

The Honorable Susan C. Schwab
United States Trade Representative
Executive Office of the President
Washington, D.C. 20508

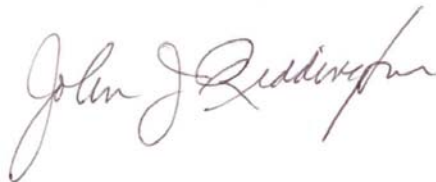
April 18, 2007

Dear Ambassador Schwab:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the Animal and Animal Products Agricultural Technical Advisory Committee on the US - Panama Trade Promotion Agreement, reflecting consensus on the proposed Agreement.

Sincerely,

John J. Reddington

A handwritten signature in cursive script, reading "John J. Reddington". The signature is written in black ink and is positioned below the typed name.

Chair Animal and Animal Products ATAC

The United States-Panama Trade Promotion Agreement

Report of the
Animal and Animal Products ATAC

April 2007

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Animal and Animal Products ATAC

Animal and Animal Products Agriculture Technical Advisory Committee Report to the President, the Congress and the United States Trade Representative on United States-Panama Trade Promotion Agreement

I. Purpose of the Committee Report

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002.

The report of the appropriate sectoral or functional committee must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area.

Pursuant to these requirements, the Animal and Animal Products Agricultural Technical Advisory Committee hereby submits the following report.

II. Executive Summary of Committee Report

The Animal and Animal Products Agriculture Technical Advisory Committee would like to express our appreciation to the U.S. negotiators for their hard work and dedication to securing a beneficial new trade agreement for our industries. The U.S. animal and animal products industries support the United States Panama Trade Promotion Agreement and will work to help secure its approval. There are a number of benefits for U.S. meat, poultry and dairy that will flow from implementation of the trade promotion agreement. We are pleased to see that Panama will recognize the equivalence of the U.S. food safety inspection system for meat and poultry. This official recognition will remove a major non-tariff trade barrier and greatly facilitate meat and poultry trade. Panama will also recognize international standards for certain veterinary issues which will also prove beneficial. Additionally, we are pleased that Panama will provide access for all US beef and beef products and poultry and poultry products, consistent with

international standards. We are satisfied with the tariffs, TRQs and phase out of tariffs for beef, pork, poultry and dairy.

We greatly appreciate the hard work that USTR put into this agreement and realize the difficulty of achieving successful outcomes for such a wide variety of agricultural sectors.

III. Brief Description of the Mandate of (Committee)

The advisory committee is authorized by Sections 135 (c) (1) and (2) of the Trade Act of 1974 (Pub. L. No. 93-618), as amended, and is intended to assure that representative elements of the private sector have an opportunity to make known their views to the U.S. Government on trade and trade policy matters. The committee provides a formal mechanism through which the U.S. Government may seek advice and information. The continuance of the committee is in the public interest in connection with the work of the U.S. Department of Agriculture (USDA) and the Office of the U.S. Trade Representative. This advisory committee provides valuable private sector input.

IV. Negotiating Objectives and Priorities of (Committee)

A guiding principle for the Animals and Animal Products ATAC in bilateral, regional and multilateral trade negotiations is to improve export opportunities for U.S. dairy, livestock, meat and poultry products through the elimination of unfair tariff and nontariff trade barriers, including veterinary and sanitary restrictions on imports that are not based on sound science. Related to this is the acceptance of FSIS as the certifying authority for meat and poultry exports.

V. Advisory Committee Opinion on Agreement

The Agricultural Technical Advisory Committee (ATAC) for Trade in Animals and Animal Products provides the following comments on the U.S. - Panama Trade Promotion Agreement:

We would like to express our appreciation to the U.S. negotiators for their hard work and dedication to securing a beneficial new trade agreement for our industries. The U.S. animal and animal products industries support the United States Panama Trade Promotion Agreement and will work to help secure its approval. There are a number of benefits for U.S. meat, poultry and dairy that will flow from implementation of the free trade agreement. Certain of these positive measures are as follows:

We are pleased to see that Panama will recognize the equivalence of the U.S. food safety inspection system for meat and poultry. We understand this to mean that Panama shall not do plant by plant inspections, but may audit the inspection system to ensure it meets Panama standards. This official recognition will remove a major non-tariff trade barrier and greatly facilitate meat and poultry trade. Panama will also recognize international standards for certain veterinary issues which will also prove beneficial. Additionally, we are pleased that Panama will provide access for all US beef and beef products and poultry and poultry products, consistent with international standards.

