



## House Ag Committee Approves CFTC Reauthorization Bill

The House Agriculture Committee on June 27 approved legislation (H.R. 4541) designed to modernize regulation of the futures markets after adopting a series of amendments, including one that would potentially allow for greater regulatory flexibility for agricultural futures contracts.

The agricultural futures amendment, offered as part of a package of changes by House Agriculture Committee Chairman Larry Combest, R-Texas, would allow agricultural futures contracts to be traded in “derivatives transaction execution facilities” – a less-regulated category of futures trading that would be authorized under the bill – if the Commodity Futures Trading Commission develops rules authorizing it. The previous version of the bill approved on June 22 by the House Agriculture Committee’s Subcommittee on Risk Management, Research and Specialty Crops would not have granted any regulatory relief to agricultural futures contracts. However, as passed by the full committee, the bill still retains a provision restating the CFTC’s emergency powers over agricultural instruments and contains new language to “ensure producer groups have adequate input in the rulemaking process.”

**Other Provisions:** The main thrust of the bill would clarify the legal status of certain over-the-counter derivatives by exempting from the Commodity Exchange Act bilateral swap agreements entered into by “large and/or

sophisticated” parties and done on a principal-to-principal basis. The bill also would codify the regulatory-relief proposal expected to be finalized soon by the CFTC, and would place the agency in more of an oversight role than as a front-line regulator. In addition, the measure would allow financial exchanges to trade single stock futures by repealing the so-called Shad-Johnson jurisdictional accord and giving the CFTC and the Securities and Exchange Commission joint jurisdiction to regulate stock index futures and options. The bill would grant the SEC sole authority to enforce insider-trading laws on stock index futures and options products. To be eligible to be traded, the bill would require a single stock futures contract to be: 1) cash-settled; 2) traded on a security with sufficient liquidity that would make it eligible for options trading under SEC requirements; 3) subject to margin levels that are at least equivalent to those for stock options; 4) traded on boards of trade that prohibit dual trading in single stock futures contracts; and 5) traded on boards of trade that will collect, maintain and transmit pertinent information to the SEC.

As passed by the full committee, the bill also contains provisions introduced by Rep. Nick Smith, R-Mich., ostensibly designed to increase the use of

*(Continued on page 6)*

## Senate Ag Committee Approves Rewrite of U.S. Warehouse Act

### ...Reauthorization of U.S. Grain Standards Act also Approved...

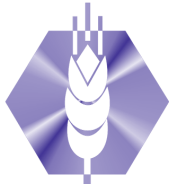
The Senate Agriculture Committee on June 20 by a voice vote approved legislation that would rewrite, streamline and update the U.S. Warehouse Act, as well as reauthorize the U.S. Grain Standards Act, which governs the operations of the U.S. Department of Agriculture’s Federal Grain Inspection Service.

The U.S. Warehouse Act revisions were contained in a bill introduced by Sen. Peter Fitzgerald, R-Ill., while the U.S. Grain Standards Act amendments were introduced by Senate Agriculture Committee Chairman Richard G. Lugar,

R-Ind. During the Senate Agriculture Committee’s meeting, the two bills were combined into a single bill, which was approved by a voice vote.

**U.S. Warehouse Act Revisions:** The U.S. Warehouse Act rewrite, on which the NGFA has been working for the past three years in cooperation with the U.S. Department of Agriculture and the Association of American Warehouse Control Officials, would update

*(Continued on page 4)*



## Regulation of Futures Markets: Time to Assess Benefits and Costs of CFTC Oversight

In November 1999, the President's Working Group on Financial Markets released its conclusions regarding the regulation of over-the-counter (OTC) derivatives markets.

Comprised of Fed Chairman Alan Greenspan, Treasury Secretary Lawrence Summers, Securities and Exchange Commission Chairman Arthur Levitt, and (former) Commodity Futures Trading Commission Chairman William Rainer, this group recommended changes to remove the legal uncertainty overhanging financial OTC markets and modifying regulations to permit exchange-traded products to compete more effectively. On June 22, the CFTC published a proposal to implement these recommendations.

