

FOREIGN AGRICULTURAL SERVICE

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

Thank you, Mr. Chairman and members of the Subcommittee. I am pleased to report to you that agricultural trade is benefiting the U.S. economy and supporting more than one million American jobs in farming and related industries such as processing and transportation. U.S. farm exports reached a record \$137.4 billion in fiscal year 2011, and the agricultural trade surplus reached a record \$42.9 billion. Agriculture consistently contributes a net trade surplus to our nation's economy.

For U.S. agriculture to continue to thrive, we must continue to open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live. That's why the U.S. Department of Agriculture's Foreign Agricultural Service (FAS) works around the globe to build new markets, to sustain and expand existing ones, to improve the competitive position of U.S. agriculture, and to ensure food security and build agricultural capacity in fragile and developing markets – the markets of tomorrow.

FAS has primary responsibility within the Department of Agriculture (DA) for developing international markets, providing export financing, negotiating trade agreements, and analyzing and disseminating vital market intelligence and data to agricultural producers and exporters, and lead agency for the Department on food aid and agriculture development. FAS is a global network of agricultural economists, marketing experts, negotiators and trade specialists in

Washington, D.C. and 98 international offices that cover 163 countries. FAS attachés and counselors serving at U.S. Embassies and Agricultural Trade Offices are American agriculture's eyes and ears around the world, providing real-time information on emerging trade and marketing issues, resolving issues that interrupt the normal course of trade, and averting problems before they become barriers that impede exports.

FAS plays a critical role in USDA's efforts to collect, analyze, and evaluate global commodity market intelligence and data for all major agricultural commodities. A comprehensive analysis is published monthly in the *World Agricultural Supply and Demand Estimates* and it is considered to be the most credible, timely, and reliable in the world. Policymakers' ability to make sound decisions about trade policies, market development programs, food security issues, and export assistance activities is dependent on the quality of this underlying analysis. Agricultural markets and key private sector constituents rely on the information to develop and implement domestic and international programs and make key business decisions.

At FAS, our power is in our people. Our success – and U.S. agriculture's success in the international arena – is a direct result of our people's ability to forge relationships across political and cultural boundaries, their skill in negotiating in challenging and complex situations, and their insight in assessing market opportunities and challenges.

For instance, without the power of our people – in partnership with other USDA agencies, the Office of the United State Trade Representative, the Department of Commerce, the White House, Congress and the private sector – we would not have been able to negotiate and implement the new trade agreements with Panama, Colombia, and South Korea. Fully

implemented, these agreements will result in an estimated \$2.3 billion in additional agricultural trade and support nearly 20,000 additional domestic jobs.

FAS 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.

FAS receives and responds to World Trade Organization (WTO) notifications from foreign countries on sanitary, phytosanitary, and technical measures that affect agricultural trade. In FY 2011, FAS staff reviewed and developed comments on nearly 350 measures by foreign governments that would have significantly affected U.S. exports or violated a major WTO commitment. Through the comment process, FAS not only alerts exporters to expected changes in foreign regulations, but also works to minimize the impact of foreign regulations on U.S. exports.

In the past year, FAS and its people have been instrumental in resolving numerous sanitary, phytosanitary and technical barriers to trade. We've expanded market access for beef in Chile, Egypt, and most recently the United Arab Emirates; and opened the Japanese market to genetically engineered rainbow papaya, the Western Australian market to U.S. cherries and the Korean market to fresh Oregon blueberries. We have also reopened the Chinese market to live swine, and the Algerian market to U.S. dairy products locked in U.S. eligibility to ship plant products to Vietnam, persuaded Saudi Arabia to remove a ban on food coloring, and Taiwan to rescind onerous certification requirements for canned foods. FAS efforts led to billions of dollars in additional U.S. exports to the world in 2011.

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 \$5.4 billion, surpassing the levels exported in

2003, the last year before trade was disrupted by the detection of bovine spongiform encephalopathy (BSE).

Despite this progress, restrictions still constrain exports to many of our key markets. We continue to actively seek the removal of barriers that prevent U.S. agricultural producers from getting open and fair access to foreign markets. It's because of our people our market access efforts succeed, and that we can promote an open, rules-based international trading system that benefits both consumers and suppliers of agricultural products around the world.

