September 20, 2006

Honorable Susan Schwab
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Honorable Mike Johanns
Secretary of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250

Dear Ambassador Schwab and Secretary Johanns:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the final report of the Agricultural Technical Advisory Committee for trade in Grains, Feed, and Oilseeds on the Trade Promotion Agreement with Colombia, reflecting a consensus advisory opinion on the proposed Agreement.

Sincerely,

Donald E. Latham
Chair
Grains, Feed, and Oilseeds ATAC

SEPTEMBER 20, 2006

The U.S.-Colombia Trade Promotion Agreement (CTPA)

Report of the
Agricultural Technical Advisory Committee for trade in Grains, Feed, and Oilseeds

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Agricultural Technical Advisory Committee for trade in Grains, Feed, and Oilseeds

Advisory Committee Report to the President, the Congress and the United States Trade Representative on the U.S. – Colombia Trade Promotion Agreement

I. Purpose of the Committee Report

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002.

Pursuant to these requirements, the Grain, Feed and Oilseeds ATAC hereby submits the following report.

II. Executive Summary of Committee Report

The Grains, Feed & Oilseeds ATAC fully endorses the agreement reached between the U.S. and Colombia on a bilateral trade agreement. Most of the provisions will greatly benefit the U.S. industry. The agreement takes Colombian tariffs to zero for most products, though several remain subject to tariff rate quotas that are phased-out over time. The agreement also includes safeguard measures on rice, dried beans, beef and chicken. The agreement negates the adverse effects of Colombian policies such as price bands and absorption requirements. There is also a side agreement in which Bogota recognizes U.S. inspected meat as equivalent and will allow entry of the product with USDA inspection certification no later than October 31, 2006. In short, the agreement will provide both immediate and long-term benefits to the U.S. producers and processors of grain, feed and oilseeds.

III. Brief Description of the Mandate of the Grains, Feed and Oilseeds ATAC

The advisory committee is authorized by Sections 135(c)(1) and (2) of the Trade Act of 1974 (Pub. L. No. 93-618), as amended, and is intended to assure that representative elements of the private sector have an opportunity to make known their views to the U.S. Government on trade and trade policy matters. They provide a formal mechanism through which the U.S. Government may seek advice and information. The continuance of the committee is in the public interest in connection with the work of the U.S. Department of Agriculture (USDA) and the Office of the U.S. Trade Representative. There are no other agencies or existing advisory committees that could supply this private sector input.

IV. Negotiating Objectives and Priorities of the Grains, Feed and Oilseeds ATAC

The principal objective of the Grains, Feed and Oilseeds ATAC is to advise the Administration on issues of importance in negotiating competitive opportunities for United States exports of agricultural commodities in foreign markets and achieving fairer and more open conditions of trade for grains, feed and oilseeds.

V. Advisory Committee Opinion on Agreement

Colombia is a valuable trading partner for U.S. agriculture. As reflected in the following table, at least nine of the top 20 agricultural imports by Colombia are products of direct interest to this ATAC.

Top 20 Colombia Agricultural Imports (2004)

	Commodity	Quantity		Value (000 US$)	Unit value (US$)
1	**Maize**	Mt	1909354	332085	174
2	**Wheat**	Mt	1265783	236949	187
3	**Cake of Soya Beans**	Mt	538940	154873	287
4	**Soybeans**	Mt	407580	131483	323
5	**Oil of Soya Beans**	Mt	150260	94613	630
6	Food Prepared nes	Mt	29704	89648	3018
7	Cotton Lint	Mt	38720	57978	1497
8	Food Wastes	Mt	11437	38729	3386
9	Tobacco Leaves	Mt	14268	38542	2701
10	**Barley**	Mt	198953	36996	186
11	Apples	Mt	49142	30641	624
12	Beverages Dist Alcoholic	Mt	11526	30271	2626
13	**Oil of Sunflower Seed**	Mt	40911	29271	715
14	**Lentils**	Mt	63368	25939	409
15	**Milled Paddy Rice**	Mt	85697	22948	268
16	Cigarettes	Mt	3051	21535	7058
17	Rubber Natural Dry	Mt	13974	18459	1321
18	Tallow	Mt	39269	18142	462
19	Wine	Mt	9341	17803	1906
20	Infant Food	Mt	5358	16473	3074

Source FAO

In the import year highlighted above, Colombia relied upon the U.S. for a quarter of its soybean imports, half of its wheat imports and two-thirds of its coarse grain imports. The ATAC believes that this agreement will solidify and likely expand the U.S. market share in Colombia for grains, feed and oilseeds. U.S. exports of meat products to Colombia will also expand, and consequently there will be increased domestic demand for animal feed rations. Following are specific subsector comments:

Feed Grains

The current market access provisions for U.S. feed grains entering Colombia and those that would apply if the CTPA is enacted are detailed in the table below. Note that the first tariff cut to the base rate will become effective in year one of the agreement.

