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NGFA Risk Management Committee Formulating Policy Statements on CFTC-Proposed Speculative Position Limits, Hedge Exemption Policies

...Meets with CFTC on Industry Conditions...

The NGFA's Risk Management Committee is finalizing the NGFA's statement to be submitted to the Commodity Futures Trading Commission (CFTC) on two critically important issues: whether to increase speculative position limits on agricultural futures contracts and whether to establish a new hedge exemption for index and pension funds.

Comments on the two CFTC proposals are due Jan. 21 and Jan. 28, respectively. The committee met in Washington, D.C., on Jan. 10 for meetings with the CFTC and for internal discussions to formalize the NGFA's policy positions.

CFTC Meetings: All four CFTC commissioners – currently, there is one vacancy – and many CFTC senior staff met with the NGFA to discuss current industry issues related to cash and futures markets. Because the agency's comment period on the two proposals still was open, commissioners and staff could not comment directly on those issues. But the meetings did result in substantive discussions on many issues germane to both.

NGFA Risk Management Committee Chairman Rod Clark (center) is shown with Commodity Futures Trading Commission Acting Chairman Walter Lukken (left) and CFTC Commissioner Bart Chilton following the committee's meeting with the two officials. Clark is general manager of CGB/Diversified Services, Mount Vernon, Ind.

Risk Management Committee members stressed that a lack of consistent convergence between cash and futures is hampering performance of agricultural futures contracts and causing some industry members to question the utility of exchange-traded instruments as efficient hedging tools. At the same time, committee members reported to the CFTC commissioners that the current high-price environment is resulting in financial stress in the industry. Margin calls and operating loans are at several multiples of historical levels, and some companies are running up against borrowing limits. The committee reported to the CFTC that some elevators and grain buyers have been forced to liquidate inventory and dramatically widen cash basis levels to pay higher financing costs and to manage their risks. In some cases, companies have limited or ceased offering cash bids to producers for deferred grain purchases.

The committee also discussed with the CFTC the challenges posed by a seemingly endless supply of speculative capital entering agricultural futures markets. This largely long-only investment capital has had the impact of markedly increasing volume, adding volatility to the marketplace and adversely affecting hedging performance, with the result that risks and costs of traditional commercial hedgers have increased dramatically.

It is in this environment of higher prices, increased volatility and financing challenges that the committee has been formulating NGFA policy positions on the speculative position limit and hedge exemption proposals. The NGFA's Country Elevator Committee provided significant input into the Risk Management Committee's deliberations. In addition, the NGFA's Executive Committee spent a large portion of its Jan. 13-14 meeting discussing industry conditions and the NGFA's response. These two NGFA policy statements to the CFTC will be reported to the NGFA membership in the next edition of ***NGFA E-Alert***.

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Newsletter

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CME Group Price Limit Questionnaire: In a separate development, the CME Group on Jan. 15 distributed a questionnaire to futures market participants posing a series of questions about potentially increasing daily price limits for CBOT wheat, corn and soybean futures contracts. The questionnaire is being circulating widely among market participants – a copy also is included in this edition of the ***NGFA Newsletter***.

Several members of the NGFA Risk Management Committee are shown meeting with CFTC Commissioner Michael Dunn (far right) during their meeting in Washington.

The NGFA Risk Management Committee reached consensus on an NGFA response during a conference call this afternoon, and input from the NGFA will be submitted to the CME Group next week. During the call, committee members expressed many of the same concerns about market performance and financing challenges that have been center-stage in deliberations of the CFTC proposals discussed previously in this article. Individual NGFA-member firms may wish to complete the questionnaire and return it to the CME Group by the **Jan. 25 deadline**.

Biotechnology

by Christopher Holdgreve
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U.S. Increases Pressure as Discussions Continue on EU Biotech Case

The U.S. government on Jan. 14 announced that it would delay further retaliation proceedings – at least for the time being – after the European Union (EU) failed to sufficiently change its policies related to approvals of biotechnology-enhanced products within a previously agreed time period.

