

CERTAINTY IN GLOBAL MARKETS FOR THE U.S. AGRICULTURE SECTOR

HEARING BEFORE THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE ONE HUNDRED SIXTEENTH CONGRESS FIRST SESSION

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CERTAINTY IN GLOBAL MARKETS FOR THE U.S. AGRICULTURE SECTOR

THURSDAY, JUNE 13, 2019

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The Committee met, pursuant to notice, at 9:33 a.m., in SR-328A, Russell Senate Office Building, Hon. Pat Roberts, Chairman of the Committee, presiding.

Present: Roberts, Boozman, Hoeven, Ernst, Hyde-Smith, Braun, Perdue, Grassley, Thune, Fischer, Stabenow, Brown, Klobuchar, Bennet, Casey, and Smith.

STATEMENT OF HON. PAT ROBERTS, U.S. SENATOR FROM THE STATE OF KANSAS, CHAIRMAN, U.S. COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Chairman ROBERTS. Good morning. I call this meeting of the Senate Committee on Agriculture, Nutrition, and Forestry to order.

Ambassador Doud, Under Secretary McKinney, and Dr. Johansson, we are happy to have you all back again before the Committee to discuss the need for certainty in our global agriculture markets.

International trade policies and their impacts on the United States' agricultural economy has been a topic of great interest over the last few years and more particularly the last few months.

In fact, this is the second time in the last year that we are hearing about the efforts being made at the Office of the United States Trade Representative and the Department of Agriculture, efforts that I hope eventually will result in long-term, reliable markets for United States agriculture.

A great deal has happened in the 9 months since you all last appeared before this Committee. Perhaps the most significant to our members, was the successful passage and enactment of the 2018 Farm Bill with the help of everybody here.

Much like negotiations with international trading partners, the path to a final Farm Bill agreement was not easy. There were many challenges and differences to overcome, and the final bill had to bring together members of both the House and Senate who represented incredibly diverse populations and regions of agriculture.

Ultimately, with the support of my partner, the Ranking Member, Senator Stabenow, and other members of this Committee, we persevered and accomplished a strong bill, with historic bipartisan support, a bill that provides certainty and predictability to farmers, ranchers, and growers across the country, including through

strengthened and increased investment in our agricultural export programs.

I know that the USTR and USDA have also been very busy since we were last together.

The Administration has been moving the United States-Mexico-Canada Agreement, or the USMCA, through the Trade Promotion Authority process. Recently, the Section 232 tariffs on Mexico and Canada were lifted, and producers look forward to Congress progressing with the consideration of USMCA.

In addition, there have been positive outcomes for the United States at the World Trade Organization in the cases against China on trade-distorting price supports and tariff-rate quotas for grains as well as the restoration of full access of United States beef into Japan.

There are many good examples of the work you both have been doing on behalf of U.S. agriculture around the world, and the Committee looks forward to hearing about your continued efforts to eliminate trade barriers and grow market access for our products. We simply have to get that done.

However, these positive steps cannot truly be felt by our producers until certainty and predictability is achieved in our global markets.

Everyone around this table understands what our producers are facing back home. On top of the already low prices for their crops, fifth year in a row, producers are working through floods, tornados, and weather events too numerous to list, and of course, challenges of retaliatory tariffs.

I was in the northeast part of Kansas, on a platform overlooking the Missouri. I have never seen the Missouri River from 8 to 11 miles wide. It looks like the Caspian Sea, although I have never seen the Caspian Sea, but that is what I think it probably looked like. Unbelievable.

Fortunately, the Farm Bill is in place to ease some of the uncertainty felt in farm country. However, I continue to be very concerned about the overall impacts, like everybody on the Committee, on U.S. agriculture as a result of the use of tariffs as a policy tool.

An agreement with the United States and China is a critical piece of that certainty. It is time for both countries to remain at the table and reach the best possible deal. Gregg, I know you have been working overtime on that. In fact, there is a great deal of potential around the world for U.S. agriculture.

It appears from your testimonies that each agency is engaged on negotiations with Japan, so please share your outlook on achieving a strong and timely agricultural agreement there. There is much to gain from a strong agreement with Japan, where we currently face a significant disadvantage to TPP countries, such as Australia and Canada.

It is time to look forward to the future. While an update of activities is certainly appropriate, today I hope to also hear about the future of U.S. agriculture trade policy. This includes not just restoring certainty to our markets that the U.S. either had through negotiated agreements or as a traditional, competitive supplier, but what will be done to improve access to those same markets and broaden them to others.

The question is, what is being done today that will enable us to be a reliable supplier again around the world tomorrow? How can we continue to strengthen trading relationships that we have worked for, for years, to establish, while also building new opportunities around the world?

Ambassador Doud, Under Secretary McKinney, and Dr. Johansson, thank you all for your work on behalf of United States agriculture. I look forward to your thoughts regarding not only what has been done, but what will be done on behalf of American agriculture.

I recognize now the distinguished Senator from Michigan, Senator Stabenow, for her remarks.

**STATEMENT OF HON. DEBBIE STABENOW, U.S. SENATOR
FROM THE STATE OF MICHIGAN**

Senator STABENOW. Thank you, Mr. Chairman, for holding this really important hearing. Ambassador Doud, Under Secretary McKinney, Dr. Johansson, welcome back to the Committee. We appreciate your efforts and appreciate you being here today.

It was, in fact, exactly one year ago that we sat around this table and passed our bipartisan Senate Farm Bill in order to provide certainty and predictability to our farmers and ranchers.

However, today that certainty is being undermined by this Administration's chaotic and unpredictable trade agenda, despite your best efforts, and I would underscore that because I know each of you are working hard. The reality is we have chaos and unpredictability going on right now, and it is no secret that it is a very challenging time for American farmers.

Low prices and poor market conditions continue to plague our agricultural economy. Extreme weather events, from tornados to bomb cyclones—we now even frequently have new words to define weather events because of the intensity of what is happening in the weather—are damaging crops and livestock. Unseasonably cool and rainy weather has made it next to impossible for farmers in Michigan and across the Midwest to get their seeds in the ground for the upcoming crop year. Facing great unknowns has always been part of life for farmers and ranchers. However, right now we are in uncharted territory.

In the past, agriculture exports have been a bright spot for the economy, supporting more than 1 million American jobs, including over 22,000 jobs in Michigan.

Unfortunately, the Administration's reckless approach to trade has taken a toll on our ability to export agricultural products.

Michigan lost 230 dairy farms last year, the highest percentage of any State, in part because dairy products suddenly faced retaliatory tariffs in some of our most important export markets.

Michigan's dry bean industry lost customers in European markets due to tariffs, while buyers in Mexico are looking for sellers elsewhere because they now view the United States as an unreliable supplier.

Michigan's tart cherry industry simultaneously has dealt with unfair imports from Turkey and tariffs from China. Meanwhile, the Administration says our tart cherry growers have not suffered sufficient trade damage to qualify for help.

In addition to the very real impacts we are seeing today, I am concerned there will also be long-lasting harm. Farmers have already spent nearly \$1 billion of their own money through checkoffs over the past two decades to establish Chinese markets that are now gone, and may be impossible to rebuild.

A short-term trade disruption can create a permanent loss in market share for American farmers. We know that happened during the Nixon Administration's ban on soybean exports, which Chairman Roberts witnessed firsthand as a congressional staffer just a couple of years ago.

[Laughter.]

Senator STABENOW. The USDA recently decided to announce a second round of trade assistance that, if anything, is adding to the confusion and uncertainty for farmers.

While I understand the desire to help farmers weather the Administration's chaotic trade agenda, the proposed aid is creating more questions than answers.

I have strong concerns that these payments will not be distributed in an equitable way between regions and crops.

The timing of the announcement, combined with widespread prevented planting decisions, could make our farm economy even worse.

Additionally, the Administration's actions are certainly an unprecedented use of the Commodity Credit Corporation funds, which are not guaranteed. That raises some questions with Congress.

Also, it is outrageous that foreign companies are profiting from assistance that is supposed to be for our farmers. After a Brazilian company received millions in taxpayer dollars, we recently learned that aid has also gone to a Japanese company with a troubling criminal history of corruption and bribery.

The USDA needs to immediately take action to prevent purchases from benefiting our foreign competitors. While I agree we need to hold countries accountable when they break the rules, this Administration's strategy on trade has been to throw everything against the wall and hope something sticks.

Meanwhile, farmers, businesses, and consumers are being hurt. Ultimately, our farmers want trade, not aid. We all know that. They want to build markets, not burn bridges. They want a thoughtful strategy they can trust, not haphazard proposals announced by tweet. This uncertainty has gone on long enough.

Ambassador Doud, Under Secretary McKinney, Dr. Johansson—you were before the Committee to discuss this same topic 9 months ago, and despite what I am sure are your best efforts, the situation has only gotten worse. So I look forward to your discussion today on how we can change course and give farmers the markets and the certainty that they deserve. Thank you, Mr. Chairman.

Chairman ROBERTS. We want to welcome our panel of witnesses before the Committee this morning. Our first witness is Ambassador Gregg Doud, who serves as our Chief Agricultural Negotiator in the Office of the U.S. Trade Representative.

Gregg was raised on a farm in Mankato, Kansas, and graduated from Kansas State University. From his time working to develop markets for the U.S. Wheat Associates and later the National Cattlemen's Beef Association, he certainly has an understanding of

the importance of trade's impact on agriculture, and that goes without saying.

Finally, he worked on another important issue, the Farm Bill, as a staffer on the Senate Agriculture Committee during my time as Ranking Member, when the person to my right was the Chairperson, obviously, and we passed a bill pretty quickly. It hit a brick wall over there in the House. That seems to be the case with a lot of things.

With the Ambassador's experience on global agriculture trade—and I really want to emphasize that—I am really glad to have him representing the voices of U.S. farmers and ranchers in his current role at the USTR.

So we welcome you back, Ambassador Doud. I look forward to your testimony. I do not know anybody that has been working any harder to restore markets and a reputation as a reliable supplier, more especially with the Chinese.

Next, we have Under Secretary for Trade and Foreign Agricultural Affairs, Ted McKinney, who coordinates agricultural trade across the Department of Agriculture. Under Secretary McKinney formerly served as director of Indiana State Department of Agriculture, worked for 19 years with Dow Agro-Sciences and 14 years with Elanco as director of Corporate Global Affairs.

Under Secretary McKinney hails from Tipton, Indiana, and graduated from Purdue University in Agriculture Economics.

Welcome back, Mr. Under Secretary. Good to have you here. I look forward to your testimony.

Dr. Rob Johansson is here to answer questions. He is not a participating witness, but we thought we would have him come. I thank you for taking the time to do that, Doctor.

He serves as the Chief Economist for the U.S. Department of Agriculture. As Chief Economist, Dr. Johansson is responsible for the Department's agriculture forecast and projections as well as advising the Secretary on the economic implications of alternative programs, regulations, and legislative proposals, probably has something to do with the mitigation payments as well.

Dr. Johansson received his bachelor of arts in Economics from Northeastern University, his master of science and Ph.D. in Agriculture Economics from his home State's land grant at the University of Minnesota.

Welcome, and thank you for being here today, Dr. Johansson.

STATEMENT OF THE HONORABLE GREGG DOUD, CHIEF AGRICULTURAL NEGOTIATOR, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, WASHINGTON, D.C.

Mr. DOUD. Chairman Roberts, Ranking Member Stabenow, and other distinguished Committee members, I want to thank you for the opportunity to testify today on President Trump's agricultural trade policy agenda. Ambassador Lighthizer and my colleagues at USTR and USDA have been working around the clock to address agricultural trade issues with our trading partners and increase export opportunities for our farmers, ranchers, workers, and agribusinesses. I look forward to highlighting our efforts in multiple areas.

The United States is the world's largest exporter and importer of food and agricultural products. U.S. agriculture has posted an annual trade surplus for well over 50 years. Overall, U.S. farmers and ranchers export more than 20 percent of what they produce. In 2018, agricultural exports reached nearly \$145 billion, an increase of 1.4 percent over 2017.

Every day this Administration and the men and women at USTR and USDA work to expand export markets for American agriculture. Whether it is poultry and beef to North Africa, pork to South America, grains and horticulture to Asia, dairy to Chile, the list goes on and on.

Let me focus my remarks, however, on major trade initiatives to this Administration. First, passage of the USMCA is an absolute necessity for U.S. agriculture. Since the implementation of the North American Free Trade Agreement in 1994, our agricultural exports to Canada have increased 289 percent and exports to Mexico 311 percent in agriculture, creating our first and second largest export markets in ag in 2018, worth a combined \$41 billion out of this \$145 billion in total ag exports last year.

In accordance with our TPA requirements, USMCA created new market access for U.S. dairy, poultry, and eggs into Canada, above and beyond existing access under both NAFTA and what was negotiated in the TPP. USMCA maintains duty-free access to Mexico, allowing U.S. producers to build upon the \$19 billion in ag exports to Mexico in 2018.

There are many other improvements of USMCA over NAFTA including provisions that address ag biotechnology, including new technology such as gene editing, procedural safeguards for recognition of new geographical indications, and Canada's commitment to ensure that British Columbia eliminates its discriminatory treatment of U.S. wine in grocery stores.

The urgency to pass USMCA cannot be overstated for U.S. agriculture, due to the size of the Canadian and Mexican markets for U.S. ag exports.

A tremendous amount of work has gone into negotiations with China since President Trump and President Xi met in Buenos Aires on November 30th. The Administration has negotiated in good faith since then, twice delaying the scheduled increase in tariff rates due to progress in the trade talks. However, because China backtracked on significant commitments it has made during the course of negotiations, including on agricultural issues, President Trump directed USTR Lighthizer to increase the rate of duty on \$200 billion of Chinese imports from 10 to 25 percent on May 10th.

The U.S.-China economic relationship is very important, and the Trump Administration is committed to reaching meaningful, fully enforceable commitments to resolve structural issues and improving trade between our two countries. I can say an important element of our negotiations has been to resolve a large number of unwarranted and longstanding trade barriers to U.S. ag exports.

I hope that China will make real structural changes across the range of unfair policies and practices that yield actual, verifiable, and enforceable results. If we are able to have an acceptable agreement, President Trump expects substantial and immediate pur-

chases of U.S. ag products as well as the removal of technical and regulatory barriers that impede such purchases.

With respect to Japan, in 2018, the U.S. exported over \$13 billion in ag goods to Japan. The President, Ambassador Lighthizer, and I all understand the urgency to advance negotiations with Japan as soon as possible for U.S. agriculture.

We have also published our negotiating objectives for trade agreements with the EU and UK upon its exit from the EU.

The WTO provides multiple tools for the U.S. to build coalitions or act alone to aggressively counteract trade concerns that negatively impact U.S. production and jobs. We have major concerns that countries are failing to properly notify their agricultural domestic supports. We, therefore, have started submitting our own counter-notifications of other countries' excessive domestic support, and we are holding countries accountable for their excessive trade-distorting farm subsidies.

We litigated on a major dispute to a WTO panel on China's excess farm supports for grains, and we won. A cornerstone of U.S. trade policy is to promote the adoption by our trading partners of transparent, predictable, and risk-appropriate regulatory methods that are based on science. We are working in the WTO, Codex, and with several like-minded countries to advance these objectives.

Thank you. I look forward to working with the Committee to implement the President's trade policy agenda, and I am happy to answer any questions.

[The prepared statement of Mr. Doud can be found on page 36 in the appendix.]

Chairman ROBERTS. We thank you, Ambassador. Under Secretary McKinney, please.

STATEMENT OF THE HONORABLE TED MCKINNEY, UNDER SECRETARY FOR TRADE AND FOREIGN AGRICULTURAL AFFAIRS, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

ACCOMPANIED BY ROBERT JOHANSSON, Ph.D., CHIEF ECONOMIST, OFFICE OF THE CHIEF ECONOMIST, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. MCKINNEY. Chairman Roberts, Ranking Member Stabenow, and distinguished members, thank you for the invitation to be here, and it is a pleasure to testify with my colleague, USTR Ambassador Gregg Doud. We welcome the opportunity to share any and all of the goings-on that we have at USDA with you.

First, I want to thank you as well for your work in the 2014 Farm Bill that created the opportunity for this position. I hope we are honoring the vision that you and so many others had. I think 350-or 400,000 miles might be one indication. More on that later.

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. As we work to level that trade playing field, we are using programs you helped to create through the 2018 Farm Bill and those before it, partnering with ag trade associations, cooperatives, State regional trade groups, small- and medium-size businesses.

Through these programs, we share the costs, help focus the marketing and promotional activities that build commercial export and markets for U.S. agriculture. In fact, the return on the taxpayer dollar is at minimum \$28 to one in return, and we can give you more detail on that and proud to do so.

A word about USMCA, it is clearly the top legislative priority for the Administration, as it is, I think, for all of U.S. agriculture.

I noted yesterday or the day before yesterday that a letter came out from some near 1,000 agricultural farm, trade association groups that noted their support for USMCA, and I suspect you all have seen that. It was incredible.

USMCA, as Gregg said, does allow for unprecedented market access for U.S. dairy farmers into Canada and eliminates discriminatory grading of U.S. wheat. There is a modernized chapter on SPS issues that could be the greatest benefit of that, brand-new language, first ever on biosciences and biotechnology, that I think can be used in other negotiations.

Mexico has committed not to restrict market access for U.S. cheeses, very important, and we hope and we think there will be elimination of the discriminatory treatment of retail sales of U.S. wine and spirits in the province of British Columbia, and we encourage its passage.

A bit about China. President Trump has taken tough, but we believe, necessary steps to confront China's unfair trade practices. There are challenges. We see that. We have lived it, but we are confident, and we hear from our U.S. farmers and ranchers that they are willing to take that pain to return on some gain in terms of long-term benefits.

A bit about support of farmers, the Administration is committed to our farmers, and one example is President Trump's very quick direction to Secretary Perdue and he to us and my colleague, Rob Johansson here, to create a relief strategy to sustain this mitigation that allows agriculture producers some income while the Administration continues to work on free, fair, and reciprocal trade deals.

ATP, or Agricultural Trade Promotion, too is a part of that now and is assisting now, and will assist exporters in maintaining and developing new export markets. I am happy to talk about that.

My challenge. I embrace Secretary Perdue's charge to be agriculture's unapologetic advocate around the world, and I hope I am doing that. My most important role, though, is building personal relationships with foreign buyers, government officials, farmers, ranchers, here and abroad, and so many others that results in facilitating trust, understanding, and progress. I think we are making headway. I am happy to discuss that more if you wish.

I just returned from an ag trade mission to Colombia last week. Thanks to you all and many others for the Colombia Free Trade Agreement, all is going well there. There are always issues we address, but it was a wonderful exchange, and we are seeing the returns from those kinds of deals.

