



# News & Views

*A Monthly Publication Dedicated to the Feed, Seed, Grain and Farm Supply Industries of Wisconsin*

## **Agriculture's Perfect Storm ■**

We have attached a paper written by our Michigan Agri-Business Association colleague Jim Byrum. The focus of the paper is Michigan however the issues raised are the same which impact Wisconsin feed, grain and agronomy agribusinesses. The points presented are many of the same of which we have been writing and speaking for the past year, but Jim's comments in detailed written form are worthy of reading. Last month's newsletter attempted to provide the membership with definite action items to prepare for one aspect of the "perfect storm" which Jim describes occurring. While you may be painfully aware of most of the items he discusses, it is worthwhile to get the broad picture concerning what is happening in agriculture today.

## **CFTC Hearing Webcast ■**

The Commodity Futures Trading Commission (CFTC) on April 10 announced that due to strong public interest in its upcoming April 22nd Agricultural Forum in Washington, DC, the regulatory agency has arranged for a web cast for members of the public to watch or listen to the roundtable discussion live.

The roundtable is designed to gather information about whether the futures markets are performing their risk management and price discovery roles properly.

The forum is scheduled to begin at 8 AM CT Tuesday, April 22, 2008. Due to the space limitations and the significant widespread interest in the subjects being discussed, the CFTC has made available the opportunity either to watch a live broadcast of the roundtable via Webcast on [www.cftc.gov](http://www.cftc.gov) or to call in to a toll-free telephone line to connect to a live audio feed.

Call-in participants should be prepared to provide their first name, last name, and affiliation. The domestic toll-free phone number for the call-in is

866-759-0291. Callers will need to provide the conference ID number -- 43214329 -- and the call leader name -- CFTC.

The roundtable will consist of officials from the CFTC, U.S. Department of Agriculture, Farm Credit Administration, Federal Reserve System, and a broad spectrum of agricultural market participants, including the National Grain and Feed Association.

It is generally believed there will be little, if any, opportunity during the roundtable for outside questions or comments by the public. For this reason, members of the public may submit written statements for the official record up to two weeks following the roundtable

The roundtable is intended to cover three major topics:

1. Price discovery in the agriculture futures markets - Overview of fundamentals in markets; role of speculators, index funds, and commercial hedgers; the adequacy of transparency in the markets; the adequacy of contract terms and conditions.
2. Hedging in the agricultural futures markets - Convergence of futures and cash prices; forward contracting in the current markets; role of agricultural swaps and other risk management tools.
3. Margin levels (performance bond) and agricultural credit - Role of margin and the clearing system; overview of agricultural credit and record margin levels; proper determination of margin; price limits and margin levels; current market conditions and ag lending outlook.

## **Warehouse Obligations ■**

Just as an FYI, we are increasingly aware of discrepancies being reported between warehouse storage obligations and on-hand inventory at

Wisconsin warehouses. The Department of Agriculture, Trade and Consumer Protection (DATCP) views this as a serious infraction of warehousing laws and, beyond forcing the warehouseman to immediately cover the shortage, may impose additional reporting requirements upon the licensee. This is to say nothing of the additional licensing and financial penalty authorities DATCP has at their disposal.

The typical example that DATCP auditors are running into regarding this issue has involved smaller feed mills running a grain bank. An individual feed customer uses more grain than has been stored in his name and the mill “eats into” other depositor’s grain accounts to satisfy that customer. The plan is the “short” customer will either deliver or buy the necessary amount to cover the shortage.

Be very careful; you and the customer are playing a very dangerous game given the market volatility we now face. If these markets rally this summer, it could get very expensive replacing priced and sold grain.

## **Coming Down the Pike**

The Food and Drug Administration (FDA) has been working since 2003 to make its animal feed safety program more risk-based and comprehensive. This project is referred to as the Animal Feed Safety System (AFSS) and will incorporate risk-based, preventive control measures for ensuring the safety of animal feed. FDA has been working with state feed regulators to develop a framework document that identifies the current major processes, guidance, regulations and policy documents that address feed safety.

To this end, FDA earlier this month stated it would present a third draft of its framework document during an upcoming public meeting, discussing in more detail several of the “gaps” in five broad components of its AFSS initiative. Those five components encompass:

- 1) ingredients and the approval process;
- 2) limits for animal feed contaminants;

- 3) process controls for feed ingredient and mixed feed production;
- 4) regulatory oversight; and
- 5) education and outreach.

