

Testimony of Ted McKinney
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U.S. Department of Agriculture
Perspectives on U.S. Agricultural Trade
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Chairman Roberts, Ranking Member Stabenow, Members of the Committee, I am pleased to appear before you with my colleagues, Chief Agricultural Negotiator, Ambassador Gregg Doud from the Office of the United States Trade Representative (USTR) and USDA's Chief Economist, Dr. Robert Johansson. I welcome the opportunity to discuss the efforts of the U.S. Department of Agriculture (USDA) on behalf of U.S. agricultural exporters. I want to thank the President and Secretary Sonny Perdue for their faith in me to serve as the first ever USDA Undersecretary for Trade and Foreign Agricultural Affairs (TFAA) and thank this Committee for recognizing the critical need of this position, directing its establishment in the 2014 Farm Bill.

Trade and Foreign Agricultural Affairs Mission

My Mission Area, within the Department, promotes U.S. agricultural exports, works to reduce trade barriers that impede U.S. agricultural exports, and opens new markets for U.S. farm products. The Mission Area includes the Foreign Agricultural Service (FAS) and the U.S. Codex Alimentarius Office.

As Under Secretary, I have fully embraced the charge of Secretary Perdue to be American agriculture's unapologetic advocate around the world. I believe it is important that foreign buyers and government officials meet you in person and have a direct personal relationship. An integral part of Secretary Perdue's realignment measures was placing the U.S. Codex Office in the TFAA Mission Area. This office manages the participation of the United States in the work of the Codex Alimentarius Commission that sets voluntary international food safety and quality standards to protect the health of consumers and ensure fair practices in the international trade of food.

In July, I attended the most recent Codex Commission meeting in Rome and also met with the Director General of the Food and Agriculture Organization (FAO) to strengthen USDA's relationship with the FAO. I emphasized the importance of FAO's role in trade and global food security by supporting international standard-setting organizations. I stressed the necessity of embracing agricultural innovation, promoting economic development, and providing impartial data and analyses to its members. I also expressed my deep concern with some of the rhetoric and programming coming out of CODEX and FAO. U.S. engagement is vital at this time to advocate for decisions based on scientific and food safety related reasons and not based on protectionist interests of some members.

Since my confirmation last October, I've done my best to be the "million mile flyer" that Secretary Perdue expects. As Under Secretary, I wake up every morning seeking to open markets and champion American agricultural products around the world. I was pleased to accompany two representatives from the Kansas Department of Agriculture (KDA) on the largest-ever USDA led agribusiness and trade-mission in June to Japan. As Mary Soukup of KDA noted it was "exciting to see Kansas products being used and to explore opportunities to strengthen our relationship with Japan."

My travels around the globe to expand markets for U.S. agriculture this year include opening the U.S. pavilion in February at the Gulfood show in the United Arab Emirates, where more than 160 U.S. exhibitors were showing thousands of new products. Since then, I have met with Mexico's Agriculture Minister in Mexico City to advance our trade issues. In India, I met with senior officials to discuss the importance of science-based food safety policies and to promote U.S. exports. I led a trade mission to Central America's Northern Triangle to expand U.S. exports and highlight that strong two-way trade supports a path to prosperity for countries like Guatemala, Honduras, and El Salvador. In March, I traveled to Japan for FoodEx to support more than 50 U.S. exhibitors. In July, I headed up a USDA trade mission, joined by U.S. business and state government leaders seeking to expand agricultural export opportunities in Southeast Asia. The mission based in Jakarta, Indonesia, included agriculture buyers from Malaysia and the Philippines.

Looking ahead, I plan to lead a trade mission to Southern Africa in October. Participants will have the opportunity to engage with potential customers from 11 countries in the region including: South Africa, Angola, Botswana, Lesotho, Madagascar, Mauritius, Mozambique,

Namibia, Swaziland, Zambia, and Zimbabwe. There is growth opportunity for agricultural exports to these countries where shipments grew 25 percent in value in 2017.

Last week, I provided the keynote address at Ireland's premier agricultural conference and traveled to Brussels, where I met with European Union (E.U.) Commissioner Hogan. At both stops I made clear to E.U. counterparts the Administration's expectation for fairness in our trade relationship.

