



Submission by the Pet Food Institute in Response to the Office of the United States Trade Representative and the Department of Commerce Request for Comments Regarding the Administration's Reviews and Report to the President on Trade Agreement Violations and Abuses

Monday, 31 July 2017

Docket No. USTR-2017-0010

General Observations

The Pet Food Institute thanks the Office of the United States Trade Representative (USTR) and the Department of Commerce (DoC) for this opportunity to provide a response in relation to [Executive Order 13796](#), issued on of 29 April 2017 ([82 FR 20819](#)), which requires the United States Trade Representative and the Secretary of Commerce, in consultation with the Secretary of State, the Secretary of the Treasury, the Attorney General, and the Director of the Office of Trade and Manufacturing Policy, to conduct comprehensive performance reviews of all bilateral, plurilateral, and multilateral trade agreements and investment agreements to which the United States is a party and all trade relations with countries governed by the rules of the World Trade Organization (WTO) with which the United States does not have free trade agreements but with which the United States runs significant trade deficits in goods. PFI hopes USTR and DoC will consider these comments as it develops these performance reviews and prepares its report to the President.

Established in 1958, PFI is the voice of US cat and dog food manufacturers. For almost sixty years, PFI has worked with its members to educate the world about pet nutrition and health, the need to balance pet ownership rights with responsibilities, and to maintain the highest standards of product integrity, safety and quality control. PFI members account for approximately 98 percent of the cat and dog food produced in the United States. Among its members are 25 dog and cat food makers and more than 60 affiliates who supply ingredients, equipment and services to dog and cat food makers. Our members employ 30,000 Americans in thirty states. While US pet food and treats are considered agricultural products, they are manufactured products, employing skilled facility employees using heavy equipment to manufacture a wide range of food and treats for dogs and cats in the United States and around the world – hence our decision to submit this brief comment.

PFI supports the efforts of the US Government to negotiate trade agreements that create opportunities for US exports, including exports of safe, high quality, US pet food. We also appreciate the efforts of USTR and the US Department of Agriculture to address outstanding trade barriers to US food and agriculture exports generally, and pet food products specifically. Through its International Trade Subcommittee, PFI gathers and delivers to appropriate US Government agencies our priorities and interests on a range of trade topics, from free trade agreements (FTAs) to specific sanitary, phytosanitary (SPS) and technical challenges facing US pet food product exports.

Exports are critical to the success of US dog and cat food makers. While the US market for pet food is large, it is also a mature market – potential for growth is limited to development of innovative products, whereas many foreign markets have significant potential for the broad range of dog and cat food, from economy to super premium offerings. The top ten individual country markets for US dog and cat food, based on data gathered by the US Department of Agriculture (USDA), reflect this trend in that the list includes both developed and emerging markets: Canada, Japan, Australia, Mexico, South Korea, Hong Kong, Belgium-Luxembourg, New Zealand, Taiwan and the Philippines. These ten export markets accounted for \$1.07 billion of our \$1.3 billion in exports in 2016.¹

Impact of FTAs on US Pet Food Product Exports

The United States has FTAs with four of the top seven countries comprising this top 10 list, as well as a Central American FTA that includes the Dominican Republic. US pet food exports to our FTA trading partners totaled \$913 million last year, accounting for the lion's share of total pet food product exports.

PFI members' experience is that the development of export markets is clearly enhanced by free trade agreements that eliminate tariffs on a range of US products, including dog and cat food, thus making safe, high quality US exports more accessible to consumers around the world. While FTAs do not guarantee success for US exports, their elimination or reduction of tariffs creates opportunities that have benefited US dog and cat food makers and the domestic economic activity they support.

Virtually all FTAs have eliminated or dramatically reduced tariffs for US pet food product exports. These FTAs also provide important mechanisms to address SPS and technical specific barriers to US exports. PFI urges US Government negotiators to continue to insist on robust and effective consultation mechanisms to raise and resolve issues impeding access for US exports, including exports of safe, high quality US pet food products. For the purpose of demonstrating the value of these FTAs to US pet food exports, we will provide information on our experience under the North American Free Trade Agreement.

North American Free Trade Agreement (NAFTA)

Aside from the Uruguay Round of the World Trade Organization (WTO), with its far-reaching impact on tariffs, NAFTA has been the most important FTA for US pet food for a few reasons. Since its entry into force in January 1994, NAFTA has provided US exporters with critical access to the Canadian and Mexican markets. US dog and cat food exports to Canada and Mexico totaled more than \$670 million last year, accounting for roughly half of all US exports. US dog and cat food exports to our NAFTA partners have more than tripled under NAFTA. Canada has been and continues to be our #1 export market and also the #1 exporter of pet food products to the United States, a testament to this synergistic bilateral trade relationship. Mexican exports have experienced tremendous albeit inconsistent growth under NAFTA. In 1994, US dog and cat food exports totaled less than \$6.4 million – our exports reached almost \$77 million last year.

¹ This and all export data included in this submission were sourced from the US Department of Agriculture's Foreign Agricultural Service Global Agricultural Trade System (GATS): <http://apps.fas.usda.gov/gats/default.aspx>

Other Export Challenges

While PFI members have experienced steady export growth over the past few decades, largely as a result of FTAs and US Government officials' tireless work advancing the US trade agenda in bilateral and multilateral settings, some challenges remain that require attention. Principal among these is China's effective prohibition of the entry of many US products containing the US origin bovine-derived ingredients, including pet food products. The recent re-opening of the Chinese market to US beef for human consumption represents a major opportunity for US pet food makers to secure a change in Chinese import requirements for US pet food products.

As we stated earlier in our comment, growth opportunities for US pet food makers lie largely outside the United States. The United States is a stable and mature market – growth for our members, which means more US jobs, will likely be realized in emerging markets like China.

US pet food exports to China have languished under onerous bovine spongiform encephalopathy (BSE)-related restrictions since early 2004. Our exports last year were just over \$2.6 million to a country with a population of 1.3 billion and a middle class expected to exceed the entire US population by 2030. For comparison, Canada, with a population of 36 million people, is our #1 export market, with almost \$600 million in US dog and cat food exports last year. PFI's conservative estimate, based in part China's population, its growing middle class, market analysis and anecdotal evidence from Chinese importers and distributors, is that the lifting of Chinese restrictions on US pet food could easily make China our #2 export market. US pet food makers could export \$250-350 million to China in the coming years without onerous restrictions, including port of entry testing that is duplicative and unnecessary.

China continues to impose a highly sensitive polymerase chain reaction (PCR) test, prone to false positive results, to enforce its prohibition on ruminant-derived ingredients in a variety of products, including pet food. This PCR test has discouraged almost all US exports, since even shipments of US pet food containing no ruminant-derived ingredients (accompanied by a US lab test result so verifying) have been rejected due to a positive DNA test at Chinese ports of entry. Allowing safe, high quality US pet food products to compete for Chinese customers will also force all pet food product makers serving the Chinese market to ensure their products meet high standards for safety and quality.

While other market access challenges exist for US pet food makers, the re-opening of the Chinese market to US pet food products containing bovine-derived ingredients represents the single largest opportunity for our members' growth and prosperity in the years to come. We are working closely with the USDA to address this issue and urge both USTR and DoC to assist in this effort to re-open this critically important market.

Conclusion

The makers of US dog and cat food appreciate the hard work of many US Government officials to open markets and create new opportunities for US companies large and small in both developed and emerging economies around the world. We will continue to actively participate in the process of identifying and developing these opportunities, for the benefit of our members and US food and agriculture generally.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathleen Enright". The signature is written in a cursive, flowing style.

Cathleen Enright, PhD
President & CEO