

**AGRICULTURAL TRADE: PRIORITIES AND
ISSUES FACING AMERICA'S FARMERS**

HEARING
BEFORE THE
SUBCOMMITTEE ON
COMMODITIES, RISK MANAGEMENT, AND TRADE
OF THE
COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY
UNITED STATES SENATE
ONE HUNDRED SEVENTEENTH CONGRESS
SECOND SESSION

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AGRICULTURAL TRADE: PRIORITIES AND ISSUES FACING AMERICA'S FARMERS

THURSDAY, JUNE 9, 2022

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Subcommittee on Commodities, Risk Management, and Trade,
Washington, DC.

The Subcommittee met, pursuant to notice, at 11:02 a.m., in room 215, Dirksen Senate Office Building, Hon. Raphael Warnock, Chairman of the Subcommittee, presiding.

Present: Senators Warnock, Smith, Hoeven, Tuberville, Grassley, and Thune.

STATEMENT OF HON. RAPHAEL WARNOCK, U.S. SENATOR FROM THE STATE OF GEORGIA

Senator WARNOCK. I call this hearing of the Subcommittee on Commodities, Risk Management, and Trade to order. Thank you all for joining us this morning.

Today's hearing, titled "Agricultural Trade: Priorities and Issues Facing America's Farmers," is an opportunity for members of the Subcommittee to hear directly from our farmers regarding their trade challenges and their priorities in today's tough and changing economy.

Just last week, I spent time on Dickey Farms in Musella, Georgia, meeting with a group of farmers and agriculture leaders to discuss the stress our farmers are experiencing. Their message to me and to us was loud and clear; farming is a really tough job, but it is especially tough right now.

Farmers in Georgia and throughout the country have been forced to navigate a tremendous amount of uncertainty over the last few years. Among their challenges, trade wars, COVID-19 supply chain disruptions, and now Russia's war in Ukraine have all sent shockwaves through global commodity markets. In addition to that, farmers are also experiencing extreme weather events as we deal with climate change. Many in Georgia painfully remember the destruction of Hurricane Michael in 2018, and as we speak a third of the counties in Georgia, a third, are experiencing some level of drought.

In Georgia, the success of our farmers is integral to the success of our State. According to the University of Georgia Center for Agribusiness and Economic Development, food and fiber production and processing contributes nearly \$70 billion to Georgia's economy, supporting over 350,000 jobs in my State. Expanding trade opportunities is not a guarantee for success, but it is certainly a vital

tool in the tool box for our farmers. The farmers in Musella told me repeatedly that trade barriers are a risk to their profitability. They are dealing with that challenge in real time on the ground.

I believe that it is our responsibility to support policies that keep our farmers competitive in the global market and expand opportunities for market access. I am focused on doing all I can to help Georgia's farmers thrive economically and in their communities, and as we prepare for the next Farm Bill, I look forward to working with members of the Agriculture Committee, including Ranking Member Hoeven, to ensure that we are making strategic investments that set all farmers up for success, including those who have been historically underserved and overlooked.

While passage of the next Farm Bill is likely months away, our farmers are facing trade barriers in international markets right now. Here are just a few examples:

Last year, I partnered with my friend, Senator Tuberville, to highlight concerns to the United States Department of Agriculture (USDA) and the United States Trade Registration (USTR) raised by our peanut farmers in getting their products to market in Europe and ways we need Federal agencies to better coordinate and step up to help address this issue.

I also remain concerned that our trade policies are leaving certain sectors behind, including Georgia's seasonal fruit and vegetable farmers. A steep increase in cheap imports has made it difficult for Georgia's produce farmers to compete in the market. I am especially hearing in that regard from our blueberry farmers and the current regulations around showing that they are under distress have made it difficult for them to get any kind of relief. I have worked with Senator Rubio to support legislation to defend domestic produce production and level the playing field for Georgia's fruit and vegetable growers.

As a proud Georgian, it would be a missed opportunity in this hearing to not mention puh-cahnsor pee-cans, depending on where you are from. My State is No. 1 for pee-can production; that is how we usually say it in Georgia. Georgia's pecan growers are currently facing tariff rates as high as 36 percent, 36 percent, when attempting to export their products to India. I am currently working with Senator Cornyn to address this, and in the coming days we will be pushing USTR to prioritize engagement on this issue.

These are just a few examples of concerns that I am hearing from farmers all across Georgia, but these examples underscore how we can work across party lines to tackle trade barriers in support of our farmers.

As Chair of this Subcommittee, it is my goal to ensure farmers' voices and experiences are heard throughout the halls of the Senate to better inform our work. This moment of uncertainty in our international markets demands strong leadership. I am glad to see that Alexis Taylor has been nominated to be the USDA Under Secretary for Trade and Foreign Agricultural Affairs, and I look forward to consider her nomination soon before this Committee. I am also relieved that President Biden finally put the nomination of Doug McKalip to be the Chief Agricultural Negotiator at USTR. These positions are critical given the current stress that our farmers are dealing with because of the challenges in the current trade

situation. The Senate needs to confirm these nominees right away because it is unacceptable that no one has been confirmed for these critical roles.

Finally, I want to say thank you to Ranking Member Hoeven and his team for working with us on this hearing. The agricultural sectors in Georgia and North Dakota may look different, but I know we share many of the same priorities when it comes to advocating for the farmers in your State and in mine. Ranking Member Hoeven, I will turn the floor over to you now for any opening comments you would like to make.

STATEMENT OF HON. JOHN HOEVEN, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator HOEVEN. Thank you, Chairman Warnock. Appreciate it. Appreciate you calling this hearing. I want to thank our members, our witnesses for being here.

We are here today to discuss a topic that is important to every farmer and rancher in North Dakota and really across the country, as the Chairman just articulated. Ag exports provide a tremendous value to our producer. For example, last year, our State exported about \$4.3 billion worth of ag products.

I always like to say: It does not matter what issue we are working on in agriculture. Every American benefits every single day from good farm policy. Highest quality, lowest cost food supply in the world. Every consumer benefits from the courtesy of our farmers and ranchers.

Recent world events like Russia's aggression, invasion of Ukraine and the COVID-19 pandemic have underscored the important role our farmers and ranchers play, not just in our food supply here at home but globally, and really ensure food security for us and something that we just cannot take for granted.

A key component of sound farm policy is ensuring that our producers have access to those global markets. Our producers can compete with anyone, anywhere, anytime. I think Coach used to say that a lot to his players. Right? I think in some cases it was true of some of his teams and in some cases it was not, but for our farmers, it is always true, and our ranchers.

That is why I am a strong supporter of programs like the Market Access Program (MAP), and the Foreign Market Development (FMD) program, both of those programs obviously at USDA. Commodity organizations in my State, as well as the North Dakota Wheat Commission, the North Dakota Soybean Council, rely on these programs and resources to open new markets and grow opportunities for our producers.

That is why also I have supported, and we need to continue to support, to take on bad actors like China when they, in essence, undertake a trade war on our producers, which we have had to do in recent years. That distorts markets and obviously is unfair in terms of trading practices, and we need to—we want open trade. We want free trade. We want fair trade, and we got to be tough about it. We have to be tough about it.

Ag trade is not just important for our ranchers. It really is important for our overall economy in terms of bringing in a positive balance of payments, which ag does, and of course, employing north

of 16 million jobs directly or indirectly across our country. According to USDA Economic Research Service, every \$1 billion of U.S. ag exports supports about 7,500 jobs throughout our economy. In 2021, the value of exports was \$177 billion. In addition, the U.S. has carried, as I said, a positive balance of trade for the last two decades.

Now I am going to mirror here the Chairman's remarks in that we do need these trade positions filled by the Administration, so I am encouraged that he has named a nominee for Under Secretary for Trade last month and now a nominee for the Chief Ag Negotiator for USTR just yesterday. It took too long, and we need to get people in those positions and working for our producers.

U.S. ag exports are forecasted to hit a high of \$191 billion this year. \$191 billion. That is good, but we got to stay after it and keep it growing. Of course, with what Russia has done in Ukraine, that has created real food issues across the globe.

There is a lot of work here to do, and I look forward to working with the Chairman and the other members of this Subcommittee and again want to thank all our witnesses for being here.

Thanks, Mr. Chairman.

Senator WARNOCK. Thank you so much, Ranking Member Hoeven.

It is now my pleasure to introduce our panel of witnesses. Our first witness is Dr. Gopi Munisamy. Dr. Munisamy is a distinguished professor of agricultural marketing in the University of Georgia's Department of Agricultural and Applied Economics. Dr. Munisamy has an extensive history working on agriculture trade issues, including his previous service as Director of the Market and Trade Economics Division within USDA's Economic Research Service.

Thank you so very much for being here, Dr. Munisamy.

Our next witness is Mrs. Karla Thompson. Mrs. Thompson is the Vice President of JET Farms Georgia and Integrity Farms. She lives in Camilla, Georgia—I know where Camilla, Georgia is where she supports management of farm operations across Georgia and South Florida, producing peanuts and specialty crops such as blueberries, green beans, and sweet corns.

Thank you for being with us today.

Now I turn to Senator Smith of Minnesota, who will introduce our next witness.

Senator SMITH. Well, thank you, Chair Warnock and also Ranking Member Hoeven. It is good to be here with both of you, and I really appreciate this hearing very much.

I am delighted to be here to introduce my fellow Minnesotan, Mrs. Sheryl Meshke. Mrs. Meshke is a fifth generation farmer, as I understand it, who operates a hog and sheep farm near Lake Crystal, Minnesota, with her husband, Blake and son, Brent, and wife, Leslie.

Sheryl currently serves as Co-President and CEO of Associated Milk Producers, Incorporated (AMPI), which is the largest cheese cooperative based in the United States. AMPI is proudly headquartered in Minnesota and owned by dairy farm families all across the upper Midwest. Throughout her career at AMPI, Sheryl has represented the interests of 1,400 farm families and nearly

1,000 employees, and due to Sheryl's leadership, AMPI dairy farmer owners marketed 4.7 billion pounds of milk, which I just think is a sign of the incredible contributions you are making.

In 2014, Sheryl became the first woman to be named CEO of a U.S. dairy cooperative and remains active on the boards of the National Milk Producers Federation and the U.S. Dairy Export Council. She holds a bachelor's degree in agriculture from South Dakota State University, not North Dakota State, and a master's degree in business from the University of St. Thomas.

Welcome and thank you for being with us today.

Senator WARNOCK. Thank you so much.

Ranking Member Hoeven will now introduce our final witness.

Senator HOEVEN. South Dakota State has a pretty fair school of agriculture.

My privilege to welcome a fellow North Dakotan to the Committee, Neal Fisher, who just got a doctorate from North Dakota State University, home of the Bison, so congratulations on that and very deserving. Neal serves as Administrator of the North Dakota Wheat Commission, and he works hard to expand trade for North Dakota wheat growers, really a lot of wheat growers across the country. He has been everywhere across the globe. You would be hard pressed to find a place he had not been.

He joined the Commission in 1978, so he has been at it for a while, and was appointed Administrator in 1998. As Administrator, he is responsible for executing producer-funded programs focused on market development, research, transportation, and trade policy. He serves on a variety of boards and committees, including the U.S. Trade Reps, Ag Tech Advisory Committee for Trade.

He is still involved in farming. He has got a farm in or near Tappen, North Dakota. He and his wife Deborah have three children and three grandchildren.

Literally, I mean, he has been all over the world promoting wheat, and that is what we need, and he is a great Ambassador for our farmers.

Thanks for being here, Neal. I appreciate it.

Thank you, Mr. Chair.

Senator WARNOCK. Great. Thank you so very much, Ranking Member Hoeven.

Again, I thank our witnesses for being with us today. As a reminder, we ask that you keep your testimony to five minutes each. Thankfully, the deacons at Ebenezer Church, who suffer through my preaching, do not have one of these, but I do. Five minutes if you would, please.

Dr. Munisamy, I will now turn things over to you for your five minutes of testimony.

GOPINATH "GOPI" MUNISAMY, PH.D., DISTINGUISHED PROFESSOR, DEPARTMENT OF AGRICULTURAL AND APPLIED ECONOMICS, UNIVERSITY OF GEORGIA, ATHENS, GEORGIA

Dr. MUNISAMY. Good morning, Honorable Chairman, Ranking Member, and members. Thank you for the opportunity to speak with you today.

I would like to begin by saying there is much to celebrate in American agriculture. Our farm and food producers will export

commodities and products worth about \$191 billion in 2022; that is about \$19 billion over 2021, according to USDA. America is among the world's largest exporters of many agricultural commodities: soybeans, corn, beef, wheat, cotton, almonds.

While we celebrate that success, let us keep in mind that export success is uneven across commodities and countries. Five commodities account for 50 percent of the total export value. Five countries account for 62 percent of the American agricultural export value. Moreover, the record export value in 2022 mostly comes from price increases with volume down across most products.

Let us also not forget that American consumers and food businesses will import \$181 billion worth of commodities and products during fiscal 2022, nearly \$18 billion over that of fiscal 2021, according to USDA again. Horticultural products—fruits, nuts, vegetables, and alcoholic beverages—accounted for a whopping 50 percent of that import value, and Canada and Mexico are our two largest sources of imports.

I would like to draw your attention specifically to a unique and large trade imbalance in fruits and vegetables. We will export about \$14.4 billion worth of these products and import nearly \$42.7 billion of fruits and vegetables during fiscal 2022, and that imbalance is unique and large.

No doubt that our natural resource base, together with technology and our farmers' ingenuity, are at the core of American agricultural growth. Trade policy plays a role, a critical role, in translating that growth into well-being for both American producers and consumers. We led the creation of the World Trade Organization in 1995, accompanied by the launch of the Uruguay Round Agreement on Agriculture. In addition, we have 14 regional trade agreements in place covering 20 countries.

