

- FarmPolicy.com - <http://www.farmpolicy.com> -

Senate Ag Committee Field Hearing, Farm Bill and Doha

Posted By [Keith Good](#) On August 19, 2008 @ 7:07 am In [Farm Bill](#), [Ethanol](#), [Agricultural Economy](#) | [Comments Disabled](#)

Senate Ag Committee Field Hearing

The Senate Ag Committee held a field hearing yesterday in Omaha, Nebraska entitled, "[Food, Feed and Fuel Production: Today and Tomorrow](#)."

DTN writer Chris Clayton provided an overview of the hearing in an article from yesterday ([link requires subscription](#)) and noted in part that, "Despite various legislative proposals in Congress to change ethanol policies, Senate Agriculture Committee Chairman Tom Harkin, D-Iowa, said Monday he doesn't see any plan getting approved this fall that would jeopardize the domestic ethanol industry."

"Lawmakers looking to lower prices of corn or gasoline have tossed out proposals to reduce the renewable fuels standard or lower the 54-cent tariff on imported ethanol. But Harkin pointed out that Congress has to deal with appropriations legislation and likely has barely a month to complete its work before breaking again for elections."

"With the abatement of high corn prices that have come down now, oil prices are down, things have eased a little bit so I don't think you will see much debate this fall,' Harkin, D-Iowa, said following a committee field hearing on food and fuel in Omaha."

The DTN article indicated that, "Still, Harkin said the first major issues the next president will tackle will be winding down the war in Iraq, health-care policy and energy policy. **Fights over ethanol and renewable energy will continue.**"

"It will be in full force next year,' Harkin said."

Mr. Clayton also pointed out that, "**Bruce Dale, a chemistry professor at Michigan State University, told the senators the first billion gallons of cellulosic ethanol will show up commercially within about five years.** Once those first major plants come on line that will fuel more investment from Wall Street, Dale said."

"At that point, you will see the lid blown off,' Dale said."

"Dale and others involved in the scientific side of cellulosic production spoke in almost unlimited terms on the potential of renewable fuel that could be produced. **Thomas Foust, biomass technology manager for the National Renewable Energy Laboratory in Colorado, said the biggest challenge comes not in processing, but dealing with issues such as growing, collecting and distributing various cellulosic feedstuffs.**"

"The one limitation we see is a logistics limitation,' Foust said."

In other news regarding yesterday's hearing, [Joseph Morton](#) reported in today's Omaha World-Herald that, "Bill Lapp of the Omaha-based Advanced Economic Solutions was included as a witness to provide the perspective of food manufacturers and restaurants. Lapp said spikes in commodities' prices since 1981 largely have been weather-related and therefore short-lived."

"**In contrast, recent increases have been more sustained and are expected to continue, he testified.** Food companies have absorbed short-term price increases in the past but will be forced increasingly to tap consumers to respond to the current situation, he said."

"Lapp predicted that food price inflation will increase by an average of 9 percent annually between 2008 and 2012 as the higher prices of corn and other commodities are passed on to consumers."

The [Associated Press](#) reported yesterday that, "A U.S. Senate committee hearing organized to address the ongoing food-versus-fuel debate over ethanol offered confidence to its organizers but left livestock producers troubled that their concerns weren't fully recognized."

The AP article added that, "Many defended ethanol, tying corn prices to other factors, including growth in demand worldwide for livestock feed. Others looked ahead referencing increased production that will help level off high corn prices.

"Among those making such promises was Dean Oestreich, chairman of DuPont Co.'s Pioneer Hi-Bred and vice president of the Johnston, Iowa-based DuPont Agriculture and Nutrition. He expects a 40 percent increase in corn and soybean yields in the next 10 years, which would push corn production to 225 bushels per acre."

(Note: for more detail and discussion regarding growth rates in corn yields, see this [FarmPolicy.com update from March 2, 2008](#) and this [FarmPolicy.com update from March 9, 2008](#)).

[Art Hovey](#) reported in today's Sioux City Journal that, "Bruce Babcock, in the first panel and an agricultural economist at Iowa State University, was unable to answer a Harkin question about what percentage of higher food costs might be coming from ethanol.

