

June 11, 2018

Dr. Betzaida Lopez
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Animal and Plant Health Inspection Services
U.S. Department of Agriculture
4700 River Road Unit 39, Riverdale, MD 20737-1231

RE: Docket No. APHIS-2016-0050; 83 FR 15756 - *Branding Requirements for Bovines Imported Into the United States from Mexico*

Dear Dr. Lopez,

On behalf of the U.S. Hide, Skin and Leather Association, the North American Meat Institute, and the Leather Industries of America, thank you for the opportunity to comment on Docket No. APHIS-2016-0050; *Branding Requirements for Bovines Imported Into the United States from Mexico*.

The U.S. Hide, Skin and Leather Association (USHSLA) is a full service industry trade organization devoted to the U.S. hides, skins and wet blue leather products industry. Founded in 1979, the association provides its members with government, public relations, and international trade assistance and support. USHSLA's member companies include meat packers, hide processors, traders, dealers and other companies involved in the hide, skin and leather value chain. The Association has long been a cooperator under USDA's foreign market development programs, tasked with promoting the value and export of U.S. hides and skins products abroad.

The North American Meat Institute (NAMI or Meat Institute) is the leading voice for the meat and poultry industry. The Meat Institute has a rich, century-long history and provides essential member services including legislative, regulatory, scientific, international, and public affairs representation. Together, the Meat Institute's members produce the vast majority of U.S. beef, pork, lamb, and poultry, in addition to the equipment, ingredients, and services needed to produce the safest and highest quality products.

The Leather Industries of America (LIA) is one of the oldest trade associations in the United States, and has represented the American tanner and supplier since 1917. For over 100 years, LIA has served its members and been an effective force in representing the leather industry of America. LIA provides environmental, technical, education, statistical and marketing services -- all at the direction of its membership and to the benefit of the leather industry.

We commend APHIS' work to proactively address an issue raised by the Government of Mexico to ensure the safe, efficient, and profitable trade of live cattle in North America. We are fully supportive of the purpose and spirit behind the proposed rule. However, we have concerns about the implementation methods proposed in the rule, due to the real and immediate negative economic consequences they will have on the U.S. cattle, beef, hides, and leather industries.

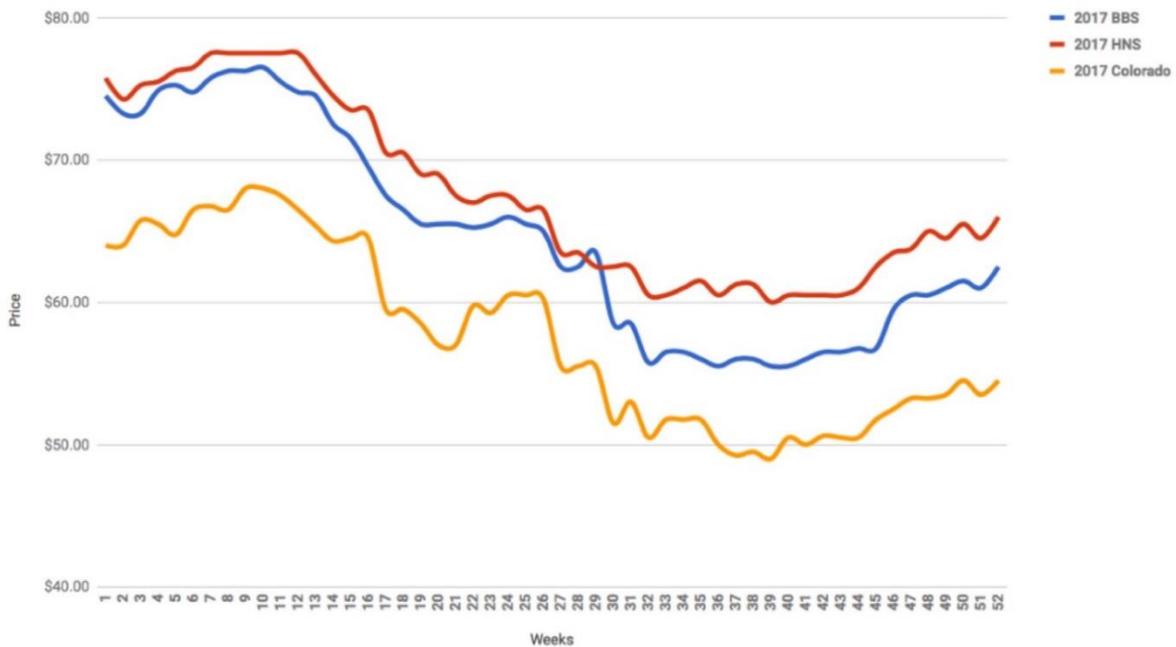
Specifically, we are concerned about the proposed movement of the 'M' brand from the butt to the shoulder for imported breeding cattle, and the increase in size of the brand. Both proposed

actions would serve to significantly devalue the hide when used for leather production purposes. We would instead prefer to see the rule harmonized so that identification requirements for imported breeding cattle are the same as with feeder cattle, and for imported cattle from Mexico to be treated the same as cattle imported from Canada. Finally, we wish to emphasize the use of ear tattoos or other acceptable identification methods for all imported animals, rather than the use of brands.

