



**Testimony of Gordon Stoner,
Wheat farmer from Outlook, Montana,
Board Member of the National Association of Wheat Growers
before the United States House of Representatives Committee on Agriculture
Hearing to review pending free trade agreements
Thursday, May 12, 2011**

Chairman Lucas, Ranking Member Peterson, Members of the Committee, my name is Gordon Stoner, and I am a fourth generation farmer/rancher from Outlook, Mont., where I run a diversified operation raising durum wheat, peas, lentils and cattle.

Thank you for giving me the opportunity to testify before you today to discuss the value these three outstanding free trade agreements (FTAs) hold for U.S. wheat farmers.

I currently serve as president of the Montana Grain Growers Association; on the board of directors for the National Association of Wheat Growers (NAWG); and as vice chairman of the Joint International Trade Policy Committee coordinated between NAWG and U.S. Wheat Associates, Inc.

Free and open trade is critical to U.S. wheat farmers. We are the third largest wheat producing country in the world after China and India, but the largest exporter of wheat in the world. In a typical year, we export about half of the product we produce, meaning we really do feed the world.

Free and open trade with other countries is a vital component for ensuring the financial viability of U.S. wheat farmers. 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 utilize the abundance of our nation's farms. As growers of an export-dependent commodity, NAWG welcomes every opportunity to reduce costs for our international customers and compete on an equal playing field with our competitor suppliers.

In the most recently completed marketing year of 2009/2010, the United States exported 24 million metric tons (MMT) of wheat, roughly 40 percent of production. One metric ton is equivalent to 2,204.623 pounds or about 37 bushels of wheat. One million metric ton of wheat is then 37 million bushels. So 24 MMT is roughly 6.7 times the average Montana wheat harvest

of 131 million bushels (2005-2010 average production as reported by USDA). World wheat exports in 2009/2010 were estimated at 135.8 MMT, with the United States accounting for nearly 18 percent of global exports.

The 2010/2011 market year projections by USDA indicate an increasingly important picture for US wheat exports with 34.7 MMT expected to be sold to buyers around the world, which represents 58 percent of production, and accounting for 28 percent of world wheat trade.

World and U.S. wheat production, exports and ending stocks

Mkt year 1/	World production (million bushels)	U.S. production (million bushels)	U.S. share (percent)	World exports (million bushels)	U.S. exports (million bushels)	U.S. share (percent)	World ending stocks (million bushels)	U.S. ending stocks (million bushels)	U.S. share (percent)
1991	19,970.574	1,980.139	9.92	4,039.897	1,282.305	31.74	5,997.970	475.021	7.92
1992	20,673.261	2,466.798	11.93	4,043.241	1,353.580	33.48	6,505.106	530.652	8.16
1993	20,520.260	2,396.440	11.68	3,810.947	1,227.761	32.22	6,706.682	568.484	8.48
1994	19,218.100	2,320.981	12.08	3,608.784	1,188.277	32.93	6,004.584	506.585	8.44
1995	19,750.332	2,182.708	11.05	3,644.792	1,241.143	34.05	5,726.544	376.020	6.57
1996	21,365.365	2,277.388	10.66	3,928.013	1,001.522	25.50	6,045.700	443.607	7.34
1997	22,422.188	2,481.466	11.07	3,836.521	1,040.391	27.12	7,279.407	722.478	9.93
1998	21,694.809	2,547.321	11.74	3,722.028	1,045.743	28.10	7,690.753	945.918	12.30
1999	21,561.099	2,295.560	10.65	4,169.235	1,086.499	26.06	7,728.488	949.748	12.29
2000	21,425.441	2,228.160	10.40	3,730.479	1,062.041	28.47	7,633.579	876.182	11.48
2001	21,441.976	1,947.453	9.08	3,891.710	962.311	24.73	7,514.015	777.112	10.34
2002	20,893.833	1,605.878	7.69	3,882.818	850.211	21.90	6,202.779	491.416	7.92
2003	20,384.492	2,344.415	11.50	3,995.254	1,158.324	28.99	4,935.195	546.439	11.07
2004	23,028.533	2,156.790	9.37	4,108.902	1,065.911	25.94	5,637.661	540.100	9.58
2005	22,749.354	2,103.325	9.25	4,298.463	1,002.781	23.33	5,528.716	571.190	10.33
2006	21,908.548	1,808.416	8.25	4,108.865	908.476	22.11	4,799.133	456.153	9.50
2007	22,490.641	2,051.088	9.12	4,309.376	1,262.612	29.30	4,627.834	305.818	6.61
2008	25,066.192	2,499.164	9.97	5,278.601	1,015.415	19.24	6,123.597	656.505	10.72
2009	25,125.606	2,218.061	8.83	4,989.833	881.017	17.66	7,271.911	975.637	13.42
2010	23,779.831	2,208.391	9.29	4,561.989	1,275.000	27.95	6,717.963	839.235	12.49

