U.S. Wheat Associates
National Association of Wheat Growers

Submission for the Record
To the House Committee on Ways and Means
February 9, 2011

The free and fair flow of trade is essential to U.S. wheat producers as roughly half of their wheat production is exported each year. In the most recent marketing year of 2009/10, the United States exported 24 million metric tons (MMT) of wheat, roughly 40 percent of production. World wheat exports in 2009/10 were estimated at 135.8 MMT, with the United States accounting for nearly 18 percent of global exports.

The National Association of Wheat Growers (NAWG) was founded more than 60 years ago by producers to work together for the common good of the industry. Today, NAWG works with its 21 state associations and many coalition partners to unite the wheat industry on issues as diverse as federal farm policy, environmental regulation and the future commercialization of biotechnology in wheat.

U.S. Wheat Associates (USW), the wheat industry's export market development organization, conducts training and provides information to customers in more than 100 countries on behalf of America's wheat producers. USW's activities are made possible by producer check off dollars managed by 18 state wheat commissions and cost-share funding from the Market Access Program (MAP) and Foreign Market Development (FMD) program administered by USDA's Foreign Agricultural Service. USW works on behalf of American wheat producers to increase wheat exports by collaborating with foreign government officials and industry representatives to address market constraints and opportunities.

A brief overview of the U.S. wheat industry's trade priorities is provided below. Fact sheets on the pending free trade agreements are also included.

FREE TRADE AGREEMENTS (FTAs)

The U.S. wheat industry strongly supports the ratification of the pending free trade initiatives and encourages the administration to resolve all outstanding issues and send implementing legislation for all three agreements to Congress for immediate ratification. Ratification of the United States-Colombia Trade Promotion Agreement is a top industry priority as U.S. wheat market share is at risk. Argentina enjoys advantages from the Mercosur agreement allowing for duty free access. Canada signed and ratified a free trade agreement in 2010 and implementation is expected to be complete in early 2011. This will allow Canadian wheat to immediately enter the country at zero duty, putting the U.S. at an increased disadvantage to both Argentina and Canada. Based on direct input from Colombia's milling industry, at current prices, U.S. wheat producers across the country stand to lose up to $100 million in wheat sales every year we must compete without a ratified FTA. Additionally, econometric analysis indicated that U.S. producers would have gained $0.10 per bushel in their farm gate price if the Colombia agreement had been implemented ahead of other countries.

U.S. wheat growers are at a competitive disadvantage without new bilateral and regional agreements as other competing wheat producing nations move ahead briskly to sign their own bilateral agreements in several key U.S. markets. U.S. producers are supportive of new free trade initiatives such as the Trans Pacific Partnership to increase market access, but place ratification and implementation of pending free agreements as a priority.

WTO/DOHA

U.S. wheat producers support the eventual passage of a successful Doha agreement that balances reductions in domestic support with significant new market access, particularly in the advanced developing countries, as the best opportunity to generate significant new sales of U.S. wheat. We support current USTR efforts to quantify the current country-specific offers through a bilateral process.

Reciprocal market access for the U.S. wheat industry will be obtained through tariff reductions, but more importantly by limiting tariff loopholes and reducing exemptions on sensitive and special products, as well as the limited use or elimination of the special safeguard mechanism. Advanced developing nations such as China, India and Brazil should not be granted the same special and differential treatment as other developing nations.

In addition, we support the elimination of the monopoly practices of export state trading enterprises (export STEs), the continued use of monetization in food aid programs and the utilization of export credit guarantee programs.

We support Russia's accession to the WTO as a stand-alone undertaking, not as part of a trilateral customs union. We are alarmed by the rising influence of the country's state trading enterprise, the United Grain Company, in the market and increased domestic support payments. Further, Russia should commit to WTO rules relating to import restrictions, export STEs and domestic support prior to admission, not after.

OTHER ISSUES

The monitoring and enforcement of trade practices is critical to ensure the FTA and WTO agreements achieve new market access for U.S. producers. We support efforts to enforce compliance of WTO member country commitments pertaining to domestic support and market access.

We also encourage science based requirements for sanitary and phytosanitary (SPS) requirements to ensure measures are not artificially applied to limit U.S. wheat exports.

Trade is critical to the export dependent U.S. wheat industry. The ability to compete on a fair and level playing field with other wheat exporting countries is essential to the economic well being of U.S. wheat producers, and for continuing a positive trade balance for agriculture.

