

Feed Industry Issues for 2012 ...NGFA's Policy Agenda...

Presented to

Virginia State Feed Association Annual Conference

Feb. 15, 2012

Serving the Industry for 116 years!



NGFA Mission and Purpose



Abundant and
Safe Food Supply



Promotion of
Free Markets



Serving the Industry for 116 Years!!

About NGFA



■ 1,050 Member Companies

- More than 7,000 facilities
- Feed manufacturing, grain handling and processing, integrated livestock and poultry operations, biofuels producers
- Handle 70% of U.S. grains and oilseeds
- Over 350 companies involved in feed production

■ Strategic Alliances

- Pet Food Institute
- North American Export Grain Association

■ 26 State and Regional Affiliated Associations

Developing Policy – NGFA Committees



- Agroterrorism and Facility Security
- Biofuels
- Biotechnology
- Country Elevator
- Feed Legislative and Regulatory Affairs
- Feed Manufacturing and Technology
- Feed and Animal Agriculture Strategic Issues
- Finance/Administration
- Grain Grades/Weights
- International Trade/Agriculture Policy
- Legal Council
- Membership and Marketing
- Rail Shipper and Receiver
- Risk Management
- Safety, Health, and Environmental Quality
- Trade Rules
- Waterborne Commerce

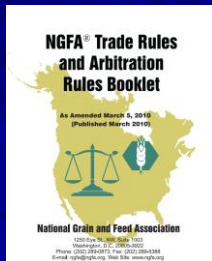
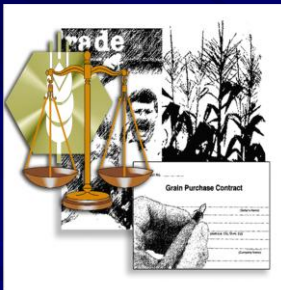
Membership Value



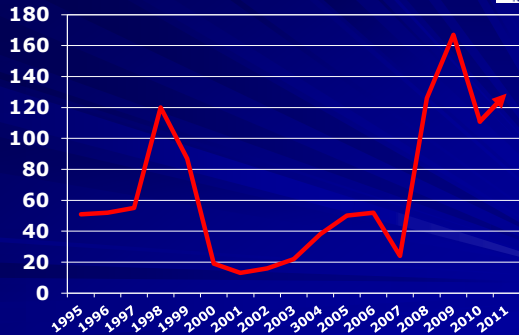
- Rigorous Cost-Control
- Sound Financial Policies
- Careful Stewardship of Member-Companies' Resources
- Dues Reduction: **Average 14% Decline**

**Ideal time
to consider NGFA membership!**

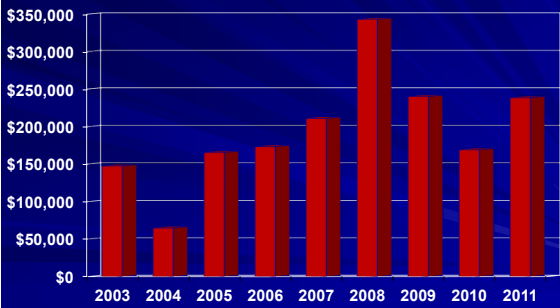
NGFA Trade Rules and Arbitration



NGFA Arbitration – Cases Pending



NGFA Arbitration – Average Damages Claimed Per Case



Agricultural Policy



■ **NGFA Goal** – Provide sustainable, competitive supply of grains, oilseeds to meet rapidly growing demand

- ◆ Support working farmland conservation programs;
- ◆ reduce CRP
- ◆ Strengthen federal crop insurance
- ◆ No increase in target prices, loan rates
- ◆ Advocate pro-growth agricultural policies



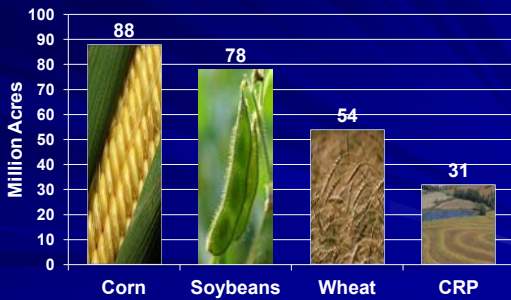
2012 Farm Bill



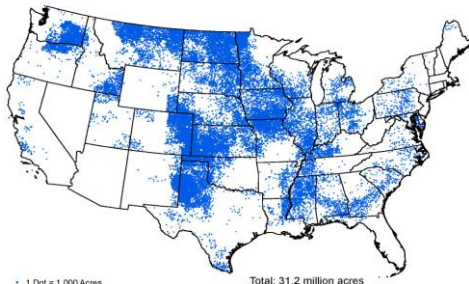
- Farm Bill expires in September
- Senate Ag Committee Taking Lead
 - ◆ Hearings Scheduled through March (March 21 on commodity programs)
 - ◆ Starting with deficit-reduction blueprint
 - \$23 billion in savings
 - Reduce number of conservation programs from 23 to 13
 - Restructure producer safety net; eliminate direct payments



CRP – “4th Largest Crop” in U.S.



