

**Submission by the Pet Food Institute in Response to the International Trade Commission's
Investigation No 332-555**

**Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedure,
2016 Report**

Tuesday, 17 November 2015

The Pet Food Institute thanks the International Trade Commission for this opportunity to provide information regarding the impact of free trade agreements (FTAs) on exports of US pet food. These exports, which exceed \$1.3 billion annually, directly and indirectly support many thousands of US jobs, jobs that, unlike safe, high quality US pet food, cannot be exported. We trust that the information we share with the Commission will be helpful in determining the value of FTAs to US pet food makers specifically and to US food and agriculture generally.

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 22 dog and cat food makers and more than 100 affiliates who supply ingredients, equipment and services to dog and cat food makers.

PFI supports the efforts of the US Government to negotiate FTAs that create opportunities for US exports, including exports of safe, high quality, US pet food. 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 FTAs (including the recently concluded Trans-Pacific Partnership) to specific sanitary and technical challenges facing US 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, reflect this trend in that include both developed and emerging markets: Canada, Japan, Australia, Mexico, Hong Kong, New Zealand, South Korea, Belgium-Luxembourg, Taiwan and the Philippines. These ten export markets accounted for \$1.07 billion of our \$1.3 billion in exports in 2014.¹

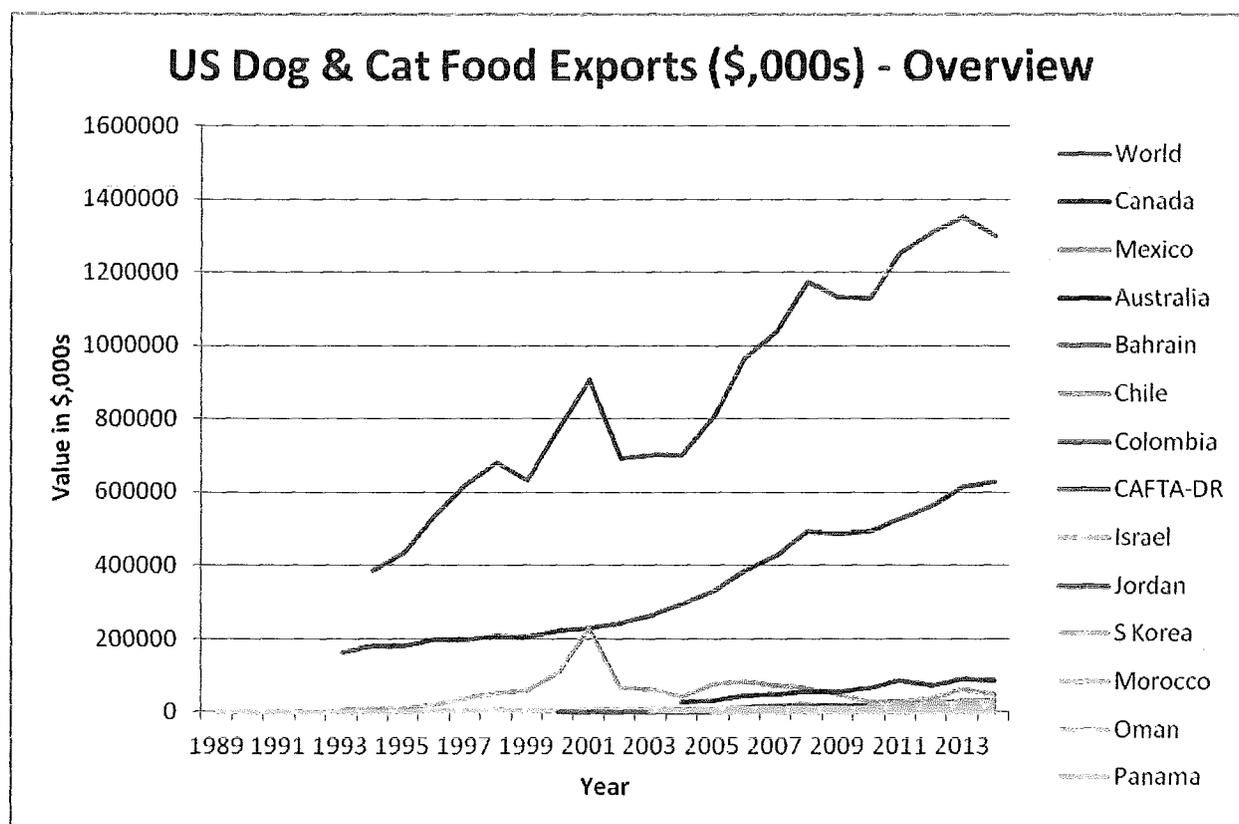
The United States has FTAs with four of the top seven countries comprising this list, as well as a Central American FTA that includes the Dominican Republic. Exports to these five FTA countries/regions was more than \$828 million last year. For all the FTAs under consideration for the report you are preparing, US dog and cat food exports to FTA countries accounted for more than \$890 million of our \$1.3 billion in exports last year. The eventual entry into force of the recently agreed Trans-Pacific Partnership will

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>

provide even greater opportunities for US dog and cat food makers in emerging countries like Japan, New Zealand and Vietnam through tariff eliminations and greater accountability for adherence to science-based regulation and policies affecting trade.

