

*Fighting for the U.S. Cattle Producer!*



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October 16, 2009

The Honorable Tom Vilsack  
United States Secretary of Agriculture  
1400 Independence Ave., S.W.  
Washington, D.C. 20250

The Honorable Ron Kirk  
United States Trade Representative  
600 17th Street NW  
Washington, DC 20208

**Re: Canada's WTO Complaint Against U.S. COOL Law**

Dear Secretary Vilsack and Ambassador Kirk:

R-CALF USA is deeply concerned that persistent and influential lobbying forces operating within the United States have effectively and deceptively distorted the true impact the North American Free Trade Agreement (NAFTA) has, and continues to have, on the economic well-being of our nation's cattle farmers and ranchers. This distortion has a direct bearing on the complaint Canada has filed, and Mexico likely will file, with the World Trade Organization (WTO) against the United States' mandatory country-of-origin labeling (COOL) law.

For example: If the United States accepts the historical impact to U.S. cattle farmers and ranchers resulting from trade relationships with Canada and Mexico over the past five years as its neutral baseline, then any change to these historical relationships caused by COOL would be considered favorable if *above* this baseline and unfavorable if *below*. However, if this baseline is itself inaccurate, then any conclusion drawn regarding the effect COOL has on this historical relationship likewise would be inaccurate.

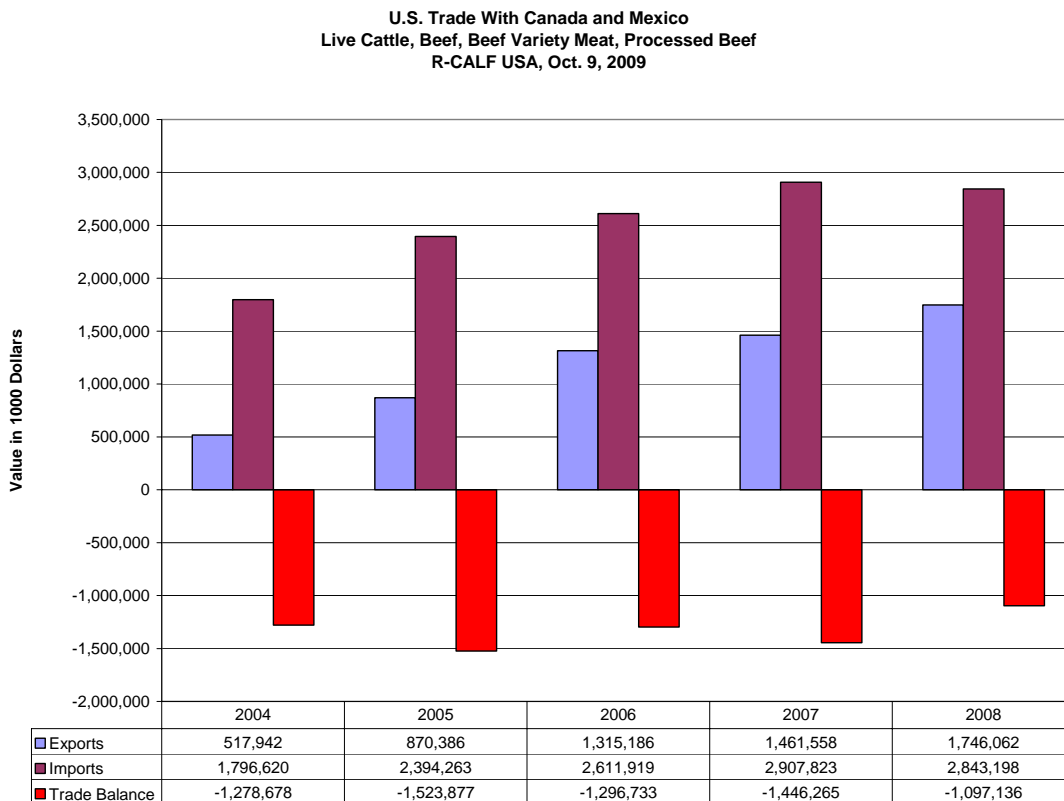
The persistent and influential lobbying forces we mentioned above have, in fact, severely distorted the accuracy of this historical baseline by deceptively characterizing the ongoing trade relationships with Canada and Mexico as beneficial to U.S. cattle farmers and ranchers. Recently, the National Cattlemen's Beef Association (NCBA), which purports to be "the largest association of cattle producers," and which is a powerful and highly influential lobbying force, publicly announced that the ongoing trade relationships with Canada and Mexico are economically beneficial to the U.S. cattle industry and "[a]ny disruptions to either of these markets will have a significant economic impact on our industry." In support of its benefits claim, the NCBA stated that 59 percent of U.S. beef exports were sold to Canada and Mexico.

