

MINUTES OF THE HOUSE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Dan Johnson at 10:00 a.m. on May 3, 2004, in Room 423-S of the Capitol.

All members were present except:

Representative Don Dahl- excused
Representative Bill Feuerborn- excused
Representative Larry Powell- excused

Committee staff present:

Raney Gilliland, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

Representative Joe Shriver
Mike Beam, Senior Vice President, Kansas Livestock Association
Brad Harrelson, Associate State Director, Governmental Relations, Kansas Farm Bureau
Yazmin Wood, President/CEO, Arkansas City Chamber of Commerce
Wayne Short, Mayor, City of Arkansas City

Others attending:

See attached list.

Hearing on HR 6034 - Testing for BSE

Chairman Johnson opened the hearing on **HR 6034**.

Representative Joe Shriver appeared in support of **HR 6034** introduced at his request to show support of Creekstone Farms Premium Beef, a private beef processor in Arkansas City, and their challenge of USDA's decision to deny private BSE testing. Creekstone Farms proposes voluntarily testing 100 percent of their beef for BSE in hopes of reopening trade with Japan and other export markets. He provided copies of two news releases from Creekstone Farms dated April 9th and April 13th to provide background on this issue. Representative Shriver indicated that he is in general agreement with a substitute resolution proposed by the Kansas Livestock Association. ([Attachment 1](#))

Mike Beam, Senior Vice President, Kansas Livestock Association, discussed various issues that have surfaced since the December 23, 2003, announcement of the first positive BSE case in the United States. While KLA understands and appreciates the intention of **HR 6034**, they believe it would not be in the best long-term interests of producers to support a reversal of USDA's determination that no processor may implement blanket BSE rapid testing on younger animals. KLA urged consideration of a resolution supportive of our government's mission to restore international confidence in our product and stay the course on science-based production practices. A proposed draft is included with his testimony. ([Attachment 2](#))

Brad Harrelson, Associate State Director, Governmental Relations, Kansas Farm Bureau, believes international trade requirements must be based solely on scientific standards free from unjustified constraints that create barriers to free trade. Kansas Farm Bureau supports the position of the United States Department of Agriculture and the current beef testing standards. He thought KFB would be supportive of the language in the resolution proposed by the Kansas Livestock Association. ([Attachment 3](#))

Yazmin Wood, President/CEO, Arkansas City Chamber of Commerce, appeared in support of **HR 6034** and Creekstone Farms Premium Beef's efforts to fulfill their customers' request to conduct 100 percent testing of the cattle it slaughters for BSE as a matter of free enterprise. She reported Creekstone Farms has laid off approximately 10 percent of the company's workforce in Arkansas City, with an impact of \$1.8 to \$2.8 million in reduced wages in a community of 11,800 residents. ([Attachment 4](#))

Wayne Short, Mayor, City of Arkansas City, expressed support of **HR 6034** urging the USDA to overturn its denial last month of a request by Creekstone Farms Premium Beef to test 100 percent of their beef for BSE

CONTINUATION SHEET

MINUTES OF THE HOUSE AGRICULTURE COMMITTEE at 10:00 a.m. on May 3, 2004 in Room 423-S of the Capitol.

to meet customers' demands. He stated that Creekstone Farms is critically important to the welfare of their community, providing over 600 jobs for citizens of Arkansas City and Cowley County. (Attachment 5)

Adrian Polansky, Secretary of Agriculture, addressed the committee stating that beef is a safe product, agreeing that science doesn't indicate a need for 100 percent testing for BSE. Sensitivity to the trade negotiations issue is important, anything that adds complexity to the clear view that Kansas and U.S. beef is safe would be very unfortunate.

Secretary Polansky reported that he has asked agriculture economists at Kansas State University to prepare a cost benefit analysis of various options of this issue that might make sense for the industry and their impact on the State of Kansas and the economy. He feels more information is needed as we move forward so we can make decisions based on rational cost benefit analysis in terms of what direction the industry may need to go. It is government's role to set minimum standards for food safety. However, the Secretary believes one hundred percent testing should be a market driven, consumer driven decision and if its economically viable and customers are willing to pay the costs, free enterprise should be able to make that decision.

Concern was expressed concerning the alternative resolution proposed by KLA being sent to Ryoza Kato, the Japanese Ambassador to the United States. HR 6034 would go to the United States Department of Agriculture and to each member of the Kansas legislative delegation.

