STATEMENT

OF THE U.S. GRAINS COUNCIL

TO THE U.S. INTERNATIONAL TRADE COMMISSION

REGARDING THE ECONOMIC IMPACT OF TRADE AGREEMENTS IMPLEMENTED

UNDER TRADE PROMOTION PROCEDURES, 2021

INVESTIGATION NUMBER: TPA – 105 – 008

OCTOBER 23, 2020

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Madame Chairwoman, Mr. Vice Chairman and fellow Commissioners, my name is Floyd Gaibler, and I am Director, Trade Policy & Biotechnology for the U.S. Grains Council. The Council is a private, non-profit organization representing U.S. producers of corn, sorghum, barley and co-products such as ethanol, distiller's dried grains with solubles (DDGS), and corn gluten feed and meal, and as well as associated agribusinesses.

Founded in 1960, the Council now has 10 international offices, representatives in an additional 15 locations and a network of consultants and partnerships that support programs in more than 50 countries. Our members, leadership and staff fundamentally believe exports are vital to global economic development and to U.S. agriculture's profitability.

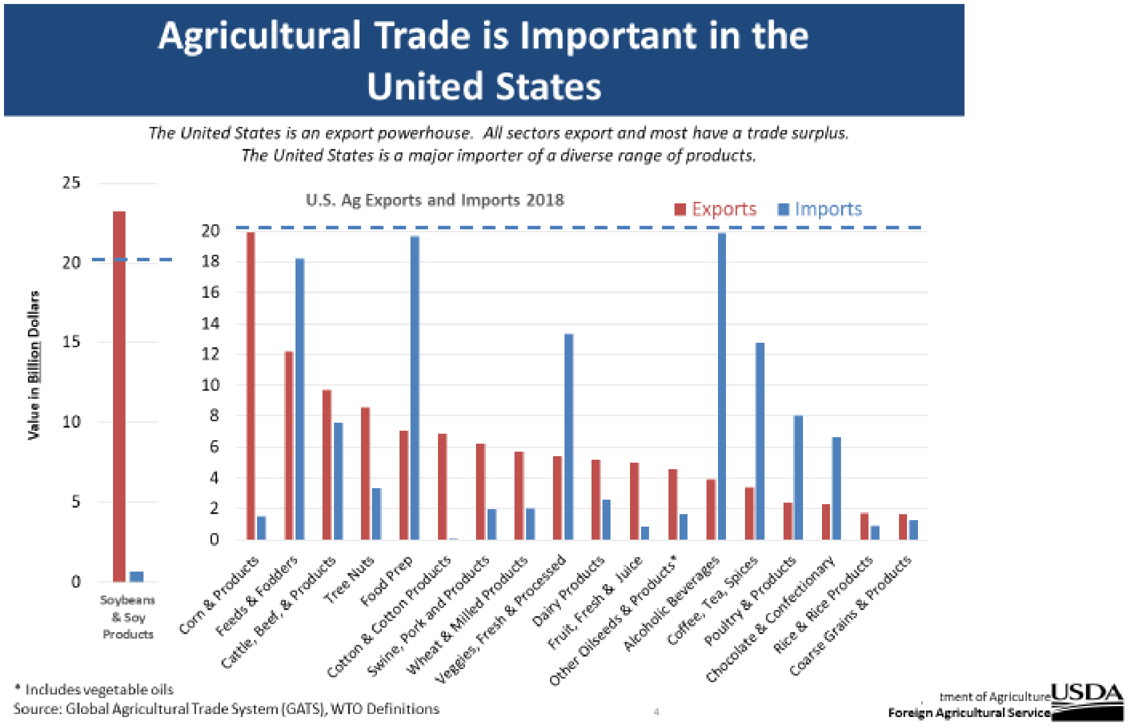
On behalf of the Council, I appreciate the opportunity to provide our perspective on the economic impact on the United States of the trade agreements that have been implemented since 1984.

