



NGFA

Newsletter[®]

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USDA Awards Bids for Transportation Differentials, 'Damaged' Barge Corn

The U.S. Department of Agriculture (USDA) today completed making awards on the second of its three initiatives that it said are designed to relieve bulk grain and soybean storage and transportation congestion "exacerbated" by Hurricane Katrina.

USDA officials told the NGFA it accepted three proposals from two companies to discharge and relocate approximately 45 barges containing 64,238 short tons of "damaged" corn upriver from the New Orleans, La., region. Those offers were among those submitted from a total of six companies to move a total of 328 barges containing 2,470,508 bushels of "damaged" corn. The accepted bids are in addition to the agreements entered into by USDA shortly after Hurricane Katrina to relocate and discharge what it said were 140 barges containing approximately 7 million bushels of damaged corn from the Mississippi/Center Gulf region in an effort to accelerate barge availability for harvest.

On Oct. 12, USDA told the NGFA that it had accepted six offers from three companies to provide transportation freight differential incentives to move a total of 294,770 metric tons of bulk corn, wheat and soybeans through Great Lakes and Pacific Northwest ports under another of its post-Katrina initiatives. As first reported by the NGFA on Oct. 7, USDA said eight companies submitted a total of 23 offers to redirect

829,359 metric tons of commodities (including some bids for sorghum and dry peas that were not eligible for consideration) to various export ports. USDA initially had invited offers for a transportation differential incentive to move up to 200,000 metric tons of corn, wheat or soybeans through regions other than the Mississippi River/Center Gulf. But it said it awarded a greater quantity because it could do so for less than the \$5 million budget limit authorized by the White House Office of Management and Budget.

Evaluation of Alternative Storage Bids Next: On Oct. 14, USDA said it will begin evaluating more than 200 proposals submitted by entities offering to provide "alternative storage" for approximately 327 million bushels of bulk grain. USDA officials said they already had separated the bids into two broad categories – those north and south of St. Louis, Mo. – and that most of the offers were from Iowa and Illinois.

In its *Federal Register* announcement made available on Sept. 30, USDA said it intended to accept bids to store up to 50 million bushels of corn and wheat to ease storage congestion and facilitate transportation in the "Mississippi River transportation system." USDA said it likely will notify successful bidders for alternative storage on Monday, Oct. 17, the deadline stipulated in its *Federal Register* announcement.

FDA Issues Proposed Changes to BSE-Prevention Feed Regulations

The Food and Drug Administration (FDA) on Oct. 4 issued proposed changes to further strengthen its feed regulations designed to prevent the establishment or spread of bovine spongiform encephalopathy (BSE).

As expected, the proposal's centerpiece is a ban on brain and spinal cord from cattle 30 months or older from all animal feed, which mirrors the NGFA's policy recommendation to the agency. In addition, FDA proposed to ban the use of nonambulatory (downer) and dead cattle **of any age** from all animal feed **unless** brain and spinal cord has been removed from those animals.

FDA also proposed that beef tallow **derived from brain and spinal cord** from cattle 30 months or older, as well as such materials removed from nonambulatory and dead cattle of any age, contain no more than 0.15 percent insoluble impurities. The impurity level is consistent with the international guideline

developed by the World Animal Health Organization – the Organization of International Epizootics (OIE). Further, FDA proposed that mechanically separated beef – product resulting from the mechanical separation and removal of most of the bone from attached skeletal muscle – from cattle 30 months or older or from nonambulatory and dead stock of any age also be prohibited from use in all animal feed unless the brain and spinal cord has been removed from those animals. Under the proposed rule, renderers would be required to use separate equipment or containers to prevent cross-contamination between the aforementioned materials prohibited from use in all animal feed and other non-prohibited products, and to keep records sufficient to track cattle materials prohibited from being used in feed. Renderers also would be required to conspicuously label such materials: "Do Not Feed to Animals." And they would be required to dye or otherwise mark such materials with an agent readily detected on visual examination.

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Getting Excited About Trade

The Bush administration deserves credit for demonstrating political courage in tabling an aggressive trade and domestic support reform proposal this week in an effort to break a deadlock on the Doha Round negotiations under the World Trade Organization (WTO).

The administration did so at a time when farm prices of major crop commodities are rather low, and production agriculture's enthusiasm for free trade is below its modern-day peak of the mid-1990s. But the proposal seems to be the culmination of some new political dynamics.

The momentum for significant trade reform is coming from the U.S. manufacturing and service sectors, which increasingly are frustrated with some sectors of U.S. agriculture that are unwilling to "trade" some of their current market protections and support for greater market access and more international opportunities. More than ever before, these other sectors of the U.S. economy are willing to speak out publicly against agricultural interests that they believe are blocking economic access for their businesses.

Another dynamic at work are the increasingly vocal countries around the globe complaining about developed country policies artificially depressing world commodity prices. And many of the crops for which global markets may be the most distorted are those crops in which developing countries in warm climates have a strong comparative advantage. The strength of the economic links between trade-distorting agricultural programs and the rate of economic growth achievable in developing countries may be debatable. But the point is becoming a significant part of the political debate on trade.

