



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Teaching Case Study — Overcoming National Regulations Limiting International Trade: Creekstone Farms and BSE

Kenneth Harling and Conrad Lyford

The emergence of *Bovine spongiform encephalopathy* (BSE) as a major food safety issue sets the situation for a firm-level opportunity. The Japanese government banned imports of cattle and beef from the U.S. when it established the first cases of BSE there and refused to lift barriers because the Japanese viewed U.S. efforts to eliminate the BSE threat as inadequate. Creekstone Farms of Kentucky saw an opportunity in this situation as the Japanese and Korean governments agreed to imports of its beef if guaranteed BSE-free. The USDA has to decide whether to allow Creekstone to do this testing so that it can export its beef. The decision is difficult because many stakeholders have opposing views.

Creekstone Farms of Kentucky asked the USDA in early 2004 that it be allowed to buy test kits so that it could test all the beef cattle it slaughtered for Bovine Spongiform Encephalopathy (BSE). Japanese officials had told John Stewart, Creekstone's president, that it would accept tested beef shipped from Creekstone even though Japan had banned all imports of U.S. beef following the discovery of BSE in a U.S. dairy cow in 2003. Creekstone was anxious for a decision in its favor because Japan accounted for 25 percent of its sales. Many other stakeholders had a view on what the decision should be; some were in favor and others were against it.

Lance Alvarado, commissioner of the USDA, had to decide whether Creekstone would be allowed the kits needed to do the testing. To help him make his decision, he held hearings at which the various interested parties stated their positions on the matter. What follows is a description of the situation that Alvarado faced. The challenge for him remains: Will he allow Creekstone to purchase the kits?

Creekstone Farms

Creekstone Farms is a privately held producer and marketer of its self-branded Angus beef. The beef is one of a few branded programs certified by the USDA's Agricultural Marketing Service (AMS). Certification requires that USDA graders examine each individual carcass to assure that it meets Creekstone Farms Premium Black Angus Beef™ quality as well as government certification standards. Creekstone's products are distributed throughout

the U.S. to restaurant chains, grocery chains, club stores, food service distributors, and convenience stores. Its fresh beef products were also distributed in Japan through Sumitomo Corporation and in Hong Kong and mainland China through Hormel Foods. The company's Asian headquarters were in Hong Kong and were operated by David Stewart, son of the founder of Creekstone, and Sarah, his wife. Meanwhile, Creekstone has been targeting Mexico for value-added products.

Creekstone Farms was founded in 1995 by John and Carol Stewart in Campbellsburg, Kentucky. Their intent was that Creekstone would be the world's premier producer and marketer of Black Angus beef. They started with their own herd of 37 head of purebred Black Angus and 1,100 acres. Their production program combines these superior genetics with healthy, humane cattle management, carefully controlled high-quality feeding and premium processing for maximum food safety. Joe Bill Meng, Creekstone's director of genetics and supply development said, "The Japanese are concerned about how each animal is treated. They want every person who touches that animal to be concerned" (Kidwell 2003).

In January 2003 Creekstone and the Bank of Nova Scotia acquired the Future Beef Operations (FBO) plant in Arkansas City, Kansas that was its custom beef packer. The plant was state-of-the-art in terms of animal welfare, food safety, and product quality. FBO opened for business in 2001 then went bankrupt in 2002 due to startup and marketing problems. The Bank had provided FBO with \$160 million and saw partnering with Creekstone as the best way to recover its money. Together they paid \$42 million for the plant and equipment at a bankruptcy auction and then spent another \$25 million

Harling is Professor, School of Business and Economics, Wilfrid Laurier University, Waterloo, Ontario. Lyford is Associate Professor, Department of Agricultural and Applied Economics, Texas Tech University, Lubbock.

reopening the plant. The plant was back in production in May 2003 with 780 employees.

Creekstone had annual revenues of roughly \$200 million but Stewart was predicting annual sales of \$300 million. “We expect the lion’s share of our fresh meat to end up in Asia,” Stewart said (Young 2003).

U.S. Beef Industry

Cattle are produced in all 50 states and are a significant economic driver in rural communities. In 2003 they represented the largest single agricultural enterprise, with receipts of \$32 billion from sales of cattle and calves accounting for 21 percent of all agricultural receipts. This gross output from cattle production supported an additional \$65 to 130 billion of economic output for a total of \$97 to 162 billion of direct and indirect economic activity throughout the U.S. economy. Direct and indirect employment in the production and processing of cattle supported over 1.4 million full-time-equivalent jobs.

