

**Statement by Christian Foster
Deputy Administrator of the Foreign Agricultural Service
U.S. Department of Agriculture
Before the U.S. House Committee on Small Business
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Mr. Chairman, members of the Committee, I am pleased to appear before you today. In his 2010 State of the Union address, President Obama told the nation, “we’re launching a National Export Initiative that will help farmers and small businesses increase their exports.” The U.S. Department of Agriculture (USDA) has taken the President’s charge to heart and ratcheted up our export assistance efforts. The efforts of USDA personnel throughout the country and around the globe, bolstered by public-private partnerships, have assisted U.S. farmers, ranchers, and all agricultural exporters in achieving record export sales. In fiscal year 2011, we expect U.S. agricultural exports to reach a new record of \$137 billion.

LINKING U.S. AGRICULTURE TO THE WORLD

For more than 50 years, the Foreign Agricultural Service (FAS) has led USDA’s efforts to open and build overseas markets. The National Export Initiative (NEI) goal of doubling U.S. exports has energized FAS’s global network of agricultural economists, market development experts and trade specialists both in Washington, DC and throughout our network of key international offices. This is because we know that the more agricultural products we sell to other countries, the more jobs we support right here in America. In fact, USDA analysis has shown that every \$1 billion in agricultural exports supports 8,400 American jobs and generates an additional \$1.31 billion in economic activity.

COMMITMENT

President Obama’s National Export Initiative calls for a Government-wide approach, and our commitment to this Initiative starts at the top. Next Wednesday, August 3, Secretary Vilsack

will host the Administration's NEI Small Business Tour event in Milwaukee, Wisconsin. The event titled "New Markets, New Jobs," is one in a series of Administration events specifically designed to help connect small- and medium-sized businesses with the resources they need to sell more of what they make in markets overseas. Collaborating with USDA at the event will be representatives from the Office of the U.S. Trade Representative (USTR), the U. S. Department of Commerce (DOC), the U.S. Small Business Administration (SBA), and the Export-Import Bank (EXIM).

COORDINATION

USDA has stepped up its export program coordination with other Federal agencies through the Trade Promotion Coordinating Committee (TPCC), which is comprised of 21 agencies and is chaired by the Department of Commerce. The Committee's efforts have focused on developing and implementing interagency communication and outreach plans primarily with the SBA, EXIM, and DOC. This inter-agency collaboration extends to U.S. embassies overseas where FAS Foreign Service officers work with DOC and the U.S. Department of State to assist the export efforts of small companies.

In addition to working with our Federal partners, FAS has forged important relationships with export assistance and small business centers, state agencies, and U.S. trade associations in an effort to raise awareness of the benefits of exports and the range of U.S. Government assistance available to small businesses.

USDA is broadening its outreach throughout the country at the local level to alert small and medium-sized enterprises (SMEs), especially in rural areas, about the tools available to start or expand exporting. To that end, FAS is enhancing collaboration with its USDA sister agencies,

the Farm Service Agency (FSA) and Rural Development (RD), through their field offices to get the word out on the scope of USDA and other Federal assistance programs and services.

This afternoon, I would like to highlight a few of USDA's specific actions in a number of NEI priority areas of activity.

NEI PRIORITY: EXPORTS BY SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

In 2010, more than 625 new SMEs benefited from USDA's Market Access Program (MAP) to promote their products overseas, which resulted in over 975 first-time sales. A cost-share program, MAP provides partial matching funds to U.S. organizations to conduct a range of activities, including market research, consumer promotion, maintaining and expanding relations with foreign buyers, market development, and market access support. The economic impact of MAP and the Foreign Market Development (Cooperator) Program (FMD), our second largest market development program, is striking. A recent cost-benefit analysis concluded that U.S. food and agricultural exports increased by \$35 for every \$1 invested by government and industry on market development under these programs.

For example, WildRoots, a small healthy snack food company, with two production facilities in Illinois and one in Nebraska, matched MAP branded funds to market their products in Canada. Export sales soared from zero in 2008 to over \$4 million in 2010. The company buys blueberries from Michigan, corn and soy products from Illinois, oats from Nebraska, cranberries from Massachusetts, and almonds from California. According to a WildRoots' co-founder, "Without the branded program, we simply would never have been able to compete with Canadian producers. It has moved our business to a new level and has promoted U.S.-based agricultural products, creating jobs in an economy that desperately needs them."

