



National  
Milk Producers  
Federation

# News for Dairy Co-Ops

National Milk Producers Federation • 2101 Wilson Blvd., Arlington, VA 22201 • 703-243-6111 FAX 703-841-9328

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## Market Prices

### NMPF Says Peterson's Farm Bill Package Right On Target

The National Milk Producers Federation expressed its strong support for the Farm Bill package unveiled last week by House Agriculture Committee Chairman Collin Peterson (D-MN), as the Chairman's blueprint largely mirrors the farm policy proposals put forth earlier this spring by NMPF.

The Agriculture committee is expected to meet for the next several days, starting tomorrow, to mark up all of the various titles of the 2007 Farm Bill, including dairy. NMPF will be monitoring that process closely to determine that the current version remains acceptable to its members.

"The dairy policy provisions of Rep. Peterson's legislation are ones we have sought, and will urge the other members of the Agriculture Committee to support," said Jerry Kozak, President and CEO of NMPF. "Chairman Peterson has listened to dairy farmers across the country about their expectations for the Farm Bill, and this legislation demonstrates that he heard what they had to say."

The Chairman's mark includes, as the primary dairy producer safety net, a major revision of the dairy price support program, one that NMPF had suggested to the committee earlier this spring. The panel also included other provisions supported by NMPF, such as a reauthorization of the Dairy Export Incentive Program, and language to fully implement the promotional checkoff on all dairy imports. The import assessment updates the domestic dairy checkoff so that it applies to imported dairy products as well, as is the case with most other agricultural commodities' checkoff programs.

"The import assessment was one of the most important goals for producers when NMPF conducted its Dairy Producer Conclave meetings last year, prior to the development of our own set of Farm Bill priorities," Kozak said.

The Peterson bill also extends the current Milk Income Loss Contract program for the length of the next farm bill, at the current payment rate of 34% of the difference between the monthly Class I price and \$13.69/cwt.

Significantly, the Chairman's mark contains language to create a forward contracting program for producers who sell milk in classes II, III and IV, provided that producers cannot be coerced into signing a contract with a processor, and provided that the program sunsets with the other elements of the farm bill. Those latter two stipulations were not in the version of the farm bill initially approved by the House Livestock and Dairy subcommittee last month, but were added to the version to be considered next week by the full Agriculture Committee.

"Although forward pricing is not universally supported by the dairy producer community, inclusion of these safeguards provides a reasonable compromise to balance this volatile issue," Kozak said.

The Chairman's mark also includes language requiring the U.S. Department of Agriculture to account for its inventory reporting procedures on nonfat dry milk (which the agency did late last month), and provisions that requiring the USDA to expedite the hearing process for making changes in Federal Milk Marketing Orders.

A full copy of the Chairman's Farm Bill can be found [here](#) or <http://agriculture.house.gov/inside/2007FarmBill.html>. A copy of NMPF's farm bill package can be found at [www.nmpf.org](http://www.nmpf.org).

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## **Class III/IV Formula Hearing Ends**

After convening near Cleveland in February and reconvening in Indianapolis in April, the latest USDA hearing on the Class III and IV price formulas finally wrapped up last week in Pittsburgh.

At last week's session, a processor witness fleshed out two IDFA proposals to adjust the protein formula for processing losses and for the lower value of whey butter. These changes, if adopted, would reduce the Class III price formula by about 75¢/cwt.

Mark Stephenson of Cornell University presented per-pound processing costs for butter, nonfat dry milk, cheddar cheese, and dry whey. This was an update of the cost survey that Dr. Stephenson conducted last year, which was considered in developing the current Federal order make allowances. According to the results presented this week, butter costs were up 7.4¢ per pound, nonfat dry milk costs up 2.4¢, dry whey costs up 0.4¢, and cheddar cheese costs down 0.5¢.

At NMPF's request, Dr. Stephenson provided separate electricity and fuels costs of processing. This data provides additional support for NMPF's proposal to index the energy cost components of the Class III and IV make allowances.