Why the urgency for the futures, options and OTC markets? At a CFTC public meeting this week, Leo Melamed, former chairman at the Chicago Mercantile Exchange, explained the situation this way: Electronic communications and information flow have the potential to duplicate every conceivable benefit from existing exchanges, and at considerably lower cost. Philip Johnson, former CFTC chairman. He noted that prior to 1974, the entirety of futures regulation was contained in a small pamphlet published by USDA. But since then, regulations have expanded to protect every market user against every conceivable adverse event. When the futures markets were the "only game in town," Johnson noted, the consequences of over-regulation were less. Today the situation clearly is different.

Despite this new-wave thinking on the appropriate level of market regulation, there is a risk there will be **no** regulatory relief for agricultural markets. That's the net result of the CFTC proposal published in the June 22 **Federal Register**. [*The President's Working Group referenced previously was not asked to review ag contracts, and was largely silent on the subject.*] While the NGFA has been urging Congress to look at a less-regulated approach for the ag contracts, many farm groups have, until recently, either not expressed support for – or in some cases have opposed – any regulatory relief for agricultural contracts. Thankfully, that situation changed this week when a group of farm organizations, in the final hours before the House Agriculture Committee acted on its version of the CFTC reauthorization legislation, submitted legislative language – adopted by the committee – that would reduce ag contract regulations if the CFTC goes along.

Of course, there are some legitimate reasons to maintain some degree of regulation over agricultural futures and options. Agricultural commodities do have limited deliverable supplies and thus can be manipulated more easily. But there is another reason that agricultural markets tend to be more highly regulated – and that's the politics. CFTC Chairman Johnson said it this way: Let anything bad occur in the market and the first question from Congress to the CFTC is, "How could you let that happen?" The CFTC is an "independent" federal agency, meaning it is not a part of any other federal department. But the CFTC is not independent or insulated from the Washington political environment. As long as Congress holds the agency's purse strings and has authority to alter its scope, politics cannot be ignored. But it must be placed in proper perspective. In today's environment, it is vital that government accurately assess the benefits and costs of the regulations it imposes on exchange-traded agricultural futures and options contracts, just as it is doing for the financials.

It seems many in Washington think agricultural futures markets – unlike their financial counterparts – still are "the only game in town" somehow insulated from competition or new technological developments. But this is a faulty premise, disconnected from reality. Whether driven by electronic communications, electronic exchanges, back-to-back cash trades, vertical integration (accomplished through ownership, joint ventures or contracting), agricultural swaps or other mechanisms, low-cost alternatives to exchange-traded risk-management tools are expanding at an accelerated pace.

For Congress or the CFTC to ignore this reality would be a serious mistake, and ultimately could threaten the future of the public price-discovery process – a tool that protects every market participant, regardless of how values are placed on products or how price risk is managed. The NGFA, through its Risk Management Committee, will work with Congress and the CFTC to ensure that the purpose, need, benefits and costs of ag market regulations are evaluated thoroughly. While doing so, the NGFA also will seek greater legal clarity of the regulatory exemption in place since the 1930s for cash contracts used in our industry. The increasing variety and flexibility of such contracts has raised some issues that need to be addressed. Markets will operate more efficiently if we can develop a "bright line" defining acceptability in contracting approaches.



# On Capitol Hill

by David C. Lindsay  
Director of Legislative Affairs

## Senate Vote on China Trade Bill Likely in July

Senate Majority Leader Trent Lott, R-Miss., now indicates he intends to schedule a Senate floor vote in July on the House-passed version of legislation (H.R. 4444) that would grant China permanent normal trade relations status.

The bill, passed by the House on May 24 by a 237-197 vote, would waive the annual renewal of normal trade relations status for China, authorize the president to act to prevent sudden surges in Chinese imports, and create a joint congressional/executive branch commission to monitor China's human rights performance.

Numerous agriculture organizations, including the NGFA, have urged Lott to bring the House-passed China trade bill, or a nearly identical measure, up for a vote as soon as possible. Passing an identical or nearly identical bill 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. Still uncertain is whether amendments to the bill will be considered on the Senate floor. Lott and Democratic Leader Sen. Tom Daschle, S.D., have indicated their opposition to any amendments.