The Committee would like to hear from Creekstone Farms Premium Beef officials concerning HR 6034. Representative Shriver will contact the company and if time permits, another meeting will be scheduled.

The hearing on HR 6034 was closed.

The meeting adjourned at 11:07 a.m.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: May 3, 2004

NAME	REPRESENTING
Mike Beam	Ks. Livestock Assn.
JOE SHRIVER	Rep Ark City
WAYNE SHORT	CITY OF ARK CITY
Marmin Wood	Ark City Area Chamber of Commerce
ARLETA RICE	City of ARKANSAS CITY
Curtis Freeland	City of Arkansas City
KOMEI KAWABATA	NHK.
GREG A. FOLEY	KDA
Adrian J. Polansky	KDA
Randy Metner	St Germain's Mfg
BRAD HARRELSON	KFB
Eber Phelps	Representative Hays
Pat Huber	Myson Foods
Doug Wareham	KGFA/KIARA
Mr. [unclear]	Ks. Livestock Association
Todd Johnson	KLA
Jesse McCurry	Commerce

JOE SHRIVER

REPRESENTATIVE, 79TH DISTRICT
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REPRESENTATIVES

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FISCAL OVERSIGHT

MEMBER

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RESOURCES BUDGET COMMITTEE
GOVERNMENTAL ORGANIZATIONS &
ELECTIONS COMMITTEE
LOCAL GOVERNMENT COMMITTEE
JOINT COMMITTEE ON SPECIAL CLAIMS
AGAINST THE STATE

May 3, 2004

Dan Johnson, Chairman
Kansas House Agriculture Committee

Chairman Johnson:

Thank you for taking the time to hold a hearing on House Resolution 6034. Although my first draft on this resolution has been written for a couple of months, I have been working with United States Representative Todd Tiahart to try to reopen beef markets around the world. Finding a case of BSE (Bovine Spongiform Encephalopathy) has caused a number of changes in the U. S. Beef Industry.

Creekstone Farms Premium Beef is but one of the beef packers making changes to assure the world that U. S. beef and particularly Kansas beef, is safe. Among those changes, Creekstone is a small packer with about 25% of it's market sent for export to Asia, Japan and European countries. Creekstone, in efforts to reopen markets, has sent employees to countries like France and Japan to learn their testing procedures. Creekstone has trained their employees to rapid test for BSE and set up a lab for the future when United States Department of Agriculture (USDA) may allow on-site testing. Creekstone is currently working with Kansas State University and hopes the USDA will approve KSU as an official USDA laboratory.

Creekstone Farms is a private beef processor which is willing to go above and beyond to offer premium products to it's consumers. House Resolution 6034 seeks to show support to Creekstone Farms to re-open markets worldwide.

I have attached two releases from Creekstone Farms dated April 9th and April 13th, 2004, to help provide a background on this issue. This issue is one that greatly affects the beef industry and has hurt Creekstone even more with the high number of exports being cut off. I would ask the committee to support HR 6034 and help us reopen markets to Kansas beef.

Thank you and I would stand for questions.

Joe Shriver
State Representative
District #79

House Agriculture Committee
May 3, 2004
Attachment 1



Creekstone Farms to Challenge USDA's Decision to Decline Private BSE Testing

DENVER, April 9, 2004 -- Creekstone Farms Premium Beef, LLC, the privately held producer and processor of Creekstone Farms Premium Black Angus Beef™, said today they will aggressively challenge USDA's yesterday not to allow them to voluntarily test all of the cattle they process for bovine spongiform encephalopathy (BSE) commonly known as mad cow disease. Creekstone Farms submitted to USDA request to conduct private testing at their Arkansas City, Kansas processing plant on February 19, 2004. Although Creekstone Farms officials have held ongoing meetings with the USDA since that time, yesterday's announcement came as a surprise to the company.

"We are extremely disappointed but nonetheless relieved to finally have a response from the USDA, Stewart, CEO of Creekstone Farms. "We now know where USDA stands but are surprised it took the weeks to respond with a 'no' to our request."

The Kansas-based company said they are 100% committed to conduct BSE testing at their plant in order to reverse embargoes and allow their beef back into Japan and other export destinations. "We may have backed into a corner, but we will survive," said Stewart. "We know what we're doing is right, we're moving ahead and will be successful."

