

Testimony

on behalf of the

National Cattlemen's Beef Association

with regards to

Importance of Implementing Pending Free Trade Agreements with
Korea, Colombia and Panama

submitted to the

United States House of Representatives
Committee on Agriculture

Representative Frank Lucas, Chairman

submitted by

Mr. Bill Donald

President,
National Cattlemen's Beef Association

May 12, 2011
Washington, DC

Chairman Lucas, Ranking Member Peterson and members of the committee thank you for giving me the opportunity to testify before your committee today. The three pending trade agreements are a top priority for the beef industry and it's a privilege to be here representing my fellow cattlemen and women. I'm Bill Donald, president of the National Cattlemen's Beef Association (NCBA). I am a third generation rancher from Melville, Mont. Along with my family, I own and operate Cayuse Livestock Company, a cow/calf/yearling operation. My wife, our two sons and their families are actively involved with our operation, which is headquartered in the foothills of the Crazy Mountains in South Central Montana.

NCBA is the nation's oldest and largest national trade association for cattlemen and represents more than 140,000 cattle producers through direct membership and our state affiliates. NCBA is producer-directed and consumer-focused and represents all segments of the beef industry. Our top priority is to produce the safest, most nutritious and affordable beef products in the world. This has been consistent throughout our industry's history and in our long-term efforts to continually improve our knowledge and ability to produce beef products to meet consumer preferences.

With 96 percent of the world's consumers living outside of the United States, access to foreign markets for our beef and beef products is significantly important for our industry to grow. Exports are vitally important for the future success of U.S. beef producers and rural America. Future growth of the U.S. economy depends upon our ability to produce and sell products competitively in a global marketplace. Economic globalization is not simply a matter of ideological or political preference; it is a fundamental reality that will determine whether America remains an economic super-power or becomes a secondary economic force.

Fast-growing economies in Asia and South America expose a growing consumer base to U.S. beef, and as statistics show, they enjoy eating U.S. beef. The pending free trade agreements with Korea, Colombia and Panama give cattlemen like me and my sons the opportunity to compete on a level playing field with cattlemen around the world. We're all courting the same consumers internationally. I'm here to say today – please do not handicap us by delaying these agreements any longer. I want my sons and grandchildren to be able to carry on the family business. The beef industry is not asking for a handout from Washington but we are asking for the opportunity to compete for consumers in Korea, Colombia and Panama. These trade agreements would allow the beef industry to grow and create economic opportunities throughout rural America without costing taxpayers a dime.

NCBA continues to encourage Congress to expedite the technical discussions with President Obama and U.S. Trade Representative Ron Kirk, draft legislation and send the three pending agreements to Capitol Hill for swift consideration. I appreciate the recent efforts to finalize these agreements, but we cannot afford to wait any longer to implement them. Each day that goes by without implementing these agreements is another day we risk losing more American jobs by losing market share to other countries. Additionally the free trade agreements are an important factor to reach President Obama's goal of doubling exports. The progress made last week to move forward with technical discussions is definitely welcome, but I will not be satisfied until the ink is dry and the trade agreements are implemented. As a cattleman, I am only as good as

my word. And quite frankly, I've heard a lot of bull when it comes to trade. Last May, a group of us from the agriculture industry came to Washington and heard lots of promises and talk about action on these trade agreements. But here we are one year later. The agreements still have not been implemented. It's time. Not six months from now. Right now.

Competing For Market Share

The European Union (EU), Australia, Canada, Argentina and Brazil are independently competing with the United States for access and market share of foreign markets. Further delay of these free trade agreements keeps outrageously high tariff rates in place that put American cattlemen at a competitive disadvantage. If other countries secure agreements that eliminate or reduce their tariff rates before we do, their beef will be sold at a lower cost than ours. This means we lose even more market share and consequentially will export more American jobs.

The U.S. beef industry's largest competitor is Australia. In 2010, Australia had 53 percent of Korean market share compared to 32 percent by U.S. If the Australians successfully ratify a similar bilateral trade agreement with South Korea before the United States, they will have a 2.67 percent tariff advantage over American beef for the next 15 years, allowing them to sell more of their product at a cheaper price. Additionally, South Korea and the EU signed a free trade agreement in October 2010 that will take effect this July. Recently, Korea announced they will re-open their market to Canadian beef as early as June 2011. Time is ticking – we can't continue to sit on the sidelines while other countries move forward and sign their trade agreements. Furthermore, other key Asian trading partners are closely watching the Korea-U.S. Free Trade Agreement (KORUS FTA) as this agreement will likely set the benchmark for American beef trade with Japan, China and Hong Kong.