The action stems from a September 2006 ruling by the World Trade Organization (WTO) involving a case brought by the United States, Canada and Brazil. The three countries contended that the EU had instituted what amounted to a moratorium on approvals of new biotech-enhanced products, and that certain EU-member states were effectively banning even those agricultural biotech products that had received EU approval previously. The WTO found that the EU was in violation of its commitments under the WTO Sanitary and Phytosanitary Agreement.

Previously, the United States and EU had agreed to a one-year period (known as "reasonable period of time" in WTO parlance) for the EU to come into compliance with the WTO decision. That deadline expired Nov. 21, 2006, but was extended by mutual consent until Jan. 11, 2008. Following the expiration of that second deadline, the U.S. government agreed to suspend for at least some period of time the next steps in the dispute-settlement process so as to preserve its rights under the WTO while giving the EU an opportunity to show progress in their approvals of biotech products. The United States has indicated it will be conducting periodic reviews of EU action on approvals and EU-member state bans, and will measure progress against a set of benchmarks and timelines.

The EU's current biotech-approval process does not reflect a predictable science-based regulatory system and in many cases does not meet timelines established under EU law. This has resulted in the loss of markets for a number of U.S. agricultural products, as well as the EU being excluded from the list of functioning biotech regulatory systems recognized under the Biotechnology Industry Organization's Product Launch Stewardship policy – to the detriment of other segments of U.S. agricultural exports such as corn gluten feed. Restarting export of U.S. corn gluten feed, as well as maintaining exports of U.S. soybeans in light of the anticipated release of new biotech-enhanced soybean events, would be the most immediate beneficiaries of a timely science-based EU biotech-approval process.

The U.S. grain industry is hopeful that an outcome can be achieved that will facilitate trade by improving the EU system and allowing this important trading bloc to be added to the BIO list of functioning biotech regulatory systems. This would help ensure that biotechnology companies will gain EU approval for new products before commercialization. Currently, only the United States, Canada and Japan are considered to have "functioning" science-based biotech regulatory systems under the BIO policy.

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Negotiations Await to Resolve Differences in House, Senate Farm Bills

It appears that it may take some time after the Senate reconvenes on Jan. 22 to appoint a joint House-Senate conference committee to resolve differences between the separate chambers' versions of the new farm bill.

During the extended congressional winter holiday recess, it was House Agriculture Committee Chairman Collin Peterson, D-Minn., who took the lead in opening discussions with the Bush administration in an attempt to narrow policy differences. In fact, the final version of the 1,876-page farm bill approved by the Senate on Dec. 14 was not made available publicly until Jan. 4. Congress also extended the 2002 farm bill through March 15 to provide time to reach consensus.

Even though it will be Senate Agriculture Committee Chairman Tom Harkin, D-Iowa, who will chair the conference committee deliberations, Peterson confirmed in media interviews that he has met five times between Christmas and early January with Acting Secretary of Agriculture Chuck Conner to discuss the administration's farm bill priorities while Harkin was on a mission to West Africa to examine child labor issues. The administration continues to threaten a veto over the current versions of the bills.

As reported previously by the NGFA, Peterson said the administration's priorities are led by its demand to establish meaningful caps on farm program payment eligibility and avoid what the administration considers to be approximately $17 billion in tax increases to fund increased spending on nutrition, fruit and vegetable and conservation programs. To address the payment-limit issue, Peterson was quoted as saying that he, Conner and congressional staff members have discussed changing the definition of "farm" and harmonizing the income restrictions on production subsidies and conservation payments. The Bush administration had proposed to reduce the adjusted gross income limit for farm program payment eligibility to $200,000, which it said would affect 38,000 individuals nationwide. Peterson said further analysis has shown that only 15,000 of those individuals receive the majority of their income from farming. Also reportedly under discussion is addressing the issue of persons maintaining that they are "actively engaged in farming" while still claiming that farm program payments they receive are rental payments rather than earned income, as a means of avoiding paying self-employment taxes.

