



National  
Milk Producers  
Federation

# News for Dairy Co-Ops

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## Market Prices

### NMPF Lauds USDA Decision To Maximize Producer Revenue Through Revised Definition Of Fluid Milk Products

NMPF hailed a ruling this week by the U.S. Department of Agriculture that low-carbohydrate milk products ought to be classified for pricing purposes the same as conventional fluid milk beverages, a decision that will prevent further farm revenue losses.

At stake in the USDA decision is whether dairy beverages that largely resemble fluid milk - especially the reduced-carb milk drinks - ought to be priced as Class I products, or at the lower Class II price. NMPF argued for the former, and asked the USDA to consider using a protein threshold to determine in which class the beverages should fall.

The USDA's recommended decision on Wednesday basically agreed with NMPF's contention, which will mean that any product at or above a 2.25% protein level - including low-carb milk drinks - will now be priced at the higher, Class I level. The decision first must undergo a 60-day comment period, after which it will become final.

"As technology and consumer preferences change, so must government regulations that balance the interests of farmers, processors and consumers," said Jerry Kozak, President and CEO of NMPF. "We're very pleased USDA recognized that dairy farmers' income would be adversely affected if these low-carb products, designed to compete with and replace traditional Class I products like conventional fluid milk, were not reclassified from Class II to I."

Under a protein standard where any product below 2.25% protein is considered Class II, low-carb products, because of their proportionally higher level of dairy proteins, will be returned to the Class I category - meaning that processors of such products are now obligated to pay producers the highest, Class I value for milk under the Federal Milk Marketing Order system.

Last year, a major manufacturer of low-carb dairy beverages successfully petitioned the USDA to reclassify its products from Class I to Class II, and in so doing, it was able to retroactively reclaim money paid to dairy farmers. This new USDA decision will again place these low-carbohydrate products in the Class I category for pricing purposes.

In addition to creating the protein threshold, the USDA still maintains a solids level of 6.5%, meaning that in order to be classified under Class I, milk beverages must have at least that level of nonfat solids in them.

The USDA ruling ([available online here](#)) also counts all dairy ingredients - including whey, milk protein concentrates (MPC's), and casein - toward both the solids and the proteins thresholds.

Despite some confusion last year in the industry about the stakes involved in this issue,

NMPF recognized the ongoing threat to farmers' milk checks from Class II products that take market share away from Class I products.

"These new provisions will help maintain the integrity of the Federal Order's classified pricing system, by making sure that new milk-based products that compete with milk will be put into Class I. It levels the playing field for farmers and processors alike," Kozak said.

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## **Immigration Legislation Update**

Senate efforts to pass immigration reform legislation continue. After stalling several weeks ago, talks recently resumed following an agreement by Senate leaders on how to proceed with amendments and conference committee nominees for this issue. Floor debate on S. 2611, the Specter/Hagel/Martinez compromise legislation, began May 15. This bill preserves the AgJOBS provisions that were included in the earlier Judiciary Committee bill. Because of their inclusion, S. 2611 satisfies the requirements for immigration reform approved by NMPF's Board.

The Senate will be discussing S. 2611 and amendments to it that could derail the overall agreement, yet the goal of the Leadership is complete the debate and hold a vote on the bill before the Senate adjourns for the Memorial Day recess.

NMPF members should contact their Senators in support of S. 2611, stressing that the AgJOBS provisions as they currently stand are particularly important to achieving a positive outcome in these discussions for agriculture, including the dairy industry. If the Senate approves immigration reform legislation, that bill would then need to go to Conference with the earlier House Immigration Reform bill in order to merge the two bills into one piece of legislation for both houses of Congress to vote on. Because of the extreme differences between the House bill and S. 2611, conference is expected to be highly controversial and a critically important point in the immigration reform process.

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## **Environmental Task Force Meets to Select Dairy Emissions Sites**

NMPF's Dairy Environmental Task Force members met earlier this month in Chicago to review potential dairy site locations for the National Air Emissions Monitoring Study that will be conducted as part of the Environmental Protection Agency (EPA) Air Consent Agreement.

The meeting led to the Task Force approving three of the six dairy sites that ultimately are expected to be monitored by the air emissions study. Farms in California, Texas and New York were approved by the Task Force. The three additional dairy sites will be selected from Midwest and Northwest regions.

In the next month, a representative of Purdue University, which will conduct the actual research, will make several site visits to look at potential farms in these regions. Once he conducts site visits and selects potential candidates, he will make his recommendations to the Task Force for their approval. Further details on the final dairy sites will be withheld until they are approved by the EPA. It is anticipated that the air monitoring research will begin in early 2007.

At the meeting in Chicago, the Task Force also determined the next steps needed to develop a process-based model. The process-based model approach will help dairy

farmers estimate their air emissions through a computer program. This approach will incorporate a mathematical model representing the interactions between the farm system components, such as the dairy animals, manure, soil, crops and feed. The Task Force will be working with Dr. Frank Mitloehner from the University of California, Davis, as well as other scientists, to coordinate efforts for developing a process-based model.

For more information, contact [Daniela Bals](#).

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## **NMPF Shows Support for Schwab**

NMPF has joined 60 other organizations in expressing strong support for the nomination of Ambassador Susan C. Schwab to be the next U.S. Trade Representative. NMPF joined with other agribusiness groups in writing to members of the Senate Finance Committee last week expressing support for Schwab's approval.

The letter states, "Ambassador Schwab's World Trade Organization (WTO) expertise and experience as an agricultural negotiator at USTR will serve her well as the chief negotiator for the United States." The letter went on to say that "[Schwab's] desire to achieve tangible results for American agriculture and agribusiness is precisely the leadership that is needed in the dynamic and sometimes difficult to navigate world of agricultural trade."

The Senate Finance Committee held a hearing last Tuesday on Schwab's nomination, with Committee Chairman Charles Grassley (R-IA) expressing hope that she would be confirmed by the full Senate later this week.

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## **NMPF Joins with Other Food Groups to Defend U.S. Food System**

A group of 19 food and agriculture associations, including NMPF, have launched a new web site dedicated to telling the real story of the U.S. food system. The web site was designed to explain the positive impact made by each participant in the food-production chain and help consumers separate fact from fiction when it comes to food. To access this new resource, visit [www.bestfoodnation.com](http://www.bestfoodnation.com)

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## **Associate Member Focus: Western Dairy Council**



[Western Dairy Council](#), an affiliate of National Dairy Council, is a non-profit nutrition education organization funded by dairy farmers and processors, which serves as a nutrition education resource to health professionals, educators, community leaders, the media and consumers in Colorado, Montana and Wyoming.

Western Dairy Council encourages consumption of milk and milk products within the context of a total diet in accordance with scientific recommendations. To learn more about the Council visit their [website](#) or contact [Thomas Jenkinson](#).

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