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Introduction

Chairman Costa, Ranking Member Johnson, and Members of the House Agriculture Committee Livestock and Foreign Agriculture Subcommittee, it is an honor to testify before you today on trade policy and the priorities of American soybean growers. My name is Kevin Scott. I am a soybean farmer from Valley Springs, South Dakota, and I have the privilege of serving as president of the American Soybean Association (ASA). Our association, founded in 1920, represents all U.S. soybean farmers on domestic and international policy issues important to the soybean industry. ASA has 26 affiliated state associations representing more than 500,000 farmers in 30 soybean-producing states.

The U.S. soy industry has a profound, positive impact on the U.S. economy. We have long been U.S. agriculture's #1 export crop, and a by-the-numbers look demonstrates soy's value to our domestic economic health. USDA projects 86 million acres of soy will be harvested in 2021, with a record production forecast of 4.4 billion bushels. Soybean production alone accounts for close to 150,000 jobs, more than $6 billion in wages and $86.5 billion in revenues, according to a recent study by the United Soybean Board/Soy Checkoff and National Oilseeds Processors Association. This does not even include secondary soy markets and supporting industries like biodiesel, grain elevators, feed mills, ports, rail, refining, barges, etc., which bring soy's national revenue impacts to a significant $115.8 billion.

As that price tag would convey, international trade is one of the pillars of the U.S. soybean industry. Exports to foreign markets were more than 50% of U.S. soy production this last marketing year. Continued access to those existing markets, new markets, and international food aid markets are critical to sustaining U.S. soybean growers' success. To that end, ASA works to promote U.S. soy's quality and uses overseas through both its World Initiative for Soy in Human Health (WISHH)– ASA's long-term market development program—and partner organization, the U.S. Soybean Export Council (USSEC). Support from the administration and Congress is vital to assure the free and fair trade needed to keep U.S. soybean growers competitive and bolster ASA's efforts with both WISHH and USSEC.

China

China is the largest importer of soybeans in the world and is the biggest export market for U.S. soybeans. In marketing year (MY) 2020/21, China imported 99.8 million metric tons (MMT). Comparatively, U.S. soybean exports to Mexico—our second largest export market—only totaled 4.9 MMT for that same year. Right now, U.S. soy represents more than 35% of China's soy imports, and one in three rows of beans grown in the U.S. is shipped to China to fill that great demand. Further, USDA expects China's demand for imported soybeans to increase to 100.0 MMT in MY2021/22 because China's hog herd has now largely recovered African Swine Fever, which has plagued the country the last three years.

It is critical to note that soy exports to China are still down compared to MY2016/17 levels. As the committee is aware, U.S. soybean exports to China not only plummeted—but essentially halted—during the trade war with China that began in spring 2018 and escalated that summer. In 2017, China was a $14 billion-plus market for U.S. soy. Contrarily, at the height of the disruption, U.S. soy's footprint in the Chinese market reached only 12.5%. That same year, Brazilian imports captured nearly 75% of the Chinese market. U.S. soy growers started building the China market for U.S. beans more than 40 years ago. Thus, soy growers are keenly aware of the time, financial and related investments it takes to establish new markets and are likewise aware that markets, once lost, are extremely difficult to rebuild.

The China Phase One deal was instrumental in providing relief from the tit-for-tat, retaliatory tariffs levied on U.S. soybean imports by China in 2018, and that reprieve—while not yet permanent—has been beneficial for U.S. soybean growers. Now, the Phase One agreement will expire at the end of 2021. While soy and other trade has resumed to more normal levels, there is still work to be done, particularly regarding biotechnology, which has been a major barrier to bringing new soybean traits to U.S. producers.

China continues to maintain an asynchronous approval process for biotech events, and there is often a backlog of unapproved traits. For reference, approvals typically take six years, and the regulatory procedures and timelines are opaque and unpredictable. ASA has for years implored our leaders insist China make real progress in establishing a more predictable, timely and transparent approval system.

Under Annex 16 of the Phase One agreement, China is required to reform its agricultural biotechnology approval process. This includes a requirement to reduce the average approval time to 24 months, base its safety evaluation processes on international standards and recommendations, and implement new procedural steps designed to facilitate approval of biotechnology products considering the intended use.

We encourage the Office of the U.S. Trade Representative to hold China accountable to its biotech commitments made under the Phase One agreement. The trait approval process should be a function of a consistent and efficient regulatory system. However, without the U.S. government pressing the Chinese on this reform, it will take much longer for new seed varieties to be made available to U.S. soybean growers, which has implications for productivity, weed control, quality, environmental footprint and more. Compounding the situation, China's lack of willingness to quickly and efficiently approve traits can preclude seed manufacturers from being amenable to developing more new and improved seeds—a costly process—and those seeds from then being ready and available for approvals by other countries, which are proportionately smaller markets and not always "worth the effort" of those manufacturers if not approved for use by China.

