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National Trade Estimate Report on Foreign Trade Barriers: All Other Measures

DATE: October 15, 2012

RE: Comments for Argentina

COMMENTS (1) National Oilseed Processors Association (NOPA)

BY: (2) American Soybean Association (ASA)

(3) National American Export Grain Association (NAEGA)

Once again, the National Oilseed Processors Association (NOPA), the American Soybean Association (ASA) and the North American Export Grain Association (NAEGA) appreciate the Administration's invitation "to assist it in identifying significant barriers to U.S. exports"

- The National Oilseed Processors Association represents the U.S. soybean, sunflower, canola, and safflower seed crushing industries. NOPA's mission is to assist these industries to be the most competitive and profitable oilseed processors in the world and to proactively engage in issues such as international trade policy; environment and resource management; domestic farm programs; and health and safety issues. NOPA's 12 member companies crush approximately 95% of all soybean processing in the United States. NOPA member companies process more than 1.6 billion bushels of soybeans annually at 57 plants located throughout the country.
- The American Soybean Association represents all U.S. soybean farmers on domestic and international issues of importance to the soybean industry. ASA's advocacy efforts are made possible through the voluntary membership in ASA by over 22,500 farmers in 31 states where soybeans are grown.
- The North American Export Grain Association, a not for profit trade association, was established in 1912 and includes membership from private and publicly owned companies and farmer-owned cooperatives that are involved in and provide services to the bulk grain and oilseed exporting industry. NAEGA's members are engaged in the vast majority of U.S. and North American trade in agri-bulk commodities. NAEGA's mission is to promote and sustain the development of commercial export of grain and oilseed and their primary products by addressing global needs while improving our member's business environment. Through a reliance on member action, support and U.S. and North American leadership, NAEGA acts to accomplish this mission from its office in Washington D.C., and in markets throughout the world.

Robust exports of soybean and soybean products are critical to the prosperity and profitability of the entire U.S. soybean value chain (biotech companies, seed companies, transportation industries, soybean farmers, oilseed processors and exporters). Expanded volumes of U.S. soybean exports (especially value-added products such as soybean meal, soy oil and soy biodiesel) translate to an increased number of high-quality U.S. jobs.

US soybean growers and processors are among the most competitive in the world. In 2011, the industry achieved another strong year of soybean and soybean product exports, according to USDA, e.g.:

- The value of U.S. soybean exports totaled \$17.6 billion, compared to \$18.6 billion in 2010.
- The value of U.S. soybean meal exports totaled \$3.2 billion, compared to \$3.5 billion in 2010.
- The value of U.S. soybean oil exports totaled \$1.3 billion, compared to \$1.6 billion in 2010.
- The total value of these exports in 2011 equals \$22.1 billion.

U.S. exports of soybean products could be significantly higher, capturing a greater global market share, if the U.S. soybean industry did not have to compete with Argentina's differential export taxes (DETs) for soybeans and soybean products.

We note that the 2012 National Trade Estimate (NTE) Report's chapter on Argentina's Export Policies (page 23) does recognize that:

"EXPORT POLICIES

The Argentine government imposes export taxes on all but a few exports, including significant export taxes on key hydrocarbon and agricultural commodities. In many cases, the export tax for raw materials is set higher than the sale price of the processed product to encourage development of domestic value-added production. Crude hydrocarbon export taxes are indexed to world commodity benchmarks. Total export tax revenue in 2011 was equal to 15.6 percent of the value of all Argentine exports (down from 17 percent in 2010), including goods not subject to export taxes.

Despite proposals within and without the Argentine Congress to reduce or eliminate export taxes, the taxes continue to be actively supported and managed by the government of Argentina as they are a major source of fiscal revenue. The following major agricultural commodities are currently subject to export taxes: soybeans at 35 percent; soybean oil and soybean meal at 32 percent; sunflower meal and sunflower oil at 30 percent; wheat at 23 percent; and corn at 20 percent. The export tax on pure biodiesel was 20 percent in 2011, with a 2.5 percent rebate. The difference in tax rates between raw and processed products appears to create large incentives to process those commodities locally, particularly for soybeans, which are turned into oil and in turn provide the feedstock for Argentina's rapidly growing biodiesel industry."

To better understand the impact of Argentine DETs on the U.S. soybean industry and what that would mean financially to domestic soybean processors and growers, the soybean industry initiated the most extensive economic analysis to date, prepared by LMC International Ltd.

The US soybean industry (growers, processors and exporters) submit the following analysis and trade estimates to "help USTR conduct comparative analyses of a barrier's effect over a range of industries." As you will see, LMC International's economic analysis below "conservatively" estimates the potential increase in U.S. soy product exports that would result from removing Argentine DETs at \$US400 million, which falls into the upper range of the Trade Estimate Category of "\$100 million to \$500 million" (*Federal Register Notice*).

LMC INTERNATIONAL LTD ECONOMIC ANALYSIS

LMC International Ltd has been requested by the trade associations representing soybean growers, processors and exporters to respond to the Trade Policy Staff Committee (TPSC) request for “interested persons to submit comments to assist it in identifying significant barriers to U.S. exports of goods, services, ...”

LMC is an independent international consulting firm, specializing in economic and market analysis of agricultural commodities and agro-industrial products. Since 1980 it has provided specialized expertise in the oilseeds sector to clients in the public and private sectors in the U.S. and around the world.

Overview

“To assist” USTR in preparing the National Trade Estimates Report, NOPA, ASA and NAEGA are submitting information related to the fifth category of foreign trade barrier listed in the notice:

“(5) Export subsidies (e.g., export financing on preferential terms and agricultural export subsidies that displace U.S. exports in third country markets);”

with specific reference to Argentina’s system of differential rates of export tax within the soy sector (hereinafter referred to as DETs) – with the highest tax rate for raw products (soybeans) and lower rates for processed products, soybean meal and soybean oil, and the lowest rate for the most processed soy product, soy-based biodiesel.

Below are the methodology used by, and the key findings of, LMC International Ltd, concluding with the “potential increase in U.S. exports that would result from removing” a differential system of export taxes from Argentina’s soy sector, which LMC conservatively estimates at \$400 million.

