



Congress Approves Massive 'Agricultural Risk-Protection' Bill

Congress on May 25 gave final approval to a massive bill that revamps and increases the subsidization of federal crop insurance, allocates an additional \$7.1 billion in farm payments and contains provisions as diverse as biomass research, plant protection and nutrition programs.

Included in the 103-page bill's far-flung provisions is a requirement that the U.S. Department of Agriculture provide loan deficiency payments for grazed wheat, barley and oat acreage for the 2001 crop. In addition, for the 2000 crop, producers will be eligible to receive LDPs even if they do not qualify for the fixed AMTA payments.

The House passed the bill (H.R. 2559) unanimously, and the Senate subsequently followed suit by a 91-4 vote. It is expected to be signed into law by President Clinton.

Crop Insurance: The bill's crop insurance provisions substantially increase federal subsidies to offset the cost of multi-peril crop insurance, providing additional subsidies for all levels of buy-up coverage, as shown in the accompanying table.

The bill also provides comparable subsidies for producers selecting "innovative plans of insurance," such as revenue protection. Standard catastrophic risk protection (CAT) coverage (50 percent of yield at 55 percent of price) is to be available for \$100. Producers will be able to record in their actual production history a yield equal to 60 percent of the long-term county average yield for any year the actual yield declines to less than that amount.

Risk-Management Pilot Programs: The bill also requires USDA to implement a series of risk-management

Crop Insurance Provisions		
Coverage Level	Premium Subsidy	
% of recorded-appraised yield/ % of price	Current Law	New Law
50/100	57%	67%
55/100	48%	64%
60/100	39%	64%
65/100	42%	59%
70/100	32%	59%
75/100	24%	55%
80/100	17%	48%
85/100	13%	38%

pilot projects starting in fiscal year 2001 (which begins Oct. 1) and lasting for up to four years. Two of those pilot programs would be required for livestock risk management, including futures and options contracts and insurance. The bill also authorizes expenditures of up to \$10 million in each of fiscal years 2001 and 2002, \$15 million in fiscal 2003 and \$20 million in fiscal 2004 for the livestock pilot programs.

In addition, the bill requires several other risk-management pilot programs lasting for up to four years, including ones for: 1) **revenue insurance**; 2) **reducing crop insurance premium rates** through increased competition among insurance carriers; and 3) **education and risk-management assistance** (providing cost-share assistance to producers in 10 to 15 states in which participation in federal crop insurance has been historically low) to enter into futures, hedging, options or agricultural trade options, among others.

(Continued on page 4)

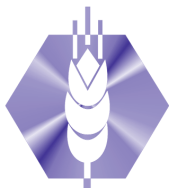
2.5 Million More Acres Enrolled in CRP during 20th Signup

It was Vice President Al Gore who announced May 19 that another approximately 2.5 million acres were enrolled into the Conservation Reserve Program during the 20th signup. "The land enrolled will result in cleaner water and create vitally needed habitats for wildlife," Gore said in a statement issued by The White House. "The payoff will be in a better, cleaner environment for all Americans, while providing **income stability** for hardworking family farmers and ranchers who voluntarily practice good land stewardship." *[Emphasis added.]* The newly accepted acreage will

be enrolled in the CRP effective Oct. 1, generally under 10-year contracts. The announcement will bring total enrollment in the CRP to approximately 33.5 million acres as of October 2000. The administration has urged Congress to increase the size of the CRP to 40 million acres from its current 36.4-million-acre cap.

The results mean that USDA accepted more than 70 percent of the 3.5 million acres offered during the 20th signup, which was conducted from Jan. 18-Feb. 11.

(Continued on page 5)



[**Editor's Note:** The National Grain and Feed Association on May 31 responded to a *Washington Post* editorial published May 30 that alleged the 1996 farm law has been a "failure" and that the "government sometimes does a better job than markets of allocating resources...." The full text of *The Post* editorial, and the letter to the editor authored by NGFA President Kendell W. Keith in response, are reprinted below in their entirety.]

The Washington Post Editorials

Tuesday, May 30, 2000

The Farm Aid Fake

THE FREEDOM to Farm Act that Congress passed in 1996 has been a failure, but the sponsors won't admit it. To do so would be to concede that government sometimes does a better job than markets of allocating resources, and they can't bring themselves to speak the words. So they pretend to continue to follow the act's free-market precepts, even while promiscuously evading them by shoveling out billions of dollars in extra, supposedly "emergency," farm aid each year.