The Foreign Agricultural Service represents a group like none other across the world, and in collaboration with USTR, Commerce, and some others, we are working hard. I would add that ag trade

missions, or ATMs like last week, are building exports. I am happy to address that more.

A request of you, a very quick one, I encourage you to reach out or remind your State departments of ag that we have some terrific programs, these Agriculture trade missions and numerous food shows around the world. We facilitate those, and we have a great deal of interest from most of your States but not all of them. So to the degree you want to encourage them, we are always there.

We have completed two agricultural trade missions, Taiwan and Colombia, and we have five more. That will be a record high in the history of the Foreign Agricultural Service—seven this year, six last year. 2016 and prior was three per year on an average. They do work.

Ones we have planned for this year include Canada, Vietnam, Japan, Ghana, and Mexico, and that does not include the one-on-ones that we will go to.

So I want to thank you for what you have done on the Farm Bill and so many other programs that create and allow for programs like the Market Access Program, the Foreign Market Development Program, TASC, which by the way, a bit underutilized, and then EMP, also a bit underutilized, and we are working on that because they are fully operational and very helpful.

You know the value of these programs to U.S. agriculture. Know that we are there with you.

Mr. Chairman, this concludes my statement. Thank you very much.

[The prepared statement of Mr. McKinney can be found on page 40 in the appendix.]

Chairman ROBERTS. Thank you very much.

Ambassador Doud, let us just start right off. USTR has been working hard—I know you have; you have been keeping me fully apprised—finalizing the USMCA for congressional approval. We must do this. I know that negotiations with Japan are under way as well.

I think the worry that we have is that we are trailing behind our competitors now that the Comprehensive and Progressive Trans-Pacific Partnerships, CPTPP—wouldn't you know that we would add two more letters to TPP?—is inforced, as well as other agreements around the world with trading blocs like the European Union.

So my question is, going forward, how will the USTR ensure the United States is on the proverbial level playing field with countries that have already forged strong agricultural agreements, most especially countries like Australia and Canada? Please.

Mr. DOUD. Mr. Chairman, thank you for your question.

You are exactly right. The strategy is USMCA, China, Japan, and then we have got other places to go.

With regard to USMCA, I think the best thing we can do at this point is to pass this agreement through Congress. It is a solid agreement. There is not anything in this agreement in agriculture or across the board, for that matter, that is not the same or better than it was before, and so we need to get that job done.

Mr. Chairman, we have spent hours and hours and hours with China. It has truly been—my counterpart has said on many occasions, and there has been historic discussion.

The way I have had that conversation with them is last year, you imported \$124 billion in agricultural products. That compares to our 145. China's total imports are 124.

In a good year, we have only done 20 of that, and I have made the point repeatedly that 20 out of 124, given our capacity to export agricultural products around the world, just is not going to get it done.

You look down the list here. We have not sold them a pound of poultry since 2015. We were blocked in beef since 2003. They are importing now well over a billion dollars a month in beef, pork, and poultry. In the month of April, our share of that was \$36 million, and that is not retaliatory tariffs. We just do not have access because of these structural and non-tariff trade barriers. These are the things that we have been talking about. With Japan, we are actively talking with them.

Chairman ROBERTS. When I was in Beijing about 2 months ago, Senator Alexander had a CODEL talking about fentanyl and China trying to clean that up, but we were also talking about trade. I called you, and I said I was talking to your counterpart, the tall one, and then the shorter one who does agriculture. They are most familiar with you.

They want to trade with us. That is what they indicated. They want to be trading with a reliable supplier that has the best quality of food in the world, and yet here we are in a situation that can be reconciled. From 2017 to 2018, the value of exports from the U.S. to China decreased, despite all your efforts, 53 percent, from \$19.5 billion to \$9.2 billion. For nearly a decade, China has consistently ranked either first or second in export destination for our ag products; however, in 2018, they fell to fourth.

I guess my question is—I do not guess. My question is, when negotiations with China conclude with a strong enforceable framework for agriculture, what is the future strategy to ensure that the U.S. is able to regain the market share that has been lost as a result of the current trade situation?

Mr. DOUD. Senator, the answer to that is we have to fix these structural issues, and the document that we have worked on—and we have argued over every sentence—is sizable.

We also have to diversify our portfolio, and I have to tell you that we have one of the great public servants of all time in Sharon Bomer Lauritsen here, the folks at FAS. They have worked over time. We have got a list of over 30 places that we have expanded exports around the world.

This is an all 24-hour-a-day effort to expand in every place that we can possibly find, including these conversations with Japan.

Chairman ROBERTS. Under Secretary McKinney, as you well know, ag trade is critical to the U.S. farm sector, especially in today's farm economy.

I would say to my colleagues, I ask for your deference here, just to ask at least one question of the Under Secretary. I know I am over time.

It creates jobs for rural America, generates much needed demand for the crops that farmers produce. At the same time, the global marketplace is becoming more competitive. In light of today's trade environment, how will the USDA help position U.S. agriculture in a manner to retain current market share in traditional export markets as well as to increase market access to new and existing markets?

Mr. MCKINNEY. Sure. Thank you for your question, Mr. Chairman.

Well, first, I would say that we are fully aligned with the three priorities that Ambassador Doud laid out. On any given negotiation—and USDA was involved in all 21, the trips to Beijing, then to here, and the digital videoconferences—and happy to provide at any one time in the room, we were two to one because we have the depth and glad, always glad, to support Team USTR. So getting those three right is our first priority, and I think we have lived up to that.

The creation of this position was intended—and I hope we are fulfilling that—is to go open new markets; hence, the travel that we are undertaking, last week to Colombia. That has been my second or third trip there. So we are pursuing all these other markets so that we can develop new markets, diversify the portfolio over time.

Now, to be sure, there are choppy waters right here where there is a gap. I do not want to deny that, but I hope we are setting the stage, we at Team USTR—USDA, with the support of USTR and others, so that we can look back in hopefully a few years and be glad that we have diversified the portfolio. That is what we are doing.

Team USTR and our team separately set up a list of countries we wanted to go to. We are going through that list starting last year, and we want to sustain that.

Chairman ROBERTS. Thank you for that. I know it may take a few years.

What we worry about is 2019 has been tough. 2020 looks like it is going to be tough. I do not know how long this goes on. It would be seven years with low prices, and I understand that the previous bar was we had high prices. Some farmers are not going to make it. That is the rub of it.

Senator Stabenow?

Senator STABENOW. Thank you, Mr. Chairman. I agree with you, and I appreciate the reaching out.

I was just on a bipartisan CODEL in both South Korea and in Vietnam and in meetings with the trade officials in Vietnam. There are certainly opportunities. They are actually opening markets to blueberries right now, which would include Michigan blueberries, which I was very glad to have conversations about.

There is more to do, but as the Chairman is indicating, we are in a very, very difficult situation right now, and there needs to be economic certainty for farmers right now.

Dr. Johansson, we will give you a moment to speak here. I want to ask you a question regarding the second round of trade payments because I am very concerned that they are not going to be fair or equitable to producers.

It seems like there could be wide disparities between counties. So even farmers in neighboring counties that grow the same crop could receive wildly different levels of support.

It also seems that a farm that experienced flooding would be disadvantaged relative to a neighbor who was able to plant—since the program requires a crop to be planted.

Most of all, I am concerned about the disparity between crops. You are no longer making payments based just on retaliatory tariffs. Can you clarify what specific problem USDA is trying to solve? Is it mitigation of trade damage, low prices, or both?

Mr. JOHANSSON. Senator Stabenow, those are really great questions. As you noted, producers are looking for certainty right now during a period of unprecedented uncertainty, for a number of reasons, some weather related, and of course, as we have heard, moving forward with a lot of potentially beneficial trade agreements, and trying to get those across the line, I think, will also provide certainty to our producers.

Regarding the second round of Market Facilitation Program payments, I think we did put out a press release a couple days ago that did answer some of those questions, and of course, the rule is over at the Office of Management and Budget right now as part of the interagency process. So I am somewhat limited in how much details I can go in, but I will certainly try and provide an answer to some of your questions. Those that we do not answer, perhaps we can get back to you in writing on, once that we are a little bit more open to be able to provide those.

I guess the main difference between last year's program and this year's program, I would characterize as the timing of the program. Last year's program, we were able to pay for actual production, and of course, producers that suffered losses last year were unhappy with that component of the program. We, of course, wanted to point toward crop insurance as the safety net for losses that were incurred last year.

This year's program was being developed, and we wanted to make it clear to producers that they should not look at news media stories or look at what universities were saying and sort of hypothetical types of program payments that may come out and have that actually incentivize producers to change their planning decisions.

So we have been very clear that the program is agnostic to the crop planted for the row crop component of the program, such that producers would not expect to receive. For example, last year's program payment for soybeans was larger than the other row crop payments, and so if a producer thought that this year, they may be incentivized to plant for soybeans, expecting to get a larger payment, we certainly did not want that to occur, particularly when we are sitting on record levels of soybean stocks right now in the countryside.

So we wanted to make the program again not market distorting to the extent that we could, and that is why we have developed a county-level approach for providing payments. A producer in a county can receive the county rate multiplied by the acres planted of any of the eligible crops that are listed under the Market Facilitation Program portion of the row crop payment system.

Now, of course, we have other payments for producers of some specialty crops. Last year's program, there was sweet cherries and almonds that were in the MFP component, and a lot of the other specialty crops were in the Food Purchase and Distribution Program. The Secretary asked us to look back at last year's program and to try and learn from that and to determine what worked and what did not work from last year's program, and one of the things that we felt appropriate was to move some of the specialty crop commodities, the tree nuts and some of the fruits, into the Market Facilitation Program component as opposed to the Food Purchase and Distribution Program, so—

Senator STABENOW. I am going to jump in at this point, to ask about the Market Facilitation Program. Some row crops that have had price declines, as you mentioned, are now moving into the Market Facilitation Program and getting relief through that program.

I just want to say that specialty crops like Michigan asparagus that have had a 20 percent price decline compared to last year due to trade challenges other than tariffs—may not even be eligible for trade mitigation purchases. I have great concerns about these disparities.

As far as I am concerned, we passed a Farm Bill with a thoughtful commodity title, based on risk management, but now it seems to me the whole thing is being thrown up in the air by payments that have nothing to do with what we put together in a five-year Farm Bill, and these payments are not just for one year. It is now going on for a second year and second round of payments.

I want to ask just one more quick question. I know I am out of time, Mr. Chairman, but it goes to the money behind this because I want to ask Under Secretary McKinney, who is one of the seven board members on the USDA Commodity Credit Corporation. The Commodity Credit Corporation is using \$30 billion of borrowing authority to pay for both rounds of trade mitigation assistance. However right now, the CCC has roughly only \$7.7 billion left before it reaches the \$30 billion cap. How are you going to pay for \$16 billion in assistance? Are you assuming Congress is going to authorize the additional amount?

Mr. MCKINNEY. Well, the CCC has to get replenished, to your point, and we do have that amount.

The view was, as we heard from so many people, certainly starting with the President and the Secretary, but also many of our constituents, there is help that is needed now. So we are going to take what we have and use that and of course, as we have to do every year or periodically, come back to Congress because that is the way that works.

Senator STABENOW. Does that mean, Mr. Under Secretary, that you are going to commit \$7.7 billion now and wait for the rest? Or you are going to commit \$16 billion and hope we appropriate it?

Mr. MCKINNEY. Right now, that rule is at OMB, and we are working through that together. There is not an answer now, but we would not presume anything if you all have not authorized that, so let me be clear.

Senator STABENOW. I would certainly say, looking at key appropriators right across from me, that it really was not within the

USDA's purview to be obligating funds that have not been made available to USDA.

Mr. MCKINNEY. I do not think funds have been obligated yet that are not there. So we respect the role of the Congress, absolutely, ma'am.

Senator STABENOW. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Fischer?

Senator FISCHER. Thank you, Mr. Chairman.

Ambassador Doud, I would like to followup a little bit with the Chairman's comments at the beginning of this hearing when he was speaking about China but also about Japan.

As you know, I am a family rancher. I know firsthand that we have to continue to improve on the efficiency of our cattle, and we have seen ranchers as well as farmers that are adopting this cutting-edge technology in order to produce beef and our crops all across this country.

The technology on beef includes growth hormones. We are looking at China, where they have basically an import tariff that is 47 percent on U.S. beef. There is a 12 percent base tariff. We are looking at the 25 percent retaliatory tariff, 10 percent value-added tax. So the tariffs are bad enough, but then we see the Chinese not allowing our animals in their country because of their restrictive policies.

You told the Chairman that we are talking to them. Can you tell us anything more positive than we are talking to the Chinese? How are we going to be able to address these non-tariff barriers?

Mr. DOUD. Senator, thank you for your question. I will elaborate as best as I can, but these are obviously ongoing conversations.

Senator FISCHER. I understand that.

Mr. DOUD. First, let me start with Japan. We, all of us in the beef industry, know how important that Japanese beef market is. That is a topic that, quite frankly, Senator, keeps me up at night.

What I want you to know is that Ambassador Lighthizer absolutely understands the importance of getting a trade deal in agriculture with Japan as soon as possible, and these conversations are occurring. They are ongoing, and that is all I can say about that.

Senator FISCHER. With the Japanese, it is a little different, though, on what we are looking at with the Chinese.

Mr. DOUD. That is right.

Senator FISCHER. Obviously, we have seen the Administration was able to get the lifting of the BSE restriction, and now we are just looking at the restrictive tariffs that are there with regards to the TPP. So it is a little different situation that we have.

Mr. DOUD. We are just trying to stay even with our competitors in Japan.

Senator FISCHER. Right.

Mr. DOUD. With regard to China, you are absolutely right. The way I describe it is after 15 years, because of their restrictions on traceability hormones racked up, I mean, we can get a thimble full of beef into China.

Senator FISCHER. Exactly.

Mr. DOUD. They bought \$5 billion in beef last year—\$5 billion. We have had hours of conversations about this, Senator, with

them. We can say that these conversations have occurred is all I can say at this point.

Senator FISCHER. You mentioned—and I appreciate that you are in negotiations, and that makes it difficult. When you say that we need to diversify our exports, that does not help a cattle rancher. That does not help a farmer whose livelihood is based on pork production. While farmers may be able to—depending on where they are located be able to diversify crops, that is not always that easy either. So I hope you obviously will keep that in mind as you are working through these negotiations.

Both you and Under Secretary McKinney have been in Nebraska. You have heard our producers and the concerns they have with this. So I know you will keep that in mind as you go forward on your negotiations.

It was just a couple days ago that we saw the President sign an Executive Order on agricultural biotechnology, and you guys are now going to be tasked with creating a strategy that is going to address those unjustified really—the unjustified trade barriers that we have. Can you comment on how the Administration plans to address some of those issues in order that we can support the innovation that we see domestically continue to move forward when it comes to biotechnology?

Mr. DOUD. Let me take a quick stab and lead Ted into this.

That conversation goes to USMCA, where for the first time we had a biotech component that—and what we are really trying to help people understand is gene editing, CRISPR technology, the new technology, and USDA and USTR working around the world to get countries where they need to be with regard to the use of technology in agriculture.

Mr. MCKINNEY. Thank you, Senator Fischer.

I have covered biotechnology in all its forms on every single government-to-government visit I have had, and that includes industry. Ambassador Doud is right. USMCA's language is a great start; hence, the importance of that.

We are also having those discussions completely one-off, and this gives us added impetus to make the statement we are working with like-minded countries, as we have in the past, but we have doubled-down on that.

When Secretary Perdue was in Japan with the G20, he pulled together a group of five—Argentina, Brazil, Canada, Mexico, U.S.—the ministers of ag. They made a commitment to double-down on this kind of thing. The world needs these technologies. We are going to address that. So it is really all-of-the-above strategy.

We have yet to miss an opportunity where we have not covered that very topic, but you are right. USMCA is the best place to start. Thank you.

Senator FISCHER. Thank you. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Smith?

Senator SMITH. Thank you, Mr. Chair.

I want to first thank all of you for being here today, especially my fellow Minnesotan, Dr. Johansson.

Senator Roberts, you started out by talking about the need for certainty, and, Ranking Member Stabenow, you talked about the

challenges we have with the chaos and the unpredictability. Despite the best efforts, I truly believe of those of you on this panel.

When we were planning on this Committee hearing, I asked Minnesotans to give me a sense of where they are on all of this. Of course, I talk to Minnesota farmers all the time, and I want to just read one letter that I got from Greg Fynboh. He said to me in part, "I am not happy about the tariffs that have been implemented, especially this year because of weather conditions. I have been at a loss as to what I should plant or even if I should plant a crop so late in the spring into poor conditions. Not having a secure market complicates decision-making in an already difficult situation. Should I bother adding to burdensome supplies and lose equity because of production cost over what the crop is worth? Should I take prevent plant, which barely covers land rent, and lose equity while fighting weeds all year?"

One certainty of the current Administration's policy to destroy all markets through tariffs and tough talk is that farmers will lose money, time, and peace of mind. That has been my experience so far.

Mr. Chair, I would like to ask permission to enter these letters into the record.

Chairman ROBERTS. Without objection.

Senator SMITH. Thank you.

[The following information can be found on pages 46-52 in the appendix.]

Senator SMITH. You know, I read that letter because my core value here is that we need fair trade policies that lift up American farmers and lift up American workers, and I completely agree that there have been unfair trade practices that have hurt American farmers and businesses and workers. So I am grateful for the work that you have been doing to try to break through some of that.

The problem is—I mean, you must feel like you are working with one hand tied behind your back right now, and I am not going to—I cannot even imagine what it is like.

Let me just ask one question. Last week, I was down in Rock County when there was this latest threat of tariffs on Mexico. That was removed in the nick of time, though I think it probably took months off the life of a lot of farmers who were trying to figure out how to—what they were going to do next.

What can you tell us about this large quantities of agricultural products that the President said that he has gotten commitments on from Mexico?

Mr. MCKINNEY. Well, we are waiting to hear the specifics on that, but let me just say we at USDA have teed up, as we always have teed up, opportunities that we could use to fulfill that. Until we get some specifics on that, we are waiting.

You should know we have a very good relationship with our friends at the Mexican Department of Ag. We have been in discussion—

Senator SMITH. I am sure you have.

Mr. MCKINNEY [continuing]. with them to lay those opportunities out.

Senator SMITH. I know that you do, and I appreciate what you said about the importance of good relationships, longstanding rela-

tionships that are at the root of good trade, which is why I am so disturbed about what is happening because the reliability of America as a trading partner is the challenge that we are dealing with here.

I hope that there is an agreement on large quantities, but I will believe it when I see it.

This raises something that I am personally very interested in. It has to do with the possibilities of expanding trade into Cuba. This is something that my colleague, the senior Senator from Minnesota, Senator Klobuchar, has worked on also with Senator Enzi.

