

August 24, 2006

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

Dear Ambassador Schwab:

We are writing as the peanut members of the U.S Department of Agriculture's ATAC for Cotton, Tobacco, Peanuts, and Planting Seeds 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 and foremost, the administration of the U.S. peanut program with respect to the establishment of the Posted Price and subsequently the Loan Repayment Rate by USDA has to date been a dismal failure. 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 exports growing and the U.S. peanut industry benefiting from increased export sales exports have declined and producers in other countries have been encouraged to take away our markets elsewhere. More rapid decreases in the import duties proposed in the U.S./Singapore Free Trade Agreement will only serve to complicate this issue. This will create added pressure on the domestic market and further depress 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 for similar actions in the future. 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 the quota is not filled so expansion of the quota can only serve as an incentive to build 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)". That line of the Harmonized Tariff Schedule (2008.11) includes peanut butter, blanched peanuts and other. 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,

Don Koehler, Co-Chair ([don@gapeanuts.com](mailto:don@gapeanuts.com))

Patrick Archer ([parcher@peanutsusa.com](mailto:parcher@peanutsusa.com))

Dell Cotton ([dcotton25@cs.com](mailto:dcotton25@cs.com))

Jeff Johnson ([JJohnson@Birdsong-Peanuts.com](mailto:JJohnson@Birdsong-Peanuts.com))

Larry Meyers ([Larry.meyers@MeyersandAssociates.com](mailto:Larry.meyers@MeyersandAssociates.com))

Rick Pasco ([rpasco@mwmlaw.com](mailto:rpasco@mwmlaw.com))

Evans Plowden ([eplowden@wslc-attorneys.com](mailto:eplowden@wslc-attorneys.com))