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Lawmakers poised to approve tax package

After voting 83 to 15 on Monday to advance a vote on a far-reaching package of tax provisions and unemployment benefits, the U.S. Senate is expected to officially approve the “Middle Class Tax Relief Act” today. The plan may have picked up a new supporter with Sen. Sherrod Brown (D-OH) indicating he may support the tax package, despite voting against cloture Monday.

An amendment proposed by Sen. Dianne Feinstein’s (D-CA) to reduce the 45-cent volumetric ethanol excise tax credit and the 54-cent import tariff is not likely to be considered, said Sen. Charles Grassley (R-IA) during a conference call on Tuesday. The biodiesel tax credit language will also remain intact

Despite strong opposition from several House Democrats who want to raise the estate tax rates and lower the exemption levels in the tax package, support for the measure seems to be growing in that chamber, as well. The House is expected to approve the measure before year-end.

Bob Dinneen, president and CEO of the Renewable Fuels Association, said the extension **“will provide the industry and lawmakers breathing room to think through responsible reform of ethanol tax policy and all energy tax policy more specifically.”**



Ethanol trade group Growth Energy also lauded the Senate action and encouraged Congress to implement its “Fueling Freedom” plan next year. The plan would redirect a portion of the Volumetric Ethanol Excise Tax Credit to build out the infrastructure for the distribution and use of ethanol by funding the installation of 200,000 blender pumps and construction of dedicated pipelines.

“Once we have the vehicles and the infrastructure, we can compete head-to-head with oil,” Growth Energy Chairman and POET CEO Jeff Broin insisted last week at a renewable energy policy forum sponsored by the American Council on Renewable Energy. Ethanol’s growth today, he said, **“is limited by a lack of market access; we can’t build a cellulosic ethanol industry without market access.”**

Senate omnibus spending package under fire

Senate Appropriators combined a dozen spending bills into a single package that would fund the federal government for the next year, but the \$1.1 trillion omnibus spending bill quickly ran into strong political headwinds when it was released Tuesday. The 1,924-page bill includes more than 6,000 earmarks totaling \$8 billion, according to Taxpayers for Common Sense. That's an amount that many GOP lawmakers decried as "irresponsible" despite the fact that many have their names attached to the earmarks.

"President Obama and Democrats have apparently learned nothing from this November's election. This nearly 2,000-page omnibus filled with thousands of earmarks shows they are still determined to ram through as much big-government spending as they can in this lame duck session," complained Sen. Jim DeMint (R-SC), who threatened to join with other Republican colleagues to force the bill to be read it on the Senate floor.

It's unclear whether or not Senate Appropriations Committee Chairman Daniel Inouye (D-HI) will be able to get the 60 votes needed to limit debate, or whether Republicans will insist on a two-month continuing resolution. Last week, the House passed a stripped-down, year-long continuing resolution. The omnibus package also includes the long-stalled food safety bill.

Even though all of the congressional earmarks are listed with each spending item, the list is rife with items that are sure to be ridiculed, like \$208,000 for beaver management in North Carolina.

For the Fiscal year 2011 Omnibus disclosed agriculture earmark chart:

<http://appropriations.senate.gov/news.cfm?method=news.view&id=83b110a4-48c8-45f9-8f87-90cd58e18688>

For the full text

<http://appropriations.senate.gov/news.cfm?method=news.view&id=9ac3518e-7e19-4328-bf52-16a6c2a1d333>

Thune calls for renewables, traditional energy to work together

Increasingly mentioned as a potential GOP candidate in the 2012 presidential race, Sen. John Thune (R-SD) isn't talking about that – but he is talking about national energy policy and the shifting role of renewable energy. Speaking at the ACORE (American Council on Renewable Energy) Renewable Energy National Policy Forum last week, Thune said that with the new Congress focused on slashing federal spending starting in January, renewable energy policies need to change.

"We've had an historic election, we've got a new Congress coming with lots of new members, a sluggish economy, serious concerns about overall spending and debt, and those are all setting the backdrop and the context in which we're going to debate many of the big issues in the future, including energy policy," Thune said. He highlighted the good news that after dropping nearly 7% last year, "investment in clean energy is rebounding, and with the



Mentioned as a possible Republican pick for the 2012 GOP presidential nomination, Sen. John Thune (R-SD) discusses national energy policy. Photo: Agri-Pulse.

appropriate policies at the state and federal levels, renewable energy deployment can lead the way in creating jobs and lowering the unemployment rate.”

Thune's also confident that renewable energy policy “will continue to enjoy bipartisan support.” But he warns that the ongoing support requires changes.

He said that cap-and-trade provisions as a mechanism for pricing carbon emissions – a component of a number of energy bills considered but not adopted by the current Congress - is a likely non-starter in the new Congress.

And, he said, “Future renewable energy incentives will be enacted or extended with extreme budget austerity.” Thune said energy policies “are not only going to be judged by their environmental merits, but on their impact on our economy, family pocketbooks and main street jobs.” He insisted that with structural federal deficits stretching well into the future, **“there is a growing need to transition commercially viable forms of renewable energy away from government incentives that have a major budget impact.”**

Thune supports the tax cut compromise's inclusion of extending ethanol's Volumetric Ethanol Excise Tax Credit (VEETC), but said it must be a short-term measure. He touted the Fueling Freedom plan, an initiative rolled out earlier this year by Growth Energy, a coalition of ethanol manufacturers. That plan, he said, would “phase out the ethanol blender's tax credit in exchange for infrastructure incentives and greater market access,” including greater production of flex fuel vehicles, the installation of more blender pumps, and the construction of new ethanol-dedicated pipelines. He said the plan would make biofuels competitive with petroleum-based gasoline without direct tax incentives for blending ethanol into the nation's fuel supply.

