



# NGFA

# Newsletter<sup>®</sup>

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## USDA Adjusts Midwest Corn PCPs to More Closely Align with Market

The U.S. Department of Agriculture recently has made adjustments to posted county prices (PCPs) for corn in several Midwestern states, apparently in an effort to address anomalies between PCP values and local cash prices.

Starting in mid-September, corn PCPs began declining below local cash prices, eventually reaching a 20-cent-per-bushel or more spread in several Midwestern corn states, including Iowa, Indiana, Missouri, Nebraska and Wisconsin. That created an interest among producers seeking to reap corn loan deficiency payments (LDPs) – even though they are not allowed to do so until the crop is harvested.

USDA officials told the NGFA this week that the disparities resulted after USDA adjusted terminal markets in several states to address anomalies that had resulted from disparities in prices counter to historical price patterns. To prevent excessive LDP rift lines between state and county borders, USDA made similar changes to adjacent terminal markets. That resulted in unintended ripple effects that affected other Midwestern states.

As of today (Sept. 30), following the PCP adjustments

made thus far, there was an approximately 7-cent-per-bushel “rift line” in corn PCP values between Illinois and Iowa, resulting in corn LDPs of 30 cents per bushel in Illinois and 23 cents per bushel in Iowa. A similar 7-cent-per-bushel rift line existed between Indiana and Ohio, since Indiana and Illinois PCP values are derived from differentials based off the same terminal markets. The PCP rift line between Iowa and Minnesota stood at about a nickel.

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**See enclosed *Government and Grain* for a primer on LDPs and beneficial interest, including an NGFA exclusive Q & A with USDA!**

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USDA officials stressed that their objective continues to be to have PCPs reflect local cash prices as closely as possible. While not a predictor of the future, USDA’s historical practice has been to gradually adjust PCPs over a period of time, rather than making major downward or upward adjustments in PCP values in a short time frame.

## Future Direction Uncertain for U.S.-Japan Talks on Beef Trade

Following the Sept. 21 bilateral meeting between President Bush and Japanese Prime Minister Junichiro Koizumi, the timing and future direction of U.S.-Japan talks on resuming beef trade are uncertain.

There was a flurry of behind-the-scenes negotiation preceding the Bush-Koizumi meeting in an effort to resolve the impasse surrounding Japan’s demand that all U.S. cattle 20 months or older be tested for bovine spongiform encephalopathy (BSE). The 20-month-old cutoff was recommended by Japan’s Food Safety Advisory Committee in a report submitted to Japan’s Ministry of Health, Labor and Welfare. However, there is uncertainty as to whether two suspected cases of BSE involving cattle 21 and 23 months of age were in fact BSE. Scientific evidence to date strongly supports the U.S. contention that BSE is not detectable in cattle less than 30 months of age, and results won’t be available for several more months on bioassay tests in mice that are designed to determine whether the two suspected cases involving younger cattle were attributable to BSE.

In a press briefing conducted following the Bush-Koizumi

meeting, a senior administration official said that both heads of state “agreed that we need to work to open the Japanese market as soon as possible to (U.S.) beef” – an oft-repeated assertion. The senior official said that there was no time line or deadline date mentioned, but that the two leaders agreed to “resume those talks and pick up very quickly to try to make progress on this” and said that discussions involving relevant government officials could resume within a week or two. “[I]n our (U.S.) view, we’re getting down to the point where it’s time make a decision based on the scientific work we’ve done together,” the U.S. official said.

Meanwhile, Japan last week confirmed its 13<sup>th</sup> domestic case of BSE, involving an eight-year-old Holstein dairy cow in central Japan. The first case of BSE in Japan was detected in September 2001. Of the 13 cases of BSE confirmed in Japan, 10 of the cattle were born between the end of 1995 and the spring of 1996. Japanese health officials suspect that the source of the infection is attributable to cattle imported from Great Britain in the 1980s and/or contaminated meat-and-bone meal imported from Italy before 1990.



## Congress Focuses on Spending Bills as 'Lame-Duck' Session Assured

Congress assured itself of conducting a "lame-duck" post-election session after today approving a continuing resolution that would fund the government beyond the end of the current 2004 fiscal year on Sept. 30.

Only one of the 13 annual appropriations bills for fiscal 2005 have been completed by Congress and signed by the president. The continuing resolution would extend government funding at existing levels through Nov. 30, giving lawmakers some time after the election to complete work on the remaining appropriations bills. That work likely will take the form of an omnibus bill that rolls several of the remaining appropriations measures into one in an effort to expedite passage.

Congress also officially extended its pre-election schedule by moving the targeted adjournment date from Oct. 1 to Oct. 8. Depending upon the timing of several politically timed legislative initiatives, such as an overhaul of the U.S. intelligence apparatus, that date could slip yet another week – to Oct. 15.

