



P.O. Box 339 ~ San Lucas, CA 93954

web: www.uscattlemen.org ~ email: usca@uscattlemen.org

Telephone: (831) 385-5316

The U.S. International Trade Commission Public Hearing

U.S. - Trans-Pacific Partnership Free Trade Agreement: Advice on Probable Economic Effect of Providing Duty-Free Treatment for Imports

Testimony by Jess Peterson

On behalf of the United States Cattlemen's Association

March 2, 2010

Madam Chairwoman, Commissioners, on behalf of the USCA I thank you for the opportunity to present testimony concerning the investigation by the U.S. International Trade Commission (ITC) into the ***Proposed Trans-Pacific Partnership Agreement: Advice on Probable Economic Effect of Providing Duty-Free Treatment for Imports.***

My name is Jess Peterson, and I am 5th generation, Montana rancher. My family has a livestock operation near Miles City, Montana. Currently, I reside here in Washington, D.C. and serve as the Executive Vice President for the U.S. Cattlemen's Association.

As a national association of cattle ranchers and state associations, USCA strives to effectively voice and fairly represent the interests and priorities of the United States cattle industry. USCA, whose membership includes cow-calf operators, backgrounders, and feedlot operators, was founded upon the notion of creating scientifically based agricultural policy that establishes and maintains high levels of competition and transparency within our agricultural markets through grassroots efforts by U.S. cattlemen and our collaborative work with the U.S. government. U.S. cattle producers strive to provide the highest quality of cattle and beef products for domestic and international consumers. USCA supports the development of fair trade policy designed to confront and resolve the regulatory disparities that inhibit fair competition in global beef trade.

As we attempt to predict the outcomes and implications resulting from the alteration of the Harmonized Tariff Schedule of the United States (HTS) with respect to TPP countries, it is critically important to review the recent history and current state of the U.S. cattle industry. Our understanding is that the Commission intends to review the probable ensuing economic effects of eliminating tariffs on imported agricultural products from TPP countries, including bovine carcasses, and both fresh and chilled meat cuts (bone in and boneless). Currently the U.S. tariffs on in-quota shipments of beef are some of the lowest in the world. Therefore, it's extremely critical to examine and seek solutions that remedy the current distorted levels of trade that negatively impact U.S. cattle producers.

The beef trade that exists between the United States and our major international partners has become deeply distorted by a wide variety of foreign measures. These distortions include a growing disparity in the respective regulatory regimes between major importing countries and a diverse array of tariff and subsidy policies that directly impact global trade flows. Until these disparities, and the diverging trade policies of major trading partners are harmonized, international beef trade will remain distorted. The recovery of U.S. export markets and the elimination of regulatory and trade-based disparities should be a chief priority of U.S. trade policy.

The State of the U.S Cattle Industry

Currently the United States is the world's leading producer and importer of beef, importing nearly two times more beef than the next leading country when including live cattle imports. In 2002, U.S. exports of fresh, chilled, and frozen beef reached more than 1.1 million metric tons, accounting for approximately 18% of global exports. In 2008, U.S. beef exports were approximately 984,000 metric tons, accounting for roughly 7.1% of production.¹

The cattle industry continues to be an integral sector of the U.S. economy, accounting for over 20 percent of the total value of U.S. agricultural production in 2006. In 2008, the retail value of U.S. beef and edible offal production was \$76 billion with the industry producing over 26.5 billion pounds of commercial carcass products.²

However, according to the U.S. Department of Agriculture (USDA), the U.S. cattle industry is in decline and in 2009 the lowest calf numbers were reported since 1952. Cattle producers are directly affected by the price of fed/finished cattle, feed costs and the corresponding relationship between beef supplies and beef demand. The US International Trade Commission reported that a 1% change in supplies would impact US prices by 2%.³

This relationship between supplies and prices helps explain why there are varying concerns regarding international trade. While increased exports benefit all segments with increased demand, increased imports have historically and primarily benefited processors by allowing them to increase supplies in the United States, thereby impacting domestic prices, and also at times suppressing U.S. producer prices. As noted in the 2000 U.S. 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."⁴

