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February 5, 2016

Secretary Lisa R. Barton
United States International Trade Commission
500 E Street SW
Washington, DC 20436

Federal Register
Investigation No. 332-555

Re: Comments on Investigation No. 332-555, Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures

Dear Secretary Barton,

On behalf of the U.S. Cattlemen's Association (USCA) and our nationwide membership of cow calf operators, backgrounders, and feedlot operators I thank you for the opportunity to comment on the ongoing investigation (No. 332-555) by the United States International Trade Commission (ITC), regarding the economic impact on the United States of trade agreements implemented under trade authorities procedures since 1984 .

An Overview of the US Cattle Industry
The United States is the world's largest beef producer, recognized for raising and processing high-grade and quality cattle. The U.S. is also the largest importer of beef, with imports exceeding exports on a per-volume basis from 2010- 2015.

The U.S. cattle industry has faced recent declines in overall herd size. This figure is most evident in 2014 with a 6 percent decrease in domestic production. The domestic herd continues to rebuild, however, such factors as international trade and its subsequent impact on feed and market access remain significant and fragile tipping points for the industry.

Cattle producers are directly affected by the price of fed/finished cattle and feed costs, with finished cattle being impacted by the relationship between beef supplies and beef demand. The US International Trade Commission has reported that a 1% change in supplies will potentially affect US prices by 2%. This relationship of supply and demand explains the varying concerns regarding international trade. While increased exports benefit all segments with corresponding increased demand, increased imports also have a direct effect on the industry. Periods of increased imports have historically benefited processors by allowing them to not only increase supplies in the US, thereby impacting domestic prices, but also by using imports to suppress US producer prices, as stated in the 2000 US Trade Deficit Review Commission report: "Easy availability of imports can limit price increases either by expanding available supply or reducing the ability of businesses to raise prices in order to pass on increases in their costs."

This relationship and subsequent impact is further compounded when one considers both the cyclical and perishable nature of the industry. The US cattle industry is highly segmented, representing one of the largest varieties of products that are both processed and exported. Beef products vary from fresh, frozen, chilled, canned, ground product, sausages, along with a variety of muscle cuts including bone-in and bone-out varieties and edible offal such as heart, liver, tongue, intestines, etc. Due to the large variation in products available, the impact felt by producers as a result of new or expanding trade agreements is significant.

Priorities for U.S. Cattle Producers in Negotiating Free Trade Agreements

Tariffs
The U.S. must direct negotiations to achieve harmonized tariff levels, with an ultimate goal of reducing tariffs down to a rate comparable to current U.S. figures. The U.S. maintains an open import market, through the use of a generous tariff rate quota (TRQ) for beef products. In-quota shipments of beef are subject to minimal tariffs. While over-quota tariffs are important for perishable and cyclical agriculture products, the U.S. over-quota tariffs face a mere 26.4% tariff rate with the exclusion of Australia's over-quota tariff of 21.1% and unlimited access for Mexico and Canada. By comparison, tariffs elsewhere in the world average approximately 85%. Coupled with highly restrictive TRQ's and non-tariff barriers, such high tariffs force excess global supplies into the relatively open U.S. market, while limiting U.S. access to other foreign markets. As a result, the global marketplace has become unbalanced.

Special Rules for Perishable and Cyclical Ag Products
Provisions must be included which categorize beef products as perishable and cyclical items, with applicable snapback provisions in place when necessary. The duration and shelf life of beef products decreases immediately once processing begins. Perishable agriculture products, such as beef and finished cattle, have limited and time-sensitive marketing periods and face unique challenges in obtaining relief when trade is injurious, either from dumping, subsidies, or related surges.

In the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, Congress included provisions which dictate the principal negotiating objective for agricultural trade to follow the following parameters:

Sec. 2(b)(3)(J)(K) "TRADE IN AGRICULTURE.—The principal negotiating objective of the United States with respect to agriculture is to obtain competitive opportunities for United States exports of agricultural commodities in foreign markets by - eliminating practices that adversely affect trade in perishable or cyclical products, while improving import relief mechanisms to recognize the unique characteristics of perishable and cyclical agriculture; and ensuring that import relief mechanisms for perishable and cyclical agriculture are as accessible and timely to growers in the United States as those mechanisms that are used by other countries;"

Maintenance of U.S. Trade Provisions
Significant and timely dumping and countervailing laws and remedies must be in place to ensure U.S. producers are not disadvantaged by injurious dumping, subsidies, and import surges. It is important to note that such activities may actually benefit downstream segments in allowing for

increased supplies with artificially low priced import products, or artificial volumes. This allows such downstream producers to ratchet down prices paid to U.S. cattle producers.

