R-CALF USA
PO Box 30715
Billings, MT 59107
Phone: 406-252-2516
Fax: 406-252-3176
Email: r-calfusa@r-calfusa.com
www.r-calfusa.com

October 30, 2018

Lisa R. Barton
Secretary to the Commission
U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Re: R-CALF USA Pre Hearing Brief for the Public Hearing of the U.S. International Trade Commission Regarding the United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors, Investigation No. TPA-105-003

Dear Ms. Barton:

The Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA) appreciates this opportunity to submit this pre-hearing brief to the United States International Trade Commission (USITC) regarding Investigation No. TPA-105-003: *United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors.*

R-CALF USA is a national, non-profit association representing over 5,000 independent U.S. cattle farmers and ranchers and sheep producers in 42 states. It is the largest producer-only trade association representing the U.S. cattle industry. R-CALF USA works to sustain the profitability and viability of the U.S. cattle and sheep industries, which are vital components of America's rural economy. R-CALF USA's membership consists primarily of independent cow-calf operators, cattle backgrounders and feedlot owners. Various main street businesses are associate members of R-CALF USA.

R-CALF USA's pre-hearing brief and statement will focus exclusively on the likely impact the United States-Mexico-Canada Agreement (USMCA) will have on the U.S. cattle industry, which is the largest segment of American agriculture.

R-CALF USA fully supported the renegotiation of the North American Free Trade Agreement (NAFTA). It requested meaningful improvements necessary to strengthen the United States cattle industry. It specifically called for changes to the agreement's rules of origin, the inclusion of a provision to achieve trade transparency through country-of-origin labeling (COOL), the inclusion of special safeguards to protect against import surges, and a strengthening of food safety and animal health standards that were weakened upon the United States' adoption of the World Trade Organization's (WTO's) lesser standards soon after NAFTA was implemented.

Not a single one of R-CALF USA's requests for improvements were addressed in the new USMCA.

Introduction:

The 1994 NAFTA was designed and implemented during the bygone era when foreign supply chains were coveted without regard to their effects on domestic supply chains. The agreement fostered international outsourcing of supply chain inputs, thus catering to multinational beef packers and their contractually-aligned multinational feedlot operators that held little to no regard for domestic supply chains and their contributions to the economic well-being of America, particularly Rural America.

NAFTA did to the U.S. cattle industry exactly what it was designed to do: it reduced economic opportunities for independent U.S. cattle farmers and ranchers who exclusively produce cattle exclusively born, raised, and slaughtered in the United States while simultaneously maximizing profit margins for multinational beef packers and their contractually-aligned multinational feedlot operators.

NAFTA accomplished its inequitable objective by making foreign supply chains indistinguishable from domestic supply chains, by eliminating quintessential elements of competition such as product differentiation for cattle farmers and ranchers and product choices for beef consumers, and by granting multinational beef packers and their contractually-aligned multinational feedlot operators the ultimate tool with which to leverage down domestic cattle prices. That ultimate price-manipulating tool, of course, was unlimited access to undifferentiated input supplies (*i.e.*, cattle and beef) from Canada and Mexico.

The USMCA Will Continue to Stifle Investments in U.S. Beef Packing Plants and U.S. Cattle Feedlots – An Unfavorable Trend Caused By NAFTA

Under NAFTA, investments in United States' beef packing and feedlot facilities diminished while investment in such foreign facilities increased. In its 2017 submission to the Office of the United States Trade Representative, the National Cattlemen's Beef Association (NCBA) acknowledged this as an outcome of the NAFTA era and expressly stated Canada and Mexico are making investments in their feeding and packing sectors.[1] For example:

> In recent years there has been an increased effort in Mexico to transition packing facilities from municipally inspected facilities to federally inspected facilities. Beef that is produced in Mexico and is packaged in a federally inspected facility is eligible for export. The Mexican beef industry has invested heavily in building its packing sector and expanding feedyard operations in Northern Mexico. The goal is to transition from being a low-cost supplier of cattle to the United States and develop the feedyard and packing sectors to capitalize on higher valued beef exports to U.S. consumers.[2]

The United States' largest beef packers have not make such investments in America during the pendency of NAFTA. Instead, they have closed packing plants and have sold their assets, including, and in particular, substantial beef packing assets that have been sold to foreign investors. In the 1990s when NAFTA was implemented, the three largest beef packers IBP, ConAgra Beef Company, Excel Corporation, and Farmland National Beef Packing collectively operated 27 packing plants in the United States.[3] Today, the four largest packers Tyson Foods (which acquired IBP), JBS (a Brazilian

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[1] National Cattlemen's Beef Association comments on the North American Free Trade Agreement to the Office of the United States Trade Representative in Docket No. USTR–2017–0006, "Negotiating Objectives Regarding Modernization of the North American Free Trade Agreement With Canada and Mexico," June 11, 2017 (Hereinafter "NCBA's NAFTA Comments"), at 4.

