Mr. Chairman, members of the Committee, thank you for the opportunity to appear here today to discuss the United States-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) and its importance to U.S. agriculture. I am pleased to be joined by Ambassador Allen Johnson.

Congress' debate about this agreement will play an important role in helping to determine future farm policy. It will determine whether we follow a market-oriented path that focuses on new opportunities for our farmers and ranchers to gain access to customers who live outside our borders or become inward looking and increasingly dependent upon our relatively slow-growing domestic market.

To set the stage for that debate, today I will update you on the economic health of the farm economy - and trade's contribution to that - and review with you why we think this proposed agreement is a good deal for our farmers and food industry.

Farm Economy Strong

The U.S. farm economy currently is strong, and our export sales are a significant contributing component of that strength. Farm income was the highest ever in 2004 - by several billion dollars -- with another record forecast for 2005. Income continues to run well above the decade average. We are seeing large crops with still relatively strong prices. We have balance across sectors. The livestock sector, including dairy, is faring well at the same time as the crops sector. There is widespread prosperity, despite adversity in some localized areas and some trade interruptions.

Agriculture's balance sheet is the strongest ever, supported by firm land prices that continue to rise in every part of the country. This upward trend has been uninterrupted since the late 1980s, and shows no signs of slowing.

I cannot emphasize enough that the future strength of American agriculture hinges on our success in the international marketplace. We are the world's largest agricultural exporter. We already derive 27 percent of our gross receipts from foreign customers. Every billion dollars of export sales creates $1.54 billion in supporting economic activity and supports 15,800 jobs.

Export sales reached a record $62.3 billion in fiscal year 2004, despite having some key markets unjustifiably closed to our beef and poultry products. This growth reflected both higher prices and an expansion of high-value and value-added product sales. Our latest forecast for fiscal year 2005 would result in the second highest level on record -- $60.5 billion - and some key markets still are unjustifiably closed.

While there is a lot of discussion these days about various aspects of trade, it is interesting to note what is happening in key markets. During fiscal year 2005, Mexico is forecast to overtake Japan and become our number two export market. Canada remains our top export destination. That means some 30 percent of our total exports will be to our partners in the North American Free Trade Agreement (NAFTA). In fact, trade with our NAFTA partners has doubled in the 10 years that NAFTA has been in force. Clearly, NAFTA has been a success for American agriculture.

And, because our ability to produce grows faster than consumption here at home, we are going to need more markets like our NAFTA partners. We produce far more now than we can consume here at home, and the imbalance is only going to become larger over time.

This is not a static situation. We invest in research, our farmers invest in new technology and machinery, and our processing becomes more efficient. All this adds to our increased capacity to produce. The 50-year trend for U.S. agriculture is 2 percent productivity growth per year. But, food needs in the United States grow only 0.9 percent per year - just about equal to the population growth. So, we must gain greater access to more consumers to avoid even greater surplus capacity, stagnant incomes and declining asset values. Remember, 95 percent of all consumers live outside the United States. If we don't gain greater access, the prosperity for U.S. agriculture may come to an end.

Pressing for Open Markets

Trade is the centerpiece of the President's international economic agenda. We are pressing for more access to more markets - to provide more opportunities for our farmers and ranchers.

We are doing this on three fronts:

? Multilaterally, through the World Trade Organization's (WTO) Doha Development Agenda;
? Regionally, through free trade agreements such as the CAFTA-DR; and
? Bilaterally, through already-implemented free trade agreements with Australia, Chile, and Singapore, with more to come.

We are engaged liberalizing trade on multiple fronts - all of which hold the potential for export gains for U.S. agriculture. You simply can't put all your eggs in one basket. If we get stalled on one front, we can shift our efforts to another. We can't afford to stall across the board.

We stand at a crucial crossroads. The direction we pursue will have an enormous impact on U.S. agricultural trade. I am talking, of course, about the debate over the ratification of the CAFTA-DR. The passage of CAFTA-DR is essential - the economic stakes are enormously high. This is a good agreement for U.S. agriculture.

Let's look at the facts. This agreement will give us greater access to 44 million consumers with rising incomes. Their growing economies will only strengthen with this agreement. And, with these markets' close proximity, we have a transportation advantage over several of our competitors - a fact we must use to our advantage.

