

United States Senate
WASHINGTON, DC 20510-3403

July 26, 2005

The Honorable Michael Johanns
Secretary of Agriculture
1400 Independence Ave., SW
Washington, DC 20250

Dear Mr. Secretary:

I write to urge you to take immediate action regarding subsidies of Canadian cattle that put American ranchers at an unfair disadvantage.

It is my understanding that, in response to U.S. actions to protect our cattle herd from bovine spongiform encephalopathy (BSE), the Canadian government instituted \$200 per head subsidy payments to Canadian cattle producers. Now that the border has been re-opened to Canadian cattle and beef imports, these payments constitute an unfair subsidy of Canadian exports to our country. Although the subsidy program has been suspended, Canadian cattle that have received this subsidy are now entering the United States and competing directly with U.S. produced cattle and beef. There can be little question that the ongoing effects of these subsidies are contributing to the drop in prices experienced by U.S. cattle producers since the border was re-opened.

Mr. Secretary, this adds insult to injury. It is bad enough that the Department has moved to open the border before Canada has taken sufficient steps to ensure that our U.S. cattle herd will remain safe from Canadian origin BSE. But I cannot fathom why USDA did not insist that the ongoing benefits of this subsidy of Canadian cattle be removed before we allowed a resumption in beef and cattle imports.

I urge you to immediately take the following actions:

- **Demand that Canada drop this unfair subsidy.** There is no justification for allowing Canadian cattle that has received a \$200/head subsidy into our country. You should call your counterpart and demand that this subsidy program be fully dismantled and that all effects of subsidies be eliminated before Canadian cattle can be sold into our country.
- **Self-initiate a countervailing duty investigation.** If Canada fails to fully discontinue this subsidy program, the U.S. government should immediately take action to protect our producers. You should contact Secretary Gutierrez to ask that he self-initiate a countervailing duty investigation to impose tariffs that offset the benefits to Canadian producers of these subsidies.

- **Investigate whether these subsidies violate WTO rules.** Given that most Canadian cattle production is destined for U.S. markets, these subsidies may violate Canada's trade agreement commitments regarding export subsidies. You should contact Ambassador Portman and ask him to investigate any potential violations.

Mr. Secretary, I'm sure you will agree that our cattle producers should not have to compete with subsidized Canadian production. I look forward to your response on this important issue.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kent Conrad", with a stylized flourish at the end.

KENT CONRAD
United States Senate

KC:wtom