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

November 3, 2025

Mr. Daniel Watson
Assistant U.S. Trade Representative for the Western Hemisphere
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Via Electronic Portal: https:// comments.ustr.gov/s/

Re: R-CALF USA's Pre-hearing Submission in Docket No. USTR–2025–0005: Hearing on the Operation of the Agreement between the United States of America, the United Mexican States, and Canada

Dear Mr. Watson:

On behalf of the Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA), I previously submitted a request to appear and a summary of testimony for the hearing on the Operation of the Agreement between the United States of America, the United Mexican States, and Canada, docket number USTR–2025–0005. Below please find my pre-hearing submission.

R-CALF USA is a national, non-profit association representing approximately 4,000 independent U.S. cattle farmers and ranchers and sheep producers in 42 states. It is the largest U.S. 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 producers, whose farming and ranching businesses are vital to America's rural economy. R-CALF USA's membership consists of independent cow-calf operators, cattle backgrounders and stockers, cattle and sheep feedlot owners, and sheep producers. Various main street businesses are associate members of R-CALF USA.

Pre-hearing Submission

A. For the U.S. Cattle Industry, the USMCA Is Still NAFTA

The United States-Mexico-Canada Agreement (USMCA) was implemented in 2020 following the renegotiation of its antecedent agreement, the 1994 North American Free Trade Agreement (NAFTA). The NAFTA imposed no tariffs or tariff rate quotas on imports of live cattle, beef, live sheep, lamb, or mutton from either Canada or Mexico. In addition, the NAFTA defined the rules of origin for beef, lamb and mutton as the country in which the product shifts from one tariff harmonization heading chapter to another.[1] In other words, the origin for beef and lamb is the country in which the animal is slaughtered.

The USMCA made no changes to the NAFTA's trade rules pertaining to the trade of cattle, beef, sheep, lamb, or mutton, nor did it make any changes to its applicable rules of origin. Therefore, with respect to the trade of cattle, beef, sheep, lamb, and mutton, the USMCA represents an unaltered continuation of the NAFTA since its implementation in 1994. In other words, for America's cattle and sheep producers, USMCA is still NAFTA.

B. The U.S. Cattle Industry's USMCA Interest

The three-part goal of this public consultation process and subsequent USMCA review should be to determine if the operation of the USMCA ensures the United States can maintain its national security objective of achieving near self-reliance in the production of life-sustaining food staples such as beef; that it can maintain a robust, disaggregated domestic cattle and beef supply chain that is resilient and capable of withstanding market shocks from unexpected climatic, disease, or geopolitical disruptions; and that it can maintain economically viable and vibrant rural communities all across America.

To achieve this three-part goal, the objective of the USMCA must be to incentivize the domestic cattle industry to maintain domestic production that keeps pace with domestic beef consumption. It must foster the maintenance of perhaps a million or more widely dispersed but disaggregated beef cattle operations and a multitude of decentralized and widely dispersed feeding and packing and processing facilities. And, it must ensure that competitive market signals initiated by consumers are not suppressed, deflected, or otherwise interfered with by any dominant intermediaries before reaching U.S. cattle producers.

Not only has the operation of the USMCA prevented the United States cattle and sheep industries from achieving those critical objectives; but it has significantly undercut national security, increased the domestic beef supply chains' vulnerability to disruption, and hollowed out rural communities across America.

C. The USMCA Saddles the U.S. Cattle Industry with a Huge and Persistent Trade Deficit

The United States maintains a huge and persistent quantity-based trade deficit in the trade of cattle (converted to a beef equivalent[2]) and beef with Canada and Mexico that jeopardizes the economic viability of the U.S. cattle industry. Since the USMCA's inception (the period from 2020-2024) the U.S. imported on average ~2.960 B pounds of beef and cattle from Canada and Mexico each year while exporting to them each year on average only ~892 M pounds of the same products, leaving the U.S. awash in ~2.064 B pounds of net imports on average each year for the past five years.[3] In other words, each year the U.S. imports over three times the quantity of beef and cattle from Canada and Mexico than it exports to them.

