



**Testimony of Ryan McCormick
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before the United States Senate Committee on Finance
Hearing to Review Pending Free Trade Agreement with the European Union
Wednesday, Oct. 30, 2013**

Chairman Baucus, Ranking Member Hatch, members of the committee, my name is Ryan McCormick. I, along with my family, operate a successful agribusiness near Kremlin, MT. On our farm we raise hard red winter wheat, hard red spring wheat, durum, dry peas and most recently mustard. I would like to thank you for the opportunity to represent my fellow wheat producers and share my thoughts on the importance of this trade agreement with the European Union.

I currently serve as president of the Montana Grain Growers Association (MGGA); on the board of directors for the National Association of Wheat Growers (NAWG); and chairman of the NAWG's Domestic and Trade Policy committee, which helps set NAWG's policies on international trade.

Free and open trade is critical to wheat farmers, in both Montana and around the country. We are the largest exporter of wheat in the world. In a typical year, U.S. wheat farmers export about half of the product we produce; in Montana this number runs as high as 80 percent. Not only do we depend on trade, the world depends on us as a reliable supplier of high-quality wheat.

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 fully utilize the abundance of our nation's farms. In 2010, Montana growers produced more than 200 million bushels of wheat, while the U.S. Census listed our state population at 989,415 people. We simply do not have a large enough consumer base to support our state's large agricultural production. In fact, 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. As growers of an export-dependent commodity, MGGA and our national

association, the National Association of Wheat Growers, welcomes every opportunity to reduce costs for our international customers, reduce non-tariff barriers and compete on an equal playing field with our competitor suppliers.

In marketing year 2012/2013, the EU was the United States' sixth largest customer. The EU imports three classes of wheat from the U.S., soft red winter, hard red spring and durum wheat. The most often exported classes—hard red spring and durum—are grown in Montana. The EU was the fifth largest market for hard red spring and our top market for durum wheat in 2012/2013.

NAWG's sister organization, U.S. Wheat Associates, has maintained an office in Europe since 1958 to conduct market development activities in partnership with USDA, utilizing the Foreign Market Development program and Market Access Program authorized in the farm bill. U.S. wheat exports to the European Union in the last 20 years peaked at just over 2.0 million metric tons (MMT) in 2004, though the five-year average trade volume of more than 1.2 MMT remains significant and important. One concern to future export competitiveness is that U.S. wheat exports could face increased competition and a less preferential tariff status when the European Union implements its just-completed free trade agreement with Canada. Montana-grown wheat competes directly with wheat grown just north of the border in Canada. Further, the EU and Ukraine recently finalized discussions on an Association Agreement that will provide preferential access for Ukrainian wheat. While the details of this agreement are not fully known, any new access for Ukrainian wheat would compete with U.S. wheat exports.

The U.S. wheat industry supports the swift negotiation and ratification of a comprehensive, high-standard Transatlantic Trade and Investment Partnership (TTIP). A successful TTIP must be completed in a single undertaking, with no exclusions or commitment to deal with tough issues at a later date. The countries comprising the European Union have been valuable buyers of U.S. wheat, and a successful agreement will enable us to maintain and grow sales and market share.

We have identified several key issues for negotiation that will make U.S. wheat more competitive and enhance trade between the two largest economies in the world.

First, the TTIP must eliminate all duties on U.S. wheat imports. Eliminating duties on low- and medium-quality protein wheat will expand market opportunities for U.S. wheat producers. In January 2003, the European Union implemented a tariff rate quota for these two wheat types, which are designated by the EU as having below 14 percent protein. The United States has a special low-duty quota allocation and

can also participate in a worldwide quota. The duty for in-quota wheat is 12 euros per metric ton (MT), and the out-of-quota rate is 95 euros per MT, rates that are much higher than the U.S. wheat import tariff level of \$3.50 per MT for WTO member countries. The European Union reduced the in-quota duty to zero on low- and medium-quality wheat in February 2011, which will remain in place through June 30, 2013. Due to this recent action to remove tariffs, and taking into account the low U.S. tariff, the United States should push for complete and immediate tariff elimination.

The European Union also operates a Margin of Preference (MOP) import system for durum and high quality wheat that results in variable import duties for WTO member countries. Since early 2008, high wheat prices have resulted in duty-free access for U.S. wheat that meets the EU specification for high quality and durum wheat. This zero duty level should be made permanent.

U.S. wheat producers, many from Montana, compete against Canada for durum and high quality wheat. Canada and the European Union just this month completed negotiation of their own free trade agreement. The outcome of the Canada-EU agreement will result in a permanent zero wheat duty for Canadian producers to be phased in over seven years, which will lead to future tariff differentials and a preference toward Canadian wheat. Given the many years of zero duties already in effect and Canada's negotiations, securing a permanent zero duty for U.S. wheat is achievable and would provide increased certainty to U.S. producers and EU importers. Given the seven year phase-in period for the Canadian agreement, a shorter implementation period under TTIP would increase U.S. wheat competitiveness.

