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AGRICULTURA, GANADERÍA,
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July 28, 2003

RECORDS SECTION

Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

COMMENT

**Re: CME Live Cattle Amendments: Request of Extension of Comment
Period and Preliminary Comments**

Dear Secretary Webb:

On behalf of the Government of Mexico, we are commenting on the "Chicago Mercantile Exchange: Proposed Amendments to the Live Cattle Futures Contract Restricting Delivery to Cattle Born and Raised in the United States," 68 Fed. Reg. 135 (July 15, 2003).

At the outset, we would like to point out that the comment period of 15 days (from July 15-July 30) is an unacceptably short period for commenting on this significant proposed policy change. This change would have serious international trade implications and would affect Mexico's cattle producers as well as U.S. importers and feed lot owners, from states such as Texas, Colorado, New Mexico and Arizona, among others. The comment period of 15 days does not allow translation, communication and analysis of the proposed change in policy by those most impacted. We respectfully request that you extend the comment period to a standard 60-day comment period.

The proposed amendment is premature. The issue of country of origin labeling is unresolved at this time as final U.S. Department of Agriculture (USDA) regulations have not yet been issued. Furthermore, the U.S. House of Representatives recently passed an amendment to the FY 2004 Agriculture Appropriations bill which would delay implementation of mandatory country of origin labeling for livestock for one year beyond the September 30, 2004 statutory deadline for implementation. Given this timetable, neither the proposed rule change nor the short comment period is appropriate.

Nonetheless, we provide the following preliminary comments on the proposed amendment.

As requested, the following comments address the "potential impact on available deliverable supplies" and the "susceptibility of the futures market to manipulation" as a result of the proposed amendment. We believe that it is clear on its face that to prohibit Mexican cattle from the Exchange would restrict available deliverable supplies and would make the



futures market susceptible to manipulation. Shipments of live cattle from Mexico to feedlots in the United States are an important part of the North American trade in live cattle. In 2001, Mexico shipped 1.1 million heads to the United States (Department of Commerce, U.S. Foreign Trade Statistics) in response to U.S. demand, pointing to the integrated nature of the North American market among Mexico, Canada, and the United States. Due to the integrated nature of the market, U.S. feed lots and importers, not only Mexican producers, will be harmed by this amendment.

The amendment would require that “all cattle delivered on the futures contract must be born and raised exclusively in the United States, and the seller must provide supporting documentation that conforms to industry standards at the time of delivery.” Like the mandatory country of origin labeling provision of The Farm Security and Rural Investment Act of 2002 (COOL), implementation of this amendment would be inconsistent with U.S. international obligations under the World Trade Organization (WTO) Agreement and the North American Free Trade Agreement (NAFTA), which include obligations on national treatment and disciplines on technical barriers to trade.

However, while the COOL proposed regulations would require labeling, this amendment would take a step which is even more drastic, and beyond Congress’s action on COOL, by prohibiting non-U.S. cattle from being delivered on future contracts even if labeled according to the COOL regulation, making the amendment clearly inconsistent with the national treatment provisions of the WTO and the NAFTA. We respectfully submit that an outright requirement that “all cattle delivered on the futures contract must be born and raised exclusively in the United States . . .” violates the WTO and NAFTA.

This amendment would result in a price depressing effect on Mexican cattle and appears to be an effort by the U.S. industry to gain a price advantage through a U.S. government action. The amendment goes beyond the step of requiring labeling to an outright prohibition which would allow manipulation of the market to obtain a competitive advantage. The amendment would impede the movement of Mexican cattle and have a price depressing affect on the Mexican cattle market. This policy would work against integration of North American market and is counter to other U.S-Mexico efforts.

In short, this amendment would have serious negative economic consequences on the North American cattle market, and we believe that the policy change is ill-advised.

We trust that this proposal will not be implemented, and we will be pleased to provide further comments if the comment period is extended.



Sincerely,

Enrique Lobo Niembro
Agricultural Minister

cc: Robert Zoellick, U.S. Trade Representative
Sharon Bomer, Director of Agricultural Affairs and Technical Barriers to Trade U.S
Congressman Goodlatte
Congressman Bonlla
Agriculture Secretary Anne Veneman
Under Secretary J.B. Penn