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Subcommittee on International Trade, Customs, and Global Competitiveness
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Mr. Chairman, Ranking Member Thune, Members of the Subcommittee, thank you for the opportunity to testify with my colleagues, Under Secretary of State Robert Hormats and Chief Agricultural Negotiator Ambassador Isi Siddiqui of the Office of the U.S. Trade Representative (USTR). Among the most rewarding work we do is combining forces to open and maintain foreign markets for incredibly productive and innovative U.S agricultural producers, farmers, and ranchers. We are proud of our key role in assisting U.S. farm exports, which reached a record \$137.4 billion in fiscal year (FY) 2011.

It is my pleasure to discuss the opportunities and successes of U.S. agricultural exporters as they look toward the Asia-Pacific. I would like to begin with a success.

PACIFIC NORTHWEST WOOD PRODUCTS SUCCEED IN CHINA

This month, visitors to the Beijie Tourism Festival in China's Guizhou Province will notice something All-American. It will be hard to miss. The new, 3,300 square meter Tourism Festival Center is China's first dome structure built of all-American timber from the Pacific Northwest. The innovative, laminated wooden beams for this structure were manufactured by Calvert Company of Vancouver, Washington and fabricated by Western Wood Structures of Tualatin, Oregon. The value of the materials for the dome is over \$800,000, a win for these U.S. exporters and the employees who work for these companies.

Building this structure is a testament to American entrepreneurship and the importance of the U.S. Department of Agriculture's (USDA's) market development programs administered

through the Foreign Agricultural Service and our agricultural trade offices and personnel overseas. Back in 2008, the general contractor of the project attended a USDA technical seminar on the commercial application of timber construction in Chengdu, China. The seminar was funded by the USDA's Market Access Program (MAP) program, supported by personnel from USDA's local Agricultural Trade Office, who analyzed the opportunities in the market and coordinated with the APA - Engineered Wood Association. Through this seminar, the U.S. companies were introduced to Chinese officials who contracted to build the dome. By linking a foreign customer to our U.S. producers, USDA's market development program enabled this structure to be built with 100 percent American wood products.

PARTNERSHIP WITH STATE AND USTR

Partnership is the word that comes to mind testifying alongside my colleagues from the Department of State (State) and USTR.

Our overseas team, the foreign service officer corps of FAS, works closely with their colleagues from the State Department, USTR, Department of Commerce, and the entire country team. I know that Chiefs of Mission rely heavily on the expertise of their agricultural counselors, attaches, and trade officers to thoroughly analyze problems and provide expert advice and remedies to a wide variety of trade problems.

And I also know that our agricultural counselors highly value the expertise that Under Secretary Hormats' State economic counselors and USTR's trade officers bring to the table; often our officers must engage the various foreign ministries to exert pressure or coordinate host-country internal discussion to achieve our goals. The State Department officers provide invaluable access to their local counterparts and are a key component to resolving problems.

Likewise, in Washington, our long-standing expertise on agricultural trade issues ensures that we can quickly and expertly advise Ambassador Siddiqui's team with the in-depth analysis and in-country expertise to help move the needle on resolving trade issues related to market access, sanitary and phytosanitary (SPS), or technical barriers to trade (TBT).

Our foreign officer corps is broadly trained at our headquarters in Washington D.C. in agricultural economic analysis, trade policy, and market development. Many of our officers have advanced degrees in agricultural economics, animal or horticultural science, business, and law.

When our overseas foreign officers return to Washington D.C. after having supported their Chiefs of Mission, they typically return to positions that support the efforts of our negotiators in Geneva or they work on the bilateral trade issues in league with their counterparts at USTR. They also actively participate in USDA's "lock-up" where they provide monthly forecasts for world agricultural production and trade – information that drives the world's commodity markets. Our foreign service and civil service teams are constantly working with American farmers and ranchers to keep abreast of what their needs are vis-à-vis U.S. exporting interests.