From the agricultural and food industry perspective, the major trade agreements are the Uruguay Agreement, U.S. Mexico Canada Agreement, the Central American Free Trade (CAFTA-DR) Agreement, and the Korea-U.S. Trade Agreement. Noteworthy here is that the last new agreement was Korea-U.S. in 2012. While there was some momentum in 2014 for new agreements, like the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership with the European Union, it was quickly replaced by a focus on enforcing existing agreements, resulting in renegotiated NAFTA, USMCA, renegotiated Korea-U.S. Agreement, and the Phase 1 U.S.-China Agreement in the last five years.

Going forward, American agriculture, in my humble view, needs both predictable and equitable trade policies. Please allow me to first expand predictability. Back to back to back events—you can read that as U.S.-China trade conflict, COVID 19, and the Ukraine-Russia military conflict—have created significant economic and policy uncertainties. For soybeans, for example, the largest market, China, was taken away first, and when it was reopened we faced a COVID-19 demand collapse, worker shortages, and shipping constraints. Now, with sunflower and palm oils facing export blocks for diagonally opposite reasons, our producers are significantly stressed on input costs and transportation barriers.

Economists have clearly shown that uncertainties make all of us, including our farmers, to limit investments for future growth. With

the market access that we are all asking for, we also need—and I am going to quote WTO here—“Sometimes, promising not to raise a trade barrier can be as important as lowering one because the promise gives businesses a clearer view of their future opportunities.” The 164 member countries of WTO committed to this fundamental principle of “predictability, through binding and transparency.”

I believe American leadership is needed in shaping trade policies that not only opens markets around the world but also ensures that such access remains stable, that is, predictability. Bilateral opportunities to expand market access exist both in sustainable products and conventional products with our key allies, like Japan, U.K., and E.U. However, multilateral efforts are needed to achieve predictable market access across all products and countries because collective action is often the best way to ensure predictability through binding and transparency. When the sky-high prices come down in a year, two years, we will diversified volume growth to continue to sustain and increase American agricultural exports.

For the multilateral and bilateral efforts to achieve predictable market access, again in my humble view, we need to address inequities arising from trade. Every trade economist will tell you that trade creates gains and losses. If the losses—jobs, income, abilities—do not receive adequate policy attention, a consensus to move forward on future agreements cannot arise.

The case in point is the Southeastern produce industry. On a recent road trip to south Georgia with my dean, I found a common theme across a dozen produce farms we visited: Hardworking families, husband and wife, grandpa and granddaughter, entire family, they are all challenged by imports, input costs, and labor issues.

A major question on their agenda, as we talked to them, is: How can we compete with the flood of both in-season and off season Mexican and South American produce in our markets?

Both the U.S. Department of Agriculture and the International Trade Commission have documented these trends and assessed revenue losses to Southeastern growers from some of these produce imports. Most of our growers recognize American consumers’ desire for year-round availability of produce but fear that comes at the expense of their current and future incomes. Regional injuries of produce imports do not have a recourse in our trade law, but there are certainly other ways, many examples in the Farm Bill, which could make our Southeastern growers more competitive. The lessons learned from addressing inequities in agriculture may be of use elsewhere in the economy as well.

Thank you for the opportunity to speak with you today. I would be very pleased to respond to any questions you have.

[The prepared statement of Dr. Munisamy can be found on page 22 in the appendix.]

Senator WARNOCK. Thank you so much, Dr. Munisamy.

Next, Mrs. Thompson.

STATEMENT OF KARLA THOMPSON, VICE PRESIDENT, JET FARMS GEORGIA AND INTEGRITY FARMS, CAMILLA, GEORGIA

Mrs. THOMPSON. Chairman Warnock, Ranking Member Hoeven, and members of the Subcommittee, thank you for the opportunity

to appear before you today as you review trade priorities for U.S. farmers. Today, I am representing the United States Peanut Federation.

I currently farm with my husband Aaron and our extended family in southwest Georgia. We have a diversified farming operation, including peanuts, blueberries, green beans, fresh sweet corn, and sugar cane. Our farm reflects an increasing diversity in Southeastern agriculture.

Trade issues impacting our farm range from non-tariff trade barriers to seasonal imports on fruits and vegetables, both of which are decimating our prices. Approximately 75 percent of our peanuts are sold domestically, but historically about 25 percent of our U.S. peanuts are exported. Our primary peanut export markets are Canada, Mexico, Japan, the European Union, and China.

After the 2002 Farm Bill reforms, U.S. peanut world market share did show a slight increase. However, since 2015, our U.S. share of the world market has been declining. The implementation of non-tariff trade barriers in the E.U. and United Kingdom have only made this problem worse. The U.S. peanut industry share of the world peanut market is less today than the U.S. market share was in the 1990's.

A look at our major export markets shows some of the issues that we are facing. Our very best markets and also those with the most potential for growth are the markets that offer premium prices. Unfortunately, some of these best markets are really not healthy. Regarding the E.U. market, while the first three months of 2022 saw a significant increase over 2021, the overall trend line since 2003 has been downward. The U.S. market share decreased in the E.U. from approximately 40 percent in 2003 to 14 percent in 2021.

Why is there a struggle for U.S. peanut exports to the E.U. and, more recently, the U.K.? Mr. Chairman, as you and Senator Tuberville and 17 of your colleagues noted in a letter to the U.S. Trade Representative, peanuts are susceptible to a naturally occurring aflatoxin. U.S. peanut growers are subject to stringent testing by the United States Department of Agriculture that really assures our peanuts are safe to enter the food supply, both domestic and international.

Still, the E.U. and now the U.K. have started requiring expanded testing criteria for U.S. peanut imports. The E.U. and the U.K. select 20 percent of U.S. shipping containers for aflatoxin testing, and then they test 100 percent of those peanuts. In contrast, they only select 10 percent of shipments from China and 5 percent of shipments from Argentina. These new requirements are far more extensive than those that are required of our competitors, and they are costing the U.S. peanut industry hundreds of millions of dollars every year.

We do not anticipate short-or long-term growth in the E.U. or the U.K. until U.S. peanuts are on a level playing field with other peanut-exporting countries. As an industry, we are struggling to try and replace the E.U. and the U.K. markets for the future. Our top trade priority at this time is to improve our position in the E.U. and the U.K. That will require reduction of the non-tariff trade barrier. The peanut industry has been working with USDA's Agri-

cultural Marketing Service and the Foreign Agricultural Service on this problem. We need the U.S. Trade Representative to prioritize this problem in discussions with the E.U.

Mr. Chairman, we appreciate you and Senator Tuberville, along with Senator Hyde-Smith, leading the effort to cure the obstacles that peanut growers are experiencing with the non tariff barrier in the E.U. and U.K. We believe that the best path to resolve this issue is with USTR prioritizing U.S. peanut exports in discussions with the E.U. and the U.K.

I thank you for allowing me to participate today.

[The prepared statement of Mrs. Thompson can be found on page 25 in the appendix.]

Senator WARNOCK. Thank you so very much for your remarks, Mrs. Thompson.

Next, Mrs. Meshke.

**STATEMENT OF SHERYL MESHKE, CO-PRESIDENT AND CEO,
ASSOCIATED MILK PRODUCERS, INC., NEW ULM, MINNESOTA**

Mrs. MESHKE. Good morning, Chairman Warnock and, of course, Ranking Member Hoeven. Yes, I am a jackrabbit and very proud to be here and visit with the members of the Subcommittee on behalf of the dairy farmer owners of Associated Milk Producers. I have served as their Co-President and CEO for seven years, but today I represent all of the members of the National Milk Producers Federation, on which board I serve, and also the U.S. Dairy Export Council which works with National Milk in creating unified dairy trade policy, principles, and priorities.

Let us start by talking about America's dairy industry. It is an economic force, and it employs about a million Americans, adding \$750 billion to the U.S. economy; that is about three percent of the GDP. Exports underpin U.S. dairy success and will support our industry's growth into the future. In fact, U.S. dairy exports have grown more than domestic sales in four of the last five years. That is an important stat.

Making global markets accessible is critical to the health, and the long-term viability of our industry. As important, we are meeting global demand in a more sustainable way. U.S. dairy farmers reduced—again, another good stat coming up here—we reduced greenhouse gas emissions required to produce a gallon of milk by almost 20 percent from 2007 to 2017.

A science-based approach to feeding the world in a sustainable way will be critical to supporting our position as a global leader. The U.S. Government must take the lead and work with likeminded countries to advance trade and global policies that usher in this goal.

One of the most pressing concerns to share today is the industry stress around export shipping. It has been in the headlines. Freight rates are soaring while the availability of export essentials like containers, drivers, rail access, that is plummeting. Supply chain challenges are costing U.S. dairy exporters more than \$1.5 billion in just last year. On top of that, our long-term trade relationships are at risk.

This complex problem requires a suite of solutions, but let me offer a few. First of all, Congress must swiftly pass the Ocean Ship-

ping Reform Act. At the same time, the Administration can take steps, to resume things such as USDA's weekly container and availability snapshot and providing fast-lane incentives for exports at port terminals. It is also essential for Congress to deal with immigration reform to help the dairy industry grapple with our extreme labor crisis.

In pursuing exports, the U.S. dairy industry faces experienced and well-established competitors. They have been very active with free trade agreements. The U.S. needs to get back into the game. We need to craft comprehensive agreements.

In the meantime, we need to make full use of our tool box, and that includes improving export market access. At a minimum, these efforts should lower foreign, most favored nation tariffs and secure specific commitments on non-tariff barriers like the E.U.'s efforts to monopolize common cheese names.

We must also ensure our trading partners faithfully uphold current trade deals. We greatly appreciate the Administration securing a successful verdict in the USMCA's first ever dispute panel and now starting a second panel process against Canada's continued foot-dragging and inflexibility. The U.S. must insist on Canada's full compliance and be prepared to retaliate.

In addition, we cannot wait any longer for the U.S. Government to proactively defend the use of common food names against aggressive global efforts by the E.U. to restrict the use of generic terms we rely on.

Finally, the Administration must head off a wave of anti import sentiment in the markets that are so key: Latin American FTA-partners from Mexico, Panama, Peru, as well as others.

Chairman Warnock and Ranking Member Hoeven, I appreciate, on behalf of my dairy farmer owners, this opportunity to highlight the importance of global trade to American dairy farmers across this Nation. Thank you.

[The prepared statement of Mrs. Meshke can be found on page 42 in the appendix.]

Senator WARNOCK. Thank you so very much, Mrs. Meshke. Finally, testimony from Mr. Neal Fisher.

STATEMENT OF NEAL FISHER, ADMINISTRATOR, NORTH DAKOTA WHEAT COMMISSION, MANDAN, NORTH DAKOTA

Mr. FISHER. Good morning, Mr. Chairman and Ranking Member Hoeven. Thank you for this opportunity. My name is Neal Fisher. I am the Administrator at the North Dakota Wheat Commission. I am pleased to have this opportunity to present some comments here today.

Our North Dakota producers, as Senator Hoeven has already outlined, rely heavily on exports and have actually developed durable export market relationships which account for half of their annual pricing and income opportunity. That is a very big part of the wheat industry in North Dakota but also in our much more diversified agriculture. When I started this business we were largely a wheat State, and now we have a very much broader base under us. The diversification is something I think our fathers and grandfathers would have wished for.

Our total annual value of production in North Dakota is roughly \$10 billion, with a “B,” each year. There are four pillars; it is corn, wheat, soybeans, livestock, primarily beef cattle. We do not raise many peanuts in North Dakota, but we have a lot of other very high-value specialty crops like potatoes and sugar beets and peas and lentils and things like that that make up that very important other 20 percent, so a growing diversification there, all dependent, though, on trade, and so we are very much a part of that.

In my earlier years at the Wheat Commission, we were struggling to find freight rates that would even get us to the West Coast, much less to Japan and the Philippines and places like that. Now that is where 70 percent of our goods go. That is something that is still a very high cost operation, and our earlier commissioners used to say, this is one of our highest—our transportation is one of our highest production costs. They included that with the fertilizer and the fuel bill when they were figuring up how their income statement was going to look for the banker.

I think this is an interesting take on that. Those days are back with us now even though we have those channels opened up. We have some very, very stiff competition in those markets, and we have high transportation costs. I think the energy situation has also exacerbated that, the Black Sea origins, you know, compromised now by, obviously, the geopolitical situations and other things that are going on.

We are in the central part of the country. We have a long ways to reach water, and so those freight rates are a big, big deal. As fuel goes up, so do the freight rates, whether it is here in our own country or getting across the puddle, as they say, to those destinations.

Our goals are to continue to advance as far as we can, so market access, enforcement of the trade agreements we have. We heard a lot about advancing this agenda of the new nominees. I hope that goes well because we have been missing that for some time and we need that aggressive approach out there.

Our involvement in trade policy was sort of tangential to our programs with the foreign market development. MAP, and those programs of the USDA’s FAS, these cooperative programs have done a lot for us and have been the backbone of the development, so funding that program as well, perhaps not so much in the trade policy arena but also the backbone of how we move goods, how we promote them into the world market. Those are very important aspects of this all for us.

We have the non-tariff barriers you just heard about. This is something that is very concerning because when I started in this business we were doing tariff reductions. We had knocked down a lot of that, become very successful in that arena, but we have since then slipped away. Now we have the non-tariff barriers with attacks on commonly used foreign products. Weed seeds that have unrealistic limits and those kinds of things, and the MRLs, Maximum Residue Levels, tend to take us apart in Vietnam and places like that where we are having a great success in moving into the South East Asian market, but these are the technical issues that continue to come up.

That shift to non-tariff trade barriers is something we really need to address, and these protectionist moves sometimes look like they are masquerading as legitimate measures, either in increased food security in some areas, sustainability goals, or guard against some other threats that sometimes have very little basis in science.

We are pleased to hear about these nominations. We want to move that portfolio further ahead. We had seen past administrations do quite a bit of work in the area of new trade agreements. We think the U.K., not a layup by any means but might be one of the most doable prospects, if we can call it that. In Africa as well, there are some opportunities there, 100 million ton grains market there, probably a longer term project but something that could move forward on that agenda as well.