LMC Analysis of Argentina’s System of Differential Export Taxes

LMC has undertaken a great deal of analysis to determine how, and to what extent the Argentine crushing industry has benefited from the differential element of export taxes (as opposed to the export taxes *per se*), via the subsidy that they provide to the Argentine crushing industry. Although only the world’s third largest soybean producer, Argentina has become the dominant exporter of oil and meal, and is rapidly becoming a major exporter – possibly soon the largest exporter – of biodiesel.

Methodology

“The differential export taxes between raw and processed products create large incentives to process those commodities locally.” (2009 NTE on Argentina, page 20) Therefore, to evaluate the impact of Argentina’s soy DETs, one must examine the sector generating the processed products – the crushing sector – and the factor that determines whether soybeans will be crushed is the crushing margin.

Definition: The “crushing margin” is the measure of revenue generated from the soybean oil and soybean meal per unit of soybeans crushed, that is, the difference between the revenues from the sale of soy oil and soy meal and the local cost of the soybeans crushed to produce these products. Thus, the crushing margin is the single most important factor for a crusher to base the

decision on whether or not to crush. It is the *scale* of the margin, *not* the actual price obtained for the soy oil or soy meal sold, that is critical for the profitability of crushers.

To analyze the economic repercussions of DETs, crushing supply curves were created covering every U.S., Brazilian, Argentine and EU crusher.

Definition: A “crushing supply curve” depicts the trade-off between the local crushing margin and the volume of crushing capacity that is profitable at that margin. The higher the margin, the larger is the volume of crushing activity.

Supply curves therefore provide a key tool in determining whether DETs have resulted in larger margins for Argentine crushers – the key objective for any crusher – and increased crushing capacity in Argentina than would otherwise have been the case.

LMC’s crushing supply curves took account of freight cost disadvantages in shipping soybean oil and meal, rather than beans, to Rotterdam, which was chosen as the pivotal point since it is a large importer of beans, oil and meal.

The competitiveness of each crushing plant was estimated, applying local electric power, fuel, wage and construction costs, adapted for scale, as well as freight costs to Rotterdam and, for Argentina alone, DETs.

These crushing supply curves made it possible to assess how DETs affected crushing margins in world trade. The results of this analysis are set out below.

Argentina’s Differential Export Taxes – Their Impact on Exports

- By reducing the export tax burden on processed products *compared to the original unprocessed product*, DETs have created an incentive for soybeans to be processed in Argentina, rather than exported, and for the value-added processed products to be exported.

In fact, Argentina has little reason to crush soybeans for its domestic market: on average, it has exported:

- 93% of all soy oil
- 99% of all soy meal

Therefore, to a trader and particularly the large trading firms that are vertically integrated with crushing capacity, DETs deter the export of Argentine soybeans and subsidize crushing exclusively for exports of processed soybean products, oil and meal.

- DETs enable Argentine crushers to break even at lower external crushing margins than would be the case without DETs.
- *If DETs were not applied in Argentina*, then soybean processing industries in other countries would crush more soybeans for export, while Argentina would ship a larger share of its output as beans, and a smaller share as products.

- Thus, the benefit from DETs is concentrated within the Argentine crushing industry and acts to the disadvantage of crushers in the U.S. and elsewhere.
- The contrasting fortunes of Argentina, the U.S. and Brazil in their shares of world exports of soybeans, oil and meal are summarized in Table 1 and Diagrams 1-3.

Table 1. Growth or Decline in Share of World Exports, 1987-2007

Exporting Country	Soybean Oil	Soybean Meal
<i>United States</i>	-64%	-50%
Brazil	-11%	-39%
Argentina	+72%	+142%

Diagram 1: Exports of Soybeans by Argentina, Brazil and the U.S.

