U.S. AGRICULTURAL TRADE: STAKEHOLDER PERSPECTIVES

HEARING

BEFORE THE

SUBCOMMITTEE ON LIVESTOCK AND FOREIGN AGRICULTURE

OF THE

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HOUSE OF REPRESENTATIVES

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CONTENTS

WITNESSES

SUBMITTED MATERIAL

U.S. AGRICULTURAL TRADE: STAKEHOLDER PERSPECTIVES

TUESDAY, MARCH 10, 2020

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FOREIGN AGRICULTURE,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:04 a.m., in Room 1300 of the Longworth House Office Building, Hon. Jim Costa [Chairman of the Subcommittee] presiding.

Members present: Representatives Costa, Brindisi, Hayes, Cox, Craig, Harder, Vela, Plaskett, Carbajal, Panetta, Axne, Peterson (*ex officio*), Rouzer, Thompson, Hartzler, Comer, Marshall, Bacon, Hagedorn, LaMalfa, and Conaway (*ex officio*).

Staff present: Malikha Daniels, Isabel Rosa, Katie Zenk, Callie McAdams, Matthew S. Schertz, Patricia Straughn, Jennifer Tiller, Dana Sandman, and Justina Graff.

OPENING STATEMENT OF HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

The CHAIRMAN. The Subcommittee on Livestock and Foreign Agriculture will now come to order, and I want to thank the Members here, our Chairman and our Ranking Member as well, for participating in this important Subcommittee hearing to talk about the impacts that the trade has had from a stakeholder perspective throughout the breadth and width of American agriculture. And we have five good witnesses that reflect that perspective, and we look forward to their testimony. I have an opening statement, as does the Ranking Member, and then we, as custom, will defer to the Chairman and to the Ranking Member of the full Committee.

For the purposes of the challenge that we have this morning, with multiple committees meeting at the same time, we have witnesses here that come from various districts in which you live in the constituency of Members of this Committee, and they would like to introduce you. Given that fact, that we have Members trying to fulfill other obligations, I am going to, after the opening statements, allow the Members of this Committee to introduce those witnesses from their districts, and then we will begin with the witnesses in the order that they are listed here.

With that understanding, good morning. It is a good morning. Got a little bit of rain. I wish we had more of it in California, but it is a good morning. We welcome today our witnesses, to hear their perspective for the people who actually grow, raise, and sell America's agricultural products, this incredible cornucopia of food and nobody does it better than the American farmer, rancher, dairyman and -woman, who every day toil in the fields to produce the finest quality and most nutritious crops at the highest production levels anywhere in the world. As one of my favorite songwriters, Paul McCartney, once said, "Nobody does it better." Nobody does it better than the American farmer.

Trade is, I believe, in part what drives the demand and sustains markets for so much of what we produce in California, as well as throughout the country. In my home state, which is the largest agricultural producer in the nation, we raise more than 400 commodities. It is amazing to think about that, over 400 commodities, and it represents 13 percent of the nation's total agricultural value, at around $50 billion annually at the farm gate. That was in 2018. But I feel personally that, unfortunately, that the President's trade war has adversely impacted farmers not only in California, but nationwide. He was quoted that we had to buy bigger tractors, and prepare yourself for a boom time to come, but the reality is over the last 18 months the trade aid package, which was important, and we all supported here on a bipartisan level, was an attempt to make up for the deficits that a better trade strategy would have avoided.

We have provided billions of dollars in Market Facilitation Program payments, but they are clear proof that the policies of the last several years have moved us further away from free and open markets in which American agriculture thrives, to say nothing about the inequities that existed in the program that was structured. Especially in a place like California, where we have a host of specialty crops that did not benefit from the Market Facilitation Program, unfortunately.

Now, nobody here is going to dispute that farmers need to be compensated for the pain they have gone through. Clearly it is part of the safety net that reflects itself in the farm bill. But, as Chairman Peterson said last week, it is worth repeating, a farm economy propped up by payments from the government is not a healthy farm economy. And, as Secretary Perdue said last week, and I quote him, "We know farmers want trade, and not aid," and I think both statements are true.

So, how do we get to that point? I was very proud, and, again, there was strong bipartisan support that came from this Committee and elsewhere that passed the U.S.-Mexico-Canada Trade Agreement. And I commend the President, and Ambassador Lighthizer with the bipartisan effort that included the Speaker, and included many Members of this Committee, all of last year to continue to work hard to push that bipartisan effort. And we hope that good things are going to come from that, in terms of improved trade, that will benefit business, and the partnership that exists between Mexico and Canada. Actually, combine the two countries together, and they account for more trade than the next eight nations that we trade with.

Secretary Lighthizer's efforts with Japan on Phase 1 also is a good start, and we need to address other deficiencies in the dairy and rice issues that I think we all care about so that we can prevent full access on par with what we would have received if the Trans-Pacific Partnership had been implemented. And, of course, those 13 nations have moved on without us. We must continue to be vigilant and work hard in a bipartisan effort in these areas.

I do have a level of skepticism that the initial deal with China is going to prove all the results that have been stated. I do hope it does move markets forward. We will have to wait and see what actually gets purchased here. But clearly we know that the coronavirus outbreak is going to impact the market demand in China. We have agricultural commodities that have been shipped to China in the last month that are being held at port because of the quarantines, and these involve poultry products, which I have been in contact with industries from California.

We also hope that the Chinese will focus on the progress that was made on the technical barriers that Ambassador Lighthizer negotiated in trade with China. That is part of the initial agreement, and I am keeping an eye on that implementation to see what sort of opening we agreed to that will give, in particular for California, Chinese purchase in citrus. We are the largest citrus producer in the nation, and I am being a little parochial here, but those markets are important to citrus production throughout the country. Looking ahead, we need to also turn our focus on the United Kingdom as a result of Brexit, as well as the European Union. I am especially concerned about the U.S. poultry exports into those markets. And I don't think we should look away from what we are doing that has been proven successful.

Now, before I talk about that for a moment, we had the trade ambassador, Phil Hogan, here last month, who met with Members of the Committee on a bipartisan basis. I have worked with the trade minister, Phil Hogan, over the years when he was the agricultural minister. He clearly understands for us to have success with the European Union that agriculture has to be on the table. We need to continue to bring that front and center. I know Ambassador Lighthizer feels that way. I believe the President feels that way.

But, let us look at some of the programs that have been successful in promoting agricultural trade. These promotion programs, under the jurisdiction of this Subcommittee, like Market Access Program, Foreign Market Development Program, Technical Assistance for Specialty Crops, have decades-long track record of establishing a foothold for American farmers, ranchers, and dairymen in foreign markets, and we need to enhance that effort.

Let me just bottom line and close on this note. I am optimistic about the future. I guess I am optimistic about the future because I am a third generation farmer, and to be a farmer, let me tell you, folks, and I know we all represent farmers and ranchers, you had better be an optimist, because clearly five percent of the American population represents American agriculture. It is an incredible tribute to their success that less than five percent of the American population can produce all of this cornucopia of plenty, and they are hard, hard workers, we know that, and they are optimistic, as well as the people who work on those farms. We need to continue to provide the support. This Administration needs to do everything they can to be partners as we allow them to sell their products for a fair and level playing field. I know our witnesses have some ideas on how we can do a better job. We are looking forward to having you tell us how we can do a better job.

And, at the close of my remarks, in consultation with the Ranking Member, pursuant to Rule XI(e), excuse me, I want to make Members of the Subcommittee aware, and other Members of the full Committee, that, obviously, you may join us today.

[The prepared statement of Mr. Costa follows:]

PREPARED STATEMENT OF HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Good morning and welcome to today's hearing on trade from the perspectives of the people actually growing, raising, and selling agricultural products.

Trade is what drives demand and sustains markets for so much of what we produce in California and across the country. My home state is the nation's leader in agricultural production growing and raising more than 400 commodities, and represented 13 percent of the nation's total agricultural value at nearly $50 billion in cash receipts in 2018.

The President's trade agenda has adversely impacted farmers in California and nationwide. He says you all should buy bigger tractors and prepare yourself for the boom-time to come, but his trade aid package merely attempts to make up for the access we should have had all along. The billions in Market Facilitation Program payments are clear proof that the polices of the last several years have moved us further away from the free and open markets in which American agriculture thrives, to say nothing about inequities in the program structure, especially as related to specialty crop growers.

Now nobody up here is going to dispute that farmers need to be compensated for the pain they've gone through. But Chairman Peterson said it last week, and it's worth repeating: a farm economy propped up by payments from the government is not a healthy farm economy. And as Sec. Perdue said last week, we know farmers want trade and not aid.

So, how do we get to that point?

I'm proud to support our bipartisan U.S.-Mexico-Canada Agreement, and I hope that means big things for each of your businesses and countless more like them. Japan Phase 1 was a good start but we need to address other dairy and rice issues which continue to prevent full access on par with what we would have received had we stayed in the Trans-Pacific Partnership. I also remain skeptical of the initial deal with China. I hope it moves the markets but we need to wait and see what actually gets purchased here. We especially don't know what this coronavirus outbreak is going to do to our market demand. I do appreciate the progress on technical barriers to trade with China in this initial agreement, but I'm keeping an eye on implementation there too as well as on what sort of opening we agreed to give Chinese citrus into our markets.

Looking ahead, we need to turn our focus to United Kingdom and the European Union, as I'm especially concerned with how to support U.S. poultry exports into those markets. And we shouldn't look away from what we're doing that's been a proven success. Farm bill trade promotion programs under the jurisdiction of this Subcommittee like the Market Access Program, Foreign Market Development Program, and Technical Assistance for Specialty Crops have a decades-long track record of establishing a foothold for American farmers in foreign markets.

Look, I'm as optimistic about the future, and about what our farmers can do abroad, but the Administration needs to get out of their way and let them sell their products. Hopefully you all have some ideas how we do that.

Now I'd like to recognize my Ranking Member, Mr. Rouzer of North Carolina, for any remarks he'd like to make.

The CHAIRMAN. And I recognize the Ranking Member for his opening statement.

OPENING STATEMENT OF HON. DAVID ROUZER, A REPRESENTATIVE IN CONGRESS FROM NORTH CAROLINA

Mr. ROUZER. Thank you, Mr. Chairman, and thank you to our witnesses for being here today. We are especially fortunate to have you here representing production agriculture, knowing that spring in particular is a very, very busy time of year for you. I look forward to your comments about how trade has impacted your operations, and the opportunities you each see ahead in the future. We all know American farmers and ranchers produce the highest quality crops, livestock, poultry, and dairy products in the world. That value proposition is well known by our customers around the globe, who purchase more than 20 percent of U.S. agriculture production. For some commodities, though, like soybeans and cotton, it is 50 and 75 percent of U.S. production is exported.

But, the importance of trade goes far beyond just the value of what flows through our ports and crosses our borders. The ability of U.S. agriculture to participate in the worldwide marketplace is essential to our markets at home, and the ability to make a profit. You can't do anything if you can't even make a profit, and so many people have not been able to achieve that end for reasons well beyond their control. We have seen just how true this is with recent disruptions in access to certain international markets.

It is very instructive to remember China, Turkey, India, the EU, and others have used high tariffs, currency manipulation, and burdensome non-tariff trade barriers harming rural America for years. The House Agriculture Committee has highlighted these concerns for a very long period of time, and we are finally seeing a little bit of progress. This Administration has secured extensive commitments, with three major trade deals representing 50 percent of our agriculture exports. The USMCA secures and modernizes our trade relationship with our closest trading partners, Mexico and Canada. The U.S.-Japan trade agreement helps align our market access for U.S. farm products with the access Japan has granted to our competitors, and the China Phase 1 Agreement is a good first step to getting China to nearly double their purchases of U.S. farm products. We will see if they live up to it.

Additionally, all three of these agreements take huge steps to modernize scientific standards, and remove non-tariff barriers. These, as well as the rest of our trade agreements, must be properly enforced to create the conditions necessary to improve the farm economy. Our trading partners must live up to their agreements. I know that we all, all of us here in this chamber, as well as our friends in the Senate, and particularly our friends at USDA and USTR will be watching very closely.

Again, thank you to our witnesses for being here, and I look forward to your testimony. Mr. Chairman, I yield back.

The CHAIRMAN. I thank the Ranking Member for his statement, and, as customary, we will give an opportunity for the Chairman, if he wishes to make any comments, and he passes. And we will certainly recognize the Ranking Member of the full Committee, Mr. Conaway from Texas, for any comments he may like to add.

OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

Mr. CONAWAY. Well, thank you, Mr. Chairman. I appreciate the witnesses being here today to visit with us about farm level impacts of trade. Right now things are pretty tough back home for our farmers and ranchers because competing in unfair and distorted markets is really tough, and our trading partners do really well at sometimes distorting those markets. I am also pleased the Administration is taking strong action to establish what it means to trade with the United States. We are requiring our trading partners to abide by their existing commitments, and we are negotiating new trade agreements to increase market access and remove non-trade barriers. There is still a lot of work to be done.

Mr. Chairman, I know that Ambassador Lighthizer and Gregg Doud will be most appreciative of the bipartisan suggestions that you alluded to in your comments to improve our trade and trading partnerships work, and look forward to you working with them in that regard. And I also look forward to hearing from our witnesses. Thank you all for being here, and I yield back.

The CHAIRMAN. I thank the gentleman for his opening statement, and now, as I indicated at the outset, we are going to allow Members here to introduce their witnesses in the order that it has been presented to me, and then we will begin with the witnesses' opening statements, because, again, we have multiple committees meeting simultaneously, and Members have to try to sometimes be in two places at one time, and that makes it difficult. I would like to recognize Congresswoman Axne to introduce her witness.

Mrs. AXNE. Thank you, Mr. Chairman. It is my honor and privilege to welcome fellow Iowan Robb Ewoldt to the House Agriculture Committee. Robb is the owner and operator of Rafter E Ranch in Scott County, Iowa. He serves as Secretary of the Iowa Soybean Association, and also raises hogs and cattle. Robb is a longtime advocate for his profession, and is a strong promoter of Iowa and U.S. soybeans through participation in trade delegations, and speaking at forums and producer workshops. He and his wonderful wife have also been recognized for their commitment to conservation and agricultural advocacy, and, Robb, I am so grateful to have you here today, and thank you so much for being here to share your story.

The CHAIRMAN. We thank the Congresswoman from Iowa for that very kind and accurate introduction, and we look forward to Mr. Ewoldt's testimony. We also have Congresswoman Hayes, who would like to introduce her witness this morning.

Mrs. HAYES. Thank you, Mr. Chairman, for the privilege of introducing Mr. Jacquier from Connecticut's Fifth Congressional District. Mr. Jacquier, or Cricket, as he is known at home, is the owner of LaurelBrook Farm, a multi-generation cow dairy in East Canaan, Connecticut. In addition to their 1,500 cow operation, LaurelBrook Farm also runs a landscaping compost operation, not only adding to the value of their farm, but exemplifying the future of sustainable dairy farming. Mr. Jacquier is the Chairman of the Board of Agri-Mark, and is a member of the Board of Directors and Executive Committee for the National Milk Producers Federation. He embodies the power of Connecticut's dairy industry.

It might be smaller than some other states, but our voice cannot be discounted. I speak for the Committee when I say I am honored to have you here today, and look forward to your testimony.

The CHAIRMAN. We thank the Congresswoman from Connecticut for her strong advocacy on behalf of American agriculture, and it is always good to have the dairy industry represented, and we look forward to your testimony as well, James.

Next we have my colleague and neighbor Congressman TJ Cox, who wishes to introduce a witness from the breadth and width of the heart of the San Joaquin Valley. Congressman Cox?

Mr. COX. Thank you so much, Mr. Chairman, and today I am proud to introduce a constituent of the 21st Congressional District, Mr. Brian Keavy, a proud graduate from Cal Poly San Luis Obispo, one of the nation's top ag schools. I believe Mr. Keavy, at one time or another, was probably a constituent of yours, Mr. Chairman, in your long, distinguished career representing the San Joaquin Valley.

Mr. Keavy is Vice President of International Sales and Marketing at Kingsburg Orchards in Kingsburg, California, and Kingsburg Orchards is a fifth generation family owned farm that grows over 10,000 acres of fresh fruit, including peaches, plums, and nectarines. They are one of the largest exporters of stone fruit in the United States, supplying the vast majority of things like white peaches to vital export markets such as Taiwan. If you want to know what is going on in our international markets, particularly in the east, the people at the tip of the spear are Kingsburg Orchards and Mr. Keavy. Thank you so much for being here, Mr. Keavy, and we very much are looking forward to your testimony.

The CHAIRMAN. Thank you, Congressman Cox, for that very good introduction of Mr. Keavy. It reminds me of a Subcommittee hearing I was engaged in about 10 years ago when we had a similar witness neighbor of yours, Mr. Keavy, that was going on and on about stone fruit, and stone fruit this and that, and some of my colleagues from the Midwest were looking at me kind of strange, and I had to explain to them that we use the definition of *stone fruit* in California for any fruit that has a pit in it, we don't actually grow stones in California. I know that many of you think we have a peculiar way of doing a lot of things in California, but stone fruit is a staple commodity that we are very proud of.

Mr. Rouzer, you have a witness here as well, and we are anxious to hear about your introduction.

Mr. ROUZER. Well, thank you, Mr. Chairman, and, incidentally, I have always had a curious question about California. I hear *amond,* and I hear *almond.* What is the difference?

The CHAIRMAN. Well, you want to hear a little farm joke, we call them *almonds* when they are on the tree, and then in August and September we have a low profile tractor that goes down the row with a 6′ pneumatic tongue that has a clamp at the bottom, and for 20 seconds we grab the bottom of the tree, and we shake the L out of them, and when they fall to the ground, they become *amonds.* Right, Doug? Almonds on the tree, on the ground, amonds.

Mr. ROUZER. Well, I always thought that Jeff Denham was talking funny, so you have helped to explain that to me, sir.

The CHAIRMAN. Well, that could be.

Mr. ROUZER. Now it is a great pleasure to introduce Lorenda Overman, who is a good friend and constituent of mine in my district. She is part of the multi-generational farming operation, and they have three hog farms, produce 4,000 acres of corn, soybeans, and wheat. They have 200 head of cattle. She is a Board member of the Wayne County Farm Bureau, a past Board member of the North Carolina Farm Bureau. She is a very distinguished member of the American Farm Bureau Women's Leadership Committee, and also serves as the Vice President of the North Carolina Pork Council. Mr. Chairman, and my colleagues, she is very, very busy, and they are a fine farming operation to boot. It is my honor to introduce her today to the Committee. I yield back.

The CHAIRMAN. Mr. Rouzer, we are extremely pleased to have your witness here with us this morning, and women in agriculture we know historically have always played a terrific and incredible role, and we see that role continuing to expand, as it should, and so we are very pleased with our witnesses here really, I am excited, reflect the breadth and the width of American agriculture, and we are looking forward to your testimony.

And the last witness will be introduced by, again, that breadth and width of American agriculture, the State of Texas, where the eyes of Texas are always upon you. Congressman Vela?

Mr. VELA. Thank you, Mr. Chairman. I am honored to introduce Matt Huie. Matt Huie is the owner of Huie Farms in Beeville, Texas, where he farms cotton, sorghum, wheat, and raises cattle with his family. He received his undergraduate degree from Texas A&M University in Agricultural Leadership, and moved back to south Texas, where he has farmed ever since. In addition to his work as a farmer, Matt is also active on the Southwest Council of Agribusiness, the South Texas Cotton and Grain Association, the National Cotton Council, the Texas and Southwestern Cattle Raisers, Texas Sorghum Producers, and Texas Corn Producers. He is accompanied today by his wife Shambryn and his 9 year old son Zach. Thank you, Mr. Chairman.

