National Association of Wheat Growers
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Written Testimony of Nicole Berg
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Before the House Agriculture Subcommittee on Livestock and Foreign Agriculture
A 2022 Review of the Farm Bill: International Trade and Food Assistance Programs
April 6, 2022

Chairman Costa, Ranking Member Johnson, and Members of the Subcommittee thank you for the opportunity to testify before the House Agriculture Subcommittee on Livestock and Foreign Agriculture (LFA). My name is Nicole Berg, and I am a fourth-generation farmer where I work alongside my dad and two brothers on our family farm in Paterson, Washington. We grow dry-land and irrigated wheat on a diversified farm. I currently serve as the President of the National Association of Wheat Growers (NAWG). Thank you for holding this hearing today to discuss Title III – the trade title – of the 2018 Farm Bill. The Title III programs, originating in the farm programs following World War II, are vital programs that work to open new markets for agricultural production and help stabilize food-insecure countries and regions to preserve peace.

NAWG is a federation of 20 state wheat grower associations and other industry partners. We work collaboratively to represent the needs and interests of wheat producers before Congress and federal agencies. Based in Washington, D.C., NAWG is grower-governed and works in areas as diverse as federal farm policy, trade policy, environmental regulation, the future commercialization of emerging technologies in wheat, and uniting the wheat industry around common goals. Our members feel it is important to provide testimony before the LFA Subcommittee today as we reflect on the programs authorized under Title III of the Farm Bill. Today's hearing is particularly timely as NAWG is also evaluating the effectiveness of the farm safety net programs, how those programs can be improved going into the next Farm Bill, and how the U.S. Department of Agriculture (USDA) administers these programs. NAWG intends to outline our specific Farm Bill priorities for lawmakers in the coming months as Congress begins debating Farm Bill reauthorization. However, we are prepared to speak to how the programs have been functioning from the wheat perspective since enactment of the 2018 Farm Bill.

Title III of the Farm Bill consists of two major elements that play a crucial role in agricultural trade: international food aid and agricultural trade promotion. The international food aid programs have been successful in stabilizing economies and populations hurt by climate change, famine, and war and have helped promote peace by reducing terrorism and food emigration. Trade promotion programs have helped U.S. agricultural products remain competitive on world markets and opened access to new markets, which has boosted the agriculture economy and kept farmers in business. While making up less than one percent of total Farm Bill funding, Title III plays a crucial role in the farm safety net.

According to the United States Department of Agriculture's (USDA) World Agriculture Supply and Demand Estimates from March 9, the United States (U.S.) exported over an estimated 26 million metric tons (MMT) (990 million bushels) of wheat in 2020/21 and projects the U.S. to export 21.77 MMT (800 million bushels) in 2021/22, representing 54 percent and 49 percent of total U.S. wheat production respectively, with such a large percentage of our production exported, U.S. wheat growers' profitability is intricately connected to our export markets. The U.S. is the largest donor of food assistance worldwide, with over 1 MMT in food aid tenders in marketing year 2021/22 so far, making up around five percent of commercial sales, plus substantial additional cash and non-U.S. purchased food. Wheat is one of the principal food grains produced in the United States and consumed around the world, constituting roughly one in five calories consumed worldwide. Food aid donations have made significant impacts in markets like Ethiopia and Yemen that are facing food shortages.

Nationwide, there are six different classes of wheat grown in different climates and for different uses. In my home state of Washington, there are roughly 2,500 wheat farmers. The eastern part of the state is known as the home of soft white wheat. These varieties are grown primarily for their use in cookies, crackers, and cakes as well as flat breads. Washington farmers also raise superb hard red winter and spring wheats for bread. So far, this marking year soft wheat (SW) has made up 34 percent of food aid donations and has seen several success stories resulting from Title III's trade promotion programs.

World Wheat Markets

With over 50 percent of U.S. wheat heading to overseas markets, trade is a major priority for wheat farmers. The United States is the world's fourth largest exporter of wheat, behind Russia, while being the largest contributor to food aid, providing around half of the world's food aid. On average, Mexico, the Philippines, Japan, South Korea, and Nigeria make up the top five destinations for U.S. wheat. Following the United States's success at the World Trade Organization (WTO) and through efforts to negotiate the China Phase 1 deal, China went from being the world's 16th largest importer to the 4th largest in a single year. In addition, top recipients of food aid most recently include Yemen, Ethiopia, and Sudan.

