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President Obama's inauguration address spotlights renewables

The nation's 44th President began his inaugural speech Tuesday by listing the problems facing the United States: War, a weakened economy, homes lost, **"jobs shed, businesses shuttered,"** high-cost health care, failing schools, and **"each day brings further evidence that the ways we use energy strengthen our adversaries and threaten our planet."** But he reminded the hundreds of thousands who gathered in chilly temperatures across the National Mall that America is still "the most prosperous, powerful nation on Earth" with tremendous capacity to work. **"Our time of standing pat, of protecting narrow interests and putting off unpleasant decisions — that time has surely passed.** Starting today, we must pick ourselves up, dust ourselves off, and begin again the work of remaking America." The state of the economy calls for action, bold and swift, and we will act — not only to create new jobs, but to lay a new foundation for growth. We will build the roads and bridges, the electric grids and digital lines that feed our commerce and bind us together. We will restore science to its rightful place, and wield technology's wonders to raise health care's quality and lower its cost. **We will harness the sun and the winds and the soil to fuel our cars and run our factories."**



The speech touched on familiar, centrist themes that both Democrats and Republicans could embrace---**bipartisan support that he'll need to gain wide-spread approval of an ambitious agenda and the broadest expansion of government in decades.** At the same time, he signaled a willingness to cut government programs, a Herculean task for any president even when his party controls both houses of Congress. "The question we ask today is not whether our government is too big or too small, but whether it works — whether it helps families find jobs at a decent wage, care they can afford, a retirement that is dignified. **Where the answer is yes, we intend to move forward. Where the answer is no, programs will end,"** Obama emphasized.

Senate gives swift approval to Vilsack, six other cabinet picks

Senate colleagues unanimously confirmed seven of President Obama's cabinet nominees on the same day that he was sworn into office. The confirmed nominees include: Ken Salazar as Secretary of the Interior; Steven Chu as Secretary of Energy; Arne Duncan as Secretary of Education; Janet Napolitano as Secretary of Homeland Security; Peter Orszag as Director of the Office of Management and Budget; Eric Shinseki as Secretary of Veterans' Affairs; and Tom Vilsack as Secretary of Agriculture.

Full steam ahead on Recovery & Reinvestment Act

Congress is hard at work to meet its goal of having the \$825 billion “American Recovery and Reinvestment Act of 2009” ready for President Obama’s signature no later than Friday, Feb. 13th. On Wednesday, President Obama’s first full day in office, **the House Appropriations Committee holds a markup meeting to consider the bill’s proposed \$550 in spending provisions**. The following day, the House Ways and Means Committee holds its markup meeting to consider the package’s \$275 billion in tax provisions.

The Recovery and Reinvestment plan is expected to undergo some changes as it works its way through the House and Senate over the next three weeks as fiscal conservatives critics grapple with the massive spending package. House Minority Leader John Boehner (R-OH) reacted to the bill this way: **“What we’re seeing is disappointing. . . It’s just more of the same kind of wasteful spending that we have seen in the past.”**

A Congressional Budget Office (CBO) analysis on the discretionary portion of the recovery plan underscored concerns that the package may not provide the short-term impact that many had hoped for. **The CBO report said most of the plan’s \$355 billion in appropriations for highway construction and other programs wouldn’t be spent until after 2010.** The government would spend about \$26 billion of that money this year and \$110 billion more next year, according to the analysis. It projected the government would spend \$103 billion in 2011, \$53 billion in 2012 and \$63 billion from 2013 to 2019. The CBO analysis said it expects a “slow” recovery to begin later this year and that the economy will expand by a “modest” 1.5 percent in 2010.

However, **supporters of the package point out that much of the money going out will use already established programs** – such as the Agriculture Department’s renewable energy guaranteed loan program. They also point out that this initial recovery package could be followed by a second installment, so that there can be future course corrections as needed. The House Appropriation Committee’s report on the bill warns specifically that “there remains a significant likelihood that further action will be needed. There is a very real risk that, because of unanticipated economic bad news, this legislation may undershoot its target.”

The House Appropriation Committee’s report on the bill underscores the need for action.

“The economy is in such trouble that, even with passage of this bill, unemployment rates are expected to rise to between eight and nine percent this year. Without this bill, we are warned that unemployment could explode to near twelve percent. With passage of this bill, we will face a large deficit for years to come. Without it, those deficits will be devastating and we face the risk of economic chaos. Tough choices have been made in this legislation and fiscal discipline will demand more tough choices in years to come.”

