

Before the  
**United States Senate Committee on Finance**

In the Matter of  
**Implementation and Enforcement of the United States –  
Mexico – Canada Agreement: One Year After Entry into  
Force**

Tuesday, July 27, 2021

**Statement for the Hearing Record**

by

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Sent via U.S. Mail and E-Mail ([Statementsfortherecord@finance.senate.gov](mailto:Statementsfortherecord@finance.senate.gov))

Dear Chairman Ron Wyden, Ranking Member Mike Crapo, and Members of the Committee:

The Ranchers Cattlemen Action Legal Fund United Stockgrowers of America (R-CALF USA) appreciates this opportunity to present this statement to the U.S. Senate Committee on Finance regarding its July 27, 2021 hearing on *Implementation and Enforcement of the United States – Mexico – Canada Agreement: One Year After Entry into Force*.

R-CALF USA is the largest U.S. trade association that exclusively represents United States cattle farmers and ranchers within the multi-segmented beef supply chain. Its thousands of members reside in 45 states and include cow-calf operators, cattle backgrounders and stockers, and feedlot owners. R-CALF USA also represents U.S. sheep producers.

While several sectors of the U.S. economy report benefits arising from the renegotiated U.S.-Mexico-Canada Agreement (USMCA), the agreement has failed the United States cattle industry. More than any other multilateral free trade agreement, the USMCA and its North American Free Trade Agreement (NAFTA) predecessor have severely weakened the United States' single largest segment of American agriculture – America's family farm and ranch system of cattle raising.<sup>1</sup>

The manifest proof of this claim is revealed by the three charts below. Chart 1 shows the United States' value-based trade deficit in the trade of cattle, beef, beef variety meat and processed beef with Mexico and Canada.<sup>2</sup> The U.S. value-based trade deficit has worsened considerably since NAFTA, with the cumulative deficit since 1994 now at \$40.1 billion. During the past seven years, while the relationship between the value of domestic cattle and the value of retail beef has severed, causing severe strain on U.S. cattle producers, the U.S. trade deficit with Mexico and Canada

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<sup>1</sup> See Annual cash receipts by commodity, U.S. and States, 2008-2021F, Farm Income and Wealth Statistics, U.S. Department of Agriculture (USDA) Economic Research Service (ERS), available at <https://data.ers.usda.gov/reports.aspx?ID=17845> (cash receipts from cattle and calves (\$66 billion in 2019) are higher than any other single commodity).

<sup>2</sup> Charts 1 and 2 were produced using the USDA Foreign Agriculture Service's (FAS's) Global Agriculture Trade System (GATS) data incorporating the six-digit harmonized tariff code subheadings identified by the U.S. International Trade Commission (USITC) as accounting for trade in beef, and subheadings for live cattle were then added to this list. See Global Beef Trade: Effects of Animal Health, Sanitary, Food Safety, and Other Measures on U.S. Beef Exports, USITC Publication 4033, September 2008, at 1-4, 1-5.

increased to historically high levels. Since 2014, the U.S. sold on average less than \$2 billion in cattle and beef to Canada and Mexico, while it purchased over \$4.4 billion on average of the very same products from those two countries. In other words, the U.S. imports from Canada and Mexico about two and one-half times the value of beef and cattle that it exports to those countries.