The European Union's reaction to the U.S. proposal generally was positive. But a Japanese representative rejected it out of hand, saying it did not go far enough in cutting U.S. support of production agriculture. Japanese officials have indicated they would table an alternative proposal this week. The Organization for Economic Cooperation and Development (OECD) reports that Japan's overall support for farm income – at 56 percent – is one of the highest levels in the world (see nearby table).

The Bush administration certainly understands that without significant trade concessions from both developed and developing countries, Congress will never approve an agreement that would commit the United States to such reforms in its own tariffs and domestic programs. But it does seem like an opportune time to see what might be achievable in trade reform and expansion in an effort to provide other revenue possibilities for U.S. agriculture. Massive expenditures for the Iraq war, building highways and other infrastructure,

Government Support for Farm Production, 2004

	Total Producer Support* (\$Billions)	Government Support as % of Farm Income
European Union	\$133.4	33%
Japan	\$48.7	56%
United States	\$46.5	18%
South Korea	\$19.8	63%
Turkey	\$11.6	27%
Switzerland	\$5.8	68%
Canada	\$5.7	21%
Mexico	\$5.4	17%

*Estimate of government support to producers

disaster aid for hurricane relief, more money for programs for an aging U.S. population...the demand for federal revenue seems to expand without limits. Such monetary demands on the U.S. government's budget will impose heavy pressure to cut every discretionary program in sight. Another exacerbating factor is that producers of non-farm program agricultural crops are beginning to clamor for "their piece of the pie" – threatening to further squeeze dollars available for farm program crops.

It is most difficult to predict outcomes of trade negotiations and farm program debate. But with so much at stake in 2006 and 2007, one thing is for certain. Campaign war chests of many interest groups will swell to record levels in the 2006 election cycle.



Calendar

Dec 4-6, 2005: NGFA Country Elevator / Feed Industry Council
Conference & Trade Show
Hyatt Union Station, St. Louis, Mo.

Dec 4, 2005: NGFA Country Elevator Committee
Hyatt Union Station, St. Louis, Mo.

Dec 6, 2005: NGFA Animal Agriculture Committee
Hyatt Union Station, St. Louis, Mo.

NGFA Feed Legislative and Regulatory Affairs Committee
Hyatt Union Station, St. Louis, Mo.

NGFA Feed Manufacturing and Technology Committee
Hyatt Union Station, St. Louis, Mo.

March 5-7, 2006: NGFA's 110th Annual Convention
Charleston, S.C.



Senate Ag Panel Delays Action on Identifying Ag Spending Cuts

Disagreements both within and outside the Senate Agriculture Committee during the week of Oct. 3 triggered a delay in its planned consideration of a proposal to save \$3 billion in agricultural spending over fiscal years 2006-10, as called for in the congressional budget resolution for fiscal 2006.

Subsequently, the deadline for the Senate Agriculture Committee to identify budget savings in a proposal to the Senate Budget Committee was extended to Oct. 28. The Senate Agriculture Committee will try again on Oct. 19 to vote on a proposal.

Meanwhile, the House Agriculture Committee tentatively has scheduled the week of Oct. 17 to develop its version of a plan to meet the \$3 billion budget-reconciliation savings target over the next five years. But one reason for the delay is an effort by House Republican leaders to gain agreement for additional budget savings – to \$50 billion instead of the earlier planned \$34.7 billion – to help fund hurricane relief efforts. If the higher budget savings figure is agreed to, it would increase required agricultural budget cuts to \$4.5 billion.

Senate Agriculture Committee Chairman Saxby Chambliss, R-Ga., postponed a planned Oct. 5 Senate committee session after several lawmakers expressed concerns over a proposed two-year extension of the countercyclical dairy payment program – known as the Milk Income Loss Contract Program – and after members of the Senate Budget Committee voiced alarm over the Agriculture Committee's plan to extend the 2002 farm law's commodity programs through fiscal 2011.

A package of proposed spending reductions developed by Chambliss had called for reducing by 2.5 percent for the

2006 through 2010 crop years all payments and marketing loan gains for farm program commodities, including corn, wheat, soybeans and other oilseeds, sorghum, barley, oats, rice, cotton and other products. Under the plan, the U.S. Department of Agriculture would have calculated the total amount of producer payments – consisting of direct payments, countercyclical payments, marketing loan gains and loan deficiency payments – and then reduced that total by 2.5 percent. But several senators expressed alarm that this defacto extension of the 2002 farm law's commodity provisions through the budget bill would run counter to U.S. objectives to achieve substantial reductions in trade-distorting domestic subsidies, as well as eliminate export subsidies and increase market access through the World Trade Organization's Doha Round negotiations.