The report also notes that Mark Zandi, a prominent economic advisor to Senator McCain’s presidential campaign, **“projects that a \$750 billion recovery package along the lines being proposed would raise GDP by \$2.9 trillion over the next four years – about four times as much as the initial cost. . .** If Zandi’s estimate of the effect on GDP is anywhere close to correct,

the true net fiscal cost of the bill would be very modest and the deficit will be substantially lower in 2011 and 2012 than without the recovery package.”

Overall, the recovery plan includes some \$54 billion for renewable energy provisions. But that \$54 billion figure may be misleading. That because, for instance, the plan allocates \$8 billion in loan guarantees for renewable energy and transmission systems to move this energy from rural sources to city users. That \$8 billion in guarantees, is expected to generate more than \$80 billion in loans for these projects.

In addition to funding allocations to support renewables, there’s a long list of tax incentives, including:

- Long-term extension of renewable energy production tax credit
- Temporary election to claim the investment tax credit in lieu of the production tax credit
- Coordination provisions with new grant program for renewable energy projects being designed by the Energy and Commerce Committee
- Clean Renewable Energy Bonds (“CREBs”)
- Qualified Energy Conservation Bonds
- Energy efficiency and conservation tax incentives
- Smart energy conservation, energy efficiency, and renewable energy R&D credit
- Refueling property credit expansions

For the 258-page text of the American Recovery and Reinvestment Act of 2009, go to:

<http://appropriations.house.gov/pdf/RecoveryBill01-15-09.pdf>

For the 328-page text of the American Recovery and Reinvestment Tax Act, go to:

<http://waysandmeans.house.gov/media/pdf/110/sbill.pdf>

To read the House Appropriations Committee report on the bill, go to:

<http://appropriations.house.gov/pdf/RecoveryReport01-15-09.pdf>

To read the House Appropriations Committee economic analysis report, go to:

<http://appropriations.house.gov/pdf/EconomicAnalysis01-15-09.pdf>

Obama focuses on renewables as part of economic recovery

In a final campaign-style event before his inauguration, last week in Ohio President-elect Obama highlighted his commitment to renewable energy by visiting venerable Cardinal Fasteners which, he said, “began building wind turbine parts just two years ago, and is now poised to make half its earnings that way.”

Cardinal, which made bolts for the Statue of Liberty and the Golden Gate Bridge, is humming with orders for specialty wind-turbine bolts. Obama points to Cardinal as proof that **“a renewable energy economy isn’t some pie-in-the-sky, far-off future. It’s happening all across America right now. It’s providing alternatives to foreign oil now. It can create millions of additional jobs and entire new industries if we act right now.”** Obama stresses that renewable energy jobs are “good jobs that pay well and won’t be shipped overseas” – because whether it’s harvesting wind, solar or geothermal energy, or harvesting biomass for electricity and biofuels,

the jobs can't be sent overseas thanks to "entrepreneurs turning solar energy into electricity, and corn and soybeans into bio-fuels."

Touting renewable energy isn't new. President Roosevelt's first piece of New Deal legislation was meant to be FDR's ethanol bill – until that bill was blocked at committee level in the Senate by competing interests. But Obama's personal understanding of and commitment to renewable energy, identifying it as **one of his signature issues and key to his economic recovery plans, makes it much more likely that renewables will survive the greatest threat to its continued growth: crude oil at \$35 a barrel, down from its \$147 peak last July.**

Obama clearly understands the threat. Speaking at Cardinal Fasteners, he said **"Take the example of wind power alone. I'm told that if we don't act now, because of the economic downturn, half of the wind projects planned for 2009 could wind up being abandoned. Think about that. Think about all the businesses that wouldn't come to be, all the jobs that wouldn't be created, all the clean energy we wouldn't produce."**

Obama remains determined, insisting that "as part of our Recovery and Reinvestment plan, we're committing to double the production of renewable energy in the next three years." But will Obama have more success than FDR had with his ethanol plans? Will some \$50 billion in additional support for renewables be included in Obama's initial recovery plan?

What happens next may in part depend on the success of competing recovery priorities – such as the ones detailed in a report released by the U.S. Conference of Mayors on Jan. 17th. The mayors' 344-page report, **"Ready to Go. . . America's Mayors Report to the Nation on Projects to Strengthen Metro Economies and Create Jobs Now,"** calls for focusing on cities through "infrastructure investment of \$149,758,339,126 that would be capable of producing an estimated 1,604,371 jobs in 2009 and 2010."

To support their request for pumping \$150 billion into urban projects such as new transit and sewer systems, the mayors' report argues that "In today's world, metro economies drive the national economy, currently accounting for 86 percent of national employment, 90% of labor income, and 90% of gross domestic product (GDP). It should be obvious that investing in Main Street metro economies is the most direct path to creating the jobs. . . projects in just 779 cities are capable of quickly generating over 1.6 million jobs – more than half of the total three million jobs now sought by the President-elect over the next two years."