Noting that China is racing ahead of the United States developing new energy resources, he said “competing policy interests and bureaucratic red tape delay can ultimately kill renewable energy projects in the United States.” The South Dakota Republican pointed to EPA's “30,000 pages of new environmental regulations” as a major problem. Red tape and regulatory barriers that block development of both renewable and traditional energy production must be cut, he added.

Thune concluded that “when energy production will have to come from both traditional and non-traditional sources, a truly effective national energy policy is one that fosters and encourages development across the board.” He says Republicans and Democrats need to work together on a mix of renewable and fossil-fuel energy freed from regulatory constraints to create “a safe, diverse and affordable energy portfolio that will lead to long-term economic growth.”

Administration vows pursuit of renewable energy goals

Commerce Secretary Gary Locke says the Obama administration is on track to meet its goal of doubling clean energy production by 2012, promising that “when more of America’s energy comes from cleaner, renewable energy, our economy will be more competitive and our energy security more assured.”

Speaking at last week's ACORE (American Council on Renewable Energy) Renewable Energy National Policy Forum on Capitol Hill, Locke acknowledged to his audience of lawmakers, staff, and renewable energy stakeholders that “many of you shared our disappointment over the fact that we were unable to get comprehensive climate and energy legislation through the Senate last year.” But he said the issue **“will continue to be a priority for the administration and in the**

next Congress we will look for other ways to 'skin the cat,'” such as continuing to pursue a national renewable electricity portfolio standard to support the RES requirements already established in many states.

Locke called for more innovation to overcome fossil fuel industry resistance so that “America moves from relying primarily on dirty and largely foreign sources of fossil fuels to domestically produced clean energy.”

He said the administration has supported the transformation by using last year's American Recovery and Reinvestment Act to provide an unprecedented “\$90 billion for clean energy technology, to promote everything from advanced wind turbines and solar panels to new battery technologies and the modernization of our electricity grid.” He said the \$90 billion triggered an additional \$110 billion in private sector investment.

Another key, Locke said, is that the administration “spearheaded a new commitment by the largest nations in the world to eliminate fossil-fuel subsidies.” Locke said that the U.S. subsidization of fossil fuels at a level three times that of renewables between 2002 and 2008 “makes absolutely no sense. We can't on the one hand say we want to produce more renewable energy, while at the same time having subsidies and marketplace incentives that encourage companies to do the exact opposite.”

Southern Ag interests look to Sen. Conrad as new 'go-to' guy

Senate Agriculture Committee Chairman Blanche Lincoln's (D-AR) re-election loss has southern farming interests searching for a go-to lawmaker in the upper chamber to help ensure their voices are heard in the upcoming 2012 Farm Bill debate.

To many, Sen. Kent Conrad (D-ND), a senior member of the ag panel and chair of the influential Budget Committee, is the logical choice. Conrad, who along with Ranking Republican Saxby Chambliss of Georgia helped broker a safety net compromise in the 2008 Farm Bill, is poised to play a leading role in writing its successor. Conrad's role could become even more important if, as expected, Sen. Chambliss leaves his ranking minority spot on the Senate Agriculture Committee for another key committee post.

More recently, as a member of the bipartisan National Commission on Fiscal Responsibility and Reform, Conrad, according to our sources, was largely responsible for persuading the 18-member panel to scale back its recommended cut in mandatory spending on farm programs through fiscal 2020 from \$30 billion to \$10 billion.

He told *Agri-Pulse* in an exclusive interview Tuesday that it was unfair for agriculture to shoulder a disproportionate share of the targeted reductions because it didn't contribute to the deficit. Conrad confirmed that an initial draft of the commission's blueprint for reining in federal spending contained a recommendation for lower limits on farm program payments.

“One has to respect the diversity of American agriculture,” Conrad emphasized, acknowledging that more restrictive payment limits would be detrimental to cotton and rice growers in the south, and the next farm bill “must make sense for all corners of the country.”

While warning that budget pressures will force a restructuring of commodity and conservation policies, he believes farmers will continue to have a reliable income safety net. “There's going to

be a chance as we go forward to do some very exciting things for production agriculture.”

In the House, incoming Ag Committee Chairman Frank Lucas (R-OK), a proponent of holding onto direct payments, is assuring mainstream farm and commodity groups he'll be their champion.

“You and I have to work together to encourage our friends on the committee and on the floor of the United States House to make sure that we not only pass a farm bill that reflects good policy, but also a farm bill that's practical and doable – something that we can get signed into law,” Lucas said last week in a videotaped message to the USA Rice Outlook Conference in Biloxi, MS.

Southern agriculture is looking for Democratic allies in the House, too, and “Blue Dog” Rep. Mike Ross of Arkansas answered their call by seeking a waiver to join the Ag Committee in the 112th Congress.

Participants in a farm policy panel during the rice conference agreed that funding and budget challenges will be the most difficult issues in the coming farm bill debate. **“You need to think about one question: when we have less of a safety net, how do you want the money to be spent,”** said Joe Outlaw, co-director of the Agricultural and Food Policy Center at Texas A&M University.

