Good morning, I am Bob Stallman, President of the American Farm Bureau Federation and a rice farmer from Columbus, Texas.

As a general agriculture organization, American Farm Bureau Federation has studied the impact of this Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) on all sectors of U.S. agriculture, and we strongly support passage of the CAFTA-DR. We have provided as an attachment to this statement a copy of our full economic analysis that describes how the agreement will impact the livestock, crop and specialty crop sectors as well as its effects on the sugar industry. On balance, we believe that CAFTA-DR will overwhelmingly be an opportunity for U.S. agriculture.

U.S. agriculture currently faces a $700 million trade deficit with this region of the world. While the market holds potential for U.S. agricultural exports, our products currently face high tariffs. At the same time, agricultural products from the five Central American nations and the Dominican Republic receive duty-free access to the United States. Trade preferences provided under the Caribbean Basin Initiative (CBI) allow 99 percent of agricultural products from the Central American countries and the Dominican Republic to enter the United States duty free.

Unless this agreement is passed, U.S. agriculture will continue to face applied tariffs of between 15 and 43 percent. These tariffs put U.S. producers at a disadvantage in a competitive market. The CAFTA-DR, if enacted, will eliminate these barriers. This agreement provides balance by allowing U.S. agriculture the same duty-free access that CAFTA-DR nations already have to our markets. In fact, many of our competitors in the region, such as Chile, already receive preferential access because of their own trade agreements with the Central American countries. When enacted, this agreement would give U.S. producers access equal to or greater than that of our competitors. The American Farm Bureau Federation analysis shows that U.S. agriculture would see increased agricultural exports in the amount of $1.5 billion by the end of full implementation.

Looking at major commodities of export interest to the United States, the agreement would put the United States in a strong position to capitalize on:

? Central American growth in imports of grains and oilseed products, which relates to both growing food demand for wheat, rice and vegetable oils and to growing livestock demand for feed grains and protein meals. With no wheat and limited rice and oilseed production capacity, the region's dependence on imports is likely to grow steadily. The free trade agreement puts the United States in a strong "preferred supplier" position to maintain/expand its high market share for items such as rice and soybean meal and to build on its lower market share for items such as wheat;

? Expanding regional import demand for livestock products related to growth in population and per capita incomes, combined with limited domestic production potential. Rapid growth in tourism should also help to stimulate demand for meats in the hotel and restaurant trade, which could be significant on its own. Growth in domestic demand for livestock products is likely to outpace production despite significantly larger imports of feed grains and protein meals. The CAFTA-DR would allow the United States to use its cost advantages and its wide variety of beef, pork and poultry products to fill a growing share of these markets;

? Gains in cotton import demand related to both increased domestic demand for textiles and apparel and import demand for textiles from the United States. The six countries' textile and apparel exports to the United States are duty-free and quota-free as of the start of 2004, so long as the products meet CAFTA-DR rules of origin. Under the agreement, these six countries will be required to make significant investments in manufacturing capacity over the first several years of the agreement to take full advantage of this demand, which may support the domestic cotton milling industry until such investments could be made. Should this added capacity come into being, and with domestic cotton production at virtually zero, all growth in the countries' demand for cotton would have to be met through imports. The CAFTA-DR would put the United States in a position to under-price competitors and boost market share; and

? The United States exports a diverse basket of other farm products to the six Central American countries. The commodities noted above in the table account for approximately half of the United States' total exports. Other commodities or commodity groupings of importance include fruits, vegetables, tallow, sugar, tropical products and other processed products. Data on production and trade in these products for the six countries is generally too limited to support detailed analysis. Assuming that the same pattern of growth likely for grains, fiber, oilseeds and livestock products holds for these other commodities, CAFTA-DR would allow the United States to capture a larger share of these expanding markets as well. The added exports in these categories resulting from the agreement would likely exceed another $845 million by 2024. This is a conservative estimate of CAFTA-DR's impact because the six Central American countries generally have higher, escalating tariffs on the semi-processed and processed products that make up much of this other products category.

While there are numerous overall benefits for U.S. agriculture in the agreement, the U.S. sugar sector may see a less than positive impact. As a part of the agreement, the United States will allow the CAFTA-DR countries to import an additional 164,000 short tons of sugar above their current sugar quota. This additional sugar will have a minimal impact on the industry as demonstrated in our economic analysis.

We expect the U.S. sugar industry to experience about an $80.5 million impact to an approximate $2.1 billion domestic industry. This additional sugar translates into about 1.5 percent of domestic sugar production. In light of the possible, yet minimal, negative effects on the sugar industry, our trade negotiators negotiated certain protects for the U.S. sugar industry.

First, the tariff on U.S. sugar is never decreased or eliminated. Any sugar that the CAFTA-DR countries would export to the United States above their new sugar quotas would still be subject to a high tariff. This tariff would be set at an amount that would discourage these countries from shipping any additional sugar over their quota to the United States. Second, the countries involved agreed to a compensation provision that would allow the United States to shut off any additional imports of sugar from this region if those imports are significantly harming our U.S. sugar industry. If activated by the United States, the U.S. government would provide compensation for the lost sugar sales experienced by the CAFTA-DR countries. It is important to note that if sugar had been excluded from the agreement, it could have led to other U.S. commodities facing the same type of exclusions by CAFTA-DR country negotiators. The CAFTA-DR countries had a list of roughly a dozen commodities they wished to exclude from the agreement. These products included U.S. beef, pork, poultry and rice.

U.S. agriculture will benefit a great deal from this agreement. The gains to U.S. agriculture certainly outweigh the losses. If this agreement fails, it will be to the disadvantage to America's farmers and ranchers. Without CAFTA-DR, these six countries retain existing duty-free access to the United States while U.S. agriculture will continue to face the same high tariffs currently applied.

In looking at the variety of U.S. commodities that would benefits because of increased trade due to a Central America-Dominican Republic Free Trade Agreement, one can only conclude that a "Yes" vote on CAFTA-DR is a vote for agriculture and agricultural exports.