

## **FOREIGN AGRICULTURAL SERVICE**

### **Statement of John D. Brewer, 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 2012.

#### **Introduction**

FAS is the lead agency of the U.S. Department of Agriculture (USDA) responsible for addressing the challenges and opportunities of the dynamic global marketplace by: expanding foreign market access for U.S. products, building new markets, improving the competitive position of U.S. agriculture, and addressing food security and capacity building in foreign countries. FAS has the primary responsibility within USDA for international market development and export financing, trade agreements and negotiations, and the analysis and dissemination of vital market intelligence and data to agricultural producers and exporters. FAS administers food aid programs and mobilizes USDA's unique resources and expertise in agricultural development activities.

FAS relies on its global network of agricultural economists, marketing experts, negotiators and trade specialists both in Washington, DC, and its approximately 100 international offices that cover 156 countries. FAS attachés and counselors serving at U.S. Embassies are our eyes and ears around the world, providing the agricultural expertise to seize opportunities, by

providing real-time information on emerging trade and marketing issues, and averting problems before they become trade barriers that impede exports.

At FAS, we are proud of our contributions to growing U.S. agricultural exports. Last month Secretary Vilsack announced that U.S. farm exports are expected to reach a record \$135.5 billion in Fiscal Year (FY) 2011, eclipsing the previous record set in 2008 by more than \$20 billion. Compared to FY 2010, export value is expected to grow by 25 percent and volume by 10 percent. With this forecast, the agricultural trade surplus is projected to reach a record \$47.5 billion, far surpassing the previous record of \$36 billion set in 2008. Agriculture is one of the few sectors in our trade portfolio where we consistently run a trade surplus.

These numbers are good news, not just for farmers and ranchers and the businesses and communities that support them, but for our nation's economy as a whole. Every \$1 billion in agricultural exports generates an additional \$1.31 billion in economic activity and supports 8,400 American jobs. Agriculture continues to play an important role in support of President Obama's National Export Initiative goal of doubling all U.S. exports within 5 years.

### **Market Access**

With the global economy still emerging from recession, keeping markets open is a critical factor in continuing demand for U.S. agricultural products. In FY 2010, FAS efforts led to the reopening of the Chinese pork market and the Russian market for U.S. pork and poultry. FAS also finalized a new Memorandum of Understanding with China to help maintain the \$10.8 billion market there for U.S. soybeans. Trade in soybeans to China alone accounts for about 9 percent of all U.S. agricultural exports. FAS prevented major new technical barriers for horticultural products and processed foods in Indonesia and Korea, both important and growing markets, and helped the U.S. cherry industry avoid major problems with shipments to Taiwan

and Korea during the peak of their very short shipping season. Each one of the barriers that FAS helps break down has a real and positive benefit for U.S. producers as well as the overall U.S. economy.

In addition to addressing these specific trade issues, FAS works daily to keep the U.S. food and agricultural industry apprised of international developments to keep trade flowing. FAS enlists the Agricultural Technical Advisory Committees (ATAC) and the Agricultural Policy Advisory Committee (APAC) to gain insight from the private sector on issues affecting trade. This leads to informed, coordinated, and efficient government efforts in bilateral and multilateral negotiating sessions, in representing U.S. agricultural interests at international standard setting bodies such as CODEX, and in addressing industry regulatory concerns. Over the long term, these efforts reduce barriers to U.S. agricultural exporters and establish certainty in the rules and requirements relating to trade, saving both time and resources.

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. The pending U.S.-Korea trade agreement will have tremendous benefits for American agriculture by providing improved access to more than 49 million Korean consumers. A combination of tariff phase outs, new tariff-rate quotas, and regulatory harmonization will result in improved access to Korea's \$1 trillion economy. Upon implementation, about 60 percent of Korea's present agricultural imports from the U.S. will become duty free. The Panama and Colombia trade agreements will also offer similar benefits for U.S. farmers once they are implemented.

