

# Priorities for 2005

## National Grain and Feed Association (NGFA) and North American Export Grain Association (NAEGA)

The National Grain and Feed Association (NGFA), established in 1896, is a grassroots organization comprised of more than 900 companies that operate more than 5,000 facilities and handle more than two-thirds of U.S. grains and oilseeds throughout the 48 continental states and more than 300 congressional districts. NGFA members encompass all sectors of the industry, including country, terminal and export elevators; feed mills; cash grain and feed merchants; and end-users of grain and grain products, including processors, flour millers and livestock and poultry integrators. Affiliated with the NGFA are 35 state and regional grain and feed associations. The NGFA has strategic alliances with the Grain Elevator and Processing Society and the Pet Food Institute.

The North American Export Grain Association (NAEGA), established in 1912, consists of private and publicly owned companies and farm-owned cooperatives that are involved in and provide service to the bulk grain and oilseed exporting industry. NAEGA members ship the vast majority of the more than \$20 billion in exports of U.S. bulk grain and oilseeds. NAEGA's mission is to promote and sustain the development of commercial export grain and oilseed trade from the United States.

The NGFA and NAEGA are co-located and coordinate policy and government representation on trade-related issues that affect the economic prospects of the industry. This enables the organizations to speak in a unified voice to the government and to the industry's domestic and international customers.

### Agricultural Policy

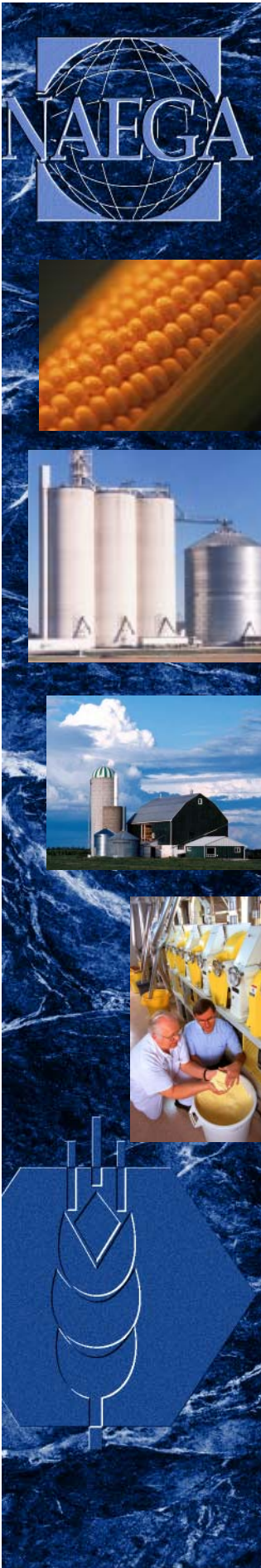
We support farm programs that allow U.S. producers and agribusinesses to enhance income from the marketplace, and support producer safety-net concepts that do not distort planting and marketing decisions. The NGFA and NAEGA oppose discredited acreage-idling programs and other supply control measures that encourage foreign plantings, result in lost market share for U.S. agriculture, and undermine the global competitiveness of U.S. grains and oilseeds, processed commodities and meat products. We oppose attempts to impose legislative restrictions on legitimate commercial activities between producers and agribusinesses, including contracting freedoms and the use of pre-dispute arbitration agreements.

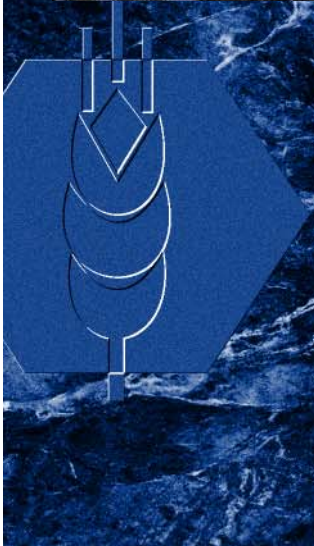
► **Conservation Reserve Program Reform:** The NGFA and NAEGA will be urging substantial changes to the Conservation Reserve Program to provide flexibility so that the 22.2 million acres of CRP contracts scheduled to expire in 2007 and 2008 are **not** automatically reenrolled. The CRP already has contributed to the decline of certain grains, particularly wheat, as well as undermined the economic viability of rural communities and availability of land for tenant farmers. Future CRP enrollments should: 1) be limited to those that meet USDA's current environmental-benefits index (EBI) criteria and provide significant environmental benefits; 2) focus on enrollment of filter strips, buffers and the most environmentally sensitive lands, with a strong emphasis on improving water quality; 3) limit whole-farm enrollments, unless those acres meet EBI criteria; and 4) strictly abide by the stipulation that no more than 25 percent of tillable land in a county be enrolled.