Uruguay Round Agreements

With the entry into force in January 1995 of the Uruguay Round Agreement on Agriculture, many US exports were able to establish and expand their presence in key foreign markets – US pet food was no exception. US pet food exports to the world have more than tripled since the Uruguay Round Agreement entered into force. As with most of US agriculture, US makers of dog and cat food have benefited greatly from the tariff reductions the Uruguay Round codified.

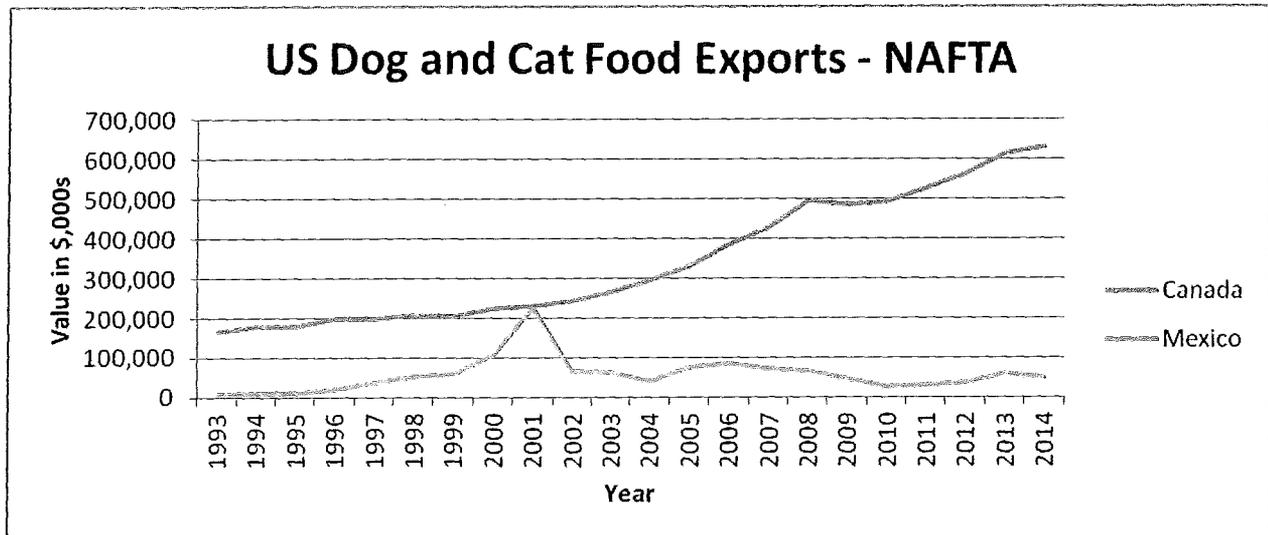


As our examination below indicates, the development of export markets is clearly enhanced by free trade agreements that eliminate tariffs on a range of US products, including dog and cat food, thus making safe, high quality US exports more accessible to consumers around the world. While FTAs do not guarantee 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.

North American Free Trade Agreement (NAFTA)