ASA remains concerned about the ongoing effects of Section 301 tariffs on the trade environment. As noted, the Phase One agreement did not lift retaliatory tariffs on soybean exports but instead created a waiver process under which importers can request U.S. soy be imported at normal duty rates. While the waiver process is functional and resulted in near record levels of exports in the 2020/21MY, the waiver process is not guaranteed by China and could change at any time, resulting in elevated tariff levels that would again significantly impact U.S. exports.

Regarding products imported into the U.S., several critical inputs from China are still subject to tariffs by the U.S. government. These include fertilizer inputs such as phosphate, as well as several key chemistries on which soybean growers rely for crop protection. We encourage the administration to closely reexamine the efficacy of these tariffs and expand the exclusion process for products widely used in agriculture to avoid compounding their negative impacts.

The outlook for U.S.-China relations is unclear, and our global competitors are aware of this situation. ASA understands that there are myriad geopolitical issues facing the U.S. when it comes to negotiating with Beijing, and we are supportive of the U.S. government finding a long-term solution to these longstanding issues.

However, *U.S. soybean growers need predictability and certainty that we will retain market access in China.* The past several years have been extremely difficult for the U.S. soybean industry. While we have regained some market share in China, we now are forced to compete much harder with South American countries than before 2018, not just with their exports to China but with their increased soy sales around the world; those other countries, for instance Brazil and Argentina, have increased soy production as a result of our ongoing trade friction with China.

Mexico

Mexico offers a great example of a non-tariff tool that can be highly effective: the free trade agreement (FTA). Under NAFTA, U.S. soybean exports to Mexico tripled, and Mexico is now the #2 market for whole U.S. soybeans, soybean oil and soybean meal. U.S. beans exported to Mexico have grown exponentially, and those market gains speak to the possibilities for American agriculture when utilizing these multi and bilateral agreements.

Before the entry into force of the North American Free Trade Agreement (NAFTA), Mexico imposed a seasonal tariff of 15% on soybeans. Under NAFTA, Mexico immediately reduced this tariff to 10% and shortened the dutiable season from Aug. 1-Jan. 31 to Oct. 1-Dec. 31. This tariff was phased out by 2003. Mexico had tariffs of 15% on soybean meal, 10% on crude soybean oil, and 20% on refined soybean oil. These restrictions were also phased out over 10 years.

When President Trump announced his intent to renegotiate NAFTA into what became the U.S. Mexico Canada Agreement (USMCA), ASA's topline message was "do no harm." We were pleased to see the new agreement maintained our existing market access and included improved language around regulatory transparency, sanitary and phytosanitary issues, and other technical matters.

Recent events in Mexico are, however, cause for concern. Under the administration of President López Obrador, Mexico has not maintained a science-based approval process for agricultural biotechnology. The government has not approved a new biotechnology product for import since 2018 and recently rejected a pending biotech corn application without any scientific justification. Currently, there is a backlog of 25 biotechnology traits pending approval in Mexico. These actions are contrary to provisions Mexico committed to regarding agricultural biotechnology in USMCA, which we see as the "gold star" of biotechnology provisions in existing FTAs.

I want to be clear: At this moment in time, *U.S. soybean exports to Mexico are unhindered.* Yet, we continue to sell our product to Mexico with a wary eye on the future. These actions, or lack thereof, regarding Mexico's approval process are concerning to ASA for two primary reasons.

First, Mexico's current approach to biotechnology and seeming adoption of the "precautionary principle" model of regulation is the exact opposite of what Mexico committed to uphold when it ratified USMCA. If the U.S. does not hold our closest trading partner accountable to its commitments, what message does that send to the rest of the world?

Second, while there are no soybean traits of note pending in Mexico, ASA is strongly concerned with the long-term consequences and lingering effects of this lack of regulatory approval. The longer this issue lingers in Mexico, the greater the odds are that this will have a trickle-down effect on the availability of new biotechnology products for U.S. soybean growers or increase the risk for trade disruption. If a new seed variety cannot get approval in Mexico, developers—as mentioned with China—may choose not to commercialize new traits, which would decrease the availability of new varieties for our farmers. In turn, this could have a negative effect on the sustainability of U.S. farmers.

ASA strongly urges President Biden to address these issues directly with President López Obrador, and we stand ready and willing to help in any way we can.

Bilateral and Multilateral Engagement

Trade promotion and market access are major priorities for the U.S. soybean industry. Tariff and non-tariff barriers to trade are frequent problems for our exports, and these barriers limit the potential for predictable global market access for soybeans, soybean meal and soybean oil. Barriers facing U.S. soybeans and soy products include tariffs and quotas, unjustified or risk-unproportionate sanitary and phytosanitary measures, and rules and regulations not based in science. These obstacles distort markets and reduce the potential for U.S. soy exports.

