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Madam Chairwoman, Members of the Committee, I appreciate the opportunity to discuss the U.S. Department of Agriculture's (USDA) export assistance efforts for small businesses.

Importance of Agricultural Exports

The Department, through the Foreign Agricultural Service, works diligently to help small-scale U.S. producers, processors, and exporters compete in world agricultural trade. The trade programs administered by FAS help to open new markets and maintain and expand existing markets for U.S. agricultural products. These programs complement our efforts to open and maintain markets through trade negotiations, diplomacy, and enforcement of trade agreements. To ensure that agricultural interests are well represented at the negotiating table, FAS works closely with the Office of the U.S. Trade Representative (USTR) and coordinates the involvement of USDA regulatory agencies. FAS officers at over 70 posts around the world help agricultural exporters, big and small, discover and capture business opportunities.

Together, our trade programs and negotiations have contributed to a strong farm economy and increasing foreign demand for U.S. food and agricultural products. Trade continues to be critically important to the long-term economic health and prosperity of the American food and agricultural sector. Roughly 20-25 percent of U.S. production is exported and, with productivity increasing faster than domestic demand, export markets are important, particularly markets with growing middle classes such as China, India, Indonesia and Brazil.

The latest USDA export forecast of \$77.5 billion for fiscal year 2007 means that the U.S. food and agricultural community is on track to increase exports by an estimated \$8.8 billion over last year. That would be the second largest increase on record and the fourth consecutive year of record exports. USDA estimates that U.S. world market share is over 19 percent – almost one-fifth – of world agricultural trade. This is particularly impressive when you consider that world agricultural trade has doubled since 1990.

U.S. agricultural exports generate employment, income, and purchasing power far beyond the farm. In fiscal year 2005 (the last year for which we have official data), each farm export dollar stimulated another \$1.64 in business activity here in the United States. So the 2005 export figure of \$62.5 billion produced an additional \$102.5 billion in U.S. economic activity – the first time that supporting activity surpassed the \$100 billion mark. Agricultural exports also supported 806,000 full-time jobs, including 455,000 in the non-farm sector.

One area where we are seeing particularly strong growth is in the export of high-value products. High-value products are agricultural products with value added through processing (such as soybean and other processed oils and many consumer-ready products) and those that require special handling or shipping (such as fresh fruit). This is also the area where the number of small businesses participating in our programs is blossoming. Last year, these products accounted for nearly 63 percent of U.S. agricultural exports.

Assistance for Small Businesses

USDA's Market Access Program (MAP) plays an instrumental role in our efforts to assist American agriculture and our processors in competing internationally. Small companies receive funding from FAS on a cost-share basis through nonprofit trade organizations and four State-Regional Trade Groups (SRTGs) comprised of state departments of agriculture.

The four State-Regional Trade Groups – Food Export Association of the Midwest USA, Food Export USA Northeast, Southern United States Trade Association, and Western U.S. Agricultural Trade Association – support FAS’ efforts to coordinate international marketing programs for processed foods and other regional agricultural products. These partnerships combine the resources of the private sector and state departments of agriculture with program and financial resources of USDA to expand exports of U.S. agricultural products and to educate companies in export marketing. Working with trade and regional organizations helps us reach those that can benefit most from export promotion assistance – namely, small business.

Total export sales for small companies participating in the MAP branded program grew from \$218 million in 2001 to \$492 million in 2005. The number of small companies reporting that their export sales had grown by more than 20 percent more than doubled during the 2001-2005 time period, from 134 to 322.

In addition, many agricultural cooperatives comprised of small-sized growers participate in the program. Without these cooperatives, many growers would not otherwise be able to compete in the marketplace and would not participate in any international marketing efforts.

We have heard first-hand how MAP has helped small businesses. Aladdin Bakers Inc., based in Brooklyn, NY, successfully leveraged support from an SRTG and the MAP branded program to develop export markets. Before participating in the program, the company had minimal sales in Canada. Now, according to Paul Kasindorf, the firm’s vice president of sales and marketing, “we estimate in the next year we’ll have \$1 million in sales to Quebec alone.” The company has also started exporting to other countries, including the Dominican Republic.