[2] *Id.*

[3] *See* Top 30 U.S. Beef Packers 1999, Cattle Buyers Weekly, available at http://www.cattlebuyersweekly.com/information/marketshare/beefpackers.html.

firm that acquired ConAgra Beef Company after it was purchased by Swift & Company), Cargill Meats (formally Excel Corporation), and Marfrig (the Brazilian company that recently purchased a majority share in National Beef Packing Co.), collectively only operate an estimated 23 packing plants in the United States.[4] The chart below depicts recent, NAFTA-related beef packing closures.

Recent Plant Closures

- National Beef closed its Brawley, CA, plant in about 2014
- Cargill closed its Milwaukee, WI, plant in 2015
- Cargill closed its Plainview, TX, plant in 2013
- Tyson closed its West Point, NE, plant in 2006
- Tyson closed its Boise, ID, plant in 2006
- Tyson closed its Emporia, KS, plant in 2008
- Tyson closed its Denison, IA, plant in 2015
- JBS purchased shuttered XL Foods plant in Nampa, ID, in 2013

Not Big 4

- San Antonio's L&H plant closed in 2014
- San Angelo Beef closed its plant around 2014
- PM Beef in Windom, MN, closed in 2015

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Steve Kay, Publisher of Cattle Buyers Weekly, stated in 2014 that the U.S. lost 48 beef packing plants since 1995, the year after NAFTA's implementation.[5] He further stated there has been a "very small number of new entrants into the sector, or brand new plants built."[6]

Another unfavorable structural change that occurred under NAFTA was described by Kay in a 2015 article as "the disappearance of both the smallest-sized feedlots (under 1000 head of capacity) and feedlots in most of the categories up to the largest (50,000 head and over)."[7]

Data from the U.S. Department of Agriculture (USDA) show the U.S. lost nearly 84,000 smaller feedlots under NAFTA (falling from 110,000 in 1996 to only 26,000 in 2017), while the category for the largest feedlots increased from 45 feedlots in 1996 to 73 feedlots in 2017). The total number of feedlots in all categories decreased from 112,000 to 28,209 during that period, a decline of 75 percent.[8] This unfavorable structural change has negatively impacted the economies of rural communities that once benefited from larger numbers of disaggregated, smaller feedlots. The substantial increase in the number of the largest feedlots makes the U.S. feeding sector more susceptible to adverse claims by both environmental and animal welfare interests.

The above discussion makes clear that NAFTA spurred investments in new beef packing and feedlots *in foreign countries;* stymied similar investments in the United States; encouraged foreign acquisitions of major U.S. beef packing facilities; and, resulted in the closures of many U.S. packing plants, thus shrinking the number of competitive marketing outlets available to independent U.S. cattle farmers and ranchers. In addition, NAFTA reduced the number of U.S. feedlots, specifically smaller feedlots, that once made substantial economic contributions to rural communities across the nation. Further, the loss of tens of thousands of feedlots significantly reduced the number of

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[4] *See* Top 30 U.S. Beef Packers 2013, Cattle Buyers Weekly (this estimate is based on the 2013 data provided by Cattle Buyers Weekly from which the author subtracted plant closures from 2014 to present), available at http://www.themarketworks.org/sites/default/files/uploads/charts/Top-30-Beef-Packers-2013.pdf.

[5] *See* Shrinking Cattle Supplies Reshuffle Packer Rankings, Steve Kay, Beef, Dec. 1, 2014, available at https://www.beefmagazine.com/blog/shrinking-cattle-supplies-reshuffle-packer-rankings.

[6] *Id.*

[7] Kay's Cuts: Cattle Feeding Is a Risky Business in the US, Steve Kay, U.S. Cattle Buyers Weekly, Feb. 14, 2015, available at https://www.beefcentral.com/features/top-25/lot-feeders/kays-cuts-cattle-feeding-is-a-risky-business/.

[8] *See* Cattle, Final Estimates, various reports, 1996-2008, USDA-NASS; *see also* Cattle on Feed, USDA, NASS, various reports 2009-2017, available at https://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1020.

competitive marketing outlets available to the nation's hundreds of thousands of cow/calf producers, backgrounders and stockers.

NAFTA significantly reduced both investments and competition in both the U.S. beef packing and U.S. feedlot industries, thus harming the domestic cattle and beef supply chains. Because the USMCA changes nothing as it applies to beef and cattle trade between the United States, Mexico, and Canada, the harm to the U.S. supply chain will continue unabated for the duration of the USMCA.

