

August 24, 2006

The Honorable Susan C. Schwab
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Re: Acceleration in Duty Reduction Under USSFTA

Dear Ambassador Schwab:

The Southern Peanut Farmers Federation is comprised of the Georgia Peanut Commission, Alabama Peanut Producers Association, Florida Peanut Producers Association and Mississippi Peanut Growers Association. Our peanut growers produce over 80% of the U.S. peanuts.

We are writing to express our grave concern over the proposal to accelerate the planned reduction in duties for peanuts under the US-Singapore Free Trade Agreement as published on page 46250 in the Federal Register / Vol.71, No. 155 / Friday August 11, 2006.

We strongly oppose this acceleration for peanuts based on the following reasons.

First, the administration of the U.S. peanut program with respect to the establishment of the Posted Price and subsequently the Loan Repayment Rate by the U.S. Department of Agriculture has to date been a dismal failure. These prices, as reported by USDA, have been anything but competitive internationally; contrary to what was intended when the current law was approved by the Congress. Instead of increasing exports and the U.S. peanut industry benefiting from increased export sales, exports have declined, encouraging producers in other countries to take away our international markets. More rapid decreases in the import duties proposed in the U.S./Singapore Free Trade Agreement will only heighten our problem. This will create added pressure on the domestic market, further depressing an already struggling domestic marketplace. We fail to see how anyone in the U.S. peanut industry can benefit from this action.

In addition, we are concerned that this proposal, if accepted, sets a terrible precedent. Singapore is not a peanut producing or exporting country so anything that comes from there will, for all practical purposes, be peanuts obtained from other origins and processed in Singapore. We have long expressed concern that trade agreements should not set up new cottage industries that grow at the expense of the U.S. domestic peanut industry. It is our understanding that currently their quota is not filled so expansion of the quota can only serve as an incentive to build new factories to fill the expanded quota. Thus, the proposed changes to the U.S./Singapore Free Trade Agreement, if accepted, will encourage the development of a new industry, which will directly damage the U.S. domestic peanut industry.

It should be noted that the Federal Register notice described the peanuts at issue as “peanuts in snack products (HS 2008.11)”. This line of the Harmonized Tariff Schedule (2008.11) includes peanut butter, blanched peanuts and others. Peanut butter, as a rule, is not something that is thought of as a snack product.

We strongly oppose changing any provision of the U.S./Singapore Free Trade Agreement which would reduce the duties or expand the quota for increased exports to the U.S. for peanuts and peanut products. In addition the current quota should be subject to stringent rules of origin in order to prevent transshipments and misuse of the trade agreement.

Sincerely,

Armond Morris
Chairman
Georgia Peanut Commission

Carl Sanders
President
Alabama Peanut Producers Association

Michael Davis
President
Florida Peanut Producers Association

Joe Morgan
President
Mississippi Peanut Growers Association