



AMERICAN FEED INDUSTRY ASSOCIATION

Issue Paper: ENERGY POLICY

The feed and livestock industries are experiencing significant financial challenges due to the dramatic increases in the cost of feed grains and oil seeds. The inability of the livestock sector to transition quickly (reduce herd/flock sizes) is threatening the viability of the industry and its feed suppliers.

- *Global crude oil demand:* The Administration and Congress must develop and implement a comprehensive U.S. energy policy that will significantly reduce the U.S. dependence on foreign oil, and include the feed industry's positions on various options for alternative fuel sources, conservation and environmental protection. The feed industry supports environmentally sound off-shore (50 miles) and Alaskan National Wildlife Refuge (ANWAR 200 ac. site) drilling to increase domestic crude oil in the short term; and a focus on the research and development of energy efficiency and alternative energy sources through combined corporate/government research programs.
- *Record low global grain & oilseed inventories:* AFIA supports increased production capabilities through seed technology and farming practice enhancements and global acceptance of these. The Administration must use its authority to refocus the Conservation Reserve Program (CRP) to accept only environmentally fragile acreage, while releasing non-environmentally sensitive acres ("early out") without penalty.
- *Biofuels competition for available grain and oilseeds:* AFIA strongly supports the development and commercialization of financially viable alternative, farm-based biofuels as one part of comprehensive U.S. energy policy. However, the government must recognize food security is at least as important as energy security, so there must be an even, fair playing field for both components of our national security. The government should:
 - Maintain the federal Renewable Fuel Standard at the 2007 level through 2009, to relieve current price and supply pressures on corn, soybean, other feed grains and wheat. This would allow the feed and livestock industries time to reduce herd sizes and find new nutrition options during this difficult time of transition.
 - Expedite studies by USDA, the Department of Energy and others on the impact of the RFS and the use of feed/food crops as biofuel feedstocks on crop/feed/livestock and poultry production and consumer prices.
 - Expedite expanded federal research investment into non-food crop feedstock development for biofuels.
- *Commodity market regulation:* The disruptive effects of speculator activity should be corrected:
 - Remove the exemption from speculative position limits granted to Wall Street banks by Congress/CFTC in 2000. This would, in one step, return all speculative investors to the same limits and close the loopholes for swaps and electronic exchanges.
 - Bring all commodity trades under the CFTC authority and enforcement. This would ensure over-the-counter (OTC) and foreign exchanges, which are trading on US exchanges, are reporting all positions and held to the same established limits.
 - Re-establish speculative position limits for all commodities and across all contracts, reversing a 1998 decision to eliminate large and liquid market position limits, with enforcement by the CFTC, not the exchanges.
 - Establish a process where speculative position limits are set by the actions of physical producers and consumers of these commodities, rather than the exchanges.
 - Provide CFTC appropriate funding and staffing to fulfill its responsibilities and uniformly enforce controls over all markets.

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AMERICAN FEED INDUSTRY ASSOCIATION

Issue Paper: *Feed/Food Safety*

The production of safe, nutritious livestock, poultry and pet foods is AFIA's number one priority, and to that end AFIA supports reasonable federal regulation to help industry maintain and enhance that priority. In the wake of several recent high-profile food recalls, and several hearings, more than 30 FDA reform/food safety bills have been introduced in the 110th Congress, many of which share common policy approaches to improving FDA performance.

In addition, the Administration has released three important documents: An FDA "Food Protection Plan;" an interagency working group report on enhancing FDA regulation of imported and domestic food/ingredients, and a memo of agreement between the U.S. and China on steps that are being taken to ensure imports from China meet U.S. food safety standards.

