Fighting for the U.S. Cattle Producer!
R-CALF USA

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September 15, 2009

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
1724 F Street, N.W.
Washington, D.C. 20508

Re: R-CALF USA Comments on USTR's Request for Comments Concerning Free Trade Agreement With the Republic of Colombia (Docket No. USTR-2009-0021)

Dear Ms. Blue,

The Ranchers-Cattlemen Action Legal Fund United Stockgrowers of America (R-CALF USA) appreciates this opportunity to submit its views regarding the Office of the United States Trade Representative's (USTR's) notice and request for comments concerning the free trade agreement with the Republic of Colombia. R-CALF USA is a non-profit cattle-producer association that represents thousands of U.S. cattle producers in 46 states across the nation. R-CALF USA's mission is to represent the U.S. cattle industry in trade and marketing issues to ensure the continued profitability and viability of independent U.S. cattle producers. R-CALF USA's membership consists primarily of cow-calf operators, cattle backgrounders, and feedlot owners. Various main street businesses are associate members of R-CALF USA.

On behalf of its cattle-producing members, R-CALF USA strongly urges USTR to reject completely the free trade agreement between the United States and the Republic of Colombia (U.S.-Colombia FTA) on the grounds that it completely ignores the unique characteristics of the U.S. cattle industry and likely would harm farmers and ranchers, consumers, and the rural communities all across America that are economically dependent on a vibrant U.S. cattle industry. We implore USTR to, instead, initiate a rigorous investigation into the impacts that preexisting free trade agreements have had, not only on the relatively few corporate dominated U.S. beef industry and cattle feeding industry participants, but also on the hundreds of thousands of disaggregated family farmers and ranchers that are suffering already from financial hardships exacerbated by misguided trade policies.

For the reasons set forth below, R-CALF USA urges USTR to immediately begin formulating a national trade policy that will provide genuine opportunities to American producers, rather than disadvantage them in the global market as has occurred under previous free trade agreements and trade policies.

I. THE U.S.-COLOMBIA FTA, LIKE PREVIOUS FREE TRADE AGREEMENTS, WILL ACCELERATE THE EXODUS OF FAMILY FARMERS AND RANCHERS FROM THE U.S. FOOD PRODUCTION SYSTEM

A. Contrary To Popular Opinion, Increased Exports Do Not Automatically Translated Into Higher, More Sustainable Prices For U.S. Cattle Farmers And Ranchers.

As revealed in Chart 1 below, the nominal price of U.S. fed cattle – which is the price that determines the economic viability for the hundreds of thousands of U.S. farmers and ranchers who raise and sell live cattle – remained persistently depressed *when the volume of U.S. beef exports climbed to historical highs*. In fact, when U.S. beef exports fell to a 19-year low in 2004, nominal U.S. fed cattle prices reached the highest levels in history, providing needed financial relief for family farmers and ranchers who were suffering from a long-run lack of profitability.

Chart 1

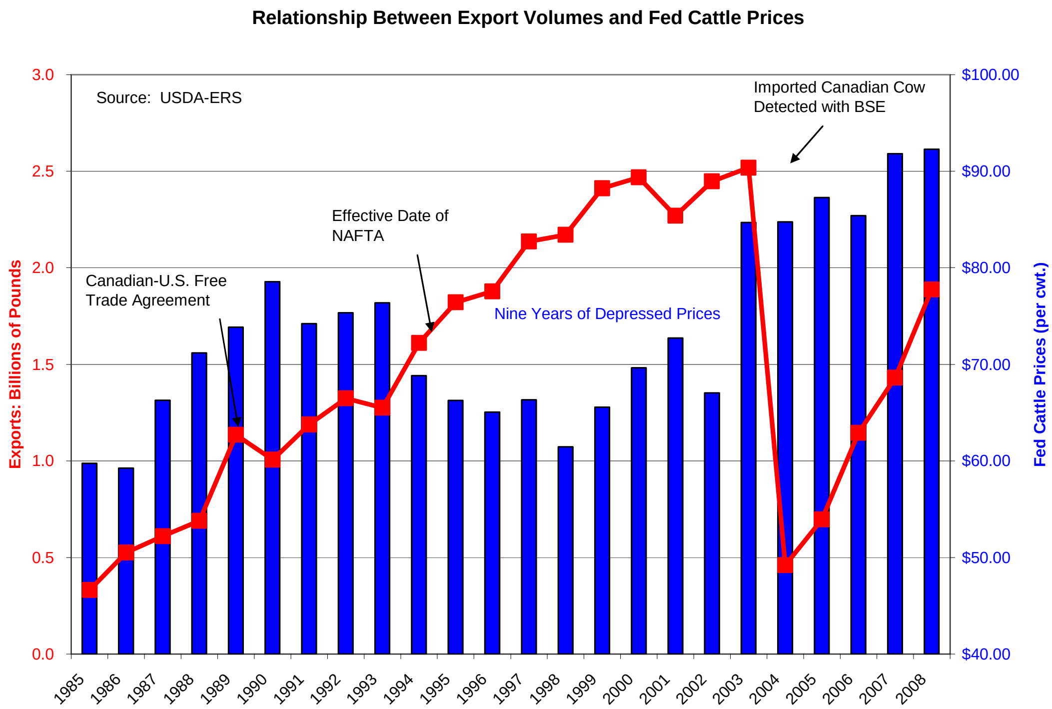
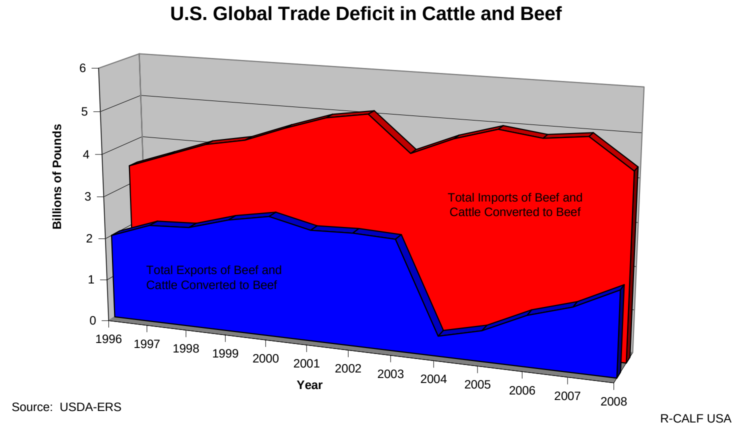


Chart 1 dispels the erroneous assertion made by beef industry participants and their trade associations that cattle farmers and ranchers automatically share in the economic benefits derived from increased export volumes. Until and unless USTR determines how the concentrated meatpacking industry is exercising market power to effectively capture the benefits of increased export volumes away from U.S. cattle farmers and ranchers, and then takes affirmative action to halt this market manipulation practice, USTR must flatly reject the popular theory that suggests that because free trade agreements increase export opportunities, benefits will automatically flow to U.S. cattle farmers and ranchers. History and experience prove otherwise. The U.S.-Colombia FTA continues to be driven by this deception.