Fact Sheet: U.S.-Colombia Free Trade Agreement

(U.S.-Colombia FTA)

January 2011

The U.S.-Colombia Free Trade Agreement is crucial to the U.S. wheat industry to maintain sales and market share in an increasingly competitive trade environment. In 2009/10, Colombia was the eighth largest market in the world for sales of U.S. wheat. A fully implemented free trade agreement will immediately eliminate the country's price band system and remove tariffs on U.S. wheat imports upon implementation. This would level the playing field, ensuring U.S. products can compete in the Colombian market.

The U.S. wheat industry faces tough competition in Colombia:

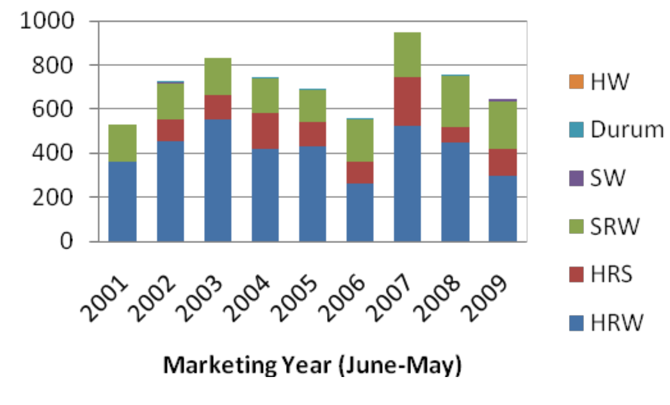
Colombia is dependent on imports to satisfy 97 percent of its wheat demand. The U.S., Canada and Argentina are the principal sources of Colombia's wheat imports. **In 2007/08, U.S. wheat dominated Colombia's wheat market with a share of almost 70 percent.** The value of U.S. wheat exports to Colombia that year reached $330 million, making wheat the second largest agricultural export from the United States. **However, U.S. share fell to 46 percent in 2009/10**, while Canadian wheat market share increased from about 24 percent in 2007/08 to 33 percent in 2009/10. Argentina's market share has grown from almost zero to an average of over 250,000 metric tons since 2005.

U.S. wheat producers stand to ***lose up to $100 million in sales*** *PER YEAR without a FTA.*

Argentina enjoys advantages from the Mercosur agreement allowing for duty free access that puts U.S. wheat producers at a disadvantage. This agreement has been in place since 2005. Canada signed and ratified a free trade agreement in 2010 and implementation is expected to be complete in early 2011. This will allow Canadian wheat to immediately enter the country at zero duty, putting the United States at a disadvantage to both Argentina and Canada. Colombia signed a trade agreement with the EU in 2010 that will also allow for duty free market access to Colombia when implemented.

Colombia's Wheat Imports from the U.S. by Class

1,000 Metric Tons



The U.S. agreement was signed in November 2006, Colombia's legislature ratified the agreement in October 2007 and their Constitutional Court completed its conformity review in 2008. Ratification of the agreement has been held up in the United States on concerns over environmental and labor in Colombia. The Obama Administration has stated that it will develop benchmarks on these issues for the Colombian government to implement before sending the agreement to the U.S. Congress for ratification.

U.S. wheat producers face an increasingly competitive and uncertain market in Colombia:
Despite long-standing ties with Colombian millers, the U.S. wheat industry will continue to lose market share to Canada, Argentina and possibly the EU under implemented FTAs. Based on direct input from Colombia's milling industry, at current prices, U.S. wheat producers across the country stand to lose up to $100 million in wheat sales every year we must compete without a ratified FTA. In that case, tariffs on U.S. wheat could fluctuate between 10 and 15 percent and move as high as the WTO bound rate of 124 percent. Additionally, Colombia has long made use of a WTO illegal "price band" scheme to control agricultural imports through variable duties that fluctuate based on changes in world prices.

Ratify the U.S./Colombia FTA Immediately:
The U.S. wheat industry, along with other agricultural commodity groups, supports immediate ratification of the U.S./Colombia free trade agreement so U.S. producers can compete fairly in the Colombian market.

Years ago, the U.S. opened its market to imports from Colombia through trade preference acts. As a result, more than 90 percent of Colombian imports already enter the U.S. marketplace duty-free. By contrast, U.S. exports to this market, including wheat, face tariffs that often soar into the double digits. Colombia enjoys nearly free access to our marketplace while our access to its market remains limited.

