



R-CALF
USA

P.O. Box 30715
Billings, MT 59107
Phone: 406-252-2516
Fax: 406-252-3176
E-mail: r-calfusa@r-calfusa.com
Website: www.rcalf.com

DIRECTORS

**President/
Region I**

Leo McDonnell, Jr.
Columbus, MT

**Vice President/
Region II**

Kathleen Kelley
Meeker, CO

Region III

Heman
Schumacher
Herreid, SD

Region IV

Dean Cockrell
Cedarville, CA

Region V

Chuck Kiker
Beaumont, TX

Region VI

Malcolm Moore
Auburn, KS

Region VII

Jerry Swartz
Alexandria, MN

Region VIII

Gene Barber
Lexington, KY

Region IX

James Fudge
Colquitt, GA

Region X

Dennis Huber
Bismarck, ND

C.E.O.

Bill Bullard
Billings, MT

May 11, 2004

The Honorable Marilyn R. Abbott
Secretary
U.S. International Trade Commission
500 E Street SW
Washington, D.C. 20436

Re: ***Request for Comments on the Impact of the Proposed U.S.-Thailand Free Trade Agreement-- Submission of the Ranchers-Cattlemen Action Legal Fund – United Stockgrowers of America (R-CALF USA)***

The Ranchers-Cattlemen Action Legal Fund – United Stockgrowers of America (R-CALF USA) is pleased to have the opportunity to submit comments to the U.S. International Trade Commission (ITC) regarding the probable economic effects of the proposed U.S.-Thailand Free Trade Agreement. (*See U.S.-Thailand Free Trade Agreement: Advice Concerning the Probable Economic Effect of Providing Duty-Free Treatment for Imports, Invs. TA-131-29 and TA-2104-12, U.S. International Trade Commission, 69 Fed. Reg. 13874*).

R-CALF USA is a non-profit association that represents thousands of U.S. cattle producers on issues concerning national and international trade and marketing. R-CALF USA is dedicated to ensuring the continued profitability and viability of the U.S. cattle industry. R-CALF USA's membership consists primarily of cow-calf operators, cattle backgrounders, and feedlot owners. Its members are located in 46 states, and the organization has over 50 local and state cattle association affiliates. Various main street businesses are also associate members of R-CALF USA.

R-CALF USA has long advocated, and continues to support, efforts to open up U.S. beef export markets by reducing global tariffs to those levels existing in the U.S. for cattle and beef, and by eliminating non-tariff barriers to beef trade. For the reasons cited below, we believe that a free trade agreement with Thailand has the potential to benefit American cattle producers and the rural communities that rely upon them.

I. State of the U.S. Cattle Industry

Cattle and beef production comprises the single largest sector of U.S. agriculture. Cattle are raised in all fifty states. Half of all U.S. farms have beef cattle as part of their operations.² Given its size, the cattle and beef industry is of paramount importance to the rural economy of the country.

U.S. cattle producers, and by extension America's rural communities, are experiencing a historically difficult period. The U.S. Department of Agriculture (USDA) reported that the U.S. cattle herd underwent its eighth consecutive year of contraction in 2003.³ In those eight years, the U.S. cattle industry has lost an average of 13,646 beef cow operations each year. There are 805,080 beef cow operations remaining in the U.S.⁴ The U.S. cattle population is now at historically low levels.⁵

At the onset of 2003 the average returns to U.S. cow/calf producers during the 1992-2001 decade had fallen to an alarming level. Returns for cow/calf producers were actually a *negative* \$30.40 per bred cow per year during 1992-2001.⁶ While 2003 saw cattle prices rise significantly due to the outbreak of BSE in Canada in May and the resulting closing of the Canadian border, that period of "boom" prices is predicted to go "bust". Cattle prices in December rose to \$93 cwt which are significantly higher than the \$72-73 cwt baseline average used for beef cattle by USDA from 1990-92.⁷ However, the cattle industry faces a significant challenge as export markets have been closed to all U.S. beef exports due to the discovery of BSE in a imported Holstein cow in Washington State. USDA predicts that cattle prices will fall significantly in 2004 back to down to the historical baseline level of \$72 cwt.⁸ Such a fall in prices will return the industry to the crisis position it was in at the onset of 2003.

