Before the Senate Committee on Finance

Review of the
United States- Central America- Dominican Republic
Free Trade Agreement

Presented by

Lochiel Edwards
on behalf of

Wheat Export Trade Education Committee
National Association of Wheat Growers
National Barley Growers Association
Montana Grain Growers Association
U.S. Wheat Associates

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Good morning Chairman Grassley and Members of the Committee. My name is Lochiel Edwards and I farm on the prairies of Montana. My sister, brother, and children work together with myself to raise high-quality wheat and barley for the people of the United States and for customers in many other countries.

Today I am representing the Wheat Export Trade Education Committee, the trade policy arm of the wheat industry; the National Association of Wheat Growers, which focuses on domestic wheat issues; U.S. Wheat Associates, handling the wheat industry's foreign market promotion; National Barley Growers Association, which covers the national issues important to malt and feed barley growers; and, finally, the Montana Grain Growers Association. This is a long list. Simply summarized, these organizations are comprised of wheat and barley producers such as my neighbors back home.

Exports are critical to our industry. Domestic use of wheat absorbs only half of the United States' production. As you can imagine, our success or failure hinges on our access to world markets. Trade is a vital component for ensuring the financial viability of U.S. wheat and barley farmers. All trade agreements, whether they be with Central America or the WTO, must offer unique potential for expansion of market opportunities for Americans. Ninety-five percent of the world's consumers live beyond our borders; this obviously presents a market opportunity, of which CAFTA is an important part.

Wheat and barley currently have little or no tariff applied in the CAFTA-DR countries, but WTO rules allow the imposition of duties from 60 percent to well over 100 percent. A ten percent tariff is presently applied to wheat flour, with up to 135 percent allowed. This is our interest in the agreement. To establish long-term markets, we must compete with aggressive countries like Canada, Australia, Argentina, and the European Union. These countries, and others, are negotiating agreements in the region, as well.

The Caribbean Basin Initiative and other market preferences currently give the CAFTA countries duty-free access to the United States for virtually all agricultural products (sugar being a notable exception).
CAFTA-DR levels this playing field, providing U.S. exporters market access that is better than, or at least equal to, the access enjoyed by our competitors.

Back home in Montana, wheat and barley are the 2nd and 3rd most valuable commodities, with beef ranking number one. These two grains, especially wheat, are very dependent on export markets, with more than seventy five percent of Montana's wheat crop exported each year. While the total sales of Montana grains to CAFTA countries is small, we know grain sales from anywhere in the United States affect our markets in a positive manner.

Also in Montana, a world-class malting plant is being completed this spring which will give our barley producers a new outlet for their grain. While Coors Brewing and Anheuser Busch will likely use much of the barley malt from this new facility, the Central American market is exactly what is needed to complete the demand for our barley. This market is at least 60,000 metric tons, which translates to 90,000 tons of barley annually. This is significant, and is a market now served by Canada and the European Union. International Malt Company, the owner of the plant, will surely be working to develop competitive freight to Central America out of the Pacific Northwest and the Gulf Coast. This CAFTA agreement is important to projects such as this.

There are some trade-offs in this agreement due to the protections written in on behalf of the U.S. domestic sugar market. We believe the long phase-in of free trade and the exemption of white corn from complete tariff elimination are disappointing precedents to set for our trade negotiators. However, the agreement is positive for U.S. agriculture, and retains the one hundred-plus percent tariff on over-quota imports of sugar into the United States, as well as other sugar protections which should be adequate to satisfy all parties. It is important that no commodities are excluded from this agreement, and we congratulate the negotiators for this. We strongly oppose the amendment of trade agreements to exclude select commodities, an action which would set a poor precedent for the negotiation of trade agreements with additional Central American nations.

This market has been dismissed by some as a small economy, but in these countries we have 40 million consumers with rising incomes and a desire for products we produce. Our market is already largely open to agricultural imports from their countries, so this agreement will result in very little added competition here at home. It is in our best interests to forge this relationship. Trade agreements have a way of taking time to bear fruit, but a good example is our trade with Mexico, which is on the verge of becoming our fourth largest customer for U.S. wheat.

Trade with Central America has larger value, as well. Those we trade with will form societal attitudes of partnership with our country. Rising standards of living and political stability result from increased commerce, and I propose that this is the preferable avenue to achieving these goals in our neighborhood.

The United States' market is already open to imports from these countries. Although gradually in some cases, CAFTA-DR ensures the trade will be on a two-way street. This is good for our nation, and it is good for the people of Central America. This is the right thing at the right time. We ask for your support in the approval of this agreement, and I thank you for this opportunity to present the views of wheat and barley producers.