Brandon Baum
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June 24, 2016

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Trade Subcommittee:

I'm pleased to see that the U.S. House of Representatives Ways and Means Trade Subcommittee is seeking input about trade agreements. In response to the committee's June 14 hearing on Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports, I wish to outline my own support for new policies by explaining the direct impact they would have on the U.S. economy.

As an academic specializing in intellectual property law and a former Silicon Valley attorney, I know that new trade agreements are crucial for ensuring that we reap the benefits that our technological advances have sown. America and California lead the world in technological advances in food science. Our food is safer, more robust, and produced more efficiently than anywhere in the world. Other countries might be able to undercut our labor costs, but they can never match the productivity gains we enjoy through technological advances. Some countries have raised protectionist barriers against our agricultural exports. We need strong trade agreements to ensure a level playing field, with easy to implement "teeth" for enforcement. With greater access to international agricultural markets through trade agreements, California will continue to be as it was described upon admission to the Union in 1850; "a marvel to ourselves and a miracle to the world."

Thank you for your consideration.

Sincerely,

Brandon Baum

Brandon Baum
Adjunct Professor of Intellectual Property Law
University of California, Hastings

BRATECC BRAZIL-TEXAS CHAMBER OF COMMERCE

To Foster Business and Friendship, Networking Decision and Opinion Makers

Houston, June 27th. , 2016

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Trade Subcommittee:

I'm pleased to see that the U.S. House of Representatives Ways and Means Trade Subcommittee is seeking input about U.S. agricultural exports in trade agreements. In response to the committee's June 14 hearing on Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports, I wish to outline my own support for new policies by explaining the direct impact they would have on my company and the greater U.S. economy.

As president of the Brazil-Texas Chamber of Commerce, I speak on behalf of the organization in stating that we are very interested in developing a program of mutual trading and cooperation between the Brazil and the United States. Former Brazilian Minister of Agriculture Katia Abreu, along with other politicians from both nations, has spoken in favor of such developments, stating that Brazil and the United States, as giants in the production of food and other exports, should work together to promote global food safety and other mutual regulations.

In the wake of such revitalized interest between the two countries, the Brazil-Texas Chamber of Commerce sees an excellent opportunity in creating such a partnership. We believe that new trade policies are especially necessary for developing regulations required for conducting exceptional bilateral business.

I hope your committee will support international trade agreements.

Thank you for your consideration.

Sincerely,

Cid Silveira
Executive Director
Brazil-Texas Chamber of Commerce

Honorable Dave Reichert
Chairman,
Subcommittee on Trade,
Committee on Ways and Means,
U.S. House of Representatives
1104 Longworth HOB
Washington, DC 20515

Honorable Charles B. Rangel
Ranking Member,
Subcommittee on Trade,
Committee on Ways and Means,
U.S. House of Representatives
1104 Longworth HOB
Washington, DC 20515

Statement of Mr. Tracy Brunner, President, National Cattlemen's Beef Association
Submission for the record to the
United States House Committee on Ways and Means,
Subcommittee on Trade
"Importance of Trade to U.S. Agriculture"
June 14, 2016

Chairman Reichert, Ranking Member Rangel and members of the committee, on behalf of the U.S. beef industry, I thank you for holding this hearing on the importance of trade to U.S. agriculture. My name is Tracy Brunner, and I am a cattleman from Ramona, Kansas. I am the president of the National Cattlemen's Beef Association (NCBA), the nation's oldest and largest trade association representing the U.S. beef industry and I am honored to share with you the pros and cons of trade that we have experienced as an industry over the years.

Cattlemen and women support open markets, level playing fields, and science-based standards when it comes to international trade. We do not support trade based on politics and protectionism where governments, not consumers, determine demand. Simply put, when governments get in the business of picking winners and losers, everybody loses. The U.S. beef industry has been both the beneficiary and victim of trade policy and it is important that Congress and the White House work together to avoid the pitfalls of the past.

Beef demand around the world continues to grow at a strong and steady pace. In order to keep up with demand, we rely on science and technology to assure our natural resources are efficiently used. We also rely on proper conservation practices to make sure our pasture and grazing lands remain healthy even in tough times like these. The judicious use of scientific interventions such as antibiotics, pest control, and growth promotants allow me and other producers to compete with beef producers across America and around the world for a growing consumer base that is hungry for the safe and delicious beef we produce. It is very important to me and many other ranching families that we do everything possible to ensure that the next generation will have the opportunity to continue providing high quality beef to consumers around the world. While government incentives for young and beginning producers may sound good in theory, the truth is nothing attracts workers like the promise of the almighty dollar. Exports will help provide the real economic incentive needed to stem the tide of disappearing farmers and ranchers needed to continue providing safe and affordable food to a growing global consumer base.

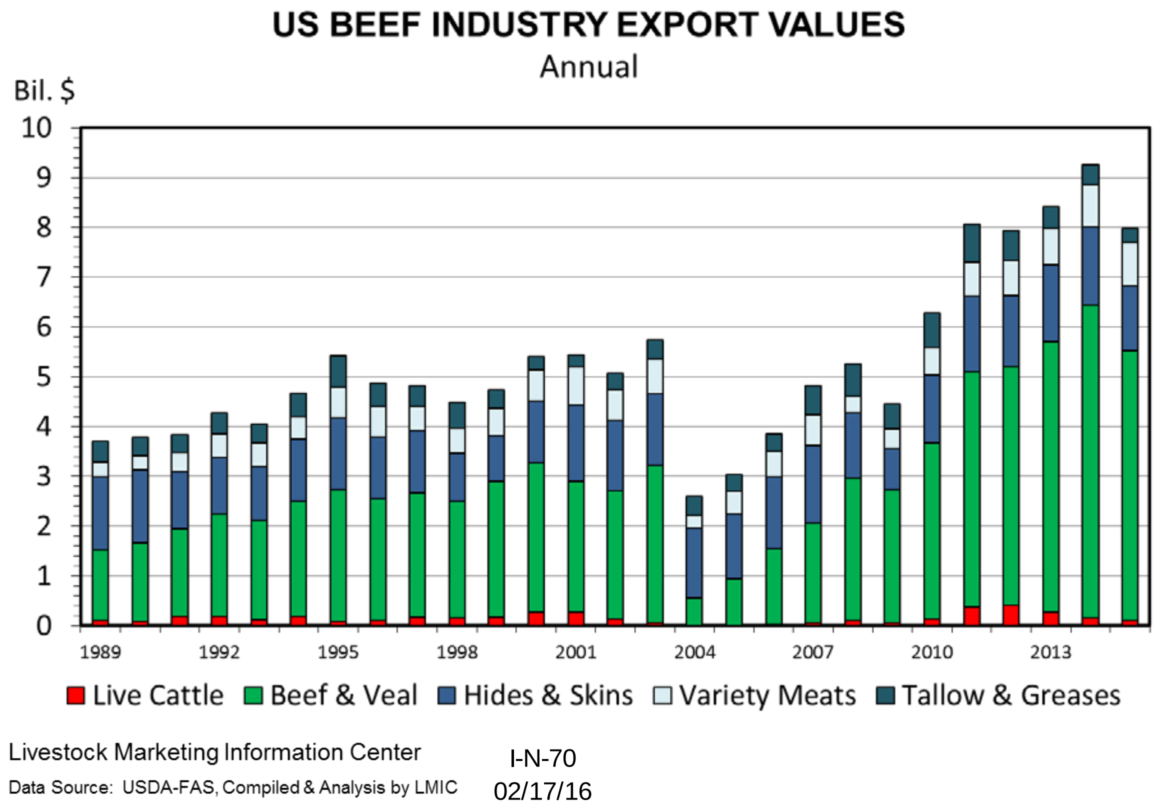
The elimination of tariff and non-tariff trade barriers is a top priority for the U.S. beef industry. I strongly encourage you to work with President Obama to implement pending and future trade agreements based on free market, science-based principles that will resolve the limited market access we face due to tariff and non-tariff barriers. It is my hope that this information will highlight expanded trade opportunities as well as the barricades to trade that we continue to face in the U.S. beef industry.

Overview of U.S. Beef Industry and Exports

According to the U.S. Department of Agriculture, the U.S. beef industry consists of nearly 915,000 cattle and calf operations with a national herd size of 92 million head of cattle, with 90 percent of cow herds consisting of less than 100 head (average is 40 cows per operation). In 2015, the U.S. beef industry generated $82.5 billion in farm gate receipts and the average American spent approximately $350 per capita on U.S. beef products. Without question, our domestic market is our largest consumer base and the focus of most of our marketing campaigns. Americans love beef, and we enjoy a dominant share of the domestic market place. At the same time, international consumers are often willing to pay premiums for cuts and variety meats such as tongue, livers, short ribs, skirts, and stomachs that are not as valuable in the U.S. market.

The U.S. beef industry has traditionally exported 10 to 15 percent of our products and we expect that percentage to rise as more consumers are exposed to U.S. beef in other countries. In 2015, foreign consumers purchased 1.06 million metric tons of U.S. beef and beef products at a total of $6.3 billion. In addition to beef and veal, we also export hides and skins, tallow, live cattle, semen, embryos, and even rendered cattle. If there’s a market demand for any part of the animal we do our best to meet it. According to Global AgriTrends, exports accounted for $325 per head of fed cattle in 2015.

Beef and beef products are the largest segment of our export portfolio. According to the U.S. Meat Export Federation, our top five export markets in 2015 were: Japan ($1.28 billion, 204,927 metric tons), Mexico ($1.09 billion, 225,574 metric tons), Canada ($900 million, 124,822 metric tons), Korea ($810 million, 126,093 metric tons), and Hong Kong ($800 million, 120,905 metric tons).



Success Stories for U.S. Beef Trade

Quite possibly one of the greatest success stories for the U.S. beef industry has been the North American Free Trade Agreement (NAFTA). In 1993, the pre-NAFTA level of U.S. beef exports to Mexico were 39,000 tons valued at $116 million. As a result of NAFTA, Mexico eliminated its 15 percent tariff on live cattle slaughter, the 20 percent tariff on chilled beef and the 25 percent tariff on frozen beef. Fast forward to 2015—Mexico was our second largest export market, valued at over $1 billion. Since Mexico lifted the 30-month age-based restriction on U.S. beef products, we anticipate further growth in our exports to Mexico. Meanwhile, Canada has traditionally been our largest export market for U.S. beef, but finished third overall with a remarkable $900 million in sales. Having two large export markets at our borders has greatly benefitted the U.S. beef industry.

Not only do we trade beef with Mexico and Canada, the live cattle trade is also a very lucrative business for all three nations. In 2015, we imported nearly two—million head of cattle from Canada and Mexico. Mexican-born and Canadian-born cattle are a critical component to the success of the U.S. beef industry, something on which U.S. cattlemen depend in order to supplement our herd shortage.

Likewise, our trade agreements with other countries in the western hemisphere have proven to be very successful for the U.S. beef industry. After ten years under the terms of the Central American Free Trade Agreement (DR-CAFTA) where we are experiencing the benefits of elimination of 15-40 percent tariffs over 15 years and the strengthening of SPS measures.

Of course, we are very excited to see the growth and opportunities that have been created with the implementation of the free trade agreements with Korea, Colombia, and Panama. Korea is a top five market for U.S. beef exports and the 15—year phase out and elimination of the 40 percent tariff on U.S. beef allows us to sell more U.S. beef to more Korean consumers. We currently enjoy an eight percent tariff rate advantage over Australia and Canada because Congress implemented our agreement before Australia and Canada. In recent years critics questioned whether the Korea FTA was beneficial to the beef industry because sales were not as high as the year before the FTA was implemented. One important fact they do not take into account is that prior to the implementation of the FTA, Korea was suffering from a massive shortage in their domestic livestock production due to animal health issues that led to a spike in beef imports. Domestic production in Korea has been recovering at a rapid pace, and even in spite of that, 2015 was a great year for beef sales in Korea at $810 million.

While elimination of Korea's massive 40 percent tariff is important, equally as important are the strong sanitary and phytosanitary standards (SPS) in the Korea FTA. The Korea FTA's SPS agreement is considered the gold standard of SPS agreements and is something we want reflected in all future agreements. Similarly, the SPS agreements in the Colombia and Panama FTAs are also very strong.

One market that has been beneficial for U.S. beef exports is Hong Kong. The cause of this increase in sales has not had as much to do with the removal of tariff barriers as the removal of a non-science based, age-based restriction on U.S. beef. In May 2013, the U.S. was designated as "negligible risk status" for bovine spongiform encephalopathy (BSE) by the World Organization for Animal Health (OIE). Under a previous agreement Hong Kong agreed to grant full market access (no more restriction on age) for U.S. beef. In 2008, Hong Kong purchased $43 million in U.S. beef. In 2015, that number grew to $800 million.

Without question, one of the greatest developments for the U.S. beef industry was Japan lifting their age-based restriction on U.S. beef from 20 months to 30 months on February 1, 2013. Prior to that time Japanese protocol limited imports of beef from the U.S. to cattle slaughtered before they reached 21 months of age. The removal of that arbitrary trade barrier allowed the sale of U.S. beef to climb from $4 million in 2004, to $1.3 billion in 2015. Japanese consumers want U.S. beef, and the removal of the age-based restriction will further encourage our sales to grow.

Hindrances to U.S. Beef Trade

Unfortunately we continue to face many unnecessary barriers from tariffs, tariff rate quotas, and non-science based non-tariff barriers. Many of these restrictions have been the result of government reaction to cases of BSE.

