Surrounded by White House officials, leading scientists, and dignitaries from other agencies, USDA Secretary Tom Vilsack officially launched the National Institute of Food and Agriculture (NIFA) last week, paving the way for one of the biggest changes to take place at USDA in recent history. Perhaps more importantly, President Barack Obama brought in exciting new “A list” leadership from the private sector to get the job done….world class scientists who are drawing rave reviews from many farm, as well as consumer groups.

"The opportunity to truly transform a field of science happens at best once a generation,” emphasized Vilsack at the National Press Club last week. “Right now, I am convinced, is USDA’s opportunity to work with the Congress, the other science agencies, and with our partners in industry, academia, and the nonprofit sector, to bring about transformative change. We can build on recent scientific discoveries - incredible advances in sequencing plant and animal genomes….. We have new and powerful tools -- biotechnology, nanotechnology, and large-scale computer simulations -- applicable to all types of agriculture.”

With a hungry and growing global population, and increasing concerns about food security, more and more world leaders are confronting the food production challenges. U.S. lawmakers stepped up to the task in the 2008 Farm Bill, by agreeing to make fundamental changes in the way agricultural research is funded and structured. They created the NIFA, which is modeled after the National Institutes of Health (NIH)

“Clearly, this puts agricultural research back on the map.” says Randy Russell, who served as a former USDA chief of staff for Secretary John Block in the early 1980’s and is now President of Russell & Barron, a government relations firm. “This gives us the best chance to bring ag research and science back to the pre-eminent role that it’s previously been.”
Tom Van Arsdall, Executive Director for the National Coalition for Food and Agricultural Research, agrees. “After years of work, there is this terrific opportunity to grow funding to levels that will make possible the strong scientific outcomes needed to meet major future challenges.”

As the chart (below) compiled by the Congressional Research Service indicates, USDA’s R & D budget has been dramatically lagging behind NIH, NASA, and the National Science Foundation. Why? Our sources say part of the reason stems from the competition for funds within the research community, the lack of a consistent message from those asking for funds and the lack of confidence from appropriators about how the dollars would be invested.

Building from the Cooperative State Research, Education, and Extension Service, which sunsetted Oct. 1, “NIFA will be the Department’s extramural research enterprise. It is no exaggeration to say that NIFA will be a research "start-up" company - we will be rebuilding our competitive grants program from the ground up to generate real results for the American people,” Vilsack noted.

"Under Secretary of Research, Education, and Economics Raj Shah (who is also the new Chief Scientist), has already begun an in-depth and systematic analysis of our research programs, their goals, and their outcomes to help me better match available resources to critical outcomes for solving national and international problems,” Vilsack said. He’ll be working with NIFA Director Roger Beachy, a preeminent plant scientist from the Danforth Plant Science Center in St. Louis, MO., winner of the Wolf Prize in Agriculture and a member of the National Academy of Sciences.

"I want USDA science to focus most of its resources on accomplishing a few, bold outcomes with great power to improve human health and protect our environment,” Vilsack told those assembled at the Press Club, while noting that, “These discoveries and tools come not a moment too soon.” But building NIFA is likely a 15-20 year effort, adds Russell, and will require “those who fear change to buy-in to the opportunity. They need to understand that the status quo is not longer acceptable.”

**Can we feed a growing world without GMO’s?**

Food production needs to increase by 70% over the next 40 years to feed a growing population, warned Jacques Diouf, Director-General of the UN Food and Agricultural Organisation (FAO). The world population is projected to rise to 9.1 billion in 2050 from a current 6.7 billion. Secretary Vilsack’s commitment to solving this challenge through science-based solutions was firmly on display during the NIFA launch at the National Press Club last week, but he continues to be tested by small and organic farming interests, who suggest that he can’t truly be in their “camp” if he supports conventional agriculture, including genetically modified organisms (GMOs). As the Des Moines Register’s Kathie Obradovich pointed out in her blog on Tuesday,
Vilsack was back in Iowa speaking to the Community Food Security Coalition conference in Des Moines and “extolling community and organic food efforts to an appreciative audience of advocates.” But a questioner suggested USDA can’t be fully committed to helping small, sustainable operations compete unless it’s willing to put some curbs on conventional agriculture…

“There was a little grumbling in the audience when Vilsack refused to choose small, local farms over larger, conventional operations. He said: “I have two sons and I love them both. And your question sort of, kind of asks, ‘Which son do you love the most?’” she reported. The grumbling turned into a few outright boos when he refused to rule out genetically modified crops, raising the need for technology to feed the expanding world population. “I’m telling you what people are telling me,” Vilsack said. He said USDA’s focus is on a transparent, fair regulatory system for GMOs.

