June 16, 2020

President Donald J. Trump
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

We write to thank you for vigorously advocating on behalf of U.S. farmers, ranchers, food industry workers, and the entire U.S. food and agriculture manufacturing and marketing sector. We appreciate everything you have done to negotiate and advance the timely implementation of the U.S.-China Phase One Trade Agreement. Under your strong leadership, along with that of U.S. Trade Representative Ambassador Robert Lighthizer, the Phase One Trade Agreement represents historic outcomes that address many of the technical barriers to trade that impeded American agriculture's fullest suite of opportunities in China – and commits China to significant purchases of American agricultural products.

As you know, the U.S.-China Phase One Trade Agreement is critical to both the near- and longer-term success and growth of American agriculture—and the millions of American jobs the agricultural sector sustains. While the current pace of U.S. agricultural exports to China is below the pace needed to meet the Phase One goals, American farmers, ranchers, and rural communities remain optimistic that the purchases under this agreement will accelerate and be fulfilled by China, and that as a result, the American agriculture sector will enjoy important market opportunities. This is especially important considering that U.S. net farm cash income in 2020 is projected to decline 9 percent or $11 billion from the prior year. In inflation adjusted dollars, U.S. net farm cash income is down nearly 30 percent from the recent high in 2012.

We recognize that the U.S.-China bilateral relationship is complex and multifaceted, and that there are many factors to consider as the United States crafts its foreign policy towards China. We appreciate your initiative to complete and preserve this historic trade agreement with China in the face of uncertainty in maintaining international trade flows as a result of the devastating impact of the COVID-19 virus on the world's economies.

The massive, critical, and diverse U.S. food and agricultural industry supports more than 22 million jobs – including more manufacturing jobs than any other U.S. manufacturing sector – and accounts for 20 percent of the U.S. economy. Our industry is the economic backbone of rural America, stimulating employment throughout the United States. The ***Feeding the Economy*** food and agriculture industries economic study (http://feedingtheeconomy.org/) provides additional important details on American agriculture's positive impacts on the U.S. economy.

China represents unprecedented export opportunities for America's farmers, ranchers, food industry workers, food processors, manufacturers and exporters. These export opportunities provide a mechanism to increase employment in our industries, and to bolster further economic activity throughout the supply chain—including through manufacturing, packaging, warehousing, transportation, logistics, and sustaining our vital port networks. U.S. agricultural exports to China in 2019 surpassed $13.8 billion, supporting more than 2.3 million jobs in the U.S. agricultural sector. China was the number three market for U.S. agricultural commodities in 2019, behind only Canada and Mexico, and has emerged as the world's second largest economy with a rapidly growing middle class that will continue to increase its levels of disposable income and desire for improved diets.

Implementation of the Agreement with China comes at very opportune time. With China's domestic production constraints and increasing demand from its consumers for high-quality and safe food and agricultural products, the resulting import demand continues to offer significant opportunities for U.S. agricultural exporters. Today, the world grain and oilseed market is experiencing the greatest oversupply of production since the 1980s, and the United States is facing increasing competition from foreign sources. The U.S.-China Phase One Trade Agreement will act as foundation for prosperity of the U.S. agriculture sector. At this especially challenging time, rural America needs one of its greatest potential export markets for food and agricultural products. A summary of some of the very positive impacts and opportunities resulting from the Phase One Trade Agreement with China is attached.

We reiterate our great appreciation for you and your Administration's efforts to carry out the Phase One Trade Agreement with China to advance America's agricultural economic interests by opening new export opportunities and by tackling non-tariff concerns our industries have identified. The Phase One Trade Agreement with China is vital to economic stability and growth for America's farmers, food manufacturers, food industry workers, agribusinesses—as well as the full spectrum of other non-agricultural sectors of the U.S. economy whose jobs and economic well-being are dependent upon agriculture.

You have our full support and appreciation as you and your outstanding trade team work to ensure that China meets its commitments under Phase One now and into the future.