Here's an update on the status of several bills important to the grain, feed and processing industries:

► **Highway Bill Reauthorization Hits Roadblock:** The House today (Sept. 30) approved an eight-month extension of the current highway bill. The Senate is expected to follow suit, which all but ensures that Congress will not complete a long-term extension of the highway bill this year. Despite passage of separate but differing bills granting such a long-term measure by both chambers, work by a joint House-Senate conference committee has been snagged by Senate conferee objections. The parameters of the current proposal include a \$299 billion, six-year spending level that would increase the minimum guarantee returns to donor states – those that contribute more than they derive from the Highway Trust Fund – to 92.2 percent, up from the current 91.5 percent. The funding level essentially splits the difference between the higher level in the Senate version and the lower level in House, while the 92.2 percent is a compromise from donor states that initially demanded 95 percent. The proposal purportedly has the support of House conferees, but being held up by Senate conferees. The sticking point centers on lingering differences over the spending level and accusations from Democrats that Conference Chairman Sen. James Inhofe, R-Okla., reneged on an agreement with them that he would withhold his support unless he had the support of the Democrat conferees.

In addition to the bill's importance in maintaining the nation's highway infrastructure, both the House and Senate versions of the long-term bill include a provision that would codify the NGFA-supported truck driver hours-of-service agricultural exemption. Failure to pass the reauthorization this year would "kill" the bill and the process would need to start over in the 109<sup>th</sup> Congress. While both chambers likely would try to retain the progress already made by introducing similar bills at the start of the next Congress, many of the debates that already occurred likely would begin anew.

### ► **House Finally Names Corporate Tax Bill Conferees:**

The House took an important and much-delayed step on Sept. 29 by naming its conferees to the negotiations with the Senate over the FSC/ETI corporate tax reform bill. The House delayed naming conferees, although they passed the bill in June, because of concerns that Democrats would use the bill to press for difficult votes on Democratic priorities that could be used in campaigns through "motions to instruct" conferees to accept or remove certain provisions in the bill. Rules governing the timing of these motions allowed Democrats to propose one "motion to instruct" on Sept. 29, which failed by a 205-215 vote. Democrats now are prohibited from introducing another "motion to instruct" for 20 days, which exceeds the time that Congress is expected to be in session.

Conference Committee Chair Rep. Bill Thomas, R-Calif., has proposed an aggressive schedule that envisions House and Senate passage of the conference report by Oct. 8. Although there are many differences between the House and Senate versions of the bill, a \$10 billion tobacco buyout and Food and Drug Administration regulatory jurisdiction over tobacco are the major hurdles. House leaders support the buyout, but not the FDA regulatory change, while Senate conferees argue that their chamber is unlikely to accept a buyout without conferring regulatory powers over tobacco to the FDA.

Compromises in other areas already have surfaced, as Sen. Charles Grassley, R-Iowa, leader of the Senate conferees, has agreed to drop the \$17.6 billion in energy tax breaks contained in the Senate version of the bill. However, the bill is expected to retain changes to the ethanol tax formula, which would replace the current tax exemption with a new "volumetric ethanol excise tax credit." Under this mechanism, the tax collection system would change slightly,



# On Capitol Hill

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allowing all “gasoline” and “ethanol-blended gasoline” to contribute their full 18.4-cents-per-gallon to the Highway Trust Fund. Currently the ethanol tax exemption deprives the trust fund of the full 18.4 cents per gallon. The blender’s subsidy would not change. This is an adjustment long sought by Grassley and the ethanol and highway construction lobbies.

The basic provisions of the bill would repeal corporate tax breaks deemed illegal by the World Trade Organization and replace them with a reduction in the top corporate tax rate from 35 to 32 percent for domestic manufacturers, producers, farmers and small businesses. That would generate \$78.5 billion in tax savings. The NGFA continues to support the measure because it would: 1) provide a significant corporate tax reduction; 2) reinforce the U.S. commitment to abide by WTO rulings; and 3) implement a tax credit for short line rail infrastructure upgrades. The short-line provision would allow a tax credit at 30 cents per dollar of investment derived from the private sector, with a cap of \$3,500 per year per mile of track to support investment in short line railroads.

► **\$3 Billion Drought Relief Causes Problems for Homeland Security Bill:** The Senate’s inclusion of \$3 billion

in disaster assistance for drought relief in the homeland security appropriations bill has caused problems for that bill’s completion, as legislators try to reach agreement on how to proceed. The funds enjoy overwhelming support in Congress, and the Bush administration has been cautious to avoid political fallout over opposition to the aid. Despite this fear, fiscal conservatives in the House have expressed reservations about including the funds as emergency spending that would not be subject to offsetting spending cuts. Consideration has been given to cut 2002 farm bill spending as an offset, an idea that has drawn a severe rebuke from farm organizations and farm-state lawmakers. Other proposals being actively considered include adding the relief package to the agricultural appropriations bill in the omnibus appropriations bill likely to emerge during the lame-duck session or adding the provision to a broader emergency supplemental bill that would include funds for hurricane disaster relief and emergency road repair.

Drought relief in some form is nearly assured of being included in some legislation, particularly given election-year considerations. However, the legislative vehicle and the eventual form that relief will take is very much an open question.



# From the Bench

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## Supreme Court to Hear Beef Checkoff Case in December

The U.S. Supreme Court announced this week that it has scheduled oral arguments for Dec. 8 on the constitutionality of the beef checkoff.