We are satisfied with the tariffs, TRQs and phase out of tariffs for beef, pork, poultry and dairy. Immediate duty-free treatment for mechanically-deboned chicken will allow U.S. chicken companies to significantly increase the quantity of this product sold to further processors in Panama. Although the year one duty-free tariff rate quota (TRQ) for bone-in chicken leg quarters (CLQ) (660 metric tons) is below the 3 percent of domestic consumption threshold level that is the more acceptable starting point for a CLQ TRQ, the U.S. chicken industry understands CLQs are a sensitive product. Also, the 18-year phase-out is longer than normally acceptable. The modest size of the CLQ TRQ will make it difficult to have an economically-viable export trade company (ETC) administer the TRQ. Although the 10 percent annual growth is an acceptable rate, the very modest base will likely make the ETC a challenge for several years, if not longer.

For many dairy products, including milk powders and cheeses, new TRQs totaling just under 4,000 metric tons, with a 5% annual growth rate for most products, will expand access for U.S. exports while tariffs are phased out over a period of up to 17 years. For several other dairy products, including most whey products, tariffs will be eliminated immediately.

Another important achievement of this FTA is that it resolved a troublesome SPS issue that U.S. dairy exporters faced that seriously hindered trade. This SPS issue concerning individual plant inspections by Panamanian authorities was satisfactorily resolved by the FTA. Because of this and the increased market access opportunities cited above, the dairy industry is supportive of this agreement.

We greatly appreciate the hard work that USTR put into this agreement and realize the difficulty of achieving successful outcomes for such a wide variety of agricultural sectors.

VI. Membership of Committee (list of members)

James R. Bailey III	Wal-Mart Stores
Jaime A. Castaneda	National Milk Producers Federation
Gregory F. Doud	National Cattleman's Beef Association
Richard A. Ellinghuysen	Producers Livestock Marketing Association
Richard G. Fritz	U.S. Meat Export Federation
John D. Hardin, Jr.	John Hardin Farms
Dana R. Hauck	Pike Trail Cattle Co., Inc.
Gregory A. Ibach	Nebraska Department of Agriculture
Eric J. Joiner	AJC International
Joanne R. Kaminski	Will Poultry Co.
John W. Lincoln	Linholm Farm and New York Farm Bureau
Thomas W. May	Trugman-Nash, Inc.
Daniel P. Meyer	American Dairy Products Institute
Shawna D. Morris	American Butter Institute
Jerry B. Fickel	Select Sires, Inc.
Gary R. Reckrodt	Seaboard Farms Inc./Reckrodt Farms
Michael L. Mullins	Cargill, Inc.
Daniel Ochylski	International Composite Systems
John J. Reddington	American Meat Institute
William P. Roenigk	National Chicken Council
Donald H. Schriver	Dairy Farmers of America
Jane E. Shey	Shey & Associates
Manuel S. Souza	Mel-Delin Dairy
Thomas M. Suber	U.S. Dairy Export Council
Kent J. Swisher	National Renderers Association, Inc.
James Tillison	Alliance of Western Milk Producers
Gene Wiese	Wiese & Sons
Dennis Wolff	Pen-Col Farms
Robert Yonkers	National Cheese Institute
Paul E. Rodgers	American Sheep Industry Association, Inc.
David J. Salmonsens	American Farm Bureau Federation
James Willrett	J. Willrett Farms
Mark L. Lobstein	USA Poultry & Egg Export Council
Frank K. Leaverton	Shore Genetics, Inc