

ROBBIN S. JOHNSON

Corporate Vice President, Public Affairs
Cargill, Incorporated
Minneapolis, Minn.

Robbin Johnson was elected Corporate Vice President, Public Affairs, in June 1993. He is manager of Cargill's Public Affairs Department, which has responsibility for government relations, corporate and public relations, community relations, and the Information Center.

Johnson is a member of the Management Operating Committee, chairs the Contributions Committee and is vice-chair of the Public Affairs Committee. He also is on the board of The Cargill Foundation.

Johnson joined Cargill in 1971. He was named an assistant vice president in 1976 and vice president, Administrative Division, in 1982.

He graduated from Yale University in 1968 with a bachelor's degree, did graduate study as a Rhodes Scholar at Oxford University in England from 1968 to 1970 and attended Yale Law School from 1970 to 1971.

Johnson currently serves on the boards of the International Policy Council on Food, Agriculture and Trade and the National Center for APEC. He is a past chair of the U.S. Feed Grains Council and is a current member of the Council on Foreign Relations. He also is on the board of The Children's Theatre Company.

Johnson was born Sept. 13, 1946, in Minneapolis. He is married to Kris Johnson and they have two daughters, Kelsey and Berit.

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Hearing of the U.S. Trade Deficit Review Commission

Testimony on Agricultural Trade

By

Robbin S. Johnson
Corporate Vice President, Public Affairs
Cargill, Incorporated

Kansas City, MO

April 26, 2000

Importance

- Feeding a growing, rapidly urbanizing population in a more efficient, environmentally sound manner is a major challenge of the 21st century.
- Creating rural job opportunities to absorb surplus labor released by agriculture's technological revolution without excessive migration is another major challenge.
- These two fundamental requirements of food security – access to supplies and ability to pay for them -- can best be achieved through a trade-based food security strategy.

Opportunities

- High trade barriers in agriculture (on the order of 8-10 times levels for manufactured goods) are retarding rural development, creating supply uncertainty, accentuating price cycles and creating unnecessary price volatility.
- They also are shifting production into less efficient patterns globally, which lowers resource productivity, stresses the environment and uses scarce resources suboptimally.
- New agricultural technologies create great new possibilities – for customizing diets, for launching new industries based on biomass, for increasing productivity while protecting the environment and for lowering food costs.
- An open food system will: provide more food security at lower cost; accelerate economic development; protect the food-producing resource base and fragile lands and reward efficiency in the U.S. agrifood system. It also will use emerging technologies more quickly to make food supplies more nutritious, food choices more varied and food production cleaner and safer.

Obstacles

- Supply uncertainty from the threat of unilateral food embargoes; remove through sanctions reform.
- Export subsidies and production-distorting domestic subsidies misallocate resources and require creation of trade-distorting barriers; they should be progressively eliminated.
- Trade-distorting import barriers should be transformed from absolute forms of protection to relative forms (e.g., ad valorem duties) and then progressively reduced.
- State-trading entities have the capacity to distort domestic production, imports and exports because of their monopoly powers. Producer-run marketing entities should be permitted, but their monopoly powers should be ended and market-based competition and choice engendered.
- New agricultural technologies – like precision farming, conservation tillage and agricultural biotechnology – have tremendous potential to feed people better, reduce environmental stress and open new agriculture-based industries. Their regulation should be science-based, and steps should be taken to facilitate their development, transfer and adaptation to local conditions.
- Food standards – both Sanitary/Phytosanitary requirements and other technical requirements (e.g., labeling, process standards) – can distort trade. They should be designed and implemented in ways that achieve necessary and legitimate social purposes in minimally trade-distorting ways.

Challenges

The challenges facing U.S. and global agriculture are best addressed through the four principles of an “open food system:”

- Supply assurance.
- Trade liberalization.
- Creating a favorable climate for transfer, acceptance of food technologies.
- Jobs-oriented rural development strategy.

**Hearing of the U.S. Trade Deficit Review Commissioners
Testimony on Agricultural Trade**

**By
Robbin S. Johnson
Corporate Vice President, Public Affairs
Cargill, Incorporated**

**Kansas City, MO
April 26, 2000**

Commissioners:

Good afternoon. My name is Robbin S. Johnson. I am a Corporate Vice President for Cargill, Incorporated, a major agribusiness firm headquartered in Minneapolis, Minnesota, and manage its Public Affairs activities. I am pleased to have this opportunity to discuss with the Commission ways to strengthen U.S. agriculture's prospects.

A major global challenge for the 21st century is feeding a growing, rapidly urbanizing population in a more efficient, environmentally sound manner. How the world chooses to meet that challenge will determine U.S. agriculture's future. If the world embraces a global open food system as the best response to that challenge, U.S. agriculture can become a growing, dynamic sector of the economy.

