



Statement of the American Farm Bureau Federation

**TO THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION
AND FORESTY**

**RE: COUNTRY OF ORIGIN LABELING AND TRADE RETALIATION:
WHAT'S AT STAKE FOR AMERICA'S FARMERS, RANCHERS, BUSINESSES,
AND CONSUMERS**

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**Presented by:
Craig Hill
President of Iowa Farm Bureau Federation on behalf of
American Farm Bureau Federation**

Chairman Roberts, Ranking Member Stabenow and members of the Senate Committee on Agriculture: Thank you for the opportunity to testify before you today as you take the next steps forward to resolve the long-standing trade dispute between the United States and our North American neighbors.

My name is Craig Hill. I am a grain and livestock farmer from Milo, Iowa. I currently serve as the President of the Iowa Farm Bureau Federation. I am also a member of the Board of Directors of the American Farm Bureau Federation (AFBF) and serve on the AFBF Trade Advisory Committee.

I am pleased to present Farm Bureau's views regarding today's hearing on *Country of Origin Labeling and Trade Retaliation: What's at Stake for America's Farmers, Ranchers, Businesses and Consumers*.

Farm Bureau policy, set by our grassroots members, supports country of origin labeling for a wide variety of agricultural products. Our policy states that – "*We support Country of Origin Labeling (COOL) that conforms to COOL parameters and meets WTO requirements.*"

AFBF has consistently supported efforts by the U.S. government to resolve the World Trade Organization (WTO) rulings that found in favor of Canada and Mexico regarding their challenge of the U.S. beef and pork COOL programs. With the latest and final WTO decision that rejected the U.S. appeal in the COOL case, it is clear that now is the time to act to prevent Canada and Mexico from imposing retaliatory sanctions that will negatively impact U.S. agricultural and other goods and commodities.

The WTO determination that provisions of the U.S. mandatory country of origin labeling (MCOOL) for beef and pork is illegal under international trade rules allows Canada and Mexico to impose retaliatory tariffs against U.S. agricultural commodities and other goods until the case is finally resolved between the parties. The WTO has consistently ruled against both the original USDA regulations and the revised regulations set forth by the Department in implementing MCOOL in accordance with farm bill provisions.

To be clear, Farm Bureau supports the repeal of COOL requirements for beef and pork, which have been found to not comply with WTO rules, and we also support the action taken by the House Agriculture Committee to also repeal the COOL program for chicken. We appreciate and support this approach because it also has the effect of keeping the remaining COOL programs in place for the crops and commodities, including lamb and goat meat, that have not been challenged.

The key factor in our position is the fact that the WTO's final ruling opens the gate for retaliation by Canada and Mexico against the United States. As you are no doubt aware, after Canada presented its request to the WTO Dispute Settlement body on June 17, 2015, for retaliatory tariffs equaling \$2.52 billion worth of trade, the United States objected to the amount requested. This objection triggers a 60-day arbitration process.

Mexico is expected to present its request for retaliation on \$713 million worth of trade with the United States to the WTO on June 29. Again, we expect their retaliation request will trigger arbitration as well, and will likely be combined with the U.S./Canadian process that will begin on June 29.

Retaliation will have direct impacts on U.S. farmers and ranchers. Canada is our #2 agricultural export destination with over \$21.7 billion in trade over a wide variety of farm goods delivered in 2014. Mexico is our #3 agricultural export destination with over \$19 billion in trade in 2014. Maintaining this trade is of critical importance to U.S. agriculture. The level of sanctions both countries seek could be devastating to some commodity sectors and, at the very least, cause harmful disruptions with attendant economic consequences that will hurt farmers, ranchers and our industry sector partners.

U.S. agriculture has experienced trade retaliation firsthand in recent years. In 2009 Mexico imposed retaliation on U.S. farm and other goods as a result of the cross-border trucking dispute. Retaliation was imposed on over \$2 billion of U.S. exports, including many agricultural products. This retaliation caused harm to U.S. producers and created uncertainty in export markets until it ended in 2011. And I would be remiss if I did not also mention the tough decisions this Committee, your colleagues in the House and certainly our nation's cotton farmers had to make to bring the Brazil cotton case to a conclusion as part of the new Farm Bill.

These experiences, as well as a review of the draft COOL retaliation list Canada published in 2013, give strong evidence that the products on Mexico's and Canada's final COOL retaliation lists will negatively impact a wide variety of agricultural products covering a large share of the U.S. agricultural landscape.

A May 1, 2015, report by the U.S. Department of Agriculture to Congress concluded that the economic benefits of implementing COOL regulations for beef, pork and poultry would be insufficient to offset the costs of the program and that the measurable benefits for mandatory COOL would be small. In his letter accompanying the report, USDA Secretary Tom Vilsack said that a resolution would depend on the relevant findings of the Appellate Body and could include statutory changes such as repeal of the COOL requirements. It is clear that this is where we collectively find ourselves today.

The American Farm Bureau Federation supports H.R. 2393, legislation that addresses the WTO ruling against the United States with regard to certain provisions of the U.S. beef, pork and poultry COOL programs. This legislation passed the House by a 300-131 vote on June 12, 2015.

H.R. 2393 amends the Agricultural Marketing Act of 1946 to repeal COOL requirements with respect to beef, pork and chicken while preserving the program for other U.S. commodities, including lamb and goat meat. By acting quickly and in a bipartisan fashion, the House of Representatives has taken the first key steps in making the tough choice to repeal the challenged COOL provisions and, in turn, prevent potential retaliatory actions by Canada and Mexico against U.S. agricultural and other commodities and products as allowed under the WTO rules.

Again, Farm Bureau clearly hoped the WTO would rule in favor of the United States on the regulatory changes made to COOL in recent years. But the writing on the proverbial wall is clear – that was not the outcome. It is time to bring this challenge to a final resolution that prevents harm to U.S. agricultural exports.

We appreciate the actions this Committee has initiated and we urge the Senate to act quickly to repeal the COOL requirements for beef, pork and chicken and prevent Canada and Mexico from taking retaliatory actions that will impact farmers and ranchers all across the nation.

Thank you.