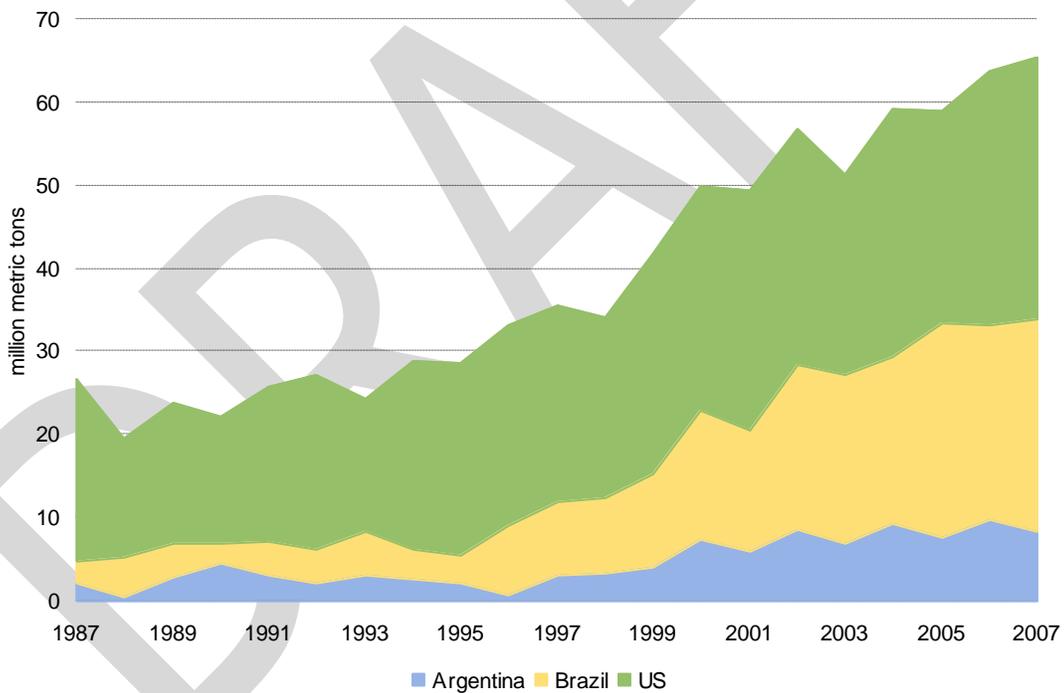


Diagram 2: Exports of Soybean Oil by Argentina, Brazil and the US

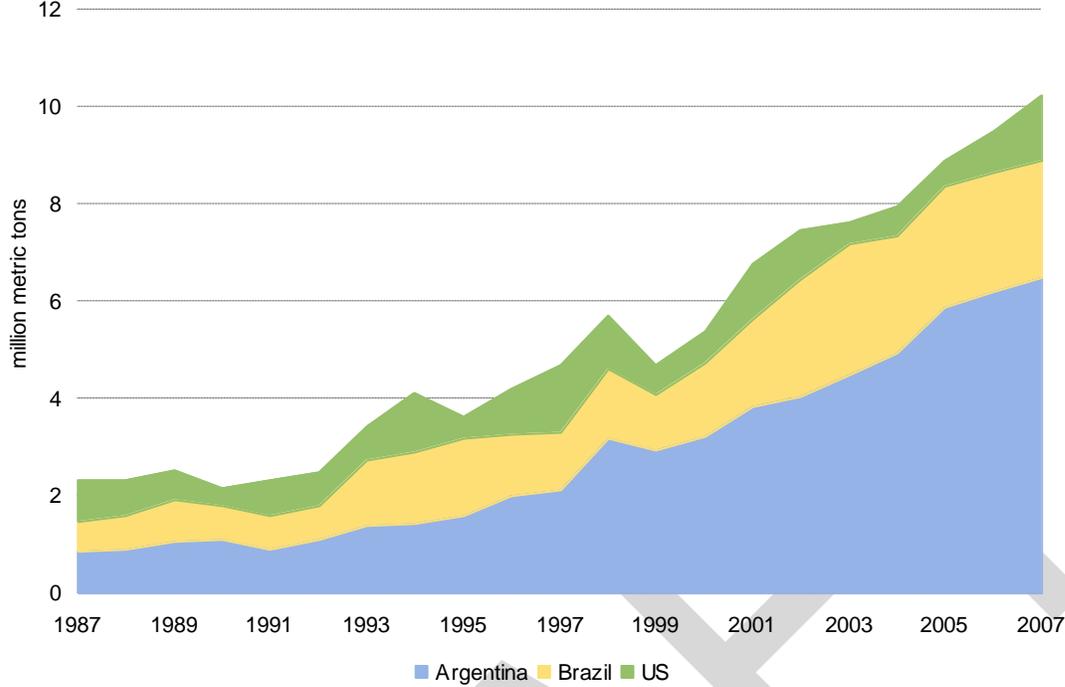
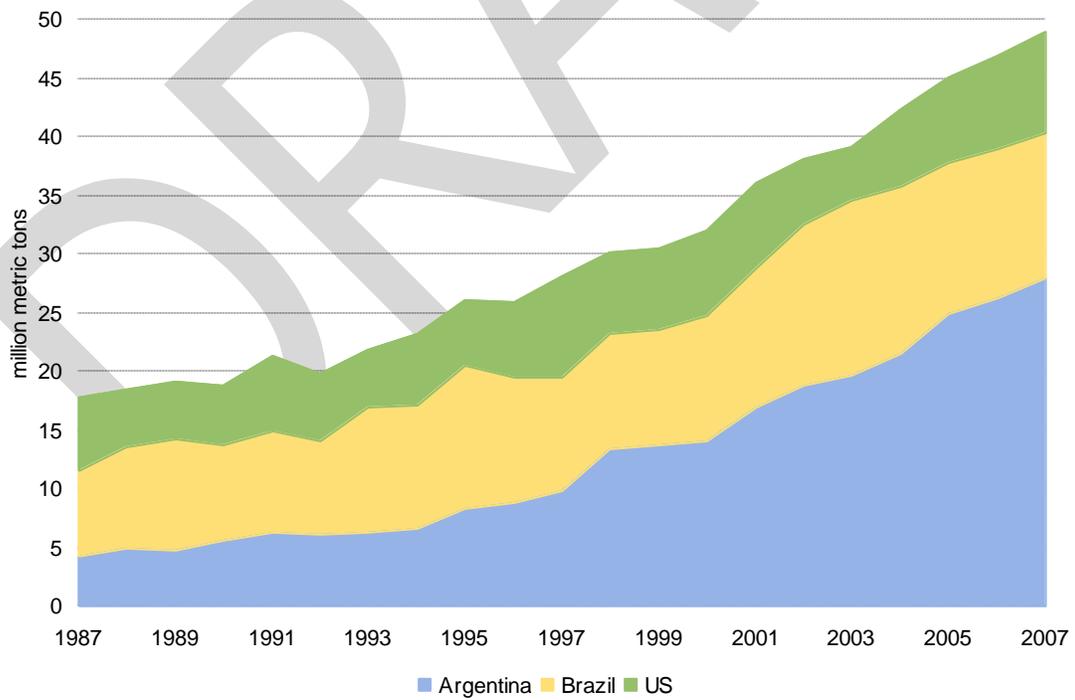


Diagram 3: Exports of Soybean Meal by Argentina, Brazil and the US



Argentina's Differential Export Taxes – Their Impact on Bean Prices

Soybeans in Argentina are primarily exported or crushed for export markets. LMC considered the hypothesis that domestic soybean prices are typically very close to external price (called the f.o.b.¹ export price) levels minus the export tax.

Traders have the freedom to base their decisions whether to sell the beans for local crushing or for export on prevailing market prices. Likewise, their choice of final outlet for processed products, whether export markets or for local use, will depend upon the prices that are available to them.

If traders export soybeans or products, they must pay export taxes as their goods leave the country; hence, their net revenue is the f.o.b. export price minus the export tax. If they sell their goods locally, competition should ensure that their soybean price is in line with the price they receive on export sales. (If the local market price were higher than the revenue earned on export sales, producers would immediately switch their sales away from the export market to enjoy the benefit of higher local market prices.)

In an efficient market, one would expect to find that the internal price would be set at the external (f.o.b. export) price minus the export tax. Diagrams 4 and 5 were prepared to test whether that hypothesis is indeed borne out by short-run price movements in Argentina.

