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Mr. Chairman, members of the committee, I am pleased to appear before you today with my colleague from the U.S. Agency for International Development (USAID) William Hammink. I welcome the opportunity to discuss the trade and food aid programs administered by the U.S. Department of Agriculture (USDA).

#### INTRODUCTION

Since the last Farm Bill was enacted in 2002, the trade programs administered by the Foreign Agricultural Service (FAS) have served to expand new markets and maintain existing markets for U.S. agricultural products. These programs complement our efforts to open markets through trade negotiations and maintain market access through diplomacy and enforcement of trade agreements. To ensure that agricultural interests are well represented at the negotiating table, FAS works closely with the Office of the U.S. Trade Representative (USTR). Last year, we helped successfully conclude trade agreements with Colombia, Panama, and Peru that can provide greater market access for all U.S. agricultural products.

Together, our trade programs and negotiations have contributed to a strong farm economy and high demand for U.S. food and agricultural products. In fact, earlier this month, USDA raised its export forecast to a record \$78 billion for fiscal year 2007, due in part to strong commodity prices. This would be an increase of \$9.3 billion over last year, the second largest increase on record, and the fourth year of back-to-back records.

Nonetheless, in order to continue these impressive gains, we cannot rest on our accomplishments. We must expand access to overseas markets, where 95 percent of the world's consumers live. We must continue to refine and improve our longstanding programs to ensure that they operate efficiently and effectively.

To do this, the Administration crafted Farm Bill proposals that will strengthen U.S. agriculture's competitive position, while meeting our international obligations. These Farm Bill proposals are not only good farm policy, but good trade policy. They are more predictable, more equitable, and better able to withstand challenges from other countries.

#### TRADE PROGRAMS

##### Market Access Program

The cornerstone of the Department's market development efforts is the Market Access Program (MAP) which expires at the end of 2007, as mandated in the 2002 Farm Bill. This program uses funds from the Commodity Credit Corporation (CCC) to create, expand, and maintain long-term export markets for U.S. agricultural products.

Our Farm Bill proposals recommend increasing MAP funding from \$200 million to \$225 million annually. USDA will apportion this additional funding to help address the imbalance

between program crops and non-program commodities. The MAP also uses funds from the CCC to help create, expand, and maintain foreign markets, but it encompasses the full range of U.S. food and agricultural products, including value-added products. MAP forms a partnership between USDA and non-profit U.S. agricultural trade associations, U.S. agricultural cooperatives, non-profit state-regional trade groups, and small U.S. businesses to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, trade shows, and trade servicing.

#### Technical Assistance for Specialty Crops

As our exports have grown, some of our trade partners have increasingly turned to unscientific sanitary, phytosanitary, and technical barriers to protect their domestic industries and deny market access to U.S. agricultural products. USDA has successfully helped U.S. exporters regain market access for millions of dollars of products from almonds to spinach. To continue these efforts, the Administration's 2007 Farm Bill proposals would increase mandatory funding for the Technical Assistance for Specialty Crops (TASC) grant program by \$68 million over 10 years and increase the maximum allowable project award to \$500,000.

TASC funds projects to assist U.S. food and agricultural organizations address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops.

TASC has proven to be very effective in providing support for specialty crop exports. In recent years, TASC funding has been used to gain market access for California nectarines in Japan, harmonize organic standards with Canada and the EU, and create a database of pesticide tolerance levels and standards for more than 300 specialty crops in more than 70 countries. In 2006, USDA funded 26 TASC projects valued at \$2.6 million.

#### Grant Program to Address SPS Issues

To complement the TASC program, the Administration's 2007 Farm Bill proposals include a new grant program focused on sanitary and phytosanitary issues and supported by \$2 million in annual mandatory funding. This additional funding would allow us to better address sanitary and phytosanitary issues for all agriculture commodities. The funding could pave the way for international organizations and other governments' regulatory agencies to set new standards, provide U.S. exporters with information on compounds restricted by other countries, and improve other countries' understanding of U.S. safety standards and testing methodologies. It would enable us to tap targeted technical expertise on an ad-hoc basis rather than hire permanent staff.