The proposal also would have generated some "savings" by reducing the amount of advance direct payments a producer could receive for the 2006-11 crops to 40 percent, down from the current 50 percent. Another element of Chambliss' draft proposal would have reduced the Conservation Reserve Program's acreage cap from the current 39.2 million acres to 36.4 million acres for calendar years 2006-10; thereafter, the cap would increase to 38.2 million acres in 2011. The plan also would have reduced baseline funding for the Conservation Security Program – which provides conservation funding for working farmlands – to \$1.954 billion for fiscal years 2006-10. The Environmental Quality Incentives Program (EQIP) – which has been directed principally livestock and poultry operations to enhance water quality – also would have seen slight reduction in funding for fiscal years 2006-10. Specifically, the proposal would reduce EQIP funding to \$1.185 billion in fiscal year 2006 and \$1.270 billion in each of fiscal years 2007-10. Funding would be restored to \$1.3 billion level in fiscal year 2011.

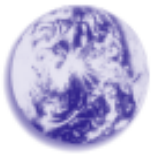
House Ag Committee to Hold Hurricane Impact Hearing Oct. 26

The House Agriculture Committee plans to conduct an Oct. 26 hearing on the combined impacts of Hurricane Katrina and low water levels on the Upper Mississippi River and its tributaries on agricultural commerce, as well as the outlook for recovery during the next three months.

Witnesses are expected to include the head and a water policy expert from the U.S. Army Corps of Engineers; a U.S. Department of Agriculture official; two producers; a barge company representative; a grain exporter; and a grain originator. The NGFA is assisting the House Agriculture Committee staff in identifying industry witnesses for the hearing, which will provide an opportunity to focus renewed

attention on the importance of the inland waterways system to U.S. agricultural competitiveness, as well as the constraints being imposed by current transportation capacity limitations.

In a related development, the NGFA has learned that at least 13 members of the House Agriculture Committee, led by Chairman Bob Goodlatte, R-Va., are scheduled to visit the New Orleans region this weekend to assess the hurricane's impact on agricultural production and U.S. agricultural exports. They are scheduled to visit ports, view livestock and crop losses, and examine food bank distribution sites.



U.S. Tables New Proposal to Jumpstart WTO Ag Trade Talks

Negotiations are scheduled to resume in Geneva during the week of Oct. 17 among trade and agricultural ministers striving to break the impasse on an agricultural trade reform framework under the World Trade Organization's Doha Round.

Officials from the European Union, United States, Brazil, India and Australia are expected to participate. These sessions will follow three days of meetings this week that failed to break the logjam, despite the Oct. 10 unveiling by U.S. Trade Representative Rob Portman of what he termed a "bold" proposal to reform world agricultural trade. The U.S. proposal was an effort to jump-start the WTO negotiations to develop a new framework document prior to a crucial meeting of trade ministers in Hong Kong scheduled for Dec. 13-18. The United States "is ready to make meaningful changes to American farm programs provided our trading partners deliver tangible market access for U.S. agricultural exports and our offer is also met by substantial reductions in trade-distorting measures, with deeper cuts by the biggest subsidizers," Portman said.

U.S. negotiators reported some progress in the talks. The European Union offered to reduce its trade-distorting domestic supports by 70 percent, up from a previous offer of 65 percent. But the EU did not signal a willingness to further reduce tariffs on agricultural product imports, promising instead to present – when negotiations resume – a new tariff-reduction proposal after consulting with the EU's 25 member countries. In addition, Portman expressed disappointment at the lack of progress on improving market access, as developing countries continued to resist linking greater market access to U.S. proposals to reduce trade-distorting domestic supports. Portman and Secretary of Agriculture Mike Johanns continue push this linkage as critical, particularly to getting congressional support for a final deal.

Congressional Letter: This point was driven home by an Oct. 6 letter to Portman from Senate and House Agriculture Committee Chairmen Sen. Saxby Chambliss, R-Ga., and Rep. Bob Goodlatte, R-Va., respectively. The chairmen expressed "concern about reports of unbalanced and unreasonable negotiating demands from other countries regarding agriculture." They stressed that reducing U.S. farm supports without creating market access opportunities "cannot be the basis for an agreement." The letter went on to identify the following four guiding principles that an agreement must include to gain their support: 1) substantial improvement in real market access; 2) greater harmonization in trade-distorting domestic support; 3) elimination of export subsidies; and 4) greater certainty and predictability regarding WTO litigation.

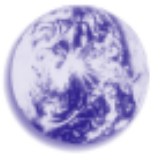
The latter has been a point of contention, as developing countries expressed a deep opposition to giving up their

litigation rights by agreeing to a so called "peace clause," which the United States is seeking to avoid cases brought against U.S. farm programs currently operating at levels within WTO commitments. As a final warning, Chambliss and Goodlatte cautioned negotiators to leave the farm bill writing to Congress, saying that while they supported a successful conclusion to the negotiating round they will not support a "bad agreement" that does not have "the support of farmers and ranchers in the United States."

U.S. Ag Reform Proposal: The U.S. proposal appears to meet the guiding principles outlined by the congressional agricultural committee chairmen. It calls for eliminating agricultural export subsidies and substantially reducing trade-distorting domestic agricultural supports over a five-year period – with deeper reductions for countries with the highest levels – while requiring both developed and so-called developing countries to implement steep tariff cuts to substantially improve market access. After the first five-year phase in, the U.S. proposal calls for a five-year interlude during which WTO-member countries could review the effects of the reductions. Unless the 148-member WTO agreed to change course, the U.S. proposes eliminating remaining agricultural tariffs and trade-distorting subsidies during the subsequent five-year period.

