

**STATEMENT OF DON SHAWCROFT
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**before the
COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON AGRICULTURE, ENERGY AND
TRADE**

**U.S. HOUSE OF REPRESENTATIVES
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Chairman Tipton, members of the subcommittee, thank you for holding this hearing.

My name is Don Shawcroft, President of the Colorado Farm Bureau. I am a rancher from the San Luis valley in Colorado. I am a board member of the American Farm Bureau Federation. Farm Bureau is the largest agriculture based grassroots organization in the county. Our membership is made up of 6 million farmers and ranchers growing everything you can think of- from alligators to zucchini and everything in between.

Trade is vitally important to agriculture. According to the Economic Research Service (ERS) at the United States Department of Agriculture (USDA),

“U.S. agricultural exports generated employment, income, and purchasing power in both the farm and nonfarm sectors. ERS estimates that each dollar of agricultural exports stimulated another \$1.29 in business activity in 2011. The \$136.4 billion of agricultural exports in 2011 produced an additional \$176 billion in economic activity for a total economic output of \$312.3 billion. Every \$1 billion of U.S. agricultural exports in 2011 required 6,800 American jobs throughout the economy. Calendar year 2011 agricultural exports required 923,000 full-time civilian jobs, which included 637,000 jobs in the nonfarm sector. The agricultural export surplus helped to offset some of the nonagricultural trade deficit.”¹

These are not just high level impacts either. On the ground farmers and ranchers in Colorado, Kansas, Iowa and states all over the United States feel the positive impact of trade. However, with every positive, there is always a negative. One challenge that we are facing in agriculture is the use of non-tariff trade barriers.

This issue can be illustrated through Mexico’s use of Sanitary-Phytosanitary (SPS) measures to block the importation of U.S. potatoes into Mexico. This issue caused hardship for U.S. potato growers and Colorado potato growers specifically. Colorado farmers send about seven truckloads of potatoes a day to Mexico -- that's nearly 2,000 truckloads a year for only 5 percent of all the potatoes shipped.² However, I am happy to announce that through work and negotiation Colorado potatoes will now be allowed to be export potatoes to Mexican cities with populations of 100,000 or more. Early estimates give the indication that revenue from potatoes could be as high at \$80 million, a four-fold increase. This is money that comes back to farmers.

¹ <http://www.ers.usda.gov/data-products/agricultural-trade-multipliers/2011-data-overview.aspx#.U3OS7YFdVyl>

² <http://www.cpr.org/news/story/new-trade-deal-mexico-good-news-colo-potato-farmers>

I provided this example because it is a good illustration of how SPS issues are used to prevent agriculture trade and the negative impacts that it can have at the farmgate.

While potatoes are a success story of how science has prevailed, agriculture still see impacts of SPS barriers being used against U.S. products. There continue to be simmering issues between the European Union (EU) and the U.S. pertaining to the production of beef and the use of hormones. This ban is an example of how SPS measures and non-tariff barriers are used as disguised protectionism, primarily intended to restrict imports from other countries.³

However, the Transatlantic Trade and Investment Partnership is a mechanism that can help to alleviate this problem. Farm Bureau supports efforts to increase agricultural trade flows and remove trade barriers that currently exist between the United States and the European Union.

The Transatlantic Trade and Investment Partnership (TTIP) negotiations between the U.S. and the EU must deal with the many substantive issues that impede U.S.-EU agricultural trade, such as long-standing barriers against conventionally raised U.S. beef, ongoing restrictions against U.S. poultry and pork, and actions that limit U.S. exports of goods produced using biotechnology.

The U.S. and the EU are major international trading partners in agriculture. U.S. farmers and ranchers exported more than \$11.5 billion worth of agricultural and food products to the EU in 2013, while the EU exported more than \$17 billion worth of agricultural products to the U.S. last year.

Despite this impressive sum, just 10 years ago, the EU was the third-largest destination for U.S. agricultural exports. Today, it has fallen to our FIFTH-largest export market. Over the last decade, growth of U.S. agricultural exports to the EU has been the slowest among our top 10 export destinations. If U.S. farmers and ranchers were provided an opportunity to compete, the EU market could be a growth market for them.

Regulatory barriers have become a significant impediment to that growth. Unless these trade barriers are properly addressed within the TTIP negotiations, they will continue to limit the potential for agricultural trade. It is imperative that TTIP be a high-standard trade agreement that covers all significant barriers in a single, comprehensive agreement. Scientific standards are the only basis for resolving these issues. Continuing barriers to the export of U.S. beef, pork and poultry, along with the slow approval process for biotech products, are major areas of interest to the U.S. in the TTIP negotiations. Both the U.S. and the EU adhere to the World Trade Organization's Agreement on SPS measures. These measures states that measures taken to

³ <http://www.fas.org/sgp/crs/row/R40449.pdf>

protect human, animal or plant health should be science-based and applied only to the extent necessary to protect life or health.

Continuing barriers to the export of U.S. beef, pork and poultry, along with the slow approval process for biotech products, are major areas of interest to the U.S. in the TTIP negotiations. Both the U.S. and the EU adhere to the World Trade Organization's Agreement on Sanitary and Phytosanitary Measures, which states that measures taken to protect human, animal or plant health should be science-based and applied only to the extent necessary to protect life or health. The U.S. follows a risk-assessment approach for food safety. The EU is additionally guided by the "precautionary principle," which holds that where the possibility of a harmful effect has not been disproven, non-scientific risk management strategies may be adopted.

