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MEMBER NEWS

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Cargill  
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June 29, 2009

### FROM STEVE'S DESK Taylor

by Steve



### Part Two

This past Friday, the U.S. House of Representatives passed HR2454, the American Clean Energy and Security Act. HR2454 is also known as the climate change bill or the cap and trade bill. Also this past week, a U.S. Senate select subcommittee on investigations released a report on problems with the futures markets. Both of these are important issues which I will discuss in a moment. But first, I want to give you "Part Two" of a couple of issues I talked about in the June 17 edition of the *Wrap-Up*: Missouri's draft odor rule and the expanded powers being sought at the federal level regarding the Clean Water Act (CWA).

Regarding the draft odor rule, MO-AG provided additional comments to the Missouri Air Commission during the Commission meeting on June 25th. I was pleased that the Commission voted to direct staff to begin final rulemaking on the odor rule with the offending language regarding "reoccurring odor" removed. Again, our concern here was the effect this language could have on all agribusinesses that regularly emit "reoccurring" odor as part of normal business operations. During the meeting, I heard some express concerns about odors from agricultural sources. These voices will not go away and we must continue to engage on these issues.

Regarding the expansion of federal powers to

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Hoffman and Reed  
Trenton

**Rex Meyr**

Shawntee Feed and Seed  
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**Mike Nordwald**

Ray-Carroll Co. Grain  
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regulate water, the United States Congress recently held a hearing on S787, a bill that would change the CWA to vastly expand the power of the federal government. EPA's authority for creating and enforcing water quality standards is the CWA. The CWA currently defines regulated waters as navigable waters. S787 eliminates the word "navigable" and thus regulations would apply to all waters. S787 would negate decisions handed down from U.S. Supreme Court that limited the power of the federal agencies under current CWA law.

During the hearing, Senator Kit Bond called S787 a "vast expansion of the power of the Corps of Engineers and the Environmental Protection Agency (EPA)" and would give the agencies "power to regulate everything liquid." We appreciate Senator Bond's efforts and his "no" vote on this bill in Committee. But despite the efforts of Sen Bond and others, S787 did pass out of Committee and all amendments offered to protect agriculture were defeated. Senator Barrasso of Wyoming offered amendments that would specifically protect agricultural operations and livestock operations. In speaking against these amendments, Senator Boxer of California stated that this would provide "loopholes for polluters." EPA will interpret the failure of these amendments to mean that they have full authority to regulate the quality of the water flowing over a crop field (to regulate the pesticides that can be sprayed or the fertilizer that can be spread) or regulate private livestock watering ponds. While S787 has specific language to protect the "millions of individuals in the United States who enjoy recreational activities such as waterfowl hunting, bird watching, fishing, and photography," it does not speak one word for the importance of agriculture and the economic activity it provides the nation.

MO-AG appreciates the support of affiliated organizations such as Croplife and Mid America Croplife Association (MACA), as well as the efforts of many other organizations such as the Cattlemen's Associations. We'll continue the fight on S787.

Now, on to other issues ... It is hard for me to remember another time when so many important issues are being debated in Congress

at one time. The House of Representatives has passed the climate change bill, (HR2454 - American Clean Energy and Security Act of 2009) after a compromise was struck with Agricultural Committee Chairman, Collin Peterson. In my opinion, the compromise split the agriculture coalition. See some examples below in the "*News You Can Use*" section of this *Wrap-Up*.

Last, but certainly not least, I will mention that the Senate Committee on Special Investigations released a report on the failures of the futures market. The report shows that the Commodity's Future Trading Commission (CFTC) is failing its primary mission which is to ensure a fair, competitive, efficient, and effective futures market that provides risk management and price discovery. CFTC has set up a special subcommittee on convergence that is to provide recommendations to CFTC. MO-AG nominated Jeff Hainline, Chairman of Advance Trading, to be on the subcommittee and CFTC accepted our nomination. On the heels of this Senate investigation, now is the time for Jeff and his colleagues on the CFTC subcommittee to put forth recommendations to CFTC that will bring about real, positive results. Once those recommendations are made, it is up to all of us to demand CFTC and policymakers take action. For all of us, the futures markets need to work!

Jeff has been invited to attend MO-AG's Summer meeting next month to discuss his views as a member of the CFTC subcommittee. Speaking of the Summer Meeting, I hope you have made your plans to join us for the Summer Meeting to be held again this year at the Country Club Hotel at the Lake of the Ozarks. I look forward to seeing you there.

