Statement for the Hearing on the Pending Free Trade Agreements
with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

by Thomas A. Hammer, President
National Oilseed Processors Association (NOPA)

Ways and Means Committee
U.S. House of Representatives
January 25, 2011

Mr. Chairman and distinguished Members of the Committee, thank you for holding this hearing on the pending free trade agreements with Colombia, Panama, and South Korea and the creation of U.S. jobs. The National Oilseed Processors Association (NOPA) thanks you for the opportunity to submit our views regarding the pending free trade agreements (FTAs).

NOPA is a national trade association comprised of 14 members engaged in the production of food, feed, and renewable fuels from oilseeds, including soybeans. NOPA's member companies process more than 1.7 billion bushels of oilseeds annually at 63 plants located in 20 states throughout the country, including 57 plants that process soybeans. Each one of these operates as a small business generating services and opportunities for farmers and ranchers in the rural communities they serve.

American agribusiness is at risk of being left behind as a result of the long delay in the passage of these pending agreements. Many of our major trading partners, especially in Asia, have turned to bilateral economic agreements to promote trade at the expense of U.S. exports. South Korea is not waiting for the United States, but is negotiating FTAs with other major economies, including the EU and India, to the disadvantage of U.S. business. It is only a matter of time before South Korea joins with other nations, such as China, Australia and New Zealand, in negotiating additional bilateral agreements.

These trade agreements are important to the overall economic health of farmers, ranchers, agricultural processors, and the entire value chain. Our industries play a vital role in the prosperity of rural communities. Agriculture is responsible for one out of every 12 jobs in America and is responsible for creating employment opportunities for people in urban, suburban, and rural communities across the country. The Department of Agriculture estimates that every billion dollars in agricultural exports supports 9,000 jobs. A decline in our exports means a decline in work for the entire supply chain. We must do whatever we can to assure that we are creating opportunities and jobs.

In President Obama's State of the Union Address on January 27, 2010, he announced the National Export Initiative (NEI), with a goal of doubling exports over the next five years. The President once again mentioned in his State of the Union Address on January 25, 2011, the goal of doubling our exports by 2014. The negotiation and implementation of FTAs and other trade expanding arrangements will lead to increased opportunities for oilseed processors, farmers, ranchers, and agribusiness. The three pending FTAs represent immediate growth opportunities in both revenue and jobs and support the NEI goal of doubling exports by 2014.

However, trade expansion between the United States, South Korea, Colombia and Panama are at risk because our competitors are moving quickly to gain market access. They are moving forward with their own FTAs. This is not a trivial concern. There are 13 such agreements in place or in the works involving some 50 nations around the world. They include some major agricultural producing and exporting countries: Chile, Australia, New Zealand, Canada, the 27-nation European Union, Mexico, Mercosur (Argentina, Brazil, Paraguay and Uruguay), Peru and the ASEAN bloc. In fact, South Korea's FTA with the European Union is set to enter into force on July 1, 2011. This, coupled with the failure to implement the KORUS FTA, will put U.S. food and agriculture products at a severe disadvantage with respect to competition from the European Union in the Korean market.

According to an analysis by the American Farm Bureau Federation, the KORUS FTA would result in $1.8 billion in additional sales to Korea, a 46 percent increase over existing sales. These new exports would create thousands of new jobs across the agricultural sector, in rural communities and throughout the economy. For three years, these important benefits have been forfeited while the implementing legislation has been on hold.

We can lose jobs as our market share declines, we can relinquish our export sales to countries that have implemented their own FTAs, or we can create new jobs by expanding exports to South Korea, Colombia, and Panama.

First and foremost, however, Congress and the Administration should proceed to expeditiously ratify the pending agreements with South Korea, Panama, and Colombia. Below is a detailed description of each agreement and the benefits to the U.S. soybean industry and our animal and livestock customers.