Gary Adams, vice president of economics and policy analysis for the National Cotton Council, focused his remarks on the safety net implications for producers of cotton and other so-called “program crops” of the World Trade Organization Brazil cotton case.

While noting that the WTO Dispute Settlement Panel concluded that direct payments were not trade distorting, Adams argued that the panel technically ruled that the roughly \$5 billion in payments “are not green box” - WTO jargon for the least distorting form of farm supports - because of the prohibition on fruit and vegetable planting on base acres.

The United States reports direct payments as ‘green box,’ USDA Chief Economist Joe Glauber confirmed to *Agri-Pulse*.

FDA issues first antibiotics report

The Food and Drug Administration last week published its first annual report summarizing the sales and distribution of antimicrobial drugs approved for use in food-producing animals. Under a 2008 law, animal drug sponsors are required to report sales and distribution data to FDA, and the agency is required to summarize and report the data to the public.

Critics of non-therapeutic use of antibiotics in cattle, hogs and chickens said the report confirms that U.S. animal agriculture is too reliant on such drugs and government action is needed to reduce inappropriate usage.

Livestock and animal health groups have yet to respond to the report.

The FDA report found that 28.8 million pounds of antimicrobials - antibacterials, antibiotics and antiparasitics – were sold in 2009 for both therapeutic and non-therapeutic use for all farm animal species. Not surprisingly, about two-thirds were tetracyclines and ionophores, which are

mainly used as feed supplements to promote growth.

On Capitol Hill, House Rules Committee Chairwoman Louise Slaughter (D-NY) said the new data makes the case for passage of her Preservation of Antibiotics for Medical Treatment Act, which would for the first time restrict farm livestock from eating a steady diet of antibiotics as part of their daily feed rations. “We are putting millions of pounds of antibiotics into the food supply unnecessarily every year. This cannot continue and it’s my hope that these new data from the FDA will encourage even more members of Congress to join me next year when I reintroduce this legislation,” Slaughter said. “Moreover, the FDA must move fast to issue strong regulations on antibiotic usage in agriculture.”

FDA said the collection of antimicrobial sales and distribution information assists the agency in evaluating resistance trends and its analysis of other issues associated with the safety and effectiveness of such products in food animal production.

The Union of Concerned Scientists said the agency’s report confirms a report issued by their group back in 2001 when it claimed livestock and poultry producers are using “massive” amounts of drugs. “The Obama administration recognizes we have a problem with agricultural antimicrobials, but it has yet to move forcefully on the issue,” said Mardi Mellon, director of the UCS Food and Environment Program. “We hope the FDA report will motivate the administration to take concrete steps to protect public health by limiting inappropriate antimicrobial use.” The 2001 UCS report calculated that 25 million pounds of antimicrobials were used annually in cattle, swine and poultry for non-therapeutic purposes.

The FDA report is available at http://agri-pulse.com/uploaded/FDA_Animal_Antibiotics.pdf.

USDA researchers claim FMD breakthrough

USDA scientists have identified the primary site where the virus that causes foot-and-mouth disease (FMD) begins infection in cattle. The discovery could lead to development of new vaccines to control and potentially eradicate FMD, a highly contagious and sometimes fatal viral disease of cloven-hoofed animals that is considered the most economically devastating livestock disease in the world.

The discovery was made by scientists with the Agricultural Research Service (ARS) Foreign Animal Disease Research Unit at the Plum Island Animal Disease Center in New York. The research was published in the November issue of [Veterinary Pathology](#).

ARS researchers found that after just six hours of exposure to the FMD virus through the cow's nasal passages, the virus selectively infects epithelial cells in the nasopharynx, a specific region of the back of the cow's throat.

"Because we have determined the actual route the FMD virus takes in infected cattle, we can now begin to target the virus-host interaction in an effort to develop better vaccines and biotherapeutic countermeasures against the disease," Veterinary Medical Officer Jonathan Arzt said.

Vaccines that offer temporary immunity for livestock have been developed, but there is no universal FMD vaccine against the disease. Because there are seven different types of FMD viruses and more than 60 subtypes, vaccines must be highly specific, matched to the type and

subtype present in the area of an outbreak, to protect animals against developing clinical signs of disease. Blocking the initial site of infection may be the most effective way to achieve complete protection, ARS said.

The scientists now are conducting further research to answer questions about why the particular epithelial cells are susceptible, and how the initial infection site can be blocked.

BCAP, cellulosic ethanol providing new entry point for young farmers

Within sight of POET LLC's ethanol plant near Emmetsburg, IA, Rick Elbert's 800 corn acres are part of what he sees as a "full circle" operation. Rick's an ethanol-plant investor who feeds his corn to POET to produce ethanol – and then feeds his cattle with the ethanol plant's wet cake and bran byproducts. "We also burn E85, so it's just full circle for us," he adds.

Rick tells *Agri-Pulse* he's particularly pleased with this full circle because "I've always felt strongly about ethanol and about keeping jobs at home and making our fuel here at home rather than fighting wars in other countries. Ethanol gives us home-grown fuel which creates jobs in Iowa and in our country, making our country economically stronger and improving national security."

