

Statement of

Gordon Stoner

Grain producer from Outlook, Montana

On behalf of the

Montana Grain Growers Association

National Association of Wheat Growers

U.S. Wheat Associates

National Barley Growers Association

Before the

Senate Finance Committee

On

The U.S. – Colombia Trade Promotion Agreement

May 11, 2011

Chairman Baucus, Ranking Member Hatch and Members of the Committee:

My name is Gordon Stoner and I am a fourth generation farmer/rancher from Outlook, Montana, located in the north eastern corner of the state near the Canadian and North Dakota borders. I am the owner/operator of Stoner Farms, a diversified dryland farming operation where I raise durum wheat, peas, lentils, and cattle for both domestic consumption and for export markets. I am President of the Montana Grain Growers Association and Vice Chairman of the U.S. Wheat Associates and National Association of Wheat Growers Joint International Trade Policy Committee.

Thank you for this opportunity to comment on behalf of four organizations representing U.S. wheat and barley growers: the National Association of Wheat Growers, an organization of wheat growers from 21 states working together on domestic and trade policy issues affecting the livelihoods of U.S. wheat producers; U.S. Wheat Associates, who develop, maintain, and expand international markets in order to enhance the profitability of U.S. wheat producers; the National Barley Growers Association, who work to advance the national and international interests of U.S. barley growers in seven major barley-producing states; and the Montana Grain Growers Association, a grassroots producer organization whose members grow wheat and barley on over 5.5 million planted acres in Montana.

United States wheat and barley producers strongly support the pending free trade agreement (FTA) with Colombia and encourage its expeditious approval by Congress.

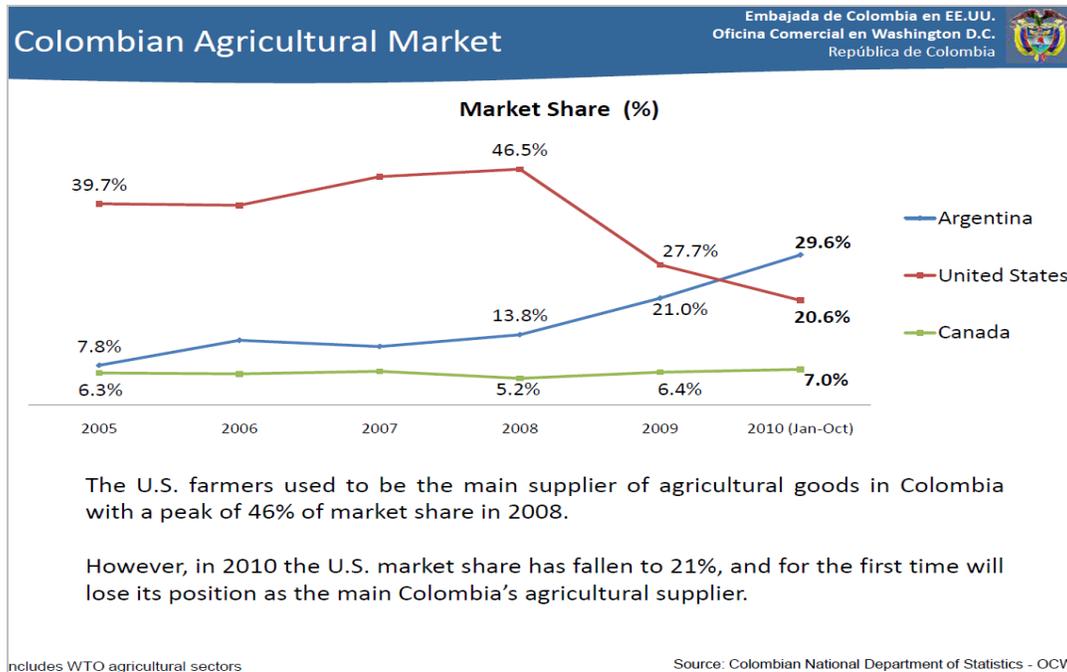
Nearly 96 percent of the world's consumers live beyond U.S. borders. The remaining 4 percent, those who live within the U.S., do not consume enough wheat products to sustain a viable wheat industry. It is critical that U.S. wheat producers have the ability to export to every market in the world.

