

MR. JOHNSON: Thank you, Mr. Chairman.
It's a pleasure to be here.

My perspective may be a bit different than anyone else has brought before you today.

I grew up as a farmer. I still operate a farm in North Dakota, a border state. It's actually the farm that my granddad homesteaded, and so my roots go very deep. We have some similarities. We're both Great Plains folks.

And I hope to focus my remarks today more specifically on issues that I think are really important to producers in North Dakota.

North Dakota farmers and ranchers lead the nation -- a lot of folks don't know this -- in the production of a number of commodities: flax seed, canola, durum wheat, the highest quality wheats, spring wheat, pinto beans, sunflowers, dry edible beans, and barley.

Agriculture is really the driving economic force in North Dakota. It accounts for about 37 percent of our state's economic base.

And of course, North Dakota, as a border state, is in sort of a unique position relative to the

rest of the Bread Basket of the country with respect to Canada.

Hypothetically, in fact, practically, a farming operation of a Towner County producer, one of those counties lining up against the Canadian border in North Dakota, may be very similar to a Manitoba producer just a few miles away, raising the same crops, same type of land, same growing conditions, et cetera.

In many cases, these farmers are competing in these same markets. In fact, in most cases they are.

Frustration arises when there are inconsistencies between the availability and prices of crop inputs, which have a direct impact on the economic bottom line for producers.

I'm going to focus very specifically -- because I think it might help to just go into a fair amount of detail on a particular input to sort of draw your attention to some of those microfactors that come into production agriculture and some of these really sensitive political issues that arise when you have neighbors competing against one another across an international border.

And in particular, the frustration that comes from that sort of competition but when involved in very different marketing systems in the two countries.

Recent border protests that were sort of up in that area of the country I think led the national news here a couple years ago and, as a result of that, in part, led to a record of understanding between the United States and Canada. I'm going to talk a bit about that.

And my written testimony describes a number of the issues that I think where there may have been some progress made with respect specifically to the record of understanding.

I want to focus most on one issue specifically, chemical harmonization, even though, as I mentioned in my written testimony, for example, the intransigent program, which involves as a part of the record of understanding, now allows U.S. commodities to move via train-load lot up into Canada and then come back down for export out of U.S. ports.

Before the progress toward the record of understanding, that was not the case without having

phyto-sanitary certificates and probes done in every car in the train, whether the grain was ever going to find its way into a Canadian market or be exported from a Canadian port.

That has been resolved and I think does provide some sort of positive result as a part of the record of understanding.

Pesticide harmonization is a real hot issue in our state, and it breaks into three components, really.

From a producer perspective, very little progress has been made on this issue even though -- you can go way back to the CUSTA (Canada-U.S. Trade Agreement,) when the two countries agreed that we were going to harmonize standards with respect to chemicals that are used on crops.

And yet today, with respect to new chemicals coming onto the market, there have been only five of them that have been harmonized between these two countries out of thousands, literally thousands of chemical products that are out there.

So there's very much a sense that, while there may be some good-faith effort on the part of the

two governments, we are moving far too slowly with respect to new products.

The second issue with respect to pesticide harmonization gets to the question of existing chemical products.

And in particular, I break the older chemicals into two groups where we have done reviews in this country and concluded that these products are no longer safe either because of health concerns or environmental concerns or food safety concerns, any of those reasons.

In this country we must look at these chemicals and say, "We don't want to use them anymore, therefore, they're banned."

The Canadian process is substantially behind us with respect to their analyses. In fact, they don't even do that sort of reevaluation that we now are doing as a result of FUPA.

As a result, we have a lot of products that get banned in this country yet are continuing to be used north of the border, products that in many cases are cheaper, so costs of production are far lower on that side of the border than are here, and yet we

import the commodities produced with those chemical products.

And I think that is a double standard. And of course, our producers come to the same conclusion, that it is a double standard.

And there ought to be some mechanism put in place that says, if you're going to use, in another country, a chemical that in this country we say is unsafe, unfit for the environment, et cetera, then, fine, you go ahead and use it, but don't compete in our domestic market with that commodity grown with that product.

Because we've made a decision as a country that it's something that we don't want in our food.

The third category here really is also a directly competitive issue, and it deals with pricing.

We have a number of circumstances where you may have the same chemical product that is available in both countries.

But because of the requirement in this country that you can only use a product that has a U.S. EPA label on it, it is illegal for our farmers to go into Canada, for example, and buy that same product and

bring it across the border and use it on crops here, even though the products may be identical.

The labels are different, and it's illegal to apply a product that does not have an EPA label on it.

The same thing actually is true in Canada. They can't come down here and buy ours.

Unfortunately, in most cases, we see that the prices for the Canadian products are substantially cheaper than they are for the U.S. products. And we can get into reasons for that, if you like, during the question and answer session.

This was such a hot issue that, in fact, the last legislative session specifically gave me the authority as the Commissioner of Agriculture to put a state registration on a Canadian product if I thought I ought to do that, as long as it didn't violate Federal law.

Well, there went the onus. Okay. Well, if it's going to violate Federal law, I can't put it on, and any Canadian product that isn't registered in the U.S. violates Canadian law.

So we then went to the EPA and said, EPA, this problem is yours.

And EPA then, after a fair amount of work, looked at this issue and said, Guess what? If we think it's the same product, we're going to give you, as the Commissioner of Agriculture in North Dakota, the authority to put that state label on, you can do it.

The problem is you have to have a chemical company that agrees to it. And in no case have we found a chemical company that's been willing to do it.

Price discrimination essentially is what you're dealing with.

For an issue like this to arise to the level that the legislature would pass a law trying to deal with it I think reflects the fact that it is a huge political issue in our state.

There is a lot of perception in our state that the competition that we have across the border is unfair.

There have been a number of other issues as a part of the record of understanding that have been dealt with, and my paper goes into them.

Dealing with animal trade issues, we have an ongoing process where the state veterinarians are working and trying to deal with some of the medicines as well as the diseases that come into effect with respect to trade across the borders. And we are making some progress, albeit slow and limited.

Dealing with animal import regulations, we have the same sort of ongoing effort there.

We think there are a number of emerging issues. In my paper, I talk about some of those emerging issues on the Canadian side that are going to prevent our livestock from moving north across the border, as well.

If I could just take one moment and make one final comment about one of the points that I make very near the end of my written testimony.

It has to do with GMO's. And there was a lot of talk in earlier panels about GMO's and labels and all those sorts of things.

I'm one of those who finds myself in the position of saying the consumer is king. We need to respond to what the consumer wants.

And we need to figure out a way of using this to our advantage so that we can differentially market some of these products, either with or without GMO's, advertise them.

And we need to devote a whole lot more research on the Government level in this area so that we can build some consumer confidence in the system that we have here in this country, as well.

Thank you, Mr. Chairman and members of the Commission.

MR. ANGELL: Thank you. And Arthur Ismay, President, Ismay International, we welcome your presentation.

