Where's the Beef?

Secretary of Agriculture Sonny Purdue probably expects that his press release announcing more access to Japan's market for U.S. Beef will have cattle ranchers dancing a jig. But frankly, there is not enough of a musical beat in this trade agreement to cause anyone to even tap their toes. All that Japan did was lift a ban on importing beef from cattle more than thirty months of age.

What kind of meat comes from cattle more than thirty months of age – hamburger! We don't export hamburger; we import hamburger. We import so much hamburger that the cull cows I sold this spring brought just 52 cents a pound. For the past sixteen years Japan had been buying this type of meat from Australia or South America.

Why would they start importing this beef from the United States and if we were to export what we have, we would in turn need to import the same thing from Australia or South America. It makes little sense and I suspect that to come up with the promised annual $200 million more in beef exports, Secretary Purdue must have gathered his staff, passed around a jug of cheap wine and a bong until someone became inspired enough to shout out the magic number.

Thinking about the whole issue of the Japanese beef trade just makes me mad. In 2003 a cow that had been recently imported from Canada was diagnosed with Classical Mad Cows Disease (BSE). Our veterinary authorities did the responsible thing and shut off cattle and beef imports from Canada. Other countries followed suit and suspended imports from both Canada and the US, as they were required to do by international veterinary protocols.

Thankfully it turned out the U.S. did not in fact have a BSE infection problem. However, Canada did, and continued to discover BSE infected cattle, the last one in 2015. So, what did our government do after it became clear that there was no BSE in the American herd, they opened up imports of cattle from Canada. In 2005 our government apparently decided that we love our Canadian brothers and sisters so much that we volunteered to share in their international disease status. Japan of course extended their ban of US beef since meat from Canadian cattle was intermixed with our product. This move restored the ability of the beef packing cartel to manipulate the U.S. cattle market. Between the reduced exports and the packer market manipulation, US cattle prices went down.

It wasn't until 2013, years after the Bush Administration deliberately put the US beef supply in jeopardy, that Japan allowed the import of beef from cattle less than 30 months of age. By then it had become clear to everyone that younger cattle did not have the time to develop BSE. Secretary Purdue is now taking credit for opening up the Japanese market to meat from older cows. I am sorry but this is just a big "nothing" burger.

If Secretary Purdue wants to get cattle ranchers dancing in the streets, he should do something to fix the market that is giving us 52 cents for culls and $1.50 for feeder calves. He can start by calling for Congress to restore Country of Origin Labeling for beef. He could then follow up by signing off on the GIPSA Rules that give contract growers the right to sue chicken, pork, and beef integrators for fraudulent market practices. Then to really make us happy, he could adopt the recommendation of the "Captive Supply Reform Act" and require beef packers to actually bid in a transparent competitive market for their fat cattle supplies.

Now if Secretary Purdue did all that, I for one will break out of my slow cowboy two step shuffle and try some fancy Western Swing moves with my honey.

Comments on Trans-Pacific Partnership

Because both Hillary Clinton and Donald Trump oppose ratification of the Trans-Pacific Partnership (TPP), the national media is finally paying attention as to why millions of Americans are uneasy about what are called free trade agreements (FTAs). However, rather than clarifying, the news programs discussing trade agreements tend to confuse the issue. A recent interview that I listened to on the radio juxtaposed a spokesman for a labor union against a pro-corporate economist. The labor spokesman pointed out that millions of jobs have been lost as a result of outsourcing. The economists countered that many of those jobs would have been lost regardless, due to changes in technology and automation. Besides, he said, that low cost imports benefit everyone.

While it is true that we are all guilty of buying cheap imported stuff that we often do not need, and it is also true that there are entirely new technological industries and high levels of automation, but there is no doubt that outsourcing manufacturing to low wage - low regulation countries has put millions of Americans out of work or in jobs where you cannot make a living. What the economist did not acknowledge is that as a result of the trade agreements, American based manufacturing have not had a level playing field in the global economy. We see the results in the trade deficit which since 1994 has added up to 10.8 trillion dollars. This is real money that has left this country forever. Money that could have provided good incomes for working American families and tax revenues to repair decaying roads and bridges.

The non-level playing field comes primarily from two sources: currency manipulation and how value added taxes (VAT) are treated under the trade agreements. China has mastered the art of currency manipulation, artificially making their products less expensive in the American market while keeping American products out of their markets. The trade rules technically oppose currency manipulation but there does not seem to be a workable mechanism to do anything about it.

A value added tax (VAT) is a type of national sales tax used by 137 countries to pay for such things as national infrastructure, education, and health care. The United States is one of very few countries in the world that does not use the VAT. The world average for the VAT is 17% on the value of items at retail. The problem comes because the trade rules allow a country to rebate the VAT on exports and impose it on all imports.