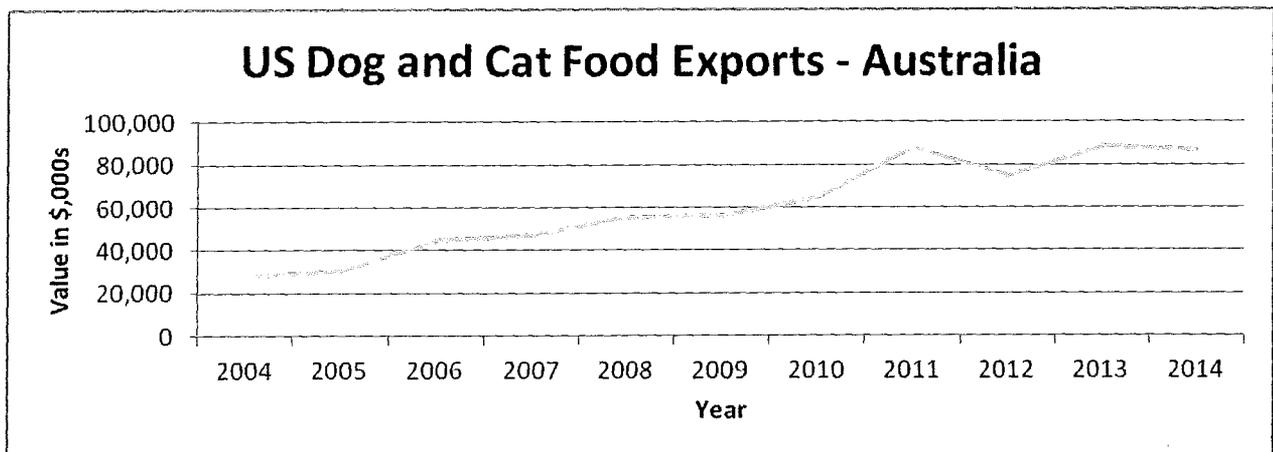
Aside from the Uruguay Round, with its far reaching impact on tariffs, NAFTA has been perhaps the most important FTA for US pet food for a few reasons. Since its entry into force in January 1994, NAFTA has provided US exporters with critical access to the Canadian and Mexican markets. US dog and cat food

exports to Canada, our largest export market (accounting for roughly half of all US exports), have more than tripled during the NAFTA years. Even more dramatic is the increase in Mexican exports since the mid-1990s – in 1994 US dog and cat food exports totaled less than \$6.4 million – in 2013 they peaked at more than \$60 million and were still strong at more than \$50 million last year.



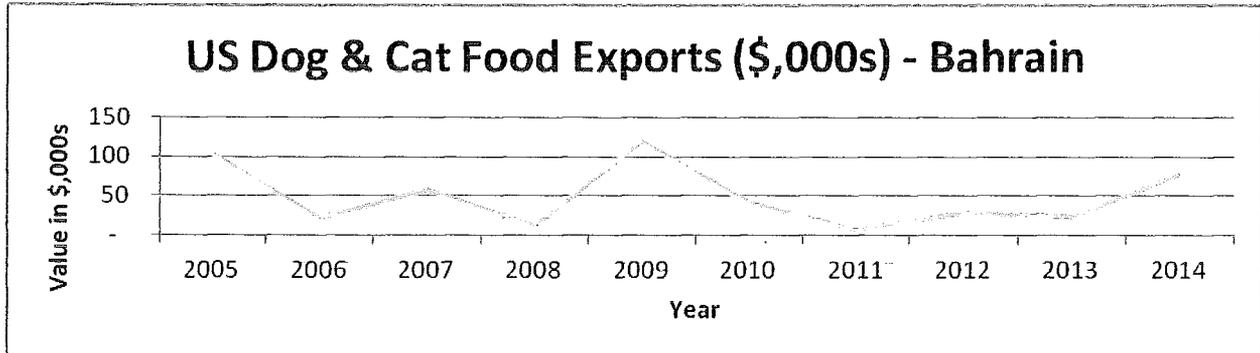
Australia FTA

While US dog and cat food exports entered Australia duty-free prior to entry into force of our FTA with Australia, sanitary and phytosanitary (SPS) provisions in the agreement, including the establishment of a SPS Committee, have provided significant benefits for US pet food makers. In 2004, US dog and cat food exports to Australia totaled \$27.7 million – last year they reached almost \$87 million, making Australia our third largest export market. Australia continues to maintain strict sanitary regulations for imports containing animal products, but this FTA has allowed US dog and cat food makers to expand aggressively in this developed market.



Bahrain FTA

The US FTA with Bahrain entered into force in August 2006 and its gradual tariff elimination applicable to US dog and cat food exports (which will conclude next year) has conferred benefits to US exporters. Bahrain's population is generally small but affluent. The eventual reduction from 5 percent to zero on many tariffs, including those for US dog and cat food, bodes well for the future development of this market.