Based on NCBA's perspective – an erroneous and deceptive perspective also held by dominant U.S. meatpackers – any reduction in imports from Canada and Mexico, as Canada is claiming in its WTO complaint, would be measured against the current baseline as a disruption in trade relationships and perceived as detrimental to the economic interests of U.S. cattle farmers and ranchers. Thus, NCBA has effectively established the erroneous perspective that ongoing trade relationships with Canada and Mexico are an accurate baseline for determining the benefits or costs associated with COOL.

This NCBA perspective is highly deceptive and demonstrably false. Unfortunately, however, the persistent efforts of NCBA and other highly influential beef-processing industry groups have misled your respective agencies into likewise believing that the economic well-being of U.S. cattle farmers and ranchers is dependent on maintaining the historical baseline (i.e., the status quo) in the United States' trade relationships with Canada and Mexico. As a result, your respective agencies have set into motion trade-related policies that have severely undermined and compromised the economic viability of the U.S. live cattle industry.

Because of the serious, negative consequences arising from the long-held, though distorted, belief that the United States' trade relationships with Canada and Mexico result in a benefit to U.S. cattle farmers and ranchers, we are providing you with data and charts that unequivocally prove that trade with Canada and Mexico in live cattle, beef, beef variety meats and processed beef products result in the loss of domestic cattle sales by U.S. cattle farmers and ranchers in excess of \$1 billion annually and has caused the accumulation of a horrendous trade deficit in these products that averaged over \$1.3 billion annually during the past five years and cumulatively exceeded \$6.6 billion during this period.

The following chart shows the value of Canadian and Mexican imports each year is more than \$1 billion *more* than the value of U.S. exports to these countries, resulting in an annual economic drain for the U.S. cattle industry that lowers both the demand for, and value of, U.S. cattle.



Below are the data used in the foregoing chart obtained directly from the U.S. trade statistics database of the U.S. Department of Agriculture (USDA) Foreign Agricultural Service (FAS). It is a compilation of the same categories for beef trade (i.e., 6-digit HS codes) used by the U.S. International Trade Commission (USITC) in its 2008 global beef trade study to evaluate global trade in beef, beef variety meats and prepared or preserved beef products (referred to by the USITC as “processed products”). These data also include trade in live cattle.

These data show, unequivocally, that each year the U.S. buys more than \$1 billion *more* in live cattle, beef, beef variety meats and processed beef from Canada and Mexico than it sells to these two countries, resulting in annual U.S. losses ranging from more than \$1 billion in 2008 to more than \$1.5 billion in 2005. It is costing the U.S. – and particularly the U.S. cattle industry – more than \$1 billion each year for the privilege of participating in this lopsided trading relationship.

**UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREIGN AGRICULTURAL SERVICE  
HS 6-DIGIT IMPORTS**

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS			CUMULATIVE TO DATE VALUES IN 1000 DOLLARS				
			JANUARY - DECEMBER				
			2004	2005	2006	2007	2008
<b>CANADAMEXICO</b>	<b>BOVINE LIVE</b>	<b>010290</b>	<b>542,737</b>	<b>1,041,771</b>	<b>1,556,869</b>	<b>1,894,480</b>	<b>1,761,749</b>
	<b>BOVINE BONELESS FR/C</b>	<b>020130</b>	1,114,207	1,159,957	814,879	727,154	736,995
	<b>BOVINE BONE IN FR/CH</b>	<b>020120</b>	14,814	44,145	95,919	127,524	112,384
	<b>BOVINE BONELESS FROZ</b>	<b>020230</b>	47,804	43,427	32,663	32,663	77,679
	<b>BOVINE OFFAL FR/CH</b>	<b>020610</b>	21,559	29,466	30,947	43,710	44,383
	<b>BOVINE CARCASS FR/CH</b>	<b>020110</b>	40,491	43,805	39,482	38,314	37,051
	<b>BOVINE LIVE, PURE</b>	<b>010210</b>	119	18	0	2,470	25,871
	<b>BOVINE OFFAL FROZ</b>	<b>020629</b>	1,313	12,468	12,750	16,985	18,750
	<b>BOVINE MEAT, PREP</b>	<b>160250</b>	12,181	13,651	15,365	13,591	12,350
	<b>BOVINE BONE IN FROZ</b>	<b>020220</b>	0	2,557	5,528	5,182	7,944
	<b>BOVINE TONGUES, FROZ</b>	<b>020621</b>	250	1,504	2,812	4,040	6,480
	<b>BOVINE MEAT, SALTED</b>	<b>021020</b>	657	829	763	845	859
	<b>BOVINE CARCASS FROZ</b>	<b>020210</b>	35	38	3,370	690	527
	<b>BOVINE LIVERS, FROZ</b>	<b>020622</b>	452	627	572	172	175
<b>TOTAL</b>			<b>1,796,620</b>	<b>2,394,263</b>	<b>2,611,919</b>	<b>2,907,823</b>	<b>2,843,198</b>

