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Comments of the National Cattlemen's Beef Association on APHIS-2018-0007-0001, Importation of Fresh Beef from Paraguay

As the trusted leader and definitive voice of the U.S. cattle and beef sector, the National Cattlemen's Beef Association (NCBA) appreciates the opportunity to submit comments in response to Docket No. APHIS-2018-0007-001, "Importation of Fresh Beef from Paraguay." NCBA is the oldest and largest national trade association representing the interest of U.S. cattle producers, with nearly 26,000 direct members and over 178,000 members represented through its 44 state affiliate associations. On behalf of U.S. cattle producers and in the interest of safety of our national cattle herd, NCBA strongly recommends maintaining the ban on the importation of fresh beef from Paraguay until a recent and thorough site visit and animal health review can be conducted by USDA, Animal and Plant Health Inspection Service (APHIS), and affected stakeholders have the opportunity to review the information collected in the official reports from recent site visits. The APHIS proposal to allow Paraguayan beef imports is based on information gathered from site visits in 2008 and 2014, and we are concerned that the conclusions drawn in the risk assessment for the proposed rule are not an accurate and timely representation of Paraguay's capabilities to address a potential outbreak of foot-and-mouth disease (FMD).

Paraguay has been seeking access to the U.S. market for many years because the U.S. market is one of the most lucrative beef consumption markets in the world. As stated in the Notice for Comment, Paraguay ranks eighth in beef production and exports most of its beef to a limited number of markets: Brazil, Uruguay, Israel, Taiwan, and Russia (until recently). Gaining access to the U.S. market will be a major boon for Paraguayan beef exports, and it is a policy priority for Paraguay in the U.S. - Paraguay Trade and Investment Framework Agreement (TIFA) discussions.¹ The greatest factor limiting Paraguay's access to the U.S. market is its history of FMD, a fact that is well documented in the proposed rule and the risk analysis and does not need repeating. For U.S. cattle producers, the growing threat of FMD creeping closer to our borders is something we do not take lightly.

While winning friends and allies in South America may be part of the long-term interests of U.S. diplomacy, it should not be done on the backs of U.S. cattle producers or by putting at risk the health and livelihood of the safest and most efficient cattle and beef production system in the world. The United States produces 18% of the world's beef with only 6% of the global cattle herd.² Through our efficient production, U.S. cattle production

¹ "United States and Paraguay Convene First Trade Investment Council," Press Release, Office of U.S. Trade Representative, 09/16/2022.

² UN FAOSTAT. 2018. Available at: <http://www.fao.org/faostat/en/#home> .

represents only 2% of total U.S. greenhouse gas emissions,³ and the U.S. has had the lowest beef greenhouse gas emissions intensity in the world since 1996.⁴ U.S. cattle producers have worked closely with the U.S. government for decades to develop the most efficient and safe production system in the world. Furthermore, the U.S. government continues to invest heavily in developing a vaccine bank, preparedness plans, and diagnostic capabilities to combat and recover from the unfortunate perils of a FMD outbreak. It is counterproductive to increase the risk of potential exposure to FMD by proceeding with this application without an updated in-person assessment of Paraguay's animal health system.

Risk Analysis Based on Outdated Site Visits

As mentioned in the proposed rule, APHIS conducted a risk analysis and gathered data to support the analysis from records of Paraguay's Servicio Nacional de Calidad y Salud (SENACSA) and other publicly available sources such as a 2009 analysis from the World Organization for Animal Health,⁵ and APHIS conducted in-person site visits in 2008 and 2014 to verify the information provided by SENACSA. From that analysis, APHIS determined that the risk associated with importing fresh beef for Paraguay is low and Paraguay has the ability to report, contain, and eradicate FMD in the event of an outbreak. Following the review, APHIS made the determination that Paraguay is able to comply with U.S. import standards. USDA Food Safety and Inspection Service also completed an establishment audit in 2022. While USDA's Paraguay audits are more thorough than those that justified Brazil's access to the U.S. market, we have serious concerns that USDA is relying on 9-year old information regarding Paraguay's capabilities to respond to FMD.

Furthermore, it is highly concerning that there are no official site visit reports from the APHIS in-country visits in 2008 and 2014.⁶ While this lack of transparency may no longer be the protocol of APHIS evaluations of other countries, NCBA strongly discourages APHIS from proceeding with the application until new site visits have occurred and an updated risk analysis is conducted based off the official site visit reports, and stakeholders are allowed time to review the results and better understand the risks associated with Paraguayan beef imports. A truly science-based process should follow the most recent and relevant information, and it is alarming that APHIS would base a significant decision like this without relying on more recent data. Wisdom tells us to trust but verify.

