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Market Prices

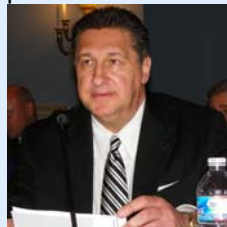
Farm Bill Process Takes Big Steps Forward in April



The process of making major, badly-needed changes in dairy policy took dramatic steps forward last month when both the House and Senate agriculture committees examined how best to improve the dairy safety net.

Last Thursday, the Senate Agriculture Committee approved a farm bill draft that contains sweeping improvements in dairy programs, including a new Dairy Production Margin Protection Program to help farmers mitigate the risks of volatility of both milk and feed prices. The farm bill was approved by a vote of 16 to 5, and now will proceed to the full Senate for consideration. The bill was not amended in any way that alters the basic framework and usefulness of either the margin protection or market stabilization elements.

The timing of further action is still to be determined; however, farmers should use [NMPF's Dairy GREAT email system](#) to send their senators a note, urging them to pass the farm bill this month.



Meanwhile, the House Agriculture Subcommittee on Livestock and Dairy held a hearing last week, specifically focused on dairy policy and the farm bill. NMPF President and CEO Jerry Kozak (left) explained why the [Dairy Security Act](#) will be crucial to improving the federal safety net for dairy producers. Most members of the House panel seemed sympathetic to the argument that current programs aren't working, and that the compromise approach developed by NMPF has merits.

NMPF's position was bolstered last week by the appearance of a [new analysis of the Dairy Security Act](#) by Dr. Scott Brown of the University of Missouri. Brown's review found that margin volatility will be reduced through the DSA's margin protection and market stabilization features, and that neither exports nor consumer markets will be adversely impacted.

Senate Farm Bill Conservation Title Praised by Agricultural Stakeholders

Prior to completing work on the Senate Agriculture Committee's Farm Bill last month, committee staff provided a preview of certain draft titles. NMPF had the opportunity to see an outline of the key aspects of Title II, the conservation title. For the most part, the elements were similar to those included in the failed Super Committee package, which has earned praise from nearly all stakeholders representing agricultural and conservation organizations. Altogether, the legislation would remove \$6 billion from the conservation title, while consolidating and simplifying a number of the programs. These provisions are featured in the bill that was ultimately approved by the committee last Thursday.

For dairy farmers, the major priority in the conservation title is to continue a strong Environmental Quality Incentives Program (EQIP), while maintaining the carve-out for livestock at 60 percent. NMPF was also pleased to see additional attention to haying and grazing.

The conservation title would set up four new provisions of the title: Working Lands, Easements, Conservation Reserve Program (CRP) and Partnerships. Here is a brief synopsis of each provision:

Working Lands

Three existing programs would be consolidated into this section, which would include EQIP, Wildlife Habitat Incentives Program (WHIP) and the Conservation Stewardship Program (CSP). WHIP would be folded into EQIP since both programs can be duplicative in their efforts on the farm. WHIP would receive a carve-out of 5 percent of the funding. Again, EQIP would maintain the 60 percent funding carve out for livestock – a major victory for dairy farmers. The CSP program would be simplified and administered on more of a science-based process.

Easements

This section would consolidate the Farmland Protection Program (FRP), Grassland Reserve Program (GRP) and the Wetlands Reserve Program (WRP) into one program, with two program options dealing with agriculture lands and wetlands. An important element of this section is extra attention to haying and grazing, including making permanent a grazing pilot program from the 2008 farm bill. Also, the 2008 farm bill prohibited enrollment of land if ownership had changed during the previous seven years. This has now been changed to two years.

CRP

Over the next farm bill, the CRP acreage will be stepped down, and capped at 25 million acres, from the current 32 million acres. NMPF put specific focus on haying and grazing, in order to simplify the process and allow for 1.5 million acres to become grasslands. Expiring acreage will have the priority for haying and grazing, but all acreage will technically be eligible. Also, there will be a better process for expiring acres interested in moving into an easement program or CSP.

Partnerships

Four partnership programs currently in the farm bill will be grouped together under the draft conservation title, including: Agricultural Water Enhancement Program (AWEP), Cooperative Conservation Partnership Initiative (CCPI), Chesapeake Bay Watershed Initiative (CBWI) and the Great Lakes Basin Program (GLBP). These programs currently work through existing programs, such as EQIP, CSP and easement programs. In regard to eligible entities, the language will be taken from the AWEP and CCPI programs, thus continuing to allow farmer cooperatives to participate as a partner. The funding for these programs will be allocated on a needs basis determined by the Secretary, and will be distributed with the following formula: 50% national, 25% to states, and 25% to critical conservation areas. This section may prove to be a great opportunity to address the unique needs of dairy farmers in specific areas of the country.