"No one knows that," he said when sought out during a morning break.

"There is evidence to support a conclusion that a 30 percent rise in the corn price will have only a 1 percent effect on food prices, he added.

"The bigger impact on food prices might be at the meat counter as beef, pork and poultry producers try to cut their losses by cutting down further on numbers of animals and birds.

"That will start in '09," Babcock said, "the last part of this year into '09."

[Robert Pore](#) reported yesterday at the Grand Island Independent Online that, "Despite what could be Nebraska's second largest corn crop ever, state crop and livestock producers were on opposite ends on the effectiveness of the federal ethanol mandate.

"Testifying at a Senate Agricultural Committee hearing on Monday in Omaha, Michael Kelsey, Nebraska Cattlemen executive vice president, said his organization strongly supports Nebraska's ethanol industry.

"However, many believe that the only way to develop renewable fuels is to mandate their production and use," Kelsey said.

"Kelsey was critical of the Renewable Fuels Standard, which next year will require approximately 3.5 billion bushels of corn. **That's nearly 30 percent of what is currently grown in the United States.**

"Mandating production and usage has never been good over the long term for any industry," Kelsey said."

Last month, the Congressional Research Service issued a report entitled, "[Livestock Feed Costs: Concerns and Options](#)," by Geoffrey S. Becker, which stated that, "Livestock producers have been hit by sharply higher feed costs, fueled by competing use demands for corn and soybeans and by rising energy prices. Some analysts argue that current public policies, including financial incentives that divert corn from feed uses into ethanol production, have exacerbated if not caused these higher costs. Other factors, which some believe to be at least as significant, include crop production declines due to weather, and higher global demand for commodities. **Proposed options aimed at easing the impacts of higher feed costs include changes in ethanol incentives, use of conservation land for forage use, and direct aid to producers.**"

Meanwhile, with respect to current crop conditions, [John Perkins](#) reported yesterday at Brownfield that, "[The United States Department of Agriculture reports](#) that as of Sunday, August 17, 2008, 97% of the corn crop was pollinating. That's up 5% from last week, but 3% behind last year and down 2% from the five-year average. Generally, the prime U.S. corn growing states continue to see the effects of the late start to planting, June's flooding and largely variable weather conditions."

Regarding soybeans, the Brownfield article noted that, "94% of soybeans are blooming, compared to 88% a week ago and 97% both a year ago and on the five-year average. Recent good weather has let most states complete this stage or catch up, but a number of the major states remain behind average."

And [Tom Polansek](#) reported in today's Wall Street Journal that, "**Grain and soybean prices soared as the markets rebounded from a sharp selloff amid concerns about the potential for a damaging dry spell in the Midwest.**

"Nearby Chicago Board of Trade September soybeans rose 67.50 cents to \$12.79 a bushel after temporarily climbing the daily, exchange-imposed limit of 70 cents. September corn closed up 23.25 cents at \$5.53, while September wheat surged 35.50 cents to \$8.5975.

"Soybeans and corn jumped on forecasts for below-normal rainfall in key growing areas during the next six to 10 days, traders said.

"The lack of moisture could be threatening to crops in northeastern Iowa, central South Dakota and eastern Nebraska, said Paul Markert, staff meteorologist for MDA EarthSat Weather, a private weather firm."

Recall that [Sarah McFarlane](#) reported in yesterday's Wall Street Journal that, "**Most grain prices have fallen between 20% and 35% since the end of June, as investors have piled out of commodities across the board.** But figures published last week from the U.S. Agriculture Department showed that, **despite the size of the crop, global demand for grains is rising rapidly enough to sustain high prices.**"

Yesterday's Journal article stated that, "**Low stocks, particularly in rice, wheat and corn, are also likely to support prices.** After years of working down stockpiles of foodstuffs, governments were caught in 2007, when poor weather conditions led to disappointing harvests from several major grain producers.

"Francisco Blanch, head of commodity research at Merrill Lynch, said the question now is whether the recent fall in grain prices is because of volatility in the markets or economic weakness driving away investors. 'If it's volatility, investors will come back,' he said."

