

Managing Risk and Promoting Growth in 2011 ...NGFA's Policy Agenda...

Presented to

Virginia State Feed Association Annual Conference

Feb. 16, 2011

Serving the Industry for 115 years!



NGFA Mission and Purpose



Abundant and Safe
Food Supply



Promotion of
Free Markets

Serving the Industry for 115 years!

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Topics



- **Landscape of New Congress**
- **Advocating Pro-Growth Policies**
 - Making More Acres Available for Crop Production
 - Renew U.S. Commitment to Trade
 - Rail, Inland Waterways
- **Managing Industry Risks**
 - Enhancing Futures Market Performance
 - Feed (New Food/Feed Safety Law, Salmonella)
 - Grain, Feed Operations (OSHA, EPA)
 - NGFA Arbitration, Trade Rules
- **Upcoming NGFA Conferences**

Landscape of New Congress

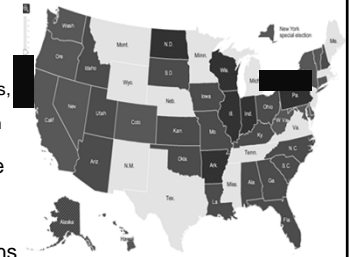


U.S. House



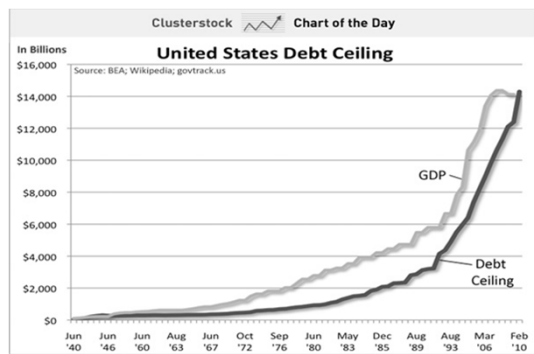
- 242 Republicans
 - Gain of 63 seats
- 193 Democrats
 - Loss of 63 seats
- Blue Dog (moderate) Democrats halved, severely reducing number of rural House Dems
- All leadership and committee chair positions will flip from Democrat to Republican

U.S. Senate



- 53 Democrats
 - Loss of 6 seats
- 47 Republicans
 - Gain of 6 seats in Arkansas, Indiana, Illinois, North Dakota, Ohio, Pennsylvania, Wisconsin
- Smaller Democratic majority may encourage more bipartisanship, compromise
- Most leadership, committee chair positions unchanged

Congressional Job 1, 2, 3.... Reducing Federal Spending



Pro-Growth Policy Agenda



Advocating Pro-Growth Policies

■ Battle for Sufficient Acreage to Meet Market Demand

- ◆ Need 5 million more acres corn

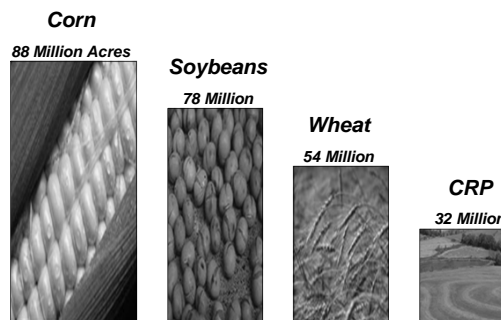
■ Provide Flexibility to Remove Acres from CRP

- ◆ New House Ag Committee Chairman

Authorize USDA to adjust size of CRP to “maintain equilibrium” in supplies for food, feed, exports, biofuels



Reforming CRP



Serving the Industry for more than 114 years!

