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US Beef Export Industry Trying To Adapt To Conditions

DOW JONES NEWSWIRES

NEW YORK (AP)--Pancost Trucking had been profitably hauling about eight refrigerated containers full of beef each week from Colorado to U.S. West Coast ports until the mad cow scare led dozens of countries to ban American beef.

Now the Sterling, Colo.-based company is "in a tailspin" because two of its biggest customers, Tyson Foods (TSN) and Excel, a division of Cargill (CRG.XX), have all but halted exports, leaving owner Gerry Schaefer scrambling to find other work for his 20 drivers.

"We've been having to run over to Nebraska to get potatoes," Schaefer said. "And we're hauling more pork out of Kansas."

Though 90% of U.S. beef is sold at home, the overnight collapse of the export business has given companies that transport feed, cattle and beef, as well as some meat processors, plenty to worry about.

Shippers and meat industry officials said it is too early to accurately assess the financial impact but that some economic hardship is already trickling down: the cattle trade between barns and feed lots has slowed, the value of slaughter-ready animals has declined and some meat processors have scaled back production enough to necessitate furloughs.

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Moreover, some \$200 million worth of meat and meat products remains in limbo, either at sea, at port or in refrigerated facilities here and abroad, according to industry officials.

In the past week, SCS Refrigerated Services of Portland, Ore., received a surge of inquiries from meat producers and shippers looking to store more than 10 million pounds of meat products.

"It's what we call opportunity business," said president and CEO Hugh Carr, noting that January would otherwise be a slow month. "But it's not the kind of opportunity business we welcome because it's a terribly unfortunate situation."

More than 30 countries banned U.S. beef after a Canadian Holstein slaughtered Dec. 9 in Washington State was confirmed last week as the first case of mad cow disease in the U.S. The investigation continues and authorities have now quarantined a third herd of Washington state cattle connected to the same Canadian herd as the infected cow.

Mad cow disease, formally known as bovine spongiform encephalopathy, is a concern because humans who eat brain or spinal matter from an infected cow can develop a brain-wasting illness that can be fatal.

Despite assurances by U.S. officials that the nation's beef is safe, the fate of nearly 2,000 containers of beef and beef products that were exported -prior to the Dec. 23 warning about a suspected case of the disease - is unclear.

About 800 of those containers have already been unloaded and warehoused in Japan, South Korea and other Asian countries, according to the U.S. Meat Export Federation. "It's going to be difficult to return," said spokeswoman Lynn Heinze.

The remainder is primarily scattered among cargo ships still at sea, Heinze said, although some containers are stacked up at ports from Los Angeles to Seattle.

Unless the trade bans are lifted or shipments can be redirected to other markets, Heinze said the meat could very well be sent back to where it came from - the least preferable option.

Spoilage isn't the most immediate concern, since fresh beef has a refrigerated shelf life of about two months, and some of it might be flash frozen upon return to the U.S. market to preserve it longer.

Rather, about a third of the meat sent to Asia is "variety" meat -tongue, liver, kidneys and intestines - that isn't popular in the U.S. and it would likely be rendered for dog food, animal feed and other products upon return to U.S. processors, industry officials said.

"The value, once returned to this country, is pretty minimal," Heinze said, particularly when the extra transportation costs are factored in.

Fremont Beef Co., an eastern Nebraska processor dependent on the Japanese market, sent home 49 of its 131 employees early this week, said Les Leech, chief operating officer. Leech said the company is scrambling to find alternative customers for its products.

"If we brought it back it would certainly create a glut of product in this market, which would depress prices," said Jim Herlihy, a spokesman for Swift & Co. (SWT.XX) of Greeley, Colo., whose beef business accounts for more than 7 million cattle a year.

Beef futures trading on the Chicago Mercantile Exchange are down about 19% from 90.67 per pound on Dec. 23. On Friday, the spot contract price, February live cattle, settled at 74.30 cents a pound, up 0.53 cent.

"We've been talking to feedlot operators and they're real cautious on replacements right now," said Bud Wallace, proprietor of Planada, Calif.-based Wallace Transport, which hauls the feed used to fatten cows.

"There really hasn't been very many cattle bought since all this started," said Rick Yost, vice president of VY Truck Line of Sterling, Colo., which normally hauls about 5,000 cattle a week.

With fewer meat-packed containers headed to the West Coast, many trucking companies are also losing valuable deliveries of wine, vegetables, fish and other products they would normally haul east on their return trips.

For mom-and-pop operators such as Pancost Trucking, this is a devastating double whammy, with each idled truck missing out on a potential round-trip haul that could bring the company about \$2,800 in revenue.

CR England, a \$500 million a year trucking company based in Salt Lake City, is "at a standstill just like everybody else" as far as exports goes, said Sean Snow, a vice president. If the bans persist, the company stands to lose as much as \$10 million a year.

But the company, which has a huge fleet and serves a diverse mix of industries, might actually be able to offset that somewhat by picking up business from vineyards, seafood companies and farmers who are finding a diminishing number of shippers.

Snow said he expects the beef export woes to persist for as long as 90 days, a period long enough to force some of the weakest trucking companies out of business.

"It's possible that we may be better off for that," Snow said. "But, I'd hate to think we're benefiting from someone else's demise."

On the Net:
www.usmef.org

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