



National Grain and Feed Association

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Statement of the
National Grain and Feed Association

to the House Ways and Means Committee

Regarding the
Pending Free Trade Agreements with Colombia, Panama, and
South Korea

February 8, 2011

About the NGFA

Established in 1896, the National Grain and Feed Association (NGFA) is a U.S.-based nonprofit trade association that consists of more than 1,000 grain, feed, processing and grain-related companies comprising more than 7,000 facilities that handle more than 70 percent of U.S. grains and oilseeds. Affiliated with the NGFA are 26 state and regional grain and feed trade associations.

The NGFA's membership encompasses all sectors of the industry, including country, terminal and export elevators; feed and feed ingredient manufacturers; biofuels companies; 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.

Trade is essential to the U.S. agricultural sector, and in particular to the U.S. grain, feed and processing industry, and the NGFA appreciates the opportunity to submit this statement.

U.S. agricultural exports continue to grow. More than half of U.S. agricultural exports are comprised of grains, feed and feed ingredients, oilseeds and grain products, with the vast majority of our consumers living outside the United States. U.S. agricultural exports also have significant linkages to the non-farm economy, particularly by generating employment and off-farm business activity. So, opening foreign markets and continuing to expand agricultural exports are critical to the success of the U.S. grain, feed and processing industry.

Through various linkages, agricultural exports are also fundamental to the economic activity in the rest of the economy, as well. U.S. Department of Agriculture (USDA) research indicates that this is truer for agriculture than most other export industries, regardless of size. According to USDA's Economic Research Service, every dollar of agricultural exports creates another \$1.36 in supporting business activities, such as processing, packaging, shipping and financing. In 2010, the \$108.4 billion of agricultural exports generated roughly \$150 billion in total economic activity.

Agricultural exports also mean jobs – jobs that often pay above-average wages and are distributed across many communities and professions, on and off the farm in urban and rural communities. USDA estimates that every \$1 billion dollars in agricultural exports supports more than 9,000 U.S. jobs. At this rate, agricultural exports provide employment for more than 900,000 Americans. Clearly, not only farmers and ranchers rely on agricultural exports.

According to the World Trade Organization (WTO), there are 474 trade agreements in place. Nearly all of the WTO's 153 members participate in one or more of these trade agreements, with some members party to 20 or more agreements. The United States, however, has implemented trade agreements with only 17 countries. The United States has the opportunity to implement free trade agreements with three additional countries, Colombia, Panama and South Korea, but these agreements have been stalled for more than three years.

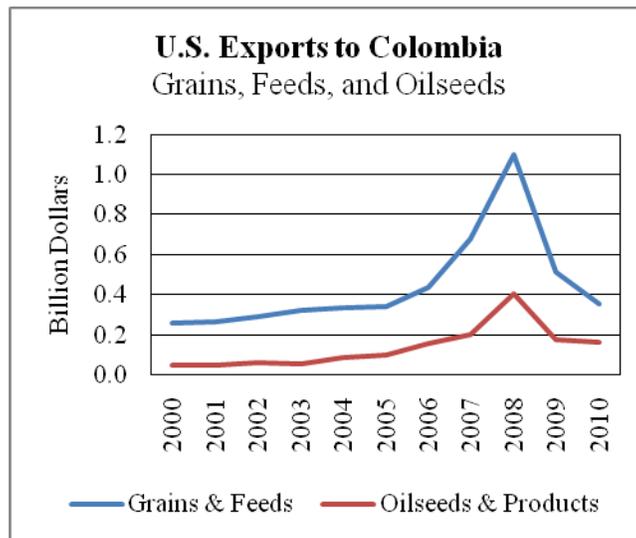
Colombia Trade Promotion Agreement (CTPA) – The United States and Colombia signed the CTPA on November 22, 2006. Under the CTPA, more than 80 percent of U.S. agricultural exports to Colombia will become duty-free immediately. Items that will receive immediate duty-free access include wheat, soybeans, soybean meal, and other processed and high-value agricultural products.

In fiscal year (FY) 2010, the United States exported \$354 million in grains and feed ingredients and \$165 million in oilseeds and products to Colombia. That accounted for 54 percent of all U.S. agricultural exports to this Latin American market.

U.S. Exports to Colombia
(Values in \$1,000)

	FY2010
Grains & Feeds	354,365
Oilseeds & Products	164,598
Horticultural Products	125,446
Cotton, Linters & Waste	81,660
Sugar & Tropical Products	33,045
Livestock & Meats	31,463
Poultry & Products	22,506
Planting Seeds	10,443
Dairy & Products	5,135
Tobacco & Products	494
Total	829,154

Colombia recently completed free trade agreements with Canada, the European Union (EU), and Mercosur (the Southern Common Market, a South American regional trade group that includes Argentina, Brazil, Paraguay, and Uruguay). The U.S. market share in Colombia, especially for feed ingredients and grains, has been declining because of our competitors' advantages with their own trade-preference agreements. For example, the United States traditionally has been the top supplier of corn, wheat and soybeans to Colombia; in 2007, the United States had 76 percent of the market for these products. But in 2010, the U.S. market share had declined to just 27 percent, suffering major losses to Mercosur partners Argentina and Brazil.



