



Initial Congressional Hearings Indicate Opposition to Bush Ag Budget

...Additional User Fees Again Proposed for Grain Standardization...

The Bush administration's fiscal 2006 budget proposal for agriculture encountered some stiff resistance during Secretary of Agriculture Mike Johanns' appearance at a Feb. 16 hearing by the House Appropriation's Committee's Agriculture, Rural Development, FDA and Related Agencies Subcommittee.

It was the first in a series of congressional hearings on the administration's budget proposal for the U.S. Department of Agriculture, which among other things calls for several legislative changes to reduce farm program spending by a projected \$587 million (\$5.7 billion over 10 years). Johanns faced criticism from both Republicans and Democrats during the hearing, with Rep. Ray LaHood, R-Ill., accusing the administration of trying to balance the budget "on the backs of farmers." In a separate action, the House Agriculture Committee on Feb. 16 approved a letter sent to the House Budget Committee in which it urged Congress to let the 2002

farm law "operate as designed." Indications are that the congressional agriculture committees will look to other agriculture-related budget cuts or user fees before resorting to any reductions in farm program payments.

Chief among the administration's proposals is one that would establish a hard ceiling of \$250,000 per person on total commodity payments, along with elimination of the so-called "three-entity rule" and the use of generic commodity certificates. The proposed \$250,000 payment limit – which drew the ire of all major farm and commodity organizations, as well as legislators representing cotton and rice interests – would apply to the combination of direct payments, counter-cyclical payments and marketing loan program benefits, including loan deficiency payments. Current rules provide for separate limits for each of the aforementioned payments – \$40,000 per person

(Continued on page 2)

USDA Sells 532,000 Bushels of SWW in Second Emerson Trust Invitation

The U.S. Department of Agriculture told the NGFA today that it had entered into transactions to sell 532,037.61 bushels of soft white wheat as of the close of business on Feb. 16 in response to its second invitation (BCD-91), issued on Feb. 10, to purchase 100,000 metric tons (approximately 3,674,333 bushels) of soft white wheat from the Bill Emerson Humanitarian Trust. Concurrently on Feb. 10, USDA issued an invitation (Number 733) soliciting offers to sell to the Commodity Credit Corporation (CCC) an equivalent quantity of soft white wheat for food aid for Sudan.

Of the 532,037 bushels sold since the second invitation was issued, the first 123,168.46 bushels were applied to close out sales of soft white wheat made by CCC under the first invitation (BCD-87) issued on Jan. 4.

All of the sales thus far in response to the latest invitation have been to storing warehouse operators. There were no third-party sales on Feb. 16, the first day during which they were eligible to bid.

Total Emerson Trust Sales: Cumulatively, USDA said that as of Feb. 16 in response to both Emerson Trust buy/sell

transaction invitations, CCC had sold 4,083,202 bushels of soft white wheat – 2,508,026.5 bushels to six different storing warehouse operators, and 1,575,175.5 bushels to third-party buyers. That leaves 3,265,464 bushels of soft white wheat still available for purchase under the Emerson Trust release.

Emerson Trust Sales Procedures: As was the case with USDA's first invitation issued on Jan. 4 making soft white wheat available from the Emerson Trust, USDA again is utilizing buy/sell transactions. Storing warehouse operators had exclusive rights to enter into negotiated sales with CCC to purchase any or all CCC-owned soft white wheat stored in their locations until 9 a.m. (central time) on Feb. 16. Bids are to include the lot number(s), warehouse code, location (city, county and state), and in-store flat-price bid.

Once the bids were opened to all interested buyers, storing warehouse operators are **not** notified by CCC for right of first refusal. As was the case with the first invitation, third-party buyers are restricted to purchasing no more than 35 percent of the quantity of soft white wheat stored at a given location as of

(Continued on page 6)



("Ag Budget" continued from page 1)

for direct payments; \$65,000 for counter-cyclical payments; and \$75,000 for marketing loan benefits – up to \$360,000 per person under the three-entity rule. In addition, the administration proposed to implement a 5 percent across-the-board reduction in crop and dairy payments to producers. Ostensibly, the current limit on total payments in the 2002 farm law is \$360,000 per person, but can be circumvented for marketing assistance loans redeemed through generic certificates. The three-entity rule allows producers a single payment limit and up to 50 percent interest in payments for two other farming entities. The administration's payment-limit proposal did receive one vote of confidence – in the form of a bill (S. 385) introduced by Sens. Charles Grassley, R-Iowa, Chuck Hagel, R-Neb., Byron Dorgan, D-N.D., and Tim Johnson, D-S.D., that would eliminate the three-entity rule and limit the ability of producers to utilize generic certificates to circumvent payment limits.