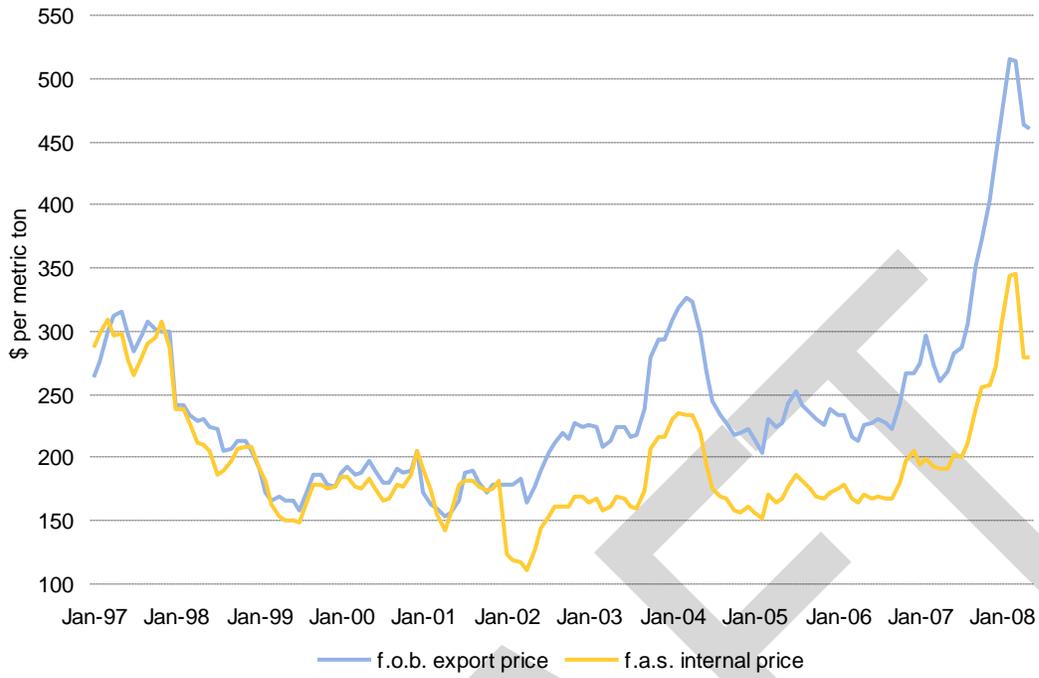
Diagram 4 compares the internal (f.a.s.²) vs. the export (f.o.b.) price of soybeans.³ It reveals that the internal Argentine price for soybeans began to trade at a substantial discount to the f.o.b. export price when the export tax rates on soybeans soared.

¹ f.o.b. stands for free-on-board, a shipping term requiring the seller to deliver goods *on board* a vessel, that is, an f.o.b. price includes transportation to the origin port *and* loading onto a vessel, but *not* the subsequent shipping.

² f.a.s. stands for free alongside ship, a shipping terms requiring the seller to deliver goods alongside a vessel, that is, an f.a.s. price includes transportation to the origin port and delivery *to* the vessel, but *not* loading or shipping.

³ Both price series have been taken from the Argentine publication, *Margenes Agropecuarios*. Only the f.o.b. price is available from an official Argentine government source (SAGPyA, the Agriculture Ministry), but it is encouraging to note that the average monthly prices since 1992 calculated from the series published by *Margenes Agropecuarios* (a highly regarded local agricultural publication) and SAGPyA are identical.

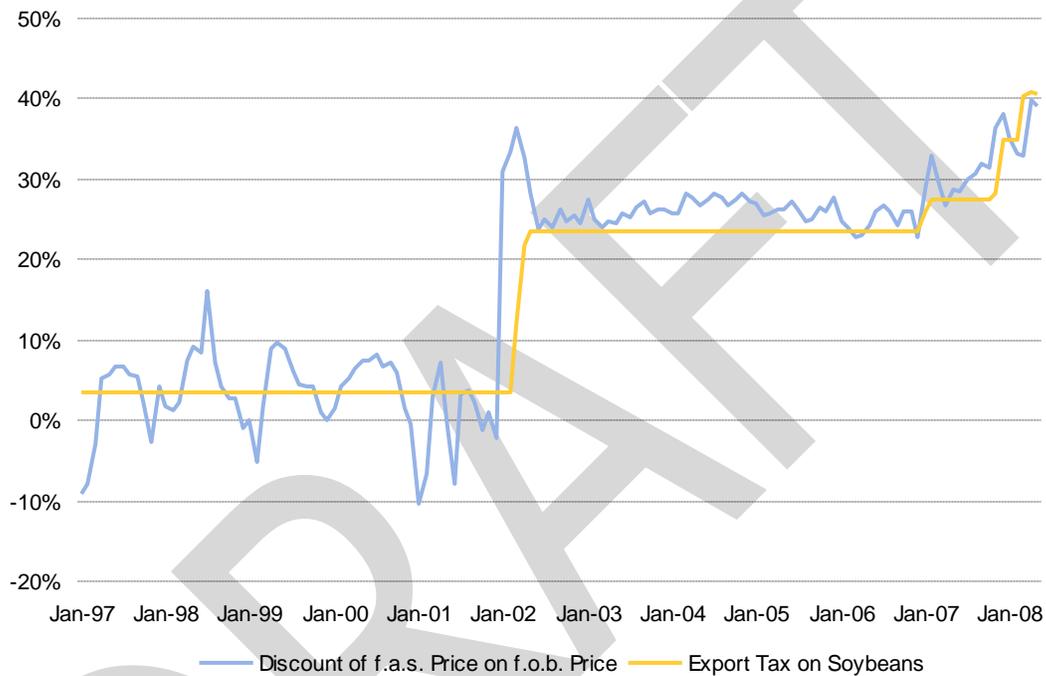
Diagram 4: Argentine Soybean Prices f.a.s. and f.o.b. Rosario



- Diagram 5 shows that the percentage discount observed in Diagram 4 can be related very directly to the application of Argentine export taxes.

It plots the monthly recorded percentage price differentials between those beans sold at f.o.b. prices for export and those sold at f.a.s. Rosario bean prices (in blue). For reference, the diagram also tracks the monthly average percentage export tax rate that is applied to soybeans (this is the gold curve).