Questioned as to whether or not Creekstone will pursue legal challenges to the USDA's decision, Stewart said his company is considering numerous options in order to challenge the USDA's authority and have the potential for legal action. "We have a back-up strategy in place and over the weekend we will be finalizing plans which we will unveil early next week," Stewart said.

On Thursday, April 8, Stewart and another Creekstone Farms executive met in Washington, D.C. with Undersecretary J.B. Penn, Undersecretary Bill Hawks and Chief of Staff Dale Moore. According to Stewart, the USDA at that meeting stated they will continue to negotiate with the Japanese and other export destinations to reinstate U.S. beef exports. However, the USDA stated they believe that BSE testing of younger cattle, such as those processed by Creekstone Farms is not scientifically justified or necessary.

"We firmly disagree with the USDA," Stewart said. "The Japanese government, as well as Japanese consumers are standing firm in that they want all beef imported from the United States to be tested for BSE. The USDA's stance now gives us direction to pursue a path that proves they are wrong with their efforts to continue negotiating a BSE surveillance program that does not meet our customer's requirements."

Creekstone Farms says they have growing congressional, senatorial, scientific, customer and consumer support to conduct private BSE testing of the Black Angus cattle which they market to foodservice, retail and export. "In fact, Former USDA Assistant Secretary for Science and Education, Dr. Duane Acker, recently expressed his support for our proposal," said Stewart. "Based on this mounting support we will challenge USDA's decision and are confident we will prevail."

Stewart said he has heard from hundreds of US and international consumers, business customers and cattle producers who are in support of Creekstone's desire to test for BSE. "Creekstone Farms believes

...omers are correct in asking for us to test our cattle," he said. "We have constructed one of the laboratories in the country inside of our processing plant to perform BSE testing. We have the equipment and staff trained to perform these tests."

Earlier in the week Creekstone officials confirmed to the press they have been training their staff on sampling of cattle brain and stem tissue in anticipation of being allowed to conduct in-plant BSE testing. Creekstone also confirmed they recently sent a contingent to France to learn how they conduct testing and to also gain insight into the testing procedures already approved for use in that country. Creekstone is utilizing the same rapid-result BSE test that the French and Japanese use to test 100% of their beef. BioRad, a Hercules, California-based company, manufactures the test.

Stewart said that although they have been forced to lay off about 50 of their employees as a direct result of the trade embargo, they are not anticipating any additional layoffs and have no intention of scaling back production. "We are moving into a time of year when demand for our product is growing and profit is increasing," Stewart said. "Creekstone Farms is introducing new programs and products in the coming year and will increase production over the next several weeks in order to meet the increased demand for premium Black Angus beef products."

John and Carol Stewart founded the Creekstone Farms Black Angus branded beef program nine years ago at their farm near Louisville, KY. Stewart said his business objective from the beginning has been to build their own unique high-quality Black Angus genetics program to become the world's premier producer and marketer of Black Angus beef. "Steps in our processing facility like BSE testing are just one more part of our business model in that we are satisfying the needs of our customers and consumers," Stewart added.

"Creekstone's program is unique in the beef industry because it combines superior Black Angus genetics, healthy and humane cattle management, a high quality feeding program and state-of-the-art processing procedures for Black Angus cattle exclusively," said Stewart. He added that Creekstone Farms beef is one of a few programs certified by the USDA's Agricultural Marketing Service (AMS). This certification requires that graders at their plant examine each carcass to assure that it meets the program's quality and certification standards.

Creekstone Farms, with sales and marketing offices in the greater Denver, Colorado area and processing facilities in Arkansas City, Kansas, distribute their Black Angus beef through traditional retail channels and many fine-dining restaurants across the country.

Contact Information:

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DATE: April 13, 2004

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SUBJECT: RESPONSE TO USDA

On behalf of Creekstone Farms I want to thank you for the opportunity to have met with you in Was D.C. last Thursday, April 8. We had hoped for a different outcome to the meeting, however, and are disappointed with USDA's decision not to allow Creekstone Farms to voluntarily test all of the cattle for bovine spongiform encephalopathy (BSE). As we have discussed in the various meetings held with USDA over the past several weeks, BSE testing of our cattle is something our export customers and are asking for, and we feel we should be able to provide it to them.

Creekstone Farms will challenge the USDA's decision, and are currently analyzing our legal options. challenging USDA's authority to control the sales of BSE diagnostic tests in the United States and you to prohibit companies like Creekstone Farms from conducting 100% testing of young animals that w

customers' needs and requirements.

