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Testimony of Pat Binger, Cargill

**Negotiating Objectives Regarding Modernization of the
North American Free Trade Agreement with Canada and Mexico**

(USTR-2017-0006)

On behalf of Cargill, I appreciate the opportunity to comment on the objectives for the upcoming NAFTA renegotiations. Cargill is a Minnesota-based provider of food, agricultural, financial, and industrial products and services. Founded at the end of the Civil War, our company is a true American success story, growing from a single grain storage facility in 1865 into one of the largest privately-owned businesses in the world, with a team of more than 150,000 employees in 70 countries.

In the United States, we employ more than 37,500 people at facilities in 40 states. From California to Connecticut, every day we work with farmers and ranchers to provide a market for their products, moving food from where it is produced to where it is needed, adding value along the way.

We also have significant investments in Canada and Mexico, with nearly 10,000 employees and \$1 billion invested in both countries. In Fiscal Year 2016, Cargill's operations in Canada and Mexico imported nearly \$1.9 billion in goods from the United States.

I. NAFTA's Contribution to the U.S. Agricultural Industry

Cargill supports trade agreements that foster the interconnectedness of our food system, improve global food security, and reinforce the importance of rules in the global trading system. We believe NAFTA has made a significant contribution to the U.S. and North American agricultural industries by helping to open markets, connect supply chains, and provide consumers in the United States and abroad with high-quality, safe, affordable food.

Our company is a prime example of how the highly integrated North American value chain contributes to U.S. exports:

- Last year, Cargill processed more than 5.2 million head of cattle at our facilities in Texas, Colorado, Kansas, and Nebraska. Feeder cattle born in Mexico and Canada and fed and processed in the U.S. serve as a critical link in the value chain for the nearly \$1.5 billion worth of beef products produced for the domestic market and exported globally each year. While Canada and Mexico serve as key suppliers, they're also important export markets. In 2016, we exported over 250 million pounds of beef and turkey products to Mexico and Canada alone, valued at over \$550 million.
- From a grain perspective, Cargill's facilities in Iowa, Illinois, Indiana, Kansas, North Dakota, Nebraska and Ohio processed nearly 20 million metric tons of U.S. corn and soybeans in 2016. Under NAFTA, the tariffs for these products went to zero, and today



Mexico and Canada consistently serve as top export markets for U.S. corn and soy products. These exports allow the U.S. corn and soybean industries to meet Mexico's growing demand for a diversity of food and feed products.

- And at our vegetable oil refining facilities in Des Moines and Sioux City, Iowa, Cargill turns canola oil, imported from our processing facilities in Canada, into high value refined oil blends. These oil blends serve as key ingredients for food manufacturers serving both the U.S. and global markets. Our plants in Canada also provide canola meal, a key input for U.S. dairy feed, to dairy farms across the U.S. This canola supports enhanced milk production and more cost-competitive U.S. dairy exports, a quarter of which are sold to Mexico.

Both our trading relationships and our investments in North America serve to enhance opportunities for U.S. exports and bolster the competitiveness of our regional food and agriculture industry vis-à-vis the rest of the world.

II. Guiding Principles for the Modernization of NAFTA

We appreciate the Administration's guiding principle of "do no harm" for the NAFTA renegotiations. In keeping with this principle, we urge the Administration to refrain from withdrawing or otherwise adopting trade restrictions that could put agricultural supply chains at risk. This is particularly important in a time of global oversupply and low domestic prices, where export markets serve as a critical outlet for U.S. products.

III. Specific Areas of Opportunity

While NAFTA has been a success story for food agriculture, we believe there are opportunities to modernize the agreement to achieve greater regional alignment that will unlock more economic and job growth. We see opportunities for improvement in four key areas: (1) market access; (2) non-tariff barriers and technical barriers to trade; (3) customs and trade facilitation; and (4) enforcement and dispute settlement.

A. Market Access

On market access, NAFTA eliminated duties and quotas for most agricultural products between the United States, Canada and Mexico – which we must preserve. There were notable exceptions for sugar, dairy, poultry and egg products, and we encourage the Administration to work towards phasing out these remaining market access barriers.

B. Non-Tariff Barriers (NTBs) & Technical Barriers to Trade (TBTs)

In our view, non-tariff barriers (NTBs) and technical barriers to trade (TBT) present the greatest source of added cost and lost opportunity under NAFTA. These come in the form of regulatory requirements that lack transparency and scientific merit, the absence of mechanisms to resolve border disputes, and a lack of policy convergence in areas such as food safety and animal health. Therefore, we ask that the Administration to reduce or eliminate these barriers by strengthening sanitary and phytosanitary (SPS) standards to ensure they are science-based and



enforceable, including a rapid response mechanism to swiftly resolve trade disruptions, and achieving greater convergence of food safety and animal health regulatory systems.

C. Customs & Trade Facilitation

We also see opportunities to improve customs processes that often obstruct businesses from reaping the full benefits of NAFTA. Specifically, we ask that the Administration pursue a harmonized electronic data system, the removal of restrictions on duty drawback and duty deferral programs, and the application of a de minimis rule for agricultural products, particularly where those products are not available in the United States.

D. Enforcement & Dispute Settlement:

Lastly, we believe that a fast, neutral, and binding dispute settlement process is essential to ensure that the market access gains negotiated in NAFTA are maintained and enforced. We urge the Administration to maintain the Chapter 11 and Chapter 19 dispute mechanisms, which are a critical insurance policy for U.S. agriculture and U.S. investors broadly, helping to ensure U.S. companies operating abroad have the same level of protection in foreign markets as they would receive in the United States.

Many of these opportunities have also been highlighted by the U.S. Food and Agriculture Dialogue for Trade, of which we are a member.

IV. Conclusion

In conclusion, we believe it is imperative for the United States to continue its leadership role of pursuing commercially meaningful trade agreements that allow U.S. producers and manufacturers to compete on a level playing field in the global marketplace. We believe a modernized NAFTA can build economic strength through continued regional and global integration.

We look forward to working with the Administration and Congress on a modernized and improved agreement that benefits farmers, food producers, and consumers going forward.