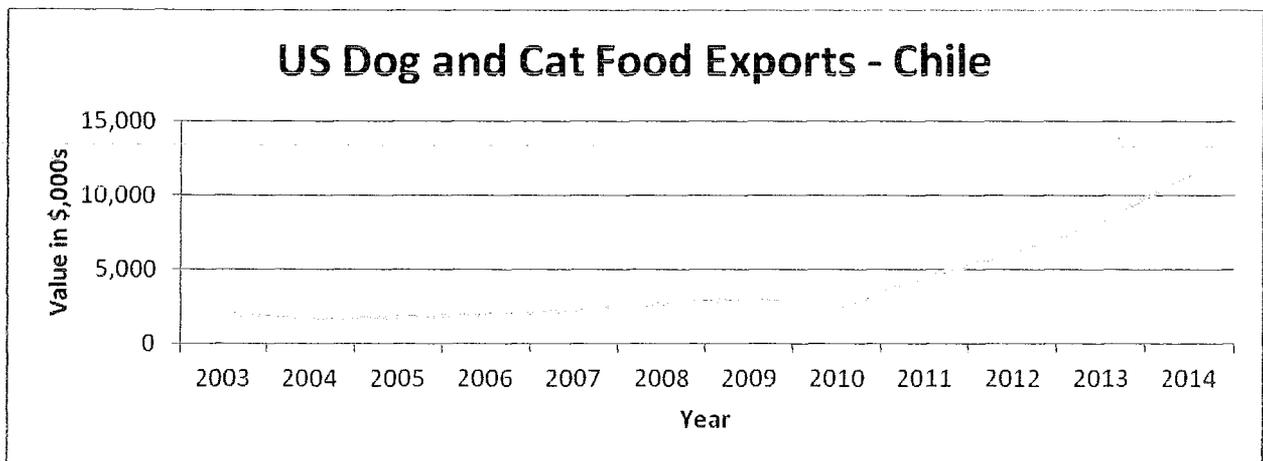


Canada FTA

For purposes of this submission, we focus our attention on NAFTA, which replaced the Canada FTA in January 1994. See information on NAFTA above.

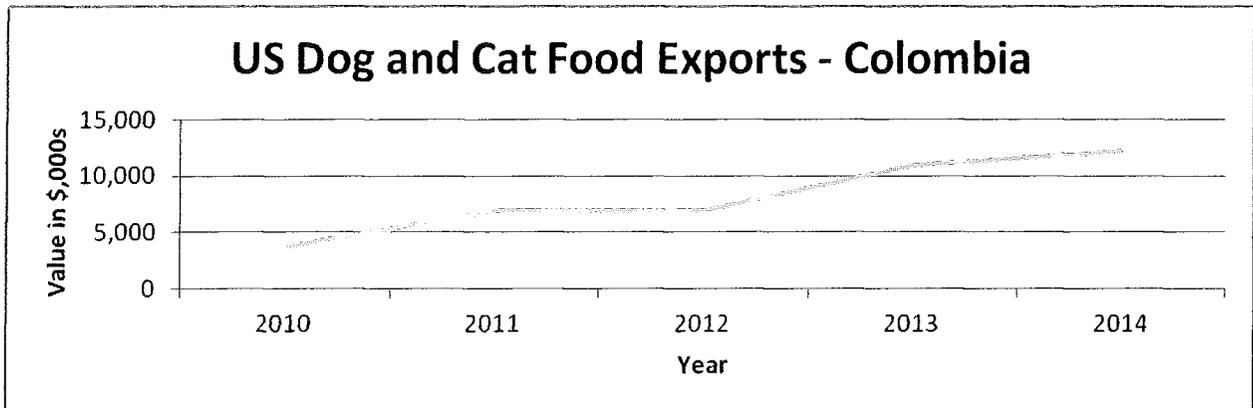
Chile FTA

Since entering into force in January 2004, the Chile-US FTA has facilitated a growth in exports to Chile from US pet food makers. In 2004, US dog and cat food exports stood at around \$1.65 million, but they have steadily risen (excepting a dip in 2010) – due in part to the elimination (from 6 percent to zero) of tariffs – and last year were almost seven times the 2004 export figure.



