

Agriculture Proceedings
PNWER Annual Summit – Big Sky, Montana
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Co-chair Patrick Kole, VP, Legal & Government Affairs Idaho Potato Commission
Co-chair Larry Doke, MLA, Saskatchewan

Speakers:

Leslie Blakely, Executive Director, Coalition for America's Gateways and Corridors (CAGTC)

John Youngberg, Executive Vice President, Montana Farm Bureau Federation (MFBF)

Hon. Lyle Stewart, Minister of Agriculture, Government of Saskatchewan

Kim Falcon, Department Chief, Montana Department of Agriculture

Keith Mussar, Vice President Regulatory Affairs, Canadian Association of Importers and Exporters (I.E. Canada)

Shelley Jones, Manager, Agriculture Awareness, Saskatchewan Ministry of Agriculture

Regional Transportation Challenges Impacting Agriculture Markets

Leslie Blakely began the presentations for regional transportation challenges. She stated that the Coalition for America's Gateways and Trade Corridors (CAGTC) was founded 15 years ago and represents the freight system which is highly related to agriculture in North America and across the world. The CAGTC is member based comprised of 60-70 organizations. They provide advocacy at the federal level, focusing the message for Congress and administration that the freight system supports jobs and needs of America and supplies resources for businesses. This group is focused on all modes of transportation and looking at a comprehensive system that works efficiently for American businesses.

Blakely then explained how states are in charge of the road system, for the most part, even though needs are not all local and regional. Businesses have the demand to compete in a global market and transportation needs to get their products out. The United States is currently in 14th place for infrastructure, overall. Compared to Canada and Mexico investing 4% and 4.5% of their GDP in trade, respectively, the U.S. is only investing 2% of its GDP in trade. In order to meet the demand to get products out, the freight strategy needs to encompass waterside and landside infrastructure improvements. Problems associated with infrastructure have been more manifested in the last ten years.

Accordingly to the Great Port Mismatch study by Brookings, international products imported and exported travel over 1,000 miles in the U.S. from ports to destination.

Road, rail, and water connections are critical in moving these goods. Blakely explained that there are alternate ways to address this issue. Canada has started looking at transport infrastructure in a more prioritized, business-like way. The Building Canada Plan of 2007 prioritizes investment in Canada's gateways. Canada has made far more extensive use of public/private partnerships.

Blakely stated that with demand for agricultural products growing in foreign markets, 96% of opportunity to place goods in the future is in foreign markets. Agricultural commodities are opportunities to access not only bulk commodities, but they can also access manufacturing of finished goods in America. Some of the challenges that inhibit fully utilizing these opportunities include inadequate border infrastructure as the U.S. has failed to invest in borders that have insufficient manpower. The States also ranks 16th in quality of roads with Japan, France and the U.A.E. all ranking higher. The U.S.'s inland waterways also pose a challenge with the deterioration of locks and dams. There is an insufficient collection of dollars to put towards waterways. Barges are delayed an average of 52 times daily on inland waterways. Regarding rail transportation, the increased demand for moving energy has impacted availability of rail for agricultural products. This makes goods more expensive due to longer transit times and puts U.S. agriculture at a disproportionate competitive disadvantage. There is also a lack of investment and access to ports due, resulting in inadequate infrastructure, and it takes a long time to resolve issues.

Blakely then brought to attention the farm-to-table op-ed in the National Journal that discussed how agriculture groups needs to push for better infrastructure to get goods to market. This means that infrastructure needs to be modernized. Infrastructure actually poses more of an issue for farmers than passing a farm bill. The surface transportation bill sets standards for freight transportation, and the challenge for Congress is that surface transportation is running out of money.

John Youngberg began his presentation introducing facts about Montana agriculture. Montana ranks third in wheat production, second in honey production, is the top producer of pulse crops (peas, lentils, chickpeas), and is in the top five for beef production. However, this state has little manufacturing. BNSF is the sole railroad that goes east to west in Montana, making trucking very valuable. County governments are struggling with infrastructure in Montana.

