



National
Milk Producers
Federation

News for Dairy Co-Ops

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Market Prices

NMPF Halts Third-Party Auction of USDA Stores of Nonfat Dry Milk

National Milk Producers Federation successfully prevented the U.S. Department of Agriculture last month from allowing, through private auction, the sale of nonfat dry milk powder at prices below the level specified in the Farm Bill. USDA, facing legal action brought by NMPF, agreed not to submit any of the product for auction, and subsequently agreed not to go forward with any such sale in the future.

NMPF had sought a Temporary Restraining Order (TRO) Dec. 8th against the USDA to block the agency from allowing The Seam, a private marketing entity, from auctioning off nonfat dry milk at prices that are below the congressionally-mandated minimum level.

At issue was the Dairy Product Price Support Program provision of the newly adopted 2008 Farm Bill, which stated that USDA cannot sell nonfat dry milk stocks at less than 110% of the price at which it purchased the product. Under this rule, USDA is forbidden to sell the milk powder back to the market at less than 88 cents/lb., in order to keep prices from being further driven down. Since the price received by dairy farmers reflects commercial dairy product prices, the auction scheduled by USDA would have resulted in a reduction in dairy producer income.

USDA Revises Prices Slightly in the Dairy Product Price Support Program

The U.S. Department of Agriculture announced several changes recently to the Dairy Product Price Support Program.

In a [bulletin](#) issued on January 5, USDA reduced the purchase prices for block cheddar cheese from \$1.1314 per pound to \$1.13, and for barrel cheddar cheese from \$1.1014 to \$1.10. The new prices are the minimums fixed by Congress in the 2008 Farm Bill. The prices for bulk butter and nonfortified nonfat dry milk are unchanged at \$1.05 and 80¢ per pound, respectively.

However, the offers for the following products under the price support program were cancelled in the same bulletin: vitamin-fortified and instantized nonfat dry milk, butter in one-pound prints, and process American cheese. Such products had been purchased in the past, at a premium intended to cover the additional processing cost, because they are more useful in domestic feeding programs. The cancellation is related to difficulties in accounting at CCC.

Finally, in a [separate rule](#) published on December 4, USDA restricted sellers under the price support program to the manufacturer of the offered product. This limits manufacturers' options for selling and financing price support sales. This was done because "the program is not intended to provide a speculative market for third parties."

MILC Sign-up Began December 22; MILC Payments to Top \$1/cwt. in Spring

USDA issued its [rule](#) governing the reauthorized and revised Milk Income Loss Contract (MILC) program on December 4, and began accepting [signups](#) on December 22.

Given the steep decline in dairy commodity prices, NMPF projects that the MILC program will begin paying out to farmers for their February milk production. As of January 5, we project an average MILC payment rate of \$1.10 per hundredweight over the last eight months of the fiscal year; this is about 25% higher than it would be without the feed cost adjustor, which NMPF help get added to the program in the 2008 Farm Bill. (See table below.)

Beginning this year, producers with over \$500,000 in non-farm adjusted gross income will not be eligible for MILC payments; but there are no limits on-farm income, which has been more broadly defined to include on-farm processing, farm-related services, etc. Payments are limited to 2.895 million pounds of eligible milk per producer per fiscal year. (This is up from 2.4 million pounds in previous years.)

Farmers who sign up by the end of February may choose to receive payments beginning with their February production. However, farmers who expect to produce more than 2.895 million pounds of milk in the eight months beginning with February can pick a later month to begin receiving payments, if they believe that will increase their total payout.

If you have questions, contact your local FSA office, or call Roger Cryan at the NMPF offices.

MILC Payment Rates and Projections			
Year	Boston Class I		Payment Rate
	Actual	Target	
FY 2009			
October '08	18.78	18.48	0.0000
November	20.58	18.10	0.0000
December	18.68	17.68	0.0000
January '09	18.99	17.20	0.0000
<i>February</i>	<i>15.12</i>	<i>17.20</i>	<i>0.9363</i>
<i>March</i>	<i>13.56</i>	<i>17.20</i>	<i>1.6375</i>
<i>April</i>	<i>13.85</i>	<i>17.37</i>	<i>1.5831</i>
<i>May</i>	<i>14.29</i>	<i>17.37</i>	<i>1.3827</i>

June	14.81	17.53	1.2247
July	15.47	17.53	0.9239
August	16.05	17.68	0.7325
September	16.85	17.68	0.3754
FY 2010			
October '09	17.30	17.89	0.2654
November	17.38	17.89	0.2291
December	17.39	17.90	0.2299
January '10	17.30	18.08	0.3479
February	17.96	18.08	0.0548
March	19.22	18.08	0.0000
April	19.53	18.19	0.0000
May	19.70	18.19	0.0000
June	19.76	18.28	0.0000
July	19.95	18.28	0.0000
August	20.06	18.02	0.0000
September	20.10	18.02	0.0000

**Projections based on futures as of 1/5/2009*

***MILC Payment Rates and Projections also available on the [NMPF website](#)*

Obama Fills Key Administration Slots

President-elect Barack Obama has filled many of the key leadership positions in his Cabinet, including several who will directly or indirectly influence farm policy.