The use of the "precautionary principle" is inconsistent with the WTO SPS Agreement and is used as a basis for scientifically unjustified barriers to trade. The TTIP negotiations must result in a modern, science- and risk-based approach, based on international standards that can truly resolve SPS disputes. SPS issues must be directly addressed as a part of the negotiations, and these provisions must be enforceable.

The EU approach for approving products of biotechnology combines a lengthy approval process with the ability of EU member states to ban approvals. The result is restrictive import policies and substantial reductions in U.S. exports of corn and soybeans to the EU.

Furthermore, is it not just SPS issues that present non-tariff trade barriers to agricultural trade. An example of one of these issues is the EU system of geographic indications for foods and beverages designates products from specific regions as legally protected for original producers. The use of these markers will prevent forward looking U.S. farmers and ranchers from developing products for a marketing program which would allow them to capture the value added through processing. The U.S. has opposed recognizing geographical names for foods when it would inhibit the marketability or competitiveness of U.S. products. The TTIP must not become an avenue to erect a new barrier to U.S. agricultural exports through the use of geographic indications...pretty sure salami is salami no matter where it is made.

Negotiations on bilateral concerns move in both directions. There must be positive outcomes for all sides. The European Union has concerns about U.S. rules on EU beef and dairy products. An emphasis on finding trade-opening solutions to sanitary barriers will assist in resolving our many trade issues.

In addition to resolving non-tariff barriers to trade, the TTIP negotiation proposal also calls for the elimination of tariffs. The average

U.S. tariff on imported agricultural products is 5 percent, with 75 percent of our tariff lines at between zero and 5 percent. For the EU, the average tariff is 14 percent, with 42 percent of tariff of lines at zero to 5 percent. In order to expand market opportunities for U.S. agricultural products in the EU, tariff reductions will be necessary.

We call for an ambitious agreement that addresses the real barriers to the growth of agricultural trade between the United States and the EU, both in the form of tariff and non-tariff barriers. The European Union's 28 members account for 19% of world imports and exports⁴ and in 2012 consumed \$458 billion in goods and private services from the U.S.⁵

While the EU presents U.S. farmers and ranchers with very real potential for a major new market, TTIP is not the only trade deal that has the potential to help farmers and ranchers through reductions in tariff and non-tariff trade barriers to trade.

The Trans Pacific Partnership (TPP) is the other major regional trade negotiation for the U.S. TPP consists of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam in addition to the United States. The addition of Japan to full participation in the TPP talks enhances the significance of the negotiations and makes the agreement much more encompassing of North American goals for agricultural trade. It will also fuel interest among other Asia-Pacific nations for similar opportunities to improve trade relations with the U.S. and other participating countries. Japan is the fourth-largest agricultural export destination for the U.S. with more than 12.4 billion dollars in sales in 2013.

Again despite our trade success in Japan, the country maintains several restrictive policies that inhibit U.S. exports, such as high tariffs on dairy, horticulture, rice and other products, along with various SPS barriers. By joining the TPP negotiations under the same conditions as other participants, Japan must negotiate to resolve long-standing trade barriers for all agricultural products thus benefitting U.S. farmers and ranchers.

The TPP will only fulfill its promise of improved and increased trade in the Pacific region by including the elimination of tariffs on agricultural products.

While TTIP and TPP offer ways for the U.S. to deal with SPS and other non-tariff trade barriers through the framework of trade deals, they are not the only option for the U.S. As a member of the World Trade Organization (WTO) U.S. agriculture must continue to seek a commercially meaningful outcome through expanded market access from WTO negotiations. We must remain committed to advancing the goal of trade liberalization and increased opportunities for real trade growth. The U.S. wants an outcome to trade negotiations in the WTO that will open new markets

⁴ <http://ec.europa.eu/trade/policy/eu-position-in-world-trade/>

⁵ <http://www.ustr.gov/about-us/press-office/fact-sheets/2013/june/wh-ttip>

around the world, produce new trade flows and grow the global economy. We can achieve this outcome by negotiating on the basis of a new agenda, not by reliving the failures of the past. Lastly, Farm Bureau has long supported trade promotion authority (TPA) in order to complete and pass into law trade agreements. For our important TPP and TTIP negotiations to move forward, to maintain the focus on improving and expanding trade between our negotiating partners, we need to have TPA in place.

Agricultural market access measures are usually finalized at the end of negotiations when the certainty of TPA is crucial to a successful negotiation. We urge the House to pass the Bipartisan Congressional Trade Priorities Act of 2014, HR. 3830, as a necessary and critical component for a successful trade policy agenda. While we understand that the Small Business committee is not the primary committee of jurisdiction for H.R. 3830, the committee can sever as an excellent conduit for support of H.R. 3830. They can do this by sharing the challenges faced by small business and small agribusiness with the House Ways and Means committee as they move this legislation.

While many challenges continue to present themselves, 2013 was not without some successes. 2013 saw expanding U.S. beef exports by 12 percent to reach over \$6 billion by expanding access for U.S. beef to Japan, the European Union, Indonesia, Mexico, Panama, and the Dominican Republic. In 2013, the European Union also opened its market to live swine. Peaches, nectarines, and cherries may now be exported to Australia and Japan. These increases were the result of the removal their unwarranted SPS measures.⁶

I thank you Chairman Tipton for the opportunity to testify today on this important issue. American agriculture drastically needs more market access that is free of SPS and non-tariff trade barriers. American farmers and ranchers are the most productive in the world. With market access, we can continue to provide high quality products to markets throughout the world. I look forward to answering any questions you may have.

⁶ <http://www.ustr.gov/sites/default/files/FINAL-2014-SPS-Report-Compiled.pdf>