China

China's market remains closed to U.S. beef since the 2003 discovery of a Canadian-born cow infected with BSE in the U.S. Since 2003, China has continuously used non-science based standards to ban imports of U.S. beef, a product that is recognized internationally as a safe product. Arbitrary guidelines not based on science have resulted in lost profits for U.S. beef exports across the globe. According to CattleFax, the U.S. beef industry lost nearly $22 billion in potential sales through 2010 due to BSE bans and restrictions around the world.

The U.S. beef industry has taken great strides to open markets and promote U.S. beef in Asia. As the middle-class grows throughout Asia, consumers are switching to a protein-based diet. There are tremendous opportunities for beef, pork, and poultry in China, a place with a high population and a growing demand for protein. It has been estimated that U.S. beef sales in China could exceed $300 million annually if given access.

U.S. beef isn't the only industry to suffer from these non-science based trade restrictions. On a larger scale, the elimination of China's tariffs and other trade restrictions could lead to an additional $3.9 to $5.2 billion in U.S. agricultural exports to China, according to a study by U.S. International Trade Commission.

One of the greatest hindrances for the U.S. beef industry has been China's reluctance to embrace internationally recognized science-based standards for beef such as those standards recommended by the World Organization for Animal Health (OIE) and the Codex Alimentarius (Codex).

According to a March 2011 report by the United States International Trade Commission, U.S. and Chinese officials have been unable to reach an agreement on requirements for trade in a variety of beef products, owing to China's regulations related to BSE. In June 2006, China agreed to allow imports of boneless U.S. beef from cattle less than 30 months of age. However, approval was subject to a number of stipulations, many unrelated to BSE risk, and an agreement has not been reached.

On May 29, 2013, the OIE upgraded the United States' designation for BSE from controlled-risk to negligible risk for BSE. The *negligible BSE risk* distinction applies to cattle and commodities from countries or zones that pose a negligible risk of transmitting the BSE agent as demonstrated by: 1) a risk assessment; 2) the appropriate level of BSE surveillance; 3) one of the following: no BSE cases, only imported BSE cases or indigenous BSE cases born no more recently than 11 years; 4) an existing education and reporting program; and 5) a feed ban that has been in place for at least eight years if an indigenous or imported case or other risk factors exist.

It is unfortunate that China will import beef from other countries that have negligible risk status, such as Australia and New Zealand, and even from countries such as Canada that have controlled-risk status, a lesser status in the OIE scale of designations, but not from the United States. NCBA encourages U.S. and Chinese negotiators to develop a beef protocol based on sound science and commercial feasibility instead of political interests.

Another area of concern is China's opposition to the proper use of internationally-approved technologies, particularly beta agonists such as ractopamine. Beta agonists are fed to cattle (steers and market heifers) in feedlots during the last 28 to 42 days of the finishing period to safely increase carcass gain, feed efficiency and carcass leanness while maintaining beef's natural taste, tenderness and juiciness. The Codex Commission, the international food standards-setting body recognized in the WTO-SPS Agreement, has established a set of Maximum Residue Levels (MRLs) widely accepted in international trade. On July 5, 2012, Codex adopted standards for maximum residue levels for ractopamine. The establishment of international standards for veterinary drugs like ractopamine is important since many countries rely on science—based food standards to ensure that the food they are importing is safe. U.S. agricultural exporters and consumers worldwide benefit from the adoption of international standards for food safety. Unfortunately, China continues to find reasons to delay approval of technologies like ractopamine, instead of incorporating into their protocol the proven scientific standards of the international community. Other countries have changed their beef protocols in the wake of the Codex approval. NCBA encourages China to do the same. As the global population continues to grow, and as a result a growth in the demand for protein, food production must adapt through the use of safe technological advances that rely on fewer available natural resources.

Russia

Prior to 2013, Russia was the fifth largest market for U.S. beef exports with Russian consumers purchasing more than $300 million of U.S. beef in 2012. Unfortunately, at the end of 2012 Russia closed its doors to beef from the United States, Canada, Mexico, and Brazil due to non-science based concerns over production technologies used in each of those countries. While the impact of unnecessarily closing a $300 million market to U.S. beef has impacted our industry, this unfortunate move by the Russian government did not come as a surprise.

On August 22, 2012, Russia officially joined the WTO. As part of Russia's accession agreement with the U.S., Russia agreed to expand market access for U.S. beef to 60,000 metric tons (frozen beef) and an unlimited supply of High Quality beef at a 15 percent tariff rate. Even though the U.S. beef industry raised concerns with our government over Russia's history of implementing market-disrupting non-science based trade barriers, the increase in available quota for U.S. beef was viewed as a promising move for U.S. beef producers and Russian consumers who continually purchased more U.S. beef year after year (2010: $152 million in annual sales / 57,453 metric tons; 2011: $256 million in annual sales / 72,797 metric tons; 2012: $307 million in annual sales / 80,408 metric tons).

Prior to Russia joining the WTO, the U.S. beef industry had not been a target for Russia's non-science-based market closures suffered by other U.S. meat industries like pork and poultry. Russian consumers had not raised concerns about the safety of U.S. beef, nor had the Russian government. Even after Russia voted in opposition of the Codex Alimentarius' (Codex) establishment of a maximum residue level (MRL) for ractopamine, Russia continued to import record amounts of U.S. beef through 2012. It was not until the end of 2012, that Russia announced it would no longer accept beef and pork that was not certified as "ractopamine-free". Unfortunately, Russia has yet to provide any science-based standards to justify this action and has provided little direction to the U.S. beef industry on how to meet their demands for ractopamine-free beef.

Russia continues to find reasons to delay approval of technologies like ractopamine instead of incorporating into their protocol the proven scientific standards of the international community. Other countries have changed their beef protocols in the wake of the Codex establishment of a MRL for ractopamine, and NCBA encourages Russia to do the same so we can resume trade once their self-imposed embargo is lifted.

Hindrances to U.S. Beef Trade Caused By U.S. Policy

Unfortunately, there are some policies enacted that have managed to restrict the U.S. beef producers' ability to sell beef in some countries. One situation that is still fresh on our memories is the trade retaliation that resulted from the U.S. government failing to enact a cross-border trucking program with Mexico. While the U.S. may have been the first country to implement carousel retaliation schemes, other countries have picked up on the idea and are becoming experts at innovating its implementation. Fortunately U.S. beef was not on the first retaliation list for Mexico during the trucking dispute, but we are very confident that if the United States violates the World Trade Organization (WTO) ruling against Mandatory country-of-origin labeling (COOL) then U.S. beef will be on the top of the list of retaliatory tariffs for both Mexico and Canada. Fortunately, Congress was able to repeal the mandatory COOL law prior to retaliation setting in at the end of 2015.

NCBA Supports Science-Based and Market-Driven Trade Opportunities

Trans-Pacific Partnership

The Trans-Pacific Partnership (TPP) is an ambitious, 21st-Century trade agreement that includes Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States. NCBA believes that the TPP has the potential to open a number of export opportunities for U.S. beef and expand our presence in Asia. NCBA has been strong supporter of our government's efforts to push for tariff elimination and strong science-based standards among all TPP nations for as long as the U.S. has been part of TPP.

If Congress passes TPP in 2016, the U.S. beef industry will be one of the biggest winners in agriculture. At the same time, if Congress fails to pass TPP or delays action on TPP, the U.S. beef industry will be one of the biggest losers in agriculture.

Roughly 80-85 percent of the beef we produce is for the American market. American consumers love the ribeyes, tenderloins, and briskets from our cattle, but not all cuts of the carcass can be sold domestically at a premium. The small percentage of beef that we export are cuts like tongues and short plates that are not desirable for American consumers. Rather than send these cuts to a landfill or process them into pet food, we have found that Asia has proven to be a great destination for these cuts.

As a result, we have capitalized on the growing demand for U.S. beef overseas and Japan has become our leading export market. In 2015 the Japanese purchased $1.3 billion of U.S. beef and was one of the leading export markets for beef tongue. Even with a 38.5 percent tariff rate on our beef, we have seen a tremendous growth in export sales to Japan over the past four years and we have been able to gain significant market share because of the quality and price of our beef.

Our leading competitor in the Japanese beef market is Australia. In January 2015 the Japan-Australia Economic Partnership Agreement took effect and gave our leading competitors a 10 percent tariff advantage over us in our leading export market. In other words, the Japanese tariff on U.S. beef is 38.5 percent and the Japanese tariff on Australian beef is less than 28 percent. This disadvantage for U.S. beef in Japan resulted in nearly $300 million in lost sales in Japan in 2015. The tariff rate advantage for Australia will continue to grow for the next decade unless something is done to level the playing field in Japan. The good news is TPP will level the playing field for U.S. beef in Japan by lowering the tariff rate on U.S. beef to match Australia's tariff rate upon implementation of TPP and will continue to decrease to 9 percent over 16 years. This the greatest beef market access ever negotiated into Japan.

Japan market access is not the only highlight of TPP. TPP eliminates tariffs on U.S. beef exports to other countries including Vietnam and Malaysia and also includes a strong set of rules that prevent governments from putting in place non-science based barriers and technical barriers to trade. TPP also gives us leverage over countries like Indonesia, Taiwan, the Philippines—all countries who want to join TPP and all are countries where U.S. beef has outstanding issues with market access.

The benefits of TPP are great, but so are the costs of inaction. If the United States fails to enact TPP, then we will send a strong message to our allies in the Pacific Rim that we are no longer willing to lead in the Pacific and the United States will simply resign our position of leadership to China regarding international trade and the geopolitical affairs of the Pacific Rim.

We have seen the benefits of trade agreements and we want to build on that success with implementation of the TPP. For example, other beneficial trade agreements include the following:

- Korea-U.S. FTA: Elimination of 40% tariff over 15 years; inclusion of strong SPS* measures
- Colombia-U.S. FTA: Elimination of 80% tariff over 15 years; inclusion of strong SPS* measures
- Panama-U.S. FTA: Elimination of 30% tariff over 15 years; inclusion of strong SPS* measures
- DR-CAFTA-U.S. FTA: Elimination of 15-40% tariffs over 15 years; inclusion of strong SPS* measures
- Chile-U.S. FTA: Elimination of price-band system,; recognition of U.S. beef standards
- Peru Trade Promotion Agreement: Re-opened market to U.S. beef, eliminated 25% tariff; inclusion of strong SPS* measures

Some opponents of TPP claim they cannot support TPP because it does not address the issue of currency manipulation. While we agree that currency manipulation is a serious issue that must be addressed, we agree with those who believe it is dangerous to include currency manipulation rules in a trade agreement because it could incite a trade war—and while the intentions may be good in trying to place currency manipulation measures in trade agreements the end result may cause more harm than good. With that said, NCBA strongly supported passage of the recently-enacted Customs Enforcement Bill that lays out strict criteria to prevent the U.S. from entering trade agreements with countries who have a problem with currency manipulation. We also support the use of existing international enforcement standards like the G-20 that have addressed and corrected previous international violators.

Conclusion

With 96 percent of the world's consumers living outside of the U.S., access to foreign markets for our beef and beef products is significantly important for our industry to grow. Exports are vitally important for the future success of U.S. beef producers and rural America and the future growth of the U.S. economy depends upon our ability to produce and sell products competitively in a global marketplace. Choosing to abstain from trade agreements will not immunize the U.S. economy from the effects of economic globalization.

We support effort to double U.S. exports and create jobs in rural America. On behalf of NCBA and many other stakeholders of the U.S. beef industry, I thank you for your continued efforts to open and expand market access for U.S. beef producers.

Sincerely,

Tracy Brunner
President, NCBA

Comments for the Record
United States House of Representatives
Committee on Ways and Means
Trade Subcommittee

Hearing on Expanding U.S. Agricultural Trade and
Eliminating Barriers to U.S. Exports
Tuesday, June 14, 2016, 10:00 AM

By Michael G. Bindner
Center for Fiscal Equity

Chairman Reichert and Ranking Member Rangel, thank you for the opportunity to submit these comments for the record to U.S. Agricultural Trade and Eliminating Barriers to U.S. Exports. As usual, our comments are based on our four-part tax reform plan, which is as follows:

- A Value Added Tax (VAT) to fund domestic military spending and domestic discretionary spending with a rate between 10% and 13%, which makes sure very American pays something.
- Personal income surtaxes on joint and widowed filers with net annual incomes of $100,000 and single filers earning $50,000 per year to fund net interest payments, debt retirement and overseas and strategic military spending and other international spending, with graduated rates between 5% and 25% in either 5% or 10% increments. Heirs would also pay taxes on distributions from estates, but not the assets themselves, with distributions from sales to a qualified ESOP continuing to be exempt.
- Employee contributions to Old Age and Survivors Insurance (OASI) with a lower income cap, which allows for lower payment levels to wealthier retirees without making bend points more progressive.
- A VAT-like Net Business Receipts Tax (NBRT), essentially a subtraction VAT with additional tax expenditures for family support, health care and the private delivery of governmental services, to fund entitlement spending and replace income tax filing for most people (including people who file without paying), the corporate income tax, business tax filing through individual income taxes and the employer contribution to OASI, all payroll taxes for hospital insurance, disability insurance, unemployment insurance and survivors under age sixty.

The main trade impact in our plan is the first point, the value added tax (VAT). This is because agricultural products would shed the tax, i.e. the tax would be zero rated, at export. Whatever VAT congress sets is an export subsidy. Seen another way, to not put as much taxation into VAT as possible is to enact an unconstitutional export tax.

The second point, the income and inheritance surtax, has no impact on exports. It is what people pay when they have successfully exported goods and their costs have been otherwise covered by the VAT and the Net Business Receipts Tax/Subtraction VAT. This VAT will fund U.S. military deployments abroad, so it helps make exports safe but is not involved in trade policy other than in protecting the seas.

