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## UES Application Report

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### **2017 Unified Export Strategy Application Participant: North American Export Grain Association (NAEGA)**

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## 1. SECTION 1: PROFILE, INDUSTRY EXPORT GOAL, AND CONTRIBUTIONS

### 1.1 Applicant Profile

#### 1.1.1 Participant Profile

##### Description:

The North American Export Grain Association, Inc. (NAEGA) was chartered in 1912 and incorporated as a not-for-profit organization in the state of New York in 1920. NAEGA ([www.naega.org](http://www.naega.org)) consists of private and publicly owned companies and farmer-owned cooperatives that are involved in and provide services to the bulk grain and oilseed exporting industry. NAEGA works to promote and sustain the development of the export grain trade from the United States, and to represent the grain and oilseed exporter interests with foreign buyers, governments and other segments of the US grain industry.

NAEGA serves as a conduit for trade inquiries; interacts with foreign buyers; educates foreign buyers on U.S. grain purchase specifications; provides for, through the industry standard NAEGA 2 F.O.B. contract and other vehicles, uniform commercial practices and dispute resolution; advises governments on agriculture and trade policy; distributes information; works to prevent and resolve trade disrupting actions including those tied to regulation by governments; and provides a forum for communication on matters of vital concern to the U.S. agricultural product export industry.

With a strong understanding of risk and markets in a very competitive international environment, NAEGA staff and resources are dedicated to providing the highest possible value in programming and communication through "Working Together to make Trade Work" in coordination with NAEGA members and partners world-wide.

The unique collaboration that is NAEGA does not focus on a particular commodity or product but does focus on the common aspects of the U.S. and global logistics systems for trade of GRNOS agricultural products. GRNOS is the applied term for the products NAEGA addresses in its UES.

GRNOS is further defined as: U.S. produced grains and oilseeds and products derived from the same, for which analysis, strategy and programming is based on the international trade logistics of three core commodities – Corn, Soybeans and Wheat. As such, NAEGA actions and success in implementing this UES are beneficial to a broad range of commodities and products. The NAEGA UES thereby encompasses working together with FAS Cooperators and other industry groups with more narrowly defined product interests as well as with entities like the U.S. and other governments for which products addressed are even broader than GRNOS.

The association maintains its headquarters in the Washington, D.C. metro area. NAEGA staff conducts the business of the association, leads and provides administrative support to the International Grain Trade Coalition Association ([www.igtglobal.org](http://www.igtglobal.org)) and coordinates the association's work with other national and international grain and oilseed promotion organizations supporting exports of grain and oilseed and their primary products (GRNOS).

Funding for the association's activities is principally derived from membership dues.

**Organization Type:** Nonprofit U.S. Agricultural Trade Organization

**Federal Tax Identification:** 13-5282730

**Agency Element:** Field Crops and Forest Products Branch

#### 1.1.2 Office(s)

Office Name	DUNS Number	Office Type	Address	City	State Province	ZipCode	Country
North American Export Grain Association		Headquarters	1250 Eye Street NW Suite 1003	Washington	DC	20005	United States (US)

#### 1.1.3 Contact(s)

First Name	Last Name	Job Title	Contact Phone	Contact Fax	Contact Email	Contact URL	Contact Types
Gary C.	Martin	CEO	202-682-4030	202-682-4033	gcmartin@naega.org	<a href="http://www.naega.org">www.naega.org</a>	MAPPFM
Ryan	Olson	Director of Operations	202-682-4030	202-682-4033	rolson@naega.org	<a href="http://www.naega.org">www.naega.org</a>	MAPFMDMPClaim

#### 1.1.4 Industry

##### Organization Description:

NAEGA is a not-for-profit 501(c)(6) corporation chartered in New York, NY, USA and headquartered in Washington, DC, USA.

Membership in NAEGA includes the following firms: ADM; Agniel Commodities, LLC; Agrex, Inc.; Agribusiness United DMCC; Agri Port Service; Baltic Control, NA Inc.; The Bluewater Shipping Company; BTG Pactual; Bunge North America; Cargill, Inc; CHS; Cobank, Inc; COFCO Americas Resources Corp.; Columbia Grain; Degesch America, Inc.; EGT, LLC; essDocs; Gavilon Grain, LLC; Interstate Grain Corp.; Intertek; INTL FCStone; Itochu International, Inc; Lansing Trade Group; Louis Dreyfus Company; McDonald Pelz Global Commodities, LLC; Mitsui & Co.; Nidera; Pacifcor, LLC; Parrish & Heimbecker, Limited; Pasternak, Baum & Co.; Paterson Grain; Richardson International; The Scouler Company; The Russell Marine Group; T. Parker Host, Inc.; TEMCO, LLC; Toyota Tsusho America (America), Inc.; TRC Group; United Grain; Viterra; United Grain; and Zen-Noh Grain Corp.

##### Executive Summary:

The focus of NAEGA work is market access, trade facilitation and stakeholder best practices education for grains, oilseeds and their primary products. In the context of this Unified Export Strategy (UES) grains, oilseeds and their primary products are addressed as U.S. agricultural products that include GRNOS.

Approximately \$60 billion of U.S. agricultural exports are supported by this UES. The 2017 NAEGA's UES leverages and engages NAEGA experience, unique understanding of and intelligence gathering in markets, global capacity, intensive broad based collaboration and member support with the FAS cooperator system and global and U.S. value chains. This combination of assets and strategy is deployed with several proven and innovative approaches to market access that improve GRNOS trade.

Targeted markets, with specific assessments and action plans for several countries, are presented as three: Americas, Asia and World Wide (WOW). Key activity in the Americas is highlighted by Americas activity in Canada and Mexico. In Asia key activities are contemplated in China, Japan and Korea. Worldwide both Europe and Africa are centerpieces in the NAEGA 2017 UES.

This 2017 UES employs new tools. First, by utilizing the Regulatory Coherence provision of the Transpacific

Partnership as model language to guide communication on best practices and non-tariff trade barriers. Second, assessment and planning is enhanced via IGTC engagement with World Bank Enabling the Business of Agriculture (EBA) program and the WTO Standards and Trade Development Facility (STDF).

Assessment in this UES is primarily accomplished via the extensive feedback NAEGA receives from the industries managing GRNOS related trade and investment risks. Additional assessment is contemplated via the completion of a 2017 Grain and Oilseed Market Access Index with contributions from the World Bank's EBA and the WTO's STDF.

NAEGA operating philosophy is "Working Together to Make Trade Work". Its success is based on close interaction with the extensive and global support of membership and coordination with government and affiliated organizations. The unique collaboration that is incumbent in NAEGA strategy and execution does not focus on a particular commodity or product but does focus on the common aspects of the US and global logistics systems for trade of GRNOS agricultural products.

The UES described in this application is intended to expand and continue successful NAEGA activities in coordination with the work of USDA/FAS, our fellow cooperators and the entire value chain. Ultimately NAEGA program execution is positioned based on sound information and policy to address market access challenges and opportunities and facilitate trade. NAEGA UES activity is intentionally designed to be responsive to short term influences while providing for long term gains. Constant observation of related circumstances followed by credible, nimble action is essential. NAEGA does NOT provide for specific product demand building or brand marketing

Increasingly contributing to NAEGA success is the International Grain Trade Coalition Association (IGTC). Under the direction of NAEGA and integral to its UES, the IGTC has recently achieved several milestone accomplishments including formal establishment in Switzerland, hiring of a secretariat and its first full year of programing in 2015 that promoted the global facilitation of the GRNOS trade. Its growth and effectiveness is a central and critical tool utilized throughout programming and activity as well as in assessment and planning. The IGTC helps to secure success on several key global developments of serious consequence to GRNOS. Key activities include those addressing International Plant Protection Convention (IPPC) work to establish an electronic phytosanitary certificate mechanism and complete an International Standard for Phytosanitary Measures for Grain (ISPM). NAEGA and IGTC also plan extensive a newly revised programming to accommodate production technologies and improve labeling of GRNOS shipments.

Key to NAEGA's UES success is direct support for and involvement with USDA agencies like APHIS and FGIS as well as FAS. Coordination and communication with the office of the U.S. Trade Representative, the Coast Guard and other U.S. government bodies is also a significant contributor.

NAEGA's 2017 UES described in this application is intended to expand and continue successful NAEGA activities in a manner that optimizes the use of resources. This includes continuation of its very successful and ongoing programming to increase market access, facilitate trade and provide for best practice education for stakeholders in addition to new initiative to increase U.S. market share for GRNOS. The U.S. value chain, from producer through exporter, is a direct beneficiary of NAEGA's work to define and communicate the best conditions for all stakeholders, including consumers and governments as they relate to the global trade of agricultural commodities.

#### **Organization Mission:**

NAEGA's mission is to promote and sustain the development of commercial export of grain and oilseeds and their primary products. Through a reliance on member action and support in coordination with international governments and counterparts, NAEGA acts to accomplish its mission from its office in Washington D.C., and in markets throughout the world.

NAEGA acts in coordination with U.S. government in several respects, examples include: formally with the United States Department of Agriculture (USDA) as a Cooperator deploying a Unified Export Strategy (UES) with the USDA's Foreign Agriculture Service (FAS), under which NAEGA is reimbursed for certain allowable expenses, and informally with USDA's Animal Plant Health Inspection Service (APHIS) and the Federal Grain Inspection Service (FGIS). NAEGA also supports U.S. Coast Guard's homeland security mission via the establishment and maintenance of an "Alternative Port Security Program" (ASP) for export grain elevators.

Through the execution of its UES, NAEGA also acts in coordination with other governmental organizations. For example, NAEGA's current UES includes continued work with the U.S.-Canada Grain and Seed Task Group that includes both Canadian and U.S. Government participation. Also, in the summer of 2014, an employee of Japan's Ministry of Agriculture, Forestry, and Fishery (MAFF) very successfully interned in NAEGA's Washington, DC office.

Members of NAEGA work jointly to foster a grain and oilseed export industry that provides the best environment for all stakeholders – from producer to consumer. Membership in NAEGA requires a commitment:

1. to integrity in a commercial environment supported by free trade and competition in commerce involving grain and other agricultural products;
2. to eliminate abuses relative thereto; to eliminate or secure freedom from unjust, unlawful and oppressive exactions in commerce;
3. to promote certainty in the customs and usages of trade and commerce;
4. to promote a more enlarged and friendly exchange among persons engaged in business;
5. and to cooperate to the fullest extent practicable with all governments, governmental departments, governmental and private corporations, partnerships, associations and groups with an interest in providing for global food security and efficient international commerce.

NAEGA draws on its 104 years of experience via active participation and leadership from its members who are the for-profit organizations that execute, support and bear the risks inherent in the vast majority of global GRNOS trade. NAEGA's Market Access Program (MAP) is managed by the President and CEO in coordination with industry volunteers serving on its International Programs Committee, its other formal Committees and multiple ad hoc working groups and task forces. The MAP program is integral to almost all NAEGA activities. It is further supported by member volunteers in leadership positions across the relevant commercial environment, including staff from the National Grain and Feed Association (NGFA), staff dedicated to NAEGA, consultants and Senior Advisors. A Director of Operations provides for administration of the Program under the supervision of the NAEGA President and via engagement with well qualified third party outside accounting services, contractors and legal counsel – all with considerable experience and relevant accreditation and capacity.

In addition to over 40 years' experience in production and marketing of U.S. crops (including grains, high value vegetables, livestock, meat, and processed and branded products), **NAEGA's President and CEO, Gary C. Martin**, has over 35 years of experience with the international commercial markets for U.S. feed grains, soybeans and wheat. Since 1978, Gary has worked in some fashion with USDA international programs. While serving as USDA Deputy Administrator of Commodity Operations, Gary was responsible for U.S. bulk agricultural commodity purchase programs for surplus removal and international food donations. Over the past decade, Gary has spent a large amount of effort in reviewing strategies of impact on the international marketing of U.S. coarse grains, soybeans, and wheat. For instance, Gary once served on the Agricultural Policy Advisory Council for USDA and USTR, was a participant on the American Soybean Association/United Soybean Board

Soybean Export Competitiveness Committee and served on the National Growers long term planning effort during the 1990s. Gary continues to serve as NAEGA's primary liaison to all related market promotion and development groups, including the American Soybean Association, U.S. Grains Council and U.S. Wheat Associates. Gary currently serves as the President of the International Grain Trade Coalition, is the organizer of the Canada -US Grain and Seed Trade working group, the U.S. Export Credits Working Group, the Pan American Grain and Oilseed Trade Coalition, and the U.S. Food and Agriculture Dialogue for Trade Agreements. All of these entities have worked closely and successfully with the U.S. government (the FAS in particular) to advance market opportunity for U.S. agricultural exports. NAEGA's work as a FAS Cooperator program requires at least 70 percent of his time.

The **Director of Operations** position is held by Ryan Olson. Ryan is entering his second year as NAEGA Director of Operations. Prior to coming to NAEGA, Ryan worked as the Research Associate in Economic Freedom at The Heritage Foundation's Center for Trade and Economics. Prior to that he worked on Capitol Hill for then Congressman Cory Gardner. Ryan holds a Master of Arts in International Commerce from George Mason University and a Bachelors from James Madison University. NAEGA's work as a FAS Cooperator program requires at least 70 percent of his time. As one of two full-time persons dedicated to NAEGA in an office of 14, the Director of Operations has several areas of responsibility and supports all NAEGA activity with administrative leadership and actions. Ryan works with a variety of resources and personnel to ensure sound and efficient operations for the Association. The primary area of responsibility for the NAEGA Director of Operations are the USDA FAS Cooperator programs, including execution, compliance and reporting. In addition, he supports financial and other recordkeeping and assists in communications.

The **IGTC Secretariat** is provided for by Acting Secretariat Katy Lee, a NAEGA Contractor. Katy Lee joined the International Grain Trade Coalition (IGTC) in January 2016 as Acting Secretariat.

She has almost ten years of experience defending the interests of farmers and agricultural businesses in international policy advocacy environments at the European Union and the United Nations. In 2013 she became the first representative of the agri-business community to be permanently based at the UN's Food and Agriculture Organization (FAO) in Rome as Stakeholder Relations Director of the International Agri-Food Network (IAFN). Before this, she held an Assistant Director post at the UK National Farmers' Unions' Brussels office.

Katy belongs to the Nuffield Farming Scholarship network, having undertaken a Scholarship in Brazil, Argentina and USA in 2012. Between policy jobs, she has volunteered working on-farm around the world: livestock production (pigs and dairy) in Denmark and an export hay operation in Australia. Other volunteering has included helping to organize the World Farmers' Organization delegation at the Rio+20 United Nations Conference on Sustainable Development.

Each of the NAEGA Senior Advisors, capacity first added in the 2011 NAEGA UES, has longstanding experience and expertise on relevant UES priorities:

**Sam Bonilla – Senior Advisor, Contracts and Commercial Practice** - Sam Bonilla retired from Cargill in 2010, where he last held the position of CASC Trade Execution Leader for North America. Previously, Sam worked for Continental Grain Company for 31 years. During his time with that company he gained experience in all areas of export administration, including commodity traffic and contracts.

**Jerry Cotter – Senior Advisor, Food Safety & Defense** - Jerry Cotter retired from the position Director of Strategic Projects for the Port of Corpus Christi Authority in 2010. Previous to this position he was the Director of Operations for the Port of Corpus Christi, Texas for the just over two decades. In that capacity he was charged with managing the day-to-day operations of the bulk materials terminal, general cargo and petroleum docks, the harbor master's office, maintenance department, cold storage facility and the Port Police and Security department.

**Arvid Hawk – Senior Advisor, Grain Quality & Safety** – Since his retirement from Cargill, Inc. Arvid Hawk now acts as a consultant on agricultural issues for Global Agricultural Consulting, LLC and is Senior Consultant to NAEGA, where he also served as Chairman of the Grades and Inspections Committee before his retirement from Cargill. Arvid has extensive experience in grain drying, aeration, dust control, grain dust explosions, mold testing, aflatoxin testing, sampling and grain inspection methods.

**W. Kirk Miller – Senior Advisor, New Technologies and Trade** - Kirk Miller most recently served as a Senior Staff Aid and General Correspondent for Sen. Mike Johanns (R-NE). Prior to that he was General Sales Manager for the USDA Foreign Agriculture Service from 2002-2009. Kirk was Director of International Programs and Legislative Affairs for NAEGA from 1992-2002, and also served as the Administrator of the Federal Grain Inspection Service of the USDA under President Ronald Reagan. Kirk has a BS in Agricultural Economics from Ohio State University, and a MA in International Transactions from George Mason University.

Outside specialists conduct program performance reviews, financial, and MAP program compliance audits and provide oversight in anti-trust, business ethics and conformance with federal government contracting requirements. Reporting by these third party professionals is often direct to the NAEGA Board of Directors and available for public inspection. NAEGA also engages consultants and for 2015 – 2016 has established relationships several consulting and analysis firms they include:

1. Production Technologies - Paul Green - Paul B. Green is an independent businessman and consultant based in Washington D.C. Mr. Green, who also works extensively on matters related to the new FAS Office of Scientific and Technical Affairs (OSTA) as The Office of Negotiations and Agreements (ONA), specializes in the fields of Trade Policy, Food Aid, and International Marketing of Agricultural and Food Products. Paul represents and advises trade associations and several of the largest U.S. agribusiness firms including the North American Millers' Association (NAMA), the trade association of the U.S. dry grain milling industry.
2. NAEGA/IGTC Science Advisor Marcel Bruins: First engaged by NAEGA for IGTC in August of 2014, Marcel completed his studies in plant breeding and plant pathology at the University of Wageningen in the Netherlands in 1989. Based on the research he did in Fusarium resistance in wheat at Plant Research International, he was awarded a PhD in 1998. After that he was responsible for the patent portfolio of a large public research institute for a number of years and then worked in Rotterdam at the Innovation Center for Inventions where he was active in the commercial aspects of agricultural and biotechnology inventions. In 1998 he joined the breeding company Seminis Vegetable Seeds where he was manager Plant Variety Protection WW but also worked on other aspects of intellectual property, like patents and trademarks.
3. Experts consulting firms like World Perspectives, Informa and Agralytica for special projects like the Grain and Oilseed Market Access Index (GOMAI). The 2015 GOMAI was completed in cooperation with US Grains Council and the US Soybean Export Council by Agralytica Consulting and should be considered as integral to this UES.

**Cross Commodity Collaboration:**

**Cross Commodity Collaboration:** NAEGA's operating philosophy is "Working Together to Make Trade Work". Its success is based on close interaction with the extensive and global support of membership and coordination with government and affiliated organizations. NAEGA's unique collaboration model does not focus on a particular

commodity or product but instead on the common aspects of the U.S. and global logistics systems for trade of GRNOS agricultural products.

NAEGA sees two collaborative components as critical to this approach. First, NAEGA works closely with the International Grain Trade Coalition Association (IGTC), on which NAEGA President and CEO Gary Martin serves as IGTC President, to advance global, broad-based efforts to facilitate the GRNOS trade. Through the IGTC, NAEGA can magnify its global efforts in "making trade work" by leverage the interests of other net-GRNOS exporting nations. By uniting behind common policy positions and standards, the IGTC can enhance communication and coordination around the global to promote a more predictable, transparent and efficient global regulatory environment. In these efforts the IGTC works closely through its Management Council, Corporate Stakeholders and policy teams to pursue actionable measures that enhance the global GRNOS trade. IGTCs current priorities are pursued by the follow policy teams and working groups: Cartagena Biosafety Protocol Team; Low Level Presence Team; New Plant Breeding Technology Team; International Sanitary and Phytosanitary Measures Team; Globally Harmonized System Team; and the Electronic Documents Working Group.

IGTC Members work with Corporate Stakeholders and Public Partners to encourage policy and commercial practices that supports global trade in grain, oilseeds, pulses and derived products. Working to build consensus around the globe, the IGTC effectively advocates policy by:

- Assembling expertise and capacity to cooperate and provide well-coordinated efforts to advise governments and the public on the world's food, feed and processing industries. This is accomplished by: Directly engaging with international public institutions and decision making and; Indirectly informing individual IGTC Member advocacy with national, regional and international public bodies and governments.
- Encouraging the least trade-distortive and most commercially feasible approach to regulation and standards. IGTC works to reduce, manage or avoid expense and risk associated with international trade.
- Improving the business environment for Corporate Stakeholders by improving public policy.
- Providing sustainable global food security by minimizing disruptions in international trade.

The result of IGTC's advocacy work is timely, powerful and informed public sector policy decisions and implementation. The IGTC has a proven record of achievement, and expects to expand its services to benefit the entire value chain. IGTC's strength and effectiveness as a credible, respected and influential global voice on the international trade of grain, oilseeds and delivered products is derived from the depth and breadth of its membership base and corporate stakeholder input and involvement.

IGTC members and stakeholders convene virtually and in venues around the world as needed. In-person meetings usefully include interaction with academia and government officials whom IGTC considers to be IGTC partners. These include the United Nations and its Food and Agriculture Organization, the Convention on Biological Diversity, and the International Plant Protection Convention. In addition to policy developments and advocacy planning, IGTC meetings include discussions on timely topics that influence international grain trade.

Second, NAEGA relies heavily on the expertise and contributions of its member countries to lead in policy and practical discussions on commercial best practices. Through NAEGA's committee membership which includes the Production Technology Committee, the Grades and Inspections Committee and the Contracts Committee, NAEGA is able to tap into industry leading expertise and remain ahead of industry trends in order to serve both the U.S. GRNOS export industry and our member companies. NAEGA member representatives participate heavily in NAEGA policy discussions and often lead NAEGA missions abroad and member volunteers.

Affiliated organizations are also key to NAEGA's "Working Together to Make Trade Work" and UES include other U.S. Cooperators, through which NAEGA has an indirect link to US producers of the GRNOS commodities and products. Affiliated organizations include:

- The U.S. Soybean Export Council: [www.ussec.org](http://www.ussec.org)
- The U.S. Grains Council: [www.grains.org](http://www.grains.org)
- U.S. Wheat Associates: [www.uswheat.org](http://www.uswheat.org)

All three of these are key USDA FAS Cooperators conduct a variety of activities in coordination with NAEGA. For example, they refer to NAEGA with respect to contract matters as well as NAEGA's trade lead system.

NAEGA also collaborates with these groups and other U.S. agriculture interests in an FAS sponsored Global Broad Based Initiatives (GBIs). For example, NAEGA is a part of the sustainability GBI led by USSEC, entitled "The USA Sustainable Agriculture" program, includes many commodity sectors including seafood, rice, grains, poultry, eggs, American hardwoods and soy.

Recognizing the need to coordinate across the US supply chain, NAEGA has also established affiliations with U.S. trade associations representing commodity handlers and product manufactures. Three key U.S. relationships with the export system for GRANOS commodities are:

1. The National Grain and Feed Association (NGFA): [www.ngfa.org](http://www.ngfa.org)
2. The National Oilseed Processors Association (NOPA): [www.nopa.org](http://www.nopa.org)
3. U.S Biotech Crops Alliance (USBCA): NAEGA is a member of the USBCA and a key participant in the USBCA's International Working Group (IWG). The USBCA currently has a major emphasis on China.

Other U.S. entities affiliated with NAEGA include academic institutions like the Kansas State University's International Grains Program, the Wheat Marketing Center Inc., Portland, Ore., and the Northern Crops Institute. These organizations are often called upon to provide input to NAEGA programming and all of them refer to NAEGA best practice and contract advice in communication to foreign buyers of GRNOS.

NAEGA has developed effective international working relationships with Industry Groups. Among them are APPAMEX (Mexico), JAFTA, JFMA and JOFIEA (Japan), COCERAL (EU/Brussels), Grain and Feed Trade Association (Worldwide/London), ABIOVE and ANEC in Brazil, CEC and CIARA in Argentina, the Canadian Grains Council, Grain Trade Australia, Korean Feed Trade Association, East African Grain Trade Council, Dry Bulk Terminals Group (DBTG) / International Bulk Terminals Association, Crop Life International, and the China National Association of Grain Sector.

International collaboration with Governments and other public bodies is also vital to NAEGA UES, Recently NAEGA has found success via engagement several UN recognized bodies including the IPPC, WTO STDF and the IMO. Work with regional bodies like IICA is often concurrent with engagement with national government agencies like AQSIQ (China), MAFF and MHLW (Japan), SENASCIA (Mexico) MFDS (South Korea), CFIA (Canada), and Argentina's Ministry of Agriculture.

#### **Industry Prior Experience:**

**Assessment and Planning** – The investment of time and money in NAEGA activities by the world's grain trade is unequalled and provides for assessment and planning on continuous basis. It is NAEGA membership that drives and leads NAEGA UES accomplishment.

In addition to the extensive analysis and oversight of its members, NAEGA utilizes several analytical resources.

A key element of NAEGA UES assessment is producing the GOMAI. In 2015 NAEGA produced its most recent GOMAI report, which acts as the foundation and measurable baseline for NAEGA's UES strategy, both in 2016 and 2017. In the 2015 GOMAI NAEGA included recommendations from World Perspectives, Inc. (WPI) to enhance the analysis and produce more accurate and measurable results.

The 2015 GOMAI report was a collaborative effort among the North American Export Grain Association, the U.S. Soybean Export Council, and the U.S. Grains Council to document and quantify barriers to US grain and oilseed products in international markets.

This report updates similar analyses performed from 2004 to 2013 and highlights some of the changes that have taken place. It reflects market access conditions for U.S. grains and oilseeds in 37 countries as of the end of 2014. The earlier reports reflected conditions in varying numbers of countries as of the end of 2003, 2004, 2005, 2007, 2008, 2009, 2011, 2012 and 2015. The resulting database and market access indexes from these studies are used to:

- focus attention on the most egregious market access barriers,
- allow one to measure progress over time in improving market access,
- facilitate comparisons among countries and among commodities, and
- provide the information in a form conducive to its most effective use.

The GOMAI found that on balance, access to foreign markets for U.S. grains and oilseeds was largely the same at the end of 2014 as two years earlier, the main exception being the countries where there has been civil strife. Formal tariff barriers were mostly unchanged or less onerous. Quantitative barriers also tended to be the same during the period.

With the availability of MAP reimbursable funds, NAEGA anticipates that it will conduct a 2017 GOMAI report in order to update the findings of the 2015 GOMAI and inform strategic decision-making for the GRNOS industry in 2017.

NAEGA planning acknowledges that world economic growth fell to a 3.3 percent annual rate in 2015 according to the IMF, with world trade in goods and services expanding at about the same rate. The July 2015 forecast by the IMF calls for a global growth rate of 3.8 percent. An improving world economy, the possibility of implementation of the Trans-Pacific Partnership (TPP) negotiations, and the possibility of completion of the Trans-Atlantic Trade and Investment Partnership (TTIP) negotiations should set the stage for gains in market access for US agricultural products over the next couple of years.

In order to provide for new market share and for ongoing market access increasing initiatives planned for NAEGA's 2017 UES, we expect to continue to promote several key initiatives.

NAEGA represents and its UES supports a U.S. export grain marketing industry that is essentially a private sector system; the U.S. government does not directly engage in the day-to-day marketing of grain and oilseeds. Grain and oilseeds are sold by private-sector merchants using private facilities. When the U.S. government acts to export for international food assistance, it contracts for commodity and logistics with the private-sector system. The U.S. grain export system is a large, diverse, and evolving industry including public, private and cooperatively owned and managed facilities and trading entities. The industry must constantly seek added efficiencies, mitigate the enormous risks associated with international trade in a mature and politically charged environment, compete and trade with subsidized and state controlled organizations, upgrade export facilities and streamline logistical capabilities in order to sustain the export of U.S. agricultural products. The trading and logistic functions performed by the industry NAEGA serves are a critical element in the international trade of grains, oilseeds and several of their primary derivative products. The industry supported by NAEGA accounts for over \$70 billion of current U.S. agricultural exports.

Looking forward, we continue to find that liberalizing world trade in agricultural products is the single most effective way to boost U.S. exports. The end game for overall trade liberalization is providing for consistent and increased access and efficiency for the global trade of U.S. agricultural commodities. FAS has acknowledged this by identifying a lack of market access as a critical obstacle to growth in U.S. agricultural exports.

Over the past 10 years, there have been dynamic and highly competitive changes in the nature of the global grain export marketplace. Key new concerns – resulting in a need for NAEGA action and focus - have emerged in the past few months. NAEGA's agenda in for the balance of 2015 and throughout 2016 will include actions in all three of its UES Targeted Markets and in several key countries to address:

1. The cost effective and responsible use of all safe crop production methods in order to meet customer demands and provide for a sustainable supply to achieve food security. Several related influences and opportunities are tied to crop biotechnology and result in restrictions to the restrict marketability of U.S. agricultural products as well as impede the innovation of crop biotechnology.

We will work to encourage, define and inform governments and commercial actors via a suite of approaches to improve the marketability of U.S. crops produced with or from safe technologies that are subject to impediments to trade of U.S. crops resulting from differences in regulation and regulatory regimes across markets. NAEGA's suite of approaches to accommodating production technologies is built upon sound and least trade distortive commercial and public measures for both imports to and exports from the U.S.

2. Fungibility, which is a key to efficient and transparent market based price discovery. Ultimately a fungible grain supply chain is a key to allowing for the most efficient and responsive value chain. Adequate fungibility of the U.S. grain supply is being threatened on many fronts.
3. In 2017, NAEGA is also preparing for significant regulatory changes related to the passage in 2015 of a reauthorization of the U.S. Grains Standards Act. U.S. government inspection and weighing of U.S. export grains are a vital marketing advantage for U.S. grains and oil seeds. NAEGA works extensively and as part of its UES to leverage and support the U.S. official Federal inspection system. As implementation of the 2015 USGSA proceeds, NAEGA will be working closely with the U.S. Grain Inspection, Packers and Stockyards Administration on proposed rule changes mandated in the new USGSA.
4. Significant changes are underway across the global related to food safety management. Regulations which require additional steps to provide for GRNOS trade include those in the U.S., China, Canada and Korea to implement new food safety management laws. In the U.S. regulators are currently working on implementation of the Food Safety Modernization Act (FSMA), which could have significant impacts on trade and regulatory compliance related to registration of food facilities. Likewise, in Korea and Canada, the Korea Special Act for Food Safety Management requires registration of foreign food facilities by August 3, 2016 and the Safe Foods for Canadians Act enhances licensing and registration requirements. Furthermore, on July 1, 2016 Chinese authorities will begin implemented Decree 177, Administrative Measures of the Inspection and Quarantine for Entry and Exit of Grain. Implementation of Decree 177 has been particularly worrisome to NAEGA as uncertainty surrounds how the provisions, and the registration requirements, will be implemented by AQSIQ. Currently, NAEGA is working closely with FAS, the U.S. Animal Plant Health Inspection Service (APHIS) and the Agriculture Marketing Service (AMS) to secure commitments from AQSIQ on how the decree will be implemented and how it differs from currently regulatory practice.
5. Regulatory overreach including in the European Union where several decisions are in play related to production technologies and process that threaten GRNOS trade.

NAEGA's ongoing international policy priorities are to support: free trade; the use of science-based health, environmental and safety rules in regulations that impact trade; security measures that are effective and have a minimal impact on trade; and an aggressive agenda to retain and expand market opportunities for U.S. GRNOS (grains, oilseeds and value-added exports). In addition to these priorities, NAEGA works daily, around the world, to overcome barriers to U.S. grain and oilseed exports. It utilizes the extensive resources of membership, global industry relationships and the U.S. Department of Agriculture to educate international customers and government on sound commercial practices for international grain trading. NAEGA has an unparalleled reputation for overcoming non-tariff trade barriers in important U.S. agricultural markets. It is a leader in providing industry input to U.S. policymakers concerning effective trade-negotiating strategies and positions, as well as trade and trade-related negotiations and agreements.

NAEGA resources, most importantly its volunteer member support, are dedicated to an aggressive agenda to retain and open market opportunities for U.S. grain and oilseed exports. Since 2008 the NAEGA agenda has been expanded to include tangential activities to support the trade of processed products and high value foods and feed. NAEGA often works, on an international and national level, to define and coordinate industry input into trade and trade related negotiations and agreements.

Consistent with changes in the global market environment NAEGA seeks to advance these policy priorities through a new committee structure and bylaws which were adopted by the Board of Directors at a November 2015 board meeting. At the November meeting NAEGA bylaws were updated to officially incorporate state owned and controlled organizations into NAEGA membership structure. Furthermore, the Committee on Strikes and Lockouts was eliminated and the Biotechnology Committee was renamed the Production Technology Committee. These changes allow NAEGA to be forward looking and flexible as it begins to respond to industry consolidation and ownership changes and refocuses its committee membership to incorporate new advances in agricultural technology. The following committees, along with the NAEGA Board of Directors (up to 17 key industry executives) and the MAP committee (up to 10 industry executives most directly involved in international marketing) will now be the most active participants in executing this UES.

**Committee on Contracts:** This committee of industry documentation and logistics specialists considers matters relating to contracts, including charter parties, government regulations and programs.

**Committee on Grades and Inspection:** This committee includes a large number of senior industry personnel involved in facility management, transportation and quality control. The committee considers matters relating to grain trades, transportation, facility operations, process control, quality and quantity verification and inspection. It has created several subcommittees that include industry specialists in Sanitary and Phytosanitary measures, Port Ranges (NOLA, Texas Gulf, Great Lakes and PNW) and a new effort to work with the Department of Homeland Security in providing for mandatory Security Plans for ports and vessels.

**Committee on Production Technology:** Established in 2002, this committee includes membership staff most directly involved the innovation of new crop technologies. The committee actively identifies issues, proposes policy, and acts to encourage the adoption of NAEGA policy regarding the impact of Biotechnology on the export trade of grain and oilseeds.

In addition, NAEGA leads and works via with the **International Grain Trade Coalition (IGTC)** ([www.igtglobal.org](http://www.igtglobal.org)). Much of IGTC programming is underwritten from NAEGA MAP funding. NAEGA has committed to underwrite IGTC funding for at least another two years, with an option for a third.

IGTC's purpose is to convene significant expertise and representation to provide advice from a global perspective on the commercial requirements and economics of the world's food, feed and processing industries. The International Plant Protection Convention (IPPC) is in the process of promulgating an International Standard for Phytosanitary Measures to: "to facilitate the safe international movement of grain through harmonized guidance and criteria for the establishment of phytosanitary import requirements to be used by National Plant Protection Offices (NPPOs). The application of this standard may help minimize the spread of pests due to the international movement of grain."

The International Grain Trade Association (IGTC) was formally incorporated in October of 2014 in Geneva, Switzerland. A formal Business Plan for 2015, 2016, 2017 and 2018 was adopted at the IGTC General Assembly on March 6, 2015. Currently, the IGTC Management Council anticipates that the General Assembly will adopt its second business plan at meetings in London in June of 2016. The Business Plan includes a description of governance, operations and budgets.

In the IGTC, commercial interests involved in grain production, use and marketing are represented and supported by a number of Global, Regional, National and some sub-national industry groups. The groups, often labelled trade associations, provide a wide variety of services to the commercial as well as public entities involved in the agricultural economy tied to grain. It is estimated there are more than 175 groups, reflecting the diverse interests of the large and evolving grain value chain.

At the international level and in working to provide guidance to its member organizations, the IGTC seeks to help the grain industry leverage the regulatory, technical and government affairs expertise of IGTC member and Corporate Stakeholders who are the commercial interests in grain production, use and marketing that participate in the IGTC. The business model and actions of IGTC enable its Members and Corporate Stakeholders IGTC engagement in relevant international policy forums and guidance key policy developments.

At the international level, and in working to provide guidance to member organizations, IGTC seeks to help the grain industry leverage the regulatory, technical and government affairs expertise enabling benefit across the value chain. Of key importance is the IGTC works first to find consensus positions. The information and consensus policy that results inform the actions of individual IGTC members and helps expand IGTC influence to the national, regional and global venues being addressed by IGTC members. With key strategic countries sharing common positions at international forums, this is very powerful in setting international policy decisions. IGTC also combines the resources of its Members and Stakeholders, often in partnership with public and academic institutions to provide for direct advocacy in International policy venues. Speaking with a single broad-based and well informed voice in the international policy environment brings a gravitas and impact that has proven very effective.

Beginning in 2014 the North American Export Grain Association (NAEGA) provided for an interim secretariat and led the development of a transition to what is now an organization registered as a non-profit association in Switzerland.

IGTC partners also interact and benefit from IGTC. They include the public sector (government and regulatory bodies like WTO, FAO, IPPC, and Codex), financial services industry, life-science companies and ultimately consumers of agricultural products from the grain value chain.

Ultimately, the IGTC endeavors to provide for the establishment of policies to provide for a regulatory environment supportive of GRNOS trade IGTC is ideally placed to be able to advocate to government and regulatory authorities to ensure trade is commercially viable. As a collective voice, IGTC gets attention from governments and industry that can be leveraged across the sector into the future. A very powerful combination of individual IGTC Members acting with IGTC information and policy in hand and IGTC Members and Corporate Stakeholders working together via a professional secretariat is a proven and effective approach to important challenges and opportunities.

Current IGTC Activities: Whilst the trading of GMO grain was the catalyst for the formation of IGTC, active IGTC files now contain a number of matters that are non-GMO related. Hence, the issues that are listed below affect the constituents of all IGTC Members and Corporate Stakeholders irrespective of whether they are exporting or importing grain. Likewise, all these files addressed by IGTC have an impact on the sustainability of entire value chain from Producer to Consumer: Best Official and Commercial Best Practices; Documentation Management – Electronic Bills of Lading etc. and the World Bank Enabling the Business Agriculture project; Phytosanitary Risk Management; IPPC development of an International Standard for Phytosanitary Measure for Grain and IPPC work to provide for Phyto-Sanitary Certificate management including E-phytos – Electronic conveyance of phytosanitary certification data; Grain transportation and Labeling including IMO actions and the UN Harmonized Labeling Globally Harmonized System (GHS) of Classification and Labelling of Chemicals; Crop Production and Technology; the GLI - Global Low Level Presence Initiative; New Plant Breeding Techniques and the Cartagena Protocol on Biosafety (CPB) which includes a Protocol of the Convention on Biological Diversity (CBD). **New and additional IGTC files are constantly under consideration and may be brought forward by any Member or Corporate Stakeholder.**

NAEGA's overall international effort has proven effective in overcoming many of the threats to the export of U.S.-produced wheat, coarse grain and oilseeds in international markets. NAEGA's market access program contribution, built on the understanding and practice of sound and established business practices, is especially effective in minimizing constraints and maximizing the opportunities found in the international markets for GRNOS and high value and processed products often benefit from NAEGA's successes in MAP programming.

NAEGA has been involved as a cooperator with USDA in export promotion activities since 1977 and has been a participant in the USDA Market Access Program (formerly Market Promotion Program) since 1992. NAEGA's activities under the program have focused primarily on providing technical assistance and developing and reinforcing import trade relationships beneficial to the expansion of U.S. exports. NAEGA has focused on markets where governments are reducing and/or abolishing their role in grain and oilseed procurement and supporting the privatization of the importing, processing and distribution systems. NAEGA is also working in 'traditional' and developing markets where U.S. origin commodities face stiff competition from state-owned enterprises and/or face SPS constraints.

Over the last 20 years, NAEGA has conducted an array of program activities to overcome buyers' lack of knowledge of commercial trade procedures and product specifications, overcome foreign government obstacles to trade, and address evolving trade policy issues that restrict U.S. grain and oilseed exports. Activities that have specifically involved NAEGA members included seminars, trade service missions to individual companies and industry groups, and meetings with Government officials to address sanitary and phytosanitary restrictions and more broad trade policies. Many of these activities were carried out in conjunction with the other USDA grain and oilseed market promotion cooperators.

Over its 100-year history and working principally through the volunteer, focused and coordinated expertise and engagement of NAEGA members, NAEGA has successfully facilitated and expanded U.S. agricultural exports. A chronological summary of NAEGA actions related to the expansion of US agricultural trade is available for review at [www.naega.org](http://www.naega.org).

Examples include:

1. As part of its work with the Canada-U.S. Grain and Seed Trade Task Group, NAEGA hosts and helps maintain <http://canada-usgrainandseedtrade.info/>, a website designed to answer questions from wheat, durum, and barley producers in Canada and the United States are about cross-border trade following the implementation of Canada's Marketing Freedom for Grain Farmers Act.
2. In 2014, NAEGA made a significant investment in the future of the International Grain Trade Coalition (IGTC) and provides for its leadership NAEGA President and CEO Gary C. Martin is the IGTC President, the IGTC Secretariat based in Switzerland is NAEGA contractor Marcel Bruins and much IGTC administration is completed from the NAEGA office in Washington, DC.

**Affiliations:**

Kansas State University's International Grains Program; the Wheat Marketing Center Inc. in Portland, Ore.; and the Northern Crops Institute.

**Affiliated Organizations:**

US Organizations: American Soybean Association, National Grain & Feed Association; U.S. Grains Council, U.S. Soybean Export Council, U.S. Wheat Associates; Kansas State University's International Grains Program; the Wheat Marketing Center Inc. in Portland, Ore.; and the Northern Crops Institute.

International: Dry Bulk Terminal Group; All NAEGA members and several other for-profit enterprises are IGTC Corporate Stakeholders. Current IGTC members include: National Association of Manufacturers of Edible Oil

**1.1.5 Industry Personnel**

Manager/Administrator Name	Position/ Title	MAP %	FMD %
Gary C. Martin	President & CEO - NAEGA	70.00	0.00
Ryan Olson	Director of Operations - NAEGA	70.00	0.00

**1.1.6 MAP/FMD Start/End Dates from Plan Submittal**

**Submission Date:**

**MAP Start:**

**MAP End:**

**1.1.7 Resource Request Table**

Program	Requested Amount
Market Access Program (MAP)-GSE	0
Market Access Program (MAP)-Non GSE	400,000
Trade Policy Initiatives (# of activities)	0

**1.2 Industry Export Goals**

**Goal Period Type:** Calendar Year

**Goal Period Span:** January 1 - December 31

**Data Source:**

U.S. and world export volumes for 2010/11 - 2015/16 are from FAS PSDOnline. U.S. export values for 2010/11 - 2015/16 are from GATS. U.S. export values for 2016/17 - 2021/22 and world export values for 2010/10 - 2021/22 are based on ERS baseline export and price forecasts.