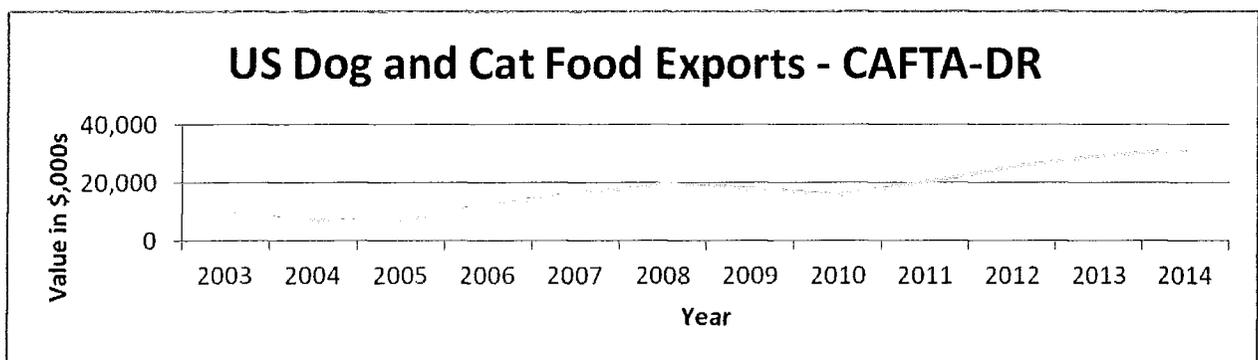
Colombia FTA

The Colombia FTA entered into force in May 2012 and since then its impact has been dramatic, with exports of US dog and cat food almost doubling from 2012-2014. The FTA provided for immediate or gradual elimination of base tariffs of twenty-eight and twenty percent (for canned and all other pet food, respectively), which has led to consistent growth of US exports.



Central American (and Dominican Republic) FTA

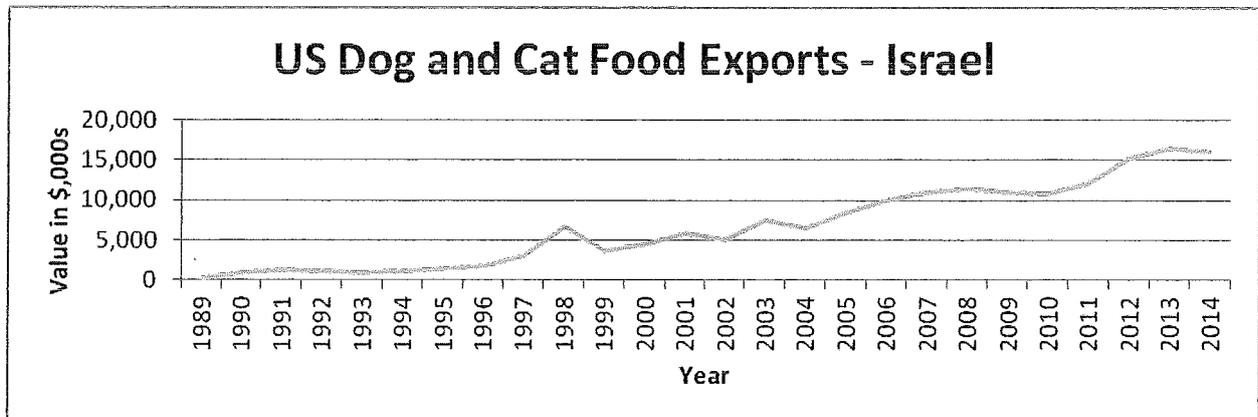
While the Caribbean Basin Initiative was critical in removing tariffs for Central American exports to the United States, the CAFTA-DR Agreement took the next step by eliminating tariffs for a wide range of US exports to the region. Export data for US pet food show the benefits of the free trade agreement to US producers of pet food. Indeed, tariff elimination over time under this agreement has resulted in a threefold rise in exports since 2003, the year before the Dominican Republic joined this agreement.



Israel FTA

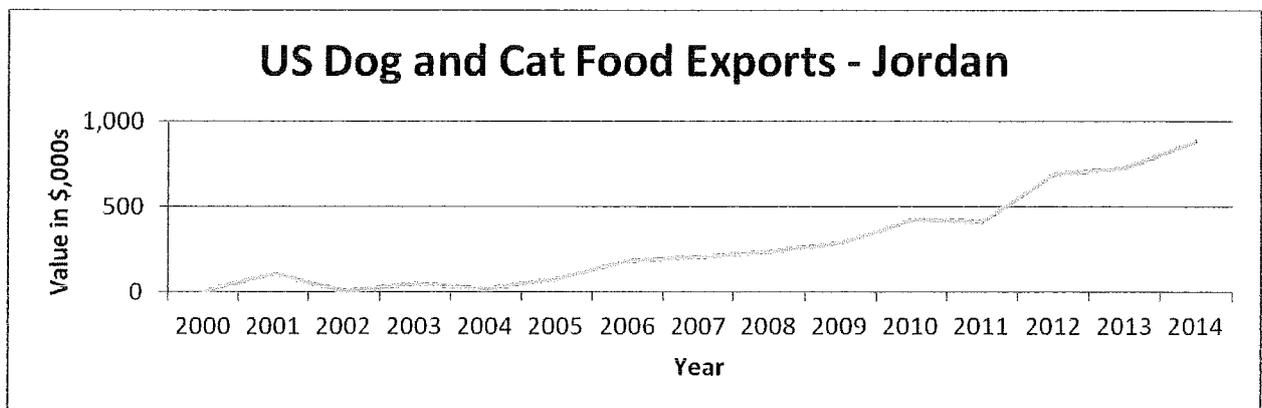
As one of the older FTAs (it entered into force in September 1985), the Israel FTA has for three decades made it easier for US exports to reach the Israeli market. With its proximity to Europe, US exporters

appreciate every effort made by the United States to open export opportunities to Israel. US pet food exports were non-existent in the mid-1980s, but they have since grown from just under \$1 million in 1990 to over \$16 million last year.