We have been heartened to see the administration take actions with the European Union in resolving the longstanding dispute on aircraft subsidies, as well as resolution on the Section 232 tariffs on steel and aluminum from the EU. However, we remain greatly concerned with the current U.S. approach to bilateral and multilateral agreements. The U.S. was once a leader in establishing new free trade agreements. Nevertheless, the FTA landscape has changed considerably since the last new U.S.-based FTA with Columbia was signed. While the U.S. has engaged in negotiations of existing agreements such as USMCA and the updated U.S. Korean Free Trade Agreement (KORUS), our last new FTA entered into force in 2012, despite having negotiated the Trans-Pacific Partnership (TPP). That is nearly 10 years of stagnation for codified market expansion for U.S. agriculture.

While the U.S. has remained idle, our international competitors have been extremely active in forging ahead with new multilateral agreements. Six large, regional trade agreements have recently concluded and include preferential tariff treatment for agriculture products. These agreements include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Japan Economic Partnership Agreement, the EU-Canada Comprehensive Economic and Trade Agreement (CETA), the EU-Mercosur FTA, the EU-Ukraine Deep and Comprehensive FTA, and the Regional Comprehensive Economic Partnership (RCEP).

American agriculture does not benefit from any of these agreements. Our competitors will see preferential market access for their products and increased market access while the U.S. sits on the sidelines.

ASA recognizes that the international landscape has changed since the U.S. first negotiated the original TPP, and we are grateful for Ambassador Tai's leadership both during those negotiations and now in her role as the U.S. Trade Representative. Continued market access in the Indo-Pacific region is of critical importance to the continued success of U.S. soybean growers.

Outside of China, several of U.S. soy's top 10 export markets are in the region: Indonesia, Japan, Taiwan, Thailand and Bangladesh.

The importance of expanded market access for U.S. soybean exports cannot be overstated, particularly if we are to diversify our export markets and decrease our reliance on the Chinese market. An original intent of TPP was to create a hedge around China, and ASA still believes that agreement holds tremendous potential for U.S. agriculture. We strongly encourage the administration to reengage in negotiations for reentry into the CPTPP. Furthermore, we encourage USTR to look to multilateral free trade agreements to maximize the U.S.'s strategic position in the global economy and to give U.S. agriculture much-needed market access in emerging economies.

World Trade Organization Reform

ASA is encouraged to see the U.S. reengaging with the World Trade Organization (WTO). The benefits of free and fair trade to U.S. agriculture are greatly enhanced by well-defined rules and functional international institutions. However, flaws in the WTO system have become apparent over the past several years, and reform is badly needed. It is up to the U.S. to lead our trading partners in reforming the WTO. We are under no illusions about the difficulty of this task. Success, however, would serve as a lasting achievement that would benefit U.S. agriculture for years to come.

We understand there is skepticism toward the importance of the WTO. However, ASA and U.S. soybean growers are supportive of the WTO and want it to function well. ASA, alongside several other agricultural stakeholders, have come together with a set of policy recommendations for the U.S. in the leadup to the Twelfth Ministerial Conference of the WTO, to be held the week after U.S. Thanksgiving in Geneva, Switzerland.

Ultimately, WTO reform needs to include: 1) an effective dispute settlement system, 2) compliance of WTO-member countries in implementing current commitments, and 3) more market-oriented support for farmers and reduced protection so U.S. agriculture can sell more product to our global customers.

Emerging Markets

Last year, the U.S. formally launched negotiations for a comprehensive free trade agreement with Kenya. While those talks are currently paused while the administration reviews its trade policy priorities, U.S. soy sees tremendous potential in expanded access to the African market. An FTA with Kenya would represent the U.S.' first FTA with a sub-Saharan African nation. Should we gain market access in that country, it could represent a shifting of the tide and present a counter to the prevailing skeptical European attitudes toward modern agriculture.

In 2017, our partner organization, USSEC, embarked on a strategy to diversify U.S. soy's export markets and increase investments in emerging markets around the world. Many of those countries import relatively small amounts of U.S. soy or none at all (as is the case of Kenya). At the same time, some of those emerging markets represent good opportunities for growth in the medium to long-term future due to their growing populations and middle class.

A 2019 report on U.S. soy export opportunities in Kenya found there is a demand for soybean meal as the preferred protein source for animal feed manufacturers. However, in-country production is limited, and Kenya imports around 200,000 MT of soy per annum from Uganda, Zambia and Malawi. With its growing population and economy, the demand for animal feed in Kenya is expected to grow further. However, there is currently a large obstacle facing U.S. soy. In 2012, Kenya implemented an import ban on genetically modified crops following the publication of an inflammatory—and since-retracted—report that claimed herbicide-tolerant corn caused cancer in rats. This report, while responsible for a flurry of anti-biotechnology activity, has been widely discredited and, as mentioned, ultimately was retracted. However, the damage was done, and the ban remains in place.