## House Leaders Reach Agreement on Sanctions Reform

The House Republican leadership and supporters of sanctions reform legislation have reached agreement on legislative provisions that, under certain circumstances, would exempt U.S. exports of food and medicine from unilateral U.S. sanctions.

Under the agreement, food and medical sales to sanctioned nations would be allowed under the following conditions: 1) No imports from Cuba or Iran would be permitted into the United States; 2) All business entities conducting sales to the countries of concern would be

required to be licensed; 3) No private financing of sales to Cuba would be permitted, although third-party sales would be allowed; and 4) Travel to Cuba to facilitate commercial sales would be permitted. But tourism-related travel and transactions still would be banned.

It still is uncertain onto what bill the agreement will be attached. Originally, the intent was to include the provision on the fiscal 2001 agricultural appropriations bill (H.R. 4461) being considered on the House floor today. But that may not transpire for procedural reasons.

## Hill Highlights

**House Ag Committee Schedules More Hearings on Farm Policy:** The House Agriculture Committee has scheduled three additional hearings in July in Washington as part of its continuing review of farm policy. The hearings, which are restricted to testimony from "commodity groups," such as those representing corn, soybean, wheat, cotton and other producers, are scheduled for July 12, 19 and 26. The committee previously conducted a series of 10 field hearings from March through May in different regions of the country, at which it also heard from commodity groups and producers. It also conducted an April 12 hearing in Washington to hear from agribusiness representatives, at which the NGFA testified.

**21<sup>st</sup> Century Ag Commission Considering Farm Income Safety Net Approaches:** At its meeting earlier this month in Washington, the 21<sup>st</sup> Century Commission on Production Agriculture discussed several approaches to providing farm income support. The commission was established under the 1996 farm law to make recommendations to Congress on farm policies that should be

considered when the current act expires in 2002.

Commission Chairman Dr. Barry Flinchbaugh of Kansas State University maintained that the commission had tentatively decided to recommend retention of the so-called AMTA fixed payments and loan deficiency payments, although some commission members challenged that assertion. The commission reviewed a "semi-cyclical" farm income support plan that contained two basic options: 1) provide on-budget AMTA payments to producers when prices decline to less than a specified historic average, but provide no funds (other than marketing loan gains or LDPs) when prices exceed these historic levels; and 2) provide AMTA payments when prices are low, but maintain a minimum AMTA payment for producers that would be made no matter how high prices were. The commission also reviewed a grid of various policy options for several facets of agricultural policy, including the Conservation Reserve Program, loan rates and others. The commission's next meeting is scheduled for sometime in August.



# Country/Terminal Corner

by Randall C. Gordon  
V.P., Communications/  
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*("Warehouse Act" continued from page 1)*

the existing statute to allow federally licensed grain warehouse operators to issue electronic warehouse receipts, as well as electronically transmit under the authority of the U.S. Warehouse Act other documents (such as grade and weight certificates, bills of lading, phytosanitary certificates, export evidence certificates and other documents required by letters of credit) related to the purchase or sale of agricultural commodities.

The bill also contains provisions that would: 1) authorize warehouse operators to enter into contracts or other agreements with depositors to allocate available storage space, and store only those commodities customarily stored in the area; 2) specifically authorize commingling of grain of different grades and qualities (which under the existing law is not authorized, even though USDA has used its regulatory discretion to permit it); 3) authorize USDA to accept financial instruments other than bonds (such as letters of credit or Treasury bills) from warehouse operators to cover net worth requirements; 4) expressly recognize the enforceability of arbitration for resolving disputes between warehouse operators and depositors that may arise under the act; 5) require USDA to issue an annual report on steps it is taking to minimize fees, improve efficiencies and reduce costs of the federal warehouse system; 6) remove most economic regulation contained in the existing law; and 7) protect the integrity of state warehouse laws and regulations from excessive federal preemption.