We are hopeful there will be a resolution to the current U.S. beef trade embargo with Japan. It is important for companies such as ours that trade be resumed. However, we understand the position of our Japanese customers, consumers and their government, as well as the challenges their staunch positions represent. They are requesting 100% testing of all beef bound for their market as the precursor to the resumption of trade. USDA's current plan to test only older U.S. cattle for BSE will not meet this requirement. On Monday, Vice Agriculture Minister Mamoru Ishihara announced that the "U.S. government's decision not to accept [Creekstone's] offer is, frankly speaking, regrettable."

Creekstone Farms has received a tremendous amount of support during the past few weeks for our plan to test all of our cattle for BSE. We will continue to work with our senators and congressmen, as well as industry experts, to help find a solution to this recent USDA decision. Please understand our situation as well as our consternation over why the USDA will not embrace our plan. Creekstone Farms plans to test more cattle than the USDA, at a lower cost. If our plan were to be implemented, we would test over 300,000 head of cattle the course of a year, versus the USDA proposed cattle population of approximately 220,000 head. The USDA is planning on spending a minimum of \$72 million of taxpayer money to conduct these tests. Creekstone Farms' plan will cost less than \$6 million using the identical test kit, and our customers will not have to pay for the cost of the testing.

We ask that the USDA reverse its decision of last week and allow Creekstone Farms to test our beef. In addition, Creekstone Farms is asking for USDA approval of the following secondary options:

1. Expand the USDA's surveillance program to involve 1 million head of young animals.
2. Approve the procedure whereby Creekstone Farms is allowed to ship brain stem samples to Japan for BSE testing in their laboratories.
3. Approve Kansas State University as an official USDA laboratory with direction to establish Creekstone Farms as a satellite laboratory.
4. Approve the purchase of young Canadian cattle that would be BSE tested at our processing plant in Arkansas City, Kansas.
5. Approve labeling domestic product BSE tested due to increased consumer concern in the U.S.

This letter is also giving notice to the USDA that our loss in revenue is a minimum of \$200,000 per head of cattle. We will continue to track this loss on a daily basis to determine damages. Additionally, we have nine import questions that we would appreciate having USDA address and respond to immediately. Please be advised that we will be sharing this with the media.

Sincerely,

John D.
C.E.O.

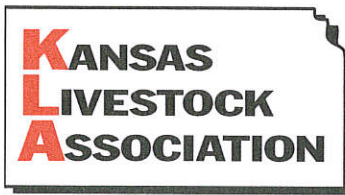
Stewart Bill Fielding
C.O.O.

Creekstone Farms Premium Beef, LLC

IMPORTANT QUESTIONS FOR USDA TO ANSWER

1. What legal grounds (policies/regulations) would prohibit a private industry from performing a method for BSE? If testing young cattle is not a food safety issue, does it fall under APHIS or other regulations?
2. Why does the Federal Register prohibit saving of small intestine unless the animal is BSE tested?

3. You have stated that BSE does not occur in cattle under 30 months of age. Why have you pro specified risk materials (SRMS) from all age groups of cattle processed? What is the science b decision?
4. How does USDA certify and approve domestic and international sales/production of natural or beef products? This would be an implied Consumer Safety Aspect that is not scientifically warr have stated that BSE testing is an "Implied Food Safety Aspect that is not scientifically justifie does this differ from natural or organic products? If testing is approved, why can't a label stat tested"?
5. How can the USDA justify spending \$72,000,000 in taxpayer funds to test 221,000 head of ca months (\$325/head), when a private company will use the same test method as APHIS to tes head for \$5,400,000 paid for by consumers in 12 months (\$18/head)? Also, this private comp fully implement testing in one week, why will it take APHIS five months to fully implement the Complete preparation and training took Creekstone Farms one month.
6. Why is the USDA not immediately allowing Canadian cattle under 30 months of age to be sold US? If there is any concern, could Creekstone test Canadian cattle?
7. Given the USDA position that BSE testing is not scientifically justified what exactly are the sta and how do you rationalize not giving the people a choice? There have been young cattle (unc months) in Japan and England testing positive for BSE.
8. What will be the government's position if a major domestic customer requires packers to do si BSE-related that is not scientifically justified? Will the packer be told he cannot do it?
9. What is the statistical rate of error determining cattle age using dentition?