Export-related outreach to SMEs is conducted by FAS in coordination with the four state regional trade groups (SRTGs¹). FAS and the SRTGs have a near 40-year history of promoting U.S. agricultural exports. The SRTGs invest USDA market development program funds worldwide to conduct generic promotions for U.S. food products and brand activities specifically targeted to SMEs. USDA funds support SRTG webinars, Export Helplines, seminars, email bulletins, newsletters, trade publication advertising, and one-on-one contact with companies at U.S. food shows that reach SMEs with pertinent trade information.

Milo's Whole World Gourmet, an Ohio company, needed help with export documentation and obtaining market research for their products. After calling an SRTG Export Helpline, Milo's was paired with an export counselor to assist them in getting ready to export. In regard to his experience, Jonathan Leal, Milo's founder and owner stated, "It has been an invaluable resource. Without the Food Export Helpline I'd be lost in a sea of export language and conditions."

NEI PRIORITY: FEDERAL EXPORT ASSISTANCE

Another prime example of our export assistance to SMEs is how we link them to foreign buyers at USDA-supported trade shows. U.S. pavilions at international trade shows create national identity and visibility for U.S. exhibitors. In 2010, USDA supported U.S. Pavilions at 27 international trade shows in 19 countries. At those events, nearly 1,000 exhibitors, most SMEs, reported \$179 million in total on-site sales, and over \$1 billion in estimated total 12-month sales. Further, participating U.S. companies introduced over 6,000 new-to-market products, and made close to 16,000 serious business contacts. On average, 70 percent of the companies exhibiting in these U.S. pavilions were small companies.

¹ The SRTGs are: Food Export USA – Northeast, headquartered in Philadelphia, PA; Food Export Association of the Midwest, headquartered in Chicago, IL; Southern United States Trade Association, headquartered in New Orleans, LA; and Western U.S. Agricultural Trade Association, headquartered in Vancouver, WA.

For example, in 2011, another of the SRTGs, the Western U.S. Agricultural Trade Association (WUSATA), assisted Linden Nut Company, a small California company, in attending the Food Ingredient China Trade Show in Shanghai. Linden Nut exhibited at the show and connected with dozens of Chinese buyers and distributors. As a result of their participation in the show, the company generated \$130,000 in first-time sales.

NEI PRIORITY: TRADE MISSIONS

Agribusiness trade missions (ATMs) to foreign markets led by high-level USDA officials are another example of how we link our producers to foreign buyers. On these missions, participants meet with local entrepreneurs in one-on-one business meetings, host country and U.S. officials, and public/private sector experts as well as participate in onsite visits. In 2010, 29 companies participated in two high level, USDA sponsored ATMs with a resulting export value of \$14.8 million.

For example, Acting Under Secretary for Farm and Foreign Agricultural Services Michael Scuse led an ATM in January 2011 to Peru accompanied by 20 representatives from U.S. agribusinesses and business associations; 16 were from small businesses. This was the first USDA-led ATM of its kind to the South American region. With 101 Peruvian and 10 Ecuadorian companies attending the business activities, a total of 338 one-on-one business meetings were held. To date, USDA has recorded \$1.9 million in sales of U.S. products to Peru and Ecuador as a result of this mission. Looking at SMEs successes from the ATM, a dairy and vegetable processing company from Illinois recorded over \$350,000 in first-time sales to Peru and a meat and poultry company from Georgia recorded over \$800,000 in first-time sales and is considering opening a sales office in Peru to be closer to the market. Total sales generated by the Peru ATM are expected to reach \$5 million by 2013.

In addition, USDA supports reverse trade missions that bring foreign buyers to the United States to meet with potential suppliers of agricultural products. These reverse trade missions are particularly valuable for SMEs that may not have the resources to travel to a large number of countries in search of new markets. In 2010, USDA increased the number and scope of reverse trade missions. Our efforts brought 2,734 foreign buyers together with U.S. SMEs as part of more than 270 such reverse trade missions.

