



**CHARLES E. KRUSE
PRESIDENT
MISSOURI FARM BUREAU**

Charles E. Kruse was elected to the position of president of Missouri Farm Bureau in 1992, an organization of more than 90,000 member families. As president of Missouri Farm Bureau, Kruse also serves as president of the Federation's five affiliated companies.

A native of Stoddard County in Southeast Missouri, Kruse is a 1967 graduate of Arkansas State University, Jonesboro, Arkansas, where he majored in agronomy. Kruse was awarded his Masters of Science in Agronomy in 1973 from the University of Missouri, Columbia, Missouri.

From 1975 to 1983, Kruse was a technical representative for an agricultural chemical company, and in 1983 he was appointed by Governor Christopher Bond to serve on the University of Missouri Board of Curators. In 1985, Governor John Ashcroft appointed Kruse as director of the Missouri Department of Agriculture.

In 1991, Kruse accepted the position of executive vice president of the North American Equipment Dealers Association, resigning in August of 1992 to campaign for the presidency of Missouri Farm Bureau.

Kruse served as the only person from Missouri on President Bush's Council on Rural America. He also served on U. S. Trade Representative Carla Hill's Intergovernmental Advisory Committee and on Governor Ashcroft's Coordinating Board for Higher Education. In 1994, Kruse was honored by the University of Missouri with both the Faculty/Alumni Award and the College of Agriculture's Alumnus of the Year Award. He is a member of several commodity organizations.

Kruse also serves as a member of the American Farm Bureau Board of Directors, representing 12 midwestern state Farm Bureaus.

In March, 1995, Kruse was appointed to the Board of Directors of Central Trust Bank and in September, 1995, he was appointed to the Kansas City Blue Cross/Blue Shield Board of Trustees. Mr. Kruse has also served as a member of the Executive Committee of the U. S. Meat Export Federation. In 1996 he was appointed to the Board of Directors of Capital Region Medical Center, Jefferson City. He received an appointment to the Commission on 21st Century Production Agriculture in August, 1997. In March, 1998, USDA Secretary Dan Glickman and United States Trade Representative Charlene Barshefsky appointed Kruse to the Agricultural Technical Advisory Committee for Trade in Grains, Feed, and Oilseeds.

Mr. Kruse is an Eagle Scout and had a 26-year military career in the Missouri National Guard. He retired from the National Guard in March, 1993, with the rank of Brigadier General.

Kruse and his wife, Pamela, are the parents of two sons, and raise corn, wheat, soybeans and cotton on their Dexter, Missouri, farm.



Statement of the American Farm Bureau Federation

**TO THE
U.S. TRADE DEFICIT REVIEW COMMISSION
ON
AGRICULTURAL TRADE**

Presented By

**Charles E. Kruse
President
Missouri Farm Bureau**

April 26, 2000

As the national voice of agriculture, AFBF's mission is to work cooperatively with the member state Farm Bureaus to promote the image, political influence, quality of life and profitability of the nation's farm and ranch families.

FARM BUREAU represents more than 4,800,000 member families in 50 states and Puerto Rico with organizations in approximately 2,800 counties.

FARM BUREAU is an independent, non-governmental, voluntary organization of families united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity and social advancement and, thereby, to promote the national well-being.

FARM BUREAU is local, county, state, national and international in its scope and influence and works with both major political parties to achieve the policy objectives outlined by its members.

FARM BUREAU is people in action. Its activities are based on policies decided by voting delegates at the county, state and national levels. The American Farm Bureau Federation policies are decided each year by voting delegates at an annual meeting in January.

**STATEMENT OF
THE AMERICAN FARM BUREAU FEDERATION
TO THE
U.S. TRADE DEFICIT REVIEW COMMISSION
ON
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President
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Members of the Commission, I am Charles Kruse, President of the Missouri Farm Bureau Federation, a member of the Board of Directors of the American Farm Bureau Federation and co-Chair of its Trade Advisory Committee. I appreciate the opportunity to testify before you today on U.S. agriculture and international trade. As a corn, wheat, soybean and cotton farmer from Dexter, Missouri, I am keenly aware of the increasingly global marketplace for agricultural commodities and the impact international trade has on our sector.

Agriculture's Trade Surplus

U.S. agriculture has enjoyed a positive balance of trade for several decades. However, our sector's trade surplus is slowly eroding due to depressed commodity prices and insurmountable barriers to trade that prevent U.S. producers from increasing their foreign market share or accessing certain markets. Slow economic recovery in Asia, competition from South America and lingering effects of commodity price deflation are dampening the expansion potential of U.S. agricultural exports.

Over the past seven years, U.S. trade in agriculture has continued to climb in "stops and starts," rising from more than \$43 billion in 1994 to nearly \$60 billion in 1998 and then dropping to \$49 billion last year. Exports this year are projected to remain flat at the \$49-\$50 billion level.

Imports, however, have been climbing steadily since 1994. Imports in 1994 reached just over \$26 billion and are expected to peak at \$38 billion this year. These figures illustrate the difficulty U.S. producers are facing in maintaining market share while the value of U.S. agricultural imports continues to grow. Every effort must be made to make foreign markets as open to U.S. agricultural exports as our market is to foreign imports.

U.S. Emphasis on Agricultural Exports

When Congress passed the 1996 Freedom to Farm Act, it reduced income price supports, making U.S. agriculture more dependent on the world market. American farmers and ranchers produce an abundant supply of commodities far in excess of domestic needs and their productivity continues to increase. Exports are agriculture's source of future growth in sales and income.