U.S. – Korea Free Trade Agreement (KORUS)

The United States is already Korea's top supplier of a broad variety of agricultural exports at $4.37 billion in 2009, including fish and forest products, making Korea the fifth largest export market for U.S. farm products. The new agreement is expected to expand those sales even further. The U.S. is the No. 1 supplier to Korea of many farm products, including almonds, beef, fresh cherries, hides and skins, poultry, soybeans, corn, and wheat. With the agreement, the average agricultural tariff for U.S. goods will fall from the current 52 percent to 4 percent in 15 years. The tariff reductions will help the U.S. compete against China and Australia, which have increased their presence in Korea's $12 billion agriculture market. The tariff reductions will help the U.S. compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future trade partners.

Product	2005	2006	2007	2008	2009
Soybeans	$199.4 M	$113.1 M	$158.4 M	$186.7 M	$276.0 M
Soybeans Oil	$ 6.8 M	$ 27.7 M	$ 46.4 M	$ 66.8 M	$ 55.9 M
Soybean Meal	$ 4.4 M	$ 17.2 M	$ 38.0 M	$ 82.0 M	$116.0 M
	$ 211.1 M	$158.0 M	$242.8 M	$335.5 M	$447.9 M

Soybeans and Products: The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-ton market for food quality soybeans. Korea has agreed to immediately eliminate its 5-percent tariff on food-use soybeans. In addition, Korea will also establish a Tariff Rate Quota (TRQ) for identity-preserved soybeans for food use (the production of soybean curd). This quota will operate outside the current state trading entity, which has charged a reported $250 per ton markup on soybean imports supplied to soybean curd processors. The TRQ will be operated by an association of food-grade soybean processors. Korean tariffs on soybeans for crushing will decline from the current 1 percent autonomous tariff to zero upon implementation of the KORUS FTA.

Soybean Oil and Meal: Korean tariffs on imports of crude soybean oil (the majority of Korea's soybean oil imports) will decline from the current 5.4 percent WTO tariff in 10 equal annual reductions. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3 percent tariff on soybean flour and meal will immediately go to zero. U.S. livestock and poultry producers customers consume over 29.49 million tons of soybean meal.

Pork: Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty-free on January 1, 2014. This includes all frozen pork products and processed pork products. Fresh and chilled products will be phased out in 10 years and subject to a 10-year safeguard that is higher than historical trade and grows six percent annually. Date-certain duty-free access allows for U.S. exports to compete on a level playing field with other Korean free trading partners. In addition to ambitious market access gains, the Republic of Korea has agreed to accept all pork and pork products from USDA-approved facilities. This provision ensures that trade will be possible without onerous technical or sanitary barriers.

The KORUS FTA will add hundreds of millions of dollars to the U.S. pork industry in additional pork exports. Exports positively impact the price of live hogs, and therefore the agreement will benefit all U.S. pork producers. In 2009, exports to South Korea were 133,530 metric tons valued at $215 million. The United States is the largest foreign supplier of pork to South Korea. Major competitors include the EU, Canada, Chile and Australia. The U.S.-Korea FTA will give U.S. pork preferences in this lucrative market over other foreign competitors.

Poultry Meat and Egg Products: Korean tariffs on imports of chicken cuts, including the dominant U.S. frozen leg import category, will decline from the current 20 percent to zero in 10 equal annual reductions with the exception of frozen breast and wings, which will decline in 12 equal reductions. Korean tariffs on frozen turkey cuts will decline from the current 18 percent in seven equal annual reductions. Korean tariffs on egg products (egg yolks are the key import item) will decline from the current 27 percent in 12 equal annual reductions.

Korea's most significant poultry meat imports are frozen cuts, such as legs and wings, followed by frozen turkey cuts, such as legs and wings. The U.S. is the leading supplier, with an average market share of 53 percent, followed by Brazil and the European Union.

U.S.-Colombia Trade Promotion Agreement (CTPA)

The CTPA achieves two key trade objectives for the United States: it makes agricultural trade a two-way street, and it levels the playing field with respect to third-country competitors in the Colombian market.