Other countries are also competing with the United States for market share in Central and South America. Most recently, Canada and Mexico aggressively pursued free trade agreements with Colombia and have been successful in securing those agreements. Failure to implement the pending free trade agreements sends the wrong message to major export markets like China and Russia – markets with tremendous potential consumer demand but limited or non-existent access. That demand will be met, let us meet it with American beef. Pass the trade agreements and allow America's cattle producers to do what they do best – produce the safest, most wholesome and affordable beef in the world.

NCBA Supports Implementation of Korea-U.S. Free Trade Agreement (KORUS FTA)

NCBA fully supports immediate implementation of the KORUS FTA. Korea is one of the largest export markets for American beef. The United States exported nearly \$518 million of beef in 2010, which is a 140 percent increase in sales over 2009. American beef exports to South Korea added \$25 in value to each of the 26.7 million head of steers and heifers produced in the United States in 2010. Unfortunately, American beef faces a 40 percent tariff on all cuts, resulting in over \$200 million in tariffs in 2010. NCBA strongly believes the 40 percent tariff is the greatest hindrance to U.S. beef exports to Korea.

Implementation of the KORUS FTA would phase out South Korea's 40 percent tariff on beef imports, with \$15 million in tariff benefits for beef in the first year of the agreement alone and about \$325 million in tariff reductions annually once fully implemented. According to U.S. International Trade Commission, annual exports of U.S. beef could increase as much as \$1.8 billion once the agreement is fully implemented. Eliminating the 40 percent tariff will give more Korean consumers greater access to safe, wholesome U.S. beef at a more affordable price.

NCBA Supports Implementation of U.S.-Colombia Trade Promotion Agreement (CTPA)

NCBA supports immediate passage of the U.S.-Colombia Trade Promotion Agreement (CTPA). I recently sent a letter to President Obama urging him to work with Congress to pass and implement the revised agreement with Colombia. I am pleased that Ambassador Kirk has notified congressional leaders of his intent to begin technical discussions, and I hope these discussions are completed as soon as possible.

Colombia is an important market for U.S. beef and beef variety meat exports. Unfortunately, Colombia places up to an 80 percent tariff on U.S. beef imports, making it one of the highest tariffs U.S. beef faces anywhere in the world. Once the CTPA is implemented, high quality U.S. beef will have duty-free access and the tariffs on all other beef and beef products will be reduced over the next 15 years. For the first time ever, the CTPA puts American beef on a competitive footing with beef imports from Brazil and Argentina. In 2010, the United States exported approximately \$759,000 of beef and beef products to Colombia, a paltry sum considering the excessive duties. In addition to eliminating tariffs, CTPA addresses non-tariff barriers by providing assurances for a stable export market through plant inspection equivalency. It also fully reopens the Colombian market to U.S. beef by assuring that Colombia adheres to the World Organization for Animal Health (OIE) guidelines related to BSE.

NCBA Supports Implementation of Panama Free Trade Agreement

Another important lynch pin for U.S. beef trade is the Panama Free Trade Agreement. NCBA is pleased that all outstanding issues have been addressed and that the agreement is ready for further action by Congress. Like the CTPA, the Panama Free Trade Agreement provides assurances for a stable export market through plant inspection equivalency and Panama also modified its import requirements related to *bovine spongiform encephalopathy* (BSE) to be consistent with international standards. Additionally, the 30 percent tariff on prime and choice cuts would be immediately eliminated and the duties on all other cuts would be phased out over 15 years. Once the agreements with Panama and Colombia are put into place, the United States will ultimately have free trade for U.S. beef with approximately two-thirds of the population in the Western Hemisphere.

Abiding By Internationally-Recognized Science-Based Standards Insures Fair Trade

International trade must be based on sound science, not political science. Allowing U.S. beef producers to be subject to the whim of foreign governments who do not base their decisions on internationally recognized science-based standards creates a high level of market volatility.