#### Technical Assistance to Resolve Trade Disputes

For small agricultural producers and industries, defending their products against unscientific and unfair trade barriers is a complex, lengthy, and time-consuming process. While U.S. industries can pursue unfair trade practices through U.S. trade laws or initiate a case in the World Trade Organization (WTO), industries must pay high legal and analytical costs for extended periods of time--sometimes years. This is particularly challenging for limited resource agriculture industries. Conversely, some U.S. agricultural sectors have themselves been challenged in either the WTO or by other countries' trade laws. USDA, working closely with USTR, helps industries that have been challenged. The Administration is requesting that the Secretary of Agriculture be granted broad discretionary authority to provide limited resource

groups with enhanced monitoring, analytical support, and technical assistance if he deems it would be beneficial to U.S. agriculture.

#### International Trade Standard Setting Activities

USDA works closely with international standard-setting bodies, such as the Codex Alimentarius, the International Plant Protection Convention, and the World Animal Health Organization, to establish and harmonize multilateral food, plant, and animal health and safety standards. By assigning staff to work with these organizations, we impact their decision-making process and ensure that they design and implement standards for trade in agricultural products that are science-based. When countries ignore these internationally recognized scientific guidelines, we work through the international standard-setting body or through direct bilateral negotiations to resolve the unfair restriction. When these efforts fail, we use the dispute settlement process of the WTO.

The United Nations Food and Agriculture Organization (FAO) works with member governments to place their nationals in FAO staff positions. However, we lack sufficient funding to place adequate numbers of Americans in these positions. For example, out of a total of about 100 positions in the FAO's associate professional officer program, European countries fund about 83 percent of these positions for their nationals, while we only fund one percent for Americans--a major imbalance.

As a result, the EU is in a better position to influence international organizations' policies and programs than we are. USDA needs dedicated funding to strengthen U.S. representation in these organizations. In addition, we are having difficulty hiring seasoned, director-level staff to represent the United States in these organizations because we do not have the funds or the authority to pay salaries and allowances commensurate with those received by international organization employees. For these reasons, the Administration's 2007 Farm Bill proposals request long-term mandatory funding of \$15 million over 10 years to enhance our ability to assign USDA staff support for international trade standard-setting bodies.

#### TRADE CAPACITY BUILDING

Before developing countries can become customers for U.S. agricultural products, they must first become politically, economically, and socially stable. President Bush's National Security Strategy recognizes that a lack of economic development, particularly in fragile and strategic countries and regions, results in economic and political instability which can pose a national security threat to the United States. A productive and sustainable agricultural sector is a critical factor in creating this stability. Only then can these countries and regions more easily integrate into the global economy and reduce hunger and poverty.

USDA works to develop the capacity of local governments in both politically stable and fragile economies to support market-based agriculture. We have provided technical assistance and trade capacity building in markets such as Georgia and Armenia, Kenya and Uganda, and Pakistan and India so they can harness the power of trade and create open, predictable policies and procedures to boost economic growth and reduce poverty.

In recent years, USDA has worked with the Department of State, the Department of Defense, USAID, and the National Security Council to assist in the reconstruction and stabilization of Afghanistan and Iraq. Revitalization of these two countries' agricultural sectors is essential to

their development. USDA is conducting trade capacity building and technical assistance activities in Iraq, including a \$7.8 million agricultural extension project and marketing education efforts in partnership with U.S. commodity groups.

The Administration's 2007 Farm Bill proposals provide \$2 million annually in direct mandatory funding for agriculture reconstruction and extension efforts. This funding would build the capacity of fragile and unstable countries and regions to trade by improving food safety, supporting agricultural extension projects or agricultural knowledge initiatives, and building bilateral partnerships with strategically important countries.

## FOOD AID PROGRAMS

In addition to this trade capacity building assistance, USDA administers three food aid programs that jumpstart economic development in countries needing assistance to get on their feet or needing help in a crisis or emergency--the Food for Progress Program, the McGovern-Dole International Food for Education and Child Nutrition Program, and the Public Law 480, Title I (P.L. 480, Title I) Program. These programs support international assistance and development activities that alleviate hunger and improve nutrition, education, and agriculture in some of the world's poorest countries. By using direct donations and concessional sales of U.S. agricultural commodities, we are able to accomplish much. With our budget request for 2008, we will continue these efforts.

