STATEMENT BY
COALITION TO PROMOTE U.S. AGRICULTURAL EXPORTS
TO THE
COMMITTEE ON AGRICULTURE, NUTRITION,
AND FORESTRY
UNITED STATES SENATE

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Good morning, Mr. Chairman. My name is Tim Hamilton, and I am Executive Director of Food Export Association of the Midwest USA and Food Export USA--Northeast, which are regional trade organizations that offer services to help U.S. food and agricultural companies promote their products in foreign markets. Today, I am testifying on behalf of the Coalition to Promote U.S. Agricultural Exports of which we are a member. We commend you, Mr. Chairman, and members of the committee, for holding this hearing to review our agricultural trade programs and wish to express our appreciation for this opportunity to share our views.

The Coalition to Promote U.S. Agricultural Exports is an ad hoc coalition of over 100 organizations, representing farmers and ranchers, fishermen and forest product producers, cooperatives, small businesses, regional trade organizations, and the State Departments of Agriculture (see attached). We believe the U.S. must continue to have in place policies and programs that help maintain the ability of American agriculture to compete effectively in a global marketplace still characterized by highly subsidized foreign competition.

With the 2002 Farm Bill, Congress sought to bolster U.S. trade expansion efforts by approving an increase in funding for the Market Access Program (MAP) and the Foreign Market Development (FMD) Program. This commitment began to reverse the decline in funding for these important export programs that occurred over the previous decade. For MAP, funding was increased over the course of the 2002 Farm Bill from $90 million annually to $200 million annually, and FMD was increased from approximately $28 million to $34.5 million annually.

Farm income and agriculture's economic well-being depend heavily on exports, which account for over 25 percent of U.S. producers' cash receipts, provide jobs for nearly one million Americans, and make a positive contribution to our nation's overall trade balance. In FY 07, U.S. agriculture exports are projected to be $78 billion, up $9.3 billion over last year and up $25 billion since 2002. However, exports could be significantly higher if it were not for a combination of factors, including continued high levels of subsidized foreign competition and competition crushing trade barriers. Agricultural imports are also forecast to be a record $70 billion, continuing a 35-year upward trend that has increased at a faster pace recently. If these projections hold, agriculture's trade surplus is expected to be $8 billion, up $4.7 billion over last year but still a huge decline from the roughly $27 billion surplus of FY 96. In FY 99, the U.S. recorded its first agricultural trade deficit with the EU of $1 billion. In FY 07, USDA forecasts that the trade deficit with the EU will grow to $7.6 billion, the largest agriculture deficit the U.S. runs with any market.

America's agricultural industry is willing to continue doing its best to offset the alarming trade deficit confronting our country. However, the support provided by MAP and FMD (both green box programs) is essential to this effort.

Both MAP and FMD are administered on a cost-share basis with farmers and other participants required to contribute up to 50 percent of their own resources. These programs are among the few tools specifically allowed in unlimited amounts under World Trade Organization (WTO) rules to help American agriculture and American workers remain competitive in a global marketplace still characterized by highly subsidized foreign competition. The over 70 U.S. agricultural groups that share in the costs of the MAP and FMD programs fully recognize the export benefits of market development activities. By any measure, such programs have been tremendously successful and extremely cost-effective in helping maintain and expand U.S. agricultural exports, protect American jobs, and strengthen farm income.

A recent independent cost-benefit analysis of the MAP and FMD programs prepared for the Department of Agriculture by Global Insight, Inc.--the world's largest economic analysis and forecasting firm--illustrates the benefit of these vital market development programs. MAP and FMD are public-private partnerships that use government funds to attract, not replace, industry funds. According to Global Insight, total partnership spending on market development has grown 150% in the past decade to over $500 million projected for FY 07 ($300 million from industry and $200 million from government). Over this period, industry contributions (up 222%) have grown twice as fast as government funding (up 95%) under MAP and FMD. Industry funds are now estimated to represent 59% of total annual spending, up from 46% in 1996 and less than 30% in 1991, which strongly represents industry commitment to the effort.

Another key finding by Global Insight is that two-thirds of market development funding through MAP and FMD is directed at technical assistance and trade servicing, not consumer promotions such as advertising. This category includes trade policy support, which has grown rapidly in recent years, as industry groups use program funds to help address rising levels of SPS barriers that U.S. products face in global markets. Only 20% of program funds are used in consumer promotions, largely for high value products supported under MAP.

The Global Insight study clearly illustrates the following favorable benefits of increased funding for market development and promotion through MAP and FMD that has occurred under the 2002 Farm Bill:

Market development increases U.S. competitiveness by boosting the U.S. share of world agricultural trade.
? The study found that the increase in funding for MAP and FMD authorized in the 2002 Farm Bill--combined with the increased contributions from industry-- increased the U.S. share of world trade since 2001 by over one market share point to 19%, which translates into $3.8 billion in agricultural exports.

Market development increases U.S. agricultural exports.
? As mentioned above, Global Insight found that U.S. agricultural exports are forecast to be $3.8 billion higher in 2008 than they would have been had market development not been increased in the 2002 Farm Bill. Furthermore, export gains will accrue well beyond 2008, reaching $5 billion once the full lagged impacts of market development are taken into account.

For every additional dollar spent on market development, $25 in additional exports result within 3-7 years. The study also found that 39% of the export benefits of market development accrued to U.S. agricultural products other than those that were being promoted. Known as the "halo" effect, this provides empirical evidence that the program generates substantial export benefits not only for industry partners carrying out the activity (they receive 61% of the total export benefit) but for other non-recipient agricultural sectors as well (that receive 39% of the total export benefit).

