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Market Prices

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New Class I Definition Rule Takes Effect on January 1



USDA's final rule on defining Class I milk products was published in the Federal Register on August 24. The rule was originally published in the Federal Register on June 14 (with a technical correction issued on June 24), and was approved by producer referendum in all ten Federal Milk Marketing Orders. As noted in June, the new rule requires a milk product to have less than 2.25% protein, as well as less than 6.5% skim milk

solids, in order to be exempted from Class I status on the basis of its skim solid composition. Previously, the product could be exempt with only a skim milk solids test below 6.5%. This closes a pricing loophole that encouraged some processors to formulate low-lactose milk products in order to get them priced as Class II products. However, the rule also exempts yogurt drinks, yogurt-based drinks, and 'kefir' from Class I status, based on a proposal by yogurt makers. This will move a number of Class I yogurt drinks into Class II.

The rule will go into effect on January 1, 2011. This implementation time is longer than usual in order to allow the Market Administrators time to examine all the products whose classification might change and to allow processors time to adjust to the new rules.

If you have any questions, contact Roger Cryan at RCryan@nmpf.org.

NMPF Supports Mandatory Dairy Pricing Reporting Measure Approved By House, Senate Agriculture Committees



In late July, the House Agriculture Committee approved the Mandatory Price Reporting Act of 2010, H.R. 5852, while the Senate Agriculture Committee approved an identical piece of legislation, S. 3656, in early August. The bills reauthorize mandatory price reporting programs run by the U.S. Department of Agriculture (USDA) for five years. Most importantly for the dairy sector, the bills include language

authorizing mandatory weekly electronic reporting for dairy products.

NMPF President and CEO Jerry Kozak welcomed the passage of the bills because "NMPF has been working since 2000 to improve the open, transparent discovery of dairy prices, but we've been frustrated by the stumbling blocks that have prevented the implementation of mandatory reporting. These bills make it clear, in no uncertain terms, that the USDA will have to do what it takes to establish dairy price reporting." NMPF helped include mandatory price reporting language in the 2008 Farm Bill. But that measure was contingent on available funding at the U.S. Department of Agriculture, and the USDA has never had adequate funding to implement price reporting. These new bills will ensure that the USDA collects and reports pricing data that is currently surveyed.

The bills contain the follow specifications:

- Amending section 273 of the Agriculture Marketing Act of 1946 to require the Secretary to establish an electronic reporting system for dairy.

- Directing the Secretary to publish the information reported through the electronic reporting system by 3:00 PM ET, each Wednesday.
- Requiring the Secretary to implement the electronic reporting system for dairy not later than one year following enactment of this Act.

The full House of Representatives, and the U.S. Senate, must still approve the respective Mandatory Price Reporting bills before they can become law. The bills represent an important improvement in the transparency of the dairy industry.

CWT Wraps Up Herd Retirement, Continues Export Assistance



Farm audits of the 194 dairies selected in the 2010 Herd Retirement have been completed. Participating producers are in the process of submitting the required documents substantiating that their cows have been sold to meat packing facilities. It is expected that all producers will have provided the necessary paperwork to CWT, and will have been paid by the end of September. The name and location of producers taken in this herd retirement are [posted on the CWT website](#) after they are issued the first 90% of their payments. The

remaining 10%, plus interest, is paid twelve months after the farm audit, if neither the producer or facility become involved in producing and marketing milk during that period.

During August, the CWT Export Assistance program approved four requests from members for assistance in exporting 524,700 pounds of cheese. This brought total cheese exports assisted to 41.9 million pounds.

In addition, butter, butter blends, and anhydrous milkfat were temporarily added to the products currently eligible for export assistance. In August, 25 requests for assistance were accepted that helped CWT members sell 6.5 million pounds of butter and 4.1 million pounds of anhydrous milkfat. Exports of assisted butter and AMF total 33.1 million pounds, two-third of which will be delivered after Thanksgiving, the time when butter prices typically drop significantly.

Given the current butter price, and following consultation with the organization's elected leadership, CWT's management has determined that it will no longer consider requests for export assistance on butter, butter blends, or anhydrous milkfat for the remainder of 2010.

