

Testimony of John Griffith
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Introduction

Chairman Finstad, Ranking Member Hayes, and other members of the Subcommittee; thank you for inviting me today to testify on the important topic of agriculture trade.

My name is John Griffith, I am the Executive Vice President of agriculture business and hedging, for CHS Inc., a Minnesota-based, U.S. farmer-owned cooperative, and global grains, energy, and food company owned by over 600,000 farmers and ranchers nationwide.

I also serve as the Chairman of the North American Export Grain Association, or NAEGA, for short. NAEGA is a non-profit trade association consisting of companies involved in the global international grain trading industry. NAEGA members are exporters of the majority of all U.S. grain and oilseeds to international markets. NAEGA acts throughout the world to promote policies, rules, and commercial practices that support international trade in grains, oilseeds, and their derived products.

NAEGA also works directly with the U.S. Department of Agriculture (USDA) as a cooperator organization that utilizes the Market Access Program (MAP), in a public-private partnership to promote exports of U.S. farm products.

Today I would like to convey the importance, and our hope, that Members will work together to pass a comprehensive Farm bill to provide certainty to U.S. farmers, which in turn enables us to compete freely and fairly with our global trading partners. Let me briefly address four topics 1) Market Access Programs, 2) Food Aid, 3) Credit, 4) Supply Chains.

General Trade Outlook

Before I move to these specific programs, to say that trade is important to American agriculture is an understatement – trade is the lifeblood of American agriculture, and global demand for food has never been greater. An expected 345.2 million people are projected to be food insecure in 2023 – more than double the number in 2020, according to the IMF. However, in the past few years we have experienced major geopolitical events, such as global supply chain disruptions from the COVID epidemic and the ongoing war in Ukraine, that have disrupted global supply flows and are having a profound impact on agriculture.

These are not the kind of trade issues we have experienced in recent decades. As the war drags on, Ukraine's yields will likely be down 30% to 40% in 2023 with farmers having sown fewer crops. Fewer acres will be planted this year in Ukraine and as a result Ukraine's production will need to be made up elsewhere.

The result is an opportunity for U.S. farmers to rise and respond to strong demand for agricultural products both within the U.S. and abroad, but the United States must play a leadership role in fostering policies that enable farmers and the grain trade to be able to fulfill that demand. U.S. agriculture is known by customers around the world for its unmatched quality and reliability. We must promote trade policies, both within the United States and abroad, that are science-based, and break down tariff and non-tariff barriers to entry. We must do so in a manner that is the least market distorting to maintain U.S. agricultural leadership. We appreciate the work done by Secretary Vilsack and Undersecretary Alexis Taylor in being a voice for these issues both domestically and globally, through trade missions and venues like the G7 meeting in Japan last month, yet more work remains in the pursuit of market access opportunities for U.S. farmers and ranchers.

Market Access Programs

As the House and Senate Agriculture Committees continue their work to reauthorize the Farm Bill this year, we urge Members to recognize the need for additional funds to the Market Access Program (MAP) and the Foreign Market Development (FMD) Program. These two programs allow trade associations and non-profit entities to apply for funding from USDA, with a private

sector match, to build new markets and promote U.S. agriculture around the world. The programs have been enormously successful, adding billions of dollars annually to the value of American agricultural exports and supporting hundreds of thousands of jobs.

NAEGA is pleased to be a participant in the Market Access Program and has been since the 1990s. Key to NAEGA's participation is close coordination with USDA and cooperators like U.S. Grains Council, U.S. Wheat Associates and U.S. Soybean Export Council. Combined with industry support, the program has enabled NAEGA to promote best practices in agricultural trade, including the promotion of strong, science-based regulatory regimes that decrease trade barriers, in new and developing markets, and support international efforts to provide for food security.

One success story from these programs I would like to share involves Vietnam – a valuable market for U.S. producers and one that we see as a major opportunity for growth. Using MAP and FMD funds, the U.S. wheat industry engaged a potential new customer in Vietnam starting in 2019. The experience was positive, and the customer started consistent monthly purchases of up to 2,500 MT (Metric Tons) of U.S. hard red winter wheat (HRW), and up to 400 MT of higher protein hard red spring wheat (HRS). In 2020 and 2021, the estimated total value of the company's purchases was more than \$8 million.

In October 2021, U.S. industry used MAP and FMD funding to conduct training activities with the customer to help them create blends of flour to meet specific product applications using U.S. wheat, showing the superior quality for Vietnamese *Bahn Mi* baguettes.

In addition to the steady purchase of U.S. wheat in 2021 and 2022 valued at more than \$12 million, the company has reported that flour made from U.S. wheat is now “irreplaceable” for making high-quality Vietnamese wheat foods. This new market could not have been achieved without the partnership between USDA and industry using market access funds.

