

## Beef Export Verification Programs: What Should Cattle Producers Do?

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Beef eligible for export will need to meet the requirements of USDA's Beef Export Verification Program.

The first case of bovine spongiform encephalopathy (BSE) in the United States on December 23, 2003, prompted the halt of virtually all beef exports. Since then, several countries have resumed beef trade with the U.S. and others appear to be very close to permitting beef imports from the U.S. Trade is resuming, however, under a different set of rules than prior to the BSE event, and some of the rules differ by importing country.

Currently, these rules generally restrict trade to boneless boxed beef from cattle less than 31 months of age (30 months or less) for most countries. However, the current agreement with Japan requires that U.S. beef exports to Japan originate from cattle less than 21 months old (20 months or less). The export rules are established in USDA's Beef Export Verification (BEV) Program and applies to companies, producers, feedlots, abattoirs (packing plants), and fabricators who supply beef and beef offal for export. The BEV Program contains fairly specific rules that differ according to the export destination. Therefore, beef suppliers must comply with the specified product requirements of the BEV Program for the country they are exporting to through a USDA approved Quality Systems Assessment (QSA) Program or Process Verified Program (PVP). QSA programs and PVPs include a written explanation of how cattle are managed and a description of the records that verify events (like age) and activities (such as vaccination). A key component of these programs is evaluation of the actual production activities in comparison to the written plan through routine auditing by USDA.

### Beef Export Verification for Japan

Because cattle producers are considered suppliers under a QSA program or PVP, it is important for them to determine eligibility of their cattle for export. Many producers are focused on the re-establishment of trade with Japan, historically the largest-volume beef export market for the U.S. The BEV for Japan also is the most restrictive in terms of cattle age (less than 21 months), whereas most other countries have agreed to the World Organization for Animal Health's guideline of less than 31 months. Further, cattle processors and producers

alike realize the importance of understanding and complying with the BEV for Japan following the initial resumption of beef trade with Japan on December 12, 2005. On January 20, 2006, approximately one month after trade had been reestablished, a U.S. processor violated an export rule that resulted in Japan reinstating the trade ban for all U.S. beef products from all processing plants.

USDA's BEV Program for Japan specifies that export-eligible beef must meet three main requirements. First, all Specified Risk Materials (SRMs) must be removed from all cattle regardless of age. SRMs include spinal cord, distal ileum, and vertebral column of beef animals. Second, eligible beef must be from cattle that are less than 21 months of age at the time of slaughter. This age requirement is verified through an approved QSA program or PVP. Third, beef carcasses and products must meet identification requirements. These include uniquely identified carcasses, shipping documentation that clearly identifies the product and its quality, and an FSIS export certificate with the statement "Product Meets EV Program Requirements for Japan." Beef that does not meet these BEV for Japan requirements still may be sold in the domestic market or other export markets (if it meets those countries' appropriate BEV requirements), even if it was produced in a QSA program of PVP with intentions for export to Japan.

Of these three requirements specified in the BEV Program for Japan, the main one that cattle producers need to be concerned with is verification of their cattle's age at the time of slaughter. The BEV for Japan allows two methods of age verification. First, age verification can be done through carcass evaluation by a USDA official at the packing plant. The second method of age verification is through production records that can be traced to the farm of birth and are verified by a USDA approved program (QSA or PVP).

For beef to qualify for Japanese export using carcass evaluation at the time of slaughter, the carcass must be evaluated as A40 physiological maturity or younger by an official USDA inspector using the U.S. Standards for Carcass Beef. USDA evaluators must meet or exceed performance standards for determining physiological maturity and keep records for all of the determining factors (including skeletal, lean, and overall maturity) for each carcass which is found to be A40 or younger for export to Japan. In a USDA study conducted by Colorado State University in November 2004, cattle that were evaluated as A40 maturity were always 17 months of age or younger. In that study, however, only about 6 percent of the

cattle slaughtered were found to be A40 maturity or younger. Depending upon the growth in trade volume, physiological carcass grading for age verification may not produce enough beef to meet Japanese demand. Further, the supply of cattle grading A40 or younger (17 months or younger) is likely to be seasonal. Larger slaughter of A40 cattle could be expected in the early summer months when calf-fed cattle are typically marketed. Smaller supplies are more likely later in the third and fourth quarters of the year as the supply of calf-feds declines. Physiological grading will also not enable processors to export variety meats to Japan because the grading takes place after removal of these offal items.

