



## Senate Delays Action on Farm Bill as Daschle Scrambles to Avoid Filibuster

### ...12 Hours of Senate Floor Debate Set for May 7-8 after House Approves Bill by 280-141 Vote...

The farm bill hit a speed bump tonight, as Senate Majority Leader Tom Daschle, D-S.D., was forced to schedule 12 hours of Senate floor debate for May 7 and 8 under a unanimous consent agreement to avoid a threatened filibuster.

In a floor speech closing the Senate session today, Daschle said he was reserving a "substantial amount of time" for the farm bill floor debate to avoid what he said were threats from some unnamed senators to institute a filibuster, which would have delayed action on the bill indefinitely. Daschle had repeatedly tried to bring the bill up for a vote earlier in the day, but ran into objections. It is expected that the Senate will approve the measure once the debate concludes, and Daschle implied that a vote could occur sometime on May 8.

Earlier today, the House approved the six-year farm bill by a 280-141 vote. Prior to passing the measure, the House rejected by a 172-251 vote, a motion offered by Rep. Ron Kind, D-Wis., that would have sent the bill back to the House-Senate conference committee with instructions to accept the Senate farm bill's version of payment limits, with the savings redirected to increase spending on the conservation, nutrition, rural development and energy sections of the bill. During the House floor debate, the farm bill compromise generated both praise and disdain, with one Republican Pennsylvania congressman calling it Soviet-style agricultural policy.

Earlier in the day, President Bush issued a statement congratulating the House-Senate farm bill conferees for "a job well done." While "not satisfy(ing) all of my objectives, I am pleased that the farm bill provides a generous and reliable safety net for our nation's farmers and ranchers and is consistent with the principles I outlined." The president's statement said he was "pleased" that the compromise "resulted in better balanced commodity loan rates; spending that is no longer front-loaded; and the strongest conservation provisions of any farm bill ever passed by Congress." The statement also said that the bill was "consistent with America's international trade obligations."

In its final form, the bill would increase farm bill spending by \$45.114 billion over the next six years – bringing the total to a projected \$170 billion over the decade. As a result, several of the preliminarily agreed-to loan rates, fixed payment rates and

target prices (used to compute the counter-cyclical payments) were adjusted. The final bill contains the following elements:

► **Loan Rates, Direct Payments and Counter-Cyclical Payments:** The bill calls for higher initial loan rates during the first two crop years, with a slight decline amounting to about 1.5 percent thereafter (with the exception of soybeans, upland cotton and rice, which would remain unchanged). For instance, the corn loan rate would start at \$1.98 per bushel for the 2002 and 2003 crops, and decline to \$1.95 thereafter. In a change, the sorghum loan rate was increased to be equivalent with corn (up from the \$1.93 per bushel rate for 2002-03 and \$1.90 for 2004-07 preliminarily agreed to earlier). For soybeans, a \$5-per-bushel loan rate would be in effect for the life of the six-year bill, rather than the \$5.03 per bushel loan rate for 2002-03 and \$4.96 rate for 2004-07 called for in the preliminary agreement. The wheat loan rate in the final bill remained at \$2.80 per bushel for the 2002-03 crops, declining by 1.5 percent to \$2.75 per bushel for the 2004-07 crops.

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Direct, fixed payments were adjusted slightly, and would amount to 52 cents per bushel for wheat, 44 cents per bushel for soybeans and 28 cents per bushel for corn for the 2002-07 crops. Final target prices for counter-cyclical payments also would be tiered, with slightly higher rates for 2004-07 crops (except for soybeans, upland cotton and rice, which would remain the same for the life of the bill). For the first time, the bill also establishes marketing loans and loan deficiency payments (LDPs) for lentils, dry peas

and small chickpeas. [See accompanying chart on page 2.]

The final bill also would authorize – but not require – USDA to make LDPs on grazed wheat, oats, barley and triticale. The bill also authorizes LDPs for 2001 crops on non-AMTA farms, and waives for the 2001 crop only the so-called beneficial interest requirement (which requires producers to retain title and risk of loss in a commodity until receiving loan or LDP benefits).

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## Final Farm Bill Outcome

### Farm Income Supports

Commodity	Loan Rates (\$ per bushel, except where indicated)					Fixed Payment Rate (\$ per bushel, except where indicated)					Counter-Cyclical Payment Target Prices* (\$ per bushel, except where indicated)					
	2001	House Bill	Senate Bill	Final		2002 AMTA	House Bill	Senate Bill			Final (2002-07)	1995 Level	House Bill	Senate Bill	Final	
				(2002-03)	(2004-07)			(2002-03)	(2004-05)	(2006)					(2002-03)	(2004-07)
Wheat	\$2.58	\$2.58	\$3.00	2.80	2.75	\$0.46	\$0.53	\$0.450	\$0.225	\$0.113	\$0.52	\$4.00	\$4.04	\$3.45	\$3.86	\$3.92
Soybeans	5.26	4.92	5.20	5.00	5.00	--	0.42	0.550	0.275	0.138	0.44	--	5.86	5.75	5.80	\$5.80
Corn	1.89	1.89	2.08	1.98	1.95	0.26	0.30	0.270	0.135	0.068	0.28	2.75	2.78	2.35	2.60	2.63
Sorghum	1.71	1.89	2.08	1.98	1.95	0.31	0.36	0.31/0.2	0.135	0.068	0.35	2.61	2.64	2.35	2.54	2.57
Barley	1.65	1.65	2.00	1.88	1.85	0.19	0.25	0.200	0.100	0.050	0.24	2.36	2.39	2.20	2.21	2.24
Oats	1.21	1.21	1.50	1.35	1.33	0.02	0.025	0.050	0.025	0.013	0.024	1.45	1.47	1.55	1.40	1.44
Minor Oilseeds (lb.)	0.093	0.087	0.095	0.096	0.093	0.0074	0.010	0.005	0.0025	--	0.0080	0.1036	0.105	--	0.0980	0.1010
Upland Cotton (lb.)	0.5192	0.5192	0.55	0.52	0.52	0.0554	0.0667	0.130	0.065	0.0325	0.0667	0.7290	0.7360	0.68	0.724	0.724
Rice (cwt.)	6.50	6.50	6.50	6.50	6.50	2.04	2.35	2.45	2.40	2.40	2.35	10.71	10.82	9.30	10.50	10.50
Dry Peas	--	--	6.78	6.33	6.22	--	--	--	--	--	--	--	--	--	--	--
Lentils	--	--	12.79	11.94	11.72	--	--	--	--	--	--	--	--	--	--	--
Small Chickpeas	--	--	8.10	7.56	7.43	--	--	--	--	--	--	--	--	--	--	--