Before taking up that topic, I would like to make some brief comments about the U.S. trade deficit and current controversies over U.S. agricultural trade policy.

Trade Deficit as Political, Not Economic Problem

The U.S. trade deficit, in my view, is more a political than an economic problem. The United States has carried a large and growing trade deficit throughout its longest period of sustained, non-inflationary economic growth in history. An excess of imports over exports during that period has proven advantageous even as other circumstances have changed:

- When the federal budget was in deficit, the trade deficit helped sustain investment by the private sector of the U.S. economy.
- In more recent years as the budget deficit has fallen, it has helped the economy continue to perform well by dampening inflationary pressures.

In economic terms, the U.S. trade deficit has been an important facilitator of our sustained, non-inflationary economic growth.

For critics of expanded trade, however, the deficit is a convenient political lever. It was used in the 1980s to claim we were exporting our industrial base, and in more recent years to support claims that we are “exporting jobs.” Both are mercantilist arguments raised to support demands for protection against imports.

That does not mean we should ignore the adjustment problems of those workers, industries and communities adversely affected by trade flows. Rather, it means that trade adjustment is simply part of a larger adjustment to accelerating economic change. The policy lesson is not to curb imports but to educate workers more effectively – and more continuously -- to participate in the growth sectors of the U.S. economy overall.

U.S. Agricultural Trade Policy: Politics and Realities

A similar distortion of reality occurs at times – as in the past three years – when agricultural exports stagnate and commodity prices fall. Critics of agricultural trade expansion then argue that exports only benefit large agribusinesses while hurting small farmers both in the United States and in the developing world. Like its trade deficit political companion, this view ignores or distorts facts to make a case for protection from market forces.

In fact, with U.S. agricultural productivity rising twice as fast as domestic demand, U.S. agriculture must either export or shrink. Similarly, the poor living in developing countries must either gain access to enhanced productivity and enlarged markets or remain condemned to a marginal existence amidst the poverty of subsistence agriculture and costly import-substitution regimes. As the Nobel laureate Norman Borlaug has said, those who would deny poor farmers in the developing world access to new

technologies and new markets should spend some time living with the results of such denial, as he has for 60 years.

As with trade generally, the adjustment problems arising from agricultural trade liberalization must be addressed. But it is better to face those challenges through rural development and job creation strategies than to romanticize the simple life of peasant farmers. Policy and politics need to be brought into closer alignment with economic realities, if we are to help rural people enjoy a better life.

Feeding People Better

The main issue I want to address today is the food challenge facing humanity as we enter the 21st century: Feeding people better. There are some key dimensions to this challenge:

- Global food-producing resources are under stress: about a third of the world's forests have been cut down since 1950, most for agricultural purposes; some 30 countries are "water-stressed," with 20 of them already "water scarce;" China and India, accounting for one-third of the world's population, are mining their groundwater supplies faster than they can be replenished.

- Today, only a fifth of the world's 6 billion people represent 85 percent of the global economy and consume the lion's share of the world's resources.
- Yet, world GDP is projected to increase by one-third, or \$10 trillion, over the next decade. This will enable a global middle class to emerge that could number as many as 3.5 billion. This will occur while urbanization is proceeding at a rate unparalleled in human history. Very simply, the already stressed global food system must double in scope within a generation to serve a growing and increasingly urban consumer base.
- Finally, there remains more than 1 billion people locked in abject poverty, suffering malnutrition and the diseases of unsanitary conditions. The second World Food Conference called on all countries to develop strategies for reducing these numbers by at least half.

If we could surmount this challenge, imagine the possibilities for human achievement if all of the world's 6 billion people could be well fed. There probably is no larger contribution to human well-being that could be made in our lifetimes.

Overcoming this challenge requires two linked strategies: on the supply side we must produce abundant, affordable foodstuffs in a more efficient, environmentally sustainable manner; and on the demand side we must create rural job opportunities to absorb

surplus labor released by agriculture's technological revolution without forcing excessive migration to already overcrowded urban centers. Together, these are the fundamental requirements of food security: access to adequate supplies of food and generating the ability to pay for them. It is my view that this most important challenge can best be met through a trade-based food security strategy – what I would call a global open food system.

The benefits of building a trade-based food security system are enormous. Agricultural trade barriers are often 8-10 times higher than for manufactured goods. As a result, more than half the welfare gains left to be captured from trade liberalization are in the agri-food sector. What benefits would come from reducing these excessive barriers?