The world wheat market is an ever-changing one that provides unique opportunities for U.S. wheat farmers. But wheat is also the world's most widely planted and traded commodity. That means global competition among exporters is fierce. It highlights the continuous need for new market access to keep U.S. growers on a level playing field with other countries – especially as our primary competitors in quality wheat markets – Canada and Australia continue to sign and pursue new free trade agreements around the world. Two free trade agreements that are currently being evaluated by the administrations are with the United Kingdom and Kenya. Both would be prime examples where U.S. wheat faces tariff and non-tariff barriers that we would hope to resolve through trade negotiations. In addition, the Asia Pacific is a region ripe for U.S. attention on trade, given several competitor agreements in place and the continuing growth in their wheat consumption. Whatever form those future discussions take, agricultural market access must be a priority.

Recently, the global wheat market has drawn a great deal of attention with Russia's invasion of Ukraine and the subsequent impacts on wheat trade and markets. Together the two countries represent around 30 percent of global wheat exports, and 14 percent of global wheat production. In the aftermath of the invasion wheat markets skyrocketed, and farmers witnessed unprecedented market volatility. Market prices have decreased since then but remain elevated and the volatility continues in the market.

While there is a great deal of unknown how the international sanctions will impact Russian exports of food grains and how the conflict will impact Ukrainian exports, we know that these increased prices are exacerbating global food insecurity. Russia and Ukraine are large wheat exporters, but even more so to some of the world's most price-sensitive markets. The White House has put together a conference on hunger and has stressed the dangers of world food shortages. Markets historically served by Black Sea wheat are scrambling to figure out how they are going to fill their demand and feed their people. As these events unfold, Title III will become more critical. The U.S. food aid programs will be needed to curb the effects of hunger in a humanitarian crisis that is unprecedented in recent history. The trade promotion programs will be vital diplomatic tools to build relationships with countries that have historically sourced wheat from Russia. Congress needs to take the opportunity to strengthen these programs in the new world.

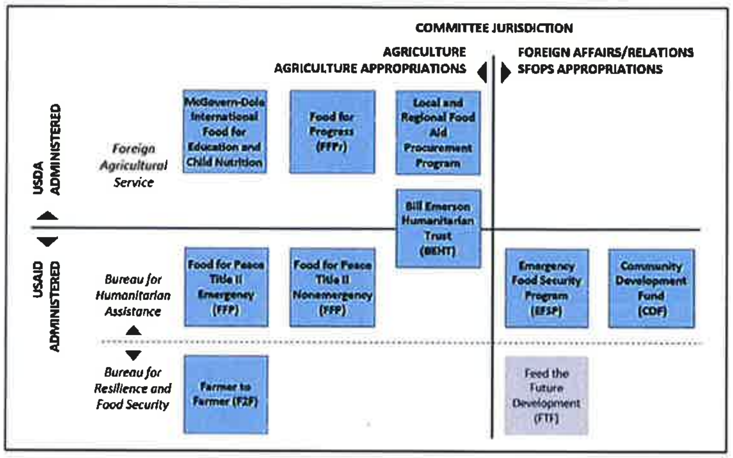
Food Aid Background and the 2018 Farm Bill

Title III international food aid and trade promotion programs have their roots in post-World War II European reconstruction efforts. President Dwight Eisenhower signed the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, creating the program now known as Food for Peace which is Subtitle A of Title III of the Farm Bill. Food for Peace worked to decrease the surplus of domestic agricultural commodities, improve domestic markets, and stimulate new international markets. The 1985 Farm Bill saw the marriage of international food aid programs to the Farm Bill by authorizing the donation of USDA commodities by the Secretary of Agriculture to provide food aid to countries in need. Since 1985, Farm Bills have sought to allow the agencies that implement these programs, the United States Agency for International Development (USAID) and USDA's Foreign Agriculture Service (FAS), the flexibility to address humanitarian and food security crises adequately and efficiently.

Today, USDA and USAID partner with organizations to implement the food aid programs. Each program serves a separate purpose and provides assistance through either in-kind assistance or market-based assistance. In-kind assistance includes commodities produced in the U.S. and shipped to a target region and includes monetization where a partner organization sells commodities on local markets in developing countries and uses the proceeds to fund development projects. Market-based assistance provides direct cash transfers, food vouchers, or locally and regionally procured food to populations in need.