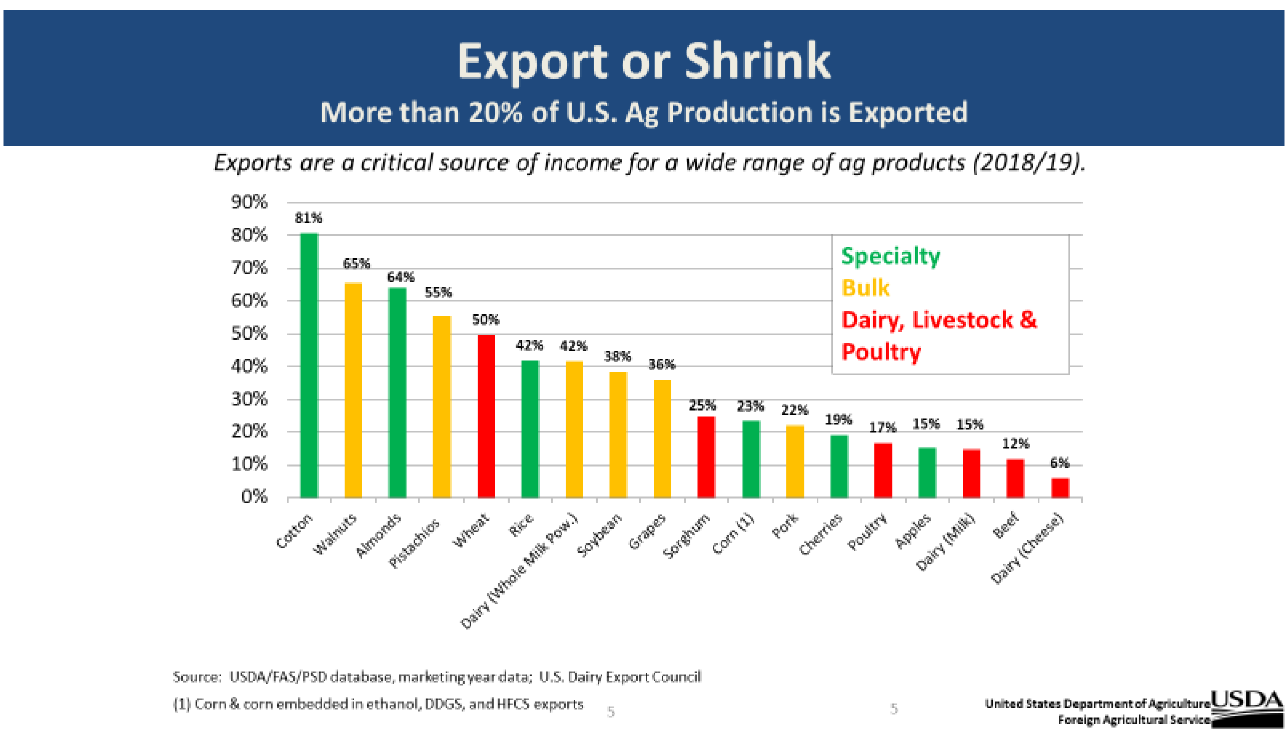
IMPORTANCE OF INTERNATIONAL TRADE TO U.S. AGRICULTURE

U.S. agriculture is uniquely positioned to benefit from international trade. We are blessed with good soils and climates that allow our farmers to be both abundant. In addition, public and private research has played a critical role in increasing agricultural productivity, and farmers are continually adopting new technology and innovative practices to both preserve our soils and remain competitive in international markets. The United States has also developed a value chain and transportation infrastructure that enable agricultural commodities to be shipped efficiently to international markets. In short, we can provide our overseas customers the product they want, when they want it.

International trade is also critical to U.S. agriculture, including our members who grow, process and export corn, sorghum, barley and associated co-products. The United States offers the highest quality and most consistent market for corn, sorghum, barley and distiller's dried grains with solubles (DDGS) in the world. American ethanol is also now providing green, sustainably produced fuel to help power cars globally. Yet American agriculture offers its international customers much more. In part though consistent outreach from our organization, global buyers enjoy access to world-class agricultural research, the latest in production technology, trade policy expertise and timely insight into future supply opportunities.

Nationwide, U.S. agricultural and related product exports have exceeded $150 billion annually for the last decade according to the U.S. Department of Agriculture's Foreign Agricultural Service (USDA's FAS), supporting more than 1 million American jobs and accounting for more than 30 percent of gross farm income. Of that total, U.S. coarse grains (corn, barley, sorghum, oats, rye) have averaged $10.7 billion over the last five years. The United States also continued to see a trade surplus in calendar 2019, keeping our sector a U.S. foreign trade champion and supporting our belief that expanding trade can be a long-term driver of ag sector growth.


Agricultural Trade is Important in the United States
The United States is an export powerhouse. All sectors export and most have a trade surplus.
The United States is a major importer of a diverse range of products.
U.S. Ag Exports and Imports 2018
Exports
Imports
Value in Billion Dollars
Soybeans & Soy Products
Corn & Products
Feeds & Fodders
Cattle, Beef, & Products
Tree Nuts
Food Prep
Cotton & Cotton Products
Swine, Pork and Products
Wheat & Milled Products
Veggies, Fresh & Processed
Dairy Products
Fruit, Fresh & Juice
Other Oilseeds & Products*
Alcoholic Beverages
Coffee, Tea, Spices
Poultry & Products
Chocolate & Confectionary
Rice & Rice Products
Coarse Grains & Products
* Includes vegetable oils
Source: Global Agricultural Trade System (GATS), WTO Definitions
USDA
Foreign Agricultural Service