II. State of Thai Cattle/Beef Industry

Information on the condition of the country's cattle herds is sparse. However the

² U.S. Department of Agriculture, *Where's the Beef? Small Farms Produce Majority of Cattle*, [Agricultural Outlook](#), December 2002, at 21.

³ U.S. Department of Agriculture, *U.S. Cattle Inventory*, at 3 (Jan. 2003), available at

<http://usda.mannlib.cornell.edu/reports/nassr/livestock/pct-bb/catl0103.pdf> retrieved January 23, 2004.

⁴ Number of All Cattle and Beef Cow Operations, 1988-2002, National Agricultural Statistics Service-USDA, Cattle Graphics, available at http://www.usda.gov/nass/aggraphs/acbc_ops.htm, downloaded July 2, 2003.

⁵ *Id.* at 2

⁶ U.S. Cow-Calf Production Cash Costs and Returns, 1990-95; 1996-99; 2000-2001, Economic Research Service/USDA, available at

<http://www.ers.usda.gov/data/farmincome/CAR/DATA/Appendix/Cowcalf/US9095.xls>;

<http://www.ers.usda.gov/data/farmincome/CAR/DATA/History/CowCalf/US9699.xls>; and

<http://www.ers.usda.gov/data/CostsAndReturns/data/current/C-Cowc.xls>

⁷ USDA, NASS, *Agricultural Prices*, at 9 (Dec. 31 2003) found at

<http://usda.mannlib.cornell.edu/reports/nassr/price/pap-bb/2003/agpr1203.pdf>.

⁸ USDA, ERS, *World Agricultural Outlook, Livestock*, Jan. 12, 2004.

Food and Agricultural Organization (FAO) of the United Nations reports that Thailand had approximately 6 million head of cattle in 2003 up from 5.9 million in 2002.⁹ Thai beef and veal production has risen from 167,346 (MT) in 2000 to 220,000 (MT) in 2003.¹⁰ Thai beef imports have risen from 343 (MT) in 2000 to 511 (MT) in 2002.¹¹

The World Animal Health Organization (OIE) reports that Thailand is contaminated with foot and mouth disease.¹² Foot and mouth disease (FMD) is one of the most contagious diseases of mammals and has a great potential for causing severe economic loss. It affects cloven-hoofed animals.¹³ Given this disease status Thailand is not a significant beef exporting nation, indeed it did not export beef between 2000-2002.¹⁴ In addition, in 2002 Thailand imported 120,975 head of cattle while only exporting 4,738.¹⁵

USDA reports that Thailand has a “relatively protected market with high duties and other trade barriers (including TRQ implementation, complicated import bureaucracy, and increased technical barriers).”¹⁶ U.S. beef exports to Thailand currently face a tariff of 50%.¹⁷ In addition to high tariffs, it is apparent that Thailand is implementing trade barriers that are not WTO compliant with respect to national treatment. The Thai Department of Livestock Development requires that meat be inspected before being marketed.¹⁸ Unfortunately, the fees charged to domestic producers for inspection are considerably less than fees charged on imported products, USDA summarizes the inspection fee rates¹⁹ as follows:

Product	Thai Product, \$/MT	Imported Product, \$/MT
Beef	4	114
Offal	0	114

Finally, USDA reports that as Thai tariff rates have fallen U.S. exporters have noted a rise in the number and complexity of sanitary and phytosanitary standards with the potential for future abuse.²⁰

⁹ FAOSTAT database, *Agricultural Production*, Live Animals- Cattle, updated May 3, 2004

¹⁰ FAOSTAT database, *Agricultural Production*, Livestock Primary- Beef and Veal, updated May 3, 2004

¹¹ FAOSTAT database, *Agricultural and Food Trade*, Crops & Livestock Primary, updated May 15, 2004

¹² OIE, *FMD, Disease Profile* found at http://www.oie.int/eng/info/en_fmd.htm

¹³ *Id.*

¹⁴ FAOSTAT database, *Agricultural and Food Trade*, Crops & Livestock Primary, updated May 15, 2004

¹⁵ FAOSTAT database, *Live Animals*, Cattle Imports/Exports, updated May 15, 2004

¹⁶ USDA, FAS, *Thailand, Trade Policy Monitoring, Annual 2004*, GAIN Report TH4033 (3/16/04) at 3.

