

I would like to address an issue from the 2002 farm bill which has not been implemented. USDA should implement the collection of Dairy Promotion and Research checkoff dollars on imported dairy products. Trade representatives contend since Alaska & Hawaii do not participate we can not assess checkoff dollars on imported products. The production in Alaska & Hawaii make up .00014 of the total US production. The WTO has more pressing issues than to worry about a discrepancy of this little magnitude. We also could exclude the imports into Alaska & Hawaii from being assessed checkoff dollars. However, these excluded imports should be imported into and processed within those two states.



Maryland & Virginia

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South East Dairy Farmers Association

LEGISLATIVE ISSUES OCTOBER 2005

ISSUES TO RAISE – BACKGROUND AND TALKING POINTS

DISASTER RELIEF

PRODUCERS IN LOUISIANA, ALABAMA, MISSISSIPPI AND EAST TEXAS HIT HARD

- The total cost to dairy farmers of damage to structures and land, lost cattle and lost production is expected to approach \$50 million.
- All farmers in the region share the cost of transporting milk during deficit periods, including times where milk supplies are disrupted by natural disaster.

DAIRY PROPOSALS FOR BUDGET RECONCILIATION

Modifications to the Dairy Price Support Program Create Instability and Lower Farmer Income

- The plan to mandate four tilts a year in the Dairy Price Support Program would reduce farmer income because there is only one reason to do a tilt – to try to reduce CCC purchases by discouraging milk production with lower farm prices
- Twice per year authority for tilts is plenty to control the cost of the Dairy Price Support Program
- We would NOT support a direct payment program such as MILC being paid for by weakening the Dairy Price Support Program.
- Maintaining the integrity of the Dairy Price Support Program is consistent with leaving the current provisions of the 2002 Farm Bill intact.

MILK PROTEIN CONCENTRATE TARIFF LEGISLATION – SUPPORT HR 521 (SHERWOOD-OBEY)

U.S. Farmers and Taxpayers Paying Cost of Cheap Imports of Dairy Proteins

- The legislation is compliant with our international trade obligations. The WTO Agreement allows renegotiation of tariffs by affected countries, with compensation.
- The legislation addresses the compensation issue from dairy. (current 3-year average of imports plus 10% still comes in under current tariff structure.)
- As world dairy protein prices went up in 2004 imports slowed to a trickle. Now that supplies are more plentiful, MPC imports in the first quarter of 2005 were 57% higher than in the same period a year earlier.

TRANSPORTATION COSTS IN THE SOUTHEAST

- The cost of moving supplemental milk into the Southeast to keep the Class I market adequately satisfied is paid by dairy farmers in the region. The Federal Milk Marketing Orders offer some possibilities for easing this tremendous cost but amendments can take months or years. Is there anything that the Congress can do to improve the responsiveness of the Federal Orders?
- Improving the responsiveness of the Federal Orders is an issue producers and processors appear both to agree on.

UPDATE ON CURRENT BSE SITUATION

Dairy Farmers Favor "Consecutive" Rulemaking

- Current rules allow the importation of cattle under 30 months of age to go directly to slaughter or into feedlots designated for slaughter by 30 months of age.
- Dairy farmers are most interested in the rulemaking process to allow imports of replacement females to resume. Canada's quota system has historically meant a significant surplus of dairy breed replacement females. About 70,000 head a year were imported into the U.S. prior to the border closing.
- Adequate safeguards must be in place to assure that any dairy breed females imported and placed in feedlots go to slaughter and do not wind up in the U.S. herd.
- When it comes time to begin importing dairy replacement animals, USDA must be able to assure that Canada's safeguards at least match ours (e.g. the feed ban and listing of "Specified Risk Materials.") The FDA is in the process of harmonizing our feed ban with Canada's.

FREE TRADE AGREEMENTS

Dairy producers are pro "fair trade"

- Supported granting Trade Promotion Authority.
- Support the Chile, Singapore, CAFTA-DR and Morocco agreements.

Support Reforms to Level the Playing Field at the WTO

- The U.S. dairy industry supports the U.S. position seeking significant reforms at the WTO.
- Our trading partners must make significant reforms to compete more fairly.

WORLD TRADE ORGANIZATION (WTO)

- The U.S. Dairy industry supports efforts to reduce all market-distorting agriculture trading practices through WTO negotiations.

Export Subsidies

- Support the elimination of export subsidies.

Market Access

- Tariffs should be harmonized – cutting higher tariffs like those in the Canada and Europe by much larger amounts than lower tariffs like those in the United States.

Domestic Supports

- Domestic support levels should be also harmonized, so that Europe cannot continue to offer its farmers so much more support than the United States is allowed to use.

OUT OF MARKET REGULATION, PRODUCER HANDLER ISSUE

This legislation is about protecting the integrity of regulated milk marketing.

- Currently producer handlers who produce and package their own milk are not regulated by Federal orders as to minimum pricing provisions.
- Similarly related, plants located outside State orders selling into a State order, but not regulated by a Federal Order, have to meet NO minimum price provisions.
- Subjects specified Class I milk handlers (including producer-handlers) to Federal milk marketing order minimum and uniform price requirements applicable to the county in which the plant of the handler is located, at Federal order class prices, if the handler has packaged fluid milk product route dispositions, or sales of packaged fluid milk products to other plants, in a marketing area located in a State that requires handlers to pay minimum prices for raw milk purchases.

FORWARD CONTRACTING

There is simply no reason to resurrect dairy forward contracting.

- If a producer wants a forward pricing risk management tool, he already has the ability to achieve the same degree of risk management using the futures market.

The forward pricing pilot program has great potential to undermine the farmer's minimum price guarantee under the federal order system.

- Forward contracting allows manufacturers to "double-dip" in milk marketing pools. They get the benefit of pooling in lower cost manufacturing milk but have no obligations to the pool on contracted milk.
- There appears to be a bias towards lower producer prices for contracting producers, even in the long run.
- A small but significant percentage of contract producers felt that they would lose their milk outlet if they did not enter into a contract that stripped them of their federal order price protection, and did not even offer them enforcement of the contract price, except through the courts.
- In USDA's final analysis of the entire forward contracting pilot program, contracted prices averaged lower than non-contract prices.

ANIMAL IDENTIFICATION

Dairy farmers support USDA's five-year plan for a mandatory system.

- Nearly all dairy farmers ID the females born on their farms soon after birth.
- A mandatory system is necessary to achieve the goal of 48-hour traceback.
- The system must be effective and one the public trusts in the event of a crisis. The type of system developed must first meet those criteria.

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