Since 1894

TESTIMONY

To: The House Agriculture Committee
Rep. Dan Johnson, Chairperson

From: Mike Beam, Senior Vice President

Date: May 3, 2004

Subj: **House Resolution No. 6034 (by Rep. Joe Shriver)**
Opening foreign markets to beef trade following the finding of a single BSE positive case in the United States.

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 6,000 members on legislative and regulatory issues. KLA members are involved in many aspects of livestock production, including cow-calf/stocker enterprises, cattle feeding, seedstock production and diversified farming operations.

Kansas ranked second nationally with 6.35 million cattle on ranches and in feedyards as of January 1, 2003. The state's beef industry consumes 72% of the corn, 16% of the soybeans, and 60% of the hay grown in Kansas. Cattle sales typically generate nearly two-thirds of all annual agricultural receipts.

Since December 23, 2003, the Kansas Livestock Association (KLA) staff, leaders, and numerous local members have spent countless days addressing the various issues that have surfaced since the announcement of the first positive BSE case in the United States. These efforts include informing consumers of the safety of beef, providing media with factual information about BSE and the safeguards the United States implemented six years prior to finding the first positive case, and reviewing and debating the appropriate regulatory steps necessary to ensure the industry prevents BSE from becoming a threat to the United States beef and dairy herd. Our domestic consumers have responded favorably to this effort and the beef market has rebounded to a level exceeding the expectations of most producers and industry economists.

As all of you know, all our primary exports were sealed off immediately after the December 23, 2003, announcement. Japan, an important customer for variety meats and high quality beef, has yet to open its borders to United States beef. Japan and other Asian countries are important customers and regaining this export market undoubtedly will enhance the value of beef produced by Kansas producers and create more profit potential for all segments of the beef industry.

House Agriculture Committee

May 3, 2004

Page 1 of 4 KLA Testimony on HR 6034

With that background, we want to show our respect and appreciation to Representative Shriver for introducing this resolution and highlighting the economic importance of restoring Japanese trade for Arkansas City processor, Creekstone Farms. We join Representative Shriver in his quest to support Creekstone Farms as an important and viable buyer of quality fed cattle and a provider of employment for hundreds of residents in south central Kansas.

We do not support HR 6034, however, as we have serious concerns about the long-term implications of any processor implementing 100% testing with a "rapid test" for marketing purposes. KLA members serving on various policy committees and councils have discussed this issue at length and concluded that blanket testing of cattle under 30 months of age is not scientifically valid, will add additional costs to producers, has a likelihood of producing false positive results, and undermines USDA and our U.S. Trade Representative's negotiations with Japan and other international customers.

Scientific findings do not support 100% testing:

After years of research, particularly in countries that have a history of BSE infections, it has been determined that young animals rarely will exhibit signs or test positive for BSE. The international scientific community repeatedly has acknowledged that testing of 30 month and younger cattle has no merit or purpose in a surveillance program. Virtually all infected cattle to date were older animals that developed the disease in later life. To test younger cattle would be like testing teenage boys for prostate cancer. Our medical community does not recommend testing of young men because it is not a significant threat for men in their teens, twenties, or thirties. Yes, some countries have implemented 100% testing for BSE, but they are countries that have not adopted the safeguards taken by the United States to prevent the disease and they were forced to take more desperate and radical measures to regain the trust of their domestic consumers. Regarding BSE testing of young cattle, most industry proponents of USDA rapid tests on all beef cattle acknowledge it is not necessary or warranted from a scientific basis.

Costs to the industry:

Since December 23, 2003, the halt of exports and new regulatory changes have significantly reduced the value of beef animals by as much as \$13/cwt. Part of this decline is due to export demand, particularly for variety meats that generate higher prices in foreign countries. The expanded feed ban, sorting of cattle older than 30 months at processing plants, and the new list of "specified risk materials" also have contributed to this devaluation.

If one processor begins testing for the Japanese market, we fear other exporting countries and domestic suppliers will follow suit and lead to broad-scale testing for

BSE. Using a conservative cost figure of \$20 per head, blanket BSE testing could cost the beef industry over \$700 million annually. From past experience, we believe the cost of broad-scale BSE testing would be passed back to cow-calf producers in the form of lower calf prices. Furthermore, allowing BSE testing for marketing purposes would only lead to confusion among consumers. The reality is many consumers would wrongly conclude that untested product is somehow less safe than tested product. Allowing food safety claims to be used as marketing tools would set a dangerous precedent.