The evasion is not just a fraud but a waste, in that most of the support flows to large producers who arguably neither need nor deserve it. No matter. This is indeed a system in which the market sets a price, just not the price of food. The parties are bidding here for votes.

The 1995 legislation did not just sharply phase down subsidies. It largely abandoned the prior rule whereby subsidies automatically rose as market prices declined. Farmers were to produce to meet private demand, not government rule books. The system worked well for a couple of years in which demand and market prices were high. Then prices collapsed and discipline followed. In each of the past several years, Congress has provided many billions more in emergency aid than the farm act bravely called for. The parties have engaged in an unabashed bidding war, each seeking to appear the most solicitous of farm-state welfare. But in order to appear at the same time to be abiding by budget rules, they have joined in the use of gimmicks—accounting confections—to obscure the enormous cost.

They will do it again this year. Freedom-to-farm guarantees about \$5.5 billion in subsidies. Before heading home for Memorial Day, both houses passed legislation that would more than double that, then add some more in the name of crop insurance that in theory replaces emergency aid but in fact merely adds to it. Much of the money will go to farmers least in need but perhaps best able to make generous campaign contributions. The hypocrisy is solidly bipartisan. The president will complain about the maldistribution of the funds even as he signs the bill providing them and even as Democrats complain that Congress has been stingy.

The Republicans were right in asserting in 1996 that farm supports had become too high, but they cut them back too far. For the sake of consumers no less than producers, there needs to be a modest safety net to provide some stability of price and production when markets falter. But modest is the operative word. While pretending otherwise, the politicians now are doling out sums even larger than the ones they rightly condemned as excessive five years ago. They ought to write, and abide by, a realistic farm bill. But in a political year like this, that would be too hard.

© 2000 The Washington Post Company

May 31, 2000

Letters to the Editor:

The assertions in your editorial [*"Farm Aid Fake," May 30*] that "government sometimes does a better job than markets of allocating resources" and that the Freedom to Farm Act is a failure based upon subsequent appropriations from Congress could not be more wrong.

As an observer of farm policy for almost three decades, I have yet to see government do a better job of allocating resources than the market. History is replete with examples of misguided government policies causing supply/demand distortions and resultant market disruptions. The early 1980's policy of high price supports cut U.S. agricultural exports in half in just four years. Twice – in 1983 and 1988 – huge U.S. grain stocks were reduced to uncomfortably low levels by U.S. acreage-idling policies when weather also intervened to reduce yields. Again in 1995, U.S. government attempts at supply management led to a price run-up that encouraged excessive land to be brought into production around the globe – a policy mistake for which U.S. agriculture continues to pay.

On a macro scale, past government experiments to stem inflation through price controls in the 1970s had disastrous unintended effects – leading to shortages that never would have occurred in a competitive market that was free of government intrusion. Farm policy is no different. Government will never be as accurate or as responsive as the market in gauging and adjusting supplies. How can it be, when there are literally millions of suppliers and users of grain watching market fundamentals and responding accordingly (and continually)?

As to whether Freedom to Farm has been a "failure," empirical evidence shows quite the opposite. In response to lower market prices caused primarily by an atypical four-year span of good weather, global plantings of grains and oilseeds have declined 6 percent. But unlike the recent past, when the U.S. government interceded in a futile attempt to manage supplies unilaterally, it is farmers in foreign countries – in response to the market – who are making much of the supply adjustment this time around. Meanwhile, Freedom to Farm has enabled U.S. farmers to shift plantings to those crops that offer the highest market returns. And demand for U.S. agricultural products – particularly higher-value processed commodities, meats and poultry – is on the rise.

To suggest that a sound policy structure that allows markets to work freely is flawed simply because Congress appropriates more dollars is based upon faulty logic.

Sincerely,
Kendell W. Keith
President
National Grain and Feed Association



On Capitol Hill

by David C. Lindsay
Director of Legislative Affairs

Senate Floor Next Stop for China Trade Bill

The Senate floor is the next stop for legislation that would grant China permanent normal trade relations (PNTR) status, following the 237-197 favorable vote by the House on May 24 – a 40-vote margin that exceeded expectations.