The USMCA Will Continue to Shrink the U.S. Cattle Industry in Terms of the Number of Cattle Operations and Herd Size – An Unfavorable Trend Caused By NAFTA

In 1994, the year NAFTA was implemented, there were 906,810 U.S. beef cattle operations (not including dairy operations) in the United States.[9] By 2012, the last year data was available, the number of U.S. beef cattle operations had shrunk to 729,000, representing a total loss of 177,810 operations, nearly a 20 percent loss. Put another way, during NAFTA the U.S. lost more than 9,000 beef cattle operations each year during each of the first 19 years of NAFTA's 24-year history.

The production capacity of the U.S. cattle industry is based on the size of its U.S. cattle herd, particularly the size of its mother-cow herd, which gives birth to the new calves that comprise each year's new production. Two years after NAFTA's implementation, in 1996, U.S. cattlemen began liquidating their mother-cow herd. By 2014, year 21 for NAFTA, the U.S. mother-cow herd had shrunk to the smallest size in more than seven decades.[10] Today, even after several years of purported rebuilding, the beleaguered mother-cow herd consists of only 31.7 million cows, which is 3 million head smaller than it was the year NAFTA was implemented (1994).[11]

Throughout NAFTA, the U.S. imported on average 2.113 million head of live cattle per year from Canada and Mexico. It exported on average less than 147,000 head per year.[12] The beef equivalent of this average annual NAFTA trade deficit in cattle is approximately 1.5 billion pounds of beef.[13] This amount is added to United States' total beef production, which on average was 26 billion pounds per year.[14] Thus, beef from imported NAFTA cattle comprise approximately 6 percent of total U.S. beef production.

Throughout NAFTA, net exports (exports minus imports) of beef, beef variety meat, and processed beef to Canada and Mexico averaged negative 52 million pounds per year, meaning the U.S. maintains a negative trade balance with Canada and Mexico in the trade of beef, beef variety meat, and processed

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[9] Cattle, USDA-NASS (February 1996), at 17, available at http://usda.mannlib.cornell.edu/usda/nass/Catt//1990s/1996/Catt-02-02-1996.pdf.
[10] Cattle, USDA-NASS (Jan. 30, 2014), at 1 (lowest cow herd inventory since 1941), available at http://usda.mannlib.cornell.edu/usda/nass/Catt//2010s/2015/Catt-01-30-2015.pdf.
[11] Cattle, USDA-NASS (Jan. 31, 2018), at 4, available at http://usda.mannlib.cornell.edu/usda/nass/Catt//2010s/2018/Catt-01-31-2018.pdf; *see also*, Cattle, USDA-NASS (February 1995), the number of beef cows in 1994 was 34.7 million head, available at http://usda.mannlib.cornell.edu/usda/nass/Catt//1990s/1995/Catt-02-03-1995.pdf.
[12] *See* Cattle, Annual and Cumulative Year-to-date U.S. Trade (head), U.S. Dep't of Agriculture (USDA), Economic Research Service (ERS), available at https://www.ers.usda.gov/data-products/livestock-and-meat-international-trade-data/.
[13] R-CALF USA calculated the beef-equivalent of live cattle imports by multiplying annual import numbers times the average dressed weight for each year as reported by the USDA National Agriculture Statistics Service.
[14] *See, e.g.*, Beef: Supply and disappearance (carcass weight, million pounds) and per capita disappearance (pounds), USDA-ERS, available at http://www.ers.usda.gov/data-products/livestock-meat-domestic-data.aspx.

beef.[15] By adding the beef equivalent of the cattle trade deficit to the beef trade deficit, it is clear that under NAFTA the U.S. cattle industry has absorbed Canada and Mexico's overproduction and overcapacity, at the average rate of 1.6 billion pounds of beef each year.

Under NAFTA, the average net influx of 1.6 billion pounds of beef (including the beef equivalent of live cattle imports) each year from Canada and Mexico has displaced U.S. cattle and beef production, resulting in 20 percent fewer U.S. beef cattle operations and 3 million fewer mother cows since 1994. Because the USMCA changes nothing as it applies to beef and cattle trade between the United States, Mexico, and Canada, the economic harm to the U.S. supply chain will continue unabated for the duration of the USMCA and it should be expected that the hollowing out of rural communities will likewise continue.