Cattle Production

More farms were classified as beef cattle operations (31 percent) than any other type of farm. In 2003 there were 720,000 beef producers, and eighty percent of these businesses had been in the same family for more than 25 years—and ten percent for more than 100 years.

In January 2003 the total cattle herd held 95 million head. It consisted of cattle in feedlots, beef cows and calves, replacement heifers, stocker cattle awaiting placement in the feedlot, bulls, and young calves. Eleven million cattle were in feedlots. Over 2003, 34 million cattle were processed, of which 28 million head were fed cattle. The majority of cattle were slaughtered between 18 and 22 months of age and the average animal, which weighed 1,242 pounds before processing, produced a carcass weighing 756 pounds.

In the U.S. beef cattle run in herds, so maintaining specific information and monitoring them was harder than in closely watched herds such as in Japan. Common ways of identifying cattle were with brands and ear tags. While ear tags are more clearly identifiable, they are also more likely to be torn off.

Beef Packing

Over the previous 20 years the structure of the meat packing industry has changed markedly. The industry employs over 500,000 workers at an average wage of less than \$20,000.

Rapid consolidation put control of 80 percent of the beef slaughter industry and 60 percent of the hog slaughter industry into the hands of Cargill (2002 sales of \$50.1 billion), ConAgra (2002 sales of \$27.6 billion), and Tyson (2002 sales of \$13.0 billion). The top five beef companies (Excel, Farmland, Smithfield, Swift, and Tyson) controlled 89 percent of steer and heifer slaughter. Despite the large revenues of these companies, the profit margin on sales remained precariously thin, running around two percent.

The large packers diversified so that each was involved in packing beef, pork, and chicken. In this way they are always in the “center of the plate” with a meat. This means that low profitability in one meat is offset by profitability in other meats. The large packers took over the industry by focusing on selling at low prices by working continually to lower costs through more efficient production. To keep expenses low, the large packers are long-time opponents of workers’ unions and paid wages below the national average.

The industry also has many small meat packers which specialize in producing products for niche markets. The higher costs of these packers are offset by the higher prices customers are willing to pay to get special products and services.

Disappearance

Beef is a major component of people’s diets. The total beef disappearance in 2003 was 27 billion pounds carcass weight and had an equivalent retail value of \$63 billion. The annual per capita disappearance was 93 pounds carcass weight, which is equivalent to 65 pounds retail weight or 62 pounds boneless weight. In retail weight, each person ate 42 pounds at home and 23 pounds away from home. At home, steak was the most popular beef dish, while hamburger was the second most popular. Ground beef accounted for 59 percent of all fresh beef served in-home. In 2004, restaurants provided 11.3 billion beef servings.

Trade

While the United States held less than ten percent of the world's cattle inventory, it produced nearly 25 percent of the world's beef supply. In 2003, exports of beef and beef variety meat totaled 1.3 million tonnes (metric tons) worth \$3.8 billion. Industry experts estimated that the total value of variety meat exported was worth approximately \$15/cwt. or 12 percent of an \$85/cwt. fed steer.

The primary export markets were Japan, Mexico, the Republic of South Korea, and Canada. They accounted for nearly 83 percent of export volume and 88 percent of export value in 2003.

Bovine Spongiform Encephalopathy

According to the Center for Disease Control (CDC):

BSE (bovine spongiform encephalopathy) is a progressive neurological disorder (brain disease) of cattle that results from infection by an unusual transmissible agent called a prion. The nature of the transmissible agent is not well understood. Currently, the most accepted theory is that the agent is a modified form of a normal protein known as prion protein. For reasons that are not yet understood, the normal prion protein changes into a pathogenic (harmful) form that then damages the central nervous system of cattle. (Centers for Disease Control and Prevention n.d.)

As knowledge of BSE was accumulated, it became apparent that a calf could be infected in the first year of its life but that the infection was not detectable in tests until it was 30 months old. The idea developed that the older a cattle was before detection, the lower the dose of the BSE agent it had been exposed to. Research showed that BSE concentrated in certain parts of an infected animal, in particular in the nervous system.

