Statement of Joe Steinkamp
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before the
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Opening Remarks

Good morning, Chairman Rouzer, Ranking Member Costa, and Members of the Subcommittee. My name is Joe Steinkamp, I am a soybean farmer from Evansville, Indiana. Since 2013 I have served as a director for the American Soybean Association (ASA). Thank you for inviting me to testify before the Subcommittee today on the importance of export promotion programs including the Market Access Program (MAP) and the Foreign Market Development Program (FMD). My testimony today is on behalf of both the American Soybean Association as well as the Coalition to Promote U.S. Agricultural Exports (MAP coalition) and the Agribusiness Coalition for Foreign Market Development (FMD coalition).

ASA is the national, not-for-profit organization that represents U.S. soybean farmers on policy and international issues. The MAP and FMD coalitions embody over 75 organizations representing farmers and ranchers, fishermen and forest product producers, cooperatives, small businesses, regional trade organizations and the state Departments of Agriculture. We appreciate the opportunity to appear before you today, and commend you for holding this hearing to review export promotion programs and their effectiveness in expanding exports of U.S. agricultural products.

Importance of MAP/FMD

In order to bolster U.S. international market development efforts, further boost U.S. agricultural exports, and help U.S. agriculture and related businesses in rural America prosper, the Coalition to Promote U.S. Agricultural Exports and the Agribusiness Coalition for Foreign Market Development strongly believe that Market Access Program (MAP) funding should be increased to $400 million annually and Foreign Market Development (FMD) program funding to $69 million annually, with the increases phased in as part of the next Farm Bill.

Agricultural exports are one of the brightest lights in the U.S. economy, with a strong multiplier effect that is especially pronounced in rural communities. According to USDA's Economic Research Service (ERS):

- The $150 billion in U.S. agricultural exports that occurred in 2014 produced an additional $190 billion in economic activity for a total of $340 billion of economic output;
- Those agricultural exports supported 1.1 million full time U.S. civilian jobs, including 800,000 in the non-farm sector (73 percent of the total employment effect) required to assemble, process and distribute agricultural products for export;

- This represents 7,550 jobs for every $1 billion of agricultural export revenue.

Agricultural export market development depends on long-standing, successful partnerships between non-profit U.S. agricultural trade associations, farmer cooperatives, non-profit state-regional trade groups, small businesses, and USDA to share the costs of overseas marketing and promotional activities such as market research, trade shows, trade servicing, and retail and educational promotions.

Under the MAP and the FMD program, administered by USDA's Foreign Agricultural Service (FAS), these private-sector groups contribute an estimated $468.7 million annually, primarily from farmer-funded check-off programs, into international market development and promotion. In fact, these "industry" contributions, which are leveraged by public funds, represent more than 70 percent of the buying power of the programs.

Nowhere is the importance of export promotion more evident than in the U.S. soybean industry. Soybeans and soybean products are our country's number one export commodity. Last year, we exported a whopping $28 billion in soybeans, soybean oil and soybean meal. This amount represents one-fifth of all U.S. agricultural exports and over 62 percent of U.S. soybean production.

A 2016 study commissioned by the U.S. Soybean Export Council showed that international marketing activities conducted on behalf of U.S. soybean growers increased soybean exports each year by an average of 993,600 metric tons (MT), or nearly 5 percent. For soybean meal and soybean oil, the average annual growth over that period was estimated to be somewhat larger at 15 percent (808,600 MT) and 24 percent (149,600 MT), respectively.
This translates to $29.6 of additional export revenue per dollar spent on international promotion. At the producer level, that additional export revenue translates into a cost benefit ratio of $10.1 in additional profit to grower per dollar spent on international promotion.

This impressive export growth could not have been achieved without the unique government-industry partnership that characterizes the market development and export promotion programs administered by the Foreign Agricultural Service (FAS) and carried out by organizations representing U.S. farmers and ranchers. By any measure, the Foreign Market Development "Cooperator" Program and the Market Access Program have been tremendously successful and extremely cost-effective in helping expand U.S. exports of soybeans and other agricultural commodities such as corn, wheat, rice, cotton, livestock and meat products, dairy, forest products, peanuts, seafood, and a host of horticultural products. I have been asked by the Subcommittee to concentrate my testimony on the Foreign Market Development Cooperator Program and its role in expanding U.S. agricultural exports.

