



NGFA

Newsletter[®]

Volume 57, Number 22, November 10, 2005

NGFA, NAEGA Urge Expansion of U.S. Transportation Capacity

The U.S. transportation system, which traditionally has been a major strength in American agriculture's competitiveness, is facing severe capacity constraints that warrants a reassessment of U.S. strategy for transportation investment.

That was the message conveyed by the NGFA and the North American Export Grain Association (NAEGA) on Nov. 9 in testimony presented at a Senate Agriculture Committee hearing that focused on transportation challenges confronting U.S. agriculture.

The two organizations, which are co-located, said limits on U.S. transportation capacity have become "a very serious" economic issue. "We submit the time has come to get serious about how we can expand transport capacity, or face the reality that economic growth in agriculture and other sectors eventually will be constrained by our inability to efficiently move product," said Rick Calhoun, vice president of the Grain Division at Cargill Inc., Minneapolis, Minn., and president of the company's barge line, who testified on behalf of the NGFA and NAEGA. Calhoun is chairman of the NGFA's Executive Committee.

Calhoun said higher energy costs, "chronic" rail capacity shortages, lack of investment in modernizing locks and dams on the inland waterway system, and storm-related problems have combined to "sharply escalate" the cost of moving agricultural products to market. At the same time, U.S. competitors, particularly countries in South America, have invested in transportation infrastructure and narrowed the competitive advantage enjoyed by U.S. agriculture.

For starters, the NGFA and NAEGA urged the Senate to join in approving a House-passed water resources development act (H.R. 2864) that includes funds for constructing seven new 1,200-foot locks on the Upper Mississippi River, as well as two locks on the Illinois Waterway. "Given the critical importance of inland waterways to efficient movement of export grain and many other products, modernization of locks and dams and improved river maintenance should have been given a higher national priority several years ago," Calhoun testified. "Now, with substantially higher energy prices, it is more important than ever."

(Continued on page 2)

Bids Due Nov. 14 in Response to USDA Offer to Provide Additional Incentive Payments for Discharging Hurricane-Stranded Barges

Bids are due Nov. 14 in response to the notice published by the U.S. Department of Agriculture (USDA) in the Nov. 7 *Federal Register* inviting additional offers for incentive payments to discharge barges of agricultural commodities that had been loaded and shipped to the New Orleans, La., region before Hurricane Katrina came ashore.

Secretary of Agriculture Mike Johanns and House Agriculture Committee Chairman Rep. Bob Goodlatte, R-Va., announced the initiative in press releases issued separately within three hours of one another on Nov. 2, with Goodlatte's being issued first. But it took USDA several additional days to internally clear the *Federal Register* notice. USDA officials have said they will work expeditiously to review offers submitted by the Nov. 14 deadline, and will endeavor to notify successful bidders as soon as possible.

There are several **significant differences** between this initiative and the "damaged corn" barge program that preceded it. **First and foremost**, USDA is accepting offers for **any agricultural commodity** (rather than just damaged corn) that still is loaded in barges in the New Orleans region that were

under tow and bound for that region before Aug. 29. USDA officials told the NGFA that soybeans, sugar and other agricultural commodities would qualify for consideration. **Second**, USDA is **requiring only that the loaded barges be discharged**, not moved north which also was required under the previous "damaged corn" barge initiative. The *Federal Register* notice states that there are no restrictions on the actual unload location, final destination or disposition of the discharged agricultural commodities. However, USDA said bids would be evaluated to ensure they do not pose a "negative market impact." **Third**, bids will be evaluated exclusively on a cost basis, with USDA allocating up to \$7.6 million for the initiative from heretofore unused funds allocated for hurricane-recovery. USDA said it will consider only proposals of \$30 per short ton or less. **Fourth**, USDA told the NGFA that if **any activity** occurs associated with the barges, such as partial unloading or movement, before bids are awarded, the barge(s) will be ineligible for an incentive payment. And **fifth**, USDA will require that the barges be **unloaded by Dec. 1**, unless extensions are granted in writing.

(Continued on page 4)



"Transportation" continued from page 1

Calhoun noted that barge transportation is 2.5 times more fuel efficient than rail movements, and nearly nine times as efficient as truck transportation. "Since energy is likely to remain expensive, and energy conservation is a national goal, the time is nigh to begin seriously investing in modernizing the commercial navigation system," he said.

