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On behalf of the
United States Cattlemen's Association

Submitted to the U.S. Senate
Committee on Finance

Legislative Hearing on "Cattle Supply Chains and Deforestation of the Amazon"

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Washington, D.C.

Dear Chairman Wyden, Ranking Member Crapo, and Distinguished Members of the Senate Finance Committee;

On behalf of the United States Cattlemen's Association (USCA), thank you for the opportunity to testify on behalf of the nation's cow-calf producers, backgrounders, feedlot operators, livestock haulers, and independent processors.

In 2007, I helped form the organization with which I am here on behalf of today, earning the title of Director Emeritus. My trips to Washington, D.C. are innumerable, but the work has led to meaningful progress for the U.S. cattle industry including the establishment of a mandatory country-of-origin labeling program in the early 2000s, instituting special rules for perishable and cyclical agriculture products, drafting the first beef-specific safeguards within the Australian-U.S. free trade agreement, and more.

Day-to-day, my wife, Sam, and I own and operate McDonnell Angus, with herds in Montana and North Dakota. Born and raised in Billings, Montana, our family is fourth-, fifth-, and now sixth-generation ranchers.

Our daughter and son-in-law run cattle in Wyoming, while our son runs Midland Bull Test, the largest genetic bull evaluation public center in the U.S. and the largest feed efficiency testing program in North America. Through McDonnell Angus and Midland Bull Test, we pioneered the measuring of feed efficiency and individual intake on a high roughage ration. Making sure our customers can get good females that stay in the herd, that breed back, that have good feet, that make them money — that is our drive.

But an efficient animal husbandry program is only the first piece that has to fall in place for a cattle operation to be successful. U.S. cattle producers also need a fair and competitive marketplace to sell their cattle into, and that means setting ground rules for both sides to play by, along with a referee to call out violations.

International trade is an outsized factor in the domestic cattle market. In our testimony, we will outline the impact on the U.S. cattle supply chain of importing beef raised in other countries, with lesser standards of production. Specifically, Brazil's deforestation and the subsequent growth in their cattle herd, of their beef packers, and impact on the U.S. cattle market and international beef market. We offer the following for consideration by this Committee.

GLOBAL IMPORTANCE OF THE AMAZON

Brazil is home to the largest rainforest in the world, known as the Amazon Rainforest. The Amazon Rainforest covers a vast area in northern Brazil and extends into several neighboring countries, including Peru, Colombia, Venezuela, Ecuador, Bolivia, Guyana, Suriname, and French Guiana. It is a region of immense biodiversity and ecological importance.

Geographically, the Amazon Rainforest is located primarily in the Amazon Basin, which spans over 2.7 million square miles. The basin is formed by the Amazon River and its tributaries, which collectively make up the largest river system in the world. The Amazon River has a length of about 4,000 miles and carries more water than any other river on Earth.