**Export Goals Metrics:**

Export Year	US Exports(\$) (whole number only)	World Trade(\$) (whole number only)	Status
2010	30,173,382,240	76,510,673,080	Actual
2011	35,944,253,147	119,405,704,528	Actual
2012	33,023,487,641	121,681,268,115	Actual
2013	45,775,675,590	142,131,918,926	Actual
2014	38,144,848,562	125,908,016,262	Actual
2015	28,641,603,788	98,986,725,081	Actual
2016	27,996,534,146	90,679,714,897	Estimate
2017	28,908,198,490	94,385,615,585	Goal
2018	29,779,154,096	97,868,347,505	Goal
2019	30,260,848,255	100,718,988,708	Goal
2020	30,844,862,465	103,686,478,815	Goal
2021	31,290,335,866	106,602,477,219	Goal
2022	31,678,611,137	109,178,948,087	Goal

**1.3 Promised Contributions**

Program	Applicant/Participant Promised Contribution		Industry Promised Contribution	
	(%)	(\$)	(%)	(\$)
MAP	100		10	
FMD	00		00	

**1.4 Proposals**

**1.4.1 EMP Proposals:**

Proposal ID	Targeted Market	Proposal Title	Status
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**1.4.2 TASC Proposals:**

Proposal ID	Targeted Market	Proposal Title	Status
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**1.4.3 QSP Proposals:**

Proposal ID	Targeted Market	Proposal Title	Status
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**2.SECTION 2: MARKET ANALYSIS, ASSESSMENT, AND STRATEGY**

**2.1 Market Definitions**

Title	Description	Market Kind	List of Countries
ASIA	ASIA	Geographic Market	BG-Bangladesh , BM-Burma , BX-Brunei , CB-Cambodia , CH-China (Mainland) , GQ-Guam , HK-Hong Kong , ID-Indonesia , IN-India , JA-Japan , KS-Korea, Republic of , LA-Laos , MG-Mongolia , MY-Malaysia , NP-Nepal , RE-ReUNION , RP-Philippines , SN-Singapore , TH-Thailand , TW-Taiwan , VM-Vietnam
WOW	WOW	Geographic Market	IE-Palau , AA-Aruba , AC-Antigua and Barbuda , AF-Afghanistan , AG-Algeria , AJ-Azerbaijan, Republic of , AL-Albania , AM-Armenia, Republic of , AN-Andorra , AO-Angola , AQ-American Samoa , AR-Argentina , AS-Australia , AU-Austria , AV-Anguilla , BA-Bahrain , BB-Barbados , BC-Botswana , BD-Bermuda , BE-Belgium-Luxembourg , BF-Bahamas, The , BG-Bangladesh , BH-Belize , BK-Bosnia-Hercegovina , BL-Bolivia , BM-Burma , BN-Benin , BO-Belarus, Republic of , BP-Solomon Islands , BR-Brazil , BT-Bhutan , BU-Bulgaria , BX-Brunei , BY-Burundi , CA-Canada , CB-Cambodia , CD-Chad , CE-Sri Lanka , CF-Congo (Brazzaville) , CG-Democratic Republic of Congo , CH-China (Mainland) , CI-Chile , CJ-Cayman Islands , CK-Cocos (Keeling) Islands , CM-Cameroon , CN-Comoros , CO-Colombia , CQ-Northern Mariana Islands , CS-Costa Rica , CT-Central African Republic , CU-Cuba , CV-Cape Verde , CW-Cook Islands , CY-Cyprus , DA-Denmark , DJ-Djibouti Afars-Issas , DO-Dominica , DR-Dominican Republic , EC-Ecuador , EG-Egypt , EI-Ireland , EK-Equatorial Guinea , EN-Estonia , ER-Eritrea , ES-El Salvador , ET-Ethiopia , EZ-Czech Republic , F3-French West Indies , FG-French Guiana , FI-Finland , FJ-Fiji , FK-Falkland Islands (Islas Malvin , FM-Micronesia, Federated States o , FO-Faroe Islands , FP-French Polynesia , FR-France , FS-French Southern & Antarctic La , GA-Gambia, The , GB-Gabon , GG-Georgia, Republic of , GH-Ghana , GI-Gibraltar , GJ-Grenada , GL-Greenland , GM-Germany , GP-Guadeloupe , GQ-Guam , GR-Greece , GT-Guatemala , GV-Guinea , GY-Guyana , GZ-Gaza Strip , HA-Haiti , HK-Hong Kong , HM-H Heard Island and McDonald Isla , HO-Honduras , HR-Croatia , HU-Hungary , IC-Iceland , ID-Indonesia , IN-India , IO-British Ind. Ocean Territory , IR-Iran , IS-Israel , IT-Italy , IV-Ivory Coast , IZ-Iraq , JA-Japan , JM-Jamaica & Dep , JO-Jordan , KE-Kenya , KG-Kyrgyzstan, Republic of , KR-Kiribati , KS-Korea, Republic of , KT-Christmas Island , KU-Kuwait , KZ-Kazakhstan, Republic of , L3-Leeward-Windward Islands , LA-Laos , LE-Lebanon , LG-Latvia , LH-Lithuania , LI-Liberia , LO-Slovakia , LS-Liechtenstein , LT-Lesotho , LU-Luxembourg , LY-Libya , MA-Madagascar , MB-Martinique , MC-Macau , MD-Moldova, Republic of , MG-Mongolia , MH-Montserrat , MI-Malawi , MK-Macedonia (Skopje) , ML-Mali , MN-Monaco , MO-Morocco , MP-Mauritius and Dependents , MQ-Midway Islands , MR-Mauritania , MT-Malta & Gozo , MU-Oman , MV-Maldives Islands , MX-Mexico , MY-Malaysia , MZ-Mozambique , NC-New Caledonia , NE-Niue , NF-Norfolk Island , NG-Niger , NH-Vanuatu/New Hebrides , NI-Nigeria , NL-Netherlands , NO-Norway , NP-Nepal , NR-Nauru , NS-Surinam , NT-Netherlands Antilles (exc. Aru , NU-Nicaragua , NZ-New Zealand , PA-Paraguay , PC-Pitcairn Islands , PE-Peru , PK-Pakistan , PL-Poland , PM-Panama , PO-Portugal , PP-Papua New Guinea , PU-Guinea-Bissau , QA-Qatar , RE-ReUNION , RM-Marshal Islands , RO-Romania , RP-Philippines , RQ-Puerto Rico , RS-Russian Federation , RW-Rwanda , SA-Saudi Arabia , SB-St. Pierre and Miquelon , SC-St. Christopher-Nevis , SE-Seychelles and Dependents , SF-South Africa, Republic of , SG-Senegal , SH-St. Helena (Br W Afr) , SI-Slovenia , SL-Sierra Leone , SN-Singapore , SO-Somalia , SP-Spain , ST-St. Lucia , SU-Sudan , SW-Sweden , SY-Syria , SZ-Switzerland , TC-United Arab Emirates , TD-Trinidad and Tobago , TH-Thailand , TI-Tajikistan, Republic of , TK-Turks and Caicos Islands , TL-Tokelau , TN-Tonga , TO-Togo , TP-Sao Tome and Principe , TS-Tunisia , TU-Turkey , TV-Tuvalu , TW-Taiwan , TX-Turkmenistan , TZ-Tanzania, United Republic of , UG-Uganda , UK-United Kingdom , UP-Ukraine , US-United States , UV-Burkina , UY-Uruguay , UZ-Uzbekistan, Republic of , VC-St. Vincent and the Grenadines , VE-Venezuela , VI-British Virgin Islands , VM-Vietnam , VQ-Virgin Islands of the U.S. , WA-Namibia , WE-West Bank , WF-Wallis and Futuna , WI-Western Sahara , WQ-Wake Island , WS-Western Samoa , WZ-Swaziland , YI-Serbia and Montenegro , YM-Yemen , ZA-Zambia , ZI-Zimbabwe
AMERICAS	AMERICAS	Geographic Market	AC-Antigua and Barbuda , AR-Argentina , AV-Anguilla , BD-Bermuda , BF-Bahamas, The , BH-Belize , BL-Bolivia , BR-Brazil , CA-Canada , CI-Chile , CJ-Cayman Islands , CO-Colombia , CS-Costa Rica , DO-Dominica , DR-Dominican Republic , EC-Ecuador , ES-El Salvador , FG-French Guiana , GJ-Grenada , GP-Guadeloupe , GT-Guatemala , GY-Guyana , HA-Haiti , HO-Honduras , MB-Martinique , MH-Montserrat , MX-Mexico , NS-Surinam , NU-Nicaragua , PA-Paraguay , PE-Peru , ST-St. Lucia , TD-Trinidad and Tobago , TH-Thailand , TK-Turks and Caicos Islands , UY-Uruguay , VC-St. Vincent and the Grenadines , VE-Venezuela

**2.2 Promoted Commodities**

**2.2.1.1 Basic Information**

**Promoted Commodity:** GRNOS

**Commodity Aggregate:** Bulk Trade (GRNOS)

**U.S. Origin(%):** 100

**Value Added:** No

**2.2.1.2 Domestic Information**

**Developments:**

GRNOS is the applied term for the products NAEGA addresses in its UES. GRNOS is further defined as: U.S. produced grains and oilseeds and products derived from the same, for which analysis, strategy and programming is based on the international trade logistics of three core commodities – Corn, Soybeans and Wheat. As such NAEGA actions and success in implementing this UES are beneficial to a broad range of commodities and products. The NAEGA UES thereby encompasses working together with FAS Cooperators and other industry groups with more narrowly defined product interests as well as with entities like the US and other governments for which products addressed are even broader than GRNOS.

Large crops from the 2013, 2014 and 2015 harvests aided a rebound in U.S. GRNOS supplies but did not repair all the damage from 2012's drought and concurrent problems with crop biotechnology acceptance. New competition has emerged in response to strong price signals and high U.S. dollar values relative to competitor currencies. The United States lost a significant share of the global export market and at least some of its reputation as a reliable, trusted, and low risk supplier of GRNOS. Challenges for U.S. GRNOS exports are most apparent when the United States is unable to meet the demands of its traditional foreign buyers.

The successful crops of 2013, 2014 and 2015 helped importers overcome suspicion, prejudice and new habits that led them to seek alternative suppliers. A drastic gain in the exchange rate of the U.S. dollar in 2015 relative to the currencies of U.S. GRNOS export competitors forced the U.S. into the position of residual supplier, which makes it all the more important for the U.S. to regain its role as the reliable, trusted, and low risk supplier of GRNOS.

NAEGA sees these domestic developments, in combination with the international developments as increasing the demand and need for NAEGA UES activity. In particular, we note the following observations impacting GRNOS trade:

1. Reduced Market Force - the United States will remain a huge power in crop trade but will be seen as a less important market by buyers.

- Primarily due to drought, the United States lost its position as world corn export leader to Brazil during the 2012/13 marketing year, but regained the top spot in 2013/14 and is projected to continue holding it in 2016/17. Even though the U.S. is usually the leading corn exporter, the U.S. share of the world market is diminishing as other countries such as Brazil, Argentina and Ukraine increase exportable supplies. The U.S. average market share of world trade was consistently above 50 percent prior to 2011/12, but has fallen to the current projection of 36.3 percent for 2016/17.
- The United States was the perennial leader in soybean exports until 2012/13, when Brazil leapfrogged the U.S. into first position. Brazil has maintained the top spot and is projected to increase its in 2016/17 and is expected to continue to lead the world in soybean exports. For 2016/17, the United States is projected to account for 37.1 percent of world soybean exports. Historically, the United States share of soybean exports has routinely been above 40 percent.
- Stalled wheat yield growth in the United States has led to diminishing role for wheat in U.S. producer crop rotations. Until 2013/14, the United States had been the world's proverbial bread basket, usually supplying about 25 to 33 percent of the world's wheat exports. However, the European Union and Russia have both leapfrogged the United States and are projected to hold on to their first and second place rankings in 2016/17. For 2016/17, the United States is projected to account for 14.6 percent of the global wheat exports.

2. New suppliers mean new competition for several years.

- The historically high commodity prices from 2007-2013 provided the impetus for farmers in countries such as Brazil, Argentina and Ukraine to make major steps in enhancing production technology and agriculture infrastructure in order to be able to grow more profitable crops such as corn in addition to more traditional soybean and wheat crops. Commodity prices have subsided, but the investments in improved agricultural infrastructure that were made possible by the boon years will continue to strengthen worldwide grain production into the foreseeable future. In addition, underperforming economies in Brazil, Argentina and Ukraine have depressed their currencies and provided a competitive advantage over the United States in exports.
- The United States has long competed for wheat export share with countries/regions such as Europe, Canada and Australia, but as of recently U.S. wheat is also competing with wheat produced in the Black Sea region that has transportation advantages going into the key Middle East and North African markets.
- U.S. soybeans and its products continue to compete for market share with Brazil and Argentina and these South American countries have the advantage of being able to add large amounts of land into crop production. In addition, the transportation infrastructure in Brazil continues to improve which will enhance their economics of production.
- The potentially promising China corn market has all but dried up for the U.S. due to the presence of traits in U.S. corn exports that had not received Chinese import approval. Due to the risk of further rejections, U.S. exporters have not exported significant quantities of corn to China since early 2014. In the absence of available U.S. corn, China's end users have increased imports of U.S. grain sorghum, barley from Australia and Canada, and corn from Ukraine. In 2016, Argentina's export tax on corn was fully lifted, while the export tax on soybeans is gradually phasing out which will provide economic incentive for its farmers to produce more corn and further erode the U.S. share of the global export market.

3. Price Impact- The grain markets have entered into a period of ampler supplies, which has incentivized domestic demand for grain, particularly for livestock feed. By itself, domestic demand is unlikely to be large enough to pull grain prices much above their current lower levels. Due to increased world crop production and a strengthening of the U.S. dollar, U.S. grain exports will continue to face headwinds in the near-term.

4. U.S. Producer Mentality- U.S. producers are coming off strong income years, but low grain prices may expose the most vulnerable. The 2016/17 crop is being seeded with the expectation of market prices that leave little room for error and great potential for equity depletion.

5. Market Power Increases for Domestic and International Buyers and Users – A well-supplied market is a buyer's market and provides buyers with more flexibility in their purchase decisions.

For GRNOS, NAEGA's UES largely focuses and relies on cooperation and consistency with efforts of FAS and the rest of the value chain, we believe our mutual strategic goals, include:

IMPROVING MARKET ACCESS BY INCREASING ADHERENCE TO A RULES-BASED INTERNATIONAL TRADING SYSTEM - The United States produces agricultural products using new technologies that could be subject to technical barriers (TBT) and non-tariff barriers (NTB) to trade. Many products are subject to sanitary and phytosanitary (SPS) measures which at times unjustifiably restrict American exports. To overcome these barriers work is needed to ensure that other countries and international organizations adopt science based regulations. NAEGA's goal to accomplish the cross-border facilitation of trade and the reduction of unnecessary TBT, NTB and SPS measure can be accomplished by: supporting broad market access for new classes of

products; reducing TBT/SPS barriers; providing trade capacity building that supports common international regulatory frameworks; facilitating public-private partnerships to open new, closed, or restricted markets; negotiating and enforcing trade agreements; Effectively coordinating partnerships with like-minded agricultural exporting nations; and supporting global climate change policies that benefit U.S. agriculture.

**INCREASING EFFECTIVENESS OF MARKET DEVELOPMENT PROGRAMS THROUGH PUBLIC AND PRIVATE PARTNERSHIPS** - With our long institutional history and network of relationships throughout the United States and abroad, we are uniquely positioned to expand export opportunities for U.S. agriculture. NAEGA will work with FAS to accomplish this goal by: building stronger partnerships with U.S. agricultural industry; providing efficient export and market development programs; communicating the value of exports to American stakeholders, and trade to foreign audiences; and leveraging private sector resources for market development programs that expand trade.

**INCREASING THE VALUE OF INTELLIGENCE AND ANALYSIS PROVIDED TO STAKEHOLDERS** - Our network of international contacts, including long-standing relationships with foreign governments and agricultural-focused international organizations, and, most importantly, the expertise of FAS staff, contribute to our joint ability to develop unique market intelligence. NAEGA will work with FAS by: providing unbiased intelligence and analysis on foreign market opportunities; adding value to global intelligence and analysis with an integrated understanding of local political and regulatory environments; and identifying export opportunities for small- and medium-size agricultural enterprises.

**PROMOTING ADOPTION OF SCIENCE-BASED STANDARDS AND NEW TECHNOLOGIES** by: Enabling collaborative international agricultural research and development; Providing education and outreach on the benefits and safety of new technologies; Promoting adoption of international standards that expand access to new agricultural technologies for enhanced global food security and the mitigation of climate change; Providing marketing assistance to U.S. exporters of products that may contain or have been produced with technologies; and, Leveraging partnerships across national and international stakeholders and like-minded counterparts.

**GRNOS POSITIONING IN THE GLOBAL MARKET** - U.S. agriculture is in position to address significant opportunity in domestic and international markets. Strong demand signals are in place in the GRNOS market and investment is flowing into production, processing and marketing of GRNOS. Price volatility, augmented by capital flows into commodities, present challenges to consumers and producers in the U.S. Nearby policy responses to this uncertainty and volatility will strongly influence GRNOS prospects.

Recent developments in the agriculture market have dramatically altered both the supply and demand for GRNOS on a global scale.

First, the use of agricultural production for energy has dramatically changed business strategy and models for those companies involved in global trade of commodities, primary processed products and high value foods and feeds. Large grain supplies are less likely to be available to work as a cushion to gaps in supply and demand due to increases in agriculture's use as a feed stock in global energy production. In the past this excess supply cushion helped to keep global prices from great fluctuations and reduced price volatility. Despite the diversification of global grain production and supplies in the Northern and Southern Hemispheres that allows annual stock replenishment and sourcing flexibility the demand for bio-fuels has placed new found, large scale and what appears to be long term stress on global supplies. Dramatic falls in global oil prices introduce a new element of complexity into this emerging global market. Over the past year global oil prices have fallen over 50 percent, with globally traded Brent prices at one point reaching \$30 per barrel. GRNOS products, like corn, contribute to ethanol production, and government mandates for the inclusion of ethanol in refined gasoline mean that prices for grains and globally traded oil follow each other more closely than ever. As a result, GRNOS demand is no longer only effected solely by demand for food and feed products, but also by broader global macro-economic forces and geo-political considerations.

Second, agribusiness firms are increasingly investing in more innovative and responsive consumer products. In addition to their continued investment in logistics and processing capacity, agribusiness firms are also investing heavily in research and marketing to create products with higher added value and to address changing market needs. Food companies are aware of consumers' increasing concern with health aspects of their diets and are becoming increasingly responsive to shifts in consumer preferences. For example, food processors have been investing in numerous alternatives to minimize the content of trans-fatty acids (TFAs) in their products, while grain-based food companies, following increasing demand for whole grain products, have been increasing whole grain production and/or substituting part of their enriched grain products with whole grain products.

Lastly, biotechnology market access, and the emergence of new plant breeding technologies (NPBT), remains perhaps the most fluid development in the global GRNOS trade. Biotechnology and other emerging NPBTs are arguably the most important technologies available to access the emerging opportunities to provide for sustainable food and energy security. Threats to market access for GRNOS produced in the U.S. with crop biotechnology continue to emerge and require quick action by NAEGA.

U.S. producers, as well as grain handlers and exporters, are struggling to find a balance in co-existence between several production methods. In the past couple of years, U.S. agricultural trade was again challenged by the practice and controls of technology providers in innovating crop biotechnology. Emerging issues related to the aggressive commercialization of not substantially equivalent, non-commodity output traits that, if comingled with commodity food and feed GRNOS will destroy functionality of the commodity or products there-of, needs to be addressed by the GRNOS trade. Meanwhile a plethora of new agronomic traits are scheduled to be introduced to U.S. commercial production of corn and soybeans and therefore are sustainable threats to the viability of trade to many markets.

Trade disruptions are a serious result of a lack of regulatory coherence and of aggressive commercialization plans by technology providers that ignore the market reality of a fungible, comingled supply can and the risks of asynchronous approvals.

As a result, U.S. industry as a whole continues to respond to these biotech challenges with the emphasis that the evidence is overwhelming that no program of controls (stewardship, channeling etc.) can adequately meet the zero tolerance requirements that result when events unapproved in country of import are entered into the supply in the U.S. We are convinced that with a zero tolerance requirement, grain channeling is not a commercially viable option to prevent the presence of such events at low levels in commodity grain shipments.

Through this framework, NAEGA has worked to establish strong working relationships across the value chain - including technology providers - to promote several key policies and practices that can mitigate the impact of barriers resulting from the innovation of crop biotechnology were achieved over the past few years.

NAEGA engagement in crop biotechnology issues is conducted through its Production Technology Committee. This year the committee adopted a new Biotechnology action plan. The Action Plan incorporates novel approaches to work by the U.S. value chain engage in accommodating production technologies.

Going forward, the U.S. value chain must develop new strategies and determine how best to engage in accommodating production technologies.

#### **Outlook:**

On the domestic front key issues include:

1. Farm Bill or "Agriculture Act of 2014" - Congress passed the Farm Bill, called the Agricultural Act of 2014, in February 2014 for a period of five years. This farm bill includes reforms to the Conservation Reserve Program, target price levels for grains and oilseeds and elimination of direct subsidies and modifications to the U.S. federal crop insurance program.
2. Land Use Policy - The United States has not changed land use policy to produce additional supplies of grains and oilseeds for a number of years, as we have kept millions of acres of land idled in the Conservation Reserve Program (CRP). This has left the United States without the ability to respond to market conditions that would normally direct more plantings to fill grain and oilseed supply needs for processors, livestock operators, and other sectors.

Other key domestic and international issues that directly affect the competitiveness of the U.S. export trade include:

**Infrastructure** - GRNOS supplies remain one of the United States' most competitive export commodities. In order to continue to facilitate the export of GRNOS products the United States needs to make wise investments in infrastructure to increase export capacity and facilitate one of the most productive export commodities. A modern and efficient inland waterways transportation system is vitally important to maintaining U.S. agricultural competitiveness in the world market. As the U.S. system - once a model of efficient infrastructure - continues to face delays and closures attributable to low drafts and crumbling locks and dams, our competitors are increasing expenditures on their own transport infrastructures, thereby eroding the competitive advantage long enjoyed by the United States.

The Critical Mississippi river system is a case in point. The river and its tributaries comprise more than 14,000 miles of navigable waterways, making it a natural distribution system that covers a wide stretch of the continental United States. About 413 million tons of domestic and international cargo is moved annually on the Lower Mississippi River. Louisiana ports exported about \$17.7 billion worth of agricultural products in 2014, including grain harvested in the Midwest and shipped via barge for export to world markets. Proper maintenance and modernization of that system is critical to the long term viability of U.S. agricultural exports. Maintenance of the U.S. river transport system, including the Columbia and Snake River systems, is underserved. To keep these vital transportation arteries functioning, US Corps of Engineers needs to continue operating as it has in the past to reprogram funds to perform much-needed dredging activities.

**Regulatory Changes** - In 2017 key focus for NAEGA will include regulatory changes related to the authorization of the U.S. Grain Standards Act (USGSA) in 2015. NAEGA priorities in this regard primarily include regulatory action to ensure that emergency situations are properly recognized and emergency waivers properly issued by GIPSA in that official certificates cannot be issued. Other NAEGA priorities related to the implementation of the USGSA include adoption of 4.5 target trigger on the Federal Grain Inspection Service's (FGIS) operating reserve, annual reviews of FGIS Schedule A fees, consistent, accurate and transparent reporting of FGIS financial data, and a 72 hour notice period in advance of a discontinuation of service. As GIPSA proceeds with the rule making process and other regulatory initiatives related to implementation of the USGSA, NAEGA will be working closely with member companies, industry groups, and other stakeholders in order to ensure that the U.S. regulatory system is working to "make trade work."

**Trade Agreements** - International trade is critically important to US farmers, ranchers, food processors and exporters. Exports of the goods we produce, much of which are GRNOS, generate over 8,000 U.S. jobs for every billion dollars we ship overseas. The economic benefits flow not only to rural communities but also to people working in transportation, processing and at our ports.

As NAEGA stated in our previous UES, one of the most effective means of increasing exports is the implementation of free trade agreements. Now that agreements are in place with Colombia, Panama and South Korea, efforts to capitalize on them are integrated into this UES.

Looking forward, NAEGA sees great potential in the recently concluded Tran-Pacific Partnership (TPP) and in negotiations for the Transatlantic Trade and Investment Partnership (TTIP). Both agreement could allow the U.S. to increase export earnings, make trade more efficient and open up previously closed markets to U.S. agriculture products. In particular, NAEGA sees the WTO-plus provisions in TPP - provisions that exceed what is laid out in the WTO Agreement of Agriculture - as the foundation and building block for future trade agreement texts. Promoting high-standard trade agreements like the TPP is central to this UES. To this end, NAEGA is a leader in the U.S. Food and Agricultural Dialogue on Trade Agreements, a large stakeholder group that seek to identify the best possible outcomes in the trade agreements for American agriculture.

**Quality, Safety and Defense** - As the "U.S. Food Safety Modernization Act" is implemented, we expect a reaction from international markets to the requirements imposed on imports to the U.S. and any extra-territorial U.S. traceability systems. In turn, precedent will be set regarding measures to track the flow of grain, oilseeds and their products in the supply chain. This manifestation of a worldwide trend is mandated by section 305 and 306 of the Bioterrorism Act of 2002. The resulting new law and regulations are expected to increase the complexity and burden of recordkeeping as part of an attempt to respond to the trend of toward food tracking as a means to achieve food safety. The U.S. FSMA is indicative of similar changes in several key GRNOS markets

**Investment** - U.S. Agriculture's historically solid profits in the GRNOS value chain have attracted nonfarm investors in to U.S. agriculture assets. Such investments are likely to result in additional market volatility in farming, handling and processing operations are subjected to the demands of new investors and a downturn in GRNOS value chain profitability that began in 2014.

**Commercial Contracts** - Exporters and importers alike have notably expanded efforts to manage risks through the use of the industry standards and guidelines provided by NAEGA. NAEGA will emphasize development of commercial contracts and guidance in 2016 and 2017 for all GRNOS logistics. For instance, a lack of industry standards for several aspects of the container shipments of GRNOS exists in the U.S. as well international markets.

**Changes in Crop supply** - Biotech companies are in the final stages of developing corn varieties to thrive in low-moisture conditions and new technologies, like drought-resistant seed corn, could expand the Corn Belt as much as 300 miles west. Likewise, new Soybean varieties not only providing for improved agronomics but also attractive unique functional characteristics are also expanding soybean production territory. Multiple new corn and soybean seed products are emerging in joining herbicide-resistant seed and other genetically modified crops that have improved farm yields and profits. Wheat production in the U.S., already expected to decline due to international competition, will be further challenged by the growing attractiveness of maize and soy production.

**U.S Approach to Maritime Shipping disciplines** - GRNOS trade is largely dependent on dry bulk ocean freight. Some new market opportunities will be supported by increased use of container (liner) freight. New dry bulk carrier capacity and reduced demand for movement of coal and iron ore, have resulted in relatively low dry bulk freight rates and shippers/buyers' market contrary to the limited supply (favoring the ship owner or seller) of more distant past. The excess shipping capacity on the market after years of investment still presents significant headwinds for ship owners, and opportunities as well as performance risk for GRNOS shippers.

NAEGA has a very successful relationship with the Dry Bulk Terminals Group and the International Dry Bulk Terminals Association. Through this relationship, NAEGA expects to improve GRNOS positioning in several international venues including:

1. MARPOL Annex V of the International Solid Bulk Cargoes Code (IMSBC) at the International Maritime Organization (IMO); Most of MARPOL Annex V under the International Solid Bulk Carriers Code (IMSBC) implementation by the International Maritime Organization (IMO).
2. Terminal Access Sampling Procedures and Safety.
3. UN Globally Harmonized System for the Classification of Chemicals (GHS).

**Biofuels** – The United States is increasingly becoming a major exporter of ethanol products, exporting more than 800 million gallons of ethanol in 2015 to 35 countries. As corn is the primary feed stock in ethanol, external demand for ethanol products relieves significant pressure on domestic corn prices and boosts corn production. This is aided by rising blending requirements for ethanol based products in U.S. gasoline, and as ethanol production increases it is likely that ethanol based products will be increasingly used as a feedstock for U.S. gasoline beyond E10. It is expected that the United States will remain a significant player in the global ethanol market for years to come. Production overcapacity, blending constraints, and demand for the product in foreign markets, particularly Canada where 30 percent of U.S. ethanol goes, will likely secure the U.S. ethanol exporters significant global market share for years to come.

#### **Share Exported:**

#### **Strengths and Weaknesses:**

U.S. agriculture currently faces an environment wrought with both uncertainty and challenges, but also with opportunity. Despite Malthusian predictions, the power of agricultural research to develop new, much higher-productivity technologies and the innovative capacity of the agricultural production and marketing chain to respond to market signals has been proven in recent years. In fact, during the twentieth century, productivity grew in American agriculture at a substantially faster rate than in the rest of the U.S. economy.

International competition in the production of raw commodities and primary processed products is increasing because of production, productivity and geo-economic reasons. Commodities by definition are undifferentiated therefore the most competitive bidder will often get the sale. Recognizing that grain markets are tied to global sourcing, the sustainable supply of grain relies on a strong degree of fungibility and adequate fungibility in GRNOS supply needs to be retained and promoted. Fungibility is a key to efficient and transparent market based price discovery. Ultimately, a fungible grain supply chain is a key to allowing for the most efficient and responsive value chain. Production and logistics systems that provide for a fungible supply of the basic grains and oilseeds needed for human wellbeing are critical. Restrictions on fungibility of grain driven by a lack of appropriate and responsible product stewardship that results in undue regulatory barriers to trade have dire consequences that include a rigid supply system that is more costly, less sustainable and less adaptable. These types of chains can be so brittle that they negatively impact global food security.

For these reasons, NAEGA's UES strategy continues to have a focus on providing for Market Access so that comparative advantage might prevail in the competitive marketplace. This UES application further expands on efforts to provide for market access and maintenance by addressing key issues related to relevant drivers of change, including the innovation of new technologies, technique and trade convention. NAEGA's focus is on improvements in the environment for innovative technology in the GRNOS trade including electronic documentation, improving logistics techniques and trade convention in order to encourage expanded U.S. production, improving U.S. competitiveness and facilitating trade of all U.S. agricultural products (including bulk commodities, processed products and high value foods and feed), and providing for product safety, health and integrity through U.S. commercial and official practice. These efforts will be achieved through encouraging a healthy commercial environment, predictability in regulatory matters and improved access to all agricultural markets by encouraging adherence to transparent science-based sanitary and phyto-sanitary rules.

Given the environment of global change, we note several developments more directly associated with the creation, expansion, and maintenance of foreign markets for GRNOS:

1. Increasing interference with the functioning of markets whose undesirable consequences, include the disruption of signals to producers.
2. Misguided national political responses to provide for unreasonable, not economically sound levels of self-sufficiency for GRNOS products. This is so even when trade appears to account for a minimal share of consumption.
3. The increasingly complex and volatile trade and compliance environment driving uninformed buyers away from the compliant and market responsive GRNOS supply.
4. A lack of cross-commodity (within GRNOS) coordination on communication of best commercial practice and regulatory compliance resulting from crop or product specific market promotion efforts that are part of the USDA MAP and FMD programs.
5. Incorrect, confusing and inconsistent information provided by USDA Cooperators in foreign markets with respect to commercial practice and regulatory compliance related to the international trade of GRNOS products.
6. The emergence on new management and investment by State Controlled Enterprises, namely China's COFCO, in global GRNOS logistics, including the acquisition of major U.S. agricultural producers by Chinese state controlled enterprises.

Efforts that further market access through national and international industry collaboration that develops policies designed to facilitate international trade and then encourages local industry to recommend these policies to their respective governments are working. The concept is sound, and as the drivers discussed herein create increased potential disruptions in the international trade of grain, oilseeds, pulses and their derived products, the need for such global industry co-operation increases.

NAEGA is at the forefront of implementing a strategy of global industry collaboration, through organizations like IGTC. Its extensive network, is well positioned to not only monitor and take an active role within the evolution of global, regional and bilateral standard setting and development of industry best practices. Furthermore, NAEGA broad-based membership is also key to identify and solving global policies. NAEGA membership is the risk taking entity in the international trade of GRNOS. Therefore, NAEGA's UES performance is capable of identifying and acting on issues of strategic importance to the GRNOS trade. Given this appropriate and capable response capacity, NAEGA's UES GRNOS activities will continue to ebb and flow depending on issues impacting the global grain trade.

Few global businesses are as product-oriented as the grain trade. When it comes to GRNOS alone, the focus historically has been on quality, price and origin. This emphasis this strategy focused on consumer demands has resulted in the production of high quality superb GRNOS products.

Thus, we believe the environment today provides for an opportunity to improve and expand trade through continuing to improve "Market Access." In addition, it also affords the opportunity to differentiate on the basis of service, transparency and compliance in what NAEGA addresses as a "Market Share" strategy.

NAEGA plans, as part of its 2017 UES, to capitalize on the opportunity at hand by continuing and initiating new programs with the goal of establishing and improving buyer and importer preference for U.S. GRNOS supply

logistics. Such differentiation and preference will result from a more predictable, user (importer) friendly U.S. logistics system that meets the needs of and is understood by consumers, commercial handlers and processors as well official national and international bodies.

Building upon its continuing work to improve GRNOS market access and preferred supplier status, NAEGA's international communication and programming often focuses on creditability, efficiency, harmonization and acceptability of conveyance load point official and commercial determinations and certification of product attributes. Safety, plant health, quality and functionality are most often at the forefront of NAEGA's UES and provided for GRNOS differentiation in the international market place.

To this end NAEGA sponsors and leads innovative and intensive contract and best practice seminars tailored to the audience. We work closely with groups to educate and communicate best official and commercial practice on previously identified, real world concerns. For other, often groups of broader interest we review the applicable best practice, national and international standards using case studies created by respected and current industry professionals. Our menu of capacity building offerings is current based on these UES produced training modules:

- Trade execution and contracting for imports of Grain and Oilseeds (Contracting Module).
- Attribute measurement and handling Logistics in international trade of Grain and Oilseeds (Logistics Module).
- Technical measures (biotech, phytosanitary etc.) and related documentation for the international trade of grain and oilseeds (SPS / Technology Module).

NAEGA's Contracts Committee is in the process of complete review and the NAEGA 2 model contract and has also recently considered developing model contracts for C.I.F transactions and best practices for the container trade of GRNOS. NAEGA UES accomplishments related to best commercial practices are founded in the work of the Committee

On the regulatory front, NAEGA is in an ideal and often unique position to address the goals of Executive Order 13563 as they relate to the regulatory approaches taken by foreign governments and differences from those taken by U.S. regulatory agencies to address similar issues.

Key to these efforts, including to help provide for long term structural change to support sustainability or shorter term efforts to improve logistics or crisis response, is its close coordination and work with USDA (FAS, APHIS, GIPSA/FGIS), Coast Guard and USTR as well as other agencies in US government.

NAEGA, through close coordination with these agencies and through guidance from its UES, is well positioned to quickly prevent or mitigate disruptions in GRNOS export and import transactions By deploying a menu based approach to it capacity building, best practice driven formal communication and seminars.

In all cases NAEGANAEGA remains committed in the long term to "Working Together to Make Trade Work" through close coordination with fellow cooperators as well as utilization of its extensive international reach and capacity to expand on UES success in Market Access and Market Share.

### **2.2.1.3 International Information**

#### **Market Conditions:**

Feeding a burgeoning world population and the processes associated with it is one of the biggest challenges of the 21st century. With unprecedented pressure being put on land and water resources, CEOs and boards of food and agriculture (F&A) companies are contemplating how best to position their businesses in response to the structural changes this will bring. Assembling and coordinating the right mix of expertise and management systems for the F&A supply chain – in sourcing, production, trading, risk management, logistics, processing and marketing – continue to be significant challenges.

There are several interrelated themes which define the state-of play in food and agriculture. Population growth and demographic trends are obviously the most prescient. These are associated with: Land availability / development; Food supply growth / potential; Water availability; Biotech / GM Crops; New Links with energy markets (biofuels, etc.); Climate change; Food price inflation and the role of markets; Policy responses and Managing the F&A complex.

All these aspects impact the trade in GRNOS. Trade in GRNOS, moving GRNOS from point of surplus to point of deficit, is a key element in providing for a sustainable and adequate response to the food and energy demands on global agriculture.

Securing sufficient supply of safe, high-quality raw materials at a price that allows an adequate risk-adjusted rate of return is becoming inherently more challenging. This new challenge has changed the risk parameters for many, if not all, F&A companies for the foreseeable future. Companies that understand the significance of this transition, and the associated risks and opportunities, are responding by making step changes in their approaches to sourcing, production, trading, risk management, logistics, processing and marketing in the F&A complex.

The agricultural markets have, therefore, become more complex and interconnected. While the next decade will be dominated by a battle for agri-commodity supply, Rabobank concluded that this is only the beginning of a profound transition in the global food and agriculture sector. "In the next 40 to 50 years, the [food and agriculture sector] will need to double agri-commodity supply with access to only about half of the current land, water and mineral resources.

Food and agriculture companies that are able to successfully tackle the challenges in the battle for agri-commodities will be best geared to capitalize on these opportunities going forward.

Companies are sourcing, trading and delivering large amounts of diverse products to and from multiple destinations via a variety of methods (often under different regulatory and legal requirements). Trades are often complex, interrelated and overlapping. Moreover, the tools and venues available for trading and managing risk have expanded. Food and agriculture companies also need to track and monitor individual transactions, from quality and grades to storage and handling facilities.

Within the past 5 years, agricultural commodities have experienced increased market volatility. Many major food companies in the U.S. has experienced large swings in quarterly projections as a result of this extreme price volatility.

The NAEGA 2017 UES continues our long standing commitment and success in providing for critical commercial logistics to support sustainable food and energy supplies by promoting and sustaining the development of commercial GRNOS exports. Now, more than ever, it is vital that global agribusinesses are able to efficiently move GRNOS supplies from areas of surplus to areas of deficit to meet the demand of a growing and more prosperous globe. A failure to recognize and facilitate the important role of agri-bulk commodities trade in feeding people and providing for bio-fuels around the world will certainly result in a less sustainable world.

The arguments for trade facilitation and liberalization accomplished with the NAEGA UES are strong. In particular, the theory of comparative advantage drives the logic of improving the GRNOS trade environment.

Improvements that result in increased predictability and ability to manage and assign risk result in a more perfect and open competitive environment. With such improved access to markets differences in productivity and opportunity costs of production between countries form the underlying reasons why it is advantageous to engage in trade and why expansion rather than restriction of GRNOS trade should be embraced by governments. Many reasons explain why such differences occur. Weather and climate are among the most obvious importance for agriculture as is the availability of extensive arable land and abundant water supply. The availability of other natural resources, such as large and easily accessible mineral deposits, and differential access to productive technologies give rise to varying labor productivities.

With an open and more perfect competitive environment, more trade occurs because the relative cost of inputs or factors of production and logistics, including labor and capital, is lower in one country or marketing system than another. As a result, a comparative advantage exists and inputs can be most efficiently and sustainably rationed. More trade occurs when each country or production region exports commodities that use the relatively abundant factors and imports those that use scarce factors more intensively. To capitalize on this comparative advantage countries or marketing systems should produce those products that use relatively less intensively the factors with which the country or marketing system is relatively well endowed. Improved expression of comparative advantage in the global GRNOS market can be a major factor in poverty reduction and economic development as well as in sustainable food and energy supplies. Under improved competitive free market conditions trade maximizes potential economic welfare internationally.

GRNOS related developments in U.S. agricultural trade and economic growth are of major significance to NAEGA Programming.

#### **Outlook:**

##### **Long Term Strategic Developments**

For most of the 20th century North America (primarily the U.S.) served as the world's grain reservoir. Not only did North America possess a vast agricultural heartland capable of producing quantities of grain far in excess of domestic demand, North America also possessed an economic system that encouraged innovation and investment and thereby created an environment whereby grain could not only be produced, but also moved quickly and efficiently from areas of surplus to areas of deficit. Thus, North America developed a sophisticated grain export system that met much of the world's day to day commercial grain needs. When food shortages occurred in the Soviet Union, China, India or Africa, the North American grain export industry played the dominant role in meeting global food security challenges.

The North American Export Grain Association evolved to service the commercial needs of the U.S grain export industry in an environment when U.S supply of staple grains met much of the world's day to day commercial needs while serving as the world's grain reservoir – this traditional supply driven, often residual supplier, role is fast changing.

Market access is a necessary but not a sufficient condition for generating U.S. grain and oilseed exports to a particular country. There may also be a general lack of import demand, or an importing country may have a very open market but its buyers choose to purchase supplies from a competing exporter due to lower transportation costs or other factors. Therefore, U.S. cooperators focus their efforts on a range of objectives that include expanding or maintaining demand in target markets (a bigger pie), expanding U.S. market share (a bigger slice of that pie), and achieving greater market access (a seat at the table).

##### **Drivers of Change**

The global grain industry continues to change, and is changing today at an unprecedented rate. There are many drivers of change operating within the international grain trade such as continuing population increases in developing countries; stagnant population growth in developed countries; rising incomes in developed countries; rising global middle class, particularly in the world's most populous countries of China and India; increasing demand for tighter end use quality requirements and food safety assurance; increasing demand for higher valued food products; globalization of world food manufacturing and food retail industries.