The NGFA and NAEGA noted that the U.S. transportation system's vulnerability had been highlighted by the disruption caused by Hurricane Katrina, which came ashore in late August. Calhoun noted that while most export elevators now are able to move product, there continue to be constraints on the system, with barge unloadings falling 27 percent below the five-year average and some traditional U.S. export customers shifting purchases to other countries. He commended the U.S. Department of Agriculture for allocating funds to discharge barges containing out-of-condition grain, which he said will help restore barge operations, assist in relieving storage congestion, minimize losses in U.S. market share to reliable export customers like Korea, and assist the possibility of raising interior U.S. cash grain prices, which also would reduce government farm program outlays.

The NGFA and NAEGA also stressed the capacity constraints on the nation's rail system, which have "only gotten worse" over the past two years and may take a number of years to resolve. "Simply adding rail cars to the existing system will not solve the rail capacity issue," Calhoun said. "Railroads need to hire more crews, purchase more locomotives, build double track in some corridors, build passing lanes, and make structural adjustments to rail yards to improve efficiency."

The NGFA and NAEGA warned that the changes needed to enhance rail capacity will take several years, and economic projections suggest intermodal freight, coal movements and other rail business will continue to expand demand for rail freight, further challenging agriculture.

"With severe capacity limits, rail service is becoming increasingly unpredictable, which adds to the effective cost of transportation," Calhoun said. "With capacity severely strained, in particular during harvest months, farmers in rail-served markets likely will be confronting increasing price risk in coming years unless transportation capacity problems can be resolved successfully."

The NGFA and NAEGA also called on Congress to reassess the "perpetuity" of the so-called Jones Act, which requires that goods transported by water between U.S. ports be shipped in more expensive U.S.-flagged, U.S.-built, U.S.-crewed and U.S.-owned vessels. "While we know there is strong resistance to any amendment of this law from industries protected by it, the increasing congestion of cars and commercial trucks on the nation's highways, the rail capacity shortage and the need for more inland waterway capacity should force a reassessment" of the law, Calhoun said.

"We need cost-effective, highly dependable and responsive transportation services to respond to customers' needs when they want to make purchases," Calhoun concluded. "We must be in a position to serve all types of customers if we are to compete successfully and grow markets."

New Committee Chairpersons Appointed

NGFA Chairman Steve Nail recently appointed two industry leaders as new chairpersons of two key NGFA committees.

Tim Paurus, vice president of terminal operations for CHS, St. Paul, Minn., was selected to chair the **NGFA/Grain Elevator and Processing Society's (GEAPS) Joint Grain Grades and Weights Committee**. He succeeds **Bob Smigelski**, Agriculture Group operations manager for The Andersons Inc., Maumee, Ohio, who has announced his retirement later this year. The Grain Grades and Weights Committee works to develop and preserve inspection and weighing practices that facilitate timely, orderly, fair, safe and economical grain marketing responsive to customer needs. It also plays a key role as a principal industry liaison with the U.S. Department of Agriculture's Grain Inspection, Packers and Stockyards Administration. Paurus began his career with CHS in 1978, and has served in his current capacity since 1992. He also has worked as a grain elevator manager, transportation manager, logistics manager, and grain and barge freight merchant during his varied CHS career. He is a native of Minnesota and was graduated from the University of Minnesota College of Agriculture with a degree in ag business administration. He also is

a past international president and chairman of GEAPS.

James Stitzlein, manager of market development with Consolidated Grain and Barge Co., Chesterfield, Mo., was chosen to chair the **NGFA/GEAPS Joint Food Safety Committee**. He succeeds **Arvid L. Hawk**, the grain handling coordinator for Cargill Inc., Minneapolis, Minn. Stitzlein has served for the past two years as vice chair of the committee, which represents the interests of the grain, feed and processing industry on grain sanitation and feed purity issues. It also is the principal NGFA/GEAPS committee that addresses biotechnology policy issues. Stitzlein has served in his current capacity with Consolidated Grain and Barge Co. since 1990, and has worked with all aspects of the company's identity-preservation programs, including seed and biotech issues. An Ohio native, he received his undergraduate and Masters' degrees in agricultural economics from The Ohio State University.

Both Hawk and Smigelski were recognized and honored for their many years of dedicated service during the NGFA's Board of Directors meeting in September.



House to Consider Budget Bill Calling for \$54 Billion in Savings

The House Republican leadership has delayed a Nov. 10 vote on its version of a budget reconciliation bill (H.R. 4241) that would reduce federal spending by \$50 billion over the next five fiscal years (2006-10). They plan to take up the measure the week of Nov. 14.