The Supreme Court agreed to consider the issue in May when it granted the petitioners’ writs of certiorari in two cases - *USDA v. Livestock Marketing Assoc.* (No. 03-1164) and *Nebraska Cattlemen Inc. v. Livestock Marketing Assoc.* (No. 03-1165). These cases were consolidated for one hour of oral argument on one question presented in the petition to the Supreme Court: Whether the Beef Promotion and Research Act of 1985 and the Beef Promotion and Research Order violate the Constitution’s first amendment free-speech clause insofar as they require cattle producers to pay assessments to fund generic advertising with which they may disagree. The U.S. Court of Appeals for the Eighth Circuit previously upheld lower court rulings that the beef checkoff represented an unconstitutional infringement on free speech.

Another case also involving the beef checkoff – *Charter v. USDA* – was the subject of oral arguments in March before the U.S. Court of Appeals for the Ninth Circuit. The Ninth Circuit court is delaying further action in that case pending resolution of the “identical question” posed in the case under review by the Supreme Court.

Still before the High Court are similar appeals of a ruling by the U.S. Court of Appeals for the Sixth Circuit rejecting the pork checkoff on similar grounds. Petitions for writ of certiorari are pending in these cases: *Michigan Pork Producers Assoc. v. Campaign for Family Farms* (No. 03-1043) and *USDA v. Campaign for Family Farms* (No. 03-1180).

In yet another checkoff case – *Cochran v. USDA* – the U.S. Court of Appeals for the Third Circuit ruled against a dairy checkoff, but stayed the effect of its ruling to permit an appeal to the Supreme Court, as well.



## USDA Provides Electronic LDP Payments Nationwide

Elevator managers may wish to alert farmer-customers to the U.S. Department of Agriculture's Sept. 21 announcement in which it expanded the availability of electronically applying for and receiving loan deficiency payments (LDPs) nationwide.

The program is available for all LDP-eligible commodities except upland cotton, which is to be added at a future date. Thus, eligible commodities include corn (including corn silage), sorghum, wheat, soybeans and all minor oilseeds, wheat, barley, oats and rice, as well as peanuts, dry peas, honey, wool, mohair and unshorn pelts.

Producers wishing to utilize electronic LDPs will be required to complete a one-time signup each crop year that involves: 1) signing up and being approved for an electronic LDP at their USDA county office; and 2) having an electronic LDP customer profile established by the county office. Participants are required to have an e-mail address and create a customer profile through their local USDA Service Center that validates their farming and crop information. To enroll, producers are required to register by completing and returning a form CCC-634-E – "Request for Electronic Loan Deficiency Payment Services." The form is available electronically at [www.sc.egov.usda.gov](http://www.sc.egov.usda.gov), or from local USDA service centers. Eligible producers also are required to have an active USDA "e-Authentication Level 2 account," which requires filling out an online registration form at the same e-mail address, followed by a visit to the local USDA service center for identity verification.

During the enrollment process, producers will list the eligible commodity raised. The USDA county office then will establish a "reasonable quantity" of each commodity based upon the expected yield established by the county FSA committee.

USDA's Farm Service Agency (FSA) then will use that information to develop a "customer profile" that will authorize the producer to request LDPs up to specified amounts based upon the "reasonable quantity" of production. Producers then are able to specify an "allocated quantity" on which he or she expects to request electronic LDPs over the course of the crop year. Producers then will be able to electronically request LDP payments up to the allocated-quantity levels for each eligible crop grown.

Importantly, as with all LDPs, producers cannot obtain an electronic LDP on unharvested crops. And the producer needs to retain beneficial interest – title, control and risk of loss – in the commodity to be eligible for an electronic LDP.

E-mail verification will be provided by FSA in response to LDP application requests; FSA also will provide e-mail verification once the LDP is deposited in the producer's bank account. Transactions will occur on a security-protected computer server. For the time being, if the producer's production exceeds anticipated levels, he/she is instructed to update the USDA local service center. FSA, as it does for paper LDP requests, plans to conduct random spot checks on a certain percentage of electronic LDP requests, at which time it may request production evidence from the producer to verify the payment to which he/she is entitled.

The electronic LDP system was the subject of a successful pilot program in 21 selected counties in 2002.

## October Price Projections to be Used to Calculate Initial Counter-Cyclical Payments for 2004 Crops

As was the case for 2003 crops, the U.S. Department of Agriculture will base the first partial counter-cyclical program payment rates for 2004-crop feed grains, soybeans and other oilseeds, wheat, rice, upland cotton and peanuts on October world supply and demand estimates issued on Oct. 12.

The 2002 farm law requires that initial counter-cyclical payments be made as soon as practicable during October. USDA also announced that the first partial counter-cyclical payment will amount to 35 percent of the total projected counter-cyclical payment, the maximum advance payment permitted under the farm law. A second partial payment is scheduled to be made in February, and the final payment is determined based upon USDA's final season-average market

price at the end of the marketing year for each commodity.

Counter-cyclical payments are made if "effective prices," as determined by USDA, are less than the target prices specified in the 2002 farm law. The counter-cyclical payment is equivalent to the counter-cyclical payment rate multiplied by 85 percent of the farm's base acreage, multiplied by farm's established counter-cyclical payment yield. The "effective price" equals the direct payment rate plus the higher of: 1) the national average market price received by producers during the marketing year for the commodity; or 2) the national average loan rate for the commodity.





## Producers Advised to Contact Crop Insurance Agents on Quality-Damaged Grains

The U.S. Department of Agriculture's Risk Management Agency (RMA) this week urged producers to contact their crop insurance agents immediately if they sustained crop damage as a result of hurricane-spawned rains.

