



## NGFA Elects Steve Nail as New Chairman

### ...Olson Elected First Vice Chairman; Coyle Elected Second Vice Chairman

**Steven F. Nail** was elected by members as the top industry officer of the National Grain and Feed Association during the 108<sup>th</sup> annual convention this week in San Antonio, Texas.

Nail, who is president and chief executive officer of Farmers Grain Terminal Inc., Greenville, Miss., is the 60<sup>th</sup> industry leader -- and the first from Mississippi -- to serve at the helm of the NGFA. He previously served two-year terms as the association's first and second vice chairman, respectively. He also is a member of the NGFA's Board of Directors and Executive Committee.

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*The NGFA's newly elected officers are shown during the convention. Pictured are (from left): Second Vice Chairman Tom Coyle, general manager, Chicago & Western River Marketing LLC (a wholly owned subsidiary of Nidera Holdings B.V.), Chicago, Ill.; Chairman Steven F. Nail, president and chief executive officer, Farmers Grain Terminal Inc., Greenville, Miss.; First Vice Chairman Ronald D. Olson, vice president, grain operations, General Mills Inc., Minneapolis, Minn.; Immediate Past Chairman Rick Calhoun, vice president, grain and oilseed supply chain, North America, Cargill Inc., Minneapolis, Minn.; and NGFA President Kendell W. Keith.*

## Responses Urged to Important Federal Warehouse Survey

### ...Survey Deadline March 26; Results to Determine Whether Federal Grain Warehouses Subject to Federal or State Oversight of 'Merchandising' Activity...

The NGFA is urging warehouse operators to respond by **March 26** to a one-question survey, the results of which will have a major bearing on the future of the federal grain warehouse program.

The survey was mailed March 12 to approximately 630 master licensing codes of companies that own and operate federally licensed grain warehouses. The survey informs federally licensed warehouses about the levels of coverage for stored grain and producer grain-payable obligations envisioned by a Grain Warehouse Working Group consisting of the American Farm Bureau Federation, Association of American Warehouse Control Officials (AAWCO), National Association of State Departments of Agriculture (NASDA), National Farmers Union and NGFA. The survey asks each company whether it would be inclined to remain in the federal system if -- in exchange for federal instead of state oversight of grain merchandising activity at federally licensed warehouses -- their respective licensing and examination fees were to

increase between 20 to 40 percent to finance the additional levels of depositor and producer coverage. The survey makes it clear that the alternative likely is legislation that would expressly reserve to states the authority for regulating grain merchandising and producer grain payable obligations at federally licensed grain warehouses.

Formation of the Grain Warehouse Working Group was suggested by Congress following the enactment of legislation (P.L. 108-7) in February 2003 that prevented USDA from expending funds to amend the terms of the federal grain warehouse licensing agreement or to issue new federal grain warehouse licenses to facilities that held state grain warehouse licenses as of Feb. 20. The law (P.L. 108-7) was enacted after USDA issued final regulations on Aug. 5, 2002 to implement the U.S. Warehouse Improvement Act of 2000 that included a section in which USDA stated it had exclusive authority

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## Ethanol Tax Break Shifted, Extended to 2010 by House Committee

### ...Assists Highway and Corporate Tax Bill...

The House Ways and Means Committee on March 17 passed by voice vote the tax provisions of the highway bill (H.R. 3971).

Included in the measure is a provision that would shift the 5.2-cent-per-gallon ethanol tax exemption from the 18.4 cent-per-gallon fuel tax that funds the highway trust fund. Under the new tax provisions of the highway bill, that 5.2 cents per gallon would become a tax credit paid from the general fund, but would expire in 2010.

The tax juggling over ethanol is part of an effort by Committee Chairman Bill Thomas, R-Calif., to raise revenues to offset the costs of additional corporate tax cuts for manufacturing and multinationals envisioned in a totally separate bill – one (H.R. 2896) that would revoke the current foreign sales corporation tax exemption that has been ruled illegal by the World Trade Organization (WTO). The European Union has imposed sanctions on U.S. exports that will ratchet up monthly until the United States complies with the WTO ruling. Thomas' version of the foreign sales corporation tax repeal bill calls for \$140 billion in corporate tax cuts over a 10-year period, at a cost of \$60 billion over that time span.

The shift of the ethanol tax exemption to a tax credit with an expiration date allows Thomas to count as a revenue raiser the savings generated between 2011 and 2013 after the credit expires. Sen. Charles Grassley, R-Iowa, has used a similar plan to increase offsets for both the highway reauthorization bill and the omnibus energy bill. The exemption would be counted as continuing over the next 10 years, and no savings would be realized. The budgeting quirk is allowed even though it is unlikely that Congress will permit the credit to expire in 2010. The shift to take the ethanol tax credit from general revenues rather than consider it as a tax exemption also would enable the House to portray the cost of the highway bill

as being within the \$256 billion limit demanded by the Bush administration.

Meanwhile, an attempt by Rep. Earl Pomeroy, D-N.D., to make the gasohol tax credit permanent was defeated by voice vote.

The highway reauthorization bill is scheduled to be considered by the full House Transportation and Infrastructure Committee on March 24. Committee Chairman Don Young, R-Alaska, reluctantly has agreed to craft a measure that totals \$275 billion. Young, who originally proposed a \$375 billion bill, continues to believe that the current agreed-to funding level is inadequate to support highway construction programs.

House Republican leaders have indicated that they would like to complete action on the measure by April 5. Regardless of the outcome, the highway funding likely will continue into next year, as attempts will be made to add additional funds without the pressures of an election year.

**Foreign Sales Corporation Repeal:** Thomas intends to combine the ethanol tax savings offset with the corporate tax breaks envisioned in the foreign sales corporation repeal bill in attempt to secure House passage of the measure. To date, no floor vote has been scheduled by House leaders, who face nearly unanimous opposition from House Democrats and a block of 25 House Republicans led by Rep. Don Manzullo, R-Ill., who believe that the tax breaks that would be provided to U.S. corporations located overseas are too high.

Meanwhile, the Senate is scheduled during the week of March 22 to consider its version of the foreign sales corporation repeal bill (S. 1637), sponsored by Senate Finance Committee Chairman Charles Grassley, R-Iowa, and the ranking Democrat, Max Baucus, D-Mont.