Under the CTPA, U.S. feed grains will no longer be subject to the Andean Price Band System; Colombia has also agreed not to impose any domestic content requirement (absorption of local crop) as a precondition to import; and there will be no special safeguard mechanisms. Administration of the corn and sorghum TRQs will be done on a first-come, first-serve basis.

Colombian Feed Grain Provisions				
Commodity	**WTO Bound percent**	**Basic Duty percent**	**Current Applied percent**	**CTPA Provision**
Yellow Corn[1]	194	15	15	2.1 million metric ton TRQ with zero in-quota duty in year one. The TRQ has a 5 percent compounded growth factor as the 25 percent over-quota base tariff is phased out linearly over 12 years.
White Corn	194	n/a	45	136,000 metric ton TRQ with zero in-quota duty in year one. The TRQ has a 5 percent compounded growth factor as the 20 percent over-quota base tariff is phased out linearly over 12 years.
Sorghum[1]	132	15	15	21,000 metric ton TRQ with zero in-quota duty in year one. The TRQ has a 5 percent compounded growth factor as the 25 percent over-quota base tariff is phased out linearly over 12 years.
Barley[2]	144	15	15	Malting barley will receive immediate tariff elimination. The 13 percent tariff on feed barley will be eliminated on January 1, 2009.
Malt	129	15	15	

Corn gluten feed & meal[2]	90	15	15	Immediate tariff elimination.
DDGS[2]	90	15	15	

[1]The currently applied tariff for yellow corn is 15 percent as long as the price falls between the price bands. Once the price exceeds the ceiling price of the band, a lower tariff will be applied and vice versa if the prices fall below the floor price. The same applies to sorghum, while white corn is given a straight 45 percent tariff not subject to the price band.

In February 2004, Colombia started a system to guarantee the purchase of local production of corn and sorghum by the industry. The system is a tariff-rate quota, with the in-quota amount auctioned off based on the importers commitment to purchase local production. The out-of-quota duty is either 5 percent or the Andean price band duty for yellow corn and sorghum, whichever is greater. For 2006, the GOC set the TRQ level at 2.1 MMT. This measure, called the Quota Administration Mechanism, will be eliminated upon implementation of the CTPA.

[2]Tariffs for CGF, CGM and DDGS operate the same as they do for corn. Barley is subject to the price band using a barley reference price.

Corn

Under the CTPA, the United States will gain immediate access to Colombia for 2.1 million metric tons of corn at zero duty. Over the course of the 12-year tariff phase out, the volume of the TRQ will increase by 5 percent, compounded annually. That growth will result in an approximately 3.4 million metric ton TRQ the year before the over-quota tariff is completely eliminated for corn. The agreement will also minimize the impact of the current duty preference for Argentine corn, which widened from 3.9 percent to 4.6 percent in 2006[1].

While Colombia's WTO bound tariff for corn is 68 percent, it currently operates the Andean Community price band system where a base rate duty of 15 percent is applied and a variable levy acts to set an effective floor on domestic prices (see notes above). Under the CTPA, the over-quota base tariff rate of 25 percent for U.S. corn will be reduced linearly over 12 years beginning the first year of the agreement (e.g., the first year tariff will be 23 percent). That duty will act as a ceiling binding. However, if Colombia decides to apply a system that results in lower duties than the ceiling, the

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[1] Andean Community countries (Colombia, Ecuador and Venezuela) and Mercosur members signed an Economic Supplemental Agreement in October 2004. This agreement includes a free trade program that Colombia put in place in early February 2005. For corn, there is a fifteen year phase out period to bring the basic corn duty of 15 percent down to zero (the variable component of the price band will continue to be applied). For year 2006, Colombia granted to Argentina and Brazil a 31 percent preference and 20 percent preference to Paraguay and Uruguay on the 15 percent basic duty, the variable duty of the Andean Community will remain applicable. Under this agreement, corn imports from Argentina will pay 4.6 percent less in duties than imports from the U.S. and other countries during 2006 year.