Cattle hides are the most valuable byproduct of the U.S. cattle and beef industry, making up a majority of the drop credit valuation. Depending on hide type and grade selection, hides can fetch \$40 to \$70 per piece in 2018 market prices. The most important physical attributes differentiating one cattle hide from the next are whether or not the hide has a brand on it, and where that brand is located on the hide. The presence and location of a brand significantly impact the ability of downstream leather tanners and leather manufacturers to fully utilize the hide for leather-making purposes. Brands are considered a damaged area of the hide after it has been tanned into leather, and must be removed before the leather can be utilized in footwear, upholstery, or other manufactured goods.

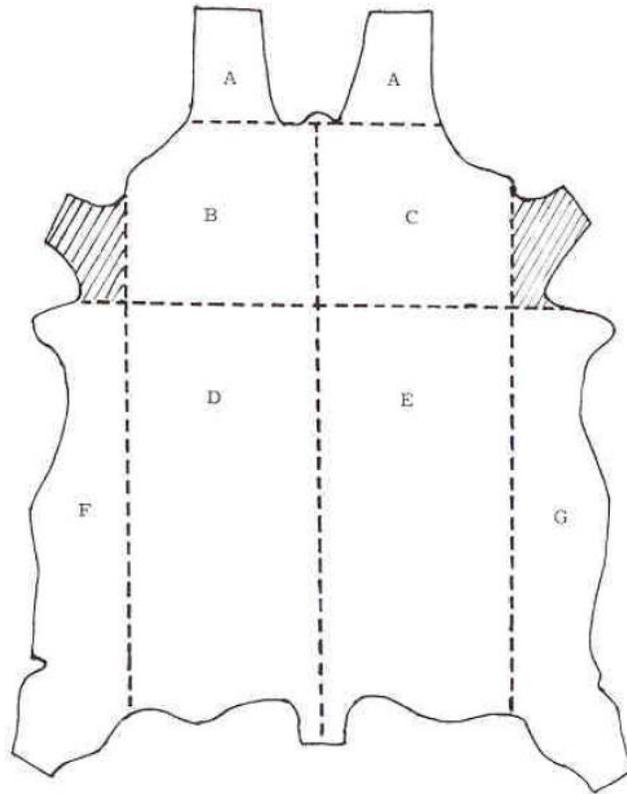
The economic differences in branded vs. unbranded hides is significant, but so too is the difference between a hide that has a “butt brand” versus a “shoulder” or “side” brand. At the end of 2017, an unbranded cattle hide (known as a Heavy Native Steer in industry terminology) sold for about \$65 per piece; a Butt Branded Steer (a hide with a single brand on the butt area of the animal) sold for about \$62 per piece; and a side branded or shoulder branded hide (known as a Colorado Branded Steer in industry parlance) sold for about \$55 per piece. The market prices of those three selections are charted below for 2017 in red, blue, and yellow lines respectively.

Butts/Natives/Colorados



There is a very significant price difference between a hide that has been branded on the butt region versus a hide that has been branded on the shoulder or side area. The reason for this is the shoulder or side area of the hide is considered the best portion of the hide for leather production, so it is economically problematic if tanners or manufacturers must remove a large branding scar from these regions of the hide. The industry prefers to see brands on the butt of the animal, where the scar is easier to remove during the leather manufacturing process and does not impact the “prime” area of the hide.

The following image is taken from the USHSLA industry product standards document [Standards Governing the Sale of North American Cattle Hides](#) and demonstrates the segmentation of the hide for leather tanning purposes. The areas identified as “B” and “C” in the graphic are the shoulder portion of the animal. This is also the most valuable portion of the hide from a leather tanner’s perspective. Any brands located in these areas of the hide must be removed by the leather tanner before the product can be utilized in manufacturing. A brand located on the butt near the tail of the animal is ideal from the leather tanner’s perspective, because the scar can more easily be removed after tanning has occurred.



HEAD	A	CROP	A+B+D or
SHOULDER.....	B+C		A+C+E
BEND.....	D or E	BACK.....	B+D or C+E
BELLY.....	F or G	CROUPON.....	D+E
SIDE	A+B+D+F or	DOSSET.....	B+C+D+E+A or -A
	A+C+E+G	CULATTA.....	D+E+F+G

F and G includes shaded area except for culatta

According to the USDA Economic Research Service’s report [Livestock, Dairy, and Poultry Outlook](#) released on April 16, 2018, it is expected that the U.S. will import 1.91 million head of cattle in 2018, mainly from Canada and Mexico. We know that the majority of those animals may not be breeding animals, and therefore not subject to the newly proposed shoulder location of the “M” brand. However, those animals that are subject to the proposed rule are not insignificant in number, and the immediate economic damage it will cause to the industry may approach millions of dollars over the coming years.