Over the next year, FAS, in coordination with the Office of the United States Trade Representative, will work tirelessly toward a successful conclusion to the Doha Round of

multilateral trade negotiations. FAS also is developing U.S. agricultural objectives for the Trans-Pacific Partnership (TPP) negotiations currently underway. By participating in these critical negotiations and monitoring and enforcing existing trade agreements, FAS advances U.S. agricultural interests overseas, increasing exports and supporting American job creation.

### **Trade Development**

With 95 percent of the world's consumers living outside the United States, our farmers and ranchers must look overseas to expand sales and boost incomes. The agricultural sector is an important part of the President's National Export Initiative (NEI), and FAS' efforts to build, maintain, and expand foreign markets for U.S. food and agricultural products directly support the NEI.

FAS administers several NEI-critical 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, and capacity building. Working with State Regional Trade Groups and other industry organizations, FAS outreach efforts focus on assisting small- and medium-sized enterprises to enter export markets and expand sales.

This partnership in market development programs provides a long-term commitment to meeting the needs of current and potential customers in foreign markets. FAS scrutinizes grant applications to ensure that U.S. producer associations develop their programs with extensive strategic planning, involve broad industry representation when appropriate, and identify their best prospects overseas.

The **Export Credit Guarantee (GSM-102) Program** administered by FAS provided credit guarantees that facilitated sales of \$3.09 billion in FY 2010. This program encourages the financing of commercial exports of U.S. agricultural products under competitive credit terms by reducing financial risk to lenders for credit extended by U.S. banks (or less commonly, by the U.S. exporter) to approved foreign banks using irrevocable letters of credit for purchases by foreign buyers. The U.S. exporting community has the benefit of targeting over 100 countries included in GSM-102 allocations.

### **Food Security and Capacity Building**

Food insecurity affects over 1 billion hungry people worldwide – a problem exacerbated by the global economic downturn. FAS and partner USDA agencies are active partners in the Administration’s global food security initiative – Feed the Future – and we are working closely with the State Department, U.S. Agency for International Development (USAID), and international and multilateral organizations to further the Administration’s objective of ending the root causes of hunger and building a foundation for lasting improvements in food security.

We recognize that food aid alone is not enough. Improving food security is also about increasing access to food through trade and in-country production. The biggest contributing factors to insufficient in-country production are chronic under-investment in agriculture, inefficient inputs, underdeveloped markets, and poor governance. FAS addresses these issues with programs both to provide U.S. commodities to developing countries and expand trade capacity in areas of need.

## *Food Aid*

### **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 more than 126,100 metric tons (MT) of commodities through the FFE program to support programs implemented by the World Food Program and PVOs in FY 2010. About \$181.5 million of assistance was made available through this program, benefitting more than 5 million children and women. This year, agricultural donations made possible by the McGovern-Dole Program will help feed 320,000 children in Haiti, where nearly 30 percent of the population suffers from chronic malnutrition.

**The Food for Progress (FFPr) Program** provided more than 200,400 metric tons (MT) of agricultural commodities valued at \$96.4 million, and \$49.8 million of transportation and other non-commodity costs in FY 2010. The 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. Under a new 2010 3-year FFPr program in Mali the Aga Khan Foundation USA, a PVO, will receive 20,250 MT of commodities, valued at \$11.5 million. Proceeds will be used to expand their agricultural, marketing, capacity-building, and micro-finance activities in Mali.

**The Local and Regional Procurement Pilot Project** provided \$23.8 million through 13 programs in 12 countries. 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 September 2010, Mercy Corps a PVO funded by this pilot project, provided 385 MT of food to drought-affected communities in Niger through direct distributions of locally procured food and vouchers for vegetable oil and salt.