United States will be given that MFN tariff for over-quota shipments. Elimination of the price band system has been a long-standing objective to the U.S. feed grain industry.

Unlike yellow corn, Colombia currently applies a straight 45 percent duty to white corn. Under the CTPA, the United States will have an initial 136,000 metric ton zero duty TRQ for white corn. The TRQ will grow 5 percent annually as the 20 percent over-quota tariff is phased out linearly over 12 years.

Other provisions in the CTPA achieving the objectives of the U.S. feed grains industry include abolition of domestic content requirements (absorption of local crops) as a precondition to import, and no special safeguard measures will be allowed. In addition, by administering the TRQ on a first-come, first-served basis, all entities that are capable of importing corn will be eligible to take advantage of no duty under the TRQ.

Distillers Dried Grains and Corn Gluten Feed/Meal

The U.S. feed grain industry will benefit from immediate duty free access to the Colombian market for distillers dried grains and corn gluten feed/meal. Enhanced market access for these products is becoming increasingly important as expansion of the U.S. ethanol industry continues to boost production of these feed products.

Barley and Malt

Barley and malt tariffs will be eliminated immediately (while Colombia's WTO bound tariff for barley stands at 144 percent, it currently administers tariffs under the price band using a specific barley reference price). Colombian production of barley is minimal at 20,000 metric tons, while imports of malting barley for the brewing industry have increased steadily to more than 200,000 metric tons annually. The EU, Australia and Argentina have traditionally been Colombia's major suppliers of malting barley imports. By immediately cutting the tariff to zero under the CTPA, this tariff advantage over traditional suppliers should create an opening for U.S. malting barley in this market.

The 13 percent tariff on feed barley will be eliminated by January 1, 2009.

Sorghum

Colombia will have a 21,000 metric ton TRQ with zero in-quota duty in year one. The TRQ has a 5 percent compounded growth factor as the 25 percent over-quota base tariff is phased out linearly over 12 years. Again, the Price Band will not be in effect unless the tariff calculated under that system is lower than the given U.S. bound rate. While not traditionally a market for U.S. sorghum, the zero-duty TRQ will allow a market opening, and the ability for that quantity to compete on a level tariff basis with corn.

Oilseeds and Products

The Colombia FTA tariff schedule provides the following treatment for soybeans and soybean products:

Oilseed Product Market Access				
Description	**Current US Tariff**	**US Tariff upon Implementation**	**Current Colombia Tariff**	**Colombia Market Access Provision Upon Implementation**
Soybeans	0	0	5%	0
Peanuts	$0.0935/kg.	0	5%	0
Flour and meals of soybeans	1.9%	0	20%	0
Crude soybean oil	19.1%	0	24%	Crude soybean oil has a TRQ structure under which 31,200 MT may enter duty free in year 1. The duty free quantity increases 4% per year through year 9, and becomes unlimited in year 10. Over quota imports bear a 24% tariff in year one, declining in equal annual increments to zero in year 10.
Refined soybean oil	19.1%	0	24%	Refined soybean oil has a 24% tariff in year 1, declining in equal annual increments to zero in year 5.
Protein Concentrates and TVP	6.4%	0	20%	0
Oilcake	$0.45/kg.	0	20%	0
Protein isolates	5%	0	10%	0

Colombia is a significant importer of soybeans and soybean products, with soybean meal imports increasing rapidly. The FTA tariff structure appears to be very favorable to the US.

Wheat

Under the CTPA, the tariff on all wheat from the U.S. immediately drops to zero. This offers a potential opportunity to grow wheat product consumption and U.S. sales.

Market Access Provisions for Wheat				
Description	**Current US Tariff**	**US Tariff After Implementation**	**Current Colombia Tariff**	**Colombia Tariff after Implementation**
Wheat	2.8%	0	5%	0
Durum	$0.65/kg.	0	5%	0

Rice

The agreement provides for a 19 year phase-out of a TRQ on milled rice whereby U.S. rice entering Colombia within the TRQ is at zero-duty and under the terms of an Export Trade Certificate. This method of allocating exports within the TRQ is very positive for the U.S. industry by providing the opportunity for all segments of the U.S. rice industry to share in quota rents generated by the TRQ. The Committee understands that quota rents will be split between the rice industries in the United States and Colombia.

