National Corn Growers Association
Statement by
Mr. Garry Niemeyer, First Vice President
To The
United States Senate
Committee on Finance
Regarding
The U.S.-Panama Trade Promotion Agreement

May 25, 2011

Chairman Baucus, Ranking Member Hatch and members of the Committee, thank you for the opportunity to testify about the U.S.-Panama Trade Promotion Agreement and its importance to the agriculture sector. My name is Garry Niemeyer. I am the First Vice President of the National Corn Growers Association (NCGA). NCGA was founded in 1957 and represents over 35,000 dues-paying corn growers. NCGA and its affiliated state associations work together to help protect and advance corn growers' interests.

NCGA members have much to gain from ratification of free trade agreements with Panama, Korea and Colombia. Beyond increasing domestic and international demand for corn, passing free trade agreements benefits our customers in the livestock and poultry industries. Developing new markets for our country's agricultural products will help our sector lead the nation in economic growth and international competitiveness.

On May 12, 2011, Agriculture Secretary Vilsack testified before the House Agriculture Committee on free trade agreements. His testimony highlighted the success stories of American agricultural exports. In fiscal year (FY) 2011, U.S. agricultural exports are forecasted to reach a record high $135.5 billion. This astounding number represents a nearly $27 billion increase over FY 2010 and a record trade surplus of $47.5 billion. It is estimated these exports support 1.1 million jobs across the country. We now know that in the first half of FY 2011, U.S. farm exports reached $75 billion. Pending free trade agreements, like the one with Panama, will help farmers and ranchers continue this record breaking pace.

NCGA supports a consistent U.S. trade policy so that corn and corn co-products are not disadvantaged for the benefit of another sector. In finalizing pending agreements, NCGA emphasizes the need to eliminate sanitary and phytosanitary barriers that are not based on the unique science of agriculture products derived from biotechnology.

U.S. Corn Production and Export Demand

The United States is the largest corn producer and exporter in the world, and exports of corn and corn products are essential to producer income. During the 2009-10 marketing year, the United States exported 50.4 million metric tons of corn worldwide. Corn co-products such as distiller's dried grains (DDGS) represent a growing export market for domestic producers. In marketing year 2010, the United States exported over eight million metric tons of DDGS.

Production growth and consistency make the United States both a reliable supplier of grain and a steadfast advocate for new export markets. Despite numerous weather issues from 2008 to 2010, U.S. corn growers produced over 12 billion bushels of corn annually. Mother Nature ensured that this year was also off to a challenging start. However, the yields witnessed in previous years indicate growers' ability to rebound. Earlier this month, USDA predicted that we would see yet another record corn crop this year.

U.S Corn Supply and Demand

(mil bushel)	2007-08	2008-09	2009-10	2010-11
Carry-in	1,304	1,624	1,673	1,708
Average Yield	151	153.9	165	152.8
Production	13,038	12,092	13,092	12,447
Supply	14,362	13,729	14,773	14,169
Feed & Residual	5,913	5,246	5,242	5,200
Ethanol	3,049	3,677	4,474	4,922
FSI	1,338	1,276	1,365	1,390
Export	2,437	1,858	1,985	2,000
Carry-out	1,624	1,673	1,708	658

Source: USDA World Agricultural Supply and Demand Estimates (WASDE)

