STATEMENT
OF THE AMERICAN FARM BUREAU FEDERATION
TO THE
SENATE FINANCE COMMITTEE
SUBCOMMITTEE ON INTERNATIONAL TRADE
REGARDING
STATUS OF WORLD TRADE ORGANIZATION NEGOTIATIONS

October 27, 2005

Presented by
Craig Lang
President of Iowa Farm Bureau

Good afternoon, I am Craig Lang, a fifth generation farmer from Brooklyn, Iowa, and president of the Iowa Farm Bureau. I currently serve on the American Farm Bureau Federation (AFBF) Board of Directors and also on the AFBF Trade Advisory Committee. The points about the importance of world trade that I will discuss with you are Farm Bureau policy. I want to assure you that as a dairy farmer and a crop farmer of corn and soybeans I believe the World Trade Organization (WTO) is the best way to ultimately settle world trade differences.

Farm Bureau believes that the WTO is important to the future of agriculture in the United States **and around the world**. The trade negotiation, standard-setting and dispute-settlement functions of the WTO strive to provide a stable and predictable world trading environment for U.S. agriculture. With the production of one-fourth of U.S. cropland destined for foreign markets, U.S. agriculture is strongly export-dependent. Our farmers and ranchers know that the best place to receive the end price for the crops we raise and the livestock we nurture is the marketplace. A marketplace void of the ability to export our goods will lead to higher consumer prices and higher risks in our ability to provide consumers around the world with the highest quality of goods.

From a local perspective, export markets are crucial for the Iowa farmers I represent. Iowa exports more than a billion dollars of corn and soybeans each year. Iowa's $3.7 billion of total agricultural exports represents about one third of our total farm production. This $3.7 billion is made up of about one half of our soybean crop, a fifth of the two billion bushels of corn we raise and a tenth of the pork and beef we raise.

Because exports are so critical to U.S. agriculture, we must have a structure to address the many trade-related issues before the U.S. The 148-member WTO operates to provide that structure through a rules-based environment for continued growth in markets for America's farmers and ranchers. At this time, the WTO is our best chance at resolving differences in global trade.

The recent discussions around the U.S. proposal of October 10 have given direction to the current WTO agriculture negotiations. The proposal which seeks to achieve meaningful market access through major reductions in tariffs while reducing spending on trade-distorting domestic support programs incorporates the crucial linkage between these major areas.

Real trade reform must include substantial, ambitious and quantifiable expansion in access to markets. We recognize that to achieve a successful outcome the U.S. must do its share in reforming trade distorting domestic support programs while developed and developing countries must do their share in expanding market access opportunities. Farm Bureau will weigh the outcomes of these negotiations to determine if they provide an overall economic benefit to U.S. agriculture.

MARKET ACCESS

The world average tariff on agricultural imports is 62 percent, while the U.S. average agricultural tariff is 12 percent. The Framework Agreement of July 2004 supports the use of a formula for reducing all agricultural tariffs so that high tariffs would be reduced more than low tariffs, thus reducing the gap between high-tariff and low-tariff products. The U.S. proposal includes a cap on tariffs of 75 percent and progressive cuts with the highest tariffs being reduced 90 percent. A final agreement on tariffs must result in significant percentage reductions that result in commercially meaningful access.

> Sensitive Products – The framework agreement allows all countries, developed and developing, to negotiate some number of "sensitive" products that will be subject to smaller tariff cuts. Our goal is to assure that the number of sensitive products is limited so that meaningful market access is achievable as a result of these negotiations. The recent U.S. proposal to limit the number of tariff lines to one percent would achieve that result.
>
> Tariff-Rate Quotas – A method to expand market access is to have a nation agree to a tariff-rate quota (TRQ) for a specific product. A TRQ is a reduced tariff on a specified amount of imported product. The U.S. would gain increased exports if countries actually "filled" their TRQs. The U.S. proposal would provide compensation through expanded TRQs if countries did not reduce tariffs. This negotiation must result in a requirement that nations fill their agreed upon TRQs in order to help accomplish the goal of commercially meaningful market access.
>
> Special and Differential (S&D) Treatment – Developing countries, and in particular least developed countries (LDCs), have received S&D treatment to give them more time to adjust to competition. While the LDCs clearly require greater protection, some developing countries, such as Brazil, are actually highly developed and competitive. It is unreasonable to provide those countries special treatment. Those countries must assume greater obligations and to increase market access.