While the disorder was lethal to cattle, of even greater concern was that people eating meat from infected animals could develop a rare neurological disease that was a variant of Creutzfeldt-Jakob Disease (vCJD)—a very rare and incurable degenerative neurological disorder that leads to death. The brains of sufferers become spongy and full of

holes. Typical symptoms included loss of coordination and dementia.

BSE was initially identified in U.K. in 1986 after a mysterious illness started affecting its cattle herd. Once identified, national governments around the world reacted, each in its own way

United Kingdom

Though identified in 1986, BSE was not officially designated a zoonosis—that is, a disease that can be passed from animals to humans—until 1988. As additional knowledge developed, showing the presence of prions in different parts of the animal's body, further regulations were imposed to limit health risks. Then in 1996, ten years after the disease was first identified, the UK government announced a probable link between BSE and Variant Creutzfeldt-Jakob Disease (vCJD), a rare and fatal human neurodegenerative condition, implying that BSE could be transmitted to humans.

Some of the key regulations imposed over time were:

- 1988 • the feeding of meal containing ruminant products to other ruminants was prohibited.
- 1990 • cattle farmers were required to start maintaining breeding records.
- 1995 • the bovine spinal column was prohibited from the production of mechanically recovered meat.
- 1996 • cattle passports were introduced.
 - a selective cull of cattle most at risk was introduced.
- 1997 • the sale of beef-on-the-bone was prohibited.
- 1998 • the cattle tracing system was launched.
- 1999 • the selective cull was extended.

The BSE epidemic peaked in 1992/93. From 1996 to 2000 about 4.5 million cattle were slaughtered to prevent the spread of the disease. This cost the government more than 1.4 billion in compensation to farmers and more than 575m to dispose of the carcasses. From 1995 to 2000 about 77 people died of vCJD and several more cases were identified.

The spread of BSE to the rest of the world occurred as infected meat and bone meal (MBM) and live animals were exported from the UK. When the

UK banned the domestic use of this meal in 1989, its price dropped and sales to foreign countries increased. In 1989 the UK exported 25,005 tonnes to the European Union (EU) double the tonnage of 1988. In 1990 the UK exported 10,072 tonnes to the EU; thereafter export quantities declined considerably. The UK also exported 57,000 animals between 1985 and 1989 to EU member states.

Identified cases of BSE in the UK numbered 1,202 in 2001, 1,144 in 2002, and 611 in 2003. (Polet 2007).

European Union

EU regulations to control BSE escalated over time. In 1994 the European Union (with the exception of Denmark) banned the use of animal protein in animal feed. In 1996 the EU started introducing various programs to eradicate BSE in various member countries. This included bans on trade. Between 1996 and 1998 all exports of UK beef were banned. Although the EC lifted the ban in 1998, France continued to refuse to import any UK beef and the UK's beef exports remained just a fraction what they had been before the EU first banned the UK's overseas sales. In 2001 the EU put in place harmonized legislation for the management of BSE in all member states. The regulation targeted all animal and public health risks resulting from BSE and governed the whole chain of production.

Identified cases of BSE in the EU, excluding the UK, numbered 968 in 2001, 1,008 in 2002, and 751 in 2003. (Polet 2007).

United States

The U.S. government did not think that BSE would be found in the country so its goal was to prevent entry of the disease. In 1989 it banned the importation of live ruminants and at-risk ruminant products such as MBM from all countries where BSE had been found. Then in 1997 it banned the importation of most ruminant products that could carry the BSE infectious agent from all European countries. Any products excluded from the ban were scientifically determined to have no risk of carrying the infectious agent. This included products such as milk, milk products, semen, and hides. In 2000 the U.S. banned all imports of rendered products such as meat and bone meal, regardless of species of origin, which

came from any country designated to be infected with BSE. This recommendation was based on the EU's finding that feed of non-ruminant origin had been cross-contaminated with the BSE agent.

In 1990 the U.S. Department of Agriculture (USDA) initiated a program providing surveillance of the national cattle herd although it did not think that BSE was to be found in the U.S. The program operated under the USDA's Animal and Plant Health Inspection Service (APHIS). The logic for focusing on the national herd was that the likelihood of finding the disease was greater since the proportion of older animals was greater in the herd than in the cattle slaughtered 88 percent of the slaughtered cattle were less than 20 months of age, and so would not demonstrate signs of BSE. If BSE occurred at the same rate as CJD in the human population, then the U.S. had 45 infected animals, and achieving a 95-percent confidence level would require a randomly selected sample of 3 million animals. In 2001 APHIS tested 5,340 cattle, in 2002 it tested 20,380, and in 2003 it tested 20,778. This exceeded the sample size of 12,349 set by the International Animal Health Organization (OIE) for 2002 and 2003. As no tests showed positive results, the USDA claimed that the U.S. was BSE free.

