

Before the U.S. Senate Committee on Finance

Review of the United States - Peru Trade Promotion Agreement

Presented by

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Good morning Chairman Grassley, Senator Baucus and Members of the Committee. My name is Jon Stoner and I farm near Havre, Montana, just south of the Canadian border. I raise three classes of high quality wheat on my farm – hard red winter, hard red spring and durum. I also raise barley, dry peas and lentils. Currently I serve as president of the Montana Grain Growers Association, a grassroots producer organization representing over 1,600 members across Montana.

Let me state up front that international markets and export opportunities are not an illusion for Montana producers. In 2005 the state raised nearly 200 million bushels of wheat, with 60 percent of that production exported overseas, primarily to Pacific Rim countries. This translates to over \$400 million in sales for our producers. We know the opportunities that free and fair trade with our international partners can bring and that's why we strongly support the issue before you today, the U.S. – Peru Trade Promotion Agreement.

If I may, let me highlight two points that wheat producers in the United States take into account when looking at export trade opportunities. First, 96 percent of the world's consumers live beyond our border. The four percent within the United States do not consume enough wheat to sustain a viable wheat industry.

Second, we consistently export nearly 50 percent of our total U.S. wheat production. As you can imagine, our success or failure hinges on our ability to export U.S. wheat around the world. Trade is a vital component for ensuring the financial viability of U.S. wheat farmers. All trade agreements, such as the U.S. – Peru Trade Promotion Authority, must offer unique potential for expanding market opportunities for American growers. The way we see it, every market, regardless of size, is an important market.

Let me point out some of the key advantages for agriculture that I see from this agreement. They reinforce why the agricultural community is uniformly supportive.

- Market Access – No products are excluded
- Elimination of Tariffs – Sixty percent of the tariff lines, representing 90 percent of agricultural trade between the two countries, will be eliminated immediately.
- Sanitary and Phytosanitary Measures – An SPS joint committee will be established to expedite resolution of technical issues.

Now let's turn to the benefits this trade agreement offers for the primary crops I raise on my farm, wheat and barley. And the Montana wheat and barley producers I represent.

In the case of wheat, according to USDA the United States had 66 percent market share in Peru during 2003/04 and 43 percent during 2004/05. In 2005 U.S. wheat export sales into that market were valued at \$78 million. But breathing down our neck are competitors Canada and Argentina. Currently, Peru's applied tariff rates for wheat is 17 percent. Under this agreement, the tariff rates would go to zero immediately for wheat. So while we already have significant market share for wheat in Peru, I'm confident this agreement will allow us to capture even more of that growing market. As a side note I might add that Peru has a relatively low per-capita consumption rate for bread, so I believe our growth potential is even greater.

Barley is the other major crop I raise on my farm and I am even more optimistic about its market potential in Peru. The country currently imports approximately 75,000 tons of malt barley per year, but the sales have been dominated by Australia, Canada, Argentina and the EU. Like wheat, the current applied tariff rate for both malt and feed barley is 17 percent. And similar to wheat, both malt and feed barley tariff rates go to zero upon the signing of this agreement. Great Falls, Montana, recently became home to the newest and most efficient malting facility in the United States, utilizing 13 million bushels of barley per year. This plant, owned by International Malting Company, is a textbook example of a value-added agricultural enterprise ripe for new export opportunities under a U.S. – Peru Trade Promotion Agreement.

Because Canada is a major competitor for sales to Peru, we are pleased that our negotiators secured a commitment on state trading enterprises in this TPA which commits Peru to work with the U.S. toward an agreement in the WTO negotiations. It will:

- Eliminate restrictions on the right to export;
- Eliminate the special financing granted to state trading enterprises which export for sale, directly or indirectly, agricultural products as a significant share of their country's exports; and
- Ensure greater transparency regarding the operation and maintenance of export state trading enterprises.

We applaud our negotiators for their hard work and tenacity to reach this agreement that we believe is very beneficial for U.S. agriculture. We strongly support the U.S. – Peru Trade Promotion Agreement and urge Congress to quickly pass it.

Thank you Mr. Chairman and members of the Committee for this opportunity to speak in support of the agreement and I look forward to answering questions at the appropriate time.

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