B. U.S. Cattle Farmers And Ranchers Already Are Overwhelmed By A Substantial Global Deficit In Both The Volume And Value Of Cattle And Beef Trade.

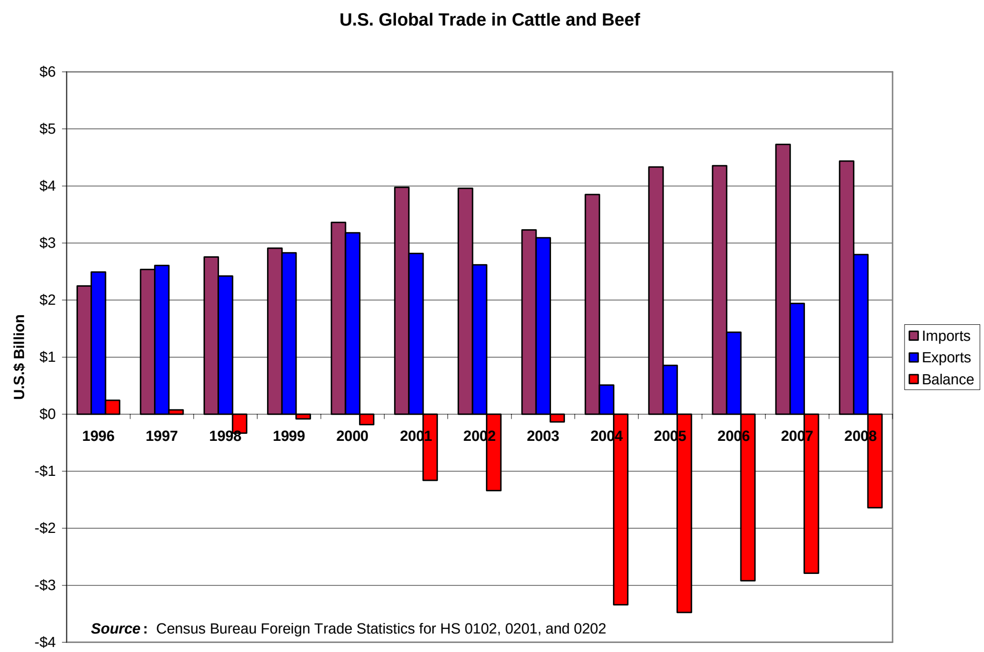
As revealed in Chart 2 below, the economic viability of U.S. cattle farmers and ranchers is compromised by a long-run global trade deficit in cattle and beef when measured by volume.

Chart 2



As revealed in Chart 3 below, the United States' global volume-based deficit in the trade of cattle and beef is consistent with the United States' substantial global value-based deficit in the trade of cattle and beef. This global value-based deficit emerged in 1998 and has persisted each year since, growing to $3.5 billion in 2005 and exceeding $2 billion through 2007.

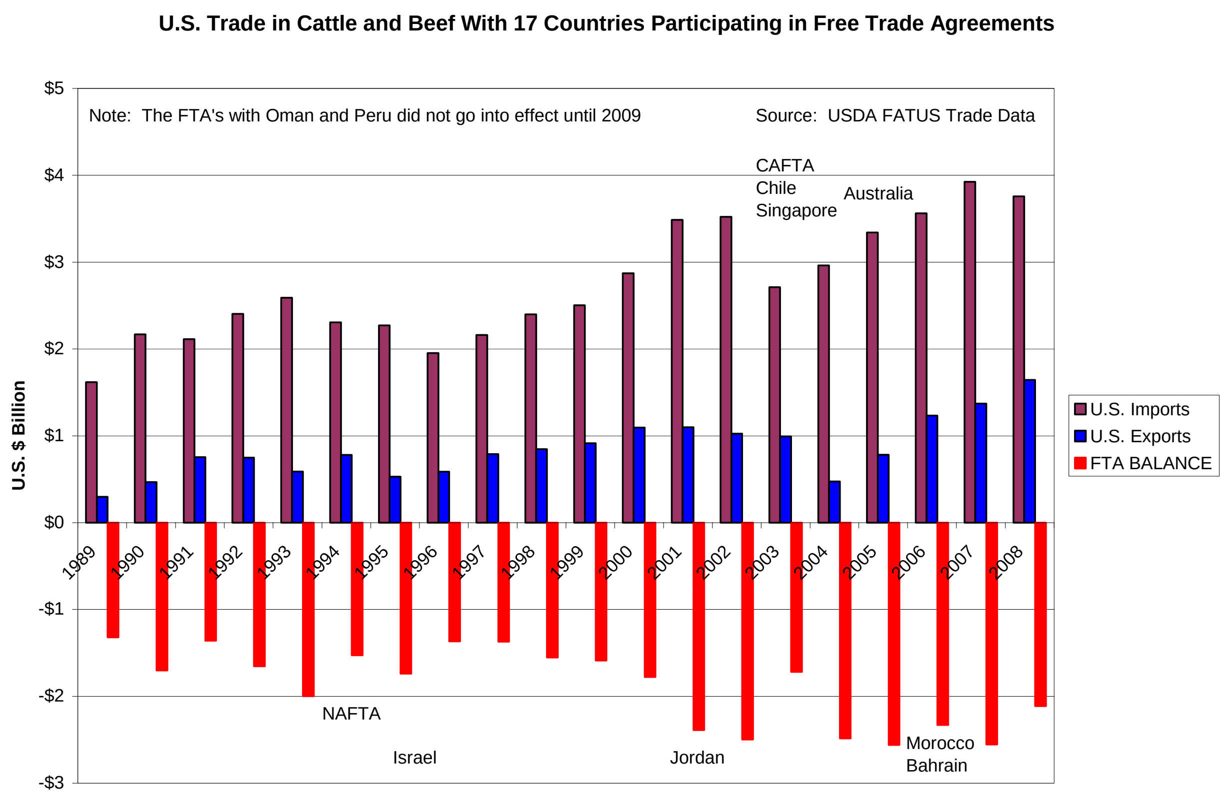
Chart 3



C. The U.S. Cattle Industry Has Faired Poorly In Terms Of The United States' Persistent Trade Deficit With The 17 Countries Now Participating In Free Trade Agreements With The United States.

Chart 4 below shows that the U.S. has maintained a persistent trade deficit with the group of 17 countries that are now participating in FTA's with the United States. These FTA countries include: Australia, Bahrain, Canada, Chile, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, and Singapore

Chart 4



D. The Effect of the United State's Long-Run Global Trade Deficit in Cattle and Beef Is that Our Domestic Industry Is Shrinking and Imports Are Capturing the Growth in the Total Available U.S. Beef Supply.

As revealed in Chart 5 below, imports are capturing an ever increasing share of the total available beef supply in the United States. This indicates that imports are effectively supplanting domestic production, i.e., beef produced exclusively from cattle exclusively born, raised, and slaughtered in the United States. Unfortunately, the U.S. Department of Agriculture (USDA) does not recognize that beef is imported into the U.S. in two distinct forms: beef imported as the commodity beef and beef imported as live cattle that are converted to the commodity beef in U.S. slaughtering plants. R-CALF USA has made this important distinction in Chart 5 by assigning beef produced from imported cattle to the category of "beef from imported cattle," and reserving the category of "beef produced from domestic cattle" for beef produced exclusively from cattle born, raised, and slaughtered in the United States.