**Chart 1**

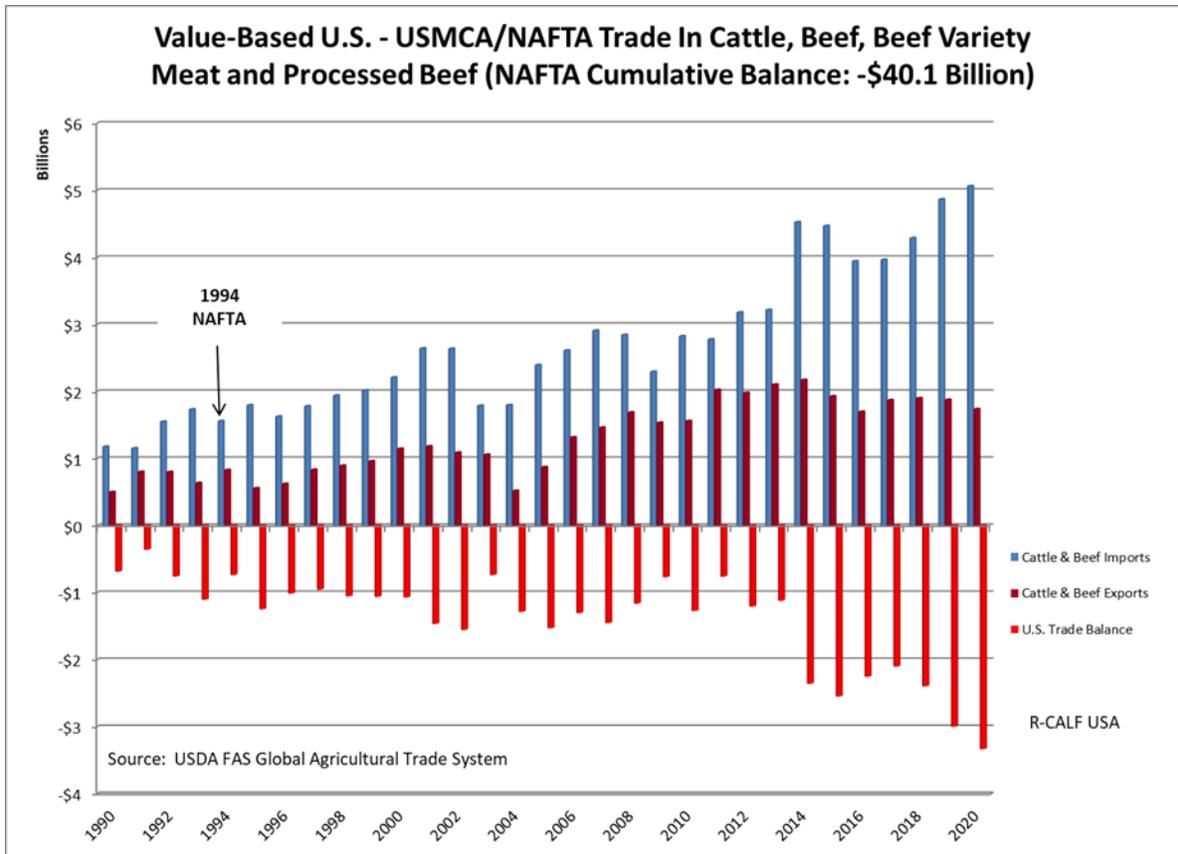
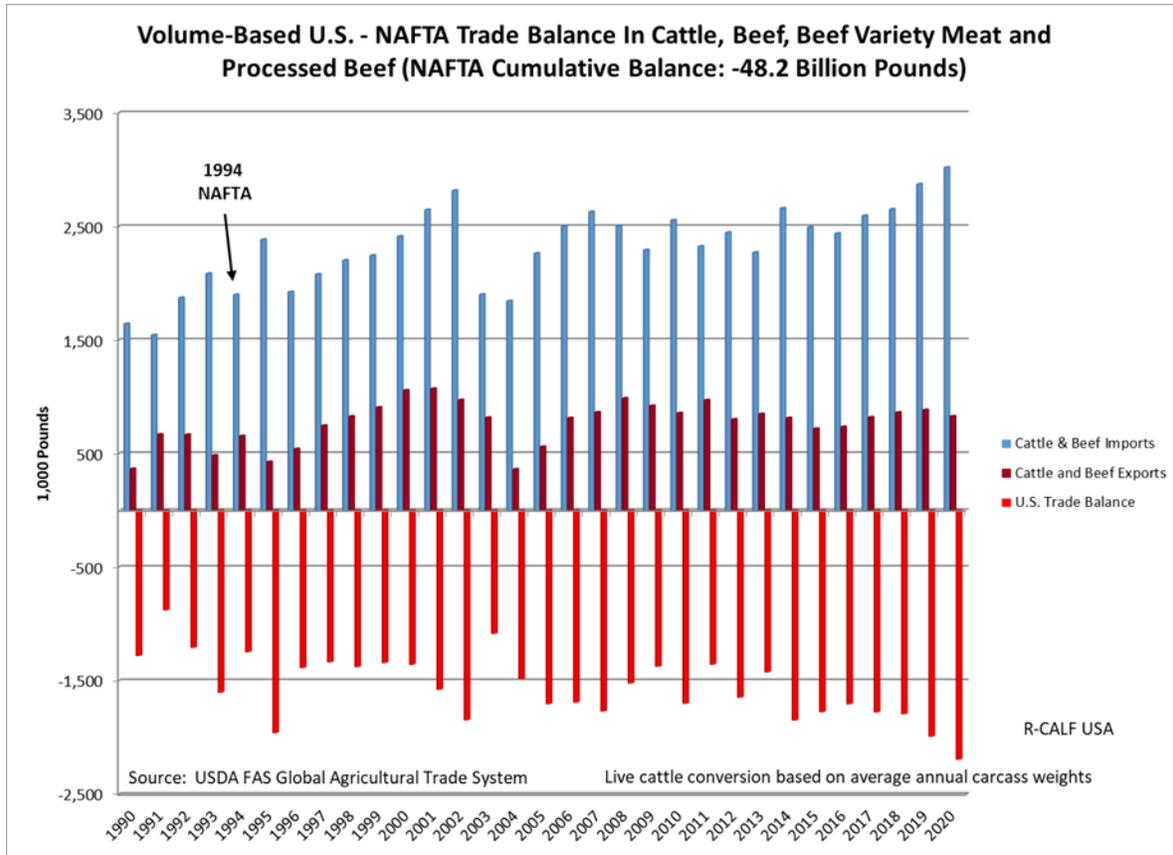


