Testimony of Doug Boisen
National Corn Growers Association/U.S. Grains Council
Chairman, Joint Trade A-Team

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Good afternoon. Chairman Grassley, Ranking Member Baucus and members of the Committee. My name is Doug Boisen. I am a board member of the Nebraska Corn Development, Utilization and Marketing Board, U.S. Grains Council and Chairman of the Joint Trade A-Team of the National Corn Growers Association and U.S. Grains Council. I would like to thank the Committee for giving me the opportunity to testify and speak today regarding trade opportunities in the Middle East. Today's hearing is very timely, and I commend the Chairman and the Committee for convening it.

One out of every five rows of United States corn is exported, and exports of value-added corn and co-products add to the importance of foreign markets for United States corn producers. In 2003, United States corn exports totaled 43 million metric tons with a value of $4.7 billion. This represents approximately 20 percent of total U.S. production, with the United States accounting for nearly 57 percent of worldwide production last year. Our two closest competitors in the international marketplace are Argentina and China with 14 and 17 percent of world production respectively.

As you know, corn growers are experiencing a rising level of competition in the international market. More so than any time in the past, corn producers operate in an international marketplace that is competitive. The importance of free trade agreements has never been more essential to the future success of our industry.

The Middle East

I'm especially pleased to be here today to talk about Middle East trade. As you may know, NCGA's sister organization, the U.S. Grains Council has been very active in the region for many years and currently has offices in Egypt and the United Arab Emirates. In addition, the Grains Council has programs to build markets and enable trade for U.S. feed grains in many of the Middle East countries.

The Middle East Region[1] is heavily reliant on feed grain imports to produce livestock and poultry to satisfy its demand for protein-based animal products. In 2001-02, total corn imports by countries in the region was approximately 11.6 million metric tons, of which the United States supplied 7.7 million metric tons, or 66 percent. While imports to the region increased last year, U.S. market share dropped to 41 percent due to competition from Argentina and China. Despite this, U.S. corn imports are rising to historic levels with large purchases recently by Egypt, Israel, and others.

[1] Turkey, Syria, Jordan, Lebanon, Egypt, Israel, Saudi Arabia and the Gulf Cooperation Council countries.

While many governments seek to increase production of various feed crops, the region's climate and scarce water supplies are expected to put these countries in a situation to rely even more on imports. Growth in income and population are fueling rising consumption of poultry and to a lesser extent beef, dairy and sheep products. As a result, we expect the region to be an expanding market for U.S. feed grains in the future given economic and political stability.

Although red meat, especially lamb, is the preferred meat throughout the Middle East, the production of beef and mutton has remained static over the past 6 years. The only exceptions are Turkey and Iran where beef production has declined. The decline was most dramatic in Iran where production dropped by over 22 percent. The primary reason for the steady decline is the lack of adequate pastures and roughage sources in the area. As a result, most of the consumers in the Middle East are forced to turn to poultry meat, eggs and dairy products to fulfill their requirements of animal protein. This has resulted in the growth of the poultry sector throughout the Middle East ranging from 7 to 10 percent. It is projected that this growth will be maintained over the next five years.

Let me take this opportunity to highlight various countries and the current and future growth opportunities available to corn and feed grain producers.

Egypt

Egypt’s population of 68 million has grown 2 percent annually over the past decade while per capita income has nearly doubled. Population growth, coupled with increases in consumer disposable income has translated into increased demand for meat, milk and eggs, and consequently, demands for imported feed grains. This is reflected in Egypt's increased corn imports from 1.2 million metric tons in 1990 to 5 million metric tons in 2002. Consequently, Egypt has become our fourth largest corn market. As with most countries in the region, protectionist trade policy barriers toward feed grain imports are not currently an issue with Egypt.

The other countries in the region, Iran, Syria, Saudi Arabia, Turkey and Israel, are sizable markets importing nearly or more than one million metric tons of corn per year. With the exception of Israel, those are also the countries which demonstrate the most potential for growth in the livestock and poultry sectors and feed grain imports. The dynamics of this growth is illustrated by demographic changes. Nearly a third of the population in these countries is below the age of 15 years. In addition, changing eating habits of younger generations is also impacting the demand of animal products.

Iran

With a population of 65 million, Iran is growing at 1.6 percent per year and per capita income will grow at a projected 3 percent rate over the next several years. With an arable land mass of only 10 percent and domestic corn production stagnant at 1 million metric tons, much of the required coarse grains will have to be imported. It is projected that by 2009, Iran will need to import 3.2 million metric tons of corn, double the import level of 2002.