This huge and persistent USMCA-induced trade deficit is a contributing factor to the ongoing contraction of the U.S. cattle industry as it has reduced demand for domestic live cattle in the U.S.

[1] *See, e.g.,* Section B – Product Specific Rules of Origin, USMCA, at 4-B-2, available at [04 Rules of Origin.pdf]().
[2] When calculating total import/export quantities, cattle are converted to their beef equivalent by multiplying the number of imported/exported cattle by each year's average cattle carcass weight. This methodology is like that used by the beef checkoff program to convert imported beef to a live cattle equivalent for purposes of assessing the $1 per head assessment on imported beef.
[3] *See* Addendum, Chart 1.

beef supply chain, put downward pressure on domestic cattle prices, and disincentivized the rebuilding and expansion of the U.S. cattle industry's beef cow herd.

Lest there be doubts regarding the adverse effect of Canada and Mexico's persistent quantity-based trade deficit on the U.S. economy, a review of the United States' value-based trade in cattle and beef with Canada and Mexico mollifies any such doubts by demonstrating a direct financial drain on the U.S. economy.

During the same period since the USMCA's inception discussed above (2020-2024) the U.S. purchased on average ~$6.453 B in beef and cattle from Canada and Mexico each year while selling to them each year on average only ~$2.208 B of the same products, leaving the U.S. awash in ~$4.245 B in net purchases on average each year for the past five years.[4] In other words, each year the U.S. purchases nearly $3 B more beef and cattle from Canada and Mexico than it sells to them.

The USMCA has incentivized a growing dependency on foreign beef and cattle supplies that supplant domestic beef production, displacing U.S. cattle producers and their cattle. This explains why the domestic cattle herd continues its decades-long contraction even in the face of record beef prices and growing domestic beef consumption.

D. The U.S. Cattle Industry Is Contracting Under the USMCA

Since the inception of NAFTA in 1994, the U.S. cattle industries' competitive infrastructure (i.e., its cattle farms and ranches, mother cow herd, and feedlots) has severely eroded. There were 900,680 industry participants (i.e., beef cattle farms and ranches) in 1994, but by 2022 (last available census data), the number of beef cattle farms and ranches fell to 622,160, a 31% decrease.[5]

The industry's production capacity 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, the U.S. began liquidating its mother cow herd. Though it tried to expand slightly from 2005 to 2007, the herd liquidation resumed and by 2014 (the 21st year of NAFTA), the U.S. mother-cow herd had shrunk to the smallest size in more than seven decades,[6] it again tried to recover only to resume its liquidation in 2018; and by 2025, the U.S. mother cow herd shrank even farther than it had in 2014, to the historical low of ~27.9 million head, representing a ~22% decrease in the mother cow herd since 1994.[7]

The last segment of the live cattle supply chain is the feedlot segment that purchases cattle weighing approximately 900 lbs. and feeds them to the slaughter weight of approximately 1,300 lbs., at which time they are sold to the beef packer to be manufactured into consumable beef products. While the numbers of domestic cattle farms and ranches and cattle herd inventory shrank, so too did the number of U.S. feedlots, particularly feedlots with a one-time capacity of less than 1,000 head commonly referred to as farmer/feeders. Under NAFTA/USMCA, from 1996 through 2024, 86,000

[4] *See* Addendum, Chart 2.
[5] Cattle, USDA-NASS (January 1997), at 17, available at Catt-01-31-1997.pdf; *see also* Table 1 Historical Highlights: 2022 and Earlier Census Years, Census of Agriculture, U.S. Department of Agriculture (USDA) National Agricultural Statistics Service (NASS), 2022 Census Volume 1, Chapter 1: U.S. National Level Data, available at st99_1_001_001.pdf.
[6] 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.
[7] *See* Addendum, Chart 3; *see also* Cattle, USDA-NASS (Jan. 31, 2025), at 4, available at Cattle 01/31/2025; see also Cattle, USDA-NASS (January 1997), at 10 (the U.S. beef cow herd shrank from 35.6 million head to 27.9 million head from 1994 to 2025), available at Catt-01-31-1997.pdf.