The mayors have backed up their \$150 billion request by holding a series of meetings with congressional leaders and with top incoming Obama administration figures including President-elect Obama himself, his designated Assistant for Intergovernmental Relations and Public Liaison, Valerie Jarrett, and his designated Director of Intergovernmental Affairs, Cecilia Munoz. These meetings send a clear message to renewables: there is intense competition for every dollar going out in the \$800 to \$900 billion "Recovery & Reinvestment" legislation expected to be signed into law by President Obama by mid February.

Yet, in a sign of renewables' new stature, even the mayors' \$150 billion wish list includes renewable energy: "The new Energy Efficiency and Conservation Block Grant (EECBG) program would be used by cities, counties, and states to create thousands of energy efficiency

and renewable energy production projects. These projects could include energy retrofits of public and private buildings in local areas, installation of solar panels or wind turbines for the production of electricity on local buildings, deployment of new energy distribution technologies (such as distributed generation or district heating and cooling systems) that significantly increase energy efficiency, and development of systems to capture and generate power from methane at landfills.” To read the complete U.S. Conference of Mayors report, go to:

<http://www.usmayors.org/mser/documents/mser-report-200901.pdf>

Senators urge more funding for renewables, rural America

Senate Finance Committee Chairman Max Baucus (D-MT) and Senators Blanche Lincoln (D-AR), Debbie Stabenow (D-MI), Tim Johnson (D-SD), Ron Wyden (D-OR), Maria Cantwell (D-WA) and Jon Tester (D-MT) wrote Senate Majority Leader Harry Reid (D-NV) last week stating the following points:

- Our energy independence is increasingly dependent upon the development of sustainable energy solutions in rural America.
- During a time when farm families are experiencing record high costs of production and a precipitous drop in market prices, robust funding of 2008 Farm Bill energy programs would provide a much needed short-term boost to rural America in the form of good, well paying jobs.
- It will also help lay the foundation for a new clean energy economy that will continue to produce jobs in rural America.
- The Farm Bill currently provides approximately \$1.2 billion in mandated funding for Title IX energy programs from 2009-2012. We hope that the economic stimulus legislation will substantially increase the mandatory funding that is available for these programs.

Senator Lincoln delivered her own rural-needs message when she met with Obama transition



team officials last week to explain that “Our rural communities have suffered during these tough economic times and we must ensure they are not overlooked in any recovery package we put forth. We have the opportunity to provide incentives and critical funds for transportation infrastructure, broadband technology, water projects, food assistance programs, rural education, and other initiatives that will create jobs and strengthen our rural economies.”

Part of the ongoing negotiations on an economic recovery plan: Senate Agriculture Committee Chair Tom Harkin (D-IA) makes a point to President Obama. Photo credit: [Obama-Biden Transition Project](#)

USDA requests more comments on biotech proposal

The U.S. Department of Agriculture extended the public comment period for 60 days on its proposal to expand its authority to deal with potential threats from genetically engineered (GE) organisms. Cindy Smith, administrator USDA's Animal and Plant Health Inspection Service, said the extension was due to the huge public interest in the proposal and noted that USDA was looking for even more public input.

"We received more than 15,000 comments during the initial comment period on our proposed changes to our biotechnology regulations," said Smith. "That shows the significance of this proposal.

The proposed rule is an attempt by APHIS to broaden its regulatory oversight of genetically modified insects and additional genetically modified plants that may damage crops and other plants. While the public is invited to comment through March 17 on any of the provisions outlined in the proposed rule, the agency said it was particularly interested in receiving comments related to the following areas:

- The scope of the regulations and which GE organisms should be included or excluded from the proposed regulations;
- Incorporation of the noxious weed provisions of the Plant Protection Act into the proposed regulations,
- Elimination of the notification procedure--a streamlined procedure for authorizing the importation, interstate movement or environment release of certain GE organisms--including specific suggestions for protecting against the introduction of plant pests or noxious weeds while minimizing any additional burden or delay for applicants; and
- Regulation of GE crops that produce pharmaceutical and industrial compounds, including specific suggestions on how to provide appropriate protection based upon risk.