**U.S. Grain Standards Act Amendments:** The same

bill also contains provisions that would reauthorize the U.S. Grain Standards Act. Among other things, it would: 1) extend the authorization for FGIS to provide official grain inspection and weighing services for five years (through Sept. 30, 2005); 2) reduce from 40 to 30 percent the cap on FGIS's administrative and supervisory costs (a provision strongly advocated by the NGFA); and 3) remove restrictions on FGIS's ability to induce more competition into the official inspection system by allowing more than one official agency to perform inspection and weighing services within a single geographic area at domestic locations (the current law merely authorizes FGIS to implement pilot projects to test the concept of inter-agency competition.)

**Next Steps:** The Senate Agriculture Committee intends to seek Senate floor passage of the combined bill sometime in July by unanimous consent, a legislative "fast-track" procedure under which no amendments would be offered.

However, a companion bill has not been introduced yet in the House. And the banking industry has alerted the NGFA to concerns it has over the wording of the security interest language in the U.S. Warehouse Act provisions of the Senate bill. Specifically, the banking industry is concerned that the language could alter the current procedures under which security interests are perfected. The NGFA is working actively with the banking interests, as well as the cotton industry and the House Agriculture Committee staff, to resolve those concerns so that a House bill can be introduced and acted upon during the current session of Congress.

## USDA to Adjust Federal Warehouse Examination Fees by up to 2 Percent

The U.S. Department of Agriculture on June 26 issued a notice imposing up to a 2 percent increase in the annual examination fee charged warehouses licensed under the U.S. Warehouse Act. The examination fee increase, which applies to federally licensed warehouses storing or handling grain, cotton, dry edible beans, tobacco, wool, nut, syrup and cottonseed, takes effect **Oct. 1** with the start of the new 2001 fiscal year.

**Importantly, however, the examination fees actually will decline slightly for federally licensed warehouse operators who also have a Uniform Grain and Rice Storage Agreement (UGRSA)**

### contract with the Commodity Credit Corporation.

The reason: CCC will be paying approximately 50 percent of the cost of operating the federal warehouse system to reflect the additional costs being incurred because of CCC's operations. That's up from the 45 percent share paid by CCC in the current 2000 fiscal year. As recently as fiscal year 1997, CCC was paying approximately 65 percent of the cost of the federal warehouse system, with licensees paying the remainder.

USDA said the fee adjustment is designed to recover

*(Continued on page 5)*





# Country/Terminal Corner

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("Warehouse Fees" Continued from Page 4)

the operational costs of the federal warehouse program for the coming year. Approximately 1,100 grain warehouses are licensed under the federal system and are inspected by federal warehouse examiners. It is the fourth consecutive year in which USDA has increased the annual federal warehouse examination fee. Previously, USDA increased the fee by 2 percent in fiscal 1999, 7.5 percent in fiscal 1998 and 10 percent in fiscal 1997. Importantly, the fee increase does **not** affect non-federally licensed warehouses operating under the

UGRSA, whose annual contract fees were suspended by CCC effective April 1, 1997.

The fees for federally licensed warehouse operators are depicted in the accompanying chart, and will be assessed on the federal warehouse's annual anniversary date. Unchanged is the \$80-per-license fee charged for issuing an original federal warehouse license, or for reissuing or duplicating such a license. Also unchanged is the \$35 fee charged for licensing individuals to inspect, sample, grade, classify or weigh commodities.

Federal Grain Warehouse Examination Fees (In Bushels; Effective Oct. 1, 2000)				
Licensed Capacity (Bushels)	Annual Fee for Each Warehouse Location <u>with</u> UGRSA		Annual Fee for Each Warehouse Location <u>without</u> UGRSA	
	New	Current	New	Current
1 to 150,000	\$ 145	\$ 160	\$ 290	\$ 285
150,001 to 250,000	295	315	585	575
250,001 to 500,000	435	470	865	850
500,001 to 750,000	590	635	1,175	1,150
750,001 to 1,000,000	730	785	1,460	1,430
1,000,001 to 1,200,000	875	945	1,750	1,715
1,200,001 to 1,500,000	1,020	1,095	2,035	1,995
1,500,001 to 2,000,000	1,165	1,255	2,325	2,280
2,000,001 to 2,500,000	1,310	1,415	2,620	2,570
2,500,001 to 5,000,000	1,450	1,565	2,900	2,845
5,000,001 to 7,500,000	1,605	1,730	3,205	3,140
7,500,001 to 10,000,000	1,750	1,885	3,500	3,430
10,000,001 +	\$1,750 plus \$50 per million bushels of capacity above 10 million or fraction thereof	\$1,885 plus \$50 per million bushels of capacity above 10 million or fraction thereof	\$3,500 plus \$90 per million bushels of capacity above 10 million or fraction thereof	\$3,430 plus \$90 per million bushels of capacity above 10 million or fraction thereof

