



National Grain and Feed Association

Issues & Actions

1250 Eye St., N.W., Suite 1003, Washington, D.C. 20005-3922

Phone: (202) 289-0873, FAX: (202) 289-5388, E-Mail: ngfa@ngfa.org, Web Site: <http://www.ngfa.org>

Volume 10, Number 10, Dec. 17, 2009

Ag Organizations Voice Appreciation for Introduction of Bipartisan Senate Rail Reform Legislation

By Randall C. Gordon
Vice President, Communications and Government Relations
National Grain and Feed Association

[Editor's Note: This publication keeps you – as a stakeholder in the NGFA – informed about issues being addressed and actions being taken to serve your business interests. NGFA members are encouraged to contact the NGFA office to provide input, ask questions and raise other topics you believe should be addressed by your Association.]

* * *

The NGFA on Dec. 16 joined 15 other national agricultural producer and agribusiness organizations in praising the introduction of a significant rail reform bill in the U.S. Senate.

On the eve of the Senate Commerce, Science and Transportation Committee's consideration of the bill (S. 2889), the NGFA and other groups said the bill would "bring needed reform" to the federal Surface Transportation Board (STB), which is responsible for providing regulatory oversight of freight railroads. It also would "improve competitive conditions and transparency in the rail industry" and result in "meaningful relief" for agricultural rail shippers and receivers, they said. Further, the organizations said the bill would "provide improved mechanisms" and greater opportunity for agricultural shippers and receivers to challenge rail rates, service and rail practices that they believe to be unreasonable.

"Specifically, we believe the bill will better balance shipper needs for reasonable (freight) rates and service with railroad needs for adequate revenues, and provide for a fair, expeditious, accessible and cost-effective regulatory process," the NGFA and other groups said. "The railroads need adequate revenues to reinvest in capacity, but there also is a need to facilitate a more normal business-to-business relationship between shippers and carriers. The bill will assist in reaching that goal."

The agricultural producer and agribusiness organizations also commended the leadership of the Senate Commerce, Science and Transportation – particularly Chairman John D. (Jay) Rockefeller IV,

D-W. Va., and Ranking Member Sen. Kay Bailey Hutchinson, R-Texas – for their bipartisan efforts to craft a "fair and reasonable compromise" bill that "balances the needs" of agricultural shippers and railroads and provides solutions to "real-world rail challenges." The groups also commended Sens. Frank Lautenberg, D-N.J., and John Thune, R-S.D., the chairman and ranking member of the committee's Surface Transportation and Merchant Marine Infrastructure, Safety and Security Subcommittee, and committee member Sen. Byron Dorgan, D-N.D., for their extensive efforts in developing the bill.

"Nearly 30 years have passed since passage of the Staggers Rail Act (of 1980), and our nation needs new rail transportation policy to reflect the reality of the marketplace in the 21st century" for both railroads and shippers, the NGFA and other organizations wrote. "We look forward to working with Sen. Rockefeller and his colleagues in moving this important legislation to the finish line."

In addition to the NGFA, other national agricultural producer and agribusiness organizations signing the letter were: the Agricultural Retailers Association, American Farm Bureau Federation, American Soybean Association, National Association of Wheat Growers, National Chicken Council, National Corn Growers Association, National Cotton Council, National Council of Farmer Cooperatives, National Farmers Union, National Oilseed Processors Association, National Sorghum Producers, National Turkey Federation, USA Dry Pea and Lentil Council, and USA Rice Federation.

(Continued on page 2)

NGFA President Kendell Keith noted that while the Senate bill does not contain all of the changes to rail policy advocated by the NGFA, it does provide some meaningful corrections to existing law and “hopefully will set the stage for a more balanced regulatory environment.” He also said that there will be an opportunity to seek

further enhancements to the bill once the legislative process shifts to the Senate floor and to the House.

For a report on the bill and the Senate committee’s consideration of it during a Dec. 17 hearing, see the accompanying edition of the *NGFA Newsletter*.

NGFA Cautions FDA on Limitations of Product-Tracing Systems for Bulk and Commingled Commodities

The NGFA on Dec. 10 urged the Food and Drug Administration (FDA) to be cognizant of the limitations of product-tracing systems for industries that handle large volumes of commingled commodities, and warned that over-emphasizing such systems could divert finite human and financial resources away from efforts focused on preventing food and feed safety hazards.

