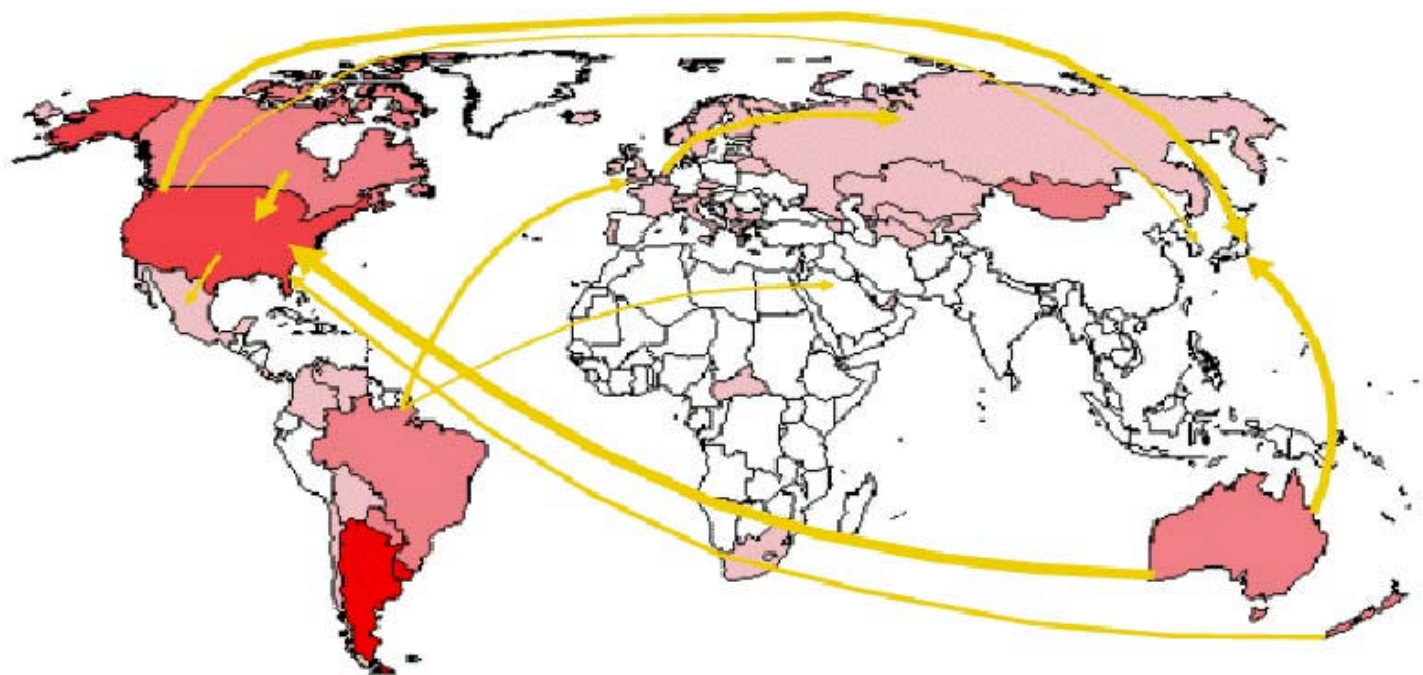


Economic Impact of BSE on the U.S. Beef Industry

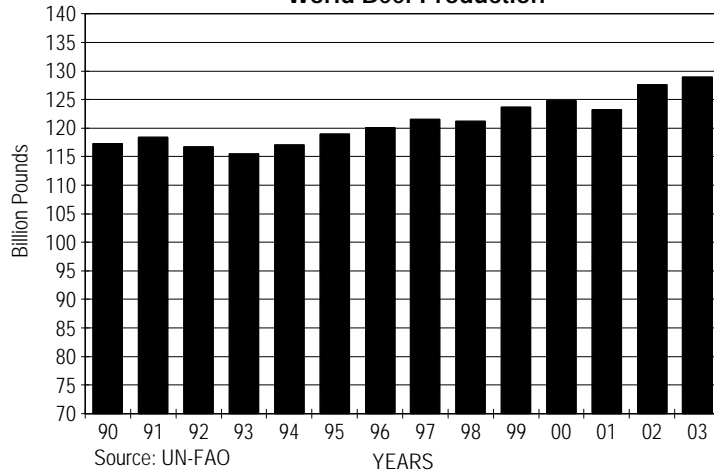


Presented by:

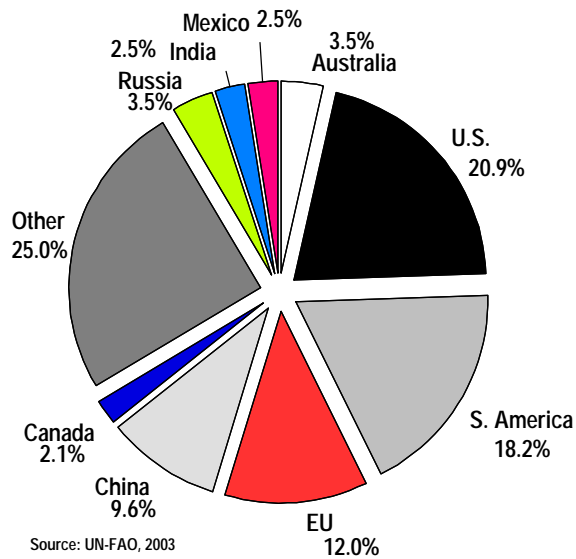


Randy Blach
9110 East Nichols Ave
Centennial, CO 80112
1-800-825-7525
www.cattle-fax.com

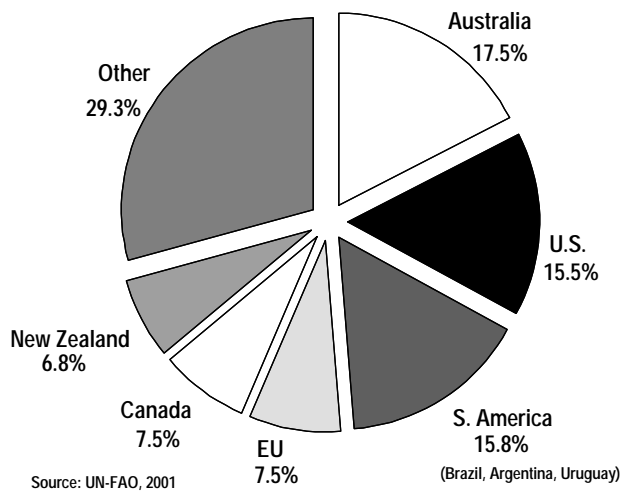
World Beef Production

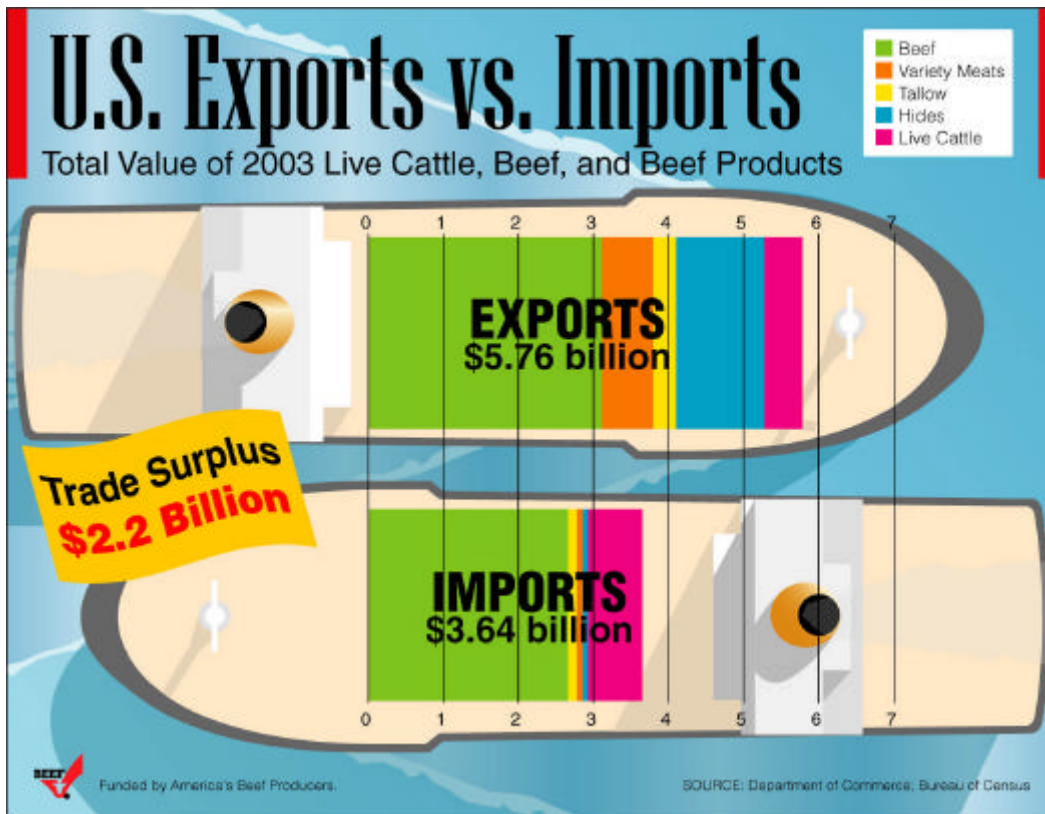


World Beef & Veal Production



World Beef Exports





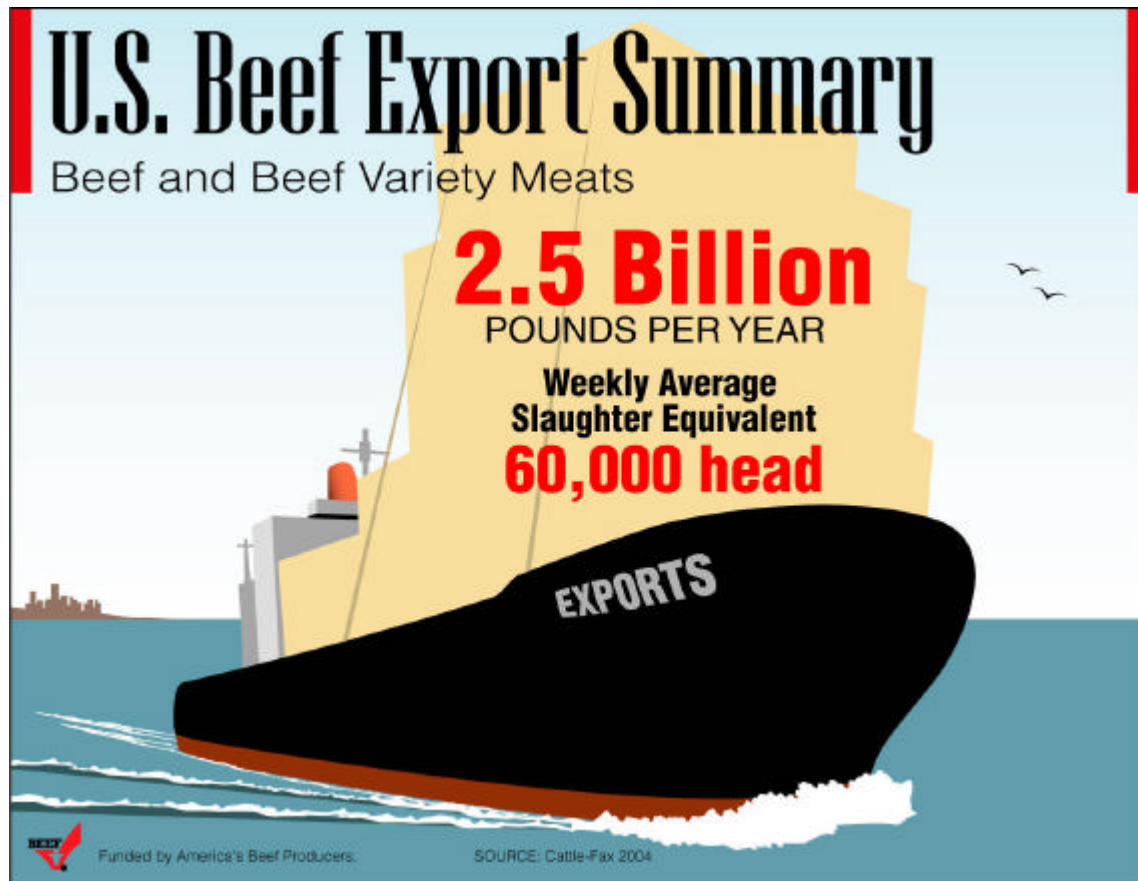
US Beef Export vs. Import Summary

2002 Beef & BVM Exports	\$3.2 billion
2002 Beef Imports	\$2.8 billion

2003 Beef & BVM Exports	\$3.9 billion
2003 Beef Imports	\$2.6 billion

Net

2002 Exports-Imports (\$1.38-\$1.13/lb)	
2003 Exports-Imports (\$1.66-\$1.21/lb)	\$0.25/lb
	\$0.45/lb



Value of Beef, Variety Meat and Tallow Exports
 (\$ billion)

	<u>Beef</u>	<u>Variety Meat</u>	<u>Tallow</u>	<u>Total</u>
1999	2.724	0.557	0.372	3.653
2000	2.987	0.628	0.261	3.876
2001	2.633	0.772	0.237	3.642
2002	2.586	0.619	0.343	3.548
2003	3.150	0.712	0.374	4.236

Daily Fed Market



Source: Cattle-Fax

U.S. Beef Export Summary

Market impact from closing the borders.



Hide and Offal Value

	12/22/03 \$/head	4/20/04 \$/head
Steer Hide, butt brand	66.94	60.95
Tallow, edible	4.34	3.32
Tallow, packer bleachable	13.64	11.86
Tongues, Swiss #1 white	12.50	2.17
Cheek meat, trmd	5.36	3.95
Head meat	1.40	1.15
Oxtail, selected	5.48	2.68
Hearts, reg, bone out	1.53	1.79
Lips, unscalded	1.66	1.28
Livers, selected, gall off	4.34	2.81
Tripe, scalded, edible	4.59	2.42
Tripe, honeycomb bleached	2.93	2.42
Lungs, inedible	0.13	0.13
Melts	0.00	0.00
Meat and bone meal 50% blk/ton	6.12	6.38
Blood meal, 85% blk/ton	2.81	1.91
Total	\$133.75	\$105.19

New FDA Feed Rules

Ban all mammalian blood and blood products from ruminant feeds

Ban poultry litter

Ban plate waste

Requires dedicated facilities or lines for feed mills and renderers that handle prohibited ruminant materials and ruminant feed

Increases feed mill and plant inspections in FY 2004.