The U.S./Colombia FTA will fix this imbalance by forging a mutually beneficial, reciprocal partnership. Four-fifths 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 the agreement.

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.

Colombia's Wheat Imports from the U.S. by Class
1,000 Metric Tons

June - May Crop Year	HRW	HRS	SRW	SW	Durum	HW	Total
2009	299	119	215	13	0	0	645
2008	447	73	229	0	3	0	751
2007	522	220	204	0	0	0	947
2006	262	101	189	0	3	0	555
2005	428	112	145	0	6	0	691
2004	421	161	155	0	3	0	739
2003	547	112	161	0	0	0	820
2002	454	101	161	6	2	0	723
2001	363	0	165	0	0	0	528

Source: USDA, Federal Grain Inspection Service

Revised: January 24, 2011

U.S. WHEAT ASSOCIATES

National Association of Wheat Growers

Fact Sheet: U.S.-Korea Free Trade Agreement (KORUS FTA)

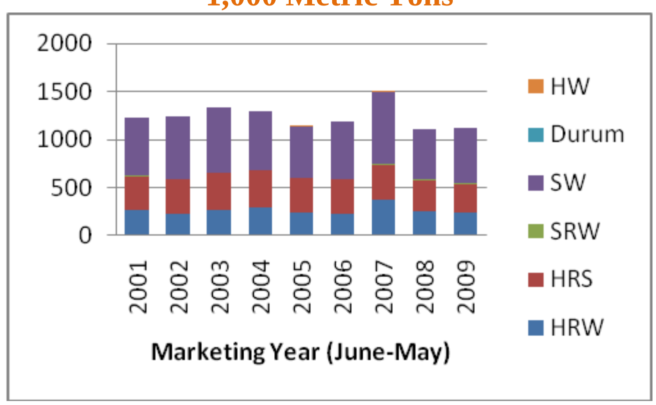
The U.S.-Korea Free Trade Agreement (KORUS) is important to the U.S. wheat industry in maintaining exports in an increasingly competitive trade environment. The U.S. wheat industry applauds the administration's effort to reach a side agreement in December 2010 to clear the path for ratifying and implementing the agreement. U.S. wheat exports to Korea have been trending lower since the mid-1990s, with occasional peaks in demand occurring. The **value of wheat exports to Korea in 2009 was listed at $271 million**, making it the third largest U.S. agricultural export item to Korea.

U.S. wheat producers face competition in Korea:

U.S. wheat producers face stiff competition from Australia and Canada for the milling wheat market in Korea. Korea also purchases substantial quantities of feed wheat, but the U.S. is not price competitive in the feed wheat market in most years. Between 2000 and 2009, **U.S. market share in the milling wheat sector has ranged from a low of 34 percent to a high of 63 percent**. Meanwhile, Australia's share has ranged from 31 to 46 percent and Canada's from 5 to 35 percent.

Korean wheat Imports from the U.S. by class

1,000 Metric Tons



Australia has made the largest gains in the Korean market through the Australian Wheat Board (AWB) monopoly practices. During the years that the AWB operated a monopoly on Australian wheat exports, they were able to control price and offer a special quality of Australian wheat to the Korean market, often at prices below similar quality U.S. wheat. Canada's wheat export monopoly, the Canadian Wheat Board (CWB), also plays this game, with market share increasing substantially in certain years at the expense of the U.S. industry.

The EU signed an agreement with Korea in 2010. The approval process is underway in the EU, and the agreement is expected to be in full force by July 1, 2011. Australia and Korea finished their fifth round of FTA negotiations in May 2010. A Korea-Australia FTA would be harmful to U.S. wheat producers if it is signed and implemented before the U.S. agreement. Canada is also negotiating a FTA with Korea.

Upon implementation, U.S. wheat will secure permanent duty-free access to the Korean market.

Upon implementation:

An agreement was reached between U.S. and Korean negotiators in 2007. A key parliamentary committee in Korea approved the bill in April 2009, which means all that is remaining in Korea to ratify the agreement is a final floor vote in the National Assembly. Ratification of the agreement by the U.S. Congress is expected after a side agreement was reached in 2010 that resolved outstanding issues on automobiles.