Peterson also has told media representatives that the Bush administration appears to have accepted the commodity loan rate increases contained in both the House- and Senate-passed versions of the bill. But he said it remained unclear whether the Bush administration would accept any funding source for financing additional farm program spending, noting that a major gap exists between the $600 million over 10 years proposed by the administration for spending on nutrition, fruits and vegetables, and the $11 billion increase called for in the House-passed bill.

The nearby chart compares the major provisions of several selected sections of the House- and Senate-passed versions of the farm bill, including the differences and a comparison to the current farm law.

Comparison Between House- and Senate-Passed Farm Bills and Current Farm Law

Issue	House Version	Senate Version	Current Law
Payment Limits	1) Reduces Adjusted Gross Income (AGI) limit to $1 million and to $500,000 if less than 67% of AGI is from farming; 2) eliminates the three-entity rule; 3) requires direct attribution of payments to actual person; 4) Raises limits on direct payments from $40,000 to $60,000; 5) Eliminates $75,000 limit on marketing loan program.	1) Retains current AGI for 2008; 2) Reduces AGI to $1 million in 2009 unless more than 67% of AGI is from farming, then to $750,000 in 2010-12; 3) Eliminates three-entity rule; 4) Requires direct attribution; 5) Lowers counter-cyclical limit to $60,000; 7) Eliminates $75,000 cap on marketing loan program.	1) $80,000 cap on direct payments; $130,000 cap on counter-cyclical. $150,000 cap on marketing loans. (per couple); 2) $2.5 million AGI limit. Administration has proposed stricter caps on all programs, a contentious point in negotiations for a final bill.

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Issue	House Version	Senate Version	Current Law
Counter Cyclical Payments	Revenue-based counter cyclical payment program based on a national crop revenue trigger. Producers required to select the new program or current program; decision remains in effect for duration of farm bill.	Creates optional Average Crop Revenue Program based on a state crop revenue trigger. While optional, once opted into program, producers required to remain for duration of farm bill. ACR replaces direct payments and non-recourse loans with $15-per-acre direct payment and recourse loan (requires loan repayment rather than forfeiture option).	Support based upon relationship between market prices and target prices. Payments triggered when market prices decline to less than target price. Payments based upon historic base acres and yields; therefore considered decoupled from current production.
Livestock and Poultry Contract Arbitration	Requires USDA to establish standards for arbitration provisions in livestock, poultry contracts.	Bans pre-dispute arbitration clauses in livestock, poultry contracts.	No current restrictions or standards.
Competition	No Provision.	1) Creates special counsel within USDA to investigate, prosecute violations of competition laws; 2) Prohibits packer livestock ownership more than 14 days before slaughter; 3) Strengthens enforcement authority over live poultry dealers.	No current provisions.
Country of Origin Labeling	Creates new labeling categories to make it easier to implement. Eases some recordkeeping burdens and lowers non-compliance fines. Adds goat meat as a covered commodity.	Same as House version, but adds chicken and macadamia nuts to list of covered commodities.	Implementation for fresh meat, produce and peanuts delayed until 2008.
Food From Cloned Animals	No provision	Prohibits FDA from issuing final risk assessment until further studies conducted.	Recently announced that foods from clones and their progeny were safe, but supports continuation of a voluntary moratorium against clones entering food system through a transition period (does not apply to progeny of clones).