The Bush administration's fiscal 2006 budget proposal also calls for basing marketing loan benefits on "historical" rather than actual production. It is the NGFA's understanding that the net effect would be to make 15 percent of a farm's production ineligible for non-recourse marketing loans or loan deficiency payments. *[Historical production would be calculated under the following formula: Direct payment yield multiplied by 0.85 multiplied by the reported acreage.]* However, under the administration's proposal, the quantity of production not covered by a marketing loan benefit would be eligible for a recourse loan – requiring repayment at principle, plus interest (no option to forfeit to the Commodity Credit Corp.).

User Fees Proposed for USDA 'Standardization' Activities, Including Grain: The administration's fiscal 2006 agriculture budget also proposes \$25 million in additional user fees to finance USDA's costs of maintaining standards used in inspections of grain and other commodities. Of that amount, \$4.319 million in additional user fees would be imposed to compensate for standardization activities related to the official U.S. grain standards. USDA's Grain Inspection, Packers and Stockyards Administration spent about \$3.971 million on such activities in fiscal 2005. Another \$3 million in user fees would be imposed for maintaining the costs of standards for beef, egg, poultry and other commodities where USDA applies USDA standards during its inspections.

Other user fees proposed in the administration's fiscal 2006 agriculture budget include \$139 million in additional fees to finance costs of providing meat, poultry and egg inspection services beyond an approved eight-hour primary work shift.

Increases Proposed for Certain Conservation Programs: A \$30 million increase – to a total of \$3.84 billion – was proposed for various conservation programs. More than half of the total – \$2.02 billion – would be earmarked for

the Conservation Reserve Program (CRP). That's up from the \$1.94 billion USDA estimates spending on the CRP in fiscal 2005. USDA noted that as of December 2004, CRP enrollment stood at 34.7 million acres. Another 1.2 million acres are in the process of being enrolled as a result of the 29th general signup conducted last year.

The administration's budget proposes a 35 percent increase – to \$274 million – in the Conservation Security Program (CSP), which provides payments to encourage conservation practices on working farmlands. USDA projects that the additional funds would permit enrollment of acreage in additional watersheds beyond the 200 anticipated to be covered in fiscal 2005. But critics note that the administration's request is 42 percent less than the funding level projected by Congress when including the CSP in the 2002 farm law. During the first year of enrollment in 2004, USDA signed long-term CSP contracts with 2,220 producers and ranchers in 18 priority watersheds out of the 2,119 total watersheds that are eligible. Funding for the Environmental Quality Incentives Program (EQIP), which provides funding to enhance water and soil conservation practices largely at livestock and poultry operations, would sustain a slight cut to \$1 billion from the \$1.017 billion USDA estimates will be spent in fiscal 2005.

USDA, FDA Budgets Earmark Funds for BSE, Animal-Disease Prevention: The Bush administration's fiscal 2006 budget proposal includes increases for BSE and animal-disease prevention efforts. Within an overall \$78 million increase for USDA-wide "food and agriculture defense" activities, the budget proposes a \$55 million increase to finance efforts to rapidly detect and respond to foreign animal and plant disease threats. The budget for animal health monitoring and surveillance would increase by \$8 million – to a total of \$152 million. Included in this total is \$17 million to test about 40,000 cattle for BSE. That's down from the current one-year intensive BSE surveillance during which USDA is scheduled to test approximately 268,000 U.S. cattle for BSE by May 31. USDA's budget includes a proposed \$7.5 million increase for the Agricultural Research Service for BSE-related activities, including research designed to develop improved diagnostic tests for prions in animal tissues and feed; assessing transmissibility of prions among livestock and wildlife; and differentiating BSE strains. A total of \$58 million is proposed to complete the modernization of the National Centers for Animal Health diagnostic laboratory in Ames, Iowa; some of the structures previously slated for demolition and new construction now are to be renovated. USDA's budget also proposes an additional \$17 million for improved plant pest detection. Curiously, USDA's budget cites such plant pests as karnal bunt, citrus canker and emerald ash borer, but makes no mention of Asian soybean rust.

