

Market Comments

A number of news outlets in Canada are reporting that “the national BSE surveillance system has confirmed **a six-year-old Alberta dairy cow as Canada's first case of BSE in almost a year**. The 77-month-old animal was confirmed Feb. 18 to have had the brain-wasting disease, making it Canada's 18th domestic case since 2003.” We have yet to see official confirmation of the disease because since August 2009, all disease events in Canada are reported in a monthly update, which is not due for release until March 10. The new case also does not appear in the OIE weekly updates, presumably because the Canadian official announcement has yet to be made.

The chart to the right shows a summary of BSE cases in North America since 1993, when a cow imported from the UK was discovered to have the disease. Since 1993, a total of 22 BSE cases have been discovered in North America, with 3 of those discovered in the US (1 was imported from Canada while 2 were born in the US). The latest case in Canada appears to involve a 6 year old dairy animal, a cow that was born after the 1997 feed ban. The initial Canadian feed ban and implementation left much to be desired, as evidenced by the number of BSE infected animals which were born after the feed ban implementation (marked with an \$ in the attached chart). Enhanced feed ban regulations came into effect in Canada on July 12, 2007 and we will have to wait a bit longer to measure their effectiveness. In the meantime, Canada and the US are recognized as ‘controlled risk’ countries by OIE, and the latest discovery in Canada will likely have little impact on their export status since current regulations provide for the removal of specified risk materials (SRMs) and tight export protocols regulate trade with various countries. The new cases, however, do not help in further expanding access to markets such as Japan.

The recent case of BSE in Canada highlights an important risk management issue. Over the years, US livestock and poultry producers have become increasingly dependent on export markets for their growth. In 1990, only 2% of US pork went to export while today we expect that 20% of US production will be shipped outside US borders. Also almost 10% of US beef and 19% of US broiler supplies will go to export. The risks of a disease outbreak have become several fold higher than they were a decade ago and any export disrupting outbreaks would slam the brakes on the recent run-up in prices. That risk has always been with us, the difference is that today we are going at 80 miles per hour and slamming the brakes could be much more dangerous and costly for the industry.

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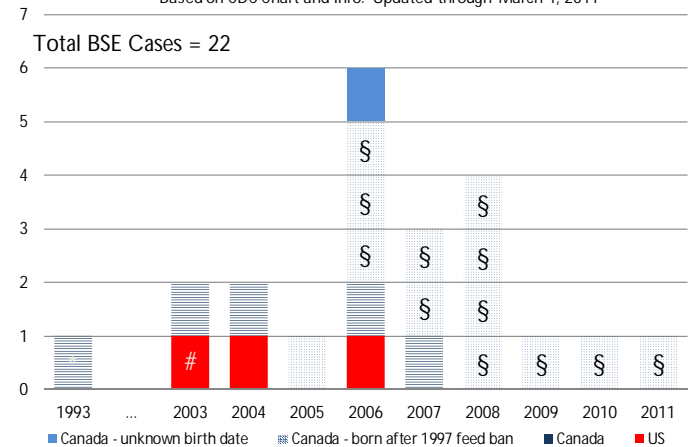
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BSE Cases in North America by Year and Country of Death

Based on CDC Chart and Info. Updated through March 4, 2011



* Imported from UK to Canada # Imported from Canada to US § Born after March 1, 1999

% of US Meat Production Going to Export Markets

Years	Beef	Pork	Broilers	Turkey	Total
1990	4.4%	2%	6%	1%	4%
1995	7.3%	4%	15%	7%	9%
2000	9.4%	7%	16%	9%	11%
2005	2.8%	13%	15%	10%	11%
2010	8.8%	18%	18%	10%	15%
2011 F	9.4%	20%	19%	10%	16%