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Issue	House Version	Senate Version	Current Law
Food Safety Commission	No Provision	Creates a Congressional Bipartisan Food Safety Commission to study, develop recommendations for modernizing food safety regulatory programs.	Food Safety Commission created by the 2002 farm bill, but has yet to be constituted or meet.
Working Lands Conservation	Prohibits new signups in Conservation Security Program (CSP) through 2012.	Replaces Conservation Security Program with Conservation Stewardship Program; increases funding.	CSP authorized with limited contracts to certain priority watershed areas.
CRP	Allows early termination of contracts after five years under certain conditions and makes continuous sign ups ineligible for early termination.	No similar provision.	Lands enrolled before Jan. 1, 1995 could, under certain conditions, be terminated early by the contract holder with approval from USDA.
Conservation Payment Limits	Limits annual payments for any single conservation program to $60,000 and $125,000 for all programs.	No change from current law.	$450,000 for EQIP cost-share and incentive payments over six-year period. $50,000 for CRP rental payments and incentives.
Permanent Disaster Assistance	No provision.	Authorizes permanent trust fund for ag disaster payments. Intended to supplement crop insurance – producers required to have catastrophic level coverage to be eligible. Estimated cost: $5.1 billion.	Ad hoc assistance provided by Congress a number of years. since 1988.
Funding Provisions	Contains provision amending the tax treatment of foreign corporations with U.S. subsidiaries ($4 billion).	Contains provision clarifying economic substance doctrine and penalties for understatements attributable to transactions lacking economic substance ($10.012 billion), and a proposal to disallow future loss claims on foreign tax-exempt-use property for leases signed on or before March 12, 2004 ($3.235 billion).	Administration strongly opposes both versions of “revenue raisers” and threatens veto.

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STB Closes Proceeding on Rail Transportation of Grain

The federal Surface Transportation Board (STB) issued a decision on Jan. 14 that formally closed its proceeding on rail grain transportation *[STB Ex Parte No. 665 - RAIL TRANSPORTATION OF GRAIN]*.

As part of the proceeding, the agency conducted a hearing in November 2006 "as a forum for interested persons to provide views and information about grain transportation markets." The STB stated at the time that the hearing had been "prompted by concerns regarding rates and service issues related to the movement of grain raised by members of Congress, grain producers and other stakeholders."

The STB also stated that the hearing specifically resulted from reports about the freight railroad industry issued by the U.S. Government Accountability Office (GAO) – the investigatory arm of Congress – which raised extensive observations and concerns about rates, competition and capacity issues. The GAO reported that most rail rates have declined since 1985, as noted in the STB's decision, "[h]owever, one category of rates examined by GAO—grain rates—diverged from the industry trends." According to the GAO, the amount of grain traffic with rates having comparatively high markups over the railroads' variable cost of providing transportation increased notably between 1985 and 2004, with grain rates having increased 9 percent in nominal terms over that time period. The GAO further found that the amount of long-distance grain traffic traveling at rates yielding revenues over 300 percent of variable cost had substantially increased over 1985 levels. As acknowledged by the STB, "[i]n light of this observation, GAO recommended that the [STB] undertake a rigorous analysis of competitive markets to: 1) identify the state of competition nationwide; 2) in specific markets, determine whether the inappropriate exercise of market power is occurring; and 3) where appropriate, consider the range of actions available to address problems associated with the potential abuse of market power."

In the proceedings that followed, 26 parties submitted comments, and 16 parties participated in the hearing, including railroads, shippers, government interests and labor unions. At the hearing, the NGFA presented testimony that agricultural movements generally had experienced rate increases in the last three years that clearly exceeded the average rate increases of other industries. The NGFA also filed supplemental comments in January 2007 that focused upon specific issues raised during the November hearing.

Outcomes from STB: But in its decision this month, the STB maintained it had taken several steps that it asserted address some of the pertinent issues identified by GAO and by the parties in this proceeding.

- First, the STB referenced the rulemaking proceeding completed in September 2007 *[Simplified Standards for Rail Rate Cases, STB Ex Parte No. 646 (Sub-No. 1)]*, which is designed to overhaul the rate-complaint process for cases where the value of the case does not justify litigating a full stand-alone cost case. According to the STB, shippers now may use either the "Three-Benchmark" (3-B) or the "Simplified Stand-Alone Cost" (SSAC) process to obtain rate relief, leaving the distinct impression that it has concluded its consideration of this matter.