Many drivers are important and have significant impact on the global grain trade, some termed 'normal market responses' to social and economic development and the commercial grain industry responds to these changing market circumstances as each individual company determines. NAEGA recognizes the need to be flexible in its programming as a result and little time will be spent in this UES discussing these drivers other than to identify grain industry impact as follows:

1. Grain exports opportunities are often tied closely with weather, climate, geo-political and economic conditions;
2. Variable demand for grain for animal and poultry feeds is rising, reducing available grain export supplies;
3. Export of higher valued products and meat products is generally increasing;
4. Tighter quality specifications and food safety assurances in the now globalized food processing and retailing industry is causing grain specifications to be influenced by international food labeling requirements.

Other drivers can more directly be addressed by UES programming. These drivers, often tied to the actions of the public sector, demand a response as they often create the economic and social environment in which business must operate and within which the competitive and market position of GRNOS is set. The sheer scope of these public sector drivers may lead to dramatic, and on occasion, structural change within the industry for it is these governmental drivers that may unexpectedly alter the 'normal' market evolution envisioned by industry before a public or third party decision related to the driver occurs. These are also the trends that are most often addressed by NAEGA and which pose the most challenges do to their unpredictability and high market impact.

These changes and the major impacts they have on the GRNOS supply, apply for all NAEGA MAP Funds.

Major drivers of change have drawn NAEGA to the strategic conclusion that U.S. market share for GRNOS can be expanded through a more aggressive effort to differentiate GRNOS products. NAEGA initiatives will be largely based on improving and communicating the transparency, effectiveness and ease of use to the U.S. logistics system that provides for compliance with commercial contracts and official mandates and guidance. For instance, in order to understand the risks and opportunities of international sales contracts, you must first understand the fundamentals, which include: official policy and practice, relevant cultural issues, trade practice and rules and contracts, negotiation, and litigation. NAEGA has a proven and successful capacity to provide global stakeholders with the most important and up-to-date aspects of GRNOS trade.

Efficient, transparent and predictable logistics in international supply are a key management tool to address each of these drivers of change. Some of these drivers of change have been in place for some time; others are more recent; others are still evolving. But all are creating a GRNOS industry impact, and when combined together, a significant impact. Some of these drivers create trade policy impacts. And some of these drivers may be influenced by market access and market development actions within the FAS Cooperator programs. Through this UES and NAEGA MAP funding for GRNOS NAEGA will seek to influence these drivers of change through engagement on the follow issues, including:

**A. Sustainability** In recent years sustainability has become highly relevant to the GRNOS trade.

NAEGA's 2017 UES continues the actions laid out in the 2015 and 2016 UES which addressed the critical component of trade as it applies to concerns over "sustainability". Previous to the January 2011 of the European Union's implementation their Renewable Energy Directive (RED), NAEGA had deferred any actions related to the topic of sustainability as they appeared to be more aligned with commercial/competitor reaction to consumer demands than any sort of trade barrier related to official government actions. With the implementation of RED however, action is warranted as we find it, and potentially other Official mandates related to some definition of Sustainability to establish non-tariff trade barriers by encumbering trade with impractical measures including process controls and unreasonable requirements. In the case of EU implementation, it presages considerable inconsistency between EU Member State implementation of and compliance with the intent of the RED. The EU measure also promises to establish a precedent for other countries and uses of GRNOS by imposing environmental and sustainability requirements on U.S. agriculture.

In 2012, U.S. industry, with NAEGA intelligence and creativity at the forefront, developed the U.S. Soybean Export Council (USSEC) Sustainability Certification Scheme, an industry-led alternative to meeting the sustainability requirements of RED. Teams of stakeholders, including a NAEGA representative travelling with the assistance of NAEGA's Market Access Program (MAP), visited multiple countries in the EU to meet with government officials as well as with biodiesel manufacturers, blenders, oil crushers, soybean importers and representatives of the feed and livestock industries to discuss the USSEC Sustainability Certification Scheme.

U.S. industry, including NAEGA, is also engaged in a Global Broad-based Initiative (GBI) to develop a marketing program to promote the sustainability of U.S. agriculture in the European Union. The program, which is being led by USSEC, is entitled "The U.S. Sustainability Alliance", includes many commodity sectors including seafood, rice, grains, poultry, eggs, American hardwoods and soy. It targets communication to first tier buyers and consumers in the EU that U.S. agricultural production is environmentally sustainable.

NAEGA has supported this GBI since its initiation in 2013. The work of the GBI is focusing on identification of specific USDA and other government programs conducted at the national level that will provide the foundation for the sustainability messaging moving forward, including compiling relevant and impactful U.S. Sustainability private sector success stories and inventorying currently EU-recognized sustainability standards or certification schemes related to each export group involved in this GBI and identify the concerns those standards intend to address.

As a direct result of the GBI program, a thorough review of existing USDA programs will be conducted to provide the basis or foundation for a sustainability messaging campaign. The cooperators have crafted messages on U.S. sustainability that focuses on showing buyers exactly what the cooperators are doing to remain sustainable, how that is being measured, and how the combined industries are determined to implement plans for continuous improvement. The title of the project is entitled, "This is How We Grow."

In the future, further projects related to this GBI could include, but would not be limited to, hard copy literature, videos demonstrating sustainable practices, testimonials from producers and buyers to add credibility, and of course open access to data collected from the cooperators by the various USDA agencies responsible for compliance and compliance education. Each cooperating organization may also take the overarching message and tailor it to fit their specific market place, thus maximizing the overall value of the GBI investment.

**B. Investment Climate** - Political change has encouraged new low cost sources of grain supply to be developed. The collapse of communism during the latter part of the last century and the re-introduction of a free market economy into the Former Soviet Union and Eastern Europe has encouraged new investment to transform the region from significant deficit to significant surplus, creating a new global grain reservoir capable of providing the world with an important source of low cost grain. South America has similarly encouraged new investment that is rapidly unleashing the region's vast potential grain production capacity, much of it capable of producing two crops a year, to enable South America soon to become the world's most significant grain reservoir.

Furthermore, political changes in Argentina and the election of a reformist government under President Mauricio Macri, hold the potential for significant future investment in South America's second largest grain exporters. Significant changes have already been made, including the removal of capital controls, the floating of the Peso, and the reduction or elimination of agricultural export taxes that dis-incentivized exports. These changes could hold significant promise for investment in the country's already competitive agribusiness sector. Furthermore, Argentina re-entry into global debt markets in 2016 with a record breaking \$15 billion bond issue increases the chances of significant investment in infrastructure that could help facilitate trade.

Likewise, China's ongoing move to more of a market economy is increasing global competition for GRNOS. The purchase of majority control by China Agri-Industries Holdings Limited (COFCO) of two NAEGA members companies was announced in 2014 and 2015 and the changing of NAEGA bylaws to more easily accommodate state owned or controlled enterprises indicates the Chinese investment is having significant impact on the industry.

In Australia, a major source of competition for GRNOS, the impact of changes in the industry since the 1980s has resulted in an ongoing frenzy of consolidation and international investment activity throughout the grain industry supply chain.

Canada's grain trade is likewise the subject of significant change for new investment and revised approaches to international grain marketing.

The political uncertainty and change in the Former Soviet Union is also likely to provide increased market volatility and has the potential to gravely impact Europe's economy. Often called the breadbasket of Europe, Ukraine is an important producer of GRNOS. The uncertainty about parts of Ukraine being annexed by Russia and the possibility of military intervention raises questions about Ukraine's future ability to produce GRNOS as well as having a major impact on energy markets. Furthermore, the Black Sea is vital to the international flow of grain. It is unclear what will happen to the shipping and logistics industry in that part of the world, but it seems clear that Russia is determined to exert a stronger presence over the Black Sea region.

**C. Market Volatility** - GRNOS competitiveness is tied to a combination of commodity, freight, compliance and risk management costs. NAEGA's market access work does much to help GRNOS with respect to compliance and risk management, often putting the GRNOS supply in a preferred competitive position or at least a level playing field. Volatility in freight and commodity markets is expected to continue its strong influence on GRNOS. Weather and other uncertainties related to the politically charged global grain and oilseed supply and demand are increasing in impact on food and energy security. Exchange values for currency can alone provide for major huge swings in GRNOS values. Volatility in freight markets will continue to have a dramatic effect on grain and oilseed trade flows. Ocean freight will continue as function of economies, environmental considerations and the lack of congruency between supply and demand of ocean going marine vessels (any response by the shipping industry to market conditions was often way out of date by the time it actually turned into real, available capacity). Meanwhile the U.S. futures price discovery system continues to struggle to clearly define its relationship to the price of the physical commodities traded. All these factors are expected to be less predictable in the next few years.

**D. Energy Security, Energy Costs and the Environment** - Two powerful political drivers - concerns for energy security and concerns for the environment - have combined to drive governments to adopt policies to encourage massive increases in biofuels production. Brazil, the European Union and the United States led the

way. But now other countries are developing similar policies. For the first time agricultural land is being shifted at unprecedented levels from food production to producing energy. And the acreage shift will impact all crops either directly or indirectly as the number and capacity of ethanol and biodiesel plants may again increase. Meanwhile policy thought leaders and governments are reacting to possible food shortages or significantly higher food prices. Adverse weather conditions could further reduce food production levels from the reduced food production acreage created by government policies encouraging agricultural land to shift into biofuels production. Energy security and environmental concerns have joined food security as integral to government policies impacting GRNOS trade including the expanded possibilities for trade of biofuels production by-products like Distillers Dried Grains with Solubles (DDGS).

These pressures will only increase with the conclusion of the 2015 United Nations Climate Change Conference (COP21) in Paris. At the talks, world leaders committed to reducing the growth of global average temperatures to well below 2 degrees Celsius above pre-industrial levels. In addition, President Obama promised to cut emissions by up to 28 percent by 25 percent. To accomplish this the U.S. will put more focus into innovation and technology, which could include further emphasis on the domestic production of ethanol and other biofuels.

**E. The Role of Government in Grain Marketing and Provision of Food Security** - During the latter part of the last century, most of the monopoly grain buying agencies that had been established in the post-World War II era were dismantled. But on the export side, the National Grain Board in Argentina, Canadian Wheat Board, and the Australian Wheat Board have all been dismantled. The changes that have followed are already having as dramatic an impact on the North American grain trade as any political development of the past 100 years. The removal of other such policies has provided increased business opportunities for GRNOS. NAEGA is aggressively addressing related constraints in U.S. - Canada border trade.

State owned or controlled enterprises promise a new frontier of impact on GRNOS and are being addressed by NAEGA. For instance, COFCO's influence on GRNOS market opportunities and its relationship to the Government of the People's Republic of China is just beginning to be understood as the potential is for a new and more significant influence on GRNOS trade in decades to come. Over the past year NAEGA has increased its exposure to COFCO both through the IGTC and through acquisition of NAEGA members by COFCO.

Critical infrastructure, the intrinsic limits of natural resources like arable land and water, improving the agricultural economies of the developing world and complex geo-political risks tied to growing terrorist threat have led to a renewed, expanded role for public investment and revised practices intended to provide for food security. NAEGA through a newly established relationship between the International Grains Council and International Grain Trade Coalition is well positioned to address governments on all these opportunities. Further NAEGA enjoys a strong and successful working relationship with the office of Chief Economist at Global Food Market Information Group at the Agricultural Market Information System (AMIS), a G20 initiative to enhance food market transparency and encourage coordination of policy action in response to market uncertainty.

**F. Seed Production Technology** - While modern biotechnology has yielded substantial improvements to crop production, the global debate over consumer acceptance as well as food and environmental safety of the technology is driving new challenges for the international grain industry. The Cartagena Protocol on Biosafety came into force 11 September 2003 and calls for detailed documentation requirements for transboundary shipments of living modified organisms (LMOs) for food, feed or for processing. Several Protocol provisions, such as liability and redress, still are not resolved. The current shipping documentation provisions that require 'may contain' followed by a list of events that could be in the shipment are subject to review within 5 years. NAEGA's work in the past has succeeded in preventing several countries from demanding that 'may contain' be dropped and the word 'contains' be used, followed by a list of the specific events in the shipment, thereby requiring costly detailed testing, perhaps to the point of preventing trade of GRNOS. In the fall of 2015, with the help of the International Grain Trade Coalition (IGTC), and USDA Foreign Agricultural Service (FAS), we saw great success at the Seventh meeting of the Conferences of the Parties serving as the meeting of the Parties to the Cartagena Protocol on Biosafety (COP-MOP 7) regarding Article 18.2 of the Biosafety Protocol and its "may contain" language. To finally lay to rest a substantial potential threat to international grain trade was a significant success for NAEGA and the execution of past UESs.

Meanwhile, adventitious presence -- the low level unintentional presence of an LMO event in a bulk commodity shipment -- remains a serious threat to the international grain trade. Once an event is authorized for commercial production in a country of export, it is only a matter of time before that event will appear in bulk commodity shipments. Yet not all events are authorized in all countries at the same time. For example, heritage events that are no longer sold for seed may still appear in bulk shipments long after commercial seed sales cease as farmers may use farm held stocks as seed. But technology developers will not seek approvals in importing countries for events that are no longer sold for seed. And even with new events, there could be a significant time delay between the time an event is authorized in country of export and when it is authorized in country of import. All countries have a zero threshold for the presence in a grain shipment of an event that has not been authorized by the country. And yet, as discussed, once an event has been authorized in country of export, zero thresholds are impossible. It was only a matter of time therefore before unauthorized events appeared in bulk shipments for food, feed or processing. .

New challenges to the facilitation of trade in agricultural commodities and products that may have been produced with modern biotechnology are now upon us. The advent of new entities, like the Government of China, bringing technology to the market threatens the global supply chain with events in crops that are not approved in international markets and with technology providers who have not acknowledged or implemented stewardship programs in bringing or removing technology from the supply.

In addition, proposed mergers and acquisitions in the global seed market present even more challenges and uncertainty. When and if consummated, the acquisition of Syngenta by ChemChina (a Chinese state-owned enterprise) and the seed technology industry consolidation in the form of the acquisition by Bayer of Monsanto and the merger of Dupont Pioneer with Dow will result in new yet to be understood opportunity and risk for GRNOS trade that could disrupt global seed markets if the Chinese regulatory system begins to favor Syngenta traits.

Looking forward to the commercialization of GM wheat in the Americas, Asia and World markets gives us the opportunity to address problems based on past experience with corn and soybeans in order to avoid significant disruption to GRNOS trade of wheat. We see the need for the technology providers to take into consideration the needs of downstream stakeholders to effectively integrate the technology into global food and feed supply chains. Using a multi-stakeholder approach to address these considerations effectively and proactively, global food and feed supply chains can minimize the disruption of this technology and improve the chances to meet a goal to bring GM wheat to the market efficiently and effectively.

In all cases accommodation of seed production technology NAEGA's UES maintains the highest of priorities on GRNOS product safety and quality while focusses on maintaining adequate fungibility with in the production and supply chain and transparency in the uses and commercialization. Accomplishment of UES goals related to these priorities and focus is most often dependent upon best official and commercial practices that are aggressively addressed by NAEGA,

**G. International Regulatory Guidance** - Increasingly the international grain trade's regulatory environment is being dictated by inter-government negotiations in international bodies such as the World Trade Organization, Cartagena Protocol on Biosafety, CODEX and the International Plant Protection Convention (IPPC). Additionally,

new and expanded application of rules under the UN Conventions on: Contracts for the International Carriage of Goods Wholly or Partly at Sea (UNCITRAL), and Safety of Life at Sea (SOLAS) are bringing complexity and change to GRNOS prospects. Two key developments in SOLAS are the International Maritime Solid Bulk Cargoes (IMSBC) Code which entered into force for US Shippers in 2011 as well as the International Ship and Port Facility Security (ISPS) Code.

In April of 2013 the Commission on Phytosanitary Measures (CPM) of the IPPC decided to continue development of an international phytosanitary grain standard. The creation of an international phytosanitary grain standard now seems inevitable. The challenge will now be to ensure that the standard is developed in a manner that will be least restrictive to international trade. NAEGA, primarily through the International Grain Trade Coalition (IGTC), will proceed to work with National Governments, the IPPC Secretariat, and Members of the IPPC Standards Committee, and other stakeholders to provide guidance on potential trade implications associated with different phytosanitary measures that will be under consideration.

In many instances government negotiators have little knowledge of the international grain trade yet their decisions have profound impact either directly or indirectly. Once an international regulating body takes a decision, member states develop legislation or modify regulations to become compliant and the international grain trade becomes impacted.

**H. Food safety** - Governments around the world, including the US, are rapidly modifying Food Safety systems. The World Health Organization advises three principal lines of action: advocating and supporting the development of risk-based, sustainable, integrated food safety systems; devising science-based measures along the entire food production chain that will prevent exposure to unacceptable levels of microbiological agents and chemicals in food; assessing and managing food borne risks and communicating information, in cooperation with other sectors and partners. To accommodate these dramatic changes with global impact, GRNOS trade is best served by a food safety environment that provides for: risk proportionate policy that minimizes gaps between trading partners, official requirements consistent with access and predictability for global supply chains and practical and achievable standards for unintended and unavoidable yet undesirable elements in the commodity supply. Grain traders increasingly need to respond to a trend toward food tracking as a means to achieve food safety.

Currently efforts are under way in the U.S., Canada and Korea to implement new food safety management laws. In the U.S. regulators are currently working on implementation of the Food Safety Modernization Act (FSMA), which could have significant impacts on trade and regulatory compliance related to registration of food facilities. Likewise, in Korea and Canada, the Korea Special Act for Food Safety Management requires registration of foreign food facilities by August 3, 2016 and the Safe Foods for Canadians Act enhances licensing and registration requirements.

Changes to regulation and implementation by the Peoples Republic of China will continue to demand NAEGA attention and action. For example, on July 1, 2016 Chinese authorities will begin implemented Decree 177, Administrative Measures of the Inspection and Quarantine for Entry and Exit of Grain. Implementation of Decree 177 has been particularly worrisome to NAEGA as uncertainty surrounds how the provisions, and the registration requirements, will be implemented by AQSIQ. Currently, NAEGA is working closely with FAS, the U.S. Animal Plant Health Inspection Service (APHIS) and the Agriculture Marketing Service (AMS) to secure commitments from AQSIQ on how the decree will be implemented and how it differs from currently regulatory practice.

**I. Food Defense** - The U.S. Department of Homeland Security, like similar official agencies around the world concerned with protecting the food supply from terrorist and other aggressor threats, is deploying prevention measures that take into account and impact the worldwide network of transportation assets and infrastructure. An ultimate objective of modern food defense strategy now incorporates resilience as well protection and incident response in supply chain strategy. Commercial trade of GRNOS products is a critical element in deploying comprehensive security strategy for the food, feed, fiber and energy from agricultural production. Compliance and cooperation across the export supply chain in an effort to minimize economic impact while supporting effective measures is of growing and significant impact on GRNOS trade.

**J. Evolving crop production environment** - Multiple influences are changing where and what crops are produced and at what economic and environmental cost. The impact of environmental concerns including changes to weather patterns and climate are predominate influences. However, some significant influences on crop production practices that have important impact on supply and competition also result in increased need for education and communication on sound, predictable official measures and commercial practice. For example, increased marketplace demands result for commercial practice to manage and identify accordingly pesticide residues and production practices for international shipments of in GRNOS.

Some of these drivers of change have been in place for some time; others are more recent; others are still evolving. But all are creating a GRNOS industry impact, and when combined together, a significant impact. Some of these drivers create trade policy impacts. And some of these drivers may be influenced by market access and market development actions within the FAS Cooperator programs.

**K. Trade Liberalization** - The failure of the Doha Round and multilateral negotiations at the WTO has led countries to seek other avenues for trade liberalization. Regional trade agreements, like NAFTA, have been the primary mechanism for achieving such goals. These agreements have been successful in achieving limited liberalization, but their effect is constrained by their size and geographic reach. More recently countries, generally led by the U.S., have turned to mega-regional trade deals, like TPP and the Trans-Atlantic Trade and Investment Partnership, to improve trade liberalization. These have the potential to have a higher impact on trade liberalization because they generate "economies of scale" and because they are large enough to achieve significant aggregate liberalization, yet selective enough to avoid some of the serious problems that occur on the multilateral level.

In a December 2015 Financial Times op-ed, U.S. Trade Representative Ambassador Michael Froman called for a strategy of "pragmatic multilateralism" to push forward with global trade liberalization at the WTO. This type of strategy is foretelling potential U.S. leadership at the WTO and ongoing developments related to negotiations like the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). This UES contemplates two resulting outcomes. First, countries could pursue a plurilateral strategy at the WTO where groups of likeminded countries come to agreements on specific areas for trade liberalization. This type of approach avoids the WTO's consensus-based decision making and allows countries to achieve deeper liberalization since their plurilateral agreements are achieved through "coalitions of the willing." Such agreements already have precedence in the WTO, and could be reachable. WTO members recently concluded the plurilateral Information Technology Agreement (ITA) in 2015, and the U.S. and EU are currently leading negotiations of the Trade in Services Agreement (TISA). According to some, such an agreement in plurilateral form would be possible for the WTO to achieve on agriculture. Permission to proceed would require three-quarters of WTO members to agree, an achievable amount if developing countries are willing to come together. Such a move would cut out the members - the United States, EU, India, Japan and China, who have been the biggest holdouts towards a Doha Agreement - and allow other members to proceed with agricultural subsidy reduction. While such an agreement would probably largely ignore the vast majority of subsidy dollars being spent world-wide, it could provide momentum and draw in outside members in the future.

Second, countries could pursue, as is currently happening, extra-WTO mega-regional trade agreements, like TPP, TTIP, the proposed pan-African trade pact and China's TPP rival, the Regional Comprehensive Economic

Partnership (RECP). A global trading environment along this trajectory would entail the potential for various large, potential rivalrous, trade groups with different rules. While this may achieve more aggregate liberalization in the short term, it has the possibility of creating discriminatory blocks in the long term if harmonization of rules across blocks cannot be achieved. However, this outcome has the most promise to deliver real, measurable trade liberalization, on a broad range of products in a relatively short amount of time given global leaders current willingness to participate in such deals.

In pursuit of the “pragmatic multilateralism” laid out by Ambassador Froman, the U.S. has pursued the second course - large mega-regional trade agreements - in its pursuit of deals with Pacific Rim nations under the TPP and TTIP.

With both agreements the U.S. has an opportunity to craft and implement ambitious, comprehensive and properly implemented trade agreements that not only focus on the traditional vector for trade liberalization - lowering tariff rates - but also new 21st Century initiatives that focus on raising standards and harmonizing regulations.

The final text of the TPP agreement, which was released in October 2015 and is now being considered by national legislatures, is a good point of reference for future “21st Century” trade agreements. TPP provisions that call for transparency, risk based regulatory decision making, efficient import checks and efforts to address issues like biotechnology and technical barriers to trade should be considered as the “model” for future trade agreement. Indeed, NAEGA sees TPP as the agreement off which to measure future texts.

Unfortunately, historical precedence indicates that these types of broad, high standards agreements are not the type of agreements the EU has negotiated with other trading partners. In fact, its FTAs historically have excluded agricultural goods it produces. And they have not addressed a means to address regulatory measures that conflict with both U.S. interests and World Trade Organization (WTO) rules. With that in mind, NAEGA and U.S. industry partners will be urging U.S. negotiators to include the following in the T-TIP and other negotiations:

1. A “Rapid Response Mechanism” (RRM) to facilitate trade when administrative entities implement Sanitary and Phytosanitary (SPS) measures and other regulations, standards, testing and certification procedures that may result in technical barriers to trade (TBT). An effective and functioning RRM would prevent shipments of critically important and perishable agricultural products from being unnecessarily delayed or banned from import. While industry can petition its own government to utilize the WTO dispute settlement process when such disruptions occur, the process can be lengthy, places resource constraints on governments and is seldom practical. Mechanisms that link commercial and official actions, improve value chain-wide communication, and increase the application of sound science are needed to provide for the least-trade-distortive and improved national actions related to SPS and TBT measures.
2. Other “WTO-Plus” measures to address Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT). These measures should: provide for enforceable dispute resolution, include effective disciplines that underscore the importance of harmonized, science-based regulations, be fully enforceable and ensure that TTIP parties are held to commitments on risk assessment, risk management, transparency, border checks, and laboratory testing and regulatory-coherence measures.
3. Reduction and elimination of measures related to crop biotechnology that currently restrict or prevent trade in grains, oilseeds and their derived food and feed products. Doing so would be to the mutual benefit to consumers, farmers and the economies of the United States and the EU.
4. TTIP and other future agreements should provide for fair treatment of U.S. farm products in compliance with EU mandatory sustainability requirements. For example, a bilateral agreement, as provided for in EU Renewable Energy Directive (RED), should expressly recognize RED sustainability requirements are achieved via production and marketing practices conducted in compliance with the long-standing framework of U.S. conservation programs. The agreement should ultimately determine that U.S. soybeans and other commodities that are imported to the EU for Biofuels and Biofuel feedstock do not require additional certification.

One intriguing development related to TTIP is Turkey's interest in being included in the gestating trade agreement. Turkey's policy and official practice are among the most egregious for GRNOS trade. Turkey's Minister of Economy Nihat Zeybekci recently said it would be “unacceptable” for the United States and European Union to have a free trade agreement that ultimately does not include Turkey.

NAEGA is leading several international as well as national efforts in support of the TPP and TTIP, including the Food and Agricultural Dialog for Trade Agreements.

#### **Global Supply and Demand -**

(Please note that statistics and estimates used in our analysis are for the most part derived from recent USDA World Agricultural Supply & Demand Estimates, USDA Baseline Projections, USDA PSD online and USDA Trade and Export Reports).

Following revisions for wheat and maize (corn), the projection for world total grains (wheat and coarse grains) production in 2016-17 is 10 million tons higher month-on-month, at 2.015 billion, an increase of 1 percent year-on-year and the second biggest harvest ever, the International Grains Council (IGC) said in a May 26 report. Wheat prospects are better than before in the EU, the U.S. and Russia, although Morocco's crop is cut to a nine-year low. Maize figures are raised for the U.S. and Argentina, but lowered for China and parts of sub-Saharan Africa.

The projection for global grains consumption is also up by 10 million tons month-to-month, to 2.009 billion, higher by 1 percent year-on-year; use is now expected to broadly match the 2014-15 record. Following increases from before for feed and industrial uses, maize demand is seen exceeding 1 billion tons for the first time. Taking into account bigger opening inventories than previously projected, the world 2016-17 carryover is boosted by 2 million tons to a fresh peak of 474 million (+6 million year-on-year), with China potentially accounting for over 40% of the total. The trade forecast is lifted by 3 million tons, to 318 million, with maize shipments now expected to be close to the all-time high that is anticipated in 2015-16.

Owing to a further downgrade to crop outlooks in South America, the 2015-16 world soybean outturn is cut by nearly 5 million tons, to 314 million, down by 2 percent year-on-year. Prospects for 2016-17 are highly tentative, but production could rebound to 320 million tons, on a marginal increase in plantings and improved yields. However, reflecting a reduced forecast for opening stocks, coupled with growing use, aggregate carryovers are placed about 3 million tons lower than in April, at 29 million, the second consecutive annual contraction, linked to a fall in the major exporters. Trade is anticipated at a new high on firm demand from Asian processors.

Because of the impact of dry weather on crops in Asia and a further rise in uptake, global rice stocks in 2015-16 are seen declining by 9 percent year-on-year. With the projection little changed from April, the 2016-17 world outturn could recover by 13 million tons year-on-year, to 486 million. Nevertheless, owing to thinner carry-in stocks and growing use, end-season inventories may drop by 2 percent, to a seven-year low of 99 million tons. The figure is lifted by more than 5 million tons month-on-month owing to historical revisions.

Assuming a larger area for harvesting rice and improved growing conditions, 2016-17 production is projected to rise by 3%, to a record of 486 million tons. But with total use likely to expand further, albeit more slowly than in

past years, together with smaller carry-ins, ending inventories could retreat to a seven-year low of 99 million tons. Trade in 2016 is predicted to be underpinned by demand from Asian buyers, in part due to disappointing local crop outcomes, with volumes expected to remain high in 2017.

With gains for all the components other than wheat, the IGC Grains and Oilseeds Index (GOI) rose by 4 percent month-on-month this year.

While wheat, barley and sorghum crops are predicted to be smaller, this is seen being outweighed by a bumper maize harvest, including gains in the U.S. and Argentina, as well as recoveries from poor outcomes the year before in the EU and South Africa. Output prospects for wheat continue to improve, including in the EU, the U.S. and the CIS, but following a drop in area and adverse dryness in places, world production is expected to be 2% short of the previous year's record.

Anticipated increases for food, feed and industrial uses will likely see grains consumption close to a new peak in 2016-17. Despite strong demand, a further accumulation of carryover stocks is probable at the end of the season. Those among the major exporters could be the biggest in seven years, but much of the projected growth is in China. At almost 200 million tons, inventories there may be the heaviest since 1999-2000, nominally accounting for more than 40 percent of the world total.

#### **Wheat, Coarse Grains and Soybean Supply and Demand in 2015/16 and 2016/17:**

**WHEAT:** U.S. wheat supplies for 2016/17 are projected up 6 percent from 2015/16 on higher beginning stocks and imports. All wheat production is projected at 1,998 million bushels, down 3 percent. The year-to-year decrease is due to a sharp reduction in planted area that more than offsets increased yields. The all wheat yield is projected at 46.7 bushels per acre, up 7 percent from the previous year. The survey-based forecast for 2016/17 winter wheat production is up with higher yields more than offsetting reduced harvested area. Winter wheat has benefited from excellent spring growing conditions and yields are projected higher for Hard Red Winter, Soft Red Winter, and White Winter. Spring wheat and Durum production for 2016/17 is projected to decline 16 percent on lower area, as well as a return to trend yield, which is below last year's level.

Total U.S. wheat use for 2016/17 is projected up 7 percent from the previous year on higher exports, feed and residual use, and food use. The 2016/17 exports are projected at 875 million bushels, up 95 million bushels from the previous year's low level but still well below average. Large supplies in several major competing countries will continue to limit U.S. exports. Feed and residual use is projected up 30 million bushels on increased supplies. U.S. ending stocks are projected to rise 51 million bushels from the elevated 2015/16 total to 1,029 million, the highest since the 1987/88 crop year. The all wheat season-average farm price is projected at \$3.70 to \$4.50 per bushel; the mid-point of this range is the lowest in 11 years.

Global wheat supplies are projected to rise 2 percent from 2015/16 as increased beginning stocks more than offset a decline in production from the previous year's record. Total wheat production is projected at 727.0 million tons, the second highest total on record. Large crops are expected in most key competing countries and favorable spring growing conditions suggest that yields will be well above trend in the EU, Russia, and Ukraine. Global wheat consumption for 2016/17 is projected slightly higher than in 2015/16 with higher food use more than offsetting a reduction in world wheat feeding. Global import demand for 2016/17 is down from last year's record, but still very large. Global ending stocks for 2016/17 are projected at a record 257.3 million tons, up 14.4 million from 2015/16.

**COARSE GRAINS:** U.S. feed grain supplies for 2016/17 are projected up 4 percent from the 2015/16 record with increases in both beginning stocks and production. Corn production for 2016/17 is projected at 14.4 billion bushels, up 829 million from 2015/16 and 214 million higher than the previous record in 2014/15. A 5.6-million-acre increase in corn plantings more than offsets a small reduction in yield. The U.S. corn yield is projected at 168.0 bushels per acre, down 0.4 bushels from 2015/16. Corn supplies for 2016/17 are projected at a record 16.3 billion bushels, up 886 million from 2015/16, which more than offsets projected declines for sorghum, barley, and oats.

U.S. corn use for 2016/17 is projected at a record 14.1 billion bushels, 4 percent higher than for 2015/16. Feed and residual use for 2016/17 is projected 300 million bushels higher with higher production, lower expected prices, and further expansion in animal numbers in 2016/17. Corn used to produce ethanol is projected 50 million bushels higher than in 2015/16 with a reduction in sorghum use for ethanol and higher expected ethanol blending. Exports for 2016/17 are projected 175 million bushels higher than this month's upwardly revised projection for 2015/16. More competitive prices and reduced supplies and competition from Brazil support gains in U.S. exports for 2016/17 and 2015/16. U.S. corn ending stocks for 2016/17 are projected at 2.2 billion bushels, up 350 million from the 2015/16 projection. If realized, stocks would be the highest since the mid-1980s; however, the stocks-to-use ratio remains far lower than in those years when domestic support policies catapulted stocks to more than 50 percent of annual usage. The season-average 2016/17 farm price is projected at \$3.05 to \$3.65 per bushel, down 25 cents at the midpoint from this month's slightly higher outlook for 2015/16.

Global coarse grain supplies for 2016/17 are projected at a record 1,543.2 million tons, up 41.0 million tons from 2015/16 with nearly half of the increase on larger U.S. beginning stocks and production. Global corn production for 2016/17 is projected at 1,011.1 million tons, up 42.2 million from 2015/16, and just short of the record 1,013.5 million in 2014/15. In addition to the projected 21.1-million-ton U.S. increase, 2016/17 corn production is also higher for most of the world's major producing countries with production rebounds for South Africa and EU, and higher area in Argentina, Russia, and Ukraine. Brazil corn production for 2016/17 is 1.0 million tons higher than this month's lowered outlook for 2015/16 as area is expected to decline slightly, but yields rise from those now expected for the 2015/16 crop. Partly offsetting these increases for 2016/17 is a 6.6-million-ton reduction for China corn, as changes in support policies and lower domestic prices reduce incentives for corn planting.

Global corn consumption for 2016/17 is projected at a record 1,011.9 million tons, 43.0 million tons higher than in 2015/16. The largest increases are for China with consumption projected up 9.5 million tons and the United States with consumption projected up 9.2 million tons. Smaller increases are projected for EU, Argentina, Brazil, India, Russia, Vietnam, Mexico, and South Korea.

Global corn exports for 2016/17 are higher with increases for Argentina, EU, and Ukraine more than offsetting a reduction for Brazil. Corn imports for 2016/17 are lower with declines for South Africa, EU, Vietnam, and China partly offset by increases for Mexico, Turkey, Egypt, Iran, and South Korea. Much of the imbalance in global marketing year imports and exports is driven by the timing of Brazil and Argentina exports and the South Africa change from a net importer to a net exporter. The 2016/17 local marketing years for these Southern Hemisphere exporting countries do not start until 2017, while the local marketing years for many major importers begin in October 2016. Corn shipments by Southern Hemisphere exporters between October 2015 and February 2016 were strong, appearing as 2014/15 exports, but accounted for as 2015/16 imports. Reduced 2015/16 Brazil second-crop corn limits export prospects between October 2016 and February 2017. As a result, global imports decline in 2016/17 at the same time that U.S. exports expand. Global 2016/17 corn ending stocks are projected at 207.0 million tons, down slightly from the 207.9 million for 2015/16. Lower stocks in China, EU, and Brazil more than offset the projected U.S. increase.

**OILSEEDS:** U.S. oilseed production for 2016/17 is projected at 112.9 million tons, down 3.1 million from 2015/16 mainly on lower soybean production. Production forecasts are also lower for sunflower seed, canola, and peanuts, but higher for cottonseed. Soybean production is projected at 3,800 million bushels, down 129

million from the 2015 crop on lower harvested area and trend yields. Supplies are projected at 4,230 million bushels, up 1.9 percent from 2015/16 with higher beginning stocks more than offsetting lower production.

The U.S. soybean crush for 2016/17 is projected at 1,915 million bushels, up 35 million from 2015/16. Domestic soybean meal disappearance is projected to increase with expected gains in U.S. meat production. With limited gains for competing exporters, U.S. soybean meal exports are projected at 12.0 million short tons, up 0.5 million from 2015/16. Soybean exports are forecast at 1,885 million bushels, up 145 million from the revised 2015/16 projection. Sharply reduced stocks in South America this fall will limit competition during the first half of the marketing year. In addition, limited soybean production gains are projected for the 2016/17 South American harvest in early 2017. With forecasted global soybean import growth of 3.8 percent, the U.S. soybean export share is projected at 37 percent, up slightly from 2015/16 and near the 5-year average. U.S. ending stocks for 2016/17 are forecast at 305 million bushels, down 95 million from the revised 2015/16 projection. The 2016/17 U.S. season-average soybean price range is forecast at \$8.35 to \$9.85 per bushel compared with \$8.85 per bushel in 2015/16. Soybean meal prices are forecast at \$300 to \$340 per short ton, compared with \$310 per ton for 2015/16. Soybean oil prices are forecast at 30.5 to 33.5 cents per pound compared with 30.0 cents for 2015/16.

Global oilseed production for 2016/17 is projected at 533.8 million tons, up 2.1 percent from 2015/16. Global soybean production is projected at 324.2 million tons, up 8.3 million with gains for India, Brazil, Ukraine, and Argentina, partly offset by lower U.S. production. The Brazil soybean crop is projected at 103.0 million tons, up 4.0 million on higher area and yields. China soybean production is projected higher on increased harvested area as policy changes reduce incentives to plant corn. The Argentina soybean crop is projected at 57.0 million tons, up 0.5 million from the revised 2015/16 crop. The 2015/16 crop is projected at 56.5 million tons, down 2.5 million mainly on lower area resulting from flooding in April. Total global oilseed supplies are up less than 1 percent from 2015/16. With crush projected to increase 2.3 percent, global oilseed ending stocks are projected at 76.9 million tons, down 9.5 percent from 2015/16.

Global protein meal consumption is projected to increase 3.2 percent in 2016/17. Protein meal consumption is projected to increase 3.7 percent in China which accounts for 32 percent of global protein consumption gains. Global soybean exports are projected at 138.3 million tons, up 4.3 percent from 2015/16. China soybean imports are projected at 87.0 million tons, up 4.0 million from 2015/16. Global vegetable oil consumption is projected at 183.8 million tons, up 3.0 percent in 2016/17 led by increases for India, China, and Indonesia. Global vegetable oil ending stocks are projected at 16.9 million tons, down 7.9 percent from 2015/16.

#### **Wheat, Coarse Grains and Soybean Trade Projections to 2025/26:**

Global trade in soybeans and soybean products has risen rapidly since the early 1990s and surpassed global trade in wheat and in total coarse grains (corn, barley, sorghum, rye, oats, millet, and mixed grains). Continued strong growth in global demand for vegetable oil and protein meal, particularly in China and other Asian countries, is expected to maintain soybean and soybean products trade well above both wheat and coarse grain trade throughout the next decade.

Population growth continues to be a significant factor driving overall growth in demand for agricultural products, even though population growth is slowing. Additionally, growth in global income outpaces population growth, further boosting agricultural demand. World consumption of oilseeds is projected to rise 19 percent over the next decade, compared with 13 percent for meat, 12 percent for total coarse grains, 10 percent for wheat, and 8 percent for rice. On a per capita basis, world food use of rice and wheat decreases slightly over the projection period. Both rice and wheat demand decreases for some countries as incomes rise.

Increasing demand for grains, oilseeds, and other crops provides incentives to expand global area under cultivation and intensify crop production, even though lower prices constrain expansion. Globally, the total area planted to grains, oilseeds, and cotton is projected to expand at an average annual rate of 0.45 percent from 2016 to 2025, from 973 million to 1.014 billion hectares.

Area expands more rapidly in countries with a reserve of available land and policies that allow farmers to respond to prices. The largest projected increases in planted area are in the regions of South America, Sub-Saharan Africa, the FSU, and Southeast Asia. Large expansions are projected for Brazil and Argentina, including uncultivated land brought into soybean production in response to increased world demand for vegetable oils. In Southeast Asia, Indonesia accounts for the greatest increase in new area as palm oil area is projected to increase. In many other countries, area expansion is slower, and in some countries area cultivated contracts.

Well over half of the projected growth in global production of grains, oilseeds, and cotton (1.4 percent per year to 2025/26) is obtained from rising yields.

#### Wheat Imports

World wheat trade (including flour) is projected to expand by nearly 26 million tons (16 percent) between 2016/17 and 2025/26, reaching 187.3 million tons. Growth in wheat imports is concentrated in those developing countries where income and population gains drive increases in demand. The largest growth markets include other Sub-Saharan Africa countries, the 15 countries of the Economic Community of West African States, the Middle East, North Africa, Indonesia, the countries of the FSU, and Iraq.

Almost no change in per capita wheat consumption is expected in many developing countries, but imports are projected to expand modestly due to population growth and limited potential to expand domestic wheat production. As incomes rise in Indonesia, Vietnam, and some other Asian countries, demand for instant noodles and bakery products continue to increase.

Egypt and Indonesia remain the world's leading wheat importers, with annual imports climbing to 12.6 million tons and 10.1 million tons, respectively, by 2025/26. Indonesian imports grow rapidly as increased consumption of non-traditional instant noodles, bread, cakes, and cookies continues. Brazil is the third largest wheat importing country at 7 million tons by 2025/26.

Imports by China, Vietnam, Thailand, Bangladesh, and the Philippines are all projected to rise, collectively adding 3.6 million tons to imports by 2025/26, with a 2.4 percent annual growth rate.

Imports are driven by rising incomes and populations, with greater diversified consumption due to urbanization and rising number of specialty food outlets. China has abundant wheat supplies overall, but its production of wheat suitable for use in bakery and specialty products falls short of demand for those types of wheat. China views wheat as critical to food security and limits imports using a quota. Imports by Japan, South Korea, and Taiwan remain stable, totaling about 11.1 million tons per year.

Countries in Africa and the Middle East increase their wheat imports by 10.1 million and 4.6 million tons, respectively, by 2025/26, accounting for 57 percent of the total increase in world wheat trade. Only Morocco exhibits a small decrease in imports. Saudi Arabia is progressing toward a planned phase-out of wheat production due to water scarcity. Saudi Arabia's annual imports are projected to increase to 4.5 million tons by 2025/26.

Historically, India has been a large wheat importer in some years and a large exporter in others. From 2012/13 through 2014/15, India exported significant amounts of wheat, partially as a result of price-

support policies and accumulation of government stocks. India is projected to be a net wheat exporter over the projection period, exporting about 800,000 tons annually while importing about 100,000 tons per year.

