

March 8, 2011

The Honorable Max Baucus
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Baucus:

As you prepare for the hearing on March 9 with United States Trade Representative, Ambassador Ron Kirk, the U.S. food and agriculture industry would like to reiterate our support for the U.S. trade agreements with Korea, Colombia and Panama.

The three trade agreements combined represent almost \$3 billion dollars of additional agriculture exports to these trading partners. These gains can only be realized by implementation of these three agreements. There is urgency to the need for passage of the agreements. The United States is watching other countries implement their own trade deals with these countries giving them a competitive advantage while its sales and market share decline.

The U.S.-Korea Free Trade Agreement provides a significant opportunity for the U.S. agriculture sector. According to the American Farm Bureau Federation, when the agreement is fully implemented, increased exports of the major grain, oilseed, fiber, fruit and vegetable and livestock products are likely to exceed \$1.8 billion annually. The Korea agreement will allow the United States to become a competitive supplier of agricultural products to South Korea by providing duty-free and reduced tariff access. Eliminating these tariff rates through the trade agreement would be extremely beneficial to the United States agricultural sector.

Loss of market share in Korea because of U.S. competitors' preferential access has become a reality for some segments of U.S. agriculture. Korean wine imports have increased sharply and peaked at about \$167 million in 2008. During the 2000-2009 period, Chilean market share (by value) rose from 2.4 percent to 21.5 percent, while the U.S. share fell from 17.1 percent to 10.8 percent. This is believed to be the direct result of the 15 percent import duty which was eliminated on Chilean wine under the Korea-Chile trade agreement implemented in April 2004. In addition, Korea has completed an agreement with the European Union (EU), which is expected to be implemented by July 2011. If the United States delays implementation any further, European exporters will gain a significant competitive advantage over the United States in the Korean market.

The U.S.-Colombia Trade Promotion Agreement eliminates tariffs on U.S. agricultural products, correcting the current tariff imbalance in agricultural trade between our countries, created in part by congressional passage and extension of the Andean Trade Preference Act (ATPA). Elimination of Colombia's duties in the agricultural sector would create new opportunities for

American farmers and ranchers in this market, particularly relative to other suppliers that already have trade agreements with Colombia.

While U.S. agriculture continues to wait for passage of the Colombia agreement, U.S. market share has been slipping in Colombia due to our competitors, particularly Argentina, implementing their own trade agreements. According to USDA trade data, between 2008 and 2009, the U.S. has seen almost a 50 percent drop in exports, from \$1.6 billion to \$906 million. This decline has continued into 2010. As a further example, the United States is in danger of losing its position as the top supplier of corn, wheat and soybeans. These losses are not because our competitors have a better product, but a stronger advantage given their reduced tariffs granted by their own trade agreement with Colombia.

The United States already has a large share of the Panamanian agricultural market that must be protected. Averaged across all agricultural products, the United States supplies 53 percent of Panamanian agricultural imports. For the commodities most important to the United States, the share is more than 80 percent. The U.S-Panama Trade Promotion Agreement will prevent other countries, specifically other Latin and North American suppliers, from taking some of the current U.S. share of the Panamanian market. In addition, Panama has completed a trade agreement with Canada. If this agreement goes into effect before the U.S. agreement, Canadian exporters will gain a significant competitive advantage over the United States in the market.

These agreements contain significant export gains for U.S. agriculture that will only be realized by passage and implementation. Conversely, inaction has proven to result in loss of U.S. market share and forfeiture of economic growth. The U.S. government's inability to move these agreements benefits of our foreign competitors and harms U.S. agriculture. We urge that Congress and the administration support and quickly pass these agreements to take full advantage of the opportunity they provide for America's economic growth.

Sincerely,

Agri Beef
American Farm Bureau Federation
American Feed Industry Association
American Frozen Food Institute
American Meat Institute
American Peanut Product Manufacturers, Inc.
American Soybean Association
Animal Health Institute
Archer Daniels Midland Company
Blue Diamond Growers
Bunge North America, Inc.
Cargill, Incorporated
CoBank
Corn Refiners Association
Dairy Farmers of America
Distilled Spirits Council of the United States

Elanco Animal Health
The Fertilizer Institute
Idaho Potato Commission
J.R. Simplot Company
Land O'Lakes
Louis Dreyfus Commodities
Maryland And Virginia Milk Producers Cooperative Association, Inc.
Michigan Milk Producers Association
Monsanto Company
National Association of Wheat Growers
National Barley Growers Association
National Cattlemen's Beef Association
National Chicken Council
National Corn Growers Association
National Council of Farmer Cooperatives
National Grain and Feed Association
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council
National Potato Council
National Renderers Association
National Turkey Federation
North American Export Grain Association
North American Millers' Association
Northeast Dairy Farmers Cooperatives
Northwest Horticultural Council
Oregon Potato Commission
Smithfield Foods
South East Dairy Farmers Association
Southeast Milk Inc.
Sweetener Users Association
Texas Grain and Feed Association
United Dairymen of Arizona
United Egg Producers
U.S. Canola Association
U.S. Dairy Export Council
U.S. Dry Bean Council
U.S. Livestock Genetics Export, Inc.
U.S. Premium Beef
USA Dry Pea & Lentil Council
USA Poultry & Egg Export Council
WA Mint Growers Association
Washington State Potato Commission
Western Growers Association
Western United Dairymen
World Perspectives, Inc.