**More on USDA’s reorganization, including a new org chart**

In last week’s issue of *Agri-Pulse*, we wrote about reorganization taking place at USDA that would make major changes in the reporting structure within the agency’s Departmental Management, led by Assistant Secretary for Administration Pearlie Reed. Now, the Office of Assistant Secretary for Civil Rights and the Office of Budget and Program Analysis will both report up to the Secretary through Reed. We published the new organizational chart, which was obtained from USDA’s web site and assumed to be the most recent. However, USDA Press Secretary Justin DeJong sent us an even newer version (below) which shows how all of the new offices line up in terms of reporting structure. DeJong says the USDA staff has been “very transparent” in trying to communicate the increased efficiency and other benefits of this new structure. However, several former top USDA officials of both parties and Hill sources think it is a serious mistake to have the budget and civil rights offices taken away from a straight line reporting relationship to the Secretary.

![New USDA org chart](chart.png)
Finance committee approves health care overhaul

The Senate Finance committee approved a sweeping remake of the country's health care system Tuesday, by a 14-9 vote. Sen. Olympia Snowe of Maine was the only Republican to join 13 committee Democrats in voting "yes," despite reservations about what might happen on the Senate floor. Committee passage makes the possibility of health care reform closer to reality than it has been for decades. The 10-year, $829-billion plan approved Tuesday is aimed at extending coverage to millions more Americans, holding down costs and improving health care options for all. However, several members of the GOP pointed out that 25 million Americans would still be uninsured in 2019. Now an even bigger fight begins, as Democratic Senate leaders and the White House try to meld the Finance and Health Committee packages in the Senate and three bills in the House. President Barack Obama described passage as a “critical milestone in our effort to reform our health care system.” However, he noted that “this bill is not perfect, and we have a lot of difficult work ahead of us. There's still significant details and disagreements to be worked out over the next several weeks as the five separate bills from the Senate and the House are merged into one proposal.”

Justice Department looking for ag market ‘police’

The top official in the Justice Department’s (DOJ) Antitrust Division says the division needs the help of state attorneys general to “police” agriculture markets. The Antitrust Division plans to look into the general state of competition in agriculture markets through a series of workshops in 2010 hosted jointly with the U.S. Department of Agriculture.

In remarks last week to the National Association of Attorneys General at Columbia Law School in New York, U.S. Assistant Attorney General Christine Varney said the DOJ wants to examine the “levels of concentration in the seed industry – particularly for corn and soybeans,” the level of transparency of market transactions and the role of the exchanges, and the degree of vertical integration and buyer power.”

“Changes in technology and the marketplace have revolutionized agriculture markets, producing some substantial efficiencies as well as concerns about concentration. These factors have facilitated the emergence of large firms, which may present challenges for new firms trying to enter this market,” Varney said.

A day later, Monsanto, the leading U.S. seed marketer, confirmed it was fielding questions from the DOJ regarding competition in the market for genetically modified corn and soybeans.

“We are answering these questions and will continue to do so,” the company said in a statement posted on its web site. It said the most recent inquiries from DOJ occurred about two months ago and were similar to the claims made by DuPont in response to Monsanto’s patent infringement lawsuit over the use of Roundup Ready technology in corn and soybean seeds marketed by Pioneer Hi-Bred, a DuPont business unit.

“It is not at all surprising that the DOJ would want to understand how we respond to such allegations. We are confident these allegations are without merit,” the company asserted.
“Going forward, we will maintain a watchful eye on the [agriculture] marketplace,” DOJ’s Varney promised state attorneys general, noting that her division continues to look “very carefully” at developments in dairy markets and has been “heavily involved” in reviewing proposed mergers in livestock markets involving pork and beef.

Varney’s remarks drew cheers from the Organization of Competitive Markets (OCM), a non-profit group based in Lincoln, Nebraska.

