

June 25, 2008

Volume 4, Number 26

Stormy weather: Growers struggle to reclaim crop ground

Many parts of the Midwest finally started to dry out last week and farmers worked 'round the clock' to clear fields of trees, rocks and **trash in hopes of replanting millions of acres of corn and soybeans damaged by heavy rain flooding on the Mississippi River and its tributaries.** USDA personnel are on the ground in some of the most severely damaged states of Iowa, Indiana and Wisconsin, as well as flooded portions of Illinois, Missouri and Minnesota, to assess agriculture and rural infrastructure losses. The Risk Management Agency (RMA) announced it will allow additional time, until Aug 15, 2008, for submitting acreage reports for spring-seeded crops, because of the difficulty in timely reporting due to disruptions in communications and other important infrastructure. This additional time applies to all counties in Iowa, Illinois, Indiana, Kansas, Minnesota, Missouri, Nebraska, Ohio, South Dakota, and Wisconsin.

"Insured producers are still encouraged to report acreage at their earliest opportunity," said RMA Administrator Eldon Gould. "This is because claims cannot be completed until acreage reports have been filed and liability established."

Although replanting won't be an option for some, major seed companies contacted by *Agri-Pulse*, indicated that **seed availability won't be a problem if growers decide to give it a try.** Pioneer Hi-Bred spokesman Jerry Harrington said, "Pioneer is working with growers in order to help them decide how they can make the best use of their land from here on out; a lot of the decisions to be made are if short-season corn hybrids don't work, then there's the potential of soybeans. According to Monsanto Director of Public Affairs Darren Wallis, Monsanto is seeing **a big jump in corn demand for our branded short-season hybrids from various farmer-customers who've been affected by the harsh weather.**



Infrastructure impact: When I drove across the region 10 days ago, this railroad bridge spanning the Mississippi River north of St. Louis, near Louisiana, MO., was almost submerged. As high waters headed south over the weekend, this and other road and rail bridges are now underwater.

Farm Service Agency Associate Administrator for Farm Programs Glen Keppy told reporters yesterday it was **too soon to know what crops will survive, what crops will be replanted and the ultimate effect on U.S crop production.** “It’s gonna depend on what Mother Nature delivers the rest of the year. If the year is right, corn, soybeans and other crops can recover from the damages they’ve just incurred. If it turns dry and windy and the root system is not as good as normal years, then we could see significant losses.” Keppy, an Iowa farmer himself, reported that many farmers in the northern two-thirds of Iowa are back in their fields, replanting some crops and seeding other fields that were not yet planted.

But the American Farm Bureau pegged losses at more than \$8 billion in estimated weather-related damage thus far, according to their June Market Update. Iowa accounts for approximately half the damage. Terry Francl, AFBF senior economist, expects Iowa corn yields to be reduced 16% for this year, and says 1.5 million to 2 million acres of corn and soybeans in will likely remain fallow in that state. “This results in a \$4 billion shot to Iowa’s crops. **Other states taking a hit from excessive wetness and flooding are:** Illinois, \$1.3 billion; Missouri, \$900 million; Indiana, \$500 million; Nebraska \$500 million; and an additional \$1 billion in remaining wet states. Nationally, the average corn yield is likely to decline some eight to 10 bushels per acre from the 2008 trend line, mostly due to inclement weather. Francl says the national average soybean yield is also likely to be down one to two bushels per acre from the current USDA projection of 42 bushels per acre.

The Iowa Farm Bureau (IFB) suggested crop and livestock losses statewide could reach \$3.5 billion. IFB Director of Research and Commodity Services Dave Miller says floodwaters in Iowa claimed nearly 1.3-million acres of corn and up to 2 million acres of soybeans. However, he says half of the corn and two-thirds of the beans could be replanted. Miller, who operates a grain farm in southern Iowa’s Lucas County, told *Agri-Pulse* he hoped to be back in his fields by week’s end. “A number of growers are in the same boat I’m in, in that my corn ground that was flooded all has a pre-emerge herbicide on it that would kill beans so if I can’t get it planted back to a short-season corn, it’s going to lay idle.” **Miller said he’ll be thrilled if his replanted corn yields 100 bushels per acre, 50%-60% of a full-season yield, because “it’s gonna be pollinating in probably the hottest week of the year.”**

The flooding in Indiana was likely the worst seen in 100 years. USDA said in its weekly crop progress report 9% of the Hoosier state’s corn and soybean acreage and 5% of the ready-to-harvest wheat crop went under water. The flooded area produces about 25% of the state’s corn and soybean crops. While some Indiana farmers indicate they’ll replant corn until July 1, Matt Harrod, Assistant Director of Research and Policy at the Indiana Department of Agriculture, believes most will likely switch to soybeans. **“We won’t have the soybean yield planting June 25 that we would’ve on May 25 but, particularly in the southern half of the state, second-crop beans are fairly common so I think you’ll still see a lot of bean acres go in.”**

Wisconsin saw major flooding in the southern third of the state, and that’s **likely to reduce corn and soybean yields by 10%-15%**, according to Paul Zimmerman, Executive Director of Public Affairs at the Wisconsin Farm Bureau, who estimated that farmers could lose more than \$200 million as a result of ruined crops. **He said nitrogen fertilizer leaching is a major concern. “There’s a lot of light green corn out there.”** It’s too late for Wisconsin farmers to replant corn.

