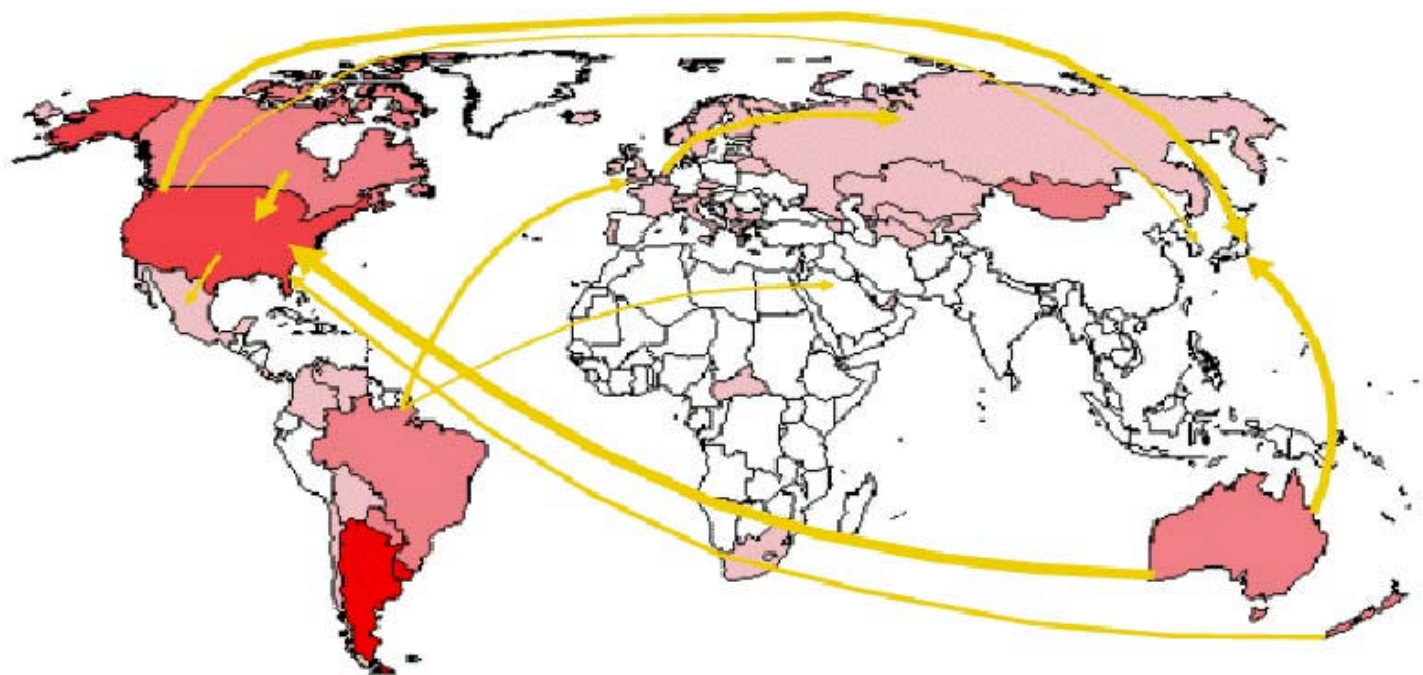


# Economic Impact of BSE on the U.S. Beef Industry

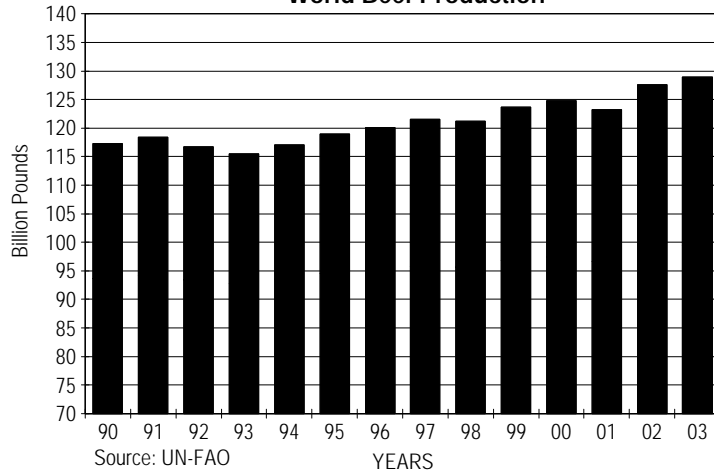


***Presented by:***

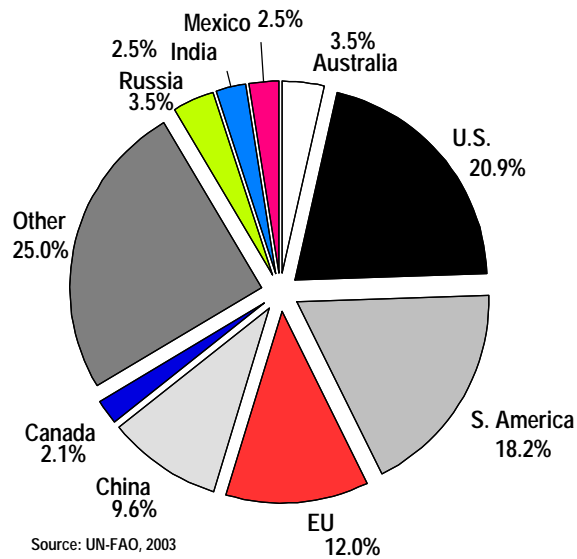


Randy Blach  
9110 East Nichols Ave  
Centennial, CO 80112  
1-800-825-7525  
[www.cattle-fax.com](http://www.cattle-fax.com)

