March 10, 2010

**SMALL AND MEDIUM-SIZED ENTERPIRSES:
U.S. AND EU EXPORT ACTIVITIES, AND
BARRIERS AND OPPORTUNITIES
EXPERIENCED BY U.S. FIRMS, INV NO. 332-509**

RE: Testimony by: Anthony E. Clayton, Clayton Agri-Marketing, Inc.

My name is Tony Clayton, and I am President of Clayton Agri-Marketing, Inc. located in Jefferson City, Missouri. Our company is one of the largest livestock export companies in the United States and we export beef and dairy cattle, swine, sheep, goats and horses to over 40 different countries.

In 2004, we started promotional work in Russia, Ukraine and other Eastern European countries to lay the ground work to export live animal genetics to farmers in that part of the world. We were especially interested in Russia in anticipation this particular market would open to the US livestock industry. As expected, the Russian market was opened to US livestock genetics in May 2008 by granting import approval for beef cattle, dairy cattle, swine, and horses. In February 2010 approval was granted to US sheep and goats to enter the Russian market. Since most of the animals we export are used in genetic improvement and because of logistics, we export shipments by air freight. The size of our swine shipments could vary from as few as 50 head to a full 747 airplane charter of 1,200 head. If we have a client that purchases enough animals to make a full charter, we can arrange air transportation directly to airports in Eastern Europe from airports in Chicago or New York. The problem and barriers we face is 90% of our shipments are small shipments that range in size from 50 to 300 head. At this point, there is no direct air cargo service to markets in Belarus, Russia and Ukraine, therefore we need to transit airports in the European Union like Frankfurt, Germany and off load our shipments to trucks and then use inland freight to access these markets.

Our competition from Canada can truck their export swine shipments into the United States and fly their shipments of breeding swine from airports in Chicago and New York City to Frankfurt, Germany and then move their shipments to trucks and transport their shipments to Russia, Ukraine and Belarus. Exporters from the USA are not allowed this procedure because the EU says the United States health status of the swine industry is not approved.

For the past three (3) years, our industry has been working with Dr. Sara Kaman, DVM, Senior Staff Veterinarian, National Center for Import and Export, United States Department of Agriculture, Animal Plant Health Inspection Service, Veterinary Services (USDA/APHIS) on this issue and she has represented both our interest and objections to the European Union. The following is text from an e-mail sent to me by Dr. Kaman on February 19, 2010 which will give you some idea of the barriers in place on this transit issue.

"The issue of export of live pigs into and transiting the European Union (EU) was raised at the Joint Management Committee (JMC) meeting of the US-EU Veterinary Equivalence Agreement in early December 2009. The European Commission and EU Member States reiterated their concerns about vesicular stomatitis in pigs. APHIS pushed back on their assertions that it is a disease of concern in US pigs. APHIS hand-delivered a counter-proposal to test all pigs exported to the EU and to prohibit exports of pigs from a state that has detected VSV in the last six months. EU rejected the testing option because they consider the test to be inaccurate in pigs and pointed out that we have no active surveillance for VSV in pigs. We reiterated our confidence in our foreign animal disease surveillance program and export testing methodology. During a follow-up meeting between APHIS and the Commission in Brussels on December 17, 2009, APHIS emphasized once again that this is a very important trade issue for the United States.

APHIS is planning on submitting another proposal to the EU as soon as possible, and will continue to push the Commission on this issue."

The contact information for Dr. Kaman is as follows:

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Recently, Russia announced they will close their border to all live swine and pork products in 2012. Their government feels they will have imported all the genetics they need by that time and by not being able to access this market, our swine producers and exporters have missed the opportunity to develop relationships with Russian swine producers and importers in this very large market. Meanwhile, while our competition from Canada has exported over 9,123 head for a value of USD $6.9 million into the Russian market and 728 head for a value of USD $1.1 million to Belarus through our own airports, export facilities and using our own United States Department of Agriculture Animal Plant Health Inspection Service (USDA/APHIS) for export inspection.

In 2008 and 2009, Russia imported almost 45,000 head of breeding swine from other countries and not one head from the United States.

This same trade barrier of not being able to transit through the EU is keeping us out of the other neighboring markets such as Ukraine, which is about to open its borders to livestock genetics.

Another related area that I would like time to testify on is market access that is to be based on many of the trading agreements our country has negotiated with our trading partners. We are reminded by the United States Department of Agriculture's Animal Plant Health Inspection Service (USDA/APHIS) that exports of animal genetics and testing protocols are to be based on science and regulations supported by the guidelines from the World Organization for Animal Health (OIE). Over the past few years when the United States experiences an animal health issue like Bovine Spongiform Encephalopathy (BSE) or Mad Cow Disease, or the recent H1N1 Flu (Swine Flu) outbreak, many of our trading partners close their markets to our products based on political science or public reaction. Examples of these closed markets which had a major impact on our livestock industry are as follows:

CHINA

China closed their market to our beef and dairy cattle in 2003 and swine in April 2009. Just by the closing of the swine market in China in April 2009 cost our company over $4 million in sales in lost or canceled contracts. The Chinese Government did announced on Friday, March 5, 2010 they are lifting the ban on US swine, but they are placing many new regulations on H1N1 testing that are not science based and will further reduce the amount of export business we will have in the Chinese market. With the current regulations, we spend over $240/head in blood testing cost for each pig we export to China which is the highest in the world.

TAIWAN

Taiwan is closed its market for cattle and beef in 2003 because of public reaction to BSE and to date has never reopened.

MEXICO

Mexico is not allowing US breeding sheep and goats to be imported because of our BSE detection in cattle in 2003 even though there is no detection of BSE in goats or sheep.

These are some of our markets that are closed to our farmers, ranchers and breeders that have never reopened regardless of the science that is presented to their governments in efforts to reestablish markets. As you can see, many of the barriers in our trade are still based on political science. It has been said, "You never get what you deserve, and you only get what you negotiate." Many of our agreements we make in Free Trade Agreements must follow science based technology when some of these disputes occur or bans are put in place.

The last topic I would like to comment on is the ever increasing rates charged by our USDA/APHIS for approval of export health papers and overtime User Fees. In 1992 when this program started, we were paying $33.50/hour for these services and the rates in 2011-2012 are exceeding $144/hour. I have attached a copy of a chart to my written testimony that reflects the increases from 1992 and projected through 2013. I realize that we as exporters have to pay for basic fees and export services. Many times we deal with regulations calling for us to pay for a minimum of driving time of two (2) hours for various inspection services during the export process and on various occasions the inspector may have to drive 15 minutes from their office at an airport to our export shipment.

Many times, while we are loading an aircraft the inspector may actually be in their car reading a book or even taking a nap. When we are paying this person a rate of $144/hour for this process, it is another expense that we either have to recover from the buyer or reduce our margins to cover this extra and ever increasing expense. To remain competitive in a world market, these costs need to be controlled. Thank you!

Respectfully submitted:

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Attachment 1