

Mr. Chairman, members of the Committee, thank you for this opportunity to testify regarding the WTO Negotiations on Agriculture. I am Audrae Erickson, President of the Corn Refiners Association and Co-Chair and founder of AgTrade, a coalition to promote trade. I am testifying today on behalf of the AgTrade coalition and specifically the principles on which our coalition collectively agrees are important for the WTO negotiations on agriculture. Each member organization of AgTrade has its own set of negotiating priorities - and some have even more ambitious objectives than those adopted by the coalition.

AgTrade is a coalition of more than 100 food and agricultural associations, organizations and firms that support further trade liberalization in agriculture in the World Trade Organization. Our member organizations collectively represent approximately 96% of U.S. food and agricultural exports.

AgTrade was formed in 1999 to provide input to the U.S. government on the WTO negotiations and as a means to reform agricultural and food trade policy, promote global security through open trade, and increase trade liberalization in the food and agricultural sector.

Our coalition has been very active at WTO Ministerials and throughout the Doha Development Agenda negotiations to help shape the U.S. position on the WTO negotiations on agriculture and to support the U.S. position in public fora, including before the general public and in meetings with WTO officials and member countries.

AgTrade members view the WTO negotiations on agriculture to be the most important element of the President's trade agenda. These negotiations, if properly structured, have the potential to further strengthen the U.S. food and agricultural economy by providing commercially meaningful opportunities to export our high quality, abundant food and agricultural production. Without the successful conclusion of these negotiations, we may well see U.S. global market share in this important sector slip precipitously.

The U.S. food and agricultural sector is highly dependent on trade. Earnings from U.S. agricultural exports account for 20-30% of total farm income. Within a decade, USDA predicts that the value of agricultural exports could account for nearly thirty percent of market cash receipts.

Generating new farm and food exports has a positive multiplier effect throughout the U.S. economy. U.S. agricultural exports support additional services to harvest, process, package, store, transport and market the products produced by America's farmers and ranchers. This year, U.S. agricultural exports of over \$62 billion will generate \$162 billion in total economic activity in the United States, according to the USDA.

USDA figures also show that agricultural exports in 2003 generated 912,000 jobs, of which 461,000 were off farm. Agricultural exports generate a greater share of total employment benefits to rural communities than any other export industry.

In short, the best means for ensuring the continued positive impact of our sector on the U.S. economy is to achieve commercially meaningful results in the WTO negotiations on agriculture.

A recent World Bank report "Agricultural Market Access: The Key to Doha Success" noted that almost two-thirds of the benefits from dismantling barriers to global trade in these negotiations will come from agriculture. This report specifically indicated that ninety-three percent of the welfare gains from removing trade distortions to global trade come from the reduction of import tariffs on agriculture.

The AgTrade coalition agrees that a key objective of these negotiations must be substantial improvements in market access. As the members of this Committee know well, the final result from the Doha negotiations must provide concrete and significant market openings across all food and agricultural products in all markets.

Our coalition has recently updated its key principles based on the WTO negotiating dynamics now underway. As indicated earlier, each organization that is a member of AgTrade has its own set of negotiating priorities, including some with more ambitious objectives. The principles adopted by the AgTrade coalition serve as the common objectives on which we all agree.

U.S. policy and process objectives for the WTO talks should include ambitious results in market access. Specifically, a harmonizing formula for reducing agricultural tariffs that will cut high tariffs more than low tariffs and result in substantial, commercially meaningful improvements in access in all products to all markets must be achieved.

Tariffs in the global food and agricultural sector remain the highest and the most complicated of all sectors currently being negotiated in the WTO. In order to achieve meaningful progress in market access, all food and agricultural tariffs should be capped and all complex tariffs must be eliminated such that the remaining tariffs are either ad valorem or specific.

Regarding so-called "sensitive" products, only a limited number - as defined in the Framework Agreement - should be allowed and there should be a requirement that market access for such products be substantially improved through a combination of tariff reductions and tariff-rate quota (TRQ) expansion commitments.

Concerning TRQs, all in-quota duties must be eliminated and the administration of TRQs should be improved.

For those food and agricultural sectors that would like to go further than the modalities now being developed, sectoral negotiations should be pursued.

Balance in the level of ambition in the three pillars is a central objective for the AgTrade coalition. To that end, reductions in total trade-distorting domestic support and other U.S. concessions must be commensurate with the achievement of U.S. objectives in market access and export competition.

Specific to the domestic supports pillar, a formula that harmonizes the levels of total trade-distorting support is necessary. Those countries with higher Amber box allowances should cut their subsidies by a greater degree.

Blue box criteria as set out in the July 2004 Framework Agreement should be pursued. On the green box, there should be no caps on, or excessively restrictive criteria defining eligibility for non-trade-distorting support. This will allow countries to move away from trade-distorting government support programs - an important goal of the Doha Development Agenda.

Significant progress has been made in addressing the export competition pillar in the WTO negotiations. The cornerstone achievement of eliminating export subsidies must remain. And rules to prevent circumvention of export subsidy commitments should be tightened. Export subsidy rules should apply equally to developing and developed countries.

The monopoly powers of state trading enterprises - like the Canadian Wheat Board - must be eliminated. Also important to eliminate are the government subsidies, financing, and underwriting of losses with respect to the export activities of STEs and the adoption of a set of disciplines to ensure operational transparency and the end of discriminatory pricing practices.

Regarding export credits, disciplines on official export credit and credit related programs should be applied to all WTO members. Reductions in the subsidy component of existing programs that do not comply with the disciplines established should be implemented in a parallel manner with the phase-out of export subsidies and the elimination of monopoly powers of STEs.

Disciplines should also be developed on other export measures that have equivalent trade distorting effects, including the elimination of differential export taxes.

Food aid is an important mechanism for ensuring rapid and efficient responses to emergency situations. Disciplines on food aid should be imposed only to the extent necessary to prevent such aid from distorting commercial markets. There should be no prohibition on government food aid and no requirement that aid be in the form of cash only.

Finally, the AgTrade coalition remains committed to the following objectives, the first of which was a founding principle of our coalition and remains important today: the WTO negotiations on agriculture must be concluded as a "single undertaking" that encompasses all agricultural sectors. That is, there should not be any early harvests.

Regarding developing countries, certain more advanced developing countries, particularly exporting developing countries, must assume obligations similar to developed countries in all three pillars. And WTO rules for developing countries to graduate them to full WTO obligations using objective economic criteria must be established.

The European Union is insisting on the inclusion of geographical indications as a necessary component of the negotiations on agriculture. Our coalition opposes any extension of geographical indications beyond wines and spirits.

Finally, ensuring market access for products of biotechnology and that the regulation of these products is based solely on science is a central tenet that must be upheld.

Mr. Chairman, members of the AgTrade Coalition look forward to working with you and members of this Committee to ensure that the final WTO agreement on agriculture represents a balanced approach and will yield commercially meaningful opportunities to ensure the future viability of America's farmers and ranchers, processors, agribusinesses and retailers.