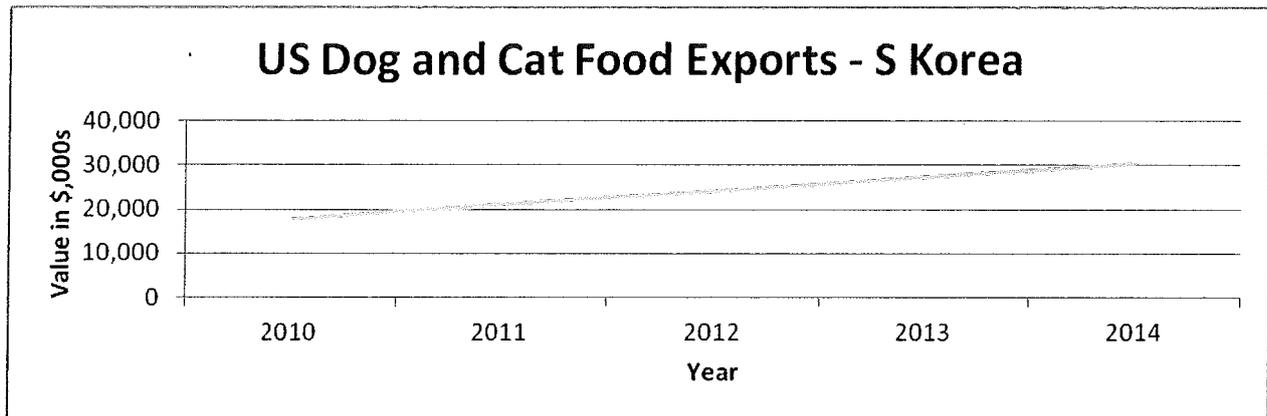
Jordan FTA

The Jordan FTA entered into force in December 2001 and US makers of dog and cat food have used it to develop the Jordanian market for their products. US exports are still relatively small but have steadily increased over time to just under \$ 1 million last year. As the economies in Jordan and other developing countries grow and mature, these FTAs provide a solid foundation for US exporters to continue establishing and developing their presence.



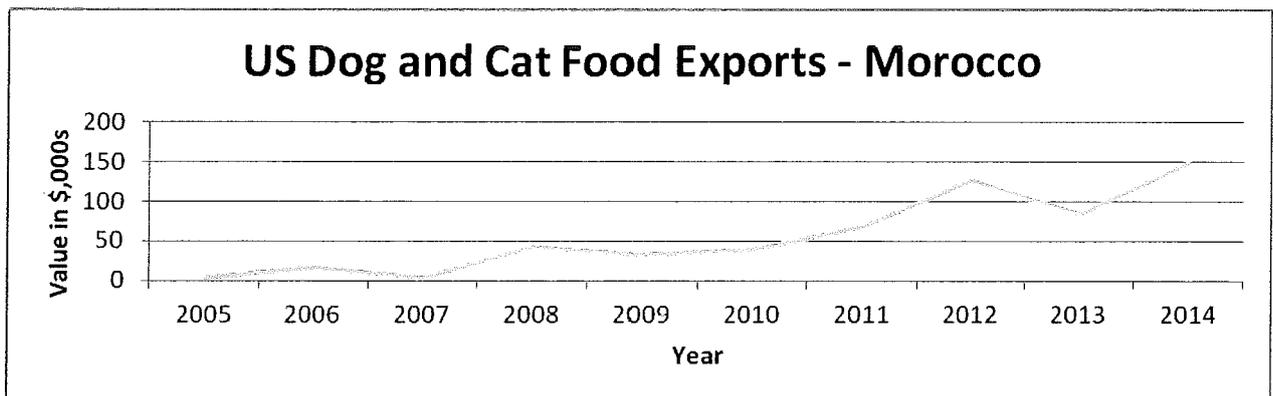
Korea FTA

The Korea-US FTA (KORUS) entered into force in March 2012 and since that time it has facilitated significant growth in US pet food exports to this key Asian market. With the immediate elimination of the five percent tariff on dog and cat food upon entry into force of the KORUS FTA, we have seen a twenty percent increase in US dog and cat food exports. As demographic changes in the Korean market take hold, we anticipate our members will be well-positioned to continue serving the Korean market.



