

USDA Bans Brazilian Beef Imports – High Percent of Rejections

by Pete Hardin

Long time coming ...

In late June, without advance notice, United States Agriculture Secretary “Sonny” Perdue enacted a complete ban on all beef imports from Brazil. The factor that finally triggered the U.S. ban was an alarming rejection rate due to sub-standard quality of 11% for all Brazilian beef imports since March 2017 that were inspected by officials of USDA’s Food Safety Inspection Service. That rejection rate is about 10 times higher than normal refusal rates for meat imports.

The Brazilian beef industry is a cesspool — enmeshed in multiple scandals that have rocked that nation. Those scandals include:

- Brazil’s major meat packer, JBS, *S.A.*, caught bribing meat plant inspectors to approve commercial use of rotten or contaminated meat for human consumption.

- Recordings of huge bribes paid to Brazil’s current president to arrange for the state-controlled bank to lend money to JBS to purchase U.S. meat-packing businesses. Were those recordings authentic? JBS executives have personally provided prosecutors with those tapes, as they try to worm their way to lesser penalties by turning on their prior political benefactor. Brazil’s current president enjoys an “approval rating” of about seven percent!

JBS is both a major beef feedlot operator in Brazil, as well as owning numerous meat slaughter facilities. The advantage JBS gained in international operations is that the firm could bring in cheap beef from Brazil to the United States and knock down prices it paid to U.S. cattle and dairy producers.

Carry-over scandal from Vilsack ...

The Brazilian beef import scandal was highly predictable.

Against all wisdom, in July 2015, former United States Agriculture Secretary Tom Vilsack announced imports of Brazilian beef had been approved. Since Brazil has been long listed as a country harboring Foot and Mouth Disease (FMD) infections, Vilsack supposedly limited imports to a handful of Brazilian states believed to be “FMD-free.” Public comments on Vilsack’s proposal to allow Brazilian beef imports were over whelmingly negative. But the “Tom-fool” went forward.

Why did the Obama administration allow imports of beef from Brazil and other FMD-infected

countries??? In the case of Brazil, in March 2015, it was discovered that a U.S. intelligence agency had installed listening devices in the inner sanctum of Brazil’s then president – Dilma Rousseff. (She was suffering from single-digit approval ratings at home.) Rousseff had a state visit scheduled to Washington, D.C. in mid-June 2015. Very shortly after her visit with Obama, Vilsack announced that imports of Brazilian beef had been approved. In summary: Brazil’s scandal-ridden (now former) president parleyed the United States’ getting caught “bugging” her office into an open door for beef imports to this nation.

As noted earlier, Brazil is a cesspool of corruption and the economy is in dire collapse.

Prices received for slaughter animals by U.S. producers started nose-diving in late July 2015 – about three weeks after Vilsack’s announcement. Collapsing slaughter cattle prices pulled down values for the entire beef and dairy livestock complex – all the way down to bull calves.

In addition to Brazil, Vilsack also sanctioned imports of beef from two other FMD-infected nations – Argentina and Namibia. Namibia supposedly has a wall that spans that nation – an attempt to keep FMD infections from the “clean” half of that country. But don’t look too closely at that wall, which contains holes to allow passage of migrating elephant herds!

Beef imports from Brazil actually started arriving at U.S. East Coast ports in September 2016. At that time, prices paid for slaughter cattle in the U.S. took another nose-dive. And that price decline rippled all the way through the nation’s entire beef and dairy cattle sectors, pulling down prices for all sizes of animals. Ironically, and predictably, domestic consumers’ retail prices for beef purchases were slow to register processors’ lower costs for beef.

Foot-and-Mouth Disease unmentioned ...