The U.S. plan would reduce overall levels of trade-distorting domestic supports by 53 percent for the United States and by 75 percent for the European Union. As for the most trade-distorting domestic supports – termed "amber box" – the U.S. proposal would require the United States to implement reductions of 60 percent based on total aggregate measures of support, while the European Union and Japan would be required to implement cuts of 83 percent. Using current exchange rates, the 60 percent reduction for U.S. domestic supports would reduce amber-box payments from the currently authorized cap of \$19.1 billion to \$7.64 billion. U.S. dairy and sugar programs alone currently account for about \$6 billion annually (nearly \$4 billion for dairy and \$2 billion for sugar). For the European Union, the authorized cap would be reduced from \$82.3 billion to \$14.2 billion. The EU reported using \$35.2 billion in 2001, its most recent report to the WTO. As such, the U.S. proposal would reduce the current disparity between U.S. and EU supports from the current ratio of 4:1 to 2:1. Meanwhile, the U.S. proposal also calls for reducing less-trade-distorting domestic subsidies – termed "blue box" – from the current limit of 5 percent of the annual value of agricultural production to 2.5 percent. The United States argues that its counter-cyclical payments should be categorized as "blue box" rather than "amber box." The United States currently spends about \$7.6 billion annually on counter-cyclical payments, and the U.S. proposal would equate to a limit of about \$5 billion per year. The U.S. proposal places no restrictions on non-trade-





distorting domestic supports for producers (termed "green box"), such as conservation or environmental payments.

To provide greater market access, the U.S. proposal would use a progressive formula to reduce tariffs by developed countries by at least 55 percent, up to a maximum reduction of 90 percent for developed countries with the greatest tariffs. U.S. agricultural tariffs currently average 12 percent, compared to the world average of 62 percent. Tariffs for so-called "sensitive" products would be limited to 1 percent of total dutiable tariff lines. Further, no developed country could implement a tariff greater than 75 percent for a given agricultural product. Under this concept, the current U.S. sugar tariff, which exceeds 100 percent, would be set at a maximum of 75 percent. The U.S. proposes to establish lesser, but unspecified, tariff cuts for developing countries, with longer phase-in periods.

To enhance export competition, the U.S. proposal takes a balanced approach by calling for the elimination of all agriculture export subsidies within the first five years, as well as for reforming export credit and food aid programs (such as those used by the United States) to ensure they are consistent with commercial practice and

do not displace commercial trade. In addition, the U.S. proposal would impose new disciplines on state trading enterprises (such as the Canadian and Australian Wheat Boards) by ending their monopoly export privileges and enhancing their market transparency.

Mixed Reaction: The U.S. proposal apparently achieved its intended objective of shaking up a near-moribund process and getting WTO members to engage in a more serious discussion about fleshing out the framework agreed upon last summer. While the initial reaction was mixed, it tended to be favorable. Japan was the biggest exception, stating that it could not accept the U.S. proposal as the basis for future negotiation. The European Union said it "welcomed" the U.S. proposal. Canada termed the U.S. proposal "interesting" and an "effort to break the impasse" on farm trade negotiations, while Australia called it "a good start" and urged "other agricultural subsidizers to follow the lead." Brazil welcomed the U.S. proposal, but said deeper cuts in agricultural subsidies were needed and urged the EU to provide greater market access. India also welcomed the U.S. proposal, so long as it results in substantial reductions of budget outlays for agriculture and imposes ceilings on outlays for specific commodities.

U.S. Commission Reverses Injury Determination on Canadian Wheat

The U.S. International Trade Commission (ITC) on Oct. 5 issued a decision reversing its October 2003 determination that U.S. producers had been "materially injured" by imports of unfairly subsidized Canadian hard red spring wheat.

The ruling was in response to a June 7 remand of the 2003 decision by a North American Free Trade Agreement (NAFTA) binational panel, which had directed the ITC to reexamine nine specific aspects of its original decision. If the latest ITC decision is affirmed by the NAFTA panel, the decision will end the approximately 14.15 percent tariff imposed on U.S. imports of Canadian hard red spring wheat, as well as require refunding monies previously collected through the tariff.

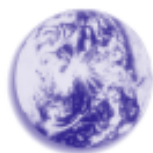
The ITC adopted the dissenting view that imports from Canada were not significant enough in total, or in relation to U.S. production and consumption to have caused injury. The North Dakota Wheat Commission (NDWC), the main U.S. petitioner in the case, asserted that the most recent ITC decision was based on a timeframe when the

Canadian Wheat Board intentionally restrained exports to the United States, knowing an antidumping/countervailing duty case was imminent. "The ITC failed to see that the slowdown in imports in late 2002 was a policy reaction on the part of the CWB to legal challenges, not a market response to crop size and quality," claimed NDWC Chairman Harlan Klein. "So apparently, if you do wrong, but stop doing wrong, the ITC thinks it's okay and that we farmers shouldn't worry about the wrongdoing continuing once our government looks the other way."

