

## **11/12/2002 Entry: "R-CALF USA Represents U.S. Cattle Industry at FTAA Trade Talks"**

Billings, MT—R-CALF United Stockgrowers of America (R-CALF USA) Trade Committee Chair Dennis McDonald and Committee Member Brett DeBruycker traveled to Quito, Ecuador, last week for four days of trade meetings as part of the VII Business Forum of the Americas. This is the forum where industry, and particularly the cattle industry, has direct input into the FTAA negotiations. R-CALF USA previously participated in the VI Forum in Buenos Aires, Argentina, last year.

Following R-CALF USA's successful effort to categorize live cattle and beef as perishable and cyclical products, R-CALF USA continues to participate in FTAA negotiations. As part of this effort, McDonald and DeBruycker were promoting R-CALF USA's position that special safeguards should apply to livestock and beef to protect the industry from collapsing prices in times of rising imports. R-CALF USA is the only cattle organization leading and participating in these efforts.

The FTAA contemplates a NAFTA type agreement that includes 34 of the 35 countries in the Western Hemisphere, spanning the continent from Canada to Chile. Completion of the agreement is expected by 2005 and will create the world's largest "free trade" zone. McDonald said, "The leadership of most Central and South American countries see the FTAA as a means to integrate the economies of the hemisphere. The president of the International Monetary Fund (IMF) stated in Quito, Ecuador, that the FTAA has the potential to solve the problems of misery, poverty, and starvation widely prevalent in Central and South America." McDonald also reported that Joaquin Zevallos Maguiavelo, the Vice-President of Panama, spoke of the integration of the economies of South America with the economy of the U.S., quoting Karl Marx in justifying this goal, and that Gustavo Pinto, the Vice-President of Ecuador, spoke of one hemispheric nation without borders.

McDonald explained the underlying assumption behind free trade is that affording less developed countries increased export opportunities, including exporting into the U.S. market, will strengthen their economies, lifting them from poverty. With a stronger economy incomes will rise, allowing them to begin purchasing more U.S. exports. McDonald said the U.S. cattle industry's challenge is to figure out how to restore and maintain profitability during the extended period of increased imports that will begin flowing from the less developed countries. "After all, it is the export of agricultural products that are expected to help strengthen the economies of these less developed countries," he said.

McDonald and DeBruycker verified that the cost of producing cattle in South America is considerably less than in the U.S. DeBruycker said the cost of production of cattle and beef in Ecuador is 25 percent of the cost here in the U.S. "The best laborer in Ecuador receives \$5.00 per day. There are no social

security, unemployment insurance, health benefits, or other taxes paid by employers. Costs of housing for rural workers in Ecuador are approximately \$10.00 per month. Farmers enjoy four continuous crops per year in the tropical climate,” he said. DeBruycker also said the U.S. cattle industry must be mindful of the long-range plans of South America. “The agriculture minister of Brazil stated that Brazil could become the food supplier for the hemispheric population,” he reported.

The R-CALF USA representatives also learned the monetary problems of South America are considerable. “Before adopting the U.S. dollar as its currency, Ecuador was experiencing 100 percent annual inflation and 42 percent unemployment. Columbia has 34 percent unemployment and Argentina’s currency lost 75 percent of its value in the last year,” said McDonald.

“Unless we include meaningful safeguards in this FTAA, the U.S. cattle industry and our way of life in Rural America will be threatened,” exclaimed DeBruycker. “That’s why we presented the negotiators with our report on the current state of our live cattle industry along with a list of 12 trade objectives for the U.S. cattle industry,” he said. R-CALF USA’s report shows that the U.S. cattle industry has been facing a severe economic cost/price squeeze for the past decade and that economic returns to U.S. cattle producers and the number of U.S. cattle operations are both trending downward at an alarming pace.

Recalling that the passage of Trade Promotion Authority earlier this year was also accompanied by instructions from Congress that there needs to be “special rules” for industries producing cyclical and perishable agricultural products such as cattle and beef, R-CALF USA’s recommendations to the FTAA negotiators included a request to extend any phase-outs of beef tariffs and beef tariff rate quotas (TRQs) over a period of at least 15 years and to disallow the expansion of beef TRQs during the phase-out period; the establishment of special import relief mechanisms for perishable and cyclical products like cattle and beef including an automatic “snap back” provision should cattle prices fall below a particular trigger level; the establishment of rules to prevent transshipments of cattle; and stringent health and safety rules to protect U.S. consumers and the U.S. cattle herd from infectious diseases and pests. DeBruycker and McDonald were advised that FMD is widespread in Ecuador where cattle are routinely vaccinated for this disease and that Columbia reports the disease, placing FMD 500 miles from our southern NAFTA trading partner.

DeBruycker noted that many commodity groups who supported TPA did not participate in this meeting. He said given the tremendous impact the FTAA will have on the U.S. cattle industry it is very important for the U.S. cattle industry to increase the frequency and intensity of its participation in the FTAA process. “Negotiations are moving quickly and the U.S. government is intent upon achieving an agreement. U.S. cattle producers need to make sure their interests are taken into account,” he said.