Chart 5

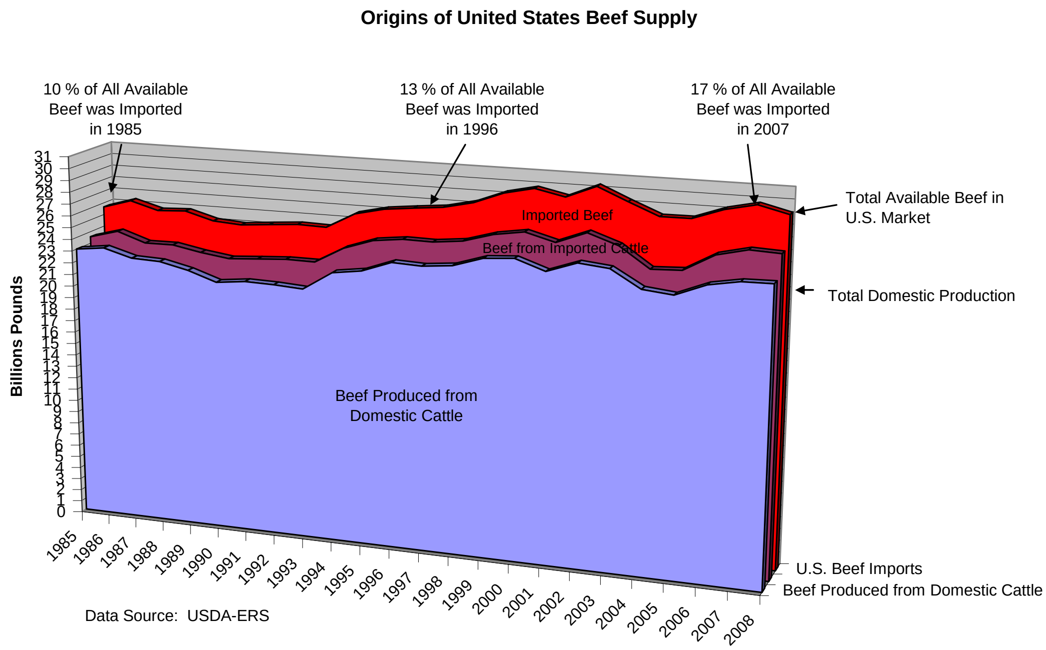
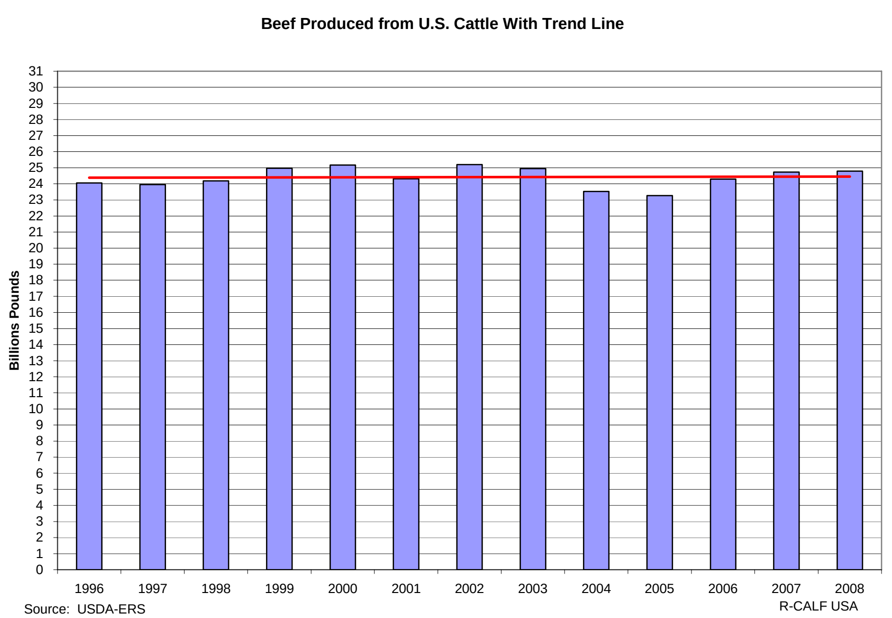


Chart 6 below shows that our domestic production (i.e., beef produced from cattle born, raised, and slaughtered in the U.S.) has remained stagnant for the past 13 years – which is made even more alarming by the fact that the U.S. has been liquidating its cattle herd during this 13-year period, resulting in more breeding cattle than normal being diverted to slaughter and added to beef production.

Chart 6



Equally alarming to the long-term stagnation in domestic beef production is the fact that domestic beef production is lagging far behind domestic beef consumption. During 2004-2007, the U.S. cattle industry experienced an unprecedented gap between domestic beef production and domestic beef consumption. Chart 7 below illustrates how domestic beef production continues to lag far behind domestic beef consumption and how rising imports are making up the difference – to the detriment of the well-being and sustainability of the entire domestic cattle industry.

Chart 7

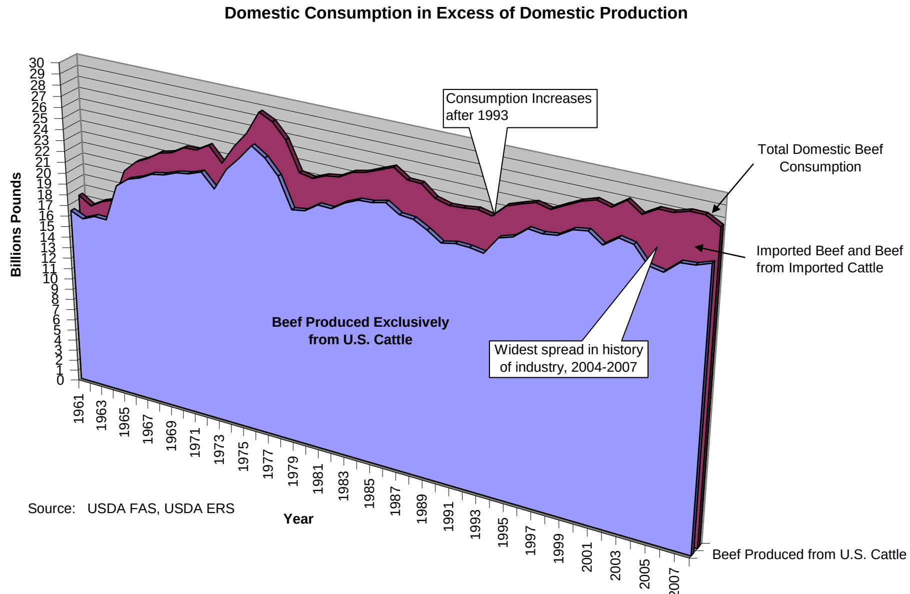
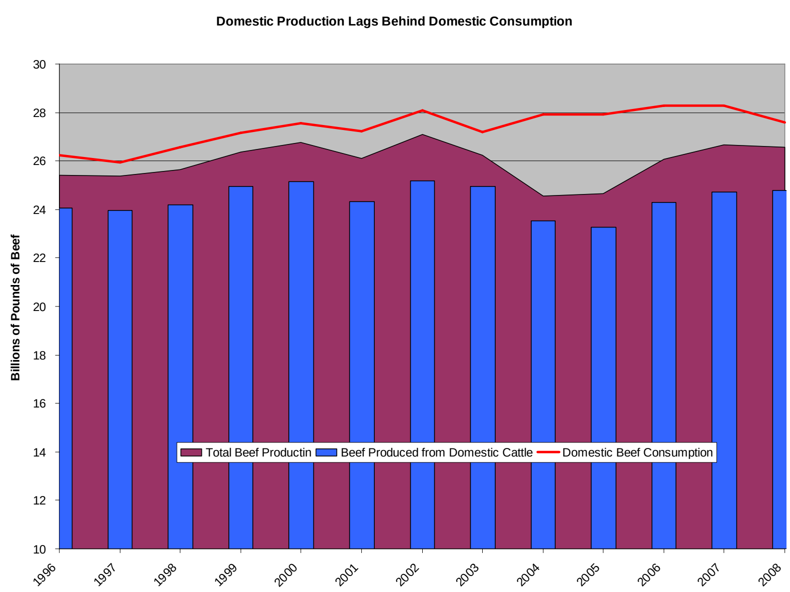