According to agriculture officials, high water covered 130,000 acres of cropland in Illinois and between 65,000 and 80,000 acres in Missouri. Illinois farmers are likely to plant soybeans until July 10, but John Hawkins, News Service Director for the Illinois Farm Bureau, said it's questionable whether clay plan soils along the Wabash and Embarras rivers will dry by then.

Transportation problems will be an issue for weeks to come. Several locks and dams remain closed on the upper Mississippi River, halting commercial barge traffic. **In addition, the floods have impacted 1,500 miles of Iowa roads and 400 miles of rail.** Grain-handling operations throughout the Midwest have been disrupted. Archer Daniels Midland (ADM) Director of External Communications David Weintraub said ADM's soybean processing facility at Quincy, IL, is operating at reduced capacity due to an inability to transport finished product; the company's grain elevators at Gulfport and Keithsburg, IL, remain closed. In addition, the ADM wet corn mill at Cedar Rapids, IA, is operating at partial capacity due to local water use restraints. ADM is releasing non-essential staff to assist with response and recovery efforts where needed. Other major agribusiness players in the region are pitching in, too. **Monsanto donated \$1.5 million to the American Red Cross** and separately announced two employee-related initiatives aimed at offering further monetary and man-power to support flood relief. **Pioneer Hi-Bred also made a cash contribution** to the American Red Cross and is supporting employees who want to contribute to flood relief organizations through matching funds.

Lawmakers delay 'quick fix' for energy market madness

Ready, fire, aim. That's how some folks are describing current congressional efforts to fix speculative trading that they fear is unnecessarily driving fuel and food costs to record levels. But after a series of House and Senate hearings on this subject, there seemed to be a renewed interest in slowing down the process until cooler heads prevail--at least until after the Fourth of July recess.

On Tuesday, Homeland Security and Governmental Affairs Committee Chairman Joe Lieberman (I-CT) and Ranking Member Susan Collins (R-ME) heard testimony from financial experts regarding three legislative discussion drafts the Senators have put forth to control what they describe as **"excessive speculation"** in the commodity markets. They promised to introduce legislation after the July Fourth recess to bring relief to consumers weary of paying ever-escalating food and energy prices. The testimony came at the Committee's third hearing on the rising cost of food and energy and the second hearing focused specifically on the relationship between rising process and commodity markets speculation.

"Speculation has passed the point where it provides stability to the commodity markets. It is now excessive and has consequences that are very, very harmful," noted Lieberman. "And that's why our government must step in as soon as possible to protect our consumers and our economy because against the forces of the speculative markets, **the average person simply cannot protect himself or herself.**" Their proposals, made public last week, would:

- Close the so-called swaps loophole and create a seamless system of speculative position limits that would apply to all commodity trading – on the exchanges, over-the-counter, and on foreign exchanges;

- Create aggregate speculative limits that restrict the overall share of commodity markets that may be held by financial speculators; and
- Restrict commodity investments by large institutional investors that invest through index funds.

Across the board, the witnesses endorsed the first proposal, although several voiced concerns regarding the other two proposals. Under questioning by Lieberman, Walter Lukken, Acting Chairman of the Commodities Futures Trading Commission, said **the CFTC was not yet convinced of the presence of excessive speculation in commodity markets.**

Michael W. Masters, Managing Member and Portfolio Manager, Masters Capital Management, LLC told the House Energy and Commerce Committee a day earlier that if tighter regulation of speculative activity in oil markets was adopted by Congress and implemented by the CFTC crude oil **“prices would probably drop over a reasonably short period of time back to somewhere closer to the marginal production cost of oil -- \$65 to \$70 (per barrel) as compared to the \$130 plus now – and I think gas prices would reflect that in a relatively short order.”**

Senator Claire McCaskill (D-MO) observed that over-regulation of speculators could result in unintended consequences. **“If we end speculation, my farmers are going to be in big trouble to say nothing of Anheuser-Busch and American Airlines who need to buy all kinds of commodities in terms of liquidity.”**

Only Masters and Greenberger answered “yes” when McCaskill asked the panel of financial experts if they thought the price of crude oil would go down if Congress cracked down on commodity market speculation.

Rep. Jeff Fortenberry (R-NE) asked Lukken a similar question when he testified before the House Agriculture Committee on Tuesday. **“It’s intoxicating,” he admitted, “to think that you could take drastic steps and hope the price would drop in half.”** But he cautioned against making any rash moves until the CFTC conducts a more thorough analysis, which is expected to be completed by Sept. 15. **“Once those markets go, they may never come back,”** he warned.

South Korea expected to resume U.S. beef imports tomorrow

South Korea will officially restart imports of U.S. beef on June 26, after reaching an additional deal with U. S. trade officials on stricter import conditions designed to quell domestic fears over BSE. The meat, including products that have been in frozen storage in South Korea since last October, will be inspected and go on sale beginning early next month, according to Yonhap News Agency.

"It is important to abide by an agreement between countries," prime minister Seung-Soo Han told a meeting of ruling party legislators and cabinet ministers June 25, requesting **"the utmost effort" in conducting strict quarantine inspections.** As skeptics raised concerns that U.S. exporters will not completely separate the distal ileum, a Specified Risk Material (SRM), from the small intestine, the ministry for food, agriculture, forestry and fisheries said it would tighten quarantine inspections.

