Statement of Paul Casper, President
South Dakota Soybean Association

before the

Subcommittee on International Trade, Customs, and Global Competitiveness
Senate Committee on Finance

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Good afternoon Mr. Chairman and Members of the Subcommittee. I am Paul Casper, a soybean and corn farmer from Lake Preston, South Dakota. I serve as President of the South Dakota Soybean Association, which is an affiliate of the American Soybean Association (ASA)—the advocate and representative of U.S. soybean farmers on national and international policy issues. We appreciate the opportunity to appear before you today to provide our views on agricultural trade with the Asia-Pacific region, which represents close to 60 percent of world GDP, nearly 50 percent of world trade, and is home to more than 2.7 billion people.

Soybeans and soybean products are the most significant U.S. agricultural export commodity. Exports of U.S. soybean products exceeded $22 billion last year, representing over 60 percent of U.S. soybean production. South Dakota has become a leading exporter of soybean product exports, with sales to foreign markets reaching a record $1.04 billion in 2010, compared to $340 million in 2006.

The rapidly growing markets in the Asia Pacific region, led by China, are key drivers of U.S. soybean demand. In fact, six of the top ten foreign markets for U.S. soybeans are in the Asia Pacific region. China is by far the largest customer for U.S. soybeans and products, with purchases exceeding $10.6 billion last year. Japan was the third largest market for the U.S., with purchases of $1.2 billion. Other significant buyers of soybean products in the Asia Pacific region included Indonesia with purchases of $870 million; Taiwan with $714 million; South Korea with $362 million; the Philippines with $353 million, and Thailand, which purchased $195 million worth of soybean products last year.

With the recent implementation of the South Korea trade agreement, nearly two-thirds of U.S. agricultural exports to Korea are now duty-free, including U.S. soybeans for crushing and U.S. soybean meal. U.S. food-grade soybean producers will have access to the South Korean market outside of the import monopoly that was created by the Korean State Trading Enterprise. Implementation of the agreement will also trigger the gradual elimination of tariffs on refined soybean oil over five years, and the elimination of tariffs on crude soybean oil over 10 years. This FTA also creates landmark opportunities for meat and poultry exports, which should further boost U.S. consumption of soybean meal.

A potential Trans-Pacific Partnership (TPP) free trade agreement would also provide market opportunities for soybeans and other U.S. agricultural exports, especially with its long-term objective of establishing a broader Asia-Pacific trade arrangement. Entry of Japan in the TPP trade negotiations would increase the economic significance of the agreement, and soybean farmers strongly support Japan joining the negotiations. The benefits to the U.S. soybean industry from Japan's participation in TPP negotiations will be largely indirect, but will nonetheless be significant. Japan's economy is second only to China's in the region, and it is the fourth largest agricultural export market, despite maintaining substantial import barriers in the food and agricultural sector. While soybeans and soybean meal enter Japan duty free and Japan's tariff on soybean oil is fairly low, Japanese barriers to U.S. livestock exports are much more restrictive. Their removal under a TPP agreement would offer substantial new opportunities to expand U.S. exports to Japan of dairy, pork, beef and poultry products. Since soybeans are a major component of feed rations for most of the animals from which these products are produced, demand in the U.S. for soybeans would expand accordingly. In a sense, we would be exporting more soybeans to Japan, but in the form of meats and dairy products, and those sales would benefit both soybean producers and our U.S. livestock industry customers.

Although the Asia Pacific region has been a top market for soybean producers over the past decade, substantial potential exists for expansion in agricultural and soybean trade between the United States and the region. Vietnam, for example, is a rapidly growing market for soybean products. Since joining the World Trade Organization (WTO), Vietnam's imports of U.S. soybeans rose to $150 million in 2011, compared to just $7.4 million in 2006. Vietnam represents one of fastest growing animal feed industries in the region as it seeks to support a growing livestock sector. New processing plants in Vietnam are increasing imports of soybeans for crushing. And new port facilities have been built on the northwest coast of Vietnam that can accommodate Panamax ships with increased cargo capacity. The Vietnamese market represents a significant and growing opportunity for exports of U.S. soybean products.

There also remains great potential for expansion of U.S. agricultural exports to the region if non-tariff barriers restricting U.S. exports can be eliminated. A key area that affects exports of U.S. soybeans concerns the policies that regulate agricultural commodities derived through biotechnology.

As I stated earlier, China is, by far, our single largest export customer. The $10.6 billion in soybeans purchased by China last year represent nearly 50 percent of all U.S. soybean exports and 25 percent of the U.S. soybean harvest. In other words, one of out of every four rows of soybeans grown in the United States is exported to China.

While we have a strong trade relationship with China, China's regulatory approval process for commodities containing biotech traits has been slow, causing concern in the U.S. soybean industry about obtaining trait approvals prior to commercialization. In this regard, China is the only major importing country that requires biotech events be fully approved in the country of development before it will accept an application for its registration to export the product to

China. This requirement delays commercialization of new traits in the U.S. for as much as two years after U.S. regulatory approvals are obtained. And China also requires that approved biotech traits be reregistered every three years, a process that creates uncertainty and could potentially disrupt access to this important market.

U.S soybean farmers are most appreciative of China's expanding market for soybeans, and we are pleased that there have not been any recent disruptions in the soybean trade between China and the U.S. However, like any trading relationship, issues arise from time to time that need to be addressed and we are actively supporting efforts by USDA to move forward on a pilot project with China to begin to address this issue.

In general, however, the soybean sector's impressive export growth in the Asia Pacific region could not have been achieved without the unique government-industry partnership that characterizes the market development and export promotion programs administered by USDA's Foreign Agricultural Service, carried out by organizations representing U.S. farmers and ranchers. By any measure, the Foreign Market Development (FMD Cooperator) Program and the Market Access Program (MAP) have been tremendously successful and extremely cost-effective in helping expand U.S. exports of soybeans and other agricultural commodities. Soybean farmers themselves also are making substantial investments in international market development through the soybean checkoff; these farmer checkoff investments more than match any investments made under the FMD and MAP programs.

However, our competitors in South America also continue to increase exports to the Asia Pacific markets as their production levels jump to record levels. Already, Brazil has emerged as the world's second largest supplier of soybeans, followed by Argentina.

Despite slower world growth, the outlook for agricultural trade remains promising. The emerging markets in the Asia Pacific region will continue to drive grain, protein, and dairy demand worldwide, and American agriculture is poised to continue to meet those demands. We strongly encourage the U.S. Government to aggressively pursue market-opening initiatives throughout the Asia-Pacific region, and we strongly support the inclusion of Japan in the Trans Pacific Partnership negotiations.

Thank you again, Mr. Chairman, for the opportunity to present our views on this important issue. I would be happy to respond to any questions.