1/ Aggregated based on local marketing years. Latest data may be preliminary or projected.

Source: USDA, Foreign Agricultural Service, Production, Supply, and Distribution Database and USDA, World Agricultural Outlook Board, World Agricultural Supply and Demand Estimates.

Date run: 4/22/2011

Agricultural export markets are even more important to Montana farmers because we send 80 percent of our annual wheat production into export channels. 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. 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.

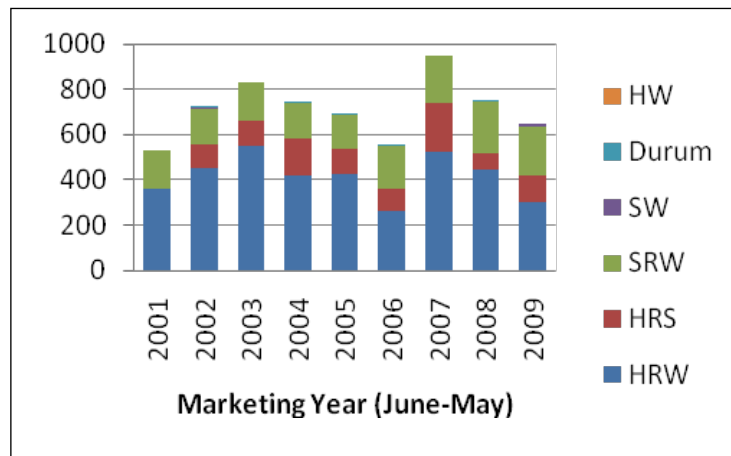
The U.S. wheat industry strongly supports immediate ratification of the three outstanding free trade agreements with Colombia, Panama and South Korea. We request that when the Administration sends the agreements to Congress, you support the agreements as they move through the Congressional approval process. Each of these three countries has been a

valuable buyer of U.S. wheat, and passage of these agreements will enable us to maintain and grow sales and market share.

Implications for FTAs with Colombia, Panama and South Korea

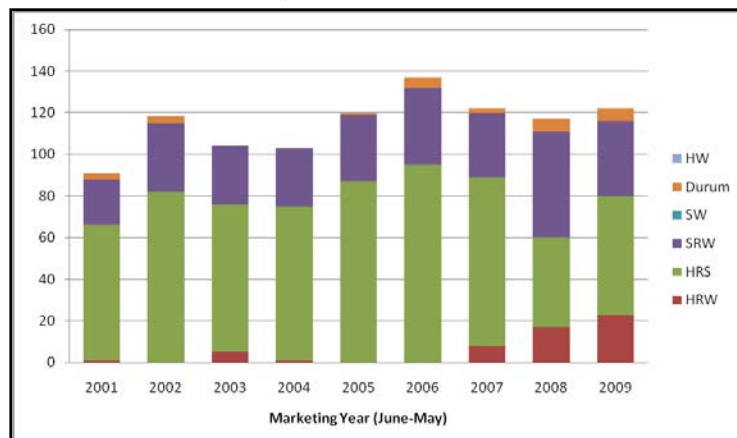
Last year, U.S. wheat producers exported 645 thousand metric tons to Colombia, 123 thousand metric tons to Panama, and 1.1 MMT to South Korea. Using today's export price of \$350 per metric ton, trade to these three countries represents more than \$650 million for wheat farmers, and thousands of jobs in the United States. U.S. wheat farmers will be able to maintain and grow these volumes with the FTAs as immediately upon implementation, duties on wheat imports to each country will be eliminated.