Senate Passes Child Nutrition Reauthorization Bill; Action Still Needed in House

The House of Representatives and Senate must pass a new child nutrition authorization by September 30, 2010, or extend the current law for another year without changes to programs or funding.

More than 5% of all milk consumed in the United States is through the school meal programs authorized by the child nutrition act. USDA/ERS reported that many Americans, both children and adults, are not consuming recommended daily servings of dairy foods. Without school breakfast, lunch, snack, and after-school programs, some children would never drink milk, which provides three of the five nutrients that already fall short in children's diets (calcium, potassium, and magnesium).

The Senate passed "The Healthy, Hunger-Free Kids Act" in August, which includes \$4.5 billion over 10 years in new funding. The bill has provisions supported by NMPF that would increase the reimbursement rate for school lunches by six cents per meal; establish national nutrition standards for all foods sold in schools; expand after-school meals for Child and Adult Care Food Programs (CACFP); and automatically enroll foster children, low income, or Supplemental Nutrition Assistance Program benefit children into the free school meals program. The bill allows for a variety of flavors, reduced fat, and non-fat milk to be served in schools. The new funding is largely paid

for by reducing SNAP benefit increases in the out years (2012 and beyond). That funding “offset” has prompted strong opposition from anti-hunger advocates, who are vowing to oppose any bill that reduces food stamp benefits.

The House of Representatives has yet to pass its bill, Improving Nutrition for American’s Children Act, which includes \$8 billion in new funding, due in part to the offset issue. The House leadership is uncertain of how to pay for the bill’s increases while recognizing the importance of both school feeding programs and family hunger and nutrition benefits. The House bill includes an increase in the Special Milk Program supported by NMPF and the International Dairy Foods Association (IDFA). NMPF and IDFA successfully pushed back an effort change the substitute beverage standards and flavored milk option.

Both the House and Senate bills maintain the requirement to offer milk with all school meals, and require milk to be consistent with the Dietary Guidelines for Americans. This will likely limit school milk to 1% or non-fat varieties, but these fat levels already account for the overwhelming majority of school milk, so the Dietary Guidelines tie-in will not mean much change in practical terms.

NMPF supports the House of Representatives committee bill and the Senate-passed bill and hopes to see final passage as soon as Congress returns from their district work period in mid-September. For more information, please contact Dana Brooks at dbrooks@nmpf.org.

Food Safety Bill Likely to Get Renewed Attention from Congress

Due to the recent high-profile recall of salmonella-tainted eggs, food safety issues have are likely to receive considerable attention from Congress this month. Even before the egg recall, the Senate was poised to move forward with a bipartisan bill, the FDA Food Safety Modernization Act (S. 510), as soon as it returns from the summer break the week of September 13th. The Senate released its manager’s package in August, which can be found on the [Health, Education, Labor, and Pension \(HELP\) Committee website](#).

The House of Representatives passed a food safety reform and modernization package, HR 2749, in July of 2009. Since that time, the Congressional Budget Office has rescored the cost to inspect food facilities, which led to a major change in the Senate’s manager’s package introduced this month.

NMPF favors the Senate bill, S. 510, to the House passed bill, HR 2749, for the following reasons. The Senate version:

1. Does not contain registration fees to offset the cost of the bill’s inspection requirements, but pays through appropriations, unlike the House bill.
2. Includes the Pasteurized Milk Ordinance as a compatible program to the FDA inspections, and would not be redundant or duplicative with regard to inspections and forms not included in the House.
3. Increases foreign inspections, but consistent with international trade obligations.
4. Ensures third-party auditors will have specific clarification and agreements with FDA.
5. Requires FDA to report to Congress annually on the subject and scope of recalls or public health advisories.
6. Exempts small farms and small businesses under some conditions. Farms under this provision are those that do not provide food currently regulated by FDA. Dairy and eggs already fall under FDA jurisdiction.

Congress will likely make this a priority to pass and send to the President before the election in November. It is one of the few bipartisan bills awaiting floor action in the Senate. However, a compromise between the House and Senate packages could be more difficult, given some vast differences.

