

Economic Impacts of BSE on the United States Beef Industry

**Slide Presentation of a Poster Presented
at the Annual Meetings of the
Southern Agricultural Economics Association
Orlando, Florida – February 6-8, 2006**

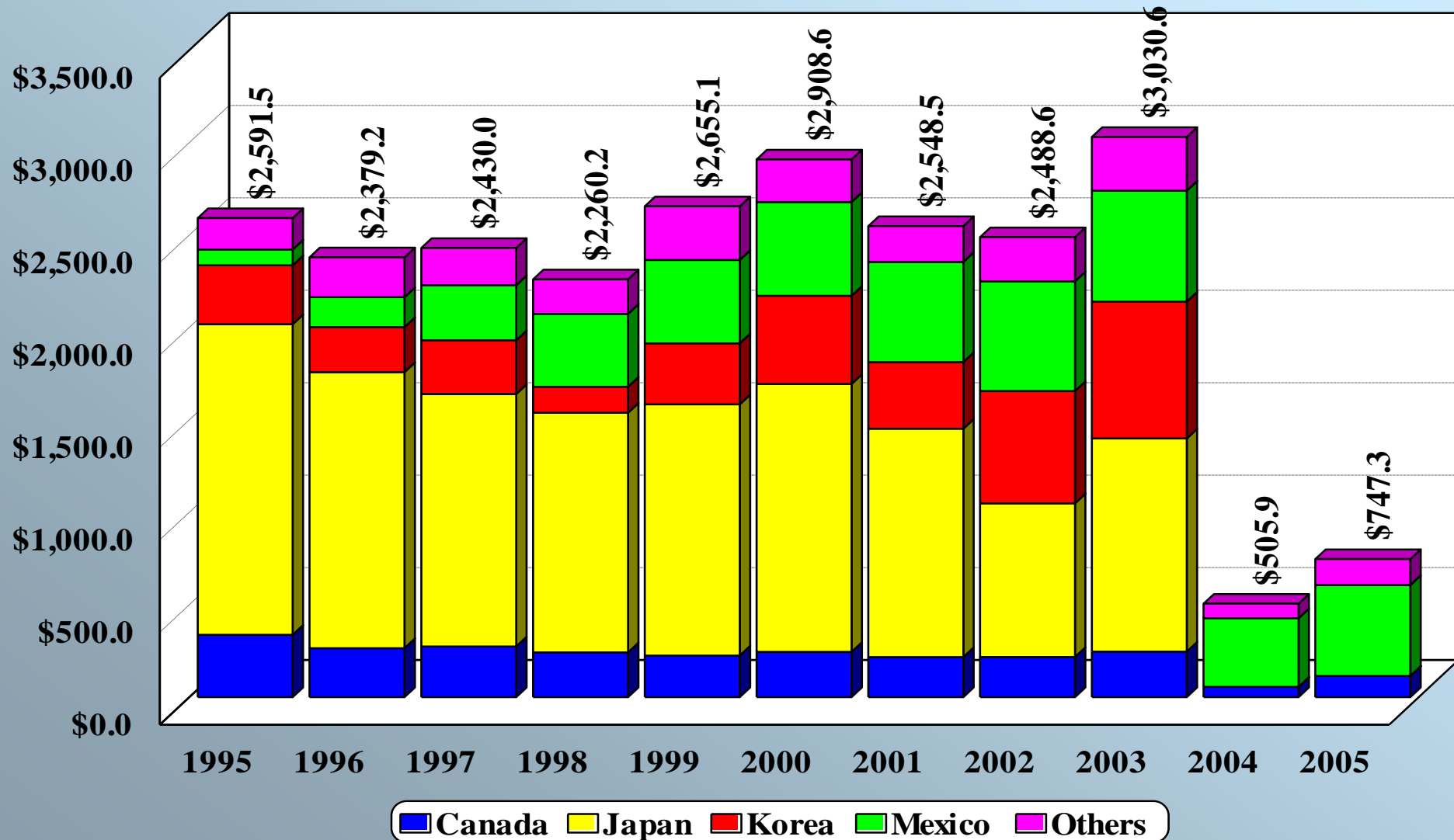
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Introduction

