

FOREIGN AGRICULTURAL SERVICE

Statement of John D. Brewer, Administrator
Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration,
and Related Agencies

Madam Chairwoman and Members of the Subcommittee, I appreciate the opportunity to review the work of the Foreign Agricultural Service (FAS) and to present the President's budget request for FAS programs in FY 2011.

Introduction

FAS is a vital component of the U.S. Department of Agriculture's (USDA) effort to improve foreign market access for U.S. products, build new markets, improve the competitive position of U.S. agriculture in the global marketplace, and provide food aid and technical assistance to foreign countries. FAS has primary responsibility for USDA's international activities—market development; trade agreements and negotiations to gain, retain, and re-open market access; and the collection and analysis of statistics and market information. FAS also administers USDA's export credit guarantee and food aid programs, and helps increase income and food availability in developing nations by mobilizing expertise for agriculturally led economic growth.

FAS has an unmatched global network of agricultural economists, marketing experts, and negotiators. With more than 90 overseas offices covering 154 countries, FAS' employees identify problems, provide practical solutions, and work to advance opportunities for U.S. agriculture overseas.

In FY 2009, U.S. agricultural exports reached \$96.6 billion, despite the significant impact of the global economic downturn. The outlook for FY 2010 is that export sales will reach \$100 billion, the second highest level ever.

Market Access

Greater access to foreign markets for U.S. agricultural products requires an aggressive trade policy to lower tariffs, reduce non-tariff barriers, eliminate export subsidies, and reduce trade-distorting domestic subsidies. FAS works with other USDA agencies, the United States Trade Representative (USTR), and others in the U.S. government (USG) to negotiate new trade agreements and to monitor and enforce existing trade agreements.

Notable achievements in these areas in FY 2009 include implementation of Free Trade Agreements with Costa Rica, Peru, and Oman; attaining greater access to the European Union (EU) for U.S. high-quality beef; and protecting over \$1 billion of U.S. specialty crops exports to Asia.

Trade Development

In his State of the Union address in January, President Obama called for a government-wide National Export Initiative to help farmers and small businesses increase their exports, expand their markets, and grow the Nation's economy. This initiative sets a goal of developing exports over the next 5 years and supports 2 million jobs. FAS supports U.S. industry efforts to build, maintain, and expand overseas markets for U.S. food and agricultural products. FAS administers several market development programs including the Foreign Market Development (Cooperator) Program (FMD), Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC) Program, Quality Samples Program (QSP), and Emerging Markets Program (EMP). These programs provide matching funds to U.S. organizations to conduct a

wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. Working with the State Regional Trade Groups and other industry organizations, FAS also encourages outreach efforts that focus on facilitating export readiness for U.S. exporters.

FAS' Export Credit Guarantee Program (GSM-102) provides credit guarantees to encourage financing of commercial exports of U.S. agricultural products, while providing competitive credit terms to buyers. Under this program, FAS guarantees credit extended by private banks in the United States (or less commonly, by the U.S. exporter) to approved foreign banks using dollar-denominated, irrevocable letters of credit for purchases of U.S. food and agricultural product by foreign buyers. In FY 2009, the program provided credit guarantees that facilitated sales of a near record \$5.3 billion, up significantly from \$3.2 billion in FY 2008.

In FY 2009, in response to poor domestic market conditions and the reintroduction of dairy export subsidies by the EU, FAS reactivated the **Dairy Export Incentive Program (DEIP)**. DEIP helps U.S. dairy exporters meet prevailing world prices and encourages the development of international export markets in countries or regions where U.S. dairy products are not competitive due to subsidized dairy products from other countries. On May 22, 2009, USDA announced DEIP for the July 2008 through June 2009 year. On July 6, 2009, the initial tranche for the July 2009 through June 2010 year was announced. As of January 13, 2010, USDA had awarded bonuses for 37,228 metric tons of nonfat dry milk; 17,470 metric tons of butterfat; and 1,843 metric tons of cheese.

Food Security and Agricultural Development

Food insecurity affects over 1 billion hungry people worldwide. The problem is exacerbated by the current global economic downturn. Food aid alone is not enough –

availability is also about increasing trade and in-country production. The biggest contributing factors to insufficient in-country production are chronic under-investment in agriculture, inefficient inputs and markets, and poor governance.

Foreign Food Aid

The Food for Progress (FFPr) Program provides for the donation or credit sale of U.S. commodities to developing countries and emerging democracies that have made commitments to introduce and expand free enterprise in their agricultural economies. FFPr activities have included improvements to agricultural techniques and marketing systems, providing education to farmers, helping to develop cooperatives, supporting agribusiness and microcredit enterprises, and building the capacity to trade. FFPr funding provided over 267,000 metric tons of agricultural commodities valued at \$117.2 million, and \$98.6 million of transportation and other non-commodity costs in FY 2009.

