

2006

COMMODITY
CLASSIC



MARCH 2-4, 2006
ANAHEIM, CALIFORNIA



GRAND OPENING—Bob Metz (left) president of the American Soybean Association from West Browns Valley, Minn., and Gerald Tumbleson (right) president of the National Corn Growers Association from Sherburn, Minn., participated in ribbon cutting ceremony for the trade show at the Commodity Classic. (Journal photo by Doug Rich)



TRADE SHOW—Country singer Michael Martin Murphey warmed up the crowd prior to the grand opening of the trade at the Commodity Classic. Murphey is known as the number one selling cowboy singer in America. (Journal photo by Doug Rich.)

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MARCH 2-4, 2006
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COMMODITY
CLASSIC 3

Johanns touts ag's fiscal responsibility, calls for predictable, equitable farm bill

BY Jeff Caldwell

WTO Doha Round will not write U.S. farm policy, secretary says

The year 2005, his first year as U.S. Secretary of Agriculture, was a tumultuous one. But, Mike Johanns told Commodity Classic attendees March 3, he is today more committed than ever to opening new markets for U.S. ag products and working toward a successful farm bill in 2007 than he was in January 2005 when he was sworn in as the leader of the U.S. Department of Agriculture.

"The 95 percent of the world's population that lives outside of the United States, your potential customers, are a very important part of the future for agriculture," Johanns said during the 2006 Commodity Classic general session in Anaheim, Calif. "We are determined to keep building on our export success. Those exports should reach a record high of \$64.5 billion this year thanks to the president's aggressive trade agenda. That's a 27 percent increase since President [George W.] Bush came to office."

Johanns acknowledged some questions regarding trade that arose after he announced the Bush administration's USDA 2007 budget earlier this year. By measuring trade success in a different scale, he said it's clear the administration remains committed to opening new markets for U.S. ag products while staying fiscally responsible.

"When I announced the president's 2007 budget for USDA a month ago, I noted that trade is one priority that we measure not by dollars invested, but by dollars generated. The president's budget steps up to our responsibility while laying the groundwork for our nation's future," Johanns said. "It does provide important resources for farmers and ranchers while doing our part to avoid passing the deficit on to our children and grandchildren. On the day I released that budget, I spoke on the deficit and I said, to me, it's just a fancy way of describing debt. Someone will repay it."

"It is only a question of who. Will it be us, or will we pass it on?"

While federal farm spending in the last year has ballooned to levels well beyond what was projected in 2002, Johanns said Mother Nature had a lot to do with the increase. Beyond that, farm spending remains proportionate and controlled.

"With all of the changes that 2005 brought about—weather, growing conditions, emergency funding—those expenditures shot to historically high levels that were well above the department and Congress' projections following the enactment of the 2002 farm bill," Johanns said. "It is important to understand that even with the proposed reduction, we expect to spend about \$7 billion more in 2007 than USDA projected back in 2002. But, there is always a bottom line. The bottom line is we are demonstrating fiscal discipline."

"It's necessary while working to keep rural America competitive."

Looking ahead to the 2007 farm bill

The 2007 farm bill will be the vehicle to bring about needed change in the U.S. farm program. One driver for policy change is the current disparity in commodity payments today between program and non-program crops.

"Five program crops receive about 90 percent of the subsidies. Meanwhile, specialty crops—which I now might add are equal to the program crops—don't receive anything relative to subsidies. In fact, two-thirds of all farmers receive virtually no support because they raise something that is identified as a non-program crop," Johanns said. "Interestingly enough, specialty crop farmers are not asking to include their crops in a subsidy program. They are arguing that we should address their needs by supporting research, boosting market promotion dollars and ensuring investments that will help them succeed."

Johanns added it's not just domestic groups that are calling for changes in commodity price supports. There are concerns about the legality of U.S. supports in the World Trade Organization, but U.S. efforts to resolve conflicts have not yet been met with cooperation by other nations.

"With trade so key to agriculture's success, we must live by the rules we expect everyone else to live by. Twenty-seven percent of your receipts come from trade. The Bush administration made a generous offer last fall to substantially reduce and eventually eliminate tariffs and trade-distorting subsidies," Johanns said. "We demand some significant market access in return. Our offer has not been matched in ambition by the European Union."

Because of the ongoing WTO talks, some questions have been raised about possibly extending the current farm bill until WTO resolution is reached. Johanns said this is not an option.

"I've sat through hours and hours and hours of trade discussions and negotiations with countries from all over the world. I'll be candid with you: That concerns me," he said. "In my view, that would be like me walking into the next meeting and saying to those WHO members 'We've taken action, now you write our farm policy.'"

Moving toward more intensive debate surrounding the 2007 farm bill, Johanns called on National Corn Growers Association and American Soybean Association members and directors to lead efforts to reach a consensus on commodity price support issues, among others, that will be part of the legislation. The end result should be a policy that works for all American farmers.

"Because you represent program crops, I ask you in particular to consider whether the time has come to ensure farm policy is predictable, equitable and beyond challenge. I ask you to consider these issues, and I look forward to discussing with you in the months ahead the best course for our future in American agriculture," Johanns said. "I will go to my grave arguing that federal investment in agriculture is a very wise, thoughtful investment. How we do it is the critical issue." ■

Johanns discusses river issues, farm policy barriers

BY Jeff Caldwell

Farm bill specifics won't be known until 2007, secretary says

In a press conference following his remarks at Commodity Classic in Anaheim, Calif., March 3, U.S. Secretary of Agriculture Mike Johanns addressed an array of issues, both following up on his earlier remarks and updating those in attendance on other top-of-mind issues in the Bush administration.

One issue of great importance to National Corn Growers Association and American Soybean Association members and leaders in 2006 is the refurbishment and reconstruction of the locks and dams along the Mississippi River and its tributaries. While progress has been made on the Water Resources and Development Act (WRDA), Johanns said stumbling blocks remain, and removing those blocks is the focus of the administration in coming months.

"We will work with Congress on this. We are not in opposition to Congress on this. We understand the importance of the locks and dams," the secretary said. "If you have any doubts about the importance of the Mississippi River system and its tributaries, you need only look back at the rather short disruption during Hurricane Katrina. It rippled all across the United States."