Complementing our market access efforts are a portfolio of export credit and market development programs that help farmers, ranchers, and agribusinesses build and maintain commercial markets for U.S. food and agricultural products in countries worldwide, including new and emerging markets.

Export credit guarantee programs, funded through the Commodity Credit Corporation (CCC) and administered by FAS in conjunction with the Farm Services Agency, facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales. The Export Credit Guarantee (GSM-102) Program, which provides credit guarantees for the commercial financing of U.S. agricultural exports, facilitated sales of \$4.1 billion to 39 countries in 2011. The Facility Guarantee Program is designed to expand sales of U.S. agricultural products to emerging markets where inadequate storage, processing, or handling capacity limit trade potential. The program provides payment guarantees to finance commercial exports of U.S. manufactured goods and services that will be used to improve agriculture-related facilities.

FAS also administers a number of CCC-funded programs in partnership with private sector organizations, called cooperators, to promote the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products around

the world. Last year, we partnered with nearly 70 U.S. agricultural organizations through the Market Access Program (MAP) and the Foreign Market Development (FMD) Program. An independent study commissioned in 2010 demonstrated that for every dollar that government and industry invest in market development through MAP and FMD, U.S. food and agricultural exports increase by \$35.

Other key programs in our market development toolkit include: the Technical Assistance for Specialty Crops (TASC) program, which funds projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops; the Quality Samples Program (QSP), which helps agricultural trade organizations provide small samples of their products to potential importers in emerging markets; and the Emerging Markets Program (EMP), which funds technical assistance activities to promote exports to emerging markets including Russia, China, Indonesia, Philippines, Peru, Colombia, Mexico, and the CAFTA countries (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua).

To understand the impact of these programs, consider China, where U.S. agricultural sales have grown by 80 percent over the last three years. Virtually all of FAS' cooperator partners have active programs in China, conducting market research, technical assistance seminars, trade missions, product demonstrations, and more with the support of FAS-administered trade programs. Our joint efforts helped make China the top market for U.S. food, feed, fish, fiber, and forestry products for the first time ever in 2011.

FAS is proud to support global food security and sustainable agricultural production through our international food assistance and capacity building programs. This fiscal year alone, the McGovern-Dole International Food for Education and Child Nutrition Program and the Food

for Progress Program are expected to benefit more than 9.7 million hungry people worldwide. Under the programs, USDA purchases U.S. commodities and donates them to government agencies and private organizations in targeted countries.

The McGovern-Dole Program focuses on low-income, food-deficit countries that are committed to universal education. Participants either use or sell the donated U.S. commodities to support education, child development, and food security. A McGovern-Dole project operating in 533 rural elementary schools in the poorest municipalities in Guatemala has helped 70,000 children attend school and helped feed the families of 22,500 fourth-sixth graders. The project supports children, parents and teachers through take-home food scholarships, daily snacks, school gardens, PTA support, and donations of supplies to improve the learning environment.

Food for Progress recipients in developing countries and emerging democracies sell the commodities and use the funds to introduce and expand free enterprise in the agricultural sector. For example, a Food for Progress program in Honduras trained local farmers in irrigation, fertilization, pest control and crop management and helped them develop business plans and learn essential business skills to improve their processing and marketing capabilities. Participating farmers have increased their production of premium coffee by 70 percent and are selling the coffee for an average of 11 percent more than the local market price.

Title II of the Food for Peace Act (P.L. 480) provides for donations of humanitarian food assistance to needy people in foreign countries in response to malnutrition, famine, and other extraordinary relief requirements, and to meet economic development needs that address food security. The assistance is provided primarily through private voluntary organizations, cooperatives, or international organizations, mainly the World Food Program (WFP) of the

United Nations. The Title II program is administered by the U.S. Agency for International Development (USAID).

The Local and Regional Commodity Procurement Pilot Project, authorized under the 2008 Farm Bill, supports the use of local and regional purchasing to help quickly meet urgent food needs due to food crises and disasters. Grants are provided to private voluntary organizations, cooperatives, and the WFP to undertake procurement activities. During 2011, FAS issued \$23 million for procurement projects in Pakistan and six countries in sub-Saharan Africa. An independent, third-party evaluation of the program is underway and a report will be delivered to Congress in July 2012.

