

MR. FISHER: Thank you. Good morning, Chairman Angell and members of the Commission.

My name is Neal Fisher. I'm administrator of the North Dakota Wheat Commission located in Bismarck.

Our Commission represents 19,500 wheat farmers in our state, and we provide them with research and promotion programs, information services, trade servicing and in general try to improve their well-being and the economic well-being of the State of North Dakota.

As you know, U.S. wheat farmers are currently facing severe economic conditions due to a combination of factors.

For example, there have been five straight years of record worldwide production, growing world inventories, Asian financial problems, unilateral trade sanctions, less than aggressive U.S. trade policy, and rising imports of foreign agricultural goods, including spring wheat and durum.

Obviously there are many factors that we could discuss today that could be cited as contributing

to this problem. But as a result, farm prices, in many cases, have dropped to 30-year lows.

We readily recognize that increasing the volume and value of our exports is a very, very important part of a much-needed recovery at this time.

Although trade policy may be an abstract concept for some farmers, wheat producers are keenly aware that expanding exports through sound export policies and aggressive use of the tools available are vital to the success of their industry.

The reason for this is that more than 50 percent of the total annual U.S. wheat crop is exported each year to processors and consumers in over 130 countries around the world.

Today I'd like to briefly discuss some of the policies and concerns that perplex us as wheat producers, recognize the challenges we face together, and suggest some potential solutions to the current dilemma we face in agricultural trade.

U.S. trade policies traditionally encouraged and enhanced the ability of U.S. producers to export wheat and other valuable commodities.

Through a positive approach to the many facets of the process, growth in trade was encouraged through agronomic advances, improvements to logistics and infrastructure, implementation of sound export policies, and then, the aggressive use of export programs that encouraged foreign buyers to purchase and process U.S. agricultural goods.

In doing so, producers were allowed to compete internationally, expand their market share, increase producer prices, and therefore, their incomes, and improve the economic well-being of not only their own operations, but the whole national economy.

In addition, a positive balance in agricultural trade was a regular feature and a major factor in offsetting or reducing the overall U.S. trade deficit.

Today, however, in the face of an ever-increasing overall U.S. overall trade deficit, the agricultural trade balance is slipping.

In the early '80s and '90s, American agricultural trade policy maintained a more aggressive posture, and U.S. agricultural trade contributed a sizeable surplus to the overall trade balance.

Even as recently as 1996, the agricultural trade surplus was calculated at \$27 billion. In 1999, that level had slipped to \$11 billion, and the projections for 2000 appear not to be much better.

Though still a very significant part of the positive side of the U.S. trade picture, this alarming trend sharply reduces the ability of U.S. agriculture to offset a significant portion of the overall trade deficit. And we're reminded daily of that.

Unfortunately, our 1999 trade deficit reached a record \$270 million.

Under these circumstances, producers logically question the commitment of U.S. trade policy makers to actively seek out opportunities for expanded agricultural trade.

Many of the promises to U.S. wheat producers that were made in the 1996 Farm Bill have yet to be implemented.

This has reduced the ability of U.S. producers to compete and gain a fair market share with many of the world's consumers.

It clearly stands in the way of expansion of the U.S. agricultural industry and threatens the

very livelihoods of an increasing number of U.S. farmers and ranchers.

Wheat producers have a particularly troubling concern where U.S.-Canada trade is concerned.

Since 1996, the U.S. has incurred an average annual deficit of \$861 million in agricultural trade with Canada.

As mentioned previously, many factors have contributed to this situation and the world supply and demand levels that have created the lower price environment.

But these practices of the Canadian Wheat Board, which we're going to delve into a little later, have definitely worsened the situation for our durum and hard red spring wheat producers. These classes of wheat are highly recognized as specialty wheats with specialty end uses, both domestically and in the world market.

But Canada has been increasingly targeting the U.S. as a market for these wheat classes, so much so that, this last year, the U.S. was the second largest export market for Canadian durum and the

largest export market of all as a destination for Canadian spring wheat and durum exports combined.

Canadian durum shipments to the United States have averaged 13 million bushels over the last five years, but they jumped to 20 million this year. That accounts for an incredible 21 percent of our domestic usage at this point.

Looking at the other major class of wheat that we produce in our area, spring wheat shipments have also increased dramatically, to nearly 50 million bushels this year, and account for now 17 percent of our total domestic processing capacity.

To look at this in another way, we looked at some USDA Foreign Ag Service statistics and found that Canadian durum shipments to the United States were nearly 12 times that of the flow of processed durum product that went back into Canada, 22 million bushels versus 2 million bushels.

In a recent Reuters article, we found that -- sometimes there will be an argument that the value of these product shipments somehow is offsetting that growing volume of durum coming in from Canada.