Market development improves producers' income statement and balance sheets.
? The income statement is improved by the price and output effect that higher exports have on cash receipts and farm net cash income. Additional cash receipts have increased $2.2 billion during the 2002 Farm Bill due to the additional exports from market development. Higher cash receipts increased annual farm net cash income by $460 million, representing a $4 increase in farm income for every additional $1 increase in government spending on market development.

In recent years, the EU, the Cairns group, and other foreign competitors devoted approximately $1.2 billion on various market development activities to promote their exports of agricultural, forestry, and fishery products. A significant portion of this is carried out in the United States. Market promotion is permitted under WTO rules, with no limit on public or producer funding, and is not expected to be subject to any disciplines in the Doha Round negotiations. As a result, it is increasingly seen as a centerpiece of a winning strategy in the future trade battleground. Many competitor countries have announced ambitious trade goals and are shaping export strategies to target promising growth markets and bring new companies into the export arena. European countries are expanding their promotional activities in Asia, Latin America, and Eastern Europe. Canada, Australia, New Zealand, and Brazil have also budgeted significant investments in export promotion expenditures worldwide in recent years.

As the EU and our other foreign competitors have made clear, they intend to continue to be aggressive in their export efforts. For this reason, we believe the Administration and Congress should strengthen funding for MAP and FMD as part of a strong trade component in the new Farm Bill, and also ensure that such programs are fully and aggressively utilized. It should be noted that MAP was originally authorized in the 1985 Farm Bill at a level of $325 million, and the Coalition strongly supports returning the program to that authorized level of funding from its current level of $200 million per year. We also urge that no less than $50 million annually be provided for the Foreign Market Development (FMD) Cooperator Program for cost-share assistance to help boost U.S. agriculture exports. For FMD, this proposed increase reflects approximately the 1986 level of funding, adjusted for inflation.

We appreciate the Administration's recognition of the merit and value of MAP in their 2007 Farm Bill proposals by increasing funding for the program to $225 million annually, although we strongly believe a higher funding level of $325 million annually is needed. Furthermore, we believe that USDA's Foreign Agricultural Service's (FAS) current system of funding based upon the competitive merit of applicants' proposals works well and should not be changed. We do not believe that targeting funds to specific sectors is necessary.

Now, I'll describe how Food Export - Midwest and Food Export - Northeast utilize MAP to help U.S. food producers get started exporting, and to promote our country's value-added agricultural exports. The 50 state departments of agriculture participate in MAP through four state regional trade groups. These groups coordinate the export promotion efforts of the states, and focus on assisting smaller food and agricultural processors and farmer cooperatives.

We identify three different levels of assistance for smaller exporters: Exporter Education and Training, Market Access and Opportunity, and Market Promotion. MAP funds are used in a variety of ways to support these efforts:

Exporter Education and Training
? Export Essentials is our on-line education center that helps companies learn about the complex steps of exporting and how to integrate all the elements of the export transaction. Export Essentials consists of ten modules that can help companies determine their export readiness, research and target their top markets and even create an export marketing strategy. We also publish a regular newsletter, which informs thousands of companies about opportunities and events in the export market.

Market Access and Opportunity
? We offer several programs and services to help companies find importers and distributors overseas. For example, we arrange Buyers Missions where U.S. companies can meet one-on-one with pre-qualified international buyers who are interested in learning more about their products. During these meetings, companies gain valuable feedback about their product's potential in an export market, and often generate actual sales to a market for the companies that participate.

Market Promotion
? Our Branded Program offers cost-share assistance, through which we support 50% of the costs of a variety of marketing and promotional activities for small companies. This helps companies expand their marketing efforts and stretch their marketing dollars twice as far. We routinely hear from small companies that they simply would never have been successful in an export market, if not for this program.

The MAP focuses on value-added products, including branded foods. Overseas consumers, like those here in the U.S., tend to buy products based on brand names. By promoting brand names that contain American agricultural ingredients, we build long-term demand for our products. These value-added products support jobs and encourage investment in our own processing industries.

Here are a couple of brief examples of how companies are benefiting from MAP funds and from participating in the programs I just described:

Each year, we hold a variety of Buyers Missions in various states around the country. Last year, our Northeast Buyers Mission drew key buyers from 20 countries. 88 U.S. companies participated and reported $1.3 million in actual sales as a result of the event. These companies also projected over $17 million in sales. One company, Aladdin Bakers, a Northeast-based company that produces baked goods, started doing a substantial amount of business in Canada because of the connections made at the Buyers Mission. Originally, the company was only sending 1 truckload of bread to Canada every 2 to 3 weeks. After the mission, the company projected it would be sending 100 trucks a year. Agricultural trade not only impacts producers and processors. It also impacts other industries, including packaging and distribution.

Companies, and ultimately the U.S. economy, also benefit from export sales to emerging markets. American Pop Corn Co., located in the Midwest, used Branded Program funds to expand its marketing efforts in eastern Russia and Saudi Arabia. Since starting its promotions, the company achieved a market-leading position in Saudi Arabia and experienced a 20% increase in sales during the first year. The minimal cost of promotion brought long-term gains to the company.

Last year, about 200 small companies in our programs made their first export sale of U.S. agricultural products, and, nearly 250 companies generated sales increases over 20%. Each of the other cooperator participants has generated additional results. None of this would have been possible without support from the MAP program.

American products are seen world wide as high quality products--safe products. Selling higher quality products requires promotion. The MAP is an investment in promotion that pays off.

As world trade increases, so does competition. It is essential that we retain, and in fact, increase funding for the Market Access Program, in order to continue to build our export markets for U.S. agriculture.

I appreciate very much this opportunity to testify in support of these important agricultural export programs, and would be pleased to respond to any questions you may have.