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

**UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREIGN AGRICULTURAL SERVICE  
HS 6-DIGIT EXPORTS**

AREA/COUNTRIES OF DESTINATION AND COMMODITIES EXPORTED	CUMULATIVE TO DATE VALUES IN 1000 DOLLARS JANUARY - DECEMBER				
	2004	2005	2006	2007	2008
<b>CANADAMEXICO BOVINE BONELESS FR/C 020130</b>	<b>401,223</b>	<b>633,982</b>	<b>999,508</b>	<b>1,048,896</b>	<b>1,200,609</b>
BOVINE BONE IN FR/CH 020120	3,618	17,383	68,781	114,814	147,820
BOVINE MEAT, PREP 160250	38,850	70,419	88,155	107,054	117,694
BOVINE OFFAL FROZ 020629	33,798	65,657	68,851	78,981	101,571
BOVINE BONELESS FROZ 020230	21,363	38,232	28,236	24,655	54,836
BOVINE LIVE 010290	3,000	3,283	13,785	20,710	40,473
BOVINE TONGUES, FROZ 020621	5,384	22,869	23,448	36,725	37,890
BOVINE LIVE, PURE 010210	112	2,208	2,141	9,837	20,681
BOVINE OFFAL FR/CH 020610	2,196	7,068	7,356	5,627	9,218
BOVINE LIVERS, FROZ 020622	6,786	4,217	4,016	3,769	6,092
BOVINE BONE IN FROZ 020220	550	1,587	5,061	8,646	5,700
BOVINE CARCASS FR/CH 020110	346	721	423	1,294	2,593
BOVINE CARCASS FROZ 020210	274	219	191	112	541
BOVINE MEAT, SALTED 021020	442	2,542	5,235	438	343
<b>TOTAL</b>	<b>517,942</b>	<b>870,386</b>	<b>1,315,186</b>	<b>1,461,558</b>	<b>1,746,062</b>

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Based on the foregoing data it is clear that should COOL effectively change the trade relationships with Canada and Mexico by reducing the value of beef and cattle imports from those countries by anything less than \$1.3 billion (representing the average annual deficit over the past five years), then the U.S. cattle industry will continue to suffer the negative consequences associated with a long-term trade deficit with these countries.

In other words, unless Canada and Mexico, together, can demonstrate that COOL has reduced the value of their beef and cattle exports to the U.S. by more than \$1.3 billion, they cannot claim that COOL has had any detrimental economic impact on their combined countries. This, of course, is because these combined countries continue to enjoy the unmitigated, windfall spoils emanating from an imbalanced trade relationship with the United States, to the tune of \$1.3 billion annually.

It is important to note that, as shown by the data below, the U.S. imports nearly \$1 billion in slaughter cows, bulls, steers and heifers from Canada and Mexico for which no value is added by anyone in the U.S. live cattle industry. These imports for slaughter are a direct one-for-one replacement for nearly \$1 billion in domestic cattle sales and serve to reduce, directly, the demand and price of domestic cattle. Extracting \$1 billion annually from domestic cattle sales is unsustainable for the U.S. live cattle industry that continues to operate on the margin due to a long-run lack of profitability in the industry.

**UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREIGN AGRICULTURAL SERVICE  
HS 10-DIGIT IMPORTS**

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS			CUMULATIVE TO DATE VALUES IN 1000 DOLLARS				
			JANUARY - DECEMBER				
			2004	2005	2006	2007	2008
<b>CANADA</b>	<b>STEERS,SLGHTR</b>	<b>0102904062</b>	<b>0</b>	<b>225,955</b>	<b>431,941</b>	<b>560,320</b>	<b>431,046</b>
	HEIFERS,SLGHTR	0102904068	0	114,102	340,241	407,920	343,600
	COWS,SLGHTR	0102904066	0	2,069	80	4,730	116,999
	BULLS,SLGHTR	0102904064	0	318	650	1,843	50,596
<b>MEXICO</b>	<b>STEERS,SLGHTR</b>	<b>0102904062</b>	<b>2,192</b>	<b>2,839</b>	<b>1,874</b>	<b>1,325</b>	<b>1,277</b>
	BULLS,SLGHTR	0102904064	0	265	60	12	847
	HEIFERS,SLGHTR	0102904068	146	0	471	235	135
	COWS,SLGHTR	0102904066	0	0	2	0	0
<b>TOTAL</b>			<b>2,338</b>	<b>345,548</b>	<b>775,318</b>	<b>976,384</b>	<b>944,499</b>

