

Approved Feb. 4, 1992
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE

The meeting was called to order by Representative Don Rezac, Vice Chairman at
Chairperson

9:02 a.m./~~xxx~~ on Wednesday, January 29, 1992 in room 423-S of the Capitol.

All members were present except: Representative Garner Representative Gatlin
Representative Reinhardt
Representative Wempe (all were excused)
Representative Bryant

Committee staff present:
Raney Gilliland, Legislative Research
Lynne Holt, Legislative Research
Jill Wolters, Revisor of Statutes Office
Pat Brunton, Committee Secretary

Conferees appearing before the committee: Ivan Wyatt, Kansas Farmers Union

Mike Scally, Manager, Policy Analysis
Department for Alberta Wheat Pool,
Calgary Canada

Wayne Maichel, Kansas AFL-CIO, Topeka

Fred Kilian, American Ag Movement, Wamego

Vice Chairman Rezac called the meeting to order and continued the fact finding hearings on Free Trade with Mexico.

Ivan Wyatt, Kansas Farmers Union, testified before the committee stating the U.S.-Mexican Free Trade issue is a "social-economic" issue, not unlike what has happened in many other countries over the years. There has been numerous "social political" decisions made to separate people from the land they own and work. (Attachment 1).

Mike Scally, Policy Analysis Department for Alberta Wheat Pool, Calgary, Canada, appeared before the committee. He informed the committee that Canadian farmers are confident that they can compete on a level playing field. In a market dominated by the size of government subsidies and competition related only to the size of a country's treasury, Canada is at a distinct disadvantage. He further stated their farmers and their rural communities are feeling the severe effects of the trade war and feels it is critical to resolve this issue as quickly as possible. (Attachment 2).

Wayne Maichel, Kansas AFL-CIO, testified before the committee stating the enactment of a free trade agreement with Mexico would be an economic and social disaster for U.S. workers and the communities they live in. He further stated the Kansas AFL-CIO believes that the huge current differences between the U.S. and Mexico make the establishment of a free trade area both damaging to U.S. workers and of little benefit to Mexican workers. The problems of poverty and economic development in both the U.S. and Mexico are too serious to be left to the interests of private capital. The Kansas AFL-CIO does not believe in "free" trade but they do believe in "fair" trade. (Attachment 3).

Fred Kilian, spokesman for American Ag Movement, testified before the committee of his concerns regarding Free Trade or GATT agreements. He feels it is not Free Trade or GATT agreements that will turn our country around but fair and equitable prices in America and the rest of the world. (Attachment 4).

Written testimony from Dwight Haddock, Division Manager, Associated Milk Producers, Inc., Wichita, was furnished to the committee. (Attachments 5 and 6).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE,
room 423-S, Statehouse, at 9:02 a.m.~~p.m.~~ on Wednesday, January 29, 1992.

Chairman Hamm announced there will be a film shown in room 423-S at 12:30 p.m. today relating to Green Giant moving from California to Mexico and some of the results from that move.

Representative Correll made a motion to introduce legislation setting up a Pecan Marketing Commission. Representative Wisdom seconded. Motion carried.

The meeting adjourned at 10:00 a.m. The next meeting of the House Agriculture Committee will be held on Thursday, January 30, 1992, at 9:00 a.m. in room 423-S, State Capitol.

GUEST LIST

COMMITTEE: HOUSE AGRICULTURE

DATE: January 29, 1992

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Ivan Wyatt	McPherson	Ks Farmers Union
Tony Simmons	Manhattan Ks.	
Sister Therese Bangert	TOPEKA	
Stephen Anderson		Ag Liason
J. H. Keele	Paula	B. L. E.
Rep David Corbin	Kawanda	
John Stutz	K C K	Catholic Rural Life
James Jaraman		
Becky Watts	Emporia Ks	Ks Farmers Union
Melba Hartig	Emporia KS	Kansas Farmers Union
Ray & Dickles	Coringo, Ks	Kansas Farmers Union
Greg Krissch	Topoka KS	KS Bldg Ag
TOE Rickabaugh	Topoka Ks.	Ks Livestock Assoc
Frank & Helen Kelson	Wamego, Ks	A A M
Jack Staats	Junction City Ks	KFAU
John Hulberg	Barberville Ks	KFAU
Pose Mary Schmitz	Seneca Ks	
Kelly Stephens	Topoka	
Warren Parker	Manhattan, Ks.	Ks. Farm Bureau
Bruce Zarki	ly	
Wayne Maucher	Top	K AFL-CIO
Eva Pereira	Topoka	Ks Adv. Committee ^{Hispanic Aff}
Arlan Holmes	Topoka	DOR
Howard W. Zick	Hutchinson	KALSG
Joe Lieber	Topoka	Ks. Coop Council

STATEMENT
OF
IVAN W. WYATT, PRESIDENT KANSAS FARMERS UNION
BEFORE
THE HOUSE COMMITTEE ON AGRICULTURE
ON
JANUARY 28 - 29, 1992
ON
US - MEXICO FREE TRADE

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

BEFORE WE GET INTO DISCUSSION OF NAFTA AND MEXICAN FREE TRADE.

I WOULD FIRST TOUCH ON GATT; THE URUGUAY ROUND AND THE DUNKEL DRAFT OF GATT ARE REAL LONG TERM THREATS TO THE WORLD'S FARMERS, THE WORLD'S FOOD SUPPLY, AND THE WORLD'S MARKETING OF FOODS. UNDER GATT THERE IS A GREAT THREAT TO THE SOVEREIGNTY OF ALL MEMBER NATIONS, HOWEVER NOW THERE IS AN EVEN GREATER THREAT IN THE PROPOSED MTO. THE MTO IS PART OF THE DUNKEL PROPOSAL AND STANDS FOR MULTINATIONAL TRADE ORGANIZATION THAT ORGANIZATION WOULD REPLACE GATT AND HAVE MUCH GREATER POWER AND AUTHORITY THAN THE GATT ORGANIZATION UNDER THE URUGUAY ROUND PROPOSAL. ARTHUR DUNKEL SECRETARY GENERAL OF GATT WOULD SET HIMSELF UP AS THE CEO OF THE MTO WHICH, IN A SENSE, WOULD MAKE HIM THE JUDGE AND JURY OVER ALL ASPECTS OF WORLD TRADE, AGRICULTURAL PRODUCTION, AND RELATED SOCIAL AND RURAL COMMUNITY ISSUES.

SOME PEOPLE THINK OF THESE PROPOSED AGREEMENTS AS AN ISSUE OF THE LAST FIVE YEARS, OTHERS MAY HAVE HEARD OF IT ONLY A COUPLE OF YEARS AGO. HOWEVER, WHAT CONCERNS MANY IS

Hs. Ag.
1/29/92
ATTACHMENT 1

THAT IT HAS BEEN ONLY IN RECENT MONTHS SOME COMMODITY AND FARM GROUPS HAVE BEGIN TO RAISE THE QUESTION OF HOW WILL THE LOSS OF "SECTION 22" AND 301, AND ENVIRONMENTAL RULES UNDER THE URUGUAY PROPOSAL EFFECT THEIR PRODUCER MEMBERS INCOME.

ACTUALLY, THE PHILOSOPHY OF THE URUGUAY PROPOSAL OF GATT HAS BEEN AROUND FOR MANY YEARS. DURING THE EISENHOWER ADMINISTRATION IN THE 50'S, PRESIDENT EISENHOWER WAS APPROACHED WITH A PROPOSAL BY THE TRANSNATIONAL INTERESTS OF THOSE TIMES TO INTRODUCE A PROPOSAL TO THE GATT. THAT PROPOSAL WE NOW KNOW AS THE PRESENT DAY URUGUAY ROUND PROPOSAL.

EISENHOWER WAS ADAMANT IN HIS REFUSAL THAT NO NATION OR PEOPLE SHOULD BE EXPECTED TO GIVE UP THEIR "SOVEREIGN RIGHTS" OF SELF GOVERNMENT AS SET FORTH IN THAT PROPOSAL.

AFTER PRESIDENT EISENHOWER REJECTED THE PROPOSAL FLATLY, IT TOOK THE PROMOTERS OF THAT PARTICULAR PHILOSOPHY A QUARTER OF A CENTURY AND FIVE PRESIDENTS BEFORE THEY COULD FIND A PRESIDENT WHO HELD SUCH AN LICENTIOUS VALUE FOR OUR CONSTITUTIONAL RIGHTS.

I HAVE BEEN ASKED, "HOW COME THEY CALL THESE TRANSNATIONAL PROPOSALS AGREEMENTS"; THEY SOUND MORE LIKE INTERNATIONAL TREATIES?". GOOD QUESTION. THEY ARE IN FACT, BY NATURE, TREATIES. TREATIES, HOWEVER, TAKE A TWO-THIRDS

MAJORITY TO PASS CONGRESS. AN AGREEMENT TAKES ONLY A SIMPLE MAJORITY TO PASS. UNDER THE "FAST TRACK" RULE, THE MEMBERS OF CONGRESS ARE ALLOWED ONLY LIMITED DEBATE AND AMENDMENTS TO THE AGREEMENT ARE PROHIBITED.

