



Testimony before

Committee on Small Business
Subcommittee on Agriculture, Energy and Trade

Trade Barriers for Agricultural Exports

July 26, 2012
Washington, D.C.

offered by
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Chairman Tipton, Ranking Member Critz, and Members of the Committee – thank you for the opportunity to appear before you today. My name is Carl Shaffer; I own and operate a farm in Columbia County, where I raise corn, soybeans and wheat. In addition to being a full-time farmer, I have the privilege of serving as President of the Pennsylvania Farm Bureau, the Commonwealth’s largest general farm organization.

Trade matters to Pennsylvania and America’s farmers. As you well know, more than 95% of the global population lives beyond our borders. As such, the agriculture industry is constantly mindful of global markets, the opportunities they present and the numerous trade barriers that exist.

Trade barriers to U.S. farmers come in many forms. The most challenging trade barriers that are facing agriculture today are the unscientific sanitary standards and other non-tariff trade barriers. But our domestic infrastructure challenges also pose a significant barrier to competitive agricultural exporting that can be improved by consistent and effective investment in these necessary resources.

Non-Tariff Trade Barriers

Previously, barriers to U.S. agricultural trade were mostly confined to tariffs. As tariffs on many agricultural products have been reduced, other forms of barriers have increased – though they essentially serve the same function – restricting market access. These sanitary and standards measures serve to restrict exports of U.S. agricultural products.

Trade barriers on agricultural exports share these common features:

- Measures are not science-based and unnecessarily restrict market access;
- New measures are implemented without adequate time for compliance;
- Measures do not conform to international standards;
- Trading partners rely on questionable testing methods to enforce their standards.

There are many examples of U.S. agriculture facing specific barriers that can reduce or even halt export opportunities, such as:

1. Biotechnology rules that disrupt animal feed trade to the European Union (EU).
2. U.S. poultry is restricted entry into the EU due to the use of chlorine based processing washes that are deemed safe in the U.S.
3. Pork and beef products have been restricted in many countries due to the use of the growth additive ractopamine. The Codex Alimentarius, the international food standards organization, at the strong urging of the U.S., recently adopted a standard for ractopamine that will help open trade. The operations of international standards setting bodies, such as the Codex Alimentarius, must be viewed as crucial to U.S. agricultural trade.
4. Use of certain geographical indicators (GI’s). We are concerned about the use of geographic indicators as a trade barrier by taking away common names, especially in the dairy foods market.

A report published by the Office of the U.S. Trade Representative, the *2011 Report on Sanitary and Phytosanitary Measures*, gives an account of the sanitary barriers maintained by nations against U.S. agricultural exports. Within this report, the primary concerns of Pennsylvania agriculture include restrictions on biotechnology, export health certificates for

poultry, pork, dairy and dairy products (specifically regarding Russia and India) and the increased use of geographic indicators.

Trade Negotiations

Formal negotiations between nations can act to reduce trade barriers. However, in negotiating these agreements, we must strive to benefit the entire agricultural economy, not just parts of it. For example, the North American Free Trade Agreement (NAFTA) did nothing to address the Canadian tariff on U.S. dairy products. Canada imposes out of quota tariffs on dairy products that exceed 200 percent, with some as high as 292.5 percent. This is particularly harmful to Pennsylvania's dairy industry in that we could be exporting cheese to our northern neighbors if NAFTA had eliminated or reduced this barrier.

As you know, the U.S. Government is currently engaged in one ongoing (Trans-Pacific Partnership) negotiation and one potential negotiation (European Union) that could reduce sanitary and standards barriers to U.S. agricultural exports. Farm Bureau is cautiously optimistic that these discussions will lead to improved and open access for American farmers with both new and old trading partners.

Trans Pacific Partnership

A principal goal to improving the conditions of trade for farmers is to reach an agreement in trade negotiations that strengthens and reinforces the rules and disciplines of the WTO's *Agreement on Sanitary and Phytosanitary Measures* (SPS) and supports the need and importance to agricultural trade of science-based food safety regulation.

The ongoing Trans Pacific Partnership (TPP) negotiation between the U.S., Australia, New Zealand, Brunei, Chile, Peru, Malaysia, Singapore and Vietnam, along with the addition of Canada and Mexico this fall, includes discussions to improve SPS disciplines that go beyond the current WTO Agreement.

In order to improve disciplines on SPS measures future international agreements, including the Trans Pacific Partnership (TPP) should include provisions to:

1. Strengthen and elaborate requirements regarding risk assessment and risk management;
2. Promote trade facilitation measures such as equivalence, recognition of inspection systems and harmonization of export certificates;
3. Strengthen the role of science-based international standards and promote the harmonization of standards;
4. Enhanced protections under the WTO SPS Agreement must be fully enforceable under a new trade agreement. Rules that are not subject to effective dispute settlement procedures will have little beneficial effect.