farmer/feeders exited the industry, representing a ~77% decline in the total number of domestic feedlots.[8]

E. The USMCA Undercuts the U.S. Cattle Industry's Ability to Meet Domestic Consumption

The dismantlement of the domestic cattle industry's competitive infrastructure, as measured by the reduced number of beef cattle farms and ranches, the beef cow-herd inventory, and the number of feedlots would be expected in a national market with declining domestic beef consumption. But this does not describe the United States' market in which domestic consumption increased by approximately 13% from 1994 through 2024, while domestic beef production increased only about 10% during the same period. This reveals that under the USMCA, the U.S. cattle industry has not kept pace with the United States' growing appetite for beef and imported beef from foreign-born cattle from Canada and Mexico, which increased 63% over this same period, has undercut the U.S. cattle industry's opportunity to meet the United States growing population and attendant increased consumption of beef.[9]

F. The Unique Sensitivities of the U.S. Cattle Industry

In analyzing the effects of the USMCA on the largest segment of American agriculture it is essential for policymakers to understand the unique characteristics of the U.S. cattle industry that include: i) the U.S. cattle industry underproduces for the domestic market; ii) the U.S. cattle industry is highly sensitive to changes in beef supplies; iii) beef supplies to which the U.S. cattle industry is highly sensitive include beef produced from domestic cattle, beef imported in the form of the commodity, and beef derived from live cattle imports, a.k.a. beef on the hoof; and iv) imported beef and beef derived from imported live cattle are perfect substitutes for beef produced from domestic cattle.

Because the U.S. cattle industry underproduces for the domestic market, and because the industry is highly sensitive to changes in supplies sourced either internally or externally, it is the quantity of externally sourced beef supplies, which again are perfect substitutes for domestically produced beef, that determine the relative size and scope of the U.S. cattle industry.

It is obvious that in a hypothetical closed system void of imported beef and cattle, the U.S. cattle industry would expand production to meet both domestic beef demand and export demand. It is equally obvious that if imported beef and cattle are used to supplement domestic production, then the domestic industry would be disincentivized to expand production to meet domestic consumption and any incentive to expand would be limited to the potential to export more beef. Thus, in a hypothetical scenario in which exports remain constant, an increased dependency on imports is expected to displace domestic production and eventually reduce it while a decreased dependency on imports would be expected to incentivize an expansion in domestic production.

G. The USTR Should Transition from Rules-Based Trade to Managed Trade

What is revealed from the foregoing discussion is the need to begin managing import quantities (i.e., a policy of managed trade) to achieve the correct balance between domestic production, imports, and exports. The alternative, of course, is the rules-based trade exemplified by the USMCA – a trade policy in which minimal standards are established for the right of nations to trade unlimited quantities of beef and cattle.

---

[8] *See* various Cattle on Feed Reports, USDA NASS, 1996-2025.
[9] *See* Addendum, Chart 4.

The rules-based trade policy embodied in the USMCA's treatment of trade in cattle and beef has severely undermined the United States' ability to achieve its three-part goal for the U.S. cattle industry. In fact, it is destroying the U.S. cattle industry by causing its contraction and the dismantling of its competitive infrastructure.

H. The U.S. Should Cease Including Beef from Foreign-Born Cattle in Its Domestic Production Calculations

The U.S. has historically but erroneously included beef derived from imported cattle as U.S. production. In 2012 the USDA conducted a study covering the years 2000-2011 and determined the quantity of beef from imported cattle was substantial. It found that beef produced from foreign-born cattle then accounted for 8.1% of monthly domestic beef production and that roughly 18 percent of U.S. beef supplies consisted of beef imports and beef produced in the U.S. from foreign livestock.[10] Imports as a percent of U.S. beef supplies have increased since then and R-CALF USA conservatively estimates that 22% of the beef consumed in the United States in 2024 was imported beef and beef from foreign-born cattle slaughtered in the United States.