Downer Cow Rule Industry Impact

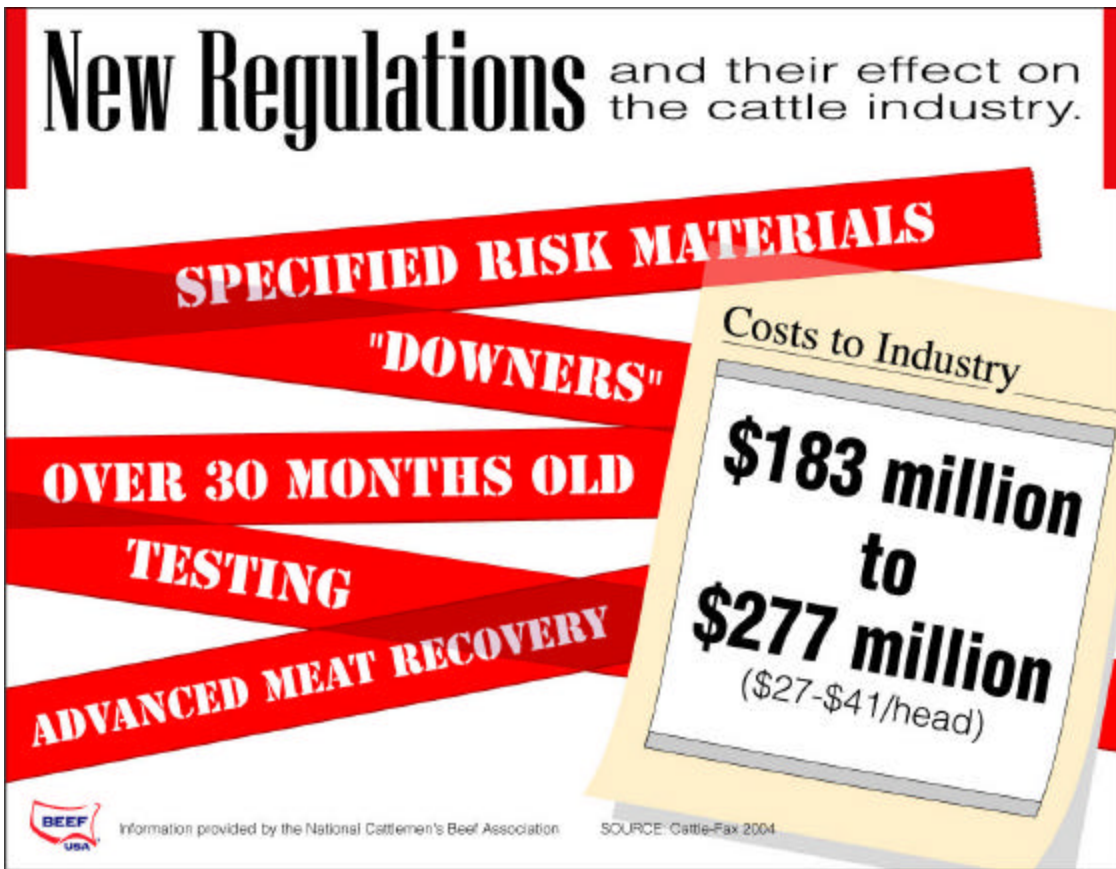
USDA estimate	195,000 hd
Condemnation of 50,000 head	195,000 hd - 50,000 hd = 145,000 hd
Average canner cow price 2001-2003	\$36.35 per cwt.
Average cow live weight	1020 lbs
Average value	1020 lbs * \$0.3635 per lb = \$371 per hd
Industry impact	145,000 hd * \$371 per hd = \$53.8 mi
Cost to Industry	\$50 to \$70 million

Specified Risk Materials (SRMs)

Skull
Brain
Trigeminal ganglia
Eyes
Tonsils
Spinal column
Dorsal root ganglia
Distal ileum

Cost Summary

	1/25/04	4/7/2004
	Cattle-Fax	FSIS
New Regulation	Cost Estimate	Cost Estimate
	\$100 million	\$63-64 million
SRMs	\$50-70 million	\$36-71 million
“Downers”	\$17-73 million	\$
Over 30 months	\$15 million	\$14-16 million
AMR	\$1.2 million	\$70 million
Testing		
	\$183-277 million	\$183-221 million
Total	(\$27-41/head)	(\$27-33/head)



