

Written Testimony
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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.