Second, U.S. wheat producers strongly support science-based, least-trade restrictive regulations. The European Union and the United States are viewed as global scientific leaders, and our actions on sanitary and phytosanitary (SPS) measures have a broad impact, making this a critical area of discussion. Increased cooperation on science-based SPS risk assessments, standards, processes and implementation of least trade restrictive regulations would benefit U.S.-EU bilateral trade and positively influence SPS regulations in countries that look to the United States and European Union for guidance. Similar to TPP, the TTIP must include SPS commitments that go beyond those agreed to at the WTO, and these provisions must be fully enforceable and subject to dispute settlement.

U.S wheat producers also recognize that transparency and cooperation are critical when it comes to SPS measures, as the application of scientific risk assessments by our countries differ. The European Union

takes a highly cautious approach while U.S. regulators try to apply the least trade restrictive measures possible. These differing implementing procedures can result in a variation of applied SPS measures that create the potential for trade disruption. SPS issues that have arisen throughout the years between the United States and the European Union for wheat include Karnal bunt requirements, as well as mycotoxin and heavy metal allowances.

The United Kingdom and Greece currently have requirements to test U.S. wheat for Karnal bunt upon arrival. These tests have not generated confirmed Karnal bunt presence, but have resulted in delivery delays and a number of false positives, which in turn cause EU buyers to consider U.S. wheat a higher risk for arrival delays than from other origins. The European Union argues that the U.S. Karnal Bunt standard does not provide adequate risk protection, even though their many years of testing have failed to detect wheat that does not meet their requirements. The USDA Karnal bunt declaration is accepted by virtually all other countries around the world, and we are not aware of any new Karnal bunt case throughout the world that can be attributed to U.S. wheat exports. Continued cooperation and movement towards European Union acceptance of the USDA Karnal bunt statement would eliminate unnecessary testing of U.S. wheat shipments upon arrival, removing exporter and importer uncertainty.

This is similar in the case of mycotoxins. The U.S. Federal Grain Inspection Service (FGIS) currently offers official mycotoxin testing services that follows rigorous sampling and testing procedures to provide independent third-party assurance to buyers of their contract specifications, but the European Union does not accept the validity of FGIS approved tests. Destination testing at discharge ports adds a layer of uncertainty. Buyers in Italy have even encouraged U.S. wheat exporters to seek a pre-certification program for mycotoxins due to this additional risk. FGIS recently agreed to start bilateral discussions with their counterparts in the EU on this issue, and we encourage an outcome that reduces burdens for wheat exports. However, if agency discussions fail, this should be addressed during FTA negotiations.

Third, the European Union must agree to a more predictable biotechnology approval process. The EU's political approach in regulating crops enhanced with traits achieved through modern biotechnology procedures is a concern to U.S. wheat producers. The EU biotechnology approval process is slow and often influenced more by politics than science, creating uncertainty and deterring new investment in wheat research. The slow biotechnology approval process puts future trade at risk. Science should be the basis for biotech crop approvals, and the EU market should provide consumer

choice for biotech and non-biotech products. Due to the slow approval process, the European Union needs to implement a low level presence policy (LLP) for food to avoid trade disruptions. A workable LLP policy and threshold for events approved by U.S. regulators would ensure that trade continues even when negligible amounts of approved biotech traits are inadvertently present in bulk shipments. The just-completed FTA between Canada and the EU did include provisions relating to biotechnology. Unfortunately, a discussion forum on biotechnology provides no assurances that the EU will begin adhering to timelines set out in their biotechnology approval process. A successful TTIP must include binding language which ensures timely, science-based approvals in the EU as laid out by their own regulations.

Finally, we urge Congress to renew trade promotion authority (TPA). TPA renewal is essential to completion and ratification of a comprehensive TTIP agreement, as well as completing the Trans-Pacific Partnership and securing an eventual WTO agreement. Current trade negotiations, such as TTIP and TPP, involve important, 21st century trade issues, such SPS enforceability and commitments relating to biotechnology regulations, that have evolved since TPA was last implemented. TPA provides assurances to our trading partners that once an agreement is reached, it will not be unnecessarily held up in Congress or amended to include provisions that may be unpalatable.

While TPA is essential for the Administration to successfully complete new agreements, it also empowers Congress. TPA negotiating objectives and procedures also lay out a structured framework and pathway for addressing issues important to Congress, and consultation requirements ensure that Congress remains aware of their negotiating status. Once a successful agreement is reached, TPA lays out the process for swift ratification by Congress.

In conclusion, U.S. wheat farmers welcome the progress that has taken place so far in the TTIP negotiations, and encourage Congress and the Administration to work together to negotiate a comprehensive, high standard agreement. Competition with Canadian wheat in the European market is looming and U.S. wheat farmers do not want to lose customers in this critical market.

Mr. Chairman, Ranking Member Hatch and Members of the Committee, thank you for allowing me the opportunity to be with you today to discuss the importance of this free trade agreement to wheat farmers. I am happy to answer any questions you have.