Diagram 5: The Discount of Internal (f.a.s. Rosario) Soybean Prices vs. f.o.b. Soybean Prices in Argentina, Compared with Export Tax on Soybeans



Argentina's Differential Export Taxes – Their Impact on Crushing Margins

Methodology Employed for Calculating Crushing Margins

Soybean crushing margins are determined by:

- The soybean price

Minus

- 79% of the soybean meal price assuming 79% recovery of meal from beans by local crushers

Minus

- 18.5% of the soybean oil price assuming 18.5% recovery of oil by domestic crushing plants

Therefore, the margins depicted in this report can be defined as the differentials between the cost of the raw material, i.e., soybeans, minus the combined value of the processed products, namely the soy oil and soy meal.

The following diagram illustrates the crushing margins that Argentine processors have experienced based on internal f.a.s. Rosario prices.

There are no comparable series of internal market prices for meal and oil as for soybeans. However, LMC believes it is realistic to assume that – as with beans – local market prices will equal the f.o.b. price minus the export tax on these products, and minus 1.6% as the average cost of putting products on board vessels for export since 1997.

Therefore, the internal crushing margins have been calculated as follows:

- The f.a.s. soybean price (equal to the f.o.b. price minus 1.6% and minus the export tax on beans)

Minus

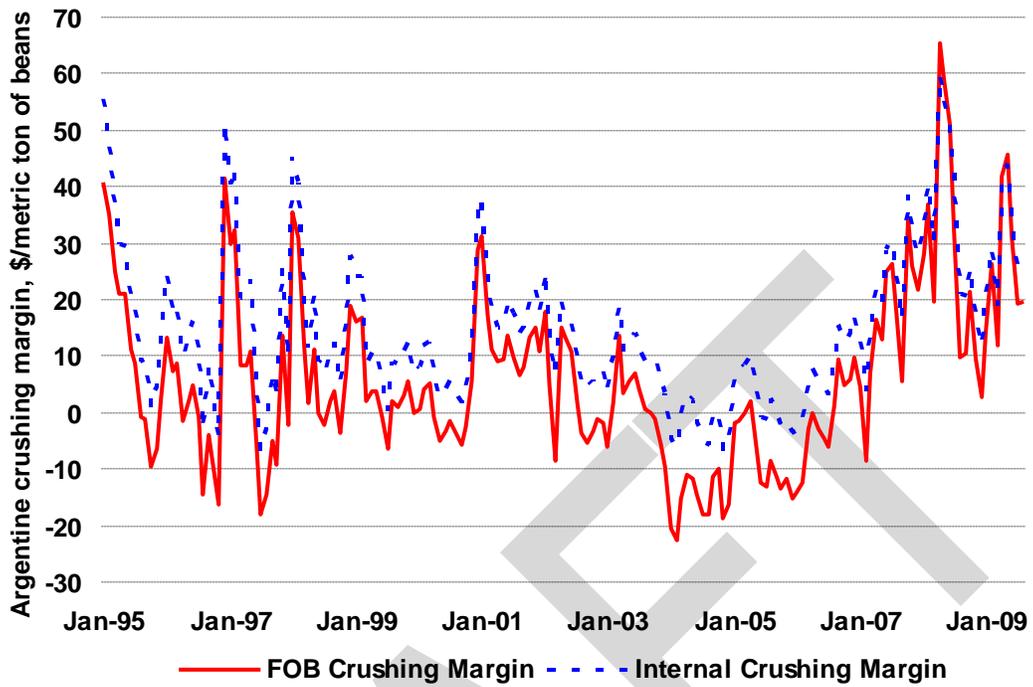
- 79% of the f.a.s. soybean meal price (which is the f.o.b. price minus 1.6% and minus the export tax on soybean meal)

Minus

- 18.5% of the f.a.s. soybean oil price (the f.o.b. price minus 1.6% and minus the export tax on soybean oil)

Diagram 6 contrasts the monthly f.o.b. crushing margins since January 1995 with the monthly internal crushing margins actually received by local processors operating *under a differential export tax system*. It reveals that the f.o.b. (export) margins (red line) are nearly always below the margins that Argentine crushers obtain (blue dashed line).

Diagram 6: Monthly Argentine f.o.b. and Internal Soy Crushing Margins, 1995-2009



Findings about the Impact of Argentina's Differential Export Tax Rates for the Soy Complex

The Impact on Argentina

The impact of the *differential* element of the Argentine system of export taxes (DETs) on soybean producers and processors is far-reaching:

- DETs make crushing soybeans in Argentina more profitable than it would have been if export taxes had been applied at the same rate to beans as to meal and oil.
- ***LMC's analysis reveals that in 1997-2008, DETs on average increased the local crushing margin (in Argentina) by \$9.40 per metric ton, or 25.6¢ per bushel, of beans over the level that would have applied if export taxes on soybean oil and meal had been set at the same percentage rates as the export tax on soybeans.*** (Diagram 7)

In Table 2, LMC looked at each January from 1995 through 2009, and even with just those months, the benefit averages approximately \$9.

- Via crusher-biodiesel processor integration, the DETs on biodiesel in 2008 added \$4.20 per metric ton of beans (11.4¢/bu.) more to the margin of the average crusher than would otherwise have been the case.
- Argentina's DETs are an export subsidy for the processed products, soybean oil and soybean meal. The subsidy is the result of the manipulation of the differential in export tax rates between and among the products to insure that the crushing margin is such to encourage crushing.

This subsidy insulates the Argentine crushing industry from world market signals and allows them to crush and export substantial volumes of soybean oil and meal at lower margins than other exporters.

