

R-CALF leader testifies against Australia FTA

Brett DeBruycker, of R-CALF USA, was the only cattle industry representative to testify against the Australian Free Trade Agreement (FTA) in front of the International Trade Commission in Washington, DC this week, telling lawmakers the FTA "mortgages the future of young farmers and ranchers in the United States." The group worries changes in the volume of product will lead to a further erosion of profitability in the cattle industry.

He said R-CALF USA appreciates USTR's efforts to establish special rules and an 18-year phase-in plan for beef. But, he said the lack of special rules for live cattle, combined with all tariffs and tariff rate quotas (TRQs) being eliminated by Year 19 of the agreement will leave future producers in a tough spot.

DeBruycker says direct and indirect subsidies to beef producers around the world have artificially lowered the cost of production and unfairly increased the volume beef available. Further, trade barriers have limited US export opportunities.

R-CALF USA believes the Australian FTA will have significant adverse effects on the US cattle industry because "even small changes in the volume of product will lead to a further erosion of profitability in the industry. This, they say, makes "prospects bleak for our children and young farmers and ranchers to continue to produce the best cattle and beef in the world."

While R-CALF USA says it recognizes that trade distortive practices by other countries (i.e., subsidies, non-tariff trade barriers, bound tariffs) are not the result of the Australian FTA, the effects of the Australia FTA must be examined in context to understand the consequences of bilateral liberalization where there is limited or no export opportunities for an import-sensitive sector like the cattle and beef industry.

In addition, the group says, by controlling exports of feed grains, Australia is able to influence the domestic prices of feed, intentionally lowering those prices, which benefits Australian cattle producers.

The removal of tariffs, as outlined in the Australia FTA and compounded with artificial advantages provided to Australian producers, could lead to higher imports than would be the case with other FTAs with foreign partners that provide less support – direct or indirect – to their producers.

"The net impact of these two issues is the cost of producing Australian cattle, and the resulting beef produced from them, is artificially lowered, placing US producers at a cost disadvantage not only in the US, but also in third-country markets that are not closed to our exports," DeBruycker continued. "The Australia FTA grants increased access to the United States for Australian beef while eliminating US tariffs in an environment in which Australian government distortions are not being addressed."

R-CALF USA believes the Commission report to the Administration should identify the distortions and the effect such distortions have on our domestic cattle industry.

Furthermore, DeBruycker says, "Right now the industry – and by extension, rural communities - are going through a historically difficult period with the US cattle herd going through its seventh consecutive year of contraction resulting in the loss of an average of 13,646 beef cow operations during each of those years, and now, more than 90 percent of our export opportunities have disappeared because BSE was discovered in Washington in December."

R-CALF USA also supports strong safeguards in free trade agreements that deal with perishable, seasonal, and cyclical products. But R-CALF USA also believes the safeguard in this agreement, to be effective, must be automatically imposed if needed, and not implemented on a discretionary basis, as outlined in the Australia FTA.

"As every cattle producer knows, when live cattle are ready for slaughter, they have a very limited period to be sold to get maximum value," said DeBruycker.

"Relief that takes months to obtain will fail to stop the hemorrhaging when prices fall and may result in action being taken when conditions have re-stabilized. R-CALF USA is asking the Commission to ensure that its economic evaluation of the effects of the Australia FTA reflects the safeguard provision, and the difference in results from an automatic vs. discretionary approach of implementation."

R-CALF USA release 04/01/2004 11:20 a.m.CDT