Discussions relating to the upcoming farm bill naturally came to dominate Johanns' March 3 press conference. Even though he admitted the U.S. lost the Step 2 cotton case when Brazil challenged the program in the World Trade Organization, he said the challenge is not the only one against U.S. commodity price supports. Despite the challenges and other duties, Johanns said this offers an opportunity for reformation of U.S. farm policy.

"Brazil has been public in saying that they are concerned about the marketing loan program. Canada has put duties and counter-veiling duties on corn. Uruguay has concerns about our program as it pertains to rice. Anywhere they can argue that a program is tied to price or production, you are running the risk of additional challenges," Johanns said. "That is what we are dealing with, and that is why I feel this is an excellent time to look at farm policy in general. This will likely be addressed in the next farm bill."

But, in return for shifts in U.S. policy, as Johanns mentioned during his speech during the general session, the U.S. must receive improved market access in countries around the world to compensate for potential income losses for farmers. This topic will continue to be one of emphasis throughout 2006.

"I continue to maintain that we are in pretty good shape on the export subsidies and domestic support, but we have a ways to go on market access," Johanns said. "It is not just about reducing tariffs. It is also about how much will be identified as sensitive products. We have to get gains in market access."

How exactly the 2007 farm bill will be structured to address these concerns

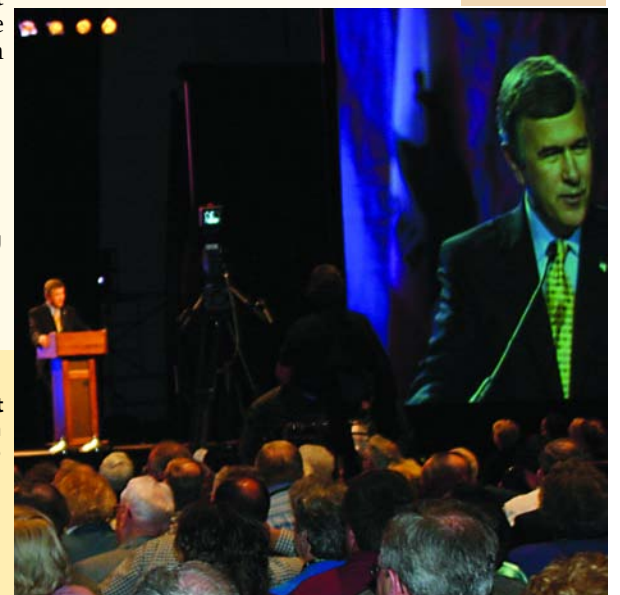
remains in question, the secretary said, and will likely remain so until next year.

"I don't think we will get down to what the farm bill looks like until 2007. The spring of 2007 for the markup of the bill is pretty realistic," Johanns said. "I think there is a lot of excitement about agriculture right now. Ag in the U.S. is so diverse that a great idea in the Midwest may not be a great idea in the South."

Regardless of how the farm program is structured because of the 2007 farm bill, the federal budget deficit will likely dictate the amount of money available for farm program spending. Earlier this year, Secretary Johanns announced the Bush administration's plan to cut farm support spending by 5 percent. Just like progress in the WRDA, there are stumbling blocks to the proposed cuts, but Johanns said he remains committed to enacting the cuts for the sake of fiscal discipline.

"It has run into opposition, but the administration has put its proposal out there. We will work with Congress on how best to approach deficit reduction. We still feel strongly that it needs to occur," Johanns said. "We have our proposal out there and we send that as a signal that we need to do everything we can to get deficit reduction focused." ■

FARM BILL—U.S. Secretary of Agriculture Mike Johanns updated NCGA and ASA members on the latest news in the farm bill debate during presentation at the Commodity Classic. Leadership from both organizations questioned Secretary Johanns about his comments concerning the Water Resources Development Act (WRDA). He assured them the administration is ready to work with Congress on this important legislation. (Journal Photo by Doug Rich)





Dorr: Incentives, tax structure can boost rural development **BY Jeff Caldwell**

Ensuring rural vitality has been an underlying factor in U.S. farm policy for decades. But today, with much of this country's traditional farm commodity price supports under siege both domestically and abroad, fostering prosperity in rural, agriculture-based communities—possibly in ways not typically considered conventional—has a renewed focus in the Bush administration.

Tom Dorr, U.S. Department of Agriculture Under Secretary for Rural Development, talked about some ways to foster rural vitality during the 2006 Commodity Classic in Anaheim, Calif. The first step, Dorr said, in creating an atmosphere of positive growth in rural communities is through the education and overall awareness about value-added opportunities.



"We need to expect from our institutions and our leaders to develop an educational process that explains how effective leverage and value-added products can work," Dorr said March 3. "We need to know what they mean in the long-run to people who invest in them and the communities that participate in them."

Specifically, the areas Dorr pinpointed for greater research and education in rural areas focus around renewable energy—ethanol and wind energy—that is often cited as the basis for restoring rural vitality, especially in the Midwest. It's not enough, Dorr said, to simply encourage the construction of ethanol plants and wind farms, but instead developers must understand how they can best be

grown into successful—and more importantly, efficient—ventures. This can be done, for these newer operations, much like the oil distribution system was established in the 19th and 20th centuries: By examining tax and regulatory structures in terms of today's burgeoning industries in rural America.

"One of the things I challenged our people at Cooperative Services to do, is to develop such a strategy and go back and dig into Texas and Oklahoma codes going back to the 1860s and 1870s as well as other regulatory bodies to see what business issues drove the evolution of the regulatory tax structures that ultimately led to the development of the fossil fuel industry," Dorr said. "Clearly, that would provide some level of a road map. This is truly a brand new distributive business landscape."

"I submit that what we need are some very smart regulatory tax writers to sit down and say 'What do we do to work this in a way that makes sense?'"

Encouraging and incenting the development of renewable energy industries will require industry members to ask different questions than from their predecessors in more conventional industries like fossil fuels, according to Dorr. On a federal level, incentives can be included into the 2007 farm bill to encourage farmers to become involved in projects like ethanol facilities and wind energy projects. Essentially, he said a safety net should be placed under those investing in these industries. But, at this juncture, he added it is difficult to suggest such policy additions considering how unclear the next farm bill's future is today.

"I think we will be hard-pressed to suggest there should be some sort of subsidy mechanism to keep these plants going," Dorr said. "These are significant opportunities and there is significant equity out there. Again, the question is how to protect the farmers who invest in ethanol or wind energy projects or make some kind of comparative advantage for farmers so they get a better deal than other private interests—basically, a subsidy for investment in rural development for farmers."