Instead of employing a VAT, the United States pays for education and infrastructure through locally levied property, sales, and income taxes. Under the trade rules these cannot be subtracted from exports or added to imports. In addition, U.S. companies provided health care as part of the compensation benefits, while most countries in the world have much more affordable national health care systems paid for by the VAT. American based manufacturers are in the absurd position of not only paying for the health care of their own employees but for the healthcare of their foreign competitors as well. The same is true for infrastructure and education in the competitor's nation. The result is that in the global market, items manufactured in the United States sell on average for 17% more than the same item manufactured by any other country that uses the VAT system. In addition, items from VAT imposing countries sell for an average of 17% less when imported to the US.

It therefore should come as no surprise that America has lost millions of manufacturing jobs through non-fair free trade agreements. The results are stagnating incomes for middle class Americans; wages in the service sector insufficient to live on; while the international 1% has gathered all of the profits from increased productivity and trade.

That is just the harm caused to our economy by un-fair trade rules, we have in addition the whole question of loss of national sovereignty. Last year the World Trade Organization (WTO) ruled that the United States cannot require country of origin labels (COOL) on retail meat. As a result of the trade agreements, the citizens of the United States have lost the right to decide what information is allowed when purchasing food. This is absurd. To top it off, the demise of COOL has triggered a 42% collapse in feeder cattle prices.

We also see the loss of national sovereignty in the pending action in the WTO to compensate the TransCanada Corporation for profits they allegedly lost because the permit for Keystone XL Pipeline was denied. The purpose of the pipeline was to transport Canadian tar sands oil sludge to Texas to be refined. Refineries could be built in Canada or North Dakota but sending the crude to Texas makes it easier for Big Oil to play the world market against the US market for the refined product. The result would be higher gas prices. In order to build the pipeline, TransCanada, a foreign corporation, would have had the right to condemn the property of US farmers and ranchers, many of whom did not want the liability of a pipeline crossing their land.

In essence what the trade agreements have done is free trans-national corporations from social responsibility in any of the countries in which they manufacture or sell. As a result, corporations are able to avoid taxes, ignore labor laws, disregard product safety regulations, and overlook environmental standards. The trade agreements have effectively freed trans-national corporations from any control or restraint by any nation state, including ours.

Back in 1993, I was with a group of ranchers who went to Washington, to voice our worries about the pending North American Free Trade Agreement (NAFTA). Then Senator Max Baucus (now ambassador to China) told us that we were simply mistaken and if any problems arose, he would have them fixed. Twenty-two years later every one of our concerns proved true and nothing has ever been done to reform anything.

Naturally our main issue was the effects that NAFTA would have on the cattle industry. As each successive trade agreement has been negotiated we have been told that the new trade agreement will increase our beef exports. Of course what we end up with is more imports instead. If we believe their stuff about the TPP now, then we really are the dumb cowboys they think we are.

If we are to get out of this mess that our Presidents, Congress Persons, and Trade Negotiators have made for us, there are a number of things that need to change:

- Impose a “tariff in lieu of Vat” on imports equal to that countries VAT and rebate that revenue to firms sending exports to VAT countries.
- Control runaway inflation in health care costs by allowing individuals to opt into the government employee health plans or Medicare. In addition, let people order medications

from Canada (competition is a good thing and Big Pharma ought to have the opportunity to experience a little bit of it).

- Establish a real method to sanction countries guilty of currency manipulation.
- Give US citizens standing to participate directly in WTO tribunal cases.
- Allow US citizens to sue in both ours, and foreign courts, for violations of labor, product safety, and environmental standards.

International trade has always been an integral part of this nation's economy. The competition that trade provides improves efficiency and innovation. That said, the citizens of this country deserve trade agreements that are fair. I hear the pro- free trade agreement crowd say that those who oppose the ratification of the TPP are just naïve protectionists and that the TPP will not in fact effect much either way. I ask you, how could a trade agreement negotiated in secret with no citizen input but with all major trans-national corporations at the table possibly be fair or balanced. If as they admit, the TPP will not have a significant effect on trade levels, let's reject the treaty. Our trade negotiators can then go back to the table and come up with an agreement that gives the American people a fair deal that was democratically negotiated and that restores the Constitutional right to govern ourselves.

As for impacts on the cattle industry, every beef producing country in the world wants access to our market. I am not sure why because we do not have much of a competitive market left. Even the packer toadies have noticed that following this latest crash in the market, there are no longer enough independent cattle feeders left for price discovery. The international packers have succeeded in vertically integrating their supply chain into a non-priced captive supply. Cattle and beef imports are an important part of their price controlling system.

There is a relatively simple solution to this state of affairs that was proposed by Senators Tester, Johnson, and Enzi. The Captive Supply Reform Act never got anywhere in Congress because cattle producers did not push for it. I guess that many cowboys thought that if they could avoid taking a stand that someone would fix the market for them. They were right - someone has.