In addition to providing food assistance to countries in need, FAS invests in the future of developing countries by helping them strengthen their agricultural institutions and regulatory systems, encouraging compliance with international norms, and fostering adoption of U.S. approaches to agricultural policy and regulatory procedures.

The Cochran Fellowship Program provides training for participants from middle-income countries, emerging markets, and emerging democracies to help improve their countries' agricultural systems and strengthen and enhance trade links with the United States. In 2011, 421 public- and private-sector professionals from 72 countries benefitted from the program.

The Norman E. Borlaug International Agricultural Science and Technology Fellowship Program promotes food security and economic growth by providing research and training opportunities to scientists and policymakers from developing and middle-income countries. In 2011, the program brought 86 public- and private-sector professionals to the United States from Africa, Asia, Eastern Europe, the Middle East, and Latin America.

USDA's work to ensure food security and build agricultural capacity is critical to our national security. In our reconstruction and stabilization work in Afghanistan and other countries, FAS coordinates closely with the Department of State, which sets overall operational and administrative policies. We are supporting implementation of the President's strategy for Afghanistan by providing technical experts who serve as agricultural advisors in the country, as well as a team of Washington-based personnel who provide administrative support for these efforts. Their work is essential for stabilizing the country, ensuring the successful implementation of USDA-managed assistance programs, and developing human capital and institutional capacity at all levels of the Ministry of Agriculture, Irrigation and Livestock, a vital need in a country where 80 percent of the population depends upon agriculture for its livelihood.

BUDGET REQUEST

Salaries and Expenses

The 2013 Budget provides a funding level of \$183 million for salaries and expenses, on par with the 2012 enacted level. The budget supports 1,002 staff years.

The Budget recognizes an expected increase of \$5 million in costs for the non-discretionary operations of the agency's international offices, based on factors including overseas inflation, exchange rate fluctuations, and an increase in administrative costs shared with other U.S. government agencies overseas under the International Cooperative Administrative Support Services System (ICASS). This estimate is based on Department of State cost growth forecasts. Consistent with the Department's Blueprint for Stronger Service, in 2012 FAS intends to close two overseas offices and reduce staffing at five additional overseas locations.

The FAS Budget also includes \$5.6 million for Washington-based support for the Department's participation in reconstruction and stabilization activities in Afghanistan and other countries.

The requested funding for overseas operations and agricultural reconstruction and stabilization will be offset by a decrease of \$10.2 million in operating expenses for FAS headquarters offices. This reduction is part of an effort to increase administrative efficiencies in areas such as travel, transportation, supplies, and equipment.

Export Credit Guarantee Programs

The Budget includes an overall program level of \$5.5 billion for CCC's export credit guarantees in 2013 as required by statute. Of this, \$5.4 billion will be made available under the GSM-102 program and \$100 million will be available for the Facility Guarantee Program.

Market Development Programs

For 2013, the Budget assumes \$200 million in funding for MAP, the same level provided in 2012. The budget also includes \$2.5 million for QSP. The budget baseline does not assume funding for FAS' other CCC-funded market development programs: FMD (currently funded at \$34.5 million), TASC (currently funded at \$9 million), and EMP (currently funded at \$10 million). These programs are set to expire at the end of 2012 and are subject to congressional reauthorization and funding in the new Farm Bill.

Food Assistance and Capacity Building

The 2013 Budget proposes \$184 million for the McGovern-Dole program, the same level provided in 2012. The program is expected to assist as many as 4.3 million women and children worldwide in 2013.

The 2013 Budget assumes \$170 million in CCC funding for the Food for Progress program, which is expected to support approximately 220,000 metric tons of commodity assistance.

The 2013 Budget provides funding of \$1.4 billion for Food for Peace food assistance grants through the P.L. 480 Title II program, which is administered by USAID.

Conclusion

I look forward to working with the Subcommittee to help U.S. agriculture continue to compete successfully in the global marketplace, enhance the food security in the world's most vulnerable countries, and drive the United States' recovery by supporting jobs and economic growth in rural America.

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