Critics of the deal believe that the latest agreement is insufficient, as it does not legally bind U.S. exporters to limit beef shipments. Organizers from a civic group opposing the agreement, the People's Association Against Mad Cow Disease, said thousands of people would participate in a June 25 candlelight rally in central Seoul. Participants in mass demonstrations peaked at 142,000 on June 10, the largest protest since 1987, but numbers have been dwindling recently.

U.S. beef may fall victim to a backlash against all beef because of a false labeling scandal.

Nearly 27,000 kilos of imported beef was disguised as South Korean and distributed in the Seoul metropolitan area, sold in wholesale and retail butcher shops where most consumers buy their meat, the Seoul daily newspaper Chosun Ilbo reported. The Gyeonggi Province branch of the National Agricultural Products Quality Management Service (NAPQMS) caught 40 beef sellers who sold a total of 26,776 kg of imported beef from Australia, New Zealand, and even some U.S. beef (which entered the country before the current ban) as South Korean from the beginning of this year until June 18. Calls are growing for strengthened penalties on not only individual meat sellers but also the outlets that lease space to them.

How to Prepare for Farm Bill's New Payment Limit Rules

Accountants and attorneys warn that producers need to be aware of five key points about the '08 Farm Bill's new payment limitation rules:

- The new rules don't take effect until the '09 crop year, giving most producers about a year to deal with any new or old compliance issues, with earlier action perhaps needed in the case of winter wheat or double-cropping.
- Many producers won't need to make any changes. But all producers could benefit from having their accountant and/or attorney review their operations. Even if no restructuring is needed, some beneficial simplification may be possible under the new rules – particularly in the case of producers who took advantage of the three-entity rule which disappears starting with the '09 crop year.
- Be aware that changes are coming – but be patient! USDA is working on new rules and regs now. Yet, even if these are drawn up soon, it will be months before they can be finalized following the required public comment period.
- Farm Bill critics charge that having a spouse automatically doubles the new \$750,000 farm income and \$500,000 non-farm income caps on payment eligibility. But experts say you should not count on doubling – not until the final regulations are published.
- Venturing too close to the edge could land both producers and their accountants in trouble. So don't risk receiving an “adverse determination” letter from USDA – because by then, it's too late to count on any help from your county office or senator.

Attorney Allen Olson, who works full-time on farm program issues, says he has three objectives in working with his clients: “One is maximize their farm program dollars. Two is to make sure they are fully in compliance and are not going to get into trouble with USDA. And the third is to make their structure as simple as possible.”

Olson told *AgriPulse* that **the biggest change in the new payment limitation rules is elimination of the three-entity rule which effectively allowed an individual to double his or her payment eligibility.** Another major change is adding three-year-average Adjusted Gross Income (AGI) caps of \$750,000 on farm income and \$500,000 on non-farm income. Olson says the farm-income AGI cap poses a potential problem for any farmer selling land. Even if that land was sold in '06, '07 or '08, before the new rules were known, with past-three-year AGI averaging, a sale could push a farmer over the limit.

“The other situation, particularly on large operations, is that often there is one person who owns most of the land and the equipment and rents that to the partnership, which you can do as long as you charge market values,” Olson points out. He warns that “those values can be high on both land and equipment and that could push some larger individuals over the \$750,000 limit.”

Because of the new AGI rules, producers now will be required to have their CPA certify their AGI for the past three years, complete with a breakdown for large joint returns of what each spouse's AGI would have been if they had filed separately. That will need to be done before filing an annual 502 form. (For more information, visit Olson's law firm, Moore, Clarke, DuVall & Rodgers, P.C. at <http://mcd-r-law.com/> or phone Allen Olson in Albany, GA. 229-888-3338.)

Farmers often rely on advice from their County FSA Office in complying with payment limitation requirements, but USDA has conducted no county level payment limitations training since the 1980's. **Olson says posing a complicated payment limit question to twelve different FSA offices could produce twelve different answers.** Violating payment limitations rules can have severe consequences, he adds. “Some or all program payments may be lost for the current crop year. Payments received in prior crop years may have to be refunded. A farmer may also be barred from receiving any future payments. In extreme cases, the USDA Office of Inspector General may seek criminal prosecution.

Will most producers need to restructure? **Olson says the answer is “yes” for anyone who has been relying on the three-entity rule.** “With the new AGI requirement, you could see circumstances that would require restructuring such as by removing a partner who doesn't qualify. There will be a lot of operations whereby the way they are set up now will be completely adequate for the new law. But there are a whole bunch of operations out there that needed to be restructured under the old law, because they weren't doing it right, and they will have the same need to come into the compliance under the new law that they had under the old.”

Todd Jennison, Farm Programs Consultant with Kansas accounting firm Kennedy and Coe, agrees. He told *AgriPulse* that “As long as producers are comfortable with how they've been operating under the current rules, they should be OK for the '08 crop year. But it would be helpful to have your accountant double check. And if you are a larger operator or have some questions about how you've been operating in the past, I would say this fall would be a great time to revisit your farm operating plan, or maybe even this summer during a lull.” Jennison warns that “The rules are going to change. If large producers are not ready for the changes, they'll notice a sizeable dent in their farm program payments.” (For more information, visit <http://kco-e.com/> or phone Todd Jennison in Goodland, KS at 785-899-3676.)