Additionally, U.S. negotiators should use this round of negotiations to address Canadian tariffs on dairy products in an effort to expand market opportunities for America's dairy producers close to home. As you know, the dairy sector has taken several hits on the chin lately. Any effort we take to find long-term, reliable markets for dairy products will help decrease price volatility for our dairy farmers.

United States and European Union

In order to explore the feasibility of a future U.S.-EU Trade Agreement a ‘High Level Working Group (Working Group) on Jobs and Growth’, has been charged by the U.S. and EU governments with identifying policies and measures that will increase U.S.- EU trade and investment in support of mutually beneficial job creation, economic growth, and international competitiveness.

In 2011, the U.S. exported more than \$10 billion in agricultural products to the EU and imported more than \$15 billion in agricultural products in return. Agriculture wants the discussions to result in actions to increase agricultural trade flows and remove several major impediments to this flow that currently exist between the U.S. and the EU The Working Group should carefully consider the potential for enhanced regulatory cooperation through bilateral trade agreements as one possibility in addressing these issues. Further, it is crucial that all sectors of trade be included in any bilateral negotiations.

However, reaching a bilateral agreement should not take the place of actions resulting in real, measurable improvements in trade flows. The primary focus of the Working Group should be to address the existing substantive issues that impede agricultural trade between the EU and the United States, such as:

- EU actions that limit U.S. exports of products produced using biotechnology;
- Long-standing barriers against conventionally-raised U.S. beef;
- Ongoing EU restrictions against U.S. poultry and pork; and
- Use of product standards and geographic indicators to limit trade.

Moreover, regulatory cooperation on removing these barriers and developing uniform standards recognized on both sides of the Atlantic must adhere to sound, recognized, scientific principles. If science is not embraced as the core principle of the Working Group’s efforts, acceptable resolution of existing issues will continue to inhibit development of agreements and standards that serve to improve the mechanics and flow of international trade.

The conversation about geographic indicators is an emerging and difficult challenge, particularly for the producers of dairy products like cheese. Pennsylvania dairymen and consumers alike will feel the brunt of restricted use of common names for dairy products like “Mozzarella” or “Feta” cheese, or any other geographic indicator (perhaps even “Greek yogurt”). Whether it’s a conversation with the EU or any other trading partner, we are very concerned about any agreement that employs geographic indicators.

Transportation and Competitiveness

Affordable and reliable shipping of commodities and products from the farm or processing facility to foreign destinations (by truck, railroad, inland waterway and ocean transportation modes) is essential in delivering U.S. agricultural products to foreign customers and to compete in world markets. With more than one-third of U.S. agricultural production (valued at more than \$136 billion) exported in 2011, the physical movement of commodities and foods is critical to agricultural trade and the prosperity of American farmers.

The global need for U.S. produced food is exposing the inadequacies of our transportation infrastructure. Our inland waterways are in need of continuing repair and maintenance to locks to preserve a major domestic shipping advantage that the U.S. has over other nations in the movement of agricultural goods. Our seaports need to be improved to take advantage of – and be ready for – the competition that will come from other nations after the expansion of the Panama Canal moves freight to even larger ships that require deeper harbors.

The interface of ports and roadways also needs to be improved. Congestion and delayed access to ports are ultimately passed along as increased costs for agricultural producers for shipping. Worse yet, congestion and delays could depress prices offered by buyers who would need to pay increased shipping rates.

Even though Pennsylvania is not often considered to be an agricultural exporter, port infrastructure is a major concern of our farmers. Several farmers in western Pennsylvania, including constituents of your Congressional District, Mr. Critz, have a direct stake in America's port infrastructure competitiveness. For example, Lone Maple Farms of New Alexandria (Salem Township, Westmoreland County) sells all the soybeans they grow to Agland Co-op in neighboring Ohio. There the beans are loaded on a barge, floated down the Ohio and Mississippi Rivers and trans-loaded onto ships headed into Asia. Unfortunately, Gulf Coast ports are not able to accommodate the largest of ships that will soon navigate the Panama Canal. The inability to dock, load and unload the post-Panamax ships in the Gulf Coast could limit the foreign markets currently enjoyed by Lone Maple Farms and several other Western Pennsylvania farms and businesses.

The recently passed surface transportation bill calls on the Department of Transportation to create a national freight transportation plan that includes highways and roads, but not inland waterways or railroads. Attention must be paid to maintaining and improving the systems that move our nations' agricultural goods. Foreign markets will only be unrealized opportunities to farmers if our goods are not able to be transported overseas in a timely, cost-effective and competitive manner.

Conclusions

American agriculture depends on export markets. Farmers and policy makers must remain committed to reduce the remaining tariff barriers and act against the use of sanitary and other standards that have the effect of closing markets to U.S. farmers.

Moreover, an efficient, reliable and export-oriented transportation system is necessary; our national priorities must include infrastructure improvement.

Farm Bureau urges your careful consideration of the necessary measures, including trade negotiations, to advance the goal of improved market access for the benefit of America's farmers.

Thank you for your time and consideration. I look forward to your questions.