#### Wheat Exports

Similar to the past decade, the five largest wheat exporters (the EU, United States, Canada, Russia, and Australia) are projected to account for 73 percent of world trade in 2025/26. The FSU region exhibits the fastest growth in world export share, rising from 12 percent in the late 1990s to 22 percent over the past decade to a projected 27 percent by 2025/26.

U.S. wheat exports are projected to rise steadily from 24.5 million tons to 28 million tons during the coming decade. The U.S. share of world exports increases to 15.7 percent in 2017/18, recovering from three years of weak exports. For the remaining projection period the U.S. export share decreases slowly to 15 percent by 2025/26.

Wheat exports from Russia, Ukraine, and Kazakhstan have been strong during the past five years and are projected to climb from 40 million tons in 2016/17 to 50.8 million tons by 2025/26, accounting for 42 percent of the projected increase in world wheat trade. Although not explicitly reflected in the projections, year-to-year volatility in FSU wheat production and trade is likely because of the impact of the region's highly variable weather.

Canada's wheat exports grow from 21.1 million tons in 2016/17 to 23.5 million tons in 2025/26. Wheat production increases due to yield growth even as area declines slowly in response to more favorable returns for canola. Also, slower growth in food demand in Canada supports higher exports.

Argentina's wheat area largely remains unchanged, even though government policies (prior to the 2015 election) encouraging double cropping of barley have resulted in the shift of a small proportion of traditional wheat area into barley cultivation. Recent exports levels have modestly rebounded from the low levels of 2012/13 and 2013/14, and are expected to continue to rise throughout the projection period, from 6.3 million tons in 2016/17 to 7.3 million tons in 2025/26, but not reach previous higher levels of 12.9 million tons in 2011/12.

The EU's market share is projected to remain at 20 percent throughout the projection period. EU wheat exports are projected to reach 37.7 million tons by 2025/26 (1.5 percent annual growth rate) as less wheat is fed to livestock domestically due to relatively low feed grain prices.

#### Course Grain Imports

World coarse grain trade is projected to increase by 21.7 million tons (13 percent) between 2016/17 and 2025/26. Expansion of livestock production in feed-deficit countries continues to be the main driver of growth in course grain imports. Key growth markets are Mexico, the rest of Latin America, Africa, the Middle East, and South East Asia. Corn is expected to gain a larger share (81 percent) of the world coarse grain trade by 2025/26, while barley's share is expected to decrease slightly to 14 percent.

China's coarse grain imports are expected to gradually decline from high levels reached in 2014/15, due to lower sorghum and barley imports. Corn imports are expected to fall to 3 million tons in 2015/16 as authorities seek to reduce domestic inventories and expected to rebound to 6.3 million tons by 2025/26 as China's feed demand grows and newly-announced initiatives curb corn production in erodible and drought-prone regions. High support prices for corn led to record-high corn inventories and prompted imports of sorghum and barley as substitutes for expensive domestic corn. Sorghum and barley imports are projected to fall as China aligns its high domestic prices with lower world prices.

Together, Africa and the Middle East account for about 67 percent of the growth in world coarse grain imports through 2025/26, as rising incomes and populations foster strong demand growth for livestock products and limited arable land and water constrain domestic grain production. By 2025/26, this region will import 35 percent of world coarse grains imports.

Growth in Mexico's coarse grain imports represents almost one-fifth of the increase in global coarse grain trade during the coming decade. This reflects increased meat consumption and domestic production. As China's sorghum imports increased, Mexico's sorghum imports decreased in 2013/14 and 2014/15 due to high sorghum prices relative to corn. Mexico's corn imports decreased in 2015/16 to 10.5 million tons and are projected to rise from 10.9 million tons in 2016/17 to 13.8 million tons in 2025/26.

South and Southeast Asian and Oceania corn imports rise 31.5 percent to 15.7 million tons by 2025/26 in response to increased demand from livestock producers and transition to modern feed rations. These 3 regions account for 17 percent of the growth in world corn imports.

Japan and South Korea are the first and third largest coarse grain importers. These two countries and Taiwan face environmental constraints to expanding livestock production, which limit potential growth in their coarse grain imports. These countries now account for about 20 percent of world coarse grain imports, but their share is projected to fall slightly.

#### Corn Exports

U.S. corn exports are expected to increase by 9.5 million tons over the projection period, and reach 57.8 million tons in 2025/26. With the expansion of exporters by several countries, the U.S. share of world corn exports will increase slowly (from 38.1 to 38.9 percent) over the projection period, well below the 59 percent average share for the 2001/02 through 2010/11 period.

Annual corn exports by the countries of the FSU, mostly Ukraine, rise by 3.3 million tons (17 percent) and reach 23.4 million tons in 2025/26. The region's favorable resource endowments, increasing economic openness, wider use of hybrid seed, and greater investment in the agriculture sector all stimulate corn production. Although feed use of corn in the FSU countries increases rapidly in the projections, this region remains the world's third-largest corn exporter, after the United States and Brazil.

Argentina is the fourth largest corn exporter. Argentina's corn production is projected to increase modestly, mostly through yield growth. Corn area is discouraged by the assumed continuation of quantitative export controls. Exports increase from 18.0 to 20.3 million tons from 2016/17 to 2025/26.

Brazil's annual corn exports have more than doubled since 2010/11 and averaged 25 million tons in the past 5 years. Production of second-crop corn following soybeans, much of which takes place in the State of Mato Grosso, continues with expansion onto new cropland. This growing region is not in a good location to meet domestic demand, so production tends to be exported when port capacity is not occupied by soybean shipments. Transportation costs constrain Brazil's corn exports to some degree in the near term; however, exports increase during the later years of the period reflecting improved export infrastructure and moderately increasing world prices. Exports rise by 22 percent to 31.1 million tons by 2025/26.

EU corn imports are projected to decline by 3.6 million tons to 8.4 million tons by 2025/26. Exports grow slowly and reach 2.5 million tons, by the end of the projection period, as the EU takes advantage of its lower transportation costs to parts of North Africa and the Middle East.

Corn exports from the Other Europe region, mostly from Serbia to the EU, increase by 8 percent over the

projection period and reach 2.6 million tons by 2025/26. South Africa corn exports increase by 14 percent and reach 1.6 million tons by 2025/26.

#### Soybean Imports

World soybean trade is projected to rise rapidly during the next 10 years, climbing 29 million tons (22 percent) to 161 million tons. China increases soybean imports by 26.5 million tons by 2025/26.

China's soybean imports have risen sharply since the late 1990s and now account for about 63 percent of world soybean trade. China's imports are projected to increase from 83 million in 2016/17 to 109.5 million tons in 2025/26, accounting for 91 percent of the increase in trade.

The projections assume that China will continue to meet rising demand for vegetable oils and protein in feed by importing soybeans, while focusing domestic production on cereal grains to maintain food security. China continues to add oilseed crushing capacity that will further contribute to strong gains in soybean imports. Some surplus soybean meal will be exported to Asian countries.

EU soybean imports declined over the past decade due to decreases in internal EU grain prices and increases in grain and rapeseed meal feeding. EU soybean imports are projected to remain around 13.7 million tons per year through the projection period.

Imports of soybeans and soybean meal by East Asia (Japan, South Korea, and Taiwan) are influenced by a continuing shift from importing feedstuffs for domestic meat production to importing meat and other livestock products. The region's projected soybean imports gradually decrease, but soybean meal imports increase due to slowly rising livestock production.

Egypt is projected to increase soybean and soybean meal imports in an effort to improve feed efficiency and meet increased per capita demand for vegetable oils. Many other countries in the North Africa and Middle East region also have a limited ability to expand soybean production, so they increase imports to fill their growing feed and food needs.

Mexico's soybean imports are projected to increase 16 percent, to 4.8 million tons by 2025/26.

These imports will support the production of soybean meal for the Mexican poultry and hog industries and soybean oil for domestic food consumption.

Indonesian soybean imports increase by 22.6 percent to 2.9 million tons by 2025/26. In Indonesia, soybeans are used for food consumption in the form of tempeh and tofu. Indonesia has no crushing industry for soybeans, and imports all of the soybean meal that the country uses.

#### Soybean Exports

The three leading soybean exporters—the United States, Brazil, and Argentina—are projected to account for about 88 percent of world soybean trade over the next decade.

Brazil's soybean exports are projected to rise 19.6 million tons (35 percent) to 76 million tons during the projection period (2016/17 to 2025/26), enabling the country to strengthen its position as the world's leading soybean exporter. Soybeans remain more profitable to produce than other crops in most areas of Brazil. With increasing plantings in the Cerrado region and production extending into the "Amazon Legal" region, the growth rate in area planted to soybeans is projected to average about 1.8 percent per year during the coming decade.

Argentina's export tax rates are higher for soybeans than for soybean products, a policy that favors domestic crushing of soybeans and exporting the resulting products. In response to increasing world demand for soybeans for crushing, however Argentina's soybean exports sharply increased in 2014/15 and are projected to grow 2 percent annually, rising about 19 percent to more than 12.6 million tons by 2025/26. Most of Argentina's soybean exports go to China. Nonetheless, Argentina remains a distant third to Brazil and the United States as a soybean exporter.

Other South American countries, principally Uruguay, Paraguay, and Bolivia, also are projected to expand their area planted to soybeans. Exports by these countries increase 46 percent, to 11.1 million tons by 2025/26 adding 3.5 million tons to world soybean exports.

Soybean production in Ukraine initially falls but then rises over the rest of the projection period in response to international oilseed prices. Ukraine's soybean exports are projected to rise nearly 29 percent during the coming decade to 2.9 million tons by 2025/26.

Canada increases exports from 3.9 million tons in 2016/17 to 4.5 million tons by 2025/26. Soybean area has expanded beyond the traditional eastern Ontario region to the northeast Manitoba prairie region. Improved varieties of soybeans with better yields have contributed to this area expansion.

#### **Competitive Threats:**

The international trade of GRNOS is faced with unprecedented change and opportunity. Pressure has never been greater on agriculture to provide for global food security, food defense and energy security while maintaining high quality, safe products throughout the value chain. The role of international trade in GRNOS is expanding and increasingly complex. A broadened understanding and acceptance of sound, predictable official measures and commercial practice that supports the expansion of GRNOS trade is warranted and supports the adoption of policies for more efficient functioning of the global food, nutrition, and agricultural system. NAEGA seeks to provide for a better-functioning global system that will enhance inclusion for all consumers, including of low income countries, thereby improve food and nutrition security through the advance of sound commercial practice and regulatory compliance.

International competition in the production and trade of raw commodities and primary processed products is brutal. Because commodities by definition are undifferentiated, whoever can produce them at lowest cost will get the sale. NAEGA's UES strategy has recently been focused on providing for Market Access so that comparative advantage might prevail in the very competitive market place.

With this UES application NAEGA further expands on efforts to provide for market access and maintenance by addressing key issues related to all drivers including the innovation of new technologies, technique and trade convention. NAEGA works to focus on improvements in the environment for the innovation of technology technique and trade convention in order to encourage expanded US production, improved US competitiveness and facilitate trade of all US agricultural products (includes bulk commodities, processed products and high value foods and feed, and US commercial and official practice that provides for product safety, health and integrity. NAEGA will lead global support for integrity in the commercial environment, predictability in regulatory matters and improved access to all agricultural markets in particular by encouraging adherence to science-based sanitary and phyto-sanitary rules implemented in an open, transparent way.

While comparisons are not easy to come by, it is likely that few global businesses are as product-oriented as the grain trade. When it comes to GRNOS alone, the focus historically has been on quality and price, as well as origin. Without suggesting this emphasis may be misguided, developments under way across the broad sweep of worldwide GRNOS consumption prompt strategy for an industry like GRNOS that takes advantage of the opportunities inherent in providing excellent services as well as superb products. Thus, we believe the environment today provides for an opportunity to improve and expand trade through continuing to improve

"Market Access" but also affords the opportunity to differentiate on the basis of service, transparency and compliance in what NAEGA will address as a "Market Share" strategy.

NAEGA plans as part of its 2016 UES to capitalize on the opportunity at hand by continuing its approach, in addition to its market access work, to establishing and improving buyer and importer preference for US GRNOS supply logistics. Such differentiation and preference will result from a more predictable and user (importer) friendly, US logistics systems that meets the needs of and is understood by consumers, commercial handlers and processors as well official national and international bodies.

Building upon its continuing work to improve GRNOS market access and preferred supplier status, NAEGA's international communication and programming often focuses on creditability, efficiency, harmonization and acceptability of conveyance load point official and commercial determinations and certification of product attributes. Safety, plant health, quality and functionality are most often at the forefront of NAEGA's UES and provided for GRNOS differentiation in the international market place.

Key to NAEGA's efforts, whether to help provide for long term structural change to support sustainability, shorter term to logistics improvements or crisis response, is close coordination and work with USDA (FAS, APHIS, GIPSA/FGIS) and USTR as well as other agencies in US government.

NAEGA, working consistent with its UES, is positioned to quickly prevent or mitigate disruptions in GRNOS export and import transactions.

In all cases NAEGA seminars are tailored to the audience. For groups we work closely with existing opportunities and problems related to the groups previously identified concerns. For others, often groups of broader interest we review the applicable best practice, national and international standards using case studies created by respected and current industry professionals to do so. Our menu of capacity building offerings is current based on these UES produced training modules:

1. Trade execution and contracting for imports of Grain and Oilseeds (Contracting Module);
2. Attribute measurement and handling Logistics in international trade of Grain and Oilseeds (Logistics Module);
3. Technical measures (biotech, phytosanitary etc.) and related documentation for the international trade of grain and oilseeds (SPS / Technology Module);

NAEGA remains committed in the long term to "Working Together to Make Trade Work" through close coordination with fellow cooperators as well as utilization of its extensive international reach and capacity to expand on UES success in Market Access and in the new strategic initiative to enhance Market Share.

**2.2.1.4 U.S. and World Production and Trade**

**Volume Unit:**

**Data Source:**

FAPRI 2015 U.S. and World Agricultural Outlook; USDA Agricultural Projections to 2022; May 2016 USDA FAS WASDE

**World Production Metrics:**

Year	US Production		US Export		Exports as a Share of U.S. Production		World Trade		U.S. Share of World Trade		Status
	Vol.(Unit)	Value(\$)	Vol.(Unit)	Value(\$)	Vol.(%)	Value(%)	Vol.(Unit)	Value(\$)	Vol.(%)	Value(%)	
2010	465,149,000	118,759,725,874	122,614,000	315,716,000	26	0	316,070,000	76,510,673,080	39	0	Actual
2011	451,324,000	157,089,741,425	104,890,000	35,944,253,147	23	23	367,287,000	119,405,704,528	29	30	Actual
2012	417,281,000	162,997,886,664	82,218,000	33,023,487,641	20	20	333,446,000	121,681,268,115	25	27	Actual
2013	500,786,000	186,506,793,050	125,358,000	45,775,675,590	25	25	409,791,000	142,131,918,926	31	32	Actual
2014	523,116,000	163,615,785,914	120,777,000	38,144,848,562	23	23	431,964,000	125,908,016,262	28	30	Actual
2015	508,260,000	131,617,609,306	112,400,000	28,641,603,788	22	22	420,779,000	98,986,725,081	27	29	Actual
2016	524,324,000	120,197,719,706	123,377,000	27,996,534,146	24	23	435,108,000	90,679,714,897	28	31	Estimate
2017	514,628,000	123,073,357,780	124,693,000	28,908,198,490	24	23	427,882,000	94,385,615,585	29	31	Forecast
2018	520,861,000	126,377,629,486	126,643,000	29,779,154,096	24	24	435,791,000	97,868,347,505	29	30	Forecast
2019	526,294,000	128,134,591,179	128,457,000	30,260,848,255	24	24	444,971,000	100,718,988,708	29	30	Forecast
2020	530,313,000	129,960,522,108	130,271,000	30,844,862,465	25	24	453,677,000	103,686,478,815	29	30	Forecast
2021	533,043,000	131,453,570,863	131,314,000	31,290,335,866	25	24	461,887,000	106,602,477,219	28	29	Forecast

**2.3. Targeted Market Assessment**

**2.3.1.1 Basic Information**

**Market Definition:** AMERICAS

**Promoted Commodity:** GRNOS

**Market Type:** Growth Market

**Market Keywords:**

**FAS Market Keywords:**

**2.3.1.2 Substantive Information:**

**Market Assessment:**

In all NAEGA target markets there is a high priority to:

1. Improve market access by increasing adherence to a rules based international trading system;
2. Promote the provisions of the negotiated text of the Trans-Pacific Partnership agreement (TPP) addressing regulatory coherence;
3. Increase the value of intelligence and analysis provided to stakeholders;
4. Promote sound practices based on sound science;
5. Engage and educate thought and decision leaders in both private and public sectors on the practicalities of the GRNOS supply chain.

NAEGA's UES target market assessment largely focuses and relies on cooperation and consistency with efforts of USDA and FAS in particular. This 2017 UES recognizes and is reliant upon constant updating and response to key strategic goals in cooperation with US government.

Recognizing that the United States will remain a huge power in crop trade but will be seen as a less important market by buyers, this UES takes into account:

1. Reduced Market Force - the United States will remain a huge power in crop trade but will be seen as a less important market by buyers.
  - Primarily due to drought, the United States lost its position as world corn export leader to Brazil during the 2012/13 marketing year, but regained the top spot in 2013/14 and is projected to continue holding it

in 2016/17. Even though the U.S. is usually the leading corn exporter, the U.S. share of the world market is diminishing as other countries such as Brazil, Argentina and Ukraine increase exportable supplies. The U.S. average market share of world trade was consistently above 50 percent prior to 2011/12, but has fallen to the current projection of 36.3 percent for 2016/17.

- The United States was the perennial leader in soybean exports until 2012/13, when Brazil leapfrogged the U.S. into first position. Brazil has maintained the top spot and is projected to increase its in 2016/17 and is expected to continue to lead the world in soybean exports. For 2016/17, the United States is projected to account for 37.1 percent of world soybean exports. Historically, the United States share of soybean exports has routinely been above 40 percent.
- Stalled wheat yield growth in the United States has led to diminishing role for wheat in U.S. producer crop rotations. Until 2013/14, the United States had been the world's proverbial bread basket, usually supplying about 25 to 33 percent of the world's wheat exports. However, the European Union and Russia have both leapfrogged the United States and are projected to hold on to their first and second place rankings in 2016/17. For 2016/17, the United States is projected to account for 14.6 percent of the global wheat exports.

2. New suppliers mean new competition for several years.

- The historically high commodity prices from 2007-2013 provided the impetus for farmers in countries such as Brazil, Argentina and Ukraine to make major steps in enhancing production technology and agriculture infrastructure in order to be able to grow more profitable crops such as corn in addition to more traditional soybean and wheat crops. Commodity prices have subsided, but the investments in improved agricultural infrastructure that were made possible by the boon years will continue to strengthen worldwide grain production into the foreseeable future. In addition, underperforming economies in Brazil, Argentina and Ukraine have depressed their currencies and provided a competitive advantage over the United States in exports.
- The United States has long competed for wheat export share with countries/regions such as Europe, Canada and Australia, but as of recently U.S. wheat is also competing with wheat produced in the Black Sea region that has transportation advantages going into the key Middle East and North African markets.
- U.S. soybeans and its products continue to compete for market share with Brazil and Argentina and these South American countries have the advantage of being able to add large amounts of land into crop production. In addition, the transportation infrastructure in Brazil continues to improve which will enhance their economics of production.
- The potentially promising China corn market has dried up for the U.S. due to the presence of traits in U.S. corn exports that had not received Chinese import approval. Due to the risk of further rejections, U.S. exporters have not exported significant quantities of corn to China since early 2014. In the absence of available U.S. corn, China's end users have increased imports of U.S. grain sorghum, barley from Australia and Canada, and corn from Ukraine. In 2016, Argentina's export tax on corn was fully lifted, while the export tax on soybeans is gradually phasing out which will provide economic incentive for its farmers to produce more corn and further erode the U.S. share of the global export market.

3. Price Impact- The grain markets have entered into a period of ampler supplies, which has incentivized domestic demand for grain, particularly for livestock feed. By itself, domestic demand is unlikely to be large enough to pull grain prices much above their current lower levels. Due to increased world crop production and a strengthening U.S. dollar, U.S. grain exports will continue to face headwinds in the near-term.

4. U.S. Producer Mentality- U.S. producers are coming off strong income years, but low grain prices may expose the most vulnerable. The 2016/17 crop is being seeded with the expectation of market prices that leave little room for error and great potential for equity depletion.

5. Market Power Increases for Domestic and International Buyers and Users – A well-supplied market is a buyer's market and provides buyers with more flexibility in their purchase decisions.

Large crops from the 2013, 2014 and 2015 harvests aided a rebound in U.S. GRNOS supplies but did not repair all the damage to US competitiveness that resulted from a combination of supply problems, high prices, policy developments and stronger competition. No doubt these external influences highlighted by the relative value of the US dollar exacerbated losses of United States share of the Americas GRNOS market and at least some of its reputation as a reliable, trusted, and low risk supplier of GRNOS. Challenges for U.S. exports of GRNOS in the Americas like the major policy changes in Argentina are readily identifiable. Likewise, opportunities to improve US competitive position like accommodating new production technologies are at hand.

NAEGA sees developments in the Americas as increasing the demand and need for NAEGA UES activity. In particular, we note the following observations impacting GRNOS trade:

**1. Market Assessment:**

The Canadian and U.S. economies are closely linked. Trade between the two countries reflects increasing economic integration in North America under the Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement (NAFTA). Total U.S.-Canada trade is over \$1.5 billion a day. The United States is Canada's largest trading partner, and Canada is the largest market for U.S. agricultural exports, including meats, live animals, bulk grains, oilseeds, and vegetables. Important imports include fruits and vegetables, wine and beer, and meats.

Despite the traditionally close relationship between Canada and the U.S., Canada has recently pursued further integration with the European Union (EU) during a time of cooler trade relations with the U.S. In August 2014 the Canada and the EU concluded a trade deal that would link Canada and the world's largest integrated economy. Implementation of this deal now seems even more certain after renegotiation of the Investor-State Dispute Settlement (ISDS) chapter at the behest of the EU. When implemented, Canada will enjoy preferential access, not only to the U.S., but also the EU.

The Canada-EU agreement was completed at the same time that Canada threatened trade retaliation against the U.S. in response to USDA's country-of-origin labeling law (COOL). In May of 2015, a World Trade Organization (WTO) Appellate Body found revised COOL regulations again violated WTO's Technical Barriers to Trade (TBT) Agreement and authorized Canada and Mexico to implement retaliatory tariffs against U.S. products. The COOL problem was resolved in the U.S. Congress recently thereby opening the door for more constructive engagement with Canada.

Mexico, the United States' neighbor to the south, is the second largest export market for agricultural commodities and the second most important supplier of agricultural commodities to the United States. The markets of North America (the United States, Canada, and Mexico) are increasingly integrated through the North American Free Trade Agreement (NAFTA). Mexico is undergoing economic reforms under the Pena Nieto government that could eventually increase food demand. However, overall macroeconomic growth has been disappointing as the government has been mired in security and corruption scandals.

Canada and Mexico are part of the Trans Pacific Partnership. Implementation of the agreements language will help further integrate the Canadian, Mexican and U.S. economies. Meanwhile, completion of a high standard TTIP is vital to maintaining a level playing field in the North American market. Bilateral integration between the EU and Canada should be monitored as it poses a competitive threat to market access for U.S. goods and could affect U.S. exports. However, a high standards TTIP has the potential to equal, if not improve, preferential

treatment to U.S. agricultural goods than Canadian have under their agreement.

South America is an important source of agricultural products for world markets, especially soybeans and soy products, coffee, sugar, corn, wheat, beef, pork, fruit juices, and poultry meat. In some markets, its exports compete directly with U.S. exports. This is both a challenge and an opportunity. NAEGA sees the contributions of South American corporate stakeholders and associations as vital to helping improve market access in China and other markets via the International Grain Trade Coalition (IGTC). The contributions of integrate key global supplier countries in South America, like Argentina and Brazil, will be critical in future efforts by the IGTC to push for increased market access in China.

South America is also an important market for U.S. GRNOS commodities as demand continues to expand in response to population and income growth. Besides rising food demand associated with population growth, rising incomes are leading to diet diversification in many countries, with expanding demand for livestock and animal feed as well as processed food products. These developments assure further consumption of both feed and food produced from GRNOS commodities in the long run.

Currently, Mexico and Canada dominate U.S. GRNOS exports, as a NAFTA participant and the closest geographically to the US. However, we anticipate much progress in market opening as a result of the Central America and Dominican Republic Free Trade Agreement (CAFTA-DR), which includes Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. In addition, free trade agreements with Peru and Chile along with an FTA agreement with Colombia, Ecuador and Panama should also provide new market opportunities and access for U.S. GRNOS exports in Latin America.

Cuba, with its 11 million people, became a key opportunity for U.S. agricultural exports when the U.S. announced in December of 2014 it would work to normalize relations with Cuba. Currently, very little U.S. agricultural products are exported to Cuba due to the embargo, but relaxed regulations, such as no longer requiring Cuba to buy products with cash in advance, will make it easier to export to Cuba. While the U.S. has made serious contributions liberalizing trade with Cuba, the Cuban government still has to make considerable reforms to liberalize its economy and ease the cost of doing business. In addition, significant import hurdles still remain that will require continued engagement with FAS, ALIMPORT and Cuban animal and plant quarantine services to ensure trade flows smoothly and seamlessly once trade is fully liberalized. NAEGA will work in coordination with the U.S. Agriculture for Cuba Coalition (USACC) to develop and take advantage of opportunities.

## 2. Changes and steady results in Americas markets:

**Argentina** – With recent political changes in Argentina the country seems poised to realize its true agricultural potential which means stronger GRNOS competition. The election of a reformist government under President Mauricio Macri, holds the potential for significant future investment in South America's second largest grain exporter. Significant changes have already been made, including the removal of capital controls, the floating of the Peso, and the reduction or elimination of agricultural export taxes that dis-incentivized exports. These changes could hold significant promise for investment in the country's already competitive agribusiness sector. Furthermore, Argentina re-entry into global debt markets in 2016 with a record breaking \$15 billion bond issues increases the chances of significant investment in infrastructure that could help facilitate trade.

In 2015/16 it is estimated that Argentina could export 4.2 MMT of wheat, 20 MMT of corn and 8.3 MMT of soybeans. Argentina will export nearly all of its production of corn and half of its production of wheat.

**Brazil** – Recent political changes and the exposure of corruption charges have roiled domestic markets and suppressed the value of the Real. The ousting of the government of former Brazilian President Dilma Rousseff, could breed uncertainty in the short term, but could also help reverse Brazil's worst recession in a century as new President Michel Temer looks to install a technocratic cabinet. Any market turnaround could help boost agricultural exports, which currently are enjoying a premium on world markets as the Real sits at near six-month lows. However, the ongoing impeachment process for Ms. Rousseff and potential corruption allegations against Mr. Temer himself, continue to add a wrinkle of political uncertainty that may upset agriculture markets and investment.

Brazil continues to participate in the Mercosur common market and maintains common external tariffs on feed grains, oilseeds, and byproducts of grains and oilseeds. Tariffs are mostly in the 6-10% range.

Brazil's grain and oilseed production has expanded rapidly over the past decade and the country has become a major competitor of the U.S. in world markets. Brazilian corn production has doubled since 2005 and its soybean production has nearly doubled over the same timeframe. Brazil's quantity of soybean production nearly matches the United States and its soybean exports are more than the United States. The government provides price support to farmers for several grain and oilseed commodities.

The Miritituba-Barcarena port complex, which just opened for business, will bring new capabilities to Brazil's grain export. Grain terminals at Miritituba on the Tapajos River and at the Port of Vila do Conde in Barcarena on the Para River will handle grain shipments from Brazil's landlocked state of Mato Grosso and ease pressure on Brazil's overloaded Santos and Paranagua ports in the southeast. The project is just one component of Brazil's broader push to open up the "northern exit" for grain shipments to Europe and Asia via the Atlantic Ocean. Access to Asian markets from these ports should be facilitated by the prospective opening of the Panama Canal expansion in June of 2016.

Brazil is a major wheat importer with projected imports of 5.8 MMT in 2016/17, which is 3.6 percent of global wheat trade.

**Canada**– Canada is a very important country in advancing NAEGA's UES because of its superior trading relationship with the U.S. and our common interests as well as business practices. Canada is the most accessible large regional market for GRNOS commodities, second in size only to Mexico. The market is largely open. There are some problems with the fungibility of U.S. and Canadian GRNOS upon crossing the border. For instance, CFIA phytosanitary issuance practices lack transparency and Canada's varietal registration process has been cited by a few as restrictive to U.S. Wheat.

Canada is a major wheat, barley, and canola exporter but is a significant importer of U.S. corn, soybeans and their products. Annual production of corn has risen from 9.3 MMT in 2005/06 to a projected 13.8 MMT for 2016/17. Soybean production has grown from 3.2 MMT in 2005/06 to a projected 6.1 MMT for 2016/17. For 2015/16, imports of corn, soybean meal and soybeans were 1 MMT, 975,000 MT, and 320,000 MT, respectively.

The expansion of canola production stalled after reaching almost 19 MMT in 2013/14. For 2016/17, canola production is estimated at 15.5 MMT. For 2015/16, exports of canola seed, meal, and oil were 9.3 MMT, 4.1 MMT, and 2.83 MMT, respectively.

On August 1, 2012 Canada implemented the Marketing Freedom for Grain Farmers Act. The act changes the way Western Canadian wheat and barley farmers market their grain by removing the mandatory requirement to market wheat and barley through the Canadian Wheat Board (CWB). Since the changes brought about are important to stakeholders in the Canada – U.S. cross-border trade of grains and oilseeds, several not-for-profit associations from both the U.S. and Canada are working together to provide information to facilitate the marketing of grain and seed between the U.S. and Canada. To help facilitate and answer questions about export and importing grain into the Canada and U.S. markets NAEGA's UES has included the hosting and managing of the website <http://canada-usgrainandseedtrade.info/>. The effort provides questions and answers designed in particular to help both Canadian and U.S. wheat, barley and durum producers with their marketing that may

include cross-border transactions. There are several FAQ databases that include questions we think might be asked and answers based on our best knowledge. Currently, there are FAQs for Canadian Grain Producers, U.S. Grain Producers, Commercial Grain Trade and Seed Trade. The site and the databases will be updated as we develop new and revised content. We look forward to considering additions from questions and comments that users submit.

**Colombia** – Colombia is a significant market for U.S. products, and with the signing of the U.S.-Colombia Trade Promotion Agreement (CTPA), the market became more open for US products. Tariffs on many products were reduced to 0 percent. Corn, sorghum, animal feeds, and soybean oil all have duty-free TRQs that grow each year. Fill rates for the quotas have been increasing. Low corn prices last year motivated buying, filling the corn quota by June of 2015. The out-of quota tariff for corn will be phased out over the next decade

Other changes based on the agreement include:

- For corn: an immediate 2.1 MMT TRQ, to be increased by 5 percent annually, plus an out-of-quota tariff of 25 percent to be phased out over 5 years;
- For wheat and barley: immediate elimination of tariffs; and
- For soybean products: immediate elimination of tariffs on soybeans and SBM; soybean oil will have a duty-free TRQ.

Until the agreement was signed, imports from other Andean countries were not subject to Andes Price Band System (APBS) levies, and other regional suppliers had a discount off APBS tariffs, giving their products an additional advantage over U.S. exports. The new FTA prevents regional suppliers from getting a better rate than the U.S. through APBS. The FTA states that if the APBS price is lower than the FTA price, the U.S. can import with the ABPS duty.

While the agreement has made the U.S. more competitive, the U.S. still remains just one of several suppliers to the market, which is competitive. Colombia is a net importer of corn and buys virtually all of its wheat and most of its soybeans and barley from abroad. Imports of these crops have risen over the last four years. Imports of sorghum have dropped sharply over the past two years, by contrast more than halving total supply. Sorghum is used in animal feed.

Wheat, barley, corn, sorghum, and soybeans require Import Permits and Phytosanitary Certificates, while starch residues, DDGS, and soybean meal imports are unrestricted. Corruption is still a problem in Colombia: it scored a 37 out of a possible 100 points (with 100 being the least corrupt) on Transparency International's 2015 Corruption Perceptions Index.

**Mexico** – Mexico is the largest market for U.S. grain and oilseed products in the Americas.

Trade administration procedures and regulations continue to be complex. Lack of administration and regulation transparency hampers importers and creates unnecessarily complicated procedures. U.S. commodities are subjected to multiple SPS measures and other requirements, which have created ongoing problems with delayed and blocked shipments of U.S. commodities. Mexico is one of the more corrupt countries reviewed by Transparency International. Mexico scored a 35 on the Corruption Index in 2015.

Mexico's stance on biotech varies among crops and is still evolving. Mexico has grown biotech crops, on a field trial basis, since 1988.

U.S. commodities continue to be subjected to multiple SPS measures and other requirements, which have created ongoing problems, including delayed and blocked shipments, of US commodities. For example, NAEGA has been dealing with ongoing rejections of GRNOS consignments because of alleged excess soil. In response to this issue, NAEGA has sponsored meetings in Kansas City in 2014 and in Puerto Vallarta, Mexico with Mexican and U.S. industry and government. In 2016 we began to directly engage our Canadian colleagues while actively pushing for a bilateral resolution. To this Working closely with USDA APHIS and other government stakeholders to should prevent the issue from being elevated to the NAPPO level. NAEGA continues to be frustrated by Mexico's actions and the goal of resolving this trade dispute with Mexico is an important part of NAEGA's UES.

Mexico's production of corn, grain sorghum and wheat has increased only slightly since 2015/16, but Mexico's demand for corn has increased substantially, partially at the expense of grain sorghum imports which lost its comparative tariff advantage over corn upon full implementation of NAFTA. Mexico's appetite for corn has grown larger than Japan's and Mexico is projected to overtake Japan in 2015/16 as the leading market for U.S. corn. Mexico's corn imports for 2016/17 are projected to grow to a record 13.5 MMT. In addition, soybean imports are projected to be record large in 2016/17 at 4 MMT. Wheat imports for 2016/17 are projected at 4.2 MMT.

#### **Market Strategy:**

NAEGA places a priority on changes to the GRNOS environment in Canada and continued improvements in the U.S.-Mexico GRNOS trade relationship. NAEGA's emphasis on Canada and Mexico is due in part to the important role that NAFTA plays in the regional economy. The NAFTA trade relationship can provide a model for negotiation and implementation of TPP, CAFTA-DR, TTIP, the Chilean Free Trade Agreement, the Peru Trade Promotion Agreement and progress at the WTO.

NAEGA has established long term objectives for economic and trade policies that will stimulate growth; foster a higher standard of living for citizens in this market; create greater market access with lower tariffs; eliminate non-tariff barriers to trade; and abolish the state owned enterprises that constitute single desk sellers or buyers.

In the American Hemisphere, NAEGA will:

1. Continue leadership efforts to expand the membership, corporate participation and policy influence of the International Grain Trade Coalition's (IGTC). Continue to implement IGTC policy files important to allied net exporter countries in the Southern Cone, including global Low Level Presence (LLP) initiatives, the Cartagena Protocol on Biosafety and electronic documentation. Close coordination and cooperation through the IGTC with Argentine and Brazilian association members remains a key component to NAEGA's UES as it seeks consensus and on global policy issues.
2. Continue and expand work in response to the passage of the Marketing Freedom for Grain Farmers Act in Canada through its work on issues such as: Market information sources; Grain Dealer / Buyer Licensing; Commercial Grain Storage / Warehouse Licensing; Financial – Payment Security and Title (Liens); Check-offs and Levies; Common Delivery and Contracting terms; Commercial Storage availability and terms; Sampling and Testing practices; Identification of firms and locations positioned to buy grain; Identification of related service providers; Payment Practices; Key Quality and Value attributes; and Official Requirements related to Weights, Quality and Sanitary and Phyto-sanitary risk management. This issues, and other related to the Marketing Freedom for Canada Act, will be handled through the Canada-U.S. Grain and Seed Trade Task Group, which uses the its <http://canada-usgrainandseedtrade.info/> as a vector for communications.

NAEGA will also continue to be engaged with Canadian authorities and stakeholders, including the Canadian Food Inspection Service (CFIA), the Pacific Northwest Economic Region (PNWER), the Canadian Pest Management Regulatory Agency (PMRA), the Agri-Food Canada and International Trade Canada to address

issues including: phytosanitary regulation and import frameworks; trade and economic relations in the Pacific Northwest; the Regulatory Cooperation Council; passage and implementation of the Trans Pacific Partnership (TPP); phosphine regulation in the U.S. and Canada; and implementation of the Safe Food for Canada and U.S. Food Safety Modernization Act.

3. Expand its biotech related activities to engage in and support public sector initiatives related to mitigation of asynchronous and asymmetric regulatory measures applied to recombinant-DNA plant material. In 2017 the Americas will be central to our work on:

- The Cartagena Protocol on Biosafety (CPB) which is a Protocol of the Convention on Biological Diversity (CBD). The Protocol contains reference to a precautionary approach and reaffirms the precaution language in Principle 15 of the Rio Declaration on Environment and Development. The Protocol also establishes a Biosafety Clearing House to facilitate the exchange of information on living modified organisms and to assist countries in the implementation of the Protocol. The Parties to the Protocol meet every two years, with the next Conference of the Parties serving as the Meeting of the Parties (COP-MOP 8) being held in Cancun from 4-17 December, 2016.
- Managing the ever increasing risk of trade disruptions resulting from the low level presence (LLP) of unapproved events in commercial channels. Today, the number and complexity of genetically engineered crops being developed and cultivated worldwide is increasing annually. This situation threatens to increase the number of asynchronous and asymmetric approvals worldwide. Reducing asynchronous approvals is an effective way of reducing trade disruptions due to LLP. However, there is an immediate need to address the risk to trade arising from LLP situations, a risk that impacts importing and exporting countries alike, and global food security in general. Recognizing the need for action, Governments in the Americas and other parts of world have exchanged information on potential implications on the agricultural trading system; and may agree to begin the development of an approach or set of approaches to manage LLP internationally.

4. Develop expanded relationships with counterparts involved in Latin American trade. Consistent with NAEGA's successful relationship development in Mexico, NAEGA will continue to seek out and define effective relationships with public and private sector entities. This relationship development will focus on: integrity in a commercial environment supported by free trade and competition in commerce involving grain and other agricultural products; the elimination of abuses to sound commercial practice and unjust, unlawful and oppressive exactions in commerce; growth in predictability and certainty in the customs and usages of trade and commerce; and the promotion of an expanded and friendly exchange among persons engaged in business. NAEGA will strengthen and capitalize on its leadership position in international and regional grain trade circles.

5. NAEGA will continue to utilize the experience and knowledge of its members and staff to encourage importers, end users and government officials to know how and why to buy from the United States.

6. NAEGA will encourage foreign governments to implement import regulations and product quality specifications based on sound science and customer needs in a way consistent with the regulatory coherence provisions of the TPP.

7. NAEGA will educate foreign government officials in the region regarding unfair SPS or TBT restrictions that keep current or potential customers from enjoying the benefits of US commodities.

8. NAEGA will educate foreign government officials in the region regarding science based approaches to SPS issues.

9. When appropriate, NAEGA will encourage and support return visits of foreign customers and government officials.

10. NAEGA will coordinate efforts with US Government entities including USDA FAS, USDA GIPSA, USDA APHIS, and USTR.

11. NAEGA will continue to collaborate as much as possible with related USDA Cooperators, including U.S. Grains Council, U.S. Wheat Associates, and the U.S. Soybean Export Council.

#### **Past Performance and Evaluation Results:**

In 2010 Changes to the Canadian Grain Inspection system were implemented and they may have an impact on U.S. exports of grain that utilize Canadian ports as well as imports to Canada. NAEGA has worked closely with USDA APHIS and GIPSA to mitigate damage from cost cutting measures north of the border, and the elimination of programs which are rarely used.

Since 2012 NAEGA has worked closely with the Canada-U.S. Grain and Seed Trade Task Group on implementation of the Marketing Freedom for Grain Farmers Act, including monitoring regulatory and market impacts of the act and the dissolution of the Canada Wheat Board. As part of its work with the Canada-U.S. Grain and Seed Trade Task Group, NAEGA hosts and helps maintain <http://canada-usgrainandseedtrade.info/>, a website designed to answer questions from wheat, durum, and barley producers in Canada and the United States are about cross-border trade. The site, launched in 2012, has been, and will continue to be, updated on a regular basis to provide current and accurate information.

In addition, NAEGA has worked with several counterpart organizations and via the Canada-U.S. Grain and Seed Trade Task Group to consider and respond to Canadian Food Inspections Agency (CFIA) proposals, including those related to implementation of the Marketing Freedom for Grain Farmers Act. CFIA is in process of reviewing and preparing for implementation of several important revisions to their phyto-sanitary requirements for imports, with new phytosanitary import requirements for U.S. grain of field crops including pulses, oilseeds, cereals forages, and special crops. CFIA indicates that in addition to the high volume and diversity of grain trade between the U.S. and Canada, there are unique transportation, pathways, and marketing practices as well as a close alignment of production, processing and phytosanitary practices. For this reason, the CFIA has developed specific phytosanitary import requirements that consider the end use of grain in Canada that will mitigate the risk associated with regulated pests. As part of the Task Group, in 2012 NAEGA worked with U.S. and Canadian government to delay the implementation of new phytosanitary requirements for import and allow for more time to define, communicate and consider the impact of the change, including precedent that may be set and unintended consequences that may result from the proposed as well potential related changes. In early 2013 NAEGA and the Task Group hosted a Canada-U.S. Trade Symposium that brought government and stakeholders together to discuss these impacts and other changes to Canadian phytosanitary regulations.