The USMCA Will Continue to Dismantle the U.S. Cattle Industry's Critical Infrastructure and Will Continue to Encouraging the Outsourcing of the Domestic Cattle and Beef Supply Chains - An Unfavorable Trend Caused By NAFTA

The National Cattlemen's Beef Association (NCBA) represents the interests of the multinational beef packers seated on its governing board and, together, the NCBA and the multinational beef packers lobbied heavily to prevent any trade-related reforms in the USMCA to reverse the shrinking U.S. cattle industry.[16]

The NCBA affirmed its desire to continue substituting the domestic supply chain with inputs from foreign supply chains. In its 2017 NAFTA comments to the USTR, the NCBA stated:

> Simply put, we import cattle from Mexico and Canada to supplement shortages in our herds and to help our feed yards and packing facilities run at optimal levels. We import these cattle, invest American resources in these cattle, and they are slaughtered as American cattle, returning value to the U.S. producers who invested in them.[17]

Simply put, the effect of this policy position is contrary to the interests of independent U.S. cattle farmers and ranchers who want to strengthen both their U.S. cattle industry and the economies of their rural communities. This faulty policy position results in four harms to the U.S. cattle and beef supply chain:

1. It deprives U.S. cow/calf producers the opportunity to expand their U.S. cow herd because the demand for such expansion is preempted with foreign supply substitutes.
2. It rewards multinational beef packers and their contractually-aligned, multinational feedlots that favor the increased margins earned from purchasing cheaper imports over their support for strengthening the domestic cattle supply chain.
3. It severely limits production opportunities for aspiring cattle farmers and ranchers.
4. It enables multinational beef packers and their contractually-aligned, multinational feedlots to leverage down prices for domestic cattle.

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[15] Calculation made using the USDA Global Agricultural Trade System (GATS), available at https://apps.fas.usda.gov/gats/default.aspx.
[16] NCBA's NAFTA Comments, at 1, 10.
[17] *Id*., at 7.

Indeed, the NCBA claims the initial value of the foreign substitutes entering the U.S. supply chain was $1.6 billion in 2016.[18] That represents a $1.6 billion loss in economic activity within the U.S. cattle supply chain in 2016 alone, not to mention the additional loss associated with the influx of more NAFTA beef imports than NAFTA beef exports.

The USMCA Ensures that Multinational Beef Packers and Their Contractually-aligned, Multinational Feedlots Remain Shielded from Market Competition, Thus Empowering Them to Continue Substituting Domestic Production with Foreign Production Without the Consumers' Knowledge – An Unfavorable Trend Caused By NAFTA

Like its predecessor, the USMCA unequivocally eliminates competition between participants in the U.S. cattle supply chain and their counterparts in the foreign cattle supply chains of both Canada and Mexico. Under both agreements, the rules of origin for a beef product is the country in which the product shifts from one tariff harmonization heading chapter to another.[19] In other words, the origin for a beef is the country in which the animal is slaughtered.

This means that 10-year-old cows from Canada and Mexico can be shipped to the United States in sealed trucks, unloaded and immediately slaughtered in a beef packing plant in the United States, and all the resulting beef can be sold to unsuspecting American consumers as a "Product of U.S.A."

The federal government should not be sanctioning this type of consumer deception that deprives consumers of their ability to choose whether to support their domestic supply chain or foreign supply chains through informed purchasing decisions. It also should not be sanctioning this type of interference with competitive market forces that would otherwise allow the U.S. supply chain to promote and market beef that is exclusively of U.S. origin.

But the situation is even worse as not only is the beef derived exclusively from Canadian and Mexican cattle slaughtered in the United States eligible for the "Product of U.S.A." label; but also, beef from cattle slaughtered in Canada and Mexico is likewise eligible for the "Product of U.S.A." label if the beef is subject to even minimal processing in the United States, meaning that the current labeling requirement is not subject to the "substantial transformation" standard required by the Tariff Act of 1930.[20]

It is mindboggling that the USMCA would carve out protections against competitive market forces for multination companies that collectively source about 6 percent of their inputs from Canadian and Mexican cattle supply chains while simultaneously precluding domestic producers, whose collective

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[18] *See* NCBA's NAFTA comments, at 7 (stating, "For example, in 2016 there were 943,043 head of cattle imported from Canada at a value of $1,033,960,257. During the same time there were 764,970 head of cattle imported from Mexico at a value of $584,858,261").

[19] *See, e.g.,* Section B – Specific Rules of Origin, NAFTA Annex 401, available at http://tcc.export.gov/Trade_Agreements/All_Trade_Agreements/NAFTA_Annex_401_1.asp.

[20] Joel L. Greene, Cong. Research Serv., Country-of-Origin Labeling for Foods and the WTO Trade Dispute on Meat Labeling, 31 (Mar. 8, 2016), (stating with respect to imported meat that, "FSIS has considered even minimal processing, such as cutting a larger piece of meat into smaller pieces or grinding it for hamburger, enough of a transformation so that country markings are no longer necessary. Meat and poultry product imports must comply not only with the meat and poultry inspection laws and rules but also with Tariff Act labeling regulations. Because Customs generally requires that imports undergo more extensive changes (i.e., "substantial transformation") than required by USDA to avoid the need for labeling, a potential for conflict has existed between the two requirements."); *see also* Standards and Labeling Policy Book. U.S. Department of Agriculture Food Safety and Inspection Service. Office Policy, Program and Employee Development. Aug. 2005, (stating that eligibility for the 'Product of U.S.A." label is achieved when the product is processed in the United States).

contribution to U.S. beef production is about 94 percent, from competing against those import substitutes.

