

JOINT INTERNATIONAL MARKETS COMMITTEE MEETING MINUTES
July 31, 2010
Sheraton Denver Downtown
Denver, Colorado

The July 31, 2010, meeting of the Joint International Markets Committee was called to order by Chairman Dana Hauck and Vice Chairman Kevin Kester at 8:05 a.m. On a motion by Bill Rhea, seconded by Irvin Petsch, the minutes of the January 29, 2010, meeting in San Antonio were approved.

Beginning at 8:15 a.m., Mr. Hauck began moderating a panel discussion on the current beef industry outlook and economic climate. Featured speakers on the panel were Erin Daley, economist for the U.S. Meat Export Federation (USMEF), and Gregg Doud, chief economist for the National Cattlemen's Beef Association.

Ms. Daley began the discussion with a global beef overview in which she presented trends in global beef consumption and compared U.S. beef export results with those of the other major beef-exporting countries. She reported that even though global beef trade was down significantly in 2009, U.S. beef exports fared better than most. Consequently, U.S. exports have enjoyed a greater upward surge in 2010 – about 25 percent – than any major competitor.

Ms. Daley also reported on U.S. beef's performance in its major export markets, with Asian markets showing excellent growth along with Russia and the Middle East. Exports to the European Union are also growing as a result of a new duty-free quota on high-quality, non-hormone-treated beef. Only Mexico is trailing last year's results, due to the sluggish economy and a slow recovery of purchasing power for the Mexican peso. Ms. Daley forecasts total U.S. beef export value to reach \$3.7 billion by the end of 2010 – just 3 percent short of the 2003 record of \$3.85 billion.

Before Mr. Doud offered his portion of the panel discussion, a change in the agenda was announced. Due to travel commitments, the meeting's keynote presentation was moved up to 8:40 a.m.

The keynote speaker was Dr. Islam A. Siddiqui, chief agricultural negotiator for the Office of United States Trade Representative (USTR). Dr. Siddiqui provided an update on Congressional ratification of three pending free trade agreements (FTAs) – with Colombia, Panama and South Korea – emphasizing the importance of each of these agreements to U.S. agricultural exports. Because of its heavy impact on the beef industry, he focused his comments primarily on the U.S.-Korea FTA. Dr. Siddiqui stated that the Obama Administration has made it a priority to resolve outstanding issues on beef and automobile trade so that this FTA can be submitted to Congress this fall, which would make early 2011 a possible timeline for ratification.

Dr. Siddiqui also provided updates on the United States' priorities in upcoming WTO negotiations, and on beef market access issues with China, Japan, Hong Kong and

Taiwan. He emphasized that any agreement with China to resume beef trade must be consistent with the protocol established between the U.S. and Korea, and must be commercially viable. With regard to Japan, he said U.S. officials have reminded Japan of its commitment to engage on technical discussions in a timely and meaningful manner. He expressed disappointment in recent setbacks with Hong Kong, which has made progress slow in gaining access for bone-in cuts. With regard to Taiwan, Dr. Siddiqui was pleased with the level of trade activity but said Taiwan must still be held to all the market access commitments it agreed to in late 2009.

In response to a question, Dr. Siddiqui said the U.S. Department of Transportation is working on a pilot program to help resolve the current trucking dispute with Mexico. Because the dispute is creating problems for many U.S. exports, USTR is pressing for quick action but the timeline remains uncertain.

Mr. Doud resumed the panel discussion at 9:25 a.m. by addressing the committee on several key legislative and regulatory issues, including the aforementioned trucking impasse with Mexico, the BSE comprehensive rule and the lack of direct beef trade access with China. He spoke to the economic harm that has resulted from the trucking dispute and stated that the issue is not being addressed with sufficient urgency in Washington, D.C. He recapped the issues to be considered in the BSE comprehensive rule, and stated that the rule is likely to create a firestorm of controversy as objections are raised by some industry organizations.

With regard to resuming beef trade with China, Mr. Doud called this “Job #1” as far as current trade issues are concerned and expressed hope that upcoming meetings with China will generate progress. He reiterated, however, that the United States’ approach on cooked poultry imports from China remains a problematic issue that may hamper these discussions.

In response to a question about the WTO case challenges the United States’ country-of-origin labeling law, John Masswohl, director of government and international relations with the Canadian Cattlemen’s Association (CCA), came to the podium to explain Canada’s position. He stated that CCA’s objection is not with the retail labeling portion of the law, but rather with the method by which cattle must be categorized.

After a short break, the meeting resumed at 10:10 a.m. with USMEF President and CEO Philip Seng addressing the group on the current economic and political environment in several global markets. He said that while expanded access in Asian markets is very important, great care must be taken so that the industry does not suffer setbacks on the progress it has already made in recapturing lost market share. Speaking specifically about Japan, Mr. Seng said the volatile political environment should be viewed as “the new normal” in Japan, and that the United States cannot afford to allow election cycles and other political events to be used as excuses for delaying negotiations.

At 10:35 a.m., Mr. Hauck opened the committee’s discussion of the beef industry’s long-term goals and priorities with regard to international market development. He noted that

the U.S. industry has made good progress toward the goal set in 2005 of reaching 3 billion pounds in beef exports by 2010, but will fall short of that goal this year. The industry reached its goal ahead of schedule, however, for becoming a next beef exporter in terms of value.

At 10:40 a.m., Greg Hanes, USMEF assistant VP for international marketing and programs, provided an update on USMEF's application for USDA funding under the Market Access Program and the Foreign Market Development Program. He also provided an overview of the international marketing authorization requests submitted to the Beef Checkoff Program and on USMEF's global marketing priorities for the upcoming fiscal year.

At 11:10 a.m., the committee took its only formal action of the day. On a motion by David Cross, seconded by Hughes Abell, the committee voted unanimously to accept the international marketing authorization requests as submitted by USMEF.

No resolutions, policy initiatives or staff directives were submitted or considered by the committee. The meeting adjourned at 11:15 a.m.

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