The current version of the bill, which adopted some of the wishes of moderate Republicans, omits or modifies earlier-considered proposals that would have reduced food stamp spending and raised revenues by opening portions of the Arctic National Wildlife Refuge (ANWR) in Alaska to oil and gas drilling. Almost no Democrats are expected to support the measure, which gives Republican leaders little margin for defections (perhaps no more than 13 GOP votes).

If approved, the next stop would be another joint House-Senate conference committee to resolve differences – including a \$19 billion gap – with a Senate-passed measure (S. 1932) that calls for \$35 billion in savings over the same five-year span. The Senate approved its version by a 52-47 margin on Nov. 3 after turning aside the latest attempt to impose tighter limits on farm program payments. The amendment, offered by Sens. Charles Grassley, R-Iowa, and Byron Dorgan, D-N.D., was defeated by a 53-46 vote on a point of order raised against the provision. Senate Agriculture Committee Chairman Saxby Chambliss, R-Ga., and fellow committee member Blanche Lincoln, D-Ark., led opposition to the amendment, arguing that it would penalize southern commodities disproportionately, fail to achieve overall budget savings and was inappropriate during a period of relatively low farm prices and high energy and other input costs. They also contended that stricter farm program payment limits would cause grain and cotton producers to shift acreage to fruits and vegetables, adversely affecting market prices for those commodities.

The Grassley-Dorgan amendment would have imposed a cap of \$125,000 on total farm program payments per individual, and \$250,000 for a husband and wife combined, as opposed to the current limit of \$180,000 and \$360,000, respectively. In addition, it would have reduced direct payments to \$20,000 from the current \$40,000 per person. The limit on counter-cyclical payments would have been reduced to \$30,000 from the current

\$65,000 per person, and marketing loan gains and loan deficiency payments would have been capped at \$75,000, with no exemption for generic certificates that currently are allowed if marketing loan gains exceed the limit.

Congressional leaders have stated they hope to achieve a consensus to allow a final budget reconciliation bill to be approved before Thanksgiving.

House Bill Includes \$3.7 Billion Ag Committee Budget Savings: The final version of the House bill includes recommendations from a package approved by a narrow 24-20 vote by the House Agriculture Committee on Oct. 28 to reduce mandatory spending by \$3.7 billion over fiscal years 2006-10. The savings identified by the House Agriculture Committee actually fell short of the \$4.25 billion target it had been asked to achieve by House Republican leaders. The committee's spending cuts included \$1.07 billion from commodity programs, which would be achieved through a 1 percent reduction in direct farm program payments for the 2006-09 crop years, reducing the advance direct payment from 50 to 45 percent for the 2006-07 crop years and eliminating the Step 2 cotton payment effective Aug. 1, 2006. Other savings included \$734 million from conservation. But unlike the Senate bill, the House version does not alter the maximum 39.2-million-acre cap for the Conservation Reserve Program. In addition, the bill mandated savings of: 1) \$446 million from rural development; 2) \$620 million from research; 3) \$23 million from energy programs; and 4) \$844 million from the food stamp program. The food stamp provision was modified before reaching the House floor to lessen the reductions.

The House Agriculture Committee's food stamp cuts also were not included in the Senate version of the bill – which achieved a total \$3 billion in savings over five fiscal years. Further, the House did not include a provision in the Senate version to extend the Milk Income Loss Contract (MILC) program. That program, a subsidy for small- and medium-sized dairy operations, was extended by the Senate at a cost of \$998 million. These budget cuts are included in the \$50 billion budget-reconciliation package that encompasses budget reductions from other committees.

Congress Approves Ag Appropriations Bill; Omits User Fees for Grain

The House and Senate completed action on a \$101 billion fiscal year 2006 agricultural appropriations bill (H.R. 2744) that delays mandatory country-of-origin labeling for meat products through Sept. 30, 2008 and preserves a White House ban on prescription drug imports from Canada.

The measure (H.R. 2744) was approved by an 81-18 vote in the Senate, after having been approved by a 318-63 margin in

the House on Oct. 28. Opposition to the country-of-origin labeling requirement was led in the Senate by Sens. John Cornyn, R-Texas, and Rick Santorum, R-Pa., while House opposition was led by Agriculture Appropriations Subcommittee Chairman Henry Bonilla, R-Texas, House Majority Leader Roy Blunt, R-Mo., and House Agriculture Committee Chairman Bob Goodlatte, R-Va. The country-of-origin labeling measure originally was adopted as part of the 2002 farm



law, which called for it to become mandatory for meat products on Sept. 20, 2004. But its mandatory implementation has been repeatedly delayed by Congress.