NOW TO FOCUS ON THE "MEXICAN FREE TRADE" ISSUE, THE U.S. - MEXICO FREE TRADE ISSUE IS ALL PART OF NAFTA (NORTH AMERICAN FREE TRADE AGREEMENT). HOWEVER THERE ALREADY IS A CANADA - U.S. AGREEMENT SO I WILL FOCUS MORE ON ASPECTS OF THE U.S. - MEXICO ASPECTS.

THE U.S. - MEXICAN FREE TRADE ISSUE IS A "SOCIAL - ECONOMIC" ISSUE, NOT UNLIKE WHAT HAS HAPPEN IN MANY OTHER COUNTRIES OVER THE YEARS. OVER THE YEARS, THERE HAS BEEN NUMEROUS "SOCIAL POLITICAL" DECISIONS MADE TO SEPARATE PEOPLE FROM THE LAND THEY OWN AND WORK. DURING THE COMMUNIST TAKEOVER OF RUSSIA, FOLLOWING THE REVOLUTION, THOUSANDS OF FARM FAMILIES WERE LOADED ON TRAINS AND SENT TO SIBERIA, WHERE MANY PERISHED. MORE RECENTLY IN BRAZIL, FARM FAMILIES WERE LOADED ON BUSES AND SENT TO THE AMAZON RAIN FORESTS TO CLEAR THE WAY FOR MOVEMENT OF FOREIGN INVESTORS INTO THE RICH SAN PAULO REGION OF BRAZILIAN AGRICULTURE. TODAY, CHILDREN OF THESE DISPLAYED FARM FAMILIES STRUGGLE TO SURVIVE IN THE STREETS OF THE CITIES, WHERE THEY ARE OFTEN HUNTED AND GUNNED DOWN LIKE STRAY DOGS.

IN THIS COUNTRY, WE HAVE SEEN A MORE SUBTLE MOVEMENT TO

SEPARATE FARM FAMILIES FROM THE LAND BY USE OF A GOVERNMENT POLICY OF LOW COMMODITY PRICES, ASSET DEVALUATION AND A MARKET SYSTEM CONTROLLED BY CORPORATE CONCENTRATION. THE RESULT OF THIS ACTION HAS BEEN A DECADE OF RAPID INCREASES OF HOMELESSNESS AND HUNGER, AND A CRIME RATE IN OUR CITIES THAT RESEMBLES GUERRILLA WARFARE.

THIS IS THE STATED PLAN FOR THE MILLIONS OF MEXICAN FARM FAMILIES NOW LIVING ON THE LAND. THIS IS A PLAN TO USE A POLITICAL ECONOMIC POLICY TO SEPARATE THOSE FAMILIES FROM THE LAND. FAMILIES WHO HAVE A PROTECTED RIGHT, SET FORTH IN THE MEXICAN CONSTITUTION, TO LIVE ON AND FARM THE LAND UNDER THE EJIDO SYSTEM.

THIS STATED PLAN IS A PART OF THE SO-CALLED MEXICAN FREE TRADE ISSUE TO MOVE 95% OF THE MEXICAN EJIDO FARM FAMILIES, ALMOST ONE-THIRD OF THE MEXICAN POPULATION, INTO MEXICO CITY.

PRESENTLY, A PERSON CAN WALK THE STREETS OF THE CITIES OF INTERIOR MEXICO WITH LITTLE THREAT OF A VIOLENT CRIMINAL ATTACK. MEXICO CITY IS CIRCLED BY DISPLACED RURAL PEOPLE LIVING IN BOXES AND UNDER PIECES OF METAL ROOFING WHO HAVE MIGRATED INTO THE CITY, SMALL CHILDREN, ARE OFTEN SEPARATED FROM THEIR FAMILIES AND NOW WALK THE STREETS BEGGING FOR COINS TO SURVIVE.

PROponents ON BOTH SIDES OF THE BORDER OF THE SO-CALLED MEXICAN FREE TRADE, CALL FOR THE REMOVAL OF THE EJIDO FARM FAMILIES FROM THE LAND. THEY HAVE NO IDEA WHAT WILL HAPPEN TO THESE PEOPLE WHEN THEY, SOME 25 MILLION, BEGIN TO MOVE INTO MEXICO CITY. THEIR ONLY CONCERN IS TO MOVE THESE PEOPLE FROM THE LAND, SO AS IT HAS BEEN STATED, LARGE FOREIGN INVESTORS CAN INVEST IN MEXICO, SO AS TO "EXPLOIT" MEXICO'S RESOURCES, DECLARING THIS IS THE ROAD TO PROSPERITY.

KANSAS PROponents OF THE SO-CALLED U.S. - MEXICAN FREE TRADE DECLARE THAT EXPLOITATION OF MEXICAN RESOURCES AND ITS PEOPLE WILL MEAN PROSPERITY FOR KANSAS, AND THAT THE EXPLOITATION WILL ENHANCE OUR TRADING OPPORTUNITIES WITH MEXICO. SOUNDS A LITTLE STRANGE DOESN'T IT.

THAT IS THE REAL ISSUE OF THE U.S. - MEXICAN FREE TRADE, EXPLOITATION. REPORTS SHOW THAT ALMOST EVERY YEAR OUR EXPORTS TO MEXICO INCREASE. THE MAJOR FACTOR LIMITING MEXICAN PURCHASES OF U.S. GOODS IS THE LIMIT OF THEIR ABILITY TO PURCHASE. ESPECIALLY IN THE CASE OF U.S. BEEF.

TWENTY MILLION MORE DISPLACED RURAL MEXICANS LIVING IN THE MEXICO CITY GHETTOS WILL NOT BECOME CUSTOMERS FOR U.S. GOODS. NEITHER WILL THE MAQUILADORAS FACTORY WORKERS, TRYING TO SURVIVE ON \$5.00 PER DAY BE CUSTOMERS FOR U.S. GOODS.

BEFORE WE BELIEVE THE PROMISED PROSPERITY OF THE SO-CALLED AG EXPERTS, ECONOMISTS, AND POLICY MAKERS, LET'S LOOK AT SOME OF THEIR PAST TRACK RECORDS OF POINTING THE WAY TO PROSPERITY.

EXPERIENCE TELLS US THESE PEOPLE CAN BE TOTALLY WRONG IN THEIR ADVICE, THEIR POLICY, AND ECONOMIC PROJECTIONS. BUT THEY DON'T LOSE THEIR JOB, THEIR HOME OR THEIR FARM. AS A MATTER OF FACT, THEY WILL PROBABLY GET A RAISE WHILE A LOT OF FARMERS AND RURAL BUSINESSMEN WILL LOSE EVERYTHING BY LISTENING TO THEM.

LET'S GO BACK A FEW YEARS, AND LOOK AT THEIR RECORD. REMEMBER THE 70'S? THESE PEOPLE WERE TELLING FARMERS TO GO INTO DEBT, GET HIGHLY LEVERAGED, USE OTHER PEOPLES' MONEY AND GET BIG OR GET OUT! THAT'S THE ONLY WAY TO PROSPERITY. REMEMBER? BUY LAND AT ANY PRICE BECAUSE THEY ARE NOT MAKING ANY MORE. IF YOU WON'T DO THESE THINGS, YOU DON'T BELONG IN AGRICULTURE. MOST OF THOSE WHO SURVIVED THE 80'S DID NOT FOLLOW THAT ADVICE.

THEN IN THE EARLY 80S THESE SAME EXPERTS WERE SAYING, "WE CAN CAPTURE THE WORLD MARKETS. ALL WE HAVE TO DO IS BE MORE COMPETITIVE AND THE WAY WE BECOME COMPETITIVE IS TO DEVALUATE THE PRODUCER'S ASSETS AND THE ASSETS OF THE RURAL COMMUNITIES".

THE EXPERTS AND ECONOMISTS, REASONED THAT IF THEY COULD REDUCE THE PRODUCERS ASSETS BY 50%, THEN THAT PRODUCER COULD SELL HIS PRODUCTION FOR 50% LESS AND CONTINUE TO GENERATE THE SAME PERCENT OF RETURN ON HIS INVESTMENT, AND WE WOULD RUN THE REST OF THE FARMERS OF THE WORLD OUT OF BUSINESS. IT'S ALL SO SIMPLE, THEY REASONED, JUST TRUST US.

THEN CAME THE CRASH OF THE 80S - WHAT DID THE INSTITUTIONS OF EDUCATION, THE EXPERTS, THE ECONOMISTS, THE POLICY MAKERS SAY? THEY SAID, FARMERS WERE BAD MANAGERS! FARMERS GOT WHAT THEY DESERVED. THE FARMERS WERE GREEDY.