As a featured speaker on a panel during a joint public meeting on product-tracing for the food and agriculture system conducted by FDA and the U.S. Department of Agriculture’s Food Safety and Inspection Service (FSIS), the NGFA said that prevention of hazards posing a risk to human or animal health “should be the primary focus of both government and industry. “While the ability to effectively trace products – backwards and forwards – through the supply and distribution chain is an important component of an overall food/feed safety plan..., scarce financial and human resources need to be allocated in a way that maximizes product safety,” the NGFA said. “As FDA and FSIS consider ‘enhanced’ product-tracing systems, their practicality and cost, as well as the real value-add they bring to further enhancing food and feed safety, need to be critically analyzed. Resources are finite!”

The NGFA emphasized that the grain, feed and grain processing industry is covered by the Bioterrorism Act of 2002 requirement that facilities maintain records sufficient to identify the immediate previous source and next subsequent recipient of products they receive and subsequently ship, as well as the identity of the transporter used to distribute such products.

But the NGFA said traceability systems, “while certainly a tool as part of a comprehensive food/feed safety program,” are by their very nature “reactive, rather than preventative” and “should not be considered in a vacuum or as a ‘be-all and end-all.’”

In addition, the NGFA said it believed any new “enhanced” product-tracing requirements imposed by government should be based upon the safety risk posed by the underlying commodity or food/feed product, as determined by a comprehensive risk assessment that considers past foodborne illness incidents and their severity. “Such an analysis also should consider the intended use of the food or feed product, and appropriately recognize the distinct differences between animal feed and human foods.”

During its presentation, the NGFA quantified that a typical country grain elevator may originate grain from roughly 250 suppliers in truckload quantities of 900 bushels or less – amounting to about 4,500 individual inbound shipments a year. Once commingled, stored and handled, outbound shipments from country elevators can represent some portion of grain from all of the facility’s suppliers, the NGFA noted. The volumes and number of potential sources of supply increase at the terminal and export elevator level, the NGFA added.

Meanwhile, a typical feed mill manufacturing 100,000 tons annually may originate grain from 10 or more different country elevators and use more than 100 different feed ingredients – receiving and shipping more than 5,000 truck shipments a year. For each feed ingredient, the mill may have between two and 15 different suppliers. Thus, for a finished feed containing grains and 10 other feed ingredients, ultimately there could be more than 12,500 different sources for the grain portion of the shipment alone, and more than 80 different immediate previous sources of feed ingredients contained in the finished feed. Further, the NGFA pointed out, the 80 different immediate previous sources of the feed ingredients in the finished feed shipment represent only one step back in the supply chain, and does not account for the multiple supply sources that each feed ingredient supplier may be using to manufacture ingredients shipped to the feed mill.

“These examples illustrate that outbound shipments from grain elevators, grain processors and feed mills typically consist of hundreds to thousands of potential sources,” the NGFA said. “In tracing products, our industry can narrow the search based upon timeframes of receipt and distribution. But complexities associated with tracing grain and feed products stored, handled and transported on a commingled basis – combined with the relatively low risk of these commodities to human or animal health – need to be considered carefully as FDA evaluates any new ‘enhanced’ product-tracing requirements.”

The NGFA also urged FDA, when considering additional product-tracing requirements, to:

- ◆ Not require segments of the grain, feed and processing industry to keep records in a specified electronic format, which it said

would be “both technologically challenging and cost-prohibitive.” The NGFA said current Bioterrorism Act recordkeeping regulations that permit paper records are “adequate to facilitate an efficient trace-back and trace-forward investigation,” if necessary, of grain, feed and grain products.

- ▶ Recognize that requiring the assignment of a lot code or number would have limited benefits for products handled

in an unpackaged, bulk form, as is the case with most grain and feed.

- ▶ Consider first the impact of FDA’s new Reportable Food Registry, activated in September, on increasing the speed and accuracy of product tracing targeted specifically at products that facilities determine may pose a serious risk to human or animal health.

NGFA Discusses Major Issues with Farm Broadcasters

The NGFA conducted more than a dozen interviews with key farm broadcasters and networks from all regions of the country during the National Association of Farm Broadcasters’ annual Trade Talk event on Nov. 12 in Kansas City, Mo.

NGFA President Kendell Keith and Vice President for Communications and Government Relations Randy Gordon focused on several issues that resonated with the broadcasters, including:

- ▶ The impact that the House-passed climate-change legislation would have in idling vast tracts of productive farmland under a cap-and-trade approach, while increasing agricultural production costs.