The Foreign Market Development (Cooperator) Program

The Foreign Market Development (FMD) Program is a public-private partnership program dedicated to long term market development of foreign markets for U.S. agricultural exports.

Under the FMD program, U.S. Government funding is leveraged with contributions by U.S. farmers, ranchers, and agri-industry to carry out targeted market development activities. Activities implemented under the FMD program are most often focused on opening and maintaining foreign markets, while working on long-term changes to key constraints affecting a market to allow for increased U.S. exports. FMD allows U.S. market development organizations that represent U.S. farmers and ranchers (referred to as "Cooperators" due to the cooperative private-public partnership they have with FAS) to establish an on-ground country or regional presence, identify new markets and address long-term foreign import constraints and export growth opportunities. The FMD Program provides cost-share assistance to allow market development cooperators to:

1. Conduct market research. This includes: investigating the volume of in-country product to meet demand in a market; the suitability/viability of in-country product; the compatibility of US product; variables to market success; importance of exports from other competing countries; history of product domestically/internationally; competitiveness of U.S. product; infrastructure capabilities to import U.S. products; and access to importers/processors/retailers.

2. Carry out market analysis. This includes: determining the size of a current market; potential size of the market in the future if structural changes were made to allow for an improved market environment; the opportunity for U.S. exports and likely U.S. share; impediments to trade; political situation, demographics, and economic stability of the market; long-term viability of in-country demand; and government accessibility and regulatory environment for market access.

3. Implement long-term market development activities following up on favorable market research and analysis. Implementation of market development activities constitutes the bulk of funding and activities under the FMD program. Market development activities include: supporting the long-term presence of people and office facilities in key markets to develop sound and expanding trade relationships; providing technical assistance to buyers and users of the product; capacity building and education through seminars and one-on-one work that ensure market growth for participating commodities and products; facilitating trade teams to U.S. to see U.S. production standards and supply infrastructure; facilitating U.S. farmer, rancher, and industry visits to current and prospective markets to develop import networks and product specifications to meet local market needs.

Under the FMD program, private sector Cooperators such as ASA, U.S. Wheat Associates, U.S. Grains Council, USA Rice Federation, Cotton Council International, National Peanut Council and others work with U.S. producers, exporters, and others in the industry to develop strategic marketing plans detailing market characteristics, constraints limiting U.S. exports, and proposed activities to overcome those constraints. These detailed marketing plans are submitted to FAS as a "Unified Export Strategy" for the U.S. commodity in question. FAS reviews all submitted Unified Export Strategies and makes FMD funding allocations based on criteria included in FMD program regulations that include cost-share contributions by U.S. industry, capabilities and experience of the Cooperator in successfully developing markets and increasing U.S. exports, importance of the commodity in overall U.S. agricultural trade, and anticipated increases in U.S. exports resulting from the FMD funding.

Examples of How ASA Has Utilized FMD Program Cost-Share Funding to Develop Foreign Markets for U.S. Soybeans and Products

ASA became the first USDA-funded Cooperator under the FMD program in 1956, when we opened a foreign market development program in Tokyo, Japan. At that time, Japan was importing only small quantities of U.S. soybeans, and the Japanese had expressed concerns about the quality of U.S. soybeans. During our first year, ASA participated in a series of trade fairs and partnered with a coalition of Japanese business interests in conducting market development activities. Our in-country staff worked closely with Japanese industry leaders at all stages, from buyer to retailer, as well as with university and research technicians, and the technical and popular news media.

Japan proved to be an ideal country to begin export promotion, becoming our largest foreign market in the 1970s, 1980s, and 1990s. Over the years ASA worked with feed millers and the Japanese swine, dairy, and poultry industries to educate and demonstrate the value of putting high-quality soybean meal made from U.S. soybeans in feed rations. ASA collaborated with Japanese soybean processors and importers to develop close and outstanding trade relations and to increase the quality and demand for soybean oil made from U.S. soybeans, both in the human utilization market as well as in the industrial and printing ink markets. Additionally, ASA partnered with the Japanese tofu, natto, and miso industries to demonstrate the quality of U.S. food grade soybeans and to link Japanese importers with U.S. exporters. Our office in Tokyo continues to service this critical market today, and Japan remains a top market for U.S. soybean products, surpassed only by China and Mexico. U.S. exports of soybeans to Japan today are valued at $1.3 billion.