Payment Limitations Comparison

Remains in Effect for '08 Crop Year

H.R. 6124 - Effective Starting with '09 Crop Year

2002 Farm Bill Provisions

Food, Conservation, and Energy Act of 2008

Three Entity Rule

Individuals are allowed to designate up to three separate entities to receive program payments - entities considered separate if individual has 50% or less ownership share

Actively Engaged in Farming

Each individual or entity drawing payments must be determined actively engaged

Designation Rule

Individuals must designate entities for payment

Cash Rent Tenant Rule

Cash rent tenant must provide significant labor or a combination of significant management and equipment to remain eligible for program payments

Husband/Wife

Husband and Wife may qualify for two payment limits if 1) they have separate farming interests that were separate before marriage and remained so, or 2) Neither spouse holds substantial beneficial interest in more than one entity drawing payment separate from themselves

Adjusted Gross Income (AGI) Means Test

Limit of \$2.5 million, unless 75% comes from agricultural production

Commodity Programs

Direct Decoupled Payments (DP): \$40,000
Peanuts Direct Payments: \$40,000
Counter-Cyclical Payments (CCP): \$65,000
Peanuts Counter-Cyclical Payments: \$65,000
Marketing loan gains/LDP: \$75,000

Conservation Programs

Conservation Reserve Program: \$50,000
EQIP: \$450,000
Conservation Security Program: Tier 1 \$20,000;
Tier 2 \$35,000; Tier 3 \$45,000

Three Entity Rule

Three Entity Rule eliminated
Individuals may draw payments from any number of entities, but with new "direct attribution" tracked by Social Security numbers, all payments are attributed to an individual

Actively Engaged in Farming

Unchanged

Designation Rule

Eliminated along with Three Entity Rule

Cash Rent Tenant Rule

Unchanged

Husband/Wife

Depending on final rule language, if either spouse is determined actively engaged in farming, the other spouse may be determined to have automatically met the requirements as well.

Adjusted Gross Income (AGI) Means Test

Imposes hard caps at \$500,000 for non-farm income based on three year average AGI and \$750,000 three year average AGI for farm income

Commodity Programs

Unchanged
Unchanged
Unchanged
Unchanged
No limit
New ACRE program: \$65,000 plus the 20% docked from Direct Decoupled Payment
New Supplemental Disaster Program: \$100,000

Conservation Programs

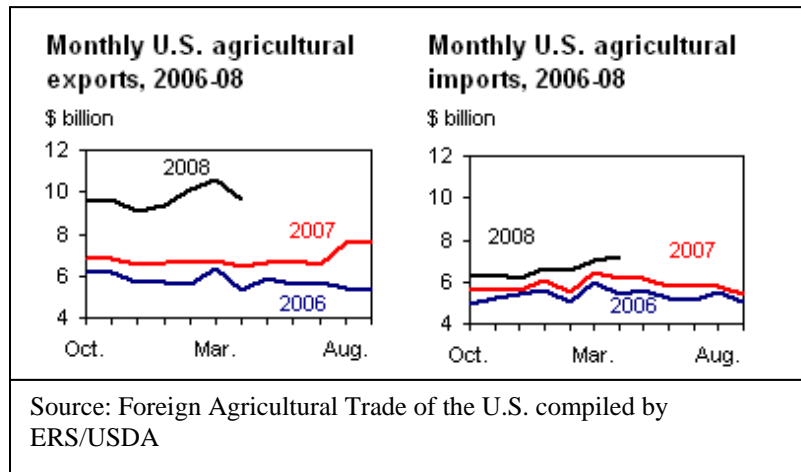
Unchanged
Reduced to \$300,000 over six years.
Renamed Conservation Stewardship Program with \$200,000 limit over five year contract
\$1 million AGI cap to qualify for conservation payments unless more than 2/3rds is farm income

Shipping woes mount for ag exporters

U.S. farm and agri-business interests got an update on shipping container availability and other issues affecting ag exports at the Agriculture Transportation Coalition's (AgTC) 2008 Conference in San Francisco. AgTC Executive Director Peter Friedmann told attendees that small- and mid-size agricultural shippers are facing incredibly long waits, sometimes months, just to receive a slot on an outbound vessel. He said an imbalance in imports to exports, especially in a system designed to maximize import traffic, has only exacerbated inefficiencies on the export side – prompting AgTC to urge exporters to book space as far as 12 weeks ahead.

“We could export a good 20% more in domestic agricultural products if there was the (ocean carrier) capacity to handle it,” he said. “When are the carriers going to realize that the balance of trade has shifted, and exporters are the new revenue drivers for this industry?”

This is not a temporary blip in world trade...it's an ongoing and long-term phenomenon.”



Drewry Supply Chain Advisers' Analyst Philip Damas said his firm's latest research highlights that shippers across the board **were caught unaware by the ocean carriers' redeployment of vessel capacity from the transpacific routes to the Asia/Europe routes.** Because imports have driven the West Coast shipping markets for so long, he said the entire system was built up around the demands and needs of importers, while the needs of exporters were ignored.

“As a consequence, there are a number of mismatches between import delivery locations and outbound depots,” Damas noted. “And as we all know, that means a substantial reduction in the availability of empty boxes. Noting that the use of containers for exports lengthens the turnaround time for carriers, he said the attitude among carriers was **“exports do not pay – why bother.”** According to Damas, the container shortage is likely to last through 2008. In the meantime, he encouraged agricultural shippers to consider the following alternative solutions to protect U.S. export sales:

- Incentives given to ocean carrier or cost-sharing so that the costs of repositioning the empty container are not borne solely by the ocean carrier.
- Bring the freight in truckloads (not in marine containers) to or near the port and transload there.
- Switch higher-volume shipments of bulk commodities back to bulk shipping when possible.
- “Match-back” and “street turn” import-export equipment re-use.
- Planning and shipping earlier.
- Holding inventory overseas to keep short delivery lead times.