But controversy has arisen over exactly which version of the bill the Senate will consider – the House-passed version or one approved by the Senate Finance Committee. Also up in the air is when the vote will occur and whether amendments will be offered. Supporters of the bill, including the NGFA, have urged the Senate to approve the House-passed bill (H.R. 4444), or a nearly identical version of it, as quickly as possible. Such a move would avoid the need for a joint House-Senate conference committee to resolve differences between two differing versions, which then would have to go back to both chambers for another floor vote.

The Senate version (S. 2277), like its House counterpart, would waive the annual renewal of normal trade relations status for China. But the Senate bill currently does not contain two provisions that were incorporated into H.R. 4444 to attract support from wavering congressmen. One of those provisions would authorize the president to act to prevent sudden surges in Chinese imports. The second, authored by Reps. Sander Levin, D-Mich., and Doug Bereuter, R-Neb., would create a joint congressional/executive branch commission to monitor China's human rights' performance.

Senate Majority Leader Trent Lott, R-Miss., indicated that he prefers the approach taken in S. 2277, and might have the Finance Committee, which has jurisdiction over trade issues, debate H.R. 4444 rather than move the bill directly to the Senate floor. That procedure could take weeks, delaying a vote on the China trade bill until close to Congress' July 4th recess.

In addition, some senators have indicated that they may attempt to attach amendments to whichever bill the Senate ends up considering, further delaying a final vote. For example, Sen. John McCain, R-Ariz., has stated he might try to attach his campaign finance reform bill to China trade legislation. In addition, Sen. Paul Wellstone, DFL-Minn., reportedly is preparing amendments addressing human rights, labor law, and – potentially – domestic farm policy issues.

House Vote: In the House, 22 of 27 Republican members of the House Agriculture voted in favor of the

China trade bill, while only 12 of 23 Democrats did. You can see how your congressman voted by checking the NGFA's web site at: www.ngfa.org. Click on the "China Trade Bill Vote" heading on the NGFA's home page.

Hill Highlights

► **Agriculture Appropriations Bills Stall Over Sanctions Reform:** The House and Senate versions of the fiscal 2001 agriculture appropriations bill, traditionally one of the easier of the 13 annual spending bills to gain congressional approval, have become mired in controversy over legislative "riders" that include a provision to exempt food and medicine from unilateral economic sanctions.

In the Senate, action on the bill also has been delayed by a procedural dispute between Republicans and Democrats over judicial nominations.

The House bill (H.R. 4461) would earmark a total of \$75.4 billion for agriculture and food programs, including \$14.5 billion in discretionary spending. The Senate version (S. 2536) contains a total of \$75.3 billion and \$14.8 billion in discretionary spending.

In the House, the central dispute is over language that would allow certain sales of food and medicine to Cuba, Iran, Libya, North Korea, and the Sudan. A similar provision is included in the Senate bill. Some congressmen, including Majority Whip Tom DeLay, R-Texas, oppose any easing of the economic embargo against Cuba. DeLay was defeated in his attempt to remove the sanctions language from the bill during consideration by the House Appropriations Committee. But opponents of the measure then attempted to craft the rule for floor consideration of the bill to permit them to strike the sanctions-reform provisions on procedural grounds. Facing significant opposition to this strategy, the House Republican leadership delayed consideration of the rule until after Congress returns from its Memorial Day recess on June 6.

In the Senate, Democrats angry at what they claim to be the Republican Party's unwillingness to approve judicial nominees or allow the minority to offer amendments to pending legislation have brought deliberations to a standstill. Senate Minority Leader Tom Daschle, D-S.D., now is insisting that the Senate consider appropriations bills only when they have been passed by the House first. To date, the House has passed only two of the 13 regular appropriations bills.



Country/Terminal Corner

by Randall C. Gordon
V.P., Communications/
Gov't Relations

("Risk Protection" continued from page 1)

Farm Program Payments: The bill requires that \$5.466 billion in "market-loss payments" be made to producers between Sept. 1-30. These payments will be equivalent – and in addition – to their AMTA "transition payment" checks.

The bill authorizes \$500 million in oilseed payments for the 2000 crop year for producers eligible to receive marketing assistance loans. The oilseed payments, which also are required to be made from Sept. 1-30, will amount to approximately 15 cents per bushel, according to congressional staff members. In addition, cottonseed producers and handlers will be eligible for a payment of approximately \$20 per ton for the 2000 crop (amounting to a total of approximately \$100 million nationally) "to compensate for depressed prices."

For fiscal year 2001, which begins Oct. 1, the bill requires an additional \$1.6 billion in "market-loss" payments. This includes another \$600 million in oilseed payments, \$387 million for peanut growers and tobacco farmers, and \$302 million for fruit and vegetable producers.

