

Congress Avoids a Shutdown; Makes Progress on Ag Labor, Trade

The First Session of the 116th Congress is in the books and major gains have been made on big issues for the nation's dairy producers. In the month of December alone, the U.S. House passed farmworker visa reform, the House and Senate sent two spending bills to avoid a federal government shutdown to the President for his signature and the House passed the new trade agreement with Canada and Mexico.

The labor bill and the trade agreement have been priorities for NAJ/AJCA and are discussed in detail below. Passing the spending bills was a remarkable display of bipartisanship with significance for the dairy industry. Major food assistance programs were reauthorized, farm economic safety nets were funded and nearly \$1 billion in cost-share assistance for environmental compliance on farms was approved for FY 2020.

U.S. House Passes Ag Labor Bill

For the first time in three decades the U.S. House of Representatives has passed a bill that would reform the visa program for foreign-born farm workers. HR 5038, "The Farm Workforce Modernization Act," was approved by a bipartisan vote of 260-165 on December 11th.

The bill includes the three priorities for immigration reform that NAJ and AJCA have advocated for on Capitol Hill for several years. It offers earned legalization for current workers, expands the H-2A program to include year-round work and it would provide access to a stable, legal source of workers when they are needed in the future. There are few issues as critical to the future of the dairy industry as the availability of labor so members of your Boards of Directors and the staff at the NAJ/AJCA office in Columbus made several phone calls and sent letters and e-mails in the lead-up to the vote.

Title I of the bill enjoyed unanimous support among farm groups because the months of negotiations produced language that successfully threaded the needle of providing current workers the opportunity

to stay in their jobs and for immediate family members living with them to have protection from deportation. Even though some advocates for reduced legal immigration yell "amnesty" at anything that allows current workers to stay, the bill places terms and conditions on that adjustment of status. First, workers who meet past and current work and residency requirements must pass a background check and pay any back taxes owed. They must also have been working in agriculture for at least 180 days over the past two years to qualify to stay.

The bill provides several incentives for continued work in agriculture. For example, workers who can document a decade or more of work in agriculture in the U.S. can qualify to apply for a green card after working at least 100 days or 575 hours in agriculture over the next four years. Those who can document less than 10 years of work in agriculture must work an additional eight years. Workers who wish to apply for a green card after meeting the qualifications must pay a \$1,000 fine when filing that application. Workers who do not wish to apply for a green card may receive a renewal of what would be called "Certified Agricultural Worker" status every five years.

Title II of the bill improves H-2A and expands it to allow farmers with year-round labor needs to petition for temporary workers under the program. Under this section of the bill farmers would petition for workers using one online portal rather than filing three separate applications with government agencies as is currently required. Farm employers could petition for workers for three-year visas. The seasonal program would continue with 10 months of work authorization at a stretch. Use of the annual Adverse Effect Wage Rate (AEWR) and requirements for employers to provide housing and transportation for the worker to and from the home country would remain. Under the bill H-2A workers are extended the same right to sue employers over workplace disputes as U.S. workers now have. The

bill would require mediation of the dispute if either party requests it within 90 days of a complaint filing.

This section of the bill also expands H-2A to allow farmers, for the first time ever, to petition for workers for year-round jobs. This part of the program requires employers to pay for at least one round-trip home each year, provide housing for the worker and offer family-style housing if that is common practice. The year-round program comes with a cap of 20,000 visas per year with half of those allocated to dairy employers. That cap can increase 12.5% per year beginning in year four. All H-2A employers must have a written heat safety plan. Dairy employers accessing year-round workers in the program must have a worker safety training and anti-sexual harassment and violence plan. Non-family member workers who handle the cattle must complete worker safety training.

Title III of the bill enhances border security by requiring farm employers to use the national online E-Verify system to confirm work eligibility for new job applicants and those with documents that expire.

The focus on passing farmworker visa reform that works for dairy producers now moves to the U.S. Senate. Immigration legislation is always challenging but with the Presidential election next fall the pressure is on to complete a bill early in the new year. Republicans are in the majority in the Senate so a bill will likely look different than the one that passed the House. NAJ and AJCA will continue to work on behalf the members for effective federal legislation to address the farm labor crisis.