Dorr said, moving forward, it will be important to begin policy discussions pertaining to new rural development triggers like ethanol and wind energy and others beyond the horizon today.

"We need policy to get these new products started," he said. ■

RURAL DEVELOPMENT — Tom Dorr, USDA Undersecretary of Rural Development, said agricultural producers need to seize some of the opportunities available to them. These new business opportunities include food processing, ethanol, biodiesel, and niche marketing. He said the Rural Development Department functions like an investment bank for rural America and farmers should take advantage of available funds. (Journal photo by Doug Rich.)

Kansas corn grower will be NCGA president in 2006 **BY Doug Rich**

Ken McCauley did not know that a chance meeting with a delegation from Turkey 10 years ago would eventually lead to the top leadership position in the National Corn Growers Association (NCGA).

The White Cloud, Kan., corn farmer began three one-year terms as an NCGA officer Oct. 1, 2005, beginning with one term as first vice-president, followed by one year as president, and finishing with one year as chairman of the board.

In 1995 the Kansas Corn Commission was in White Cloud, Kan., with a delegation from Turkey. On the spur of the moment Ken McCauley told them they needed to get off the black top and visit a real farm and invited the group out to his farm.

Shortly after that a position opened up on the Kansas Corn Commission and McCauley accepted the invitation to fill that spot. "That was a big deal to me and really opened my eyes," he says. As soon as possible after that he got involved in the National Corn Growers Association where he was appointed to the research committee.

During his first years on the KCC and NCGA there were several issues of interest to corn growers including the effort to preserve atrazine, ethanol production, and biotechnology. Ethanol was still in the research stage at that time and the Golden Triangle Ethanol Plant was just getting started. "I got to know some of the guys from Minnesota who were way ahead of us on the ethanol issue," says McCauley. "These guys were the leaders, they got us going."

Biotech crops were being released for commercial production and Kansas was at the middle of the effort to determine what size refuge was needed for these crops. McCauley was very involved in the biotech issue and gave several speeches on identity preservation.

Ken McCauley believes that NCGA's work with the major seed companies was vital to resolving some of these biotech issues.

As McCauley begins his runs through the leadership positions at NCGA, corn growers will be confronting several important issues. First will be the debate over the next farm program. McCauley has been impressed with U.S. Secretary of Agriculture Mike Johanns listening sessions. "He is getting a base out in the country and heading the discussion down the right path," says McCauley. "Payment limits are a big deal to Kansas and the Plains states."

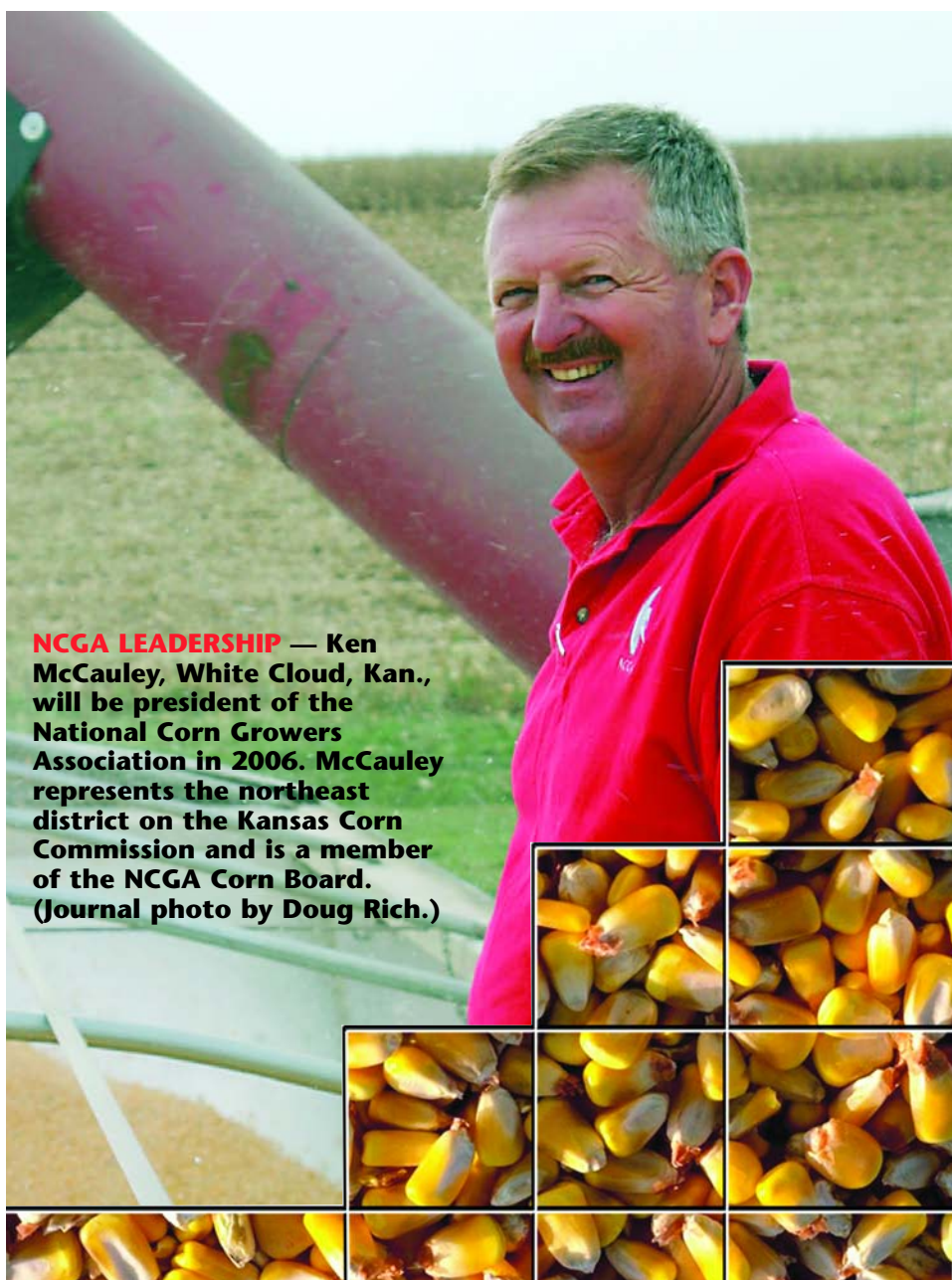
"Implementation of the energy bill will be big," says McCauley. "We have a good deal there if it is done right." Where and when the ethanol goes will be critical for small production plants without a lot of storage capacity.