Exchange rates
Standards and regulations must be in place to prevent against currency manipulation. Inaccuracy in a country's currency values not only distorts trade flows, but also places U.S. cattle producers at an unfair advantage. Many Asian countries have a long history of manipulating currency values to benefit their respective producers and economies, while in turn placing U.S. producers at an unfair disadvantage.

Rules of Origin (ROO)
As the number of trade agreements that the U.S. enters into, or seeks to enter into, increases, the importance and value of informing and relaying origin information to consumers increases as a result. Consumers are, on a global basis, more interested and invested in knowing the origin of their food. The current absence of a domestic U.S. country-of-origin labeling programs allows for a greater potential of comingling and inaccurate labeling of imported beef products to the U.S. A global economy and trading structure necessitates the need for strong origin labeling and information to be applied to all trading partners.

Transparency and Accessibility
Market information is critical to U.S. cattle producers to perform on a competitive level in the global economy. When entering into new trade agreements, actual and expected prices and volumes of imported beef products are critical for industry planning. U.S. cattle producers rely on accurate and timely daily marketing and trade data as reported by domestic agencies ad trading organization. Historically, the information provided at the onset and subsequent implementation of trade agreements has been outdated and thus irrelevant. Import and export data regarding new trading countries and markets must be accurate and timely to serve as a useful tool by today's producer.

Food Safety: Sanitary and Phytosanitary (SPS)
Animal health and food safety issues continue to be a point of concern within the U.S. livestock industry regarding current and potential international trading partners. Animal health and food safety-based standards set by the World Organization for Animal Health (OIE) standards are not adhered to or respected by all countries for reasons such as cultural reasons, or too often as trade barriers. The competitiveness and strength of the U.S. cattle industry is jeopardized when the U.S. enters into a trade agreement with a major beef producing country that liberalizes animal health standards and tariff quotas, and thus fails to recognize the sensitivity of our industry and markets.

Overview of the Impacts on the U.S. Beef Industry of Free Trade Agreements since 1984

While free trade agreements expand and create new market access for U.S. cattle producers, the potential and actual economic impacts must be carefully scrutinized. The reduction and repeal of tariffs and non-tariff barriers via free trade agreements is a pivotal negotiating tool for any proposed trade pact, however, the removal of these barriers also carries with it the potential to increase price volatility for U.S. cattle producers.

The U.S-Australia FTA, enacted in 2005, was the first to include a snap-back provision. Automatic, price sensitive 'snap back' safeguards must be a component of any negotiations with beef-producing countries to protect domestic supply and price distortion that occurs with surging beef imports. The U.S. negotiated a quantity-based and price-based beef safeguard in the U.S.-Australian FTA. Unfortunately, this safeguard was limited to certain beef products and failed to recognize the diversity of beef products produced from cattle and their combined impact on the value of cattle. Also, the U.S.-Australian safeguard was a discretionary safeguard, which failed to recognize the importance of a timely mechanism with a perishable product such as beef.

The U.S.-Colombia Trade Promotion Agreement was implemented in May of 2012. Colombia shares a border with Brazil, a country which produces over 170 million head of cattle, a figure which far surpasses the number of cattle in Canadian and Australian herds. Per an existing agreement between Colombia and Brazil, Brazilian cattle processed in Colombia have preferential access to U.S. markets. Opening the United States to Colombian beef essentially opened these same markets to trans-shipment of beef into the United Stated from Brazil. Combined with the lack of proper safeguards, these components placed the U.S. cattle producer at a competitive disadvantage and made them susceptible to price fluctuations and unfair market access.

