

**Statement by Neal Bredehoeft, President  
American Soybean Association**

**before the**

**Committee on Finance  
United States Senate**

**on**

**U.S.-China Economic Relations**

**June 23, 2005**

Good morning, Mr. Chairman and Members of the Committee. I am Neal Bredehoeft, a soybean and corn farmer from Alma, Missouri. I currently serve as President of the American Soybean Association. ASA represents 26,000 producer members on national issues important to all U.S. soybean farmers. We are honored to have the opportunity to appear before you today on the vitally important subject of U.S.-China economic relations.

It is impossible to overstate the importance of China as a market for U.S. soybeans. In 1996, the U.S. sold \$414 million worth of soybeans to China – a significant market at that time. This year, the value of our soybean exports is expected to reach a record \$2.96 billion. This represents a seven fold increase in a decade which has seen China emerge as the largest foreign buyer of U.S. soybeans. The 440 million bushels we expect to export to China in 2005 represent 40 percent of total U.S. soybean exports, and 18 percent of last year's U.S. soybean harvest. In other words, today, nearly two out of every ten rows of soybeans grown in the United States are destined to be exported to China.

Prospects for continued rapid growth in Chinese soybean imports are excellent. China's population continues to expand and is becoming increasingly urban. As a result of dynamic economic growth, more Chinese consumers can afford and are seeking a higher standard of living, including more protein and vegetable oil in their diet. China's ability to supply these needs through increased production of soybeans and other feeds and oilseeds is limited, so most of the increase in demand will be filled by imports.

Development of Chinese demand for soybeans has not been driven only by demographics and economic growth. Twenty years ago, ASA established a presence in Beijing to develop what was then a small market for U.S. soybeans. Working with the Foreign Agricultural Service of USDA and the soybean checkoff, we have undertaken a variety of programs to educate the Chinese on the economic, nutritional, and other benefits of utilizing U.S. soybean meal for animal feed and soybean oil for human consumption. These efforts have clearly paid off.

We have also worked very closely with this and previous Administrations to increase access to the Chinese market through trade negotiations. ASA provided specific objectives to U.S. negotiators during talks on China's accession to the World Trade Organization, and strongly supported approval of this agreement. We look to the current negotiations under the Doha Development Agenda to further improve the rules governing market access.

Our industry's trade relations with China have not been without difficulties. In 2002, Chinese government agencies began to require import permits and safety certificates for imports of U.S. soybeans derived through biotechnology. These requirements went through a number of revisions and deadlines, resulting in disruption of deliveries and increasing risk and cost to U.S. exporters. This situation was resolved only through the personal intervention of President Bush with the Chinese leadership, which U.S. soybean producers deeply appreciate.

We have also seen China act to restrict or quarantine imports of soybeans, both from the U.S. and other origins, due to the reported presence of diseases, such as white mold, or of unapproved fungicide products. Additionally, we have seen China use its import inspection procedures as a de-facto import licensing scheme to slow or limit imports. Imposition of these restrictions and the resulting increase in soybean prices in the domestic Chinese market have tended to coincide with the anticipated harvest of China's soybean crop in the Fall. While we have not experienced similar disruptions in the past year, they remain a serious and ongoing concern for the future.

Despite these difficulties, Mr. Chairman, we are hopeful that China is coming to accept greater access to its market for imported soybeans, and that imposition of illegal non-tariff barriers will become less frequent. We believe improved behavior results from the constant application of even-handed pressure to respect trade agreements through discussions and negotiations. ASA and other U.S. agricultural organizations actively support this approach.

We certainly do not support measures that would try to force China to revalue its currency through imposition of punitive tariffs on imports of Chinese products. Such punitive rather than constructive measures are not likely to have the desired effect of changing China's policies and could trigger retaliation by China. The Chairman and others will recall another occasion when the United States used trade sanctions in an attempt to punish or correct international behavior. When we cut off grain exports to the Soviet Union in 1980, it sent a shock wave through world agricultural markets. Not only were the Soviets able to source wheat and soybeans from alternative suppliers, but other major U.S. customers decided we were an unreliable supplier. The Japanese, in particular, invested heavily in development of soybean production in southern Brazil. Today, Brazil has become our largest competitor for soybean exports and is rapidly emerging as an aggressive seller of cotton, sugar, livestock, and biofuels products.

Twenty-five years ago, U.S. policymakers convinced themselves that we could control global agricultural trade. Today, with the emergence of Brazil and other South American exporters, there can be no such mistake. In response to trade sanctions, China could easily replace U.S. soybeans and other agricultural products from other sources. The result would be the loss of a growing \$3.0 billion soybean market for U.S. soybean farmers that has taken us 20 years to develop.

China is a vital and growing market for U.S. agricultural sales. It is one of the strongest arguments for supporting efforts to open world markets through the Doha trade negotiations. Any action to force changes in China's economic policies by imposing punitive tariffs would have the most negative consequences, not only for U.S. soybean exports, but for efforts to further liberalize the global trading system.

Thank you again for the opportunity to appear today. I will be happy to answer any questions.