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**First Quarter Beef Demand**

Preliminary data suggests retail choice beef demand in the first quarter of 2006 declined 3-4% compared to first quarter 2005. Beef consumption averaged 15.8 lbs. per capita for the quarter, 1.2% higher than last year. However, both real (inflation adjusted) choice and all fresh beef prices declined by nearly 5% during this time period (based on retail prices for January and February). Retail prices for the first two months of the year were also down for pork (1.7%) and broilers (6.3%) while per capita consumption of the competing meats each increased about 1%.

Prices of substitute meats likely contributed to the decline in beef demand last quarter. The relative price ratio of beef to pork and beef to chicken each increased in the first quarter of 2006 compared to the last quarter of 2005. Thus, beef was priced relatively higher compared to pork and chicken. However, beef competed better with turkey due to a 5% increase in inflation-adjusted retail turkey prices, thus decreasing the beef to turkey price ratio. Decreases in foreign demand for poultry due to Avian Influenza likely has resulted in more domestic broiler meat supplies, thereby depressing broiler prices and providing more stiff competition for red meats in the retail case.

On the international demand side, recently released February trade data indicates that U.S. beef exports to Canada, Mexico, and the Caribbean have increased substantially compared to a year ago. However, the U.S. has yet to regain access to key Asian markets (e.g., Japan and South Korea). While progress on reopening these markets seems encouraging at times, it is likely that it will take a long time before an economically significant volume of trade develops to those countries.

**The Markets**

Fed cattle prices declined about 14% from their high during the third week of January to the first week of April. Last week, live weight prices in Kansas rebounded about \$1/cwt from those lows the previous week to \$84. Dressed prices in Nebraska averaged about \$133, over \$4/cwt higher than the previous week. Some of this strength last week was lead by improved processor margins and stronger boxed beef prices. For the week, choice boxed beef averaged \$140, up \$1.32/cwt from the previous week. Recent strength in the corn market didn't appear to halt feeder cattle price advances last week. Yearling steer prices were up \$2-3/cwt last week in Nebraska and Kansas. While steer calf prices were mostly steady in Nebraska, they averaged more than \$9/cwt higher in Kansas.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight	\$84.05	\$83.14	\$92.04
Neb. Fed Steer Price, dressed weight	\$133.15	\$128.98	\$148.06
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$105.73	\$102.70	\$115.44
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$133.38	\$123.90	\$137.82
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$110.57	\$108.32	\$118.04
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$134.79	\$134.15	\$140.21
Choice Boxed Beef Price, 600-900 lb. carcass	\$140.01	\$138.69	\$155.03
Choice-Select Spread, 600-900 lb. carcass	\$11.92	\$10.71	\$15.65