

July 11, 2017

The Honorable Wilbur Ross
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, D.C. 20230

Secretary Ross:

The undersigned agriculture organizations are extremely concerned about the consequences of import restrictions under Section 232 of the Trade Expansion Act of 1962. If the Section 232 investigations on steel and aluminum result in new trade barriers, the aftermath could be disastrous for the global trading system and for U.S. agriculture in particular.

U.S. agriculture is highly dependent on exports, which means it is particularly vulnerable to retaliation. Many countries that export steel to the United States are also large importers of U.S. agriculture products. The potential for retaliation from these trading partners is very real. Short of explicit retaliation, these countries may also stall efforts to resolve current trade issues if they believe they have been unfairly targeted over legitimately traded products.

It is also likely that the United States would not be the last country to cite national security concerns as a reason to restrict imports. In particular, many countries view food security as a legitimate national security concern. If a country as consequential as the United States can cite national security reasons to prevent imports of a sensitive product, others will do the same.

Under the 1994 General Agreement on Tariffs and Trade (GATT) Article XXI, national security can be a legitimate reason to restrict trade, but this has been rarely cited for a very good reason: Article XXI is the Pandora's Box of the GATT. If it is opened for our import-sensitive industries, the results could be devastating. National security arguments are so rarely used because there is practically no way to refute them. No country can dictate another's national security needs, so now every country with a sensitive industry would know that it could follow the example of the United States and find a national security reason to circumvent trade commitments, no matter how flimsy the reason might be.

U.S. farmers rely on international commitments made by countries in the WTO and other trade agreements to keep markets open. The strength of that system is not guaranteed, and the United States has been a bulwark in maintaining it, to the benefit of U.S. agriculture and many other industries.

Undermining that system through an extraordinarily loose application of national security exceptions would be a short-sighted mistake. We urge the Department of Commerce to consider the consequences to the rest of the U.S. economy and avoid igniting a trade war through new restrictions on steel or aluminum trade under Section 232.

Sincerely,

American Farm Bureau Federation
American Soybean Association
National Association of Wheat Growers
National Barley Growers Association
National Cattlemen's Beef Association
National Corn Growers Association
National Council of Farmer Cooperatives
National Milk Producers Federation
National Pork Producers Council
National Sunflower Association
National Turkey Federation
U.S. Apple Association
U.S. Canola Association
U.S. Dry Bean Council
U.S. Wheat Associates
U.S. Grains Council
USA Dry Pea and Lentil Council
USA Rice Federation



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July 19, 2017

Honorable Wilbur Ross
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, D.C. 20230

Dear Secretary Ross,

Thank you for meeting with me and other American Soybean Association (ASA) leaders and staff last week to discuss trade issues. As we shared with you, soybeans and soy products are America's leading agricultural export with an export value of over \$27 billion last year. We are a leading global supplier to the world, supplying high quality protein and vegetable oil for animal feeding and human consumption. As such not only are we helping nations' meet their food security needs, but we also are contributing positively to U.S. economic growth and the balance of trade and employment within rural communities.

U.S. soybean producers believe it is critical to maintain existing global markets for soybeans such as China, Mexico, the European Union, Japan, and others through trade agreements, as well as to expand markets through new agreements.

You asked for additional information on China's consumption of soybeans, and we are pleased to provide the following short summary of the market.

China is the world's largest importer of soybeans, importing between 84 and 88 million metric tons per year while producing 12-14 million metric tons annually. China relies on soy imports from South America and the United States to meet 85 percent of its demand for soybeans. Imported soybeans are processed by Chinese soybean crushers into high-quality protein meal for animal feed (chickens, hogs, dairy cattle, and fish for aquaculture production) and soybean oil used for cooking.

Chinese consumer demand for more meat, milk, eggs, and fish in their diets has risen steadily over the past three decades as Chinese consumer incomes have grown. Imports of soybeans satisfy China's food security needs, allow consumers to add more meat, egg, and fish protein to their diets, and allow Chinese policy officials to keep food price inflation in check.

