

**Statement by John Brewer
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U.S. Department of Agriculture
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Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture
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Mr. Chairman, members of the Subcommittee, I am pleased to appear before you today.

I welcome the opportunity to discuss the trade programs administered by the U.S. Department of Agriculture (USDA).

INTRODUCTION

The Foreign Agricultural Service (FAS) is the lead agency of the U.S. Department of Agriculture (USDA) responsible for addressing the challenges and opportunities of the dynamic global marketplace by expanding foreign market access for U.S. products, building new markets, improving the competitive position of U.S. agriculture, and addressing food security and capacity building in foreign countries. FAS has the primary responsibility within USDA for international market development and export financing, trade agreements and negotiations, and the analysis and dissemination of vital market intelligence and data to agricultural producers and exporters. FAS administers food aid programs and mobilizes USDA's unique resources and expertise in agricultural development activities.

FAS relies on its global network of agricultural economists, market development experts, negotiators and trade specialists both in Washington, DC, and its approximately 100 international offices that cover 156 countries. FAS attachés and counselors serving at U.S. Embassies are our eyes and ears around the world, providing the agricultural expertise to identify and seize

opportunities, by capturing real-time information on emerging trade and market development issues, and averting problems before they become trade barriers that impede U.S. exports.

IMPORTANCE OF MAINTAINING AND EXPANDING AGRICULTURAL TRADE

At FAS, we are proud of our contributions to growing U.S. agricultural exports. Last month Secretary Vilsack announced that U.S. farm exports are expected to reach a record \$135.5 billion in Fiscal Year (FY) 2011, eclipsing the 2008 record by more than \$20 billion. Compared to FY 2010, export value is expected to grow by 25 percent and volume by 10 percent. The agricultural trade surplus is projected to reach a record \$47.5 billion. Agriculture is a bright spot in the U.S. trade portfolio where we have been consistently running a trade surplus.

These numbers are good news, not just for farmers and ranchers and the businesses and communities that support them, but for our Nation's economy as a whole. Every \$1 billion in agricultural exports generates an additional \$1.31 billion in economic activity and supports 8,400 American jobs. Agriculture continues to play an important role in support of President Obama's National Export Initiative goal of doubling all U.S. exports within 5 years.

As the President recently said, "We know what it will take for America to win the future. We need to out-innovate, we need to out-educate, we need to out-build our competitors. We need an economy that's based not on what we consume and borrow from other nations, but what we make and what we sell around the world. We need to make America the best place on Earth to do business." USDA stands ready to meet this challenge.

We must open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live. Participants from all corners of the U.S. agricultural community utilize FAS-administered trade programs to reach these consumers, complementing Administration

efforts to open and maintain markets through trade negotiations, diplomacy, and enforcement of trade agreements.

MARKET DEVELOPMENT PROGRAMS

FAS-administered export development programs include: the Market Access Program (MAP), Foreign Market Development (Cooperator) Program (FMD), Technical Assistance for Specialty Crops Program (TASC), Quality Samples Program (QSP), and Emerging Markets Program (EMP). These cost-share programs provide partial matching funds to eligible U.S. organizations to conduct a range of activities, including market research, consumer promotion, maintaining and expanding relations with foreign buyers, market development, and market access support. This partnership in market development programs provides a long-term commitment to support U.S. producers and exporters to increase sales to current and potential customers in foreign markets. FAS staff assists U.S. agricultural trade associations and others to develop programs that build on effective strategic planning, involve broad industry representation, identify the best prospects for their products overseas, and show positive results.

Market Access Program (MAP)

The largest market development program operated by the Department is the Market Access Program (MAP). MAP is a cost-share program that uses funds from USDA's Commodity Credit Corporation (CCC) to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. MAP forms partnerships between non-profit U.S. agricultural trade organizations, U.S. agricultural cooperatives, non-profit State Regional Trade Groups, and small and medium-sized U.S. commercial entities to share the costs of overseas marketing and promotional activities, such as consumer promotions, market research, and trade show participation. The current Farm Bill makes available \$200 million of CCC funds for MAP

this year; that amount is paired with industry contributions. Applicants submit MAP proposals to USDA as part of a competitive Unified Export Strategy (UES) process, which allows applicants to request funding for various USDA foreign market development programs through a single, strategically coordinated proposal. One strength of the UES process is that utilizing the complementary nature of the various market development programs is emphasized. For example, using both MAP and Quality Sample Program (QSP) funds in a coordinated effort of technical support and test product, the Cranberry Marketing Committee has made great strides in developing the Mexican market by targeting food manufacturers. In just two years, 33 new products containing cranberries were introduced in Mexico, and U.S. cranberry exports increased by 42 percent in one year.