Importantly, the final bill rejects the perpetually introduced administration proposal to assess additional user fees to finance grain inspection standardization activities of USDA's Grain Inspection, Packers and Stockyards Administration.

The NGFA and North American Export Grain Association again spearheaded the industry's efforts to defeat the grain standardization user fee proposal. Congress also rejected the administration's proposal to impose \$139 million in new user fees for USDA meat and poultry inspections. Also deleted in the final bill was a Senate-passed provision that would have made permanent a 2004 USDA interim ban on nonambulatory cattle to be used for human food; the Senate provision also would have expanded that ban to include swine, sheep, horses and mules, which are not covered by the USDA ban.

The final appropriations bill, which provides funding for the U.S. Department of Agriculture and Food and Drug Administration, provided \$660 million more than the original House-passed

version, \$260 million more than the Senate-passed measure and \$800 million more than requested by President Bush in his fiscal 2006 budget proposal. Among other things, the bill provides a total of \$90 million for FDA bovine spongiform encephalopathy (BSE) surveillance and prevention activities, an amount identical to that provided in fiscal 2005. An additional \$29.5 million was allocated to FDA for BSE—related research. The bill also includes \$17 million for USDA's Animal and Plant Health Inspection Service to conduct BSE surveillance testing on domestic cattle. It also provides slightly more than \$28 million for prevention, control and eradication of avian influenza, as well as \$13.8 million for low-pathogenic avian influenza pest and disease management. The final bill also provides full funding of \$200 million for USDA's Market Access Program and \$34.5 million for the Foreign Market Development Program. Finally, the bill modifies USDA's organic rules to allow non-organic products to come into contact with, or be added to, USDA-certified organic foods. The provision also allows dairy cattle transferred from conventional to organic farms to eat non-organic feed and be treated with antibiotics for up to a year before they begin producing milk certified as organic.

Hill Highlights

There were these other developments on Capitol Hill important to the industry:

Appropriators Add to U.S. Army Corps of Engineers' Budget: A joint House-Senate conference committee on Nov. 7 broke a stalemate on the fiscal 2006 Energy and Water appropriations bill and passed a measure (H.R. 2419) that would increase funding for the U.S. Army Corps of Engineers to \$5.4 billion. That's \$100 million more than in the Senate version, \$700 million more than the House measure and \$1 billion more than proposed in the administration's fiscal 2006 budget request last February. Many organizations, including NGFA, expressed concern following Hurricane Katrina that the Corps' budget would need to be increased, and \$8 million of the additional funds are earmarked to go to the preliminary design work to strengthen New Orleans' failed levee system.

The agreement came after conferees broke a stalemate – not over the funding level, but rather over Corps' budgeting and contracting practices. Currently, the Corps is able to issue multi-year contracts for projects even though Congress only may have appropriated funding for the first year. The Corps also is able to "reprogram" its budget, whereby it shifts funds from project to project depending upon progress. Conferees agreed to a compromise that would limit the conditions under which continuing contracts would be permissible and would impose stricter requirements on the Corps' ability to "reprogram" funds. The House approved the final bill by a 399-17 margin on Nov. 9; Senate consideration expected

before the end of the week.

Provision Restoring Payment Terms for Cuba Trade Considered: A joint House-Senate conference committee that is meeting on the fiscal 2006 appropriations bill for the U.S. Transportation, Treasury and Housing and Urban Development Departments is considering identical provisions that would restore the payment terms for trade with Cuba to what they were before the Treasury Department imposed new restrictions in February 2005.

Under what the Treasury Department termed a regulatory "clarification," it changed the definition of "cash in advance" as used in the Trade Sanctions Reform and Export Enhancement Act of 2000 to mean that payments for agricultural commodities destined for Cuba need to be received **before** the commodities leave a U.S. port. Previously, the department had recognized the standard industry practice of receiving cash before title and possession of the goods transferred to the Cuban buyer.

The new provision, strongly supported by the NGFA, would narrowly preclude the Treasury Department from spending any funds to implement or enforce only this restriction. All other current restrictions pertaining to Cuba trade would remain in place and fully enforceable. But even though the provision has strong support within Congress, it is opposed by the Bush administration and some House Republican leaders, giving the measure an uncertain outlook.





