Agriculture Outlook Conference

United States Department of Agriculture
Washington, DC 20250-3900

Outlook '93 For Release: Thursday, December 3, 1992

U.S. AGRICULTURE EXPORTERS NEED TO STAY COMPETITIVE

Peter Friedmann
Executive Director
Agriculture Ocean Transportation Coalition

The Agriculture Ocean Transportation Coalition is a broad coalition of organizations and companies involved in the largest American export sector: agriculture.

The AgOTC membership believes changes in the Shipping Act of 1984 are long overdue. Ocean transportation regulation is outdated, and the result is substantial and growing injury to the U.S. economy in general.

We have documented cases in which the current regulatory scheme is costing U.S. jobs, forcing companies to relocate production facilities abroad. It is creating a severe competitive disadvantage for U.S. companies attempting to compete in an increasingly small global marketplace. The current scheme distorts the relationships between carriers and their customers, preventing a mutually beneficial relationship between the individual customer and its chosen transportation vendor. Finally, we believe that the current situation injures U.S. flag carriers, because it denies them the opportunity to benefit from the particular advantages they enjoy over their foreign flag competitors.

During the past year, AgOTC worked to generate support in both the Executive Branch and on Capitol Hill for these much needed changes in the Shipping Act of 1984. We are encouraged that Senators and Congressmen understand that ocean shipping impacts their constituents and livelihoods nationwide, and intend to build upon this support and seek passage of Shipping Act amendments during the 103rd Congress.

From Our Perspective: The Recent Pact

Last year, President Bush appointed a public-private commission to assess the impact of steamship cartels on the U.S. economy. At hearings around the country, witnesses representing virtually every industry testified that steamship cartels are

raising prices to U.S. consumers. The cartels are forcing jobs to be lost and companies to shift their manufacturing offshore in order to be competitive in the global marketplace.

This spring, the President created a task force to review U.S. maritime policy from 16 of his own Executive Branch agencies. Fourteen of those agencies agreed that steamship cartels are acting contrary to the interest of the U.S. economy, and recommended their powers should be curtailed or eliminated. Two agencies, the U.S. Department of Transportation (DOT) under Secretary Andrew H. Card, Jr., and the Federal Maritime Commission (FMC), came up with a strange alternative. They proposed a new subsidy program that would give $1 billion essentially to two U.S. steamship lines over the next seven years. In spite of the fact that the President's Policy Task Force voted 14 to 2 to cut back the power of the steamship cartels in order to help U.S. industry compete abroad, the DOT and FMC alternative was accepted by the Administration. Secretary Card then sent a bill to Congress to create the new $1 billion subsidy, testified before Congress, and sought to push the subsidy program through in record time.

Merchant Marine Subcommittees in both the House and the Senate conducted hearings. Only steamship owners and shipbuilders were allowed to testify. Despite repeated requests, none of us who would be asked to provide the cargo and foot the bill, were heard.

The fact is that some of these cartels are so powerful they refuse to sign contracts for cargo, denying U.S. companies the ability to operate and meet demand for their products efficiently, and they do not allow a U.S. exporter to sign a contract with a U.S. steamship line or any other carrier of their choosing. Cartels in both the Atlantic and Pacific have taken some of their container capacity off the market, artificially adjusting the supply of containers to increase demand, and thereby the price, of the available containers. They pool their revenues and profits and are allowed by law to "control, regulate or prevent competition in international ocean transportation".

Who benefits from these cartels? According to Maritime Administration figures, 80 percent of containerized cargo or liner cargo is carried on foreign-flagged vessels belonging to foreign companies. Eighty percent of the membership of these cartels is based in Japan, Hong Kong, Singapore and Europe. That means 80 percent of shipping price hikes benefit those foreign companies.

The AgOTC Legislative Agenda: Good for the U.S. Economy

The Shipping Act of 1984 is the law. It contains many provisions which are beneficial to both carriers and shippers and

indeed was a product of a compromise negotiated between carriers and shippers. We do not propose to eliminate the Shipping Act of 1984, but to fine tune it to bring it into conformity with developments and practices which have characterized domestic and international transportation since 1984. We're seeking to update the Shipping Act because it is woefully out of step with the real world of today's transportation and logistics.

What we want is what other nations have; what American industry needs is what our competitors abroad already have: the ability to enter into commercially viable arrangements and negotiations with the ocean carriers of our own choosing. These include, specifically, the right to contract with the individual ocean carrier, and to assure that the terms of that contract will be maintained in confidence between that carrier and that shipper. In addition, it is essential that competition be maintained, particularly in the Atlantic and Pacific, where we have seen trade-wide agreements to reduce capacity among both conference and non-conference lines, to the detriment of U.S. consumers and U.S. exporters.