Jurisdiction of international food assistance programs, not all of which are in the Farm Bill, is demonstrated in the chart below from the Congressional Research Service.

Figure 1. U.S. International Food Assistance Jurisdiction



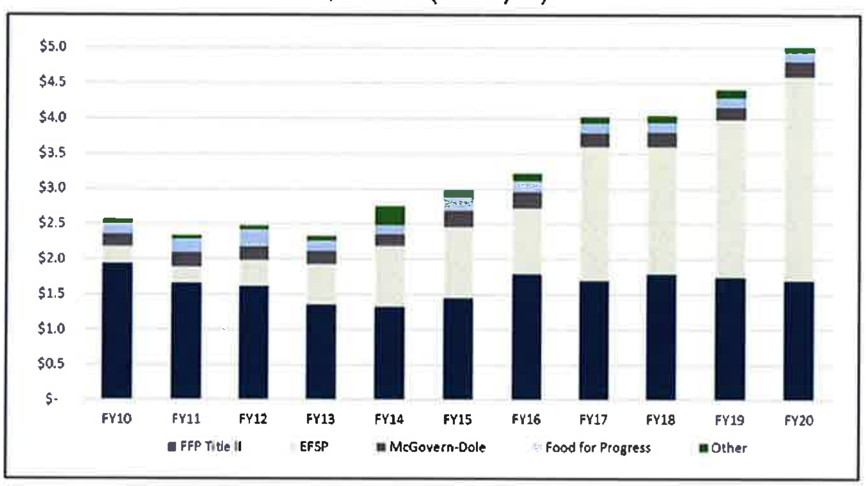
Source: CRS

Notes: Feed the Future Development refers to agricultural development assistance provided under the Feed the Future initiative. The Feed the Future initiative is a government-wide initiative that includes all programs in this matrix, as well as other assistance provided outside USDA and USAID. Thus, this matrix does not include all programs that comprise the Feed the Future Initiative. The programs highlighted in this graphic are the programs discussed in this report. SFOPS = Department of State, Foreign Operations, and Related Programs; USDA = U.S. Department of Agriculture; USAID = U.S. Agency for International Development.

International food aid programs are subject to annual appropriations and are included with funding originating outside of the Farm Bill. Food for Peace Title II programs are authorized at $2.5 billion. The chart below shows total U.S. food assistance outlays for all food aid programs, not just ones inside the Farm Bill.

Figure 2. U.S. International Food Assistance Outlays, FY2010-FY2020

$ in billions (current year)



Source: Figure created by CRS using data from USAID, *U.S. International Food Assistance Report*, various years.

Notes: FFP = Food for Peace; EFSP = Emergency Food Security Program; The "Other" category includes the Farmer-to-Farmer Program, Local and Regional Food Aid Procurement Program, Bill Emerson Humanitarian Trust, and Community Development Fund.

The 2018 Farm Bill continued prioritizing Title III and its role in international food aid while making key changes to provide maximum flexibility in how agencies and NGO's implement these important programs. The new Farm Bill eliminated the 15 percent monetization requirement in Food for Peace, which allowed additional flexibility in program implementation. It also permitted 10 percent of McGovern-Dole program funds to be used for local and regional procurement, established a pilot agreement allowing supplemental appropriated Food for Progress funds to be used for direct development activities, and made technical changes to several fellowship programs.

International Food Aid Programs

This section provides a brief overview of each of the international food aid programs.

- The *Food for Peace (FFP) Title II* is aid provided by the U.S. to recipients in foreign countries. All FFP assistance is required to be labeled as from the American people. Assistance must not interfere with the local agricultural economy, whether assistance be commodity, locally procured food, vouchers, or cash.
- The *Farmer-to-Farmer Program (FFP Title V)* coordinates short-term placements for U.S. volunteers to services to provide technical assistance to farmers in developing countries.
- The *McGovern-Dole International Food for Education and Child Nutrition Program* provides U.S. commodities to developing countries for school feeding programs and for pregnant and nursing mothers.
- The *Food for Progress Program (FPPr)* monetizes U.S. commodities in recipient countries to fund humanitarian or development projects.
- The *Bill Emerson Humanitarian Trust (BEHT)* is a mandatory reserve of funds held by the USDA that can supplement FFP assistance when FFP alone cannot meet emergency food needs. There have recently been a number of calls to release BEHT funds, which we fully support and believe is necessary.
- The *Local and Regional Food Aid Procurement Program (LRP)* finances the provision of local and regionally procured foods in nonemergency situations.

