AMERICAN FARM BUREAU FEDERATION®
600 Maryland Ave. SW | Suite 1000W | Washington, DC 20024

ph. 202.406.3600
f. 202.406.3606
www.fb.org

June 12, 2017

Mr. Daniel Watson
Deputy Assistant U.S. Trade Representative
for North America
600 17th St., NW
Washington, D.C. 20508

Re: Docket No. 2017-10603, *Comments on Negotiating Objectives Regarding Modernization of the North American Free Trade Agreement with Canada and Mexico*

Dear Mr. Watson:

The American Farm Bureau Federation (Farm Bureau) offers the following comments on the negotiating objectives for the North American Free Trade Agreement. Farm Bureau uniquely represents all farmers and ranchers, as well as our our diverse membership of almost 6 million families. Our policies are set by our grassroots members, who produce the full breadth of crops and livestock raised in the United States.

Trade agreements between the United States and other nations have significantly contributed to the decades-long positive growth in trade by U.S. agriculture. Between 2003 and 2016, U.S. agricultural exports to countries with which we have trade agreements increased more than 136 percent—from $24.1 billion to $57.1 billion.

Trade is critical to the livelihood of the U.S. agricultural sector because it spurs economic growth for our farmers and ranchers and their rural communities. Just as critical, agriculture supports jobs in the food and agricultural industries and beyond. The fact is 95 percent of the world's consumers live outside of the United States and over 20 percent of U.S. farm income is based on exports. Expanding opportunities for U.S. crop and livestock producers to access international markets will boost farm income in the United States. In addition, preserving existing access to markets around the world, is vital to improving the current downturn in farm income levels. Agriculture's access to foreign markets amounted to $134 billion in 2016. Imports, critical for certain products, especially out of season produce, totaled $112 billion in 2016.

Existing trade agreements have proven successful in lowering tariffs and tearing down non-tariff trade barriers that hinder U.S. farmers' and ranchers' competitiveness and prevent us from taking advantage of consumer demand for high-quality U.S. food and agricultural products throughout the world. For consumers, trade agreements provide access to new varieties of food products and off-season supplies of fresh produce.

One of the most talked about trade agreements, the North America Free Trade Agreement , has been overwhelmingly beneficial for farmers, ranchers and associated businesses all across the

United States, Canada and Mexico for decades. While the agriculture sector as a whole has seen substantial benefit, there are individual commodities that have faced challenges with Mexico, such as tomatoes, other fruits and vegetables, and sugar. There also are challenges with Canada for dairy, specialty and row crops, lumber, wine and other products. But overall under NAFTA, U.S. farmers and ranchers across the nation have benefited from an increase in annual exports to Mexico and Canada from $8.9 billion in 1993 to $38 billion in 2016.

Despite the clear and numerous benefits, there are reasons to update and reform NAFTA from agriculture's perspective. Some improvements at the commodity level are detailed below. There are some improvements needed that are sector-wide, such as reducing redundant regulatory costs, expediting transit across borders and hastening the resolution of disputes between members, which would go a long way toward establishing more efficient trade between NAFTA partners.

For example, the rules related to biotechnology, sanitary and phytosanitary measures, and geographic indicators are ripe for amendment in order to reflect the progress that has been made in these areas over the decades since NAFTA was first implemented. We also believe negotiations should address how U.S. agricultural exports to Canada would grow if tariff barriers to dairy, poultry and eggs were reduced or eliminated, as well as the relatively recent barriers to ultra-filtered milk exports.

Remedies for our produce growers need to be strengthened. A timely trade dispute resolution process should be added that takes into account the perishability, seasonality and regional production of fruit, vegetable and horticultural products. Well-constructed seasonal tariff-rate quotas could help maintain consistent supplies of fresh fruits and vegetables for consumers and benefit growers in all three countries, while also helping to prevent a flood of imported product while U.S. production is at its seasonal peak.