### Farm Bill Payments – How They're Computed

**Direct, Fixed (AMTA) Payments:** (Base Acres<sup>1</sup> X 85 percent) X Payment Yield<sup>2</sup> X Payment Rate<sup>3</sup>.

**Counter-Cyclical Payments:** (Base Acres<sup>1</sup> X 85 percent) X Payment Yield<sup>4</sup> X Payment Rate<sup>5</sup>.

<sup>1</sup> Producer has two options: 1) Retain current AMTA base acres and add oilseed acreage; or 2) Update using 1998-2001 average planted and prevented-planted acres.

<sup>2</sup> Current AMTA payment yield.

<sup>3</sup> By commodity [See accompanying chart above].

<sup>4</sup> Producers who maintain current AMTA base acres required to use current AMTA yield. Producers who update base acres have two options: 1) 70 percent of difference between actual average yield from 1998-2001 and AMTA payment yields for each crop; or 2) 93.5 percent of 1998-2001 average yields on planted acres. In no case would payment yield be less than 75 percent of county average yield if actual yields for a producer's crop in a given year were less than 75 percent.

<sup>5</sup> Target price minus the sum of the direct, fixed (AMTA) payment plus the higher of the: 1) national average loan rate; or 2) 12-month national average market price received by producers (as computed by USDA's National Agricultural Statistics Service)



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► **Updating of Bases and Yields:** Direct, fixed payments are to be made on 85 percent of the base acreage. To determine the base acreage for direct payments, the producer would have two options: 1) retain the current AMTA base and add oilseed acreage; or 2) update the base by using the 1998-2001 planted and prevented-planted acreage for all farm program crops. Producers could obtain up to 50 percent of the direct payment beginning Dec. 1 of the year prior to the year the crop is harvested, with the remainder due the following October.

► **Counter-Cyclical Payments:** For counter-cyclical payments only, producers who choose to update their base acreage to reflect the 1998-2001 acreage (option 2 above), would be allowed to obtain the higher of: 1) 70 percent of the difference between their current AMTA yields and a full yield update based upon the 1998-2001 yields on planted acreage; or 2) 93.5 percent of the 1998-2001 yields on planted acreage. In no case would the producer receive less than 75 percent of the county average yield for years in which the actual farm yield is less than the county average yield.

Under the bill, counter-cyclical payments are to be made on 85 percent of the base acreage, multiplied by the program yield and the payment rate, and are made regardless of whether the producer grows the crop. The payment rate is the figure resulting from the difference between the target price for the commodity and the sum of the direct fixed (AMTA) payment plus the higher of: 1) the national average loan rate for the commodity; or 2) the projected 12-month season average market price received by farmers (as computed by the National Agricultural Statistics Service). For example, assume the wheat target price of \$3.86 per bushel (2002-03 crops), a wheat loan rate of \$2.80 per bushel, a wheat national average market price of \$2.86 per bushel and the AMTA payment of 52 cents per bushel. In this example, the counter-cyclical payment would be calculated by adding the national average market price (\$2.86 per bushel, since it exceeds the loan rate) plus the 52-cent AMTA payment, which would total \$3.38 per bushel. Subtracting that figure from the \$3.86-per-bushel target price would result in a counter-cyclical payment of 48 cents per bushel.

Producers could receive up to 35 percent of their projected counter-cyclical payment in October of the year the crop is harvested, with an additional 35 percent due the following February and the balance due after the end of the 12-month marketing year for the specific crop (which for wheat would occur sometime after July 1).

► **Payment Limits:** The bill would reduce the payment limit to \$360,000 per person – less than the current

\$460,000 limit but more than the \$275,000 limit proposed by the Senate.

Within the overall payment limit, separate limits would be set for direct fixed payments (\$40,000 per person); counter-cyclical payments (\$65,000 per person); and marketing loan gains and LDPs (\$75,000 per person). For the first time, a means test would be used to determine eligibility for farm program payments, amounting to \$2.5 million adjusted gross income (averaged over the most recent three years). But the bill retains the current rules enabling spouses to qualify for payments, as well as the current "three-entity" rule. In addition, the marketing loan and LDP payment limits still could be exceeded through the use of generic commodity certificates. The bill also establishes a new commission to study and make recommendations regarding farm program payment limits. The commission also is to assess the impact of payment limit policy changes on farm income, land values and the agribusiness infrastructure.

► **Packer Ownership:** Omitted from the final bill is the Senate farm bill's ban on packer ownership, feeding and control of livestock (cattle, hogs and lambs) 14 days or more before slaughter. Instead, both congressional agriculture committees committed to conduct "hearings and investigations" to determine what legislative actions, if any, may be warranted to address livestock industry concentration. This is a change from the presidential study commission called for in the House farm bill.

**Also omitted – because it was never officially prof-  
ferred by Senate conferees – was a provision that  
would have nullified arbitration clauses in livestock  
and poultry contracts. The NGFA had adamantly  
opposed both the packer concentration and arbitra-  
tion provisions.** The bill does contain a provision addressing livestock and poultry contract confidentiality that expressly authorizes producers to discuss such contracts with state and federal government agencies and other individuals with whom the person has a fiduciary or familial relationship. The bill also provides growers who have swine production contracts with the same statutory protections as livestock sellers and poultry producers.

