



# Does One Mad Cow Equal One Dead Industry? BSE in Canada.

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# Issue

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- Canada: May 20, 2003 reported one cow with bovine spongiform encephalopathy (BSE) detected.
- International trade in Canadian beef and live animals stopped.
- Policy response and Economic costs?
- How effective Canadian cattle identification system?
- Future?

# Background

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- What is BSE?
  - Cattle nervous system
  - Transfer to humans
  - Live testing impossible
- Beef Industry
  - C\$4,000 Billion/year in exports
  - About 50% of cattle/beef production exported
  - Greater than 70% of exports to United States

# Canadian Policy Response

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## ■ Phase I

- CFIA investigation into source of BSE
- Reassure Canadian consumers

## ■ Phase II

- Reopen borders to trade in beef/cattle
  - What new food safety rules?
  - How access to United States Markets?
  - Deal Japanese issues with U.S. beef?

# Trace-Back

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- Canadian beef trace-back system
  - Tagging at herd of origin
  - Compulsory in 2002
  - No direct tracing after leave herd of origin
- Trace-back system conclusion
  - Not in place long enough
  - Helped trace recent calf sales
  - Level of recording detail?

# Reopen Borders?

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- High level of integration: Canada and U.S.
- Canadian Demand: 3 Million beef animals
- Canadian Processing Capacity: 4 Million
- 2002/03. Potential Animals for Slaughter: 5 Million.

# Reopen Borders?

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- Canadian Costs relative to U.S.
  - New rules increase costs
  - May prevent live exports of animals to U.S.
- U.S. reopen border to meat
- When Resume Live Cattle Trade?

# Economic Costs

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- Industry costs over C\$2 Billion
- Government Support: C\$500 Million
- Higher production/processing costs in the future

# Future of Industry

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- Cattle Industry downsize by up to 20%?
- Compliance with Trace-Back?
  - Level of trace-back?
- Live beef animal trade with U.S.?
- Moral Hazard, testing and future BSE safety?

# Lessons

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- Level of dependence on U.S. for:
  - Market demand?
  - Processing
  
- How to re-open borders under OIE rules?
  
- Upgrade Trace-back system?
  
- International market strategy for Canadian beef