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A third-generation family farmer, Roger Johnson was elected North Dakota Commissioner of Agriculture in 1996. Commissioner Johnson is a native of Turtle Lake, where he owned and operated a 1,200-acre diversified farm first homesteaded by his grandfather. Since taking office, he share-rents the farm to his brother.

Commissioner Johnson is a graduate of North Dakota State University with a degree in agricultural economics. He has an extensive background in agricultural mediation, working as administrator of the North Dakota Agricultural Mediation Service from 1989 to 1996.

As Commissioner of Agriculture, he serves on the three-member State Industrial Commission, which acts as the board of directors for the state-owned Bank of North Dakota and State Mill and Elevator. He is also a member of the State Board of Tax Equalization, State Water Commission and many other boards and commissions. Commissioner Johnson also currently chairs the Risk Management Committee of the National Association of State Departments of Agriculture.

In 1997, Commissioner Johnson also led the creation of the Commission on the Future of Agriculture, which brought together over 60 organizations representing a broad range of rural and agricultural interests to craft a vision for the future of agriculture in North Dakota.

Commissioner Johnson is a member of Good Shepard Lutheran Church. He, his wife Anita, and their family live in Bismarck.



**Testimony
of
Roger Johnson
North Dakota
Agriculture Commissioner**

**U.S. Trade Deficit
Review Commission
Special Hearing
Kansas City Federal Reserve Bank
April 26, 2000**

Introduction

Good afternoon, Chairman Angell and commission members, I am North Dakota Agriculture Commissioner Roger Johnson. Thank you for the invitation to appear before the U.S. Trade Deficit Review Commission to offer testimony on the issues relating to U.S.-Canada trade and global agricultural trade.

North Dakota farmers and ranchers lead the nation in the production of flaxseed, canola, durum wheat, pinto beans, sunflower, spring wheat, all dry edible beans, and barley. North Dakota agricultural exports value over \$1.1 billion annually; wheat and products, sunflower seed and oil, vegetables and preparations, soybeans and products, and feed grains and products are our leading exports.

Agriculture production is a driving economic force in North Dakota, accounting for 37 percent of our state's economic base. Agricultural production generates over \$3 billion in cash receipts annually.

Overview

North Dakota offers a unique perspective on U.S.-Canada trade. As a border state, North Dakotans see first hand the flow of goods between the two countries. Further, trade irritants and concerns that may seem relatively insignificant on a national scale are readily apparent and in many cases amplified by our proximity to Canada.

The farming operation of a Towner county producer in North Dakota may be very similar to a Manitoba producer just a few miles away – raising the same crops, on the same type of land, with the same growing conditions. And, in many cases, these farmers are competing in the same markets. 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. Additional frustration is felt as a result of the very different marketing systems in the two countries.

In my testimony today, I will expand on the scenario I described above and other trade issues relating to Canada. I will also outline my views on global agricultural trade issues.

U.S.-Canada Trade

Trade relations between the United States and Canada have been difficult in recent years, as evidenced by recent border protests and trade actions, this despite an increasing volume of goods crossing our border.

Every day \$1.5 billion worth of goods and services cross the United States – Canada border, making the two countries each other's largest trading partner.

Statistics show that trade has increased between Canada and the United States over the last five years.

The high volume of traded goods seems to overshadow the difficulties that agricultural producers are facing on both sides of the border. Difficult economic conditions have contributed to increased trade tensions.

In December 1998, the United States and Canada entered into a Record of Understanding (ROU) regarding the areas of agricultural trade as a means to address some of the trade tensions between the two countries. Tensions had mounted following border blockades by farmers and stepped-up Canadian truck inspections initiated by Governor Janklow of South Dakota and followed, to a lesser extent, by the states of North Dakota, Minnesota, and Idaho.

I believe that some progress has been made as a result of that agreement.

