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For more than two years, these two questions have been on the minds of many in the beef industry regarding imports of live cattle from Canada. Last Thursday's ruling by the 9th U.S. Circuit Court of Appeals stayed the preliminary injunction suspending USDA's minimal risk regions rule that would have established live cattle trade with Canada in March. This ruling essentially opens the border to Canadian feeder cattle and slaughter cattle less than 30 months of age immediately. However, because several Canadian and U.S. agencies have to coordinate the implementation and oversight of the minimal risk regions rule, it could be several days before cattle enter from Canada and a few weeks for substantial volume to occur. The issue of timing could be further impacted by the scheduled July 27 U.S. District Court case to hear the arguments for a permanent injunction of USDA's rule. While the Appellate Court's ruling gives some indication as to the eventual outcome of that case, it could cause some importers to delay Canadian cattle purchases pending the "final" outcome of the case. However, the Appeals Court could request in its opinion (not yet released) that the District Court dismiss the case, which would remove another legal barrier.

Examining pre-BSE imports of feeder and fed cattle from Canada can provide some indication as to the number of cattle that may arrive in the U.S. yet this year. Figures 1 and 2 show the average weekly feeder cattle and fed cattle imports from Canada from 2000-2002, respectively. Historically, weekly feeder cattle imports are seasonally lowest during the summer months and increase into the fall and winter, peaking in February. The average August to December feeder cattle imports from 2000-2002 is about 100,000 head, or about 4,800 head per week. These numbers, however, are somewhat inflated by the unusually large feeder cattle imports in 2002 that resulted from drought conditions in Canada. Fed cattle imports are seasonally highest in the third and fourth quarters (Figure 2). The average August to December fed cattle imports (2000-2002) is 340,000 head, or about 16,000 head per week. The average 2000-2002 August to December cattle imports from Canada accounted for about 3% of U.S. commercial cattle slaughter during those months. As a result, a negative price impact of roughly 4-4.5% may be expected, or about \$3.50/cwt based on the current \$80/cwt slaughter cattle market.

This large of a price impact is not likely to occur, however, for several reasons. First, it would assume that beef imports remain at their current level. Beef imports from Canada reached an historical high in May (114 million lbs), up 47% from last May. Year to date, 2005 beef imports from Canada are up 17% from last year. As the minimal risk regions rule is implemented, Canadian slaughter capacity will likely be used for cattle more than 30 months of age while cattle less than 30 months of age are directed to the U.S. Assuming that Secretary's Johanns' modification to the rule that beef from cattle more than 30 months of age will not be permitted to enter, this will lower the amount of beef available in Canada for export to the U.S. Second, the 2000-2002 pre-BSE trade ban numbers above are likely high based on the large Canadian feeder cattle imports in 2002 that resulted from drought conditions. Third, Canadian slaughter capacity is running significantly higher than in 2000-2002. While it is likely that some decrease in Canadian slaughter will result from the reestablishment of trade, a larger proportion of Canadian cattle will be slaughtered in Canada than before the trade bans were put in place. Fourth, increases in the number of cattle on feed in Canada in recent months should help reduce the number of feeder cattle available to export to the U.S. Fifth, the narrowing spread between

U.S. and Canadian live cattle prices in recent months should help moderate the volume of cattle traded (this spread will likely drop close to zero when trade does resume).

Feeder cattle prices are likely to fall more than fed cattle prices, partially as a result of conditions outlined above. Further, impending losses by cattle feeders and the prospects for higher corn prices will tend to reduce overall prices levels (both in the U.S. and Canada). Initial futures market trade on Friday last week confirmed this, with feeder cattle prices dropping \$2-2.50/cwt while live cattle futures declined about \$0.50-1.00/cwt. Early futures trade on Monday saw mixed prices on live cattle and higher feeder cattle prices.