ASA went on to open other foreign offices and to conduct market development activities in other markets. From regional and country offices located in strategic areas, ASA International Marketing staff and consultants continue to implement market development activities with customers around the world that are increasing demand for U.S. soybeans and soy products today.

But while Japan represents our first success story, China is perhaps our most impressive. ASA opened an office in Beijing in 1982. At that time China did not have a vertically-integrated animal feed industry, and livestock production lacked health and nutritional standards. China has the largest swine herd on the planet, but much of it was backyard-based and did not include soybean meal in diets. Similarly, while China produces more fresh water aquaculture fish than the rest of the world combined, 20 years ago none of the fish feed included soybean meal. Through a long-term and comprehensive program to demonstrate the value of soy-based feeds, ASA helped build demand for soybeans to the level China imports today. Since 1995, while feed use in China grew 140 percent, soybean meal used in animal feed rose an astronomical 839 percent. And we've seen the amount of soybean meal used in aquaculture feeds grow from zero just 20 years ago to 7 million metric tons this year. The value of U.S. soybean exports to China has grown 26 fold, from $414 million in 1996 to over $14 billion in 2016.

Mexico is another example. With technical assistance and education and nutrition seminars sponsored by ASA International Marketing, Mexico has gained an appreciation of the benefits of soy for human consumption. Mexico's retailers now sell millions of liters of soy-fruit beverages, among other products. And U.S. soy exports have grown over the years from virtually zero in the late 1970's to the current value of $2.5 billion in 2016.

The FMD program provides cost-share assistance to ASA and our export arm, the U.S. Soybean Export Council, to implement activities that have set the stage for the growth of U.S. soybean exports. With the assistance of the FMD program, we have launched a large number of feeding and demonstration trials in key international markets. Through capacity-building activities such as training and on-farm consultations to promote improved swine and poultry practices, as well as education on the benefits of soy protein for human consumption, the FMD program has been extremely successful in helping us develop product specifications and the supply networks to build demand for our products and meet local market needs. More recently, we have engaged in market development activities to promote the use of soy for industrial products such soy ink, solvents, lubricants, and engine oils, to name just a few.

These FMD funds have been leveraged with contributions by U.S. soybean farmers themselves through the soybean checkoff, as well as with contributions by U.S. exporters. Today, the FMD funds ASA receives are leveraged with soybean farmer and industry funding on a 2-to-1 basis – meaning that for every $1 invested in market development by the FMD program, U.S. soybean farmers and industry are investing $2 to more than match FMD funding.

Four Important Points about the FMD "Cooperator" Program

1. FMD is *cost-effective.* Funds are awarded on a competitive basis via a comprehensive industry strategy evaluated by FAS using a formula that takes into consideration export potential, experience with managing export programs as well as industry contributions. The process helps ensure that U.S. taxpayer's money is being invested in the agricultural sector and organization with the highest chance of success. Every organization that participates in the FMD program *must* contribute its industry's resources to the program. Thus, U.S. Government expenditures actually leverage more resources for foreign market development than American agriculture would be able to accomplish with only private sector funds.

2. The FMD program increases export of U.S. agricultural products. I've highlighted just a few examples of how U.S. soybean farmers have successfully utilized cost-share assistance provided under the FMD program to develop long-term markets and increase exports. Similar success

stories can be told by the U.S. corn, rice, wheat, cotton, livestock, forestry, and horticultural product industries.

3. The FMD program helps U.S. agriculture overcome the effects of foreign trade practices. U.S. agricultural exports often face subsidized or otherwise unfair competition from foreign products. U.S. agricultural organizations utilize FMD resources to combat the multitude of challenges in the international marketplace.

4. The FMD program helps keep U.S. agricultural exports strong, which in turn supports 1.1 million American jobs. These jobs were on the farm, ranch, in the forest and on the water, as well as in banking, transportation, processing and other related industries. Every state and local economy in the U.S. has jobs that are dependent upon healthy exports of U.S. agricultural products.

Need for Funding Increase

A 2016 econometric study of export demand by Informa Economics IEG, working with Texas A&M University and Oregon State University economists, showed that between 2002 and 2014:

- a return on investment by MAP and FMD of a remarkable $24 in export gains for every additional $1 spent on foreign market development, consistent with results from several previous studies;
- a dramatic average annual increase in farm income of $2.1 billion because of program activities;
- creation of 239,000 new full and part-time jobs related to the programs.