The other areas that we have found work that could be done, I think, in an effective way, in Indonesia, Malaysia, more of this Indo-Pacific area that we have made great success in, those are growth markets in our top 10 customers. I think if we had a few more resources to work with in MAP, FMD, we could move further faster on those kinds of things.

We are big proponents of value-added and biofuels. In North Dakota, we are going to do some more of that kind of work here pretty soon. I think balancing our energy portfolio with all of the alternatives, whether it is fossil fuels that we are pretty good in North Dakota as well, the biofuels aspect. There are new technologies here, the new generation. I think this is something that is very, very exciting.

With that, you heard a lot of the same arguments probably made by the other witnesses here. I thank you, Mr. Chairman, for this opportunity. I will be happy to respond to any questions that we might have.

[The prepared statement of Mr. Fisher can be found on page 53 in the appendix.]

Senator WARNOCK. Thank you, Mr. Fisher, and thanks to all of our witnesses. Your testimony certainly provides a lot of insight into the current terrain that our farmers are navigating in Georgia and all across our country.

Now we will turn to a round of five-minute questions from each member of the Subcommittee.

Dr. Munisamy, thank you for your testimony. You have had an extensive career working with our farmers and a deep knowledge of how they navigate increasingly complex agricultural markets. I understand that just last week you traveled across Georgia to meet with farmers. As I mentioned in my opening statement, I also met with a group of farmers last week in Musella, Georgia, to discuss farm stress.

Do you believe the Biden administration can effectively advance the trade priorities of Georgia's farmers without Senate-confirmed leadership currently working on the specific issues at USDA or USTR?

Dr. MUNISAMY. I can give you a one-word answer, no.

Senator WARNOCK. Thank you. Given the uncertainty of our farmers—given the uncertainty our farmers have faced in recent years, from trade wars to COVID-19 supply chain disruptions, how

would Georgia's farmers benefit from having dedicated leadership within the Administration focused on agricultural trade?

Dr. MUNISAMY. From the trip that I took recently, everybody and the farmers that we met, everybody wanted us to be heard—wanted them to be heard. I think right now career folks are talking to many of them. It would be good to have political leaders reach out to them and listen to their concerns. You heard a variety of them at this point, you know, in this hearing, but I think reaching out to them and sitting down with them and talking with them will really help set the process moving to solve these problems.

Senator WARNOCK. Right. Do you agree it would help to have these positions filled in order to strengthen our position in these larger trade issues?

Dr. MUNISAMY. Absolutely. Leadership is needed.

Senator WARNOCK. Yes, I agree. I think we need strong leadership, particularly in a moment like this. I am glad that the Administration has nominated Alexis Taylor for the USDA trade spot and that he finally put—we finally put forward Doug McKalip to be the USTR Chief Agricultural Negotiator. Let us face it. It took too long to get these nominees. I believe that they are well qualified, and I hope that we can advance their nominations quickly through this Committee. Every day that passes without Senate-confirmed leadership is a missed opportunity for Georgian farmers.

Georgia is a national leader when it comes to the production of specialty crops like blueberries and peaches and melons. Consistently, fruit and vegetable farmers in Georgia raise concerns about imports of cheaper seasonal produce from countries such as Mexico. According to a 2020 report from USDA's Economic Research Service, imports of fresh produce into the U.S. increased by \$8.9 billion between 2009 and 2019.

Mrs. Thompson, you know quite a bit about this. Thank you for your testimony. How has your blueberry business been affected by this flood of seasonal imports?

Mrs. THOMPSON. Well, I will tell you, with fresh fruit and vegetables, the market situation is really volatile just as it is. You know, a lot of us have our prices negotiated with retailers almost daily, and it is really based on supply and demand.

In Georgia with blueberries, we used to have times where Georgia berries might be the main supply on the market, and so we knew that we could maybe make a little bit of a profit during those times to kind of help us weather the dips. Well, now, according to our sales organizations, the price is just staying low because the market is flooded with Mexican imports.

With us personally, on our farm, when prices get to a certain level, there are times where we have to decide whether we can even harvest. We provide a fair wage and really good working conditions to our harvest workers, but that is obviously costly. There have been times when we have lost money in order to harvest because we cannot stand to let good fruit just sit there and rot, especially when we have neighbors in Georgia that have trouble accessing fresh produce at all.

Senator WARNOCK. Thank you so much.

Dr. Munisamy, how has the influx of these seasonal imports that Mrs. Thompson refers to harmed the competitiveness of domestic fruit and vegetable growers across the Southeast?

Dr. MUNISAMY. Let me use the International Trade Commission studies to answer that question. They conducted two studies, one on squash and the other one on cucumbers. In the case of cucumbers, they found that producers are losing revenue up to \$65 million because of these about average imports, meaning if you hold the imports to their average level, not flood the market as it has happened in the past few years, then producers would get about \$65 million more in terms of revenue. This is a big one, and it is only for just one commodity, cucumbers.

It affects prices; it affects income and across all these specialty products that we are talking about.

Senator WARNOCK. Thank you so very much. Leveling the playing field is critical—

Dr. MUNISAMY. Yes.

Senator WARNOCK [continuing]. to farmers in Georgia and all across the Southeast and the country, for that matter.

Ranking Member Hoeven.

Senator HOEVEN. Thanks, Chairman. Neal, one of the issues we are seeing now is backlogs in grain car movements as our farmers are working to get wheat and other commodities to market. Now recently the Surface Transportation Board required Class I railroads to provide biweekly reports on their progress for increasing rail service and making cars available. Comment, if you will, on the status there, what is being done, and in your opinion what should be done to get that squared away.

Mr. FISHER. Thank you, Mr. Chairman and Senator Hoeven. This is something that we are taking very seriously. In fact, some of our staff has been working with the STB on what can be done there. They are asking them now to report in on what their progress is on these issues. I still do not find the STB to be tough enough on our transport system sometimes, but I think there is opportunity here to—the Grain Dealers Association has been involved in this as well, as the folks in your office have been very, very helpful in this area.

I think it is something that we are going to have stay on top of because this is one—as I said, our early producers talked about this being one of their largest production costs or reduction in what that bottom line is when it comes time to go see the banker every year. I think this is—it is something that we are going to have to stay on top of.

You know, we went through a period where things were pretty well off. We had pretty good service. Then a few weather events began to hit. Then COVID hit. I think they are short on crews. I do not think they have planned well. Costs continue to go up in this arena, and it is something that producers are noticing. Any efforts on our behalf is very welcome, and we will be there to help with testimony when those times come.

Senator HOEVEN. Right. I am meeting with the CEOs and others in the rail industry to try to get them to really make this a priority. Any other specific recommendations you would have?

Mr. FISHER. Well, I think in the—when we saw this merger coming between the CP and the other railroad, the Kansas Southern that they merged with, we saw this as an opportunity to interject some other comments, I think, on this one because the time was right and we had people's attention with that issue. We are going to want to followup on that.

This has long been one of those high-cost operations that I think we fussed about, Kansas rates being cheaper than ours years ago, and some of these things are still true. I think we have to get balance in that arena and stay on top of it because if we do not move this product—we had a little shorter wheat crop last year because of the drought, but corn and soybeans have to fit into this funnel that we are all addressing. More Asian markets and with the demand to China and so on, a lot of pressure over there, and this has to work very smoothly. It is going to be a very, very interesting topic for us for a long time.

Senator HOEVEN. Yes, along those lines, Mrs. Meshke mentioned the Ocean Shipping Reform Act, which I sponsored along with Senators Klobuchar and Thune, which we have moved through the Senate. Talk to me about how that could help with some of these shipping bottlenecks, too, and I will ask the same question of Mrs. Meshke.

Mr. FISHER. Well, I think—Senator Hoeven and Senator Warnock, this brings new attention, I think, to this. This is an area that has been a bit taken for granted. You know, people just assume there is ocean freight. We have been in a period when ocean freight was, you know, relatively attractive given where it has been in some time.

Now we see these escalating rates. We see all the bottlenecks, and there are multiple causes, of course. Drawing attention to it is a big part of that battle, and I think increasing the awareness, this kind of effort, should help a lot in making everyone aware that this is very important.

Because why? \$191 billion in exports are hanging in the balance here. We are the only sector in the economy that provides a positive trade balance. The only sector in the economy. I think that is something that agriculture is risking right now when we have these kinds of bottlenecks that slow up the inputs coming in, and it is very important that we get our products out.

Again, we have full-size crops coming out this year. It is going to be very, very important.

Senator HOEVEN. Mrs. Meshke, your fellow jackrabbit fan just showed up. Your thoughts on the ocean shipping container act? He was obviously one of the leads on it. Your thoughts on it?

Mrs. MESHKE. Appreciate that. I am going to really boil it down. Our company, as I shared, is owned by dairy farmers. They make processed cheese important to Wisconsin that of late has been stalled in China ports for a lot reasons. As we all know, the political climate. That is just an example of how it directly impacts rural America.

Swiftly passing that reform act, as I shared earlier, is just one part of it. At the same time, the Administration can take steps too—again, weekly container availability snapshot, providing fast-

lane incentives for exports at port terminals. It is a suite of solutions that can be added to that.

Senator HOEVEN. Thank you.

Thank you, Mr. Chairman.

Senator WARNOCK. Thank you so very much.

Senator Grassley.

Senator GRASSLEY. Thank you, Mr. Chairman.

I am going to go to something that deals with trade because you export a lot, Mrs. Meshke. It seems like this Administration is referring to free trade agreements. They use the words, kind of a 20th century trading tool. This makes maintaining our trade relationships and expanding market access for U.S. dairy products even more vital to the strength of our domestic cattle and dairy industries and the economic health of rural America.

What more could the U.S. Government do to protect and expand overseas market access? Then maybe in the process of answering that, you could give me your view on the Indo-Pacific Economic Framework if indeed market access is not available.

Mrs. MESHKE. Let us start with maybe three things to consider, and this is what is really important on behalf of dairy farmers and much of agriculture. We believe that FTAs are critical, that we need to get back in the game of establishing those agreements, particularly that two-way trade relationship with South East Asia, Japan, the U.K. There is a growing global hunger for dairy production, and as shared in my testimony, we can meet that with the right agreements and the right tools.

Also important, to look at the tariff and non-tariff barriers that stand in our way. Oftentimes, those are more silent, but very, very critical.

As far as your comment about the Indo-Pacific region, I would maybe address that with a few items to consider, and one would be that comment I made about commitments on common names, streamlining regulatory requirements, and then finally, tariff agreements such as Indo-Pacific. All of those can help us.

Senator GRASSLEY. Yes. What I hear from reading about the countries that are involved with the Indo-Pacific framework setup is that it is a very important step for the United States to move forward to do that, but the fact that it does not have any trade provisions along the lines of moving toward free trade is not going to really serve a very useful function. That is what I have read about.

Mrs. MESHKE. We are committed to opening up any trade avenues that are possible, and that is a really big statement, but in general, that is the guiding principle.

Senator GRASSLEY. Yes. Hey, you know, so same to you as well. You know, we do not have a Chief Agricultural Trade Negotiator at USTA and a USDA Under Secretary for Trade. I am glad to see that the Administration has made some progress at least in nominating what appears to be two qualified people. What opportunities do you think American agriculture may be missing out on since we do not have these positions filled after a year and a half?

Mrs. MESHKE. I am really going to go back to the importance of the big picture of trade and open markets and the fact that, to speak for dairy, one of out of every six days of milk is exported. We need focus on those export opportunities. To repeat a stat that

I gave earlier in my testimony, that of the last five years, four of those years we have seen the most growth in exports, not domestic growth, so just very important from a big-picture aspect.

Senator GRASSLEY. Mr. Fisher, this is my last question, but in regard to the fact that we are all talking, particularly since Ukraine was invaded, about food shortages around the world, what will the decreased supply of fertilizer paired with increased prices affect world food supply?

Mr. FISHER. Well, this is a—Senator Grassley, this is, I think, a very big concern, and it is related in many ways to the geopolitical situation but also our own energy policy. When we are looking at fertilizer and inputs, things like that are the lifeblood, as we know, of modern agriculture.

I think there is a—anytime we disturb that situation, we are looking at—my son is a very active farmer right now, and he is in the process of just finishing up seeding where he can. That fertilizer bill is going to be huge this year, but actual availability is even more scarier than what you have to pay for it, and so I think this is something very serious.

I think also in a State like our home State, where we are good agriculture and we are good at the energy industry, there is an awful lot of product that would make good fertilizer in the natural gas industry and that sort of thing that is available there as well. I think we have to look at all options on both sides, on the input side and on our output side, for all options, for biofuels, for the—but also, we can produce some of our own fertilizer right here.

Senator GRASSLEY. Yes. I do not have another question, but let me just finish with this comment. Everything I have read about the 8.3 percent inflation rate we have, 40 to 50 percent of it is caused by energy and this President's energy policy. I think it is outrageous that we are having \$5 gasoline and the poor people of this country are the ones that are suffering as a result of it, and I think that ought to be taken into consideration and just reverse these bad policies of the last year that have run the gasoline cost to what it is.

I yield back.

Senator WARNOCK. Senator Thune.

Senator THUNE. Thank you, Mr. Chairman. What he said on energy. Thank you and Ranking Member Hoeven for having today's hearing focusing on trade priorities and issues that are facing farmers and ranchers.

I also want to thank the panel today. Thank you for being with us and sharing your insights. A special welcome, as was noted, to Mrs. Meshke, who—it is great to have someone working to grow South Dakota's dairy industry and, I might add, a South Dakota State University jackrabbit graduate before the Committee.

Let me maybe focus this first question—and it has been covered a little bit, but I want to really drill down on it because it does deal with the important issue of market access. President Biden is attending the Summit of the Americas. The White House has announced priorities for the summit that include climate change and corruption but not trade agreements and investment initiatives. Similar to the Administration's Indo Pacific Economic Framework, the President is pushing an agenda with our Latin American part-

ners that does not include market access to boost investment in two-way trade.

