

## **FOREIGN AGRICULTURAL SERVICE**

### **Statement of Suzanne E. Heinen, Administrator Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies**

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to report on the accomplishments of the Foreign Agricultural Service (FAS) and to present the President's Budget request for FAS programs in fiscal year (FY) 2014.

#### **INTRODUCTION**

In early February, an FAS Agricultural Attaché in Mexico City phoned a contact in the Mexican government to inquire if a poultry exporter from Gadsden, Alabama could be expeditiously listed as eligible to ship poultry. The plant was listed the next day. In under two months, over half a million dollars of poultry products from the plant were served in restaurants and further processed for grocery store shelves in Mexico. The diligence of FAS agricultural officers and the relationships they have with their foreign counterparts is one of the reasons the United States exported \$1 billion in poultry products to Mexico last year.

Worldwide, U.S. farm exports reached \$135.8 billion in fiscal year 2012. FAS' global network of agricultural economists, marketing experts, negotiators, and trade specialists in Washington, D.C. and 96 international offices that cover 163 countries are proud that their efforts helped facilitate this achievement. FY 2013 estimates are for a record \$142 billion in U.S. farm exports, supporting nearly one million American jobs.

#### **THE ROLE OF THE FOREIGN AGRICULTURAL SERVICE**

FAS is the lead agency within USDA for developing international markets, providing export financing, negotiating trade agreements, and for food aid and technical capacity building efforts that enhance U.S. agricultural exports. FAS attachés and counselors serving at U.S.

Embassies and Agricultural Trade Offices are American agriculture's envoys around the world, providing real-time information on emerging trade and marketing issues, resolving issues that interrupt the normal course of trade, averting problems before they impede exports, and building the capacity of potential trading partners. FAS' targeted trade missions and support for trade shows match U.S. agricultural exporters with buyers around the world.

FAS plays a critical role in USDA's efforts to collect, analyze, and evaluate global market intelligence and data for all major agricultural commodities. Policymakers' ability to make sound decisions is dependent on the quality of the underlying analysis conducted by FAS agricultural economists. U.S. exporters also rely on this information to develop and implement domestic and international programs and make key business decisions.

At FAS, our success is a direct result of our people forging relationships across political and cultural boundaries, negotiating in challenging and complex situations, assessing market opportunities, and promoting pro-trade institutions and policies among developing countries. Working with our agricultural cooperator partners, our Market Access Program (MAP) and Foreign Market Development (FMD) program have been shown to be highly effective, increasing exports by \$35 for every dollar of funds invested. Our Cochran and Borlaug Fellowship programs build agricultural capacity abroad and enhance our ability to export to countries by increasing their ability to participate in global trade. The Cochran program has been particularly effective in training foreign officials on the implementation of market access commitments in trade agreements. Our Scientific Cooperative Exchange Program with the People's Republic of China promotes agricultural development, science-based decisions, economic growth; and supports our efforts to mitigate animal and plant health issues that impede trade.

## **OPENING MARKETS THROUGH TRADE AGREEMENTS**

Today, FAS trade negotiators hold seats at the table for U.S. agriculture in two major negotiations, the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). In the TPP negotiations, FAS experts are an integral part of the negotiating team led by the Office of the U.S. Trade Representative (USTR) and USDA's economic analysis underpins the negotiating strategy on agriculture. The TPP is an opportunity to address not only market access commitments, but also non-tariff, sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) that impede our agricultural exports.

The TPP, which we aim to complete this year, will increase American agricultural exports to a region with some of the world's most robust economies, representing more than 40 percent of global trade. Northwest horticultural exporters identified Vietnam as a priority market that provides excellent growth opportunities. Achieving tariff concessions on apples, pears, and sweet cherries will increase U.S. producers' competitiveness with suppliers from New Zealand and Australia that have duty-free access. Recognizing the potential for growth in TPP markets, the American soybean industry voices strong support for a 21st century TPP agreement. The addition of Canada to the TPP negotiations presents an opportunity to negotiate increased access for U.S. exports of dairy and poultry products. The trade ministers of the 11 TPP countries have agreed by consensus to finalize with Japan the process for entry with Japan's recognition that all agricultural goods will be on the table.