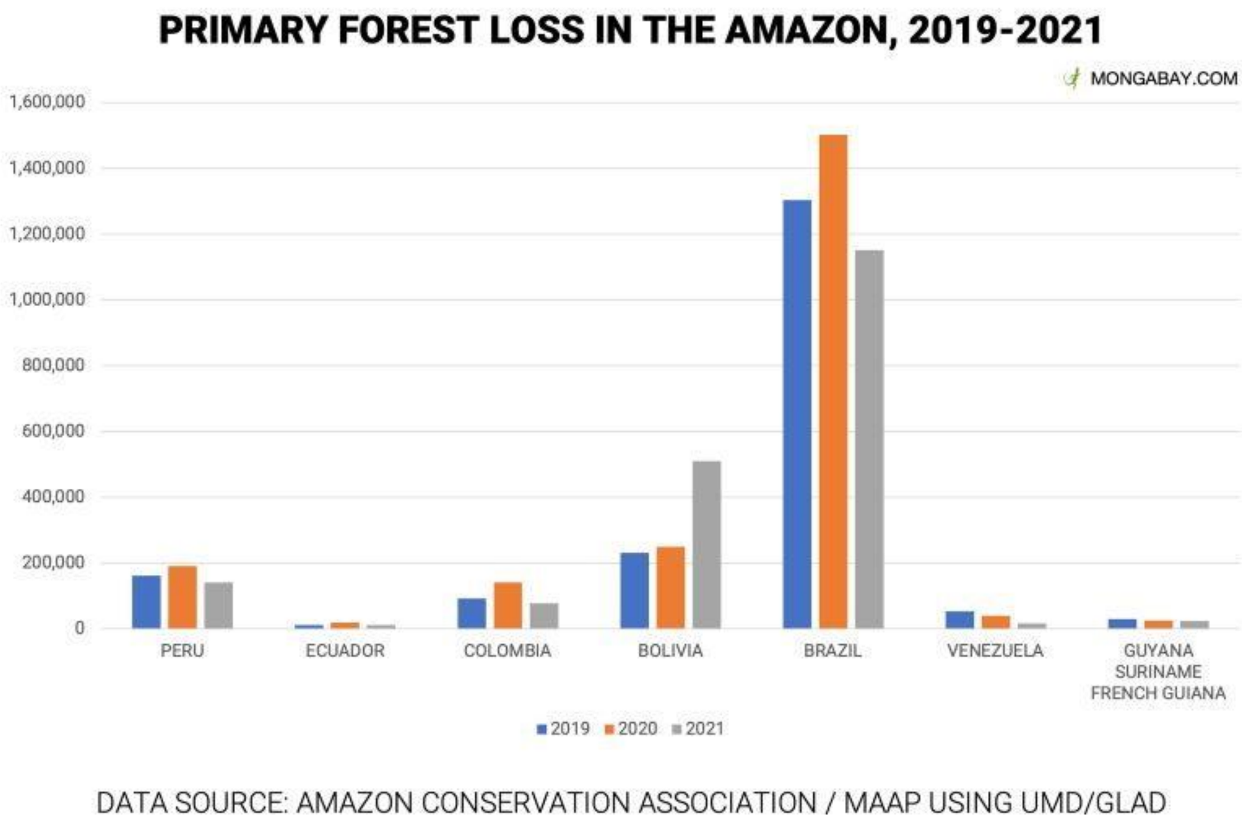
The rainforest itself is characterized by a dense canopy of trees that creates a unique and complex ecosystem. It is estimated that the Amazon Rainforest contains around 390 billion individual trees belonging to approximately 16,000 species. The vegetation includes a wide variety of trees, such as Brazil nut, mahogany, rubber, and various species of palms. The forest floor is home to numerous plant species, fungi, and a rich diversity of animal life. It experiences high levels of rainfall, with an average annual precipitation of about 79 inches.

The Amazon Rainforest is also incredibly rich in animal diversity, supporting a vast number of species. It's a haven for over 1,500 bird species, a home for more than 3,000 species of fish, hosts at least 1,000 species of amphibians, and countless other insects, mammals, reptiles, crustaceans, and microscopic organisms.

The Amazon Rainforest plays a crucial role in regulating global climate patterns and maintaining the planet's biodiversity. It serves as a carbon sink, absorbing vast amounts of carbon dioxide and releasing oxygen, making it a vital resource in the regulating greenhouse gas emissions. It also acts as a massive water pump, releasing water vapor into the atmosphere through transpiration. This moisture helps to regulate rainfall patterns and supports rainfall in other regions. It also contributes to the formation of clouds and helps maintain the hydrological cycle, benefiting agriculture, freshwater availability, and overall ecosystem stability worldwide.

The most substantial period of deforestation in the Amazon Rainforest has occurred in the past few decades. Large-scale clearing of land for agriculture, primarily for cattle ranching and soybean production, has been a major driver of deforestation. Brazil has been at the forefront of deforestation in the Amazon Rainforest due to its significant land area within the rainforest region. Other countries in the Amazon basin, such as Bolivia, Colombia, and Peru, have also experienced deforestation, although to a lesser extent.

In 1970, the Brazilian portion of the Amazon Rainforest extended 1.6 million square miles. In 2022, that dropped to 1.25 million square miles. That loss of nearly 20 percent – a solid one-fifth peaked in the years 1995, 2002, 2003, and 2004. Beginning in 2009, there was a significant reduction in the annual rate of deforestation – cut nearly in half – until it surged again in 2019.



GROWTH OF THE BRAZIL CATTLE HERD

From 1970 to today, the Brazilian cattle numbers have grown from 78.6 million head in 1970 to 241.6 million in 2022 and according to USDA FAS will grow another 1 % in 2023.

According to the U.S. Department of Agriculture, by 2018, Brazil held the world's second-largest cattle herd. That same year, Brazil reached its highest level of beef production at 9.9 million metric tons (21.8 billion pounds). Prior to that record year, Brazil's beef production had last peaked in 2014, when it reached 9.7 million metric tons (21.4 billion pounds). In 2022, Brazilian beef production reached its highest level at 10,350,000 metric ton. Most of that production is largely grass-based, which requires vast swaths of land for animals to roam. That land is often the result of deforesting the region's rainforests.