“I believe there is a strong, sincere and concerted effort underway to make our markets competitive enough so that farmers and ranchers don’t continue to get gouged when they buy their production inputs, and shortchanged when they sell what they produce,” said Fred Stokes, OCM’s executive director. “But it’s going to take a blood-sweat-and-tears attempt by the federal government for things to move forward enough for the small farmer and rancher to be able to feel any real difference.

On Capitol Hill, two farm-state lawmakers are trying to shine a spotlight on agriculture competition issues via the annual appropriations process. Sens. Russell Feingold (D-WI) and Charles Grassley (R-IA) said they intend to offer an amendment to the fiscal 2010 Commerce and Justice Departments spending bill that would require information sharing between the Federal Trade Commission, the DOJ and other relevant agencies as it relates to the farm and food industry.

**Antitrust concerns spread to dairy industry**

Low milk prices have prompted two Vermont farmers to join forces with a Washington lawyer, trying to dig for potential antitrust violations in the dairy industry. In one of the latest cases, Dairy Farmers of America and Dean Foods Co. are facing a lawsuit that accuses them of "monopolizing a level of distribution of fluid milk in the Northeast and forcing dairy farmers to join DFA or its marketing affiliate, Dairy Marketing Services, to survive."

The lawsuit, which was filed by Benjamin Brown, a partner in Cohen Milstein, a Washington, DC law firm, makes no mention of the historic run up in milk prices and dairy production that contributed to today’s current milk glut or the cost/prices squeeze that occurred with high feed costs. However, in recent testimony before the Senate Judiciary Committee, USDA Chief Economist Joe Glauber provided important background, as follows:

“The monthly all-milk price peaked in the July-September period of 2007 at a record $21.70 per hundredweight (cwt) and averaged a record high of $19.21 for all of 2007.....In 2008, the farm-level milk prices remained strong with the all-milk price averaging $18.41 per cwt, the second highest on record. However, average feed costs increased about 35% in 2008, and energy costs increased by 30%. This spring and summer, producers were receiving less than $12 per cwt. The milk/feed price ratio, a measure of the profitability of producing milk, was the lowest in over 25 years during the first half of 2009.”

Instead of looking at market factors, the Vermont lawsuit focuses on industry concentration and practices. "Monopolization and price-fixing have contributed to the milk-pricing crisis dairy farmers -- especially small, family-owned dairies in the Northeast -- face today,” says Brown. "Many dairy farmers have been forced to choose between joining DFA or DMS or going
out of business. If they join, they have to pay to market to their own customers at prices fixed by DFA, DMS and other cooperatives. Meanwhile, major milk processors Dean and Hood, which is part-owned by DFA, enjoy the economic benefits."

Dean spokeswoman Marguerite Copel said the numbers don’t support the assertions. The company is "not a monopoly that controls the market," she told the Dallas News. Dean buys 16.8% of the milk produced in states covered by a federal order that governs minimum milk pricing in the Northeast, she said. "We buy less than 15% of the nation's raw fluid milk supply from only 9,000 of the 58,000 U.S. dairy farmers," she said.

Dairy Farmers of America said in a statement that the suit is "without basis."
"It is disappointing that although Dairy Farmers of America's activities in the Northeast have improved prices for cooperative members and independent producers alike, these charges are being brought against us," the statement said. Many processors say that they’ve had to respond to market conditions, as have dairy farmers. The chart shows the average Class 1 price, plus premium, paid to farmers (in blue) from Jan. 2000 to Jan. 2009 and the U.S. average retail price of whole milk per gallon (in red).

OTC derivatives legislation generating heat & cash

Congress is considering three separate approaches to providing at least some regulatory control over the free wheeling world of over-the-counter derivatives. Following the Obama administration’s August 11th proposal and the House Financial Services Committee’s October 2nd draft bill, House Agriculture Committee Chair Collin Peterson (D-MN) introduced his own 201-page version on Friday.

Peterson’s goal: “legislation that would bring order to the largely unregulated OTC swaps market that played a large role in the credit crisis and the collapse of some of America’s largest financial institutions.”

But don’t count on any legislation being enacted this year – and don’t count on the eventual legislation including the “full transparency” that the Obama administration and advocates such as Sen. Tom Harkin (D-IA) have called for. One reason is that the issues involved are complex and Congress is skittish about triggering “unintended consequences.” Playing to this skittishness, there’s been a chorus of financial industry lobbyists warning that imposing even the gentlest regulation could drive lucrative derivatives trading to unregulated markets overseas. Another warning is that if new regulations include tougher capital and margin requirements, U.S.
companies will be left to choose between raising prices to cover their increased costs or giving up the risk protection provided by derivatives in order to remain price competitive.