Recent Economic Conditions May Seriously Undermine Paraguay's Funding Sources for FMD Mitigation

While APHIS appears to have followed procedure in conducting its audit, we cannot ignore the fact that much has happened since the last in-country review and subsequent audit, including the COVID-19 global pandemic that ravaged the South American economy and the lasting effects of a La Niña weather pattern. According to the World Bank, "climate conditions that affected agricultural and hydropower exports, poor performance of its trading partners, and the COVID-19 pandemic have affected growth in recent years, reducing GDP growth from the annual average of 4.4% between 2003 and 2018 to 0.7% between 2019 and 2022. The year 2022 closed with a growth of -0.3%, but as weather conditions normalize, the economy is expected to rebound by 4.8% in

³ U.S. Environmental Protection Agency. Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990–2019. Available at: <https://www.epa.gov/ghgemissions/inventory-us-greenhouse-gas-emissions-and-sinks-1990-2019>.

⁴ (1) Climate Watch Data. Agriculture. Found on <https://www.climatewatchdata.org/sectors/agriculture?emissionType=136&emissionsCountry=EJU&filter=#drivers-of-emissions>; (2) FAO-STAT. Emissions intensities. Found on <http://www.fao.org/faostat/en/#data/EI>

⁵ "Herramienta para la Evaluación de las Prestaciones de los Servicios Veterinarios – Paraguay", World Organization for Animal Health, April 2009. Available at https://www.woah.org/fileadmin/Home/eng/Support_to_OIE_Members/docs/pdf/FinalReport-Paraguay.pdf

⁶ "Foot-and-Mouth Disease: USDA's Evaluations of Foreign Animal Health Systems Could Benefit from Better Guidance and Greater Transparency," GAO Report 17-373, p. 21, April 2017.

2023. At 19%, poverty returned to pre-pandemic levels but the drought, high inflation (9.8%) and lower pandemic-related transfers led extreme poverty to increase from 5.2% in 2022 to 4.1% in 2021.⁷ As a major player in the Paraguayan economy, the cattle sector has also been greatly affected by drought. “Paraguayan beef exports in 2023 are forecast to decline to 390,000 tons carcass weight equivalent, the second drop in a row thanks to declining cattle production. The country is suffering from the third consecutive year of La Niña conditions, which leads to dry weather in most regions. Paraguayan slaughter numbers peaked in 2021 and are forecast to drop in 2022 and 2023, reducing the beef supply.”⁸ Why should economic conditions matter in reviewing Paraguay’s safety standards?

According to the APHIS Risk Analysis, the vast majority of funding for Paraguay’s FMD program comes from user fees, including fees from the movement of cattle, which means the success of the program is based on private sector support. “Since 2014, SENACSA’s budget for the FMD program has been around US \$36 million. In 2009, 18% of SENACSA’s budget originated from Treasury contributions and 82% from user fees. In 2014, 15% of the budget came from the Treasury department and 85% came out of funds generated by SENACSA through Law 808/96 and through user fees [14, 20]. The 2011-2012 outbreak had a significant impact on SENACSA’s budget at the time because less user fees were generated while animal movements were under restriction. SENACSA maintains three months in reserve funds in case of an outbreak even without the generation of user fees. As a result of the 2011-2012 outbreak, SENACSA has had a significant increase in their operational budget as well as a strengthening of their overall structure and resources. Because SENACSA’s funding comes primarily from the private sector in the form of user fees paid by stakeholders associated with sales of animals or movement permits, SENACSA is able to operate autonomously and with little political interference [21]. This also makes the budget very dependent on the services provided to or required by the private sector and the ability to export beef.”⁹

The strength of Paraguay’s economy has a strong connection to its ability to fund FMD mitigation measures. NCBA is concerned that APHIS has not taken into consideration the impact of economic downturns from the global pandemic that may limit Paraguay’s overall capabilities. APHIS should re-evaluate the economic strength of the cattle and beef sector in Paraguay and review the FMD budget for the past five years to have a more accurate assessment of Paraguay’s capabilities to fund efforts to combat and control an FMD outbreak.

As Neighboring Brazil Is Stopping FMD Vaccinations, Paraguay May Follow Suit

Last year, the Brazilian government made the disturbing announcement that Brazil will no longer vaccinate half of its cattle herd against FMD. Since 2018, Brazil has been designated by WOAHP as “FMD free with vaccination,” but last year, the Brazilian government declared its cattle FMD free, with plans to stop all vaccinations by 2026.¹⁰ In April 2023, the Brazilian government took that a step further by banning the sale and use of FMD vaccines in seven states including Espirito Santo, Goiás, Minas Gerais, Mato Grosso, Mato Grosso do Sul, Tocantins and the federal district.¹¹ It is important to note that Mato Grosso do Sul shares a long border with Paraguay. Meanwhile, FMD continues to spread across South America in neighboring countries like Venezuela and Colombia, and has also been discovered in Indonesia, North Africa, and South Korea. The global threat of FMD is real, and the negligent response of Brazil poses a great risk to the U.S. cattle herd. NCBA has repeatedly raised concerns over Brazil’s history of FMD, its repeated food safety concerns, and most recently, its lack of commitment to abide by WOAHP standards when it comes to timely reporting of certain

⁷ World Bank, Country Overview – Paraguay, Updated 04/04/2023. <https://www.worldbank.org/en/country/paraguay/overview#1>

⁸ “Livestock and Products Annual, Paraguay,” USDA GAIN Report PA2022-0003, 09/19/2022.