Export or Shrink
More than 20% of U.S. Ag Production is Exported
Exports are a critical source of income for a wide range of ag products (2018/19).
Specialty
Bulk
Dairy, Livestock & Poultry
Cotton 81%
Walnuts 65%
Almonds 64%
Pistachios 55%
Wheat 50%
Rice 42%
Dairy (Whole Milk Pow.) 42%
Soybean 38%
Grapes 36%
Sorghum 25%
Corn (1) 23%
Pork 22%
Cherries 19%
Poultry 17%
Apples 15%
Dairy (Milk) 15%
Beef 12%
Dairy (Cheese) 6%
Source: USDA/FAS/PSD database, marketing year data; U.S. Dairy Export Council
(1) Corn & corn embedded in ethanol, DDGS, and HFCS exports
United States Department of Agriculture USDA
Foreign Agricultural Service

Equally important, U.S. grain and related products help provide high-quality food to people around the world and stimulate economic growth among our trading partners. An essential part of the Council's work is helping our trading partners realize they can utilize reliable U.S. grain supplies to advance food security through trade while focusing their resources elsewhere within their growing economies.

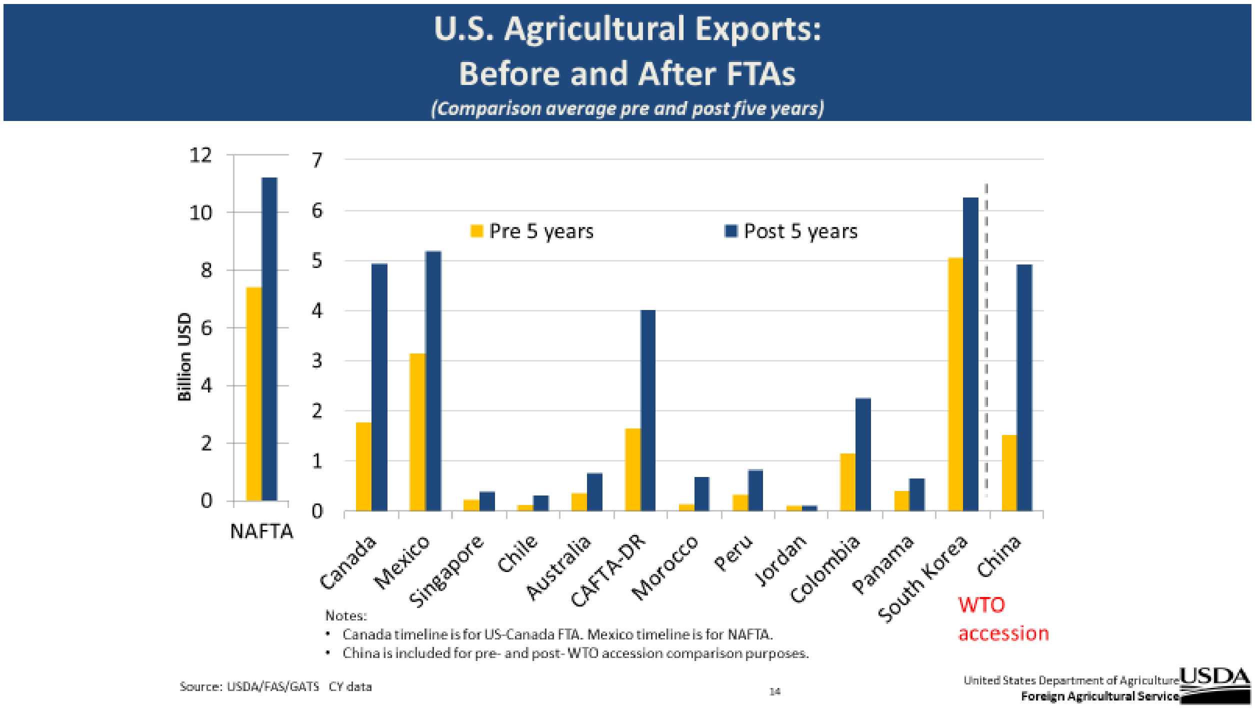
THE ROLE OF TRADE AGREEMENTS IN THE GROWTH OF FOREIGN MARKETS

Enlightened trade policies are the foundation of effective trade relationships, and where such policies are already in place, everyone wins. Specifically, access to foreign markets coupled with growing global consumer demand is vital to the ongoing success of the U.S. agriculture sector. However, U.S. agricultural exports are hindered by numerous policies that can restrict trade, including tariffs, non-tariff barriers and other regulatory practices and administrative procedures. Trade agreements are the most effective paths for reducing or eliminating these barriers and opening foreign markets to competition. In particular, trade negotiations are the only way to ensure countries will reduce tariffs and other barriers for the long-term.