The derivative market’s “lucrative” nature raises another issue which provides a compelling reason for Congress to postpone passing derivatives for another six months or more: next November’s congressional elections. The longer legislative deliberation and horse trading drags out, the more time and the more excuse there is for congressmen to collect campaign contributions from the financial industry. “With a lot of vulnerable members” in Congress, one insider explains, “this whole drawn-out process will enable them to raise lots of money.”

No doubt there is money to be made from dragging out the derivates debate. The OTC derivatives market itself is estimated at some $500 trillion. Federal Reserve reports indicate that the top five U.S. banks, JP Morgan, Bank of America, Citibank, Goldman Sachs and Wells Fargo, could earn over $35 billion from their derivatives trading this year. At least in theory, the more concerned these major players are about any threat to their derivatives business-as-usual, the more willing they will be to contribute to key incumbents.

With potentially a large chunk of $35 billion at stake, it’s no wonder that testifying has turned testy – and that even louder voices are being raised behind closed doors. Meanwhile, a lunch meeting last week with Sen. Ag Committee Chair Blanche Lincoln (D-AR) and Ranking Member Saxby Chambliss (R-GA) and House Ag Committee Chair Collin Peterson (D-MN) and Ranking Member Frank Lucas (R-OK) reportedly ended with acknowledgement that regardless of what the House does this year with derivatives, the Senate Ag Committee won’t tackle the tar-baby issue until next year.

The saga continues this week, with the House Financial Services Committee meeting Wednesday, Oct. 14 “and subsequent days if necessary” to mark up its “Over-the-Counter Derivatives Markets Act of 2009.”


Financial industry & end users ask Congress to proceed with caution

Testifying last week in the House Financial Services hearing on derivatives legislation, David Hall, Chief Operating Officer of Chatham Financial Corp., “the largest independent advisor and service provider to businesses who use derivatives to reduce their interest rate and foreign currency risks,” said: “While prudent policy changes are needed to address the problems that gave rise to AIG’s failure in credit default swaps and in other areas, policymakers need to be careful to ensure that such policies do not harm the many areas of the OTC market that are functioning well . . .”
“Any requirement for business end users to cash collateralize hedging transactions would create an extraordinary and unnecessary drain on working capital,” he added. “This draft appropriately recognizes this cash burden by excluding end users from the central clearing requirement. Similarly, we believe this draft should also recognize this cash burden by excluding end users from any margin requirement.”

Financial Executives International (FEI), an association representing CFOs and other senior finance executives, called on Congress . . to help ensure that the final legislation does not require derivatives used by business end-users to be executed on exchanges, centrally cleared or subject to daily mark-to-market collateral or onerous capital charges. Any of these requirements could have the unintended consequence of preventing companies from using these important risk management tools in the course of their everyday business operations.”

The “Coalition for Derivatives End-Users” including American Electric Power, American Petroleum Institute, Bunge, Cargill, Caterpillar, Harley-Davidson, Procter & Gamble, U.S. Chamber of Commerce, Weyerhaeuser and 163 other members warns in a letter to every member of the House:

- “. . . proposals that would require all OTC derivatives used by business end-users to be centrally cleared, executed on exchanges or cash collateralized or subject end users to capital charges, would inhibit companies from using these important risk management tools in the course of everyday business operations . . .”
- “These proposals, which would increase business risk and raise costs, are at cross purposes with the goals of lowering systemic risk and promoting economic recovery.”

Offering a different perspective, Commodity Futures Trading Commission (CFTC) Chair Gary Gensler testified last week that: “We would not want an unintended consequence of an end-user exception to be that hedge funds, financial firms or other investment funds would be able to evade the clearing requirement . . . . . .Market participants and the public would benefit greatly from the transparency and better pricing afforded by regulated exchanges and trade execution facilities.”

**Rep. Gutierrez to introduce comprehensive immigration reform**

As if Congress needed another item added to its overloaded agenda, on Tuesday Rep. Luis Gutierrez (D-IL) told a crowd of thousands rallying outside the U.S. Capitol that he intends to introduce comprehensive immigration legislation “in the near future.”

