

March 12, 2004

Honorable Robert B. Zoellick  
United States Trade Representative  
600 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20508

Honorable Ann M. Veneman  
Secretary of Agriculture  
1400 Independence Avenue, S.W.  
Washington, D.C. 20250

Dear Ambassador Zoellick and Secretary Veneman:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the Agricultural Technical Advisory Committee for Grains, Feed, and Oilseeds on the Free Trade Agreement with Australia, reflecting a consensus advisory opinion on the proposed Agreement.

Sincerely,

A handwritten signature in black ink that reads "Donald E. Latham". The signature is written in a cursive style with a large, prominent initial "D".

Donald E. Latham  
Chair  
Grains, Feed, and Oilseeds ATAC

The U.S.-Australia Free Trade Agreement (FTA)

Report of the  
Agricultural Technical Advisory Committee for Grains, Feed, and Oilseeds

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Agricultural Technical Advisory Committee for Grains, Feed, and Oilseeds

**Advisory Committee Report to the President, the Congress, the Secretary of Agriculture and the United States Trade Representative on the U.S. – Australia Free Trade Agreement**

**I. Purpose of the Committee Report**

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002.

Pursuant to these requirements, the Grain, Feed and Oilseeds ATAC hereby submits the following report.

**II. Executive Summary of Committee Report**

On the whole, the Grains, Feed and Oilseeds ATAC commends the Administration for its extraordinary effort in negotiating a free trade agreement with Australia. In the broader context, the agreement serves the economic interests of the United States. It achieves, at least for the most part, the objective of a more open, equitable, and reciprocal trading relationship. However, it does not eliminate or reduce all barriers to trade.

The U.S. and Australia are largely competitive with one another on most of the commodities of interest to this ATAC, and the agreement does not alter this dynamic. However, the ATAC does wish to provide some additional perspectives.

First, stringent quarantine requirements imposed by Australia impose costs (+US\$41.00/ton) on U.S. corn and sorghum to the point that they are only competitive in the most extreme drought conditions. We encourage the Administration to work hard to ensure that the bilateral SPS bodies established by

this agreement serve as more than just a forum for discussion and deliver solutions to the problems faced by U.S. exporters.

Second, the ATAC is very troubled by the fact that this free trade agreement with Australia is not comprehensive in product coverage. Comprehensive product coverage had heretofore been the hallmark of agreements negotiated by the U.S. and an important distinction that could be drawn from those negotiated by competitors such as the EU. The ATAC favors a stricter interpretation of GATT Article 24 and its requirement that regional trade agreements should cover “substantially all the trade” in goods between its members. We fear that sugar’s exclusion from the agreement with Australia could serve as an adverse precedent that encourages trading partners in future trade negotiations, both bilateral and the on-going Doha negotiations, to seek exclusion of products or commodities that are of interest to U.S. exporters.

Third, there is also disappointment that the agreement does not provide for the long-sought elimination of the monopoly practices of the AWB, Ltd. (Australian Wheat Board). There is still a disparity in that the AWB is allowed to operate in the U.S. market while U.S. companies are prohibited from operating in a comparable way within the Australian market. These issues must be addressed through the Australian government’s commitment, as part of the agreement, to “working with the U.S. in the ongoing WTO negotiations on Agriculture to develop export competition disciplines that eliminate restrictions on the right of entities to export.” We expect the Administration to hold the Australian government to this commitment as multilateral negotiations proceed under the Doha Agenda.

### **III. Brief Description of the Mandate of the Grains, Feed and Oilseeds ATAC**

The advisory committee is authorized by Sections 135(c)(1) and (2) of the Trade Act of 1974 (Pub. L. No. 93-618), as amended, and is intended to assure that representative elements of the private sector have an opportunity to make known their views to the U.S. Government on trade and trade policy matters. They provide a formal mechanism through which the U.S. Government may seek advice and information. The continuance of the committee is in the public interest in connection with the work of the U.S. Department of Agriculture (USDA) and the Office of the U.S. Trade Representative. There are no other agencies or existing advisory committees that could supply this private sector input.

### **IV. Negotiating Objectives and Priorities of the Grains, Feed and Oilseeds ATAC**

The negotiating objective of the Grains, Feed and Oilseeds ATAC is to ensure the best possible marketing opportunities for U.S. agriculture.

## **V. Advisory Committee Opinion on Agreement**

### **Market Access**

Both the U.S. and Australia are generally competitive for grains, feed and oilseeds. Consequently, the FTA provides for generally unfettered access for these commodities in both directions. Australia's duties on these commodities have been at zero and will remain at zero upon the agreement's entry into force. The U.S. has various existing duties with most eliminated entirely when the agreement enters into force.

The exception is parboiled milled rice. The U.S. will phase out its duty on parboiled milled rice during the first four years of the agreement.