On March 30, 2013, the Administration notified the U.S. Congress of its intent to enter negotiations on the TTIP, a comprehensive trade and investment agreement with the European Union (EU). The EU is currently our fifth largest agricultural export market with U.S. exports valued at nearly \$9 billion last year. FAS agricultural trade experts are participating in pre-negotiation preparations with our colleagues at USTR and consultations with stakeholders and Congress to develop the Administration's negotiating positions on agriculture.

TTIP negotiations will address tariff and non-tariff barriers on agricultural goods. Examples of current high tariffs on U.S. agriculture include: dried cranberries (17.6%); strawberries (17.6%); and high-value, processed foods (25% average). Competitor countries, like Chile, enjoy duty-free access, due to existing trade agreements. Through the TTIP we are seeking meaningful market access that includes commitments from the EU to base SPS measures on international standards and scientific risk assessments and to eliminate unjustified technical obstacles to trade.

### **ENSURING FULL AND FAIR IMPLEMENTATION OF TRADE AGREEMENTS**

The Korea-U.S Free Trade Agreement (KORUS), and the U.S.-Colombia and U.S.-Panama Trade Promotion Agreements became effective in 2012. FAS staff have ensured implementation by each country of new tariff schedules, tariff-rate quotas (TRQs), and SPS commitments.

In the first year under KORUS, there were dramatic increases in U.S. exports of key agricultural products benefitting from the reduced tariffs under the agreement. Exports of soybeans went up 48 percent to \$395 million and exports of wheat were up 38 percent to \$645 million. U.S. orange juice exports to Korea have jumped 130 percent and grape juice exports were up 128 percent in that same time period. Exports of wine to Korea were up 57 percent and exports of fresh fruits were up 46 percent to \$370 million.

U.S. agricultural exports to Colombia topped \$1 billion in calendar year 2012; 46 percent higher in May-December than the same time period for 2011. In 2012, utilizing our Emerging Markets Program, FAS provided customs and TRQ administration training to 80 Colombian officials. Additionally, we employed our Cochran Fellowship program to demonstrate TRQ administration in the United States to Colombian participants. The capacity-building trainings were instrumental in Colombia announcing all 19 TRQs covered in our trade agreement on schedule, ensuring U.S. exporters could take full advantage of new import opportunities. U.S. rice, soybean oil, pet food, white corn, milk powder, and cheese all benefitted. In 2012, FAS awarded Emerging Markets Program (EMP) funds to the USA Rice Federation and the U.S. Rice Producers Association to assist in the establishment of an export trading company (ETC). The ETC made it possible to launch an auction of rice export certificates last October that resulted in 79,000 metric tons of U.S. rice exports.

For Panama, nearly half of current U.S. agricultural exports (which reached \$489 million in calendar year 2012) received immediate duty-free treatment. Utilizing our Cochran Fellowship program, FAS trained officials from Panama's TRQ Licensing Commission and Panama's Customs Authority. This capacity building training was critical to Panama's implementing 22 TRQs on schedule, operating a web-based TRQ information system that can be accessed by U.S. exporters, and processing documents accompanying U.S. exports. With assistance and monitoring by FAS, the TRQ implementation process went smoothly and U.S. exporters of corn, rice, chicken leg quarters, and frozen French fries are now benefitting from these newly-opened TRQs.