## USDA to Tighten Dockage Limits on U.S. Wheat Food Aid Shipments

Secretary of Agriculture Dan Glickman announced on June 21 that the U.S. Department of Agriculture's Commodity Credit Corporation will "immediately" reduce the level of dockage accepted for wheat purchased for food aid shipments.

Glickman said CCC's tenders for wheat purchased for foreign food assistance will be reduced from the current 1 percent to a maximum of 0.8 percent or less. CCC implemented the new policy in a tender for wheat issued June 27. "This will tell the world that U.S. wheat meets a higher standard," Glickman said during his testimony at a House Agriculture Committee hearing on export and market development programs for U.S. agriculture. Importantly, the NGFA has learned that there continue to be discussions within USDA of further reducing the 0.8 percent dockage limit at some point in the future.

Glickman also said USDA would request public comment on whether to establish an official U.S. standard for maximum dockage levels "in exported wheat," saying that "cleaner exports will help create greater demand for U.S. wheat and help U.S. wheat suppliers compete internationally." However, the NGFA has learned that internal discussions within USDA are focusing on several more expansive options for such a proposal, such as: 1) proposing a dockage limit for all U.S. wheat exports; 2) proposing specific dockage limits that would be grade-determining factors for each numerical grade of U.S. export wheat; or 3) proposing specific maximum dockage limits for each numerical grade of wheat that would apply to **all** U.S. wheat, domestic and export, graded under the U.S. grain standards. USDA officials project that a proposal will be issued this fall.



*(CFTC, Continued from Page 1)*

hedging by producers. The language requires the CFTC to “consider” and report to Congress within one year after enactment of the bill on the following issues: 1) Whether to prescribe procedures to ensure “orderly delivery” for commodities under a futures contract; 2) Adjusting the cost and margin requirements for producers; and 3) Providing producers flexibility in the minimum quantities of commodities subject to futures contracts.

**Next Step:** Next, the House bill will be referred for consideration to the House Banking and Commerce Committees, which share jurisdiction over some commodity trade issues with the Agriculture Committee. Meanwhile, the Senate Agriculture Committee has scheduled a June 29 session to approve its version of the bill (S. 2697) introduced by Senate Agriculture Committee Chairman Richard Lugar, R-Ind. Similar to the House bill, the Senate version would incorporate provisions concerning the regulatory treatment of over-the-counter derivatives; codify the CFTC’s regulatory relief proposal; and reform the Shad-Johnson Accord to allow exchanges to trade single stock futures.

## **CFTC’s ‘New Regulatory Framework’ Praised by Expert Panel**

The Commodity Futures Trading Commission’s proposal for establishing a new framework for regulating futures and options contracts received generally favorable reviews from a panel testifying June 27 during the first of two days of hearings conducted by the agency.

The CFTC’s proposal would permit current designated futures exchanges or newly created exchanges to have a choice of how much regulation they desired, depending upon the product being traded and the sophistication of the customer. Such exchanges would be authorized to establish so-called “derivatives transaction facilities” (DTFs) to serve commercial clients. DTFs would be considerably less regulated than current exchanges like the Chicago Board of Trade, Kansas City Board of Trade and Minneapolis Grain Exchange. The DTFs also could serve “retail” clients, but only by trading through registered futures commission merchants (FCMs). Such DTFs would be subject to substantially less regulation.