In 1997, to limit the potential spread of BSE, the U.S. Food and Drug Administration instituted a pre-emptive ban on the use of certain ingredients in feed. MBM from ruminants animals was no longer permitted in cattle feed, although it was allowed in chicken and hog feed. As these feeds were sometimes produced in the same plant and on the same equipment, the potential for cross-contamination existed. In 2002, the U.S. General Accounting Office (GAO), the investigative arm of Congress, concluded that the Food and Drug Administration had failed to enforce the feed ban and had "been using inaccurate, incomplete, and unreliable data to track and oversee compliance with the feed ban."

The USDA continued to allow the use of Advanced Meat Recovery (AMR) systems, machines that used pressurized water jets to strip a few extra pounds of meat off carcasses, even though critics tried to limit the use of these machines. The critics cited studies including a 2002 USDA survey, which showed that 35 percent of high-risk meat products tested positive for central nervous system tissues.

Downer cattle (cattle unable to walk) were seen to have the highest potential for being infected with

BSE. In 2002 the Administration killed a Senate proposal to prohibit U.S. meat packers from using downer cattle for human consumption. In 2003 Congress again blocked such a ban. Finally, the USDA agreed to test downer cattle, of which only two percent were tested. No other cattle brought to slaughter were tested.

Two additional factors had a bearing on the U.S. response to the threat of BSE. One was the way politics influenced the regulatory system. Over the past decade, stakeholders in the beef system had paid \$41 million to politicians who wrote regulations and saw the changes through. Both Republican and Democratic politicians representing states where the beef industry played a major economic role received donations, with Republicans receiving about 80 percent of the money. A study by the San Jose Mercury News found that the California representatives who voted against the ban received five times as much money in campaign contributions from the beef and dairy industry as those who voted for it.

A second factor was that the top officials in the USDA were closely connected with top officials in meat packing. An article in the *New York Times* on January 5 reported that

According to the Center for Science in the Public Interest, a consumer advocacy group, a dozen top officials of the Department of Agriculture have worked or lobbied for the beef industry or for industry trade groups. They included Jim Moseley, the deputy agriculture secretary, who was managing director of Infinity LLC, a hog farm; Dr. Chuck Lambert, the deputy under secretary for marketing and regulatory programs, who was chief economist of the National Cattlemen's Beef Association; and Mary Waters, the assistant secretary for Congressional relations, who was senior director and legislative counsel for ConAgra Food. (Moss, Oppel, Jr., and Simon 2004)

Canada

The beef industries of Canada and the U.S. formed a North American industry with cattle and cattle products flowing with little restriction back and

forth over the border. The high level of integration of the two countries' industries and the shared risk of BSE led both countries to have similar measures to manage BSE risks.

Import restrictions were imposed to prevent additional infection from entering Canada. In 1990 beef imports from Britain were banned and all cattle imported from Britain between 1982 and 1990 as well as their offspring were destroyed by Agriculture and Agri-Food Canada. In 1991 beef products from European countries not free of BSE were also officially banned. Then in 1996 imports of British beef embryos and semen were also suspended.

Canada also started to look for the presence of BSE in the Canadian herd. In 1991 a passive surveillance was introduced with a program to test rabies-negative mature cattle for BSE. Then in 1992 the Canadian Food Inspection Agency (CFIA) implemented a national BSE surveillance program. All animals with clinical signs of the disease were tested, along with some animals with no clinical signs. Since 1993, Canada consistently met and exceeded the World Organization for Animal Health's surveillance requirements for all years except 1995, when 90 percent of the annual target was met.

In 1997 Canada imposed feed restrictions that were similar to those in the U.S., although there were small differences such as Canada's prohibition on feeding poultry litter and plate waste to ruminants. The Canadian Food Inspection Agency banned the use specified risk material, or SRM (brains, spinal cords and other parts), in cattle feed. The policy also applied to the remains of animals such as sheep, goats, bison, elk, and deer. However, cattle feed could still contain the remains of chickens, hogs, and other animals, and cow's blood. In addition, Canada practiced pre-slaughter inspection of animals so that potentially affected animals were removed from the food system.