These include Tom Vilsack as Secretary of Agriculture, Ron Kirk as U.S. Trade Representative, and Ken Salazar as Secretary of the Interior. As with all cabinet level positions, each will need to be confirmed by the Senate early this year before assuming their positions. NMPF looks forward to working with each of them on issues of importance to dairy producers in these challenging times. Below is a bit of background and commentary on each nominee.

Vilsack served two terms as governor of Iowa, leaving office at the end of 2006. Having a Secretary of Agriculture that is intimately familiar with the importance of agriculture to America and the challenges facing it will be helpful in the coming years. Vilsack has been a strong proponent of ethanol, and a greenhouse gas cap-and-trade system to combat global warming. He has also demonstrated understanding of the importance of developing other alternative forms of domestically-produced energy. Vilsack has been a strong supporter of biotechnology, and helped enact a law in Iowa giving small family farms and

producers equal bargaining power with large food processors.

Kirk was formerly mayor of Dallas, and is the first African-American to serve in that position. He left office in 2002 to run for a Texas Senate seat, which was ultimately won by Sen. John Cornyn. He is currently working as a partner in a Dallas law firm. Little is known about his trade views at this stage, but he has in the past made positive references to NAFTA, which has been instrumental in opening up the Mexican market to U.S. dairy exports. Although it is unclear what would be Ambassador Kirk's trade agenda, he has cited the importance of "a more responsible trade policy" and the need to include labor and environmental issues in trade discussions. Washington sources have indicated that Kirk will likely shift the focus of USTR from a proactive trade agenda (FTAs) to one focus more on trade enforcement and monitoring.

Salazar has served as the junior Senator from Colorado for the past few years. His moderate record and support for agriculture on many issues earned him the respect of NMPF and many other agricultural organizations. His position will be particularly important in the coming years as pressure increases in Congress to do more to regulate environmental and energy-related issues. NMPF recognizes the importance of well-crafted and implemented legislation in these areas, as well as the devastating harm that can be wreaked on agricultural industries when laws are not carefully drafted or carried out.

Immigration Policy Update

Two important decisions were made prior to the holidays last month concerning immigration policy.

First, the Department of Labor (DOL) posted the expected final rule change for the H-2A temporary agricultural worker program on the DOL website.

The new rule does not provide the dairy industry with an exemption from the seasonality requirement. Therefore, the dairy industry remains excluded from the H-2A program. However, it is significant to note that the DOL made reference to the number of comments they received from the dairy industry. Thanks to the numerous requests by NMPF members and other industry groups, the concerns of the dairy industry were highlighted in the rule.

Most provisions of the new rule will take effect 30 days after publication on January 18th. The incoming Obama administration has the means, through Congress, to block the implementation of this rule. NMPF will continue to monitor the evolution of the new H-2A rule. Also, NMPF will continue to lobby for comprehensive immigration reform that addresses our members' foreign labor issues.

In the second immigration policy development, NMPF's immigration counsel, Glen Wasserstein, has confirmed that the dairy industry is not subject to Executive Order 12989, which requires most federal contractors and subcontractors to participate in the E-Verify program. At issue was whether companies that supply dairy products to government feeding programs, such as the school lunch program, would have the farms supplying them fall into the "contractor" designation specified in the E-Verify rule. The new rule [can be viewed here](#), and an FAQ about it [can be accessed here](#).

EPA Grants CERCLA Exemption to Livestock Operations

Livestock producers received an early Christmas present from the EPA last month, when the agency announced on Dec. 18 that the CERCLA Superfund law doesn't apply to them.

EPA published a final rule entitled "*CERCLA/EPCRA Administrative Reporting Exemption for Air Releases of Hazardous Substances from Animal Waste at Farm.*" This rule will exclude all livestock operations from having to report their emissions to the air under CERCLA. CERCLA reports are sent to the National Coast Guard Response Center, and the EPA had reasoned that reporting livestock air emissions to this center were unnecessary and burdensome in light of the fact that EPA had never and would never have an emergency response to such a report.

While the proposed rule had excluded all livestock facilities from having to report their air emissions to state and local emergency response authorities under the EPCRA law, which is distinct from CERCLA, the final rule modified this exclusion so that large concentrated animal feeding operations (CAFOs) must continue to do so. In the case of dairy farms, facilities with a capacity of greater than 700 dairy cows would need to report their air emissions under EPCRA. Operations smaller than 700 dairy cows would not have to submit a report.

EPA reasoned that the community right-to-know provisions of EPCRA are best met by continuing these reporting requirements for larger operations so as to ensure state and local emergency response authorities know where these facilities are located.

While large CAFOs must submit reports under EPCRA, EPA in the final rule made clear that such operations are eligible to submit their reports consistent with the approach spelled out for "continuous releases" under existing rules. Under these "continuous release reporting" rules, a CAFO provides the state and local emergency response authorities with a one-time report of the operation's "normal range" of emissions. No further report is required unless the operation has emissions that will be occurring "above the upper bound of the reported normal range."