We believe the following amendments which were incorporated in Congressman Tom Carper's bill, the Shipping Act of 1992 (H.R. 5841), during the 102nd Congress would achieve these objectives, to the benefit of every export and import business in the United States.

Ocean Contracting: The U.S. is the Only County to Prohibit It

First, the mandatory right of independent action, which currently exists for tariffs, must be expanded to include service contracts. This would allow a contract to be negotiated with an individual carrier, without interference, administration, or manipulation by the conference.

As anyone who has ever negotiated any contract knows, it is impossible to negotiate simultaneously with 13 different vendors. It is even more difficult to successfully negotiate a meaningful contract when each vendor has the veto power over another vendor's contract. Yet that is precisely the position we are in today, where the TransPacific Westbound Rate Agreement determines that it won't sign any contracts at all, or, in the Atlantic, where the TAA establishes such conditions as a minimum contract of 250 FEU per year. (I might note that conferences always talk about the need to look out for "the little guy". As one of the "little guys", I cannot understand how an arbitrary minimum 250 FEU volume commitment benefits me. For all their protestations to the contrary, carriers really only want to deal with "the big guys".)

Secondly, no negotiation can be meaningful unless both parties

know that the result of those negotiations will confidential. Thus we seek, and the Carper bill would have provided, the elimination of the current filing requirement for contracts. (Tariff filing requirements would remain intact.)

I would note that when talking to steamship company executives, most agree privately that it is time for confidential ocean contracts. Confidential contracting currently exists in truck, rail, and international aviation. When ocean carriers negotiate their contracts with Union Pacific or Burlington Northern, for example, the terms of those contracts are maintained in strict confidence. This benefits the ocean carriers as well as the railroads, yet the carriers would deny us, their customers, the similar benefit. If a U.S. company wants to export products from U.S. ports, it must disclose its shipping costs to competitors worldwide. Japanese companies are not required to make such disclosures. As a result, competitors of U.S. companies know our costs, but we don't know theirs -- an obvious unfair advantage. A number of U.S. companies have found it less burdensome to export through Canada or Mexico, or even ultimately to shift production outside the U.S., in order to avoid being compromised by FMC regulations that benefit only the cartels.

As a practical matter, I happen to believe in many cases carriers would receive more revenue than they presently do, once traffic managers are freed from the pressure of proving that he can get just as good or better deal than his peers. Once the contract terms are confidential, this competition to drive the price down will be eliminated.

Many of my friends in the steamship business ask if I really did not want to know what my competitors are paying for transportation. To them, I would say that this is not a hypothetical question. For the last decade, we've been operating under such a confidential contracting system in rail, trucking and in aviation. We know how it works; both large and small companies like confidentiality and the complete freedom to negotiate truck and rail arrangements. To us, true negotiating flexibility and confidentiality are not new concepts, but tried and tested practices which characterize all aspects of our business lives. Only in ocean transportation are hindered by the outmoded restrictions contained in the Shipping Act of 1984, which AgOTC seeks to amend.

Assuring Competition

AgOTC members believe that the limitation of the size of trade-wide agreements is essential. Even the contracting amendments, which would help immensely, are insufficient when carriers are able to form trade-wide agreements and include virtually all carriers in any given trade route. Presently, the TransPacific Agreement and the Trans Atlantic Agreement set rates,

reduce capacity, and create an array of restrictions on what should be commercial freedom between a carrier and his customer (for example, the 250 FEU contract minimum set by TAA).

For this reason, included in the amendments which we seek would be a limitation on the size, measured in capacity, of any agreement benefitting from antitrust immunity. In the Carper legislation, this was 60% of available capacity. In amendments that were being considered by other Congressmen and Senators during the 102nd Congress, antitrust immunity would have been limited to 50% of capacity.

Virtually every shipper agrees that the superconferences which have emerged recently are extremely dangerous and contrary to the interests of the general economy of the United States and more specifically, to the individual companies who export or import. We are pleased to see that the European Community is scrutinizing the power that these cartels wield. We believe that the amendments we seek limiting antitrust immunity to capacity representing no more than 50% or 60% would assure meaningful competition and, most importantly, foster carriers' responsiveness to the needs of their customers, against which the TAA and TSA seem to insulate their membership.