This relationship and subsequent impact is further compounded when one considers both the cyclical nature of the industry and its impact on U.S. cattle prices, and the perishable nature of

¹ USDA ERS, *Background Statistics: U.S. Beef and Cattle Industry*

² *Id.*

³ U.S. International Trade Commission, *U.S. Australia Free Trade Agreement: Potential Economywide and Selected Sectoral Effects*

⁴ Republican Commissioner's View, *Causes of the U.S. trade and current account deficits*

both finished cattle and beef. The U.S. cattle/beef industry is highly segmented and produces an extremely large variety of fresh and processed products, exporting fresh, frozen, chilled, canned and ground product, sausages, and a variety of muscle cuts including bone-in and bone-out varieties. Edible offal, such as heart, liver, tongue, and intestines, is also included.

U.S. cattle producers operate on a very narrow margin, and due to the cyclical nature of their business tend to regularly incur years of financial loss. Given that most cow/calf operations are small, family-owned business, these periods of economic stress can create tremendous financial problems. Further financial strain can result from the fact that unlike other production industries, which operate on a continuous output basis, most U.S. ranchers market only once a year.

These production trends parallel growing concentration among packers. According to the U.S. Government Accountability Office (GAO) report "Economic Models of Cattle Prices; How USDA Can Act to Improve Models to Explain Cattle Prices," no other industry has increased in concentration as fast as the US beef packing industry since 1950, as cited by the U.S. Commerce Department.⁵ The largest U.S. packers are also major players in the global marketplace. This compounds the market effect of high packer concentration and the ability of packers to use artificial supplies to suppress markets.

The GAO further noted that an increase in beef imports causes beef prices to fall, with a corresponding drop in domestic demand for cattle and cattle prices. Similarly, an increase in beef exports raises beef prices, with a corresponding increase in cattle demand and prices. However it is unclear how significant an impact beef exports have on domestic cattle prices as it is less predictable and less transparent.

Current U.S. Setting for Global Beef Trade

The lack of harmonization between international sanitary and phytosanitary (SPS) standards has induced a situation in which our producers and their ability to market their product within certain international markets has been exploited and compromised. These barriers have excluded or limited U.S. beef producers from accessing international beef markets which would otherwise provide significant export opportunities. Following the BSE scare of 2003, several countries banned U.S. beef exports. Notably Japan and Korea's restrictions were such that the value of U.S. beef exports to the world in 2007 was only about two-thirds the 2003 level. With respect to TPP countries, the Chilean government subsequently closed its market to all U.S. beef until July of 2005. United States beef remains at a competitive disadvantage within the Chilean market; only deboned beef from animals under 30 months of age is allowed market access.⁶ Currently a joint committee formed within the U.S. - Chile Free Trade Agreement is focusing on establishing congruent SPS standards between our two countries. Similar committees have been established within FTA between the U.S. and Australia, who recently in a 2009 decision re-opened their markets to U.S. produced beef.⁷ The beef trade relationship between the U.S. and New Zealand

⁵ U.S. General Accounting Office, *Economic Models of Cattle Prices; How USDA Can Act to Improve Models to Explain Cattle Prices*

⁶ SICE – Foreign Trade Information System, *Chile; Trade Summary*

⁷ Meat and Livestock Australia, *BSE Import Policy*

contains similar trade barriers; New Zealand strictly protects their markets from countries previously labeled as “disease prone.” U.S. beef was similarly denied access to the Peruvian market until November 2006 following the 2003 BSE scare.⁸ These bans, many of which continue to exist based upon outdated science, distorted beef markets and dramatically reduced U.S. producers' international competitiveness. Therefore it is imperative that we establish harmonized international SPS standards based upon recent sound science in order to maintain the economic well being of our producers and in order to maintain fair transparent international markets.

