Beef Business

▶A look at **current issues** affecting the **cattle industry.** *Compiled by **Shelby Mettlen,** assistant editor*

KLF distributes funds to ranchers affected by wildfire

The Kansas Livestock Foundation (KLF) has distributed $2,751,233 in wildfire relief funds to 165 Kansas ranchers. A special committee, including representatives from the Kansas Livestock Association (KLA) and KLF, reviewed applications and determined how the funds were allocated.

Applicants for the funds lost about 4,500 head of livestock and nearly 2,000 miles of fence to wildfires back in March. Livestock and fence losses reported by those applying totaled more than $20 million. The applicants had 365,000 acres burned by the fires, which were the worst in state history.

KLF leaders extend a special thanks to those who donated to the wildfire relief fund. Nearly 3,900 contributors from 48 states, the District of Columbia, the Virgin Islands and Canada gave to the cause. In

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Japan's frozen beef safeguard triggered in first quarter of Japanese fiscal year

Recently, the Japanese government released its June import figures for frozen beef. From this data it now is clear that imports during the first quarter (April 1-June 30) of Japan's fiscal year, from the United States and other countries covered under Japan's "safeguard" mechanism, were large enough (by a margin of just 113 metric tons) to trigger an increase in the duty charged on imports of frozen beef from these countries. The rate will increase from 38.5% to 50% for the remainder of the current fiscal year (through March 31, 2018).

"USMEF recognizes that the safeguard will not only have negative implications for U.S. beef producers, but will also have a significant impact on the Japanese foodservice industry," explained U.S. Meat Export Federation (USMEF) President and CEO Philip Seng. "It will be especially difficult for the gyudon beef bowl restaurants that rely heavily on Choice U.S. short plate as a primary ingredient. This sector endured a tremendous setback when U.S. beef was absent from the Japanese market due to BSE (bovine spongiform encephalopathy), and was finally enjoying robust growth due to greater availability of U.S. beef and strong consumer demand.

"USMEF will work with its partners in Japan to mitigate the impact of the safeguard as much as possible," he continued. "We will also continue to pursue all opportunities to address the safeguard situation by encouraging the U.S. and Japanese governments to reach a mutually beneficial resolution to this issue."

As agreed to in 1994 in the WTO Uruguay Round, Japan maintains separate quarterly import safeguards on chilled and frozen beef, allowing imports to increase by 17% compared to the corresponding quarter of the previous year. The duty increases from 38.5% to 50% when imports exceed the safeguard volume. Japan's frozen beef imports in the 2016 Japanese fiscal year were lower than in previous years, thus the growth in imports during this first quarter of the current fiscal year exceeded 17%, driven in part by rebuilding of frozen inventories and strong demand for beef in Japan's foodservice sector. The most recent quarter saw strong growth in imports from all of Japan's main beef suppliers.

The implications for U.S. beef exports are significant because U.S. frozen beef now faces an even wider tariff disadvantage compared to Australian beef. The duty on U.S. frozen beef imports, effective Aug. 1, 2017, through March 31, 2018, will be 50% while the duty on Australian beef will remain at the current rate of 27.2%, as established in the Japan-Australia Economic Partnership Agreement (JAEPA). The snapback duty of 50% will apply to frozen imports from suppliers that do not have an economic partnership agreement (EPA) with Japan, which are mainly the United States, Canada and New Zealand.

Conditions have changed since the quarterly safeguards were established in 1994, and the growth in Japan's imports this year has not adversely impacted Japan's domestic beef producers. Prices for Wagyu carcasses and Wagyu feeder cattle are down from the record highs of last year, but are otherwise the highest in recent history.

Japan has also moved away from the quarterly safeguard mechanism in its recent trade agreements. Through the JAEPA, Japan transitioned from quarterly safeguards to annual safeguards, which are much less likely to be triggered. The snapback duties on Australian beef have also been reduced, minimizing any potential impact on trade. Japan also agreed to similar terms in its economic partnership agreement with Mexico and in the Trans-Pacific Partnership (TPP).

Beef industry responds to tariff increase

Several U.S. organizations have responded to the increasing tariff rate.

"I am concerned that an increase in Japan's tariff on frozen beef imports will impede U.S. beef sales and is likely to increase the United States' overall trade deficit with Japan," commented U.S. Secretary of Agriculture Sonny Perdue. "This would harm our important bilateral trade relationship with Japan on agricultural products. It would also negatively affect Japanese consumers by raising prices and limiting their access to high-quality U.S. frozen beef."

Purdue said he asked representatives of the Japanese government to make every effort to address these concerns and the harm that could result to American producers and Japanese consumers.

U.S. exports of beef and beef products to Japan totaled $1.5 billion last year, making it the United States' top market.

