential impact of additional U.S. BSE discoveries on domestic consumer demand. The full report can be downloaded from:

http://www.agmanager.info/livestock/marketing/bulletins_2/industry

The report indicates that beef industry revenue losses attributable to export market losses during 2004 ranged from \$3.2 to \$4.7 billion. Although some important export markets - including Mexico and Canada – did reopen during 2004, the United States has yet to regain access to the Japanese and South Korean beef export markets. These two markets are key to a U.S. beef export recovery since they were the second and third largest export markets for U.S. beef during 2003, accounting for approximately 56% of all U.S. beef export value. If the U.S. had regained access to these two key markets during 2004, and shipped the same percentage of U.S. production as in 2003, wholesale revenue would have increased \$45 to \$66 per head for every head slaughtered in the U.S. If exports to Japan and South Korea were only one-half the 2003 level, as a percentage of U.S. production, wholesale revenue per head slaughtered would have increased about \$22 to \$32.

In The Markets

Cash slaughter cattle prices continue to decline. Last week Kansas fed steers averaged \$92.83/cwt., a decline of more than \$1/cwt. Little trade has taken place this week in the Southern Plains, but it looks like cash trade will fall below last week’s level as current packer bids are in the \$90 to \$90.50 range. Trade in Nebraska earlier this week averaged \$144.68/cwt. (dressed weight), about \$4/cwt. below a year ago. USDA’s Choice boxed beef cutout was trading in the low \$160’s until yesterday, when it declined nearly \$3 and closed at \$160.33. Cattle slaughter remains below last year, but is increasing seasonally. Slaughter last week increased 3.6% compared to the prior week and this week’s slaughter looks like it will rise 2% above last week. Seasonally increasing cattle slaughter and softer boxed beef prices both indicate the spring peak in slaughter cattle prices is behind us.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$92.83	\$93.98	\$86.84
Nebraska Fed Steer Price, dressed weight	\$148.58	\$149.90	\$140.05
700-800 lb. Feeder Steer Price, KS 3 market average	\$115.46	\$115.94	\$103.81
500-600 lb. Feeder Steer Price, KS 3 market average	\$140.14	\$136.12	\$117.76
700-800 lb. Feeder Steer Price, NE 7 market average	\$118.73	\$117.31	\$104.95
500-600 lb. Feeder Steer Price, NE 7 market average	\$144.35	\$143.51	\$124.78
Choice Boxed Beef Price, 600-900 lb. carcass	\$162.21	\$157.84	\$157.97
Choice-Select Spread, 600-900 lb. carcass	\$15.99	\$16.35	\$20.38