Figure 1. Average Weekly Feeder Cattle Imports from Canada, 2000-2002 (Pre-BSE Trade Ban)

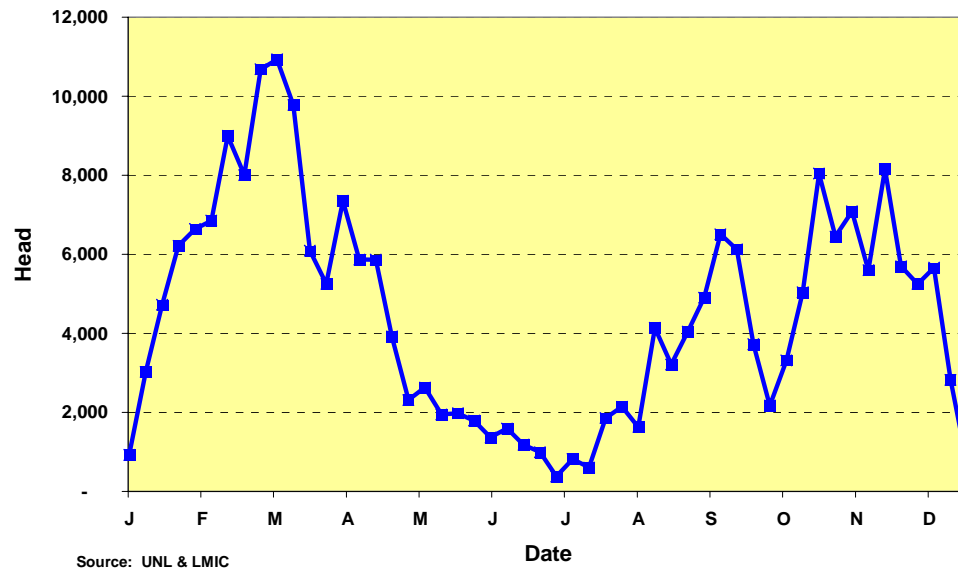
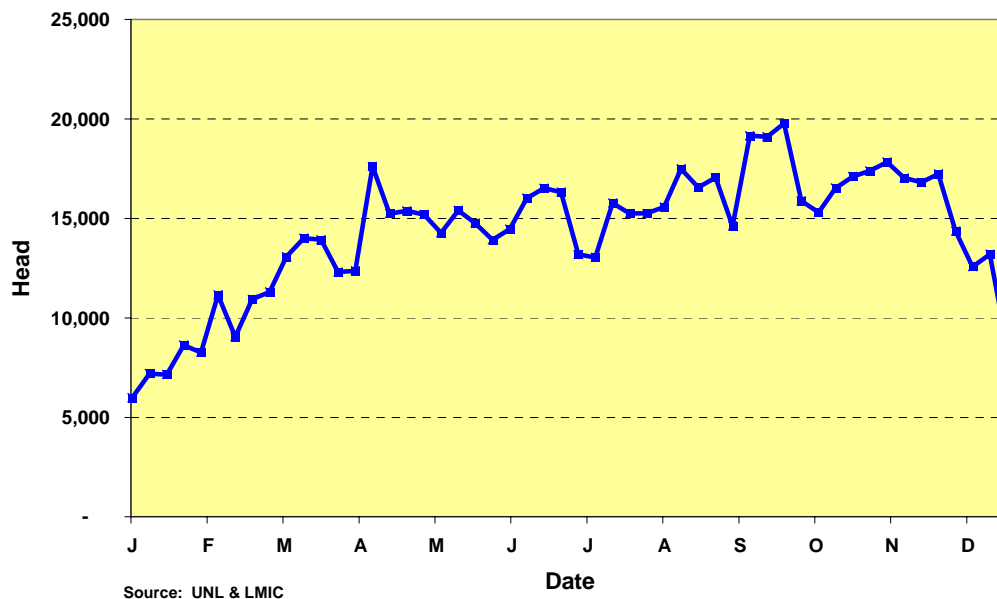


Figure 2. Average Weekly Fed Cattle Imports from Canada, 2000-2002 (Pre-BSE Trade Ban)



The Markets

Kansas live cattle and Nebraska dressed slaughter cattle prices were down \$2/cwt last week. Choice boxed beef declined almost \$2/cwt last week to \$133.87/cwt, while the Choice-Select spread widened nearly \$1/cwt to \$4.37/cwt. Cash feeder cattle prices were weaker on Friday following the Appeal's Court ruling.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$80.14	\$82.15	\$82.39
Neb. Fed Steer Price, dressed weight	\$126.89	\$128.92	\$131.33
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$115.36	--	\$115.74
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$129.79	--	\$127.27
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$120.26	\$120.75	\$117.69
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$141.79	\$150.80	\$138.28
Choice Boxed Beef Price, 600-900 lb. carcass	\$133.87	\$135.61	\$139.63
Choice-Select Spread, 600-900 lb. carcass	\$4.37	\$3.41	\$1.82