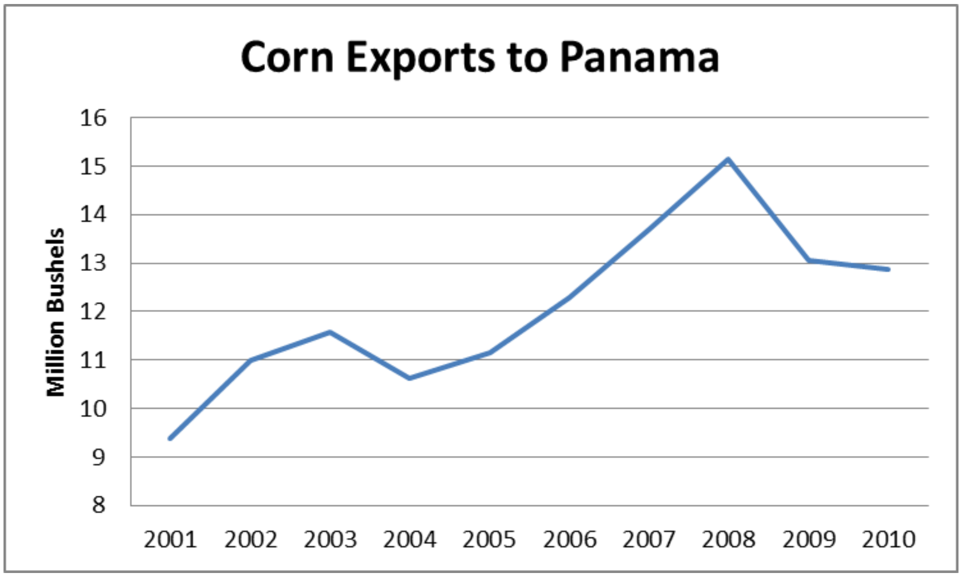
Corn Sales to Panama

Panama is one of the fastest growing economies in Latin America and a crucial building block in a strategy to advance free trade within the Western hemisphere. In 2010, total U.S. agricultural exports to Panama exceeded $450 million, and the U.S. share of Panama's agricultural imports stood at 48 percent. Top U.S. exports were corn, soybean cake and meal, wheat, rice and horticulture products. If the United States fails to capture the opportunities presented in the U.S.-Panama Trade Promotion Agreement (Panama TPA), our share of Panama's agricultural imports will plummet.

U.S. agricultural goods face an average tariff of 15 percent, with some tariffs as high as 260 percent. U.S. grain tariffs into Panama can be as high as 90 percent, while nearly all Panamanian exports enter the United States duty free under the Caribbean Basin Initiative passed by Congress in 1983. The Panama TPA stands to level the playing field between U.S. and Panamanian exports. USDA anticipates an additional $46 million in annual sales upon full implementation of the Panama TPA.

The U.S. corn industry is traditionally the sole supplier of corn to the Panamanian market, with the poultry sector as the dominant end user of feed grains. Corn exports to Panama peaked in 2008 and have since dropped 20 percent. U.S. corn growers realized some erosion to this market in 2010 due to a lack of progress on the Panama TPA.

The Panama TPA will establish a 298,700 ton duty free preferential tariff rate quota for corn. The over-quota tariff of 40 percent will be eliminated in 15 years, with no reduction in the first five years. This is the certainty growers desire to ensure robust, reliable export markets.



Source: USDA Foreign Agricultural Service

Marketing Year (September-August)

	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10
MT	283,000	312,000	348,000	385,000	332,000	327,000
Bushels	11,150,000	12,280,000	13,690,000	15,150,000	13,060,000	12,860,000

It is important to highlight Panama's strategic location as a major shipping route. Fifty-seven percent of U.S. grain leaving Gulf ports uses the Panama Canal. In 2006, Panama approved a $5.25 billion project to double the capacity of the canal. Estimated to be completed in 2014, the modernization project will add two new locks, two navigational channels connecting the new locks to the existing system, and deeper, wider shipping lanes.

The current canal completed in 1914 is nearing its limit for the number of ships it can handle. According to the Soy Transportation Coalition (STC), during peak shipping season, 40 or more ships can be backed up each day waiting to transit the canal. The expansion is good news for corn farmers, as it will lessen transport time and should reduce ocean-freight costs. This is particularly important for containerized DDGs bound for Asian markets.

However, expanding the canal does not completely solve our problems. For decades, we have been concerned with the conditions of the locks and dams on the Mississippi River. If domestic infrastructure is inadequate, the canal expansion project will be a missed opportunity.

Earlier this month the STC held a meeting with the administrator of the Panama Canal Authority. The two entities signed a memorandum of understanding to share information and raise awareness of the expansion and the potential benefits to U.S. agricultural producers. The STC is expected to release a white paper on the issue this summer.

Value-Added Products

U.S. corn markets are directly impacted by increased exports of value-added products such as meat. To put this into perspective, it takes approximately 79 bushels of corn to produce one metric ton of poultry, under a 2:1 conversion ratio of corn to white and/or dark meat. Likewise, it takes approximately 232 bushels of corn to make one metric ton of pork.

The growth in corn-based ethanol production has led to increased production of DDGS. This high protein feed is a direct co-product of the ethanol industry. In 2009-10, Panama imported 14,000 metric tons of DDGS from the United States. While relatively small in volume, imports are growing, and there is significant potential for increased use in feed rations.

From a corn grower’s perspective, the pending trade agreements will result in benefits far beyond increasing international markets for U.S. corn. NCGA recognizes any opportunity to increase access to downstream, value-added products as a benefit to the U.S. economy.