In an effort to guide these efforts, the Canada-U.S. Task Group, released a study that addresses U.S. and Canadian trade volume, handling and processing practices for more than 15 commodities traded between the United States and Canada. The analysis was provided to the Canadian and U.S. governments as input in the consultations for the development of phytosanitary measures under Canada's proposed Grain Import Framework (D-12-05). The work was completed by NAEGA as part of its UES and in cooperation with CFIA. This study concluded that:

- Corn is the largest commodity the U.S exports to Canada, followed by soybeans and wheat.
- The majority of exports travel to Canada by truck, followed by rail and water.
- Truck movements have the potential of higher inspection and certification problems due to small shipment sizes. However, only a small percentage of these shipments would require a phytosanitary

- certification.
- Canadian processing practices generally minimize phytosanitary risks that may arise from U.S. shipments.

In addition to this study, NAEGA also worked with CFIA and APHIS in developing an "Assessment of Commodity Flows, U.S. Origins to Canada Destinations, and Sample Survey of Destination Users Regarding Processing Methods and Refuse Disposal" to help provide input in the consultations for the development of phytosanitary measures under Canada's proposed Grain Import Framework (D-12-05). The study assessed commodity flows from the U.S. to Canada of 14 commodity classes of 4-digit harmonized system codes, determined typical total shipment numbers, and origin and entry points to the extent permitted by available customs data. The data was assembled for a period of three years and provided a report that presents the distribution of shipments by number and average size, total quantities shipped per year, and commodity codes. On January 14, 2014 the Canada-U.S. Task Group, released a study from NAEGA work that addresses U.S. and Canadian trade volume, handling and processing practices for more than 15 commodities traded between the United States and Canada. The work was completed by NAEGA as part of its UES and in cooperation with CFIA.

In December of 2015 NAEGA successfully lead an extensive set of meetings in Buenos Aires, Argentina. The IGTC activities established a new and effective relationships with the International Grains Council. UES effectiveness was advanced across the Southern Cone and in particular with the new Macri government.

With the completion of NAFTA implementation NAEGA has seen minimal trade disruption in North America during the 20 plus years of scheduled changes. NAEGA's ongoing work in Mexico as well as Canada has effectively bridged numerous short term trade disruptions during NAFTA's implementation. As pursuit of implementation of the Colombia-U.S. Free Trade Agreement (CFTA) and the Peru-U.S. Free Trade Agreement continues, NAEGA hopes that the successful strategy applied to NAFTA can be used in implement this two agreements.

In Peru, NAEGA has been successfully working, in coordination with USTR and USDA FAS, to resolve differences in application of requirements for certification of origin under the U.S.-Peru FTA, whose implementation began in 2009.

In Colombia, implementation of CFTA began in May 2012. NAEGA was a longtime supporter of the CFTA and worked with partner organizations in the U.S. to advocate the passage of the agreement in 2011.

Also in Colombia, NAEGA work with the Colombian Chair of the BSP Task Force on Liability and Redress has resulted in what many observers would call a complete turn-around - From anti-trade / anti-biotech approach to one supportive of trade and agricultural biotechnology. Results of the recently concluded "Friends of the Chair" meeting in Kuala Lumpur, Malaysia, demonstrate this success.

For more than 20 years, NAEGA has utilized a very successful relationship with Mexican import and trade entities. This relationship, most clearly evidenced in the relationship with the Mexican organization APPAMEX, has not only been effective in dealing with the innovation of crop biotechnology but also many grain quality, phytosanitary and other border crossing issues. The Annual NAEGA-APPAMEX Forum has established itself as a very effective educational and communications event at which significant new, progressive developments have become the norm.

This year the 23rd annual NAEGA-APPAMEX Forum will be held in October in Cancun, Mexico. In addition to the key strategic bilateral relationship, NAEGA works closely with APPAMEX in the IGTC, where APPAMEX and NAEGA share synergies on Low Level Presence (LLP) and production technology.

As a result of this close relationship and work, NAEGA has been very effective in dealing with Mexican biotechnology policy over the last decade. Utilizing many of our assets, NAEGA MAP activity has been very instrumental in the development of the U.S., Canada and Mexican Trilateral Arrangement on implementing Article 18.2(a) of the Biosafety Protocol. This successful model of government and industry cooperation is in the process of being replicated throughout Latin America. The application of the principles contained in the trilateral agreement has been deployed in multiple Asian markets.

NAEGA also continues to work closely with APPAMEX, SENASICA, and Mexican import groups including CONAGO, AMEPA and ANFACA to encourage a bilateral solution to ongoing problems related to the presence of soil in some rail shipments of U.S. grain into Mexico. In the past year NAEGA has convened meetings with Mexican industry organizations, NAPPO and corporate stakeholders to discussion mitigation strategies and a potential tolerance for soil presence in grain shipments that would facilitate the flow of trade.

NAEGA has also been a strong supporter of recent Administration efforts to liberalize bilateral trade with Cuba after President Obama announced the removal of significant barriers and the renewal of diplomatic relations in December 2014. Since then, NAEGA has been a member of the U.S. Agricultural Coalition for Cuba and has been engaging U.S. and Cuban government officials on market liberalization. Currently, NAEGA is working closely with the USACC on developing a Memorandum of Understanding between the USACC and producer groups in Cuba. NAEGA was also delighted to host a reception and private meeting with corporate stakeholders and Cuban officials from ALIMPORT to discuss market access and procurement issues.

Throughout Latin America NAEGA, working in collaboration with USDA FAS Cooperators, supported and participated in several educational and trade issue efforts. Activities have also included company visits, market education seminars, meetings with government regulators, bankers, and other cooperators to discuss credit issues, grain quality specifications, technical and SPS barriers to trade, genetically modified organisms, and logistical and handling matters such as fumigation and identity preservation. NAEGA has conducted annual activity and program evaluations which have determined that its activities have increased or maintained market share or volume versus the appropriate baseline. The efforts of the Pan American Coalition in dealing with Chinese barriers were successful and the coalition may need to be engaged again.

Excluding the restrictions of foreign policy and geo-political considerations, like economic sanctions and pending military actions, improvements in trading conditions leading to market access opportunity is very much the result of initiatives undertaken and supported by the NAEGA MAP program. We expect, in the longer term, a trend of significant reduction to both tariff and non-tariff barriers coupled with consumer and regulatory acceptance gains to result in significant export opportunity for GRNOS.

### 2.3.1.3 Metrics Information

**Export Volume Unit:**Metric Tons

**Data Source:**

USDA PSD & GATS System, 2013 World Agricultural Outlook & May 10 2014 USDA WASDE

**Targeted Market Export Goals:**

Year	Volume(MT )	Value(\$)	Market Share (%)	Status
2009		5,501,248,080.00		Actual

Year	Volume(MT )	Value(\$)	Market Share (%)	Status
2010		5,606,259,840.00	68.90	Actual
2011		7,561,258,220.00	69.10	Actual
2012		9,827,281,580.00	69.50	Actual
2013		7,945,242,960.00	71.50	Estimate
2014		7,371,425,200.00	70.90	Goal
2015		7,708,037,900.00	68.20	Goal
2016		8,014,119,700.00	71.50	Goal
2017		8,093,931,400.00	69.90	Goal
2018		8,146,378,600.00	69.90	Goal
2019		8,254,684,100.00	69.00	Goal
2020		8,461,051,200.00	69.00	Goal

### 2.3.1.4 Export Strategy

#### 2.3.1.4.1 Constraints/PM

##### 2.3.1.4.1.1 Basic Information

**Constraint No:** 1

**Constraint Title:** Accommodating Production Technologies and other non-tariff restrictions on trade

**Constraint Type:** Market Access

##### **Constraint Description:**

The Americas markets are essential to addressing the continuing concern over safety of foods and feeds from modern crop biotechnology, biodiversity, implementation of the BSP and the corporate responsibility of technology providers. The ongoing expansion of biotech crop production in the region, in combination with populous politics, has heightened sensitivities regarding whether the U.S. should be able to continue to ship bulk corn and other grains and oilseeds to the region without additional requirements that could severely restrict trade.

All Americas markets continue to struggle with the implementation of trade agreements and appropriate regulatory measures, including those related to biotechnology. Some key agreements are now in place and additional communication with stakeholders is critical to achieve the full benefit of all agreements. The best way to understand and anticipate how engineered crops will change global movements of commodities is to look at the tensions involved. Forces that shape and influence the movement of agricultural commodities around the globe cannot be described simply in terms of physical geography. Political affiliations closely approximate physical geography; but with increasing global trade, these affiliations have less to do with geography and physical proximity than with other factors, including political and social issues that interact to create a volatile 'virtual' landscape.

Government regulations regarding biologically engineered agricultural commodities are contested between the European and U.S. models. The former asserts 'precaution,' and attempts to factor in a variety of socio-political considerations even though the WTO has explicitly ruled that the European Union is relying on unscientific grounds to the extent that it resorts to the 'precautionary principle.'

The U.S. relies on a fact-based and risk-based model for regulation and is committed to an approach that leaves much more to market forces.

These two approaches continue to polarize developments elsewhere around the globe. The ultimate outcome is not in doubt. Global needs are too great and the economic and environmental advantages of biotech crops are too valuable to eschew. We anticipate there will be another two decades of turmoil in global trade and economies as the dominance of biotechnology in industry and commerce is consolidated.

Rich nations, such as Europe or the Middle East, or those who govern Africa, may use their discretionary funds to perturb commodity markets. Subversive forces that will empower the rural poor, or boost national food security, are on course to challenge the political perquisites of the wealthy, and to disrupt patterns of international trade with new engineered crops. Political unrest is guaranteed to follow any success in these efforts, which adds another dimension to international conflicts over engineered crops and commodities.

The Americas, as well as Asia, are the two most likely regions to engage in an effort to, with the interests of U.S. Agriculture, shape related market access concerns.

**Biotechnology related Market Access** – Biotechnology is perhaps the most important technology for providing sustainable food and energy security available. Despite this opportunity, threats to market access for GRNOS produced in the U.S. with crop biotechnology continue to emerge and require quick action by NAEGA.

We emphasize that, for the grains and oilseeds and the products whose export NAEGA works to support and sustain, the evidence is overwhelming that no program of controls (stewardship, channeling etc.) can adequately meet the zero tolerance requirements that result when events unapproved in country of import are entered into the supply in the U.S. We are convinced that with a zero tolerance requirement, grain channeling is not a commercially viable option to prevent the presence of such events at low levels in commodity grain shipments.

U.S. industry as a whole continues to respond to these biotech challenges. NAEGA has established strong working relationships across the value chain – including with technology providers. As a result, several key policies and practices that can mitigate the impact of barriers resulting from the innovation of crop biotechnology were achieved over the past year.

Going forward, the U.S. value chain must develop new strategies and determine how best to engage these issues domestically and internationally. Each member of the U.S. GRNOS value chain works at a global level, either directly, or as part of a global association. NAEGA work with the IGTC is being intensified.

**Brazil:** Brazil is beginning to experience some of same constraints to the trade of biotechnology products that NAEGA has dealt with for the past decade. Brazil is the only major exporter that is party to the Bio-safety protocol. Expanded collaboration with Brazilian counterparts is a key to advancing NAEGA member interests. The most current example of needed collaboration with Brazil was addressed by NAEGA during meetings with the UN Food and Agriculture Organization (FAO) in Rome in February 2011, when NAEGA representatives followed up on a suggestion from Brazil's Ministry of Agriculture. At the last meeting of the Parties to the Bio-safety Protocol, a Brazilian agriculture official suggested that countries may be more willing to consider LLP policies if a third party, such as the FAO, did a study on the potential increased food security risks caused by trade disruptions in the movement of food from areas of surplus to areas of need triggered by the detection of trace levels of events authorized in one or more countries but not in the country of import.

Brazilian officials and academics have undertaken to verify the impacts of the Biosafety Protocol on Brazilian exports, as the country was the only one amid the biggest world agricultural commodities producers that has ratified it. The analysis focused on Article 18 and also on the soybean market. One recent study compared the additional costs to identify, consistent with the BSP LMOs in exports from Brazil, Argentina and the US. The study determined figures revealed that the compliance costs are higher in Brazil compared to the other countries and that this difference increases as the exigencies become stricter. The potential impacts of these additional costs in the international market were estimated. The results showed that Brazil would be harmed in two probable scenarios.

**Sanitary/Phytosanitary and Technical Barriers to Trade Issues:** NAEGA has always focused a great deal of effort on reducing Sanitary and Phytosanitary (SPS) requirements that do not have a basis in sound science, as well as other technical barriers to trade (TBT).

At the hemispheric and global level, NAEGA has been working with regional plant protection organizations on the development of sanitary and phytosanitary measures for grain.

The International Plant Protection Convention (IPPC) is in the process of promulgating an International Standard for Phytosanitary Measures on the international movement of grain. IPPC defines grain as a Commodity Class that includes "seeds intended for processing or consumption and not for planting". IPPC has indicated the pending ISPM for Grain should: "facilitate the safe international movement of grain through harmonized guidance and criteria for the establishment of phytosanitary import requirements to be used by National Plant Protection Offices (NPPOs)." Further, IPPC states the application of the pending ISPM for Grain "may help minimize the spread of pests due to the international movement of grain. A draft specification for the pending ISPM for Grain has been approved the IPPC Standards Committee. An Expert Drafting Group has been named and is scheduled to meet in September to provide for a draft ISPM that may be approved for member consultation. Ultimately, the pending ISPM for Grain may be considered for approval Commission on Phyto-Sanitary Measures (CPM) as early as the 14th meeting of the CPM in 2019. Explanatory documents may accompany the entry in force after CPM approval.

NAEGA places a high priority on participation in the IPPC process related to the development of the ISPM for grain. We have made it a priority for IGTC action that extends to utilization of all relevant ISPM by the national and regional plant protection organizations in a manner that provides for the least trade distortive and most trade facilitative manner. Such utilization should successfully address the diverse capacity of responsible authorities and commercial systems as well as diverging and non-coherent approaches to phytosanitary risk assessment and management.

To achieve these objectives, the ISPM for Grain needs to provide for best practices that improve and preserve the ability and right of governments as well as commercial parties to maintain protections against legitimate and scientifically justified plant health risks and accomplish trade.

Addressing NAEGA UES priorities in this evolving environment will be a priority in 2017.

Activity Information for Activities Addressing Constraint/Opportunity# 1

**EMP Current Circumstances:**

**Constraint Keywords:**

**FAS Constraint Keywords:**

**2.3.1.4.1.2 CPR Specific Information**

**Recommendations:**

**Evaluation and Findings:**

**Post Assessment:**

**Division Assessment:**

**Success Story:**

**Lessons Learned:**

**2.3.1.4.1.3 PM Specific Information**

	Baseline Year	Baseline (-2)	Baseline (-1)	Baseline	Baseline (+1)	Baseline (+2)	Baseline (+3)	Baseline (+4)	Baseline (+5)	Baseline (+6)	Baseline (+7)
<b>Title:</b> Overall GOMAI Index Improvements for GRNOS in Mexico <b>Description:</b>	2009	G		75.3			77.9	78.1	78.5	78.9	79.2
		A									
<b>Title:</b> Overall GOMAI Index Improvements for GRNOS excluding Mexico <b>Description:</b>	2007	G		50.6					56.0	59.0	62.0
		A									

**Note: G = Goal, A = Actual**

**FootNote:**

**2.3.1.4.1.4 Activities:**

**2.3.1.4.1.4.1.1 Basic Info**

**Program:** MAP

**Activity Code:** M17GXAMERI

**Activity Title:** Biotech, SPS Measures and Trade Education

**Requested Amount (\$):** \$75,000

**Funded Amount (\$):**

**Activity Status:** Draft**Activity Description:**

NAEGA will work with USDA, and affiliates to seek biotechnology policies and practices in the region as well as implement trade agreement obligations in a support of U.S. agricultural exports.

These activities will be specific to the challenges related to biotechnology, for which NAEGA's actions have clearly improved accesses for U.S. exports of GRNOS commodities. Our efforts will be expanded and successfully include multi-national and global strategies that require close coordination with importers and exporters. NAEGA will drive its biotech related activities from the following "**CONCEPTS for INTERNATIONAL OUTREACH ON TRADE and CROP BIOTECHNOLOGY**":

- a. Ensuring the message and policy of governments and the commercial sector related to practices that have impact on the trade of agricultural products are as consistent with each other as possible. Elements of this collaboration should recognize the implications on sustainability of the provision of food, fiber, feed and fuel by agriculture. In particular, link between efficient international trade and food security and agricultural development need to be understood.
- b. Understanding that agricultural biotechnology increasingly requires additional actions that add cost and increase risk for the management of export supply chains.
- c. Developing key policies related to crop biotechnology that impacts the trade in commodities. These should be a focus of bilateral and multilateral information sharing and capacity building:
  - A lack of synchronized authorizations and predictable, timely approvals;
  - Low Level Presence policies for events authorized in country of origin but not yet authorized in country of destination;
  - Management of events that are not commercialized and may not have achieved authorization for import yet may be found in US supply;
  - The inappropriateness of mandatory labeling for biotech content;
  - The setting of thresholds for the adventitious presence of (authorized) GM material in non-GM products;

NAEGA will organize and conduct technical market education team missions to up to eight countries in The Americas to conduct conferences including the annual NAEGA/APPAMEX conference in Mexico, seminars, company visits, and/or hold meetings with government officials and industry associations to establish a baseline of understanding and provide factual information regarding various tariff and non-tariff barriers to trade issues, but most especially issues impeding U.S. exports of corn derived from modern biotechnology.

NAEGA may use funds to host reciprocal delegations of buyers, importers and end users from Latin America to introduce them to the U.S. regulatory and grain handling system.

NAEGA teams traveling to the region will be comprised of up to six experts drawn from NAEGA's membership, consultants and staff, who will be capable of providing detailed information regarding the status of the biotech developments, be able to communicate the implications of such developments for U.S.-origin suppliers, and discuss various ways for customers to effectively purchase commodities from the U.S. Funds will be used for international travel, sales and trade related events, technical services, and specialized technical consultants and customer training as needed. Most activities will be carried out in major importing and/or processing locations or the domicile of government bodies that will most directly impact U.S. exports to Latin America.

The International Grain Trade Coalition (IGTC) will be critical to addressing NAEGA's concerns in the Americas.

NAEGA intends to work wherever and whenever possible with the other Cooperators to insure a consistent message is communicated to the buyers, importers and end users in the region. This activity may be carried out in conjunction with similar NAEGA promotional activities to take maximum advantage of the NAEGA member contribution and to reduce travel costs.

Using the regulatory coherence provisions of the TPP to help set goals, we plan to utilize NAEGA resources to assist in the achievement of the goals and objectives as articulated by Membership, Government and Affiliates. To this end we find NAEGA is well positioned to assist in the following goals:

**Argentina:**

Goal 1: Ensure that sound trade policies continue throughout the elimination of export taxes.

Goal 2: Expansion of U.S. agricultural product exports.

Goal 3: Increase support for sound positions in international forums, particularly in the fields of biotechnology, sustainability and sanitary and phyto-sanitary issues.

Goal 4: Generate trade intelligence on Argentina as a primary world competitor.

Goal 5: Include Argentina in increased like-minded exporter country initiatives to open challenging markets.

**Brazil:**

Goal 1: Include Brazil in increased like-minded exporter country initiatives to open challenging markets, particularly on biotechnology.

Goal 2: Improve Market Access for U.S. agricultural products in Brazil.

Goal 3: Facilitate sales of U.S. agricultural products in Brazil.

Goal 4: Strengthen the U.S Brazil bilateral technical trade relationship.

Goal 5: Generate trade intelligence on Brazil as a primary world competitor.

Goal 6: Support U.S.-Brazil dialogue.

Goal 7: Increase support for sound positions in international forums, particularly in the fields of biotechnology, sustainability and sanitary and phyto-sanitary issues.

**Canada:**

Goal 1: Work with Canada to implement non-trade restrictive phytosanitary requirements, specifically on their Directive D-12-05.

Goal 2: Assess biotechnology environment.

Goal 3: Deepen regulatory harmonization consistent with Executive Order 13563, and work to support US-Canada dialogue. This includes continuing our leadership role with the Canada-US Grain and Seed Task Group. <http://canada-usgrainandseedtrade.info/>

Goal 4: Work with relevant stakeholders to ensure internationally recognized country of origin labelling (COOL) requirements are followed.

Goal 5: Work with Canadian and U.S. officials on the passage and implementation of the TPP language.

Goal 6: Generate Trade Intelligence on Canada.

Goal 7: Expand relationships with Canadian agricultural and agri-food groups.

Goal 8: Support the development and expansion of U.S. agricultural trade in Canada.

Goal 9: Increase Canadian support for sound positions in international forums, particularly in the fields of biotechnology and sanitary and phytosanitary issues.

Goal 10: Include Canada in increased like-minded exporter country initiatives to open challenging markets.

Goal 11: Work with stakeholders in the grain transportation sector to monitor Canada's logistical challenges (in light of record crops) and their impact on GRNOS trade.

Caribbean Basin(Includes: Anguilla, Antigua & Barbuda, Aruba, The Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Guadeloupe & Martinique, Grenada, Montserrat, Netherlands Antilles

(Curaao, Bonaire, Saint Marten, Saba & St. Eustatius), St. Kitts & Nevis, St. Lucia, Saint Martin and St. Bartheleme, St. Vincent & the Grenadines, Trinidad & Tobago, and Turks & Caicos Islands):

Goal 1: Reduce Technical Trade Barriers and Restrictive SPS Measures.

Goal 2: Increase U.S. agricultural exports to the Caribbean Basin.

Goal 3: Support economic development and trade capacity development throughout the region in order to facilitate expanded two-way trade.

Colombia:

Goal 1: Monitor proper implementation of the CTPA by working with Colombian Government officials and providing periodic reports and notifications to Washington on whether or not implementation is on schedule, in full compliance with the agreement, and U.S. exporters and producers are receiving the full economic benefit of this agreement.

Goal 2: Continue to build strategic relationships with the Colombian government, industry officials, producers and academia to influence the development and implementation of agriculture and trade policy as it affects the U.S. - Colombia relationship.

Goal 3: Work to expand Market access for U.S. products.

Goal 4: Identify both resources and projects to assist in trade capacity building for the Colombian Government and private sector.

Goal 5: Increase Colombian support for sound positions in international forums, particularly in the fields of biotechnology and sanitary and phytosanitary issues.

Costa Rica:

Goal 1: Full CAFTA/WTO Implementation and Compliance.

Goal 2: U.S. Agricultural Exports will continue to increase through collaborative Post and Cooperator market development efforts.

Goal 3: Continued science-based regulation of new agricultural technologies.

Goal 4: Post is prepared and positioned to address FAS' goals responsibly and intelligently.

Dominican Republic:

Goal 1: Ensure that TRQs are administered according to the DR-CAFTA agreement.

Goal 2: Increased U.S. agricultural exports to the Dominican Republic.

Goal 4: Ensure that Dominican animal and plant health officials implement internationally acceptable regulatory standards and adopt SPS measures according to the WTO SPS agreement.

Goal 5: Compel the GODR eliminates non-tariff barriers to U.S. agricultural exports.

Ecuador:

Goal 1: Improve market access conditions for U.S. agricultural products through institutional capacity building.

Goal 2: Expand markets for U.S. agricultural products.

El Salvador

Goal 1: Full implementation of CAFTA-DR agreement.

Goal 2: Work with U.S. private sector, trade associations and USDA Cooperators to carry out marketing activities that increase the sales of U.S. agricultural products, while making the better use of limited resources.

Guatemala

Goal 1: Enforce CAFTA-DR implementation.

Goal 2: Strengthen U.S. market share.

Goal 3: Improve market access.

Honduras

Goal 1: Monitor, encourage and facilitate GOH's fully implementation of CAFTA-DR reciprocity measures on U.S. agricultural imports.

Goal 2: Strengthen U.S. public and private sector market programs and Honduran importers potential to increase U.S. market share in Honduras.

Goal 3: Compel GOH's regulatory agencies modify procedures and regulations as part of CAFTA's commitments on TCB.

Goal 4: Move country to a science based SPS regime.

Mexico:

Goal 1: Resolve issues regarding Mexico's phytosanitary risk management procedures; particularly on soil.

Goal 2: Assess biotech.

Goal 3: Ensure that U.S. agricultural products in Mexico continue to enjoy the competitive advantages offered by NAFTA implementation.

Goal 4: Work with Mexican and U.S. officials on the passage and implementation of the TPP language.

Goal 5: Eliminate the use of unjustified SPS and technical measures that act as barriers to U.S. products.

Goal 6: Support the development and expansion of U.S. commercial activity in Mexico.

Goal 7: Deepen harmonization of Standards and Measures.

Goal 8: Continue to work with the Government of Mexico to build trade and agricultural capacity that will expand the market for U.S. agricultural products through economic growth and adjustment.

Goal 9: Expand FAS relationships with the broad Mexican agricultural sector.

Goal 10: Increase Mexican support for sound positions in international forums, particularly in the fields of biotechnology and sanitary and phyto-sanitary issues.

Nicaragua:

Goal 1: Ensure that Nicaragua improves its SPS system for trade of agricultural products.

Goal 2: Ensure that Nicaragua continues to apply a science-based regulatory process for imports of products derived from new technologies.

Goal 3: Increase U.S. exports of agricultural, fish and forestry products to Nicaragua through enforcement of CAFTA-DR and coordination with cooperators and importers.

Paraguay:

Goal 1: Resolution of SPS issues.

Goal 2: Expand U.S. agricultural product exports.

Peru:

Goal 1: Obtain maximum economic benefits of the Peru-U.S. Trade Promotion Agreement for U.S. agricultural producers and exporters through growth in agricultural exports to Peru.

Goal 2: To support poverty reduction and trade capacity development in Peru.

Goal 3: To increase Peruvian support for sound positions in international fora, particularly the WTO and CODEX.

Goal 4: Obtain market intelligence regarding Peruvian demand given that the country is among the fastest growing economies in Latin America.

Uruguay:

Goal 1: Resolution of SPS Issues

Goal 2: Expand U.S. agricultural product exports

**Activity Results Timeframe(Expected):**

This project is expected to continue through 2017.

**Activity Results (actual):****Contribution List:**

Contribution Type	Amount (\$)
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**2.3.1.4.1.4.1.2 Activity Tag Basic Information:**

Priority Name
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**2.3.2.1 Basic Information****Market Definition:** ASIA**Promoted Commodity:** GRNOS**Market Type:** Mature Market**Market Keywords:****FAS Market Keywords:****2.3.2.2 Substantive Information:****Market Assessment:**

In all NAEGA target markets there is a high priority to:

1. Improve market access by increasing adherence to a rules based international trading system;
2. Promote the provisions of the negotiated text of the Trans-Pacific Partnership agreement (TPP) addressing regulatory coherence;
3. Increase the value of intelligence and analysis provided to stakeholders;
4. Promote sound practices based on sound science;
5. Engage and educate thought and decision leaders in both private and public sectors on the practicalities of the GRNOS supply chain.

NAEGA's UES target market assessment largely focuses and relies on cooperation and consistency with efforts of USDA and FAS in particular. This 2017 UES recognizes and is reliant upon constant updating and response to key strategic goals in cooperation with US government.

Recognizing that the United States will remain a huge power in crop trade but will be seen as a less important market by buyers, this UES takes into account:

1. Reduced Market Force - the United States will remain a huge power in crop trade but will be seen as a less important market by buyers.
  - Primarily due to drought, the United States lost its position as world corn export leader to Brazil during the 2012/13 marketing year, but regained the top spot in 2013/14 and is projected to continue holding it in 2016/17. Even though the U.S. is usually the leading corn exporter, the U.S. share of the world market is diminishing as other countries such as Brazil, Argentina and Ukraine increase exportable supplies. The U.S. average market share of world trade was consistently above 50 percent prior to 2011/12, but has fallen to the current projection of 36.3 percent for 2016/17.
  - The United States was the perennial leader in soybean exports until 2012/13, when Brazil leapfrogged the U.S. into first position. Brazil has maintained the top spot and is projected to increase its in 2016/17 and is expected to continue to lead the world in soybean exports. For 2016/17, the United States is projected to account for 37.1 percent of world soybean exports. Historically, the United States share of soybean exports has routinely been above 40 percent.
  - Stalled wheat yield growth in the United States has led to diminishing role for wheat in U.S. producer crop rotations. Until 2013/14, the United States had been the world's proverbial bread basket, usually supplying about 25 to 33 percent of the world's wheat exports. However, the European Union and Russia have both leapfrogged the United States and are projected to hold on to their first and second place rankings in 2016/17. For 2016/17, the United States is projected to account for 14.6 percent of the global wheat exports.
2. New suppliers mean new competition for several years.
  - The historically high commodity prices from 2007-2013 provided the impetus for farmers in countries such as Brazil, Argentina and Ukraine to make major steps in enhancing production technology and agriculture infrastructure in order to be able to grow more profitable crops such as corn in addition to more traditional soybean and wheat crops. Commodity prices have subsided, but the investments in improved agricultural infrastructure that were made possible by the boon years will continue to strengthen worldwide grain production into the foreseeable future. In addition, underperforming economies in Brazil, Argentina and Ukraine have depressed their currencies and provided a competitive advantage over the United States in exports.
  - The United States has long competed for wheat export share with countries/regions such as Europe, Canada and Australia, but as of recently U.S. wheat is also competing with wheat produced in the Black Sea region that has transportation advantages going into the key Middle East and North African markets.
  - U.S. soybeans and its products continue to compete for market share with Brazil and Argentina and these South American countries have the advantage of being able to add large amounts of land into crop production. In addition, the transportation infrastructure in Brazil continues to improve which will enhance their economics of production.
  - The potentially promising China corn market has dried up for the U.S. due to the presence of traits in U.S. corn exports that had not received Chinese import approval. Due to the risk of further rejections, U.S. exporters have not exported significant quantities of corn to China since early 2014. In the absence of available U.S. corn, China's end users have increased imports of U.S. grain sorghum, barley from Australia and Canada, and corn from Ukraine. In 2016, Argentina's export tax on corn was fully lifted, while the export tax on soybeans is gradually phasing out which will provide economic incentive for its farmers to produce more corn and further erode the U.S. share of the global export market.
3. Price Impact- The grain markets have entered into a period of ampler supplies, which has incentivized domestic demand for grain, particularly for livestock feed. By itself, domestic demand is unlikely to be large enough to pull grain prices much above their current lower levels. Due to increased world crop production and a strengthening U.S. dollar, U.S. grain exports will continue to face headwinds in the near-term.
4. U.S. Producer Mentality- U.S. producers are coming off strong income years, but low grain prices may

expose the most vulnerable. The 2016/17 crop is being seeded with the expectation of market prices that leave little room for error and great potential for equity depletion.

5. Market Power Increases for Domestic and International Buyers and Users – A well-supplied market is a buyer's market and provides buyers with more flexibility in their purchase decisions.

Large crops from the 2013, 2014 and 2015 harvests aided a rebound in U.S. GRNOS supplies but did not repair all the damage from 2012's drought. Competitive pressures and policy development exacerbated losses of United States share of the global export market and at least some of its reputation as a reliable, trusted, and low risk supplier of GRNOS.

The successful crops of 2013, 2014 and 2015 helped importers overcome suspicion, prejudice and new habits that led them to seek alternative suppliers. A drastic gain in the exchange rate of the U.S. dollar in 2015 relative to the currencies of U.S. GRNOS export competitors forced the U.S. into the position of residual supplier, which makes it all the more important for the U.S. to regain its role as the reliable, trusted, and low risk supplier of GRNOS.

NAEGA sees domestic developments, in combination with developments in Asia and international developments as increasing the demand and need for NAEGA UES activity. In particular, we note the following observations impacting GRNOS trade.

East and Southeast Asia encompass some of the largest and fastest growing markets for U.S. agricultural exports. South Asia includes emerging markets in a densely populated region heavily dependent upon agricultural imports. NAEGA's review of economic data and analysis on agricultural supply, consumption, trade, and policies of key countries in both regions, including China, Japan, South Korea, and India, has resulted in an expansion of its targeted MAP efforts to include the entire region.

Asian markets are essential to addressing the continuing concern over safety of foods and feeds from modern crop biotechnology, biodiversity, implementation of the biosafety protocol (BSP) and the corporate responsibility of technology providers. The ongoing expansion of biotech crop production in the Region, in combination with populous politics, has heightened sensitivities regarding whether the U.S. should be able to continue to ship bulk corn and other grains and oilseeds to the region without additional requirements that could severely restrict trade. This situation has begun to financially impact the trade, as the recent MIR-162 issue showcases. In 2014 China rejected a number of bulk U.S. GRNOS shipments on the pretense that MIR-162 had not been approved by Chinese authorities. While NAEGA will continue working with private seed companies to ensure transparency in the process of moving new varieties onto the market, the deeper issue lies with China's propensity to throw up barriers to trade based on domestic issues, supply and demand constraints and political whims. Moreover current related litigation in the US may set new legal precedence regarding responsibilities across the seed and grain supply value chain

A recent example of this is phytosanitary measures China has begun executing on U.S. sorghum. China's General Administration on Quality Supervision, Inspection and Quarantine (AQSIQ) detained shipments of sorghum because they determined they contained the fungus *Phoma glomerata*. It is suspected that China is using these phytosanitary measures to limit imports that are competitive against China's current large stocks of corn.

All Asian markets, to varying degrees, struggle with the implementation of trade agreements and appropriate regulatory measures. Once Agreements are in place additional communication with stakeholders is critical in achieve the full benefit of the agreement. Forces that shape and influence the movement of agricultural commodities around the globe cannot be described simply in terms of physical geography. Political affiliations closely approximate physical geography; but with increasing global trade, these affiliations have less to do with geography and physical proximity than with other factors. Political and social issues interact to create a volatile 'virtual' landscape, which can quickly change. The best way to understand and anticipate how engineered crops will change global movements of commodities is to look at the tensions involved. These tensions exist across many dimensions, as evidenced by the situation in China described above.

Government regulations regarding engineered agricultural commodities are contested between the European and U.S. models. The former asserts 'precaution,' and attempts to factor in a variety of socio-political considerations even though the WTO has explicitly ruled that the European Union is relying on unscientific grounds to the extent that it resorts to the 'precautionary principle.'

The U.S. relies on a fact-based and risk-based model for regulation and is committed to an approach that leaves much more to market forces. These two approaches will polarize developments elsewhere around the globe with the ultimate outcome is not in doubt. Global needs are too great and the economic and environmental advantages of biotech crops are too valuable to eschew. We anticipate there will be another two decades of turmoil in global trade and economies as the dominance of biotechnology in industry and commerce is consolidated.

NAEGA is currently targeting UES action in specific countries based on these market assessments:

**China** – China is the world's second-largest producer and largest consumer of grains, and it remains broadly self-sufficient despite rapid urbanization. Increased paychecks mean a smaller share of income goes toward food purchases, and consumers can afford more meat and dairy products. However, since it requires several calories of grains to produce a single calorie of meat for final consumption, China's total grain consumption has increased about 2 percent annually on average since 1980.

China's ability to meet its rising grain demand with domestic production is reaching its limit. Land sales for development have reduced China's arable land available by 6 million hectares (14.8 million acres) over the past decade, and cultivated land has probably already fallen below the government's 120-million-hectare limit as local leaders illegally distribute farmland to developers.

Being the world's largest food consumer means that a small shift in China's net export position is enough to move global markets, as evidenced by China's flip from being a net exporter of soybeans and corn to a net importer of both between 1995 and 2010. Until 1995, China was a net exporter of soybeans. Last year, China purchased about 60 percent of global soybean exports went to China, according to the U.S. Department of Agriculture. In 2003, China exported a net 16 million tons of corn, but by 2015 it was importing a net 2.5 million tons.

China currently produces about 130 MMT of wheat and imports less than 3% of its needs. There is a 9.6 MMT TRQ for private industry, of which 10% is typically used. The Chinese government (GOC) has a state TRQ, typically used for feed wheat. Out of quota, wheat and corn tariffs were 65% in 2014. In MY 2016/17, wheat imports are estimated to be stable at 3 million tons in response to a second year of strong production. The GOC is expected to tighten over-quota import permits due to high domestic stocks.

If China were to source 5 percent of its wheat consumption from international markets, it would increase its share of demand in the international market from basically nothing to 4.7% and become the sixth-largest buyer after Japan. This would boost global prices and exacerbate the global super cycle in commodity prices.

The corn TRQ for 2015 was 7.2 MMT, 40 percent of that is reserved for private enterprises. In 2014, the

soybean, SBO, and ethanol tariffs were very high, over 100 percent. CGF&M, DDGS, and SBM tariffs are 30 percent. Preferential treatment is given to border countries including Russia, a major grain and oilseed producer. In addition to tariffs, China's VAT (either 13 percent or 17 percent depending on the product) does not apply to many domestic or border nation crops, so the VAT has the same effect as an additional tariff. In addition to tariffs, however, China's VAT (either 13 percent or 17 percent depending on the product) does not apply to many domestic or border nation crops, so the VAT has the same effect as an additional tariff.

Continued barriers to the Chinese market include transparency issues, opaque regulatory regimes, and SPS measures with questionable scientific bases. Unpredictable actions by AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China) and local authorities are ongoing and often result in a restrictive barrier to trade. At present, the AQSIQ requires importers to obtain a Quarantine Inspection permit (QIP). This process can become cumbersome as the AQSIQ slows down or even suspends the issuances of QIP's at its discretion. Tariff classification, reference price lists and minimum price lists also cause problems. Corruption is endemic in China. Government officials admit as much.

Other non-tariff barriers to the Chinese market include biotechnology regulation. In 2014, The presence of low levels of Agrisure Viptera™ MIR-162, which has been approved in the US since 2010 but was not approved in China until December severely disrupted trade in corn, particularly DDGS, with a complete ban for several months. The resulting losses cost hundreds of millions of dollars and caused severe disruptions, including a ban, on trade in corn and DDGS. We estimate that this one event of a low level presence of an unapproved biotechnology trait has cost U.S. agriculture between \$1 billion to \$2.9 billion and counting. Although the ban was lifted, importers are concerned about future shipments including from Agrisure Duracade™ which was commercialized in 2014 and has yet to gain Chinese approval for import. Despite the industries' best efforts, it will be impossible to comply with China's zero tolerance policy on these two unapproved products.

Emerging food safety regulations could also pose serious market access barriers. On December 22, 2014, The Chinese National People's Congress published the Second Draft of its Food Safety Law for public comments. The draft can be found at: [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Admin%20Measures%20of%20Inspection%20and%20Quarantine%20for%20Entry%20and%20Exit%20Grain\\_Beijing\\_China%20-%20Peoples%20Re](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Admin%20Measures%20of%20Inspection%20and%20Quarantine%20for%20Entry%20and%20Exit%20Grain_Beijing_China%20-%20Peoples%20Re) This new law, also known as Decree 177, will come into force on July 1, 2016 and establishes new registration requirements and reinforces the AQSIQ authority to inspect foodstuff imports. Decree 177 is particularly worrisome to NAEGA as uncertainty surrounds how the provisions, and the registration requirements, will be implemented. Currently, NAEGA is working closely with FAS, the U.S. Animal Plant Health Inspection Service (APHIS) and the Agriculture Marketing Service (AMS) to secure commitments from AQSIQ on how the decree will be implemented and how it differs from currently regulatory practice.

Finally, corruption is endemic in China. China scored a 37 out of a possible 100 points (with 100 being the least corrupt) on Transparency International's 2015 Corruption Perceptions Index.

As a matter of basic food security policy, China effectively cannot achieve wheat and corn self-sufficiency. As affluence and diets continue to grow, grain self-sufficiency become harder and harder to achieve. However, trade is still discouraged, even though imported wheat is putting downward pressure on domestic prices and squeezing profit margins for farmers. Because of the downward pressure on prices it makes economic sense to import wheat instead of transporting the grain internally from surplus to deficit areas.

Yet, China has reiterated its dedication to pursuing wheat and corn self-sufficiency. Moreover, increased grain production comes at the expense of domestic oilseed products.

Increased demand for animal proteins has resulted in corn supplies being tight, as demand for feed corn has risen. This in turn has resulted in more feed quality wheat, soybean meal, and DDGS being used in feed formulas. However, domestic soy production is physically and politically limited, so China relies heavily on imports to feed its animals. China is projected to absorb an incredible 64 percent of the world's soybean exports in 2016/17.

Wheat and corn production has continued to increase over the last five years. However, something had to give and it was oilseed self-sufficiency. China's imports of soybeans are projected to rise to 87 MMT in 2016/17 and production is forecast at 12.2 MMT.

Wheat and corn production has continued to increase over the last five years at the expense of oilseed self-sufficiency. China's imports of soybeans are projected to rise to 79 MMT in 2015/16 and production to continue to fall as in recent years to 11.5 MMT.

NAEGA is working closely with USDA-FAS and USDA-AMS, as well as the American Feed Industry Association, National Grain and Feed Association, and U.S. Grains Council, regarding Decree 118 compliance work. Although NAEGA does not work directly with feed and feed ingredients, we find it important to support these efforts because of the similarity of the products. Although Chinese implementation of Decree 118 has slowed due to biotechnology issues, NAEGA will continue to support these efforts in 2016 and 2017.

**India** - India maintains its reputation for being one of the most difficult markets for U.S. grain exporters to penetrate. With minor exceptions, the country effectively blocks imports of wheat, corn, soybeans, and sorghum. Barley imports are relatively unimpeded.

India is a sizeable producer of wheat, corn, and soybeans, and is projected to produce 88 MMT, 23 MMT, and 11.7 MMT of each crop, respectively, in 2016/17. The country effectively blocks imports of these three commodities, with very small exceptions.

Demand for imported oils exceeds domestic production, however. Most imports are of palm oil, though India has increased imports of soybean oil from 1.7 MMT in 2005/06 to a projected 3.3 MMT for 2016/17. The country also exports excess soybean meal, an estimated 1.8 MMT for 2016/17. SBM exports are decreasing, however, due to growing internal demand for feed.

The majority of products face tariffs from 30 percent-50 percent, although soybean oil has faced lower rates as the government has moved to satisfy strong domestic demand. The wheat import duty is zero. Nevertheless, tariffs are compounded by taxes levied by the city, state, and central authorities, with total impacts much higher than the effective applied rate. Also, India has previously raised tariff rates to WTO bound levels (as high as 100 percent) in order to manage prices and supply.

