National Corn Growers Association
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**Testimony of Doug Boisen**
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**Chairman, Trade Task Force**

**Before the Senate Committee on Foreign Relations**
**Subcommittee on Western Hemisphere, Peace Corps, and Narcotics Affairs**

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Good afternoon. Chairman Coleman, Ranking Member Dodd and members of the Committee. My name is Doug Boisen. I am a board member of the Nebraska Corn Development, Utilization and Marketing Board and Chairman of the National Corn Growers Association Trade Task Force. I would like to thank the Subcommittee for giving me the opportunity to testify and speak today regarding the future of United States economic relations in the Western Hemisphere. Today's hearing is very timely, and I commend the Chairman and the Committee for convening it.

The National Corn Growers Association (NCGA) was founded in 1957 and represents more than 32,600 dues-paying corn growers from 48 states. The Association also represents the interests of more than 350,000 farmers who contribute to corn checkoff programs in 19 states.

NCGA's mission is to create and increase opportunities for corn growers in a changing world and to enhance corn's profitability and use. Trade is vital to the future of corn growers as we search for new markets and provide grain that is more abundant and of better quality.

One out of every five rows of United States corn is exported, and exports of value-added corn and co-products add to the importance of foreign markets for United States corn producers. In 2002, United States corn exports totaled 47 million metric tonnes with a value of $4.8 billion. This represents approximately 20 percent of total United States production, with the United States accounting for nearly 57 percent of worldwide production last year.  Our two closest competitors in the international marketplace are Argentina and China with 14 and 17 percent of world production respectively.  The United States Department of Agriculture (USDA) recently estimated United States corn exports would be down in the 2002/2003 marketing year at 1,675 million bushels, (42.6 million metric tonnes), the lowest export level since 1997/98.  United States production will be at the lowest level of worldwide production since 1985 or even the late 1960s. This decrease represents the rising level of competition we are experiencing in the international market from countries like Argentina and China and decreased plantings due to weather related problems in the Western Corn Belt.  The bottom line is that United States agriculture lives in a more competitive world than ever before.  The importance of free trade agreements has never been more essential to the future success of our industry.

NCGA supports trade agreements that will open markets for United States farmers and increase market development opportunities throughout the world.  The Central and South American countries represent a large potential market for United States corn despite Argentina's presence in the region.  I would like to spend a few minutes outlining our trade priorities in ongoing and future trade negotiations in the region.

***Mexico***

Like many of the commodities at this table, corn is experiencing problems with Mexico in terms of its commitments under the North American Free Trade Agreement (NAFTA). Mexico is our second largest trading partner, importing 5.3 million metric tonnes of bulk corn last year.

As you already know, on April 28, 2003, Mexican President Vicente Fox signed a "National Farm Accord" that pledges more domestic support to Mexican farmers and hints at preliminary steps to initiate safeguard actions on dry beans and white corn.  In addition, the document alludes to the ultimate goal of unilaterally renegotiating the agriculture provisions of NAFTA by suspending the issuance of import permits (cupos) for white corn except in times of short supply and encourages the establishment of domestic production contracts to reduce dependence on United States yellow corn imports.

I do not intend to discuss our problems with Mexico at length. It is essential Congress and the Administration not renegotiate NAFTA and work towards its full implementation. Renegotiation of NAFTA would be unwise and unproductive for both countries. NAFTA is a working agreement that provides benefits to Mexico and the United States.

***Free Trade Area of the Americas***

At the center of attention of trade negotiations in the Western Hemisphere is the Free Area of the Americas (FTAA). Through the FTAA process, corn growers seek the following objectives: 1) overall reduction in tariff levels; 2) elimination of the use of export subsidies for trade in the Western hemisphere; 3) the phasing out of tariff-rate quotas; 4) fair administration of quotas and import permits; 5) eliminate other market access restrictions ; 6) disciplines on State Trading Enterprises; 7) science-based regulations pertaining to human, animal and plant health and; 8) an expedited dispute settlement process.

Two of these objectives deserve special note. Specifically, the United States feed grain industry would benefit from increased access to the complex system of preferential regional and bilateral trade that has emerged in the Hemisphere. Tariff reduction, and ultimate elimination, would ensure that United States corn exports gain or retain access to markets on a basis comparable to that granted to other trading partners.

For example, duties between Mercosur countries are generally zero whereas members apply the common external tariff and statistical tax for imports from the United States (and other non-member countries). For example, Argentine enjoys a 2 percent tariff for corn exports to Brazil. The comparable rate for U.S. exports is 9.5 percent. While Brazil recently announced a tariff reduction for U.S. exports due to short supplies, it remains difficult for the United States to compete in that region for much of the year, despite some seasonal and freight advantages.

Bilateral Economic Complementary Agreements (ECA's) also work to our disadvantage. The ECA between Chile and Mercosur members subjects corn from Argentina to a lower import duty (1.8 percent in 2003) than the United States (6 percent in 2003).[1]

Such elimination of feed grain tariffs for our exports similar to those extended under regional and bilateral agreements would allow United States feed grains to compete in the Hemisphere under market conditions.