## NGFA Issues Waterways Action Alert!

The NGFA is encouraging member companies to urge senators to include as a priority the construction of new locks and dams on the Upper Mississippi and Illinois River System when the Senate Environment and Public Works Committee considers the so-called water resources development bill in late March.

In a joint letter sent to the Senate on March 10, the NGFA and North American Export Grain Association said that congestion and delays on the Upper Missis-

sippi and Illinois River System are costing U.S. industry \$100 million per year. The two groups noted that 60 percent of U.S. grain exports traverse the inland waterways system, and that users of the Upper Mississippi and Illinois Rivers have paid more than 40 percent of the inland waterways user fees into the Inland Waterways Trust Fund since it was established in the 1980s while receiving only 15 percent of the benefits. The NGFA and NAEGA noted that the U.S. Army Corps of Engineers is

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scheduled by Nov. 1 to complete what has become a 12-year, \$70 million report on the feasibility of renovating the locks and dams on the Upper Mississippi and Illinois River System. The option favored by the NGFA and NAEGA would include new locks and dams at 20, 21, 22, 24 and 25 on the Upper Mississippi River, and at LaGrange and Peoria on the Illinois River. In addition, the most ambitious of the navigation plans calls for extending the locks at Locks 14-18, the stationing of switch boats at Locks 11-13, and the installation of

moorings at Locks 12, 14, 18 and 24.

Even if spending were authorized now, the lock and dam improvements supported by the NGFA and NAEGA would take up to 20 years to complete. Failure to include the Upper Mississippi and Illinois River project in the current version of the water resources development bill would delay such action until 2006 or later. For more information on the issue or on how to contact your congressman, please contact Chris Holdgreve in the NGFA office at (202) 289-0873.

## NGFA Members Encouraged to Urge House to Incorporate Ag Hours-of-Service Exclusion in Highway Bill

The NGFA is encouraging its members to contact their respective members of Congress to urge that the House Transportation and Infrastructure Committee include an amendment that would expand and codify the agricultural exemption from the U.S. Department of Transportation's hours-of-service truck driving rules when the committee considers a bill (H.R. 3550) later this month that would reauthorize funding for highway construction projects.

Reps. Jerry Moran, R-Kan., and Douglas K. Bereuter, R-Neb., are attempting to include in the bill an "iron-clad" version (H.R. 871) of the hours-of-service agricultural trucking exemption that would grant states the right to determine which seasons or months of the year that the agricultural exemption applies. The agricultural trucking exemption would be valid during peak planting and growing seasons as determined by individual states and within 100 air miles of the farm or distribution point. Importantly, the amendment also would clarify that the definition of "agricultural commodity" covered by the exemption includes **feed, poultry and other agricultural products** that DOT previously attempted to regulate under its hours-of-service regulations. The agricultural exemption also would apply to farm supply and commodity businesses (including crop input dealers, custom harvesters and farmer-owned cooperatives).

The hours-of-service exclusion for agriculture previously was incorporated into the Senate version of the highway bill at the behest of Sen. Conrad Burns, R-Mont. The legislative language was necessitated by DOT's issuance of hours-of-service regulations in April 2003 that provided only a partial agricultural exemption; it failed to encompass transport activities (such as feed transportation) that support livestock activities. The Moran-Bereuter and Burns' legislation would ensure that **all** agricultural activities are eligible for the exemption by states, and also would prohibit DOT from diminishing the exemption in the future.

Agricultural drivers covered by the exemption are not long-haul truck drivers, for which the hours-of-service regulations are intended.

If your company benefits, or may benefit, from this exemption, please contact your congressman and encourage him or her to support the inclusion of language in H.R. 871 into the highway reauthorization bill (H.R. 3550).

**Reasons for Supporting the Ag Exemption:** Arguments in support of the amendment, extracted from a letter drafted by the Agricultural Retailers Association and signed by more than 35 organizations, including the NGFA, include the following:

- ▶ The initial intent of Congress for this limited exemption was to address the special requirements of agriculture, and recognize the fact that drivers involved in the agricultural production industry are not long-haul truck drivers.
- ▶ The work done under this exemption is essential to the nation's agricultural production, especially since there often is a short window of time to plant and harvest crops given changing weather patterns.
- ▶ Those utilizing the exemption are involved directly in important elements of farming and are a key part of the economy of rural America.
- ▶ U.S. agriculture depends heavily on this limited relief. The legislative language embodied in H.R. 871 simply protects the agricultural exemption to hours-of-service rules first established by Congress in 1995 and corrects problems caused by DOT's narrow interpretation of the definition for agricultural commodity.

For more information on the issue or on how to contact your congressman, please contact Chris Holdgreve in the NGFA office at (202) 289-0873.



## White House Asks FDA to Consider SRM Removal from All Feed

The NGFA has learned that during a high-level meeting on March 3, White House officials encouraged the Food and Drug Administration to consider a partial or total removal of so-called "specified risk materials" (SRMs) from all animal feed as part of the agency's changes to its feed rule designed to prevent the establishment or amplification of bovine spongiform encephalopathy (BSE).

The U.S. Department of Agriculture on Dec. 30 announced a ban in human food on certain SRMs from cattle and other ruminants. USDA's action encompassed the skull, brain, trigeminal ganglia, eyes, spinal cord and dorsal root ganglia of cattle 30 months or older; as well as the distal ileum of cattle of all ages. Tonsils of cattle of all ages previously had been classified by USDA as being inedible for human food. But thus far, FDA has not been inclined to replicate in animal feed USDA's human food SRM ban, or to adopt a less-restrictive SRM ban, such as requiring the removal of brain and spinal cord from cattle 30 months or older. Reportedly, some at FDA believe such a step is unnecessary to protect public health. Still other FDA officials believe that the adulteration clause of the federal Food, Drug and Cosmetic Act does not authorize the agency to ban from animal feed those tissues found in food/feed additives like meat-and-bone meal unless they are from cattle that are diseased or die, or which are tested and found to have BSE.