For example, even if only 1 percent of the projected 1.91 million imported cattle in 2018 would be subject to the new “M” brand placement on the shoulder, the economic impact of this proposed rule could result in negative returns of up to \$153,000 to the industry for the year. There is, on average, about a \$7 - \$8 per piece price spread between butt branded hides versus shoulder or side branded hides. This seemingly minor decision can have a significant impact on the overall value of the industry.

Furthermore, the presence of an “M” brand on a cattle hide, regardless of location, further devalues the return it receives in the global leather marketplace. The primary buyers of cattle

hides in the global market, Chinese leather tanners, perceive “M” branded cattle hides to be of a lower quality than identical U.S.-origin hides. Due to this perception in the marketplace, “M” branded hides require a further discount of between \$8 - \$12 per hide, in addition to the discount already assessed due the presence of a brand. This market condition costs the U.S. cattle and beef industry an estimated \$15 - \$22 million in lost value per year. In order to maximize value to the U.S. cattle industry, APHIS and industry bodies should be promoting non-“M” brand alternatives of identification for all imported cattle.

For years, the U.S. cattle and beef industry has been actively trying to educate its producers about the significant economic damage that occurs when cattle are branded on the shoulder or side, as opposed to the butt region. The educational and certification materials of the National Beef Quality Audit (NBQA), sponsored by the Beef Checkoff program and the National Cattlemen’s Beef Association, directly address the need of U.S. cattlemen and women to change branding practices to shift brands from the shoulder and side of the animals to the butt in order to maximize the economic gains in the industry. The following language is taken from the National BQA Manual on the topic:

“For centuries, fire branding has been utilized as a method of animal identification. It is still a very acceptable means of permanent identification to establish proof of ownership. Placement of your brand is important because it affects the value of the hide. Ideally, brand placement (freeze brand or hot iron) *should be located high up on the hip, close to the tailhead*. This allows the brand to be cut away from the hide without a significant loss of the most valuable portions.

In many instances, butt-branded hides sell at prices similar to native (non-branded) hides. Rib brands and multiple brands devalue cattle \$5 to \$25 per head. Freeze branding can also be used to identify cattle. However, improper freeze branding can scar, similar to a hot iron, which lowers the value of the hide. Improper branding procedures can also create beef quality problems. Brands that are too hot or held too long can result in scar tissue that toughens the underlying muscle tissue. In extreme cases, the brand is visible on the muscle tissue below the hide (emphasis added).”¹

In the latest Executive Summary of the 2016 [National Beef Quality Audit](#), it is noted that:

“The research also noted more cattle without a brand in 2016. Nearly three-quarters of the cattle (74.3 percent) had no brand, compared with 55.2 percent in 2011 (Table 5). Butt brands continued to be the most prominent location.”²

Additionally, since 1995, the Beef Quality Assurance Manual has listed the presence of side brands as a quality challenge within the beef industry:

“The 1995 NBQA provides management tactics to help overcome reported beef quality shortcomings. These include: *eliminate side and multiple brands*, remove horns, improve parasite control, improve red meat yield, improve handling/transport techniques, eliminate intramuscular injections (IM), measure traits that impact value and eliminate

¹ National Beef Quality Assurance Manual, pg. 55 (emphasis added), available online [here](#).

² Executive Summary, 2016 National Beef Quality Audit, pg. 10, available online [here](#).

genetic and management systems that diminish tenderness, juiciness and flavor (emphasis added).”³

To codify via regulation a rule that runs directly counter to these industry-wide efforts to maximize economic value in the supply chain would be a significant short sight on behalf of both the industry and the U.S. government.

Alternative Proposals

While our organizations have concerns about the implementation methods of the proposed rule, we are fully supportive of the need to provide greater clarity in the safe, hygienic international trade of cattle and livestock between the U.S. and Mexico. Therefore, in this spirit, we propose amend the proposed rule to allow for the following alternative options for “M” brand placement and identification on imported breeding cattle from Mexico:

1) Branding Options:

- a. Steers and spayed heifers to be marked with a single “M” brand between 3 and 5 inches tall and wide to be placed on the right hip within 4 inches of the midline of the tailhead.
- b. Sexually intact bovines to be branded with a single “M” brand between 3 and 5 inches tall and wide to be placed on the left hip within 4 inches of the midline of the tailhead.

2) Tattooing Options:

- a. Steers and spayed heifers to be marked with a single “M” tattoo applied to the inside of one ear of the animal.
- b. Sexually intact bovines to be marked with the letters “MX” tattoo applied to the inside of one ear of the animal.

3) Other means of permanent identification upon request if deemed adequate by the Administrator to humanely identify the animal in a distinct and legible way as having been imported from Mexico

All of these options would provide APHIS with the clarity it seeks in the proposed rule, but would minimize economic damage to the hide for leather tanning purposes. The options would also harmonize regulations for imported cattle from both Canada and Mexico, bringing further clarity and consistency to the regulations.

Thank you again for the opportunity to comment on this important matter. Our organizations are available to provide more information about this issue as needed.

Respectfully submitted,

U.S. Hide, Skin and Leather Association
North American Meat Institute
Leather Industries of America

³ See Footnote 1, p. 7.