THOSE FARMERS, THOSE AG PRODUCERS WHO TRUSTED THEM LOST THEIR FARMS, THEY LOST THEIR HOMES, THEY LOST THEIR SAVINGS. WHAT DID THE EXPERTS AND ALL THOSE WHO SET AG POLICY LOSE? NOTHING, THEY ARE STILL AROUND. BUT THOUSANDS OF FARMERS, RURAL PEOPLE AND BUSINESSMAN WERE SEPARATED FROM THEIR FARMS, THEIR JOBS, AND THEIR HOMES AS SURELY AS IF THEY HAD BEEN LOADED ON THAT RUSSIAN TRAIN OR THAT BRAZILIAN BUS.

THE SAME EXPERTS AND POLICY MAKERS ARE STILL AROUND TODAY WITH THEIR ADVICE AND DIRECTIONS TO PROSPERITY, AND NOW WHAT ARE THEY SELLING? THE SAME OLD SNAKE OIL, IN A DIFFERENT PACKAGE. IT'S CALLED "FREE TRADE".

BETWEEN JULY AND NOVEMBER I MADE FOUR TRIPS INTO INTERIOR MEXICO. TWO OF THOSE TRIPS WERE MADE INTO THE RURAL FARMING AREAS. DURING THOSE TRIPS I AND OTHER KANSAS FARMERS VISITED WITH THE MEXICAN FARMERS AND THEIR FAMILIES. WE SHARED MEALS WITH THESE FAMILIES, VISITED IN THEIR HOMES, WE VIEWED THEIR FIELDS AND FARMS, WE SAW SOME OF THEIR EFFORTS TO PACKAGE AND MARKET THEIR PRODUCTS, TO BUILD STORAGE AND HANDLING FACILITIES FOR THEIR GRAINS, AND TO BUILD AN IRRIGATION SYSTEM.

I AM SPEAKING OF THE EJIDO FARMERS AND THEIR EJIDO VILLAGES. THESE PEOPLE KNOW HOW TO WORK TOGETHER. WHEN THREE OF THESE FARMERS VISITED OUR STATE CONVENTION EARLIER THIS MONTH ONE OF THE THINGS THEY WERE EXTREMELY INTERESTED IN WAS OUR FARMER OWNED CO-OPS AND HOW THEY WORK, ALSO OUR CREDIT UNIONS. THESE ARE THE PEOPLE THAT THE MEXICAN GOVERNMENT AND THE U.S. NEGOTIATORS SAY 95% HAVE TO BE MOVED FROM THE LAND INTO MEXICO CITY, SOME 25 MILLION MEN, WOMEN AND CHILDREN. THIS HAS TO BE DONE THE BUSH ADMINISTRATION AND THE MEXICAN PRESIDENT SALINAS DECLARE.

I FOUND THE MEXICAN FARMERS PROBLEMS ARE VERY SIMILAR TO THOSE OF THE KANSAS FARM AND RANCH FAMILIES, AN UNFRIENDLY GOVERNMENT AGRICULTURAL POLICY OF DRIVING FARM COMMODITY PRICES LOWER, AND A PLAN SUPPORTED BY THE UNITED STATES TO DRIVE THEM THE MEXICAN FARMER FROM THE LAND.

THEIR MARKET SYSTEM IS MUCH LIKE OURS. A SYSTEM THAT PUTS BOTH NATIONS FARMERS AT THE MERCY OF MARKET CONCENTRATION IN THE HANDS OF A FEW TRANSNATIONAL TRADING GIANTS.

THE MAIN DIFFERENCE BETWEEN THE MEXICAN EJIDO FARMER AND THE

AMERICAN FARMER IS THE MEXICAN FARMER IS TRYING TO GET UP OFF HIS KNEES
WHILE THE AMERICAN FAMILY FARMER IS STRUGGLING TO STAY ON HIS FEET.

I MADE MY FIRST TRIP TO THE MEXICAN RURAL COMMUNITIES BEFORE I
PARTICIPATED IN THE STATE BOARD OF AGRICULTURAL TRIP TO MEXICO CITY.

IF I HAD NOT MADE THAT FIRST TRIP INTO THE RURAL COMMUNITIES OF
MEXICO I MIGHT NOT HAVE BEEN AS CRITICAL OF THE BOARD'S POSITION AND
THAT OF THE OTHERS THAT MADE THE BOARD'S TRIP TO MEXICO TO STUDY THE
ISSUE OF THE SO-CALLED U.S. - MEXICAN FREE TRADE.

IT WAS OBVIOUS FROM WHAT I HEARD ON THAT TRIP THERE WAS NO CONCERN
WHAT WOULD HAPPEN TO THOSE MILLIONS OF MEXICAN FAMILIES, THAT WOULD BE
DISPLAYED BY THE U.S. POSITION ON U.S. - MEXICAN FREE TRADE. I THINK
PART OF THE PROBLEM IS WITH OUR WASP ATTITUDE. AN ATTITUDE WE OF THIS
COUNTRY HAVE HAD TO LONG TOWARDS OTHER PEOPLE OF THE WORLD, SIMPLY
BECAUSE THEY MAY SPEAK DIFFERENTLY, OR BE OF A DIFFERENT COLOR OR
RELIGION. I AM A WASP SO I FEEL I CAN SPEAK OUT. WE HAVE TOO LONG
LET THIS WASP MENTALITY OF OUR THINKING WARP OUR DEALING WITH OTHERS.
AN ATTITUDE THAT WE ARE A SUPERIOR BREED, THE BIGGEST, THE SMARTEST,
THE TOUGHEST, THE RICHER AND ON AND ON, AND ALL OTHERS ARE LESSOR.
THIS HAS LED US TO HAVE A FALSE SENSE OF SECURITY THAT WE ARE ALWAYS
RIGHT, WHERE BY WE FAIL TO GET ALL THE FACTS, CAUSING US TO MAKE BAD
DECISIONS, AND CLOUD OUR VISION WITH PREJUDICE.

IF I HAD NOT VISITED THOSE MEXICAN FARM FAMILIES BEFORE I WENT ON
THE BOARD OF AG'S TRIP TO MEXICO CITY I MIGHT HAVE CAME BACK WITH THAT
WASP ATTITUDE TOWARD THE MEXICAN FARM FAMILY, AND THE OVERALL
SITUTATION IN MEXICO. INSTEAD I FOUND A PEOPLE THAT ARE NOT LAZY AND
DUMB, THEY ARE NOT A PEOPLE THAT SPEND THE DAY FOLLOWING THE SHADE OF A

CACIJS AROUND PROPPED UP AGAINST THEIR BURRO SIPPING TEQUILA.

THESE PEOPLE BEGIN EARLY IN THE DAY AND WORK LATE INTO THE EVENING, THEY WORK HARD WITH WHAT THEY HAVE. THEY ARE A SHARP PEOPLE WHO STRUGGLE AGAINST GREAT ODDS TO LEARN. THEY MAY NOT KNOW HOW TO SPELL OR PRONOUNCE ENTREPRENEURSHIP, BUT IT SEEMS EVERYONE EXCEPT THE VERY AGED HAVE FIGURED OUT A WAY TO EARN SOME MONEY. MAYBE NOT MUCH BUT THEY WORK.

EVEN THOUGH THESE EJIDO FARM FAMILY HOMES MAY HAVE A DIRT FLOOR, THEY ARE IMMACULATE, THEIR HOMES ARE USUALLY DECORATED WITH THE MOTHER'S NEEDLEWORK AND RELIGIOUS PICTURES, FURNITURE MAY BE MADE BY A FATHER OR SON. THEY ARE A VERY CLOSE, FAMILY ORIENTED PEOPLE. THEY TAKE GREAT PRIDE IN THEIR HOME, THEIR CHILDREN AND THEIR ACCOMPLISHMENTS.

BEFORE WE AS A STATE OR NATION ADVOCATE DRIVING THESE PEOPLE FROM THEIR HOMES, THEIR VILLAGES, THEIR FARMS INTO THE GHETTOS OF MEXICO CITY, PEOPLE IN GOVERNMENT, ECONOMISTS, POLICY MAKERS SHOULD SEE HOW THE PEOPLE AND CHILDREN IN THE GHETTO'S LIVE.

MANY OF THE JUST MENTIONED CLAIM THE EJIDO FARMERS ARE INEFFICIENT AND SHOULD BE ELIMINATED. I ASK HOW EFFICIENT DO THEY THINK THESE PEOPLE WILL BE IF THEY ARE DRIVEN INTO THE GHETTOS.

WHEN U.S. POLICY MAKERS, ECONOMISTS AND OTHERS SET ABOUT ATTACKING THE FAMILY FARMERS OF OTHER NATIONS WE HAVE TO REMEMBER THE AMERICAN FARM FAMILY IS IN THE SAME BULLS EYE.

WE SEEM TO HAVE THE NOTION THAT WE ALWAYS HAVE TO HAVE "EXPERTS"

TO US WHAT OUR POLICY SHOULD BE. ONE THING I HAVE LEARNED FROM ALL THIS IS, DON'T PUT MUCH STAKE IN WHAT COMES OUT OF A SO-CALLED "FACT FINDING TOUR" OF EXPERTS. THE RESULTS ARE USUALLY BASED ON A PRECONCEIVED POSITION OF A VERY NARROW FOCUS.

