National Grain and Feed Association
North American Export Grain Association

1400 Crystal Drive, Suite 260, Arlington, VA, 22202
Phone: 202-289-0873 (NGFA); 202-682-4030 (NAEGA)

Submitted Electronically

June 12, 2017

TO: Office of the U.S. Trade Representative

RE: Docket No. DOC 2017-10603

Dear Reviewing Officials:

The National Grain and Feed Association (NGFA) and North American Export Grain Association (NAEGA) submit this joint statement in response to the request for public comments on matters relevant to the modernization of the North American Free Trade Agreement (NAFTA), as requested in the May 23, 2017 issue of the ***Federal Register***. These comments seek to inform the U.S. Trade Representative on general negotiating objectives, tariff and non-tariff trade barriers, and customs and trade facilitation issues important to the grain, feed, grain and oilseed processing, and export sector that should be addressed in the negotiations.

NGFA, established in 1896, consists of more than 1,000 grain, feed, processing, milling, exporting and other grain-related companies that operate more than 7,000 facilities nationwide, and handle more than 70 percent of the U.S. grain and oilseed crop. Its membership includes grain elevators, feed and feed ingredient manufacturers, biofuels companies, grain and oilseed processors and millers, exporters, livestock and poultry integrators, and associated firms that provide goods and services to the nation's grain, feed and processing industry. NGFA also consists of 34 affiliated State and Regional Grain and Feed Associations.

NAEGA, a not-for-profit trade association established in 1912, consists of private and publicly owned companies and farmer-owned cooperatives that are involved in and provide services to the bulk grain and oilseed exporting industry. NAEGA-member companies ship and support the vast majority of the highly competitive, sustainable and fungible U.S. grain and oilseed export supply. NAEGA works collaboratively around the world to improve and maintain the trade of grains, oilseeds and other agri-bulks by informing industry and addressing both commercial and official practices.

The U.S. food and agricultural sector is the world's largest and most efficient. Its many, unequaled benefits provide unparalleled food security to domestic and world consumers. America's safe, reliable, economical and abundant supply of food and agro-industrial products are produced from renewable, sustainable and efficient supply chains that start with farms and ranches, encompass the food, beverage and export industry, and extend throughout North America and around the world. The U.S. food and agricultural sector has benefited greatly from free-enterprise and market-based policies, nearly 200 million acres of prime farmland, enterprising producers and agribusinesses, and secure and reliable access to foreign markets – including Canada and Mexico. Today, U.S. agricultural producers and agribusinesses compete successfully in the global market for agricultural products ranging from raw commodities to value-added goods, such as meat, poultry, dairy and biofuels, adding value and creating jobs in communities throughout the nation.

The benefits of U.S. agricultural trade are not limited to farmers, ranchers, grain elevators, feed manufacturers, feed ingredient suppliers, grain and food processors, dairy operators and the many other agricultural businesses whose livelihoods depend extensively on access to foreign markets. Rather, the economic multipliers associated with the U.S. food and agricultural sector accrue to the broader U.S. economy, particularly in terms of job creation and economic growth. According to data from the U.S. Department of Commerce, as well as analysis conducted by the U.S. Department of Agriculture, the food and agricultural sector supports more than 15 million U.S. jobs, creates more than $423 billion in annual U.S. economic activity, and represents the single largest U.S. manufacturing sector – constituting 12 percent of all U.S. manufacturing jobs. Every dollar in U.S. agricultural exports generates an additional $1.27 in U.S. economic activity.

Much of U.S. agriculture and the grain, feed, processing and export industry's value to the U.S. economy and job expansion is generated through North American trade and demonstrated by consistent generation of U.S. trade surpluses especially with Mexico. While most agricultural products handled by NGFA- and NAEGA-member companies produce significant trade surpluses for the United States, NGFA and NAEGA fully recognize and affirm the benefits of two-way trade. Two-way trade enables U.S. agricultural producers and agribusinesses to source farm inputs, such as potash fertilizer, and crude oil (that will be refined into fuel) from Canada, Mexico and other nations. Sourcing from the most economical origin lowers U.S. production costs and contributes to the global competitiveness of U.S. food and agricultural exports.