As for the **Food and Drug Administration (FDA)**, the administration proposes a 4.5 percent increase in appropriated funds – to \$1.5 billion. More than \$30 million of the increase is



for defending the U.S. food and feed supply from terrorist attacks, bringing FDA's total budget authority for food-defense related programs to \$180 million – a 20 percent increase. The budget proposal for FDA's Center for Veterinary Medicine essentially is flat-lined; the proposed \$218,000 increase in appropriated funds would be used to pay for increased rent for office and laboratory space. Among the BSE-related activities highlighted in FDA/CVM's budget are: 1) continuing to evaluate the performance of commercially available rapid tests designed to detect mammalian material in animal feeds that are prohibited from being fed to cattle or other ruminants; 2) developing and validating an improved method for detecting prohibited mammalian proteins in feed using real-time PCR technology designed to identify up to four different prohibited species in a single test reaction; and 3) adapting the real-time PCR test methodology to identify prohibited mammalian materials in rendered products. Meanwhile, FDA's Office of Regulatory Affairs' (FDA/ORA) proposed budget states that the agency plans to expand its inspections of farms, salvage operations and pet food facilities to verify compliance with FDA's BSE-prevention feed rule. In addition, the FDA/ORA budget proposal states that the agency has developed “an

advanced analytical procedure for detecting prohibited material in animal feed,” which it describes as a “novel approach” that combines the use of light microscopy with PCR to determine and detect DNA from ruminant and non-ruminant mammalian species, providing the necessary scientific evidence to support enforcement of the ban on such materials in feed and feed ingredients intended for ruminants.

Meanwhile, the budget proposal for FDA's Center for Food Safety and Applied Nutrition – which oversees the safety of human foods, drugs, cosmetics and dietary supplements – calls for a \$4.245 million increase. All of the increase – and nearly \$600,000 more – would be earmarked for activities to protect the food supply.

More Funds for Regulating Biotech Crops: USDA's budget also calls for a \$4.5 million increase in appropriated taxpayer funds for salaries and expenses to enhance regulation of biotechnology. Specifically, the budget states that “USDA would start to build capacity to deal with transgenic animals, arthropods and disease agents.” An unspecified amount would be devoted to increasing USDA inspections of biotech field trials from 657 to “almost 700.”

Upper Mississippi-Illinois Waterway Projects Under-Funded in Bush Budget

The administration's fiscal 2006 budget proposal for the U.S. Army Corps of Engineers includes an increase over last year's request, but still falls below the level appropriated by Congress for the current year and includes **no new money for construction or design of the Upper Mississippi River and Illinois Waterway navigation plan.** The proposal includes \$4.513 billion for the civil works component of the U.S. Army Corps of Engineers, down from the congressionally appropriated \$4.7 billion in fiscal 2005 and significantly below the estimated minimum need level of \$5.6 billion.

The budget does propose an additional \$34 million for rehabilitation of locks 11, 19 and 24 on the Upper Mississippi River, but nothing to advance the navigation plan. The budget includes \$1.979 billion for operations and maintenance, \$1.637 for construction, \$270 million for flood control, \$162 million for general expenses, \$160 million for regulatory programs, \$140 million remedial action on previously used sites, \$95 million for general investigations and \$70 for flood and coastal emergencies.

The lack of proposed funds for the Upper Mississippi-Illinois Waterway likely will continue until Congress passes a water resources development bill that expressly authorizes the projects. Progress is being made in both the House and Senate to introduce such legislation in the next two weeks. Supporters, including the NGFA, will be working hard this year to ensure passage of a bill that authorizes this critical navigation project.

