



National  
Milk Producers  
Federation

# News for Dairy Co-Ops

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September 11, 2006

Volume 64. No. 18

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Market Prices

## USDA to Hold Additional Hearing This Week on Make Allowances

The U.S. Department of Agriculture will hold another hearing to examine whether manufacturing allowances for cheese, whey, butter and powder need to be adjusted and if so, by how much.

The hearing will be held Thursday, Sept. 14, in Strongsville, OH. The exclusive purpose of this week's hearing is to take into evidence data on plant manufacturing costs compiled by Cornell University, although the USDA announced that other "pertinent data" may also be accepted. At the same time, the USDA is also currently receiving additional proposals regarding all aspects of the Class III and Class IV price formulas. These proposals are due on or before Sept. 30. USDA will hold an information session on these proposals after they have been received and analyzed.

NMPF's Economic Policy Committee will review the latest Cornell data and discuss the implications of the hearing during a call later today.

NMPF's current position remains that the USDA can and should issue an interim decision that adjusts the make allowances upwards, while holding Class I and II prices harmless (i.e., continuing to price them off the current Class III and IV formulas until a final decision is rendered).

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## NMPF Again Urges USDA to Use DEIP Program

After Agriculture Secretary Mike Johanns told an audience of dairy farmers last week in Washington that he was not aware of the industry's interest in reactivating the dormant Dairy Export Incentive Program, NMPF sent another letter Friday to the USDA urging the agency to utilize the program.

In its letter, NMPF reminded the Secretary that while competitors in Europe have not refrained from using export subsidies, the U.S. has essentially ceased operation of the DEIP.

"Unfortunately, the way in which USDA has chosen to administer the program in recent years has undermined its potential effectiveness," NMPF wrote. "Our competitors continue to use export refunds as needed when world prices fall below domestic levels in order to achieve the important business goal of maintaining a continuous presence in key foreign markets. This is the approach that USDA should be taking with DEIP," NMPF said.

Full use of the DEIP was discussed with key USDA staff last March, and also back in the spring of 2005. Although the current DEIP marketing year began July 1, 2006, USDA has not yet even made an announcement about the program, let alone moved to accept

bids for export, the letter said, asserting that "it is particularly important for USDA to seriously reconsider how and when it administers DEIP in order to support a more constant U.S. presence in global dairy markets."

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## **No Resolution of Immigration Issue in Sight**

Congressional leaders appear to have given up any attempt at bridging differences between the starkly contrasting approaches that the House and Senate have attempted at immigration reform.

The House of Representatives held a series of field hearings throughout the country this past summer to focus on the issue of immigration reform and to examine certain provisions in the vastly different House and Senate bills passed on this topic. Now that the August Congressional recess is over, and Congress has returned to work, champions of the competing approaches to immigration reform are attempting to move the issue forward.

However, several House and Senate leaders are acknowledging the difficulty of passing a final immigration reform bill before Congress adjourns again at the end of September.

Senate Majority Leader Bill Frist said last week that "It would be next to impossible to pass a comprehensive bill that includes dealing with the diversity of 12 million people here in the next three weeks," the Tennessee Republican told reporters.

Meanwhile, leaders in the House last week emphasized their desire to pass border security legislation through Congress before the November 7 congressional elections, without the guest worker provisions that are the key to the Senate version.

"Before you have a guest worker program or any other program, you need to heal the wound or stop the bleeding," House Speaker Dennis Hastert said last week. "We need to solve the first problems first."

Many members of Congress that support comprehensive immigration reform, including a guest worker program and a way to address those currently here illegally, remain ardently opposed to tackling border security issues separately from a broader package. Several groups of dairy producers will be visiting Washington throughout September, delivering the message that what is needed is comprehensive immigration reform, particularly a version that contains the favorable AgJOBS provisions, and does not unfairly penalize employers as part of its enforcement mechanisms. Letters and phone calls delivering this same message will also be key in trying to avert passage of an enforcement-only immigration reform bill this fall.

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## **NMPF Submits Comments on EPA CAFO Rule**

NMPF recently submitted comments on the latest effort by EPA proposal affecting large-scale livestock operations. Quite a few of the proposed changes will affect dairy operations that fall under the CAFO category. The rule is formally titled the Revised National Pollutant Discharge Elimination System (NPDES) Permit Regulation and Effluent Limitation Guidelines for Concentrated Animal Feeding Operations (2003 CAFO rule).

In general, NMPF is in support of EPA's proposed changes as they rightfully clarified

portions of the Clean Water Act. A major change will affect who and who will not need a permit. As a result of the Waterkeeper Decision court decision, EPA vacated the "duty to apply" requirement and revised the rule to state that only CAFOs that discharge or propose to discharge will need to obtain an NPDES permit. NMPF believes the "duty to apply" requirement was rightly ruled invalid as the Clean Water Act subjects only actual discharges to permitting requirements.

EPA also proposed to require that the CAFO's Nutrient Management Plan (NMP) must be incorporated in the permit and reviewed by the permit authority as well as be available for public review. EPA was mandated to include this change as part of the Waterkeeper Decision. NMPF has concerns about the public review process, and recommended that EPA ensure an effective review process so that producers may obtain their permits in a timely manner.

Another area of concern for NMPF is the issue of deadlines for obtaining a permit. Currently, the deadline for obtaining an NPDES permit and developing and implementing an NMP is July 21, 2007. Because the proposed rule will likely not be finalized for several months, producers will not have adequate time to address the new changes by the current deadline. NMPF strongly encouraged EPA to extend the current deadline so that producers have ample time to comply with the new regulations.

In the proposed rule, EPA asked for comments on developing approaches to deal with both water and air quality issues. NMPF recommended that EPA examine the potential for a coordinated Clean Water Act and Clean Air Act regulatory proposal for CAFOs. NMPF believes that such an approach would substantially reduce the costs of compliance for dairy producers and improve overall environmental quality.

It is anticipated that the final CAFO rule will be published sometime next spring. For a copy of NMPF's comments, visit the NMPF website.

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## **Prairie Farms Dairy, Inc. Appoints New Chief Executive**

The Board of Directors of Prairie Farms Dairy, Inc. has appointed Edward L. Mullins as Executive Vice President and Chief Executive Officer. Mr. Mullins' appointment follows Roger D. Capps, who served as CEO of the dairy cooperative from October 2000 until his death on July 15, 2006.

Mr. Mullins becomes only the fourth Chief Executive in the sixty eight year history of this Midwest dairy food processor and distributor. Ed joined Prairie Farms Dairy in 1980, working in retail dairy sales. Throughout his twenty six years with the company, Ed has worked alongside former CEO, the late Leonard J. Southwell, as well as Roger Capps in various key management capacities. Since September 2003, Ed had served as Senior Vice President, reporting to Mr. Capps.

In accepting the assignment, Mr. Mullins stated, "I am honored to have the confidence and support of the Board of Directors in appointing me as Chief Executive Officer." Mullins added, "I am fortunate to have worked with two icons in the dairy industry such as Roger Capps and Leonard Southwell. My job will be to build upon their great legacy in a way that would make them proud everyday."

Headquartered in Carlinville, Illinois, Prairie Farms Dairy, Inc. is a dairy farmer owned cooperative company. Founded in 1938, Prairie Farms manufactures and distributes a complete line of fresh dairy and ice cream products from thirty-two operating plants throughout Mid-America. Prairie Farms Dairy is the managing partner with joint venture companies, Hiland Dairy in Springfield, MO; and Roberts Dairy in Omaha, NE.