Comments can be submitted on the Federal eRulemaking portal at

<http://www.regulations.gov/fdmspublic/component/main?main=DocketDetail&d=APHIS-2008-0023>

FDA's releases final guidance on GE Animals

Food producers will not be required to label meat, poultry or seafood as being sourced from genetically modified animals, according to a final guidance for industry on the regulation of genetically engineered (GE) animals under new provisions of the Federal Food, Drug and Cosmetic Act. The guidance, The Regulation of Genetically Engineered Animals Containing Heritable rDNA Constructs, clarifies FDA's statutory and regulatory authority and provides recommendations to producers of GE animals to help them meet their obligations and responsibilities under the law. Consumer groups complained the policy won't do enough to tell people if they're eating gene-altered animals and they urged the incoming Obama administration to reconsider it. The Food and Drug Administration said it will not allow any products from genetically engineered animals to be sold without first submitting them to scrutiny by independent advisers at a public meeting. The government will allow exceptions for research animals, such as lab rats, and the FDA will post those on its Web site. For more information, <http://www.fda.gov/cvm/GEanimals.htm>

Peru Trade Pact gets green light

President Bush issued a proclamation last week signifying that **the United States-Peru Trade Promotion Agreement will take effect Feb. 1--** after certifying that Peru had met its obligations laid out under the pact. In a letter to top Democrats, US Trade Representative Susan Schwab wrote to Ways and Means Chairman Charles Rangel (D-NY) that Peru has put into place "fundamental labor rights, including freedom of association and the right to collective bargaining." Rangel had urged Schwab to "resist setting any artificial deadline" on the FTA's implementation and to consult closely with them before doing so. In her response, Schwab wrote that the Peru pact was enacted with the strong labor protections enshrined in the May 10, 2007, bipartisan agreement on standards for trade deals, adding "I am pleased that we now have the opportunity to see our hard work on this agreement come to fruition." Senator Chuck Grassley of Iowa, ranking member of the Committee on Finance, applauded the move. **"This is good news for exporters in Iowa and across the United States. The agreement eliminates 80% of the duties imposed by Peru on U.S. exports of industrial and consumer products, effective immediately.** More than two-thirds of U.S. farm exports will enter Peru duty-free. The agreement also removes barriers to U.S. services."

Corn leaders look for more efficiency and collaboration

In order to better face the rapidly changing challenges facing the corn industry, state corn grower associations and checkoff boards are in the process of reviewing the structure and location of their national policy and international marketing organizations.

The most recent draft of their report, Corn Vision 2012, which sources say is still a "work in progress" makes over 20 recommendations and calls for retaining both the National Corn Growers Association and the U.S. Grains Council as separate organizations. Originally, growers explored the creation of one unified national corn organization that serves all state corn organizations and performs the current functions of both NCGA and USGC.

The latest version of the document recommends that, instead of two separate staffs, growers hire only one CEO and one staff team operating from a single office in the Washington, DC area, so everyone can collaborate more effectively. That recommendation would allow NCGA and USGC to be operated in a similar fashion to the way many of the state corn grower associations and state corn checkoff boards are operated, according to the report.

State corn grower associations are in the process of analyzing the latest draft and providing feedback. Of the nine states that have responded thus far, all have rejected the first two and most controversial recommendations (see text box, below), with some caveats, according to an industry source. In Nebraska, for example, growers voted that there should be one board and one CEO to represent U.S. corn producers in all facets of the corn industry.

The Corn Vision 2012 project was a corn producer driven opportunity for the industry to take a deep and constructive view of ourselves and the industry we serve, says Kelly Brunkhorst with the Nebraska Corn Board. "As producers and leaders in the corn industry, we have seen rapid changes happen over the past few years, changes that one would think would

take many years, but have happened so rapidly that now was a great time to really ask ourselves, are we (the corn industry) the most efficient and effective at serving the corn producers?"

"The recommendation to create one national organization hasn't picked up much support from states that have responded so far," says former NCGA President Ken McCauley, who serves on the steering committee and represents the Kansas Corn Commission "One of the concerns is that one CEO with two boards would be very hard to do. Every state felt like that it was important that they have governance over the money they spent with each organization (NCGA & USGC), and it was going to take quite a bit of work to change anything very quick within those two. That's where the two organizations staying separate came from."

On other recommendations, McCauley says the Steering Committee felt like there's "a real need to have communication for corn come out of the same office. Communications could be done quite a bit better, more efficiently, and have the same message go across the board domestically and overseas." He specifically mentioned that better communication could help to minimize research redundancy.

If a majority of states approve the recommendations by Jan, 31, and the organization's delegates approve at their annual meetings in February, the Steering Committee proposes that the Boards of Directors of NCGA and USGC appoint three of the directors from each board to serve as a six-person Implementation Committee to guide the process of executing the above recommendations.

The Steering Committee is asking the boards of directors of state corn organizations to answer the following questions during their January board meetings:

- Do you agree that NCGA and USGC should be retained as two separate organizations but hire one CEO and one staff and collaborate as described in this report?
- Do you agree the goal should be that the offices of NCGA and USGC should eventually be consolidated in the Washington, DC area?
- Is your state willing to pay its share of the related expenses associated with these changes in rough proportion to the sum of the number of delegates that represent your state in NCGA and USGC?
- Does your state agree to do its best to implement the recommendations included in the Corn Vision report that pertain to state organizations?
- Does your state agree to annually review its progress in achieving the described goals and submit an assessment of your state's progress for mutual learning among corn organizations?

