

117th NGFA Annual Convention

Westin St. Francis Hotel

San Francisco, CA



ONE INDUSTRY – UNITED

NGFA Chairman's Address: Dave Hoogmoed

March 19, 2013



Major Themes

■ State of Our Industry

- Interdependence and interconnected nature of our various industry sectors
- One Industry – United

■ State of NGFA

- Substantial progress on significant industry Issues
 - Attributable to members uniting on shared purpose
- Strong membership and financials



Our Interconnected, Interdependent Industry

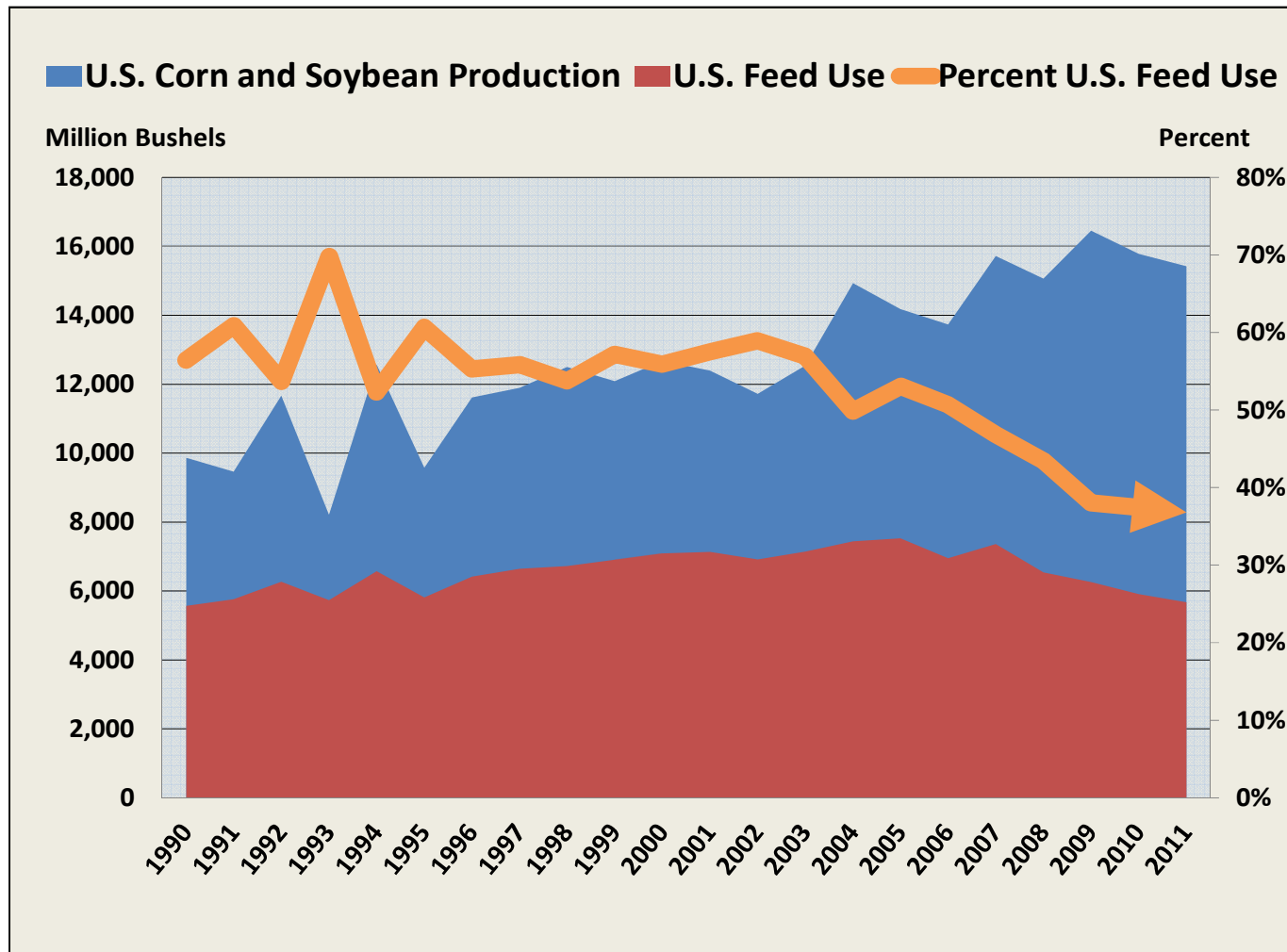
■ My Background: Animal Ag and Feed Sectors