The U.S. is the third largest wheat producing country in the world after China and India, and is the largest wheat exporting country in the world, exporting on average about half of our total U.S. wheat crop every year. As such, free and open trade with other countries is a vital component to ensuring the financial viability of our wheat farmers.

In Montana, agricultural export markets are even more important with nearly 80 percent of our annual wheat production entering export channels. With a large amount of productive land and a small population, Montana relies heavily on the ability to export wheat. In 2010, Montana growers produced more than 200 million bushels of wheat and the U.S. Census listed our state population at 989,415 people. If Montana citizens were required to consume all of the wheat we produce within our borders, every person would have to eat 400 loaves of bread every day.

Timely passage of the free trade agreement with Colombia is particularly critical at this juncture in order to maintain wheat sales and market share in an increasingly competitive trade environment. It is estimated that U.S. wheat producers will lose \$100 million in sales to Colombia every year without a free trade agreement.

Historically the main supplier of agricultural goods to Colombia, U.S. agricultural exports now face tough competition. In the past two years, the U.S. has lost \$1.0 billion in agricultural exports to Colombia due to regional trade agreements and international competition. In 2010, for the first time in U.S.-Colombian agricultural trade history, the U.S. lost to Argentina its position as Colombia's number one agricultural supplier. Despite strong historical and economic ties between the U.S. and Colombia, trading opportunities with other countries are becoming more viable and Colombia cannot be expected to sit idly by and wait for the U.S. to ratify an agreement.



In 2009/10, Colombia was the eighth largest market in the world for U.S. wheat. Colombia imports 97 percent of the wheat it consumes, and will continue to rely on imports to satisfy a steadily increasing demand for milling quality wheat. U.S. farmers have historically been the main supplier of wheat and wheat products to Colombia, but U.S. wheat exports have suffered recently from the failure to implement the U.S.-Colombia FTA. Our share of the Colombia wheat market has declined from 73 percent in 2008 to 43 percent in 2010 and industry representatives in Colombia indicate we could lose our entire market share following implementation of the Canada-Colombia FTA this summer.

Colombian Agricultural Market Share for Wheat

Embajada de Colombia en EE.UU.
Oficina Comercial en Washington D.C.
República de Colombia



Colombia's Market Share (Quantities of Wheat & Products)



- Since 2009 U.S. has been losing market share in Colombia's wheat market.
- U.S. was Colombia's main supplier of wheat & products with a peak of 73% of market share in 2008.
- **Canada** and **Argentina** are displacing U.S. exports.

20

Source: Colombian National Department of Statistics - OCV

Some of the decline in U.S. wheat market share can be attributed to Colombia's FTA with the Mercosur region (Argentina, Paraguay, Uruguay and Brazil). Implemented in 2005, this agreement allows duty free entry of Argentine wheat. Colombian millers and bakers, however, have indicated their preference for higher quality U.S. wheat. In fact, Colombian bakers report they are unable to make a loaf of bread from Argentine wheat and must blend it up with higher quality wheat imported from the U.S. or Canada. Without the U.S. FTA, Colombia will increasingly look to Canada for its high quality wheat needs.

A free trade agreement between Colombia and Canada is expected to enter into force this summer, and is a further threat to U.S. wheat market share. With this agreement, Colombia will eliminate tariffs on 98 percent of Canadian goods, in some cases immediately and in others over a 5 to 10-year period. Canadian products that will enjoy immediate duty-free access to the Colombian market include wheat, barley, corn, lentils, peas, beef, paper products, machinery and equipment. Colombia will also eliminate the use of its price band system on selected products, including wheat, barley and pork. Additionally, a Colombia- Peru-EU agreement is expected to be implemented in early 2012, Colombia is negotiating trade deals with South Korea, Panama and Japan, and they have indicated a desire to start free trade talks with Turkey later this year.

U.S. wheat producers face an increasingly competitive and uncertain market in Colombia. Despite long-standing relationships with Colombian millers, the U.S. wheat industry will continue to lose market share to Canada and Argentina and possibly to the EU when their trade agreement is implemented. Tariffs on U.S. wheat will fluctuate between 10 and 15 percent and could move as high as the WTO bound rate of 124 percent and Colombia could continue use of a "price band" scheme to control agricultural imports through

variable duties that fluctuate based on changes in world prices. A fully implemented free trade agreement would immediately eliminate the country's price band system and remove tariffs on U.S. wheat imports, leveling the playing field and ensuring U.S. wheat can compete in the Colombian market.