¹⁷ *Id.* at Exhibit A.

¹⁸ *Id.* at 6.

¹⁹ *Id.*

²⁰ *Id.* at 8-13.

III. U.S. and Thai Tariffs

A. U.S. Tariffs on Thai Beef and Live Cattle

The U.S. tariff rate quota (TRQ) on beef does not have a specific allotment for beef from Thailand. However, beef from Thailand could be imported within the “all others” category of 64,805 metric tons.²¹ The over-quota tariff is 26%²² The U.S. TRQ covers a wide variety of beef imports, including high quality beef.²³ The United States has no tariff on imports of purebred breeding cattle and imposes a tariff of 1¢/kilogram on imports of all other beef cattle.²⁴

U.S. TRQ on Beef

	<u>Metric Tons</u>	<u>Pounds</u>
Canada	No Limit	No Limit
Mexico	No Limit	No Limit
Australia	378,214	833,583,656
New Zealand	213,402	470,338,008
Japan	200	440,800
Argentina	20,000	44,080,000
Uruguay	20,000	44,080,000
Other Countries	64,805	142,830,220

Source: Harmonized Tariff Schedule of the United States Annotated at notes to Chapter 2.

B. Thai Tariffs on U.S. Beef

Tariff rates in Thailand on beef are extremely high with tariffs on U.S. beef at 50%.²⁵

IV. U.S. Imports

A. Imports from All Countries

U.S. beef imports have increased substantially in recent years. Between 1998 and 2002, beef imports grew from 822 million to 987 million metric tons.²⁶ A comparison of beef imports between 2002 and 2003 shows total beef imports have only dropped 5.9 percent in value with the temporary ban on and then renewal of imports from Canada during 2003.²⁷ Live cattle imports also grew between 1998 and 2002. During that time period live cattle

²¹ U.S. Department of Agriculture, *New Export Scheme for Beef to the U.S. Announced*, GAIN Report No. AS2033, October 22, 2002, at 1.

²² *Id.*

²³ See U.S. Harmonized Tariff Schedule at Chap. 2, Additional U.S. Note 3 (2002).

²⁴ U.S. Harmonized Tariff Schedule at 0102.

²⁵ USDA, *FAS, Thailand, Trade Policy Monitoring, Annual 2004*, GAIN Report TH4033 (3/16/04) at Exh. A.

²⁶ *Source:* compiled from official Bureau of Census import statistics. Beef is for fresh, frozen, or chilled – aggregate of HTS 0201 and 0202.

²⁷ *Id.*

imports grew by 20 percent, rising from 2 million head to 2.5 million head.²⁸ A comparison of cattle imports between 2002 and 2003 shows a significant decline in live cattle imports²⁹ due in large part to the ban on imports from Canada.

B. Imports from Thailand

Under Animal and Plant Health Inspection Service regulations the importation of cattle or fresh (chilled or frozen) beef from countries with Foot and Mouth (FMD) Disease is prohibited.³⁰ Thailand has FMD,³¹ and as such there are no beef or cattle imports from it into the United States. Indeed, an examination of the data shows that Thailand has not exported cattle or beef into the United States for over a decade.³²

V. Economic Effects of a U.S.-Thailand FTA Would Depend Upon the Outcome of Negotiations

R-CALF USA notes that the probable economic effect of eliminating tariffs on live cattle and beef from Thailand would depend upon the outcome of negotiations. In anticipating what the outcome of trade negotiations might be R-CALF USA refers to the terms of the Trade Act of 2002 which provide certain overall negotiating objectives for USTR. P.L. 107-210 states that U.S. negotiators shall work to:

- (1) to obtain more open, equitable, and reciprocal market access;
- (2) to obtain the reduction or elimination of barriers and distortions that are directly related to trade and that decrease market opportunities for United States exports or otherwise distort United States trade;³³

