



April 2021 MGFA Newsletter



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Legislative Update: Conference Committee Meetings to Begin as Legislative Session Enters Homestretch

As the GOP-led Senate and the DFL-led House of Representatives continue to pass the last of the omnibus budget bills, conference committees will begin meeting this week to hash out the differences in bills that were passed during the past several weeks. Conference committees are comprised of five members from each the House and Senate who will advocate for their body's position on the provisions contained in their respective omnibus bills. With significant differences between the House and Senate in most of the omnibus bills,

it will be a long few weeks ahead for these lawmakers to reconcile their differences and produce a conference committee report that will earn the signature of Gov. Tim Walz.

There is also a notable difference in fiscal philosophy between the two parties. The Senate GOP budget proposals contain no tax increases and state agency spending cuts, while the budget proposal offered by the House DFL and Gov. Walz includes a host of tax and fee increases that are non-starters with the GOP.

In regard to the Omnibus Agriculture bill, it passed the House last week on a largely party-line vote. The Senate version passed two weeks ago with more bipartisan support. Conference committee conferees have been named and are as follows:

Senate: Westrom (R – Elbow Lake), Dornink (R – Hayfield), Goggin (R – Red Wing), Anderson (R – Buffalo Township), and Murphy (DFL – St. Paul)

House: Sundin (DFL – Esko), Vang (DFL – Brooklyn Center), Pelowski (DFL – Winona), Lippert (DFL – Northfield), and Nelson, N. (R – Pine City)

While both the House and Senate Agriculture Bills are comparable, there are a few notable differences. House Republicans pointed to some of these issues by offering amendments, but none were accepted by the House DFL majority. These differences include:

- Adding two new members to the Board of Animal Health (BOAH)
- Making the State Veterinarian a political appointment, rather than a hire by the BOAH
- Raising pesticide fees to the Minnesota Department of Agriculture (MDA) by 60%
- Requiring a warning label on treated seed
- Expanding the Farmer-Lender Mediation Program

Lawmakers have approximately three weeks to finish their work for the 2021 session, which constitutionally must end at midnight on Monday, May 17. Lawmakers must pass a two-year budget bill into law or be faced with the potential for a partial government shutdown.



NGFA, Ag Shippers Partner with Railroads on Food Safety Initiative



The National Grain and Feed Association (NGFA) and a coalition of agricultural shippers including the North American Millers Association, National Oilseed Processors Association, Pet Food Institute, and American Bakers Association announced this week a partnership with the Association of American Railroads (AAR) and

Railinc to give shippers greater visibility into the recent commodities carried by covered hopper cars. This new resource will provide shippers with essential information to maintain the highest food safety standards and help prevent potential cross-contact with food allergens.

“Thanks to funding and leadership provided by AAR and Railinc, agricultural shippers will have access to a reliable resource to obtain information on the last three loads hauled in railcars, which is crucial to food safety and regulatory compliance,” said NGFA President and CEO Mike Seyfert. “NGFA also is grateful to the operational and technical experts representing industry users on a joint working group that was engaged at the outset in designing this new resource to ensure it has the functionality companies need.”

AAR President and CEO Ian Jefferies commented, “This partnership means that agricultural shippers – and ultimately families at the grocery store – can have greater confidence in their products’ safety,” said. “As long-time, valued customers, railroads are proud to partner on this innovative solution and look forward to fully implementing the program.”

The new online portal will allow agricultural shippers to better identify the last contents hauled in a particular rail car to continue to ensure the highest food safety standards are met and to comply with the U.S. Food and Drug Administration’s food sanitary transportation rules under the Food Safety Modernization Act (FSMA). The secure, searchable user interface being developed by Railinc will rely on the company’s unique industry knowledge and management of critical industry systems that track nearly all the equipment in the North American rail fleet and the commodities transported.

This partnership between AAR, Railinc and the working group demonstrates the shared commitment by shippers, loaders, and carriers to strengthening the safety, reliability and efficiency of the U.S food supply. The portal is expected to launch in late 2021.



Rail Shippers Pick Sides As CP, CN Bid for Kansas City Southern

North America's freight rail customers, from grain shippers to logistics companies, are choosing sides as Canadian Pacific Railway Ltd and Canadian National Railway fight to buy Kansas City Southern.



A takeout of KCS would be the first major North American railroad combination in more than 20 years and create the first network to include the United States, Canada and Mexico.

CN, Canada's biggest railroad, made an unsolicited \$30 billion bid for KCS on Tuesday, topping CP's agreed \$25 billion bid, but CP said last week it was not considering raising its offer.