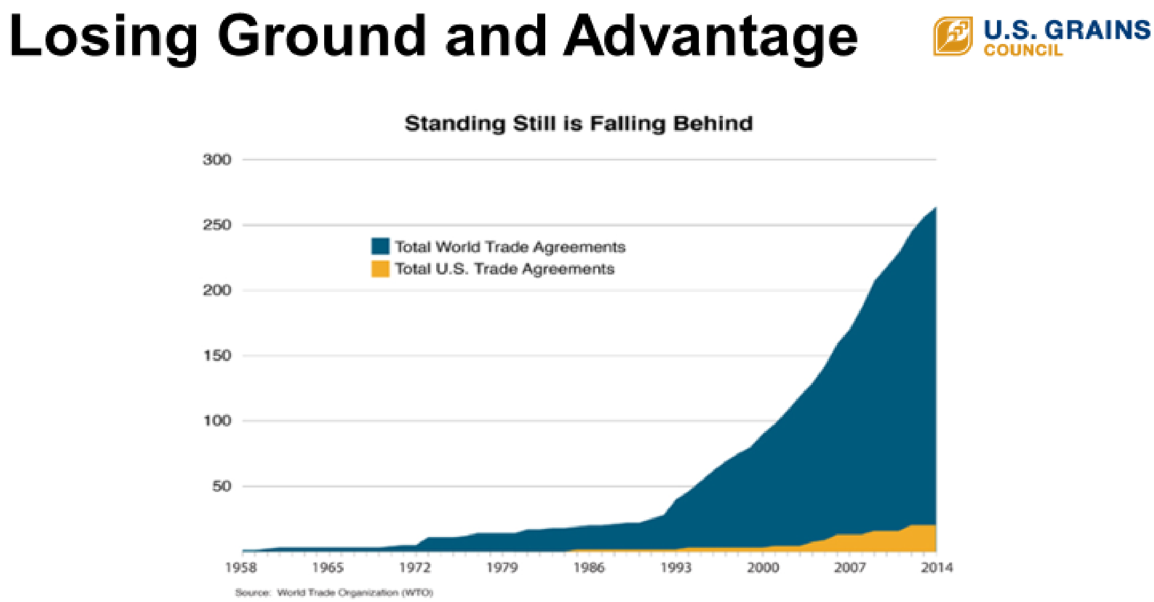
The United States has negotiated trade agreements with 20 countries since the end of World War II, including that which established the World Trade Organization. Those agreements have helped open U.S. markets and have contributed to the strong growth in agricultural exports during the last 30 years. **Importantly, in calendar year 2019, U.S. agricultural and related product exports to these countries account for 41 percent of total U.S. agricultural exports, according to USDA data.** For coarse grains and co-products, like DDGS and corn gluten feed and meal, the importance of trade agreements is even more striking. In **calendar year 2019, U.S. exports of coarse grains and co-products to current FTA partners accounted for 61 percent of worldwide exports, according to USDA data.**

In addition, a comparison of sales before and after recent trade agreements were put in place (see slide provided by USDA FAS) demonstrates that U.S. agricultural exports have increased, in some cases dramatically, after agreements have gone into effect.


A Growing Share of U.S. Agricultural Exports Go to Free Trade Agreement Partners
0%
20%
40%
60%
80%
100%
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
U.S. Free-Trade Agreement Partners
China (WTO Accession Agreement)
Rest of World
Source: USDA - FAS Global Agricultural Trade System (GATS)
www.fas.usda.gov
@USDAForeignAg
United States Department of Agriculture
Foreign Agricultural Service
USDA



While we have been reaping the benefits of trade agreements, U.S. agriculture also risks being left behind as other countries agree to preferential agreements that lower tariffs between themselves but leave barriers in place for U.S. exports. In 1994, when the North American Free Trade Agreement (NAFTA) entered into force, there were approximately 40 preferential trade agreements with the U.S. party to only one - an FTA with Israel from 1985. Today, there are more than 306 trade agreements, 20 of which the United States has signed onto. Pursuing the benefits offered by increased trade has been the key factor in motivating countries to negotiate these agreements. Compare this with the European Union- itself a 28-country customs union - which has preferential trade agreements with 80 countries and is negotiating preferential agreements with another 19 countries.



Obviously, if the United States is going to be able to sell its products to the 95 percent of the world's customers outside its borders and the 80 percent of global purchasing power they represent, we will need to continue to aggressively pursue trade negotiations multilateral negotiations through the WTO.