  However, in October 2007, the NGFA in conjunction with an array of other shipper groups filed a petition for reconsideration of this final rulemaking. In their petition for reconsideration, they supported several components of the STB's rulemaking, including its decision to discard the "eligibility-limits" approach that would have been based upon the maximum value of the case, and instead adopt the "limit-to-relief" approach, whereby a complainant might elect to use either the 3-B or SSAC procedures. However, the shipper groups urged that even given limited improvements wrought by the 'limit-to-relief' approach, the relief caps remain substantially and unlawfully too low, requiring shippers over a significant range of case values applicable to 3-B and SSAC cases, to be forced to "choose" to either: 1) forego up to three quarters of its potential relief and its right to a reasonable rate at the level produced by the STB's procedures; or 2) file a case with a risk factor that does not justify the risk that the complainant is undertaking. The shippers contend that the problem can be easily rectified by substantially increasing the relief caps for 3-B and SSAC cases.

- Second, the STB referred to its recent award of a contract to Christensen Associates to conduct an independent study that will assess the current state of competition in the U.S. freight rail industry. The agency stated that the study will be completed and made public in the fall of 2008. The agency maintains that the study will analyze a range of issues relevant to grain transportation, including competition, capacity and the interplay between the two. The STB said the study also is designed to include an examination of various regulatory policy alternatives, and could lead to changes in its regulatory approach, if appropriate.

According to the STB, "[a]s a result of these actions, grain shippers should have more meaningful access to the regulatory process to contest rates and practices where competition is lacking, and the [STB] and the public might gain a greater understanding of how competition affects the delivery of transportation services."

by Randall C. Gordon
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DHS Issues Notice Officially Extending Deadline for Certain Ag Facilities to Comply with Chemical Anti-Terrorism Security Rule

The U.S. Department of Homeland Security (DHS) on Jan. 9 issued a ***Federal Register*** notice officially extending until further notice the deadline for certain agricultural facilities to register and submit information under its chemical facility anti-terrorism standards.

The DHS standards took effect June 8, except for the final list of "DHS chemicals of interest" to which the rule applies – dubbed "Appendix A" – which was published in the Nov. 20 ***Federal Register***. The standards generally require grain elevators, feed mills, grain processors, farm supply retailers and a host of other food and agricultural, chemical and other facilities to register with the agency and complete a web-based "Top Screen" consequence-assessment tool by Jan. 22 if they "possess or plan to possess" chemicals at levels that meet or exceed specified minimum concentrations and at quantities that meet or exceed the screening threshold quantity (STQ) set by DHS for each chemical in Appendix A.

As reported in the Jan. 3 ***NGFA Newsletter***, DHS announced during a Dec. 21 conference call that it had issued a letter extending until further notice the deadline for submitting the "Top Screen" tool for farms and other agricultural users that otherwise would be required to do so <u>solely</u> because they possess DHS chemicals of interest at or above the applicable screening threshold quantity for use: 1) in preparation for the treatment of crops, feed, land, livestock (including poultry) or other areas of an agricultural production facility; <u>or</u> 2) during application to or treatment of crops, feed, land, livestock (including poultry) or other areas of an agricultural production facility. Importantly DHS has confirmed with the NGFA that this indefinite extension applies to grain elevators, feed mills, and grain processing and food facilities that possess an Appendix A-listed chemical that meets or exceeds the STQ solely for the purpose of fumigating grain, feed or food. <u>Importantly, DHS officials also have told the NGFA that these facilities are not required to register at this time</u> with the agency, since they currently are not required to submit the "Top Screen."

However, the DHS extension does <u>**not**</u> apply to facilities (such as farm supply dealers) that possess such chemicals at levels exceeding the STQ for the purpose of <u>**selling**</u> such chemicals. Further, DHS chemicals of interest that are fuels (such as propane) are <u>**not**</u> covered by the extension. Therefore, facilities that possess propane at levels that meet or exceed the propane STQ of 60,000 pounds (approximately 14,285 gallons) are <u>**not**</u> covered by the extension. However, under DHS's final rules, facilities do not need to count propane stored in tanks containing less than 10,000 pounds (approximately 2,381 gallons) when calculating whether their STQ meets the trigger level.