Until next time ...  
Steve

## MEMBER NEWS

### **Make Reservations for the MO-AG Summer Meeting Before July 3rd**

Time has almost run out. To reserve a hotel room, contact the Country Club Hotel at (800) 964-6698. The room rate of \$102/night will be

held until Friday, July 3rd. After July 3rd, the block of rooms will no longer be held and you may or may not be able to get a room at the Country Club Hotel, depending on vacancy. To register for meals and activities, check out the registration form for the Summer Meeting at [www.mo-ag.com](http://www.mo-ag.com) or call the MO-AG office at 573-636-6130.

## NEWS YOU CAN USE

### **U.S. House of Representatives Passes Climate Change Legislation**

This past Friday, by a vote of 219 to 212, the U.S. House of Representative passed HR2454, American Clean Energy and Security Act of 2009. Of the 212 voting against HR2454, 44 were Democrats, while eight Republicans voted for the measure.

A key for the measure passing was a last-minute compromise with the Chairman of the House Agriculture Committee, Minnesota's Collin Peterson. In the compromise struck with Chairman Peterson, EPA is prohibited from continuing to penalize biofuels producers by requiring that greenhouse gas emissions from international indirect land use changes be charged against biofuels' eligibility for the RFS. Instead, a five-year study will be conducted. Also included in the compromise, it was agreed that the trading of derivatives for emission allowances, offset credits, or renewable electricity credits is required to occur on CFTC-regulated markets. Finally, it was agreed that USDA will be exclusively in charge of implementing and operating the agriculture and forestry offset program. Most of this compromise language was included in a 300-page amendment filed at 3:00am on Friday, the day of the vote.

The reaction in the agriculture community was fractured and mixed as shown in the following statements:

#### **The Fertilizer Institute (TFI) Takes Exception to HR2454:**

*As written, the legislation will render the U.S.*

*nitrogen industry uncompetitive and threatens to force fertilizer production overseas to countries that do not regulate emissions resulting in a loss both for the economy and for the cause of reducing CO2 emissions. TFI also believes that U.S. farmers can play an important role in the reduction of climate change related emissions. Nevertheless, HR2454 lists several agricultural practices to avoid or reduce greenhouse gas (GHG) emissions that reflect a lack of understanding of the science behind the nitrogen cycle and the essential role of plant nutrients in food production. Whether a farmer chooses to use commercial or organic fertilizer sources, they need to adopt best management practices.*

**American Farm Bureau says HR2454 Is Flawed:**

*WASHINGTON, D.C., June 24, 2009 - Climate change legislation working its way to a vote on the House floor this week continues to be seriously flawed. The bill's provisions and omissions are very problematic for U.S. agriculture, our national economy and domestic energy security. Even after the stellar efforts of House Agriculture Chairman Collin Peterson and many rural members of Congress to win vital changes for America's farm and ranch families - efforts that we strongly endorse and support - there are simply too many flaws in the underlying bill.*

**National Corn Growers Association (NCGA) Is Neutral on HR2454:**

*NCGA appreciates Chairman Peterson's efforts to block the Environmental Protection Agency (EPA) from including international land use change when calculating carbon emissions from corn-based ethanol. NCGA supports adoption of the Peterson amendment during House floor consideration, but due to the complexity of the bill, recent changes to the legislation and the short period of time to analyze the legislation, NCGA will remain neutral on the overall bill until we can fully analyze the impact on our growers.*

**National Farmers Union (NFU) BEFORE the Peterson Compromise:**

*If the legislation approved by the Energy and Commerce Committee is not improved with regard to agricultural offsets, National Farmers Union will urge members of Congress to vote against the American Clean Energy and Security Act of 2009. NFU policy supports a national, mandatory carbon emission cap and trade system to reduce non-farm greenhouse gas emissions if the U.S. Department of Agriculture is granted control and administration of the agriculture offset program, early actors are recognized, no artificial cap is placed on domestic offsets, carbon sequestration rates are based upon science and producers are permitted to stack environmental benefit credits.*

**National Farmers Union AFTER the Peterson Compromise:**

*The National Farmers Union (NFU) strongly urges members of the House to support the Peterson amendment and a related manager's amendment dealing with early actors. Upon approval, we urge members to vote in favor of the climate change legislation. A strong offset program overseen by the U.S. Department of Agriculture and the recognition of early actors will ensure America's farmers and ranchers can be a part of the climate change solution.*

**U.S. Senate Report: Futures Markets Fail to Perform**

A Senate investigations subcommittee report states that excessive speculation is the cause of poor performance by the futures market and calls for restrictions on index traders. Specifically, the report states that commodity index traders have made such large purchases on the Chicago wheat futures market that they have pushed up futures prices, disrupted the normal relationship between futures prices and cash prices for wheat, and caused farmers, grain elevators, grain processors, consumers, and others to experience significant unwarranted costs and price risks.