Depending upon Japanese demand, pace of export growth, processor desire to export variety meats, and U.S. supply of A40 cattle, additional cattle may need to be age verified using production records as part of a QSA program or PVP. Provided sufficient demand, a premium may exist for producers and processors that can provide this information. The BEV for Japan requires that cowherds, backgrounding operations, and feedlots be covered under a QSA program or PVP that is pre-approved by the USDA's Agricultural Marketing Service. If producers do not intend to have their cattle eligible for export to Japan or do not wish to try to capture potential premiums in other markets, they do not need to participate in a QSA program or PVP. For producers wanting to have cattle eligible for export to multiple countries, it may be necessary for them to comply with multiple QSA or PVP programs having different requirements because export rules vary by country.

### **QSAs, PVPs, and Animal ID**

Although both QSA programs and PVPs can be used to meet the BEV for Japan age verification requirements, there are some general differences between the programs. QSA programs usually document only age and source verification. On the other hand, PVPs are often widely defined and can also include verification of other beef attributes (e.g., hormone free, corn-fed, etc.) and document vaccinations and the genetic history of the enrolled animals.

The main guideline for age verification in a QSA or PVP program is that cattle presented for processing must be traceable to live animal production records to verify age. Either individual animal or group age verification may be used. For individual animal identification, animals must have a unique, individual ID. The type of ID used to identify the animal must comply with the guidelines established by each QSA program or PVP. However, the BEV program itself does not define a particular device that producers must use. As long as a QSA or PVP compliant ear tag is a one-time use, tamper-evident tag containing a non-repeatable unique number, it can be an electronic ID (EID), radio frequency ID (RFID), or a visual tag. The main requirement is that records be able to trace the individual animals back to the ranch of origin. Importantly, these records must include the actual date of birth for the animal and the birth records must accompany the animal through the supply chain.

For group age verification, groups of animals typically are assembled according to birth date (i.e., born during the same birthing season). This group then must be uniquely and individually identified (i.e., all the animals in the group would have the same number, but each must be individually identified with it). Records must identify the actual date of

birth for the first calf born from the group during that calving season. The age of the rest of the calves will be assumed to be the same as the oldest calf born within the designated group. Date of first breeding and other breeding records may be used as additional verification for the oldest age of animals within the group.

Many cow-calf producers likely have the necessary records to document age of cattle. Much of the focus in the QSA program or PVP, therefore, is on transfer of that information with the animal through commerce involving several markets, owners, and processes. Unlike other information transfers in the cattle marketing chain, signed affidavits are not sufficient to qualify cattle for the BEV for Japan program. Although affidavits attesting to the animals' age can be used as part of a QSA program or PVP, production records and evaluations of those records are required in QSA programs and PVPs. While affidavits alone are not sufficient, individual animal IDs and their associated records can aid in the information transfer.

The ID requirements for a QSA or PVP focusing on BEV qualification will not be met simply through participation in the National Animal Identification System (NAIS) as it is currently proposed. This system will only be used by government officials for animal disease surveillance and information would not be available to private party cattle buyers. However, the same ID device (i.e., often an RFID tag) can be used to comply with both NAIS and a QSA or PVP (most QSA and PVP programs use NAIS compliant ear tags). Likely, the owner (or other similar party) of a QSA program or PVP would collect both NAIS and BEV information from cattle producers, along with other production records. The QSA or PVP owner would then submit the NAIS information (primarily identification number and location) under that program's guidelines and retain other production records.

### **QSA and PVP Alternatives for Producers**

Cattle producers have several options for enrolling in a QSA program or PVP and qualifying cattle for the BEV program. First, producers may develop their own unique program and get it approved by USDA. Due to the time and cost involved in writing a QSA program or PVP and having it approved and audited by USDA, most producers will not likely choose this option. An individual rancher could also enroll in a QSA program or PVP with a group of producers to share costs and access additional management expertise for development of the program.

Many producers will likely elect to supply their cattle to feedyards, processors, or other buyers that have their own approved QSA program or PVP, thereby using it as an "umbrella." An "umbrella" program is developed and controlled by one company but includes all its suppliers (and likely their suppliers). For example, cow/calf producers could supply their calves through a packer's, feedlot's, ID company's, auction market's, or breed association's QSA program or PVP. Under an umbrella program, the producer would have to comply with the specifications of the program belonging to the company to which they supply cattle. The requirements the producer must meet for the QSA program or PVP are therefore dependent on the specific umbrella program. For example, type or brand of ID used to identify the cattle that are part of a program will be unique and specific to the program. Similarly, a beef packer's umbrella program would address all requirements for

the entire supply chain within the QSA program or PVP. Not only is the packing company having the umbrella program responsible for developing and maintaining the program, but it is also responsible for all of its suppliers to meet requirements throughout the entire supply chain.