RECENTLY IN THIS COUNTRY WE WITNESSED SOME 12 CORPORATE EXPERTS AND OUR PRESIDENT MAKE A TRIP TO JAPAN TO FIND OUT WHY WE CAN'T SELL THEM OUR AUTOMOBILES. FIRST WE AREN'T PUTTING THE STEERING WHEEL ON THE RIGHT SIDE OF THE CAR. I WONDER HOW MANY OTHER MINOR DETAILS HAVE OUR EXPERT TRADE NEGOTIATORS FAILED TO TELL US.

I BET IT WOULDN'T TAKE A FARMER FROM MOST ANY NATION MORE THAN HALF AN HOUR TO FIGURE WHAT WAS WRONG. THAT WAS ONE OF THE FIRST THINGS THE JAPANESE FIGURED OUT SOME 25 YEARS AGO, THAT AMERICANS DROVE ON THE RIGHT SIDE OF THE ROAD, SO THEY NEEDED AN AUTOMOBILE WITH THE STEERING WHEEL ON THE LEFT.

MEXICO WILL NOT BECOME A VIABLE TRADING PARTNER OF THE UNITED STATES BY CROWDING 25 MILLION FARMERS AND THEIR FAMILIES INTO THEIR CITIES, OR BY EXPLOITING THEIR FACTORY WORKERS SO AS TO DISPLACE AMERICAN WORKERS IN THIS COUNTRY.

A VIABLE ECONOMY HAS TO BE BUILT FROM THE GROUND UP.

BESIDES THE EXPERT'S FIASCO OF THE STEERING WHEEL, FOR THE PAST DECADE THEY HAVE BEEN TRYING TO BUILD OUR ECONOMY FROM THE TOP DOWN ON SHIFTING SAND.

WHEN WE LOOK AT THE JAPANESE CEO'S SALARIES, THEIRS ARE APPROXIMATELY 15 TIMES THAT OF THEIR FACTORY WORKER. IN THE UNITED

STILLS OUR CORPORATE GIANT SALARIES AND PERKS AMOUNT TO WELL OVER 100 TIMES OF THAT OF OUR FACTORY WORKER, AND THEY DIDN'T EVEN KNOW WHERE TO PUT THE STEERING WHEEL. AND THEN WE WONDER WHY OUR ECONOMY SEEMS TO BE TOPPLING.

I DON'T KNOW HOW MANY OF YOU MAY READ THE CHRISTIAN SCIENCE MONITOR BUT A FEW WEEKS AGO THEY HAD A STORY THAT MAY HAVE TOUCHED ON THE MOST IMPORTANT PART OF THE "FREE TRADE ISSUE." THE ISSUE OF LAND TENURE.

THE EMOTION OF LAND TENURE, LAND OWNERSHIP AND THE LOSING OF IT PROBABLY HAS BEEN THE ROOT OF ALL REVOLUTIONS.

SPEAKING OF EMOTIONS OF LAND, MANY OF YOU MAY HAVE HEARD THE TURMOIL OVER THE "PRAIRIE MONUMENT" ISSUE IN CHASE COUNTY. IT HAS ALMOST CAUSED A CHASE COUNTY CIVIL WAR AND NONE OF THOSE DIRECTLY INVOLVED OWNED ANY OF THE LAND.

OUR REVOLUTION IS OVER 200 YEARS OLD. IN MEXICO THEIR REVOLUTION IS ONLY A COUPLE GENERATIONS OLD. TODAY'S 25 MILLION MEXICAN FARMERS AND THEIR FAMILIES HAD FATHERS AND GRANDFATHERS WHO FOUGHT AND DIED BY THE THOUSANDS FOR THE LAND THEY NOW HOLD AND FARM.

WHAT DO YOU THINK THOSE MEXICAN FARMERS TOLD THE CHRISTIAN SCIENCE MONITOR, WHEN THEY WERE ASKED, IF THE GOVERNMENT TRIES TO DRIVE YOU FROM YOUR FARMS HOW WILL YOU RESPOND?

BEFORE WE CHASE AFTER THIS BUTTERFLY CALLED PROSPERITY AGAIN, WE HAD BETTER LOOK REALISTICALLY AT WHAT EFFECT THIS SO-CALLED FREE TRADE WILL HAVE ON THE KANSAS ECONOMY.

THE AG POLICY OF THE PAST DECADE HAS BROUGHT US DECIMATED RURAL TOWNS, A DECAYING AG INFRASTRUCTURE, FARM MACHINERY SALES THAT ARE VERTIALLY NIL. ALL THE WHILE THE AGE OF FARM MACHINERY IS AT IT'S HIGHEST LEVEL. WE ARE BEING TOLD IF WE ARE TO SAVE RURAL COMMUNITIES AND RURAL AMERICA WE HAVE TO HAVE RURAL ECONOMIC DEVELOPMENT.

THE KANSAS RURAL DEVELOPMENT COUNCIL, ESTABLISHED UNDER THE USDA, HAS MADE A STUDY THAT IDENTIFIES SOME OBVIOUS POINTS TO CONSIDER.

NO. 1. "THE LACK OF READILY AVAILABLE CAPITAL IN KANSAS". YES THIS CAME ABOUT BECAUSE OF THE DEVALUATION OF REAL PROPERTY OF FARMERS, RANCHERS, RURAL COMMUNITY BUSINESSES AND HOMES, PLUS THEIR DECIMATED SAVINGS.

NO. 2 THE KRDC STUDY IDENTIFIED "THE LACK OF NON-AG. RAW MATERIALS IN KANSAS". AGAIN THIS IDENTIFIES THE OBVIOUS. AG. PRODUCTION IS A MAJOR SOURCE OF NEW INCOME IN THE STATE, YET WE HAVE DEVALUATED THE VALUE OF THIS RESOURCE BY APPROXIMATELY 30% THE PAST DECADE.

NOW THEY CLAIM THE PATH TO PROSPERITY FOR KANSAS IS NOT

THROUGH ITS FARM AND RANCH FAMILIES WORKING THEIR LAND. NOW THEY CALL FOR A NEW ORDER OF ECONOMIC DEVELOPMENT. THEY CALL FOR A NEW ECONOMY OF DISPLACED FARMERS AND RANCHERS WORKING IN SERVICE INDUSTRIES AND FACTORIES. AT THE SAME TIME MANY OF THESE SAME GROUPS AND INDIVIDUALS ARE ADVOCATING ENTERING A "FREE TRADE AGREEMENT" WITH MEXICO, WHERE NOT ONLY NEW INDUSTRIES WOULD GO TO MEXICO TO EXPLOIT THEIR CHEAP LABOR, BUT WOULD ALSO DRAW EXISTING KANSAS INDUSTRIES TO RELOCATE IN MEXICO, BECAUSE OF THEIR LOW STANDARD OF LIVING, AND A DAILY PAY RATE EQUAL TO OUR MINIMUM WAGE.

MANY OF KANSAS EXISTING INDUSTRIES MOVED TO KANSAS BECAUSE ITS PEOPLE WERE WILLING TO WORK AND A CHEAPER SOURCE OF LABOR. GOOD SENSE TELLS US THESE SAME INDUSTRIES WILL MOVE ON TO MEXICO FOR A LABOR SOURCE EVEN CHEAPER THAN EXISTS IN KANSAS.

WE HAVE FOUND IN THE UNITED STATES THAT DISPLACING RURAL PEOPLE INTO THE CITIES AND LOWERING THE PURCHASING POWER OF WORKERS DOES NOT GENERATE PROSPERITY BUT RATHER BRINGS ABOUT DEPRESSION, ACCOMPANIED BY A RISING CRIME RATE AND THE SUFFERING OF HOMELESSNESS AND HUNGER LIKE WE HAVE NOT WITNESSED SINCE THE YEARS OF THE GREAT DEPRESSION.

THE "GREAT NEW WORLD ORDER" OF FREE TRADE AS

ENVISIONED BY THE SO-CALLED EXPERTS WILL DEVASTATE THE STATES BASIC LIVESTOCK INDUSTRIES OF THE COW-CALF RANCHER AND ALSO THE SECONDARY ASPECT OF THAT INDUSTRY OF THE FEEDING AND PACKING INDUSTRY.

WE HAVE ALREADY WITNESSED THE BEGINNING MOVES OF THIS. WITH A MAJOR U.S. PACKING COMPANY PURCHASING A PACKING PLANT IN SALTILLO MEXICO FOR THE EXPRESSED PURPOSE OF SHIPPING PROCESSED MEATS INTO THE U.S. MARKET ONCE THE RESTRAINTS ON FOREIGN MEAT IMPORTS ARE LIFTED UNDER NAFTA. RECENTLY A RETIRED PROFESSIONAL FOOTBALL PLAYER AND AN INVESTOR IN A FIRM CALLED SOUTHWEST GRAIN WAS TELLING IN A T.V. INTERVIEW HOW AS SOON AS THE MEXICAN FREE TRADE AGREEMENT WAS RATIFIED THEY WOULD BEGIN RAISING GRAIN AND FEEDING CATTLE IN MEXICO AND THEY WOULD MAKE BIG MONEY, SELLING THAT BEEF TO THE U.S. CONSUMER.