Appropriators likely to require more animal identification

The anti-animal identification “troops” are up in arms over the latest attempt to force them to register premises and animals---this time under new requirements that could be approved on Thursday by the House Appropriations Committee as part of the 2009 fiscal year spending package. Rep. Rosa DeLauro (D-CT), who chairs the subcommittee on Agriculture Appropriations, issued a statement during subcommittee markup last week, noting plans to **“provide market-based incentives to strengthen both the National Animal Identification System (NAIS) and the National School Lunch Program.”**

Beginning with the 2010 school year (that starts in July 2009), the bill includes language that requires USDA to purchase for the School Lunch Program meat products that are derived from livestock premises registered with National Animal Identification System. Because AMS is a major purchaser of meat products through the School Lunch Program, this proposal would generate significant market-based incentives to strengthen the department’s voluntary animal ID system and support livestock producers and other premises that sign up for USDA’s system, noted DeLauro.

The bill provides a total NAIS funding level of \$14.5 million or about \$4.8 million above 2008. Congress has provided \$128 million to implement NAIS. **DeLauro described APHIS’s delivery to date as “less than stellar.” Here’s why:**

- ⌚ Out of 1.4 million livestock premises, APHIS has only registered to date about 469,000 premises. That’s less than 33% of the agency’s goal after four years. And one state – Wisconsin – comprises about one-eighth of the total nationwide registrations.
- ⌚ At APHIS’s current rate of enrolling about 1,500 premises per week, it will take APHIS another 13 years to achieve its goal of 100% registration.
- ⌚ APHIS reports that it is years away from having 48-hour traceability for beef and dairy cattle.

The bill’s report details specific implementation milestones to shine the spotlight on APHIS’s delivery of NAIS, according to DeLauro. Although a committee spokesman declined to provide specifics until Thursday’s markup, other sources report that the bill will require that 30% of the cattle industry’s premises be registered by March 31, 2009 and require 48-hour traceability of over 90% of the nation’s swine and poultry through the identification of commercial production units. For an outline of all proposed changes in the subcommittee markup, go to:

<http://appropriations.house.gov/pdf/DeLauroSubMarkup06-19-08.pdf>

Comments flood into EPA on RFS waiver

To waive or not to waive 50% of the Renewable Fuels Standard (RFS)? That’s the question confronting the Environmental Protection Agency (EPA) as the formal comment period on that question closed June 23rd. Texas Governor Rick Perry requested the waiver, which the EPA Administrator can grant **if it finds that implementation of the national RFS requirements would severely harm the economy or environment of a state, a region, or the United States, or if EPA determines that there is inadequate domestic supply of renewable fuel.** EPA is required to publish a decision within 90 days of receiving the request.

Since the vast majority of livestock feed products are corn-based, the artificial pressure created by the mandate threatens irreparable damage to livestock operations across the country, emphasized Gov. Perry during a press conference this week. In Texas, this industry accounts for roughly \$75 billion of the state's economy. As America's largest beef-producer and one of the top 10 states in poultry/egg and dairy production, the state plays a significant role in feeding and fueling the nation, he mentioned.

Texas corn and sorghum producers were unhappy that Perry did not mention the economic impact it has on grain producers in the state, which provided \$2.7 billion to the Texas economy in 2007. They pointed out that Perry presented only part of a report from Texas A&M's Agricultural Food and Policy Center, and **neglected to mention that without ethanol, gasoline prices would be 42 cents per gallon higher on all consumers.** That A&M report, "Effects of Ethanol Production on U.S. Gasoline Prices," is available at http://agforum.tamu.edu/2008_presentations/Bryant-2008TAF.pdf

As Monday's deadline neared, several organizations and anti-ethanol interest groups weighed in. The National Pork Producers Council urged the government to grant the waiver, cutting the RFS in half; down to 4.5 billion gallons for 2008. **Kraft Foods released a report, written by former USDA Chief Economist Keith Collins,** who now consults for the firm. His report shows corn prices are one of several factors impacting food prices, but notes that the increased demand for corn over the past several years has been primarily the result of corn-based ethanol. Collins cites several policy options, including more research, expanded use of biotechnology and reconsideration of biofuels policy. To read his full report: <http://foodbeforefuel.org/files/Role%20of%20Biofuels%206-19-08.pdf>

In turn, Midwestern governors are urging EPA to reject calls to cut back the ethanol mandate, calling claims that increased production of the corn-based fuel is driving up food prices "misguided" And the Renewable Fuels Association issued a statement saying Perry's stance **"has more to do with protecting the profits of integrated oil and livestock companies than with the economic well being of Texans and Americans around the country."**

Largest sugar producer to close, sell to Florida water district

U.S. Sugar Corp., the nation's largest sugar producer, has agreed in principle to sell its 187,000 acres of sugar cane, citrus groves and processing and transportation facilities to the South Florida Water Management District for \$1.75 billion. The transaction is scheduled to close in November and completed over six years. Gov. Charlie Crist, who approached U.S. Sugar with the offer, said that the deal will allow water from Lake Okeechobee to help restore the Everglades.

