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SUBMITTED ELECTRONICALLY TO REGULATIONS.GOV
Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Re: ***Proposed Trans-Pacific Partnership Trade Agreement:*** **Comments of the U.S. Cattlemen's Association**

Dear Ms. Blue:

This letter is filed on behalf of the United States Cattlemen's Association (USCA) in response to a request for comments published in the Federal Register on December 16, 2009. USCA is a national association of cattle ranchers and state associations, whose mission is to present an effective voice for the United States cattle industry. USCA looks forward to the expansion of TPP in both increased opportunities for US cattle producers and addressing rules to insure trade is fair and competitive.

An Overview of US Cattle Industry

The United States is the world's largest beef producer, and until BSE-related events in late December of 2003, the world's largest beef exporter. The U.S. is also the largest importer of beef, importing nearly two times more than the next leading country when live cattle imports are factored in.

The cattle and calf 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 2007, the retail value of U.S beef and edible offal production was $74 billion with the vast majority, nearly 800,000 U.S. operations, being involved in cattle and calf production. All cattle are eventually being processed for beef.

The U.S. cattle industry is in decline reporting in 2009 the lowest calf numbers since 1952. 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 Chief Economist for National Cattlemen's Beef Association has reported that a 1% change in supply impacts prices by 1½ - 2%; while the US International Trade Commission reported a 1% change in supplies would impact US prices by 2%. This relationship of 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 also historically benefited processors by allowing them to not only increase supplies in the US, thereby impacting domestic prices, but also at times using imports to suppress US producer prices, as noted 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 nature of the industry and its impact on US cattle prices, and the perishable nature of both finished cattle and beef. The US cattle/beef industry is highly segmented and also represents one of the largest in variety of products processed and exported. Products vary from fresh, frozen, chilled and canned to ground product and sausages, along with a variety of muscle cuts including bone-in and bone-out varieties. It also includes edible offal such as heart, liver, tongue, intestines, etc. Because of the difference in products, it is important that trade and its subsequent impacts be carefully considered as one evaluates their individual impacts on initiating upstream producers--the cow-calf producers.

Issues important to US Cattle/Beef Producers

Tariffs--The U.S. should negotiate for harmonized tariff levels, bringing tariffs down to the US level. 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. While over-quota tariffs are important for perishable and cyclical agriculture products, the U.S. over-quota tariffs face only a 26.4% tariff. By comparison, tariffs elsewhere in the world average approximately 85%. Coupled with highly restrictive TRQ's and non-tariff barriers, these high tariffs force excess global supplies into the relatively open U.S. market, while limiting U.S . access to other foreign markets.

Special Rules for Perishable and Cyclical Ag Products---Producers of perishable agriculture products, such as beef and finished cattle have short marketing periods and face unique challenges in obtaining relief when trade is injurious, either from dumping, subsidies, or surges. In the Trade Act of 2002, Congress included as a principal negotiating objective for agricultural trade the following:

19 USC 3802(b)(10)(A)(x): "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"
Similarly, 19 USC 3802(b)(10)(B)(i) states that, "Before commencing negotiations with respect to agriculture, the United States Trade Representative, in consultation with the Congress, shall seek to develop a position on the treatment of seasonal and perishable agricultural products to be employed in the negotiations in order to develop an international consensus on the treatment of seasonal or perishable agricultural products in investigations relating to dumping and safeguards and in any other relevant area."

Senator Max Baucus (D-MT) and Senator Charles Grassley (R-IA) engaged in a colloquy with Senators Michael Enzi (R-WY) and Tom Daschle (D-SD) to confirm that these provisions were in the Trade Act of 2002 and to insure an understanding that the term "perishable and cyclical agriculture" covered livestock and meat products. USCA continues to be concerned that these objectives are not being met in the Doha Round of negotiations and that they should be actively pursued in any TPP.

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 producers to ratchet down prices paid to U.S. cattle producers.

Trade remedies are important to achieving expanded trade liberalization; such as TPP, as they build confidence with domestic producers that USTR is serious about insuring that trade is beneficial to U.S. cattlemen and balances our rights as U.S. producers, while 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 the ability 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 as a 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.

State Trading Enterprises (STE's) continue to be a concern and USCA urges USTR to effectively address those that may compete directly with U.S. cattlemen or indirectly such as the Canadian and Australian grain boards and New Zealand Dairy Board. Such controls over grain prices cheapen the feed production costs of foreign beef competitors. Concerns with the New Zealand Dairy Board are artificial production levels. With the majority of New Zealand beef already being exported to the U.S., such activities allow New Zealand to artificially maintain production levels that compete directly with U.S. ranchers when such beef is exported to the U.S. market.

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 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. Former USDA Undersecretary Chuck Lambert is quoted as saying, “People don’t eat cows, they eat beef”. The identification through proper ROO to the original raw product is critical to stopping such potential violations. The absence of country-of-origin labeling 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.

Subsidies, both production and export related are a concern to U.S. cattle producers. While countries such as Australia and Canada are involved in such subsidy schemes, U.S. producers receive no subsidies other than low levels of ad hoc disaster assistance.

In closing the U.S Cattlemen’s Association appreciates 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, such actions over time reduce domestic production, which compromises not only food security in this country, but also the long term vision to encourage production for a growing global population and the need to address an increasing population that suffers from hunger.

Sincerely,

Jon Wooster

President, U.S. Cattlemen’s Association