In 2001 Health Canada announced that it was studying the possibility that BSE prions could exist in cattle by-products used in vaccines and cosmetics.

Japan

In 2000 Japan banned the import of beef from Europe. Japan performed a survey and announced there was no BSE in the country. Then in 2001 BSE was detected in Japan. This was a significant issue

in Japan but not for the rest of the world, as Japan was a major importer of beef and only exported small amounts of special beef such as Kobe beef. The presence of BSE in Japan led other countries to prohibit the importation of ruminants and most ruminant products from Japan.

After seriously mishandling the issue of BSE within the country, the government chose to reassure the public by testing each and every one of the 1.2 million cows slaughtered annually in the country.

The 2003 BSE Situation and the Canadian Reaction

In January 2003 a cow was killed in northern Alberta. After it was deemed unfit for consumption, it was tested for BSE provincially, then federally, and finally sent to the World Reference Laboratory in Britain. In May of that year, the Laboratory announced that the cow had BSE.

Immediately following the announcement, countries around the world issued a ban on imports of Canadian cattle and beef products. In Canada, federal and provincial agriculture ministers took to the airwaves to reassure the public that the diseased cow didn't go into the food system and that the animal's home ranch was quarantined.

After finding the infected cow, CIFA required that all SRM be removed from all animals slaughtered for human consumption. This was the most effective way to protect human health from BSE. Removing SRM means that even if an infected animal entered the slaughter system, the meat and meat products would be much less likely to contain those tissues known to contain BSE. Canada also proposed requiring the removal of SRM from all animal feeds. Meanwhile, cattle prices in Canada plummeted.

By June 7, 2003 Canadian authorities had slaughtered and tested 1,400 cattle in related herds and had found no signs of BSE.

On April 18, 2004 the U.S. lifted import restrictions on ground beef, bone-in cuts of beef, and offal from animals younger than 30 months. The import from Canada of live cattle and meat from older animals was still banned.

On July 9, 2004 Ottawa announced new regulations to prevent animal parts linked to BSE from being fed to pets and to livestock such as chicken and pigs. The new rules complemented existing rules

against using animal parts in feed for ruminants, such as cows and sheep.

Reaction to BSE in the United States

On December 23, 2003 BSE was reported in the U.S. The discovery was made in a six-year-old Holstein dairy cow in Washington. A federal inspector had flagged the animal because it was unable to walk. The USDA inspector at the slaughterhouse determined that the cow "was not diseased, paralyzed, or suffering from a neurological condition" and so was fit for human consumption. Thirteen days after the cow was slaughtered and processed, testing of the cow's brain found BSE prions (the infectious agent). By this time, the cow's meat had been mixed with more than 10,000 pounds of beef from other cattle slaughtered on December 9, and had been sold in eight states and Guam.

Inspectors used the cow's plastic ear tag to trace back to the farm where it had been milked and, from there, to its farm of origin. It had been born on a farm in Alberta, Canada and had come in to the U.S. with 80 other cows with which it had shared feed.

As expected, most international markets immediately banned imports of U.S. beef. Beef and beef variety meat exports in 2004 fell 75 percent by volume and 79 percent by value compared with 2003 levels. U.S. sales to Japan of beef worth US\$3.2 billion in 2003 represented 30 percent of Japan's beef supply and 25 percent of U.S. exports (Hanson 2004).

United States

In a flurry of public statements after the finding, the USDA Secretary Ann Veneman urged Americans to continue to eat beef, saying the discovery of BSE posed no serious health danger. On New Year's Day President Bush joined the chorus of voices trying to prop up the beef industry. As export sales of beef were not as important to the U.S. as they were to Canada, U.S. cattle prices held up over time.

The USDA's response was to suggest banning downer cows from the human food chain and speeding up testing of cattle, though the volume of mandatory testing remains the same. In 2003 the USDA randomly tested 20,000 slaughtered cattle for BSE which was approximately 0.03 percent of the 40 million head slaughtered that year.

The USDA also stated it would speed up efforts to create a national database for tracking animals. This would include developing a country-of-origin-labeling (COOL) system, or “national standardization program” that could identify all premises and animals that had direct contact with a foreign animal disease within 48 hours of discovery. This would enhance federal and state labeling requirements under the U.S. Farm Act. The system would be voluntary, leaving it up to the farmers and ranchers to decide whether to register their animals.