- Heavily dependent on grain, oilseed handling, processing
- More than 40% of U.S. corn, soybeans consumed by U.S. livestock, poultry industries over the last 5 years
 - Even with ethanol
- USDA projects feed use of corn to increase 21% in 2013-14
- Rely on efficiency of grain and oilseed handlers
- Requires pro-growth ag policies, efficient futures markets, transportation, infrastructure, etc.



Utilization of U.S. Corn, Soybean Production



Keys to Mobilizing Strengths, Diversity of Members

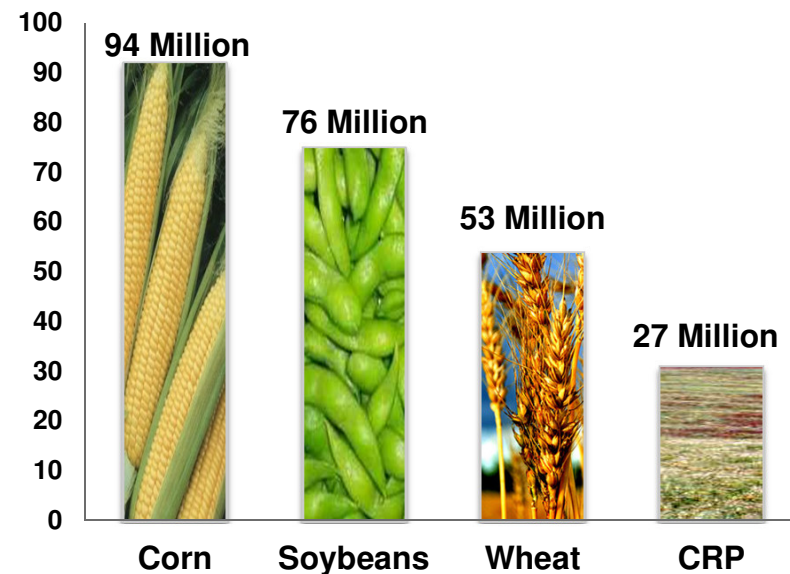
- **NGFA Committee System – Unrivaled**
 - 18 Committees: Cover the gamut of issues important to our industry sectors
 - More than 300 industry volunteers from all types, sizes of member companies
- **Achieve consensus by seeking what's best for industry as a whole**



Big-Ticket Policy Issues, Achievements

■ Reforming Conservation Reserve Program

- 4th largest U.S. Crop
- NGFA Foundation Study – 8.7 million acres of ‘prime farmland’ enrolled
- CRP reform in 2012 Farm Bill versions
 - Both House, Senate reduce CRP cap from 32 million to 25 million acres
 - First time ever: House version mandates USDA offer penalty-free early outs for non-environmentally fragile land
- NGFA partnering with agribusiness, livestock, poultry organizations to achieve even more in 2013
- Rep Martha Roby Bill: Reduce CRP to 24 million acres, make best land classes ineligible



Big-Ticket Policy Issues, Achievements

▪ Futures Markets – Protecting Customers

- Bankruptcy Law Amendments – provide more detailed guidance in liquidation proceedings involving FCMs, commodity brokers



- Exploring feasibility of voluntary, fully segregated customer accounts – pilot with Futures Industry Association
- Exploring insurance coverage for commodity accounts
- Recognize additional protections come at a price



Big-Ticket Policy Issues, Achievements

▪ CFTC Customer-Protection Proposed Rule

- Tighten requirements on FCMs – assess capital charges of margin funds not received within 1 day (currently 3); require additional interest if hedge accounts not fully margined any time during trading day
- Could lead FCMs to require pre-margining and/or intraday margining of hedge accounts



- NGFA working with FIA, Farm Bureau, National Cattlemen Beef Association, National Pork Producers Council, National Co-op Council to oppose CFTC rule