- **BSE (“Mad Cow Disease”) Discovered in Canada in June 2003; Canadian Beef Exports Stopped - Market Becomes Skittish, esp. in Canada**
- **BSE Confirmed in U.S. in December 2003; U.S. Beef Exports Stopped – Minimal Impact on Market**
- **Other Factors in U.S. Market Offset Beef Export Losses due to BSE**

U.S. Beef Exports

Million Dollars



Source: U.S. Trade Internet System, Foreign Agricultural Service, USDA (2005 through November)

Methodology

- **Compared 5-Year Average of Pre-BSE Beef Exports (1999 – 2003) to 2-Year Average of Post-BSE Beef Exports (2004-2005)**
- **The Estimated Loss in Exports (\$2.065 Billion) Run through IMPLAN**
- **Allocation by Region of Exports Based on Share of Beef Slaughter**
- **Allocation by Region of Losses to Beef Cattle Producers due to Loss of Beef Exports Based on Beef Cow Inventory**

Definitions

- ***Output***: Amount of Business Sales Required to Support \$1 of Exports
- ***Income***: Amount of Household Income Due to \$1 in Exports
- ***Employment***: Employees Required to Support \$1 Million in Exports

Regional Share of Production Example

- **U.S. Lost \$2.065 Billion in Beef Exports per year in 2004 and 2005**
- **Southern States (Mostly Texas) Account for 21.1% of U.S. Beef Slaughter**
- **As a Result, the South lost \$436 Million in Beef Exports with Related Losses in Output, Income, and Employment**

Regional Comparison: Estimated Economic Impacts of Beef Exports Lost due to BSE

| Region | Exports | Output | Income | Employment |
|------------------|-----------------------------|----------------|----------------|---------------------|
| | <i>Million Dollars Lost</i> | | | <i>Loss of Jobs</i> |
| South | 435.9 | 1,765.1 | 377.8 | 15,214 |
| Midwest | 1,187.9 | 4,810.2 | 1,029.7 | 41,459 |
| West | 380.1 | 1,539.3 | 329.5 | 13,267 |
| Northeast | 62.0 | 251.0 | 53.7 | 2,163 |
| Total | 2,065.9 | 8,365.5 | 1,790.7 | 72,103 |