As referenced earlier, there are a number of longstanding sanitary and phytosanitary and technical barriers to trade issues that exist in trade between NAFTA partners on specific products. This includes trade in fresh potatoes with Mexico, wine trade with certain provinces in Canada, and the ongoing dispute over trade in softwood lumber with Canada—all of which are ongoing concerns to many of our members. Modernizing NAFTA should be viewed as an opportunity to address all of these issues.

While there clearly are several areas where the NAFTA agreement could be modernized to improve trade in agricultural goods, it is critical that the modernization effort also recognize and build upon the strong gains achieved by U.S. agriculture through the tariff eliminations, the recognition of equivalency of numerous regulatory issues, and the development of integrated supply chains that have arisen due to the agreement.

Trade agreements also provide the highest standard of trade rules, allowing the United States to lead in setting the foundation to establish market-driven and science-based terms of trade and dispute resolution that will directly benefit the U.S. food and agriculture industry.

We support adding to the NAFTA agreement the SPS Chapter language negotiated as part of the Trans Pacific Partnership, which would also strengthen the existing World Trade Organization SPS commitments.

We strongly support including a rapid response tool to resolve shipment-specific issues. Cooperative Technical Consultations would allow agencies to find science-based solutions to SPS issues in a timely manner—of particular benefit to perishable products.

In addition to the TPP text on SPS issues, we recommend significant provisions that would ensure that the revised NAFTA agreement could be used as a model for future trade agreements the United States may enter.

We support the inclusion of the TPP text on Geographical Indicators in order to preserve U.S. market access opportunities for common-name products. The misuse of GIs is a constant and significant threat to maintaining and growing sales of high value U.S. products in the United States, within the markets of our NAFTA partners and in markets worldwide.

As members of the U.S. Biotech Crops Alliance (USBCA), a broad-based group of organizations encompassing the value chain dedicated to improving the environment for technology innovation and the marketability for U.S. crops produced using modern biotechnology, we seek to ensure the unencumbered marketability of U.S. crops and improve international biotechnology regulatory policy, including through trade agreements like NAFTA. To this end, we seek to achieve enhanced cooperation between regulatory agencies and prevent trade disruptions related to agricultural production technologies such as biotechnology.

We support adding a new chapter on biotechnology to NAFTA. Under a modernized NAFTA, USBCA requests that the U.S. government 1) enter a mutual recognition agreement on the safety determination of biotech crops intended for food and feed, and 2) develop a consistent approach to managing low-level presence of products that have undergone a complete safety assessment and are approved for use in a third country but not yet approved by a NAFTA member.

We support including text from the TPP Chapter on Customs Administration and Trade Facilitation related to release of goods. NAFTA countries should commit to ensure that goods move through customs within 48 hours of arrival. Where a delay is due to a customs fee or duties dispute, the goods should be released on bond, subject to an appeal.

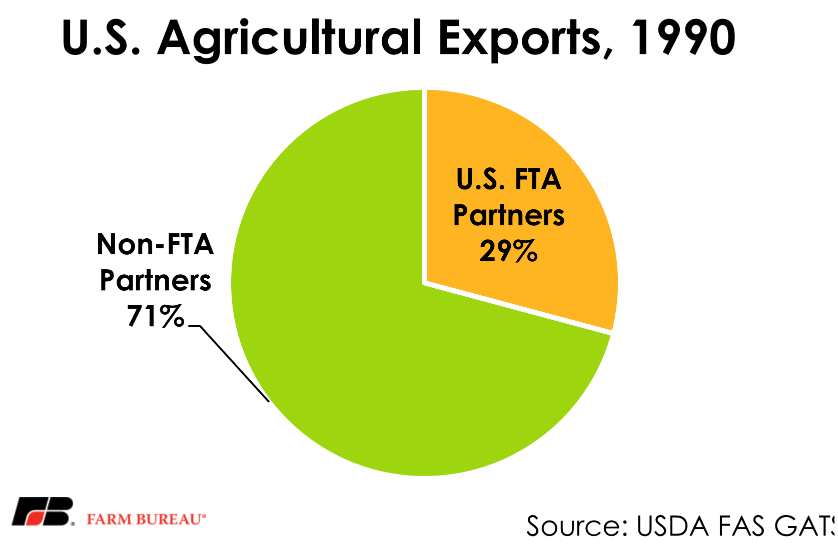
We oppose erecting new barriers to agricultural trade through NAFTA renegotiation, including adding mandatory country of origin labeling for beef and pork products.

