



Statement of the American Farm Bureau Federation

**TO THE HOUSE COMMITTEE ON AGRICULTURE
REGARDING THE HEARING ON
THE IMPORTANCE OF TRADE TO U.S. AGRICULTURE**

March 18, 2015

Good morning. I am Bob Stallman, a beef and rice producer from Columbus, Texas, and president of the American Farm Bureau Federation. Farm Bureau is the nation's largest general farm organization, representing farmers and ranchers of all farm sizes, producing every commodity, using a large variety of production methods, in every state.

Farm Bureau strongly supports efforts to increase agricultural trade through comprehensive trade agreements. The \$152.5 billion of U.S. agricultural exports in 2014 demonstrates the strength of U.S. agricultural productivity, the important contribution of trade to the economic well-being of farmers and ranchers, and the ability of the United States to provide competitive food and farm products to markets worldwide.

Trade Promotion Authority

Farm Bureau has long supported Congress extending Trade Promotion Authority (TPA) to the president to provide U.S. trade negotiators the leverage they need to complete negotiations and set the stage to put into effect international trade agreements. Currently, TPA is important to ongoing work on the Trans Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP). For these negotiations to move forward while maintaining the focus on improving and expanding trade between our negotiating partners, we need to have TPA in place.

TPA authorizes the president to negotiate and sets the stage for Congress to consider, without amendment, the trade agreements that the administration reached with foreign trading partners. Typically, when Congress extends this authority, it also stipulates that U.S. trade negotiators must participate in consultations with interested congressional committees and members in an ongoing process as to how the negotiations are progressing. We firmly believe this is vital to ensuring that Congress has its hand in providing oversight on the conduct and outcomes of trade negotiations. This oversight role is bolstered by the ability of Congress to establish negotiating objectives for the administration.

For farmers and ranchers, this hearing is a clear example of how this committee and your leadership enhances agriculture's participation by providing an opportunity for farm and commodity organizations and our respective members to work with you and our individual representatives to help them understand the necessity of expanding agricultural trade opportunities. The negotiating objectives of improved market access to foreign markets by tariff reduction and removal, along with the necessity of science-based standards for international agricultural and food trade, are critical to successful trade negotiation outcomes for agriculture.

TPA establishes the support for and understanding of trade goals necessary for Congress and the administration to achieve ambitious international trade agreements that work to the benefit of many sectors of the U.S. economy. For agriculture in particular, experience suggests that market access measures are usually finalized toward the end of negotiations. The certainty of having TPA in place ensures our negotiators have the leverage to obtain the best agreement possible because those on the other side of the table know it will not be amended by Congress – and just as important, it helps our side make the point that if Congress deems the agreement insufficient, it will not be ratified.

We urge the House to promptly consider and approve trade promotion authority as a necessary and critical component for a successful trade policy agenda.

Trans Pacific Partnership

A major regional trade effort for the United States is the TPP negotiations between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and the United States.

The addition of Japan to full participation in the TPP talks enhances the significance of the negotiations and makes the agreement much more encompassing of U.S. agricultures' goals for agricultural trade. Japan's inclusion has also fueled interest among other Asia-Pacific nations for similar opportunities to improve trade relations with the U.S. and other participating countries.

Japan is the fourth-largest agricultural export destination for the U.S. with more than \$13.4 billion in sales in 2014. Despite the significance of this market, barriers exist that prohibit sales from reaching their full potential. Japan maintains several restrictive policies that inhibit U.S. exports, such as high tariffs on dairy, horticulture, rice and other products, along with various Sanitary and Phytosanitary barriers. By joining the TPP negotiations under the same conditions as other participants, Japan is negotiating to resolve long-standing trade barriers for all agricultural products.

Indications are that there will be a reduction in Japan's beef tariffs, reform of their gateway price system for pork, additional TRQ for rice and reduction in tariffs on dairy products.

A recent USDA study indicates that 70 percent of agricultural export gains by the U.S. would be through increased sales to Japan. These increases depend upon Japan reforming its tariffs on agricultural imports.