DOMESTIC SUPPORT

U.S. agriculture will negotiate reductions in trade-distorting domestic supports as part of an overall agreement that increases market access in both developed and developing countries. Under the framework agreement, countries must commit to "substantive reduction" in domestic support levels. The recent U.S. proposal incorporates changes in domestic support programs that

will create economic challenges for some commodities and farm types. In the long term U.S. agriculture will overcome these challenges through the expanded opportunity for exports created by specific and measurable improvements in market access.

The WTO categorizes domestic support into the amber, blue and green boxes.

> Amber Box – The amber box is composed of domestic support programs that are used to support prices or are directly related to production and are viewed as "trade-distorting." An example is the U.S. marketing loan program. The framework agreement calls for "substantive reduction" in trade-distorting domestic support. The U.S. proposal adds greater specificity with a 60 percent reduction for the U.S. and an 83 percent reduction for the European Union (EU) and Japan. Any reductions in domestic support **must** be balanced against improvements in the area of market access in order to advance export prospects for our farmers and ranchers.

> Blue Box – The blue box includes agricultural support programs that are not related to production and are considered less trade-distorting. The July 2004 Framework Agreement includes criteria that will allow U.S. countercyclical programs to be included in the blue box. We support the framework blue box changes but oppose any further criteria which would limit U.S. utilization of the blue box. The recent U.S. proposal includes a cap of 2.5 percent of agricultural output for programs that meet the blue box criteria for the U.S., EU and Japan.

> Green Box – No caps should be placed on non-trade-distorting support. U.S. green box programs include research, extension, conservation and part of the crop insurance programs. Farm Bureau supports the U.S. proposal which does not include any changes in green box criteria.

The negotiations over market access and domestic support must be directly linked for any substantive agricultural trade liberalization. While the U.S. is able to use domestic programs to assist producers, most nations use high tariffs. Overall, tariffs average 62 percent, while many tariff lines exceed 100 percent to provide import protection for agricultural producers. Both mechanisms of support – tariffs and domestic programs – need to be addressed together to achieve a successful negotiation.

EXPORT COMPETITION

We support the complete elimination of export subsidies as contained in the framework agreement. Export subsidies are recognized as the most trade-distorting measure in trade. The EU spends from $3 billion to $5 billion a year on export subsidies and is allowed to spend as much as $8 billion under the current WTO agreement. The EU accounts for about 88 percent of the world's export subsidies and uses them to market products of export interest to the United States. Farm Bureau also supports the phase-out and elimination of the trade-distorting practices of state trading enterprises, such as the Canadian and Australian Wheat Boards, which are also included in the framework.

The U.S. proposal on food aid disciplines to help minimize commercial displacement and opposes converting all food aid to a cash-only basis.

Reduction in the subsidy component of existing export credit programs should be implemented in a parallel manner with the phase-out of export subsidies and the elimination of the monopoly powers of state trading enterprises.

GEOGRAPHICAL INDICATORS

There must be no extension of geographical indicators beyond wines and spirits. As a dairy farmer myself, I don't buy the European argument that cheese names like parmesan, cheddar or feta should be their exclusive trademarks. Those terms have long since become generic product names used around the world. The fact is, I believe our U.S. cheeses are superior. Issues of product labeling should be dealt with by the intellectual property system and not part of the Doha negotiation.

In conclusion, Farm Bureau believes completion of a successful WTO Doha agriculture negotiation is the best way to achieve progress in a wide variety of international agricultural trade concerns. As a farmer, I'm certain the American farm and ranch community can be competitive in a global market. I'm confident of this, **but only if we have fair and unrestricted assess to markets we've been denied in the past because of unfair trade barriers**.

A final agreement must build on the July 2004 Framework Agreement, which calls for substantial improvement in market access, trade-distorting domestic support and export competition. The U.S. proposal adds the specifics necessary to have a successful WTO Ministerial meeting in Hong Kong in December 2005.