

Written Testimony of
Mr. Keith Schott
Treasurer
Montana Grain Growers Association
to the
Senate Finance Committee
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Mr. Chairman, Members of the Committee, thank you for the opportunity to provide testimony on the Free Trade Agreement with Chile. I farm and ranch near Broadview, Montana, located in the southeastern part of the state. My wife and I operate a diversified operation consisting of approximately 3,000 acres of spring wheat, winter wheat, barley, millet, hay and sunflowers. In addition, we run approximately 150 head of beef cattle in a cow/calf operation. I currently serve as treasurer of the Montana Grain Growers Association (MGGA), the primary commodity organization representing wheat and barley producers in the state. My testimony today is on behalf of that organization, as well as the Montana Stockgrowers Association.

Agriculture is Montana's number one industry, with cattle, wheat and barley representing nearly \$2 billion of income to the state's economy. Agricultural producers in our state, and in turn the entire economy, are very dependent upon exports. In the case of wheat, over 80 percent of Montana's crop is exported, traditionally to Pacific Rim countries. That translates into a third of a billion dollars of income to the state. We are always searching to expand our markets, knowing full well that we operate in a world economy with many competitors. Whether or not we agree with the concept of free trade, it's here to stay. What we need is access to expanding markets through a level playing field. Chile offers one of those expanding markets for Montana and U.S. agricultural products.

I would like to touch on several provisions of the Free Trade Agreement with Chile that have particular benefits for producers in my state.

First, both barley and durum wheat tariffs would immediately go to zero once the agreement is ratified by both countries. In the case of durum, Montana is the number two producer in the U.S., with sales valued at over \$50 million per year. Canada has traditionally been the primary supplier of North American durum to Chile. This agreement would put U.S. durum in a very strong competitive position versus Canada. In the case of barley, Montana production is number three in the nation and growing quickly. Barley production is worth over \$100 million to the state's economy.

Second, duties on other classes of wheat would be phased down to zero over the next twelve years. The elimination of this duty will make U.S. wheat producers very competitive to sell into Chile. In Montana, we raise four of the six classes of wheat grown in the United States – hard red winter, hard red spring, hard white and durum. As I mentioned earlier, our wheat producers are familiar with selling into export markets and we know how to deliver high quality products to our end customers. Montana wheat farmers have a lot to offer our Chilean customers.

The third aspect of the agreement that directly affects wheat is the provision that the U.S. will always be on equal footing with other countries relative to customs duties. If Chile were to sign a free trade agreement with another country, the U.S. customs duties shall be at the same level or less. We obviously feel this is a very important piece of the agreement and represents the “fair playing field” for American agriculture that I have referenced before.

In my opening comments I mentioned that I am also a beef producer. I believe this agreement provides potential benefits for that segment of my operation as well. Chile is the ninth largest importer of beef, purchased almost entirely from its South American neighbors. High quality beef raised in Montana could fill an important niche in the high-end, higher value Chilean beef market.

Perhaps the most important beef provision allows immediate recognition of each other’s grading and inspection systems. This reciprocity should greatly reduce the complexity of livestock trade between our two countries. The agreement also calls for a scheduled reduction of beef tariffs over four years, with complete elimination at the end of the period.

Mr. Chairman and Members of the Committee, we need to do everything possible to make U.S. farmers and ranchers competitive in this global economy. One of the most important tools is free and fair access to expanding markets. The Free Trade Agreement with Chile will do just that.

Thank you for allowing me to share my comments. I will be happy to answer questions at the appropriate time.

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