CN said on Monday that it was filing 409 letters of support from shippers and suppliers with the regulator, U.S. Surface Transportation Board (STB), pulling roughly even with CP's stated level of support.

CP, which announced its combination with KCS on March 21, has said that 416 shippers and other stakeholders have written to STB in support.

CP supporters include shipping, container company Hapag-Lloyd, agriculture company Viterra Inc (VILC.UL), an association representing Mexican auto makers, and oil refiner Valero Energy Corp.

If CP buys KCS, the bulked-up company will be able to better compete in North Dakota with dominant railway BNSF Railway Co (BNISF.UL), said Kevin Karel, general manager at The Arthur Companies, which ships corn and other crops by rail.

CP's line crosses the agricultural state of North Dakota while CN's does not.

"We're really remote here, and so we need access to far more destinations, and that's where this KCS merger really helps North Dakota farmers," Karel said in an interview.

CN maintains that its combination with KCS would create a network that is shorter and faster than rail or truck competitors.

Its supporters include pork producer Maple Leaf Foods and steel manufacturer ArcelorMittal.

Some, like Coca-Cola Co, marine terminal operator DP World, Canadian grain handler Richardson International and U.S. food company Conagra are publicly supporting both rail bids.

Shippers' views on the competing bids to the board may determine how KCS assesses the relative regulatory risks, investment bank Credit Suisse said in a note. CP has no overlapping rail networks with KCS, unlike CN which runs parallel for about 100 kilometres (62 miles) in Louisiana, making it easier for CP's deal to clear regulatory hurdles.

CP on Saturday welcomed the U.S. regulator upholding a waiver that exempts KCS from the same scrutiny larger railroads face during proposed mergers. The STB had granted KCS, the smallest of the Class 1 railways, an exemption from new merger rules in 2001 because a combination involving KCS did not raise the same concerns that any transaction among bigger railways might create.

U.S. agribusiness Cargill Inc (CARG.UL), and industry groups for chemical producers, corn refiners, and a trade group that promotes U.S. wheat exports had opposed use of the waiver, saying that a takeover of KCS is big enough to warrant full scrutiny



ASF Will Never Be Eliminated in China, Says Swine Consultant

African swine fever (ASF) is still a huge problem in China and will never be eliminated, says Michael Ellermann, a professional swine consultant with Danish company Aspire Agritech Consulting. Ellermann is based in China, where he works with clients on training, farm

management, and new farm development. He spoke at the Carthage Spring Swine Symposium today.

BOOTS ON THE GROUND REPORT

Here is a summary of the ASF situation in China as of January 2021. (The numbers are even worse today, says Ellermann.)

East China: Some areas seriously infected with about 50% lost. Some companies in Jiangsu province lost 70% to 100% of sows.

Northeast China: Large-scale farms in intensive breeding area were mainly infected, with about 8% of sows lost. Family farms were less affected.

North China: About 20% of sows infected, with 3% lost. Some farms have started to produce pigs with the virus.

Central China: Henan province seriously infected, with about 50% sows lost.

South China: Guangxi was seriously infected, with 10% of sows lost.

Southwest China: Sichuan province and Chongqing lost about 10% of sows. About 40% of finishers were affected.

VACCINE STRAINS TO BLAME

Most current ASF cases are caused by a vaccine strain virus. The wild strain is rarely detected. In 2019, producers tried to produce their own vaccines. About 20 were produced and all were abandoned in 2020. Labs have now adjusted to detect the vaccine strain virus. The vaccine strain causes the same number of problems as the wild strain, but less death.

More than 20 strains of ASF were found by December 2020, all gene mutations compared with the earliest strains. Most are lower virulent strains, including natural mutations and vaccine strains.

All the vaccines have failed, says Ellermann. The official word is it will be another two to three years before there will be a qualified vaccine. A vaccine is needed before pig production levels in China will reach pre-ASF levels, he says.

TEST AND REMOVE

Tooth pulling, or test and remove, is still the main approach for most herds infected with vaccine strain. 1. Mass test pens and animals. 2. Analyze test results and ID positives. 3. Remove positive animals and pens, including neighbors. 4. Test and remove every two days until test day 1, 3, 5, and 7 are 100% negative.

Depopulation is used for wild strain infections or herds where tooth pulling was a failure.

STILL PROFITABLE

Healthy pigs are selected for breeding if they test and retest with ASF antibody and antigen, says Ellermann. Biosecurity measures that have been implemented are vast and, to some extent, effective. Pig prices are so high in China, he says, that producers can make a profit weaning just two pigs a litter.

“China still has a long way to go before it has recovered from ASF,” says Ellermann. “But never underestimate the Chinese swine industry. Their ability to handle and solve problems is remarkable.”