Meanwhile, FDA officials meeting during the convention with the NGFA's Animal Agriculture Committee, Feed Legislative and Regulatory Affairs Committee, and Feed Manufacturing and Technology Committee said that it still may be up to 60 days before the agency publishes its interim final rule implementing the four changes to the BSE-prevention feed rule that were announced on Jan. 26. They said the agency has completed its economic impact analysis of the planned changes, and that the interim final rule and economic analysis soon would be submitted to the White House Office of Management and Budget for review prior to being published in the *Federal Register*. They said the changes will take effect on the date the interim final rule is published, although there will be a lag-time before enforcement begins to enable the agency to train federal and state inspectors and educate the affected industries.

Once published, FDA said its interim final rule will: 1) require renderers, feed manufacturing facilities (including on-farm mixer-feeders) and transporters of bulk feed/feed ingredients that receive, use, handle or transport mammalian protein currently prohibited from being fed to cattle or other ruminants to use **dedicated equipment, facilities or separate receiving and production lines** if they also handle products intended to be fed to cattle or other

ruminants; 2) **prohibit the use of bovine-derived blood, blood products (including plasma) and blood fractions** as a protein source in feed for ruminants; and 3) **ban the use of poultry litter** – consisting of bedding, spilled feed, feathers and fecal matter collected from poultry houses – and **restaurant "plate waste"** from ruminant feed.

**Expanded BSE Testing of U.S. Cattle to be 'Fully Implemented' by June:** The U.S. Department of Agriculture's "one-time" expanded surveillance and testing of U.S. cattle for bovine spongiform encephalopathy (BSE) is scheduled to be "fully implemented" by June.

The expanded surveillance plan, announced on March 15, is scheduled to last 12 to 18 months and test "as many cattle as possible in the high-risk (cattle) population," as well as 20,000 samples from the estimated 6.2 million "normal-appearing" cattle 30 months or older. USDA estimates there are approximately 446,000 "high-risk" U.S. cattle – those adult cattle showing clinical signs of central nervous system disorder, and dead and non-ambulatory ("downer") cattle in which clinical signs cannot be evaluated adequately. USDA will use dentition – the eruption of at least one of the second set of permanent incisors – as the determinant of whether a cow is 30 months or older, the same standard used to determine which cattle are subject to the agency's ban on SRMs in human food.

As examples, USDA said that using statistically geographic modeling, sampling 268,000 cattle would enable the detection of BSE at a rate of one positive animal in each 10 million cattle at a 99 percent confidence level. At that sampling rate, USDA said, the enhanced program would detect BSE even if there were only five BSE-positive cattle nationwide. Sampling 201,000 cattle would allow for detection of BSE at the same rate (one in each 10 million) at a 95 percent confidence level. USDA estimated that between 250,000 and 400,000 samples could be tested during a 12-month period, generating up to 2,000 samples on "peak sampling days." By comparison 20,543 animals were tested for BSE in fiscal year 2004, and USDA previously had planned to conduct tests on 40,000 animals in fiscal 2005 before the diagnosis of the single BSE case in Washington state in December. USDA said an "appropriate" rapid-screening test will be used to test "time-critical" samples, but that any samples that test positive for BSE using quick tests will be classified as "suspects" until being confirmed by immunohistochemistry (IHC) – the so-called "gold standard" – and/or the western blot test at the National Veterinary Services Laboratory in Ames, Iowa. USDA said carcasses and rendered products from tested cattle will be held and not allowed to enter the food or feed chain until test results show the samples are negative for BSE.





# Convention Special

## NGFA Elects Members to Board of Directors

NGFA members elected 14 members to serve on its Board of Directors during the association's 108<sup>th</sup> annual convention.

Elected to three-year terms were:

- Gary Beachner** ..... General Manager, Beachner Grain Inc., St. Paul, Kan.
- James W. Blackwell** ..... Director of Commodities, Foster Farms, Fresno, Calif.
- Tom Bressner** ..... General Manager, Assumption Cooperative Grain Co., Assumption, Ill.
- Sharon Clark** . Vice President, Commodities and Traffic, Grain and Oilseed Division, Perdue Farms Inc., Salisbury, Md.
- Geoff Finch** ..... Ingredient Resource Manager, Wenger's Feed Mill Inc., Rheems, Pa.
- Eugene Gill** ..... President, Gill Grain Co., Bradford, Ill.
- David Hoogmoed** ..... Vice President, Sales and Marketing, Land O Lakes Feed, Shoreview, Minn.
- Joe Kapraun** ..... General Manager, Stanford Grain Cop., Stanford, Ill.
- Michael Knobbe** ..... Group Vice President, Grain Marketing, Ag Processing Inc., Omaha, Neb.
- Robert Ludington** ..... Senior Vice President, The Scouler Co., Overland Park, Kan.
- Dale R. Mayhew** ..... Chief Executive Officer, Lansing Grain Co. LLC, Okemos, Wis.
- Robert Salstrom** ..... Senior Vice President, North American Grain, ConAgra Trade Group Inc., Omaha, Neb.
- Gale E. Shultz** ..... President, South Milford Grain Co. Inc., South Milford, Ind.
- Michel Sulzberger** ..... Manager, Prairie Central Cooperative Inc., Chenoa, Ill.

Elected to fill a vacancy for a two-year term was:

- Paul L. Krug Jr.** ..... President, ADM Investor Services Inc., Chicago, Ill.

Elected to fill vacancies for one-year terms were:

- John Anderson** ..... Chief Executive Officer, Ritzville Warehouse Co., Ritzville, Wash.
- Jack Heim** ..... Manager, EMP Co-op Inc., Woodburn, Ind.