Grains Council braces for challenging year for exports

The efforts of the U.S. Grains Council (USGC), a non-profit organization focused on expanding demand and building global markets for America's feed grains, generated \$214.7 million in exports last year, according to an analysis by Informa Economics. Shannon Schafer, USGC director of membership, said that's equal to \$12 worth of exported corn, barley, sorghum and ethanol co-products for every dollar invested in the Council. For corn, Schafer says the report indicates that USGC activities added 4.96c per bushel to the market price.

Feed grains exports in 2008 largely surpassed 2007 numbers. Corn exports totaled 59.9 million metric tons (2.36 billion bushels), up 300 million bushels. Sorghum exports totaled 6.1 million tons (240 million bushels), nearly doubling from 2007's 3.3 million tons. However, USDA projects fiscal 2009 exports for coarse grains lower at 51.6 million tons, nearly 17 million tons below last year.

Because of this year's world market dynamics "there's no question that 2009 is going to be a more challenging year for exports," Schafer acknowledged, noting that a slowdown in demand has already begun in countries such as South Korea and Indonesia and in developing markets in Latin America.

"I don't think we're in a price issue right now as much as it is just the entire economic situation has slowed to the point where the demand is lower. The ability to get credit to buy the products is lower."

Given the tough competition U.S. farmers face from an abundant and affordable supply of feed wheat from Russia, the EU and Ukraine this year, **Schafer said USGC will focus on marketing U.S. supplies of the ethanol co-product, distiller's dried grains with solubles (DDGS), exports of which have grown from only 787.7 thousand metric tons in 2004 to an estimated 4 million metric tons last year.**

"DDGS is a product that even on a price level can compete with some of this feed wheat," Schafer explained.

In addition, Schafer said the USGC is encouraging Korea and other big importers of U.S. feed grains to utilize USDA's export credit guarantee program. "This program will allow them to have the credit to make the purchases, and is going to be a significant tool in being able to convince people to buy from the U.S. this year."

Due to the worldwide financial crisis, the export credit guarantee program is experiencing a level of demand previously unseen in its 28-year history. When USDA made the first \$3.5 billion tranche in FY2009 export credit guarantees available on Oct. 6, it received more than \$8 billion in guarantee applications from exporters in 48 hours.

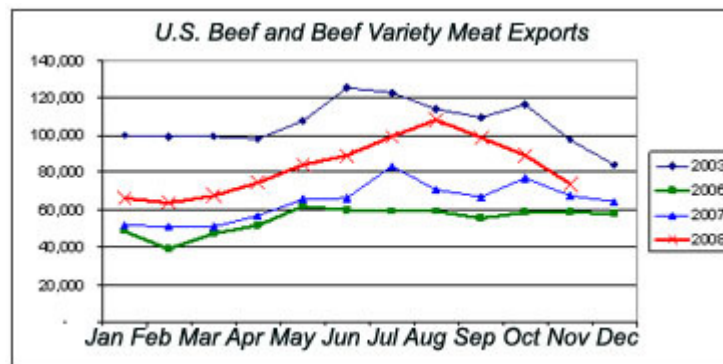
Congress capped funding for export credit guarantees at \$5.5 billion a year as part of the 2008 Farm Bill. Eighteen commodity and export groups wrote House and Senate agriculture leaders last month asking them to support a waiver or the elimination of the cap as part of the next economic stimulus package.

Meat exports continue strong pace; Asian markets still a challenge

Red meat exports continued their strong pace through November, the U.S. Meat Export Federation (USMEF) reported Jan. 15, with pork up 20% and beef up 9% (including variety meat) compared to November 2007.

“The bottom line is that, regardless of the global economic situation, people have to eat,” said Erin Daley, USMEF economist. “U.S. beef and pork prices are lower than they were during the summer, which helps offset the increased strength of the U.S. dollar.”

For the first 11 months of 2008, pork and pork variety meat exports were 61% larger than 2007, the USMEF said. For the period, pork exports were valued at \$4.5 billion, an increase of 59 percent.



Total beef shipments from January through November were up 29 percent and were worth \$3.37 billion, an increase of 40%.

The USMEF said 2008 beef exports are on pace to reach 94% of the pre-BSE 2003 export value. According to a former USDA official, the Bush administration did a good job of getting U.S. beef trade back on track in the aftermath of the nation's first case of BSE.