Chart 8 below provides a closer view of the phenomenon in which the production of beef produced exclusively from cattle born, raised, and slaughtered in the U.S. remained relatively stagnant while aggregate beef consumption in the U.S. increased. This is indicative of an unhealthy industry – an industry that has been categorically ignored by U.S. trade policies that have facilitated increased imports without regard to the impact on the U.S. cattle industry.

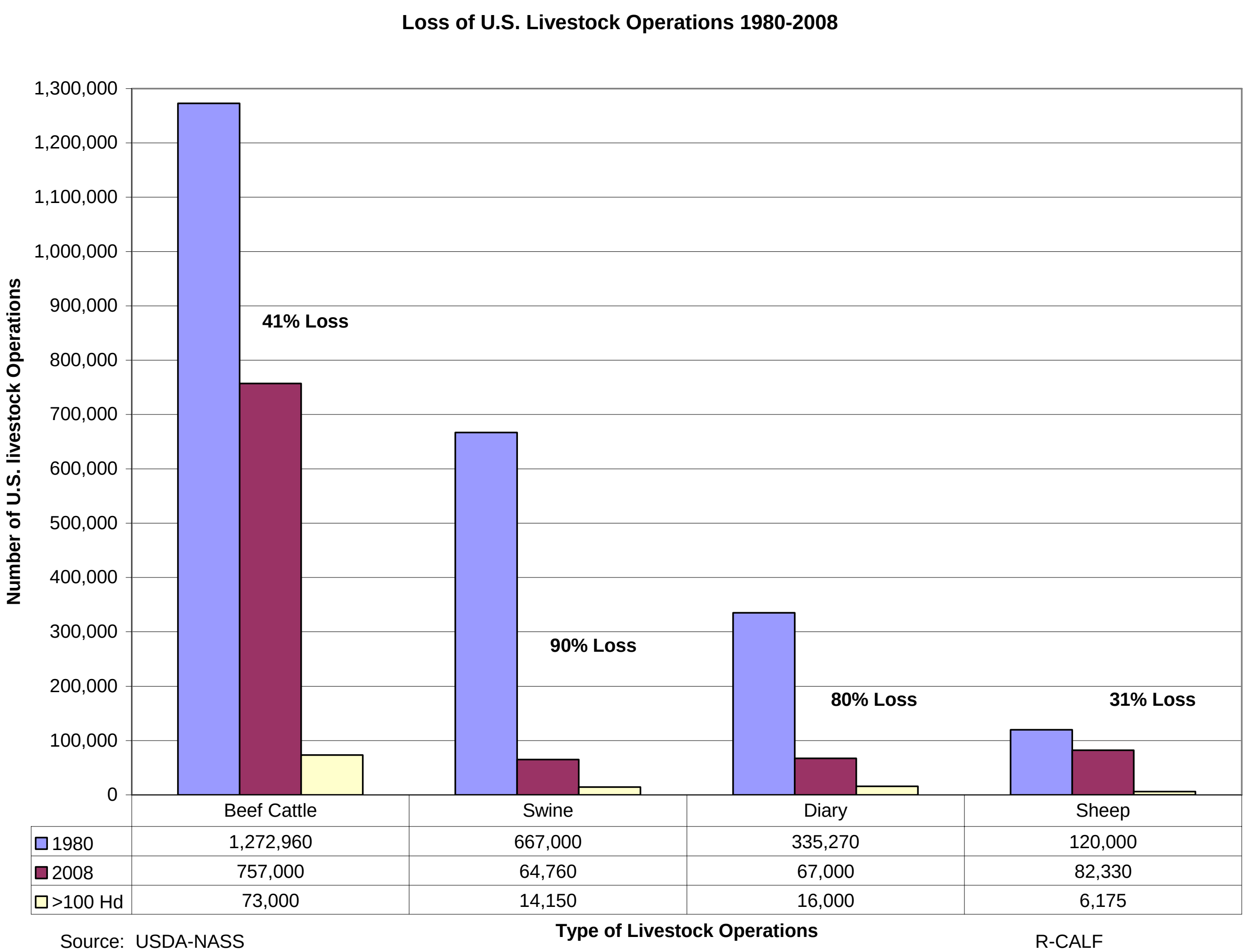
Chart 8



E. The Result Of Current Trade Policies Is A U.S. Cattle Industry in Crisis – A Shrinking, Unhealthy Industry That Will Not Long Support Independent Family Farmers And Ranchers Who Are Being Driven Out Of The Industry By The Tens Of Thousands Each Year.

Chart 9 below reveals that the U.S. cattle industry is fast being relegated to an industry comprised no longer of disaggregated, independent family farmers and ranchers, but rather, of large, vertically integrated corporate food production units. This has already occurred in the swine, dairy, and poultry industries. Though conservative and somewhat arbitrary, the 100-head herd size featured in Chart 9 is a baseline for determining the number of remaining operations within each livestock industry that are large enough to be considered economically viable production operations, i.e., sufficiently large to maintain an economically viable farming or ranching operation.