### **Sanitary and Phytosanitary Measures**

The agreement affirms each party's existing rights and obligations under the SPS Agreement. However, considering the difficulties faced by U.S. agricultural exporters by existing Australian SPS procedures, this commitment does not provide much encouragement that access for U.S. feed grains will be much enhanced.

Biosecurity Australia (BA) and the Australian Quarantine and Inspection Service (AQIS) impose such stringent requirements in terms of exotic weeds and pathogens that the costs of compliance drive up the cost of U.S. corn and sorghum to the point where they can only begin to be competitive in the most extreme drought conditions, such as those that existed last year. Even under those marketing conditions, the U.S. was able to export only about 50,000 MT of corn. Quarantine-related costs run approximately US\$41.00 per ton. These costs include hammer milling and steam pelletizing, AQIS administrative charges for supervision and inspections, restrictions on blending and source regions in the U.S., cleanliness and precautions against spillage, approved transportation, costs for shutdown and cleaning times associated with quarantine requirements.

Since the U.S. does not require extensive treatment of grain or feed from Australia to enter the U.S., this agreement does not provide for equity and reciprocity in those sectors.

We note that the agreement provides for the establishment of a bilateral Committee on Sanitary and Phytosanitary Matters and a Standing Technical Working Group on Animal and Plant Health Measures. We encourage the Administration to work hard to ensure that these bodies are more than just fora for discussion but deliver satisfactory conclusions to the issues that should be considered in properly assessing the risks imposed by U.S. grains.

**Technical Barriers to Trade**

No comments

**Safeguards**

This provision contains customary language but has limited impact on grain, feed and oilseeds due to limited duties.

**Export Subsidies**

The agreement requires the importing country receiving subsidized product to take action.

**VI. Grains, Feed and Oilseed ATAC Membership**

<b><u>Name</u></b>	<b><u>Organization</u></b>	<b><u>City/State</u></b>
Mr. Donald Latham <b>(Chairman)</b>	Latham Seed Company	Alexander, IA
Mr. Mark Anderson	Anderson Hay and Grain Co., Inc.	Ellensburg, WA
Mr. Gary Blumenthal	World Perspectives, Inc.	Washington, D.C.
Mr. David A. Bossman	American Feed Industry Associates	Arlington, VA
Mr. Kyd Brenner	DTB Associates, LLP	Washington, D.C.
Mr. Tom Buis	National Farmers Union	Washington, D.C.
Mr. Robert E. Cummings, Jr.	USA Rice Federation	Arlington, VA
Mr. Steve Daugherty	Pioneer Hi-Bred International, Inc.	Des Moines, IA
Mr. Dennis R. DeLaughter	U.S. Rice Producers Association	Edna, TX
Mr. Neal Fisher	North Dakota Wheat Commission	Bismark, ND
Mr. Dwain Ford	American Soybean Association	Kinmundy, IL
Mr. John Gordley	Gordley Associates, Inc.	Washington, D.C.
Mr. Paul B. Green	North American Millers' Association	Washington, D.C.
Mr. John Hansen	Nebraska Farmers Union	Lincoln, NE
Mr. Kenneth Hobbie	U.S. Grains Council	Washington, D.C.
Mr. Mark Hodges	Oklahoma Wheat Commission	Oklahoma City, OK
Mr. Lurlin L. Hoelscher	Hoelscher Ag Dist., Inc Agri Ltd. By Hoelscher	Alden, IA
Mr. Herbert Karst	Montana Grain Growers Association	Sunburst, MT
Mr. Alan Kemper	Indiana Soybean Growers Association	Lafayette, IN
Mr. Larry Kleingartner	National Sunflower Association	Bismarck, ND
Mr. David Lyons	Louis Dreyfus Corporation	Washington, DC
Mr. Tim D. McGreevy	USA Dry Pea & Lentil Council	Moscow, ID
Dr. Owen J. Newlin	Agronomic Science Foundation	Des Moines, IA
Ms. Amy L. Philpott	A. Philpott Company	Washington, D.C.
Mr. John Reed, Jr.	Archer Daniels Midland Company	Washington, D.C.

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Mr. Robert Reeves	Institute of Shortening and Edible Oils	Washington, D.C.
Mr. Mark Rokala	Cornerstone Government Affairs	Washington, D.C.
Ms. Candace A. Roper	CoBank	Englewood, CO
Dr. C. Parr Rosson III	Texas A&M University	College Station, TX
Mr. Michael Rue	Farming Enterprise	Marysville, CA
Mr. Robert Rynning	National Barley Growers Association	Kennedy, MN
Mr. Ladd Seaberg	MGP Ingredients, Inc.	Atchison, KS
Ms. Barbara R. Spangler	Wheat Export Trade Education Committee	Washington, D.C.
Mr. Stephen Tolman	National Corn Growers Association	Chesterfield, MO
Ms. Margaret Ann Tutwiler	Int'l Food & Agricultural Trade Policy Council	Washington, D.C.