The CHAIRMAN. Well thank you, Congressman Vela, and we are very pleased that your witness is here. Obviously he has been very busy, and we are glad that—we welcome your family for having an opportunity to watch you testify.

For those of you who have not testified before, let me just repeat the process. You have 5 minutes, and the light in front of you, when that turns yellow, that means you have 1 minute left, and when it turns red, the chair will be somewhat tolerant of you closing your statement, but if you continue to go on, the chair will be less tolerant. You have 5 minutes to testify. We will follow in the order that you were introduced. Mr. Ewoldt, you will begin, and then, at the conclusion of the five witnesses, Members of the Subcommittee will then each have 5 minutes to ask questions or make comments to all of the witnesses before us. And the Ranking Member and I will determine, based upon interest and what kind of quorum we have here, as to whether or not we will entertain a second round. We will play that by ear.

So, with that said, let us begin. Mr. Ewoldt, would you begin your testimony?

STATEMENT OF ROBB EWOLDT, OWNER/OPERATOR, RAFTER E RANCH, LLC; SECRETARY, DISTRICT 6 DIRECTOR, IOWA SOYBEAN ASSOCIATION, DAVENPORT, IA

Mr. EWOLDT. Mr. Chairman, Ranking Member Rouzer, Members of the Subcommittee, my name is Robb Ewoldt, I farm near Davenport, Iowa. I represent the soybean farmers of Iowa as a District Director in my state. Thank you for inviting me to share my thoughts on agriculture today. I know I am limited in time, so I will do this like a fat man through a barbed wire fence, I will go as fast as I can, and hit every point along the way.

The CHAIRMAN. That sounds good.

Mr. EWOLDT. I grew up on a family farm. My wife and I have two children, two boys, that are 11 and 13. Both just live and die agriculture at this time, like every early teenage boy does on the farm. We raise corn, soybeans, some alfalfa hay. We have cattle and hog operations, and it is tough times right now. As a farmer, you accept some unknowns, and it is just the way of life, but weather, cost of inputs, the Mississippi River levels, which affected us greatly last year, and volatile market prices are just a few of the variables that we deal with, and trade is the most important.

Traditionally our soybeans are a $25 billion export for the country. More than 60 percent of the soybeans are exported. However, currently, that is not the case. I can still remember when the tariffs were put in place. I woke up at about 3:00 in the morning for some reason. I grabbed the phone, like a lot of us do anymore, and looked to see what is happening in the news, and, sure enough, tariffs had been put on soybeans, and pork, so I quick flipped over to the overnight trade, and watched the soybean price drop. We saw it drop to $2 below world prices. I already had the crop planted, and, like most of the farmers, we thought it was going to be short-lived. We thought that they really needed our soybeans, and we were going to come out of this pretty quick. That did not happen.

Fast forward to today, we have restructured. I rent all of our ground. I do not own any land, so what equity I have is just in equipment, which depreciates fast. When you don't make money, and you have to pay back an operating note, it is very difficult. We went backwards about $100,000 in 2018 and 2019, due to the trade, and due to some weather issues, we went backwards again. I sit before you still waiting to see if I am going to get operating money for 2020. To say that stress is very high at my house between my wife and myself, it is.

I am not going to give up. We are going to do what we can. I have taken up a job using some of our equipment, so I drive a truck at night now. If I am going to be awake worrying about how I pay for my bills, I might as well be awake doing something to pay my bills. I have taken a truck—one of our trucks, and drive at night, whether it be St. Louis, or St. Paul, just regionally, and it is offsetting, and it is keeping my lender happy. My lender has been great to work with. He is doing everything he can possibly do. Like I said, we are trying to figure out how to make this work. But it is one thing for sure that I can say that if we did not have the MFP payments in 2018 and in 2019 that I would not be sitting before you calling myself a farmer. It is just the way it goes. My wife and I have strong faith, we will get through it. I think my parents are proud of us for trying to chug through this.

That being said, the yellow light is on. I think there are some great opportunities out there, and that you all need to be champions for us to go out. As a soybean association, we have been doing our own trade mission trips. We are trying to look at new markets, whether they be in Pakistan, and Bangladesh. We are trying to develop things in northern Africa, and—but we need support, and we need to move this crop. We are great at what we do. We have all talked about that today already, that we are the best in our field. Sorry for the bad pun, but we are. The American farmer and rancher, it is incredible what they can do, and we just need to move this product out. And, with that, I thank you for giving me the opportunity to tell my story.

[The prepared statement of Mr. Ewoldt follows:]

PREPARED STATEMENT OF ROBB EWOLDT, OWNER/OPERATOR, RAFTER E RANCH, LLC; SECRETARY, DISTRICT 6 DIRECTOR, IOWA SOYBEAN ASSOCIATION, DAVENPORT, IA

Mr. Chairman, Ranking Member Rouzer, and Members of the Subcommittee, my name is Robb Ewoldt and I farm near Davenport in eastern Iowa. I serve as District 6 Director of the Iowa Soybean Association and was elected last fall to the ISA Executive Committee, serving as Secretary. I'm also active in the Scott County Cattlemen's Association, Scott County Farm Bureau and my local church.

Farming is my life. I grew up caring for the land and tending livestock hand-in-hand with my parents. Today, my sons Isaac and Alex continue the family's legacy by farming at my side. Together with my wife Jennifer, our family farm includes soybean, corn, and alfalfa production, raising pigs and managing a small cow-calf herd. We're also dedicated advocates for rural living and farming. We frequently connect with reporters to talk about what we do as farmers and host an annual Ag Celebration on our farm so people can experience farm life up close and personal.

Thank you for inviting me to share my perspective on agricultural trade and the impacts of today's global trade—or lack thereof—on America's family farms.

When you grow up on a farm, you gain an understanding of the things you can control and, ironically, an appreciation for what you *can't* control. As a farmer, you know tough times come with the territory. Farming is not for the faint of heart and farmers volunteer for the profession, knowing there are no guarantees. Uncertainty is a way of life. The weather, cost of inputs, Mississippi River levels, and volatile market prices are just a few of the variables.

We do everything we can to minimize these uncertainties by planning ahead, investing in technology, utilizing up-to-date marketing tools, and mitigating our risk. But even these steps fall short when government actions here at home and half-a-world-away pull the rug out from under your feet.

Trade is a critical issue for soybean farmers. We're very good at growing soybeans. But as of late, not so successful at finding a market for them. Traditionally, soybeans and soy products are America's leading agricultural export valued at more than $25 billion in 2018. More than 60 percent of the United States' soy crop is exported.

But these numbers are now dated.

Think about significant events that have occurred in your life? I'm sure you can recall the exact time and place you were when they happened. Same is true for me. My life-changing moment took place at 3 a.m. when China announced retaliatory tariffs on U.S. soybean imports. There I was, in the pitch black, watching overnight trades on my computer and seeing soybean prices free-fall. It didn't take long before the price of every bushel of soybeans that I planted had plummeted $2.00—a loss of nearly ⅕ their value pre-trade war.

Looking back, I can remember thinking, optimistically, that the trade war and economic pain inflicted on farmers like me would be short-lived. I wanted to believe the market was just experiencing a knee-jerk reaction and things would rebound quickly. After all, folks in Washington, D.C. were saying the tariffs were simply being used to reach a negotiated solution. But as Members of this Committee know all too well, 2 years have passed, tariffs remain in place and real solutions benefiting America's farmers remain elusive.

Farmers are optimistic at heart. But the ongoing trade war with China has made it difficult to remain positive and even tougher to stay profitable.

I don't own farmland. Instead, I pay cash rent on the land I need for growing crops. Being a renter instead of an owner has hit me especially hard economically because I lack the equity that owning farm ground offers. In 2018, I lost nearly $100,000 because of the trade war and other uncertainties. The losses continued in 2019, as did the trade war. Even with the announcement of the Phase 1 Agreement between the U.S. and China, soybean prices remain below the cost of production. Chances to turn a profit this year on what I produce remain slim to none.

Depressed commodity prices and the sustained economic pain have forever changed my life. I'm not alone. Many farmers would share a similar story if they were providing testimony to you today.

Since the start of the trade war, I've restructured loans and liquidated equipment to remain economically viable. Still, it's a 50/50 proposition as to whether I'll receive an operating loan this year. I've also taken a second job as a truck driver. That's right. I farm during the day and then take to the road several nights a week to drive a short-haul semi-truck to the Twin Cities, Chicago, or Milwaukee. I figure, if I'm going be awake at night worried about how to pay down debt, I might as well be doing something to actually pay down debt.

Even with the trucking job and my wife's off-farm employment, the Ewoldt Family Farm's future is in doubt. We are burdened by large supplies of soybeans, corn and pork, and very few opportunities to turn a profit thanks to trade concerns. We don't know how much longer we can continue farming.

But farmers aren't the only ones feeling the pain and having to manage difficult times. The economic tsunami sends shock waves throughout communities large and small. Davenport is home to a major John Deere manufacturing facility. Even this Fortune 100 company isn't immune to the impacts of the trade war. Last year, their CEO made it very clear that farmers are postponing equipment purchases. Slower sales are weighing on their bottom line and placing many in my community on edge. Friends living in urban communities are concerned as they watch farmers struggle. Agriculture is a way of life and the core of Iowa's identity. But the continued economic malaise caused by a lack of U.S. agricultural trade is taking its toll.

Sadly, the future is filled with unknowns. While we're encouraged by trade developments as of late, they are not impacting the markets to the positive. Without the Market Facilitation Program (MFP) payments, I would not be farming today. These program payments, though, aren't a long-term solution. They can distort planting intentions and market prices. I would much rather have the long-term certainty that comes with reliable markets than government intervention.

Passage of USMCA and initial trade agreements with Japan and China offer glimmers of hope. But hope doesn't pay the bills. Even without the increasing corona virus concerns, it was hard to see China buying soybeans that they don't need thanks to record South American production.

Selling what we produce is essential for America's farmers and our nation's economy and prosperity. The Iowa Soybean Association continues to work with state and national counterparts to grow new markets and uses. This includes a just-completed trade mission to Pakistan and Bangladesh. Soy-based polymers are revolutionizing more eco-friendly asphalt and offers market potential for the oilseed. So, too, does continued growth in domestic livestock, poultry and dairy production.

But work remains.

I encourage you and the Administration to:

- Monitor and implement the China Phase 1 Agreement and work towards the removal of all retaliatory tariffs;
- Ensure final ratification of the USMCA by all three countries;
- Implement the initial U.S.-Japan Agreement that went into effect January 1, 2020;
- Assure positive outcomes to bilateral trade negotiations with the EU and the UK; and
- Encourage the Administration to initiate free trade negotiations with other significant soy and livestock-importing countries like India, Indonesia, and the Philippines.

As you continue your work on these important matters, I'll remain an advocate for agricultural trade. Given 95 percent of the world's population lives outside the United States, selling what we grow to the countries and people who need it is critically important. Let's stay focused on developing relationships and trade agreements so America's farms and the communities and businesses we support can grow and thrive. Doing so will ensure that my sons have the same opportunity to farm as I did, should they wish to do so. Thank you for giving me this opportunity and I welcome your questions.

The CHAIRMAN. Well, thank you, Mr. Ewoldt, and the passion and the heartfelt testimony that you just provided, each and every one of us is a good and accurate reflection of the pain and the suffering, the difficulty, that American farmers, and ranchers, dairymen, have had throughout the country in recent years for a combination of reasons, from natural weather conditions to a whole list of other factors that are involved in this trade war, and have put American agriculture in a difficult, difficult place. The safety net, as you noted, has kept folks alive, but we have to do better. And you inspire all of us as strong advocates on behalf of American agriculture to, in fact, figure out ways to do better, and we thank you for your testimony. Hang in there.

Our next witness is Mr. Jacquier, from Connecticut.

STATEMENT OF JAMES JACQUIER, OWNER/MANAGER, LAURELBROOK FARM LLC; BOARD MEMBER, NATIONAL MILK PRODUCERS FEDERATION, EAST CANAAN, CT

Mr. JACQUIER. All right. Well, thank you for the opportunity, Chairman Costa, Ranking Member Rouzer, and Members of the Subcommittee.

The CHAIRMAN. As a third generation dairy son, I have full empathy with you.

Mr. JACQUIER. Thank you for inviting me to testify today and provide a dairy stakeholder perspective on agriculture trade. My grandparents started LaurelBrook Farm in 1948 with just 18 cows, and nothing to their name. Four generations later the farm has grown, the families have grown, and we are the major economic backbone to many families, employees in our community. Our dairy farm is located in East Canaan, Connecticut, which is 2 hours from Boston, 2 hours from New York City. Every day I work side by side with my wife Jennifer, son Colby, my dad, brother, and two nephews, who are also owners.

The opportunities for the next generation would not have been possible without the market opportunities created by trade agreements that supports dairy exports over the last 25 years. Just last year America's dairy industry exported more than $6 billion in dairy products ranging from cheese, to ice cream, to milk powders. The farm families in our co-op are very proud to produce high quality milk that makes world winning dairy products that are trusted by customers around the world. If dairy farmers and their processors do not have new and continued opportunities overseas, our livelihoods are at risk.

Trade disputes, uncertainty in the global marketplace, and anti-trade rhetoric has contributed to a decade long drought in new free trade agreements. This is the opposite to what our competitors, like the EU, New Zealand, and others have been doing as they have been diligently negotiating and passing trade agreements. This has hit America's dairy industry hard, and we need your help. Congress and the Administration must work together to expand equitable trade relationships with important markets reliant on dairy and other agriculture imports, creating greater market access for the milk we produce. The harm to some sectors from trade is often discussed, while too little attention is paid to American agriculture that suffers from not enough export opportunities. Dairy is a prime example. The U.S. Department of Agriculture shows the U.S. lost more than 6,000 dairy farms over the last 2 years. That is over eight per day, representing a 15 percent decline.

My written testimony lays out specifics on the dairy industry's top priorities, and as you will see, there are several important areas on which we would ask that the Congress and the Administration work together, including pursuing free trade agreements that allow our industry to grow exports, particularly to critically important dairy importing markets in Asia, focus our limited negotiating resources on discussions with trading partners that are likely to yield meaningful benefits, give careful and proactive attention to the implementation and enforcement of negotiated trade agreements, particularly USMCA. We want to be certain that Canada and Mexico comply with their commitments. Remove all retaliatory tariffs on dairy in China so that the U.S. dairy industry can fully benefit from a Phase 1 Agreement. Negotiating a comprehensive agreement with Japan that further expands dairy access in this valuable market. Break down unscientific, burdensome barriers to trade, including geographical indicators.

I want to expand on my last point. We can lower tariffs and negotiate trade agreements, but if one non-tariff barrier affecting the food industry takes away market access, then we have nothing. The misuse of geographical indicators has become a pervasive problem in virtually every significant U.S. export market. It is a protectionist and anti-trade policy, and it must be firmly rejected by Congress and by U.S. trade officials at every turn. The dairy industry has no problem with GIs that have a first and last name, but each individual name should remain free for use by all competitors. GIs were meant to protect unique regional terms, such as Parmigiano-Reggiano. However, the EU, is misusing these GI protections to limit exports from the U.S. of products that use generic terms, such as parmesan, feta, asiago, as well as wine terms, and others. These are common names that millions of consumers recognize of their favorite foods.

We need a laser focused global trade policy strategy that will effectively combat the EU's efforts. USMCA set a strong precedent with its provisions on GIs, including a list safeguarding the use of common cheese names. The dairy industry wants Congress and the Administration to make it a policy objective to expand upon the successful framework of trade negotiations. I hope this Committee will take an active role in examining and addressing these issues in the future proceedings. Your attention to these trade issues will benefit the farmers, the processors, and rural communities.

The CHAIRMAN. Thank you.

Mr. JACQUIER. Thank you.

[The prepared statement of Mr. Jacquier follows:]

PREPARED STATEMENT OF JAMES JACQUIER, OWNER/MANAGER, LAURELBROOK FARM LLC; BOARD MEMBER, NATIONAL MILK PRODUCERS FEDERATION, EAST CANAAN, CT

Chairman Costa, Ranking Member Rouzer, Representative Hayes, and Members of the Committee, thank you for inviting me to testify on U.S. Agricultural Trade from a Stakeholder's Perspective. My name is James Jacquier. My wife, Jennifer, my son Colby and I operate LaurelBrook Farm, a fourth generation, 1,500 cow dairy in East Canaan, Connecticut alongside my brother, my father and my two nephews. I serve as Chairman of the Board for Agri-Mark, a dairy cooperative comprised of 850 farm families across New England and New York.

I am testifying today on behalf of the National Milk Producers Federation, for which I serve as a Board of Directors and Executive Committee member. My cooperative, Agri-Mark, works closely with the National Milk Producers Federation and the U.S. Dairy Export Council on issues related to international trade. NMPF develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. NMPF's member cooperatives produce the majority of the U.S. milk supply, making NMPF the national voice of dairy producers. International trade is one of those issues and in recent years it has been one of the most important to our industry. NMPF works closely on international trade issues with the U.S. Dairy Export Council whose partnership between producers, proprietary companies, trading companies and others interested in supporting U.S. dairy exports has contributed greatly to the success of the industry.

Testimony Summary

Maintaining our trade relationships and expanding market access for U.S. dairy products is vital to the strength of the domestic dairy industry and the economic health of rural America. Congress and the U.S. Government must work together to expand equitable trade relationships with key dairy trade partners, creating greater market access for the high-quality milk and dairy ingredients produced by the U.S. dairy industry.

To achieve these goals, the U.S. Government must focus on the following priorities:

- Pursue free trade agreements (FTA) that allow our industry to grow exports and reject agreements that do not benefit the U.S. dairy industry or U.S. agriculture.
- Give careful and proactive attention to the implementation and enforcement of negotiated trade agreements, particularly USMCA.
- Pursue a focused and global strategy designed to uproot the European Union's misuse of geographical indications (GI) that create *de facto* barriers to trade.
- Ensure that overly onerous and unfounded technical barriers to trade and/or unjustified sanitary and phytosanitary requirements do not impede access for U.S. dairy exports to foreign markets.
- Removal of all retaliatory tariffs on dairy in China so that the U.S. dairy industry can reap the full benefit of the Phase 1 agreement.
- Further expand dairy market access into Japan through the completion of a comprehensive agreement that builds upon the strides made in Phase 1.
- Reject any agreement with the EU that does not fully eliminate all agricultural non-tariff barriers.
- Secure an agreement with the UK that fully addresses technical and tariff impediments to streamlined and consistent access to the UK market, including GIs.

Importance of Trade to U.S. Dairy

America's dairy industry is an economic force that employs nearly one million Americans, contributes more than $64 billion in tax revenue and adds about $620 billion to the U.S. economy.[1]

Trade is essential to the health of the dairy industry. America's dairy farmers and processors have established themselves as the world's preeminent suppliers of high-quality dairy products, exporting more than $6 billion in dairy products in 2019 to customers around the world. Nearly 15% of U.S. milk production last year was exported overseas in the form of a wide variety of dairy products from cheese to ice cream to milk powder.

Our industry manufactures high-quality Made-In-America products that are beloved by consumers across the globe. In fact, just last year, a cheese from the U.S. won "Best in the World" at the World Cheese Awards for the first time ever. It's clear that our dairy products can compete toe-to-toe and win against any country.

Importantly, these exports drive growth across the U.S. economy. Dairy exports alone create more than 85,000 U.S. jobs and have a nearly $12 billion economic impact.[1]

Unfortunately, trade disputes and uncertainty in the global marketplace have exacerbated the prolonged rural recession that has gripped the heartland and America's dairy industry has been among the hardest hit. Dairy farmers and processors have found their livelihoods under threat and the communities and economies that depend on these producers are at risk. U.S. Department of Agriculture reports that the U.S. lost more than 6,000 dairy farms over the last 2 years, representing a 15% decline in dairy farm numbers over that period.[2]

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[1] *https://medium.com/dairy-exports-mean-jobs*.