As China actively makes inroads in the Indo-Pacific and Latin America, I should add, through trade and investment infrastructure projects, does the U.S. risk losing market access opportunities and influence in these key regions without active trade engagement? If China makes further inroads in these key regions at the expense of America, what longer-term impact is this going to have on American producers?

Whoever wants to take a stab at that. Mr. Fisher, please.

Mr. FISHER. Senator Thune, I totally agree, and I think one of the things that—perhaps if I may go back a little bit in time, when we pulled out of the Trans-Pacific Partnership, this was one of the things that I was concerned about. I realize it was not a popular piece of work, but we did use some of those planks in USMCA and other places. Access is what this is all about in our trade world. It is what it has always been about and any way you can get there.

I worry about losing traction in part of the Indo-Pacific area because I do not see that element in the present environment we are in. I look at Africa, and I look at some of the things that we had started in that process and we are not following up on right now. Latin America is another good example, and it has been in the news just lately. There are—we are missing opportunities there, and we are allowing, if I might say it this way, China to move in and sort of colonize some of the otherwise demand that we would be—and the relationships that we could be involved in and we simply have not been for some time now.

I agree. I think there are—there is a lot we need to step up on in this agenda. In my written remarks, I mentioned that with the slowdown and with the lack of the appointments we have sort of stepped back from the world arena, and it is very troubling to those of us that have made our living all our lives pushing for access to markets and capitalizing on that. We have 60 to 80 to 100 markets every year for wheat, much of it in Asia, much of it in Latin America, and we do not want to jeopardize that in any way. We want to expand those roles going forward.

Senator THUNE. Thank you. I am going to ask Mrs. Meshke that same question, but I will just observe in response to your answer I also believe TPP was a good thing. I wish we would have been in it, stayed in it.

My concern is since this Administration has taken over there has been no effort at trade promotion authority, no effort to do FTAs, and to the degree that there is an Indo-Pacific Economic Framework it does not address the fundamental issues. If we are really serious about competing with China economically in that region of the world, most of those countries are going to much more naturally align with the United States than they are in China. If we are not there, and if we are not giving any of these countries an incentive, they are going to flow into that orbit.

This has huge economic implications for agriculture, obviously, for other forms of the American economy as well, but it also has national security implications in that region. I just think that we are missing a huge opportunity, and so I appreciate your comments on that.

Mrs. Meshke, anything to add on that?

Mrs. MESHKE. I would concur that free trade agreements are key in reducing non-tariff barriers for trade and for leveling the playing field. I would again draw the attention to the fact that our U.S. competition—Europe, New Zealand, Australia—they are more firmly entrenched in their deals than we are today. We have not passed an FTA in about a decade, and that is, again, critical to our long-term success.

Think about the U.K., what a lucrative dairy market that could be. South East Asia. There is so much room to grow in China and Japan. Again to underscore, we need free trade agreements.

Senator THUNE. Yes. Thank you and, again, appreciate the investment that you all are making in dairy in South Dakota. We think that is a lot of growth potential there.

Mr. Chairman, my time is expired. I have got a couple other questions maybe I can submit for the record, but thank you.

Mrs. MESHKE. Thank you.

Senator WARNOCK. Thank you, Senator Thune.

I think Ranking Member Hoeven will be back in just a moment. We are in the midst of a vote, and he is going to vote, and then I have got to get to vote and come back. In the meantime, as I wait for him, I will go to another question.

Georgia is a national leader in peanut production, producing more than half of all peanuts grown in the United States. As I mentioned in my opening statement, I remain deeply frustrated that little progress has been made to improve market access for our peanut farmers into the European Union. This is something Senator Tuberville and I have worked on. We partnered on this issue last year, leading a letter that was co-signed by 17 of our colleagues, urging USDA and USTR to work alongside industry stakeholders to address these persistent trade barriers.

Mrs. Thompson, how would increased market access into the E.U. benefit peanut farmers and shellers in Georgia?

Mrs. THOMPSON. Well, as I mentioned before, exports are historically 25 percent of the peanut market, and if we can tackle some of these trade barriers in the E.U., it could really help provide some certainty. We are in such a time of uncertainty when it comes to peanuts and really when it comes to all of our crops. You know, we do not know how much our inputs are going to cost. We do not know whether our shipments can even arrive in the E.U. in a timely manner.

This aflatoxin non-trade barrier, it really adds to that uncertainty. We may send peanuts that we have taken every step to make sure are of the highest quality, especially in Georgia, only for them to be rejected at the E.U. Then we have to lose a third to a half of the value of the product while they are recleaned or even reshipped back to the United States.

Senator WARNOCK. Thank you so very much. This is an issue that I certainly am going to stay focused on and continue to hear from all of our stakeholders across Georgia, farmers all across our State, who are concerned about this issue. We cannot fill these positions soon enough to get this addressed.

With all of that, I was trying to wait on Ranking Member Hoeven. We are in the midst of a vote. With that, all questioning is concluded.

Thank you to our witnesses for being here today and providing testimony. This has been an insightful hearing. A key message that I heard is that our farmers must have a seat at the decisionmaking table on trade. I look forward to working with Ranking Member Hoeven and other members of the Subcommittee to continue to elevate the concerns and priorities of our farmers with the current Administration.

This hearing was about helping our farmers compete and thrive. That is a net benefit not only for them but certainly for all of us. Our farmers are navigating increasingly complex and volatile markets both at home and abroad, and I believe that it is our responsibility to support these farmers as best we can and to ensure that their operations are resilient for their long-term and short-term economic success.

To my fellow members, I would ask that any additional statements or questions you may have for the record be submitted to the committee clerk five business days from today or 5 p.m. next Thursday, June 16th. Thank you all.

With that, this hearing is adjourned.

[Whereupon, at 12:09 p.m., the Subcommittee was adjourned.]

A P P E N D I X

JUNE 9, 2022

Written Testimony
Senate Agriculture Subcommittee on Commodities, Risk Management, and Trade

Dr. Gopinath Munisamy
College of Agricultural and Environmental Sciences
University of Georgia

June 9, 2022

American Agriculture Needs Predictable and Equitable Trade Policies

Good morning Honorable Chairman, Ranking Member and Members! Thank you for the opportunity to speak with you today.

I would like to begin by saying there is much to celebrate in American agriculture. Our farm and food producers will export commodities and products worth about \$191 billion during fiscal 2022, nearly \$19 billion over that of fiscal 2021, according to USDA. America is among world's largest exporters of many agricultural commodities – soybeans, corn, beef, wheat, cotton, almonds and others. While we celebrate that success, let us keep in mind that export success is uneven across commodities and countries. Five commodities – soybeans, corn, beef, wheat, cotton and pork – account for about 50 percent of the total export value. Five countries – China, Mexico, Canada, Japan and Korea – account for 62 percent of American agricultural exports. Moreover, the record export value during fiscal 2022 mostly comes from price increases with export volume down across most products.

Let us also not forget that American consumers and food businesses will import \$181 billion worth of commodities and products during fiscal 2022, nearly \$18 billion over that of fiscal 2021, according to USDA. Horticultural products – fruits, vegetables, nuts, alcoholic beverages – accounted for a whopping 50 percent of the total import value. Tropical products, beef/live cattle and dairy mostly make up the rest of American imports. Canada and Mexico are two of the largest sources of our imports, accounting for 44 percent of our total imports. I would like to draw your attention here to the unique and large trade imbalance in fruits and vegetables: we will export \$14.4 billion and import \$42.7 billion worth of these products during fiscal 2022.

No doubt that our natural resource base together with technology and our farmers' ingenuity are at the core of American agricultural growth. Trade policy plays a critical role in translating that growth into well-being for both American producers and consumers. We led the creation of the World Trade Organization in 1995 accompanied by the launch of the Uruguay Round Agreement on Agriculture. In addition, we have 14 regional trade agreements in place covering 20 countries. From the agricultural and food industry perspective, the major ones include the Uruguay Agreement, USMCA, CAFTA-DR, and KORUS. Noteworthy here is that the last "new"

agreement was KORUS in 2012. While there was some momentum in 2014 for new agreements like the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), it was quickly replaced by a focus on enforcing existing agreements resulting in renegotiated NAFTA, i.e., USMCA, KORUS, and Phase 1 U.S.-China Agreement in the last 5 years.

Going forward, American agriculture, in my humble view, needs both predictable and equitable trade policies. Please allow me to first expand predictability. Back to back to back events – read U.S.-China trade conflict, Covid-19 and the Ukraine-Russia military conflict – have created significant economic and policy uncertainties. For soybeans for example, the largest market, i.e., China, was taken away first, and when it was reopened, we faced a Covid-19 demand collapse, worker shortages and shipping constraints. Now, with sunflower and palm oils facing export blocks for diagonally opposite reasons, our producers are significantly stressed on inputs costs and transportation barriers. Economists have clearly shown that uncertainties make all of us – including our farmers – to limit investments for future growth. So, with market access, we also need and I quote WTO here, “Sometimes, promising not to raise a trade barrier can be as important as lowering one, because the promise gives businesses a clearer view of their future opportunities.” The 164 members of WTO committed to this fundamental principle of “Predictability: through binding and transparency.” I believe American leadership is needed in shaping trade policies that not only opens markets around the world, but also ensures such access remains stable, i.e., predictability. Bilateral opportunities to expand market access exist in sustainable and some conventional products with key allies like Japan, UK and EU. However, multilateral efforts are needed to achieve predictable market access across all products and countries, because collective action is often the best pathway to ensure predictability through binding and transparency. When the sky-high prices come down, diversified volume growth will be needed to sustain and increase the value of American agricultural exports.

For the multilateral and bilateral efforts to achieve predictable market access, again in my humble view, we need to address inequities arising from trade. Every trade economist will tell you that trade creates gains and losses. If the losses – jobs, income, abilities – do not receive adequate policy attention, a consensus to move forward on future agreements cannot arise. The case in point is the South Eastern produce industry. On a recent road trip to South Georgia with my Dean, I found a common theme across the dozen produce farms we visited: hard-working families – husband and wife, grandpa and granddaughter, entire family – challenged by imports, input costs, and labor issues. A major question on their agenda is “how can we compete with the flood of both in-season and off-season Mexican and South American produce in our markets?” Both the U.S. Department of Agriculture and International Trade Commission have documented these trends and assessed revenue losses to SE growers from some of these produce imports. Most SE growers recognize American consumers’ desire for year-round availability of produce, but fear that comes at the expense of their current and future incomes. Regional injuries of produce imports do not have a recourse in our trade law, but there are

certainly other ways, i.e., examples abound in the Farm Bill, which could make SE growers more competitive. The lessons learned from addressing such inequities in agriculture may be of use elsewhere in the economy as well.

Thank you again for the opportunity to speak with you today. I would be very pleased to respond to any questions you have.

**Karla Baker Thompson
JET Farms Georgia and Integrity Farms
Camilla, Georgia**

United States Peanut Federation

U.S. Senate Committee on Agriculture

Washington, D.C.

June 9, 2022

Chairman Warnock, Ranking Member Hoeven, and Members of the Subcommittee, thank you for the opportunity to appear before you today as you review trade priorities for U.S. farmers. I appreciate the Committee's seeking producers' input on the impact of trade policy on family farms. Today, I am representing the United States Peanut Federation (USPF). USPF is comprised of the American Peanut Shellers Association, the National Peanut Buying Points Association, and the Southern Peanut Farmers Federation which includes the peanut grower organizations in Georgia, Alabama, Florida and Mississippi.

I currently farm in a family business with my husband and extended family on our family farm in Southwest Georgia. We have a diversified farming operation including peanuts, blueberries, green beans, fresh sweet corn, and sugar cane. I am responsible for strategic planning, financial control and development and regulatory compliance. Our farm reflects an increasing diversity in southeastern agriculture. We have row crops and specialty crops. Trade issues impacting our farm range from non-tariff trade barriers to seasonal imports on fruits and vegetables that decimate our prices.

Approximately 75% of our U.S. peanuts are sold domestically. Historically, about 25% of U.S. peanuts are exported. The majority of southeastern peanuts are used for peanut butter. The U.S. peanut market is growing in small increments. According to the National Peanut Board, Americans currently consume 7.9 pounds of peanuts annually. For this discussion, it is important to understand the value of our commodity in light of today's inflationary impact on consumer food purchases and the increasing threat of hunger, particularly in less developed countries. Peanuts are full of nutrients like protein, fiber, healthy fats, vitamins, and minerals and are one of the least expensive sources of protein. Peanuts benefit malnourished people in

all types of situations. This includes people who are underweight and obese; herbivores and omnivores; in the hospital or at home. In Africa, a peanut paste, fortified with vitamins and minerals, is used to treat severe malnutrition and related diseases. This paste does not require water or refrigeration, which is a scarcity in under-developed countries. We are fortunate to have one of these ready-to-use therapeutic foods (RUTF) manufacturers in the Chairman's home state of Georgia.

Our primary peanut export markets are Canada, Mexico, Japan, the European Union (EU), and China. To fully understand our peanut trade markets, we need to look at the numbers since the 2002 Farm Bill. In the 2002 Farm Bill, peanuts went from a historical supply-management program to a marketing loan program similar to other Title I commodities. This new market oriented program, now the Price Loss Coverage (PLC) program, reduced the price of peanuts for U.S. growers and should have made U.S. peanuts much more attractive to other countries importing peanuts. After the 2002 Farm Bill reforms, U.S. peanut world market share did show a slight increase; however, since 2015 our U.S. share of the world market has been declining. The implementation of non-tariff trade barriers in the EU and United Kingdom (UK) have only exacerbated this problem. The U.S. peanut industry's share of the world peanut market is less today than the U.S. market share in the 1990's. (see attachment 1)

The U.S. is just one of a number of peanut exporting countries. The world peanut market is very competitive. Our major competitors -- Argentina, Brazil, China, and India -- are classified as developing countries by the World Trade Organization (WTO). This allows these countries to support their farmers at a higher level than allowed in the U.S. Argentina is a consistent competitor for the U.S., particularly in the EU.