In other commodity news, [Reuters](#) reported yesterday that, "**Argentine farmers resumed protests on Monday for the first time since the government was forced to repeal a tax hike on soy exports last month, demanding further changes to farm policy.**

"Between March and July, farmers fought the tax hike by staging several commercial strikes and blocking rural highways, which disrupted the grains trade in one of the world's top exporters and caused some food and fuel shortages locally."

The article added that, "Center-left President Cristina Fernandez repealed the tax hike after the Senate narrowly voted it down in mid-July. She replaced her cabinet chief and the country's agriculture secretary in the wake of the embarrassing defeat.

"But Eduardo Buzzi, head of the Argentine Agrarian Federation (FAA), said the dispute is not over, since heavy state intervention has slashed profits for the small- and medium-scale farmers his group represents."

Nutrition

[Lindsay Minnema](#) reported in today's Washington Post that, "In the 2006-2007 school year, 16.3 million children benefited from free or reduced-price lunches through the National School Lunch Program. But what happens when schools let out for the summer? The hunger does not end for many of these kids, but their access to free lunches does, according to a report issued last month by the Food Research and Action Center.

"Summer nutrition programs are falling far short of the need, says the FRAC report. For example, the U.S. Department of Agriculture's Summer Food Service Program served only 2.85 million children, or 17.5 percent of those eligible, in July 2007, the most recent period for which numbers are available.

"That number is slightly higher than in summer 2006 by about 2,000 children, though it represents a decline in the program's reach since 2002, when 3.2 million children received summer lunches."

The article added that, "Summer schools, camps, parks and youth enrichment programs are some of the most common summer meal providers. The government reimburses them about \$1.73 for each breakfast and \$3.04 for each lunch or dinner served, with slightly higher rates in Alaska and Hawaii, according to the USDA Web site."

Farm Bill

[Michael Doyle](#) reported today at the Sacramento Bee Online that, **"Congress dissed dried fruits and nuts in the latest farm bill, and growers are feeling ambushed.**

"In a last-minute maneuver that is only now coming to light, farm bill authors cut out dried fruits and nuts from an ambitious school snack program. The action could slam the door on some potentially lucrative markets.

"This is a real problem with the bill, excluding an entire industry,' said Dan Haley, a lobbyist for California specialty crops."

Mr. Doyle explained that, "Starting Oct. 1, selected schools in all 50 states will be able to partake in the fresh fruit and vegetable snack program. The new farm bill adds some \$500 million for the purchases over the next five years.

"There was a general assumption that nuts and dried fruits would be included in this program; they are considered to be healthy,' noted Rep. Jim Costa, D-Fresno.

"But after Congress finished the farm bill, apparently, California lawmakers realized the bill and an accompanying 423-page report had been adjusted. In part, this so-called report language limited the reach of the fresh snack program.

"It is not the intent of the (bill's) managers to allow this program to provide other products, such as nuts, either on their own or co-mingled with other foods, such as in a trail mix,' the bill report states.

"Haley, whose clients include the nut-growing cooperative Diamond of California, said the provision was included 'when no one was looking.' Senate staffers are thought to have been primarily responsible, California Farm Bureau Federation national affairs director Jack King indicated Monday."

Doha

A [news release](#) issued yesterday by the World Bank stated that, "World Bank Group President Robert B. Zoellick issued the following statement today on the Doha WTO negotiations -

"As the dust settles from the breakdown of the WTO negotiations in Geneva, some parties are recognizing that there was a good package of results left on the table. It would be a mistake for the world economy and harmful for developing countries not to retrieve it.

"President Lula of Brazil has called on the parties not to let the WTO negotiations fail because of differences over a special safeguard for agriculture. He is right.

"Given the high food prices around the world and the need for poor people to lower their cost of food, it just does not make sense for the Doha negotiations to founder upon this barrier."

Keith Good

Article printed from FarmPolicy.com: <http://www.farmpolicy.com>

URL to article: <http://www.farmpolicy.com/?p=864>

Click [here](#) to print.