

Japan's Cattle Restriction Changes Help Futures Market



**GLENN GRIMES AND
RON PLAIN**

Agricultural Economists,
University of Missouri

Japan is moving to increase from 20 months or younger to 30 months or younger the allowable slaughter age of U.S. and Canadian cattle that can supply beef to Japan. The 20 month restriction was put in place following the BSE scare. The new 30 month rule is expected to go into effect sometime during the first half of 2012. Thus far in 2011, Japan is the third largest foreign buyer of U.S. beef. Prior to 2004, they were our largest foreign market.

The news from Japan helped cattle futures had a good week. The December live cattle contract ended the week at \$124.50/cwt, up \$3.55 from last week. The February contracted settled at \$125.90 today, up \$6.85 from last Friday. April cattle gained \$7.00 this week to end at \$128.95/cwt.

Last month Congress passed and the President signed the free trade agreement with South Korea. However, it appears the agreement may have difficulty passing South Korea's National Assembly. It is especially unpopular with Korean farmers who fear large increases in the importation of U.S. farm products. South Korean President Bak is working to get approval this month, but opposition groups are calling for a delay until after their April elections.

Friday morning the choice boxed beef carcass cutout value was \$187.25/cwt, down 96 cents from last week. The select carcass cutout was up 52 cents from the previous Friday to \$170.35 per hundred pounds of carcass weight. The choice-select spread has been remarkably wide, but narrowed by \$1.48 this week.

Fed cattle prices were higher this week. The 5-area average price for slaughter steers sold through Thursday of this week on a live weight basis was \$121.51/cwt, up 73 cents from last week. Steers sold on a dressed weight basis averaged \$194.61/cwt, \$3.91 higher than the week before. This week last year, live steer prices averaged \$97.64/cwt and dressed prices averaged \$153.93/cwt.

This week's cattle slaughter totaled 648,000 head, down 3.4 percent from the week before and down 0.7 percent compared to the same week last year. The average steer dressed weight for the week ending October 22 was 862 pounds, down 5 pound from the week before and up 2 pounds from a year ago.

Cash bids for feeder cattle around the country this week were mostly \$3 lower to \$3 higher. Prices this week at Oklahoma City were higher on calves and steady on heavier feeders with price ranges for medium and large frame #1 steers: 400-450# \$165-\$175, 450-500# \$155-\$164, 500-550# \$154-\$160, 550-600# \$142-\$148.50, 600-650# \$131-\$150.25, 650-700# \$129-\$148.50, 700-750# \$140-\$145.35, 750-800# \$141.35-\$143, 800-900# \$136-\$137 and 900-1000# \$125/cwt. Δ

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