AFIA believes any food/feed safety legislation reflect AFIA's position on common legislative goals:

- Recognize the Difference Between Food and Feed Industries with Respect to Processing Controls: Much of the prevailing legislative agenda in both houses appears to treat food and feed equally with respect to processing controls. It is inappropriate to require sanitation of work surfaces and allergen control in feed plants. There should be clear delineations in the legislation or the Secretary needs to be granted the discretion to exempt feed operations from controls that are not needed.
- Authorize FDA to Accredit Third-Party Certification Programs and Laboratories: FDA currently lacks the wherewithal and manpower to integrate new authorities and programs without assistance. To that end, most legislative proposals recognize the need for the agency to use third parties – federal, state and private entities – for certification and laboratory testing. These third parties would be independent, highly qualified and accredited/recognized by FDA to conduct inspections and/or audits for imported and domestic ingredients and products.
- Increase FDA Appropriations to Meet New Program Needs: Congress has long adhered to the philosophy that where imposition of a federal program or program requirements benefit the general public, e.g. FDA regulation of food safety, then the costs of these programs are paid by federal funds. Where programs provide benefit to a company or industry, e.g. export certificates, then discussion of user fees to defray program costs is appropriate.
- Parameters of Mandatory Recall Authority: Both draft legislation and the Administration recommend FDA mandatory recall authority. While AFIA believes the current voluntary recall system works well, if mandatory recall authority is given to FDA, the following parameters should be followed: The product subject to recall must pose a significant risk of adverse health consequences or death to human or animal (Class I), FDA-regulated establishments are first allowed to voluntarily recall the adulterated product; there is sufficient due process to object to a mandatory recall before and after it's implemented, and a mandatory recall would be ordered in writing based upon credible evidence, and would be sanctioned by the center director or his/her superior.
- Provide Expedited Port-of-Entry Import Program: A voluntary program should be established under which companies importing "low-risk" ingredients/products and/or adopting a risk-based safety program for "high-risk" ingredients/products would be eligible for expedited import at U.S. ports of entry.

September 2008



AMERICAN FEED INDUSTRY ASSOCIATION

Issue Paper: ***Support For Science In Regulatory Decisions and Promoting Technological Innovations***

The US has long prided itself on its technological achievements and the scientific basis for regulation of its industries. That strong view has been promoted in world organizations, such as the Codex Alimentarius Commission and World Trade Organization. AFIA believes the federal government should continue that leadership by promoting scientific principles in trade standards and increasing federal funding for agricultural and scientific research.

The continued diminishing federal agricultural research budget (a decrease of \$321 million is in the President's budget for FY2009) will lead to a permanent leadership gap by the US in agricultural innovations. Science should be funded at much higher level to justify the continued growth and vitality of our base industry in the US.

Many of the regulatory innovations and regulations came about due to science-based decisions. AFIA believe this should continue in such areas as food safety, feed safety, occupational safety and environmental regulation.

AFIA supports these science priorities of the federal government:

- Continue Supporting USDA and FDA Codex Efforts: The federal government has increased its support for the work of USDA and FDA in the world standard setting organization. This support should increase to maintain our scientifically-based trade positions and balance the political efforts by some countries to erect non-scientific trade barriers.
- Restore Federal Agricultural Research Funding to 2000 Levels: The erosion of our federal research funding will cause a loss of innovation leadership of the US in the world. AFIA believes this funding must be restored and increased to support a strong agriculture base for world trade and producing safe, efficient sources of food.
- Maintain a Strong Office of Science and Technology Policy at the White House: This office is responsible for advising the White House and federal agencies on the importance of science in the federal government's technical decisions. AFIA supports appointing scientists with strong backgrounds to advice the President and federal agencies.
- Insure that all Federal Agencies are Issuing Science-Based Rules, Where Appropriate: AFIA believes that rulemaking for placating trade officials are not in the best interests of our trade efforts, and the federal government should issue science-based rules that will withstand WTO challenges.

September 2008



AMERICAN FEED INDUSTRY ASSOCIATION

Issue Paper: *Trade Agreements*

AFIA strongly supports free trade and the establishment of trade agreements which will expedite movement of U.S. products into global markets. AFIA has worked over time to secure “fast track” treaty negotiating authority for the President, as well as encouraged U.S. negotiators to finalize a World Trade Organization (WTO) agreement. In addition to seeking a WTO agreement, the U.S. has aggressively pursued bilateral trade agreements with key regional and individual trading partners.

Bilateral trade agreements benefit the U.S. feed industry through increased sales of meat, poultry, dairy, eggs and pet foods. Increased U.S. production of cattle and poultry for export means greater feed sales.

