



National Grain
and Feed
Association



North American
Export Grain
Association



Grain Elevator
and Processing
Society

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Grain Inspection, Packers and Stockyards Administration
US Department of Agriculture
1400 Independence Avenue, SW
Room 1647-S
Washington, DC 20250-3604

RE: Public Comments on the Advanced Notice of Proposed Rulemaking (ANPR) for the United States Standards for Soybeans

The National Grain and Feed Association (NGFA), North American Export Grain Association (NAEGA) and the Grain Elevator and Processing Society (GEAPS) appreciate the opportunity to submit this joint response to the Grain Inspection, Packers and Stockyards Administration's ANPR, regarding the United States Soybean Standards, posted in the May 1, 2007 edition of the *Federal Register*.

The NGFA, established in 1896, is the U.S.-based nonprofit trade association that consists of approximately 900 grain, feed, processing and grain-related firms comprising more than 6,000 facilities that handle more than 70 percent of U.S. grains and oilseeds. With about 350-member companies with feed manufacturing operations at commercial feed mills and integrated livestock- and poultry-feeding operations, the NGFA is the nation's largest trade association representing feed manufacturing interests. Affiliated with the NGFA are 35 state and regional grain and feed associations. The NGFA also has strategic alliances with Pet Food Institute, GEAPS, and NAEGA.

GEAPS is a not-for-profit professional association dedicated to advancing leadership, innovation and excellence in grain handling and processing industry operations. There are currently some 2,500 GEAPS members in 17 countries. The majority of members is employed in North America and is responsible for the operation of more than 10,000 grain handling facilities worldwide. The GEAPS organization comprises 31 local chapters in North America – 28 in the United States and three in Canada.

NAEGA, established in 1912, is a not-for-profit trade association comprised of 35 private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk grain and oilseed exporting industry. NAEGA member companies ship practically all of the bulk grains and oilseeds exported each year from the United States.

Overall, we believe that the existing soybean standards have served the market very well in the past and continue to do so. We do not find significant or compelling commercial concern or market signals to warrant change. The existing standards provide a very good base set of grade descriptions that allow the marketplace to maintain great efficiency in marketing and delivering U.S. soybeans to domestic and global customers. That efficiency also translates into providing the soybean producer the highest possible market price for their product. The existing standards provide a very sound base of information, which customers may modify if their specific needs are somewhat different than provided for in the standards, and the market can respond to those individual needs through contract specification changes for different grade factors or non-grade factors. This allows the market to be both efficient and responsive to individual customers, without forcing all other customers to pay premiums for specifications that they do not need.

While research indicates that FM levels in soybeans have declined slightly in the last 10 years, we submit the decrease is not really significant enough to warrant changing the definition in the standards. We don't perceive that the FM levels in the standards are a significant market issue with most customers, and as stated earlier, an individual customer can contract for a lower FM level than provided for in the standards, without forcing the entire market to pay the premium necessary to produce lower FM levels. In addition, it should be recognized that a tightening of the standards would force the commercial marketplace to establish stricter commercial grading practices to meet such standards, and competitive marketing margins likely would reflect the additional risk the buyer faces in meeting the tighter definitions. We think the producer would end up being economically penalized by the changes that would be expected to occur.

Existing standards serve the U.S. very well in supporting the delivery and marketing of U.S. soybeans at the lowest possible cost. Contemporary trade practice is very effective in defining and communicating value. Those same trade practices have the proven ability to respond to changing market conditions. Importantly, consistency in official standards is a key element in providing for successful trade practice. Changing standards that seem to be working well and that are widely known and understood by the customer base for U.S. soybeans, in our view, would only cause additional confusion among customers and the entire marketing chain, and add more costs to the system. Existing standards serve the U.S. very well in supporting the delivery and marketing of U.S. soybeans at the lowest possible cost.

In conclusion, as the current U.S. standards provide a sound base of information for efficient marketing, and those standards are well known to dependable customers around the world, unless something in the marketplace has changed substantially or there is an obvious, compelling need for changing the standards, any proposal for change should be rejected.

Responses to the individual questions posted in the ANPR are presented below.