Distortions in the Global Beef Marketplace

U.S. cattle producers face several trade distorting situations on the open market. Global trade distortions, rooted in high tariffs and agriculture subsidies, have long inhibited global trade in beef and cattle. In turn, high import barriers in other key consumer markets have turned the open U.S. market into the export market of first resort. The European Union (EU) has long banned U.S. exports of hormone-fed beef, despite a decision by the World Trade Organization (WTO) Appellate Body that the ban violates EU obligations under the WTO's Agreement on the Application of Sanitary and Phytosanitary Measures. The EU has remained defiantly out of compliance on this since 1999. In the meantime, the United States has been forced to accept minimal access for shipments of hormone-free beef. The denial of access to the vast EU market severely inhibits U.S. export potential.

In addition, production subsidies in key producing countries artificially spur production, concealing true costs of production and encouraging a global over supply. Several of the largest producing countries -- including Brazil, Australia, Canada, and the EU -- directly subsidize cattle and beef production. The EU has begun to reform its subsidy programs, but for years provided both production subsidies and export subsidies that drove down global prices and depressed U.S. export opportunities. In contrast, U.S. producers receive no subsidies, other than low levels of ad hoc disaster assistance.

The United States maintains an open import market, through the use of a generous tariff-rate quota (TRQ) for beef. In-quota shipments of beef are subject to minimal tariffs. Over-quota tariffs face a 26.4% tariff. By comparison, tariffs elsewhere in the world average approximately 85%. Coupled with highly restrictive TRQs and non-tariff barriers, these high tariffs force excess global supply into the relatively open U.S. market.

The U.S. failure to include adequate import safeguards for beef and cattle is also a major problem. The U.S.-Australia Free Trade Agreement (FTA) included a safeguard that ensures smooth trade flows and helps prevent import spikes. Congress included a negotiating objective for perishable, seasonal, and cyclical products, such as cattle and beef, in the Trade Act of 2002. The Australia FTA's beef safeguard reflects this concern. However, other, more recent U.S. bilateral FTAs were negotiated without including such a safeguard. USCA continues to be concerned that these objectives are not being met in both bilateral agreements and the Doha Round of negotiations. If the U.S. pursues an FTA with the TPP countries these mechanisms

⁸ USDA FAS, *COLOMBIA AND PERU OPEN MARKETS TO U.S. BEEF*

that safeguard cattle and beef as a perishable, seasonal and cyclical product need to be implemented.

Finally, dozens of bilateral free trade agreements (FTAs) -- particularly between the EU and other countries -- fail to include agriculture tariffs, in violation of Article XXIV of the WTO's Uruguay Round Agreement, which requires that FTAs include "substantially all" trade between parties to the agreement. The failure to increase market access for beef and cattle trade in these bilateral agreements exacerbate the closed nature of the global marketplace and further channel global exports to the open U.S. market that would otherwise be destined to FTA markets.

A Look at the TPP

The TPP would come at a time when the U.S. trade agenda is at a crossroads. While for many years multilateral trade liberalization was the primary focus of U.S. trade negotiators, that focus has now shifted. Genuine, multilateral free trade could be good for U.S. ranchers. The ITC's report, *The Economic Effects of Significant U.S. Import Restraints* indicates that removing all global trade barriers to U.S. beef would increase domestic production slightly and exports significantly, with a very modest 0.6 increase in price.⁹ These figures bring to light a concern that on a supply-price basis, exports have less impact on domestic prices than do imports. Unfortunately, the U.S. trade strategy has been to open up markets incrementally and selectively through bilateral and regional free trade agreements (FTAs). Moreover, the FTAs pursued by the United States have been with countries that offer very small consumer markets but that neighbor large beef producing countries. These FTAs have failed to offer significant export potential to U.S. producers but have locked U.S. borders open to imports from these small countries. In turn, the FTAs have encouraged the development of major production platforms that combine the FTA partner's access to the U.S. market with its neighboring country's beef-producing potential. As FTA is added to FTA, the U.S. producer faces a slow death by a thousand cuts. In the absence of genuine, multilateral free trade, the U.S. cattle industry faces sustained import pressure without commensurate export opportunities.