According to a report by the U.S. Department of Agriculture's Foreign Agriculture Service (USDA FAS), programs that subsidize and improve pastures and crossbreeding are primary drivers of the overall increase of cattle production. Another significant factor is improved pasture conditions in the country's major production regions. Due to these favorable conditions, between 1990 and 2018, the FAS Production, Supply and Distribution database estimated that the Brazilian cattle herd expanded by 56 percent.

GROWTH OF THE BRAZIL BEEF TRADE

Historically, the U.S. and Australia have been the dominant global beef exporters. In 2000, USDA reported that both countries exported nearly twice as much beef as the volume exported by Brazil. However, both the U.S. and Australia have now been surpassed by Brazil in the global export market.

In 2018, Brazil reigned as the largest exporter of beef, providing close to 20 percent of global beef exports - outpacing India, the second-largest exporter, by 527,000 metric tons (1.2 billion pounds) carcass weight equivalent (CWE).

USDA predicts that Brazil will continue its export growth trajectory for the next decade, reaching 2.9 million metric tons (6.4 billion pounds), or 23 percent of the world's total beef exports by 2028.

As the Brazilian cow herd has grown, downstream industries, such as the proliferation of JBS & Marfrig processing plants, have also grown.

To support JBS's expansion, the National Bank for Economic and Social Development invested around $580 million as part of a policy to promote "national champions." With this investment, JBS created Swift & Company, which allowed them to enter the markets for beef, pork, and lamb in the United States and Australia. Noted later in this testimony will be both US and Brazilian findings of gross corruption practices in procuring these funds to outbid U.S. businesses from being able to compete in these purchases.

According to Statista, JBS is now the largest beef packer in the U.S., controlling 23 percent of the slaughter capacity. Currently, the four major meat packing plants in the U.S., including JBS, have significant control over the fed cattle slaughter market, with regional impacts throughout the country.

BRAZIL ALLOWS RAMPANT INDUSTRY CORRUPTION

In recent years, corruption scandals have engulfed major Brazilian meatpacking corporations both at home and abroad.

In 2013, JBS and other major meatpackers had reached a settlement with prosecutors, agreeing not to source cattle from ranches involved in illegal clearing since 2008 or blacklisted for environmental crimes. Additionally, the companies committed to avoiding purchases from ranchers involved in slave labor, encroaching on indigenous land, or violating environmental reserves.

Despite this agreement, a 2020 audit of JBS revealed that nearly one-third of the cattle purchased by the company in the Brazilian Amazon state of Para originated from ranches with "irregularities," such as illegal deforestation. The audit, conducted by federal prosecutors, found "unsatisfactory and worsening" performance in JBS's compliance with environmental regulations between January 2018 and June 2019. As a result, negotiations were underway to address and improve these issues.

In contrast, the audit did not uncover any irregularities in cattle purchases from Minerva, South America's largest beef exporter and a key competitor of JBS, according to the presentation made by federal prosecutors.

From May 15 to June 2, 2017, USDA FSIS conducted an audit of the Brazilian beef industry due to a high number of rejected exports from the country attempting to make their way into our borders. In total, over 1.9 million pounds of Brazilian beef product has been rejected due to “public health concerns, sanitary conditions, and animal health issues.”

Following the release of this audit, the concerns of U.S. cattle producers were validated as Brazil failed in several categories regarding its trade with the U.S., including: oversight; statutory authority, food safety and additional consumer protection regulations; sanitation; hazard analysis and critical control points; chemical residue testing programs, and microbiological testing programs.

The nearly 50-page report detailed findings of blood clots, bone chips and abscesses in imported beef from Brazil, proving that mitigation efforts currently in place are not adequate to keep products that can carry Foot and Mouth Disease (FMD) out of the U.S.

Also in 2017, it was revealed that Brazilian meat inspectors had been caught accepting bribes to allow expired meats to be sold and sanitary permits to be falsified. The sting investigation, dubbed “Operation Weak Meat” also detailed fraudulent laboratories that conducted fabricated microbiological checks. The scandal resulted in the suspension of Brazilian meat imports in China, South Korea, the European Union, Chile, and the United States.

In 2018, the Brazilian Beef Association petitioned USDA FSIS to amend the import inspection instructions in FSIS Directive 9900.1 to eliminate "loose tin" from the list of conditions identified as container defects. A loose tin is considered a defective container under USDA FSIS current regulations, as the looseness of the container would indicate the failure of a full vacuum of the food product, allowing for air to enter and spoilage to occur. The petition is just another example of the country attempting to circumvent our rules and regulations for what constitutes a safe food product.