Sincerely,

ADM
Ag Partners
Agri Beef Co.
Agribusiness Council of Indiana
Agriculture and Food Transporters Conference
Agricultural Retailers Association
Agriculture Transportation Coalition
Agtegra Cooperative
Amcot
American Farm Bureau Federation
American Feed Industry Association
American Foods Group
American Pistachio Growers
American Seed Trade Association
American Soybean Association
American Trucking Association
Animal Health Institute
Arizona Grain, Inc.
Aurora Cooperative
Barrett, Easterday, Cunningham & Eselgroth, LLP
Bartlett
Bayer
Big River Resources, LLC
Biotechnology Innovative Organization
Blue Water Shipping Company
Bourdeau Bros Inc.
Brewers Association
Bunge
California Cherry Board
California Grain and Feed Association
California Trucking Association
Californian Prune Board
Capay Canyon Ranch
Centerra Co-op
Central Farm Service
Central Prairie Co-op
Ceres Global Ag Corporation
CGB
CHS, Inc.

Clemens Food Group
Co-Alliance
Cobank
Coast Packing Company
Colorado Potato Administrative Committee
Columbia Grain International, LLC
CoMark Equity Alliance
Conestoga Energy Partners LLC
Cooperative Elevator Co.
Compeer Financial
Corn Refiners Association
Corteva Agriscience
Country Partners Cooperative
CropLife America
Crown Appraisals, Inc.
D&F Grain Co.
Dairy Farmers of America
Dairy Foods Association
DairyAmerica, Inc.
Degesch America, Inc.
Demeter LP
Double River Forwarding, LLC.
Edge Dairy Farmer Cooperative
Farmers Cooperative Elevator Co., Hemingford, NE
Farmers Cooperative Elevator Co., Hanley Falls, NE
Farmers Grain Terminal, Inc.
Feed Commodities Inc.
Food and Agriculture Export Alliance
Foreign Trade Association
Gavilon
Geiger Cattle, Inc.
Global Cold Chain Alliance
Goodwine Cooperative Grain Company
Grain and Feed Association of Illinois
Grain Craft
GRAINLAND Cooperative
Green Plains, Inc.
Growth Energy
GROWMARK, Inc.
Harbor Trucking Association
Hardwood Federation
Harris-Crane, Inc.
Hawkeye Gold, LLC
HighLine Grain Growers
Hop Growers of America
Infant Nutrition Council of America
Innovative Ag Services
International Agribusiness Group, LLC
International Dairy Foods Association
Jarvis Products Corporation
JD Heiskell & Co.
Johnsonville
Kansas Agribusiness Retailers Association
Kansas Grain and Feed Association
Land O'Lakes
Leather and Hide Council of America
Limaco
Linn & Associates
Lortscher Animal Nutrition
Ludlow Co-op Elevator Co.
Mark Rempe Quad Commodities Marketing Service Inc.
Marquis Energy
MaxYield Cooperative
McDonald Pelz Global Commodities LLC
Mercer Landmark
Michigan Agri-Business Association
Michigan Agricultural Commodities
Midwest AgEnergy
Missouri Agribusiness Association
Nagel Farm Service
National Association of Egg Farmers
National Association of Wheat Growers
National Cattlemen's Beef Association
National Chicken Council
National Corn Growers Association
National Cotton Council
National Council of Farmer Cooperatives
National Fisheries Institute
National Grain and Feed Association
National Hay Association
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council

National Potato Council
National Turkey Federation
Nature's SunGrown Foods
Nebraska Grain and Feed Association
North American Blueberry Council
North American Export Grain Association
North American Meat Institute
North American Renderers Association
North Carolina Potato Commission
North Dakota Grain Dealers Association
North Dakota Grain Growers Association
Northwest Grain Growers
Nutrien
Oahe Grain Corporation
Ohio AgriBusiness Association
Oregon Seed Association
Oregon Potato Commission
OSI Group
Pacificor, LLC
Pacific Coast Council of Customs Brokers & Freight Forwarders Assn.
Pacific Seed Association
Pellet Technology USA
Perdue AgriBusiness LLC
Pet Food Institute
POET
Potato Growers of Michigan, Inc.
Prairie Central Cooperative
Premier Cooperative
Pride Ag Resources
Produce Marketing Association
Renewable Fuels Association
Renewal Kansas Biofuels Association
Roanoke Farmers Association
Rocky Mountain Agribusiness Association
Roquette
Ruff Brothers Grain Company
Rumbold & Khun, Inc.
Scoular
Seaboard Foods
Skyland Grain, LLC
Smithfield Foods, Inc.
Stewart Grain Co., Inc.
Stratford Grain Company
Superior Farms
Sweetener Users Association
Team Marketing Alliance
Tennessee Feed and Grain Association
Texas Grain and Feed Association
The Fertilizer Institute
The Popcorn Institute
The Russell Marine Group
TradeLanes, Inc.
Tyson Foods
United Grain Corporation
U.S. Dairy Export Council
U.S. Dry Bean Council
U.S. Durum Growers Association
U.S. Forage Export Council
U.S. Grains Council
U.S. Meat Export Federation
U.S. Livestock Genetics Export Inc.
U.S. Soybean Export Council
U.S. Wheat Associates
USA Rice
Viterra USA LLC
Washington State Potato Commission
Wheeler Brothers Grain Company
Wilbur-Ellis Nutrition
Wisconsin Agri-Business Association
Wisconsin Potato and Vegetable Growers Association