The integration of beef from foreign-born cattle in U.S. production statistics is fundamentally wrong because it thwarts efforts by policy makers to determine the true quantity of imported beef supplies entering the domestic market – supplies that have an outsized impact on demand for domestic cattle; hence, their price. But there is another harm in addition to skewing domestic statistics because every head of live cattle imported into the United States displaces the need to add another mother cow to the U.S. cow herd to produce more calves.

I. The USMCA has Played an Outsized Role in Dismantling the U.S. Cattle Industry's Competitive Infrastructure

Even without including the quantity of beef deprived from foreign-born cattle slaughtered in the U.S., Canada often rivals Australia as the United States' largest beef importing nation. Since NAFTA, the cumulative quantity of beef and veal imports from the two countries are nearly identical, though Australia maintains but a slight edge in the comparison. Though Mexico has historically been the United States' fourth largest importing country behind New Zealand, imports of beef and veal from Mexico surpassed New Zealand in 2017 and Mexico remained a larger supplier than New Zealand from 2019 through 2024, making Mexico the new third largest source of U.S. beef and veal imports.[11]

Last year (2024) approximately 35% of all imported beef and veal were sourced from Canada and Mexico. But, when the beef equivalent of live cattle imports from Canada and Mexico is calculated by multiplying the net number of head imported by the year's average cattle carcass weight, approximately 64% of all beef and veal imports in 2024 were sourced from Canada and Mexico.

The U.S. cattle industry has faced a chronic crisis for decades, due largely to its forced exposure to rules-based trade with Canada and Mexico and to a lesser extent with other beef exporting countries. In the past few years, the chronic crisis has become acute, coinciding with the smallest cattle inventories in over 70 years. Cattle prices set a record nominal high in March of 2023 and have climbed significantly higher since. Such prices were expected to immediately trigger a U.S. herd expansion, but they did not. Now, more than two years later, while cattle prices have been setting new nominal highs, it remains uncertain if the herd is appreciably expanding.

---

[10] *See* US Red Meat Production from Foreign-Born Animals, Michael J. McConnell et al., USDA ERS, Agricultural Sciences, Vol.3, No.2, 201-207 (2012), at 206.

[11] *See* Beef and veal: annual and cumulative year-to-date U.S. trade (carcass weight, 1,000 pounds), USDA-ERS, available at BeefVeal_YearlyFull.xlsx.

This is not surprising given the record imports in 2023 and 2024, and the fact that the cattle industry was similarly situated in 2014, with then record cattle prices. Cattle producers remember that cattle prices suddenly collapsed in 2015 following near record import quantities in 2014 and 2015. Depressed cattle prices persisted and remained below 2014 levels until March of 2023. Clearly, the industry knows that the marketplace is highly susceptible to excessive imports.

J. Needed USMCA Reforms to Incentivize the Rebuilding and Expansion of the U.S. Cattle Industry

To incentivize the rebuilding and expansion of the U.S. cattle industry, R-CALF USA suggests the USTR establish a global tariff rate quota system to limit global imports by a finite amount. Given the long biological cycle of cattle, the TRQ should be phased in over a period of three to seven years to prevent domestic market shortages while still providing the industry with the necessary relief to begin expanding the domestic herd.