In 2019, Senators Bob Menendez (D-NJ) and Marco Rubio (R-FL) asked Treasury Secretary Steven Mnuchin to investigate whether JBS South America (S.A.) poses a national security and agricultural threat to the U.S. Senators Menendez and Rubio asked Mnuchin to conduct the investigation through the Committee on Foreign Investment in the U.S. (CFIUS). The Senators specifically wanted to know whether JBS

S.A. funded its massive U.S. expansion through an extensive record of bribery, corruption and business with blacklisted Venezuelan officials.

JBS S.A. owners Joesely and Wesely Batista had previously admitted to spending roughly $150 million to bribe more than 1,800 Brazilian government officials to secure $1.3 billion in loans from the Brazilian Development Bank (BNDES) and federal pension funds.

Through these fraudulent activities, it is reported that JBS secured enough funds to begin buying up 40 rival companies in four countries. According to Brazilian Federal Prosecutor Ivan Marx, "the company also benefited from the over evaluation of stock prices in financial operations, and by having the payment of interest waived."

In October 2020, Brazilian investment company J&F Investimentos S.A., which owns companies in various industries including meat and agriculture, agreed to pay a criminal penalty of over $256 million to settle an investigation into violations of the Foreign Corrupt Practices Act (FCPA). The investigation revealed a scheme where J&F paid bribes to government officials in Brazil to secure financing and other benefits. J&F pleaded guilty to one count of conspiracy to violate the anti-bribery provisions of the FCPA and entered into a cooperation plea agreement with the U.S. Department of Justice.

That same year, the Batistas, along with their companies J&F Investimentos S.A. and JBS S.A., agreed to pay nearly $27 million to settle charges brought by the U.S. Securities and Exchange Commission (SEC) regarding a bribery scheme. The scheme was aimed at facilitating JBS's acquisition of Pilgrim's Pride Corporation in 2009, with payments of approximately $150 million in bribes made by the Batistas. The SEC found that the Batistas exerted significant control over Pilgrim's Pride, causing the company to fail in maintaining proper accounting controls and accurate records.

More recently, antitrust allegations in the U.S. against Brazilian-based meatpacker, JBS, are on the rise. In 2021, JBS and its subsidiaries racked up at least $202.75 million in criminal fines or to settle lawsuits involving price-fixing allegations.

For example, JBS S.A. subsidiary, Pilgrim's Pride, the second-largest chicken processing plant in the United States, pleaded guilty to charges of price-fixing and bid-rigging in the chicken industry. The company paid a $108 million criminal fine as part of a Department of Justice antitrust investigation. The plea agreement reveals that Pilgrim's Pride participated in a conspiracy between 2012 and 2017, affecting at least $361 million in sales, with major customers including Costco and Kentucky Fried Chicken.

In 2020, JBS reached a $20 million settlement in a lawsuit with consumers who alleged that the company conspired with other meat companies to inflate pork prices. The judge ruled that nearly $7 million of the settlement will go to the plaintiffs' lawyers for their work in the case, and its not sure what individual consumers will receive from the remaining $13 million.

Again, that same year, JBS agreed to a $52.5 million settlement to resolve litigation accusing meat packing companies of conspiring to limit supply in the U.S. beef market to inflate prices and boost profits. This settlement marked the first in nationwide antitrust litigation over beef price-fixing. The lawsuit filed by grocery stores and wholesalers alleged that the companies worked together to suppress the number of cattle being slaughtered since 2015, leading to increased beef prices.

U.S. Senator Chuck Grassley commented that while the settlement was small compared to JBS's record profits during the COVID-19 pandemic, it validated the concerns raised by ranchers and highlighted the practices of big packers to benefit themselves at the expense of consumers and independent producers.

All of this combined led to the three major cattle and beef trade associations in the U.S. requesting an immediate halt of Brazilian beef imports in late 2022. USDA denied those requests.

Through this same period, beginning in 2016 and continuing through to the present day, the spread between U.S. live cattle prices grew to historical highs as billions of equity was lost by U.S. cattle producers to JBS and other beef-packing plants in the U.S.

PERVASIVE FORCED LABOR CONDITIONS EXIST IN BRAZIL

“Beef” and “cattle” are both listed next to Brazil’s name on the most recent report issued by the U.S. Department of Labor’s Bureau of International Labor Affairs (DOL ILAB) of goods produced by child or forced labor. According to the DOL’s International Labor Affairs , it is estimated that 25,000 to 40,000 workers, including children, are victims of forced labor.