Rick's getting even more pleased thanks to POET expanding its Emmetsburg plant to turn not just corn but corn stover and cobs into ethanol, boosting plant capacity while creating a new income stream for Rick and neighboring farmers. As icing on this cake, Rick's 19-year-old son Kyle has expanded his own fledgling corn, bean and cattle operation by creating a custom baling and hauling business. Rick says "it's a good way for a young man to get started, with another business opportunity, and there are a couple young lads in the community doing that to give them an opportunity to get started farming."



Big round bales ready to be turned into cellulosic ethanol.
Photo credit: POET

USDA's Biomass Crop Assistance Program (BCAP) is key to Kyle's new business. POET will pay Rick around \$40 per ton for the 1,600 big round bales that Kyle has stacked up and will deliver from his dad's 800 corn acres. In total, Kyle is ready to deliver 6,000 1,400 lb. bone-dry bales he contract baled for area farmers on the 2,800 acres which have launched Kyle's first year in his biomass baling business. He'll get \$36 per ton from farmers for his custom baling and hauling. Meanwhile, once the final rules are cleared by the Office of Management and Budget, BCAP will match POET's payment dollar for dollar, giving each farmer \$80 to \$85 per ton in this start-up program to get this market off the ground. Longer-term, after BCAP provides a nice boost for early adopters to establish the market, the hope is that the market will work on its own.

Note that this is the first year for this new program – so payments could go up or down in future years and could vary considerably for contracts in other areas. **In fact, pending in the Senate is a fiscal 2011 omnibus appropriations bill that farm interests say could make severe cuts to many of the 2008 Farm Bill's energy programs, including BCAP.**

Rick and Kyle note that they'll pay “minimally more” to add extra fertilizer on fields with less stover left on the ground, saying they'll make sure they're “not mining the ground.” Rick adds that along with conservation measures like filter strips, “We're not removing any stover off highly erodible ground. We're still being environmentally friendly with the whole thing.” Kyle says that on his own 200 corn acres, he's conservative about how much stover he bales. “This is the first year we've ever done it, so we won't know until next year,” he explains. “But I think the fertilizer guy has got it figured out and it actually helps for corn on corn because there's too much trash with the corn on corn ground.”

Rick and Kyle already had a baler for their cattle operations. But to launch Kyle's new custom baling business, they went halves on buying a new baler plus other equipment, including a bale accumulator, another tractor and a trailer. With that extra investment, Rick says, “it's not a get-rich deal. It's just another diversification in farming, which we welcome.” Kyle says “It takes money to get into this business but there is money to be made . . . About the only thing we had to change in our crop operation was to put stalk stompers on the corn head to stomp the stalks down so the windrows are easier to pick up.” For others thinking of getting into the biomass business, Kyle's advice is “have your work lined up before you buy equipment.”

All that's left is for USDA to complete the bureaucratic paperwork to actually release the funds to pay for delivering Kyle Elbert's 6,000 stacked up bales. So far, Kyle's only delivered a few bales for POET to test its handling systems before deliveries start pouring in from all 85 farmers who've harvested biomass for POET this year. For more on BCAP, go to: www.Agri-Pulse.com

Dean Foods agrees to settlement in farmers' antitrust suit

Dean Foods has agreed to pay \$30 million to settle a suit by farmers in Vermont, New York and Pennsylvania who claim that the nation's largest fluid milk marketer teamed up with others to control the milk market in the Northeast. The settlement is subject to approval in U.S. District Court in Vermont. In a document filed Thursday with the Securities and Exchange Commission, Dean said that it also would agree to other unspecified “terms and conditions with respect to its raw milk procurement activities at certain of its processing plants located in the Northeast.”

The suit was filed in October 2009, claiming that Dean, HP Hood and Dairy Farmers of America worked together to limit the price paid to dairy farmers in the region and to deny their access to liquid milk processors. The allegations against Hood were dismissed in August and DFA filed papers Friday denying the charges and asking the judge to dismiss the case against it.

News of the settlement was welcomed by Sen. Patrick Leahy, (D-VT). “We cannot allow collusion among larger dairy conglomerates to continue at the expense of our locally owned and operated dairy farms,” he said, adding that the settlement would “give pause to big companies when they consider anti-competitive actions that hurt farmers and consumers.”

Dean continues to contest similar complaints filed by farmers in southeastern states beginning in 2007 and is vigorously resisting antitrust claims by Department of Justice attorneys in January that its purchase of two milk bottling plants in Wisconsin would restrain competition. Dean's lawyers asked the court in Wisconsin last week to compel Lamers Dairy of Appleton, Wisconsin, to comply with a subpoena for information that is crucial to their defense against the DOJ suit.

CFTC wrestles with challenges of writing new swap market rules

With public hearings, congressional testimony, round-the-clock staff conferences, and meetings with swaps industry participants, the Commodity Futures Trading Commission (CFTC) is struggling to hammer out workable rules to implement the sweeping new Dodd-Frank financial reform law. The CFTC's challenge is heightened by tight deadlines set by Congress to complete work by July 2011, though Jill Sommers, one of the two Republicans on the five-member commission, supports extending the July deadline to provide more time.

