

## **Animal ID and International Trade**

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Good morning. I'm glad to be here today. Your stock show is one of the best in the U.S.—a true summit for cattle producers in the Americas.

The U.S. National Animal Identification System—NAIS—is a critical tool for protecting herds in the U.S. against animal diseases. Increasingly, it will be vital to marketing our livestock, particularly beef—both here and abroad.

This morning I want to tell you where we stand on animal ID, how we plan to move this program forward and why it matters—whether you raise beef, horses, sheep or goats in Texas or in Mexico or in another country that's one of our trading partners.

We are developing NAIS as a modern, tech-savvy, up-to-date system for responding to outbreaks of serious animal diseases. NAIS is designed to cut losses, reduce delays and retain markets. Ultimately, we hope to put traceability data within USDA hands within 48 hours of an outbreak. The goal is to significantly reduce the time needed to conduct disease investigations.

In the U.S., animal ID is a cooperative effort among states, the USDA's Animal and Plant Health Inspection Service and industry. It's one of USDA's top priorities—as our new Secretary of Agriculture, Ed Schafer, made clear when he spoke to the National Cattlemen's Beef Association recently.

I'm pleased that over the past 18 months, the discussion on animal ID in the U.S. has changed. It's no longer about whether or not animal ID is a good idea. It **is** a good idea—and I think almost everyone now acknowledges that. Today, we're talking about how best to implement it and how quickly it can be operational. And I want to share with you what we're doing.

## **Premises Registration**

Our first step in developing NAIS is to encourage U.S. farmers and ranchers to register their premises. Registration tells us who's raising livestock, so if there's a problem, we can reach producers.

To date, we have more than 451,000 premises registered—out of 1.4 million. We are working hard to increase that number.

We've developed cooperative agreements with major industry groups—including the National Cattlemen's Foundation—to promote and secure registrations.

State registrations reflect state priorities and export commitment. Twelve states have more than 50 percent of their premises registered.

When it comes to Texas and registrations, there's good news and bad news. The good news is that among the 50 states, Texas has the third highest number of premises registered—about 30,700. The bad news is that's only 16.4% of your premises—and ranks you 33rd out of 50 states in getting your producers to sign up.

If you're from Texas—or anywhere in the U.S.—and you haven't yet registered your premises, I urge you to do so. To make this voluntary system work, we need everyone's participation.

Registering is easy. It's free. It's the right thing to do to protect your herd health. As a rancher, I've done it, and you should do it, too.

## **Traceability**

As part of our effort to move NAIS forward, the Animal and Plant Health Inspection Service has developed a business plan—a roadmap for increasing traceability. The goal, as I mentioned earlier, is 48-hour traceability when there is an emerging event. The business plan sets priorities, focusing on areas where we can accomplish the most to reach critical mass—getting 70% of the animals in a species identified and traceable to the premises of origin.

The business plan relies on seven strategies. I want to talk with you this morning about just one of those—the first one. This is our effort to prioritize species.

And guess what heads the list. Right ... beef cattle.

Our top priority is the primary food animals—cattle, sheep and goats, swine, poultry—plus competition horses because they move around a lot. The highest priority within that category is breeding stock, particularly beef and dairy cattle.

We set the priorities based on:

- Potential for a disease event of significant economic impact
- Risk of disease to human health
- Current traceback capabilities
- Economic value, and
- Potential for disease to spread to other livestock species.

Further, these days fewer beef producers are participating in disease programs as eradication efforts have been successful. So, getting cattle operations involved in NAIS is critical to traceability.

Last week I met with our state NAIS coordinators and the APHIS Area Veterinarians-in-Charge. I was meeting with them on how to improve the system that we use to effect traceability. We are looking to our vets to reach critical location points where animals are commingled—like auction barns, feedlots and fairgrounds—and rodeos! We have a lot of ground to cover, but we are determined to succeed.

### **Additional Efforts on NAIS**

I want to share a couple of other efforts that we're involved in regarding animal ID. One is a benefit-cost analysis of NAIS that researchers at Kansas State University are conducting for us.

To the best of our knowledge, no other country has studied this. It is a massive undertaking, but necessary to advance the U.S. ID system. We believe this study will provide empirical evidence that animal ID is worth the effort we're putting into it—and that producers put into it also.

Even as we're encouraging livestock producers to register their premises and then take the next step and tag their animals, we've determined that APHIS will do the same. So, we've purchased 1.5 million "840" official ID tags for use in our animal disease programs.

We're also working on coordinating efforts at USDA. The Agricultural Marketing Service is working on a business plan to integrate NAIS with our marketing programs—organic, "naturally raised," "grass-fed" and export verification programs.

APHIS is also drafting proposed regulations that would require the first point of import and the first point of export to be registered premises. This will be an significant step in improving traceability.

### **International Trade**

Animal ID will be an important tool in our arsenal to address disease outbreaks in the U.S. quickly and effectively. But it's also crucial for trade. I know Dr. Lambert spoke earlier about the value of trade, so I'll just hit the highlights, then we'll draw the link to NAIS.

Two weeks ago, Secretary Schafer announced a new projection for U.S. agricultural exports in Fiscal Year 2008—\$101 billion. That's up \$10 billion over the November 2007 forecast—and \$19 billion over last year's mark. It means U.S. producers have been blessed with 5 straight years of record exports.

Beef and veal exports rose more than 20% last year—and are expected to rise again this year. Mexico is our top export market for beef, with Canada in second place. That's at least partly due to NAFTA—the North American Free Trade Agreement signed in 1994. Over the past 13 years, our exports to these two countries have grown from \$10 billion to \$25 billion per year. More recently, CAFTA—the Central American Free Trade Agreement has boosted U.S. exports to our neighbors.