This is fundamentally wrong. It forces U.S. cattle farmers and ranchers to absorb undifferentiated, price depressing imports into their domestic supply chain without providing them any means to mitigate the resulting economic injury they incur. The USITC is knowledgeable that the price of cattle is highly sensitive to even small changes in supplies, finding in 2004 that "each 1 percent increase in fed cattle numbers would be expected to decrease fed cattle prices by 2 percent."[21] Using this industry rule-of-thumb alone, and not considering the additional negative impact on domestic prices when cheaper imports enter the marketplace, the 6 percent increase in undifferentiated foreign cattle supplies has likely depressed prices paid to domestic cattle farmers and ranchers, who exclusively sell cattle exclusively produced in the United States, by 12 percent each year.

The USMCA Locks-In the Multinational Beef Packers and Their Contractually-Aligned, Multinational Feedlots' Ability to Reverse Domestic Cattle Price Rallies with Import Surges

Despite the widely known fact that domestic cattle prices are highly sensitive to even small changes in supplies, the USMCA, like its predecessor, is void of any provisions to provide domestic cattle producers relief from price depressing import surges. Such a surge recently caused economic injury to U.S. cattle farmers and ranchers. Domestic cattle prices rallied for two years beginning in 2013 and then collapsed by an unprecedented 30 percent beginning in late 2014 and continuing through 2016.[22] As depicted in the chart below, the value of beef and cattle imports from Canada and Mexico increased an unprecedented 41 percent from 2013 to 2014, which contributed substantially to the 2015-2016 domestic price collapse.

Data from the USDA show that the number of live cattle imports from Canada and Mexico (cattle the NCBA described above as "American cattle" when they are slaughtered) increased 16 percent during the same time period.[23]

The Government Accountability Office (GAO) conducted an investigation and identified several factors that contributed to the 2015-2016 collapse in cattle prices. While the GAO expressly stated it "did not quantify or rank the impact of various factors" contributing to the price collapse, it found that two factors included "increases in the amount of beef in cold storage" and:

> [F]luctuations in the strength of the U.S. dollar, which would shift consumer purchases toward or away from relatively less expensive imported beef, as well as contribute to shifts in net exports—that is, total exports minus total imports.[24]

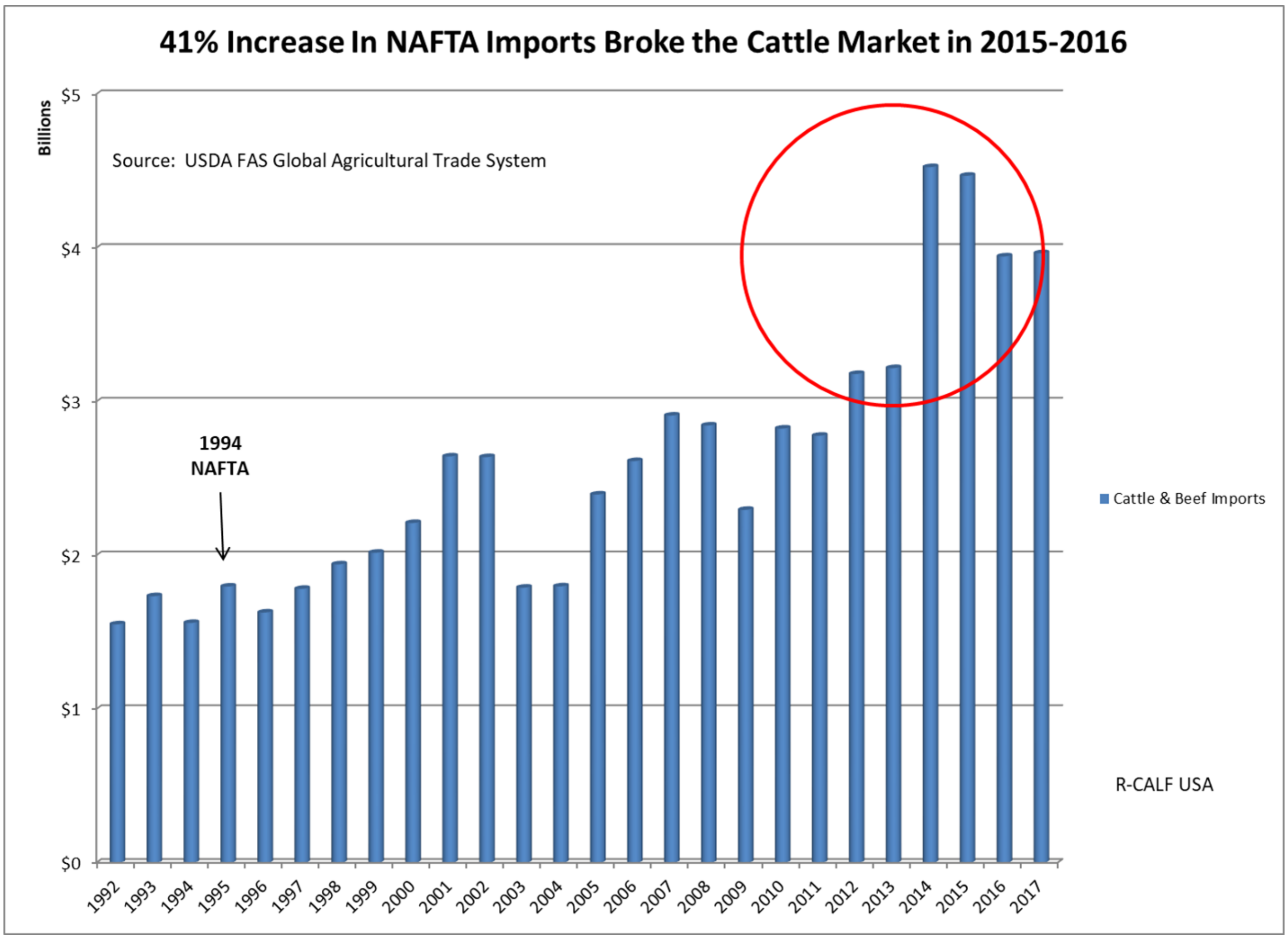
Importantly, Derrell S. Peel, Oklahoma State University Extension Livestock Marketing Specialist, confirms that:

[21] U.S.-Australia Free Trade Agreement: Potential Economywide and Selected Sectoral Effects, United States International Trade Commission (Publication 3697; May 2004) at 44, fn 26.
[22] *See* Additional Data Analysis Could Enhance Monitoring of U.S. Cattle Market, Government Accountability Office (GAO), GAO-18-296 (April 2018), at 8.
[23] *See* Cattle, Annual and Cumulative Year-to-date U.S. Trade (head), U.S. Dep't of Agriculture (USDA), Economic Research Service (ERS), available at https://www.ers.usda.gov/data-products/livestock-and-meat-international-trade-data/.
[24] Additional Data Analysis Could Enhance Monitoring of U.S. Cattle Market, Government Accountability Office (GAO), GAO-18-296 (April 2018),at 3, 14.

Changing flows of beef imports and exports may contribute to variation in cold storage inventories. For example, the build-up of cold storage in late 2015 was undoubtedly related to the dramatic increase in beef imports last year, most of which was frozen processing beef and was pulled out of cold storage over several months.[25]

The foregoing government and private experts have, therefore, confirmed an important truth: Import surges of "relatively less expensive imported beef," such as the 41 percent increase (by value) of imports from Canada and Mexico in 2014 contributed to the unprecedented price collapse that caused economic injury to U.S. cattle farmers and ranchers.

As indicated previously, the USMCA is void of any safeguards or any special rules with which to mitigate economic injury to the import-sensitive U.S. cattle industry. Under the USMCA, multinational beef packers and their contractually-aligned feedlot operators can continue making unilateral decisions to temporarily flood the U.S. market with cheaper, undifferentiated imports from Canada and Mexico. Consequently, the likely economic impact of the USMCA on the U.S. cattle industry will be periodic surges of price depressing imports causing substantially lower prices to be paid to U.S. cattle farmers and ranchers.



25 Beef Cold Storage Myths and Realities, Derrell S. Peel, Farm Talk (Nov. 29, 2016), available at https://www.farmtalknewspaper.com/news/beef-cold-storage-myths-and-realities/article_cd13836c-b640-11e6-bb8a-1307c5735181.html.

The Meatpacking Lobby's Mantra – That the U.S. Does Not Import the Same 'Beef' That It Exports – Does Not Apply to Either NAFTA or the USMCA

In its 2017 NAFTA submission to the USTR, the NCBA claims that it is a misconception that the U.S. imports the same 'beef' that it exports, claiming:

> [W]e export higher-value cuts like tongues and other offals while we import grass-finished beef trimmings to mix with our fattier trimmings to meet U.S. ground beef demand in commercial markets. Without beef imports we could not meet domestic demand for commercial ground beef and would likely lose those consumers to other lesser-value proteins.[26]

This is irrefutably false with respect to the U.S. trade in cattle and beef with Canada and Mexico. Below is a side-by-side report generated by data available on the USDA Foreign Agriculture Service's (FAS) Global Agricultural Trade System (GATTS) showing that in 2017 the U.S. imported from Canada and Mexico essentially the same 'beef' that it exported to Canada and Mexico. Indeed, the U.S. imported 2,274 metric tons of tongues from Canada and 34,709 metric tons of other offals from Canada and Mexico.