### **RESOLVING SPS and TBT BARRIERS**

In the past year, FAS personnel have been instrumental in resolving numerous sanitary, phytosanitary and technical barriers to trade. We've negotiated a new dairy certificate with China

that brings certainty to U.S. exporters and the prospect of expanding a \$400 million per year market. We stood firm and the EU dropped their unscientific restrictions on live swine. The FAS office in New Delhi prevented the disruption of the \$85 million annual market for U.S. apples and pears, by avoiding the implementation of new technical requirements. In Jakarta, the FAS office spearheaded negotiations that gained the United States an exemption from port restrictions protecting over \$150 million in agricultural exports. The exemption gives U.S. exporters an advantage over competitors including China, Thailand, Australia, Canada, and New Zealand.

A major success in the market access arena is U.S. beef exports. Last year, exports of beef and beef products reached an all-time high of \$5.5 billion. On February 1, Japan expanded access to U.S. beef and beef products from cattle less than 30 months of age. This is expected to generate hundreds of millions of dollars of additional beef sales. Also in February, Hong Kong expanded access to all deboned beef products and bone-in beef products from U.S. cattle less than 30 months of age. Last November, Mexico expanded trade to allow all beef products from cattle less than 30 months of age, and we project \$55 million in additional sales this year. More work is ahead for USDA to press for full access in all markets based on the demonstrated safety of U.S. beef.

Scientific training for scientists and policymakers from developing and middle-income countries under the Norman E. Borlaug International Agricultural Science and Technology Fellowship Program transfers knowledge that strengthens agricultural practices, including in the SPS arena. For example, in 2012 a Borlaug Fellow from the Republic of Georgia reported that he continues to utilize food safety training he received in the United States in his work on his country's adoption of similar science-based standards. Adoption of such standards reduces obstacles for U.S. agricultural exporters.

### **IMPORTANCE OF FAS LOCAL PRESENCE IN OVERSEAS MARKETS**

The FAS global network of agricultural economists and marketing experts identifies problems, provides practical solutions, averts trade issues, and advances export opportunities on a daily basis.

One example is the first direct deliveries of U.S. peanuts to Poland in eight years. In 2012, FAS Warsaw identified and arranged contact with U.S. suppliers for one of Poland's

leading nut importers. Orders for approximately \$3 million were placed with peanut exporters in Alabama, Georgia, and Virginia.

In 2012, the painstaking efforts of FAS Taiwan secured the release of 27 shipments of U.S. meat and poultry valued at \$1.79 million. Taiwanese port authorities detained shipments for a variety of documentation issues; but due to their relationships with foreign officials, FAS personnel in Taiwan and around the world kept U.S. exports flowing.

### **BUDGET REQUEST - Salaries, Operating Costs, and Programs with Examples**

The 2014 Budget provides a funding level of \$185 million for salaries and expenses to maintain the agency's overseas presence near current levels and continue our core activities: trade promotion, trade policy, and capacity-building/food security. The budget reflects ongoing cost avoidance in headquarters costs, through a continued hiring freeze, reductions to travel and training, and an increased focus in identifying efficiencies in operations. Consistent with the Department's "*Blueprint for Stronger Service*", FAS closed two overseas offices locations and reduced staffing at five additional overseas locations in FY 2012.

FAS implemented significant measures to increase organizational discipline, efficiency, and accountability. This focus has already rendered cost savings in organization-wide services such as contracting, IT support, and human resources. It has revolutionized agency financial management with scores of improved operating procedures, clarified our domestic and overseas financial operations; and provided management with more timely, accurate statements of FAS' overall financial condition. With improved operations, FAS can be more responsive to its workforce; build improved relationships with key agency stakeholders, such as industry cooperators and trade associations, and direct resources to better exploit opportunities for improved access to international markets for U.S. farmers, ranchers, and producers.

The Budget recognizes \$19.1 million in operational costs related to the agency's international offices under the International Cooperative Administrative Support Services System (ICASS).

### **Market Development Programs**

For 2014, the Budget assumes MAP will be extended in the next farm bill and includes a \$200 million program level for MAP. The budget baseline does not assume funding for FAS' other CCC-funded market development programs: FMD, Technical Assistance for Specialty

Crops (TASC), and EMP. These programs expire at the end of 2013 and are subject to renewal in a new Farm Bill.