► **Country-of-Origin Labeling:** The final bill contains language concerning country-of-origin labeling of fresh meat, fish, fruits, vegetables and peanuts at the final point of sale (except for food service establishments). The bill requires USDA to implement voluntary guidelines for such labeling by Sept. 30, 2002. Such labeling would become mandatory by Sept. 30, 2004. Commodities that constitute ingredients in processed products would be exempt from such labeling.

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Specifically covered by the country-of-origin labeling requirement would be: 1) muscle cuts of beef, lamb and pork; 2) ground beef, ground lamb and ground pork; 3) farm-raised fish; 4) wild fish; 5) perishable agricultural commodities (fruits and vegetables); and 5) peanuts. To be labeled as U.S. origin, beef, pork and lamb would need to be derived “exclusively” from an animal that has been born, raised and slaughtered in the United States. That has raised concern over the labeling accorded to imported feeder cattle and feeder pigs that are raised and slaughtered in the United States, as well as over the implications for violating U.S. trade commitments under the World Trade Organization and North American Free Trade Agreement.

► **Conservation:** The final bill authorizes \$17.1 billion for conservation programs, including an increase in the statutory limit for the Conservation Reserve Program to 39.2 million acres. That’s identical to the House-passed farm bill, which is up from the current 36.4-million-acre cap but less than the 41.1 million called for in the Senate-passed farm bill. It also would retain the concept of priority areas for enrollment, and expand the wetlands pilot program to 1 million acres, with all states eligible.

The bill also authorizes \$9 billion for the Environmental Quality Incentives Program (EQIP), with funding increasing gradually until reaching \$1.3 billion per year by 2007. Of the funding, 60 percent would be earmarked for livestock and 40 percent for crop producers. A separate \$450,000-per entity payment limit is set for EQIP over the six-year life of the bill. The bill also authorizes \$2 billion for the Conservation Security Program championed by Senate Agriculture Committee Chairman Tom Harkin, D-Iowa, that would provide payments to producers for environmental stewardship practices on working farmland.

► **Energy:** The bill provides \$240 million in mandatory funding to continue USDA’s bioenergy program, which subsidizes purchases of raw agricultural commodities by firms that increase their production of fuel-grade ethanol and biodiesel. It also allocates \$6 million to finance purchases of bio-based fuels by federal agencies.

► **Trade:** The bill gradually increases funding for the market access program (MAP) to \$200 million by 2006. Food for progress aid would increase to \$308 million, with an increase in funding caps for transportation and administrative expenses and an increase in the minimum quantity of commodities to be purchased for food aid. It also increases program spending for the foreign market development cooperator program – which is focused on value-added exports to emerging markets – from the current \$27.5 million to \$35 million per year.

► **Crop Insurance Quality Loss Claims:** The bill also contains language that would overturn the U.S. Department of Agriculture Risk Management Agency’s current policies and regulations that do not accept the results of sampling and grading of grain by state-licensed warehouses for quality-loss adjustments under the federal crop insurance program. Currently, RMA requires that such sampling and grading be done by federally licensed warehouses or by warehouses utilizing official grain inspection services. The farm bill language changes this by requiring USDA to accept evidence of the quality of agricultural commodities for federal crop insurance quality-loss adjustment purposes from warehouses that are: 1) federally licensed; 2) are state licensed and have a storage agreement (i.e., Uniform Grain and Rice Storage Agreement contract) with CCC; or 3) are in compliance with state law that pertains to warehousing and have a storage contract with CCC, even if those warehouses are not state-licensed. The latter provision is designed to address situations, particularly California, in which the state does not have a state-licensing system.

► **Cuba Trade/Disaster Assistance:** Omitted from the final bill were provisions that would have allowed U.S. exporters to finance agricultural product sales to Cuba using U.S. bank financing, and a provision that would have allocated \$2.45 billion in disaster assistance for 2001 crops. However, proponents of the disaster assistance said they would attempt to attach it to a fiscal 2002 supplemental appropriations bill or to the fiscal 2003 agricultural appropriations bill.

Prospects for resolving the disagreements between House and Senate conferees had improved in late April when, during an April 24 visit to a South Dakota ethanol plant, President Bush had called for an end “to all the posturing (and) all the noise,” and urged Congress “for the good of American agriculture to get a...farm bill to my desk” to be signed into law. Meanwhile, Daschle on April 23 met privately with six southern Senate Democrats – John Breaux, D-La., Jean Carnahan, D-Mo., Max Cleland, D-Ga., Mary Landau, D-La., Blanche Lincoln, D-Ark., and Zell Miller, D-Ga. – who expressed concern over the disproportionate impact of the Senate farm bill’s payment limit provision on cotton and rice producers. Carnahan and Cleland are both facing potentially tough challengers in November’s election, and are key to Daschle maintaining a one-vote Democrat margin in the Senate. Even the National Corn Growers Association and American Soybean Association weighed in with a joint letter to the farm bill conferees, warning that the Senate farm bill’s payment limits could result in a shift of 1.1 million Midsouth acres from cotton and rice to corn and soybean production, “distorting production” of eligible crops with lower per-acre production costs.





## Senate Approves Energy Bill

The Senate on April 25 completed six weeks of debate by overwhelmingly passing its version of an energy bill (S. 517), after earlier in the day rejecting two amendments that would have altered the bill's renewable fuels standard.

Defeated by a 59-40 vote was an amendment offered by Sen. Dianne Feinstein, D-Calif., that would have delayed implementation of the standard for one year – until 2005. Also defeated, by a 57-42 vote, was an amendment by Sen. Barbara Boxer, D-Calif., that would have removed the environmental liability exemption granted under the bill to oil refiners that use renewable fuels. Previously, on April 24, the Senate rejected by a 68-31 vote an amendment by Sen. Charles Shumer, D-N.Y., that would have eliminated the renewable fuels standard altogether.

