



INTERNATIONAL TRADE

Background

In fiscal year (FY) 2005, the United States exported \$62.4 billion in agricultural products while importing \$57.7 billion, resulting in a trade surplus of \$4.7 billion. Agricultural exports have increased 23 percent since 2000, rising to record highs in recent years. While U.S. agricultural exports have risen steadily, growth in imports of agricultural products has outpaced our export growth, causing our agricultural trade surplus to decline.

The lower trade surplus does not signal reduced export competitiveness of the farm sector. U.S. bulk commodity exports continue to exceed imports by \$15 - \$20 billion, as has been the case for the past 15 years. The rise in the value of agricultural imports reflects strong consumer food demand in the United States, especially for seasonal and ethnic foods, and strong economic growth and rising incomes. Furthermore, the gains in imports have been mainly in processed foods, not in farm products that compete directly with U.S. production.

Title III of the 2002 farm bill includes programs ranging from international food aid to commercial export credit programs and export market promotion assistance. Subtitle A centers on the economic development of foreign countries and humanitarian relief through food assistance and the monetization of donated agricultural products. Subtitle B consists of programs designed to assist and expand the export of U.S. agricultural products. These include the Commodity Credit Corporation Export Credit Guarantee Program, at \$2.6 billion in FY 2005; the Market Access Program, at \$140 million in FY 2005; the Foreign Market Development Cooperator Program, at \$34 million; and the Food for Progress Program, at \$122 million. Under Subtitle C, several programs are aimed at removing nontariff barriers affecting U.S. agricultural exports, including technical assistance for specialty crops.

General Opinions Expressed

- Some participants expressed the increased global nature of agricultural markets due to growth in international trade.
- Some stated that our policy should promote and increase agricultural trade with other countries. Some suggested opening trade with Cuba; one suggested Iran and Iraq.
- Others (especially sugar producers) stated that we should not have any more trade agreements like NAFTA, CAFTA, or other free trade agreements.
- Various pork producers thanked USDA for passing CAFTA. Several beef producers were concerned about CAFTA. Others questioned whether the United States can control the amount of beef that could come from Brazil, Argentina, and Australia.

- Many feel we should be developing biofuels for export and domestic use. Several stated that CAFTA, allowing up to 7 percent of U.S. ethanol production to be imported through CAFTA countries thereby avoiding the 54-cents-per-gallon tariff, will undermine the optimism that younger farmers have developed for the potential of renewable fuels, especially ethanol.
- Several commented that our trade agreements are skewed to providing increased benefits to "developing" countries (at the expense of U.S. agriculture).
- Some stated that any actions taken to maximize competitiveness in global markets benefit only the exporters. Farm policy should be formulated to benefit the producer first.
- Many stated that the United States needs fair trade, not free trade. U.S. negotiators give away access to the United States without gaining access to other countries. Some feel that U.S. agriculture is used as a pawn in international negotiations. Nontariff trade barriers need to be addressed also. Some stated that we must ensure that trade agreements are enforced. Some cited the need to address currency manipulation (China) and foreign subsidies.
- The United States should not pay import tariffs on our exports when imports come into the United States tariff free.
- Several stated that the U.S. Government should use enhancements to sell grain overseas and actively use our Dairy Export Incentive Program (DEIP) to export dairy products.
- Some suggested lowering our domestic support prices to make us more competitive in international markets. More said that we cannot compete internationally, especially when one considers the cheap cost of land and labor in countries such as Brazil.
- Our policy needs to offset the cost of our higher standard of living and food safety, environmental, and other requirements. Remove the burden of paying for these high standards from the U.S. producers or add the cost to imported products.
- Many opined that all imported agricultural products must be required to meet the same safety standards (including pesticide restrictions) required of producers in the United States.
- Several requested 100 percent inspection of imported food products and that inspection fees be charged for imported agricultural products.
- Several indicated that our regulations are out of control and make us less competitive. One stated that "if you really want us to compete against third world countries, rescind all of the unproductive laws, health and safety standards, and excessive taxes."
- Every trade agreement should include environmental protection, fair wages, and worker rights.
- The U.S. Government should support immigrants who work on U.S. farms to produce crops by ensuring they receive at least the minimum wage and are well treated. Some stated that we need to control illegal immigration and deal with the problems it is creating. Some stated that we need to develop a new policy for migrant farm labor to ensure a legal and adequate work force.
- Some felt we need to compete on the basis of high quality at the best price instead of just price. Instead of subsidizing farmers for production, our policy (price incentives or discounts) should help increase the quality of our crops so that we can compete better internationally.
- Consider incentives to those producers who supply the type of products that meet the demand of the foreign market. If a cattle producer can provide evidence to the packer that the meat from a particular animal can be traced from pasture to plate, this producer should be given a financial incentive.

