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R-CALF USA SUMMARY

Regarding Likely Impacts of the U.S.-Mexico-Canada Agreement on the U.S. Cattle Industry

The U.S.-Mexico-Canada Agreement (USMCA) incorporates the same provisions contained in the 1994 North American Free Trade Agreement (NAFTA) regarding cattle and beef trade. The results of those provisions are now known and measurable. Those results are substantially negative and include:

1. Twenty percent of all U.S. beef cattle operations exited the industry from 1994 to 2012, based on latest available census data.
2. Seventy-five percent of all U.S. cattle feedlots exited the industry from 1996 to 2017.
3. By 2014, the U.S. beef cow herd declined to the lowest level in seven decades and today is nearly three million head less than it was in 1994.
4. Forty-eight U.S. beef packing plants exited the industry between 1995-2014, and there have been very few new entrants into the sector or new packing plants built.
5. The average annual returns per bred cow for U.S. cow/calf producers declined from an average of $50 during the seven years prior to 1994 to only $37 from 1994 through 2017.
6. The only years cow/calf returns per bred cow exceeded the NAFTA period's $37 average were in 2004-2005 when the U.S. banned Canadian cattle imports; and after the 2009 implementation of country-of-origin labeling (COOL).
7. Under NAFTA, the U.S. cattle industry suffered on average an annual $1.4 billion deficit in the trade of cattle, beef, beef variety meats and processed beef, resulting in a cumulative NAFTA trade deficit of negative $31 billion.
8. In 2014, the U.S. cattle industry suffered a 41 percent value-based import surge from Canada and Mexico, resulting in the collapse of U.S. cattle prices beginning in 2015.
9. The U.S. cattle producers' share of every consumer beef dollar declined from 56 percent the year before NAFTA to just 45 percent in 2017; consequently, packer margins reached unprecedented levels in recent years, averaging $216 per head from 2016 through mid-2018.
10. Average returns to U.S. cattle feeders during the past 18 years under NAFTA were a negative $20.40 per head per month.

The substantially negative impacts that NAFTA wrought upon the U.S. cattle industry were predictable. NAFTA was fundamentally flawed upon its inception. Its provisions empowered multinational beef packers to indiscriminately displace domestic cattle and beef production with cheaper, undifferentiated imports of both cattle and beef. This substantially weakened the U.S. live cattle supply chain and has caused the dismantling of the domestic supply chain's critical marketing channels and infrastructure, which has substantially reduced competition for the industry and is contributing to the hollowing out of America's rural communities.

The proposed USMCA incorporates NAFTA's fundamentally flawed provisions. It is expected that the USMCA will now cause the elimination of the critical mass of competitive marketing channels and industry infrastructure needed to sustain an independent family farm and ranch system of cattle production in the United States. Thus, the new USMCA will accelerate the destruction of the U.S. cattle industry as we know it today.