CRP Enrollment - June 2011



Prepared by FSA/EPA/NRRA

CRP – By the Numbers



- Current Cap: 32 million acres
- Current Enrollment: 31.2 million acres
- 2012-2016 Expirations: 14.7 million acres
- 2017-2021 Expirations: 10.4 million acres



Food/Feed Safety



- Food Safety Modernization Act – Enacted Jan. 4, 2011
- ‘Historic’ Law
 - ◆ **NOT** just recalls and inspections
 - ◆ Requires establishment of **new, prevention-oriented food safety system** to ensure safety of feed/food products
 - ◆ Requires FDA to develop, issue 50+ regulations, guidance documents



FSMA – Key Requirements



- Written Product Safety Plans
 - ◆ Written analysis of hazards
 - ◆ Use of preventive controls to eliminate, reduce risk of identified hazards
- Facility Registration required with FDA every two years
- Records Access to existing facility records *if* FDA has “reasonable belief” food /feed will cause “serious adverse health threat”
- Inspection of Facilities
 - ◆ Initial inspections within 5 to 7 years
 - ◆ Subsequent inspections every 3 to 5 years
- Fees
 - ◆ Reinspecting facilities that fail original inspection
 - ◆ Conducting mandatory recalls
 - ◆ Hourly rate: \$224 for domestic work





FDA Implementation of FSMA

NGFA Actions

- ◆ Focused on shaping outcomes of FDA rulemakings before agency issues proposed rules
- ◆ Formed eight cross-committee working groups
- ◆ Participated in all FDA 5 pre-rulemaking public meetings; additional private meetings with FDA leadership
- ◆ Submitted eight statements to FDA prior to rulemaking
- ◆ Education and training
 - April 6 free webinar with PFI: 650+ participants
 - Plan additional webinars as proposed rules issued
 - Preparing guidance for industry once rules issued
 - Involvement in Feed Safety Alliance with FDA, States
- ◆ Will submit comments on each FDA proposed regulation relevant to NGFA members

Risk Management



Risk Management



MF Global Bankruptcy – Where it Ranks Among U.S. Public Companies

10. Thornburg Mortgage
9. Chrysler
8. **MF Global**
7. Consec
6. Enron
5. CIT Group
4. General Motors
3. WorldCom
2. Washington Mutual
1. Lehman Brothers

Unprecedented Loss of Customer-Segregated Funds



MF Global Bankruptcy



■ NGFA Actions

- ◆ Urge prompt return of 100% of customer funds to former MF Global customers
- ◆ Facilitate continued timely, accurate information to NGFA members on claims process:
www.ngfa.org/mfglobalbankruptcy.cfm
- ◆ Retained bankruptcy counsel in New York
- ◆ Advocacy before Congress, CFTC, CME

MF Global Bankruptcy



■ NGFA Potential Policy Recommendations to Provide Additional Protection to Customer Accounts

- ◆ Extend SIPC insurance to commodity accounts
- ◆ Change way, place customer funds are held
- ◆ Tighter restrictions on uses of customer funds
- ◆ Tighter limits on FCM business activity

■ NGFA Task Force to Evaluate Alternatives

MF Global Bankruptcy



■ What's Next?

- ◆ Bankruptcy trustees, CFTC continue investigations – 72% of cash, property returned to commodity customers
- ◆ Contentious claims process
- ◆ Distribution plan by fourth quarter of 2012?
- ◆ Interim distribution by first quarter of 2013?

Biofuels and Co-Products



Safety, Health and Environmental



Safety, Health and Environmental



- Continued Increased Enforcement on Grain Handling Industry
- Sweep Auger Letter of Interpretation
- Combustible Dust Rulemaking
- Rolling Stock Fall Protection
- Air Emission Rule for Feed Manufacturers

Safety, Health and Environmental



■ NGFA/Grain Journal Safety Seminar

◆ Aug. 1-2, 2012 - Kansas City, Mo.



■ Regional safety seminars and webinars

■ NGFF education, information projects

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