The budget does propose spending \$184 million from the Inland Waterways Trust Fund for modernization activities for

inland locks and dams, which will be met, as required by law, with matching funds from the treasury. This will begin to spend down the \$400 million surplus in trust fund and provide critical modernization activities to the crumbling inland waterway system. Additional funding was targeted at security and emergency maintenance needs. The budget provides \$72 million for key facility protection and a \$20 million reserve fund for unexpected, urgent maintenance, which cost users of the system an estimated \$73 million in 2003 because of unscheduled closures at the Greenup Locks and Dams on the Ohio River.

OSHA Budget Marginally Increased: The administration's budget proposal for the Occupational Safety and Health Administration (OSHA) calls for a \$2.8 million increase, which would bring the agency's total budget authority to \$464.4 million. The increase was characterized as one allowing the agency to recoup expenditures for higher salaries and rent, so as to maintain other programs. The proposal would increase OSHA's enforcement budget by \$4.6 million, to \$174.3 million. OSHA said it plans to use the funds to inspect 37,700 work sites in the coming fiscal year, as well as to continue with its site-specific targeting program, enhanced enforcement program, and national and local special emphasis programs. OSHA's budget proposal requests a \$600,000 increase – to \$16.6 million – for the development of safety and health standards and guidance. Other additions proposed to the OSHA budget are: 1) \$2.4 million more for federal compliance assistance efforts; 2) \$1 million more for state programs for additional compliance assistance personnel; and 3) \$500,000 more for state consultation grants.



Johanns Delays Implementation of U.S. Imports of Older Canadian Beef

Secretary of Agriculture Mike Johanns on Feb. 9 announced that he was delaying – for an unspecified time – the implementation of the portion of the U.S. Department of Agriculture's final rule that would have reopened the U.S. border to imports of Canadian beef and beef products from cattle 30 months or older.

However, Johanns said that other parts of USDA's final rule – which classifies Canada as a minimal-risk country for bovine spongiform encephalopathy (BSE) – will take effect as scheduled on March 7. That includes the provision that would allow imports of live Canadian cattle less than 30 months of age, as well as beef and beef products derived from Canadian cattle less than 30 months old. The 30-month threshold is based upon scientific evidence that BSE has a long incubation period and is not detectable in younger cattle.

In a written statement issued by USDA, Johanns said he believed it was prudent to delay the effective date for allowing imports of meat from Canadian cattle 30 months or older until USDA completes its ongoing investigations into Canada's two most recent cases of BSE. One such investigation, whose results are expected shortly, is examining inspection and compliance levels with Canada's BSE-prevention feed regulations. The second, not due to be completed until late March, is examining Canada's epidemiological investigation into its two most recent BSE cases, one of which involved a cow born after implementation of Canada's feed regulations – similar to those implemented by the Food and Drug Administration in the United States – that ban the feeding of certain mammalian materials to cattle and other ruminants.

In his statement, Johanns noted that "some have suggested" that the suspended portion of the USDA final rule "does not reflect the evidence that beef from animals 30 months and over processed in Canada has the same risk profile as beef from Canadian animals 30 months and over processed in the United States." Several senators, led by Sens. Craig Thomas, R-Wyo., Conrad Burns, R-Mont., Pat Roberts, R-Kan., Ben Nelson, D-Neb., and Chuck Hagel, R-Neb., had introduced legislation that would have delayed imports of beef and beef byproducts from Canadian cattle 30 months or older. Johanns said he had directed U.S. officials to develop a plan to allow imports of Canadian cattle 30 months or older for slaughter, as well as beef and beef products from 30-month-and-older Canadian cattle as the "next step" in resuming full beef trade with Canada. The American Meat Institute, which represents meat packers and processors, has filed suit in the U.S. District Court for the District of Columbia seeking an injunction that would require USDA to reopen the border to imports of Canadian cattle of any age for direct slaughter. AMI officials told the NGFA that it would continue with its lawsuit.

Johanns has indicated that it could take up to a year to conduct a risk assessment and promulgate additional regulations to address the delayed portion of USDA's final rule. When first issuing its final rule on Jan. 4, USDA officials said they anticipated conducting a new, separate rulemaking on whether to allow imports of live Canadian cattle 30 months or older, and projected the rulemaking process could take up to two years.

Meanwhile, Ranchers-Cattlemen Action Legal Fund (R-CALF USA) is seeking an injunction in the U.S. District Court in Montana to prevent USDA from reopening the Canadian border to either Canadian live cattle of any age or beef products.