Foreign Material

1. *Is the definition of FM, as provided in the soybean standards, still sufficient for current marketing practices?*

The definition of FM remains sufficient for current marketing practices. The existing research indicates that while the make-up of FM has changed somewhat, FM levels delivered to customers in domestic and export markets have not declined that much. To the extent that any customer wants to buy lower FM soybeans than exist in the standards, that can be a separate contract specification. Virtually all customers indicate they do not want to pay more for the lower FM. If the standards were changed to have #2 yellow soybeans at a lower FM level, it would force all customers of such soybeans to pay a premium which, for the most part, they do not want to pay.

2. *How does our method for separating FM from soybeans compare to the commercial cleaning process? Please provide as much detail as possible as to how FM is determined in the market or for the segment of the market that you represent.*

It is our understanding that very little cleaning is done at domestic processing facilities.

3. *In order to provide a better representation of actual market value of soybeans, should we consider developing and adopting a fully-automated process to better reflect commercial cleaning capabilities? Please elaborate on the type of equipment (and sieves, if applicable) necessary for using such a procedure for separating FM from soybeans.*

No.

4. *Do small broken pieces of soybeans have processing value? Should the procedure be amended so that broken pieces are not considered as FM?*

Small broken pieces of soybeans do have some degree of processing value. But whole beans have a higher and more predictable processing value, so producers and handlers should employ appropriate handling methods, as multiple handlings do tend to create more broken beans as they move through the stream. Farmers can also create additional broken pieces by harvesting soybeans with improperly adjusted combines. Research indicates that the percentage of broken pieces in FM has remained fairly constant across the last 10 years. We don't think it is necessary to spend the time required to segregate broken pieces from other screenings in the grading process, as competitive marketing margins already account for the value of broken pieces in the FM. As noted previously, processing plants generally do not clean the soybeans before processing.

5. *Do processors have a method for removing soybeans from the pod? If not, should the procedure be amended so that pods, with or without soybeans in them, will be considered as FM?*

There is no good way to remove soybeans from the pod in the processing operations for soybeans. While the research shows that the percentage of pods in FM is growing some, it remains below 10% of total FM, and thus not a significant

factor. It is our understanding that the graders take the soybeans out of the hull in the grading process, so the farmer receives the benefit of any soybeans that somehow come free of the hull in the processing operation. We do not see these considerations as a cause to change this part of the standard.

6. *In light of changes in the production practices of soybeans brought about by various technological developments, farm programs, and other factors, should the grading limits for FM be amended? What should the new grade limits be? Please provide a rationale for any changes, and if possible, project the quantifiable costs and benefits for the U.S. soybean market if the grade limits were amended.*

We do not think, based upon the evidence offered in previous responses, that changes in FM definition or standards are justified. We would expect, if anything, that there would be increased costs and increased risks to the marketing industry that would likely be reflected in reduced cash bids. There would be no substantial offsetting benefit, if any.

Damage

7. *Do wafered kernels (wafers) containing minimal amounts of "meat" have processing value? If not, or if the value is appreciably reduced, should the procedure be amended so that wafers, to include soybeans with minimal amounts of meat, are considered damaged for inspection and grading purposes?*

Wafered or "shrinkled" soybeans may have some minimal value, but it is difficult for processing to extract the value. However, we don't see this as a reason to change the standards. In years or in regions where there is higher levels of this kind of damage, the market can adjust for it by wider basis levels that reflect the lower value of the commodity in those locations where the damage is occurring at levels that reduce the fundamental value of the raw soybeans.

Other Factors

8. *Are there other factors for which we should offer analyses/determinations that would provide better or more complete information to facilitate the marketing and/or processing of soybeans?*

No. The industry currently provides what the buyers and end users want on an "as needed" basis.

9. *Since oil and protein content are considered to be the true determinants of value for soybean processing, should analysis of oil and protein content be mandatory, non grade-determining factors that would be determined and reported on all official certificates for grade?*

No. Oil and protein are commercial issues that vary, depending on varieties, regions and growing conditions. The industry knows that certain quality factors can be geographic-specific and that other factors, like acts of God (e.g., August weather) can be the prime determinants of the final soybean quality, and these

factors are fully evaluated in the competitive market pricing for cash soybeans. The existing quality and grade factors that GIPSA and the industry have in place are adequate for buyers and sellers to determine the value of soybeans.