Brazilian authorities have already rescued 523 forced labor victims so far this year. The Ministry of Labor and Employment described “terrible conditions of hygiene and comfort,” explaining that they found “old mattresses, torn linings, old stoves and refrigerators, bathrooms in precarious conditions of hygiene, and exposed electrical installations.”

Despite efforts by the Brazilian government to combat the issue, slavery-like conditions still exist throughout the Brazilian beef supply chain. It is largely concentrated in remote areas with precarious access roads and communications. The International Labor Organization cites other constraints in enforcement, including limited labor inspection as well as legal and institutional loopholes, which often impede or minimize punishment.

As recently as 2019 Europe’s largest supermarket chain, Carrefour, announced it would cut ties with three major Brazilian beef producers over allegations of slave labor in their operations. Notably, JBS was explicitly called out by investigators and watchdogs for links to slave labor and deforestation in its supply chain.

In 2023, the DOL awarded a $5 million grant under a cooperative agreement with a United Nations agency to fund initiatives specifically addressing abusive labor practices on Brazilian and Paraguayan cattle ranches.

The project will advocate for workers in cattle ranching areas of Brazil's Mato Grosso do Sul state and in the Boquerón region of the Paraguayan Chaco, where labor right violations targeting vulnerable populations have been reported.

In a statement announcing the grant, the DOL said, "As cattle production in the two countries has expanded to meet global demand, the threat and levels of forced labor and labor exploitation has also grown."

Reuters reported that Brazilian labor prosecutors based in Mato Grosso do Sul, tasked with probing labor right abuses in the state, said violations are common on farm towns close to the Paraguayan border. Yet, the USDA recently proposed allowing the importation of fresh beef imports from Paraguay, which would only strengthen the use of illegal labor conditions.

It is imperative that Congress and the Administration ramp up its efforts to investigate illegal labor conditions in the Brazilian beef supply chain and immediately halt the importation of Brazilian beef products until sufficient evidence is presented to show that the country is implementing serious enforcement of fair labor laws.

PHOTOS: Sleeping beds on gallons of lubricants at the Rodoserv IV farm. This ranch directly supplied the JBS processing plant in Naviraí (MS) in the months of January and October 2019.

PHOTO: A worker accommodation at a farm in Bela Vista (MS).

PHOTO: Meat to feed the workers on the Rodoserv IV farm was stored in buckets.

BRAZIL'S OUTSIZED ENVIRONEMNTAL IMPACT

While U.S. fed cattle are mostly slaughtered between 15-20 months, Brazilian slaughter cattle have a longer lifecycle of over 30 months, leaving them with a much higher environmental footprint.

The Nature Conservancy reports that Brazil has lost 20 percent of its rainforest to deforestation, making the country one of world's biggest contributors to greenhouse gases and global climate change.

The European Parliamentary Research Service further reports that between 2005 and 2019, Brazil's total GHG emissions grew by 19 percent. Since 1990, Brazil's land use, land-use change and forestry (LULUCF) sector has been emitting more carbon than it has sequestered. The LULUCF emissions in Brazil are directly linked to deforestation in the carbon-rich Amazon tropical forest and to the release of underground carbon from the loss of the tropical savannah ecoregion in the eastern part of the country.

The increase in deforestation in Brazil, and the growth in the cattle herd of nearly 300 percent has contributed to the increase on Brazil's environmental footprint, while at the same time the U.S. cattle industry has worked to reduce their impact.

DECLINE OF THE U.S. CATTLE HERD

Estimates from USDA's National Agricultural Statistics Service show the U.S. cattle herd has shrunk from around 130 million animals in 1970 to 89.3 million animals on January 1, 2023.

In 2020, the U.S. was among the top four nations importing beef from Brazil. Two years later in 2022, the U.S. imported a record amount of Brazilian beef at 466,373,000 pounds per hundredweight, as reported by USDA ERS. That year pushed Brazil to the third largest beef exporter into the U.S.

USDA also reported from January 2023 to April 2023, Brazilian beef imports into the U.S. amounted to 141,017,000 pounds per hundredweight So far this year, Brazil has already claimed the title of the second largest beef importer into the U.S.

U.S. cattle and beef industry experts have agreed that a 1 percent change in beef supply can impact live cattle prices from 1.5- 2 percent. However, when there are rapid or unexpected surges in supply, the impact can be even more significant. This situation is exacerbated by Brazil's growing presence in the international market.