The railroad has greatly increased grain export capacity greatly in the past five years as Montana grain is sent to port in Washington. Youngberg stated that if there were a deep water port in Washington, there would be issues getting enough product out through the port. Billions of dollars would need to be invested to get the wheat out. Canadian grain is coming down to the U.S. via trucks into Montana and North Dakota. The strike of United Grain in Vancouver has had a significant impact to grain producers in the northwest, resulting in port slowdown and affects pulse crops that are bagged and exported to foreign markets. Youngberg also explains that the Agricultural Dispute Resolution has made producers felt captive by the railroad. This led to an agreement between Grain Growers and Montana Farm Bureau

Federation with BNSF in 2009. There will continue to be mediation with the railroad if issues arise, and this keeps Montana competitive. The strong dollar has slowed port congestion.

Lyle Stewart began his talk by explaining how Saskatchewan is fortunate to be rich in natural resources and agricultural commodities including potash and oil. The long-term outlook for the province is a priority. Saskatchewan is building a growth agenda to innovate. The Saskatchewan plan for growth in 2012 provided a roadmap for growth increasing crop production to 10 million tons, increasing to 15 billion dollars in exports, and puts the province as a leader in biosciences by 2020. In 2013, Saskatchewan had 13.9 billion dollars in exports, which is 29% of Canadian exports. Unfortunately, the railroad backlog causes financial loss.

The government's priorities are road and rail, investing one billion in infrastructure since 2007. The government also supported federal efforts to tax railroads. Mandatory volume commitments have ended and backlog has cleared, but the railroads need flexibility. Stewart also discussed that the compulsory Canadian Wheat Board's concern was getting products to main ports, but the wheat board has now dissolved. Quicker loading of grain will get the grain to its destination quicker. Potash in the province is expected to double by 2020. Intermodal traffic is also increasing dramatically to railways.

The government of Canada is reviewing railroad legislation, including the Canadian Transportation Act. There is a push for strengthening service level agreements and to address grain supply chain issues. This will help lower delivery costs for Saskatchewan businesses, promote competitive rates, and provide consumers with better service. There is competition between shipping grain and shipping oil due to capacity constraints on the rail system. Railroad transportation needs proper motivation and modern regulations to have proper service, and government intervention is not a long-term solution. In November of 2014 at the Transportation Summit, a focus was looking at long-term efficiency of transportation in western Canada. In closing, Stewart emphasized that collaborations between provincial governments, regions, (i.e. PNWER), is necessary to meet transportation needs. Providing better efficiency and service to agriculture in PNWER is vital.

During this point in the presentations, Co-chair Larry Doke opens up the floor for audience questions. A Representative from Alaska asked what the opportunities are moving forward with the new transportation bill not being authorized. Blakely fielded the question stating that Congress has four committees of jurisdiction of transportation. Two bills in Senate drafted right now have freight provisions to borrow from the general fund to make a 6-year bill. Using the general fund benefits the public as everyone uses transportation. The House will likely propose a short-term extension and will need sixteen billion dollars for the extension.

The next audience question was regarding the need for trucks in north central Montana. There is no standardization between borders like tags on trucks. There are

lots of regulations in state, not to mention out of state, which makes it difficult to comply. What can be done to standardize regulations? Youngberg replied that logistical measures can be taken. Blakely added that the Department of Transportation in D.C. released results of a study in the last transportation authorization. There are opponents to heavier, larger trucks and not necessarily based on fact due to opinions coming from traffic safety. There needs to be harmonization of trucking. Stewart mentioned that there was the same problem north of the border until the new West Partnership between provinces was established. The provinces want back and forth commerce within the region.

Cross-Border Harmonization

Kim Falcon began her presentation by stating that the U.S. and Canada have the world's longest shared border and a 40 billion dollar trade industry. Pulses plow freely across the border with pulse and canola trade resulting in a lot of seed sales. Conversely, only 0.05 million tons of wheat and barley is shipped to Canada while Canada exports 3.4 million tons to the U.S. This is due to policies put in place with the Canadian Wheat Board that was dissolved in 2012. There are more phytosanitary requirements in Canada, attributing to the U.S. grain trade deficit with Canada. The requirements are a lot more extensive going in to Canada than coming into the U.S. which only requires border inspections upon entering the States. Going up to Canada, there needs to be a border inspection, phytosanitary certification, import permit, and a certification of origin amongst other requirements. U.S. wheat is of food grade quality, but Canadian restrictions make it feed grade. Falcon brings up that the phytosanitary limits may not be based on sound science. Montana producers have a long process to get phytosanitary certifications to make sure there is no Karnal Bunt, Dwarf Bunt, or Flag Smut. Montana wheat samples average 12 Dwarf Bunt per sample, and China's limit is 30,000 per sample. Producers are asking for legislation to be passed to remove the lowest classification for wheat. Falcon closes by saying that phytosanitary standards need to be looked at for sound science.

