



## **Comments on the Free Trade Agreement with the Republic of Colombia**

September 14, 2009

Docket: USTR-2009-0021

U.S. wheat producers are pleased to submit comments on the U.S.-/Colombia Free Trade Agreement (FTA). US wheat producers export over 50 percent of production every year and depend on export sales.

The U.S./Colombia FTA is crucial to the U.S. wheat industry's efforts to maintain sales and market share in an increasingly competitive trade environment. Colombia imports 97 percent of its wheat consumption needs and is the eighth largest market in the world for sales of U.S. wheat valued at \$225 million last year. A fully implemented FTA will remove tariffs on U.S. wheat imports upon ratification and level the playing field ensuring U.S. wheat can compete in the Colombian market.

### **The U.S. wheat industry is losing market share in Colombia.**

The U.S., Canada, and Argentina are the principal sources of Colombia's wheat imports. In 2008/09, U.S. wheat dominated almost 70 percent of Colombia's wheat market. While the U.S. maintained a strong foothold in the market during the last year, Argentina and Canada have begun to chip away at dominant US market share.

In order to prevent loss of export sales and income U.S. wheat farmers need to have the same market conditions as our competitors in one of the larger wheat markets in South America and one which imports 97 percent of its wheat consumption needs. Argentina has enjoyed a zero-percent preferential duty level since 2005 due to a Mercosur agreement with Colombia. Canada is expected to ratify its bilateral agreement with Colombia in early 2010 which will grant Canadian wheat imports immediate duty-free market access. The European Union is also in the process of negotiating a trade agreement with Colombia.

### **U.S. wheat producers face an increasingly competitive market in Colombia.**

Despite long-standing ties with Colombian millers, in the absence of an FTA the U.S. wheat industry will continue to lose sales to both Canada and Argentina and possibly the EU. As wheat from these competitive origins will enter Colombia duty-free, tariffs on U.S. wheat to Colombia will fluctuate from 10% to 15% to as high as 124% according to WTO bound rates. 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.

Using today's prices for hard red winter wheat (HRW), U.S. wheat exporters could be at a \$20/MT to \$250/MT disadvantage. The Colombian industry has stated that even a ten-percent



increase in duties on U.S. wheat over our competitors could result in a 50 percent loss in U.S. market share. Using 2008/09 export data from the United States Department of Agriculture (USDA) and current prices for HRW<sup>1</sup>, a 50 percent loss in exports this would result in a loss of almost \$80 million dollars to rural America each year. Meanwhile, the Food and Agricultural Policy Research Institute (FAPRI) reports that an FTA could result in increased U.S. wheat exports to Colombia, increasing economic returns to rural America by \$2 million per year.

### **Conclusion**

Years ago, the U.S. opened its markets to imports from Colombia through trade preferential bills. As a result, Colombia enjoys unilateral market access to the U.S. with more than 90% of all imports from Colombia already entering 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 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 will enter Colombia duty-free immediately upon implementation of the agreement.

Without the U.S./Colombia FTA, U.S. wheat 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.

While the wheat industry understands the need to ensure proper labor and environmental standards around the world, the FTA includes the same language on these provisions as the U.S.-Peru FTA that passed Congress with a strong, bipartisan vote in 2007. Efforts made by the Colombian government since the FTA was negotiated should not go unrewarded, and U.S. wheat producers should not be punished economically with lower prices for their wheat because they cannot compete in a market that is a natural trading partner.

U.S. wheat producers support immediate ratification of the U.S./Colombia FTA to eliminate the country's price band system and allow for duty-free wheat exports. This will create a level playing field with competing nations, provide millions of dollars in economic returns to rural America through millions of bushels of U.S. wheat exports, and strengthen trading relationships for long-term market returns.

Thank you for the opportunity to comment on this important agreement.



*National Association of Wheat Growers*



Sincerely,

A handwritten signature in black ink, appearing to read "Alan Tracy", written in a cursive style.

Alan Tracy  
President  
U.S. Wheat Associates

Sincerely,

A handwritten signature in black ink, appearing to read "Daren Coppock", written in a cursive style.

Daren Coppock  
Chief Executive Officer  
National Association of Wheat Growers