Lack of U.S. Action Results in Retaliatory Tariffs on U.S. Cheese Exports

NMPF and the [U.S. Dairy Export Council \(USDEC\)](#) expressed great disappointment at the August 18th announcement by the Mexican government that it would impose tariffs of 20% to 25% on several major categories of U.S. exports to Mexico, including many cheeses. This action targeted shipments to largest U.S. export market for dairy products and included products such as Cheddar, Mozzarella, Gouda, Provolone, Colby, Monterey Jack, cream cheese, and many others.

“These tariffs come at a terrible time for U.S. dairy producers, who are still struggling to recover from the horrendous cost-price squeeze endured throughout 2009,” said Jerry Kozak, president and CEO of NMPF. “In order to help restore profitability and stability to America’s hard-working dairy producers, we should be doing all we can to help boost our exports, not pursuing policies that cost us existing sales in critical foreign markets.”

According to the Mexican government, this action is being taken as part of Mexico’s ongoing effort to seek U.S. compliance with its NAFTA obligation to provide Mexico with cross-border trucking access into the United States. Since March 2009, Mexico has imposed retaliatory tariffs on a list of U.S. exports that previously did not include cheese or other notable dairy products.

This retaliation had been authorized by a NAFTA Dispute Settlement Panel due to lack of U.S. compliance with its NAFTA transportation obligations. With respect to the newly published retaliation list, Mexico noted that it had “yet to receive a formal proposal for the resolution of this dispute and an unequivocal signal that the U.S. government is working to eliminate the barriers that Mexican long-haul carriers face to access the U.S. market. As a result, the Government of Mexico has renewed the list of U.S. goods subject to increased tariffs.”

Together, U.S. exports under these four tariff lines total 44 million pounds this year (January–June data) and are estimated to be worth \$59 million. Full year U.S. exports under these tariff lines in 2008 and 2009 averaged 77 million pounds and are estimated to have averaged \$104 million over the two years. Exports in 2010 had been on track to recover strongly from a slight dip in value shipped last year.

NMPF and USDEC again have called on the Obama Administration to immediately offer a concrete proposal for resolution of this issue that has already negatively impacted many U.S. exports and will now impose harm on even more sectors of our economy, including America’s dairy industry.

NMPF Supports Delay in SPCC Compliance Deadline

On August 18th, NMPF submitted comments in support of EPA’s proposed compliance deadline extension for dairy producers for the Spill Prevention Control and Countermeasure (SPCC) regulations.

The goal of the SPCC program is to prevent oil spills into waters of the United States and adjoining shorelines. A key element of the program calls for farmers and other facilities to have an oil spill prevention plan, called an SPCC plan. The SPCC plans are required for farms which have an aggregate storage capacity of oil products of 1320 gallons, or more, for every storage container larger than 55 gallons. A farm with less than 10,000 gallons of total storage capacity and no single storage greater than 5,000 gallons can self-certify its SPCC plan. Farms that do not meet this exemption must have a plan certified by a professional engineer. NMPF specifically:

- Supported extending the compliance deadline until one year after the bulk milk exemption is finalized, and discouraged EPA from establishing a new compliance date in rulemaking that would be less than one year after the bulk milk exemption is finalized. **Background:** EPA stated that the “compliance date would be delayed one year from the effective date of a final rule specifically addressing SPCC requirements for these milk containers, associated piping and appurtenances, or as specified by a rule that otherwise establishes a new compliance date for these

facilities" [emphasis added].

- Requested that EPA extend the compliance date for all facilities with bulk milk storage, regardless of business start date, to one year after the bulk milk storage exemption is finalized. **Background:** As proposed by EPA, a facility with bulk milk storage that was in operation on or before August 16, 2002, must have an SPCC plan in place now (for all other fuel and oil storage), and would need to make necessary amendments to its SPCC plan and fully implement those by one year after the bulk milk storage exemption is finalized. If a facility with bulk milk storage came into operation after August 16, 2002, but before November 10, 2011, it would be required to prepare and fully implement an SPCC plan by one year after the bulk milk storage exemption is finalized. This bifurcated compliance deadline for dairy facilities is unnecessarily complex.
- Continued to support EPA's proposed rule to exempt certain milk containers and associated piping and appurtenances from the SPCC rule, and encouraged EPA to finalize this rulemaking as soon as possible. **Background:** EPA has had roughly 18 months to review public comments and finalize the milk container rule. The rule is straightforward, and any action counter to the proposed rule for milk containers would only add to the confusion for dairy producers on how and when to comply.