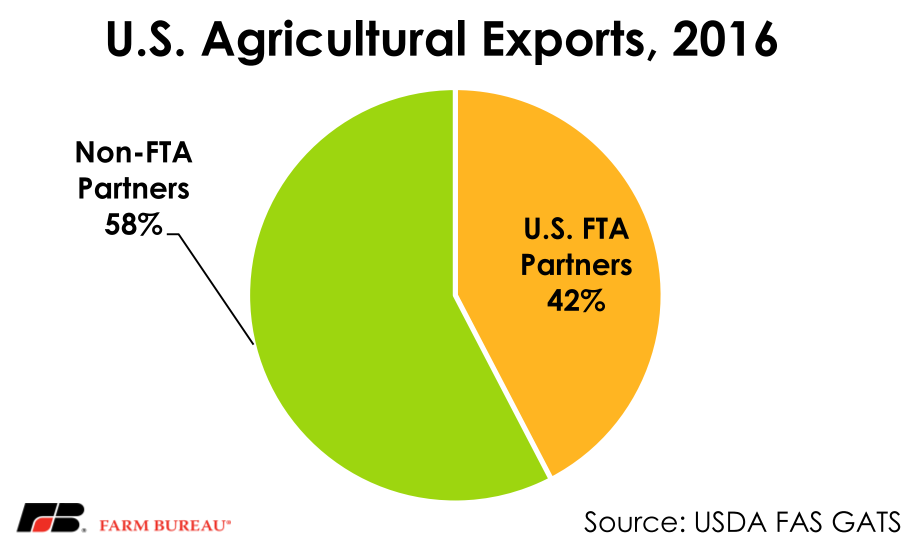
As the following figures from fiscal year 2016 show, agriculture and food trade is positive for the U.S. As an industry that is primarily made of price takers, however, it is critical to appreciate that variations in trade surplus/deficit in any particular year are impacted greatly by fluctuations in commodity prices, exchange rates and the existence of trade barriers to U.S. products. For example, the U.S. had a positive agricultural trade balance with Mexico in 20 of the 23 years since NAFTA came into effect. Two of the three years that the U.S. experienced a negative trade balance with Mexico occurred in 2015 and 2016, largely as a result of low commodity prices and a strong U.S. dollar.

For FY 2016:
U.S. agricultural exports to Canada—$20.2 billion
U.S. agricultural imports from Canada—$21.6 billion

U.S. agricultural exports to Mexico—$17.9 billion
U.S. agricultural imports from Mexico—$22.9 billion

The following charts show the importance of free trade agreements to US agricultural exports.





While the raw numbers are impressive, they only tell part of the story. Equally important is the fact that the agricultural sectors of the member countries have become far more integrated, as is evidenced by rising trade in a wider range of agricultural products, substantial levels of cross-border investment, and important changes in consumption and production.

Trade in goods consists of not only final consumer products, but also intermediate inputs and raw materials as firms reorganize their activities around regional markets for both inputs and outputs, spurred in part by greater foreign direct investment.

This integration enables agricultural producers and consumers in the NAFTA region to benefit more fully from their relative strengths and to respond more efficiently to changing economic conditions. The creation of a larger, single market has given producers access to cheaper suppliers of inputs, which allows U.S. producers to be more price competitive domestically and abroad.

U.S. agriculture depends upon a growing international economy that provides opportunities for farmers and ranchers to sell their products. Modernization of NAFTA will expand market opportunities for U.S. agriculture.

Sincerely,

Dale W. Moore

Dale Moore
Executive Director
Public Policy