U.S. Exports to Colombia by Class
1,000 Metric Tons



Panama is a consistent market for U.S. wheat producers, buying hard red winter (HRW), hard red spring (HRS) and soft red winter (SRW) wheat, and sourcing almost all of their needs from the United States. The FTA will lock in zero duties and Panama will not be able to increase tariffs to a bound level of three percent.

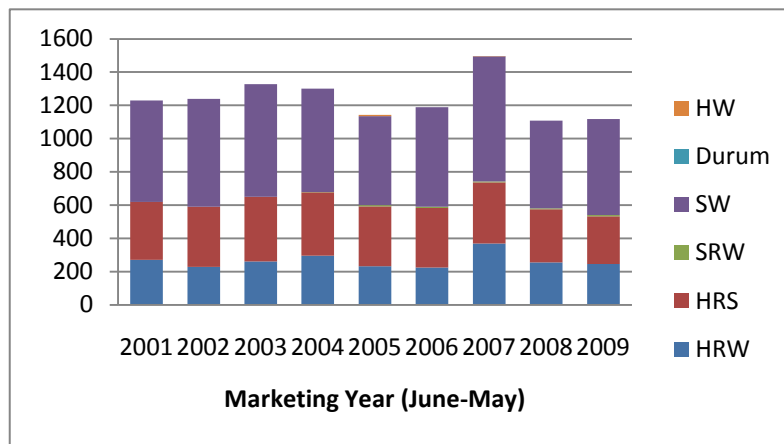
U.S. Exports to Panama U.S. by Class
1,000 Metric Tons



South Korea is a large market for U.S. wheat and is the sixth-largest world market for U.S. wheat farmers based on a five-year average. They purchase a range of wheat classes that impact wheat farmers in several growing regions.

The South Korea FTA would mean they will not be able to increase tariffs to 1.8 percent. Econometric analysisⁱ indicates that this agreement would cause a gradual increase of \$0.08/bushel in farm gate prices for wheat when implemented. Although this seems small, when multiplied by the entire U.S. wheat production of over 2 billion bushels, the economic gain is significant.

U.S. Exports to South Korea by Class
1,000 Metric Tons



Commercial sales to Colombia and South Korea have risen in the current market year, indicating the preference these buyers have for U.S. wheat when we are able to compete on a similar playing field, but also the increased trade we have to lose with delayed ratification.

Colombia of Particular Importance

The U.S.-Colombia FTA is of particular importance to U.S. wheat farmers. Colombia is a wheat import-dependent country, and the United States has been the dominant supplier of wheat to the Colombian people. **It is estimated that U.S. wheat producers will lose \$100 million in annual sales to this market without an FTA.**

In marketing year 2007/2008, our share of the Colombian wheat market was almost 70 percent, representing almost one million metric tons. However, in every year since, U.S. sales have declined by hundreds of tons per year. The Colombian people aren't eating less wheat—they are simply looking elsewhere to buy it, particularly from Canada and Argentina. There is no indication that this decline will not continue, especially as competitors gain preferential access through lower duties.

In marketing year 2009/2010, Colombia was the eighth largest market for U.S. wheat. Colombia has routinely been the top South American market for U.S. wheat producers for many years, but has been nudged out this marketing year by Peru (1 MMT in sales) – in part because of an implemented free trade agreement that entered into force in February 2009.