Cuba is a perfect trading partner for the United States in so many ways because what they are good at and what we are good at is a perfect match. We do not grow a lot of chocolate in the United States or in Minnesota, and they need our corn and beans. Yet again, just last week, the President re-upped additional barriers between the United States and Cuba.

I went to Cuba when I was Lieutenant Governor to lead the exact kind of trade mission that you are working on, Under Secretary McKinney, to expand markets.

So could you just tell me what—would you agree that the President's ban on additional connections between the United States and Cuba makes it even harder to build these relationships that we know are so important?

Mr. MCKINNEY. Well, thank you for the question.

I would answer it this way. There is still agricultural product flowing to Cuba, notwithstanding—

Senator SMITH. It is so challenging. Right. I mean, there is, but there are so many barriers. There is no credit access. I mean, it is—you know this.

Mr. MCKINNEY. Well, there is no credit access to the U.S., but there is credit access through other areas, for example, Canadian banks. I checked even this morning, and there is still agricultural product flowing. Now, it may have slowed. We have not checked with everyone.

I think the beauty of this is that you all created through the Farm Bill the opportunity to now use market access program funds to go there.

We had already closed out MAP grants when the Farm Bill passed, but we are preparing, if that opportunity creates itself, to allow folks to do that. So we are aligned with you in that regard.

Senator SMITH. Would you not agree that this additional barrier is not helpful to the cause of expanding access to agricultural products in Cuba?

Mr. MCKINNEY. I am not going to say that because trade is still flowing, and so far as I know, it has not slowed. I am still checking on that.

I think the larger issue, though, is we have—at one time, Venezuela was the number one export market in South America, and I hope that some of that conflation of what Cuba is doing with Venezuela might provide for an opportunity someday when the gates open to go back into Venezuela. I think there is a long-term play there, ma'am. Thank you.

Senator SMITH. Well, thank you.

I am out of time. I appreciate the work that you are trying to do to open up markets and the work that you are doing, Ambassador Doud, to try to nail down these incredibly difficult negotiations, but I do feel so strongly that one hand does not know what the other hand is doing, or if it—I think one hand does not even know what it is doing itself.

Thank you, Mr. Chair.

Chairman ROBERTS. Thank you, Senator.

Senator Braun?

Senator BRAUN. Thank you, Mr. Chairman.

Interesting to always listen to these discussions here. In the short time I have been here, they get politically charged quickly. I think of any of the members on this Committee, I am one of the few that is actually involved in farming, been involved in it for 40 years, as a poultry producer from the late 1970's to tree farmer and actively involved in row crop production.

All I can tell you, as a farmer and as one that speaks to many every weekend when I go back, they are happy that someone is finally here taking on the key issues of restrictions to markets. This did not happen from 2016 to the present. This has accumulated over many, many years. When you look at the total amount of imports, for instance, that China takes and how small a share ours would be to them—and that is typically across the world where there are structural restrictions to agricultural products because everyone knows from the farming side that it is the most protected part of the economy across the world.

So I want to applaud the Administration for finally addressing these issues, where, yes, it is going to incur some short-term pain in running a business.

The other thing I have done over the years, I have never found where you are going to go in the right direction if you do not address issues for long-run betterment and you have got to entertain a little short-term pain. I think that is what we are going through.

I think the problems facing agriculture go so far beyond tariffs. I think when you look at our agricultural capacity—and we export so little—as being the agricultural engine of the world, that tells you all in a nutshell that, thank goodness, you are finally tackling issues to open up these markets.

China is alluring because it is large. It has got so many people. I think one of you said that, basically, of the \$145 billion or so that they import, we get just 20- to \$25 billion, somewhere in there. Is that correct?

Mr. DOUD. Senator, their imports last year were \$124 billion, and on a good year, we do about 20. Last year, I think we did about 9 of that.

Senator BRAUN. Okay. So that has been the dynamic for years, and that tells you exactly what one country, which is going to be somewhere down the road, the biggest potential importer of everything with their population, if they keep growing as an economy. So, again, it points out that this is all laid on the doorstep.

Before 2016—and anyone here, any politician, anybody involved with policy, I think shoulders the blame. Thank goodness, we are trying to rectify it.

I think there might be another round of questions, which I am going to stick around for, but I want to throw this out there for you to think about.

Acreage expansion, I think, has occurred more so over the last decade across the world than at any other time. Competition, which is the other variable that in any business—my logistics business, distribution, farming—competition is important, and it looks like our competitors want the best of both worlds. They want us to buy from them, and they do not want to take any of our products.

I want you to think about which countries, including the ones in Europe and others, that are the culprits that are the hardest to deal with.

Then the other thing I want you to think about would be our own industry when it comes to—normally, when you are in a pickle like agriculture is, where you are struggling to sell what you produce, you do find new markets, and in anything, biotechnology was talked about earlier.

Do we have more potential there—and I am going to start with this question—than raw commodity exports? In other words, do we need to enhance those markets so that we are not dealing with what everyone else around the world is going to try to start producing and selling themselves, which is corn and soybeans? Is our ticket to sell more of what we produce through the higher tech end of the biotech industry?

Mr. DOUD. Senator, I will try to answer that in 7 seconds. First of all, you should talk to Dr. Johansson about the strength of the U.S. dollar relative to other countries, particularly the Brazilian reals, and there are competitive factors there.

We think about ethanol and meat and value-added opportunities around the world every single day, and the place in the world that gives us fits is, without question, the Europeans. They are actively fighting us every step of the way with regard to the use of technology.

Senator BRAUN. Noted. Anyone else want to comment on that?

Mr. JOHANSSON. I think you brought up really good issues. We did see a lot of expansion of acreage globally, particularly in sort of the high-price years of about seven years ago that the Chairman referred to. Particularly, in South America, we saw a lot of expanded acreage in Brazil and Argentina, and they are actively competing with us right now.

They are big adopters of tech as well, so that is a good thing. We are like-minded in that sense.

As the Ambassador and, I am sure, the Under Secretary can highlight, we are continually facing a different level of standard from the Europeans who argue, I think, contrary to improving food security. They are actually depressing food security globally.

Mr. MCKINNEY. Senator, I want to respect your and the Chairman's time management. I will come back and answer that later, if you wish.

Senator BRAUN. Thank you.

Mr. MCKINNEY. It is up to you two.

Chairman ROBERTS. The Senator from Indiana is recognized for an additional 5 minutes.

Senator BRAUN. Thank you, Chairman.

Go ahead.

Mr. MCKINNEY. We are somewhere between 7 and 9 billion on the planet, 7.3, on our way to 9. Some say 10 by 2050. We have to use every single tool to address that, and we have for the last many, many decades.

I think, by and large, technology around the world is still being adopted, but there are now headwinds—and I think Ambassador Doud said it very well—led by Europe with objections. So it is a constant battle that we have to face, and it is technologies of all sorts.

We talk about biotechnology. It goes well beyond that, and you know many of those from your own experience in Indiana, but our goal is to continue to press for these kinds of technologies. The way we do this is through many fora.

In early July, I will be in Geneva for the Codex Alimentarius meeting, where we talk about scientific standards for pesticides, biotech, food additives. The list goes on and on, and it is the world against Europe in many cases to fight to keep those very rigorous scientific-based standards rather than default to say a region of the world and their view of what science is or should be determined. That is just one.

Team USTR has been majestic at working the WTO. We support them in a lot of that data analysis, and the list goes on. So I will not go through ad nauseum, but we have to use every single one of those. That is why the attention we are paying to international organizations—soon we will elect a new director-general at the FAO. That is a very, very important election because they have strayed in a major way from even considering technology, just take it out in many cases. So these are the things we are trying to do around the world, sir.

Senator BRAUN. Thank you.

Team USTR, keep it up because I think what you are doing needed to be done a long time ago, and again, if we do not fix it now, it is just kicking it down the road. I think most farmers know that we need to go through some transformation and are happy that you are doing what you are doing.

I want to finish up with this, and I said it the last time or two. When it comes to helping farmers, as one, the thing that I have noticed that has been very seldom talked about, but it is the high cost of production. It would be the high cost of variable inputs, and all I can say is from 1909 to 2013, when we had great incomes, it seemed like the cost of inputs mysteriously went up.

We are now dealing with many huge corporations, where it used to be local suppliers, and I am really most worried in the long run, the fact that an acre of soybeans, an acre of corn is nearly doubled or tripled to put out the crop each year. That is the hardest piece of arithmetic that most of us farmers deal with.

I want to address this to Secretary McKinney and then maybe a comment from Dr. Johansson. Where do you think the responsibility of the industry is to help farmers get through this tough stretch? Do you think it is doing enough to where everyone seems to be okay at the corporate level, and we buy all of our inputs now from larger entities? Do they have a responsibility to help farmers out rather than looking to government to do it?

Mr. MCKINNEY. Thanks for the question.

I think we all have a role there, and you should know that we talk to the industries of all types a great deal. They make their way to here, and I think they usually make their way to USTR and elsewhere. So everybody has a responsibility.

The best thing we can do and what we are trying to do is work on these non-tariff trade barriers to help them keep their costs low, so that they do not have to pass on costs, which is the norm, as you know in business.

The time that Ambassador Doud and his team and my team spent on biotechnology with China—and frankly so many other countries as we make our way around the world—is simply enormous, and so we think that is the best way that we can do that because we are Government are not going to get involved in pricing and all the things that go with that. There is a respect for the business community out there.

Senator BRAUN. Maybe jawboning, though?

Mr. MCKINNEY. Well, we have done that.

Senator BRAUN. Yes.

Mr. MCKINNEY. That is what we are trying to do is try to get rid of these non-tariff trade barriers that cause such disruption in costs of all sorts. I think that is the simple answer.

Senator BRAUN. Thank you. Doctor?

Mr. JOHANSSON. Great question. Of course, we look at IMPA costs going up every year. That is not universal. Of course, we have seen fuel prices come down since their high-water mark a couple years ago. So that is a benefit to producers. By and large, I think what we are more concerned about is making sure that we do have the ability for producers to get a good price for their crop, and that is continually linked to trade but also to lowering transportation costs. For example, we know that the Mississippi system right now is under a lot of siege from all the water that is coming through it, and that is slowing things down. That is going to add to cost. We have lowered cost on the rail side, so that is a benefit. It is something we are always looking at.

Of course, on the input side from the chemicals and seed companies, there has been some consolidation. The economic literature points to different things regarding whether that lowers prices, on the one hand, but also reduces competition on the other. So it is something we are continually looking at.

Senator BRAUN. I think everything and the kitchen sink because farmers are truly struggling. Thank you.

Chairman ROBERTS. Senator Brown?

Senator BROWN. Thank you, Mr. Chairman.

I cannot wait until I need that extra 5 minutes, one of these days.

[Laughter.]

Chairman ROBERTS. I hesitate—

Senator BROWN. Let us see. Senator Klobuchar and I have been on this Committee a combined quarter century, and I do not remember ever getting an extra 5 minutes—

Senator KLOBUCHAR. I do not think so.

Senator BROWN [continuing]. under Democrats. So maybe we do not have the relationship with the Chairman that Senator Braun has, but I am going to explore that.

I have milked——

Senator KLOBUCHAR. Are you going to give the Chairman a second to respond?

Senator BROWN. No, never mind. All right. Let me—thank you, Mr. Chairman. I have used already 30 of my precious seconds.

I cannot count the number of people I have heard——

Chairman ROBERTS. You just took 30 seconds off your time.

[Laughter.]

Senator BROWN. I cannot count the number of people I have heard saying how important it is that we have certainty in business and farming. We know agriculture, particularly, is an inherently risky business.

We have seen farm income at 10-year lows, commodity prices declining. The Administration continues, as you know—you probably do not really want to say this, but continues to inject more uncertainty into American agriculture.

The President tells farmers to trust him, yet every day farm bankruptcies increase. Another small dairy closes, a family farm is sold to an out-of-town investor.

Ohio farmers are near the breaking point. I want to share just three or four lines from an article written by Tom Henry for the Toledo Blade, which is sort of the paper of record in much of rural northwest Ohio. As of June 2nd, only 33 percent of Ohio's corn acreage, 18 percent of the State's soybean acreage had been planted. By this time of year, at least 90 percent of corn should have been planted, 79 percent of the soybean crop should have been planted. That is based on the most recent five-year coverage date. Farmers will tell you, as you know, Mr. Under Secretary, that years before this, they would go into the fields earlier, typically. So these numbers are worse than they have been over five years, which is worse than it used to be. Ohio was down 61 percent from its most recent five-year average for planting soybeans as of June 1st, and as farmers will tell you, even if their farms dry out enough to plant corn in another week or two, the growing season has been so compressed, that smaller yields are inevitable.

One farmer who has been—who is in his 60's said, "I have been farming 36 years. This is the first year I may not have one acre of corn."

So my questions are this. You can understand my concern with Secretary Perdue's announcement that Market Facilitation payments will not be applied to unplanted acres, as we have seen these problems get worse and worse with climate issues.

USDA provided a list of crops that need to be planted. USDA has been unclear on whether these can be planted for cover or after the typical late planning period.

From the number of inquiries my office gets from farmers sitting on their combines waiting for the water to subside, they want to know details. They are now forced to make decisions based on rumors and heightened uncertainty.

My two questions are for Dr. Johansson, if you would answer these, and I will give them both to you, and then take your time.

Will USDA provide flexibility for farmers to plant later than normal for cover and be eligible for MFP? Similarly, hay and forage is expected to be in short supply due to the wet weather, of course. Will Federal crop insurance provide flexibility to allow the earlier grazing or harvest of forage or hay from cover crops without penalty?

Mr. JOHANSSON. So one of the—I mentioned earlier to the Ranking Member's questions that we did not want to affect planting decisions with the new program, and, of course, complicating that is the situation you mentioned with regard to prevent plant. We are in a very late planted—late, delayed planting, and a cool wet spring is affecting much of the corn crop as well as other commodities across the United States. We are behind in wheat. We are behind in rice. We are behind in soybeans, of course, as well. All of that will contribute to a likely higher than normal prevent plant number.

Of course, the crop insurance program does anticipate prevent plant, and there are a lot of conditions and a lot of provisions available to producers that are, unfortunately, faced with prevent plant for some of the producers in Ohio that you mentioned.

So, again, as with last year's program, we wanted this year's program to not affect the safety net provided by crop insurance, and so there are the prevent plan rules, and eligibility requirements are remaining in place. I know we have been asked to look at the two components that you did talk about with respect to late plant and with respect to hay and grazing, and those are components of the program that we are continuing to evaluate of this period under which the rule is still undergoing changes at the Office of Management and Budget. So we will continue to look at that.

I would point out also, as you know, the President signed the supplemental disaster bill, which also does call out prevent plant in it, and so there is an interaction as well with a program that may come out following that. That is again early in its development at the Department for the WHIP 2.0 program that is authorized by everyone here for the disasters we saw in 2018, the hurricanes and wildfires from last year, but as well as the 2019 prevent plant issues for this year.

So I do not have any hard and fast answers to your questions, but certainly willing, as I mentioned to the Ranking Member, that we can get back to you with answer.

Senator BROWN. We will be in touch on that. That is really, really important and particularly northwest Ohio agriculture.

Mr. Chairman, I will just ask another question, but because of time, I will just ask Dr. Johansson to give us this one in writing too about Lake Erie.

Because of the rain and the late planning and all the runoff that has happened, algae blooms are likely again a major problem come July, August, in the western basin of Lake Erie. This part of the lake is only 30 feet deep, as contrasted with Lake Superior that Senator Klobuchar and Senator Smith look at often, is 600 feet deep. So we know the vulnerability there.

With the number of unplanted acres in the western basin, I wonder if USDA has considered utilizing conservation funds to fund

cover crop plantings or increase buffers in places like Ohio. You can answer that in writing, if you want.

Thank you, Mr. Chairman.

Chairman ROBERTS. We thank you, Senator Brown, for asking that question that is on the mind of every member.

Senator Ernst?

Senator ERNST. Thank you, Mr. Chair, and I would just like to thank our witnesses for being here today as well. You have been great advocates for our farmers, and I really do appreciate that very, very much.

Right now, they are just undergoing that perfect storm of circumstances, low commodity prices, lost access to farm markets due to trade disputes, and very, very wet—you can look at Nebraska. You can look at Iowa. Very, very wet conditions due to a set spring and the flooding issues that we have had.

So this really is time for the Administration to bring together these trade deals. We would love to see them done soon. We want them done right, but we would love to see them done soon. Our farmers really do need a win.

Ambassador Doud, if I could start with you, please, sir. First off, I believe that Iowa farmers stand behind the President. I have heard many of them just over the course of this past week, and they know when it comes to China, we need to hold them accountable for years of very, very bad behavior on the trade front.

In fact, at the end of last year, I had one farmer that came up to me after a meeting, and he made the point. He understood why the President was doing this, but he said, “I do not understand why we did not have a President that did not address this before this one.” This has been going on for such a long time, and President Trump is finally standing up to the Chinese and their bad practices.

That being said, the spread of African swine fever through China does have the potential to be a big opportunity for our exports to meet their additional demand as they are going through culling their herds.

The problem is, with the ongoing trade dispute, China still has 50 percent retaliatory tariffs on our U.S. pork exports, and the additional duty has meant a loss of about \$8 per hog or \$1 billion per year to U.S. pig farmers. All of our Iowa farmers want those free markets. They do.

What is the path forward with China, and when can Iowa farmers really expect some of the normalization in our markets?

Mr. DOUD. Senator, thank you for your question, and there is no question that this African swine fever issue is truly remarkable in terms of its global implications.

I would just simply say that with regard to pork exports to China, our biggest hurdle is this structural issue of their ban on ractopamine, and it is something that has—internationally accepted. It has a maximum residue level internationally. Everybody in the world uses it, with the exception of—a couple of exceptions here and there, but China does not. We have spent hours talking about this.

I would also point, just quickly make the point, in terms of certainty, the first thing we can do is pass USMCA, and then from

there, we work on Japan and China and get these things done. In terms of historical issues, I would say that there has been work on China historically, and we have just recently won two of the biggest WTO cases in the history of agriculture against China.

Senator ERNST. I appreciate that because I do think the USMCA needs to be done right away as well, and we just need to continue to encouraging our House Members to be supportive of that action. It is very, very important to the folks in Iowa that I talk to.

So just very briefly, the USMCA, while we are on that, it would create huge economic growth and jobs across the United States in many of our industries, and it would secure a top market for all of our U.S. agricultural commodities.

There are many achievements, I think, that are within the USMCA that do not get talked about. We talk about tariffs. We focus on tariffs, and certainly, for you, Under Secretary McKinney, if you would address some of the improvements that exist within the USMCA that we do not necessarily talk about, things like sanitary and phytosanitary standards and biotech. Can you speak on how those issues are being addressed in USMCA? Talk about some of the wins that we are not necessarily talking about.

Mr. MCKINNEY. Sure. We talk about dairy access, wheat equities across the borders, those things, more poultry access. I know how much poultry you have in your State. So, yes, those catch a lot of attention.