In addition, the ITC commissioners adopted the dissenting view that price underselling engaged in by the Canadian Wheat Board was not significant. Nor, the commission ruled, did the evidence show that Canadian imports had price-depressing or suppressing impacts, and therefore were not injurious to U.S. producers. The ITC also determined that there was no impact on the financial condition of U.S. producers that could be attributed to imports from Canada.

The NDWC has announced it intends to challenge the latest ITC ruling.





WTO Makes Final Ruling Against Mexico in HFCS Dispute

On Oct. 7, the World Trade Organization (WTO) adopted a final ruling against Mexico's tax on beverages that contain the imported sweetener, high fructose corn syrup (HFCS).

The Mexican law, passed in January 2002, levied a 20 percent tax on the sale and distribution of beverages containing HFCS, while exempting beverages containing Mexican cane sugar. The WTO panel report sided with the United States on all major points, including the discriminatory nature of the tax and that it was implemented contrary to WTO rules.

The tax has effectively ended U.S. exports of HFCS to Mexico since early 2002, resulting in an industry-estimated loss of \$944 million each year in sales. As a first step in implementing the WTO panel's findings, a tariff-rate quota (TRQ) of 250,000 metric tons for U.S. HFCS exports to Mexico has been established. While the U.S. corn refining industry called the tariff-rate quota a good "first step" in addressing the dispute, it noted that additional access is necessary for Mexico to fully live up to its commitments. The North American Free Trade Agreement calls for fully liberalized sweetener trade by 2008.

NGFA Members Invited to APPAMEX-NAEGA Forum Nov. 17-19 in Mexico

NGFA members interested in the latest developments in grain and oilseed trade with Mexico are invited to the 13th annual APPAMEX-NAEGA Forum scheduled for Nov. 17-19 in Ixtapa-Zihuatanejo, Guerrero, Mexico.

The forum begins with an evening reception on Nov. 17, followed by a full day of programming on Nov. 18 and concludes with a program and late-afternoon luncheon on Nov. 19. Program topics include: 1) the impacts of the globalization of agriculture on North and South American countries; 2) the Mexican political outlook leading up to the presidential election in 2006; 3) the outlook for the Mexican grain market; 4) agricultural trade regulation in the North American market, with an emphasis on sanitary and phytosanitary issues; and 5) rail transportation capacity and its impact on U.S.-Mexico cross-border trade. In addition, a panel will discuss the Biosafety

Protocol, with an emphasis on the trilateral arrangement between Mexico, Canada and the United States on labeling of biotech-enhanced commodity shipments, as well as upcoming negotiations in 2006 on implementation of biotech shipment labeling under the Biosafety Protocol. A second panel is to discuss agricultural derivative markets and the influence of managed fund investments on commodity futures markets. The registration fee is \$323 per person, which includes receptions and meals, as well as a tour of the Lazaro Cardenas port. The conference will be conducted at the Presidente InterContinental Ixtapa Hotel, an all-inclusive resort located on the Pacific Ocean. The hotel reservation fee includes all meals. Members receiving the *NGFA Newsletter* electronically may access the program, as well as registration and hotel reservation information, by clicking here.

Herculex® RW Biotech Corn Receives U.S. Government Approval

The U.S. government has granted full food and feed approval for the commercialization of Herculex® RW biotechnology-enhanced corn, which is designed to protect against the western and northern corn rootworm.

The Environmental Protection Agency on Oct. 11 issued a statement saying that it had approved the biotech-enhanced event (Event DAS-59122-7 corn) after an "intensive, multi-year scientific analysis." It noted that the new plant-incorporated protectant is the second such product to offer corn rootworm protection. Producers will be required to utilize appropriate buffer zones to reduce the likelihood of corn rootworms developing resistance to the Bt proteins used in the product. The Food and Drug Administration and U.S. Department of Agriculture also granted approval.

Herculex® RW expresses a new family of *Bacillus thuringiensis* (Bt) proteins (Cry34Ab1 and Cry35Ab1) that have a lethal effect on corn rootworm larvae. The existing Herculex I corn product expresses the Cry1F Bt protein that provides broad-spectrum protection against above-ground larval pests, including European corn borer, southwestern corn borer,

fall armyworm, black cutworm and western bean cutworm.

The developers of the biotech trait – Dow AgroSciences LLC, Indianapolis, Ind., Pioneer Hi-Bred International Inc., a subsidiary of DuPont based in Des Moines, Iowa – said they expect to receive import approval for Herculex® RW corn from Japan during the first quarter of 2006, and intend to make the new trait available in U.S. hybrids for the 2006 growing season in corn seed manufactured by Mycogen Seeds, Pioneer and Beck's Superior Hybrids Inc. The companies said they also are pursuing approvals in other key U.S. export markets, including Canada, China, Taiwan, Korea, the Philippines, Australia, New Zealand, the European Union, South Africa, Switzerland and others. The product already has been approved in Mexico. They said hybrids containing the Herculex® RW trait will be labeled as "market choices" products and will be shipped to growers after Japanese import approval has been granted.

