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In The Cattle Markets

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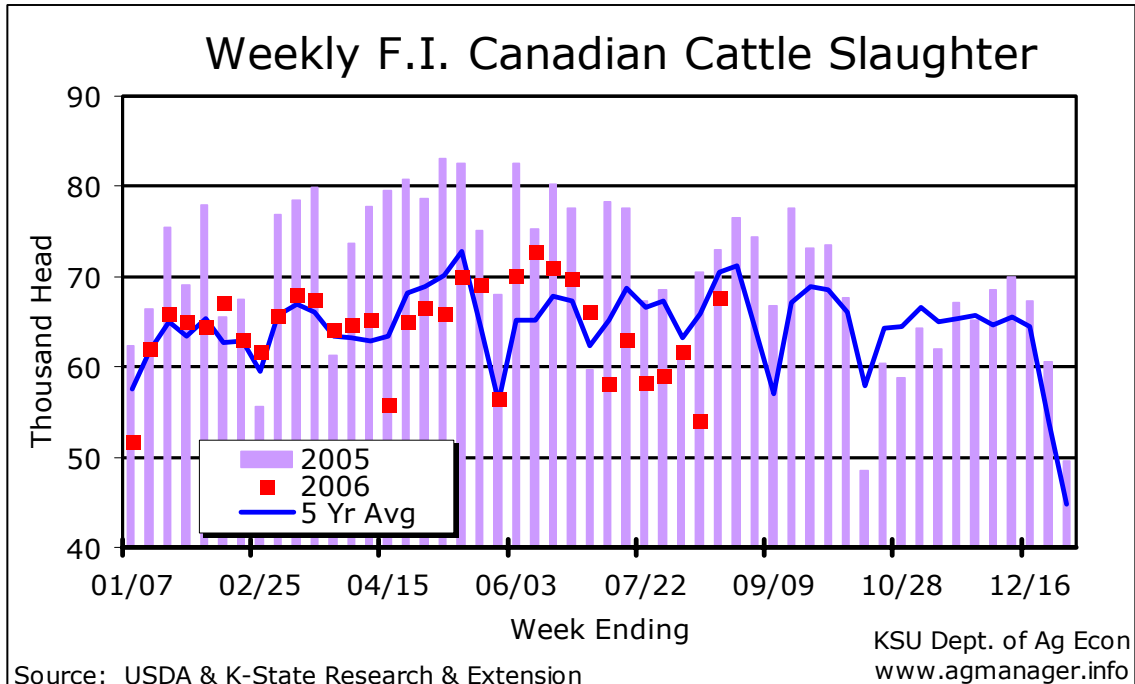
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Canadians Slaughter Fewer Cattle, But More Cows

Prior to re-opening the border with the U.S., which allowed Canada to export slaughter cattle (under 30 months of age) and feeder cattle to the U.S., Canada was struggling to ramp up its slaughter capacity to process more animals and take advantage of the fact that it was possible to export beef, but not cattle. As a result, federally inspected Canadian cattle slaughter during 2004 was 11% larger than in 2002, the last year slaughter levels were unaffected by BSE related trade restrictions. One of the concerns in the U.S. was that once capacity was added in Canada, it would remain in production even after the border reopened. The U.S.-Canada border reopened just over a year ago, although exports of cattle over 30 months of age (primarily cows) to the U.S. are still not allowed. So, what's happened to Canadian cattle slaughter levels so far this year?

Through mid-August federally inspected cattle slaughter in Canada was 6% (126,000 head) smaller than during 2005. The slaughter reduction was all concentrated in steer and heifer slaughter. Since cow exports are restricted, Canadian processors have found it more profitable to slaughter cows than steers and heifers. As a result, cow slaughter in Canada so far this year has been up 75% (179,000 head) compared to a year ago.

How do current Canadian cattle slaughter levels compare to pre-BSE levels? Through mid-August, federally inspected cattle slaughter in Canada was down 0.7% compared to 2002, the year before Canada's first BSE case. So, despite the fact Canadian processors made some adjustments to increase slaughter capacity during 2003-2005, it looks like Canadian cattle slaughter is back near its pre-BSE level.



The Markets

Slaughter cattle prices strengthened jumped last week, averaging \$88.16 (live) in Kansas and \$137.18 (dressed) in Nebraska. Weekly average boxed beef prices, however, were weaker, averaging \$147.32/cwt. for Choice beef, about \$3.50 below a week earlier. The spread between Choice and Select narrowed slightly, averaging \$10.62 compared to 11.28/cwt. a week earlier. Strengthening cash and futures prices combined to push feeder cattle prices higher last week. Prices for 700-800 pound feeder steers increased nearly \$2/cwt in Kansas and almost \$5/cwt. in Nebraska. Calf prices did not move as much as feeders. Prices for 500-600 pound steers in Kansas changed little compared to a week earlier whereas prices in Nebraska rose about \$4/cwt. to average \$136.86/cwt.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$88.16	\$85.59	\$82.10
Neb. Fed Steer Price, dressed weight	\$137.18	\$136.00	\$128.12
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$120.22	\$118.66	\$117.21
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$131.20	\$131.48	\$126.80
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$126.12	\$121.25	\$119.27
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$136.86	\$132.64	\$136.01
Choice Boxed Beef Price, 600-900 lb. carcass	\$147.32	\$150.87	\$133.01
Choice-Select Spread, 600-900 lb. carcass	\$10.62	\$11.28	\$8.46