cc:
Ambassador Robert Lighthizer, U.S. Trade Representative
Secretary Sonny Perdue, Department of Agriculture
Secretary Steven Mnuchin, Department of the Treasury
Secretary Wilbur Ross, Department of Commerce
Secretary Elaine Chao, Department of Transportation
Larry Kudlow, Director, U.S. National Economic Council
Peter Navarro, Director of Trade and Manufacturing Policy
Ambassador Gregg Doud, Chief Agriculture Negotiator, Office of the U.S. Trade Representative
Under Secretary Ted McKinney, Trade and Foreign Agricultural Affairs, U.S. Department of Agriculture

Positive Impacts of the Phase I Trade Agreement with China

Perspective from a Kansas Corn/Soybean Farmer and Cattle Rancher

"I cannot fully describe to you how important Phase One of the China trade agreement is to production agriculture and the economy of rural America. Many prominent ag economists are projecting 2020 farm income at a negative dollar per acre return. This is with a fairly hefty USDA subsidy added to the equation. Agricultural economies are not sustainable with subsidies. American farmers and ranchers are large consumers and the economic multiplier from every dollar they receive is vital to rural and national economies. It only makes sense to expand foreign markets, especially China, and allow outside capital to play a part in the multiplier factor in our ag economy rather than taxpayer funded subsidies. Recent times have shown the need for more capacity in our protein processing facilities and expanding demand with open fair-trade agreements not only increases demand but also inputs capital to either build or retrofit facilities. I am sure this sounds like frustrations from someone who has either spent too much time in a tractor seat or pushing cattle through a squeeze chute this spring, but the hurt is real in the heart of America and we need to build markets around the world. I could expand forever but I know you are part of the choir. I never knew a man who hated you for helping feed his family and that should be a central theme in building ag markets. Thanks, and God Bless."

Agricultural Biotechnology

China's regulatory system for agricultural biotechnology is out of step with international standards and restricts commercial opportunities for technology developers, U.S. farmers, and the value-chain. After biotechnology products have completed U.S. regulatory reviews, it takes on average over five years to gain Chinese import approval, often delaying the introduction new products into the U.S. market, costing billions of dollars in lost opportunities and innovation. The U.S. Government secured important commitments from China on agricultural biotechnology in the Phase I Agreement, that if implemented will improve transparency, reduce approval timelines to 24months on average and limit the scope of data requirements to only information needed to assess the safety of a for its intended use. To date, China has not provided details to showcase progress towards implementing its commitments. Nevertheless, it is critical to maintain this Phase I Agreement to enable high-level engagement to achieve the systemic reforms required.

Cotton and Textiles

The COVID-19 pandemic is creating unprecedented demand destruction for cotton fiber, yarn, textiles, and apparel. Since February, USDA has lowered world cotton consumption by a total of 19 million bales for the current and coming crop year. To put that in perspective, the reduction in world demand is essentially the size of total U.S. cotton production. The decline in consumption represents more than $6 billion in just fiber value. Since January 1st, U.S. cotton merchandisers have seen 1.3 million bales of export sales cancelled. Due to the slowdown in demand, cotton stocks on July 31 (i.e. the end of the marketing year) will approach 8 million bales, reaching the highest level since 2007/08. It is critically important for the economic health of the U.S. cotton industry that China step forward with significant purchases of U.S. cotton and cotton yarn for delivery in both 2020 and 2021 at the levels proportionate to the commitment for overall agricultural product purchases in the Phase One agreement. China has been and can continue to be an important trading partner for the U.S. cotton industry given China's position as both the largest consumer of cotton and manufacturer of cotton textile products.