Rapid tests can produce “false positives”:

This committee should remember the rapid tests only recently have been approved for use by USDA. There is a degree of false positives that occur when these tests are used on a broad scale. The final, and more certain test, is only available in the United States at a lab in Ames, Iowa. Any animal showing a positive with the rapid test must be referred to Ames for confirmation. Do we want to subject the industry to rumors and fears from a positive BSE test, especially if it proves later to be negative?

Trade negotiations:

Our government is committed to opening beef export trade, especially with Japan. Our negotiators are pushing hard for a scientific review of the situation to pull the issue from the political arena and shift the consideration to the technical and factual aspects of the trade dispute. Attached is an April 24, 2004, joint press release by Japan and the United States. Please note both governments have agreed to consider the appropriate surveillance methods and level of testing.

Now is not the time, we believe, to cave to the wishes of the Japanese government and allow blanket BSE testing. The recent public debate about rapid testing of young beef cattle cannot be helpful to our government’s trade talks.

Perhaps this committee should consider a different approach than outlined in HR 6034? We challenge the committee to re-phrase the resolution and send a message to the Japanese ambassador that the Kansas House of Representatives recognizes the importance of beef trade with Japan and you support our government’s efforts to push for science in resolving this trade dispute. Attached is a draft and suggested alternative to HR 6034.

Conclusion:

Let me conclude by saying again that we fully understand and appreciate the intention of Rep. Shriver’s resolution. For the benefit of all beef cattle producers, however, we believe it would not be in the long-term interests of our producers to support a reversal of USDA’s determination that no processor may implement blanket BSE rapid testing

on younger animals. If this committee is inclined to adopt a resolution, we urge you to consider an approach that is supportive of our government's mission to restore international confidence in our product and stay the course on science-based production practices and surveillance.

Thanks for your consideration. I would be willing to respond to any questions or comments.

PRESS RELEASE



米国大使館 報道室 PRESS OFFICE, AMERICAN EMBASSY, TOKYO TEL. 3224-5264 / 5265 / 5266 FAX.3586-3282

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04-08R

April 24, 2004

Joint Press Release

The Third Japan-U.S. Consultation on the BSE issue

April 24, 2004

(Translated from Japanese by the Government of Japan)

1. On April 24, 2004, the Government of Japan (GOJ) and the United States Government (USG) held a consultation in Tokyo on the resumption of beef trade between Japan and the U.S. Representatives from the two Governments discussed: (1) the overall framework towards resumption of beef trade between Japan and the United States., and (2) specific technical items.
2. Participants in the consultation were:
from GOJ: Kenichiro Sasae, Director-General, Economic Affairs Bureau, Ministry of Foreign Affairs; Akira Endo, Director-General, Department of Food Safety, Ministry of Health, Labour and Welfare; Hiroshi Nakagawa, Director-General of the Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries; Junshi Umetsu, Director-General, Secretariat, Food Safety Commission; and other officials,

from USG: J. B. Penn, Under Secretary, United States Department of Agriculture (USDA); Merle Pierson, Deputy Under Secretary, USDA; Charles Lambert, Deputy Under Secretary, USDA; Ellen Terpstra, Administrator, Foreign Agricultural Service, USDA; Stephen Sundlof, Director, Center for Veterinary Medicine, Food and Drug Administration (FDA); Philip Wall, Director, Agricultural, Biotechnology, and Textile Trade Affairs, Department of State; Leslie O'Connor, Director of Agricultural Affairs, Office of the US Trade Representative as well as other USDA officials and representatives from the U.S. Embassy in Tokyo.
3. In the consultation, the two Governments shared their recognition on the following:

(1) Overall Framework

GOJ and USG will actively engage in consultations, including a working group (*see (3) below*), over the period until this summer. At the same time, the two sides, will respectively pursue domestic discussions and make efforts so as to reach a final conclusion by sometime around summer on the resumption of the importation of both American and Japanese beef.

(2) Items for Technical and Expert Discussions

As items that may require discussions from technical and expert viewpoints, the two sides will discuss the following items related to the resumption of beef and other relevant products trade between the two countries:

- (i) Definition of BSE and the method of testing
- (ii) Definition of Specified Risk Materials (SRMs) and the method of removal
- (iii) Appropriate surveillance
- (iv) Appropriate feed ban implementation
- (v) Risk categorization / status of countries
- (vi) Cattle month-age identification
- (vii) Other

(3) Working Group

GOJ and USG will establish a working group (WG) composed of experts and working-level government officials so as to conduct discussions on the above-mentioned technical items. The modality of WG is as follows:

(i) Members of WG

WG will be basically composed of BSE experts and working-level government officials of the two sides. (Each Government will expeditiously select members subject to agreement in advance by the other Government. When the two sides agree, WG will refer to third-party expertise such as that of the World Animal Health Organization (OIE).)

