In The Cattle Markets
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Could Avian Influenza Affect Beef Demand?

With the struggles the world-wide beef industry has experienced over the past several years due to diseases like BSE and foot-and-mouth disease, it would be almost natural for the U.S. cattle and beef industry to feel somewhat isolated from the impacts of recent outbreaks of high pathogenic avian influenza in several foreign countries. Many countries worldwide have recently banned poultry imports from countries with outbreaks of avian influenza. Cattle cannot contract avian influenza and USDA Animal Plant Health Inspection Service has multiple controls in place to protect U.S. poultry flocks. A potential benefit could be realized by the U.S. beef industry if those countries switched their protein import demand to U.S. beef product. Unfortunately, many of the countries with the recently imposed poultry import bans purchase little U.S. beef (or currently have bans of U.S. beef in place).

It is important to note that U.S. poultry has not been banned by other countries because high pathogenic avian influenza has not been discovered in U.S. flocks. The U.S. is the world's largest exporter of both broiler and turkey products. In 2005, the U.S. is forecasted to export 5.4 billion pounds of broiler meat, about 15% of expected U.S. production. If demand for poultry world-wide remains constant amidst foreign consumer concerns of avian influenza, demand for U.S. poultry may increase because it would be the largest source of poultry meat free from avian influenza. This could increase poultry prices domestically and reduce the relative beef/poultry price ratio, thus improving beef demand in the U.S. However, should poultry demand decrease worldwide (regardless of whether it originates from a country without avian influenza), U.S. poultry exports could decline. This would increase domestic poultry supplies and lower retail poultry prices in the U.S., encouraging consumers to switch away from relatively expensive beef. A similar event occurred in 2003 when Russia (U.S.'s largest poultry export customer) imposed a quota on U.S. poultry, which ultimately softened beef demand.

The Markets

Fed cattle prices in Kansas and Nebraska were mostly steady to slightly lower last week, averaging $87.85/cwt cwt (live weight basis in Kansas) and $136.53/cwt (dressed weight in Nebraska). Last week, Choice boxed beef prices averaged $1 lower than the previous week, with the Choice-Select narrowing slightly to $13.83/cwt. Feeder steer calve prices were about $4 higher in Kansas last week and nearly $1/cwt higher in Nebraska. Yearling steer prices were somewhat weaker in Kansas, and almost $3/cwt lower in Nebraska last week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	$87.85	$87.71	$84.72
Neb. Fed Steer Price, dressed weight	$136.53	$137.69	$133.48
700-800 lb. Feeder Steer Price, Kansas 4 market average	$115.27	$116.86	$114.12
500-600 lb. Feeder Steer Price, Kansas 4 market average	$130.71	$126.68	$127.78
700-800 lb. Feeder Steer Price, Neb. 7 market average	$119.07	$121.87	$113.99
500-600 lb. Feeder Steer Price, Neb. 7 market average	$134.81	$133.63	$126.10
Choice Boxed Beef Price, 600-900 lb. carcass	$145.66	$146.41	$139.35
Choice-Select Spread, 600-900 lb. carcass	$13.83	$14.22	$6.73