

Alan Guebert

1.) Nebraska governor to take over at USDA

By mid-Thursday morning, the ag media was racing to do what it does best: break the big news that President Bush was about to nominate Nebraska Gov. Mike Johanns to replace departing--and dumped--Secretary of Agriculture Ann Veneman.

The electrons flew as the White House, ag newsies, and every farm group from the avocado lobby to the zucchini growers hustled to get the political facts of life on Mike Johanns to the public.

The facts go like this: Son of Iowa dairy farmers. Law degree from Omaha's Creighton University. Private law career before politics. Democratic Lancaster County (Lincoln, NE) commissioner through 1987. Reborn as an evangelical, conservative Republican in 1988. Mayor of Lincoln from 1991 until elected governor in 1998. First Nebraska Republican governor since 1956 to be reelected.

The fast bio also included what the White House and Cornhusker Republicans said were his strengths: "executive skill;" a leader on drought relief; "a friend to American's farmers and ranchers" who has "traveled the world to promote American farm exports;" "strong proponent of alternative energy sources, such as ethanol and biodiesel."

Twenty-four hours later, however, the Johanns' snapshot was not any larger or any more colorful. It remained that of a safe, centrist career politician whom Nebraskans mostly liked but few could say was daring, innovative or original despite all his years in public service.

Maybe that's what American agriculture needs now--a safe, centrist executive.

Maybe, but that's not what American agriculture will get according to Nebraska farm activists who have watched Johanns over the years. To them, Johanns is "trade-lite," leans heavily toward agribusiness and has little grounding in rural development.

"Johanns' idea of rural development is getting Wal-Mart to build a regional distribution center in North Platte," says one Nebraska farm official who was a Johanns' confidante when the now-Republican governor was a Democrat in the early 1980s.

Indeed, Johanns was a well-regarded, middle-of-the-road Democrat back then; so much so that he seriously considered running for state Democratic chairman.

Shortly thereafter, though, Johanns and his wife divorced. In 1986, he married Stephanie Armitage, a fellow member--and Republican--of the Lancaster County Board.

Two years later he renounced the Democratic party, put on the Republican robe and was elected to the Lincoln (NE) city council. From there he continued to move upwards until, on Thursday, Bush tabbed him to run the \$82-billion, 113,000-employee USDA.

To be fair, adds a Nebraska farm leader, Johanns' is "very well-mannered, very polite, a nice guy who is a very capable manager." In short, adds the source, he "is a perfect" member of the Bush Cabinet that will carry out the policy directives given him.

Equally important, say other Nebraskans, Johanns has an important skill Veneman never had--he is comfortable around farmers and ranchers and can easily slide into detailed discussions of farm policy and ag trade with confidence.

Even with those strengths, however, Johanns has made missteps with farmers. The biggest occurred in his 2004 State of the State address to the Nebraska legislature last January when he listed as one of his top five priorities for 2004 “an examination of Initiative 300,” the nation’s toughest anti-corporate farming law.

The look-see, said Johanns, was needed because the law “precluded neighbors from pooling resources in a corporate structure to farm together, raise livestock together or bring their children into a farming corporation.”

Others viewed the proposal as a way to bring integrated, corporate livestock into the nation’s most-diversified, largest red meat-producing state. They noted Johanns’ call to examine I-300 “shall” bring changes to the law, not “may.”

It was a big political risk to go after I-300, explains Nebraska Farmers Union President John Hansen, who led the effort to stop Johanns from “fixing” the small-farm favoring law. In the end, Johanns “took a whoopin’ on it,” notes Hansen and I-300 escaped revamping to remain the nation’s toughest anti-corporate farming law.

“He was just wrong on I-300,” says Chuck Hassebrook of the Center for Rural Affairs in Walthill, NE. “He claimed I-300 was hurting small farmers in the state who wanted to expand. The opposite is true; I-300 helps them and all Nebraska agriculture.”