## NGFA Board Elects Members to Executive Committee

Members of the NGFA's Board of Directors elected 13 of its members to serve on the 18-member Executive Committee during the 108<sup>th</sup> annual convention. Elected to serve on the Executive Committee were:

- Allen J. Anderson** ..... Vice President, Government Affairs, CHS, St. Paul, Minn.
- JoAnn Brouillette** ..... President, Demeter LP, Fowler, Ind.
- Sharon Clark** . Vice President, Commodities and Traffic, Grain and Oilseed Division, Perdue Farms Inc., Salisbury, Md.
- Paul DeBruce** ..... Chief Executive Officer, DeBruce Grain Inc., Kansas City, Mo.
- Tim Gallagher** ..... Senior Vice President and Manager, Grain Division, Bunge North America Inc., St. Louis, Mo.
- Dave Gordon** ..... General Manager, Northwest Grain Growers Inc., Walla Walla, Wash.
- David Hoogmoed** ..... Vice President, Sales and Marketing, Land O Lakes Feed, Shoreview, Minn.
- Paul L. Krug Jr.** ..... President, ADM Investor Services Inc., Chicago, Ill.
- J. Stephen Lucas** ..... Vice President, Louis Dreyfus Corp., Wilton, Conn.
- Hal Reed** ..... President, Grain Division, The Andersons, Maumee, Ohio.
- Robert Salstrom** ..... Senior Vice President, North American Grain, ConAgra Trade Group Inc., Omaha, Neb.
- John Skelly** ..... President, Arizona Grain Inc., Casa Grande, Ariz.
- Jeff Stroburg** ..... Chief Executive Officer, West Central Cooperative, Ralston, Iowa

Also serving on the Executive Committee by virtue of their office are:

- NGFA Chairman **Steve Nail** ..... President and Chief Executive Officer, Farmers Grain Terminal Inc., Greenville, Miss.
- First Vice Chairman **Ronald D. Olson** ..... Vice President, Grain Operations, General Mills Inc., Minneapolis, Minn.
- Second Vice Chairman **Tom Coyle** ..... General Manager, Chicago & Western River Marketing LLC  
(a wholly owned subsidiary of Nidera Holdings B.V.), Chicago, Ill.
- Immediate Past Chairman **Rick Calhoun** ..... Vice President, Grain and Oilseed Supply Chain – North America,  
Cargill Inc., Minneapolis, Minn.

NGFA President **Kendell W. Keith**





# Convention Special

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*("Officers" continued from page 1)*

Nail chaired the NGFA's Long-Range Planning Committee in 2001-02 that revised and updated the association's strategic five-year planning document. He also continues to serve as a member of the Arbitration Appeals Panel, which is responsible for rendering final decisions under the NGFA's Arbitration System, and the Waterborne Commerce Committee, which addresses inland waterway and port issues affecting the industry. He also has served on the NGFA's Arbitration Appeals Panel.

Nail began his industry career with Farmers Grain Terminal Inc. in 1983 as the cooperative's accounting manager. He was promoted to executive vice president in 1988 before being named president and chief executive officer in 1996. The company, founded in 1968, operates nine elevators and river terminals in Mississippi, Arkansas and Louisiana. It markets soybeans, corn, sorghum, wheat and rice for its members.

**Olson Elected New First Vice Chairman:** Elected as NGFA's new first vice chairman was **Ronald D. Olson**, vice president of grain operations for General Mills Inc., Minneapolis, Minn. Olson previously served a two-year term as second vice chairman, and also serves on the NGFA's Board of Directors and Executive Committee. He is a former member of the association's Grain Grades and Weights Committee, which addresses grain inspection and weighing practices that facilitate grain marketing responsive to customer needs.

Olson has served in his current capacity with General Mills since 1996. As such, he is responsible for providing strategic and operating leadership for all aspects of its Grain Division. His responsibilities include managing a network of country and terminal elevators; commodity risk-management; and managing inter-company relationships with marketing divisions, research and development, and quality/regulatory groups.

Olson joined General Mills from Atwood-Kellogg Company, where he was president from 1990-95. At Atwood-Kellogg, he managed a staff of 100 that provided financing, marketing, futures hedging, auditing and tax, bonding and regulatory compliance services to country elevators in the Dakotas and Minnesota. From 1971-90, he worked at Continental Grain Co., in various capacities, including as vice president and Northwest Region manager from 1981-90.

An Iowa native, he is a graduate of Iowa State University with an undergraduate degree in agricultural business and a masters in economics.

Olson currently serves as one of 18 members of the Secretary of Agriculture's Advisory Committee on Biotechnology and 21<sup>st</sup> Century Agriculture, which is examining long-term impacts of biotechnology on the U.S. food and agriculture system and developing recommendations to guide USDA on pressing issues related to the application of biotechnology in agriculture. He also is in his fourth year as a member of the Commodity Futures Trading Commission's Agricultural Advisory Board, and is a past board member and chairman of the Minneapolis Grain Exchange. He also chairs the board at the Agricultural and Food Science Academy, a St. Paul, Minn.-based charter high school.

**Coyle Elected New Second Vice Chairman:** Elected as the NGFA's new second vice chairman was **Tom Coyle**, general manager of Chicago & Illinois River Marketing LLC, Chicago, Ill., which is a wholly owned subsidiary of Nidera Holdings B.V. In this capacity, Coyle oversees the company's grain origination and marketing, and the operations of its two export facilities located in Illinois and Wisconsin, one of which is the largest delivery warehouse for Chicago Board of Trade futures.

Nidera, established in 1920, consists of two major holdings – Nidera Handelscompagne B.V., an international trading entity headquartered in Rotterdam, The Netherlands, with operations in France, Spain, Singapore and the United Kingdom; and Nidera S.A., headquartered in Buenos Aires, Argentina, which is involved in seed, fertilizer and agrichemical businesses.

Coyle has served as chairman of the NGFA's Risk Management Committee since 1998. The committee represents the interests of grain hedgers and users of the nation's futures markets. He also serves as a member of the NGFA's Board of Directors and Executive Committee, and has served as an arbitrator.

Coyle began his grain industry career with the former Continental Grain Co. in 1976, where he eventually became vice president of origination for its North American Grain Division in Chicago. During his career with Continental Grain, he also worked as a facility manager, regional merchandiser, soybean trading manager, regional manager (in Minneapolis, Minn.), assistant general manager (Kansas City, Mo), and as vice president of marketing and business development.

He is a graduate of DePaul University in Chicago, and received his masters in business administration from The University of Dayton (Ohio).