The USDA chose to prohibit individual firms from testing for BSE. David Hegwood, senior advisor on International Trade to the Secretary of Agriculture, provided the department’s view on full testing. “It’s scientifically not necessary, not justified and we don’t want to go down that road because it diverts resources from where we really need to be putting them in doing surveillance and taking other risk mitigation measures for this disease” (Reuters 2004). Nor was it consistent with the science utilized by the World Animal Health Organization (OIE).

The USDA was anxious to reopen trade with Japan and wanted Japan to lift its import bans. However, any program that got beef moving again had to conform to the rules of the World Trade Organization (WTO). This meant that any plan to approve the export of beef to Japan by a BSE-infected nation would apply equally to all WTO member countries on a most-favored-nation basis.

Japan

Japan immediately banned all imports of U.S. beef when BSE was detected in the U.S. With this ban, Japan had barred beef imports from 23 countries where BSE had been confirmed. None of these countries followed the rigorous testing of the Japanese, conducting full-scale testing of all slaughtered animals.

A Japanese fact-finding mission toured the United States and Canada in the spring of 2004. The Japanese were seeking a clear explanation of the cause of the BSE outbreak and the steps taken to prevent other cases. The five-person team concluded that conditions did not rule out further cases of BSE in the U.S.. Officials in Japan then denounced the measures taken as inadequate. A report from the Japanese agricultural ministry stated, “There is

no guarantee that BSE will not occur again in the U.S.”

Tokyo insisted that all slaughtered animals, at least those for export to Japan, had to be tested. This “test all” position was a highly political matter for Prime Minister Junichiro Koizumi, who needed the support of the domestic farm industry. He also said that Japan must take more precautions with its own beef. Koizumi said repeatedly in Parliament,

To allow imports of beef from a country where BSE is confirmed, it is necessary that the same measures being taken in Japan to secure safety and peace of mind, such as removal of specified risk materials, and inspection on all cows must be implemented. (Hanson 2004)

Where to from Here?

Twenty-five percent of Creekstone’s sales came from exporting high quality beef to foreign countries—Japan alone accounted for 20 percent of its sales. And some of its products did not attract the same price domestically. For example, beef tongue that once sold for \$5 per pound in Japan barely received \$1.80 per pound in the U.S. market.

After the trading ban, Creekstone lost \$200,000 in revenues each day. It laid off 45 workers and cut the hours of nearly everyone else as production was limited to 3 or 4 days a week. Fielding, who worked at Creekstone, commented, “It is hard to cut back any more than we have. It is a matter of whether we can survive.”

Seeking to improve business, Stewart talked to the Japanese customers. They wanted all animals slaughtered to be tested. To do this, Creekstone built a laboratory at the plant. To conduct the tests, however, Creekstone needed to buy test kits that by law only the USDA had access to, hence the need for Alvarado to make a decision. In making this decision, Alvarado had to find a balance between the following conflicting views.

Against Testing

National Cattleman’s Beef Association

The National Cattleman’s Beef Association lobbied on issues important to cattlemen and the meatpack-

ing industry. Large packers formed a large majority of the National Cattleman's Beef Association. This organization had filled the administrative staff of the USDA with its lobbyists. (Carman 2004).

Jan Lyons, president of the NCBA and a cattle producer from Manhattan, Kansas, said BSE testing was not a simple marketing decision. "This unwarranted testing would become the standard for doing business, and the cost will be borne by U.S. cattle producers." Furthermore,

This is a decision that affects the entire industry. . . . Private companies shouldn't feel compelled to succumb to the non-scientific demands of foreign markets. Nor should they be allowed, for marketing gain, to suggest 100 percent testing produces a safer product. Doing so is scientifically inaccurate and misleading to consumers. (Lyons 2004)

American Meat Institute

The American Meat Institute, the meatpacking industry's trade association, lobbied aggressively in the packers' best interests, but it had been hesitant to pass judgment on Creekstone, a member of the trade group. President Jim Hodges said that he didn't want to speak for the major packers. "Everybody's entitled to their own opinion." Another time he said that while he could understand the desire of a private company to satisfy its customers, testing young animals "provides no reliable information on food safety" (Sugarman 2004).

Dan Murphy, vice president of Public Affairs, said "We're opposed to 100 percent testing. The precautions we have are plenty. We don't need to do more" (Beiser 2004).

