Ag leaders fear food safety restructuring would hinder FSMA

By JOHN O'CONNELL
Capital Press

Evan Vucci/ Associated Press
President Barack Obama has proposed consolidating federal food safety programs into one agency.

Many commodity leaders say President Barack Obama's proposal to consolidate food safety programs into a single federal agency would hinder their ongoing efforts to implement requirements of a sweeping federal food safety reform bill.

In the Fiscal Year 2016 budget he unveiled Feb. 2, Obama asked Congress for authority to submit plans for fast-tracked consideration on reorganizing Executive Branch agencies, with the goal of reducing the size of government.

His consolidated food safety organization would be operated under the auspices of the U.S. Department of Health and Human Services.

The proposal notes more than a dozen agencies are involved in overseeing the safety of the nation's food supply, governed by more than 30 statutes. USDA's Food Safety and Inspection Service and the federal Food and Drug Administration are tasked with more than 80 percent of the food safety program.

The Obama budget describes the current system as "fragmented" and complicated by "disparate regulatory approaches." For example, FDA oversees shell eggs and seafood, but FSIS handles processed egg products and catfish.

"This division of responsibilities was not deliberately designed, but rather evolved as the Congress passed laws to address specific food safety concerns," the budget reads.

No estimate was offered regarding the savings that could be achieved through consolidation.

Commodity leaders worry about implementing any broad changes while the industry is still implementing the Food Safety and Modernization Act, passed by Congress in 2010.

"The FDA is in the process of finalizing (FSMA) regulations and moving forward with implementation, which gets the agency involved in regulating on-farm and packing house activities at an unprecedented level, so any proposal to make a major change to how the federal government implements food safety laws at such a critical time is worthy of close scrutiny," said Kate Woods, vice president of the Northwest Horticultural Council.

Woods said the Council, which represents Washington, Oregon and Idaho tree fruit growers, hasn't taken a position but will watch the issue closely.

Irvine, Calif.-based Western Growers, which represents half of the U.S. produce industry, believes a reorganization would pose a "major distraction" as the industry works to implement final FSMA rules during the next few years, said spokeswoman Wendy Fink-Weber.

"FSMA assumes there would be no reorganization," Fink-Weber said.

Sink-Weber said similar proposals have been made in the past, under both Republican and Democratic leadership, and gone nowhere.

National Milk Producers Federation spokesman Chris Galen believes the issue doesn't merit attention as Congress is unlikely to take it seriously.

"There's just no appetite for this type of really sweeping change," Galen said. "We're still in the middle of dealing with the implementation of FSMA."

The National Cattleman's Beef Association also opposes the plan, said spokesman Chase Adams. In a 2009 resolution against forming a single food safety agency, NCBA voiced concerns that restructuring would disrupt food supply monitoring and inspection while imposing "a burdensome process that could threaten the progress made on beef safety and future protection of public health."

Other agricultural organizations contacted by Capital Press, including the Idaho and Washington potato commissions, American Sugar Alliance and American Farm Bureau Federation, said they're still evaluating the issue and haven't reached an opinion.

Stalled machinery sales may drive bargains

Oversupply and lower commodity prices dampen demand

By MATEUSZ PERKOWSKI
Capital Press

Mateusz Perkowski/Capital Press
Farm machinery was on display at the Northwest Agricultural Show in Portland, Ore., held Jan. 27-29. Industry statistics show sales of large machinery slumping across the U.S. while demand for smaller tractors has grown.

Slumping sales of large farm machinery will likely persist through 2015 or beyond, creating bargain opportunities for growers, experts say.

"It's going to be pricing competition and financing competition, both for new and used," said Eli Lustgarten, machinery industry analyst at the Longbow Securities investment research firm.

Apart from lower commodity crop prices reducing farm profits, the demand for new machinery is largely saturated after years of burgeoning sales, he said.

"There's too much inventory," Lustgarten said.

Machinery is likely to be shifted to the Northwest, where farmers are generally faring better financially than those in the Midwest who are more dependent on commodity crops, said Michael Swanson, agricultural economist for the Wells Fargo bank.

"This equipment does move around the country on flatbeds looking for the next best buyer," he said.

The machinery industry's growth trend sharply reversed in 2014 — unit sales fell more than 25 percent for both self-propelled combines and four-wheel-drive tractors, according to the Association of Equipment Manufacturers. Unit sales dropped nearly 14 percent for two-wheel-drive tractors over 100 horsepower.

The downward slide is expected to continue in 2015, with major manufacturers such as John Deere forecasting sales volumes to decline another 25-30 percent, said Kwame Webb, farm machinery analyst for the Morningstar investment firm.

The average age of farm machinery in North America is now unusually young, so growers aren't motivated to upgrade, Webb said.

"Nobody has a really burning desire to buy new equipment," he said.

The phenomenon is not limited to new machinery, either.

When commodity crop prices were soaring and farmers were buying new equipment every year, they were also trading in models from previous years, said Charlie O'Brien, agriculture sector leader and senior vice president at AEM.

That dynamic created a "log jam" of relatively late model equipment on the used market that dealers are still striving to clear out, O'Brien said.