ON THE SOCIAL SIDE OF THE ISSUE OF THE MEXICAN FREE TRADE WE FIND IN MEXICO THERE IS NOT THE PROBLEMS OF STREET CRIME, DRUG ABUSE, LARGE NUMBERS OF HOMELESSNESS, ETC. THAT HAS BECOME AN OBVIOUS PROBLEM IN THE UNITED STATES. THIS MAKES ONE ASK, WITH OUR RUN AWAY SOCIAL PROBLEMS IN THIS COUNTRY THAT WE CANNOT HANDLE WHY DO WE THINK WE SHOULD BE TELLING ALL THESE OTHER NATIONS HOW TO RUN THEIR AFFAIRS.

APPARENTLY THE BUSH ADMINISTRATION IS ATTEMPTION TO BRIBE THE MEXICAN PRESIDENT SALINAS ADMINISTRATION BY

ESTABLISHING WITH THE ASSISTANCE OF THE USDA AND INTERNATIONAL FREE TRADE COMMISSION WHAT WILL BE KNOWN AS A REGIONAL NORTH AMERICAN DEVELOPMENT BANK AND ADJUSTMENT FUND.

THE NADBAF WOULD BE FUNDED BY SOME \$10 BILLION FROM AMERICA. MEXICO WOULD BE THE RECIPIENT OF THESE FUNDS. NADBAF WOULD USE THEIR FUNDS TO PICK UP HIGH RISK LONG TERM MEXICAN DEBTS HELD BY PRIVATE BANKS. NADBAF WOULD THEN HOLD THESE RISKY LONG TERM LOANS WHICH WOULD EFFECTIVELY RELIEVE MEXICO OF THE BURDEN OF SERVICING THE DEBT.

NOT ONLY HAS THE U.S. NEGOTIATORS PLAYED THE GATT NEGOTIATIONS "CLOSE TO THE CHEST" BY REFUSING TO KEEP CONGRESS ABREAST OF THE PROGRESS BECAUSE THEY WANT TO KEEP THE U.S. CITIZENRY IN THE DARK, IT HAS BEEN PERCEIVED BY SOME FTA WRITERS THAT THERE IS AN INTERNATIONAL STRATEGY OF MISINFORMATION ON THE MEXICAN FREE TRADE NEGOTIATIONS LED BY CARLA HILLS.

**PRESENTATION
TO THE
HOUSE COMMITTEE ON AGRICULTURE**

Prairie Pools Inc.

Topeka, Kansas

January 28, 1992

HS. AG.
1/29/92
ATTACHMENT 2

Introduction

On behalf of Prairie Pools Inc. (PPI) I would like to express our appreciation to the Kansas Farmers Union for inviting us to Kansas, and to the Committee for allowing us to appear. I want to take this opportunity to make some comments on the North American Free Trade Agreement (NAFTA) negotiations. The context of our position requires some discussion on the Multilateral Trade (GATT) negotiations and the existing Canada - U.S. Trade Agreement (CUSTA).

PPI is a Government Relations and Policy Analysis group. It is jointly owned by Alberta Wheat Pool, Saskatchewan Wheat Pool and Manitoba Pool Elevators. These three companies, in turn, are co-operatives located in Western Canada. They are primarily grain handlers and marketers, but both individually and jointly are involved in a wide range of enterprises. Policy development for farmer members is an important activity for each of the three Pools. Each has a strong grass roots development process for policy positions to be brought forward by the over 120,000 farmer members.

Prairie Pools Inc. has three specific policy objectives:

- to co-ordinate the policy positions of the member Pools
- to be a forum to consider means of co-ordination of commercial interests and opportunities
- to initiate policy analysis for consideration by the members

Canadian Grain and Trade

Trade issues are of vital interest to the farmer owners of the Pools. A major portion of Western Canadian grain producers gross income is derived from exporting. For example, about 80% of our wheat and durum production is exported and wheat accounts for over half of the gross income of prairie grain producers. In fact about half of Canada's total farm receipts are obtained from export markets. Free and secure access to foreign markets is needed in order to protect and promote our export interests.

This dependence on exports has been costly for us over the last six to seven years. As prices in international grain markets, but particularly the wheat market, have declined since 1985 as a result of the international grain trade war, there has been a steady erosion of the market returns. Prairie grain farmers are directly exposed to world price. When they deliver their wheat or barley to the elevator they receive the Canadian Wheat Board initial price which is based on world prices. For this crop year the initial price for Wheat is \$95/tonne (U.S. \$2.19/bu) and for barley \$70/tonne (U.S. \$1.29/bu).

Farmers have received income support payments from government that partially reduced the hurt from the grain trade war. These payments have been sporadic and farmers have not been able to predict the amount that might arrive. It is worth noting that the net income of grain and oilseed producers in the province of Saskatchewan last year would have been zero had there not been payments from income support programs. The income stress resulting from the grain trade war is a very real problem in Western Canada.

What is also troubling about the trade war is the effect that it is having on our agricultural marketing institutions. This year the Canadian Wheat Board incurred a record deficit of \$744 million dollars. This is directly attributable to the trade war. 79% of our markets were influenced by the use of export subsidies by other countries. Prices for wheat in these "non-commercial" markets reached a record low of \$55/tonne in the last year. The remaining 21% of our markets were commercial markets. The prices here also reached record lows of \$114/ tonne.

To put the Wheat Board deficit into perspective we can look at its history. Since 1943, when the Wheat Board was given its export monopoly, to last year, there has been a total deficit of \$63 million in the wheat account on sales of \$69 billion, for a total injection of government money of 9 cents on every \$100 dollars of sales. There has never been a deficit in the Durum account. It is not in the farmers interest to have deficits in the Wheat Board because it was set up as a marketing institution not a vehicle for government subsidy. The great success it has achieved has given it strong support among prairie farmers.

Given this situation, you can understand that Western Canadian producers would be very interested in any negotiations which would either bring some order to international grain markets or which would develop additional market opportunities. At the same time, these producers, like producers anywhere else, will wish to ensure that the gains from any possible international agreement, whether bilateral or multilateral, exceed the sacrifices that have to be made to achieve such an agreement.

NAFTA

PPI is of the view that the North American Free Trade negotiations, in terms of what they might mean in respect of trade with Mexico, will be of relatively modest value to prairie agriculture. PPI does not believe that there are any immediate significant gains to be made in terms of increased exports to Mexico nor do we believe that the Mexican agricultural industry is ever likely to represent a significant threat to Western Canadian agriculture.

Mexico is Canada's fifteenth ranked export market for agri-food products, accounting for about 1% of exports. Mexico is the eighth ranked supplier of agri-food products to Canada, accounting for less than 2% of the total. Close to 75% of Canada's agricultural imports from Mexico already enter free of duty, while over 90% of Canadian exports to Mexico enter duty free. Overall, Canada and Mexico have a relatively balanced agricultural trade. Canada's primary exports are skim milk powder, grains and pork products. Canada's primary imports are vegetables, fruits and plantation crops.

From a grains point of view, agricultural trade between Canada and the U.S. is also fairly evenly balanced though much larger than the trade with Mexico as the following table shows.

CANADA'S TRADE WITH THE U.S., 1990, (Mill. \$)

	IMPORTS	EXPORTS
Grains	142.9	209.4
Oilseeds	142.7	138.0
Grain products	216.8	254.2
Oilseed products	194.2	142.4
Animal Feed	217.8	194.8
Total	914.4	938.8

It is PPI's view that the primary value of entering the NAFTA negotiations should be to ensure that Canadian producers are not put at a competitive disadvantage to American producers in the Mexican market and to exploit any possibilities to strengthen provisions of the Canada-United States Trade Agreement (CUSTA) to protect the interest of prairie farmers. However, unless such strengthening is achieved we would not see any value in having the CUSTA re-opened.

PPI believes that the following are issues which should be addressed during the negotiations:

We firmly believe that there should be no diminution of the powers or practices of the Canadian Wheat Board. We are led to believe that the U.S. negotiators have indicated that Canadian Wheat Board should be required to reveal information regarding its commercial transactions. Such a requirement would put the Board at a competitive disadvantage relative to larger private concerns that would not be required to make such disclosures. This would be patently unfair to Canadian farmers.

In the CUSTA, Canada and the U.S. agreed not to apply export subsidies on sales of agricultural products to each other. In respect of grain, this meant that the U.S. would not make sales to Canada under the Export Enhancement Program. We would expect that the U.S. should make a similar commitment in the NAFTA in respect of sales to Mexico.

Preventing export subsidies to each others market only deals with one part of the damage created by exports subsidies. PPI believes that Canada must have a stronger commitment from the U.S. regarding the use of export subsidies in Canada's grain markets than what is contained in CUSTA. Article 701.4 of the CUSTA states:

"Each Party shall take into account the export interests of the other Party in the use of any export subsidy on any agricultural good exported to third countries, recognizing that such subsidies may have prejudicial effects on the export interests of the other Party."