In addition to trade policy work, FAS actively engages with our core Cooperator organizations like the Northwest Horticultural Council, or the U.S. Wheat and the U.S. Grains Council, the U.S. Meat Export Federation and the USA Poultry and Egg Export Council, to support overseas market development activities for those groups' constituents. The interaction of our personnel with these private sector organizations, the land grant universities, and the state departments of agriculture ensures that FAS's team is well informed on export interests and needs of American farmers, ranchers, and agribusinesses. In a word, Mr. Chairman, our team of

officers overseas, in league with their expert colleagues in Washington, provides the finest support for the export interests of U.S. agricultural stakeholders.

AGRICULTURAL EXPORTS TO CHINA LEAD THE WAY IN ASIA

The combined efforts of the U.S. agricultural community and the U.S. Government have been instrumental in growing the Chinese market into the largest market for U.S. agricultural exports outside of North America. In FY 2011, China was our number one market with agricultural exports of nearly \$20 billion, supporting nearly 160,000 American jobs. Dried cranberries from Oregon, soybeans from South Dakota, salmon from the Pacific Northwest, and grains from across the Great Plains; these are only a handful of the bounty of U.S. agricultural products USDA is proud to assist U.S. exporters ship to China. USDA personnel in China work hand-in-hand with dozens of U.S. agricultural trade associations and exporters to maintain and expand U.S. access to this growing market. USDA's Foreign Agricultural Service opened its first office in China in Beijing in 1976. As China's demand for imported agricultural products has grown along with its economic development, USDA market development activities have evolved from organizing technical assistance and development related training opportunities to more sophisticated marketing programs promoting high quality, high-value food products. With seven offices in five cities, FAS is well positioned with seasoned diplomats to support U.S. policy and programs that advance U.S. agricultural interests and support U.S. jobs.

As USDA has built relationships in China, so has the U.S. agricultural community with whom we work so closely. For example, a participant in our Foreign Market Development program, the American Soybean Association, opened its China office back in 1982. While USDA and USTR have worked tirelessly with Chinese counterparts on soybean market access issues, the soybean industry has worked tirelessly with Asia's livestock producers, feed millers,

aquaculture industry, soybean processors, traders, and distributors. Hard work pays off. In FY 2011, over \$12 billion of high quality U.S. soybeans were shipped to China. And during Chinese Vice President Xi Jinping's February visit to the United States, USDA's Export Sales Report recorded the largest daily sale of soybeans ever; over 2.9 million metric tons for delivery to China.

Just last month, Ambassador Siddiqui and I joined USDA's Acting Under Secretary Michael Scuse on a trade mission to China, accompanied by 40 American businesses and six representatives from state departments of agriculture. At stops in Chengdu and Shanghai, we met with dozens of Chinese importers, buyers, and distributors,. The mission coincided with the Food Ingredients China (FIC) trade show, China's largest international show featuring food additives and ingredients, where we opened the show's USA Pavilion. Mr. Chairman, I was pleased to get to know some great Oregon wine and fruit exporters on the trip who are looking forward to selling more of their products to China. I was also pleased that Lucas Lentsch, Director of International Marketing, from the South Dakota Department of Agriculture was able to participate in the USDA trade mission, and we also met Governor Dugaard, who was in Shanghai on a trade mission.

ASIA-PACIFIC: STRONG GROWTH MARKETS

In the past decade, China has been an explosive growth market for U.S. agricultural exports with sales increasing more than tenfold from \$1.9 billion in FY 2001 to \$19.9 billion in FY 2011. Additionally, looking towards the other Asian Pacific countries, U.S. agricultural exporters are capitalizing on market opportunities throughout the region. Sales to the South Korea market have more than doubled in the past ten years to over \$6.7 billion in FY 2011. The

countries of Southeast Asia have more than tripled their imports of U.S. agricultural products in the same timeframe to over \$9.6 billion in FY 2011.

KEY FACTOR: ASIA-PACIFIC'S GROWING MIDDLE CLASS

A key factor fueling opportunities for U.S. agricultural exports is the growing middle class in the developing countries of the Asia-Pacific, which could reach 430 million households by 2020. Middle class households in growth markets such as Vietnam, Thailand, and Indonesia, are projected to more than double by 2020. In China, middle class households are expected to almost triple to nearly 350 million by 2020. We anticipate great demand for high quality U.S. fruits, vegetables, proteins, and value-added consumer foods – and America's growers, farmers, and ranchers are well-positioned to supply these expanding markets.

