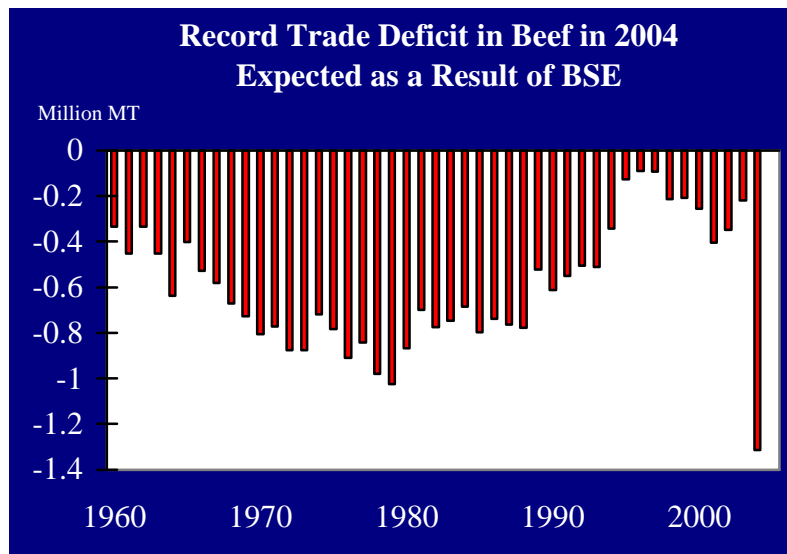


## After BSE Findings, the United States and Canada Seek to Restore Export Markets

Animal diseases in the last three years have caused major disruptions of trade for beef products. Japan had been the largest importer of beef in the world after the United States, but after finding bovine spongiform encephalopathy (BSE) in 2001, BSE eroded Japanese consumer confidence in the safety of beef, both domestic and imported, and seriously damaged the entire beef industry in Japan. Japanese beef imports declined 30 percent from 2001 to 2002 and did not recover to pre-BSE levels.

In 2003, the finding of BSE in North America, first in Canada and later in the United States, caused countries around the world to ban beef from both countries. Prior to finding BSE, Canada and the United States shipped about 27 percent of world exports. This trade was

significantly disrupted after the two BSE discoveries.



For Canada, exports are about 50 percent of production, making it nearly impossible for the domestic market to absorb all lost exports. Domestic consumption of beef rose in the months following the finding of BSE in support of domestic producers. For the United States, 10 percent of beef production that would normally be exported now must be absorbed into the domestic

market. Thus far, the United States has continued to see high beef prices due to tight cattle supplies and relatively strong consumer demand for beef. Declining cow beef production is expected to increase the demand for imports of lean manufacturing beef to mix with fat trimmings, which will result in expected record beef imports in 2004, forecast at 1.5 million tons.

Due to food safety concerns and consumer reactions such as Japan's, it has been common practice internationally to impose bans on all imports of beef from countries where BSE has occurred. However, North America has been more flexible with its neighbors' findings of BSE than more distant trading partners. The United States and Mexico initially restricted imports of Canadian beef after the report of a case of BSE on May 20, 2003, but after evaluating the Canadian situation and Canada's response, both countries began to allow imports of low risk ruminant products from Canada in September 2003. Canada never suspended imports of boneless beef from younger animals from the United States. In March 2004, Mexico announced similar guidelines to allow imports from the United States of boneless beef from cattle less than 30 months of age, as it had for Canada in 2003.

BSE has impacted live cattle trade as well, causing complications in the highly integrated cattle production systems of North America. In the case of Canada, cattle exports to the United States and Mexico were stopped on May 20, 2003 when Canada announced the discovery of BSE. The

United States has not re-opened its market to Canadian cattle, but has published a preliminary rule on cattle imports that proposes to re-open the U.S. border to Canadian cattle under 30 months of age. The comment period will end on April 7, 2004. In 2003, Canada's cattle exports declined by 70 percent and are forecast at zero in 2004 pending the announcement of new rules.

In 2002, prior to finding BSE, U.S. cattle exports were 244,000 head valued at \$125 million. In 2003, cattle exports to Canada totaled \$26.9 million and to Mexico, \$22.5 million. After the U.S. BSE case, exports for 2004 are projected at 5,000 head since the United States may only ship cattle for immediate slaughter to Canada at this time.

In the United States, steps are being taken to quickly implement an expanded BSE surveillance program. The program, lasting 12-18 months, will obtain samples from as many targeted, high-risk animals as is possible, as well as obtain a random sample of normal, but older cattle at slaughter. This intensive effort will allow the United States to determine if BSE exists in the national herd and, if so, accurately estimate the prevalence of the disease in the U.S. cattle population.

