

National
Grain and Feed
Association



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U.S. Grain Industry Commends U.S. Proposals for Reforming World Ag Trade under WTO Doha Round

WASHINGTON – The nation’s two major grain organizations today (Oct. 10) praised the U.S. government for offering what they termed an “aggressive and substantive” agricultural trade reform proposal for consideration under the Doha Development Round of the World Trade Organization (WTO).

The National Grain and Feed Association (NGFA) and North American Export Grain Association (NAEGA), which are co-located in Washington, said the U.S. proposal merits strong consideration as a “credible basis for advancing future negotiations to achieve meaningful, comprehensive reforms” in world agricultural trade.

“The U.S. proposal creates an environment to make great strides in opening up global agricultural trade for consumers and producers worldwide by bringing about meaningful improvements in all three pillars of the agricultural negotiations – export subsidies, trade-distorting domestic supports and market access,” said NGFA President Kendell W. Keith and NAEGA President Gary C. Martin. “We urge that nations participating in the WTO negotiations use the momentum provided by this proposal to redouble efforts to make substantial progress toward an agricultural trade accord prior to the meeting of trade ministers in Hong Kong in December.”

The two organizations were reacting to a U.S. proposal issued today that calls for eliminating agricultural export subsidies and implementing substantial reductions in trade-distorting domestic

agricultural supports phased in over five years, while requiring developed and developing countries alike to provide substantial improvements in market access by making steep tariff cuts. After the first five-year phase in, the U.S. proposal calls for a five-year interlude during which WTO-member countries could review the effects of the reductions. Unless the WTO agreed to change course, further tariff and trade-distorting domestic support reductions then would begin, culminating in a total elimination of remaining trade-distorting subsidies after an additional five-year phase-in period. The U.S. proposal places no restrictions on non-distorting (i.e., “green box”) domestic supports for producers.

“While the U.S. proposal would require substantial reductions in both trade-distorting domestic support and in tariffs and other trade-impeding policies during the first five years, it would allow a 15-year adjustment period to eliminate such policies,” the NGFA and NAEGA noted. “This adjustment period will allow for economic adjustment of affected agricultural sectors.”

Importantly, the U.S. proposes significant reductions in trade-distorting domestic supports and import tariffs during the first five-year period after an accord is reached, with deeper reductions for countries with the highest levels. “These aspects of the U.S. proposal would, to a substantial degree, level the playing field for American farmers, ranchers and agricultural exporters by requiring countries with the greatest subsidies and tariffs, such as the European Union and Japan, to make the greatest reductions,” the NGFA and NAEGA said.

In this regard, the U.S. proposal would require the United States to reduce its most trade-distorting domestic supports (amber box) by 60 percent based on total aggregate measures of support. Consistent with a framework developed by WTO-member nations in July 2004, the U.S. proposal also calls for harmonizing domestic supports based on various ranges of aggregate measures of support, with the EU and Japan required to implement reductions of 83 percent. As such, it would reduce the disparity between U.S. and EU domestic supports from the current ration of 4:1 to 2:1.

To provide greater market access, the U.S. proposal would use a progressive formula to reduce tariffs by developed countries by at least 55 percent, up to a maximum reduction of 90 percent for developed countries with the greatest tariffs. U.S. agricultural tariffs currently average 12 percent, compared to the world average of 62 percent. Tariffs for so-called “sensitive” products would be

limited to 1 percent of total dutiable tariff lines. Further, no developed country could implement a tariff greater than 75 percent for a given agricultural product. The U.S. proposes to establish lesser, but unspecified, tariff cuts for developing countries, with longer phase-in periods.

Concerning export competition, the NGFA and NAEGA said the U.S. proposal takes a “balanced approach” by calling for the elimination of all agriculture export subsidies by 2010, as well as for reforming export credit and food aid programs (such as those used by the United States) to ensure they are consistent with commercial practice and do not displace commercial trade. In addition, the U.S. proposal would impose new disciplines on state trading enterprises (such as the Canadian and Australian Wheat Boards) by ending their monopoly export privileges and enhancing their market transparency, which the NGFA and NAEGA said should “contribute to greater market efficiencies in global trading.”

The two grain organizations noted that worldwide agricultural subsidies amounted to nearly \$350 billion annually in 2001, when world governments stopped reporting such data to the WTO. “To the extent that such subsidies encourage overproduction and production in areas that are not efficient distorts trade and penalizes efficient agricultural production and marketing systems around the world,” the NGFA and NAEGA said.

“The only way for the global agricultural sector to reap the same benefits of improved growth and economic performance from free trade enjoyed by other economic sectors is to substantially shrink and eventually eliminate on a global basis the institutional barriers to trade, such as export subsidies, market-distorting domestic supports and restrictions on market access for agricultural products,” the NGFA and NAEGA said. “By advancing a bold proposal for agriculture, the Bush administration has shown its leadership and commitment to advancing free trade, a tremendously powerful engine for economic growth.”

The United States would benefit from more open world agricultural trade, the NGFA and NAEGA noted. Currently, the United States exports about 45 percent of its domestic wheat production; 40 percent of its soybeans; and about 20 percent of its corn. Exports also have been a major engine of growth for the meat sector, with U.S. beef, pork and poultry exports tripling in the 1990s, during which

the U.S. share of world meat trade more than doubled. Meanwhile, the United States has only about 5 percent of the world's population but 20 percent of its agricultural production capacity.

The NGFA and NAEGA also said they will be encouraging grain-based trade organizations in other countries to support movement by their respective governments in reinvigorating the WTO negotiations and making meaningful and substantial progress toward agricultural trade reform.

The NGFA, established in 1896, consists of approximately 900 grain, feed, processing, exporting and other grain-related companies that operate about 5,000 facilities that handle more than 70 percent of all U.S. grains and oilseeds. The NGFA's membership encompasses all sectors of the industry, including country, terminal and export elevators; feed manufacturers; cash grain and feed merchants; end users of grain and grain products, including processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries. The NGFA also consists of 35 affiliated state and regional grain and feed associations, as well as two international affiliated associations. The NGFA also has strategic alliances with the Pet Food Institute and the Grain Elevator and Processing Society, and has a joint operating and services agreement with NAEGA.

NAEGA, established in 1912, is a not-for-profit trade association comprised of private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk grain and oilseed exporting industry. NAEGA member companies ship practically all of the bulk grains and oilseeds exported each year from the United States. The Association's mission is to promote and sustain the development of commercial export of grain and oilseed trade from the United States. NAEGA acts to accomplish this mission from offices in Washington D.C., and in markets throughout the world.