Crop Protection

An agriculture provision of the Phase One Agreement calls for cooperation on pesticide regulatory data that could prove essential for safeguarding the interests of crop protection companies and preventing disruptions in exports of U.S. agricultural products. Two situations in China merit attention. First, China recently revised its pesticide legislation to require studies supporting pesticide registration in China to be conducted in China, and no longer recognizes studies conducted in other countries under internationally recognized Good Laboratory Practice (GLP) Standards. Collaboration between China's Ministry of Agriculture and Rural Affairs (MARA) and U.S. EPA under the Phase One Agreement can help encourage China's participation in the international agreement on Mutual Acceptance of Data (MAD) conducted according to those GLP Standards. This will facilitate registration by US companies (and others) of pesticide products in China, with benefits for international trade. Second, China lacks a system to approve import tolerances (ITs) for residues of pesticides occurring in agricultural products imported from other countries. A draft IT regulation under development is expected to be finalized in the next year or so. Again, collaboration under the auspices of the Phase One Agreement between MARA and U.S. EPA can help assure a more equitable and workable IT regulation, benefitting U.S. growers who export agricultural products to China.

Forest Products

In 2018, U.S. hardwood producers shipped products worth $3.9 billion to global markets; $1.9 billion to Greater China, including Hong Kong and Macau. As a result of the impacts of tariffs imposed in the fall of 2018, the U.S. had a trade surplus of $1.293 billion in hardwood lumber, down from $1.475 billion in 2017. In 2019, U.S. hardwood lumber exports were down sixty percent over pre-trade war levels, a loss of over $820 million to the industry. Just a few years ago, before the tariffs were imposed, hardwoods represented a remarkable success story in helping to address our trade deficit, and this important export market was built by the hardwood industry over many years. Maintaining the Phase One trade deal and reductions of Chinese tariffs on U.S. hardwoods granted in February are essential to reclaiming lost market share in China and ensuring the survival of U.S. forestland owners, loggers, mills, concentration yards and wood products manufacturing operations.

Grain and Feed

***Barley:**

Over the last three marketing years (June-May), China has averaged approximately 7.3 million tons of barley imports. However, U.S. barley exports have been impeded by the lack of phytosanitary protocol. In the 2018/19 marketing year, the U.S. exported negligible volumes of barley to China. Under the Phase One agreement, China and the U.S. agreed on a protocol that should provide opportunities for both feed barley and barley for malting purposes. With Canada currently the second largest supplier of barley exports to China, the United States (with an industry similar to the Canadian barley industry) has the potential to compete in this market now that phytosanitary issues have been addressed—with possible volumes of several hundred thousand tons.

***Corn:**

China is an enormous market for corn, representing nearly 25 percent of the world's corn demand. China has been importing roughly 2-5 MMT annually in recent years, however, the U.S. Department of Agriculture estimates China's corn demand has outpaced its production since 2017 and its imports appear to be on the verge of significantly increasing. Corn imports from the U.S. have been impacted by GMO traits since late 2013, causing the U.S. share of imports to fall from over 90 percent to less than 10 percent, but GMO issues are being addressed in the Phase One agreement. Both China's corn imports and U.S. share of those imports are expected to be up significantly this year and next, with over 2 MMT already contracted by China for delivery in 2020, and USDA forecasting 7 MMT of corn imports in both years. As the world's largest corn exporter, the United States is well-positioned to supply China's increasing demand in future years.

***Dried Distiller Grains with Solubles (DDGs):**

China imported more than 50 percent of the exportable supply of U.S. DDGS, or 6.2 MMT valued at nearly $1.8 billion in MY 2013/14. In 2016, China's initiated anti-dumping (AD) and countervailing duty (CVD) investigations of U.S. DDGS exports resulting in final duties of up to 96.2 percent in tariffs and taxes. As a result, exports fell to a record low in MY 2017/18 of only 168,000 MT ($33 million) and only 180,000 MT ($39 million) in MY 2018/19. In addition, DDGs faced an additional 25 percent in retaliatory tariffs that has been exempted. Nonetheless, U.S. DDGS are not competitive at current market values, though opportunities exist to recover previous market shares.

