

Joint International Markets Committee Meeting Minutes

January 29, 2010

Henry B. Gonzalez Convention Center

San Antonio, Texas

The January 29, 2010 meeting of the Joint International Markets Committee was called to order by Chairman Bob McCan at 1:48 p.m. On a motion by Hughes Abell, seconded by Bill Rhea, the minutes of the July 17, 2009 committee meeting in Denver, Colo., were unanimously approved.

The committee began its meeting with a brief report from Rich Otley of the Cattlemen's Beef Board. Mr. Otley's report focused on trends in both global and domestic beef demand, the past year's export results and the major challenges U.S. beef is facing in international markets. Mr. Otley also noted that he is soon departing his position at the Cattlemen's Beef Board and introduced his successor, Polly Ruhland.

This was followed at 2:10 p.m. by a more detailed report from Brett Stuart of Cattle-Fax. Mr. Stuart's presentation focused on the current trends in beef production, consumption and export activity. He noted that one factor giving U.S. beef exports positive momentum in the fourth quarter of 2009 and the first few weeks of 2010 has been a favorable trend in global currencies. The Australian dollar appreciated rapidly during this time, making U.S. beef more price competitive. Currencies of several key customers – such as South Korea – also appreciated, which made U.S. beef more affordable. Mr. Stuart stated that while U.S. beef continues to reclaim lost market share, BSE still represents a tremendous setback for U.S. exports. He estimates that without a BSE finding, U.S. beef exports would now be “close to double” their 2003 level. He is forecasting 8 percent export growth in 2010, but cautioned that several factors could alter this prediction. In particular, Russia's recent ban on U.S. poultry could impact both the domestic and global beef trade by forcing low-priced protein into the marketplace.

At 2:20 p.m., U.S. Meat Export Federation (USMEF) President and CEO Philip Seng provided a discussion of USMEF's promotional activities and outlined a number of emerging issues that impact consumer attitudes toward U.S. beef in overseas markets. He noted that while packers and processors used to view foreign markets as “residual,” they now see the export market as much more primary. Mr. Seng added that foreign markets are becoming increasingly consumer-driven, with the consumer's “right to know” becoming a more prominent factor in how beef is branded and marketed. He urged the U.S. industry to take in leadership role in finding effective ways to address these emerging consumer demands.

At 2:35 p.m., the committee heard from Drew DeBerry, deputy commissioner from the Texas Department of Agriculture. Mr. DeBerry discussed the formation and mission of the Trade Action Network, which promotes science-based solutions to trade impasses and border issues. He spoke to the important role exports play in the growth and profitability of Texas agriculture, and discussed some of the obstacles that have recently been addressed with regard to U.S. exports of live cattle into Mexico.

At 2:45 p.m., USMEF Chairman Jim Peterson and NCBA representative Dana Hauck provided a report on the recently-formed Meat Industry Trade Coalition, which is designed to create a more unified voice for improving foreign market access for U.S. products. They explained that the goal of the coalition is to bring together existing industry organizations in order to more effectively address trade barriers and market access issues. Mr. Peterson added that it is his hope that the coalition's work will lead to a more incremental, market-specific approach to market access negotiations for U.S. beef by delivering a consistent and unified message on this issue to the U.S. government.

At 3:05 p.m., Chairman McCan led a discussion of the goals established in the Beef Industry Long Range Plan with regard to international marketing. He noted that the industry had achieved its goal of becoming a net beef exporter (in terms of value) by 2010. However, the annual export volume goal of 3 billion pounds has not yet been reached. He said beef exports would likely reach their pre-BSE volume by 2012 and surpass the 3 billion pound mark in 2013.

At 3:10 p.m., Rick Husted of NCBA reviewed the planning process for all joint committees in establishing beef industry priorities and Greg Hanes of USMEF provided an overview of the industry's current international marketing priorities.

At 3:20 p.m., the committee heard from the meeting's keynote speaker, Mr. Jonghyun Choi, minister for economic affairs for the Korean Embassy in Washington, D.C. Mr. Choi urged the committee to support a resolution submitted by the Nebraska Cattlemen that insists on immediate ratification of the U.S.-Korea Free Trade Agreement. He said that while the U.S. cattle industry's commitment to the agreement is much-appreciated, its ratification has languished too long on Capitol Hill. He cautioned that if the agreement does not take effect soon, Korea's free trade agreement with Australia could undercut U.S. beef by making it less competitive in this key market.

At 3:40 p.m., Michael Scuse, USDA deputy undersecretary for farm and foreign agricultural services, provided a report on the agency's current trade priorities and recent staff appointments. He stated that bolstering U.S. exports is at the top of the Obama Administration's economic priority list because they are critical to the profitability of U.S. businesses and their ability to create jobs. Mr. Scuse reviewed the positive impact of some recently passed free trade agreements as well as the U.S.-EU beef agreement that provides expanded duty-free access into the European market.

At 4:10 p.m., NCBA trade counsel Gary Horlick gave the day's final presentation, discussing the status of the WTO trade action filed against the United States by Canada and Mexico with regard to mandatory country-of-origin labeling (COOL). Mr. Horlick said he expects that in February or March 2010, Canada and Mexico will ask the WTO to name the arbitrator for the case. If this happens, an initial decision should come sometime in early 2011. When that decision is appealed, a subsequent decision would likely be issued in mid-2011. Mr. Horlick was asked if the United States is likely to file any WTO cases regarding BSE restrictions. He replied by noting that Canada has already filed a

case against South Korea, and if it is successful it will have positive implications for U.S. exports.

At 4:25 p.m., the above-referenced resolution (full text attached) seeking immediate ratification of the U.S.-Korea Free Trade Agreement was the only new resolution submitted to the committee. On a motion by Bill Rishel, seconded by Cevin Jones, the resolution received unanimous approval by the committee. (It was also approved the following day by the NCBA board of directors.)

At 4:35 p.m., renewal resolutions for nine “sunsetting” policies (list attached) were presented individually to the committee. None of these resolutions received a motion for renewal, so the policies were allowed to sunset.

Seeing no further business before the committee, Chairman McCan adjourned the meeting at 4:40 p.m.

TEXT OF THE U.S.-KOREA FTA RESOLUTION:

WHEREAS South Korea has long been a critically important trading partner and ally to the United States; and

WHEREAS international beef trade is very important to long-term profitability for the U.S. beef industry which positively impacts farm and ranch families and rural communities across the U.S.; and

WHEREAS the U.S.-South Korean (KORUS) Free Trade Agreement is one of the most important bilateral trade agreements in the history of the U.S. beef industry as it will reduce South Korea’s 40 percent tariff on all beef imports down to zero for the United States in equal increments over 15 years after its entry into force; and

WHEREAS competitors such as Australia are rapidly working with South Korea to finalize their own bilateral free trade agreements, which if initiated before the KORUS FTA, would put United States beef exports at a tariff disadvantage for many years to come.

THEREFORE BE IT RESOLVED the National Cattlemen’s Beef Association strongly insists Congress immediately ratify the South Korean Free Trade Agreement.

LIST OF SUNSETTING POLICIES:

- IM 1.11, Cattle to Canada
- IM 1.12, WTO Negotiations
- IM 1.19, Country of Origin Labeling #2
- IM 1.20, Compensation from EU
- IM 1.21 Market Driven Processes
- IM 1.22 Multilateral BSE Negotiations
- IM 1.23, North American Beef
- IM 2.1, Live Cattle – Semen-Embryo Exports
- IM 2.2, EU Growth Promotants Ban