Another Johanns’ strength, foreign ag trade, is less than it appears, also.

In nominating Johanns, President Bush cited the Nebraskan’s many foreign trade missions as a key to promote US farm interests in upcoming World Trade Organization talks. It will be the single biggest job on Johanns’ plate.

Yet trade promotion visits--as governor, Johanns traveled to South Korea, China, Taiwan, Australia, Brazil, Chile, Malaysia, Japan, Hong Kong and Singapore--are little more than Chamber of Commerce junkets for footloose politicians.

None involve negotiations; none result in trade agreements; and few hold any long-term benefits for American farmers and ranchers. As such, Johanns’ trade “promotions” have little to do with the heavy lifting and deep cuts America’s ag trade partners are demanding in any upcoming WTO trade deal.

Add to that woe the second biggest job facing Johanns--certain cuts in ag program spending to accommodate both the WTO and the worsening US budget deficit. Rumors on Capital Hill suggest the Bush White House has already ordered a 2 to 3 percent cut in USDA’s 2006 budget. It will be a tough, farmer-angering job.

Those huge tasks--as well as country of origin labeling, meatpacker ownership of livestock, reopening the US-Canadian border, BSE testing and others--suggest Johanns’ tenure at USDA will be difficult.

“He’ll have to be one heck of ag salesman in the coming years,” notes one ag policy watcher, “to both the world and American farmers and ranchers in order to survive. My guess is he’ll be a Bush policy implementer, not an ag policy initiator.”

In short, he says, “Mike Johanns is Ann Veneman with a firmer handshake.”

2.) Board of Trade to offer Brazilian soy contract

In yet another sign of the ascendancy of Brazilian agriculture, the Chicago Board of Trade will offer a Brazilian soybean futures contract beginning in mid-2005.

The new bean contract will be identical to the CBOT's current soybean futures contract, says to Dave Lehman, the CBOT's managing director of business development for commodities.

According to Lehman, the Brazilian contract will be traded in bushels, not metric tons; will have one-quarter cent price fluctuations in dollars, not reals; will be settled through physical delivery, not cash; and will be offered in the same months--January, March, May, July, August, September and November--as the US-based soy contracts.

The single major difference between the new Brazilian contract and the current CBOT soybean contract, Lehman adds, is that its two delivery points for settlement will be the major Brazilian soybean ports of Santos and Paranagua.

Discussions for a CBOT Brazilian soy contract gained speed this past spring as tight US soybean stocks pushed futures prices near the \$10 per bu. mark. The fast-moving market caused basis, the difference between futures prices and cash prices, to fluctuate wildly in Brazil, Lehman notes, oftentimes getting as wide as \$2 per bu.

With a Chicago-traded Brazilian contract, however, Lehman predicts Latin American producers, processors and merchandisers will be better able to manage price risks in local and global markets.

Additionally, he notes, two geographically different contracts will afford commercial hedgers and market speculators to arbitrage--play one contract against the other--to better determine a "fairer" global soybean price.

"Arbitrage will be a key element in soybean trading between the contracts," Lehman noted in an interview with TFW Dec. 1.

As an example, he noted, CBOT soybean traders will now have two "harvest contracts:" November, viewed as the "new" crop contract for US production, and March, which he predicts will likely be the "new" crop contract for South American producers.

"Very large commercials"--basically global commodity merchandisers like Cargill, ADM and Bunge--"will participate in both contracts," Lehman explains, to even out risks and exploit price differences that might arise between the calendar-opposite North and South American crops.

Even before the Brazilian soy contract is launched, the CBOT is already planning to add Brazilian soybean meal and soyoil futures contracts later. "All will be along the same specs as Chicago," Lehman predicts.

The CBOT is confident the Brazilian contract will garner new trading volume on its own merits and not harm--and maybe enhance--trading in its current soy contracts. Presently, the CBOT trades about 25-times more soybean bushels in its futures contracts than is grown each year in the US.