Although U.S. barley exports to Colombia have historically been small, Colombia represents a growing market for both malt and malting barley exports. Malt, feed and food industries that use barley as an input are growing rapidly, both for increased consumption in the Colombian domestic market and for use in processing products for export. Tariff preferences favor Mercosur countries and, soon, Canada, but there are excellent opportunities to expand purchases from U.S. suppliers, particularly from Montana where we raise high quality two-row malting barley favored by the Colombian brewing industry.

U.S. wheat and barley producers strongly support immediate ratification of the U.S.-Colombia free trade agreement so they can compete fairly in the Colombian market. Years ago, the U.S. opened its market to imports from Colombia through the Andean Trade Preference Act, offering duty free privileges on about 6,000 types of goods from Colombia, Bolivia, Ecuador, and Peru, in the hope that greater export opportunities would give farmers and businesses in these countries alternatives to drug trafficking. As a result, more than 90 percent of Colombian imports can enter the U.S. marketplace duty-free. By contrast, U.S. exports to Colombia, including wheat, face tariffs that often soar into the double digits.

The U.S.-Colombia FTA will repair this imbalance by forging a mutually beneficial, reciprocal partnership. Eighty percent of U.S. consumer and industrial products and more than half of all U.S. farm exports, including wheat, will enter Colombia duty-free immediately upon implementation of this agreement. An additional seven percent of duties will be eliminated within five years of implementation and the remainder within 10 years. Without the U.S.-Colombia FTA, U.S. wheat growers and producers will face an uphill battle in this hard-fought and critical export market resulting in millions of dollars in losses of both exports and jobs.

Ultimately, Mr. Chairman, this agreement is about jobs. In its report to the President of the United States on the National Export Initiative's (NEI) plan to double U.S. exports in five years, the Export Promotion Cabinet stated the following:

“Exporting is good for American business, good for American workers and good for American jobs. Put simply, when America exports, America prospers. At a time when Americans are saving more and consuming less, exports can help to create the jobs needed to bring unemployment down and help to assure a strong and durable recovery.

“The NEI's goal of doubling exports over five years is ambitious. Exports need to grow from \$1.57 trillion in 2009 to \$3.14 trillion by 2015. This will only happen if U.S. companies, farmers and small and medium-sized enterprises – the engines of

economic growth – receive the encouragement and support they need as they seek new markets for their goods and services.”

Signed by the U.S. in November 2006, ratified by Colombia's legislature in October 2007 and approved by their Constitutional Court in 2008, ratification of the US-Colombia FTA has been held up in the United States in part due to ongoing labor issues in Colombia. I understand the concern by some in the U.S. regarding the violence directed towards labor union leaders, union organizers and the citizenry of Colombia. Government officials and industry executives in Colombia tell me that much progress has been made and the situation is continuing to improve.

Since 2002, under the leadership of popular president Alvaro Uribe, continuing with new president Juan Manuel Santos, and aided by U.S. investment in military training and drug eradication, Colombia has worked hard to restore security and curb violence. As a result, homicides, kidnappings and terrorist attacks have declined dramatically since free trade talks between our two countries began and conditions are expected to continue improving as their middle class expands and they become a bigger participant in world trade.

If the U.S. fails to ratify an FTA, we are likely to lose the opportunity to further Colombia's progress in improving respect for human rights and lowering violence through enforceable commitments on trade-union protection and reforms of existing labor legislation. On April 6, 2011, the Obama administration and the Colombian government reached an agreement on an action plan that requires the Colombian government take several steps to protect labor rights and violence against labor leaders by December 15, 2011.

U.S. wheat and barley producers were very pleased to hear the announcement from the Obama Administration that the United States and Colombia have successfully negotiated a path forward. This advancement is the result of hard work by many individuals in both the United States and Colombia. In particular, I would like to thank Chairman Baucus for his strong leadership on trade issues. He is an effective and tireless promoter of agriculture in Montana and the U.S. and knows very well the importance of exports to our industry.

We encourage the Obama Administration to prepare and submit the FTA to Congress for a ratification vote as soon as possible and we urge House and Senate members to vote for its swift passage. Thank you again for this opportunity to offer our comments.