The third point is about individual retirement savings. As long as such savings are funded through a payroll tax and linked to income, rather than funded by a consumption tax and paid as an average, they will add a small amount to the export cost of products.

The fourth bullet point is tricky. The NBRT/Subtraction VAT could be made either border adjustable, like the VAT, or be included in the price. This tax is designed to benefit the families of workers, either through government services or services provided by employers in lieu of tax. As such, it is really part of compensation. While we could run all compensation through the public sector and make it all border adjustable, that would be a mockery of the concept. The tax is designed to pay for needed services. Not including the tax at the border means that services provided to agricultural employees, such as a much needed expanded child tax credit – would be forgone. To this I respond, absolutely not – Heaven forbid – over my dead body. Just no.

Our last point has nothing to do with tax policy and everything to do with agricultural trade. For too long, agricultural trade policy has been explicitly designed to dump our goods on poor countries at or before harvest. Much of the world has gone hungry based on how that has crippled local agriculture. Market penetration should be to other OECD countries. We should never import food to nations where doing so kills local agriculture. To consciously do so is damnable and should not be done in the name of American voters or consumers. Ever.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

Contact Sheet

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Trade Subcommittee
Hearing on Expanding U.S. Agricultural Trade and Eliminating Barriers to U.S. Exports
Tuesday, June 14, 2016, 10:00 AM

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears:

This testimony is not submitted on behalf of any client, person or organization other than the Center itself, which is so far unfunded by any donations.

Statement of the Corn Refiners Association

Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports

U.S. House of Representatives
Committee on Ways and Means
Subcommittee on Trade

June 14, 2016

Corn Refiners Association
1701 Pennsylvania Ave., NW
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Fax: 202-331-2054

We commend the Chairman for convening this hearing on "Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports," and appreciate the opportunity to submit our views. Since 1913, the Corn Refiners Association has represented the U.S. corn refining industry. Our members manufacture products such as sweeteners, starches and feed that are used in food, animal feed, textiles, home improvement and commercial products that are consumed all over the world.

Corn refiners collectively employ 65,300 people, and in 2014 contributed over $10 billion in value-added manufacturing to the U.S. economy, producing an economic impact that extends far beyond agriculture. The U.S. corn refining industry highly supports U.S. engagement in free trade agreements such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). Our industry firmly believes that comprehensive free trade agreements are one of the best avenues for supporting greater economic stability and growth.

Customers in 234 countries and territories buy U.S.-made goods and services. When American food and agricultural exporters have more opportunities to sell the products they make to the 95 percent of consumers who live outside of our borders, it boosts America's bottom line from coast to coast.

In addition, with over one-third of the value of annual U.S. agricultural production now going to export markets, U.S. agriculture is even more reliant on overseas markets than the overall U.S. economy. Therefore, agreements such as the TPP are extremely important to the vitality of the entire U.S. food and agriculture value-chain.

Demand in the Asia-Pacific region is increasing, which presents new opportunities for U.S. corn refiners and allied farmers and employees. Along with demand, there is also growing competition with non-TPP members such as China. The TPP will allow for our industry to more easily meet the needs of new and current customers in the Asia-Pacific region by providing us an even playing field with a reduction in tariffs and fairer trade rules.

The U.S. corn refining industry supports the passage of TPP because it would:

- Provide new and commercially meaningful market access through significant tariff reductions or preferential tariff rate quotas. Under the current TPP plan, CRA members would be able to increase exports of corn sweeteners and starches to Asian markets.
- Discourage countries from imposing export restrictions on food and agricultural products as a means of protecting their domestic market from changes in the world market.
- Ensure that food safety, animal health and plant health measures are developed and implemented transparently and in a science-based manner formed around risk, as we do in the United States.
- Commit signatories to provide transparency on government measures on trade in agricultural products derived from biotechnology, and provide for information sharing.

For these reasons, the Corn Refiners Association strongly urges Congress to support all efforts towards opening trade, in particular, passing the TPP. With each day that the U.S. holds on engaging in the advancement of free trade agreements, U.S. businesses, farmers and workers lose out to competitor countries.

We appreciate your consideration of our views and stand ready to be of assistance to the Committee.

David Ickert, Vice President – Finance
Air Tractor, Inc.
1524 Leland Snow Way
Olney, TX 76374

June 28, 2016

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Trade Subcommittee:

I'm pleased to see that the U.S. House of Representatives Ways and Means Trade Subcommittee is seeking input about U.S. agricultural exports in trade agreements. In response to the committee's June 14 hearing on Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports, I wish to outline my own support for new policies by explaining the direct impact they would have on my company.

As a finance leader at a company that exports agricultural planes to countries all over the world, I know that workers' jobs depend on our ability to export. Our 250 employees manufacture and sell small airplanes for spraying agriculture crops and fighting forest fires. Since 1994, our sales to customers in other countries have increased from 10 percent to 50 percent. There are more than 100 employees at our company who owe their jobs to exporting—that's significant in a small town of only 3,000 people.

Exporting helps provide good middle-class jobs that pay well and support families. This is a trend companies across the country are seeing; exports supported more than 11.3 million U.S. jobs in 2013. Exporting has also been instrumental in our steady growth, and we know that our future growth will continue to be global because 95 percent of consumers in the world live outside the United States.

I hope you and your committee will support international trade agreements.

Thank you for your consideration.

Sincerely,

David Ickert
Vice President - Finance

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

TRADE SUBCOMMITTEE

EXPANDING U.S. AGRICULTURE TRADE AND ELIMINATING BARRIERS TO U.S. EXPORTS

JUNE 14, 2016

STATEMENT OF THE DISTILLED SPIRITS COUNCIL OF THE UNITED STATES, INC.

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Senior Vice President
International Issues and Trade
Distilled Spirits Council of the United States
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U.S. HOUSE OF REPRESENTATIVES
TRADE SUBCOMMITTEE OF THE COMMITTEE ON WAYS AND MEANS

"Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports"

June 14, 2016

The following statement is submitted on behalf of the Distilled Spirits Council of the United States, Inc. ("Distilled Spirits Council") for inclusion in the printed record of the House Ways and Means Trade Subcommittee's hearing on expanding U.S. agriculture trade and eliminating barriers to U.S. exports. The Distilled Spirits Council is a national trade association representing U.S. producers, marketers, and exporters of distilled spirits products. Its member companies export spirits products to more than 130 countries worldwide.

I. Introduction

Distilled spirits are processed agricultural products that fall within the scope of Chapter 22 of the Harmonized Tariff Schedule of the United States, the WTO Agreement on Agriculture, and the agriculture chapters of the free trade agreements the United States has negotiated with a number of key trading partners. The Distilled Spirits Council and its member companies have a strong and long-standing interest in agricultural trade, from a commercial perspective and from a policy perspective.

The Distilled Spirits Council and its members have strongly supported efforts to liberalize trade through a variety of fora and mechanisms. International trade has become increasingly important to the U.S. distilled spirits industry, and is instrumental to its long term viability. Past efforts by the United States to open foreign markets have contributed to the impressive gains the U.S. industry has made, and continues to make, in expanding U.S. spirits exports. Since 1989[1], the value of global U.S. distilled spirits exports has increased nearly 545 percent, from $242 million to over $1.5 billion in 2015. The majority of U.S. spirits exports are comprised of whiskey (particularly Bourbon and Tennessee Whiskeys), which accounted for 68 percent of total exports in 2015. In addition, exports of rum, vodka, grape brandy, liqueurs and cordials also make a significant contribution to the U.S. economy. As of 2013, the distilled spirits industry supported 745,000 direct employees. Continuing to expand exports supports current and future employment in the industry.

The Distilled Spirits Council has strongly supported multilateral, regional, and bilateral agreements, as these are vital to opening new markets, and keeping them open, for U.S. spirits exports. U.S. spirits exports to our trading partners which have agreed, either through multilateral, regional, or bilateral trade agreements, to eliminate tariffs on U.S. spirits have reached $1.35 billion in 2015, accounting for 86 percent of global U.S. spirits exports. The Council strongly supports the Trans-Pacific Partnership, as it will provide significant and measurable market access benefits for U.S. spirits exporters to key markets in the Asia-Pacific region.

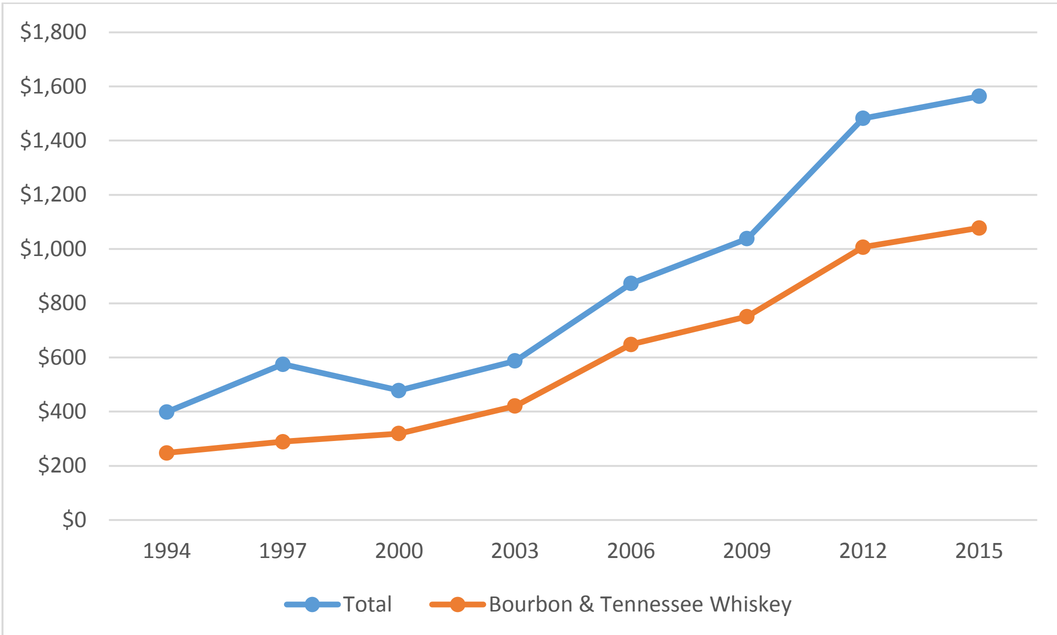
II. Uruguay Round Agreements

The Distilled Spirits Council has had a long and active involvement with the World Trade Organization (WTO). The Council remains a strong supporter of the organization and ongoing efforts to further liberalize global trade and strengthen the rules-based multilateral trading system. Unquestionably, the package of agreements concluded in the Uruguay Round, which led to the

[1] 1989 is the first year U.S. trade data is available on the U.S. International Trade Commission DataWeb.

establishment of the WTO in 1994, has significantly benefitted the U.S. distilled spirits sector. In particular, since the Uruguay Round agreements entered into force in 1995, global U.S. distilled spirits exports have increased nearly 291 percent through 2015.

U.S. Global Distilled Spirits Exports 1994-2015
In millions of U.S. dollars



a. Tariffs – "Zero-for-Zero"

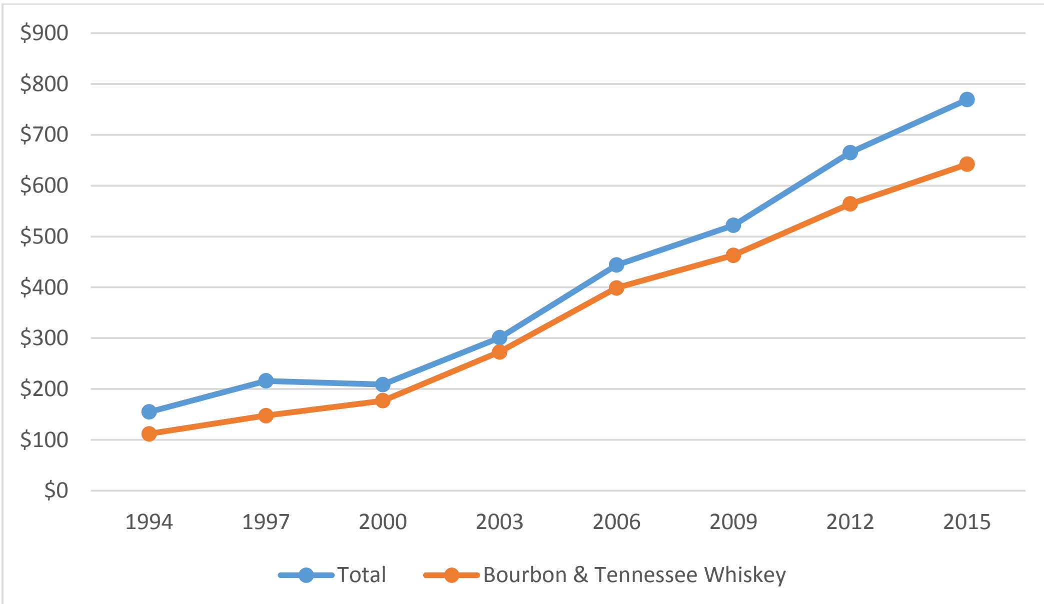
The tariff elimination commitments regarding distilled spirits products secured during the Uruguay Round and subsequent negotiations under the U.S. government's "zero-for-zero" initiative has paved the way for a significant increase in U.S distilled spirits exports. At the outset, participation in the spirits "zero-for-zero" was limited to the United States and the European Union. However, other countries, including Japan, Canada, Macedonia, Taiwan and Ukraine have since been included. For example, since Taiwan eliminated its tariffs in 2002, U.S. distilled spirits exports to Taiwan increased nearly 763 percent -- from $1.1 million to $9.5 million in 2015. In the case of Japan, U.S. distilled exports grew from $71.8 million in 2002, when the tariff was eliminated, to $110 million in 2015, representing a growth rate of 53 percent for that period.