The end of U.S. Sugar's operation after more than 80 years will have environmental, economic and political implications. Everglades advocates and residents of the fast-growing area have long battled sugar farming because of its effect on natural habitat. The historic buyout may relax pressure on remaining growers, ranging from substantial family operations to the extensive Florida Crystal holdings of the Fajul family. The end of U.S. Sugar production also will reduce U.S. sugar production and shrink the grower coalition that has succeeded in keeping the price support program. The deal also adds to Crist's stature as a potential vice presidential running mate for Sen. John McCain, R-AZ., the Republican presidential candidate this year.

Company and state officials have said that U.S. Sugar’s exit will not be the end of agriculture in the region. The state agency could sell some of the assets, which include about 30,000 acres of citrus trees, a new sugar mill and an orange juice processing plant, to remaining farm operations. At least 250,000 acres of sugar cane owned by others is expected to remain in production. Some land swaps between U.S. Sugar and other owners are being negotiated, the company said. It will offer severance pay to aid the transition for its 1,700 workers in four counties and honor what it called “competitive executive compensation packages like any other major business.”

U.S. Sugar said that the deal, which is subject to stockholder approval, “offers a tremendous benefit” to both the state and company stockholders. “Increased regulatory concerns and several consecutive years of hurricane and drought impacts played a role” in the decision to sell, it said. “This is a watershed event in national conservation history, and a paradigm shift for the Everglades and the environment in Florida, one that would have been inconceivable in years past,” said CEO Robert Buker. He admitted to mixed feelings about the end of “a company that is a pillar of the agricultural economy in Florida . . . sobered and not a little saddened by the prospect of the transition that lies before us” but also excited by what it means for the future.

U.S. officials push for rice opportunities in China

Chinese consumers want U.S. rice and are willing to pay more for it, according to U.S. Rice Producers Association (USRPA) President Dwight Roberts, **but they cannot buy it until the Chinese government authorizes import permits.** Roberts told *Agri-Pulse* that USRPA conducted in-store taste tests of U.S. rice in upscale Shanghai supermarkets and consumers responded “they would purchase U.S. rice and pay a premium for it because of its high quality. All indications are that we’ll be able to sell rice over there.”

Roberts said he believes much of the interest in U.S. rice is due to increasing concern among Chinese consumers that flat to declining rice acreage in China since 2000 is a sign of tightening supplies in the years ahead. According to the International Rice Research Institute, China, the world’s largest rice producer and consumer, **will need to produce about 20% more rice by 2030 to meet domestic needs if rice consumption per capita stays at current levels.**

USRPA maintains that rice milled in the United States is no different from that milled in China and is working with USDA’s Animal and Plant Health Inspection Service (APHIS) to achieve unrestricted market access for U.S. milled rice. **An APHIS spokesperson confirmed this week that the agency is negotiating a phytosanitary protocol for U.S. milled rice with China’s Department for Supervision on Animal and Plant Quarantine.** Last month, APHIS staff sent a letter to Chinese authorities, requesting that import permits be allowed without conducting a Pest Risk Assessment because milled rice has an extremely low risk associated with the spread of any pest.

USDA & 25x’25 Showcase bioenergy research, ‘power’ plants

Ancient civilizations advanced when they switched food “**from a finite resource to a sustainable resource.**” Far greater advances are urgently needed and possible today if the world can make the same switch for global energy – switching from finite fossil fuels to renewable

bioenergy. That's according to Dr. Gale Buchanan, USDA Under Secretary for Research, Education and Economics. He told *AgriPulse* that energy fixes designed for the next 60 years are "irrelevant." Instead, he said, **"We have to create a sustainable civilization for our children, our grandchildren, our great, great, great grandchildren.** We want to have a civilization until the sun runs out. . . We need to develop sustainable energy if we want to have a civilization."

Earlier, USDA Deputy Secretary Chuck Conner told a packed audience at USDA's 2nd annual Bioenergy Awareness Days (BEAD II) conference in Washington that joint private sector, university and government research is hard at work on bioenergy. As evidence, he pointed to the conference's **55 exhibits on breakthrough research accomplishments – and to the 21 "power plants" on display at the nearby National Arboretum, "everything from switch grass and poplar trees to castor beans and algae"** developed for converting their sugars and oils into biofuels.

Deputy Sec. Conner also announced \$1.52 million in new USDA energy-efficiency loans and grants made to 20 farmers and businesses around the country. The program includes \$74,533 to one Iowa farmer for adding a geothermal system and \$99,820 to an Illinois farmer for a new grain dryer expected to cut his energy costs by 44%.

Dr. Duane Acker, former Kansas State University president and former USDA Assistant Secretary for Science and Education, told the conference that there is an obligation to develop renewable energy:

"Those who own and control the land, largely farm, ranch and timber managers, have an obligation: to see that the sun's energy is captured to the maximum extent and converted to consumable energy forms. . . . The scientific community also has an obligation: to develop the genetic materials and conversion technologies and systems to approach bioenergy's potential."

Dr. Acker was speaking as a Steering Committee Member of the National 25x'25 Alliance which co-sponsored the BEAD II conference and which has set this goal: "By 2025, renewable energy from America's farms, forests and ranches will provide 25% of the total energy consumed in the United States, while continuing to produce safe, abundant and affordable food, feed and fiber." For Dr. Acker's position paper on Renewable Energy Priorities, go to <http://www.25x25.org>.



From L to R: Buchanan, Conner and Acker share the stage at BEAD II.