Post-hearing briefs from participants are due on September 14, and an interim decision could be issued by the end of the year. The hearing is well-documented [here](#) or [www.ams.usda.gov/dairy](http://www.ams.usda.gov/dairy). If you have questions, please call Roger Cryan in the NMPF office.

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## **USDA Estimates Impact of Nonfat Dry Milk Misreporting at \$50 Million**

The National Agricultural Statistics Service (NASS) has issued a special report containing revisions to their reported nonfat dry milk prices for the 50 weeks ending April 14, 2007 - a report which concludes that reporting errors cost dairy farmers \$50 million in lost income.

The errors corrected in this report were caused primarily by the reporting of powder sold under long-term contracts. Sales at prices set more than 30 days before the transaction are not supposed to be included under USDA's rules; their inclusion resulted in an average under-reporting of the nonfat dry milk price by about 2¢ per pound.

On the same day, the Agricultural Marketing Service (AMS) issued its estimate of the producer price impacts of this misreporting on the Class II, Class IV, and uniform prices over 14 months ending with May 2007. AMS made simple static estimates of these

impacts, applying the NASS revisions directly to the Class price formulas and assuming that the changes would not have any other impacts on marketing or production. AMS found that the 2¢ per pound under-reporting of the nonfat dry milk price led to an average 19¢ per hundredweight reduction in the Class II price from June 2006 through May 2007, and to an average 17¢ reduction in the Class IV price from April 2006 through April 2007. In total, this worked out to a loss of just under \$50 million from Federal Order pool values, or 4¢ per hundredweight. NMPF, along with the National Farmers Union, has asked the USDA to use dairy indemnity funds to compensate producers for the lost revenue.

NASS' special report containing the revisions can be found [here](#). AMS' estimate of the Federal order price impacts can be found [here](#).

If you have questions about these reports, please contact [Roger Cryan](#) in the NMPF office.

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## **USDA Finally Implements Mandatory Price and Inventory Reporting**

USDA has issued an interim rule for mandatory dairy product price and inventory reporting. The rule was published in the Federal Register on July 3, 2007, and goes into effect on August 2, 2007, seven years after Congress first authorized it. The rule will help correct misreporting errors like the one mentioned in the previous story.

The rule will require participation in the current dairy product prices survey and the dairy elements of the current cold storage survey by the same parties that are now eligible to participate voluntarily. This includes cold storage reporting for all natural cheeses, anhydrous milkfat, butteroil, and unsalted butter, in addition to cheddar cheese, salted butter, nonfat dry milk, and dry whey. Willful refusal to report or false reporting could lead to fines of up to \$10,000 for each offense.

Responding to producer concerns about the integrity of Federal Order pricing and the accuracy of USDA market information, NMPF worked with processor groups to pass the original law in 2000, and has been vocal about getting such a rule put into place. The interim rule will expire on June 28, 2008. The full text is available at the [AMS website](#). Comments are due to USDA by September 4, 2007. NMPF will prepare comments in pursuit of a fully effective permanent program. If you have any questions, or want to discuss NMPF's comments, please contact Roger Cryan in the NMPF office.

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## **Immigration Reform Prospects Bleak for Remainder of 2008**

The Senate voted twice in the past month against comprehensive immigration reform, leading supporters of reform to believe that the prospects for a broad-based reform of immigration laws are negligible.

Nevertheless, NMPF is asking its members to thank those 46 Senators who did vote in favor of cloture (and by extension, in favor of the legislation). It is also worth contacting the 53 Senators who voted against the measure, since some of them are from dairy states where the labor shortages are not going to get better.

Despite the setback for a comprehensive reform package, key supports of the AgJobs legislation have stated that they will consider trying to move that specific piece of legislation in the coming year.

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## **NMPF Urges Congress to Support the Korea FTA**

NMPF has signed on to a letter, along with 34 other agricultural organizations, urging Congress to support the Korea U.S. Free Trade Agreement.

The letter explained how America's farmers, ranchers and agribusiness for decades to come would benefit from the nearly \$2 billion in U.S farm exports becoming duty-free through the agreement.

