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2010 Foreign Trade Outlook

Jim Miller
Under Secretary
FFAS

Address by Under Secretary of FFAS Jim Miller

MODERATOR: Let me now introduce our second panelist this morning, Jim Miller, who joined USDA about 10 months ago. We were confirmed at the same day. We had a joint confirmation hearing. And he is the Secretary for Farm and Foreign Ag Services. In the time that he's been at USDA, he has traveled the world, to China, India, Russia, Latin America, and Ecuador. He is really a road warrior. He's been one of USDA's point people on agricultural trade issues.

Undersecretary Miller is instrumental in efforts to improve the Federal Crop Insurance Program and implement the 2008 Farm Bill programs. He came to USDA with important experience with the National Association of Wheat Growers, the National Farmers Union, the Canada/U.S. Joint Commission on Grains, and the Senate Budget Committee. And perhaps most important, he operated his family farm in Eastern Washington for two decades.

UNDER SECRETARY JIM MILLER: Well, good morning, everyone. Thank you so much for participating in the 2010 Agriculture Outlook Forum. It's a pleasure as Under Secretary for Farm and Foreign Agricultural Services to be with you this morning.

As Joe indicated, we are beginning to see a recovery, both in the U.S. economy and in the global economy, and that is extremely important to agriculture, whether we are looking at our domestic situation for our farmers and ranchers and those businesses that are dependent upon agriculture, but it's also extremely important as we begin to look at the export situation for our agricultural products.

And so today I'd like to give you a little bit of perspective about where we are internationally in terms of agricultural trade. I'm going to present the Fiscal Year 2010 Agricultural Trade Forecast, and then I'd like to make a few general comments about some of the other trade related issues that we are working on at USDA.

As you can see from this first slide, we are projecting that exports will rise in Fiscal Year 2010 by \$3.5 billion to a total level of \$100 billion. That to me is a rather astounding number because that is the second highest agricultural export level we have ever achieved, and it was not all that long ago when our agricultural exports were half that.

And while imports are also projected to rise some in this current fiscal year, and our agricultural surplus is going to be down about half a million dollars, again we've got to remember that it wasn't too many years ago when we were actually looking at the possibility that we would have an agricultural trade deficit.

Turning to the next slide, again I think this emphasizes the kind of changes that we've seen in agricultural trade. Exports have increased rather significantly. We are now looking at a slight reduction, but again we are beginning to show through our export forecasts that we are going to match some of the general economic recovery that's

occurring throughout the world. So even with the slump and the economic downturn that we've experienced, again exports are on the rise once more.

And I should point out that this improvement in the export market is really a combination of both a change in the quantity exported as well as the prices of the agricultural products that we are going to be selling overseas. Both are expected to increase about 4 percent, so it is not just a situation, we're exporting more quantity at lower prices or that all of the gains in this export market are due to higher prices.

And the \$22.5 million agricultural trade surplus is important, not just for agriculture but it's certainly important to our general economy.

This slide shows the month-to-month U.S. agricultural exports since Fiscal Year 2007. And again it clearly indicates that we are seeing an agricultural trade recovery since the onset of the recession that began in October of 2008. This past November U.S. agricultural exports set a one-month record at \$10.6 billion. And the FY2010 first quarter agricultural exports were the most ever exported in the first three months of a fiscal year.

Now let's look at how some of the specific commodities are expected to perform. You can see from this chart—and the red bar represents the change in exports from 2008 to last year's recession which impacted the 2009 exports; the green bar shows the trade change from last year compared to this year's forecast.

For horticultural products, they are the group that saw no decline during the recession, and consequently we are expecting a rather modest increase in exports this year. In Fiscal Year 2010 we anticipate that most of the increase in exports is going to come from oilseeds. And as Joe indicated, China is the dominant factor in the global oilseed market, but we are expecting that exports to China will continue to be very strong as they were during the first quarter of this year.

Cotton exports are also forecast to recover as prices have improved and global stocks are very tight. So we do expect to see some improvement on the cotton side, and trade of course is increasingly important to our cotton industry.

Likewise, dairy, livestock and poultry exports are forecast to rebound. Increases in dairy, beef and pork exports will outweigh what we expect to be a slight reduction in poultry meat exports.

Grain and feed exports, however, are going to continue to lag. They suffered the most during the recession, and because of more than adequate supplies in the global marketplace, we expect that there's going to be significant increases in the competition from other foreign suppliers, and that is going to restrain our corn and wheat exports in Fiscal Year 2010.

As you can see from this slide, the increased export forecast for 2010 is really due to greater exports in some very specific regions of the world. First of all, we do expect to see increases in exports to our NAFTA partners, both Canada and Mexico.

For the first time China is expected to be the third largest market for U.S. products, surpassing Japan, and again for 2010 we are expecting an increase in exports to China. No other country over the past several years has grown in terms of its agricultural imports from the United States as much as China, and at the current rate of growth China could impact past Mexico and Canada as our leading market for exports really in just a few years.