The "zero-for-zero" agreement continues to produce benefits for U.S. spirits exports. Specifically, as countries have joined the European Union they are required to adopt the European Union's common external tariff, which, in the case of distilled spirits is zero for practically all spirits. Since 2004, the following countries have joined the European Union: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Republic, and Slovenia. For example, exports to Latvia, which is currently the 10th largest destination for U.S. distilled spirits, increased almost 2,333 percent, from $1.8 million in 2004 when it joined the European Union, to $43.8 million in 2015. Similarly, exports to Poland, which is the 14th largest market, increased nearly 1,699 percent, from $1.1 million in 2004 when it joined the European Union to $19.8 million in 2015. Prior to Poland joining the European Union, U.S. spirits faced tariffs ranging from 75 percent to 105 percent *ad valorem*.

In addition, prior to Bulgaria and Romania's entry into the European Union, those countries applied preferential tariff rates to EU-origin spirits, which significantly disadvantaged U.S. spirits exports to those markets. Immediately upon their accession to the European Union, however, Bulgaria and Romania were required to adopt the European Union's common external tariffs on spirits (i.e., zero for practically all spirits categories), thus creating a level playing field for U.S. spirits exports to those markets.

Since the "zero-for-zero" agreement came into effect in 1995, the value of U.S. spirits exports to the European Union has more than quadrupled, from $184 million to over $769 million in 2015.

U.S. Distilled Spirits Exports to the European Union 1994-2015
In millions of U.S. dollars



b. Trade Enforcement Mechanism

In addition, the industry has benefitted from the WTO's dispute settlement mechanism established under the WTO's Dispute Settlement Understanding. Specifically, it has provided an important forum to ensure that countries meet their international trade obligations. The mechanism has been used successfully to challenge discriminatory spirits excise tax regimes in four dispute settlement cases: Japan – Alcoholic Beverages (DS8, 10 and 11); Korea – Alcoholic Beverages (DS 75 and 84); Chile – Alcoholic Beverages (DS 87 and 110), and most recently the Philippines -- Taxes on Distilled Spirits (DS396 and DS403). As a result of the aforementioned cases, U.S. distilled spirits products were put on equal footing in regards to domestic taxes with domestically produced products in accordance with Article III of the WTO's General Agreement on Tariffs and Trade.

c. Regulatory Reporting Mechanisms

In addition, the reporting mechanisms established by the Agreements on Technical Barriers to Trade (TBT Agreement) and Sanitary and Phytosanitary Standards (SPS Agreement) have given the industry advance notice, in some cases, of significant regulatory changes that could have serious – and sometimes adverse – effects on the industry. Most importantly, the reporting mechanisms provide industry with an opportunity to provide valuable and pertinent input on the potential impact of proposed regulations. This helps to ensure that regulations are, for example, based on science, reflect international standards and best practices, and do not discriminate against imported products or create unnecessary obstacles to trade.

d. Protection for Bourbon and Tennessee Whiskey

Similarly, the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), includes important protections for geographical indications (GIs) for spirits, such as "Bourbon" and "Tennessee Whiskey." The inclusion in the agreement of provisions specifically mandating the establishment by all WTO member countries of a legal means of protecting GIs associated with distinctive distilled spirits was, in our view, a major achievement of the Uruguay Round.

III. Current Bilateral and Regional Free Trade Agreements

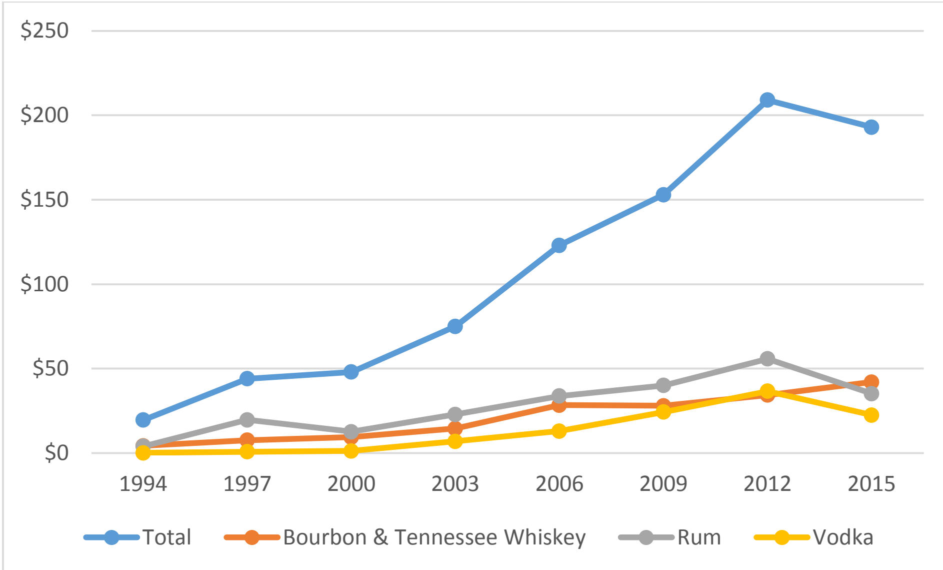
The Distilled Spirits Council equally supports efforts by the U.S. government to secure the most rapid trade liberalization and enhanced rules through comprehensive bilateral and regional free trade agreements. Such comprehensive agreements have played a critical role in opening foreign markets and increasing U.S. distilled spirits exports. In 2015, U.S. distilled spirits exports to bilateral and regional free trade agreement partners reached roughly $472 million, accounting for nearly a third of global exports. In fact, between 2000 and 2015, exports to bilateral and regional trade agreement partners have grown at a faster rate (289 percent increase) than total U.S. distilled spirits exports (227 percent increase).

a. Tariff Elimination

As with the reduction of tariffs under the Uruguay Round, the elimination of tariffs on U.S.-origin spirits through regional and bilateral trade agreements has led to a significant increase in exports to these trading partners. As a result of U.S. bilateral and regional free trade agreements, the vast majority of U.S. distilled spirits to Israel, Mexico, Canada, Singapore, Australia, Chile, Peru, Panama, Morocco, Bahrain, Korea, Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua are currently duty-free. As noted below, some products are still subject to tariff phase-outs.

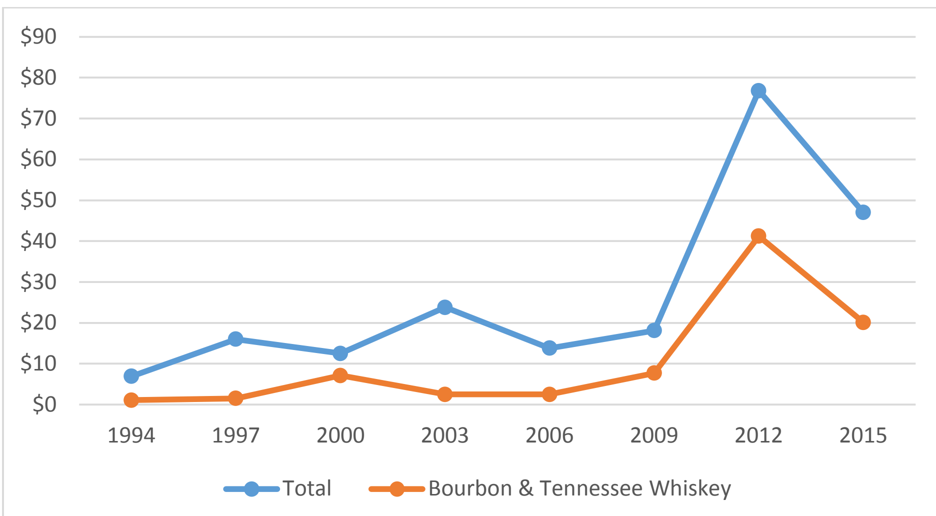
The export data clearly indicates that bilateral and regional trade agreements have had a significant impact on U.S. distilled spirits exports. For example, since implementation of the ***North American Free Trade Agreement*** (NAFTA – Canada and Mexico), U.S. spirits exports to Canada grew nearly 589 percent, from roughly $28 million in 1995 to $193 million 2015. Canada ranks as the 2nd largest export market for U.S. distilled spirits exports. Similarly, in the case of Mexico, U.S. distilled spirits exports grew nearly 623 percent, from $6.5 million in 1995 to $47 million in 2015. Mexico is currently the 9th largest market for U.S. distilled spirits exports. As noted below, the United States exports a wide variety of spirits products to our NAFTA partners, including rum, vodka, liqueurs, etc.

U.S. Distilled Spirits Exports to Canada 1994-2015
In millions of U.S. dollars



U.S. Distilled Spirits Exports to Mexico 1994-2015

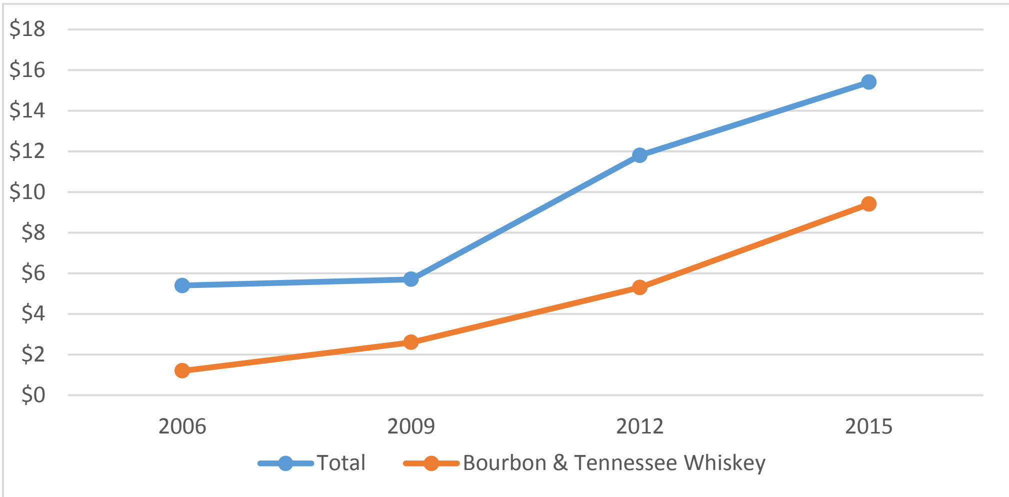
In millions of U.S. dollars



Since tariffs were eliminated under the ***U.S. - Australia FTA*** in 2005, U.S. spirits exports have grown by nearly 62 percent, from $77 million to $125 million in 2015. Australia now ranks as the industry's fourth largest export destination worldwide.

Under the ***U.S. - Chile FTA***, tariffs on all U.S. spirits (except gin) were eliminated in 2006, immediately upon entry into force of the agreement. The tariff on U.S. gin was eliminated on January 1, 2016. As noted below, since implementation of the agreement U.S. spirits exports have increased nearly 200 percent from $5.1 million to $15.4 million in 2015.

U.S. Distilled Spirits Exports to Chile 2006-2015
In millions of U.S. dollars



The ***U.S. - Peru FTA*** eliminated tariffs on all U.S. spirits products in 2009. Since that date, U.S. spirits exports increased from $878,000 to $2.7 million in 2015. Likewise, the ***U.S. – Panama FTA***, which was implemented in 2012, included immediate elimination of tariffs on all U.S. spirits exports. Exports to Panama have increased from $5.8 million in 2012 to $19.9 million in 2015.

In the case of the ***U.S. - Colombia Trade Promotion Agreement*** (CTPA) and ***U.S. - Oman Free Trade Agreement***, tariffs on U.S. distilled spirits products are currently being phased-out.

Under the CTPA, ***Colombia*** eliminated its tariffs on U.S.-origin brandy, gin and liqueurs as of May 15, 2012. The tariffs on U.S. whiskeys, rums, and vodkas will be phased out by 2021. U.S. spirits exports to Colombia have increased modestly since implementation of the agreement in 2012, from $2 million to approximately $2.4 million in 2015.

In the case of the ***U.S.-Oman FTA***, the 100 percent tariff on U.S. origin spirits will be eliminated by January 1, 2018.

b. Distinctive Product Recognition for Bourbon and Tennessee Whiskey

Many of the international trade agreements in which the United States is a party includes important protections for “Bourbon” and “Tennessee Whiskey,” the single largest category of U.S. spirits exports. Such recognition ensures that products sold as Bourbon and Tennessee Whiskey are produced in the U.S. in accordance with U.S. laws and regulations. Distinctive product recognition for “Bourbon” and “Tennessee Whiskey” has been secured in free trade agreement negotiations with Canada, Mexico, Colombia, Peru, Chile, Australia, Panama, Korea, Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. In addition, distinctive product recognition for “Bourbon” and “Tennessee Whiskey” has been secured in Brazil and the European Union through bilateral agreements. With regard to the European Union, any country that joins must automatically afford this protection to “Bourbon” and “Tennessee Whiskey.”

IV. Trans-Pacific Partnership Agreement

On balance, the recently-concluded Trans-Pacific Partnership (TPP) Agreement will provide significant and measurable market access benefits for U.S. spirits exporters to key markets in the Asia-Pacific region. Once fully implemented, it will bring about significant and measureable benefits to the many U.S. spirits exporters to the region. In 2015, U.S. spirits exports to the TPP countries were valued at $557 million; Bourbon and Tennessee Whiskey accounted for over 50 percent of the total. The specific benefits of TPP for the U.S. spirits sector are detailed below.

a. Tariff Elimination

Vietnam's current 45 percent *ad valorem* tariff on U.S. spirits will be eliminated over eleven or twelve years, depending on the product.