Korea "is one of the most highly protected agricultural markets in the world, its average agricultural tariff rate is 52 percent - with tariffs on some products ranging well over 100 percent," the letter said. "We have in our grasp the opportunity to gain the elimination of these restrictions on products from the United States. We cannot afford to fumble it away."

The letter goes on to detail how Korea is a top export market for US food and agricultural products, however that is changing rapidly. In 1996, the U.S. share was nearly 45 percent. In 2006, it is estimated to have declined to less than 20 percent. This FTA offers the potential to reverse that trend and permit us to regain our historical share of this large and growing market.

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## **NMPF Writes to FDA about Canadian Milk Shipments into the US**

NMPF recently wrote to the FDA concerning milk shipments by six Canadian dairy farms into New York state. The Canadian dairy farms in question are operating without the appropriate oversight of Canadian government officials, as they are working outside of the Canadian milk quota system. In May the Canadian government ceased their support of these dairy farms and since then has not been providing any inspection or support activities.

NMPF questioned the validity of the Federal Import Milk Act Permit which FDA recently renewed for these farms. At the time of renewal, all of the requirements, including inspections by Canadian government officials, were certified by Canadian government officials. Circumstances are now different, however, and the Canadian government officials are not providing any support for the dairy farms operating under the permit. Because of this, NMPF argued that the certifications initially provided are now invalid and the permit needs to be revisited. New York and any other states that may be accepting this milk are only doing what is required of them as a result of the Federal Import Milk Act Permit. Because of this, it is FDA's responsibility to swiftly react to rectify this situation.

NMPF urged FDA to fully re-examine the current FIMA review process to provide for a more meticulous examination of applying companies' abilities to live up to their obligations under the FIMA.

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## **Codex Cheese Standard Approved**

At its meeting on July 2-7, the Codex Alimentarius Commission adopted 16 Codex Standards for cheese varieties after endorsement of the labeling provision for mandatory

labeling of the Country of Origin in these standards. The adoption of these revised Codex standards reconfirms the generic nature of the cheese varieties concerned and concludes almost 15 years of work to revise them.

Finalizing the standards is a major achievement for Codex and should be beneficial overall to the U.S. dairy industry. The standards recognize the current knowledge in dairy science and contemporary cheese manufacturing technology in international Codex regulations. It also reveals strong prospects for further development and product innovation in the dairy industry. The following cheese standards were adopted: Brie, Camembert, Cheddar, Cottage Cheese, Coulommiers, Cream Cheese, Danbo, Edam, Emmental, Gouda, Havarti, Mozzarella, Provolone, Samsø, St. Paulin, and Tilsiter.

A second success for the dairy industry at the Codex Alimentarius Commission meeting was the resolution of the dispute over the nitrogen conversion factor for milk protein and soy protein. The established nitrogen-protein conversion factor for milk and milk products of 6.38 and soy protein of 5.71, as contained in the adopted Codex Draft Revised Standard for Infant Formula and Formulas for Special Medical Purposes Intended for Infants, was confirmed. The decision was based on the scientific input and advice provided by the dairy industry to the Codex Committee on Nutrition and Foods for Special Dietary Uses (CCNFSDU) in 2006. If the protein conversion factor had not been appropriately established, dairy proteins would have been unfavorably positioned against soy proteins for use in infant formula products.

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### ***News for Dairy Co-Ops Moving to Monthly Publication***

In an effort to streamline NMPF publications, this newsletter will now be published on the first Monday of every month. The next edition will come out on Monday August, 6th.

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### **Associate Member Focus: The Dairy Institute of California**

The Dairy Institute of California is a non-profit trade association that represents milk and dairy processors in California on legislative and regulatory matters at the state and federal levels.

The Institute's office is located in Sacramento, California. In addition to an Executive Director and Economist, the Institute also provides the services of legal counsel. The Dairy Institute is governed by a Board of Directors elected at the annual membership meeting. The Board meets at least three times annually - February, May, and November - and other times as necessary.

Dairy Institute's representative is Rachel Kaldor. To learn more about them, please visit their [website](#).

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Editor: Christopher Galen (703) 243-6111 E-mail: [CGalen@nmpf.org](mailto:CGalen@nmpf.org)