

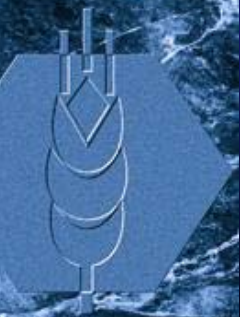
**TRANSPORTATION SECURITY
REGULATIONS: IMPACTS ON GRAIN,
FEED AND PROCESSING INDUSTRIES**

Agricultural Outlook Forum, 2004

February, 19, 2004

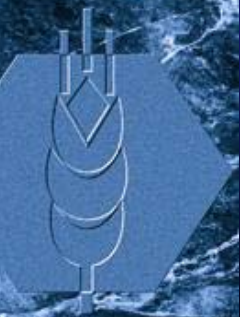
Kendell W. Keith

President, National Grain and Feed Assn



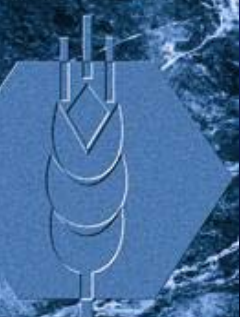
Summary of major regulations affecting our industry:

- ▶ FDA Rules on Bio-terrorism Law
- ▶ Coast Guard regulations on handling vessels; and “alternative security program”
- ▶ Uniform Grain and Rice Storage Agreement



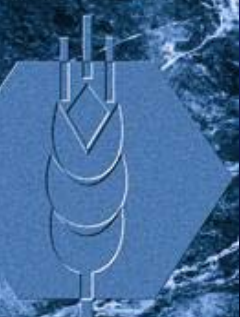
Other Commercial Issues Affecting Transportation Security

- ▶ Voluntary Industry Standards—“Best Management Practices”
- ▶ Commercial Rail Car Sealing --- Loss and Damage Claim Rules
- ▶ New Animal Health Disease Issues---
BSE



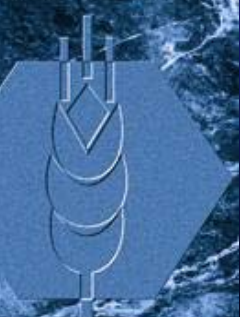
Concerns as we move forward:

- ▶ Who is “our” master on security---who is driving?
- ▶ If voluntary standards are drafted, will they become the basis for future rules? If so, who did the drafting?
- ▶ How many government agencies really need to be involved? A confusing patchwork of regulations will not help in clarifying industry responsibility.



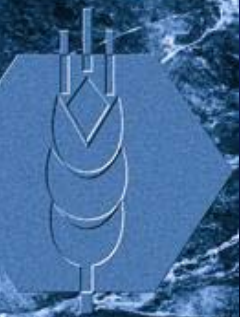
FDA Rules on Bio-terrorism Law

1. Food and feed facilities generally required to register with FDA (food, feed, and grain)—effective Dec. 12, 2003
2. Prior notice must be given on food imports (effective Dec 12, 2003)
3. Maintenance of records and provision of quick access to those records on: immediate previous source, and immediate subsequent recipients); Final rules expected by March, 2004 or later.



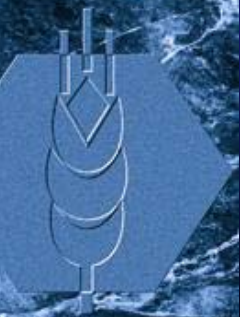
Coast Guard Regulations on Handling Vessels

1. Owners of vessels and exporters must implement “security plans”
2. Companies can develop their own, or adopt common “alternative security plan” developed by associations. ASPs must be approved by the Coast Guard.
3. ASP must address access control, restricted areas, monitoring and handling of cargo, and security incident procedures.



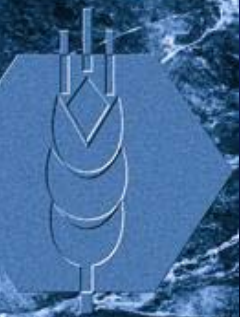
Coast Guard Regulations on Handling Vessels (Continued)

4. Coast Guard gave tentative approval to North American Export Grain Association ASP on December 22, 2003.
5. July 1, 2004 is deadline for compliance.