It had been our understanding that this had meant that the U.S. would not provide EEP bonuses to any traditional Canadian markets. EEP bonuses are now being supplied on exports to markets where Canada has traditionally been the largest supplier and where the European Economic Community (EEC) has never had a major presence. Export subsidies remain the largest single problem for Canadian grains and oilseeds producers. A NAFTA deal that did not address this problem would be of limited value to Canadian grain producers.

We believe that Canada's objectives in respect of domestic subsidization are being adequately pursued at GATT. We do not believe that in these negotiations Canada should be willing, nor do we believe that the U.S. would be willing, to do more than it might be required in the context of a GATT Agreement on this subject.

If there is an opportunity in these negotiations we feel that the "trade remedy measures" should be further strengthened. Article 705 (5) of the CUSTA indicates that both Canada and the U.S. retain the right to impose restrictions on the importation of grain or grain products from each other if such imports increase "significantly" as a result of a "substantial" change in each others support programs. This Article does represent a step forward in terms of protecting both Canadian and U.S. producers from frivolous trade action by the governments of both countries. However, we feel that the phrasing of that Article is so weak as to make its practical protective value much less than was intended. The obvious problem is that no one knows what constitutes a "significant" increase or a "substantial" change.

As you can see, PPI would need to see some very strong protection for Canadian producers before we could endorse a NAFTA deal. Nonetheless, we recognize that there are real benefits from trade liberalization, whether it is on a bilateral, regional, or multilateral basis.

The GATT Negotiations

Our lukewarm enthusiasm for the NAFTA is partly as a result of the ongoing GATT negotiations. It is our view that the GATT negotiations are far more important to our interests than the NAFTA negotiations. In saying this you have to recall the importance of returns from the international markets to the incomes of Canadian grain producers. The GATT negotiations do not, in our opinion, go far enough in terms of eliminating the export subsidy practices of the EEC and they will not totally stop the U.S. from applying EEP bonuses on grain exports. However, given the political realities in both Europe and North America, we do not believe that more is achievable than that proposed in the draft text issued by the Director-General of GATT on December 20. Quite frankly, we feel that any agreement that limits the current grain trade war that has been occurring over the last six or seven years is worth serious consideration.

Canadian farmers are confident that they can compete on a level playing field. In a market dominated by the size of government subsidies and competition related only to the size of a country's treasury, Canada is at a distinct disadvantage. Our farmers and our rural communities are feeling the severe effects of the trade war and it is critical to resolve this issue as quickly as possible.

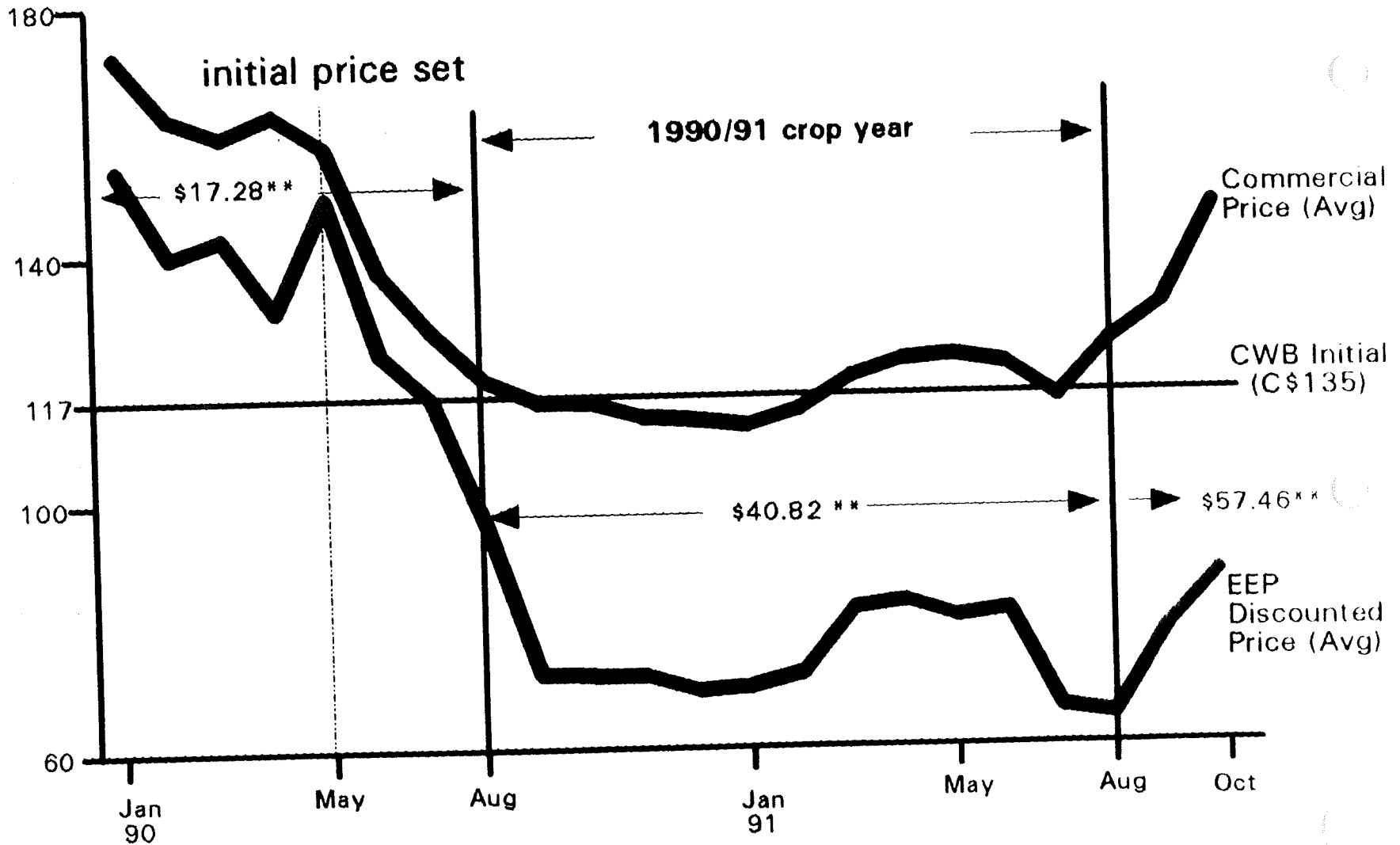
Prairie Pools Inc.
January 29, 1992

JMS:jmh/f



US\$/T

World Milling Wheat Prices * in Commercial & Trade War-Affected Markets



* US Hard Winter Ordinary Indicative Price

** Average EEP Bonus (price discount)

2-7

TESTIMONY PRESENTED TO THE
HOUSE AGRICULTURE COMMITTEE

BY

THE KANSAS AFL-CIO
WAYNE MAICHEL, EXECUTIVE VICE PRESIDENT

MEXICO FREE TRADE AGREEMENT

In its purest form a free trade agreement provides for the duty-free movement of goods and services between two countries just like the movement of commerce between Topeka and Kansas City. Using the Topeka-Kansas City analogy, if Topeka had a work force making less than \$1 per hour, had no environmental laws, permitted child labor, had a surplus unemployed work force numbering in the millions and no labor unions, but Kansas City had a \$11 per hour wage, strong environmental laws, health and safety regulations for workers, prohibited child labor and allowed workers to collectively bargain, employers would have a powerful incentive to locate in Topeka.

The enactment of a free trade agreement with Mexico would be an economic and social disaster for U.S. workers and the communities they live in. U.S. trade with Mexico has grown rapidly during the past decade. Imports from Mexico have increased 59% since 1985, reaching \$30.2 billion in 1990. In 1990, the U.S. had a \$2 billion trade deficit with Mexico.

Much of the stimulus for this deficit has been the so-called Maquiladora program. This program effectively suspends Mexico import duties on U.S. production--related machinery as well as components that are incorporated into exports and no U.S. duties are paid on products imported into this country. Located largely in the border areas, the Maquiladora program has mushroomed in the past 20 years, growing from 120 plants to 1,800 plants and from approximately 19,000 workers to over 500,000 workers.

HS. AG.
1-29-92
ATTACHMENT 3

Let us examine some of the elements of a free trade agreement with Mexico:

Impact on Mexican Workers - The Kansas AFL-CIO believes a free trade agreement with Mexico will make U.S. trade problems larger and do little, if anything, to improve the lives of the vast majority of Mexican citizens. The huge differential in wages and its impact on economic development is illustrated by the wages a Mexican worker received working for a Zenith plant. For a 48-hour week the worker received \$26.16. This translates to 61 cents per hour.

Thousands of workers in the Maquiladora area have no running water, sewers or electricity. Workers in many of the plants live in shacks made of packing material from the factories they work in. Their drinking water is contained in 50 gallon drums previously used for toxic materials. Schools, hospitals and recreational facilities remain unbuilt.