- Rural development would accelerate as markets and marketing institutions emerged to serve enlarged trade flows;
- Supply uncertainty would decline, since regional crop fluctuations of 25 percent or more are not uncommon, but annual world crop output typically fluctuates less than 3 percent per year as poor crops in one locale are offset by good crops elsewhere;
- The costs of food security also would fall, since storage costs accumulate at 20-25 percent of the commodity's value per year while international food

transportation and distribution costs are roughly a one-time, 10 percent charge;

- Current price cycles – periods of artificially depressed farm prices punctuated by occasional price spikes – would rise and flatten as open markets spread the price adjustments currently borne by the roughly 10 percent of food supplies globally traded to the whole consumption base.
- Extreme price volatility also would be replaced by smaller, smoother price swings as the race to shift adjustment burdens through export subsidies and import walls ends;
- Alongside these normal consequences of improved markets and more level playing fields would come some important environmental benefits:
 - Agricultural resources could shift to more efficient usage patterns;
 - Marginally productive but environmentally fragile resources could shift to more sustainable uses; and
 - Agricultural technologies would flow more freely in step with increased investment flows.
- Choice and variety also would expand as technologies for customizing diets, enriching food staples, lowering production costs, increasing factor productivity or launching new industries based on agricultural biomass are enabled to move more freely across borders.

The result of a trade-based food security strategy is more food security at lower cost. The open food system it represents would accelerate economic development in poorer countries and better protect the globe's food-producing resource base and the fragile lands it threatens to encroach upon. It also will adopt newly emerging technologies – like conservation tillage, precision farming and agricultural biotechnology – more quickly to make food supplies more nutritious, food choices more varied and food production cleaner and safer.

Finally, it has one other important effect. The United States has a rich, land-extensive agricultural base, widespread farmer know-how and efficient transportation capabilities to serve regions – like Asia – that are 6 times as densely settled per arable acre. With 96 percent of the world's consumers living beyond our borders and with most of those people still waiting to upgrade their diets with more meat, milk and eggs, an open food system offers U.S. farmers and ranchers a huge marketing opportunity.

That opportunity cannot be taken for granted. There are other naturally well-endowed production regions – South America, Central Europe, Canada and Australia. But none of those areas can meet incremental export demand for grain, oilseeds and livestock products as quickly, in as varied a manner and in as large volumes as the United States.

Policies for Feeding People Better

The concept of a global open food system is based on four policy principles. The first is supply assurance. Unfortunately, a history of unilateral economic sanctions has given credibility to those in food-importing countries who question the reliability of food exporters, particularly the United States. At a minimum, the United States should exempt food from economic sanctions except in war. If possible, this should become a universal principle of the multilateral trading system.

The second principle is trade liberalization. Agricultural trade barriers remain 8-10 times higher than average duties on manufactured goods, and many agricultural trade barriers are adjusted to offset price swings in global markets. This creates insurmountable barriers that reduce trade volumes, destabilize markets and shift adjustment burdens onto the poor least able to absorb them. A program of progressive agricultural trade liberalization should do the following:

- End export subsidies and production-distorting domestic subsidies that have similar effects;
- End the monopoly powers of state trading entities; producer-run marketing entities can be permitted, but their grants of monopoly power should end to permit market-based competition;

- Food standards and other technical requirements should be designed and implemented in ways that achieve their legitimate social goals in minimally trade distorting ways; and
- Tariffs should be progressively reduced, tariff-rate quotas should be progressively enlarged until phased out and tariff-rate disparities should be closed; all of these should be pursued through transparent commitments, so that investment and production can adjust in anticipation of open markets.

The third principle of an open food system is nurturing a food technology culture. New production and processing technologies offer great possibilities for increased abundance, lower costs and more sustainable production methods. Development and adoption of these technologies can best be facilitated while health and environment are protected, if their regulation is science-based and if private and public sectors collaborate in equipping developing countries to adapt such systems to their needs.

The final principle is a job-oriented rural development strategy. As economies industrialize, people are freed from agriculture to move into other sectors of the economy. Past attempts to slow this process by propping up commodity prices artificially have unjustly enriched landowners, hurt consumers and depopulated rural areas. A better strategy is to invest in rural infrastructure – both physical and social

infrastructure – to create non-farm jobs in rural areas that themselves have been made attractive places to live. This will help reduce rural poverty and slow migration to overcrowded urban centers. It also will help keep food affordable and broaden the population base able to afford to meet their food needs.

To summarize, providing abundant, affordable food supplies in more environmentally sustainable ways while reducing poverty, especially in rural areas, is a primary challenge facing humanity in the 21st century. This is the essence of meaningful food security. The best approach to meeting this challenge is a trade-based, global open food system. Such a system is based on four principles:

- Supply assurance;
- Trade liberalization;
- Nurturing a food technology culture; and a
- Jobs oriented rural development strategy.

An open food system would raise global human well-being dramatically. It also would create marketing opportunities for the grains-oilseeds-livestock sector of U.S. agriculture that would help restore dynamism and growth to that part of the U.S. economy.

Thank you.

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