Dairy operations that are participating in the EPA Air Consent Agreement need not submit these reports to state and local emergency response authorities until after the Air Consent Agreement and the associated National Air Emissions Monitoring Study, is completed. Other dairy operations should submit the required EPCRA reports.

The final rule is effective on January 20, 2009 and is [available here](#).

If you have any questions about this issue, please contact Rob Byrne.

NMPF Objects to Organic Access to Pasture Proposed Rule

In comments sent last month to the USDA, NMPF is challenging the National Organic Program (NOP)'s proposed Access to Pasture rule. NMPF's [comments to USDA](#) opposed the regulations because of the potential negative consequences it could cause for the U. S. dairy industry.

The proposed NOP rule does not account for the size or geographic location of dairy producers. The rule's arbitrary imposition of a minimum of 120 days access and 30 percent of dry matter intake from pasture for dairy cows meant that producers with larger operations or in colder or drier climates might be discouraged from organic dairy production. Larger producers require more feed for their cows, and several areas of the country have growing seasons that are less than 120 days long (see [Freeze Free Period Map, 90% probability](#) from the National Climatic Data Center at the National Oceanic and Atmospheric Administration for more information).

NMPF stated that it would support "NOP regulations for access to pasture which are size-neutral, thereby allowing any dairy producer the opportunity to become an organic milk producer if so desired." The current rule is adequate as it is for dairy livestock. A change in regulations as proposed by the NOP would stifle growing demand for organic dairy products, restricting current or future volumes of organic milk in the market and increasing costs to consumers.

As USDA works to develop these organic regulations for the dairy industry, NMPF will continue to be actively involved in the process.

WTO Talks Remain Stalled

In our last newsletter in early December, NMPF reported that World Trade Organization members were evaluating whether to hold a ministerial meeting in order to attempt to reach a deal before the end of the year. Due to many countries' unwillingness to change their entrenched positions, no meeting was held, and negotiations will continue on the Doha Round in 2009 without a clear agreement in sight.

A number of leaders and organizations, including many farm organizations such as NMPF, expressed opposition to rushing into a deal based on timing rather than substance. Given the transition in the White House, as the new President and USTR evaluate the current state of play and decide how to proceed with the negotiations, further delays are expected. Ending the Doha Round entirely would be unlikely, but the incoming Obama Administration is expected to have a more tempered view on trade policy issues, including these global talks. NMPF will remain closely involved in its pursuit of a balance between the opportunities and responsibilities the U.S. dairy industry and other countries' dairy industries will be asked to assume in the WTO.

NMPF Welcomes New Staff Member

Dana L. Brooks, a veteran government relations professional with experience at both the state and federal levels, has begun work as NMPF's new Senior Director of Government Relations.

"We are excited that Dana is joining NMPF. She will bolster NMPF's presence on Capitol Hill and will make a great addition to our team," said Jerry Kozak, President & CEO of NMPF. Brooks will report to Jaime Castaneda, Senior Vice President of Government Relations and Trade Policy.

"Dana's bi-partisan experience in Congress, and deep knowledge of agricultural issues, will enhance our capabilities to deal with the numerous challenges facing our cooperatives and dairy producers," said Castaneda.

Brooks previously worked in Washington as a legislative assistant for two members of Congress: Rep. Marion Berry (D-AR), and later, Rep. JoAnn Emerson (R-MO). After her legislative positions on Capitol Hill, Brooks served as Director of Congressional Relations for the American Farm Bureau Federation in Washington, DC. Brooks most recently worked on national policy issues at Florida Farm Bureau in Gainesville, FL. Throughout her career, including work on two Farm Bills, she has developed a thorough understanding of a variety of farm-related legislative issues, Castaneda said.

Brooks can be reached at DBrooks@nmpf.org.

Featured Associate Member Profile: International Milk Haulers Association

The International Milk Haulers Association (IMHA), headquartered in Middleton, WI, serves the following purposes:

1. To insure an instrument for milk haulers to provide for, on an international basis, the protection of the continued business of milk hauling on a profitable basis.
2. To provide a unified voice to speak for the various milk haulers and milk hauler state associations on matters in which they have a vital and common concern.
3. To provide a forum for bringing together leadership from among the various milk haulers and milk hauler state associations; where they can jointly address themselves to the many concerns affecting milk hauling and to explore methods of dealing with these concerns.
4. To provide a vehicle to speak for the various milk haulers and milk hauler state associations in relationship with other organizations and institutions connected with the milk hauling industry.
5. To provide a means for developing standards for efficient and profitable milk hauling and to correct abuses occurring within the industry.
6. To acquire and preserve trade information pertaining to the milk hauling industry and to disseminate such information to its member.
7. Generally, to strengthen, improve and promote the welfare and best interests of the milk hauling industry and to do any and all things necessary and proper for the accomplishment of the foregoing objectives or other proper and lawful purposes of the association.

The IMHA company representative is Cherie Tuhus, who is the Executive Director and

can be contacted at ctuhus@witruck.org or tuhus@chorus.net. Visit the IMHA website at <http://www.milkhauler.org/index.htm>.

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