Thanks to NAFTA, trade with the United States' North American partners is vibrant. In Mexico, the ratification of NAFTA in 1993 led to the elimination of nearly all tariff barriers that previously restricted U.S. access to the Mexican market. Subsequent efforts to encourage regulatory cooperation and facilitate cross-border trade have helped to address non-tariff barriers. As a result, Mexico is the second largest export market for NGFA- and NAEGA-member firms and is one of U.S. food and agriculture's most consistent buyers throughout the year. Following the removal of market access trade barriers by NAFTA, members of NGFA and NAEGA invested in strategically located physical plants and logistics to facilitate the efficient sale of agricultural products to Mexico. Mexican end users also invested in facilities to cost-effectively receive U.S. agricultural products. These strategically planned business investments that reduced transportation costs and integrated supply chains were made possible by the removal of market access barriers through NAFTA, enabling U.S. agriculture to reliably and competitively serve the growing Mexican market.

Meanwhile, with Canada, NAFTA has helped to reduce barriers for grain, feed and processed agricultural products to facilitate cross-border trade. Because both the United States and Canada are net grain exporters, cross-border trade opportunities for NGFA- and NAEGA-member companies coincide with our position in an expanding global market. Both Canada and the United States are successful competitors in the global market because of comparative advantages that exist given North America's agricultural bounty, superior logistics and market-based economies. Both countries serve global food security needs with grains, oilseeds and processed products for which NAFTA has enabled specialization and opened opportunities for niche markets. For example, the United States is well positioned to produce and supply corn, soybeans and rice. Canada, in turn, is often the supplier of choice for crops such as oats, canola and certain classes of wheat. This specialization has freed up U.S. acreage for other crops for which the United States has a strong comparative advantage, such as corn and soybeans. Moreover, Canada's high per-capita income has created opportunities for U.S. exports of value-added agricultural products, such as meat, dairy and biofuels, that are produced in part using U.S. grain and feed products. Consequently, Canada indirectly imports a large quantity of U.S. grains, oilseeds and feed by way of value-added agricultural products, contributing to U.S. manufacturing jobs in the food and agricultural sector.

In short, the U.S. food and agricultural sector has benefited immensely from the market access gains achieved under NAFTA. However, during the 23 years since NAFTA took effect, economies, markets, technologies and supply chains have evolved. NGFA and NAEGA recognize this evolution and welcome the opportunity to work with the Administration to preserve all current market access and tariff concessions achieved for U.S. food and agriculture in the current NAFTA, while modernizing the accord to address the challenges of 21st century global trade. Paramount among these challenges is to address the growing number of non-tariff barriers that distort and slow cross-border trade flows. Given the opportunity to modernize NAFTA, we urge U.S. trade negotiators to work with our North American trading partners to make the accord more effective in preventing technical, sanitary and phytosanitary (SPS) barriers to trade, encouraging higher levels of regulatory cooperation, transparency and professionalism, and promoting the convergence of standards and rules to level the playing field and ensure against unjustified, unscientific and discriminatory regulatory initiatives.

Recommended U.S. Negotiating Objectives for NAFTA

The NGFA and NAEGA seek to work actively and constructively with the Trump Administration with a goal to preserve and improve upon existing trade relationships with Canada and Mexico, as well as create new export opportunities. During upcoming NAFTA negotiations, we believe that U.S. objectives should address the following impediments to facilitate trade between Canada, Mexico and the United States:

1. ***Actions at Import*****:** Import checks on cross-border shipments of individual containers or consignments may present a major barrier to trade in agricultural commodities. When they occur, checks can result in expensive delays. Goods may be subjected to inspection, or may even be rejected, without apparent scientific justification.

2. ***Science and Risk Analysis:*** Many SPS-based import bans and restrictions do not conform to the applicable regional and international standards and the promulgating authority often fails to provide a science-based risk assessment as required under the World Trade Organization's SPS Agreement. U.S. negotiators should negotiate to include provisions that effectively force the timely completion of sound risk assessments, with adequate opportunities for comment by the public.