The next speaker was Keith Mussar, who highlighted the Canadian Association of Importers & Exporters (I.E. Canada) and Canada's new food law and safety modernization act. Three quarters of members of I.E. Canada are importers and exporters. 18% of these members are service providers, and the rest are embassies and trade consuls. Half of the members are large companies, and the members employ 1.6 million Canadian, which is more than the automotive, oil and gas, and agriculture industries combined. Mussar then broke down the information in the Safe Foods for Canadians Act of 2012. This act combined four statutes into one law and provides new authorities to license and enhance food safety practices in Canada and food production in foreign countries. The regulations are to be put forth next year, which combine 13 regulations into one. The Safe Foods for Canadians Regulations (SFCR) are comprised of 16 documents incorporated in regulation, but not every regulation is fully in the 165-page regulation, though they are still enforceable by law. Essentially, the law is very general.

The Canadian Food Inspection Agency (CFIA) is moving away from a traditional inspection mode. It will become more of a business audit mode, which is new for government. SFCR is not the same as the Food Safety Modernization Act (FSMA) of the U.S. Food and Drug Administration (FDA). In SFCR, there is more accountability for importers of food by increasing standards for food safety. SFCR is a combination of FSMA of both the U.S. Department of Agriculture (USDA) and the FDA. Canada exports to the U.S. are half of the Canadian agri-food exports, and U.S. imports to Canada area half of the U.S. trade exports. Half of mutual agri-food trade is conducted by non-resident importers. Mussar explains that non-resident exporters are a fixed place of business in the U.S. but not in Canada. These are preapproved by the Canadian Revenue Agency and the Canadian Border Services Agency. There are three fundamental options for U.S. exports to Canada which are a Canadian importer, a U.S. non-resident importer, and a U.S. non-resident importer from a third-party country in which the product is exported by the U.S. but does not come from the U.S. (comes from the third-party country). The SFCR requires that imports need to be licensed by the CFIA. It also requires that importers need a fixed place of business in Canada to export to Canada, there needs to be new product and business data reporting in order to obtain a license, there is a provision to recognize foreign food safety, and prohibits import from a third-party country by a non-resident importer. In conclusion, there are basically the same three options for trade with SFCR, except that a third-party cannot import directly through a U.S. non-resident, though they can import to the U.S. before entering Canada to allow for FDA oversight.

Canada does not have a food safety recognition agreement with the U.S. However, the States has one such agreement with New Zealand. There is a recognition agreement between pre-FSMA and current Canadian regulations, and there needs to be a validated agreement between meat and seafood. FSMA requires registration of foreign manufacturers, putting the liability on the U.S. agent. Mussar stated that the Voluntary Qualified Importer Program is essential for Canadian agri-food producers. Mussar wrapped up his presentation by mentioning that the SFCR is complex and not the same as FSMA. Non-resident importers are essential to bilateral trade between the States and Canada. The U.S. food safety system recognition is essential to U.S. trade, and there needs to be support for the Voluntary Qualified Importer Program.

At this point, the floor was opened up for audience questions. Stewart directed his comments to Falcon, mentioning that the Ministry of Agriculture in Saskatchewan needs to lobby their own federal government and grain commission for imports of wheat.

One member brought to light the equivalency of product and moving grain between the U.S. and Canada, asking if the panelists could help the audience understand why it isn't governed under equivalency. Mussar responded that equivalency is only present in seafood and meat. It is largely determined on the sector of food, and most

of these regulations address processed food. He would like to see more ambitious initiatives with discussions with regulators. Falcon comment that the USDA handles commodities, whereas the FDA handles “food” which would be when the commodities become more processed. Mussar added that the CFIA is more complex. Phytosanitary regulations could fall under either food or plant health, and the government needs to have a discussion about that type of matter internally.