Discussions with Canada over import restrictions on dairy, poultry and eggs from the U.S. also must yield new access for U.S. farmers and ranchers into this market.

The TPP will only fulfill its promise of improved and increased trade in the Pacific region by achieving commercially meaningful market access for agricultural products.

We are looking for a substantive outcome for American agriculture from these talks. This can only be achieved by removing tariffs and other trade barriers that intentionally reduce U.S. agricultural opportunities to compete in export markets.

We also believe that trade negotiations must not include new barriers to the competitiveness of U.S. agricultural products in foreign markets. Singling out a specific commodity for unique treatment will lead to a growth in trade barriers for other agricultural exports, something we have had to remind our own administration of as these negotiations have progressed.

Transatlantic Trade and Investment Partnership

Farm Bureau supports efforts to increase agricultural trade flows and remove trade barriers that currently exist between the United States and the European Union.

The TTIP negotiations between the U.S. and the EU must deal with the many substantive issues that impede U.S.-EU agricultural trade, such as long-standing barriers against conventionally raised U.S. beef, ongoing restrictions against U.S. poultry and pork, and actions that limit U.S. exports of goods produced using biotechnology.

The U.S. and the EU are major international trading partners in agriculture. U.S. farmers and ranchers exported more than \$12.6 billion worth of agricultural and food products to the EU in 2014, while the EU exported more than \$20 billion worth of agricultural products to the U.S. last year.

The EU was the once the largest destination for U.S. agricultural exports. Today, it has fallen to our fifth-largest export market. The U.S. is losing market share in the world's largest import market for agricultural commodities and food. While EU agricultural imports have grown, according to USDA, U.S. market share has steadily declined to just 7 percent – half of the level achieved in 2000.

Over the last decade, growth of U.S. agricultural exports to the EU has been the slowest among our top 10 export destinations. If U.S. farmers and ranchers were provided an

opportunity to compete, the EU market could be a growth market for them. However, regulatory barriers have become a significant impediment to that growth.

Unless these trade barriers are properly addressed within the Transatlantic Trade and Investment Partnership or TTIP negotiations, they will continue to limit the potential for agricultural trade. It is imperative that TTIP be a high-standard trade agreement that covers all significant barriers in a single, comprehensive agreement. Scientific standards are the only basis for resolving these issues.

Continuing barriers to the export of U.S. beef, pork and poultry, along with the slow approval process for biotech products, are major areas of interest to the U.S. in the TTIP negotiations. Both the U.S. and the EU adhere to the World Trade Organization's Agreement on Sanitary and Phytosanitary Measures, which states that measures taken to protect human, animal or plant health should be science-based and applied only to the extent necessary to protect life or health.

The U.S. follows a risk-assessment approach for food safety. The EU is additionally guided by the "precautionary principle," which holds that where the possibility of a harmful effect has not been disproven, non-scientific risk management strategies may be adopted.

The use of the "precautionary principle" is inconsistent with the WTO SPS Agreement and is used as a basis for scientifically unjustified barriers to trade. The TTIP negotiations must result in a modern, science- and risk-based approach, based on international standards that can truly resolve SPS disputes. SPS issues must be directly addressed as a part of the negotiations, and these provisions must be enforceable.

The EU approach for approving products of biotechnology combines a lengthy approval process with the ability of EU member states to ban approvals. The result is restrictive import policies and substantial reductions in U.S. exports of corn and soybeans to the EU.

The EU system of geographic indications for foods and beverages designates products from specific regions as legally protected for original producers. The U.S. has opposed recognizing geographical names for foods when it would inhibit the marketability or competitiveness of U.S. products. The TTIP must not become an avenue to erect a new barrier to U.S. agricultural exports through the use of geographic indications.

Negotiations on bilateral concerns move in both directions. There must be positive outcomes for all sides. The European Union has concerns about U.S. rules on EU beef

and dairy products. An emphasis on finding trade-opening solutions to sanitary barriers will assist in resolving our many trade issues.