***Dry Beans:**

China has been traditionally a competitor to U.S. dry bean exports. Changing consumption patterns and incentives to grow other crops have seen a steady decline in China's dry bean production to almost half of historic levels a decade ago. At the same time, China's demand for dry beans has not decreased significantly and is increasing with new awareness of health properties. The U.S. dry bean industry has, for the first time, an opportunity to gain a significant market share to satisfy China's demand for imported dry beans if we can gain a competitive advantage as U.S. origin dry beans are not always the most cost-effective option. This competitive advantage hinges on a reduction in retaliatory tariffs. Prior to recent trade disputes, U.S. dry bean imports faced 7 percent import duties. Recent retaliatory measures have increased duties to over 40 percent. So far, as a result of the Phase I deal, China has made a commitment to purchase dry beans and has reduced the tariffs to 37 percent. Additionally, Chinese companies are applying for tariff exemptions. We believe continued good will under the Phase I deal will lead to further tariff reductions and commitment purchases. This will be a game changer for the U.S. dry bean industry due to the potential market size.

***Ethanol:**

As the second largest gasoline market in the world (approximately 47 billion gallons annually). China represents an immense opportunity for U.S. ethanol exports. Despite suspension of its nationwide move to E10, many provinces within China are still moving forward with E10 policy adoption. The 1.14 billion gallons of fuel ethanol produced by China in 2019 represents one-quarter of the ethanol required for a 10 percent ethanol blend in the gasoline pool. While China is in the process of increasing ethanol production capacity, there will still be a significant deficit that will need to be filled by the international market. As the most cost-competitive supplier of ethanol and the only country able to meet such large demand volumes in the short term, the United States is poised to serve as a significant contributor to Chinese ethanol imports should tariff issues be addressed. Prior to the trade dispute, the U.S. exported $165 million (109 million gallons) worth of ethanol to China in the 2017/18 marketing year (Sept-Aug)—a figure that could dramatically increase with increased market access and continued adoption of E10 at the provincial level. U.S. ethanol is also one of few products within the agriculture portfolio capable of generating $1 billion worth of sales to China in the short term.

***Feed and Feed Ingredients:**

China is one of the U.S. animal feed industry's largest export markets, valued at over $660 million in 2019, and with its growing demand for feed ingredients, U.S. manufacturers are looking to gain greater access into this important market. For years, the U.S. feed industry has been impacted by unfair regulatory practices that prohibit safe products from being exported to China. U.S. animal feed products have been constrained by bans on poultry and ruminant derived ingredients, arduous product registration processes, and facility registration requirements which have kept all new feed additive, premix and compound products from entering the China market since 2011. The phase one agreement addresses these constraints hindering the U.S. feed industry from capturing the growing demand in China and several of the commitments have already been met. However, full implementation and adherence to the commitments of the phase one agreement by China will allow U.S. animal feed products and ingredients to finally compete fairly in this important market. A key outstanding concern for the U.S. animal feed and feed ingredient industry is China's added requirements to and interpretation of Annex 12, further keeping facilities from registering with GACC and therefore continuing to inhibit export opportunities for U.S. feed additives, premix and compound feed. China meeting the required purchasing commitments under the phase one agreement is important, however, without successful implementation of the phase one agreement animal feed and feed ingredients will lack the needed access for China to even consider purchasing more of these products.

***Pet food:**

The Phase One Agreement effectively eliminates longstanding barriers to US dog and cat food exports to the large and growing Chinese pet food market. The Phase One Agreement provisions for pet food, which were operationalized earlier this month, provide meaningful access to the

Chinese market. The Pet Food Institute's conservative estimate, based on market research and USDA data, is that US pet food exports to China could reach $300 million annually now that unscientific and burdensome restrictions have been removed. This represents a 20percent increase in overall US pet food exports. Such an increase in demand will translate into more jobs for hard working Americans around the country and especially in America's heartland. US pet food makers are already taking concrete steps to enter the Chinese market and we look forward to capitalizing on the gains made in this historic agreement.

<u>*Refined Corn Products:</u>

One of the most important accomplishments for rural America under President Trump is the signing of the Phase One Trade Agreement with China. This important step for our nation's farmers, ranchers, and agri-businesses, with the promise of $40-50 billion of expanded agriculture purchases, is critical for American agriculture and related businesses which are hurting. China's purchase obligations and commitments under the agreement to address biotech approvals and other non-tariff measures are essential to improving access for corn and corn-based products. U.S. exports to China of refined corn products (starches, animal feeds, sweeteners, and corn oil) have declined over 300percent since 2015, from over $300 million to under $80 million. China's agriculture commitments and regulatory reforms in the Agreement are essential to improving supply of refined corn products to Asia's largest economy**.** U.S. corn refiners export over $2 billion in goods annually, adding $4.7 billion to the overall economy. With 15 percent of all U.S. refined corn products exported annually, market expansion opportunities for refined corn products are vital to the success of the Corn Refiners Association members.