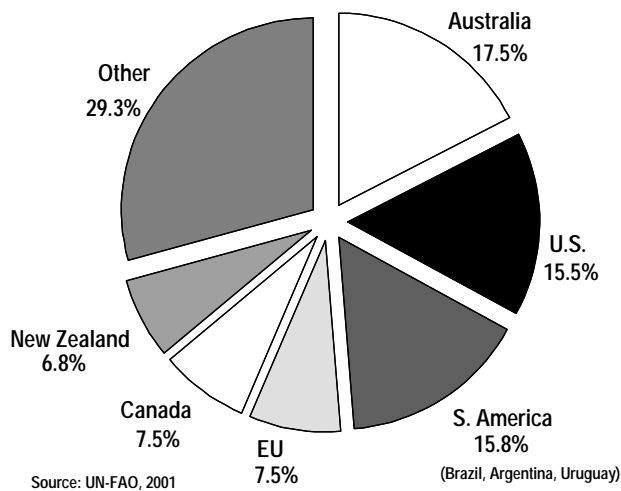
### World Beef Production

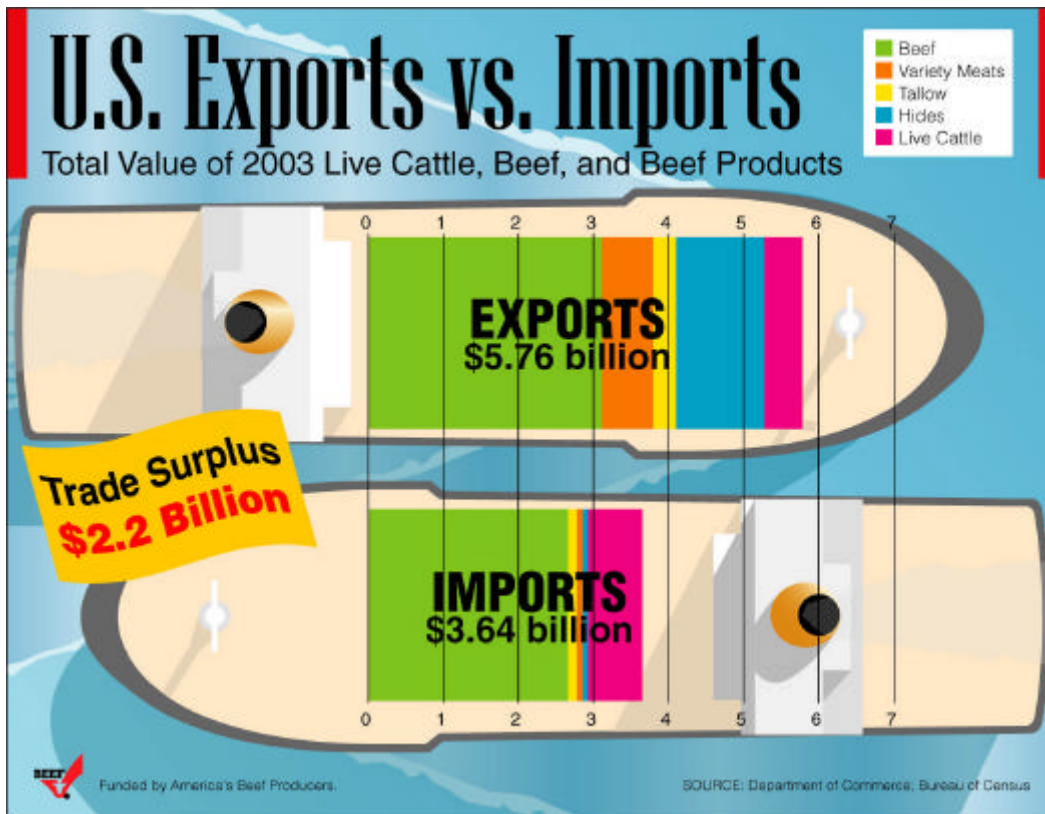


### World Beef & Veal Production



### World Beef Exports





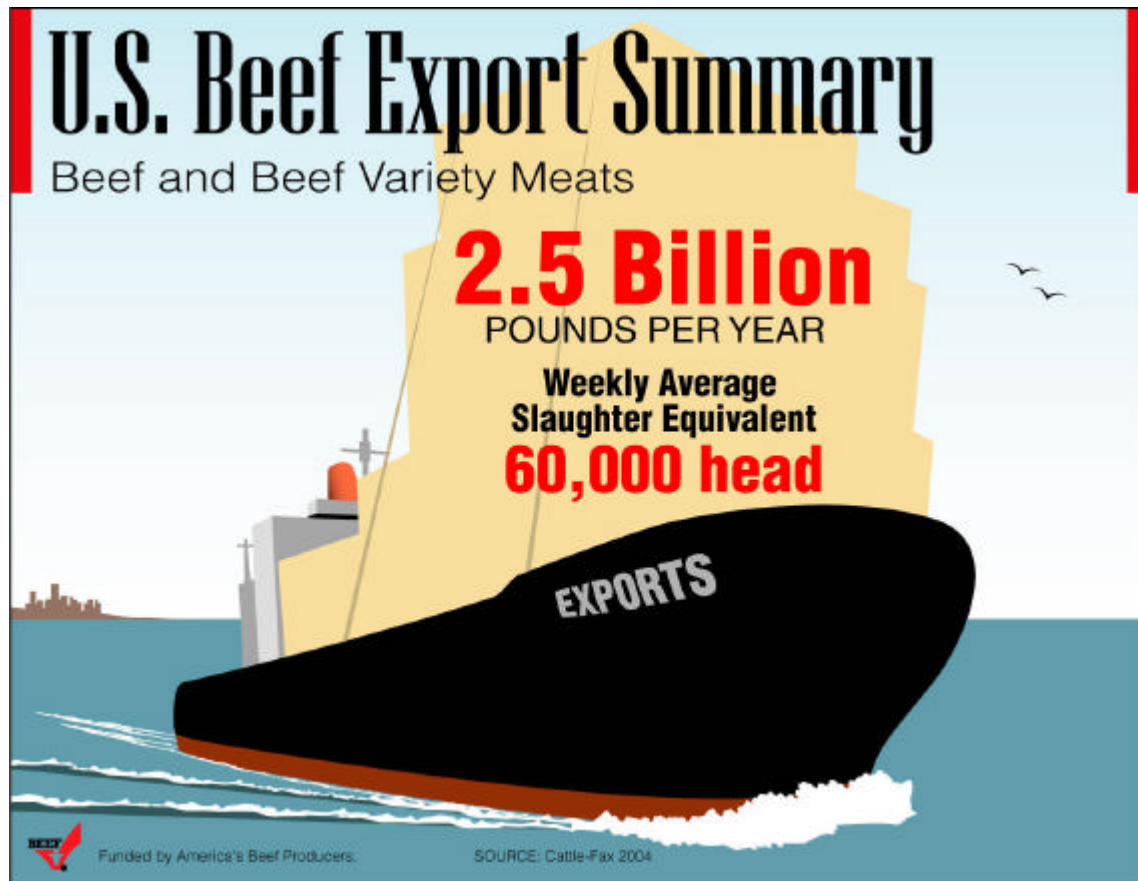
## US Beef Export vs. Import Summary

2002 Beef & BVM Exports	\$3.2 billion
2002 Beef Imports	\$2.8 billion

2003 Beef & BVM Exports	\$3.9 billion
2003 Beef Imports	\$2.6 billion

Net

2002 Exports-Imports (\$1.38-\$1.13/lb)	
2003 Exports-Imports (\$1.66-\$1.21/lb)	\$0.25/lb
	\$0.45/lb



## Value of Beef, Variety Meat and Tallow Exports (\$ billion)

	<u>Beef</u>	<u>Variety Meat</u>	<u>Tallow</u>	<u>Total</u>
1999	2.724	0.557	0.372	3.653
2000	2.987	0.628	0.261	3.876
2001	2.633	0.772	0.237	3.642
2002	2.586	0.619	0.343	3.548