[2] USDA's National Agricultural Statistics Service reports there were 40,199 licensed dairy herds in 2017 and 34,187 in 2019. The average 2 year loss rate prior to 2017 was less than eight percent, starting in 2003.

As a farmer myself, I know first-hand what this means to me and my bottom line. When our exports increase, I, and all my fellow dairy producers, benefit. And when our exports are impeded or we give up market share, the effect is ultimately felt by the farmer in the price we receive.

The U.S. dairy industry sees many reasons for optimism for U.S. dairy exports, but it is essential that Congress and the U.S. Government take a proactive approach to tearing down both tariff and non-tariff trade barriers that hinder U.S. exports and put America's farmers at a disadvantage to our competitors. Our future is dependent on creating market demand for the milk we produce through continued growth in sales to foreign markets.

Impact of Non-Tariff Barriers to Trade

The tremendous role that tariffs play in impacting U.S. exporters' ability to ship to a foreign market is widely recognized. Tariff constraints such as Japan's rate of up to 35% on milk powder imports or India's tariffs of 30% on cheese imports are understood to impede the ability of American agriculture to fully meet the demand that exists for those products. Comprehensive trade agreements, particularly with carefully chosen partners, are a very important avenue for tackling these challenges given their ability to deliver across-the-board tariff eliminations for U.S. exports.

An area that is often less recognized for the outsized role it plays in impacting the prospects of U.S. exporters is that of justified non-tariff barriers to trade. Yet non-tariff barriers can range from the burdensome to market-blocking and, for some products in certain markets, play a role that can dwarf even that of tariffs in determining the feasibility of shipping to that market. My comments below provide examples of that, ranging from EU policies that have driven a $1.6B dairy trade deficit to USMCA provisions that are essential to reaping the full rewards of the valuable agreement to China commitments that open up the potential for new companies and products to access that market.

While my testimony here provides a glimpse of some of those trade impediments, a fuller accounting can be found in the dairy industry's submission last year to the U.S. Trade Representative's Office.[3] Week in and week out, our industry is working with USDA and USTR to help guard against the creation of non-tariff barriers to trade that would impede or even upend our ability to keep dairy products flowing smoothly into key markets. Some of those challenges currently include India's dairy certification mandates, Indonesia's moratorium on the approval of new dairy facility registrations, proposed cheese standard compliance testing in Mexico that's more burdensome for imports than for Mexican products, lengthy delays in dairy facility questionnaire reviews in Costa Rica, and numerous others.

However, one type of non-tariff barrier to trade has become a pervasive problem in virtually every significant U.S. export market due to it being wielded as a policy tool by governments intentionally seeking to dampen competition from the U.S.—that is the abuse of geographical indications (GIs) to restrict the use of common food names. Given the global and growing nature of this challenge, my testimony provides below a summary of this unique form of non-tariff trade barrier.

Misusing Geographical Indicators (GIs) to Erect Barriers to Trade

As noted above, while removing tariffs weighing on dairy exports is a priority for the U.S. dairy industry, non-tariff barriers can be just as problematic and therefore require equal attention by trade officials. Yet, one area that has become a significant barrier confronting U.S. export opportunities products in recent years has been the misuse of GIs by the European Union. GI protections are used to describe specialized products made in a specific region in order to protect the unique nature of that product. However, GIs were not meant to restrict the generic names by which millions of consumers recognize some of their favorite foods; use of GIs to create this result must be firmly rejected as the protectionist and anti-trade policy that it is.

The U.S. dairy industry does not object to the protection of proper GIs, such as "Parmigiano-Reggiano". But the EU has been aggressively seeking to confiscate generic terms that derive from part of the protected name or are otherwise in common usage—such as parmesan, mozzarella, feta and Romano. The threat to common food names is not constrained to dairy but extends to other products as well, such as meat names like black forest ham and bologna, as well as common descriptive terms for wine such as vintage and chateau, or the use of common wine grape varietal terms.

The EU's GI campaign is as deliberate as it is destructive. It impacts each of the markets I will address further in my comments below. If the EU is successful in

[3] *https://www.nmpf.org/wp-content/uploads/2019/11/Comments-NMPF-USDEC-National-Trade-Estimate-NTE-10.31.2019.pdf.*

blocking U.S. exports of common food names, U.S. food producers will be severely harmed, and consumers will no longer recognize familiar products. We appreciate the actions the U.S. has taken so far to protect American jobs as well as the legitimate rights of our food manufacturers, farmers and exporters; however, combating the EU will require continued vigilance, a coordinated U.S. interagency effort focused on preserving U.S. market access opportunities, and a pragmatic, results-oriented approach to combating the EU's trade-distorting approach to this topic.

To most effectively resist the EU's insistence on imposing barriers to fair competition in trade negotiations, the U.S. Government must use all tools at its disposal to boldly advance on common name safeguards in the strongest manner possible. Transparency and due process obligations have helped guard against restrictions on common food names and should remain part of the U.S. toolkit in tackling this challenge. However, in order to truly provide market access certainty for U.S. exporters and avoid the constant risk of further encroachment of bad-faith GIs, a more proactive and expansive approach is necessary.

The U.S. Government must secure firm and explicit trade commitments assuring the future use of specific generic food and beverage names targeted by EU monopolization efforts and rejecting the use of GIs as barriers to trade in products relying on common names. USMCA's common food name provisions set a strong precedent and that language affirmed market access rights for a non-exhaustive list of commonly used product terms. The U.S. Government must make it a policy objective to further expand upon this successful framework in other trade negotiations to ensure that safeguards for American-made common food name products are strengthened, cloaked barriers to trade are rejected, and legitimate IP protections preserved.

New U.S. Dairy Negotiating Priorities Focused on Key Markets

The prospect of keeping existing sales and achieving additional growth requires a forward-leaning posture by the U.S. Government and active negotiation with key dairy export markets to avoid ceding ground to our competitors. The U.S. dairy industry supports the negotiation of FTAs that help level the playing field for American dairy products and allow our industry to grow exports and invest in expanding dairy jobs.

Southeast Asia

U.S. dairy producers and businesses have worked hard to make advancements in Southeast Asia and believe increased sales throughout Asia are key to the industry's future success.

Unfortunately, America's biggest dairy export competitors—Europe, New Zealand and Australia—have negotiated FTAs with partners in Southeast Asia or are in the process of doing so, leaving the U.S. as the only major supplier that will be left without an FTA. The tariff advantages provided by these FTAs may in some cases price alternate suppliers out of the market, including the U.S. This has put the U.S. dairy industry at a distinct disadvantage, and we are at risk of seeing our competitiveness erode in this important market region.

U.S. focus would be most effectively invested in expanding American inroads into key and growing markets throughout Southeast Asia, particularly Vietnam.

Vietnam

In 2019, the United States exported $170 million in dairy products to Vietnam, making this market the eighth largest U.S. dairy export destination in 2019. A developing economy and changing food trends in Vietnam have fueled a demand for dairy that cannot be met by their domestic industry alone.

The U.S. dairy industry urges the U.S. Government to pursue an FTA with Vietnam and the subsequent removal of all dairy tariffs on U.S. exports to ensure that Vietnam has access to a long-term, consistent supply of competitively priced dairy ingredients. A successful FTA will ensure that the U.S. secures equal or better access than that given to our competitors under Vietnam's existing Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and EU trade agreements.

The one non-tariff area of concern with this market relates to the impacts of the EU-Vietnam FTA on U.S. exporters' abilities to sell common name foods in Vietnam. The EU-Vietnam FTA imposes restrictions on the use of several commonly produced products, while also containing useful clarifications relating to several compound terms of commercial importance to the U.S. Another notable element of this FTA was a grand-fathering clause that clearly allows exporters who established use of asiago, fontina, and gorgonzola in the Vietnam market prior to Jan. 1, 2017 to preserve future access rights to that market. It is vital to ensure that the grand-fathering commitments that were provided for are upheld and that EU interests are not permitted to use Vietnam's trademark system to undermine these results. In addition, more remains to be done to safeguard the use of other common terms in this major dairy market moving forward.

United Kingdom

The UK dairy market is a prosperous one with a significant segment of its dairy consumption coming from imports, representing strong potential to expand U.S. market share. However, numerous tariff and non-tariff barriers imposed by the EU have long hindered U.S. dairy exports to the UK. These include bans on the use of several common cheese names due to EU geographical indication policies and certification-related challenges (existing and looming) that overly complicate our industry's ability to consistently and simply ship product to Europe. The UK's exit from the EU presents an opportunity to move beyond the EU's complex trade policies which act as major disincentives to U.S. exports.

In principle, the U.S. dairy industry supports a comprehensive U.S.-UK trade agreement; we see opportunities to use trade negotiations to incentivize the UK to import more dairy products from the U.S. across a broad spectrum of dairy products. To be most competitive, however, our suppliers must ultimately have an even playing field as compared to European suppliers to the UK market.

Effective Utilization of U.S. Negotiation Efforts

The U.S. doesn't have unlimited resources when it comes to negotiating new agreements. We must caution the U.S. Government against investing limited negotiating resources in pursuing FTAs with trading partners, as this is unlikely to yield a net positive result for dairy products or agriculture exports.

Pursuing trade deals with countries that are not serious about confronting and reforming their non-tariff barriers harming fair trade would sap valuable negotiating time that would be better spent pursuing trade agreements with larger agricultural importing markets. As an example, the EU seems unwilling to address the unjust tariff and non-tariff trade barriers driving the massive dairy trade deficit between our nations, severely limiting the benefits of an FTA and making them a dubious candidate for the valuable time and efforts of USTR.

In addition, any agreement that does not fully eliminate trade barriers hindering U.S. exports and take action to guard against future ones must be rejected by the U.S. In terms of the EU, the complex web of unscientific and protectionist import policies that the EU specifically designed to prevent U.S. imports must be dismantled. The dairy industry has five priorities that must be addressed in order to reach a satisfactory trade agreement:

- Remove EU-imposed restrictions on common cheese names in Europe and other U.S. export destinations while rejecting EU efforts to impose their GI policies and restrictions on the U.S. market.
- Recognize the safety of America's dairy products and production system, including the removal of existing unscientific regulations that are blocking U.S. exports.
- Establish enforceable commitments for sanitary and phytosanitary standards and technical barriers to trade that provide enhanced certainty to U.S.-EU agricultural trade.
- Simplify and streamline border administration measures for tariff rate quota management and licensing procedures.
- Eliminate dairy tariffs in a coordinated manner for butterfat and ingredients, provided the non-tariff barriers described above are addressed.

Maximizing Dairy Benefits of Negotiated Trade Deals

Over the past year, the U.S. has achieved several key trade wins essential to the U.S. dairy industry, including passage of USMCA, a Phase 1 Japan Deal, a Phase 1 China Deal and important advances on tariff and non-tariff barriers that have hindered trade. Maximizing the benefits to dairy in these trade deals will require a focused government effort, particularly with respect to follow-though by our trading partners related to the non-tariff provisions of those agreements. These non-tariff elements are just as critical to the success of our trade agreements as are tariff commitments given their potential to dramatically alter the competitiveness of U.S. exports to foreign markets or in some cases determine whether the products can even enter the market.

United States-Mexico-Canada Agreement

USMCA makes tremendous strides to modernize trade rules and facilitate the smooth flow of U.S. dairy products throughout North America. America's dairy farmers, manufacturers and exporters are grateful for this new agreement that we hope will bring increased certainty to the U.S. dairy industry by preserving access to our largest export market (Mexico), addressing Canada's discriminatory Class [VII] dairy pricing policy, expanding critical market access and defending common cheese names, among other accomplishments.

If Canada and Mexico implement USMCA in keeping with the expectations established during negotiations, it will strengthen exports of high-quality U.S. dairy products and secure real benefits for our industry. Under USMCA, U.S. dairy exports will ultimately increase by more than $314 million a year, according to the U.S. International Trade Commission. These dairy sales will have a positive effect on American farmers, bolstering dairy farm revenue by an additional $548 million over the first 6 years of implementation.

However, these benefits will only be fully realized if our trading partners adhere faithfully not just to the letter of their commitments under USMCA, but to their spirit as well. Congress must work proactively with USTR and USDA as they work with Canada and Mexico to outline U.S. expectations regarding how they will implement and enforce key USMCA provisions to ensure that a less than fulsome approach to implementation by either trading partner does not undermine the full intent of USCMA's dairy provisions.

Canada, in particular, has a long history of intentionally using policy tools to manipulate its access commitments and protect its tightly controlled dairy market. In light of this clear track record, the U.S. dairy industry strongly encourages the U.S. Government to engage early and actively with Canada to lay out U.S. expectations for how key dairy provisions in USMCA will be implemented, to later carefully evaluate any dairy proposals issued by Canada and ultimately to hold Canada strictly responsible for abiding by the intent of this new trade treaty. Areas of critical importance include those outlined to the USITC in late 2018 such as:

- Ensuring the reclassification of products after the end of Class [VII] is done appropriately to genuinely reflect their end use, as called for by the agreement;
- Enforcing export surcharges on skim milk powder, milk protein concentrate and infant formula as outlined in the USMCA and preventing the proceeds from being redistributed to the Canadian industry;
- Avoiding trade quota administration in Canada in a manner that discourages full market access granted to the U.S. under the agreement; and
- Making sure Canadian market access under the USMCA is provided in addition to the access to which Canada already agreed to.

USMCA also established ground-breaking precedents intended to strengthen safeguards that protect U.S. companies' rights to use common food names, including two side letter agreements with Mexico that provide clear market access assurances for U.S. common name dairy products. The importance of stringent enforcement of these agreements and clear implementation of the commitments has come into sharp focus as Mexico and Europe move toward implementation of the trade agreement they reached in 2018 that included various GI restrictions. It is essential that the U.S. Government proactively engage in addressing and then subsequently carefully monitor the terms achieved in USMCA to fully protect common name products.

Last, the U.S. must monitor government actions that may run counter to the intention of USMCA to provide for smooth trade flows and transparent operations. It would be unacceptable for either Mexico or Canada to institute new non-tariff trade barriers in response to U.S. efforts to facilitate trade by implementing USMCA.

Congress and the Administration worked extremely hard to ensure that USMCA would be a robust agreement that moves the interests of American agriculture, as well as other sectors of the U.S. economy, forward. To fully capitalize on that investment, a proactive approach to our trading partners' implementation efforts is critical.

Japan Phase 1

U.S. dairy farmers applauded the strides made for dairy in the Phase 1 U.S.-Japan Trade Agreement as they will help stem the erosion of U.S. market share in this key market, especially for cheese, whey, and lactose products.

However, more remains to be done in order to maximize opportunities in this top five U.S. dairy export market for U.S. dairy farmers and processors. The dairy industry is urging U.S. trade negotiators to swiftly pursue and complete a comprehensive agreement that builds upon the strong foundation of the Phase 1 deal and delivers the complete range of market access opening and assurances necessary to ensure that U.S. dairy products can best compete. A 2019 U.S. Dairy Export Council study found that if the U.S. has at least the same market access as its competitors, the U.S. could roughly double its share of the Japanese market over the next 10 years, underscoring the necessity of a Phase 2 agreement.

Given the importance of the U.S. market to Japanese exports, the terms of trade offered by Japan to U.S. exports should not just meet but exceed those granted to its less valuable customers. This includes addressing remaining gaps and inequalities in market access granted to our competitors by the Japan-EU and CPTPP agreements that leave U.S. dairy at a disadvantage. Moreover, any comprehensive agreement also must protect common cheese names and include effective disciplines for applying sanitary and phytosanitary measures that are science-based and enforceable.

China Phase 1

China is the world's second largest importer of dairy products and a critical market for the U.S. dairy industry. The Phase 1 trade agreement with China made important advances on non-tariff issues and regulatory restrictions harming U.S. dairy trade.[4] However, the U.S. Government's work with China is not complete until the retaliatory tariffs against all U.S. dairy exports are fully lifted.

Prior to the imposition of retaliatory tariffs, the U.S. had been expanding its market share of China's rapidly growing import market at a rate of ten percent per year over the past decade. Although the dairy market in China continues a strong trajectory of growth with tremendous potential, recent gains for U.S. dairy exports have been reversed by the waves of retaliatory tariffs imposed by China.

The U.S. dairy industry was already at a disadvantage because of the free trade agreements Australia and New Zealand share with China, but now the additional burden of retaliatory tariffs has allowed these nations, as well as the EU, to further expand their market share at America's expense. The U.S. dairy industry is committed to the Chinese market, but once hard-earned market access is lost, it will be difficult to recover or find another market as pivotal for U.S. dairy exports as China.

On February 19, 2020, China's Tariff Committee of the State Council announced it will open a process for companies registered to conduct business in China to apply for retaliatory tariff exemptions to encourage imports and help fulfill China's purchasing agreements under the Phase 1 trade deal. China published a list of nearly 700 U.S. products, including several dairy tariff lines, for which they are specifically inviting requests from companies in China to eliminate tariffs. Although the products cited on the list are expected to garner favorable consideration from Chinese authorities, the Chinese Government has confirmed that it will also consider applications for other items not on the list as well. The latter is very important for our industry in light of the fact that not all dairy products were cited on the list published by China.

This is encouraging news and bodes well for future efforts to lift tariffs; however, the U.S. dairy industry would prefer that China provide relief across the entirety of the harmonized tariff schedule and encompassing all dairy products to ensure all U.S. dairy exporters can take full advantage of tariff relief.

It's imperative that Congress work with the Administration to press for removal of all retaliatory tariffs on dairy so that the U.S. dairy industry can reap the full benefit of the Phase 1 agreement and be placed once again on a path to continued export growth in this market. If both the tariff and non-tariff barriers to trade that remain outstanding are not imminently addressed, it will have damaging and lasting effects on U.S.-China trade.

Conclusion

The U.S. dairy industry recognizes the importance of expanding overseas market opportunities in order to bolster our farmers, processors and manufacturers here at home. We have worked hard to establish the U.S. as a reliable supplier of safe and nutritious products to meet growing foreign demand for high-quality American dairy products, and we want to be able to capitalize on these extensive efforts through improved access to these markets.

The U.S. Government has made strides over the past year to break down trade barriers and finalize trade deals in key markets for U.S. dairy; well-negotiated trade agreements can be highly beneficial to our industry if they are fully implemented in good faith and properly implemented. Continued growth and economic security for the domestic dairy industry will require the U.S. Government to focus negoti-

[4] Summary of dairy-related results: *https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Phase_One_Agreement-Commodity_Fact_Sheet-Dairy_and_Infant_Formula.pdf*.

ating efforts on markets with noted benefits for U.S. dairy and push to dismantle GI barriers with renewed focus.

I appreciate the opportunity to provide comments on these important issues to this Committee. Thank you.

The CHAIRMAN. Mr. Jacquier, you tested the patience of the chair, but your points on geographical indicators are well taken, and has strong support among Members of the Subcommittee here, and we believe it has to be addressed. Our next witness is Ms. Overman, I believe, hold it, I am sorry, I skipped Mr. Keavy. I don't want to do that. Mr. Keavy, from Kingsburg, home of the watermelon festival.

STATEMENT OF BRIAN KEAVY, VICE PRESIDENT OF INTERNATIONAL MARKETING, KINGSBURG ORCHARDS, KINGSBURG, CA

Mr. KEAVY. Good morning, Chairman Costa, Ranking Member David Rouzer, and distinguished Members of the Subcommittee. Thank you for the opportunity to provide comments on the importance of certainty in export markets, and the stability that trade mitigation programs bring to the stone fruit industry. My name is Brian Keavy, and I have been the Vice President, International Marketing for Kingsburg Orchard for the past 12 years. Kingsburg Orchard is a fifth generation family owned farm that grows over 10,000 acres of fresh fruit, which includes peaches, plums, and nectarines, collectively known as stone fruit. We are located in the heart of California, in the San Joaquin Valley. The stone fruit industry is valued at approximately $800 million per year. Annually, Kingsburg Orchard exports on the average of over ten percent of our 10–11 million boxes to over 25 countries. Our season begins in April, and runs through December. We employ 200 full time workers, and around 6,000 seasonal workers and contract crews.