<u>Click here</u> to access a copy of the Jan. 9 DHS ***Federal Register*** notice. Also see the Jan. 3 edition of the ***NGFA Newsletter*** for more details.

DHS Creates New Position at Customs and Border Protection Focused on U.S. Agriculture: In another DHS matter concerning agriculture, the department on Jan. 2 announced the selection of **Kevin Harriger** to fill the newly created position of deputy executive director, agriculture operational oversight.

The position was created by DHS Secretary Michael Chertoff in fulfillment of a pledge to Sen. Dianne Feinstein, D-Calif. Feinstein, in turn, agreed to withdraw an amendment to the farm bill during Senate floor debate in December that would have transferred responsibility for conducting agricultural inspections for plant and animal diseases in imported products from DHS back to the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS). Chertoff also pledged to stop the practice of assigning agriculture inspectors to conduct other, nonagricultural-related functions (which Feinstein had documented was occurring, on average, 22 percent of the time).

The new position is responsible for ensuring more consistent application of agriculture inspection policy across all U.S. ports of entry. Harriger also will be the principal contact person for joint agency task force coordination between DHS, APHIS, state and local governments, and the private sector. He also will be responsible for: 1) outreach to federal and state officials on agriculture border inspection issues; 2) overseeing the joint Customs and Border Protection (CBP) and APHIS agriculture quality assurance program; 3) monitoring agricultural performance measures for risk and efficiency; 4) ensuring compliance with all agricultural inspection program directives and policies; and 5) ensuring that agriculture specialists have the equipment and resources needed to perform agricultural inspections.

Harriger has 26 years of experience in USDA and DHS, having served most recently as director of policy and planning for CBP's agriculture programs. He also served as a special assistant to the executive director of agriculture programs and trade liaison office, where he implemented and coordinated agriculture-related projects and training. He was transferred to CBP from APHIS's Plant Protection and Quarantine Division when DHS was established. He has been with APHIS since 1981, starting as a plant protection and quarantine officer and later serving as the plant protection and quarantine assistant regional director in Raleigh, N.C.

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Recent Grain Theft Incidents Warrant Increased Vigilance

The NGFA in recent weeks has received reports from several member companies and affiliated State and Regional Grain and Feed Associations, as well as media, of sporadic incidents of grain thefts occurring at country elevators.

National Public Radio on Jan. 10 aired a three-minute report on police investigating "almost a dozen incidents where thieves using semitractor trailers stole wheat from at least four grain elevators in western Kansas." One of those thefts involved 9,000 bushels of wheat from a country elevator.

Among other reported incidents are those involving:

- Sales of intermodal containers of soybeans and corn stolen from a rail yard in one state and with a sale attempted in a contiguous state.
- An elevator manager and owner of a trucking company allegedly conspiring to illegally unload grain from a facility in the middle of the night.
- Thefts involving electrical cords from belt conveyors and aeration fans for the copper, pipes from rail cars for the aluminum and catalytic converters on vehicles for the platinum.

In some of these incidents, arrests have been made and prosecution is pending. In others, the incidents still are under investigation.

In previous years, there have been similar incidents, as well as cases involving manipulation of scales or weight shifting between truck axles.

Given the value of grain and other commodity prices, managers and employees are encouraged to be alert and redouble their facility security efforts. Insurance specialists advise about the importance of knowing distributors and transport personnel, paying attention to scales and scale tickets, and communicating with one another if they witness anything suspicious.

Confirmation Hearing Scheduled for Jan. 24 for New Ag Secretary Nominee

The Senate Agriculture Committee has scheduled a Jan. 24 confirmation hearing on President Bush's nomination of **Edward T. Schafer** to be the 29th secretary of agriculture.