In the hoopla over USDA’s ban on Brazilian beef imports, virtually no mention has been made of the far greater danger: FMD. Importing beef from nations with documented, active FMD infections is a

clear danger to the U.S. livestock industry, grain industry, and, indeed, to the nation’s entire food supply. If FMD were to be detected in the United States, this nation would lose its dairy, beef and pork exports, as well as its exports of cattle genetics. Prices for dairy commodities and slaughter animals would collapse. And the values for all livestock – beef, dairy, pork, goats and sheep – would collapse. Further, grain prices would collapse, due to the demised conditions of dairy, beef and pork sectors that feed huge amounts of grain.

Recent events have shown Brazil’s meat industry and politicians to be a cesspool of corruption. Why the Obama administration felt compelled to allow beef imports from Brazil will never be known. Tom Vilsack, USDA Secretary at the time these mistaken, dangerous decisions were enacted, now has his hefty carcass bankrolled by dairy farmers’ milk promotion funds. Vilsack now heads the U.S. Dairy Export Council.

The global impact of JBS, *S.A.* is immense. In June 2012, *The Milkweed* reported these details from the firm’s website:

“With 140 production facilities worldwide and over 130,000 employees, JBS is the largest animal protein processor in the world. ... An international industry leader, JBS has production and processing plants in Brazil, Argentina, Italy, Australia, USA, Uruguay, Paraguay, Mexico, China and Russia.

“JBS acquisitions in the United States have included Swift Foods in 2007, followed by the beef division of Smithfield Foods in 2008, and a major interest in chicken processor Pilgrims Pride. JBS is vertically integrated at every stage ... operating giant beef cattle feedlots in Colorado, Texas, Kansas, and other states, as well as supermarkets around the world.”

JBS operates the Packerland and Merco beef slaughter operations in the United States.

See interview with Bill Bullard, head of R-CALF USA, regarding more inside details behind USDA’s recent ban on Brazilian beef imports. That interview is found on page 12 of this issue of *The Milkweed*.

Elanco Wins Preliminary Injunction vs. Arla

In response to the June 7 hearing in Green Bay, Wisconsin, federal judge William C. Griesbach issued a decision on June 15 that granted, in part, and denied, in part, plaintiff’s request that Arla Foods be enjoined from disseminating advertisements challenged by plaintiff Elanco. Elanco is the veterinary products division of Eli Lilly and Company.

The product in question is Posilac – a synthetic hormone drug marketed by Elanco that, when injected in dairy cows, boosts milk production.

The preliminary injunction hearing involved Elanco’s request to block an advertising and social media campaign by Arla that depicted recombinant bovine growth hormone (also known as rbST) as a monster ... something weird in dairy products processed from milk from cows that are injected with Posilac.

Judge Griesbach’s decision preliminary enjoined defendant Arla Foods, its agents or anyone working with or on behalf of the defendants, from disseminating the advertisements in question, or any similar advertising.

Further, Griesbach enjoined defendant and related parties from any claims that rbST, or Posilac, or dairy products made from milk of cows supplemented with rbST or Posilac, are dangerous or unsafe.

Further, Arla Foods and related entities may not claim that dairy products processed from milk of Posilac-treated cows are of lesser quality or less wholesome than, or substantially compositionally different from, other dairy products.

Defendant Arla has appealed Griesbach’s ruling.

June ’17 FMMO Manufacturing Milk Class Prices Jump

Generally stronger commodity prices helped push up the June 2017 manufacturing class milk prices in USDA’s federal order system. The Class III (cheese) milk price jumped up \$0.87/cwt., compared to the prior month’s level. Class II milk (used for cultured products like yogurt, cottage cheese and ice cream) climbed \$1.31/cwt., at \$16.15/cwt. And the Class IV (butter-powder) price rose by \$1.40/cwt., up to \$15.89/cwt.

The strength of butter prices was the main driver in all of those gains witnessed in June.

USDA calculates the monthly manufacturing milk classes’ prices by collecting weekly prices and volumes of selected commodities sold by manufacturers. Those commodities include: Cheddar, Grade A butter, nonfat dry milk and whey. The weekly

price survey results are then incorporated into monthly averages. And those monthly averages are plugged into formulae that yield the respective Class prices.