The meatpacking lobby has misled the USTR and other government officials in order to prevent needed NAFTA reforms. Unfortunately, the Administration allowed itself to be deceived and, consequently, has crafted a USMCA that ensures that multinational beef packers and their contractually-aligned feedlot operators can continue to depress domestic cattle prices by continually importing cheaper, undifferentiated 'beef' imports that are direct substitutes for U.S. beef production.

Area/Partners of Origin **January - December**
And General Commodities Imported **Quantities**

Partner	Product	UOM	2017 Qty
Canada			280,865.80
Canada	020130 - Bovine Boneless Fr/C	MT	220,833.90
Canada	020120 - Bovine Bone In Fr/Ch	MT	15,535.10
Canada	020629 - Bovine Offal Froz	MT	13,783.90
Canada	020230 - Bovine Boneless Froz	MT	9,619.30
Canada	160250 - Bovine Meat, Prep	MT	6,259.00
Canada	020610 - Bovine Offal Fr/Ch	MT	5,613.70
Canada	020110 - Bovine Carcass Fr/Ch	MT	3,964.30
Canada	020220 - Bovine Bone In Froz	MT	2,598.40
Canada	020621 - Bovine Tongues, Froz	MT	2,273.90
Canada	021020 - Bovine Meat, Salted	MT	212.7
Canada	020622 - Bovine Livers, Froz	MT	156.4
Canada	020210 - Bovine Carcass Froz	MT	15.1
Mexico			226,294.50
Mexico	020130 - Bovine Boneless Fr/C	MT	122,418.80
Mexico	020120 - Bovine Bone In Fr/Ch	MT	72,593.60
Mexico	020230 - Bovine Boneless Froz	MT	11,586.90
Mexico	020629 - Bovine Offal Froz	MT	9,791.10
Mexico	020610 - Bovine Offal Fr/Ch	MT	5,520.40
Mexico	020220 - Bovine Bone In Froz	MT	3,074.50
Mexico	160250 - Bovine Meat, Prep	MT	1,308.20
Mexico	021020 - Bovine Meat, Salted	MT	1
Mexico	020621 - Bovine Tongues, Froz	MT	0
Mexico	020622 - Bovine Livers, Froz	MT	0
Grand Total		MT	507,160.20

Area/Partners of Destination **January - December**
And Commodities Exported **Quantities**

Partner	Product	UOM	2017 Qty
Canada			116,561.30
Canada	020130 - Bovine Boneless Fr/C	MT	67,441.30
Canada	160250 - Bovine Meat, Prep	MT	25,381.60
Canada	020120 - Bovine Bone In Fr/Ch	MT	9,891.30
Canada	020629 - Bovine Offal Froz	MT	6,223.40
Canada	020230 - Bovine Boneless Froz	MT	4,871.90
Canada	020622 - Bovine Livers, Froz	MT	2,080.90
Canada	020220 - Bovine Bone In Froz	MT	311.3
Canada	020610 - Bovine Offal Fr/Ch	MT	196.5
Canada	020621 - Bovine Tongues, Froz	MT	155.2
Canada	021020 - Bovine Meat, Salted	MT	7.8
Canada	020110 - Bovine Carcass Fr/Ch	MT	0
Canada	020210 - Bovine Carcass Froz	MT	0
Mexico			191,778.30
Mexico	020130 - Bovine Boneless Fr/C	MT	109,621.70
Mexico	020629 - Bovine Offal Froz	MT	54,323.30
Mexico	020230 - Bovine Boneless Froz	MT	19,956.40
Mexico	020622 - Bovine Livers, Froz	MT	2,465.60
Mexico	020120 - Bovine Bone In Fr/Ch	MT	1,417.10
Mexico	020610 - Bovine Offal Fr/Ch	MT	1,242.50
Mexico	160250 - Bovine Meat, Prep	MT	928.5
Mexico	020220 - Bovine Bone In Froz	MT	871.3
Mexico	020621 - Bovine Tongues, Froz	MT	733.4
Mexico	020110 - Bovine Carcass Fr/Ch	MT	137.1
Mexico	021020 - Bovine Meat, Salted	MT	73.7
Mexico	020210 - Bovine Carcass Froz	MT	7.8
Grand Total		MT	308,339.50

What these data also show is that the U.S. imports from Canada and Mexico nearly 200,000 metric tons more beef than it exports to those countries, forcing the U.S. to absorb Canada and Mexico's overproduction and oversupply to the economic detriment of the U.S. cattle supply chain.

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[26] NCBA's NAFTA Comments, at 3.

