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January 14, 2016

Lisa R. Barton
Secretary to the Commission
U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Re: ***R-CALF USA Testimony in Investigation No. TPA-105-001, Trans-Pacific Partnership Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors***

Dear Ms. Barton:

R-CALF USA is the largest trade organization exclusively representing cattle producers within the multi-segmented beef supply chain. We also represent sheep producers. The proposed Trans-Pacific Partnership Agreement (TPP) will harm our U.S. cattle and sheep industries.[1]

The block of TPP countries collectively represents the world's third-largest cattle herd. It overproduces beef; and its beef production is increasing while its consumption is decreasing. These are not favorable factors for expanding beef or cattle exports.

The TPP includes four of the world's largest beef and cattle exporting countries, all of which overproduce beef, and grants them greater access to our market. We will become the dumping ground for cattle, beef and lamb. Imports from TPP countries already outpace our exports to those countries. Our cumulative trade deficit in cattle and beef with TPP countries has grown to $22 billion in 10 years.

[1] References to sources supporting claims contained in this testimony but not cited herein can be found in R-CALF USA's detailed, 41-page prehearing brief in this matter submitted to the USITC on Dec. 29, 2015.

The U.S. already has trade agreements with six TPP countries. New Zealand is a major exporter and consumes only a small volume of beef. Neither Malaysia nor Brunei imposes tariffs on beef or lamb. Vietnam is economically weak and we already have about one-third of its small import market. Japan is the only new market with any real promise.

Japan was our largest export market without TPP. We lost most of it in 2003 when an imported Canadian cow was detected with mad cow disease. Today we supply 41 percent of Japan's beef imports, but Japan's population, GDP, and domestic consumption are all declining. It is no longer the beef importer it once was, and may never be again. Any opportunities in Japan exist with our without the TPP.

History shows that meatpackers capture most, if not all, export benefits. Additional profits did not trickle down to cattle producers prior to Canada's mad cow detection, even though U.S. exports achieved year-over-year record highs for seven years. The TPP adopts the mantra of the National Cattlemen's Beef Association, who told a federal court that: "beef is beef, whether the cattle were born in Montana, Manitoba, or Mazatlán."[2] Under the TPP's product-specific rules of origin, the origin of beef is wherever the animal was slaughtered. This renders the origins of cattle irrelevant. It relegates U.S. cattle producers to nothing more than an undifferentiated global supply chain for meatpackers.

The TPP allows U.S.-based meatpackers to float live cattle from Australia, slaughter them here, and export the duty-free beef to Japan with a "Product of the USA" label. This extinguishes competition between U.S. cattle producers and cattle producers from around the world. So not only will the TPP destroy competition, it also allows multinational meatpackers to usurp the good name, image and reputation of the U.S. cattle producer.

[2] Complaint by the American Meat Institute, National Cattlemen's Beef Association, et al. against country of origin labeling, U.S. District Court for the District of Columbia (July 8, 2013), at 10.

Because TPP countries are close to 80 percent of the world's cattle populations, non-participating countries will likely become supply sources for meatpackers that operate export platforms within the TPP block. These meatpackers can leverage undifferentiated cattle sourced from anywhere in the world to depress U.S. cattle prices and displace U.S. production.

This is not speculation. Mexican cattle can be slaughtered in the U.S. and the resulting beef shipped duty-free as a "Product of USA" under the U.S.-South Korea Free Trade Agreement, even though Mexico is not a party to that agreement. Because the TPP renders the origins of cattle irrelevant, it nullifies earlier promises that U.S. cattle producers would enjoy preferential access under previous trade agreements. The TPP grants the same preferences to beef from India as it does beef from the U.S., if the animals are slaughtered in a TPP country.

The TPP provides special safeguards against price-depressing imports to some countries' producers but not to U.S. cattle or sheep producers. Japanese cattle producers receive special safeguards for excessive imports as do U.S. dairy producers. The TPP discriminates against U.S. cattle and sheep producers by not affording them the same minimal safeguards granted to others.

Since the U.S.-Australia Free Trade Agreement, more than half of our domestic lamb consumption is supplied by imported lamb. The failure to provide safeguards for sheep producers has resulted in the offshoring of our nation's once vibrant commercial sheep industry. Our cattle industry is on the same disastrous trajectory. Over half a million U.S. cattle operations have exited our industry since 1980; our U.S. cattle herd is now the smallest in 70 years; and our production output is the lowest in more than two decades, since just before NAFTA.

