

Full length version of articles abbreviated in TCFA Newsletter print edition.

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Farm Bill Update

Farm Bill negotiations stalled again this week, but the U.S. House of Representatives and the Senate bought some additional time by passing an extension of the 2002 Farm Bill until April 18. The previous extension was set to expire March 15. President Bush signed the extension but also said that if Congress cannot produce a bill by then it will need to “extend current law for at least one year” to give farmers and ranchers “a timely and predictable farm program.”

Meanwhile, House and Senate Ag Committee members have agreed that staff will work through the Easter recess (March 17 - 28) on a Farm Bill that includes a proposed \$10 billion increase over 10 years.

Senate Majority Leader Wants Food Safety Bill Passed Quickly

Passing a food safety bill as part of FDA reauthorization has been given priority status by Senate Majority Leader Harry Reid (D-Nev.), who wants a bill passed during the Senate’s next work period – March 31 through May 23. No bill has been introduced in the Senate, but a report by *Congress Daily* indicates the legislation could be similar to a House bill which would give FDA mandatory recall authority over food, charge food and drug companies user fees to fund increased FDA inspections of imports and limit food import shipments to ports near FDA’s 13 analysis laboratories nationwide.

Economist Outlines Impact Of Ethanol Policy On Food Industry

Where would the price of corn be if not for the government’s ethanol policy? About an average of \$2.77 per bushel for farm level prices in 2008, according to economist Dr. Tom Elam, the president of FarmEcon LLL.

Speaking at AMI’s Annual Meat Conference in Nashville this week, Dr. Elam said ethanol tax credits have added about \$1.33 per bushel to corn prices and may drive costs above \$5 at the farm level in 2009.

Other consequences of the government’s biofuels program, according to Dr. Elam’s analysis:

- An additional cost this year of \$117.50 per fed beef animal.
- Increased cost of cattle inputs this year of \$2.24 billion.
- Without the biofuels program, Elam estimates that 2008 ethanol production would have been 4.5 billion gallons, but the program added at least 4.2 billion gallons.
- Ethanol would have been \$1.69 a gallon, but increased demand for corn and higher corn prices are driving prices up, and they now are 51 cents a gallon higher than they would have been without the program.
- Approximately 76 million acres of corn would have been harvested in 2007, but the program added 10.5 million acres.
- The biofuels program is, in effect, a regressive tax on food production. The windfall gains from the program go to a relatively small number of corn and soybean producers who were already better off than the average American.

The federal government’s renewable fuel program will also lead to a financial hit on the U.S. food industry of about \$100 billion from 2005 to 2010, Dr. Elam said, adding that he expects food price inflation to be around 5% or 6% in 2009.

EPA Ag Advisory Panel Meets

EPA’s Farm, Ranch and Rural Advisory Committee held its first ever meeting this week. TCFA Board Member Tom McDonald, an Advisory Committee member representing cattlemen, was among those who attended the meeting, which took place in Washington, D.C. Among the issues discussed were air and water quality, solid waste and disposal and regulatory enforcement.

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Subsidized Biodiesel Going Overseas

The U.S. government's renewable fuels program, which has driven up the cost of feedstuffs for livestock producers, is nonetheless delivering a sweet deal for European consumers.

Biodiesel producers in the U.S. are struggling despite receiving a \$1 per gallon tax credit. But the *Des Moines Register* reports that biodiesel companies are getting some relief by shipping their U.S. taxpayer-subsidized product to Europe. Over there, U.S.-produced biodiesel benefits from European tax incentives and the relative weakness of the dollar against the euro. Threats to file an anti-dumping case are coming from European biodiesel producers.

Soybean oil, the standard feedstock for biodiesel, rose from 28 cents to 45 cents a pound last year, according to USDA. More recently, the price for May delivery has exceeded 60 cents per pound on the Chicago Board of Trade.

An Animal Welfare Pledge was signed by attendees of the fifth annual Beef Industry Safety Summit in Dallas last week. The summit, partially funded by the Checkoff and hosted by BIFSCo, attracted more than 160 beef industry leaders including feeders, cow-calf producers, processors, retailers and food service operators. The pledge declared the industry's commitment to quality animal care "using and improving sound handling and management practices that have been in place for years." The industry leaders also vowed to "continue to work in cooperation with our partners to make sure every animal is treated humanely so that consumers continue to have confidence in the people who produce beef."

The Checkoff's Beef Innovations Group (BIG) is testing 20 new beef product ideas with consumers this month. The new concepts resulted from brainstorming sessions with industry partners and members of the BIG team during the last year. The concepts have been developed into product "prototypes," so consumers can see, smell and taste actual products, then rate them on flavor and appeal, thus identifying those with the best chance at market success. For more information about BIG's efforts, go to <http://www.beefinnovationsgroup.com/>.