Major players like JBS, which is the largest meatpacker in both Brazil and the U.S., have a significant advantage in influencing U.S. cattle markets by manipulating supplies to keep their purchasing costs low. In fact, back in 1999, during the U.S. cattle industry's cases against Canada and Mexico for antidumping and countervailing duty violations, the Chairmen of the U.S. International Trade Commission (ITC) acknowledged that "packers can and do use imports to suppress domestic cattle prices." This sentiment was reiterated in the 2002 U.S. Senate Deficit Review Commission, where Republican Commissioners noted that "imports can and are used to suppress domestic prices at times."

Additionally, for the most part, this lean beef is comingled with the fattier beef produced in the U.S. and sold to consumers as a USDA-inspected beef product. The package will even bear the “Product of the USA” label due to current regulatory loopholes allowing its use on foreign beef product.

A survey completed by USDA’s Food Safety and Inspection Service (FSIS) in 2022 showed that although nearly half of eligible consumers reported they always or most of the time look for the “Product of the USA” labeling claim when shopping, only 16 percent correctly identified the correct definition and another 11 percent thought the USDA mark of inspection meant that the beef was a “Product of the USA.”

U.S. PRODUCES MOST SUSTAINABLE BEEF

The U.S. cattle and beef industries have made strides in implementing sustainable practices to reduce its environmental impact and improve efficiency. Improvements in grazing management, feed efficiency, water conservation, and manure management have all contributed to the U.S. being recognized as the most sustainable beef in the world. These practices vary among different beef producers in the U.S., and the adoption of various practices may differ depending on the size and location of the operation.

Many U.S. beef producers practice rotational grazing, which involves moving cattle between different pastures. The extraordinary land area of the U.S. allows producers to do this without changing the native prairie and rangeland landscapes that sustain cattle. Rotational grazing allows for better land management, prevents overgrazing, promotes soil health, and supports biodiversity.

Further, the industry has implemented strategies to reduce water usage, such as implementing efficient irrigation systems, improving water storage and recycling, and promoting responsible water management on ranches.

In addition, numerous voluntary programs and certifications exist in the U.S. beef industry to promote sustainable practices. The industry also collaborates with universities, research institutions, and government agencies to fund and conduct research on sustainable practices. This helps identify and implement innovative solutions to improve environmental performance and address sustainability challenges.

A 2023 USDA Economic Research Service (ERS) analysis stated, “Greenhouse gas emissions (GHG) from beef production in the U.S. are decreasing. Compared to 50 years ago, we now produce 20% more meat using about 15% fewer cattle.”

The GHG intensity in cattle production has dropped 34% from 32 to 21 kg CO_2e/kg carcass weight produced, and the total GHG emission related to beef cattle production has decreased 21% from 324 to 255 Tg.

Various measures are currently being explored to mitigate emissions in cattle production, particularly in feedlot finishing. These measures include more efficient feeding, the use of enteric methane inhibitors, anaerobic digestion of manure, and improved manure storage practices. Implementation of a combination of these strategies has the potential to reduce feedlot finishing emissions by 50%. It is important to note that the feedlot phase contributes only about 14% of the overall life cycle emissions in cattle production. Thus, achieving a 50% reduction in the feedlot phase corresponds to a modest 3% reduction in the total emissions across the entire cattle production cycle. Consequently, achieving greater benefits would require focusing on reducing emissions during the cow-calf phase, which presents challenges due to the nature of maintaining cows on pasture and rangeland.

This is where ranchers like myself can step in. In 2008, our family invested heavily in technology to measure individual intake in cattle. In fact, we built the largest such system in North America and then invited cutting edge researchers and staff from Colorado State University, Montana State University, Texas A&M, and University of Missouri to help guide us to collect this data correctly and analyze it for us. Depending on the year, we will individually test 1600-2500 bulls, primarily, for feed intake, resulting production, and intake. These bulls will then be sold across the US, a select few foreign countries, and to artificial insemination collection facilities that sell semen to cattle producers across the U.S. This allows us to not only identify the bulls that use their feed most efficiently, but also allows us to identify highly efficient cattle that require less feed for maintenance and production. Through this period, we have adopted a genetic trait researched heavily in Australia, Canada, and the U.S.. This genetic trait is called RFI (Residual Feed Intake).

RFI, when incorporated into a breeding plan properly, has been found to reduce feed intake by up to 20 percent with no change on weaning weights or finished weights. Just as exciting is the research that now supports that cattle selected for RFI will consume 15 percent less water, produce 15-20 percent less manure, and produce 20-40 percent less methane. Less feed also means less grass consumption, which means more grass cover, better grazing and increased carbon sequestration.

