July 8, 2010

The Honorable Nancy Pelosi Speaker U.S. House of Representatives H-232, U.S. Capitol Washington, D.C. 20515

The Honorable John Boehner Republican Leader U.S. House of Representatives H-204, U.S. Capitol Washington, D.C. 20515 The Honorable Harry Reid Majority Leader U.S. Senate S-221, U.S. Capitol Washington, D.C. 20510

The Honorable Mitch McConnell Republican Leader U.S. Senate S-230, U.S. Capitol Washington, D.C. 20510

Dear Speaker Pelosi and Leaders Reid, Boehner and McConnell:

During the G-20 Summit in Toronto, President Obama announced his intention to set a November deadline for removing outstanding obstacles to the implementation of the U.S.-Korea Free Trade Agreement (FTA). This is very welcome news for America's farmers, ranchers, food industry workers and exporters.

The Korean market is now the fifth largest for U.S. agricultural exports, valued at \$3.9 billion in 2009. According to economic analysis by the American Farm Bureau Federation, the Korea FTA would expand exports in a wide range of commodities and result in \$1.8 billion in additional sales – a 46 percent increase.

The list of products that will gain from improved access to the Korean market under the FTA is long and includes most bulk commodities and a broad range of high-value agricultural products. Failure to implement the agreement would not only prevent us from taking advantage of this large and growing market, it would cede our market share to competitors that already have in place or are negotiating their own FTAs with Korea. There are 13 of those covering some 50 countries. So our organizations are grateful to the president for his new initiative, and we hope that you will work closely with him to ensure timely action on the implementing legislation.

As you know, however, the U.S.-Korea FTA is one of three agreements that are pending approval by Congress. Agreements with Colombia and Panama also have been awaiting action for more than three years. And one of our greatest fears about the continued delay in implementing the agreements is now being realized. On Monday, June 21, the Canadian Senate voted to implement a free trade agreement with Colombia, following approval by Canada's House of Commons on June 15. With these actions, Canada's legislature responded to the needs of that nation's producers and exporters, who will soon have a significant competitive advantage over U.S. products in the Colombian market.

So, not only have we lost two or three years of benefits of duty-free or reduced-tariff access to the Colombian market under a U.S. FTA, we now face the certainty that Canada's producers will instead reap those benefits. Over the past five years, Colombia has been the largest market in South America for U.S. agricultural exports, with exports totaling \$4.3 billion. According to the American Farm Bureau Federation, the U.S.-Colombia FTA, if and when it is implemented, would result in U.S. agricultural export gains of more than \$815 million per year at full implementation. But now that

Canada has gained preferential access ahead of us, we are likely to be operating in catch-up mode for years to come.

In the U.S. meat industry alone we stand to lose \$127 million in exports and nearly 1,626 additional jobs, according to the American Meat Institute. Iowa State University economist Dermot Hayes has calculated that the U.S. FTA with Colombia, when fully implemented, would raise live U.S. hog prices \$1.15 above what would otherwise be the case. But with the action by the Canadian Parliament and with the failure of the U.S. government to implement the FTA, these benefits will now shift to Canadian pork producers.

Allowing Canada to beat us to the punch in Colombia also will cause serious problems for U.S. wheat producers. An influential Colombian miller has said that without a U.S. FTA to keep tariffs in balance with tariffs on Canadian wheat, the U.S. share of the Colombian wheat import market could fall from around 70 percent to as low as 30 percent. If that were to happen, U.S. Wheat Associates estimates that, at current export prices, failure to ratify the U.S.-Colombia FTA could lead to an annual loss of more than \$70 million for the U.S. wheat industry.

And there are other examples of lost opportunities for U.S. exports to Colombia from the failure to implement the U.S. FTA on a timely basis. U.S feed grain producers have been particularly hard hit because of preferential access of competitors to the Colombian market, with the U.S. market share falling sharply from 96 percent in 2007 to 38 percent in 2009.

In the agricultural sector as a whole, not a single U.S. product currently receives a zero tariff in Colombia, and applied tariffs range from 5 to 20 percent. These could rise to as much as 388 percent under Colombia's current WTO commitments. Under the U.S. FTA, tariffs on 77 percent of all agricultural tariff lines, accounting for more than 52 percent of current U.S. trade by value, would be eliminated immediately. Among the agricultural sectors that would most benefit from the elimination of these tariffs and other trade barriers are: cotton, rice, wheat, corn, barley, sorghum, soybeans, pulse crops, high quality beef, pork, poultry, certain dairy products, potato products, apples, pears, peaches, cherries, almonds and certain distilled spirits. Again, most if not all of these benefits will now accrue to Canada.

The most important thing now is to avoid perpetuating these losses and seeing them mushroom in the years to come by failing to implement U.S. FTAs as soon as possible. The fact is, literally hundreds of FTAs are being negotiated around the world, and global trade liberalization is taking place. But it is taking place with the United States standing on the sidelines.

We urge you, therefore, to work with the Administration to remove any remaining impediments to a rapid implementation of the FTAs with Colombia, Korea and Panama.

Sincerely,

American Farm Bureau Federation American Feed Industry Association American Frozen Food Institute American Meat Institute American Potato Trade Alliance American Soybean Association California Table Grape Commission **Commodity Markets Council**

Corn Refiners Association

Distilled Spirits Council of the United States

International Dairy Foods Association

National Association of Wheat Growers

National Barley Growers Association

National Cattlemen's Beef Association

National Confectioners Association

National Corn Growers Association

National Council of Farmer Cooperatives

National Grain and Feed Association

National Grange

National Milk Producers Federation

National Oilseed Processors Association

National Pork Producers Council

National Potato Council

National Renderers Association

National Sorghum Producers

National Turkey Federation

North American Equipment Dealers Association

North American Export Grain Association

Northwest Horticultural Council

Pet Food Institute

Produce Marketing Association

Sweetener Users Association

U.S. Apple Association

U.S. Dairy Export Council

U.S. Grains Council

U.S. Wheat Associates

United Egg Association

United Egg Producers

USA Dry Pea & Lentil Council

USA Poultry & Egg Export Council

Washington State Potato Commission

Western Growers Association

cc: Members of the U.S. House of Representatives

Members of the U.S. Senate