<u>*Rice:</u>

China has not yet purchased rice from the United States despite assurances of doing so. China agreed to come into compliance with the WTO's rulings regarding the administration of their tariff rate quota system for rice as well as domestic support levels for rice. Additionally, China agreed to properly re-classify U.S. medium/short grain rice to not hinder market access of U.S. exports in the Chinese market.

<u>*Sorghum:</u>

China was the largest market for U.S. sorghum in 2016/17 with 4.7 million MMT in sales representing 82 percent of all U.S. sorghum exports. An anti-dumping investigation in early 2018 resulted in a preliminary duty of 179 percent and exports dropped to 628,000 metric tons in 2018/19. The investigation and preliminary duty were rescinded, and with an exemption of China's 25 percent retaliatory tariff, exports for the 2019/20 marketing year through April have reached 1.8 million metric tons and have the potential to reach prior levels.

<u>*Wheat:</u>

Similar to corn, China maintains high wheat price supports to incentivize domestic production. To prevent cheaper wheat imports from entering, China has allocated a large share of its wheat tariff-rate quota to its state-owned enterprises. The U.S. Trade Representative submitted and won a significant decision at the World Trade Organization against China's inappropriate import barriers. Prior to retaliatory tariffs, U.S. wheat exports averaged nearly $150 million annually and sales to date for 2020 and 2021 are already at that level as a result of USTR's effective intervention and the Phase One Agreement.

Livestock, Meat and Poultry Products

***Beef:**

In 2019, U.S. beef exports to China totaled $86.1 million, an increase of 42 percent compared to 2018. (Compare this level of trade with Hong Kong: $744 million in U.S. beef exports in 2019; 4th largest U.S. beef export market). The Chinese market opening in 2017 for U.S. beef was the culmination of 13 years of work to reopen the market and was seen as a breakthrough for the industry. The Phase 1 agreement included further breakthroughs and vastly expanded access for U.S. beef into China. China is the largest importer of beef in the world, bringing in $8.35 billion in 2019 and imports were up 80 percent in the first four months of 2020. U.S. beef accounts for just a small share of the total but with the Phase 1 agreement, there is potential for U.S. beef exports to China to exceed $1.5 billion within the first two years of the agreement. The U.S. beef industry has just begun to reap the benefits, with weekly net sales of U.S. beef to China surging following late March implementation of the agreement, averaging 5.5 times that of weekly sales in Q1. For the month of April, exports were record-large at $11.5 million and for the first four months of 2020, U.S. beef exports to China increased by 41 percent to $25.7 million. China's current tariff waivers for the Section 301 retaliatory duties mean U.S. beef enters China at the MFN 12 percent duty, down from a peak of 47 percent in 2019. With consistent and dedicated attention to serving the Chinese market a diversity of U.S. beef products and by-products will be exported to China, adding value and generating economic benefits and employment in all aspects of the beef supply chain.

***Dairy:**

China is the 3rd largest destination for U.S. dairy exports, and a very important market for the future growth of the U.S. dairy industry. This is in light of the outsized role that China plays in global dairy markets as one of the largest importers and the biggest drivers of expanding dairy demand. The imposition of retaliatory tariffs on the vast majority of U.S. dairy exports starting in 2018 undermined that potential growth. However, there are robust expectations for renewed hope by virtue of the U.S.-China Phase One agreement. Under the agreement, U.S. dairy exporters have gained: actions on timely and accurate registration of dairy facilities wishing to export to China; multiple product registrations to enable U.S. exporters to sell and label their product beneficially in China; the right to sell dairy permeate powder for food use (an effort commenced a decade earlier & only successfully completed under this Administration's agreement with China); the US continues to work for enforcement of the Phase one agreement which calls for recognition of the safety of our dairy oversight system, which is expected to lighten the burden on U.S. exporters shipping this market; and other benefits to the dairy sector's ability to ship product smoothly to China. U.S. dairy sales to China are still not materializing at the levels that could be achieved; China's retaliatory tariffs continue to be the number one deterrent against

U.S. dairy exports. Despite some bright spots for a few products benefiting from tariff exemptions such as whey, overall large dairy exports gains have not yet been realized – full implementation of the agreement and a removal of the remaining retaliatory tariffs remain the best hope for bringing this about.

