

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

Trade Issues

Recent announcements from Japan would indicate that trade in beef may actually start to occur at the end of 2005 or start of 2006. While those in the U.S. beef industry are starting to grow more cautious about these announcements, there still may be an overly optimistic view of how quickly trade flows will resume once the border is indeed open to trade with Japan. When normal trade flows are interrupted or halted because a major importer is denied access to a market (the U.S. into the Japanese market) a vacuum is created. If that trade interruption is fairly short term in duration, then when trade is again permitted, the country can quickly move back in to refill the void. However, if that trade interruption is longer term, then other nations move in to fill that void (Australia, for example) and at the same time consumers also switch to other available products (U.S. pork, for example). When trade is again permitted, the vacuum no longer exists. In fact, there are new and stronger trading competitors in the market that will be fighting to maintain their new market shares. Beef prices are also relatively high at the present time in the U.S. This all suggests that when the border does open to exports to Japan, the price impact on fed cattle may be fairly modest. I don't want to be completely pessimistic on this issue. There are consumer groups in Japan who still want U.S. beef. They will be willing to pay current price levels for that beef. Just don't expect beef exports to reach 2003 levels any time soon.

The Markets

Slaughter cattle prices were steady in the south with trade occurring on Friday and \$1.00-3.00 higher in the north with trade on Thursday this last week. Trade volume was adequate to clear most showlists. Prices were mostly \$89 in the south and ranged from \$138-140 in the north. Choice boxed beef prices were a higher for the week. The Choice-Select spread increased slightly and is at the historical level. Feeder cattle prices were mixed in Kansas and Nebraska. Yearling prices were higher in Kansas and Nebraska, while calf prices were a little softer in Kansas but steady in Nebraska. Calf volume is in line with historical volumes for this time of year.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$88.69	\$89.04	\$86.12
Neb. Fed Steer Price, dressed weight	\$139.74	\$137.47	\$132.46
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$119.51	\$118.52	\$114.70
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$129.00	\$131.83	\$127.03
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$124.48	\$123.19	\$118.84
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$136.19	\$136.53	\$126.37
Choice Boxed Beef Price, 600-900 lb. carcass	\$143.45	\$141.68	\$135.08
Choice-Select Spread, 600-900 lb. carcass	\$13.53	\$11.95	\$4.50