[NMPF's comments can be viewed online.](#)

NMPF Sponsors Awards at ADSA Annual Meeting

NMPF presented Dr. Kasey Moyes with the 2010 NMPF Richard M. Hoyt Award at the American Dairy Science Association (ADSA) Annual Meeting in Denver, Colorado on Tuesday, July 13. The NMPF Richard M. Hoyt Award was created to recognize research efforts with direct application to problems of the U.S. dairy industry.

Dr. Moyes received a BS in animal science from Michigan State University, an MS degree in animal science from the University of Connecticut, and a PhD in animal science from the University of Illinois. Moyes' research examined the effect of negative energy balance on risk of mastitis in lactating dairy cows. This study provided important insights about early immunologic and metabolic changes that occur in the mammary gland as well as mechanisms linking periparturient energy balance with increased incidence of mastitis.

NMPF also presented awards to the winners of the 2010 NMPF Graduate Student Paper Presentation Contest in Dairy Production. Claire Windeyer, from the University of Guelph, and Luís Mendonça, from the University of Minnesota, placed first in the PhD and MS Divisions, respectively. Second and third place awards in the PhD Division were also presented to Xavier Revelo, from the University of Missouri, and Yapa Wickramasinghe, from the University of California-Davis, respectively. Second and third place awardees in the MS Division were Hugo Ramirez-Ramirez, from the University of Nebraska-Lincoln, and Anne Laarman, from the University of Alberta, respectively.

NMPF Counts Down to Annual Meeting



Plans have been moving forward as NMPF prepares to travel to Reno, NV, for its joint Annual Meeting with the National Dairy Promotion and Research Board (NDB) and the United Dairy Industry Association (UDIA). The meeting will take place October 26 – 28, 2010, at the Grand Sierra Resort and Casino and center around the theme "Creating a Path to Prosperity."

Registration is currently available and participants are encouraged to register for the meeting and make hotel reservations online at www.dairyevents.com. Participants must register and make their hotel reservations before Thursday, October 7th, to receive the discount rates. Speakers include: TV football analyst Howie Long; farm policy journalist Jim Wiesemeyer; management expert Jason Jennings. The banquet entertainer will be

Gloriana.

Sponsorship opportunities are available for interested organizations, and NMPF Associate Members are invited to exhibit in the Dairy Bar. Meeting information, including general information, fees and registration, and the full meeting notice, is available online at www.nmpf.org/nmpf-joint-annual-meeting.

Associate Member Focus

Allflex designs and manufactures animal identification for traceability systems across all production. They bring cutting-edge, practical applications of visual, electronic, and radio frequency animal identification technology to livestock industries across the world, contributing to a safer global food supply.

Allflex has a global network of experts and more than 50 years of experience in animal identification. They have manufacturing and technology subsidiaries in the U.S., Canada, Europe, Australia, New Zealand, Brazil, and China and their products are distributed in 80 countries. [Learn more](#) about the history of identification around the world and about Allflex's worldwide operations.

Allflex's business philosophy is to consistently introduce new and improved products based on sound manufacturing and an understanding of how those products need to perform in real-world conditions; embrace innovation so that their customers have a clear advantage in the marketplace today and tomorrow; and their pioneered electronic (radio frequency) identification systems launched the first custom, laser-marked visual identification tag and introduced the Allflex Global Tag with guaranteed permanent laser-ink marking.

Allflex is headquartered in Dallas, TX with regional offices across the U.S. and Canada. Their contact is Glenn Fischer who can be reached at 972-456-3686 or by email at GFischer@allflexusa.com. To learn more about Allflex, please visit their website at www.allflexusa.com.

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