

Testimony of Thomas J. Vilsack
Secretary
U.S. Department of Agriculture
Before the U.S. Senate Committee on Finance
Washington, DC
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Mr. Chairman, members of the Committee, I am pleased to appear before you today. I welcome the opportunity to discuss the benefits to U.S. agriculture of ending the application of the Jackson-Vanik Amendment and authorizing permanent normal trade relations (PNTR) for Russia. The U.S. Department of Agriculture strongly supports establishing PNTR with Russia and ensuring Russia remains one of our top export markets as it joins the World Trade Organization (WTO). American agricultural exports remain a bright spot in our nation's economy, supporting more than 1 million American jobs in communities across our country.

PNTR is not a favor to Russia. It is a significant opportunity for America's farmers, ranchers, and producers. It will provide improved, predictable access to Russia's 140 million consumers and an expanding middle class that has grown by more than 50 percent in the last decade.

By granting Russia PNTR, the United States will not provide additional market access to our domestic market for Russian agricultural imports. We will simply make permanent the market access treatment we have been extending to Russia on an annual basis since 1992. By not granting Russia PNTR, U.S. farmers, ranchers, and producers will face an uneven playing field. Their competitors in the European Union, Brazil, Argentina, and WTO member countries around the globe will benefit from Russia's guaranteed tariff treatment and obligation to apply science-based sanitary and phytosanitary standards.

U.S. agricultural exports to Russia in fiscal year 2011 were nearly \$1.4 billion, contributing significantly to our agricultural trade surplus. The United States imported only \$25

million of agricultural products from Russia last year. This impressive performance by U.S. exporters has been accomplished in spite of Russia's imposition of non-science-based sanitary and phytosanitary measures and unjustified technical barriers to trade.

Russia's membership in the WTO means:

- U.S. farmers and exporters will have more certain and predictable market access as a result of Russia's commitment to avoid raising tariffs on any products above the negotiated rates and to apply non-tariff measures in a uniform and transparent manner;
- Russia will be obligated to apply its trade regime in a manner consistent with WTO rules, including those governing sanitary and phytosanitary measures and technical barriers to trade, limiting its ability to impose arbitrary measures that disrupt trade; and
- Russia will be obligated to follow detailed rules governing transparency in the development of trade policies and measures. Unlike today, this will include requiring the notification of draft rules and opportunities for public comments on rules prior to their adoption; and
- Russia's compliance with its obligations will be enforceable through use of the WTO dispute settlement process.

Russian consumers value the quality of U.S. food and agricultural products. While U.S. exports of meat and poultry to Russia have remained strong over the past few years, we have seen growing diversification of the products we export. In fact, in fiscal year 2011, U.S. exports of live animals, eggs and egg products, tree nuts, fresh fruits, seafood, and other consumer food products reached new records. Consumer trends in Russia are resulting in greater demand for

higher-value products. For example, Russia's packaged food market has an estimated value of \$100 billion and is experiencing double-digit growth.

Benefits of Russia's WTO Accession for U.S. Agricultural Market Access

As part of its WTO accession agreement, Russia's agreed to reduce tariffs on a number of imported agricultural products. For soybeans, tariffs will be bound at zero, and for soybean meal, tariffs will be cut in half to 2.5 percent. Maximum bound tariffs on most cheeses will drop from 25 percent to 15 percent within 3 years. Russia's duties are already relatively low for many fruits and tree nuts, but those rates will be bound and, in many cases, reduced substantially within a few years of accession.

Russia also applies tariff-rate quotas (TRQs) on a variety of U.S. agricultural imports. Russia is the world's largest importer of beef on a quantity basis, with a total of nearly \$4 billion of beef and offal products last year. Upon WTO accession, Russia will implement a U.S. country-specific TRQ of 60,000 tons of frozen beef with an in-quota tariff of 15 percent. The United States will also have access for high-quality beef outside of the TRQ at a 15 percent tariff.

Russia is the world's fifth-largest importer of pork and offal products, at \$2.5 billion last year. Russia's WTO membership will lock in the current applied global TRQs for pork. Immediately upon accession, Russia will eliminate the in-quota 15 percent tariff and significantly lower the out-of-quota tariff.

Reduced TRQ access for poultry products has resulted in Russia falling to the fourth-largest global importer of poultry at \$900 million last year. Despite the decline, the United States has reclaimed its place as the top supplier, providing 50 percent of Russian poultry imports. Russia's WTO accession will lock in the current applied global TRQ quantities for frozen bone-in chicken cuts and increase access for both frozen boneless chicken and turkey.

I know Senate Finance Committee members recognize the ability of U.S. agricultural exporters to seize market opportunities. For example, entrepreneurial Montanans have shipped more than \$20 million in live cattle and bovine genetics to Russia in the past two years. And, as the Committee heard earlier this year in testimony from a representative of the Montana Stockgrowers Association, Russia is an excellent market for cattle, genetics, and USDA Choice and Prime cuts. PNTR paves the way for our entrepreneurs to significantly increase their exports to Russia.

Exports of apples, pears, and cherries from the Pacific Northwest states to Russia now exceed \$20 million annually. Exports of all fresh and dried fruit have grown more than tenfold over the past decade to more than \$55 million last fiscal year. Tree nut exports, which reached nearly \$90 million in FY 2011, have seen similar growth. The Pacific Northwest tree fruit industry views Russia as an emerging market and supports PNTR.

With Russia striving to grow its domestic livestock and poultry industries, U.S. feed suppliers are poised to capitalize. Russian tariffs on soybean meal and other animal feeds will fall. The American Soybean Association cites PNTR with Russia as “critical to our ability to increase soybean exports.”

Russia is the world’s largest importer of dairy products, but the United States has been generally shut out of the market since late 2010. A critical market access barrier for U.S. dairy exports will be removed, as a list of Russian-approved foreign suppliers will no longer be required. Both the National Milk Producers Federation and U.S. Dairy Export Council have noted that granting PNTR to Russia is critical to helping U.S. dairy companies re-enter this market on workable trading terms.

Russia’s WTO accession will also result in improved market access for American agricultural equipment exporters, who have faced substantial markets access barriers in Russia.

After full implementation of its WTO accession commitments, U.S. exports of combine harvesters and threshers will have a final bound tariff rate of 5 percent, down from 15 percent. Russia is the 4th largest market for U.S. agricultural equipment exports, a sector that employs over 56,000 workers in the United States.

Tireless and determined USDA and USTR negotiators have worked with the U.S. agricultural community to overcome unpredictable Russian market access hurdles for decades. Our recent efforts have resolved issues crucial to Russia's WTO accession. With the help of the U.S. Congress, U.S. agriculture can soon reap the benefits of improved market access and Russia's obligations in a rules-based system.

Conclusion

Mr. Chairman and members of the Committee, in closing, I would like to note that U.S. agriculture continues to be a bright spot in America's economy and a driving force behind export growth, job creation, and our nation's competitiveness. We need to give our farmers, ranchers, and food exporters every tool possible to keep that positive record moving forward. Just a few weeks ago, USDA forecast 2012 farm exports to reach the second-highest level on record, \$134.5 billion, making the past three years the strongest collective period of export performance in our nation's history. Every \$1 billion in farm exports supports roughly 7,800 jobs in the United States. Establishing PNTR with Russia will further enhance opportunities for U.S. agriculture and none of us doubts the ability of U.S. agricultural exporters' ability to compete.

This concludes my statement. I look forward to answering any questions you may have. Thank you.