If you have any questions or need any additional information, please contact [Dana Brooks](#).

CWT-Assisted Exports Approach 90 Million Pounds in 2012

In April, [Cooperatives Working Together](#) (CWT) accepted 55 requests for export assistance from member cooperatives accounting for nine million pounds of Cheddar and Monterey Jack cheese, and 7.5 million pounds of butter. This brought the totals for the first four months of 2012 to 46.9 million pounds of cheese, and 40.8 million pounds of butter. That is the equivalent of 1.322 billion pounds of milk on a milkfat basis, or the annual production of nearly 63,000 cows.

CWT also decided last month to expand the products for which it will consider providing export assistance. Whole milk powder (WMP) and anhydrous milk fat (AMF) bids will be considered moving forward. As with butter and cheese, neither Mexico nor Canada is eligible as a destination for the two new product categories.

As with all the requests for assistance that CWT receives from member cooperatives, a thorough analysis of the WMP and AMF bids submitted will be done, based on market fundamentals. If the level of assistance requested is economically justified, CWT will accept the bid. If not, CWT makes a counter offer for the member

cooperative to either accept or decline. Of the 397 requests for assistance submitted, 286 were accepted by CWT, either initially, or after counter offers from member cooperatives.

Federal Court Upholds Milk Regulatory Equity Act



On April 13, the [D.C. Court of Appeals issued its decision](#) upholding the Milk Regulatory Equity Act, supported by NMPF and passed by Congress in 2005 to provide for more consistent regulation of milk handlers in the Southwestern United States. Among other things, the law put a size limit on the producer-handler exemption in the Arizona Federal Milk Marketing Order.

The owners of one large producer-handler took the government to court over this change, arguing that the law was an illegal attack on his business alone, and that he was denied due process and equal protection of the law. In its decision, the Court of Appeals agreed with the lower court that the government was well within its rights, based on settled constitutional law, to bring the producer-handler under the same regulation faced by other, competing handlers. According to that decision, such producer-handlers “have no liberty or property interest in the regulatory status quo.” That is, they don’t own the old regulation or have any right to compensation or remedy for its amendment.

CFTC Approves Dodd-Frank Rules That Limit Burden on Cooperatives and Farmers

The Commodity Futures Trading Commission (CFTC) approved two final rules on April 18 that will help farmers, cooperative, handlers, grain elevators, and other agricultural businesses avoid unintended regulation under the Dodd-Frank Wall Street Reform Act, which has been a priority for NMPF during the past two years.

The first of these rules defines “Commodity Options” subject to regulation by the Commission. The Commission excluded most of the ancillary “trade options” (including penalties, buyouts, etc.) in contracts whose main purpose is not the option, but to buy and sell physical commodities. This exclusion was in response to comments – including those from NMPF – noting that excessive regulation of trade options in commercial contracts would paralyze American business, and urging CFTC to define an effective exclusion.

The second rule defined “swap dealers.” Many farmer cooperatives, grain elevators, and handlers provide farmers effective specialized risk management services. Initial versions of this rule would have defined such services as “swap dealing,” subjecting the service provider to heavy reporting requirement and limits on their business, driving many of them out of the risk management business, and making effective risk management difficult or impossible for many farmers to find. The final rule 1) provides an exception for bona fide hedging of physical commodity risk, 2) exempts affiliate transactions such as cooperative-member dealing, and 3) provides an additional de minimis exemption for other commodity trading of up to \$8 billion in transactions per year. This \$8 billion exemption phases down to \$3 billion per year, which will allow agricultural businesses to adjust to the new rules.

These rules are the culmination of two years of work by NMPF in making the Dodd-Frank rules manageable for farmers and their cooperatives. This began with ensuring that the original legislation provided for substantial end-user exemptions, and continued through a long series of CFTC notices and rules which NMPF has reviewed and commented upon. Many of these rules, as initially proposed, would have brought agricultural businesses under heavy regulatory burdens, imposed extreme record-keeping requirements, set unworkable position limits, and discouraged many current providers of farm risk management services from continuing in that business. NMPF, along with other agricultural commodity groups, submitted comments, attended

meetings, and made a strong case for agriculture's risk management needs. Ultimately, CFTC recognized these needs and provided for effective differentiation in the rules between speculation and commercial agricultural hedging.