With that said, these programs have remained stagnant in their funding levels since 2002, even as more groups and businesses apply for funding while our competitors abroad outspend us in their own export promotion efforts.

Making a significant increase to MAP and FMD funding in the next Farm Bill will help U.S. agriculture protect the markets in which we currently sell, while helping to grow and establish new markets elsewhere.

Food Aid

The feeding of hungry people around the world through U.S. food aid programs is a worthy and noble endeavor and has benefited millions of people throughout the world. Food Aid programs also represent a key component of the U.S. bulk grain export market. Every year NAEGA member companies sell millions of tons of commodities, which are exported through various food aid programs.

As exporters, we see much opportunity to strengthen U.S. food aid programs and reduce unintentional damage to commercial markets. Recognizing the need for a sound review and improved effectiveness of our international food aid programs, NAEGA supports three policy objectives:

- Provide policy and financial sustainability in programs to improve performance in the delivery of U.S. food aid to recipients.
- Align food aid programming with our national priorities, agricultural market development objectives, and domestic agriculture support programs.
- Recognition that food aid is a key component of overall trade policy and warrants coordination and compatibility with our national interest in expanding economies through more open and free international trade.

Credit

Export credit programs are also important to our industry, and a valuable tool for cooperatives like CHS, that export around the world to countries that are often politically or financially less stable. Specifically, the Export Credit Guarantee Program, also known as GSM-102, which guarantees repayment when U.S. banks extend credit to foreign banks to finance sales of U.S. agricultural products, is a critical support to the U.S. agriculture export market.

In the past 12 months alone CHS has used the GSM-102 program for nearly \$300 million worth of bulk grain and trade financing. With that said, we still feel there is room for improvement. In particular, the program could be improved by removing capital limitations that unfairly impact cooperative bank lenders, like CoBank, due to their cooperative structure. Removing, or changing the statute so that the limitations are tied to assets instead of capital on hand, would allow these lenders to serve other cooperatives and their farmer owners more efficiently.

Supply chain

A robust and reliable transportation infrastructure system is crucial to the ability to ship agricultural goods from the heartland to export facilities to be sent abroad. CHS recently announced a \$105 million expansion to our facility in Myrtle Grove, Louisiana, which is expected to be completed in early 2024, and will allow CHS to move over 300 million bushels of grain annually to global customers in less time, with fewer bottlenecks. CHS has owned and operated this facility since 1994 and is the closest grain facility to the river's mouth, south of New Orleans. It operates 24 hours a day, seven days per week, 365 days per year, loading up to 4,000 barges of corn and soybeans, sourced from as far north as Minnesota, annually.

At CHS, our integrated supply chains allow us to navigate bottle necks and other barriers to feed hungry people across the world. We experienced this firsthand during a period of low Mississippi River water levels last year. CHS shifted commodity flows and leveraged our Pacific Northwest export facilities for continued market access to Asia. This would not have been possible without a functioning system of trucking, rail, and inland waterways. Specifically, it required navigational access to the Columbia and Snake River Systems. This river system is the third-largest grain export corridor in the world, transporting nearly thirty percent of U.S. grain and oilseed exports. The system is supported by locks and dams that are vital to the ability to move goods across the country, to facilities like ours, in Washington and Oregon. If these locks and dams were removed, it would cut off access to important global markets for farmers across the country.

CHS, and our farmer owners, are committed to identifying new market opportunities and investing in export-import infrastructure at strategic locations around the country, but it is

important that the U.S. Government is a partner in this effort. Over the past two years, Congress has approved much-needed legislation to improve waterways infrastructure funding. The timely and efficient distribution of these funds is important. Most U.S. locks and dams have surpassed their expected 50-year design life, increasing delays and unscheduled outages that threaten to erode America's competitive infrastructure advantage.

Conclusion

On behalf of CHS and NAEGA, thank you again for having me here today to discuss the state of agriculture trade.

Agriculture is a global industry. The ability to export agricultural goods to hungry customers across the world is not only crucial to the success of CHS as a company, but it is also of the utmost importance to the livelihood of our farmer and rancher owners and the rural communities where they live. However, over the last decade, we have seen global agriculture trade flows shift, often away from the United States and towards our competitors as new trade alliances form.

If the United States is to remain the global leader in feeding the world, an issue with direct implications for national security, we must enact policies that best allow the American farmer and agri-businesses like CHS to do what we do best: grow and sell the safest, most abundant, and reliable food in the world.

I appreciate your time and would be happy to answer any questions you have for me.