In addition to generic promotions, MAP has a brand promotion component that provides export promotion funding to over 600 small companies and agricultural cooperatives annually. To conduct branded product promotion activities, individual companies must provide at least 50 percent of funding. Most small companies and agricultural producer cooperatives access market development programming through one of the four State Regional Trade Groups (SRTGs)—Food Export Association of the Midwest USA, Food Export USA Northeast, Southern United States Trade Association, and Western United States Agricultural Trade Association. The SRTGs work closely with the State Departments of Agriculture in their respective regions to identify eligible company participants and export opportunities, and then bring the two together. In that effort, SRTGs provide small companies with export readiness training and organize trade missions, as well as branded programming opportunities to directly access MAP funds for individual company promotions and trade show participation.

WildRoots, a small healthy snack food company, with two production facilities in Illinois and one in Nebraska, matched MAP branded funds to market their products in Canada. Export sales soared from zero in 2008 to over \$4 million in 2010. The company buys blueberries from Michigan, corn and soy products from Illinois, oats from Nebraska, cranberries from Massachusetts, and almonds from California. According to a WildRoots co-founder, “Without the branded program, we simply would never have been able to compete with Canadian producers. It has moved our business to a new level and has promoted U.S.-based agricultural products, creating jobs in an economy that desperately needs them.”

Foreign Market Development (Cooperator) Program (FMD)

The Foreign Market Development (Cooperator) Program (FMD) is a cost-share program that aids in the creation, expansion, and maintenance of long-term export markets for U.S. agricultural products. The current Farm Bill makes available \$34.5 million CCC funds for FMD this year. The program fosters a trade promotion partnership between USDA and U.S. agricultural producers and processors who are represented by non-profit commodity or trade associations called Cooperators. Under this partnership, USDA and each Cooperator pool their technical and financial resources to conduct overseas market development activities that are generic in nature. Activities must contribute to the maintenance or growth of demand for the agricultural commodities and generally address long-term foreign import constraints and export growth opportunities. Programs focus on matters such as reducing infrastructural or historical market impediments, improving processing capabilities, modifying codes and standards, and identifying new markets or new applications or uses for the agricultural commodity or product in the foreign market. Twenty-one organizations representing a broad sample of U.S. agriculture,

including peanuts, sunflower, soybeans, livestock genetics, dry beans, wheat, poultry, and rice, benefited from receiving a total of \$34.15 million in fiscal year 2010 through the FMD program.

Through the FMD program, U.S. sunflower producers' activities are paying dividends in Spain. To increase awareness of confectionary sunflower seed and build demand in Spain, the National Sunflower Association (NSA) used FMD funding to create and implement an integrated and highly successful marketing program of trade advertisements, newsletters, trade shows, seminars, and trade missions. Through this work, U.S. sales to Spain reached nearly \$270 million, making Spain the top market for U.S. confectionary sunflower seeds, and generating jobs in top sunflower producing states including Colorado, Kansas, Minnesota, North Dakota, Oklahoma, South Dakota, and Texas.

Economic Impact of MAP and FMD Programs

The economic impact of the MAP and FMD programs is impressive. An FAS commissioned cost-benefit analysis in March 2010 concluded that the programs effectively leveraged private and public sector resources in a unique partnership to increase U.S. food and agricultural exports. The analysis concluded for the time period 2002 through 2009 that U.S. food and agricultural exports increased by \$35 for every dollar invested by government and industry on market development. Additionally, U.S. agricultural exports in 2009 were \$6.1 billion higher than they would have been without the increased investment in market development. The study also found that an estimated 47 percent of the programs' total trade impact accrued to commodities not receiving market development assistance – a phenomenon known as the “halo” effect. In other words, non-promoted U.S. commodities benefited from increased promotion of other U.S. commodities in the same market.

Quality Samples Program (QSP)

The Quality Samples Program (QSP) helps U.S. agricultural trade organizations provide samples of their agricultural products to potential importers overseas, thus encouraging potential customers to discover U.S. quality. The QSP also allows manufacturers overseas to do test runs to assess how U.S. food and fiber products can best meet their production needs. USDA has approved QSP proposals to promote a wide variety of U.S. commodities, including wheat, citrus, cranberries, ginseng, hops, potatoes, hides, rice, and soybeans. Many other commodities are eligible. Organizations received funding allocations under QSP in Fiscal Year 2010 for approximately \$1.89 million of CCC funds.

One example of how QSP has fostered interest in U.S. product is sheepskin exports to China. The American Sheep Industry Association reports QSP as a key factor in convincing reluctant buyers to try U.S. sheepskins. Following QSP trials in China, two companies have become regular and consistent buyers of U.S. sheepskins. As of last year, U.S. sheepskin exports to China had increased significantly to 1.1 million pieces.

