
Cattle materials prohibited in animal feed: past and future effects on trade

Emerging Issues in Global Meat Trade

2008 Workshop

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Background

- Feed is the key to BSE.
- Existing FDA feed rule (1997) prohibited use of most mammalian proteins in ruminant feed.
- First BSE positive US cow in 2003; first US-born positive cow in 2005, second in 2006.
- FDA published proposed revision to feed rule October 6, 2005.
- Final rule published on April 25, 2008.
 - Defined cattle material prohibited in all animal feed

Cattle material prohibited in animal feed

- Entire carcass of BSE-positive cattle
- Brains & spinal cord from cattle age 30 months & older
- Entire carcass of cattle not passed for human consumption, unless age less than 30 months or brain & spinal cord removed
- Tallow derived from BSE-positive cattle
- Tallow derived from cattle material prohibited in animal feed that contains more than 0.15% insoluble impurities
- Mechanically separated beef derived from cattle material prohibited in animal feed

Difference between SRM and CMPAF

- Some specified risk materials not included in cattle material prohibited in animal feed
 - skull, eyes, vertebral column (excluding tail, transverse processes of thoracic and lumbar vertebrae, and wings of the sacrum), trigeminal ganglia, and dorsal root ganglia of cattle age 30 months and older
 - Tonsils and distal ileum of the small intestine of all cattle

Estimated cost of final rule

- Total annualized cost = \$64 million to \$80 million
 - One-time cost = \$23 million in the first year
 - Annual cost = \$61 million – \$77 million
 - Additional disposal cost of dead stock = \$39 – \$51 million
 - (about 63% of annual costs)
- Effects of reduced supply of rendered material
 - Initial effect on animal producers, slaughter facilities, and renderers, who bears largest cost compared with revenue
 - Animal producers: \$31 – \$46 million
 - Slaughter facilities: \$2.4 million
 - Renderers: \$30 - \$35 million
 - Increased prices for animal feed because of increased cattle materials diverted from animal feed

Alternatives compared

		Infectivity Reduction	Diverted from feed (million lbs)	Annualized cost (\$ million)
Final Rule	Defines cattle material prohibited in animal feed.	90%	610 - 732	64 – 80
Proposed rule	Same as final rule except also bans dead & downers, regardless of age (unless brain and spinal cord removed)	90%	724 – 975	74 – 96
Full SRM ban	Prohibits from all animal feed full list of SRMs (as defined for the human food rules)	99%	2,555	332 – 345