Federal funding for MAP was last increased in the 2002 Farm Bill, reaching $200 million annually in 2006. Federal funding for the FMD program was last increased in the 2002 Farm Bill to $34.5 million annually. Since the last increases were approved, the size of the foreign agricultural market that those funds are meant to develop has more than tripled to more than $800 billion dollars a year.

Despite a tremendous growth in U.S. agricultural exports and opportunities for farmers and small businesses abroad, the real, effective federal funding that reaches the agricultural cooperators carrying out market development work has steadily eroded even while international competitors continue to greatly outspend us.

Looking just at the FY16 FAS allocation of MAP and FMD funding, the factors that have caused the erosion include:

- Sequestration in FY16 reduced annual available MAP funding by $13.6 million and FMD funding by $2.4 million.

- USDA administrative expenses in FY16 reduced available MAP and FMD program funds by $6.6 million.

- Since the 2002 Farm Bill was enacted, inflation and a depreciated U.S. dollar have reduced the real, effective promotional power of U.S. agricultural market development programs by almost 30 percent.

The result is fewer dollars for actual programs, even while demand for the benefits these programs provide increases.

In FY17, just $173.5 of the $200 million MAP appropriation was allocated to the 68 non-profit commodity organizations participating in the program. Just $26.6 million of the FMD appropriation was allocated to the 23 non-profit commodity organizations participating in that program. Taking inflation into account, this means the $200.1 million total that FAS awarded for MAP and FMD in FY17 had an actual promotional power of only $140.1 million.

Other Important Considerations

- With growing global food demand, MAP and FMD participants have the opportunity to service more customers who seek to buy an increasing volume and variety of products. In fact, since the 2002 Farm Bill, overall agricultural imports of the overseas markets that U.S. exports are competing for rose by more than 330 percent, from $247 billion in 2002 to $834 billion. This significant increase in market size, combined with the diminished purchasing power of MAP and FMD funding since 2002, means that our producers are not well equipped to take on more aggressive foreign competition.

- New demands on MAP and FMD funding related to work on non-tariff trade barriers, while reflecting the collaborative work that cooperators often do to supplement efforts of FAS and other regulatory agencies, put greater strain on funding that in the past went exclusively to market development and promotion activities.

- A 2015 survey of the cooperators showed that they could readily make effective use of a considerable increase in MAP and FMD funding. In addition, more non-profit producer groups are establishing national organizations and are anxious to apply for program funding. Greater demand will be placed on the fixed program funds as more organizations become eligible to apply for MAP and FMD.

- Competitors in foreign countries receive substantially more public support than is provided to U.S. agricultural exporters. A 2013 study showed that in 2011, competing government support for agricultural exports from just 12 countries and the EU central government (not including individual member states) was $700 million per year. For comparison, the U.S. budgets approximately $235 million annually in public funds through MAP and FMD for agricultural export promotion and market development. A

2016 study of competitive agricultural export market development investments showed that the EU allocates $255 million annually just to promote wine.

Conclusion

The FMD and MAP programs are among the few tools that help American agriculture and American farmers remain competitive in the global marketplace. They are considered to be non-trade distorting or "Green Box" programs under World Trade Organization (WTO) rules.

These cost-share market development and export promotion programs help keep U.S. agricultural exports strong, which in turn support over one million American jobs. These jobs are on U.S. farm and ranches, but also are in processing, transportation, financing, and other related industries. Every state and local economy in the U.S. has jobs that are dependent upon healthy exports of U.S. agricultural products.

Agricultural exports have for years been the strongest positive contributor to our nation's balance of trade. Increasing exports is a significant tool to improve the lives of America's farmers and ranchers while creating jobs, improving our balance of trade, expanding the farm economy and larger U.S. economy, and increasing receipts to the Treasury. The FMD and MAP programs have been critically important to this success. ASA and the MAP and FMD Coalitions hope this hearing will strengthen the resolve of Congress to not only maintain but to increase the support for agricultural export promotion programs, as well as strong support for the Foreign Agricultural Service of USDA. I would be happy to answer any questions the Subcommittee may have.