RMA uses quality-adjustment factors to determine quality deficiencies under the U.S. Grain Standards for insurable commodities. The following example was provided by RMA for corn:

Corn with 25 percent kernel damage and test weight of 47 pounds is designated as U.S. sample grade. The quality adjustment factors applied to this example would be: 0.254 (deficiency for kernel damage) plus 0.053 (deficiency for test weight) plus 0.226 (deficiency for sample grade) equals 0.533 (total deficiencies). Subtracting 0.533 total deficien-

cies from 1 would result in a quality adjustment factor of 0.467. Applying the quality-adjustment factor to 1,000 bushels of production would result in 467 bushels of production to count.

**Livestock Insurance Sales Resume Sept. 30:** RMA announced today that sales of the Livestock Risk Protection and Livestock Gross Margin plans of insurance had resumed effective Sept. 30, after the daily rates were submitted, verified and posted on the agency's web site. The Livestock Risk Protection plan, which is available daily, is designed to insure against declining market prices and is available for fed cattle, feeder cattle and swine. The Livestock Gross Margin plan, which is available monthly, provides protection against the loss of gross margin (market value of livestock, minus feed costs).



## Feed Facts

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## NGFA Cooperates with K-State on Feed Mill Profitability

The NGFA will be co-sponsoring a series of **Feed Mill Profitability Workshops** with Kansas State University early next year.

The two-part workshop series, scheduled for Dec. 1-2, 2004 and Feb. 2-3, 2005, will be conducted in Omaha, Neb. The workshops are designed to equip participants to: 1) perform capital budgeting, including preparation of detailed cash-flow statements and assigning rates of return based on projected risk; 2) interpret financial statements and assess feed mill competitiveness through the application of financial ratios and benchmarking; 3) perform cost analysis by shift and feed ration; 4) analyze and manage variability using statistical techniques that improve feed quality, operating

efficiency and profitability; and 5) utilize planning techniques to examine growth strategies. The workshops also will help feed mills begin benchmarking their performance, both internally and with feed mills in other companies.

**NGFA Handling Registration Duties for Workshops:** Under a new agreement with K-State's Department of Feed Science, the NGFA is very pleased to be handling registration for these events. The total cost for the two workshops is \$750, including course materials, lunch, breaks, computer software, one year benchmarking and newsletter.

Questions on the workshops' curriculum and schedule should be directed to Dr. Tim Herrman, workshop coordinator, at 785-532-4082.

## Last Chance To Register for Feed Quality Assurance Workshop!

### ...Workshop Designed for Commercial Manufacturers, Integrators...

The NGFA will conduct its 19<sup>th</sup> regional **Feed Quality Assurance Workshop on Oct. 6-7 at the Holiday Inn Conference Center in Staunton, Va.**

The very popular one-and-a-half-day program covers all aspects of feed manufacturing – from purchasing quality ingredients to ensuring accurate and safe finished feed delivery. The material covered at the workshop is appropriate for all key feed mill employees – including managers, mill operators, ingredient buyers, truck drivers and others.

An excellent value at only \$175 for NGFA-member companies – and \$155 for additional registrants from the same company – the workshop also includes sessions on BSE-prevention compliance and use of hazard analysis and critical control point (HACCP) feed safety principles.

For more information about the workshop and a registration form, visit [www.ngfa.org](http://www.ngfa.org) or call the NGFA office at (202) 289-0873.





## Canada Issues 'Information Paper' Seeking Comments on Far-Reaching Changes to its BSE-Prevention Feed Rule

The Canadian Food Inspection Agency (CFIA) on Sept. 22 issued an "information paper" in which it presented several options it is considering proposing as amendments to Canada's 1997 feed regulations designed to prevent the establishment or spread of bovine spongiform encephalopathy (BSE).

As previously announced by the CFIA in July, the centerpiece of the document signals Canada's intention to propose banning from all animal feed and pet food the use of all so-called specified risk materials (which it said likely would be defined as the skull, brain, vertebral column, trigeminal ganglia, eyes, tonsils and dorsal root ganglia of cattle 30 months or older, and the entire small intestine of all cattle), as well as dead and non-ambulatory (downer) cattle. However, unlike the U.S. Food and Drug Administration's advance notice of proposed rulemaking issued in July, the CFIA solicits comments on an "alternative definition" of SRMs that would be limited to the removal of brain and spinal cord of cattle older than 30 months.

The CFIA document also seeks feedback on several other measures being considered as part of its "main" regulatory enhancements. These include: 1) banning the feeding of mammalian blood and blood products to ruminants; 2) "potentially" requiring dedicated lines and equipment in commercial facilities – including feed mills and rendering plants – that manufacture, handle, store, use or distribute both mammalian materials prohibited from being fed to ruminants and non-prohibited products; 3) requiring Canadian government certification of all animal proteins and feed containing animal protein intended for export; 4) requiring operators of facilities where SRMs are removed to segregate those tissues from other inedible tissues that might be used in non-ruminant feed or feed ingredients; 3) requiring dedicated facilities

and equipment to remove, store, handle and distribute SRMs and dead and downer cattle; 4) identifying SRMs and dead stock cattle through stains, tracers, markers or other means; 5) tracking movement of SRMs and dead and downer cattle to final disposition or alternative uses, such as industrial use; 6) specifying the manner and conditions under which SRMs and dead and downer cattle are disposed of; 7) requiring dedicated facilities and equipment to pre-treat, transport, dispose of or use SRMs and dead and downer cattle; and 8) amending and expanding Canada's version of the BSE warning statement required on labels of feeds or feed ingredients containing prohibited mammalian material. That warning statement in Canada currently reads: "Do not feed to cattle, sheep, deer or other ruminants."