## Ruminations on Trade and Trade Wars: As of June 1, 2018

### Part One

Is this political grandstanding or is there an actual change in trade policy because It is hard to say if we are in a trade war with China or if it is just a lot of talk. We apparently imposed tariffs on Chinese steel and aluminum and China in turn has put tariffs on agricultural products. Now we learn that the tariffs will also apply on steel and aluminum from Canada, Mexico, and Europe. This talk of tariffs and trade war is not good news for producers of soybeans, corn, wheat, and pork, but so far, its seems to be more of a skirmish than a war.

Two weeks ago it was reported that China will not impose tariffs on US agricultural imports in return for our country allowing ZTE, a huge Chinese tele-communications firm, to purchase US produced components for which ZTE was previously banned because they violated sanctions on Iran and North Korea and spied on US customers. Apparently as part of this agreement, China will strive to import more agricultural products from the US in an effort to reduce its annual 376 billion dollar trade advantage over the United States.

But everything is up in the air again as the White Houses announced last week that we will impose 25% tariffs on a number of high tech Chinese imports. It is really not clear if we are in a "trade war" with China or not but there are underlying issues that need to be resolved. We, as a nation, have never had a substantive debate over the pros and cons of the trade agreements. Public debate has been difficult because the partisans of laissez-faire free trade refuse to debate. They brand anyone questioning the trade agreements as naïve moronic protectionists not worthy of consideration. But now after 24 years of experience with NAFTA (North American Free Trade Agreement) people have a lot of questions. Especially questions about how the trade agreements are structured and who wins and who loses.

**Trade Deficit**

According to the Free Traders, a half a trillion in annual trade deficits does not matter because trade is always good. This misses something important because not everything one buys is actually useful. Much is simply "stuff," purchased because it is in fact very cheap, but has no "intrinsic" productive value. Buying "stuff" you don't really need can make you feel good but it is like throwing your money away.

"Productive" purchases on the other hand are an investment. A new truck, or tractor, or machine tool, or household appliance can potentially make you money or save you valuable time. If you habitually throw your money away, eventually you will have less money. If, on the other hand, you systematically invest your money in productive purchases, in the end, you will have more money. This is true for both individuals and for countries.

Unfortunately, our culture is addicted to shopping and this explains much of the trade deficit – we see this both in record levels of personal indebtedness and the ballooning national debt. Our political leadership structured the trade agreements to favor imports over exports.

We were repeatably promised that the outsourcing of our manufacturing capability would not matter because we will be the leaders of the "the new global economy." That of course has proven to be not true. Our country and our people are steadily falling behind because we failed to make the educational investments needed to prepare our younger generation, or make sure that there were good jobs waiting for them.

We totally abandoned the people who once worked in the outsourced industries. By some accounts the net effect is 2 to 3.5 million jobs lost to China and another million to Mexico. The actual total is way more and hard to count because imports also creates jobs. The problem is that the "new American economy" does not pay as well as the "old."

**Strategic Industries.**

This is still a dangerous world. War and environmental disasters are too common, and any country that becomes too dependent upon global supply chains is risking the lives and wellbeing of its population. There are such things as strategic industries, and our country should protect those industries from excessive and predatory competition.

Our national defense capability should of course be a protected. The viability of steel, aluminum, copper, and other metals industries is obviously important because metal is needed in so many manufactured products. It would be foolish to allow one's entire metal refining industry be undermined by imports. Energy, electronics, aviation, robotics, artificial intelligence, and pharmaceutical production are candidates for protection. Food - any country that allows its food production capability to wither in favor of less expensive imports is putting its citizens at risk.

**Sovereignty**

Our sovereignty, and by extension our Constitution, has also been circumvented by the inclusion of "Investor-State Dispute Settlement" mechanisms in the trade agreements. Foreign governments and global corporations were given the right to challenge and overturn laws and regulations that the citizens of this country democratically enact. We have not even been allowed the opportunity to object.

What happened over Country of Origin Labeling (COOL) is an egregious example of how foreign governments and global corporations are allowed to interfere on our sovereign right to govern ourselves. In order to distinguish domestically raised beef, pork, and lamb, Congress, in 2002 passed a law requiring a label stating the country of origin.

The governments of Canada and Mexico, on behalf of the global meat packing cartel, challenged COOL. The issue was adjudicated by an international panel of three trade judges (one judge previously served as a trade official for Mexico). Since only government officials can address the essentially secret proceedings, representatives of the US cattle industry could not attend these hearings. Ultimately, the World Trade Organization tribunal ruled against COOL and Congress dutifully rescinded the right of US consumers to know the country of origin of their meat purchases.

This is obviously disturbing but given the secrecy in how the trade agreements were and continue to be negotiated – inevitable. The interests of the American public have been systematically excluded from participation in the trade negotiations. However, international investors and representatives of global corporations are at the negotiation table. Once a trade treaty has been negotiated, Congress is not allowed to debate the individual provisions but pass the entire treaty in an up or down vote. The process guarantees that the international trading system always favors the investor class, while undermining the rights of labor, and ignoring the environmental side-effects.

**Equivalency**

All of the trade agreements were signed with our President at the time making lavish promises of immediate increases in exports. Time and again that proved not true because the treaties are clearly structured to favor imports. We grant trading partners favorable terms with little regard to equal access to their markets.