Agricultural Promotion Background and the 2018 Farm Bill

The agricultural promotion programs in the Farm Bill date back to 1978, when Congress passed the Agricultural Trade Act to increase the profitability of farming by increasing opportunities for U.S. commodities by expanding markets and improving their competitiveness in world markets. The 1981 Farm Bill was the first to include a trade promotion title.

Today, USDA FAS works with cooperator organizations to create, expand, and maintain foreign agricultural markets using the Market Access Program (MAP) and the Foreign Market Development (FMD) program. Title III also provides essential financing to encourage exports through the Export Credit Guarantee Program (GSM-102).

The 2018 Farm Bill continued promoting trade by consolidating several programs into the Agricultural Trade Promotion and Facilitation section, which maintains the unique functions of each program while establishing permanent, mandatory funding for export promotion activities. It also created a Priority Trade Fund that allows the Secretary of Agriculture to allocate additional funds to any export promotion program. MAP and FMD funding was also made available for activities in Cuba.

Agricultural Promotion Programs

The 2018 Farm Bill provides $255 million in annual mandatory funding for export programs from the Commodity Credit Corporation, while GSM-102 was given over $3.5 billion for allocation in the fiscal year 2022.

- The *Export Credit Guarantee Programs* provide credit guarantees to encourage the financing of commercial exports. This program helps lenders balance financial risk, especially in developing countries.
- The *Market Access Program* partners FAS with U.S. agricultural trade association and other groups to share the costs of overseas marketing and promotional activities in order to build export markets for agricultural products. The Farm Bill provides $200 million for MAP.
- The *Foreign Market Development Program* partners FAS with nonprofit agricultural trade associations to address long-term opportunities to reduce foreign import constraints or expand export growth opportunities. The Farm Bill provides $34.5 million for FMD.
- The *Emerging Markets Program (EMP)* provides cost-share founding for technical assistance activities that support exports of U.S. commodities. The Farm Bill provides $8 million for EMP.
- The *Technical Assistance for Specialty Crops (TASC)* program provides funding organizations to address non-tariff barriers of U.S. specialty crops. The Farm Bill provides $9 million for TASC.

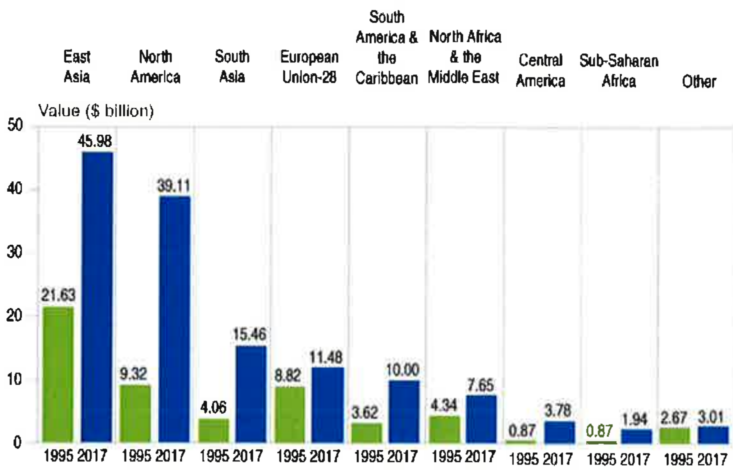
In the wheat industry, U.S. Wheat Associates is the USDA cooperator organization. They participate in MAP, FMD, and occasionally EMP in their efforts to expand markets for U.S. wheat producers. Those USDA grants are required to be matched, in the case of wheat, though farmer dollars are collected by individual state checkoffs. Combined, those monies support a global network of 13 overseas offices and around 75 technical, marketing, and support staff, all working on behalf of U.S. wheat farmers.

Implementation of 2018 Programs

The programs in Title III play a significant role in the agricultural economy. According to an econometric study of MAP and FMD, conducted by Informa Economics IEG (now IHS Markit), these programs contributed an average of $8.2 billion more farm export revenue per year between 1977 and 2014. These programs also boost export volume, and farm cash income. The study also concluded that doubling annual MAP and FMD funding would encourage cooperators to increase their investments by 50 percent, and the total investment would create yearly increases in agricultural exports by $4.5 billion, increase the farm economy through cash receipts and income and farm assets by $4.0 billion, increase domestic GDP by $6.0 billion, while creating 84,600 new full and part time jobs. The graph below from USDA's Economic Research Service shows just how big an impact these programs have had over the past three decades.