Schafer's nomination has drawn positive reactions from Senate Agriculture Committee Chairman Tom Harkin, D-Iowa, and fellow North Dakotan, Democratic Sen. Kent Conrad, who also serves on the Agriculture Committee. Meanwhile, House Agriculture Committee Chairman Collin Peterson, D-Minn., said he and Schafer had a "good personal relationship. I like him," Peterson said. "At least he understands agriculture in our part of the world. At least he understands the importance of sugar and permanent disaster relief." Acting Secretary of Agriculture Chuck Conner, whom many had expected to be nominated by Bush, has said he will remain in his role as deputy secretary of agriculture, offering his "full support" to Schafer and saying he was "eager to welcome" him to USDA.

Schafer, 61, served as North Dakota's governor from 1992-2000 – the first Republican elected to a second term in the state's history, with a 32-percent margin. He declined to run for a third term, despite the likely prospects for reelection. In nominating Schafer, Bush said he had been a "leader on agricultural issues" as governor, working to open new markets by expanding trade with China, overseeing development of the state's biofuels industry, increasing economic opportunities in rural communities and responding to natural disasters. "At every stage of his career, Ed has shown wisdom, foresight and creativity," Bush said.

In 1990, Schafer had unsuccessfully challenged then-U.S. Rep. and now Sen. Byron Dorgan's, D-N.D., reelection, losing by a 65-35 percent margin. In 2004, he declined to run against Dorgan for the Senate seat, despite appeals from national Republican leaders, including Bush. North Dakota Grain Dealers Association Executive Vice President Steve Strege told the NGFA that Schafer is known as a fiscal conservative, and was very active on rail transportation issues. He noted that Schafer while governor maintained close contacts with rail executives and hosted small meetings between rail company presidents, grain shippers and farm organization leaders at the governor's residence. Schafer also was active in the establishment of the BNSF Railway Grain Desk under then-BNSF President Rob Krebs in the late 1990s.

Schafer, a native of Bismarck, N.D., received an undergraduate degree from the University of North Dakota, and a masters of business administration from the University of Denver. Following graduation, he worked for his father's household cleaning and personal care products firm, Gold Seal Co., serving as its president from 1978-85.

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FDA to Conduct Public Meeting in March on Pet Food Regulations

The Food and Drug Administration (FDA) has announced it will conduct a public meeting during the first quarter of 2008 – the NGFA has learned that it most likely will occur sometime in March – to begin the process of implementing the law that requires the agency to develop regulations pertaining to pet food safety.

Under the Food and Drug Administration Amendments Act of 2007, which was signed into law Sept. 27, FDA within two years is required to issue regulations governing pet food ingredient standards and definitions, processing "standards," and labeling standards that include nutritional and ingredient information for pet food. The law also requires FDA within one year after enactment to establish an "early warning and surveillance system" to identify pet food adulteration incidents and outbreaks of pet food-related illnesses. In developing the regulations, the law expressly requires that the agency consult stakeholders, specifically including the Association of American Feed Control Officials, veterinary medical associations, animal health organizations and pet food manufacturers. In a ***Federal Register*** notice published Jan. 7, the agency noted the tight timeframe for finalizing the pet food regulations made it "imperative" that it begin the rulemaking process "as soon as possible." In the notice, FDA also said it has created a docket *[Docket No. 2007N-0487]* for accepting public comments through its website even before the public meeting. The NGFA is working with its strategic partner, Pet Food Institute, to address this issue.

The same law contains other major food and feed safety provisions that, among other things, require FDA to create a "Reportable Food Registry" – a web-based electronic portal – that persons would be required to use to notify the agency if the use of, or exposure to, a food, feed, feed ingredient or other FDA-regulated product (except infant formula) poses a "reasonable probability" of causing "serious adverse health consequences or death to humans or animals." This threshold mirrors the standard contained in the Bioterrorism Act of 2002 that authorizes FDA to detain an adulterated food or feed product. See the Sept. 27, 2007 edition of the ***NGFA Newsletter*** for a complete report.

FDA Shifts Leadership of Food, Feed Divisions

The Food and Drug Administration (FDA) began the new year by appointing highly respected new leaders for its food and feed divisions, both of whom are well known to the NGFA.