Department of Labor Withdraws Controversial Child Labor Proposal for Farms

Last week, the Department of Labor (DOL) withdrew its contentious proposed rule restricting the work that children could do on farms. In a [statement issued by the DOL](#), it was made clear that the proposed rule would not be pursued for the duration of the Obama Administration.

NMPF was encouraged by the Department's recognition that the path it was on with this proposal was an affront to millions of family members on farms and ranches across America. Many of them had objected to what the Labor Department was planning to do, and they voiced their concerns to the DOL, as well as to Congress. The withdrawal of the proposal "is a victory for common sense," according to NMPF President and CEO Jerry Kozak.

The proposed child labor rule would have changed the definition of the "parental exemption," changed the student learner exemption, and significantly redefined what practices would be acceptable for youth under the age of 16 to participate in. These changes drew objections from NMPF, along with other major agricultural organizations, because of the significant impact the change would have had on rural communities and families. Instead, the DOL says it will work with rural stakeholders to develop education programs to reduce accidents to young workers and promote safer agricultural working practices.

USDA Confirms Fourth Case of BSE

The USDA's Animal and Plant Health Inspection Service (APHIS) confirmed the detection of Bovine Spongiform Encephalopathy (BSE) in a dairy cow from Tulare, California, last week, the nation's fourth case of BSE. The cow was never presented for slaughter for human consumption; it was targeted for postmortem screening at a rendering facility near its home farm in California, according to the USDA.

After the announcement on April 24th, NMPF [issued a statement](#) saying that "America's dairy farmers are encouraged that the on-going surveillance and inspections performed by federal authorities continue to ensure that BSE does not enter the U.S. food supply."

This is the fourth mad cow case in the U.S. since December 2003, when a cow imported from Canada was diagnosed at slaughter. The two cases since then, along with this recent case in California, were infected with an atypical strain of BSE that does not appear to be related to the consumption of feed infected with the prions that cause BSE. It was infected feed which spread the disease to nearly 200,000 cattle in Europe in the 1980s and 1990s, where approximately 176 people later contracted a fatal encephalopathy from eating tainted beef products.

Scientific research indicates that BSE cannot be transmitted in cow's milk, even if the milk comes from a cow with BSE. In fact, the World Health Organization (WHO) has stated that tests on milk from BSE- infected cows have not shown any BSE infectivity. Milk and milk products are considered safe.

NMPF Responds to Allegations by the Cheese Importers Association of America

Following the [March 29th announcement](#) that NMPF will assume management of the REAL[®] Seal, the Cheese Importers Association of America (CIAA) [issued a news release](#) alleging that this change in management of the REAL[®] Seal program will violate a law requiring the imposition of fees on imported dairy products.

The CIAA release contained incorrect information and factual errors which necessitated a response from NMPF.

"It appears that the CIAA lacks full knowledge of the history, ownership, and use of the REAL[®] Seal program and the concerns voiced by that organization are clearly misplaced," said Jerry Kozak, President and CEO of NMPF. Kozak said the following points were important to more completely understand the issue:

1. The United Dairy Industry Association (UDIA), a federation of 18 state and regional dairy research promotion boards, owns the REAL[®] Seal and is free to license it as the organization deems appropriate. NMPF will now be managing the licensing and marketing of the REAL[®] Seal, but ownership of the trademark remains with UDIA. NMPF has long-standing relationships with many of the current users of the Seal, making it a natural fit to carry out the aims of the program.
2. UDIA is a different organization from the National Dairy Board (NDB). When U.S. dairy farmers pay their 15 cents per hundredweight promotion assessment, 10 cents goes to state and regional promotion entities affiliated with UDIA or other qualified programs, and 5 cents goes to the NDB. While the NDB and the UDIA created Dairy Management, Inc. ("DMI") through which to share staff resources and maximize organizational efficiencies, the UDIA and the NDB remain separate and distinct entities.
3. The 7.5 cents per hundredweight import assessment that is paid by importers for promotion purposes is directed to the national dairy promotion program operated by the NDB. The import assessment is not paid to the UDIA.
4. Legislation that established the dairy import assessment does not impose limitations on how UDIA manages its assets, including the REAL[®] Seal. No funds from the NDB have been or will be used for National Milk's operation of the REAL[®] Seal Program.