For June 2017, USDA economists used the following price averages to determine the month’s manufacturing milk Class prices:

Butter price\$2.7066/lb.
Nonfat solids price\$0.7384/lb.
Protein price\$1.7545/lb.
Other solids price\$0.3014/lb.

The relative strength of butter prices, compared to Cheddar and nonfat dry milk prices, is creating a difficult set of circumstances for cheese plants here in early summer 2017.

PRICES PER POUND	April '17	May '17	June '17	May-June Difference
Butter	\$2.1160	\$2.1644	\$2.4065	+24.21¢/lb.
Nonfat Dry Milk	\$0.8386	\$0.8704	\$0.9137	+3.23¢/lb.
Cheddar Cheese	\$1.4960	\$1.5390	\$1.6293	+8.93¢/lb.
Dry Whey	\$0.5243	\$0.5094	\$0.4917	-0.77¢/lb.

NEED FREE EXTRA COPIES??

If you want additional copies of *The Milkweed* to give out at dairy meetings, call Pete Hardin at:

608-455-2400

USPS: 561120

ISSN: 1533-6026

The Milkweed

Publisher/Editor: Peter L. Hardin

Associate Editors: Paris Reidhead, Jan Shepel, Nate Wilson, Mark Kastel, and Will Fantle.

In memoriam: John Bunting and Jim Eichstadt.

The Milkweed is a monthly dairy marketing report for dairy farmers and other people with an interest in the dairy industry. First issue published June 1979.

All material is copyrighted 2017 by **The Milkweed, Inc.** Written permission is required before articles may be reprinted.

Second Class Subscription rate: \$80 for one year.

First Class Subscription rate: \$140 per year.

Single issues: \$5.00.

Mailing address: P.O. Box 10, Brooklyn, WI 53521-0010.

Phone: 608-455-2400.

The Milkweed is published monthly by The Milkweed, Inc., W717 Amidon Rd., Brooklyn, WI 53521. Periodical postage paid at Brooklyn, WI, and additional mailing offices.

Postmaster: Send address changes to

The Milkweed, P.O. Box 10
 Brooklyn, WI 53521-0010.

Q&A: R-CALF USA's Bill Bullard on USDA's Brazilian Beef Ban

by Pete Hardin

Bill Bullard is the fact-driven executive director of R-CALF USA, an organization that represents solely the interests of United States cattle producers. Bullard took time from his hectic schedule to provide background and insights on the recent ban of Brazilian beef imports by USDA.

Question: *What were the driving forces that induced USDA Secretary Sonny Perdue to enact the ban on Brazilian beef imports?*

Bullard: According to the USDA, the June 22 ban was imposed to protect U.S. public health when the failure rate for physical border inspections of raw intact beef from multiple Brazilian processing plants increased to 11.1 percent, which was significantly higher than the failure rates for beef imports from all other countries. The discovery of violations for multiple plants indicated to the USDA that there was a system-wide problem in Brazil. In addition, the USDA cited its most recent audit findings of Brazilian plants that revealed weaknesses in government oversight of sanitation and post-mortem carcass inspection; inadequate verification of sanitary dressing procedures; and lack of conflict of interest controls between inspection personnel and establishment management.

On June 21, the day before the USDA acted to ban raw intact beef imports from Brazil, the Brazilian government imposed its own ban on Brazilian beef exports due to "irregularities" observed in the beef by USDA inspectors. News reports suggested the irregularities were abscesses caused by foot-and-mouth disease (FMD) vaccines.

This information raises the question of why the USDA imposed only a partial ban on Brazilian beef imports if its action was indeed taken to protect U.S. public health. The ban effects only raw intact beef, but not pre-cooked beef. Because the USDA acknowledges there are system-wide problems regarding sanitation, post-mortem inspections and lack of conflict of interest controls, all of which creates a health and safety risk for all beef products, whether raw or pre-cooked, it appears the USDA's action was incomplete and insufficient to achieve U.S. food safety objectives.

