



February 29, 2008

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AMERICAN SOYBEAN
ASSOCIATION
NATIONAL COTTONSEED
PRODUCTS ASSOCIATION
NATIONAL OILSEED
PROCESSORS ASSOCIATION
NATIONAL SUNFLOWER
ASSOCIATION
U.S. CANOLA
ASSOCIATION

Dear Dr. Glauber:

The American Oilseed Coalition (AOC) wishes to express our appreciation for your continuing good work to achieve an ambitious and commercially meaningful agricultural agreement in the Doha Round. At this juncture in the negotiations, however, the AOC would like to express its concern about several elements of the latest revision to the agricultural modalities text circulated by Chairman Crawford Falconer. The AOC is comprised of the American Soybean Association, the National Cottonseed Products Association, the National Oilseed Processors Association, the National Sunflower Association, and the U.S. Canola Association. The goal of the AOC is to provide policymakers in Congress and the Administration with a unified voice on policy matters affecting the U.S. oilseed industry, particularly with respect to bilateral and multilateral trade negotiations.

Our key concerns with the Falconer text are:

- (1) The paper does not change the base period for allocation of amber box support into product specific caps, as we believe had been agreed to in a prior meeting in Geneva last fall. U.S. negotiators requested, and we believe gained acceptance of, a 1999-2004 base period, but Ambassador Falconer left the 1995-2004 base unchanged (paragraph 23). The 1999-2004 base period is important to ensure that oilseeds are not unduly discriminated against in terms of product specific caps.
- (2) The modalities text continues to provide developing countries exceptions to their market access obligations that would greatly limit the benefits to our industry of a Doha agreement under that pillar. Indeed, Ambassador Falconer added a new provision providing developing countries a *maximum* rather than a minimum average overall tariff reduction (paragraph 63). We see no reason for this provision, which flies in the face of the Doha Declaration, itself, on the importance of market access gains in these negotiations.
- (3) The new text adds a section on tropical products and provides a list of such products (Annex G) that includes a number of decidedly non-tropical commodities. These include soybean and sunflower seed oil. It makes no sense from the standpoint of the negotiations or even plant taxonomy that they are included in a list of "tropical" products. This is especially true since another new section on tariff escalation also includes these and other oilseed products.
- (4) While leaving the issue in brackets, the text fails to offer a modality for the treatment of differential export taxes (DETs) (page 28). As you know, the U.S. has been successful in gaining new support from a number of key countries on this issue and we had hoped that Falconer would address this in his latest paper. We believe that the

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addition of modalities on tariff escalation, if left unchanged, provides a powerful new argument in favor of a ban on DETs. Tariff escalation in the oilseed sector is one of Argentina's principal arguments for maintaining DETs on soybeans and products.

- (5) The text continues to provide extensive opportunities for any market access gains to be marginalized or negated through the use of special product, sensitive product, and special safeguard provisions. As we have communicated previously, the level of ambition in creating market access opportunities must be commensurate with the level of ambition in cutting domestic support if any agreement hopes to garner producer group support.

We appreciate the opportunity to raise these important issues with you and urge you to take the concerns of the U.S. oilseed industry into account, including those outlined in prior correspondence to U.S. negotiators, as you work to finalize the modalities texts in the coming weeks. It is critical that as many of these concerns be addressed as possible if a final agreement is to be viewed as successful to our members.

Sincerely,

American Soybean Association
National Cottonseed Products Association
National Sunflower Association
National Oilseed Processors Association
U. S. Canola Association

cc: Mark Keenum, Under Secretary for Farm & Foreign Agricultural Service, USDA
Gregg Young, Assistant Deputy Administrator, Foreign Agricultural Service, USDA
Barbara Chattin, Deputy Assistant U.S. Trade Representative for Agricultural Affairs