The companies also said they soon anticipate receiving registration approval from EPA for Herculex® XTRA Insect Protection, which will combine corn rootworm protection with the broad spectrum protection of Herculex I *Insect Protection*.





USDA Updates Status of Additional Emerson Trust Wheat Sales

The U.S. Department of Agriculture as of Oct. 12 has sold 3.14 million bushels (85,458 metric tons) of the 6.95 million bushels (189,190 metric tons) of wheat made available from the Bill Emerson Humanitarian Trust in response to the most recent request to provide additional emergency food assistance for Africa.

USDA on Sept. 22 had issued a notice to the trade [*BCD-112*] announcing the new sales, which were triggered by a recent request from the U.S. Agency for International Development to provide 100,000 metric tons (3,674,333 bushels) of soft white wheat for Eritrea and 89,190 metric tons (3,277,138 bushels) of hard red winter wheat for Ethiopia. The sales will complete the 500,000 metric ton release of wheat from the Emerson Trust authorized by Secretary of Agriculture Mike Johanns on June 22. As with previous sales, USDA is making **all classes** of CCC-owned wheat receipted as U.S. No. 2 or better eligible for purchase. Wheat forfeited by producers under the marketing assistance loan program also is credited toward the Emerson Trust sales.

Cumulative Totals: Of the **total** 18,371,667 bushels (500,000 metric tons) released for sale from the Emerson Trust, USDA said it has sold 14,564,856 bushels (396,394 metric tons) as of Oct. 12. Of that total quantity, 8,468,177 bushels (or 58

percent) has been purchased by storing warehouse operators, while 6,096,679 bushels (42 percent) has been purchased by third parties. The sales figures credited to storing warehouse operators include wheat that has been forfeited to the Commodity Credit Corp. during the sales period.

Under USDA's sales procedures, third-party buyers are permitted to purchase up to 15,000 metric tons (551,150 bushels) during a single transaction; **provided** that the maximum total quantity sold at any particular CCC warehouse code is limited to 40 percent of the CCC-owned wheat stored at that code location as of June 28. Importantly, that quantity is **inclusive** of the amount that may have been purchased by the storing warehouse operator during earlier rounds of this 500,000 metric ton Emerson Trust release. There is one exception – third-party buyers are allowed to purchase all or a portion of CCC-owned wheat totaling less than 30,000 bushels at a particular warehouse code location. Third-party buyers again are limited to bidding for wheat at three separate warehouse codes per call. In addition, USDA again is allowing storing warehouse operators to purchase a quantity in excess of the 40 percent maximum level, provided the bid does not result in CCC exceeding the 500,000-metric-ton maximum authorized under the latest Emerson Trust release.



Feed Facts

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"BSE Prevention" continued from page 1

Importantly, FDA's proposal **omits** previously contemplated actions, such as banning the feeding of blood and blood products, restaurant plate waste and poultry litter in ruminant feed. Also omitted was an earlier discussed option of requiring dedicated manufacturing, handling and transportation equipment for all sectors handling mammalian material prohibited from being fed to ruminants. As suggested by the NGFA, FDA concluded that these additional actions provided little, if any, additional risk-reduction if the agency banned the use in animal feed of brain and spinal cord, which scientific risk assessment has shown represent upwards of 90 percent of total infectivity in cattle nearing the clinical onset of the disease.

Immediately following the FDA announcement, the NGFA and its strategic ally, the Pet Food Institute, issued a joint statement commending the agency for proposing to ban brain and spinal cord from cattle 30 months or older from all animal feed, calling it the "single most effective and science-based way to further reduce the already extremely low risk of BSE in North America." The two groups noted that, "[f]rom a science, risk-assessment and animal and human health standpoint, it makes eminent sense to remove potential infectivity at the top of the animal feed pyramid, making ruminant-based animal

protein inherently safe at its source." The NGFA and PFI also stressed that FDA's proposal presents an opportunity to continue to harmonize science-based BSE-prevention feed regulation within North America, and could contribute to resumption of beef trade based upon sound scientific principles of risk assessment. Members obtaining the *NGFA Newsletter* electronically may access the NGFA/PFI press release by clicking here.

The NGFA's Feed Legislative and Regulatory Affairs Committee will be taking the lead in further evaluating the proposed rule and in preparing the association's comments to FDA. The FDA proposal also will be analyzed by the NGFA's Animal Agriculture Committee and Feed Manufacturing and Technology Committee. The NGFA also will be meeting with other affected industry sectors, including organizations representing renderers, beef and dairy cattle producers, meat processors and others, to evaluate disposal-related issues associated with the FDA proposal. Comments on the proposed rule are due by Dec. 20, and may be submitted to FDA by fax [301-827-6870], or by mail [Division of Dockets (HFA-305), Food and Drug Administration, 5630 Fishers Lane, Room 1061, Rockville, Md., 20852]. Reference docket number 2002N-0273.



