March 2006

Beef Export Verification Program for Japan

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Cornhusker Economics

March 29, 2006

University of Nebraska–Lincoln Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
http://agecon.unl.edu/pub/cornhusker.htm

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Market Report	Yr Ago	4 Wks Ago	3/24/06
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$91.06	$89.54	$86.29
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	128.94	139.27	*
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	109.75	113.83	*
Choice Boxed Beef, 600-750 lb. Carcass	151.68	153.21	142.22
Western Corn Belt Base Hog Price Carcass, Negotiated	65.25	61.30	53.43
Feeder Pigs, National Direct 45 lbs, FOB	73.22	58.33	53.94
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	71.05	64.35	60.47
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	109.00	78.00	70.00
National Carcass Lamb Cutout, FOB	272.43	212.23	215.54
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu	3.09	3.96	3.58
Corn, No. 2, Yellow Omaha, bu	1.82	1.97	1.86
Soybeans, No. 1, Yellow Omaha, bu	5.91	5.43	5.33
Grain Sorghum, No. 2, Yellow Columbus, cwt	2.70	2.82	2.59
Oats, No. 2, Heavy Minneapolis, MN , bu	1.87	2.08	1.94
Hay			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	130.00	130.00
Alfalfa, Large Rounds, Good Platte Valley, ton	62.50	65.00	65.00
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	57.50	55.00	55.00
* No market.			

After regaining beef export trade with Japan in December 2005, export rule violations prompted Japan to reinstate its beef trade ban on January 20, 2006. While it is uncertain when trade will resume, it is incumbent upon the entire U.S. beef industry to understand the rules for beef export to Japan. These rules are established in USDA's Beef Export Verification (BEV) Program for Japan. This BEV Program applies to companies, producers, feedlots, slaughterers and fabricators who supply beef and beef offal for export to Japan. Suppliers must comply with the specified product requirements under the USDA BEV Program for Japan through a USDA approved Quality Systems Assessment (QSA) Program. Because cattle producers are considered suppliers under the QSA, it is important for them to determine eligibility of their cattle for export.

USDA's BEV Program for Japan specifies that compliant cattle must meet three main requirements. First, all Specified Risk Materials (SRMs) must be removed from cattle regardless of age. SRMs include spinal cord, distal ileum and vertebral column of beef animals. Second, eligible beef must be from cattle that are less than 21 months of age at the time of slaughter. This age requirement is verified through an approved QSA Program or a USDA Process Verified Program. Third, beef carcasses and products must meet identification requirements. These include uniquely identifying carcasses, shipping documentation that clearly identifies the product and its quality and an FSIS export certificate with the statement "Product Meets EV Program Requirements for Japan."

Of these three requirements specified in the BEV Program for Japan, the main one that cattle producers need to be concerned with is verification of their cattle's age at the time of slaughter. The BEV for Japan requires that cowherds, backgrounding operations and feedlots be covered under a QSA program that is pre-approved by the USDA's Agricultural Marketing Service. If producers do not intend to have their cattle eligible for export to Japan, they do not need to participate in a QSA Program for export to Japan. Because export rules vary by country, compliance with multiple QSA Programs with different requirements may be necessary to maintain export eligibility to more than one country.

The main guideline for a QSA program is that cattle presented for processing must be traceable to live animal production records to verify age. The method of identification must fall under one of the three main criteria: individual animal age verification, group age verification or a USDA Process Verified or USDA Quality System Assessment Programs.

For individual animal identification animals must have a unique individual ID. The type of ID used to identify the animal must be compliant with the guidelines set by each QSA program. Records must be able to trace the individual animals back to the ranch of origin. Also, records must include the actual date of birth for the animal and the birth records must accompany the animal through the supply chain.

For group age verification, groups of animals typically are assembled according to birth date (i.e. born during the same birthing season). This group then must be uniquely and individually identified. Records must identify the actual date of birth for the first calf born from the group during that calving season. The age of the rest of the calves will be assumed to be the same as the oldest calf born within the designated group. Date of first breeding and other breeding records may be used as additional verification for the oldest age of animals within the group.

There are many methods for a producer to enroll in a QSA program. Cattle producers may develop their own unique program and get it approved by USDA. Alternatively, they can supply their cattle to feedyards or processors that have their own approved QSA program, thereby using it as an "umbrella." An "umbrella" program is developed and controlled by one company but includes their cattle suppliers. The "umbrella" program addresses all requirements for the entire supply chain within the QSA program. Not only is the company with the "umbrella" program responsible for developing and maintaining the program, but they are also responsible for their suppliers meeting requirements throughout the entire supply chain. For example, a cow/calf producer could supply their calves through a packer's, feedlot's, ID company's or breed association's QSA program. Under an "umbrella" program, the producer would have to comply with the specifications of the program belonging to the company to which they supply cattle. The requirements for the QSA Program are therefore dependent on the "umbrella" program. For example, the ID used to identify the cattle that are part of a program will be unique and specific to the program. As long as a program compliant ear tag is a one time use, tamper-evident tag containing a non-repeatable unique number, it can be an electronic ID (EID), radio frequency ID (RFID) or a visual tag.

Another requirement associated with the QSA program is bi-annual audits performed by USDA. These audits are completely user-funded. The companies responsible for the QSA program are charged an hourly fee for the time it takes to conduct document review, travel time, on-site audit and report preparation. USDA requires that audits be performed at least twice per fiscal year and more if necessary. For suppliers that are part of an "umbrella" program, USDA may conduct audits on cattle suppliers while auditing the "umbrella" company's program to ensure all requirements are met. If suppliers are audited, they will be required to provide documentation that is sufficient to verify the birthdates of the cattle they have enrolled in the program.

Producers must consider a number of factors when deciding whether to develop their own QSA program or become part of an "umbrella" program. Developing a new, unique QSA program may be the best option for larger sized operations, particularly commercial feedyards and processors. However, for many producers, the costs incurred for USDA audits will prompt enrollment in an "umbrella" program. If producers elect to use an "umbrella" program, they need to carefully select which buyer to supply cattle to. If producers participate in a feedlot or packer's program, they may be "locked in" to that particular program and can only sell cattle to that buyer to make them export eligible. It is likely that feedlots and producers will not share the names of suppliers with their competition, so producers may have to market their cattle through a specific feedlot or packer to maintain export eligibility. However, if producers participate in a QSA program through an ID company or a breed association, it is likely that their cattle will adapt to the QSA requirements or programs of numerous feedlots and processors. This will expand the number of buyers able to purchase the producer's cattle.

It is important to remember that every operation is different and producers need to consider all of their options when determining what will work best for their operation. Not every operation needs to produce BEV Program eligible cattle; however, there may be premiums for doing so, should export market growth occur.

For more Information:

http://www.ams.usda.gov/lsg/arc/ARC1002.pdf
http://www.ams.usda.gov/lsg/arc/arcQA.htm
http://www.ams.usda.gov/lsg/arc/qsap.htm

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