The stone fruit industry needs certainty in our export markets. Reducing and eliminating trade barriers to expand market access is essential to the health and future of this industry. Exports typically account for 20 to 40 percent of total crop value. This revenue has become more important to us over the last 10 years, as the industry has contracted. Due to labor intensive nature of stone fruit farming, costs have increased significantly over the same period. Thus, securing premium export markets which have a strong profit potential is critical for the stone fruit industry success. Chinese consumers prefer premium fruit, such as Kingsburg Orchard's high quality plums, so China has been an important market for us since 2014. Currently, plums are the only stone fruit that have been granted market access to China, but they have been subjected to several rounds of retaliatory tariffs, which resulted in significant reduction in shipments.

Phase 1 of the U.S.-China trade deal was a positive step forward for the stone fruit industry. China committed to increasing purchases of U.S. agricultural products by $32 billion over 2 years, and agreed to grant market access for California nectarines. Achieving market access for nectarines presents a highly lucrative opportunity for Kingsburg Orchards, as many Chinese consumers have seen our nectarines in Hong Kong or in Taiwan already. Our importers are confident that nectarines will be highly regarded once we begin shipping them. As a result of Phase 1, China also announced that it would offer importers an opportunity to apply for exclusion from the Section 301 tariffs, which would provide some price relief, and facilitate its commitment to purchase more U.S. goods. As a result, we do expect an increase in shipments for 2020 season. We would anticipate further reduction of tariffs in a Phase 2 deal would result in even a larger increase in exports.

Establishing markets requires significant investment and effort in part of the stone fruit industry members forming and maintaining relationships with importers and retailers, as well as developing consumer demand in various regions of the Chinese market, is no small achievement. During the last two shipping seasons, importers have replaced California plums with Spanish plums and/or fruit from other export markets. Consumers have become accustomed to these competing products. The stone fruit industry estimates it will take 3 to 4 years to re-establish themselves once the tariffs revert to 2017 levels. Trade mitigation programs stabilize the market for our industry members while export barriers are being addressed. We understand it takes some time to level the playing field. When a market as important as China closes, we must find alternatives to remain competitive in the interim. The trade mitigation purchases helped relieve pressure brought on by the increased tariffs, and it is our hope that these programs will continue as long as the additional tariffs remain in place.

Thank you for the opportunity to provide these comments on the behalf of California stone fruit industry and Kingsburg Orchards.

[The prepared statement of Mr. Keavy follows:]

PREPARED STATEMENT OF BRIAN KEAVY, VICE PRESIDENT OF INTERNATIONAL MARKETING, KINGSBURG ORCHARDS, KINGSBURG, CA

Good morning Chairman Costa, Ranking Member David Rouzer, and distinguished Members of the Subcommittee. Thank you for the opportunity to provide comments on the importance of certainty in export markets and the stability that trade mitigation programs bring to the stone fruit industry.

My name is Brian Keavy and I have been the Vice President of International Marketing for Kingsburg Orchards for the past 12 years. Kingsburg Orchards is a fifth-generation family-owned farm that grows over 10,000 acres of fresh fruit which includes peaches, plums, and nectarines (collectively known as stone fruit). We are located in the heart of California in the San Joaquin Valley. The stone fruit industry's gross sales are valued at approximately $800 million per year. Annually, Kingsburg Orchards exports on the average 10% of our 10–11 million boxes to over 25 countries. Our season begins in April and runs through December. We employ 150 full time workers and around 6,000 seasonal workers.

The stone fruit industry needs certainty in our export markets. Reducing and eliminating trade barriers to expand market access is essential to the health and future of the industry. Exports typically account for 20% to 40% of total crop value. This revenue has become more important to us over the last 10 years, as the industry has contracted. Due to the labor-intensive nature of stone fruit farming, costs have increased significantly over the same period. Thus, securing premium export markets which have strong profit potential is critical for the stone fruit industry's success.

Chinese consumers prefer premium fruit such as Kingsburg Orchard's high-quality plums, so China has been an important market for us since 2014. Currently, plums are the only stone fruit that have been granted market access to China, but they have been subjected to several rounds of retaliatory tariffs which have resulted in a total current tariff of 55%. Additionally, all U.S. fruit imports are subject to a 15% Value Added Tax (VAT), adding 70% to the cost for importers. This drastic increase in the tariffs has resulted in a significant reduction in shipments to China as is indicated in the chart below.

CA Plum Exports to China (Direct and Transshipped)

Actual Dollars (U.S.$ Millions)

2014	2015	2016	2017	2018	2019
$10,961,068	$13,598,046	$19,008,674	$23,473,776	$6,494,994	$5,245,941

Sources: *dataweb.usitc.gov,* trade estimated transshipment through Hong Kong.

Phase 1 of the U.S.-China trade deal was a positive step forward for the stone fruit industry. China committed to increasing purchases of U.S. agriculture products by $32 billion over 2 years, ($12.5 billion above the corresponding 2017 baseline of $24 billion in 2020 and $19.5 billion above the baseline in 2021). China also agreed to negotiate a phytosanitary protocol in order to grant market access for California nectarines, among other commodities. Achieving market access for nectarines presents a highly lucrative opportunity for Kingsburg Orchards as many Chinese consumers have seen our nectarines in Hong Kong or Taiwan already. Our importers are confident that nectarines will be highly regarded once we begin shipping them.

As a result of Phase 1, China also announced that it would offer importers an opportunity to apply for exclusion from the Section 301 tariffs which would provide some price relief and facilitate its commitment to purchase more U.S. goods. As a result, we do expect an increase in shipments for the 2020 season. We would anticipate further reduction of tariffs in a Phase 2 deal would result in an even larger increase in exports.

Establishing markets requires significant investment and effort on the part of stone fruit industry members. Forming and maintaining relationships with importers and retailers, as well as developing consumer demand in the various regions of the Chinese market is no small achievement. During the last two shipping seasons, importers have replaced California plums with Spanish plums or fruit from other export markets. Consumers have become accustomed to these competing products. The stone fruit Industry estimates that it will take 3 to 4 years to re-establish themselves once the tariffs revert to 2017 levels.

Trade mitigation programs stabilize the market for our industry members while export barriers are being addressed. We understand that it takes some time to level the playing field. When a market as important as China closes, we must find alternatives to remain competitive in the interim. The trade mitigation purchases helped relieve the pressure brought on by the increased tariffs and it is our hope that these programs will continue if the additional tariffs remain in place.

Thank you for the opportunity to provide these comments on behalf of the California stone fruit industry.

Sincerely,

BRIAN KEAVY,
Vice President of International Marketing,
Kingsburg Orchards.

The CHAIRMAN. I thank the gentleman for his testimony, and appreciate his perspective on the challenges in dealing with China, and we will look forward to going back on that, with regards to the questioning. Now it is appropriate to go to our next witness. Ms. Overman, will you please proceed with your testimony?

STATEMENT OF LORENDA OVERMAN, CO-OWNER, OVERMAN FARMS, INC., GOLDSBORO, NC; ON BEHALF OF NORTH CAROLINA FARM BUREAU

Ms. OVERMAN. Thank you, Chairman Costa. I appreciate your comments about women in ag too. I think we are a force to be reckoned with. And thank you, Mr. Rouzer, for this opportunity to be here.

The CHAIRMAN. Absolutely.

Ms. OVERMAN. Good morning, I am Lorenda Overman. My husband Harrell and I are owners of Overman Farms in Wayne County, North Carolina. That is also the home of Seymour Johnson Air Force Base. Their planes fly over our farm daily. We are a multi-generational farm which directly supports our four families, 14 employee families, and we have a broad economic impact in our community. My husband is a sixth generation farmer. He and I have farmed hogs and row crops for more than 38 years, and we have just welcomed the return of two of our three children back to our operation, along with their families. Our farm is diversified, with 4,000 acres of corn, soybeans, wheat, and three hog farms. On our hog farm side, we have a nursery to finish barn that has 7,500 head, we have a sow farm that has 2,000 sows that weans 900 pigs a week, and we have a wean-to-finish farm that holds 14,000 head. Our sons are also running over 200 brood cows on about 400 acres of hay.

Let me set the stage for today's testimony. North Carolina farms have endured back to back to back hurricanes and unprecedented flooding. Our farm was personally severely impacted by several major storms and the subsequent flooding. Even with our risk management tools, along with the state and the Federal disaster payments, the financial and emotional impacts have been extremely difficult to manage. In order to manage the loss of income, and stay current with our operating and long-term loans, my husband and I have had to sell our timber to cover financial obligations. In addition, we have had to take out loans against our life insurance policies in order to help with operating capital. We have found that commercial banks are now afraid of farmers, and it is increasingly difficult to find partners willing to finance farming operations. The Farm Credit System has been vital to farmers in our area.

While the timing of the recent trade negotiations could have been better for North Carolina farmers, we strongly support the Administration's efforts to make these agreements work better for America's farmers. Foreign trade has become the lifeblood of much of North Carolina's farm production. North Carolina's total 2019 ag exports were valued at $2.7 billion, and our total farm gate income in 2018 was $11.1 billion. Exports account for almost ¼ of our state's farm gate income, so fair agreements will determine the future of our existence. We are grateful for the recent progress that has been made with China, and we encourage the Administration to stay the course, ensuring that China lives up to its obligations. Additionally, we are grateful for the passage of the U.S.-Mexico-Canada trade agreement, which will provide certainty for our industry moving forward.

The hog farm side of our farm is somewhat insulated from low market demand because our integrator has processing capacity, but area hog farmers around us with smaller integrators have unfortunately lost their contracts to grow hogs, which means they are growing hogs with no certainty of being able to sell those hogs because of the pressures on those smaller integrators. The row crop side of our operation is hurting from years of low prices. In 2019, and again in 2020, we were not able to balance our projected budgets because of the market prices, even when we projected bumper crop yields, and bumper crop yields are near impossible in our area to obtain. If the USDA had not issued the Market Facilitation Program, we would have ended 2019 in the red.

The bottom line is this. Farmers need every USDA and U.S. Department of Labor program that Congress has authorized to be well funded, well-staffed, and operating at peak efficiency. We need a guestworker program that works for all of agriculture, seasonal and year-round. We need this body to closely monitor trade agreements with participating nations to see that their commitments to purchase are honored. Finally, and importantly, we need to open the new markets in Great Britain and the European Union, and anywhere else that there are hungry people that are needing to eat the safest, freshest, and most affordable food that is produced anywhere in the world. Thank you very much for your attention, and allowing me to be here. It has been an honor.

[The prepared statement of Ms. Overman follows:]

Prepared Statement of Lorenda Overman, Co-Owner, Overman Farms, Inc., Goldsboro, NC; on Behalf of North Carolina Farm Bureau

Good morning. I am Lorenda Overman. My husband Harrell and I are owners of Overman Farms located in Wayne County, North Carolina, also the home of Seymour Johnson Air Force Base. We are a multi-generational farm which directly supports four families and has a broader economic impact in our community. My husband is a sixth generation farmer. He and I have farmed hogs and row crops for more than 38 years, and we have welcomed the return of two of our three children and their families to our operation.

Our family farm is diversified with 4,000 acres of corn, soybeans, wheat and three hog farms. On our hog farm side, we have a nursery-to-finish farm with 7,500 head. Our sow farm has 2,000 sows and our wean to finish farm holds 14,000 head. Our sons also run over 200 brood cows on about 400 acres of hay.

Let me set the stage for today's testimony: North Carolina farmers have endured back-to-back-to-back hurricanes and unprecedented flooding. Our farms were severely impacted by several major storms and the subsequent flooding. Even with risk management tools along with state and Federal disaster payments, the financial and emotional impacts have been extremely difficult to manage.

In order to manage the loss of income and stay current with our operating and long-term loans, my husband and I had to sell our timber to cover our financial obligations. In addition, we had to take loans against our life insurance policies in order to help with operating capital. We have found that commercial banks are now afraid of farmers and it is increasingly difficult to find partners willing to finance farming operations. The Farm Credit System has been vital to farmers in our area.

While the timing of recent trade agreement negotiations could have been better for North Carolina's farmers, we strongly support the Administration's efforts to make these agreements work better for America's farmers. Foreign trade has become the lifeblood for much of North Carolina's farm production. North Carolina's total 2019 ag exports were valued at $2.7 billion. Our total farm gate income was $11.1 billion in 2018. Exports account for almost ¼ of our state's farm gate income. Fair agreements will determine our future existence. We are grateful for the recent progress that has been made with China and we encourage the Administration to stay the course in ensuring China lives up to its obligations under these agreements. Additionally, we are grateful for passage of the U.S.-Mexico-Canada trade agreement which will provide certainty for our industry moving forward.

The hog farm side of my operation is somewhat insulated from low market demand because my integrator has processing capacity. Many hog farmers in our area are not as fortunate and have lost contracts with smaller integrators due to the price pressure on the supply chain. The row crop side of our operation is hurting from years of low prices. In 2019, and again in 2020, we were not able to balance our projected budgets with the market prices—even projecting bumper crops. If USDA had not issued Market Facilitation Program payments, we would have ended 2019 in the red.

Here is the bottom line: Farmers need **every** USDA and U.S. Department of Labor program that Congress has authorized to be well-funded, well-staffed, and operating at peak efficiency. We need a guestworker program that works for all of agriculture. We need this body to closely monitor trade agreements with participating nations to see that their commitments to purchase are honored. Finally and importantly, we need to open new markets in Great Britain, the European Union, and anywhere else there are hungry people needing to eat the safest, freshest and most affordable food produced anywhere in the world.

Thank you for allowing me to share today.

The CHAIRMAN. Well, Ms. Overman, thank you very much for your testimony. You have covered some of the most important parts of American agriculture, from trade to agricultural workforce, and, of course, the safety net that exists in our farm bill.

We look forward to our next witness, who will close up the round of witnesses, and then we will begin to the questioning, and that is Mr. Huie. Will you please proceed with your testimony, please, Mr. Huie?

STATEMENT OF MATTHEW R. HUIE, OWNER, HUIE FARMS, BEEVILLE, TX

Mr. HUIE. Thank you, Chairman Costa, Ranking Member Rouzer, Mr. Conaway, thank you all for allowing me to be here today to testify. My name is Matt Huie, and I am a farmer and rancher from Beeville, Texas, in Chairman Vela's district. For 20 years my wife Shambryn and I have farmed and ranched in the Coastal Bend, raising cotton, grain sorghum, corn, cattle, and wheat, along with one daughter and two boys. In production agriculture, unknowns, faith, and significant challenges are part of everyday life, but the reality of a seventh straight year of recession, coupled with a string of natural disasters and significant trade disruptions have brought a new level of stress to every part of life, and cotton and sorghum farmers have been at the eye of the storm.

China was the largest market for cotton prior to the trade dispute. Growers had an opportunity to price cotton in the 85¢ to 95¢ per pound range. Prices are now today in the 60¢ range, and on a 2 bale cotton crop, that is a $300 per acre decrease. U.S. market share of China's imports is down by more than half, replaced largely by Brazil. Estimates of global cotton demand are off by 15 million bales for 2018 and 2019, caused in large part by China's subsidies of synthetic fiber in place of natural fiber. Moreover, USDA reports showed 73,000 bales of new sales to China, but 33,000 bales of cancellations. You might ask what is happening. China is placing new orders at lower prices, while canceling the orders for higher prices. It is brutal. Sorghum is a similar story. Great demand and price prior to China's initiation of a bogus anti-dumping case that froze trade more than 2 years ago, a billion dollar market that simply vanished. Sorghum has started to move again after Phase 1 passage, but at much lower prices. China's 2 year absence in the market has left massive piles of grain in Kansas, which will hang over the market like a wet blanket for some time to come. I raise cattle as well, and of course the big story out of China before the coronavirus was the African Swine Fever. While this should have created great markets for protein, our currencies, most notably our strong dollar compared to our competitors, have kept us from realizing any significant gains into China yet.

Over the course of the last 30 years we in agriculture have been calling for a level playing field on which to compete. We have argued it should not be just the United States that lives up to all of its trade commitments, but every country should live up to its end of the bargain. After all, that is what trade agreements are supposed to be about, enforceable, rules-based system that every country honors. This is not what we have experienced. Enforcement has been lax, and usually a one-way street, with the U.S. expected to comply, while other nations get a pass. Here is the bottom line for me. While the trade disputes have shaken an already depressed agriculture economy, in my view, it will be worthwhile if we can live through it, see the new USMCA, Phase 1, and other agreements deliver on their promises, and be effectively enforced. On other trade fronts, Korea, Japan, the UK, the EU, and India were encouraged, and see potential for great markets, but only time will tell.

Most farmers I know are optimistic about the Phase 1 Agreement, but I respectfully submit that, absent a very significant turnaround in the next couple of months, an MFP 3 will be absolutely essential if farmers are to hang on. The price we receive for our crops is far below our cost of production, and, despite above-average yields in my area, the MFP payments only allowed us to break even, at best. I know some are critical of MFP, due in part to the difference in payment rates among crops, but I can tell you the average 2019 MFP payments on cotton, as helpful as they were, offset only about 39 percent of the market value that we lost.

I know the MFP Program was designed to be temporary, but I also appreciate the acknowledgement by the President and the Members of Congress that this program is vital, because producers were deliberately targeted by foreign countries to gain leverage in a trade war. The President's pledge to producers to continue to provide aid until the trade deals work as promised is viewed as a lifeline to thousands of farmers and ranchers. I remember the 1980s farm crisis as a young man. I knew farmers who didn't survive. I also remember how bad things got in the 1990s and early 2000s, but recall the situation was made bearable by this Committee here in Washington. While I am optimistic about current agreements, as you said, Mr. Chairman, I am also skeptical, and I do not see a clear and certain turnaround in the farm economy. The simple fact is macroeconomics are telling us to quit. This Committee has always stood by farmers and ranchers in rural America through these periods, and we thank you for that, and we hope that you will continue to stand by us.

[The prepared statement of Mr. Huie follows:]

Prepared Statement of Matthew R. Huie, Owner, Huie Farms, Beeville, TX

Chairman Costa, Ranking Member Rouzer, Members of the Subcommittee, thank you for the opportunity to testify today on the important issue of trade.

My name is Matt Huie and I am a farmer and rancher from near Beeville, Texas. For those unfamiliar with Beeville, we are located in the northern half of Chairman Vela's Congressional district, between Corpus Christi and San Antonio.

For 20 years, my wife, Shambryn, and I have farmed and ranched in the Coastal Bend where we raise cotton, sorghum, corn, cattle, and wheat, along with one daughter and two boys.

While I was not raised on the farm, I did get an early start in farming by working with my grandad who taught me the ropes and brought me into the family operation.

Today, I am active in the Southwest Council of Agribusiness, the South Texas Cotton and Grain Association, the National Cotton Council, the Texas and Southwestern Cattle Raisers Association, Texas Sorghum Producers, and Texas Corn Producers.

Mr. Chairman, this hearing on trade is well-timed.

U.S. agriculture is in the seventh straight year of recession while also facing a string of natural disasters as well as significant trade disruption since 2017.

And farmers growing cotton and sorghum, in particular, always seem to be at the eye of each storm.

With respect to trade, the majority of the cotton and sorghum we produce in the United States has been sold to China and so we have been hit especially hard by the 2 year trade dispute with that country.

Cotton prices are down by almost ⅓ since the beginning of the dispute. China's application of a 25 percent tariff on U.S. cotton has significantly impacted our prices over the last year.