### International Trade

The NGFA and NAEGA support free trade, the use of science-based health and safety rules in trade agreements, and an aggressive agenda to retain and expand market opportunities for U.S. grains, oilseeds and value-added exports. In addition, NAEGA works daily worldwide to

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overcome barriers to U.S. grain and oilseed exports. It utilizes the extensive resources of membership, global industry relationships and the U.S. Department of Agriculture's Market Access Program to educate international customers and government on sound commercial practices for international grain trading. NAEGA has an unparalleled reputation for overcoming non-tariff trade barriers in important U.S. agricultural markets. And it is a leader in providing industry input to U.S. policymakers concerning effective trade-negotiating strategies and positions, as well as trade and trade-related negotiations and agreements.

▶ **WTO Doha Development Round Agricultural Negotiations:** We strongly support aggressive U.S. proposals to eliminate export subsidies, substantially reduce trade-distorting domestic supports and improve market access.

▶ **Bilateral/Regional FTAs:** The NGFA and NAEGA support U.S. government efforts to seek out partners for bilateral and regional free trade agreements that have potential benefits to the United States, as long as those negotiations do not impede or delay the overarching goals of global trade liberalization aspired to under the WTO.

▶ **Renewal of Trade Promotion Authority:** We strongly support renewing the President's authority to negotiate and enter into trade agreements with foreign countries.

▶ **NAEGA Export Market Priorities for 2005:**

- Maintain and support the very successful trade relationship for grains and oilseeds with Mexico and Japan.
- Accommodate change and maintain the competitiveness of U.S. grain and oilseed exports to China, Cuba, other Asian Pacific markets and throughout the Western Hemisphere.
- Globally support integrity in the commercial environment, predictability in regulatory matters and improved access to all agricultural markets – in particular by encouraging adherence to science-based sanitary and phytosanitary rules implemented in an open, transparent way.

## Biotechnology

The NGFA and NAEGA believe biotechnology-enhanced crops should be introduced commercially in the United States only if they are as safe and nutritious as their conventional counterparts, and have broad and deep consumer acceptance to avoid creating impediments or disruptions to domestic and international markets for grains, oilseeds, feed and meat products. The NGFA and NAEGA work jointly, while maintaining policies specific to each, to provide input to national and international bodies like the Codex Alimentarius Commission that address agricultural biotechnology and trade.

▶ **Foster Global Acceptance of Practical 'Adventitious' Presence Policy for Non-Biotech Shipments:** The NGFA and NAEGA are working through the International Grain Trade Coalition to encourage adoption of a practical, achievable policy governing the unavoidable presence of biotech-enhanced commodities in conventional commodity shipments so that such shipments are not required to be labeled as GMO.

▶ **Biosafety Protocol:** Work through International Grain Trade Coalition to achieve reasonable international liability rules on shipments of biotech-enhanced commodities in conformance with the international accord designed to protect against adverse impacts of biotech seeds on the environment and on biological diversity.

▶ **Pharma and Industrial Biotech Crops:** Work with the U.S. government, particularly USDA, to strengthen existing regulations to prevent the accidental presence of biotech-enhanced commodities with pharmaceutical and industrial properties in commodities approved for food and feed.