Specifically addressing farm sector issues, Gutierrez said “Agriculture plays a fundamental role in our nation’s economy and in securing our nation’s food supply. Comprehensive immigration reform must provide an agreement between labor and agribusiness that allows farm workers to access legal protections and immigration status while enabling employers to ensure a legal workforce and stabilize their businesses.” While providing few specifics, Gutierrez explained that his legislation will be designed to:

- Provide the country’s 12 million undocumented immigrants “the opportunity to earn your citizenship.”
• Provide “professional and effective border enforcement” to include “strategies that both make our nation’s physical and economic security stronger and stay true to our nation’s values.”
• Promote “fair immigration proceedings, humane treatment of immigration detainees and policies that respect the tenets of community policing.”
• “. . . expand the labor rights of workers and punish those dishonest employers who continue to exploit immigrants in order to undermine their honest competitors.”
• “. . . fix the current employment eligibility verification system, not only to protect Americans who are denied the right to work because of errors in the government’s databases, but also to prevent employers who would exploit the system and undermine workers’ rights.”
• “. . . support strong, united families and treat all immigrant families fairly and equally” to keep “husbands and wives, parents and children together.”
• Replace broken guest worker programs with “a commission to align visa numbers with actual labor market demands and economic needs, not political winds.”
• “. . . strengthen the DREAM Act, making it quicker and easier for students who grew up in America and know no other home to fully participate in our society” so that they can be “fully integrated into our society as the Americans they truly are, and as quickly as possible.”

NCGA follows up on ethanol family feud

As we reported in last week’s edition of Agri-Pulse, National Corn Growers Association President Darrin Ihnen sent a strongly worded letter to both Growth Energy and the Renewable Fuels Association, asking them to respond by last Friday to his request for the groups to reconcile. We’ve obtained a copy of Growth Energy’s response on Sunday night and posted that letter on our web site: http://www.agri-pulse.com/uploaded/20091012S.pdf We did not receive any response to that letter from RFA or NCGA at that time. However, since then, Darrin Ihnen sent us the following statement:

“While disagreements within any industry are common and to be expected, it is vitally important that U.S. ethanol supporters work together on Capitol Hill. We have stressed this with our allies a number of times, and NCGA is moving forward with plans to work more closely with the Renewable Fuels Association and the American Coalition for Ethanol.”

Japan’s new Agriculture Minister continues beef trade dialogue

Japan’s newly appointed Minister of Agriculture traveled to Washington at the end of last week for meetings with Obama Administration officials. In separate chats with Hirotaka Akamatsu, U.S. Trade Representative Ron Kirk and Agriculture Secretary Tom Vilsack stressed the importance the Administration attaches to securing greater access to the Japanese beef market in a manner that’s consistent with science and international trade rules.

Minister Akamatsu told Vilsack of his commitment to have food safety regulations based on scientific knowledge, according to a statement issued by USDA, and the two countries both agreed to a continuing dialogue on beef trade.
USDA called the meeting an “important step” toward expanded market access for America’s farmers, ranchers and exporters. A trade source told Agri-Pulse the meeting between the two farm leaders went “better than expected.”

Currently, Tokyo limits imports of U.S. beef to cattle 20 months of age or younger. U.S. beef industry officials have said that persuading Japan to raise the age limit to 30 months would be worth an extra $1 billion in trade. On multilateral issues, USTR Kirk said he emphasized to the Japanese official Washington’s resolve to achieve an ambitious and balanced conclusion to the Doha Round of world trade talks.

Administration asks WTO panel ruling on EU poultry ban

At the urging of the U.S. poultry industry, the Obama Administration on Oct. 8 asked the World Trade Organization (WTO) to establish a dispute settlement panel regarding the European Union’s 12-year ban on imports of U.S. poultry. At issue is whether the EU’s ban on the import and marketing of poultry and poultry products processed with pathogen reduction treatments, judged safe by U.S. and European food safety regulators, violates international trade rules.

"The U.S. poultry subject to the EU ban is safe. There is no scientific evidence that the use of pathogen reduction treatments pose any health risk to consumers," said Nefeterius McPherson, a spokeswoman for U.S. Trade Representative Ron Kirk. "We regret that formal WTO consultations and significant U.S. engagement over many years have not resulted in the lifting of the EU’s ban on the import and marketing of poultry. However, we feel that we must move forward with WTO dispute settlement panel proceedings at this time."

