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## Gains and Losses to Cattle Feeders from The BSE-related Bans on Canadian Cattle Imports and Beef Exports

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# CORNHUSKER ECONOMICS

UNIVERSITY OF  
**Nebraska**  
Lincoln

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University of Nebraska–Lincoln Extension

Institute of Agriculture & Natural Resources  
Department of Agricultural Economics  
<http://www.agecon.unl.edu/Cornhuskereconomics.html>

## Gains and Losses to Cattle Feeders from The BSE-related Bans on Canadian Cattle Imports and Beef Exports

Market Report	Yr Ago	4 Wks Ago	9/21/07
<b><u>Livestock and Products,</u></b>			
<b><u>Weekly Average</u></b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$88.14	\$92.40	\$93.60
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.....	132.94	135.69	125.83
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.....	119.94	120.72	121.05
Choice Boxed Beef, 600-750 lb. Carcass.....	142.09	145.35	145.73
Western Corn Belt Base Hog Price Carcass, Negotiated.....	62.75	64.06	63.41
Feeder Pigs, National Direct 50 lbs, FOB.....	52.84	58.00	47.89
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.....	69.82	72.26	66.42
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.....	98.00	102.50	103.25
National Carcass Lamb Cutout, FOB.....	240.29	255.49	257.83
<b><u>Crops,</u></b>			
<b><u>Daily Spot Prices</u></b>			
Wheat, No. 1, H.W. Imperial, bu.....	4.31	6.04	7.64
Corn, No. 2, Yellow Omaha, bu.....	2.20	3.24	3.34
Soybeans, No. 1, Yellow Omaha, bu.....	4.98	7.91	8.78
Grain Sorghum, No. 2, Yellow Columbus, cwt.....	3.54	5.29	5.79
Oats, No. 2, Heavy Minneapolis, MN, bu.....	2.21	2.51	2.71
<b><u>Hay</u></b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.....	135.00	135.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton.....	87.50	85.00	87.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton.....	82.50	*	*
* No market.			

The discovery in December 2003 of a Bovine Spongiform Encephalopathy (BSE) case in the state of Washington led to an import-ban on U.S. beef by more than forty countries, including Japan, South Korea, Mexico and Canada. These four countries are the most lucrative destinations for U.S. beef exports, accounting for more than 90 percent of the total value. In 2004, U.S. beef exports were at 17 percent of their level in 2003, with Japan and South Korea imposing a virtually total ban, while, except for a brief time, Canada and Mexico leaving their borders partially open. Three years and several negotiations later, beef exports are now 47 percent of their 2003 level. Exports to Canada and Mexico are slightly above that, but exports to Japan and South Korea have yet to fully recover. South Korea, who opened its border to U.S. beef in 2006, banned imports again on August 2, 2007, after the discovery of a vertebral column in a beef shipment.

The loss of major markets for U.S. beef exports occurred during a period when U.S. imports of Canadian live cattle were banned after the May 2003 discovery of a BSE case in Alberta, Canada. Imports were scheduled to resume in March 2004, but were halted when a lawsuit was brought against the United States Department of Agriculture (USDA) by the Ranchers-Cattlemen Action Legal Fund (R-CALF), alleging human health risks from importing potentially infected cattle. The R-CALF's injunction was eventually reversed in July of 2005, and Canadian cattle less than 30 months old began to cross the border by the end of the month.



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Research estimating the effects of the beef-export ban and the cattle-import ban on the U.S. beef industry is limited. A major study by Kansas State University agricultural economists reports losses in revenue from the beef-export ban ranging from \$3.2 billion to \$4.7 billion. Another study by Montana State University agricultural economists did not estimate losses, but estimated the net effect on cattle prices of allowing cattle in from Canada and lifting the ban on beef exports. However, neither study has disentangled the effect of the Canadian cattle import-ban from the ban on U.S. beef exports. The two bans were concurrent between January 2004 and July 2006. Also, neither study accounted for the effect of the bans on the competitive behavior of the beef packing industry in the domestic and Canadian cattle markets and in the domestic and international beef markets.

Preliminary results from an ongoing research project here at the University of Nebraska Department of Agricultural Economics show that U.S. cattle feeders gained \$935 million from the closure of the

Canadian border and lost \$623 million from restrictions on beef exports, for a net gain of \$312 million dollars. So, for every dollar gained, 66 cents were lost.

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