

**Testimony of Ted McKinney
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Perspectives on U.S. Agricultural Trade

**Before the House Committee on Agriculture
Subcommittee on Livestock and Foreign Agriculture**

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Chairman Costa, Ranking Member Rouzer, Members of the Subcommittee, I am pleased to appear before you with my colleague, Chief Agricultural Negotiator, Ambassador Gregg Doud from the Office of the United States Trade Representative (USTR). I welcome the opportunity to discuss the efforts of the U.S. Department of Agriculture (USDA) on behalf of U.S. agricultural exporters. I want to thank President Trump and USDA Secretary Perdue for their faith in me to serve as the first ever USDA Under Secretary for Trade and Foreign Agricultural Affairs (TFAA) and to thank this Committee for recognizing the critical need of this position, formally establishing it in statute in the 2014 Farm Bill.

As Under Secretary, I fully support the Administration's strong commitment to our farmers and ranchers in providing them the opportunity to export across the globe under fair and reciprocal terms of trade. President Trump is making sure other countries are held accountable and no longer take advantage of the United States. President Trump is confronting China's unfair trade practices and has kept his word in negotiating the new United States–Mexico–Canada Agreement (USMCA). While there are challenges, we are confident that U.S. farmers and ranchers will reap the benefits of these efforts.

I embrace the charge of Secretary Perdue to be American agriculture's unapologetic advocate around the world. It is important that foreign buyers and government officials develop direct personal relationships not only with us at USDA but also directly with American farmers and ranchers. I just returned from an agricultural trade mission to Colombia with an energetic group of exporters representing a cross-section of U.S. agriculture. Our farmers and ranchers are eager for the opportunity to forge relationships with potential customers and, most importantly, to generate sales.

United States–Mexico–Canada Agreement (USMCA)

The USMCA is a top legislative priority of the Administration just as it is a top priority of much of U.S. agriculture. It is important for Congress to pass the USMCA so American farmers can begin to benefit from the agreement. The agreement will expand export opportunities in the vital markets of Canada and Mexico and improve the highly productive integrated agricultural relationship we have with both countries.

Among its many provisions to help our agricultural community, this deal eliminates Canada’s unfair pricing scheme for “Class 6” and “Class 7” milk, opens additional access for U.S. dairy into Canada, and imposes new disciplines on Canada’s milk pricing system. For the first time in a U.S. trade agreement, trading rules specifically address agricultural biotechnology to support innovation. The Agreement includes commitments to avoid trade-distorting policies. Poultry producers have new access to Canada for chicken and eggs, and expanded access for turkey. More generally, we maintain existing zero tariffs into Canada and Mexico, our number one and two markets last year. For example, corn growers maintain duty-free access to Mexico, which is the top market for U.S. corn. USMCA updates rules of origin for processed fruits to ensure preferences benefit U.S. producers. The agreement also addresses Canada’s wheat grading process, so it does not discriminate against U.S. wheat growers. Similarly Canada has agreed to ensure British Columbia eliminates discrimination against U.S. wine sold in grocery stores. By ensuring better market access and solidifying commitments to fair and science-based trade rules with our top trading partners, USMCA is a big win.

Farmer Support Program

President Trump directed Secretary Perdue to craft a relief strategy to support American agricultural producers while the Administration continues to work on free, fair, and reciprocal trade deals. Specifically, last month, the President authorized USDA to provide up to \$16 billion in programs, which is in line with the estimated impacts of unjustified retaliatory tariffs on U.S. agricultural goods and other trade disruptions. USDA will use its Commodity Credit Corporation authority for \$100 million to be issued through the Agricultural Trade Promotion Program (ATP) administered by the Foreign Agriculture Service (FAS) to assist in developing new export markets on behalf of producers. Other USDA agencies are also contributing to this CCC funded effort, with up to \$14.5 billion in direct payments to farmers from the Farm Service Agency (FSA)

through the Market Facilitation Program and \$1.4 billion to purchase surplus commodities affected by trade retaliation under Food Purchase and Distribution Program (FPDP) administered by the Agricultural Marketing Service (AMS) and the Food and Nutrition Service (FNS).

Traveling the Globe for U.S. Agriculture

Since my confirmation, I've done my best to be the "million-mile flyer" that Secretary Perdue expects. As Under Secretary, I work hard every day to open markets and champion American agricultural products around the world.

In March, I traveled to our current number one and two export markets, our North American neighbors Canada and Mexico. I used the opportunity to build relationships with my counterparts but also remind them trade is a two-way street on which we can all benefit. My trade missions to Southern China, Southern Africa, and Indonesia targeted regions with rapidly growing economies and increasing middle class populations — factors favorable to U.S. export expansion. Recognizing the importance of relations with Japanese counterparts and the importance of their market, I made two trips to Tokyo last year leading a trade mission, attending FOODEX, Asia's largest food show, and conducting bilateral meetings to advance agricultural export interests.