Agricultural Trade Accomplishments

The Trump Administration scored significant government-to-government agricultural trade victories during 2017, including easing of regulations on U.S. citrus into the E.U.; gaining approval for new biotech varieties in China; resumption of U.S. distillers dried grains into Vietnam and China; reentry of U.S. chipping potatoes into Japan; and the lifting of South Korea's ban on imports of U.S. poultry.

This year, the Administration continues to prioritize the opening of new markets for U.S. agricultural products. In July, Secretary Perdue celebrated the reintroduction of American pork products to the Argentine market after more than a 25-year hiatus by slicing a ten-pound U.S. honey baked ham. Also in July, USDA announced that Japan has finalized technical requirements that will allow U.S. sheep and goat exports into the country for the first time in more than 14 years. In August, Ambassador Lighthizer and Secretary Perdue announced that the government of Morocco has agreed to allow commercial imports of U.S. poultry meat and products into Morocco for the first time.

President Trump is delivering on his promise to renegotiate the old, outdated North America Free Trade Agreement. The agreement with Mexico is a victory for U.S. farmers and ranchers. The agreement provides for locking in tariffs on U.S. agricultural exports to Mexico at a continued rate of zero, addressing biotechnology to keep up with 21st Century innovations, enhancing rules for science-based sanitary and phytosanitary measures, and committing to work together in the World Trade Organization on agricultural trade matters. Negotiations to finalize the three-way agreement with Canada are continuing.

Even with recent trade successes, to quote Secretary Perdue, "there is legitimate anxiety in farm country, and any farmer would rather have trade, not aid." The Department is constantly looking at the impact of trade on our farmers and ranchers, with a close eye on the impacts from

the recent retaliatory tariffs. The President is standing up to China, which wrongly believes it can bully our farmers to get America to back away from defending our economy from unfair trading practices. The President understands that our farmers feed, fuel and clothe this nation and the world, and he will not allow U.S. agriculture to bear the brunt of China's retaliatory tactics.

USDA Mitigation for Unjustified Tariff Retaliation

America's hard-working agricultural producers have been treated unfairly by China's trading practices and targeted specifically with retaliatory tariffs in a blatant attempt by China to exert political pressure on Congress and this Administration. In response to this unjustified retaliation by China and other countries, the President directed Secretary Perdue to craft a short-term relief strategy to protect agricultural producers while the Administration works on free, fair, and reciprocal trade deals. Specifically, USDA authorized up to \$12 billion for three mitigation programs to assist agricultural producers. The first program, the Market Facilitation Program administered by Farm Service Agency (FSA), will provide payments to producers of soybeans, sorghum, corn, wheat, cotton, dairy, and hogs. USDA will also run the Food Purchase and Distribution Program through the Agricultural Marketing Service (AMS) for affected commodities such as fruits, nuts, rice, legumes, beef, pork, and milk. The third program, the Agricultural Trade Promotion (ATP) Program administered by FAS in conjunction with the private sector, will assist in developing new export markets for our farm products.

The ATP will provide cost-share assistance to eligible U.S. organizations whose markets have suffered damages from retaliatory trade activity. The cost share assistance will be used to mitigate lost exports and includes funding for activities such as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and other activities to address existing or potential non-tariff barriers to trade. While many aspects of the ATP were designed using the Market Access Program as a guide, the ATP is specifically designed to assist those agricultural producers in market segments that have suffered damages as a result of tariffs imposed on U.S. agricultural products. Up to \$200 million will be made available for ATP implementation under authorities of the Commodity Credit Corporation and applications for the ATP will be accepted until November 2, 2018 or until funding is exhausted. We anticipate allocating funding to eligible participants in early 2019. The ATP is

available to help all sectors of U.S. agriculture, including fish and forest product producers, mainly through partnerships with non-profit national and regional organizations who have suffered damages from U.S. retaliatory trade activity. Under the program, we will give preference to organizations with the broadest base of producer representation and affiliated industry participation for commodities being promoted.

Conclusion

This Committee knows well that agricultural exports contribute vitally to prosperity in and beyond rural America. It is my privilege to serve as USDA's agricultural advocate to the world and help grow these exports.

Mr. Chairman, that concludes my statement. I would be pleased to answer any questions from the Committee.