The exchange does not expect to duplicate that huge volume in its Brazilian contracts, but foresees trading to rise to at least match the combined production of both Brazil and Argentina, predicted to be more than 3 billion bu. this year.

Also, current plans call for the Brazilian contract to be traded only during Chicago's daylight, open outcry market hours, not on its evening electronic markets.

A Brazilian soybean options contract is in the plans, too, but Lehman notes no timetable has been established for its start-up.

Who will be the big users of the Brazilian soy contract?

“We have a lot of interest in it from China and Europe as well as Latin America traders,” explains Lehman. But, he adds, most of that interest derives from commercial concerns, not producers.

The Brazilian contract is the CBOT’s first foray into foreign-based commodity products, but it may not be the last. Already the world’s largest agricultural futures market is examining expansion into other areas like a Chinese-based soy contract and a European- or Russian-based wheat contract.

3.) News

--Big boy: “The world's largest retailer, Wal-Mart Stores Inc, says its inventory of stock produced in China is expected to hit \$18 billion this year, keeping the annual growth rate of over 20% consistent over two years.

“The trend is expected to continue, company officials revealed... So far, more than 70% of the commodities sold in Wal-Mart are made in China.

" 'If Wal-Mart were an individual economy, it would rank as China's eighth-biggest trading partner, ahead of Russia, Australia and Canada,' " Xu Jun, (Wal-Mart China's director of external affairs), said." Nov. 29, China Business Weekly.

--Bad girl: “The University of Missouri is removing the name of a 22-year-old Wal-Mart heiress from its brand-new sports arena, a week after she was accused of cheating her way through college.

“Elizabeth Paige Laurie's parents have agreed to allow the school to rename the \$75 million Paige Sports Arena, which was built with a donation from the Lauries and opened three weeks ago, the university said Tuesday.

“The move comes months after billionaires Bill and Nancy Laurie angered Mizzou fans, students and alumni by announcing their plan to name the arena after their daughter, who did not attend Missouri. The couple was given the naming rights after donating \$25 million toward the building campaign...

“(L)ast week, Paige Laurie's freshman roommate at the University of Southern California, Elena Martinez, said in an interview on ABC's ‘20/20’ that Laurie paid her about \$20,000 over 3 1/2 years to write papers and complete other assignments for her.” Nov. 25, Associated Press.

--Debt is real money: “...Last year, the United States government paid nearly a billion dollars a day just on interest on the nation's debt. Forty percent of all the federal income taxes paid by all working Americans went to pay interest on the national debt.

“Those billions in interest payments do not put a book in a child's hands, or fill a prescription for a sick senior, or protect our ports or the quality of our air, or defend the nation, or lift a family out of poverty. It simply constitutes an enormous transfer payment from the taxes paid by nurses, teachers, firefighters and small business folks to those affluent enough to buy bonds.

“Increasingly, those bond-holders are not Americans. The increase, this past year alone, in the national debt held by private bond-holders was \$380 billion; the increase, this year, in foreign-held U.S. debt, led by Japan and China, was \$370 billion. You do the

math. Ninety-seven percent of the increase in privately held debt is under the control of foreign interests. Just how tough do you think the Bush administration can afford to get on the subject of labor or trade or human rights violations with a major creditor such as China? Not very..." Nov. 26, Washington Post columnist Mark Shields.

--Follow the (PAC) money: "The top-giving corporate political action committees did not hedge their bets in the fall elections despite the narrow division between Republicans and Democrats in Congress.

"They favored Republican candidates ten to one.

"Of 268 corporate PAC's that donated \$100,000 or more to presidential and Congressional candidates from January 2003 through the middle of last month, 245 gave the majority of their contributions to Republicans, according to an analysis released Wednesday by Political Money Line, a nonpartisan campaign finance tracking service." Nov. 26, Associated Press.

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