A look at our major export markets shows some of the issues we are facing. Our best markets, and also those with the most potential for growth, are the markets that pay premium prices. These markets provide prices that are profitable for exporters and have an impact on grower prices. Unfortunately, some of these best markets are not healthy. The Canadian market saw an increased U.S. market share until 2013 when we saw a dramatic decrease. In the last few years, the Canadian market has started to recover for U.S. exports but is still significantly off the mark as compared to the numbers prior to 2013. (see attachment 2)

In Japan, the U.S. has generally seen a flat trend line with significant market swings year after year. (see attachment 3)

Regarding the EU market, while the first 3 months of 2022 saw a significant increase over 2021, the overall trend line since 2003 has been downward. The U.S. market share decreased in the EU from approximately 40% in 2003 to 14% in 2021. Much of this market share loss has been to developing countries. The increase in U.S. market share in early 2022 is deceptive since the overall U.S. peanut exports to the EU have decreased drastically since 2003. (see attachment 4)

As you can see from my attachments, the U.S. has experienced a general upward trend in market share for Mexico. However, there are large swings in the Mexican market year after year. (see attachment 5)

China is an unpredictable market for U.S. peanuts. While they made a large purchase of U.S. peanuts in 2016 and then again in 2020, there is clearly no consistency in our peanut export sales to China. (see attachment 6)

Both Mexico and China are important trading markets, but they do not provide premium prices that help drive U.S. prices to growers. (see attachment 7)

Why is there a struggle for U.S. peanut exports to the EU and, more recently the UK? Mr. Chairman, as you and Senator Tuberville and 17 of your colleagues noted in a letter to the U.S. Trade Representative, peanuts are susceptible to a naturally-occurring aflatoxin. U.S. peanut growers are subject to stringent testing by the U.S. Department of Agriculture to assure our peanuts are safe to enter the food supply, both domestic and international. The EU, and now the UK, however, are requiring expanded testing criteria for U.S. peanut imports. What does this mean? The EU, and now UK, select 20% of U.S. shipments (containers) for aflatoxin testing, and they test 100% of the selected peanuts. In contrast, they only select 10% of shipments from China and 5% of shipments from Argentina. These new requirements for the U.S. are far more extensive than those required of our competitors in the EU and are costing the U.S. peanut industry hundreds of millions of dollars each year. (see attachment 8)

Although the Congressional Budget Office has projected no peanut forfeitures under the PLC program for the foreseeable future, the peanut stock carryover is holding prices down for growers. We need to be moving more peanuts in the export market. The incremental growth in the domestic market is insufficient to impact peanut prices for growers.

Peanut acreage will be reduced in the U.S. this crop year due to higher prices for other commodities. We do not anticipate short or long-term growth in the EU or UK until U.S. peanuts are on a level playing field with the other peanut exporting countries. As an industry, we are struggling to replace the EU and UK markets for the future.

Long-term, we see both India and Africa as competitors in the world peanut market.

Our top trade priority, at this time, is to improve our position in the EU and UK which will require the reduction of the non-tariff trade barrier. The peanut industry has been working with USDA's Agricultural Marketing Service (AMS) and the Foreign Agricultural Service (FAS) on this problem. We need the U.S. Trade Representative to prioritize this problem in discussions with the EU and UK.

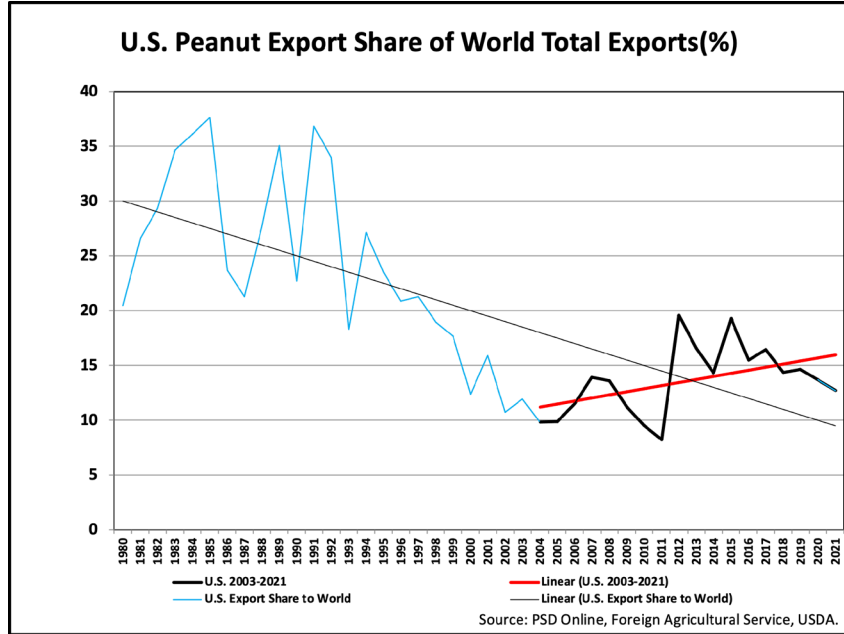
I would be remiss if I did not point out the extreme impact of supply chain issues and rising input costs on Southeastern farms. In addition to equipment, parts, and other input delays for our farming operation, the cost increases for inputs has been unprecedented for the 2021 and 2022 crops. According to the Center for Rural Prosperity and Innovation at Abraham Baldwin Agricultural College, based on U.S. representative peanut farms, the average total cash flow cost per ton of peanuts for the 2021 peanut crop was \$545.97. The projected 2022 peanut total cash flow cost to produce a ton of peanuts is \$666.94 per ton. Prices on virtually all of our inputs have risen. The increasing costs are not only straining our financial resources but it is making it difficult to budget expenses. For instance, I used to ask our chemical vendors for advance pricing on products. They would quote me a price then honor those prices for the season. Now, I have to re-bid our chemicals almost weekly, and most weeks I find that the prices have increased.

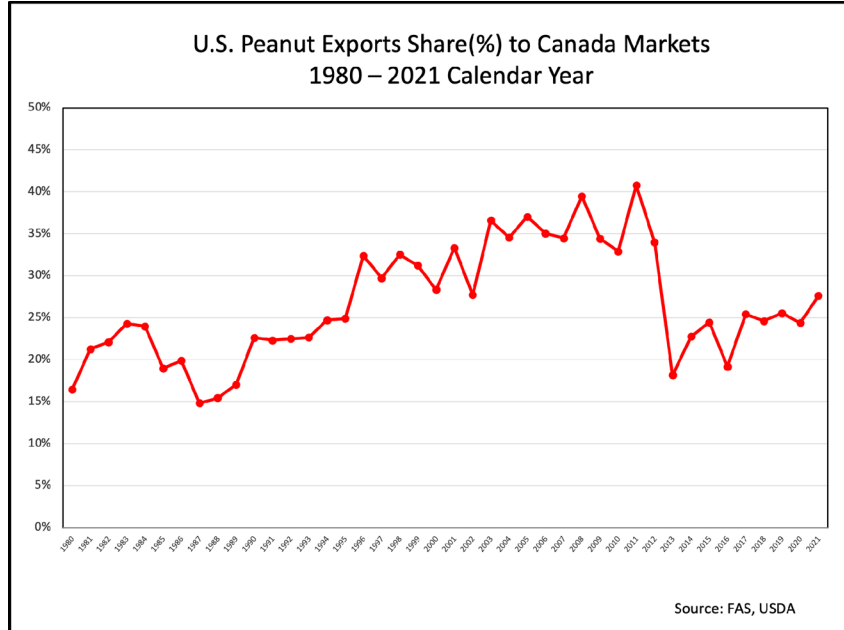
Peanuts require certain soils, particular climate or growing conditions, and specialized equipment. Our multiple pieces of harvesting equipment can be used for no other commodity. In a matter of a few short weeks, certain equipment is used to harvest and then will not be used again until the next year. With these rising costs of production for peanuts, we cannot

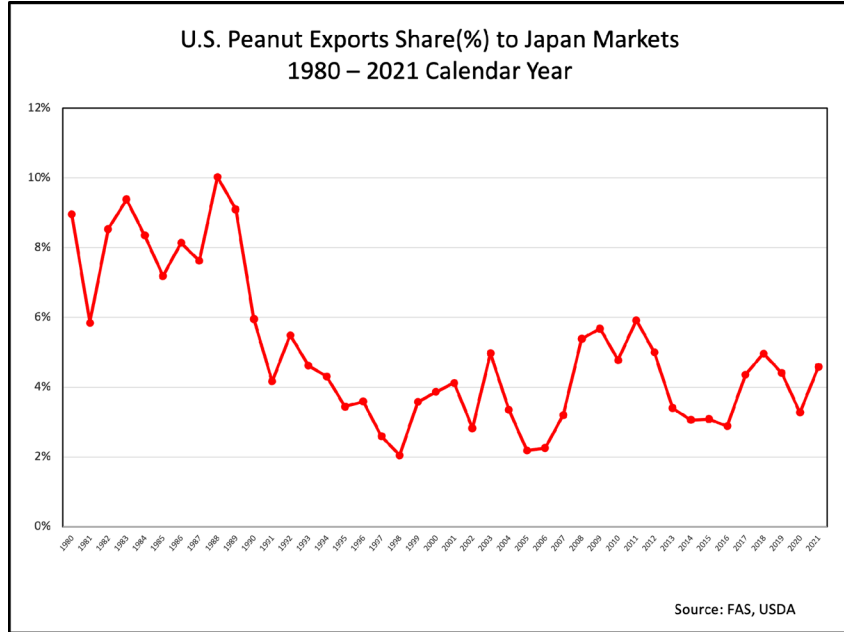
afford to ignore an unhealthy peanut export market. Simply put, we need to sell more U.S. peanuts.

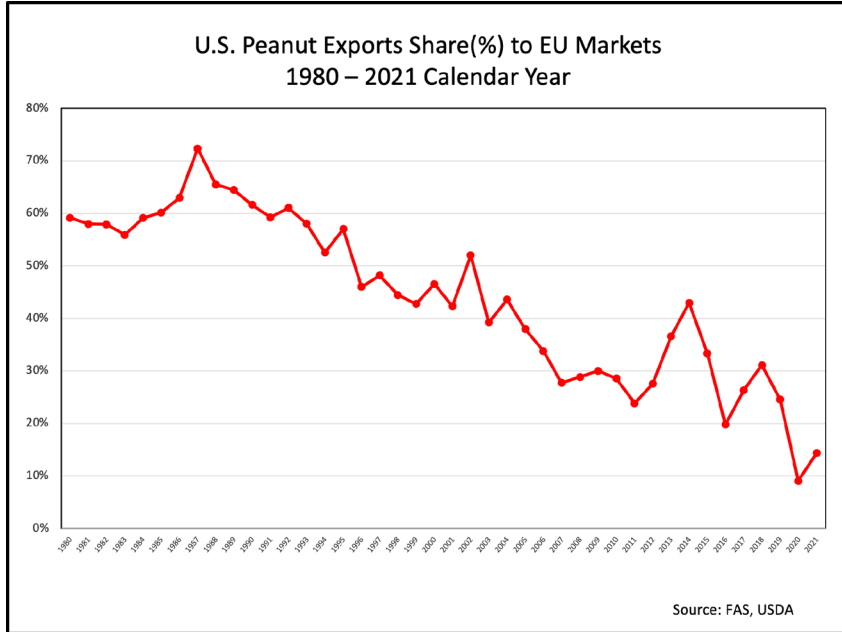
Mr. Chairman, we appreciate you and Senator Tuberville, along with Senator Hyde-Smith, leading the effort to cure the problem peanut growers are experiencing with the non-tariff trade barrier in the EU and UK. We believe the best path to resolve this issue is with USTR prioritizing U.S. peanut exports in discussions with the EU and UK.

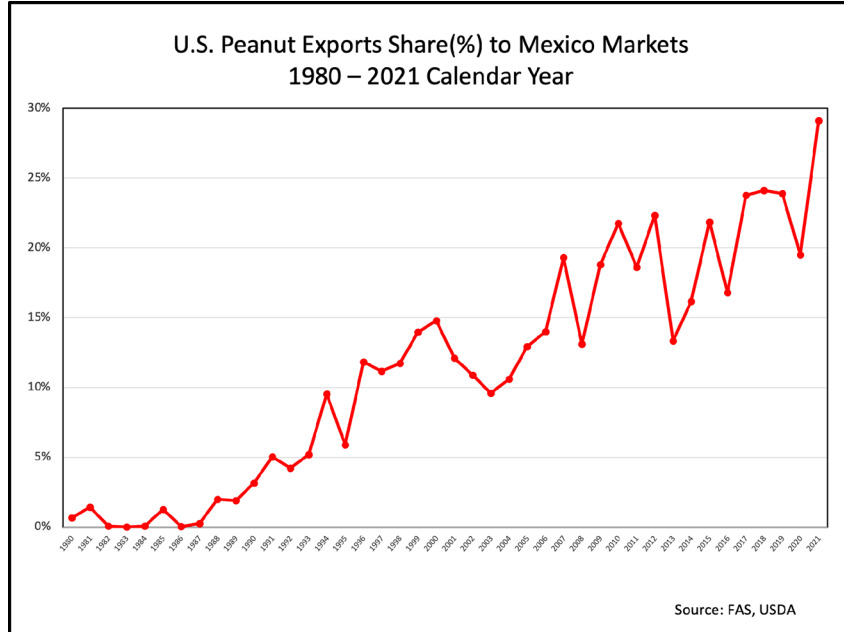
Thank you for allowing me to participate today.