I still think—and I have said very publicly many times—that the rewrite of the sanitary, phytosanitary chapter may be the greatest gift out of USMCA. It is not quite a cut-and-paste into other trade agreements, but boy, it is a great starting point. That has been the soft underbelly. That is where we have not seen free, fair, and reciprocal trade over these many years. So I think that is perhaps the greatest gift.

Right on its heels, I would talk about biosciences, the biotechnology chapter. That has been an enormous boon to productivity, quality improvement around the world, helping African farmers, cotton farmers in India, et cetera. So that is a new chapter that can also be used as a starting point in other negotiations.

I still think, though, the biggest one, is the message that passage of USMCA will send to the world. If we do not get this done, we are in deep trouble in terms of other negotiations we seek to do because this is a good deal. We must deliver on this. Those are just two things, ma'am.

Senator ERNST. Thank you. No, thank you very much. Thank you, Mr. Chair.

Chairman ROBERTS. Senator Klobuchar?

Senator KLOBUCHAR. Thank you, Mr. Chairman.

My State is the fourth largest ag-exporting State in the country, and I appreciate the work you have been doing during some difficult times.

Many of us up here were relieved that the Administration did not end up imposing the five percent tariff on Mexico, as threatened, but the approach of using tariffs in response to non-trade issues is concerning and could open the floodgates to widespread use of tariffs to potentially settle all kinds of potential policy issues.

Maybe one of you, Ambassador Doud or Under Secretary McKinney, could answer this. Where does the Administration draw the line on the use of tariffs for non-trade ends?

Mr. DOUD. Senator, I would just simply say that in my time in Washington, DC, I have never seen a President create more leverage out of thin air than this President has.

Senator KLOBUCHAR. Okay. Well, I think that what we learned later was that that agreement had been made a few months before the tweet went out, but we can leave that to the history books, I guess.

My first question along the lines of your work that you are doing, which I appreciate, with the Market Facilitation Program would be this is good in that our farmers need the help, but one of the things I have heard from a number of them is that this goes on longer and longer as we try to get China to the point of an agreement is that a lot of countries that are buying soybeans now from other places are getting longer-term contracts with them. So it is going to be harder once there is an agreement for our people to get back in the market.

I do not know if that is you, Dr. Johansson, or anyone that wants to answer that, if that is true, with your University of Minnesota degree.

Mr. JOHANSSON. I will comment on this, and I think the Under Secretary and the Ambassador may also want to add.

Certainly, we know that, to a degree, trade is fungible. With soybeans, of course, we typically export to the Chinese during our season, and then the South Americans export during their season. It makes for a reliable trade for the Chinese, and they are having to renegotiate their contracts. They are looking at doing so right now.

Of course, if we get a good trade deal in, we will go back to providing them with the good quality U.S. soybeans. We have a good transportation system to get them there through the Pacific Northwest as well as through the Gulf.

Senator KLOBUCHAR. So in order to meet the supplies, if they are going to other countries, they are just doing short-term contracts right now or longer?

Mr. JOHANSSON. Well, I would imagine that they are likely entering into a number of contracts that are both short term and long term, and as we have seen with us and I am sure with other countries, they are willing to break those contracts pretty easily if they find a better price somewhere else.

Senator KLOBUCHAR. Market Facilitation Program. When will the payment rates on each commodity that is eligible be released?

Mr. JOHANSSON. So the rule right now is that at OMB, once it is done at OMB, we will put the rates out there and start sign-up as soon as we can. It takes a couple weeks to get through that process, and we are making adjustments as we discuss this with folks over there.

Senator KLOBUCHAR. As I think has been discussed before, some areas are hit harder, depending on where their soybeans are going. It hit Minnesota hard because about 60 percent of our State soybeans are shipped to the West Coast by rail. Will you be giving consideration to regional shipping disparities within each commodity for the second round of Market Facilitation payments?

Mr. JOHANSSON. That is a great question that you asked last year as well, and we will continue to look at basis effects.

Right now, we have looked at the basis effects for the Upper Midwest and the Northern Plains and have seen a lot of those diminish. Of course, we would expect, depending on how negotiations go, that we may see some above-average basis impacts. As we head into the fall, we will continue to follow that, and of course, the Secretary is continuing to monitor progress on trade as well as other economic effects on producers that are affected by the current situation.

Senator KLOBUCHAR. Okay. So here is an opportunity right now. We know the threat of foreign animal disease and its potential impact on farmers can hurt us here or it can help us if it happens in another country, and of course, we would rather not have this happen at all because it eventually comes to our shores. I have worked hard with Senator Cornyn to include a vaccine bank in the last Farm Bill.

An outbreak of African swing fever in China has significantly reduced their hog production, and some economists have noted that China may lose more pork than the U.S. produces.

Dr. Johansson, do you believe that U.S. pork producers could expand their market in China if there was a negotiation with China and that would relieve from that country's 62 percent import duty on pork products, it would help us?

Mr. JOHANSSON. Yes. I think there is a lot of uncertainty about how bad the ASF outbreak is in China right now. There has been widespread speculation that it is 20, 30, even greater percent of their herd is going to be affected and destroyed as a result.

That will open opportunities for pork suppliers across the globe to get into that market in a larger extent. I think the U.S. hog producers will also benefit from seeing that with or without tariffs. We will either backfill what other countries are sending them, or we will get in there as well.

Of course, with the tariff, we would be able to sell more pork products into China as well.

Senator KLOBUCHAR. Ambassador Doug, are turkeys included in the negotiations right now with China? We are number one for turkey in our State. Do not laugh.

Mr. DOUD. Senator, everything is on the table.

Senator KLOBUCHAR. Okay, good.

Mr. DOUD. We have had conversations with a multitude of commodities.

Senator KLOBUCHAR. Okay, very good.

I will first just want to end, Mr. Chairman, so I can do the extra minute, just to thank Under Secretary McKinney. You recently led a trade delegation to Colombia, and I know Thom Petersen was there, our agriculture commissioner, and enjoyed the trip.

Mr. MCKINNEY. It was a very big group from Minnesota, and we enjoyed having him. I think they left with some opportunities in mind.

I should add. You raised turkey. You should know that turkey has now found its way into India, of all places, and this is a result of the WTO case, and we are thrilled with that.

Senator KLOBUCHAR. All right. Thank you, all of you.

Chairman ROBERTS. Well, Coop, you are up.

Senator THUNE. Almost high noon, Mr. Chairman. Thank you, and thanks for having this hearing.

Let me just say to our panelists, thanks for being here, and thanks for the work you are doing, but remind all of you that our farmers and ranchers would much rather get a check from selling their products than they would from the Federal Government.

My concern in all of this is that we are losing global market share, and that is why I think it is really important that we close some of these trade deals out.

This hearing is designed to provide certainty to farmers and ranchers with a specific focus on trade, and when I travel in South Dakota, what farmers and ranchers ask me is when are these trade issues going to be resolved. So I am asking you, Can you give me and our farmers and ranchers a timeline regarding China? Mr. Doud?

Mr. DOUD. Senator, I understand those concerns, and believe me, they are talked about at USTR every single day.

We circulate ag commodity prices in the building every single day of what is going on.

I think in terms of the China discussion, I do not—no is the answer. We will have to see. The meeting, I believe—there will be a meeting that occurs between President Trump and President Xi here toward the end of the month, and I think that is our next line of demarcation here to see how this is going to go.

Senator THUNE. Can you give us any kind of timeline at all regarding Japan, the bilateral bill?

Mr. DOUD. Senator, I cannot. I can only tell you that the conversations with regard to agriculture and trade between the U.S. and Japan are ongoing as we speak.

Senator THUNE. Given the Administration's interest in negotiating bilateral trade deals instead of multilateral agreements like TPP, in addition to the two we have just discussed, can you share with us the status of any other trade agreements the Administration is pursuing?

Mr. DOUD. Well, in addition to USMCA, we have also through—the TPA process here on Capitol Hill indicated U.S. interest in negotiating with the European Union, the UK—and the UK. I do not know what the Brexit process is going to be, but obviously, the UK is something that we are taking keen interest in.

The other part of the world that is of enormous interest is Africa, and we all know that there are other countries in the world that are taking an increase in that as well. I want to assure you, Senator, that USTR is interested in that part of the world as well.

Senator THUNE. Is there any, though—when you talk about discussions with the EU or the UK, is it anything more than that at this stage? I mean, are we talking about very embryonic-type discussions, or are we actually in a process of negotiation with any of these potential trading partners?

Mr. DOUD. Well, obviously, with the UK, we have got to wait and see what the Brexit timeline is.

Senator THUNE. Right. How about the EU?

Mr. DOUD. Well, with the EU, I will tell you, quite frankly, that they have been very frank in their interest in saying no agri-

culture, and our point has been very simple. There is no way to come to Congress and do a deal that does not include agriculture. So how are we going to rectify this?

Senator THUNE. Well, we support that position, but I think there is great potential, obviously, with China, great potential with Japan, and again, if the EU would drop some of their tariff and non-tariff barriers and really, seriously enter into negotiation on agriculture, that also would be a great market for American agriculture.

I would just urge you to just understand the sense of urgency, I think, out there in farm country. These are really tough times, and not only now do we have all the trade issue, but we have got weather piled on top of that in addition to chronic year after year, year over year, low commodity prices and producers who are increasingly operating below the cost of production. It is a situation we cannot sustain and keep these farmers in business.

In that vein, I just very quickly want to touch on the MFP program, and the June 10 USDA press release provided—and I quote—“If you choose to plan a cover crop with potential to be harvested because of this year’s adverse weather conditions, you may qualify for a minimal amount of 2019 MFP assistance. You must still comply with your crop insurance requirements to remain eligible for any indemnities received,” and that is end quote.

I guess the question is, if you are eligible for a minimal amount of MFP assistance, why wouldn’t USDA make a more equitable MFP payment to producers, comparable to the MFP payment that would be paid if that producer has been able to plant and harvest crop? Dr. Johansson?

Mr. JOHANSSON. So, as I mentioned earlier, we are trying to balance—trying not to incentivize market distortionary decisions. We want farmers to plant for their operation, for their—what works best for them, given the current prices we are seeing out there as well as the current economic conditions that they are seeing on their operation.

Senator THUNE. I get that. We are not talking about—we are telling people that already have them planted.

Mr. JOHANSSON. Right.

As with last year, we are viewing the current situation with respect to prevent plant as something that, by and large, would be covered by the prevent plan conditions that are part of their normal crop insurance contract, and that while if producers do plant an eligible cover crop, they will receive a component of the MFP payment for that planting.

By and large, their incentive payment will be coming from—their recovery payment or their safety net will be coming from the prevent plant, not from MFP. The Market Facilitation Program is obviously designed to address trade issues and not designed to address weather issues.

Again, as I pointed out earlier, there is also the disaster bill that we are looking at, the supplemental disaster that also calls up prevent plant, and so, again, that is another balancing act that we are undergoing right now in the Department.

Senator THUNE. You figured out how to spend the \$3 billion in that yet, the supplemental?

Mr. JOHANSSON. The supplemental has, as you are aware, the prevent plant provisions that were added to that. They were added after the amount of the supplemental had already been determined. So, of course, as the Secretary has pointed out, there were the hurricanes and wildfires from 2018 that certainly are intended for being compensated to the extent that they affected producers in the Southeast in terms of the hurricanes and in California with respect to the wildfires. Of course, there is other disasters in there as well, volcanoes, included.

Then, of course, we are looking at how this interacts with prevent plant and what additional flexibilities can be provided to producers as a component of that supplemental disaster bill.

Senator THUNE. All right. Be equitable. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Hoeven?

Senator HOEVEN. Thank you, Mr. Chairman and Ranking Member both, for having the hearing. Thanks to all of you for being here.

Also, Mr. Secretary, to you and the entire crew here as well as everybody at USDA and the Administration, thank you for moving forward on the MFP second round. I worked hard on that, as did others, and we appreciate the responsiveness on it.

I thank the questions and comments by our—my distinguished colleague from South Dakota highlights the need for it in farm country. It is a tough time in farm country, so we are very appreciative of that.

Dr. Johansson, we want to learn from round one and do a better job in round two, just like Senator Thune was talking about.

One of the questions that Senator Klobuchar brought us is an important one. She termed it in terms of regional differences. I have talked about it in terms of basis, and as you know very well brought this up last go-around. Please comment on your effort to include that in this MFP. It is a very important issue.

She talked about 60 percent of her soybeans going to China. In North Dakota, we sent \$1.5 billion worth of soybeans to China on a regular year. It did not happen this year. So that tells you how there are regional disparities, which creates basis, which costs our farmers a lot of money.

Mr. JOHANSSON. Yes. The basis effects are certainly something we did note last year, and you had asked about it. We continued to follow that. I think that is going to be also another key pieces of information that the Secretary is going to consider as we move forward with the implementation of MFP.

Of course, there are other key considerations as well. Some of that includes the progress we do make with China on reaching a deal, and of course, he has made it clear—

Senator HOEVEN. You mean in subsequent rounds, rounds two and three?

Mr. JOHANSSON. That is correct.

Just as an example, of course, we do not include the tariff impacts that would have been occurring under the tariffs from Canada and Mexico. Those have been removed from our calculations since we have reached a deal on that component.

Looking forward to the basis effects, we have looked at basis right now, and right now, things look within sort of the average for this time of year. Of course, the major basis effects that we are likely to see occur right at harvest in Northern Plains, for example, and we are going to continue to follow that to see if they do fall outside that range of sort of average basis that you would expect, given the size of the crop, and we will certainly keep that ability to adjust the program as we get more information in again.

So we are very aware of this. We know that producers in those areas are susceptible to more, higher impacts from the basis component, depending on which crops they produced and where they are selling them to and where——

Senator HOEVEN. I know you are aware of it because I have been bringing it up, and I am not going to stop, so——

Mr. JOHANSSON. Yes. So I do not have an answer for you right now that I can give you, but it is certainly something we can look at and respond in written form.

Senator HOEVEN. Remember, Dr. Johansson, that these crops—I mean, yes, this is market facilitation based on exports, but you have a lot of crops that move with those exports, even if they are not fully exported, canola moving with corn. That is an important factor too, as you look at that county average payment, so that you do not end up with some counties that do not just grow corn and soybeans that are in a hurt bag and you are not giving them the assistance.

Mr. JOHANSSON. Yes. We certainly are very aware of that, and we think that the program that we have designed will help offset some of those criticism that we got last year.

Senator HOEVEN. Good, good.

I would like to turn to Secretary McKinney, Ambassador Doud. What are we doing, prior to the G20, with China on facilitating or negotiating with China, leading up to the G20 on trade? You are heavily engaged, right?

Mr. DOUD. We are heavily engaged above my level, Senator. On the agricultural side of this equation, we have worked constantly for days on end to put together a very thick documents, and now, hopefully, this can be carried forward, and we can get a deal.

Senator HOEVEN. Can you get a deal with Japan? Can you get a trade deal with Japan?

Mr. DOUD. Senator——

Senator HOEVEN. Can you get it reasonably soon? If you could get a trade deal with Japan and we could pass the USMCA, it puts pressure on China, does it not? I mean, we have got to start getting some of these other agreements as a way to put pressure on China too.

Obviously, a trade deal with Japan, there are huge economic—forests in the Pacific Rim, it would make a huge difference. So how are you doing there?

Mr. DOUD. Senator, that is exactly how you would draw it up on the chalkboard. How is that?

[Laughter.]

Senator HOEVEN. Good. I know Secretary Perdue was over there. I think that is great. Good job on the 30 months for our livestock,

for our cattle. Boy, I would think it would put some—I mean, it would be a real shot in the arm to get a deal with Japan.

Go ahead and talk for a minute about how important it is we get USMCA across the floor. It has to start in the House. We would sure like to see it going. Why don't you talk about how important it is for our farmers.

Mr. MCKINNEY. Well, I think you said it very, very well. I think USMCA is the template for the rest of the world on a full-blown FTA, and so we must get that right, and so we are here to help you in whatever information you or the House needs to move that through. It is a good deal. It is well done.

Senator HOEVEN. Yes. I mean, it just seems to me you create momentum one step at a time. If we could move USMCA, if we could get something in August with Japan, I mean, it is a way to continue to put a real push on China with some of our allies, and so I am hopeful that we can do that.

One final—with the indulgence of the Chair, one final question—or question or comment or thought for you, suggestion. To the extent that we can access those cover crops on PP acres prior to November 1st, it is a very cost-effective way for you all to help our livestock producers, so I hope you are looking at that.

So go ahead, whoever wants to take that one.

Mr. JOHANSSON. Yes. We certainly have received that comment. Again, we are looking at flexibility in terms of that November 1st date in hay and graze as well as the potential ability to harvest, but again, we do not want to affect the PP provisions, per se, but we do have some flexibility that you have afforded us under the supplemental disaster. Certainly, we are also considering that on the MFP side as well, but right now—

Senator HOEVEN. Well, your openness to that helps make sure that people do make good decisions out there rather than trying to force something in the ground just to get a payment, so that is helpful, and we appreciate it.

Again, I think it is a real cost-effective way to give the livestock guy some help, and obviously, they are a much smaller part of this overall trade assistance package.

Mr. MCKINNEY. Senator, I just wanted to add one thing. Clearly, we are all focused on the key countries that you and Ambassador Doud and so many have focused, but I beg of you not to forget these other countries.

We had a very good ag trade mission in Colombia. Sales are growing there, Peru and so many other countries, where we have—or in some cases, we do not have ag trade missions.

You have some peas, pulses, and lentils up your way, a lot of them.

Senator HOEVEN. Right a lot.

Mr. MCKINNEY. I had two members of your communities talk about the joy of having gone to Guatemala, of all places, last year, and that has recovered a lot of the sales that they lost rather dramatically in India.

So we will sustain the focus on these major crops because they are the here and the now—or these major countries, but I just want to make sure you know we are making progress in a lot of these other countries.

Senator HOEVEN. Well, that is good because of what India is doing to block them out.

I have got to say the EU is going to be a tough-to crack. We were over there for the 75th anniversary of D-Day at Normandy. I mean, you look at their small fields and all that, and the idea that they could go head to head with us if they did not have their restrictions in place, you realize it is a different world.

At the end of the day, no one can compete with our farmers and ranchers if we get a fair shake, right?

Thanks for your great work. We appreciate it.

Chairman ROBERTS. The distinguished Ranking Member is recognized.

Senator STABENOW. Thank you, Mr. Chairman.

Ambassador Doud, you were talking about the WTO at various points. After the first round of \$12 billion trade mitigation assistance was announced, our trading partners certainly took notice. In 2018, our country emphasized that it was one-time, short-term assistance that was not expected to have production effects because it was announced when commodities had already been planted or produced.

Given the timing and size of the recently announced \$16 billion in new assistance, are you confident that we are still abiding by our WTO commitments? Is there any possibility we are creating future problems for our farmers and ranchers at the WTO?