India has a 500,000 MT TRQ for corn, for which the duty is 15 percent, though the TRQ procedures are onerous and restrictive. Outside of the quota, the duty is 50 percent. In 2012, soybean oil tariffs were raised sharply to 45 percent. By the end of 2014, however, they had been reduced to 7.5 percent on crude SBO and 15 percent on refined SBO.

Indian supply management through the TRQ system has been adjusted over the last couple years based on domestic production, which has been strongly affected by severe drought. Disappointing monsoon rains last year and a bleak outlook for 2015 have suppressed production. This, coupled with increasing demand from poultry and starch producers and the fact that India is one of the world's fastest growing large economies, means prospects for imports are higher this year.

In addition to quota and other quantitative barriers, many non-tariff barriers also exist. SPS requirements are particularly restrictive. India wheat tenders frequently include SPS requirements that the U.S. cannot certify.

In addition, tender specifications remain all but impossible to meet because of prohibitive wheat disease requirements and unnecessary fumigation requirements. India's SPS requirements have kept U.S. wheat imports out of the country.

To these SPS restrictions can be added opaque customs procedures and import licensing – i.e., the requirement to obtain prior approval from India's Genetic Engineering Approval Committee and mandatory labeling to import genetically modified goods. The government specifies technical requirements on all grains but applies them to exclude specific commodities. In addition, documentation procedures frequently are met with delays.

Corruption remains an issue, as India scored a 38 out of a possible 100 points (with 100 being the least corrupt) on Transparency International's 2015 Corruption Perceptions Index.

In the name of food security, the Indian government allows for the stockpiling of food grains through extensive government procurement. Much of the stockpile is purchased from Indian farmers. The stock piles are often dumped onto international markets, distorting trade. WTO members, as part of the 2013 Trade Facilitation Agreement, agreed not to challenge India stockpiling programs until 2017. In addition, a broad range of assistance, including subsidies for inputs, debt forgiveness and minimum support prices distorts the market for which imports seek to compete.

**Japan** - Japan is a critical destination for U.S. agricultural exports. State trading is the rule for wheat and the Ministry of Agriculture, Food, and Fisheries (MAFF) controls all imports and maintains significant market access barriers in an effort to support farm prices and incomes. The Japanese government revises the domestic price of wheat twice annually.

Tariff rate quotas for grains remain the government's major tool for regulating the market. In-quota tariffs for TRQ items are zero. Except for soft wheat which faces a temporary levy of 20 percent. The U.S. is the key grain and oilseed supplier for Japan.

Japan's plant quarantine system frequently bans all imported products when the home country imposes a quarantine of any kind (narrow though it may be).

Biotechnology issues have also posed a market access concern in the past. In May of 2013, it was discovered that there was a field escape of GM wheat in Oregon. This was a significant threat to the U.S. wheat exports as Japan suspended all imports from the U.S. NAEGA, by executing its UES, promptly responded to the issue along with the U.S. Wheat Associates, National Association of Wheat Growers, National Grain and Feed Association, and Monsanto. Together we were able to mitigate and minimize the damage and Japan resumed imports after only two months. To this day we continue to wait for the results of the USDA's investigation of how the field escape occurred.

Japan is heavily import-dependent when it comes to grains (other than rice), oilseeds, and oilseed products. Japan is a large and reliable importer of U.S. agricultural commodities and the U.S. usually has a very high market share – typically 80 percent for corn, 50 percent for wheat, and 70 percent for soybeans.

Animal agriculture consumes most of the corn, soybean meal, barley, and sorghum. Japan's feed price subsidy programs have absorbed the increasing feed prices, especially corn. Soybean meal imports are projected at 1.9 MMT in 2016/17. Crushing capacity is still diminished from the earthquake and tsunami in March 2011. Most of the barley is projected to be imported (1.1 MMT in 2016/17) and all of the sorghum is projected to be imported (0.85 MMT in 2016/17).

From 2006/07 to 2014/15 US DDGS exports to Japan increased from 79,000 MT to 225,000 MT. DDGS are mainly used in dairy cattle feed.

Over the next few years passage and implementation of the Tran-Pacific Partnership agreement will be a key theme in the Japan-U.S. GRNOS trade. If implemented, U.S. GRNOS exporters should expect to see expansions of TRQs for Durum wheat from 114,000 metric tons to 150,000 metric tons over a period of 9 years. During that period, MAFF markups will also fall from 16.2 percent to 9.4 percent. Likewise, Barley, malts and corn will also see additional expansions of their TRQs of between 6 and 9 years. On the non-tariff side, measures that increase transparency and reliability in trade, including a Rapid Response Mechanism and new disclosure provisions related to biotechnology, will be important areas to monitor as TPP implementation begins.

**South Korea** – Korea is a leading market for US wheat, corn, and soybeans. In 2012, the US-Korean FTA went into effect lowering many tariffs or eliminating them altogether. South Korea import quotas are mostly non-restrictive; with the FTA, several items now have unlimited access. Quotas were imposed on edible soybeans, however. For 2015, the quota is about 270,000 MT. Duties on soybean oil are being phased out and are now down to 1 percent for crude and 4.8 percent for refined.

South Korea has stricter mycotoxin limits than most other countries, which concerns US wheat exporters. Biotech crops and products for food and feed are permissible, but must be labeled and may not be propagated. Foods for human consumption containing biotech events must undergo a complete safety assessment conducted by the South Korean FDA. Until an event is approved it may not be imported or sold on the South Korean market. In general, there has been strong consumer and government resistance to biotech products, especially for human consumption. This negative public perception has caused some companies to seek out non-GMO corn and soybeans, primarily from China.

Non-GMO grains must be certified as such, by either an import permit or official government certification. The Ministry of Food and Safety maintains a zero-tolerance policy for the inadvertent presence of biotech content in processed organic products.

Biotech crops and products destined for human consumption and animal feed must carry a biotechnology label. Non-GMO grains must have IP documentation or official government certification of the non-biotech status of the shipment. KFDA maintains a zero-tolerance policy for the inadvertent presence of biotech content in processed organic products.

U.S. exporters are so also preparing to comply with South Korea's Special Act on Imported Food Safety Management, new rules and regulations regarding the imported food stuffs which includes enhanced licensing and registration requirements, including registration requirements that could trace all the way back to the producer. NAEGA is currently working with FAS and Korean authorities to receive clarity on these measure and encourage enforcement that is least trade distortive.

Exports of corn to South Korea are projected to be record large in 2016/17 at 10.5 MMT. Wheat imports are projected at 4.3 MMT.

South Korea produces little wheat, barley or corn. The country annually imports about four million tons of wheat (a quarter to a third is from the US) and ten million tons of corn. Corn sourcing varies; the U.S. share of imports has been about 50% recently, down from 75-80% in prior years.

Imported soybeans account for most of the oilseed meal produced in South Korea. It usually imports 1.3 MMT of soybeans annually. The US share of that is about 50 percent. In addition, the country imports about 2 MMT of soybean meal, but U.S. market share is small, only 10 percent.

**Market Strategy:**

From the perspective of the U.S. grain and oilseed export industry, China remains one of our top priority growth markets, as well as one of our biggest threats. The other Asian markets also hold great opportunity and need significant maintenance to be retained. Population and economic growth forecasts in the developing economies lead the world. Japan is our largest and among the most sophisticated in the world. Consistent with its Global Market Strategy, NAEGA sees China and the entire Asian Market as the single most important market in which to extend NAEGA MAP activities.

In 2017 NAEGA will:

1. Continue leadership, seek expansion and closely collaborate with the International Grain Trade Coalition (IGTC) in addressing NAEGA's concerns in the Asia.

NAEGA and IGTC have the capacity to, and should, play significant roles in China's domestic and international impact on the GRNOS trade. As such, NAEGA and IGTC should identify appropriate short, medium, and longer term strategies to more equitably participate in this opportunity. An underlying principle of these strategies would be to reduce risk, for China and her trading partners, while enhancing sustainable global trading platforms designed to insure more predictable and transparent trade.

NAEGA and IGTC should engage Chinese government and commercial interests in their efforts to communicate and influence policy and practices of impact to the global food security and sustainability.

NAEGA and IGTC strategies should comport with formal growth strategies clearly enunciated in both the 12th and 13th Five Year Plans. These plans are the formal and public documents of the CPC outlined every five years and reviewed annually.

The following efforts, in no particular order of importance, should be given consideration:

- The compatibility or differences in trade and technology policy between China, the U.S., and most other trading partners' needs to be reevaluated as we note the issues today do not appear to be the same as are often identified.
- Careful review of the outcomes and feedback from the JCCT meetings should be undertaken to see if we really are addressing the issues we think we are.
- China would be willing to learn from the many farm policy mistakes and successes of the U.S. Development of these discussions could be proposed in a diplomatically acceptable manner and carried out at the appropriate level
- A series of discussions and policy considerations regarding biotechnology could be proposed to define appropriate pathways to acceptance by regulators and consumers. The following are a few examples of the kinds of discussions which might be helpful include:
  1. Education in rural China regarding modern agricultural production and trade practices.
  2. Broad based and decision leader targeted communication on the benefits of modern agricultural and trade practices on food and feed safety, the environment, economic growth and food security.
  3. Effective or ineffective branding and marketing strategies regarding the value of production technology and trade.
  4. Positioning products for a more sophisticated and emotive middle-class is critical to the China market.
- Ways value chains seeking to supply China with agricultural products can better understand and assimilate Chinese trade policies and policy decision strategies.
- Finally, IGTC and NAEGA should consider participating in events in China for more visibility.

The short, medium, and long-term opportunity to develop predictable, stable, and transparent trade with China is extraordinary. It will require putting on our "China" ears and rethinking how we deal with China's emerging middle-class economy. This is not to suggest we pander to the new market or compromise our principles. We must, though, be prepared to acknowledge a relevant new player on the international stage. Their political, social, and economic structures may be somewhat different than ours. Yet by all observations they tend to be aggressive capitalists focused on increasing their opportunity and quality of life.

There are multiple rural developments, as well as trade and investment related problems needing resolution in China. Rural China is still occupied by several hundred million residents. Many still live in or on the edge of poverty. Child nutrition, soil conservation and mitigation, manure management, the development of effective cooperative governance strategies, and water management are but a few examples of the opportunities which exist to be resolved by consciously building local-local, regional-regional, country-country, institution-institution relationships. All of these problems have considerable potential to facilitate solutions and create relationships of long-standing value to US agriculture and in the success of NAEGA's UES.

2. In Asia, as well as elsewhere, NAEGA will prioritize work to support and create practical approaches for the management of LLP in food, feed and other uses of GRNOS that is science-based, predictable and transparent, and that will encourage the use of international science-based guidelines on Low Level Presence (LLP), such as the Codex Alimentarius Annex 3: Food Safety Assessment in Situations of Low-Level Presence of Recombinant-DNA Plant Material in Food.
3. Support legislative passage and implementation of the Trans-Pacific Partnership agreement, both in the U.S. and in Asia. Particular focus will be paid to administration of new TRQ policies for GRNOS commodities in Asian members as well as implementation of the Rapid Response Mechanism (RRM).
4. Develop expanded relationships with counterparts involved in Asian trade. Consistent with NAEGA's successful relationship development in Japan, Korea, and Australia, NAEGA will continue to seek out and define effective relationships with public and private sector entities. This relationship development will focus on: integrity in a commercial environment supported by free trade and competition in commerce involving grain and other agricultural products; the elimination of abuses to sound commercial practice and unjust, unlawful and oppressive exactions in commerce; growth in predictability and certainty in the customs and usages of trade and commerce; and the promotion of an expanded and friendly exchange among persons engaged in business. NAEGA will strengthen and capitalize on its leadership position in international and regional grain trade circles.
5. NAEGA will continue to utilize the experience and knowledge of its members and staff to encourage importers, end users and government officials to know how and why to buy from the United States.
6. NAEGA will help importers and end users evaluate the special risks and benefits of buying GMO or non-GMO commodities from the US, including implementation of the BSP when applicable. Many countries in Asia are now implementing the BSP and considering changes to its Biotech regulatory regimes that may accommodate Technology Provider Corporate Responsibility and the accommodation of Adventitious Presence. In the Asia market, NAEGA will continue focus on implementation of Article 18.2(a) and liability redress requirements related to the BSP in MAP efforts in the region as well expand its effort related to the develop of LLP policies.
7. NAEGA will encourage foreign governments to implement import regulations and product quality specifications based on sound science and customer needs. NAEGA will educate foreign government officials in the region regarding unfair SPS or TBT restrictions that keep current or potential customers from enjoying the benefits of US commodities. Our work on implementing Transpacific Partnership (TPP) will be critical to

advancing trade facilitation, sound science and regulatory coherence

8. When appropriate, NAEGA will encourage and support return visits of foreign customers and government officials.
9. NAEGA will coordinate efforts with US Government entities including USDA FAS, USDA GIPSA, USDA APHIS, and USTR.
10. NAEGA will continue to collaborate as much as possible with related USDA Cooperators, including U.S. Grains Council, U.S. Wheat Associates, and the U.S. Soybean Export Council.

Over the long term, beyond 2017, NAEGA's strategy in Asia will:

1. Utilize stronger relationships with counterparts involved in Asia trade. Consistent with NAEGA's successful relationship development in key markets such as Mexico and Japan, NAEGA will engage in effective relationships with public and private sector entities in Asia. The focus of these relationships will be on: integrity in a commercial environment supported by free trade and competition in commerce involving grain and other agricultural products; the elimination of abuses to sound commercial practice and unjust, unlawful and oppressive exactions in commerce; increasing predictability and certainty in the customs and usages of trade and commerce; and promotion of an enlarged and friendly exchange among persons engaged in business.
2. Support Asian countries efforts to meet its WTO and FTA commitments. The post-Doha WTO environment focused on mega-regional trade negotiations and ad-hoc specialized multilateral negotiations promises an entirely new set of challenges and opportunities. Implementing the TTP could begin as early as 2017.
3. Continue to encourage and support a broader relationship between U.S. and Asian government officials. The elevated meetings of U.S. and Chinese officials have led to significant progress in several lagging areas of WTO implementation. A more intense bilateral public sector relationship related to policy impacting agricultural trade will provide for much needed gains.
4. Apply NAEGA expertise and leverage when necessary to specific WTO and FTA commitments. For example, China's efforts to reduce both tariff and non-tariff barriers in the agricultural sector have had mixed results. While there has been welcome progress in some key areas such as tariff reductions, many non-tariff barriers continue to limit the progress anticipated with China's WTO membership. China has made some progress in addressing a range of problems with the implementation of the promised TRQ system, including a lack of transparency, delay in the announcement of quotas, granting of insignificant and uneconomic quotas, imposition of restrictions that are not required of domestic producers or merchants, and other unnecessary restrictions. The progress on certification of U.S. genetically modified agricultural exports included a political commitment by the Chinese to not disrupt U.S. soybean exports. However, China is now a ratified party to the Biosafety Protocol (BSP). Implementation of the BSP, in a WTO-consistent manner, is critical. NAEGA will work aggressively to extend this expertise and leverage across the region. China's new Food Safety Law is also potential non-WTO compliant. Much work is still needed to impress upon the Chinese Government the need for working with the WTO.
5. Work with our counterparts in other nations that serve the Asian markets. The U.S. competes for Asian markets in many agricultural products, including soybeans. However, with a market region as large and influential as Asia, an internationally consistent approach to technical issues that are addressed by the WTO Sanitary and Phytosanitary Agreement and that impact all suppliers will greatly enhance the success of our efforts. For products like soybeans, a multinational strategy that adds to the joint efforts of the governments of China and the US will help to ensure sufficient progress. Ultimately, working to achieve international consistency on health and safety issues will support the maintenance of a level playing field for US agricultural products in the Asian market.
6. Ultimately deploy a strategy to provide for a differentiation of U.S. GRNOS supply to the extent that US supplies are preferred by both public and private sector participants in the trade.

#### **Past Performance and Evaluation Results:**

NAEGA has initiated activities in China in conjunction with counterparts in other nations that serve the Chinese market for agricultural products. NAEGA is also engaged the International Grain Trade Coalition (IGTC) and US Biotech Crops Alliance (USBICA) to address its China strategy. Both of these efforts are focused on contract integrity, regulatory practices and dispute resolution as well as implementation of the Biosafety Protocol. China's GOMAI score continues to improve and no significant trade disruptions have occurred in the past 40 Months. NAEGA has also created a Chinese Soybean Task Force that is working with USDA/APHIS to guide U.S. industry response to developments in Chinese Soybean phytosanitary policy.

NAEGA efforts to work with the complex China GRNOS environment will be expanded and more effective in 2017. Our Chinese effort has been greatly enhanced through changes in NAEGA by-laws made in late 2015 and put into practice in 2016 which provide for the associate / nonvoting membership of Chinese State Owned and Controlled Enterprises like COFCO-Agri and NIDERA. As a result, COFCO leadership is directly engaged in IGTC activity.

Recently, NAEGA has been engaged with FAS Beijing, USDA Animal and Plant Health Inspection Service (APHIS) and Agricultural Marketing Service regarding analysis and upcoming compliance with China's Decree 177, which is slated to come into effect on July 1. Early this year, NAEGA hosted a meeting with FAS, APHIS, AMS and cooperator organizations to align strategy on Decree 177 implementation. This followed a December briefing by AQSIQ for IGTC members and corporate stakeholder regarding the Draft Administrative measures. In the future, NAEGA will be working closely with U.S. government and cooperator stakeholders, as well as the IGTC, to organize further briefings with Chinese authorities to prepare to meet import requirements by July 1, 2016.

Further work with AQSIQ has included efforts to enhance soybean quality and understanding of Chinese import systems. Over the past four years, the pursuit of NAEGA UES has resulted in the USDA-China AQSIQ Memorandum of Understanding on Soybean Quality, the initiation of Vessel Comparison Studies (VCS) on Soybean Quality Management and identification of critical information gaps in biotechnology approval applications. In December of 2014, a team met in China to unload the second and third vessels under the VCS. This work proved very valuable. The VCS is in the process of being concluded.

NAEGA's work in Japan has led to several successes, most recently in dealing with response to unapproved biotech incidents. For example, in Japan, during a period of strained bilateral relationships between U.S. and Japanese authorities responsible for SPS issues, NAEGA successfully provided commercial solutions to maintain U.S. market share for corn, soybean and wheat exports. In the first case, NAEGA continued to work with a Japanese counterpart organization (JFTA) to provide guidance on how to meet Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) requirements to prevent cross-contamination with animal proteins. In the second case, NAEGA provided industry guidance on commercial assurance programs that prevented the illegal presence of the Bt10, and more recently E32 genetic event in U.S. corn exports from having a major negative impact on U.S. market share. In the past, NAEGA has worked with biotech providers and JFTA to create a joint Low-Level Presence (LLP) incident guidance document, worked with both industry and government on attaining approval for new biotech traits created by U.S. providers and provided for Japanese leadership on key issues like Liability and Redress under the Biosafety Protocol.

As recently as 2015 we were very successful in engaging and cooperating with Japanese trade on matters

related to biotechnology regulation and acceptance. NAEGA's MAP activities have successfully resolved trade disruptions caused by the presence of regulated and unapproved biotech events found in U.S. corn supply and some detections for biotechnology in regulated fields of wheat. NAEGA commercial guidance, in agreement with U.S. Government, the Government of Japan and our counterpart Japanese importer organizations on measures to manage future problems of this nature is well established. This model, built on our LLP work and international advocacy, provides a foundation for mitigating the very serious trade preventing measures we have experienced in the past.

Importantly, the NAEGA MAP program has, in part, provided for the engagement of Japanese leaders in international forms including the ASEAN high level meeting on biotechnology.

In 2011, NAEGA completed work with the Korean Feed Association (KFA) fulfilling one of our goals set out in our 2010 UES. NAEGA, in coordination with U.S. Grains Council and USDA, and KFA and Korean corn buying groups, concluded an agreement on the Korea-U.S. Corn Quality Assessment Project. NAEGA had developed this project over several months. We believe the capacity building and market education that will result from this project will be exceptionally important and provide for a model approach to maintaining markets and increasing preference for U.S. supplies of GRNOS.

In 2012 NAEGA's work on the Korea-U.S. Corn Quality Assessment Project provided background and intelligence for NAEGA's extensive and successful collaboration with the US Grains Council on the design, production and release of the Council's first annual Corn Export Cargo Quality Report and Corn Harvest Quality Report.

In May of 2016 NAEGA successfully worked with FAS Seoul to communicate with South Korean officials to accomplish a significant revision to officials from the Ministry of Food and Drug Safety (KFDS) in Osong, Korea. In a meeting to discuss the registration requirements for grain facilities Korea's Special Act on Imported Food Safety Management which USDA FAS Seoul supported, arranged for and attended, we addressed concern that KFDS was proceeding with the required registration of facilities handling grain for export throughout the grain supply chain. Early in the meeting the KFDS officials confirmed there plans to seek traceability via facility registration that extended back to the production point.

After the NAEGA presentation and extensive dialog with the KFDS officials they indicated they had changed their mind and were only going to require only the "export elevator" elevator to be registered.

### 2.3.2.3 Metrics Information

**Export Volume Unit:**Metric Tons

**Data Source:**

USDA Agricultural Projections to 2021, USDA GATS System, USDA PSD System

**Targeted Market Export Goals:**

Year	Volume(MT )	Value(\$)	Market Share (%)	Status
2009		19,223,183,878.00	37.70	Actual
2010		21,732,166,655.00	37.80	Actual
2011		25,116,289,740.00	38.10	Actual
2012		24,121,565,410.00	37.70	Actual
2013		22,124,121,057.00	37.10	Estimate
2014		21,452,121,021.00	37.50	Goal
2015		22,548,521,280.00	38.30	Goal
2016		23,452,125,214.00	38.50	Goal
2017		23,654,212,412.00	38.50	Goal
2018		25,415,124,510.00	38.50	Goal
2019		25,654,215,240.00	38.50	Goal
2020		28,193,912,479.00	38.50	Goal

### 2.3.2.4 Export Strategy

#### 2.3.2.4.1 Constraints/PM

##### 2.3.2.4.1.1 Basic Information

**Constraint No:** 1

**Constraint Title:** Asian Trade Barriers, commercial and regulatory practices and trade policies

**Constraint Type:** Market Access

**Constraint Description:**

NAEGA continues to see China as the key developing market in the ASIA region. Likewise, we see Japan as the key developed market for which market sustaining actions will be needed. Other Asian markets have their own unique constraints, but all share and provide for the opportunity to enforce WTO and other trade agreement obligations. It is also important to recognize the impact of higher market volatility that results from even short-term disruptions of trade due to inappropriate official enforcement actions. Such volatility discourages reliance on imports. NAEGA plans to engage Asia, like the Americas, as the two most likely regions to engage our efforts to, effectively and consistently with best interest of U.S. Agriculture, shape related market access concerns.

Japan's participation in the Trans Pacific Partnership is substantial, and positions Japan as a global leader in agricultural trade and investment. Japan's food and agriculture stakeholders have also expressed several concerns, including the impact of the TPP on Japan's own agricultural economy as well as a very strong desire to maintain its effective food safety regime and provide for stable and reliable imports. Japan's concern over the management of food safety is legitimate. Since it is largely an import-dependent country with a very modern and complex food economy, any changes to Japan's approach to its food supply market means, at the least, the need for a complex transition. Now that TPP has passed and implementing language is known, Japan will face major decisions regarding its future food and agriculture policy. Right now the best thing the United States can do is to support Japan in their decision making. We need to recognize how important Japan is to current as well as future agriculture product trade. Japan is, by any measure, already a great customer of the U.S. farmer and rancher. As Japan moves toward implementation, efforts must be made to work with Japan on implementation and compliance with the agreement, specifically regarding quota liberalization and crafting the Rapid Response Mechanism (RRM)

NAEGA notes the need to focus on specific areas of WTO obligations in Asia:

1. First, although many regimes have eliminated and/or reduced tariff barriers, the benefits from these

- actions can be quickly offset by continued non-tariff barriers that can be used by the governments to restrict trade, create significant marketplace uncertainty and discourage further foreign investment.
2. Second, we often find countries failing to fully eliminate practices that result in significant export subsidies for agricultural products.

**Non-Tariff Trade Barriers**

Among the agricultural product restrictions often imposed are additional standards and actions on imports of agricultural products that:

- Are applied without prior notice and geographic consistency;
- Fail to provide for comment period and time provisions for trading partners to institute practices to readily comply;
- Encourage and help domestic firms to avoid contractual commitments;
- Inappropriately discriminate against specific private entities through the broad-based imposition of company-specific trading bans (blacklisting); and
- Result in unjustified management and delay of the issuance of import permits to control imports for political or economic reasons.

China, and most other Asian governments, hold membership in the International Plant Protection Convention (IPPC), an international treaty to secure action to prevent the spread and introduction of pests of plants and plant products, and to promote appropriate measures for their control. Specifically, the IPPC provides guidance, support, and information to governments concerning phytosanitary measures and facilitates the exchange of information between governments with respect to regulatory requirements and pest status. In the event that governments question or challenge the requirements of others, the IPPC provides a neutral forum for dialogue on technical issues and has provision for non-binding dispute settlement, if needed.

IPPC provides the U.S. with another means for addressing noncompliance with standard international sanitary and phytosanitary practices as established by the WTO's Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). The SPS Agreement establishes the IPPC as the organization which provides global standards to ensure that governments' actions aimed at protecting plant health are harmonized and not used as unjustified barriers to trade.

While the IPPC's dispute settlement process, which allows government actions to be challenged as unjustified barriers to trade, is non-binding, it offers a legal process for examining such issues at a technical level and also allows for continuation of a dispute at the WTO level under the SPS Agreement.

Fundamentally, China and all of Asia need to adhere to the WTO's SPS Agreement. Its various non-WTO compliant measures are causing serious interruptions in cargo contracting and delivery, thereby adding unnecessary risk to doing business with China and Asia and limiting sales of many US agricultural products. The near and long term costs of such actions directly impact U.S. farm income.

As a remedy for these plant health related problems, Asian governments should provide for:

- Changes in activities that restrict actions to import quarantine procedures that are science based and compliant with WTO and international conventions and should not impose delays, uncertainties, or commercially discriminatory or commercially unrealistic requirements that inhibit free trade.
- The approvals of import permit requests in a timely and commercially realistic manner.
- Process and communication that ensures that all formalities are transparent, with clear timelines openly promulgated.
- Export Subsidies and other Competition policies.

With membership in the WTO and in accordance with bilateral agreements, officials are often reluctant to comply with both WTO rules and the obligations. For example, China agreed to end all export subsidies upon its accession to the WTO, but still continues to use these now illegal export subsidies as well as import discrimination schemes which adversely affect U.S. feed grain producers and exporters. This, along with other export subsidies, has the potential to be a major influencing factor in determining China's market status at the WTO in the future, and continues to shape U.S. policy to China on both agriculture and other sectors.

Although any government's administrative control over pricing and other non-transparent practices can make it difficult to identify and track its subsidy practices, three distinct areas of unfair completion are often problematic:

1. Applying a Value Added Tax (VAT) to imports and offering excessive VAT rebates to exports.
2. Direct Export Subsidies - For example, the overt use of export subsidies has been widely published in the Chinese press and is common knowledge among traders. Again, this is a direct violation of China's obligations under its WTO accession agreement. Examples of China's export subsidies include lower freight costs for corn transport and incentives to export corn instead of storing it.
3. Non-transparent official credits, insurance or credit guarantees India has often been identified as a culprit in this regard.

**EMP Current Circumstances:**

**Constraint Keywords:**

**FAS Constraint Keywords:**

**2.3.2.4.1.2 CPR Specific Information**

**Recommendations:**

**Evaluation and Findings:**

**Post Assessment:**

**Division Assessment:**

**Success Story:**

**Lessons Learned:**

**2.3.2.4.1.3 PM Specific Information**

	Baseline Year	Baseline (-2)	Baseline (-1)	Baseline	Baseline (+1)	Baseline (+2)	Baseline (+3)	Baseline (+4)	Baseline (+5)	Baseline (+6)	Baseline (+7)
<b>Title:</b> Number of	2007	G		300.0					425.0	600.0	700.0

Stakeholders Addressed	Description:	Baseline Year	Baseline (-2)	Baseline (-1)	Baseline	Baseline (+1)	Baseline (+2)	Baseline (+3)	Baseline (+4)	Baseline (+5)	Baseline (+6)	Baseline (+7)
		A										
Overall GOMAI Index Improvements for GRNOS commodities	2007	G			44.0					48.0	50.0	55.0
		A										

**Note: G = Goal, A = Actual**

**FootNote:**

**2.3.2.4.1.4 Activities:**

**2.3.2.4.1.4.1.1 Basic Info**

**Program:** MAP

**Activity Code:** M17GXTASIA

**Activity Title:** Asia WTO, Bilateral Obligations, Biotech, Trade Facilitation and Best Practice

**Requested Amount (\$):** \$100,000

**Funded Amount (\$):**

**Activity Status:** Draft

**Activity Description:**

In 2017 NAEGA will continue and expand, to the extent possible, work in Asia using its continued efforts on two specific areas where China fails to meet its WTO obligations: Non-tariff trade barriers and export subsidies. China needs a model for action relating to WTO obligations. We plan to add additional countries to this effort on an as needed basis. India is a likely first addition to this effort.

Our China efforts will also focus on addressing GRNOS import specific concerns with the Chinese process including: a. Grain Quality Standards and Measurement, b. Plant Protection Measures, including involvement in the IPPC process to provide for an International Standard for Grain Movement; c. Food and Feed Safety requirements like Decree 118 and tolerances for pesticide residues and d. Biotechnology regulation including application of and modifications to Decree 9; e. imported food safety requirement under Decree 177. In biosafety, for example, we plan to encourage improvement in the process that now requires Certificates for Imported Products for each shipment specific may contain approved biotechnology events.

China's biotech regulatory process and requirements lack predictably and represent a significant threat to market access in China. More effective communication, similar to NAEGA's successes in Japan, Korea, Mexico and elsewhere needs to be established. BIO has agreed with NAEGA to develop an action plan from a U.S. perspective for addressing China.

Likewise, NAEGA and the U.S. Soybean Export Council, working as part of their activities sharing agreement, have agreed that intense focus on China's biotech regulation is needed in advance of the plethora of new biotech events that will begin commercialization in 2012. Our colleagues in Brazil, as well as the balance of South America, are likely candidates to support such an effort and the IGTC has established a need to address China from a global perspective.

NAEGA will assist with international contract education for buyers. For example, continue work to implement programs to educate Chinese commodity buyers on potential risk management tools.

Regarding the Trans Pacific Partnership (TPP), NAEGA will continue to work with the U.S. government and industry partners to ensure that the high standards agreed to in the agreement are enforced. Specifically, the inclusion of a Rapid Response Mechanism (RRM) should help improve trade facilitation and resolve shipment-specific issues. Successful implementation of the RRM is of paramount importance to NAEGA. We will also work to support implementation of other "WTO-plus" SPS provisions – that is, obligations that goes beyond the WTO SPS Agreement – included in the agreement, specifically the measures that enhance risk assessment, risk management, transparency, border checks/laboratory testing and facilitating trade through regulatory coherence measures.

The U.S. food and agriculture sector, through the U.S. Food and Agricultural Dialogue for Trade Agreements, has worked extensively in pursuit of improved and science-based disciplines on the application of SPS measures. This reflects the reality that SPS barriers are a significant and growing impediment to market access for a wide range of our products in foreign markets. Now that TPP implementing language has been set, every party's enforcement of the high standards provisions of this agreement is of paramount importance to NAEGA. Once the agreement is officially adopted by member legislative bodies, NAEGA intends to work diligently to forge the most effective path forward with respect to SPS commitments.

Regarding non-tariff trade barriers NAEGA will work to encourage governments to remedy the plant health related problems by encouraging them to provide for:

- Changes in activities that restrict actions to import quarantine procedures that are science-based and compliant with WTO and international conventions and should not impose delays, uncertainties, or commercially discriminatory or commercially unrealistic requirements that inhibit free trade.
- The approvals of import permit requests in a timely and commercially realistic manner.

Process and communication that ensures that all formalities are transparent, with clear timelines openly promulgated.

NAEGA will also educate stakeholders and trade participants on China's and other Asian nation's WTO obligations with regard to export subsidies and export competition practices.

In 2017, NAEGA also plans to place a priority in Asia to continue the efforts to establish and improve buyer and importer preference for U.S. GRNOS supply logistics. Such differentiation and preference will result from a more predictable and user (importer) friendly U.S. logistics systems that meets the needs of and is understood by consumers, commercial handlers and processors as well official national and international bodies.

NAEGA is ideally suited to deploy an effort to differentiate GRNOS in international trade as most every application (including inspection systems consistent with international standards, optimal commercial contact practice and transportation logistics to move products to consumers with minimal loss and waste) has impact on multiple commodities and products produced in the U.S. Since the 2011 UES and through close coordination with governments, NAEGA membership and NAEGA affiliates have deployed a differentiation strategy for GRNOS

operating concurrent and parallel to its "Market Access" efforts to increase "Market Share"

NAEGA will also educate stakeholders and trade participants on China's and other Asian nation's WTO obligations with regard to export subsidies and competition policies.

The International Grain Trade Coalition (IGTC) will be critical to addressing NAEGA's concerns in the Asia. In 2017, IGTC will continue to engage on policy files as identified at IGTC meetings.

Specific to the challenges related to biotechnology, for which NAEGA's actions have clearly improved accesses for U.S. exports of GRNOS commodities, our efforts will be expanded and successfully include multi-national and global strategies that require close coordination with importers and exporters. NAEGA will drive its biotech related activities from these

"CONCEPTS for INTERNATIONAL OUTREACH ON TRADE and CROP BIOTECHNOLOGY":

1. Ensuring the message and policy of governments and the commercial sector related to practices that have impact on trade of agricultural products are as consistent with each other as possible. Elements of this collaboration should recognize the implications on sustainability of the provision of food, fiber, feed and fuel by agriculture. In particular link between efficient international trade and food security and agricultural development need to be understood.

2. Understanding that agricultural bio-technology increasingly requires additional actions that add cost and increase risk for the management of export supply chains.

3. Developing key policies related to crop biotechnology impact the trade in commodities. These should be a focus of bilateral and multilateral information sharing and capacity building:

- A lack of synchronized authorizations and predictable, timely approvals (EU, Korea, China).
- Low Level Presence policies for events authorized in country of origin but not yet authorized in country of destination.
- Management of events that are not commercialized and may not have achieved authorization for import yet may be found in U.S. supply.
- The inappropriateness of mandatory labeling for biotech content.
- The setting of thresholds for the adventitious presence of (authorized) GM material in non-GM products.
- Best practices for biotech product introduction and retirement.
- Best practices for biotech product development.
- Responsibility for Technology provider and holder to provide for risk assessment, risk management and risk responsibility for the given technology.
- When shipments of commodities for Food, Feed or Processing cross borders, Liability and Redress for damage to the environment as it may be established as part of the CBD/CPB process.

We plan to utilize NAEGA resources to assist in the achievement of the goals and objectives as articulated by Membership, Government and Affiliates. To this end we find NAEGA is well positioned to assist in the following ASIA goals:

#### China:

Goal 1: Continue to our work on the USDA Soybean quality MOU – vessel comparison study regarding SPS requirements.

Goal 2: Continue to support and complete compliance efforts with China's Decree 118

Goal 3: Draft Commercial Contract terms to best fit work with State Owned Enterprises (SOE)

Goal 4: Continue to push for China's adoption of international SPS standards.

Goal 5: Encourage China's modernization of its Food Safety System under Decree 177 that is transparent, accountable, science-based, and pro-trade.

Goal 6: Expand and diversify markets for U.S. agricultural products in China.

Goal 7: Speed modernization of China's agricultural sector.

Goal 8: Ensure transparent, consistent, and science-based biotechnology regulations and policies.

Goal 9: Ensure China's full conformity with its WTO accession obligations.

Goal 10: Improve the IPR situation for U.S. agriculture in China.

Goal 11: Attract China's support for U.S. positions in international fora and negotiations.

Goal 12: In concert with like-minded countries, develop a coordinated response system to address barriers to trade that can quickly impact trade patterns as evidenced by the MIR-162 issue.

Goal 13: Develop market intelligence on DDGS demand in China going forward, for comparison with other Asian markets and support for future programmatic efforts.

#### India:

Goal 1: Build support for open trade by building strategic relationships with foreign governments, trade and agribusiness groups.

Goal 2: Address SPS and technical trade barriers through bilateral trade discussions.

Goal 3: Support the development and adoption of science-based SPS regulatory systems as India constructs the new Food Safety and Standards Authority and Sri Lanka develops its framework.

Goal 4: Facilitate U.S. commercial trade through trade-related programs, information and overseas services.

#### Indonesia:

Goal 1: Educate and inform the Government of Indonesia (GOI) and the general public regarding the objectives of USDA.

Goal 2: Improve transparency and market predictability in order to protect and expand U.S. agricultural market access and combat protectionism.

Goal 3: Support development and adoption of international standards in order to create a level playing field for agricultural trade.

#### Japan:

Goal 1: Complete an assessment of the fallout from GE plans in Oregon.

Goal 2: Significantly improve market access by ensuring Japan's compliance with WTO agreements including SPS and TBT agreements.

Goal 3: Gain acceptance of the U.S. food safety system as being at least equal to the system in Japan.

Goal 4: Maximize exports through improved education of importers/exporters and strategic trade facilitation.

Goal 5: Ensure that future implementation of the TPP agreement complies with the terms of the agreement and the high standards, WTO-plus provisions.

Goal 6: Determine strategy and best practices for implementation of the Rapid Response Mechanism through the context of past experiences like the GE release in Oregon.

#### Republic Of Korea:

Goal 1: Complete an assessment of the fallout from GE plans in Oregon and advocate RRM/crisis response.

Goal 2: Expand and Maintain Export Opportunities, working to implement the KORUS FTA.

Goal 3: Reduce technical barriers to trade and restrictive sanitary and phytosanitary measures to facilitate agricultural trade

Goal 4: Gain broader acceptance of the benefits of biotechnology in order to support policies that are based on science.

#### Malaysia:

Goal 1: Achieve a reconciliation of the differences between Malaysia's National Biotechnology Policy goal of developing a vibrant agricultural biotechnology sector and the National Biodiversity Policy, which gave birth to the onerous and anti-biotech Biosafety Bill, in favor of the pro-ag biotech forces.

Goal 2: Encourage Malaysia to adopt common positions in international organizations, like Codex Alimentarius, and implement science-based SPS standards in Malaysia, as well as through ASEAN efforts to harmonize SPS standards.

**Philippines:**

Goal 1: WTO and International Organizations - Encourage the Philippines to be more supportive of the United States positions on market access and domestic support measures at the WTO and support the active participation of the Philippines in other international organizations

Goal 2: Biotechnology - Encourage public and private sector support for the development and commercialization of an agricultural biotechnology policy regime that is consistent with sound science

Goal 3: Sanitary and Phytosanitary, and Food Import Laws - Work closely with fellow USDA and other U.S. agencies. Influence key regulatory authorities in the Department of Agriculture and other government agencies involved in agricultural policy development and implementation to adopt science-based SPS food import regimes. Assist the Government of the Philippines in developing the capability to fully implement its agricultural trade obligations under international treaties, including the WTO

Goal 4: Trade Facilitation, Market Development and Export Programs - Facilitate the expansion of U.S. food and agricultural exports through the development of related institutions and infrastructure that will enhance the Philippines' capacity to import, process and distribute a greater volume of U.S. products.

**Taiwan:**

Goal 1: Resolve priority access issues and encourage adoption of international standards.

Goal 2: Address protectionist trade regimes and reinforce the long-term strength of agricultural relations.

Goal 3: Increase U.S. market penetration and its competitive position.

Goal 4: Promote Regulatory Framework that Facilitates Agricultural Biotechnology.

Goal 5: Enhance Business Linkages Regionally to Create Export Opportunities.

**Thailand:**

Goal 1: Create a level playing field for U.S. agriculture.

Goal 2: Maintain and improve market access by challenging illegitimate SPS and TBT barriers. Promote a more open, science-based food regulatory system, which reflects acceptance of international standards and is consistent with WTO requirements.

Goal 3: Expand and diversify markets for U.S. agricultural products in Thailand.

**Vietnam:**

Goal 1: Complete an assessment of the fallout from GE plans in Oregon.

Goal 2: Expand and maintain opportunities for U.S. agriculture in Vietnam.

Goal 3: Help the Government of Vietnam establish an effective sanitary/phyto-sanitary (SPS) system based on science, both domestically and for trade.

Goal 4: Encourage the Government of Vietnam to offer the same market access to U.S. producers as is already being offered to Vietnam's free trade agreements partners.

Goal 5: Assist the government of Vietnam with implementation of TPP terms, particularly in regards to SPS provisions and technical barriers to trade.

Goal 6: Determine strategy and best practices for implementation of the Rapid Response Mechanism through the context of past experiences like the GE release in Oregon.

**Activity Results Timeframe(Expected):**

This is an ongoing activity which will continue at least through 2017.

**Activity Results (actual):**

**Contribution List:**

Contribution Type	Amount (\$)
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**2.3.2.4.1.4.1.2 Activity Tag Basic Information:**

Priority Name
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**2.3.3.1 Basic Information**

**Market Definition:** WOW

**Promoted Commodity:** GRNOS

**Market Type:** Mature Market

**Market Keywords:**

**FAS Market Keywords:**

**2.3.3.2 Substantive Information:**

**Market Assessment:**

In all NAEGA target markets there is a high priority to:

1. Improve market access by increasing adherence to a rules based international trading system;
2. Promote the provisions of the negotiated text of the Trans-Pacific Partnership agreement (TPP) addressing regulatory coherence;
3. Increase the value of intelligence and analysis provided to stakeholders;
4. Promote sound practices based on sound science;
5. Engage and educate thought and decision leaders in both private and public sectors on the practicalities of the GRNOS supply chain.

