Grain and Feed Issues for 2014

Presented at
Virginia State Feed Association Annual Convention
Roanoke, VA
Feb 19, 2014

Serving the Industry for 118 years!

NGFA Fast Facts

- More than 1,000-Member Companies:
  - Grain elevators
  - Feed, feed ingredient manufacturers
  - Oilseed processors
  - Flour, corn mills
  - Biofuels producers
  - Many other related agribusinesses
  - 26 State/Regional Associations
  - Partnerships with NAEGA, PFI

- NGFA’s Mission and Purpose
  - Secure abundant, safe food and feed supply
  - Promote free markets

Facilities of NGFA-Member Companies, by State

NGFA-Member Companies in Canada (27)
Grain and Feed Issues for 2014

Food Safety Modernization Act
- Signed into law in January 2011
- Biggest change in FDA regulation in 80+ years
  - Hazard analysis, preventive controls (HACCP-based)
  - Updated/new CGMP requirements
  - Written food, feed safety plans
  - Applies to domestic, foreign facilities (exporting products for consumption in U.S.)
  - 50 different sets of regulations, guidance documents
- FDA under court order to issue rules
  - Comment deadlines no later than March 31, 2014
  - Final rule deadlines no later than June 30, 2015

Proposed Human Food Rule
- Major Concerns Raised in NGFA’s Comments
  - Clarify proposed exemptions from CGMPs and preventive controls for facilities “solely engaged in storage” of raw agricultural commodities other than fruits and vegetables (i.e., grain elevators)
  - Urged FDA to exempt packing of raw ag commodities from proposed requirements
  - Allow use of appropriate preventive controls commensurate with food safety risk/hazard
  - Provide more flexibility in training – too prescriptive
  - Strongly opposed requirement to submit facility profile information
  - Opposed mandatory product, environmental testing
  - Customer Complaints – FDA review should be limited to those pertaining to food safety

Proposed Animal Feed Rule
- Feed mills required to follow new CGMPs and implement HACCP-like preventive controls
- FDA proposed exemption for grain elevators, but definition of “storage” needs to be revised (like in human food rule)
- NGFA comments will urge FDA to:
  - Address “storage” definition
  - Implement realistic, practical and outcome-based CGMP requirements – too prescriptive now – with long phase-in for compliance
  - Limit scope of preventive controls to feed safety risks that truly merit rigorous management oversight
  - Delay effective date until after CGMP requirements phased in
  - Oppose requirement to address “nutrient deficiencies” in hazard analysis
  - Validation provisions problematic
  - Support level playing field
  - Oppose sanitation requirements for animal feed

FDA-Proposed Rule Topics | FSMA Deadlines
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Produce Rule | Published Jan. 16, 2013 | Close of Comment Period | June 30, 2014
CGMPs and Preventive Controls - Human Food | Published July 29, 2013 | Jan. 27, 2014
Foreign Supplier Verification Programs | Published Oct. 29, 2013 | March 31, 2014
Accreditation of Third-Party Auditors | Published Dec. 24, 2013 | March 31, 2014
CGMPs and Preventive Controls - Animal Feed | Published Feb. 5, 2014 | May 31, 2014
Food Defense/Intentional Adulteration | Published May 31, 2014
Sanitary Transportation of Food | Published May 31, 2014

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### Proposed Foreign Supplier Verification Program Rule
- Requires U.S. Importers to Verify Safety of Foreign Foods Intended for Use in U.S.
  - FDA also to establish similar provisions requiring domestic facilities to verify safety of foods received from domestic suppliers
- FDA Proposal Implementing FSMA Requirement
  - Mandates foreign foods be subject to oversight requirements verifying food produced under conditions providing same level of public health protection as required for domestic firms
- NGFA Urging FDA to Exempt Raw Agricultural Commodities from Foreign (and Domestic) Supplier Verification Requirements

### Proposed Food Defense Rule
- Addresses Intentional Contamination of Food Intended to Cause Large-Scale Public Harm
  - Applies to domestic, foreign facilities
  - Requires certain facilities to address vulnerable processes in operations
- Proposes to Cover Facilities Engaged in Four “Key” Activities
  - Bulk liquid receiving and loading;
  - Liquid storage and handling;
  - Secondary ingredient handling (the step where ingredients other than the primary ingredient of the food are handled before being combined with the primary ingredient); and
  - Mixing and similar activities
- Proposes to Exempt Animal Feed and Facilities that Only Store Food

### Proposed Rule on Sanitary Transportation of Food/Feed
- Proposed Requirements – Rail and Truck
  - Shippers required to visually inspect conveyance
  - Information shippers required to provide to carriers
    - Vehicle design and sanitation requirements
    - Use of packaging, isolation and other protective measures
    - Limitations on the use of vehicles
  - Carriers required to supply conveyances meeting shippers requirements and appropriate to prevent adulteration; specify cleaning practices; provide training
  - Information carriers required to disclose to shippers
    - Previous three loads transported by conveyance (waiver)
    - Most recent cleaning of bulk conveyance
  - Maintain records for 2 months

### Anticipated Compliance Timeframes
- FDA Final Regulations Likely Won’t Be Issued Before Mid-2015 *(court-mandated deadline June 30)*
- FDA Proposals Provide Additional Time For Compliance After Final Rules Issued
  - One Year: Large Companies (500 employees or more)
  - Two Years: Small Companies (less than 500 employees)
  - Three years: Very Small Companies (to be defined based upon total annual sales of food)
**What’s NGFA Doing?**
- **NGFA / AFIA Webinar on Feed Rule – Dec. 11**
  - Promote awareness; respond to questions; encourage industry feedback on proposal
  - Recording now available on demand
- **NGFA’s Committees Extensively Reviewing FDA Proposals**
- **NGFA Collaborating with Industry Trade Groups in Evaluating Proposed Rules, Drafting Comments**
  - PFI, AFIA, NOPA, NRA, GMA, others
- **Extensive Comments Being Submitted on All Proposed Rules**