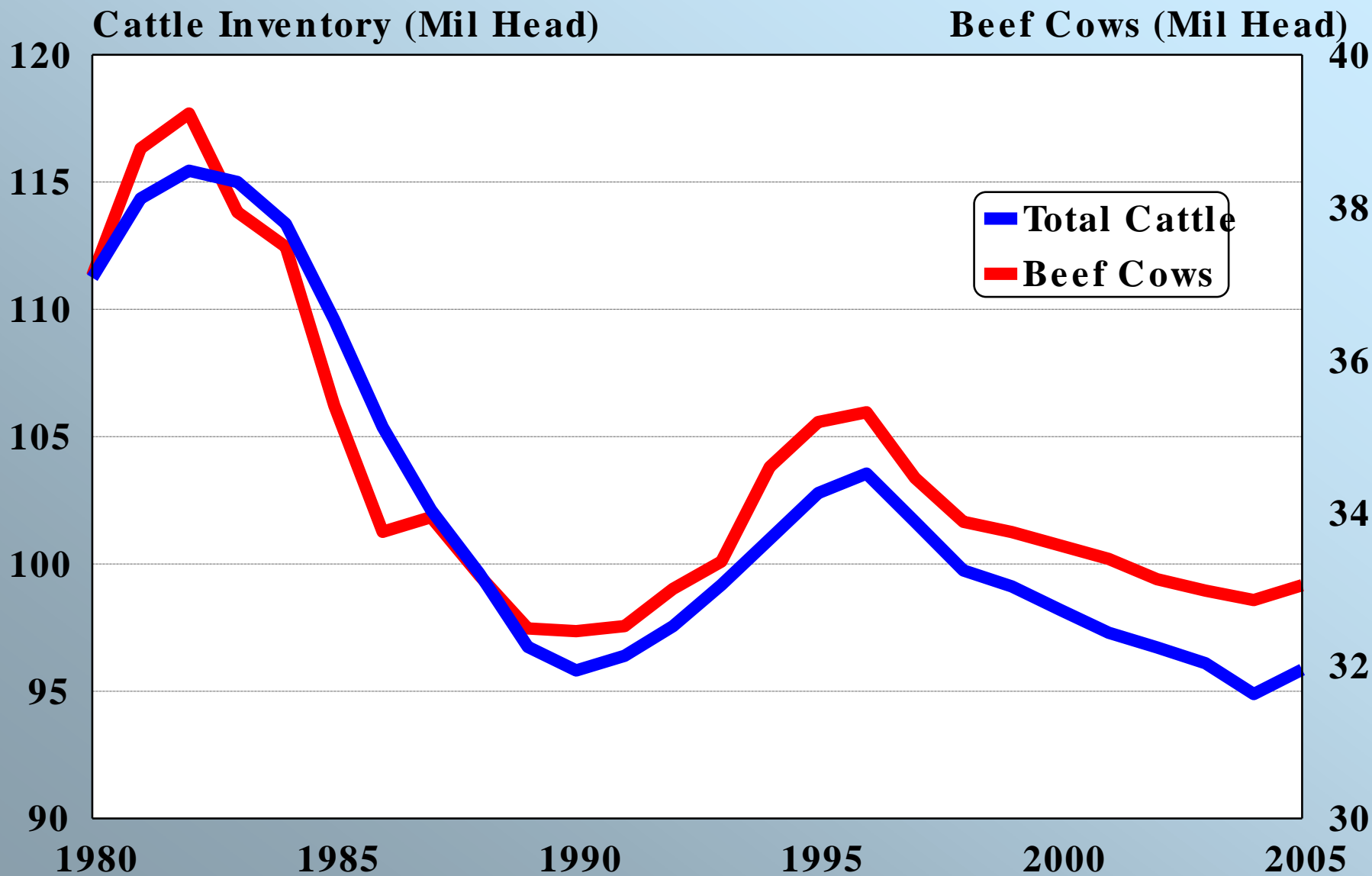
Regional Comparison: Estimated Economic Impacts on Cattle Producers of Beef Exports Lost due to BSE

| Region | Output | Income | Employment |
|------------------|-----------------------------|--------------|---------------------|
| | <i>Million Dollars Lost</i> | | <i>Loss of Jobs</i> |
| South | 581.5 | 89.6 | 8,113 |
| Midwest | 404.6 | 62.4 | 5,646 |
| West | 233.7 | 36.0 | 3,260 |
| Northeast | 10.1 | 1.6 | 141 |
| Total | 1,229.8 | 189.6 | 17,160 |

