

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
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The Honorable Frank Lucas
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

The Honorable Collin Peterson
Ranking Member
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Lucas and Ranking Member Peterson:

As the House Committee on Agriculture prepares to consider the House version of the 2012 Farm Bill, the U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector, and region, strongly supports an amendment expected to be offered by Rep. Goodlatte which would reform the sugar program; and strongly urges the Committee to seize this opportunity to secure a definitive solution to the U.S.-Brazil World Trade Organization (WTO) cotton case.

The Goodlatte Amendment would bring several needed reforms to the U.S. sugar program, a chronically flawed policy that creates and maintains an artificial gap between U.S. and world sugar prices. According to the U.S. Department of Agriculture, the price of U.S. raw sugar in March was 40 percent higher than the world price of raw sugar. While the sugar program is often described as a "no-net cost" program, it in fact imposes major costs. According to the U.S. Department of Commerce, for every one sugar-growing job protected, three manufacturing jobs are lost. The program costs consumers as much as \$3.5 billion a year. Further, high U.S. sugar prices have led manufacturing jobs to move abroad, and trade restrictions have thwarted our leverage in Trans-Pacific Partnership market-access negotiations.

This sugar reform amendment would not end the sugar program, but would provide far-reaching and pragmatic reforms. In the 2008 Farm Bill, Congress exacerbated an already anti-competitive program by, among other things, increasing price supports and introducing the Feedstock Flexibility Program, in which the federal government purchases surplus sugar and sells it at a loss to ethanol plants. This amendment would remove those damaging add-ons. Moreover, it would establish market-oriented components to help spur job creation and ease the program's burden on manufacturers.

In addition, the Chamber urges that the legislation provide a definitive solution to the U.S.-Brazil World Trade Organization (WTO) cotton case in the 2012 Farm Bill. However, the version of the 2012 Farm Bill the Committee is expected to consider would roll back key provisions of the Senate-approved 2012 Farm Bill, increasing the risk of WTO-sanctioned trade retaliation against the United States by Brazil.

The Farm Bill is the proper vehicle to reform the agricultural export-promotion and safety-net programs that currently violate WTO rules. Failure to make these reforms could result in hundreds of millions of dollars in Brazilian trade retaliation against U.S. goods – including agricultural products such as dairy, fruit, and wheat – as well as against U.S. intellectual property rights. These sanctions could lead to the loss of thousands of American jobs.

The Chamber supports the provision in the House version to eliminate Counter-Cyclical Payments (CCP), but urges you to further reform Marketing Loan Payments (MLP), including by reducing the proposed \$0.47 per pound to \$0.52 per pound loan rate band for cotton.

The Chamber also urges the Committee to pursue the following changes: 1) eliminate the proposed trade-distorting \$0.6861 per pound reference price for the Stacked Income Protection Plan for Producers of Upland Cotton (STAX); 2) set the STAX protection factor at no more than 120 percent; and 3) establish a \$4.5 billion cap for the GSM-102 export credit guarantee program. These changes are necessary to bring the current draft in alignment with the Senate-passed 2012 Farm Bill and with U.S. international obligations.

Finally, the Chamber urges the Committee to retain provisions of the current draft directing the Office of the U.S. Trade Representative and the U.S. Department of Agriculture to negotiate an agreement with the Government of Brazil to permanently adjust GSM-102 provisions, in particular length of tenors, amount of disbursements, and fees required to cover the cost of the program, in order to secure a definitive solution to the WTO dispute. Doing so is vital as the GSM-102 program represents the bulk of Brazil's trade retaliations rights.

While there may be differences between the United States and Brazil with regard to the proper amount of retaliation authorized by the WTO, failure to address these issues in the Farm Bill risks both direct retaliation and "cross-retaliation" against U.S. goods and intellectual property rights. The burden will be on the United States to prove compliance with WTO rules when and if Brazil proceeds with its WTO-sanctioned retaliation. While these rules require a maximum five-month period for such an analysis, current practice in Geneva and the complexities of the cotton dispute will likely extend this period much longer. In a previous, precedent-setting stage of the dispute, the WTO took nearly two years to analyze a claim of U.S. compliance with its rules before rejecting it. Any such scenario could result in lasting and substantial damage to U.S. farmers, businesses, and innovators.

The Chamber urges the Committee to vote in favor of the Goodlatte Amendment, which would bring needed reform to the U.S. sugar program. The Chamber also strongly urges the Committee to support American exports, jobs, and innovation by securing a definitive solution to the U.S.-Brazil World Trade Organization cotton case when you consider the House version of the 2012 Farm Bill.

Sincerely,



R. Bruce Josten

cc: The Members of the House Committee on Agriculture