### Food for Progress Program

During the past two decades, the Food for Progress program has supplied over 12 million metric tons of commodities to developing countries and emerging democracies committed to introducing and expanding free enterprise in the agricultural sector. Commodity purchases totaling nearly \$3 billion over this period for Food for Progress programming have been handled through the Commodity Credit Corporation (CCC).

During fiscal year 2006, the United States provided more than 215,000 metric tons of CCC-funded commodities valued at about \$125 million under this program. This effort supported 19 developing countries that were making commitments to introduce or expand free enterprise elements in their agricultural sectors. Again this year, more than 215,000 tons of commodities will be provided. More than 2 million people in 11 countries, including Afghanistan, throughout Africa, and Central America, will be fed by this program this fiscal year. In fiscal year 2008, the President's budget provides an estimated program level of \$163 million for Food for Progress grant agreements carried out with CCC funds.

### McGovern - Dole Program

Another highly successful program is the McGovern-Dole International Food for Education and Child Nutrition Program. It helps support education, child development, and food security in low-income, food-deficit countries that are committed to universal education.

This year, we will feed nearly 2.5 million people in 15 developing countries, including Cambodia, Guatemala, and Malawi, with the \$99 million appropriated funding level. We appreciate the strong support this program has received from members of Congress. In fiscal year 2008, we are requesting \$100 million for the McGovern-Dole program. This amount will be supplemented by an estimated \$8 million to be received from the Maritime Administration for cargo preference reimbursements.

In the last five years, the McGovern-Dole program has helped feed more than 10 million children in more than 40 countries. For example, last year, USDA awarded Counterpart International (CPI) a grant to provide more than 9,000 tons of commodities for use in Senegal. This McGovern-Dole project is using vegetable oil, textured soy-protein, and barley to feed nearly 18,000 primary school children and 1,800 pre-school children over a three-year period. The proceeds from the sale of soybean oil are being used to improve school sanitation, repair schools, and improve the skills of teachers. The project includes a maternal and child health component, which provides take-home rations to needy mothers with young children. It also provides a growth monitoring and promotion program, along with a health education and assistance campaign. The leader of one of the villages in which the school feeding project is being conducted told the visiting U.S. Ambassador to Senegal that, "We have already seen immediate results from this program as students are able to stay in school longer and learn more each day." This McGovern-Dole school feeding program provides hot daily meals to students, permitting them to remain in the classroom and learn for longer periods.

The multi-year dimension of this program is vital to address comprehensively the issue of chronic hunger. Moreover, providing meals both at school and through take-home rations provides a powerful incentive for children to remain in school. Government-to-government partnerships coupled with the important resources provided by the private voluntary organizations (PVOs) are vital to sustain these programs and ensure success.

#### P.L. 480, Title I Program

Historically, the P.L. 480, Title I program has been geared primarily toward countries with a shortage of foreign exchange and difficulty in meeting their food needs through commercial channels. Assistance has been provided on a government-to-government basis by selling U.S. agricultural commodities on credit terms. In recent years, the demand for food assistance using credit financing has fallen, mostly because worldwide commercial interest rates have been relatively low. For example in 2006, we signed only three government-to-government credit agreements compared to seven in 2002. As recently as 1993, 22 Title I agreements were signed, followed by a continuing decline over the past 14 years. We are not requesting any additional funding for P.L. 480, Title I for 2008. The budget recommends that all P.L. 480 assistance be provided through Title II donations.

#### Bill Emerson Humanitarian Trust

USDA also manages the Bill Emerson Humanitarian Trust, which serves as a backstop commodity reserve for the P.L. 480 program. This reserve is available to meet emergency humanitarian food needs in developing countries, allowing the United States to respond to unanticipated food crises with U.S. commodities. We currently have 915,000 metric tons of wheat in the Trust and \$107 million in cash. Cash provides the flexibility we need to purchase appropriate commodities based on availability and the specific need. With commodities, we must pay storage costs. Holding the 915,000 metric tons of wheat is costing more than \$9 million each year or about \$10 per ton. Finally, cash allows us to respond much more quickly to a food crisis because we can easily purchase commodities, whereas swapping what we have in the Trust for what we need to provide consumes precious time and risks the loss of lives to hunger and starvation.