The U.S. cattle industry was meeting the challenges of sustainability long before such discussions were brought to the forefront of public opinion. We have implemented these philosophies in a meaningful, validated, approach without a lot of fanfare. Our industry's sustainability practices are what have allowed so many family farms and ranches to be passed on to the next generation.

CONGRESS AND ADMINISTRATION CAN PROVIDE SOLUTIONS

In May 2023, in response to an Executive Order on *Strengthening the Nation's Forests, Communities, and Local Economies*, the U.S. Department of State submitted two reports to President Joe Biden on stopping international deforestation.

Combatting International Deforestation Associated with Agricultural Commodity Production addresses a primary direct driver of global deforestation: the conversion of forests to produce major agriculture commodities.

The second, *Reducing International Deforestation Through U.S. Government International Programming, Assistance, Finance, Investment, Trade and Trade Promotion* provides insights and options on how the U.S. government is addressing and can further address international deforestation and land conversion through a range of instruments such as international programming, assistance, finance investment, trade, and trade promotion.

Although pages of recommendation in various forms were provided, one point emerged as a common theme: the importance of documenting product origin, and engaging global consumers of these products and their governments.

USCA offers the following as ways that Members of Congress and the Biden Administration can support its domestic cattle producers:

1. **Conduct a Section 301 Investigation to examine how practices in the Brazilian beef industry harms the U.S. beef industry**

   A 301 investigation refers to an investigation conducted by the United States under Section 301 of the U.S. Trade Act of 1974. It empowers the U.S. government to investigate and respond to unfair trade practices, intellectual property violations, and other barriers to trade imposed by foreign countries. The Section 301 investigation allows the U.S. government to take actions, including imposing tariffs or other trade measures, in response to these unfair practices.

   When the U.S. Trade Representative (USTR) determines that a foreign country's trade practices are unreasonable, discriminatory, or harmful to U.S. interests, they can initiate a Section 301 investigation. The investigation aims to gather information, assess the impact on U.S. industries and the economy, and determine whether retaliatory measures are necessary.

   Once the investigation is completed, the USTR may engage in negotiations with the foreign country to resolve the trade issues. If a satisfactory resolution is not reached, the USTR may take further action, such as imposing tariffs or other trade restrictions, to address the identified unfair trade practices or barriers.

2. **Direct U.S. Customs and Border Protection to Uphold Section 307 of the U.S. Tariff Act and Issue a Withhold Release Order for Brazilian Beef Products.**

   In February 2015, the U.S. Congress passed, and President Obama enacted, the Trade Facilitation and Enforcement Act of 2015. The act closed a loophole in the Forced Labor Statute of The Tariff Act of 1930, which previously allowed under-enforcement of the forced labor rule in instances where the domestic supply of a good or product did not meet U.S. consumer demand. The removal of this loophole allows stakeholders to petition the CBP for the banning of an imported good that is produced by forced or slave labor.

   USCA urges Congress and the Administration to begin the process of filing a formal Section 307 of the U.S. Tariff Act complaint against Brazilian beef. Doing so will deploy the use of federal resources to investigate how the Brazilian beef industry benefits from its exploitation of labor. That investigation would then provide the evidence required for issuance of a Withhold Release Order (WRO), which would prohibit the importation of goods produced using forced labor.

3. **Direct the U.S. Department of Commerce to initiate a Countervailing Duty (CVD) investigation.**

   A Countervailing Duty (CVD) investigation is a trade-related investigation conducted by the International Trade Administration (ITA), which is a part of the U.S. Department of Commerce. The ITA is responsible for investigating allegations of unfair subsidies provided by foreign governments and determining whether countervailing duties should be imposed on the imports of subsidized products.

   The ITA evaluates the evidence, calculates the subsidy rates, and makes recommendations to the U.S. International Trade Commission (USITC) and the U.S. Customs and Border Protection (CBP) regarding the imposition of countervailing duties. The USITC, another independent agency, assesses the impact of the subsidized imports on the domestic industry to make a final determination.

   USCA recommends that countries with companies that are participating in illegal deforestation activities should be found to be providing countervailable benefits to any products that are produced or raised on deforested land.

4. **Reestablish a mandatory country-of-origin labeling program.**

   Since the repeal of country-of-origin labeling in 2015, there are no clear definitions for what constitutes a U.S. beef product. Cattle or beef that is imported into our borders and undergoes further processing or handling at a USDA-inspected facility can be labeled as a "Product of the United States", even if the handling of the product was minimal.

Without meaningful country-of-origin labeling on meat products or strong rules of origin, many consumers who wish to purchase meat derived from animals born and raised in the United States are unable identify such product. This deprives U.S. cattle producers of the ability to differentiate their product in the market and allows meat packers to take advantage of different supply sources while capitalizing on consumer confusion about the source of the food they eat.