Malaysia*,* which had previously excluded <u>all</u> beverage alcohol from all previous free trade agreements in which it was a party, agreed to eliminate tariffs on U.S. spirits over 16 years. Malaysia's applied tariffs on imported spirits are extremely high, with higher rates on whiskey, brandy, vodka, rum, gin, and liqueurs as compared with samsu. The tariffs will be eliminated in sixteen equal annual stages, and all U.S. spirits exports to that market will be duty-free on January 1 of year 16.

New Zealand's 5 percent tariff on U.S. liqueurs, vodka and gin will be eliminated immediately upon entry into force of the agreement. All other U.S. spirits already face a zero duty to that market.

Most categories of U.S. spirits already enter ***Japan*** duty-free. Japan will eliminate residual tariffs on the remaining categories (all in the "other category" under 220890) over 6-11 years.

U.S. spirits exports to ***Singapore, Chile, Peru, Australia, Mexico,*** **and** ***Canada*** are already duty-free under existing bilateral and regional trade agreements.

b. Distinctive Product Recognition for Bourbon and Tennessee Whiskey

In addition, the agreement includes critical protections for Bourbon and Tennessee Whiskey. Specifically, bilateral understandings regarding distinctive product recognition of Bourbon and Tennessee Whiskey have been reached with ***Japan, Malaysia, Vietnam*** and ***New Zealand*** via side letters.

In the case of ***Japan,*** it was agreed to "initiate, in accordance with its applicable laws and regulations, the process to consider" affording such recognition. In exchange, the U.S. agreed to begin a similar process to recognize "Yamanashi wine, Iki shochu, Kuma shochu, Satsuma shochu, Ryukyu awamori, Hakusan sake, Japanese sake, or Nihonshu sake" as distinctive products of Japan.

Distinctive product recognition for Bourbon and Tennessee Whiskey already exists with several of the other TPP parties (*i.e.,* ***Australia, Chile, Peru, Canada,*** and ***Mexico***).

Singapore did not have any offensive interests with regard to distinctive products, so declined to provide such recognition. The sale of all alcohol is banned in ***Brunei*** (including hotels). However, non-Muslim visitors over 17 years old are allowed to bring alcohol into Brunei for their personal consumption.

c. Technical Barriers to Trade: Spirits Annex

For the first time in any U.S. trade agreement, the Technical Barriers to Trade Chapter includes an annex on wines and spirits, committing all TPP members to abide by a list of standard international best practices with regard to labeling rules and certification requirements for spirits and wine. These disciplines establish more predictability, transparency and consistency of the regulations for U.S. spirits exporters to the TPP region, and will serve as an important benchmark for the development of other regulations impacting spirits.

V. Conclusion

In summary, the U.S. distilled spirits industry has benefitted significantly from the comprehensive multilateral, regional and bilateral trade agreements the United States has concluded. The Distilled Spirits Council strongly supports the Trans-Pacific Partnership and additional efforts to further liberalize trade with other trading partners, as this will be the key to continued growth and long-term viability of the U.S. spirits industry. Thank you again for the opportunity to provide the U.S. spirits industry's views. Please do not hesitate to contact us if we can provide any additional information.

Thank you very much for your consideration.

Written Statement of:

Christine LoCascio
Senior Vice President
International Issues and Trade
Distilled Spirits Council of the United States, Inc.
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Washington, DC 20005
Tel: (202) 682-8882
Fax: (202) 682-8844

Ms. Kearyn Rubio
U.S. Commerce Global Partners, Inc.
222 Elmwood Avenue
Hempstead, NY 11550

Ways and Means Committee Office
1102 Longworth House Office Building
Washington, D.C 20515

June 27, 2016

To the House Ways and Means Trade Subcommittee,

I am pleased to see that the U.S. House of Representatives Ways and Means Trade Subcommittee is seeking input about U.S. agricultural exporting in trade agreements. In response to the committee's hearing held on June 14, 2016. I wish to outline my own support for new policies by explaining the direct impact they would have on my company.

As President of a firm that aids businesses looking to expand internationally, I know the many ways in which international trade policies affect American businesses and the global economy. Currently, the United States faces a high threat of IP theft from countries, which can deprive companies of revenues and threaten public health through trading potentially counterfeit products. We also face agricultural challenges, as we aim to feed a population expected to reach nine billion by 2050. High tariffs are making trading with other nations unachievable for many American businesses.

Improved trade legislation—like the Trans-Pacific Partnership (TPP)—will help to lessen numerous global challenges, like intellectual property theft, food shortages, and high tariffs. If legislatures act, business leaders like myself will be able to trade, or help others to trade more easily. Working with producers around the world to help create sustainable agricultural solutions; and sell our products to more consumers. In turn helping to empower the national economy.

I hope this body will support enhanced international trade agreements. I look forward to this continued discussion in how we can promote American ingenuity.

Thank you for your time and consideration.

Respectfully,

Kearyn Rubio
Madame President
U.S. Commerce Global Partners, Inc.

HEART of NATURE
An Advanced Bio-Mineral Technologies Company

Jerry Tyler
Owner and Vice President
Heart of Nature LLC
34710 7th Standard Rd.
Bakersfield, CA 93314

June 27, 2016

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As the owner of a fertilizer company that conducts business in Asia, South America, and Australia, I know how vital new trade agreements would be for our company and for California's economy. When our company exports to other countries, we require more employees to bag products and prepare them for shipping. New trade agreements would make it easier for my business to expand our exporting operations, which would ultimately mean job growth for Central California.

I hope you and your committee will support international trade agreements.

Thank you for your consideration.

Sincerely,

Jerry Tyler
Owner and Vice President
Heart of Nature LLC

Jorge Corralejo
President
Macondo Leasing Company Inc.
1577 Dara St
Camarillo, CA 93010

June 26, 2016

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Trade Subcommittee:

I'm pleased to see that the U.S. House of Representatives Ways and Means Trade Subcommittee is seeking input about U.S. agricultural exports in trade agreements. In response to the committee's June 14 hearing on Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports, I wish to outline my own support for new policies by explaining the direct impact they would have on the U.S. economy.

As a business owner for 34 years and a Chamber of Commerce leader for decades, I believe that improved trade agreements would make it simpler for California agricultural firms to export their products. Specifically, they would ensure that foreign trade benefits not only middlemen from other countries, as other trade agreements have done. I further recommend a "Measurement of Commitment" that trade be made by parties in two directions. This suggestions would greatly benefit American producers.

I hope you and your committee will support international trade agreements.

Thank you for your consideration.

Sincerely,

Jorge Corralejo
President
Macondo Leasing Company Inc.

José Carlos González
Principal
Gonzalez & Associates Consulting
2205 Fulton St.
Houston, TX 77009

June 27, 2016

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

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As a principal at a firm that is hoping to expand its services overseas, I believe the Trans-Pacific Partnership (TPP) is highly necessary. The agreement will help to level the playing field so that American businesses can compete with those in countries like China. It will also ensure better agricultural and manufacturing standards, better protection of workers, and the natural environment.

Thank you for your consideration.

Sincerely,

José Carlos González
Principal
Gonzalez & Associates Consulting

Kevin Berken
Rice Farmer
12527 Highway 14
Lake Arthur, LA 70549

June 27, 2016

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

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As a rice farmer who exports to over thirty countries, I know workers' jobs and the success of Louisiana's economy depend on our ability to sell to international consumers. Currently, the U.S. rice industry exports approximately fifty percent of crops, which means we require U.S. workers for bagging and shipping. If we are able to access more markets, like Cuba, where demand is especially high, we would sell far more rice, boosting our state's job numbers and GDP.

I hope you and your committee will support international trade agreements and eliminate restrictions on doing business with Cuba.

Thank you for your consideration.

Sincerely,

Kevin Berken
Rice Farmer

Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports
House Committee on Ways and Means
June 14, 2016

Testimony of Linda Reiff, President and CEO, Napa Valley Vintners

Introduction to Napa Valley

Chairman Reichert, Ranking Member Rangel, Members of the Committee, thank you for the opportunity to offer testimony on the opportunities and barriers facing the U.S. agriculture industry.

I am Linda Reiff, President and C.E.O. of Napa Valley Vintners (NVV). NVV is the non-profit trade association representing the wineries in California's Napa Valley. We proudly represent more than 530 wineries nearly 98% of all Napa Valley wine.

Today, Napa Valley is known across the globe for our world class wines. The Napa Valley wine industry alone generates $50 billion in economic activity and creates 303,000 jobs nationwide.

The success of Napa Valley wines is in large due part to the distinctive geography, topography and weather conditions in our region. Consider this:

- Napa Valley is classified as having "Mediterranean Climate;" a designation that is only applied to 2 percent of the Earth's surface.

- Napa Valley contains a stunning variety of soil 33 types, half of the world's soil orders and 100 soil variations all within our small 45,000 acres. And,

- Napa Valley vineyards range from sea level to 2,600 feet above sea level.

Wine is a Product of Place

The unique features of our region are what give Napa Valley wines their unique and highly sought-after characteristics. Each soil type and weather pattern creates subtle differences in flavor and texture. It's why two wines made from the same type of grape can taste so different.

And for the wineries I represent, it is this distinction—their location—that brings economic value to their businesses. Federal law recognizes that certain winegrowing regions reflect unique characteristics, and as such the names of those regions are legally protected to allow companies to differentiate their wines based on those place names. This, in turn, allows wineries to sell their wines from these areas at a premium.

The added value wineries receive based on location, or terroir as it is known in the industry, is a well accepted fact. It plays a role in every day transactions from acquiring land to the pricing of grapes.

Put simply, on the domestic wine market the fact that location matters is second nature. It is not controversial or anti-competitive in any way.

Existing federal laws restrict the use of terms that identify "appellations of origin" because this principle is so commonplace in the wine industry. These are well known terms such as "Napa Valley," or "Columbia Valley" in your district, Mr. Chairman. They also includes the names of every other American Viticulture Area, including "Indiana Uplands," "Puget Sound," "Shawnee Hills," "Ozark Highlands," "Finger Lakes," "Cayuga Lakes," "Lancaster Valley," "Lake Chelan" and "Mississippi Delta" which are in the Congressional districts of the members of this committee.

It is worth noting that the laws governing name protection for the wine industry are different from other agriculture industries.

The reason is simple: terms such as "Napa Valley" are not exclusively owned by any one producer; they are collectively shared by all the producers making wine from the region. As a result, the U.S. Patent and Trademark office will not allow this type of term to be registered as a trademark for any one party. So in the U.S. market we rely on the special wine-centric laws and protections provided in Title 27 of the U.S. Code. (Unlike other agriculture products that primarily look to Title 7 of the U.S. Code).

Name Protection Challenges on the Export Market

When our producers look outside of the borders of the U.S., the rigorous name protections in federal law give way to a confusing morass of international laws.

These incongruent name protection laws are the primary trade barrier for NVV and other groups representing American wine producing regions. Put bluntly, there is no clear path on how to protect our regional terms in a number of markets.

It seems like in every new country to which Napa wine is exported, we face a new set of legal challenges.

In the E.U. for instance, we were asked to use their Geographical Indication (GI) system. While difficult to obtain, NVV was granted GI status for Napa Valley wines in 2007. This years-long process was only completed after NVV hired in-country lawyers and experts to prove our case.

In other countries, such as South Korea, we are asked to obtain Certification Marks." This type of Intellectual Property (IP) requires NVV to serve as an independent certifier of which wineries are made inside of the Napa Valley AVA. This designation was finally awarded to the NVV in 2015 after nearly half a decade of legal and organizational challenges were resolved.

But the number of countries where our AVA terms are protected is dwarfed by the markets where the Napa name has no meaningful legal protection.

Look to Nepal, where a local producer is bottling "the King's Napa Valley Wine," and we have limited recourse to halt production of this misleading product.

Or Vietnam, a market we see as having high potential for growth, where after <u>nine</u> years of wrangling with the Vietnamese government we still have no clear path to achieve name protection and time table for completion.

Or to Switzerland or Chile, which generally recognize certification marks but refuse to recognize ours because it is geographic in nature. So, in countries like these where we don't fit into any category, we are left fighting with the local trademark office to receive some form of protection (which often comes at a great financial cost to us and our members).

<u>The bottom line is that these overly complicated name protection regimes discourage U.S. producers from building market share in foreign countries.</u> This is unacceptable, and Congress and the Administration must act to provide a clear and consistent method for U.S. wine regions to protect our names abroad.

<u>Existing International Law Provides a Path Forward</u>

The remedy for inadequate name protection is as straightforward as it is simple.

Article 23 of the Trade Related Aspects of Intellectual Property Rights Agreement, commonly known as "TRIPS", calls for the establishment of a "multilateral system of notification and registration of geographical indications <u>for wines</u> eligible for protection in those Members participating in the system."

This "multilateral system" should be implemented without delay. And, critically, the system must include all U.S. American Viticulture Area terms.

The wine and spirits register should closely mimic the widely successful Madrid Protocol for trademarks.

Under the Madrid Protocol, a trademark holder wishing to protect his or her name in foreign countries simply has to initiate the system by identifying which countries they want their name protected and paying the pre-set fees for that right. Participating countries have a set amount of time to respond, provide comments, and identify potential issues. And after that, the applicant receives the benefits of name protection in those markets.

The Madrid Protocol is a consistent, predictable, well-understood process. Sadly, this efficiency is lacking in our industry, as demonstrated by the years it takes for organizations to protect regional AVA terms and the absolute lack of a delineated process for doing so. This harms the ability of U.S. companies to successfully and profitably export products.