## Upcoming Issues

This year several food assistance issues will come to the forefront in the domestic and international arenas. USDA chairs the Food Assistance Policy Council, which also includes senior representatives from USAID, the Department of State, and the Office of Management and Budget. Over the years, this group has made significant progress in ensuring policy coordination of food assistance programs under the Agricultural Trade Development and Assistance Act and the Food for Progress Act. At a meeting earlier this month, several issues including food aid quality, the Administration's 2007 Farm Bill proposals, and the challenges facing food aid policy in the WTO were discussed.

One of the topics addressed was whether current food aid formulations and product manufacturing practices address the needs of at-risk recipients and reflect the best available science. For more than forty years, USDA and USAID have provided micronutrient fortified food commodities to vulnerable, food-insecure populations. We share the concerns of the large number of stakeholders interested in improving the performance of these food aid programs, most notably the quality of commodities provided under the programs. Some of the shared issues of concern include delays in updating existing contract specifications, whether the use of current contract specifications result in the acquisition of desired products, and adequate testing procedures designed to ensure purchased products meet contract specifications.

In order to address the concerns, we are taking the initiative to do an in-depth review of the types and quality of food products used in the administration of U.S. food aid programs. We would also continue our efforts of reviewing the existing contract specifications used to obtain food aid commodities, and improving our post-production commodity sampling and testing regime based upon sound scientific standards.

We share the belief of the PVO community that both the quality and formulation of food aid products are crucial to delivering safe, wholesome products to undernourished populations, particularly vulnerable groups including infants and young children, women of child-bearing age, and people living with HIV/AIDS. Currently, we are examining options to review the nutritional quality and cost-effectiveness of commodities being provided as food assistance. Our goal will be to have consultations with nutritionists, scientists, commodity associations, the World Food Program, the PVO community, and SUSTAIN to make sure all viewpoints are heard. We want to ensure that the food aid we provide is of the highest caliber to meet the nutritional requirements necessary to address chronic hunger.

On January 31, USDA Secretary Johanns unveiled the Administration's 2007 Farm Bill proposals. These Farm Bill proposals recommend a significant policy change in food aid programs--providing the ability to use up to 25 percent of P.L. 480, Title II, annual funds to purchase commodities grown in the region experiencing an emergency situation. The change would provide the flexibility needed to improve the effectiveness and efficiency of U.S. food aid assistance efforts.

As you are aware, food aid is a subject of discussion in the WTO negotiations. In the negotiations, the United States continues to strongly defend our ability to use food aid in emergency and non-emergency situations. Emergency food aid should not be disciplined because flexibility must be maintained to respond to people in crisis. Non-emergency food aid should only be disciplined to ensure that it does not displace commercial sales. Cash and in-

kind food aid should be treated equally in operational disciplines and transparency provisions.

A variety of programming options must remain available to ensure that food aid programs can be tailored to local needs and that sales do not disrupt local markets or displace commercial imports. The monetization of food aid to create funds for supporting projects that result in increased economic activity and thereby directly confront poverty should continue. As the United States has repeatedly stated in these negotiations, we seek to help lift poor families out of poverty by helping governments design projects that are self-sustaining.

A few days ago the Government Accountability Office shared with us the results of its study on the efficiency and effectiveness of the U.S. Government's efforts to deliver food aid. We will give the report careful study in the coming months as we are continually seeking to improve the effectiveness and efficiency of our food aid programs.

#### CONCLUSION

As Administrator of USDA's Foreign Agricultural Service, I am proud of our efforts to improve foreign market access for U.S. products, build new markets, improve the competitive position of U.S. agriculture in the global marketplace, and provide food aid and technical assistance to foreign countries.

I believe the 2007 Farm Bill Trade Title proposals will make U.S. farm policy more equitable, predictable, and better able to withstand challenge, while ensuring fairness and providing greater export opportunities to farmers, ranchers, and other stakeholders.

This concludes my statement. I look forward to answering any questions you may have. Thank you.