The American Beef Labeling Act, championed by Senators John Thune (R-SD), Jon Tester (D-MT), Mike Rounds (R-SD), and Cory Booker (D-NJ) would reinstate mandatory country of origin labeling (MCOOL) for beef.

This legislation would require the U.S. Trade Representative (USTR), in consultation with the secretary of the U.S. Department of Agriculture, to develop a World Trade Organization-compliant means of reinstating MCOOL for beef within one year of enactment. USTR would have six months to develop a reinstatement plan followed by a six-month window to implement it. If USTR fails to reinstate MCOOL for beef within one year of enactment, it would automatically be reinstated for beef only.

USCA urges the swift passage and implementation of this legislation.

5. Pass the Fostering Overseas Rule of law and Environmentally Sound Trade Act, or "FOREST Act."

In 2021, U.S. Senator Brian Schatz (D-HI) and U.S. Representatives Earl Blumenauer (D-OR) and Brian Fitzpatrick (R-PN) introduced the FORREST Act, bipartisan legislation that creates a framework for the federal government to deter commodity-driven illegal deforestation around the world.

The FOREST Act restricts access to U.S. markets for commodities originating from illegally deforested land, reducing the incentive to sacrifice forests for agriculture use and using this market leverage to improve laws, monitoring, and enforcement in countries experiencing illegal deforestation.

The bill also uses this market leverage to bring all interested parties together to improve laws, monitoring, and enforcement in countries experiencing illegal deforestation.

Although the bill has not yet been introduced in the 118th Congress, but USCA supports its introduction and final passage into law.

6. Reevaluate Brazil's GSP eligibility and requirements.

U.S. trade preference programs such as the Generalized System of Preferences (GSP) provide opportunities for many of the world's poorest countries to use trade to grow their economies and climb out of poverty. GSP is the largest and oldest U.S. trade preference program. Established by the Trade Act of 1974, GSP promotes economic development by eliminating duties on thousands of products when imported from one of 119 designated beneficiary countries and territories providing nonreciprocal, duty-free treatment enabling many of the world's developing countries to spur diversity and economic growth through trade. Economic development is promoted by eliminating duties on thousands of products when imported from designated beneficiary countries and territories.

In 2020, the Congressional Research Service (CRS) reported that the top five beneficiary developing countries (BDCs) in relation to imports entering the U.S. under GSP were Thailand, Indonesia, Brazil, Cambodia, and Philippines. Several bills to reauthorize and introduce new eligibility criteria to the program were introduced in the 117th Congress. Some of the proposed eligibility criteria include provisions on human rights, environmental laws, and good governance. Supporters of the proposed eligibility criteria consider it a modernization of the GSP program to address modern-day issues.

A stronger case would be to add a qualifying criterion on a strong program to prevent deforestation. Without such programs and enforcement, the country should lose GSP eligibility.

7. Follow other countries' models of disincentivizing deforestation.

In early 2023, the European Parliament adopted a new law that obliges companies to ensure products sold in the EU have not led to deforestation and forest degradation.

While no country or commodity will be banned, companies will only be allowed to sell products in the EU if the supplier of the product has issued a so-called "due diligence" statement confirming that the product does not come from deforested land or has led to forest degradation, including of irreplaceable primary forests, after 31 December 2020.

Companies will also have to verify that these products comply with relevant legislation of the country of production, including on human rights, and that the rights of affected indigenous people have been respected.

CONCLUSION:

Brazil has consistently shown itself to be a bad actor in the global marketplace, but especially so in the cattle and beef sectors. Whether it's the deforestation of the Amazon Rainforest, the exploitation of adult and child labor, food safety or animal welfare concerns, there is enough reason to suspect that the country isn't an honest player when it comes to international trade.

More pointedly, the Brazilian beef industry grew into a global powerhouse as a result of ill-gotten gains through the actions of its major meatpacking corporations.

We bring forward today only a handful of the facts surrounding the beef supply chain in Brazil. It is the responsibility of our elected officials and federal agency leaders to protect American consumers from unknowingly bringing illicit products into their homes. Unfortunately, more questions than answers remain after peeling back the layers of illegal activities conducted in the production of Brazilian beef.

USCA urges Members of Congress and the Administration to prioritize an investigation into the Brazilian beef supply chain. Any such actions should also be sensitive to impoverished communities in the Amazon region. Supporting our domestic producers means taking bold, decisive action to combat the importation of beef produced through the use of forced labor and illegal deforestation practices.

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