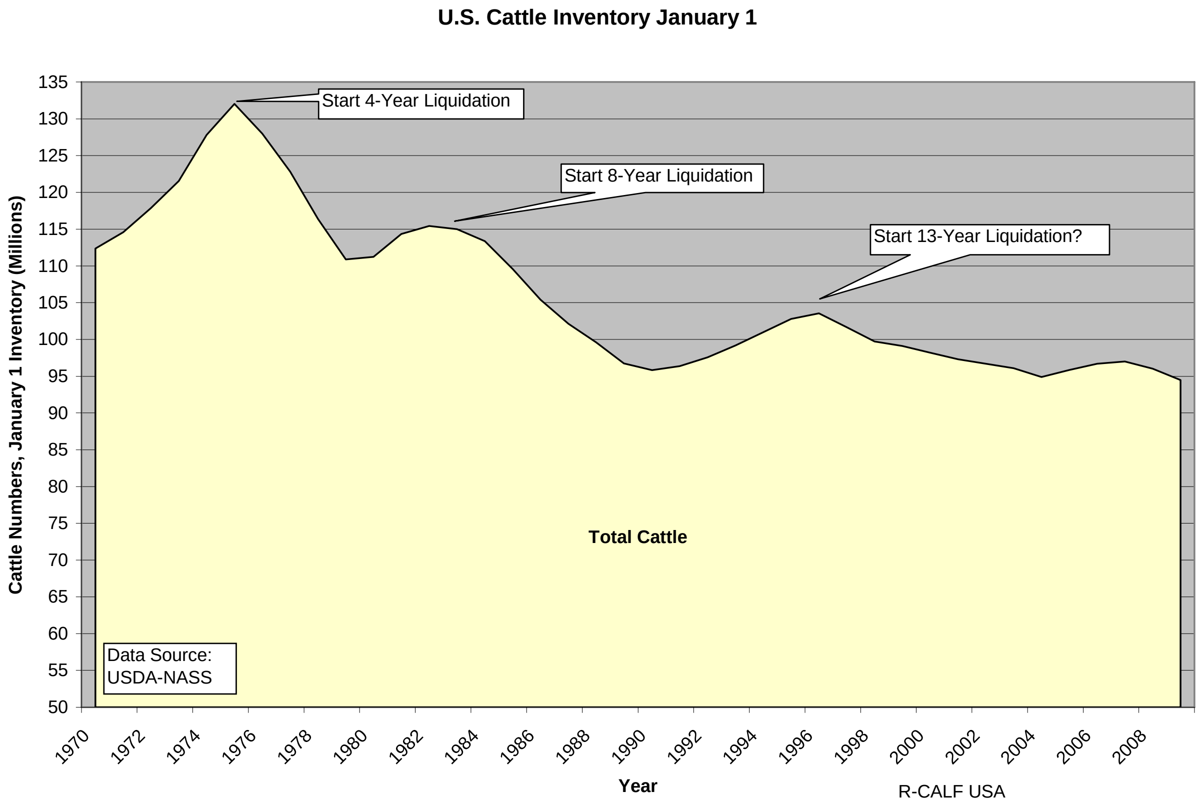
Chart 9



	Beef Cattle	Swine	Diary	Sheep
1980	1,272,960	667,000	335,270	120,000
2008	757,000	64,760	67,000	82,330
>100 Hd	73,000	14,150	16,000	6,175

Chart 10 below shows that not only is the U.S. cattle herd shrinking rapidly, but also, the U.S. cattle cycle – the bellwether indicator of a competitive industry – has been materially disrupted, with each liquidation phase lasting longer than the last.

Chart 10



F. What Current U.S. Trade Policy Ignores, And What Makes The U.S. Cattle Industry Highly Susceptible To Economic Harm From Ongoing, Misguided Trade Policies, Are The Unique Characteristics Of The U.S. Cattle Industry.

The U.S. cattle industry – that segment of the multi-segmented beef supply chain comprised of hundreds of thousands of disaggregated farmers and ranchers that raise and sell cattle – is uniquely susceptible to economic injury arising from unsound trade policies. The U.S. cattle industry is uniquely susceptible for the following reasons:

1. As confirmed by the U.S. International Trade Commission (USITC), the U.S. live cattle industry is extremely sensitive to even slight changes in increased import volumes. For example, the staff at the USITC found that the farm level elasticity of demand for slaughter-ready cattle is such that: "[E]ach 1 percent increase in fed cattle numbers would be expected to decrease fed cattle prices by 2 percent."[1]

[1] 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, available at http://hotdocs.usitc.gov/docs/pubs/2104f/pub3697.pdf.

2. Despite this extreme sensitivity to import volumes, the U.S. cattle industry is incapable of timely responding to market supply signals because cattle have the longest biological cycle of any farmed animal, making it extremely difficult for industry participants to timely respond to changes in demand.[2]

3. Slaughter-ready cattle are highly perishable products that must be marketed within a narrow window of time; otherwise, the animals would degrade in quality and value.[3]

4. The demand for live cattle is bounded on a weekly basis by available slaughter capacity, which is a limiting factor on demand for cattle, i.e., slaughter capacity sets the weekly slaughter cattle-marketing limit.[4]

5. The combination of the perishable nature of slaughter-ready cattle and limited weekly slaughter capacity creates market access risk for U.S. cattle producers within the U.S. cattle market. The USDA's 2007 Livestock and Meat Marketing Study defines market access risk as "the availability of a timely and appropriate market outlet"[5]

6. Transparency in the U.S. live cattle market is already limited as was reported by the Government Accountability Office (GAO) in 2005. The GAO reported on a number of deficiencies in the government's Livestock Mandatory Reporting system with regard to the transparency of the reporting system and accuracy of the data reported.[6]

7. Regional competition for raw products, which would include competition for slaughter-ready cattle, is inherently less intense than is competition in processed food products.[7]

8. Transportation costs limit marketing options for live cattle.[8]

Current trade policies and trade agreements are void of any considerations or accommodations for the inherent trade sensitivities of the U.S. cattle industry and, consequently, the U.S. cattle industry has faired poorly – as have the rural communities they support – under preexisting trade policies and free trade agreements. R-CALF USA implores USTR to correct this oversight before proposing any new free trade agreements, including the U.S.-Colombia FTA.

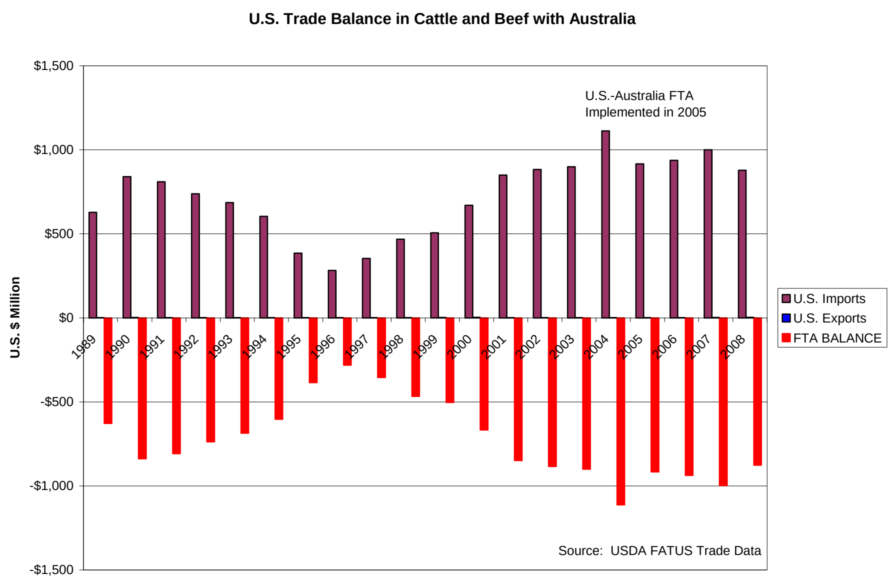
II. THE U.S.-COLOMBIA FTA POSES AN ACUTE THREAT TO THE WELLBEING AND VIABILITY OF THE U.S. CATTLE INDUSTRY