R-CALF USA recently recommended to the U.S. Department of Commerce that the first phase of a newly established global TRQ system should be designed to incentivize the domestic cattle industry to expand the U.S. mother cow herd by 2 million head. This would approximate inventory levels of 2011-2012. Although the beef equivalent of 2 million head of mother cows is slightly above 1.5 billion pounds, we recommended reducing overall imports by ~1.5 billion pounds (~680,396 MT) as a starting point for providing the industry "space" to recapture a greater share of its domestic market.[12]

To achieve this initial ~1.5-billion-pound reduction in imports, we recommended a TRQ system that would achieve a 60% reduction to the average annual quantity of global beef imports subject to U.S. tariffs (HTSUS Chapter 2, Subheadings 020110 through HS 020230) that were imported during the 5-year period 2020-2024.[13] The "Other Countries" category included in the United States current TRQ schedule was not included in this 60% reduction.[14]

In addition, we recommended a specific in-quota duty rate of $1.68 per kg for all in-quota imports to approximate the average value difference of $0.76 per pound ($1.68 per kg) between the value of U.S. world exports and imports in HTSUS Chapter 2, Subheadings 020110 through HS 020230 during the previous five years (2020-2024). This rate of duty helps level the playing field between averaged domestic beef prices (i.e., as measured by U.S. beef exports) and averaged cheaper import values. This adjustment is necessary to ensure that all segments of the beef supply chain remain incentivized to continue investing and expanding in the domestic market while competing with the lower-cost beef imports allowed within the proposed TRQ schedule.

R-CALF USA recommends the reestablishment of a tariff rate quota (TRQ) system for beef from Canada, Mexico, and Australia and an adjustment to limits for New Zealand, Uruguay and Argentina as follows:[15]

---

[12] Based on the 2024 average carcass weight for all slaughtered cattle of 852 lbs., the mature calves from 2 million cows would produce the beef equivalent of ~1.7 B pounds of beef.

[13] Based on data retrieved from the USDA-FAS Global Agricultural Trade System, imports from CN, MX, AU, NZ, AR, and UR under HTSUS Chapter 2, Subheadings 020110 through HS 020230 totaled 1,012,896.70 MT, downloaded Nov. 2, 2025.

[14] Thus, the 65,005,000 kg quota for other countries was added to the result of decreasing the tariff-eligible imports (405,158.68 MT plus 65,005 MT = 470,163.68, rounded to 470,164 MT).

[15] Note that various import data contained in the Global Agricultural Trade System for later years has been revised slightly since the schedule of recommended tariff rate quotas was first presented to the U.S. Department of Commerce in March. As a result, the schedule cannot be perfectly replicated using current GATS retrievals.

Recommended Tariff Rate Quota Levels and Associated Tariffs

	Tariff Rate Quota[16]	**In-Quota Rate of Duty**	**Over-Quota Rate of Duty**
Australia	85,921,160 kg	$1.68 per kg	$6.55 per kg
Canada	130,309,410 kg	$1.68 per kg	$6.55 per kg
Mexico	96,635,420 kg	$1.68 per kg	$6.55 per kg
New Zealand	64,431,030 kg	$1.68 per kg	$6.55 per kg
Uruguay	19,591,710 kg	$1.68 per kg	$6.55 per kg
Argentina	9,330,270 kg	$1.68 per kg	$6.55 per kg
Other Countries	65,005,000 kg	$1.68 per kg	Absolute Quota
Total Limit	471,224,000 kg		

With the exception of the "Other Countries" limit, the proposed schedule does not include a hard cap on imports that exceed the recommended annual TRQ limits. Instead, R-CALF USA seeks a $6.55 per kg over-quota rate of duty to discourage but not curtail additional imports above the recommended TRQ levels. In the case of the in-quota duty that levels only the 5-year average value difference between imports and exports, the higher over-quota duty will level the $2.97 per pound ($6.55 per kg) difference found in 2024 for import and export values of beef included in the HS 020120: Bovine Bone In Fr/Ch category, which includes products with the highest imported and exported value. Setting the over-quota rate of duty at this level will enable policy makers to better evaluate the effects of the proposed limits and tariff rates over time and make future adjustments to continue facilitating the rebuilding and expansion of the United States' beef production sectors.