## Transportation

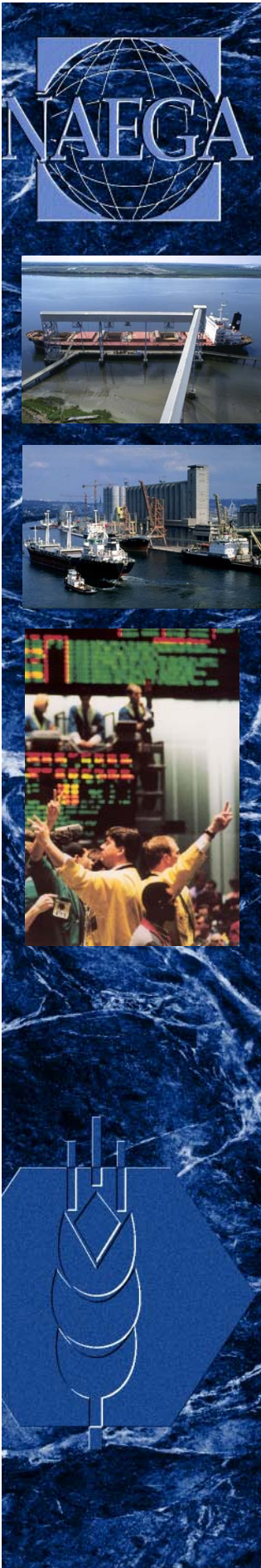
As the recognized agricultural industry leader in policies for bulk grain and grain-product shipments, the NGFA continues to be active on rail, barge and trucking issues. NAEGA focuses similarly on ocean transportation issues.

- ▶ **Rail:** The NGFA will: 1) advocate approaches to create a more equitable balance between the interests of railroads and shippers/receivers in national rail transportation policy; 2) encourage the federal Surface Transportation Board to amend its procedures for considering small rail rate cases to provide small shippers and receivers with a usable mechanism for challenging unreasonable rail rates; and 3) encourage rail carriers to alter current formulas for assessing fuel surcharges to an approach that more accurately and fairly reflects actual changes in fuel costs.
- ▶ **Barge:** The NGFA and NAEGA strongly support immediate authorization by Congress to fund the extensions of locks on the Upper Mississippi and Illinois River Waterway to enhance the efficiency of commercial barge transportation.
- ▶ **Truck:** The NGFA supports legislation that would reinstate and clarify the agricultural exemption from the Department of Transportation's "hours-of-service" rules for truck haulers. The exemption is limited, seasonal and only valid within a 100-mile radius of the agricultural business.
- ▶ **Ocean:** The NGFA and NAEGA advocate enhancements to deep-draft harbors to facilitate U.S. export trade. In addition, NAEGA and NGFA work with the Administration and Congress to balance the need for greater security at U.S. ports with the need to preserve efficient and cost-effective shipping. NAEGA will continue to provide the industry with an Alternative Security Program compliant with U.S. Coast Guard port-security requirements.

## Feed and Animal Agriculture

With about 350 member companies with commercial feed milling operations and 35 integrated livestock and poultry feeding operations, the NGFA is the nation's largest trade association representing feed manufacturing interests. Through its industry-driven committees, the NGFA effectively addresses legislative and regulatory issues, and provides valuable services so that its feed-related member companies can become more efficient and competitive, and experience economic growth.

- ▶ **BSE Prevention:** The NGFA will continue to work with the Food and Drug Administration (FDA) as it considers science- and risk-based changes to its regulations that ban the feeding of certain mammalian material to cattle and other ruminants to prevent the establishment or spread of bovine spongiform encephalopathy (BSE), and to control other transmissible spongiform encephalopathies (TSEs), such as chronic wasting disease (CWD).
- ▶ **Feed Safety and Quality Assurance:** The NGFA will urge FDA in 2005 to launch a voluntary self-inspection pilot program (VSIP), a feed safety initiative that encourages and rewards feed manufacturers that implement quality-assurance programs that comply with the agency's current good manufacturing practice regulations. Under this government-based, no-cost feed safety program, feed manufacturers would submit annual inspection reports to FDA and state feed regulatory agencies, be subject to random government audits, and be recognized as a low priority for inspection by FDA. The NGFA also will continue to provide its decade-old feed quality assurance program, as well as feed safety educational programs and resource materials. The NGFA conducts two regional feed quality assurance workshops annually that offer feed manufacturers current information about total quality management systems and regulatory compliance.





- ▶ **Feed Regulations:** The NGFA will interact with FDA and state feed regulatory officials in a positive and proactive manner to shape the proposed development of potential new federal and model state feed regulations that would apply to all feed and feed ingredient manufacturers, as well as transporters and on-farm mixers and feeders.
- ▶ **International Issues:** As a member of the official U.S. delegation to the Codex task force charged with developing a code of international standards for animal feeding practices, the NGFA is pleased with the final code's outcomes, including its recognition of current good manufacturing practices (cGMPs) modeled after FDA's cGMPs for non-licensed medicated feed as an appropriate feed regulatory framework. The NGFA opposes efforts by some countries to extend the work of the task force to develop model hazard analysis and critical control point (HACCP) standards as an annex to the feed safety code.