Addressing Concerns About GIs

While I am fully aware of the controversial nature of Geographical Indications (GI) in the food industry, I hope to leave you with an understanding that the issue of regional branding is far less controversial in the world of wine. We have built our domestic industry on these terms, and wine consumers around the world have come to expect truthful and accurate labels when it comes to the origin of our products. Consequently, NVV urges Congress and the Administration to maintain the current U.S. policy of treating the food and wine industries differently when it comes to resolving the longstanding disputes over regional branding issues.

It is indisputable that American Viticulture Areas (AVAs), which are a creature of existing U.S. law and a well-established part of the wine industry, closely resemble European Geographic Indications. In the most basic sense, the two property rights are similar in the fact that a government entity essentially approves an area on a map, and once approved only producers from within that region can use the name associated with it.

But while we believe that regional branding helps build value for small farmers, the headline grabbing tug of war between the U.S. and E.U. related to how European GIs are applied to U.S. food products is not our fight.

We are simply interested in obtaining a clear and consistent path to protecting our name, and the names of other wine regions across the globe.

Name Protection Matters to Domestic and Foreign Producers

To achieve meaningful name protection via a multilateral register, NVV acknowledges that the U.S. wine industry will have to work cooperatively with other wine producing nations.

That means that if we want to make sure that Napa Valley wine is only from Napa Valley in the U.S., or that Columbia Valley wine is only from the Columbia Valley in the U.S., then we also have to provide a path for other great wine regions to protect their names as well.

This means that a wine using the words Marlborough would have to be from Marlborough, New Zealand. And a wine using the word Mendoza would have to be from Mendoza, Argentina.

But—and this is where things start to get controversial—it also means that wines using the word Champagne have to be from Champagne, France. And wines using the word Port have to be from Portugal.

Because, in order for this multilateral system to work, we need to respect and protect all wine place names—not just a handful of them.

As we see it, this means that the U.S. should revisit the 2006 U.S.-E.U. Wine Agreements to phase out the use of all "semi-generic" terms that are tied to specific locations. This is a small price to pay if that's what it takes to protect all 250+ American Viticulture Area terms and the thousands of wineries that rely on these terms to build value for their businesses.

NVV believes in this principle so strongly that we have begun working with our members to phase out the use of the misleading terms.

The results have been eye opening and should be used to inform the dialogue going forward.

More than a dozen NVV members were grandfathered in to the 2006 agreement, meaning they could legally use the term Champagne on their wine, even if it was produced outside of France. But we worked with them to replace the term "champagne" with "sparkling wine," because we believe it is the right thing to do.

Years in, we can now definitively say that this change did not hurt the sales of these products. Instead, the businesses have actually been able to increase consumer interest and sales in the intervening years.

Further evidence from our northern neighbors suggests that ending the use of "semi-generic" wine terms does not hurt U.S. brands. In 2015 new requirements went into effect for wine labeling in Canada, the biggest export market for our industry. And despite requirements that prohibit the use of the word "champagne" unless the product originates in Champagne, France, exports to Canada continued to grow.

As demonstrated above, today, the American wine industry is clearly strong enough to stand on our own. Past practices of borrowing Old World terms of origin to help build our market are no longer necessary, and are deceiving to consumers.

Conclusion

I want to conclude by reiterating that since the creation of the Federal Alcohol Administration in 1935, U.S. law has provided consumers with detailed information about where their wine is from. This has provided great value to our industry and we believe it will continue to do so in the coming years.

However we recognize that only four percent of the world's potential consumers live in the United States. So in order for us to grow in today's global market, we must have the laws and regulations in place to protection place names in other countries as well.

A multilateral register, as envisioned by TRIPS, is the most promising way to provide the protection U.S. wine producers need to strengthen protection in our export markets, and we urge you to work with the Administration to ensure that this register is set up without delay.

Thank you for the opportunity to provide this testimony today, and I am happy to answer any questions you may have.

STATEMENT OF ROGER JOHNSON

PRESIDENT

NATIONAL FARMERS UNION

SUBMITTED TO THE HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

REGARDING EXPANDING U.S. AGRICULTURE TRADE AND ELIMINATING BARRIERS TO U.S. EXPORTS

JUNE 14, 2016
WASHINGTON, DC

Introduction

On behalf of the family farmer, rancher, and rural members of National Farmers Union (NFU), thank you for holding this hearing examining the expansion of U.S. agricultural trade and eliminating barriers to U.S. exports.

NFU was organized in 1902 with the mission of improving the well-being and economic opportunity for family farmers, ranchers, and rural communities through grassroots-driven advocacy. As a general farm organization, NFU represents agricultural producers across the country and in all segments of family agriculture.

NFU, as directed by its policy adopted by delegates at its annual convention, advocates for fair trade. NFU recognizes that international trade is an important part of successful family farming in the U.S., but increasing trade is not an end unto itself. NFU policy states, “Every future trade agreement must address differences in labor standards, environmental standards, health standards, and the trade-distorting effect of currency manipulation and cartelization of agriculture markets.”[1]

While NFU was not invited to participate in today’s hearing, we encourage the Subcommittee to consider the opinions expressed by our membership on both the experienced and potential impacts of trade agreements on U.S. agriculture. NFU encourages the committee to seek diverse opinions as it evaluates trade moving forward.

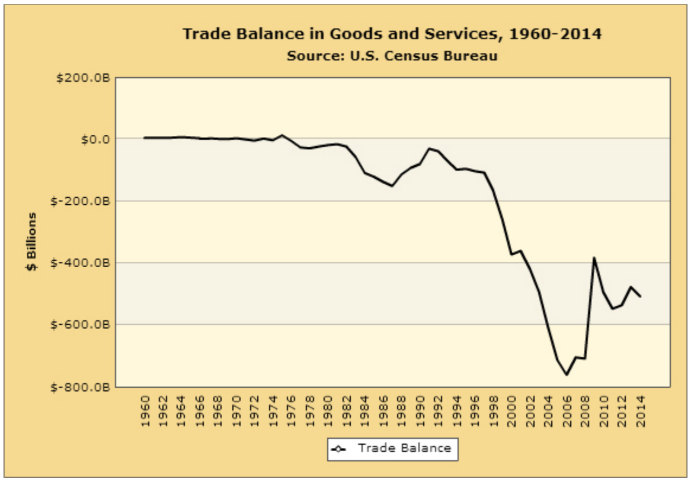
Balancing trade

The U.S. trade deficit totaled over $531 billion in 2015.[2] It represents roughly three percent of the U.S. Gross Domestic Product (GDP). The trade deficit causes a significant drag on the growth of the entire economy. For more than 40 years, the U.S. has had a trade deficit that, on average, continues to grow (Figure 1). With a strengthening U.S. dollar, the deficit is likely to grow in 2016, as a strong U.S. dollar will encourage imports and reduce exports. The massive overall trade deficit exists despite the U.S. having free trade agreements with 20 countries, including half of the countries in the Trans-Pacific Partnership (TPP). Because of the significant impact the trade deficit has on the U.S. economy, all trade agreements, such as TPP, must have the explicit objective of balancing trade.

[1] Nat’l Farmers Union, 2015 Policy of the National Farmers Union (2015) available at http://www.nfu.org/nfu-2015-policy/2066.

[2] "Foreign Trade." U.S. International Trade in Goods and Services (FT900). U.S. Census Bureau. Web. 12 Jan. 2016.

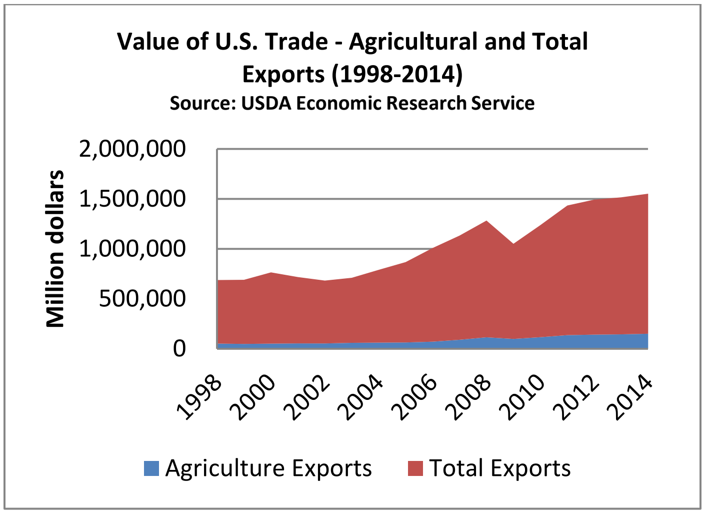
Figure 1



For years, trade agreements have received praise for their ability to open markets to U.S. agricultural exports. Relative to the entire economy, agriculture has fared relatively well in trade. Agriculture, however, is an exception among other sectors of the economy. Since 1960, U.S. agricultural exports have been larger than agricultural imports, creating a surplus in agricultural trade.[3] This surplus is important for the overall economy because it helps offset the massive overall trade deficit. But it is insignificant relative to other segments of the economy (Figure 2).[4] In addition, the agriculture surplus has recently decreased.[5] Figure 3 graphs all U.S. domestic agricultural exports to the world and all U.S. imports for consumption from the world. [6] While exports have sloped upwards for years, imports have increased at a greater rate. Figure 4 depicts this balance of agricultural trade by value.[7]

Another way of measuring the impacts of trade agreements is examining the domestic exports as a percent of imports for consumption (See Figure 5: where any number less than 100 percent indicates a negative trade balance). Over time, if the percentage decreases, it indicates that the trading partners' exports into the U.S. are increasing at a faster rate than the U.S. exports to other parties. While the U.S. trade balance for all agriculture (including manufactured food and kindred products, beverages and tobacco products) is positive, it has decreased from 144.9% in 1997 to 116.5% in 2014 (Figure 5).[8]

Figure 2



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[3] "U.S. Agricultural Trade." USDA Economic Research Service. 28 Sept. 2015. Web. 13 Jan. 2016.

[4] "U.S. Agricultural Trade." USDA Economic Research Service. 28 Sept. 2015. Web. 13 Jan. 2016.

[5] "Outlook for U.S. Agricultural Trade." USDA Economic Research Service. 1 Dec. 2015. Web. 13 Jan. 2016.

[6] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.

[7] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.

[8] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.