Emerging Markets Program (EMP)

In 2010, the Emerging Markets Program (EMP) assisted Wisconsin ginseng growers battle counterfeits. For more than a decade, the Ginseng Board of Wisconsin (GBW) has struggled with Chinese counterfeiters selling fake Wisconsin Ginseng. With 90 percent of its exports going to China, the GBW moved aggressively to regain control of its brand. Using EMP, GBW initiated research to develop a technique to detect trace elements of ginseng's valuable root to Wisconsin or where it was grown originally; initial findings are promising.

EMP is specifically designed to improve market access and develop or promote exports of U.S. agricultural commodities and products to low and middle income emerging markets

through cost-share assistance to eligible applicants for approved technical assistance activities. Emerging markets are defined as those target countries or regional country groupings with per capita income of less than \$11,905 (the current ceiling on upper middle income economies as determined by the World Bank) and populations greater than one million. Private, Federal, and state organizations are eligible to participate in EMP. For Fiscal Year 2010, the EMP program supported 83 agricultural export promotion projects with funding totaling \$8.3 million.

Technical Assistance for Specialty Crops (TASC)

Last year, the Technical Assistance for Specialty Crops (TASC) program was instrumental in assisting the U.S. potato exporters in overcoming a Thai phytosanitary protocol that was preventing U.S. exports from certain states. Following several months of negotiations between the Thailand Department of Agriculture and USDA, the U.S. Potato Board (USPB) used TASC to arrange for Thai officials to visit the U.S. and review U.S. seed certification procedures, seed cultivation practices and phytosanitary mitigation measures. Following this activity, Thailand agreed to additional market access that more than doubles – to fourteen – the number of states eligible to export seed potatoes to Thailand. Seed potatoes from Colorado, Maine, Michigan, Minnesota, Montana, Nebraska, New York, North Dakota, Wisconsin and Wyoming may now be exported to Thailand. FAS estimates sales of \$250,000 to \$500,000 during the first year of Thai market access, while the USPB estimates that expanded market access could boost exports to Thailand to \$1 million in three to five years.

Another example is U.S. hops exports to Canada. With more than \$18 million in hops exports, Canada is the fifth largest export market for U.S. producers. In response to limited pesticide tolerances in Canada that potentially threatened trade, TASC funds supported U.S. hops industry efforts to work with regulators in Canada in establishing five new hops-related

maximum residue levels in Canada for pesticides critical to U.S. hop production. The Canadian tolerances were set at safe levels that allow U.S. hop growers to apply essential U.S. crop protection tools that significantly reduce the risk of shipping hops to Canada. Given that over half of U.S. hop production is exported, the setting of pesticide tolerances in one of the industry's most crucial export markets has been vital for this industry.

These are just two examples of how U.S. exports have grown as sanitary, phytosanitary, and technical barriers that denied market access to U.S. agricultural products were resolved successfully. The TASC program assists U.S. food and agricultural organizations in addressing phytosanitary and technical barriers that prohibit or threaten the export of U.S. specialty crops. Using TASC, USDA has successfully helped U.S. exporters regain market access for millions of dollars of products from almonds to spinach. The current Farm Bill provides \$9 million in CCC funds for the TASC program this year.

Export Credit Guarantee Program (GSM-102)

FAS, in conjunction with the Farm Service Agency, administers the CCC-funded export credit guarantee program (GSM-102) for commercial financing of U.S. agricultural exports. The GSM-102 program facilitates exports to buyers in countries where credit is necessary to maintain or increase U.S. sales. In FY 2010, guarantees covered \$3.09 billion in sales that ran the gamut from corn to Costa Rica to soybeans to Indonesia and from wheat to Nigeria to wood chips to Turkey. In FY 2011, we expect to make available approximately \$5.5 billion in GSM-102 guarantees for U.S. agricultural exporters to target sales to over 100 eligible country destinations.

CONCLUSION

As Administrator of USDA's Foreign Agricultural Service, I am proud of our efforts to improve foreign market access for U.S. products, build new markets, and improve the

competitive position of U.S. agriculture in the global marketplace. We look forward to continue working with Congress in support of our efforts to open markets around the world for U.S. agricultural products. Agricultural trade remains a bright spot in the U.S. economy, consistently producing a trade surplus and creating American jobs. As Secretary Vilsack said, "Our export success is a testament to the productivity of our farmers and ranchers and underscores the quality and value of U.S. farm and food products."

This concludes my statement. I look forward to answering any questions you may have.

Thank you.

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