2003	3.150	0.712	0.374	4.236

## Daily Fed Market



Source: Cattle-Fax

# U.S. Beef Export Summary

Market impact from closing the borders.



<u>Hide and Offal Value</u>	12/22/03 \$/head	4/20/04 \$/head
Steer Hide, butt brand	66.94	60.95
Tallow, edible	4.34	3.32
Tallow, packer bleachable	13.64	11.86
Tongues, Swiss #1 white	12.50	2.17
Cheek meat, trmd	5.36	3.95
Head meat	1.40	1.15
Oxtail, selected	5.48	2.68
Hearts, reg, bone out	1.53	1.79
Lips, unscalded	1.66	1.28
Livers, selected, gall off	4.34	2.81
Tripe, scalded, edible	4.59	2.42
Tripe, honeycomb bleached	2.93	2.42
Lungs, inedible	0.13	0.13
Melts	0.00	0.00
Meat and bone meal 50% blk/ton	6.12	6.38
Blood meal, 85% blk/ton	2.81	1.91
<b>Total</b>	<b>\$133.75</b>	<b>\$105.19</b>

# New FDA Feed Rules

**Ban all mammalian blood and blood products from ruminant feeds**

**Ban poultry litter**

**Ban plate waste**

**Requires dedicated facilities or lines for feed mills and renderers that handle prohibited ruminant materials and ruminant feed**

**Increases feed mill and plant inspections in FY 2004.**

## Downer Cow Rule Industry Impact

<b>USDA estimate</b>	<b>195,000 hd</b>
<b>Condemnation of 50,000 head</b>	<b>195,000 hd - 50,000 hd = 145,000 hd</b>
<b>Average canner cow price 2001-2003</b>	<b>\$36.35 per cwt.</b>
<b>Average cow live weight</b>	<b>1020 lbs</b>
<b>Average value</b>	<b>1020 lbs * \$0.3635 per lb = \$371 per hd</b>
<b>Industry impact</b>	<b>145,000 hd * \$371 per hd = \$53.8 mi</b>
<b>Cost to Industry</b>	<b>\$50 to \$70 million</b>