Figure 3

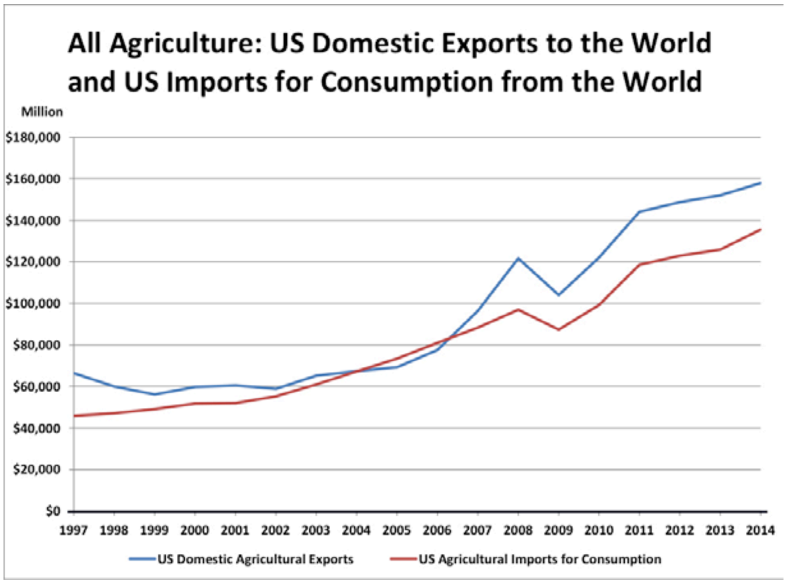


Figure 4

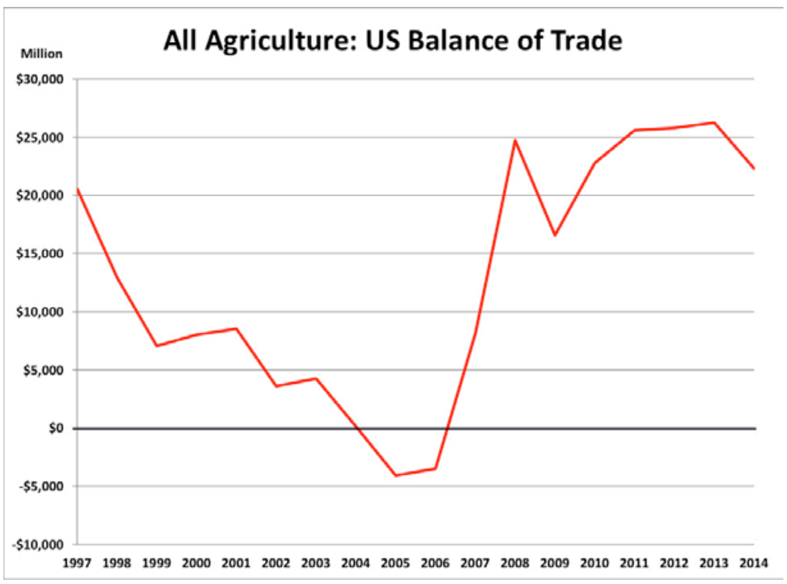
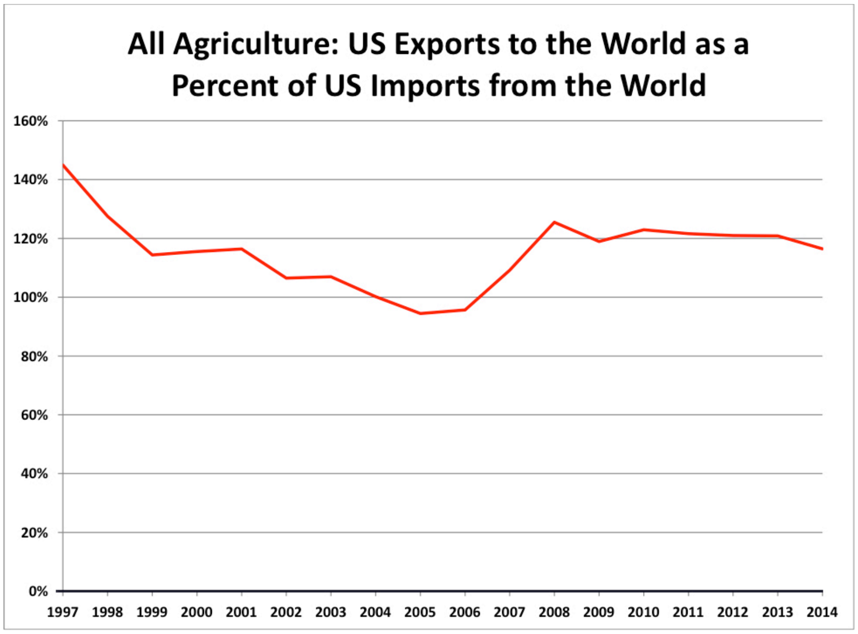
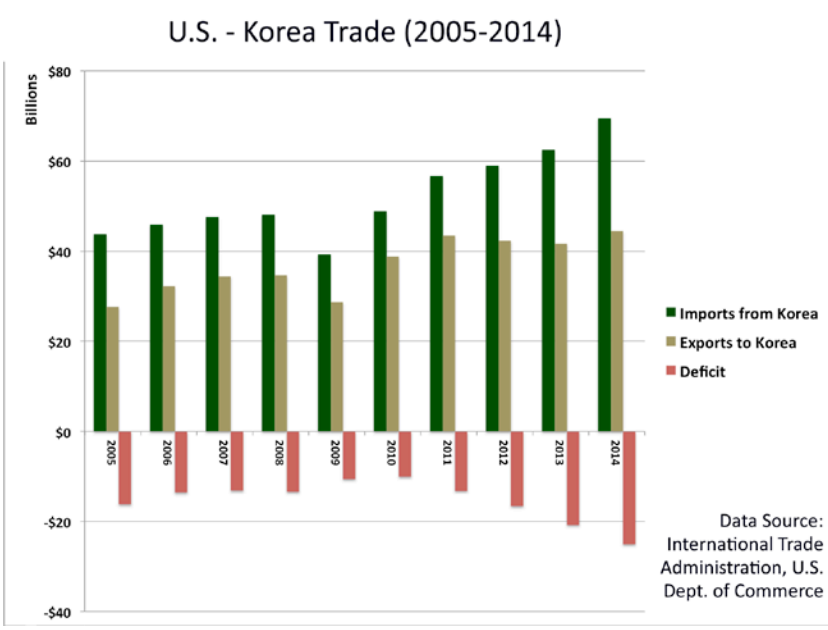


Figure 5



For example, agriculture trade with Korea has been positive and is growing on average. Unfortunately, relative to the overall economic trade with Korea, agriculture represents a small portion of trade and the deficit with Korea continues to grow. The U.S. entered into a free trade agreement with Korea and since implementation in 2011, the overall trade deficit has grown (Figure 6).[9] Figures 13, 14 and 15 depicting the agricultural trade data, which offsets some of the overall trade deficit for Korea, are included on pages 13 and 14.

Figure 6



Relative to TPP, the U.S. International Trade Commission (USITC) estimates the impact on U.S. GDP would be growth of GDP by .15% by 2032. Some estimates predict negative growth effects in the U.S. as a result of TPP.[10] A possibility of negative GDP growth raises

[9] "Data & Analysis." International Trade Administration Data & Analysis. Department of Commerce. Web. 13 Jan. 2016.

[10] Capaldo, Jeronim, and Alex Izurieta. Trading Down: Unemployment, Inequality, and Other Risks of the Trans-Pacific Partnership Agreement. Global Development and Environment Institute, Tufts University, 18 Nov. 2015. Web. 8 Jan. 2016

the question of why the U.S. would pursue this agreement at all. Even a growth rate of 0.15% is unacceptable when the trade deficit currently sits at three percent of GDP and is likely to grow with implementation of TPP.

Currency manipulation

One of the major contributing factors to the massive trade deficit is currency manipulation. Currency manipulation occurs when other countries deliberately lower the value of their currencies relative to the U.S. dollar to gain an unfair advantage. This effectively acts as a subsidy on that country's exports and a tax on U.S. exports to that country. Currency manipulation remains a top concern of NFU, particularly in the context of TPP. Members of the TPP negotiations are well known currency manipulators, including Malaysia, Singapore, and Japan.[11] Last summer, as a direct result of China's devaluation of currency, Vietnam (the TPP nation poised to gain the most from the TPP agreement[12]) devalued the dong by 1.2 percent.[13]

Japan, the second largest TPP economy, is an identified currency manipulator. In a report by the Economic Policy Institute (EPI) evaluating the impact of trade with Japan, EPI found that 896,600 U.S. jobs have been lost due to the U.S.–Japan trade deficit.[14] Currency manipulation is the single most significant cause of the trade deficit with Japan, which totaled $68.9 billion in 2015 for goods.[15]

The issue of currency manipulation is not exclusive to countries with which the U.S. does not have trade agreements. In fact, the latest free trade agreement the U.S. entered into with South Korea suffers the same issues with currency manipulation as Japan. Last year, the U.S. Treasury Department issued its semiannual report on international economic and exchange rate policies. In its report, its harshest criticism of currency manipulation was reserved for South Korea. The report stated, "Korean authorities appear to intervene on both sides of the market but, on net, they have intervened more aggressively to resist won appreciation."[16] The U.S. entered into a free trade agreement with Korea in March of 2012.

In its first report since the passage of the Trade Facilitation and Trade Enforcement Act of 2015, the U.S. Treasury created a "Monitoring List" that includes China, Japan, Korea, Taiwan, and Germany. These countries fulfill 2 out of the 3 criteria for the U.S. to identify them as currency manipulators.[17]

The U.S.-Korea Free Trade Agreement (KORUS) used essentially the same architecture as previous trade agreements and failed to include provisions to address currency manipulation. South Korea has been, and continues to be, one of the world's major currency manipulators.

The U.S. did not secure enforceable mechanisms against currency manipulation in the TPP. The Joint Declaration of the Macroeconomic Policy Authorities of Trans-Pacific Partnership Countries (the TPP side agreement on currency) contains no dispute settlement mechanisms and provides no new consequences or disincentives to countries relative to currency manipulation. Japan's Finance Minister has even stated that the TPP deal won't have binding power on Japan's currency policy.[18]

Currency manipulation has the capacity to eliminate any gains in tariff reductions that are made in free trade agreements. Without measures to enforce restrictions on currency manipulation, free trade agreements will continue to fail to live up to the promises made by their supporters.

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[11] Economic Policy Institute. Currency Manipulation and the 896,600 U.S. Jobs Lost Due to the U.S.-Japan Trade Deficit (2015) available at http://www.epi.org/publication/currency-manipulation-and-the-896600-u-s-jobs-lost-due-to-the-u-s-japan-trade-deficit/

[12] Boudreau, J. (2015, October 18). The Biggest Winner From TPP Trade Deal May Be Vietnam. Retrieved January 11, 2016, from http://www.bloomberg.com/news/articles/2015-10-08/more-shoes-and-shrimp-less-china-reliance-for-vietnam-in-tpp

[13] Uyen, N. (2015, August 18). Vietnam Devalues Dong for Third Time in 2015 on Yuan Fallout. Retrieved January 11, 2016, from http://www.bloomberg.com/news/articles/2015-08-19/vietnam-s-central-bank-devalues-dong-for-third-time-this-year

[14] Economic Policy Institute.

[15] Economic Policy Institute.

[16] U.S. Department of the Treasury, Report to Congress on International Economic and Exchange Rate Policies (2015) available at http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2014-4-15_FX%20REPORT%20FINAL.pdf

[17] U.S. Department of Treasury, Office of International Affairs. (2016, April 29). Foreign Exchange Policies of Major Trading Partners of the United States. Retrieved June 14, 2016, from https://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2016-4-29 (FX Pol of Major Trade Partner)_final.pdf

[18] Kajimoto, Tetsushi. "Finance Minister Aso: TPP Deal Won't Have Binding Power on Japan's Forex Policy." Reuters. Thomson Reuters, 05 Nov. 2015. Web. 08 Jan. 2016.

Trade and Agriculture History

1. *The North American Free Trade Agreement (NAFTA)*

Like TPP, the North American Free Trade Agreement (NAFTA) came with promises of great agricultural export opportunities for U.S. farmers. It has remained the case; however, that the U.S. imports more agricultural goods from Canada than it exports to Canada (Figure 7).[19] The balance of agricultural trade with Canada has remained negative from 1997 to 2014 (Figure 8).[20] The cumulative trade deficit for trade with Canada for all of agriculture, including manufactured food and kindred products and beverages and tobacco products, between 1997 and 2014 was $46.4 billion.[21] When expressed as a percentage of exports to imports, with the exception of the Great Recession, the percentage has hovered around 80% (Figure 9).[22]

Figure 7

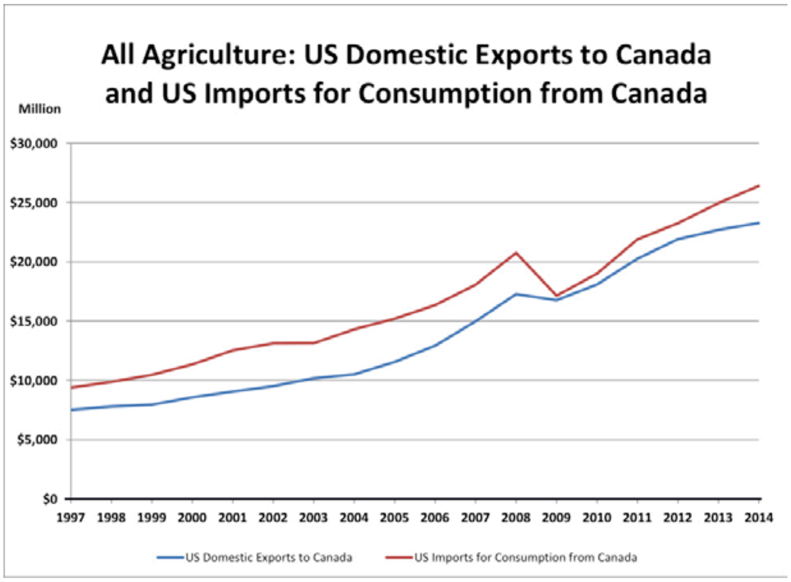
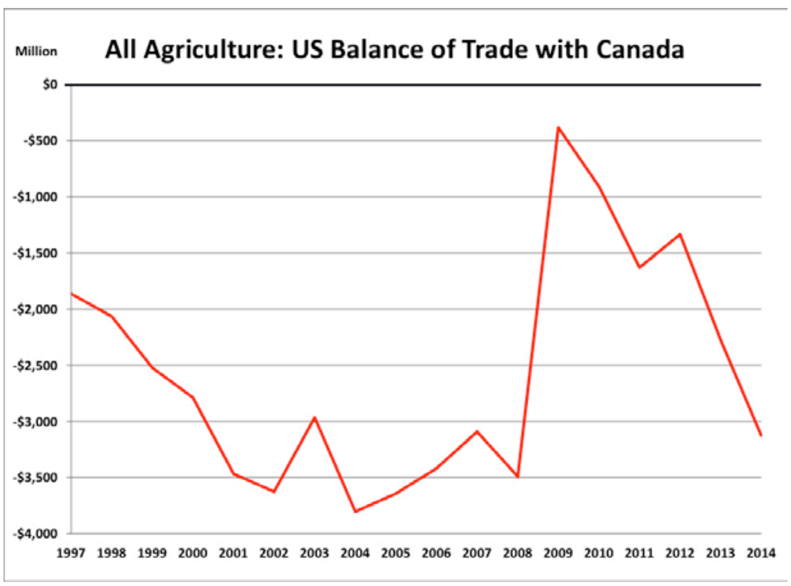
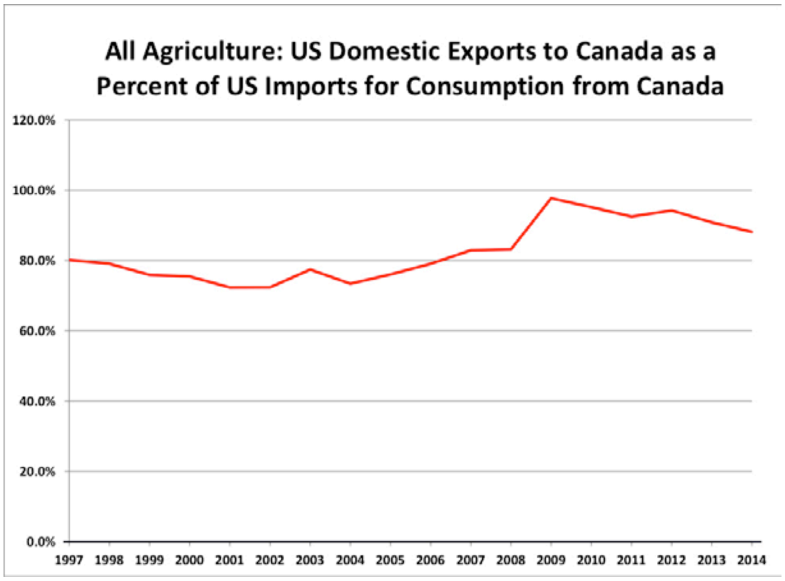


Figure 8



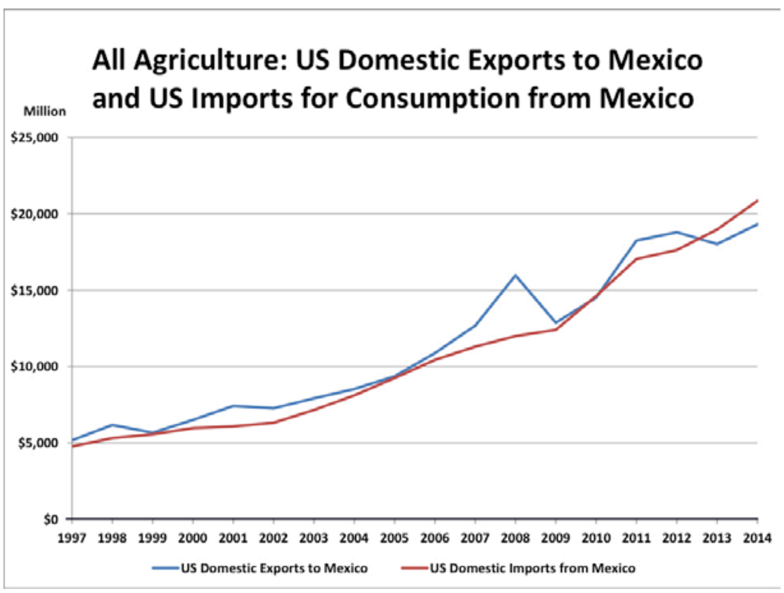
[19] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.
[20] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.
[21] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.
[22] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.