Although strong trading partners prior to the Revolution in 1979, U.S. exports have been impeded by the political relations between the two countries. As a result, Brazil and Argentina have been the major suppliers of corn until this past year when China reportedly supplied over 700,000 metric tons to Iran. Although there are some opportunities for the U.S. to make sales to Iran under the right conditions, those opportunities are limited mainly due to the difficulties around the U.S. imposed trade sanctions.

Syria

In Syria, a rapidly increasing population and rising expendable income suggests a bright future for the development of the poultry sector in that country. A strong demand for dairy products and limited commercialization of the dairy sector also holds potential for growth. With only 26 percent of land suitable for crop production, the increased feed grain demand by those sectors will have to be met through imports. Syria imported approximately one million metric tons of corn last year with the U.S. supplying almost 60 percent of that total. It is projected that corn imports will grow to 1.6 million metric tons by 2008.

Saudi Arabia

Saudi Arabia is import dependent on most feed ingredients required to sustain its domestic livestock and poultry sectors, so much so that the government subsidizes corn and soy meal shipments. This has helped make Saudi Arabia self sufficient in eggs, fresh milk products and less so in poultry products. In 2003, corn imports were approximately 192,000 metric tons. Once importing over a million tons per year from the United States, Saudi Arabia has looked to other suppliers recently. Although we hope to regain market share in that country in the near future, looming concerns over biotechnology could cripple U.S. presence in that market as well as have repercussions in other parts of the region.

Saudi Arabia was the first to enact a biotech policy on foodstuffs containing or derived from biotech sources. In December 2001, the Saudi Ministry of Commerce implemented a certification and labeling requirement on all biotech origin food items imported into the Kingdom. A decision regarding bulk corn and corn products and the labeling of meat, milk and eggs produced domestically from biotech corn is pending. The Grains Council has been very active in working with partners in Saudi Arabia since 2001 to minimize the potential disruptions these biotech policies could have on trade in corn and corn products from the United States.

Other countries in the region may likely adopt similar policies as those in Saudi Arabia. Of particular interest is Turkey. I am told that the Turkish Government is developing a biotechnology position to be announced in May or June 2004. Given Turkey's aspirations to join the European Union, the government intends to implement a policy similar to the recently adopted labeling and traceability regulations.

Turkey

Turkey has been a moderate sized market for U.S. corn for a number of years, based mostly on solid growth in the poultry industry and for industrial use. In 2002, Turkey imported approximately 1.5 million metric tons of corn with the U.S. supplying two thirds of that amount. However, a primary obstacle to growth is the use of seasonal import duties that coincide with the Turkish corn harvest. The duties are held in place until the domestic corn crop is marketed and stocks are depleted. These duty fluctuations, which are unpredictable in terms of timing and size, create significant uncertainties for importers and exporters, and reduce the overall market potential beyond what the government will allow.

While we have been effective in working with their poultry and wet milling industries, it is very difficult to place any kind of effective pressure on Turkey since they are well below their WTO binding tariff rate. Therefore, Turkey would be a good candidate for a free trade agreement.

Iraq

One other country I would like to mention is Iraq. Throughout the 1980s, Iraq was a consistent importer of corn from the United States. In 1989, Iraq imported 650,000 metric tons of corn, nearly all from the United States. Much of those imports went to a growing poultry industry. In 1989, domestic poultry production reached nearly 270,000 metric tons, a five-fold growth over the previous nine years. The government of Iraq began to privatize the industry, creating a strong incentive for further growth. However, following the Gulf War in 1991, grain imports and the poultry industry collapsed. Rebuilding of Iraq will require significant expansion in both the poultry and livestock sectors just to get back to the per capita consumption levels of animal protein that Iraqis had in the late 1980's.

Working cooperatively with the Foreign Agriculture Service and the American Soybean Association, the Grains Council is leading efforts to rebuild Iraq's poultry sector. The feed grain industry is carrying out capacity building activities with Iraq's poultry industry to address some of the obstacles it currently faces such as lack of financing for small and medium-sized producers, inadequate regulations for an orderly market, poor commercial contacts with international input suppliers, and insufficient storage for feed and feed ingredients among others.

In helping to accelerate the rebuilding of this sector, we also will be building a viable market for U.S. feed grains. In several years, it is possible that we will again see Iraq importing large amounts of corn. Critical to realizing these goals, Iraq will need credit assistance along the lines of a U.S. GSM program to import basic commodities.

Conclusion

No doubt, our future as agricultural producers is linked to trade. The United States Government and organizations like NCGA and the Grains Council need to promote the benefits of trade liberalization in the Middle East and around the globe. We cannot retreat from any region of the world.

We look forward to working with the Committee on this and other issues of importance in the future. I thank you again for the opportunity to address the Committee. I welcome your questions.