Senators File Joint Resolution Disapproving USDA Minimal-Risk BSE Final Rule on Canadian Beef: Nine senators on Feb. 14 officially introduced a joint congressional resolution (S.J. Res.4) that, if passed and signed into law by President Bush, would revoke USDA's final rule classifying Canada as a minimal-risk region for BSE and permitting, effective March 7, imports of live cattle and beef and beef products from cattle less than 30 months of age. Prospects for enactment of the joint resolution appear very slim at this stage, since it would require the approval of both the House and Senate, as well as the signature of President Bush. Meanwhile, the House Agriculture Committee has scheduled a hearing for March 1 on USDA's actions related to its BSE minimal-risk region final rule and Canadian live cattle and beef imports. The Senate Agriculture conducted such a hearing on Feb. 3.

Under the Congressional Review Act, members of Congress have 60 days after a final regulation is issued by a federal agency to enact a "joint resolution of disapproval." If such a resolution is enacted, it has the effect of revoking the final regulations issued by the affected federal agency and, importantly, prevents the federal agency from reissuing the regulation in "substantially the same form." The Congressional Review Act is a product of then-House Speaker Newt Gingrich's "Contract with America" and was enacted in the mid-1990s as a way to give Congress more authority over objectionable final regulations issued by federal agencies. Federal regulations that qualify for such review and action by Congress are those with an estimated annual economic impact of \$100 million or more; those that would result in major increases in costs or prices for consumers; and those that would have a significant adverse impact on employment, productivity, competition or investment.

Cosponsors joining Sen. Kent Conrad, R-N.D., in introducing the joint resolution were: Senate Minority Leader Harry Reid, D-Nev.; and Sens. Byron Dorgan, D-N.D.; Craig Thomas, R-Wyo.; Pete Domenici, R-N.M.; Max Baucus, D-Mont.; Ken Salazar, D-Colo.; Tim Johnson, D-S.D.; and Jeff Bingaman, D-N.M.





Japanese Health, Ag Ministries Accept Recommendations on U.S. Cattle Age-Verification Method for Beef Imports

Efforts to resume U.S.-Japan beef trade took another incremental step forward on Feb. 9 when Japan's ministries of agriculture and health accepted a report from a special technical panel that a U.S.-proposed carcass-grading method for verifying cattle ages would reliably comply with the 20-month age limit specified in a framework agreement reached between the two countries last October.

The proposal still needs to receive the approval of Japan's Food Safety Commission, which is still in the process of evaluating potential changes to Japan's domestic BSE-prevention regulations, including the requirement that 100 percent of Japanese cattle be tested for BSE. The same commission also needs to consider amendments to Japan's import regulations. Those processes could take several more months. But observers believe that acceptance of the technical panel's recommendations by the Ministry of Health and Ministry of Agriculture, Food and Fisheries removes a significant obstacle to the eventual resumption of U.S.-Japan beef trade.

Under the framework agreement, Japan agreed to allow the import of U.S. beef and beef products, including variety meats and offal, from U.S. cattle 20 months or younger at time of slaughter without requiring that those cattle be tested for BSE under a special "beef export verification" marketing program. However, the recommendation was not unanimous, with several members of the Japanese technical team stating that further monitoring was needed to verify that the carcass-grading

method was sufficiently reliable.

The U.S.-proposed cattle carcass grading method accepted by the Japanese technical team involves the U.S. beef grade "A-40," under which graders visually examine meat texture, teeth, bones and cartilage to determine grading quality. The study demonstrated that cattle grading A-40 typically are 14 months or younger. But, the "margin for error" in visually examining such carcasses is up to three months – meaning that cattle 17 months or younger conceivably could be categorized as A40. USDA estimates that about 8.3 percent of U.S. slaughter cattle are classified as A40. The bulk of U.S. slaughter cattle are classified as A50 to A70, which represent cattle 15 to 20 months of age. However, the margin of error for classifying cattle in these carcass groups extends to 21 months – one month older than the age limit Japan has deemed acceptable to avoid BSE testing. Under the October 2004 U.S.-Japan framework for allowing resumption of beef trade, the carcass classification method would be just one of five methods for verifying the ages of U.S. cattle. The others include: 1) individual animal age verification; 2) group (herd) age verification; 3) insemination age verification; and 4) animal identification through USDA Agricultural Marketing Service's verified animal identification program (once that system is in place). It has been estimated that beef products from another 10 to 25 percent of the U.S. cattle slaughter herd potentially could qualify based upon their birth records and age verification, depending upon how stringent of records Japan ultimately requires.