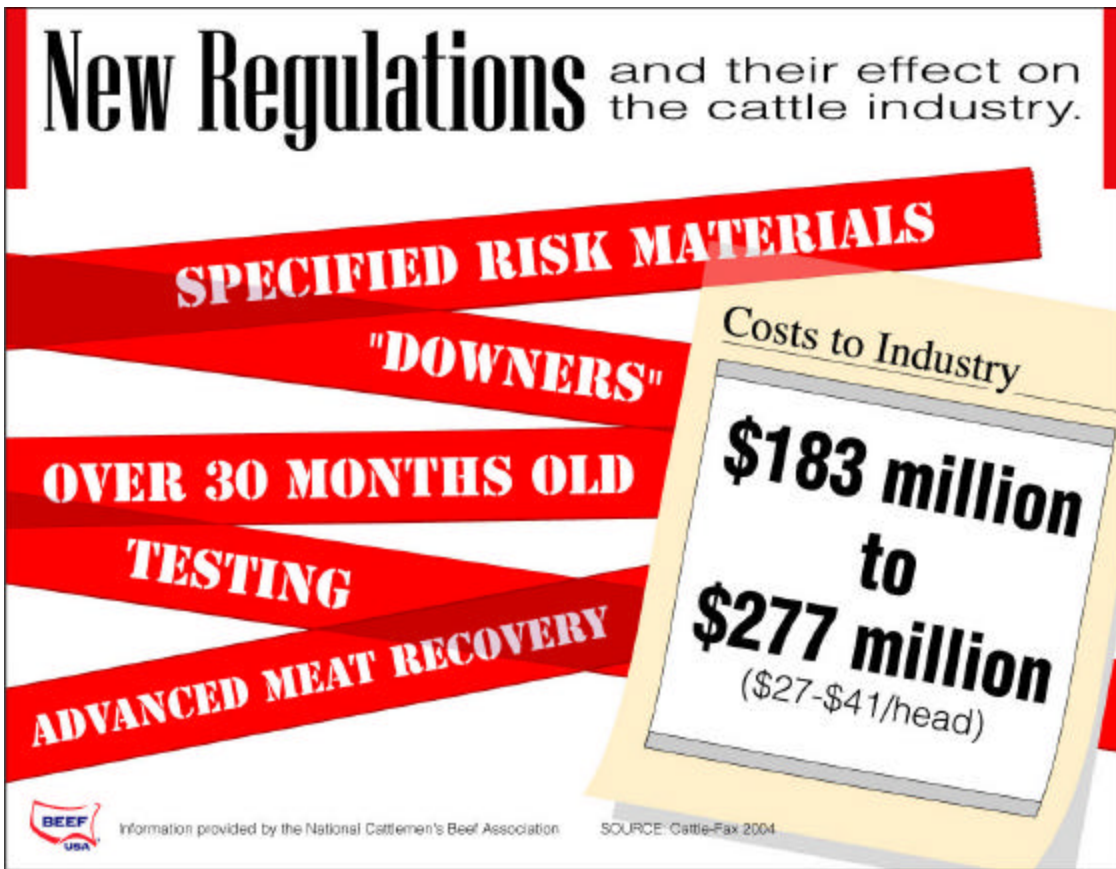
# Specified Risk Materials (SRMs)

**Skull**  
**Brain**  
**Trigeminal ganglia**  
**Eyes**  
**Tonsils**  
**Spinal column**  
**Dorsal root ganglia**  
**Distal ileum**

## Cost Summary

	<b>1/25/04</b>	<b>4/7/2004</b>
	<b>Cattle-Fax</b>	<b>FSIS</b>
<b>New Regulation</b>	<b>Cost Estimate</b>	<b>Cost Estimate</b>
	<b>\$100 million</b>	<b>\$63-64 million</b>
<b>SRMs</b>	<b>\$50-70 million</b>	<b>\$36-71 million</b>
<b>“Downers”</b>	<b>\$17-73 million</b>	<b>\$</b>
<b>Over 30 months</b>	<b>\$15 million</b>	<b>\$14-16 million</b>
<b>AMR</b>	<b>\$1.2 million</b>	<b>\$70 million</b>
<b>Testing</b>		
	<b>\$183-277 million</b>	<b>\$183-221 million</b>
<b>Total</b>	<b>(\$27-41/head)</b>	<b>(\$27-33/head)</b>