# Convention Special

## NGFA's 107<sup>th</sup> Annual Convention – A Pictorial Review

Many of the more than 500 attendees who gathered in San Antonio, Texas, for the NGFA's 108<sup>th</sup> annual convention said it was among the best conventions in memory, with a diverse array of featured speakers and business-focused issues discussed at general sessions and open forum committee meetings; incomparable opportunities for networking and socializing with industry colleagues; festive receptions hosted by the Chicago Board of Trade and Bunge North America. For the second consecutive year, the North American Export Grain Association (NAEGA) conducted its Board meeting in conjunction with the NGFA's convention, and organized a joint committee meeting on trade issues featuring high-level officials from the Mexican and U.S. governments. Mark your calendars now for the NGFA's 109<sup>th</sup> convention scheduled for March 30- April 1 at the fabulous Hotel Del Coronado in "everybody's favorite city," San Diego, Calif.

### BSE



One of the world's foremost experts on bovine spongiform encephalopathy (BSE), Dr. Will Hueston, commended the NGFA for its science-based policy recommendations in response to the U.S. and Canadian BSE cases, including the association's recommendation that consideration be given to removing brain and spinal cord from cattle 30 months or older. Calling the NGFA's recommendations "right on target," he said such tissues carry 85 percent of the potential BSE infectivity, and that their removal from the feed chain would be the single most effective step to preventing misfeeding and cross-contamination, particularly on-farm. Hueston is director of the Center for Animal Health and Food Safety at the University of Minnesota, St. Paul, Minn.

### Ethanol



The 52-cent-per-gallon federal incentive for ethanol production will be crucial to the renewable fuel's future. That was among the messages conveyed by Marty Ruikka of The ProExporter Network, Chlesea, Mich. Ruikka provided a landscape of new ethanol plant development in the United States, and said that imports of foreign ethanol are likely.



# Convention Special



*The Mexican government is committed to developing a truly harmonized and science-based approach to sanitary and phytosanitary regulation to facilitate cross-border trade. That was the message conveyed by Javier Trujillo (right), chief director of the food safety and inspection agency (Senasica) for the Mexican Ministry of Agriculture. Also pictured is Juan Antonio Hinojosa (left) of Aserca, the department of the Mexican Agriculture Ministry that oversees domestic assistance to farmers. Hinojosa focused on efforts by the Mexican government to instill risk-management tools into the country's marketing system.*



*"The North American Free Trade Agreement is working and working well," with "bridges being built" to resolve trade disputes on science-based principles, USDA Undersecretary of Agriculture for Marketing and Regulatory Programs Bill Hawks told the convention. Hawks key-noted a panel of key government officials from the United States, Canada and Mexico at a joint session hosted by the NGFA and the North American Export Grain Association.*



*NAFTA has helped develop an integrated North American market that can "lead by example" in resolving non-science-based barriers to trade, including BSE, according to Robert Carberry (left), vice president of programs for the Canadian Food Inspection Agency, Ottawa, Ontario, Canada. Carberry also called on the United States and Canada to assist developing countries in building science-based regulatory systems for evaluating and approving biotech-enhanced commodities that are sustainable and predictable, and which can lead to biotech investment and production. Also pictured is USDA Undersecretary Bill Hawks (right). It was the first time that the three principal North American government officials responsible for enforcing sanitary and phytosanitary regulations – Hawks, Carberry and Trujillo – had been on the same event program.*





# Convention Special

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*Panelists and moderators are shown following a session on North American agricultural policy and trade. Pictured are (from left): Gary C. Martin, president, North American Export Grain Association (NAEGA); NAEGA Chairman Bill Hale, senior vice president, grain and oilseed supply chain, North America, Cargill Inc., Minneapolis, Minn.; Messrs. Hinojosa, Trujillo, Carberry and Hawks; NGFA First Vice Chairman Ron Olson, vice president, grain operations, General Mills Inc., Minneapolis, Minn.; and NGFA President Kendell W. Keith.*

*An update on activities at the Chicago Board of Trade affecting grain markets is conveyed by C.C. Odom, a member of the CBOT's Board of Directors.*





# Convention Special

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*Perspectives on freight rail service issues were conveyed by Ed Hamberger (left), president of the Association of American Railroads, Washington, D.C., and Roger Nober, chairman of the federal Surface Transportation Board, Washington, D.C.*



*A panel on plant security for grain elevators and feed mills focused on the federal government's initiatives to protect agricultural and transport security; the requirements for grain warehouses to perform a vulnerability assessment and implement a facility security plan under the Uniform Grain and Rice Storage Agreement; and the practical considerations grain and feed managers should consider incorporating into their facility security plans. Pictured are (from left): NGFA Country Elevator Committee Chairman Roger Fray, vice president, grain, West Central Cooperative, Ralston, Iowa; Bert Farrish, deputy administrator for commodity operations at the U.S. Department of Agriculture's Farm Service Agency; Steve Gill, director of the USDA/FSA's Warehouse Division; Paul Stevenson, director of production quality and IP systems for AIB International, Kansas City, Mo.; and NGFA/GEAPS Joint Safety, Health and Environmental Quality Committee Chairman Mark Daniels, director of health and safety, CHS, St. Paul, Minn. Fray and Daniels moderated the session.*



# Convention Special

## New NGFA Committee Chairs Appointed

Newly elected NGFA Chairman Steve Nail announced that he has appointed the following industry members to chair the NGFA's committees during his tenure.