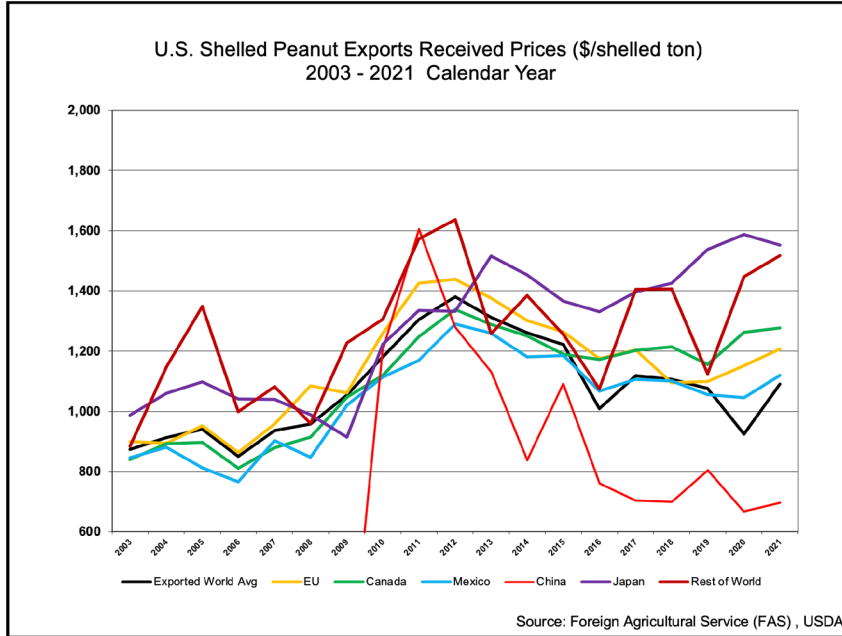












Congress of the United States
Washington, DC 20515

June 22, 2021

The Honorable Tom Vilsack
Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

The Honorable Katherine Tai
U.S. Trade Representative
Office of the U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Secretary Vilsack and Ambassador Tai,

We write to bring your attention to ongoing non-tariff trade barriers from the European Union (E.U.) affecting the domestic peanut sector. We encourage the U.S. Department of Agriculture (USDA) and the Office of the U.S. Trade Representative (USTR) to prioritize interagency collaboration and industry engagement in order to negotiate an effective solution with your E.U. counterparts that will ultimately allow increased market access for U.S. peanuts.

According to data published by USDA, domestic peanut farmers produced over 1.6 million acres of peanuts in 2020 with a farm gate value over \$1.2 billion. Due to their susceptibility to naturally-occurring aflatoxin, domestic peanut growers are subject to USDA testing to ensure all peanuts harvested for human consumption are safe to enter the food supply. U.S. growers have a long history of partnering with USDA to ensure their harvest is safe, with USDA also working on research initiatives to address the underlying causes of aflatoxin contamination and to improve post-harvest handling. Collectively, these efforts demonstrate that U.S. farmers and government officials are actively working to ensure that peanuts produced domestically are safe.

In 2020, an estimated 668,000 metric tons of U.S. produced peanuts were exported to international markets. Unfortunately, stringent E.U. testing requirements for aflatoxin are preventing increased U.S. exports into this high-value market. In recent years, the U.S. industry estimates they have lost approximately \$170 million in sales into the E.U. due to difficulties presented by these burdensome testing requirements. A review of data from the first quarter 2021 indicates an additional \$130 million in anticipated lost sales. Without efforts to negotiate a workable solution that will increase opportunities for domestic peanut operations, our farmers and businesses will continue to struggle with prohibitive requirements set by international partners.

As U.S. Senators who proudly represent peanut farmers in our states, we strongly support joint efforts by USDA and USTR to engage with your E.U. counterparts with the goal of reducing existing non-tariff trade barriers on peanut exports. Increased market access will ultimately benefit the peanut farmers in our states, and we stand ready to support your efforts on their behalf. Thank you for consideration of this request.

Respectfully,



Reverend Raphael Warnock
United States Senator



Tommy Tuberville
United States Senator



Bill Cassidy, M.D.
United States Senator



Tom Cotton
United States Senator



Tim Scott
United States Senator



Mark Warner
United States Senator



Thom Tillis
United States Senator



John Boozman
United States Senator



Lindsey O. Graham
United States Senator



Tim Kaine
United States Senator



Marco Rubio
United States Senator



Richard Burr
United States Senator



Roger F. Wicker
United States Senator



Rick Scott
United States Senator



Richard Shelby
United States Senator



Cindy Hyde-Smith
United States Senator



Ted Cruz
United States Senator



John Cornyn
United States Senator



Jon Ossoff
United States Senator

**Senate Committee on Agriculture, Nutrition & Forestry
Subcommittee on Commodities, Risk Management, and Trade Hearing on
Agricultural Trade: Priorities and Issues Facing America's Farmers
Thursday, June 9, 2022**

**Testimony of Sheryl Meshke
Co-President and CEO, Associated Milk Producers Inc.
On behalf of the
National Milk Producers Federation**

Good morning, Chairman Warnock, Ranking Member Hoeven, and distinguished members of the Subcommittee. Thank you for inviting me to testify at this hearing on priorities and issues facing America's farmers in connection with agricultural trade.

My name is Sheryl Meshke. I serve as co-president and chief executive officer of Associated Milk Producers Inc. (AMPI), the largest cheese cooperative based in the U.S. AMPI is owned by dairy farm families from Wisconsin, Minnesota, Iowa, Nebraska, South Dakota and North Dakota.

Our members market about 5 billion pounds of milk, with annual sales nearing \$2 billion. AMPI owns eight Midwest-based manufacturing plants, producing about 10 percent of the nation's American-type natural cheese and butter. The cooperative's award-winning dairy products are marketed to foodservice, retail, and food ingredient customers.

I am testifying today on behalf of the National Milk Producers Federation (NMPF), on whose board I serve. I also serve on the board of the U.S. Dairy Export Council (USDEC), which partners closely with NMPF on dairy trade policy issues – including all those I plan to address through my testimony.

NMPF develops and carries out policies that advance the well-being of dairy producers and their cooperatives. NMPF's member cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 32,000 dairy producers on national issues. International trade is one of those issues and in recent years it has been one of the most important.

NMPF and USDEC work in tandem on international trade issues. USDEC is a non-profit, independent membership organization representing the global trade interests of U.S. dairy farmers, dairy processors and cooperatives, dairy ingredient suppliers and export trading companies. USDEC's mission is to enhance U.S. global competitiveness and assist the U.S. industry to increase its global dairy ingredient sales and exports of U.S. dairy products. USDEC's efforts have contributed greatly to the success of the industry and the thousands of workers who are supported by dairy exports throughout the supply chain.

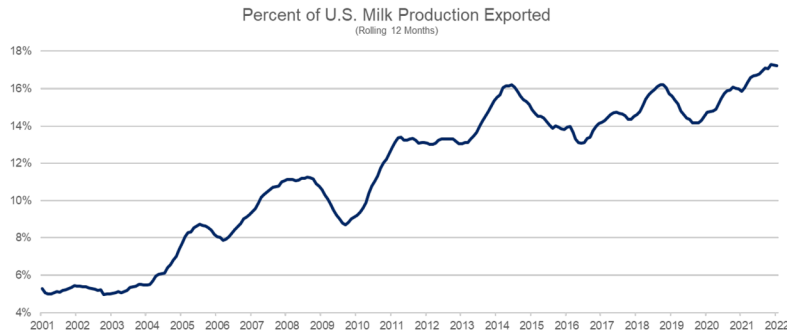
AMPI's Export Footprint and Impact on Dairy Farmer Returns

At our cooperative's Portage, Wisconsin plant, AMPI packages sliced and shredded cheese predominantly for foodservice customers. In 2020, AMPI expanded sales of its premium processed American cheese slices to China; by 2021 we were able to export 500,000 pounds, accounting for virtually all of the processed American cheese exported to China from the U.S. last year. Those efforts expanded to include the Middle East-North Africa region in 2021. Customers in those regions include upscale restaurants and quick-service burger chains. AMPI's cheeses are well-positioned to meet the needs of those overseas customers due to our award-winning, high-quality product that offers a larger, tastier and more attractive slice of cheese. On the policy front, if Chinese retaliatory tariffs were lifted, we would be even better poised to expand sales in that growing market.

Increased exports of processed American cheese benefit the entire U.S. dairy industry by driving demand, boosting cheese market prices and helping ensure the long-term financial health of U.S. dairy farmers. The primary ingredient in pasteurized processed American cheese is cheddar cheese sold in a 500-pound barrel format. Barrel cheese prices represent close to half of the calculation of Class III milk prices. In the cheese-producing Midwest, strong barrel market prices positively impact dairy farmers.

Economics of Dairy Sector and Trade

U.S. dairy is an essential component of American communities across the country, employing more than one million workers and adding \$750 billion to the U.S. economy.¹ For the U.S. dairy industry to be successful and continue to support farmers, workers, and consumers, international trade and exports are of utmost importance. Exports underpin U.S. dairy's success in the present and will support the industry's growth in the future. Over the past 20 years, satisfying international consumers' growing demand for dairy, particularly dairy protein, has allowed the U.S. dairy industry to grow. Today, exports account for 17% of U.S. milk production. With the right policies to allow U.S. dairy exports to flourish, that figure is expected to continue to climb in the years ahead.

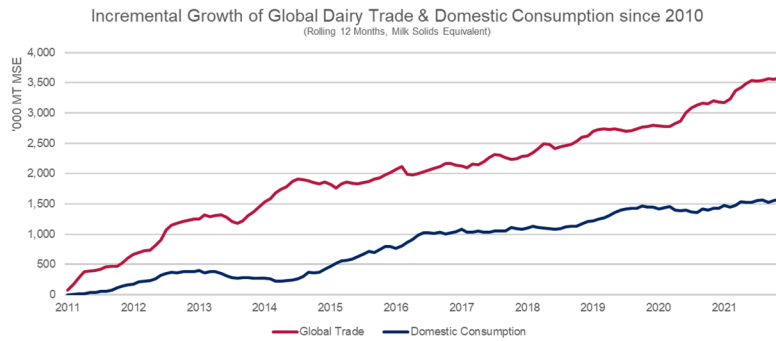


¹ <https://www.idfa.org/dairydelivers>

Since 2001 U.S. milk production has increased by 37% while exports have more than quintupled. Impressive as that export growth has been, the value of exports has increased even faster than the volume of exports over that time, jumping by 537%. This highlights the fact that international markets can be a high value proposition for U.S. dairy. And those sales are critical to our customers abroad as well – the U.S. is the third largest dairy exporter in the world. The well-being of the U.S. dairy industry is inextricably tied to international trade and global dairy demand is strongly reliant on the U.S. remaining a consistent and reliable supplier.



As important as exports are today to America’s dairy industry, they’re absolutely essential to our future. As shown in the chart below, since 2010, the amount of dairy traded internationally has grown by more than twice the rate (+4% per year on average) of U.S. domestic dairy consumption (+1.5%).



The U.S. dairy industry’s strongest future growth opportunities will come from international trade, with 96% of the world’s population living outside of the United States, and rising populations and incomes in dairy importing markets. In some ways that future is already here. Perhaps the most telling statistic of all is that **U.S. dairy exports have grown more than**

domestic sales in four out of the past five years, including 2021, which set records for volume, value and percent of production exported. And this is despite the export supply chain headwinds and competition disadvantages U.S. exporters have been facing in key markets.

Ultimately, if the United States wants to continue to help fulfill the growing demand for high-quality nutrition around the world – and reap the benefits those sales create for U.S. dairy farmers and workers through the production of Made-in-America product – we will need to continue to expand export sales and promote the use of effective trade policy tools.

The growing global market is a highly competitive environment with experienced competitors entrenched in key markets. The European Union and New Zealand, the world’s two largest dairy exporters, have been active in international markets far longer than the U.S., which has provided them with powerful historical advantages. They’ve built upon those advantages through a much more robust trade policy strategy. Between the EU and New Zealand, one or both have free trade agreements (FTA) in 15 out of the 17 largest dairy markets by value.² The U.S., by contrast, only has FTAs with five.³

With the combined investment of U.S. dairy farmers, processors, policymakers and associations, the U.S. is asserting itself as the primary dairy supplier to the growing global market. In 2021, the United States grew dairy exports by more than any other country in the world. However, sustaining that success is not guaranteed.

Maintaining and expanding trade relationships is vital to the strength of the domestic dairy industry and the economic health of rural America. Congress and the U.S. government must work together to preserve equitable trade relationships with key dairy trading partners and prioritize creating greater market access for the high quality, sustainably produced milk and dairy ingredients manufactured by the U.S. dairy industry.

U.S. Leadership on Global Sustainability Efforts

The robust environmental stewardship of U.S. dairy farmers bolsters our capacity to meet global demand and provides an additional opportunity to be competitive. No other country in the world is as greenhouse gas efficient in milk production as the United States, where our producers reduced the greenhouse gas emissions of producing a gallon of milk by almost 20 percent from 2007 to 2017. We make highly sustainable products and will continue to improve on that through our 2050 goals for the U.S. dairy industry to become greenhouse gas-neutral or better, improve water quality, and optimize water usage. With a commitment to increased productivity and continuous improvement, the U.S. dairy industry has been able to produce milk using 65% less

² Excluding the U.S. and European Union, the seventeen largest dairy import markets by value are China, United Kingdom, Russia, Saudi Arabia, Mexico, Japan, Indonesia, South Korea, Malaysia, Philippines, Australia, Singapore, Canada, Thailand, Taiwan, Switzerland, and Egypt. Only Russia and Saudi Arabia don’t have FTAs with either the EU or New Zealand.

³ The U.S. has FTAs with Australia, Canada, Mexico, Singapore, and South Korea. Although the U.S.-Japan Phase One Agreement expanded U.S. access to that market, work to complete it and create a permanent, comprehensive FTA has not been concluded.

water, generating 76% less manure, and 63% less greenhouse gas emissions compared to 70 years ago.⁴

We believe the U.S. is uniquely positioned to promote sustainability on the global stage by leading a science-based, productivity-oriented approach that will be critical to supporting global competitiveness of U.S. agriculture exports, particularly dairy. We expect to see increasing pressure from our export competitors focused on advancing their agriculture, sustainability, and trade objectives through ongoing work in the United Nations and international standard setting bodies. To balance the discussion and ensure global recommendations and standards are science-based, facilitate trade, and deliver more sustainable food systems, it is essential the U.S. government take a leadership role and work with likeminded countries around the world to deliver priority outcomes.

