



**U.S. Wheat Associates
National Association of Wheat Growers**

**Submission for the Record
To the House Committee on Agriculture
Hearing to Review Market Promotion Programs and Their Effectiveness on Expanding
Exports of U.S. Agricultural Products
April 7, 2011**

The free and fair flow of trade is essential to U.S. wheat farmers as roughly half of the wheat they produce is exported each year. In the most recent full marketing year (2009/10), the United States exported 24.0 million metric tons (MMT) of wheat, roughly 40 percent of production. Also in 2009/10, the United States accounted for nearly 18 percent of global exports as world wheat exports were estimated at 135.8 MMT. In 2010/11, U.S. wheat exports are expected to reach 34.5 MMT, representing 58 percent of domestic production and 28 percent of world wheat trade.

The National Association of Wheat Growers (NAWG) was founded more than 60 years ago by producers to work together for the common good of the industry. Today, NAWG works with its 21 state associations and many coalition partners to unite the wheat industry on issues as diverse as federal farm policy, environmental regulation and the future commercialization of biotechnology in wheat.

U.S. Wheat Associates (USW), the wheat industry's export market development organization, conducts training and provides information to customers in more than 100 countries on behalf of America's wheat producers. USW's activities are made possible by producer check off dollars managed by 18 state wheat commissions and cost-share funding from the Market Access Program (MAP) and Foreign Market Development (FMD) program administered by USDA's Foreign Agricultural Service. USW works on behalf of American wheat producers to increase wheat exports by collaborating with foreign government officials and industry representatives to address market constraints and opportunities.

USW and NAWG appreciate the opportunity to comment for the record on the importance of market development programs and their role in agricultural trade. Wheat has benefitted from FMD and MAP for many years and was one of the first associations to utilize the FMD program after its creation in the 1950s. U.S. wheat producers understand the importance of exports to their profitability and contribute roughly 50 percent of USW's promotional expenses through direct contributions and in-kind support to match government program funds. These funds support a network of 15 overseas offices as well as the promotional activities.

USW staff presence in these markets allows for routine contact with overseas customers to educate them on the process and benefits of buying U.S. wheat, to identify and promote U.S. wheat to potential new customers and to follow-up on previous purchases to ensure a positive experience from start to finish. The routine on-the-ground contact provides assurance, creates confidence and is a key factor for continuing a high level of U.S. wheat exports in the face of competition from a number of wheat exporting nations.

USW promotional activities funded by MAP and FMD are multi-faceted. One on one meetings through trade servicing educates customers on the marketing system, qualities and contracting of U.S. wheat and creates comfort and confidence in navigating the complex U.S. system. Technical assistance to properly mill and bake U.S. wheat ensures that the full value of U.S. wheat is extracted from each purchase. USW routinely sponsors trade teams of customers to the United States for a firsthand experience in understanding the various assurances built into our marketing system. In addition, customers routinely attend courses at partner institutions such as the International Grains Program at Kansas State University, the Northern Crops Institute at North Dakota State University and the Wheat Marketing Center in Portland, Oregon.

The increased quantity of wheat exports to Nigeria is an example of the remarkable success of the MAP and FMD export promotion programs. USW worked collaboratively with new market players to educate them on the U.S. wheat marketing system and to help develop local products made from U.S. wheat. These efforts resulted in the importation of all six U.S. wheat classes and to Nigeria becoming the top U.S. wheat customer in 2009/10. USW efforts resulted in loyalty by Nigerian millers and the United States maintains an 80 percent market share, despite increased price competition from Canada and the Black Sea region.

Agriculture is a bright spot in the U.S. economy and agricultural trade is unique compared to traditional goods. Agriculture consistently maintains a trade surplus, thanks in part to cooperator activities funded through FMD and MAP programs. USW and NAWG are proud of the success already accomplished by USDA/FAS as well as the relationship with USTR in overcoming trade and technical barriers. The structure within USDA and the communication between intertwined agencies such as the Foreign Agricultural Service (FAS), the Animal Plant Health Inspection Service (APHIS), the Federal Grain Inspection Service (FGIS) and others facilitates the efficient export of goods as well as the timely resolutions of trade disruptions. The special trade issues that agriculture faces needs to be an important consideration in any reorganization plan of the government's trade-related agencies.

Attached is a fact sheet specific to wheat on the FMD and MAP programs to illustrate the impressive benefits of USDA's market development programs, and their admirable returns on investment. We encourage Congress to support the Obama Administration's fiscal year 2012 budget request and fully fund both programs at \$34.5 million and \$200 million, respectively. As already proven, these relatively small investments by the American people will continue to create impressive returns to U.S. farmers, U.S. agriculture and the U.S. economy.