Uniform Grain and Rice Storage Agreement (CCC)

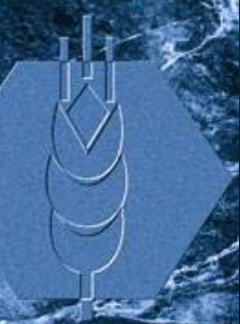
1. UGRSA is a contract entered into by vast majority of public warehouses
2. Requires company to do vulnerability assessment and develop security plan.
3. Develop explicit security plan for “shipping and receiving.” Enforcement date is expected to be September 1, 2004.



What Do the UGRSA Requirements Mean?

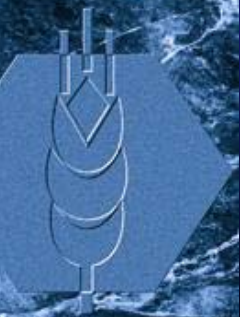
(based upon 2001 industry guidelines)

1. Know your shipper or take some precautions such as testing load before dumping into warehouse.
2. Talk to farmers about maintaining reasonable security for farm grain bins.
3. Managing loads in transit: if you own your own trucks, train your workers; if you hire a trucking company, ask for their security procedures.



What Do the UGRSA Requirements Mean? (based upon 2001 industry guidelines)

4. Rail shipments---consider security measures in transit---seals: tamper-evident; tamper-resistant; tamper-proof. Request additional security measures from railroad.
5. Barges: in-transit security could become an issue as barges await loading or unloading.



Other Commercial Issues Affecting Transportation Security

1. Voluntary Industry Standards—“Best Management Practices”

▶ ● NGFA wrote security guidelines in November 2001---are these guidelines for regulations?

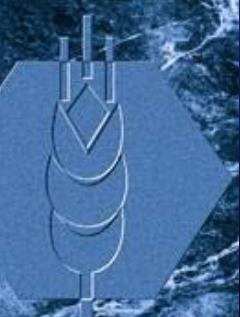
▶ ● Security guidelines for tanker trucks---written by industry associations; now posted on FDA website.

▶ ● Voluntary standards: Who had input? Who controlled the final product? What was the process for review?

Other Commercial Issues Affecting Transportation Security

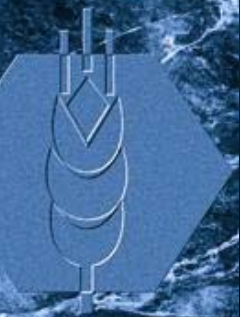
2. Commercial Rail Car Sealing

- Generally driven by customer needs; the type of seal applied is agreed to by shipper and receiver.
- Common in food grade products, and some grain going to flour mills and barley malt plants.



Other Commercial Issues Affecting Transportation Security (Cont.)

- Rail Seals and “Loss and Damage” claims;
Railroad Rules:
 - Must put a seal on
 - Size of seal matters (1/8 inch steel cable min.)
 - Must have evidence/proof seal was put on
 - Inspection at destination within prescribed time frame
 - May still have to prove actual damage



Other Commercial Issues Affecting Transportation Security

3. BSE-Related Changes

- ▶ ● NGFA/Railroads/Trucks established “BMPs” in 2001
- ▶ ● Will these guidelines be adequate?---Unlikely
- ▶ ● RRs generally require dedicated equipment or shipper-owned equipment only to haul ruminant meat and bone meal.
- ▶ ● New FDA rules for dedicated plants will no doubt have some requirements for transport equipment---
- ▶ ● how much proof?
- Current stoppages at Canadian border for protein meal may indicate the “new level” of sensitivity.

Concerns as We Move Forward on Security

- ▶ Who is our master on security? Who is driving? How many different sets of overlapping regulations do we need to comply with? Clarity will instill confidence and high compliance.
- ▶ To the extent that government agencies can coordinate and come forward with a unified position/understanding it would reduce the confusion.
- ▶ The drivers of the future standards and requirements---it doesn't have to take forever, but we should ensure that there appropriate, competent and pragmatic people at the table.