North American Trade Deal Approved by U.S. House

Also this month, the U.S. House of Representatives overwhelmingly passed the new trade agreement with Mexico and Canada with a bipartisan vote of 385-41. The USMCA, as it is known, updates the North American Free Trade Agreement (NAFTA) that has been in effect for 25 years.

Along with labor reform, NAJ and AJCA Board Members encouraged key congressional allies to support the USMCA during the Washington, D.C. fly-in early this year. The new agreement reinforces our trading relationship with Mexico which

developed as the number one foreign market for U.S. dairy under the old NAFTA. Mexico now buys 25% of the dairy products the U.S. exports. The new agreement provides our customers in Mexico with the certainty that the U.S. will remain the reliable supplier of high-quality dairy products at the best prices.

There are also significant benefits in the new agreement with Canada. Of most importance was Canada's agreement to end their Class 6 and Class 7 dry dairy product export pricing program. The program allows Canada, with its tariff-protected domestic milk quota program, to offer dry dairy proteins on the world market at below the cost of production. That harms export prospects for countries all over the world, including the U.S., that export at market prices. Canada also agreed to allow slightly more access to U.S. dairy in its domestic market.

The U.S. also gained some ground on attempts by various countries to claim certain Geographic Indicators (GIs), or place names, for use only by products manufactured in certain areas. Some of those names have been used in commerce all over the world for decades. It is critical that U.S. manufacturers can continue to use them. The USMCA limits what our two neighbor countries can agree to on many GIs when negotiating trade agreements elsewhere.

Like the farmworker visa reform bill, the action on USMCA now moves to the U.S. Senate. The USMCA is expected to pass handily when the Senate takes up ratifying legislation. That is expected to happen in January but the Senate calendar for the month is not at all firm in light of the need to hold a trial on the two counts of Impeachment also passed by the House this month.



Milk & Component Outlook - November 2019 Jersey Price Comparisons

| <u>NOV'19(STATISTICAL BLEND PRICE</u> | | <u>NOV'19 MONTHLY MILK VOLUME</u> (Million #) | | <u>NOV'19 JERSEY REGULATED BLEND PRICE</u> | |
|--|----------------|--|---------------|--|----------------|
| Northeast (Boston) | \$19.20 | Northeast (Boston) | 2,075 | Northeast (Boston) | \$25.75 |
| Appalachian (Charlotte) | \$20.53 | Appalachian (Charlotte) | 386 | Appalachian (Charlotte) | \$23.48 |
| Southeast (Atlanta) | \$20.98 | Southeast (Atlanta) | 337 | Southeast (Atlanta) | \$22.09 |
| Florida (Tampa) | \$22.33 | Florida (Tampa) | 180 | Florida (Tampa) | \$25.85 |
| Mideast (Cleveland) | \$18.01 | Mideast (Cleveland) | 1,323 | Mideast (Cleveland) | \$24.10 |
| Upper Midwest (Chicago) | \$19.51 | Upper Midwest (Chicago) | 1,617 | Upper Midwest (Chicago) | \$25.30 |
| Central (Kansas City) | \$17.45 | Central (Kansas City) | 852 | Central (Kansas City) | \$23.24 |
| California (Los Angeles) | \$17.06 | California (Los Angeles) | 1,656 | California (Los Angeles) | \$20.23 |
| Southwest (Dallas) | \$17.48 | Southwest (Dallas) | 757 | Southwest (Dallas) | \$22.64 |
| Arizona (Phoenix) | \$18.53 | Arizona (Phoenix) | 369 | Arizona (Phoenix) | \$21.79 |
| <u>Pacific Northwest (Seattle)</u> | <u>\$17.64</u> | <u>Pacific Northwest (Seattle)</u> | <u>602</u> | <u>Pacific Northwest (Seattle)</u> | <u>\$23.11</u> |
| ALL FMMO MARKET AVERAGE | \$18.97 | ALL FMMO MARKET TOTAL | 10,154 | ALL FMMO MARKET AVERAGE | \$23.42 |

Prices reflect Federal Order minimum blend prices for city shown.

Total Grade A milk volume sold under FMMO during month.

