


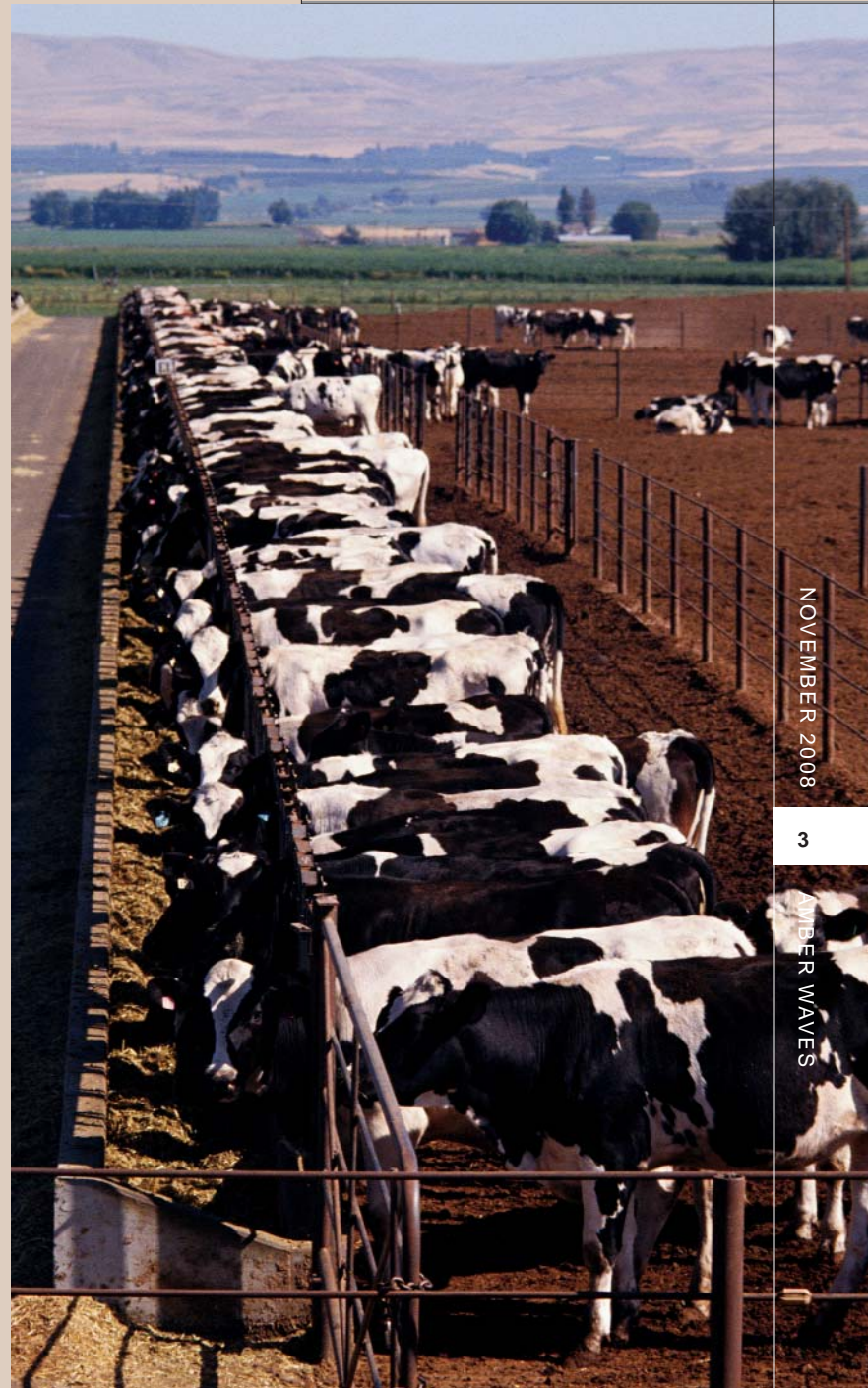
Lasting Influence of BSE on U.S. Protein Feed Markets

Few would argue against the need to reduce the risks from the spread of bovine spongiform encephalopathy (BSE) among cattle or to people in its human form, variant Creutzfeldt-Jakob disease (vCJD). The profound effects of these diseases, coupled with concerns about a loss of trust in the Nation's food supply by consumers and trading partners, have led policymakers to impose regulatory responses to the potential threats. But industries affected by these policies have begun to ask about the tradeoffs between the costs they must shoulder and the benefits of the risk-reduction measures, which are marginal and difficult to quantify.

A recent ERS study of a series of BSE/vCJD risk-reduction initiatives examines the cost of these policies, which have progressively limited the use of animal byproducts and rendered products by the cosmetic, pharmaceutical, and feed-manufacturing industries. Findings reveal that the August 1997 U.S. ban on feeding meat and bone meal (MBM) to ruminants (animals whose stomachs have multiple compartments), which followed the 1996 UK announcement of a link between BSE and vCJD, triggered a 53-percent decline in MBM prices between 1997 and 1999. Similarly, the U.S. Food and Drug Administration 2008 Final Rule, which will ban the use of some proteins previously manufactured from ruminants and other animals in hog and poultry rations, may require producers to discover new uses of restricted materials in order to recoup lost value. The ruling may also saddle producers with costs to dispose of hazardous materials.

Further regulatory restrictions on MBM may affect other protein meal markets as well. Based on earlier analyses of the broadest interpretation of the MBM ban (complete ban on mammalian protein fed to any animals), estimates of price increases for soybean meal, a protein substitute, range as high as 100 percent. Preliminary research at ERS suggests more modest price changes and limited substitution of feed grains for animal proteins in the aggregate, though it is clear the effect of these policies will extend beyond cattle markets.

The goals of establishing effective measures for disease prevention in animals and humans and confidence in the U.S. food supply remain paramount. But the direct and cumulative economic effects of prevention and mitigation policies on the competitiveness of the industry remain a concern for producers and other stakeholders. 



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This finding is drawn from ...

Economic Impacts of Feed-Related Regulatory Responses to Bovine Spongiform Encephalopathy, by Kenneth H. Mathews, Jr., LDP-M-170-01, USDA, Economic Research Service, September 2008, available at: www.ers.usda.gov/publications/ldp/2008/08aug/ldpm17001/