Given historically low prices for many U.S. produced commodities, an abundant domestic supply and a stable U.S. population rate, the job of expanding existing market access and opening new export markets for agriculture is more important than ever. Agriculture's longstanding history of a balance of trade surplus will not continue if new markets are not opened for our exports.

To illustrate the export dilemma facing our sector, global food demand is expanding rapidly and nearly 96 percent of the world's consumers live outside U.S. borders. Despite significant progress in opening U.S. markets to imports, agriculture remains one of the most protected and subsidized sectors of the world economy. In addition, U.S. agricultural producers are placed at a competitive disadvantage due to the growing number of regional trade agreements among our competitors.

Liberalizing agricultural trade must be a top trade priority of the U.S. government in the new negotiations in agriculture in the World Trade Organization (WTO), Free Trade Area of the Americas and other bilateral and multilateral negotiations. Granting permanent Normal Trade Relations (NTR) to China, is the most important step that members of the U.S. Congress can take to support a positive balance of trade for U.S. agriculture. China will join the WTO whether or not permanent NTR passes. The question before U.S. lawmakers is whether or not our producers will be allowed to export to China. If permanent NTR fails, China will become the biggest sanctioned market for our exports overnight.

China's WTO Accession

The recently completed U.S.-China trade agreement is critically important to the entire U.S. agricultural sector. The tariff and non-tariff concessions that U.S. negotiators reached with China represent true market opening for U.S. agricultural exports and will have a significant positive effect on U.S. farm income at a time when farm receipts are at historic lows.

China, our fourth-largest trading partner, is broadly recognized as the most important growth market for U.S. agricultural exports. USDA projects that by the year 2003, China could account for over 37 percent of future growth in U.S. agricultural exports. We are the world's most competitive and efficient producers of food, but we must have access to global markets and a level playing field. This can only become a reality if the agreement negotiated with China is implemented. This agreement is essential for returning

economic prosperity to the farm sector and ensuring an agricultural trade surplus well into the 21st century.

WTO Negotiations on Agriculture

Another important element for strengthening U.S. agriculture's trade surplus is opening markets for our exports through WTO negotiations. The negotiations on agriculture must be the highest priority for U.S. officials as they meet with their foreign counterparts in the WTO to resume the agricultural trade talks. Agriculture is rife with insurmountable trade barriers and trade distorting export subsidies that are not present in other sectors. According to USDA, the average tariff for imports of agricultural goods into the United States is 5 percent or less, while our exports face an average tariff of nearly 50 percent. In order for global trade to be truly reformed around the globe, market liberalization in agriculture must be achieved.

What's at stake for agriculture if the WTO talks do not provide meaningful reform? We can expect that our exports will continue to stagnate and that our competitors, especially those that benefit from export subsidies or single desk selling arrangements, will continue to undercut us in foreign markets. U.S. producers are the most efficient producers in the world. We can compete if allowed to meet our competitors head on rather than with one arm tied behind our backs, which is the case now as we compete against foreign treasuries that subsidize our competitors.

Among the many important objectives to be accomplished in the WTO negotiations on agriculture are the elimination of export subsidies, commercially meaningful reductions of tariffs, ensuring market access for agricultural commodities produced with bioengineered technology, and ending discriminatory practices in agricultural trade.

Lifting Unilateral Sanctions

Lifting unilateral sanctions on U.S. agricultural exports is another important step in maintaining a surplus in agricultural trade. Especially today, with agricultural exports projected to remain flat, any action such as an embargo or sanction does direct and long-term harm to farmers and the agricultural economy.

Not only do unilateral sanctions inflict no economic damage on the target country in today's global economy, but they also often result in little if any change in the foreign policy actions of the targeted nation. Our competitors in these markets rub their hands with glee when the United States imposes unilateral sanctions. They are quick to expand their sales and take over the U.S. share in these foreign markets. Moreover, U.S. producers are branded unreliable suppliers and lose access to important markets for decades to come. Unilateral sanctions on agricultural exports must end.

As a result of unilateral sanctions, over 14 percent of our rice market, 10 percent of our wheat market, 5% of our vegetable oil market, 5 percent of our barley market and 4

percent of our corn market have been taken off the table. This loss of market access is not negligible. Given today's low commodity prices and declining agricultural exports, we simply cannot afford to have our access to export markets cut off.

Exchange Rate Impacts

Exchange rate stability is another important factor in maintaining an agricultural trade surplus. U.S. exports declined precipitously in 1997 and thereafter following the Asian financial crisis and have been slow to recover to that region. The 1994-95 Mexican peso devaluation and the 1999 devaluation of the Russian ruble both resulted in measurable declines in the value of U.S. agricultural exports. Effective monetary policies that achieve exchange rate stability and approach exchange rate parity, particularly with our two largest agricultural trading partners, Mexico and Canada, are critical factors in today's increasingly global economy.

In summary, the continuation of America's agricultural trade surplus depends, in part, on increasing foreign market access and achieving fair access for U.S. agricultural exports around the globe. We are the most efficient producers in the world. We cannot maintain a trade surplus in the 21st century if our access to foreign markets dwindles. Given the dire economic conditions now being experienced by our producers, opening markets for U.S. agriculture and leveling the playing field is now more important than ever.