Mr. DOUD. Senator, I thank you for your question, and it is an important one. The answer is that USTR and USDA have ongoing conversations about this, and at this point, Senator, I can assure you that USTR is confident that we will and are abiding by our WTO commitments.

Senator STABENOW. That will be interesting to watch.

Thank you.

Chairman ROBERTS. I do want to thank you, all three, for your commitment. These are tough times, and these are tough jobs, but you have put your shoulder to the wheel and really work very hard to accomplish things at a difficult time. I mean, that is just where we are, which is most unfortunate.

To my fellow members, we ask that any additional questions you may have for the record be submitted to the Committee clerk 5 business days from today or by 5 p.m., next Thursday, June 20th.

The Committee is adjourned.

[Whereupon, at 11:18 a.m., the Committee was adjourned.]

A P P E N D I X

JUNE 13, 2019

Testimony of Ambassador Gregory F. Doud
Office of the United States Trade Representative
Before the United States Senate Committee on Agriculture, Nutrition, and Forestry
June 13, 2019

Chairman Roberts, Ranking Member Stabenow and other distinguished committee members:

I want to thank you for the opportunity to testify today on President Trump's agriculture trade policy agenda. Ambassador Lighthizer and my colleagues in the Office of the U.S. Trade Representative (USTR) and U.S. Department of Agriculture (USDA) have been working around the clock to address agricultural trade issues with our trading partners and increase export opportunities for farmers, ranchers, workers and agribusinesses. I look forward to highlighting our efforts in multiple areas.

The United States is the world's largest exporter and importer of food and agricultural products. U.S. agriculture has posted an annual trade surplus for well over 50 years. Agricultural exports support more than one million American jobs, with roughly 70 percent of these jobs in the non-farm sector, such as in processing and agricultural manufacturing. Overall, U.S. farmers and ranchers export more than 20 percent of what they produce. In 2018, agricultural domestic exports reached nearly \$145 billion, an increase of 1.4 percent over 2017.

Every day this Administration, and the men and women at USTR and USDA, works to expand export markets for American agriculture. Whether it's poultry and beef to North Africa, pork to South America, grains and horticulture to Asia, dairy to Chile, and the list goes on, the Administration is focused on opening markets for America's farmers and ranchers.

Let me focus my remarks, however, on major trade initiatives of this Administration.

First, passage of the United States – Mexico – Canada Agreement (USMCA) is an absolute necessity for U.S. agriculture. Since the implementation of the North American Free Trade Agreement (NAFTA) in 1994, our agricultural exports to Canada have increased 289% and our agricultural exports to Mexico have increased by 311% - creating our first and second largest export markets in 2018 worth a combined \$41 billion out of \$145 billion in total agricultural exports last year. In accordance with our TPA requirements, USMCA creates new market access for U.S. dairy, poultry, and eggs into Canada above and beyond existing access under NAFTA and what was negotiated in the Trans-Pacific Partnership (TPP). USMCA maintains duty free access to Mexico, allowing U.S. producers to build upon the \$19 billion in agricultural exports to Mexico in 2018.

In addition to the current exports of dairy products from the United States, Canada will provide new tariff rate quotas (TRQs) exclusively for the United States. This agreement provides new TRQ access for over ninety-nine thousand additional metric tons, after six years, of dairy products, including: fluid milk, cream, butter, skim milk powder, cheese, and many others. And

that number will grow for another 13 years after that. Additionally, Canada will eliminate its Class 6 and 7 milk class pricing policies. This is critical as we work to prevent Canada from externalizing the cost of its quota-based dairy program by undercutting U.S. skim milk powder prices in third country markets.

USMCA also guarantees market access for poultry and eggs under new TRQs exclusively for U.S. producers. The need for this market access has never been more urgent as more countries fill Canada's WTO chicken TRQ, resulting in a decrease of U.S. market share in Canada from 75 percent in 2014 to 66 percent market share in 2018 of Canadian chicken imports. USMCA includes a TRQ for chicken of 57,000 metric tons and for eggs of 10 million dozen in year 6 of the Agreement – both just for U.S. producers. Similar to dairy, these U.S.-only quotas will increase for an additional ten years. The United States will also maintain the ability to export chicken to Canada under its WTO TRQ of nearly 40,000 metric tons.

For the first time in a U.S. trade agreement, USMCA specifically addresses agricultural biotechnology to support 21st century innovations in agriculture. The text covers all biotechnologies, including new technologies such as gene editing. In contrast, the TPP text covered only traditional rDNA technology. Specifically, we included provisions to enhance information exchange and cooperation on agricultural biotechnology trade-related matters.

In the Sanitary and Phytosanitary (SPS) Measures chapter, we have agreed to strengthen disciplines for science-based SPS measures, while ensuring Parties maintain their sovereign right to protect human, animal, and plant life or health. Provisions include increasing transparency in the development and implementation of SPS measures; advancing science-based decision making; improving regulatory processes for certification, regionalization and equivalency determinations; conducting systems-based audits; improving transparency for import checks; and working together to enhance compatibility of measures. The USMCA also establishes a new mechanism for technical consultations to resolve issues between the Parties.

For decades, U.S. wheat growers have raised concerns that U.S. wheat shipped to Canada must be graded as feed wheat, even though it may be high quality. Canada agreed to grade imports of U.S. wheat in a manner no less favorable than it accords to Canadian wheat, and to not require a country of origin statement on its quality grade certificate.

There are many additional improvements of USMCA over NAFTA, including procedural safeguards for recognition of new geographical indications and Canada's commitment to ensure that British Columbia eliminates its discriminatory treatment of U.S. wine in grocery stores. The urgency to pass USMCA cannot be overstated for U.S. agriculture, due to the size of the Canadian and Mexican markets for U.S. agricultural exports.

The President has a robust trade agenda that includes many potential economic opportunities for farmers, ranchers, workers, and agribusinesses, including negotiations for trade agreements with Japan, the European Union, and the United Kingdom upon its exit from the European Union. To advance the rest of the trade agenda, however, passage of USMCA is critical.

Regarding the rest of the President's trade policy agenda, we have been very active in addressing trade policy concerns and creating new export opportunities for U.S. agriculture. In addition to USMCA, a tremendous amount of work has gone into negotiations with China since President Trump and President Xi met in Buenos Aires on November 30, 2018. The Administration has negotiated in good faith since then, twice delaying the scheduled increase in tariff rates due to progress in the trade talks.

However, because China backtracked on significant commitments it had made during the course of negotiations, including on agricultural issues, President Trump directed USTR Lighthizer to increase the rate of duty on \$200 billion of Chinese imports from 10 percent to 25 percent on May 10, 2019. USTR is currently establishing a process by which interested persons may request that specific covered products be excluded from the duties. Additionally, President Trump directed Ambassador Lighthizer to begin the process of raising tariffs on essentially all remaining imports from China, which are valued at approximately \$300 billion.

The U.S.-China economic relationship is very important, and the Trump Administration is committed to reaching meaningful, fully-enforceable commitments to resolve structural issues and improving trade between our countries. I can say an important element of our negotiations has been to resolve a large number of unwarranted and longstanding trade barriers to U.S. agricultural exports. I hope that China will make real structural changes across the range of unfair policies and practices that yield actual, verifiable, and enforceable results. If we are able to have an acceptable agreement, President Trump expects substantial and immediate purchases of U.S. agricultural products, as well as the removal of technical and regulatory barriers that impede such purchases.

With respect to Japan, in 2018, the United States exported over \$13 billion in agricultural goods to Japan. The President, Ambassador Lighthizer, and I all understand the urgency to advance these negotiations as soon as possible for U.S. agriculture.

We have also published our negotiating objectives for trade agreements with the European Union (EU) and the United Kingdom (UK) upon its exit from the EU. Both of these sets of objectives include comprehensive market access for agricultural goods into the EU and UK. We will continue to consult closely with Congress regarding negotiations with the EU and UK.

The World Trade Organization (WTO) provides multiple tools for the United States to build coalitions or act alone to aggressively counteract trade concerns that negatively impact U.S. production and jobs. That said, the WTO that we intended to create, and the WTO we seek, is in key respects not the WTO we have today. This is not a new or sudden development. For years, the United States and many other Members have voiced concerns with the WTO system and the direction in which it has been headed.

For example, the WTO's negotiating arm has been unable to reach agreements that are of critical importance in the modern economy. Previous negotiations were undermined by some Members' repeated unwillingness to make contributions proportionate to their role in the global economy,

and by these Members' success in leveraging the WTO's flawed approach to developing-Member status.

In addition, certain Members' persistent lack of transparency, including their unwillingness to meet their notification obligations, have undermined Members' work in WTO committees to monitor compliance with WTO obligations. Their lack of transparency has also damaged Members' ability to identify opportunities to negotiate new rules aimed at raising market efficiency, generating reciprocal benefits, and increasing wealth.

The United States is at the forefront of the reform effort in Geneva. In February, we submitted a proposal to the General Council to promote differentiation of development status in the WTO to reflect today's realities. We are also working with a diverse group of Members to advance a proposal aimed at improving Members' transparency and compliance with their notification obligations.

In the case of agriculture domestic support, we have major concerns that countries are failing to properly notify their domestic support. We therefore have started submitting our own counter-notifications of other countries' excessive domestic support, and we are holding countries accountable for their excessive trade-distorting farm subsidies. We litigated a major dispute to a WTO panel on China's excessive farm support for grains, and we won. But we recognize that, in many respects, the WTO dispute settlement system has strayed far from the system agreed to by the United States. In particular, the Appellate Body has appropriated to itself powers that WTO Members never intended to give it and does not follow the rules set by WTO Members. Previous administrations have worked to address this issue, and this is something that the Trump Administration continues to address head-on.

Finally, U.S. agricultural productivity and efficiency, as measured by agricultural total factor productivity, is among the highest in the world. This productivity is, in large part, determined by how well producers manage current technology. Continued adoption of technological progress by U.S. agricultural producers is, therefore, a vital element to maintain U.S. global competitiveness. Accordingly, a cornerstone of U.S. trade policy is to promote the adoption by our trading partners of transparent, predictable and risk appropriate regulatory methods that are based on science. We are working in the WTO, Codex, and with several like-minded countries to advance this objective.

Thank you. I look forward to working with the Committee to implement the President's trade policy agenda. I am happy to answer any questions.

**Testimony of Ted McKinney
Under Secretary
Trade and Foreign Agricultural Affairs U.S.
Department of Agriculture**

**Certainty in Global Markets for the U.S.
Agricultural Sector**

**Before the Senate Committee on Agriculture,
Nutrition, & Forestry
June 13, 2019**

Chairman Roberts, Ranking Member Stabenow, Members of the Committee, I am pleased to appear before you with my colleagues, Chief Agricultural Negotiator, Ambassador Gregg Doud from the Office of the United States Trade Representative (USTR) and USDA's Chief Economist, Rob Johansson. 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.

**DOCUMENTS SUBMITTED FOR THE
RECORD**

JUNE 13, 2019

Hi Senator Smith,

I'm writing in response to some questions Sen. Tina Smith has about how farmers are getting along with the new uncertainty of our markets.

I'm not happy about the tariffs that have been implemented. Especially this year, because of the weather conditions, I have been at a loss as to what I should plant or even if I should plant a crop so late in the spring into poor conditions. Not having a secure market complicates decision making in an already difficult situation. Should I bother adding to burdensome supplies and lose equity because of production costs over what the crop is worth? Should I take prevent plant (which barely covers land rent) and lose equity while fighting weeds all year? One certainty of the current administration's policy to destroy all markets through tariffs and "tough" talk is that farmers will lose money, time, and, peace of mind. That has been my experience so far.

Thanks for all the good work that you do!

Sincerely,

Greg Fynboh

Hello Senator Smith,

How are you impacted by the uncertainty in the global marketplace? It raised our cost of doing business, steel prices went up and soybean prices went down.

Has it affected your planting decisions this year? We planted more corn because the soybean market has been impacted by Trump's trade war.

What does it mean for your bottom line? Soybean prices have dropped significantly since Trump started his trade war.

I am not a Trump supporter and his latest actions regarding the Mexican tariff were a joke. He proposed them with vague ways Mexico could meet his demands and then Mexico met his demands. It was a manufactured crisis.

Janet Kubat

Dear Senator Smith,

I don't know if it is possible to explain the impact of the trade and tariff situation. Certainly it was impossible to project a profit growing soybeans on rented ground or ground being purchased, (using interest cost in place of rent). Weather is most likely going to be a bigger factor now in how this year shakes out. While we did get everything planted on our farm here in southeast Minnesota, it will be a less than stellar year for yield on both corn and beans. We did switch some bean acres to corn acres, based on the profit margin and especially since we were higher percentage beans than corn initially. Our rotation is about 65%-35%, this year the 65% being beans and 35% being corn. We switched 10% of our acres to corn from beans so we are more balanced. The trade impact was our sole reason for doing that.

Marlin Fay

Grand Meadow, MN



16 North Carroll Street, Suite 900 | Madison, WI 53703-2721
 phone 608.258.4400
 fax 608.258.4407

www.cooperativenetwork.coop

U.S. Senator Tina Smith
 309 Hart Senate Office Building
 Washington, DC 20510

Dear Senator Smith,

Cooperative Network is a trade association that serves more than 400 member-cooperatives. Our members are owned by over 6 million residents of Minnesota and Wisconsin and support the ratification of the United States–Mexico–Canada trade agreement (USMCA). Minnesota agricultural exports to Canada and Mexico exceed that of China, equaling \$1.6B dollars in 2016.

Minnesota's economy depends on our agriculture and food sector which is our state's 2nd largest economic driver. With more than \$7 billion in exports in 2016, Minnesota is the 4th largest agricultural exporting state in the nation. According to the Minnesota Department of Agriculture, since the ratification of the North American Free Trade Agreement (NAFTA) 25 years ago, Minnesota's agriculture and food trade with Canada and Mexico more than tripled.

The passage of USMCA will result in increased market access for Minnesota farmers and food producers. According to a study conducted by the Department of Agricultural Economics at Purdue University, increased market access for U.S. agriculture will increase by approximately \$450M dollars annually under USMCA. Additionally, the same study concludes that the U.S. decision to maintain Section 232 tariffs on steel and aluminum on the two countries will cause U.S. agricultural exports to decline by \$1.8B dollars annually, mitigating any gains made by USMCA. Successfully ratifying USMCA and removing the 232 tariffs would go a long way toward restoring calm to our agriculture and food markets and normalizing trade relations with our closest partners.

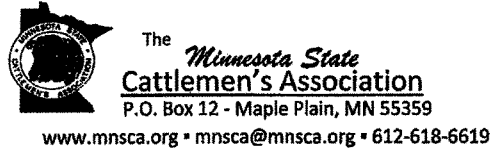
Cooperative Network supports efforts toward a reliable and efficient trade environment for our farmers and food processors. The USMCA will assist in Minnesota's ability to remain competitive in international markets, and we respectfully ask you to support its passage.

Thank you for your time and consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Daniel A. Smith".

Daniel Smith
 President and CEO



06/07/19

RE: Senate Ag Committee Hearing - maintaining access to global markets.

Dear Senator Smith,

Trade is vital to the future of the beef industry.

Cattlemen and women in Minnesota support open markets and science-based standards in international trade. We firmly believe every effort should be made to expand export opportunities for U.S. beef, including trade agreements that address tariff and non-tariff barriers. Trade agreements offer vast potential to increase U.S. sales in key markets, particularly in Asia and South America.

The U.S. beef herd represents 9 percent of the global beef herd, but accounts for 19 percent of global beef production. It is estimated that we only export 10 to 15 percent of overall U.S. beef production, but that amounts to over \$7.2 billion in total sales and an average of \$320 per head (not including hides and tallow) in value attributed solely to exports—a value that increases to \$359 per head when hides are taken into consideration.

The Minnesota State Cattlemen's Association (MSCA) encourages aggressive action to negotiate trade agreements that benefit our industry. Cattlemen and women in Minnesota support the full elimination of tariffs, quotas, and other trade-restrictive measures on U.S. beef exports to any market. MSCA supported the negotiated compromise under Trans-Pacific Partnership (TPP) because it reduced the massive tariff applied to U.S. beef, diminished the likelihood of triggering snap back tariffs, and established strong, objective, and predictable sanitary and phytosanitary standards and other rules-based trade standards. Considering the benefits this presents for U.S. beef producers and Japanese consumers alike, we expect nothing less under a U.S.-Japan Trade Agreement.

The implementation of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the European Union-Japan Economic Partnership has the U.S. beef industry at risk of

- 1 "Increased Market Access Under the TPP-11 Agreement," USDA GAIN Report No. AS1812, May 1, 2018.
- 2 NCBA Press Release, NCBA Responds to Japan Raising Tariff on U.S. Beef Imports: "Underscores Urgent Need for Bilateral Trade Agreement," July 28, 2017.
- 3 "Increased Market Access Under the TPP-11 Agreement," USDA GAIN Report No. AS1812, May 1, 2018.
- 4 Kajimoto, Tetsushi, "Japan's Aso says Tokyo to discuss frozen beef import tariffs in talks with U.S." Reuters, July 31, 2017.



The *Minnesota State*
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losing significant market share in Japan unless immediate action is taken to level the playing field. Japan is the number one destination for beef exported from the United States. According to USDA, "Under CPTPP, there will be significant reductions and elimination of tariffs for beef and beef products into Japan. Under the CPTPP, Australian beef exporters will enjoy a tariff reduction of 27.5 percent in the first year of the agreement for fresh and frozen products while U.S. beef tariffs will remain at 38.5 percent. In general, duties for TPP-11 countries will see their tariff rates for beef exports decline to 9 percent within 15 years. In addition, Japanese tariffs on processed meat products will drop to zero within 15 years."¹

Furthermore, Japan's tariff rates for chilled and frozen beef was cut from 38.5 percent to 27.5 percent on December 30, to 26.6 percent on April 1, then phased down to 9 percent over 16 years. Duties on beef variety meat including tongues and skirts will be cut to 6.4 percent on implementation and to 5.7 percent on April 1, then phased to zero over 10 to 12 years. The tariff rate disadvantage facing U.S. beef is just one reason why cattlemen and women in Minnesota strongly encourages the prioritization and expedition of negotiations between the United States and Japan for the immediate and long-term benefit of U.S. beef producers and our Japanese consumers.

Another area that should be addressed is the volume-based quota restrictions and the snapback tariff of 50 percent. Due to the prolonged drought and herd shortage in Australia, U.S. beef sales skyrocketed in 2017, reaching nearly \$1.9 billion. Unfortunately, our resounding success in Japan triggered a "snapback" tariff of 50 percent on frozen beef that was in effect from August 1, 2017 to March 31, 2018.