The 25% by 2025 goal became a legislated national goal when the 2007 Energy Bill was signed into law last December. However, critics charge that food crops shouldn't be used to produce biofuels at a time of tight supplies and soaring food prices. Yet, criticism both in the U.S. and around the world hasn't stopped research and commercialism efforts. **The good news for both critics and biofuels boosters is that food crops may be replaced soon by non-food feedstocks.** Auburn University Agronomy Professor David Bransby reports that thanks to recent research advances, **"It's possible – maybe probable – that cellulosic biofuels technologies will be**

economically competitive with fossil-based fuels by the end of this year." Iowa State

Professor of Mechanical Engineering Robert Brown says the combination of corn-based ethanol's success and recent research advances leaves one remaining challenge to switching over to cellulosic ethanol: **“convincing investors that the high capital costs of these new plants will be justified by continued high prices for petroleum.”** (Editor's note: I serve on the 25x'25 Steering Committee. Contributing Editor Jon Harsch attended the event and wrote this piece.)

U.S. sheep industry can reverse steep decline, study says

Despite the decline in the U.S. sheep inventory from a record 56 million in 1942 to last year's 6.2 million, the lowest in recorded history, new technology and markets may point to “a more efficient and competitive future,” says a National Academies of Science report released Monday.

The slowing of the long-term fall in range sheep numbers in western states and modest growth in smaller farm flocks in the East may be cause for optimism, says a committee headed by Gary W. Williams, an agricultural economics professor of Texas A&M University. It sees potential with production of leaner lamb, new processing and packaging techniques, a decline in Australian and New Zealand sheep numbers, depreciation of the U.S. dollar and the emergence of new and niche markets for meat desired by ethnic groups and sheep's milk for premium quality cheese.

The study was ordered by Congress in 2005 in an appropriations bill after the American Sheep Industry Assn. and Sen. Bob Bennett, R-Utah, **criticized a paper by a USDA Economic Research Service economist which found the U.S. industry was “in the midst of a long-term decline” and contrasted it unfavorably with its counterparts in New Zealand and Australia.**

“Although the sheep industry has been in decline since at least World War II, the decline in sheep numbers has slowed significantly and even reversed in some regions of the country, especially since 2000,” according to the new report from the academy. It noted that lamb was a relatively minor product with only 1-3 percent of space in retail meat cases. After falling for many years, per capita lamb consumption has been steady since the mid-1990s at about 1 pound.

Between 1990 and 2005, lamb imports increased from about 40 million pounds to 180 million pounds and now account for almost half of domestic consumption. “Competing successfully with Australia and New Zealand may require the US lamb industry to focus on differentiating American lamb from imported lamb,” the report adds. Excess fat on lamb carcasses has been a persistent problem because the market structure rewards producers and feeders for weight rather than value based on quality and yield grades. “Numerous modern tools to assess the yield of boneless closely trimmed retail cuts are available but have not been widely adopted by the industry because of cost and the potential to slow the rates of slaughter and processing,” it adds.

The authors challenge a “traditional argument that American tastes and preferences have moved away from lamb” inasmuch as it has a “more distinct flavor than most competing meats.” Recent research has found that lamb is “purchased fairly consistently by a small group of consumers and not at all by most consumers.” Wool production, once the mainstay of the industry, has declined even more than lamb, the report says, and today is sometimes considered a liability to producers. Wool accounts for 10-30% of income in range production and less than 5 percent in intensive farm flock production.

News briefs:

Bunge builds stronger market presence. Bunge Ltd. agreed to buy \$4.4 billion in stock of Corn Products International Inc., a deal that unites two of the U.S.'s oldest agricultural businesses. The aggregate transaction value is approximately \$4.8 billion, including assumption of approximately \$414 million of Corn Products' net debt. The move places Bunge at the forefront of the finished corn products market and promises to cut costs and produce an extra profit of \$100 million to \$120 million annually, according to Bunge. The firm is the world's third-largest agribusiness company after Cargill Inc. and Archer Daniels Midland Co. With the deal, it will increase its presence in major markets such as North and South America.

EU rethinks GMOs. The European Union (EU) launched a study into whether a large-scale expansion of genetically modified crops would curb soaring global food prices. British Prime Minister Gordon Brown backed the move after the European Commission said GM crops could "play an important role in mitigating the effects of the food crisis". EU leaders endorsed the plans to review the complex system of approving GM licenses, which is split between the EU and national governments.

Food price perspective. As many major food companies are up in arms over skyrocketing commodity prices, Kroger, the largest U.S. supermarket group, appeared to downplay worries over consumer price inflation this week---arguing that food cost increases are being partially offset by price cuts in other areas. Kroger said overall product cost inflation across its business is running as an annual rate of about 3.5%, which it characterized as "moderate." The chain's chief executive said the level of anxiety over recent price increases is exacerbated by the contrast with preceding years of extremely low inflation.

USDA Recommends Change in Milk Price Formula: The Agricultural Marketing Service issued a "tentative final decision" last week to amend pricing formulas for milk used to manufacture cheese, butter, non-fat dry milk and dry whey to reflect higher energy costs. The new "make allowances" would become effective after USDA considers public comments and conducts a referendum of producers and co-ops in federal milk marketing order areas that produce nearly 70 percent of all U.S. milk. Although the decision offered "a little bit of relief to dairy product manufacturers," Chief Economist Bob Yonkers of the International Dairy Foods Association said that energy costs "have increased dramatically since the industry first requested a hearing and emergency action from USDA in September 2006." The decision is "yet another example of a broken milk pricing system," said IDFA President Connie Tipton. "Our members must make business decisions every day and can't wait an entire year for a tentative decision that might change again six months or more down the road." She said that the federal order system has failed to keep pace with business and must be reformed.