At last week's CFTC public meeting, commissioners discussed derivatives market end-user exemptions and whether farm credit institutions, credit unions and small banks should qualify for exemption if they are using swaps not for speculation but only to hedge commercial risks. This week's focus is on a House Agriculture Subcommittee hearing Wednesday on position limits. Also, during the eighth in CFTC's series of public meetings Thursday, the commission will consider:

- Position limits for physical commodity derivatives;
- Confirmation, portfolio reconciliation and portfolio compression requirements for swap dealers and major swap participants;
- Risk management requirements for derivatives clearing organization; and,
- Core principles and other requirements for swap execution facilities.

On the key issue of end-user exemptions, CFTC Chair Gary Gensler commented last week that he supports the basic principle that for non-financial entities, “if a company is using a swap to hedge an asset, liability, input or service that it currently has or uses or anticipates having or using, it would qualify for the end-user exception” from clearing requirements, thereby reining in transaction costs. To remove any doubt, he added that “if an entity is taking a position to speculate, the transaction would not qualify for the end-user exception.”

As to whether farm credit institutions, credit unions and small banks should be eligible for exemption, Gensler concluded that “Congress directed the commission to consider possible exemptions for small financial institutions. I look forward to hearing from the public on their views on this and what conditions would be appropriate for such exemptions, if granted.”

The CFTC's second Republican commissioner, Scott O'Malia, said he couldn't understand “why we are failing to fully address the issue of excluding small banks, farm credit institutions and credit unions from the definition of financial entity.” He pointed out that the Dodd-Frank law specifically directs the CFTC to consider whether to exempt these entities. He also quotes House Agriculture Committee Chairman Collin Peterson as saying the regulators “will have maximum flexibility when evaluating the risk portfolio of these institutions for consideration of an exemption.” O'Malia said it's his hope “that a final rule will ultimately permit the bulk of these institutions to avail themselves of the end-user exemption.”

For details on both proposed and completed Dodd-Frank rules, go to:

www.cftc.gov/LawRegulation/DoddFrankAct/Dodd-FrankProposedRules

To read Dodd-Frank comments submitted to the CFTC and for links to submit your own comments, go to: <http://comments.cftc.gov/PublicComments/ReleasesWithComments.aspx>

Position limits spotlighted in last week's CFTC public meeting

CFTC Commissioner Bart Chilton welcomed new attention on position limits last week, noting that “for years, I have been calling for speculative position limits. At first, I was the only one doing so at the CFTC.” He said futures markets experienced huge speculative investments in 2007 and 2008. “We also saw commodity prices jump with wheat at \$24 per bushel, gas over \$4 a gallon and crude oil topping out over \$147 per barrel.” Chilton said studies at Oxford, Princeton, Rice and MIT all suggested an influence on price by speculators. “Data I discussed yesterday for the first time shows that the positions of speculators in futures markets are at an all time high. The silver market, for example, where we have seen very large positions, now has huge speculative positions. People across the country wrote to their representatives in Washington calling for position limits. Congress heard them and mandated that we impose the limits in January of 2011.”

Chilton says CFTC Chairman Gary Gensler committed to addressing this issue before the commission Dec. 16th. He said Gensler would actually bring two proposals - one for spot month contracts that would have an expedited implementation date, and another proposal to put into effect non-spot month limits and aggregate limits. Limits pursuant to the second proposal would be based upon adequate data, he said.

Analysts see no link between market power, price markups

If USDA and the Justice Department hoped to strengthen the populist argument that farm and food industry consolidation has given food manufacturers and grocery chains too much power, they got little help last week at a USDA/DOJ meeting convened to look at increasing margins between farm and retail prices, with the focus on fluid milk, livestock and poultry.

Secretary of Agriculture Tom Vilsack spoke of “warning signs” of trouble in farm country. He seemed to relate the challenges to the fact that the producer’s share of the retail food dollar had declined – and the number of farms producing milk, beef and pork had decreased – at the same time the market power of retailers had consolidated in large chains. “There can usually be an explanation at some aspects of these complex issues, but we must also ask, if everything is fine, why don’t we see young people getting into agriculture, why are people leaving rural counties?”

But research into milk marketing by Charles F. Nicholson, an agricultural economist at Cal Poly-San Luis Obispo and others concludes that the rising costs of such factors as labor, energy, packaging and transportation mostly account for the higher margins. The higher margin does not indicate higher profits by processors or retailers, Nicholson told the workshop audience.

“As a general rule, retail and wholesale prices do respond to the costs of milk paid by buyers,” he said. Margins fluctuate over time but tend to be higher when farm prices are lowest, perhaps explaining the more frequent attention to margins “during and shortly after periods of significant financial pain for dairy farmers.” Although market volatility in the last decade had severely strained many farmers, Nicholson said, “I don’t think these cycles are related to margins.” If the goal of policy is to ease volatility and financial distress, “changing marketing margins may not be a particularly effective approach,” he said. “Increased support for farm-level risk management and (or) policies that address the underlying causes of the large variation will be more helpful.”

One of the day’s more revealing comments came in a news conference during a break in the workshop. Vilsack bristled after a reporter asked whether the workshops were “merely hand-holding sessions to make small farmers happy” or would result in concrete action. “I don’t think

the premise of your question is accurate,” Vilsack said testily. “It’s really unfair to the people who have been working hard over the past six months to suggest this is merely a hand-holding exercise.” Attorney General Eric Holder concurred, saying that the workshops had provided his lawyers “a basis for further action.”