**What’s NGFA Doing?**
- **Develop Specific Industry Guidance, Compliance Assistance on FDA Final Rules**
- **Actively Participating in Food Safety Preventive Control Alliance**
  - Comprised of government officials, academia, and industry representatives
  - Goals are to develop FDA-recognized:
    - Standardized hazard analysis and preventive controls training and distance education modules for food/feed industry and regulatory personnel
    - Commodity/industry sector-specific guidelines for hazards and preventive controls

**Grain and Feed Issues for 2014**
- **Farm Bill**
  - CRP Reform
    - Reduces current 32 million acre cap to 24 million
    - Productive farmland generally ineligible for enrollment
    - Requires USDA to offer penalty-free early-out in FY 2015
    - Land must have been enrolled for five or more years
    - Ineligible Land: wildlife habitat, wildlife food plots, hardwood trees, farm wetlands, highly erodible acres, etc.
  - Support for Federal Crop Insurance, Research
  - Farm Program Payments (Revenue/Target Prices)
    - Decouple from planting decisions – WTO violation
    - Avoid setting rates at levels that distort planting signals; creates umbrella encouraging foreign production

**CRP – “4th Largest Crop” in U.S.**

<table>
<thead>
<tr>
<th>Crop</th>
<th>Acres</th>
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<tr>
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<tr>
<td>Wheat</td>
<td>54</td>
</tr>
<tr>
<td>CRP</td>
<td>26</td>
</tr>
</tbody>
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Grain and Feed Issues for 2014

- Futures Market Performance/Customer Protection – NGFA Priorities
  - Put customers first in FCM bankruptcies
  - Optional full segregation of customer accounts – pilot program
  - Explore insurance concept for customer accounts – FIA study underway
  - High-frequency trading
    - Evidence of heightened volatility around release times of USDA reports
    - NGFA continues to seek trading pause
    - CFTC role (e.g., registration, margin requirements)?

- CFTC-Proposed “Customer Protection” Rules
  - Opposed by broad range of ag groups
  - Would change timing of FCMs residual interest calculation – could lead to requirements for users to pre-margin hedge accounts
  - Put more customer money at risk – may be double
  - Seek legislative solution in CFTC reauthorization bill
  - Big Need – CFTC Commissioners with Ag Backgrounds

- CFTC-Proposed Rule on Speculative Position Limits/Bona Fide Hedging
  - Would redefine bona fide hedging; omit some common hedging strategies
  - NGFA, others objected in comments submitted Feb. 10
  - Lengthy review process while three new CFTC commissioners confirmed
  - Proposal also would set federal speculative position limits for many commodities – new process for determining ag position limits

- Transportation
  - Water Resources Development Act – New momentum to rebuild lock infrastructure!
    - Congress expected to approve in April
    - But missing crucial funding component: Increase in barge fuel user fee
  - Major rail proceedings at STB
    - New procedures for challenging unreasonable grain rail rates
    - Competitive switching/access
    - Rail service issues
**Grain and Feed Issues for 2014**

- **Global Agriculture and Trade**
  - Trans-Pacific Partnership (TPP) trade negotiations
  - Trans-Atlantic Trade and Investment Partnership negotiations (TTIP) – (U.S.-EU)

- **NGFA/NAEGA objectives**
  - Seek ambitious, 21st century agreement addressing all significant barriers to trade
  - Focus on strengthening regulations on sanitary and phytosanitary (SPS) measures – Seeking Rapid Response Mechanism to challenge non-science-based SPS barriers to trade

**Website and Social Media**

- New website (www.ngfa.org) – June 2013
- Twitter (@ngfa)
- LinkedIn (http://www.linkedin.com/company/national-grain-and-feed-association)
- Flickr (flicrk.com/photos/ngfa)

**Join Us!**

- **March 30-April 1:**
  118th Annual Convention
  Westin Resort, Hilton Head, S.C.

- **July 29-31:**
  5th Annual NGFA-PFI Feed/Pet Food Joint Conference,
  Hilton, Omaha, Neb.

- **Dec. 7-9:**
  43rd Annual Country Elevator Conference,
  J.W. Marriott, Indianapolis, Ind.

**Virginia State Feed Association Annual Convention**

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Grain and Feed Issues for 2014

Biotechnology – Seeking New Approach to Address Marketability-Related Issues
- Process launched by ASA, NCGA, NGFA, NAEGA, BIO, ASTA; now consists of 11 national producer, commodity groups
- U.S. Biotech Crops Alliance – Secretariat hired
- Create "standards" to address market-related disruptions caused by presence in general commodity stream of:
  - Biotech traits commercialized before export market approvals
  - Biotech events with functionally different output traits
- Four pillars:
  - Market risk assessment
  - Market risk management (outcome-based stewardship)
  - Market risk mitigation
  - Market risk responsibility (liability)

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Biotech – International Market Disruptions
- China
  - Halt to U.S. corn, DDGs shipments caused by presence of unauthorized Syngenta’s MIR-162; Chinese regulatory review underway since 2010
  - Largest U.S. corn export market during fourth quarter of 2012 (nearly 4 mmt)
  - Utilizes 17% of total U.S. DDGs utilization
  - Syngenta planning aggressive commercialization of Agrisure Duracade – not approved in China