Corn Sales to Korea

The Republic of Korea (Korea) boasts a $1 trillion economy and 49 million consumers. Based on these statistics alone, corn growers understand that Korea is a market we cannot afford to ignore. More importantly, Korea is a market we cannot afford to lose to our largest competitors. On May 4, 2011, Korea’s National Assembly ratified its free trade agreement with the European Union. Additionally, we know that Korea is in negotiations with U.S. competitors including Canada, Australia and China.

The U.S. share of agricultural imports to Korea stood at nearly 30 percent in 2010. USDA FAS warns that if the United States fails to implement the U.S.-Korea Trade Agreement (KORUS), that share will decline.

Korea is the United States’ third largest corn market, and it is another potentially important market for DDGS. In marketing year 2009-10, Korea imported over seven million metric tons of corn from the U.S. The flow of corn into Korea is affected by myriad factors, and Korea remains one of our more volatile export markets.

Marketing Year (September-August)

	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10
MT	2,100,515	5,585,993	4,042,566	8,555,974	5,195,554	7,075,479
Bushels	82,692,774	219,908,574	159,147,161	336,830,362	204,537,828	278,546,446

Under KORUS, Korea's imports of U.S. corn for feed are guaranteed to enter at zero duty immediately. Although Korea currently imports large quantities of feed corn at zero tariff under its autonomous quota, Korea can legally discontinue this zero autonomous tariff at any time and revert to the World Trade Organization (WTO) tariff of five percent for the first 6.1 million tons, and 328 percent for any imports above this quantity. KORUS is critical to corn growers because the tariff will be fixed at zero percent. Korea's WTO bound rate for DDGS is 6.6 percent. Once more, KORUS provides immediate duty-free access for DDGS into the Korean market.

Allowing greater market access can alleviate volatility and, more importantly, open the Korean market to meat imports. Ratifying KORUS will translate into significant increases in pork, beef and other livestock product exports. Such increases in market access not only help NCGA members who raise livestock, but also enhance total demand for corn and DDGS domestically.

Corn Sales to Colombia

Colombia is traditionally one of the top ten export markets for U.S. corn. During marketing year 2007-08, the Unites States exported 114 million bushels of corn to Colombia, with an estimated value of nearly $627 million. Unfortunately, U.S. corn exports declined dramatically during the 2009-10 marketing year. Only 36 million bushels of corn were exported to Colombia during that time, valued at $152 million. The decline in exports reflected a loss of $475 million to the U.S. economy.

Marketing Year (September-August)

	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10
MT	1,932,544	2,597,611	3,148,527	2,902,893	1,234,651	912,954
Bushels	76,080,116	102,262,379	123,950,761	114,280,677	48,605,564	35,941,043

Under the U.S.-Colombia Trade Promotion Agreement (Colombia TPA), U.S. corn producers would gain immediate access to the Colombian market for 2.1 million metric tons of corn at zero percent duty. Over the course of the 12 year phase out for corn's 25 percent over-quota base tariff, the rate would be reduced each year by 2 percent, while the volume of the tariff rate quota would increase by 5 percent, compounded annually.

Currently, Colombia is importing corn from U.S. competitors including Argentina, Brazil, Paraguay and the majority of Mercosur members because of an import duty preference. We cannot afford to watch important export markets slip away, particularly to our largest competitors in the region, Brazil and Argentina. Failure to implement a trade agreement with Colombia will place U.S. corn producers at a competitive disadvantage in the world market.

Conclusion

A recent publication from USDA's Economic Research Service demonstrates that the growing number of free trade agreements among U.S. competitors has prompted questions about whether U.S. agricultural exporters may lose a share of the global market. Important agricultural exporters like the European Union and Canada have been particularly active in negotiating FTAs. As a producer, it is frustrating to watch these nations achieve preferential access to markets and secure a competitive edge over U.S. corn and corn products.

NCGA respectfully requests that the members of this Committee and others in Congress support pending trade agreements with Panama, Korea and Colombia. Our members want to preserve current export markets, increase exports of DDGS and significantly increase demand for corn through opportunities in value-added corn products.

NCGA remains committed to the development and maintenance of fair and open global trade policies. We appreciate efforts by U.S. trade negotiators to increase meaningful and achievable access to foreign markets. Moreover, U.S. corn producers stand ready to develop and provide corn products to meet the demands of modern global consumption.