OPENING MARKETS IN THE ASIA-PACIFIC THROUGH TRADE AGREEMENTS

Another key factor contributing to market opportunities is the multi-agency team effort that negotiates and implements trade agreements. FAS experts are part of the USTR-led negotiating team and FAS' economic analysis, supported by the Economic Research Service, underpins the negotiating strategy. Our agricultural counselors and foreign officers around the world are instrumental in identifying potential trade problems, intervening early-on to avoid trade disruptions, and ensuring full and fair implementation by closely monitoring our trade agreements. Our trade agreement with Korea, which entered into force last month, and our trade agreements with Colombia and Panama are expected to lead to an estimated \$2.3 billion in additional agricultural trade and will support nearly 20,000 additional domestic jobs.

Today, USDA is playing an active role in negotiating the Trans-Pacific Partnership (TPP). The agreement will address new, cross-cutting issues such as increasing transparency and consistency in regulatory systems to allow U.S. companies to operate more seamlessly in TPP

countries. The TPP will help increase American agricultural exports to a region that includes some of the world's most robust economies and that represents more than 40 percent of global trade. For example, the Northwest horticultural exporters have identified Vietnam as a priority market that provides excellent growth opportunities. Representatives of apple, pear, and sweet cherry producers have informed our agricultural negotiators of the importance of lowering tariffs to compete against suppliers from New Zealand and Australia that have duty free access. Recognizing the potential for growth in TPP markets, the American soybean industry is among the many commodity sectors voicing strong support for a high-standard, 21st century TPP agreement.

RUSSIA PNTR

The most northern Asia-Pacific country, Russia, is also an important market for U.S. agricultural exports. Last December, Russia was formally invited to join the WTO and we anticipate Russia becoming a WTO member this summer. You are aware of the obstacles U.S. agricultural exporters, particularly beef, pork, and poultry exporters, have faced shipping to Russia. Russia's accession comes with a commitment to comply with the WTO Agreement on Sanitary and Phytosanitary Measures, limiting its ability to impose arbitrary measures that have impeded trade in the past. Additionally, U.S. farmers and exporters will have more certain access as a result of Russia's commitment not to raise tariffs on any products above the negotiated rates and to apply non-tariff measures in a uniform and transparent manner. Extending permanent normal trade relations to Russia so that U.S. exporters can reap the full benefits of Russia's accession commitments is an Administration priority. This will require Congress to terminate application of the Jackson-Vanik amendment to Russia and we look forward to working with you in any way

to ensure American exporters reap those benefits and are on a level playing field with their foreign competitors.

REMOVING AGRICULTURAL TRADE BARRIERS IN THE ASIA-PACIFIC

As we work to open new and maintain existing markets overseas, we face many challenges and barriers that must be addressed. USDA dedicates significant effort to monitoring foreign compliance with trade agreements and works to remove unwarranted trade barriers. In the past year, USDA personnel have been instrumental in resolving numerous sanitary, phytosanitary and technical barriers to trade. Looking at the Asia-Pacific, we've recently opened Japan for U.S. chipping potatoes, the Korean market to fresh Oregon blueberries, and the Chinese market to live swine. These efforts and others around the globe contributed to the record agricultural export level achieved last year.

I would like to highlight one program in our market development toolkit, the Technical Assistance for Specialty Crops (TASC) program. The TASC program funds projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops.

In March 2012, TASC funds enabled USDA to host officials from Korea's National Plant Quarantine Service to demonstrate how cherry producers in Oregon, Washington, Idaho, and California are using a systems approach to control pests. The goal of the project is to allow the export of U.S. cherries under a systems approach protocol prior to the 2013 season. The visit was also a component of efforts to have Korea recognize Oregon's Hood River County free from cherry leaf spot and be allowed market access. In FY 2011, U.S. exports of fresh cherries to Korea were valued at over \$39 million.

SEIZING EXPORT OPPORTUNITIES ABROAD

Other export successes are not the result of a single program or agreement, but occur because of the ability of USDA personnel, both domestic and overseas, and the hard work of American farmers and ranchers in seizing an opportunity when presented the chance. Here are just a few specific examples of the kind of activities undertaken every day by USDA led by our Foreign Agricultural Service that help U.S. farmers and ranchers succeed.