The value added market will continue to be a big deal for corn growers. "We have not even scratched the surface on this yet," says McCauley. All of his corn is marketed through Lifeline Foods, a snack food company in St. Joseph, Mo.

As with any commodity organization, membership is an issue. There are 350,000 corn farmers in this country but only 33,000 are NCGA members. McCauley would like to see this number go up.

McCauley and his wife, Mary, have two children. Their daughter, Traci, is a grain merchandiser for ADM. Their son, Brad, has been preparing for McCauley's new duties at NCGA for the past year by taking over more of the day to day duties on the family farm. "He is learning fast," says McCauley.

McCauley began his duties as first vice-president on October 1, 2005 after being ratified at the Corn Congress in Washington, D.C. on July 13. ■



NCGA LEADERSHIP — Ken McCauley, White Cloud, Kan., will be president of the National Corn Growers Association in 2006. McCauley represents the northeast district on the Kansas Corn Commission and is a member of the NCGA Corn Board. (Journal photo by Doug Rich.)



LifeKnowledge provides leadership training

BY Doug Rich

“We have to prove that agriculture education and FFA can make a difference,” said Kelly Horton, Team Leader for the LifeKnowledge Center for Agricultural Education. FFA leadership and FFA chapter members from California launched the LifeKnowledge Center during the Commodity Classic in Anaheim, Calif.

The center is the focal point for an innovative, new leadership education initiative designed to support the core principles of the FFA organization and its goal of establishing 10,000 agriculture science programs by the year 2015.

“The LifeKnowledge Center offers a unique approach to leadership education that is designed to help every student in every class develop 18 core life skills necessary for premier leadership, personal growth and career success,” said Dennis Sargent, FFA Foundation division director. “LifeKnowledge also will bring a new dimension of competence to the workforce that will lead agriculture and a greater sense of commitment to the citizens who will serve as the backbone of our communities in the years to come.”

Although developed by the National FFA organization the LifeKnowledge material can be used by any teacher who wants to incorporate leadership lessons to their students.

Kris Elliott, an ag science teacher and FFA chapter advisor, has been using the LifeKnowledge material in his classroom. “So many things in education come and go,” Elliott said. “I know that as a teacher it has to work today. This is a commitment that is long-term.”

One of the unique features of the material is an integration tool that helps teachers in other areas use the leadership lessons. A teacher can enter the subject he or she is teaching that day and get back specific leadership lessons that match the subject matter. It is useful for the teachers and makes it real for the students.

“I like administrators to come in to my class and ask students for their personal mission statements that are created through the LifeKnowledge lessons,” said Elliott. “They set smart goals, not just goals.”

Kris Elliott is one of seven agriculture instructors at Hanford High School. The department currently serves more than 720 students with an interest in agriculture and offers more than 15 agriculture related courses.

The National FFA organization began developing the LifeKnowledge program in 1999 with an initiative to examine how we prepare young people for successful lives and successful careers. Agribusiness leaders and FFA supporters challenged the organization to prove that participating in agricultural education program does develop leadership, personal growth, and career success for students. LifeKnowledge uses proven brain-based teaching techniques to engage all students.

LifeKnowledge includes 257 lesson plans for high school and middle school students as well as 100 lesson plans for collegiate organizations. It also features distance-learning and instructor led programs designed to provide professional development for teachers.

Future goals for the program include having 8 million students using the program in 10 years. They would also like to improve and expand the lessons with student assessment programs, additional lessons, advanced training, and mentoring for teachers. In addition to funds already raised they would like to add \$10 million in revenue from FFA sources and \$5.5 million from individuals and corporations such as the Founding Partners.

Five founding partners have contributed \$2.5 million to develop additional instructional materials and assessment tools, provide professional development for teachers, and expand the reach of the program. The founding partners are Monsanto, John Deere, Cargill, the National Pork Board and Chevrolet.

“Most of the lessons through ag leadership class, if they are applied to other classes, increase interest and make you want to learn,” said Michelle King, an FFA member from Hanford, Calif. “You realize you are already using these lessons in life. Students are learning life skills so they can be better citizens when they graduate and better ag leaders.”

“Teachers are the gatekeepers to our children,” said Horton. ■



LIFE KNOWLEDGE—The National FFA Organization launched LifeKnowledge, a framework for agricultural education, at the Commodity Classic in Anaheim, Calif. Helping with the LifeKnowledge introduction were (from left): Mitchell King, Michelle Spoelstra, Haley Hanse, and Kris Elliott from the Hanford High School FFA chapter. (Journal photo by Doug Rich.)

Wheat growers joining 2007 Commodity Classic

BY Jeff Caldwell

Groups seeking “unified front” moving toward 2007 farm bill

The American Soybean Association and National Corn Growers Association will be joined by a third partner, the National Association of Wheat Growers, for the 2007 Commodity Classic to be held in Tampa, Fla.

The merger, announced March 2 during the 2006 Commodity Classic in Anaheim, Calif., will not only include another major sector of American agriculture to the same event, but will more importantly provide “synergism” among the three groups, something of utmost importance moving toward the finalization of the 2007 farm bill.

“It’s hard to get everybody on the same page anyway, but it’s even harder to get everybody in the same place to get on the same page,” said Sherman Reese, NAWG immediate past president. “By combining with these groups—and we’re three very major players in how the farm bill is constructed—gives us one leg up in trying to present a unified front to Congress and the public with what we want to see in the next farm bill.”

Bob Metz, American Soybean Association president added, the new relationship among ASA, NCGA and NAWG should forge new opportunities for not just members of the three organizations, but the growers involved in producing each crop.

“Our three organizations just got stronger,” Metz said. “The ASA looks forward to the new opportunities this relationship will create for agriculture in general and soybean farmers in particular.”

The inclusion of NAWG is important not just because of the forthcoming farm bill, but in general, because of the common issues wheat growers share with their peers in

the corn and soybean sectors, according to Gerald Tumbleson, NCGA president.

