Sixth Annual R-CALF USA Convention

Trade, BSE and country-of-origin labeling take the spotlight.

Trade and marketing issues were the focal points at the sixth annual convention of the Ranchers-Cattlemen Action Legal Fund United Stockgrowers of America (R-CALF USA). Approximately 300 cattlemen gathered Jan. 20-22 in Denver, Colo., for the event.

Trade

President Leo McDonnell provided opening remarks and reminded members not to look at problems as pitfalls, but rather to find opportunities. McDonnell said the U.S. cattle industry is at a crossroads, with a multitude of issues on the table and only a finite amount of time to solve them.

"No issue, however, is going to have a greater impact on your industry than trade liberalization," McDonnell said. He said if the current trade agenda coming out of Washington, D.C., is successful, within two years the United States will have a free-trade agreement with every major beef-producing country in the world and not one major beef-consuming country.

The impending Central America Free Trade Agreement (CAFTA), McDonnell said, "is the most liberalized trade agreement ever seen and is the model for the Free Trade Area of the Americas (FTAA)."

Jess Peterson, R-CALF USA director of governmental relations, presented the Americans for Fair Trade coalition's CAFTA concerns. The group describes itself as "a nonprofit organization to promote and educate the American public on issues relating to free and fair trade agreements with other countries."

Peterson addressed the group's concerns as they relate to the beef industry. The No. 1 concern is that CAFTA could serve as a model for future trade agreements with South American countries. Peterson said U.S. trade representatives failed U.S. cattle producers during the CAFTA negotiations because the agreement contains no special rules for cattle and beef. There are no safeguards, no phaseout of tariff rate quotas (TRQs) or tariffs, and no provisions for the time that U.S. beef export markets remain closed, he said.

"While individually the CAFTA countries may seem small and insignificant, collectively they represent a cattle herd size nearly the size of Canada's," Peterson said.

Peterson said the next six months would be critical for CAFTA, as it will be sent to Congress for approval.

BSE concerns

Bovine spongiform encephalopathy (BSE) garnered a large portion of the attention at the R-CALF USA convention. With the recent filing of the lawsuit to prevent USDA's Final Rule — that would allow live Canadian cattle less than 30 months of age into the United States — from being implemented, the science surrounding the issue was discussed in depth.

R-CALF USA CEO Bill Bullard summarized the United States' long-standing policy to prevent BSE introduction into the United States, which includes a ban on ruminants and ruminant byproducts from countries known to have BSE since 1989. Furthermore, the United States added a BSE surveillance program in 1990 and initiated a feed ban in 1997.

Bullard said that since 1989, 23 countries have detected BSE in native cattle, with Canada being the 23rd. He said it was not until Canada detected a case that the U.S. Department of Agriculture (USDA) decided to lower these safeguards. The Harvard risk analysis, which USDA relies heavily upon for regulation formulation, found that the two most important safeguards the United States has against BSE are the 1989 prohibition against ruminants and ruminant products from countries known to have BSE and the 1997 feed ban.

Bullard indicated that R-CALF USA has submitted volumes of comments, both solicited and unsolicited, to USDA about new BSE research, new risk analyses and a "Value of Information" study. Two of the scientists that worked on the Value of Information study, John VanSickle of the University of Florida and Tony Cox of Cox and Associates, presented data used in the study, as well as findings since the study was conducted.

Cox said that from a statistical standpoint there is no quantitative basis for USDA's analysis that the risk for BSE is low. Cox said USDA has not defined "low" and suggested different countries will have different definitions for the term.

He said most of the numbers typically used to justify USDA's position are meaningless, as the numerator and denominator are not used in conjunction. For example, knowing that Canada has had four cases of BSE in native cattle really is meaningless unless it is put into perspective with the number of cattle that were tested.

Cox called each new case of BSE statistically significant, warranting new estimations of prevalence rates. He surmised that with almost statistical certainty the United States would import more cattle with BSE if USDA's Final Rule were implemented as written.

