

Fighting for the U.S. Cattle Producer!



R-CALF
USA

R-CALF United Stockgrowers of America
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October 12, 2009

Mr. Forrest Roberts, CEO
National Cattlemen's Beef Association
9110 East Nichols Ave., Suite 300
Centennial, CO 80112

Sent Via Facsimile: 303-694-2851;

Re: NCBA Statement on Canadian WTO Complaint Against U.S. COOL Law

Dear Mr. Roberts:

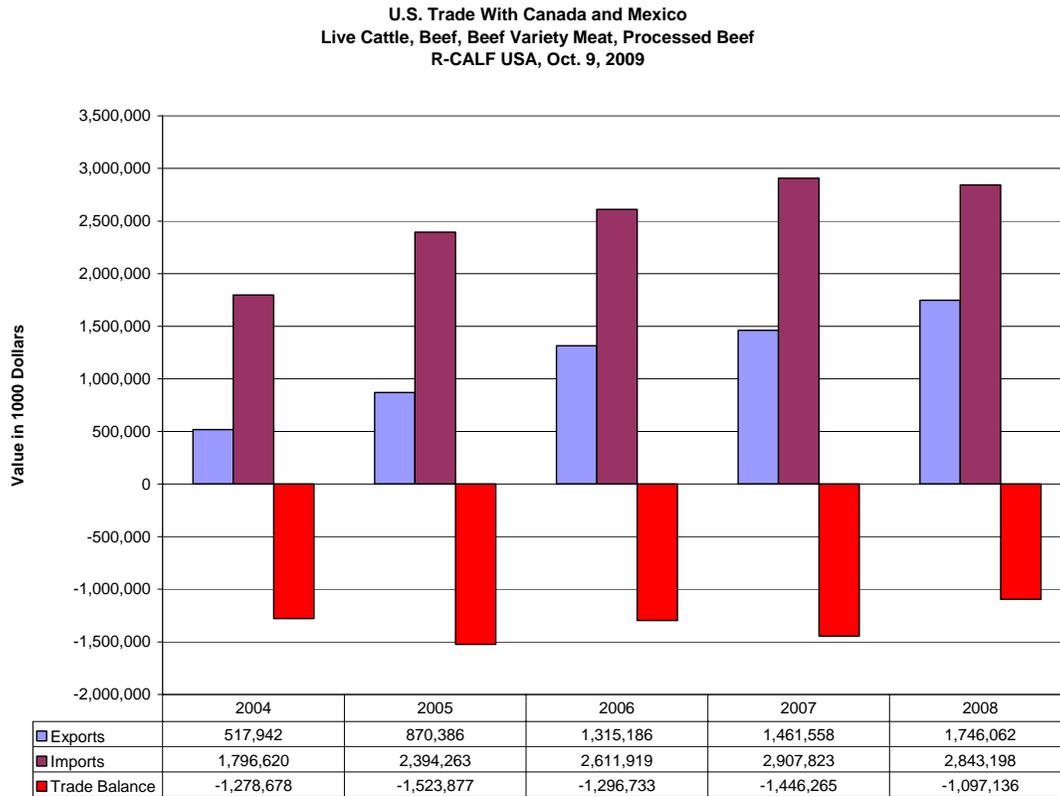
R-CALF USA is appalled that the National Cattlemen's Beef Association (NCBA), which purports to represent the entire U.S. cattle farming and ranching industry, has attacked the U.S. mandatory country-of-origin labeling (COOL) law by omitting and/or withholding the most important material fact needed by U.S. cattle producers to evaluate whether combined trade with Canada and Mexico results in a net benefit or net cost to the U.S. cattle industry.

Your Oct. 7, 2009, "NCBA Statement on Canadian WTO Complaint Against U.S. COOL Law" (NCBA announcement) in which you extol the combined, revenue-based benefits of U.S. cattle and beef trade with Canada and Mexico, fails to disclose the critical fact that trade (i.e., both imports and exports) with these two countries continues to generate a substantial revenue-based deficit for the U.S. – a deficit that has averaged more than \$1.3 billion in each of the past five years and that has resulted in a cumulative five-year loss of more than \$6.6 billion.

This is not a difference in opinion between R-CALF USA and NCBA. This is an action wherein a material fact has been omitted and/or withheld – from your membership and all other U.S. cattle producers who may read your NCBA announcement – that makes it impossible for U.S. cattle producers to even begin to evaluate your claim that COOL likely would damage trading relationships with Canada and Mexico, which you infer would be detrimental to the economic interests of the U.S. cattle industry. This NCBA action is intolerable, irresponsible and deceptive, as well as a tremendous disservice to the hard-working men and women who comprise the U.S. live cattle industry.

