

Testimony by
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My name is Daniel G. Amstutz. I am President and Chief Executive Officer of the North American Export Grain Association (NAEGA), a trade association comprised of grain and oilseed exporters and interested parties whose purpose is to promote and sustain the development of export grain and oilseed trade from the United States. Chartered in 1912 and incorporated in 1920, NAEGA is a not-for-profit organization, whose members are privately and publicly owned companies and cooperatives.

One way or another I have been in the grain export business nearly 46 years. During that time I have learned much. Let me share just three of those things with you today.

- 1) World consumption has been steadily increasing and it will increase at more rapid rates in the years ahead. An anecdotal observation proves the point. Several weeks ago I discovered a market letter I wrote 25 years ago when I was president of Cargill Investor Services. In it I mentioned that 1975/76 world wheat production and consumption were each about 350 million tonnes. Today, 25 years later, they are about 600 million tonnes. An increase of more than 70% in one generation. In the same report I listed Chinese wheat consumption at 43 million tonnes. Today it is 117 million — a 170% increase in one generation. Growth in consumption has not been unique to wheat. It is evident throughout the grains/oilseed complex.
- 2) Market prices are cyclical. While consumption during any year can be rather easily estimated, production can fluctuate more widely and, of course, during periods of relative supply tightness prices are stronger than would otherwise be the case, and vice versa. An old maxim of the grain trade is that there is no such thing as a “little too little” and no such thing as a “little too much”. Because of the reality of the cycles and the fact they impact *value* considerably more than *volume*, professionals usually report statistics in *volume* terms, regardless of whether the time frame is one year or a series of years. Now, if someone wants to brag about something or complain about something, the *value* data may better serve the spokesperson’s interests at any given time.

- 3) The U.S. can (and does) produce more, each year, than it can consume, sell for export or give away. Of course there have been years of exception but in a real and statistical sense they are anomalies.

Every year global consumption (or disappearance) is less than demand. Demand is that which would be consumed if supplies were available and/or consumers could afford to buy as much as they would like. American agriculture needs a world economic environment where growth in markets ensues at a more rapid rate than is currently the case.

Fortunately, despite the debacle at the WTO Ministerial in Seattle, multinational agriculture negotiations under the auspices of the WTO are beginning. They were mandated in the so-called built-in agenda that was agreed to when the Uruguay Round concluded. So the nations of the WTO have another opportunity to address the issue of market expansion. Some of the points I think the U.S. and other negotiators should advocate are:

- They must remember that the purpose of their negotiations is to *expand markets*, to create an environment that enables markets to grow faster than would otherwise be the case, thereby generating greater wealth for more consumers around the world, particularly in developing countries. This in turn will provide the global growth in demand that efficient producers of farm products so desperately need.
- They must be committed to enhanced market access for *all* farm products and *all* derivatives of farm products. All products and all industry segments in all WTO countries should be included in the liberalization process.
- Of course, export subsidies should be eliminated, but the subjects of export subsidies and exporting State Trading Enterprises (STEs) must be linked in negotiations. The monopolistic nature of STEs enables them to operate in a non-transparent manner and permits the manipulation of prices and hidden subsidization via discriminatory pricing practices.

To eliminate the *means* of subsidization or manipulation, as well as the *act* of it, the structure of the industry in all countries must be negotiable. Real transparency can be achieved only if monopoly status is eliminated and a true competitive environment is permitted to exist. U.S. negotiators should guard against efforts to include export credit programs in disciplines for export subsidies and any discussion of export credit guarantees should be coupled with STEs.

- Unilateral sanctions on exports are the most significant food security threat to those countries dependent on imports for their food needs. Unilateral export sanctions of food products should be disallowed in future multilateral trade agreements. It is fitting that the U.S. take the lead in proposing this since it is the most prominent promulgator of these sanctions.

At the World Food Summit in November 1996, the United States said that its role in helping achieve world food security was, among other things, to provide a reliable supply of food to the world market. This is an admirable goal but the U.S. is not fulfilling it and has not done so over the course of the last 30 years. Few in the world will question that the U.S. is the most reliable *source* of supply. But because of our penchant for imposing unilateral economic sanctions, we are not regarded as *reliable* suppliers.

The Congress and Administration have been addressing this issue but actions to date and those contemplated only partially address the issue. A bold move by the U.S., asking the world to join it in eliminating this form of economic warfare, could remove the “unreliable supplier” stigma with which American agriculture is saddled and would solve the world food security problem.

Of course there are other important points that must be covered in multilateral agriculture negotiations.

- We need to harmonize biotech regulations, including the approval process for new, genetically modified products.
- Sanitary and Phytosanitary (SPS) terms require greater clarification and we need a growing realization that there really is no such thing as zero risk. And, in the overall context of food safety, we need a reasoned, sensible definition of “precautionary principle” and its applicability.
- Tariffs should be reduced and more transparency is required in the administration of Tariff Rate Quotas so that the objective of “fairness” is more fully realized.
- The separation of payments to farmers from marketing and production decisions (decoupling) should be expanded.

Global markets for farm products can grow dramatically in the near future. For instance, annual trade for wheat should reach the 150 million tonne level early in the 21st century. Currently it is running about 100 million tonnes. It is a conservative estimate to say that the U.S. share of this wheat trade can be two billion bushels. That is about twice our current export levels and the increase is nearly half current U.S. production. But this will happen only if more wealth is generated in more countries more rapidly than is currently occurring. It is only through real trade liberalization that this more rapid expansion of the global market will result.

That concludes my statement, Mr. Chairman. I will be happy to answer any questions.

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