Larger Meat Packers

The large meat packers opposed the idea of testing all cattle slaughtered for BSE. Once one company started testing, all would have to test. The estimated cost for universal testing per pound of beef in the U.S. would be on the order of \$0.05 per pound of beef (\$20–\$55 per head of cattle)—a figure the large packers said was too costly. For example, Tyson Foods Inc., the industry leader, processed 30,000 cattle a day at its slaughterhouses.

Steve Hunt, chief executive officer of Kansas City-based U.S. Premium Beef, the nation's fourth-largest beef packing plant, said that the cost to the industry would be nearly \$1 billion a year, a cost that the industry could not expect consumers to cover. "This is not an issue of big versus small. Let us be clear, the long-term costly effects of this issue . . . will be borne by the smallest of us all, the farmers and ranchers of this great country" (*High Plains/Midwest Ag Journal* 2004).

The cost was not just the cost of the testing but also the disruptions caused in the efficiency of the disassembly operations as carcasses and parts had to be segregated while waiting for test results.

In the view of the large packers, the current regulations implemented by the USDA were sufficient to prevent the spread of BSE. An executive at U.S. Premium Beef told reporters that food safety was not a free-enterprise matter and should be left to the government to decide.

Complete testing also implied that U.S. beef was not safe. This view would be supported by false positive tests which, although later corrected, would still send out a negative message. "If the industry wants people to believe that U.S. beef is safe, then all companies need to stand together in opposition to complete testing."

For Testing

Cattle Groups

The Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA) was dedicated to ensuring the continued profitability and viability of the U.S. cattle industry. Its members were thousands of cow-calf operators, cattle backgrounders, and feedlot owners located in 47 states. It was the alternative organization to the National Cattlemen's group which was under increasing attack for representing mostly the interests of big meat packers at the expense of the nation's ranchers. R-CALF USA called on the Agriculture Department to allow Creekstone to voluntarily test its cattle, praising Creekstone's entrepreneurial spirit.

The Kansas Cattlemen's Association, a splinter group, also sided with Creekstone on the issue of its testing.

Consumer Groups

A coalition of food safety advocacy groups pointed to loopholes the USDA had granted the beef industry in the past, which demonstrated that it was more concerned with industry profits than public safety. A consumer weighed in, saying, “If I can’t trust the industry, much less institutions supposedly looking out for me, that puts me in the market for somebody I can. That’s the role a ‘brand’ serves. Too bad, these days, it’s the exception” (Grimm 2004).

Independent scientists and consumer advocates had long warned that BSE would appear in the U.S. One potential source was downer cows that were likely sources not only of BSE but also of other threats to human health like *E. coli*, Salmonella bacteria, and listeriosis.

Smaller Meat Packers

John Tarpoff, manager of Gateway Beef said “Every packer is hurting because of lost exports but the smaller independent packer sees a larger hit percentage wise because he can’t fall back on other endeavors like the four major packers can” (Missouri Farmers Union 2004).

The independent packers which had developed an export trade thought that testing all animals they processed would reopen export markets. Stewart of Creekstone said that he had “heard from several other processors who have indicated they view increased private testing as one way to help restore consumer confidence in our products—both abroad and at home” (Vosburgh 2004).

Retailers

Stewart said,

Many retail customers have told us that they don’t necessarily buy the USDA’s argument that BSE testing of our cattle may not be scientifically justified due to the fact that we process only younger cattle. How can you, in reality, have too much data when it comes to food safety? [They] also said the USDA’s decision not to allow testing on our younger cattle is in itself a contradiction. It was reported in April that the USDA, for the past two years, has been testing animals that

are under the age of 30 months. If such tests are not needed, why have they been conducting them? Our efforts have met with much domestic retail support—even though many have said they probably would not label our beef as ‘BSE tested.’