This marketing year Colombia has purchased five of our six classes of U.S. wheat from farmers across the country, loading vessels in the Gulf of Mexico and the Pacific Northwest. Colombia's diversity of purchases to make various end products means that this FTA will benefit wheat producers from coast to coast.

Sadly this FTA is no longer about giving U.S. wheat farmers an advantage into the Colombian market. Instead, it is now about being on an equal playing field with our competitors. Argentine wheat, under the Mercosur agreement, currently enters Colombia duty free. Argentine wheat was basically non-existent in this market until their duties were decreased in February 2005, making imports from Argentina more attractive, resulting in a 375 percent increase year on year due to this preference. Similarly, Canadian wheat will not be subject to tariffs once the Colombia-Canada FTA is implemented, which is expected in early July of this year.

Colombian flour millers have told us that they like using U.S. wheat, and would like to continue doing so. However, they have also said that they cannot continue to buy our wheat at the volumes they have been if it is more expensive than Canadian wheat. More concerning to me as a farmer is that they tell us that Argentine and Canadian wheat blend together quite well. If millers become accustomed to an Argentine-Canadian blend, it will be more difficult to get them to recalibrate their mills back to using mainly U.S. wheat.

The U.S. agreement will eliminate Colombia import duties currently applied at 10 percent, and they will not be able to increase duties to their World Trade Organization-bound limit of 124 percent. Also eliminated will be Colombia's price band system, a variable import tariff scheme to keep domestic prices within a specific price range that is based on fluctuations in international prices. The certainty granted to U.S. farmers and Colombian importers by a permanent zero tariff rate is critical for the United States to remain competitive in this market. I can not stress enough how important this market and FTA is for us. The same econometric analysis¹ also indicates a \$0.10/bushel increase in farm gate price for the Colombia FTA.

Tangible Benefits for the U.S.

Increased sales of U.S. wheat abroad - or not losing sales as is the case in Colombia - isn't just beneficial for U.S. wheat growers but it reaps rewards for the entire U.S. economy. A USDA Economic Research Service study found that for every \$1 billion dollars in exports, 8,400 jobs are created in the United States—from farming to product transportation to banking and related support industries. During this time of economic recovery, we must take advantage of every opportunity to create jobs. Passage of the FTAs with Colombia, Panama and South Korea are three perfect opportunities to do just that.

Reduced trade barriers also have the potential to increase demand as lower-priced products and increased economic well-being contribute to greater purchases of food. We cannot afford to miss out on these markets as these countries are not waiting on us. Negotiations and talks are underway between these three countries and a number of others, including major wheat competitors, such as Australia, Canada, European Union and the Mercosur block that includes Argentina. A USDA Economic Research Service report states that the number of regional trade agreements has proliferated from fewer than 25 in 1990 to over 290 in 2010. The United States and U.S. wheat producers are missing out on new market access by having only 11 trade agreements in place with 17 countries.

Conclusion

Last week, the U.S. Trade Representative notified Congress that the Administration is ready to begin technical discussions on the FTAs and kick off the process of sending the agreements to Congress for ratification. U.S. wheat farmers welcome this development, and encourage Congress and the Administration to work together quickly through the technical discussions and bring the agreements up for a vote as soon as possible. There is broad support for both agreements, and they should be passed with bipartisan support. Competition with Canadian wheat in the Colombian market is looming as a critical market for U.S. wheat farmers hangs by a thread.

Mr. Chairman, Mr. Peterson and Members of the Committee, thank you for allowing me the opportunity to be with you today to discuss the importance of these free trade agreements to my farm. Immediate ratification of each will increase U.S. wheat sales abroad and create much-needed jobs here at home. I am happy to answer any questions you have.

ⁱ DTB Associates LLP, Allen F. Johnson and Associates, AgRisk Management LLC, Dan Sumner & William Mathews, Global AgriTrends. (2010) *Analysis of the Effects of Trade Agreements on U.S. Agricultural Exports and U.S. Market Development Programs – A Global Broad-Based Initiative Study*.