Dr. Stephen F. Sundlof, who has served since 1994 as director of FDA's Center for Veterinary Medicine (CVM), was named new director of the agency's Center for Food Safety and Applied Nutrition (CFSAN). Meanwhile, **Dr. Bernadette Dunham** was promoted to replace Sundlof as CVM director after serving since 2002 as his deputy.

Sundlof was a professor of toxicology in the College of Veterinary Medicine at the University of Florida prior to being named CVM director, during which time he also served as chairman of CVM's Veterinary Medicine Advisory Committee. His 13-plus years as CVM director mark the longest tenure of anyone to hold the position. During that time, he launched CVM's Animal Feed Safety System initiative, implemented regulations to mitigate the risk of bovine spongiform encephalopathy, developed the agency's just-announced policy on food derived from cloned animals, championed congressional passage of the Minor Use/Minor Species and Animal Drug User Fee Acts, and managed the agency's handling of last year's contamination of imported Chinese feed ingredients containing melamine and melamine-related compounds. He also has served since 1994 as chairman of the Codex Alimentarius Commission's Committee on Residues of Veterinary Drugs in Foods, and headed the U.S. delegation to Codex that developed the first international code of practice on animal feed safety.

Dunham, the new head of CVM, served five years as Sundlof's deputy at the agency, where she played major roles in coordinating and establishing its policies in research, management, scientific evaluation and inspection and enforcement programs. She also was director of CVM's Office of Minor Use and Minor Species Animal Drug Development, which oversees and approves new animal drugs designed to treat such species as sheep, goats, catfish, zoo animals, ornamental fish, parrots, ferrets, guinea pigs and honeybees. The same office also reviews the appropriateness of drugs to treat uncommon diseases in major species, such as cattle, swine, chickens, turkeys, horses, and dogs and cats. Prior to joining FDA in 2002, she worked for the American Veterinary Medical Association in government relations and policy. Before that, she was a faculty member at several universities, including the State University of New York Health Science Center's Department of Pharmacology and as the university's director of laboratory animal medicine.

Membership Matters

by Todd Kemp
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February Frenzy to Commence on Feb. 1

...Major Grand Prize for Recruiters...

It's that time of year again – time for all NGFA members to whip up a ***February Frenzy*** of membership recruiting!

Those who have followed the NGFA's membership activity in recent years are aware that the period beginning Jan. 1 and culminating with the NGFA annual convention traditionally is a very fruitful recruiting time. For that reason, a major push to sign new members is initiated each year – with all successful recruiters qualifying for a fabulous Grand Prize!

Hence, the name: ***February Frenzy***! It will begin Feb. 1 and continue until March 24, so there is an element of March Madness involved too. During this event, all successful recruiters will qualify for a Grand Prize drawing to be conducted at the close of business on March 24. Stay tuned for more details on a Grand Prize travel package that's shaping up to be a major incentive to sign new members.

Join the Membership Network: To stay up to speed on all recruiting activities – major prospects, recruiting tactics, hot issues – you will want to be a member of the NGFA Membership Network. This group receives regular e-mails with the latest updates on who signed who – and how you can have the biggest impact. To join, simply e-mail tkemp@ngfa.org with "Membership Network" in the subject line.

Major Convention Prizes, Too! In addition to the February Frenzy, major prizes will be awarded at the Scottsdale, Ariz., convention to leading recruiters over the 2007-08 membership year. Recent prizes have included a Hawaiian get-away, a weekend in Scottsdale and a Disney vacation. In addition, the Nootbaar Prize is awarded each year at convention – a random drawing in which the winner takes home $1,000 cash!

So get excited – get motivated – and get moving to recruit a new member or two before the convention. Materials and advice are available from the NGFA's staff at any time. Call Todd Kemp at (202) 289-0873 or e-mail tkemp@ngfa.org.

Thank you in advance for your enthusiastic recruiting for the NGFA!

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