The U.S. dairy industry demonstrated it is a strong partner in this charge at this past year's United Nations Food System Summit. As a proud member of the Coalition of Action for Sustainable Productivity Growth for Food Security and Resource Conservation, we stand ready to do the work needed to advance the pragmatic approaches, and reject extremist positions driven all too often by European activist groups and protectionist interests. We look forward to continuing to work closely with the U.S. government and Congress regarding the opportunities for dairy and the wider agriculture community in the fight against climate change. We applaud the U.S. government's wide-ranging efforts encouraging other countries and sectors to embrace the benefits of a sustainable productivity model, and we encourage increased government support of innovation through initiatives such as our Net Zero Initiative, which is a voluntary on-farm effort to advance the U.S. dairy industry's 2050 goals of achieving GHG neutrality and improving water and land use.

As dialogue around the world and within the UN itself often unfortunately focuses on an anti-trade, anti-dairy, and anti-agriculture narrative, the U.S. dairy industry looks to U.S. policy leaders to help inform the debate about the benefits of innovation and technology while advocating an approach that respects the legitimate role of all agricultural sectors in the future of the global food system. Given current and anticipated challenges combined with the solutions U.S. agriculture has to offer, the United States must remain uniquely focused on charting a more workable, trade-friendly, and science-driven pathway forward on sustainability and climate issues. Agricultural producers across the board are stewards of the land, and the U.S. dairy industry is a prime example.

Export Shipping Supply Chain Challenges Require Urgent Remedies

One of the most pressing concerns for the dairy industry at present is the immense challenge posed in moving our American-made products from U.S. dairy manufacturing facilities to foreign customers. This challenge is plaguing dairy exporters across the country but is particularly acute for in-land facilities like AMPI in the Upper Midwest. Freight rates have soared while availability and predictability of the necessary equipment to move U.S. dairy

⁴ Journal of Animal Science, "The environmental impact of dairy production: 1944 compared with 2007" (2009), <https://doi.org/10.2527/jas.2009-1781>.

products to overseas buyers has plummeted. From a lack of containers to the lack of drivers to persistent issues with rail access and the lack of commitment to two-way trade from the shipping carriers, we are at an impasse this industry has never seen before.

These supply chain challenges have cost U.S. dairy exporters well over \$1.5 billion last year alone as a result of higher direct costs, reduced value and lost sales. The congestion also puts at risk long-term trade relationships as international customers seek alternative suppliers, citing the United States as an increasingly unreliable supplier due to the delayed shipments and product deterioration.

These challenges will only exacerbate the ongoing global food security crisis driven by the Russian invasion of Ukraine and other geopolitical instability. Billions around the world rely on U.S. containerized agricultural exports, including dairy, and impediments in the export supply chain create additional scarcity and upward pressure on food prices globally if left unaddressed.

This is a complex problem that requires a suite of solutions:

- On the Congressional front, it is critical Congress swiftly move on final passage of the Ocean Shipping Reform Act and ensure the regulatory framework it envisions delivers timely relief to U.S. exporters that deserve equitable access to foreign markets. Trade dynamics where the equivalent of a four-lane highway for goods surges into the United States while exports are effectively relegated to a single lane to reach international customers are not sustainable and not in the best interests of this country. Restoring a more balanced approach to trade flows has broad bipartisan support and is essential to providing a fair shake for American-made products.
- With respect to the Administration, the dairy industry supports the actions that have already been taken to help provide some support to U.S. agricultural exporters. More are needed however to help match the scale of the challenges in our export shipping supply chain. For instance, NMPF and USDEC have asked the Administration to resume issuing USDA's weekly snapshot into the availability and locations of containers, to provide incentives and "fast lanes" at port terminals for perishable products like dairy, to expand on the positive pop-up sites established to date in Oakland and Seattle by creating inland pop-up terminal yards as well, and to implement pilot projects to enable "dual turns" of containers to avoid returns of empty containers. These are more vital to helping address trade flow snarls.
- It's also critical negotiations between the port terminals and labor unions are handled in a positive and fruitful manner. Dairy exporters cannot afford additional disruptions that would exacerbate the current all-too-fragile situation. Congress and the Administration should closely monitor these negotiations and promote the importance of maintaining trade flows as talks continue.
- Finally, it is essential Congress deal with immigration reform to help the dairy industry grapple with the current labor crisis facing the nation. On behalf of dairy farmers and cooperatives throughout the country, I urge you to find common ground to address the problems at the border, while encouraging legal immigration for dairy. Unlike some other

sectors of agriculture, dairy does not have access to H2A visas which makes the labor challenges all the more pressing for our industry.

U.S. Dairy Needs New Trade Agreements to Expand Market Access Opportunities

As noted earlier, U.S. dairy exporters operate in a highly competitive global marketplace where our largest competitors – the EU and New Zealand – have been much more active than the U.S. over the past decade in negotiating and implementing trade agreements. This is already putting U.S. dairy exporters at a disadvantage in certain markets and the gaps will continue to grow the longer the U.S. delays reengaging in the global trade policy sphere in earnest. For this reason, the U.S. dairy industry strongly urges a resumption of the pursuit of comprehensive trade agreements with key dairy importing markets.

For example, we should begin by restarting the already well-advanced U.S.-United Kingdom (UK) FTA negotiations. In 2021, the U.S. exported only \$30 million in dairy products to the UK even though the UK is a major dairy importer. Our exports were significantly constrained due to existing tariff and non-tariff barriers. A resumption of FTA negotiations, and an eventual agreement, would substantially increase trading opportunities for this market.

Moreover, the U.S. should pursue comprehensive trade negotiations with key Asian markets such as Japan, Vietnam, Malaysia, Thailand, Indonesia, and the Philippines. This is particularly important given our major dairy competitors in many of these markets already have FTAs in place or are in the midst of negotiating them, putting U.S. dairy producers at a competitive disadvantage. FTAs are an important tool for shaping other countries' policies – both with respect to leveling the playing field for the sale of American-made goods around the world, and with regard to advancing commitments on areas the U.S. government may seek to drive progress on such as labor, environmental and climate policies. The contents of FTAs can and should evolve over time to best advance U.S. priorities. Other developed markets such as the European Union and Canada have managed to find a way to balance their interests effectively in trade agreements – it's certainly viable for the U.S. to do the same and resume engagement in the global trade environment.

In the meantime, it is key the U.S. maximize use of the tools USTR has announced to date as an interim step. The launch of the Indo-Pacific Economic Framework (IPEF) and the U.S.-Taiwan Initiative on 21st-Century Trade are positive initial steps forward. The IPEF provides an opportunity to address non-tariff trade barriers as well as most-favored nation (MFN) tariff barriers to U.S. dairy exports throughout the region. It is imperative agriculture is a core component of these conversations given our sector's position as a reliable net-exporting producer of products supporting U.S. workers. At a minimum, IPEF and the Taiwan Initiative should address foreign MFN tariffs and secure specific commitments on non-tariff barriers. In IPEF, the U.S. must strive for high-ambition, binding results on exports, and exempt countries from the trade pillar who are not equally ambitious, rather than accept the lowest common denominator.

USTR has also touted the value of Trade and Investment Framework Agreements (TIFAs) to advance U.S. export interests. Dairy farmers and exporters are hopeful TIFAs can indeed be leveraged to make a degree of progress on expanding markets; doing so will require a greater

prioritization of U.S. agricultural export interests than has traditionally been the case in TIFA discussions, however. As with the IPEF, TIFAs should be used to seek MFN tariff cuts on dairy products to level the playing field with our competitors in key Indo-Pacific markets. This strategy was successfully used by this Administration and the prior one to secure unilateral tariff reductions recently in Vietnam for U.S. agricultural exports.

An important example of a non-tariff trade barrier that merits focus in IPEF and TIFA forums is Indonesia's plant registration requirements which pose an unwarranted limitation on U.S. dairy exports. In order to export to Indonesia, dairy plants are required to register with the government on an approved list. Indonesia's process is exceedingly slow and unpredictable and represents a severe bottleneck to expansion of U.S. exports to Indonesia, our sixth largest export destination. For instance, multiple U.S. dairy facilities who applied to ship to Indonesia at the beginning of 2020 have still not seen final action on their applications and have been asked to provide extensive business confidential information to Indonesia. The U.S. government should work with its Indonesian counterparts and interagency partners to secure prompt approval of the pending applications. In addition, the U.S. should secure with Indonesia a systems recognition of the safety of the U.S. dairy regulatory system in order to provide a long-term solution to the deeply flawed facility registration process in this market. Facility registration procedures are proliferating – creating a more viable regional model for a reasonable and trade-friendly approach to tracking exporting facilities would be an excellent outcome in IPEF's trade regulatory forum.

The United States Must Tear Down Nontariff Barriers

Both in the context of IPEF and in every other trade forum, the United States must strive to break down the nontariff barriers that limit export opportunities for U.S. dairy products. A few examples of particularly problematic nontariff barriers are outlined below.

USMCA Implementation and Enforcement

As important as it is to forge new agreements to continue to reduce barriers to U.S. dairy exports, it is critical the U.S. ensure that our trading partners are held accountable for the provisions in our current deals. In this respect, dairy farmers and exporters are counting on full implementation and robust enforcement of the U.S.-Mexico-Canada Agreement (USMCA) in order to preserve and fully deliver on the market access opportunities the U.S. procured for U.S. dairy products into the Canadian market.

The dairy industry greatly appreciates the work of the Administration to initiate and secure a successful verdict in the first dispute settlement panel proceeding ever brought under USMCA, focusing on Canada's breach of its USMCA dairy tariff-rate quota (TRQ) commitments, and also strongly supports the Administration's decision to bring a second panel proceeding against Canada for its continued foot-dragging and refusal to comply with the agreement.

I would like to thank the numerous members of this subcommittee for their strong support on this issue as well. Congress has been a steadfast and bipartisan champion of the importance of enforcing USMCA's dairy provisions, as well as its other areas.

Unfortunately, Canada's revised USMCA dairy TRQ system falls far short of the genuine reforms needed to comply with its USMCA commitments. The U.S. must insist that Canada's full compliance with the agreement is the only acceptable outcome in this case. The future of U.S. dairy exports to Canada depends on this, as does the outlook for the ability of USMCA's dispute settlement system to deliver real change when our trading partners shirk their obligations. Given Canada's history of persistent violations and the high likelihood Ottawa will once again disregard its USMCA obligations, USTR and USDA must be prepared to deploy the strongest-possible retaliatory measures envisioned under the USMCA should Canada's 'whack-a-mole' approach continue. Canada's actions must have consequences.

Other issues must also be monitored and focused on by the Administration to ensure USMCA works for the dairy industry. For example:

- Canadian exports of milk protein isolates (MPI) and certain skim milk blends manufactured under the new Class 4a have been increasing in a manner that appears designed to intentionally circumvent USMCA's dairy protein export disciplines. Curbing Canada's use of global markets to dispose of the excess dairy protein generated by its government-controlled supply management system was a core USMCA objective and must remain a focus area of the Administration.
- Vigilant monitoring and aggressive enforcement will also be necessary with our other USMCA partner, Mexico. Mexico is the largest export market for U.S. dairy products, and the U.S. trade relationship with Mexico is of the utmost importance. Unfortunately, Mexico has seen a proliferation of poorly designed regulations that threaten to disrupt trade and erode the U.S. role as a reliable supplier. These overly burdensome regulatory proposals pose a particular threat to U.S. milk powder and cheese exports to Mexico. Close attention must also be paid to Mexico's implementation of USMCA side letter provisions on geographical indications (GIs) and common food names.

The U.S. should ensure discussions with Mexico treat its surge in regulatory and customs enforcement issues as a collective concern, and not simply as one-off issues. We need to restore smooth and predictable trading conditions with Mexico to ensure the U.S. and Mexico remain an integrated market fulfilling the promise of USMCA.

Common Food Names

It is essential the Administration undertake intensive efforts to defend the use of common food and beverage names against aggressive global efforts by the European Union to impose GI trade barriers in markets around the world. In principle, GI protections are used to describe specialized products made in a specific region of a country to protect the unique nature of that product. However, the EU has used GIs to restrict the use of generic terms by which millions of consumers recognize some of their favorite foods and beverages. The use of GIs to restrict consumer access to generic named foods must be firmly rejected as the protectionist and anti-trade policy that it is.

To complement the industry-led activities in this area, we have urged the U.S. government to secure firm and explicit trade commitments. Doing so helps assure the future use of specific

generic food and beverage names targeted by EU monopolization efforts and rejects the use of GIs as barriers to trade in products relying on common names. This approach enjoys broad support by many members of this subcommittee and other Senators as indicated in a [letter](#) to USTR and USDA in 2020 urging such steps.

USMCA's common food name side-letter provisions established a new precedent affirming market access rights for a non-exhaustive list of commonly used product terms. However, to effectively combat the EU's trade-distorting and WTO-illegal actions, the U.S. government must proactively and consistently expand beyond this precedent to rectify these trade barriers with other trading partners. Accomplishing this will ensure market access protections for American-made common food name products are strengthened and these cloaked barriers to trade are rejected.

Volatility in EU Trade Conditions

The EU has an enormous dairy trade imbalance with the U.S., a product of its overly burdensome, bureaucratic approach to trade. Unlike some other long-standing agricultural issues between the U.S. and the EU, the chief problems⁵ that U.S. dairy faces in exporting to Europe are driven by red tape, not food safety concerns. The EU imposes overly prescriptive requirements that mandate assurances of compliance with specific EU regulations and employ excessively complex certification requirements that are entirely disproportionate to the level of risk posed by U.S. dairy exports. As a result of this complexity and slow-moving EU bureaucracy, numerous U.S. dairy shipments have been detained in EU ports for months this year.

In the past, even when long and arduous government-to-government discussions resolve a concern, the time involved, and the frequent introduction of new requirements create market instability and uncertainty that put hundreds of millions of dollars of trade at risk. The EU's insistence that its trading partners must mirror exacting process and paperwork requirements and not simply adhere to outcome requirements and reasonable documentation elements fails to comply with the EU's trade obligations and needlessly impedes food trade at a time of growing global food insecurity.