Crawford Nominated as FDA Commissioner

President Bush, as expected, on Feb. 15 announced his intention to nominate Dr. Lester M. Crawford to be commissioner of the Food and Drug Administration (FDA).

Crawford, who is well known to the NGFA and its members, has served as FDA's acting commissioner since March 2004, when then-commissioner Dr. Mark McClellan was chosen to oversee the agency of the Department of Health and Human Services (HHS) that operates the Medicaid and Medicare programs. Prior to that, Crawford had served as FDA's deputy commissioner. Previously, Crawford also served as administrator of the U.S. Department of Agriculture's Food Safety and Inspection Service, and as chairman of the Department of Physiology-Pharmacology at the University of Georgia. From 1997-02, he was director of the Center for Food and Nutrition Policy at Georgetown University and at Virginia Tech. He also spent four years as director of FDA's Center for Veterinary Medicine.

Crawford's diverse experience includes more than 20 years as an adviser to the United Nations' World Health

Organization. He also is a member of the National Academy of Sciences' Institute of Medicine. He is a fellow of the Royal Society of Medicine in the United Kingdom, and of the International Society of Food Science and Technology. In 1991, he received the Wooldridge Award, the British Veterinary Association's highest award, in part for his work in investigating the causes and developing strategies to combat bovine spongiform encephalopathy (BSE). Crawford received his doctor of veterinary medicine from Auburn University, and a doctorate in pharmacology from the University of Georgia.

HHS Secretary Mike Leavitt termed Crawford's nomination "an outstanding choice," and moved today to preempt one of the major issues – the agency's alleged missteps in human drug safety – senators might use against Crawford's confirmation. Leavitt, with Crawford at his side, announced the creation of a new, independent Drug Safety Oversight Board to oversee the management of drug safety issues, and pledged that FDA also would enhance its communications with physicians and patients on the risks, benefits and side effects of previously and newly approved medicines.





("Emerson Trust" continued from page 1)

Dec. 3, 2004, based upon the CCC warehouse code. That 35 percent limit includes any quantity previously purchased by the storing warehouse operator. In its notice, USDA provided a table of warehouse code locations where CCC-owned soft white wheat eligible for purchase is stored. Warehouse codes showing zero or a relatively small quantity indicate that the 35 percent limit has been met, nearly met or exceeded.

Bids are limited to three separate warehouse codes, per telephone call, and the maximum quantity CCC will sell per call will be 551,150 bushels. USDA said lots are required to be bid upon in their entirety, except one partial lot purchase will be permitted to achieve the maximum quantity allowed at each warehouse code. CCC allows storing warehouse operators to purchase a quantity in

excess of the 35 percent maximum level, provided the bid does not result in CCC exceeding the 200,000 metric ton maximum release authorized from the Emerson Trust. USDA again said that if it discovers that attempts are being made to circumvent the bid limits through prearranged third-party sales, the transaction(s) will be suspended and the names of both the third party and storing warehouse allegedly involved will be referred to USDA's Office of Inspector General for investigation.

The release of up to 200,000 metric tons (approximately 7.35 million bushels) from the Bill Emerson Humanitarian Trust was announced on Dec. 3 by then-Secretary of Agriculture Ann M. Veneman. All CCC-owned soft white wheat grading U.S. No. 2 or better is considered to be Emerson Trust stocks and is being made available for the transactions.

USDA Issues Agricultural 'Baseline' Projections to 2014

The U.S. Department of Agriculture has issued its so-called agricultural "baseline" that provides long-run projections for the U.S. agricultural sector through the year 2014.

