Chairman Chambliss, Ranking Member Harkin, Members of the Senate Agriculture Committee, it is a pleasure to appear before you today on behalf of the farmer and rancher members of the National Farmers Union to discuss the issue of agricultural trade negotiations, specifically the Central America Free Trade Agreement (CAFTA).

Before I discuss our concerns about CAFTA, I would like to offer a few general observations concerning agricultural trade.

I do not believe there is any question but that farmers and ranchers are more concerned about the impact of globalization, market concentration and the results of trade agreements on their operations and on U.S. production agriculture than at any time in recent memory. The reason for increased skepticism--in more and more cases downright cynicism--is that the results of agricultural trade negotiations and the agreements that follow have consistently failed to match the promises and rhetoric of free trade proponents.

Time and time again, farmers have been told that because of the increased demand created by growing populations and expanding incomes beyond our borders, prosperity based on free trade is just around the corner. As producers, we never seem to get to that elusive corner. The farmer expectations created by the advocates of the North American Free Trade Agreement (NAFTA), the Uruguay and Doha Rounds and China's ascension to the World Trade Organization (WTO) have not been fulfilled. The prospect that the current WTO Round or myriad of bilateral and regional trade agreements will create a different result is just as unlikely.

At times, the proponents of these agreements seem to suggest that without these commitments, no agricultural goods, or at least no U.S. agricultural commodities, would move in world commerce. However in during the five years, 1990-94, before farmers began to realize the costs and the benefits of NAFTA and the WTO, our agricultural exports, which were comprised of a significantly higher proportion of bulk commodities than occurs today, resulted in an average trade surplus over the imports of competitive products of about $23 billion. Last year, exports were at a record level and just barely exceeded the flood of agriculture imports. This year, for the first time in nearly a half-century, the United States is likely to import more agriculture products than we export. This clearly demonstrates that the Free Trade Agenda is not working to the benefit of America's farmers and ranchers From 1985 to 1994, when agriculture was not a focal point of trade negotiations, our farm exports grew by nearly 41 percent, while all agricultural imports rose by about 35 percent.

From 1994 to 2003, after agricultural trade became subject to trade rules under the WTO and NAFTA, agricultural exports increased 34.4 percent and imports 86.1 percent, the vast majority of which were comprised of competitive products.

As proponents of Free Trade tout our increased sales to Canada and Mexico as a result of NAFTA, we must also acknowledge that we are selling proportionately less to the rest of the world than we used to, while at the same time importing from overseas increased quantities of products that we already produce.
This is not due to increased tariff or non-tariff barriers in the non-NAFTA countries or a

decline in demand, but because we have been displaced in third-country and our own domestic markets by our trade competitors.

Exports are important to farmers and ranchers, however, the misrepresentation of trade data should be curtailed to present a more fair and objective view of trade as it relates to agricultural producers.

CAFTA

Estimates of sizable trade gains for U.S. farmers and ranchers are overly optimistic. The CAFTA countries have a combined population of approximately 40 million people with limited resources that can be used for the purchase of agricultural products. If the Free Trade of the Americas agreement becomes reality or if CAFTA nations establish similar agreements with other countries, these limited market opportunities would become further reduced.

Additional market access and tariff relief for a few U.S. products will not offset the negative impact of increased agricultural imports from these CAFTA countries. The CAFTA would substantially open the U.S. market to sugar products that directly compete with U.S. sugar beet and cane producers As a whole, the free trade proponents seem more inclined to negotiate with countries that want increased access to U.S. markets rather than with countries interested in buying more of our agricultural products. If our markets are opened in every agreement by even a small amount, eventually it adds up to a huge increase in imports. This incremental approach has the potential to be just as devastating as one big deal, especially when our agricultural imports are already increasing at a faster rate than our exports.

The CAFTA resembles failed trade policies of the past that further encourage a race to the bottom for producer prices and fails to address major issues that distort fair trade. For example, it does not address exchange rates, yet CAFTA nation currencies have continued to decline against the U.S. dollar providing a trade advantage to those nations. This would make their products less expensive in international markets.

Labor costs are a major component of U.S. agriculture. The CAFTA does not implement enforceable requirements for participating nations to achieve International Labor Organization standards with regard to labor issues. It only provides that domestic labor laws be enforced, which will continue to provide a competitive agricultural production and processing advantage to those nations relative to the United States in both bilateral and third-country trade.

Additionally, the CAFTA does not establish a timeframe or enforcement procedures to harmonize environmental standards with U.S. levels. Environmental compliance is a major element in U.S. agriculture production and to forfeit these standards in trade deals makes no sense to U.S. agricultural interests.

The CAFTA also does not adequately address tariffs. While some tariffs will be eliminated immediately, the 15-year phase-out of tariffs on other agricultural products will continue the market access advantages the United States already provides these nations.

National Farmers Union supports trade that benefits agricultural producers in both countries and cannot support agreements like the CAFTA that trade away our agricultural markets for no visible returns to American farmers and ranchers.

In summary, Mr. Chairman, the National Farmers Union is opposed to CAFTA because we believe the benefits are being oversold, the consequences understated and important trade factors such as currency manipulation, labor, health and environmental standards are not included in the agreement which will increase, not decrease the "outsourcing of our nation's food and fiber production.

Mr. Chairman, thank you for the opportunity to participate in this important hearing. I will be pleased to respond to any questions you or your colleagues may have.