AFIA urges immediate approval of the **Colombia, Korea and Panama free trade agreements** in order to equalize tariff treatment and market access between the U.S. and these three key trading partners. Without action by Congress, markets will be lost which may never be recovered.

Colombia Trade Promotion Agreement: While it is unfortunate politics has overshadowed realistic economic considerations important to U.S. agriculture -- \$900 million a year in U.S. exports when fully implemented -- AFIA urges Congress to ratify the Colombia Free Trade Agreement immediately. Currently, 99% of Colombian goods enter the U.S. without tariff based upon benefits of the Andean Trade Preferences Act; ratification of this bilateral pact will immediately end the tariffs on nearly all U.S. agricultural products moving to Colombia, leveling the playing field for U.S. producers, while providing increased political stability to the Colombian government.

Korean Free Trade Agreement: With the recent agreement between the U.S. and South Korea over U.S. beef exports, now is the time to finalize the Korean Free Trade Agreement. Korea is one of the world’s most protected agricultural markets, with an average tariff rate of 52% and tariff rates on “sensitive products” exceeding 100% tariff; nevertheless Korea imported nearly \$16.5 billion in agricultural products in 2006, \$3.4 billion of that total coming from the U.S. U.S. market share has been in steady decline, and ratification of the Korean Free Trade Agreement will allow nearly \$2 billion in U.S. agricultural products to move duty-free to Korean buyers.

U.S.-Panama Trade Promotion Agreement: Upon congressional approval of the Panama free trade agreement more than half of U.S. agricultural exports will move without tariff or duty. Duty-free exports to Panama will include whole or parts of beef, chicken, turkey, variety meats, pet food and several oilseeds, oilseed products and fruits and vegetables. At the same time, certain non-tariff barriers to trade with Panama will be removed based upon a far-reaching sanitary/phytosanitary measures and technical standards agreed to by Panama in recognizing U.S. food safety standards. In 2006, U.S. sales to Panama totaled in excess of \$206 million.

September 2008



AMERICAN FEED INDUSTRY ASSOCIATION

Issue Paper: *Animal Welfare/Rights*

AFIA strongly supports the use of sound, verifiable science and producer experience in the creation of voluntary standards and programs for the husbandry of food producing animals. Livestock and poultry production practices must be continually reviewed, and where and when necessary, improved. Increasingly, the animal rights movement's federal legislative and regulatory initiatives threaten modern animal agriculture production with actions designed to restrict on-farm production of meat, milk, and eggs through control of on-farm production, transport and handling practices. If successful, animal rights legislation, unnecessary regulation of production practices will hamper food production, increase consumer prices, drive producers out of production and negatively impact the feed industry.

AFIA does not recognize animals as having the same rights – inherent or legal – as humans. Any change to on-farm husbandry of food producing animals must not hamper farmers' ability to provide for their families, their animals, and ultimately for the consumer. AFIA has been the primary coordinator of an animal agriculture coalition that has led to a number of legislative victories to stop unnecessary animal rights-inspired legislation over the last 20 years. AFIA opposes regulation of farm animal production and ag/food research use of animals. AFIA opposes animal rights as a threat to food production and quality of life, and supports the current federal Animal Welfare Act definition of "animal" which exempts animals used in food production and research.

There is considerable risk that actions by Congress and Administration, if not deeply schooled in on-farm production realities and the impact ill-advised regulation of farm animal production can have on the entire food chain, will the adopt emotion-driven agenda of the animal rights movement

The 110th Congress was a major battleground for animal rights issues. The success of state ballot initiatives in November, 2008, will determine whether animal rights groups attempts to leverage those victories to achieve federally what it has achieved in the states. Given the lack of understanding of on-farm production within the Congress, this presents a serious challenge in the 111th Congress.

AFIA strongly recommends Congress and the Administration consult with industries directly impacted by the animal rights movement's allegations, and that given the arcane nature of on-farm production, that hearings and listening sessions be held to determine the impact on food price, availability and quality of animal rights demands for production practice changes.

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