“Commodity Classic is the leading convention among agriculture groups, and we now have three of the top commodities represented,” he said. “The National Association of Wheat Growers is committed to several of the same issues that NCGA and ASA tackle, and our group looks forward to discussing key issues with the wheat growers.”

The merger will not only allow synergy among members of all three organizations, but also will present opportunities for growers in states that have not traditionally been included in Commodity Classic, according to current NAWG president, Dale Schuler.

“This partnership will benefit us all, as we have many interests in common with corn and soybeans, including farm policy, trade and renewable energy,” Schuler said. “Joining Commodity Classic will also allow us to reach out to wheat growers who may be in a state that doesn’t have a formal state association but who raise wheat in rotation.”

In recent years, NAWG has pooled resources with the National Sorghum Producers. In 2007, NSP will conduct its own individual convention, but Reese said March 2 negotiations are currently underway to include the sorghum industry organization in Commodity Classic within the next few years.

“I fully expect they will be on board in a couple of years,” he said. “It’s the direction agriculture is heading, and what better venue to present a unified front than to have a unified convention.” ■



PRIZES—A crowd gathers around the Commodity Classic booth in hopes of hearing their name announced for one of the many prizes given away at the trade show. Next year the Commodity Classic will be held in Tampa, Fla., and will include the National Association of Wheat Growers. (Journal photo by Doug Rich.)



EPA begins rule making process for Renewable Fuels Standard

BY Doug Rich



The image of corn and soybean farmers is changing and that was very apparent at the Commodity Classic in Anaheim, Calif., March 2 to 4. The image of farmers is changing as they take on their new role as major players in the energy future of this country.

"Farmers are not only providing us with food and fiber, but with energy," said Stephen Censky, chief executive officer of the American Soybean Association. "I think that image is very positive for farmers. I think it is an opportunity for soybean growers and all of agriculture."

Bob Metz, president of the American Soybean Association (ASA) and Gerald Tumbleson president of the National Corn Growers Association referred to passage of the Energy Policy Act last year as a major victory for both organizations. "The American Soybean Association has had a fantastic year with the passage of the biodiesel tax incentive as part of the energy bill," said Bob Metz. It has had a huge effect on the American Soybean farmer. We have over 50 biodiesel plants up and running with 50 more plants somewhere in the planning phase."

"The world is only short of two things, energy and protein," said Gerald Tumbleson. "When the sun shines we are making both of them." In 2005 more than 1.4 billion bushels of corn were used for ethanol production. In 2005 the U.S. produced 4 billion gallons of ethanol, more than 600 million gallons more than in 2004.

"The world is only short of two things, energy and protein," said Gerald Tumbleson. "When the sun shines we are making both of them."

While it was excellent news for NCGA and ASA members that the Energy Policy Act was passed it still needed to be implemented and fully funded by Congress. The job of implementing the Renewable Fuels Standard (RFS) has been given to the Environmental Protection Agency (EPA). "In order to achieve the goals of the Energy Policy Act, we will need to take advantage of many tools, including innovation, partnerships, incentives, research, and regulation," said Wayne Nastri, with EPA. "Success requires strong collaboration between government and industry."

Nastri said the RFS is a commitment to increase the level of renewable fuels annually, beginning in 2006, increasing each year through 2012. The job of the EPA is to develop regulations that ensure the use of renewable fuel at levels starting at 4.0 billion gallons per year in 2006 increasing to 7.5 billion gallons per year in 2012. Ethanol, biodiesel, biocrude, ETBE, CNG, and Methanol are all considered to renewable fuels. "We at EPA will develop the standard through a rule making process," said Nastri.

The rule making process includes: defining the parties and responsibilities of those who will need to meet the goals; establish a credit trading program and appropriate

credit for different renewables; establish compliance provisions and; account for deficit carryover from one year to the next. "We are at the beginning of this rule making process and public, industry, and government input will be solicited to ensure that producers, refiners, distributors, marketers, environmental interests, state and federal agencies all have an opportunity to weigh in on the final decision.

Because the rule making process is complicated and takes time to implement, Congress made provisions for a Default Rule this year. This rule is now in effect and includes a default RFS this year of 2.78 percent of gasoline production nationwide or about 4 million gallons, to contain renewable fuel. The Default Rule took effect on February 28.

The Department of Energy (DOE) also has a role to play in the implementation of the Energy Policy Act. DOE has been given the job of researching production of ethanol from feedstocks available across the U.S. and to provide fundamental cutting edge methods of producing ethanol, according to Larry Russo with DOE. "We will be taking what people at this conference have already accomplished and building on that," Russo said.

"For the first time in my 25 years of experience this is the first time the Secretary of Energy, the Secretary of Agriculture, and Congress are all pushing for renewable energy at the same time," said Russo. "Other than just a few corn state senators." The priority status that President Bush has attached to renewable energy is forcing very

different agencies to work together. "We have different organizations with different ways of doing things working on this issue," says Russo. "A lot of strange bedfellows are all joining together and chanting the same mantra."

The objective for DOE is to produce a new kind of ethanol effectively and efficiently from a variety of sources. "Without funding it will not happen," said Russo.

The RFS goal of having 4 billion gallons of ethanol by 2006 and 7.5 billion by 2012 is not a challenge, according to Jim Redding with Aventine Renewable Energy. "By 2012 we should be well above the 7.5 billion gallon level," Redding said.

People talk about getting ethanol into the pipeline. Redding, who has over 20 years of experience in selling and shipping ethanol, said maybe it is time to start thinking about keeping it closer to the source. Redding noted that the pipeline begins at the gulf, goes east and west from the coasts and then to the Midwest. "We are at the end of the pipeline," he said. "They are not going to reverse flow in the pipeline to send ethanol back to the gulf. Redding suggested using ethanol here in the Midwest states where the corn is produced and processed to displace fossil fuels that flow into this region. This would have the added benefit of saving the energy required to haul ethanol to other regions of the country. "Keep it close to the source, why ship it out," Redding said.