(ii) Communication with the Public

In order to contribute to effective and accurate communication with the people of the two countries, concerning food safety regulations and beef safety, WG will conduct press briefings as appropriate.

(iii) Timeframe

WG will be held at least once a month until this summer.

(iv) Undersecretary/Director-General level Consultation

When necessary, an Undersecretary/Director-General level consultation will be held. The consultation will be informed of discussions in the WG.

4. The two Governments shared the view that the two sides would arrange the next Undersecretary/Director-General level consultation via the diplomatic channel by taking into consideration discussions in WG, which is to be launched in the middle of May.

[END]

**Suggested Alternative Wording for HR 6034 Regarding
Bovine Spongiform Encephalopathy (BSE) and Japanese Beef Trade
May 3, 2004**

A Resolution from the Kansas House of Representatives to Ryozo Kato, the Japanese Ambassador to the United States:

Whereas Kansas is the United States' second largest exporter of livestock and meat products to other countries and such trade is estimated to be valued at \$969.7 million in 2000;

Whereas Japan and Kansas have enjoyed extensive and favorable trade relations in food products, including beef and beef products;

Whereas Japanese trade organizations estimate the value of food product trade from Kansas to Japan at approximately \$587 million in 2000;

Whereas over 18,700 Kansans are employed by meat packing and prepared meat products manufacturing, including over 700 persons in Arkansas City, Kansas, at the Creekstone Farms beef processing plant that derives over 15 percent of its sales in exports of beef and beef products;

Whereas the announcement of one case of BSE in Washington state on December 23, 2003, has caused the government of Japan to ban the importation of beef products from the United States;

Whereas trade negotiations are ongoing between the governments of Japan and the United States and working groups have been formed to resolve sensitive issues;

Therefore be it resolved the Kansas House of Representatives supports the science based trade policies of the United States Government and encourages Japan to review and adopt the scientific policies that will lead to a return of trade between our countries;

Therefore be it resolved the Kansas House of Representatives requests the Japanese Ambassador convey to the government of Japan the strong desires of the people of Kansas to reopen trade in beef and beef products.



Kansas Farm Bureau

2627 KFB Plaza, Manhattan, Kansas 66503-8155 • 785.587.6000 • Fax 785.587.6914 • www.kfb.org

PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON AGRICULTURE

Re: HR 6034 – A resolution on BSE testing

**May 3, 2004
Topeka, Kansas**

**Presented by:
Brad Harrelson, Associate State Director
KFB Governmental Relations**

Chairman Johnson and members of the Committee, thank you for the opportunity to comment on the resolution to allow 100 percent testing for BSE by Creekstone Farms Premium Beef. I am Brad Harrelson, Associate State Director, Governmental Relations for Kansas Farm Bureau (KFB). KFB is the state's largest general farm organization and represents more than forty thousand agricultural producer families through the 105 county Farm Bureau Associations across Kansas.

Kansas Farm Bureau strongly supports reliance on sound science to develop public policy. Allowing private sector BSE testing in response to another country's demand for 100 percent testing would set a bad precedent. Private testing on cattle less than 30 months of age is not based in science, and is unnecessary to ensure a safe beef supply to consumers.

As a general farm organization, we are not only concerned about the impact to beef producers, but also the broader implications for other commodities. When arbitrary, subjective procedures and requirements are allowed on the basis of unfounded trade demands, costs rise and markets are lost. International trade requirements must be based solely in scientific standards free from unjustified constraints that create barriers to free trade.

Therefore, Kansas Farm Bureau supports the position of the U.S. Department of Agriculture and the current beef testing standards. Thank you.