Australia is our leading competitor in Japan. Under the Japan-Australia Economic Partnership Agreement, Australian beef imports are not subject to the 50 percent snapback tariff. That benefit will be expanded under the CPTPP. According to the USDA-Foreign Agricultural Service, "Instead of current country-specific safeguard trigger levels, the CPTPP safeguard will work on an aggregated volume of imports from all parties to the agreement. The safeguards will start at 590,000 MT and gradually increase. Under CPTPP, Australia will be able to exceed its JAEPA safeguard volumes."³

Unfortunately, not having preferential access like the CPTPP has left U.S. beef exports vulnerable to triggering the safe guard in the future. According to Reuters, on August 2, 2017, Japan's Finance Minister Taro Aso was asked about the safeguard frozen beef tariff and said: "This measure would be abolished if the TPP were implemented, but it remains because the U.S. withdrew from TPP."⁴ The U.S. beef industry needs a long-term solution to the snapback

1 "Increased Market Access Under the TPP-11 Agreement," USDA GAIN Report No. AS1812, May 1, 2018.

2 NCBA Press Release, NCBA Responds to Japan Raising Tariff on U.S. Beef Imports: "Underscores Urgent Need for Bilateral Trade Agreement," July 28, 2017.

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tariff issues we currently face, and those terms need to meet or exceed the terms our competitors have under the CPTPP.

Passing the U.S.-Mexico-Canada Agreement is also a top priority for the U.S. beef industry. We urge Congress to work with the Administration to get USMCA across the finish line as quickly as possible.

Thank-you for your continued support of our beef farmers and ranchers in Minnesota.

Ashley Kohls
 Executive Director
 Minnesota State Cattlemen's Association

1 "Increased Market Access Under the TPP-11 Agreement," USDA GAIN Report No. AS1812, May 1, 2018.

2 NCBA Press Release, NCBA Responds to Japan Raising Tariff on U.S. Beef Imports: "Underscores Urgent Need for Bilateral Trade Agreement," July 28, 2017.

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Statement of Senator Patrick Leahy (D-Vt.)
Senate Committee on Agriculture, Nutrition & Forestry
Hearing on “Certainty in Global Markets for the U.S. Agriculture Sector”
June 13, 2019

Farming will never be immune to uncertainty. From variation in weather patterns and pest cycles to equipment failure and changing consumer behavior, unpredictability is simply part of the job. Congress must craft thoughtful policies that provide whatever foundation of certainty is possible; the Executive Branch must implement those policies. Simply put, if we can’t control the weather, we should at least provide stable policies, regulations, and markets.

The overwhelmingly-bipartisan 2018 Farm Bill did just that. As farmers enter a fifth year of low commodity prices and high economic stress, the Agriculture Improvement Act of 2018 enacted five years of improved safety nets, conservation incentives to improve climate resilience, and investments to boost international and local markets alike. Unfortunately, this foundational support for America’s farmers is being undermined at every turn by the President’s reckless and flailing trade policies.

Time to weather this turbulence is a luxury that many farmers no longer have. For too many producers, the markets lost to retaliatory tariffs will cause irreparable harm, especially as these disputes seem certain to drag on, and worsen. As all three of today’s witnesses know, it can take years to build trade relationships, and a single tariff or tweet to wipe them out.

Dairy farmers, a cornerstone of Vermont’s agricultural economy, have already been pushed to the brink by four years of slumping milk prices. Dairy exports to nations like China and Mexico (two of our top four dairy export markets) have been among the few bright spots. According to the U.S. Dairy Export Council, however, dairy exports to China have been cut almost in half since last year’s tariffs took effect, and could cost dairy farmers more than \$12 billion over a five year period. The damage already caused by these tariffs is profound, and will have a lasting impact on the industry. Vermont and other states like it are losing dairy farms by the day. This administration’s agricultural tariff relief payments have, thus far, been directed to soybeans and grains but have left dairy mostly out in the cold.

I commend Ambassador Doud and Under Secretary McKinney for efforts to minimize the damage caused by President Trump’s erratic trade policies, and for ensuring that farmers’ interests were represented during USMCA negotiations. I look forward to hearing how we can reverse course, minimize the damage already done, and begin to establish a coherent, deliberate trade strategy that does right by our farmers, consumers, and rural communities.

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QUESTIONS AND ANSWERS

JUNE 13, 2019

Senate Committee on Agriculture, Nutrition, & Forestry
Certainty in Global Markets for the U.S. Agriculture Sector
 June 13, 2019
 Questions for the Record
Ambassador Gregg Doud

Chairman Pat Roberts

- 1) The United States recently found success at the WTO in cases against China on distorting price supports and tariff-rate quotas for certain grains.**

What do you see on the horizon for continuing to resolve agricultural issues at the WTO? Is USTR exploring new cases that will advance the United States' efforts to eliminate barriers to trade?

Whether through raising issues in relevant WTO bodies or the dispute settlement process, the WTO remains an important tool for removing barriers to agricultural trade, and this Administration has displayed leadership at the WTO to increase transparency and resolve issues. For example, we have submitted counter notifications in the Committee on Agriculture on India's domestic support for rice, wheat, cotton and pulses. USTR is continuously assessing agricultural issues to determine the most effective ways, including new WTO cases, to advance U.S. interests and to ensure that U.S. workers, farmers, ranchers, and businesses can compete on a level playing field.

- 2) Over the last 18 months, I have been pleased to see the increased market access for U.S. turkey and poultry in India. Both industries have been able to introduce U.S. products to a new customer base. Recently, India was removed from the U.S. Generalized System of Preferences program due to its failure to provide the United States with assurances that it will provide equitable and reasonable access to its markets in numerous sectors. What impact will this change have on the U.S. turkey and poultry's growth potential in the Indian market?**

The United States negotiated a poultry export certificate as a result of our successful WTO challenge. The United States will be monitoring the situation with respect to U.S.-India poultry trade carefully with an eye to ensuring that India's removal from the GSP program has no impact on that situation.

- 3) The European Union (EU) has taken many actions to lower Maximum Residue Limits (MRLs) for numerous crop protection products. These reduced MRLs are basically de-facto bans, i.e., sanitary and phytosanitary (SPS) barriers to trade, to give EU producers an unfair advantage over U.S. producers and those from other regions of the world.**

I understand some U.S. commodities have already lost markets due to this issue. What steps can the USTR take to ensure U.S. producers can continue to use the tools they need and be able to sell in the EU market?

The EU continues to veer away from globally accepted regulatory and trade policy norms, which base measures on science and risk. The EU approach to pesticide regulation has the potential to undermine global agricultural production without improving consumer health or safety.

USTR's strategy to address the EU's barriers is multifaceted. We are engaging the EU bilaterally to convey our concerns, but more importantly, we are joining efforts with like-minded trading partners in pushing back against the EU's approaches, in the WTO and in other multilateral fora. The EU must meet its WTO obligations including by setting SPS measures based on science and risk.

- 4) Both USDA and USTR have worked to combat non-tariff trade barriers in the U.S. and abroad. The EU recently passed a new law that introduces the concept of "reciprocity" to unjustifiably restrict the use of antimicrobials in food animal production exported to the EU. The EU is in the process of crafting regulations to bring the new law into effect. Unless modified during the implementation stage, this provision will effectively impose EU hazard-based antibiotic use measures on meat, milk, egg, and fish producers in countries that export to the EU, including the U.S.**

What is the Administration's strategy for addressing this issue, and other similar hazard-based decisions that limit market access for U.S. farmers, ranchers, and related industries?

USTR recognizes the hardships faced by U.S. agricultural producers due to the EU's trade barriers that harm not only U.S. producers, but threaten to keep safe, modern, innovative tools and technologies from farmers worldwide. USTR will continue to prioritize the removal of unjustified barriers to U.S. agricultural exports.

USTR and USDA are working across the Administration to promote and defend science- and risk-based standards in Codex and other international organizations. Further, USTR is working with like-minded trading partners in the WTO to press the EU to ensure that EU regulations are based on science, are not more trade restrictive than necessary, and are consistent with the EU's international trade obligations.

- 5) The July 25, 2018 joint statement from Presidents Trump and Juncker stated "We also will resolve the steel and aluminum tariff issues, and we will resolve retaliatory tariffs. We have some tariffs that are retaliatory. And that will get resolved as part of what we're doing."**

Currently, several key U.S. agriculture exports such as American whiskey, corn and rice are facing retaliatory tariffs to the EU, which is having a negative impact on sales. What are the current efforts to resolve these matters and what is the expected timeline for doing so?

I understand your concern about the impact of the retaliatory tariffs imposed in response to the President's action under Section 232. Several countries have wrongly imposed retaliatory tariffs on a range of U.S. exports. These tariffs are inconsistent with WTO rules and have no legitimate justification.

As you know, we have initiated WTO disputes to defend the United States. We have put forward a strong case, and the proceedings are currently ongoing. We expect a decision from the panel sometime next year.

- 6) Russian exports of agricultural products, including wheat, have become more competitive in the global marketplace. There are concerns that policies in Russia, including state managed grain exports and 0% grain export duties, will further drive Russian agricultural exports that could impact access for U.S. agricultural products, or potentially displace a significant percentage of U.S. market share to large export destinations at a time when there is a lot of trade uncertainty. How does USTR view Russia in terms of a long-term U.S. export strategy, including WTO trade compliance?**

The United States is continually examining Russia's agricultural policies and raising concerns as appropriate at the WTO Committee on Agriculture (COA). In June, the United States met with Russia on the margins of the COA to seek clarifications on Russia's role in exports of grain. The United States will continue to monitor Russia's compliance with its WTO commitments.

- 7) Today, many of our agricultural commodities are experiencing high or even record level stocks. Ensuring that our farmers and ranchers have certainty and predictability in their export markets is critical in order to maintain and increase demand in today's agricultural economy. That includes removing trade barriers to current markets, and it also includes continuing to look for new market opportunities for U.S. farmers to sell their commodities. Where do you think those new opportunities are and what is USTR doing to help gain access to those new markets?**

USTR and USDA work every day to address trade barriers for U.S. agricultural exports. For example, we worked to eliminate Japan's longstanding age restriction on U.S. beef exports; finalized U.S. export certificates to allow imports of U.S. beef, poultry, and eggs to Tunisia; negotiated the recognition of the sustainability of U.S. soybeans for use in biofuels under the EU's Renewable Energy Directive; and much more. The Administration looks forward to working with Congress to identify new regions of the world that would create additional

long-term gains for U.S. producers and we will continue to address market access and regulatory barriers for U.S. agricultural exports.

Senator Debbie Stabenow

- 1) The European Union continues to expand its use of geographical indications (GIs), restricting the use of common food names and threatening U.S. exports of cheese and other products to third-country markets. What new approaches are you using to tackle this issue, both directly with the E.U. and with other trading partners?**

The United States and the EU have long-standing differences over the scope and level of intellectual property rights protection for geographical indications (GIs). This is an important concern. USTR is pressing the EU to expand market access for U.S. producers into the EU and also is working to safeguard third country markets, including removing barriers such as over-broad GI protection for EU products that serve to block U.S. producers and traders using common food names or who have prior trademark rights.

- 2) Michigan's dry bean industry continues to face significant retaliatory tariffs in key European markets. While I understand that Section 232 is under the purview of the Department of Commerce, can you provide an update on what steps USTR has taken to resolve this issue?**

I understand your concern about the impact of the retaliatory tariffs imposed in response to the President's action under Section 232. Several countries have wrongly imposed retaliatory tariffs on a range of U.S. exports. These tariffs are inconsistent with WTO rules and have no legitimate justification.

As you know, we have initiated WTO disputes to defend the United States. We have put forward a strong case, and the proceedings are currently ongoing. We expect a decision from the panel sometime next year.

- 3) On June 16, India imposed retaliatory tariffs on several agricultural products, including apples – bringing the tariff rate U.S. apples face in India to 75%. In subsequent a House Ways and Means Committee hearing, Ambassador Lighthizer indicated that a "variety of other unfair trade actions" made by India "may provoke us to take some other kind, some additional action." Can you elaborate on the next steps the Administration will be taking to address trade barriers in India?**

Ambassador Lighthizer is increasingly concerned about India's unfair trade actions, including those affecting U.S. agricultural products. USTR is considering all options to address these problems but is not yet in a position to elaborate on next steps.

Senator John Boozman

- 1) I want to thank you and the administration for holding India accountable for not abiding by the rules of international trade. We know they are subsidizing their farmers at a far more than the amount they agreed to when they joined the WTO. I appreciate that USTR is taking this head on and has submitted counter notifications to the WTO about India's rising domestic support, especially for rice and cotton.

- a. How do these counter notifications work in the strategy to hold India accountable at the WTO?

My team is working hard to address market-distorting and unfair trade practices that adversely affect U.S. industry with regard to India's agricultural policies. In 2018 and 2019, the United States was the first country to submit a Counter Notification in the COA to show that India provided significant market price support in excess of its WTO-allowable levels of domestic support for wheat, rice, cotton, and five types of pulses. Due to the leadership of the United States, other WTO Members have joined our efforts to press India to comply fully with its WTO commitments. We will continue to press India on its agricultural policies.

Senator Deb Fischer

- 1) I want to address an issue impacting both the domestic biodiesel and soybean industries.

Last year the Department of Commerce and the ITC approved anti-dumping and countervailing duties on imported biodiesel from Argentina, finally addressing the harm that unfair trade practices have had on the US biodiesel industry for several years.

However, after just 7 months, Commerce initiated a special review of these duties just as the biodiesel industry had begun to recover and when the soybean industry was trying to establish markets and demand to offset China. Mr. Doud, can you elaborate on what steps the department is taking to ensure the same rigor and transparency that is applied to standard administrative reviews is applied to this changed circumstances review?

Are you still on track with your timing? Can we expect your determination by September?

Changed circumstance reviews are conducted by the U.S. Department of Commerce and any views regarding this process should be made directly to that agency.

Senator Patrick Leahy

- 1) Vermont's dairy farmers and processors produce some of the best cheese in the world. Though many cheesemakers sell their world-class products locally and domestically, it's critical that they have access to global markets. For that reason, I am very concerned about the European Union's use of geographical indications (GIs) to erect non-tariff barriers to U.S. cheese exports.

As you work to bring the European Union to the table and include agricultural trade in discussions, what is your strategy for addressing GIs and ensuring market access for American cheesemakers?

The United States and the EU have long-standing differences over the scope and level of intellectual property rights protection for geographical indications (GIs). This is an important and ongoing concern. USTR is pressing the EU to expand market access for U.S. producers into the EU and also is working to safeguard third country markets, including removing barriers such as over-broad GI protection for EU products that serve to block U.S. producers and traders using common food names or who have prior trademark rights.

Senator Michael Bennet

- 1) **Recently, the Colorado Department of Agriculture told us that as Colorado producers and companies are pursuing new markets, importers are hesitant to sign new deals as a result of the uncertainty. They experienced this at international trade shows in Mexico, London, and Hong Kong.**
 - a. **What steps is USTR taking to eliminate this uncertainty in our agricultural markets?**

The President has a robust trade policy agenda to create new economic opportunities for U.S. agriculture. Passage of the United States – Mexico – Canada agreement (USMCA) would provide new market opportunities for U.S. farmers and ranchers. We have engaged in negotiations to improve our trade relationship with China. Additionally, we have notified Congress of our intent to negotiate trade agreements with Japan, the European Union (EU), and the United Kingdom (UK), upon their exit from the EU, with the negotiating objective to secure comprehensive market access for U.S. agricultural exports.

USTR and USDA work every day to address trade barriers for U.S. agricultural exports. For example, we worked to eliminate Japan's longstanding age restriction on U.S. beef exports; finalized U.S. export certificates to allow imports of U.S. beef, poultry, and eggs to Tunisia; negotiated the recognition of the sustainability of U.S. soybeans for use in biofuels under the EU's Renewable Energy Directive; and much more. We will continue to address market access and regulatory barriers for U.S. agricultural exports.

- b. **What would you recommend that the President do to provide more certainty?**

See 1A

- 2) **What I've heard, farmers, ranchers, and businesses across Colorado is that they continue to pay for the President's reckless approach. The effects will ripple through our farm economy for years.**

- a. **In your view, how much of the damage to agriculture from the trade war is irreparable?**

U.S. farmers and ranchers have long been harmed by trade barriers from other countries. While many trading partners unjustifiably retaliated against U.S. agricultural exports, our agricultural exports increased to nearly \$145 billion in 2018, a \$1.9 billion increase over 2017 levels. The Administration will continue to address these barriers and seek new market opportunities for U.S. agriculture.

- b. **What substantial, long-term gains should farmers and ranchers expect within the next year?**

While the Administration continues to address our trade relationships with China, Japan, the EU and UK, passage of the USMCA will create long-term gains for U.S. agriculture. The Administration looks forward to working with Congress to identify new regions of the world that would create additional long-term gains for the U.S. agricultural sector.

Senator Richard Durbin

- 1) **In 2018, my home state of Illinois saw a dramatic decrease in agricultural exports to China. According to the Illinois Farm Bureau, Illinois agricultural exports to China decreased by 77 percent in 2018. This includes a more than \$1.2 billion decrease in Illinois soybean exports to China. With more than 25 percent of Illinois soybeans exported to China before the President's trade war, we are not talking small beans. And earlier this week, the Vice President of the National Pork Producers Council said the Administration's current China trade policies could "fuel jobs, profits and rural development in competitor nations". In your testimony, you claim that "President Trump expects substantial and immediate purchases of U.S. agricultural products" if we come to an agreement with China. But over the past year, we've seen the Chinese market shift to buying soybeans from Brazil instead of our American producers. The Department of Agriculture's own economists have said it will take years for farmers across the nation to recover.**

- a. **Is this true?**

While China is the world's largest importer of soybeans, it has been blocking imports of various other U.S. agricultural commodities for many years. In 2018, China imported over \$124 billion in food and agricultural products from the world, but only \$14.9 billion came from the United States even though the United States is the largest exporter of food and agricultural products in the world. Because China walked back significant

commitments it had made during the course of our negotiations, the President directed USTR to increase the rate of duty on Tranche 3 (\$200 billion of Chinese imports) from 10 percent to 25 percent as of June 1, 2019 and to begin the process of raising tariffs on other imports from China. We hope that China will demonstrate real structural changes across the range of unfair policies and practices that yield actual, verifiable, and enforceable results – including for agricultural exports – to provide greater market opportunities for U.S. farmers, ranchers, agribusinesses, and workers.

- b. Given these facts, can you provide evidence, based on past trade conflicts, to assure farmers when they will be able to quickly regain the market access in China that was lost?**

USTR and USDA work together every day to make sure that our trading partners are fulfilling their international obligations. We hope that China will make real structural changes to its unfair policies and practices, and that China will be a reliable customer of U.S. agricultural products.