Also important in promoting two-way trade are bilateral agreements. Congress approved an agreement with Peru in December that will be worth \$700 million in agricultural exports from the U.S. once it's fully effective. The agreement immediately eliminates tariffs on high quality beef and sets an 800-ton Tariff Rate Quota on standard beef, with 6% annual growth.

Three additional agreements are awaiting Congressional approval. Like the Peru agreement, all of them are supported by more than 40 major U.S. farm organizations. Together, agreements with Panama, Colombia and South Korea will be worth nearly \$2.5 billion when fully implemented. Each reduces tariffs on beef—further opening opportunities for U.S. producers and producers in their countries.

### **Trade and NAIS**

So, how does animal ID link with trade? Well, our competitors who have a traceability system—Canada and Australia, for example—are touting their systems as a reason to buy their beef. And our customers are demanding it.

At NCBA a few weeks ago, Dr. Gary Smith, a professor at Colorado State University, made it very clear: If you're producing for the global market, you must have a high quality beef product to sell. But to gain access to the market, you must be able to demonstrate traceability along with a concern for animal welfare.

He said that by the end of this year, the European Union, Japan and South Korea will have mandatory “farm-to-fork” ID and traceability within their borders. Once they require traceability for products produced at home, they can demand it from others that want to export to them—and they will.

Other countries, which don't yet have their own traceability systems fully in place and therefore can't, under WTO rules, require it of other countries, will still prefer to purchase from sources that can demonstrate traceability. Dr. Smith cited Canada, Taiwan, some South American countries and most Arabian Gulf nations as examples of countries that are interested in traceability. He pointed out that not every single U.S. producer will have to demonstrate traceability—only those in supply-chains that want to sell abroad.

But the sooner producers in the U.S. and around the world get on board with animal ID, the more options they will have to market their livestock. In other words, traceability is the key to international sales and market expansion. Animal ID will open doors for producers everywhere.

### **COOL**

Let me just touch on a related issue—Country of Origin Labeling. U.S. law calls for labeling for most red meat and produce on September 30, 2008. (Congress has

delayed this date twice.) Labels for fish and shellfish have been required since April 2005.

While we've been concerned about the burden imposed by COOL, we intend to implement it fairly, with the least possible cost and lowest possible burden on everyone. Animal ID will make it easier to trace origins.

Both the House and Senate farm bills currently under consideration would make some changes in COOL, such as providing for three possible labels—domestic, foreign, and “may be of mixed or multiple origins.” We need to quickly get the regulations ready for implementation this fall—and we need the farm bill completed quickly to do that.

### **Opening Markets for Live Animals**

As we seek to expand markets for U.S. beef, we're looking to open markets for live animals as well as meat. Once we received the “controlled risk” designation from OIE—the World Animal Health Organization—last May, we sought to encourage our trading partners to accept live animals, semen and embryos as well as meat. This has been somewhat more difficult since these products have been viewed as riskier and import requirements may be more stringent.

Over the past year, Panama, Costa Rica, Honduras, Turkey, Morocco and Albania have opened their markets to the U.S. In addition, we've resolved all BSE issues with Canada—I'll talk more about that in a minute. And I understand that Mexico and Canada last week signed an agreement permitting import of Canadian breeding cattle by Mexico (and we're disappointed that the agreement failed to recognize OIE standards.)

We still have some issues we're working on with Mexico. Right now Mexico has restrictions on import of U.S. dairy heifers over 24 months. We'd like to see full alignment with the OIE guidelines, which would permit us to export older animals as well.

On another matter, APHIS is continuing to work with Mexico on TB eradication. This poses a real problem for us—and it's another example of the importance of traceability.

Last year we proposed a 5-year plan that would encourage the Mexican TB Eradication Program to achieve equivalency with the U.S. program by the end of

2012. This is important because over the past five years—Fiscal Years 2003 to 2007—of the 166 confirmed cases of bovine tuberculosis detected in U.S. slaughter facilities, 120 were determined to be of Mexican origin. That’s more than 70 percent.

Later this year, APHIS will propose a domestic TB rule for cattle and bison at the same time it proposes an import rule—harmonizing the two. The import rule will include proposed TB status classifications for Mexican states and zones as well as Canadian provinces and Australian states.

In addition, as Dr. Lambert mentioned, we’ve been working with Andean countries to encourage acceptance of live animals—particularly Bolivia, Colombia, Ecuador and Peru. At the same time, we’re moving forward with a final rule that designates parts of Argentina as FMD-free. However, that is increasingly picking up resistance in the U.S.

### **Harmonizing with OIE**

Even while we’re encouraging our trading partners to follow OIE rules, we need to make some changes in U.S. rules to align them with international guidelines. We took the first step toward harmonizing our regulations by publishing the Minimal Risk Rule, which normalized trade with Canada. It went into effect mid-November last year.

The next step is to amend all of our BSE import-related regulations to make them consistent with international guidelines. We plan to publish a comprehensive BSE proposed rule this coming August or September to harmonize our standards with OIE.

We need to lead by example, stressing the importance of OIE standards, to open markets as we encourage other countries to open theirs. At same time, we’re promoting similar action—and acceptance of the OIE designation of “controlled risk”—by our trading partners. We all need to base our trading rules on sound science—and then follow them.

### **Conclusion**

In closing, I think it’s clear we live in a shrinking world marked by expanding opportunities. Now is the time to position ourselves, no matter where we live, to

take advantage of newly emerging markets as well as to renew and enlarge trade with old friends.

Animal ID is a tool that producers can use not only to track and improve the quality of their herds, but also to demonstrate to our trading partners our commitment to providing high quality, healthful products.