The next step will be a joint House-Senate conference committee, where attempts will be made to work out the considerable differences between the House and Senate bills.

The renewable fuels standard contained in the Senate bill would require that 5 billion gallons of the nation's motor fuel supply be derived from renewable sources (such as ethanol, biodiesel or biomass) by 2012, starting with 2.3 billion gallons in 2004 and increasing gradually each year. The bill also would require refiners to use a specific percentage of renewable fuels in their gasoline blends. In exchange, the bill would eliminate the current 2 percent federal oxygenate requirement in reformulated gasoline first imposed under the 1990 Clean Air Act for cities with the most serious air

pollution. It also would phase out the use of MTBE as a gasoline oxygenate, which has been implicated in groundwater contamination. The Senate bill also modifies and expands the "small ethanol producer tax credit" for members of farmer-owned cooperatives.

The House bill (H.R. 4), passed last August, does not contain a comparable federal standard, but would provide certain incentives for increased production and use of renewable fuels. The renewable fuels standard was added to the Senate bill at the behest of Senate Majority Leader Tom Daschle, D-S.D., after it was agreed to in closed sessions by a coalition of representatives from the ethanol and oil industries, agricultural producer groups and environmental organizations.

The Senate bill also would require an increase in the amount of electricity generated from renewable energy sources from the current 2 per cent to 10 percent by 2020. And it would provide \$14 billion in energy tax credits and incentives to keep "small oil and gas wells profitable" during periods of low energy prices, as well as for consumers purchasing alternate-fuel vehicles.

The ethanol-advocate Renewable Fuels Association said that there currently are 61 ethanol plants with a capacity to produce 2.3 billion gallons of ethanol, with another 13 plants slated for completion in 2002 that will increase production capacity to 2.7 billion gallons by year's end. A record 1.77 billion gallons of ethanol were produced in 2001.

## Senate Begins Debate on Trade Legislation

The Senate this week began floor action on legislation (H.R. 3009) that would extend trade preferences for products produced from the Andean nations of Peru, Columbia, Ecuador and Bolivia.

But plans to attach an amendment to the Andes bill that would grant the president trade promotion authority were delayed by a continuing squabble over trade adjustment assistance legislation (S. 1209) sponsored by Democratic senators, including a provision that would provide government-funded health insurance to workers displaced by trade agreements.

Democrats are proposing to require that the federal government to pay 73 to 75 percent of the cost of health insurance that displaced workers are entitled to buy from the medical plans of their former employers under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 (P.L. 99-272). Republicans are

countering with a proposed 60 percent subsidy, coupled with tax credits to assist displaced workers in financing their own health insurance coverage. In addition, Democrats are urging that the trade adjustment assistance language expand benefits to include farmers and fishermen, and extend benefits to so-called "secondary workers" – employees of suppliers that go out of business when trade agreements are implicated in the closing of a customer's plant.

Meanwhile, in his April 27 address, Bush again urged the Senate to approve trade promotion authority legislation (H.R. 3005). "Every day that we go without expanding trade is another day of missed opportunities to strengthen our economy," Bush said. "The Senate must act and affirm America's trade leadership in a bipartisan manner....Our trading partners are waiting for us. American workers are depending on us. And America cannot afford further delay."





## NGFA Members Have Opportunity to Voice Concerns Over CRP During USDA Regional Meetings in May

### ...NGFA Offers to Provide CRP Data, Talking Points to Members...

NGFA members this month will have the best chance in years to voice concerns over the economic impact on rural communities that has resulted from excessive idling of productive farm acreage in the Conservation Reserve Program.

The U.S. Department of Agriculture's Farm Service Agency has scheduled a series of six public meetings to solicit comments about the operation of the CRP and the Emergency Conservation Program (ECP). There is no need to pre-register; those wishing to speak will be allocated time on a first-come, first-served basis.

The meetings are scheduled for:

- ▶ **May 7:** Chesapeake College Auditorium, 1000 College Drive, Wye Mills, Md.
- ▶ **May 9:** Mobile County Cooperative Extension Auditorium, 1070 Schiller Road North, Mobile, Ala.
- ▶ **May 14:** Ambassador Hotel, 3100 I-40 West, Amarillo, Texas.
- ▶ **May 16:** Mt. Hood Community College, 2600 S.E. Stark St., Portland, Ore.
- ▶ **May 21:** Holiday Inn, 200 McDonald Dr., Lawrence, Kan.
- ▶ **May 23:** Northwest Technical College, 1900 28<sup>th</sup> Ave. S., Moorhead, Minn.

**NGFA Can Help!:** The NGFA is offering to assist members willing to attend and speak at the USDA regional meetings. The NGFA can provide CRP enrollment data for different states and regions, as well as talking points for your use. Please contact NGFA President Kendell Keith at (202) 289-0873, or by e-mail at [kkeith@ngfa.org](mailto:kkeith@ngfa.org).

**Submitting Written Comments:** USDA also is soliciting written comments by May 30, which should be directed to: CRP PEIS, P.O. Box 6830, Falls Church, Va. 22046-6830, or via e-mail to [CRP@mangi.com](mailto:CRP@mangi.com).

The agency said the information received will be used to prepare a draft programmatic environmental impact statement, which will assess the environmental benefits and potential positive and negative impacts of both the CRP and ECP. Concerning the CRP, USDA said the review will address the type of acreage being enrolled in the general sign-up, the continuous enrollment of buffer strips and riparian waterways, and the Conservation Reserve Enhancement Program (CREP).

The NGFA also plans to submit statements at several of the meetings in its continuing efforts to discourage enrollment of productive farmland in the CRP, and to profile the economic damage caused by excessive CRP enrollments in several regions.

