

February 26, 2010

The Honorable Collin Peterson
Chairman
House Agriculture Committee
1301 Longworth House Office Building
Washington, D.C. 20515

The Honorable Frank Lucas
Ranking Member
House Agriculture Committee
1305 Longworth House Office Building
Washington, D.C. 20515

Dear Reps. Peterson and Lucas:

The American Farm Bureau Federation believes that the modifications to the cotton and export credit programs that Congress has already undertaken bring the U.S. into compliance with the World Trade Organization Appellate Body ruling in the *United States-Subsidies on Upland Cotton* case of March 2005. The WTO compliance panel's decision of August 2009 to authorize retaliation for Brazil against the U.S. does not reflect the congressionally authorized modifications to the export credit programs and the cotton program since 2005. The U.S. should request a new proceeding before the Dispute Settlement Body of the WTO to repeal the authorization of retaliation.

USDA adopted measures on July 1, 2005, to bring its three export credit guarantee programs into compliance with WTO obligations. USDA adopted risk-based guarantee premiums for the GSM-102 Program and the Supplier Credit Guarantee Program and suspended the GSM-103 program. Congress made these changes permanent by enacting them into law as part of the 2008 farm bill. As part of that bill, Congress eliminated the GSM-103 program and abolished the statutory percent "cap" on guarantee premiums that could be charged by USDA. Congress also eliminated the Supplier Credit Guarantee Program, leaving GSM-102 as the sole remaining USDA export credit guarantee program. In addition, Congress included language in the farm bill requiring USDA to operate the GSM-102 program at no net cost to the government, thereby ensuring that the program would not be a subsidy and would comply with the WTO obligation that guarantee premiums received under the program would cover its operating costs and losses.

The Deficit Reduction Act of 2005 eliminated the Step 2 cotton program, which was found to be a prohibited subsidy in the case decision. With U.S cotton production and exports down more than 40 percent in the past five years the impacts on the world cotton situation have been altered. These facts must be taken in to consideration by a new dispute settlement proceeding.

The panel's decision to award Brazil retaliatory authority in amounts based on the future use of a program that is now compliant with WTO rules punishes the U.S. for its compliance efforts. A new WTO compliance panel, authorized to fully consider all the information relevant to the case, is the best way to ensure a fair outcome for all sides.

Sincerely,



Bob Stallman
President