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U.S. Wheat Industry Priorities for the Transatlantic Trade and Investment Partnership

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U.S. Wheat Associates (USW) and the National Association of Wheat Growers (NAWG) support the Transatlantic Trade and Investment Partnership (TTIP). U.S. wheat producers export 50 percent of their annual wheat production and understand the importance of moving U.S. trade policies forward in order to open markets and access the 95 percent of consumers living outside the United States.

European Union member countries are regular U.S. wheat importers, purchasing 1.2 million metric tons (MMT) in marketing year 2011/12, valued at \$362 million. Italy is traditionally the largest European buyer of U.S. wheat, followed by Spain.

USW has maintained an office in Europe since 1958 to conduct market development activities in conjunction with USDA. U.S. wheat exports to the European Union in the last 20 years peaked at just over 2.0 MMT in 2004 and five-year average trade volume of over 1.2 MMT remains significant and important. Of concern to future export competitiveness is that U.S. wheat exports could face increased competition and a less preferential tariff status when the European Union completes ongoing economic partnership negotiations with Canada.

USW and NAWG have identified several key issues as USTR formulates negotiating positions which will enhance trade between the two largest economies in the world.

The TTIP must live up to the proposed standard of being a comprehensive, “21st century” agreement. The European Union does not have a history of conducting comprehensive negotiations, but a comprehensive agreement between the two largest economies in the world would set a tremendous precedent for future trade policies and match the robust discussions underway through the Trans-Pacific Partnership (TPP) talks. While following this high standard may be difficult, it is the correct path forward to ensure all U.S. and EU industries and consumers benefit.

In addition to being comprehensive and ambitious, U.S. wheat producers insist that the agreement be fully enforceable. Specifically, enforceability with dispute settlement of the SPS chapter will help keep the EU accountable should it neglect to live up to its obligations. Doing so will ensure that wheat producers and U.S. agriculture realize the greatest benefit from the agreement.

Elimination of all duties on all U.S. wheat imports.

Eliminating duties on low and medium quality¹ wheat will expand market opportunities for U.S. wheat producers. In January 2003, the European Union implemented a tariff rate quota for these

¹ Low and medium quality refers to the protein level, which the European Union has designated as below 14 percent.

two wheat quality types. The United States has a special low-duty quota allocation of 572,000 MT and can also participate in a worldwide quota of 122,790 MT. These two subsets are part of the overall 3,104,390 MT low to medium quality quota. The duty for in-quota wheat is 12 Euros per MT, and the out- of-quota rate is 95 Euros per MT--rates that are much higher than U.S. wheat import tariff level of \$3.50 per MT for WTO member countries. The European Union reduced the in-quota duty to zero on low and medium quality wheat in February 2011 and this temporary duty exemption remains in place through June 30, 2013. Due to this recent action to remove tariffs and taking into account the low U.S. tariff, the United States should push for complete and immediate tariff elimination

The European Union also operates a Margin of Preference (MOP) import system for durum and high quality² wheat that results in variable import duties for WTO member countries. Since about early 2008, high wheat prices have resulted in duty free access for U.S. wheat that meets the EU specification for high quality and durum wheat. This zero duty level should be made permanent.

U.S. wheat producers mainly compete against Canada for durum and high quality wheat and as of the end of 2012; Canada and the European Union are near completion of their on free trade agreement. The outcome of the Canada-EU agreement is expected to result in a permanent zero wheat duty for Canadian producers, potentially leading to future tariff differentials and a preference for Canadian wheat. Given the many years of zero duties already in effect and Canada's negotiations, securing a permanent zero duty for U.S. wheat is achievable and would provide increased certainty to U.S. producers and EU importers.

The European Union should agree to implement the least trade restrictive sanitary-phytosanitary measures.