Expected benefits

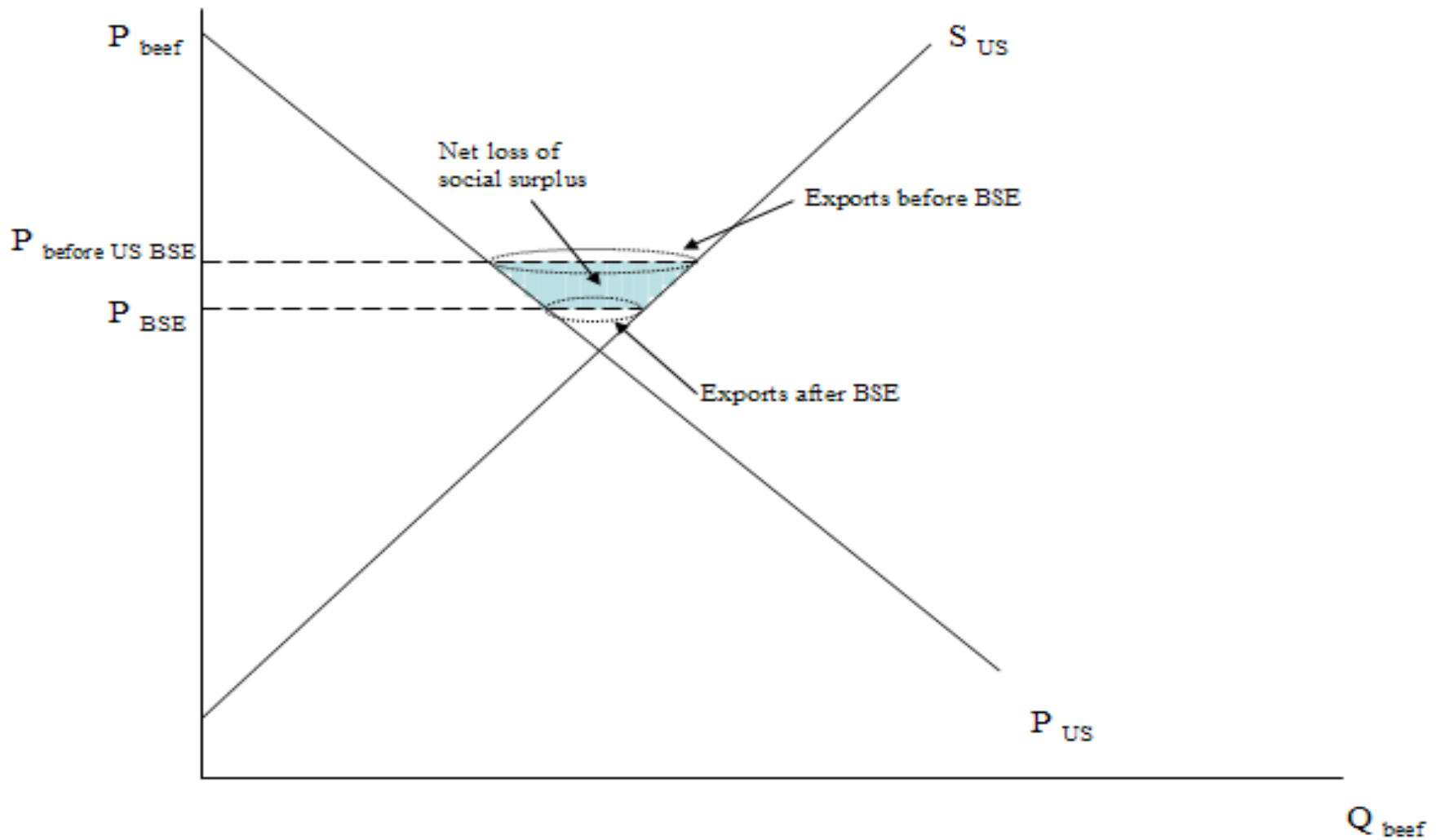
- Protection against 1997 feed ban compliance failures
 - Remove highest risk material from feed channels
 - brain (64.1% of infectivity)
 - spinal cord (25.6% of infectivity)
- May increase access to foreign markets
 - Exports to Japan and South Korea still below 2003 levels.

Continuing effects of BSE-positive cow on major markets for U.S. beef

U.S. Exports (million pounds carcass weight)

	2003	2007
Japan	918	159
Mexico	586	586
South Korea	587	78
Canada	227	339

U.S. loss from beef trade restrictions



Estimated net social losses in US from reduced exports

- Shaded area of trapezoid
 - \$105 million in 2006 prices
 - Net of producer surplus over consumer surplus
- Uncertainty range
 - \$80 million to \$120 million
- Will change over time as international beef market adjusts and other events occur (or do not occur)

Potential effects of 2008 rule on trade

- Trading partners concerned over adequacy of U.S. 1997 feed ban in light of BSE-positive cows
- OIE classified U.S. as “Controlled BSE Risk”
 - 2008 final rule should help with restoring U.S. beef exports
 - but OIE *Ad Hoc* group also said...
 - “as long as potentially infective material continues to be rendered and enter the animal feed chain the potential for cross-contamination is still present”
 - “it is recommended that the United States carefully consider excluding specified risk material from use in animal feed”
- Will 2008 final rule help U.S. attain “Negligible Risk” OIE status?

More information

- 2008 feed rule
 - <http://www.fda.gov/OHRMS/DOCKETS/98fr/08-1180.htm>
- FDA Center for Veterinary Medicine questions and answers on the 2008 feed rule
 - http://www.fda.gov/cvm/bse_QA.htm