[2] 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.
[3] GIPSA Livestock and Meat Marketing Study, January 2007, Volume 3, at 5-4, available at http://archive.gipsa.usda.gov/psp/issues/livemarketstudy/LMMS_Vol_3.pdf.
[4] *See* Beef Pricing and Other Contentious Industry Issues, Special Report, Kevin Grier and Larry Martin, George Morris Centre, March 16, 2004 (an analysis of the live versus beef price disparity in Canada).
[5] GIPSA Livestock and Meat Marketing Study, January 2007, Volume 3, at 5-4, available at http://archive.gipsa.usda.gov/psp/issues/livemarketstudy/LMMS_Vol_3.pdf.
[6] U.S. Government Accountability Office, Livestock Market Reporting: USDA Has Taken Some Steps to Ensure Quality, but Additional Efforts Are Needed, GAO-06-202 (Dec. 2005).
[7] Captive Supplies and the Cash Market Price: A Spatial Markets Approach, Mingxia Zhang and Richard J. Sexton, Journal of Agricultural and Resource Economics, 25(1): 88-108, at 90, fn 7.
[8] Examining Packer Choice of Slaughter Cattle Procurement and Pricing Methods, Oral Capps, Jr., et al., Agricultural and Resource Economics Review, April 1999, at 15, 16, and 21.

A. Historical Data Show That The U.S.-Colombia FTA Likely Would Worsen The United States' Already Unacceptable Trade Deficit In Cattle And Beef.

Historical evidence show that low-cost cattle producing countries like Colombia, with relatively large herds and significant production potential, can be expected to ramp-up beef and/or cattle exports to the United States without providing any meaningful reciprocal access for U.S. beef or cattle exports. Colombia has a cattle herd size of approximately 27 million cattle, which is comparable to Australia's herd size of 28 million cattle.[9] As shown in Chart 11 below, U.S. trade in cattle and beef with Australia is one-sided, with the U.S. running an annual trade deficit in cattle and beef of nearly $1 billion following the 2005 implementation of the U.S.-Australia FTA.

Chart 11



Chile, a country with a cattle herd size of fewer than four million cattle,[10] was nevertheless able to ramp-up exports to the United States following the implementation of the U.S.-Chile FTA that took effect January 2004. As shown in Chart 12 below, the positive trade balance experienced by the U.S. in the trade of cattle and beef with Chile ended abruptly in 2006, just two years after the FTA went into effect. During the past two years, 2007 and 2008, the U.S. trade deficit in cattle and beef with Chile jumped to well over $2 million per year. In 2003, the U.S. International Trade Commission had predicted that, "The impact of the U.S.-Chile FTA on total U.S. beef imports is likely to be minimal."[11] However, the actual effect of the U.S.-Chile FTA was to reverse the U.S.' positive trade balance in 2005 and generate a negative trade balance of nearly $3.4 million by 2007. Given the U.S. cattle industry's extreme sensitivity to increased supplies, this impact is not minimal and demonstrates how current trade policies have understated the impacts of FTA's on U.S. cattle farmers and ranchers.

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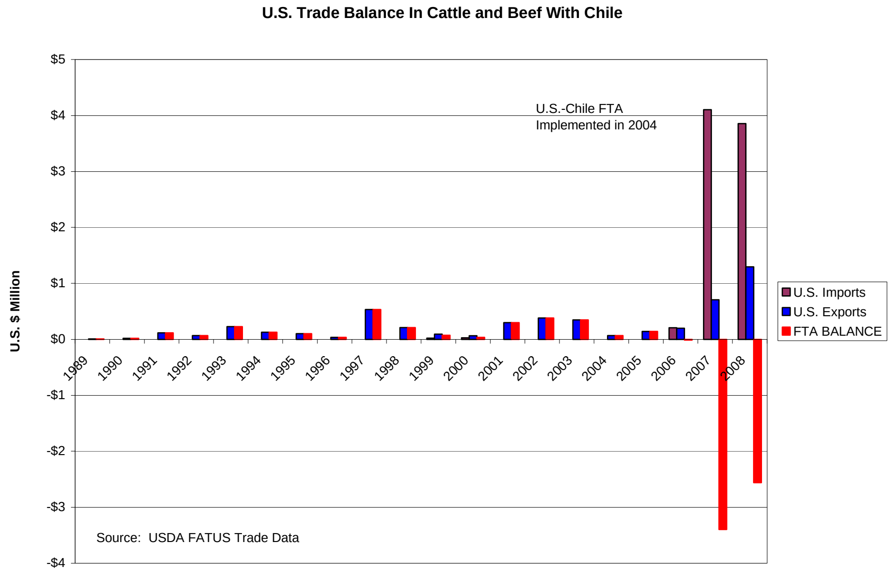
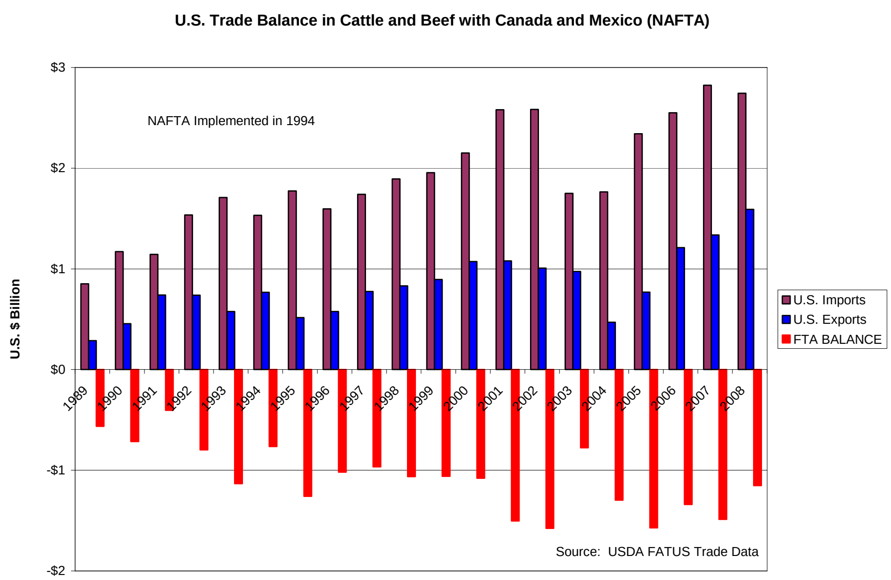
[9] FAOSTAT production database.
[10] *Id.*
[11] U.S.-Chile Free Trade Agreement: Potential Economywide and Selected Sectoral Effects, United States International Trade Commission, Investigation No. TA-2104-5, USITC Publication 3605, June 2003, at 63.