Prior to the dispute, growers had the opportunity to price cotton off of a futures market trading in the range of 85–95¢. Currently, the same growers are facing futures prices in the low 60¢ range.

The price we receive for our crops at the farm gate is so below our cost of production that the Market Facilitation Program payments we received have only allowed us to break even, at best.

For instance, the average 2019 MFP payments on cotton are expected to offset only about 39 percent of lost cotton market value.

While all farmers and ranchers strongly prefer trade over aid so we can make our living by selling what we produce, the extraordinarily difficult conditions in farm and ranch country today would be far and away worse without the MFP payments.

And I respectfully submit to this Subcommittee that absent a very significant turnaround soon in conditions in agriculture, an MFP 3 will be absolutely essential if farmers and ranchers are to hang on.

I do recognize that the MFP program was designed to be temporary. But I also greatly appreciate the acknowledgement by the President and Members of Congress that the program is vital because American farmers and ranchers were deliberately targeted by foreign countries to gain leverage in a trade war. The President's direct pledge to producers to continue to provide aid until such time that trade deals work as promised is viewed as a life line to thousands of farm and ranch families and we are hoping and trusting he will come through.

In the case of cotton, the U.S. market share of China's imports is down by more than half. Due to the 25 percent tariff, U.S. cotton is not priced competitively compared to Australian, Brazilian, or Indian cotton. For example, the U.S. share of the China market has fallen from about 46 percent down to 16 percent while the Brazilian share has risen from four percent to 36 percent.

Before the dispute, our industry's yarn manufacturers shipped 150,000 bales of cotton yarn but there is essentially no such sales today.

The industry has and continues to suffer under the effects of the trade dispute and we worry a great deal about the long-term market share impacts.

Estimates of global cotton demand are off by a total of 15 million bales for the 2018 and 2019 marketing years and although USDA's export sales report showed 73,000 bales of new sales to China, the report also showed 33,000 bales of cancellations. What is happening here is China knows how to buy things cheaply and so they are placing new orders for lower priced cotton and canceling previous orders at higher prices.

Hence, the reality for my farm and farms and ranches across the country is the MFP has been about the only light at the end of the tunnel that's not another train.

I remember the 1980s farm financial crisis as a young man and I knew farmers and ranchers that went under at that time because Washington did not act.

I also remember how bad things got in the late 1990s and early 2000s but recall that the situation was made bearable by Washington staying on top of the situation.

In this historical context, I would say the MFP has thus far made the current conditions in rural America more akin to the late 1990s than the 1980s—though we are certainly not out of the woods yet.

The problem is, right now, I do not see a clear and certain turn around in the farm economy.

The economic conditions over the last 7 years have essentially told farmers and ranchers to quit.

But that is not an acceptable outcome for those who depend on us for food, clothing, and fuel. It is also a nonstarter to the thousands of farm and ranch families who have made the kind of financial and emotional investments in multigenerational farms and ranches as we all have.

This is also not the outcome that this Subcommittee or the full Committee on Agriculture is looking for. In fact, you have worked overtime to enact policies to prevent this from happening by enacting the farm bill, crop insurance, disaster legislation, and many other Federal policies. We all know that too much food is a far better problem for the world to have than not enough food.

On the issue of disaster assistance, I would be remiss not to thank the Committee for all of the work in passing disaster relief last June and making critical improvements to the program last December. Because of the work you did, a great many farm and ranch families will continue on the family operation. Thank you very much.

Chairman Vela's district is not just on the front lines of the current problems facing agriculture because of the crops we grow.

We are also on the front lines logistically.

Our proximity to the port has historically allowed us to move our crops economically and quickly to export markets.

But that has not been the case in the last couple of years.

Many of our elevators were still storing the 2018 sorghum crop when harvest of the 2019 crop started, forcing us to sell crop at fire sale prices to Mexico and otherwise improvise with very limited storage.

We have had a similar experience with our cotton crop. We had to move a lot of our crop out of the area, with all of the associated costs ultimately borne by farmers who were already struggling to make ends meet.

So, as you can imagine, we are grateful that the U.S.-Canada-Mexico agreement has been passed by Congress and, more particularly in the case of cotton and sorghum, that Phase 1 of an agreement with China has been reached.

Now, we are just hopeful that these agreements will begin to bear fruit.

Over the course of the last 30 years, we in agriculture have been calling for a level playing field to compete on because we are confident we would do well in that kind of trade environment. We are good at what we do.

We've argued that it should not just be the United States that lives up to all of its trade commitments but every country should have to live up to its end of the bargain—and be called to account when they fail to do so.

After all, that is what trade agreements are supposed to be all about: an enforceable, rules-based system that every country honors.

But, that is not what we have experienced, at least in my life time of farming.

While the United States has amongst the lowest tariffs in the world, we have a transparent and science based sanitary and phytosanitary system in place, and we also have among the lowest supports for agriculture of any country, many of our trading partners have retained high and rising subsidies, tariffs, and other non-tariff trade barriers that are little more than thinly veiled protectionism by another name.

Notwithstanding this situation, enforcement has often been lax and usually a one-way street, with the U.S. always expected to live up to not just the letter of the law but the spirit as well while other nations get a pass.

The bottom line is that while the last several years of trade disputes have shaken an already depressed agriculture economy, in my view it will have been worthwhile if we can live through it all to see the new USMCA, Phase 1 and other agreements finally deliver on their promises and be effectively enforced.

Despite the coronavirus, which is taking its toll on Phase 1, the markets, and nearly everything else in the world, I continue to hold out hope that this, too, shall pass and Phase 1 and USMCA will finally take full effect and help lift us out of our current economic malaise.

Time will tell.

If we are to measure the success of the Phase 1 agreement in the context of cotton, the agreement ought to yield at least 6.5 million bales of U.S. cotton exports to China for 2020/2021 and 2021/2022 based on China's purchase commitments under Phase 1.

On sorghum, we just sold six boats to China in the last week of February—that is about ½ million metric tons. This is a good start but we have a long, long ways to go to get back to even a normal level of trade with China—closer to 5 million metric tons or $1 billion in value per year. Increased ethanol and meat exports to China on top of grain exports would certainly help.

With respect to the other agreements, on USMCA, I am grateful the agreement preserves the duty-free access to these markets and I am expecting a smooth transition from NAFTA to the new agreement. This is true from both a sorghum and cotton perspective.

From a cotton perspective, we do not see any issues or impacts one way or another with respect to Korea, Japan, the UK, or the EU. However, the Korean, Japan, and EU agreements could offer great market access opportunities for sorghum. Japan has lowered its tariff on U.S. sorghum imports and Spain is a regular buyer of our sorghum.

I know the Administration is currently testing the waters on a U.S.-India bilateral trade agreement. India is typically a top ten export market for U.S. cotton so there may be new export opportunities there. India's minimum support price system for cotton and nontransparent notifications to the WTO are two issues of special concern to us. India would make an excellent export market for sorghum as well but we have none currently due to multiple phytosanitary barriers to entry as well as prohibitively high tariffs. Opening this market to U.S. sorghum would be very helpful to our growers.

Finally, with respect to sorghum, I would just note that we are still waiting on phytosanitary approval from Vietnam which we need to complete as soon as possible in order to open up that market. And, Australia maintains these kinds of unwarranted restrictions on our exports as well and, in fact, that country singles out sorghum grown or shipped through Texas. Addressing these non-tariff trade barriers would be extremely helpful as we look to get agriculture in the U.S. back on its economic feet.

On a closing thought, I just want to add that I know that every walk of life has its stresses, its challenges, its difficulties that really make you wonder if you will get through to the next year or even the next day. But, I would like to emphasize that as farmers and ranchers enter into the seventh straight year of recession, with escalating input costs, mounting debt, and returns from the market that are well below our costs, you cannot imagine the level of stress right now in farm and ranch country and rural America. Even as the national economy is doing relatively well, there are very serious stress fractures in the countryside. When the farm and rural economy struggles, all of Main Street U.S.A. suffers, too. This Committee has always stood by farmers and ranchers and rural America through these periods of time and we hope and trust you will continue to be with us as we weather the current storm.

Once again, I would like to thank Chairman Costa, Ranking Member Rouzer, and the Members of this Subcommittee for inviting me to testify on this important topic. I look forward to answering any questions that you may have.

The CHAIRMAN. And we will, and we appreciate your optimism. That is the nature of the American farmer, having been a part of it, as I said earlier, for three generations.

We now are at the conclusion of the testimony of the five witnesses, and we will now recognize the Members in the order of their seniority, and those who were at the start of the hearing, will be recognized in that order. And I will begin with yours truly, as the Chairman of the Subcommittee. And let me ask Mr. Keavy, you have participated in the USDA Food Distribution and Promotion Program that was stood up as part of the trade assistance effort. In your view, what are your thoughts on the program? What do you think went well, and what didn't work? Where should we look for improvement?

Mr. KEAVY. Thank you, Mr. Chairman. That would be the Trade Mitigation Program. That program was very, very helpful. Again, it helped us take some of the pressure off from the plums that were not able to go to China in the last 2 years. The positive part about the program is that it raised the level of the water for everybody, okay? It took a lot of plums, almost 400 loads, which is about 1,300 boxes per load off the market so that the domestic market wasn't suppressed. That helped not just the Kingsburg Orchard, but it helped all our neighbors, and the State of California.

Yes, there are some points that we need to correct on it. Possibly concentrate, maybe, on the members that were actually, like, growers, packers, shippers of the actual fruit, not so many—the brokers on the outside. There were brokers that weren't even in the State of California that participated in the program. If that minute change would be something——

The CHAIRMAN. Yes, and part of my criticism also is the breadth and the width. I mean, we were in excess of $30 billion, but when you look at the totality of agriculture in every region of this country, it is a lifeline, that is recognized that a lifeline is more than we need. We need more than a lifeline, is what I am trying to say.

Mr. KEAVY. Yes. I say if we can get the certainty of opening up markets, obviously China, but Japan, Korea——

The CHAIRMAN. I think Secretary Perdue said it well. We want trade, not aid.

Mr. KEAVY. Yes.

The CHAIRMAN. Mr. Ewoldt and Mr. Huie, you talked about the glimmer of hope in the China deal. You noted my skepticism, and I still hope the long-term growth will be there, obviously we are going to have to deal with this coronavirus. Will each of you share your perspectives on dealing with China? I have had a lot of folks that have had experience over the years, and obviously, even when we win at the World Trade Organization, China oftentimes fails to comply with the rulings. And clearly Ambassador Lighthizer and I have had that conversation a number of times, and the ability to enforce agreements is where the real challenge is.

Mr. EWOLDT. I had the opportunity to tour China this last summer with the soybean association, and I guess the way I see it is, on Phase 1, I question their ability to buy that many products in that short a time, the way it is all——

The CHAIRMAN. I agree with you.

Mr. EWOLDT. My biggest concern with China, personally, is the Swine Fever that is over there and the demand on soybeans.

The CHAIRMAN. I think we all have a concern about that.

Mr. EWOLDT. Why would they buy something they don't need at that point?

The CHAIRMAN. Yes.

Mr. EWOLDT. And, from a soybean grower's perspective, I mean, they don't need it if they lose——

The CHAIRMAN. And it is important for us to be clear-eyed and realistic as to what the potential is on these markets.

Mr. EWOLDT. The potential, sir?

The CHAIRMAN. I said it is important for us to be clear-eyed on what the real potential is on these markets. That is what you are saying.

Mr. EWOLDT. And in 3 years the potential is great for soybeans, because they rebuild their population, they need it.

The CHAIRMAN. Yes. Mr. Huie?

Mr. HUIE. Thank you, Mr. Chairman. I think that we all recognize for the last decade or so China has basically been a bad actor in the trade world, and the big question we all have, as you state, is will they live up to it this time? I think the reality for many in China, especially in sorghum and cotton, is they need our products. The question is how do we get them to adequately pay us for those products, and how do we get them to fit that into their——

The CHAIRMAN. Yes, your comment about agreed-upon market price, and then renegotiating the contracts when the market slips, we have had that in China, we have had that in India, and we have to resort to pay on delivery, and get the money up front. Otherwise, it is not there.

Mr. HUIE. Yes, sir. And you and I both know that there are hands that touch those products between mine and the Chinese, and the more that there is slippage, the more those folks are cautious, and the less they are willing to pay, down to the producer level, for those crops. The real question is how do we enforce these agreements as we move forward?

The CHAIRMAN. I agree. I have some other questions, but my time has expired, and I will defer now to the Ranking Member, Mr. Rouzer from North Carolina.

Mr. ROUZER. Thank you, Mr. Chairman. You hit on some of the things that I had on my mind, so I am going to move to a related, but slightly different, aspect of this. Given the trade difficulties that we have had, Ms. Overman, can you talk about the diversification of your operation, things that you have gotten into, say, 2, 3, 4, 5 years ago that you didn't anticipate you might get into in terms of trying to make things work on the farm, given the very sluggish farm economy of the last 7 years?

Ms. OVERMAN. Yes, sir. Recently, when we brought our son and son-in-law back on, they started looking at the bottom line in a different direction than we have, because they have fresh eyes. They are not looking at how long we have been farming, but they are looking at how long they want to farm. Even before they came back, we started to see the need to diversify a little bit. We got out of the tobacco program because it was not paying the bills anymore, and we went into hogs to help shore up our row crops.

So our hog system has grown, and, under the contract, it is a very stable income, as long as your integrator provides your hogs, and as long as you don't have a disease. I have seen years where the hogs were—they were the black line, the only black line, on our profit/loss sheet, and they have carried our farm. I have also seen years when disease hit those hogs, or something happened with our integrator, and we didn't get the numbers that we needed, that, thankfully, the row crops carried.

But diversification is: you plant or grow several different kinds of crops, and then you pray over them all, and hope that at least one will turn out black, maybe two will turn out black. I have lived through triple and quadruple crop failures, when everything went south, but you have to diversify. You can't put all your eggs in one basket, and our sons are really bringing that home, now that they have come back, because they want to continue to farm.

Mr. ROUZER. Yes. It is—I always tell my colleagues that in North Carolina, if you don't have a tobacco contract or a hog contract, you are really not growing anything else either. My district is probably the largest sweet potato producing district in the country, and you wouldn't have sweet potatoes if you didn't have tobacco, and if you didn't have hogs, quite frankly.

Ms. OVERMAN. We are actually trying a few sweet potatoes this year too, just to hedge our bets and to diversify to see what works.

Mr. ROUZER. Yes.

Ms. OVERMAN. So much sandy land in our area.

Mr. ROUZER. Right. Labor, healthcare, broadband, any of you have any thoughts on that? If Congress could get its act together and address the labor issue, get the wage rate down that you have to pay for the H–2A Program, if we got our act together and had a good, sensible healthcare plan that reduced costs, how much would that help farm families?

Mr. HUIE. One of the things we all see as we work our way through our budgets every year is the increasing cost of overhead in general, and whether it is the cost of equipment, or the cost of labor, or the cost of healthcare, all those costs continue to rise, just like they do for each of you in this room. The difference is that our income has declined, while those costs continue to rise, and so anything we can do benefits that whole economy, whether in the realm of both labor and healthcare issues.

Mr. ROUZER. Yes, I mention that because we can have the best trade agreements in the world, but if you are not dealing with a good actor, the Chinese have always been communists. They don't share the same value system that we share, and so I am thinking about things that can we do that we have total control over that would help the farm sector in a very, very significant way.

Let me ask if there are any other folks that want to talk about diversification of their operations as it relates to the trade imbalances, *et cetera?* Anybody have any other comment?

Mr. JACQUIER. I can't help but just take a minute from the dairy industry, and the importance of the whole immigration reform and the access to laborers. It is a critically important component to have access to full time workers that are here legally, or have access legally here to work. Basically our farm would have to shut down if we didn't have access to these people. They are just not available, so I just wanted to stress that importance.

Mr. ROUZER. Mr. Chairman——

The CHAIRMAN. Will the gentleman yield? On that point, are you familiar with H.R. 5038, the Farm Workforce Modernization Act——

Mr. JACQUIER. Absolutely.

The CHAIRMAN.—we passed on a bipartisan measure over to the Senate? Would that be helpful?

Mr. JACQUIER. That would be absolutely helpful. Dairy's focus on that as well, with the year-round labor force, this would be a big help in the dairy industry, and it is much needed across the country.

The CHAIRMAN. Glad to hear that, thank you. The chair has had a request from the gentleman from California, Mr. Harder, if he could go out of order because he has another pressing commitment he has to attend. He asked in the favor bank with his two colleagues, Ms. Hayes and Mr. Cox, and the Chairman if he could do that. He will owe us big time in the favor—for that purpose to move ahead, so long as you acknowledge that, Mr. Harder, the chair will recognize you for 5 minutes.

Mr. HARDER. I will add it to the long list of favors that I owe you, Mr. Chairman. Thank you, and I appreciate it.

The CHAIRMAN. And to our two colleagues as well.

Mr. HARDER. Yes, absolutely. And thank you so much to all the witnesses for being here. Obviously the success of agriculture is dependent on so many forces that are out of the control of many of the producers, and that is been echoed by what I have heard, concerns with labor shortages, price fluctuations, closures, climate variability, but most of all the uncertainty of our trade relationships. And that is not even accounting for the potential impacts of coronavirus on our exports, imports, and purchases. And a lot of the farmers in my area really just want a fair shot at our export markets, and that is what our role in this Committee really is about, is about trying to create that level playing field, because if there is a level playing field, I think our farmers can win. We just need to make sure that that is what we are competing on.

And, Mr. Keavy, I am so happy to have a witness from the San Joaquin Valley here. Thank you so much for making the trip, I know how long it takes. In your testimony you mentioned the importance of forming and maintain relationships with importers and retails as the key to the success of your business. I don't think many people understand how intensive that relationship building can be like. Can you talk a little bit about what it has taken for your company to build those relationships in China, what your staff has to do on a daily basis to make sure that those relationships are maintained for the long run?

Mr. KEAVY. Thank you, Congressman. The relationships that I have with Kingsburg Orchard, and my partners, they are not customers, they are partners with me. I have U.S. exporters that I have that I sell to, and then they have the relationship with the Chinese partners, but the three of us talk. And in the last 12 years, we have introduced our product to the largest chain store in China 10 years ago, and we have a relationship with that chain store, the retail market, which is different than what it is with the wet market, which is the wholesale market.

There are two very important markets. We, as Kingsburg Orchard, think the future is with the retail market, as we believe it is in the domestic market. These chain stores are just as big and as powerful as they are here in the United States. The chain stores that I deal with—actually, three chain stores. They have opened up—there are also some in Hong Kong, but the ones in China are the two top major chain stores that cover basically almost 70 percent of the retail business in China, and it is very important with promotions, with discussions, with dialogue, with—we like to offer them possible discounts on our product. If they buy so much, I will give you a discount on the next order. Promoting California stone fruit, plums especially, in China, that goes a long way, California and U.S.A. When they see the U.S. flag on our box, on our package, that gives them a safety net to know that they are getting the best product around the world because their plum and their infrastructure is not as good.

I have traveled through China for many years, and we have the stronghold, okay? We have the product they want. And it is so important to keep that relationship with the retailers and the wet market, the wholesale market, very important as well. But we are spreading our——

Mr. HARDER. Thank you.

Mr. KEAVY.—facets to all those different channels, and it has been very, up to the tariff time, it has been—was very successful.

Mr. HARDER. Thank you, Mr. Keavy. One question for you, Mr. Jacquier. Can you please expand a little bit on the type of market access the dairy industry is looking into for a Phase 2 deal with Japan? In particular butter, milk powders, the dairy products that are primarily produced in California. What are you looking for in a Phase 2 there?

Mr. JACQUIER. To expand the milk powders, and probably the single biggest component in Japan is the geographical indicators is a big barrier that needs to be resolved. And that is the single biggest piece in there.

Mr. HARDER. With that I yield back, Mr. Chairman. Thank you.

