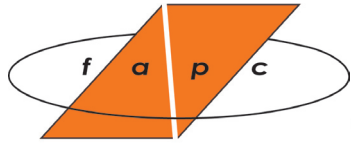


Food and Agricultural Products Center



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OKLAHOMA STATE UNIVERSITY™

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Coming Months will Decide the Direction of the Beef Industry

STILLWATER, Okla. - The U.S. beef industry has been in a state of fluctuation for some time, and the next few months will throw more wrenches into the predictions made by economists and industry analysts.

By summer, three factors will have either changed the tides of the beef industry, or they will have turned out to be mere speculation, said Rodney Holcomb, agricultural economist for the Oklahoma Food and Agricultural Products Research and Technology Center. These industry-impacting scenarios include the expected renewal of imports from Canada, the possible importation of beef from Brazil and the U.S. Department of Agriculture's formal request for trade partners to lift the U.S. beef ban.

Alberta's Premier Ralph Klein predicts the United States will allow cattle imports from Canada by early summer. Klein recently met with the USDA to talk about reopening the border for Canadian cattle.

"The proposal being made by Canada would allow shipments of live cattle under 30 months of age," Holcomb said. "These cattle are believed to have a low risk of carrying diseases like bovine spongiform encephalopathy into the U.S."

The USDA is currently accepting public comments and submissions for a proposal to resume Canadian beef imports.

Klein said the exact timing of the reopening of the borders depends on the length of time the USDA will devote to reviewing the public comments and submissions.

However, some industry reports have already predicted that Canadian beef will once again be marketed in the United States by June.

Brazil has indicated an interest in selling fresh beef to the United States. Brazil has the world's largest cattle supply, with over 183 million head, and led worldwide beef exports last year with fresh beef shipments worth \$1.15 billion. The USDA is expected to release a report on the safety and quality of Brazilian beef in April or May.

In a report listed on www.MeatingPlace.com, Amauri Dimarzio, executive secretary of Brazil's Agriculture Ministry said, "If the results are positive, I don't see any impediment to start exports this year."

Holcomb said at first thought, the importation of cattle and/or beef from these countries would be expected to soften cattle and beef prices in the United States.

"There is, however, another factor in play," he said. "USDA has formally notified Japan and other trade partners that American beef is safe for consumption and is requesting a lift on the ban of American beef."

USDA Chief Veterinarian Ron DeHaven sent letters to his counterparts in trade partner countries stating that USDA's investigations show U.S. beef is safe to eat.

The letters were accompanied by summaries of actions taken by USDA to protect domestic and international buyers from BSE. These steps are the preliminary actions for renewing negotiations for the removal of the

beef bans established in these countries after the identification of the first BSE case in the United States.

Reopening international markets for U.S. beef, combined with predictions that the U.S. cattle herd will be slow in rebuilding, would serve to support domestic beef prices even if some imports of Canadian cattle and Brazilian beef are allowed, Holcomb said.

“However, the magnitude of trade changes in both imports and exports and the timeframe in which it may/

will occur will keep industry experts busy examining several ‘what if’ scenarios,” he said. “Regardless, the summer of 2004 should be an interesting time for observers and participants in the U.S. beef industry.”

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