

Prepared remarks of Bill Northey, Iowa Secretary of Agriculture
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China's Agriculture Policy and U.S. Access to China's Market
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Thank you for bringing this hearing to Iowa to further examine our important trade relationship with China. Welcome to all the Commissioners, staff, fellow witnesses and members of the public in attendance.

Spring is a special time in agriculture. We wish we could show you more spring planting going on in the countryside on your way to Ames, but after last year's drought we are very pleased to get some much needed moisture to recharge our soil. Iowa farmers are ready to plant once the weather cooperates. And, like all good farmers, we expect this year to be a better year than last year. Iowa retained its position in 2013 as the top corn, soybean, pork, egg and ethanol production state in spite of the tough growing conditions.

Iowa has a special long term relationship with China. We are currently celebrating the 30th anniversary of our Sister State relationship with Hebei province. That relationship led to a young Chinese official visiting Iowa 28 years ago. He learned much while here and met Iowans he now calls his "old friends." That man is now President of China, Xi Jinping. When he visited Iowa in February of 2012 as the Chinese Vice President he visited these old friends, led an China US Agricultural Conference, visited a farm and spoke warmly of his first time in Iowa. Several groups of Iowans traveled to China after Xi's visit to our state and have had the opportunity to see firsthand how important the visit was in the eyes of the Chinese public.

We also heard reference to President Xi telling officials in the Chinese government how important the agricultural relationship is to the overall relationship between the US and China. President Xi is reported to have said that the agricultural relationship between the US and China is like the ballast in the ship, it keeps our overall relationship "upright" as the ship travels through storm-filled waters. We will have unsettled times, but agriculture should be, and is, a steadying force to bring the ship into calmer seas. The agriculture relationship between the US and China is one of the most mutually beneficial areas of trade between our countries. The US benefits from markets for our agricultural products and the people of China benefit from a safe a reliable food source for their population.

Governor Branstad just returned from a trip to China last week where he was the first U.S. Governor to greet him after Xi's ascent to the Presidency earlier this year. The Governor led a delegation with more than fifty Iowans at the invitation of the Chinese People's Association for Friendship with Foreign Countries and included meetings with senior government officials, current and potential business partners, a U.S. – China Governors Forum and celebration events to recognize Iowa's 30th anniversary of a sister state with the Chinese province of Hebei.

The relationship the US and Iowa has with China is very important to our farmers. Iowa is the largest producer of soybeans in the US and China is the world's largest buyer of soybeans. Over \$2 billion of Iowa soybeans and \$14 billion of US soybeans end up in China's soybean crush

facilities, eventually with the soybean meal feeding livestock and the soybean oil used in feeding China's consumers directly.

I know there are segments of US agriculture that have been impacted negatively by increased trade in specialty or niche products, but for commodity production, specifically for soybean farmers, this trade has been and will almost certainly continue to be hugely beneficial into the future.

China makes the world soybean markets today. Japan is the United States' second largest customer for soybeans. China buys 6-7 times the soybeans from the United States that Japan buys. And Chinese demand continues to grow! When traveling to southern China in March, a group from the Iowa Soybean Association heard an estimate from a private trader that he expects Chinese imports of soybeans to grow from around 60 mmt of soybeans today to 80 mmt of soybeans in five years. These soybeans imports would come from both North and South America. He also estimated China would be importing 20 mmt of corn in five years, up from small amounts of net corn imports today.

As with almost all trading partners, we continue to have market access issues that we need to continue to work through with China. Recent restrictions that China has added for pork products around ractopamine and their requirement for 3rd party inspections to prove compliance is a significant issue. Pork is such a staple of the Chinese diet, so this move to limit access is a significant issue. The total value of US pork exports to the Chinese mainland and Hong Kong last year was \$886 million, according to media reports. Some of the exports of pork products are especially important as they are products of limited value in the US or other foreign markets.

We would also like to see more access in China for beef from the US. There should be many opportunities for high value beef in China in the future, if market access allows such trade to take place. Increasing the sale of lower value beef products in China would also be important to the US beef industry.

It is also important we continue to encourage China to move towards parallel approval of new biotech traits, rather than sequential registrations. This will help prevent any potential trade issues from China receiving soybeans, and eventually corn, shipments of products that include traits that have been approved in the U.S. but have not yet been approved in China.

I expect we will continue to see significant growth in shipments of dried distillers grains (DDGs) to China and will allow us to move beyond past concerns that China has expressed around the pricing of these products.

Iowa agribusinesses and manufacturers are exporting to China and in some cases have made investments in production facilities there.

Going forward it is important to recognize that China sees agriculture as a strategic interest, and as a result will be making a significant investment in agriculture research. I've been told that China intends to invest \$450 billion in public agriculture research over the next 10 years. I understand that their definition of public research and ours may be very different, but regardless

of the definitions, that is a significant investment and highlights the important role research cooperation between our countries could play. Better relationships in research could lead toward opportunities to avoid trade conflicts in the future or at least give us more opportunity to address future issues of concerns.

In closing, China is and will continue to be a critical trading partner for U.S. agricultural products and it is vitally important we maintain the strong, mutually beneficial relationship our countries enjoy. I appreciate the work of this Commission to help support and strengthen the relationship between the U.S. and China and thank you for the opportunity to offer testimony today. I look forward to your questions.