Congress Directs FDA to Develop Safe Food, Feed Transportation Rules

Tucked into the 835-page highway reauthorization law enacted by Congress earlier this year is a three-page section that requires the Food and Drug Administration (FDA) to develop and implement regulations governing the sanitation of rail and truck conveyances used to transport food, feed and other agricultural products.

Dubbed the Sanitary Food Transportation Act of 2005 (Title VII, Subtitle B of P.L. 109-59), the provisions amend the federal Food, Drug and Cosmetic Act to require FDA to develop and implement regulations governing rail and truck conveyances used to transport food, feed and other agricultural products. The regulations are to establish conditions pertaining to: 1) the sanitation of such conveyances; 2) the packaging, isolation or other protective measures used to preserve the sanitation of products hauled; 3) limitations on the use of such conveyances; 4) information that carriers would be required to disclose to shippers, as well as information shippers would be required to disclose to carriers, concerning the previous use of the conveyances; and 5) recordkeeping requirements. Concerning the third item – the limitations on use of transportation conveyances – the law requires that the regulations specify products that could **not** be hauled in the same “bulk vehicle” as food, feed and agricultural products. The law defines “bulk vehicle” as a “tank truck, hopper truck, rail tank car, hopper car, cargo tank, portable tank, freight container or hopper bin, and any other vehicle in which food is shipped in bulk, with the food coming into direct contact with the vehicle.”

Rail carriers and truckers, as well as shippers and receivers, involved in either **interstate or intrastate** commerce are required to comply. Failure to do so is defined as a prohibited act under the federal Food, Drug

and Cosmetic Act, which subjects offenders to criminal prosecution and the shipment to seizure by FDA. The law does contain a provision allowing FDA to waive regulatory requirements if it determines that doing so will not endanger human or animal health. Carriers, shippers and receivers would be required to provide FDA with access to records required to be maintained under the regulations.

The law also preempts state and local laws to the extent they conflict with the federal statute or regulations.

In addition, the law requires the U.S. Department of Transportation (DOT), in consultation with the Department of Health and Human Services (FDA's parent agency) and U.S. Department of Agriculture, to establish procedures for conducting food safety inspections of transportation conveyances. In effect, this provision requires DOT inspectors when performing routine safety inspections of rail cars and trucks to also be cognizant of potential contamination of food, feed and agricultural products posed by the conveyance, and to report any suspected incidents to FDA or USDA. The law also requires DOT to train DOT and state transportation inspectors on such inspections.

The new law is a successor to a similar measure enacted in 1990, which directed that DOT rather than FDA develop such regulations. DOT earlier this year finally proposed regulations implementing the 1990 law. But in so doing, it said it would rely on existing and future regulations issued by FDA and USDA to ensure the cleanliness of rail and truck conveyances used to transport food and feed.

National Grain Car Council Sets Meeting on Post-Hurricane Rail Situation

The National Grain Car Council will conduct a meeting on Oct. 25 at the Minneapolis Airport Marriott Hotel (2020 American Blvd. East) in Bloomington, Minn., to focus on rail service issues arising following Hurricanes Katrina and Rita, as well as other rail car supply issues.

The session is scheduled for 1 to 4 p.m., and there will be a limited time for public statements during the meeting. Each of the current federal Surface Transportation Board members is scheduled to attend, as will National Grain Car Council members. There also will be seating available for about 50 shippers, rail carriers and the public.

The National Grain Car Council, which was established under the Interstate Commerce Commission Termination Act of 1994, is designed to be a forum for railroads, grain industry-related customers and car lessors to discuss rail equipment and rail freight service issues. Its members are comprised of grain and grain product shippers and receivers, rail carriers and rail car lessors.

The council currently is co-chaired by Deborah H. Butler, vice president, customer service, Norfolk Southern Corp., Atlanta, Ga.; and Darrell R. Wallace, vice president, transportation, Bunge North America Inc., St. Louis, Mo.





Nober to Retire as STB Chairman

Federal Surface Transportation Board (STB) Chairman Roger Nober on Oct. 11 notified his fellow board members that he will retire from the STB when his current term expires on Dec. 31.

Nober had been eligible for a second five-year term at the STB, but had let it be known that he was considering other opportunities. By law, Nober can serve up to one additional year beyond the expiration of his current term.

“As all of you may know, my term as chairman of the STB

expires in fewer than three months,” Nober said in a memo circulated to the agency. “I wanted to let all of you know that I have spoken to the White House and to (Transportation) Secretary (Norman) Mineta and informed them that I will not seek to serve another term as chairman of the STB. I have come to the conclusion that it is best for me and my family for me to move on to other challenges.” Nober’s departure would leave the STB with two members – Republican Vice Chairman Douglas Buttrey and Democrat Frank Mulvey.

APHIS Proposes Changes for Deregulating Karnal Bunt Fields

The U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (APHIS) is seeking comments by Dec. 5 on a proposal to amend its current requirements for deregulating fields or areas that have been infected with Karnal bunt.