Moreover, because the USDA banned only the importation of raw intact beef, which is beef long-banned due to FMD risks and only recently allowed back into the U.S. (the first shipments of raw beef from Brazil arrived in the U.S. in October 2016), it makes more sense that the real reason the ban was imposed was because of the reported "irregularities" regarding FMD-related abscesses. In other words, the available information suggests this ban likely has more to do about a renewed risk of introducing FMD than it does about protecting U.S. public health because the additional safety risk that raw intact beef poses to the U.S. when compared to pre-cooked beef is an increased risk of FMD introduction.

Question: *What levels of contamination have been documented in samples of beef imported from Brazil?*

Bullard: I do not know the specific types of contamination associated with the rejection of the 11.1 percent of Brazilian beef imports discussed above. However, the USDA states that it refused entry of 106 lots of Brazilian beef (approximately 1.9 million pounds) due to public health concerns, sanitary conditions, and animal health issues.

The most recent USDA audit of Brazilian packing plants reveals that the USDA recently rejected a lot of Brazilian beef due to residue levels of abamectin, which is an insecticide and wormer. That audit also stated that Brazilian plants lacked a Shiga toxin-producing *Escherichia coli* (STEC) proficiency testing program.

A recent Reuters news report states the European Union rejected some shipments of Brazilian beef due to the presence of Shiga toxin-producing *E. coli*.

Question: *Brazil's minister of agriculture beat a hasty path to Washington, D.C. to try to undo the beef import ban. What political "push-back" do the Brazilians have on this matter?*

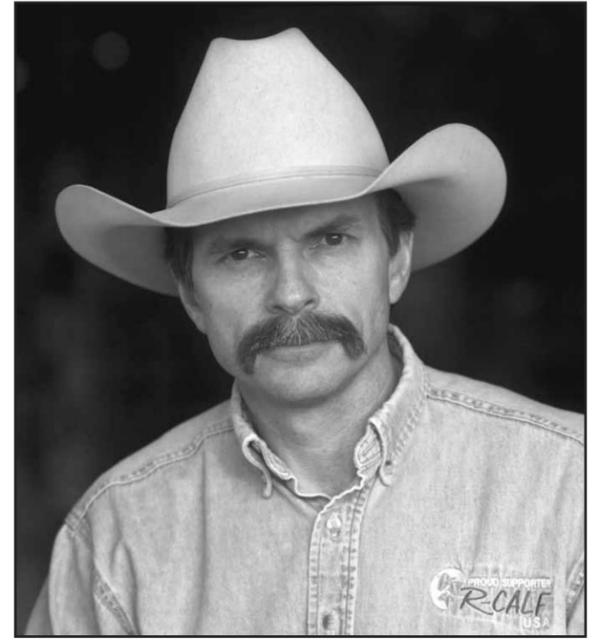
Bullard: I do not know what leverage Brazil's minister of agriculture might have to reverse the current ban. I hope there is none except to demonstrate that Brazil can somehow overcome its culture of circumventing rules and violating its commitments to many nations, not just the United States. Unfortunately, however, it is evident that the U.S. ignored known disease risks when it reopened the U.S. market to raw beef from Brazil. In fact, the 2016 announcement by the USDA that Brazil and the U.S. had each agreed to open their respective borders to the other's beef was a shameful quid-pro-quo political agreement. This is the only conclusion we can draw based on the fact that the USDA completely ignored the legitimate animal health concerns expressed by nearly every livestock trade association in the United States when it opened the U.S. border to Brazil's raw beef. This suggests there are ulterior motives that drove the USDA's past decisions regarding Brazil.

Question: *Do you have any idea how long the import ban for Brazilian beef is supposed to last and what factors might influence USDA to take down that prohibition?*

Bullard: The ban appears to be indefinite and the USDA states it is now up to Brazil to address its systemic food safety problems to ensure that all plants exporting raw intact beef to the United States can meet the USDA's equivalency standards.