"USDA Bids" continued from page 1

USDA requires prospective bidders to submit the following information: 1) the number of barges containing agricultural commodities for which incentive payments for discharging are sought; 2) the type, quantity and market value of agricultural commodity contained in the barge(s) as of the date the bid is submitted; 3) the current location of the barge(s); 4) the date the barge(s) arrived in the New Orleans area; 5) the location where the barge(s) will be discharged; 6) the proposed disposition or compensation received for the sale of the agricultural commodity; 7) the dollar amount per short-ton of incentive payment requested (not to exceed \$30 per short ton); 8) whether loss or damage (if any) to the agricultural commodity was covered by insurance, and if so, the amount of insurance indemnity received; and 9) a designated person and contact information for the company submitting the offer.

Members receiving the *NGFA Newsletter* electronically may obtain a copy of the *Federal Register* notice containing additional information by clicking here.

Thus far, USDA has spent nearly \$11 million to relocate upriver and discharge a total of 204,918 short tons of damaged corn from barges. USDA said the awards were made to three companies for a total of five transfers of barges, at an average cost of slightly more than \$53.48 per short ton. These awards include three proposals accepted from two

companies to discharge and relocate upriver approximately 45 barges containing 69,918 short tons of damaged corn that were awarded in response to a previous USDA *Federal Register* notice issued Oct. 5. In response to that notice, six companies had submitted offers to discharge 328 barges containing 2,470,508 bushels of damaged corn.

USDA previously told the NGFA that it does not intend to make any further awards under its "alternative storage" program, but is reallocating all remaining hurricane recovery funds to discharge barges. USDA announced in late October that it had entered into 26 separate agreements with 19 companies to provide "alternative storage" for 41,373,000 bushels of corn and wheat to relieve bulk grain and soybean storage conditions, but at that time held open the prospect that it might accept additional offers submitted for locations along the Ohio and Missouri Rivers. USDA said the "alternative storage" agreements – all of which consisted of ground piles or bunker-type storage – cost a total of \$10,693,920, representing an average one-time payment of 25.8 cents per bushel. As reported previously by the NGFA, each of the accepted offers involved entities offering to provide alternative storage within a 25-mile radius of the Mississippi and Illinois Rivers, and the majority involved storage of corn. All told, USDA officials said that more than 200 proposals were submitted offering to provide 327 million bushels of alternative storage for bulk grains and oilseeds.

FDA Permits Blending of Aflatoxin Corn in Iowa, Missouri

The NGFA has been notified by the Food and Drug Administration (FDA) that the agency has decided to exercise its enforcement discretion to allow the blending of corn containing aflatoxin at levels exceeding 100 parts per billion (p.p.b.) in 2005-crop corn produced in Iowa and Missouri for use in feed for specific animal species.

The action was taken in response to requests submitted to FDA by both states earlier this fall. In response letters submitted to the Iowa and Missouri Agriculture Departments, FDA said it will "not object" to the blending of corn from the two states containing aflatoxin **exceeding 100 p.p.b.** with other corn to reduce the aflatoxin content of the resulting mixture. FDA officials told the NGFA that they did **not** waive the ban on blending corn between 20 and 100 p.p.b. over concern that the resulting mixture not be diverted inappropriately to unrestricted use.

The agency also restricted the use of the resulting blended corn containing aflatoxin; it can be fed only to mature poultry, breeding swine, finishing swine over 100 pounds, breeding cattle and finishing (feedlot) cattle, provided the aflatoxin

levels present in the mixture are consistent with the action levels allowed for the given specie. FDA did allow such blended corn containing aflatoxin to be shipped in interstate commerce for use in those species.

Importantly, FDA imposed the following preconditions on blending aflatoxin corn:

- ▶ A state inspector is required to certify that the aflatoxin level of the blended corn does not exceed the action level for the appropriate intended species before the blended corn is either used or shipped in interstate commerce. FDA also advised that the actual blending "should be performed by, or in the presence of, a licensed state inspector, and each batch of blended corn should be analyzed to determine its aflatoxin level."
- ▶ The seller "should" provide the purchaser of the blended corn with a written copy of the analytical results documenting the aflatoxin level, and obtain written assurances from the purchaser(s) that the blended corn will be used appropriately.





► The blended corn “should” be “clearly identified and labeled for animal feed use only to prevent its diversion to human food.” The agency also “suggested” that “approved coloring materials or other marking agents” – the agency’s code words for dyes – be added to prevent any such diversion.

FDA’s letter also advised the two states that if grain contains “very high levels of aflatoxin, blending may not be appropriate because the aflatoxin contamination may affect the nutritional quality of the grain.”

Iowa Implements Policy: The Iowa Department of Agriculture has issued a notice apprising grain elevators and feed manufacturers that it will allow blending if done

in accordance with FDA’s stipulations.