Social License Issues Impacting the Agriculture Sector

Shelly Jones began her presentation by discussing the government’s role in social license. People need to know where their food comes from and the process it goes through to get to their plate. However, other people like Food, Inc. and Chipotle are telling that story. The definition of social license is doing what’s right in the eye of the public and not just what we have the legal right to do. It also needs to build awareness. Due to negative perceptions, policies are put in place that are not based on sound science. In Canada, there is a moratorium on hog barn expansions. Perceptions are based on emotions rather than science. Agriculture needs to be proactive rather than reactive and needs to innovate, attract investment, recruit people, and grow.

Jones posed the question of what the role of regulators and the government should be. They need to secure social license and need trust from the public. The government needs to be transparent, predictable, and decisions need to be based on sound science. There needs to be support for infrastructure and communication should be conducted through shared values. In Saskatchewan, there are four pillars in their agriculture awareness strategy, which Jones presented in her PowerPoint slide. There is the need to collaborate and be on the same page. This can be done through industry partnering with government to take the lead. To do the right thing, policy needs to be science-based, using extension to promote best management practices. This requires communication to stakeholders, educating internal audiences, and identifying opportunities and threats. Agriculture needs to move away from images of how agriculture used to be and instead focus on what it is today. Jones closed emphasizing that communication is key and to speak up, listen, engage, and act with authenticity and transparency.

John Youngberg followed up mentioning that science-based regulation is where we need to be, but countered that this issue started as a marketing ploy. He gave examples of sustainability, human-antibiotic free, and gluten free. In order to meet Wal-Mart standards, suppliers must comply with a 27-page contract to be globally responsible. This includes being socially and environmentally sustainable, having workforce diversity, and women’s empowerment. There is no mention of being economically sustainable. Ultimately, producers can’t be “sustainable” without being economically sustainable. Wal-Mart is not the only company that requires producers to be sustainable. The Montana Farm Bureau Federation and American Pork Council bought stock in 21 companies so that they have a seat at the table as shareholders. Youngberg concluded with the call that agriculturists need to improve education as

to what agriculture is doing to make the industry sustainable in producing the safest and most abundant food supply.

The floor was then opened up for questions. There was a comment regarding food security issues, people should have a right to know what is in their food. This individual also mentioned issues with glyphosate in herbicides. Farmers aren't necessarily scientists, and there needs to be more collaboration. Both speakers seemed adversarial. Youngberg replied that he is representing producers and that his intentions are not to be adversarial, but this is how his constituents feel. It's the market, and they need to meet that demand or educate people to realize that the demands aren't realistic. Costco is the largest organic food seller and they are selling shelf space. His producers need to be a part of that game. Jones added that collaboration was one of her main points and to make sure that consumers have facts. Regarding sustainability issues, the industry needs to be at the table, otherwise Costco will define it for producers and consumers.

Another audience member brought up the image of what agriculture used to versus what it is today and the biosecurity associated with those images. His definition of sustainability is the capacity to endure, but what about things like animal welfare? This individual brought to light that Mussar mentioned organic which is virtually indistinguishable from the conventional product. This audience member also expressed that he does not like the idea of his money going to people who put forth an advertising campaign and that organic will come back to have negative impacts on producers in the future.

Someone else commented that their family has been raising cattle in Canada for over 100 years, and they define sustainability in three pillars: economically, socially, and environmentally. People in the agriculture industry need to help define sustainability rather than let others define it.

Another individual expressed that this particular food movement is interesting. People are pitted against each other and asked at what point can everyone work together? Youngberg responded that everyone can work together on defining things like sustainability, but they will not be able to fully agree on everything. Jones said that sustainability is important and that consumers don't care about producer profit, according to the Center for Food Integrity.

Another question from the audience was that they hear from the retail sector that they need new information, so is it the producer's issue to collect information or to share it? Youngberg expressed that he believes they should do both. Sustainability is more costly than beneficial and is also easier to define than implement, but producers are not willing to share information very readily.

Action Items

***These were taken during the working group – I don't have a record of these.*