Panama Trade Promotion Agreement (PTPA) – The United States and Panama signed the PTPA on June 28, 2007. Under the PTPA, more than half of U.S. agricultural exports to Panama

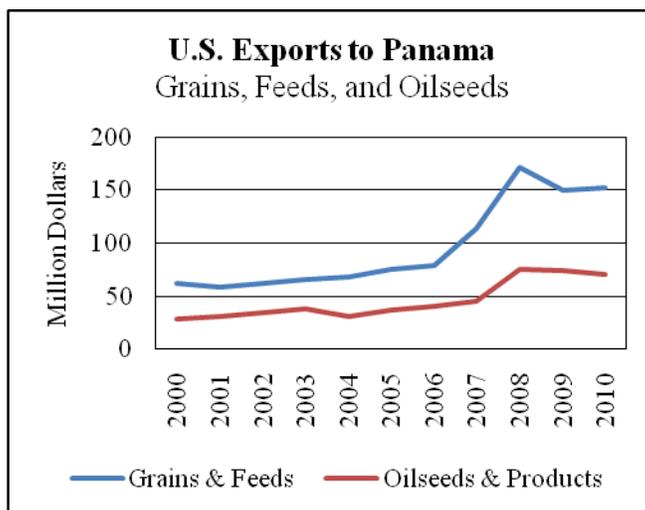
will become duty-free immediately. Items that will receive immediate duty-free access include soybeans, soybean meal, wheat, barley, and other processed and high-value agricultural products.

In FY 2010, the United States exported \$152 million in grains and feed ingredients, as well as \$71 million in oilseeds and products, to Panama, which accounted for 55 percent of all U.S. agricultural exports to this Central American market.

U.S. Exports to Panama
(Values in \$1,000)

	FY2010
Grains & Feeds	151,682
Horticultural Products	93,643
Oilseeds & Products	70,742
Sugar & Tropical Products	33,091
Livestock & Meats	20,192
Poultry & Products	17,004
Dairy & Products	14,567
Planting Seeds	1,835
Tobacco & Products	52
Cotton, Linters & Waste	9
Total	402,817

Panama recently completed a free trade agreement with Canada. If this agreement enters into effect before the PTPA, Canadian exporters will gain a significant competitive advantage over the United States in the Panamanian market.



South Korea Free Trade Agreement (KORUS FTA) – The United States and South Korea signed the KORUS FTA on June 30, 2007. Under the KORUS FTA, nearly two-thirds of U.S. agricultural exports to South Korea will become duty-free immediately. Items that will receive

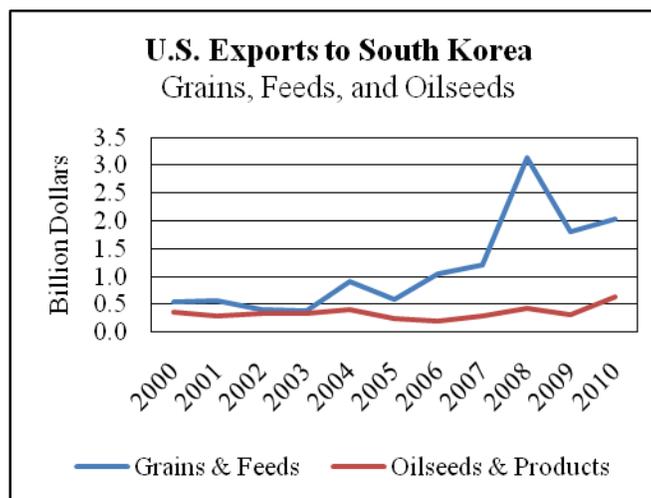
immediate duty-free access include wheat, corn, soybeans for crushing, and other processed and high-value agricultural products.

In FY 2010, the United States exported \$2 billion in grains and feed ingredients, as well as \$644 million in oilseeds and products, to South Korea, which accounted for 54 percent of all U.S. agricultural exports to this key Asian market.

U.S. Exports to South Korea
(Values in \$1,000)

	FY2010
Grains & Feeds	2,040,832
Livestock & Meats	1,094,322
Horticultural Products	672,053
Oilseeds & Products	643,678
Cotton, Linters & Waste	139,508
Sugar & Tropical Products	130,728
Dairy & Products	117,142
Poultry & Products	95,655
Planting Seeds	26,605
Tobacco & Products	21866
Total	4,982,388

South Korea recently completed a free trade agreement with the European Union (EU). That agreement is expected to be implemented in July 2011. Under the Korea-EU FTA, 82 percent of Korea’s tariff will be eliminated immediately. If the Korea-EU FTA is implemented *before* the KORUS FTA, EU agricultural exporters will gain a significant competitive advantage over U.S. agricultural exporters in the South Korean market. In addition, South Korea is negotiating a regional free trade agreement with Mercusor.



Conclusion

Prompt ratification of each of these trade agreements – with Colombia, Panama and South Korea – are vital to the continued competitiveness and ultimate success of the U.S. grain, feed and grain processing sectors in each of these markets.. Ratification also would send a powerful signal that the United States is unwilling to cede its international trade competitiveness to other regions of the world, and would, in the process, sustain existing, as well as create new, jobs in the U.S. economy.

The NGFA strongly supports and encourages expeditious Congressional consideration and ratification of each of these important trade accords.