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BSE Uncertainty Dampens Monday’s Market

Monday’s Live Cattle futures market dropped \$0.60-1.78/cwt and Feeder Cattle futures fell \$1.65-2.90/cwt, responding in part to USDA’s announcement on Friday night that a previously confirmed negative BSE sample had undergone additional testing and produced a weak positive result. While this does not involve a “fresh” new case of BSE (but is one of the three inconclusive cases last year), the continued testing apparently created some uncertainty in the market, dropping prices on the futures market as traders await additional news. The sample in question was originally tested using the IHC confirmatory test, which produced a negative result. The Office of the Inspector General, in reviewing USDA BSE-related activities, had this sample (and the two other 2004 inconclusive samples) tested using SAF Immunoblot (Western Blot). This test, also considered a confirmatory test and accepted by OIE guidelines, produced a “weak positive” result. The sample has been sent to the international reference laboratory in England for additional confirmatory testing. Further, additional testing will likely take place in the U.S., in consultation with international officials. Those test results are due back in about two weeks, during which time there will likely be some uncertainty in the markets.

If the sample is ultimately determined negative, the market price impact is likely to be relatively short term and insignificant. If the sample is positive, there is likely to be some degree of uncertainty in the market regarding domestic and export demand. Because USDA provided assurances, both now and last year, that the downer animal producing the sample in question did not enter the food supply and cited this case as an example of the safeguards at work, there may be little impact on domestic consumer beef purchases. Further, the beef industry is likely to vocally support this message of safety to U.S. consumers through media channels. Additionally, consumer concerns may likely be lessened by this being an “old” case from 2004 rather than a fresh, new case. Because the U.S. regained only a portion of the export market since the December 2003 BSE case, impact on current exports sales from this case will be small. Press reports from Japanese officials on Monday also suggested that the additional testing of this sample would not slow progress towards re-establishing beef trade with the U.S.

The Markets

Kansas and Nebraska slaughter cattle prices were mostly steady last week. Choice boxed beef averaged \$144/cwt last week, down \$2.13/cwt from the previous week. Last week the Choice-Select spread narrowed \$1.50/cwt to \$7.50. Feeder cattle prices last week in Kansas were up \$2-3/cwt. Good volumes of feeder cattle were sold in last week’s livestock auction markets in Nebraska and Kansas.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$85.87	\$85.78	\$89.64
Neb. Fed Steer Price, dressed weight	\$134.78	\$134.72	\$145.44
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$115.70	\$113.92	\$119.63
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$134.94	\$132.27	NA
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$119.01	NA	\$118.78
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$144.58	NA	\$124.50
Choice Boxed Beef Price, 600-900 lb. carcass	\$144.00	\$146.13	\$155.00
Choice-Select Spread, 600-900 lb. carcass	\$7.50	\$9.00	\$14.00