- ▶ The NGFA’s success in working with the Senate to make important changes to its version of food and feed safety legislation, and the challenges presented to grain, feed and other facilities in the food/feed system by the House-passed bill.

- ▶ Changes needed to the CME Group’s CBOT wheat futures contract to encourage convergence between cash and futures market values as futures contracts reach expiration.

- ▶ Prospects for congressional action on major rail reform legislation, and the positive impacts it could have in restoring balance between the interests of agricultural shippers and railroads.



NGFA President Kendell Keith is interviewed by Susan Littlefield, farm director at the Farm and Ranch Market Network, Columbus, Neb. (left photo) and Michelle Rook, farm director at WNAX Radio, Yankton, S.D., (right photo) during the National Association of Farm Broadcasters’ (NAFB) annual convention. Rook is a former NAFB president.

Other Policy Issues

NGFA Opposes Port of Corpus Christi Harbor Security Fee: The NGFA on Dec. 7 urged the Port of Corpus Christi Authority to withdraw and reconsider a proposal to impose a significant new harbor safety fee to finance additional marine security patrols.

The port subsequently voted, by a 4-3 margin, to approve the fee, which is to be based upon a charge per-ship or per-barge, as currently done for the port's fireboat tariff. But unlike the fireboat tariff (which amounts to \$275 per vessel and \$35 per barge), the new fee amounts to a seven-fold increase – to \$2,032 per vessel and \$230 per barge. The port said the new fee would finance the operation of two marine patrol boats operating on a 24-hour, seven-day a week, 365-days per year basis.

In its letter opposing the dramatic fee increase, NGFA Waterborne Commerce Committee Chair Mark Carr and Agroterrorism/Facility Security Committee Chair Judy Fadden cited the following reasons for the NGFA's opposition:

- ◆ Apparently the lack of a risk analysis to justify the additional harbor patrols or the security value that would be added. "We believe it is imperative that a comprehensive analysis be done before any such fee is considered, and that any justification be shared with users and customers of the Port of Corpus Christi," the NGFA said.
- ◆ The significant fee increase would be another major economic blow to the maritime transportation industry and its customers, which still are trying to emerge from the depths of a recession that generally reduced shipping volumes and profitability.
- ◆ The port had not shared how the fee amount was determined, clarified what the "security mission or challenge" was, or how the additional patrols and funds would effectively accomplish those objectives. Based upon its analysis of the number of vessels and barges transiting the Port of Corpus Christi, the NGFA estimated the increased fee would generate more than \$5.1 million in revenues for the port – \$4 million derived from vessels and \$1.1 million assessed from barges. "Does the (port) believe that it would take more than \$5 million annually to operate two additional harbor patrols?" the NGFA asked.

- ◆ The harbor safety fee could establish a dangerous precedent for other U.S. ports upon which the U.S. grain, feed and grain processing industry relies for exports and imports of agricultural products.

The NGFA also sought clarification as to whether the Port of Corpus Christi would apply the fee to all vessels and barges, including containerized and petroleum cargoes, and whether the port had sought potential revenue resources from the U.S. Department of Homeland Security if the increased security patrols were justified. "A user fee of this magnitude should be a last resort," the NGFA said.

NGFA, Other Ag Groups Seek More Ag Research Funding: The NGFA in late November joined 49 farm, livestock and poultry, agribusiness and related organizations in requesting that the Obama administration double the U.S. Department of Agriculture's budget for competitive research grants to \$500 million in its fiscal year 2011 budget request to Congress.

In a Nov. 25 letter to Secretary of Agriculture Tom Vilsack and White House Office of Management and Budget Director Peter Orzag, the NGFA and the other groups noted that the fiscal year 2010 agriculture appropriations bill provided \$262 million for competitive research grants program – now known as the Agriculture and Food Research Initiative. But they noted that USDA has financed only 25 percent or less of the proposals received that have been found to be meritorious. The competitive-grants program is designed to solicit higher-quality research proposals.

But the groups also cautioned that funding for competitive grants should not undermine the funding of core capacity programs at land-grant institutions or the U.S. Department of Agriculture's other research activities. It was noted that these research programs are needed to address emerging animal and plant disease emergencies, as well as food safety-related matters.

The administration is scheduled to send its fiscal 2011 budget request to Congress in February.