R-CALF USA 2007 Stampede Fact Sheet:
International Trade in Cattle and Beef

R-CALF USA believes U.S. cattle producers can compete and thrive in global markets if the rules are fair. Today, U.S. exports of cattle and beef are thwarted by high import tariffs abroad, large subsidies to cattle and beef producers in other countries, and a failure to harmonize health and safety standards to allow for increased trade while protecting animal health and consumer safety. As a result, the U.S. ran an estimated deficit of $2.7 billion in cattle and beef in 2006.

In addition, the highly perishable nature of our product demands the creation of special rules for cattle and beef trade that reflect the special needs of our producers and protect them from import surges and excess price volatility. Congress mandated the inclusion of such rules in new trade agreements in the Trade Act of 2002, but there has been little progress on this objective to date.

Peru and Colombia Free Trade Agreements

● FTAs with Peru and Colombia present significant concerns for R-CALF USA. Peru and Colombia have a combined herd size of more than 30 million head, twice as large as Canada. In addition, both Peru and Colombia have growing beef production and rising global beef exports.

□□ Though Colombia and Peru do not currently export beef to the U.S. due to foot-and-mouth disease (FMD), they have significant export potential. Colombia has already established FMD-free zones within its borders that are home to 65% of the country's cattle herd, and Colombia hopes to achieve national FMD-free status in 2008. USDA has already taken the first step towards recognizing the disease status of sub-regions within countries for trade purposes with its recent proposal to allow meat imports from an FMD-free region within Argentina. R-CALF USA is deeply concerned about any disease-status recognition of regions within countries if such recognition may result in the lowering of health and safety standards for imports.

□□ If health and safety issues are resolved, beef exports from the Colombia and Peru could surge.

□□ Uruguay, for example, ramped up exports to the U.S. dramatically after gaining FMD-free recognition in mid-2003. Uruguay exceeded its tariff rate quota many times over in the following three years, and it is now the fourth largest exporter of beef to the U.S.

□□ In 2006, the year after Chile gained full access to the U.S. market, our historic trade surplus in fresh, chilled and frozen beef actually became a deficit.

□□ In addition, cattle from a non-FTA country shipped to Colombia or Peru for slaughter would qualify for preferential access to the U.S. under the agreements' inadequate rules of origin. These rules of origin expand the countries' significant export capacity, and allow other countries to refuse to participate in FTA negotiations but reap the benefits of access to our market.

□□ Finally, the Peru and Colombia FTAs fail to incorporate adequate import safeguards on cattle and beef, despite Congress's instruction to include such rules in new trade agreements.

□□ In the Peru FTA, Peru did achieve a safeguard on its imports of certain beef products from the U.S., but the U.S. did not get any reciprocal safeguard on its imports of beef from Peru.

□□ Under the Colombia FTA, the U.S. did negotiate a limited, quantity-based safeguard on imports of beef from Colombia, but this safeguard phases out in year ten of the agreement, when Colombia achieves tariff-free, quota-free access to the U.S. market.

□□ The Peru and Colombia agreements should be revised to ensure they provide for balanced market access opportunities that will serve the interests of U.S. cattle producers. Given the countries' significant export potential, the FTAs should include import safeguards that are triggered by volume and by price, and that endure beyond tariff and quota phase-out periods. The FTAs should also include a born, raised and slaughtered rule of origin to prevent third countries from taking advantage of the access granted under the agreements.

Korea Free Trade Agreement

● R-CALF USA welcomed the announcement of FTA negotiations with Korea, which was the third largest market for U.S. beef before BSE issues arose in late 2003. But no agreement should be finalized until there is a detailed commitment from Korea to follow OIE standards and sound science in granting market access for U.S. beef, with automatic timelines and binding dispute settlement if those timelines are not met. These commitments are a minimum prerequisite for any agreement. The FTA should also achieve significant liberalization of Korea's small import quota and high tariff on beef.

The WTO Doha Round

● The Doha Round at the WTO creates an important opportunity to address global distortions in cattle and beef trade. While U.S. negotiators are working hard to address some of the concerns RCALF USA has identified, there are other areas where more work remains to be done.

● In particular, the negotiations threaten to permanently eliminate the Special Safeguard for agriculture for developed countries such as the U.S. The U.S. used the WTO's Special Safeguard to counteract declines in beef import prices in 1999, 2000, 2001, and 2002.

● While the Special Safeguard was created for import sensitive products, it has particular value for products with a short shelf-life or limited marketing seasons. Congress has recognized that cattle and beef are among such items. If the Special Safeguard is not available, new rules will be needed to guard against import surges and price volatility for such products.

● In the Trade Act of 2002, Congress instructed U.S. negotiators to include special rules for perishable and cyclical products such as cattle and beef in new trade agreements. The U.S. put forward a proposal on special rules for perishable and cyclical products in the Doha Round Rules negotiations, but cattle and beef were not among the products covered in the proposal.

- As countries seek to revive the Doha Round, R-CALF USA looks forward to working with the Administration and Congress to ensure a strong proposal on special rules for perishable and cyclical agriculture that includes cattle and beef is put forward. R-CALF USA also believes strongly that the Doha Round must not undermine the effectiveness of U.S. trade remedy laws.

Fast Track/Trade Promotion Authority

- R-CALF USA opposes the current fast track/trade promotion authority model, and does not believe that fast track needs to be extended at this time. We need a strategic pause before we embark on new trade negotiations so our government can better understand the impact of free trade agreements on producer agriculture.

- Instead, Congress should use this opportunity to evaluate current U.S. trade agreements and to help shape new policy approaches that will work for U.S. producers in the future. In the mean time, any meritorious agreements can still be submitted to Congress for approval without fast track procedures in place.