3. ***Transparency Provisions*****:** Agricultural traders often are kept in the dark about the basis for measures that restrict movement of agricultural products based on alleged SPS and technical barriers to trade (TBT) grounds. All requirements – including those cited previously – should explicitly require disclosure and should be made available to governments, as well as commercial parties, prior to implementation. U.S. negotiators should pursue clear and transparent timelines for disclosure and resolution of adverse import checks that prevent or delay import shipments. Further, regulatory authorities should be encouraged to follow transparent and predictable regulatory timelines with adequate opportunity for comment and critique of new regulatory measures.

In addition, we believe a modernized NAFTA provides the opportunity to include language to increase transparency and cooperation on activities related to modern agricultural production technologies, including seed-breeding innovations, improving upon provisions agreed to in the Trans-Pacific Partnership negotiations.

To address the aforementioned concerns and issues, NAEGA and NGFA believe U.S. trade negotiators should pursue 21st century, WTO-plus negotiating objectives in a renegotiated NAFTA that include the following:

- Maintaining and expanding all market access, tariff concessions and other provisions that have enabled economic integration in the North American marketplace and supply chain over the last 23 years.

- Creating a rapid response mechanism (RRM) that enables the timely and transparent resolution of adverse import checks by importing country customs and plant protection authorities. An RRM should include immediate and detailed notification of the importer or exporter of record within ***three days*** of any risk- detection, assessment and management measures. Further, an RRM should mandate expedited review processes, at the request of the importer or exporter of record, that are completed within 15 days. A properly functioning RRM will increase reliability, reduce risk premiums sometimes associated with agricultural trade, and avert costly demurrage and trade inefficiencies that result when U.S. agricultural exports are detained at customs and border crossings in importing countries.

- Enhancing science-based SPS rules that: promote the adoption of testing procedures based upon international laboratory standards; require export and import checks be carried out “without undue delay”; require documentation of the frequency of import checks and demonstration of the risk factors that justify the import check; and provide for mechanisms to resolve adverse import checks.

- Adopting risk-management and risk-assessment procedures that prevent the use of non-tariff barriers that lack scientific merit. Risk-assessment and risk-management procedures should take into consideration reasonably available and relevant scientific data, and should not be more trade restrictive than required to achieve SPS objectives.

- Promoting regulatory consistency and cooperation provisions. Such provisions should encourage the adoption of widely-accepted good regulatory practices and core principles such as transparency, impartiality and due process, as well as coordination across governments to ensure coherent regulatory approaches. The stated objectives should be to provide globally effective measures that eliminate trade-distortive policies and reduce bureaucratic impediments to trade, and that foster trade-facilitative official practices and regulations for which NAFTA-member countries are held accountable. One mechanism for achieving this may be to formally include within NAFTA references to bilateral and trilateral regulatory cooperation bodies including, but not limited to, the regulatory cooperation councils, high-level regulatory cooperation councils, technical committees and cooperative technical consultative bodies that currently exist on an *ad hoc* basis. If doing so, however, NAEGA and NGFA recommend that the updated objectives cited above concerning enhancement of trade-facilitative measures and removal of bureaucratic-related impediments to trade should be included as a specific charge for such bodies within the NAFTA text.

- Strengthening efforts to address TBT matters, including through the promotion of transparency and good regulatory practice, convergence or mutual recognition of regulatory standards, and the adoption of no less favorable treatment to national conformity assessment bodies.

- Increasing transparency and cooperation on activities related to modern agricultural production technologies, including seed-breeding innovations. In this regard, NGFA and NAEGA fully support the separate statement being submitted by the U.S. Biotech Crops Alliance, which calls on U.S. negotiators to include in NAFTA: 1) a mutual recognition agreement concerning the safety determination of crops intended for use as food, feed and/or for further processing; and 2) development of a consistent approach for managing low-level presence (LLP) of products that have undergone a safety assessment and are approved for use in a third country, but not yet approved for import by a NAFTA-member country.