Prices reflect FMMO minimum prices at Jersey component values.

| <u>NOV '19 JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS</u> | | <u>NOV'19 DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u> | | <u>NOV'19 PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u> | |
|---|----------------|--|---------------|---|--------------|
| Northeast (Boston) | \$26.04 | Northeast (Boston) | \$6.84 | Northeast (Boston) | 35.6% |
| Appalachian (Charlotte) (includes protein prem.) | \$23.98 | Appalachian (Charlotte) | \$3.45 | Appalachian (Charlotte) | 16.8% |
| Southeast (Atlanta) | \$22.09 | Southeast (Atlanta) | \$2.89 | Southeast (Atlanta) | 15.1% |
| Florida (Tampa) | \$25.85 | Florida (Tampa) | \$3.52 | Florida (Tampa) | 15.8% |
| Mideast (Cleveland) (includes protein premium) | \$24.94 | Mideast (Cleveland) | \$6.93 | Mideast (Cleveland) | 38.5% |
| Upper Midwest (Chicago) (includes cy premium) | \$25.64 | Upper Midwest (Chicago) | \$6.13 | Upper Midwest (Chicago) | 31.4% |
| Central (Kansas City) | \$23.24 | Central (Kansas City) | \$5.79 | Central (Kansas City) | 33.2% |
| California (Los Angeles) | \$20.23 | California (Los Angeles) | \$3.17 | California (Los Angeles) | 18.6% |
| Southwest (Dallas) | \$22.64 | Southwest (Dallas) | \$5.16 | Southwest (Dallas) | 29.5% |
| Arizona (Phoenix) (includes protein) | \$22.32 | Arizona (Phoenix) | \$3.79 | Arizona (Phoenix) | 20.4% |
| <u>Pacific Northwest (Seattle)</u> | <u>\$23.11</u> | <u>Pacific Northwest (Seattle)</u> | <u>\$5.47</u> | <u>Pacific Northwest (Seattle)</u> | <u>31.0%</u> |
| ALL FMMO MARKET AVERAGE | \$23.64 | ALL FMMO MARKET AVERAGE | \$4.83 | ALL FMMO MARKET AVERAGE | 26.0% |

Includes a protein premium of \$0.05 for every 0.01% increase in protein over the market average.

Prices reflect difference between Jersey price with premiums, and the statistical blend price.

Percent difference in Jersey price with premiums, over the statistical blend price.

| <u>ESTIMATED JERSEY MILK COMPOSITION</u> | <u>Nov-19</u> | <u>REGULATED MILK PRICES</u> | <u>Nov-19</u> | <u>AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:</u> | <u>Nov-19</u> |
|---|---------------|------------------------------|---------------|---|---------------|
| Butterfat | 5.24 | FMMO Milkfat | \$ 2.3195 | FMMO Milkfat Adjustment | \$2.80 |
| TRUE Protein | 4.15 | FMMO True Protein | \$ 3.9118 | FMMO True Protein Adjustment | \$3.30 |
| Other Solids | 5.73 | FMMO Other Solids | \$ 0.1112 | FMMO Other Solids Adjustment | (\$0.00) |
| Solids Not Fat (SNF) | 9.88 | | | | |
| Cheese Yield (90% Fat Recovery, 38% Moisture) | 14.16 | | | | |
| CME Block Cheese Price | \$ 1.97 | | | | |

NAJ Milk & Component Outlook - 2019 Prices through November

| 2019 AVERAGE STATISTICAL BLEND PRICE FOR EACH FEDERAL ORDER | | 2019 MILK VOLUME (Million #) | | 2019 AVERAGE JERSEY REGULATED BLEND PRICE | |
|--|----------------|------------------------------------|----------------|---|----------------|
| Northeast (Boston) | \$18.23 | Northeast (Boston) | 24,502 | Northeast (Boston) | \$22.79 |
| Appalachian (Charlotte) | \$19.21 | Appalachian (Charlotte) | 4,867 | Appalachian (Charlotte) | \$22.60 |
| Southeast (Atlanta) | \$19.59 | Southeast (Atlanta) | 4,511 | Southeast (Atlanta) | \$23.02 |
| Florida (Tampa) | \$21.22 | Florida (Tampa) | 2,290 | Florida (Tampa) | \$24.78 |
| Midwest (Cleveland) | \$17.09 | Midwest (Cleveland) | 17,413 | Midwest (Cleveland) | \$21.32 |
| Upper Midwest (Chicago) | \$16.57 | Upper Midwest (Chicago) | 30,512 | Upper Midwest (Chicago) | \$21.08 |
| Central (Kansas City) | \$16.60 | Central (Kansas City) | 14,213 | Central (Kansas City) | \$20.94 |
| California (Los Angeles) | \$16.84 | California (Los Angeles) | 22,309 | California (Los Angeles) | \$18.38 |
| Southwest (Dallas) | \$17.34 | Southwest (Dallas) | 12,028 | Southwest (Dallas) | \$21.36 |
| Arizona (Phoenix) | \$17.10 | Arizona (Phoenix) | 4,455 | Arizona (Phoenix) | \$20.47 |
| <u>Pacific Northwest (Seattle)</u> | <u>\$16.66</u> | <u>Pacific Northwest (Seattle)</u> | <u>7,870</u> | <u>Pacific Northwest (Seattle)</u> | <u>\$20.33</u> |
| ALL FMMO MARKET AVERAGE | \$17.86 | ALL FMMO MARKET TOTAL | 144,969 | ALL FMMO MARKET AVERAGE | \$21.55 |