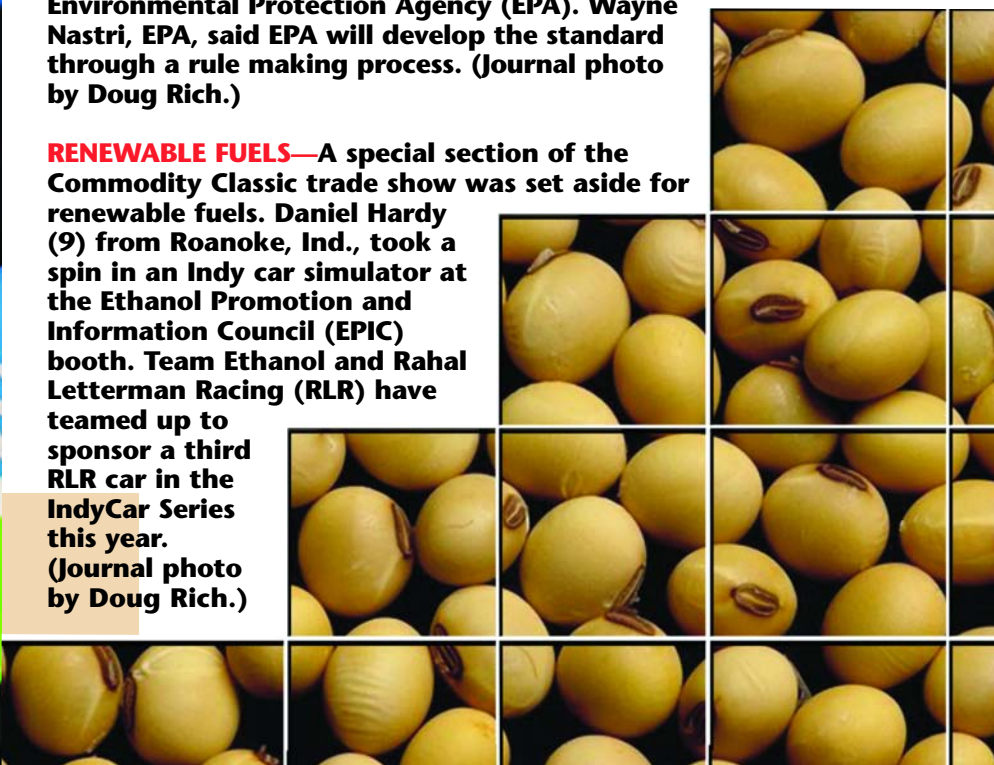
There has been some concern about the number of ethanol plants being built and their ability to survive long-term. Redding said plants built outside the traditional Corn Belt will probably need some kind of niche market to survive. As an example he referred to a plant in Texas that will use manure from a feedlot to fire an ethanol plant, process the corn for ethanol, and feed the distillers dried grains to the cattle. "The corn is already flowing that direction," he said.

For the first time this year an entire section of the trade show at Commodity Classic was devoted to renewable fuels. Nearly every speaker referred to ethanol or biodiesel in one way or another as the future of agriculture in this country.

"Working together, sharing our successes, sharing our lesson learned we can develop a renewable fuels standard that will benefit the nations and become a model to emulate across the globe," said Nastri. ■

RULE MAKING—(Top left) The Energy Policy Act has given the responsibility for implementing the Renewable Fuels Act to the Environmental Protection Agency (EPA). Wayne Nastri, EPA, said EPA will develop the standard through a rule making process. (Journal photo by Doug Rich.)

RENEWABLE FUELS—A special section of the Commodity Classic trade show was set aside for renewable fuels. Daniel Hardy (9) from Roanoke, Ind., took a spin in an Indy car simulator at the Ethanol Promotion and Information Council (EPIC) booth. Team Ethanol and Rahal Letterman Racing (RLR) have teamed up to sponsor a third RLR car in the IndyCar Series this year. (Journal photo by Doug Rich.)





MARCH 2-4, 2006
ANAHEIM, CALIFORNIA

COMMODITY
CLASSIC 7

Natural gas and water resources are bottom line issues for corn and soybean farmers

BY Doug Rich

The next farm bill is at the top of everyone's list of ag legislation right now, but there are at least two other bills of interest to corn and soybean farmers. Natural gas legislation and the Water Resources Development Act reach right down to the bottom line for nearly every farmer.

Natural gas legislation is a complicated and controversial issue. "Drilling in the outer continental shelf tends to make people a little nervous," said Samantha Slater, a director of public policy for the National Corn Growers Association (NCGA).

There are four bills out there right now. A bill was introduced in Senate a few weeks ago that closely follows a bill introduced in the House of Representatives by Rep. Richard Pombo, R-CA, chairman of the House Resources Committee.

"These would be states rights, states opt out bills," said Slater. "Through their state legislatures and through their governors, states would be able to opt out of the moratoria on drilling in the outer continental shelf so they could drill for natural gas."

Another bill was introduced by Congressman John Peterson, R-PA, who is also on the House Resources Committee. This bill would open the entire outer continental shelf for drilling. "This is the most radical of the bills but he does have over 120 co-sponsors which sends a message that this is something people are considering," said Slater.

Senator Pete Domenici, R-NM, has introduced a bill that would open up a very small part of the outer continental shelf to drilling for natural gas. This bill is known as Lease Bill Area 181.

Slater said an up or down vote on either bill in the House or Senate would help them move forward with this issue. "To move this forward by the end of December would be a victory for all of us," Slater said. "It is controversial and this is an election year which makes things very difficult."

After this issue was not included in the energy bill that passed last year, it probably would have been pushed to the side and not brought back for discussion without some help from Katrina. Although most of the facilities in the Gulf are back to full capacity, the hurricane season highlighted the problems this country has with the whole natural gas supply issue.

Natural gas is used to make nitrogen fertilizer. "During the fall harvest season corn growers had a hard time forward contracting for fertilizer supplies because fertilizer dealers did not know what the price of gas would be in November, December, or January," said Slater. The price of nitrogen fertilizer has risen from \$170 per ton in 2000 to over \$500 per ton in 2006.

Something to keep in mind, according to Slater, is the fact that this country is not set up to import its fertilizer supplies. There are only four places in this country set up to import fertilizer.

The second major piece of legislation of importance to corn and soybean growers is the Water Resources Development Act (WRDA). "I think we have incredible momentum with the bill despite some of the comments out of the administration recently," said Lisa Kelley, NCGA director of public policy. "We have 406 members of the House that support it and 80 Senators asking for the bill to come to the floor. That is just unheard of."

During the Ag Outlook Forum at the USDA a few weeks ago U.S. Secretary of Agriculture Mike Johanns made some negative comments about WRDA that were reported on an Illinois radio station. He and the administration have been back peddling ever since. Growers at the Commodity Classic were well aware of the comments and ready to hold Secretary Johanns accountable.