## USDA: Exporters Required to Report All Cross-Border Shipments

Exporters that ship certain quantities of grains, oilseeds or wheat flour to any country – including cross-border shipments to Canada and Mexico – are mandated by federal law to comply with the export sales reporting requirements issued by the U.S. Department of Agriculture's Foreign Agricultural Service (FAS).

FAS' Office of Export Sales Reporting has asked the NGFA to notify all companies that may be exporting such commodities to remind them of their obligation to report weekly sales and shipments by commodity class. USDA officials told the NGFA that they have been notified by various sources that some sales and exports of U.S. corn and soybeans, and to a lesser extent wheat, shipped to Canada and Mexico via truck and rail have not been reported.

Under USDA's regulations, export quantities as small as 1 metric ton must be reported. The rules

apply equally to both commercial businesses and farmers. Maximum penalties for not reporting are \$25,000 or one year imprisonment, or both. USDA officials said the fine would be waived for those who willingly come forward to initiate reporting for their firm. NGFA member companies also may wish to alert farmer-customers who may be engaged in cross-border sales and shipments about the legal obligation to report such transactions and movements.

To access a sample of the weekly export sales reporting form for corn and soybeans, see the NGFA's web site at [www.ngfa.org](http://www.ngfa.org). Click on the "International Trade" section. To initiate reporting, firms should contact USDA's Export Sales Reporting Staff at (202) 720-9209, or by e-mail to [Vivian.Ramey@FAS.USDA.gov](mailto:Vivian.Ramey@FAS.USDA.gov). For more information, you also may contact Kendell Keith at the NGFA at (202) 289-0873, or by e-mail at [kkeith@ngfa.org](mailto:kkeith@ngfa.org).





## FDA Issues Revised BSE Inspection Reporting Form

The Food and Drug Administration on April 24 issued a revised reporting form that is to be used by federal and state inspectors when examining facilities for compliance with the agency's regulations that prohibit the feeding of certain mammalian proteins to cattle and other ruminants.

FDA noted that its major objective in revising the inspection report was to have it mesh with the reporting fields found in its new inspection reporting system – known as FACTS – that will improve the quality, accuracy and timeliness of inspection data.

But there were several significant changes to the reporting form. The most important involves Section 4, which now asks the inspector to check all deviations noted at the time of the inspection by category (e.g., commingling, labeling, recordkeeping or feeding prohibited mammalian protein to ruminants) – regardless of whether the firm corrected the deviations at the time of the inspection or made promises to do so. A new question 12b was added for the inspector to describe all of the corrections or commitments made by the firm to correct any deviations. Previously, this section of the reporting form did not ask the inspector to categorize the violation, and was somewhat vague on whether violations corrected during the inspection were to be reported.

In addition, the new form deletes a previously used question in which the inspector could indicate the type of follow-up action required by the agency, such as a reinspection or issuance of a warning letter; FDA and state agencies believe the responsibility for determining follow-up action should rest with supervisory officials.

Among other changes made in the inspection reporting form are these:

- ▶ Question 9b concerning flushing as an accepted clean-out procedure for facilities handling both prohibited and non-prohibited mammalian protein has been expanded to ask for a description of the flushing process being used at the facility;
- ▶ Question 9a, which asks whether a facility that handles both prohibited and non-prohibited mammalian protein has a system in place to avoid commingling and cross-contamination, has deleted the term “adequate” to describe the system used;
- ▶ Question 8, which pertains to firms that handle both products that contain prohibited and non-prohibited mammalian proteins, has been expanded to include the terms “manufacture, process, blend and distribute” to more accurately correspond to FDA's regulations;
- ▶ A new question 1b has been added that asks whether the firm handles feed ingredients or feeds intended for feeding to ruminant animals; and
- ▶ Several questions have been modified slightly for clarification, including the creation of separate categories for “renderers only” and for “retail pet/lab feed only” to describe the intended use of the type of feed or ingredient product being manufactured or handled.

**Obtaining the New BSE Inspection Form:** The new FDA BSE inspection reporting form is available on the FDA Center for Veterinary Medicine's web site at: [http://www.fda.gov/cvm/forms/BSE\\_V41.pdf](http://www.fda.gov/cvm/forms/BSE_V41.pdf), or by calling Jackie Congress at the NGFA at (202) 289-0873.

## Preliminary CFTC Staff Report Finds No Manipulation of Cattle Futures Markets as Result of FMD Rumor

An initial report issued April 19 by the Commodity Futures Trading Commission's market surveillance staff has found no evidence of cattle market manipulation during the period March 1-April 12 following the unfounded rumor of a case of possible foot-and-mouth disease in Kansas on March 13.

The report said that the surveillance division found no evidence of unusual trading activity, although the agency said it would continue to monitor April live cattle futures. The staff report stated that market fundamentals during the period generally showed increased cattle placements on feed, higher beef production, large beef cold-storage stocks, record total meat production, reduced beef exports, higher beef imports

and “much lower prices for pork and chicken” contributed to the decline in cattle prices. Further, it said surveillance of the soon-to-expire April 2002 live cattle futures contract so far revealed no evidence of “unusual trading activity.”

Packers, as a group, were net long live cattle futures for most of the period, the report said, and were buyers of futures and options on four of the five days beginning on March 13, when April 2002 live cattle futures declined by \$4.40 per hundredweight. Click here to access the CFTC staff's report: <http://www.cftc.gov/files/opa/opacftccattlereport04-02.pdf>



## CCC Catalogs White Wheat for Purchase

The U.S. Department of Agriculture's Commodity Credit Corporation this week issued a catalog announcing the availability for immediate purchase of approximately 927,000 bushels of CCC-owned hard white wheat currently stored in the Pacific Northwest.