► **LDPs:** For the 2000 crop year only, the bill makes all producers who produce a farm program crop eligible for LDPs, regardless of whether such commodities would be eligible for a marketing-assistance loan. The effect of this provision is to allow producers to obtain LDPs for the 2000 crop year if they produce farm program crops on farms for which an AMTA contract does not exist.

In addition, the bill for the first time, **allows producers who graze livestock on 2001-crop wheat, barley or oat acreage to be eligible for loan deficiency payments if they agree to forego harvesting the crop.** The LDP is to be computed by multiplying the quantity of grazed acreage on the farm by the established farm yield or average county yield for the crop, whichever is greater. The applicable LDP rate is to be the rate in effect on the date the producer enters into an agreement with the Farm Service Agency county office.

► **Beneficial Interest:** The bill contains a provision that would provide a temporary exemption from the beneficial interest rules for producers who do not have AMTA contracts and who are eligible to receive LDPs for the 2000 crop year. Specifically, producers who do not have AMTA contracts would be exempt from the beneficial interest requirements (i.e., to have title and risk of loss in the commodity at the time LDPs are obtained) until 30 days after USDA publishes regulations implementing this provision of the bill. Since that would not likely occur until August or early fall, it would mean that the beneficial-interest exemption likely will apply primarily to producers without AMTA contracts who produce 2000-crop wheat and barley.

► **Conservation Assistance:** The bill provides \$10 million for farmland preservation and \$40 million for cost-share or incentive payments to farmers and ranchers to finance specific conservation practices to address soil, water, grazing land, wetlands and wildlife habitat.

► **Value-Added Ag Product Market Development Grants:** USDA is required to use \$15 million to award competitive grants to producers to facilitate greater participation in markets for value-added agricultural commodities. Specifically, the provision authorizes USDA to make grants of up to \$500,000 per producer to develop a business plan for marketing value-added commodities and to develop venture strategies to create marketing opportunities for producers. Up to \$5 million of the total \$15 million could be used to establish an "Agricultural Resource Center" pilot project to provide electronic information to producers on research, business, legal, financial or logistical assistance, as well as to develop a strategy for establishing a "nationwide market information and coordination system."

► **Livestock Assistance:** In addition to the LDP provision noted previously, the bill earmarks \$7 million to offset the costs incurred by pork producers for pseudorabies vaccinations and \$6 million for bovine tuberculosis control and eradication efforts in Michigan.

► **Other Commodities:** The bill provides \$47 million to peanut producers for the 2000 crop; \$340 million for tobacco farmers; \$11 million for sheep producers for the 1999 marketing year; a recourse loan program for honey producers; and \$35-plus million for 18-month no-interest loans for seed producers who have not received payments as a result of the bankruptcy of AgriBiotech. Further, \$10 million is required to be loaned to the Texas Boll Weevil Eradication Foundation Inc., to assist in retiring its debt.

► **Specialty Crops:** For specialty crops, the bill requires that USDA spend \$200 million to purchase specialty crops that have "experienced low prices" in 1998 or 1999, including apples, black-eyed peas, cherries, citrus, cranberries, onions, melons, peaches and potatoes. Another \$25 million is to be allocated to compensate specialty-crop growers to offset disease-related production losses. The measure appropriates an additional \$59.45 million so that licensing and inspection fees for specialty crops can be maintained at current levels.

► **Ban on Combining Offices:** The bill prohibits USDA from combining any offices of five USDA agencies, including the Farm Service Agency, until June 1, 2001 unless such offices are located within the same county.





Country/Terminal Corner

by Randall C. Gordon
V.P., Communications/
Gov't Relations

("CRP" continued from page 1)

The majority of acreage – 26 percent – enrolled as a result of the 20th signup again came from the Upper Northern Plains states. Montana enrolled 263,629 additional acres, while North Dakota had 181,688 acres, Minnesota enrolled 128,142 acres and South Dakota had 108,635 acres. Texas enrolled the second-most acres, at 197,297, Washington was third at 195,621 acres, Iowa enrolled 178,997 acres, Kansas had 154,422 acres and Colorado enrolled 121,937 acres. The vast majority of the acres enrolled in the 20th signup were new acres. Of the 420,000 acres enrolled in CRP contracts that expire on Sept. 30, approximately 266,000 were offered for reenrollment and 206,000 acres were accepted.