The CHAIRMAN. All right, the gentleman yields back with 25 seconds left, very good. The chair will now recognize the Ranking Member of the full Committee, my friend, and the gentleman from Texas.

Mr. CONAWAY. Thank you, Mr. Chairman, I appreciate that. Not sure when I have participated in a hearing that has had five more genuine and compelling witnesses. Thank you very much for your stories this morning. I just wish our full Committee colleagues could have had the benefit of just hearing you tell your stories. Thank you for that.

Matt, thanks for being here, buddy. In your written testimony you mentioned that, obviously, Phase 1 Agreement, we don't have the specific details on crops by design. It would not be fair to the markets to do that. But in your written testimony, you and the industry have decided that you think the Chinese should buy 6.5 million bales as a part of that Phase 1. Can you walk us through kind of the mechanics of how you came to that number, and what the impact would be?

Mr. HUIE. Sure. First, I want to say thank you to the Administration. As I understand it, the way we were included in that, specifically for cotton, we don't know any of the numbers, but we appreciate having that system put together. Today, our trade numbers show about 2.2 million bales, but prior to the trade tariffs, we were exporting 5 to 7 million bales to China a year, and we were roughly 40 percent of the total imports into China. We think that——

Mr. CONAWAY. Cotton imports?

Mr. HUIE. Cotton imports, I am sorry. We think that those numbers ought to be that or better, so we take 6.5 as a baseline number. We expect Phase 1 to be better than what we were doing prior to the tariffs. We take 6.5 million bales a baseline number, and we hope that it will be better than that. Part of the problem today is we are at 2.2, and the market has dropped this year, which means that we are at risk of cancellations again, as I alluded to earlier the challenge here is how do we get back to those numbers? We know they want the cotton, we just have to get the system in place.

Mr. CONAWAY. Ms. Overman, you talked about the importance of the MFP payments, or some of you did. Can you speak further about a third round of MFP, maybe a timeframe on if we don't get the turnaround on USMCA, and we don't get the Phase 1 deal done, what kind of impact would the MFP payment—a third round have? It is a bit of a leading question, but——

Mr. HUIE. Well, I will take it. The short answer is if we don't see an MFP 3, or a real market turnaround, and I don't mean just 10¢ or 15¢, I mean real markets in cotton, and sorghum, and soybeans, which, of course, will lift everything else, those MFP payments will be absolutely necessary, or you will see a large wave of bankruptcies across the country. And I don't think it matters what region you are in, we are going to see bankruptcies.

We are going to see some already, let me be clear. This is not going to—the bloodletting is not done, even with a third round of

MFP payments equal to the previous payments. Those did not allow us to break even. We have large MFP payments in my part of the world, and they made up for ½ of what we lost in this trade agreement. So, without that, this is easy. I mean, frankly, I told somebody earlier, if I had a good exit strategy right now, I would be taking it.

Mr. CONAWAY. Mr. Ewoldt?

Mr. EWOLDT. Yes, I would agree. I mean, you are looking at how much debt we are carrying over from the last 2 years, and not being able to service that debt on top, I mean, anything that would come would be, in my circumstance—I mean, my lender would really, really be happy because, I mean, it is just going to go back and pay debt. I talked to a good friend of mine, he bought a farm in 1992, and he owes more on it now than he did then because he has had to restructure everything. And so the amount of debt that we are piling up you cannot overcome just by growing corn and beans, unfortunately. I mean, you can't make that much money on the crop, even if times are good, to pay off that debt right now. It is just—it is unsurpassable. I mean, it is just——

Mr. CONAWAY. Mr. Ewoldt, quickly, you mentioned India, Indonesia, Malaysia, in terms of new markets. What would we sell there, that you think?

Mr. EWOLDT. I am thinking strictly from the soybean association that India, with their population growth, they are going to stop exporting soybeans, so we need to capture those countries that have been previously buying from India and jump on. That is why we are—that is why we had—we sent a delegation to Pakistan and Bangladesh. I think there are a lot of opportunities there, and maybe even India, with their population growth, and they can't produce the amount of soy for protein, I think that is a great opportunity.

And everybody talked about, when China put the tariffs on, that—how it devastated the soybean industry, and they blamed us for having all our eggs in one basket. Well, you are not going to turn down somebody that wants to buy your product; from that standpoint, what I suggest is we need more baskets. But, and now we are forced into it because of our issues with China, so—but that is what I see, yes.

Mr. CONAWAY. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman's time has expired. The chair will now recognize the gentleman from California, my neighbor, Mr. TJ Cox.

Mr. COX. Thank you so much, Mr. Chairman. And, Mr. Ewoldt, thank you so much for your testimony. And when you were describing at 3:00 a.m., when you realized that the world had changed, and if you were sleeping, I would have said that probably what you heard, when China announced the retaliatory tariffs was probably the high-fives going on in Brazil, and around the world, because those markets were opening up to those competitors, replacing the U.S. as competitors.

And the question I have kind of goes back to that, is that I hear consistently from farmers and ranchers in my district about the loss that these markets have had, and their particular concern, and what I am concerned about, is that the other relationships that have been forged in the last couple years of this trade war is that—are those relationships going to persist, even after our tariffs are removed? And, traveling around the world, like you said, I am just wondering the sense that you get about the strength of those other relationships.

Mr. EWOLDT. Yes. I agree that there are relationships that are stronger now because we haven't been in the market. We know that Argentina is getting a lot of Chinese money invested down there for their export facilities, for their infrastructure. We know that that gave them 2 years to improve that infrastructure down there, make them more efficient.

As a farmer in the Midwest, one of our great things that we have going for us is our waterway system and the way that we can move our goods out to other countries. We have a lower cost of shipping from our region to China than Argentina does. But giving them that 2 year kind of a head start—not really a head start, but they had 2 years on us when we really couldn't export to them, they improved their infrastructure, and yes, it is an issue, it is a concern to us. The longer that this went on, we were very concerned that they were going to have better infrastructure, and they were going to have better relationships with China than us. And so, yes, it is very real.

Mr. COX. Certainly, the question is about—now, how easily—them being able to find markets to replace these losses. Mr. Keavy, you were saying that—with some of the stone fruit that has been shipped to China, is that because of the tariffs that you were finding other markets, and how easy has it been to find those markets?

Mr. KEAVY. Yes, thank you, Congressman. Yes, this situation, which I hope is short term, has made us be much more diligent to find other customers, other countries. And, I have probably opened up to probably six new countries that we are going to be trying this year that—when I say try—it is to put more volume into them. We have a product, we have a quality product, they know what it is, and we are willing to—we are going to explore and export into those new countries, but it does not make up what China has taken. We will do everything we can to expand our—up to 28 countries is where I am selling into now, but we are looking to every—and, again, we need certainty in every export market. We need Japan open with the plums. We have nectarines in there now and kiwi, that is great, but we need plums. They going to be a huge consumer of plums if Japan opens. Korea, if South Korea opens, that is a big country customer.

Mr. COX. Yes.

Mr. KEAVY. We are looking, and finding, as many as we can. But there are a lot of phytosanitary, and barriers that are in our way.

Mr. COX. Yes, and I did want to touch on that. I mean, when we talk more broadly about trade, certainly there are tariffs, but there are certainly some technical barriers. And if you wouldn't mind touching on those, and really how us, as Members of Congress, can help you continue to grow and expand these export markets so we can ensure places like the Central Valley continue to remain one of the highest agriculture producing areas in the nation?

Mr. KEAVY. Yes. What we are doing right now for the technical part of it is we are trying to get as much mechanical as we can, because, between the water and the labor, some of the highest costs that we have in producing our stone fruit, and we are pushing more and more to get more technology into our system from the field, and to the packing house, and hopefully that will reduce the cost for producing our product.

Mr. COX. Well, thanks so much for that. And just, with my 15 seconds left, I would urge every member that is testifying here today, if you do have time, try to make it over to your Senator's office to see if they can pick up that Farm Workforce Modernization Act that was passed by the Congress earlier this year. I think that is critical for our industry. Thank you, Mr. Chairman, and I will yield.

The CHAIRMAN. I thank the gentleman from California, and the chair will now recognize the gentleman from the great State of Pennsylvania, Mr. Thompson.

Mr. THOMPSON. Thank you, Mr. Chairman, thanks, Ranking Member, for this hearing, and thanks to each of you and your families for what you do for our nation, and for the agriculture industry. It is great having you here. I know you are here at the personal sacrifice of your time, but it is so important that you do that.

Mr. Huie, what do you think is the most important thing the Administration, or Congress, can do to grow markets for U.S. agricultural products, especially the ones that you grow?

Mr. HUIE. Trade agreements are a huge component of what we do. We in the United States, and maybe we fancy ourselves that, but I genuinely believe we are the best producers in the world. We have the most fertile land, the best climate, and we do it better, more economically, and less expensively, and with better conservation practices than anybody else. And our world is growing, so the question is, where do we move those products, and how do we get an adequate price for them? We need trade. We need for the Administration to continue to do what it is doing. We have just got to figure out how to enforce that system.

Mr. THOMPSON. I couldn't agree more. Thank you for that. Ms. Overman, you mentioned disasters and flooding you have faced, and sadly, these sorts of disasters, and many more, have affected farmers all over the country in recent years. How have the disasters here in the United States compounded the difficulties of our current trade situation?

Ms. OVERMAN. The one good example of that is in 2018, with the first MFP payment. We lost ⅓ of our soybeans to flooding, and they were not damaged, they were just completely rotted, and that MFP payment was based on yield, so we lost twice there. That was very unfortunate for us. The 2019 deal was better, based on acreage planted, thankfully we didn't have a hurricane at that point, but it really helped, it was a more fair way of measuring the losses that we have had.

Natural disasters just leave their scars, and you start marking time by that natural disaster. Even your family, you say, "Well, before Hurricane Fran hit in 1996, or after Hurricane Florence." It changes your perspective. When you get 30″ of rain in one storm, it makes you realize how fragile our system is.

Mr. THOMPSON. That is right where farm history really gets, those reference points are to that, and there is no industry that is more sensitive to weather than agriculture, and so that is why we try to work hard with, not just only stepping up at disaster time, but certainly crop insurance, making sure our crop insurance program works, and works well, for our farms.

Mr. Jacquier, you mentioned that when we talk about dairy and trade, geographical indications are a top concern. Can you reiterate why this is the case, and not just with our trading partners, but also with third world countries that we may not yet have deals with?

Mr. JACQUIER. Well, the geographical indicators are really important because, as I had mentioned in the testimony, the EU is really trying to own those. They are trying to own them, put a name to the cheese, to the region, and own it. At the same token, there is also an EU-Mexico relationship that is going on, and they are actually using it as a leveraging tool for market access, and those types of things, because they are not owning the intellectual property of that. We need to do the same. We need to be able to use just one portion of that name because it is a common food name that is used across the world, and be able to use it in the same way that they do.

Mr. THOMPSON. Yes, really, especially the European Union right, seems like they are using that as an excuse, I guess, sort of to prevent exports. And I know that is a difficult and a challenging thing, but whatever trade agreement we do with the European Union, we need to overcome that, and agriculture needs to be a vital part of whatever trade agreement we reach.

Mr. JACQUIER. And I believe that is as important as just a tariff alone. Those GIs are just—and it stops the conversation. It is that important to it as well.

Mr. THOMPSON. Mr. Chairman, I have a few seconds left, so I will yield back.

The CHAIRMAN. I thank the gentleman from Pennsylvania, and the chair will now recognize the gentlewoman from Connecticut for 5 minutes.

Mrs. HAYES. Thank you, Mr. Chairman. Connecticut has a long history of dairy farming, however, a combination of factors, like low milk prices, lasting damage from trade wars, and the high cost of production, have put a strain on the industry. State-wide, there are now less than 100 dairy farms, about 60 fewer than a decade ago, yet the dairy industry has remained an economic force in Connecticut. It is estimated that it contributes more than $1 billion annually to the Connecticut economy. The resilience of the industry in Connecticut, even with these obstacles, only serves to prove that, given the right opportunities, and absent barriers, the dairy industry could be an even stronger force in our communities.

Mr. Jacquier, can you tell me, from your experiences, how the lasting effect of trade wars are affecting dairy producers in Connecticut, and what is the long-term economic viability and how does it affect their long-term economic viability and day to day operations.

Mr. JACQUIER. Absolutely. Our Connecticut producers, and producers across the country, we—here is how I look at it. We have the ability, we have the tools, we have everything we need to produce, but you have to be able to have your market, right? It is a supply and demand equation. This is what we are talking about. The trade is an important part of our market, but it needs to be a consistent market, one that we can rely on all of the time. And it is always said within the dairy industry, if the supply and demand moves by 2–3 percent, the dairy farm is impacted by more than 30 percent. Those are huge numbers. The dairy industry across the United States is an over $620 billion industry, and we need to focus on market access across the globe.

Mrs. HAYES. Thank you. I definitely heard from dairy farmers across the district who were deeply concerned, before we had the trade agreement in place, about what the future would be, or what would happen. My next question, also to you, in your view, did the Market Facilitation Program make up for the decline in milk prices you saw in relation to the trade disruptions?

Mr. JACQUIER. I have a little different view on the Market Facilitation Program.

Mrs. HAYES. I would love to hear it.

Mr. JACQUIER. I am going to be kind. We would certainly rather have trade being our market, being our go-to. We are not looking for the handouts, okay? The dairy industry, to put it in perspective against other commodities, the dairy industry lost about $2 billion during that timeframe. The dairy farmers received about $300 million. Ladies and gentleman, I don't feel so good about it, but you know what? Some of that money paid some bills. But it is an unbelievable experience that you go through where you think everything is shored up and you have been made whole when you truly—it is a long-shot from what really needs to happen.

Mrs. HAYES. Given that this is a USDA program, do you have any advice for us, or for the Administration, on how you wish it would have been set up, or how we could make it better?

Mr. JACQUIER. Well, it is just kind of interesting how maybe the calculations for dairy ended up there. And, again, I am not looking for the handouts. We have to let us put our efforts with USTR, our trade representatives, and USDA, and let us get to work, and let us make these free trade agreements across the world work, because that will enhance every farm that you have in your backyard in Connecticut, and all the dairy farmers across this country.

Mrs. HAYES. Thank you, I appreciate that. As you can imagine, sometimes on this Committee I hear my colleagues talk, and they have farms that are the size of my entire state. It is a very different conversation, but I am definitely elevating the voices of farms like yours, and the farmers in my backyard, from my district, and across the State of Connecticut. And I can tell you that the Committee will be watching the implementation of the USMCA closely, and we will take any action that is necessary to fight any cuts to the benefits for the dairy industry, or the things that we tried to negotiate so carefully, and work hard toward. So, with that, Mr. Chairman, I yield back.

The CHAIRMAN. Mrs. Hayes, thank you for your comments, and your witness's testimony. I believe you really underlined the point that I was trying to make, in terms of the Market Facilitation Program. While it provided a lifeline, certainly your numbers on the dairy industry in this country reflects the reality of the fact of the tremendous losses in equity, and outright losses in dairies that have been witnessed in recent years. As, again, the son of third-generation dairy people, I know those cows have to be milked 365 days a year at least twice, if not sometimes three times.

Just a question, do you think the USMCA, with the efforts that I wished had gone further, but with Canada is going to have some enforcement ability for the dairy industry?

Mr. JACQUIER. It is going to take some time, but it is around enforcing, and looking after, and following up with them. And the longer this drags on in time, there is more opportunity for Canada to dilute the water, so to speak, on what they are—what actually could come forward. We need to have a full force effort from here, from Congress, and should play an important role in making sure that that happens. Negotiating provisions to step up the work, and more importantly not wait until Canada and Mexico water down what is really planned out to be. There is a lot of details that are really important for the follow-through.

The CHAIRMAN. Thank you. The chair will now recognize our next Committee Member, the gentleman from Kentucky, Mr. Comer. Thank you very much.

Mr. COMER. Thank you, Mr. Chairman, and I want to thank the panel for being here today. It is always great to have farmers representing agriculture as witnesses to the Agriculture Committee. I appreciate everything that has been said thus far. And, a lot of the President's critics will cite the fact that the trade war has had a negative impact on agriculture, and that is obviously true, but what is often left out of the conversation is that for years we in agriculture—and I say we, I am a farmer as well, and been involved in agriculture my entire life—we have complained about non-tariff trade barriers to certain countries. I am a cattle farmer, the European Union has been a very unfair trading partner to American beef. My question to anyone on the panel that wants to try to answer this, what other non-tariff trade barriers do you face in your industry? One of the witnesses had mentioned the currency manipulation by China. Now, that is a huge problem, and we have complained about that in agriculture for years. I commend the President and Sonny Perdue for trying to stand up to China.

Now, we are not anywhere near being able to say mission accomplished with China, but at least China is getting the message that we are serious about—this Administration is serious about the currency manipulation, and the disadvantage that it puts American exporters, particularly agriculture exporters, in with respect to trying to trade with China. We want a level playing field with China, we want a level playing field with the European Union, and with every other country that we trade with, but could some of you maybe mention other non-tariff trade barriers that you all face in exporting? Yes?

Ms. OVERMAN. The one that sticks out really quick with me would be the grains with the GMO products, and the European Union does not want any GMOs to come into their country, and we have 20+ years of research that backs up the safety and the usefulness of a genetically modified crop. And it is hard to overcome that education gap that we are seeing when it comes to GMOs.

Mr. COMER. Yes. I agree. The European Union uses the GMOs and certain feed additives, or hormones, whatever, in beef just as an excuse to not have to trade with the United States. Are there any other examples? Yes?

Mr. JACQUIER. Some others that play a role in this is recognizing the safety of America's dairy products and production systems, including removal of existing unscientific regulations that are blocking U.S. exports. You can establish enforceable commitments for sanitary and phytosanitary standards and technical barriers to trade that provide and enhance certainty for U.S.-EU ag trade. Simplify border administration measures as well. These are all non-tariff trade barriers that pose risk.

Mr. COMER. Right. I agree completely. One other question I wanted to ask, the Trump Administration and our Trade Representatives are working on new bilateral trade agreements with countries like the United Kingdom, and that would put a lot of pressure on the European Union, if we could get a bilateral trade deal with the United Kingdom. Also working on trade deals with emerging countries like Kenya, and, of course, India is already an emerged country, but we are working on bilateral trade agreements. Are there any other countries out there that you feel like the United States has an opportunity with, with respect to the particular agriculture commodity, that you all deal with?

Mr. KEAVY. Yes, sir. I believe, as I mentioned before, I think that Japan is very essential for our stone fruit industry. With the visitations that I have had already with potential Japanese customers that are already buying other products that are allowed in there, they are doing what they can on their end to promote or push their government to say we want California plums. They do not grow what we grow in California. They do grow a peach, and I am not asking to take a peach in there yet. I cannot compete against a Japanese peach, but I sure can beat them on the plum, and that would be one to release the barrier on that, which is fumigation. Same thing with Australia and New Zealand. If we can reduce the fumigation, and go with what we have in Mexico, which is a pre-op testing at our facility, I think our business with Australia, New Zealand, and Japan would open up tremendously.

Mr. COMER. Excellent. Well, thank you all again for your testimony. I look forward to working with you in the future. Mr. Chairman, my time has expired. I yield back.

The CHAIRMAN. All right. The gentleman yields back, and the chair will now recognize the gentleman from California, Mr. Panetta.