Mexican workers have no occupational safety and health regulations, no child labor laws, no workers compensation, no unemployment compensation and environmental protection laws are non-existent or ignored.

All these standards and others like them impose cost on companies in this country. We as a nation, however, have decided those costs are necessary to improve the standard of living of all our citizens.

In Mexico there are few rules to follow and fewer costs to be born.

Immigration - The Administration in Washington and the Mexican government submit that a free trade agreement will slow down illegal immigration by providing much needed jobs for Mexico. Certainly, the creation of good jobs at wages that provide food, housing and a decent standard of living would encourage people to stay in their communities. Jobs at 61 cents per hour certainly are not incentive enough to discourage anyone from crossing the border.

Impact on U.S. Workers - The debate over the impact on workers in this country, if we had a Mexican Free Trade Agreement, has been clouded by supposedly sophisticated economic studies and models that downplay the loss of jobs. One thing we do know is that over 500 thousand Mexican workers in the border area are producing goods destined almost solely for the U.S. market.

Tens of thousands of workers across America in companies like Zenith, Westinghouse, Farah, G.E. AT&T, GM, Ford, and Chrysler, to name a few, have seen their jobs disappear to Mexico. These workers, better than any economic study or model, can best describe the employment impact of this type of trading relationship.

If you are in doubt, ask any of the 1500 workers who lost their jobs recently in Springfield, MO, where Zenith moved the major portion of their plant to Mexico.

Why should firms invest in the U.S. if they can move a hundred yards across the Rio Grande River and dramatically reduce their labor cost. Common sense should show us that a free trade agreement with a country where wages are less than one-tenth of ours will hurt U.S. employment income and productivity.

Helping U.S. Exports - The Bush administration has frequently cited the huge Mexican Market of 85 million consumers who are presumably clamoring to buy U.S. made goods and thereby boost U.S. exports and improve the U.S. trade position. I assume the administration feels Mexican workers will go on a buying spree with their 61 cent per hour job.

Unfortunately, the reality is somewhat different. In Mexico less than 10 million people can buy much of anything. The extreme poverty of the other 75 million means they are barely able to survive and provide food and some kind of shelter for their families.

Competitiveness - U.S. trade representatives have argued a Mexico free trade agreement would make U.S. industry more competitive. This is an attempt to justify the U.S. corporate desire to duck the question of productivity and competition and get by on the short term with the easiest solution: cheap labor. The historic strength of the U.S. economy has been based on a variety of factors, including a highly educated, productive and well-paid work force, ample capital and natural resources, innovative production techniques, strong managerial skills and continued technological advances. Together, these elements have led to a high standard of living enjoyed by many Americans. (This standard of living has been undermined somewhat the last ten years by an ill advised U.S. trade policy.)

Mexico's single competitive advantage is the poverty that forces its citizens to work for subsistence wages.

No matter how productive U.S. workers are, they can't be competitive with labor costs of less than one dollar per hour.

Conclusion - The Kansas AFL-CIO believes that the huge current differences between the U.S. and Mexico make the establishment of a free trade area both damaging to U.S. workers and of little benefit to Mexican workers. The problems of poverty and economic development in both the U.S. and Mexico are too serious to be left to the interests of private capital.

These elements must be dealt with on a governmental level before any consideration is given to further trade liberalization. This is particularly true of those U.S. owned manufacturing plants in Mexico, in which exploited Mexican workers produce goods for the U.S. market. If this issue is not addressed, the majority of people in both countries will be harmed by international trade.

The economic and social upheaval created by a free trade agreement deserves more consideration, examination and debate than the fast track process allows. This is all the more true since fast track authority is not necessary to negotiate with Mexico. Congress can direct, and the executive branch can undertake discussions without special authority. Any agreements reached would then have to be brought back to congress for its consideration under normal legislative procedures.

Mr. Chairman, we thank you for the opportunity to discuss this important issue of trade with your committee.

Testimony - Fred Kilian - Spokesman for A.A.M.

U.S. and Mexican Free Trade

Chairman Lee Hamm --- House Ag. Committee

I presume these hearings are being held to determine what are the best interests of the Kansas people and of these United States in regard to concluding the GATT agreements and Free Trade with Mexico.

First of all I would like to state the present condition of farmers in Kansas and these United States in the present programs. No better article could tell the story than the one in the Topeka Capitol Jan. 26, 1992 - "Foreign owned firms reap big grain subsidies". These subsidies made by U.S.D.A. to 95 foreign-owned firms and U.S. firms. These subsidies were made under the Export Enhancement Program which provide a bonus to sell U.S. agricultural products at lower rates overseas to be competitive.

Really! If you believe that you'll believe anything. You are a prime customer for junk bonds. You are a first class sucker.

Now these exporters all buy what they export at the local elevators. If it took low prices to sell they would have an inside position in the market. Have you checked the local elevator prices lately? Farmers from Europe and Australia that have talked lately have prices a little higher than American farmers. They also have Government subsidies to deal with. They also blame the subsidies that we receive for the nonsale of their production. Are we not all being ripped off by big government. Big government filling the pockets of big business. At the same time they tell the farmer to get big and produce cheap. They take the whole population on a snipe hunt. We have to wake up and learn there are no snipes. Cheap prices of raw materials will never feed the hungry. Prices paid raw material Producers in general and Agriculture in particular determine the National Income. Underpayment by society for production of Raw Materials forces the economy as a whole to operate at a loss, forcing substitution debt for income.

The dollar value placed upon our new wealth production in the farm of raw materials determines the amount of money which can and must be used to produce raw materials, to buy them and then through our economy. As the various cost factors of labor, capitol, etc. are added to the value of raw materials, we have the pyramiding into national income. The turnover of this national income results in \$5.00 of National income for each \$1 of new wealth.

A simple illustration is the price of coffee. We import annually approximately 2.7 billion pounds of coffee. A drop of 10 cents per pound results in an anual loss to the exporter of \$270 million of income and buying power to pay for imports from other nations.

Lower prices for goods and services force an evaporation in dollar value of the collateral loans and the extension of credit is automatically curtailed. Today Agriculture is operating at about 35% of parity. For every 1% under a fair and equitable price of 100% we lose \$3.5 Billion dollars in National income.

What I have tried to say is that it is not Free Trade or GATT agreements that will turn our country around but fair and equitable prices in America and the rest of the world. Abe Lincoln said it best when he was being urged to buy rails from England said if We do, we will have the rails, but England will have our Money. If we make the rails here, we will have both the rails and the money.

Fred Kilian

H.S. Ag.
1-29-92
ATTACHMENT #



ASSOCIATED MILK PRODUCERS, INC.

CORPORATE OFFICE
TELEPHONE: 512 340-9100 P.O. BOX 790287
SAN ANTONIO, TEXAS 78279-0287

MEMORANDUM

TO: AMPI Corporate Board of Directors
FROM: Neal Bjornson
re: GATT Agreement on Agriculture

December 31, 1991

As the working sessions of the trade negotiations under the General Agreement on Tariffs and Trade closed in Geneva ten days ago GATT Director-General Arthur Dunkel issued a 500 page document representing a package of agreements in all sectors of the talks. This included "Agreement" on agriculture. That is not an agreement as it has not been approved by the parties to the talks. It represents Dunkel's best estimate of an agreement that might have a chance of being approved. The talks are scheduled to reconvene in Geneva January 13. At that time, nations have been told they must indicate their willingness to accept the entire 500 page package--including agriculture--or the talks will break down.

Those following the talks closely have indicated there is a possibility the package might be approved. More likely, the agriculture section will be rejected but rather than breaking up the talks it will become the basis for further negotiations. At this point the U.S. and the European Economic Community are far apart with the U.S. insisting on greater reductions in domestic support programs and export assistance and increased market access as part of the package. Other nations such as Japan and South Korea have major problems with the agriculture proposals.

The following is a brief outline and comment on the basic structure of the agriculture "Agreement" and its potential impact on the dairy industry.

General

The ability of individual nations to establish their own food and agriculture policy would be sharply curtailed. The document requires reductions in domestic price support and stabilization programs. This would apply to all commodities. Direct payments to farmers as income supplements would be allowed if they were not tied to the level of production of any specific commodity. Even here, the Agreement spells out income levels required to qualify.

An Agriculture Committee would be established within the GATT or whatever replaces it. Its purpose would be to review the policies and policy changes of nations to determine if they meet GATT requirements. It is not clear what penalties might be imposed if policies did not conform as this is covered in another segment of the package.

The commitments in the Agreement are regarded as only a first step. One provision commits parties to renew negotiations in 1998 with the goal of achieving further changes. Congress has always carefully guarded its jurisdiction in this area. Participation in trade negotiations, the scope of such talks and the nature of the approval process has been clearly spelled out legislatively. This would be voided, at least so far as agriculture is concerned, by the Agreement.