Woeber’s Mustard of Springfield, Ohio, has used MAP branded funds to tackle the international condiments market. The company’s rapid international expansion began less than five years ago with sales to England. Now Woeber’s products can be found in markets from

Mexico to South Africa, China, Singapore and Lebanon. International sales now account for 5-10 percent of the firm's overall business revenue, and the company is looking to expand to new markets in the Caribbean and South America.

In addition to our market development programs, we have additional tools to help small business. As our exports have grown, some of our trade partners have increasingly turned to sanitary, phytosanitary, and technical barriers to protect their domestic industries and deny market access to U.S. agricultural products rather than basing these policies on science. USDA has successfully helped U.S. exporters regain market access for millions of dollars of products from almonds to spinach. The Technical Assistance for Specialty Crops (TASC) grant program assists U.S. food and agricultural organizations in addressing phytosanitary and technical barriers that prohibit or threaten the export of U.S. specialty crops. In recent years, TASC funding has been used to gain market access for California nectarines in Japan, harmonize organic standards with Canada and the EU, and create a database of pesticide tolerance levels and standards for more than 300 specialty crops in more than 70 countries.

Another way we help small businesses is by sponsoring their participation in trade shows and missions. FAS-sponsored trade missions give U.S. companies the opportunity to forge closer trade links with prospective suppliers, distributors, and other business representatives in targeted countries. With over three-quarters of participating companies having fewer than 1,000 employees, a trade and investment mission is particularly structured for small- and medium-sized enterprises. Over the course of a week, participants get an overview of the economic situation, legal and regulatory environment, banking sector, privatization process, investment climate, and U.S. government business assistance programs. Participants also meet with key government officials and conduct one-on-one business meetings and site visits.

I have led two trade and investment missions – to Georgia last year and then just last month, to Azerbaijan. The mission to Georgia had six companies that were looking at business opportunities but were concerned about risks. As a result of the trip, two companies have announced business deals. Nine U.S. companies joined me in Azerbaijan. There the companies met with Azeri government officials and prospective business partners and exhibited their products at a trade show in Baku, Azerbaijan.

FAS also coordinates participation at international trade shows and exhibitions for food and agricultural products. These shows provide an economical way for small businesses to meet foreign buyers and consumers, test a new product or market, and assess the competition. In 2006, over 900 companies participated in 31 FAS-endorsed trade shows and missions. These companies reported over \$210 million in on-site sales and projected estimated sales of over \$700 million for the next year.

FAS also administers other export assistance programs that are used by small business. Our export credit guarantee programs are open to businesses of any size; there are no minimum levels for export transactions. Two smaller programs –the Quality Samples Program (QSP) and the Emerging Markets Program (EMP) – provide financial and technical support to U.S. exporters. For example, through the Minority Exporter Training Program, the EMP provided funding to train employees of Heritage Family Foods in Grand Prairie, Texas, to help the company develop export markets for its products. The training has helped increase their export sales by more than 300 percent.

In addition to our export assistance programs, we also reach out to small businesses for their advice and counsel. USDA and USTR use the Agricultural Policy Advisory Committee (APAC) and six commodity- and product-specific Agricultural Technical Advisory Committees (ATACs) to ensure that U.S. trade policy and negotiation objectives adequately reflect U.S.

commercial and economic interests. USDA works to ensure that small businesses are represented on these committees to draw on their technical competence and experience. For example, one member of our Fruits and Vegetables ATAC, Joe Zanger, is a managing partner of Casa de Fruta, a family owned company in Hollister, California. With financial help from the MAP, Mr. Zanger attended two trade shows in Mexico to gauge market opportunities there. He has used U.S. government services to help his firm identify potential distributors and expand its sales south of the border. He knows directly about the challenges faced by small business in the export arena, and we value his contribution.

Conclusion

Madam Chairwoman, in just the next 60 minutes, about \$7.8 million in U.S. agricultural products – grains, oilseeds, cotton, beef, poultry, vegetables, snack foods, you name it – will be consigned for export to one of more than 180 foreign markets. And a growing proportion is coming from our nation's small businesses.

As small businesses look to the growing export markets in addition to the domestic market, we must make sure the opportunities to take advantage of these markets are there. Recently, the Administration concluded free trade agreements with Peru, Colombia, Panama, and Korea that will create significant market access opportunities for U.S. exporters. We look forward to working with the Congress to pass the implementing legislation for these important agreements.

Madam Chairwoman, that concludes my testimony. I would be happy to answer any questions.