A Win-Win For The United States

We have found that in every state of this country, there are industries, factories, and retailers who are being injured by the current outmoded regulation of ocean transportation which exists in the United States. To hold the entire economy of the United States hostage for the benefit of a liner industry dominated by foreign carriers is ludicrous. We have heard from some carriers that "the cargo will always be there." In fact, this is a dangerous assumption.

At present, there are a number of AgOTC members that have shifted at least some of their sourcing for foreign markets, from U.S. factories to their foreign factories. The departure of this production from American soil means the loss of American jobs to foreign labor. In some cases, the sole motivation has been to avoid the suffocating restrictions imposed by U.S. regulatory intervention in what should be a purely commercial relationship between a carrier and its customer. Who loses in such a situation? The U.S. economy loses and so do U.S.-flag carriers, who lose the opportunity to carry cargo to foreign shores, bound for foreign destinations.

I truly believe the amendments we seek will benefit both U.S. carriers and U.S. shippers. The U.S.-flag carriers are leaders in intermodal shipping and perhaps in the best position to tailor

transportation contracts to the needs of U.S. importers and exporters. But they won't have a chance unless ocean contracting practices catch up to truck, rail and air contracting.

The Agriculture Ocean Transportation Coalition worked hard this past year to gain Administration support for our Shipping Act amendments, and were successful with 14 agencies. Subsequently, we gained some critical Congressional support for our Shipping Act amendments. The need for the Shipping Act amendments we seek is becoming more apparent and urgent. AgOTC will pursue them vigorously in the coming 103rd Congress.

s\press.d

AUDIO CASSETTES - ORDER FORM

Agriculture Outlook '93

USDA HEADQUARTERS
Washington, DC
December 1 - 3, 1992

PROFESSIONALLY
RECORDED & DUPLICATED BY
SATELLITE BROADCASTING
4580E MACK AVENUE
FREDERICK, MARYLAND 21701
Phone 1(800) 747-0856
1(301) 662-0371
Fax 1(301) 662-4014

AT THE CONFERENCE
You may purchase tapes at our booth in the registration area.

AFTER THE CONFERENCE
Return this convenient mail order form. Tapes will be sent within two to three weeks.

COMPLETE AUDIO SET $ 196.00

Qty.	Tape No.	Title		Price	Amount
	GR-01	Keynote Address: "Aguriculture's Changing Horizon" and '93 Economic and Farm Outlook		$ 7.00	
	GR-02	Prospering in a Changing World Marketplace		$ 7.00	
	GR-03	Meeting the Challenges of a Changing Society		$ 7.00	
	GR-04	Long-Term Prospects for Agriculture		$ 7.00	
	GR-05	Growing Markets for Value-Added Farm Products		$ 7.00	
	GR-06	Agriculture and Forestry's Role in Responding to Climate Change		$ 7.00	
	GR-07	The Food Grains Outlook and Wheat Trade Issues		$ 7.00	
	GR-08	Dairy Outlook and Future Trade Prospects		$ 7.00	
	GR-09	Expanding Common Ground Between Farmers and Environmentalists		$ 7.00	
	GR-10	Farm Labor and Federal Immigration Policy		$ 7.00	
	GR-11	Forest Products Outlook and Trade Issues		$ 7.00	
	GR-12	The Outlook for Feed Grains and Byproducts		$ 7.00	
	GR-13	Workshop an USDA Sugar and Sweetener Statistics		$ 7.00	
	GR-14	Prospects for Farm Sector Earnings, Finance, and Inputs		$ 7.00	
	GR-15	New Technology Enhances Farm Profits and the Environment		$ 7.00	
	GR-16	Trends, Issues, and Policy Impacts for Greenhouse, Turf, and Nursery Agriculture		$ 7.00	
	GR-17A/17B	The Cotton Outlook in a Changing World	(2 Tape Set)	$14.00	
	GR-18	The Emerging North American Red Meat and Poultry Outlook		$ 7.00	
	GR-19	Forces Shaping the Fruit and Vegetable Industry		$ 7.00	
	GR-20	Business Update on Farm-Based Industrial Products		$ 7.00	
	GR-21	The Status of Rural Families with Children		$ 7.00	
	GR-22	The U.S. and World Tobacco Outlook		$ 7.00	
	GR-23	Outlook For Oilseeds and Industry Issues		$ 7.00	
	GR-24	Biotechnology Applications and Consumer Attitudes		$ 7.00	
	GR-25	Food Prices and Demand in 1993 and Beyond		$ 7.00	
	GR-26	Sustainable Perspective on Farming Practices and Quality of Life		$ 7.00	
	GR-27	Agriculture Outlook, Marketing Trends, and Inspection Issues		$ 7.00	
	GR-28A/28B	1993 Sugar and Sweeteners Outlook & Future Directions in Sweeteners Used	(2 Tape Set)	$14.00	
	GR-29A/29B	Teaching Better Nutrition: Using the Food Guide Pyramid; Nutrition Education for the '90's & Beyond	(2 Tape Set)	$14.00	
	GR-30A/30B	Rural Development Policies and Prospects	(2 Tape Set)	$14.00	
	GR-31A/31B	Changing Maritime Transportation and Agricultural Trade	(2 Tape Set)	$14.00	
	GR-100	COMPLETE AUDIO SET (Cassettes in Storage Albums)		$196.00	