U.S. poultry companies and organizations applauded the action and characterized the EU ban as non-tariff trade barrier designed to protect European chicken producers.

“ Ambassador Kirk has previously indicated that the Obama Administration would pursue a policy of more stringent enforcement of existing international agreements, and the initiation of this case demonstrates Ambassador Kirk’s commitment to that policy,” the National Chicken Council, USA Poultry & Egg Export Council and National Turkey Federation said in a joint statement. If the EU was an eligible market for U.S. poultry, it is estimated annual poultry exports would top $300 million, stated the industry groups.

1,059-year-old German village lights the bioenergy future

Note: Senior Editor Jon Harsch just returned from an intensive week-long program of visits with German government agencies, renewable energy research organizations, and private companies. This is his final report from that trip. For more coverage, go to www.Agri-Pulse.com

What convinced Gerd Paffenholz back in 2000 to help the rural German village of Jühnde (population 750) build a biogas plant was photos showing how a Swiss glacier has disappeared over the last 50 years. Responding to the threat of climate change, he signed up as a member of a village cooperative formed to create fossil-fuel-free energy independence for the village. The result: today Jühnde sells biogas-generated electricity to the national electric grid and its biogas system also provides enough heat to heat all the co-op members’ homes except for cold snaps when its woodchip-fired boiler provides extra heat. Among the benefits:
• Biogas plant guide Gerd Paffenholz and his fellow co-op members don’t worry about high world oil prices – or the fear that Russia could restrict the flow of natural gas to Germany.
• Jühnde’s crop farmers don’t worry that fertilizer prices could soar – because their N, P and K are simply recycled through the village’s biogas plant, returned to them in biogas plant’s nutrient-rich slurry residue.
• Jühnde’s dairy farmers – just as devastated as the U.S. dairy industry by milk prices far below production costs – at least don’t face complaints about stinking manure pits or springtime spreading. Their manure goes directly to the biogas plant to be turned into electricity and heat. The non-smelly residue returned for spring spreading comes back without the high costs of commercial fertilizer.
• A transformed local economy. After more than one thousand years since it was founded in 950 AD, rural Jühnde was seeing its young people leave. Now they’re staying and thriving, Gerd says.

Paffenholz acknowledges that Jühnde’s transformation couldn’t have happened without outside help. First, it was Göttingen University researchers who came up with a plan to turn Jühnde into a model “bioenergy village” – an offer other German towns had turned down as too risky. The village co-op did the hard work of signing up villagers to buy the proposed plant’s heat; signing up farmers to provide the needed grain crops, wood, and manure; and then designing the plant sized to fit both the supply and the demand. But what’s made it all work has been the German government’s feed-in tariff which enables the village to sell its renewable electric power into the national grid at above-market rates.

Once Jühnde’s system was working, some of the skeptics “who said it couldn’t work” signed up as co-op members so that 143 homes now are heated by the biogas plant, nearly matching the plant’s capacity. Interestingly, the village’s new awareness of energy issues has led more homeowners to add insulation and tighter windows. The result is that the plant designed for 140 homes soon may be able to heat 150 homes or more.

Depending on your view of the already apparent costs of climate change such as more severe weather events, rising sea levels, and crop regions shifting northward, government regulations which force utilities to pay more for renewable energy can be seen either as a wasteful government subsidy or as a public investment that will pay valuable returns. Paffenholz has no doubts. He says the investment has already produced a trifecta: the village’s polluting CO2 emissions cut by over 3,300 tons per year, energy independence for the village, and 350,000 Euros ($540,000) a year paid to local farmers for silage to feed the biodigester. “This money is still here in the village,” says Gerd, “and doesn’t go to Russia or the Middle East.” One question that Germany’s bioenergy experts can’t answer: whether the proposed cap-and-trade system being considered by the U.S. Congress would be as effective as Germany’s feed-in tariffs as way to incentivize a national shift from fossil fuels to renewable energy. At left: Gerd Paffenholz explains a rural German village cooperative’s bioenergy system. Jühnde’s biogas-fueled generator feeds electricity to the national grid and the system provides enough heat to heat the village except for cold snaps when a woodchip-fired boiler icks in to provide extra heat. Photo: Agri-Pulse
**Michigan governor approves new animal rights law**

Michigan Governor Jennifer Granholm signed a bill into law on Oct. 12 that, according to the Humane Society of the United States (HSUS), will extend “modest yet meaningful” protections to farm animals.