One study quantified the economic impacts associated with increased cattle and beef imports using Implan multipliers and found "that a decline in $1 of sales for the cattle ranching and farming sector will have a $3.87 impact on total output in the economy, and that "every million dollars in sales of cattle or beef is associated with 43.5 jobs generated in the economy." [3]

By treating our growing trade deficit as "lost sales," and using these multiplier-effect findings, we estimate that the $2.2 billion trade deficit increase with the TPP countries from 2013 to 2014 reduced our nation's economic output by about $8.7 billion and caused a loss of more than 97,000 U.S. jobs. The TPP will likely worsen this avoidable situation.

Health and safety issues have far more impact on trade than tariffs. Five TPP countries have yet to meet U.S. food safety standards for beef. Our industry has already suffered from other countries' health problems. Most of our export markets banned U.S. beef after we detected a mad cow case in a Canadian cow in 2003. It took about 7 years before beef export volumes returned to pre-ban levels. The TPP will heighten our risk of importing foot-and-mouth disease as four TPP countries have been affected by the disease during the past two decades.[4]

The TPP interferes with our ability to establish the highest possible health and safety standards through the participatory, democratic process. And, it authorizes unaccountable attorney practitioners, who are not judges, (and who may be a citizen of one of the challenging countries)[5] to adjudicate challenges to our U.S. health and safety laws by foreign governments and foreign corporations. This makes it an unacceptable agreement.

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[3] Economic Analysis of Proposed Rule for Bovine Spongiform Encephalopathy: Minimal Risk Regions and Importation of Commodities (APHIS Docket No. 03-080-1), John J.VanSickle, Florida State University, available at http://r-calfusa.com/wp-content/uploads/2013/04/151103-Expert-Economic-Evaluation-John-VanSickle.pdf.

[4] FMD Situation and Control Strategies in SE Asia and the Pacific, Dr. Ronello C. Abila, OIE, available at http://www.oie.int/fileadmin/Home/fr/Conferences_Events/sites/F_FMD_2009/FMD_presentation/Session%202_1/2_1_8_ABILA.pdf (affected countries include Japan, Peru, Vietnam and Malaysia).

[5] *E.g.*, in the Country of Origin Labeling Act case brought by Mexico and Canada against the U.S., the WTO appointed Ricardo Ramírez-Hernández as the appellate panel chairman. Ramírez-Hernández is a Mexican national and a lawyer who has represented Mexico in trade matters. He had an obvious conflict of interest since Mexico was a party to this case but was nevertheless selected to preside over a challenge to U.S. law.

The TPP will further weaken health and safety standards first weakened by the Uruguay Round Agreements. Our once high standards will again be relaxed to facilitate imports from countries that lack the will, the infrastructure, or the resources to meet essential standards.

The TPP will further weaken our standard of: 1) requiring foreign meatpacking plants to have food safety systems that are at least equal to U.S. systems; 2) prohibiting imports from every region within a country that has not completely controlled or eradicated dangerous livestock diseases; 3) conducting monthly on-site inspections of foreign meatpacking plants; and, 4) prohibiting imports from countries with ongoing outbreaks of diseases fatal to humans.

The TPP will further weaken these standards by imposing new duties on the U.S. to consider non-tangible factors (e.g., factors such as a foreign country's experience and knowledge that have nothing to do the effectiveness of a particular food safety standard) when deciding to accept foreign imports. It then subjects our Constitution-based and democratically-controlled decisions to interpretation by an unaccountable tribunal inaccessible to most U.S. citizens. In short, the TPP requires the U.S. to unacceptably cede a wide swath of its national sovereignty.

Lobbyists tout U.S. superiority in the world beef market to justify agreements like the TPP that relaxes our import requirements. However, the U.S. has been out-competed by other world exporters even in our domestic market. This is evident by our chronic, decades-long inability to muster sufficient beef production to meet domestic beef demand. In 2012 the USDA reported that the share of our market captured by imports was at 18 percent and was trending upwards. We have accumulated a -$46 billion trade deficit with the 20 countries with which the U.S. has already implemented a free trade agreement since the late 80s.

Also, the U.S. market share of worldwide beef exports has declined, from 29 percent in 2002 to only 11 percent in 2015.[6] It is unlikely that the TPP, which treats cattle, beef and lamb about the same way as prior agreements, will miraculously reverse our poor trade performance.

For the foregoing reasons, R-CALF USA respectfully urges the U.S. International Trade Commission to recommend to Congress that the Trans-Pacific Partnership Agreement should be rejected.

Sincerely,

Bill Bullard, CEO

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[6] *See* Cattle Selected Countries Summary, Livestock and Poultry: World Markets and Trade, USDA FAS (October 2015), at 4, available at http://apps.fas.usda.gov/psdonline/circulars/livestock_poultry.pdf.