In addition, Iowa said it would require that: 1) the finished blend be tested to verify the resulting aflatoxin level; 2) a representative sample of not less than five pounds of the blended aflatoxin corn be retained and sent to a laboratory for testing; and 3) that those test results be maintained for at least one year. Further, Iowa will require sellers and shippers marketing such corn in interstate commerce to: 1) specify the aflatoxin content on the bill of lading, label or invoice; ; 2) designate the species for which the product can be used; and 3) “have some assurance that the buyer is aware of the level and will use it accordingly.”

NGFA Appointed to Government Facility Security Steering Committee

The NGFA has been appointed as one of two private-sector members to a government steering committee that has developed an implementation plan for the Strategic Partnership Program Agroterrorism Initiative (SPPA) that previously was announced jointly by four government agencies on July 26.

Under the **voluntary** initiative, the FBI, Food and Drug Administration, U.S. Department of Agriculture and Department of Homeland Security are working with states and private companies to assess potential vulnerabilities and to develop risk-mitigation guidelines for a wide range of agricultural and food production, manufacturing and export facilities. The federal agencies were directed to launch the initiative by Congress, which provided funding through the FBI’s budget. Among the more than 60 facility categories identified by the four agencies for analysis under the initiative are export grain elevators; animal feed manufacturers; animal byproduct manufacturers; corn refiners; beef cattle feedlots; poultry farms; cereal manufacturers; fluid milk and yogurt manufacturers; produce manufacturers; and others. The announced goal of the four agencies is to conduct up to 50 site visits over the next two years.

The first such assessment of a grain-related operation is scheduled to occur the week of Dec. 12 at an export grain elevator.

Under the initiative, the intent is to conduct a vulnerability assessment and devise risk-mitigation measures during a week-long visit to each particular facility site. Involved in the assessment would be a total of up to 20

representatives, about half of whom would representatives from each of the four federal agencies and state government agencies where the facility is located. The remaining half would be comprised of industry experts from the given category of facility, including the host facility.

From the industry’s standpoint – given the fact that this initiative already is mandated by Congress – there is hope that these exercises could better inform government agencies of **realistic and prudent** risk-mitigation measures that may be appropriate for different facility categories, thereby avoiding the potential for overly restrictive, unrealistic or ineffective regulations being imposed. Another advantage is that the vulnerability assessments will be done using a single, standardized risk-ranking method rather than having different government agencies applying different – and perhaps conflicting – analytical methods. The chosen tool is known as “CARVER plus Shock,” which was used first in the military and has been modified and adapted by FDA to be applicable to agricultural and food establishments.

CARVER is an acronym that stands for: 1) “Criticality” – an assessment of the public health and economic impacts of an attack on a given industry sector/facility; 2) “Accessibility” – the ability to physically access and leave a potential target; 3) “Recuperability” – the ability of the facility/industry sector to recover from an attack; 4) “Vulnerability” – the ease with which an attack could be carried out; 5) “Effect” – the amount of direct loss in production that would occur from an attack; and 6) “Recognizability” – the ease of identifying a target.





AAFCO Resumes Work on CGMP-Based Model Feed Regulations

The Feed Manufacturing Committee of the Association of American Feed Control Officials (AAFCO) met on Oct. 20-21 near Washington to resume work on model regulations designed to provide a baseline level of feed safety standards that would apply to all sectors of the animal feed ingredient and feed manufacturing industry.

AAFCO is the professional organization of state and federal feed control officials, with principal representation from the United States and Canada.

Significantly, at the urging of the NGFA and other industry organizations, the AAFCO committee decided to **discard** a draft set of process-control and hazard analysis and critical control point (HACCP)-oriented regulations that had been developed during the summer by a subgroup from the AAFCO committee and Food and Drug Administration without industry involvement. The NGFA, Pet Food Institute and National Oilseed Processors Association each had voiced strong opposition to the previous draft during AAFCO's annual meeting in August. The NGFA stated that the draft would have imposed excessive, burdensome, detailed, prescriptive and costly regulation that was above and beyond what currently is required of even licensed commercial feed manufacturers – the most regulated segment of the commercial feed industry. Among other things, the NGFA had noted that the draft would have imposed extensive requirements for written procedures and recordkeeping on virtually every step of the manufacturing and distribution process – including receiving, processing, manufacturing, storage, packaging, labeling, transporting, distribution and use of all animal feed or feed ingredients – exceeding

what is required under even ISO and HACCP standards. The NGFA also noted that the AAFCO Feed Manufacturing Committee previously had rejected process control- and HACCP-based approaches.