### How Do Producers Choose a QSA or PVP?

Producers must consider a number of factors when deciding whether to develop their own QSA program or PVP or become part of an umbrella program. Developing a new, unique QSA program or PVP may be the best option for larger sized operations, particularly for commercial feedyards and processors. However, for many producers, the development costs for an USDA approved and audited QSA program or PVP (anecdotally estimated by industry and government contacts to be about \$8,000 for a relatively straight-forward plan) will prompt enrollment in an umbrella program.

If producers elect to use an umbrella program, they need to carefully select the buyer's program within which to enroll their cattle. If producers participate in a feedlot or packer's program, they could be "locked in" to selling to that particular buyer in order to make their cattle export eligible. Cattle producers may elect to meet the requirements for multiple QSA programs or PVPs to be able to sell their cattle to more than one buyer; however, doing so could be expensive or cumbersome unless the requirements are relatively similar for each. Another alternative would be for producers to participate in a QSA program or PVP through an ID company, breed association, or auction market, through which it is likely that their cattle will adapt to the QSA or PVP requirements or programs of numerous feedlots and processors. This could expand the number of buyers able to purchase the producer's cattle.

Another factor that may influence producers' participation in a program or decision to create their own versus enroll in an umbrella program is the auditing requirement. QSA programs require bi-annual audits performed by USDA, and PVPs require an annual audit. These audits are completely user-funded by the company owning the QSA/PVP. The companies responsible for the QSA program or PVP are charged an hourly fee for the time it takes to conduct document review, travel time, on-site audit, and report preparation. For suppliers that are part of an umbrella program, USDA may conduct audits on cattle suppliers while auditing the umbrella company's program to ensure all requirements are met. If suppliers are audited, they will be required to provide documentation that is sufficient to verify the birthdates of the cattle they have enrolled in the program.

The decision to enroll in a particular QSA program or PVP will also depend on whether a producer wants to provide other verification assurances than age or source. As mentioned earlier, many QSA programs focus primarily on age and source verification. Other QSA programs or PVPs may, in addition to providing the age verification necessary for export, verify assurances related to production practices or product quality. For example, some programs may provide documentation on feed consumption (e.g., corn-fed or grass-fed), genetic background or breed type (e.g., certified angus), handling

(e.g., low-stress handling or non-confinement), or other similar claims. While premiums for beef eligible for export to Japan and other countries could, in the future, be sufficient for producers to enroll in a QSA program or PVP, it is likely that such premiums could erode in the future as more producers seek the premiums (if they are shown to exist). Then, in order to remain competitive in the long run, they may need to differentiate their product based on other quality attributes. Thus, selection of QSA programs or PVPs that offers additional verification claims that complement the producer's production methods and cattle type could be beneficial.

### Summary

As resumption of beef exports to Japan, South Korea, and other countries begins to result in larger trade volumes, it will be necessary to approve more beef for export under the appropriate Beef Export Verification (BEV) program for the particular export destination. In most cases, this will require age verification. While processors can rely on physiological carcass grading, supplies of eligible cattle may eventually be insufficient to meet the demand particularly for Japan (where the age requirement is more restrictive at less than 21 months). Therefore, producers should be prepared to provide production records documenting age if they want to have their cattle eligible for export. In order to meet the requirements for the BEV program, they must enroll in or create a Quality Systems Assessment (QSA) program or Process Verified Program (PVP) to document and verify cattle age. Several existing QSA programs and PVPs offer producers the opportunity to enroll cattle in an umbrella program, thus eliminating the need for all individual producers to create their own program. Some of these programs may offer additional verification claims that could have value in some markets and some programs may better fit the production practices and cattle types for individual producers. Therefore, producers should review requirements of various QSA programs and PVPs and evaluate one which best fits their existing production and marketing practices.

An updated list of QSA and PVP programs approved by USDA is available at the Web sites listed below.

### For more information

- <http://www.ams.usda.gov/lsg/arc/qsap.htm>
- <http://processverified.usda.gov/>
- <http://www.ams.usda.gov/lsg/arc/ARC1002.pdf>
- <http://www.ams.usda.gov/lsg/arc/arcQA.htm>

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