We unilaterally dropped tariffs to nothing but still face both tariffs and non-tariff barriers for our exports. Currency manipulation to discourage imports and make exports more attractive is technically not allowed, but in practice nothing has been done to stop China from doing just that. In addition, China will not allow foreign investors to own more than 50% of a corporation. Chinese investors, however, face no restrictions when buying US corporations, including high tech companies in Silicon Valley. Equivalency, in terms of trade has not been a consideration for our government.

To be continued …

## Ruminations on Trade and Trade Wars: As of June 1, 2018

### Part Two

Part One of this essay discussed how *laissez-faire free trade treaties* caused a ballooning trade deficit; failed to protect industries strategic to the interests of our nation; undermined our sovereignty and the Constitution; ignored equivalency in its reciprocal trading terms; and resulted in higher property and sales taxes for all Americans. Part two explores the effects of the trade regimes on American farmers and ranchers.

**Agriculture and the Promise of Exports**

For the last half century, agricultural policy has been premised that if a farmer tilled more acres, used larger equipment, and employed the latest bio-technology, that this “efficient” farmer would prosper because of export demand. This policy worked as planned, the number of farmers since 1980 has decreased by two-thirds. Yet the surviving so-called “efficient” farmers of today find themselves perhaps even more vulnerable than farmers ever were. More land, more machinery, and astronomical operating costs translates to untenable debt.

Bigger farms of course also mean fewer farmers, and as a result the communities where farmers live and where their children attend school, are now hollowed out repositories for some of the poorest people in the nation. Rural America no longer resembles a picture by Norman Rockwell and is instead a widely disbursed slum. Too many living in Rural America are in a perpetual economic depression and anything that threatens to disrupt agricultural exports makes conditions even worse.

Unlike corn and soybeans, this country does not raise enough cattle to meet the domestic demand. As a result of the trade agreements we get high levels of beef and live cattle imports which in turn depresses domestic cattle prices. Agriculture, therefore, is not united in its opinion of *laissez faire free trade*. Cattle producer’s experiences with NAFTA, and the WTO are revelatory of the issues at stake.

For cow/calf producers and independent feedlot operators, NAFTA has been nothing but a disaster. Upon signing that trade agreement, all of Canada’s and Mexico’s cattle instantly became “captive supplies” controlled by the three major packers. A source of feeder and fat cattle that was invisible to the domestic market, making US cattle prices much easier to manipulate. To counter the negative effects of imports, American producers convinced Congress to pass COOL. The hope was that consumers would elect to purchased US produced product. In retaliation, the packers enlisted the governments of Canada and Mexico to use the “Investor-State Dispute Settlement” provisions imbedded in NAFTA to declare COOL discriminatory to the trading interests of Canada and Mexico.

The cattle industry also found out that International trade trumps animal health considerations. Because of NAFTA, we imported BSE (Bovine Spongiform Encephalophagy) from Canada and continue to import tuberculosis from Mexico. Our trade treaties with South America puts us at a high risk of importing Foot and Mouth Disease (FMD). An outbreak of FMD will devastate livestock production for decades. The trade agreements saddle livestock producers with the risks from imported diseases, while the global corporations rake in the rewards.

What American agriculturalists did not consider in their embrace of the imperative to “get bigger or get out of agriculture” and in the promise of lucrative export markets, is that as a consequence the competitive market for what they grew would evaporate out from under them. The “market” for all of the major commodities can no longer be called actual “markets.” None of these crops are sold subject to true “supply and demand’ in a transparent competitive market place.

Any segment of agriculture that is dependent upon exports to absorb its excess production is vulnerable to changes in demand, foreign wars, environmental disasters, and policy decisions by our own government. The Farm Bill does not even try to protect agriculture from price shocks caused by disruption in export demand. Nor do the makers of farm policy apparently care if farmers and ranchers have fair and transparent markets.

As a consequence, farmers and ranchers are no longer independent producers, selling into a free market. Instead we are serfs, contractually and financially dependent upon a handful of interlocking vertically integrated global monopolies. So, obviously, there is more to the rural economic crisis than just whether China buys American soybeans and corn. Those of us who grow food are pawns in the high stakes game of who benefits from *laissez faire free trade* and who loses. These are serious issues that go beyond the solvency of our farms, because the future of our country and the survival of our constitutional government is also at stake.

Lobbying by global agri-business and the farm groups that represent them target farmers and ranchers to pressure the Trump Administration to back off on the declared trade war. It hard to say what has been the effect of this lobbying, since the Administration is happily flip flopping back and forth again on the stated goal of leveling the trade playing field. Farmers and ranchers may have no influence over the market for our products but if we still have some lingering political influence, we need to stand up to the global agri-business corporations. For the sake of all Americans, the international trade regimes need reform. In the process we need a united front if we are to restore competitive markets, regain our independence, and rebuild our communities.