## Risk Management and Commercial Trade

Efficient and innovative cash and futures markets are crucial to the grain sector, including producers. The NGFA strongly supports greater legal clarity for cash grain contracts, exchange-based risk-management tools, and increased efforts to expand farmers' use of all risk-management tools. The NGFA opposes legislation that would unduly restrict cash grain contracting practices.

- ▶ **CFTC Reauthorization:** The NGFA will work in Congress to reauthorize the Commodity Futures Trading Commission (CFTC).
- ▶ **Legal Clarity for Cash Grain Contracts:** The NGFA will work with the CFTC to encourage greater legal clarity regarding cash grain contracts that are exempt from CFTC regulation so as to reduce the need for litigation.
- ▶ **Curtailing Contract Freedom:** The NGFA will oppose attempts at the federal and state levels to enact legislation that would dramatically limit what is permitted in cash contracting, including whether contracting parties should be able to freely negotiate pre-dispute agreements regarding dispute-resolution forums.
- ▶ **Export Trade Contracts:** To facilitate efficient export trade, NAEGA maintains the NAEGA II F.O.B. vessel contract, which specifies export contract terms. NAEGA first began issuing model contracts to facilitate export trade in 1915. The NAEGA II contract, first adopted in 1947 and revised periodically thereafter, contains provisions governing quantity, quality, delivery, price, payment, insurance, arbitration and other terms. Working in coordination with the NGFA's Trade Rules and other international bodies and contract guidelines, NAEGA continues to update, support and promote the principles contained in the well-established NAEGA II contract, including origin final determination of quality, quantity and grade factors for grains and oilseeds through official U.S. government inspections.

## Warehousing

The NGFA spearheaded the modernization and revision of the U.S. Warehouse Act approved by Congress in 2000. In the ensuing years, the NGFA has taken a leadership role in discussions with farm organizations and state departments of agriculture to reach consensus recommendations to provide additional producer protection at a reasonable cost given USDA's exclusive jurisdiction to regulate federally licensed warehouses, including merchandising-related activities.

## Grain Inspection and Weighing

The NGFA and NAEGA have provided leadership in previous reauthorizations of the U.S. Grain Standards Act, and intend to seek additional reforms when the act is reauthorized in 2005:

- ▶ **Private Inspection with Government Oversight at Export:** We will seek amendments to authorize USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) to delegate disinterested third parties to provide official inspection and weighing at export elevators, with on-site government oversight. This step is needed to reduce the ever-increasing costs of official inspections at export locations, which represent the largest uncontrollable fixed cost faced by U.S. exporters.
- ▶ **Federal Funding for GIPSA Standardization Activities:** We will continue to oppose attempts to assess approximately \$4 million annually in new user fees on grain exporters to finance USDA/GIPSA activities that maintain the U.S. grain standards. These activities benefit multiple users – including farmers and consumers – and such a user fee would represent an inequitable tax on bulk grain exports, thereby further reducing U.S. competitiveness.

## Conclusion

Please contact NGFA or NAEGA concerning any of the aforementioned priority issues and subject areas.

- ▶ The NGFA supports an active committee structure with industry expertise on all aspects of the grain, feed and processing industry. The association also administers the oldest commercial arbitration system in North America. And the NGFA Trade Rules are widely recognized as reflecting the industry's standard practices for conduct of trade in grains and oilseeds, and are cited in the vast majority of U.S. commercial grain contracts.
- ▶ NAEGA is positioned to react quickly to prevent or mitigate disruptions in the execution of export transactions affecting its membership. NAEGA members work jointly to foster a grain and oilseed export industry that provides the best environment for all stakeholders – from producer to consumer. Membership in NAEGA requires a commitment to promote certainty in the customs and usages of trade and commerce and to integrity in a commercial environment supported by free trade and competition in commerce involving grain and other agricultural products. When government policy or trade circumstances present illegal or inappropriate barriers to U.S. exports of grain or oilseeds – call NAEGA.

## Contact Information:

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