Assistant Attorney General Christine Varney wrapped up the exercise by saying that her Antitrust Division has “several leads that came out of these workshops that we are following up on.” Privately, a Justice Department lawyer told us to expect more enforcement action over the next two years. No indication was given as to what areas may be under investigation, whether they suspect the law is being broken in the seed business, meat packing, poultry or milk marketing.

RMA’s Murphy looks ahead at future of crop insurance program

Budget cutters will be looking to trim almost every federal program next year and the federal crop insurance program will be no exception. But the head of USDA’s Risk Management Agency (RMA) says he is ready to spread the word that the crop insurance industry already took a \$6 billion cut, with \$4 billion of that going to deficit reduction.

“Six billion is quite a savings. As we get to talks going into the 2012 Farm Bill, I definitely want to make that known when we get into the discussions,” Murphy told *Agri-Pulse* in a recent interview.

RMA released a report Tuesday that indicates current investments in crop insurance are delivering significant bang for the buck. While the cost of the federal crop insurance program has increased by about 25% from fiscal year 2001 to 2007, the level of insurance protection almost doubled, from \$36.73 billion to \$67.34 billion over the same period.

Insurance coverage is now available for almost every commodity and specialty crop, from apiculture to wheat, as well as livestock operations. For the full report: <http://www.rma.usda.gov/aboutrma/budget/costsoutlays.html>



RMA's William Murphy

In addition to implementing a new Standard Reinsurance Agreement with companies, the RMA staff has been focused on rolling out a new Common Crop Insurance “Combo” policy for 2011 that combines existing Crop Revenue Coverage (CRC), Revenue Assurance (RA) and Income Protection (IP) for 2011 crops into one revenue program. Murphy says farmers are going to really appreciate the change.

“What we’ve found, especially in the Midwest where you would have three options, is that farmers would take their pencil and they’d wait until the last minute and pick what they thought would be a good program and of course you never know what will end up being the best program. It took up a lot of their time and certainly a lot of the agents’ time, trying to answer and explain the differences between the programs,” he said. “So all around, it’s a big improvement. Anything that simplifies the program from the farmers’ standpoint is also a positive.”

Despite concerns that the new combo policies would end up costing growers more in 2011, Murphy says that those should be the exception rather than the rule. “Generally, costs are going to be decreased. Not a lot, but a few percentage points.”

Growers have increasingly switched to purchasing enterprise unit coverage and that option will be available in any county where the new Combo revenue programs will be available.

“I think that’s going to be an advantage to quite a few growers who haven’t switched to revenue (programs) already,” says Murphy. “It’s also going to help in the South where the enterprise units have been extremely popular.”

Despite the growth in crop insurance coverage over the last decade, growers in several regions of the country still complain that the program does not have enough historical production and loss data to accurately determine rates. Murphy says RMA is doing a review of rice, cotton, sugar cane and other crops to see if additional adjustments can be made. For example, RMA looked at the rate structure in the rice program and plans to drop premium costs, perhaps as much as 10%.

“Cotton growers tell us more acreage is now irrigated than historically, so we’re doing a review to see what type of irrigation they’re using. That could impact on something we might be able to do for them down the road.”

RMA staff also looked at the rating methodology used to insure the nation’s corn crop, which the National Corn Growers Association wants the agency to update. But Murphy does not think major changes are warranted.

“I think the new contractors addressed everything in depth. One thing they did say is that we need to take a look at those severe losses in 1980’s and in 1993. When you have three years that are such an anomaly when you look at the whole data set, should you weight those the same as every other year?” That’s still an open question.

Growers who have not historically filed a lot of claims may soon be eligible for a performance discount, similar to what auto insurance companies provide to drivers who don’t have accidents. Murphy says RMA is still reviewing who will be covered and what years are factored in to the calculation and he hopes to roll those details out in a couple of weeks.

The agency has already been providing some premium discounts for growers who invest in yield enhancing biotechnology, but Murphy says his staff is doing an analysis of how they should handle biotech crops over the next couple of years. One concern: with about 93% of the soybeans and 86% of the corn already employing biotech traits, perhaps the discount should be integrated into base premium rates and applied to all growers, rather than reserved as an option.

RMA is also taking a closer look at how they can insure new biomass crops, like camelina and switchgrass, as directed by the 2008 Farm Bill. But it may be at least two years before anything is available. The Pasture Rangeland and Forage program model will probably be the basis for insuring energy crops, because there is no history and not much pricing information, explains Murphy. “That’s a problem in insurance where past experience gives you the basis to do new projections in the future.”

Longer-term, RMA is trying to figure out how advancements in machinery technology, such as Global Positioning Systems (GPS) and yield monitors, can be incorporated into the crop insurance program and perhaps even used to collect data for the Farm Service Agency. For example, Murphy says: “Wheat growers have requested separate units for continuous crop and summer fallow practices and we have been reluctant to make this change due to potential vulnerabilities with yield switching. If we had the GPS data, then we would know which day it was harvested and where it was harvested and hopefully we could make some improvements to the program with some of these technologies.”

USA Rice files brief in support of farmer court awards

USA Rice Federation has filed a brief in the U.S. Court of Appeals 8th Circuit in support of rice farmers from Arkansas and Missouri whose favorable jury verdicts against Bayer CropScience (BCS) are being appealed by the agribusiness.

In a statement, USA Rice said its friend-of-the-court brief aims to put in context for the appellate court those relevant federal statute and regulations designed to protect U.S. agriculture from the unapproved release of experimental genetically engineered crops.