The baseline identifies major forces and uncertainties affecting future agricultural markets; prospects for global long-term economic growth, consumption and trade; and future price trends, trade flows and U.S. exports of major agricultural commodities and products. USDA notes that the projections are not intended to be its forecast of what the future will be, but rather a description of what could be expected to occur under a continuation of the 2002 farm law given specific external circumstances. The projections were prepared in October through December 2004, and does **not** include the potential impacts of Asian soybean rust on the U.S. soybean crop since this discovery occurred after the baseline commodity projections were completed.

For grains, USDA's baseline assumes that available U.S. cropland will be reduced by an expansion of the Conservation Reserve Program to the statutorily authorized level of 39.2 million acres (up from the approximately 35 million acres currently enrolled). USDA projects increases in planted corn acreage attributable to increasing export and domestic demand, but projects U.S. wheat planted acreage will continue to decline to 58.5 million acres by 2006/07 before rebounding slightly to 61.5 million acres by 2014. Soybean planted acreage is projected to stay relatively flat, declining from approximately 74 million acres in 2005 to 72.8 million acres by 2014. USDA also made a surprisingly conservative estimate on grain

utilization for ethanol production. It projected an initial increase to 1.47 billion bushels for ethanol in 2005/06 and to 1.55 billion bushels in 2006/07. But thereafter, USDA projects that grain utilization for ethanol will increase by only 25 million bushels per year, until reaching 1.75 billion bushels by 2014/15.

For livestock and poultry, USDA projects continued strong domestic and export demand. But USDA projects that while rebounding, U.S. beef exports will not recover to pre-2003 levels following the closure of Pacific Rim markets after the discovery of bovine spongiform encephalopathy (BSE) in North America. USDA also projects that U.S. broiler exports will not experience the same growth rate as occurred during the 1990s because of strong export competition, particularly from Brazil.

USDA's baseline projects that the United States will remain competitive in most global agricultural markets, although trade competition will be strong. The report specifically cites the continued emergence of Kazakhstan and Ukraine as major world wheat exporters, and projects their share of world markets will increase to about 11 percent by 2014 – up from 4 to 6 percent in recent years. Similarly, USDA's baseline projects continued expansion of Brazilian agriculture – particularly in soybeans, swine and poultry production. Brazil's share of world soybean exports, plus soybean equivalent of soybean meal exports, is projected to increase to 45 percent by 2014 – up from approximately 35 percent in recent years. Meanwhile, its continued increased production of pork and poultry will enable Brazil to become "very competitive" in world meat trade, the report finds.



For U.S. exports, the report states that anticipated steady world economic growth – particularly in developing countries – combined with stronger global trade should increase U.S. agricultural export volumes and commodity prices over the period. The value of U.S. agricultural exports is projected to grow to \$78.6 billion by 2014, up from \$56 billion in fiscal year 2005, primarily

represented by high-value product exports such as meat/animal and horticultural products. Most of the growth in value for bulk commodity exports reflects anticipated price increases and gains in volumes for grains, the report says.

For NGFA members receiving the *Newsletter* electronically, access a copy of the 114-page USDA baseline publication by clicking here.



EPA Seeks Views on Adequacy of Current Air Monitoring Methods to Determine Compliance with New Source Performance Standards

The U.S. Environmental Protection Agency (EPA) is seeking input on the adequacy of current statutory monitoring requirements for determining compliance with new source performance standards (NSPS) and national emissions standards for hazardous air pollutants.

In a Feb. 16 *Federal Register* advance notice of proposed rulemaking, EPA also asked for suggestions on ways to improve such monitoring. What makes EPA's notice important to grain elevators and grain storage at grain processing facilities is that it specifically asks for input on whether **opacity** is an effective means of determining compliance with particulate matter limits established in pre-1990 NSPS, such as EPA's 1978 NSPS for grain elevators.

Under EPA's 1978 standards, grain elevators with a permanent storage capacity greater than 2.5 million bushels and grain storage elevators with a permanent storage capacity greater than 1 million bushels located at wheat flour mills, wet and dry corn mills, rice mills and soybean processing plants are required to meet certain opacity standards for "affected facilities" built, modified or reconstructed after 1978. The "affected facilities" covered by the standard include truck receiving and loading stations, barge and ship unloading stations, barge and ship loading stations, railcar loading and unloading stations, grain dryers and all grain handling operations. Feed mills, pet food plants, cereal manufacturers, breweries, and livestock feedlots are **excluded** from the NSPS.