In-transit Program

One of the success stories of the Record of Understanding has been the in-transit program, whereby rail shipments of wheat and barley move from the U.S. through Canada to markets in the U.S. The program began on January 1, 1999, and included North Dakota, Montana and Minnesota and was expanded to include South Dakota, Nebraska, Kansas, Iowa, Missouri, and Wisconsin on January 1, 2000.

The program allows the use of a certificate of origin in place of a phytosanitary certificate to allow the entry of railcars into Canada. This less restrictive measure eliminates the requirement that each railcar be probed and inspected, which results in considerable savings to shippers and regulatory officials. From January 1, 1999, through April 5, 2000, nearly 860,000 tons of wheat and barley moved under the program.

While the program is an in-transit program and does not allow wheat or barley to reach Canadian markets, it nevertheless reflects a principle that should be followed. That is, the least restrictive measures that mitigate legitimate phytosanitary pest risks should be adopted.

Phytosanitary restrictions should be based on sound science and that includes reasonable assessments of risk and potential harm. In addition, reasonable pest distribution data in the importing country should exist for the pests in question.

Pesticide Harmonization

Pesticide harmonization was another issue addressed in the Record of Understanding. From a producer perspective, little visible progress has been made on this issue.

However, I believe that the U.S. Environmental Protection Agency (EPA) and Canada's Pest Management Regulatory Agency (PMRA) are moving forward in a good faith effort to address some of the harmonization issues. Working through a framework created by the NAFTA Technical Working Group on Pesticides, the agencies are working with registrants and growers in both countries to accelerate bilateral harmonization.

To date, EPA and PMRA have jointly evaluated five new active ingredients for registration. The two agencies have made progress on data requirements and test guidelines relating to environmental and ecological impact guidelines for the registration process. The EPA review process for these active ingredients was completed in approximately 12 months. The average review process timeline for a "typical" registration is 3 years.

While progress is being made on streamlining the registration of new chemistries, little harmonization has occurred with respect to older chemistries.

The Food Quality Protection Act (FQPA) requires re-registration of chemicals in the United States. FQPA requires the total dietary exposure (risk cup) must be within acceptable limits related to health and environmental issues. The U.S. is currently implementing FQPA, while Canada does not have similar requirements for re-registration.

While EPA and PMRA have agreed to "cooperate" with the implementation of FQPA, the re-registration process will potentially eliminate some current product uses in the U.S. for environmental and human safety reasons. Also, registration of old chemistries on new crops may not be possible in the U.S. due to FQPA. While the Canadian government is currently reviewing the information gathered by the U.S. in the FQPA implementation process, Canada does not require the same review process.

As a result, product uses that are no longer registered or new registrations not allowed for use by U.S. producers continue to be used in Canada. The resulting crops, which were treated with products that are illegal for U.S. producers to use, are entering the U.S. domestic market.

This double standard employed by our federal government is the source of great frustration for producers. There are four federal agencies that have jurisdiction over this issue – USDA, USTR, EPA, and FDA. These agencies must work together and with Canadian agencies to develop a coherent policy that will assure a high standard of food, health and environmental safety as well as fairness for producers.

If FQPA allows room in the dietary exposure limits, Canadian tolerance data should be utilized to quickly establish a temporary or permanent tolerance so the use may be available for U. S. producers.

While government agencies play an important role in pesticide harmonization, registrants and grower organizations have work to do as well.

The companies that register chemicals in the U.S. and Canada have sole discretion over which products they choose to register in the respective countries. While state governments or industry groups may encourage companies to register certain products for certain uses, the decision is up to the registrant.

Companies also control the marketing and pricing of their products. The 1999 North Dakota Legislature gave me, as Commissioner of Agriculture, the authority to authorize the sale and use of a crop protection product that has a Canadian label, if I determine that a crop protection product having an American label contains substantially similar active ingredients and that its importation and use does not violate federal law. EPA also gave me, as Commissioner of Agriculture, approval to grant 24-C special local needs exemptions for Canadian products with the same active ingredient and similar to currently labeled U.S. products when there is a substantial price discrepancy between the U.S. and Canadian products. In these cases, U.S. farmers pay from \$4 to \$9 per acre more than do Canadian farmers.