Of the 2.46 million acres accepted, USDA classified nearly 1.6 million acres as highly erodible, including about 700,000 acres with an erodibility index of greater than 15. Nearly 1.3 million acres were within so-called "conservation-priority areas." The minimum acceptable environmental benefits index (EBI) level for the signup was 246, USDA said, comparable to the 245 EBI for signup 18 and the 247 EBI for signup 16. The EBI is a set of seven factors through which CRP offers are ranked: 1) wildlife habitat cover benefits; 2) water quality; 3) reduced erosion; 4) long-term benefits, such as tree planting; 5) air quality benefits from reduced wind erosion; 6) conservation priority areas; and 7) cost. USDA also accepted more than 156,000 acres of wetlands and protective upland areas and about 123,000 acres that are to be restored to rare and declining habitats.

CRP Acreage and Rental Payments for Signup 20

STATE	ACRES OFFERED SIGNUP 20	ACRES ACCEPT. SIGNUP 20	RENTAL PAYMENTS SIGNUP 20 (\$/ACRE)	RENTAL PAYMENTS SIGNUP 20 (\$1,000)	ACREAGE AS OF MAR 2000	ACREAGE EXPIRING SEP 2000	ACREAGE AS OF OCT 2000	TOTAL RENTAL 1/ (\$1,000) 1/
- U.S. -	3,490,323	2,460,238	52.76	129,797	31,436,930	422,287	33,474,880	1,522,468
ALABAMA	48,532	39,713	52.73	2,094	458,156	13,740	484,129	21,697
ALASKA	200	200	35.00	7	30,058	848	29,411	971
ARIZONA	0	0	.	0	33	0	33	0
ARKANSAS	31,703	17,218	49.30	849	144,735	6,265	155,688	6,596
CALIFORNIA	8,240	8,213	23.42	192	129,993	0	138,206	3,913
COLORADO	135,021	121,937	34.45	4,201	2,085,496	1,559	2,205,874	68,638
CONNECTICUT	10	0	.	0	283	0	283	18
DELAWARE	438	334	70.11	23	2,230	11	2,553	179
FLORIDA	9,977	8,442	43.72	369	88,169	1,728	94,883	3,553
GEORGIA	66,949	60,561	43.49	2,634	287,176	11,051	336,686	13,332
HAWAII	0	0	.	0	2	0	2	0
IDAHO	46,542	33,307	45.36	1,511	786,211	19,290	800,227	31,244
ILLINOIS	117,546	86,825	82.25	7,141	776,885	24,789	838,921	77,061
INDIANA	43,746	19,447	79.31	1,542	266,432	12,282	273,598	22,060
IOWA	221,835	178,997	103.13	18,460	1,587,580	33,254	1,733,323	167,169
KANSAS	232,235	154,422	42.26	6,525	2,523,109	8,038	2,669,493	102,974
KENTUCKY	46,131	36,948	73.39	2,712	266,845	7,042	2,66,751	20,668
LOUISIANA	38,236	35,077	49.49	1,736	182,931	4,064	213,944	9,457
MAINE	1,480	656	47.28	31	24,299	234	24,721	1,234
MARYLAND	2,652	2,045	65.93	135	32,206	1,354	32,897	2,869
MASSACHUSETTS	30	30	100.00	3	91	0	121	12
MICHIGAN	36,355	20,953	60.22	1,262	274,606	16,938	278,620	16,121
MINNESOTA	215,477	128,142	55.39	7,098	1,456,949	18,912	1,566,178	84,032
MISSISSIPPI	101,323	69,373	41.83	2,902	792,404	23,736	838,042	32,684
MISSOURI	168,287	144,706	68.29	9,882	1,426,791	30,288	1,541,210	100,675
MONTANA	369,832	263,629	34.95	9,214	3,238,348	45,165	3,456,812	115,264
NEBRASKA	118,214	98,344	59.21	5,823	1,050,192	8,868	1,139,668	60,502
NEVADA	0	0	.	0	151	0	151	3
NEW HAMPSHIRE	0	0	.	0	181	0	181	9
NEW JERSEY	427	332	34.35	11	2,165	0	2,497	123
NEW MEXICO	526	526	30.47	16	592,343	29	592,839	18,560
NEW YORK	5,351	3,344	44.04	147	54,093	2,500	54,936	2,268
NORTH CAROLINA	14,129	10,393	46.61	484	90,580	2,875	98,098	4,650
NORTH DAKOTA	420,407	181,688	34.25	6,223	3,164,391	13,313	3,332,766	109,964
OHIO	44,762	25,550	76.69	1,959	279,956	16,947	288,559	22,122
OKLAHOMA	62,201	40,726	35.34	1,439	999,039	4,837	1,034,928	33,602
OREGON	53,809	39,858	53.02	2,113	417,038	2,871	454,025	20,971
PENNSYLVANIA	3,800	2,038	47.40	97	66,380	1,819	66,599	2,786
PUERTO RICO	469	20	111.50	2	666	15	671	60
SOUTH CAROLINA	20,113	16,482	37.82	623	204,182	2,296	218,368	7,463
SOUTH DAKOTA	212,681	108,635	41.52	4,511	1,330,724	3,721	1,435,638	57,669
TENNESSEE	37,115	28,488	63.08	1,797	232,243	9,389	251,342	13,513
TEXAS	226,734	197,297	37.53	7,404	3,905,778	39,963	4,063,112	143,564
UTAH	17,805	8,749	27.72	242	189,635	0	198,384	6,026
VERMONT	0	0	.	0	279	0	279	14
VIRGINIA	3,068	1,681	42.37	71	44,081	1,365	44,398	1,840
WASHINGTON	212,706	195,621	59.83	11,705	1,077,707	7,904	1,265,424	64,690
WEST VIRGINIA	20	0	.	0	1,001	0	1,001	42
WISCONSIN	91,338	68,726	66.78	4,590	594,258	22,987	639,997	42,014
WYOMING	1,872	565	24.53	14	277,847	0	278,412	7,591