The McGovern-Dole International Food for Education and Child Nutrition (FFE) Program supports preschool and in-school food for education programs and nutrition programs for women, infants, and children in foreign countries. FAS programmed over 126,500 metric tons of commodities through the FFE program to support programs implemented by the World Food Program and private voluntary organizations (PVO) in FY 2009. About \$168.5 million of assistance was made available through this program, benefitting more than 4.2 million children and mothers.

The Local and Regional Procurement Pilot Project was authorized as a pilot program under the 2008 Farm Bill. The primary objective of the project is to use local and regional purchasing to help quickly meet urgent food needs due to food crises and disasters. In FY 2009, \$4.75 million was allocated for programming in three countries, Malawi, Mali, and Tanzania.

Trade Capacity Building and Development

The Cochran Fellowship Program (CFP) provided short-term training in the United States for 395 international participants from 73 countries in FY 2009. Cochran participants meet with U.S. agri-businesses, attend policy and food safety seminars, and receive technical training related to short- and long-term market development and trade capacity building.

In its fifth year of existence, the **Norman E. Borlaug International Agricultural Science and Technology Fellows Program (BFP)** continued to expand, training 89 Fellows in FY 2009. The BFP offers agricultural research fellowships for scientific training in the United States to individuals from eligible countries. The program helps developing countries strengthen agricultural practices through the transfer of new science and agricultural technologies, including those related to production, processing, and marketing.

Agricultural Development in Afghanistan and Pakistan is a critical part of the Administration's strategy toward these countries. The primary non-security issue facing the region's stability is reconstructing the agricultural economy in Afghanistan and the border region to provide the people of both countries with legitimate means to earn a living. In Afghanistan, agricultural development plays an enormous role in economic development, as more than 80 percent of Afghanistan's population relies on agriculture to earn a living with much of it in poppy production. There is significant need for technical assistance to provide competitive alternatives to illicit crops, strengthen sustainable agricultural production, and address food insecurity in the region. USDA, working closely with the U.S. Agency for International Development, the State Department, and other USG agencies, is playing a critical role in the effort to rebuild the Afghan agricultural economy, to help provide sustainable economic development in the long term.

Another activity meant to bolster a strong regional economy for both Afghanistan and Pakistan is the Agricultural Trilateral sessions. In January 2010, in Doha, Qatar, the countries of Afghanistan, Pakistan, and the United States met for the first-ever series of Trilateral meetings on agriculture. More than 50 representatives worked over 3 days to outline plans in three specific areas: food security, water management, and trade corridors.

Budget Request

Madam Chairwoman, our FY 2011 budget proposes a funding level of \$265 million in salaries and expenses and 1,006 staff years, an increase of \$78 million above the FY 2010 enacted level. The budget has been developed to ensure the Agency's continued ability to conduct its full array of activities and provide services to U.S. agriculture, enhancing export opportunities and global food security.

The budget proposes an increase in discretionary spending of \$53.5 million as part of the National Export Initiative. This initiative has the primary goals of spurring economic growth and employment opportunities. The future of U.S. agriculture is tied to trade, as agricultural trade is an important generator of output, employment, and income in the U.S. economy. This initiative includes supplemental funding of \$34.5 million for the Cooperator Program, increasing the funding to \$69 million in FY 2011. Also, the TASC Program will increase by \$9 million, doubling overall funding available for TASC to \$18 million. The National Export Initiative also includes a funding increase of \$10 million to expand FAS exporter assistance, trade missions, and in-country promotion activities and trade enforcement efforts to remove non-tariff barriers, and for higher operating costs at FAS overseas posts.

FAS overseas offices are critical to carrying out the Agency's mission and provide essential support to U.S. exporters, as well as to the wide range of international activities carried

out by USDA. The FAS overseas office network is affected by macro-economic events and developments that are beyond the agency's control, but which increase operating costs. These budget increases are necessary to maintain FAS' overseas presence during FY 2011 so that our representation and advocacy activities on behalf of U.S. agriculture can continue.

