

February 12, 2008

The Honorable Collin Peterson  
Chairman  
House Agriculture Committee

The Honorable Bob Goodlatte  
Ranking Member  
House Agriculture Committee

Dear Chairman Peterson and Ranking Member Goodlatte,

The undersigned organizations are writing to express our deep concern over proposals in the pending Farm Bill that would “unilaterally disarm” US export credit guarantee programs and undercut the efforts of our negotiators to harvest export subsidy reduction commitments by the European Union and other countries in the WTO Doha Round of trade negotiations. At a time when exports are the sole bright spot in an otherwise weak economy, a viable GSM-102 export credit guarantee program will help to ensure that the market share gains made by the U.S. today will pay dividends well into the future.

Unfortunately, proposals in the Farm Bill as pending in conference would drastically cut the maximum length of time for which USDA’s GSM-102 export credit guarantees can be provided to finance the export sales of U.S. agricultural products. The availability of export credit guarantees of up to three year’s length (“tenor”) has been the critical factor in the success of the GSM-102 program, which has supported the export of more than \$82 billion in U.S. agricultural products over the past 25 years.

The ill-advised legislative proposal was added to the House version of the Farm Bill after the Bill had left Committee and would reduce the tenor of GSM-102 credit guarantees from 3 years to only 180 days, beginning upon enactment. A provision in the Senate version of the Bill would implement the reduction beginning in 2012.

Notably, the House and Senate took these actions only as a means of generating budget offsets, not due to policy reasons. In fact, both Committee bills would already reduce allowable tenor by 70 percent (from 10 years to only 3 years) and make other policy changes that generate savings of about \$50 million from these programs.

A further cut in GSM-102 tenor to less than 3 years would cripple the program’s ability to support US exports. This is precisely why our competitors have made cutting GSM-102 tenor to only 180 days their central demand in the negotiations on export credits in the ongoing WTO Doha talks. The U.S. has conditionally agreed, *presuming an overall WTO Doha agreement*, to reduce the tenor of the GSM-102 program, *and then only if the EU completely eliminates all export subsidies and if Canada and Australia eliminate the trade-distorting practices of their monopoly state export trading entities*. Accordingly, the three-year tenor of GSM-102 represents important negotiating leverage for the U.S. in the export competition pillar of the WTO Doha talks. Any move by Congress to further reduce the tenor of GSM-102 below 3 years in the Farm Bill would undercut our position and amount to “unilateral disarmament” by the U.S.

The ability of U.S. exporters to sell U.S. farm goods to lower and middle-income developing countries is facing increasing challenges due to the global credit crunch, high commodity prices and record freight costs. These are the markets for US farmers and ranchers to which the GSM-102 program effectively provides access. The current demand for GSM-102 support is highlighted by the fact that, when USDA announced

\$960 million in FY08 GSM-102 programs early January, it received \$2 billion in guarantee applications from U.S. exporters in a single week. Demand for the program is growing. Now, when it is increasingly difficult for low- and middle-income countries to afford to purchase farm goods, is the most opportune time for U.S. agriculture to benefit from an effective GSM-102 program.

Farm Bill Conferees should reject any proposals to reduce the tenor of the GSM-102 program to less than three years. A reduction in the tenor of GSM-102 would render the program ineffective, threaten billions of dollars in annual U.S. agricultural exports now and in the future, and undermine the U.S.'s position in the WTO Doha negotiations.

We would be pleased to meet with you to discuss this matter further. If you desire to do so, please contact Gary Martin, President and CEO, North American Export Grain Association, at (202) 682-4030.

Thank you for your consideration of our views on this important matter.

Sincerely,

AMCOT

American Cotton Shippers Association  
American Feed Industry Association  
American Seed Trade Association  
American Soybean Association  
Farm Credit Council  
National Association of Wheat Growers  
National Barley Growers Association  
National Confectioners Association  
National Corn Growers Association  
National Council for Farmer Cooperatives  
National Cotton Council  
National Grain and Feed Association  
National Oilseed Processors Association  
National Renderers Association  
National Sorghum Producers  
North American Export Grain Association  
Pet Food Institute  
USA Poultry & Egg Export Council  
USA Rice Federation  
US Livestock Genetics Export, Inc.  
US Meat Export Federation  
US Rice Producers Association  
US Wheat Associates

cc: Members, House Agriculture Committee  
Leadership, House Foreign Affairs Committee  
USDA and USTR