Opacity is a measure of the degree to which particulate matter or other visible emissions reduce the transmission of light or obscure the view of an object in the background. It is expressed on a scale of 0 to 100 percent opacity, with a totally opaque plum assigned a value of

100. Under current EPA standards, opacity is not determined by an instrument, but rather by a qualified observer following specific procedures. However, EPA is requesting comments on whether to replace the current human-observation method with new technologies that measure compliance with particulate limits, including bag leak detectors or continuous-emissions monitoring systems that directly monitor particulate emissions.

The preliminary nature of EPA's notice means that the agency at this stage is engaged in gathering input to "better evaluate whether and where inadequate monitoring exists and to determine how to craft any necessary improvements." The NGFA and Grain Elevator and Processing Society's (GEAPS) Joint Safety, Health and Environmental Quality Committee is to discuss EPA's notice when it meets on Feb. 27, in conjunction with the GEAPS Exchange in Albuquerque, N.M.



Calendar

Feb. 27, 2005: NGFA/GEAPS Joint Safety, Health and Environmental Quality Committee
Albuquerque, N.M.

March 30-April 1, 2005: NGFA 109th Annual Convention
Hotel Del Coronado, San Diego, Calif.

July 27-28, 2005: Operations, Management & Technology Seminar - "Grain Quality Management"
Airport Marriott Hotel, Kansas City, Mo.
(Joint Seminar Series with the Grain Elevator and Processing Society)



Membership Matters

by Todd Kemp
Director of Marketing/Treasurer

Look Who's New!

As it does every year, the advent of *February Frenzy* has prompted a frenzy of membership recruiting activity!

With just over a week remaining in this annual period of concentrated recruiting, here are the new NGFA members and their sponsors so far!

- ▶ **West Plains Co.**, Kansas City, Mo.: **Terry Kingan**, Shay Grain Co., Kansas City, Mo.
- ▶ **FeedWorks LLC**, Universal City, Texas: **Pat Fullick**, Cargill Inc., Waco, Texas.
- ▶ **Southern Pride Feeds**, Longview, Texas – **Jack Smit**, Furst-McNess Co., Freeport, Ill.
- ▶ **Bi-Pro Marketing**, Guelph, Ontario, Canada: **Jack Smit**, Furst-McNess Co., Freeport, Ill.
- ▶ **Adisseo**, Alpharetta, Ga.: **Jim Blackwell**, Foster Farms, Fresno, Calif.
- ▶ **Abengoa**, Chesterfield, Mo.: **Mike Sumpter**, CGB Enterprises, Mandeville, La.
- ▶ **Agricor Inc.**, Marion, Ind.: **Randy Humphries**, The Scouler Co., Sarasota, Fla.
- ▶ **Fagen Elevator**, Keota, Iowa: **Dave Reiff**, Reiff Grain & Feed Inc., Fairfield, Iowa.
- ▶ **Wehmeyer Seed Co.**, Mascoutah, Ill.: **Justin Towery**, Bayou Grain & Chemical Corp., Parkdale, Ark.

Each of our sponsors qualifies for a chance to win the random Grand Prize Drawing to be conducted at close of business on Feb. 28. And note that Jack Smit gets two chances! The Grand Prize is a St. Louis Get-Away consisting of:

- ▶ **Airfare for two to St. Louis:** Co-sponsored by **CSX Transportation Co.**, Jacksonville, Fla.
- ▶ **Two nights' lodging:** Courtesy of the **Hyatt Regency Union Station**, St. Louis, Mo.
- ▶ **Dinner at Eleven Eleven** – St. Louis's hottest new restaurant: Sponsored by **GATX Rail**, Chicago, Ill.
- ▶ **St. Louis Cardinals Baseball Tickets** – Sponsored by **Monsanto Co.**, St. Louis, Mo.

Year-to-Date Membership Statistics:

New Members:	50
Non-renewals:	53

Given that about half of NGFA's new members every year occur during February and March, we are well-positioned for a big finish to the membership year at the San Diego convention. Please make membership recruiting a priority!

Stay Tuned: Fabulous cash and merchandise prizes will be awarded to recruiters in San Diego – watch this space for details!



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TIME SENSITIVE

