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A Break for Embattled Ranchers

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Reflecting diminishing fears over [mad cow disease](#), Japan eased its decade-old restriction on imports of American beef on Monday, but industry experts said beef producers faced many more challenges to reverse a prolonged slump that has pared the nation's herd to its lowest level in 60 years and sent prices soaring.

A Japanese government council that oversees food and drug safety cleared a change in import regulations that would permit imports of meat from American cattle 30 months old or younger, rather than the current 20 months.

The change is set to take effect on Friday for American beef processed after that date, and shipments could start arriving in Japan in mid-February, according to the Japanese Ministry of Agriculture, Forestry and Fisheries.

Japan, the world's largest net importer of food, instituted the ban in 2003 after [bovine spongiform encephalopathy](#), an illness more commonly known as mad cow disease, was found in a single cow in Washington State. Humans are thought to catch the disease's fatal human variant, [Creutzfeldt-Jakob disease](#), by eating meat, including the brain and spinal cord, from contaminated carcasses.

Japan eased the ban in 2006 but only for meat from cattle 20 months or younger. Japanese officials argued that the incidence of the disease was higher in older animals.

Aside from the reduction in exports, ranchers have also been grappling over the last half-dozen years or so with rising feed prices as ethanol producers drove up the price of corn, and with drought that has parched grazing land and deprived their animals of water. The recession and changing consumer tastes contributed to the woes. While the industry has had boom and bust cycles lasting on average four to five years, the current decline is firmly entrenched.

"Previous cycles of production and prices going back 100 years related to the particular workings of the beef industry and were usually self-correcting," said Derrell Peel, professor of agricultural economics at Oklahoma State University. "But the current cycle is largely due to external factors and that is really why we are at this historic low."

Cameron Bruett, the spokesman for one of the largest beef processors, JBS, welcomed Japan's decision, saying it would help increase business certainty and reduce complexity for the company's beef production, which operates in Brazil, Argentina, Canada and the United States. "While the declining herd remains a challenge for the industry, any time you increase access to additional consumers, that benefits the whole supply chain," Mr. Bruett said.

JBS has eight processing facilities in the United States and Canada. While another major producer, Cargill, announced plans two weeks ago to close a plant in Texas, one of 10 it has in the United States, Mr. Bruett said JBS had no closure plans.

Japan's decision will be a bright spot at the annual gathering next week in Tampa of what Chandler Keys, a beef industry consultant, calls "the hat and boots crowd," or the members of the National Cattlemen's Beef Association.

"It should be a shot in the arm to the market, which will be helpful," said Bob McCan, a rancher who will be named the association's president-elect at that meeting. Mr. McCan and his family operate a ranch in Victoria, Tex., with more than 3,600 head of Braford cattle, down from 5,000 six years ago. "Everyone looks at the high price of beef and says we must be making money," he said. "But profitability is more difficult due to the drought that started in Texas, the biggest cattle-producing state, almost five years ago and has since widened into the Midwest."

That has raised the cost of production, as corn used in feed has become scarcer and animals have to rely on pumped water rather than waterholes.

"The bottom line is that the beef production system we have used for the last 40 or 50 years depends heavily on the incentive of very cheap grain," Professor Peel said. "Now we don't have cheap grain, and we are seeing fundamentally higher production costs that I don't think are going to go away."

The nation's beef cattle herd has dropped from a peak of 35.3 million head in 1996 to 29.9 million as of January 2012, said Professor Peel, who estimates that it will have dropped another 1.6 percent when the new figures are announced next week.

Beef production has not dropped nearly as much, in large part because cattle today are bigger. While the slaughter of animals dropped 3.3 percent in 2012, total beef production was down only 1.1 percent because of heavier carcasses, he said.

This year, he expects slaughter to drop by 5 percent.

“We’re going to take beef prices to levels we have never seen, and I don’t know how that will play out,” Professor Peel said.

Japan was the largest market for American beef in 2003, when it restricted imports because of the cow in Washington State. That animal, now famous as “the cow who stole Christmas” because news of its infection broke right before the holidays, essentially shut down the United States export market, as some two dozen other countries followed Japan’s lead.

“In one fell swoop, the export market that Japan had helped establish was gone,” said Mr. Keys, the beef industry consultant.

But while other countries have long since eased or reversed their restrictions on American beef imports, Japan’s decision to allow imports only of beef derived from cattle 20 months or younger created a hurdle that was difficult to overcome — most cattle are slaughtered at 24 or 25 months — and costly, because of the paperwork that had to accompany exports to Japan.

From January to November, the United States shipped some 143,900 metric tons of beef valued at \$969.8 million to Japan, compared with exports of 375,455 metric tons with a value of \$1.4 billion in 2003, according to the U.S. Meat Export Federation.

The United States trade representative’s office estimated that the changes Japan made to its import restrictions would amount to “hundreds of millions of dollars” more in exports.

Cattle futures jumped 2 percent on Monday after Japan’s decision was announced, recovering from a decline that followed Cargill’s announcement of its Texas plant closure.

Clay Burtrum, a rancher in Stillwater, Okla., whose family has about 400 head of cattle, said the news about Japan was nice but was unlikely to make a difference to him.

“The drought is what’s challenged us,” Mr. Burtrum said. “The ground is bare, feed is twice the price and there’s no water. Japan opening back up, that’s fun — but only if we have cows left to sell.”