Big-Ticket Policy Issues, Achievements

- **FDA Implementation of Food, Feed Safety Law**
 - Historic change – require new, prevention-oriented product safety
 - NGFA leadership role in crafting legislative language



FDA-Proposed Food Safety Rules: Raw grain viewed low risk; agency-used NGFA-drafted legislative language to grant exemption for grain elevators from law's requirements to assess hazards, implement preventive controls, comply with CGMPs

Caution: Elevators still subject to FDA enforcement for insanitary storage, adulteration posing danger to human, animal health (e.g., mycotoxins)

Caution: Customers (food, feed, retail) likely to impose greater product safety requirements on suppliers



Big-Ticket Policy Issues, Achievements



- **OSHA – Resolution is in Sight for Sweep Auger Issue**
 - Progress results from settlement agreement Between OSHA, NGFA member firms
 - Settlement allows employees to be present in bins if 10 common-sense safety practices followed



- National policy expected soon

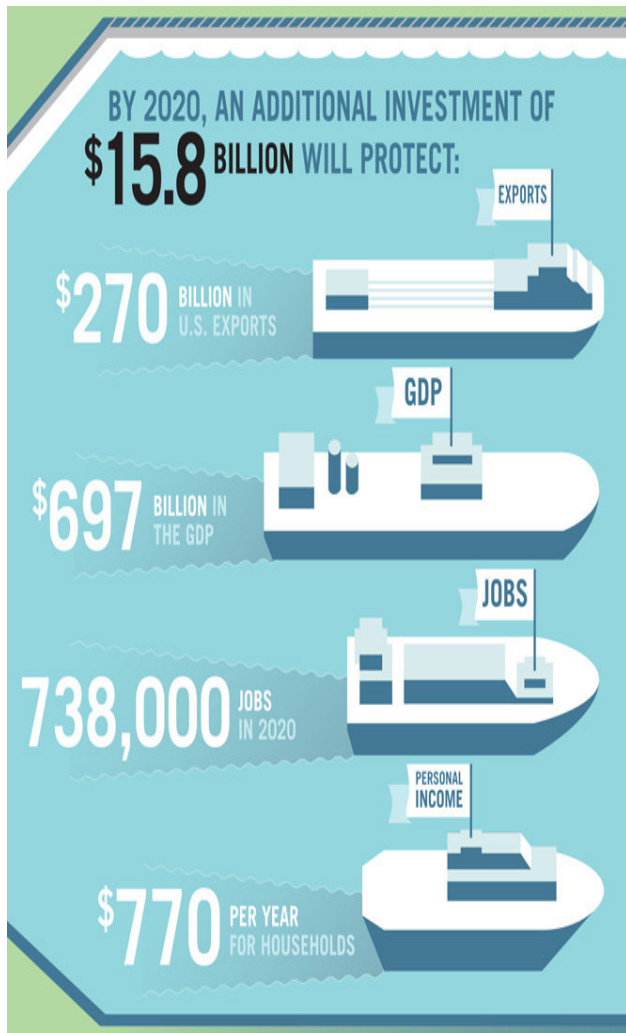


Big-Ticket Policy Issues, Achievements

- **Biotechnology – Addressing Marketability Issues**
 - Major initiative involving industry, biotech providers, producers
 - NGFA, NAEGA, National Corn Growers, American Soybean Association, BIO, American Seed Trade Association working together in leading MOU effort
 - Addressing market issues created if biotech traits:
 - Not approved in export markets
 - Functionally different output traits become commingled in general commodity stream
 - Significant progress on developing private-sector approaches to tackle seemingly intractable market-related issues
 - Hope to have consensus industry-based standards by year's end



Big-Ticket Policy Issues, Achievements



■ Inland Waterways and Ports

- NGFA leading ag effort to build support for renovating locks and dams
- Improvements to harbors and ports
- Strong alliance with Waterways Council Inc.
- Disruptions caused by drought-reduced Mississippi River navigation – teachable moment on importance to U.S. economy