**Conclusion**

*Laissez faire free trade* and international trade are two different things. Trade between countries should be equivalent. If another country needs to import things that we produce and if we need to buy things that they produce, then trade in natural. The terms imposed should be equal. Safety standards, respect for labor, and mitigation of the side effects on the environment should be strong and equivalent. The rights of the citizens of all countries to govern themselves, should be protected. International trade, just like commerce everywhere should bring together willing buyers with willing sellers. Properly structured trade agreements benefit everyone.

Recent news on the NAFTA re-negotiation talks are disturbing. There are indications that our negotiators will settle far short of the desperately needed NAFTA reforms. The "Investor-State Dispute Settlement" provisions, which were employed to outlaw COOL, may not be eliminated as promised. A problem with the Trump Administration's approach to trade reform is that we, the public, are not privy to the bottom line. There is nothing written that explains the ultimate goal. This has been the problem all along with all of the trade negotiations - it has not been a democratic process. We the people have been systematically kept in the dark with no avenue to express our opinions or desires. The result is a trade regime that has eclipsed the Constitution. America deserve transparency because it is time to take our country back.

Gilles Stockton
Grass Range, Montana

8 – 26 – 2017

Dear Editor;

The discussion over the future of NAFTA is heating up. The commodity organizations deny any problems in the existing agreement and demand no changes, a position no doubt dictated to them by the global Big Ag corporations. The reality that I lived through tells a different story.

Right from the beginning of NAFTA in 1994, Canadian cattle started to be dumped on the US market depressing prices. I don't need my intuition to tell me that this was true, because it was a finding by the trade authorities that came to light only as a result of legal action taken by R-Calf. Earlier, while NAFTA was in the process of being ratified by Congress, Senator Max Baucus assured me, to my face, that he would fix any problems that arose. Neither he nor Congress, nor the then existing or future Presidents did anything to stop the dumping of cattle in our market.

It was not until 2003 that we got some relief in a backwards sort of way, when a BSE (mad cow) infected cow imported from Canada was discovered. Countries that imported beef from the US banned imports and we in turn stopped live imports from Canada. And guess what, the cattle market jumped twenty five percent (25%) overnight. This showed that not only were Canadian cattle being dumped on our market, they were being dumped in a coordinated manner by the beef packers to control prices paid for cattle. In other words, Canada was one big pool of captive supply cattle, that was being used to manipulate our market.

We could not stay with that happy situation. Using the NAFTA regulations as an excuse we reopened cattle imports from Canada, even though it was clear that they had not eradicated BSE. In essence, we voluntarily adopted Canada's disease status resulting in more beef on our markets, a continuation of blocked exports to Asia, the risk that an American consumer would contract a fatal brain disease from eating beef from Canada, and of course, lower cattle prices.

In the meantime, Congress, after intense demand from cattle producers and consumers, passed Country of Origin Labeling (COOL). It took more than a decade for the labeling to become a reality as COOL implementation was blocked by the Big Packers, their captive organization the NCBA (National Cattlemen's Beef Association), Republican Congressional leaders, and the governments of Canada and Mexico. Eventually a NAFTA tribunal declared COOL to be trade illegal and the Republican dominated Congress happily rescinded COOL all together.

So what has NAFTA brought to US cattle producers:

- The manipulation of domestic cattle prices through dumping and enhanced captive supply.
- The introduction of a dangerous disease and the continued negative economic consequence of sharing that disease status even though we had successfully stopped BSE from contaminating the US herd.
- The interference of an international body on an issue which should be our exclusive sovereign right to inform consumers of beef where their food originated.
- A trade deficit of more than $10 trillion over the life of NAFTA

From the perspective of US cattle producers, NAFTA clearly needs to be reformed, if not rescinded altogether. This does not mean that other segments of agriculture and other industries have not had a more positive experience. Montana's wheat farmers may have had a better situation over all, but I have read articles that suggests that the market for wheat has been all one way – into the US. Somehow Canada manages to keep US wheat out of their market and out of using their market infrastructure.

It bothers me that the NCBA and the Farm Bureau have declared totally in favor of NAFTA as it currently stands, when it is clear that big problems exist. We need better representation then that if this country's independent cattle producers are to survive. Reinstating COOL would be a good start. This would reestablish the principal of our national sovereignty and allow consumers the choice of supporting American producers.

What COOL will not do is stop the use of Canadian cattle as part of the captive supply manipulation which is killing our markets. That, however, is something we can do all by ourselves by passing the Captive Supply Reform Act. Not only will the Captive Supply Reform Act require packers to publicly bid on domestic fat cattle, it will apply to Canadian imports.

Dear Editor

NAFTA may have been "… one of the greatest success stories in the long history of the U.S. beef industry" as the National Cattlemen's Beef Association (NCBA)claims in a press release (WAR May 24th edition). But it has been nothing but a continuing disaster for the US cattle producers. No amount of lying or spin on the part of the NCBA will change that fact.

