Statement by Danny Murphy, Vice President
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before the

Committee on Agriculture, Nutrition, and Forestry
United States Senate

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Good morning, Mr. Chairman and Members of the Committee. I am Danny Murphy, a soybean producer from Canton, Mississippi, and a Vice President of the American Soybean Association. ASA appreciates the opportunity to appear before you today to provide our views on international trade issues, including the export promotion provisions of the 2008 Farm Bill.

Soybeans are the second largest commodity in the United States in terms of annual acreage and value, with 78 million acres planted and a farm-gate value of $32 billion in 2009. Soybeans and soybean products are the most important U.S. export commodity, with sales exceeding $21 billion last year. This represented over 50 percent of U.S. soybean production and 21 percent of total U.S. agricultural exports in 2009.

As producers of the largest export-dependent commodity, soybean farmers have historically made international trade a top priority. ASA has actively participated in negotiations on and strongly supported enactment of every multilateral, regional, and bilateral trade agreement the U.S. has engaged in. We have worked closely with every Administration to ensure enforcement of these agreements, including their sanitary and phytosanitary provisions. And we have successfully protected access for U.S. soybean exports to foreign markets as new biotech traits have been introduced over the last 15 years.

Looking to the future, the growth in world population and demand in developing countries for an improved diet, including more livestock products and vegetable oils, indicates a pressing need to increase soybean production over the next several decades. With limited opportunities to expand U.S. soybean acreage, most of this increase will need to come from raising yields. ASA has strongly supported greater funding for agricultural research, including the President's request for $429 million in FY-2011 funding for the Agriculture and Food Research Initiative (AFRI). We also are working closely with companies that are developing new traits to increase soybean yields, protein and oil content, and other quality characteristics.

ASA was pleased with the President's commitment to double the value of U.S. exports under the National Export Initiative. Efforts to contribute toward achieving this goal in the agriculture sector will require Congressional approval of the pending Free Trade Agreements with Colombia, South Korea, and Panama, negotiation of new FTAs with key importing countries, and progress on the Asia Pacific Economic Cooperation regional agreement. Delay in approving the Colombia FTA has caused us to lose over 50 percent of our market share for soybean meal. Negotiation of new FTAs will require renewal of Presidential Trade Promotion Authority, or TPA, which is a top priority for ASA.

Action is also needed on legislation to normalize financial relations with Cuba. S. 3112 introduced by Senators Senators Amy Klobuchar and Mike Enzi, would eliminate the current financing restrictions, as well as lift current travel restrictions for U.S. citizens to Cuba. Cuba imported $284 million worth of U.S. soybeans, meal, oil, livestock products in 2009. Normalizing financial relations would improve the competitiveness of U.S. soybean and soybean and livestock product exports to the Cuban market. We understand some Members of Congress are concerned that lifting the travel restrictions would strengthen the current Cuban government and delay democratic reform. ASA's view is that the travel prohibition has had no more effect in bringing about reform in Cuba than the financial restrictions, and that it should not impede action on this important legislation.

Turning to the trade title of the 2008 Farm Bill, ASA is one of the largest recipients of funds under the export promotion programs of USDA's Foreign Agricultural Service, including $6.8 million under the Foreign Market Development (Cooperator) Program and $5.1 million under the Market Access Program. These funds are matched with soybean farmer check-off Dollars contributed by the United Soybean Board through the U.S. Soybean Export Council, which administers our foreign offices and activities under these programs. ASA strongly supports maintaining funding of both the FMD program and MAP at the current levels of $34.5 million and $200 million, respectively, for FY-2011, and increasing these levels in the 2012 Farm Bill.

ASA is also becoming increasingly involved in international food assistance and development programs operated by FAS and USAID. ASA's World Initiative for Soy in Human Health, or WISHH, program received a grant of $26.9 million under the FAS Food for Progress program this year to conduct agricultural development projects in Afghanistan. The goal of this and similar efforts is to help strengthen the economic, social, and political stability of nations designated as "least developed countries" so they can eventually emerge as viable states and trading partners. The alternative is to leave them to the influence of countries hostile to the U.S., or to see them become bases for terrorists, as Afghanistan was prior to 9/11.

Finally, ASA continues to follow efforts to revive negotiations on the Doha WTO trade agreement. In December 2008, we joined other agriculture organizations in opposing the draft agriculture modalities framework known as the Falconer text because it provides little assurance of improved market access for U.S. farm exports in exchange for major concessions on trade-distorting domestic support. We stated at the time, and repeat now, that no agreement is better than a bad agreement.

We are concerned with provisions in the Falconer text under which countries could protect domestic industries from meaningful tariff reduction by designating Special Products or Sensitive Products, or through a Special Safeguard Mechanism, or SSM. Under the SSM provision, a developing country could raise tariffs when imports of a product exceed only 110 percent of recent average levels. A paper submitted to the WTO by Canada and Australia based on import data from developing countries in the last 6-10 years concluded that, even with a trigger of 140 percent, higher SSM tariffs could have been imposed on 30.3 percent of all tariff lines in each year, and on 85.6 percent of all tariff lines in at least one year. As a result, countries which have consistently exceeded previous-year imports of soybeans or soybean and livestock products, such as China, would be able to use the Special Safeguard Mechanism to impose higher tariffs.

In our view, the Doha negotiations on agriculture are unlikely to make progress until and unless structural imbalances in the Falconer text are corrected. These imbalances are rooted in the very different assumptions which countries brought to the Doha Round. Developing countries assumed that a development agenda would include unilateral concessions by developed countries, including substantial reductions in trade-distorting domestic support and export subsidies. Developed countries, and particularly the U.S., expected commensurate improvements in market access by developing countries in exchange for these concessions. The Falconer text, which has very real domestic support reductions but insufficient tariff cuts and problematic protectionist loopholes, does not strike a balance acceptable to U.S. soybean producers.

If the Doha negotiations are to be revived and completed, individual developing countries will need to make meaningful concessions during bilateral negotiations that offset the imbalance in the Falconer text. These include acknowledgement by countries that are major world exporters that the value of their domestic price supports to producers exceeds their AMS caps and must be scaled back. Countries that subsidize exports of processed products by applying Differential Export Taxes must commit to eliminate them. Tariff Rate Quotas must be set at levels that ensure meaningful and increasing market access, particularly for designated Special and Sensitive Products. And shortcomings in the text, including the SSM import trigger, must be corrected. ASA urges the Committee to keep these issues in front of our negotiators at USTR and USDA as the bilateral discussions continue.

That concludes my statement, Mr. Chairman. I will be pleased to answer any question you or other Members of the Committee may have.