IMPORTANCE OF TRADE TO U.S. COARSE GRAINS

U.S. "feed grains in all forms" is a measurement including U.S. corn, sorghum, barley, distiller's dried grains with solubles (DDGS), corn gluten feed (CGF), corn gluten meal (CGM), ethanol as measured in corn equivalents, meat and poultry as measured in corn equivalents, and processed feed grain products.

By accounting for all feed grains that are exported by the United States – in either unprocessed or value-added form – the measure is intended to offer a holistic look at demand from global customers being met by U.S. farmers. It also offers a more expansive view of the amount of U.S. feed grain production being exported.

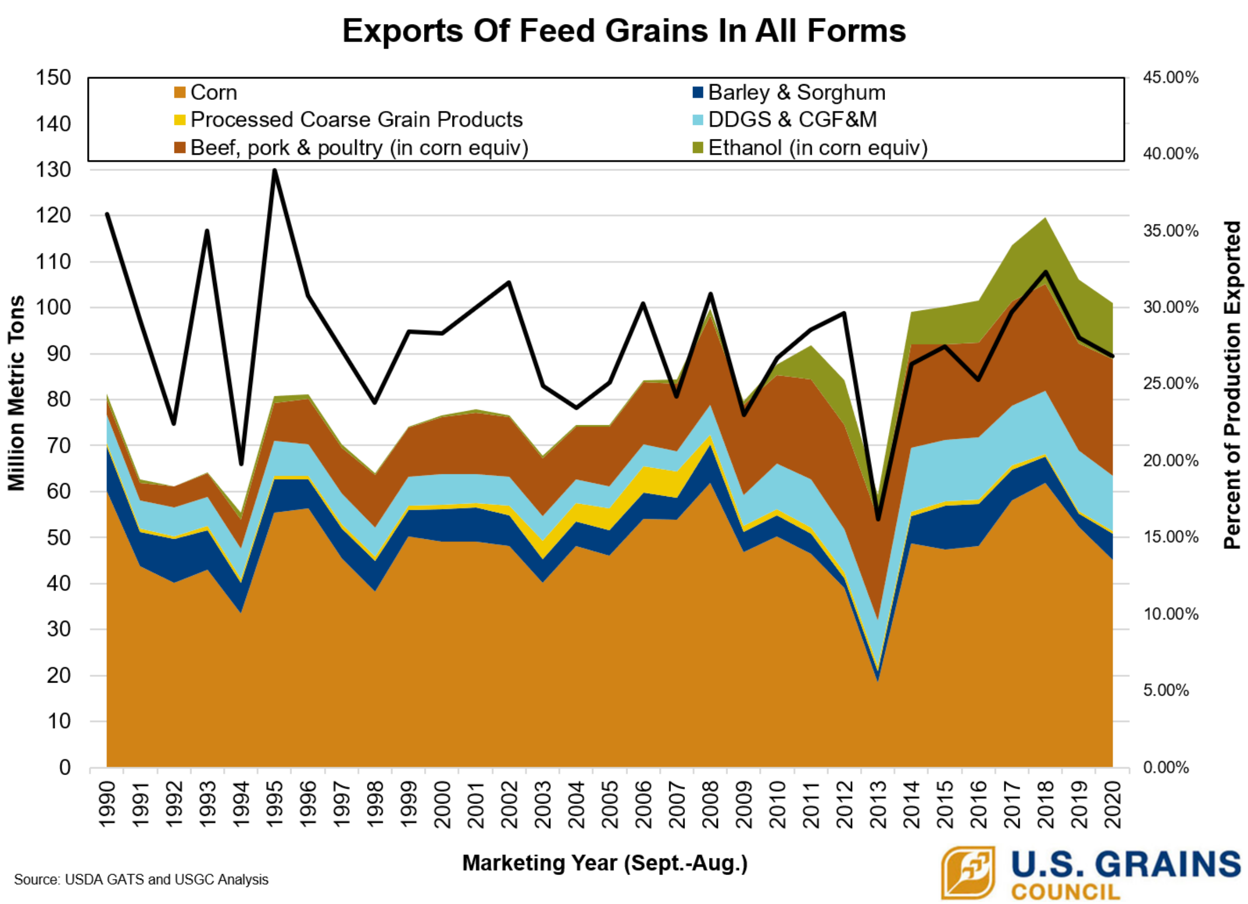
Over 100 million metric tons of U.S. feed grains in all forms were exported in the 2019/2020 marketing year—the sixth year in a row in which exports exceeded 100 million metric tons and the fifth highest export year on record.

Unprocessed feed grain exports are estimated to account for approximately half of exports with value-added products accounting for the remainder. Additionally, exports of grain in all forms will account for a forecasted 27 percent of total production for the marketing year.