- ▶ **Animal Agriculture Committee:** *David Hoogmoed*, vice president, sales and marketing, Land O Lakes Feed, Shoreview, Minn. This committee addresses issues important to NGFA member companies involved in integrated livestock and poultry production and sales, including environmental, animal disease, biosecurity, and feed manufacturing issues facing integrators. It also interacts with food industry organizations and academia on food/meat quality assurance, nutrient management and environmental issues.
- ▶ **Arbitration Appeals Panel:** *John McClenathan*, vice president, Grain Group, Archer Daniels Midland, Decatur, Ill. This committee is the linchpin in one of the NGFA's premier services – the unique and time-honored Arbitration System.
- ▶ **Country Elevator Committee:** *Roger Krueger*, director, grain marketing, South Dakota Wheat Growers Association, Aberdeen, S.D. This committee has spearheaded the industry's efforts on the federal-state warehouse issue, insurance and other key matters.
- ▶ **Feed Legislative and Regulatory Affairs Committee:** *Joseph Garber*, nutrition and research coordinator, Wenger's Feed Mill Inc., Rheems, Pa. This committee represents the interests of feed manufacturers and integrators on legislative and regulatory issues at the federal and state level. It has led the industry's efforts in recommending science-based policy responses to bovine spongiform encephalopathy (BSE) and other issues with the Food and Drug Administration, U.S. Department of Agriculture, the Association of American Feed Control Officials, producer and meat industry groups, and allied industries.
- ▶ **Feed Manufacturing and Technology Committee:** *David Kier*, president, DFS Inc., Newell, Iowa. This committee leads the NGFA's efforts in representing feed manufacturers and integrators on operations and technology issues, as well as quality assurance education and training efforts for commercial feed mills and integrators.
- ▶ **Food Safety Committee:** *Arvid L. Hawk*, grain handling coordinator, Cargill Inc., Minneapolis, Minn. This committee has taken the lead role in addressing biotech and other food safety-related issues affecting
- grains, oilseeds and products therefrom. Selected as vice chairman of the committee was: *James Stitzlein*, manager, market development, CGB Enterprises Inc., New Berlin, Ill.
- ▶ **International Trade/Agricultural Policy Committee:** *William G. Lapp*, vice president, economic research, ConAgra Foods Inc., Omaha, Neb. This committee advocates policies that promote sustained economic growth for all sectors of U.S. agriculture, and that minimize market-distorting influences of domestic farm and acreage-idling conservation programs. It also leads the NGFA's efforts in promoting international trade agreements with the goal of eliminating export subsidies and trade-distorting domestic supports, while improving market access to U.S. agricultural products.
- ▶ **Legal Council:** *Joan Maclin*, senior vice president and general counsel, The Scoular Co., Minneapolis, Minn. This group provides input and develops strategies on broad legal issues affecting NGFA-member companies, and familiarizes in-house legal counsels with NGFA-member companies about the association and its resources, including the Trade Rules and Arbitration System.
- ▶ **Marketing/Business Development Committee:** *Mark Avery*, publisher, *Grain Journal* magazine, Decatur, Ill. This committee pursues value-added opportunities to market the NGFA's products and services.
- ▶ **NGFA/GEAPS Joint Grain Grades and Weights Committee:** *Robert Smigelski*, Agriculture Group Operations manager for The Andersons' Grain Division, Maumee, Ohio. This committee works to develop and preserve inspection and weighing practices that facilitate orderly trade, and is the NGFA's main interaction with the official grain inspection service.
- ▶ **NGFA/GEAPS Joint Safety, Health and Environmental Quality Committee:** *Mark Daniels*, director of health and safety for CHS, St. Paul, Minn. *Tim Paurus*, assistant vice president of terminal operations, CHS, St. Paul, Minn., was named vice chairman. This committee is representing the industry's interests on a host of significant OSHA and EPA issues, as well as organizing high-quality education and training programs to further enhance the safety and health of employees.

(Continued on page 12)



# Convention Special

("Committee Chairs" continued from page 11)

▶ **Rail Arbitration Rules Committee:**

**Diane Knutson**, vice president and general manager, agricultural products, Union Pacific Railroad Co., Omaha, Neb. This committee, comprised of equal representation from carriers and shippers, oversees the application of the NGFA's first-of-its-kind Rail Arbitration Rules that address specified rail service-related issues.

▶ **Rail Shipper/Receiver Committee:** **Lynn Hiser**, director of transportation, A.E. Staley Manufacturing Co., Decatur, Ill. The NGFA is widely regarded as the lead agribusiness trade association on rail transportation and service issues.

▶ **Risk Management Committee:** **Tom Coyle**, general manager, Chicago and Illinois River Marketing LLC., a wholly owned subsidiary of Nidera Holdings B.V., Chicago, Ill. Selected as committee vice chairman was: **Rodney Clark**, general manager, CGB/Diversified Services, Mount Vernon, Ind. This committee works to create an environment where cash and futures markets can remain efficient, sound and viable, and where risk-management tools offered by the private sector can compete for farmer business with government-subsidized products, such as federal crop insurance.

▶ **Trade Rules Committee:** **James W. Keistler**, merchandising manager, Twomey Co., Smithshire, Ill. This committee maintains and updates the NGFA's Barge Trade Rules, Barge Freight Trading Rules, Feed Trade Rules and Grain Trade Rules to ensure they reflect current trade practice.

▶ **Waterborne Commerce Committee:** **Steve Lucas**, vice president, Louis Dreyfus Corp., Wilton, Conn. This committee continues to urge prudent investment to improve the inland waterways system and U.S. harbors to foster U.S. agriculture's ability to compete in domestic and world markets.

**Retiring Committee Chairs Recognized:** Recognized at the convention were committee chairs who had served during the tenure of NGFA Chairman Rick Calhoun: Country Elevator Committee Chairman **Roger Fray**, vice president, grain, for West Central Cooperative, Ralston, Iowa; Marketing and Business Development Committee Chair **Ray Lottie**, manager of grain operations for General Mills Inc., Minneapolis, Minn. He had served as the committee's chair since its inception in 1998; and Rail Arbitration Rules Committee Chair **Mike Mohan**, vice president of U.S. coal, grain and fertilizer for the Canadian National Railway, Homewood, Ill.

## NGFA Officers and Spouses



The NGFA's newly elected officers and their spouses are shown during the convention's closing banquet. Pictured are (from left): Second Vice Chairman Tom Coyle and his wife, Kathy; First Vice Chairman Ron Olson and his wife, Lynn; Immediate Past Chairman Rick Calhoun; and Chairman Steve Nail and his wife, Anita. Congratulations!



## Mid-Mississippi River Opens March 17

As provided under NGFA Barge Freight Trading Rule 18(I) (*Opening of the Mid-Mississippi*), the Mid-Mississippi River was open for navigation as of 7 a.m. on March 17.

Under Rule 18(I), "the Dubuque and South (Mid-Mississippi) opening commences the first 07:00 hours of the first business day following the day that the first tow originating at or below Winfield, Mo., reaches Dubuque, Iowa."

