

Testimony of Mike Johanns  
Secretary of Agriculture  
Before the House Committee on Agriculture  
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Introduction

Thank you, Mr. Chairman, for this opportunity to meet with you and members of the Committee to discuss the agricultural negotiations in the Doha Development Round and our expectations for the WTO Hong Kong Ministerial. I am pleased to be here with USTR Ambassador Portman today. We have spent quite a bit of time together and have logged many miles working with other countries to push the Doha talks forward.

As you know, agricultural policy and trade policy are intrinsically linked. Our joint appearance today reflects that close relationship as well as the one that exists between USDA and the Office of the U.S. Trade Representative.

Importance of Trade for U.S. Agriculture

As we meet for these hearings today, U.S. agriculture continues to enjoy robust economic health. And, working with you, our objective is to make it even stronger. Production is near all-time record levels for some commodities such as corn and soybeans and overall utilization continues to be relatively strong. The reality is, however, that our domestic market is

mature -- it is big, to be sure, but it is growing very slowly. We can supply it effectively. To grow and prosper – America’s farmers and ranchers must look elsewhere – to the foreign markets where over 95 percent of the world’s potential consumers reside. And, more and more of these people are becoming able to buy our products – their incomes are rising and their standard of living is moving higher – and we must be in a position to capture a big share of that growing market.

Let’s be clear. The world wants U.S. agricultural products. In 2004, we set a new record for U.S. export sales of \$62.4 billion. When all the figures are in for 2005, we expect the total to reach \$62 billion. And, our forecast for 2006 now anticipates yet another record of \$63.5 billion.

But we cannot afford to rest on our laurels. Competition is stiff and it is essential for us to expand economic opportunities for our farmers and ranchers. The reality is that the world marketplace is becoming more dynamic and American agriculture must continue to adapt to compete. The solution to keeping our farmers and ranchers competitive in an increasingly global economy is not to withdraw from it. It is to do what Americans have always done – adapt, innovate, and lead. That is why the President, Ambassador Portman and I believe that trade liberalization will enormously

benefit American agriculture. In fact, expanded trade is critical to the future of agriculture in this country.

### Doha Development Round

When the United States helped launch the Doha Round in 2001, we knew that all countries would face political difficulties as the negotiations moved forward. However, despite those difficulties, we cannot settle for insignificant changes, especially in global agricultural trade. We must keep our eye on the goal of freer markets for both developed and developing countries.

From the beginning of these negotiations, the United States has advocated fundamental agricultural trade reform that would increase significantly market access, reduce trade-distorting domestic support and eliminate export subsidies. This will be beneficial for U.S. agriculture. It also is the best means for growing the economies of the developing world, for lifting hundreds of millions of people out of poverty, and for improving the living standards for all of the world's people.

For example, at the AGOA meetings in Senegal in July, I emphasized that the United States looks forward to a time when independent, financially secure African countries participate as full partners in the global community.

I reiterated our belief that freer, fairer trade offers the promise of lifting all of our nations economically.

I have personally taken an active role in these negotiations because I understand how high the stakes are for our agricultural industry. I have traveled to Europe several times and will be returning to push these negotiations forward. In addition, I have visited China, Africa, Central and South America, Australia and New Zealand to advance our trade liberalization agenda.

#### Bold Proposal on Domestic Support

Recently in Geneva, in order to get the deadlocked WTO talks moving again, the United States introduced a comprehensive proposal that clearly revealed our ambition in both the domestic support and market access pillars. This bold proposal calls for aggressive tariff reductions ranging from 50 to 90 percent and it restricts to no more than 1 percent the number of products that could be termed “sensitive” and subject to smaller tariff cuts. And, we also proposed that no tariff could exceed 75 percent of value. This proposal indicated the level of market access that we would require in exchange for substantial cuts in trade distorting domestic support.

The United States proposed to cut the United States' amber box Aggregate Measure of Support (AMS) by 60 percent. This proposal addresses the primary concerns of our trading partners with significant cuts in the amber and blue boxes. When the other reductions in trade distorting supports are included, overall U.S. levels of allowable trade distorting domestic support would be reduced by 53 percent.

The United States looks for other WTO members to match this level of ambition. We have shown our leadership, but we cannot do it alone. And we will not settle for a package that does not increase real market access. To be frank, a new global pact is in jeopardy unless Europe shows still more flexibility. We are working with other WTO members and like-minded EU member states to encourage the EU to come forward with a more ambitious tariff cutting proposal.