In response to these concerns, the AAFCO Feed Manufacturing Committee and its industry advisers mutually decided at the October meeting to resume work on a current good manufacturing practice (CGMP)-oriented regulatory approach. The draft contains requirements consistent with prudent feed safety standard operating procedures, including sections on personnel training and sanitation; proper maintenance of facilities, equipment and grounds; housekeeping; receiving and manufacturing of feed and feed ingredients, including labeling and storage; sampling and testing of finished feed and ingredients; cleanliness and physical integrity of transport conveyances used to haul feed and feed ingredients; product tracing; and recall procedures.

At AAFCO's invitation, the NGFA is serving on two task forces to further develop the draft regulations pertaining to manufacture of feed and feed ingredients, as well as sampling and testing. Two members of the NGFA's Feed Legislative and Regulatory Affairs Committee – Bob Broyles, Land O'Lakes Purina Feed LLC, St. Louis, Mo., and Brad Gottula, quality assurance and plant manager for Quality Liquid Feeds, Dunlap, Iowa – serve as the NGFA's advisers to AAFCO's Feed Manufacturing Committee and participated extensively in the October drafting session. NGFA Director of Feed Services David Fairfield and NGFA Vice President for Communications and Government Relations Randy Gordon also advise the AAFCO committee and participated in the October meeting.

USDA Seeks Additional Funds for Avian Influenza Safeguards

Secretary of Agriculture Mike Johanns on Nov. 1 requested \$91 million in additional resources to safeguard the United States against highly transmissible forms of avian influenza (AI).

The request is part of the \$7.1 billion in emergency funding proposed earlier the same day by President Bush as part of a "National Strategy to Safeguard Against the Danger of Pandemic Influenza." USDA said the additional funds would supplement its international and domestic roles in controlling the spread of AI through various activities, including disease surveillance, enhanced biosecurity of poultry farms, controlling the movement of birds and products that might contain the virus, and encouraging industry practices that reduce risk. In addition, Johanns said USDA would prepare for what he termed the "rapid and humane destruction of infected poultry, disposal of carcasses in a biosecure and environmentally acceptable manner and proper use of vaccination in poultry."

Internationally, USDA said if the additional funding is approved, \$18 million would be earmarked for biosecurity,

surveillance and diagnostic measures, including funding for an initiative led by the U.S. Agency for International Development that builds upon the UN Food and Agriculture Organization's activities to prevent, control and eradicate AI where it currently exists in Asia. In so doing, USDA said it will work in partnership with seven "high-focus" countries (Vietnam, Thailand, Indonesia, Laos, Cambodia, Burma and China). To accelerate domestic activities, \$73 million in funding would be available for stockpiling animal vaccines (\$10 million for 40 million additional doses); surveillance and diagnostics (\$32 million); biosecurity measures to contain or exclude the H5N1 AI virus from poultry farms or premises (\$6 million); smuggling intervention and trade compliance/investigative and enforcement services (\$9 million); research and development (\$7 million); planning and preparedness (\$9 million); and staffing and management. USDA said these efforts would be designed to prevent and control H5 and H7 AI in the U.S. commercial broiler and live bird marketing system.



WTO Ag Trade Negotiations Stalemate Continues

The World Trade Organization's (WTO) Doha Round agricultural trade negotiations continued in earnest this week as several trade ministers met in London on Nov. 7, before moving on to Geneva to engage a larger group of countries. But progress on a new deal remains elusive as the European Union (EU) refused to compromise beyond the position it staked out on Oct. 28.

Negotiators failed to close their widely differing views over the extent to which agricultural subsidies and tariffs should be reduced. The lack of progress triggered discussion about the need for a "back-up" plan prior to the pivotal Dec. 13-18 meeting in Hong Kong of trade ministers from the WTO's 148-member countries and customs territories. While the original objective of the Hong Kong meeting was to arrive at a consensus framework for a final agreement, several trade ministers floated the possibility of scaling back expectations and then trying to make up ground at the beginning of next year – a wildly unpredictable scenario, given participating countries' penchant for taking advantage of delays by doing nothing.

Brazil and India, leaders of the so-called Group of 20 (G-20) developing countries, continued to hammer on the EU over perceived lack of ambition on agriculture and blamed Europe for the current state of the talks. Conversely, the EU continued to criticize others for a lack of ambition in sectors beyond agriculture – such as trade in services and industrial goods and largely blamed Brazil and other developing countries for the current failures. WTO leaders are assessing the situation this week and will set goals, scaled back or otherwise, for the upcoming ministerial which they believe to be attainable given

the current negotiating environment.