Diagram 7: The Advantage Conferred by DETs in Argentine Soybean Crushing

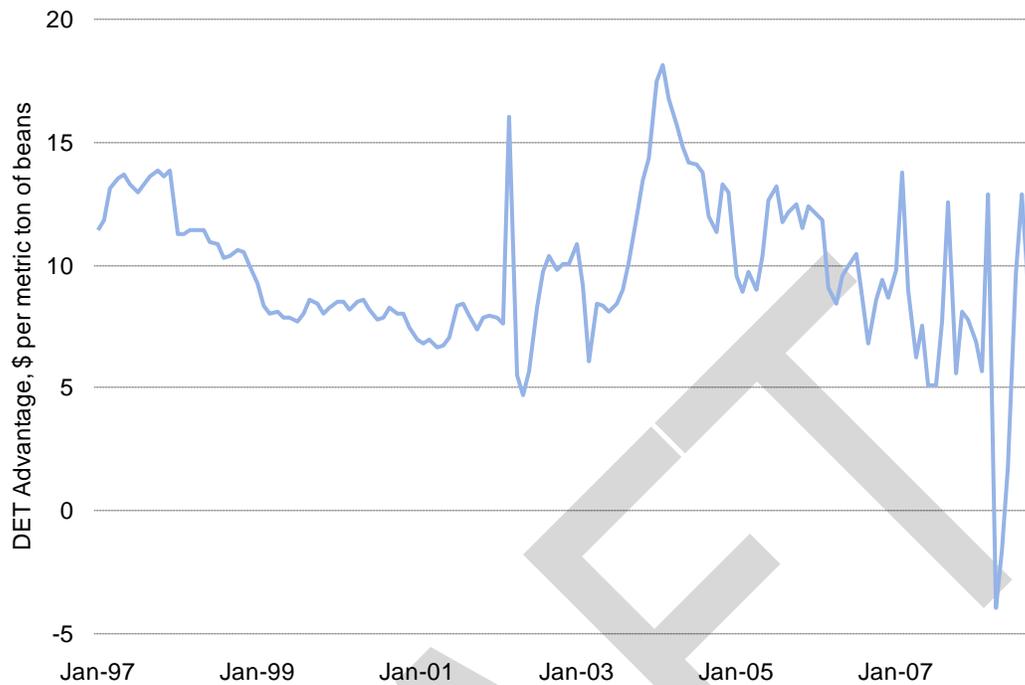


Table 2: Argentine Export Tax Rates and Soybean Crushing Margins at January of Each Year from 1995 through 2009 (US\$ per metric ton of soybeans)

	Export Tax Rates on Soy			Argentine Crushing Margins		
	Soybeans	Soy Meal	Soy Oil	Internal	f.o.b.	DET Advantage
Jan-1995	3.5%	-3.6%	-2.5%	\$54.3	\$40.8	\$13.4
Jan-1996	3.5%	0.0%	-1.5%	\$24.5	\$13.5	\$11.0
Jan-1997	3.5%	0.0%	-1.4%	\$40.4	\$29.9	\$10.6
Jan-1998	3.5%	0.0%	-1.4%	\$45.4	\$35.3	\$10.1
Jan-1999	3.5%	0.0%	-1.4%	\$24.2	\$16.2	\$8.0
Jan-2000	3.5%	0.0%	-1.4%	\$8.1	\$0.6	\$7.5
Jan-2001	3.5%	0.0%	-1.4%	\$37.9	\$31.1	\$6.8
Jan-2002	3.5%	0.0%	-1.4%	\$24.6	\$17.8	\$6.8
Jan-2003	23.5%	20.0%	19.3%	\$3.7	-\$6.0	\$9.8
Jan-2004	23.5%	20.0%	19.3%	-\$4.7	-\$20.6	\$15.9
Jan-2005	23.5%	20.0%	19.4%	\$6.6	-\$1.9	\$8.5
Jan-2006	23.5%	20.0%	20.0%	-\$3.2	-\$14.2	\$11.0
Jan-2007	26.1%	22.6%	22.6%	\$13.0	\$4.5	\$8.6
Jan- 2008	35.0%	32.0%	32.0%	\$33.3	\$28.2	\$5.1
Jan- 2009	35.0%	32.0%	32.0%	\$21.4	\$14.2	\$7.2
Average, Jan 95-Jan 09	14.5%	10.9%	10.1%	\$22	\$13	\$9

Sources: Derived from export tax information and f.o.b. export prices published by CIARA and SAGPYA, Argentina

Note: The average for 1995-2009 is the average of the export tax rates in January of each year. The rates sometimes changed within years and so the *annual* averages would be different.

The World Soy Sector without Argentina's DETs

- Crushing margins would have to rise in Argentina for crushing to be profitable. If bean prices do not alter, then oil and meal export prices would have to increase. This would make Argentine products less competitive internationally and would allow crushers from other countries to capture some of the export markets for products from Argentina.
- Argentina would be obliged to sell more of its surplus as beans.
- In the U.S. and Brazil, as well as for importers like the EU, higher f.o.b. crushing margins in Argentina would be reflected in higher margins in their own markets. For the EU, the impact would be direct; the wider gap between product and bean prices in Argentina would translate directly into a higher margin in Europe, which imports the full range of soybean products: beans, meal and oil.
- The wider margin between Argentine export prices of beans on the one hand, and its export prices of soybean oil and meal on the other, would be reflected, via trade between Argentina and the EU, in the European market. This would boost domestic crushing activity in that market.
- For the U.S. and Brazil, the consequences would be that they are better able to compete with Argentina in overseas markets, such as the EU, for soybean meal and soybean oil.
- A higher difference between the landed prices of Argentine products and beans in Europe would be transmitted (with an appropriate allowance for freight costs) back to the values that European buyers will be willing to pay for products from other exporting countries.
- The higher f.o.b. crushing margins that would emerge in the U.S. and Brazil would inevitably give a stimulus to crushing for export in these countries.

The Implications for U.S. Soybean Crushers

- Margins in Rotterdam would be \$26.90 per metric ton (73.2¢/bu.) without differentiated export taxes vs. \$16.60 (45.2¢/bu.) with them — a rise of \$10.30⁴.
- The higher margins would be transmitted directly to those U.S. crushers who are most exposed to world markets, and indirectly to those away from the coast.
- The extra \$10.30 is worth over \$500 million/year if passed fully to U.S. crushers. (The analysis continues below to determine the increase specifically in soy export revenues that would accrue to the U.S. with removal of Argentina's DETs.)