- Enabling innovation of information technologies to improve logistics and regulatory implementation and to facilitate trade. NAFTA members should be encouraged to recognize electronic signatures and certifications wherever possible and support the electronic exchange of official trade documents including, but not limited to, bills of lading, origin certifications, quality certificates and SPS certificates.

- Ensuring safe, orderly and secure passage for rail and truck freight transportation within NAFTA-member countries.

Analysis of U.S. Agricultural Exports

In response to the specific topics upon which USTR seeks information, the NGFA and NAEGA provide the following data.

The United States exported $134.9 billion in agricultural products in 2016, with the three leading export markets being China, Canada and Mexico. China imported $21.4 billion in U.S. agricultural products, followed closely by Canada with $20.2 billion and Mexico with $17.8 billion. U.S. agricultural products included in these data include bulk agricultural commodities and consumer-oriented food products.

If related products (distilled spirits, ethanol, biodiesel, forest products and fish products) are added to agricultural products, the sum of U.S. agricultural and related product exports increase by $17.5 billion, from $134.9 billion to $152.4 billion. In 2016, the United States exported $24.2 billion in agricultural and related-products to Canada and $18.7 billion to Mexico. Canada and Mexico were the second and third largest agricultural and related-product markets for the United States.

U.S. Agricultural Product Exports to Top Markets in Calendar Year 2016

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	China	$21.4	15.9%	49,089,728	22.4%
2	Canada	$20.2	15.0%	11,794,475	5.4%
3	Mexico	$17.8	13.2%	34,235,511	15.6%
	World Total	$134.9	100.0%	218,776,129	100.0%

Data Source: U.S. Census Bureau

U.S. Agricultural and Related Product Exports to Top Markets in Calendar Year 2016

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	China	$25.2	16.5%	49,550,428	21.6%
2	Canada	$24.2	15.9%	13,481,622	5.9%
3	Mexico	$18.7	12.3%	34,285,405	15.0%
	World Total	$152.4	100.0%	228,888,471	100.0%

Data Source: U.S. Census Bureau

Analysis of U.S. Grain and Grain Value-Added Exports

The tables below present data on grain and grain value-added exports to Mexico, Canada and other leading trading partners for 2016. The United States exported $10.9 billion in grain and grain value-added products to Mexico and $4.3 billion to Canada. For Mexico, the $10.9 billion in grain and grain value-added products were 58 percent of its $18.7 billion in agricultural and related-product imports from the United States. For Canada, grain and grain value-added products were 18 percent ($4.3 billion / $24.2 billion) of its agricultural and related-product imports from the United States.

Most of Canada's agricultural and related product imports from the United States were consumer-oriented food products, whereas most of Mexico's imports were bulk agricultural commodities.

U.S. Grain & Grain Value-Added Exports to Mexico, Canada and Top Partners in Calendar Year 2016

Data Source: U.S. Census Bureau

U.S. Corn Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Mexico	$2.6	25.9%	13,922,240	24.9%
2	Japan	$2.1	21.1%	11,941,197	21.3%
11	Canada	$0.1	1.5%	878,346	1.6%
	World Total	$9.9	100.0%	55,976,628	100.0%

U.S. Soybean Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	China	$14.2	62.1%	35,848,523	62.2%
2	Mexico	$1.5	6.4%	3,639,647	6.3%
19	Canada	$0.1	0.5%	304,089	0.5%
	World Total	$22.9	100.0%	57,650,854	100.0%

U.S. Wheat Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Mexico	$0.6	11.5%	2,763,704	11.6%
2	Japan	$0.6	11.4%	2,721,679	11.5%
37	Canada	$0.0	0.3%	64,249	0.3%
	World Total	$5.3	100.0%	23,764,164	100.0%

U.S. Rice Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Mexico	$0.3	14.3%	853,979	20.6%
2	Japan	$0.2	12.4%	346,740	8.4%
4	Canada	$0.1	7.8%	208,340	5.0%
	World Total	$1.9	100.0%	4,141,218	100.0%