## **Impact on Production Programs**

**Grid pricing variables to change**

**Heiferette feeders expect major discounts**

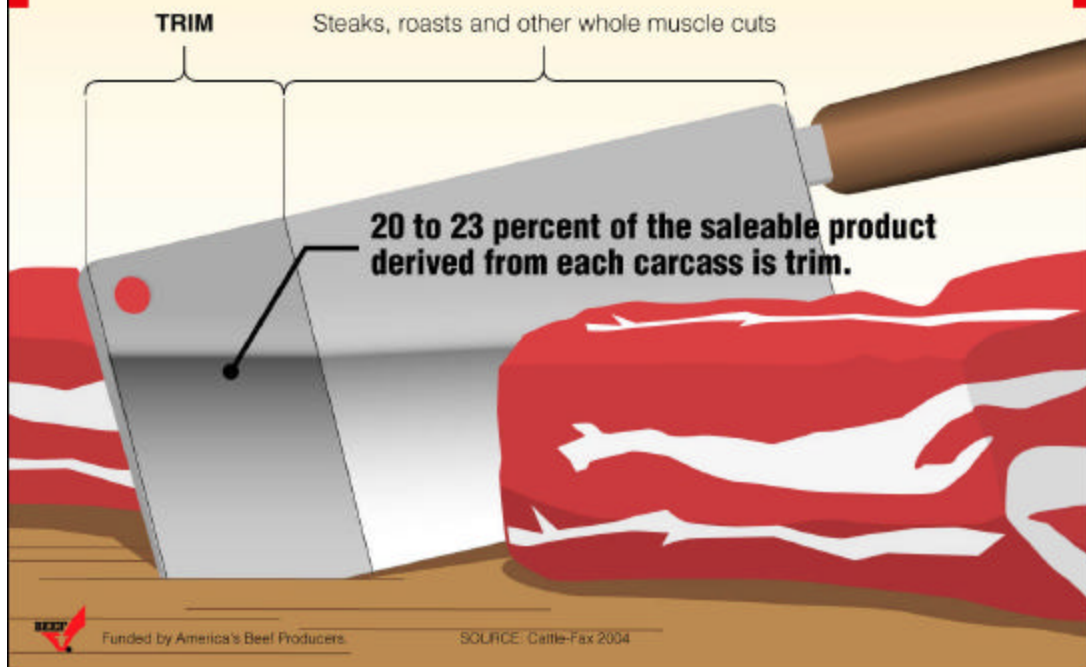
**Grazing programs may need to be modified**