An example of an imbalanced trade situation is the U.S./Canada beef and live cattle trade relationship. The longest active United States FTA agreement with a major beef producing country remains the U.S. relationship with Canada, as established in the Canada – U.S. Free Trade Agreement, which went into effect in 1989. Within the last three years, 2007 through 2009, Canada has imported an annual average of 814,000,000 lbs. of beef when converted on a carcass equivalent basis and 1,051,000,000 lbs. of live cattle beef which have impacted U.S. beef supplies. The total beef impact to US supplies is then 1,860,000,000 lbs. or roughly 7.1%. This number becomes further compounded when considering the ITC estimate that a 1% change in beef supplies impacts prices by 2%. This becomes very significant in an industry that historically runs on a narrow profit margin of 3-4% within better years of production, and regarding a product that is only marketed once a year as opposed to the processing or retail industry which markets the same product several times a month.

The TPP could exacerbate this dilemma. For example, the TPP would add New Zealand's beef

⁹ U.S. ITC, *The Economic Effects of Significant U.S. Import Restraints*

production to the U.S. import picture without offering a realistic chance of securing a large export market. Within the economic recession of recent years the U.S. population has shifted its purchasing preference towards lower cost-ground beef, a trend which has allowed for large New Zealand cull cow exports into the U.S. market. This combined with the smallest U.S. beef cow herd in the last 50 years, has led to a large increase in shipments of New Zealand cull cows; in January 2009 New Zealand cow slaughter was 40 percent ahead of 2008, with on a weekly basis, 25,000 cull cows being processed in meat plants. The United States market also imported 60 percent, \$800 million, of New Zealand's exported beef, up 6 percent from last year. New Zealand producers are further able to capitalize on the strength of the USD in comparison to the AUD and NZD, and are receiving higher returns even in a U.S. market where imported beef is 30 percent lower in price than the previous year.¹⁰

A positive outcome of the TPP could result in resolving Vietnam's sanitary and phytosanitary barriers. However, this seems quite minor with respect to the overall beef trade import/export imbalance. Perhaps even more worrisome, U.S. cattle producers could face pressure to quicken the pace of liberalization with Australia, with whom the United States already has an FTA. Australia is a major beef producer but offers a minor consumer market in return. The picture could worsen depending which other countries were added in the future to the TPP.

Viewing the proposed TPP partners shows a diverging assortment of tariff and non-tariff problems. Currently U.S. trade relationships with Australia have been subject to sectorized distortion and significant lack of transparency. The Australian Wheat Board (AWB) currently regulates in such a manner that it offers significant disadvantages to foreign producers, and to some extent has established monopolistic properties over Australian wheat production. Australian wheat products are then able to be sold within U.S. markets at prices which are highly competitive with our own domestic production. AWB operates without the same level of transparency and competition which U.S. producers are subject to, placing them economically at a considerable disadvantage.

A similar relationship with tremendous trade discrepancies presently exists between the United States and New Zealand dairy markets. Currently New Zealand's dairy sector is dominated by a single firm. Through an almost monopolistic authority, resulting from government pricing rules and presence within the sector, the Fonterra cooperative maintains control of nearly 92% New Zealand's produced milk. Furthermore, Fonterra has been able to utilize their control over the highly concentrated New Zealand dairy sector to gain an unfair advantage over other dairy producing countries subject to more competitive markets, and has subsequently capitalized on the international trade scale. Fonterra currently controls approximately 40% of globally traded products, holding permits to import dairy products to the United States through several large countries, and has been indicated as the party responsible for the initial flood of protein concentrates which were exported to U.S. markets. In 2008 the United States imported more than \$700 million of dairy products from New Zealand while only exporting approximately \$7 million to New Zealand. We must address such discrepancies within the very construction and regulatory scheme of international markets, which severely impair the ability of U.S. producers to market their products both on international and domestic levels. The regulatory power which

¹⁰ Country Wide, *Rise in USA hamburger market good for NZ*

sector based defacto monopolies, such as the Fonterra cooperative, currently hold, create highly concentrated markets which enable the unfair manipulation of products on global levels. Any future trade negotiations must be based upon the continued promotion and competitive ability of U.S. producers, and should adamantly seek to correct such market impairments.