U.S. Pork and Pork Product Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Japan	$1.6	26.3%	387,713	16.8%
2	Mexico	$1.4	22.8%	730,314	31.6%
3	Canada	$0.8	13.4%	205,372	8.9%
	World Total	$5.9	100.0%	2,311,281	100.0%

U.S. Beef and Beef Product Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Japan	$1.5	23.8%	258,651	21.8%
3	Mexico	$1.0	15.4%	242,374	20.4%
4	Canada	$0.8	12.0%	116,265	9.8%
	World Total	$6.3	100.0%	1,187,061	100.0%

U.S. Dairy Product Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Mexico	$1.2	25.9%	502,309	24.8%
2	Canada	$0.6	13.4%	139,932	6.9%
3	China	$0.4	8.2%	313,006	15.5%
	World Total	$4.7	100.0%	2,023,107	100.0%

U.S. Poultry Meat and Product Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Mexico	$0.9	23.9%	841,940	23.4%
2	Canada	$0.5	13.1%	184,637	5.1%
3	Hong Kong	$0.4	11.0%	335,701	9.3%
	World Total	$3.9	100.0%	3,604,583	100.0%

U.S. Soybean Meal Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Mexico	$0.8	19.6%	2,128,983	20.2%
2	Philippines	$0.7	17.9%	1,846,745	17.5%
3	Canada	$0.3	6.9%	755,182	7.2%
	World Total	$4.1	100.0%	10,535,423	100.0%

U.S. Ethanol Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (Gallons)	Share of Quantity
1	Canada	$0.6	29.1%	259,261,620	24.8%
2	Brazil	$0.5	23.1%	267,017,808	25.5%
8	Mexico	$0.1	2.9%	28,978,179	2.8%
	World Total	$2.0	100.0%	1,045,447,860	100.0%

U.S. Distillers Grains Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	China	$0.5	21.8%	2,373,379	20.7%
2	Mexico	$0.4	16.3%	1,909,808	16.6%
7	Canada	$0.1	4.1%	514,763	4.5%
	World Total	$2.2	100.0%	11,480,290	100.0%

U.S. Soybean Oil Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Mexico	$0.2	27.3%	257,374	25.6%
2	China	$0.1	12.5%	143,269	14.2%
10	Canada	$0.0	2.2%	16,369	1.6%
	World Total	$0.8	100.0%	1,006,717	100.0%

U.S. Biodiesel Exports

Rank	Partner	Value (Billion)	Share of Value	Quantity (MT)	Share of Quantity
1	Canada	$0.2	84.7%	231,426	78.5%
2	Mexico	$0.0	5.4%	20,276	6.9%
3	Peru	$0.0	4.7%	21,702	7.4%
	World Total	$0.2	100.0%	294,891	100.0%

Conclusion

The NGFA and NAEGA are pleased to assist in identifying opportunities to update and modernize NAFTA. But while doing so, we also strongly urge the Administration to promptly initiate new trade discussions – particularly with Asia-Pacific countries – that preserve and build upon the core benefits that have helped the U.S. food and agricultural sector grow U.S. exports and support economic growth and job creation.

Regarding NAFTA, key areas that would preserve and enhance U.S. agricultural competitiveness and facilitate trade include not only expanded market access and tariff concessions, but also improved regulatory consistency and cooperation, removal of non-tariff barriers that lack scientific merit, enabling innovation of information technologies, recognizing comparable regulatory systems for assessing the safety of plant breeding technologies, adopting a North American approach to LLP policy, and ensuring safe and orderly passage for rail and truck freight transportation. The NGFA and NAEGA are eager to work actively, constructively and expeditiously with President Trump and the Administration's trade team to more closely examine these key areas, and to develop specific strategies to preserve, improve and build upon existing and new trade relationships to benefit U.S. and world consumers.

Thank you for your consideration of our recommendations. We would be pleased to respond to any questions you may have.

Sincerely,

Randall C. Gordon
President
National Grain and Feed Association

Gary C. Martin
President and Chief Executive Officer
North American Export Grain Association