

## **07/11/2003 Entry: "Lifting Canadian Cattle Ban Could Hurt U.S. Markets"**

WICHITA, Kansas (AP) -- A month after a lone case of mad cow disease turned up in Canada, cattle producers in the United States have been heartened by the absence of consumer backlash against their own beef.

They've even seen domestic livestock prices rise as a result of the U.S. border closing to Canadian imports. Choice boxed beef averaged \$149 per hundredweight the first week in June, a record high, though prices weakened later in the month as more cattle went to market.

"I would say (mad cow) had very little effect, and I think the reason for that is the consumer is confident in our government's inspection processes," said Kansas Animal Health Commissioner George Teagarden.

Canadian officials reported on May 20 the nation's first case of mad cow disease, also known as bovine spongiform encephalopathy, since 1997.

No other cattle were subsequently found to have the disease, but U.S. agriculture officials are evaluating reports before deciding whether to resume beef and cattle trade with Canada.

In Kansas, cattlemen are concerned about how and when the ban will be lifted, said Todd Domer, spokesman for the Kansas Livestock Association. They fear that if the United States unilaterally reopens its borders, other countries -- including Japan, Korea and Mexico that also banned Canadian beef -- will stop buying U.S. beef.

"We are in uncharted waters here," Domer said.

With Canadian meat on the sidelines, the U.S. cattle slaughter has risen sharply to fill the void, said James Mintert, agricultural economist at Kansas State University.

U.S. cattle slaughter the first week of June was the largest since the mid-1970s, and the average daily slaughter during the first half of June was nearly 8 percent larger than last year, he said.

If the ban on Canadian beef is lifted in early July, Canadian slaughter plants will likely operate at capacity and slaughter cattle exports to the United States will pick up, Mintert said. That would sharply increase beef supplies and drive down meat prices.

That seems to be exactly what the live cattle futures prices seem to be anticipating.

Under that scenario, the live cattle futures market expects Kansas slaughter cattle prices to dip into the mid-\$60s per hundredweight from July through October, he said.

However, Mintert projected that there was a good chance the run-up in U.S. slaughter was a response to profitable prices and fears that profits will erode if the import ban is lifted.

Domestic slaughter levels would then drop back significantly in the coming weeks as U.S.-fed cattle supplies tighten.

If that happens -- and the virtual worldwide ban on Canadian exports remains in places -- prices this summer could be significantly stronger than what live cattle futures traders forecast.

Mintert said there is a good chance the bulk of this summer's live cattle trade will be in the low \$70s per hundredweight instead of the \$60s per hundredweight.

The Kansas Livestock Association has asked the USDA when it reopens the border to allow at first just low-risk or no-risk products -- such as cattle under 24 months of age and whole muscle cuts of beef, Domer said.

Teagarden said the United States should wait to reopen its borders.

"We have to wait until we get a final assessment of their tracing," Teagarden said. "And try to determine exactly how this cow became infected and why and where -- and make sure that is probably the only animal infected before we consider opening the border yet."