Mr. PANETTA. Thank you, Mr. Chairman. Gentleman, ma'am, thank you very much for being here. I appreciate all that you do. Not just all that you have done to be here, but all that you continue to do in our farming community, so thank you very much. I hail from the Central Coast of California, otherwise known as the Salad Bowl of the World, which many of you heard, and I know my fellow Members on the Agriculture Committee have heard me say over, and over, and over, but I will never get tired of saying it, just to let you know. We have a lot of specialty crops. It is all we have, pretty much, and so we ship mainly to Mexico, Canada, but also UK, Europe, China, and Japan sometimes as well. And I admit, when it comes to the trade negotiations, the Administration has made progress when it comes to reducing barriers and opening up markets in China and Japan. But I also expect them to continue to do more work on this topic, especially when it comes to lowering tariffs, and addressing non-tariff barriers, also in other countries, the EU, and the UK.

But, unfortunately, when it comes to some of the difficult issues, the difficult negotiations, it feels like they have been punted to later dates, especially with SPS issues, when it comes to Japan, and then looking at our blueberries, raspberries, and blackberries. They have gained better market access to that country, but those SPS issues, the sanitary/phytosanitary issues, really have not been addressed, and even tariffs on strawberries remain high, unfortunately.

Now, I get that mandatory crop purchases in the China Phase 1 Agreement, as well as the MFP payments, have helped some farmers, helped them keep afloat, I get that. But, as you have said and as we all know, neither of those by themselves can make up for the open markets and trade certainty that you deserve, if you ask me. And so I understand the plight of commodity crop farmers when it comes to them getting a majority of the MFP, but I just have to say, in my biased opinion, if I may, that specialty crops were left out of that equation quite often. And so I am glad to see that we have a California specialty crop farmer here, representing today, and I hope that these—all specialty crop farmers are remembered and recognized as we move forward with these trade negotiations.

Now, Mr. Keavy, you note in your testimony that China Phase 1 Agreement made SPS improvements for stone fruit. Is that correct?

Mr. KEAVY. Yes.

Mr. PANETTA. All right. Now, I recently met with the USTR agriculture negotiator, Gregg Doud, Ambassador Doud, last week he was in my office, and he said that the SPS negotiations are coming along, especially when it comes to ensuring that market access for cover crops were progressing, and that they were on schedule. Are they on schedule for you?

Mr. KEAVY. For China?

Mr. PANETTA. Yes.

Mr. KEAVY. Yes. They just approved March 2 that nectarines are now allowed into China. Again, that will be with the 70 percent tariff, though. That is not going to be with the lower tariff, so that sounds great that we can get nectarines into China, but if I have the 70 percent tariff, it is just words. I will send those to Taiwan, I will send those to Hong Kong, or you keep them in the United States. It is a step, it is a positive step. China has agreed to that, that is great, we just need to get the tariff reduced back to what it was prior, to 25 percent, or even zero if we could, and then we will open the gates to that because, again, we have a superior product that they cannot produce in China, and they know that.

Mr. PANETTA. Understood. And, moving on to Japan, with the Phase 1 Agreement, obviously it lowered tariffs, but it didn't address SPS issues, correct?

Mr. KEAVY. No. To me, Japan has really drug their feet, and it is really not based on our side. We have really put everything into their USDA, to their APHIS. It has taken almost 15 years for them to approve a nectarine, it took them almost 15 years to approve a nectarine variety, and we had to give them so much scientific information, and we have done that with the plums. We have given them so much information on plums. It is now, before I left California, it is still in their hands. We are waiting for them to say, okay, this fruit will not hurt, and I understand they are protecting their local growers, their farmers, I respect that. But what we have with our phytosanitary policies, it won't affect them at all, and it will help their economy along as—as well it—with ours.

Mr. PANETTA. Well, and I will continue to pass that message along to Ambassador Doud and others, and I hope that all of you do the same. Thank you again, I yield back. Thank you.

The CHAIRMAN. I thank the gentleman from California. The chair will now recognize the gentleman from Minnesota, Mr. Hagedorn.

Mr. HAGEDORN. Thank you, Mr. Chairman, Ranking Member Rouzer. Nice of the witnesses to be here. I appreciate what you do for the American people, and people around the world. I mean, right now the big topic of discussion around the globe, and rightly so, is the coronavirus and how fragile people are, when you look at it, and what can happen to folks. But, that can also happen with our food supply. That can happen when people take for granted what happens—they walk in the grocery store, and there is all the food, an array of choices, high quality, affordable prices, isn't that wonderful? It is, but we have to keep doing what we can to sustain that, and protect that, and I appreciate what you do to deliver that every day.

I was one of the early champions of the USMCA trade deal. I thought it would build momentum to help us with the deal with China, which I think it did, and also Japan was a good thing, and we are looking at Vietnam, and on we go down the list. We have mentioned some of them today, other countries that you would like to see trade negotiations turn into export opportunities, but I say to my friend from the dairy industry, and, ma'am, from—you with the hogs, are there any particular markets that you are looking to get into that maybe we are not focusing on at this time?

Ms. OVERMAN. I will start. I agree that if we open up Great Britain, that that will open up the European Union a little bit better for us. I recently heard a statistic that 95 percent of the people in the world live outside of the United States, so I would say that anybody in the world is fair game for pork. It is the most widely eaten meat that we have, and I would like to also reiterate that the fact that the Chinese people have purchased Smithfield Foods, that shows great confidence in our USDA testing and safety protocol that we have set up, and they want our products, if we can just work out how to deal with them, trade-wise.

Mr. HAGEDORN. Thank you.

Mr. JACQUIER. I would answer in the way—Southeast Asia, anywhere in that area, is definitely an area of focus for the dairy industry. And I just want to use the example that the dairy industry has already embedded itself into Singapore, and in that region, with dairy farmer investment in culinary institutes, in teaching culinary chefs, and those types of thing about what American agriculture, American dairy products, can bring to the table to them. The investments are there, we have boots on the ground, and that is just going to explode in the near future, and is just an area of something we want to certainly be proactively in completing trade negotiation.

Mr. HAGEDORN. Yes. Some of it is just good marketing, it sounds like, and that is an important part of it. So, Mr. Jacquier—did I pronounce it—okay. You talked a little bit about these geographic indicators, the European Union and others trying to keep some of our products out based upon names that they want to take advantage of us on. And, I mean, in our district, in Southern Minnesota, we have Kraft-Heinz, and there is, like 5,000 jobs across the entire district, especially in dairy, that could be impacted. Do you feel that we are doing enough, that the Trade Representative and others, are on the right track? Is there anything in particular you think we should do up here? Should we just be a little bit more forceful and let our friends in the Administration know how important this is?

Mr. JACQUIER. I hope that everybody leaves here with—knowing the importance of geographical indicators to the trade. It is just as equal with any tariff that is on there. Congress needs to keep the push on USTR and the USDA to keep driving this home. We have to be successful in this, or the dairy industry is lost.

Mr. HAGEDORN. Thank you. And, Ms. Overman, North Carolina, like Minnesota, has a lot of hogs. I think Congressman Rouzer and I are second and third in the country for that, and there are these standards in some of these deals could be growth promoting hormones, things of that nature, what they use in order to have a barrier. What do you think should be done in these trade deals in order to make sure that we can bust down those barriers? I think USMCA was a pretty good example of how that can be improved. That is pretty important to you, I take it?

Ms. OVERMAN. It is, actually. One of the things that hurts us the most is how our food is labeled when it gets packaged, and labels are so misleading when those labels go out. People believe what the label says as the truth, when it says *hormone free meat* there is no such thing. Just no added hormones would be proper, but—we lost our—we were selling directly to Japan. Our pork was going directly to Japan 2 years ago, and it was called silky pork, and now our integrator changed our genetics, so now we are just going straight into the Smithfield line, and becoming just generic Smithfield pork. But absolutely, when it comes to trade and other countries, labeling and marketing is critical.

Mr. HAGEDORN. You want an even playing field, that is for sure.

Ms. OVERMAN. Yes, sir.

The CHAIRMAN. The——

Mr. HAGEDORN. Thank you.

The CHAIRMAN. The gentleman's time has expired. We thank the witness for her answer, and the chair will now recognize the gentlewoman from Iowa, Mrs. Axne.

Mrs. AXNE. Thank you, Chairman Costa, and Ranking Member Rouzer, and thank you for letting me wade onto the Subcommittee today to be able to be here, I am very grateful for that.

The CHAIRMAN. We appreciate your participation. It is an important voice.

Mrs. AXNE. Thank you. Well, I am so glad that one of our great Iowans is here. Robb, thank you so much for your personal testimony this morning. I know that it is difficult to talk about the issues that your family is facing, so I thank you for being here, very much so. Obviously you heard that the trade war is impacting families in Iowa dramatically, and as I have traveled my district and met with Iowans, I have heard countless stories of stress and frustration from, of course, corn and soybean farmers trying to figure out just how they are going to make ends meet during this ongoing trade war. And while they are sometimes incredibly painful stories to hear, those stories need to be told, so I am glad that Robb is here today to share those with the Committee.

I will never forget one of the first stories I was informed of was a farmer who called my office, and really was contemplating if it was to his family's benefit for him to even be here anymore, and that is the kind of suffering that is going on in row crop states like Iowa right now. The trade war is absolutely impacting so many families across our state.

Mr. Ewoldt, I want to start by quickly going back to your opening testimony, where you said you were concerned about whether you will be able to receive an operating loan this year. And I know you took on a second job as a truck driver for a few nights a week to pay down debt. I love your Iowa fortitude. This is exactly who we are. You said you are up all night worrying about this anyhow, so you might as well be making some money. As much as I appreciate that, it is not what we want to have you doing. We want to have you farming as much as possible.

I am just wondering, this second job, and you are out there in the community with your friends and neighbors, are you seeing this becoming more common, and are you seeing your friends and neighbors in similar situations?

Mr. EWOLDT. Yes, It is not something people like to talk about out in the open, but I have some good friends that are going through the exact same thing, and they have taken up other jobs. They have gone to town and everything to—anything to help you. As I said earlier, when I kind of went off track in my oral comments about, I have a friend that owes more on a farm now than he did in 1992 when he bought it. And it is just you are refinancing. And, I mean, the only way, it is just tough to overcome that debt.

And the truck driving, yes, it helps. I mean, it is a very good income, and maybe I am a better truck driver than I am a farmer, because I make money at that. I don't know. But there are a lot of people that are doing that. There is a lot of—I have a friend that I saw at the airport when I flew out yesterday morning that he is marshaling planes. He farms, and now he had to find something else to do. His passion is airplanes, so he went and got a job at our local airport marshaling planes to provide for his family and offset debt, so it is happening all over.

What I am really concerned about is that we have an average age of farmers in the United States of, what, 59, 58 years—I am not sure what it is, but people my age, in their 40s, that have never had an opportunity to purchase land at that—at an affordable price, at a cash flow, build up equity—if you don't—I have never had that opportunity, and a lot of people my age haven't had that opportunity, so they are sitting with equity only in equipment that depreciates and wears out, and doesn't have that value. When that happens, you have nothing to borrow against.

I am afraid, when this is all said and done, that you are going to see a jump in that average age of farmer, because the ones that are in their 60s and up, they have $4 or $5 million worth of land equity behind them that they can weather this storm and stay in business. I don't, and a lot of my friends at our age don't. And I think that if you lose enough 40-somethings, that is really going to jump that average age, and what will that look like 10 years down the road, then? I don't know.

Mrs. AXNE. Yes. Robb, I so appreciate that, and I want to ask you another question, because you noted how the impacts of the trade war isn't just being felt by farmers, but by, of course, equipment manufacturers as well. What is been the impact of the community at large in Davenport, especially with regard to John Deere?

Mr. EWOLDT. Well, John Deere's corporate headquarters is right across the river in Moline, and I haven't paid attention to how many, but I know that there has been several rounds of layoffs. In fact, I was just at another meeting with somebody that was looking at layoff with John Deere, and she was able to go to the corporate side, because we have harvester group, and we have planter group, seeder group, and there have been considerable layoffs there, and also tractors up in the tractor plant up in Waterloo also has looked at some layoffs.

It is affecting everybody. And I talked to owners of equipment dealerships, and it is tough for those guys. I mean, they just can't—their service department is doing great because nobody can afford to buy new equipment, so they have to repair their old. Their service department is doing great, but as far as moving new equipment, it is not happening.

The CHAIRMAN. The gentlewoman's——

Mrs. AXNE. Thank you.

The CHAIRMAN.—time has expired, and the chair appreciates, Mr. Ewoldt, your passion, and your testimony here today. Mr. Bacon, the gentleman from Nebraska, will be the last Committee Member to ask questions, and then the Ranking Member and I will wind up this hearing. Mr. Bacon?

Mr. BACON. Thank you, Mr. Chairman, and thank you for letting me do this on the back side. We were just in a hearing on the agreement with the Taliban, trying to go through the opportunities and the risks there, so I appreciate you letting me come on the back side of this. Thank you for being here today, each one of you.

My question: I want to ask about some of the things you are doing with livestock, one of you have a direct industry line there, but some of you all reflected that it affects you indirectly. I am a big proponent for the foot-and-mouth disease vaccine bank, research going into things such as trying to deal with the African Swine Fever, so how important are these programs for you? I know one is directly affected, some maybe less so, such as nectarines, but I just think there are a lot of connections here, and secondary impacts. I would just like to hear your thoughts, for those who wish to, please.

Ms. OVERMAN. We had a mock drill in September or October of what would happen if African Swine Fever hit just one North Carolina farm, and the CEO of the North Carolina Pork Council came to the meeting after the drill, and he said, "I don't own a hog, and I am terrified for you guys."

Mr. BACON. Yes.

Ms. OVERMAN. Honestly, because they are looking at complete and total shutdown of all traffic, which would mean not only could we not sell our product, but we can't feed it either, because we can't even bring a feed truck in if this is discovered in our area. Though, having a vaccine, first of all, having the borders so locked down, and having those beagles in the ports and the airports to stop any meat coming in, that is the first line of defense, and the second line of defense would be the vaccine bank.

Mr. BACON. Thank you. And you brought up a point that I was trying to get to here, it is not just the people doing the livestock, it affects your grain industries as well. I would to have anybody else jump in on that thought.

Mr. JACQUIER. Speaking from the dairy industry perspective, the foot-and-mouth disease, all those types of things, these are, as you brought out, extremely serious issues. It would just basically deploy a crisis overnight in the dairy industry. Food insecurity comes to mind. We have actually done some crisis plans with our co-ops, a perimeter, where that would be shut down, and some—and it is just an unbelievable, unfathomable approach of what we may have to do with really not knowing what that result is going to be after that effect. But, we definitely need to stay focused on these bigger type diseases out there.

Mr. BACON. Yes.

Mr. JACQUIER. I really appreciate you considering that.

Ms. OVERMAN. Absolutely. When you talk about—you have discovered you have that disease, and you have to depopulate your farm. And it is one thing to depopulate birds, but when you talk about depopulating 300, 400 pound hogs or cows, that takes a lot of planning.

Mr. BACON. Yes.

Ms. OVERMAN. How do you do it? It takes a lot of fuel, if you are going to incinerate, the burial, it just takes a lot.

Mr. BACON. Further, it is going to—our grain industry. There are a lot of secondary and tertiary effects here. I would like to go now to the healthcare question that Mrs. Axne brought up. ACA has helped some folks tremendously, particularly at the lower income levels, and pre-existing conditions, which we all embrace, but there were also losers in this, small businesses, real estate agents, and I would also say farmers, by and large, who are paying double and triple the premiums, and one of the ways we tried to deal with this was associational pools, and other options to lower costs, but now the courts have ruled that associational pools are not allowed under ACA. Would this have helped you, and should we still pursue some of these other opportunities to help lower costs for our agriculture and farmers? Thank you. And I would just open it up to anyone.

Ms. OVERMAN. I am going to jump right on that one, because that is been a real burden for us. I have worked for our company, for our business, for 38 years, and 3 years ago I had to start working without salary. At the age that I am it is time to start building up for my Social Security and looking forward to retirement. I should be at the peak of my salary. But we were paying $2,800 to $3,000 a month on health insurance premiums. If we took my salary off the table, which was not covering my premiums, then we could finally get into the ACA at a subsidized rate. Shouldn't have to do that. Should not have to sacrifice your salary in order to get healthcare. We don't fall under any other option, being a small business.

Mr. BACON. Should we pursue these associational health plans?

Ms. OVERMAN. Absolutely. Anything.

Mr. BACON. Anyone else? Looks like I am almost out of time, may have one more chance for someone else to answer.

Mr. HUIE. I absolutely think those association plans are important. I will say, from our perspective, we have lived through a child who had a severe disease, and I am thankful that ACA did not kick us out of pre-existing conditions. My little one behind us is a cancer survivor, and those things would have been devastating. I will also say that during that time our family paid about $35,000 a year in medical costs, most of which is insurance, and that is not a sustainable system.

Mr. BACON. Thank you. Mr. Chairman, I will yield back.

The CHAIRMAN. We thank the gentleman, and we have now concluded the Subcommittee hearing. All the Members of the Subcommittee have had an opportunity to ask their questions and make their comments known. I will yield to the Ranking Member for his closing statement, and then I will finish with mine.

Mr. ROUZER. Well, thank you, Mr. Chairman. I want to thank each of the witnesses who are here today. This is, like Ranking Member Conaway said, I want to echo his comments, this is probably one of the best panels that we have had before the Subcommittee, and I really appreciate your heartfelt testimony, and the way that you have helped to enlighten the Subcommittee and other Members that were able to come from the full Committee.

I had the thought during the course of this hearing that not only does agriculture need new markets, but agriculture also needs some new products, which brings me to, and this is a topic for a different day, but the importance of agriculture research, and the fact that agriculture research funding has been so stagnant for so long. There is no telling what the untold cost of that has been to agriculture. Anyhow, I mention that for the record because it is important, and a topic for another day. But, again, thank you for being here. I appreciate everything that you do. You guys are the heart and soul of America, and there are many of us on this Committee—all of us on this Committee really appreciate everything that you do to sustain and enhance this country. Mr. Chairman, I yield back.

The CHAIRMAN. I thank the Ranking Member for his comments, and I share his thoughts as it relates to the compelling testimony that we witnessed this morning by this panel of stakeholders. The title of this morning's Subcommittee hearing is, *U.S. Agricultural*

Trade: A Stakeholder's Perspective, and I believe that the five of you did a very good job of representing the breadth and width of American agriculture, and the challenges you face every day. And, from my own personal perspective, as a third generation family farm, I know the challenges that you face. I face it every day as well, as has my parents and grandparents.

It is a tribute to American producers throughout this land that less than five percent of the population is able to produce such an incredible amount of agricultural product that not only feeds and sustains every American, at their dinner table every night, but is able to succeed and compete, given the fact that they have a level playing field—when you have a level playing field, and the challenges you have all testified to this morning is that you do not always have a level playing field, but yet when you do, can compete with any producers around the world.

The planet eclipsed seven billion people 2 years ago. It is estimated by the middle of the century we will have another two billion people on the planet. The whole question of sustainability is absolutely at the heart of this testimony. Sustainability not only here in our country, but around the world, with climate change, and other factors that come together in ways in which we cannot always predict. And so it is important that all of us, as Members of this Subcommittee and the full Committee, understand the challenges, and how to best advocate on behalf of all of the issues that you articulated here today.

Certainly, improving our trade agreements, as we have been able to do in a bipartisan fashion with the Canadian and Mexican agreement, we think is important. Our efforts with Japan and China we hope will provide better opportunities. Clearly Europe and the UK are opportunities. As I have discussed numerous times with my colleagues here in the Subcommittee, and full Committee, and with Ambassador Lighthizer, the key to most of these agreements end up being enforcement, and the ability to deal with that.

You touched on other issues that deal with input costs for the American farmer that involve healthcare, that involve issues involving labor, and other regulatory constraints that you face. Mr. Ewoldt, the fact that you are still hanging in there, and your passion and your desire is reflected by all of you, is a tribute to the American farmer, so we want to thank you. We know that the MFP payments are a lifeline. They should not be a way of life. I think everyone agrees on that point. And we need to continue to be the strongest advocates we can be on your behalf, and that is our responsibility.