The EU proposal, roundly criticized as the major stumbling block to moving the negotiations forward, was described by most countries as disappointing and lacking in ambition. Describing it as its "best offer," the EU proposed to reduce its average agricultural tariff by 46 percent – from the current 22.8 percent to 12.2 percent. But U.S. Trade Representative Rob Portman noted the EU proposal amounted to an average reduction of 39 percent, more than the average 24.5 percent cut it proposed on Oct. 12 but not much more than the 36 percent cut required of developed countries under the WTO's Uruguay Round agreement in 1994. The reason is that EU proposal contains a so-called "pivot concept" – rejected by both the United States and the so-called "Group of 20" (G-20) developing countries led by Brazil – that allows it to meet its obligations to reduce tariffs that currently are within the lowest band (0 to 30 percent) by making cuts ranging from 20 to 45 percent, so long as the overall average reduction is 35 percent.

In any event, the EU-proposed reduction is far less than the 75 percent cut to average agricultural tariffs proposed by the United States – which the EU termed "implausible" and "devastating to some farm sectors in Europe and elsewhere" – and the 54 percent reduction to average ag tariffs offered by the G-20 countries. The EU did agree to cap its highest tariff at 100 percent, as proposed by the G-20. The United States proposed a maximum tariff of 75 percent. But the EU also proposed to exempt from reductions about 8 percent of its tariff categories, which according to the U.S. Trade Representative's Office equates to about 160 "sensitive" products.

Japanese Food Safety Body Recommends Resuming U.S. Beef Imports

Japan's Food Safety Commission on Nov. 2 formally approved a recommendation from its Prion Expert Committee that concluded that the risk of bovine spongiform encephalopathy (BSE) in U.S. beef is "extremely small" and comparable to the risk posed by Japanese beef.

The commission's action triggered a public comment period that ends on Nov. 29 concerning whether to approve reopening Japan's market to imports of U.S. beef products derived from cattle 20 months or younger if certain control measures are met, including a requirement that the brain, spinal cord and heads of such cattle be effectively removed prior to processing. During the public comment period, Japan's Agriculture and Health Ministries will conduct a series of "risk-communication" meetings in seven Japanese cities. If eventually approved, projections are that Japan's market could reopen to U.S. beef from cattle 20 months and younger by year's end. The

U.S. Meat Export Federation has estimated that the age-limit restriction will qualify only 20 percent of cattle previously eligible for export to Japan. Secretary of Agriculture Mike Johanns has said that once Japan reopens its market, the United States will begin discussions on increasing the age limit to a more scientifically justifiable 30 months or younger.

President Bush is scheduled to meet with Japanese Prime Minister Junichiro Koizumi on Nov. 15-16 in Tokyo prior to the meeting of the Asia-Pacific Economic Cooperation Forum in South Korea on Nov. 18-19. A group of 21 U.S. senators has introduced a bill (S. 1922) that would impose \$12.7 billion in trade sanctions against Japan effective Dec. 31 if Japan fails to certify by Dec. 15 that it no longer bans imports of U.S. beef. The legislation would allow the U.S. Trade Representative's Office to choose which Japanese products to subject to punitive tariffs.



Membership Matters

by Todd Kemp
Director of Marketing/Treasurer

Save the Date! 110th Annual Convention in Charleston, S.C.

Can it be almost Thanksgiving already? The end of the year is drawing near, and that means it's not too early to mark your calendar for the NGFA's landmark 110th Annual Convention!

The convention will be held March 5-7 at the beautiful Charleston Place Hotel in charming and historic Charleston, S.C. You'll experience Southern hospitality, delicious Low Country cuisine, and the perfect ending to a cold, snowy winter – now, there's something to look forward to!

As always, the convention will offer high-level, high-quality programming. Watch for more program details to come. The company will be excellent and the golf will be, too – plan to sign up for the Foundation tournament played at Patriots Point Golf Course overlooking Charleston harbor.

So save the dates – and make plans to bring the whole family to Charleston in the spring. There will be something for everyone at the 110th NGFA Annual Convention.



National Grain and Feed Association
1250 Eye St., N.W., Suite 1003
Washington, D.C. 20005-3922

TIME SENSITIVE



Calendar

Dec 4-6, 2005: NGFA Country Elevator / Feed Industry
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.

Dec 13, 2005: NGFA/GEAPS Grain Grades & Weights Committee
NAEGA Grades & Inspections Committee
NGFA/NAEGA Conference Room, Washington, D.C.

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