Further, among "additional elements" that could be considered, the CFIA requests input on whether to mandate minimum standards for rendering; extend regulatory controls to apply to manufacturers and importers of fish meal; and ban the use of SRMs and dead and downer cattle in fertilizers. The CFIA asserts that "there is uncertainty surrounding the behavior in the environment" of the protein prion agent believed to be responsible for causing BSE, and that such a fertilizer restriction would "prevent potential contamination" of pastures, soils, and surface water and groundwater. Further, it said, "allowing these materials to be used in fertilizers would make it difficult to prevent the potential accidental or intentional misuse, on farms in particular, of fertilizers as bone meal and blood meal as feedstuffs."

CFIA said it would use input received in response to the information paper to develop a "package of proposed regulatory amendments" that it intends to propose this fall in the *Canada Gazette*, which is Canada's version of the *Federal Register*.

## White House to Establish Interagency Prion Scientific Working Group

The White House announced this week that it will establish a federal interagency working group to identify gaps in scientific knowledge about prion-related diseases, such as bovine spongiform encephalopathy in cattle and scrapie in sheep.

The working group also is to review and discuss new scientific findings about prions and recommend prion-related research project needs. The working group is to

be comprised of federal government scientists with expertise in prion diseases who will be nominated by federal agencies, such as the U.S. Department of Agriculture, Food and Drug Administration and Centers for Disease Control and Prevention. The working group will be established under the auspices of the White House National Science and Technology Council, which will oversee its activities.





## World Animal Health Group to Consider BSE Risk Categories

The World Animal Health Organization plans to consider a new, simplified approach for categorizing countries for risks associated with bovine spongiform encephalopathy (BSE) during its meeting in the spring of 2005.

Known officially as the Office of International Epizootics (OIE), the organization develops guidance that is intended to encourage science-based determinations by countries so as to facilitate trade in live animals; fresh and processed animal products; and feed and feed ingredients.

During a Sept. 28 meeting hosted by the National Cattlemen's Beef Association, the NGFA and other groups reviewed a proposed new approach developed by an *ad hoc* group of nations that would revise the OIE's BSE chapter to reduce from five to three the number of categories of BSE risk. Under the new three-category approach scheduled to be considered by OIE next spring:

- ◆ **Category 1** would apply to countries or areas that are a negligible risk for BSE and do not require risk-mitigation measures. These would be countries where a combination of surveillance and risk assessment confirms that commodities need no risk-mitigation measures for the commodity to present a negligible risk of transmitting the BSE agent.
- ◆ **Category 2** would be for countries where a combination of surveillance and risk assessment confirms that risk factors are being mitigated and that commodities present a negligible risk of transmitting BSE because of the application of commodity-specific risk-mitigation measures.
- ◆ **Category 3** would be for countries or areas where BSE represents an undetermined risk. These countries would be those that cannot fit into the other two categories. Countries in this category would need to

demonstrate, among other things, that they have implemented: 1) an effective ban on feeding ruminant-derived products to ruminants; 2) routine ante-mortem and post-mortem veterinary inspections on ruminants; 3) removal and "destruction" of specified risk materials (SRMs) to "reinforce the effectiveness" of the ruminant feed restrictions; 4) a surveillance program; 5) regular review of risk assessment; and 6) routine examination and notification of clinical cases of BSE.

The *ad hoc* group also recommended that trade in the following products should be allowed regardless of the BSE categorization of a country: 1) milk and milk products; 2) hides and skins; 3) gelatin and collagen prepared exclusively from hides and skins; and 4) semen and *in vivo*-derived cattle embryos. From newly proposed category 1 countries, the *ad hoc* group recommended that unrestricted trade be allowed. For category 2 and 3 countries, it recommended that unrestricted trade be allowed in boneless beef (muscle cuts) from cattle less than 30 months of age, subject to ante-mortem and post-mortem veterinary inspection. It recommended that muscle meat from cattle older than 30 months also be permitted unrestricted trade if SRMs also were removed.

The *ad hoc* group told OIE that the organization's current five-category approach – which is based primarily upon differences in the apparent prevalence of BSE infection – was not being implemented in practice. "It is believed that, with the three proposed categories being risk-based (with emphasis on a combination of risk assessment and surveillance), there would be less opportunity for subjective interpretation," the *ad hoc* group said in its recommendations to OIE.

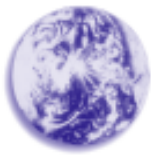
The NGFA is teaming up with cattle, meat processing and rendering organizations to develop comments on the proposal for the U.S. delegation to the OIE.

## FDA Schedules Oct. 12 Meeting of TSE Advisory Committee

The Food and Drug Administration's Transmissible Spongiform Encephalopathies (TSE) Advisory Committee will explore several BSE-related issues during its Oct. 14 meeting in Silver Spring, Md.