Chart 2 below depicts volume-based trade with Mexico and Canada using the same cattle and beef commodities contained in Chart 1 above. Chart 2 likewise reveals a horrendous volume-based deficit in the trade of cattle and beef with Canada and Mexico, amounting to a cumulative 48.2-billion-pound deficit since NAFTA and a marked worsening during the past several years. It shows that during the past seven years the U.S. imported on average 2.7 billion pounds of cattle and beef from Canada and Mexico while exporting less than 1 billion pounds of the same products to those countries. In other words, the U.S. imports from Canada and Mexico about three and one-half times the quantity of beef and cattle that it exports to those countries.

**Chart 2**

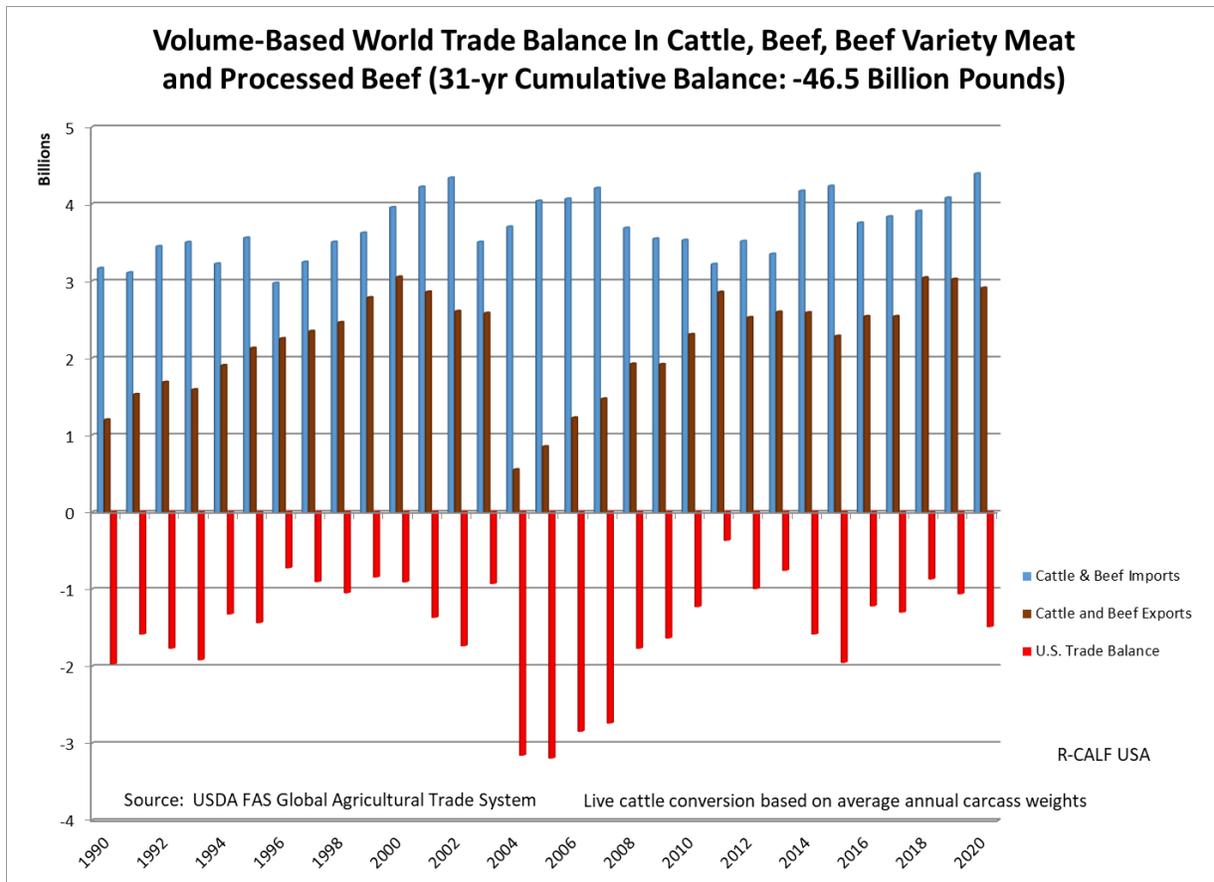


From 2012 to 2016, Australia was the largest exporter of beef and veal to the United States, but from 2017 to the present, Canada surpassed Australia as the largest exporter of beef and veal to the United States.<sup>3</sup> This means the United States’ largest beef importer is now a country that produces beef of comparable quality to U.S.-produced beef – grain fed beef – which is a direct and indistinguishable substitute for U.S.-produced beef.

The trade in cattle and beef under the USMCA is so out of balance that the United States cattle industry cannot benefit from beef exports to Asia or other parts of the world. This is because the United States’ world beef and cattle exports are insufficient in both value and volume to overcome the horrendous USMCA trade deficit. As depicted in Chart 3 below, the United States’ world beef trade merely helps to mitigate (*i.e.*, reduce) the USMCA deficit, but does not overcome it.

<sup>3</sup> See Beef and veal: Annual and cumulative year-to-date U.S. trade (carcass weight, 1,000 pounds), USDA-ERS, available at <https://www.ers.usda.gov/data-products/livestock-and-meat-international-trade-data/>.

