COMMITTEE ON FINANCE
NEWS RELEASE
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2008 FARM BILL:
TRADE PROVISIONS HELPING FARM COUNTRY

The conference report on the 2008 farm bill will contain a number of trade-related measures that accomplish a number of vital purposes for this agriculture legislation – from funding the farm bill's provisions to leveling the trade playing field for winemakers and lumber producers

CUSTOMS USER FEES

Congress first established customs user fees in 1986 to offset inspection costs that were previously funded solely by general taxpayer revenue. To raise the $10 billion necessary to offset the cost of spending provisions in the final 2008 farm bill, the final conference report extends all customs user fees until September 30, 2017, and requires pre-payment of some fees due in late 2017 and early 2018, requiring U.S. Customs and Border Protection (CBP) to reconcile overpayments or underpayments within 30 days to hold importers harmless for any error.

ETHANOL TRADE PROVISIONS

In addition to a six-cent reduction in the ethanol tax credit, the farm bill also includes an extension of the current tariff on imported ethanol through 2010. Another ethanol provision involves clarification of eligibility for a drawback (a rebate on duties, fees, or taxes paid on imported goods when a U.S. business subsequently exports goods that are basically the same). The bill closes a loophole currently allowing exporters of jet fuel to claim a refund of duties on imported ethanol blended with gasoline, even though they are exporting a different product.

SOFTWOOD LUMBER IMPORTER DECLARATION PROGRAM

Timber is an important agricultural product, and the United States both produces and imports significant amounts of timber-related products, including softwood lumber. The farm bill will require American importers of softwood lumber to declare that their imports are consistent with the terms of international agreements, obligate CBP to verify that the importer's declarations are true and accurate, and impose penalties for knowing violations.

WINE DUTY DRAWBACK

Currently, CBP permits drawback claims (see above) on wine based on the wine color – red or white – not based on a grape varietal such as Chardonnay or Cabernet. Customs has announced that it plans to replace the existing definition in favor of a one based on wine varietal, which would substantially reduce rebates available to American winemakers competing globally. The Farm Bill provision would retain current practice, helping American winemakers retain current benefits.

STAY OF CHANGES TO FIRST SALE RULE

The practice of "First Sale" allows an importer to assess the value of imported goods based on the first sale of goods destined for the United States, regardless of when that sale occurred. Without consulting Congress, CBP has proposed to assess duties on the "last sale" of goods, which could increase significantly the duties paid by American importers. The farm bill includes a sense of Congress that CBP should not from apply this change until at least 2011, while studying the economic and revenue impacts of the practice.

The bill also contains provisions to extend preferential access to the U.S. market for certain products from select countries in the Caribbean Basin region through the Caribbean Basin Initiative, and to expand duty-free access to the U.S. market for certain products made or partially made in Haiti.