Further, under the USTR's principal negotiating objectives for agriculture, the United States in its trade negotiations is committed to reducing or eliminating tariffs or other charges that decrease market opportunities for United States exports.³⁴

Finally, R-CALF USA notes that the Trade Act of 2002 recognizes that there are special needs for perishable agricultural products, including cattle and beef.³⁵ R-CALF USA believes that USTR should ensure that Congressional mandates under the Trade Act are strictly followed in this agreement. Further, USTR should also use this opportunity to help build a consensus on the special needs of perishable, seasonal and cyclical products and potential remedies for problems faced by industries who produce these products.

²⁸ Compiled from official Bureau of Census import statistics. Cattle numbers are an aggregate of HTS 0102.

²⁹ *Id.*

³⁰ 9 CFR § 94.1.

³¹ *Id.*

³² *Source:* Bureau of Census import statistics as found at USDA, FAS, Trade Import Statistics.

³³ P.L. 107-210 at Title XXI, Sec. 2102(a)(1-2).

³⁴ *Id.* at (b)(10).

³⁵ See 19 U.S.C. 3802(10)(A)(ix), (x); 3802(10)(B)(i); 148 Cong. Rec. S4800 (daily ed. May 23, 2002).

VI. Likely Economic Effects of a U.S.-Thailand FTA

While recognizing that the final terms of the proposed U.S.-Thailand FTA are unknown, R-CALF USA predicts the following economic effects of such an agreement.

A. Agreement Would Lead to Increased U.S. Exports

R-CALF USA sees potential for major export benefits for U.S. cattle and beef producers in concluding an FTA with Thailand. Thailand has a large and growing population of nearly 65 million.³⁶ The country underwent dramatic sustained GDP growth during the mid-1980s through the mid-1990s and after a period of recession corresponding with the Asian economic collapse, Thailand once again is seeing high growth rates.³⁷ USDA reports that Thailand is expected to have an increasing demand for Western imports, including meat.³⁸ As noted above, Thailand is not currently a significant import market for cattle and beef, thus R-CALF USA believes that American beef exports could capture a large share of this burgeoning market.

While a significant potential market, Thailand is also a protected market with high duties and other trade barriers (including TRQ implementation, complicated import bureaucracy, and increased sanitary and phytosanitary barriers).³⁹ Given the express terms of the Trade Act of 2002, R-CALF USA assumes that the U.S. Trade Representative will work to reduce or eliminate both the aforementioned high tariffs, as well as the use of unjustified and discriminatory sanitary and phytosanitary standards as part of an U.S.- Thailand FTA.

R-CALF USA believes that if the FTA negotiations address and remove these barriers to free trade in U.S. beef then American beef will receive significant marketshare and America's cattlemen will benefit as a result of an FTA with Thailand. Given the historically difficult period in the cattle industry that the United States is currently undergoing, such benefits are most welcome.

B. Beef Imports into United States

An U.S.-Thailand FTA would not likely lead to a significant increase of beef imports into the United States especially in the short-term. As noted above, Thailand currently is not FMD free and as such can not export beef products to the United States. Even in the longer view, assuming that the personal income levels of the Thai people continue to rise, it is likely that Thai cattle and beef production will not significantly be exported to the United States but rather be used for domestic purposes.

³⁶ CIA, *The World Factbook*, Thailand, found at <http://www.cia.gov/cia/publications/factbook/geos/th.html>.

³⁷ *Id.*

³⁸ USDA, FAS, *Thailand, Trade Policy Monitoring, Annual 2004*, GAIN Report TH4033 (3/16/04) at 3.

³⁹ *Id.*

VII. Conclusion

R-CALF USA appreciates the opportunity to provide comments to the ITC regarding the proposed U.S.-Thailand FTA. If you have any questions regarding this submission, I may be reached at (406) 252-2516.

Sincerely,

A handwritten signature in black ink, appearing to read "Leo R. McDonnell, Jr.", written in a cursive style.

Leo R. McDonnell, Jr.
President, R-CALF USA