Product	2005	2006	2007	2008	2009
Soybean Meal	$ 56.9 M	$ 76.7 M	$ 73.8 M	$120.6 M	$ 39.2 M
Soybean Oil	$ 2.1 M	$ 2.2 M	$ 6.8 M	$ 71.0 M	$ 1.3 M
Soybeans	$ 41.7 M	$ 65.4 M	$ 91.0 M	$ 96.0 M	$100.4 M
	$100.7 M	$144.3 M	$171.6 M	$287.6 M	$140.9 M

Upon implementation of the CTPA, U.S. exporters will receive immediate duty-free treatment on products accounting for more than half the value of current trade. Currently, no U.S. agricultural exports enjoy duty-free access to Colombia. In contrast, over 99.9 percent of Colombia's current exports already receive duty-free treatment into the U.S. market under the Andean Trade Promotion and Drug Eradication Act (ATPDEA), legislation passed by Congress in 2002. Most Colombian applied tariffs range from 5 to 20 percent for agricultural products and, in many cases, these tariffs now restrict U.S. exports.

Sanitary & Phytosanitary (SPS) Measures: Colombia also agreed to recognize the U.S. meat and poultry inspection system as equivalent to its own system. The U.S. and Colombia agreed to establish an SPS Committee to expedite resolution of technical issues.

Soybeans and Soybean Products: Colombia's WTO tariff bindings on soybeans and soybean products range from 75 to 150 percent. Colombia's applied tariff rates range from 5 to 20 percent on some products, while other products are subject to Colombia's price band system with tariffs ranging up to the WTO bound level, depending on world prices. Colombia will immediately eliminate tariffs on soybeans and soy meal and flour. Colombia will provide immediate duty-free access for crude soybean oil through a 31,200-ton TRQ with four percent annual growth. Colombia will phase out the out-of-quota tariff of 24 percent for crude soybean oil over 20 years. Colombia will phase out its 24 percent tariff for refined soybean oil over 5 years.

Pork: The CTPA negotiated between the U.S. and Colombia, once fully implemented, will significantly benefit U.S. pork producers. Under the terms of the CTPA, the tariffs on some pork and pork products will be eliminated immediately, while the tariffs on others will be phased out over a 5-year period.

Live hog prices are positively impacted by the introduction of new export markets. According to Iowa State University economist Dermot Hayes, the Colombia agreement, when fully implemented, will cause live U.S. hog prices to be $1.15 higher than would otherwise have been the case.

Poultry: In 2009, the United States exported $20.8 million of poultry and poultry products to Colombia. Colombia's WTO tariff bindings on poultry range from 70 to 209 percent. Colombia's applied tariff rates range from 5 to 20 percent on some products, while other products are subject to Colombia's price bands with tariffs ranging from zero percent up to the WTO bound rate, depending on world prices. The United States secures a 27,040-ton TRQ at zero duty with four percent annual growth for chicken leg-quarters. Colombia will phase out the out-of-quota tariff of 164.4 percent for fresh, chilled and frozen chicken leg-quarters and of 70 percent for processed chicken leg-quarters over 18 years with a grace period during the first six years. Colombia will have access to a safeguard on chicken leg-quarters in the event of an annual import surge during the 18-year tariff phase-out period.

Colombia will also establish a zero-duty, 412-ton TRQ with 3 percent annual growth for "spent fowl," typically post-production layers. The 45 percent above-quota tariff on spent fowl will be phased out over 18 years. Colombia will have access to a safeguard on spent fowl in the event of an annual import surge during the 18-year implementation period.

U.S.-Panama Trade Promotion Authority Agreement

The U.S.-Panama Trade Promotion Agreement provides for a growing market for U.S. agricultural products. U.S. agricultural products exported in 2009 were $378 million, compared to $207 million in 2005.

Over 88 percent of U.S. exports of consumer goods and industrial products to Panama will be duty-free immediately upon entry into force of the agreement, and an additional four percent will be duty-free within five years. All remaining tariffs will be eliminated within ten years.