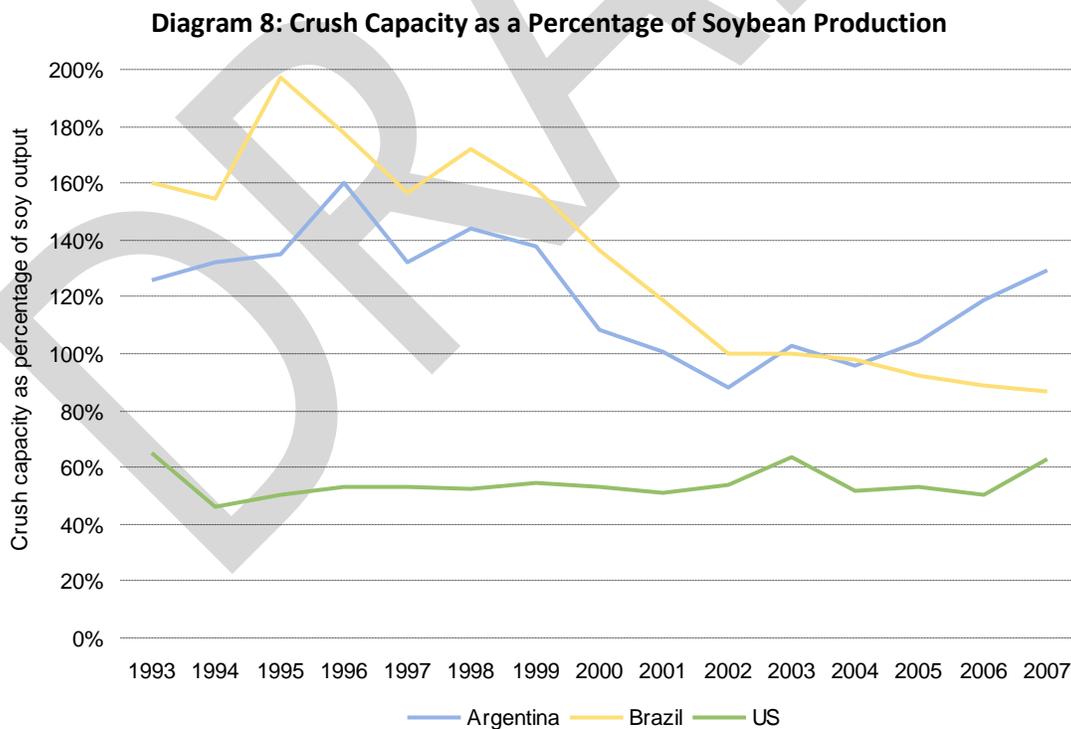
⁴ The \$10.30 is made up of \$4.90 from eliminating DETs on soybeans, soy oil, and soy meal; \$1.90 from removing DETs on soy oil (for biodiesel production) and soy biodiesel; and \$3.50 from allowing Argentine crushers to reap scale economies in their operations, though offset slightly by higher costs due to lower capacity utilization.

Brazil Example

Until the mid-1990s, Brazil applied a version of the differential export tax system to their soybean sector.

- *Exports:* Since this policy was eliminated, Brazilian exports of both soybean oil and meal as a share of total Brazilian soybean production have declined steadily, while exports of soybeans have increased substantially. Specifically, the proportion of beans exported from Brazil has increased from a low of around 14% just before its DETs were removed to a typical range of 40-45% in recent years, when no DET export processing incentives have been in place.
- *Domestic crushing:* In the last year before the elimination of the Brazilian system of differential export taxes, 90% of national soybean output was crushed locally; by 2006/07, less than half national soybean production was crushed domestically.
- *Crushing capacity:* Brazil built up very substantial excess soybean crushing capacity, ranging from 160 to 200 percent of domestic production, during the period when its special form of DETs was in effect. Since then, crushing capacity has been allowed to fall back to less than 100% of national bean production. (The US fairly consistently maintains crushing capacity at close to 60% of bean production.)

Diagram 8 contrasts the investments in crushing capacities in relation to soybean production in Brazil, the U.S. and Argentina.



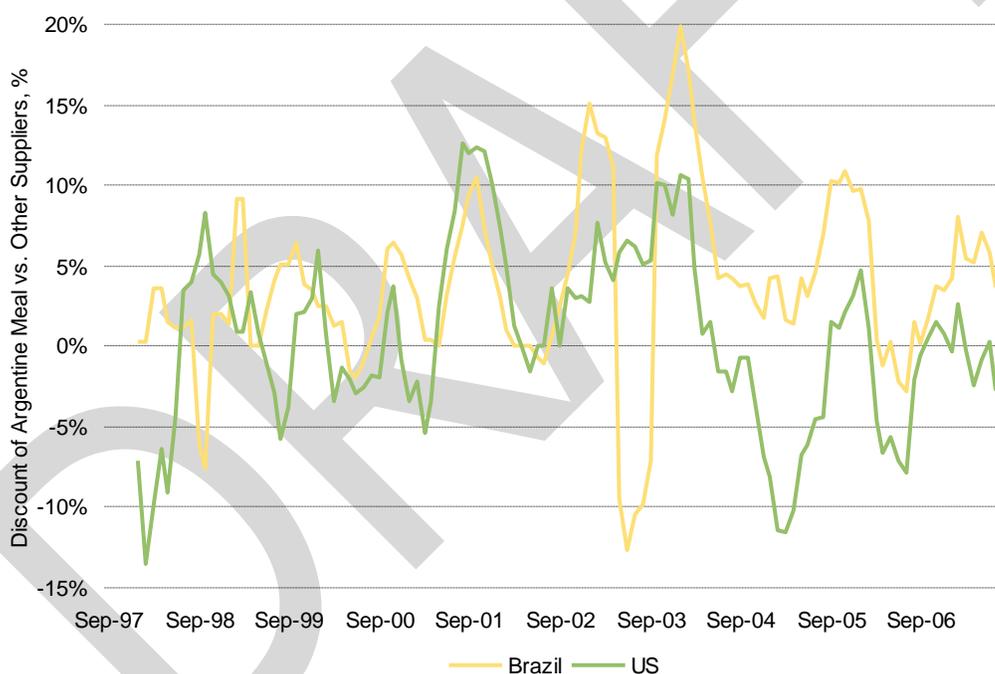
Competition with Argentina in Export Markets

LMC has assessed whether a premium has been paid by importers in major import markets for Brazilian meal over Argentine meal. Diagram 9 plots the percentage differentials observed between landed Argentine and Brazilian soybean meal prices in Southeast Asia⁵. A positive percentage represents the discount for Argentine soybean meal on Brazilian meal. Negative values mean that Argentine meal is at a premium.

In order to have meaningful prices, the data have been computed from import unit values only for months in which shipments were in excess of 20,000 metric tons, and have been smoothed by using three-month moving averages.