Impact on Production Programs

Grid pricing variables to change

Heiferette feeders expect major discounts

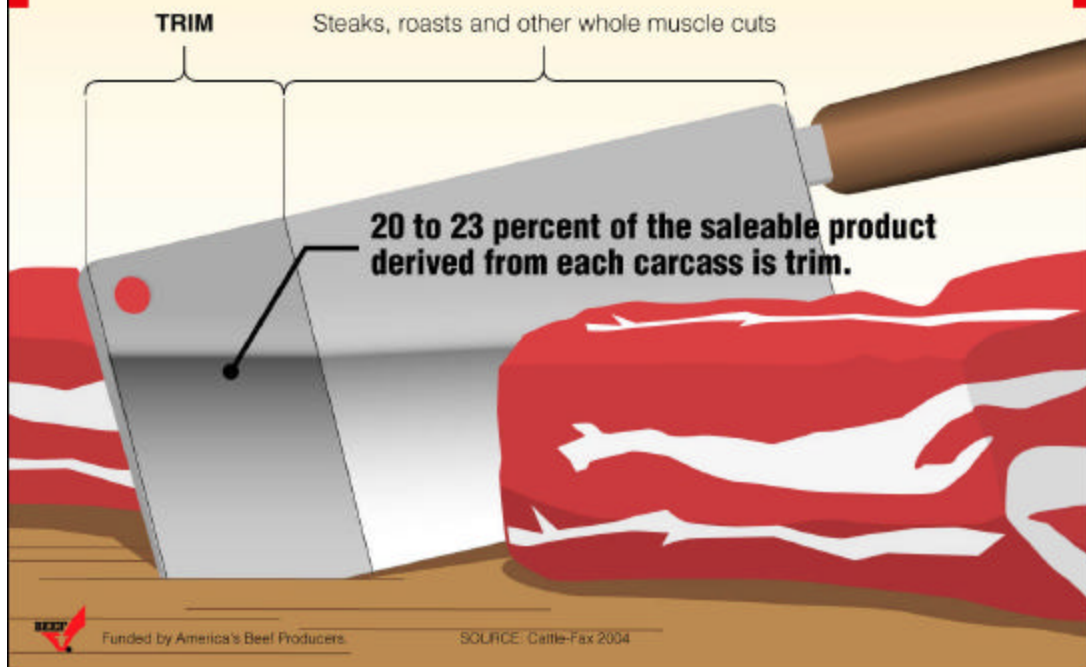
Grazing programs may need to be modified