- Some stated USDA should assist farmers by providing information/education programs on the world market and standards and regulations affecting trade.
- Some stated that USDA should accept that exports have not been and will not be the cure for the malaise in U.S. agricultural markets. Exports are important, but they have lost ground to imports. A few participants stated that we should set our domestic prices at parity and then worry about the global markets.
- Some stated we should maintain agricultural subsidies like the EU and push to sell our products all over the world.
- Several suggested we should limit imports and be allowed to export just as much as we are importing. A few stated that imports should be limited to products U.S. producers cannot supply. Others suggested taxing imports of resources already produced in the United States. Several stated that we should encourage import substitution on a regional scale through the development of regional/local markets and programs to encourage small organic farms. Some felt that diversification and regional markets would improve our homeland food security. A few suggested using food as ransom for oil.
- USDA should stop showing other countries how to raise crops and export ours to them.
- Some suggested that in order to meet WTO standards, the U.S. should stop supporting specific commodities and move to green-box-type subsidies such as conservation, direct payments, or income insurance. Several stressed that we should not give away our counter-cyclical price protection in some trade negotiation. Despite the WTO ruling in the Brazil cotton case, several participants requested a continuance of the Upland Cotton Step 2 Program.
- Several stated that we should not finalize the farm bill until the WTO Doha Round discussions have been completed. Some suggested that the farm bill should be flexible enough to allow for it to meet WTO requirements.
- Several stated that the WTO and trade agreements should not dictate U.S. farm policy.
- Some felt that farm subsidies should do a better job of providing a safety net for U.S. farmers facing unfair foreign competition.
- Many stated that the U.S. transportation infrastructure needs to be vastly improved to compete internationally.
- Some opined that U.S. farmers need competitive freight rates for grain exports.
- Some cited the international demand for organic products and requested export support, such as having AMS' National Organic Program comply with international standards (ISO) for certification and accreditation.
- Several stated timber markets in other countries are protected/advantaged by their government's involvement in timber holdings and/or lack of labor and environmental regulations. U.S. policy should level the playing field so forestry products imported into this country are priced similar to the same product grown and produced in the United States.
- Several did not understand why USDA would not allow individual beef processors to implement 100 percent testing for BSE as requested by Japan in order to export to Japan.
- Several said the U.S. should be able to sell high-quality beef to China.
- Several stated that the debate over antibiotics used in animals, pesticide usage, animal rights, and other issues seems to affect what other countries buy. USDA should eliminate "egregious animal practices," such as the use of farrowing crates for sows, to make our

products more attractive internationally. We should invest in programs to produce hormone-free beef in response to demand in foreign markets.

- If U.S. agriculture is going to remain globally and domestically competitive, the U.S. must update our Federal dairy policies, many of which date back to the Great Depression.
- A few asked USDA to support Alaska fish meal processing as an export product.
- Some asked for continued support of the Market Access Program (MAP) and Foreign Market Development (FMD) export promotion programs.
- Some requested additional funding for the Technical Assistance for Specialty Crops Program (TASC).
- Some support donations of food in U.S. foreign aid programs versus cash-only donations as currently supported by the European Union.
- Some stated that our farm programs should not result in negative impacts on farmers in developing countries.
- One of our competitive edges in the international market has been our cutting-edge research. The U.S. must continue to fund research.
- Many stressed the need to address rising fuel and fertilizer costs in order to be competitive.

Detailed Suggestions Expressed

- Globalization can cause jobs to be transferred from Macon County or Madison County to China, negatively affecting the economic viability of our local communities. Therefore, Federal policies need to address the resulting situation on a very local level.
- A minimum price for agricultural commodities should be set worldwide.
- Set a \$2.97 loan rate for corn and \$5.95 for beans (for example) and forget all other parts of the program. After the loan prices are set, the Government can set prices for export (because it will be the Government's grain) or use it as food aid for foreign countries.
- Eliminate current domestic price support programs. Keep the disaster program, but only to the extent that it would provide assistance to rebuild devastated acres so that they are farmable again (e.g., bridges, culverts, clearing debris). Set a minimum worldwide price for grain commodities at a profitable level for all (worldwide) growers (e.g., the U.S. 2005 prices might be \$2.50 corn, \$3.50 wheat, \$6.00 soybeans).
- The WTO allows revenue protection up to 70 percent of income to be included in the green box. The U.S. should negotiate upward to 80 to 85 percent, and the balance of income protection could be provided by a limited marketing loan and/or single peril or buy-up coverage under crop insurance.
- Another commenter suggested an export enhancement program to export our surplus grain and create higher domestic prices.
- Keep the border to Canadian cattle closed as long as the U.S. does not have normal beef export opportunities.
- We should reduce subsidies so we can demand the same from the EU. We should be world leaders in conservation so that we can demand the same from Latin America, Russia, and China.
- The United States must have a program that protects our farmers in years of over-production because at some future point under-production will be our biggest concern.

