

National
Grain and Feed
Association



North American
Export Grain
Association, Inc.



1250 I Street, N.W., Suite 1003, Washington, D.C., 20005-3922

For Release

IMMEDIATE (Aug. 5, 2004)

U.S. Grain Industry Commends WTO Framework as ‘Promising Springboard’ for Completing Ag Trade Negotiations

WASHINGTON – The nation’s two major grain organizations today (Aug. 5) said the successful completion last weekend of a framework for future negotiations on agricultural trade reform provides a “promising springboard” for a successful conclusion of the Doha Development Agenda of the World Trade Organization (WTO).

But the National Grain and Feed Association (NGFA) and the North American Export Grain Association (NAEGA) urged negotiators from the 147 WTO-member countries to redouble their efforts and use the framework to achieve aggressive, broad-based agricultural trade liberalization.

“We congratulate the negotiators from the United States and other countries for their tireless efforts to reach agreement on a framework that certainly provides the right direction for achieving meaningful, comprehensive reforms in agricultural trade,” said NGFA President Kendell W. Keith and NAEGA President Gary C. Martin. “We urge that nations participating in the WTO negotiations use the momentum generated by this framework to bring about substantial improvements in all three pillars of the agricultural negotiations – export subsidies, trade-distorting domestic supports and market access. The bar that would represent meaningful reform is quite high, and more needs to be done to achieve that objective.”

The two grain-trade association executives were reacting to the approval of the framework by the WTO’s General Council on Aug. 1. The seven-page annex of the framework on agriculture calls for the

elimination of export subsidies and the trade-distorting aspects of export credit programs, food aid and state-trading enterprises; substantial reductions in trade-distorting domestic supports; and enhancements to market access.

“Admittedly, as strong supporters of aggressive trade liberalization in agricultural markets – and as advocates of the ambitious reform to substantively reduce or eliminate major trade-distorting policies within a relatively short time frame – the approach outlined in the framework still leaves open to negotiation the precise timing, discipline and, in some cases, nature of the changes to trade-distorting practices and improvements in market access that is to be achieved,” said Keith and Martin. “Our sincere hope is that the participating nations will use this opportunity to adopt substantial and meaningful reductions, thereby bringing tangible reform to world agricultural trade and real benefits to all countries.”

The NGFA and NAEGA were particularly supportive of the framework’s provisions that would eliminate all export subsidies, as well as its call for ending the trade-distorting practices of state-trading enterprises, such as the Canadian and Australian Wheat Boards.

The two organizations also said the framework’s call for a 20 percent reduction in trade-distorting domestic supports during the first year after a new trade accord takes effect represented a “promising first installment” on reforming such programs using a tiered formula. They also supported the framework’s proviso that countries having higher levels of trade-distorting domestic supports be required to make greater proportional reductions.

But the NGFA and NAEGA said the steps to implement the framework’s provisions on reducing tariffs to enhance market access leading to “substantial trade expansion” need to be equally specific and aggressive.

The two grain organizations noted that worldwide agricultural subsidies currently are approaching \$350 billion annually. “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.

Non-agricultural trade has grown at a much faster pace than agricultural trade in the last four decades, the NGFA and NAEGA noted. Export subsidies, tariffs and other trade-distorting policies in agricultural markets are substantially higher than those in non-agricultural trade sectors, as substantial progress toward free trade has been made in those sectors in previous General Agreement on Tariffs and Trade (GATT) and WTO rounds.

The United States stands to benefit from more open world agricultural trade, the NGFA and NAEGA said. Currently, the United States exports about 50 percent of its wheat; 50 percent of its soybeans as either raw, processed or meat-equivalent products; and about 30 percent of its corn and corn value-added products. 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 in 2004. “We look forward to the opportunities that will be provided by future negotiations to advance trade liberalization in the WTO, and will be working with our colleagues in other countries to achieve a positive outcome,” said the NGFA and NAEGA, which are co-located and have a joint operating and services agreement.

The NGFA, established in 1896, consists of 1,000 grain, feed, processing, exporting and other grain-related companies that operate about 5,000 facilities that handle more than two-thirds 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 36 affiliated state and regional grain and feed associations, as well as two international affiliated associations. The NGFA 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.