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INTERVIEW:Australia Beef Indus Won't Gain From BSE In US

By RAY BRINDAL

Canberra, Dec. 29 (Dow Jones) - The Australian beef industry, a major global supplier, likely won't benefit much, if at all, from the discovery in the U.S. of a single case of bovine spongiform encephalopathy, or mad-cow disease, industry figures said Monday.

Peter Barnard, general manager, economic planning and market services, at marketing concern Meat & Livestock Australia Ltd., said the industry wants to damp expectations that the discovery will result in any bonanza to Australia.

A host of countries, including key markets in North Asia, notably Japan, South Korea and Taiwan, have effectively banned the import of U.S. beef following the discovery.

Australia and the U.S. usually compete vigorously to supply these countries with beef, while the U.S. is Australia's biggest beef export market by volume.

Australia exports about two-third of its beef in a trade worth A\$3.75 billion last fiscal year.

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Import bans began last Tuesday when the U.S. Department of Agriculture announced that a brain sample of a Holstein dairy cow from Mabton, Washington, had tested positive for BSE.

Barnard said past experience suggests that the discovery of BSE in a nation's herd can lead to major market losses or downturns.

Australian beef exports have been battered twice in the past several years from the discovery of cases of

mad cow disease, particularly in Japan in late 2001 and to a lesser extent in Canada in May of this year.

That said, it wouldn't be surprising that Australian exporters are reporting more inquiries for their product from North Asia, he said.

But the U.S. beef displaced from these and other export markets will have to find a home back in the U.S., likely displacing or reducing demand for Australian product, he said.

IMPACT ON AUSTRALIA COULD BE NEUTRAL

"So, even though you might get some change in export patterns, it's difficult to see that this might result in great gains for the Australian industry," he told Dow Jones Newswires.

"Our best guess is that it will probably have a reasonably neutral impact on the business, but it's early days," he added.

Barnard said disruption to trade is never helpful and isn't in anyone's long term interest.

He also urged the global meat trade and governments to view the isolated U.S. incident in a different light to the systemic problems that led to the discovery of the disease in European and British herds over the past two decades.

"This is an isolated case in a single cow. The U.K. alone had 180,000 cases," he said. "It requires a different set of responses by governments."

Barnard also said that Australia's capacity to increase exports substantially is limited due to the herd rebuilding now underway after a savage drought in 2002 and 2003.

"Clearly we don't have an unlimited capacity to supply without reducing the herd," he said.

Moreover, January is usually a quiet month for Australian beef exports with many processing plants usually shut for at least half of the month for maintenance and staff holidays, he said.

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