Midwest Producer Represents Dairy Industry as Agriculture Advocate



The [U.S. Farmers & Ranchers Alliance](#) (USFRA) recently trained 18 farmers and ranchers from throughout the United States in their first Conversation Leader training. These farmers and ranchers were nominated by USFRA affiliates as outstanding agriculture advocates that can serve as spokespeople for USFRA. The training took place on March 28th and 29th in Chicago, IL.

Suzanne Vold (left), a dairy producer with NMPF member cooperative Land O'Lakes, was nominated as a Conversation

Leader to participate in this training by NMPF, which is an affiliate of USFRA. The training provided her with information and hands-on experiences that will allow her to engage in more meaningful conversations about her farm and farming practices with consumers.

The training focused on engaging in a conversation about food production, rather than defending food production. This was accomplished through conversation training, social media training provided by AgChat Foundation, and hands-on workshops that focused on message development, media interviews, panel discussions and social media interaction. The second day of training included a breakfast that allowed the farmers and ranchers to engage in a conversation about how food is grown and raised with Chicago area food bloggers.

"We are so pleased to have such a wide variety of farmers and ranchers in attendance for our first Conversation Leader training," said Bob Stallman, President of the American Farm Bureau and Chairman of USFRA. "It is imperative for farmers and ranchers to have their voices included in the conversations about how food is grown and raised. USFRA will be using this team to serve as USFRA's go-to farmers and

ranchers for high level engagement such as meetings, tours, and media interviews." Sessions are currently being planned to train additional Conversation Leaders to lead the conversation about how food is grown and raised.

NMPF Bids Farewell to Two Staff Members, Welcomes a Third



After serving NMPF for over a decade in a number of capacities, Roger Cryan, Vice President of Milk Marketing & Economics, has left the organization to rejoin the AMS Dairy Programs staff at USDA from which he came nearly 12 years ago.

Cryan is most known to the membership for his invaluable work on Federal Milk Marketing Order developments and other issues pertaining to economic policy. He has been a steadfast advocate for dairy producer interests, and his keen

insight and wide knowledge of milk marketing in the U.S. will be missed, according to NMPF President and CEO Jerry Kozak.

In his new position, Cryan will assume the office of Director, Economics Division, Dairy Programs, where he will manage the Economic Analysis Branch, Market Information Branch and Dairy Market News Office, among additional duties.

In the near term, Cryan's duties will be divided among existing staff. An assessment of the future direction of this position is now underway.

Meanwhile, David Hickey, Director of Government Relations, has also left NMPF to join his family's business venture, a global consulting firm specializing in corporate facilities relocation and site selection.

After joining the staff in early 2010 to work as a lobbyist on dairy policy, Hickey established himself as an in-house expert on environmental, energy, and other issues. His prior experience on Capitol Hill and at the National Association of State Departments of Agriculture proved useful in promoting the interests of the NMPF membership.

To fill Hickey's position, John Hollay (above left) will be joining NMPF on Monday, May 7th, as the new Director of Government Relations. Hollay will be coming from Connecticut Congressman Joe Courtney's staff, where he served as Legislative Assistant with responsibilities for issue areas pertaining to dairy policy, general agriculture, energy, environment, and labor. He was also the lead Congressional staffer on the re-establishment of the Dairy Farmer Caucus on Capitol Hill. Hollay will be introduced to the NMPF membership at the upcoming Board of Directors and YC meeting in June.

Starting Monday, Hollay will be reachable at jhollay@nmpf.org.

Associate Member Focus



South Dakota Dairy Producers (SDDP) was formed in April 2009 to represent the dairy producers' interests in South Dakota. They help share public policy by working with industry partners and to educate and mobilize their members.

SDDP organizes activities and initiatives and coordinates information for South Dakota dairy producers while developing programs to enhance the South Dakota dairy industry economically, environmentally, and socially. In addition, their goal is to unite individuals and businesses from all sectors of a diversified dairy industry to facilitate collaborative industry efforts for the good of all its members.

SDDP's priorities are to develop policy for future programs and initiatives that will

provide for a sustainable South Dakota dairy industry. Some of these issues include legislative matters, environmental compliance, permitting, and educational and profitability enhancement.

Headquartered in Brookings, SD, SDDP's contact is Roger Scheibe, who can be reached at sddairyproducers@gmail.com. To learn more about SDDP, please visit their website at www.sddairyproducers.org.

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