- Many countries would open trade if we did not subsidize our farmers so much. New Zealand eliminated almost all farm subsidies in the 1980s and now they are one of the leading exporters of agricultural-based commodities.
- Farm policy needs to effectively address the transition costs to producers that will inevitably arise with trade liberalization. With the implementation of the North American Free Trade Agreement in 1994, some commodities have suffered a profit loss due to Canada or Mexico being able to produce that crop at a lower price. In such cases the Federal Government should provide assistance to farmers negatively affected by policy.
- NAFTA and the WTO have driven up fuel and equipment prices for U.S. farmers.
- The additional traffic generated by CAFTA will hurt our already lacking rural road systems.
- Farm policy should be written by farmers, agricultural specialists at 1890 and 1862 land-grant universities, USDA specialists, and domestic and foreign agricultural specialists.
- U.S. trade teams lack practical agricultural knowledge and thus are at a disadvantage to other trade teams.
- Economic projections concerning trade agreements have often been wrong. USDA needs to initiate a thorough review of past models and projections.
- USDA should upwardly harmonize global import standards for beef and allow voluntary BSE testing for U.S. packers. USDA should obtain substantial reductions in beef tariffs by trading partners such as Japan and Korea. USDA should create a global marketing information program to provide regularly updated information on commodity prices, supply and demand trends, exchange rates, and dominant market shares of trading companies.
- Address beef export problems with tariff-rate quotas and high tariffs.
- Uruguayan beef is brought into this country with a “USDA inspected” label just like U.S. beef, but a USDA inspector may have never seen the beef or the cow. Concern was expressed that this practice is misleading to the American consumer and unfair.
- Concern was expressed over allowing Canadian beef products and live animals into the United States.
- The 1995 WTO negotiations led to lower farmgate milk prices because of the importation of milk protein concentrates. Trade negotiations should first make a commitment to current and future U.S. dairy farmers.
- Milk protein concentrates (MPC) with more than 40 percent protein should still be considered a dairy product.
- Instead of imposing tariffs on imported MPCs, which would be counter-productive to ongoing trade negotiations, the Government should focus on helping develop the infrastructure needed for U.S. MPC production.
- One issue that needs immediate attention is food safety. MPCs are imported into our country by the billions of pounds and have no import tariffs. They also come into the country labeled ‘FOR ANIMAL USE ONLY,’ yet are used in many food products. Concern was expressed that the Food and Drug Administration has never approved MPC usage.
- Ensure the total enforcement of the dairy check-off dollars assessment on imported dairy products.
- The United States should offer incentives to U.S.-based textile mills and other industries that would use U.S.-produced farm products.

