

**STATEMENT BY  
COALITION TO PROMOTE U.S. AGRICULTURAL EXPORTS  
TO THE  
SUBCOMMITTEE ON SPECIALTY CROPS, RURAL  
DEVELOPMENT, AND FOREIGN AGRICULTURE  
COMMITTEE ON AGRICULTURE  
U.S. HOUSE OF REPRESENTATIVES**

**MAY 10, 2007**

Good morning, Mr. Chairman. My name is James H. Sumner. I am President of the USA Poultry & Egg Export Council (USAPEEC), which is a trade association that is dedicated to increasing exports of U.S. poultry and egg food products. USAPEEC's 200 member companies account for more than 95% of all U.S. poultry and egg exports. Today, I am testifying on behalf of the Coalition to Promote U.S. Agricultural Exports of which we are a member. We commend you, Mr. Chairman, and members of the subcommittee, for holding this hearing to review our agricultural trade programs and wish to express our appreciation for this opportunity to share our views.

The Coalition to Promote U.S. Agricultural Exports is an ad hoc coalition of over 100 organizations, representing farmers and ranchers, fishermen and forest product producers, cooperatives, small businesses, regional trade organizations, and the State Departments of Agriculture (see attached). We believe the U.S. must continue to have in place policies and programs that help maintain the ability of American agriculture to compete effectively in a global marketplace still characterized by highly subsidized foreign competition.

With the 2002 Farm Bill, Congress sought to bolster U.S. trade expansion efforts by approving an increase in funding for the Market Access Program (MAP) and the Foreign Market Development (FMD) Program. This commitment began to reverse the decline in funding for these important export programs that occurred over the previous decade. For MAP, funding was increased over the course of the 2002 Farm Bill from \$90 million annually to \$200 million annually, and FMD was increased from approximately \$28 million to \$34.5 million annually.

Farm income and agriculture's economic well-being depend heavily on exports, which account for over 25 percent of U.S. producers' cash receipts, provide jobs for nearly one million Americans, and make a positive contribution to our nation's overall trade balance. In FY 07, U.S. agriculture exports are projected to be \$78 billion, up \$9.3 billion over last year and up \$25 billion since 2002. However, exports could be significantly higher if it were not for a combination of factors, including continued high levels of subsidized foreign competition and competition crushing trade barriers. Agricultural imports are also forecast to be a record \$70 billion, continuing a 35-year upward trend that has increased at a faster pace recently. If these projections hold, agriculture's trade surplus is expected to be \$8 billion, up \$4.7 billion over last year but still a huge decline from the roughly \$27 billion surplus of FY 96. In FY 99, the U.S. recorded its first agricultural trade deficit with the EU of \$1 billion. In FY 07, USDA forecasts that the trade deficit with the EU will grow to \$7.6 billion, the largest agriculture deficit the U.S. runs with any market.

America's agricultural industry is willing to continue doing its best to offset the alarming trade deficit confronting our country. However, the support provided by MAP and FMD (both green box programs) is essential to this effort.

Both MAP and FMD are administered on a cost-share basis with farmers and other participants required to contribute up to 50 percent of their own resources. These programs are among the few tools specifically allowed in unlimited amounts under World Trade Organization (WTO) rules to help American agriculture and American workers remain competitive in a global marketplace still characterized by highly subsidized foreign competition. The over 70 U.S. agricultural groups that share in the costs of the MAP and FMD programs fully recognize the export benefits of market development activities. By any measure, such programs have been tremendously successful and extremely cost-effective in helping maintain and expand U.S. agricultural exports, protect American jobs, and strengthen farm income.

A recent independent cost-benefit analysis of the MAP and FMD programs prepared for the Department of Agriculture by Global Insight, Inc.—the world's largest economic analysis and forecasting firm—illustrates the benefit of these vital market development programs. MAP and FMD are public-private partnerships that use government funds to attract, not replace, industry funds. According to Global Insight, total partnership spending on market development has grown 150% in the past decade to over \$500 million projected for FY 07 (\$300 million from industry and \$200 million from government). Over this period, industry contributions (up 222%) have grown twice as fast as government funding (up 95%) under MAP and FMD. Industry funds are now estimated to represent 59% of total annual spending, up from 46% in 1996 and less than 30% in 1991, which strongly represents industry commitment to the effort.

Another key finding by Global Insight is that two-thirds of market development funding through MAP and FMD is directed at technical assistance and trade servicing, not consumer promotions such as advertising. This category includes trade policy support, which has grown rapidly in recent years, as industry groups use program funds to help address rising levels of SPS barriers that U.S. products face in global markets. Only 20% of program funds are used in consumer promotions, largely for high value products supported under MAP.