According to Cattlefax, U.S. beef lost nearly \$22 billion in potential sales through 2010 due to BSE bans/restrictions.

Abiding by internationally recognized science-based guidelines as those set by the OIE guidelines promotes fair trade for the U.S. and developing countries. Additionally, this creates less market volatility and encourages safer production practices. But if you question the need for abiding by internationally recognized science-based standards, take a look at what has happened to U.S. beef in some key Asian markets.

China's market remains closed to U.S. beef since the 2003 discovery of a Canadian-born cow infected with BSE in the United States. China uses non-science based standards to keep out U.S. beef, which is recognized internationally as a safe product. U.S. Beef sales in China could exceed \$200 million if given access. Beef isn't the only industry to suffer from these non-science based trade restrictions. On a larger scale, the elimination of China's tariff and other trade restrictions could lead to an additional \$3.9 to \$5.2 billion in U.S. agricultural exports to China, according to an U.S. International Trade Commission study.

Historically, Japan was the top market for U.S. beef exports at \$1.4 billion. In 2010, the U.S. exported \$640 million in U.S. beef in Japan – far short of pre-BSE levels due to Japan's 20 month age restriction, which is not based on internationally recognized sound science. If Japan would follow OIE guidelines and recognize U.S. beef as the safe product it is by raising the age limit, it is estimated that Japan would once again easily be a \$1 billion market for U.S. beef.

Unfortunately, Taiwan is another example of what happens when internationally-recognized science-based standards are not in place. Recently, 20 United States senators sent a letter to Taiwan President Ma urging his government to use internationally-recognized scientific standards regarding U.S. beef.

In January 2011, the Taiwan Food and Drug Administration began testing for the existence of ractopamine in imported beef. Based on trace amounts of the feed additive in U.S. beef products, Taiwanese officials pulled products from grocery shelves and rejected affected products at ports of entry. Ractopamine is recognized by the U.S. Food and Drug Administration as a safe feed additive. Taiwan's current zero-policy standard lacks scientific standing and is out of step with accepted international standards. Further, the zero-tolerance policy is inconsistent with Taiwan's own risk assessment in 2007, which found that ractopamine was safe for use. Taiwan's non-science based actions create an unnecessarily volatile trading environment. U.S. exporters are extremely reluctant to ship product to Taiwan given the uncertainty presented by the amplified testing regime. Prior to the enhanced testing regimen, Taiwan had been a historically strong market for U.S. beef. In 2010, Taiwan purchased more than \$216 million worth of U.S. beef, a 53 percent over 2009 levels of \$141 million in sales.

Exports Create Jobs

Without question, exports create jobs. According to Cattlefax, fed steers have been selling near \$115 per hundred weight (cwt), or roughly \$1,495/head. Of that, Cattlefax estimates that exports have added a minimum of \$145/head in value (as opposed to not having exports). I believe the

potential value added to each head that is created by increased exports provides the essential economic incentive needed to curb outmigration in rural America. An aging agricultural workforce is a serious problem facing our country. A profitable future in agriculture is the draw we need to get younger generations involved in food and fiber production.

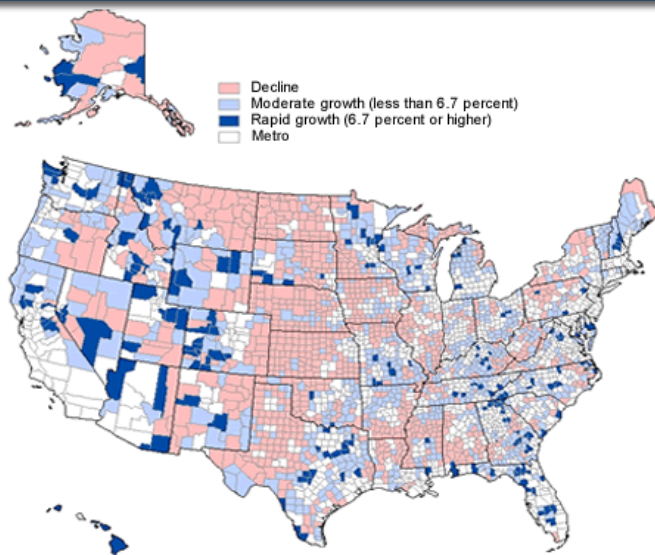
I am fortunate and blessed that my sons have chosen to return to our family ranch, but that isn't the case everywhere. One of the biggest problems facing agriculture today is an aging workforce with fewer young people returning to the farm to participate in farming and livestock production. There is a growing global demand for food, and some predict that global food production must double by 2050 to meet demand. "[G]lobal food production may have to double by 2050, says agriculture economist Robert Thompson of the Chicago Council on Global Affairs. From 2010 to 2050, the world's population is projected to increase 38 percent, from 6.9 billion to 9.5 billion, with gains concentrated in poorer countries." (Samuelson, Robert, "The Global Food Crunch," *The Washington Post*, 03/13/2011).