Big-Ticket Policy Issues, Achievements

- **EPA – Clean Air Act Permitting for Temporary Storage Structures**
 - Collaboration with NOPA, other ag groups to resolve long-festering issue
 - Resolution expected as part of EPA rulemaking on new source performance standard – *cautiously optimistic*
 - Urging EPA to count only portion of temporary storage capacity in calculating air permitting requirement
 - Urging EPA to rescind 2007 interpretation; grandfather existing temporary storage structures
 - Hope to resolve **BEFORE** proposed rule published



Big-Ticket Policy Issues, Achievements

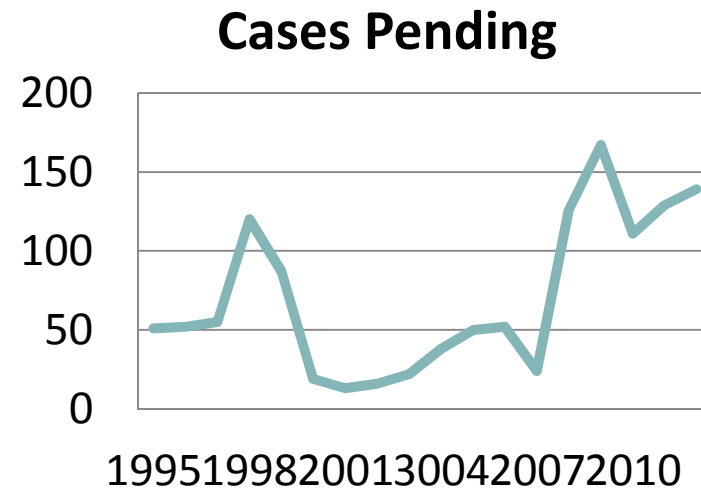
- Interdependence, interconnectivity extends to policy achievements
- Value of NGFA's increased collaboration with wide range of other like-minded organizations



Further Strength of United Industry Via NGFA

■ NGFA's world-class Trade Rules, Arbitration System

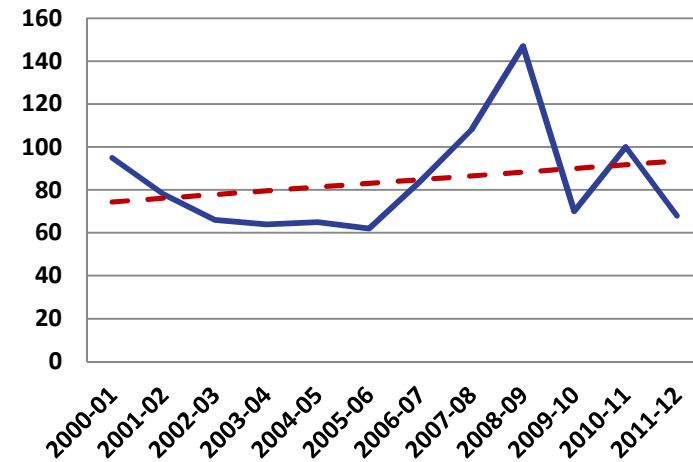
- In existence since association's founding in 1896
- 'Special Jewel'
- More than 100 dedicated individuals from NGFA-member companies volunteer to serve as arbitrators
 - Expertise in type of trade, trade practices involved in case
- High level of activity – 98 cases pending; 51 submitted in last 12 months



Our Association Continues to Grow

- More than 400 new member companies joined NGFA in last 5 years
- Net membership gain of more than 125 firms
- Revenues increased 32% in same time span, despite 14% dues reduction for Active Members in 2012 (and dues rebates previous 2 years)
 - Always financially sound, NGFA on soundest financial footing ever
- Remarkable achievement in consolidating industry – NGFA demonstrating value
- Few, if any, other national associations can match!

Members Added Each Year



Keys for Success

- Need for personal commitment to get more engaged in political process
- Means getting out of comfort zones
- Need to capitalize on NGFA's inherent grassroots strength
- Member companies handle 70% of grain, oilseed crop
- Facilities located in more than 300 Congressional districts



ONE INDUSTRY — UNITED



Keys for Success

- Crucial need to build participation in NGFA Grain and Feed PAC
- Four in-district fundraisers planned for 2013 for members of Congress sharing NGFA's free-market principles
- NGFA's PAC an investment in our company's, industry's future



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