Of particular interest will be the advisory committee's deliberations and development of recommendations concerning the adequacy of FDA's current safeguards regarding presumptive blood transfusion transmissions of variant Creutzfeldt-Jakob Disease – the degenerative, fatal brain disease that is the human form of BSE. Also

on the agenda is a review of the worldwide BSE situation, USDA-licensed tests for diagnosing BSE and other TSE diseases; and the FDA Center for Food Safety and Applied Nutrition's BSE-prevention rules governing FDA-regulated food and cosmetic products. The advisory committee also will examine labeling claims for TSE clearance studies for plasma derivative products. More information is available by contacting Randy Gordon, NGFA vice president for communications and government relations, at 202-289-0873, or by e-mail at rgordon@ngfa.org.



## U.S. Coast Guard Grants Final Approval to NAEGA Alternative Security Program

In a significant development, the North American Export Grain Association (NAEGA) was notified on Sept. 22 by the U.S. Coast Guard that it had granted final approval to the NAEGA Alternative Security Program for grain export facilities that are subject to the facility-security requirements of the Maritime Transportation Security Act of 2002.

That law requires facilities that receive commercial vessels greater than 100-gross register tons on international voyages – such as facilities exporting bulk commodities – to develop, submit and implement facility security plans meeting specific Coast Guard requirements.

As a service to the industry, NAEGA works with users to develop and maintain the Coast Guard-approved NAEGA Alternative Security Program to provide an industry-wide approach to meeting the agency's requirements. The NAEGA program is tailored to, and appropriate for, the types of operations and conditions that exist at grain export elevators. The Coast Guard had granted interim approval of the NAEGA alternative security program in late December.

Use of the NAEGA alternative security program is available to NGFA member companies, as well as to NAEGA members, by subscribing through NAEGA. Companies initially were required by Dec. 31, 2003 to indicate whether they wished to be included under the

NAEGA alternative security program or wished to submit their own facility security plans to the Coast Guard.

Affected facilities that have not yet subscribed to the NAEGA alternative security plan still have the opportunity to do so; more information on that is available by contacting NGFA Director of Technical Services Thomas C. O'Connor at toconnor@ngfa.org, or by telephoning him at 202-289-0873.

Facilities subject to the requirements had until July 1, 2004 to come into compliance with either the NAEGA alternative security plan or their own individual plans that had to be submitted and approved by the Coast Guard.

**Inspection Plans:** The Coast Guard said its various port commanders will be visiting various facilities to ensure they are utilizing the alternative security plan as written, in its entirety, and to ensure the program is appropriate for the types of facilities using it. Importantly, amendments or changes to the NAEGA alternative security plan cannot be made by individual facilities; nor can they be made by individual Coast Guard inspectors. Only the commandant of the Coast Guard can order such changes, and can do so only through the organization that developed and submitted the alternative security plan – in this case, NAEGA.

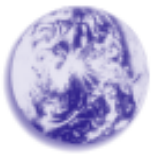
Thus, only NAEGA, working with users of the plan, can amend it in the future, and only with the expressed consent and approval of the Coast Guard commandant.



### Calendar

- Oct. 6-7, 2004: NGFA Feed Quality Assurance Workshop**  
Holiday Inn Conference Center, Staunton, Va.
- Oct. 14, 2004: NGFA/GEAPS Safety, Health and Environmental Quality Committee Meeting**  
NGFA Conference Room, Washington, DC
- Dec. 5, 2004: NGFA Country Elevator Committee Meeting**  
Adams Mark Hotel, Denver, Colo.
- Dec. 5-7, 2004: NGFA Country Elevator Council Conference**  
Adams Mark Hotel, Denver, Colo.





## FDA to Conduct Enhanced Surveillance of Targeted Food Products to Test Bioterrorism Incident-Response Capabilities

The Food and Drug Administration (FDA) on Oct. 11 is scheduled to begin a six-week nationwide enhanced surveillance program focused on five categories of food products, in part to test the bioterrorism incident-response capabilities of FDA and the states.

During a Sept. 22 briefing attended by the NGFA, FDA officials said the food-security surveillance will involve facility inspections; reconciliation examinations of inventories and inbound/outbound products; and collection and analysis of samples of food products that have an "elevated risk" for intentional contamination. FDA said other principal goals of the enhanced surveillance assignment are to inform affected establishments that they are handling higher-risk products and encourage that they implement elevated security measures, as well as to deter intentional contamination incidents.

The five categories of food products to be sampled and tested are:

- ▶ fluid milk;
- ▶ liquid and powdered infant formula;
- ▶ spring and mineral water;
- ▶ fruit and vegetable juice, including concentrates; and
- ▶ fresh leaf and stem vegetables.

Inspections and sampling at fluid milk plants is to occur throughout the six-week period (ending on or about Nov. 19), while facilities handling the other food and drink products will be inspected and sampled during three-week intervals during the Oct. 11 through Nov. 19 period.

FDA said it hoped to collect 400 total samples (involving both domestic and imports), which will be analyzed for selected chemical and biological agents that might be used by terrorists to contaminate food products. The samples will be analyzed at federal and state laboratories that participate in the Food Emergency Response Network (FERN). Test results on samples are expected to take up to two weeks, since each sample will be analyzed for multiple contaminant agents. But FDA stressed that it will **not** require products to be detained awaiting test results.