Chart 12



Canada and Mexico, countries with herd sizes of about 14 million cattle and 32 million cattle, respectively,[12] have consistently contributed to the annual U.S. cattle and beef trade deficit during each of the 15 years since NAFTA took effect. As shown in Chart 13 below, the U.S. experienced a record trade deficit of over $1.2 billion in 1995, just one year after NAFTA's implementation, and several new deficit records were set in subsequent years. Canada and Mexico now account for over half of the U.S.'s global trade deficit in cattle and beef.

Chart 13

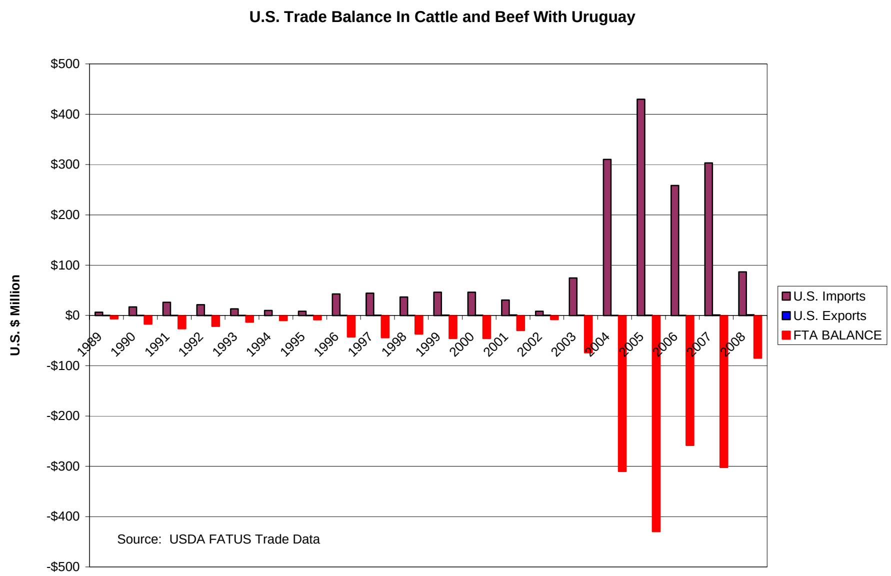


Perhaps the most prophetic example of how a country like Colombia can wreak havoc on the U.S. by exacerbating the U.S.'s already unacceptable trade deficit in cattle and beef is Uruguay. The U.S. does not have a FTA with Uruguay and until 2003 Uruguay was unable to export fresh or chilled beef to the U.S. due to the detection of foot-and-mouth disease (FMD) in that

[12] FAOSTAT production database

country.[13] As Chart 14 below reveals, however, when the U.S. lifted restrictions on Uruguayan beef, that country, with a cattle herd size of less than 13 million cattle,[14] significantly ramped-up beef exports to the U.S. and was able to drive the U.S. trade deficit more than $400 million deeper by 2005.

Chart 14



B. The U.S. International Trade Commission Has Irresponsibly Understated The Potential Impact Of The U.S.-Colombia FTA On U.S. Cattle Producers.

Similar to its prediction regarding the potential impacts of the U.S.-Chile FTA on the U.S. cattle industry, the U.S. International Trade Commission stated in regard to the U.S.-Colombia FTA that:

> Any increase in meat imports from Colombia as a result of the TPA [U.S.-Colombia FTA] is unlikely to have a significant adverse impact on the U.S. cattle and beef industries or the U.S. swine and pork industries because of U.S. sanitary regulations related to foot and mouth disease (FMD) and the fact that Colombia does not currently have any slaughter or processing facilities that are eligible to export meat to the United States.[15]

This rationalization for the potential of a country with nearly 27 million cattle is irresponsible as was demonstrated above by Uruguay's ability – with fewer than 13 million cattle – to begin contributing over $400 million to the U.S. trade deficit within just two years after the U.S. lifted its Uruguayan FMD restrictions. This, and references to the limited processing facilities that are currently eligible to export meat to the U.S. provides no assurance that once the U.S.-Colombia FTA is implemented, sufficient investments won't immediately be made to enable Colombia to

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[13] *See* 68 Fed. Reg. 31,940 (May 29, 2003).
[14] FAOSTAT production data.
[15] U.S.-Colombia Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects, Investigation No. TA-2104-023, USITC Publication 3896, December 2006, at 3-6.

begin ramping-up exports of beef to the United States. There are no permanent safeguards built into the U.S.-Colombia FTA to protect the U.S. cattle market from such likely and probable contingencies.

III. THE U.S.-COLOMBIA FTA IS VOID OF ESSENTIAL PROVISIONS NECESSARY TO FACILITATE THE RESTORATION AND REBUILDING OF THE CONTRACTED U.S. CATTLE INDUSTRY

A. The Proponents Of The U.S.-Colombia FTA Have Failed To Explicitly Evaluate The Likely Impacts Of Cattle And Beef Trade Liberalization On Upstream Cattle Producers.

R-CALF USA has long urged USTR and the USITC to consider the following when assessing the economic effects of liberalizing U.S. import restraints on beef:

1. The adequacy of traditional economic modeling in predicting the likely effect of liberalization in beef trade, particularly the impact on upstream cattle producers, especially given the high concentration of the meat packing sector in the U.S. and the perishable nature of live cattle.
2. External barriers to U.S. exports that have resulted in a large U.S. trade deficit in cattle and beef.
3. The demonstrated ability of certain countries to export to the U.S. in excess of quota levels despite out-of-quota tariffs.
4. The cumulative impact of bilateral and regional Free Trade Agreements that liberalize trade in beef.

The USITC previously found that the most significant impact of beef import liberalization is likely to be the impact on cattle producers. In fact, in its evaluation of the economic effects of increased beef access for Australia under the Australia FTA, the Commission noted that an analysis from the perspective of cattle producers is likely to be more useful and relevant than an analysis of trade impacts from the perspective of the meat packing industry:

> … U.S. beef packers operate on the margin between wholesale beef prices and slaughter cattle prices. Furthermore, market structure suggests that processors can eventually pass most, if not all, of any decrease in the price of wholesale beef that results from increased import access … on to U.S. cattle producers in terms of lower slaughter cattle prices. Therefore, this section addresses the impact of the FTA on the domestic industry from the focus of live cattle producers rather than beef processors.[16]

To date, there has been no discernable consideration given to the impact that the current structure of the domestic cattle and beef market has on the sectoral distribution of gains and losses arising from trade liberalization within the multi-segmented beef supply chain. The Government Accountability Office has recommended that market structure factors be taken into account in the economic analyses of cattle trade, finding that neither the CGE model nor other economic

[16] U.S. – Australia Free Trade Agreement: Potential Economywide and Selected Sectoral Effects, Inv. No. TA-2104-11, USITC Pub. No. 3697 at 41, fn. 1 (May 2004).

models used by the ITC explicitly account for concentration, marketing agreements, and forward contracts.[17] These factors are important, because they determine how direct impacts of imports on the meat packing industry will be passed on to downstream consumers and upstream producers.