Two separate federal juries found against BCS and awarded tens of millions of dollars in damages to groups of Arkansas and Missouri farmers because of the unintentional release of the company's Liberty Link genetically engineered rice into the commercial long-grain rice supply in 2006.

BCS told *Agri-Pulse* that it “disagrees completely” with the present findings of liability and the awards of compensatory and punitive damages, and will pursue all legal options to overturn the “adverse” verdicts.

USA Rice Chairman Jackie Loewer said BCS' decision to appeal is “unfortunate” and “wrongly” seeks to shift the cost of Liberty Link onto rice farmers and away from the company. The statement noted that USA Rice staff has testified at the request of rice farmer plaintiffs in three federal trials – including the two verdicts under appeal – and one Arkansas state trial. Rice farmers won all of these jury trials.

“Those juries are right,” concluded Loewer.

Vilsack briefs industry groups on GIPSA rule

Ag Secretary Tom Vilsack briefed industry groups Monday on USDA's process for reviewing the more than 66,000 public comments on its controversial GIPSA rulemaking proposal on livestock and poultry marketing practices.

Colin Woodall of the National Cattlemen's Beef Association told *Agri-Pulse* that Vilsack said approximately 52,000 of the public submissions were form letters of some type. Vilsack also said USDA will take its time to evaluate the unique comments, and he announced that Chief Economist Joe Glauber's office will conduct a comprehensive cost-benefit analysis of the proposed rule, something that NCBA and its congressional allies have sought for months. USDA has not commented publicly about the briefing.

GIPSA Administrator Dudley Butler was not present at the meeting, according to Woodall, who came away from the briefing believing it will be sometime in the spring before USDA moves to finalize the rule.

For an audio recap of Stewart Doan's interview with NCBA's Colin Woodall, click on <http://www.agri-pulse.com/Audio-Wednesday.asp>

News in Brief

Smithfield sets earnings record. Smithfield Foods finished the second quarter with record net earnings of \$144 million, an improvement of \$170 million from the same period a year ago. Sales for the quarter totaled \$3 billion, up 11 percent. Smithfield, the world's largest pork processor and hog producer, said profit margins on fresh pork rose 10 percent despite a 54 percent increase in live hog market prices and a 12 percent decrease in volume. Its' hog production margin improved to \$18 per head. "Smithfield is performing at record levels," said Larry Pope, president and CEO, and "all indications are that fiscal 2011 will be a record year for the company." Corn prices, he added, appear to have stabilized at \$5 per bushel. Even though it expects little, if any, U.S. herd expansion in the year ahead, Smithfield said hog production looks "solidly profitable" through next summer. The company anticipates continued strength in pork exports as primary competitors Canada and the European Union reduce the size of their hog herds.

Bayer to collaborate with Evogene. Bayer CropScience and Israeli-based Evogene Ltd., a leader in plant genomics technologies, announced a five-year collaboration to accelerate the development and introduction of improved wheat varieties. Improvements will be pursued for wheat yield, drought tolerance, fertilizer use efficiency and certain other wheat traits utilizing a combination of advanced breeding and genetic modification methods. Bayer will have exclusive rights to commercialize in wheat the traits resulting from this collaboration. The collaboration further builds on an on-going partnership between Bayer and Evogene for increasing rice productivity and yield.

Partnership dissolved. CHS Inc. announced the dissolution of United Harvest, a joint venture company owned equally by CHS Inc. and United Grain Corp., a Mitsui company, which was formed in December 1998. The United Harvest joint venture dissolution is expected to be completed on or before May 31, 2011. At that time, management of the Vancouver, WA., export terminal will return to United Grain Corp., and management of the Kalama, WA., export terminal will return to CHS. In a press statement, CHS cited the need to "move in a new direction" while pledging to "continue to uphold its commitment to ensure long-term, competitive market access in the Pacific Northwest for its stakeholders and customers."

Conservation projects. USDA is seeking proposals for projects that will bring partners together to help farmers, ranchers and private nonindustrial forest landowners implement beneficial water and land conservation practices. Proposals for Agricultural Water Enhancement Program (AWEP) and the Cooperative Conservation Partnership Initiative (CCPI) projects must be received by NRCS by January 31, 2011. Visit www.nrcs.usda.gov/programs/awep and www.nrcs.usda.gov/programs/ccpi web pages to learn more.

Egg vote fails. The nation's egg producers voted against a proposed increase in the mandatory assessment paid to the American Egg Board, according to USDA's Agricultural Marketing Service. Although 55% of egg producers voting in the referendum approved raising the assessment from 10 cents to 15 cents per 30-dozen case of eggs, their votes represented only 49% of the volume of eggs produced by all voters from January through December 2009. For the referendum to pass, at least two-thirds of the voting producers or a majority of producers representing at least two-thirds of the volume of eggs produced by all voters, had to favor the amendment.

Farm Hands on the Potomac By James C. Webster

House Speaker-designate John Boehner, R-Ohio, announced that **Mike Sommers** will be his deputy chief of staff for leadership operations. Sommers joined Boehner's staff in 1999 as legislative assistant handling agricultural issues. He became his chief of staff before leaving to become White House agriculture advisor in the Bush Administration when **Chuck Conner** moved to USDA. Chief of staff will be **Barry Jackson**, an architect of the Contract with America and another former top Boehner aide who had a White House post under Bush.