The FY 2011 increase also includes:

- \$3.4 million for increased payments to the State Department for International Cooperative Administrative Support Services (ICASS) for FY 2011. State provides common administrative services at more than 200 diplomatic and consular posts overseas that FAS and other foreign affairs agencies help to pay for through the ICASS system. Major factors contributing to higher ICASS costs in FY 2011 are increased pay allowance for State staff for danger pay and high threat posts, rapidly increasing costs of operating New Embassy Compounds, growth in ICASS direct hire positions, increased compensation for locally employed staff providing ICASS services, overseas comparability pay for Americans providing ICASS services, and other increased State personnel costs.
- \$1.5 million to expand the Borlaug and Cochran Fellowship Programs. This funding will improve the U.S. government's ability to provide technical assistance and capacity building programs, including in-country, third-country, and U.S.-based training programs as appropriate. These programs are critical to ensure that trade systems are science-based and that countries have the capacity to establish the basic institutions required to open their markets to trade. They also assist fragile market states with the access, availability, and utilization issues that affect food security for their population. This increase will allow for additional training in support of food security objectives in sub-Saharan African

countries, as well as Haiti. Under our proposals, as many as 680 individuals will be able to participate in and benefit from these fellowship programs.

- \$4.0 million for the costs of transferring all overseas IT network support and maintenance responsibilities to the State Department by FY 2011. Strong security for FAS IT systems is essential because of the sensitive information handled by the agency. For example, an estimated 34 percent of U.S. agricultural pricing data is derived from information and support provided by FAS. This transfer will allow FAS to take advantage of the secure information system infrastructure that is operated and maintained by the Department of State.
- \$14.6 million to fund agricultural reconstruction and stabilization activities, of which \$13 million is moved from Departmental Management where it was funded in the FY 2010 appropriations act. Funding for these activities is increased by \$1.6 million over the FY 2010 level to provide for an expansion of activities in Afghanistan and to meet higher operating costs. FAS coordinates USDA's efforts to assist in reconstruction and stabilization activities, primarily in Afghanistan and Iraq, and assumes full management of the operational and policy components of such activities.
- \$1.4 million to cover higher personnel compensation costs associated with the anticipated FY 2011 pay raise. Pay cost increases are mandated and must be funded by the agency. Without the requested increase, FAS would have to reduce agency personnel levels. This would significantly affect FAS' ability to carry out its agency mission to link U.S. agriculture to the world to enhance exports and global food security.

Export Programs

Madam Chairwoman, the FY 2011 budget includes approximately \$6.1 billion for

programs administered by FAS that are designed to promote U.S. agricultural exports, develop long-term markets overseas, and foster economic growth in developing countries.

Export Credit Guarantee Programs

The budget includes a projected overall program level of \$5.5 billion for export credit guarantees in FY 2011, of which \$5.4 billion will be made available under the GSM-102 program. As in previous years, the budget estimates reflect the level of sales expected to be registered under the programs and can change depending on world financial market conditions, program demand, and other relevant factors during the course of the year.

Market Development Programs

Funded by CCC, FAS administers a number of programs in partnership with private sector cooperator organizations to promote the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. For FY 2011, the CCC estimates include a total of \$216 million for the market development programs.

The FY 2011 budget proposes a series of adjustments in the funding levels for these programs to reflect the changing nature of agricultural trade competition. The budget increases funding for the Cooperator program to \$69 million in FY 2011. This includes an additional \$34.5 million of discretionary funding to be provided in the FAS salaries and expense account as part of the National Export Initiative. The budget includes a total of \$18 million for the TASC program, consisting of \$9 million of CCC funding and an additional \$9 million of discretionary funding provided in the FAS salaries and expense account. Similar to the Cooperator Program, funding for TASC will be increased in FY 2011 as part of the National Export Initiative.

Although the FY 2011 MAP funding level is reduced from FY 2010, it still provides a program level that is nearly 80 percent above FY 2001. Funding for the Quality Samples Program and

Emerging Markets Program remain at the FY 2010 level.

Foreign Food Aid

The United States continues to play a leading role in global efforts to alleviate hunger and malnutrition and enhance global food security through international food aid activities. USDA carries out a variety of food aid programs which support economic growth and development in recipient countries. In this regard, the FY 2011 budget includes an overall program level for U.S. foreign food aid of \$2.1 billion consisting of:

- \$1.7 billion for Food for Peace Title II Grants. Emergency food aid is provided through the Title II Grants program, which is administered by USAID.
- \$146 million for the CCC-funded Food for Progress program projected to support approximately 170,000 metric tons of commodity assistance.
- \$209.5 million for the McGovern-Dole program which will assist an estimated 5 million women and children in FY 2011.
- \$25 million for the Local and Regional Commodity Procurement Pilot Program. The 2008 Farm Bill authorizes and provides CCC funding for a limited, field-based pilot program of local and regional procurement of food aid commodities for distribution overseas. Grants are provided to PVOs, cooperatives, and the World Food Program that undertake procurement activities.

This concludes my statement, Madam Chairwoman. I will be pleased to answer any questions.