Kansas Farm Bureau represents grassroots agriculture. Established in 1919, this non-profit advocacy organization supports farm families who earn their living in



House Agriculture Committee
May 3, 2004
Attachment 3



May 3, 2004

Representative Dan Johnson
Agriculture Committee

RE: House Resolution 6034

Dear Representative Johnson:

As the voice for business in our southern Kansas area, the Arkansas City Area Chamber of Commerce, we are writing to express our objection to recent action by the USDA. We wholly support the efforts of Creekstone Farms Premium Beef LLC to fulfill their customers' request to conduct 100%-testing of the cattle it slaughters for bovine spongiform encephalopathy (BSE) as a matter of free enterprise. The decision of the USDA to deny the request of this premium Black Angus processor is incredible and deserving of your attention.

At a time when the beef industry, and the economy overall, are in need of stimulus and the creation and retention of jobs, this action has caused a lay-off of approximately 10% of the company's workforce. The impact of \$1.8 to \$2.8 million, in reduced wages alone has already been felt by this community of only 11,800 residents. If the worst were to happen and the plant were to close, it would be the equivalent of the Boeing Company leaving Wichita, Kansas, devastating this rural community.

The United States should be spurring job creation and economic development in rural America by meeting the needs of business and industry, not impeding a program that would further limit opportunity for growth. We encourage you to support Creekstone Farms Premium Beef LLC in their efforts for 100%-testing and compel the USDA to license the testing and put into place the necessary protocols.

Thank you in advance for your prompt attention to this issue. Please do not hesitate to contact me if you should require additional information.

Sincerely,

A handwritten signature in blue ink that reads 'Yazmin Wood'.

Yazmin Wood
President/CEO

ARKANSAS CITY AREA
CHAMBER OF COMMERCE



House Agriculture Committee
May 3, 2004
Attachment 4



CITY OF ARKANSAS CITY

BOARD OF COMMISSIONERS

Wayne Short, Mayor
Janet R. English, Commissioner
Jerald K. Hooley, Commissioner
Lloyd L. Lisk, Commissioner
Arleta Rice, Commissioner

CITY MANAGER
Curtis B. Freeland

May 3, 2004

Representative Dan Johnson
Agriculture Committee

RE: House Resolution 6034

Honorable Chairman Johnson and members of the Agriculture Committee:

We are here today to express support of House Resolution 6034 and our support for Creekstone Farms Premium Beef LLC's efforts to meet their customers' request for BSE testing. Creekstone Farms Premium Beef LLC is critically important to the welfare of our community of Arkansas City. Creekstone Farms Premium Beef LLC currently provides over 600 jobs for citizens of Arkansas City and Cowley County. Those 600 jobs are vitally important to the welfare of our community and to our city and county economy. Creekstone Farms Premium Beef LLC has demonstrated the ability to be a valuable corporate citizen. The company has been growing and appeared prosperous until the loss of their export market to Japan when bovine spongiform encephalopathy (BSE) was discovered in Washington State.

We understand this export market would be reopened if Creekstone Farms Premium Beef LLC were allowed to conduct 100% testing for BSE as their Japanese customer has requested. Creekstone Farms Premium Beef LLC is capable and prepared to conduct the testing that is currently being perfected by the USDA. Creekstone Farms Premium Beef LLC has invested over \$500,000 in constructing a testing center and training their employees. We understand the USDA has concluded that testing is not required to assure the safety of our beef. We are not requesting that testing be allowed to assure the safety of the beef. We are requesting testing be allowed to meet the customers' demands. We are also not requesting that all beef processors be required to conduct 100% testing. We are strongly urging you to support Creekstone Farms Premium Beef LLC be allowed to 100% test as the Japanese customers are demanding. Fears have been expressed regarding the idea that if one beef processing company is allowed to test for BSE, then all beef processing companies will be required to 100% test. We believe these fears are unsubstantiated. Concern has also been expressed that false positives may occur that could disrupt the market for beef. This concern could be mitigated by follow up testing and establishment of protocol by the USDA.

Creekstone Farms Premium Beef LLC has already reduced employment levels by approximately 50 people. If the company is not allowed to meet their Japanese customers' request, the potential could be devastating to the business. If Creekstone Farms Premium Beef LLC is not allowed to provide testing, further layoffs could occur and the long-range potential of failure would be disastrous to our community of Arkansas City. The principle that drives this issue is the same that drives our free market economy. Support of this request is support for the principle of free enterprise.

As such we are requesting you to pass the resolution presented by Representative Joe Shriver to support the request of Creekstone Farms Premium Beef LLC to be allowed to test for BSE. Thank you for your earnest consideration of this matter.

Sincerely,

Mayor Wayne Short, City of Arkansas City, Kansas

House Agriculture Committee
May 3, 2004