So how does this affect you as a feed mill manager? *The FDA, in this process, is looking at a complete overhaul and re-focus of the entire feed regulatory program.* In a second draft of its AFSS framework issued in December 2006, FDA identified 11 such “gaps” and offered ideas on ways to address them. Among other things, the agency proposed to develop systems based “process-control regulations in which adequate control steps are established throughout the feed ingredient and mixed feed manufacturing continuum.” *The agency has projected proposing such regulations – encompassing all sectors of the feed industry, including non-medicated feed and feed ingredient manufacturers, as well as feed manufactured on-farm, livestock and poultry feeders, and transporters – late this year or in 2009.* Current FDA regulations focus principally on medicated feed and compliance with its rules designed to prevent the establishment or spread of bovine spongiform encephalopathy (BSE).

How this will be accomplished is going to be the big question. To put the issue in perspective; Wisconsin has around 400 licensed commercial feed mills. It is estimated Wisconsin alone also has about 8,000 on-farm feed mixers that are currently largely uninspected and unregulated. Combining the dual issues of food safety (as highlighted by last year’s pet food issues) and prevention of food terrorism, expanding the scope of feed regulatory authority to both on-farm mixers and feed transporters is pretty easy to see coming.

The second question to come to mind is how this expansion of feed regulatory authority will impact your business. That one we haven’t gotten a real good handle on yet, as the details of the AFSS are not definite at this point. But we can assure you on-farm mixers and third party transporters will be included, as you will be, in the final version and, as such, are about to enter a world they haven’t experienced up ‘til now.

*Source: NGFA*

## Somebody Asked ■

Last month we introduced a new feature in *News & Views* covering a question posed by or concerning an unusual situation faced by a member. We had great response to the concept of the column, so we're planning on continuing the feature. And here's this month's question:

**Q.:** A CDL driver of our company had a turkey fly up from the side of the road and strike the cab's windshield. The bird broke the windshield causing injury to the driver. No other vehicles were involved and no tickets were issued by law enforcement. Because of the injury to the driver (a laceration requiring several stitches), the driver drove himself to an emergency room at a hospital for treatment.

At the hospital, after the driver explained how the injury occurred, the hospital staff demanded the driver submit to a post-accident drug and alcohol test. Was the hospital staff correct? Must a driver have a post-accident drug and alcohol test done under these circumstances?

**A.:** No. Post-accident drug and alcohol tests are only required in very specific situations for CDL drivers. Those are:

1) all accidents involving a fatality, even if the CDL driver is not cited for a moving traffic violation, or  
2) any accident in which the CDL driver is issued a citation **and** either a) one or more vehicles are towed away from the accident scene or b) an accident victim receives medical treatment away from the accident scene. In addition, there is a specified time limit within which post-accident testing is required to occur. Alcohol tests are required with eight hours of the accident, while drug tests must occur within 32 hours of the accident.

In our described situation, the driver did not receive a citation and there obviously wasn't a fatality, so a post-accident drug and alcohol test was not required by law. Whether management has an employment policy requiring testing of company drivers in all accident circumstances, even in the case of a turkey striking the cab's windshield is a different matter.

## Eldon Roesler Scholarships ■

The criteria for consideration for the scholarships will remain the same and are as follows:

- be a Wisconsin resident,
- have completed one year of study at a Wisconsin university, college or vocational/technical college in an agricultural discipline or in another discipline with the stated intent of pursuing a career in an agriculture-related field,
- have a minimum of a 2.75 cumulative grade point average on a scale of 4.0, and
- can demonstrate in written form qualities of leadership, academic ability and financial need.

What do you need to do? Just copy both sides of the enclosed form and leave it on your counter and/or mention it to any employees or customers who may have an eligible child. If an applicant is awarded a scholarship that received their application from you, the resulting good will and potential positive publicity can't do you any harm. And all you have to do is have the applications on your counter or mention it to your employees. Not a bad deal.

Deadline for applications to be received in the WASA office is April 30<sup>th</sup>, so get 'em in.

## Looking Down the Road ■

**May 6-8**      **Feed Mill Maintenance Short Course**  
Kansas State Univ., KC, KS  
More info at (785)532-4082

**June 10 - 13**    **Principles of Feed Manufacturing Short Course**  
Kansas State Univ., Manhattan, KS  
More info at (785)532-4082

**June 11 - 12**    **4-State Dairy Nutrition & Management Conference**  
Grand River Center, Dubuque  
More info at  
[www.wasa.org/20084State.pdf](http://www.wasa.org/20084State.pdf)

**Route:**

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- Feed Department
- Grain Department
- Agronomy
- Safety Director
- Personnel
- \_\_\_\_\_

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**HURRY!**  
**APPLICATION DEADLINE**  
**APRIL 30, 2008**

***ELDON ROESLER***  
***SCHOLARSHIP***