**The only broad category of commodities excluded under the CFTC proposal from the benefits of this deregulation would be enumerated agricultural products, such as grains, livestock, etc.** The CFTC cites limited deliverable supplies; potential for manipulation; and the public price discovery service provided by exchanges as reasons for the disparate regulatory treatment. But the agency’s proposal states: “...[M]embers of the agricultural community have at times argued that they should not be prohibited from benefiting from innovative trading practices that are available for non-agricultural commodities...(thus,) the commission is seeking comment from the agricultural

community on the advisability of allowing the enumerated agricultural commodities to be traded on a DTF at this time.”

The NGFA’s Risk Management Committee will meet on July 18 in Chicago to develop the Association’s response to the CFTC proposal, on which comments are due by **Aug. 7**.

**CFTC Hearing:** Panelists appearing at the June 27 CFTC hearing generally praised the agency’s proposal as being innovative and on the right track. It appears the agency already has achieved considerable public support for its new regulatory proposal, which was published in the June 22 *Federal Register*. During his remarks at the hearing, **Leo Melamed**, chairman emeritus of the Chicago Mercantile Exchange, encouraged the CFTC to expedite deregulation, citing the potential of electronic markets to duplicate what he called **every benefit available** currently on regulated exchanges, at considerably lower cost. Melamed said one of the difficulties in deregulating is getting a consistent definition of an exchange versus negotiated transactions. Meanwhile, **Phil Johnson**, former CFTC chairman, said that in deregulating markets, the CFTC must draw a distinction between regulation (which he termed as preventing all potentially bad things from happening) and law enforcement (which he described as catching the bad guys after the transgression). He advised the CFTC to adopt more of a law enforcement function. He noted that the CFTC always will be asked by political leaders after some market incident, “How could you let that happen?” Johnson’s advice was to let the market user bear more risk to better align the benefits and costs of regulation.

**Thomas Russo**, vice chairman of Lehman Brothers, urged the CFTC to stay away from “labels.” He said the variety of products, whether termed securities, futures, derivatives, etc., often had substantial similarities in risk profiles. *[Note: One of the CFTC’s proposals is to eliminate the term “swap” and use the more generic term “transaction that meets the requisite exemptive conditions.”]* Russo also stated that one of the largest barriers to shifting to less regulation is the attitude of the regulator. Quoting from a recently published book, he said that government attorneys within regulatory agencies often get caught up in the detail of words and lose direction as to the overall purpose of the statute. To make regulation work in newer markets, he said, that needs to change. **Richard Sandor**, chairman of Environmental Financial Products, advised the CFTC that the (trading) industry is “up for grabs.” He described financial products that are subject to no regulation, because the products are never “securitized,” and compete head-on with exchange products. He said the traditional exchanges have to structurally amend their business model, within a supportive regulatory framework. The exchanges are confronting situations where clients are becoming competitors and order flows are being directed off exchange.





## EPA Expected to Finalize Strict New Water Quality Rules

The NGFA has learned that the Environmental Protection Agency plans to finalize by as early as July 15 – and implement by as early as Aug. 15 – strict new water quality regulations under the agency's total maximum daily load (TMDL) program.

The final rules could require facilities operating under a National Pollution Discharge Elimination System (NPDES) permit to achieve a zero discharge for many pollutants. In addition, the final rules would require states to establish TMDLs for nearly 40,000 water bodies over the next 10 years, an unrealistic and potentially costly undertaking.

TMDLs, authorized under the Clean Water Act, calculates the maximum amount of a pollutant that a water body can receive and still meet water quality standards. This approach allocates pollutant loadings among point (such as feed mills and processing plants), and non-point (such as farming and animal feeding operations) sources.

**Background:** In August 1999, EPA proposed comprehensive changes to its TMDL program, including a requirement that states establish TMDLs for high-priority water bodies within five years and for remaining impaired water bodies within 15 years. The 1999 proposal also included provisions requiring large new or significantly expanding discharges to obtain an offset amounting to 1.5 times of their proposed discharge before beginning to discharge. Further, EPA proposed revising existing regulations to give it the authority to

designate concentrated animal feeding operations, concentrated aquatic animal production facilities and certain silviculture operations as point sources subject to the NPDES permitting program.