Imported live cattle from Canada and Mexico are a direct substitute for domestic cattle produced by U.S. cow/calf producers. Each head of cattle imported translates approximately to one fewer cow bred and calved by domestic producers. Thus, the ~2 million head of cattle imported each year disincentivize U.S. cow/calf producers from breeding the roughly 2 million head of beef cows needed to produce enough calves to meet the domestic beef demand currently being met with beef from imported cattle. To provide some perspective, it would require roughly 4,000 additional beef cattle operations managing roughly 500 mother cows each to produce the ~2 million cattle that are now produced in foreign countries.

To encourage the rebuilding of the U.S. cow/calf sector, R-CALF USA seeks a revision to the rate of duty for live bovines set forth in Chapter 1 Subheadings 0102.10 through 010290 in both column 1 and column 2 of the HTSUS to 25 percent.

The TRQ system and tariff rate recommended above should be reviewed on an annual basis to ensure their effectiveness as market conditions change.

[16] Methodology for Reestablishing/Establishing Annual TRQs: The proposed schedule of tariff rate quota limits was formulated based on a 60% reduction to the average annual quantity of HTSUS Chapter 2, Subheadings 020110 through HS 020230 beef imports from AU, CN, MX, NZ, Uruguay, and Argentina reported under the USDA-FAS GATS data base in March 2025 for the previous five years 2020-2024, except that the "Other Countries" current limit of 65,005,000 kg is maintained for Brazil and other countries. Thus, the proposed TRQ schedule would promote the annual reduction of ~674,333,500 kg (~1.487 billion pounds) of foreign beef entering the U.S. market when compared to the average annual quantities imported from 2020-2024. The "space" afforded by this proposed schedule is expected to incentivize domestic cattle producers to expedite expansion of their domestic beef cow herd by roughly 2 million mother cows, which would be expected to restore the U.S. cattle industry's infrastructure to its approximate 2011 to 2012 levels.

K. Rules of Origin Should be Revised and Country of Origin Labels Should be Required

The USTR should revise the USMCA's current rules of origin to reflect that the origin of any meat product is the country or countries where the animal from which the meat was derived was born, raised, and slaughtered. This production-step origin standard is consistent with U.S. country of origin labeling requirements for chicken and lamb, and the USMCA should require all beef and lamb, including beef and lamb derived from imported livestock, to be labeled as to where the animal was born, raised, and slaughtered as a condition of being imported or exported among and between the USMCA parties and ultimately sold to consumers in the destination market.

Under USMCA's current rules of origin and its omission of country-of-origin labeling requirements, packers, retailers, and other importers have no incentive to discount the price of meat products sold to consumers even when they are sourced at lower prices from foreign countries. Instead, such purveyors of lower-cost imported meat can withhold savings from consumers by pricing their lower-cost items at the same price as domestic products because none of the products bear information suggesting the meat was produced anywhere but in the country where the meat product is consumed.

Conclusion

The U.S. cattle industry continues to be harmed by the operation of the USMCA and must be afforded immediate relief from excessive imports stemming from the agreement. To reduce those excessive imports and to incentivize the rebuilding and subsequent expansion of the domestic beef cow herd, starting with the near-term goal of adding an additional 2 million mother cows over the next three years, the USTR should:

1. Reestablish a tariff rate quota system that limits the amount of foreign-born beef imports from Canada and Mexico.
2. Apply both specific in-quota and over-quota tariffs on all beef imports and a 25% tariff on all live cattle imports.
3. Include only beef from cattle born, raised, and slaughtered in the U.S. when reporting domestic production.
4. Revise the USMCA's rules of origin to reflect a meat product's origin as the country or countries where the animal from which the meat was derived was born, raised, and slaughtered.
5. Require all meat sold at retail to be labeled as to where the animal from which the meat was derived was born, raised, and slaughtered.