STE's significantly weaken the basic principles of market competition and allow monopolistic holds to be retained over domestic production while being able to operate freely within international markets. Such foreign export monopolies are outside the parameters of the GATT and should be seriously considered under any investigation of international competitive strategies. Should the United States enter into an international agreement such as the TPP, such disparities must be addressed and corrected in order to preserve the wellbeing of our own domestic markets and allow U.S. products to remain competitive.

Current TPP Countries' International U.S. Trade Relationships

Australia

The Australia – United States Free Trade Agreement (AUSFTA), implemented in January of 2005, eliminates Australia's tariffs on imported agricultural products from the U.S. Specifically, the agreement eliminates all U.S. beef tariffs either immediately, as in the case of the in-quota tariff of 4.4 US cents/kg, or over time as with the 26.4 per cent over-quota tariff which will be reduced to zero over 18 years. After the 18 year period all Australian beef will be free to enter the US market without tariff or quota restrictions and subject only to a price-based safeguard, applicable to exports over a specified amount based on growth from the quota in year 18. Since the implementation of the agreement Australia has annually averaged approximately 807,500,000 lbs of carcass weight beef and veal imports from the U.S. However, since the U.S. – Canadian BSE scare Australian markets have significantly limited their reception of U.S. and other “mad-cow-affected countries.” Most recently, in response to public pressure, the Australian government has decided to maintain their stringent beef standards until a two year risk analysis study has been completed. Two further years of risk analysis would appear unnecessary especially considering a 2007 World Organization for Animal Health (OIE) decision to classify the United States as a controlled risk country for BSE which deemed U.S. beef as safe for export and consumption. Australian beef continues to be subjugated to the U.S. – Australian FTA, and enjoys full access to U.S. markets. These further years of U.S. beef import discrimination not only defy our current scientific assessment and conflict with the OIE risk determination analysis, but would continue tremendous discrepancies between the U.S. – Australian trade relationship as outlined within AUSFTA.¹¹

Brunei Darussalam

Currently the United States and Brunei Darussalam meet regularly under a Trade and Investment Framework Agreement to address a range of bilateral issues and to coordinate on WTO, ASEAN, and APEC initiatives. Brunei Darussalam imposes zero tariffs on agricultural products, however Brunei Darussalam imposes an extremely strict certification system, *Halal Certification*, that requires two representatives from the Brunei Religious Council have to be

¹¹ USDA FAS, *United States and Australia Free trade Agreement*

present on site to ensure that strict *Halal* regulations are adhered throughout the entire process including the slaughtering of the animals and final packing process. The production line must never be contaminated with non-*Halal* products, nor at any point can it be converted to a non-*Halal* production line. Because of these strict rules, exporters from only a handful of countries have been approved by the Board issuing permits.¹²

Chile

The U.S. – Chile Free Trade Agreement, which came into force January 2004, entailed an agreement between both governments to immediately recognize each others' grading systems, making it possible for USDA to certify beef product for export to Chile. The agreement established a committee with the purpose of harmonizing the Chilean and United States' respective red meat inspection systems. Under the agreement U.S. fresh and frozen beef products gained preferential access and tariffs were eliminated incrementally over a four year span. An initial tariff-rate quota (TRQ) of 1,000 tons was established, which subsequently rose to 10 percent annually over four years and then eliminated. The agreement was intended to help U.S. beef find its niche within the Chilean market. Chilean inspected meat was also given preferential access to the U.S. market following the same schedule set up for U.S. beef entering Chile's market.¹³

New Zealand

Following the GATT Uruguay Round (1994) 213,402 tonnes (product weight) of New Zealand beef and veal may be exported to the United States annually at a tariff rate of US\$4.4c/kg on most beef products. The out-of-quota tariff rate, initially set at 31 percent was subsequently reduced to 26 percent over the 1995 through 2000 year span.¹⁴