Importantly for the grain, feed and grain processing sectors, even though grain, feed and grain products are not specifically targeted for surveillance, FDA and state inspectors will be requesting that inspected facilities voluntarily provide information on suppliers and consignees – in part to assist in identifying facilities that have not yet registered with FDA under the bioterrorism-preparedness law.

FDA stressed that the new food-security surveillance assignment would augment, and not undermine, its existing food safety inspections and emergency response activities, such as those associated with hurricane-disaster response. But it said all other available FDA and state food safety inspection resources **not** devoted to existing food safety inspections or disaster response would be mobilized to participate in the enhanced food-product surveillance assignment.

FDA officials said the agency's goal is to inspect 95 percent of the establishments handling the five categories of food products identified in the surveillance assignment. Inspected establishments will be informed at the outset about the reasons for the inspection, utilizing a standard script developed by FDA headquarters.

The products subject to heightened surveillance were identified by FDA as part of its operational risk-management assessments completed in February. That process involved ranking the relative risk of different food products to determine those that had the greatest potential for intentional contamination that could cause the greatest number of human illnesses or death. The agency said that the enhanced surveillance specifically is timed to coincide with the period leading up to the Nov. 2 presidential election. While FDA said it has received no specific threat information involving the targeted food products, it believes they "merit special coverage at this time."

FDA officials said one objective of the surveillance is to enable its network of federal and state FERN laboratories to utilize and test the capabilities of new testing methodologies for detecting intentional tampering of food products. These testing methods are less sensitive than those normally used by the agency when conducting tests on various products for food safety. An electronic copy of the FDA food-security assignment is available by contacting Randy Gordon (rgordon@ngfa.org) or Tom O'Connor (toconnor@ngfa.org) at the NGFA at 202-289-0873.





## USDA Schedules Karnal Bunt Workshop in Texas

The U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) has scheduled an Oct. 14 workshop near Dallas, Texas, to discuss progress to date on the agency's strategy to remove Karnal bunt as a quarantine pest.

The meeting will be conducted at the Wyndham Anatole Hotel, 2201 Stemmons Freeway, located approximately 14 miles from the Dallas/Fort Worth International Airport. The workshop is scheduled for 8 a.m. to 5 p.m., with registration beginning at 7:30 a.m.

Karnal bunt, a fungal disease of wheat, durum wheat and triticale, is considered a quarantine pest by the United States and in many overseas markets. Its discovery in 1996 in parts of Arizona, California, New Mexico and Texas prompted USDA to implement a program to manage the outbreak and provide assurances to foreign buyers that U.S. wheat exports are free of the disease. USDA's program includes an annual survey of U.S.

wheat-producing areas for the presence of Karnal bunt, as well as stringent regulations to prevent wheat from areas infected with the disease from reaching export markets.

Despite Karnal bunt's status as a quarantine pest, it has a negligible impact on yield and quality unless present at very high infection rates. In 2002, APHIS included in its strategic plan the goal of deregulating Karnal bunt as a quarantine pest by 2007. APHIS said that during the workshop, it will provide a status report on progress in implementing the plan and obtain feedback from stakeholders on potential changes for 2005. A similar seminar was conducted in Oklahoma in 2003.

In addition to the workshop, APHIS said it will host a field trip on Oct. 13 to the agency's laboratory in Olney, Texas, with round-trip transportation provided. Those interested in attending the workshop and field trip may register and obtain hotel information from the APHIS web site at: <http://www.aphis.usda.gov/ppq/ep/kb/meetings.html>

## NAS to Convene Another Expert Panel on Dioxins

The National Academies of Science (NAS) has appointed a 15-member panel of scientific and medical experts to assess the scientific validity of findings contained in the U.S. Environmental Protection Agency's 2003 draft reassessment on the risks posed by dioxin and dioxin-like compounds.

The new panel also is to determine whether the draft reassessment provides a clear delineation of all substantial uncertainties and variability. In particular, NAS said the expert panel will assess the scientific evidence classifying dioxins as a human carcinogen; examine the validity of

the so-called toxic equivalency factors used to weigh the different forms of dioxin to the most potent form; and "endeavor to make the uncertainties in (EPA's) risk assessment more fully understood by decision makers."

The project calls for the expert panel to complete and publish its final report by the end of 2005. The NAS review of EPA's 2003 draft reassessment is being sponsored by EPA, the U.S. Department of Agriculture and the U.S. Department of Health and Human Services. The expert panel has scheduled its first meeting for Nov. 22-23 at the National Academy of Sciences headquarters in Washington.

## USDA Seeks Nominations to Grain Inspection Advisory Committee

The U.S. Department of Agriculture is seeking nominations by Nov. 22 to its Grain Inspection Advisory Committee to replace five members and one alternate whose terms expire in March.

The advisory committee provides input to USDA's Grain Inspection, Packers and Stockyards Administration on matters related to the official grain inspection and weighing system. Those whose terms are expiring are: NGFA/GEAPS Grain Grades and Weights Committee Chair **Bob Smigelski**, Agriculture Group operations manager for The Andersons, Maumee, Ohio; NGFA member **David Ayers**, manager, Champaign-

Danville Grain Inspection Departments, Inc., Champaign, Ill.; NGFA member and Texas state representative **David Swindford**, former president, Dumas Cooperative Elevator, Dumas, Texas; and **Mary Schuler** of Shuler Lands. The alternate member whose term expires is NGFA member **Lynn Clarkson**, president, Clarkson Grain Co., Cerro Gordo, Ill.