**Chart 3**



Using 2020 as a comparative example, Chart 3 above reveals the United States’ volume-based world trade balance was a negative 1.5 billion pounds. But Chart 2 above reveals that the United States’ volume based USMCA trade balance alone was a negative 2.2 billion pounds. Thus, the United States is unable to overcome its USMCA-based trade deficit by trading with the rest of the world. This means, at best, the United States engages in beef and cattle trade with the rest of the world to help mitigate its USMCA trade deficit.

Also using 2020 as a comparative example, but this time to determine if the USMCA’s value-based trade deficit likewise surpasses the value of the United States’ world beef trade, data generated by the U.S. Department of Agriculture Foreign Agricultural Service’s Global Agricultural Trade System show the United States’ value-based world trade balance was a negative \$1.1 billion in 2020. But, again, as revealed above in Chart 1, the United States’ value based USMCA trade balance alone that year was a negative \$3.3 billion. Thus, in 2020 the United States merely reduced its \$3.3 billion USMCA trade deficit to a \$1.1 billion world trade deficit by trading with the rest of the world.

The U.S. live cattle supply chain – consisting of America’s three-quarters of a million family cattle farmers and ranchers – cannot be expected to prosper when multinational beef packers, processors and importers continually source greater quantities of undifferentiated beef and cattle from Mexico and Canada. Yes, the multinational beef packers, processors and importers are benefiting greatly from sourcing more and more cattle and undifferentiated beef from Mexico and Canada – as those imports are direct substitutes for U.S. cattle and beef and act to leverage down domestic cattle prices. Thus, the multinational companies’ benefits come at considerable expense to United States cattle producers.