All presentations are unedited & verbatim material on high quality audio tapes. All sales final.
Please include payment with your order.

SUBTOTAL	
TAX 5% (Maryland only)	
SHIPPING & HANDLING (Audio tapes only) U.S. & Canada	$ 4.00
FOREIGN SHIPPING $4.00 per tape *** Maximum $40.00	
TOTAL AMOUNT DUE	

METHOD OF PAYMENT:
___ Enclosed is my CHECK (Drawn on US Bank in US Funds)
___ VISA ___ MASTERCARD ___ AMEX

DATE _____

PLEASE PRINT

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone No. ( )

Acct. No. _____

Exp. Date _____

Signature _____

MAIL TO: SATELLITE BROADCASTING
4580E MACK AVENUE
FREDERICK, MD 21701

charter member, INTERNATIONAL SOCIETY OF COMMUNICATIONS SPECIALISTS

VIDEO CASSETTE - ORDER FORM

Agriculture Outlook '93

PROFESSIONALLY
RECORDED & DUPLICATED BY
SATELLITE BROADCASTING
4580E MACK AVENUE
FREDERICK, MARYLAND 21701
Phone 1(800) 747-0856
1(301) 662-0371
Fax 1(301) 662-4014

USDA HEADQUARTERS
Washington, DC
December 1 - 3, 1992

AT THE CONFERENCE
You may purchase tapes at our booth in the registration area.

AFTER THE CONFERENCE
Return this convenient mail order form. Tapes will be sent within two to three weeks.

COMPLETE VIDEO SET $ 165.00

Qty.	Tape No.	Title	Price	Amount
	GRV-01	Keynote Address "Aguriculture's Changing Horizon" and '93 Economic and Farm Outlook	$ 15.00	
	GRV-02	Prospering in a Changing World Marketplace	$ 15.00	
	GRV-03	Meeting the Challenges of a Changing Society	$ 15.00	
	GRV-04	Long-Term Prospects for Agriculture	$ 15.00	
	GRV-07	The Food Grains Outlook and Wheat Trade Issues	$ 15.00	
	GRV-12	The Outlook for Feed Grains and Byproducts	$ 15.00	
	GRV-18	The Emerging North American Red Meat and Poultry Outlook	$ 15.00	
	GRV-23	Outlook For Oilseeds and Industry Issues	$ 15.00	
	GRV-29A	Teaching Better Nutrition: Using the Food Guide Pyramid	$ 15.00	
	GRV-29B	Nutrition Education for the '90's and Beyond	$ 15.00	
	GRV-32	'93 Commodity Outlook Highlights	$ 15.00	
	GRV-100	COMPLETE VIDEO SET	$165.00	

SUBTOTAL	
FOREIGN COUNTRY VERSIONS at $5.00 EXTRA / TAPE	
TAX 5% (Maryland only)	
SHIPPING & HANDLING (U.S.A.)	$ 5.00
FOREIGN SHIPPING $5.00 per Tape	
TOTAL AMOUNT DUE	

All presentations are unedited & verbatim material on high quality video tapes. All sales final.
Please include payment with your order.

Foreign Country Versions Available at $ 5.00 EXTRA PER TAPE
I Need My Tape IN ___PAL/___SECAM Format

METHOD OF PAYMENT:
___ Enclosed is my CHECK (Drawn on US Bank in US Funds)
___ VISA ___ MASTERCARD ___ AMEX

Acct. No. _____
Exp. Date _____
Signature _____

DATE _____

MAIL TO:

PLEASE PRINT

Name _____
Company _____
Address _____
City _____ State _____ Zip _____
Phone No. ( ) _____

SATELLITE BROADCASTING
4580E MACK AVENUE
FREDERICK, MD 21701

charter member, INTERNATIONAL SOCIETY OF COMMUNICATIONS SPECIALISTS