Right from the beginning of the North American Free Trade Agreement (NAFTA) the packer cartel used Canadian cattle as a captive supply to control the prices paid in the US. It was a great deal for Canadian feeders, they fed feeder calves with cheap subsidized feed and the packer cartel paid them higher than US prices for finished cattle. R-Calf filed a trade dumping suit and proved that Canada was selling cattle for less than the real cost of raising them. Nothing was done, however, because the beef industry had more political clout than did cattle producers.

In 2003 we imported a cow from Canada with BSE (mad cow) which threw the cattle market into disarray as our export market in the Orient was banned. The one bright spot was that the packer cartel lost their Canadian captive supply, hindering their ability to manipulate the cattle market. For a few years cattle prices were even pretty good. To fix that our government reinstated cattle imports from Canada even though Canada continued to find BSE infected cattle.

Asian Importers of US beef kept the ban on our beef because it was mingled with Canadian beef and cattle prices went down again. China still claims that we have a BSE problem because we allow the free import of Canadian cattle and as a result of Congress dropped Country of Origin Labeling (COOL) there is no way to differentiate US beef from Canadian. The NCBA got its way, we are back to a North American beef industry and the NCBA is sure proud of their role in killing COOL.

On the Mexican NAFTA border, we continue to import cattle carrying TB. So, between Canadian BSE, Mexican TB, and an international packer cartel - US cattle producers gets the shaft. I agree with the NCBA, NAFTA has been good for the beef industry. However, it has been nothing but one disaster after another for US cattle producers.

Sincerely yours,

Gilles Stockton

Grass Range, Montana

Non-logic and the NCBA

The National Cattlemen's Beef Association (NCBA) is currently making a media and lobbying push to have the United States Mexico Canada Agreement (USMCA) - better known as NAFTA-II - ratified by Congress. In their press info NCBA states: "USMCA maintains science-based trade standards while rejecting failed policies of the past, like mandatory country-of-origin labeling." This statement reveals two of NCBA's fixations because along with opposing COOL, the NCBA is obsessed with more exports while denying any negative effects of beef and cattle imports.

Apparently in the NCBA world view only through more exports can cattle producers prosper. They manipulate trade statistics to make it look as though we export more beef than we import by conveniently not accounting for the nearly two million head of live cattle imported from Canada and Mexico. The NCBA then claims that exports increase beef's value by $313.39 per head. I don't know how they made up that number, because I am certainly not making $313.39 per head on cattle sales. What is clear, however, is that imported cattle are strategically used by the beef packing cartel to manipulate the market, yet NCBA totally ignores the fact that the market for cattle is neither transparent nor competitive.

Many of us had high hopes that re-negotiating NAFTA would result in a better trade agreement, but that does not seem to be the case. Corporations still have every incentive to outsource their manufacturing and they can still hide their profits in off-shore tax havens. Food safety standards are still not equivalent. The workers still have no rights. Environmental pollution is still happening. The World Trade Organization (WTO) can still overrule domestic laws, and COOL is still not allowed. The upshot from the point of view of cattle producers, is that beef and cattle imports still undermine our domestic market.

As for our Canadian neighbors, why do they remain dead set against US consumers knowing that they are eating Canadian beef? I understand that they think that they are protecting their interests, but COOL is the least of their problems. Their real issue, which unfortunately affects us too, is that Canadian cattle funnel into a captive supply system that results in lower prices for both them and us. If our Canadian colleagues would wake up, they would realize to what degree that they are being used. What they should do is petition their government to insist that the US enforces the Packers and Stockyards Act. Real market competition would cure a lot of problems on both sides of the border.

I recently had a conversation with Congressman Greg Gianforte and asked him if he would support a bill to restore COOL. He said no, because the cattle industry is not in agreement over this issue. I guess in his estimation, ninety percent of consumers and a majority of cattle producers can be ignored because a handful of NCBA lobbyists say so. Mr. Gianforte is running to be our next governor. If he comes to your town, a good question would be to ask him if he supports COOL. If enough people ask, maybe he will have a change of heart.

Senator Tester is totally in favor of COOL. In fact, his support for COOL was key both when it was first passed in the Montana legislature in 2005 and later in Congress in 2008. If you see him tell him thanks.

As for Senator Daines, I don't know his position. He is running to defend his seat, so it would be a good time to get him on record.

This is a good question to ask all of the men and women running for various national or state offices. The same advice for those of you who might be reading this in another state. Ask your candidates if it makes sense that all imported manufactured items and foods carry a mandatory country of origin label except for pork and beef. And if that doesn't make sense to them, remind them that NAFTA-II is not an improvement and COOL must be restored.

Dear Editor

Call me a "wet blanket" or a "Debby Downer" or whatever you might think is the appropriate simile, but I am not too impressed with the China beef deal. China will not be buying that much beef, for the very simple reason that we do not have it to sell. This country does not raise enough cattle to meet the demands of our own consumers. If we have a "so called" surplus it is because we import it.