Market Access Provisions for Rice				
Description	**Current US Tariff**	**US Tariff After Implementation**	**Current Colombia Tariff**	**Colombia Market Access Provision Upon Implementation**
Rice	$0.018/kg.	0	5%	0
Milled Rice	$0.014/kg.	0	80%	19 year phase-out of TRQ

Miscellaneous Provisions: Other provisions in the CTPA of interest to U.S. grain, feed and oilseeds industry include:

> ***Absorption Requirements:*** There are no allowances for requiring domestic content requirements (absorption of local crops) as a precondition to import.
> ***Price Bands:*** Colombia has agreed to TRQ's rather than price band systems.
> ***Safeguards***: Colombia will maintain special safeguard measures on rice, dried beans, beef and chicken.
> ***Sanitary and Phytosanitary Measures***: U.S. negotiators have worked to further strengthen the SPS language in the Colombia agreement.

VI. Grain, Feed and Oilseed ATAC Membership

NAME	ORGANIZATION	CITY/STATE
Donald E. Latham, Chairman	Latham Seed Company	Alexander, IA
Dan L. Anderson	Anderson Wheat Farms, Inc.	Haxtun, CO
Mark T. Anderson	Anderson Hay and Grain Co., Inc.	Ellensburg, WA
Gary R. Blumenthal	World Perspectives, Inc.	Washington, DC
Devry S. Boughner	Cargill, Inc.	Washington, DC
James E. Bowman	Monsanto Company	St. Louis, MO
Kyd D. Brenner	DTB Associates, LLP	Washington, DC
Fred J. Clark	Cornerstone Government Affairs	Washington, DC
Robert E. Cummings, Jr.	USA Rice Federation	Arlington, VA
Steven J. Daugherty	Pioneer Hi Bred International, Inc.	Des Moines, IA
Neal H. Fisher	North Dakota Wheat Commission	Bismarck, ND
John D. Gordley	Gordley Associates, Inc.	Washington, DC
Paul B. Green	Paul B. Green International Marketing	Washington, DC
John K. Hansen	Nebraska Farmers Union	Lincoln, NE
R. Rusty Harder	Competitive Strategic Intelligence, Inc.	Story City, IA
Kenneth L. Hobbie	U.S. Grains Council	Washington, DC
Lurlin L. Hoelscher	Hoelscher Ag Dist., Inc.	Alden, IA
Christopher D. Holdgreve	National Grain and Feed Association	Washington, DC
Daniel T. Kidd	Kidd Brothers Farms	Big Sandy, MT
Ronald J. Litterer	Pro-Net Farms and Four Seasons Pork, LLC	Greene, IA
David C. Lyons	Louis Dreyfus Corporation	Washington, DC
Timothy D. McGreevy	USA Dry Pea and Lentil Council	Moscow, ID
Robert J. Metz	Metz Farms, Inc.	Browns Valley, MN
Joel G. Newman	American Feed Industry Association	Arlington, VA

John G. Reed, Jr.	Archer Daniels Midland Company	Washington, DC
Robert M. Reeves	Institute of Shortening and Edible Oils	Washington, DC
Mark A. Rokala	Cornerstone Government Affairs	Washington, DC
Candace A. Roper	CoBank, ACB	Englewood, CO
Claude P. Rosson, III	Texas A&M University	College Station, TX
Michael E. Rue	Catlett Warehouse	Marysville, CA
Ladd M. Seaberg	MGP Ingredients, Inc.	Atchison, KS
Deborah J. Silverberg	National Corn Growers Association	Washington, DC
Robert H. Sindt	US Dry Bean Council	Washington, DC
Barbara R. Spangler	Wheat Export Trade Education Committee	Washington, DC
Alan T. Tracy	U. S. Wheat Associates, Inc.	Washington, DC
Margaret A. Tutwiler	International Food & Agricultural Trade Policy Council	Washington, DC
David M. Winkles, Jr.	South Carolina Farm Bureau	Columbia, SC