As set forth in the rule, the three-person committee ap-

pointed by the NGFA chairman determined that the *Steven Colby* reached Dubuque at 19:30 hours on March 16 with at least one empty dry cargo covered barge suitable for loading. The official Dubuque opening was 0700 hours on March 17, as announced and posted on the NGFA website. Serving on this committee are **Laurie Hiler**, chairperson, manager/owner of Seneca Transportation LLC, Clayton, Mo.; **Steve Alley**, director of sales, Orgulf Transport Co., Cincinnati, Ohio; and **Jack Varner**, commercial manager, Bunge North America Inc., St. Louis, Mo.

## Hollings Reintroduces Rail Security Bill

Legislation (S. 2216) that would require the Departments of Homeland Security and Transportation to conduct assessments of rail security risks and allocate funds to improve rail security was introduced March 12 by Sen. Ernest F. Hollings, D-S.C., the ranking Democrat on the Senate Commerce, Science and Transportation Committee.

Under the bill – a similar version (S. 1550) was approved unanimously by the committee in October 2001 – the secretaries of homeland security and transportation would be required to submit an assessment of, and prioritized recommendations to address, rail security risks within 180 days of enactment. The measure also would require the Department

of Transportation, in conjunction with Homeland Security, to review and recommend improvements to existing rail safety regulations. Further, the bill would authorize a study by the General Accounting Office – the investigatory arm of Congress – of foreign rail transportation security programs.

In addition, the legislation would authorize \$515 million for the Department of Homeland Security to implement the rail security measures identified in its prioritized risk assessment, and for grants to upgrade security "across the entire railroad system." Another \$777 million would be provided to improve ventilation, fire safety and life safety of tunnels used by Amtrak and commuter railroads.

## Senate Committee Approves STB Nominees

The Senate Commerce, Science and Transportation Committee on March 9 approved the nominations of **W. Douglas Buttrey** and **Francis P. Mulvey** to be members of the federal Surface Transportation Board. The nominations are expected to be subject to floor action shortly after the Senate returns from its spring recess next week.

Mulvey for the past four years has been Democratic staff director of the House Transportation and Infrastructure's Railroad Subcommittee. Mulvey also has served as deputy assistant inspector general for rail, transit and special

programs at the U.S. Department of Transportation, and as assistant director to the U.S. General Accounting Office, the investigatory arm of Congress. If approved, he would serve the remainder of a five-year term that expires Dec. 31, 2007.

Buttrey currently is an independent consultant based in Memphis, Tenn., and previously served as senior government affairs representative for Federal Express Corp (FedEx). Prior to that, he was managing director for properties and facilities and manager of airport relations for FedEx. He also was legal counsel for the Senate Aviation Subcommittee.

## BNSF Promotes Bobb, Names Kaufman as New Ag Products VP

The Burlington Northern Santa Fe Railway Co. announced March 2 that it is promoting **Stevan B. Bobb** to vice president of business unit operations and support, and named **Kevin Kaufman** as Bobb's replacement as group vice president for agricultural products, effective March 22.

Kaufman currently is senior vice president with Louis Dreyfus Corp., Wilton, Conn., and has been with the company for 25 years in a variety of capacities. He also currently serves as the firm's North America Region

managing director responsible for trading, transportation and operations in the United States, Canada, Mexico and Peru.

Bobb succeeds Fritz Draper, who will become vice president of business development. In his new capacity, Bobb will lead the carrier's intermodal and automotive hub operations and planning, equipment planning and distribution; the demurrage, storage and extended services team; and coordinate marketing capital and expenses.



*("Warehouse Survey" continued from page 1)*

to regulate the "merchandising"-related activities – in addition to traditional storage-related activities – at federally licensed grain warehouses.

**Coverage Levels and Financing:** The levels of coverage envisioned by the Grain Warehouse Working Group would be: 1) 100 percent for stored, receipted grain; 2) 100 percent for producer cash grain payables for which payment is due within 30 days of delivery (basically, the time it takes for checks to clear); and 3) 50 percent for cash and credit-sale producer grain payables for which payment is due 31 to 365 days after delivery.

To finance the coverage, an "Escrow Trust Fund for Producer Grain Payables" would be established within USDA that would consist of the following features:

- ▶ Retaining the current individual storage bond requirement for federally licensed warehouses; and
- ▶ implementing a licensing-fee assessment that under "normal" conditions would generate a total of \$600,000 annually to cover the historical producer grain-payable losses that have occurred at federally licensed warehouses. Assessments could fluctuate to as high as a total of \$1 million per year if losses occur

that exceed the historical norm. The goal would be to structure the trust fund assessments in such a way that no federal warehouse's licensing fee would increase less than 20 percent nor more than 40 percent compared to the federal license fee the warehouse currently is paying; 3) the trust fund would be capped at a certain level (still under discussion, but approximately \$10 million to \$12 million); and 4) the Commodity Credit Corporation would be asked to serve as a backstop for catastrophic losses, which it historically has done by placing itself at the end of the line of creditors in insolvencies involving federal warehouses. This funding option would be "closest" to the current federal warehouse program structure.

**What Comes Next:** The goal is to evaluate the survey results by early April so that final decisions can be made by the Grain Warehouse Working Group as to whether to continue to pursue a consensus on federal preemption, or to disband the effort. If the latter occurs, NASDA and several other groups likely will petition Congress for legislation to vest in the states the authority to regulate grain merchandising and producer-grain-payable obligations of federally licensed grain warehouses. NASDA, with support from AAWCO, has set an April 30 deadline for reaching an outcome.

## UGRSA Rate Increases Allowed for 2004/05 Contracts

The rate-approval criteria used by the U.S. Department of Agriculture's Commodity Credit Corporation for storage and handling rates under the Uniform Grain and Rice Storage Agreement for 2004/05 are identical to those used for the 2003/04 contract year.

Those criteria, which will apply to UGRSA rates that take effect April 1, allow for slightly greater increases in storage and handling rates than those adopted by CCC for rates offered during the 1992/93 through 2002/03 UGRSA contract years. For the second consecutive year, USDA accepted storage rate offers that were as much as 2 cents per bushel greater than the previous contract year, so long as the resulting rate did not exceed a maximum rate of 40 cents per bushel. For the 1992/93 through 2002/03 UGRSA contract years, USDA had allowed for up to a 1-cent-per-bushel increase and imposed a 38-cent-per-bushel limit on UGRSA storage rates.