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VanSickle said BSE causes two economic reactions:

1) Export markets close, which causes a reduction in cattle prices. U.S. beef is still subject to restrictions and bans in 61 countries because of the imported Canadian cow. VanSickle said beef exports in 2003 accounted for 9.8% of domestic production. In 2004 only 1.8% was exported. This loss of exports costs U.S. cattlemen almost $15 per hundredweight (cwt.) on fed cattle. In total, the industry lost $8.5 billion due to the loss of export markets.
2) Domestic demand is potentially lost. While Canada only experienced a minimal reduction in consumer demand, other countries experienced tremendous losses. Poland's beef consumption has been reduced by 60% since 1998. VanSickle said USDA assumed a 2% drop in domestic consumption if USDA's Final Rule were implemented. USDA reported this would equate to a 0.5% decline in cattle prices. A key assumption in this is that no BSE cases would be detected in native U.S. cattle.

However, assuming a worst-case scenario, VanSickle said BSE could trigger a 27% decline in domestic consumption, which would cause a $3.8 billion loss to the U.S. cattle industry. Combining lost export markets and reduced domestic consumption could equate to a $20.7 billion loss to the U.S. cattle industry in that worst-case scenario.

VanSickle said keeping the Canadian border closed should not be viewed as a method to enhance U.S. cattle prices, but rather a necessity to protect the U.S. herd and the U.S. consumer.

Country-of-origin labeling

R-CALF USA has pursued country-of-origin labeling (sometimes referred to as COL or COOL) for many years and has remained engaged in promoting the concept throughout the legislative process. During the convention, country-of-origin labeling was addressed from a legislative standpoint by Bill Sessions, USDA Agricultural Marketing Service (AMS), and Margaret Curole, a Louisiana shrimper presently subject to country-of-origin labeling seafood regulations.

Curole said U.S. seafood producers are not satisfied with the present country-of-origin labeling regulations as there are many loopholes that allow foreign seafood to enter the United States without labeling because of the processed food exemption. She said exporters dust shrimp with a very light coating of flour, and that makes the shrimp exempt from the labeling requirement. Curole said U.S. seafood producers support country-of-origin labeling; however, they hoped for stronger regulations that would keep the intent of the legislation in the law.

Sessions detailed the final seafood country-of-origin labeling law and explained some of the changes incorporated into the law that have reduced the cost for the seafood industry by nearly 50%. The majority of the changes reduced recordkeeping requirements by reducing the length of time the records had to be kept, as well as the location of the records.

Since the beginning, USDA has desired a voluntary country-of-origin labeling program, believing that if there were a benefit the industry would already be labeling the products using the voluntary approach. When asked about participation in the voluntary program, Sessions indicated there has been none.

Addressing country-of-origin labeling from the consumers' perspective were Jean Halloran, executive director of the Consumers Union Consumer Policy Institute; Ann Daniels, director and buyer for Chipotle Mexican Grill; and Chef Victor Matthews.

Halloran refuted the claim by some beef industry organizations that the Consumers Union is an anti-beef organization, adding that 95% of its members and readers of their publication *Consumer Reports* are beef eaters. Halloran said the Consumers Union supports mandatory country-of-origin labeling and has long supported consumers' rights to know where their food originates.

Daniels is responsible for supplying Chipotle Grill with fresh, high-quality food ingredients to use in its restaurants, including 12 million pounds of beef a year. Chipotle Grill has a requirement that the beef it purchases must be from cattle born, raised and harvested in the United States. Daniels said her meat suppliers have verifiable records that the beef will meet this requirement.

Daniels exemplified demand for country-of-origin labeling at the retail level and that packers can, will and are profiting by selling a product that is known to be born, raised and harvested in the United States.

Matthews explained that at his restaurant, country-of-origin labeling information, along with a host of other information, is given to the customer. He said consumers have changed their purchasing decisions throughout the years; no longer do they just want to know the size and cost of the steak, they want to know everything they can about the meat, including country of origin. Matthews said it is important for him to know the origin of the meat so he can relay it to the consumer.

In addition to two and a half days of information sessions, R-CALF USA members introduced resolutions and debated policy. All resolutions are now subject to a mail-in vote by the membership.

Editor's Note: *This article was submitted by Matthew Lane on behalf of R-CALF USA.*