

James Mintert, Ph.D.
Professor, Department of Agricultural Economics, Kansas State University

Japanese Market Reopening to U.S. Beef

The big news in the U.S. cattle market this week is that the Japanese market will reopen to U.S. beef originating from animals that are less than 21 months of age. Press reports indicate that a small (symbolic) quantity of U.S. beef will reach Japan before Christmas. The news has helped push deferred live cattle futures to contract highs this week. For example, April live cattle futures closed at \$94.65 today, slightly above the previous contract high of \$94.42 set just last week. The February contract also rallied sharply, closing within \$0.65/cwt. of last week's contract high.

Is the optimism warranted? Perhaps. But it is important to keep in mind that it's likely to be a long time before shipments of U.S. beef to Japan approach the magnitude of shipments during 2003, before border closure. Why? Two reasons. Supply and demand.

In the short run, supplies of export eligible beef will be limiting since a small portion of U.S. slaughter cattle supplies are age verified. Reliable estimates of the percentage of U.S. slaughter cattle with adequate documentation to prove they are less than 21 months of age are hard to come by, but it's probably less than 10 percent of U.S. slaughter cattle supplies in the short run. Long run, supplies will grow, but it won't happen overnight.

The second factor that could inhibit U.S. exports is Japanese consumer demand. Several published surveys have indicated that a significant majority of Japanese consumers are concerned about the safety of U.S. beef. We won't know how meaningful those survey results are until U.S. beef reaches Japanese restaurants and grocery store shelves. Even if the survey's overstate the real concern of Japanese consumers about U.S. beef (which seems likely), it still suggests that it will take some time before Japanese demand for U.S. beef approaches 2003's level.

Reopening the Japanese market to U.S. beef, even if it is only for beef from animals less than 21 months of age, is great news. But it's likely to be 2007 or 2008 before U.S. beef exports to Japan equal 2003's.

In The Markets

Slaughter cattle prices weakened last week as Kansas prices averaged \$90.96/cwt (live weight), about \$1/cwt. below the prior week and dressed weight prices in Nebraska fell about \$2/cwt. below their prior week's average. Cattle prices declined despite the fact that boxed beef prices improved modestly as USDA's Choice carcass cutout averaged \$153.80, about \$3/cwt. higher than the prior week. The Choice-Select spread averaged \$10.75 last week, the third week in a row that the average was below \$11/cwt. The Choice-Select spread peaked somewhat early this fall, hitting \$14.22/cwt. in late October. Feeder and calf prices were weaker in Kansas, whereas prices in Nebraska last week were mixed. In Kansas 700-800 pound feeder steer prices dropped below \$117/cwt., a decline of nearly \$2/cwt. and calf prices declined about \$3/cwt. A 750 pound

steer placed on feed at last week's Kansas average price would likely require a sale price between \$91 and \$93/cwt. during the last half of May to breakeven.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$90.96	\$92.10	\$84.76
Nebraska Fed Steer Price, dressed weight	\$146.35	\$148.42	\$134.21
700-800 lb. Feeder Steer Price, KS 3 market average	\$116.71	\$118.56	\$105.31
500-600 lb. Feeder Steer Price, KS 3 market average	\$131.78	\$133.40	\$120.57
700-800 lb. Feeder Steer Price, NE 7 market average	\$120.39	\$118.99	\$109.26
500-600 lb. Feeder Steer Price, NE 7 market average	\$136.77	\$140.55	\$123.70
Choice Boxed Beef Price, 600-900 lb. carcass	\$153.80	\$150.80	\$144.49
Choice-Select Spread, 600-900 lb. carcass	\$10.75	\$10.35	\$6.94