

Statement of John Heisdorffer
President, American Soybean Association
before the
Committee on Ways and Means
U.S. House of Representatives

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Good morning, Chairman Brady, Ranking Member Neal, and Members of the Committee. I'm John Heisdorffer, a soybean farmer from Keota, Iowa, and President of the American Soybean Association. ASA is the national organization that represents U.S. soybean farmers on policy and international issues. We appreciate the opportunity to appear before the Committee today on the potential impact of Chinese tariffs on U.S. soybeans.

In 2017, U.S. farmers produced a record 4.4 billion bushels of soybeans and exported 2.3 billion bushels, or 52 percent, valued at \$27 billion. For the last 20 years, soybeans have contributed more to the U.S. trade balance than any other agricultural product. We are very proud of this record, and of our role in helping to feed a growing world.

China is the world's largest soybean importer, buying 93 million metric tons of soybeans in 2016, mostly from Brazil, the U.S. and Argentina. In 2017, China imported 1.4 billion bushels of U.S. soybeans, 62 percent of total U.S. exports and nearly one-third of our annual soy production. Over the next 10 years, Chinese demand for soybeans will grow annually by the size of our entire export market to the EU.

Concern about a Trade War

Since last year, the U.S. soybean industry has been very concerned about getting into a trade war with China. This concern was heightened when President Trump announced his decision to impose tariffs of 25% and 10%, respectively, on steel and aluminum imports. ASA sent a letter to the President on March 12 raising our concern about Chinese retaliation and asking for a meeting to discuss how increasing U.S. agricultural exports can help reduce our Nation's trade deficit. We indicated that there is room for us to grow our exports to China, and that we should be focused on ways to expand trade instead of restricting it.

Our fears were confirmed after the Administration announced tariffs on an additional \$50 billion of Chinese imports under Section 301 when China stated its intention to place a 25 percent tariff on imports of U.S. soybeans and other products. With this announcement, retaliation is no longer a "what if." The prospect of an escalating trade war has already created significant uncertainty in the U.S. soybean market and has driven up premiums for Brazilian soybeans from \$10 to \$30 per metric ton.

The U.S. Role in Developing the China Soybean Market

ASA has partnered with the U.S. government for decades and spent millions of dollars to establish foreign markets for U.S. soybeans. China is perhaps our most impressive success story.

ASA opened an office in Beijing in 1982. At that time, China did not have a vertically-integrated animal feed industry, and livestock production lacked health and nutritional standards. China has the largest swine herd in the world but, at the time, much of it was backyard-based and its ration did not include soybean meal. Similarly, while China produces more fresh water fish than the rest of the world combined, none of its fish feed included soybean meal 20 years ago.

Through a long-term and comprehensive program to demonstrate the value of soy-based feeds, ASA and the U.S. Soybean Export Council helped build demand for soybeans to the level China imports today. Since 1995, while feed use in China grew by 140 percent, soybean meal used in animal feed rose an unprecedented 839 percent. And we've seen the amount of soybean meal used in aquaculture feeds grow from zero just 20 years ago to 7 million metric tons this year. The value of U.S. soybean exports to China has grown 26-fold, from \$414 million in 1996 to roughly \$14 billion in 2017. Potential tariffs would put years of work to expand markets, and the livelihoods of thousands of U.S. farmers, in jeopardy.

Economic Impact of Chinese Tariffs

Retaliation by China against U.S. tariffs would undercut prices received by soybean producers and further hurt the already depressed farm economy. Crop prices are down 40 percent since 2013, and farm income has fallen by 50 percent. Operating margins are slim, and farmers cannot absorb additional hits to the farm economy.

According to a study for the U.S. Soybean Export Council conducted by Purdue University, soybean exports to China could drop dramatically if China chooses to impose a 25 percent tariff on U.S. soybeans. Using an advanced version of the Global Trade Analysis Project (GTAP) model developed at Purdue, the study projects that China's soybean imports from the U.S. would fall by 65%, total U.S. soy exports would drop by 37%, and U.S. soybean production would decline by 15%.

It has been argued that trade in agricultural products is fungible, and that the loss of one market to a competitor will be replaced by other markets which that competitor will no longer sell to. In the case of soybeans, this argument fails to recognize that our largest competitor, Brazil, is continuing to expand soybean production on new lands. Brazil is already the world's largest soybean exporter, including to China, and would respond quickly in the event U.S. trade actions trigger retaliation against our soybean exports. We simply cannot accept the risk a trade war would create for our industry.

In addition to the concerns of U.S. soybean farmers, other commodity producers are at risk of losing critical sales to the China market. As a result of the prospective Section 301 and Section 232 tariffs, China has also threatened to retaliate against pork, sorghum, wheat, corn and beef. Last year, the value of China's imports totaled \$1.1 billion for U.S. pork, \$1 billion for cotton, \$1.1 billion for sorghum, \$450 million for wheat, \$150 million for corn and \$11 million for beef. Actions that threaten these markets have the potential to upend the farm and rural economy and put the livelihoods of farmers in jeopardy.

Conclusion

As producers of the Nation's number one agricultural export, soybean farmers want to be an essential part of helping lower our trade deficit with China. We believe that expanding market access can play a vital role in increasing our agricultural trade surplus. We ask this Committee and Members of Congress to help allow soybean farmers be part of the solution instead of collateral damage from a potential trade war.

Thank you for inviting me to testify. I look forward to answering your questions.