

Madam Chairman, Ranking Member Conrad and Members of the Subcommittee.

My name is Mark Gage. I am a wheat, barley and soybean producer from eastern North Dakota and am currently President of the National Association of Wheat Growers.

I would like to thank the Committee for holding this hearing to address the problem of pricing disparities among similar or identical crop protection products sold in both the United States and Canada. The National Association of Wheat Growers strongly supports S. 1406 introduced by Senator's Dorgan and Burns and co-sponsored by Senator's Baucus, Conrad, Crapo, Daschle, Dayton and Johnson and believes this legislation provides the best near term remedy to equalize the pricing disparities between Canadian and US products.

In the longer term, we would hope that a joint pesticide registration process between the United States and Canada would produce joint labels and allow equitably priced products to be sold on both sides of the border.

While prices on crop protection products between the United States and Canada have fluctuated over the years due to a variety of reasons, a number of these products have been consistently priced lower in Canada - after taking exchange rate differences into account - than their identical counterparts sold in the United States. And considering the fact that expenditures on crop protection products represent a significant percentage of the cost of ongoing farming operations - anywhere from 10% to 15% - what may seem to be a small difference in price can add up to be a major factor in keeping an operation running.

A number of studies have researched and documented this pattern of pricing inequality over the past several years. In 1999, a joint study commissioned by the U.S. Department of Agriculture and Agriculture and Agri-Food Canada reviewed price differentials between the U.S. and Canada on 25 major crop protection products used on wheat, barley and canola. The study tracked the pricing of these products over a six-year period between 1993 and 1999 and found that 21 out of the 25 products were consistently less expensive in Canada than in the United States. The degree to which these products were less expensive in Canada ranged anywhere from 5% to 45%.

Another study entitled "United States and Canadian Agricultural Herbicide Costs: Impacts on North Dakota Farmers."

conducted by the Center for Agricultural Policy and Trade Studies at North Dakota State University reached similar conclusions. An update of this study completed in September of 2003 reached the following conclusion:

"The controversy between U.S. and Canadian chemical prices is over 6 years old. With the exception of a few herbicides, very little has changed. The price differences of Liberty, Achieve, Assert and Puma have narrowed during the last 3 years; however, cost difference for several herbicides have widened during the same period. The price differences for Discover, Basagran and Curtail are now wider than in 2000. Basagran, which was lower-priced in 2000, is now higher-priced in the United States than in Canada.

The overall cost difference in 2002 is about \$1.56 per acre, but producers who use Liberty, Puma, Far-Go, or Assert are disadvantaged by more than \$3.00 per acre. Producers in certain areas and producers of certain crop mixes face a much higher cost disadvantage.

Whether the situation is due to market manipulation or economic factors is undetermined, but the cost difference exists and it costs N.D. farmers over \$20 million annually...Therefore, to eliminate price disparities, the U.S. and Canadian herbicide markets must be de-segmented."

We believe S. 1406 can best remedy this pricing disparity problem by giving the Environmental Protection Agency (EPA) the authority to register a Canadian pesticide in the United States if it is identical or substantially similar to a product presently registered for use in the United States by the E.P.A.

In order to make the determination that the Canadian pesticide is identical or substantially similar to a U.S. registered product, the E.P.A. Administrator is required to obtain the confidential statement of formulation for the Canadian product. It has been suggested that the E.P.A. may not be able to obtain such documentation from a foreign corporation or a foreign government and may not have the legal authority to compel the production of such documents. I believe the better view is that few foreign firms would resist the submission of documents in a proceeding if it were in their best economic interest to do so. In any event, I believe the E.P.A., with few exceptions, has the authority to compel the production of any documents relative to action on a regulatory matter within their jurisdiction.

In all other respects, it is the understanding of NAWG, and I believe the intent of the authors of this legislation, that all other matters regarding the U.S. registration of a Canadian pesticide be handled as the registration and regulation of any domestic pesticide would be addressed under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA).

I know that concern has been expressed by the agriculture retailers that if this legislation were enacted, their business would suffer as a result. I do not know why that would be the case since I do not envision individual farmers filing an application as a registrant under this legislation in order to bring in just enough Canadian product to meet their own needs. I believe the registrant requirements under this legislation are such that only larger entities such as co-ops, states or even the retailers themselves would be bringing Canadian products into the U.S. and would most likely want to market them through the usual and customary marketing channels. This would place the existing agriculture retailers in a very competitive position to handle this market.

In any case, the Agricultural Retailers Association (A.R.A.) in a letter dated January 23, 2004 to Senator Byron Dorgan stated, "ARA, which represents the interests of retailers throughout our nation on legislative and regulatory issues, is taking a NEUTRAL position on S. 1406 and the issue of Canadian pesticide price harmonization at the present time."

Although interested parties may differ in the particulars as to how this problem should be addressed, few would argue that it should be addressed. As the North Dakota State study indicated, the annual cost to North Dakota farmers of \$20 million is enormous. I know that the Montana Grain Growers Association has estimated that the impact on Montana producers is

equally significant.

But I would suggest to the Committee that we must address this problem of pesticide harmonization if we are to take on a much broader and more serious problem facing all of American agriculture.

I have attached an article to my testimony from the Wall Street Journal dated June 18, 2004 titled "New farm powers sow the seeds of America's agricultural woes." While the focus of this article is on wheat, the implications for all of agriculture are very stark and very real as the article notes; "America's run as a wheat powerhouse, and the dominant player in global agriculture, is under attack from a crop of newly emboldened international rivals who are striking at one of the main pillars of American economic might: food exports. U.S. farmers are increasingly under pressure as they compete with commodities including Brazilian soybeans, Indian wheat, Chinese apples, Mexican tomatoes and Argentine peanuts. This 'farms race' has implications beyond agriculture, America's influence on issues such as international trade owes much to its domination of food."

The reality of American agriculture today is that while the market prices for our products are set on a global scale, the input costs for producing that product is often set on a local or regional scale.

Madam Chairman, jump starting America's "Farms Race" for the 21st century ought to be the top priority not only for the U.S. agricultural community but also for all of America. Providing access to competitive production input costs is crucial, and that's why I strongly urge you favorably report S. 1406, the Pesticide Harmonization Act of 2004.