- c. Have you and your colleagues spoken with President Trump about the long-term impacts, affirmed by USDA economists, that his trade decisions are having on American farmers' ability to export their products? If not, why not? If yes, what was his response?**

The President and officials in his Administration have frequent discussions about ways to create new economic opportunities for U.S. farmers and ranchers. The concerns that the United States is raising with China are concerns also shared by countries around the world. These systemic changes take time and significant effort. The President's trade policies will set the stage for long-term economic growth, not only in the United States, but globally.

- 2) President Trump tweeted on Saturday that "Mexico has agreed to immediately begin buying large quantities of agricultural product from our great patriot farmers". Earlier this week, I met with members of the Illinois Farm Bureau who told me that they are looking for improved certainty in the Trump Administration's trade approach with Mexico. Mexico is an important trading partner for our Illinois farmers—more than \$485 million of Illinois corn was exported to Mexico in 2018. This was a 254 percent increase over 2017, a rare bright spot at a time when my state's farmers are facing serious challenges ranging from trade uncertainty to severe flooding that has impacted planting season. But our farmers' need for certainty in this market isn't being helped by the President's wild tweets and haphazard trade policies. So far, I haven't heard anyone in this Administration or the Mexican government confirm what the President is saying about a new agreement with Mexico.**

- a. Can you confirm that we have reached a new deal with Mexico to increase our agricultural exports?**

- b. Can you provide the committee with details about the new agricultural trade agreement that President Trump says was reached with Mexico?**
- c. If not, then can you provide the committee information on when those details will become available?**

The Administration has worked tirelessly to open markets for U.S. agricultural products including through the negotiation of USMCA. Passing USMCA is the best way to ensure our farmers have access to the Mexican market – where they exported \$19 billion worth of goods in 2018 --and to help open up other markets around the world to American agricultural products.

Senate Committee on Agriculture, Nutrition, & Forestry
 Certainty in Global Markets for the U.S. Agriculture Sector
 June 13, 2019
 Questions for the Record
Dr. Robert Johansson

Senator Debbie Stabenow

- 1) When you testified before the Committee on Agriculture, Nutrition, and Forestry in September, you said that USDA was only considering trade damage from retaliatory tariffs for the first round of trade assistance, rather than considering what was happening to prices. Since the second Market Facilitation Program now includes some crops that do not face retaliatory tariffs, how did USDA determine which crops would be eligible for this program? Why are crops included that are not facing retaliatory tariffs?

Response: The second Market Facilitation Program was designed to avoid creating incentives to plant a particular crop based on the payment rates for the first program. In order to minimize distortions that could impede market adjustment, a broader range of non-specialty crops were made eligible for the county-level single commodity rate. The single commodity rate was developed by using the trade damage of crops that do have retaliatory tariffs assessed, the other crops are part of the equation, but no damage figure is associated with them in the formula. By doing so, we will assist producers of non-specialty crops to facilitate their marketing, as they will indirectly face increased costs and market disruptions due to the tariffs.

- 2) For the first Market Facilitation Program announced in August 2018, please provide a full list of all tariff headings USDA used to estimate trade damage for each of the following commodities:
 - a. Cotton
 - b. Corn
 - c. Dairy (milk)
 - d. Pork (hogs)
 - e. Soybeans
 - f. Sorghum
 - g. Wheat
 - h. Fresh sweet cherries
 - i. Shelled almonds

Response: Tariff headings for these commodities were sourced from official announcements or notifications by the trading partner imposing retaliatory tariffs on U.S. agriculture. This information provided the basis for USDA's trade damage estimates for all

commodities. Given that some tariff codes are unique to a specific trading partner, we have provided a general list of headings for each commodity.

Cotton: Chapter 52
 Corn, Sorghum, and Wheat: Chapter 10
 Soybeans: Chapter 12
 Dairy: Chapter 4
 Hogs: Chapters 2 and 16
 Fresh cherries: Chapter 8
 Shelled almonds: Chapter 8

- 3) Please provide the methodology USDA is using to calculate the county payment rates in the second Market Facilitation Program announced in May 2019, including the individual commodity payment rate for each of the eligible crops (alfalfa hay, barley, canola, corn, cranberries, dry peas, extra-long staple cotton, flaxseed, lentils, long grain and medium grain rice, mustard seed, dried beans, oats, peanuts, rapeseed, safflower, sesame seed, small and large chickpeas, sorghum, soybeans, sunflower seed, temperate japonica rice, upland cotton, and wheat).

Response: The Office of the Chief Economist published a report on August 22 entitled "Trade Damage Estimation for the 2019 Market Facilitation Program and Food Purchase and Distribution Program." The report explains the methodology in question. It can be found at the following link: https://www.usda.gov/oce/trade/USDA_Trade_Methodology_Report_2019.pdf

- 4) If you are unable to provide an answer to question 2 because the rule is still under review by the Office of Management and Budget, will you commit to making this methodology public as soon as the rule is published?

Response: See question 3 above.

Senator John Boozman

- 1) Farmers in my home state of Arkansas are not solely rice farmers or soybean farmers or cotton farmers. They have highly diversified operations and grow multiple commodities. As such, they have invested heavily in Whole-Farm Revenue Protection (WFRP), with the hope that it may work for them better than traditional crop insurance programs.

I've recently learned of an issue stemming from the Risk Management Agency (RMA) determining that payments farmers received from the Market Facilitation Program (MFP) in 2018 will be counted as revenue towards their WFRP policy. Just as Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) payments are not applied towards crop revenue, MFP payments should not be applied towards crop revenue. Even RMA's

Frequently Asked Questions website for WFRP states that, "Historic insurance payments and other government agricultural payments are not included as revenue because they are not earned as part of the farming operation and cannot be expected to be paid year-to-year."

Although the 2018 MFP was based on production, those payments are not the equivalent to cash received for the sale of crops, nor was there an expectation of additional payments. Traditional cash receipts from planted acres equate to markets and demand for a product that is not skewed from trade disputes.

By applying MFP payments towards crop revenue, a farmer's indemnity will be reduced. Crop insurance is meant to mitigate a farmer's risk. The artificial inflation of crop revenue through MFP payments does not illustrate those risks accurately. MFP payments were intended to be temporary assistance as a result of the ongoing trade disputes.

These programs were all designed to help farmers weather the storms of unpredictable markets, and in the case of MFP counting as revenue, I believe that it is fixable and that WFRP can and should function as intended.

a. Is there a plan to remedy this issue?

Response: Yes, on August 30, USDA announced that for the 2020 crop year, state and federal program payments will be excluded from revenue-to-count and allowable revenue determinations.

Senator Patrick Leahy

1) According to the National Milk Producers Federation, dairy farmers are estimated to have lost \$2.3 billion between July 2018, when the first retaliatory tariffs took effect, and March 2019. Dairy producers, however, received only 2% of the initial \$8.5 billion paid through MFP at a per-unit payment of \$0.12 per hundredweight. I do not believe these payments offset the full economic damage done to dairy farmers.

a. To date, MFP per-unit payment calculations have been based on estimated trade loss. Has USDA conducted analysis on the lost market value due to retaliatory tariffs? If so, what is the estimated lost market value, and what would the per-unit MFP payments for dairy be if they were based on this estimate?

Response: USDA has not conducted analysis on lost market value due to retaliatory tariffs.

Senator Richard Durbin

- 1) USDA's economists are on record: the trade decisions that have led to China's retaliatory tariffs will have reverberations for farmers for years. Similarly, the Nixon Administration's decision to ban soybeans exports in 1973, for just four months, had dramatic long-lasting impacts - our trading partners suddenly questioned whether the United States was a reliable partner, so they began a concerted effort to develop and support soybean production in other areas, particularly Brazil. Today, as a direct result, Brazil is a major competitor against U.S. soybeans, directly traceable to that four month embargo of 40 years ago. A trade decision by the Nixon Administration then, created serious competition for American soybean producers today, and American farmers lost in the long term. The Trump Administration's agriculture trade policies have very concerning parallels with the Nixon Administration's agriculture trade policies.

- a. What evidence can you provide on how two years of conducting trade policy by tweets and tariffs will not have long term harm to American farmers?

Response: The programs announced on May 23, 2019 are designed to address short-term impacts from retaliatory tariffs and trade disruption, as well as to assist in the development of new export markets in the longer term. These programs will assist agricultural producers while the Administration works to address long-standing market access barriers, which will create new export opportunities for U.S. agriculture.

Senate Committee on Agriculture, Nutrition, & Forestry
Certainty in Global Markets for the U.S. Agriculture Sector
 June 13, 2019
 Questions for the Record
Under Secretary Ted McKinney

Chairman Pat Roberts

- 1) The Administration recently responded to my letter urging the need for Brazil to fulfill their wheat tariff rate quota (TRQ) commitment. With Brazil's president agreeing to do so, what is the expected timeline for Brazil to start making purchases?

Response: On March 19, President Trump and Brazil's President Bolsonaro released a joint statement, announcing that Brazil will implement a TRQ, allowing for the annual importation of 750,000 tons of American wheat at zero rate. Currently, U.S. wheat is subject to the Mercosur 10-percent common external tariff for non-Mercosur wheat. Brazil has not provided the Administration a timeline for any expected action on this commitment.

- 2) The European Union (EU) has taken many actions to lower Maximum Residue Limits (MRLs) for numerous crop protection products. These reduced MRLs are basically de-facto bans, i.e., sanitary and phytosanitary (SPS) barriers to trade, to give EU producers an unfair advantage over U.S. producers and those from other regions of the world.

I understand some U.S. commodities have already lost markets due to this issue. What steps can the USDA take to ensure U.S. producers can continue to use the tools they need and be able to sell in the EU market?

Response: In response to the European Union's (EU) restrictive MRL policies, the USDA is working closely with EPA and USTR to engage EU pesticide policy officials in technical and trade policy discussions in multiple fora including the WTO SPS Committee. We are also working with like-minded countries to press the EU to revise pesticide regulatory policies. USDA continues to work with U.S. commodity groups to identify priority pesticides early in the EU's review process to allow sufficient time to develop necessary data in response to the EU's regulatory review requirements.

- 3) Both USDA and USTR have worked to combat non-tariff trade barriers in the U.S. and abroad. The EU recently passed a new law that introduces the concept of "reciprocity" to unjustifiably restrict the use of antimicrobials in food animal production exported to the EU. The EU is in the process of crafting regulations to bring the new law into effect. Unless modified during the implementation stage, this provision will effectively impose EU hazard-based antibiotic use measures on meat, milk, egg, and fish producers in countries that export to the EU, including the U.S.

What is the Administration's strategy for addressing this issue, and other similar hazard-based decisions that limit market access for U.S. farmers, ranchers, and related industries?

Response: USDA continues to engage the European Union (EU) to raise our concerns regarding the impact of their hazard-based policies on U.S. exports. We have been focused on the implementation of their recently-enacted veterinary drug legislation to ensure that they follow a science-based process for determining which antimicrobials should be reserved exclusively for human medicine. USDA highlighted our concerns in multilateral fora, including the Codex Alimentarius and the World Trade Organization's (WTO) Sanitary and Phytosanitary Committee. USDA also actively supports ongoing collaborative work in the World Health Organization (WHO), the World Organization for Animal Health (OIE), and the Food and Agriculture Organization (FAO). We believe these international initiatives to promote the prudent use of antimicrobials in animals and support public health provide a more effective alternative to the EU's unilateral approach. USDA is also working closely with like-minded countries, including Canada, Japan, Brazil, Argentina, and Chile, to express our joint concerns that the EU's veterinary drug regulations could undermine international efforts to combat antimicrobial resistance, as well as having deleterious impacts on international trade.

- 4) There have been reports of potential purchases by China of agricultural products, which is positive. However, sanitary and phytosanitary (SPS) measures are often used to hinder realized market access. What is USDA doing from a technical standpoint, as these types of decisions are made with China? How does USDA support USTR in ensuring non-tariff barriers to trade are addressed in any negotiation?

Response: Eliminating unreasonable SPS measures and other non-tariff barriers is a fundamental objective of the China agriculture negotiations. A dedicated team of USDA technical experts from the Foreign Agricultural Service (FAS), the Food Safety Inspection Service (FSIS), and the Animal and Plant Health Service (APHIS), brought their invaluable technical expertise to our efforts, coordinated by the U.S. Trade Representative's Office, to negotiate meaningful solutions to some of the most significant barriers our farmers and ranchers are facing in China's market.

- 5) Today, many of our agricultural commodities are experiencing high or even record level stocks. Ensuring that our farmers and ranchers have certainty and predictability in their export markets is critical in order to maintain and increase demand in today's agricultural economy. That includes removing trade barriers to current markets, and it also includes continuing to look for new market opportunities for U.S. farmers to sell

their commodities. Where do you think those new opportunities are and what is USDA doing to help gain access to those new markets?

Response: Access to foreign markets is critical to the viability of U.S. agriculture. USDA works with USTR to enhance U.S. agricultural export opportunities through trade negotiations, currently underway with countries such as Japan, China, and the European Union. In addition, USDA operates a number of programs to partner with exporters to promote their products in overseas markets. In the past two years we have significantly ramped up efforts to conduct International Trade Missions, conducting six or seven missions a year instead of just one or two. Trade Missions over the past two years have been held in Central America, Japan, Southeast Asia, Southern Africa, South Korea, Taiwan and Colombia. Missions planned for this Summer and Fall include Canada, Vietnam, West Africa and Mexico.

In addition to our existing market development funds, the Administration announced a 2018/2019 total of \$300 million for the Agricultural Trade Promotion (ATP) program. ATP is a cost-share program that is designed to assist trade organizations and cooperatives with marketing and promotion activities that seek to open new markets for U.S. agricultural products. FAS has approved ATP proposals to promote a wide variety of U.S. commodities in almost every region of the world. The program is used extensively by organizations promoting fruits, vegetables, nuts, processed products, meats, and bulk and intermediate commodities. New opportunities are in areas such as Vietnam, Cambodia, Pakistan, Australia, and the United Arab Emirates. Examples of activities supported through the ATP include: trade shows, market research, consumer promotions, technical assistance, trade servicing, and seminars to educate overseas customers.

Senator Debbie Stabenow

- 1) FSA considers a producer selected for a spot-check to be "within tolerance" if they provide production evidence that is within 85 percent of the certified production quantity the producer claimed in order to receive an MFP payment. As of June 10, USDA had completed 15,308 audits, of which 15,292 were "within tolerance." Please provide a breakdown of how many of these 15,292 producers provided production evidence that was:

Response: As of June 10, 2019, there were 14,795 producers reviewed who had previously provided production evidence at the time of certifying their production. At that time the County Committee reviewed the production evidence to determine if the production reported was reasonable prior to approval and payment of the MFP application. Basically, this is an upfront spot-check, therefore

if the producer is selected for a spot-check they would already be determined to be in compliance and within tolerance.

As of June 10, 2019, adjustments to the production carried out by the County Committees after reviewing the submitted production evidence had been recorded for 497 producers who were determined to be within tolerance.

- a. Greater than or equal to the producer's certified production quantity.
Response: 41
- b. Between 95 percent and 100 percent of the producer's certified production quantity.
Response: 285
- c. Between 90 percent and 95 percent of the producer's certified production quantity.
Response: 30
- d. Between 85 percent and 90 percent of the producer's certified production quantity.
Response: 19

- 2) What is the justification for this 15 percent tolerance threshold?

Response: FSA implemented the same variance limitation as established under the Non-insured Assistance Program for determined acreage or production.

- 3) FSA allows a producer who provides production evidence that is less than 85 percent of the certified production quantity to be considered to have made a "good faith effort" if the producer submits a written request for relief and the FSA County Committee determines the producer attempted to comply with MFP requirements. What criteria must be met for a producer to be considered to have made a "good faith effort?"

Response: The producer must provide a satisfactory explanation for the inaccuracy in writing. The producer can also submit production evidence that has been corrected or was missing from the original determination.

- 4) As of June 10, USDA had identified a small number of producers who were determined to have a "lack of good faith effort" in complying with MFP requirements. What criteria must be met for a producer to be considered to have a "lack of good faith effort?" What penalty is imposed when someone is determined to have "lack of good faith effort?" Will a producer determined to have "lack of good faith effort" be eligible for the second Market Facilitation Program?

Response: If a producer fails to respond in writing to FSA within 30 days of the date of the written notification, or not providing a satisfactory written explanation about the cause of the excessive discrepancy, then the County Committee must determine the producer is ineligible for MFP, disapprove the contract and demand a full repayment plus interest from the date of the original disbursement date.

The Market Facilitation Program regulations are currently under review by the Office of Management and Budget, I cannot speak to how those producers will be treated in 2019.

- 5) When the determined production is less than the certified production, FSA requires that the MFP payment the producer received be adjusted accordingly. What is the dollar amount of overpayments that FSA has identified in MFP to date? What percentage of this dollar amount has been recouped to date?

Response: This data is currently being gathered.

- 6) As of June 10, USDA had 36,773 MFP audits pending. Please provide the most recent state-by-state breakdown of the number and results of MFP audits.

Response: County offices are in the middle of carrying out compliance activities and will continue through August 30, 2019, when all County Committee determinations are to be recorded in the MFP system. USDA will be able to provide an updated report in September. The following is a state-by-state breakdown of the number of producers selected for spot-check:

State	No. Producers Selected	State	No. Producers Selected
Alabama	823	Nebraska	2639
Alaska	3	Nevada	28
Arizona	105	New Hampshire	67
Arkansas	1030	New Jersey	216
California	358	New Mexico	147
Colorado	529	New York	771
Connecticut	60	North Carolina	1782
Delaware	66	North Dakota	1405
Florida	203	Ohio	2692
Georgia	1313	Oklahoma	1115

Hawaii	12	Oregon	288
Idaho	461	Pennsylvania	1267
Illinois	4748	Puerto Rico	56
Indiana	2395	Rhode Island	8
Iowa	3549	South Carolina	637
Kansas	3849	South Dakota	1704
Kentucky	1605	Tennessee	1427
Louisiana	575	Texas	3079
Maine	145	Utah	154
Maryland	508	Vermont	161
Massachusetts	86	Virginia	1443
Michigan	1578	Washington	424
Minnesota	2507	West Virginia	165
Mississippi	987	Wisconsin	1657
Missouri	2598	Wyoming	110
Montana	552	(blank)	2
Grand Total			54089

- 7) \$14.5 billion is a significant expenditure. What safeguards has USDA put in place to ensure that this second Market Facilitation Program is free of waste, fraud, and abuse?

Response: The Market Facilitation Program regulations are currently under review by the Office of Management and Budget, I cannot speak to how the second Market Facilitation Program will be handled.

- 8) During a recent staff briefing, USTR officials indicated they are bringing on additional employees to help facilitate USTR's tariff exclusion process, including USDA staff with expertise in trade. How many USDA employees will be detailed to USTR for this effort, from which agencies or offices, and for how long?