Sincerely,

Bill Bullard

Bill Bullard, CEO

Addendum

Chart 1

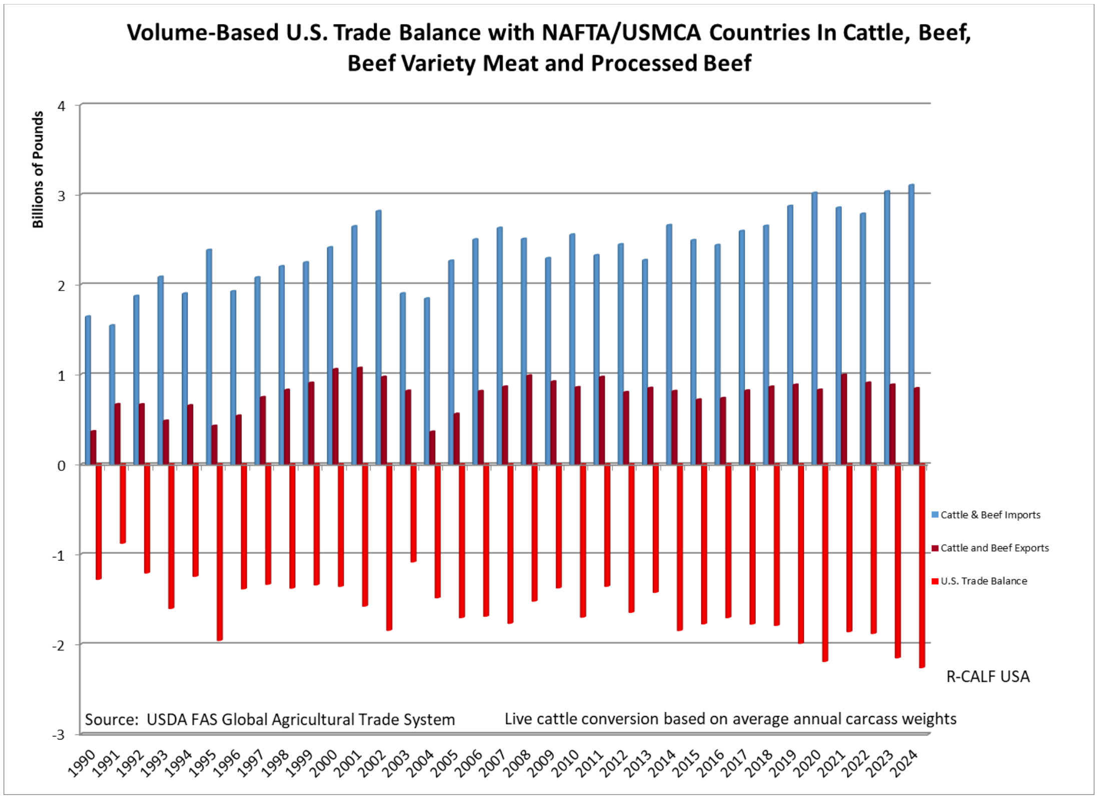