“We’re just about back to where we were,” observed Chuck Lambert, deputy undersecretary for marketing and regulatory programs from 2002-2008 and a primary member of the team of USDA and Administration officials assembled to help reopen international markets to American beef. **“The bad news is we’re leaving on the order of \$1-\$1.5 billion on the table.”**

Most of that, Lambert said, is in Japan. “We’re about \$350-\$370 million into that market this year versus about \$1.4 billion in 2003.” Japan limits beef imports from the U.S. to cattle less than 21 months of age – a “first step,” he said, “toward moving toward normalized trade based on international standards.”

A full reopening of key Asian markets to American beef has been a huge challenge.

Lambert explained that a lack of political continuity has been the problem in Japan. China brought challenges of its own. South Korea, once the third-largest export market, was another struggle, but one that Lambert indicated had a positive ending. Since U.S. beef shipments to Korea resumed in early July, “on an annualized basis, probably \$550-\$600 million of sales went into that market versus \$800 million in 2003. So, we’re going to get a large part of that market back.”

Elsewhere, most U.S. beef products from animals younger than 30 months are allowed into Russia. According to Lambert, Moscow made a commitment to move to accept beef from animals of all ages but has yet to follow through.

NPPC challenges EPA decision

The National Pork Producers Council (NPPC) filed a lawsuit in federal court challenging the Environmental Protection Agency's (EPA) decision to require livestock farms to file reports under the Environmental Protection and Community Right to Know Act (EPCRA). **NPPC alleges that EPA violated the due process rights of farmers by failing to develop an adequate system to accept the reports, making compliance with the law impossible.**

Under a rule issued Dec. 18, **EPA decided that large livestock farms would be required to file mandatory reports on air emissions by first making phone calls to their state and local emergency response authorities, then by filing a written notification of emission estimates.** Farms that fail to comply will face penalties of \$25,000 per day. The rule was scheduled to go into effect Jan. 20, 2009.

"In sticking the agricultural community with this unworkable rule," said NPPC President Bryan Black, "EPA not only failed to provide any guidance to farmers on compliance with the new regulation or develop an adequate system to handle the volume of reports that would be filed, but it actively engaged in efforts that undermined the ability of farmers to comply with this new, stringent rule." Among those efforts, according to NPPC, **EPA told state officials not to accept reports and provided on its Web site false and out-of-date information on filing reports.** Additionally, the agency did not issue guidance for complying with the rule until 4:30 p.m. Jan. 16 – the last business day before the filing deadline – **giving the country's hundreds of thousands of livestock farmers only 30 minutes to receive, read and interpret the guidance and to develop and file the appropriate emissions report.**

In the lawsuit it filed in the U.S. Court of Appeals for the District of Columbia Circuit, NPPC challenged EPA's decision to exclude livestock operations from the EPCRA agriculture exemption and asked the court to enjoin EPA from enforcing the rule until the agency develops a system that will allow producers to comply.

"These massive animal confinement facilities operate in complete disregard for the welfare of animals and the environment, and should be doing more, not less, to inform local citizens of the dangers they create for our communities," countered Jonathan R. Lovvorn of The Humane Society of the United States.

USDA urged to subsidize dairy products to counter EU

The U.S. Dairy Export Council has added its voice to those of other dairy groups to **press USDA to reactivate dairy export subsidies in response to Thursday's announcement that the EU would again subsidize exports after a two-year hiatus.** USDEC President Tom Suber says the EU decision "would have a major negative effect on world dairy trade" because it would "again depress world dairy prices, prolonging the 'down cycle' in which the world's dairy industry currently finds itself and significantly delaying natural market recovery."

Suber says a return to EU subsidies would **"perpetuate a lopsided playing field" by making it difficult for U.S. suppliers "to compete in a market in which the biggest dairy export bloc in the world, supported by massive government handouts, can sell product for hundreds of**

dollars less per metric ton than suppliers from other countries.” The EU can subsidize nearly 2 million tons while the U.S. is limited by its WTO agreement to less than 100,000 tons.

While DEIP isn't enough its own to counteract EU subsidies, he says, it is “a necessary measure to assist U.S. dairy suppliers, is allowable under WTO guidelines, was budgeted in the 2008 farm bill and should be put back into use immediately.”

Other dairy and farm groups and their allies in Congress are quick to offer other suggestions to new Secretary of Agriculture Tom Vilsack to reverse the steep decline in milk prices. At his confirmation hearing last week, Vilsack promised to seek “some kind of glide path that provides some stability” for the industry. The more than 50% price collapse is a “very serious issue,” he told the Senate Agriculture Committee. **“There have been some very tragic circumstances in California – farmers who have been so stressed that they have taken their own lives,” he said. “This is reminiscent of what we saw in the Midwest in the mid-1980s.”**

Sen. Robert Casey, (D-PA), urged Vilsack to consider reimbursing dairy farmers for the estimated \$50 million loss that he says was caused by a USDA error in the price reporting formula that calculated minimum prices in 2007. “I am not as familiar with that issue as I should be and I don't want to make a commitment that I can't keep,” Vilsack said.