Expand U.S. Trade



■ Each \$1 billion in U.S. ag exports = 8,000+ jobs

■ Ratification of FTAs with Korea, Colombia, Panama – \$3 Billion

- ◆ **Korea:** Two-thirds of U.S. farm exports duty-free immediately (*corn, wheat, soybeans, corn gluten*); 46% increase in U.S. ag imports; 70,000+ new jobs
- ◆ **Colombia:** Immediate duty-free entry for U.S. wheat, soybeans, soymeal, beef, etc.)
- ◆ **Panama:** 63% of U.S. ag exports duty-free immediately (*wheat, soybeans, soymeal, soyoil, sorghum, barley, etc.*)

Transportation



■ Rail Reform Legislation

- ◆ Seeking more competitive environment, balance between shippers/carriers
- ◆ Renew legislative efforts; also pursue through STB proceedings



■ Inland Waterway Locks

- ◆ Seek approval of funding plan for new locks on Upper Mississippi/Illinois River System
- ◆ Port dredging funds



Managing Industry Risks



Futures Market Performance

Convergence Matters!



CME Group
A CME/Chicago Board of Trade Company

Futures Markets Performance

■ Grain Futures Market Performance

- ◆ Concern massive influx in investment capital created "disconnect" between futures, cash prices; undermining hedging efficiencies
- ◆ CME Group institutes variable storage rate
- ◆ KCBT institutes seasonal storage rate (2011)
- ◆ Hedge Funds Increased Net-Longs in Wheat to highest level since August 2007
- ◆ Repeat of 2008 investment-fueled volatility???



Financial Regulatory Reform Law

■ Speculative Position Limits

- ◆ Current limits for grain, livestock appropriate; limit exemptions; serve needs of commercial hedgers
- ◆ Oppose combined spec limits for exchange-traded & OTCs

■ Regulation of 'Swaps,' 'Swap Dealers'

- ◆ Swap: "Put, call, or option for purchase or sale of commodities"
- ◆ Concern not to ensnare traditional hedgers, limit risk-management tools

■ Speed of CFTC Rulemakings

- ◆ House Ag Committee oversight; concern to get it right

Food/Feed Safety Law



- Enacted Jan. 4 – Senate Version
- Prevention-Based Approach
- Largely Science-, Risk-Based
- Covers All Facilities Registered with FDA under Bioterrorism Act

- ◆ Domestic, foreign (shipping products to U.S.)
- ◆ Grain elevators, grain processors
- ◆ Commercial feed, pet food, feed ingredient manufacturers (including biofuel coproducts)



Food/Feed Safety Law



■ Major Requirements – All

- ◆ Written food/feed safety plan
 - Identify hazards “known or reasonably likely to occur” (e.g., chemical, physical, biological, including “unintentional”) that would cause products to be adulterated, misbranded
 - Implement controls to “prevent, minimize” hazards; reanalyze every three years (sooner if processing methods change)
 - Monitor effectiveness of controls (including through product, environmental testing); maintain records for two years
 - Food/feed safety plan accessible by FDA
 - Flexibility to exempt, modify for raw commodity storage, feed
 - FDA regs – mid-2012
- ◆ Written food/feed defense plan (address intentional contamination); FDA regs – mid-2012
- ◆ Biannual FDA facility registration (fall 2012)

Food/Feed Safety Law



■ Major Requirements – Importers

- ◆ Foreign supplier verification program (2 yrs.)
 - Verify imported products offer “same level of public health protection” as U.S. standards through “reasonably appropriate risk-based preventive controls” and not adulterated/misbranded
 - Envisions monitoring, site visits, third-party inspections
- ◆ Voluntary qualified importer program (18 mos.)
 - Fast-track for imports from trusted suppliers
 - Foreign government, third-party inspection; user fee
- ◆ Foreign facility inspections
 - 600 “high-risk” facilities in 2011
 - Double each year for five years

Food/Feed Safety Law



■ New FDA Powers

- ◆ Suspend facility registration (if “reasonable probability...of serious adverse health consequences or death” to humans, animals)
- ◆ Mandated FDA inspection frequency (within seven years for low-risk facilities; every five years thereafter) – depends on budget
- ◆ Authority to set contaminant-specific standards (differentiate between food and feed, raw grain)
- ◆ Records access (if “reasonable belief” product poses threat to human, animal health)