Under the MAP program, participants are reimbursed for a portion of the cost of carrying out overseas marketing. Last year, FAS personnel in Sofia, Bulgaria worked with representatives of the U.S. Cranberry Marketing Committee to implement a promotional effort using MAP funds that resulted in a 40 percent increase in U.S. cranberry sales. The promotional effort included outreach to both consumers and importers on the versatility of dried cranberries as a snack food and on the health benefits of the “Power Berry from the USA.” FAS Sophia predicts a 45-50 percent increase in the Bulgarian market for U.S. cranberries this year.

With assistance from FAS, the convenience store sector in Japan is a growing outlet for U.S. pork. Using MAP funds, the U.S. Meat Export Federation worked with FAS Tokyo to target convenience store chains to promote processed products using U.S. pork. An initial campaign sold an impressive 800,000 U.S. pork “to go” bento boxes. Due to these efforts, a Japanese chain decided to feature the U.S. pork bento in its stores.

### **Export Credit Guarantee Programs**

The 2014 Budget includes the statutory program level of \$5.5 billion for CCC’s export credit guarantees; \$5.4 billion will be made available for the GSM-102 program and \$100 million for the Facility Guarantee Program. The 2012 GSM program increased agricultural exports to Vietnam by facilitating over \$87 million in sales of U.S. cotton, distillers dry grain, soybeans and meal, lumber, and other commodities. Skillfully targeting developing markets with the greatest potential for increased U.S. sales, managing risk, and aggressively recovering losses, FAS employees operated a 2012 program that supported \$4.13 billion in exports.

### **Food Assistance and Capacity Building**

The 2014 Budget proposes \$185 million for the McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole). With this funding, the program is expected to assist 4.3 million women and children worldwide in 2014. The program provides agricultural commodities and technical assistance for school feeding and maternal and child nutrition projects in low-income, food-deficit countries that are committed to universal education. Programs are designed to "graduate" from relying on USDA assistance and continue

with support from other sources, such as the host government or local communities. For example, in Bolivia, twelve municipalities, comprising 21,000 children graduated from the program in 2012.

The 2014 Budget assumes \$255 million in CCC funding for the Food for Progress (FFPr) program, which is expected to support approximately 312,500 metric tons of commodity assistance. The FFPr program provides for the donation of U.S. agricultural commodities to developing countries committed to free enterprise in the agricultural sector. In FY 2012, USDA completed a four-year, \$5.7-million FFPr investment in micro lending capital and small business loans in Tanzania that allowed small holder producers and small businesses to expand food processing operations, buy new equipment, buy supplies in bulk, improve transportation to markets, and install greenhouses and irrigation infrastructure. The initial capital provided by USDA supported 46,000 borrowers and the success of the program encouraged other lenders, such as the World Bank and Credit Suisse Bank, to invest an additional \$18.8 million in the project. This investment from other lenders permitted an additional 382,000 loans valued at more than \$206 million, essentially converting the initial loan fund into a sustainable operation.

The Budget proposes to replace \$1.47 billion in funding for P.L. 480 Title II international food assistance in FY 2014 with an equivalent amount in the U.S. Agency for International Development assistance accounts, including International Disaster Assistance (IDA). The proposed reform gives the United States greater ability to provide aid effectively. At least fifty-five percent of the requested IDA emergency food aid funding will be used for the purchase and transport of U.S. agricultural commodities.

## **CONCLUSION**

With USDA's Foreign Agricultural Service FY 2014 budget request, I guarantee that the Agency's employees will faithfully execute our mission, maximizing opportunities for U.S. agricultural exporters, and deliver food aid and build agricultural capacity in developing countries. The funding you provide increases prosperity in America and around the world.

Thank you.