I want to thank all of you for your testimony. It was a terrific panel that we had here, as the Ranking Member noted, and other Members have agreed on, and we will continue to work with you, and you continue to do the best you can. Nobody does it any better than the American farmer. Paul McCartney didn't say that, but he meant that. Thank you very much, ladies and gentlemen. This Subcommittee hearing is now over.

[Whereupon, at 12:09 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED STATEMENT BY AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation submits this statement to the Subcommittee to offer our views on various trade issues of importance to U.S. farmers and ranchers.

U.S.-China Phase 1 Agreement

The agriculture-related parts of the U.S.-China Phase 1 Agreement hold great promise for U.S. agricultural export growth and for improved economics for U.S. farmers and ranchers. The expanded sales to China in the agreement will have a direct impact on the domestic production, processing, and transportation of agricultural goods. The product-specific obligations and regulatory commitments in the agreement will provide new opportunities for growth in many agricultural export categories.

The Agreement was signed on January 15, 2020 and entered into force on February 14, 2020. China has committed to purchase on average at least $40 billion annually and $80 billion in total of U.S. food, agricultural and seafood products over the next 2 years. According to the Agreement, these purchases by China will be on a commercial basis at market prices and purchases may reflect seasonal marketing patterns.

The purchase commitments cover the calendar years for 2020 and 2021. Annex 6.1 of the Agreement identifies those products that are included in the commitment.

In calendar year 2019, U.S. agricultural exports to China (including distilled spirits, fish products and ethanol which are included in the agriculture product category in this agreement) totaled $13.8 billion, compared to $10.3 billion during the same period in 2018. The year-to-date export value in 2019 is significantly higher than the previous year because of increased purchases that began in June. U.S. ag exports to China in 2019 increased by over $4.6 billion, or 43%, from the previous year.

According to U.S. Trade Representative *fact sheets* (*https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china/phase-one-trade-agreement/fact-sheets*), "China has agreed to purchase and import on average at least $40 billion annually of U.S. food, agricultural, and seafood products, for a total of at least $80 billion over the next 2 years." Further, in *Chapter 6 of the agreement* (*https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Economic_And_Trade_Agreement_Between_The_United_States_And_China_Text.pdf*),* some guardrails around the $40 billion average are added: "For the category of agricultural goods identified in Annex 6.1, no less than $12.5 billion above the corresponding 2017 baseline amount is purchased and imported into China from the United States in calendar year 2020, and no less than $19.5 billion above the corresponding 2017 baseline amount is purchased and imported into China from the United States in calendar year 2021." Finally, the fact sheet adds, "on top of that, China will strive to import an additional $5 billion per year over the next 2 years."

There are several key elements in USTR's statement. One is the reference to U.S. agricultural imports of "on average at least $40 billion." This element is important because it does not commit China to import $40 billion each year, but rather gives China flexibility for different levels of imports in 2020 and 2021; these could be significantly different. After all, $1 billion and $79 billion and $40 billion and $40 billion both average to $40 billion. The key to understanding the Chapter 6 component is knowing that U.S. agricultural exports to China in 2017 were $20.8 billion. If U.S. agricultural exports in 2020 increase by the $12.5 billion minimum, that would mean that U.S. agricultural exports to China in 2020 will be at least $33.3 billion. If U.S. agricultural exports in 2021 increase by the $19.5 billion minimum, that would mean that U.S. agricultural exports to China in 2021 will be at least $40.3 billion. If China only imports the minimum amount in 2020 and 2021, the total value of imports over the 2 year period will be $73.6 billion. This is where the final element of China striving to reach an additional $5 billion per year comes into effect. If this is achieved the total value of imports over the 2 year period would reach $83.6 billion. Certainly, exports closer to $40 billion each year would seem relatively easier to achieve, but as we watch agricultural exports to China over the next 2 years, we should keep in mind that China has a lot of flexibility in how it achieves the $80 billion commitment.

The agreement between the U.S. and China echoes the purchase value levels discussed in the press for several months. Over this time, there has been considerable discussion about whether $40–$50 billion in U.S. agricultural exports to China are

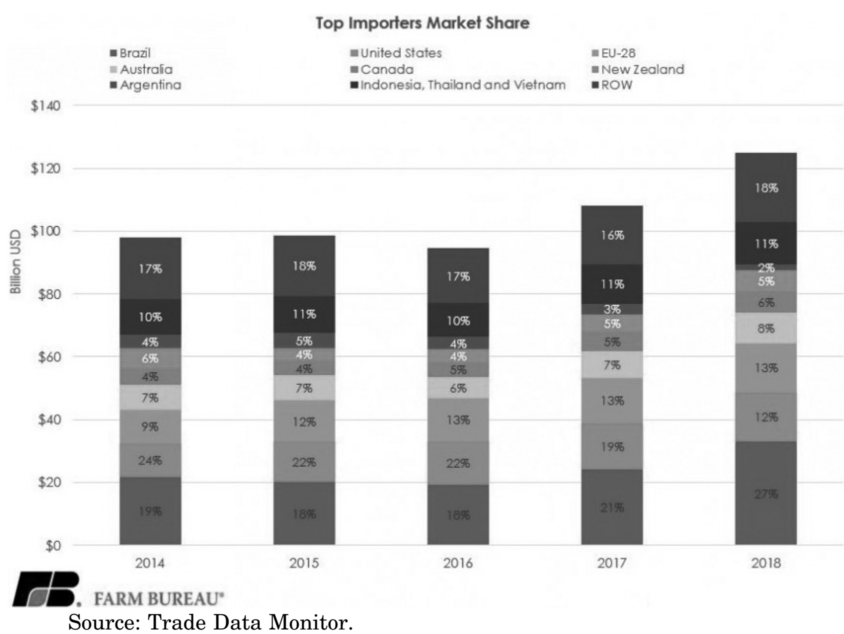
* **Editor's note:** this agreement, and the referenced fact sheets are retained in Committee file.

feasible. Doubt has crept in for a variety of reasons. One primary concern is the retaliatory tariffs China is still applying on nearly 100% of U.S. ag exports. Though the Phase 1 Agreement does not address the tariffs, China's decision to offer importers exemptions to additional retaliatory tariffs on nearly 700 types of goods from the United States, including farm and energy products for 1 year as it battles the coronavirus outbreak, should help make U.S. products more price-competitive. The second reason is that the U.S. has never come close to exporting $40 billion in ag products to China. The most the U.S. has ever exported was approximately $27 billion in 2012.

USTR's fact sheet (https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Phase_One_Agreement-Ag_Summary_Long_Fact_Sheet.pdf) sheds some light on how $40 billion could be achieved. The fact sheet states that "products will cover the full range of U.S. food, agricultural, and seafood products." As mentioned previously, "food, agricultural and seafood products" is a more comprehensive definition of agriculture than is often used. When agriculture-related products, like distilled spirits, ethanol, and fish products, are included it is easier to reach the export goal, but $27 billion is still a long way from $40 billion.

In order to properly consider whether $40 billion is achievable, it is important to understand how the U.S. fits in China's overall agricultural import landscape. (For the purposes of discussing overall agricultural imports, the more traditional definition of agriculture, which does not include distilled spirits, ethanol and seafood, is used.) From that perspective, the U.S. is a top-five supplier of agricultural imports to China but has not been the top exporter since 2016. *Figure 1* highlights that the top role has belonged to Brazil since 2017 and that competition for Chinese consumer dollars is fierce. In 2018, Brazil, the EU 28, the United States, Australia, Canada, New Zealand, Argentina, Indonesia, Thailand and Vietnam accounted for 82% of China's lucrative $124 billion agricultural import market. The rest of the world split the remaining 18%. (Full 2019 Chinese import data was unavailable at the time of this statement; therefore, 2018 is used instead.)

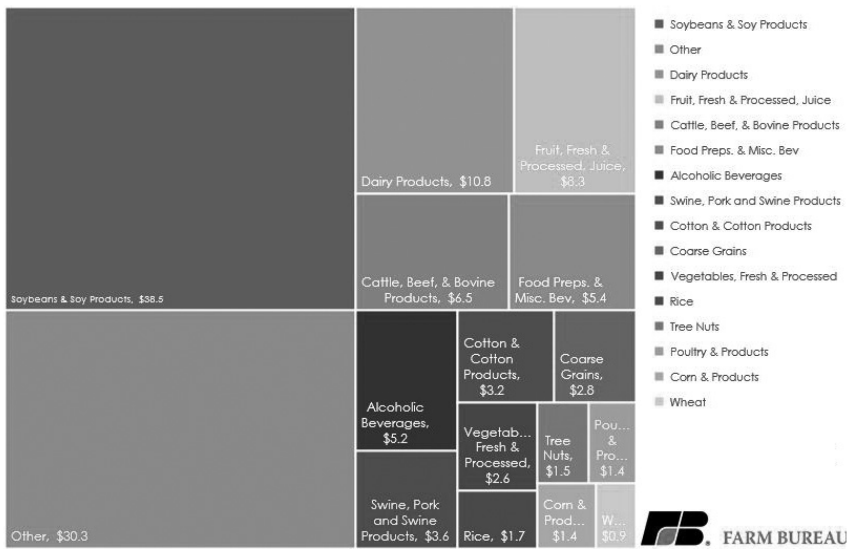
Figure 1. China's Total Agricultural Imports by Value



Source: Trade Data Monitor.

Breaking down China's 2018 imports by product category in *Figure 2* provides additional insight. Soybeans and soybean products totaled $38.5 billion in 2018 and accounted for 31% of total agricultural imports. By value, dairy products were the second-largest import category, with imports totaling nearly $10.8 billion and representing about 9% of total agricultural imports. The third-most valuable import category belonged to fruit, which includes fresh and processed fruits as well as fruit juice. China imported $8.3 billion in fruit in 2018, accounting for 7% of total ag imports. Global imports of cattle, beef and bovine products were nearly $6.5 billion and accounted for 5% of China's total ag imports in 2018. Rounding out the top five, prepared foods and miscellaneous beverages (which does not include alcoholic or fruit-based beverages) at $5.3 billion accounted for 4% of China's total ag imports in 2018. *Figure 2* provides global import values for 15 different import categories, plus an "other" category that includes all products not otherwise specified. (The HS6 codes which are included in each product category are defined by USDA Foreign Agricultural Service, following the World Trade Organization-Agricultural Total specification available via the General Agreement on Trade in Services database.)

Figure 2. China 2018 Global Ag Imports, $124.1 Billion



Source: Trade Data Monitor.

The USTR fact sheet points out that "China and the United States recognize that purchases are to be made at market prices based on commercial considerations." Between this language and the high-level view of China's imports, it seems clear that the U.S. is going to have to work to reach $40 billion in agricultural exports. In order to achieve this level of agricultural exports, the U.S. will have to win market share away from other competitors and the product mix may be different from what the U.S. has exported in the past. Market share will be won on a product-by-product basis, with different competitors for each product.

For example, dairy products are China's second largest agricultural import product by value. In 2018, China imported over $10.8 billion in dairy products, but only 5% of that total came from the United States. Meanwhile, the EU, New Zealand and Australia supplied, 48%, 38% and 6%, respectively. In China's third largest agricultural import category—fruits, fresh and processed, including juices—the U.S. has a 5% market share, but the top competitors are significantly different. China imported $8.3 billion in fruit products in 2018, with 24%, 21%, 9% and 9% of that market supplied by Thailand, Chile, the Philippines and Vietnam, respectively. Clearly, Chinese ag imports and the top suppliers are significantly different by product category. However, as we all know, things can change quickly and because China is such a large market those changes can significantly alter export opportunities, which presents a dramatic opportunity for U.S. agricultural exporters.

For agriculture, China has committed to eliminate market access barriers, shorten the time for products to get to market, and increase transparency and encourage the use of international standards. In biotechnology, the approval process will be more transparent, predictable, efficient and science based. The approval process will take no more than 24 months, and China's evaluations will be based on international standards.

The Agreement streamlines and establishes timeframes for regulatory actions by China for meat, poultry, seafood, dairy, infant formula, rice, potatoes, nectarines, blueberries, [avocados], barley, alfalfa pellets, hay, feed additives, distillers' dry grains (DDGs) and pet food.

For poultry, the countries will sign a poultry disease protocol to reduce uncertainty in the case of future outbreaks and follow international standards. China and the U.S. have begun to open their markets to bilateral trade in poultry products.

For beef, China will eliminate cattle age requirements, recognize the U.S. beef traceability system and recognize international standards for cattle production. Facility registrations will be streamlined so that imports from U.S.-inspected and approved facilities with the proper certificates will be allowed. China has also committed to implement food safety measures that are science-based and risk-based.

Following the 2019 U.S. win in a WTO case brought against their administration of tariff-rate quotas (TRQs), China will improve corn, wheat and rice TRQ allocation methodology and will not inhibit the filling of TRQs.

For fruits, vegetable and plant-based feed products, China will finalize phytosanitary protocols for potatoes, nectarines, blueberries, [avocados], barley, alfalfa hay pellets and cubes, almond meal pellets and cubes, and timothy hay.

U.S.-EU Trade Negotiations

The goal of the negotiations with the European Union is to expand the world's largest commercial relationship, currently with $1 trillion of trade in goods and services annually and $3.7 trillion in two-way direct investment. The U.S. exported $12.7 billion in agricultural products to the EU in 2018 while the EU exported $23.7 billion in agricultural products to the U.S.

The EU has strongly resisted including agricultural issues in this negotiation. Farm Bureau maintains that agricultural tariffs and standards, must be included in the talks. The disputes around sanitary and phytosanitary (SPS) measures and their impact on trade have been a significant part of the agricultural relationship between the U.S. and EU for decades. Continuing barriers to the export of U.S. beef, pork and poultry, along with the slow approval process for biotech products, are major areas of interest in the negotiation. Both the U.S. and the EU adhere to the World Trade Organization's (WTO) SPS Agreement, which states that measures taken to protect human, animal or plant life or health should be science-based and applied only to the extent necessary to protect life or health. The U.S. follows a risk-assessment approach for food safety while the EU is additionally guided by the "precautionary principle," which holds that where the possibility of a harmful effect exists, nonscientific risk management strategies may be adopted.

The EU has made the precautionary principle the focus of its approach to risk management in the SPS area. The U.S. views the use of the precautionary principle as inconsistent with the WTO SPS Agreement and as a basis for scientifically unjustified barriers to trade.

Farm Bureau has also asked for substantive changes to the EU approach for approving the products of biotechnology. The EU system for regulating biotech products must be science-based and efficient in generating approvals for U.S. products.

The EU systems of geographic indications (GIs) for foods and beverages that designate their production from a specific region are legally protected for their original producers. The U.S. has opposed recognizing geographical names for foods that would inhibit the marketability and competitiveness of U.S. food products.

Achieving tariff reduction and elimination is important for the future growth of U.S. exports to the EU. The average U.S. tariff for imported agricultural products is five percent, with 75 percent of tariff lines at zero to five percent tariff. For the EU, the average tariff on imported agricultural imports is 14 percent, with 42 percent of tariff lines at zero to five percent tariff.

U.S.-UK Trade Negotiations

The United Kingdom separated from the European Union politically on January 31, 2020. A trade agreement between the UK and the EU must be negotiated throughout 2020, with a completion date now set for December 31, 2020.

Farm Bureau on January 3, 2019, submitted comments to the Office of the U.S. Trade Representative on the negotiating objectives for a U.S.-UK Agreement. Farm Bureau's comments support an agreement that increases agricultural trade. The agreement must reduce or eliminate tariffs and remove other measures that act to block trade. Science-based food-safety standards and an accelerated biotechnology approval process will improve the conditions for agricultural and food trade. It is necessary for the UK to change from the EU regulatory regime that blocks U.S. exports of beef, pork and poultry. Poultry processors have a variety of effective pathogen reduction treatments available that do not use chlorine. The issue of chlorinated chicken from the U.S. is often brought up in the UK as a reason for not having a U.S.-UK agreement.

U.S. agricultural exports to the UK in 2018 were $2 billion. Leading agricultural exports to the UK include wine and beer, tree nuts, soybeans, prepared foods and live animals. U.S. agricultural imports from the UK in 2018 were $824 million. Leading agricultural imports from the UK include cheese, breakfast cereals, cookies, breads, beer and wine.

Negotiating objectives for a U.S.-UK trade agreement were released by USTR in February 2019. The UK released their negotiating objectives in March 2020. For agriculture and food, these include liberalizing tariffs on goods and upholding high levels of public, animal and plant health, including food safety.

U.S.-Mexico-Canada Agreement (USMCA)

On November 30, 2018, Canada joined the U.S. and Mexico in the successor to NAFTA, the U.S.-Mexico-Canada Agreement (USMCA). Implemented in 1994, NAFTA removed barriers to intra-regional trade, including agricultural products traded between Mexico and the U.S. and most agricultural products traded between the U.S. and Canada. Agricultural exports from the U.S. to Canada and Mexico have increased from $8.9 billion in 1993 to $40 billion in 2018.

In the new USMCA, Canada has agreed to phase-in increased quota access for U.S. dairy products (fluid milk, cream, butter, skim milk powder, cheese and other dairy products) and for chicken, eggs and turkey. The increased dairy access (100,000 mt annually) is estimated to be worth $242 million. The new amounts will be reached by year 6 of the agreement. There will then be one percent growth per year for an additional 13 years. The U.S. now exports $619 million in dairy products to Canada annually.

Canada has also agreed to end their Class [VII] pricing scheme, within 6 months of the implementation of the USMCA. A substitute pricing formula for skim milk solids used to produce nonfat dry milk (NFDM), milk protein concentrate, and infant formula will set prices no lower than a level based on the U.S. price for NFDM. A 55,0000 mt limit is placed on exports by Canada of skim milk powder and milk protein concentrate the first year of implementation, falling to 35,000 mt per year thereafter.

Canada also agreed to treat wheat imports in the same manner as domestic wheat for grading and pricing.

The Chapter 19 dispute settlement procedures will be retained in the new agreement.

Agricultural tariffs between the U.S. and Mexico will remain at zero. Provisions regarding biotechnology and geographic indications are included.

The chapter on Sanitary/Phytosanitary Standards (SPS) includes scientifically based, nondiscriminatory and transparent food safety standards.

The President signed the USMCA legislation on January 29, 2020. Canada has yet to ratify the USMCA. Mexico has ratified the USMCA.

U.S.-Japan Trade Agreement

The U.S.-Japan Agreement went into effect on January 1, 2020. Tariffs on U.S. agricultural exports will be reduced to the same level as those of other nations, such as the CPTPP countries Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and the European Union, that already have preferential trade agreements with Japan. Additional tariff reductions in the agreement will take place from these reduced tariff levels.

Japan is our fourth-largest agricultural export destination, with $12.7 billion in sales in 2019. While Japan is a top market for U.S. agricultural exports of wheat, corn, soybeans, beef and pork, it also has had many restrictive policies in place against some U.S. agricultural products.

According to the trade agreement Japanese tariffs on U.S. beef will be reduced from the current 38.5 percent to nine percent over 15 years. Tariffs on other products, such as pork, some dairy products, fruits and vegetables, will be reduced or eliminated.

The original U.S. negotiating objectives for the talks include the reduction and elimination of tariff and non-tariff barriers. Also included are added enforcement mechanisms for Sanitary/Phytosanitary regulations, disciplines for enacting science-based food safety standards and limits on the use of geographic indications in product labeling. These non-tariff barrier objectives will be pursued, along with tariff reduction or elimination for additional dairy products and for rice, in a 'Phase 2' negotiation that may begin in May 2020.

Conclusion

Trade agreements are a proven way to improve export opportunities for U.S. farmers and ranchers. In addition to the above agreements and negotiations, we are also very interested in the opportunities for agricultural trade from a future U.S.-India agreement and in the efforts towards an agreement with Kenya.