In his comments at the Commodity Classic he said the administration is ready to work with Congress on this issue and move the legislation forward.

"We are disappointed that President Bush has not seen fit to put the necessary money in his budget to move WRDA forward," said ASA president, Bob Metz at a news conference during the Commodity Classic. "We do not need more studies on this issue. Locks and dams are one of the advantages that we have and we need to see that they are modernized."

WRDA recommends that seven locks, five on the Mississippi River and two on the Illinois River, be modernized. The existing 600 foot chambers would stay in place as auxiliary capacity and a new 1,200 foot chamber would be built along side it to increase efficiency.

That is just part of the recommendation, however. It also authorizes environmental restoration all along the Mississippi River watershed. "Such a broad scope of environmental improvement has never been seen before," said Kelley.

WRDA includes projects all across the country. Two of the major projects are the Louisiana coastal restoration project and the Florida Everglades restoration project.

At the Commodity Classic this year in Anaheim, Calif., NCGA members sent more than 1,000 letters urging their members of Congress to pass the Water Resources Development Act. "These letters are a good way for our association's members to get involved in the political process," said Gerald Tumbleson, NCGA president. "These letters bring attention to issues that affect corn growers and agriculture." ■

Avian flu is the one dark cloud hanging over U.S. soybean export markets

BY Doug Rich

The United States is the single largest exporter of soybeans in the world with over 1 billion bushels of soybeans in four of the previous five years. Much of that demand has been built by the United Soybean Board (USB) and the United States Soybean Export Council (USSEC).

Three soybean checkoff funded country directors attended the Commodity Classic to give reports on their efforts to improve market access for U.S. soybeans. The checkoff along with USDA's Foreign Agricultural Service supports over 125 representatives in 80 countries around the world.

Phil Laney represents USB in China which is the number one export market for U.S. soybeans. In 2005 U.S. soy exports totaled \$9 billion and of that amount 435 million bushels of soybeans were exported to China.

Laney said 40 percent of all U.S. exports go to China. "In the year 2004 we shipped 10 tons and that went up to 11 million tons in 2005," said Laney. "That growth is increasing steadily and I think an important part of that is the support from the checkoff program."

China has a large aquaculture industry. Laney said they have focused their efforts on switching the national aquaculture to a feed based industry. "The result has been that now more than 5 million tons of soybean meal annually are going into aquaculture feeds," said Laney.

China's urban population is growing rapidly, according to Phil Laney. Twenty years ago only 20 percent of the population was in the cities and today 42 percent of the population is in the cities. "They are developing an urban middle class that is relatively prosperous," said Laney. "Now there is a burst of spending they want to eat better and live better. The long-term potential is quite good."

As China's middle class increases in size and prosperity so does its demand for protein and vegetable oil. Most of the U.S. soybean consumption in China is for livestock production. Poultry consumes 60 percent, swine consumes 22 percent, and aquaculture consumes 18 percent.

Anthony Thang has served as the U.S. soybean checkoff country director in Taiwan since 1995. Taiwan is the fourth largest market for U.S. soybeans. Thang said that in 2005 Taiwan imported 85 million bushels of soybeans of which 75 percent are from the U.S. "This means Taiwan imported nearly \$400 million worth of soybeans from the U.S. last year," said Thang.

As with most markets for soybeans, most of the U.S. soybeans sent to Taiwan are used for livestock production. Taiwan imports 100 percent of the soybeans it needs to meet demand in the country.

India is an emerging market for U.S. soybeans. Virgil Miederna has served as the U.S. soybean

checkoff country director in India since 1996.

Miederna said India is the world's second most populace country with a growth rate expected to go up by 22 percent by 2020. India could surpass China as the world's most populace country by the year 2035. "The economy of India has been perking along at 6 percent to 8 percent growth rate and combining that with the size of the population gives us a potential market in which to operate that is dynamic and growing very rapidly," said Virgil Miederna.

"This is an emerging market and we are trying to get the Indians to consume their soybeans first," said Miederna. "They are still exporting some meal and until we get them to consume their own meal we will have trouble selling into that market. There are some non-tariff barriers to overcome as well."

Until that happens Miederna said they are promoting the use of soybeans in poultry production, specifically the broiler industry. "In 1996 when we started there were only at about 600,000 metric tons of soybean meal consumption and today we have over 1.2 million metric tons."

India is the second largest fish producing country in the world. "We have had success with demonstration in the southern part of the country," said Miederna. "Two years ago there were no feed millers in India producing floating fish food now we have two major companies, one of those is country-wide, producing floating fish food."

They are also working in livestock production promoting bypass protein in the ration. "This is a less organized industry in that country than poultry," said Miederna. "We have seen considerable growth in consumption of soybean products in that sector particularly in the dairy industry."

The one dark cloud hanging over many of these markets is avian flu. "We are not sure of the implication of avian flu in this country," said Virgil Miederna. "It is probably not going to be good. The forecasters are saying they should grow out of it in about two to three months."

Phil Laney said the impact is primarily physiological. "I cannot speculate on whether it will be worse or not, but every cloud has a silver lining," he said. "When people stopped eating poultry they started eating more pork and fish. As a result the total demand for feed is still growing."

The impact of avian flu in China has varied greatly, according to USB. Even though some companies have been hit hard, it seems that soybean meal demand has continued to grow. The U.S. Grains Council, the U.S. Soybean Export Council, and U.S.A. Poultry and Egg Export Council is requesting federal funding to develop a promotional campaign to increase poultry consumption. The program covers Russian, the Middle East and North Africa and states that poultry is health and safe to eat.

"Much of the success we see today in markets around the world is a direct result of listening to our customers' needs," said Curt Raasch, USB chairman from Odebolt, Iowa. "By better understanding our markets, we realize what it takes to build customer preference and stay number one when it comes to soybean exports." ■



SOYBEAN MARKET—Taiwan is the fourth largest export market for soybeans according to Anthony Thang, Soybean Checkoff Country Director. Thang has held this position since 1995 and was a marketing manager in the Animal Health Division for American Cyanamid Taiwan prior to taking this position. (Journal photo by Doug Rich.)



NCGA supports 2002 farm bill extension, renewable fuels

BY Jeff Caldwell

Members support extension of current farm bill through 2012, oppose payment limit changes

National Corn Growers Association voting delegates gathered March 4 at Commodity Classic in Anaheim, Calif., for their annual Corn Congress to establish the organization's policy direction for the next year.