Figure 2

Increases in U.S. agricultural export value by region, 1995 and 2017



Source: USDA, Economic Research Service, U.S. Agricultural Trade topic page.

It can be an uphill battle to convince milling wheat buyers to opt for premium-priced, but better performing, U.S. wheat. However, there are many examples of how MAP and FMD funding have had an impact. Within the class of wheat that I produce, soft white, The Philippines contains many such success stories, where through a combination of marketing and technical assistance over the last 60 years, the U.S. has built better than a 90 percent milling wheat market share and helped increase Filipino wheat consumption. U.S. wheat enjoys this level of market dominance because the program investments have helped U.S. Wheat Associates (USW), a MAP and FMD cooperator organization, stay "on the ground" in the Philippines and other Asian markets for decades, making trade and technical service calls and conducting wheat food production training. The Title III programs are essential to building trust with buyers and end-users who also look to USW for advice.

To increase wheat foods consumption in the Philippines, USW has helped flour millers, and commercial food companies build and maintain a multi-year campaign. As a result, over the past five years, the annual per capita consumption of wheat in the island nation has increased from 23 to 29 kilograms. That is an annual demand increase of 600,000 metric tons of wheat, with an estimated 97 percent of that wheat coming from the United States.

The funds also allow U.S. cooperators to work directly with companies to highlight the advantages of using U.S. commodities. Flour milling courses at international facilities highlighting the superior end-use attributes of U.S. grown wheat have led to Filipino millers adopting "Guaranteed 100% U.S. Wheat" labels on flour bags. This effectively locked mills into annual wheat purchases from U.S. origin supplies.

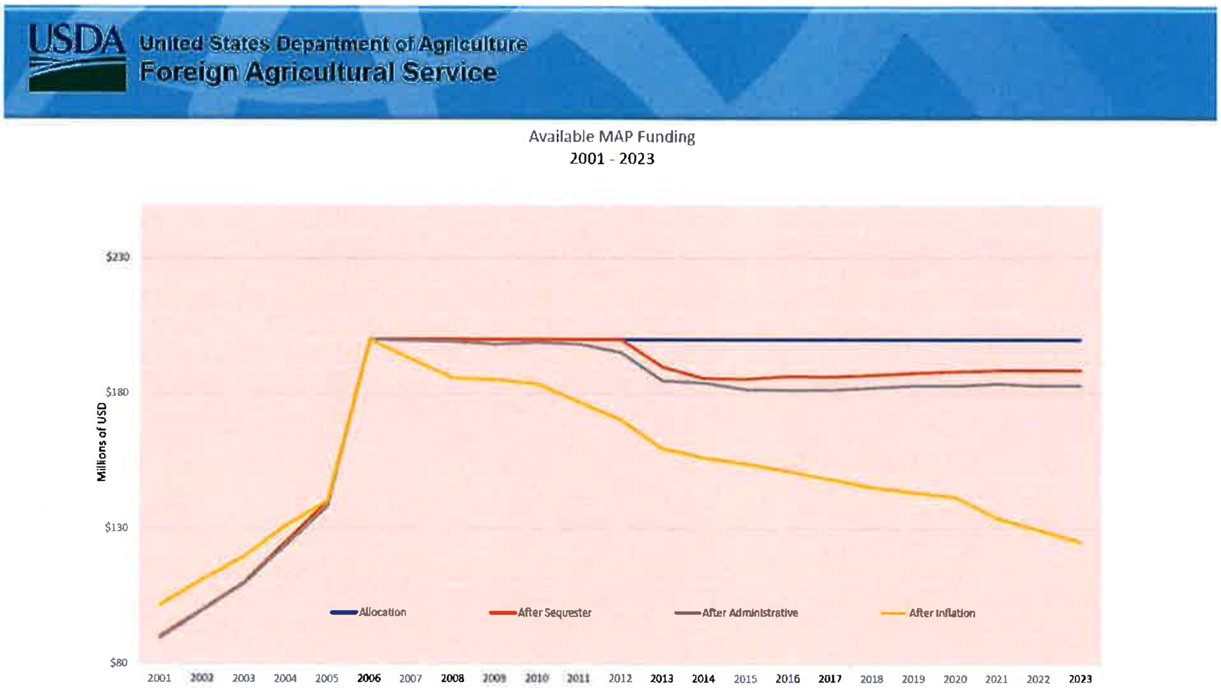
Providing technical services for emerging technologies is another area that can lead to increased loyalty to U.S. commodities. Through USW education and technical services, more than half of the Philippines' mills have installed Solvent Retention Capacity (SRC) testing – a method for measuring protein functionality that most accurately conveys the end-use product attributes for soft white wheat. USW technical milling specialists have pioneered the use and adoption of the technology. As a result of these SRC-related efforts, millers and their customers can use objective, repeatable statistical data to communicate quality information while providing a clear advantage for U.S. wheat classes to the industry. That technology is especially critical for SW producers as each years' crop's functional attributes depend not only on genetics or management but also on the weather – which is clearly outside of our control. SRC has helped ensure millers and bakers receive the functional quality wheat they need regardless of what mother natures throws at us as farmers.