U.S. wheat imports face a 1.8 percent tariff and **permanent removal of this duty**, although minor, never-the-less reduces the price of U.S. wheat imports and **allows U.S. producers to compete with cheaper sourced imports and maintain dominant market share**. While the European Union (EU) is not a regular milling wheat supplier to Korea, lower tariffs granted to EU wheat imports from implementation of their free trade agreement could also threaten U.S. market share.

The U.S. wheat industry, along with other agricultural commodity groups, supports immediate ratification of the U.S.-Korea free trade agreement.

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Fact Sheet: U.S.-Panama Trade Promotion Agreement

Panama is a consistent market for U.S. agriculture and it imports all of its wheat needs, with consumption averaging around 125,000 metric tons per year. U.S. market share for wheat has averaged approximately 90 percent since 2000. In 2009, wheat exports were valued at just over $30 million.

An agreement was signed between negotiators from the U.S. and Panama in June 2007. Panama's legislature ratified the agreement in July 2007, but the U.S. Congress has yet to ratify the agreement. In 2010, the European Union (EU) and Canada signed agreements with Panama, but have yet to ratify these agreements.

The agreement would lock in a zero duty rate for U.S. wheat and remove any possibility of tariffs being raised

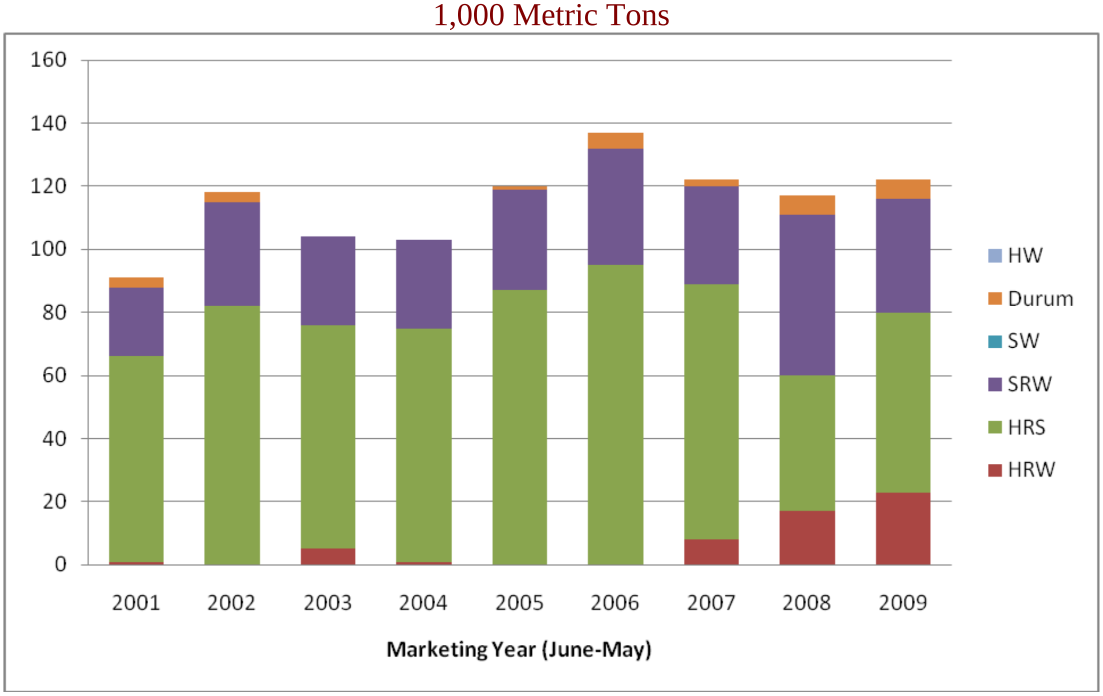
Concerns on Panama's labor laws and their status as a tax haven have held up movement on this agreement. A Tax Information Exchange Agreement (TIEA) was signed with the United States in November 2010 that removes the concern on the country's tax transparency. In addition, many of the labor concerns have also been addressed by the government of Panama.

Upon implementation, the agreement would lock in a zero duty for U.S. wheat producers and remove the potential for the duty on U.S. wheat to rise to the bound level of three percent. This ensures that U.S. wheat will remain competitive against our origins.

The U.S. wheat industry, along with other agricultural commodity groups, supports immediate ratification of the U.S.-Panama free trade agreement.

Panama's wheat imports from the U.S. by class

1,000 Metric Tons



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