"We were a bit of our own worst enemy there," he said. "It still hasn't worked through the system."

Second-hand machinery with low hours will likely move West, away from more glutted areas, said Swanson.

The duration of the oversupply is up for debate, experts say.

Cattlefax expects contra-seasonal trend

By CAROL RYAN DUMAS
Capital Press

Cattlefax analyst Mike Murphy advises cattle producers to consider the potential for a contra-seasonal trend in markets when making decisions that will affect their businesses in the short term.

In a seasonal trend, the cash market for fed cattle pushes higher through the holidays, into the new year and into early spring.

But in a contra-seasonal trend, it will be more of an underperforming market going into the spring, hitting a low in the spring and starting to turn higher in the summer, Murphy said during the Jan. 21 Cattlefax webinar.

The same trend would exist in the cash feeder-cattle market, with prices moving lower in the spring, he said.

Despite tight supplies, three factors support a contra-seasonal market trend, he said.

First, beef has lost some of the price advantage it enjoyed in 2014 relative to competing meats and is now at a record high compared with pork and poultry on a retail, wholesale and live basis, he said.

Second, a shift in currencies of key trading partners has dampened beef and pork exports and slowed demand.

Third, the beef-production segment has lost the leverage advantage it enjoyed in the beef chain for most of 2014, with that leverage now shifting up the chain. It's a market dynamic that has played out over decades, he said.

Margins in beef production increased more than the margin on the retail side in 2014, squeezing retailers. Now the retailer needs to get some of that margin back, and that will happen at the expense of potentially everyone down the supply chain, he said.

Cattle producers on winter grazing operations should expect more pressure to the cash feeder market going into the spring, and the futures have already priced in a lot of that correction, Murphy said.

Those dealing with summer grass operations should expect cash feeder prices pressured in the spring to recover back into the fall as the market goes into fall highs, specifically in the third quarter, he said.

Producers should keep in mind, however, that corn prices could play a role relative to markets, he said.

Looking at things from the perspective of producers trying to market a lighter weight animal or producers needing to buy a few for their summer grass operation, the market should stay well supported all the way into early March and could get a little stronger, Murphy said.

Agencies withdraw controversial Clean Water Act rule

By CAROL RYAN DUMAS
Capital Press

The EPA and the Army Corps of Engineers have withdrawn the controversial interpretive rule that ag groups contend would narrow agricultural exemptions under the Clean Water Act.

The agencies, on Jan. 29, issued a memorandum withdrawing the interpretive rule, which became effective in March of last year, from the agencies' larger proposal to clarify the definition of "waters of the United States" in the act.

The agencies withdrew the interpretive rule, as directed by Congress in the Consolidated and Further Continuing Appropriation Act, 2015, the memorandum states.

Although withdrawn, the rule is still under consideration by the agencies as they sort through more than 1 million comments received during a comment period that ended in November.

Ag organizations overwhelmingly wanted the interpretive rule — regarding Section 404 exemptions — scrapped, saying it would lead to cost-prohibitive requirements, leave producers open to litigation and discourage participation in conservation programs.

The agencies contended the rule was meant to interpret and clarify congressional intent regarding dredge and fill exemptions for CWA discharge permits.

The rule stated that producers are exempt from 56 routine farming practices "if" they comply with detailed Natural Resources Conservation Service technical conservation standards. Until March 2014, those conservation standards were voluntary and the farming practices exempt from the permit process.

Ag groups opposed the rule, saying it narrows the scope of what is considered normal farming practices and those practices would now require mandatory compliance with NRCS standards to be exempt.

In addition, they claimed it would change the role of NRCS from friendly adviser to enforcer, raised questions whether conforming to NRCS standards was still voluntary and left producers uncertain as whether to follow NRCS standards or industry best management practices.

The National Milk Producers Federation said the interpretive rule could have actually discouraged water conservation and environmental best practices.

"Our concern … is that it could have altered the long-standing and productive relationship between farmers and the USDA's Natural Resources Conservation Service in a way that would have made it harder for farmers to implement water conservation measures," Jamie Jonker, National Milk's vice president for sustainability and scientific affairs, said in a press release.

The National Corn Growers Association also applauded the withdrawal of the interpretive rule and called for continued dialogue on the larger WOTUS proposal and how the Clean Water Act is administered.

LEGAL

PUBLIC NOTICE

The Oregon Soil and Water Conservation Commission (SWCC) will hold its regular quarterly meeting on Tuesday, February 24, 2015, from 12:00 p.m. to 5:00 p.m. and Wednesday, February 25, 2015, from 8:30 a.m. to 12:00 p.m. at the Willow Lake Water Pollution Control Facility located at 5915 Windsor Island Road N., Keizer, OR 97303. The meeting agenda covers SWCC reports, advisor reports, Soil and Water Conservation District programs and funding, Agriculture Water Quality Management Program updates, and other agenda items.

The Oregon Department of Agriculture complies with the Americans with Disabilities Act (ADA). If you need special accommodations to participate in this meeting, please contact Sandi Hiatt at (503) 986-4704, at least 72 hours prior to the meeting.

6-5/#4