1/ NOT INCLUDING CONTINUOUS, CREP, APPEALS, WAIVERS.

NGFA Calendar

- June 13-14:** **NGFA Trade Rules Committee**
Doubletree Hotel-Minneapolis Airport, Minneapolis, Minn.
- June 15:** **Executive Committee**, Chicago Hilton O'Hare, Chicago, IL
- June 19-20:** **Feed Industry Committee**, Courtyard Marriott, Kansas City Airport, Kansas City, Mo.
- June 20:** **Grain Grades and Weights Committee**
NGFA's Conference Room, Washington, D.C.
- July 10-11:** **NGFA Feed Quality Assurance Workshop**,
Delta King Hotel, Sacramento, Calif.
- July 12:** **Country Elevator Committee**,
Overland Park Marriott Hotel, Overland Park, Kan.
- July 13-14:** **NGFA/GEAPS Safety, Health and Environmental Compliance --
A Seminar for Grain Handlers, Millers and Processors**,
Overland Park Marriott Hotel, Overland Park, Kan.





FDA Developing Compliance Policy Guide to Implement Voluntary Self-Inspection Program

The Food and Drug Administration's Center for Veterinary Medicine is finalizing a compliance policy guide through which it would launch a pilot program to test the viability of a form of self-regulation for the medicated feed industry.

The so-called "voluntary self-inspection program" was submitted officially to FDA on Oct. 29 by the Association of American Feed Control Officials – the professional organization comprised of state feed regulatory officials and FDA representatives. The NGFA was instrumental in advocating and developing the self-inspection concept through the extensive involvement of its industry liaisons in AAFCO.

FDA/CVM officials told the NGFA this week that they currently are gathering information to ensure that the voluntary self-inspection program complies with the federal Paperwork Reduction Act. Once that is completed, the compliance policy guide and associated information on the program is to be forwarded to FDA's Office of Regulatory Affairs for final clearance.

Under the program, medicated feed manufacturing establishments that have written quality-assurance programs that meet FDA's current good manufacturing

practice (CGMP) requirements would be eligible to participate in the pilot program. It is expected that the compliance policy guide will request that participating establishments: 1) conduct an annual CGMP-based self-inspection; 2) submit to FDA and their state feed control official a composite report on a standardized checklist form concerning the results of the annual self-inspection; and 3) describe corrective actions taken to correct any deficiencies found during the self-inspection.

In return, FDA is expected to use its regulatory discretion to place a "low priority" on inspecting medicated feed establishments that participate in the self-inspection program. A percentage of establishments participating in the self-inspection program would be subject to random spot-check audits to verify that they are in compliance with FDA's CGMP requirements.