Karnal bunt is a fungal disease of wheat and triticale that reduces yields and can reduce flour quality if present in sufficient quantities, but does not endanger to human or animal health. Under APHIS’ proposal, a field previously infected with Karnal bunt would be eligible for deregulation if at least once per year for a total of five years – rather than the current requirement of five consecutive years – it has been tilled and either planted with a crop or left fallow. If planted with a host crop, the field would be required to test Karnal-bunt negative through the absence of bunted kernels.

The agency said there was no scientific justification for a

five consecutive-year requirement, since there would be no increase in the Karnal bunt spore load if a field was left untilled and fallow, or planted using no-till techniques, during a given year. APHIS also proposed to amend another of its regulations to clarify that a field would be considered no longer subject to regulation for Karnal bunt if it has been removed permanently from crop production. The agency said its current regulations could be misinterpreted to mean that fields would be deregulated if they are temporarily removed from production.

The APHIS proposal is being reviewed by the NGFA/GEAPS Joint Grain Grades and Weights Committee, which will be preparing the associations’ comments to the agency. Others wishing to provide comments may do so by Dec. 5 by sending four copies to: Docket No. 04-134-1, Regulatory Analysis and Development, Plant Protection Division, APHIS, Station 3C71, 4700 River Road, Unit 118, Riverdale, Md., 20737.

GIPSA Seeks Comments on Applicants to Provide Official Grain Inspection Service in Minnesota Area

The U.S. Department of Agriculture’s Grain Inspection, Packers and Stockyards Administration (GIPSA) is seeking comments by Oct. 18 on entities that have applied to offer domestic official grain inspection and weighing service in the Minnesota area.

The vacancy was created when the Minnesota Department of Agriculture voluntarily canceled its designation to provide official inspection and weighing service at non-export locations effective Dec. 31. In response to GIPSA’s invitation, the following eight entities applied to offer such service in various parts of Minnesota: 1) Grain Inspection Inc.; 2) Mid-Iowa Grain Inspection Inc.; 3) North Dakota Grain Inspection Service Inc.; 4) Northern Plains Grain Inspection Service Inc.; 5) D.R. Schaal Agency Inc.; 6) Sioux City Inspection and Weighing Service Co.; 7) a company proposing to do business as Minnesota Grain Inspection Inc., a subsidiary of SGS North

America Inc.; and 8) a company proposing to do business as State Grain Inspection Inc., a subsidiary of National Quality Inspection Inc. The first six entities already are officially designated agencies, while the latter two are seeking GIPSA designation as official agencies. In addition, the Minnesota Department of Agriculture applied for designation to provide laboratory services only.

GIPSA said it welcomes “substantive comments citing reasons and pertinent data for support or objection to the designation of the applicants.” To be ensured of consideration, comments should be submitted by Oct. 18 to: Janet M. Hart, Chief, Review Branch, Compliance Division, GIPSA, STOP 3604, U.S. Department of Agriculture, 1400 Independence Ave., S.W., Washington, D.C., 20250-3604. Comments also may be faxed to Ms. Hart’s attention at 202-690-2755, or emailed to Janet.M.Hart@usda.gov.





Membership Matters

by Todd Kemp
Director of Marketing/Treasurer

NGFA Trade Show – Space Still Available!

The NGFA's annual Trade Show is conducted each year in conjunction with the Country Elevator/Feed Industry Conference. This year's conference and trade show will occur at the Hyatt Regency at Union Station in St. Louis, Mo., on Dec. 4-6, with a total of 81 booths.

Excellent space still is available for exhibitors who would like to get their name, products and services in front of a targeted audience of grain, feed and processing personnel. About 500 principal registrants from throughout the nation are expected to attend the conference sessions. An additional 150 show participants also are expected.

The show opens at 4 p.m. on Sunday, Dec. 5, with beer and popcorn available for attendees. Then at 5:30 p.m., the always-popular Welcome Reception will serve as the opening official event of the conference and show. On Monday, Dec. 6, show hours will include a morning session from 6:30-8:15 a.m., during which a continental breakfast will be served; a mid-day session from noon to 2 p.m., which includes a hearty buffet lunch for all attendees; and a 5:30-7 p.m. session during which a second large reception will occur. Door prizes and contest awards will be presented by exhibitors during the Monday evening show session, after which the show will close. All food and beverage

functions are held in the show, an irresistible draw for your customers!

Any firm marketing to the grain, feed and processing industry should consider participation in the NGFA show – it's an excellent opportunity and an extraordinary value. For more information, contact Todd Kemp at tkemp@ngfa.org or (202)289-0873.

Conference Sponsorships Available: A second way to enhance your corporate profile and publicize your products/services is by helping to sponsor an event at the St. Louis conference and show. Public recognition is provided to sponsors through signage during their sponsored event, acknowledgement in the printed program, and recognition and appreciation from the podium by the presiding NGFA moderator. Sponsorships can be large or small for a variety of events – something for every budget – and serve as the perfect complement to exhibiting in the show. Contact Todd Kemp for more information.

See the enclosed flyer to **REGISTER NOW** for the most popular event of the year for country elevator and feed mill managers – the NGFA Country Elevator/Feed Industry Conference!!!



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