***Edible Beef Tallow and Edible Pork Lard:**

The Phase I agreement has opened a potentially huge market for U.S. producers and exporters of edible beef tallow and pork lard products. As many markets around the world, including our own, reopen we have an opportunity to supply high-quality U.S.-made livestock by-products to our customers especially in China. The Chinese food service market is huge and possesses infinite sale opportunities. With this new access for U.S. edible beef tallow and edible pork lard we are poised to expand our production and create new jobs in the U.S. beef and pork by-products industry. Furthermore, China's ability to purchase these products will improve their ability to achieve the required monetary purchase amounts in the Phase One trade agreement.

***Hides, Skins and Leather:**

The U.S. hide, skin and leather industry exported more than $1.17 billion in combined cattle hides, pig skins and semi-processed leather products in 2019, representing a $450 million decrease compared to 2018. China was the largest buyer of these products, with imports valued at more than $400 million.

Currently, most U.S. hides are still subject to an additional 5 percent tariff going into China. Although the Phase 1 Agreement did not remove the retaliatory tariffs in place, China initiated on March 2, 2020 a tariff exclusion process covering nearly 700 U.S. imports, including raw cattle hides larger than 16 kg (HS Code 41015019), which represent the majority of U.S. hides exports to China. Most Chinese tanners have applied for, and have received, tariff exemptions on these imports, which have provided much-needed relief for the U.S. hide and leather industry during difficult market conditions.

Since the tariff exclusions were received, the Chinese leather industry has taken advantage of the historically low prices of U.S. hides to stock up their inventories. For example, in one week in April 2020, Chinese tanners purchased over 1 million U.S. cattle hides, or nearly two weeks of total U.S. production of these products. The purchases have helped to stabilize the market in U.S. hides and give some support for a recovery.

***Pork:** China was the biggest growth market for U.S. pork exports in 2019, taking $1.3 billion, an increase of 128percent from the year prior. For the first four months of 2020, China was again the top growth market and with exports increasing by 382percent to $950 million. China climbed ahead of Japan to be the top international destination for U.S. pork. Even with this strong growth, the U.S. captured only a small share of China's massive imports, accounting for 16percent of China's pork import value through April 2020. Maintaining the Phase 1 agreement with China and ensuring low import tariffs for U.S. pork products will allow our industry to compete with stiff competition from Europe, Brazil and many other suppliers. China's current tariff waivers for the Section 301 retaliatory duties mean U.S. pork is subject to a 25percent Section 232 retaliatory duty plus the 8percent MFN rate, for a rate of 33percent, down from the peak of 72percent in 2019.

***US Livestock Genetics Export (USLGE):**

The Phase One agreement combined with China's growth in dairy consumption and efforts to recover from African Swine Fever (ASF) has put China on a trajectory to be one of the largest growth opportunities for US livestock genetics exports. Hard work by many different US livestock species over the last decade has increased exports to China in 2019 to almost $40 million and almost 5percent of US exports (Source: Trade Data Monitor). Supporting the Phase One agreement is critical to defending our market share.

Oilseeds and Products

***Soybeans:** In 2017, the last full year before China increased tariffs on U.S. soybeans by 25 percent, the United States exported $13.9 billion in soybeans to China. Soybeans alone represented 52 percent of the total value of U.S. agricultural exports to China. Recently, China has significantly increased its purchases of U.S. soybeans compared to 2018 and 2019 levels for delivery in 2020. China represents approximately 60 percent of the world's soybean imports, and prior to 2018, China imported roughly one-third of the total U.S. soybean production. The Phase One Agreement's purchase commitment is expected to contribute substantially to U.S. soybean exports to China over the life of the agreement. There are indications of increased imports of U.S. soybeans by Chinese private companies, in addition to state-owned enterprises, which is a welcomed development away from state-managed trade.

Veterinary Medicines

China represents a growing customer base for animal medicines. The Phase I Agreement reinforces the requirement to base SPS measures on risk assessment, establishes a framework for regulatory cooperation in animal health and sustainable development, and encourages cooperation in key international organizations and standards-setting bodies. Specifically, The Phase I Agreement has removed key barriers to widely used veterinary products in beef production. The alignment of the import requirements with international food safety standards for these products has increased the amount of beef eligible and protected sustainable production. It is essential for Phase I Agreement to be fully implemented to resolve remaining non-tariff barriers on commonly used veterinary products for beef and pork. Full implementation of the veterinary products provisions could increase animal protein exports by an additional 400 thousand metric tons.