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

There is no global relief for U.S. cattle farmers and ranchers from the horrendous deficit realized in our trade relationships with Canada and Mexico. In fact, the global trade deficit in live cattle, beef, beef variety meats and processed beef likewise is substantial. In 2008, for example, the U.S. imported \$4.9 billion in these products while it exported only \$3.3 billion, for a loss to the U.S. of \$1.6 billion. Thus, the U.S. trading relationships with Canada and Mexico contribute more than half to the United States' global trade deficit in cattle and beef.

Lacking any affirmative action on the part of USDA or USTR to mitigate this untenable but prolonged trade imbalance that continues to drive tens of thousands of U.S. cattle farmers and ranchers out of business each year, COOL is the *only* available tool that the U.S. cattle industry has to even begin to rebalance the lopsided trade relationships with Canada and Mexico.

R-CALF USA has earlier urged USDA to, at the very least, protect the U.S. cattle herd from the ongoing, increased exposure to disease introduction that continues to occur because USDA refuses to restore needed restrictions against the importation of older Canadian cattle that harbor a decisively increased risk of bovine spongiform encephalopathy (BSE), as well as needed restrictions to prevent the continual reintroduction of bovine tuberculosis that is known to be harbored and spread by imported Mexican cattle. As a result, USDA is directly and knowingly facilitating the demise of literally thousands of U.S. cattle producers, including cattle feeders, who are operating on the margin, as the agency has done nothing while the risk of disease introduction mounts and our domestic cattle prices fall precipitously in response.

For the first nine months of this new Administration, we have witnessed: 1) record financial losses for independent U.S. cattle feeders; 2) rapidly falling cattle prices for hundreds of thousands of U.S. cattle backgrounders, stockers and cow/calf producers; 3) near-record beef prices paid by U.S. beef consumers; and, 4) no action on the part of USDA or USTR to take any effective steps to mitigate the horrific losses sustained in Rural America due to untenable trade policies that include the failure to protect our U.S. cattle herd from disease.

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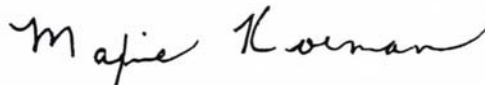
Please help us understand why this Administration is ignoring the interests of U.S. cattle farmers and ranchers, why the COOL loophole that allows mislabeling of U.S. beef remains unsolved, why neither USDA nor USTR have taken any steps to correct the \$1 billion-plus annual drain from the U.S. cattle industry caused by the imbalanced trade relationships with Canada and Mexico, and why no steps have been taken to protect our cattle herd from known, foreign disease sources.

It is not enough that you have jointly stated that you intend to defend COOL against Canada's WTO complaint. We need both of you to begin defending the interests of this nation's cattle farmers and ranchers by restoring their opportunity to be profitable in the U.S. cattle industry. U.S. cattle farmers and ranchers do not have deep enough pockets to withstand the persistent economic drain caused by failed trade policies, and time is fast running out.

Sincerely,



R.M. Thornsberry, D.V.M.  
Missouri  
President of the Board  
Region VI Director  
Chair, Animal Health Committee



Maxine Korman  
Montana  
Region I Director



Taylor Haynes, M.D.  
Wyoming  
Region II Director



Johnny Smith  
South Dakota  
Region III Director



Jay Platt  
Arizona  
Region IV Director  
Chair, Trade Committee



Stayton Weldon  
Texas  
Region V Director



George Chambers  
Georgia  
Vice-President of the Board  
Region IX Director



James McCuen  
Washington  
Region X Director

The Honorable Tom Vilsack and The Honorable Ron Kirk

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Kenny Fox  
South Dakota  
Chair, Animal ID Committee



Mike Schultz  
Kansas  
Chair, COOL Committee



Harlan Hentges  
Oklahoma  
Co-Chair, Private Property Rights Committee



Herman Schumacher,  
South Dakota  
Co-Chair, Membership Committee




Bill Bullard  
Montana  
CEO



Dennis Thornsberry  
Missouri  
Chair, Marketing Committee



Joel Gill  
Mississippi  
Chair, Checkoff Committee  
Co-Chair, Membership Committee



Ray Cunio  
Missouri  
Co-Chair, Private Property Rights Committee



Kathleen Kelley  
Colorado  
Chair, By-Laws and Policy Committee

Cc: United States President Barack Obama  
Select Members of Congress