Earlier in April, storing warehouse operators were given the first opportunity to enter into swap or purchase agreements with CCC for the hard white wheat. At that time, CCC estimated it owned approximately 1.1 million bushels, with about 650,000 bushels stored in Washington and another 450,000 bushels in Idaho. On April 3, CCC approved a

swap transaction involving 93,392 bushels in Washington state. On April 4, it consummated the in-store sale of 10,934 bushels in Idaho at a price of \$3.10 per bushel.

CCC said it was offering the wheat for sale because there were indications of potential foreign buyer demand and because there were insufficient quantities of hard white wheat currently being produced in the Pacific Northwest to enable CCC to freshen and maintain the quality of its inventory. CCC said it would reserve the right to reject offers for the hard white wheat that are not competitive with market values, and said it has no deadline for liquidating the stocks.

## EPA Considering Cancellation of Reldan® Products

The Environmental Protection Agency has received requests from Dow Agrosiences LLC and Gustafson LLC to voluntarily cancel certain pesticide registrations of products containing the active ingredient chlorpyrifos-methyl. Chlorpyrifos-methyl is commonly known as Reldan® which is used to control pests in stored grain.

EPA said it will consider whether to approve the requests after receiving public comments. EPA reported that both companies decided to voluntarily cancel registrations for Gustafson Reldan 4E, Reldan F and Reldan 4E insecticides rather than generate the additional data needed to support

continued registration. Should the agency grant the requested product cancellations, both companies would be prohibited from selling or distributing these products after Dec. 31, 2003. Further, other persons or companies would be prohibited from selling, distributing or using existing stocks after Dec. 31, 2004.

**Submitting Comments:** Comments on the proposed cancellations are due by May 24, and should be submitted to: Public Information and Records Integrity Branch, Information Resources and Services Division (7502C), Office of Pesticide Programs (OPP), Environmental Protection Agency, 1200 Pennsylvania Ave., N.W., Washington, D.C., 20460.



## Preliminary Results of Upper Mississippi River Navigation Study Slated for Release in Summer; Would Preclude Funding Authorization

During the April meeting of the Inland Waterways Users Board, the U.S. Army Corps of Engineers said that a preliminary report on the long-awaited Upper Mississippi-Illinois River navigation project is scheduled for release sometime this summer.

However, since it will be only a preliminary report, it will preclude attempts to include funding authorization in the Water Resources Development Act of 2002, which is being deliberated by Congress.

During the meeting, NGFA Waterborne Commerce Committee Chairman J. Stephen Lucas reported that the Inland Waterways Users Board left largely unchanged the priorities recommended in its 2002 report, placing emphasis on completing projects already underway on the Ohio River. Construction and renovation on the

Upper Mississippi-Illinois River System is being hampered by the lack of specific funding authorization for anything except major rehabilitation projects.

The Corps also reported there is approximately \$450 million the Inland Waterways Trust Fund, comprised of barge fuel tax revenues. Under current Corps restrictions, funding for Upper Mississippi-Illinois River System projects would be delayed until about 2010, with projects not completed until 2020.

The composition of the Inland Waterways Users Board also has become an issue, with the current board comprised of eight carrier representatives and four shipper representatives; none of the shipper representatives are associated with agriculture-related groups.





## House Committee to Consider Rail Infrastructure Bill

The NGFA has learned that the House Transportation and Infrastructure Committee's Rail Subcommittee has scheduled a May 8 hearing to consider its version of a rail infrastructure bill (H.R. 2950). The full committee tentatively has set a May 15 hearing to act on the legislation if it is cleared by the subcommittee.

Currently, the House bill is directed primarily at increasing federal financial support and extending authorization for Amtrak, including authorization for a high-speed rail corridor in the East. Importantly, however, it also contains a provision that would authorize funding of up to \$35 billion in loans or loan guarantees to finance rail infrastructure rehabilitation, improvement and security enhancements. That increased funding mirrors the action taken April 18 by the Senate

Commerce Committee. [See *NGFA Newsletter*, April 18, 2002.] The NGFA and other groups are working to amend the House bill to expressly provide that shippers, in addition to railroads, would be eligible to secure such loans or loan guarantees for rail infrastructure improvements or additions, as was done in the Senate bill.

The financing would represent a 10-fold increase from the \$3.5 billion authorized in 1998 under the so-called railroad rehabilitation and infrastructure financing loan and loan guarantee program administered by the Department of Transportation's Federal Railroad Administration (FRA). The FRA program has seen only limited use because of the restrictive loan conditions it imposes – the government is required to be the lender of last resort.

## Corps of Engineers Imposes 'Nationwide Pause' on Certain Construction, Renovation Projects

The U.S. Army Corps of Engineers on April 30 imposed a "nationwide pause" on inland waterway and dam construction projects that have been approved but not yet started.

The action affects approximately 150 congressionally approved water projects – amounting to about 20 percent of all Corps' projects – which the agency said it would identify soon. Maj. Gen. Robert H. Griffin, civil works director of the Corps, said the agency's "pause" will affect active projects in the following two categories:

- ▶ A new economic impact analysis, including a new environmental benefits assessment, will be done on projects for which an economic assessment was completed before 1999 before such projects are allowed to proceed; and
- ▶ Documentation will be reviewed and updated, if necessary, for other congressionally authorized projects for which there is "credible" evidence that economic conditions have changed or where subsequent engineering, scientific or environmental information has resulted in "significant changes in project justification or support."

The Corps said some of the affected projects will undergo a "quick check" to see when the last economic analysis was done; if current, those projects would be allowed to proceed. But others "may require more extensive work on the environmental, engineering or economics analyses," the agency said. "This action is part of a more comprehensive initiative to ensure that Corps projects are a sound investment...and are

proposed in an environmentally sustainable way," Griffin said in a statement issued by the Corps.

It is the NGFA's understanding that the review will not apply to waterway or port projects for which contracts already have been awarded.



