

Thank you, Mr. Chairman, for this opportunity to meet with you and members of the Senate Agriculture Committee to discuss the status of the World Trade Organization (WTO) negotiations on agriculture. I also want to thank USTR Ambassador Portman for joining me today. As you know, agricultural policy and trade policy are intrinsically linked. Our joint appearance today reflects that close relationship as well as the one that exists between USDA and the Office of the USTR.

This is a very timely hearing. We are but weeks away from the Hong Kong ministerial meeting at which time we must reach agreement on the reforms to agricultural trading rules. I strongly believe this is a critical opportunity for us to spur economic growth that will benefit America's farmers and ranchers, as well as those around the world.

It is urgent that progress be made in the near future. Discussions were begun in 2001 and the framework of an agricultural agreement was reached in July of 2004. It is time for leaders to determine the specifics of what can be accomplished.

The United States has made clear what we are seeking. We simply want to level the playing field for our farmers and ranchers. We want substantial progress in all three pillars of the negotiations: market access, trade-distorting domestic support, and export competition.

President Bush has challenged other leaders to make the same commitment we have made. He strongly believes that America's agricultural community can be a global competitor --- if we have a fair chance to compete. The Doha Development Agenda negotiations now provide the opportunity to move us closer to a fair trade environment.

Last week at the United Nations, the President repeated his challenge to use the negotiations to eliminate agricultural subsidies that distort trade, and to reduce and eliminate tariffs and other barriers in order to open markets.

We are ready to negotiate a strong, balanced package. Let me reiterate our objectives.

- o Export Competition--we want to see the end, and very soon, of all export subsidies.
- o Market Access--we must have significant reductions in barriers to our products.
- o Domestic Support--we have said all along that we are amenable to significant reductions if others will do likewise.

This is the time to make substantial progress in leveling the playing field. Our agricultural tariffs average 12 percent; the EU's average 31 percent; Japan 51 percent; the world average is

over 60 percent, and for countries such as India 114 percent and others, it is even higher. The level of trade-distorting domestic support permitted also needs to be reduced and harmonized. It's not acceptable for Europe to have four times the permitted support we have when our agricultural economies are of equivalent size.

The stage is set for serious negotiating--but we must seize the moment now because another such opportunity will likely not present itself for a long time to come. It's also important to have a good sense of the outlines of an agreement after Hong Kong as we begin consideration of a new farm bill.

As you know, I have been holding "listening sessions" around the country to encourage some thoughtful commentary on the direction of future farm policy. These have been a great opportunity to get a sense of farmers' concerns and their good ideas. There is a lot of interest in how our programs can be directed to improve conservation, help rural development, support renewable fuels, and at the same time not artificially inflate land prices, making it harder for our children to keep the family farm.

#### Importance of Exports to U.S. Agriculture

I cannot emphasize enough that the future strength of American agriculture hinges on our success in the international marketplace.

Historically, we have been the world's largest agricultural exporter. We already derive 27 percent of our gross receipts from foreign customers. A substantial percent of crop production is exported - even as high as 80 percent for certain items.

And, increasingly, we are exporting more livestock products, processed foods and other higher value items. U.S. agriculture's long-term average annual productivity growth is 2 percent. Our annual population growth rate is 0.8 percent. Over 10 years, this translates into a production capacity that is nearly 22 percent greater, while our aggregate food consumption is only 8 percent greater. Clearly our agricultural sector demands access to foreign markets, particularly those with growing economies. Without them U.S. farm income and equity will stagnate or decline. And, the benefits of agricultural exports extend far beyond the farmgate. They benefit the entire U.S. economy. Last year's export total of \$62.4 billion generated \$162 billion in economic activity. U.S. agricultural exports support additional services to harvest, process, package, store, transport and market products. High-value products generate more additional economic activity than bulk goods.

Agricultural exports mean jobs. USDA research shows that each billion dollars in agricultural exports supported over 15,000 jobs, including jobs in trade, transportation, services, food

processing, and other manufacturing sectors. Over a third of those jobs - 35 percent - are estimated to be in rural communities, both on and off the farm. Agricultural exports generate a greater share of total employment benefits to rural communities than other export industries.

The reality is that the world marketplace is becoming smaller and American agriculture must continue to adapt to compete. There was a time when farmers and ranchers provided their products to the nearest village or town but today we recognize that 95 percent of the world's consumers are outside our borders. And, the greatest opportunities for new customers will be in the expanding urban centers of the growing developing countries - it is estimated that the middle class in these nations will increase by 160 percent by 2020. For example, by then, China will have 229 million middle class households, up from 49 million in 2000.

The solution to keeping our farmers and ranchers competitive in an increasingly global economy is not to withdraw from it. It is to do what Americans have always done - adapt, innovate, and lead. That is why the President and I believe that trade liberalization can only benefit American agriculture, and is critical to the future of agriculture in this country.

It is also important to note that U.S. in-kind food aid, which is a tiny proportion of U.S. agricultural exports, is threatened in the negotiations. Yet, these donations make up the largest contributions to humanitarian emergencies worldwide. We will work to be sure such donations will continue to be allowed, particularly when targeted to the food insecure. We also intend to explore with Congress a broader U.S. response capacity to meet food aid needs.

#### Conclusion

Let me conclude by noting that from the very outset of this trade round, we have sought an ambitious, comprehensive result. From the time we tabled our proposal - in July 2002 - we have had the support of virtually all of our agricultural community for such an outcome - that is still true today. President Bush reiterated our ambition last week, with a vision that will provide greater opportunities for our farmers and ranchers to prosper in the global marketplace. We will now work tirelessly in the time until Hong Kong to achieve this goal.