Cross Border Ag Trade Tops $40 Bil

World's Longest Shared Border at 5,525 Miles

Top U.S. Agricultural Exports - 2013
- Meat
- Broads, pastries, pasta
- Fruits and Nuts
- Beverages
- Edible Preparations

Top Canadian Agricultural Exports
- Broads, pastries, pasta
- Meat
- Cereal grains
- Fats and Oils
- Live Animals

Experts Offer Solutions for Trade

"Modernization is key."

Phytosanitary
- Ensure policies are based on sound science - phytosanitary
- Science based and least trade disrupting
- Recognition of U.S./Canada land border situation

Variety Registration
- Streamline process
- Modernization to a market oriented system
- Utilize U.S. data to improve efficiency for marketing
Cross Border Ag Trade Tops $40 Bil

World’s Longest Shared Border at 5,255 Miles

Top U.S. Agricultural Exports – 2015
- Meat
- Fruits, vegetables, nuts
- Seeds
- Beverages
- Edible Preparations

Top Canadian Agricultural Exports
- Fruits, vegetables, nuts
- Meat
- Cereal grains
- Fats and oils
- Livestock

Ag Department Presents Border Crossing Guide

Are they based on sound science?

Experts Offer Solutions for Trade

Variety Registration
- Streamlined process
- Market oriented system
- Uniform U.S. code to improve efficiency for marketing

Prepared by
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Cross Border Ag Trade Tops $40 Bil

World's Longest Shared Border at 5,525 Miles

Top U.S. Agricultural Exports - 2013
- Meat
- Breads, pastries, pasta
- Fruits and Nuts
- Beverages
- Edible Preparations

Top Canada Agricultural Exports
- Breads, pastries, pasta
- Meat
- Cereal grains
- Fats and Oils
- Live Animals
Pulses Cross Freely, Despite Strong US$

A Working Model for Cross-Border Ag Trade
Data Confirms Fewer Restrictions Increase Border Flow

USDA Pulse and Canola Data

U.S. and Canada Pulse Trade
Excludes Pulse Seed Imports

U.S. and Canada Canola Trade

U.S. International Trade Commission Interactive Trade DataWeb (USITC DataWeb), Bureau of Census Data Collection
Wheat and Barley Deficit Deepening

Too many policies hinder trade

U.S. and Canada Wheat Trade

U.S.-Canada Barley Trade

U.S. International Trade Commission Interactive Trade DataWeb (USITC DataWeb), Bureau of Census Data Collection
Canadian Wheat Exports to US top 3.4mil mt
US wheat to Canada just 0.05mil mt

- Pulses - Trade moves both directions
  - Estimated 80% of U.S. pulses move by truck & 20% by rail
  - Fairly balanced trade

- Canola – Can move more easily cross border
  - Estimated 80% of U.S. canola moves by truck and 20% by rail

- Barley – Trade moves primarily from Canada into the U.S.

- Wheat – Trade moves primarily from Canada into the U.S.
  - Monopoly eliminated and open market system since August 2012

Source: Canada-US Task Group Study on Agricultural Commodity Flows from U.S. to Canada and USDA/GATS
MT Dept. of Agriculture Explains Wheat Barley Barriers

Answers lie in retired policies, phytosanitary restrictions, and grading

Wheat – Canadian Wheat Board Policy Pre-2012
- Mandate to handle only Canadian wheat and barley
- No mandate/incentive to handle U.S. origin wheat and barley

Phytosanitary Requirements
- U.S. relatively unrestricted phytosanitary requirement for grains
- Canada wheat, barley or pulses enters U.S. without phyto or import permit; only a border inspection
- Canada has strict phytosanitary requirements for wheat and barley
- Wheat and barley – phyto certs, import permits, certificates of origin and/or border inspections

Grain Grading
- Must be grown in Canada for official statutory grade
- Varietal registration links to classes and official grades
Ag Department Presents Border Crossing Guide
For Some, Trade is Harder than it Might Seem

<table>
<thead>
<tr>
<th>Item</th>
<th>Wheat or Barley to the U.S.</th>
<th>Wheat or Barley to Canada</th>
<th>Pulse to the U.S.</th>
<th>Pulse to Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phytosanitary Requirements</td>
<td>None – Border Inspection Only</td>
<td>Phyto Cert w/ additional declaration, and/or testing; Import Permit and Cert of Origin (ND/MY)</td>
<td>None – Border Inspection Only</td>
<td>Import permit if for cleaning; Border inspection only for human consumption and third country export</td>
</tr>
<tr>
<td>Variety Registration and Declaration</td>
<td>No, unless for specific marketing purposes</td>
<td>Foreign Grain; VR required to receive an official grade above lowest designation</td>
<td></td>
<td></td>
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<tr>
<td>Official Grades</td>
<td>Yes, but not required</td>
<td>Lowest grade if not grown in Canada or a registered variety</td>
<td>Yes, but not required</td>
<td>Lowest grade if not grown in Canada or a registered variety</td>
</tr>
<tr>
<td>Specification Trade</td>
<td>Yes</td>
<td>Allowed</td>
<td>Yes</td>
<td>Allowed</td>
</tr>
<tr>
<td>Commingling</td>
<td>Allowed</td>
<td>Must state foreign</td>
<td>Allowed</td>
<td>Must state foreign</td>
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<tr>
<td>Import Taxes</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

1 Certain states do not require a phyto; not all MIT counties included in Pilot Program (D-03-02)
2 Foreign grain classification takes precedence; any variety not registered also receives lowest designation

- Border Inspection
- Phyto Cert
- Grain Declared Foreign
- Graded at lowest grade if not a Registered Variety
- Import Permit
- Certificate of Origin
- Border Inspection
- Phyto Cert
- Grain Declared Foreign
- Graded at lowest grade if not a Registered Variety
- Import Permit
- Certificate of Origin
Current Phytosanitary Limits Questioned
Are they based on sound science?

Karnal Bunt
- Statement required for all U.S. shipments regardless of where grown
- Oats do not require a statement, except for grain or seed from Arizona

Flag Smut and Dwarf Bunt
- Statement – the material originated in an area free from the pest
- Testing and Phyto Certification Required

D-05-02 Pilot Project for Alternative Phytosanitary option
- Limited to ND and a list of approved MT counties (IP and COO)

Opportunities Abound
Canadian Draw Area Analysis Suggest Potential for More U.S. and Montana Grain Movement North
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Dwarf Bunt - Average Spore Count
139 Montana Wheat Harvest Samples

30,000 spores is China’s maximum allowable level

MT Average
12
Experts Offer Solutions for Trade

Modernization is key.

Phytosanitary
- Ensure policies are based on sound science - phytosanitary
- Science based and least trade distorting
- Recognition of US/Canada land border situation

Pass legislation to remove lowest official classification
- C-48 Modernization of Canada’s Grain Industry Act
- Delayed since Dec 2014;
- Good start - doesn’t fix everything

Industry and government collaboration
- Work together to find opportunities for producers and the agricultural industry

Variety Registration
- Streamline process
- Modernization to a market oriented system
- Utilize U.S. data to improve efficiency for marketing
Opportunities Abound

Canadian Draw Area Analysis Suggest Potential for More U.S. and Montana Grain Movement North
Affected Border Areas in the U.S.

Showing U.S. land that would be most affected by open borders for wheat via truck, including overlays of wheat production in border states.
Presented by
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