Figure 9



In the post-NAFTA period of 1997 to 2014, U.S. agriculture exports to Mexico have grown, albeit somewhat erratically (Figure 10).[23] U.S. agriculture imports from Mexico have also grown at a steady and increasing pace. In 2013, the U.S. imported more agricultural goods from Mexico than we exported to Mexico. Agriculture exports as a percent of imports have wavered around 100 percent since 1997 with the exception of the most recent years when the percentage has dropped below 100 (Figure 11).[24] The U.S. balance of trade by value with Mexico fluctuates between near zero and $1 billion for the non-Great Recession years (Figure 12).

Figure 10



[23] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.
[24] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.

Figure 11

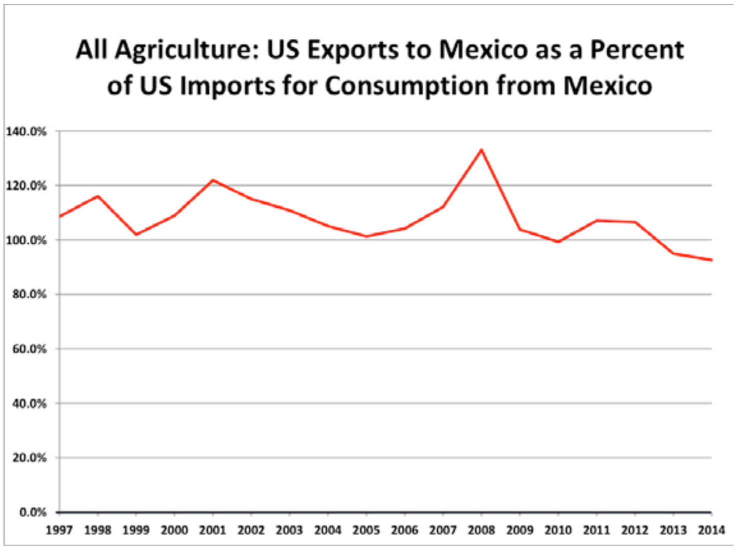
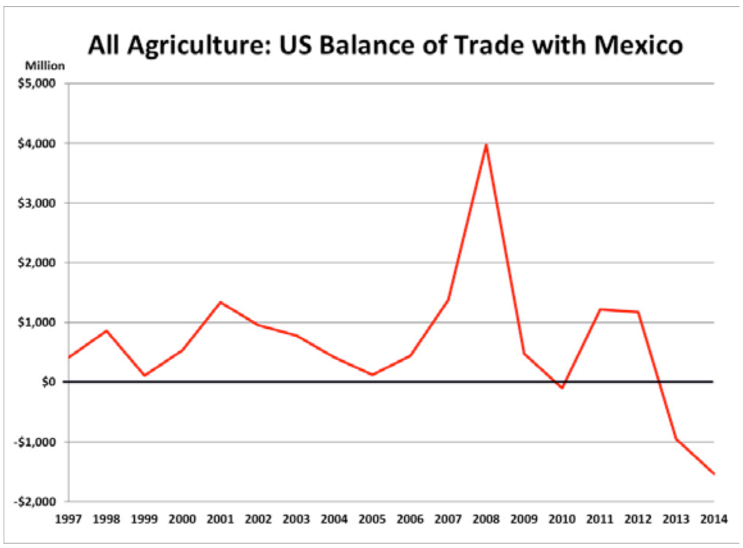


Figure 12



The agriculture trade data from Canada and Mexico after NAFTA implementation depicts no major boon to U.S. agriculture as was promised. The agricultural trade surplus would need to be much greater to offset the overall goods trade deficit with Mexico.

2. The Korea Free Trade Agreement (KORUS)

While the U.S. trade deficit with Korea has continued to grow after implementation of KORUS, agricultural exports have trended upwards to Korea (Figure 13).[25] The U.S. agriculture trade balance with Korea has remained positive since 1997 and continues to grow (Figure 14).[26] U.S. exports as a percent of imports of agricultural goods have decreased from nearly 1800 percent to roughly 1075 percent (Figure 15).[27] The percentage is still very high, and good for the agriculture sector, but a decrease of more than 700 percent over 17 years depicts a decline of relative agricultural trade to Korea.

[25] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.
[26] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.
[27] Schaffer, Harwood. "Unpublished Analysis of USITC Data." Agricultural Policy Analysis Center, 2016.

Figure 13

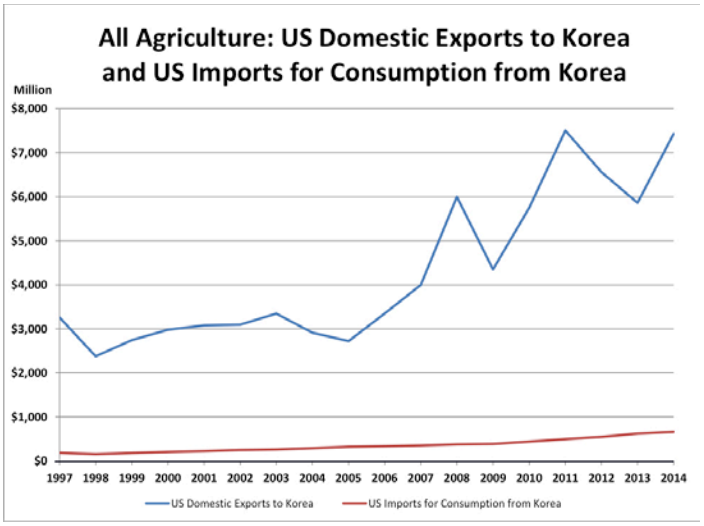


Figure 14

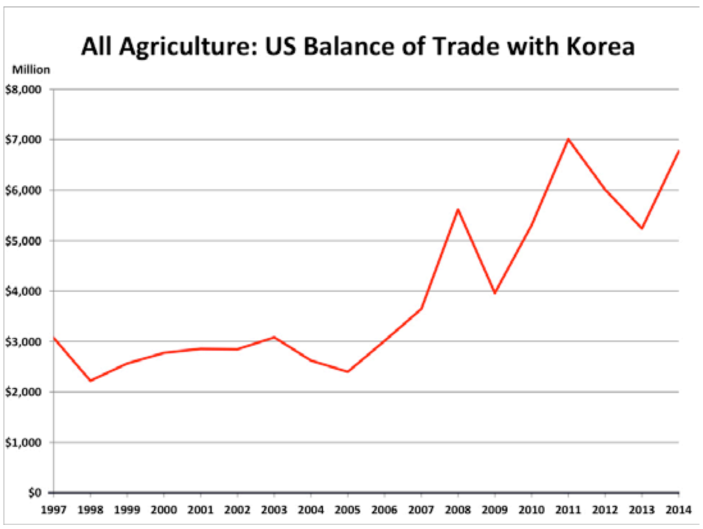


Figure 15

Conclusion

NFU's policy book states, "The measure of the success of a trade agreement has to be its benefit to U.S. agriculture and specifically of its producers' net income. Vague promises of market access do not offset opening our border for even larger amounts of foreign-produced goods to enter our markets. Market access does not equal market share."

Of the top seven purchasers of U.S. agricultural exports, three already have a free trade agreement with the U.S. (Canada, Mexico, and South Korea) and three are not involved in the Trans-Pacific Partnership (China, Hong Kong, Taiwan). The remaining country is Japan which is expected to experience only 2.7% of extra economic growth for all sectors by 2030 as a result of TPP, according to the World Bank.[28] The TPP-related tariff reductions and additional market access that Japan has given to the U.S. is a positive step for U.S. agricultural exporters, but must be measured in the context of the entire multilateral agreement. U.S. agricultural exporters will have to compete in the Japanese market against agricultural goods from the other TPP countries including major agricultural exporters like Canada, Australia, New Zealand, and increasingly Mexico, while simultaneously giving greater market access to all of the TPP partner countries.

The U.S. Department of Agriculture (USDA) states, "New trade agreements create opportunities to increase international sales by stripping away trade barriers, eliminating tariffs, opening markets, and promoting investment and economic growth."[29] While certainly eliminating tariffs and opening markets is positive for agricultural exports, it is also important to examine the overall impacts on family farmers. While modest increases in agriculture export opportunities may occur with trade agreements, they can be severely overshadowed by the resulting massive increases of imports in agriculture and in other sectors.

TPP contains no enforceable measures to address the persistently increasing U.S. trade deficit or currency manipulation and will likely lead to the same negative overall outcomes of previous trade agreements. Its impact on agriculture and rural communities will perpetuate the same trends that have characterized the past 20 years of free trade agreements: greater consolidation; erosion of mid-sized farms; increased volatility in farm incomes; and depopulation of rural America.

The U.S. can write the rules for trade. We can do better. We must do better because these deep trade deficits are crippling America. Thank you for the opportunity to testify.

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[28] World Bank. "Potential Macroeconomic Implications of the Trans-Pacific Partnership." Global Economic Prospects. World Bank, 2016. Web. 13 Jan. 2016.
[29] "U.S. Agriculture Benefits from Trade Agreements." Foreign Agriculture Service (n.d.): n. pag. U.S. Department of Agriculture, Apr. 2015. Web. 8 Jan. 2016.

Sean Murphy
Founder
Hemp Biz Journal
1550 Larimer St #123
Denver, CO 80202

June 27, 2016

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Trade Subcommittee:

I’m pleased to see that the U.S. House of Representatives Ways and Means Trade Subcommittee is seeking input about U.S. agricultural exports in trade agreements. In response to the committee’s June 14 hearing on Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports, I wish to outline my own support for new policies by explaining the direct impact they would have on my company.

As founder of the hemp industry's leading publication and research report, I know that strong international trade policy is vital to the emerging U.S. hemp industry. Currently, the hemp industry is growing at 33 percent per year. Market research projects it to grow from a $500M industry to a $1.8B industry by 2020, creating economic opportunities for American farmers.

Further growth will not be possible, however, without passage of industrial hemp legislation (H:525 S:314) at the federal level. With full federal legalization, we project U.S. hemp exports to compete against Europe and China imports. We are calling on Congress to open up the industrial hemp export market by making it fully legal to cultivate industrial hemp in the United States.

I hope you and your committee will support international trade agreements.

Thank you for your consideration.

Kind regards,

Sean Murphy
Founder and Publisher
Hemp Biz Journal

Cindy Harling
Sales Manager
Stash Tea Company
PO Box 910
Portland, Oregon 97207

June 27, 2016

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Trade Subcommittee:

I'm pleased to see that the U.S. House of Representatives Ways and Means Trade Subcommittee is seeking input about U.S. agricultural exports in trade agreements. In response to the committee's June 14 hearing on Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports, I wish to outline my own support for new policies by explaining the direct impact they would have on my company.

As a manager at Stash Tea, one of the largest specialty tea companies in the United States, I know how important new trade legislation is. Since our 1972 founding in a small house in Portland, Oregon, we have become a major success thanks to our ability to export. We currently sell our products in over 35 countries, but we face plenty of challenges in this arena that could be mitigated by improvements in international trade policy.

In particular, there is a need for establishing uniform regulations between trading nations. For example, when it comes to exporting our teas, our company must constantly adapt to meet a variety of different standards: China and Brazil require in-country certification; Korea does not permit the words 'caffeine free' on their packaging and taxes green tea at high duty; and China allows us to purchase their safflower but does not permit us to sell flavors to them with it.

Furthermore, policymakers should reconsider current rules on organic trading. My company is at a disadvantage because it cannot participate in any trade missions, show products to incoming buyers from other countries, participate in the U.S. pavilion at international trade shows, or ask for assistance from the Organic Trade Association or WUSATA, because we purchase some of our raw materials outside of the United States. I believe processed food companies like Stash Tea will have more issues like this unless these policies are changed, as demand for exotic ingredients will only continue to grow.

The success of my business heavily affects job growth in Oregon and the health of our nation's economy. Stash Tea provides jobs and pays American freight companies, labeling facilities, and packaging companies to produce and deliver our products. If policies are updated to meet the needs of our dynamic global market, our company—and thus thousands of individuals—will be better off.

Thank you,

Cindy Harling
Sales Manager
Stash Tea Company