

Darrell R. Mark, Ph.D.
Asst. Professor, Department of Agricultural Economics, University of Nebraska

When Bad News Gets Worse

Back in the October 31, 2005 issue of “In the Cattle Markets,” I suggested that Avian Influenza might negatively impact beef demand by reducing U.S. poultry exports and increasing domestic supplies of inexpensive poultry. That seems to have happened. Poultry exports in the fourth quarter of 2005 were down nearly 14% from 2004’s fourth quarter. January 2006 exports were down 3% compared to last year as well. U.S. poultry exports rebounded in February, however, to increase 15% over February 2005. U.S. cold storage stocks of poultry as of the end of March were 6% lower than in February, suggesting continued improvement in poultry exports. Still, cold storage stocks of poultry remained 29% higher than a year ago. Additional supplies of poultry to consume domestically, coupled with sharply lower retail prices (skinless/boneless chicken breasts are more than 36% lower than last year), have likely contributed to the beef demand decrease observed in 2005 (-3.6%) and the first quarter of 2006 (-4.5%).

Just as it appears that poultry exports may be improving following the Avian Influenza concerns, this past week Russia announced that it was temporarily halting imports of poultry due to technical violations of import regulations. While specific details are not yet known, current indications are that the ban will be in place for a short period of time. Still, this really couldn’t have come at a worse time or from a trading partner the U.S. is more dependent upon for poultry purchases. Russia accounts for about 32% of all U.S. broiler exports and is a major importer of dark meat (which had been increasing in supply prior to the halt in exports). Further, the seasonal increase in broiler exports in May, June, and July will likely now be delayed or reduced. As a result, the Russian ban on U.S. poultry may further pressure domestic beef demand by placing more relatively inexpensive poultry on the U.S. retail meat market.

So, what can beef producers do about the situation? Options to improve the situation are probably limited, but one proactive step is for the entire U.S. livestock and meat sector to continue to push for science-based trading regulations and for our domestic industries to strive to meet the technical rules the U.S. agrees to. These situations also underscore the importance of having some type of price hedge in place to protect against the unexpected.

The Markets

Fed cattle prices dropped again last week, with live weight prices in Kansas down \$3/cwt and Nebraska dressed prices down \$4-5/cwt from the previous week. The lower fed cattle prices came in spite of choice boxed beef prices improving by \$4/cwt to average \$146.33 for the week. Yearling steer prices were down \$4-6/cwt last week in Nebraska and Kansas. Steer calf prices dropped \$6-7/cwt in Kansas last week, but advanced about \$4/cwt in Nebraska.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$78.91	\$82.04	\$92.83
Neb. Fed Steer Price, dressed weight	\$127.90	\$132.52	\$148.58
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$101.07	\$106.64	\$115.46
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$126.34	\$133.16	\$140.14
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$105.12	\$109.25	\$118.73
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$134.53	\$130.34	\$144.35
Choice Boxed Beef Price, 600-900 lb. carcass	\$146.33	\$142.28	\$162.21
Choice-Select Spread, 600-900 lb. carcass	\$16.19	\$14.11	\$15.99