U.S. wheat producers strongly support science-based, least trade restrictive regulations. The European Union and the United States are viewed as global scientific leaders and our actions on sanitary and phytosanitary (SPS) measures have a broad impact, making this a critical area of discussion. Increased cooperation on science-based SPS risk assessments, standards, processes and least trade restrictive regulations would benefit US-EU bilateral trade and positively influence SPS regulations in countries that look to the United States and European Union for guidance.

USW recognizes the EU's science-based approach and supports transparency and cooperation on SPS measures. Cooperation is critical, as the application of scientific risk assessments by our countries differs. The European Union takes a highly cautious approach while U.S. regulators try to apply least trade restrictive measures. Even though science is the basis, implementing procedures result in a variation of applied SPS measures that create the potential for trade disruption. SPS issues that have arisen throughout the years between the United States and the European Union for wheat include Karnal Bunt (KB) requirements, as well as mycotoxin and heavy metal allowances.

The United Kingdom and Greece have requirements to test U.S. wheat for KB upon arrival. These tests have not generated confirmed KB presence, but have resulted in delivery delays and a number of false positives, which in turn cause EU buyers to consider U.S. wheat a higher risk for arrival port delays than from other origins. The European Union argues that the U.S. bunted kernel standard does not provide adequate risk protection, even though their many years of testing have failed to detect wheat that does not meet their requirements. The USDA KB declaration is accepted by virtually all other countries around the world. We are not aware of any new KB case throughout

² High quality refers to the protein level, which the European Union has designated at 14 percent.

the world that can be attributed to U.S. wheat exports. Continued cooperation and movement towards European Union acceptance of the USDA KB statement would eliminate unnecessary testing of U.S. wheat shipments upon arrival for KB, removing exporter and importer uncertainty.

Mycotoxin testing for deoxynivalenol (DON) and ochratoxin is another area of potential collaboration. The U.S. Federal Grain Inspection Service (FGIS) currently offers official mycotoxin testing services, but the European Union does not accept the validity of FGIS approved tests. This is a concern since FGIS follows a rigorous sampling and testing procedure to provide independent third-party assurance to buyers of their contract specifications. Destination testing at discharge ports adds a layer of uncertainty and buyers in Italy have encouraged USW to seek a pre-certification program for mycotoxins due to this the additional risk. Canada already offers EU importers a pre-certification option for ochratoxin. Greater collaboration on mycotoxin sampling and testing procedures and eventual acceptance of FGIS results at loading would reduce this uncertainty.

The European Union should agree to a more predictable biotechnology approval process.

Finally, the EU's political approach in regulating crops enhanced with traits achieved through modern biotechnology procedures is a concern to U.S. wheat producers. The EU biotechnology approval process is slow and often influenced more by politics than science, creating uncertainty and deterring new investment in wheat research. The slow biotechnology approval process also puts future trade at risk. Science should be the basis for biotech crop approvals and the EU market should provide consumer choice for biotech and non-biotech products. Due to the slow approval process, the European Union needs to implement a low level presence policy (LLP) for food to avoid trade disruptions. A workable LLP policy and threshold for events approved by U.S. regulators would ensure that trade continues even when negligible amounts of approved biotech traits are inadvertently present in bulk shipments.

U.S. wheat producers realize that new technologies, such as biotechnology, are needed to sustainably supply the future food needs of the world as well as to be competitive with other crops. U.S. wheat producers pride themselves on providing importers choice through six different wheat classes with distinct quality characteristics and realize choice for biotech and non-biotech products is important. Science and market preferences, not politics, should be the determinants.

USW and NAWG appreciate the chance to comment and support a comprehensive US-EU trade agreement that provides greater opportunities and efficient trade. Based on USDA's estimate that \$1 billion in exports equates to 8,000 American jobs, wheat trade with the European Union already supports thousands of jobs across the United States. Due to competition from Canada in the EU market and their likely first-mover advantage in securing a trade agreement, a US-EU agreement will help secure current market share and more consistent trade that will sustain U.S. jobs and contribute to the U.S. economy.