Product	2005	2006	2007	2008	2009
Soybean Meal	$28.6 M	$27.5 M	$42.5 M	$59.0 M	$51.8 M
Soybeans Oil	$ 2.6 M	$ 1.2 M	$ 2.6 M	$ 8.9 M	$ 2.6 M
Soybeans	0	$ 1.1 M	$ 1.8 M	$ 1.1M	$ 1.5 M
	$31.2 M	$29.7 M	$46.9 M	$69.0 M	$55.9 M

Oilseeds and Vegetable Oil: Panama's tariffs on oilseeds and vegetable oils range from zero to 30 percent. All fat and oil tariff lines will be eliminated within 15 years or less.

- Oilseeds. Panama will lock in duty-free treatment for U.S. exports of both soybeans and soybean meal immediately.
- Soybean Oil. The tariff on crude soybean oil will be eliminated immediately. The tariff on refined soybean oil will be phased out within 15 years, with an initial grace period and a safeguard.
- Corn Oil. The tariff on crude corn oil will be eliminated immediately. Panama will establish a duty-free preferential TRQ for refined corn oil. The initial duty-free TRQ will be 368 tons with a 5-percent compound growth rate. The over-quote tariff on refined corn oil will be phased out within 10 years, with an initial grace period and a safeguard.

Pork: U.S. pork exports to Panama are currently restricted by a very limited quota and out-of-quota duties as high as 80 percent. However, the Panama Trade Promotion Agreement, if implemented, will provide immediate duty-free treatment on pork variety meats and expanded market access for U.S. pork through tariff rate quotas. U.S. pork competes in Panama with pork from Canada and the EU. The Panama Agreement, if implemented, will give U.S. pork products a competitive edge in the market.

Poultry: Panama's tariffs on poultry range from 5 to 260 percent. Tariffs will be eliminated immediately on frozen whole turkeys, most frozen turkey cuts, and mechanically de-boned chicken. Tariffs will be eliminated within five years on chicken wings and other turkey meat, as well as processed chicken and turkey. The agreement establishes a preferential duty-free TRQ for chicken leg quarters that starts at 660 tons and grows each year by a 10-percent compound rate. The over-quota tariff will be eliminated in 18 years with no tariff reductions for the first 10 years. All other poultry tariffs will be eliminated within 15 years or less. Under the CBI, U.S. tariffs on poultry imports from Panama currently are zero. The U.S.-Panama TPA continues this zero-duty treatment.

Agricultural Market Access: More than half of current U.S. farm exports to Panama will receive immediate duty-free treatment, including high quality beef, mechanically de-boned chicken, frozen whole turkeys and turkey breast, port variety meats, whey, soybeans and soybean meal, crude vegetable oils, cotton, wheat, barley, most fresh fruits, almonds, walnuts, many processed food products, distilled spirits, wine, and pet food.

U.S. farm products that will benefit from expanded market access opportunities through tariff-rate quotas include the following: pork, chicken leg quarters, dairy products, corn, rice, refined corn oil, dried beans, frozen French fries, and tomato products. Tariffs on most remaining U.S. farm products will be phased out within 15 years.

Agricultural Regulatory Issues: Panama will recognize the equivalence of U.S. food safety inspection system for meat and poultry, and the U.S. regulatory system for processed food products. The agreement streamlines import documentation requirement for U.S. processed foods and ensures Panama's continued recognition of the U.S beef grading system and cuts nomenclature.

As you can see, these free trade agreements provide significant opportunity for U.S. agriculture. We urge Congress and the Administration to proceed to expeditiously ratify the pending FTAs with South Korea, Panama and Colombia.

Thank you for allowing NOPA to share its views on the pending free trade agreements. We look forward to working with you and the Committee in addressing the challenges and opportunities in facilitating growth in U.S. agricultural trade and creating economic growth in rural communities across the country.

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