EU energy policy sparks worries

E UROPEAN regulators will seek to reward the cleanest biofuels and discourage pollution under a draft proposal to reshape the European Union’s fuel tax policy.

A draft proposal by EU Taxation Commissioner Algirdas Semeta seeks to implement a two-part tax program that would impose a levy on fuel emissions and a tax floor on motor and heating fuels, sources said. If approved, the rules would become effective between 2013 and 2020.

The American Soybean Assn. (ASA), joined by other U.S. oilseed producer and industry organizations, has expressed serious concerns to Agriculture Secretary Tom Vilsack and USTR to consider the implications of and need for future trade flows to and from Japan.

Japan has already made nearly two-thirds of its estimated corn purchases from the United States, while U.S. soybeans that have been the top export customer for Japan have increased U.S. pork exports to Japan.

According to Agronomy, Japan’s farm ministry reported that 4.8 mmt of the total feed Japan produces each year came from the northern areas near the center of the disaster.

Callahan said as of March 17, Japan had not canceled any grain shipments or purchases for this year. The mainland has a lot of excess import and export capacity.

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Japan recovering from disaster

KEY POINTS
- EU energy directive could result in losses.
- $1b in U.S. soy exports in jeopardy.
- Industry groups ask for USDA, USTR intervention.

Many swine farms are located inland and only suffered damage from the earthquake and aftershocks, not the tsunami.

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Energy and fuel supply shortages are critical issues for poultry and livestock producers in the affected areas.

“Farms typically hold a limited supply of feed on hand. Moving the animals off the farm is hindered by road conditions and lack of fuel,” Hamamoto said. “In addition, some processing plants and milling facilities have sustained damage and lack the ability to operate at full capacity.”

Japan is the largest buyer of U.S. corn, and the third-largest buyer of U.S. soybeans. Feltes said the country has already made nearly two-thirds of its estimated corn purchases for the marketing year. He expects Japan to be cautious in its purchases for the short term, but after the situation is further assessed, it should return to the market at more normal levels.

Dr. Parr Rosson, Texas A&M University AgriLife Extension agricultural economist specializing in international trade, added, “Near-term impacts will disrupt trade flows to and from Japan, resulting in lower U.S. exports of grains and oilseeds. Intermediate to long-term impacts will likely result in more U.S. exports as Japan rebuilds critical infrastructure and resumes food production.”

Feltes said the Japanese tsunami could positively affect U.S. pork imports. According to the National Pork Producers Council, Japan has been the top export customer for U.S. pork and purchased $1.6 billion of U.S. pork in 2010.

Feltes noted that, logistically, there have been some challenges getting feed into confinement operations as well as potential power disruptions affecting operations in its purchasing facilities, and those could support increased U.S. pork exports to Japan.

Only 12-13% — or less than 19,000 square miles — of Japan’s land area was damaged. Much of the northeastern coast is very mountainous, so the tsunami should not be widespread and may not caused much farmland in that region.

At 200%, Japan already has the world’s highest debt-to-gross domestic product ratio — more than three times that of the U.S. Reports questioned whether the debt burden will limit Japan’s ability to respond to disasters that are necessary following the disaster.

For the agriculture industry, this could include infrastructure such as energy, transportation, rail, roads, storage facilities, feed mills and possibly ports.

Callahan said Japan is a resilient society.

“They are well organized and well prepared to deal with earthquakes. I have a lot of faith and confidence they’ll be back on the road to recovery soon,” he said.

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Editor’s Note

For more on how the disaster in Japan is affecting domestic grain and live stock markets, see MarkertWatch, pages 22-23.