### Calendar

- May 14-15:** **NGFA/GEAPS Insurance, Loss Control and Employee Protection Seminar**  
St. Louis Airport Marriott Hotel, St. Louis, Mo.
- June 6-7:** **Risk Management Committee**  
NGFA Library/Conference Center  
Washington, D.C.
- June 10-11:** **Executive Committee Meeting**  
Palmer House Hilton Hotel, Chicago, Ill.
- June 11-12:** **NGFA Feed Quality Assurance Workshop**  
Embassy Suites Hotel, Des Moines, Iowa
- June 20:** **Food and Feed Safety Committee,**  
NGFA Library/Conference Center,  
Washington, D.C.
- June 25-26:** **Feed Industry/Animal Agriculture Committee Meeting,** Omaha, Neb.
- July 17:** **Country Elevator Committee,**  
Embassy Suites Hotel, Kansas City Airport,  
Kansas City, Mo.
- Sept. 8-9:** **NGFA Board of Directors Meeting**  
Loews L'Enfant Plaza Hotel, Washington, D.C.
- Oct. 16-17:** **NGFA Feed Quality Assurance Workshop**  
Eden Resort Inn, Lancaster, Pa.





## USDA Outlines Plan for Karnal Bunt Survey, Monitoring for 2002 Crop

The U.S. Department of Agriculture has announced its plans for monitoring Karnal bunt from regulated areas during the 2002 crop year.

In an April 16 letter to the NGFA, USDA Deputy Undersecretary of Agriculture for Marketing and Regulatory Programs James G. Butler said that each field within a currently regulated area will be required to be tested for the presence of Karnal bunt. One USDA employee will be assigned to each combine crew working in the Karnal bunt-regulated Texas counties of Archer, Baylor, Throckmorton and Young, and will be responsible for obtaining and submitting an official wheat sample for testing. Butler said USDA will have as many as 13 mobile testing laboratories stationed throughout the four-county area to expedite test results, which he estimated would be available within one hour. Butler said the test results will be posted on the Animal and Plant Health Inspection Service's (APHIS) web site during harvest.

Butler said USDA also has posted on APHIS' web site [<http://www.aphis.usda.gov/ppq/emergencyprograms/karnalbunt/kbnatsurv2002.pdf>] its plan for conducting the national Karnal bunt survey for 2002. The results of the survey are relied upon by the agency to declare on phytosanitary certificates that U.S. wheat exports originate from areas not known to be infested with the fungal disease.

As part of the 2002 annual survey, APHIS said it planned to implement a new system to expedite the testing of wheat samples for Karnal bunt. Specifically, federal or state officials are to courier samples overnight to the APHIS laboratory in Olney, Texas, where they will be analyzed using a new optical sorter. This technology was developed by USDA's Agricultural Research Service (ARS) and allows a four-pound sample of wheat to be examined in less than one minute, thereby avoiding the time-consuming initial sorting process. While the Olney facility is using the latest technology, APHIS also said that some states still plan to rely upon the longer manual-sorting and visual-examination method. Samples suspected of testing positive for Karnal bunt would be forwarded overnight to APHIS' headquarters laboratory in Beltsville, Md., for confirmation.

Butler also said that USDA is examining the "best methods" to reduce import restrictions that countries may have on Karnal bunt-infected wheat from the United States. Specifically, he cited studies by ARS on "several aspects of the Karnal bunt life cycle, field spore thresholds, geographic range limits of the disease and teliospore viability studies in various soil types to establish areas of potential spread." ARS scientists also are identifying the type and location of genes associated with Karnal bunt resistance, and evaluating disease-resistant markers for the fungal disease.

**ERS Study Projects Decline in U.S. Wheat Exports if U.S. Unilaterally Deregulates Karnal Bunt:** In a related development, USDA's Economic Research Service has released an article from the March 2002 edition of its *Wheat Yearbook* that states that U.S. wheat exports would decline dramatically if USDA unilaterally or abruptly moved to deregulate Karnal bunt without the consensus of major wheat importers.

ERS said its analysis found that ending the practice of issuing phytosanitary certificates attesting that U.S. wheat originates from areas where Karnal bunt is not known to exist would result in a 25 percent reduction of U.S. wheat exports in the first year and a 35 percent reduction in the second year. The ERS analysis also found that while exports would slowly recover in succeeding years, they still would be 15 percent below baseline projections in the fifth year after such action was taken.

The study also said that the impact of reduced exports would lower wheat prices, which in turn would reduce net farm income by \$5.3 billion over a four-year period compared to baseline projections – although that figure would be offset partially by increased marketing assistance loan or loan deficiency payments amounting to \$2 billion. The ERS analysis assumed that domestic millers would not be affected by the deregulation of Karnal bunt, and would not negatively value wheat from potentially infected areas.

**USDA to Provide Compensation for Wheat Testing Negative For Karnal Bunt in Four North Texas Counties:** Effective May 1, APHIS amended its Karnal bunt regulations to provide compensation of up to \$1.80 per bushel for so-called negative-testing wheat grown in the Texas counties of Archer, Baylor, Throckmorton and Young during the 2000-01 crop year. Such wheat would not be eligible for compensation under existing rules, APHIS noted.

APHIS said it was providing such compensation to address "unanticipated circumstances applicable only to the 2000-01 growing season where we believe the parties affected should, in fairness, be eligible for compensation." In this regard, APHIS reported that approximately 7.4 million bushels of negative-testing wheat currently stored in Texas cannot be exported because it does not comply with export certification requirements.

In response to an inquiry from the NGFA, APHIS officials also said that negative-testing wheat originating from the four regulated Texas counties that subsequently has been shipped and stored in warehouse facilities located outside those four counties also will be eligible for compensation. So will wheat

(Continued on page 11)



(“Karnal Bunt” continued from page 10)

inadvertently commingled with negative-testing wheat from the four regulated counties.

In future crop years, APHIS said, wheat testing **positive** for Karnal bunt would continue to be covered by the agency’s August 2001 compensation rules, which provide compensation only for wheat that was tested and **found positive** for Karnal bunt after purchase, as long as the price was not contingent upon test results. However, agency officials left open the possibility that future incidents involving so-called negative-testing wheat likely would be addressed through regulation similar to the rules issued on May 1.