Other members of Congress have suggested that the economic stimulus legislation include money to pay for the slaughter of dairy cows in order to reduce milk production and reverse the slide in milk prices. However, the \$825 billion proposal released last week by the Democratic House leadership contained nothing specifically for dairy farm relief in order to keep it free of earmarks. Using federal funds to take cows out of production to raise milk prices has a controversial history. The whole herd buyout in the 1980s provided temporary stimulus for milk prices but also contributed directly to a collapse of beef cattle prices.

The National Farmers Organization convention in Iowa last week proposed additional funds to increase the amount of Milk Income Loss Contract payments beginning next month. “The milk price difference between December 2008 and January 2009 is alarming,” said Brad Rach, NFO Dairy Division director, falling from \$15.28/cwt to just \$10.75, a drop of \$4.50.

Western United Dairymen asked the California congressional delegation to **seek either a loan guarantee or matching funds from the federal government to pay for immediate removal of 300,000 milk cows through the Cooperatives Working Together herd retirement program.** WUD President Ray Souza said farmers “are faced with an economic crisis that is more severe than we have ever seen.” WUD also expressed fear of a major failure in the Farm Credit System “as equities and cash flow decline daily” for milk producers in California.

Market analysts have been surprised that dairy farms added cows in December but expect herd culling to begin soon and pick up in the spring. Farmers who have not been watching the market for dairy products “are probably going to be stunned in March with all milk prices less than \$12/cwt.,” Mary Ledman of Keough Ledman Associates told *DairyLine* radio.

News briefs

Ag Ball highlights.

Sen. George McGovern, who ran as the Democratic presidential nominee in 1972, was one of several dignitaries attending the 2009 Bipartisan Agriculture Inaugural Gala last night. In the photo at right he's joined by Marshall Matz (left) and Dallas Tonsager. We'll post a roundup of other photos from the event at www.Agri-Pulse.com by noon today.



Peanut paste problems. Food companies and retailers are bracing themselves for what could amount to millions of dollars in expenses as companies recall products made with peanut butter paste amid a salmonella outbreak that has killed at least six people and sickened more than 470 others across the country. The U.S. Food and Drug Administration and the Centers for Disease Control and Prevention traced the outbreak to a Georgia plant owned by Peanut Corporation of America, a wholesale manufacturer of peanut products for distribution to manufacturers and institutions, such as nursing homes, as well as other food companies. The FDA and the CDC said the outbreak had only been found in peanut butter paste products so far, and that no peanut butters had been contaminated. The agencies added that consumers should avoid eating peanut butter products until the problem has been rectified. Most peanut butter sold in jars at supermarkets appears to be safe, officials said.

BASF and Monsanto partner. BASF and Monsanto Company announced a new joint-licensing agreement to accelerate the development of the next-generation of dicamba- based weed control chemistry products. Crops that are resistant to both Roundup(R) agricultural herbicides and dicamba would represent the next generation of herbicide-resistant crops to deliver significant on-farm benefits to growers, according to the companies. Improved formulations of dicamba are being developed to complement this new combination of herbicide-resistant crops. Both parties will participate in the development of innovative formulations for dicamba for use with herbicide- resistant cropping systems. Further details of the agreement were not disclosed.

GMO rapeseed. European Union (EU) ministers failed to reach a majority on Monday to approve applications for importing a genetically modified rapeseed, but officials say it may pave the way for a default approval by the EU executive, officials said. The rapeseed, developed by Germany's Bayer CropScience to resist certain glufosinate-ammonium herbicides, was discontinued from commercial planting after the 2005 season. Only a small stock of the rapeseed remains, in Canada, and could be exported to EU markets if approval is granted. Bayer's application for EU approval is for use in food and feed, not for cultivation in Europe's fields. It will now return to the European Commission, the EU's executive arm, most probably for a

default approval in the coming weeks. Under EU rules, the EU's executive European Commission now gains the legal power to issue a default authorization.

Cloned animals gain approval. Meat from cloned cattle and pigs is safe for human consumption, a working group in the Japanese government's Food Safety Commission (FSC) reported January 19. Beef and pork products from cloned animals now have a greater chance of being put on the Japanese market, Kyodo News Agency reported. The final decision on whether to allow distribution of food here derived from cloned animals will be made jointly by the ministries of Agriculture, Forestry and Fisheries, and of Health, Labor and Welfare. Intense debate can be expected because many questions have been raised over the safety of such products, partly due to the high rate of cow and pig clones to die at birth or shortly afterwards. The working group brushed aside such concerns after looking into more than 200 studies, maintaining that cows "grow as healthily as conventionally bred cows around six months after birth if they reach that point," Kyodo reported.