In the near term, the Administration should prioritize immediate release of still-detained shipments and ensure that the EU's relevant authorities provide swift, clear guidance to their ports to avoid future trade disruptions. Once the immediate crisis is resolved, the United States must resume efforts to secure broader recognition of the U.S. dairy regulatory system so that every change in EU regulations and every minor paperwork completion interpretation does not generate cumbersome new certification challenges for U.S. exporters. To truly drive change in the deeply flawed U.S.-EU agricultural trade relationships, the United States must explore ways to utilize the leverage that European reliance on our market affords us.

Growing Latin American Protectionism

⁵ Beyond the common names bans cited earlier in this testimony.

Some of dairy's key Latin American FTA partners are experiencing a wave of anti-import sentiment driven by local producers. For example, Panama has officially requested the renegotiation of trade commitments on certain "sensitive" agricultural products, including dairy. And in Peru, the domestic dairy industry is seeking to prohibit use of the term "milk" on evaporated products produced with milk powder from the U.S. and other sources despite domestic production falling short of satisfying the nation's dairy demand.

The U.S. government must work through government channels to ensure market access remains open for U.S. dairy products. U.S. government should be actively and proactively working in Latin America to insist our trade partners meet their international commitments under U.S. free trade agreements and the World Trade Organization (WTO). All market access benefits for U.S. dairy exports – including in U.S. FTAs – must be fully preserved to avoid sliding backward.

Closing

In closing, the U.S. dairy industry recognizes the importance of expanding overseas market opportunities to bolster our farmers, processors, and manufacturers here at home. We have worked hard to establish the U.S. as a reliable and environmentally sustainable supplier of safe and nutritious products to meet growing foreign demand for high-quality American dairy products. We want to capitalize on these extensive efforts through improved access to these markets.

New trade agreements will be necessary not only to expand market access, but to preserve it, as our competitors grow their own networks of FTAs and in the process threaten to render U.S. exports uncompetitive. The health of the dairy industry, including the many farmers and manufacturing workers it employs throughout its supply chain, will depend on such agreements, on ensuring vigorous enforcement of those agreements, and on bilateral and regional efforts to address trade barriers.

Again, Chairman Warnock and Ranking Member Hoeven, I truly appreciate the opportunity to testify before this Subcommittee and to serve as a voice for the U.S. dairy industry to highlight the importance of global trade to American dairy farmers across the nation.



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STATEMENT OF
THE NORTH DAKOTA WHEAT COMMISSION

TO THE SENATE COMMITTEE ON
AGRICULTURE, NUTRITION, and FORESTRY;
SUBCOMMITTEE ON COMMODITIES, RISK MANAGEMENT, and TRADE

Hearing: Agricultural Trade; Priorities and Issues Facing America's Farmers

June 9, 2022

Presented By:
Neal Fisher, Administrator
North Dakota Wheat Commission

Good morning, Mr. Chairman and members of the Committee, my name is Neal Fisher. I am the Administrator of the North Dakota Wheat Commission, and I am pleased to have this opportunity to offer testimony on behalf of the Wheat Commission and the dedicated producers it represents.

North Dakota wheat producers rely heavily on exports and have actively developed durable export market relationships, which account for half of their annual income opportunities. A vibrant market for high-end bread and pasta products also assures consistent growth in demand on the domestic side of the equation for our producers of high-performance U.S. hard red spring (HRS) and durum wheat.

The North Dakota Wheat Commission is a producer driven, checkoff organization directed by a seven-person board of Commissioners. Six are elected by their peers, with a seventh, 'member at-large', appointed by the Governor. Their mission is to expand market and pricing opportunities for their fellow wheat producers and thereby enhance the bottom line and resiliency of the North Dakota wheat industry.

Agriculture is the largest industry and economic driver in our state. The 'farm gate' value of agricultural production in North Dakota annually averages \$10 Billion, with four main pillars; wheat, corn, soybeans, and livestock making up 80 percent of the total value. Very important high value specialty crops, such as sugar beets, potatoes, sunflower, canola, peas, lentils, dry beans, flax and others make up the remaining 20 percent.

It is interesting that the states of Iowa, North Dakota, and Kansas typically rank as the top three states in what USDA describes as 'principal crops' in the United States. These three states consistently claim roughly 24 million acres planted to those principal crops. Illinois and Texas rank fourth and fifth, and several neighboring states fill out the top ten. Acreage in other states drops off pretty quickly.

Trade and exports of these staple U. S. commodities are extremely important to these agriculturally oriented states, but make up a very important part of the national economy as well. This year the value of U.S. agricultural exports is projected to reach a record \$191 Billion, eclipsing last year's record of \$177 Billion, according to USDA

estimates. Exports of this value annually support well over a million jobs in the U.S. We should also remember that U.S. Agriculture is the only sector of the U.S. economy that consistently generates a positive trade balance; routinely exporting more U.S. agricultural products than we import. This remarkable success story requires deliberate actions on the part of many, to accomplish and maintain that level of trajectory.

The North Dakota Wheat Commission has long valued its many partnerships. The founders of the Commission, soon after its creation by the North Dakota legislature more than six decades ago, entered into public/private partnerships that remain viable and productive today. Research and development partnerships with the Land Grant University, North Dakota State University; were expanded to develop better germplasm, genetic resistance to plant diseases and pests, and to improve yield, quality, and performance; ensuring greater producer and customer satisfaction and establishing a formula for repeat business.

Equally important are the Foreign Market Development (FMD) and Market Assistance Program (MAP) partnerships, administered by USDA's Foreign Agriculture Service (FAS). These aptly-named Cooperator Programs match producer (checkoff) funds in an approximately 2.5 to 1.0 ratio, effectively doubling or tripling the impact of producer funding when implementing and executing market development programs worldwide, under the guidance of the highly competitive Unified Export Strategy.

The U.S. wheat industry, including the North Dakota Wheat Commission and 16 other (similar) state wheat organizations, is represented by U.S. Wheat Associates in the market development arena. Equipped with funding from this USDA public/private partnership, U.S. Wheat maintains offices and provides qualified (trade service) staff in strategic customer locations around the world. Our producers are fond of saying, "The sun never sets on our market development and trade servicing efforts focused on the technical needs and success of our loyal customers. The stated goal is to establish 'repeat business' in the critically important export market.

North Dakota wheat producers have done very well in actively forging lasting business relationships with thriving customers in 60 – 80 importing countries. Much of the recent expansion in exports of U.S. hard red spring (HRS), also known as dark northern

spring (DNS) wheat has been accomplished in Asia where explosive growth has occurred especially in countries with younger demographics and therefore greater market potential. In those markets, HRS or the 'DNS' Brand as it is often referred to, is recognized as the 'Pinnacle of Quality and Performance' and is selling well – at premium prices.

U.S. DNS carries a proud reputation as an 'improver' wheat, specifically purchased to enhance the performance of perhaps an indigenous wheat produced locally, or a weaker performing raw material possibly acquired from an alternate origin at a seemingly more attractive price. The 'DNS' brand or identity may also provide the benefit of 'a clean label', with recognizably fewer additives required for product processing appearing on the package label, thereby generating additional, and 'marketable' customer appeal for the more natural, simpler end-product image. Growing market success in the Asian, Latin American and Caribbean Regions is a welcome offset to contrastingly declining markets in North Africa, the Middle East, and parts of Europe, where customers are vulnerable to the more modest values and often lower landed costs of logistically advantaged, lesser quality Black Sea and wheats of other global origins. The logistical dilemma is currently exacerbated by sky-rocketing global energy costs which are quickly manifested in much higher ocean freight and other obvious transportation costs, currently plaguing producers, processors, and consumers globally.

Long held Wheat Commission trade policy goals include:

- Improving Market Access
- Lowering Tariffs in Importing Countries
- Elimination of Unfair Trade Practices
- Expanding Markets and Pricing Opportunities for North Dakota Producers
- Fully Funding/Enhancing USDA Export Programs – FMD, MAP, & ATP
- Remaining the world's most reliable supplier of agricultural products in the world market and the world's first choice for wheat

Global Trade Agenda/Environment Shifting to Non-Tariff Barriers - Concerning

Trade agreements have intentionally reduced and, in many cases, eliminated burdensome tariffs, traditionally the major focus of wheat trade policy initiatives. Bilateral and multilateral negotiations remain a priority, but emphasis has had to shift to

eliminating protectionist trade restrictions increasingly imposed by importing countries. New era restrictions to trade often ‘masquerade’ as legitimate measures to ensure domestic food security, promote alleged sustainability goals, or guard against threats to human or animal health. ‘Non-tariff’ barriers have become some of the most complicated and damaging trade issues, often deployed aggressively with little or no basis in science.

Other Current Concerns:

- Past U.S. Administrations initiated preliminary negotiations with the UK, the European Union, and strategic trading partners in Africa, but pursuit of these formerly active U.S. trade portfolios has slowed markedly. Appointments of key trade negotiators and other critical agency personnel also lag normal timelines, shrinking the number and scope of team capabilities.

In stark contrast, aggressive negotiations in 2019 produced an ambitious China-Phase One Agreement which was relatively well received by agricultural stakeholders. Also, in 2019, a critically important agreement was negotiated with Japan to address a serious tariff disadvantage facing U.S. wheat producers arising from the U.S. withdrawal from the Trans-Pacific Partnership (TPP). Decisive actions by USTR and USDA, quickly adopted by Japan, preserved our second largest and long-time US spring wheat (DNS) export destination.

- Unrealistic maximum residue levels (MRLs); impractical limits on weed seeds in cargoes
- Bans on new technologies including biotechnology
- Non-scientific based claims are gaining momentum against common agricultural inputs, widely used herbicides and pest control agents

These costly, non-tariff restrictions often strand cargoes in foreign ports with little recourse but to renegotiate contract price or terms; difficult issues to address with little hope of meaningful results under existing trade remedy provisions.

- USDA-FAS MAP and FMD Funding levels are in serious need of additional funding, a prime consideration for upcoming Farm Bill deliberations. Inflationary and other budgetary pressures have seriously eroded the effectiveness of these critically important and highly effective market development tools by 20 to 30 percent or more; these are valuable, time-tested programs which have repeatedly

in independent studies generated economic benefits of up to \$35 for each dollar invested in these very same U.S. agricultural market development programs.

Opportunities:

- Earlier initiated FTA negotiations have potential to expand U.S. agricultural exports and should be re-started; UK FTA perhaps most logical and potentially relatively shorter timeline prospect; some U.S. HRS business noted; would demonstrate continued U.S. interest in FTA process
- Africa – Longer term potential, 100 MMT annual volume potential; Africa Growth and Opportunity Act (AGOA, May of 2000 expires in 2025) Discussion will likely come up; Sub-Saharan Africa (SSA) is a large potential grain import market/but very price sensitive, actual upfront potential may be limited, but opportunity to explore for future business
- U.S. wheat industry has identified growth markets in Asia-Pacific region that deserve additional attention; Indonesia, Malaysia, and others (attention and resources required)
- U.S. Opportunity to ‘Remain the world’s most reliable supplier’ of agricultural products to the world market

Mr. Chairman, Thank you again for this opportunity. I will be happy to respond to any questions you may have.

QUESTIONS AND ANSWERS

JUNE 9, 2022

U.S. Senate Committee on Agriculture, Nutrition, and Forestry
Agricultural Trade: Priorities and Issues Facing America's Farmers
 June 9, 2022
 Questions for the Record
Mrs. Sheryl Meshke

Senator Amy Klobuchar

1. When the United States-Mexico-Canada Agreement (USMCA) was being negotiated, I was focused on laying the groundwork for an even playing field for dairy exports from Minnesota's 5,500 dairy farmers and the 31,657 dairy farmers across the nation. In January, a USMCA panel ruled that Canada is not holding up its end of the deal. Last month, U.S. Trade Representative Katherine Tai announced a second dispute settlement consultation with Canada to address their ongoing restrictions.
 - Can you talk about the importance of rigorously enforcing our current trade agreements and why holding our trading partners accountable is necessary to expand export opportunities for U.S. dairy products? How can we continue to break down non-tariff trade barriers and ensure full export benefits for dairy products?

While new market access opportunities are the number one trade priority for U.S. dairy producers, American farmers and the thousands of workers they support rely upon the robust enforcement of existing trade agreements as the bedrock for further advancements. The dairy industry welcomed the U.S. government's initiation of dispute settlement proceedings under the U.S.-Mexico-Canada Agreement (USMCA) regarding Canada's failure to administer dairy tariff-rate quotas in accordance with the deal, but dairy producers are frustrated that nothing substantive has yet been won. Canada has clearly indicated that it will continue to make cosmetic changes that only marginally improve market access. The United States government must not tolerate this behavior and should commence the process required to impose retaliatory tariffs, which is within its rights under USMCA rules. Not only would the retaliatory duties inflict real pressure on the Canadian government to ensure that U.S. dairy producers are provided the access that had been negotiated, but they would also send a strong message that the United States will not stand for attempts by trading partners to circumvent settled agreements.

Strong enforcement restricts the ability of countries to erect nontariff barriers for U.S. dairy exports. However, enforcement tools are about holding onto what we have already secured through negotiations, not about opening doors further for American exports. This is of growing concern, particularly as the United States lags in pursuing comprehensive trade agreements compared to our key dairy competitors. To stay competitive globally, the U.S. dairy industry urges Congress and the Administration to ensure that agricultural market access expansion is included in all trade negotiations – including the nascent Indo-Pacific Economic Framework and Trade and Investment Framework Agreements. These trade discussions provide an avenue to address nontariff barriers such as geographical indications restrictions on common cheese names and onerous dairy facility registration processes. We also encourage the U.S. government

to pursue unilateral Most Favored Nation (MFN) dairy tariff reductions in key markets, similar to the recent success achieved in Vietnam. Ultimately, we hope these steps will lead to a resumption of comprehensive trade agreement negotiations with key markets as well.