Georgia-based Baker Expands with Merger: Wholesale baker Flowers Foods, Thomasville, Ga., will acquire Holsum Bakery, Phoenix, in a merger deal subject to regulatory approval and other conditions. Flowers has 36 bakeries and more than \$2 billion annual sales in southern and mid-Atlantic states. Family-owned Holsum, founded in 1881, has two bakeries and sales of about \$146 million a year in Arizona, New Mexico, Nevada and California. Holsum will operate under its current name as part of Flowers.

Farm Hands on the Potomac By James C. Webster

The quadrennial food and agriculture party at the Republican National Convention is being organized by the Minnesota Agri-Growth Council. It expects the invitation-only event to draw 3,000 to 5,000 guests Sept. 2. Principal sponsors are **AgriBank, AgStar Financial Services, American Crystal Sugar, American Farm Bureau Federation, BNSF Railway, CHS Inc., CoBank, ConAgra Foods, Crop Life America, General Mills, Hormel Foods, International Dairy Foods Assn., John Deere, Kraft Foods, Land O'Lakes, Minnesota Corn Growers Assn., Monsanto, National Council of Farmer Cooperatives, National Milk Producers Federation, Renewable Fuels Assn., Schwan Foods and Syngenta,**

Keith Heffernan, chief of staff at the Farm Credit Administration the past four years, returns to USDA as chief of staff for Under Secretary for Rural Development **Tom Dorr** – a job he had in 2003 and 2004. He previously was assistant director of the Center for Agricultural and Rural Development at Iowa State, administrative assistant to former Iowa Gov. **Terry Branstad** and executive director of the Iowa Corn Growers Assn.

William C. (Bill) Motes has stepped down after seven years heading the Washington office of Informa Economics and 20 years after its predecessor Sparks Companies Inc. acquired Economic Perspectives Inc., the consulting firm that he founded in 1981 with **J.B. Penn, Howard Hjort** and **Susan Sechler**. He will become company's chief economist with a reduced workload. **Mark Jekanowski**, who has been director of research, succeeds him. Jekanowski joined Informa in 2000 after working at USDA's Economic Research Service.

Kellie Bray, assistant VP of federal affairs at the National Association of Professional Insurance Agents and former National Cattlemen's Beef Assn. lobbying hand, has been named government relations leader at Crop Life America. **Jennifer Vanderhoff**, new government relations administrative assistant at CLA, previously worked at Federal News Service and the British American Security Information Council.

The National Corn Growers Assn. elected **Darrin Ihnen**, Hurley, S.D., first VP for the 2009 fiscal year beginning Oct. 1 to succeed **Bob Dickey**, Laurel, Neb., who will become president. Ihnen and his family grow corn, soybeans and raise cattle and hogs.

New members of the National Biodiesel Board are **Greg Hopkins**, CEO of US Biofuels, Rome, Ga., and **Scott Johnson**, CEO of GEN-X, Burbank, Wash. They succeed **Graham Noyes**, Imperium Renewables, Grays Harbor, Wash., and **Jake Stewart**, Organic Fuels, Houston. The board elected **Jim Conway**, Griffin Industries, Cold Spring, Ky., as secretary.

The 25x'25 coalition named **Myron Just** state alliance facilitator for the upper Great Plains and Midwest states, based in St. Paul, Minn. Just formerly was commissioner of agriculture in North Dakota, a director and vice chairman of Harvest States Cooperatives (a predecessor of CHS Inc.) and executive director of the Minnesota Agri-Growth Council.

American Agri-Women honored **Jean Ibendahl**, DuQuoin, Ill., who created the Agriculture in the Classroom program in 1977, on her 90th birthday during its Washington conference earlier this month.

The South Dakota Corn Growers Assn. and South Dakota Corn Utilization Council hired **Kelly Dunkelberger** as program director and **Chris Jefferies** as rural economic and market development director. Dunkelberger was high school FFA adviser at Centerville, S.D., Jefferies training director for the South Dakota Small Business Development Center.

Carlo Trojan, former secretary general of the European Commission and EU ambassador to the World Trade Organization, has been elected chairperson of the International Policy Council on Agriculture, Food and Trade, succeeding **Piet Bukman**. Bunge North America CEO **Carl Hausmann** was elected second vice chairperson. Trojan visited Washington often as chief of staff for EU agriculture commissioner **Frans Andriessen** in the 1980s.

The Distilled Spirits Council of the United States named **Danielle Eddy** public relations director, based in New York. Eddy managed public relations for brands of Diageo, E&J Gallo and others. Washington media relations will remain with Senior VP **Frank Coleman**.

L. George Ellis, Texas state director of USDA's old Farmers Home Administration in the Carter Administration, died at his home near Johnson City June 3. He was 70 . . . **Roy R. Stallman Sr.**, father of American Farm Bureau Federation President **Bob Stallman**, died June 14 at his Columbus, Texas, home. He was 82 . . . **Joe S. Hatfield**, one of the founders and CEO of Fieldale Farms, Baldwin, Ga., poultry integrator, died Saturday. He was 84.

Best regards,

Sara Wyant
Editor

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