EPA's 1999 proposals generated widespread opposition from industry and even environmental groups, which urged the agency to either revamp or withdraw them. But to garner support from at least the environmental sector, EPA plans to further tighten the final rules by: 1) requiring point sources, such as feed mills and processing facilities, to meet a zero limit for certain pollutants if controls for non-point sources are not installed within the five-year term of the point-source NPDES permit; 2) reducing the time allowed for states to establish TMDLs for all listed impaired waters to 10 years with a possible five-year extension, creating the risk of states imposing water-quality controls based upon inadequate or scientifically suspect data; and 3) requiring states to give TMDL-development priority to water bodies with threatened or endangered species.

**Congressional Action:** The House recently responded by passing – and the Senate is considering – a bill that would prevent EPA from spending fiscal 2001 funds to implement the TMDL final rules. In addition, the chairman and ranking minority member of the House Agriculture Committee, Reps. Larry Combest, R-Texas, and Charles W. Stenholm, D-Texas, have introduced legislation that would delay implementation of the rules for 18 months. Five other similar bills have been introduced and cosponsored by nearly half the members of the House.



## FDA Issues Directive to Sample Feed Ingredients for Dioxin

The Food and Drug Administration's Center for Veterinary Medicine has issued an assignment to its district offices to conduct a "preliminary national survey" to check for the presence of dioxin-like compounds in feed ingredients.

Dioxins – which are suspected carcinogens – are a family of about 30 lipophilic compounds, often called congeners that are found naturally in the environment and accumulate in the fat of humans and animals. The FDA/CVM survey will involve collection of 48 samples of 16 different feed ingredients, including animal fats (beef, pork and mixed species), meat and bone meal from mixed species, fish meal, poultry byproduct meal, catfish meal, oilseed deodorizer distillates and molasses. FDA/CVM

directed that the "primary sites" for sampling should include animal renderers and fish meal, oilseed and molasses processors, although it said feed mills "also may be used."

"The evidence gathered thus far suggests the primary source of dioxin contamination in food animals is from their diet, and that the non-fodder components of the diet deserve additional scrutiny," the FDA assignment said. "Since dioxins are predominantly found in fats, the FDA and Environmental Protection Agency believe most of the samples collected in this preliminary survey should be fatty in nature and come from commonly used ingredients of animal and plant origin that are likely to contain relatively high levels of dioxins."



# Membership Matters

by Todd Kemp  
Director of Marketing

## Brouillette Announces "Regionalization" of NGFA Recruiting Program

### ...Membership Month Again Scheduled for July/August...

NGFAs Membership Recruiter Network Chair, JoAnn Brouillette, Demeter LP, Fowler, Ind., has announced that 11 industry volunteers will be appointed as regional chairs of the organization's membership recruiting program.

Under the plan, the United States will be divided into nine geographic regions (California, Pacific Northwest, West, Northern Plains, Southern Plains, Corn Belt, MidSouth, Southeast and Northeast), with a regional chair identified to head membership marketing efforts in each region. In addition, two additional regional chairs will be selected to target Canada and Mexico for new NGFA members.

The regional chairs are expected to fill several functions, including the following: 1) Advise the Marketing Committee and the chair of the Membership Recruiter Network of key issues and strategies for membership marketing; 2) Coordinate membership activities within the region; 3) Identify potential new

members; 4) Identify regional issues about which the NGFA should be aware and which may help recruit/retain members; 5) Promote awareness of and need for membership recruiting among existing members; 6) Assemble a regional team (or "Kitchen Cabinet") to assist in recruiting; and 7) Ultimately, get new members!

The regional chairs will be announced in the next edition of the *NGFA Newsletter*.

**Membership Month:** Again in 2000, the NGFA's *Membership Month* has been scheduled for **July 15-Aug. 15**. During this period, NGFA members are asked to make a special commitment to sign up new member companies. Last year, 20 new members joined during the same period.

As in recent years, a special incentive will be offered to successful membership recruiters. Watch this space for more details on *Membership Month* and an announcement about the fabulous prize package for which all sponsors will be eligible.



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