The total percentage of feed grains in all forms exported is expected to increase in future years. Using 10-year projections on corn, sorghum, barley, ethanol, meat and poultry, and co-products like DDGS from the USDA and Pro Exporter, the Council estimates that the **grain equivalent of these exports will rise to 138 million tons by 2022/2023, accounting for roughly 35 percent of U.S. feed grain production.** (Estimates made prior to COVID-19).

Factors influencing this estimate include projected increases in foreign demand for U.S. corn as an animal feed; rising demand for U.S. ethanol to meet other countries' industrial uses and fuel blending requirements; and rising U.S. meat and poultry exports to developing countries due to the rapid expansion of their middle classes.

Gaining access to new and existing export markets is critical to achieve increased sales of both unprocessed and value-added feed grains products. To this end, the U.S. grain industry is highly supportive of broad-based trade agreements such as those in place with Central American countries (CAFTA), Peru and Colombia.



IMPACT OF EXISTING FREE TRADE AGREEMENTS

The following is an overview of the impacts and benefits from existing major U.S. free trade agreements for U.S. coarse grains and their co-products:

<u>North American Free Trade Agreement (NAFTA)/U.S., Mexico, Canada, Free Trade Agreement (USMCA)</u>

More than two decades have passed since the implementation of NAFTA in 1994. NAFTA has had a profound effect on many aspects of North American agriculture. With a few exceptions, intraregional agricultural trade is now completely free of tariff and quota restrictions, and the agricultural sectors of NAFTA's member countries - Canada, Mexico and the United States - have become far more integrated, as is evidenced by rising trade in a wider range of agricultural products and substantial levels of cross-border investment in the processed food sector.

Perhaps the most obvious indicator of this increased integration is two decades of almost uninterrupted growth in intraregional agricultural trade. Between 1993 and 2019, the total value of this regional trade expanded from $16.7 billion to $95.3 billion, an increase of 252 percent when inflation is taken into account, according to USDA's Economic Research Service (ERS).

Creation of a far more integrated North American market in grains, oilseeds and related products is one of USMCA (and its predecessor, NAFTA's) major achievements. Prior to USMCA and NAFTA, Mexico maintained strict control of corn, wheat and barley imports via licensing requirements and provided guaranteed prices to domestic producers of many field crops. Following NAFTA and USMCA's implementation, Mexico transitioned to a system featuring duty-free trade with the United States and Canada and a mix of domestic agricultural supports similar to those in the United States. For the United States and Canada, trade liberalization of grains and oilseeds under USMCA and NAFTA primarily involved the removal of minor tariffs on bilateral trade.

Rising demand for feed and food has created new opportunities for intraregional trade in grains and oilseeds. Poultry and hog producers in Mexico, for instance, rely heavily on imported feedstuffs as they seek to meet their country's growing demand for meat.

Feedstuff trade among the USMCA countries encompasses a diversity of products in addition to traditional bulk commodities such as corn, sorghum, wheat, soybeans, rapeseed, and oilseed oils and meals. There is a substantial two-way trade between Canada and the United States in mixed feeds and mixed feed ingredients other than pet food. U.S. feedstuff exports to Mexico include preparations used for animal feeding and brewers' and distillers' dregs and waste. This latter category includes distiller's dried grains with solubles (DDGS).

As a result, Mexico and Canada are key markets[1] for U.S. coarse grains and co-products. **<u>The most recent numbers available from USDA now show that Mexico is the first largest market for corn, barley and DDGS, the second largest market for U.S. barley, and the seventh largest market for ethanol. These numbers show Canada is the largest market</u>**