Examples are:

Canadian Product	U.S. Product	Crop Uses	Company/ Registrant
Lontrel	Stinger	Canola	Dow Agrosciences
Assert 300	Assert 2.5S	Wheat Barley	American Cyanamid
Buctril M	Bronate	Wheat Barley	Aventis

The official request for these special local needs exemptions must come from the Canadian registrant (company), and to date, no companies have made that request, despite repeated offers and requests from my office for chemical companies to do so.

As a result, we continue to see similar chemical products available in both countries but priced considerably cheaper in Canada. Since U.S. farmers can only use chemicals registered in the U.S., it remains illegal for our producers to access the lower-priced Canadian products for use in our state.

Grower organizations need to remain committed to gathering information and prioritizing products for usage so that federal and state agencies and product registrants are well informed and understand the priorities and needs of the people that use their products – the producers.

Animal Health Trade Issues

Animal health trade issues were also a part of the Record of Understanding.

Efforts are currently underway in the U.S. and Canada to implement regionalized areas of “equivalent risk” with respect to trade.

Northwest Cattle Project

An example of these efforts is the Northwest Cattle Project (NWCP), which was enacted in 1997 and is designed to encourage reciprocal trade in live feeder cattle between Canada and the United States.

North Dakota was the third state, after Montana and Washington, to be approved for the NWCP program. Through the NWCP, the U.S. exported 180,000 head of beef cattle into western Canada between October 1, 1999, and March 31, 2000. Montana more than doubled the number of exported cattle and North Dakota had a successful first year in the program, exporting 7,999 head of beef cattle. Estimates indicate that the NWCP has increased competition and raised the bid prices for calves.

The U.S. does not have a reciprocal program to the NWCP for Canadian feeder cattle; however, USDA has recognized Canadian cattle as free of tuberculosis, brucellosis, blue tongue, and anaplasmosis since November 1997. USDA does not require testing for importation of Canadian cattle. Last year, the U.S. imported over 97,000 head of Canadian feeder cattle and over 800,000 of Canadian slaughter cattle.

While the U.S. allows the importation of Canadian cattle year round, the U.S. is only allowed to export cattle to Canada without testing from October 31 to March 1 each year.

Animal Import Regulations

Canada is also in the process of changing animal import regulations, which is a positive step toward relieving trade tensions between the two countries.

Proposed changes to regulations are currently under review in Canada. I recently submitted comments to the Canadian government on this issue, asking for several clarifications in the rules in order to make them workable for U.S. producers.

I have concerns primarily in the areas of disease status zones and animal identification. I'm asking Canada to clearly spell out in their regulations the minimum requirements that a state must meet for a particular disease status.

The new rules also call for three disease status classifications – low risk, high risk, and equivalent risk to Canadian animals. This system poses a problem for many states, as status classifications would vary among states and increase the certification requirements for cattle based on these classifications.

Emerging Animal Trade Barriers

While progress is being made in some areas, potential trade barriers between Canada and the U.S. with respect to animal trade are emerging.

Canada is in the process of developing a national identification system for livestock. The U.S. has yet to develop such a program.

The newly developed import guidelines require imported animals to be identified in accordance with the Canadian industry standard at the time of importation. While there is some flexibility written into the import requirements, there is concern over Canada's ability to change policies without adequate notice of the intent to change or adequate discussion of the merits of the potential change.

Northern Plains Producer Conference

Other efforts are also underway to improve trade relations and opportunities on a regional level between the United States and Canada.

The first-ever Northern Plains Producer Conference was held last November in Fargo, North Dakota, and brought together nearly 300 producers from the provinces of Manitoba and Saskatchewan and the states of Minnesota, Montana, and North Dakota to discuss trade issues and opportunities between the two countries at the regional and federal levels.

Participants identified areas of opportunity in regional value-added agriculture development and the harmonization of regulations on both sides of the border. Provincial and state governments agreed to work together toward harmonization in a number of areas including livestock health regulations and protocols.