ASA strongly supports reengagement in bilateral talks with Kenya as a way to ease this ban on imports of genetically engineered crops. Furthermore, an FTA with Kenya could open the door to future partnership with other African nations.

While Kenya may represent our current best hope for an FTA, U.S. soy has not been idle on the African continent. Through ASA's long-term market development program, WISHH, U.S. soy has been hard at work increasing the demand for high quality soy protein used as livestock feed to meet the world's protein needs. WISHH identifies markets that demonstrate growth potential. Working with key in-country stakeholders, WISHH then works within those systems to build resiliency in trade while positioning U.S. soy as a protein partner for the future.

On the African continent, WISHH recently completed a five-year project in Ghana that aims to improve the quality of poultry feed and its accessibility to poultry producers. Through working on the ground in-market, WISHH worked with stakeholders at Kansas State University and the Adventist Development and Relief Agency to educate farmers about grain storage and quality. Through demonstrations, poultry farmers were taught to maximize the efficiency of feed to decrease production costs and increase flock health. This in turn showed the benefits of using soy as the primary protein source for Ghanian chickens. As a result, this project helps meet Ghana's protein needs through increased egg consumption.

Looking outside the African continent, U.S. soy sees continued promise in emerging markets in Southeast Asia. In Cambodia, fish are an integral part of the diet, but wild-caught fish account for more than 75% of the domestic market. Local officials recognize the unsustainable nature of the domestic fish market and have turned to aquaculture to meet demand for freshwater fish.

Another WISHH project, CAST (Commercialization of Aquaculture for Sustainable Trade), is working in-country to address this challenge. The project is designed to accelerate production of high-demand fish species for the Cambodian market and develop a lasting aquaculture industry that recognizes the value of soy protein in feed. CAST will impact all aspects of the aquaculture value chain, including 600 commercial fish farmers, input suppliers and the buyers of farmers' fish production.

WISHH has also worked on aquaculture projects in Cambodia and Tanzania. Development of these emerging markets is part of U.S. soy's long-term market expansion vision. The in-country work done by WISHH today will, we hope, pave the way for deeper inroads for U.S. soy in these regions.

Congressional Action

The long-term success of U.S. soy abroad would not be possible without the foresight of Congress to create programs at USDA to assist trade associations in promoting our products on a global stage. ASA is a longtime cooperator of these programs, particularly the Market Access Program (MAP) and the Foreign Market Development Program (FMD). Utilizing MAP and FMD funds, ASA—through WISHH and USSEC—has leveraged those dollars to increase market access, address technical barriers to entry, and create on-the-ground capacity and demand for U.S. soy. These cost-share programs are an excellent example of public-private partnership.

Over the life span of these programs, however, industry funds have risen dramatically while funding from the U.S. government has remained stagnant. Seventy-seven percent of total annual spending on market development and promotion now comes from industry dollars, which are up from just 45% in 1996.

While these programs have been greatly successful, it is concerning that government investment levels have remained mostly unchanged—even as the number of cooperators to these programs has increased. FMD has been funded at the same level—$34.5 million annually—for 18 years, or since 1997, and MAP funding has been level at $200 million since 2006. As we look toward the 2023 farm bill, ASA strongly support efforts to double these funding numbers to $400 million for MAP and $69 million for FMD.

Finally, ASA strongly encourages Congress to reauthorize Trade Promotion Authority (TPA). TPA is an important tool in the toolbox for the U.S. to engage in FTA negotiations. Ensuring TPA is in place will not only allow the president a chance to codify both the priorities of his administration and Congressional intent in negotiating procedures, but also it will give assurance to our trading partners that there will be a straightforward procedure in the U.S. Congress for consideration of a final deal. We urge Congress to begin discussions with the administration to move TPA reauthorization forward when Congress reconvenes in the new year.

Conclusion

Chairman Costa, Ranking Member Johnson, and Members of the House Agriculture Committee Livestock and Foreign Agriculture Subcommittee, thank you again for the opportunity to testify on behalf of U.S. soybean farmers regarding our industry's priorities for international trade policy. As you have read throughout my testimony, continued market access and expansion is the lifeblood of the American soybean grower. Through sound trade policy and actions by the U.S. government, U.S. soy farmers will continue to grow high-quality soybeans to meet the increasing demands of the global economy and remain a positive contributor to our U.S. economy.

The soy industry stands ready to work with the committee and subcommittee, Congress, and the Biden administration to implement a trade policy that is beneficial to American workers, consumers and farmers. Thank you.