Mitigating Circumstances

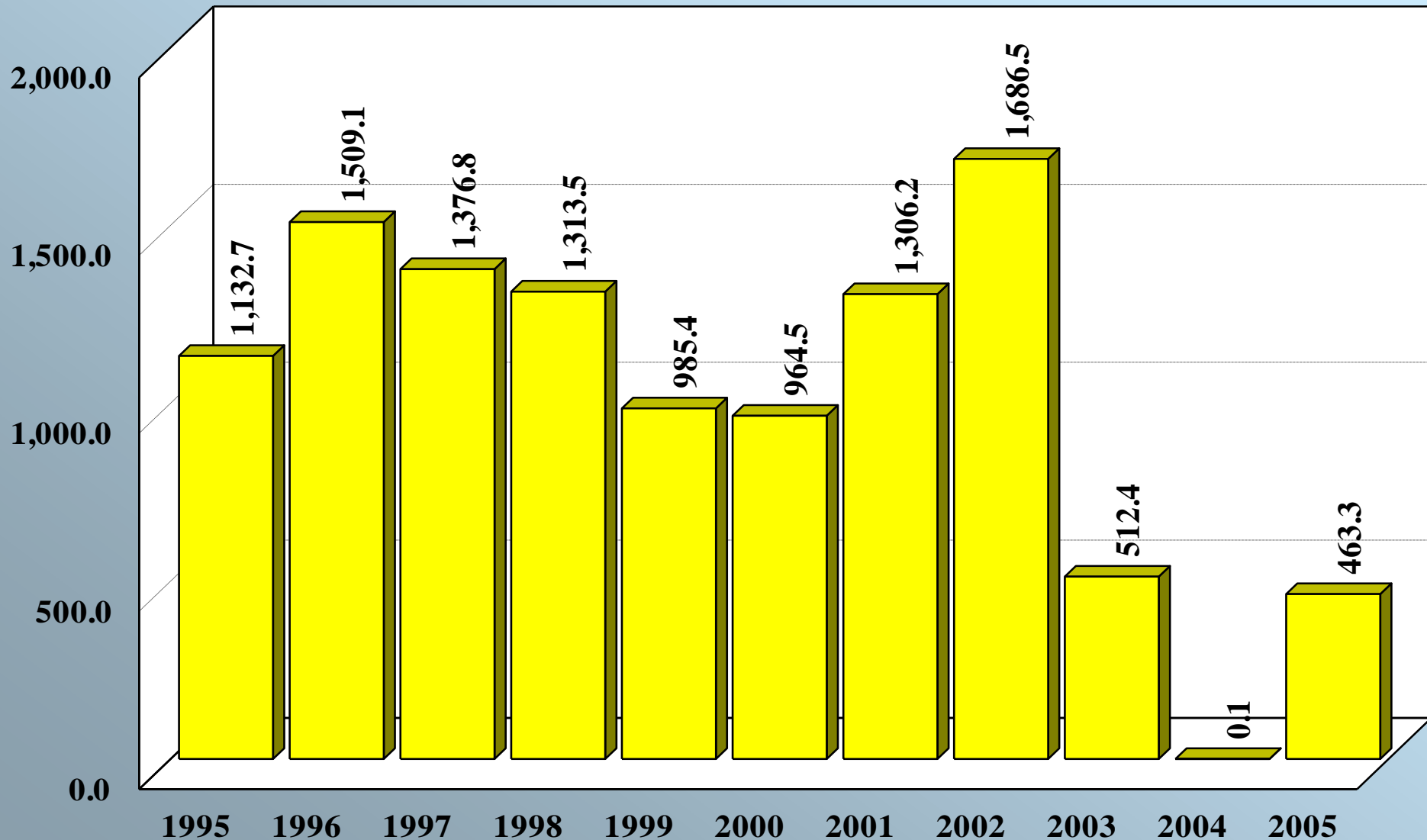
- **Negative Impacts from Lost Beef Exports Could Have Been More Severe**
- **Four Main Mitigating Factors:**
 - **U.S. at Low Point in Cattle Cycle**
 - **Cattle Imports from Canada Prohibited from June 03 to July 05**
 - **U.S. Not Export Dependent in Beef as Canada Was when BSE Occurred**
 - **Growth in U.S. Consumer Demand for Beef (Low-Carb Diet, Anyone?)**
- **As a Result, High Prices Maintained in the U.S. for Beef Cattle and Beef**