Because of the serious, negative consequences likely to occur due to your outrageous action (i.e., U.S. cattle producers likely will be misled regarding the true benefits/costs of the U.S. trading relationship with Canada and Mexico), we are providing NCBA with data and charts that unequivocally prove that trade with Canada and Mexico in the products you listed in your NCBA announcement (i.e., live cattle, beef, beef variety meat and processed beef product) result in a substantial loss to the United States of more than \$1 billion per year.

The following chart shows that 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. The following information is being provided so you can challenge R-CALF USA regarding the trade facts that we disseminate to our members and the public:



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 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. These data do not support your assertion that the U.S. cattle industry benefits from adding value to Canadian and Mexican cattle imports because we sell value-added finished products back to Canadian and Mexican consumers. Instead, these data clearly show that it costs 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
CANADAMEXICO BOVINE LIVE 010290	542,737	1,041,771	1,556,869	1,894,480	1,761,749
BOVINE BONELESS FR/C 020130	1,114,207	1,159,957	814,879	727,154	736,995
BOVINE BONE IN FR/CH 020120	14,814	44,145	95,919	127,524	112,384
BOVINE BONELESS FROZ 020230	47,804	43,427	32,663	32,663	77,679
BOVINE OFFAL FR/CH 020610	21,559	29,466	30,947	43,710	44,383
BOVINE CARCASS FR/CH 020110	40,491	43,805	39,482	38,314	37,051
BOVINE LIVE, PURE 010210	119	18	0	2,470	25,871
BOVINE OFFAL FROZ 020629	1,313	12,468	12,750	16,985	18,750
BOVINE MEAT, PREP 160250	12,181	13,651	15,365	13,591	12,350
BOVINE BONE IN FROZ 020220	0	2,557	5,528	5,182	7,944
BOVINE TONGUES, FROZ 020621	250	1,504	2,812	4,040	6,480
BOVINE MEAT, SALTED 021020	657	829	763	845	859
BOVINE CARCASS FROZ 020210	35	38	3,370	690	527
BOVINE LIVERS, FROZ 020622	452	627	572	172	175
TOTAL	1,796,620	2,394,263	2,611,919	2,907,823	2,843,198

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
CANADAMEXICO BOVINE BONELESS FR/C 020130	401,223	633,982	999,508	1,048,896	1,200,609
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
TOTAL	517,942	870,386	1,315,186	1,461,558	1,746,062

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

Based on the foregoing data it is clear there is no way that you can legitimately argue that a \$1 billion-plus annual trade deficit is beneficial to U.S. cattle producers unless you represent

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the Canadian cattle industry, or the handful of multinational meatpackers with operations in the U.S., Canada and/or Mexico, or the handful of corporate feedlots that continue to benefit from purchasing cheaper, imported cattle knowing full well their practice is reducing demand for, and the price of, domestic cattle,.

Your claim that "Canada and Mexico are our top two trading partners, together accounting for 59% of total U.S. beef, beef variety meat and processed beef product revenues last year" rings hollow when the facts show the U.S. lost more than \$1 billion in domestic cattle sales due to the meatpackers' sourcing of live cattle from Canada and Mexico.

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.

Omitting and/or withholding material facts about U.S. cattle and beef trade has the effect of misleading and deceiving cattle producers, the public and Congress. This intolerable misrepresentation and deception must stop, and now is the time for you to explain to the U.S. cattle industry how it benefits from a \$1 billion-plus annual trade deficit with Canada and Mexico. Once you provide this important explanation, then perhaps the debate regarding the merits of COOL can commence based on facts and opinion, not on deception and deceit.

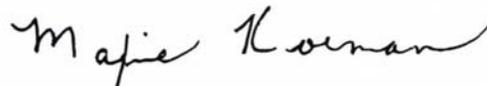
Sincerely,



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



Taylor Haynes, M.D.
Wyoming
Region II Director



Maxine Korman
Montana
Region I Director



Johnny Smith
South Dakota
Region III Director

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Jay Platt
Arizona
Region IV Director
Chair, Trade Committee



Stayton Weldon
Texas
Region V Director



George Chambers
Georgia
Region IX Director



James McCuen
Washington
Region X Director



Kenny Fox
South Dakota
Chair, Animal ID Committee



Dennis Thornsberry
Missouri
Chair, Marketing Committee



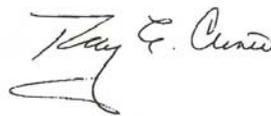
Mike Schultz
Kansas
Chair, COOL Committee



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



Harlan Hentges
Oklahoma
Co-Chair, Private Property Rights Committee



Ray Cunio
Missouri
Co-Chair, Private Property Rights Committee



Herman Schumacher,
South Dakota
Co-Chair, Membership Committee



Bill Bullard
CEO