USDA Announces Conservation Reserve Program Expansion

The U.S. Department of Agriculture (USDA) on April 21 announced several changes to conservation policy, including re-opening enrollment for the Conservation Reserve Program (CRP) with a goal of including an additional 4 million acres into the program.

NGFA President and CEO Mike Seyfert issued a statement shortly after USDA's announcement, noting that environmental benefits can be achieved while also keeping good land in production through working lands conservation.

“NGFA looks forward to working with Congress and the Biden administration on promoting working lands conservation programs as climate-smart solutions that keep U.S. agriculture competitive,” Seyfert said in an April 21 statement. “The NGFA believes CRP should be targeted at the most environmentally sensitive portions of farms and avoid enrollment of whole farms or large tracts of productive farmland. Programs that drastically increase acreage idling in the United States send market signals to competitors to plant more acres, resulting in negative climate and environmental impacts. We look forward to hearing additional details from USDA and working with the department to ensure this acreage is targeted for the most substantial environmental benefits while preserving U.S. agricultural productivity and competitiveness.”

In its announcement, USDA estimated the enrollment of an additional 4 million acres in CRP would mitigate an additional 3 million metric tons of CO2 equivalent. But, as NGFA has emphasized, it is crucial to take global land use change into consideration. In practice, removing 4 million acres of U.S. cropland from production provides commodity price incentives for foreign competitors, most notably Brazil, to convert more carbon-storing grassland and tropical rainforest into agriculture production. As corn and soybean production has increased substantially over the past few decades, the U.S. has lost export share to competitors. According to a 2018 Reuters report, Brazil's farmers have plowed under more than half of the Cerrado, South America's largest tropical savanna and a vital storehouse for CO2.

Currently, there are 20.8 million acres enrolled in CRP; the 2018 farm bill raised the CRP enrollment cap from 24 million acres to 27 million acres. Under current law, each county's CRP rental rate for general signups is capped at 85 percent of the county's average cash rental rate for cropland. For continuous signups, the cap is 90 percent of the county's average cash rental rate. The rental rate caps are intended to incentivize landowners to farm productive land.

USDA announced the following changes to its CRP enrollment processes:

- Adding 10 percent to CRP rental rates as an inflationary adjustment. This adjustment will raise CRP rental rates to 95 percent of the county's average cash rental rate for general signups and to 105 percent for continuous signups.
- Adjusting county rental rates, upward or downward, using a soil productivity index range of 50- 150 percent of the county rental rate.
- Increasing payments for Practice Incentives from 20 percent to 50 percent for land enrolled through continuous CRP signups. This incentive is based on the cost of establishment and is in addition to cost share payments.
- Increasing payments for water quality practices from 10 percent to 20 percent for land enrolled through continuous CRP signups. Examples of eligible water quality practices include grassed waterways, riparian buffers, and filter strips.
- Establishing a CRP Grassland minimum rental rate of \$15/acre. There are 1,347 counties with rates currently below the planned minimum.
- Moving State Acres for Wildlife Enhancement (SAFE) practices to the CRP continuous signup to provide landowners year-round access to CRP signups and to make them eligible for additional payment incentives.
- Establishing National Grassland Priority Zones for CRP Grassland signups. This change aims to increase enrollment of grasslands in migratory corridors and environmentally sensitive areas.
- Making Highly Erodible Land Initiative practices available in both the general and continuous signups.
- Holding a Soil Health and Income Protection Program (SHIPP) 2021 signup for the Prairie Pothole Region. SHIPP is a short-term option (3, 4, or 5-year contracts) for landowners to plant cover crops.
- Expanding the Clean Lakes, Estuaries and Rivers 30-year contracts (CLEAR30) from the Great Lakes and Chesapeake Bay pilot regions to nationwide.

- Creating a new environmental practice called the Climate-Smart Practice Incentive that will be available under CRP general and continuous signups. Under this new practice, landowners will plant trees and permanent grasses.
- Increasing funding to USDA's Natural Resources Conservation Service by \$140 million to increase technical assistance capacity for CRP. National Grain and Feed Association 3 Return to contents April 23, 2021
- Initiating a soil sampling protocol to establish a baseline for soil carbon on land enrolled in CRP.
- Creating a CRP Monitoring, Assessment and Evaluation program to measure and monitor the soil carbon and climate resilience impacts of conservation practices over the life of new CRP contracts.

In addition to changes to CRP, USDA announced it will pay out \$330 million for 85 Regional Conservation Partnership Program projects and \$25 million for on-farm trials as part of the Conservation Innovation Grants program.

Source: NGFA Newsletter



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