Peru

As of April 2006, the United States and Peru entered the fully implemented U.S. – Peru Trade Promotion Agreement (PTPA). The agreement stipulated that U.S. exporters receive duty-free treatment on about 90 percent of current trade products, with the remaining tariffs being phased out. Under the agreement, the United States secured immediate duty-free treatment on the most significant beef products including high quality USDA Prime and Choice cuts and all other tariffs were eliminated on beef products over a 15 year span. For Standard Quality beef, the agreement also provides for an 800-ton TRQ with 6-percent annual growth and a 25-percent above-quota tariff phased out over 12 years. Additionally, there is a 10,000-ton beef offal TRQ with 6-percent growth and a 12-percent above-quota tariff will be phased out over 10 years. Additionally, Peru retains the right to use safeguards on Standard Quality beef should imports surge.¹⁵

Singapore

¹² Office of the United States Trade Representative, *Brunei Darussalam*

¹³ USDA FAS, *FACT SHEET: U.S.-Chile Free Trade Agreement*

¹⁴ New Zealand Ministry of Agriculture and Forestry, *Key Outcomes from the Uruguay Round for New Zealand*

¹⁵ USDA FAS, *FACT SHEET: U.S.-Peru Trade Promotion Agreement*

In May 2003 the United States and Singapore established the United States – Singapore Free Trade Agreement, considered one of the most broad trade liberalizations. The agreement guaranteed zero tariffs immediately on all U.S. goods and ensured that Singapore cannot increase its duties on any U.S. product. However, Singapore's Agri-food and Veterinary Authority (AVA) enforces a zero tolerance policy for salmonella enteritidis and E-coli E. 0157 in raw meat products, which is not consistent with international standards and has subsequently negatively impacted U.S. producers. Singapore's AVA also previously required a ban on beef imports from countries in which cases of BSE were present and as a result banned U.S. beef from their markets following the 2003 BSE scare. The ban resulted in the exclusion of \$4.8 billion worth of U.S. beef and beef products. While imports of bone-in cuts of beef and beef products from the United States remain banned, in January 2006, Singapore re-authorized the access of U.S. boneless beef from animals less than 30 months of age in consultation with the World Organization of Animal Health (OIE) guidelines.¹⁶

Vietnam

Following 2007, when Vietnam joined the WTO, the United States incurred significant cuts in agricultural tariffs that will continue through 2012. Vietnam however, sped up the specified WTO tariff reductions, going beyond the final promised cuts. In October of 2008 several of the cuts, specifically on beef, poultry and pork, were reversed. Recently, in line with OIE and other international SPS standards, Vietnam has lifted its BSE ban on U.S. beef, allowing the import of boneless beef, and bone-in beef as well as offal. As a result, Vietnamese imports of U.S. beef and veal has steadily increased since 2007 from 41,869,000 lbs in 2007 to 1,489,715,000 lbs in 2009.¹⁷

The Effect of TRQs On a Global Scale

Because the United States currently maintains some of the lowest tariffs within the international beef market, entering into agreements which dissolve or phase out such measures will offer relatively no direct negative impact upon our domestic producers. However, through efficient management of our TRQ's, the United States can re-establish our domestic producers within the competitive international market. Within the targeted countries of the TPP, several significant trade distorting practices exist that must be corrected prior to finalizing any trade agreement which could potentially disadvantage U.S. products if not properly crafted. Historically, TRQ's have been utilized to help buffer some of those distortions, and any agreement which stipulates the elimination or phasing out of TRQ's must address any current or potential market disparities. Without such properly crafted language, the U.S. cattle and other industries particularly susceptible to international policies which induce unfair competition will be dramatically weakened and substantially diminish our national production. With the current state of the international beef market, which continues to increase in demand overall on an annual basis, diminished U.S. production would be detrimental and considerably limit the growing international population and inherently ensuing market.

¹⁶ USDA FAS, *U.S.-Singapore Trade Agreement*

¹⁷ USDA FAS, *Agricultural Economy and Policy Report: Vietnam*

Opportunities Within TPP to Enhance U.S. Trade Policy

US Trade laws should not be weakened- Strong, meaningful, and timely dumping and countervailing laws and remedies are important to ensure U.S. producers are not disadvantaged by injurious dumping, subsidies, and import surges. Again it is important to note that such activities may actually benefit downstream segments in allowing them to increase supplies with artificially low priced import products, or artificial volumes. This allows such downstream segments to ratchet down prices paid to U.S. cattle producers.