"We're very disappointed to learn that the tariff on frozen beef imports to Japan will increase from 38.5% to 50% until April 2018," said National Cattlemen's Beef Association (NCBA) President Craig Uden. "Japan is the top export market for U.S. beef in both volume and value, and anything that restricts our sales to Japan will have a negative impact on America's ranching families and our Japanese consumers."

Uden said NCBA opposes such artificial barriers to trade because they unfairly distort the market and punish producers and consumers.

"Nobody wins in this situation," he said. "Our producers lose access, and beef becomes a lot more expensive for Japanese consumers. We hope the Trump administration and Congress realize that this unfortunate development underscores the urgent need for a bilateral trade agreement with Japan absent the Trans-Pacific Partnership."

Richard Thorpe, president of the Texas and Southwestern Cattle Raisers Association (TSCRA), said: "The increase in Japan's tariff on frozen beef imports could have a significant impact on producers. Japan is the largest buyer of U.S. beef exports and the third-largest destination for Texas beef. A 30% increase in the tariff rate will be detrimental to the U.S. cattle raisers, who rely on beef sales for their livelihoods, as well as the Japanese consumers who enjoy U.S. beef on their dinner tables. This is a prime example of why we need a free-trade agreement, like the Trans-Pacific Partnership, with Japan,

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Kansas, donations were received from 102 counties.

Three CFTC nominees approved by Senate Ag Committee

Three nominees for positions on the Commodity Futures Trading Commission (CFTC) were approved by the U.S. Senate Agriculture Committee.

The two Republican nominees — Brian Quintenz and Dawn DeBerry Stump — and the one Democrat — Rostin Behnam — now await confirmation votes in the full Senate. If the three nominees are confirmed, the CFTC will have all five seats filled.

"We all agree that the CFTC needs a full Commission," said Senate Ag Committee Chairman Pat Roberts and Debbie Stabenow in a joint statement released after the vote. "We're pleased our Committee has done its work to get these nominees through in a bipartisan manner."

Farm Bill listening sessions hosted, scheduled

Members of the U.S. House Agriculture Committee hosted a Farm Bill Listening Session in San Angelo, Texas.

Members of Congress who attended the meeting, which was billed as a way to gather input from farmers and ranchers as the Farm Bill is being drafted, included Chairman Mike Conaway, Ranking Member Collin Peterson, Vice Chairman Glenn "G.T." Thompson, as well as U.S. Reps. Rodney Davis, David Rouzer, Darren Soto, Roger Marshall and Jodey Arrington.

The Committee hosted another listening session in Morgan, Minn., and planned to host another in Modesto, Calif., Aug. 5.

Tax reform crucial for America's farmers, ranchers

Congressional leaders and administration officials have released a statement on tax reform that addresses many issues of importance to America's farm and ranch families.

"America's farmers and ranchers are encouraged to see that key congressional leaders and the administration understand how important tax reform is to all Americans," said Zippy Duvall, president of the American Farm Bureau Federation

(AFBF). "Fixing our tax system now is crucial to creating economic opportunities for farmers, ranchers and other family-owned businesses. This is especially important as farmers continue to face down tough economic challenges."

Duvall said the move set the stage for Congress to put tax reform on its agenda.

"Not only will reform strengthen our economy, but by addressing key issues like overall tax rates, capital gains taxes and enhanced expensing, it will be good for farms and other businesses," he explained. "Our farmers and ranchers face numerous challenges and it is important to recognize this creates special circumstances in regard to taxes. We look forward to working with Congress to move tax reform forward and do it in a way that benefits farm and ranch families and all Americans."

USCA submits written testimony for House Agriculture Committee hearing on NAFTA

On July 26, the U.S. Cattlemen's Association (USCA) submitted official written testimony for the House Committee on Agriculture's public hearing on Renegotiating NAFTA: Opportunities for Agriculture. The testimony outlines USCA's priorities for a modernized North American Free Trade Agreement (NAFTA), and echoes the verbal testimony provided by USCA President Kenny Graner on this same topic to the International Trade Centre (ITC) earlier this month. USCA's focus for any NAFTA renegotiations remain on addressing subsidy disparities for Canadian and Mexican cattle producers, establishing a World Trade Organization (WTO)-compliant country-of-origin labeling program for beef products, and adjusting the growing trade deficit.

Graner said, "USCA looks forward to working with the administration and Congress to address the issues raised by U.S. cattle producers in future NAFTA renegotiations. Based on the priorities outlined by USTR earlier this month, the needs of cattle producers are still not being met. Any renegotiation of NAFTA must include a path forward on origin labeling. The current trade disparities between the U.S., Canada, and Mexico won't change unless all factors affecting the situation are addressed. There must be a level and fair playing field when it comes to trade, and USCA will continue working toward achieving that as any negotiations moved forward."

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