

Testimony

on behalf of the

Montana Stockgrowers Association Inc.

with regard to

the U.S.-Korea Free Trade Agreement

submitted to the

United States Senate Committee on Finance

The Honorable Max Baucus, Chairman

submitted by

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Washington, D.C.

Good morning Chairman Baucus 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 the U.S.-Korea Free Trade Agreement (KORUS FTA). My name is Errol Rice and I am a fifth generation Montana rancher. I currently serve as the Executive Vice President of the Montana Stockgrowers Association, one of the nation's oldest and historically significant cattle ranching organizations 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.

There was a time when the largest part of our economic activity was domestic, but now 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 United States. 96 percent of the world's population lives outside the borders of the U.S. The unfolding 21st Century global landscape, in its breadth and complexity, is creating unprecedented challenges and opportunities for rancher's beef export capabilities. A global economic system is a fundamental reality that must be met with a rural American consensus in support of free trade, which we believe, is a central pillar to this country's economic and geopolitical strength.

Expediting the full implementation of the KORUS FTA gives Montana's family ranchers the momentum we need to benefit our rural ranching economy at home. Exports create jobs. According to Cattlefax, fed steers have been selling near \$115 per hundred weight (cwt), or roughly \$1,495/head. Of that, Cattlefax estimates that exports have added a minimum of \$145/head in value (as opposed to not having exports). Our competitiveness depends on profitability and attracting the next generation of ranchers back into the business.

Today, Korea is one of the largest export markets for Montana and American beef. In 2010, we exported nearly \$518 million worth of our product, which is a 140 percent increase in sales over 2009. This added \$25 in value to each of the 1.3 million head of steers and heifers grown and marketed from Montana in 2010. This agreement achieves a major breakthrough in phasing out Korea's 40 percent tariff on our wholesome beef cuts. In 2010, we were met with over \$200 million in tariffs on our beef being exported to Korea. The KORUS FTA upon implementation would lend \$15 million in tariff benefits to our product in the first year alone and roughly \$325 million in tariff reductions annually once fully implemented. According to the U.S. International Trade Commission, annual exports of U.S. beef could increase as much as \$1.8 billion once the agreement is fully implemented.

While Korea is a strong export market for U.S. beef, we have also faced unscientific restrictions. Montana ranchers believe that our trading partners should abide by sound science and international standards. That is why we appreciate very much the efforts by Chairman Baucus to move us toward that goal. Under the agreement that he negotiated with the Administration, the U.S. Department of Agriculture will consider favorably a request from the U.S. Meat Export Federation to educate Korean consumers about the safety, quality, and value of U.S. beef. And he secured a commitment from Ambassador Kirk to hold consultations with Korea on the full application of the 2008 U.S.-Korea beef protocol.

Recognizing international science based standards, such as those set by the OIE, is very important. It not only creates less market volatility but it also encourages the safest and most prudent production practices. When BSE was detected in a cow in the U.S. on December 23, 2003, resulting in new traceability and age standards for the exportation of U.S. beef to countries like Korea, the evolution of the Age and Source verification process and the attendant software and database needs accelerated. Age and Source verified cattle through a United States Department of Agriculture (USDA) certified Process Verified Program (PVP) provider has been essential to U.S. beef meeting export eligibility criteria. We are now leading the way to provide technologically advanced traceability solutions for northern tier “high quality” ranch-level certified calves. We estimate that of the 250,000 Montana calves that were uniquely certified beneath our private Verified Beef LLC traceability solutions in 2010, nearly 50,000 of them were exported in the form of high quality beef to Korea. Private sector solutions such as this, in collaboration with public sector drivers, we believe, can offer a customized traceable beef system that will guarantee quality throughout the supply chain. China is the only major market still closed to U.S. beef and represents one of the largest potential growth markets for ranchers. We think a public and private sector approach to beef traceability can drive market expansion opportunities in China much faster.

Last week, MSGA was fortunate to be able to participate in the 2011 Asia-Pacific Economic Cooperation (APEC) Trade Ministers meeting in Big Sky, Montana. This was a tremendous opportunity to offer thought leadership and to discuss our cutting edge approaches to global beef innovation to meet demand. This meeting served as a proactive model that brought ranchers and foreign dignitaries together. It spawned greater information sharing and interconnectedness as a definite outcome that will bond together more effective trade partners who are committed to a rules based trading system.

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 by trying to meet this challenge. According to the Strategic Framework for Food Security in APEC, achieving global food security requires:

- Adequate, reliable and sustainable supplies of crop and livestock products, through increased agricultural productivity and more efficient regional and global markets linking demand and supply;
- An open rules-based trading system that allows food to flow from areas experiencing surpluses to those experiencing deficits;
- Efficient and safe distribution systems throughout the supply chain;
- Efficient agricultural research, extension and education systems, plus adequate agricultural infrastructure and property rights; and
- A recognition that both public and private sectors have appropriate roles to play and can achieve more if they work together.

High value, perishable products like beef need rapid connection and efficient delivery to world consumers. U.S. infrastructure 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 systems. 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.

Reaffirming our commitment to all of our international agreements both ratified and pending, especially the KORUS FTA, will drive investment into advancing our infrastructure. Critical challenges such as port capacity, high performance cold storage systems, container availability, ready access to rail and highway systems, customs services, inspections and distribution systems can be better met following these commitments.

Our ranch families' livelihoods depend on exports which are our most dynamic and vibrant opportunities for long-term sustainability.

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 this process to secure passage of this crucial agreement.