U.S. Cattle Inventory, 1980 - 2005



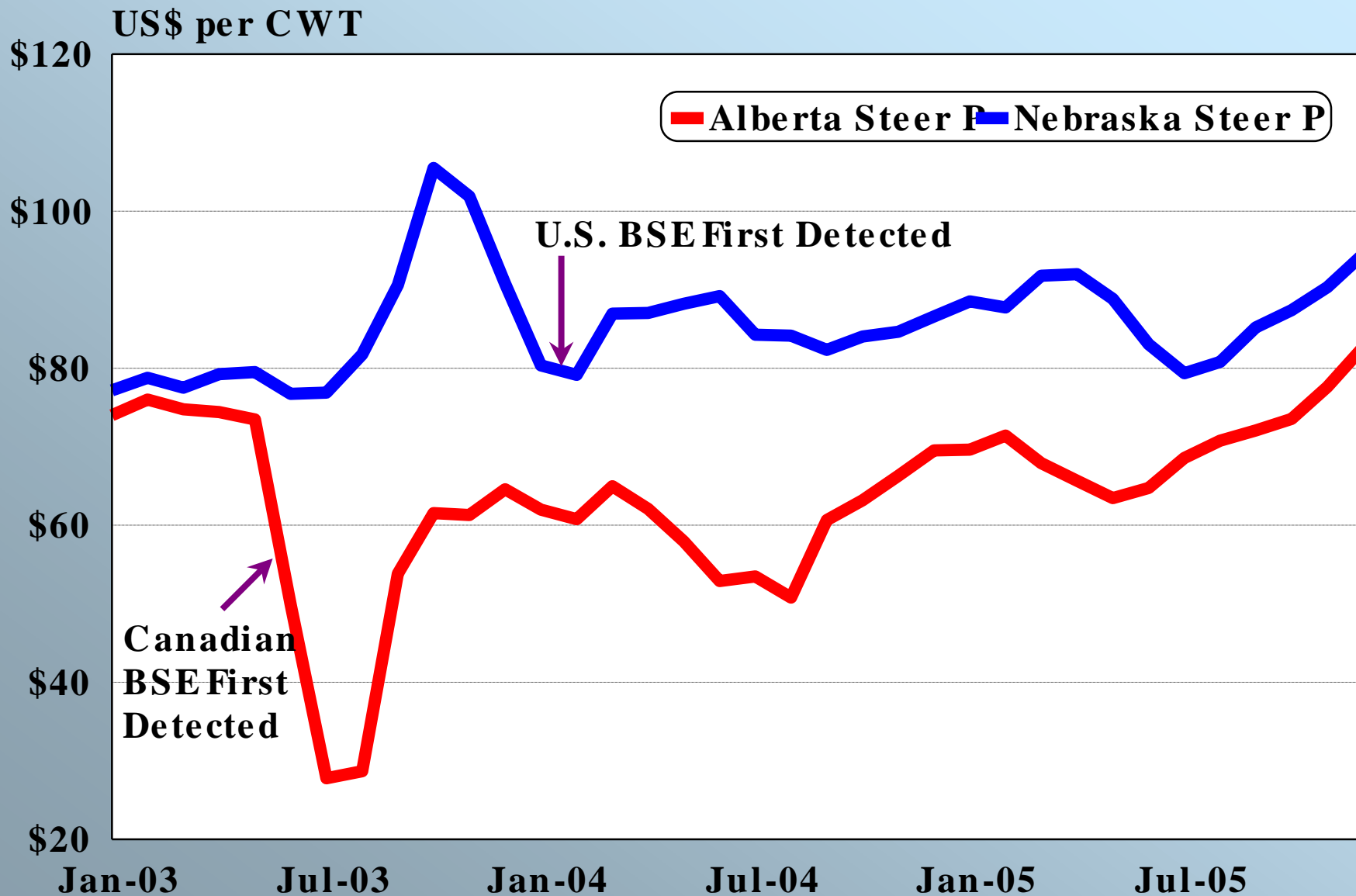
U.S. Cattle Imports from Canada

Thousand Head



Source: U.S. Trade Internet System, Foreign Agricultural Service, USDA (2005 through November)

U.S. and Canadian Steer Prices, 2003 - 2005



Source: USDA/ERS and AFRD Alberta

Summary

- **The Losses in Economic Activity show only Beef and Cattle Industry No Longer Supported as Much by Beef Exports**
- **Increased U.S. Consumer Demand for Beef Coupled and Cattle Cycle Trough Main Factors Mitigating the Negative Impacts on Producers**
- **Most Export Markets now Re-opened to U.S. Beef or Headed Towards Re-opening**



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