Those interested in being nominated are encouraged to contact NGFA Director of Technical Services Tom O'Connor at 202-289-0873, or by e-mail at [toconnor@ngfa.org](mailto:toconnor@ngfa.org).



## EPA Seeks Data for Allocating Methyl Bromide

The Environmental Protection Agency (EPA) is seeking information it can use to create a baseline for allocating methyl bromide under the "critical-use" exemption that will apply after 2005.

Specifically, EPA is requiring producers, importers, users and others to report the quantity of methyl bromide held for sale, as well as amounts held for transfer to another entity. In an announcement published in the Aug. 25 *Federal Register*, EPA said it will use the information to create a baseline for the allocation of such critical-use stocks to identified inventory holders that wish to sell methyl bromide to the critical-use market. The data also will be used to determine how much new production and consumption of methyl bromide will be authorized by EPA for critical uses in 2005.

The critical-use exemption is important to the milling and pet food industries, where methyl bromide plays an important role in plant sanitation programs. EPA has classified rice and wheat milling as critical users of methyl bromide. Millers repeatedly have told Congress and EPA that no viable or cost-effective alternative to methyl bromide currently exists.

The current use restrictions on methyl bromide originally were enacted in 1988 in response to the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer (protocol). In 1997, the protocol's phase-out schedule for industrial countries was extended to 2005. But the protocol allows affected countries to permit continued production or consumption of methyl bromide necessary "to satisfy uses agreed by them to be critical."

## NPDES Compliance Manual Now Available from EPA

The Environmental Protection Agency has announced that its National Pollution Discharge Elimination System (NPDES) Compliance Inspection Manual is available.

The manual contains EPA's guidance on conducting inspections of facilities required to obtain a permit under the NPDES program. Specifically, the manual contains chapters addressing inspection procedures, proper sample collection and flow-measurement techniques, facility site review, proper laboratory procedures and required facility records and reports. EPA's NPDES program requires certain "industrial activities" to obtain a permit for

discharges of stormwater to U.S. waterways. Feed manufacturers, millers, processors and other food-related operations are included in the NPDES program but can qualify for an exemption if there has been no exposure of materials and activities to stormwater. The NPDES program does **not** cover grain elevators engaged in handling, storing and merchandizing grains and oilseeds.

The manual may be obtained electronically at the following EPA web site address: <http://www.epa.gov/compliance/resources/publications/monitoring/inspections/npdesinspect/index.html>.

## NGFA Participates in GIPSA Quality Management Training Session

NGFA Director of Feed Services Dave Fairfield participated in a two-day training session on Aug. 31 – Sept. 1 on quality management systems and USDA's "process verified" third-party certification program. The Kansas City seminar, conducted by USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA), was attended by participants from the grain, feed, and seed industries, and associated agribusinesses.

Through its Process Verified Program, USDA provides suppliers of agricultural products or services the opportunity to have their manufacturing or service processes verified through independent, third-party audits. Process Verified suppliers are able to market themselves as "USDA Process Verified." The program uses the ISO

9000:2000 series of standards for documented quality management systems as a format for evaluating quality management systems to ensure consistent auditing practices and promote international recognition of audit results. To maintain third-party impartiality and integrity, USDA does not participate in the development of the process to be verified.

GIPSA has scheduled two more **free** quality management training sessions during 2004 – Oct. 6-7 in Minneapolis, Minn., and Nov. 17-18 at the GIPSA Technical Center, located near Kansas City Mo., international airport. See the Sept. 16 *NGFA Newsletter* for more details about these events and USDA's "Process Verified" Program.



# Membership Matters

by Todd Kemp  
Director of Marketing

## General Mills Membership Promotion Announced for October!

### ...Treats, Not Tricks, in Every Package!...

Just in time for the holidays, every NGFA member has the opportunity to earn a delightful assortment of General Mills products during the month of October.



All you have to do is sign up a new NGFA member, and that festive and delicious package of goodies is headed to your doorstep!

Made available through the generosity of NGFA-member company General Mills Inc., Minneapolis, Minn., the prize packages will include an assortment of General Mills products, coupons and a cookbook. Each NGFA recruiter who sponsors a new member beginning Oct. 1 through Oct. 29 will receive their General Mills package around mid-November – a heart-warming and tasty addition that will be welcomed around the family Thanksgiving table.

Need advice on companies you can recruit, and how to do it? Need talking points or dues examples? Need information sent, or a follow-up call made? The NGFA staff is here to make membership recruiting simple! Contact Todd Kemp at [tkemp@ngfa.org](mailto:tkemp@ngfa.org) or (202) 289-0873.

### Do You Know the ‘Facts on Feed?’

Haven't received your copy of the new NGFA report "*The Facts on Feed*" yet?

It's a snappy new communication, delivered only by e-mail, especially designed for commercial feed manufacturers, integrators and related businesses. The report delivers a brief, to-the-point monthly update on news and reports about the NGFA's activities in the feed sector. If you would like to be added to the electronic distribution list, send an e-mail saying "I want The Facts on Feed" to [tkemp@ngfa.org](mailto:tkemp@ngfa.org).



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