

August 3, 2020

The Honorable Robert Lighthizer
U.S. Trade Representative
Office of the U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

Re: Docket Number USTR-2020-0010: Hearings Regarding Trade Distorting Policies That May Be Affecting Seasonal and Perishable Products in U.S. Commerce

Dear Ambassador Lighthizer,

The undersigned organizations submit this letter in response to the above-referenced notice inviting comments regarding the impact of trade distorting policies that may be contributing to unfair pricing in the U.S. market and causing harm to U.S. seasonal and perishable producers in U.S. commerce. We appreciate this opportunity to comment on this important issue and to provide perspectives from a cross-section of core segments of U.S. agriculture.

The undersigned organizations represent a diverse U.S. food and agricultural industry, which supports more than 22 million jobs — including more manufacturing jobs than any other U.S. manufacturing sector — and accounts for 20 percent of the U.S. economy. Our industry is the economic engine fueling rural America — stimulating employment all along the value chain. We appreciate your initiative, and that of the Administration, to successfully negotiate the U.S.-Mexico-Canada Agreement (USMCA) and to work diligently to achieve its ratification. USMCA is a historic agreement that provides critical certainty to the U.S. agriculture sector by preserving and building upon crucial access to its top two export markets, which accounted for 29 percent of all U.S. agricultural exports in 2019, generating more than \$40.1 billion in export value.

Although we support the Administration's efforts to address unfair trade practices and to hold trading partners accountable, we are concerned that punitive measures levied against seasonal fruits and vegetable imports from Mexico, in particular, would inflict undue retaliatory harm on U.S. agricultural producers and undermine the hard-fought gains won in USMCA. As you are aware, the U.S. agricultural industry has often been the primary target of retaliation by foreign governments engaged in trade disputes with the U.S., and is likely to once again bear the brunt of retaliation if actions are taken to restrict trade in seasonal produce from the Mexican market in a manner not keeping with U.S. trade commitments. At this especially challenging time, rural America cannot afford to shoulder the expected additional costs and loss of market demand associated with retaliation, nor can the U.S. agricultural industry realize the benefits of the USMCA if it is priced out of its second largest export market.

Meat and Poultry

Take, for example, the U.S. meat and poultry industry, which as you know, has in the past been the primary target of retaliation by foreign governments engaged in trade disputes with the U.S. These disputes often have little direct connection to the targeted industry, and yet, meat and poultry producers, packers, and processors are forced to contend with supply chain disruptions, to absorb higher costs, and to cede hard-earned market share to competitors.

For instance, in 2018, Mexico increased duties on the majority of U.S. pork exports from zero to 20 percent in response to the U.S.'s Section 232 tariffs on steel and aluminum imports from Mexico. The detrimental economic impact stemming from these tariffs was both swift and significant: U.S. pork and variety meat exports lost \$400 million in value from June 2018-May 2019. U.S. pork and variety meat exports to Mexico peaked at just over 800,000 mt, valued at \$1.5 billion in 2017, prior to the imposition of the retaliatory duties. In 2019, however, exports slowed to 708,000 mt, valued at \$1.28 billion. This, compounded by a decrease in values for key pork cuts and the imposition by China of Section 232 and 301 retaliatory duties on U.S. pork products, yielded a \$1.13 billion loss to the U.S. pork industry from Q2 2018 through Q1 2019. With China's retaliatory duties still in place, and economic and production challenges caused by COVID-19, the U.S. meat industry cannot bear the burden of increased retaliation that will certainly follow any actions taken against seasonal produce imports.

Dairy

With U.S. dairy sales tallying \$1.5 billion last year, Mexico is far and away the largest export market for U.S. dairy products; it accounts for over 25 percent of all foreign sales of U.S. dairy products. Dairy has time and again been a target of Mexican retaliation in trade dispute cases over products entirely unrelated to our industry. The NAFTA Trucking case dispute saw U.S. cheese exports to Mexico plunge by more than 50 percent after the imposition of retaliatory tariffs against our cheeses. More recently the imposition of Mexican Section 232 retaliation on U.S. cheeses was quickly followed by a decline of \$1.65 per 100 hundredweight of milk in projected dairy market prices, leading to an estimated \$1.8 billion in lost revenue for U.S. dairy farmers in 2018. Retaliatory tariffs will upend carefully cultivated supply chains, have a ripple effect on farmers' milk prices upstream, and create opportunities for our largest global competitors to expand their footholds in this vital market at our expense.

Corn, Soybeans and Wheat

Mexico is the top export market for U.S. corn and distillers dried grains with solubles (DDGS). In the 2018/2019 marketing year, corn exports to Mexico set a new record, with 16.1 million metric tons (634 bushels) valued at \$2.99 billion. Mexico imported 2.02 million metric tons of U.S. DDGS, valued at nearly \$416 million. Each time the seasonality proposal has been raised, the Government of Mexico has stated that, if the U.S. institutes any trade measures that would impact Mexican imports of fruits and vegetables, they would strongly consider retaliating against U.S. agriculture exports and actively seek other sources of exports, specifically highlighting corn as one of the targeted commodities. U.S. corn and ethanol have already suffered significant market impacts from trade disruptions, including lost ethanol access into China as a result of a remaining 15 percent retaliatory tariff, and price losses averaging \$0.20/bu.

Mexico is also the largest market for U.S. wheat and the second largest for soybeans. For soybeans, the U.S. export value is nearly \$2 billion and for wheat it is almost \$1 billion. Due to its close proximity to Mexico, the United States has a transportation cost advantage over other competing grain exporting countries. However, the advantage is not large enough to overcome a retaliatory tariff. Presently, the U.S. share of Mexico's corn, soybeans, and wheat imports are approximately 95 percent, 90 percent, and 70 percent, respectively. Large investments have been made on both sides of the border to facilitate U.S. exports of corn, soybeans, and wheat for years to come. A retaliatory tariff from Mexico would be a blow that wheat, soy, and corn farmers cannot afford to absorb.

Summary

The adverse effects of retaliation in response to tariffs or other measures levied against seasonal produce from Mexico would be particularly acute and substantial for the preponderance of America's farmers, agricultural producers, food manufacturers, food industry workers, and agribusinesses. Our sector has a unique opportunity to benefit from a high-standards, modernized agreement with our North American trading partners, but agricultural exporters cannot achieve those expected gains if they are saddled with added costs or constrained by restrictive trade barriers.

Therefore, we urge you to pursue a negotiated bilateral resolution to this issue that avoids escalating a trade dispute with Mexico that undoubtedly would result in deleterious consequences for other sectors of U.S. agriculture. Thank you again for the opportunity to comment on this important matter.

Respectfully submitted,

American Soybean Association
Bella Bella Gourmet
Corn Refiners Association
CroLife America
Fresh Produce Association of the Americas
Leather and Hide Council of America
Meat Import Council of America
National Association of Egg Farmers
National Association of Wheat Growers
National Corn Growers Association
National Grain and Feed Association
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council
National Turkey Federation
North American Export Grain Association
North American Meat Institute
Northwest Horticultural Council
Seaboard Foods
Smithfield Foods
USA Poultry and Egg Export Council
U.S. Apple Association
U.S. Dairy Export Council
U.S. Dry Bean Council
U.S. Grains Council
U.S. Meat Export Federation
U.S. Soybean Export Council
U.S. Wheat Associates