Fact Sheet **Market Access Program, Foreign Market Development Benefits** **January 2011**

The Market Access Program (MAP) and Foreign Market Development (FMD) program administered by USDA's Foreign Agricultural Service (FAS) form the core of a highly successful partnership between non-profit U.S. agricultural trade associations, farmer cooperatives, non-profit state-regional trade groups, small businesses, and USDA to share the costs of overseas market development efforts. These programs continue to have a positive and significant impact on U.S. agricultural exports. MAP and FMD are crucial to the U.S. wheat industry to maintain sales and market share in an increasingly competitive trade environment.

By any measure, MAP and FMD are good government programs with:

- excellent returns, that actually grow with investment, to the government and farmer cooperators;
- proven potential to create American jobs and help the rural economy grow;
- efficient, effective administration;
- direct contributions that improve conditions for the private sector to increase exports;
- benefits to the entire agricultural supply chain from wheat farmers to the longshoremen who load wheat on vessels for export.

Excellent Return on Investment

An independent study conducted by IHS Global Insight, Inc., for USDA in 2010 found that between 2002 and 2009, the incremental investment in market development increased U.S. export market share by 1.3 percentage points and the annual value of U.S. agricultural exports by \$6.1 billion. For every additional \$1 expended by government and industry on market development, U.S. food and agricultural exports increased by \$35.

These results are consistent with the conclusions of a January 2010 economic analysis of wheat export promotion showing U.S. wheat farmers received \$23 in net revenue for every \$1 they invested in export promotion between 2000 and 2007. The study also showed that every \$1 invested by U.S. wheat farmers and the government returns \$115 to the U.S. economy.

\$1 investment
= ***\$35 increase***
in exports
= ***\$23 to***
Farmers
= ***\$115 to***
U.S. Economy

An Effective Public-Private Partnership

Industry funds currently represent almost 60% of total annual market development spending, up from about 45% in 1996 and roughly 30% in 1991, which demonstrates farmer commitment to the effort (Source USDA). Like other cooperators, U.S. wheat farmers are strongly committed to this partnership. Wheat commissions from 19 states contributed an estimated \$12.8 million in checkoff funds and in-kind services in 2009/2010 to qualify for MAP and FMD activities conducted by U.S. Wheat Associates. These cost-share programs provide a critical incentive to invest in U.S. grain export market development. Without them, it is highly unlikely that

there would be sufficient private funds to maintain a strategic, coordinated export promotion program in the increasingly competitive global wheat market.

MAP and FMD Contribute to Jobs at Home and Capacity Building Abroad

U.S. agricultural exports totaled nearly \$109 billion in FY 10. Since MAP was created in 1985, U.S. agricultural exports increased by nearly 300 percent at their peak in 2008 (Source USDA). USDA estimates that every \$1 billion in agricultural exports create 8,000 jobs. Thus more than 800,000 Americans have jobs that depend on these exports thanks in part to MAP, FMD and related programs. We can expect increased demand for agricultural products as the global economy recovers, which reinforces the need for such valuable programs as MAP and FMD that help create, expand, and maintain markets for U.S. agricultural products.

“...more than 800,000 Americans have jobs that depend on these exports thanks in part to MAP, FMD and related programs”

The benefits of export market development extend beyond U.S. shores, however. Nigeria imported more U.S. wheat than any other country in 2009/10. Since 2001 when USW opened a technical service office in Lagos supported by FMD and MAP funds, average annual wheat sales to Nigeria have doubled to almost 3 million metric tons. Nigerian flour milling executives say wheat export promotion is helping build economic capacity in their country. One senior executive said: “MAP and other

programs provide training for our employees and if we can do more together, the potential for significant growth is there.” Noting that USW uses MAP funds for technical training that helps build new wheat-based food markets, the CEO of Nigeria’s Honeywell Flour said: “Whatever we have achieved, the foundation has been laid by U.S. Wheat Associates. We know that USW is funded by farmers and USDA. It is money well-spent.”

MAP and FMD Help Counter Subsidized Foreign Competition

In recent years, the Canadian Wheat Board monopoly seller, the EU, the Cairns Group, and other foreign competitors have devoted considerable resources on agricultural export market development activities, a significant portion of which is carried out in the United States. Eliminating or reducing funding for MAP in the face of continued subsidized foreign competition will put American farmers and workers at a substantial competitive disadvantage. Conversely, maintaining or increasing MAP and FMD programs, which are non-trade distorting and not subject to World Trade Organization (WTO) disciplines, increases U.S. export competitiveness.

Funding for FMD is designed to establish an on-the-ground country or regional presence, identify new markets and address long-term foreign import constraints and export growth opportunities. Yet funding for FMD has been static for many years while overseas expenses continue to increase. Like other FAS cooperators, U.S. Wheat Associates does all it can to maximize its efficiency and has already made significant FMD cuts by consolidating offices and reducing staff. Additional funding cuts will force U.S. Wheat Associates to abandon markets with upside potential, an outcome that will only benefit our competitors and hurt American farmers and those whose jobs depend on exports.

Protecting MAP and FMD makes good economic sense. If you want to reduce government spending and increase jobs, cutting MAP and FMD is not the way to do it.