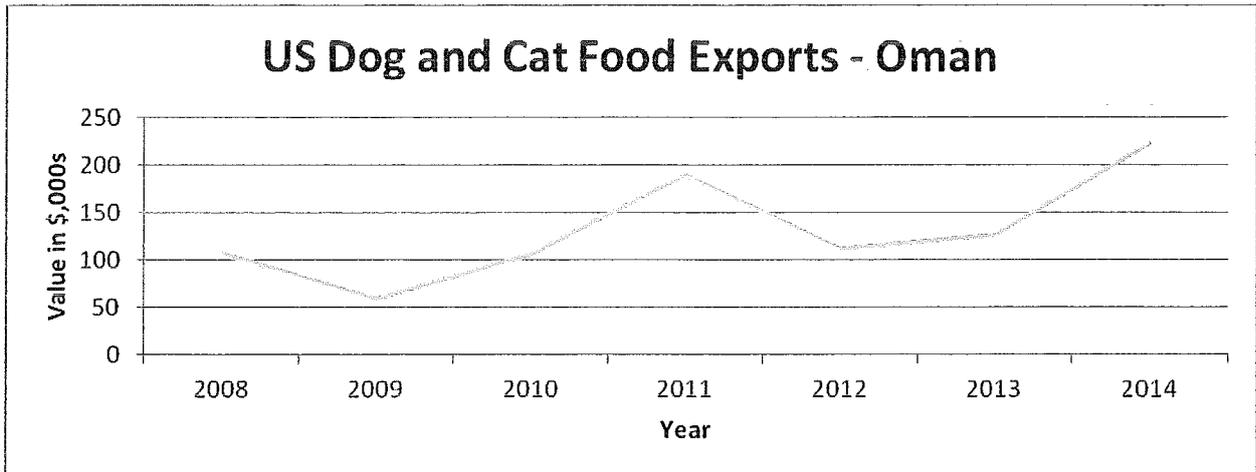
Morocco FTA

Since its entry into force in January 2006, our FTA with Morocco has had a definite impact on US dog and cat food exports, which increased almost ninefold from the first year of the FTA through last year, from a mere \$17,000 to \$149,000. These figures are relatively small but important as US food and agriculture generally, and dog and cat food makers in particular, seek to establish themselves in emerging markets that show promise.



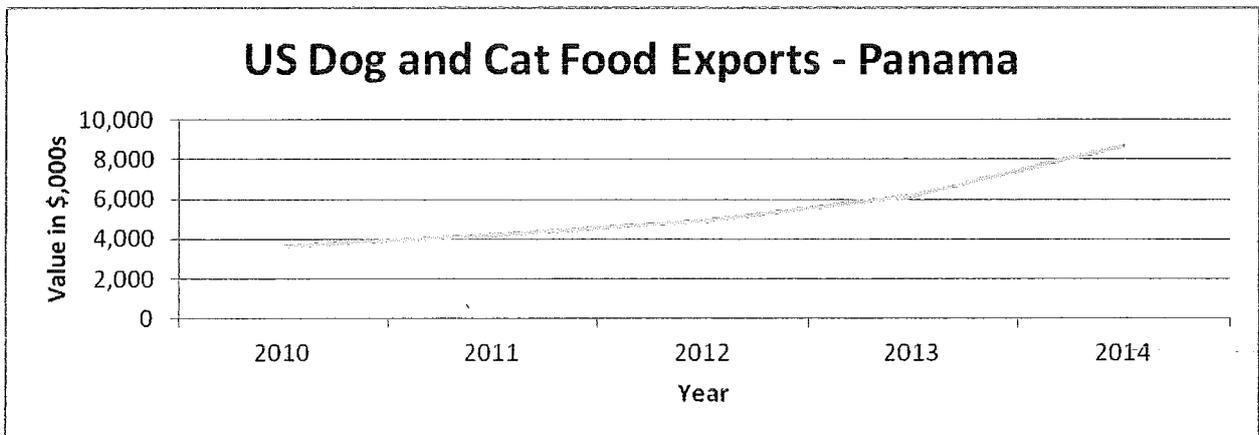
Oman FTA

Since its entry into force in January 2009, our FTA with Oman has contributed to an increase in US dog and cat food exports, from just under \$60,000 to over \$220,000. As with export figures for Morocco, PFI feels the gains achieved in part through this FTA, while relatively small, bode well in terms of positioning US dog and cat food makers to be a part of the Omani pet food market's growth and maturity.