### ***Trade Capacity Building***

FAS also works over the longer term to provide trade capacity building (TCB), or trade-related technical assistance that enhances developing countries' ability to increase their prosperity through two-way trade. TCB activities strengthen other countries' agricultural institutions and regulatory systems, encourage compliance with international norms, and foster adoption of U.S. approaches to agricultural policy and regulatory procedures.

**The Cochran Fellowship Program (CFP)** provided short-term training in the United States for 467 international participants from 68 countries in 2010. Cochran participants meet with U.S. agribusinesses, attend policy and food safety seminars, and receive technical training related to short- and long-term market development and trade capacity building. Although the training is short-term, the results of this program can have important, positive long-term benefits for the United States. Several of our Cochran alumni have gone on to become leaders in their countries, including most recently, the new Armenian Minister of Agriculture who was a 2001 Cochran fellow.

In its sixth year of existence, the **Norman E. Borlaug International Agricultural Science and Technology Fellows Program (BFP)** continued to expand, training 48 fellows in FY 2010. 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 national security strategy in these countries. The primary non-military issue facing the region's stability is reconstructing the agricultural economy in Afghanistan and the Afghanistan/Pakistan border region with Pakistan 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 a critical 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 (USAID), the State Department, and other federal agencies, plays a critical role in the effort to rebuild the Afghan agricultural economy, a cornerstone for sustainable economic development in the long term.

Since 2009, when Ambassador Karl Eikenberry and the late Ambassador Richard Holbrooke asked Secretary Vilsack for assistance in support of the U.S. Government's efforts, USDA has responded by providing experts and expertise. At State's request, USDA has increased its presence in Afghanistan to over 50 experts with skilled specialists on military Provincial Reconstruction Teams, highly-knowledgeable advisors embedded in Afghanistan's Ministry of Agriculture, Irrigation and Livestock, and seasoned Foreign Service Officers in the Office of Agricultural Affairs at the United States Embassy in Kabul.

### **Budget Request**

Mr. Chairman, our budget proposals have been developed to ensure the Agency's ability to conduct essential activities and provide services that are crucial to the future prosperity of American agriculture. Our agency's greatest strength is our staff. From our agricultural

counselor in Cairo who stayed at his post to ensure that trade would continue during the daily protests in the streets, to the trade officer in Guangzhou who is helping an inexperienced exporter navigate the intricacies of the Chinese distribution system, to our attaché in Dakar who helped implement a McGovern-Dole School Feeding Program that fed nearly 20,000 Senegalese school children, to a Washington, DC-based agricultural economist who provided the economic analysis necessary to make a sound policy decision, FAS staff make a difference. Our 2012 budget proposes a funding level of \$236 million for salaries and expenses, an increase of \$49 million above the 2011 Annualized Continuing Resolution level. The budget supports 1,006 staff years.

As I just described, FAS overseas offices are critical to carrying out the Agency's mission and providing 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 escalating fixed charges, which increase basic operating costs. Budget increases are necessary to maintain FAS' overseas presence during 2012 and ensure a secure information technology (IT) network at our overseas offices so that our activities on behalf of U.S. agriculture can continue. In addition, we are requesting increased funding to expand export promotion activities and to support USDA's participation in reconstruction and stabilization activities in Afghanistan, Iraq, and other food insecure countries.

Specifically, the FY 2012 increases requested in the FAS salaries and expenses account include:

- An increase in discretionary spending of \$20 million as part of the NEI. This additional funding will support: domestic outreach to small businesses who are new potential exporters; expanded activities in important foreign markets to showcase U.S. agricultural products and bring buyers and sellers together; and strengthened staff to monitor and

enforce trade agreements.

