

Testimony

on behalf of the

Montana Stockgrowers Association

with regard to

“Doubling U.S. Exports: Are U.S. Seaports Ready for the Challenge?”

submitted to the

United States Senate Committee on Finance Subcommittee on International Trade,
Customs, and Global Competitiveness

The Honorable Ron Wyden, Chairman

submitted by

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Mr. Chairman and Members of the Committee. Thank you for the opportunity to speak to you on behalf of the members of the Montana Stockgrowers Association (MSGA) regarding our point of view on seaport infrastructure and beef exports. My name is Errol Rice and I am a fifth generation cattle rancher from Montana. I currently serve as the Executive Vice President of the Montana Stockgrowers Association, one of the oldest cattle ranching organizations in the United States, established in 1884.

Our mission is to protect and enhance Montana ranch families' ability to grow and deliver safe, healthy, environmentally wholesome beef to the world. Our vision is to be the premier institution that exemplifies leading global beef innovation while preserving Montana's complex natural landscape, history, economy, ethics and social values.

Our ranchers value President Obama's recent drive to double U.S. exports over the next five years. We are eager to assist in meeting this challenge. Actively promoting a consensus in support of free trade, we believe, is a central pillar of America's economic strength.

Our ranch families' livelihoods depend on seaports which are our most dynamic and vibrant waterway centers of trade and commerce. There was a time when the largest part of ranching's economic activity was domestic, but our future depends on our ability to be globally competitive. Ranchers must have access to the additional demand for beef from consumers that live outside the U.S. 95 percent of the world's population lives outside the borders of the U.S. The unfolding global landscape, in its breadth and complexity, is creating unprecedented challenges for U.S. beef exports.

High value, perishable products like beef need rapid connection from land to water and an efficient delivery to world consumers. U.S. port infrastructure and their frameworks must ensure efficient and sophisticated transportation of our product to the global marketplace. As economies around the world begin to recover, we see global demand expanding for U.S. beef products. Ranchers cannot meet world consumer demand through inefficient, congested and outdated seaport systems.

Today, Montana beef that is finished and processed in the Midwest is chilled or frozen in regional processing facilities, moved overland to South and West Coast ports, and shipped by sea to over seventy countries around the world. We must continue to make technological advances in port-to-market distribution systems for U.S. agricultural exports like beef. Freshness is a key ingredient to advancing distant foreign markets for beef.

To emphasize the value of our world consumers, total U.S. beef exports amounted to 984,712 metric tons and were valued at nearly \$3.62 billion in 2008. 79 percent of U.S. agricultural exports (146.5 million metric tons) were bulk and containerized waterborne exports in 2008.

However, while this committee's task may be to ensure that our seaport infrastructure meets the challenges of doubling U.S. exports, it must simultaneously and successfully

resist protectionist impulses at home and deter impulses abroad. Japan, for instance, was once our closest beef trading partner. However, they have largely closed their markets to U.S. beef, after the discovery of one Canadian-born cow infected with bovine spongiform encephalopathy (BSE) in the state of Washington in 2003. Japan's unscientific trade restriction is not consistent with fair-trade practices. This continues to hurt family ranchers by limiting us to about 25 percent of our potential market there (or \$1 billion in lost beef exports each year).

Thankfully, Chairman Baucus has tirelessly pursued resolving the unjustified prohibition of our wholesome beef products by the Japanese government. Most recently, Chairman Baucus strongly urged the Japanese government to remove their unfounded barriers to our beef in a letter sent to the Japanese Ambassador on March 16, 2010. But it shouldn't stop there. Together, we must finish our work on other markets, including Taiwan, Korea, China and even Mexico. China is the only major market still closed to U.S. beef and represents one of the largest potential growth markets for ranchers.

Passing pending free-trade agreements (FTAs) is crucial. Passage of the U.S.-Korea (KORUS) FTA would mean \$15 million in tariff benefits for beef in the first year of the agreement alone, with about \$325 million in tariff reductions once fully implemented. We expect that Korea will provide full market access for U.S. beef, consistent with World Organization for Animal Health (OIE) guidelines. For each day that Congress does not approve the Colombia FTA, American exporters overall pay millions of dollars in unnecessary tariffs. Other countries, such as Australia, are already negotiating FTAs of their own with South Korea. If Australia successfully ratifies a similar bilateral trade agreement with Korea a year before we do, it would give them a 2.67 percent tariff advantage over U.S. beef for the next 15 years.

Montana is hosting the 2011 Asia-Pacific Economic Cooperation (APEC) Trade Ministers meeting. This is a tremendous opportunity for Chairman Baucus and our ranchers to showcase our cutting edge approaches to global beef innovation that we use to deliver safe, healthy and environmentally wholesome beef to many of the 21 Asia-Pacific member economies. This meeting can serve as a proactive model for which greater information sharing and interconnectedness can be achieved to build more effective trade partners, whom are committed to a rules based trading system.

Reaffirming our commitment to all of our international agreements both ratified and pending will lead the development and investment of seaport infrastructure on both ends. Critical challenges such as port capacity, storage space, container availability, ready access to rail and highway systems, customs services, inspections and distribution systems can be better met following these commitments.

The United Nations' Food and Ag Organization (FAO) estimates that by 2050, global food production will need to increase by 70%. The global population is expanding by about 80 million people per year. U.S. ranchers see promising opportunities to be seized.

I appreciate the opportunity that we have been granted to present our testimony today and we look forward to working with you throughout the course of the upcoming years in advancing all areas of U.S. exports.