Without this agreement, we will see our competitive position in these markets worsen compared to other countries that have negotiated free trade agreements. We have already seen our share of these countries' imports fall in recent years. In 1994, the United States supplied 52 percent of these countries' agricultural imports. In 2003, that had fallen to 42 percent. Make no mistake: our competitors are there, concluding trade agreements and gaining preferential access for their producers while ours get left out. Canada, Mexico, South American countries, and others are gaining access while we fall behind.

However, we can regain market share with this agreement. This agreement eliminates tariffs facing U.S. farmers and ranchers, making our products much more competitive. Our access will be as good as or better than that of our Canadian and Mexican competitors.

This agreement levels the playing field. Today, 99 percent of the goods from Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua enter the U.S. market duty-free. Clearly, we need to correct the imbalance - and this Agreement will do that. This agreement makes trade truly a two-way street by improving the conditions under which U.S. goods are exported to these countries.

Current WTO tariff levels on food and agricultural products in the six CAFTA nations range on average from 35 percent to 60 percent. With the agreement, more than half of our current farm exports would become duty-free immediately, including high-quality cuts of beef, soybeans, cotton, wheat, many fruits and vegetables, and processed food products. Tariffs on most products will be phased out within 15 years, and completely eliminated in 20 years. These may seem like long transition periods, but look at how sales to our NAFTA partners grew during that transition period. U.S. agricultural sales to the CAFTA-DR countries were $1.8 billion in 2004 and could double with full implementation of the agreement.

A few commodity examples tell an impressive story of the benefits for agriculture. Duties on prime and choice cuts of beef will be eliminated immediately in five of the countries, and a healthy tariff-rate quota will be established in the sixth. For cotton, tariffs will drop to zero immediately for markets that are worth more than $73 million to U.S. exporters. Costa Rica and the Dominican Republic will eliminate duties on yellow corn immediately. For poultry, there will be immediate duty-free access for chicken leg quarters under new tariff-rate quotas that expand annually as over-quota duties are eliminated. Duties for wheat, barley, soybeans, and some processed grain products will go to zero immediately. Most countries will eliminate duties on soybean meal, flour, and crude soybean oil immediately, and duties on refined soybean oil will be phased out over 12 to 15 years. Costa Rica, the Dominican Republic, El Salvador, and Honduras will eliminate duties immediately on peanut butter, and Nicaragua and Guatemala will do so over 10 years. Pet food will get preferential access immediately in El Salvador, and Guatemala, with other countries phasing out their duties. A wide range of horticultural items will benefit from either immediate or gradual duty-free access in all countries.

Now, let me turn to the only point of contention concerning agriculture in this agreement. That is the impact on sugar. I have repeatedly emphasized that CAFTA-DR will not hurt the U.S. sugar industry. The agreement establishes a tariff-rate quota for each country and the added access is little more than one day's U.S. sugar production. The quantity involved was kept very small. The over-quota duty is prohibitive at well over 100 percent. It will not be reduced as part of this agreement. The sugar program, with its guaranteed benefits to American producers, is not changed in any way. Moreover, the agreement has a fail-safe mechanism, if imports ever threaten the program. Basically, the impact on the U.S. sugar industry will be minimal, but the small amount of additional access is important to the CAFTA-DR countries and equally important to the U.S. position of practicing what we preach.

Conclusion

The case for CAFTA is a case for growth, opportunity, and democracy in our own front yard. These six small countries are big markets for agriculture. They make up our second-largest export market in Latin America. Since our market is already open, the agreement will level the playing field for U.S. farmers and workers. But it is not just about trade. Strengthening these democracies will help protect our national security interests. Not passing this agreement could well create instability in a region, which only now -- after decades of violence, is becoming stable and starting to grow. This agreement will reinforce political stability and growth, which is vital to our entire hemisphere.

I want to assure the Committee that this is a good deal for U.S. agriculture. Not only does it establish fair two-way trade, but it facilitates greater cooperation on plant and animal health safety measures. It addresses the interests of sensitive commodities, such as sugar. That is why virtually all of U.S. agriculture -- nearly 80 organizations -- support CAFTA-DR. That support is broad, because nearly every agricultural sector benefits. The winners in this deal are America's farmers and ranchers.

Mr. Chairman, that concludes my statement. I will be happy to answer any questions.