At the outset, the U.S. goal in the negotiations was achievement of a "level playing field" by having all nations remove trade distorting and trade disrupting programs and policies. The Agreement makes no effort to "level the field." Reductions in export subsidies and other policy changes are stated in terms of percentage changes from a 1986-1988 base. If distortions existed between nations prior to the changes they would be altered only slightly. It might be argued that some change is better than no change. However, if that change expands access to your market without allowing a similar access, you are the loser. The U.S. would be the loser as it is outlined.

Specific Areas of Concern

It is difficult to be precise in terms of potential impact on the dairy industry as the commitments nations would undertake are spelled out in general terms. If the package is agreed to, the specific actions of each nation would be spelled out in documents they would submit to the GATT by March 1, 1992. Even then, we would not know what was being proposed as these proposals would be considered "Secret" papers. Not until the entire package is concluded would its impact be visible.

DOMESTIC SUPPORT: Non-exempt support programs would be reduced by 20 percent from the 1986-1988 base over a period of 1993-1999. Credit would be allowed for changes made since 1986. It is unclear what this means for dairy as reductions would be made from what is termed an "aggregate measure of support (AMS)" which measures the effect of all programs on the industry. A 1990 USDA study calculated a measure similar to the AMS at about 60 percent of the total value of U.S. milk production in 1986. A 20 percent reduction in that would translate into a reduction in farm income of \$2.1 billion from the 1986 base. The exact nature of application, how price support reductions already made would be dealt with, the role of Federal Milk Market Orders and other factors would all come into play.

As indicated, direct government payments intended simply to maintain a level of income for persons on farms would be exempt from reduction. Also exempt would be research, extension, inspection and insect and disease control programs. Market information and

promotion efforts, highway, electric, flood control, drainage projects and aid to harbors would also be exempt. Programs designed to remove resources from production would qualify for exemption under certain circumstances.

MARKET ACCESS: Tariffs would be the only allowed restraint on the entry of imported products. All other mechanisms would be eliminated by a process called "tariffication." This would include the Section 22 import quotas on dairy products. Under tariffication a tariff equivalent would be determined as the difference between the domestic and world price during the 1986-1988 base period.

The Agreement commits nations to tariff reductions, including the rates established by the "tariffing" process. The Agreement requires an average tariff reduction by product area (i.e. cheeses) of 36 percent between 1993 and 1999. This could vary with products but the minimum reduction would have to be at least 15 percent.

Going beyond the above process, a minimum access requirement is imposed. This would require nations provide access for imports in 1993 equal to three percent of 1993 domestic consumption. This would increase to five percent by 1999.

Initially, this would probably have little impact on U.S. cheese imports. Imports of butter and related fat-based products would be heavily impacted. The impact on dry milk products is unclear due to questions relating to the status of casein. Casein would be included as a dairy product but it is not clear if it would be grouped with dry milk products or in a class by itself.

IMPORT COMPETITION: This area deals with the reduction of export subsidies. Two requirements are imposed. One calls for a 36 percent cut in outlays for export subsidization over the 1993-1999 period. The other would impose a reduction of 24 percent on the volume of product on which export subsidies might be paid.

This would require a cutback in the Dairy Export Incentive Program which has just started to be effective in moving some U.S. dairy products into export. It would also halt or curtail the process by which CCC has sold dairy products from its stocks for export at reduced prices.

Sanitary and Phytosanitary Measures

While not receiving a great deal of attention, talks have proceeded on efforts to standardize requirements nations impose as part of efforts to protect plant and animal life; protect human or animal health from risks arising from additives, contaminants, toxins or disease causing organisms in foods, beverages, or feeds; to protect human life and health from risks arising from diseases carried by animals, plants or their products; and to prevent or limit damage from the entry, establishment or spread of pests.

Originally this segment was intended to have taken in all aspects of food regulation. For unstated reasons, this has changed and issues dealing with food standards and other areas are dealt with elsewhere. The agriculture paper does spell out four international agencies which will become the ruling bodies for guidelines or requirements in these areas with which domestic law or regulation would have to conform.

Reaction

As stated, it is doubted that this will be accepted by all parties to the talks. It is important, however, that the industry view be made known on this over the next two weeks. AMPI is working with National Milk Producers Federation and others in this regard. Already, a broad group of agricultural organizations have written the President stating the Agreement falls short of expectations and would be damaging to U.S. agriculture. A copy of that letter is attached.

Dairy farmers have been apprehensive about the trade negotiations under the General Agreement on Tariffs and Trade (GATT) from the beginning. Part of the reason has been a lack of contact or consultation with respect to U.S. goals and policy. The industry has not had input in the process. We have been told that almost the entire structure of U.S. dairy policy was on the table for negotiation. For an industry facing a world market where prices are established by the export subsidy policies of leading exporters this is an alarming prospect.

We have followed the negotiations closely and sought involvement wherever possible. Representatives of AMPI have attended the mid-term GATT meetings in Montreal and negotiating sessions in Brussels in an effort to maintain contact with the issues and keep abreast of what was happening. Dairy farmers are fully aware of what is at stake in these negotiations.

We recognize the role the export market plays in many sectors of American agriculture. Expansion of that market can be helpful to those producers. Achievement of such an expansion by trading off the U.S. dairy industry makes no political or economic sense.

At the outset of the Uruguay Round much was said about achieving a "level playing field." This would, it was argued, afford improved market opportunities for American farmers, reduce reliance on government, and allow market signals to more fully direct farmers' decision-making. Unfortunately, the recently proposed agricultural agreement under the

GATT made no effort to "level the playing field." It would have done a number of things, however, which would limit the ability of the United States to determine its own policy.

The proposal clearly would have limited the ability of individual countries to determine their own food and agriculture policy. The types of policies allowed and those that are proscribed were spelled out in some detail. An Agriculture Committee would be created within the GATT for the purpose of reviewing existing policies and proposed policy changes to determine their compliance.

The plan would have committed the United States to further negotiations. In the past, Congress has rightfully guarded its jurisdiction in this area very closely. U.S. participation in trade negotiations, the scope of such talks and the nature of the approval process has had to be clearly spelled out legislatively.

The proposal fails to provide anything like a "level playing field." Reductions in export subsidies and other policy changes would be stated in percentage terms from a 1986-1988 base. Distortions that existed prior to the changes would be altered only slightly. Some might argue that some change is better than no change, but if that change expands access to our market without assuring at least equal access, we are the loser. The U.S. would be the loser.

It is difficult to be precise in terms of potential impact on the dairy industry as the

commitments countries would have undertaken are spelled out only in general terms. If the package had been agreed to, the specific actions of each country would be provided in documents submitted to the GATT by March 1, 1992. Even then, we would not know what was being proposed as these would be considered classified documents.

Domestic price support programs would be reduced by 20 percent from the 1986-1988 base. The exact nature of the application, how price support reductions already made would be dealt with, the role of Federal Milk Market Orders and other factors would come into play in determining how U.S. policy might be changed. None of that has been discussed with the industry.

The market access question would be addressed by "tariffing" nontariff import limitations and providing for an average reduction of 36 percent in the new level. That is a \$64 term for abandoning Section 22 under which our dairy product import limits are maintained. Existing market access would immediately be increased to a minimum of three percent of domestic consumption during the 1986-1988 period. In the case of the U.S., this would mean an immediate substantial expansion of butter and related fat-based dairy products and dried milk products. Since the U.S. is already the world's largest cheese importer, there would be little immediate impact in that area.

These import expansions would have a depressing effect on domestic markets. As added imports entered the market, prices for butter and nonfat dry milk certainly would move

nearer CCC purchase price levels which provide farm prices below the cost of production. This means reduced farm income. It would also mean increased government costs as additional purchases are made under the price support program.

In the area of export competition, reductions would be required in both the level of export subsidy and the volume of product to which those subsidies apply. The key point, however, is that subsidization would continue and those who have routinely used export subsidies as a means of disposing of their surplus production could continue to benefit.

Overall, the proposal presented U.S. dairy farmers with a grim prospect. It would:

- Commit the U.S. to further reductions in price support and related programs. Reductions already made have destroyed the price stabilizing effect of the U.S. price support program.

- Commit the United States to granting additional access to its markets for products that would continue to be highly subsidized.

- Commit the United States to accepting the continuation of export subsidies as a fact in world dairy markets.

The agreement would depress farm income and increase government costs so far as the dairy industry is concerned. In discussing these negotiations, Ambassador Hills has stated

on several occasions that, "...no agreement is better than a bad agreement." This proposal would have made a bad agreement.

At a hearing of the House Agriculture Committee in mid-January, it was clear the U.S. negotiators really had little understanding of what the agreement would do. The most common answers to specific Committee questions were: "We don't know." or "We are still trying to determine that."

Unfortunately, these same negotiators have hailed this as a step forward in the negotiating process and stated that it provides the basis for reaching a final agreement. Any agreement based on such a framework would still be a bad one.

While most attention has been focused on the GATT talks, work has proceeded on a North American Free Trade Agreement between the U.S., Canada and Mexico. Here again, specifics are hard to come by. AMPI opposes any action under such an agreement which would expand unneeded dairy product imports into the United States.