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Huge Export Losses for Wheat Growers Expected if U.S.-Colombia FTA Not Ratified

(WASHINGTON) July 13, 2009 — U.S. wheat sales to Colombia would likely drop by more than 50 percent if Congress fails to soon ratify the U.S.-Colombia free trade agreement (FTA), say Colombian wheat buyers and millers here this week. That would cost U.S. wheat producers more than \$87 million in annual sales, say officials from U.S. Wheat Associates (USW), the U.S. wheat industry's export market development organization.

Once ratified, the U.S.-Colombia FTA — formally, the U.S.-Colombia Trade Promotion Agreement — signed Nov. 22, 2006, would immediately eliminate most tariffs on U.S. exports, including wheat, with all remaining tariffs phased out over time, according to the Office of the U.S. Trade Representative. Canada this fall expects to ratify its own FTA with Colombia. That would give a major wheat-exporting competitor an immediate price advantage over U.S. wheat exports, USW says. U.S. wheat in Colombia currently has a nearly 70 percent share, the equivalent of more than 27 million bushels of wheat.

"If importers are forced to pay duties on U.S. wheat and not on Canadian wheat, our members believe U.S. market share is likely to fall to as low as 30 percent," said Jaime Jimenez, executive director of FEDEMOL, the Colombian millers association. "We have long-standing ties with the U.S. wheat industry and we prefer U.S. wheat, but the difference in price in that situation would be impossible to ignore."

Jimenez, along with Francisco Cabal, general manager of Molino Santa Marta S.A. and a FEDEMOL board member, and Felipe Laserna, president of wheat importer CIGSA, are meeting this week with members of Congress and the Obama administration to stress the benefits of the pending FTA not only for U.S. exporters — including wheat producers — but also for their enterprises and the Colombian economy.

Wheat would not be the only commodity hurt if the U.S.-Colombia FTA is not ratified. The United States in 2008 exported a record \$1.67 billion of agricultural products to Colombia, according to the U. S. Department of Agriculture (USDA). USDA notes that current tariffs between the United States and Colombia allow 99.9 percent of Colombian food and agricultural exports to enter into the United States duty-free, while no U.S. agricultural exports to Colombia currently receive duty-free treatment.

Argentina enjoys advantages from the Mercosur agreement allowing for duty-free access that already puts U.S. wheat producers at a disadvantage. Colombia also anticipates signing a trade agreement with the European Union (EU) that will also give wheat growers there duty-free market access to the Colombian market.

"Ratifying this FTA is the right thing to do for all American farmers and the right thing to do for the people of Colombia, who I know are working hard to establish a strong, legitimate economy," said South Dakota farmer Chet Edinger. Edinger, who visited Colombia in 2008 as part of a USW-sponsored trade team, is with the Colombian representatives in Washington and will host them at his wheat, corn and soybean farm near Mitchell, S.D., later this week.

"Wheat demand is growing fastest in countries like these," says Arbon, Idaho, wheat producer Hans Hayden, who is also part of this trade mission and has visited Colombia with USW. "Bilateral agreements and, eventually, a multilateral trade agreement are good for U.S. wheat producers and our export customers. We have to keep global demand for U.S. wheat strong if we want to keep farm prices healthy."

"Until a successful World Trade Organization Doha Round can be negotiated, bilateral agreements such as the U.S.-Colombia FTA remain the only viable path to increased market access for U.S. wheat," USW Director of Policy Rebecca Bratter said. "Losing this opportunity will only undermine the thin economic incentive for U.S. producers to grow more wheat—and that would be a mistake with very broad implications."

U.S. Wheat Associates is the industry's market development organization working in 90 countries on behalf of America's wheat producers. The activities of U.S. Wheat Associates are made possible by producer checkoff dollars managed by 18 state wheat commissions and through cost-share funding provided by USDA's Foreign Agricultural Service. For more information, visit www.uswheat.org or contact your state wheat commission.

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