Just last week, I led a trade mission to Colombia with more than 50 U.S. companies representing a broad spectrum of U.S. agriculture. Participants engaged with potential customers from Colombia, Panama, and around the region. There is growth opportunity for agricultural exports to these countries, and U.S. exports of corn, soybeans, and consumer-oriented goods have been surging. U.S. farm and food exports to Colombia reached a record \$2.9 billion in 2018. Most notably, increased feed demand for the country's expanding pork and poultry industries has led to rapid growth of U.S. exports.

Agricultural trade missions and trade shows are activities that offer phenomenal opportunities for U.S. exporters to explore new markets and forge relationships with potential customers. USDA's Foreign Agricultural Service marketing and trade experts skillfully select markets that offer the best prospects for sales of U.S. farm and food products.

I ask each of you to encourage the State Departments of Agriculture, producers, and producer groups in your respective states to reach out to USDA and consider participating in these market building efforts that showcase the depth and quality of U.S. agriculture. We have trade missions planned this year to Canada in September; Vietnam in October, including buyers from Burma and Thailand; and Kenya, including buyers from Burundi, Djibouti, Ethiopia, Rwanda,

Sudan, Tanzania, and Uganda, also in October. In November, we are off to Mexico and are planning a mission to the U.K. in the near future.

Agricultural Trade Accomplishments

USDA efforts to break down barriers and pursue export opportunities resulted in new or expanded market access for numerous U.S. farm products.

Last September, President Trump and Prime Minister Abe announced that the United States and Japan would begin negotiations for a U.S.-Japan Trade Agreement. I am pleased that trade talks have begun, and that Secretary Perdue announced in May an agreement on new terms and conditions that eliminates Japan's longstanding restrictions on U.S. beef exports. While at the recent G-20 Agriculture Ministerial Meeting, Secretary Perdue met with Japanese government officials and affirmed the importance of science-based trade rules. He even grilled some delicious U.S. beef and pork for his Japanese hosts. The new terms allow U.S. products from all cattle to enter Japan for the first time since 2003 and pave the way for expanded sales to our top global beef market. USDA estimates that this expanded access could increase U.S. beef and beef product exports to Japan by up to \$200 million annually. An agreement with Japan offers a unique opportunity to expand U.S. exports of agricultural products to Japan, which totaled \$13 billion in 2018. The leading U.S. agricultural exports include corn (\$2.8 billion), beef (\$2.1 billion), pork (\$1.6 billion), soybeans (\$947 million), and wheat (\$698 million).

We have also expanded market access for beef and pork to Argentina, poultry to India and Namibia, beef and poultry to Morocco, eggs to South Africa, dairy to Turkey, and lamb to El Salvador. In April, Secretary Perdue and Ambassador Lighthizer announced that the government of Tunisia and the United States finalized export certificates to allow imports of U.S. beef, poultry, and egg products into Tunisia.

Foreign Agricultural Service staff around the globe assisted U.S. exporters in releasing hundreds of shipments that were detained at foreign ports. Just last year, our efforts ensured that more than \$77 million of perishable U.S. products arrived safely at their final destinations. Among them were beef to Bulgaria, cherries to Taiwan, cranberries to China, and lobsters to the United Arab Emirates.

Implementing the 2018 Farm Bill

Thank you for providing USDA a Farm Bill that provides a strong safety net for farmers

and ranchers and supports important trade programs to bolster U.S. agricultural exports. The trade title provides authority and funding for export market development and promotion programs. In my mission area, we are hitting every implementation target and all our programs are fully operational. In February we announced 2019 allocations for more than \$202 million in Market Access Program (MAP) and Foreign Market and Development Program (FMD) funds to assist U.S. agricultural exporters. Emerging Markets Program (EMP) awards include funds for projects to help eliminate cheese tariffs for U.S. exporters to Thailand and to evaluate consumer preferences for U.S. fish exports to China. Technical Assistance for Specialty Crops (TASC) early funds have been awarded, including to Florida Citrus Packers to develop treatments to reduce stem-end rot that restricts our grapefruit exports to Japan; to the Organic Trade Association to develop streamlined equivalency applications to speed that process; and to the U.S. Highbush Blueberry Council to research pest mitigation methods to support U.S. exports to Australia.

We are also committed to smooth implementation of our programs to help developing countries improve their agricultural systems, build their trade capacity, and support food security. In March, fiscal year 2019 funding opportunities for the McGovern-Dole School Feeding Program and the Food for Progress program were announced.

Conclusion

This Committee knows well that agricultural exports contribute vitally to prosperity in and beyond rural America. It is my privilege to serve as USDA's agricultural advocate to the world and help grow these exports.

Mr. Chairman, that concludes my statement. I would be pleased to answer any questions from the Committee.