Food/Feed Safety Law



■ New FDA Powers

- ◆ Mandatory recall, administrative detention
- ◆ Enhanced product-tracing, recordkeeping for "high-risk" foods (*not grain, feed*); no impact on commingling
- ◆ Safety standards for transport
- ◆ Food/feed defense regulations for "high-risk" products
- ◆ Safety standards for produce
- ◆ User Fees (*reinspections, mandatory recalls, export certificates, voluntary qualified importer program*)

Food/Feed Safety Law



■ Onerous House Provisions Omitted

- ◆ No facility registration fee (\$500/facility; \$175,000/company)
- ◆ No empowering of FDA district offices to issue mandatory recall orders, product-specific preventive controls, subpoenas
- ◆ No full-pedigree traceability, recordkeeping
- ◆ No country-of-origin labeling
- ◆ No quarantine authority for FDA
- ◆ No additional civil, criminal penalties
- ◆ No ability for FDA to issue regs through guidance, without cost-benefit analysis

Food/Feed Safety Law



■ Six FDA Teams Developing Implementation Plan

■ NGFA Compliance Assistance Guidance Coming!

- ◆ Updating Existing NGFA Model Feed Quality Assurance Program
- ◆ NGFA Facility Risk-Assessment and Security Guidance



Grain, Feed Operations ...Resolving Troubling Issues...



■ Sweep Auger Policy Interpretation

- ◆ December 2009 'letter of interpretation'
- ◆ 'Willful violation' for employee to be inside bins unless sweep auger fully guarded; fines

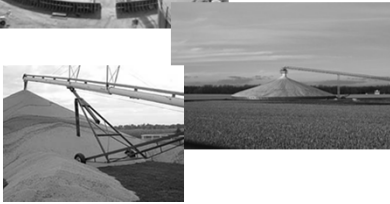
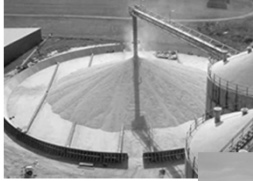
■ NCGA-NGFA Video on Farm Bin Safety

■ OSHA Combustible Dust Standard

- ◆ Response to 2008 sugar refinery explosion
- ◆ Result in more stringent grain dust standard?



EPA Temporary Storage

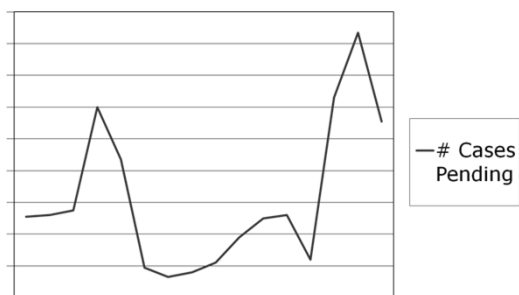


Managing Contractual Risks

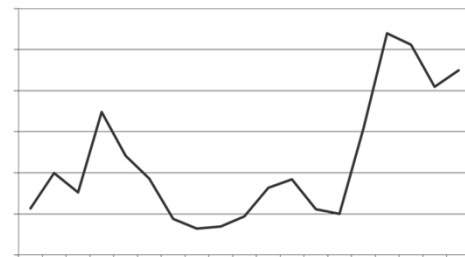
- Access to NGFA Arbitration – Important Insurance in Volatile Markets



NGFA Arbitration – Active Cases



U.S. Corn Prices



Achieving Policy Goals



- Time to 'Cozy Up' to Elected Officials About What Drives Success (or failure) of Our Businesses!



Get Involved Today!



Grassroots Involvement

Political Action



**Legislative
Action Center**



Visit NGFA's website at www.ngfa.org for more information on how **you** can get involved!



Upcoming Events

NGFA 115th Annual Convention
March 13 -15, Hotel Del Coronado
San Diego, Calif.

**NGFA Trading, Trade Rules, Dispute
Resolution Conference**
May 3, Airport Marriott
St. Louis, Mo.

2nd Annual Feed-Pet Food Conference
(co-hosted by NGFA and Pet Food Institute)
Sept. 15 -16, Westin Crown Center
Kansas City, Mo.



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