FDA/CVM has said that it hopes to launch the pilot program nationwide during the last half of this year. Medicated feed establishments that are FDA-licensed, non-licensed or on-farm/mixer feeders would be eligible to participate. Some states – notably Minnesota – already have instituted a voluntary self-inspection program for state-licensed feed mills modeled after the AAFCO-developed version.

From the Pellet Mill

▶ FDA Plans to Issue Guidelines on Fumonisin

Soon: The Food and Drug Administration in June is expected to publish in the *Federal Register* a guidance document on levels of fumonisins (a mycotoxin) in corn products that the agency says could be a potential concern for human and animal health.

The guidance document – which is awaiting final clearance within FDA and will include a request for public comment – would be advisory in nature and, as such, would **not** constitute regulatory limits. But it would provide scientific data on levels of fumonisin that may be cause for regulatory concern. FDA in the past has expressed concern that fumonisin exceeding certain levels has been linked to deaths of horses and swine. Among the data analyzed by FDA in developing its guidance document are the recommendations of the Mycotoxin Committee of the American Association of Veterinary Laboratory Diagnosticians that levels of fumonisin B₁ should not exceed 5 parts per million in horses, 10 p.p.m. in swine and 50 p.p.m. in beef cattle and broilers.

▶ FDA to Conduct National Survey on Dioxin in Feed:

The Food and Drug Administration's Center for Veterinary Medicine is developing plans to conduct a national survey of feed ingredients to test for the presence of dioxin.

The action is in response to a draft risk-assessment study performed by the Environmental Protection Agency, scheduled to be released in June, which for the first time asserts that dioxin is a known human carcinogen. FDA/CVM officials told the NGFA that they anticipate collecting random samples of feed, but still are in the process of developing the sampling plan and field directive that will institute the program. FDA/CVM has issued guidance documents concerning the presence of dioxin congeners that may be present in clay and non-clay anti-caking agents used in feed or feed ingredients. FDA continues to advise that all clay and non-clay anti-caking products for use in feeds or feed ingredients be "carefully monitored for dioxins, without regard to how remote or pristine the source," and that products found to contain dioxin not be used.





GIPSA Seeking Restoration of Funds for Lab to Validate Biotech Tests

The U.S. Department of Agriculture's Grain Inspection, Packers and Stockyards Administration is asking Congress for approximately \$600,000 in appropriations needed to finance the establishment of its planned diagnostic laboratory at its Kansas City Technical Center that would provide accreditation to laboratories that test for biotech ingredients, as well as validate the claims of manufacturers of testing devices used to detect the presence of biotech ingredients in raw and processed agricultural commodities.

If funding is secured, the agency's current plan is to offer two types of accreditation of private-sector testing laboratories: 1) quantitative measurement of total biotech (not trait-specific) ingredients; and 2) qualitative mea-

surements for specific biotech traits, which would amount to a "yes/no" determination on whether a given sample contains a specific biotech trait but no measurement of the actual level present. The program envisioned by GIPSA would involve an on-site evaluation of personnel and quality-control procedures, and a requirement that the laboratory pass a blind-sample testing program. GIPSA plans to charge laboratories for its out-of-pocket expenses for accreditation.

GIPSA's planned laboratory also would validate the claims of manufacturers of ELISA test kits. In addition, as part of the initiative, the agency still plans to develop a generic plan for sampling for biotech commodities, and post it on its web site.

Tech Tidbits

► **Glickman to Receive Decision Memo on 'Clean Wheat' Options:** Secretary of Agriculture Dan Glickman is scheduled to receive a decision memorandum prepared jointly by several USDA agencies containing four options for "enhancing the cleanliness" of U.S. wheat. The two options believed to have the greatest chance of approval are to: 1) require the Commodity Credit Corporation to specify cleaner wheat in its purchases for food aid donations; and 2) revise the Export Enhancement Program to provide bonuses to partially compensate for the additional costs of cleaning wheat for export. While still reportedly included among the options, two other alternatives are believed to have fallen out of favor within USDA: 1) financing the installation of grain cleaning equipment at wheat export facilities; and 2) amending the U.S. grain standards for wheat to make dockage a grade-determining factor.