NAEGA's UES target market assessment largely focuses and relies on cooperation and consistency with efforts of USDA and FAS in particular. This 2017 UES recognizes and is reliant upon constant updating and response to key strategic goals in cooperation with US government.

Recognizing that the United States will remain a huge power in crop trade but will be seen as a less important market by buyers, this UES takes into account:

1. Reduced Market Force - the United States will remain a huge power in crop trade but will be seen as a less important market by buyers.

- Primarily due to drought, the United States lost its position as world corn export leader to Brazil during the 2012/13 marketing year, but regained the top spot in 2013/14 and is projected to continue holding it in 2016/17. Even though the U.S. is usually the leading corn exporter, the U.S. share of the world market is diminishing as other countries such as Brazil, Argentina and Ukraine increase exportable supplies. The U.S. average market share of world trade was consistently above 50 percent prior to 2011/12, but has fallen to the current projection of 36.3 percent for 2016/17.
- The United States was the perennial leader in soybean exports until 2012/13, when Brazil leapfrogged the U.S. into first position. Brazil has maintained the top spot and is projected to increase its in 2016/17 and is expected to continue to lead the world in soybean exports. For 2016/17, the United States is projected to account for 37.1 percent of world soybean exports. Historically, the United States share of soybean exports has routinely been above 40 percent.
- Stalled wheat yield growth in the United States has led to diminishing role for wheat in U.S. producer crop rotations. Until 2013/14, the United States had been the world's proverbial bread basket, usually supplying about 25 to 33 percent of the world's wheat exports. However, the European Union and Russia have both leapfrogged the United States and are projected to hold on to their first and second place rankings in 2016/17. For 2016/17, the United States is projected to account for 14.6 percent of the global wheat exports.

2. New suppliers mean new competition for several years.

- The historically high commodity prices from 2007-2013 provided the impetus for farmers in countries such as Brazil, Argentina and Ukraine to make major steps in enhancing production technology and agriculture infrastructure in order to be able to grow more profitable crops such as corn in addition to more traditional soybean and wheat crops. Commodity prices have subsided, but the investments in improved agricultural infrastructure that were made possible by the boon years will continue to strengthen worldwide grain production into the foreseeable future. In addition, underperforming economies in Brazil, Argentina and Ukraine have depressed their currencies and provided a competitive advantage over the United States in exports.
- The United States has long competed for wheat export share with countries/regions such as Europe, Canada and Australia, but as of recently U.S. wheat is also competing with wheat produced in the Black Sea region that has transportation advantages going into the key Middle East and North African markets.
- U.S. soybeans and its products continue to compete for market share with Brazil and Argentina and these South American countries have the advantage of being able to add large amounts of land into crop production. In addition, the transportation infrastructure in Brazil continues to improve which will enhance their economics of production.
- The potentially promising China corn market has dried up for the U.S. due to the presence of traits in U.S. corn exports that had not received Chinese import approval. Due to the risk of further rejections, U.S. exporters have not exported significant quantities of corn to China since early 2014. In the absence of available U.S. corn, China's end users have increased imports of U.S. grain sorghum, barley from Australia and Canada, and corn from Ukraine. In 2016, Argentina's export tax on corn was fully lifted, while the export tax on soybeans is gradually phasing out which will provide economic incentive for its farmers to produce more corn and further erode the U.S. share of the global export market.

3. Price Impact- The grain markets have entered into a period of ampler supplies, which has incentivized domestic demand for grain, particularly for livestock feed. By itself, domestic demand is unlikely to be large enough to pull grain prices much above their current lower levels. Due to increased world crop production and a strengthening U.S. dollar, U.S. grain exports will continue to face headwinds in the near-term.

4. U.S. Producer Mentality- U.S. producers are coming off strong income years, but low grain prices may expose the most vulnerable. The 2016/17 crop is being seeded with the expectation of market prices that leave little room for error and great potential for equity depletion.

5. Market Power Increases for Domestic and International Buyers and Users – A well-supplied market is a buyer's market and provides buyers with more flexibility in their purchase decisions.

NAEGA sees domestic developments, in combination with the international developments as increasing the demand and need for NAEGA UES activity. In particular, we note that over the past 10 years, there have been dynamic and highly competitive changes in the nature of the global grain export marketplace. Key new concerns – resulting in a need for NAEGA action and focus - have emerged. NAEGA's WOW agenda for the balance of 2016 and throughout 2017 will include actions to address:

1. The cost effective and responsible use of all safe and sound crop production and marketing methods in order to meet customer demands and provide for sustainable supplies to achieve food security and economic growth. Several related influences and opportunities tied to seed breeding technology including crop biotechnology and result in restrictions to the marketability of U.S. agricultural products as well as impediments to the innovation and the use of modern efficient commercial practices.
2. Providing for an understanding of the importance of adequate fungibility as key to efficient and transparent market based price discovery and supply of GRNOS.
3. Addressing the way governments conduct grain inspections around the globe and maintaining U.S. agriculture's competitiveness by providing for and supporting a reliable federal grain inspections service that will benefit farmers and agribusinesses throughout the U.S.
4. Examining and influencing regulations addressing GRNOS in order to limit trade impediments and distortions that may result from implementation.
5. Limiting the damage that is likely to result from excessive application of the precautionary principle to manage trade in a manner that ultimately unduly restricts GRNOS trade.

**Market Assessment:**

Of the almost 600 million metric tons of worldwide (WOW) global trade in GRNOS we expect in 2018, the U.S. is capable of holding a 35 percent market share for wheat, corn, soy and related product exports. The trading and logistic functions performed by NAEGA members are critical common elements in the international trade of GRNOS. Over \$50 billion of the current U.S. agricultural export value is in the exports of the commodities and products manufactured, traded and transported by the industry supported by NAEGA. Growth in marketing of these same commodities and products to markets targeted by NAEGA continues to account for a substantial share of increases in U.S. agricultural export value.

The structure of the global GRNOS market is built on a foundation of global economic performance and population growth which ultimately determines demand for food and agricultural products. Pursuing and maintaining high rates of productivity growth in U.S. agriculture is equally important.

On this foundation several influencing elements are shaping the architecture and are important when considering the strategic global supply and demand for GRNOS commodities as well as the competition to meet demand among supplier countries:

1. Trade liberalization and opening of markets, in particular the reduction of trade barriers through global progress in the World Trade Organization, regional and bilateral agreements and implementation

? Under the broader market access heading, a key element in ensuring global market access is the

adaptability of organizations, such as NAEGA, to respond to situations that impact trade flows, such as China's propensity for bulk cargo rejections. Given NAEGA's position as an industry leader and organizer of forums, response plans should be in place to react when traditional venues (WTO, etc.) operate at a slower response pace.

2. Political conflicts; economic and social stability.
3. Energy and environmental policies and regulation.
4. Policy and practice addressing sustainability and food security.
5. Food defense policy and practice.
6. Currency exchange rates and related policy.
7. The rise of questionable sanitary and phytosanitary issues and anti-dumping actions, replacing tariffs and quotas as the trade barriers of choice.
8. Population growth and heavy urbanization in developing countries.
9. Growth in consumer income and of the middle class in emerging markets.
10. Rising demand for high-value products, especially new, specialty products:

? Under the broader demand heading, it is important that credible market intelligence is available to influencers such as NAEGA to ensure that programmatic efforts (such as opening market access for product X) are tailored accordingly.

11. Stagnant aggregate demand in high-income, developed countries.
12. Global debate over the value, safety, and morality of biotechnology and other technologies.
13. Relative cost of production among international competitors
14. The competitiveness of marketing infrastructure and exchange rates.
15. Volatility in exchange rates and monetary policy.

Given the nature of U.S. competition for supply of world markets, as well as the aforementioned factors, the U.S. interest is best served by open and transparent markets that are served by competition between suppliers as well as importers. Further, a predictable and stable commercial and regulatory environment is clearly a priority for the U.S. interest.

NAEGA's 2017, and several prior UESs, maintain the strategic objective of advancing "Market Access." Evaluation of performance of the NAEGA UES therefore has been limited to assessing Market Access. In addition to the constant input from its members that is a unique NAEGA advantage, a key tool used by NAEGA for identification and measurement of Market Access has been the Grain and Oilseed Market Access Index (GOMAI). As stated above, credible market intelligence must support any programmatic effort.

We believe the WOW environment today provides for an opportunity to improve and expand trade through continuing to improve "Market Access," but also affords the opportunity to differentiate on the basis of service, transparency and compliance in what NAEGA will address as a "Market share increase via improved practices" strategy Worldwide. We find that reducing institutional and human capacity limitations to trade not only improves access to markets but should provide U.S. sources of supply with competitive advantage. Commercial entities involved in international GRNOS trade are at the forefront of deployment of best practices compliance and coherent with official measures including both domestic and international and legal obligations. The need to provide for ease of management in the increasing complex and volatile GRNOS trade represents a service or value added marketing opportunity. Capacity building efforts to improve cross-border movement agricultural products, strong institutions and human capacity to support trade whether domestic, import or export directly facilitates imports of agricultural products and is a prerequisite for a healthy, level playing field for global GRNOS trade.

With respect to specific countries: The most recent GOMAI, reflecting market access conditions for U.S. grains and oilseeds in 37 countries as of the end of 2015, is integral to this UES and follows earlier reports of reflected conditions. Under NAEGA's 2017 UES a new GOMAI will be completed to reflect conditions at the end of 2016. The resulting database and market access indexes from these studies are used to:

1. Focus attention on the most egregious market access barriers;
2. Allow one to measure progress over time in improving market access;
3. Facilitate comparisons among countries and among commodities; and
4. Provide the information in a form conducive to its most effective use.

We find the following information from the GOMAI and NAEGA sources most relevant to the worldwide (WOW) market.

**European Union (EU)** – Though durum, high quality soft wheat, and corn are all duty free, the EU has strict price and quantity barriers in place for other grains and oilseeds. Most price barriers are in the form of duties based on volume. For some products, there are TRQs within which duties are lower.

The EU restricts the import of low priced grains from non-EU members with import duties and quotas.

The EU has strict SPS criteria managed by the industry. The strongest barrier is the EU limitation on GM commodities, both for import and cultivation. There is a backlog of applications for GMO trait approvals. This backlog is effectively blocking U.S. exports of GM crops. The EU has only approved a few biotech events with the approval process usually taking several years. The EU approach to New Plant Breeding Technology is a key to successful innovation in the future

The EU is dependent on corn and soybean imports for its feed ingredients, so the EU policy on imports of GM products is less restrictive than that on GM crops. Imports of SBM and DDGS have been growing.

Corruption is not generally a concern in the EU, except for some of the newer member countries and even then, it is less of a concern than in many other export markets around the world.

In large part due to existing EU SPS and TBT barriers, exports from the U.S. to the EU have already fallen significantly relative to other exporting countries. NAEGA will continue to work toward improved market access for GRNOS in Europe including a Transatlantic Trade and Investment Partnership (TTIP) that achieves significant gains in regulatory convergence.

The EU announced in April of 2015 the adoption of 17 biotech events that have been pending for many years. The adoption of these traits ended a de facto moratorium on authorizations since November of 2013. However, at the same time as the authorizations, the EU passed legislation that will allow individual EU member-nation states to make their own decisions on authorization of biotechnology events, regardless of if the EU has already approved the event. The effects of this renationalization of these authorization decisions are not yet known, but it could have a negative effect on U.S. exports to the EU.

In addition to the Crop Biotechnology dilemma, differing regulatory frameworks for crop protection products present serious economic and trade impacts.

Recent studies indicate that more than 40 percent of U.S. agricultural commodity exports, including soybeans, grains, tree nuts, fruits and groundnuts, could be blocked by upcoming changes in the European Union (EU) Plant Protection Regulation of Endocrine Disruptors.

EU Regulation 1107/2009 diverges from the U.S. Environmental Protection Agency's (EPA) regulatory approach, which uses science-based risk assessment procedures for regulating crop protection products. While scientific risk assessment is the internationally accepted practice for regulating crop protection products, the EU increasingly regulates based on hazard identification, without taking into account exposure or risk. The EU regulation thereby also runs counter to the World Trade Organization (WTO) Sanitary and Phytosanitary (SPS) Agreement to which the EU is signatory.

Under 1107/2009 U.S. agricultural exports containing trace amounts of approved crop protection products will be blocked because Maximum Residue Levels (MRLs) for food and feed treated with these crop protection products will default to a near-zero level of 0.01 parts per million (ppm). This arbitrary threshold is a result of the EU regulatory requirement to categorize compounds as endocrine disruptors, which then triggers a market cut-off, or ban.

NAEGA is engaged in developments in the EU at the Commission and national level related to the regulation of glyphosate, a herbicide commonly used in GRNOS production. Many authorities are considering phasing out the use of glyphosate by 2020. The European Commission (EC) which proposed before the EP a re-authorization for the use of glyphosate for another 15 years based on the European Food Safety Authority's (EFSA) science based determination that glyphosate is non-threatening to human health overall has disappointingly been unsuccessful in securing that reauthorization.

MRLs also continue to challenge market access in the EU. Some estimates based on MRLs established in the U.S., reveal that at least 24 active crop protection products and 25 different types of agricultural commodities could be impacted by the EU regulation. The largest effects would be felt in exports of tree nuts and fruit (\$1.577 billion); soybeans and groundnuts (\$1.516 billion); and grains (\$0.586 billion). The EU is dependent on corn and soybean imports for its feed ingredients, however, so the EU policy on imports of GM products is less restrictive than that on GM crops. Imports of SBM and DDGS have been growing.

NAEGA is currently working on a GBI campaign, led by the U.S. Soybean Export Council, to educate the EU on the sustainability of American agriculture. The GBI is titled: "USA Sustainable Agriculture."

The EU is expecting another large wheat crop in 2016/17 at 156.5 MMT, only down slightly from last year's record 160 MMT. Soybean imports are projected at 12.6 MMT, soybean meal imports at 21.7 MMT and corn imports at 13 MMT. High demand for EU wheat in export markets has made corn a competitive feed ingredient for EU livestock production.

The U.S. once supplied significant volumes of sorghum to the EU, but those volumes have since dropped. Although tight feed wheat supplies mean there may be interest in using sorghum as an alternative, FAS expects sorghum imports to remain low.

The primary category of GM products consumed in the EU is soybean meal, and demand is higher than ever: roughly 30 MMT is consumed each year. Brazil supplies between 40-50 percent of this total, the U.S. supplies 20-30 percent, and Paraguay and Canada supply the rest. The second largest category is DDGS, which has experienced explosive growth. The U.S. has been the leading supplier.

Barley production has contracted and currently production is about 60 MMT. Usually the EU imports very limited quantities of barley, and it is mainly used for animal feed. However, the tight feed wheat supplies will lead to greater barley imports.

The EU produces about 600,000 MT of sorghum annually. There was a spike in sorghum imports in 2010/11, when the EU imported nearly 1 MMT, compared to nothing the year before. Of these imports over 60% came from the US. Since then imports from the US have returned to nearly 0.

**Turkey** – Despite the turmoil of the Arab Spring and the war in Syria, the grain situation in the Middle East remains relatively stable. Wheat production continues to expand in places like Egypt and Syria. Imports of wheat and corn by Egypt, Tunisia and Morocco fluctuate with the volatility of domestic production. In contrast with Africa, the Middle East and Turkey are generally more constrained by resource issues – e.g. land and water availability – in increasing domestic production.

One clear challenge is price sensitivity among the largest buyers of U.S. wheat – Egypt. Despite this, U.S. exports to the Middle East have held up well (aside from Syria). At this point, Jordan represents a model for that region in terms of the functioning of the trade. Further understanding the dynamics of the Jordanian market may yield insights into other nearby markets.

Turkey is a challenging market, given its proximity to EU and Black Sea supply as well as governance challenges. Another issue that bears watching is the action at the WTO regarding Turkey's exports of cheap wheat flour across the globe. Despite this, the country is playing an increasingly powerful role.

Given Turkey's rise in prominence, one continued area of focus should be the revision of the country's biotechnology rules. Turkey put together these fairly stringent rules to emulate the EU in advance of their aspired EU accession. However, Turkish officials overlooked the fact that the EU does indeed import biotech GRNOS, among other issues, and the resulting biotech regulations are hampering trade.

Turkey applies the EU's common external tariffs to non-agricultural imports but maintains high tariffs on agricultural imports.

Turkey's principal quantitative barriers include TRQs (with preferences to the EU and other countries in the region) and licensing requirements. Tariffs on wheat and corn are very high at 130 percent but the wheat tariff has been suspended by the Council of Ministers on quota allocations to the Turkish Grain Board.

Turkey's principal technical/procedural barriers include the difficulty of obtaining SPS certifications, testing requirements, corruption, and lack of transparency in the implementation of import policy. For instance, required documents necessary for imports can be subject to changes with little or no prior notification. The Government of Turkey requires a Control Certificate on the majority of food and non-food imports. This is effectively an import license and is granted arbitrarily by the import officials. The certificates are only valid for between four months and a year. The government also requires pre-export inspection for basic commodities.

A new biosafety law passed on March 2010 and was implemented in September 2010. The government's Biosafety Board has approved only 3 soybean events and 16 corn events, and two of the latter approvals have been suspended by Turkey's High Court. The threshold for inadvertent content is only 0.9 percent which has created a lot of problems for the trade and fostered stronger anti-GMO sentiment among consumers.

Corruption is still an issue in Turkey. Turkey scored 42 of a possible 100 points on 2015 Transparency International's Corruption Index, down from 49 two years ago.

The Government of Turkey requires a Control Certificate on the majority of food and non-food imports. This is effectively an import license and is granted arbitrarily by the import officials. The certificates are only valid for between 4 months and a year.

Projected production of wheat, barley and corn for 2016/17 is 17.5 MMT, 5.4 MMT and 5.5 MMT, respectively. Imports will be needed to meet demand and are estimated at 4.5 MMT for wheat, 1.5 MMT for corn and 0.3 MMT for barley.

U.S. soybean exports to Turkey have ranged from 235,000 to 928,000 MT over the last five years. Turkey does not produce much but has increased its crush capacity and now imports about 2.2 MMT each year of which the U.S. supplies as much as half. In 2015/2016 Turkey will import about 150,000 MT of U.S. soybean meal, and is expected to import about 545,000 MT of DDGS. SBM imports for 2015/16 are expected to be about 60,000 MT. Because of the Customs Union with the EU, there are TRQs of 60,000 MT for crude soybean oil from the EU and 2,000 MT for refined soybean oil. There is also a 9,300 MT TRQ for crude Romanian soybean oil.

An overwhelming concern in Turkey is the implementation of its Biosafety regime which is controlled by a very persistent and successful anti-biotech crop sentiment.

Recently, Turkey has shown some interest in joining the Transatlantic Trade and Investment Partnership (TTIP). Although it is unlikely, NAEGA will monitor the potential for Turkey to join TTIP, along with all other TTIP proceedings. Should Turkey join TTIP, NAEGA will continue to advocate for a comprehensive 21st Century trade agreement and expect that all agricultural products would be on the negotiating table from both a market access perspective and a SPS and TBT perspective.

**Middle East and North Africa** – More intensive assessment based on country and individual firm information, consistent with the Grain and Oilseed Market Access Index (GOMAI) is needed for Algeria, Iraq, Lebanon, Libya, Morocco, Nigeria, Saudi Arabia and Tunisia:

**Algeria** – Algeria imports most of its agricultural commodity needs; its rainfall is unreliable. Both the Algerian Office of Grains and private sector companies import grains.

Algerian tariffs and taxes on U.S. grains and oilseeds are generally low, and there are normally no quantitative restrictions. Nominal tariffs are higher (30%) for value added products such as ethanol, refined SBO, and malt. Animal feed inputs such as DDGS and corn gluten feed also have high nominal tariffs but have had those suspended in recent years.

There is a VAT of 17% for most goods but agricultural commodities are generally lower or even exempt; wheat, for instance, is VAT exempt. Occasionally, when domestic production is high, additional taxes are levied to prevent imports. However, currently domestic production cannot meet demand and the government has frequently reduced or suspended import duties and VAT taxes on animal feed and co-products. Corn, DDGS, and SBM recently had their VAT reduced to 7% from September 2014 through December 2015.

There are preferential duties between Algeria and the European Union (EU), as well as with the four other countries of the Arab Maghreb Union. The US faces stiff competition from the EU and countries bordering the Black Sea on price and shipping flexibility.

Algeria has relatively few technical and procedural barriers to importing, though plant health inspections and phytosanitary certificates are routinely required. Corruption remains a problem, however; Algeria scored a 36 on Transparency International's 2015 Corruption Perceptions Index, placing it in the bottom third of the countries reviewed.

Algeria must import two-thirds of its wheat needs. It is the world's seventh-largest grain importer. The government provides price incentives to encourage local wheat producers to produce more wheat. Imports from the U.S. were 168,000 MT in 2015.

Argentina has been the main supplier of corn to Algeria since 2008. In 2015, The U.S. exported 163,000 MT of corn to Algeria after not exporting anything in 2014.

Soybean demand is driven by the poultry feed manufacturing sector. There is no crush capacity in Algeria so it imports all of its soybean meal, 1.4 million metric tons in 2015. As with corn, Argentina is the country's main supplier, with an 86 percent market share. Algeria imported just 31,000 MT of soybean meal from the U.S. in 2015.

Demand for barley by the animal feed sector has increased but domestic production fluctuates. This creates highly variable imports between 300,000 and 600,000 MT per year. Little if any barley comes from the US. The market for DDGS in Algeria is growing rapidly. Demand is expected to increase further since import duties have been eliminated and taxes have been reduced.

The market for DDGS is still new in Algeria. Demand is expected to increase; however, the 30 percent duty discourages use.

**Iraq** – Import demand is expected to continue increasing as the nation rebuilds. Iraq continues to operate the state-run Iraqi Grain Board to ration grain to industrial users and households. FAS has reported that the state tender process is "unprofessional". Wheat, barley, and corn price supports are currently above the world price; as a result, grains are smuggled in from surrounding nations.

Generally, tariff rates are low, in the 5%-10% range. However, market access for grains and oilseeds to Iraq remains limited due to inconsistent application of laws and regulations, corruption, poor infrastructure, limited working capital, and competition from informal markets. Complex feed test processes stop vessel-sized shipments of grain. Seasonal bans on many imports and requirements for sampling prior to arrival further hinder trade. GMOs are banned in Iraq; this currently affects US corn exports only.

Corruption is systemic in Iraq. Transparency International scores the country 16 out of 100 on its 2015 Corruption Perceptions Index.

Wheat production for 2016/17 is estimated at 3.4 MMT. Wheat is one of five basic commodities distributed through the Iraqi Public Distribution System (PDS), which keeps wheat imports in the 2-4 MMT range. Corn production and imports are modest; total supply is approximately 400,000 MT per year.

**Lebanon** – Lebanon has comparatively open markets for agricultural commodities. There are no import quotas on any of the products under review, and there are no import duties on wheat, corn, soybeans, or soybean oil. There are 5 percent tariffs on soybean meal, DDGS, and corn gluten meal. The 10 percent VAT on domestic and imported products has been revoked.

Lebanon applied for WTO membership in 1999 and has gone through some of the required steps, but progress slowed after 2009 for reasons unrelated to agricultural trade. The U.S. Agency for International Development (USAID) is currently providing assistance to the Lebanese government in advancing the process.

Technical and procedural barriers to trade appear to be modest. However, corruption is a significant issue in Lebanon. Bribes for import purposes are illegal but are a real problem. Lebanon scores a 28 of a possible 100 points on Transparency International's 2015 Corruption Perceptions Index.

Lebanon has significant demand for wheat, corn, and soybean meal imports. Corn, soybean meal, and small quantities of soybean oil are imported from the U.S. Lebanon does not produce any significant quantity of corn, so it is virtually all imported (600,000-700,000 MT per year). Imports of wheat average about 1 MMT, and are mostly Black Sea or EU origin due to the geographic proximity of those suppliers.

**Libya** - The aftermath from the 2011 uprising in Libya created new obstacles for exporters looking to do business there, among them infrastructure damage, the disruption of commercial relationships, and foreign asset, foreign exchange, and banking challenges.

Following the turmoil, Libya also imposed a 4-10 percent service charge on all imported goods. For food imports requiring health clearance there is an estimated waiting time of ten days before final clearance is granted. The required documents for clearing customs are the original bills of lading, copies of all invoices, health certificates, packing list, and certificate of origin. Since Libya is not yet a member of the WTO it is not party to the key agreements, including the Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT) Agreements, which would otherwise limit these types of import restrictions.

Corruption has historically been a major problem in Libya. Libya's score is among the lowest in the world at 16 of a possible 100 points on Transparency International's corruption index.

Climatic conditions and poor soils severely limit Libya's agricultural output. Libya's arable land is just 1 percent of the total area due to water limitations. Libya's primary agricultural water source remains the Great Manmade River Project. The country imports about three-quarters of its food.

Libya has significant demand for wheat, corn, and soybean meal. Libya is projected to import 1.2 MMT of wheat and about 700,000 MT of corn in 2016/17. The US is not a regular exporter of wheat to Libya.

**Morocco** - The United States-Morocco Free Trade Agreement (FTA) entered into force on January 1, 2006, gradually eliminating duties on more than 95 percent of all goods and services, including soybeans and DDGS. The remaining goods and services have a phase out period ending on December 31, 2015. Another trade agreement between the U.S. and Morocco was concluded in December 2012 to further facilitate trade.

Morocco relies on imported wheat to meet all its consumption needs. Wheat and durum have preferential access

through two TRQs, but the administration of the TRQ continues to be fraught with difficulties. The major challenge is the wheat price support scheme. In an effort to gradually reform the subsidy arrangement over three years, the government held the price constant throughout 2014, resulting in large losses in the national budget.

Corn, soybeans, barley, and sorghum have benefited from the FTA, with most of the tariffs dropping to zero. However, malt and ethanol face tariffs of 40%, and 50%, respectively. Corn gluten feed and meal faces a tariff rate of 2.5%, while SBM and DDGS enter duty-free.

Conditions for exports have greatly improved, with low tariffs, better infrastructure, and predictable shipping services. Furthermore, customs service reforms have allowed for more timely and efficient processing and administration. Morocco, however, is still plagued by burdensome procedures and corruption remains a serious issue. Morocco scored a 36 in the 2015 report out of a possible 100 points (with 100 being the least corrupt) on Transparency International's Corruption Perceptions Index.

For 2016/17, Morocco is projected to import 2.3 MMT of corn, 5.5 MMT of wheat and 0.7 MMT of barley.

**Nigeria** - Although a committee was established in September 2011 to review trade practices, resistance from the government and the private sector has prevented the implementation of these reforms. Since these reforms have been blocked most recent trade reforms occurred in September 2008 with the adoption of the ECOWAS common external tariff.

Nigeria's wheat and corn tariffs are 5 percent, soybeans, DDGS, and SBM are 10%, and soybean oil (SBO) is 35 percent. Application of these duties is far from transparent and consistent, however. Nigeria frequently uses non-tariff measures. Nigeria's import policies and restrictions are designed to protect local production and limit imports. Indeed, SBO is completely banned from importation.

Due to higher prices, the U.S. is expected to import no wheat to the Nigeria market in 2015/2016, although in the past it has held an 85 percent share of Nigeria's wheat market. Historically, Nigeria has been the second largest export destination for U.S. wheat (after Japan) and the largest market for hard red winter wheat. In November 2011 new regulations were enacted requiring wheat millers to include 10 percent cassava in their flour production, to limit wheat imports. A similar requirement was imposed in 2005 but was rescinded because there was insufficient cassava processing capacity at that time to meet the regulation.

Technical barriers present challenges for exports. Nigeria requires phytosanitary certificates, import permits, and destination inspection for all imports. Moreover, a long list of prohibited items and declaration requirements results in almost all containers being physically examined, which adds additional delays and costs to imports.

Although Nigeria has no laws governing agricultural biotechnology or biosafety, the government is generally supportive of biotechnology.

International monitoring groups routinely rank Nigeria among the most corrupt countries in the world, with the latest Transparency International rating being 26. Nigeria's corruption levels remain high and its main anticorruption institution, the Economic and Financial Crimes Commission has faltered recently in its reputation and commitments on the issue.

The country also produces corn (about 7 MMT) and soybeans (less than 700,000 MT), but imports minimal volumes of these commodities.

**Saudi Arabia** - Since the last report, there have been no significant access changes in Saudi Arabia. There are no quantitative barriers for U.S. products and wheat, barley, corn, soybeans and soybean meal are duty free. The tariff for sorghum, malt, soybean oil, and byproduct feeds is 5 percent. There are few technical or procedural barriers to trade: biotech labeling, expiration date regulations, and Arabic labeling requirements are problematic. Also, phytosanitary measures are in place for wheat, barley, corn, sorghum, and soybeans. Furthermore, certain products must meet fumigation requirements.

With respect to biotechnology, Saudi Arabia has implemented the Gulf Standardization Organization's technical regulations on imports of genetically modified agricultural products. Labeling is required if a product has more than one percent genetically engineered content. The GSO is a regional organization of seven countries' standards bodies.

Corruption continues to decline in Saudi Arabia which most recently scored 52 out of a possible 100 points (with 100 being the least corrupt) on Transparency International's 2015 Corruption Perceptions Index.

In 2012, Decree 335 was implemented, eliminating wheat production in Saudi Arabia by 2016 to save water. Saudi Arabia will become completely dependent on foreign suppliers for staple foods. Saudi Arabia's King Abdullah has encouraged domestic investors to invest in agricultural firms in countries that have a comparative advantage in food production in order to establish food security for his nation.

Saudi corn production is negligible; the country now imports 3-5 million tons annually. In recent years, US corn has accounted for a quarter to a half of the imports. Saudi Arabia is the world's leading barley importer at about 9.5 MMT but does not usually purchase much from the United States.

Saudi Arabia is not a major soybean importer at about 0.85 MMT.

In the case of wheat, the high prices and tight world supplies over the last couple of years interrupted the decline in plantings due to the phase out of the support program. Nevertheless, imports are running at about 3.5 MMT annually. Saudi Arabia is not a big soybean importer and seldom buys any from US suppliers. For corn, the U.S. typically receives about 1/4th of the export business. US soybean meal usually accounts for about 10 percent of the 950,000 MT the country typically imports.

**Balance of Africa** - African continent is highly recognized for the diverse number of challenges it presents, but there have been several positives of note in recent years. For one, there have been some focused areas of improvement in governance with countries like Botswana and South Africa listed as "free" by the independent watchdog Freedom House. More impressive is the fact that over the coming decade, Sub-Saharan Africa will have the largest percentage increase in economic growth in the world. Africa starts from a low base (2 percent of global GDP) but by 2020 there are expected to be 128 million Africans with annual incomes better than \$5,000, a middle income consumer base almost the size of India's.

As a result of these dynamics, Africa's food demand is rising. While West Africa has soil types similar to those in Brazil, there needs to be land reform and investment in irrigation. Meanwhile, Africa's imports of corn and wheat have been rising in order to fulfill demand.

Likewise, an effort to further identify and communicate regarding the trade systems by region (COMESA, ECOWAS, MAHGREG) and more in depth by country is warranted and sought by NAEGA. Should sufficient MAP funding in excess of 2016 program allocations be made available in 2017 to support a more expansive assessment and effort in Africa, NAEGA will seek to modify its UES and activities accordingly.

#### **Market Strategy:**

NAEGA's long-term strategy in the global marketplace is founded in its membership commitment: "to integrity

in a commercial environment supported by free trade and competition in commerce involving grain and other agricultural products; to eliminate abuses relative thereto; to eliminate or secure freedom from unjust, unlawful and oppressive exactions in commerce; to promote certainty in the customs and usages of trade and commerce; to promote a more enlarged and friendly exchange among persons engaged in business; and to cooperate to the fullest extent practicable with all governments, governmental departments, governmental and private corporations, partnerships, associations and groups with an interest in providing for global food security and efficient international commerce."

For NAEGA and the performance of our UES, much of work internationally includes coordination with the membership of NAEGA and NAEGA's affiliates, as well as Close coordination with US Government (USDA APHIS, FAS, GIPSA and USTR in particular.)

The International Grain Trade Coalition (IGTC) will be critical to addressing NAEGA's concerns in the WOW. In 2017, IGTC will continue to engage on policy files and advocacy as identified at IGTC meetings.

It is expected that NAEGA will continue to lead an underwrite the IGTC through at least 2018. For the GRNOS and the NAEGA UES, establishing IGTC to communicate and educate on a global level is key to our UES effectiveness in several relevant venues such as: The Cartagena Protocol on Biosafety to the Convention on Biological Diversity (BSP), International Plant Protection Commission (IPPC), Low Level Presence (LLP), IMO, CODEX, the World Bank and other international, regional and national public and private sector thought leading and decision making entities. Establishing IGTC as a qualifying organization for official standing with these and other international bodies is a critical next step for IGTC.

IGTC gives meaning to the adage: 'think globally, act locally'. By bringing trade organizations from around the world together into a strategy session, the IGTC identifies the global issues impacting the international grain trade and develops common policy positions that member organizations take back to their respective governments. The Coalition recognizes that the trade association of one country normally has little influence over the policy positions of a government in another country. But most governments take into consideration the policy recommendations of their own industry. Therefore, the IGTC's policy positions and strategy are developed globally, but are implemented locally. The IGTC also recognizes that each member is sovereign within its own country and the local member knows best its own country's political and economic environment. Therefore, IGTC decisions are taken on the basis of consensus and the IGTC would never impose the will of the majority on a member.

Working via the IGTC provides a unique opportunity to gain insight into not only the positions of different governments on different policy issues that impact the global grain trade, but also the reasons behind these positions. Through improved understanding of these reasons and a strong bottom line driven mandate, NAEGA is better equipped to develop global policy options to address what may be a government(s) legitimate concern but is able to do so in a manner that is compatible to trade. The IGTC has and will continue to act in successful strategic partnership with other chain stakeholders including the BIO, Crop Life International, The Global Industry Coalition, The Global Adventitious Presence Coalition and the International Grains Council (IGC).

In 2017, NAEGA will continue to be very active and coordinate with USDA APHIS in the work of the International Plant Protection Convention (IPPC) and the consideration of a new Standard for the International Movement of Grain. IPPC defines grain as a Commodity Class that includes "seeds intended for processing or consumption and not for planting". IPPC has indicated the pending ISPM for Grain should: "facilitate the safe international movement of grain through harmonized guidance and criteria for the establishment of phytosanitary import requirements to be used by National Plant Protection Offices (NPPOs)." Further IPPC states the application of the pending ISPM for Grain "may help minimize the spread of pests due to the international movement of grain.

A draft specification for the pending ISPM for Grain has been approved the IPPC Standards Committee. An Expert Drafting Group has been named and is scheduled to meet in September to provide for a draft ISPM that may be approved for member consultation. Ultimately the pending ISPM for Grain may be considered for approval Commission on Phyto-Sanitary Measures (CPM) as early as the 14th meeting of the CPM in 2019. Explanatory documents may accompany the entry in force after CPM approval.

NAEGA places a high priority on participation in the IPPC process related to the development of the ISPM for grain. We have made it a priority for IGTC action that extends to utilization of all relevant ISPM by the national and regional plant protection organizations in manner that provides for the least trade distortive and most trade facilitative manner. Such utilization should successfully address the diverse capacity of responsible authorities and commercial systems as well as diverging and non-coherent approaches to phytosanitary risk assessment and management.

To achieve these objectives, the ISPM for Grain needs to provide for best practices that improve and preserve the ability and right of governments as well as commercial parties to maintain protections against legitimate and scientifically justified plant health risks and accomplish trade.

NAEGA will lead, provide for administration, and collaborate with other IGTC members and global industry to engage like-minded entities to influence policy and commercial practice of impact to GRNOS and the success of NAEGA GRNOS trade. Establishing IGTC to communicate and educate on a global level is key to our UES effectiveness in several relevant venues such as: the Cartagena Protocol on Biosafety to the Convention on Biological Diversity (BSP), International Plant Protection Commission (IPPC), Low Level Presence (LLP), IMO, CODEX, and other international, regional and national public and private sector thought leading and decision making entities. Establishing IGTC as a qualifying organization for official standing with these and other international bodies is a critical next step for IGTC. NAEGA will work under this UES to provide for a Secretariat and a formal, recognized IGTC structure.

In 2017, NAEGA will also continue to assess and communicate on efforts related to innovative forms of electronic documentation communication, including the electronic transfer of phytosanitary documents and bills of lading. These efforts are in line with the IGTC priority to engage relevant actors and participate in international forums on innovative electronic documentation technologies. Following the adoption of an electronic documentation work plan in February 2016 by the IGTC's Electronic Documentation Working Group, the IGTC has been pursuing efforts to support IGTC Corporate Stakeholders by establishing industry consensus and acting to provide for information and advice related to the innovation of paperless document exchange and assist in the innovation of a transparent, secure, cost efficient electronic system where all the parties benefit from productivity improvements that results in better management and more sustainable, reliable, predictable and responsive logistics.

Through this mandate, IGTC has been engaging with international bodies on electronic documentation measures, primarily the IPPC and the World Trade Organization's Standards and Trade Development Committee (STDF). Most importantly, IGTC has been working closely with the IPPC and the STDF to advise and consult on the creation of a EPhyto hub, a centralized server to facilitate exchange of electronic certificates between national plant protection organizations (NPPO). As part of this, IGTC President Gary Martin was invited by IPPC Secretary Jingyuan Xia to participate in the IPPC's Industry Advisory Group (IAG) empowered to advise on the creation of this eHub. At the IAG, IGTC has shared the experience of the grain trade in promoting electronic documentation schemes, including important developments in e-documentation to increase the security of the transactions and cost efficiencies of the trade.

NAEGA UES WOW activity will be the focal point for addressing GRNOS concerns related several new plant

breeding techniques (NPBT's) have been developed with the first use dating back to 1990. Many of these 'new' approaches deploy in one way or another a form of biotechnology. The differences compared to the earlier transgenic approaches lie in the applied methodology and the changes achieved in the genome of the crops. These new plant breeding techniques may provide for similar results to those that can be achieved through conventional breeding, albeit more precisely and efficiently and not necessarily involving the introduction of foreign DNA.

The question arises, especially in those countries where GMOs are regulated under specific legislation, as to whether plant varieties that have been developed by these new NPBT methods should be regulated in a similar way as GMOs or not. Experience with the regulation of crops obtained by new plant breeding techniques is fairly limited globally. While initial decisions have already been taken in a few countries, discussions have only just started in others. The new plant varieties derived from one technique may be exempt from regulation in one country, whereas they need to be regulated in another country. This legislative uncertainty and especially the resulting asynchrony is of great concern to plant breeders, biotechnology companies and the overall grain trade. Likewise, there is uncertainty on labelling requirements.

The resulting requirements placed on the market and international trade of grains, oilseeds and other agri-bulks have far reaching consequences across the world's food, feed and processing supply chain. The fact that different legislations might regulate these techniques in a different fashion and Labelling requirements may vary from market to market is a threat to providing for trade and adequate fungibility of plant products needed to provide for global food security and economic well being provided for by world's food, feed and processing industries

NAEGA UES WOW will also provide for engagement with World Bank's Enabling the Business of Agriculture (EBA) project team. Via the IGTC we have established a platform for constructive and regular dialogue, and to delineate areas of collaboration with the EBA. The EBA aims to generate indicators and data intended to enable policy makers to make more informed policy choices that impact the agribusiness enabling environment. The project's main task is to analyze and monitor regulations that impact firms in agribusiness value chains, providing data and evidence-based tools that allow policy makers to compare their country's regulatory environment with those of others and, accordingly, pursue relevant reforms. Ten topic areas have been developed to cover different aspects of production inputs and market enablers: seed, fertilizer, machinery, finance, markets, transport, information and communication technology (ICT), land, water and livestock. EBA seeks to engage with IGTC particularly for the markets topic area, as part of its effort to collect information on the regulatory obstacles agribusinesses face when producing, marketing and exporting various agricultural products, including grains. Based on official export data, grains have been selected for study in countries that will be covered for the EBA 2017 cycle. EBA collaboration will contribute to NAEGA UES market evaluation as well efforts to promote a regulatory environment that supports international trade in agri-bulks and prevents or reduces trade-related disruptions. EBA annual reports present country-specific information on regulations and their implementation in such a manner as to highlight good practices and convey meaningful regional and global cross-country comparisons. As a result, EBA provides governments with information and analysis that can inform policymaking and trigger reforms based on the examples of other countries and the outcomes they wish to achieve. EBA can also be used by private sector actors in the agricultural sector to assist them in their lobbying efforts for regulatory reform, and Civil Society Organizations (CSOs) may also use EBA data to guide their projects.

NAEGA will be involved in the negotiations for the Transatlantic Trade and Investment Partnership (TTIP) with the EU, working with U.S. government and industry to ensure that the T-TIP is a high-standard, 21st-century agreement in the model of the Trans Pacific Partnership that includes agriculture and is at least as trade liberalizing as the Trans Pacific Partnership text.

NAEGA will expand its biotech related activities to engage in and support public sector initiatives related to mitigation of asynchronous and asymmetric regulatory measures applied to recombinant-DNA plant material. Today, the number and complexity of genetically engineered crops being developed and cultivated worldwide is increasing annually. This situation threatens to increase the number of asynchronous and asymmetric approvals worldwide and, consequently, increase the risk of trade disruptions resulting from the low level presence (LLP) of unapproved events in commercial channels. Reducing asynchronous approvals is an effective way of reducing trade disruptions due to LLP. However, there is an immediate need to address the risk to trade arising from LLP situations, a risk that impacts importing and exporting countries alike, and global food security in general. Recognizing the need for action, governments across the world have exchanged information on potential implications on the agricultural trading system; and may agree to begin the development of an approach or set of approaches to manage LLP internationally.

NAEGA will prioritize work to support and create practical approaches for the management of LLP in food, feed and other uses of GRNOS that is science-based, predictable and transparent, and that will encourage the use of international science-based guidelines on LLP, such as the Codex Alimentarius Annex 3: Food Safety Assessment in Situations of Low-Level Presence of Recombinant-DNA Plant Material in Food. NAEGA will continue to utilize the experience and knowledge of its members and staff to encourage importers, end users and government officials to know how and why to buy from the United States.