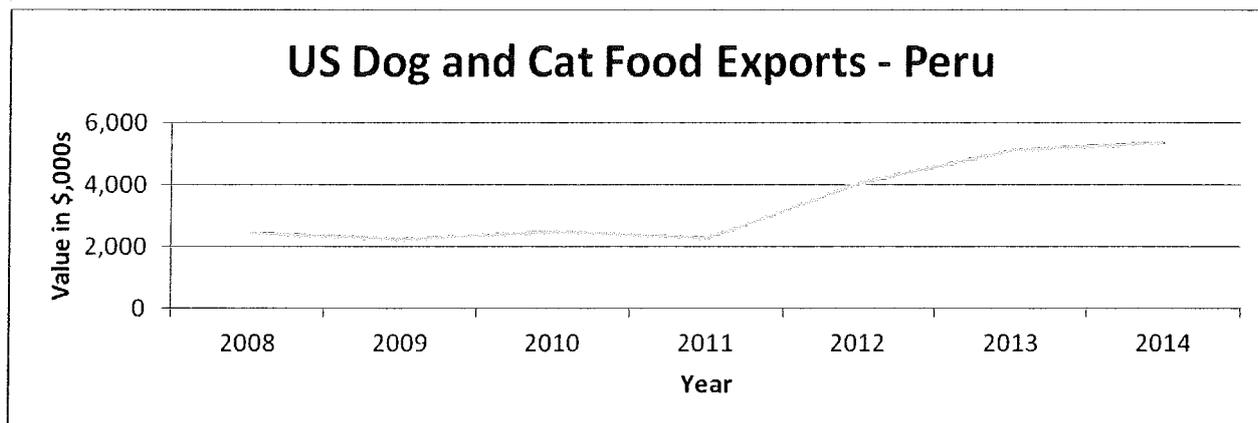
Panama FTA

The Panama FTA entered into force in November 2012 and in that short time – effectively two years – we have seen a roughly thirty percent increase in US dog and cat food exports. The Panamanian economy’s growth generally is exceptional in Central America, and with this increased growth and prosperity will come demographic changes that may promote pet ownership – US dog and cat food makers are well positioned, thanks in part to this FTA, to serve the Panamanian market for years to come.



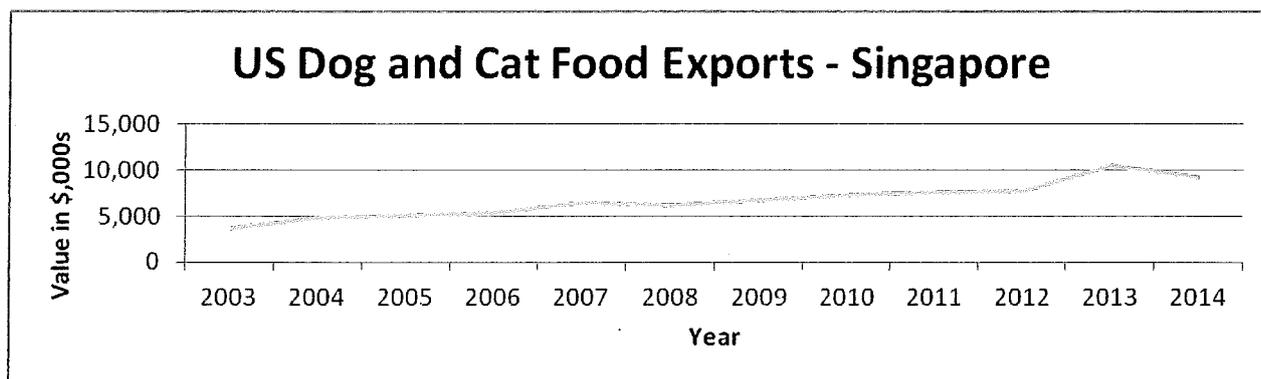
Peru Trade Promotion Agreement

Since its entry into force in February 2009, our trade promotion agreement with Peru has yielded significant benefits. US dog and cat food exports jumped from \$2.2 million in 2009 to more than \$5.3 million last year, due in part to tariff reduction and eventual elimination under this agreement. As with Panama, US makers of dog and cat food are poised to increase their presence in Peru as economic growth and the demographic changes that accompany it take hold.



Singapore FTA

As a nation state with a significant commercial presence but little food/agriculture production, US pet food enjoyed duty-free access prior to the entry into force of the Singapore FTA. Nonetheless, since January 2004, US pet food makers have seen a modest but steady increase in exports, from about \$4.8 million in 2004 to more than \$9 million last year. This and other FTAs have allowed US dog and cat food makers to tap key potential markets such as Singapore.



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.