NEI PRIORITY: REDUCING BARRIERS TO TRADE

The biggest challenge to agricultural exports continues to be market access, both opening new markets and maintaining existing markets. Together with other Federal agencies, USDA is stepping up efforts to address unjustified sanitary and phytosanitary barriers and technical barriers, as well as tariff barriers to trade.

For example, in 2010, the FAS-administered Technical Assistance for Specialty Crops (TASC) program was instrumental in assisting U.S. potato exporters in overcoming a Thai phytosanitary protocol that prevented U.S. exports from certain states. TASC was authorized and funded by Congress specifically for projects that address sanitary and phytosanitary barriers that prohibit or threaten the export of U.S. specialty crops. Following several months of negotiations between the Thailand Department of Agriculture and USDA, the U.S. Potato Board (USPB) used TASC funding to arrange for Thai officials to visit the United States to review U.S. seed certification procedures, cultivation practices and phytosanitary risk-mitigation measures. Following this activity, Thailand agreed to additional market access that more than doubles – to 14 – the number of states eligible to export seed potatoes to Thailand. Seed potatoes from Colorado, Maine, Michigan, Minnesota, Montana, Nebraska, New York, North Dakota, Wisconsin and Wyoming may now be exported to Thailand. FAS estimates sales of \$250,000 to

\$500,000 during the first year of the expanded Thai market access, while the USPB estimates that the broader market access could boost exports to Thailand to \$1 million in three to five years.

The Administration remains committed to securing Congressional approval of the pending trade agreements with South Korea, Colombia, and Panama, which would significantly reduce tariff and other trade barriers to U.S. exports. The Korea agreement (KORUS), will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's \$1 trillion economy and 49 million consumers. Almost two-thirds of the agricultural products that we currently export to Korea would receive duty-free treatment immediately, including corn, soybeans for crush, cotton, cherries, orange juice, grape juice, and wine. South Korea's average current tariff on processed agricultural products is 8 percent, but these products have been subject to arbitrary annual adjustment tariffs as high as 45 percent. Under the agreement, tariffs on nearly all processed products would be eliminated within 5 to 10 years. Nearly all other agricultural commodities would have their tariffs and duties eliminated over a period of time, creating tremendous opportunity to increase our exports to Korea. USDA's Economic Research Service (ERS) projects that on full implementation, U.S. agricultural export gains under KORUS would be over \$1.9 billion annually – a 33 percent increase from the 2010 level of U.S. agricultural, fish, and forestry exports to that market (\$5.8 billion).

The Colombia Trade Promotion Agreement also contains good news for U.S. agriculture. Currently, no U.S. agricultural exports enjoy duty-free access to Colombia, with most applied tariffs ranging from 5 to 20 percent. But on day one of implementation, U.S. exporters would receive duty-free treatment on products accounting for almost 70 percent of current trade. When

implementation is complete, we expect it to increase our agricultural exports by 44 percent – an additional \$370 million per year.

U.S. agricultural exports to Panama have been on the rise, growing to over \$450 million in 2010. According to ERS, the U.S.–Panama Trade Promotion Agreement would continue this progress with an additional \$46 million in annual sales upon full implementation. More than half of current agricultural trade (by value) will receive immediate duty-free treatment, with most of the remaining tariffs on agricultural products to be eliminated within 15 years. Tariffs on 68 percent of Panama’s agricultural tariff lines, accounting for more than half of current U.S. trade by value, would be eliminated immediately upon entry into force of the agreement.

CONCLUSION

As Deputy Administrator of USDA’s Foreign Agricultural Service, I have witnessed the success of our efforts to improve foreign market access for U.S. products, build new markets, and improve the competitive position of U.S. agriculture in the global marketplace. I am also pleased to report that USDA is making progress in the Administration’s goals under NEI. As Secretary Vilsack said, "increased exports mean higher incomes for producers, more opportunities for small business owners, and for folks who package, ship and market agricultural products. They mean a thriving rural America which is good for our Nation as a whole."

This concludes my statement. I look forward to answering any questions you may have.
Thank you.