- It is evident from the diagram that over the decade since 1997, Argentine meal is typically delivered at a discount to Brazilian meal. (This is significant, since they have a very similar seasonal pattern of bean production and export shipments.)

Diagram 9: Discounts of Argentine Landed Soybean Meal Prices on the Corresponding Brazilian Meal Prices in Southeast Asia



⁵ Southeast Asia (comprising Australia, Indonesia, Malaysia, Philippines, Thailand and Vietnam) is employed as the basis of the analysis because it is the region with the most consistent shipments of sizable volumes of soybean meal.

Estimate of the Potential Increase in U.S. Exports

LMC has estimated the potential increase in U.S. exports that would result from Argentina removing the differential element of their export taxes on their soy sector. It has done so by building on its extensive analysis, summarized above, on the impact of Argentina's system of differential export tax rates applied to its soybean sector on the world crushing margin.

LMC describes this process and presents its estimates below:

1. To begin with, following the removal of the DETs in Argentina, crushing margins would improve in the U.S. and in other soy exporting countries outside Argentina, as Argentine crushers would no longer benefit from export subsidies.
2. On the basis of analysis of average soybean and soybean product prices since 1995 and the costs of crushing in the world's leading soybean exporting nations (Argentina, Brazil and the U.S.), as well as crushing costs in the EU, LMC has estimated that in a free market, in which DETs were not applied in Argentina:
 - the U.S. crushing margin on export sales should rise by \$9-10 per metric ton (24.5¢-27¢ per bushel).
3. Then it would be a question of market competition within the U.S. as to how the higher margin was transmitted to different parts of the industry, from soybeans to soy products (soybean oil and soybean meal).

The crushing margin would definitely increase in the U.S. Gulf, the point of export, and some of that increase in profitability would be transferred to domestic soybean producers.

4. LMC assumes that, in the first instance, most of this benefit would be transmitted to the product prices.

Between the two products, it is LMC's expert opinion that the main price increase would go to the meal, not the oil. This is because soybean oil has to compete for export outlets with other vegetable oils, and export volumes of palm oil alone are over 3.5 times as large as world export volumes of soybean oil, which now represent less than 10% of global trade in vegetable oils; therefore, soybean oil would find it difficult to increase its price in the face of such competition.

5. The next step in LMC's calculations is to estimate the increase in U.S. soy export revenues that would arise without Argentine DETs with current export volumes of soybeans and soy products.
6. Using the assumption in point 4., namely, that the \$9-\$10/metric ton increase in crushing margin for U.S. soybeans would be captured in the meal price, and calculating on the basis that roughly 79% by weight of soybeans is converted into meal, LMC concludes that:
 - the elimination of Argentine DETs would increase the export price of soybean meal by approximately \$12.50 per metric ton (dividing \$9-\$10 by 79%).

7. This value of \$12.50 per metric ton is then applied to the current level of exports of soybean meal, which, according to the U.S.D.A., is in the region of 8 million metric tons.
 - Thus, the increase of \$12.50 per metric ton of soybean meal would represent a \$100 million increase in the value of current soy exports.
8. However, with the removal of Argentina's DETs and the resulting rise in the crushing margin, the division of U.S. exports between beans, meal and oil would *not* stay the same as it is now. As stated above, DETs have enabled Argentine crushers to break even at lower world market crushing margins than would be the case without DETs. So, if DETs were not applied in Argentina, then other soybean processing industries would crush more soybeans for export, while Argentina would ship a larger share of its output as beans, and a smaller share as products.
9. Therefore, the next step is to estimate the increase in volume of soybeans that the U.S. is likely to crush for export with the removal of DETs in Argentina.

Argentina now exports as products the equivalent of 75-80% of its total exports in terms of bean equivalents⁶, that is, only 20-25% of Argentina's soy production is exported as beans. The U.S., in contrast, is the mirror image, i.e., beans are 75-80% of all exports in bean equivalents.
10. As the U.S. would not be the only country responding to the removal of Argentina's DETs (Brazil and other soybean producers would also respond to the removal of this barrier), it is reasonable to assume that the U.S. would increase the percentage of its exports as products from 20-25% to at least 50%.
11. This would add 12-13 million metric tons to U.S. crushing of beans for export. This is a conservative figure of what may be achieved over time, as investment in new crushing capacity occurs for export.
12. Furthermore, LMC estimates that, in the fullness of time, with the removal of the barrier to export of soy products that Argentina's DETs impose on the U.S., the total crushing margin measured at the U.S. Gulf point of export would be in the region of \$23 per metric ton.
13. This value of the crushing margin, \$23 per metric ton, is then applied to the additional tonnage of beans crushed for export, conservatively estimated at 12-13 million metric tons.
 - Thus, the increase in the volume of beans crushed for export would represent conservatively nearly \$300 million of extra export revenues.
14. This figure is then added to the earlier figure of the increase in export revenues from the current volumes of beans, meal and oil exported, \$100 million, to yield a conservative estimate of the total increase in export revenues of \$400 million.

LMC International Ltd Conclusion

The potential increase in the export value of U.S. soybean sector products as a result of the removal of the Argentine system of differential export tax rates is conservatively estimated at US\$400 million annually.

⁶ Soybean equivalents means translating volumes of soybean meal and soybean oil back into the soybeans necessary for their production.

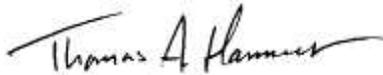
DETs MUST BE ELIMINATED

We greatly appreciate “the Obama Administration’s commitment to focus on the most significant foreign trade barriers” and that “USTR will be guided by the existence of active private sector interest in deciding which restrictions to include in the NTE” (*Federal Register* Notice).

We sincerely hope that this estimate will help USTR conduct comparative analyses of a barrier's effect over a range of industries, and conclude that immediate action must be taken to eliminate Argentina’s use of DETs on soybeans and soybean products, which we believe are inconsistent with Argentina’s WTO obligations. Because differential export taxes have been left unchecked, the use of DETs on oilseeds and other agriculture products continues to spread to countries such as Russia, Ukraine, Malaysia and Indonesia.

Again, thank you for the opportunity to submit these comments.

Sincerely,



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