10. *Are there certain aspects about the oil and protein content that would provide more meaningful information? For example, should we offer not only protein content, but also the amino acid profile of the protein?*

No. End users will not pay a premium for higher protein factors in meal above the trade specification. The binning and mixing of feed ingredients typically does not allow for optimization of many quality factors, and the end users will typically buy from multiple sources, thus, negating the value of further quality-identifying factors. The vast majority of soybean oil is traded as a commodity and specific additional soybean value is already compensated in the speciality programs most processors have in place.

11. *Considering the rapid growth in biodiesel production, would the information exchange between sellers and buyers of soybeans be facilitated if standardized tests existed for attributes, such as fatty acids?*

a. Please list the specific attributes.

We are not aware of any specific attributes that would or could be made commercially viable for a biodiesel plant to take advantage of on a consistent basis. Since the vast majority of the soybean oil is used for human consumption, GIPSA should wait for the biodiesel industry to further develop, reach critical mass and consistency.

b. Should we have a role in standardizing tests for the attributes listed? Should we assist only in the standardization of the tests (e.g., develop reference methods or improve existing reference methods) or should we make tests for these attributes available throughout the official system?

No. Industry and end users can work together to optimize the economics and practical use of available attributes.

GIPSA has been working with life science companies in the pursuit of a standardized, rapid test for the determination of linolenic acid content in soybeans. Acres currently devoted to production of low linolenic acid soybean varieties are lower than previously anticipated. In 2006, these acres totaled approximately 750,000 out of the 72 million total planted soybean acres, or less than 1 percent. However, seed distributors predict that acres devoted to production of low linolenic acid soybean varieties in 2007 may triple.

12. *Should GIPSA continue to pursue a standardized, rapid test for the determination of linolenic acid content and, if so, why?*

No. Most processors have a specialty soybean program of some type and scale, including Low Linolenic Acid Soybeans. Thus, these programs are run on an IP basis through contracts with producers. The seed companies, processors, and NIR instrument manufacturers have current calibrations and equations that can rapidly give the needed information to determine linolenic content. Further standardization activities are not needed at this time.

Visual Reference Images

13. *Are these the right types of damage, and are visual reference images/interpretive lines that are currently used to determine the various types of damages reflective of the level of quality desired in the marketplace? Inspectors also rely on visual reference images to determine whether a sample meets the general appearance criteria for the special grade designation "Purple Mottled or Stained."*

We don't perceive there to be any serious problems with damage definitions as they now stand. It has been several years since we have had any serious problems with damage, other than heat damage caused by improper handling and storage.

14. *In consideration of the fact that the overall appearance of the product is an important consideration for some customers, should we create other general appearance images? What appearance factors are of greatest interest?*

No.

Basis of Determination

15. *What basis of determination is used in the marketplace for the various factors? Why does the marketplace use that basis?*
16. *Would there be any positive or detrimental consequences if we were to determine all factors on the basis of a sample when free from foreign matter?*

We perceive no value in changing the existing basis for determination. Unless some real value can be obtained, we oppose change for change sake.

Food Grade Soybeans

17. *Should we establish a separate standard, for example, U.S. Standards for Food Grade Soybeans or a separate grade level, class, or special grade within the existing soybeans standards for food-grade soybeans? Please provide as much detail as possible as to:*
- a. Explain why.*
 - b. What would a new standard look like or what would the grade limits be for a new grade level?*

Food grade soybeans are a specialty market today and represent a very low percentage of the market. Such soybeans are generally grown under contract on an acreage basis. Thus, we don't perceive that establishing a separate standard

would serve a marketing purpose, because such specialty soybean buyers are going to have separate grade factor specifications and possibly other requirements.

The NGFA, NAEGA and GEAPS appreciate GIPSA's consideration of these responses, and would be pleased to address any further questions the agency may have.

Sincerely,



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