The Global Insight study clearly illustrates the following favorable benefits of increased funding for market development and promotion through MAP and FMD that has occurred under the 2002 Farm Bill:

**Market development increases U.S. competitiveness by boosting the U.S. share of world agricultural trade.**

- The study found that the increase in funding for MAP and FMD authorized in the 2002 Farm Bill – combined with the increased contributions from industry – increased the U.S. share of world trade since 2001 by over one market share point to 19%, which translates into \$3.8 billion in agricultural exports.

**Market development increases U.S. agricultural exports.**

- As mentioned above, Global Insight found that U.S. agricultural exports are forecast to be \$3.8 billion higher in 2008 than they would have been had market development not been increased in the 2002 Farm Bill. Furthermore, export gains will accrue well beyond 2008, reaching \$5 billion once the full lagged impacts of market development are taken into account. **For every additional dollar spent on market development, \$25 in additional exports result within 3-7 years.** The study also found that 39% of the export benefits of market development accrued to U.S. agricultural products other than those that were being

promoted. Known as the “halo” effect, this provides empirical evidence that the program generates substantial export benefits not only for industry partners carrying out the activity (they receive 61% of the total export benefit) but for other non-recipient agricultural sectors as well (that receive 39% of the total export benefit).

#### **Market development improves producers’ income statement and balance sheets.**

- The income statement is improved by the price and output effect that higher exports have on cash receipts and farm net cash income. Additional cash receipts have increased \$2.2 billion during the 2002 Farm Bill due to the additional exports from market development. Higher cash receipts increased annual farm net cash income by \$460 million, representing a \$4 increase in farm income for every additional \$1 increase in government spending on market development.

In recent years, the EU, the Cairns group, and other foreign competitors devoted approximately \$1.2 billion on various market development activities to promote their exports of agricultural, forestry, and fishery products. A significant portion of this is carried out in the United States. Market promotion is permitted under WTO rules, with no limit on public or producer funding, and is not expected to be subject to any disciplines in the Doha Round negotiations. As a result, it is increasingly seen as a centerpiece of a winning strategy in the future trade battleground. Many competitor countries have announced ambitious trade goals and are shaping export strategies to target promising growth markets and bring new companies into the export arena. European countries are expanding their promotional activities in Asia, Latin America, and Eastern Europe. Canada, Australia, New Zealand, and Brazil have also budgeted significant investments in export promotion expenditures worldwide in recent years.

As the EU and our other foreign competitors have made clear, they intend to continue to be aggressive in their export efforts. For this reason, we believe the Administration and Congress should strengthen funding for MAP and FMD as part of a strong trade component in the new Farm Bill, and also ensure that such programs are fully and aggressively utilized. **It should be noted that MAP was originally authorized in the 1985 Farm Bill at a level of \$325 million, and the Coalition strongly supports returning the program to that authorized level of funding from its current level of \$200 million per year. We also urge that no less than \$50 million annually be provided for the Foreign Market Development (FMD) Cooperator Program for cost-share assistance to help boost U.S. agriculture exports.** For FMD, this proposed increase reflects approximately the 1986 level of funding, adjusted for inflation.

We appreciate the Administration’s recognition of the merit and value of MAP in the 2007 Farm Bill proposals by increasing funding for the program to \$225 million annually, although we strongly believe a higher funding level of \$325 million annually is needed. Furthermore, we believe that USDA’s Foreign Agricultural Service’s (FAS) current system of funding based upon the competitive merit of applicants’ proposals works well and should not be changed. We do not believe that targeting funds to specific sectors is necessary.

At this time, I will give several examples of how MAP and FMD, along with industry initiatives, have helped USAPEEC to improve exports of U.S. poultry and eggs.

As an approved USDA Cooperator organization, USAPEEC is responsible for administering funds from both MAP and FMD, which are combined with industry contributions to fund various market-specific promotional activities. These activities can be targeted toward consumers, retail, food service, the HRI trade, or any combination of those market sectors. In fact, the

availability of MAP and FMD funding is an added incentive for our member companies to contribute to this overall promotion effort.

USAPEEC utilizes its annual MAP allocation largely for promotional activities. However, it has become an increasing necessity that the funds be used in part to address the numerous trade issues that hinder U.S. exports. The FMD allocation helps to maintain USAPEEC offices in Russia, China, Mexico and Singapore, and is therefore also used largely to help overcome developing new restrictions on trade. The staffs of these offices are the industry's eyes and ears in those key markets. They work closely with key agriculture officials in the local government and with the U.S. government's embassies and Agricultural Trade Offices, as well as the import trade. They are essentially a "quick reaction force" for our industry, and are able to identify trade issues early. This helps our industry and government to work together to resolve trade issues involving poultry and eggs quickly and efficiently.

