



June 28, 2011

Dear Representative:

Please urge the Obama Administration to submit to Congress the implementing legislation for the pending free trade agreements (FTAs) with South Korea, Colombia and Panama, and vote to support these important trade agreements once they are before the House of Representatives.

These FTAs have the potential to expand U.S. exports of virtually all livestock products, thereby raising producer prices and creating U.S. jobs. Texas would be one of the biggest beneficiaries of these gains. Our state ranks first in cattle and calf production, first in sheep and goats, 6th in poultry and eggs, 8th in dairy products and 14th in hogs. USDA ranks Texas third overall in exports of red meat and animal products, with a value of \$710 million, and sixth in poultry at \$289. Texas also ranks 12th in dairy product exports.

The Texas livestock industry has everything to gain from these agreements and virtually nothing to lose. In all three countries, our products face significant market access barriers – which the FTAs would remove – and we import very little from those countries in return. This is true even though U.S. tariffs on products from these countries are already significantly lower. Below are just a few of the many benefits the three FTAs will provide Texas livestock producers:

Korea – Tariffs on imports of U.S. beef muscle cuts will decline from the current 40% to zero in 15 equal, annual reductions, and the Administration has committed to work with the Korean government to gain full access for U.S. beef from animals of all ages. Tariffs of 22.5% and 25% on imports of more than 90% of U.S. pork products will go to zero by 2016. Tariffs on imports of chicken cuts will decline from the current 20% to zero in 10 equal, annual reductions, with the exception of frozen breasts and wings which will decline in 12 equal, annual reductions. The FTA creates tariff-rate quotas (TRQs) that double the amount of access for U.S. dairy products, with most tariffs going to zero in 10 years.

Colombia – The import duty on U.S. beef muscle cuts will be eliminated immediately, and import duties on other beef products will be phased-out over a period not to exceed 15 years. The import duty on U.S. bacon and pork skin will be eliminated immediately, and the import duty on most other pork products will be phased-out over five years. Import duties on most U.S. poultry products will be eliminated immediately. A duty free TRQ of 27,040 MT will be established for chicken leg quarters and import duties will be phased out completely over 18 years. The FTA will provide immediate, duty-free access for imports of U.S. whey, and import duties on U.S. milk protein concentrates will be phased-out over three years. It also will establish duty-free TRQs for other U.S. dairy products to be phased-out over a period not to exceed 15 years.

Panama – The tariff on USDA Prime and Choice beef cuts will be eliminated immediately, as will the tariff on most edible offal. All other tariffs on beef and beef products will be phased-out over 15 years. Tariffs on U.S. pork variety meats will be eliminated immediately, and duties on some other processed pork items will be eliminated within 5 years. Preferential TRQs for major U.S. pork products will be established and grow annually until there is free trade in 15 years. A preferential duty-free TRQ for U.S. chicken leg quarters, which starts at 660 tons and grows each year by a 10% compound rate, will be eliminated in 18 years. Tariffs on U.S. whey products will be eliminated immediately. The FTA also establishes nine product-specific dairy TRQs with a combined total of 3,986 tons, and all of the dairy TRQs will have duty-free quantities growing at 4-5%, compounded annually with free trade established in 15 to 17 years.

It may seem that the transition periods to free trade are in some cases quite long, but please keep in mind three facts: First, our exports benefit from the FTAs the moment a tariff is reduced or eliminated. Second, we have already lost four years of potential tariff cuts and increased market access while waiting on the Administration to submit the implementing legislation to Congress. According to USDA, the U.S. currently accounts for 30% of Korea's agricultural imports, which is down from almost 45% in the mid-1990s. The U.S. share of Colombia's total agricultural imports fell from 40% in 2007 to 21% in 2010. Third, this inaction has allowed our foreign competitors to negotiate their own FTAs with these three countries. Korea has 13 such agreements either in place or in the works involving some 50 nations around the world. They include major agricultural producing and exporting countries such as: Chile, Australia, New Zealand, Canada, the 27-nation European Union, Mexico, Mercosur (Argentina, Brazil, Paraguay and Uruguay), Peru, and the ASEAN bloc. Likewise, Colombia has negotiated FTAs with Canada and the EU that are awaiting final approval and Panama has agreements awaiting implementation or in negotiation with Canada, Colombia, Peru and the EU.

Approximately \$2.5 billion in additional farm exports will be created through ratification of these three FTAs. Based on USDA estimates of job creation from agricultural exports, these new exports will create more than 20,000 new jobs in the U.S. both on and off the farm. Texas can be expected to gain a significant share of these jobs given its high ranking among the states in value of exports, particularly in value-added livestock products.

Again, please urge the Administration to submit the implementing legislation to Congress for immediate consideration and vote to pass these important FTAs. The benefits of these agreements to the Texas livestock industry are real and many, while failure to act would cause great harm and allow our foreign competitors to gain additional market advantage.

Sincerely,

Texas Cattle Feeders Association  
Texas & Southwestern Cattle Raisers Association  
Texas Pork Producers Association  
Texas Poultry Federation and Affiliates  
Texas Association of Dairywomen