- The Mediterranean Basin, a large exporter of canned tomatoes to the U.S. east coast, is not the low-cost producer, but is being subsidized by the European Union. This inequity needs to be addressed.
- Connecticut greenhouses cannot compete with product coming from Canada because of the operational subsidies received by Canadian producers.
- U.S. producers and exporters of Adzuki beans would like Japan's quota on Adzuki imports to be removed.
- Action was requested against many products coming in from China that are subsidized by that Government.
- Some fruit and vegetable industry representatives requested Free Trade Agreements (FTAs) with Asian Pacific Rim countries in order to reduce high tariffs and phytosanitary barriers.
- Reduce Mexico's 45 percent import duty on red and golden apples from the United States. Mexico ships large amounts of fruit and vegetables into the United States—we need a level playing field.
- TASC (Technical Assistance to Specialty Crops) funds have been helpful, but this issue needs further attention.
- Funding for the TASC Program should be increased immediately to \$4 million (\$2 million discretionary and \$2 million mandatory) and to at least \$7 million in mandatory funding per year in the next farm bill.
- An issue is costing Illinois corn growers 10 cents a bushel. The U.S. needs to resolve the 8-year-long high fructose corn syrup dispute with Mexico. The marketing allotments for sugar contained in the farm bill have been a significant barrier to resolving our dispute. If marketing allotments are maintained, imports of sugar from Mexico should be exempt from those allotments.
- The sugar subsidy problem is a global problem which must be addressed comprehensively in the WTO – all programs, all countries, sector-specific negotiations.
- The U.S. negotiators have been hampered in international negotiations by having to protect sugar and other industries that rely on border protection. We need to find a way to capitalize the economic rent these industries receive in order to remove them from the debate.
- The farm bill provides very little Government assistance for forestry compared to other countries (Canada). Support the Tree Farm Program.
- The U.S. should have a value-added tariff on raw timber products sent out of the country, helping to keep jobs in the United States.
- In West Virginia, lumber exporters would save about \$400 per load if export inspections were done in West Virginia as opposed to the ports, such as Baltimore and Norfolk.
- Third world developing countries do not have the same environmental standards we do. Therefore, competition in the export market for forest products will become much more severe in the future. The U.S. should consider some sort of payment for ecological services that the forests provide such as clean water, carbon sequestration, and wildlife habitat.
- Entering into the Kyoto Agreement and related carbon sequestration markets would provide increased opportunity for planting and management of trees in order to obtain carbon credits in established markets.
- One aspect that the United States needs to address to remain competitive in global markets is 'chain of custody' as it relates to food safety and land stewardship. The new farm bill could include the development/recognition of Environmental Management Systems (EMS). U.S.

producers could use an EMS to certify their land stewardship and food safety measures. The EMS could then be used as an environmentally friendly marketing tool in international trade.

- Concern was expressed about the limitations on USDA's Foreign Agricultural Service in distributing tobacco data and about restrictions that prevent them from promoting the exports of U.S. tobacco—a legal commodity. USDA should be permitted to provide equivalent services to tobacco farmers as those provided to other commodities.
- Since the tobacco buyout of 2004, none of the tobacco imported from other countries has to be checked for dangerous pesticides and other chemicals that are not allowed in the United States. This inequity is unfair.
- Higher standards for vessel and plant sanitation could improve the competitiveness of Alaska salmon, particularly in markets such as the EU.
- The United States should consider producing industrial hemp.
- In dealing with foreign interests, loans or other financial guarantees must be available to assure a loan institution's financial stability.
- In West Virginia and surrounding States, wild-growing ginseng could be developed into an export to China.
- Oppose Senate bill 2941, The North American Investment Fund.
- U.S. organic product exports are assisted by programs such as MAP, but are not eligible for USDA's export incentive programs such as DEIP because of limited export price data.
- In terms of global competitiveness, U.S. artisan products with distinctly regional flairs can compete with European wines and cheeses and Argentine and New Zealand beef.
- Concern was expressed about an APHIS inspection station in Washington State being closed within 2 years.
- A producer from Guam requested that the FAS identify and prioritize commodities that could be developed and supported for export.
- USDA has not prioritized opening up Japan and Korea for beef exports and USDA has done little to help Washington fruit and vegetable producers who face difficult foreign market challenges, including Canada blocking Washington potato imports and U.S. policies in Peru that have devastated the Washington asparagus industry.
- Requested USDA support for opening markets in Asia to greenhouse and nursery crops.
- Request that the next farm bill and future FTAs consider Hawaii's unique agriculture. Hawaiian producers of orchid leis cannot compete with imports from Thailand and the cut flower and foliage industries are directly competing against countries in East Asia and Central America.
- Request to see Hawaii declared a specific pest-free (SPF) shrimp zone, which would prevent the introduction of pathogens from Asia by prohibiting the import of raw frozen shrimp.
- Request that the USDA appropriate funds to build an inspection and treatment processing facility and an adjoining cargo consolidation area in Honolulu to mitigate against pests coming in on imports.
- A shrimp producer in Guam expressed concern about competing with lower priced shrimp imported from the Philippines.
- Aquaculture imports are second only to oil imports as a contributor to our trade deficit. The U.S. should capture some of that market and provide support for projects such as freshwater shrimp production.

- A commenter asked for help opening foreign markets to Hawaiian pineapple.
- Increase funding for the bee industry to compensate for the sharp increase in imports from China entering the United States undetected.
- Fund Food and Agriculture Policy Councils in each State to develop marketing opportunities for producers.
- USDA should put U.S. firms involved with product development into contact with foreign food market retailers/players.
- Recommended permanent funding for the FAS minimum residue level (MRL) database, and recommended a comprehensive study exploring major trade opportunities and challenges with China, Brazil, and India.
- A commenter commended FAS but noted it is woefully understaffed and underfunded.