Anne Steckel, Growth Energy's director of government affairs since July 2009, will be chief of staff to Rep. Mike Thompson, D-Calif. She's worked for Sen. Dick Durbin, D-Ill., and Farm Bureau . . . Food Marketing Institute lobbyist **John W. Billings** will become chief of staff for Rep.-elect Charlie Bass, R-N.H. . . . House Agriculture Committee staffer **Claiborn Crain** is set to retire after Congress adjourns; he was an assistant to USDA's under secretary for rural development, burley tobacco industry lobbyist and farm hand for the late Rep. **Graham Purcell**, D-Texas, former Rep. **Jack Hightower**, D-Texas, and the late Sen. **Paul Wellstone**, D-Minn.

USDA named **Harry Baumes** director of its Office of Energy Policy and New Uses. Baumes has been associate director since April 2006. Baumes was Managing Director of Agricultural Services for the Global Insight consulting firm . . . **Colien Hefferan**, administrator of USDA's Cooperative State Research, Education and Extension Service before it was subsumed by the National Institute of Food and Agriculture, has been named director of the National Arboretum.

Russell Williams, Director of Regulatory Relations on the International Policy team for the American Farm Bureau Federation for the last three years, will return to Texas to work with his father and brother on the family crop and livestock operation . . . **Susan T. Bora**, executive VP for nutrition, food and wellness at Edelman public relations, was named senior VP for communications at the Food Marketing Institute. She earlier was at the International Food Information Council.

Former USDA General Sales Manager **W. Kirk Miller**, now at the ACDI/VOCA cooperative international development group, is one of 18 winners of the U.S. Agency for International Development's Presidential Volunteer Service Award for farmer-to-farmer program work . . . The Presidential Early Career Award for Scientists and Engineers was given at a ceremony at the White House Monday to **Lee K. Cerveny** of USDA's Forest Service, **Michael L. Looper** of the Agricultural Research Service and **Jeffrey S. Ross-Ibarra** of California-Davis.

Dennis Canty, Seattle environment and infrastructure finance consultant, was named Pacific Northwest director of American Farmland Trust to succeed **Don Stuart**, who retires . . . New Mexico State's Board of Regents appointed **Tom Bagwell** secretary of the state Department of Agriculture. Formerly deputy secretary, he succeeds **I. Miley Gonzalez**, who retires at year end.

Initial board members of USDA's new National Sheep Industry Improvement Center are **Linda S. Campbell**, Luray, Va.; **Rochelle A. Oxarango**, Soda Springs, Idaho; **David H. Johnson**, Wonewoc, Wis.; **Janet B. Mawhinney**, Waynesburg, Pa.; **Glen D. Fisher**, Sonora, Texas; **Clark Willis**, Logan, Utah, and **Joan R. Snyder**, Stuyvesant, N.Y. . . . New members of the National Dairy Promotion and Research Board: **Renae A. De Jager**, Chowchilla, Calif.; **Jeffrey A. Hardy**, Brigham City, Utah; **Steven R. Hanson**, Clovis, N.M.; **Douglas T. Danielson**, Cadott,

Wis.; **Douglas L. Krickenbarger**, West Alexandria, Ohio; **Zachary H. Myers**, Jonesville, N.C.; **David P. Crowl**, Forest Hill, Md., and **Sanford Stauffer**, Nicholville, N.Y. . . . Secretary of Agriculture Tom Vilsack also named 40 members of the Cattlemen's Beef Promotion and Research Board, seven to the National Mango Board and 20 to the Advisory Committee on Animal Health. CBB and Mango Board rosters are at www.ams.usda.gov and the animal health members are listed at www.aphis.usda.gov. Click "newsroom" pages.

The American Soybean Association elected **Alan Kemper**, Lafayette, Ind., president to succeed **Rob Joslin**, Sidney, Ohio. First VP is **Steve Wellman**, Syracuse, Neb.; Secretary **Randy Mann**, Auburn, Ky.; and Treasurer **Danny Murphy**, Canton, Miss. . . . The U.S. Poultry and Egg Assn. promoted **Paul Pressley** to executive VP of industry programs and named **Gwen Venable** director of communications; she was marketing manager for a poultry equipment manufacturer.

John Rauber, regional director of international finance for Central Europe, CIS, Africa and the Middle East for John Deere Financial, is one of nine new members of the Advisory Committee to the Export-Import Bank of the U.S. . . . **C.J. Blew**, Castleton, Kan., farmer, has been elected to a one-year term on the board of CHS cooperative . . . Dean Foods promoted **Scott Vopni** from VP and corporate controller to VP chief accounting officer, succeeding now-CFO **Shaun Mara** . . . **Sarah Schmidt** moves from Holstein World and Dairy Business Communications to Associated Milk Producers Inc., New Ulm, Minn., as communications director.

CHS named **Jay Debertin** executive VP-COO energy-foods, **Mark Palmquist** executive VP-COO ag business, **Lynden Johnson** senior VP business solutions, **Pat Kluempke** executive VP corporate services, **David Kastelic** executive VP-CFO and **Lisa Zell** senior VP-general counsel.

Kenneth L. Robinson, who taught farm and food policy and economics at Cornell for 36 years and was the co-author of a widely used textbook on agricultural prices, died Dec. 8. He was 89.

Best regards,

Sara Wyant
Editor

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