The Multinational Beef Packers and Their Contractually-Aligned Feedlot Operators Further Deceive the Federal Government By Omitting the Effects of Imports on Domestic Cattle Prices

The NCBA claims that the value of beef exports accounts for over $300 for each head of fed cattle slaughtered in America.[27] It arrives at this misleading amount by using the elementary formula of dividing the total value of exports by the total number of fed cattle slaughtered in the United States. If this formula is applied to trade under both NAFTA and the USMCA, it reveals that the value of U.S. exports under NAFTA was approximately $1.9 billion in 2017.[28] This amount would then be divided by the 25.4 million fed cattle slaughtered in the U.S. in 2017.[29] The result, according to the NCBA's formula, is that the value of NAFTA exports for each head of fed cattle slaughtered is $75 per head.

But, this is formula completely ignores the countervailing impact of imports – it omits the fact that trade results in a net amount, which could be negative if more is imported than exported. To arrive at the value of net exports, the same formula must be applied to the value of imports. Doing so reveals that the value of imports purchased from Canada and Mexico was approximately $4 billion in 2017.[30] Dividing this total value by the number of fed cattle slaughtered reveals that imports represented approximately $157 per head.

Thus, the value of net exports as a result of current trade with Canada and Mexico is a loss of $82 for each head of fed cattle slaughtered in the United States in 2017 (exports minus imports). By withholding the impact of imports from the calculation of trade outcomes, the multinational beef packers and their contractually-aligned feedlot operators successfully convinced the Administration to solidify their inequitable advantage in the USMCA.

The Multinational Beef Packers and Their Contractually-Aligned Feedlot Operators' Argument for No Changes in the USMCA for the Beef and Cattle Industries Based on Population Fails When Applied to the Rapid Population Growth In the United States

The NCBA asserts that no changes should be made to NAFTA because it allows the entire U.S. cattle and beef supply chain to capitalize on U.S. beef sales to the 96 percent of global consumers who reside outside the United States.[31] However, the population of the U.S. alone increased approximately 47 percent (by approximately 103 million people) since 1976.[32] Yet, today's U.S. beef industry production at 26.3 billion pounds is only slightly above its beef production in 1976, which was 26 billion pounds.

Clearly, the current structure and trajectory of the U.S. cattle and U.S. beef industries has rendered them ineffective in capitalizing on U.S. beef sales to the rapidly growing population of U.S. consumers within the borders of the United States. The pie-in-the-sky rhetoric from the meatpacking lobby is just

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[27] NCBA's NAFTA Comments, at 2.
[28] Data obtained using the USDA Global Agricultural Trade System (GATS), available at https://apps.fas.usda.gov/gats/default.aspx.
[29] *See* Livestock Slaughter 2017 Summary, USDA National Agricultural Statistics Service, April 2018, at 17, available at http://usda.mannlib.cornell.edu/usda/current/LiveSlauSu/LiveSlauSu-04-18-2018.pdf.
[30] Data obtained using the USDA Global Agricultural Trade System (GATS), available at https://apps.fas.usda.gov/gats/default.aspx.
[31] NCBA's NAFTA Comments, at 2.
[32] *See* Beef: Supply and disappearance (carcass weight, million pounds) and per capita disappearance (pounds), USDA Economic Research Service, available at https://www.ers.usda.gov/data-products/livestock-meat-domestic-data/livestock-meat-domestic-data/#Beef.

that, rhetoric. And, the USMCA ensures that the present structure and present trajectories of our domestic cattle and beef supply chains will remain on their respective, unfavorable courses.

Conclusion

The likely impact of the USMCA on the U.S. cattle industry will be substantial, and it will be negative.

The USMCA will continue to stifle investments in both U.S. packing plants and U.S. feedlots, particularly small feedlots upon which many rural communities are dependent.

The USMCA will continue to cause, if not accelerate, the exodus of beef cattle operations in the U.S. and the shrinking of the U.S. cattle herd.

The USMCA will continue the dismantling of the U.S. cattle industry's critical infrastructure and will continue to encourage the outsourcing of the U.S. cattle and beef supply chains. It will accomplish this by exacting economic injury on the U.S. cattle supply chain resulting from the unlimited influx of cheaper priced, direct product substitutes – undifferentiated imports of the same products produced by U.S. cattle farmers and ranchers.

The USMCA will shield the dominant multinational beef packers and their contractually-aligned, multinational feedlots from market competition while simultaneously precluding U.S. cattle farmers and ranchers from competing against their foreign counterparts in Mexico and Canada.

Finally, the USMCA gifts to multinational beef packers and their contractually-aligned feedlots the power to reverse domestic cattle price rallies and, concurrently, to effectively manage the price of domestic cattle.

Sincerely,

Bill Bullard

William Bullard, CEO