Trade remedies are important to achieving expanded trade liberalization; like TPP, they build confidence with domestic producers that USTR is serious about insuring trade is beneficial to U.S. cattlemen and while balancing our rights as U.S. producers, and meeting our trade obligations.

Timely safeguards are also critical to remedying industry-specific problems that we experience in a perishable, cyclical industry such as ours and they need to be applied to all sources and not just particular countries.

The U.S. negotiated a quantity-based and price-based beef safeguard in the U.S.-Australian FTA, which would allow TPP negotiators to build from this model. 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 fails to recognize the importance of a timely mechanism with a perishable product such as beef. We encourage TPP negotiators to incorporate an automatic trigger which recognizes the specific problems that perishable products face when markets collapse.

Tariffs-The United States should also work to remove the multiple tariff, non-tariff, and subsidy-based distortions that undermine U.S. ranchers and inhibit a competitive market for beef and cattle.

Exchange rates and the attempts of government programs to intervene and distort a country's currency values, not only distorts trade flows, but also puts U.S. cattle producers at an unfair advantage. Many Asian countries have a long history of such behaviors and USCA encourages USTR to address this in a meaningful manner.

Rules of Origin (ROO) are becoming increasingly important. Countries such as Peru and Chili offer a route for other South American countries to potentially by-pass their trade obligations to the U.S. by trans-shipping or further processing in TPP countries to mask the true origin. Clearer and stronger ROO are needed to represent the nature of our industry and the characteristics and origin of their exported products. The absence of this provision allows foreign processors to import feeder cattle, finished cattle, and beef to be further processed in their country and for the most part then ship the beef as Peru or Chilean origin.

Transparency and accessibility to prices and volumes of imported beef product and cattle are critical to U.S. cattle producers being competitive as evidenced by the daily reporting of volumes

and market prices in our own domestic industry. Oftentimes import and export data is useless because it is outdated by the time U.S. producers receive it.

Food Safety and SPS issues continue to be problematic for our industry, as some countries comply with OIE standards, while others ignore them either for cultural reasons, or too often as trade barriers. The USITC October 7, 2008 release reported, “U.S. beef processors and beef cattle ranchers lose billions of dollars in export opportunities each year because of animal health and food safety measures in other countries that are inconsistent with international standards and vary by country.” The ITC also noted, “The effect of identified animal health and food safety regulations on U.S. beef exports outweighed the effects of tariffs and TRQs over the period studied.”

An upward harmonization approach should be taken to minimize risk and gain community support. Concerns exist that some countries may be using products for either direct or indirect production purposes that have not been cleared for use in this country. Past FTA’s have also included language limiting import inspections. This undermines the U.S. ability to insure food is safe and produced under the same standards required of U.S. cattle/beef producers. TPP needs to address these shortcomings.

U.S. negotiating resources should be devoted to addressing the regulatory disparities between the key beef trading countries. This issue should take pre-eminence over every other U.S. negotiating priority concerning the cattle and beef sector.

Conclusion

The U.S. Cattlemen’s Association appreciates the ITC’s commitment to ensuring the well being of our nation’s cattlemen and beef producers and the opportunity to provide these comments. Too often trade distortions that artificially suppress domestic prices are looked at in a short term relationship in reducing costs to consumers. However, over time such actions may reduce domestic production, which compromises not only our national food security but also the inherent ability U.S. producers hold to provide significant levels of production for a growing global population. USCA firmly believes that through properly crafted international trade agreements, U.S. beef can remain competitive and return to the forefront of worldwide production.

I sincerely thank you for the opportunity to submit this testimony and look forward to offering the ITC any further assistance within this investigation.

Sincerely,



Jess Peterson
Executive Vice President
U.S. Cattlemen’s Association