As an example of cooperation between industry and government under MAP, USAPEEC organized a donation in 2005 of two containers of U.S. chicken leg quarters to the Vietnamese poultry industry. The Vietnamese industry then auctioned the donated product to raise funds for its campaign against highly pathogenic avian influenza that had devastated the industry. Fear of this disease had also caused a dramatic drop in chicken consumption in Vietnam. Auction proceeds also helped to calm consumers' fears about eating chicken.

How did this help to increase exports? As a result of this donation and auction, USAPEEC has gained the support of the Vietnam Poultry Association, which actually helped us promote the importation of safe poultry from the U.S. so that Vietnamese consumers would not sacrifice poultry from their normal diets. As a result, U.S. chicken exports to Vietnam which had dropped to just over \$500,000, largely because of AI fears, climbed back to more than \$6 million by the end of 2006. In the first two months of 2007, U.S. chicken exports to Vietnam were nearly \$2.2 million.

Exports of U.S. turkey from major producing states, such as North Carolina, have become increasingly important. In the Republic of Korea, USAPEEC has conducted restaurant and deli promotions that have helped to increase U.S. turkey meat exports to Korea from less than \$1 million in 2004 to \$2.8 million in 2006.

In the Middle East, USAPEEC has coordinated activities to increase consumer awareness in the retail sector of the versatility of U.S. turkey parts. Exports of turkey to the Middle East have grown accordingly, from \$2.3 million in 2004 to \$3.1 million in 2006.

Mexico has been our largest market for U.S. turkey for years. Since 2000, turkey exports have risen from \$138 million to more than \$216 million, an average of \$13 million per year. Mexico is also the fourth-largest market for U.S. chicken, valued at nearly \$200 million in 2006. USAPEEC has developed a unique partnership with UNA, the Mexican Association of Poultry Processors, which has helped to keep that market thriving. Named the NAFTA Egg and Poultry Partnership (NEPP), the USAPEEC-UNA collaboration has organized several industry-to-industry meetings funded by MAP, as well as industry-government technical symposia on export issues affecting U.S. poultry.

Under NEPP, USAPEEC and UNA worked together to establish a special safeguard arrangement that was approved by both governments to extend the NAFTA duty for U.S. chicken leg quarters through the end of 2007. (In the original NAFTA, all poultry import duties were to be eliminated in 2002). Had that not happened, radical elements of the Mexican poultry

industry, fearing a deluge of leg quarter imports, were poised to file a dumping action against the U.S. industry, which would have been extremely costly. NEPP continues to coordinate industry-to-industry activities to discuss issues of mutual interest and to formalize industry recommendations to our respective governments. In fact, our organization has developed similar relationships in Central America and South America in support of CAFTA and the ANDEAN Free Trade Agreements.

Also in Mexico, USAPEEC has promoted the use of U.S. processed egg products (liquid, dried, etc.) among food manufacturers, such as bakeries, confectioners and mayonnaise makers. Food makers in Mexico, which has the world's highest per capita consumption of eggs, had traditionally used locally produced shell eggs to manufacture their products. Now, however, manufacturers are making the switch to high-value U.S. processed eggs. Exports of U.S. egg products to Mexico have grown dramatically, from \$7 million in 2004, to \$13.1 million in 2005 to \$15.8 million in 2006.

On another front, as highly pathogenic avian influenza spread from Asia into the Middle East and Europe in the fall of 2005, consumption of poultry plummeted in many countries by as much as 20 to 50%, as fearful consumers simply stopped eating poultry. In four months, the price of chicken leg quarters – a market benchmark – fell from 48 cents per pound to less than 10 cents per pound. The estimated cost to the U.S. industry in lost export income was estimated at \$142 million per month.

In early 2006, USAPEEC launched a worldwide initiative aimed at countering consumer fears. Funded by \$1 million in combined MAP and industry contributions, the campaign carried a simple message: "Properly handled and cooked poultry is safe to eat." The "Just Cook It!" campaign quickly spread around the world, and gained the endorsement of the World Health Organization's chief expert on avian influenza, Dr. David Nabarro. USAPEEC's international offices were instructed to tailor the message to suit local markets, and USAPEEC shared materials developed for the campaign with poultry organizations around the globe free of charge. The campaign helped to reassure consumers worldwide that poultry is safe to eat. Chicken leg quarter prices have since rebounded to the mid-40 cent range.

These examples represent only a small sample of the activities in which the organization is engaged throughout the major export markets. USAPEEC also works to open new markets, and is actively promoting U.S. products in underutilized markets in Africa, such as Kenya, Tanzania, Ghana, Nigeria, Angola and others.

In closing, I cannot overemphasize the importance of MAP and FMD to the success of U.S. poultry and egg exports. Thank you, Mr. Chairman, for this opportunity to share with the subcommittee some of our successes, and I would be pleased to respond to any questions you may have.