FAS-Vietnam helped Concannon Lumber, an Oregon company, penetrate the emerging wood products market in Vietnam. Assistance included providing market intelligence, market briefings, lists of potential buyers of American wood products, and helping facilitate a trip for its local agent to travel to the U.S. to learn more about its business and increase lumber sales. Total forest product sales to Vietnam from the United States in FY 2011 reached \$150 million.

FAS-Japan works regularly with farmers from the Great Plains and the Pacific Northwest states when there are findings of pesticide residue on U.S. farm products that exceed Japan's standards. In the past few years FAS has worked with growers of celery, lentils, almonds, strawberries, peanuts, pistachios, raspberries, blueberries, and broccoli, to help them regain full market access to Japan. FAS and USTR interventions on behalf of those farmers have resulted in tens of millions of dollars saved in annual exports from the United States.

The FAS Agricultural Trade Office (ATO) in Japan organized the 37th USA Pavilion at FOOD EX Japan 2012, Asia's largest food trade show, just last month. FOOD EX continues to be an essential showcase for much of the \$14 billion worth of agricultural products that the U.S. shipped to Japan in FY 2011. The USA Pavilion at FOOD EX featured over 70 U.S. companies and trade organizations including: the Food Export Association of the Midwest; the Western U.S. Agricultural Trade Association; the Oregon Blueberry and Oregon Raspberry Commission; Certified Onions, Inc. (Oregon), and many other small to medium sized U.S. companies. Preliminary results from this year's FOOD EX indicate that U.S. exhibitors will make more than \$13 million in additional sales to Japan as a result of their participation in this year's show.

The FAS ATO in Beijing, China worked closely with a key importer of U.S. beer to introduce craft beer into Chinese retail. One critical connection was made with high-end retailer Parkson's, with the importer crediting ATO's connection for generating \$12,000 per month in sales for several brands, including Rogue Brewery (Oregon).

Efforts of the FAS ATO in Beijing, USDA's Animal and Plant Health Inspection Service and USTR were crucial in reopening the Chinese market for live breeding swine in mid 2011. As a direct result, U.S. exports of live hogs jumped from \$1.2 million in value in

2010 to nearly \$6 million in 2011, and continue to climb in 2012. Many of the hogs are sourced through the Great Plains including from farms in Illinois, Nebraska, Iowa, Missouri, North Dakota and South Dakota.

FAS/Bangkok stepped in to quickly resolve a frequently occurring export hiccup. A 4-container shipment of 1,600 pieces of U.S. cattle hides worth over \$120,000 was detained by Thai authorities due to questions regarding language on a health certificate, which would have resulted in an expensive and uncertain delay for the U.S. exporter. FAS/Bangkok officers immediately engaged with Thai quarantine officials and were able to gain a speedy release of the shipment. Based on the information exchanged during this event, FAS/Bangkok has now put in place a process that should prevent future such detentions benefiting this \$50 million market for U.S. cattle hides and skins.

AGRICULTURAL EXPORTS REMAIN A BRIGHT SPOT IN TRADE OUTLOOK

Agricultural trade significantly contributes to the prosperity of local and regional economies across rural America. USDA estimates that every \$1 billion of agricultural exports stimulates over \$1.3 billion in additional business activity and supports 7,800 American jobs throughout the economy. The FY 2012 forecast for U.S. agricultural exports is \$131 billion – the second highest total on record. In FY 2012, agricultural exports are expected to contribute a positive trade balance of \$24.5 billion to the Nation’s economy. At USDA we take great pride in assisting U.S. exporters by providing market intelligence, removing and reducing trade barriers, operating export promotion programs, and ensuring that our exporters can capitalize on their hard-earned access to foreign markets. For U.S. agriculture to continue to thrive, we must continue to open, expand, and maintain access to markets across the Asia-Pacific and throughout the globe, where 95 percent of the world’s consumers live.

CONCLUSION

This concludes my statement. I look forward to working with the Subcommittee to help ensure that U.S. agriculture continues to compete successfully in the global marketplace and look forward to answering any questions you may have. Thank you.