The shrinking number of young folks returning to production agriculture isn't the only challenge. For those men and women who do choose farming and ranching, they face a wide array of challenges. Rising land prices and startup costs make it difficult for younger generations to begin ranching unless they inherit the family business. High startup costs for production agriculture and market volatility make livestock production a risky investment for young people with little credit. "Higher land values also can have a crippling effect on beginning and limited resource farmers or ranchers who may not have the capital necessary to initiate or expand their operations. Nationwide, the annual number of new farm entrants under age 35 declined from 39,300 from 1978-1982 to 15,500 from 1992-1997 (Gale, 2002)." ("Final Benefit-Cost Analysis for the Farm and Ranch Lands Protection Program (FRPP)," USDA- Natural Resources Conservation Service, December 2010)

Without question, development of land formerly used for production agriculture is making farm/grazing land more scarce and more expensive. "As development pressure increases, agricultural land values are hard pressed to compete with developed uses. Farm real estate values continue to increase. These values have been driven largely by non-agricultural factors, such as low interest rates and demand for residential development and recreational uses." ("Final Benefit-Cost Analysis for the Farm and Ranch Lands Protection Program (FRPP)," USDA- Natural Resources Conservation Service, December 2010).

Rural America is facing a growing trend of outmigration primarily due to lack of employment opportunities.

Nonmetro population change, 2000-05



Source: USDA, ERS using data from the U.S. Census Bureau.

As you can see, most of this outmigration is occurring in the middle of cattle country. According to USDA-ERS, one of the reasons we are experiencing outmigration in rural areas is due to few non-agriculture related jobs. Between 2000 and 2005, population patterns in non-metro counties reverted to those of the 1980s. Population in an estimated 1,027 out of 2,051 non-metro counties (about half) declined in population, compared with the decline in 593 counties between 1990 and 2000. This is a reversion to patterns of the 1980s. For the most part, the newly declining counties are found in and among the large agriculture-dependent zones of the Great Plains and Corn Belt that lost people in the 1990s. But counties with declining populations also include Appalachian mining areas and a number of Southern counties that have relied heavily on manufacturing. Population decreased overall in both **farming** and **mining** county types (in the **ERS county typology** system) during 2000-05. (<http://www.ers.usda.gov/Briefing/Population/Natural.htm>)

One way to fight trend of outmigration is to develop more jobs in rural areas. If exports add value to and increase demand for agricultural products, then increasing exports is a benefit to employment in rural America. The U.S. should stop relying on government programs as the main incentive for young people to get into agriculture. Greater market access for U.S. agricultural goods means greater economic incentive for young people to get involved in agriculture.

In closing, I appreciate the opportunity to testify before you today on an issue of such importance to beef producers. I support President Obama's effort to double U.S. exports and create jobs in rural America. NCBA and many other stakeholders ask for your continued support in expanding market access by voting for the pending free trade agreements.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2008.

Name: Mr. Bill Donald

Organization you represent (if any): National Cattlemen's Beef Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: None Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2008, as well as the source and the amount of each grant or contract:

Source: None Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: X

Signature: Bill Donald

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Committee on Agriculture
U.S. House of Representatives
Information Required From Nongovernmental Witnesses

House rules require nongovernmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Mr. Bill Donald
2. Organization you represent: National Cattlemen's Beef Association
3. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee: I have worked on, owned, and managed a multi-generational cattle ranch for forty years.
4. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee: I have served on the officer teams of the Montana Stockgrowers Association and the National Cattlemen's Beef Association.
5. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold: I am currently serving as President of the National Cattlemen's Beef Association.

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.