The increased leverage of the meat packing industry over cattle prices that results from growing market concentration and new contracting practices will determine how liberalization of beef imports affects cattle prices and thus cattle producers. As former U.S. International Trade Commission Chairwoman Lynn Bragg observed in the Commission's investigation on cattle imports from Canada, "The concentration of packers increases the packers' leverage relative to cattle producers, thus providing packers the ability to use imports [of cattle] to reduce domestic live cattle prices and/or prevent price increases."[18] This insight is equally relevant with regard to imports of beef.

In addition, the structure of the meat packing industry will affect whether and to what extent lowered prices resulting from increased beef imports are fully passed on to beef consumers. Market concentration and contracting practices in the meat packing industry can prevent lower cattle prices from automatically translating into lower beef prices for consumers. This disconnect between the dollar returns to producers and the prices paid by consumers is reflected in the producer's declining share of each retail dollar spent on beef.

B. The Effect Of Colombia's Cattle-Producing Subsidies On U.S. Cattle Producers Has Not Been Analyzed Or Addressed.

Colombia is able to support and increase beef exports through the country's policy of beef subsidies. In the U.S., cattle and beef producers receive no direct trade-distorting subsidies. But Colombian producers receive substantial subsidies that encourage exports. Colombia grants producer-financed export subsidies for beef under a "price stabilization" fund.[19] Colombia also provides financial support for producers to re-stock their cattle herds, further subsidizing cattle and beef production.[20] The U.S.-Colombia FTA does not address these subsidies, allowing them to continue as trade in beef is liberalized under the agreement.

C. The U.S.-Colombia FTA Fails To Include Special Rules For Cattle And Beef As Mandated By Congress.

In the Trade Act of 2002, Congress directed U.S. trade negotiators to seek provisions in future trade agreements to "improv[e] import relief mechanisms to recognize the unique characteristics of perishable and cyclical agriculture."[21] In a colloquy regarding these provisions on the Senate floor, Senators agreed that this language "would clearly cover livestock and fresh meat

[17] U.S. General Accounting Office (now the Government Accountability Office), Economic Models of Cattle Prices: How USDA Can Act to Improve Models to Explain Cattle Prices, GAO-02-246 at 8 (March 2002).
[18] Live Cattle from Canada, Inv. No. 731-TA-812 (Final), USITC Pub. 3255 at 50 (November 1999).
[19] *See, e.g.*, U.S. Trade Representative, National Trade Estimate Report on Foreign Trade Barriers 2006 at 168.
[20] U.S. Department of Agriculture, Foreign Agricultural Service, Colombia Dairy Products Annual 2004, GAIN Report No. CO4013 at 3.
[21] 19 U.S.C. § 3802(b)(10).

products."[22] Senator Enzi of Wyoming explained why livestock is considered a perishable product under the legislation:

> Cattle ready for slaughter, for example, must be processed within two to three weeks of reaching their optimal weight. Once above the optimal weight, cattle gain fat and not muscle. With this quality loss, livestock producers suffer drastic price discounts that can wipe out their profits.[23]

The Chairman and ranking member of the Senate Finance Committee, with jurisdiction over trade matters, agreed with the interpretation, stating, "there can be no other reading of the legislation."[24]

Import relief mechanisms for perishable products can include safeguards, based on quantities of imports, prices, or both. Even a small increase in imports can have a dramatic impact on prices and domestic production of perishable products such as cattle, because of cattle's very limited marketing periods and the resulting lack of bargaining power that cattle producers can exert on markets. Even a relatively minor increase in beef imports or drop in beef import prices during this limited marketing window can force domestic cattle producers to sell at a loss, since they cannot hold their product in inventory like other non-perishable products. Thus, responsive and effective import relief mechanisms are particularly important to prevent large market disruptions, particularly in the cattle sector.

There is no price-based safeguard on beef in the U.S.-Colombia FTA, as there was in the U.S. – Australia FTA. The U.S. and Colombia both included quantity safeguards on some imports of beef under the Colombia TPA. However, one important difference between the safeguards is the amount of the tariff snap-back. While the base out-of-quota rate to which U.S. tariffs may initially snap back under the safeguard is 26.4 percent, Colombia's MFN tariff is much higher at 80 percent. In effect, the disparity in the base rate gives Colombia the ability to impose a much stricter limit on imports that exceed the quota levels agreed to under the TPA.

R-CALF USA believes a price-based safeguard triggered by declining cattle prices should have been included in the U.S.-Colombia FTA, to guard against price volatility resulting from increased beef imports, especially after the beef import TRQ limits and quantity-based safeguard expire in year ten of the agreement. Without a price-triggered safeguard, cattle producers will be susceptible to substantial market volatility as beef trade is liberalized under the U.S.-Colombia FTA.

D. The U.S.-Colombia FTA Fails To Include Adequate Rules Of Origin.

Colombia is bordered by other large global beef producers, particularly Brazil, which has a herd size of nearly 200 million head.[25] Yet the U.S.-Colombia FTA's rules of origin allow beef produced from foreign cattle to qualify for preferential treatment under the agreement. Thus, Brazil, which has no free trade agreement with the U.S., would be free to ship cattle to Colombia

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[22] Congressional Record, Page S4800 (May 23, 2002) (Sen. Enzi).
[23] *Id*.
[24] *Id*. (Sen. Grassley)
[25] FAOSTAT production database.

for processing to be sent to the U.S. under the terms of the FTA. This structure creates a large incentive for third-country cattle and beef exporters to send their cattle to Colombia for slaughter, thus raising U.S. imports and undermining the domestic cattle industry. Designation of their product as a Colombian originating good will enable third-country exporters to take advantage of higher and eventually unlimited quota levels, as well as duty-free treatment within that quota. These concerns are particularly serious in the Latin American context, with more than 250 million head of cattle in the MERCOSUR countries alone and another 16 million in Venezuela.[26]

The failure to include a "born, raised and slaughtered" rule of origin in the U.S.-Colombia FTA could dramatically increase exports of beef to the United States. In addition, this weak rule of origin effectively rewards producers in third-countries who have made no reciprocal market-access commitments. Third-countries need not provide any reciprocal access to U.S. producers in order to benefit from the FTA's preferential access – in fact, they can keep their markets completely closed to U.S. beef and export freely through manipulation of a weak rule of origin. Inclusion of a born, raised and slaughtered rule of origin is necessary to avoid these outcomes.

IV. CONCLUSION

For the foregoing reasons R-CALF USA believes the U.S.-Colombia FTA will further the ongoing destruction of the U.S. cattle industry by further eliminating the opportunity for family farmers and ranchers to maintain economically viable farming and ranching businesses across America. Current trade policies have not only failed to reverse the ongoing contraction of the U.S. cattle industry, but they are a major contributor to this unacceptable trend. The U.S.-Colombia FTA would only worsen the disastrous course that is leaving Rural America without the critical mass of independent cattle producers needed to support its rural communities. We urge USTR to reject completely the U.S.-Colombia Free Trade Agreement.

Sincerely,

Bill Bullard, CEO
R-CALF USA

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[26] FAOSTAT production database.