Senator Carl Levin, Chairman of the subcommittee, made the following remarks: "In the last three years, speculators have spent

billions of dollars on commodity indexes, and the financial firms selling those index instruments have purchased billions of dollars in commodity futures to offset their financial risks, creating price disruptions for producers and consumers. In the case of wheat, we found that index traders purchased huge numbers of wheat contracts on the Chicago exchange, increased futures prices relative to cash prices, and created unwarranted costs and risks for wheat farmers, grain merchants, grain processors, and consumers. It is another case of speculative money overwhelming a market, and federal regulators failing to take the steps needed to protect the market. In fact, the CFTC has allowed some index traders to exceed normal trading limits for wheat." Levin added, "It is time for the CFTC to change course, rein in commodity index traders, and clamp down on excessive speculation that is disrupting commodity prices."

To stop the excessive speculation, the Levin-Coburn report recommends that the CFTC apply the standard 6,500 wheat position limit to all commodity index traders in the wheat market. If that does not cure the pricing problems on the Chicago exchange, the report recommends lowering the position limit further, such as to the 5,000 contract limit that applied to wheat traders until 2005.

### **National Grain and Feed Association (NGFA) Responds to Senate Report**

*The report of the Senate Permanent Subcommittee on Investigations provides an insightful appraisal of the declining performance of the CBOT wheat futures contract. The report reflects a view that has been expressed by NGFA for several years: the CBOT market for wheat has fundamental problems and is not providing the kind of pricing and hedging performance needed to market grain efficiently and to provide forward-pricing contracts to producers that reflect the market.*

*While the NGFA continues to review the details of the 247-page report, it concurs with the report's finding that the influx of capital from new players in the marketplace has contributed to the lack of convergence and placed financial*

*stress on grain hedgers, particularly during periods of market volatility. This, in turn, has curtailed marketing options for producers as grain elevators and other grain purchasers have been forced to reduce offerings of forward cash contracts.*

*The Senate report provides an important contribution to ongoing efforts to enhance performance of the CBOT wheat futures contract and return it to its primary purpose: to serve the needs of commercial grain hedgers and agricultural producers. We look forward to continuing that process with the subcommittee, the CME Group and the CFTC.*

## **UPCOMING EVENTS**

### **JULY, 2009**

- 1 Southeast MO GofT Tournament;  
MCGA;  
Sikeston, MO
- 7 Missouri Pork Classic Golf Tournament;  
Columbia, MO
- 8 Missouri Soybean Association Golf  
Tournament;  
Richmond, MO
- 9 Northwest MO GofT Tournament;  
MCGA;  
Maryville, MO
- 14 St. Charles County Golf Tournament,  
MCGA;  
Warrenton, MO
- 22 Southwest MO Golf Tournament,  
MCGA; Lamar, MO
- 22-24 MO-AG Summer Meeting; Country  
Club Hotel;  
Lake Ozark, MO**
- 28 Chillicothe GofT Tournament; MCGA;  
Chillicothe, MO
- 28-31 Crop Injury and Diagnostic Clinic,  
Columbia, MO

### **AUGUST, 2009**

- 2-4 Missouri Young Farmers Summer  
Tour, Alma, MO
- 5-7 MCGA Annual and Board of Directors  
Meetings;

Lake Ozark, MO  
7-8 Missouri LICA Family Weekend  
and Membership  
Meeting; Bennett Spring State Park;  
Lebanon, MO  
13-23 2009 Missouri State Fair; Sedalia, MO

### **SEPTEMBER, 2009**

30- Oct 2 Missouri Seedmens Association  
Annual  
Meeting; Lake Ozark, MO

### **DECEMBER, 2009**

11-12 Missouri Cattlemen's Association  
Annual Meeting  
and Convention; Springfield, MO

### **JANUARY, 2010**

6-7 **MO-AG Winter Convention; Lodge  
of Four Seasons;  
Lake Ozark, MO**

**Note:** *Items in **red** are new postings since the  
last Wrap-Up issue.*

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## **Letters to the Editor**

*Do you have a response to the Missouri Agribusiness Wrap Up? Let us know! The Missouri Agribusiness Wrap Up is a bi-weekly publication of the Missouri Agribusiness Association (MO-AG). MO-AG is a member-owned association based in Jefferson City, Mo. which protects members' interests in state legislation and provides educational opportunities.*

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