Response: In May, USDA circulated an internal announcement for employees interested in a detail posting at the Office of the U.S. Trade Representative to support the Section 301 investigation exclusion program. USTR is seeking individuals with

extensive, specialized expertise, and USDA is working with USTR on potential detailees.

- 9) One of the ways we worked to level the playing field for American farmers in the Farm Bill was by strengthening the integrity of imports of organic products. I understand that full implementation of this provision will require rulemaking, but how are you using the new tools provided in the Farm Bill to make sure that imports labeled “organic” actually meet organic standards?

Response: Protecting the integrity of organic imports is a top priority for the USDA Agricultural Marketing Service (AMS), National Organic Program (NOP). The Farm Bill provided a number of new authorities to support the agency’s oversight of the organic seal. One of the provisions related to the oversight of organic certifying offices. The Farm Bill verified that USDA may suspend a certifier’s office if found noncompliant. As a result, in May 2019, the NOP suspended the organic certification of Control Union Certifications’ Turkey office, based on an investigation of its certification activities in the Black Sea region. This suspension was a significant enforcement action supported by the Farm Bill provisions. NOP has also issued an updated certifier directive for the region requiring increased testing and unannounced inspections.

AMS has also initiated the Organic Agricultural Product Imports Interagency Working Group with Customs and Border Protection (CBP) for coordination and information sharing related to organic imports and integrity, and has funded CBP’s development of an electronic organic import certificate in CBP’s Automated Commercial Environment (ACE). Both these initiatives are a direct result of Farm Bill authorities and funding. Additional authorities, such as those related to current exclusions from certification, will be implemented through rulemaking. A proposed rule is currently in review. All of these initiatives advance AMS oversight over the organic seal to affirm that imports labeled as organic meet the standards.

- 10) You previously estimated that American farmers have spent \$971 million of their own money in matching funds for USDA programs to help expand exports specifically to China over the past two decades. What is the total amount of federal funds that have been spent through MAP, FMD, and other FAS programs to help develop the Chinese market over this period?

Response: From 1997–2017, a total of \$395 million in matching federal funds were provided to eligible U.S. entities to support exports of U.S. agricultural products to China through FAS market development programs. With program spending still ongoing from the 2018 program year, 2017 is the last completed year for which we have final expenditure numbers.

- 11) The FY2020 budget requested legislative language to permit the Commodity Credit Corporation (CCC) to receive an interim reimbursement of net realized losses using the CCC's third quarter financial statement for FY19, prior to the completion of the financial statement for the full fiscal year. What is the rationale for this request?

Response: CCC is requesting the 3rd quarter net realized loss reimbursement due to several factors, including expected large outlays associated with several CCC farm programs, such as ARC/PLC and the Dairy Margin Coverage program, as well as other program outlays. The 3rd quarter reimbursement will ensure that CCC does not reach the current \$30 billion limit. Once CCC reaches that \$30 billion limit, all disbursements made by CCC will stop at that time.

- 12) I am concerned that the timing of the announcement of the second trade aid program and the requirement that farmers must plant to qualify for an MFP payment may have influenced planting decisions. Was there any benefit to farmers in announcing the program in May?

Response: On May 10, President Trump directed the Office of the U.S. Trade Representative to raise tariffs on imports from China under Section 301 of the Trade Act of 1974 in response to China's decision to backtrack on significant commitments it agreed to during the course of negotiations. The President also directed Secretary Perdue to develop a relief strategy in response to the trade damage to U.S. agriculture from unjustified retaliation and trade disruption. These actions were announced on May 23 to provide certainty and reassure our farmers that they would not bear the brunt of retaliatory tariffs on their own. The 2019 MFP payment for non-specialty crops is not dependent on which of these crops are planted in 2019 and therefore will not distort planting decisions.

Senator John Boozman

- 1) As you noted in your written testimony, Japan is a very significant market for US producers, and I appreciate the work you and your team have already done in regards to Japan. We already export quite a bit of beef, pork and chicken to Japan, but unfortunately, our global competitors are currently receiving more favorable tariff rates than our US producers, and this is decreasing our market share.

- a. What is USDA doing to help prevent this market share from eroding while a trade deal with Japan is being discussed?

Response: The Foreign Agricultural Service administers a number foreign market development programs to provide support to U.S. agricultural industry efforts to

develop foreign markets for U.S. agricultural exports. For the 2019 program year, FAS has approved a total of \$13.8 million in matching funds to eligible U.S. entities for activities directed at the Japanese market through the Agricultural Trade Promotion program, \$15.4 million for activities in Japan through the Market Access Program, and \$2.1 million in activities in the Japanese market through the Foreign Market Development program.

The Trump Administration published its negotiating objectives for the U.S.-Japan Trade Agreement on December 21, 2018 and has met with Japanese officials on several occasions since mid-April. One of the Administration's top negotiating objectives is to secure comprehensive market access for U.S. agriculture goods in Japan by reducing or eliminating tariffs. The Administration certainly understands that Japan's recently negotiated agreements with other countries disadvantage U.S. farmers and ranchers. In the meantime, the Foreign Agricultural Service operates several programs to support industry efforts to develop foreign markets.

Senator Deb Fischer

- 1) We understand that the EU may propose altering the principles of Codex to shift the focus away from science and allow equivalent recognition of extraneous factors that are outside of the risk-based decision-making process. Many in the U.S. livestock industry are concerned that efforts to change the standards of Codex will greatly undermine its value and long-standing reputation as the standard for internationally-recognized science-based standards in safe food production. We are also concerned that changing Codex standards will decrease the ability of global beef producers to follow science-based animal husbandry practices, causing greater uncertainty for food safety throughout the entire beef value chain.

What steps will the United States take to ensure that Codex and OIE remain purely scientific international standard-setting bodies?

Response: The United States has a multi-pronged approach to ensure Codex and OIE remain science-based international standard setting organizations. The United States supports the joint FAO/WHO expert scientific committees that provide the foundation for the science-based standards developed by the Codex committees and participates actively in committees and working groups. We work to ensure the strategic plans support the fundamental principle of science-based standards, and we conduct outreach to member countries to develop common approaches that support U.S. science-based positions in Codex and OIE.

Senator Patrick Leahy

- 1) On May 23, 2019, Secretary Perdue announced that USDA planned to provide up to \$16 billion to producers impacted by President Trump's ongoing trade war, including \$14.5 billion in direct payments through the Market Facilitation Program (MFP).

Dairy producers received just 2% of the \$8.5 billion paid to producers during the last round of MFP payments, at \$0.12 per hundredweight. According to the National Milk Producers Federation, however, dairy farmers are estimated to have lost \$2.3 billion in income between July 2018 and March 2019 due to retaliatory tariffs.

- a. What percent of the forthcoming MFP payments does USDA expect dairy producers to receive?

Response: Given that the rule is under interagency review, we are unable to provide a response to the question at this time.

- b. Based on what specific data or calculations did USDA arrive at a total of \$14.5 billion in MFP payments?

Response: Given that the rule is under interagency review, we are unable to provide a specific response to the question at this time.

- c. The Commodity Credit Corporation (CCC), through which MFP will be funded, has only \$7.7 billion in remaining budget authority through Fiscal Year 2019. Does USDA plan to request supplemental appropriations or additional budget authority through the CCC to meet its stated commitment to farmers?

Response: We would take it into consideration if additional funding is needed.

- d. Has USDA completed its "spot-checks" for all previous MFP recipients?

Response: USDA is in the middle of completing spot-checks of approved and paid MFP applications.

- e. Does USDA plan to complete all "spot-checks" for previous MFP recipients prior to initiating new MFP payments?

Response: Some new payments may be initiated before all spot-checks have been completed for previous MFP applicants.

- f. On May 29, I joined eight other Senators on a letter to Secretary Perdue urging USDA to prevent any further trade mitigation commodity purchases that benefit foreign-owned companies after discovering that tens of millions of dollars in taxpayer-funded trade assistance payments have gone to foreign companies

rather than American farmers. How will USDA ensure that trade assistance is not provided to foreign-owned companies?

Response: USDA only purchases American grown and produced products. Regardless of a business structure, USDA's purchases directly benefit U.S. farmers. USDA mandates and verifies that vendors provide only U.S. origin agricultural commodities and products.

Senator Michael Bennet

- 1) Potato growers in the San Luis Valley have long been concerned with unfair barriers to the Mexican market. On June 8, the President tweeted that "Mexico has agreed to immediately begin buying large quantities of agricultural product from our great patriot farmers!"

- a. Does expanding access to the Mexican market for fresh potatoes remain a top priority for this administration?

Response: Full country-wide access for U.S. fresh potato exports to Mexico remains a top priority for the Administration.

- b. Does this agreement that the President referenced include expanded market access to Mexico for fresh potatoes exports?

Response: USDA and USTR, in consultation with the U.S. potato industry, continue to seek a solution that would lead to expanded market access for U.S. fresh potatoes to all of Mexico. We are monitoring the ongoing legal challenges to country-wide access in Mexican courts.

- c. How will the U.S. ensure that Mexico adheres to its commitments to provide full country-wide access for U.S. fresh potatoes?

Response: USDA and USTR, in consultation with the U.S. potato industry, continue to seek a solution that would lead to expanded market access for U.S. fresh potatoes to all of Mexico. We are monitoring the ongoing legal challenges to country-wide access in Mexican courts.

- 2) The 2018 Farm Bill allowed the use of trade promotion funds to support exports to Cuba. While Colorado wheat and potato growers are excited about this opportunity, their inability to finance sales remains a major hurdle.

- a. Do you support removing existing barriers, such as the inability to finance agricultural sales, so that American farmers and ranchers can compete fairly in the Cuban market?

Response: The Administration is supportive of helping American farmers and ranchers compete around the world.

Senator Tina Smith

- 1) After Ambassador Doud testified in front of this Committee in September of last year, I was left with even more questions regarding how this Administration works across agencies on trade issues. How often do you talk with the Trade Office and the Commerce Department to relay the struggles that farmers are facing?

Response: USDA and USTR work together very closely. Ambassador Doud and I speak at least once a week and our staffs interact daily as they work to defend and promote U.S. agricultural exports in trade negotiations and at international organizations such as the WTO or Codex. Similarly, Secretary Perdue ensures the President and other Cabinet members are sensitive to the concerns of farmers and ranchers as they make decisions on U.S. international trade policy.

- 2) Between 2014 and 2016, the American Indian Foods International Export Program, through the work of the Intertribal Agriculture Council, has generated nearly \$62 million in sales of native products in overseas markets, including wild rice, bison jerky, teas, breads, and chocolates, among others. There is obviously an overseas market for native products.

Last year, I worked with Senator Hoeven, Senator Udall, and Senator Daines to include a provision in the Farm Bill to increase Native representation on USDA trade missions. The Farm Bill requires the Secretary to establish goals for measuring the extent to which Native Communities and Native agriculture are included in the trade-related activities of the Department of Agriculture. The Farm Bill explicitly states that the Secretary will establish these goals no later than 90 days after the enactment of the Farm Bill.

- a. The Farm Bill was signed into law on December 20, 2018. It has been well over 90 days. What has been the cause of delay?
- b. When will the Secretary announce these goals?

Response: The Secretary delegated the establishment of these goals to the Foreign Agricultural Service (FAS). Please see the attached goals (Goals for Including Indian Tribes and Tribal Agricultural and Food Products in Trade-Related Activities), signed by Administrator Ken Isley on March 19, 2019, within the deadline, that establishes the

goals established for improving outreach to tribal organizations about the trade-related activities of the Department of Agriculture.

- 3) Hmong, Latino, and Native farmers in Minnesota have an incredibly strong agricultural heritage. Hmong refugees carried on their farming traditions as soon as they began to settle in Minnesota in the 1970s. The growth of the Hmong farming community in Minnesota has contributed greatly to the growth of farmers markets in Saint Paul and Minneapolis. The Latino Community in Minnesota is an integral part of the Agriculture sector as well. The Latino Economic Development Center is focused on connecting growers to markets. Native farmers in Minnesota are also part of our state's agricultural foundation. Native grown wild rice is now being sought in overseas markets. Native farming communities rely on USDA rural development programs and a broad array of resources designated for socially disadvantaged farmers and ranchers.

It is my goal to expand opportunities in agriculture for everyone, and to ensure that all farming communities in Minnesota can access USDA resources. In the Farm Bill, I pushed for the inclusion of a provision that would request a GAO study to evaluate civil rights at USDA and review farm program usage by diverse communities, like the Hmong, Latino, and Native communities in my state.

- a. What will you do to ensure that Foreign Agriculture Service programs are accessible to historically underserved communities in Minnesota and across the country?
- b. Do you have plans to visit with Native farmers, Hmong farmers, and Latino farmers in Minnesota to hear about their experiences firsthand?

Response: We support small and medium-sized enterprises (SMEs) and underserved communities by USDA funding provided to the four State Regional Trade Groups (SRTGs). The Food Export Association of the Midwest USA, which covers Minnesota, receives funding via USDA's Market Access Program (MAP) and the Agricultural Trade Promotion (ATP) program to create and expand global export markets for everything from raw commodities to value-added processed food products. Their primary purpose is to educate current and potential U.S. SMEs in underserved communities on the FAS export programs, the SRTG marketing and trade services, and provide them with connections to member states and other useful resources. Their services include exporter training and education; analysis of export markets and opportunities; trade shows and buying missions; and support for international marketing campaigns and product promotion activities. The SRTGs also conduct seminars, one-on-one consultations, speaking engagements, and webinars to recruit potential U.S. food and agricultural companies interested in exporting.

Additionally, FAS recently coordinated closely with the state of Minnesota on the U.S.-Colombia Agribusiness Trade Mission which was held June 4-7. As a result of that collaboration, Minnesota's Commissioner and Deputy Commissioner of Agriculture participated in the ATM. Nine Minnesota producer groups and organizations participated in the trade mission. FAS and Minnesota officials conducted outreach to tribal organizations in recruiting participants.

The Intertribal Agriculture Council (IAC), which includes 72 tribes located across the United States, receives funding via USDA's MAP, ATP, and the Emerging Markets Program. IAC uses these funds to train Native American-owned companies and businesses how to become exporters. They continue to work on developing new markets in Asia, Australia, North America, and Europe.

As USDA travel plans develop, we will consider opportunities to hear first hand from the diverse farming communities in Minnesota.

- 4) I was pleased with the encouraging development to open the Indian market to US turkey and chicken over the past year and a half. Minnesota is our country's number one producer of turkey, and the expanding marketplace in India is a promising opportunity for growers and producers in Minnesota and across the country.

- a. What impact will India's removal from the U.S. Generalized System of Preferences program have on this emerging market?

Response: The Indian Government has not issued any official reaction on the revocation of U.S. Generalized Systems of Preferences (GSP) Programs to date. We do not have any indication of a negative impact on poultry trade directly related to this decision. On June 15, 2019 India's Ministry of Finance did announce the implementation of tariff increases for several agricultural imports that were originally proposed in a June 2018 customs notification. There were no poultry products listed in that customs notification.

- b. How do you foresee this move effecting our trade relations with India in general?

Response: We encourage the Indian Government to address and rectify the outstanding issues that led to its removal from the GSP program. Going forward, the Administration hopes to engage with India on these and other trade barriers. It is our hope that India engages constructively, and that our trade relationship is enhanced.

- c. What is USDA's plan for maintaining growth with the Indian marketplace?

Response: FAS is working with U.S. industry on trade promotion programs and education efforts concerning the quality and price competitiveness of U.S. chicken and turkey.

Senator Richard Durbin

- 1) Farmers have said to me that farming is an annual act of faith – which is why we often hear the importance “certainty” in their decision making equation. On May 28, the USDA announced the second round of Market Facilitation Payments - in the middle of a nationwide, delayed, planting season - without many details. Then in a June 5 interview, Secretary Perdue said his advice to farmers is “do what you were doing. Don’t try to figure it out. Do what you were doing ordinarily.” You are an agricultural economist from Purdue University, which is why I ask this question:

- a. Did you advise your colleagues that the timing and structure of this proposal would influence planting decisions?

Response: On May 10, President Trump directed the Office of the U.S. Trade Representative to raise tariffs on imports from China under Section 301 of the Trade Act of 1974 in response to China’s decision to renege on significant commitments they made during the course of negotiations. The President also directed Secretary Perdue to develop a relief strategy in response to the trade damage to U.S. agriculture from unjustified retaliation and trade disruption. These actions were announced on May 23 to provide certainty and reassure our farmers that they would not bear the brunt of retaliatory tariffs on their own. The 2019 MFP payment for non-specialty crops is not dependent on which of these crops are planted in 2019.

- b. Because the announcement had no payment details, why not wait until after the July 15 planting deadline to make the announcement?

Response: The announcement was made to provide certainty and reassurance that U.S. farmers would not bear the brunt of unjustified retaliatory tariffs on their own. The MFP program for non-specialty crops is not dependent on which crops are planted in 2019 and therefore will not distort planting decisions.

- c. In the 7-10 days after the MFP announcement, how many agriculture economists contacted you to express their concerns that the MFP structure and timing would affect planting decisions?

Response: USDA receives feedback and input from many agricultural stakeholders on a broad range of topics, including the trade mitigation

programs. My office was not contacted by agriculture economists during that time period regarding concerns with the structure and timing of MFP.

- 2) In our January hearing, I asked Secretary Perdue what he would say to soybean producers who worry that these China tariffs threaten the progress made in establishing customers around the world. The Secretary said – tell them they are in the long-term game - they understand price volatility. That was six months ago.
 - a. Do you agree this is a long-term game?
 - b. What is your definition of “long-term”? Of “game”?
 - c. What would you say to soybeans producers now, when they ask “how much longer must we wait?”

Response: The United States will continue to defend U.S. farmers and companies from China’s unfair trading practices and seeks to restore balance to the trade relationship between the United States and China. The U.S. objective is to find a durable and enforceable solution to China’s market-distorting policies and practices that harm the U.S. economy and victimize American workers, farmers, ranchers, and businesses. The Administration is not looking for a quick and easy win, but one that will bear fruit for American farmers and ranchers for years to come. We will continue to encourage China to make fundamental structural changes to its approach to the economy and trade. I look forward to continuing to work with you on the important subject of China’s agricultural trade policies.

- 3) On May 24th, just a day after he announced a new \$14.5 billion trade-related aid program for farmers, Secretary Perdue tweeted that “Government can be a powerful force for good, but government dependency has never been the American dream.”
 - a. Is USDA concerned that farmers this year are dependent on public assistance and government relief, instead of markets?
 - b. How many years of multi-billion dollar relief payments in a row would constitute dependency?

Response: I agree with Secretary Perdue. The President reaffirmed his support for American farmers and ranchers and made good on his promise, authorizing 2019 relief payments. While there have been positive movements on the trade front, American farmers are continuing to experience losses due to unjustified trade retaliation by foreign nations. The relief payments will help farmers with short-term cash flow issues as we move forward with negotiations on free, fair, and reciprocal trade.