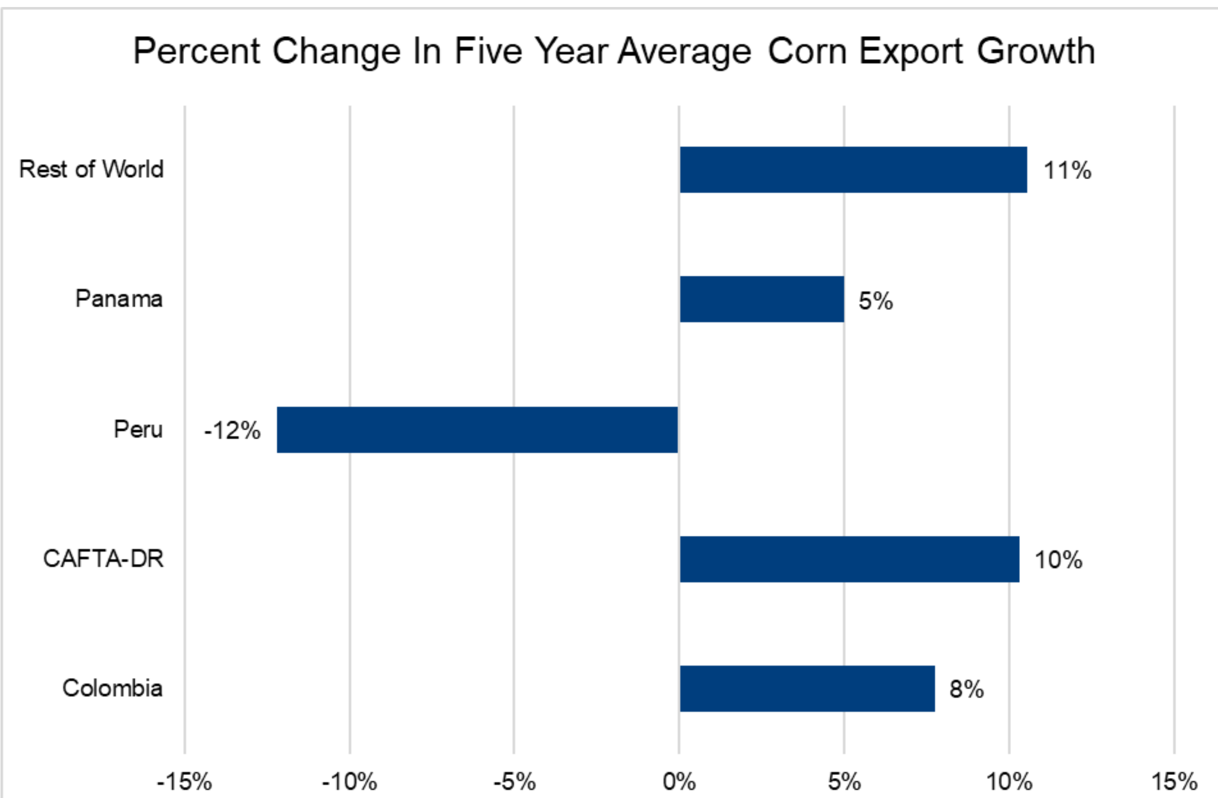
[1] GATS data available through July 2020

for U.S. ethanol, second largest for barley, fifth largest market for corn and eighth largest market for DDGS.

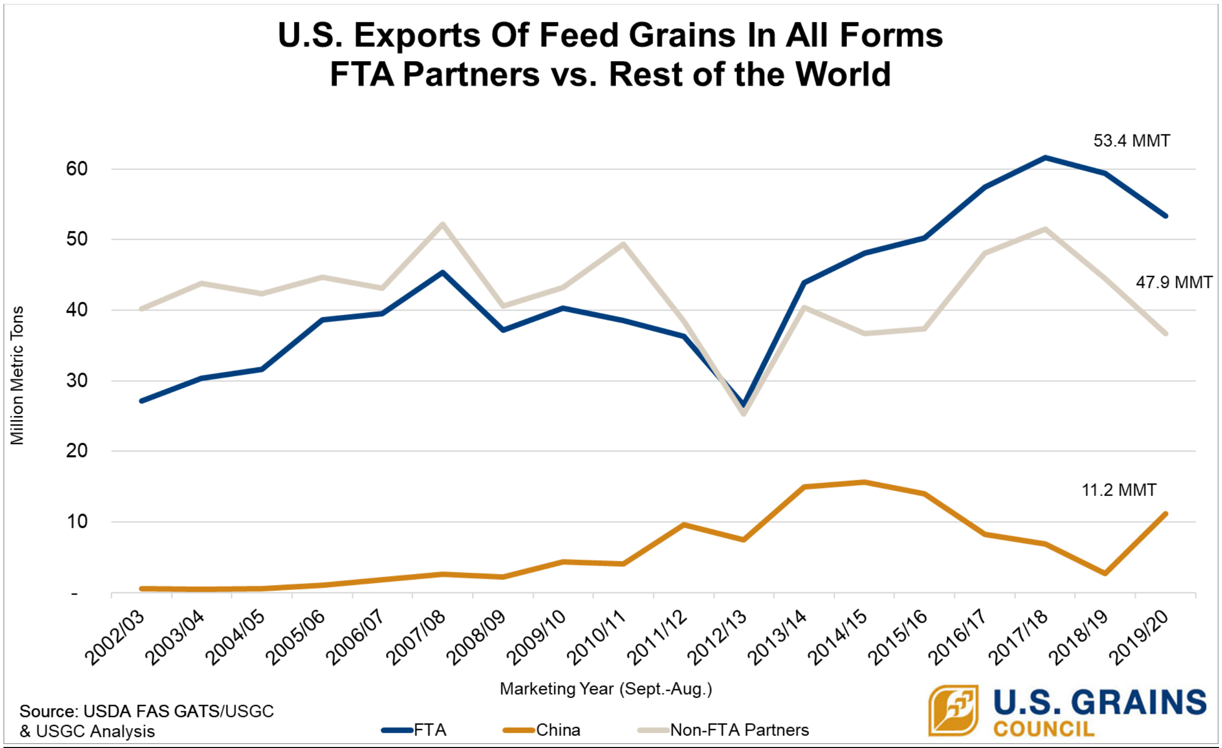
CAFTA-DR and Colombia, Panama and Peru FTAs