The TTIP negotiation proposal calls for working toward the elimination of tariffs. The average U.S. tariff on imported agricultural products is 5 percent, with 75 percent of our tariff lines at between zero and 5 percent. For the EU, the average tariff is 14 percent, with 42 percent of tariff of lines at zero to 5 percent. In order to expand market opportunities for U.S. agricultural products in the EU, tariff reductions will be necessary.

We call for an ambitious agreement that addresses the real barriers to the growth of agricultural trade between the United States and the EU.

Biotech

American Farm Bureau Federation remains dedicated to resolving issues related to the approval of biotechnology products. Today we face a myriad of challenges, some old, others a bit more new.

In the European Union implementation of the regulatory procedure for approving the import of new biotechnology products has been slow and suffered from political interference, which has led to large disruptions in the trans-Atlantic trade in raw materials used by EU food and feed producers and increased costs for producers, the agricultural supply chains and EU consumers. European Commission President Juncker initiated a six-month review of the EU's biotech import approval procedure which should be concluded by April 30, 2015. The review has introduced an additional level of uncertainty and risk to trade in crops imported by EU traders. Currently, thirteen new biotech products are pending final import approval in the EU. Farm Bureau is working through the US Biotech Crops Alliance for EU regulations that are consistent with the EU's obligations under the WTO SPS agreement.

In China, the timeline for biotech product approval for use as food, feed or processing has grown less certain and extended in duration since 2012. The divergences in U.S. and Chinese approvals have and will continue to put billions of dollars of U.S. exports at risk. While we welcomed the news that China approved three biotechnology products in December 2014, significant concerns remain with the approval of several events remains in question. At the December 2014 Joint Commission on Commerce and Trade (JCCT) meeting the U.S. and China agreed to form the JCCT Strategic Ag Innovation Dialogue (SAID). Through this new dialogue between our two nations we

hope that the important role that biotechnology plays in achieving food security, including timely approval of new products, will be a primary focus.

USDA Export Promotion: Farm Bureau strongly supports the work of the USDA-funded export councils that assist agricultural commodity and product sales. The Market Access Program and the Foreign Market Development program are funded at \$200 million annually for MAP and \$34.5 million annually for FMD.

West Coast Ports: Work has resumed as the two sides settled on a new contract, which has yet to be finally ratified. It is estimated that the situation in the West Coast ports cost agricultural shippers of containerized products over \$1.7 billion per month and disrupted agricultural exports across the country.

While not directly related to the West Coast port issue, it does serve to remind us all of the importance of a strong, robust commitment to upgrading and maintaining our nation's transportation infrastructure. As one of our specialty crops farmers shared with our Trade Advisory Committee not too long ago, sometimes our biggest obstacle to taking advantage of trade opportunities is getting our commodities and products to U.S. ports for shipment.

World Trade Organization

As agricultural exporters, U.S. agriculture must continue to seek a commercially meaningful outcome through expanded market access from WTO negotiations. We must remain committed to advancing the goal of trade liberalization and increased opportunities for real trade growth.

Farm Bureau wants an outcome to trade negotiations in the WTO that will open new markets around the world, produce new trade flows and grow the global economy. We can achieve this outcome by negotiating on the basis of a new agenda, not by reliving the failures of the past.

For the "post-Bali work plan" the U.S. is pushing for a new agenda while developing countries are in favor of keeping the existing Doha Development Agenda and working from the 2008 agriculture draft. Farm Bureau supports a fresh approach, with updated information and having market access as the most important part of any future agricultural discussions. Starting again with the previous failed agenda that focused on domestic support reductions that are not balanced by increased market access, especially to developing countries, will not achieve a positive market opening result for U.S. agriculture.

Conclusion

Farm Bureau members all across our nation know that expanding opportunities for agricultural trade is necessary to their continued success. We appreciate your leadership in holding this hearing and look forward to working with the committee on advancing the progress of agricultural trade.

And in that regard, as we have done in the past when negotiations on a particular trade agreement are concluded, we will conduct our own economic analysis of trade agreements and how they impact, positively or negatively, farmers and ranchers in a given state or region. I offer to all of you that when we have an agreement to analyze, we would love the opportunity to share the results of our analysis with you.

Thank you Chairman Conaway, Mr. Peterson and members of the committee.

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