Prices reflect Federal Order minimum blend prices for city shown.

Total Grade A milk volume sold under FMMO.

Prices reflect FMMO minimum prices at Jersey component values.

| 2019 AVERAGE JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS | | 2019 AVERAGE DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE | | 2019 AVERAGE PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE | |
|--|----------------|--|---------------|---|--------------|
| Northeast (Boston) | \$23.01 | Northeast (Boston) | \$4.78 | Northeast (Boston) | 26.2% |
| Appalachian (Charlotte) (includes protein prem.) | \$22.96 | Appalachian (Charlotte) | \$3.53 | Appalachian (Charlotte) | 18.2% |
| Southeast (Atlanta) | \$23.02 | Southeast (Atlanta) | \$3.29 | Southeast (Atlanta) | 16.7% |
| Florida (Tampa) | \$24.78 | Florida (Tampa) | \$3.69 | Florida (Tampa) | 17.4% |
| Midwest (Cleveland) (includes protein premium) | \$21.93 | Midwest (Cleveland) | \$4.83 | Midwest (Cleveland) | 28.1% |
| Upper Midwest (Chicago) (includes cy premium) | \$21.32 | Upper Midwest (Chicago) | \$4.54 | Upper Midwest (Chicago) | 27.0% |
| Central (Kansas City) | \$20.94 | Central (Kansas City) | \$4.26 | Central (Kansas City) | 25.4% |
| California (Los Angeles) | \$18.38 | California (Los Angeles) | \$1.54 | California (Los Angeles) | 9.1% |
| Southwest (Dallas) | \$21.36 | Southwest (Dallas) | \$3.98 | Southwest (Dallas) | 22.9% |
| Arizona (Phoenix) (includes protein) | \$20.83 | Arizona (Phoenix) | \$3.66 | Arizona (Phoenix) | 21.4% |
| <u>Pacific Northwest (Seattle)</u> | <u>\$20.33</u> | <u>Pacific Northwest (Seattle)</u> | <u>\$3.66</u> | <u>Pacific Northwest (Seattle)</u> | <u>21.9%</u> |
| ALL FMMO MARKET AVERAGE | \$21.71 | ALL FMMO MARKET AVERAGE | \$3.80 | ALL FMMO MARKET AVERAGE | 21.3% |

Includes a protein premium of \$0.05 for every 0.01% increase in protein over the market average.

Prices reflect difference between Jersey price with premiums, and the statistical blend price.

Percent difference in Jersey price with premiums, over the statistical blend price.

| ESTIMATED JERSEY MILK COMPOSITION | 2019 | REGULATED MILK PRICES | 2019 | AVERAGE JERSEY PRICE ADJUSTMENT PER CWT: | 2019 |
|---|--------|-----------------------|----------|--|----------|
| Butterfat | 5.02 | FMMO Milkfat | \$2.5373 | FMMO Milkfat Adjustment | \$2.94 |
| TRUE Protein | 3.82 | FMMO True Protein | \$2.2640 | FMMO True Protein Adjustment | \$1.46 |
| Other Solids | 5.73 | FMMO Other Solids | \$0.1912 | FMMO Other Solids Adjustment | (\$0.01) |
| Solids Not Fat (SNF) | 9.55 | | | | |
| Cheese Yield (90% Fat Recovery, 38% Moisture) | 13.23 | | | | |
| CME Block Cheese Price | \$1.77 | | | | |