



**Statement by Stephen Censky, Chief Executive Officer
American Soybean Association**

before the

**Subcommittee on Rural Development, Research, Biotechnology, and Foreign
Agriculture
Committee on Agriculture
U.S. House of Representatives**

April 7, 2011

Good morning Mr. Chairman and Members of the Subcommittee. I am Stephen Censky, and I serve as Chief Executive Officer of the American Soybean Association (ASA). ASA is the national, not-for-profit organization that represents U.S. soybean farmers on policy and international issues. 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.

Soybeans and soybean products are our country's number one export commodity. Last year, we exported a record-setting \$23 billion in soybeans, soybean oil and soybean meal. This amount represents one-fifth of all U.S. agricultural exports and over 50 percent of U.S. soybean production.

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. It 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 commodity Cooperators 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 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: feedmillers 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; Japanese soybean processors and importers to develop close and outstanding trade relations; Japanese processors 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; and 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 today continue to implement market development activities with customers around the world that are increasing demand for U.S. soybeans and soy products.

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 of demonstrating 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 \$11 billion in 2010.

Many other successes can be cited to demonstrate the value of the FMD program in expanding U.S. agricultural exports around the world. FMD-supported programs began in Turkey in the 1980s. At that time, U.S. soy exports were valued at only \$4 million annually and the United States was only a minor supplier. With support from the FMD program, ASA and the soybean industry began working with Turkey's poultry and feedmilling industries to educate them on the value of using soybean meal in rations. Later, as local investors and companies developed plans to build soybean processing plants in Turkey, ASA provided technical assistance and developed close trade relations, educating these buyers on how to buy from the United States, how to hedge price risk, and how to produce high-quality products from U.S. soybeans. Poultry producers now enjoy the benefit of better quality feed, U.S. equipment manufacturers have seen their sales to Turkey grow, and the U.S. soybean industry continues to grow soybean exports. Today, Turkey's imports of U.S soybeans, meal and oil have reached \$310 million, with the U.S. being the dominant supplier. Fueled by economic growth and a rising standard of living, Turkey's consumption of poultry and vegetable oil continues to grow today.

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 \$2.1 billion.

The FMD program provides cost-share assistance to ASA 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. All the market development work in which we have engaged over the years has been made possible with the FMD funds.

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.

From 2002 – 2009, the last year for which figures are available, the multi-year impact of the increase in market development expenditures by both industry and government is equal to \$35 in agricultural export gains for each dollar spent. In addition, total economic gain to the U.S. economy is estimated to be an annual average of \$1.1 billion from increased market development activity. Further, government spending for domestic supports (loan deficiency payments and countercyclical payments) fell about \$0.30 for every \$1 spent on FMD.

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. As just one example of the competition we face, the European Union recently announced that it will spend the equivalent of \$1.0 billion this year on promoting agricultural exports, and that it plans to increase this amount on an annual basis. By comparison, the U.S. will spend approximately \$248 million on FMD and MAP this year.

4. The FMD program helps keep U.S. agricultural exports strong, which in turn supports almost one 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.

Conclusion

The Foreign Market Development “Cooperator” program and Market Access Program (MAP) 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 hopes this hearing will strengthen the resolve of Congress to maintain current 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.

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St. Louis, MO 63414
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PROFESSIONAL EXPERIENCE

American Soybean Association (ASA)

Chief Executive Officer

April 1996 to Present

Provide overall leadership and strategic direction to ASA staff in the design and implementation of ASA's legislative policy, trade, membership and education and training programs.

American Soybean Association (ASA)

Executive Director, International Marketing

July 1994 to April 1996

Managed a \$22 million market development program for U.S. soybeans and products that is carried out in over 70 countries worldwide by 97 domestic and foreign-based staff.

Shearman & Sterling

Manager, Legislative Agricultural Affairs

February 1993 to July 1994

Assisted in legislative, public affairs, and coalition efforts in support of passage of the North American Free Trade Agreement (NAFTA).

Foreign Agricultural Service (FAS), U.S. Department of Agriculture

Acting Administrator, June 1992 to January 1993

Associate Administrator, February 1991 to June 1992

Managed and directed 900 people, 81 offices worldwide, a \$110 million operating budget, and \$7.5 billion in food aid and export assistance programs.

International Affairs and Commodity Programs, U.S. Department of Agriculture

Special Assistant to the Under Secretary

June 1989 to February 1991

Assisted the Under Secretary in all facets of the administration of U.S. agricultural export and food aid programs, as well as the domestic commodity and conservation programs that serve America's farmers.

**Agricultural Marketing Service (AMS), U.S. Department of Agriculture
Executive Assistant to the Administrator
December 1986 to January 1988**

Conducted special studies and analyses of specific AMS programs, including Federal marketing orders and research and promotion acts. Explained the agency's policies before trade and industry groups.

**Legislative Assistant to Senator James Abdnor, U.S. Senate
April 1986 to December 1986
May 1983 to July 1985**

Researched and provided counsel on agricultural and transportation issues.

**International 4-H Youth Exchange to the People's Republic of China
July 1985 to March 1986**

Obtained a leave-of-absence from Senator Abdnor's office in order to participate in this exchange to China; activities included teaching English to agricultural researchers and assisting the Chinese with swine breeding and beef production programs.

EDUCATIONAL BACKGROUND

The University of Melbourne - Melbourne, Australia

Program: Agricultural Economics and International Agricultural Development
Dates: Rotary International Scholar from February 1988 to January 1989
Degree: Graduate Diploma in Agriculture Studies

South Dakota State University - Brookings, South Dakota

Program: General Agriculture and Animal Science
Dates: August 1979 to May 1983
Degree: Bachelor of Science

PERSONAL

Raised on a soybean, corn, and diversified livestock farm near Jackson, Minnesota.
Married with two daughters ages 16 and 13.

**Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form**

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2008.

Name: Stephen L. Censky

Organization you represent (if any): American Soybean Association

1. **Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source: _____ Amount: _____

Source: _____ Amount: _____

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2008, as well as the source and the amount of each grant or contract:**

Source: See Attachment. Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: _____

Signature: Stephen L. Censky

** Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

American Soybean Association's Federal Funding

<u>Year</u>	<u>Market Access Program Allocation</u>	<u>Foreign Market Development Allocation</u>	<u>Emerging Market Program Allocation</u>	<u>Quality Samples Program Allocation</u>	<u>Food For Progress Allocation</u>	<u>Total Allocation</u>
2008	4,443,480	6,924,682	430,638	190,000	-	11,988,800
2009	4,969,565	6,653,799	28,100	131,250	-	11,782,714
2010	5,751,073	7,273,160	498,699	47,000	-	13,569,932
2011	<u>4,465,558</u>	<u>6,648,054</u>	<u>-</u>	<u>49,000</u>	<u>12,097,836</u>	23,260,448
Total	<u>19,629,676</u>	<u>27,499,695</u>	<u>957,437</u>	<u>417,250</u>	<u>12,097,836</u>	60,601,894