



Comments for the Record

From

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Corn Refiners Association

Regarding the

House Ways and Means Committee

Hearing on the Pending Free Trade Agreements

January 28, 2011

The Corn Refiners Association (CRA) is pleased to submit the following comments for the record in response to the House of Representatives Committee on Ways and Means' hearing on the pending free trade agreements with Colombia, Panama, and South Korea on January 25, 2011. The CRA strongly supports these Agreements and urges swift Congressional approval of them.

CRA is the national trade association representing the corn refining (wet milling) industry of the United States. CRA and its predecessors have served this important segment of American agribusiness since 1913. Corn refiners manufacture sweeteners, ethanol, starch, bioproducts, corn oil, and feed products from corn components such as starch, oil, protein, and fiber.

CRA favors all three Agreements because of their benefits to agriculture in general and the corn refining industry in particular. The specific benefits of each agreement are outlined below.

Colombia-U.S. Trade Promotion Agreement

Even with current restrictive tariffs, Colombia has been a growing market for U.S. exports of refined corn products. Passage of this Agreement would accelerate this growth, particularly for corn gluten feed and meal. Duties on these products will be eliminated immediately, which would provide an important export market for the growing supply of ethanol co-products in the United States.

In addition, duties on corn starch, crystalline fructose, dextrin, and modified corn starch will be eliminated immediately. Colombian tariffs on most processed food – a major market for U.S.-produced corn starches, sweeteners, and oil – will be reduced to zero upon enactment of the Agreement. The elimination of price-band systems for vegetable oils, coupled with full duty elimination in five years, will restore and increase trade for U.S. corn oil that was lost in the 1990s. Duties on most glucose syrup and high fructose corn syrup will be eliminated over ten years. In the meantime, a new tariff-rate quota for U.S. glucose syrup will expand trade by 300%.

While the CRA seeks the shortest path to a duty free trade, the significant market access granted in the Colombian agreement for starches, sweeteners, oil, feed and processed food products is a major step. CRA supports passage of the Colombian Trade Promotion Agreement.

Korea-U.S. Free Trade Agreement

Currently, Korea imposes high tariffs on refined corn imports that prevent entry of many of our exports today. Under the KORUS Agreement, several products of the U.S. corn refining industry would have all duties eliminated in five to seven years, including corn oil, corn syrup, high fructose corn syrup, and crystalline fructose.

The most highly protected segment of the Korean market for processed corn products – corn starches and high-value modified starches – would see duties eliminated over the life of the Agreement and new duty-free quotas will enable U.S. firms to enter the market during this transition period.

While the KORUS awaits U.S. ratification, Korea is actively pursuing free-trade or preferential trade agreements with other nations. It has successfully concluded agreements with the European Union, the ASEAN group of countries, and India. Negotiations are ongoing with Australia, Canada, China, Mexico, New Zealand, and Peru. All of these countries are current or future competitors for the U.S. corn processing industry in the Korean market. Failure to adopt the KORUS will make the U.S. a residual supplier to the Korean market in relation to these countries, or will prevent U.S. corn refiners from competing in this market altogether.

This is especially true in the case of corn starch products in the Korea-European Union Agreement, an agreement that will go into force in July 2011. The European Union secured a highly advantageous deal for their starch exports, in some cases European starches received approximately four times the market access that U.S. starches received. Moreover, tariffs on European starch products are eliminated more rapidly than tariffs on U.S. corn starch exports.

Failure to secure expeditious ratification of the KORUS will place the U.S. corn refining industry at a significant competitive disadvantage relative to its European competitors. We urge immediate Congressional approval of the KORUS to ensure that the Korean market is not handed over to the European starch industry.

Panama-U.S. Trade Promotion Agreement

The Corn Refiners Association also supports passage of the Panama-U.S. Trade Promotion Agreement (TPA). Currently, Panama maintains restrictive duties on imports of U.S. refined corn oil, dextrose, crystalline fructose, and corn gluten feed and meal. The U.S.-Panama TPA will eliminate these duties in incremental steps, resulting in full free trade in all refined corn products in fifteen years. Immediate tariff reductions for animal feed products will provide rapid opportunities for U.S. exporters.

Thank you for the opportunity to provide these comments for the record in conjunction with the House Ways and Means Committee hearing.