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TESTIMONY OF Ryan W. Turner
BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON TRADE

Hearing on: *"Advancing the U.S. Trade Agenda: Benefits of Expanding U.S. Agriculture Trade and Eliminating Barriers to U.S. Exports"*

June 11, 2014

Good morning Chairman Nunes, Ranking Member Rangel, and members of the Subcommittee on Trade. Thank you for inviting me to be with you here today. My name is Ryan Turner and I am here today to testify as a farmer and as the President of Westside Trading Company, Inc. (WTC).

I founded WTC three and a half years ago to export California almonds, walnuts, and pistachios. WTC is a Trading Company that buys product from farmers and packers and resells the product exclusively into export markets. WTC specifically finds its niche in taking the export risk for our suppliers. After purchasing the product from California growers and processors we are responsible for payment to supplier, marketing, logistics, documentation and collection of the export sale. Any export/import problems, failure to collect funds or false quality claims from the end customer all falls on WTC and we make our name by insulating the suppliers from these risks; so we truly are on the front lines on the trade discussion.

Since the inception of the company, we have exported to more than 40 countries around the world. We have exported to Canada and Mexico, South

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America, all over Europe including Eastern Europe and Russia, the Middle East and North Africa as well as China, India, Singapore and Bangladesh. About 85% of the products we have shipped to date are almonds and therefore, in the interest of time, I will focus on almonds as the example commodity for the rest of this testimony.

The California almond industry is a great example of a strong US industry that dominates the world market because of significant long term investment, innovation, high food safety standards and strong global marketing. California almonds, at $2.82B in export value 2012/2013 season, ranks as California's largest agriculture export and the US' largest specialty crop export. Currently, more than 80% of the world's supply of almonds are grown and produced in California. The US is the largest buyer of California almonds consuming on average 1/3 of domestic supply. However, that means that on average, 2/3 of California almonds are exported. The top five export countries are China at approximately 10% of the US crop, followed by Spain at 8%, India at 6.5%, Germany at 6% and UAE at 4%. In total, California exported directly to 57 countries in the 2012/2013 season. The California almond industry is dependent on export for the long term sustainability of the industry, but is also a huge success story. Over the past decade, export growth has averaged nearly 10% year after year. The industry has not been able to wait for trade agreements in many countries but have forged ahead tackling major import challenges to open

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new markets around the globe. However, these challenges come at a high risk to California farmers, processors and exporters as well as overseas processors and the end user, ultimately increasing the cost to our products to consumers worldwide. {*Source for the statistics in this section is the "2013 Almond Almanac" provided by the California Almond Board*}

WTC faces export challenges head on every day due to trade barriers that exist in markets around the globe; from tariffs and SPS differences, to banking and finance rules, as well as labeling requirements, port protocols, documentation requirements and dispute resolution protocols.

The almond industry faces import tariffs in dozens of its markets. However, like in other industries where the product is in strong demand, grey market activities are developed to avoid such tariffs. The biggest examples exist in two of our largest export markets, China and India. The vast majority of almonds exported to China are shipped from California to Hong Kong then redirected through Vietnam and then trucked north to various points for delivery to processing plants in mainland China. Most US exporters ship to Hong Kong and are paid for the product at that point. While it customarily takes 16-18 days to ship a container from California to Hong Kong, it can take an additional 3-4 weeks for the product to move through the grey channels to the end user. While a larger percentage of customers actually pay the tariff in India and take delivery in major ports, more and more importers have begun to smuggle the product

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through Kashmir. This product is mostly shipped from US to Dubai then shipped in via trucks saving the importer the tariff. While lower trade barriers and relatively strong business protections of Dubai and Hong Kong keep risk lower for US exporters, the risks born by our end customers through grey channels increases their risk and delay shipment of the product. In addition to the grey markets where product is physically moved to avoid tariffs, many markets in the Middle East rely on falsification of documents to reduce tariff exposure. These practices create challenges that differ in each market which require exporters to constantly stay on defense to insure that grey market behaviors do not put our companies and products at risk.

The US produces the safest food and food products in the world. Agriculture and food safety regulations, coupled with the innovations of farmers and processors themselves, have given our products the strongest reputation for quality. However, differing SPS standards in some of our export markets create major problems, add costs, and at times significantly put our products at risk. Whether it is lower allowable levels of aflatoxin in the EU or the ever increasing, ever changing, and sometimes arbitrary standards in other parts of the world, it is extremely important that SPS standards must be at a minimum, based on science. We have had many loads returned to the US and more held at ports for long periods of time to subjecting our products to additional testing and fees with results that we never see.

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It is very important for any new trade agreements to address banking, finance and dispute resolution protocols, so that exporters such as WTC can have more confidence in international collection and contract enforcement. We have had minor typographical errors lead to major searches for funds, we have had several international banks release documents prior to payment, we have had ports release containers without proper documentation, we have had money rerouted and lost through illegal foreign currency traders. These are just a few of our examples caused by a lack of uniform trade standards.

In conclusion, multi-faceted and comprehensive regional trade agreements that not only level the playing field but normalize business practices between the US and its trading partners will allow us to grow export markets faster and more reliably. Thank you for your time.