But, this Reuters article, which also quotes USDA, says that the value of durum sales to the United States is now double the value of the pasta products that move the other direction, back into Canada.

Similarly, in the case of all wheat, exports of Canadian grain and grain products to the United States in 1999 were projected at 85 million bushels. The total amount of grain moving the other way, that is, wheat and durum, was only 4 million bushels. That's a 20-fold difference.

It's certainly clear there is neither equity nor fairness in this trade relationship at this point.

Clearer yet is the fact that predatory Canadian trading practices have had a detrimental effect on U.S. wheat farmers far beyond our own borders.

Through the use of standing offers of price discounts, over-delivery on quality factors, and other favorable contract terms, the Canadian Wheat Board has eroded the market share of U.S. producers around the world.

This aggressive penetration of the U.S. domestic market and the third-country effort is leading to the decimation of the U.S. durum industry. It has lowered farm-gate prices and, therefore, discouraged production in our own country.

This in turn has created additional opportunities to move yet more Canadian wheat into the U.S. system and continue the process of a declining U.S. durum industry.

Canada's unfair trade practices have weakened the entire economy of the Northern Plains states in the U.S. and raised taxpayer outlays in the form of larger deficiency payments and emergency government assistance payments to producers in lieu of true market and pricing opportunities.

Despite considerable U.S. effort to make it more transparent and accessible, the Canadian system and access to it remains very highly restrictive.

The Canadians have a monopoly on the sales of western Canadian wheat, durum, and barley going into the export market and to the domestic human consumption market, as well.

With these exclusive rights, the Wheat Board can price grain and enter into forward contracts without facing any commercial risk of replacement cost.

No truly commercial grain merchandising entity anywhere in the world has this level of protection from daily market realities.

The Wheat Board also enjoys preferential freight rates, access to government-owned rail cars, and has special rail car allocation privileges, all negotiated and protected by the Canadian government.

We have some recommendations to improve our situation. I should reemphasize that our Canadian problems are not our only problems.

We have serious problems with the European Union and their use of subsidies, their over-production that is caused by that, the build-up of stocks that they create, and the resulting decline in world prices. Generally, the production and trade policies of the European Union require a lot of attention.

There are some legislative actions that we think could be very helpful to U.S. producers. Congress should pass legislation providing permanent

normal trading relations for China. You've heard a lot of the arguments for that already today.

Congress should also prohibit the use of all unilateral sanctions on food and medicine. We strongly support the legislation introduced by Senator Helms which would lift sanctions on ag products and medicine and approve parallel language in the House.

Congress should also fund existing export programs to the fullest extent authorized in the '96 Farm Bill. They are the only viable tools we have against the unfair subsidies and actions by our competitors.

We must stop any attempt in Congress to withdraw approval of the U.S. WTO agreement. Export subsidies from the European Union continue to be a thorn in the side of U.S. wheat producers, and without the WTO leverage of the U.S. and other member countries, we will not be able to find the discipline that we seek on these subsidies.

We also favor the approval of legislation to create a permanent agricultural ambassador in the office of the USTR. We think that is a very positive

step toward making an aggressive statement to the rest of our trading partners.

We also note the issue of fast-track has attracted a lot of mixed opinions, but that our trading partners are progressing rapidly with new agreements that expand their trade opportunities. For example, the European Union has negotiated 29 new agreements that distance us from some of our existing markets.

We also think there are some administrative actions that can be taken. The WTO's so-called built-in agricultural agenda should be moved forward immediately.

We should place a high priority on using the export programs that are available, particularly the EEP, GSM-102/103, and the Public Law 480 programs.

I think we have about run out of time here so I will try to conclude my remarks. I would also like to add my compliments to the Commission for allowing us the opportunity to appear here.

I think these growing inequities in the agricultural trade balance are of great concern to U.S. farmers and ranchers and I appreciate this opportunity to respond. Thank you.

MR. ANGELL: Thank you very much, Mr. Fisher. Having a background in wheat farming, I certainly understand the points that you've mentioned.

Now, before we get to the next two speakers, we should recognize that it's very seldom in the history of U.S. agriculture that we've had as devastating a period as occurred over the last two years.

Agriculture faces the ravages of weather. And weather in the High Plains is very nonsteady, you might say. And there are a lot of difficulties that farmers face.

But when the countries of Southeast Asia devalued their currencies and inflicted such hardship and poverty on their people -- currency devaluations made the people of a country so poor that they could not import much.

The devastating impact on American agriculture has not very well been documented.

So I would appreciate if each of the panelists would be able to go back and trace out some of the decrease in exports to Southeast Asian countries involved after those currency devaluations.

Leo McDonnell is a rancher and a cattleman in a group called the Cattlemen Action Legal Fund. Mr. McDonnell hails from Montana. Welcome. We will listen to your statement.