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The US soy industry believes there is much upside potential for soybean consumption and imports to grow in China. The Chinese government has definitive policy goals to move an additional 300 million people from rural lifestyles and incomes to urban lifestyles and incomes. Statistics show that when Chinese consumers move from the village to the city, their consumption of animal protein fed with soybean meal and soybean oil increase by 30%.

China's reliance on soybean imports to meet such a large part of its demand stems from policy decisions Chinese leaders made in 1994. At that time, and continuing today, Chinese leaders recognized that they could not produce enough corn, wheat, rice, and soybeans on existing arable land, and made the policy decision to strive for self-sufficiency in corn, wheat, and rice – and to rely on imported soybeans to meet the bulk of China's rising soybean needs. This decision also was pragmatic from economic and transportation efficiency standpoints, in that the quantity of soybeans that needs to be imported to meet Chinese demand is less than corresponding amounts of corn, wheat, or rice that would be needed to meet demand. Additionally, the counter-seasonal nature of global soybean production (i.e., growing of soybeans in North America during our summer, and the growing of soybeans in South America during their summer) assured Chinese customers of a steady, year-round supply of soybeans.

China has the largest and modern soybean processing industry in the world, with most of its modern, efficient plants built in eastern and southern port areas where imported soybeans can be off-loaded, processed in protein meal and vegetable oil, and then transported to feed mills and eventually to domestic livestock producer customers. China also has a large feed industry that is dependent on imported soybeans. China's domestic livestock sector is comprised of the largest swine herd in the world, the largest global aquaculture industry, and rapidly modernizing poultry, egg, dairy, and beef industries.

China is a very important market for U.S. soybean producers, with nearly one-third of annual U.S. soybean production destined for China. While a very large importer of U.S. soybeans (roughly 50% of our total exports over the last few years), China actually imports more soybeans from Brazil than from the United States. Approximately 40% of China's soybean imports are from Brazil, with 35% from the United States, and 25% combined from Paraguay, Argentina and Canada. It is a mutually beneficial trade relationship. China depends on soybean imports to contribute to food security by providing high-quality protein for China's livestock and aquaculture industries that feed its people. Global soybean farmers depend on access to the Chinese for a large percentage of total production and exports. China accounts for over 60% of global soybean trade.

Because Chinese leaders have been very visionary in taking steps to secure China's future food needs, China's slow approach to import approvals of new soybean varieties developed via biotechnology has been paradoxical. Global soybean producers rely on biotechnology to deliver new soybean varieties that better enable farmers to increase yields, fight weeds and disease, and improve the nutritional profile of soy. China's slow and unpredictable biotech approval process is hurting its consumers in the medium to long term because, as new

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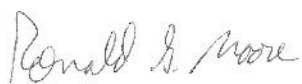
technologies to increase yields and protect crops are delayed by China's slow approach to approvals of new biotech soybean varieties, food costs for consumers in China and the world are driven higher. As the world's most populous nation, that has serious consequences for China.

Any decision by China to curtail soybean imports from the United States would most definitely have significant negative impacts on U.S. farmers. In the event of such a restriction, trade might rebalance if additional Brazilian origin soybeans went to China and U.S. soybeans were to go to a market previously served by Brazil. However, this adjustment would likely be messy and expensive for soybean farmers as markets would almost certainly initially react negatively if it was reported that China was minimizing U.S.-origin purchases. The normal process of the market sorting out which origin should serve which destination based on economics would be stymied by artificial restrictions, meaning that farmers would have to absorb higher freight costs to world destinations. Additionally, increased Chinese purchases of Brazilian soybeans would, over time, result in Brazil clearing more cerrado and rainforest land to bring into soy production.

Finally, while any restrictions on U.S. soy exports to China would have negative consequences for U.S. farmers, such restrictions also would negatively impact Chinese soybean processors, its livestock feed industry, its livestock and fish producers, and ultimately Chinese consumers through higher prices and increased food price inflation. Given that Chinese policy makers made the decision decades ago to rely on imported soybeans to supply the bulk of China's protein and vegetable oil needs, restrictions imposed at this time would be self-defeating.

Once again, thank you for meeting with leaders of the American Soybean Association. We look forward to working closely with you and are happy to answer any questions you may have.

Sincerely,



Ron Moore
President

Cc: Wendy Teramoto
Alan Turley
Eric Branstad