Chart 2

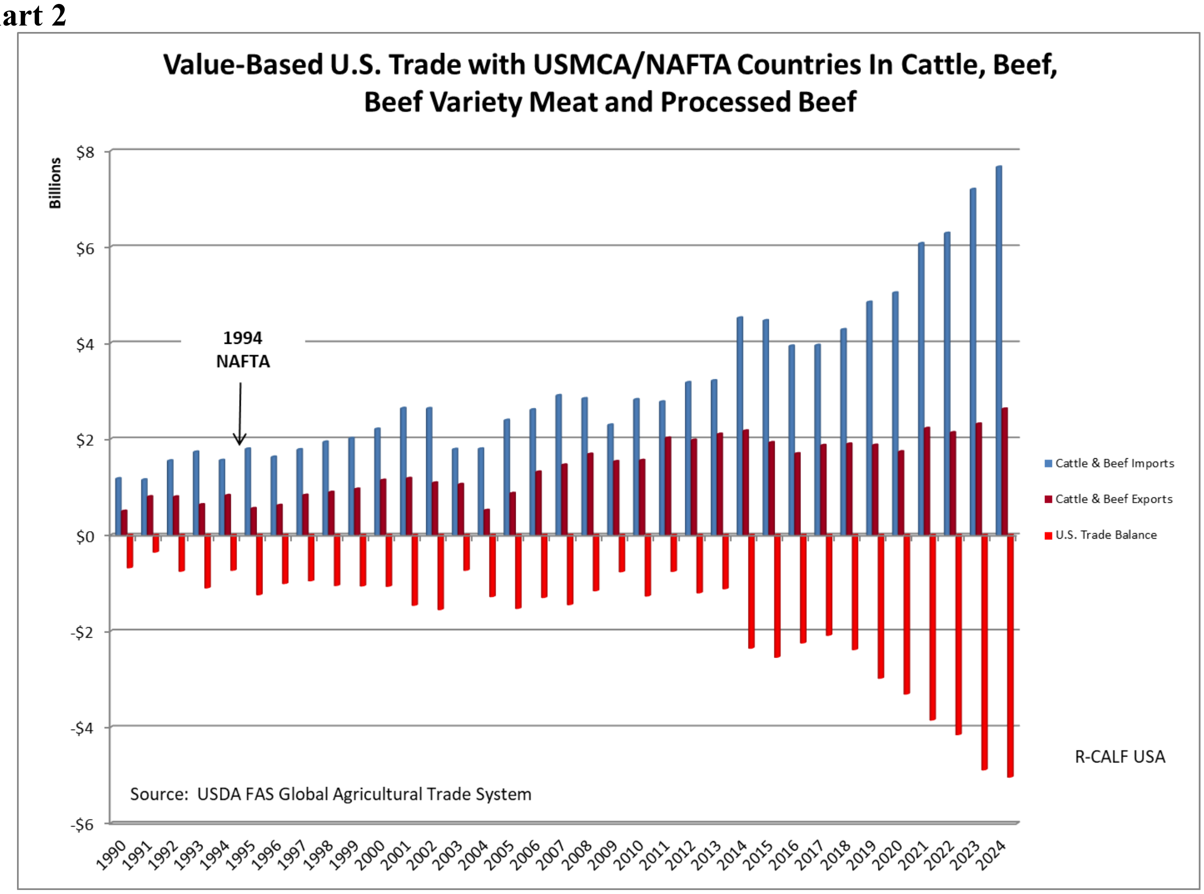

Chart 3

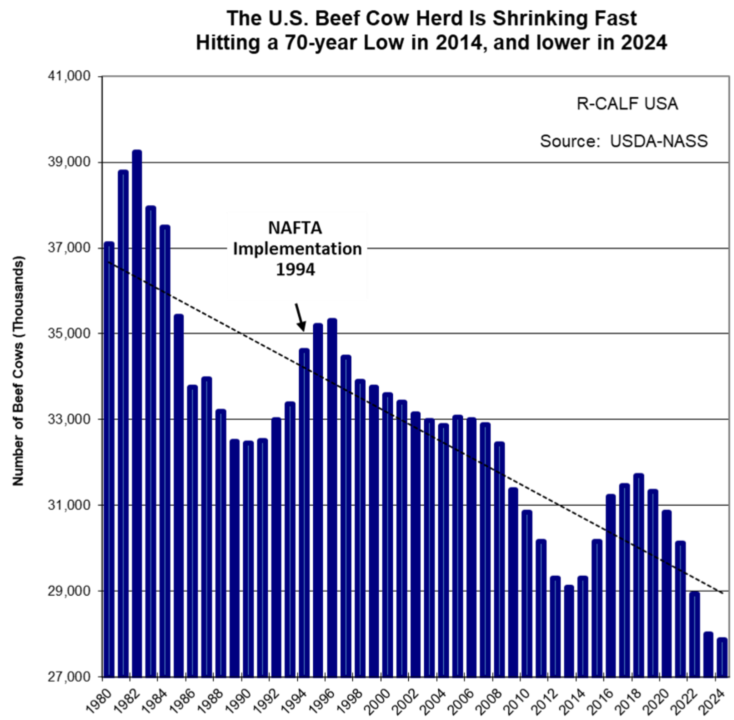

Chart 4