Others

Albert Armand of Westport, Indiana said,

If both the U.S. consumer and export market want BSE testing and are willing to pay for it, why not let it happen? Someone says it implies a more safe or wholesome product than is scientifically provable, but so do “organic” standards. There is no scientific evidence that organic is better than any other properly raised food, but we have USDA standards for it. If the markets demand it, USDA should get out of the way and let those who want to do it, do it. Not doing so implies we have something to hide. If the big boys won’t do it, then let the little guys have the market. (Armand 2004)

Fritz Groszkruger of Dumont, Iowa said,

USDA’s decision regarding Creekstone Farms’ proposal to test all its animals for bovine spongiform encephalopathy is a great demonstration of how government gets in the way of individuals creating wealth. If a U.S. company can offer a product that is acceptable to everyone, then that should be the choice of the buyers and sellers, not the government. (Groszkruger 2004)

Peter Jinman, a vice-president of the British Veterinary Association (BVA) and a member of the Spongiform Encephalopathy Advisory Committee (SEAC), which advised the government on BSE and related diseases, said,

We d have had to discuss the extent and implications of the problem. But killing the entire national flock is way beyond that the ultimate point. . . . With food safety it s nonsensical to talk of completes and absolutes. Everything in life carries a risk. It’s a question of weigh-

ing the risk and letting people know what's involved. (Kirby 2001)

References

- Armand, A. 2004. "Allow Creekstone to Test." *Beef* June 1. http://beefmagazine.com/mag/beef_proof_price/index.html. Accessed Sept. 12, 2009.
- Beiser, V. 2004. "Meat Industry has Resisted Cleaning Up Its Act for Decades." *LA Weekly* January 16–22. <http://www.laweekly.com/2004-01-15/news/big-beef-s-dirty-war>. Accessed Sept. 12, 2009.
- Carman, D. 2004. "Packers Mad that USDA Limits Testing." *The Denver Post* April 25:B–01.
- Centers for Disease Control and Prevention. No Date. "BSE (Bovine Spongiform Encephalopathy, or Mad Cow Disease)." <http://www.cdc.gov/ncidod/dvrd/bse/>. Accessed Sept. 12, 2009.
- Grimm, M. 2004. "Thick Amid the Beef Scare. (False Consciousness)." *Brandweek* March 8.
- Groszkruger, F. 2004. "A Vote for Private Testing." *Beef* June 1. http://beefmagazine.com/mag/beef_proof_price/index.html. Accessed Sept. 12, 2009.
- Hanson, R. 2004. "Japan–US Impasse Over Lifting Mad Cow Ban." *Asia Times Online* Jan 28. <http://www.atimes.com/atimes/Japan/FA28Dh03.html>. Accessed Sept. 12, 2009.
- High Plains/Midwest Ag Journal*. 2004. "BSE Testing Issue Divides Cattle Industry." May 4. <http://www.hpj.com/archives/2004/may04/BSEtestingissuedividescattl.CFM>. Accessed December 11, 2009.
- Kidwell, B. 2003. "Picking Up the Pieces." *Progressive Farmer (Southeast edition)* 118(11).
- Kirby, A. 2001. "Why Sheep Brains Are a Puzzle." British Broadcasting Corporation October 22. <http://news.bbc.co.uk/2/hi/science/nature/1613331.stm>. Accessed Sept. 1, 2009.
- Lyons, J. 2004. "U.S. Beef Is Well Tested, Safe." *USA Today* March 25. http://www.usatoday.com/news/opinion/editorials/2004-03-25-oppose-usat_x.htm. Accessed Sept. 12, 2009.
- Missouri Farmers Union. 2004. "Independent Packers Fight to Survive." April 23. <http://www.missourifarmersunion.org/news/pr042304.htm>. Accessed December 11, 2009.
- Moss, M., R. Oppel, Jr., and S. Romero. 2004. "Mad Cow Forces Beef Industry to Change Course." *New York Times* January 5. <http://www.nytimes.com/2004/01/05/us/mad-cow-forces-beef-industry-to-change-course.html>. Accessed Sept. 12, 2009.
- Polet, Y. 2007. "EU-27 Sanitary/Phytosanitary/Food Safety: BSE Update on the EU Situation in 2006–2007." GAIN Report Number: E47017, Global Agriculture Information Network, USDA Foreign Agricultural Service. March 1. <http://www.fas.usda.gov/gainfiles/200703/146280315.pdf>. Accessed Sept. 12, 2009.
- Reuters. 2004. "USDA Weighs Packer Request to BSE-Test All Cattle." March 15.
- Sugarman, C. 2004. "Creekstone Gaining Domestic Sales from Newfound Notoriety. (BSE) (Bovine spongiform encephalopathy)." *Food Chemical News* May 17.
- Vosburgh, R. 2004. "Breaking From the Herd." *Supermarket News* May 10.
- Young, B. 2004. "Real Deal: A Partnership between an American Beef Industry Entrepreneur and a Canadian Bank Promises." *The National Provisioner* August.