A result of negotiations between animal welfare and agricultural groups, the law requires that certain farm animals have enough room to stand up and turn around and extend their limbs. It phases out veal crates for calves within three years, and battery cages for laying hens and gestation crates for breeding sows within ten years.

Michigan becomes the seventh state to ban gestation crates, the fifth to ban veal crates, and the second to ban battery cages. Arizona, California and Florida have passed similar measures through ballot initiatives while Maine, Colorado and Oregon have passed related laws in their state legislatures.

“All stakeholders realize that we must move in the direction of improved animal welfare standards, and this legislation provides a roadmap to move us in that direction,” said Wayne Pacelle, president and CEO of HSUS.

Added Gene Bauer, president and co-founder of Farm Sanctuary: “Giving animals at least enough room to turn around and extend their limbs is something we can all support.”

**Emergency response exercise tests for animal diseases**

Oklahoma and Kansas officials are conducting the nation’s first emergency response exercise to test interstate coordination and the logistics of implementing a stop livestock movement order when one is issued by state animal health officials.

Dubbed SAMS-KO, or Stop Animal Movement Statewide KS-OK, the real-time exercise will take place Oct. 22 in the Oklahoma and Kansas state capitals and on the Oklahoma-Kansas border. The scenario is based on simulated outbreak of foot-and-mouth disease in the eastern United States.

Traffic will be screened at two border locations; one three miles north of Turpin, Oklahoma, on U.S. Highway 83 and the other at the intersection of U.S. Highways 160 and 183 near Sitka, Kansas.

“Oklahoma, like many states, has conducted exercises to test its plans to respond to a highly contagious foreign animal disease within its borders, but this exercise provides the new perspective of coordinating our activities with a neighboring state to stop animal movement across a shared border,” said Terry Peach, Oklahoma Secretary of Agriculture.

Animal health, agriculture, law enforcement, transportation and emergency management officials from both states will participate in the exercise, funded by a grant from the U.S. Department of Homeland Security.
News briefs

To Russia with beef. Russia has expanded access to Canadian beef by allowing bone-in beef from cattle younger than 30 months of age and boneless beef from cattle older than 30 months, according to Canadian Agriculture Minister Gerry Ritz. Market access for beef cuts under these parameters is valued at $32 million per year, according to the Canada Beef Export Federation. Russia also reportedly agreed to work toward expanding access to Canadian beef offal, potentially a $10 million market. Russian officials also committed to send a technical team to work with Canadian officials and industry to complete meat plant approvals within this calendar year and they finalized agreements with Russian industry to provide high-quality beef breeding stock and technical training. Hawkeye Land & Livestock Ltd. of Canada signed a deal to ship up to 10,000 head of pure-bred beef breeding stock to the Russian-owned Northern Agro Industrial Company.

Looking for alternative fuels. The U.S. Department of Energy’s (DOE) National Renewable Energy Laboratory (NREL) developed a new online directory of Web-based tools, database searches, cost calculators, and interactive maps—all related to alternative fuels and advanced vehicles. This comprehensive Web page helps users quickly navigate to the 23 tools, maps, and searches available on the Alternative Fuels and Advanced Vehicles Data Center (AFDC) Web site for transportation technologies. Users can generate a map of the nearest alternative fueling stations, research vehicle specifications for hybrid and alternative fuel light-duty and heavy-duty vehicles, compare mileage estimates, calculate cost savings for natural gas or flexible fuel vehicles, search for incentives and rebates, and more. Just go to: www.afdc.energy.gov/afdc/applications.html.

Monsanto earnings. Monsanto reported a $233 million loss for the fourth quarter but posted net income of $2.1 billion for the full fiscal year, a 5% increase over fiscal 2008. Ending its first decade as a standalone company, the leading chemicals and biotech seed developer said last week that profits from seeds and genetic traits made up more than 65% of total company gross profit in 2009, up 17% from last year. “The coming decade holds even greater promise as we commercialize the strongest pipeline of products ever seen on farm,” said Hugh Grant, Monsanto’s President and CEO, pointing out the company will introduce at least one new biotech seed variety or hybrid every year for the next seven years.

Monsanto said that it would increase seed prices 8-10 percent next year. At the same time, the firm will hold the price of its “workhorse” varieties steady. According to CFO Carl Casale, Monsanto has to have a balanced approach between one that keeps current customers and one that continues to acquire new customers.