The outcome: The next farm bill, renewable energy and other domestic issues like river transportation and animal agriculture are primary drivers for change in the NCGA policy manual for 2006-2007.

When it comes to the 2007 farm bill, the message was clear—NCGA supports an extension of the 2002 bill.

"[NCGA] recognizes how well the current farm bill has benefited its members, and would recommend the consideration of the current farm bill's strengths in formulating the policies in the 2007 farm bill," reads the 2006-2007 NCGA policy manual. "NCGA will be involved in the development of the next farm bill; and if at an appropriate time it is determined that extending the current farm bill is the best option, NCGA will support that extension through 2012."

Specifically, organization policy regarding the next farm bill voices support for market force-based decision-making opportunities for corn growers as well as a program that "is compatible with NCGA goals for WTO negotiations." NCGA members support continued membership in the World Trade Organization, and the global body's authority in trade disputes and enforcement.

A level playing field for conservation programs is also a priority for NCGA, as indicated in this year's policy manual, as well as a clear stance when it comes to farm price support payment limits.

"[NCGA supports] a conservation program available for all corn growers that rewards them for best management practices used in their operations," according to the NCGA policy manual. "NCGA will oppose any effort to lower the payment limits or change the payment limit rules for the current and future farm bills."

Renewable energy

A growing segment of the corn industry can be found in the production of renewable fuels, specifically ethanol, and NCGA delegates voted to support infrastructure and federal policy to continue the development of the fuels sector.

"NCGA believes it is in the best interest of the U.S. consumer to have a comprehensive National Energy Plan, which includes renewable fuels," according to the NCGA policy manual. "[NCGA supports] the goal of substantially increasing the ethanol market. [NCGA supports] a strong domestic ethanol industry and continue supporting a thriving ethanol market in every opportunity available. Tax incentives for ethanol should be directed toward domestic renewable fuels production where possible.

"We support the secondary tariff on ethanol that offsets the volumetric ethanol excise tax credit received on all blended gasoline in the United States," reads the NCGA policy.

The energy focus in NCGA's policy for 2006-2007 doesn't end with ethanol, however. In addition to supporting the implementation of a federal Renewable Fuels

Standard (RFS), members voted to back the strengthening of the nation's infrastructure and production efficiencies for natural gas and other energy sources.

"[We] support expanded domestic production and construction of infrastructure and also increased efficiencies for natural gas and other energy resources including finding more U.S. reserves by drilling in ANWR (Arctic National Wildlife Refuge), coastal plains or other potential domestic locations," according to NCGA policy.

Supporting the livestock industry

Recognizing a growing concern over the disconnect between the general public and the livestock industry, the largest consumer of U.S. corn, NCGA members drafted resolutions supporting the livestock industry through education and the promotion of environmental stewardship.

"NCGA, in conjunction with member states, shall implement a comprehensive program to educate potential users of corn and its co-products as a livestock/poultry feed. [We] encourage livestock/poultry producers to give priority to maintaining high quality water, soil, air and vegetation as they locate new production facilities or enhance current structures," according to NCGA policy. "[We] support responsible livestock/poultry production and oppose restrictive legislation; recognize the importance of proper animal care, rather than animal rights; [and] support educational efforts that enhance consumer understanding of the economic value of responsible livestock/poultry producers to rural communities." ■



ANIMAL AGRICULTURE—Phil Bradshaw (left), Griggsville, Ill. and Wes Jamison (right), director of the Agricultural Stewardship Center at Dordt College, outlined ways for corn and soybean farmers to support animal agriculture. The United Soybean Board Animal Agriculture Initiative Team has created tools for farmers to sue in support of this industry. Jamison said it is time to go on the offensive and fight every statement made by animal welfare organizations. (Journal photo by Doug Rich.)

ASA new policy supports WTO compliance, research funding

BY Jeff Caldwell

Voting delegates of the American Soybean Association gathered March 4 to wrap up the 2006 Commodity Classic in Anaheim, Calif., with a voting session to determine ASA policy for the next year.

Highlighting the revisions to ASA policy for 2006-2007 were additions pertaining to federal policy, as it pertains to both domestic price supports and World Trade Organization legality.

Voting delegates approved a policy, in the Domestic Issues section of the 2006-2007 ASA policy manual, voicing support for the current farm bill's funding baseline, but leaving the option of support open for a new bill in 2007, provided it meets certain criteria.



"ASA fully supports maintaining the current funding baseline for agriculture for the 2007 farm bill; consideration of programs for the 2007 farm bill that do not distort planting decisions; and consideration of programs for the 2007 farm bill that are WTO compliant," reads the new ASA policy.

In further policy action regarding WTO, ASA members drafted a resolution, in the Export Market Development policy chapter, to support a case against the European Union's practices that create unnecessary labeling and traceability requirements.

"The ASA urges the U.S. Trade Representative to initiate a World Trade Organization (WTO) complaint against the European Union's discriminatory and non-science based traceability and labeling regulations," reads the policy. "ASA strongly supports defining Differential Export taxes as export subsidies that would be subject to discipline and elimination in a Doha Round agreement."

An entire section of ASA policy for the coming year is devoted to research and education. Changes were made to this year's policies regarding the encouraged levels of oil content, protein and yields for producer to seek to achieve. The policy encourages producers to achieve 35 percent protein levels, 19 percent oil and "high yields." In addition, an ASA policy "encourages Federal funding for research that would optimize the use of soy in aquaculture feed and support development in aquaculture to better utilize soybean protein."

Most notable in the research segment of the American Soybean Association's policy manual for the next year regards the Conservation Reserve Program. The choices for land being taken out of CRP, of which there are hundreds of thousands of acres in coming months, should not exclude soybean production.

"ASA believes all productive land will be needed to sustain U.S. soybean production. As such, land currently enrolled in the Conservation Reserve Program (CRP) that can be farmed in an environmentally sustainable manner should not be re-enrolled in the program upon expiration of the CRP contract," according to the ASA policy. ■

PRESS CONFERENCE—Neal Bredehoeft (left) chairman of the American Soybean Association board of directors makes a point during a press conference during the Commodity Classic. Next to Bredehoeft is ASA president Bob Metz. (Journal photo by Doug Rich)