Unfortunately, we only have some 40 days to complete the necessary preparatory work before the WTO Hong Kong Ministerial to make meaningful progress. We must level the playing field. Our agricultural tariffs average 12 percent; the EU's average 31 percent; Japan 51 percent; the world average is over 60 percent. For India it is 114 percent; and for others, it is even higher.

There also is wide disparity in levels of trade distorting domestic support. This must be reduced and harmonized. It's not acceptable for Europe to have four times the allowable support we have when our agricultural economies are of equivalent size.

### Export Competition

We have made good progress in the export competition pillar, with the EU's agreement to eliminate all export subsidies. The remaining issue is when, and we have proposed 2010. Furthermore, the talks are addressing specific disciplines on export credit programs with a repayment period of 180 days or less. On State Trading Enterprises, we are seeking disciplines on special financing privileges and underwriting of losses as well as an end to monopoly export privileges. Finally on food aid, we have agreed to create disciplines that will avoid commercial displacement, while ensuring that in-kind food aid will continue to be an important mechanism for meeting growing global food aid needs.

### Determined to Gain Market Access

We are pushing on multiple fronts internationally to ensure that the Doha round is a success and that U.S. agriculture reaps market access

benefits. We recognize that U.S. agriculture cannot accept the status quo. In the Brazil cotton dispute, some of our farm programs have been found not to be compliant with the current WTO rules. We have taken significant steps to bring our programs into conformance, and are working with interested members of Congress on additional measures.

All of us in agriculture recognize the importance of gaining greater access to foreign markets and of being competitive in these markets. It is incumbent on us to work together to develop a U.S. farm policy that maximizes economic opportunities for our producers. In an era of globalization we cannot afford to turn inward. We must not cede markets to others.

This administration is determined to expand economic opportunities for our agriculture. We are aggressively pursuing free trade agreements where it is strategically advantageous to do so. In addition, we continue to vigorously monitor and enforce agreements that are already in place. We have heard your concerns loud and clear and share your frustration that too often unjustifiable sanitary and phytosanitary trade barriers are used to block market access. I assure you that at USDA, both in Washington and in our attaché offices around the globe, we place top priority on enforcing existing agreements.

Clearly, the most difficult cases have involved access to Asian markets, particularly Japan, for U.S. beef due to BSE. We must insist that other nations follow science-based, internationally recognized guidelines for trade. Nations that continue to use unjustified safety regulations as an excuse to disrupt trade should expect the United States to defend its interests.

### 2007 Farm Bill

As many of you know, I have been traveling throughout our great nation to conduct Farm Bill Forums to hear concerns directly from our farmers and ranchers. So far, I and my staff have held Forums in 26 states. While I don't have all the answers, one message has come through loud and clear – we need to develop a farm bill for the future. For U.S. agriculture to succeed, we need to export. More than a quarter of farm cash receipts depend on trade.

I have encountered almost unanimous support for rural development and conservation programs. Our cooperative conservation programs provide farmers and ranchers with financial support, while protecting our natural resources for today and the future.



At the same time, the Farm Bill Forums have demonstrated that we must be bold. Currently, program crops represent a quarter of production value, yet they receive virtually all the funding: ninety-two percent of commodity program spending was paid on five crops—corn, wheat, soybeans, cotton and rice. The farmers who raise other crops—two-thirds of all farmers—receive little support from current farm programs. Interestingly enough, it is these farmers, the two-thirds without current support, who are looking to the future and asking for more focus on research and promotion, increased sanitary and phytosanitary systems, and access to new markets.

As Secretary of Agriculture, I look forward to working with you to craft a farm policy that provides a meaningful safety net for our farmers and better positions them to compete effectively in selling their products into expanding markets around the world.

### Conclusion

Let me conclude by reiterating that our goal in the international arena is free and fair trade. Our preference is to achieve this objective through a successful conclusion to the Doha Round that brings us additional real market access commensurate with our bold proposal on domestic support. However, as we have made clear in Geneva, absent a meaningful outcome

on market access, we will not unilaterally disarm with regard to substantial cuts in domestic support.

In the meantime, we will continue to pursue our trade goals through new free trade agreements and enforcement of agreements already in place.

We very much appreciate your continued support and close cooperation and look forward to working with you in the future.

That concludes my testimony, Mr. Chairman. I would be pleased to respond to questions.

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