In another example of how cooperators use MAP programs to support customers' purchase of U.S. grown wheat, USW has provided multiple layers of trade and technical support to a specific Philippine milling company, including custom training at the Wheat Marketing Center in Portland, Oregon, in 2020 to analyze the optimal blend of U.S. western white (WW) wheat flour in Philippine sponge and chiffon cakes as well as on layer cakes and Japanese sponge cakes. As a result, after follow-up technical servicing with USW technicians in 2021, the company launched their new unchlorinated cake flour utilizing 48,486 MT of WW valued at $14 million, which was the first WW commercial shipment to the Philippines since MY2012/13.

The impacts of international food aid on the lives of millions of people are indescribable. I was fortunate enough to witness the effects of these life-changing programs firsthand when I joined members of U.S. Wheat Associates, U.S. Grains Council, and USA Rice for a 14-day journey to Kenya and Tanzania in 2019. The trip, funded by USDA FAS using export market development program funds, toured the Kakuma Refugee Camp in Kenya, where the World Food Programme (WFP) is feeding 98 percent of the more than 200,000 residents from nine countries, with over half of their food supplies coming from the United States. A man that I met there named Nelson emphasized that they were always so happy with the high quality of the U.S. food they received, especially because of the quality of wheat flour. We also visited the WFP office in Mombasa, Kenya, where one of the largest ports in Africa is located. Through this port, WFP supports feeding programs in Sudan, South Sudan, Mozambique, Rwanda, and Uganda, all of which receive regular U.S. food shipments. This is just one example of the life-changing impact that these programs have. It certainly changed my life, and this is just one example of the many stories that can be told that have originated out of Title III programs.