Sure, the beef packers can package up some ribeye steaks to be sold at a few high-end hotel restaurants and they can freeze up a few container loads of liver, hearts, kidneys, and tongues, but will that be reflected in the price of feeder calves next year? I doubt it, because our cattle/beef market is not competitive. Remember, "we" ranchers don't sell beef – "We" sell cattle. Since 1990 the producer's share of the retail beef dollar has fallen by twenty-five percent. The market relationship between retail prices and live cattle is clearly dysfunctional.

The ban imposed by China and now being lifted was not trade illegal but it was unwarranted. The United States never had a BSE problem except for a few months in 2003 when one infected Canadian cow was on our soil. Our country (our government) subsequently decided to share Canada's pain by allowing cattle imports which when comingled at the packing plant level meant we had no idea if the beef was contaminated or not. Canada, given enough time, was able to eliminate BSE, but China's continued ban beyond that date was unwarranted. That our government chose to not challenge the China ban for these many years is again a problem we have that can only be blame on our own government's disregard for cattle producers. In this respect, we can credit Senator Daines for his help in lifting the ban.

Those of us who raise and feed cows have been the sacrifice to global trade since we started this so called "free trade" mania. Every trade agreement has promised beef export opportunities, but what we got instead are more imports from – Canada, Mexico, Australia, New Zealand, Central America, Argentina, and Brazil.

Cattle producer's main problem is lack of market competition. The retail price of beef, which includes exported beef, is not transmitted down the market chain to the feeder and original producer. Independent feedlots have been all but eliminated and the packers now source their cattle supply from a handful of very large "vertically integrated" cattle feeding firms – some of which they own outright.

So Senator Daines, if you want to be every cowgirl's sweetheart and make all of us cowboys jealous, this is what you must do:

Most important – Join with Senator Enzi of Wyoming and Senator Tester in sponsoring the Captive Supply Reform Act. This Act is a simple and commonsense way to restore a competitive market for live cattle. It clarifies the Packers and Stockyards Act (P&SA) by replacing captive supply procurement mechanisms with a publicly open competitive market. Packers will still be able to forward contract cattle shipments, they just will not be able to keep it a secret.

Second most important – Support legislation re-requiring that USDA finalize rules protecting poultry, hog, and cattle contract growers - i.e. the GIPSA Rules. First poultry producers, then hog producers lost the ability to sell in a competitive public market and became a part of a vertically integrated factory farm system. Cattle feeders are now in the process of being vertically integrated, and coming soon, unless there are some dramatic changes, cow-calf producers will be vertically aligned to one beef packers. What the GIPSA rule would do is give contract growers some basic rights, such as the right to witness their livestock being weighed, and the right to question the quality of the feed supplied by the integrator, and to be able to do so without fear of retaliation. Contract growers simply need some basic protections in their business dealings with the integrating firm.

Third most important – reenact legislation authorizing Country of Origin Labeling. COOL has become a symbol of everything that has frustrated cattle producers. The fact that the World Trade Organization, the United States Congress, and the Beef Packing Cartel all want to deny consumers the right to choose US produced beef, tells us much of what is wrong in trade agreements like NAFTA. Do we have a sovereign right to protect the integrity and safety of our food system or has that right been ceded to trans-national corporations?

While you are at it, there are two other thing that needs doing:

We always suspected but now have been confirmed that the Batista family that owns the JBS beef packing concern are criminals. They are under indictment in Brazil for a number of crimes and we need to determine what crimes they have committed in this country. You should use your office to encourage the FBI to investigate them.

The Beef Checkoff Tax is clearly being mismanaged by USDA and the National Cattlemen's Beef Association (NCBA). Two entire generations of young cattlemen have never had the opportunity to vote on whether they even want this tax. It is time to reform or eliminate the Beef Checkoff Tax.

No one seems to notice is that America's cattlemen and women are receiving $500 per head less for calves this fall than they were paid in 2014. Current feeder calf prices are well below the cost of raising them. In Montana's terms that is ¾ of a billion dollars that is not being spent to fuel Montana's economy. What is worse is that this ¾ of a billion is coming out of equity which means it is coming out of the future. It is money that will not be there to pay for the retirement of this current generation and to pass on to the next generation of ranchers. When you look at the nation as a whole it is like one of those hurricanes that just smashed Texas and Florida, except that the economic pain is being shared by much fewer people.

What I have outlined above are five commonsense reforms needed to insure the future of cattle ranching and the small rural towns in which we live. We are obviously a neglected and forgotten part of America. Perhaps this is because we don't ask for much. All we want is the right to pursue our lives and businesses as independent producers of livestock, responding to the dictates of free and fair market competition.

October 24, 2017 Thoughts on NAFTA renegotiation, tax reform, and COOL.

The wrangle over Country of Origin Labeling (COOL) has gone on for over twenty years. After it was finally passed and implemented, our COOL law was disallowed by a World Trade Organization (WTO) tribunal prompting Congress, at the bidding of the meat packing cartel, to rescind the law. But most cattle producers think COOL is a good idea and any consumer when asked if they would like to know the origin of their beef answers, "yes of course!"