NAEGA will strengthen and capitalize on its growing leadership position in international and regional grain trade circles, including through the IGTC and the IGC as well as other relevant bodies.

NAEGA will help importers and end users evaluate the special risks and benefits of buying GMO or non-GMO commodities from the U.S. A particular focus will be placed on countries implementing the BSP, Corporate responsibility of technology providers and the accommodation of adventitious presence.

NAEGA will encourage import regulations and product quality specifications based on sound science and customer needs.

NAEGA will educate foreign government officials in the region regarding unfair SPS or TBT restrictions that keep current or potential customers from enjoying the benefits of US commodities.

NAEGA will encourage and support return visits of foreign customers and government officials when appropriate.

NAEGA will consider efforts with U.S. government entities including USDA FAS, USDA GIPSA, USDA APHIS, and USTR. NAEGA plans to explore options through the G7's "New Alliance for Food Security and Nutrition" (New Alliance) which is part of the U.S.'s approach to global food security with a focus on Africa. In partnership with African governments the G7 plans to increase responsible domestic and foreign private investments in African agriculture, take innovations that can enhance agricultural productivity to scale, and reduce the risk borne by vulnerable economies and communities. The G7 will partner with the African Union, New Partnership for Africa's Development and Comprehensive Africa Agriculture Development Program to implement the New Alliance".

NAEGA, building on new successful joint activity in 2012, 2013, 2014, 2015 and 2016 with U.S. Wheat Associates, U.S. Grains Council and the U.S. Soybean Export Council, will continue in 2017 to collaborate as much as possible with related USDA Cooperators.

Our efforts to accommodate and support production methods and technologies have long term as well as short term horizons. In order to accommodate GMO, Non-GMO, Organic and other production schemes we will

continue for several years to focus on the challenges related to biotechnology, for which NAEGA's actions have clearly improved accesses for U.S. exports of GRNOS commodities.

Our efforts will be expanded and often successfully include multi-national and global strategies that require close coordination with importers and exporters. Strategy will incorporate:

1. A lack of synchronized authorizations and predictable, timely approvals (EU, Korea, China)
2. Low Level Presence policies for events authorized in country of origin but not yet authorized in country of destination.
3. Management of events that are not commercialized and may not have achieved authorization for import yet may be found in US supply.
4. The inappropriateness of mandatory labeling for biotech content.
5. The setting of thresholds for the adventitious presence of (authorized) GM material in non-GM products.

As part of the WOW strategy NAEGA will continue in its UES to capitalize on the opportunity at hand to, in addition to its market access work, establish and improve buyer and importer preference for U.S. GRNOS supply logistics. Such differentiation and preference will result from a more predictable and user (importer) friendly, U.S. logistics systems that meets the needs of and is understood by consumers, commercial handlers and processors as well official national and international bodies.

NAEGA is ideally suited to deploy an effort to differentiate GRNOS in international trade as most every application (Examples include inspection systems consistent with international standards, optimal commercial contact practice and transportation logistics to move products to consumers with minimal loss and waste) has impact on multiple commodities and products produced in the U.S. Through close coordination with governments, NAEGA began in the 2011 UES to deploy differentiation strategy for GRNOS operating concurrent and parallel to it "Market Access" efforts to increase "Market Share".

#### **Past Performance and Evaluation Results:**

NAEGA actions in the global marketplace are often in response to current conditions. In addition, NAEGA also works in response to requests from FAS Cooperators working with commodities related to GRNOS. NAEGA conducts educational and technical missions throughout the world to meet with the trade, end users and importing government officials. Activities have included company visits, market education seminars, meetings with government regulators, bankers, and other cooperators to discuss credit issues, grain quality specifications, technical and SPS barriers to trade, genetically modified organisms, and logistical and handling matters such as fumigation and identity preservation. NAEGA has conducted annual activity and program evaluations which have determined that its activities have increased or maintained market share or volume versus the appropriate baseline.

In 2015 and 2016 NAEGA worked closely with the IPPC and the WTO STDF to advise and consult on the creation of a EPhyto hub, a centralized server to facilitate exchange of electronic certificates between national plant protection organizations (NPPO). As part of this, NAEGA President and CEP Gary Martin was invited by IPPC Secretary Jingyuan Xia to participate in the IPPC's Industry Advisory Group (IAG) empowered to advise on the creation of this eHub.

In 2015 and 2016 NAEGA worked with National Governments, the IPPC Secretariat and Members of the Standards Committee and the IGTC to effectively identify and provide guidance on potential trade implications associated with different phytosanitary measures that will be under consideration as part the drafting the ISPM for grain. In particular, NAEGA's recent work with the IGTC on the ISPM for grain has been notable. To inform NAEGA and industry decision making on such a standard the IGTC has completed an extensive world-wide survey of phytosanitary concerns and measures to provide the best input into the drafting process of the ISPM for grain. NAEGA's senior science advisor was named to the ISPM drafting committee and leads the IGTC team addressing the ISPM.

To date in 2016 we have provided 7 responses to the current World Bank EBA surveys on grain export measures. Three of the responses are from African countries.

Late in 2015, in line with the International Grains Council's new medium-term work program priority to foster improved links with international grains trade participants, IGC members agreed to the International Grain Trade Coalition's (IGTC) participation in Council sessions to facilitate a dialogue on major policy issues affecting grains trade. As result, at the 43rd Session of the International Grains Council in June 17 Gary Martin will report and be an observer. IGTC will take the stage twice at the IGC Council session. First, with a Luncheon sponsor's message: "Electronic Documentation for International Trading" and Second a presentation: " A Global View of Key Dynamics in Policy and Commerce for Grains, Oilseeds and other Agri-bulks", during which NAEGA President Gary Martin will discuss the dramatic changes and future prospects for reliable, sustainable and affordable commodity supplies are driving governments and the trade to respond and engage in many ways.

NAEGA UES has been very successful in addressing the Cartagena Protocol on Biosafety. The CBP strongly implicates the grain trade as it engages in the international movement of products that may contain LMOs derived from modern biotechnology. In June 2016, the 170 Parties to the Protocol cover more than 85% of the world's grain trade movements. Important grain trading 'Non-Parties', such as Canada, Australia and the USA, may comply with CBP provisions when exporting to countries that have ratified. Our efforts over the past decade have successfully provided for provisions enacted and utilized as a consequence of the Cartagena Protocol do not undermine the world-wide commerce of grains, or the ability of the grain trade to help underpin the successful implementation of the Protocol.

NAEGA, has successfully initiated and supported efforts in 5 countries to develop risk management policies in accordance to the Codex Guidance on Risk assessment for GMO events approved in country of origin but not yet approved in importing country. This effort will continue into 2017.

As a direct result of the GBI "USA Sustainable Agriculture", messages on U.S. Sustainability that focus on what the U.S. agriculture is doing to remain sustainable, how that is being measured, and how the combined industries are determined to implement plans for continuous improvement, is now being disseminated to buys. Currently the campaign has a title of: "This is How We Grow."

Building upon its continuing work to improve GRNOS market access and preferred supplier status, NAEGA's international communication and programming often focuses on creditability, efficiency, harmonization and acceptability of conveyance load point official and commercial determinations and certification of product attributes. Safety, plant health, quality and functionality are most often at the forefront of NAEGA's UES and provided for GRNOS differentiation in the international market place.

Key to NAEGA's efforts, whether to help provide for long term structural change to support sustainability or shorter term to logistics improvements or crisis response, is close coordination and work with USDA (FAS, APHIS, GIPSA/FGIS) and USTR as well as other agencies in US government.

NAEGA, working consistent with its UES, is positioned to quickly prevent or mitigate disruptions in GRNOS export and import transactions through efforts that look to educate and prevent disruption before they happen. NAEGA accomplishes this in part through its capacity building, best practice driven formal communication and seminars.

In all cases NAEGA intensive seminars are tailored to the audience. For groups we work closely with existing opportunities and problems related to the groups previously identified concerns. For others, often groups of broader interest, we review the applicable best practice, national and international standards using case studies created by respected and current industry professionals to do so. Our menu of capacity building offerings is current based on these UES produced training modules:

- Trade execution and contracting for imports of Grain and Oilseeds (Contracting Module).
- Attribute measurement and handling Logistics in international trade of Grain and Oilseeds (Logistics Module).
- Technical measures (biotech, phytosanitary etc.) and related documentation for the international trade of grain and oilseeds (SPS / Technology Module).

### 2.3.3.3 Metrics Information

**Export Volume Unit:**Metric Tons

**Data Source:**

USDA PSD & GATS System, 2013 World Agricultural Outlook & May 10 2014 USDA WASDE

**Targeted Market Export Goals:**

Year	Volume(MT )	Value(\$)	Market Share (%)	Status
2009		30,544,704,000.00	36.00	Actual
2010		35,134,676,000.00	37.00	Actual
2011		42,354,141,000.00	35.00	Actual
2012		42,179,811,000.00	32.00	Actual
2013		42,179,811,000.00	33.00	Estimate
2014		29,427,292,622.00	33.00	Goal
2015		30,918,795,256.00	34.00	Goal
2016		31,959,968,531.00	34.00	Goal
2017		32,404,340,110.00	33.00	Goal
2018		32,894,029,318.00	33.00	Goal
2019		34,485,958,425.00	33.00	Goal
2020		36,154,930,033.00	33.00	Goal

### 2.3.3.4 Export Strategy

#### 2.3.3.4.1 Constraints/PM

##### 2.3.3.4.1.1 Basic Information

**Constraint No:** 1

**Constraint Title:** Accurate Measurements of Market Access

**Constraint Type:** Market Access

**Constraint Description:**

The Grain and Oilseed Market Access Index (GOMAI) is a key NAEGA resource for determining market access in foreign markets. Quality of performance measurement, adequate planning information and effective communication regarding market access issues are the primary constraints addressed by the GOMAI project. The acquisition of measurable data assists the supporting organizations in both evaluating previous activities and in planning for new ones. The data from this initiative is used to document the status of market access for selected agricultural commodities in subject markets, and the performance of market development expenditures.

A core objective of the GOMAI is to serve, in an ongoing fashion, as a creditable indicator of market access barriers and measure the efficacy of activities intended to improve U.S. access in international markets for coarse grains, oilseeds and wheat. As such, the GOMAI focuses on artificial barriers, including tariff and non-tariff measures.

Constraints addressed by the GOMAI are defined and quantified on an ongoing basis through the GOMAI deliverables described above. However, it is clear that the overall constraint of 'access' broadly defined to include a wide range of factors (including the full spectrum of constraints and opportunities confronting the bulk trade of soybeans, corn and wheat,) from the ease and integrity of contracting for raw commodity, through tariff and non-tariff official barriers to transfers across borders, and ultimately including end consumer preferences, are addressed.

Currently, the GOMAI index measures 37 countries. However, in light of NAEGA priorities to expand WOW programming to new markets, including Africa, further market analysis is necessary. In particular, a more intensive assessment based on country and individual firm information, consistent with the Grain and Oilseed Market Access Index (GOMAI) is needed for Algeria, Iraq, Lebanon, Libya, Morocco, Nigeria, Saudi Arabia and Tunisia. With renewed UES funding NAEGA will seek to deepen the quality of its information on these markets in order to better inform the GRNOS trade.

NAEGA intends to fully update GOMAI as of the end of Calendar year 2017 and as needed with an expectation, provided funding is adequate, of an annual update going forward.

**EMP Current Circumstances:**

**Constraint Keywords:** Market Access, GOMAI

**FAS Constraint Keywords:**

#### 2.3.3.4.1.2 CPR Specific Information

**Recommendations:**

**Evaluation and Findings:**

**Post Assessment:**

**Division Assessment:**

**Success Story:**

**Lessons Learned:**

**2.3.3.4.1.3 PM Specific Information**

	Baseline Year	Baseline (-2)	Baseline (-1)	Baseline	Baseline (+1)	Baseline (+2)	Baseline (+3)	Baseline (+4)	Baseline (+5)	Baseline (+6)	Baseline (+7)
<b>Title:</b> Accurate Measurements of Market Access (1)	2009	G		100.0			100.0	100.0	100.0	100.0	100.0
<b>Description:</b>		A					100.0				

**Note: G = Goal, A = Actual**

**FootNote:**

1). 1. NAEGA intends to fully update GOMAI annually.

**2.3.3.4.1.4 Activities:**

**2.3.3.4.1.4.1.1 Basic Info**

**Program:** MAP

**Activity Code:** M17GXGOMAI

**Activity Title:** Annual Update and Enhancement of GOMAI/CMAI

**Requested Amount (\$):** \$25,000

**Funded Amount (\$):**

**Activity Status:** Draft

**Activity Description:**

As part of its 2003-2005 MAP effort, NAEGA undertook the initial design, operation and maintenance of a 'Grain Oilseed Market Access Index' (GOMAI) and underlying 'Commodity Market Access Indexes' (CMAI). NAEGA is a collaborator in this project with U.S. Grains Council and the U.S. Soybean Export Council (USSEC). We hope to include additional organizations in the future. The collaborators, with support from the Foreign Agricultural Service (FAS), fund, develop and operate the GOMAI/CMAI. NAEGA acts as the primary coordinator and the other collaborators are contracting separately for information gathering and survey services.

The core objective of the GOMAI/CMAI is to serve as a creditable indicator of market access barriers and measure the efficacy of activities which strive to improve U.S. access in international markets for coarse grains, oilseeds and wheat. As such, the GOMAI focuses on artificial barriers, including tariff and non-tariff measures.

The GOMAI/CMAI is an essential tool in NAEGA's MAP Strategy. It was fully implemented in 2005 and now serves to guide NAEGA activities related to Market Access in the global marketplace, having become a primary planning tool for NAEGA MAP activities.

The GOMAI project deliverables under the 2017 MAP are:

The GOMAI/CMAI is to be updated. The updating of a database of objective factors affecting market will group trade barriers in five categories in the database:

- Tariffs;
- Other price measures like import fees, customs charges, taxes, etc.;
- Quotas;
- Other quantity measures like import licensing, monopoly purchasers, etc., and;
- Technical or procedural measures that make trade more difficult, expensive, or risky like customs procedures, sanitary and phytosanitary regulations, corruption, etc.

If and when funding is sufficient, we intend to enhance the execution of the GOMAI/CMAI by integrating the analysis with data from the World Bank EBA project, IGTC surveys on Phytosanitary measures and IGTC analysis of national approaches to regulation and labeling of GRNOS in light of NBPT.

**Activity Results Timeframe(Expected):**

This will be an ongoing activity which we intend to utilize for at least 10 years.

**Activity Results (actual):**

**Contribution List:**

Contribution Type	Amount (\$)
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**2.3.3.4.1.4.1.2 Activity Tag Basic Information:**

Priority Name
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**2.3.3.4.2 Constraints/PM**

**2.3.3.4.2.1 Basic Information**

**Constraint No:** 2

**Constraint Title:** Market Stakeholders Issues Education

**Constraint Type:** Market Access

**Constraint Description:**

In the global marketplace, there are a number of specific constraints which affect the commodities encompassed in GRNOS. Specifically, threats that result in significant constraints on U.S. exports of GRNOS commodities which we plan to address include:

1. A growing lack of harmonization of commercial and regulatory practices.
2. Numerous problems with transparency, notice, and consistency in border crossing controls.
3. The absence of capacity and intent in many markets with respect to the application of sound scientific principles when addressing consumer preferences and food, feed, plant, animal and environmental

- health.
4. A need for understanding by our export customers with regard to the impact on export logistics of the implementation of new measures related to Homeland Security.
  5. Reduced confidence in the U.S. as a reliable and responsive supplier.
  6. Adverse reaction to U.S. trade and farm policies.
  7. Availability and understanding of trade finance.
  8. A lack of commercial contract integrity and recognition of international dispute resolution convention.
  9. A lack of understanding of the practical limitations of US grains logistics.
  10. A lack of understanding regarding the trade-remedy rules: Application of countervailing duty and antidumping often results in unfair barriers to trade, rendering virtually meaningless the new and often eliminating existing market access for GRNOS.

The TPP and TTIP agreements could result in a trade friendly environment in U.S. policy; the opportunity may be at hand to make progress in education, reform and use of such trade remedy measures. In recent years the failure of the Doha Development Agenda (DDA) and multilateral negotiations at the WTO has led countries to seek other avenues for trade liberalization. Regional trade agreements, like NAFTA, have been the primary mechanism for achieving such goals. These agreements have been successful in achieving limited liberalization, but their effect is constrained by their size and geographic reach. More recently countries, generally led by the U.S., have turned to mega-regional trade deals, like TPP and the Trans-Atlantic Trade and Investment Partnership, to improve trade liberalization. These have the potential to have a higher impact on trade liberalization because they generate "economies of scale" and because they are large enough to achieve significant aggregate liberalization, yet selective enough to avoid some of the serious problems that occur on the multilateral level.

However, these mega-regional agreements pose an acute challenge to the legitimacy of WTO centric trade liberalization. Indeed, the consensus commitment to Doha Round liberalization is already beginning to fray as a consensus of WTO countries failed to reaffirm their commitment to the Doha Round at the Nairobi Ministerial in December 2015. U.S. Trade Representative Michael Froman has also hinted at the Doha Round's demise by laying out a change in U.S. strategy regarding multilateral trade negotiations at the WTO. In a December 2015 Financial Times op-ed, Ambassador Froman called for a strategy of "pragmatic multilateralism" to push for with global trade liberalization at the WTO. This type of strategy is foretelling potential U.S. leadership at the WTO and ongoing developments related to negotiations like TPP and TTIP.

Such a trend could result in two outcomes. First, countries could pursue a plurilateral strategy at the WTO where groups of likeminded countries come to agreements on specific areas for trade liberalization. This type of approach avoids the WTO's consensus-based decision making and allows countries to achieve deeper liberalization since their plurilateral agreements are achieved through "coalitions of the willing." Such agreements already have precedence in the WTO, and could be reachable. WTO members recently concluded the plurilateral Information Technology Agreement (ITA) in 2015, and the U.S. and EU are currently leading negotiations of the Trade in Services Agreement (TISA). According to some, such an agreement in plurilateral form would be possible for the WTO to achieve on agriculture. Permission to proceed would require three-quarters of WTO members to agree, an achievable amount if developing countries are willing to come together. Such a move would cut out the members – the United States, EU, India, Japan and China, who have been the biggest holdouts towards a Doha Agreement – and allow other members to proceed with agricultural subsidy reduction. While such an agreement would probably largely ignore the vast majority of subsidy dollars being spent world-wide, it could provide momentum and draw in outside members in the future.

Second, countries could pursue, as is currently happening, extra-WTO mega-regional trade agreements, like TPP, TTIP, the proposed pan-African trade pact and China's TPP rival, the Regional Comprehensive Economic Partnership (RECP). A global trading environment along this trajectory would entail the potential for various large, potential rivalrous, trade groups with different rules. While this may achieve more aggregate liberalization in the short term, it has the possibility of creating discriminatory blocks in the long term if harmonization of rules across blocks cannot be achieved. However, this outcome has the most promise to deliver real, measurable trade liberalization, on a broad range of products in a relatively short amount of time given global leaders current willingness to participate in such deals.

While remaining perhaps the most important technology available to access the emerging opportunities to provide for sustainable food and energy security, threats to market access for GRNOS produced in the U.S. with crop biotechnology continue to emerge and require quick action by NAEGA. Increasingly, the international grain trade's regulatory environment is being dictated by inter-government negotiations in international bodies such as the World Trade Organization (WTO), Cartagena Protocol on Biosafety, CODEX and the International Plant Protection Convention. Additionally, new and expanded application of rules under the UN Conventions on: Contracts for the International Carriage of Goods Wholly or Partly at Sea (UNCITRAL), and Safety of Life at Sea (SOLAS) will be bringing complexity and change to GRNOS prospects.

In many instances key decision makers, thought leaders and government negotiators have little knowledge of the international grain trade. Yet their decisions have profound impact either directly or indirectly. Once an international regulating body takes a decision, member states develop legislation or modify regulations to become compliant and the international grain trade becomes impacted.

As we proceed to develop and advocate for practices that provide for the use of the most trade enabling and least trade distortive measures, while improving trade and official practice NAEGA will incorporate information on:

1. Pre-Export Actions – Assessment, information dissemination and risk management at origin are critical to sound measures. The fundamental importance of providing for sound origin final certification for grain should not be taken for granted. Whether provided by competent national authorities, under their direction, by a third party or by commercial partners to the trade, certification prior to incurring post export costs and reductions in fungibility must be embedded, established and encouraged in any measure addressing pest management in grain.
2. Actions at Import - Import checks on individual containers or consignments can present a major barrier to trade in agricultural commodities. Checks can result in expensive delays. Goods may be subjected to inspection, or may even be rejected, without apparent scientific justification. While the WTO SPS Agreement does not address this problem, NAEGA takes it on directly by providing direction to:
  - Adopt testing procedures based on international laboratory standards.
  - Carry out export and import checks "without undue delay."
  - Document and demonstrate the risk factors that justify the type and frequency of import checks, produce information about the analytical methods used for quality controls and sampling procedures.
  - And if an authority decides to reject or detain a particular consignment, mechanisms to resolve the action should be available. To do so the authority should promptly provide the relevant commercial trade partners as well as the counterpart authority with reasons for the rejection and to build on an opportunity for review and mitigation of cause. Mandatory objectives of review and mitigation should be to expedite all of partial forwarding of the consignment as well as provide for a transparent record of the reasons and mitigating actions.
3. Science and Risk Analysis - Many SPS-based import bans and restrictions do not conform to the applicable international standards and the promulgating authority fails to provide a science-based risk assessment, as required under the WTO SPS Agreement. Provisions that effectively force the quick revelation of whether or not a risk assessment has been completed should be considered. If the risk assessment has been completed the

promulgating authority should be required to produce the data and analysis upon which it is based. Further, in addition to receiving the risk assessment, the exporting country and interested parties (e.g., private companies involved in agricultural commodity trade) should have rights to (i) comment on the risk analysis conducted by the importing Party and (ii) receive an explanation concerning the relevance of the information requested from the exporting Party. This allows exporting countries and companies to play a more proactive role in an importing Party's risk assessment. In practical terms, this will make it much more difficult to impose arbitrary measures going beyond international standard requirements that are not based on a risk assessment.

4. Audit Provisions – One important innovation to consider is enhanced auditing procedures. SPS audits provide an objective basis to determine whether control procedures at export are equivalent to or reasonably meet those at import. Providing for the right to audit counterpart competent authorities and inspection systems, including through on-site inspections, is a clear trade facilitating opportunity. Such audit requirements are already available in OIE Terrestrial Code and Codex Alimentarius. The audit process needs to ensure that audits are based on objective evidence and verifiable data as well as include the ability to challenge and comment on conducted audits. By explicitly creating the "right" to audit, it would effectively force such an audit and doing so before requirements for trade are set would greatly improve predictability. Applying the audit "threat" when shipment is frustrated might expedite resolution as well as prevent similar actions.

5. Transparency Provisions - Agricultural traders are often kept in the dark about the basis for measures that restrict movement of goods based on alleged SPS and TBT grounds. All requirements – including those identified above – should explicitly require disclosure and the information and should be available to governments as well as commercial parties prior to implementation. For instance, under the recently negotiated Trans Pacific Partnership (TPP), importing Parties must wait at least 60 days after distributing notification of a proposed measure to receive comments from interested persons or parties. This means that not only governments, but also interested businesses and organizations, have the right under the TPP to comment on the proposed measure. The TPP also requires Parties to make available the proposed SPS measure by electronic means, including the legal basis of the measure and a summary of the written comments received. Further, after an import measure is finally adopted, the importing Party must provide the requesting exporting Parties with "documented and objective scientific evidence that is rationally related to the measure, such as risk assessments, relevant studies and expert opinions." This is a significant enhancement to the WTO SPS disciplines that will make it more difficult for Parties to impose non-science based SPS import measures. The end result will be fewer protectionist SPS-based measures and increased free trade for agricultural products.

**EMP Current Circumstances:**

**Constraint Keywords:**

**FAS Constraint Keywords:**

**2.3.3.4.2.2 CPR Specific Information**

**Recommendations:**

**Evaluation and Findings:**

**Post Assessment:**

**Division Assessment:**

**Success Story:**

**Lessons Learned:**

**2.3.3.4.2.3 PM Specific Information**

	Baseline Year	Baseline (-2)	Baseline (-1)	Baseline	Baseline (+1)	Baseline (+2)	Baseline (+3)	Baseline (+4)	Baseline (+5)	Baseline (+6)	Baseline (+7)
<b>Title:</b> Increase in Overall Global GOMAI for GRNOS commodities (1) <b>Description:</b>	2009	G		64.5			65.6	65.9			
		A									
<b>Title:</b> Increase in GOMAI for GRNOS commodities (2) <b>Description:</b>	2007	G		0							
		A									

**Note: G = Goal, A = Actual**

**FootNote:**

- 1). \*continuation of: 2010 GRNOS WOW Constraint #2: Market Stakeholders Issues Education
- 2). \*continuation of: 2011 GRNOS WOW Constraint #2: Market Stakeholders Issues Education

**2.3.3.4.2.4 Activities:**

**2.3.3.4.2.4.1.1 Basic Info**

**Program:** MAP

**Activity Code:** M17GXWORLD

**Activity Title:** Market Stakeholders Issues Education

**Requested Amount (\$):** \$200,000

**Funded Amount (\$):**

**Activity Status:** Draft

**Activity Description:**

NAEGA will, consistent with successful past practice and in response to market conditions and requests from

FAS, USDA Cooperators and other U.S. Government Agencies, act to improve terms of trade and market access for U.S. exports. Utilizing its unique collaboration, NAEGA will work in the targeted markets of the Americas and Asia as well as other regions of the world. NAEGA has set several global priorities but plans to remain in position to respond to new opportunities for issues education and U.S. GRNOS export promotion as they arise. For example, new opportunities for GRNOS may appear in the Middle East as political and economic stability return to the region. In addition, significant initiatives to address NBPT may become a reality. Globally NAEGA plans activities in 2017 that support achievement of its UES. Goals that will focus on these priorities include:

**Efficient and sustainable GRNOS trade** – Provide for credible education and advice on best practices for both the commercial and official systems for supporting efficient and safe, handling, processing and transportation system for the GRNOS commodity channel. Encumbering the system with impractical measures including process controls and unreasonable requirements is unacceptable. All buyers, export as well as domestic, should have access to supply from this safe and highly efficiency commodity channel.

The international buyer and importer benefit from a transparent and competitive system that starts with sound FOB contract practice backed by both official and private services and programs that support the commodity channel.

**Food Security and Best practices** - Expanded public and private sector efforts to provide for capacity building and address supply concerns, which are often tied to climate change, the intrinsic limits of natural resources like arable land and water, and concerns over critical logistics have led to renewed and expanded roles for public investment in international assets intended to provide for GRNOS trade. NAEGA will work with international thought and development leadership like the World Bank Enabling the Business of Agriculture Project, the WTO STDF, Chatham House and the Chief Economist at USDA. For example, related information and analysis in the Global Food Market Information Group at the Agricultural Market Information System (AMIS) and the Chatham House work related Anticipating and Mitigating Major Disruptive Risks to Global Food Trade are ongoing and NAEGA is already engaged to support the World Bank Enabling the Business of Agriculture Project survey to assess grain export measures.

**International Plant Protection Convention (IPPC)** - Via IGTC, NAEGA will be directly engaged in the IPPC development of an ISPM for grain and its E-Phyto projects. Market Stakeholders Issues education for both IPPC efforts will require extensive travel to participate in related industry advisory groups and communicate with stakeholders including regional plant protection organizations (RPPO) and national plant protection organizations (NPPO).

**Sustainability** - NAEGA will continue to work with U.S. industry on promoting the U.S. Soybean Export Council's (USSEC) Sustainability Certification Scheme. NAEGA is also engaged in a Global Broad-based Initiative (GBI) "USA Sustainable Agriculture."

**Crop Biotechnology** – Given that in general there is zero tolerance for unapproved events, trade is often restricted because no systems tend to plan for zero tolerance thresholds. The pace of innovation has resulted in a commercial environment that increasingly requires additional actions that add cost and unmanageable risk for export supply chains. In 2017 we will continue to act in targeted venues regarding issues related to crop biotechnology that have the most significant negative impact on the international trade in commodities. They include the Global Low Level Presence Initiative (GLI) and the Convention of Biodiversity – Cartagena Protocol on Biosafety Trade (CBD – BSP).

**New Plant Breeding Technologies** - This 2017 UES will initiate extensive Market Stakeholders Issues Education related the accommodation of new plant breeding techniques (NPBT). Many of these 'new' approaches deploy, in one way or another, a form of biotechnology. The differences compared to the earlier transgenic approaches lie in the applied methodology and the changes achieved in the genome of the crops. These new plant breeding techniques may provide for similar results to those that can be achieved through conventional breeding, albeit more precisely and efficiently and not necessarily involving the introduction of foreign DNA.

The question arises, especially in those countries where GMOs are regulated under specific legislation, as to whether plant varieties that have been developed by these new NPBT methods should be regulated in a similar way as GMOs. Experience with the regulation of crops obtained by new plant breeding techniques is fairly limited globally. While initial decisions have already been taken in a few countries, discussions have only just started in others. The new plant varieties derived from one technique may be exempt from regulation in one country, whereas they need to be regulated in another country. This legislative uncertainty and especially the resulting asynchrony is of great concern to plant breeders, biotechnology companies and the overall grain trade. Likewise, there is uncertainty on labelling requirements.

The resulting requirements placed on the market and international trade of grains, oilseeds and other agri-bulks have far reaching consequences across the world's food, feed and processing supply chain. The fact that different legislations might regulate these techniques in a different fashions and that labelling requirements may vary from market to market is a threat to providing for trade and adequate fungibility of plant products needed to provide for global food security and economic wellbeing.

**Trade Negotiations** – Conclusion of the Trans Pacific Partnership (TPP) negotiations in October of 2015 is an important precedent setting event for global trade rules. The TPP originally started as the Trans-Pacific Strategic Economic Partnership Agreement in 2005 among Singapore, Brunei, New Zealand and Chile – known as the Pacific Four (P4) Agreement – and later evolved into the Trans-Pacific Partnership (TPP), potentially one of the most influential Free Trade Agreements in the last decade. While the TPP requires every country participating to eliminate all tariff lines, its main objective is to eliminate many non-tariff trade barriers, such as incompatible biotech and food and feed sanitation regulations.

The TPP is uniquely designed to allow additional countries across the Asia-Pacific region to join in negotiations. Since the original P4 was established, eight countries formally committed to the TPP: United States, Australia, Canada, Japan, Mexico, Peru, Vietnam and Malaysia.

Now that the text of the TPP agreement is finalized and before national legislatures for passage it is clear that TPP provisions include some of the high standards, WTO-Plus rules that were promised as part of this "21st Century trade agreement." These provisions include a rapid response mechanism, an emphasis on science based regulatory actions and risk management, increased transparency over issues like biotechnology and efforts to address technical barriers to trade. Now that WTO-Plus provisions are cemented in TPP language, future bilateral and multilateral trade negotiations, including at the World Trade Organization (WTO) should attempt to achieve, at the most basic, equivalent standards as laid out in the TPP.

TPP equivalent, WTO-plus standards should also be the foundation for any final Transatlantic Trade and Investment Partnership (TTIP) negotiations. By securing credible market access and global standards in TTIP, the U.S. and the European Union (EU) have an opportunity to craft and comprehensive agreement that, if properly implemented would generate economic growth and create thousands of new jobs on both sides of the Atlantic. Unfortunately, this is not the type of agreement the EU has negotiated with other trading partners. Its FTAs historically have excluded agricultural goods it produces and have not addressed a means to address regulatory measures that conflict with both U.S. interests and World Trade Organization (WTO) rules. With that in mind, NAEGA and U.S. industry partners will be urging U.S. negotiators to include the following in the TTIP

negotiations:

1. A "Rapid Response Mechanism" (RRM) to facilitate trade when administrative entities implement Sanitary and Phytosanitary (SPS) measures and other regulations, standards, testing and certification procedures that may result in technical barriers to trade (TBT). An effective and functioning RRM would prevent shipments of critically important and perishable agricultural products from being unnecessarily delayed or banned from import.
2. While industry can petition its own government to utilize the WTO dispute settlement process when such disruptions occur, the process can be lengthy, places resource constraints on governments and is seldom practical. Mechanisms that link commercial and official actions, improve value chain-wide communication, and increase the application of sound science are needed to provide for the least-trade-distortive and improved national actions related to SPS and TBT measures.
3. Other "WTO-Plus" measures to address Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT). These measures should: provide for enforceable dispute resolution, include effective disciplines that underscore the importance of harmonized, science-based regulations, be fully enforceable and ensure that TTIP parties are held to commitments on risk assessment, risk management, transparency, border checks, laboratory testing and regulatory-coherence measures.
4. Reduction and elimination of measures related to crop biotechnology that currently restrict or prevent trade in grains, oilseeds and their derived food and feed products. Doing so would be to the mutual benefit to consumers, farmers and the economies of the United States and the EU.
5. TTIP should provide for fair treatment of U.S. farm products in compliance with EU mandatory sustainability requirements. For example, a bilateral agreement, as provided for in EU Renewable Energy Directive (RED), should expressly recognize RED sustainability requirements are achieved via production and marketing practices conducted in compliance with the long-standing framework of U.S. conservation programs. The agreement should ultimately determine that U.S. soybeans and other commodities that are imported to the EU for Biofuels and Biofuel feedstock do not require additional certification.

NAEGA is leading several international as well as national efforts in support of the TPP and TTIP, including the Food and Agriculture Dialog on Trade Agreements.

**International Maritime Organization (IMO)** - NAEGA will continue to work with the U.S. Coast Guard in response to changes by the International Maritime Organization (IMO) and other international policies related to ocean freight. NAEGA expects to improve GRNOS positioning in several international venues including, amendments to MARPOL Annex V now being implemented by the International Maritime Organization (IMO).

NAEGA engagement in the DBTG and the IBTA will be coordinated with our Pan American Coalition the IGTC to provide for this very detailed and specialized Market Stakeholders Issues Education around the world as needed.

**Africa** - The African market has long been a challenge for U.S. exporters. Since an initial plan to look into market access in Africa in 2011, NAEGA has not had the resources available to make a concerted effort at understanding the key markets in the region. With greater 2017 MAP funding and with cooperation of industry partners, NAEGA hopes to utilize the findings of new Global Broad Based Initiative undertaken by several other FAS cooperators to initiate our more intensive assessment based on country and individual firm information with the goal of increasing GRNOS trade education, investment and trade with Africa.

To begin to move towards this goal, a total market assessment, consistent with the Grain and Oilseed Market Access Index (GOMAI) is needed for Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, Israel, Lebanon, Turkey, Iraq, Saudi Arabia, United Emirates, Qatar, Kuwait, Oman, & Yemen. Additionally, an effort to further identify and communicate regarding the trade systems by region (COMESA, ECOWAS, MAHGREG) would be perused.

**Specific steps NAEGA will take to address all of the above and more include the following:**

1. Utilize NAEGA resources to assist in the achievement of the goals and objectives as identified in discussion with U.S. Government (FAS, GIPSA, USTR and APHIS) and NAEGA members and affiliates. To this end we find NAEGA is well positioned to assist in the following goals:

- Create level playing field for US agricultural trade.
- Support economic growth and food security.
- Resolve of SPS issues.
- Expand U.S. agricultural product exports.
- Improve market access for U.S. agricultural products.
- Facilitate sales of U.S. agricultural products.
- Strengthen the bilateral technical trade relationships.
- Generate trade intelligence on competitors.
- Reduce technical trade barriers and restrictive SPS measures.
- Support the development and implementation of science-based animal and plant health regulations.
- Deepen regulatory harmonization.
- Increase international support for U.S. positions in international forums, particularly in the fields of biotechnology and sanitary and phytosanitary issues.
- Support the negotiation and implementation of trade agreements.
- Support compliance with WTO and other trade agreements including SPS and TBT.
- Support adoption of international standards and principles for official and commercial conduct.
- Support country integration into multilateral trade, economic, and standard-setting institutions.
- Advise on the establishment of the ability to manage biodiversity, environmental and plant health issues.
- Secure public acceptance of U.S. product quality and safety.
- Expand comprehension of market economics and benefits of international trade

2. Continued close coordination with the International Grain Trade Coalition (IGTC) will be critical to addressing NAEGA's concerns in the WORLD. In 2017, IGTC will continue to engage on policy files as identified at IGTC meetings and build on its new relationship with organization key to international Market Stakeholders Issues Education like the International Grains Council (IGC), WTO, FAO and World Bank. In 2017 and through 2018, NAEGA will continue to lead and provide for administration of IGTC and of a Secretariat.

3. NAEGA, working consistent with its UES, is positioned to quickly prevent or mitigate disruptions in GRNOS export and import transactions.

4. Organize and conduct technical market education team missions to conduct seminars, company visits, and/or hold meetings with government officials and industry associations to establish a baseline of understanding and a mutually beneficial program to provide importers and buyers with factual information regarding various non-tariff barriers to trade. These will include legal, regulatory and commercial issues related to biotechnology, contract sanctity, security and other technical issues that could result in reduced access. We will also support small-group seminars and workshops on trading strategies for the U.S. complex futures trading system and cash grain contracting.

5. Host reciprocal delegations of buyers, importers and end users from the region for further training in the U.S. and/or direct exposure to the U.S. regulatory structure and the U.S. production and handling system capabilities.
6. Closely monitor and work with the USDA Cochran Fellowship Program with respect to GRNOS relevant activity.
7. Utilize the expertise of NAEGA membership and staff, as well as consultants, who will be capable of providing detailed information regarding the status of the trade-related developments, be able to communicate the implications of such developments for U.S. origin suppliers, and discuss various ways for customers to effectively purchase supplies from the U.S.
8. Provide for international and domestic travel, sales and trade related expenses, technical services and publications, and specialized technical consultants and customer training as needed.
9. As often as possible conduct activities in major importing and/or processing locations or the domicile of government bodies that will most directly impact U.S. GRNOS exports.
10. Attend, monitor and report on meetings of international organizations including IGC, IMO, International Plant Protection Convention (IPPC), CODEX, CBP, World Bank, WTO and FAO .
11. Work wherever and whenever possible with a 'Team USA.' The 'Team USA' being a coordinated effort on behalf of U.S. interests to insure a consistent message is communicated to the governments, buyers, importers, end users and other stakeholders in the GRNOS trade. The Team USA approach includes NAEGA support for USDA Cooperator efforts by providing exporter representatives for workshops and seminars on the U.S. GRNOS complex marketing system for traders, importers, large end-users and key government trade policy makers. This effort will include the creation and updating of technical publications.
12. Deploy a menu based approach to its capacity building, best practice driven formal communication and seminars. In all cases NAEGA intensive seminars are tailored to the audience. For groups we work closely with existing opportunities and problems related to the groups previously identified concerns. For other, often groups of broader interest we review the applicable best practice, national and international standards using case studies created by respected and current industry professionals to do so. Our menu of capacity building offerings is current based on these UES produced training modules:
  - Trade execution and contracting for imports of Grain and Oilseeds (Contracting Module);
  - Attribute measurement and handling Logistics in international trade of Grain and Oilseeds (Logistics Module);
  - Technical measures (biotech, phytosanitary etc.) and related documentation for the international trade of grain and oilseeds (SPS / Technology Module);
13. Key to NAEGA's efforts, whether to help provide for long term structural change to support sustainability, shorter term logistics improvements or crisis response, is close coordination and work with USDA (FAS, APHIS, GIPSA/FGIS) and USTR as well as other agencies in the U.S. government.
14. Building upon its continuing work to improve GRNOS market access and preferred supplier status, NAEGA's international communication and programming often focuses on credibility, efficiency, harmonization and acceptability of conveyance load point official and commercial determinations and certification of product attributes. Safety, plant health, quality and functionality are most often at the forefront of NAEGA's UES and provided for GRNOS differentiation in the international market place."

We plan to utilize NAEGA resources to assist in the achievement of the goals and objectives as articulated by Membership, Government and Affiliates. To this end we find NAEGA well positioned to address following WOW goals 2017 :

**1. Identify needs and Provide for Market Stakeholder Education in relevant and effective international venues**

**2. European Union**

Goal 1: Ensure U.S. agricultural interests are communicated throughout the TTIP process.

Goal 2: Deepen existing sustainability initiatives with existing consumer perception data (GBI effort).

Goal 3: Influence and leverage EU involvement in targeted international venues

Goal 4: Assess the impact on GRNOS trade of pending political changes, including BREXIT.

**3. MENA Region**

Goal 1: Develop additional market and policy intelligence of MENA region countries to enable the prioritization of NAEGA's focus; GOMAI documents provide a starting point but can be checked with more careful country-specific analysis.

Goal 2: Determine whether economic (demand) and political (civil strife, etc.) warrant focus by NAEGA on best practices market access issues.

**4. Africa (North and Sub-Saharan)**

Goal 1: Determine whether economic (demand) and political (civil strife, etc.) warrant focus by NAEGA on best practices market access issues.

Goal 2: Develop additional market and policy intelligence of African countries to enable the prioritization of NAEGA's focus; GOMAI documents provide a starting point but can be checked with more careful country-specific analysis.

**Activity Results Timeframe(Expected):**

These activities are expected to be on-going, at least through 2017.

**Activity Results (actual):**

**Contribution List:**

Contribution Type	Amount (\$)
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**2.3.3.4.2.4.1.2 Activity Tag Basic Information:**

Priority Name
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**3. SECTION 3: FOREIGN OFFICES AND ADMINISTRATIVE COSTS**

**3.1. Administrative Budget (Admin Activity) Summary For MAP, FMD Section 108 And TASC**

**3.2. Worldwide US Personnel Cost Summary: FMD**

Worldwide U.S. Personnel Cost Summary: FMD

**3.3. Worldwide Contingent Liabilities Summary: FMD**

Contingent Liability Type	Amount(\$)
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