Standardization of transportation regulations was another area of concern among conference participants. Problems were also cited with respect to the currency exchange rates between the U.S. and Canada. USDA projects that the Canadian dollar will appreciate gradually during the next few years, before returning to the longer-term pattern of depreciation against the U.S. dollar

through the end of the decade. Participants urged governments to dedicate more resources to solving this problem.

The conference proceedings and recommendations were forwarded to federal officials on both sides of the border. Manitoba is planning to hold similar conference early next year.

General Trade Issues

My testimony thus far has dealt with the trade relationship between the U.S. and Canada. I would also like to share my views with you regarding global trade and the steps our country needs to take to ensure that the best interests of our farmers and ranchers are met during upcoming trade negotiations.

The U.S. net agricultural trade balance declined sharply in 1999 and is projected to dip lower this year to \$11 billion. During the 1990's, the agricultural trade balance reached an all-time high of \$26.8 billion in 1995, but fell continuously throughout the rest of the decade. USDA baseline projections show U.S. agricultural exports increasing to \$75.9 billion in 2009 and agricultural imports increasing to \$50.7 billion in 2009. While these numbers continue to project a positive trade balance, much needs to be accomplished in the global trade arena to ensure a fair, competitive trade environment for our farmers and ranchers.

Trade policy – domestic, bilateral, and multilateral – has tremendous direct implications on our domestic agricultural industry. Our federal government must place great emphasis on future agricultural trade negotiations and must reject the philosophy of "trading at any cost." We need fair trade policies that level the international playing field.

Achieving fairness in trade will take more than trading fairly ourselves. We must insist that major food producing countries approach international trade with "good faith" and fairness in mind.

An example of where countries are not on equal footing is the use of direct export subsidies. The European Union continues to use trade subsidies at levels nearly 10 times greater than the U.S. We must work to first equalize and then eliminate direct export subsidies.

Our country demands that our farmers and ranchers produce high-quality agricultural products. We need to insist that international standards are set at a level at least equivalent to the high standards already in place in this country. Products that do not meet those standards should not be allowed to compete in our domestic market.

Further, we need to work to end the use of non-tariff barriers, which often hamper the flow of trade. Many of our trading partners continually use unfounded

sanitary/phytosanitary issues to keep our products out of their markets. Stringent rules must be created that require the use of "sound science" in dealing with non-tariff issues.

"Sound science" must also be used in making determinations on the safety of using hormones and biotechnology in food production. However, we must remind ourselves that consumers drive the market, and we must meet their demands. We must educate consumers and provide them with the facts they need to make informed decisions. Even more importantly, we must increase our publicly-funded research efforts to answer the numerous issues arising around biotech products.

I believe we must increase our capabilities in the area of identity preservation and should consider the potential consumer and marketing benefits of labeling organic, mainstream, and enhanced food production. There are significant opportunities in this area as USDA projects that the percentage of U.S. value-added agricultural product exports will increase during the next couple of years.

Trade dispute resolution processes on a global scale need to be improved. While the ROU between the United States and Canada is an example of a small step in the right direction with respect to dealing with trade problems and issues, we need to demand timely and complete compliance with current trade agreements and international trade laws from all countries. The U.S. domestic industry has responded to the trade commitments made by our country and is competing at the highest level within the existing framework. Other countries must do the same.

Conclusion

Farmers and ranchers are directly affected by all trade decisions and their interests must be at the forefront during all trade discussions and negotiations.

The U.S. and Canada are inching forward in the resolution process to resolve trade problems and irritants. Much remains to be done, however, and I urge both governments to aggressively work on the issues I have described today.

As global trade negotiations continue, the U.S. trade negotiators must be aggressive in protecting the interests of American farmers and ranchers. Agriculture must be their top priority, and their goal must be to create a fair, open, and competitive trading environment.

Again, thank you for this opportunity to discuss U.S.-Canada trade issues and global trade issues. I would be happy to answer any questions you may have.