Question: *In your own words, what should U.S. cattle and dairy producers know about JBS, S.A.?*

Bullard: In 2008 we told the Justice Department and the USDA that JBS was a known bad actor and should not be allowed to expand its operations in the United States. Even though we cited evidence that JBS was paying a multi-million dollar fine in



Bill Bullard — CEO of R-CALF USA

Brazil for engaging in anticompetitive practices that allowed it to pay less than competitive prices for livestock sold by Brazilian ranchers, we were ignored and JBS was welcomed with open arms into our industry by the Justice Department, the USDA and by most livestock trade associations. We don't know how much harm JBS has caused our industry and that is why we have called for an investigation into JBS's activities and relationships in the U.S. since it first arrived in 2007. JBS presents us with yet another too-big-to-fail dilemma, but there is a solution. We have asked the Justice Department to require the divestiture of JBS's U.S.-based assets if it is found that those assets were acquired through illicit means. Based on reports of JBS's testimony to Brazil's supreme court, it appears that all, or nearly all, of JBS's expansion in the U.S. was accomplished through illegal bribes paid to Brazilian lenders.

Product Recall Hits WI's Sassy Cow Creamery

by Pete Hardin

In late June, local supermarket shelves were swept clean of dairy products processed by Sassy Cow Creamery of Columbus, Wisconsin. Statements taped to supermarket dairy cases explained that the creamery had experienced pasteurization problems and all products – ranging from beverage milk to ice cream – were recalled and destroyed.

Within about a week's time, however, problems had apparently been corrected and Sassy Cow Creamery products were again on supermarket shelves in southern Wisconsin. Sassy Cow is a producer handler that processes both conventional and organic dairy products from milk provided by the company's own herds. The impact of the Sassy Cow Creamery product recall remains to be measured.

May 2017 Milk Production

May 2017 Milk Cows and Milk Production, by States							
State	Milk Cows ¹		Milk per Cow ²		Milk Production ²		Change from 2016 (percent)
	2016	2017	2016	2017	2016	2017	
	(thousands)		(pounds)		(million pounds)		
AZ	196	203	2,210	2,235	433	454	4.8
CA	1,764	1,753	2,015	2,005	3,554	3,515	-1.1
CO	149	159	2,200	2,215	328	352	7.3
FL	123	124	1,870	1,850	230	229	-0.4
ID	592	596	2,125	2,105	1,258	1,255	-0.2
IL	94	93	1,820	1,850	171	172	0.6
IN	184	186	1,965	1,990	362	370	2.2
IA	213	217	2,075	2,065	442	448	1.4
KS	145	152	1,970	1,955	286	297	3.8
MI	418	427	2,285	2,325	955	993	4.0
MN	461	459	1,835	1,890	846	868	2.6
NM	310	328	2,195	2,215	680	727	6.9
NY	620	624	2,085	2,120	1,293	1,323	2.3
OH	266	262	1,830	1,885	487	494	1.4
OR	126	124	1,825	1,790	230	222	-3.5
PA	530	525	1,805	1,860	957	977	2.1
SD	114	117	1,915	1,915	218	224	2.8
TX	470	513	1,975	2,075	928	1,064	14.7
UT	91	93	1,990	2,020	181	188	3.9
VT	131	129	1,810	1,855	237	239	0.8
VA	90	87	1,705	1,785	153	155	1.3
WA	275	272	2,080	2,075	572	564	-1.4
WI	1,279	1,279	2,065	2,050	2,641	2,622	-0.7
23 State Total	8,641	8,722	2,019	2,035	17,442	17,752	1.8

¹ Includes dry cows. Excludes heifers not yet fresh.

² Excludes milk sucked by calves.

Source: U.S. Department of Agriculture, National Agricultural Statistics Service, Agricultural Statistics Board, *Milk Production*, (June 2017).

NEED FREE EXTRA COPIES??

If you want additional copies of *The Milkweed* to give out at dairy meetings, call Pete Hardin at:

608-455-2400