- \$9.3 million for increased operating costs at FAS' overseas posts. Of this, \$7.6 million is for increased payments to the Department of State for administrative support services provided through the International Cooperative Administrative Support Services system. FAS has virtually no administrative staff overseas and must rely on the State Department and other agencies for the provision of those services.
- \$4.0 million for the costs of transferring all FAS overseas offices IT network support and maintenance responsibilities to the State Department. This transfer will allow FAS to take advantage of the secure information system infrastructure that is operated and maintained by State and ensure that sensitive agency information is fully protected as required.
- \$14.6 million to fund agricultural reconstruction and stabilization activities in Afghanistan, Iraq, and other food insecure countries. Of this amount, \$13 million is moved from Departmental Management, where it was funded previously, because FAS has assumed full management of the operational and policy components of USDA's reconstruction and stabilization activities. FAS coordinates closely with the State Department, which sets overall operational and administrative policies. The amount requested has been increased by \$600,000 for higher international inflation and administrative costs and \$1 million to fund the FAS Country Strategy Support Fund for Fragile Market Economies. This fund supports projects and activities supporting Posts' Country Strategy Statement priorities focused on reconstruction, stabilization, and global food security in fragile market economies.
- \$1.5 million to expand the Borlaug and Cochran Fellowship Programs. These programs

provide training and collaborative research opportunities in the United States for foreign agricultural researchers, policy officials, and other agricultural specialists, and thereby help to advance U.S. global food security and trade policy objectives in such priority countries as Afghanistan, Pakistan, and Haiti. Under our proposal, as many as 600 individuals will be able to participate in and benefit from these fellowship programs.

### **Export Credit Guarantee Programs**

The Commodity Credit Corporation (CCC) export credit guarantee programs, administered by FAS in conjunction with the Farm Service Agency, provide payment guarantees for commercial financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales. The budget includes an overall program level of \$5.5 billion for CCC export credit guarantees in FY 2012 as required by statute, provided sufficient budget authority is available to support that level. Of this, \$5.4 billion will be made available under the GSM-102 program and \$100 million will be made available under the Facility Guarantee Program.

### **Market Development Programs**

Funded through the CCC, FAS administers a number of programs carried out in partnership with private sector organizations to promote the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. For FY 2012, the CCC budget estimates include a total of \$256 million for the market development programs.

This includes \$200 million for MAP, and \$34.5 million for FMD, consistent with provisions of the 2008 Farm Bill. Similarly, funding for TASC at \$9 million, and the EMP at

\$10 million are also consistent with provisions of the 2008 Farm Bill. CCC funding also includes \$2 million for the QSP, which is not a provision of the 2008 Farm Bill.

### **Dairy Export Incentive Program**

Based on current market conditions and the competitiveness of U.S. dairy exports, the budget assumes that no DEIP bonus payments will be made in 2011 and 2012. However, should conditions warrant, CCC funding can be made available to the program up to the maximum annual level authorized under U.S. commitments to the World Trade Organization.

### **Foreign Food Aid**

The United States continues to play a vital role in global efforts to alleviate hunger and malnutrition and enhance global food security through international food aid activities. USDA contributes to these efforts by carrying out a variety of food aid programs that support economic growth and development in recipient countries. In this regard, the FY 2012 budget includes a total of \$2.1 billion for foreign food aid, including:

- \$200.5 million for the McGovern-Dole program, which will assist as many as 5 million women and children worldwide in FY 2012.
- \$1.7 billion for Food for Peace food aid grants through the P.L. 480 Title II program, which is administered by USAID, and which fosters economic development and provides emergency relief.
- \$156 million for the CCC-funded Food for Progress program, which is projected to support approximately 180,000 MT of commodity assistance.
- \$5 million for the Local and Regional Commodity Procurement Pilot Program, which the 2008 Farm Bill authorizes and provides CCC funding for a limited, field-based pilot program for local and regional procurement of food aid commodities to be distributed

overseas. Grants are provided to PVOs, cooperatives, and the World Food Program to undertake procurement activities.

**Conclusion**

I look forward to working with the Subcommittee to best help U.S. agriculture compete in export markets and support American jobs and to continue American leadership in addressing food security and capacity building in foreign countries.

This concludes my statement, Mr. Chairman. I will be pleased to answer any questions.