Europe and Japan have seen little increase in exports over the past decade, but we do expect our exports to Europe to rebound this year.

Let me now turn to a couple other trade-related issues. First of all, I'm very pleased, and I'm sure many of you have seen this in the press, that our trade team at USDA within my mission area of the Foreign Agricultural Service has been filled. I want to thank the Secretary for taking very quick action in making sure that that team is in place and that we are able to continue the important mission going forward. John Brewer has been named the administrator of the Foreign Agricultural Service. He was previously the associate administrator and general sales manager. Janet Nuzum, who brings a wealth of international trade experience to the Foreign Agricultural Service is going to take over John's prior position, and within the next few days I'm expecting that the staff in my office at FFAS will be fully staffed as Darci Vetter, a senior trade analyst for the Senate Finance Committee, has agreed to join the FFAS staff as deputy under secretary. So we are looking forward to advancing U.S. agriculture's interests in the export market.

A key part of that is the vision that President Obama has outlined recently in his State of the Union address where he recognized the importance of exports to the U.S. economy and agriculture is going to play a significant role as we get into implementing the National Export Initiative that was announced by the President.

Basically this initiative is going to be focused on three areas—a more robust effort by the administration to expand its trade advocacy in all of the forms that that takes, especially for small and medium-sized enterprises. This includes efforts at educating U.S. companies about new opportunities in terms of exports overseas and directly trying to connect those companies with customers who can in fact bolster our export performance.

We are also going to be revisiting our ability to provide credit, not just in terms of things like GSM-102 in order to facilitate exports, but also credit domestically to help those companies that want to be exporters to get into that business.

And finally, and of critical importance to improving our export picture, is to continue our work in terms of enforcing our international trade laws and to help remove those barriers that are preventing the U.S. companies from getting free and fair market access. This involves a significant amount of engagement with a number of our trading partners and

we are going to be moving ahead very aggressively in conjunction with our partners at the Office of the United States Representative and other departments within the government.

The National Export Initiative's coordinated effort to increase America's exports is not going to only impact producers and those companies that are directly engaged in the export business. But it is going to create a significant number of off-farm jobs that are increasingly becoming more important in rural America, and it is certainly going to help us thereby stabilize and improve the quality of life in our rural communities. And I expect the Secretary is going to talk about that more fully in his comments.

So we are going to redouble our efforts to help America's producers and businesses sell our products abroad. This means more technical assistance to farmers and our cooperator groups, more foreign country promotions where we can actually extol the virtues of purchasing U.S. commodities, and finally additional direct assistance to U.S. producers so that they can develop new foreign markets and increased market share in those markets where we are already very active.

Let me talk just briefly about the Doha Round. The U.S. remains committed to achieving an ambitious and balanced outcome in the Doha Round in order to ensure that we provide new and real market access to U.S. exporters while reducing trade distorting subsidies. Now is the time to revive global trade, and to do that we have to lay a groundwork that allows for a more robust level of trade. And that means we have to have a more open trading system in future decades.

Many of you are also aware that the President has announced a global food initiative, something that we're working very hard on within the Department of Agriculture across all agencies within USDA. The U.S. Food Security Strategy employs a whole of government approach that links all the pertinent U.S. government agencies together as well as a number of partners in the private sector, nongovernmental sector, and international organizations. So this is a big project.

And again, I think there's going to be more discussion of this proposal later in the program. But let me just say from an agricultural trade perspective, reducing poverty around the world and helping countries that sorely need to enhance their agricultural productivity should not be viewed as a negative for U.S. agricultural export interests—because at the end of the day as we build more countries that are stable economically, that have growing incomes and create middle class opportunities whether in their agricultural sectors or other sectors, that means we have long-term market access opportunity. Poor people do not make good customers for U.S. agriculture, so this is a long-term project. It's something that could benefit U.S. agriculture in the long term, and quite frankly it's the moral thing to do.

Finally, let me turn briefly to what we are doing in Afghanistan and Pakistan because I think this strategy really does suggest what we can do on a more global basis in terms of improving agriculture. To prime this agriculture in this troubled part of the world really

is probably the largest nonsecurity issue affecting the region's stability and hence our own national security. We are working again on a whole of government approach with our friends at State, at USAID, and Department of Interior, to ensure that we can begin to revive the agricultural systems that exist in Afghanistan and Pakistan.

We have formed a trilateral agreement. Just last month there was a meeting of ministers to discuss the priorities of that operation, and we are working very hard with people on the ground, with advisors on the ground in Afghanistan and Pakistan, to make this a reality.

So let me just conclude by saying that President Obama, Secretary Vilsack remain committed to supporting all U.S. producers and opening markets for U.S. commodities abroad. In the end this is all about engagement, engagement overseas and particularly engagement here at home. So I look forward to working with all of you as we seek those opportunities to expand our trade overseas and improve the livelihoods of our farmers, ranchers and rural communities.

Thank you.

[Applause]