The KORUS Agreement was implemented in 2012 and immediately eliminated duties on 2/3s of all agricultural exports to South Korea. While beef exports have dramatically risen over the last few years, the eventual elimination of South Korea's 40% tariff on beef products saved U.S. producers an estimated $1,300 per ton of beef. The U.S. Korea FTA includes a commitment by the Administration to allocate additional funding to beef promotion within Korea in addition to a continued working effort to address the issue of full-access for U.S. beef within Korea. The opening of market access into Korea for U.S. beef as well as the reduction of tariffs are both points of success within the FTA and were pivotal to USCA's support of the agreement.

The U.S.-Panama Trade Promotion Agreement was implemented in late 2012. Panama eliminated duties on high-quality beef and beef products and allowed for duty-free access for specified volumes of standard grade beef cuts through tariff rate quotas are also included in the TPA. The Panamanian FTA had no substantial economic impact on the U.S. cattle industry.

A ripple effect across the entire beef production chain is created when a country artificially lowers the cost of U.S. imports and raises the cost of U.S. good. This form of currency manipulation weakens the home currency for trade benefits and wreaks havoc on domestic production. One year after NAFTA was implemented; Mexico devalued its currency by 50 percent. KORUS did not contain provisions to address currency manipulation, despite the Treasury Department's identification of Korea as a currency manipulator. Eliminating currency manipulation would reduce the annual U.S. trade deficit by $200- $500 billion, which would increase U.S. Gross Domestic Product by 2 to 4.9 percent.

Long-Term Impacts on the U.S. Beef Industry of Current Free Trade Agreements

Thirteen of the 20 FTA countries including Bahrain, Colombia, Dominican Republic, El Salvador, Guatemala, Israel, Jordon, South Korea, Morocco, Oman, Panama, Peru and Singapore, are not certified by the USDA Food Safety and Inspection Service (FSIS) to export meat to the United States. These countries have either been affected by Foot-and-Mouth (FMD) outbreaks, or have not demonstrated the same sanitary and health standards as the U.S. and our accepted trading partners. Once these countries are deemed to have met all regulatory protocol and are consequently allowed to import beef to the U.S., our trade deficit will grow at an alarming pace and will fast out-pace domestic production.

Additionally, USCA is concerned with the long-term trend of tying ourselves to global economies. USCA's primary objective is to support and sustain domestic production before reaching out to foreign entities. This is particularly evident in previous trade agreements entered into by the U.S. These historical and current engagements have involved countries that do not reciprocate beneficial economic impacts, and in turn, have caused harm to U.S. domestic production.

Global demand for meat and beef products continues to increase. Beef consumption currently grows at 1.3 percent annually, with developing countries accounting for 81 percent of the projected increase. By 2024, China is projected to increase its net imports of beef by 71 percent. India will become the world's largest beef exporter in 2017. Australia is projected to be the third-largest exporter after India and Brazil. The United States will remain the fourth-largest exporter of beef throughout the projection, with Australia and Brazil ranking second and third, respectively. The United States is projected to remain the world's largest importer of beef, primarily of grass-fed, lean beef from Australia, New Zealand, and NAFTA countries for use in ground beef and processed products. Between 2015 and 2024, beef imports by the major beef importing countries are projected to increase by 2.6 million tons, reaching 10.1 million tons in 2024.

These projections convey the reality that the global economy will continue to, and will grow, in its demand for beef. Free Trade Agreements have the capacity to sustain this growth *without* harming domestic production, given that proper safeguards to protect domestic markets are negotiated.

Summary

In closing, the U.S Cattlemen's Association appreciates the opportunity to provide comments regarding the included trade agreements and their historical impact on the U.S. cattle industry. Too often, trade distortions that artificially suppress domestic prices are looked at on a short term basis as highlighted by their resulting reduction in costs to consumers. However, when reviewed over a longer period of time, the results often show the subsequent detrimental effects to the state of domestic production. This decline in domestic production compromises not only food security in this country, but also the long term vision of encouraging production for a growing global population and production needs.

As an organization, USCA's objective lies in maintaining and continuing the prosperity and sustainability of the U.S cattle industry. With these objectives in mind, on behalf of the USCA

membership and all U.S. cattle producers, I thank you for the opportunity to submit official testimony and comments on this subject.

Regards,

Danni Beer
President
United States Cattlemen's Association