Due to the cattle industry’s inability to respond quickly to changes in supply – a direct function of cattle having the longest biological cycle of any farmed animal<sup>4</sup> and the perishable nature of both fed cattle and beef itself – imports of both beef and cattle effectively increase supplies in the domestic market (and are direct, undifferentiated substitutes for domestic production) and have a lasting impact on domestic herd size, production potential, and economic opportunities for participants in the domestic live cattle supply chain (*i.e.*, for independent cattle farmers and ranchers).

That undifferentiated beef and cattle imports from Canada and Mexico function as direct substitutes for U.S. cattle and beef and cause the exodus of U.S. beef cattle operations, shrinkage of the U.S. cattle herd, and elimination of opportunities for aspiring cattle farmers and ranchers was evidenced in the 2018 U.S. International Trade Commission (USITC) investigation into the USMCA.

During the investigation, the North American Meat Institute (NAMI) testified that, “The Northwest region imports 227,000 head of Canadian fat cattle per year representing approximately 19 percent of processing capacity in the region. Additionally, another 55,000 of Canadian feeder cattle are imported annually into Oregon, Washington, and Idaho, representing 8 percent of the one-time [packing] capacity [in that region].”<sup>5</sup>

The National Cattlemen’s Beef Association (NCBA) testified that “especially in the Pacific Northwest,” imports of Canadian and Mexican cattle “have supplemented seasonal shortages in our herd and helped our feed yards and packing facilities run at optimal levels.”<sup>6</sup>

Data show the number of beef cattle operations in the states of Washington, Oregon, and Idaho (the Pacific Northwest or Northwest), declined from 38,500 beef cattle farms in 1994, the year NAFTA was implemented,<sup>7</sup> to just 28,992 beef cattle farms by 2017, the latest available census

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<sup>4</sup> Economic Models of Cattle Prices, How USDA Can Act to Improve Models to Explain Cattle Prices, U.S. Government Accountability Office (formally the General Accounting Office), (GAO-020246, March 2002), at 30.

<sup>5</sup> United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors, November 16, 2018, Investigation No. TPA-105-003, United States International Trade Commission, Hearing Transcript, at 499-500.

<sup>6</sup> *Id.*, at 504.

<sup>7</sup> See Cattle, USDA-National Agricultural Statistics Service (NASS), February 1995, at 13, available at <https://downloads.usda.library.cornell.edu/usda-esmis/files/h702q636h/wm117r357/bc386m73s/Catt-02-03-1995.pdf>.

data.<sup>8</sup> This represents a 25% decline in the number of Pacific Northwest beef cattle farms and ranches under NAFTA.

Data also show the total number of beef cows in those same states declined from 1.46 million head in 1994<sup>9</sup> to only 1.22 million head in 2021<sup>10</sup>, representing a 16% decline in the number of beef cows in the states of Washington, Oregon, and Idaho under NAFTA.

Thus, while the U.S. was importing 282,000 head of both fat cattle and feeder cattle from Canada and/or Mexico into the Pacific Northwest (this according to the NAMI testimony cited above), and producing undifferentiated beef from those imported cattle, the domestic beef cow herd in the Pacific Northwest shrank by about 240,000 head of cattle and over 9,500 beef cattle farms and ranches exited the U.S. cattle supply chain.

These data and admissions by both the NAMI and NCBA fully support R-CALF USA's position that increased imports of cattle from which undifferentiated beef is produced has substantively harmed the U.S. cattle supply chain by displacing U.S. cattle operations and U.S. cattle. While these empirical data provide specific evidence for the Pacific Northwest, nationwide evidence of the shrinking numbers of cattle farms and ranches and the declining number of cattle in the U.S. herd provides every indication that this same import-related harm is being exacted in every state.

This outcome of the USMCA – an agreement that facilitates unlimited and undifferentiated imports of beef and cattle from Canada and Mexico – is opposite of what needs to occur to strengthen the United States beef supply chain. Only by making meaningful reforms to the USMCA can the United States expect to begin rebuilding its continually shrinking U.S. cattle and beef supply chain.