“So if a farmer wants a proven hybrid, or workhorse, that they’ve had on their farm before, they have the option to buy that at basically at the same or lower price than they did in 2009,” explained Casale, adding that, “At the other end of the spectrum, if they want the absolute highest yielding potential that a SmartStax [corn] hybrid represents, they can make that choice as well.” he company said its corn traits were planted on 70.6 million U.S. acres in 2009, with soybean traits planted on 73.2 million acres.

Cargill returns. Cargill reported net earnings of $525 million in the fiscal 2010 first quarter ended Aug. 31, down 65% from last year’s record $1.49 billion in the same period a year
ago. The reduction included a sizable decline in earnings from Cargill’s majority investment in The Mosaic Company, where profits dropped 92%. “Cargill posted a solid quarter, notwithstanding the comparison to last year’s all-time record,” said Greg Page, Cargill chairman and chief executive officer. "Our business unit earnings were broad based, and they were up considerably from the final two quarters of fiscal 2009.” Among Cargill’s five business segments, earnings in agriculture services and in food ingredients and applications were up from last year’s first quarter, due in part to lower raw material costs, reduced operating costs and changes to product mix. Risk management and financial results rose significantly, reflecting a return to profitability by its financial investment subsidiaries and good performance among the energy businesses. Origination and processing earnings were solid, though down from last year’s record performance, the Company reported.

**Farm Hands on the Potomac . . . . . . . . By James C. Webster**

Political scientist **Elinor Ostrom**, a research professor at Arizona State who shares this year’s Nobel Prize in Economics, has been part of a research project at Virginia Tech that has studied how government policy reforms in Uganda, Kenya, Mexico and Bolivia affect forest sustainability. She’s considered an authority on how communities develop systems to better manage fisheries, pastures, woods, lakes, and ground water supplies for the common good.

The Senate last Thursday confirmed nominations of two USDA officials, three members of the Commodity Futures Trading Commission and one Farm Credit Administration board member. They are Under Secretaries **Edward M. Avalos** (marketing and regulatory programs) and **Harris D. Sherman** (natural resources and environment); **Bartholomew Chilton, Jill Sommers** and **Scott O’Malia** to CFTC, and **Kenneth A. Spearman** at FCA.

Jumping ahead of either White House or USDA announcements, the University of Wisconsin said Monday that **Molly Jahn**, dean of the College of Agricultural and Life Sciences at its Madison campus for three years, would become deputy under secretary of agriculture for research, education and economics Nov. 9 on a year-long leave from the university. She was a professor of plant breeding and genetics and plant biology at Cornell in 1991-2006.

**Leanne Skelton**, chief of the fresh products branch in USDA’s Agriculture Marketing Service, is being detailed to the Food and Drug Administration for six months to help FDA develop new safety regulations for produce.

**Katy Ziegler Thomas**, former VP government relations at the National Farmers Union, will become chief of staff at Growth Energy next week. Ziegler joined NFU in 2003 as a government relations representative after two years on the legislative staff of Sen. Tim Johnson, D-S.D., and a tour of duty at the South Dakota Farmers Union.

**John Jacobson** has been named director of leadership development for the North Dakota Farm Bureau . . . **Bill O’Neill** plans to step down after five years as executive director of the National Association of Farm Broadcasting Dec. 31 to pursue “some personal goals he’s been considering for some time,” NAFB said.
Todd Johnson, the Kansas Beef Council’s executive director since 2004, has been named VP of owner-member services at the National Cattlemen’s Beef Assn., beginning in January. Prior to KLA, he was director of youth activities at the American Hereford Assn.

William C. Motes, chief economist of Informa Economics, has been awarded the top prize in a competition sponsored by the Farm Foundation to identify innovative and promising public policy options for food and agriculture. Motes submitted the winning essay, titled, “Three Decades Hence – Thinking about Global Agricultural Resource Allocation Policies.”

David G. Gartner, a member of the Commodity Futures Trading Commission in 1978-82, died Sept. 29 at his home in Arlington, Va., of esophageal cancer. He was 74. The former Iowa newspaperman was on the staff of Vice President Hubert Humphrey and chief of staff in Humphrey’s office when he returned to the Senate in 1970. He later practiced law.

Best regards,

Sara Wyant
Editor

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