In a related development, the Kansas Wheat Commission at a May 22 meeting with Glickman urged that USDA "take the lead by developing and publicizing a long-term policy for future tender specifications." The Kansas Wheat Commission said it "encouraged" USDA to specify a maximum of 0.5 percent dockage in wheat purchases for food donations in the marketing year that begins June 1, reducing the allowable level to 0.4 percent in 2001/02 and 0.3 percent in 2002/03. "Tighter specifications on future purchases for food aid donations would have an impact on all U.S. wheat exports and set a higher standard for the wheat industry to commercially export cleaner wheat to overseas customers," the Kansas Wheat Commission said.

► **EPA Proposes Emissions Standards for Vegetable Oil Processing:** The Environmental Protection Agency

has proposed a national standard for emissions of n-hexane from vegetable oil processing facilities, including soybean processing, cottonseed processing and corn germ processing. The Clean Air Act requires EPA to establish standards – called National Emissions Standards for Hazardous Air Pollutants – to control hazardous air pollutants, such as n-hexane. N-hexane is a solvent used to efficiently remove oil from soybeans, corn, sunflower and other agricultural products. EPA maintains that high levels of exposure to the solvent can cause irritation, dizziness, headaches, and nausea, while long-term exposure can cause nerve damage.

Under the proposed rule, an existing or a new vegetable oil solvent extraction processing facility that is a major source (i.e., has the potential to emit 10 or more tons per year of n-hexane) will be required to meet specific emission standards that reflect the application of what EPA calls the "maximum achievable control technology" (MACT). For existing sources, the applicable MACT standard is based upon the average emission limitation achieved by the best performing 12 percent of existing sources, or by the best performing five sources for categories or subcategories with fewer than 30 sources. For new sources, the MACT standard represents the emissions control achieved by the best-controlled similar source. In addition, the proposed rule establishes recordkeeping and other administrative requirements as part of each affected facility's compliance program.

Submitting Comments: Comments on the proposed rule are due by July 25, and should be sent to: Air and Radiation Docket and Information Center (6102), Attention Docket No. A-97-57, Room M-1500, U.S. Environmental Protection Agency, 1200 Pennsylvania Ave., N.W., Washington, D.C., 20460.



Rails, Rivers and Roads

by David C. Barrett Jr.
Counsel for Public Affairs

STB Rules CSX Surcharge 'Unreasonable Practice'

The federal Surface Transportation Board has issued a unanimous decision that a \$200-per-car light-density-line surcharge assessed and collected by CSX Transportation Inc. on outbound grain shipments constituted an unreasonable practice because the carrier already was obligated to transport the grain under contracts it negotiated with receivers.

The case arose from a Michigan federal court action filed by CSXT against Parrish & Heimbecker Inc., in which the railroad sought to collect \$190,000 in unpaid surcharges assessed in connection with grain shipped from what was then Parrish & Heimbecker's Brown City, Mich., facility to feeders in the Southeast. Parrish & Heimbecker filed a counterclaim to recover prior surcharges it paid. A Michigan federal court referred the case to the STB for a determination of whether CSXT's actions constituted an unreasonable practice under federal rail law.

The facts of the case showed that the shipments moved under tariff rates until the CSXT entered into rail contracts with the receivers of the grain. Parrish & Heimbecker then tendered grain shipments to CSXT on a f.o.b.-origin basis, preparing a bill of lading for each shipment that denoted the receiver's rail transportation contract numbers. CSXT then

applied a \$200-per-car light-density-line surcharge on each movement originating or terminating on the Brown City, Mich., line on which the facility was located.

STB's Decision: In its decision, the STB rejected CSXT's contention that it could assess an additional common-carrier charge where the shipment moved under a rail transportation contract, saying such action "...would blur impermissibly the clear distinction Congress intended between common and contract carriage service and would chill the use of contracting, contrary to Congress' intent."

In addition, the STB found that Parrish & Heimbecker's endorsement of the "Section 7 non-recourse clause" on each bill of lading and CSXT's acceptance precluded the railroad from collecting the surcharges and could not be superceded by the carrier's tariff. The STB said that Parrish & Heimbecker's endorsement put the carrier "on notice that all lawful transportation charges must be collected from the consignee and cannot subsequently be collected from the consignor." While the decision bars CSXT from pursuing its claims regarding uncollected surcharges, the conclusions from the case would permit the grain firm to proceed in court on its claims for recovery of surcharges it previously paid.



National Grain and Feed Association
1250 Eye St., N.W., Suite 1003
Washington, D.C. 20005-3917

TIME SENSITIVE



**NGFA/GEAPS Safety, Health
and Environmental Compliance Seminar**

July 13-14, 2000, Overland Park, Kan.