In addition, for the second consecutive year, USDA permitted handling rate increases of up to a total of 1 cent per bushel, compared to the 1/2-cent total handling rate increase allowed under the criteria used for the 1992/93 through 2002/03 contract years. The

ceiling on total handling charges also remained at 21 cents per bushel, up from the 20-cent-per-bushel cap used during 1992/92 through 2002/03. Separate caps of 10.5 cents per

<b>CCC's UGRSA Rate Criteria</b> (Effective for 2004-05 Contract Year)		
	<b>Storage Rates</b> (cents/bu./year)	<b>Handling Rates</b> (cents/bu.)
<b>Maximum Rate</b>	40¢	Total maximum handling rate: 21¢  Separate caps of 10.5¢ receiving and load-out, respectively.
<b>Maximum Increase Allowed:</b> if rate <b>not</b> reduced during 2004-05 contract year or is less than state average	2¢	1 ¢ (total)
<b>Maximum Increase Allowed:</b>  • If rate reduced during 2004-05 contract year:  • If less than state average rate:	• Amount of decrease, plus 2¢  • Increase up to state average, plus 2¢	• Amount of decrease, plus 1¢ (total)  • Increase up to state average, plus 1¢



*(“UGRSA Rate” continued from page 14)*

bushel were retained for receiving and load out, respectively, which are ½-cent per bushel more than the 10-cent cap used during the 1992/92 through 2002/03 period.

As has been the case for the past 12 UGRSA contract years under the so-called “modified offer rate” system, USDA continued this year to permit an increase of up to the state average for both storage and handling rates, even if the per-bushel increases exceeded the allowable 2 cents for storage and 1 cent for handling. USDA said this feature is based upon the logic that warehouses entering into new UGRSA contracts are allowed to submit rate offers up to the state average for storage and handling for their initial contract year, and that existing UGRSA warehouses could always drop their UGRSA and apply for a new contract at the state average. Further, as in past years, warehouse operators who reduced their UGRSA storage rates during the 2003/04 contract year were allowed to increase rates by an amount equivalent to the decrease, plus 2 cents (as allowed under the storage-rate approval criteria used for the 2004-05 contract year), so long as the resulting rate did not exceed 40 cents per bushel.

As with previous years, the new rate-acceptance criteria were not developed until after warehouse operators submitted, and USDA analyzed, new storage rate offers. Nor do the rate-approval criteria set a precedent for the criteria that will be used in future years. USDA officials told the NGFA that an estimated 15 percent of UGRSA warehouse codes sought an increase in storage and/or handling rates, slightly higher than previous years. CCC said that because of low inventory levels and concentration of CCC inventories in low-rate storage warehouses, the criteria used to accept rates will have little impact on actual CCC outlays. The rates apply to CCC-owned grain, soybeans, rice and minor oilseeds stored under the UGRSA.

### **Warehouses Drop UGRSA Over Facility Security**

**Amendment:** USDA officials told the NGFA that slightly more warehouse operators dropped their UGRSAs for the 2004/04 contract year than previously, with many citing as the reason the amendment that requires that UGRSA warehouses conduct a facility vulnerability assessment and implement a facility security plan. USDA said warehouse operators declined to renew UGRSA contracts representing about 50 warehouse codes, with about half citing the facility security amendment as the reason.

## **USDA Issues Reminder to Warehouses on Use of On-Farm Storage**

The U.S. Department of Agriculture’s Farm Service Agency on March 12 issued a reminder that warehouses operating under the federal warehouse program and/or Uniform Grain and Rice Storage Agreement (UGRSA) contract cannot use on-farm storage sites as licensed or UGRSA-approved space.

The notice [BCD-67] gives warehouse operators until April 15 to relocate agricultural commodities located in on-farm storage to their respective licensed or CCC-approved space. Agricultural commodities located in farm storage sites after that date will not be included as part of the warehouse stock inventory measurement under either the U.S.

Warehouse Act, UGRSA or other CCC storage agreement contract, FSA said.

FSA defines “farm storage” as “any bin, tank or building that is (or previously was) operated in conjunction with a farming operation with the intended purpose of storing agricultural commodities produced on that farm, and is located in a noncommercial area apart from the functional units that are a component of the warehouse operator’s USWA license or CCC code.” The restriction applies to all agricultural products eligible for storage under the U.S. Warehouse Act or CCC storage agreement.



## NGFA Trade Rules Seminar – Register Now!

### ...See Enclosed Flyer For Program Details, Registration Form...

Back by popular demand, the NGFA will conduct the 2004 version of its Seminar on Trading, Trade Rules and Dispute Resolution on May 4-5 in St. Louis, Mo.

Conveniently located at the Airport Hilton Hotel, the seminar is easily accessible for both drive-in and fly-in attendees. Register by April 12 to receive the Early Bird rate!

Offered only every two to three years, this important meeting offers a valuable training opportunity for both experienced employees and new hires. Anyone with responsibilities in areas like contract development, purchasing, merchandising or management should attend.

It's been 2001 since that this seminar was offered – and certainly, new employees since that time are prime candidates to attend. What's more, this seminar won't be offered again until 2006 at the earliest.

The industry professionals that comprise the seminar faculty will dispense expert advice on issues like:

- ▶ New Contracts – When and Why to Use Them
- ▶ New Risks – Fiduciary Risks and Liabilities

- ▶ How BSE is Changing the Marketplace
  - ▶ Cross-Border Trading Complexities
  - ▶ Avoiding Your Day in Court with NGFA Arbitration
- ....and much more.

Been to the seminar before – or sent your employees in the past? Don't dismiss the idea of attending or sending them again. The seminar is an excellent refresher course, offering updates even to experienced employees on subjects like new and innovative cash contracts in the marketplace; the effects of government legislation/regulation on contracting practices; and the market impacts of high-profile issues like biotechnology and BSE. In addition, the NGFA Trade Rules are reviewed and amended annually – this is your chance to make sure you're current on NGFA Trade Rules and arbitration procedures.

For more program information and a detailed schedule, flip to the center of this newsletter and take a look at the insert. Then, complete the registration form and send it in!



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