**Long term loss in variety meat value**

**Improved consistency of beef supply**

**Increased cost of doing business for the industry**

# The Value of Trim

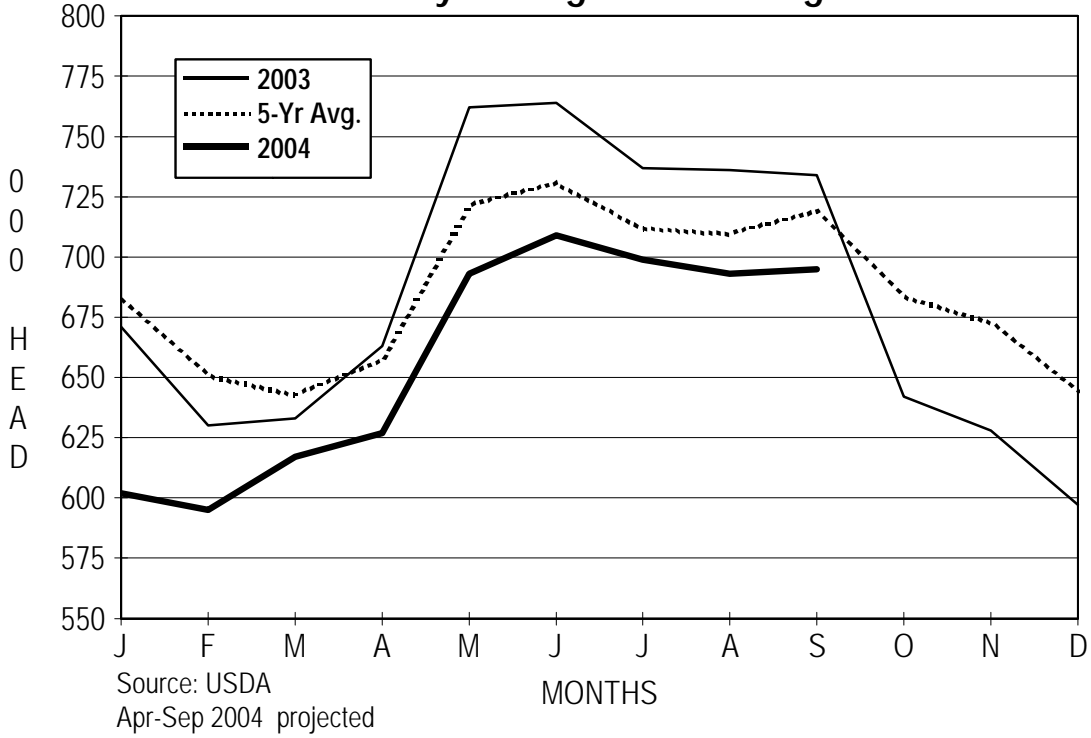


# Top 5 Exported Beef Cuts

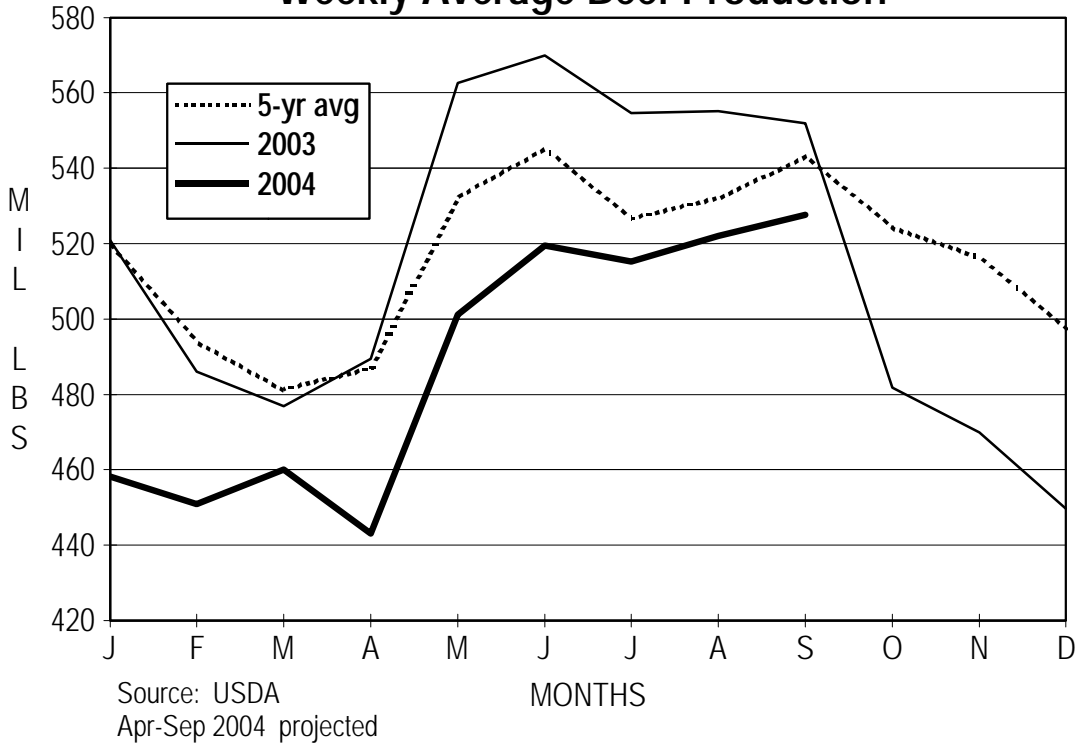
Ranked by the Extra Value Generated



### Weekly Average Cattle Slaughter



### Weekly Average Beef Production



## *Summary*

- Export markets add \$14/cwt. to the value of fed cattle. Re-opening these markets is critically important.
- New regulations will increase cost or decrease revenues by an estimated \$27 to \$41/hd.
- Uncertain how domestic market will absorb larger slaughter levels (especially chuck & trim).
- The changes to the industry are permanent. Added uncertainty and extreme volatility will be common.