Farm Hands on the Potomac By James C. Webster

With an expanded majority and departures to exclusive committees, Democrats have added more new members to the House Agriculture Committee than any Congress in recent years. Only 12 of the committee's 28 Democrats have been members since the beginning of the 109th Congress four years ago. Republicans will have a far larger share of veterans; 12 of their 18 seats will be filled by those with four or more years. Democrats' additions, in order of seniority, are Reps. **Kurt Schrader**, Ore.; **Deborah L. Halvorson**, Ill.; **Kathleen A. Dahlkemper**, Pa.; **Eric J. J. Massa**, N.Y.; **Bobby Bright**, Ala.; **Betsy Markey**, Colo.; **Frank Kratovil Jr.**, Md.; **Mark H. Schauer**, Mich.; **Larry Kissell**, N.C.; **John A. Boccieri**, Ohio; **Travis W. Childers**, Miss. (added after a special election last year), and **Walt Minnick**, Idaho. New Republican members will be **Phil Roe**, Tenn.; **Blaine Luetkemeyer**, Mo., and **Glenn W. Thompson**, Pa. Republicans have one vacancy remaining to fill.

Rep. **Leonard Boswell**, D-Iowa, is claiming the chair of the Subcommittee on General Farm Commodities and Risk Management for the 111th Congress, made vacant when Rep. **Bob Etheridge**, D-N.C., left for the Ways and Means Committee. No successor has been named for Boswell as chair of the Subcommittee on Livestock, Dairy and Poultry.

John Norris, a former top aide to Rep. Leonard Boswell, D-Iowa, will be Secretary of Agriculture **Tom Vilsack**'s chief of staff at USDA, a role he held when Vilsack was Iowa's governor. Deputy chief of staff will be **Carole Jett**, retired Natural Resources Conservation Service career official who has been spearheading transition efforts at USDA, along with **Bart Chilton**.

Nicole Scott, farm hand for Rep. **Frank Lucas**, R-Okla., has been named Republican staff director of the House Agriculture Committee, where Lucas is ranking minority member. Scott was his deputy chief of staff for eight years and legislative director for one and previously worked as a legislative assistant for former Rep. **J.C. Watts**, R-Okla., for three years.

James Hrubovcak, who's been handling climate change and immigration issues in the Office of the Chief Economist, has been named USDA's deputy chief economist, the slot held by **Joseph**

W. Glauber before he became chief economist last year. Hrubovcak joined the Economic Research Service in 1980 . . . Glauber also named **Carol Kramer-LeBlanc** director of sustainable development to replace **Adela Backiel**, who retired. She's worked for ERS, the Center for Nutrition Policy and Promotion, Foreign Agricultural Service, Agency for International Development, the Treasury Department and Resources for the Future.

Commissioner **Michael V. Dunn** became acting chairman of the Commodity Futures Trading Commission yesterday, pending Senate confirmation of a new chairman, as **Walter L. Lukken** relinquished the title to remain on the commission. The Senate Agriculture Committee has not scheduled a confirmation hearing for President Obama's designee, **Gary Gensler**, who was under secretary of the Treasury for domestic finance in the Clinton Administration and is a long-time partner at Goldman Sachs.

Curtis M. Anderson, deputy administrator of USDA's Rural Utilities Service since early 2002, will become VP of MELE Associates here, working on biofuels and global threat reduction projects. Anderson is former CFO and general counsel of the National Association of State Departments of Agriculture and secretary of the Farm Credit Administration Board.

The National Association of Wheat Growers named **Cori Wittman** director of government affairs for farm policy and **Katrina Custer** office manager and assistant to CEO **Daren Coppock**. Wittman was farm hand for former Sen. **Larry Craig**, R-Idaho, and handled trade and biotech issues for the U.S. Grains Council and the American Farm Bureau Federation. Custer worked for the Wine and Spirits Wholesalers of America and America's Health Insurance Plans . . . The Association of Official Seed Analysts named **Anita Hall** executive assistant to succeed **Janice Osburn** at its Ithaca, N.Y., office.

William A. Taggart, farm hand to former Sen. **Robert J. Dole**, R-Kan., and Republican staff director of the Senate Agriculture Committee in the 1970s, died Thursday at Reston Hospital Center in Virginia. He was 77. His Taggart and Associates consulting firm represented several agricultural trade organizations here through most of the 1980s and 1990s.

Best regards,

Sara Wyant
Editor

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