⁹ Risk Analysis: Foot-and-Mouth Disease Risk from Importation of Fresh (Chilled or Frozen), Matured, Deboned Beef from Paraguay into the United States, APHIS-VS National Center for Import and Export, April 2018.

¹⁰ “Brazil’s national herd free of free of foot and mouth disease without vaccination, government’s target,” [MercoPress.com](https://mercopress.com), 08/10/2022.

¹¹ “Brazil bans use of foot-and-mouth vaccine in 7 states,” Reuters, 04/06/2023.

diseases.¹² USDA's lack of response to Brazil's repeated offenses sends the message to neighboring countries that actions like that are permissible, even for countries with a history of FMD. According to the 2022 USDA-FAS report, "Paraguay has decided to continue to vaccinate for at least a few more years."¹³ If USDA tacitly endorses Brazil's anti-vaccination plan it is only natural that other countries, including Paraguay, will follow suit and reconsider their FMD vaccination plans – adding greater risk to the U.S. cattle herd. Instead of letting them slide, USDA should send a stronger message to current and prospective trade partners that science-based standards will be enforced at all times, without exception. To put it plainly, USDA should not proceed with expansion of market access for Paraguay until it resolves our existing problems with Brazil.

Need to Review Paraguay's Border Measures Due to Smuggling and Corruption

The proposed rule draws the conclusion that Paraguay's natural barriers such as large rivers and forests restrict both animal and human traffic and prevent the spread of disease. Even though Paraguay is taking steps to reduce corruption and promote legitimate trade, it has a notorious image of being a smuggler's paradise with corruption reaching the highest levels of government. Last year, the U.S. government "blacklisted Vice President Hugo Velazquez and former president Horacio Cartes for alleged corruption. Velazquez was expected to run as a ruling party candidate in the polls and Cartes retains significant influence over national politics and business. [T]he move reflects rising concern in Washington that Paraguay could be destabilized if its institutions and elites fall under the influence of organized crime."¹⁴ If top officials in Paraguay are being blacklisted by the U.S. government, how trustworthy are its institutions that are entrusted with providing an equivalent level of health and safety as the U.S. government?

Risk Analysis Does Not Consider Paraguay's Transition from Grass-Finished to Grain-Finished Production

If granted access, it is likely that most Paraguayan beef exports will begin as lean trimmings where they will primarily compete with Brazil who dominates the Other Country Beef Tariff Rate Quota. That may evolve in to exports of muscle cuts as Paraguay's grain-finished market develops, as USDA's Foreign Ag Service (FAS) reports that 25% of Paraguay's cattle slaughter comes from cattle finished in confined operations, a trend that expected to continue in the coming years.¹⁵ USDA's economic assessment is based off data from 2016-2020 and it does not view Paraguay's imports as overly displacing domestically produced beef. Perhaps USDA should consider the rise of grain-finished beef production in a post-COVID Paraguay and the potential future exports may have on small to mid-size U.S. grain-finished operations battling with inflationary pressures on inputs.

Conclusion

There is no question that Paraguay has much to gain by receiving the coveted USDA stamp of approval. There is no doubt that having a USDA endorsement will likely make it easier for Paraguay to gain access to Canada, Mexico, and Caribbean markets.¹⁶ But where is the benefit for U.S. consumers, and why should the U.S. cattle herd be placed at greater risk of FMD? NCBA is greatly concerned that the conclusions drawn in the proposed rule are based on outdated information that does not adequately calculate the risk to U.S. consumers and the U.S. cattle herd. We therefore urge you to modify the proposed rule and continue the ban on Paraguayan beef imports until a thorough review can be conducted by APHIS and affected stakeholders have the opportunity to

¹² "NCBA Calls Again for Immediate Halt to Brazilian Beef Imports," [NCBA.org](https://www.ncba.org), 02/28/2023.

¹³ "Livestock and Products Annual, Paraguay," USDA GAIN Report PA2022-0003, 09/19/2022.

¹⁴ "U.S. Move Deepens Worries Over Organised Crime in Paraguay, Lucinda Elliot, *Financial Times*, 09/14/2022.

¹⁵ "Livestock and Products Annual, Paraguay," USDA GAIN Report PA2022-0003, 09/19/2022.

¹⁶ *Id.*

review the information collected in the official reports from recent site visits. If you have any questions or concerns, please contact Kent Bacus, Executive Director of Government Affairs, at 202-347-0228 or kbacus@beef.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kent Bacus', with a long horizontal flourish extending to the right.

Kent Bacus
Executive Director, Government Affairs
National Cattlemen's Beef Association