

January 24, 2011

The Honorable John Boehner
Speaker
U.S. House of Representatives
H-232, 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 Nancy Pelosi
Democratic Leader
U.S. House of Representatives
H-204, U.S. Capitol
Washington, D.C. 20515

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

Dear Speaker Boehner and Leaders Reid, Pelosi and McConnell:

The undersigned food and agricultural groups and companies, representing nearly all sectors of the agricultural economy, applaud the recent agreement between the United States and the Republic of Korea on issues that have delayed approval by Congress of the Korea- U.S. Free Trade Agreement (KORUS FTA). We strongly support this agreement and urge that it be approved at the earliest possible opportunity.

Below we offer a number of compelling reasons for supporting the KORUS FTA. But the simple heart of the matter is that the agreement is overwhelmingly good for American agriculture and presents no risks. It will create significant new and expanded market opportunities for U.S. exports but will not result in any appreciable increase in agricultural imports.

Risks for U.S. agriculture – and they are extremely serious – arise if the KORUS FTA is not implemented. If this agreement is rejected, we stand to relinquish our export sales to countries that have implemented their own FTAs with Korea.

This is not a trivial concern. There are 13 such agreements in place or in the works involving some 50 nations around the world. They include some major agricultural producing and exporting countries: Chile, Australia, New Zealand, Canada, the 27-nation European Union, Mexico, Mercosur (Argentina, Brazil, Paraguay and Uruguay), Peru and the ASEAN bloc. In fact, South Korea's FTA with the European Union is set to enter into force on July 1, 2011. This, coupled with the failure to implement the KORUS FTA, will put U.S. food and agriculture products at a severe disadvantage with respect to competition from the European Union in the Korean market.

Imagine, for example, Korea's current 25 percent tariff remaining in place on U.S. pork but eliminated for pork from the European Union. Our standing as the top global pork exporter would count for nothing. Iowa State economist Dermot Hayes has calculated that we would be completely out of the Korean market in 10 years. The same predicament would face a wide range of U.S. agricultural exports.

Another example of a U.S. agricultural product losing out on an important export market is corn starch. The European Union secured a highly advantageous deal for its starch exports. In some

cases, European starches received approximately four times the market access that U.S. starches did. Moreover, tariffs on European starch products are eliminated more rapidly than tariffs on U.S. corn starch exports. If Congress fails to ratify the agreement in a timely manner, the U.S. corn refining industry will be placed at a significant competitive disadvantage relative to its European competitors.

With the KORUS FTA, on the other hand, existing import barriers will be removed immediately for nearly \$3 billion of U.S. food and agricultural products. These exports represent more than 60 percent of our sales and include wheat, feed corn, soybeans, hides and skins, cotton and a large number of high-value agricultural products, including almonds, pistachios, wine, raisins, grape juice, orange juice, fresh cherries, cranberries, frozen French fries, frozen orange juice concentrate, Bourbon, Tennessee Whiskey and pet food.

In just two years, many other products will be tariff-free, including avocados, lemons, dried prunes and sunflower seeds. In five years, more products will gain free access, including food preparations, chocolate and chocolate confectionary, sweet corn, sauces and preparations, alfalfa and other forages, breads and pastry, grapefruit and dried mushrooms.

Still other important U.S. farm products will benefit from new or expanded tariff rate quotas. These include skim and whole milk powder, whey for food use, cheese, starches, barley, popcorn and soybeans for food use. Market access improvements were also achieved for beef and pork products, eggs and egg products, pears and table grapes.

Put together, these access benefits mean greatly expanded exports to Korea. According to an analysis by the American Farm Bureau Federation, the KORUS FTA would result in \$1.8 billion in additional sales to Korea, a 46 percent increase over existing sales. This analysis appears very conservative according to Dr. Hayes of Iowa State and the American Meat Institute, who forecast increased U.S. beef, pork and poultry exports alone to be more than \$2.1 billion.

These new exports would create thousands of new jobs on the farm and in rural communities and throughout the economy. They would expand our share of trade in a growing economy with the 15th highest GDP in the world. For three years, these important benefits have been forfeited while the implementing legislation has been on hold.

We can either lose jobs as our market share declines in Korea, or we can create new jobs by expanding exports to that market. We urge Congress to choose the latter. In addition, we urge Congress to work with the Obama administration so that the Colombia and Panama trade agreements also may soon be sent to Congress for approval. These agreements, like the KORUS, will generate additional agricultural exports and create new jobs.

Sincerely,

Agri Beef Co.
American Farm Bureau Federation
American Feed Industry Association
American Frozen Food Institute
American Meat Institute
American Peanut Product Manufacturers, Inc.

American Soybean Association
California Dried Plum Board
California Fig Advisory Board
California Strawberry Commission
California Table Grape Commission
California Walnut Commission
Cargill
Commodity Markets Council
ConAgra Foods, Inc.
Corn Refiners Association
Distilled Spirits Council of the United States
Grocery Manufacturers Association
Hormel Foods
International Dairy Foods Association
JBS USA
National Association of State Departments of Agriculture
National Association of Wheat Growers
National Barley Growers Association
National Cattlemen's Beef Association
National Chicken Council
National Confectioners Association
National Corn Growers Association
National Council of Farmer Cooperatives
National Grain and Feed Association
National Grape Cooperative Association Inc.
National Meat Association
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
Northwest Horticultural Council
Ocean Spray Cranberries, Inc.
Pet Food Institute
Produce Marketing Association
Seaboard Foods
Smithfield Foods
Sunmaid Growers of California
Sunsweet Growers Inc.
Sweetener Users Association
Tyson Foods, Inc.
U.S. Canola Association
U.S. Dairy Export Council
U.S. Premium Beef
United Egg Association
United Egg Producers

United States Dry Bean Council
USA Dry Pea & Lentil Council
USA Poultry & Egg Export Council
Valley Fig Growers
Welch Foods Inc., A Cooperative
Western Growers Association

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