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Members of Congress
U.S. House of Representatives
Washington, D.C. 20515

Re: Cattle Producers Urge "NO" vote on Peru FTA

Dear Member of Congress,

On behalf of the thousands of U.S. farmers and ranchers who raise cattle and live in 46 states, along with over 60 affiliated organizations representing thousands of more members in over 20 states, the U.S. cattle industry urges you to vote "NO" on the Peru – U.S. Free Trade Agreement (Peru FTA).

The Peru FTA fails to include four key provisions needed to ensure that independent U.S. cattle producers can compete fairly and equitably in the global market. In addition, it contains inadequate health and safety safeguards to protect the health and welfare of the U.S. livestock industry and U.S. consumers. Specifically, the Peru FTA is deficient in the following areas:

The Peru FTA fails to include special rules to reflect the perishable nature of cattle and beef and it lacks any safeguards based on price and quantity to protect against import surges. Despite Congress' directive in the Trade Act of 2002 to include special rules and safeguards for cattle and beef, the Peru FTA contains none for the U.S. cattle industry. This disadvantage to the U.S. cattle industry is exacerbated by the fact that the Peru FTA does contain safeguards on imports of certain beef products from the U.S. to protect Peruvian cattle producers, but there are no reciprocal safeguards for the United States. Peru's beef production is growing and its global beef trade is rising. Its present herd size is about 5 million head. Between 1997 and 2005, beef production in Peru grew by 29.6 percent, from 261 million pounds in 1997 to 338 million pounds in 2005. Though Peru does not currently export beef to the U.S. due to foot-and-mouth disease (FMD), it has significant export potential, particularly if the U.S. tries to carve out a region within Peru, as it is trying to do for Argentina, to allow beef imports despite the country's overall disease problem. Thus, if Peru's ongoing disease problem is resolved, beef exports could surge; however, U.S. beef imports are limited because Peru's domestic production exceeds domestic demand. Peruvians each eat an average of nine pounds of beef annually, but in 2005, Peru produced 335 million pounds of beef, or about 12 pounds for each of Peru's 28 million people.

The Peru FTA contains inadequate Rules of Origin that allow non-FTA members to gain duty free access to the United States, disadvantaging U.S. cattle producers. Because the rules of origin in the Peru FTA do not specify that beef must be derived from cattle born, raised, and slaughtered in Peru, surrounding countries could export live cattle into Peru for slaughter that would qualify for preferential access to the United States. The current rules of origin expand Peru's significant export capacity and allow other countries to refuse to participate in FTA negotiations, yet reap the benefits of access to our market. It also is important to note there is a preexisting FTA between Peru and major agricultural exporters Argentina and Brazil. The Peru-MERCOSUR pact (signed in 2003) extends any tariff cuts offered to third parties (such as the United States) to all the neighboring Southern Common Market (MERCOSUR) countries, which means that the tariff cuts provided in the Peru FTA for many commodities will also be granted to large South American agriculture exporter nations. This means that if the Peru FTA were to be implemented, lower cost (and more geographically proximate) agricultural exporters Argentina and Brazil could claim the "new" U.S. market in Peru just as it is created.

The Peru FTA does not upwardly harmonize import health and safety standards. The Peru FTA only requires Peru to meet standards equivalent to the U.S. for meat production and meat processing, not identical standards that would be necessary to ensure the safety of imported products. Equivalency standards may not be properly enforced and may differ significantly from U.S. standards. This "equivalency" standard recently has been proven inadequate to ensure food safety for U.S. consumers. In the face of growing detections of unsafe food items produced in foreign countries, now is not the time to solidify this deficiency in a Peru FTA.

The Peru FTA should not be approved because it does not provide for balanced market access opportunities that will serve the interests of U.S. cattle producers. Given the countries' significant export potential, an FTA without adequate import safeguards that are triggered by volume and by price, and that endure beyond tariff and quota phase-out periods, the Peru FTA would seriously disadvantage U.S. cattle farmers and ranchers. Additionally, the inadequacy of the Peru FTAs rules of origin that ignore where animals were born, raised and slaughtered provides an opportunity for third countries to take advantage of the access granted under the agreements, further damaging U.S. producers.

For the above reasons, the U.S. cattle industry urges you to vote "No" on the Peru-U.S. Free Trade Agreement.

Sincerely,

R. M. Thornsberry DVM

R. M. Thornsberry, D.V.M.
President, R-CALF USA Board of Directors