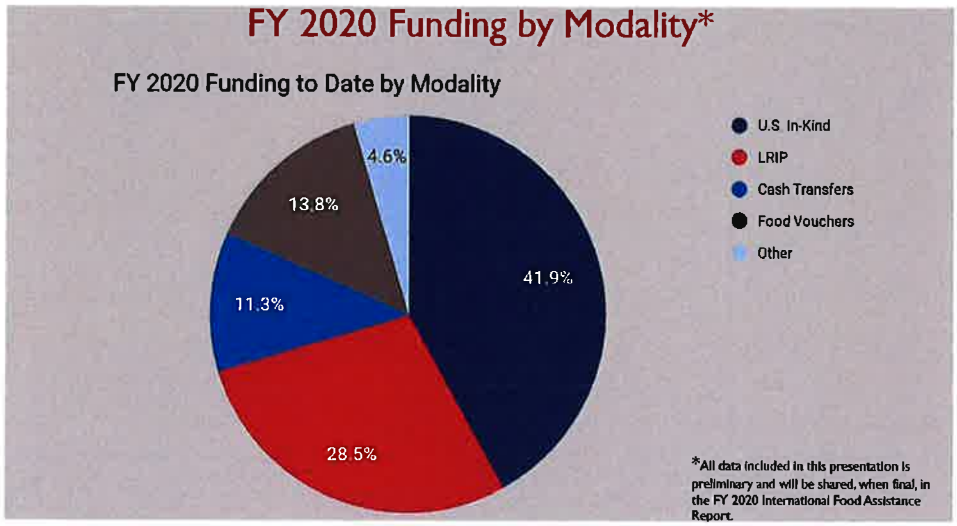
Critiques of Title III

Food aid and trade promotion programs remain a critical part of the overall export economy of U.S. wheat. The 2018 Farm Bill provided mandatory funding of $255 million annually for trade promotion activities. Unfortunately, these funding levels become less effective as costs and the numbers of grant applicants increase, as indicated in the graph from USDA below. It has been more than 15 years since Congress increased funding for MAP and 20 years for FMD. During that time, cooperators like U.S. Wheat Associates have reduced staff and offices while they work to prioritize and maintain programming. The non-farm bill authorized Agricultural Trade Promotion Program (ATP) has temporarily staved off further reductions and allowed a much-needed increase in programming, but those funds run out in 2024. Significant increases to the MAP and FMD baseline funding levels will be critical as ATP funding is exhausted. Throughout the appropriations process and in past Farm Bill reauthorizations, NAWG has sought to preserve and enhance funding levels for export promotion programs given their significant return on investment and support for American agriculture and rural communities. Currently. NAWG is formalizing our Farm Bill priorities, however, important groundwork has been laid through the MAP/FMD Coalition seeking to double the funding level for these critical programs, given the decade and a half of level funding. It is important the subcommittee consider these requests going into the 2023 Fam Bill debate.



Similarly, as the price of shipping and fuel increases, the amount of commodities donated through food aid, given the authorized funding levels, continually decreases. Therefore, it is important that this Subcommittee give serious consideration to addressing the increased costs of providing food aid and expanding markets while looking at the funding levels of each of the programs contained in Title III. One such area the Subcommittee should examine is the cost it takes to ship commodities. According to a Congressional Research Service Report, procurement of commodities for in-kind food aid made up approximately 40 percent of funding in FY2020. These commodities are subject to U.S.-flag shipping requirements in the Cargo Preference Act of 1954, which requires at least 50 percent of the gross tonnage of U.S. government-financed cargoes must ship on U.S.-flag vessels. Shipping on U.S.-flag vessels typically costs more than foreign-flag vessels, which raises the cost of providing in-kind food aid. This reduces the volume of food aid that can be provided. Congress should evaluate the required threshold for food aid programs, consider an increase to the Food for Progress Transportation Cap, and work with the maritime industry to find a creative solution that maximizes food aid while keeping the maritime industry strong.

The last two Farm Bills have granted USAID flexibility in implementing programs. Unfortunately, this flexibility has gone almost solely toward cash donations or vouchers. As seen in the graph below, market-based assistance makes up close to 60 percent of food aid funding. While NAWG supports flexibility in food aid assistance, including monetization when absolutely necessary, the Subcommittee should consider prioritizing in-kind donations of U.S. commodities.



Another area of concern is the FAS staffing levels in overseas offices. FAS staff play a key role and work in nearly 100 offices across approximately 180 countries. These staffers play a crucial role in increasing trade opportunities across these countries, which helps support and create jobs here at home. Additionally, financial support is needed to support administrative costs at FAS, which would allow full MAP and FMD funding to be used for export promotion and market development. Without long-term sustained investments and support for FAS staffing in overseas offices, our trade missions will be at a competitive disadvantage compared to our main competitors in finding new opportunities and executing the great work they already carry out.

It is important that USAID and USDA continue to work together on all U.S. foreign aid programs, and NAWG encourages greater cooperation moving forward. Each agency brings unique skillsets to the operation and provides value in different ways. NAWG believes that implementation and funding of LRP should go through USAID, while the USDA should retain administration of Food for Progress programs.

Conclusion

NAWG's policy committees and board of directors are evaluating these programs' effectiveness. We are working to finalize our policy priorities over the coming weeks. These Farm Bill priorities will be shared with you and your staff upon being finalized. As the House Agriculture Committee and the various subcommittees continues to have these hearings and reflects on programs authorized under the 2018 Farm Bill, I look forward to working with the members of the committee and their staff to help craft the next Farm Bill that works for wheat growers and all American agriculture. Farmers play a key role in helping sustain our rural communities and feeding the world. As the Farm Bill process continues, I would urge judicious and expeditious review of authorized programs and work to ensure a full reauthorization of Farm Bill programs prior to the expiration of the current Farm Bill on September 30, 2023.

We look forward to continuing to work with you to ensure a strong U.S. farm economy. Thank you again for this opportunity.

Sincerely,

Nicole Berg
President
NAWG