◆ **Compensation for Wheat Grown Outside Regulated Areas:** APHIS also amended its compensation rules to correct a unique situation in which approximately 2.8 million bushels of positive-testing wheat stored in Texas bins consisted of commingled wheat grown in 2000-01 in regulated Texas counties, unregulated Texas counties and Oklahoma. The action was taken primarily to address the Oklahoma-grown wheat, which previously had not been eligible for compensation because USDA had not issued an “extraordinary emergency” declaration for that state.

◆ **Other Issues:** The amended rules also address situations where producers are not eligible for compensation for the cost of replacing uncertified seed that cannot be planted because Karnal bunt spores are detected in the seed, as well as cases involving disposal of uncertified treated seed found positive for Karnal bunt spores.

◆ **Submitting Comments:** Comments on the amended compensation rules are due by July 1 and should be submitted to: Docket No. 01-112-1, Regulatory Analysis and Development, FFD, APHIS, Station 3C71, 4700 River Road Unit 118, Riverdale, Md., 20737-1238.

**USDA Implements Restriction on Planting Seed from Karnal Bunt-Regulated Areas:** Effective April 25, APHIS amended its regulations to explicitly prohibit grain grown in a Karnal bunt-regulated area from being used as seed in fields located outside the regulated area to prevent the “artificial spread” of the fungal disease.

The interim regulations specifically prohibit wheat, durum wheat and triticale that originates in a Karnal bunt-regulated area from being planted outside the regulated area. APHIS said the need for such an explicit prohibition became apparent recently when grain produced in a Texas county that later was regulated for the presence of Karnal bunt was transported to a storage facility outside the regulated area and commingled. The commingled seed subsequently was planted after the county in which the seed originated was regulated for Karnal bunt, and the resulting wheat kernels tested positive for Karnal bunt spores.

As part of the same interim regulations, the agency also deleted its previous requirement that seed that originates within a Karnal bunt-regulated area be treated with an approved fungicide before being planted within the regulated area. APHIS said its review of the scientific literature had not demonstrated that such fungicide treatments were effective in reducing the infection of the wheat or triticale in the flowering stage of the host plant.

## Ergonomics Bill Introduced in Senate

Sens. John Breaux, D-La., Arlen Specter, R-Pa., and Paul Wellstone, D-Minn., along with 24 other mostly Democratic senators, on April 17 introduced legislation that would require the Occupational Safety and Health Administration (OSHA) to issue a final ergonomics standard within two years.

The bill (S. 2184) would require that the standard address work-related repetitive stress injuries and workplace ergonomic hazards, and was introduced after the Bush administration announced it had rejected a mandatory standard in favor of voluntary guidance and enforcement of egregious cases of workplace ergonomic injuries.

The bill would require that the new standard address work-related musculoskeletal disorders and workplace ergonomic hazards, with a specific exclusion for musculoskeletal disorders unrelated to work. In developing the

standard, the bill would require that OSHA use “best available evidence” and any existing consensus standards on ergonomics developed by national consensus organizations or private standard-setting groups, states or other countries. The bill also would require that the standard: 1) “set forth in clear terms” the circumstances under which an employer is required to take action to address ergonomic hazards, as well as actions the employer is required to take to address such hazards and the employer’s compliance obligations; 2) emphasize the prevention of ergonomic-related injuries; and 3) cover all industries where workers are exposed to ergonomic hazards provided there are “economically and technologically feasible measures” available to control such hazards. Finally, the bill expressly states that a new standard could not expand the application of state workers’ compensation laws. And it would require OSHA to issue information and training materials to assist compliance.



# Membership Matters

by Todd Kemp  
Director of Marketing

## Overloaded with Paper? Here's a Way to Help!

### ...Participate in the NGFA's Paper (and Postage) Reduction Initiative...

The NGFA sends its members more than 2,300 copies of the *NGFA Newsletter* every two weeks. It's a major logistical exercise and, as you can imagine, a major expense just to pay the postage. And it's going to get worse at the end of June, with a first-class stamp increasing to 37 cents!

To help control postage expenses and to communicate in a more timely manner, the NGFA would like to switch as many *Newsletter* recipients as possible to receiving the publication and its associated inserts via e-mail. Those electing to obtain the *NGFA Newsletter* via e-mail will receive it on the same day that hard copies are being put into mail; that means you'll get the information at least three days earlier than those receiving it via snail mail. Here's how the initiative is going to work:

- ▶ Those NGFA members who indicated on the recent membership survey that they preferred to receive the *Newsletter* via e-mail only will be switched to e-mail immediately. If you're in this group, you should be reading this edition on your computer screen instead of on paper!
- ▶ Other NGFA members currently receiving a paper copy of the *Newsletter* will be asked via e-mail if they would like to

switch to e-mail *Newsletter* service only. Those responding affirmatively will be switched to e-mail immediately and will no longer receive a paper copy! If you like your paper copy, don't worry! You'll still receive it – but please choose paper or electronic, not both.

- ▶ NGFA members **not** currently on the *Newsletter* distribution list also will receive an e-mail notice and will be given the option of receiving the *Newsletter* electronically. Paper copies will not be an option for this group – after all this is postage reduction, not postage addition!

In addition to moving toward electronic *Newsletter* transmission, other elements of the initiative will include increased committee communications via e-mail; much greater emphasis on marketing the NGFA's major meetings and seminars through e-mail; and encouraging members to access information on the newly designed and user-friendly NGFA web site at [www.ngfa.org](http://www.ngfa.org).

Thank you for helping to keep the NGFA a cost-efficient operation! And here's the silver lining: Efforts like this will help keep your dues reasonable so the NGFA can continue to provide excellent representation, service and value to its members in the grain, feed and processing industry.



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