Trade in U.S. grains with Colombia has rebounded following enactment of the U.S.-Colombia free trade agreement (FTA) in 2012 and market promotions conducted by the Council. The corn import quota under the Colombia FTA has filled rapidly each year, and imports have grown rapidly—increasing from 541,000 thousand metric tons in marketing calendar 2011 to 3.91 million metric tons in calendar year 2019.This increase in trade has been equally beneficial to both U.S. corn producers and Colombian end-users who have been able to take advantage of competitively priced, high-quality U.S. grain.

The importance of trade liberalization has also been evident this year in U.S. corn exports to three other Latin American markets with which the United States has recently implemented free trade agreements, with corn exports there vastly outperforming the rest of the world. **Exports to the CAFTA-DR countries, including five Central American countries and Dominican Republic, combined made up the equivalent of the fourth largest for U.S. corn in marketing year 2019/2020. Other top markets in the region include Guatemala, the numerical seventh largest market followed by Costa Rica, Honduras and Peru, ninth, eleven and twelve, respectively.**



Source: USDA GATS/USGC Analysis; Five-Year Average based on MY 15/16-19/20



Source: USDA GATS/USGC Analysis; Five-Year Average based on MY 15/16-19/20

Korea FTA

At its entry in force, South Korea was already the fifth largest market for U.S. farm exports and, with the agreement, almost two-thirds of U.S. farm product exports became duty free immediately. While the United States already enjoyed zero tariffs on corn for feed imports, the FTA locked in the tariff at zero and achieved expanded access for U.S. barley products and corn starch. DDGS also received duty-free status under the FTA.

Sales of U.S. barley and malting barley jumped significantly in 2012 following implementation of the FTA. **Thus far in the 2019/2020 marketing year, Korea was our second largest market for DDGS, fourth largest market for corn and barley, and fifth largest market for ethanol.**

Other FTAs

Because agricultural goods are so fundamental to the ongoing functioning and growth of an economy, there are often economic impacts of free trade agreements with our trading partners beyond direct sales. The U.S. grain industry has benefited from additional FTAs put into place since 1984 through systemic changes in those countries brought on by reduced trade barriers. In these countries, the removal of duties and protections on all sectors spurs not only exports from the United States directly but also investment locally and from regional partners by companies interested in taking advantage of a newly favorable trade environment.

The following are countries in which the Council operates programs or offers consulting assistance to grain buyers that have benefited economy-wide from free trade measures with the United States:

Chile - FTA went into effect in 2004: In 2004, the United States exported $126 million of agricultural and related products to Chile. In 2019, that number had grown to $1.04 billion, a nearly eight-fold increase. Corn exports increased 10.5-fold from MY 18/19 to MY 19/20 at 154 TMT valued at $25.6 million.

Jordan - FTA went into effect in 2001: In 2001, the United States' exports of agricultural and related products to Jordan were worth $124 million compared to $231 million in 2019, an 89 percent increase. Corn exports to Jordan were negligible in MY 18/19 and 19/20.

Morocco - FTA went into effect in 1996: In 1996, the U.S. exported $233 million of agricultural and related products to Morocco compared to $307 million in 2019, a 32 percent increase. Corn exports decreased 68 percent in MY 19/20, down to 52.2 TMT valued at $7.46 million.

Singapore - FTA went into effect in 2004: In 2004, the United States' exports of agricultural and related products totaled $275 million of goods to Singapore compared to $1.04 billion in 2019, a three-fold increase. Corn exports to Singapore were negligible in MY 18/19 and 19/20.

CONCLUSION

In conclusion, the U.S. grains sector has significantly benefited from more liberalized trade in the past 30 years, and the Council believes expanding access to export markets will continue to drive the success of American agriculture for years to come.

But to take advantage of this and other emerging export opportunities – and to maintain our competitiveness in the global marketplace - trade liberalization must continue at all levels, bilateral, regional and multilateral. Trade agreements hold the key to opening markets and resolving tariff and non-tariff barriers to allow the movement of coarse grains, co-products in all forms and other agricultural exports to where they are demanded. With effective policies in place and followed, trade works – and the world wins.

Again, we thank the Commission for the opportunity to provide our views. We are happy to entertain any questions you or others might have and work with you to continue expanding access to global markets for our members.