Long term loss in variety meat value

Improved consistency of beef supply

Increased cost of doing business for the industry

The Value of Trim



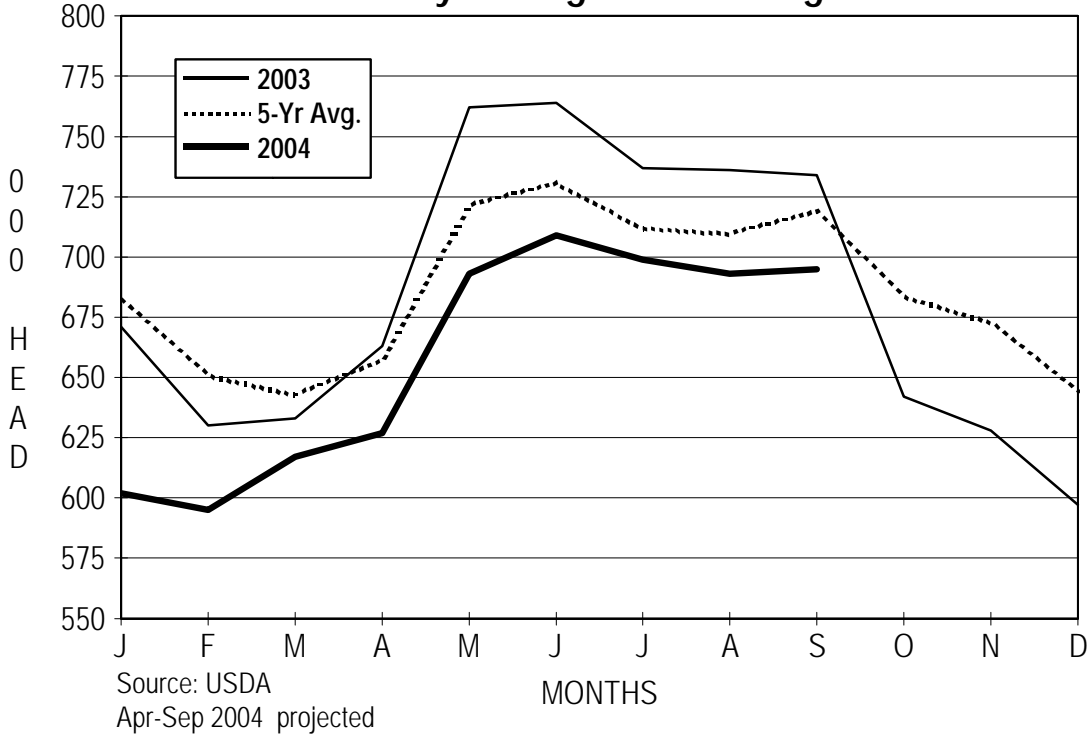
Top 5 Exported Beef Cuts

Ranked by the Extra Value Generated

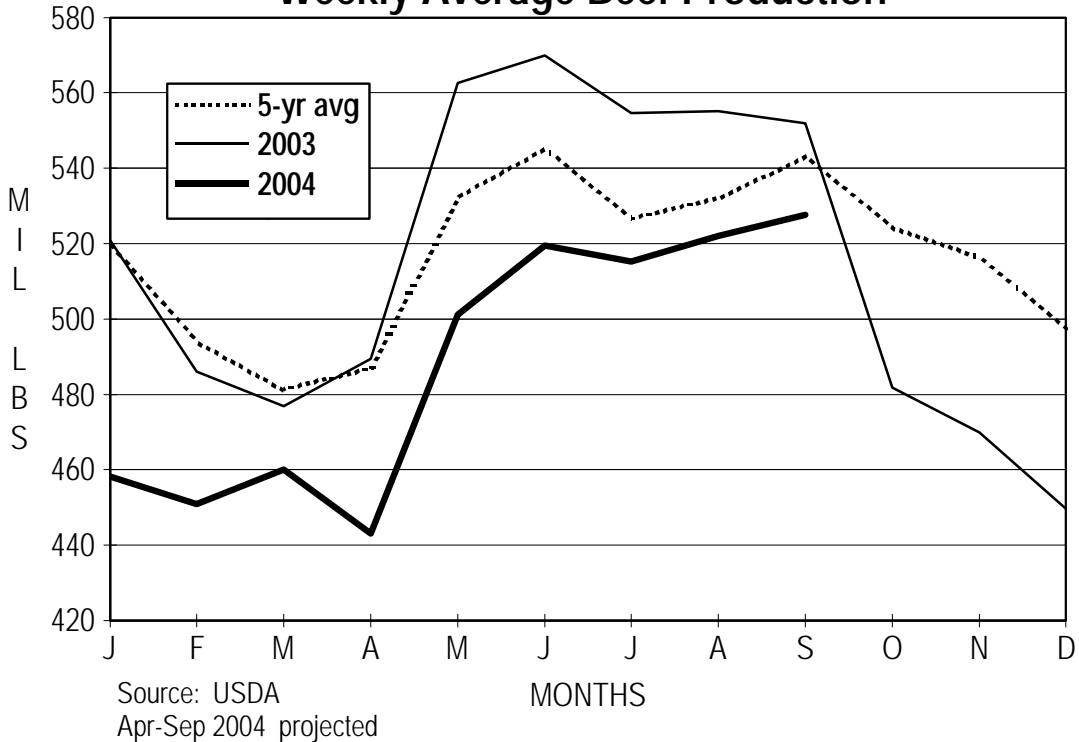
	US Value \$/kg	International Value \$/kg	TOTAL EXTRA VALUE GENERATED Millions of Dollars
57% EXPORTED SHORT RIBS	\$1.39 - \$2.09	\$4.00 - \$10.00	\$388
70% EXPORTED TONGUE	\$0.22	\$9.92	\$328
61% EXPORTED OUTSIDE SKIRT	\$2.09	\$3.50 - \$6.00	\$166
68% EXPORTED SHORT PLATE	\$0.96	\$1.74 - \$2.65	\$63
11% EXPORTED CHUCKEYE ROLL	\$2.62 - \$2.68	\$3.50 - \$6.00	\$43

BEFF Funded by America's Beef Producers. SOURCE: USMEF/Cattle-Fax 2004

Weekly Average Cattle Slaughter



Weekly Average Beef Production



Summary

- Export markets add \$14/cwt. to the value of fed cattle. Re-opening these markets is critically important.
- New regulations will increase cost or decrease revenues by an estimated \$27 to \$41/hd.
- Uncertain how domestic market will absorb larger slaughter levels (especially chuck & trim).
- The changes to the industry are permanent. Added uncertainty and extreme volatility will be common.