The reason that COOL could be disallowed goes back to the North American Free Trade Association (NAFTA) rules that gives global corporations and foreign governments the right to challenge US laws and regulations that they deem disadvantageous to their commercial interests. These *Foreign Investor Rights Provisions* are nothing more than a restriction on the Constitutional sovereignty of the American people, and in particular, an end run around the Tenth Amendment of the Constitution that says:

"*The powers not delegated to the United States by the Constitution nor prohibited by it to the states, are reserved to the states respectively or to the people*."

One of Donald Trump's campaign promises was to reform NAFTA or if that proves impossible to drop out of NAFTA completely. The administration has indeed opened up negotiations about the future of NAFTA and so far, our trade negotiators have held firm on repeal of *Foreign Investor Rights*. Needless to say, the global corporations are pushing back.

If you read between the "news" lines, the global corporate propaganda teams have mounted a full campaign to sell the benefits of "*free trade*" to the American people. Of major concern is the continuation of the *Foreign Investor Rights* because this gives corporations the power to challenge constraints imposed by nation states and ultimately frees them from the obligation to help fund that nation's infrastructure. In other words, they can disallow laws they do not like and do not have to pay taxes.

The recently announced agreement from China to lift a ban on US beef and buy cattle directly from Montana ranches looks suspiciously to be part of this propaganda effort. There is nothing wrong with China buying US beef. It can't hurt, but since we do not raise enough cattle to meet the domestic demand we will be needing to import more beef to make up the difference.

What we don't know about this announced deal with a Chinese company is whether the cattle will be priced in an open public market or if it will be a vertically integrated system with no publicly derived price discovery. This arrangement with China could foster market competition but, probably, will result in more captive supply and speed the *chickenization* of the cattle industry.

Meanwhile Congress has been busy with what they tell us is tax reform. The center piece of the tax proposal is to lower the top corporate income tax rate from 35% to 20%. The rational, we are told, is that by lowering corporate taxes we will encourage global corporations to re-patriate profits that they now keep in Caribbean tax havens.

The trade agreements, including NAFTA, openly encouraged the off shoring and outsourcing of manufacturing from the US to the country with the lowest labor costs and most lax environmental and consumer protection regulations. The next logical step was for the now global corporations to find ways to protect their profits from taxes. Most economists are skeptical that lowering the corporate tax rate will encourage the patriation of profits now safely residing in tax havens. The richest 1%, who own these global corporations, are no longer tied to any one country, and have little reason to feel responsibility to live with or contribute financially towards any community of people.

However, not all manufacturing and business investments can be off-shored, particularly the selling of stuff. The implicit deal imbedded in the trade agreements is that the US encouraged the off-shoring of its manufacturing base, we also freely give away our technological advances, and to top it all off, we allowed free access to the American consumers. What the American people got in return is the opportunity to buy a plethora of very cheap stuff. The assumption, we were told, was that the people who lost their jobs to off-shoring would find jobs in new high-tech industries and in retailing the stuff they used to make. This easily explains why the United States runs an annual trade deficit of half a trillion dollars and why so many people cannot find full time employment at a wage on which they can actually live.

Furthermore, because corporations can off-shore much of what they do, this gives them tremendous leverage in negotiations with states and municipalities on their local tax responsibilities. In order to encourage global corporations to establish themselves in their locality, states and municipalities must bribe them with tax holidays. The most recent example in the news is the on-line retail giant Amazon's quest for a second administrative and distribution center. Wherever Amazon builds their new distribution center, they will not be taxed for road maintenance, expansion of schools to educate their employees' children, and the extra law enforcement needed to maintain security.

The point of all of this is to ask the question: who will pay for the infrastructure and services necessary to maintain modern and safe communities for our children? It can only come from those who are lucky enough to have a job, a small business, or a farm or ranch. Those who have lost their livelihoods to off-shoring cannot pay taxes. The 1% who own half of the of the worlds assets will not pay taxes. The trade agreements that the propagandists brilliantly labeled "*Free Trade*" has brought us to this stark reality. Congress may call what they are doing "tax reform" but it can only result in higher taxes for the middle class and fewer services and deteriorating infrastructure for everyone.

It all goes back to NAFTA and the other trade agreements that allowed corporations to go global and freed them from of the obligation to help pay for the national infrastructure. Eliminating the *Investor Rights Provisions* from NAFTA is a good first step. As citizens of the Unites States, and as members of the communities in which we live, we must restore our sovereignty to conduct our collective lives as we see fit. Foreign governments and global corporations should not have the right to overrule what we democratically choose to do.

COOL's demise at the hands of foreign countries, global corporations, and bought and payed for politicians, makes it a symbol of what is wrong with NAFTA. Perhaps, we can't fix everything that quickly or that easily, but as cattle producers, we can insist that beef that comes from cattle born and raised in the USA is labeled: Born and Raised in the USA.