The imbalanced trade with Canada and Mexico under the USMCA is contributing significantly to the inability of U.S. cattle producers to expand production, or to remain profitable even in the wake of increasing domestic beef demand, increasing beef consumption, and increasing wholesale and retail beef prices. As a direct result, U.S. cattle producers, their domestic live cattle supply chain, and the rural communities they support are being irreparably harmed.

More recently – soon after the March 2020 outset of the COVID-19 pandemic – U.S. cattle producers, with perishable, slaughter-ready cattle that needed to be marketed, could not get a bid for their cattle from domestic beef packers for as long as seven weeks.<sup>11</sup> Meanwhile, the

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<sup>8</sup> See Table 12, Cattle and Calves – Inventory, 2017 and 2012, State Level Data, available for WA, OR, and ID, at [https://www.nass.usda.gov/Publications/AgCensus/2017/Full\\_Report/Census\\_by\\_State/index.php](https://www.nass.usda.gov/Publications/AgCensus/2017/Full_Report/Census_by_State/index.php).

<sup>9</sup> See Cattle, USDA-National Agricultural Statistics Service (NASS), February 1995, at 5, available at <https://downloads.usda.library.cornell.edu/usda-esmis/files/h702q636h/wm117r357/bc386m73s/Catt-02-03-1995.pdf>.

<sup>10</sup> See Cattle, USDA-NASS, January 2021, at 6, available at <https://downloads.usda.library.cornell.edu/usda-esmis/files/h702q636h/n009ww19g/9880wj45t/cat10121.pdf>.

<sup>11</sup> See We're fighting for a way of life: Pandemic causes Iowa cattle farmers to lose money while consumers pay more, Donnelle Eller, Des Moines Register (November 12, 2020), available at <https://www.desmoinesregister.com/story/money/business/2020/11/12/covid-19-exposes-dysfunction-cattle-industry-why-cattle-producers-losing-money-when-consumers-paying/6076820002/>.

multinational beef packers continued importing tens of thousands of head of slaughter-ready cattle from Canada,<sup>12</sup> prompting R-CALF USA to issue the warning that imports are displacing U.S. cattle producers' access to their own domestic markets.<sup>13</sup>

But issuing warnings do little for America's cattle producers unless decision makers respond, which has not yet been the case. R-CALF USA urges the U.S. Senate Committee on Finance to take decisive action to rebalance the untenable cattle and beef trade imbalance memorialized under the USMCA. At the very least, and as a first step, we urge you to take steps to assist America's cattle farmers and ranchers by giving them the ability to compete in their own domestic market by differentiating their USA-produced beef from foreign beef and beef from foreign cattle.

Congress should move quickly and decisively to accomplish this by introducing and passing new mandatory country-of-origin labeling (mCOOL) legislation to require all beef in U.S. commerce to be conspicuously labeled as to where the animal from which the beef was derived was born, raised, and harvested.

Again, thank you for this opportunity and please let me know what additional information you might need as you investigate this systemic failure of the USMCA.

Sincerely,



Bill Bullard, CEO

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<sup>12</sup> Canadian cattle imported into the U.S. for immediate slaughter at U.S. beef packing plants after the March 2020 onset of COVID-19 included 41.9 thousand in April, 47.7 thousand in May, 46.5 thousand in June, 36 thousand in July, 32.3 thousand in August, 41.8 thousand in September, and 47.4 thousand in October. See Cattle: Monthly U.S. trade (head), Data Set, USDA ERS, available at <https://www.ers.usda.gov/data-products/livestock-and-meat-international-trade-data/#Monthly%20U.S.%20Livestock%20and%20Meat%20Trade%20by%20Country>.

<sup>13</sup> R-CALF USA: Imports Are Displacing U.S. Cattle Producers' Access to American Markets, R-CALF USA, Tri-State Livestock News (April 25, 2020), available at <https://www.tsln.com/news/r-calf-usa-imports-are-displacing-u-s-cattle-producers-access-to-american-markets/#:~:text=While%20widespread%20reports%20abound%20of%20American%20cattle%20producers,cattle%20producers%E2%80%99%20access%20to%20their%20own%20domestic%20market>.