

MR. KRUSE: Thank you very much, Mr. Chairman and members of the Commission.

I am very honored and delighted to be here today and have an opportunity to share the views of Farm Bureau with you. I commend you for having these hearings on this very important issue -- sets of issues.

I am Charles Kruse, President of the Missouri Farm Bureau. I am also a member of the Board of Directors of the American Farm Bureau Federation, and I co-chair the American Farm Bureau Trade Advisory Committee.

I very much appreciate the opportunity to testify before you today on U.S. agriculture and international trade.

I'm also proud to tell you that I am a fourth-generation farmer. My family farming operation is in the other corner of the state of Missouri, in what's called the boot heel, in southeastern Missouri, where we raise corn, wheat, soybeans, and cotton.

And I told my good friend, Harry Cleberg, he'd be very proud of me because, as we speak, I am one of those 600,000 farmers that you were talking about.

And we are putting down Farmland Industry's liquid nitrogen on our corn crop today as we speak. Harry was very pleased to hear that.

I'm keenly aware of the increasingly global marketplace for agricultural commodities and the impact international trade has on our sector.

U.S. agriculture has enjoyed a positive balance of trade for several decades.

However, our sector's trade surplus is slowly eroding due to depressed commodity prices and insurmountable barriers to trade that prevent U.S. producers from increasing their foreign market share or accessing certain markets.

Slow economic recovery in Asia, competition from South America, and lingering effects of commodity price deflation are dampening the expansion potential of U.S. agricultural exports.

Over the past seven years, U.S. trade in agriculture has continued to climb in stops and starts, rising from more than \$43 billion in 1994 to nearly \$60 billion in '98, and then dropping to \$49 billion last year. Exports this year are projected to remain flat at the 49 to \$50 billion level.

Imports, however, have been climbing steadily since 1994. Imports in '94 reached just over 26 billion and are expected to peak at 38 billion this year.

These figures illustrate the difficulty U.S. producers are facing in maintaining market share while the value of U.S. agricultural imports continues to grow.

Every effort must be made to make foreign markets as open to U.S. agricultural exports as our market is to foreign imports.

When Congress passed the '96 Freedom to Farm Act, it reduced income price supports, making U.S. agriculture more dependent on the world market.

American farmers and ranchers produce an abundant supply of commodities far in excess of domestic needs, and their productivity continues to increase. Exports are agriculture's source of future growth in sales and income.

Given historically low prices for many U.S. produced commodities, an abundant domestic supply, and a stable U.S. population rate, the job of expanding

existing market access and opening new export markets for agriculture is more important than ever.

Agriculture's longstanding history of a balance of trade surplus will not continue if new markets are not opened for our exports.

To illustrate the export dilemma facing our sector, global food demand is expanding rapidly. And I think something we should keep in mind is that nearly 96 percent of the world's consumers live outside our borders.

Despite significant progress in opening U.S. markets to imports, agriculture remains one of the most protected as well as one of the most subsidized sectors of the world economy.

In addition, U.S. agricultural producers are placed at a competitive disadvantage due to the growing number of regional trade agreements among our competitors.

Liberalizing agricultural trade must be a top priority of the U.S. Government in the new negotiations in agriculture in the World Trade Organization, in Free Trade Area of the Americas, and in other bilateral and multilateral negotiations.

Granting permanent normalized trade relations, NTR, to China is the most important step that members of the U.S. Congress can take to support a positive balance of trade for U.S. agriculture.

China will join the WTO whether or not permanent NTR passes. The question before U.S. lawmakers is whether or not our producers will be allowed to export to China.

If permanent NTR fails, I strongly believe that China will become the biggest sanctioned market for our exports overnight.

The recently completed U.S.-China trade agreement is critically important to the entire U.S. agricultural sector.

The tariff and nontariff concessions that U.S. negotiators reached with China represent true market openings for U.S. agricultural exports and will have a significant positive effect on U.S. farm income at a time when farm receipts are at historic lows.

China, our fourth-largest trading partner, is broadly recognized as the most important growth market for U.S. agricultural exports.

USDA projects that, by the year 2003, China could account for over 37 percent of future growth in U.S. agricultural exports.

We are the world's most competitive and efficient producers of food, but we must have access to global markets and a level playing field on which to play. This can only become a reality if the agreement negotiated with China is implemented.

This agreement is essential for returning economic prosperity to the farm sector and ensuring an agricultural trade surplus well into the 21st Century.

Another important element for strengthening U.S. agriculture's trade surplus is opening markets for our exports through WTO negotiations.

The negotiations on agriculture must be the highest priority for U.S. officials as they meet with their foreign counterparts in the WTO to resume the agricultural trade talks.

Agriculture is rife with insurmountable trade barriers and trade distorting export subsidies that are not present in other sectors.

According to USDA, the average tariff for imports of agricultural goods into the United States is

5 percent or less, while our exports face an average tariff of nearly 50 percent.

In order for global trade to be truly reformed around the globe, market liberalization in agriculture must be achieved.

What's at stake for agriculture if the WTO talks do not provide meaningful reform? Well, we can expect that our exports will continue to stagnate and that our competitors, especially those that benefit from export subsidies or single desk selling arrangements, will continue to undercut us in foreign markets.

U.S. producers are the most efficient producers in the world. We can compete if allowed to meet our competitors head-on rather than with one hand tied behind our backs, which is the case now as we compete against foreign treasuries that subsidize our competitors.

Among the many important objectives to be accomplished in the WTO negotiations on agriculture are the elimination of export subsidies, commercially meaningful reductions of tariffs, ensuring market access for agricultural commodities produced with

bioengineered technology, and ending discriminatory practices in agricultural trade.

Lifting unilateral sanctions on U.S. agricultural exports is another important step in maintaining a surplus in agricultural trade.

Especially today, with agricultural exports projected to remain flat, any action such as an embargo or sanction does direct and long-term harm to farmers and the agricultural economy in this country.

Not only do unilateral sanctions inflict no economic damage on the target country in today's global economy, but they also often result in little if any change in the foreign policy actions of the targeted nation.

Our competitors in these markets rub their hands with glee when the United States imposes unilateral sanctions. They are quick to expand their sales and take over the U.S. share in these foreign markets.

Moreover, U.S. producers are branded unreliable suppliers, and we lose access to important markets for decades to come. Unilateral sanctions on agricultural exports must end.

As a result of unilateral sanctions, over 14 percent of our rice market, 10 percent of our wheat market, 5 percent of our vegetable oil market, 5 percent of our barley market, and 4 percent of our corn market have been taken off the table. This loss of market access is not negligible.

Given today's low commodity prices and declining agricultural exports, we simply cannot afford to have our access to export markets cut off.

Exchange rate stability is another important factor in maintaining an agricultural trade surplus.

U.S. exports declined precipitously in 1997 and thereafter following the Asian financial crisis and have been slow to recover to that region.

The '94-'95 Mexican peso devaluation and the 1999 devaluation of the Russian ruble have both resulted in measurable declines in the value of U.S. agricultural exports.

Effective monetary policies that achieve exchange rate stability and approach exchange rate parity, particularly with our two largest agricultural

trading partners, Mexico and Canada, are critical factors in today's increasingly global economy.

Mr. Chairman and members of the Commission, I very much appreciate the opportunity to present this testimony and would be pleased to answer any questions. Thank you.