The "price band system" employed by Andean Pact countries continues to protect domestic agricultural products from imports. Under the Andean Pact's common external tariff policies, corn imports from non-member countries are subject to a fixed tariff and a variable tariff based on import prices. The complex variable tariff component keeps internal prices high when world prices are low and declines as world prices increase, effectively setting a floor on the import price of third-country products. Overall feed grain demand is dampened as domestic markets are insulated at artificially high price levels, and as a result demand for imported feed grains is diminished. The use of price bands is inconsistent with WTO rules and should be eliminated as part of the FTAA agreement.

Another top priority for corn growers is to prevent export subsidies from being used by any member. We seek a commitment from each country to refuse to accept subsidized exports from third parties. Export subsidies are the most trade distorting of government policies and severely injure efficient producers. Elimination and prohibition of future subsidies in the FTAA will not only level the playing field for agricultural commodities but also will increase pressure on the European Union to reform its export subsidies in the WTO negotiations on agriculture.

***Central America Free Trade Agreement***

Regarding a Central American Free Trade Agreement (CAFTA), the domestic feed grain industry looks to gain greater market access through the elimination of tariffs. In total, the region imports more than 1.6 million metric tonnes of corn per year, with the United States supplying nearly all of that demand. While each country applies a different tariff

[1] Under the U.S.-Chile FTA, tariffs on corn exports drop to zero in the third year.

rate for corn, immediate tariff elimination should be sought in as many of these countries as possible.

In addition to tariff elimination, internal support measures employed by some Central American countries continue to hinder access for United States feed grains. El Salvador, Honduras and Nicaragua use commodity absorption agreements, which require domestic end users and processors to purchase a certain percentage of domestic production at high prices before being issued a license to import commodities. Typically, domestic production of white corn and sorghum must be purchased before import licenses are issued to import yellow corn at preferential tariffs. These mechanisms are clearly illegal under WTO rules, and should be eliminated under an FTA agreement.

In addition, we feel the FTA with Central America should fully embrace trade in products produced through agricultural biotechnology. At a minimum, the United States should seek agreement from those countries that products of agricultural biotechnology be evaluated solely on the basis of sound science.

**Transportation Modernization**

Free trade agreements and liberalization will help, but will not solve, our competitiveness problems in South America or around the world. Over the past 50 years, our inland waterway system has provided the comparative advantage we have in moving commodities like corn to market throughout the world from Minnesota and other Midwestern states. However, after five decades, our waterways are showing their age. Without additional investments in our transportation infrastructure, United States farmers are at a severe disadvantage as foreign countries increase their commitment to developing agricultural export markets.

The future financial success of corn growers throughout the nation is tied to the Mississippi and Illinois Rivers system. For this reason, infrastructure improvements that include new 1200-foot locks at seven locations are a top priority for our association.

Improvements in the United States waterways system are urgently needed. These aging 600-foot structures no longer can accommodate the volume of traffic or the current size of the typical 1100-foot tows now employed on the Upper Mississippi River. This results in long delays at older locks, averaging three to four hours. It has been estimated that the delay due to outdated, inefficient locks on the Upper Mississippi River costs approximately $900 per barge. If we are unable to move agricultural products in an efficient manner, the United States will become less and less competitive in export markets, and we will lose domestic markets as well. Eventually domestic agriculture will pay the price.

While we continue to study the issue, our competitors have invested in their transportation infrastructure and have captured market share at our expense. During the last nine years Argentina has invested $650 million to improve its inland waterway system. As a result, it has lowered the cost of shipping grain to global markets, it has created a state-of-the-art soybean crushing industry and is now the largest exporter of soybean meal. This has a direct affect on the ability of domestic soybean growers to compete in the international marketplace.

We would be lucky if it were only Argentina. Brazil also is making similar progress. To their credit, the Brazilians are overcoming their transportation disadvantages by improving their inland waterways to the point where they are now the leading exporter of raw soybeans.

Modernizing the outmoded Upper Mississippi/Illinois lock system is absolutely necessary so agriculture and related industries can compete in the international marketplace. Our nation wouldn’t tolerate driving on two lane highways and roads littered with potholes. Nor can we accept an inland waterway system that is incapable of meeting the transportation needs of the new century. This investment will be a watershed achievement for agriculture and the nation as a whole over the next 50 years. We have a unique opportunity to make a needed investment in farm country and in the future well-being of domestic agriculture.

***Conclusion***

No doubt, our future as agricultural producers is linked to trade.  The United States Government and organizations like NCGA need to promote the benefits of trade liberalization in multi and bilateral negotiations.  We cannot retreat from any region of the world, especially the one in our own backyard.

We look forward working with the Committee on this and other issues of importance in the future.  I thank you again for the opportunity to address the Committee.  I welcome your questions.