

New Year, New Congress and a New Administration What's Ahead for Dairy?

The November election brought the change in administration the polls predicted, but the evenly split U.S. Senate and the much narrower margin in the U.S. House of Representatives were not expected. Tight margins in Congress usually force more bipartisanship with leadership and members working toward the center of the ideological spectrum. We should know soon enough if that will be the case as elected officials look for agreement on the right ways to bring the country back to economic prosperity as we hope to begin to emerge from the coronavirus pandemic.

After just a few days with the new political reality in Washington, D.C. it is looking to be a busy year on federal policy. The President and many members of Congress still want to address immigration reform and it appears they would prefer to do that sooner rather than later. It seems clear also that President Biden's emphasis on combating climate change will have implications heading into the next Farm Bill, due in 2023 if not sooner. And the 2020 – 2025 Dietary Guidelines for Americans, (DGA) released during the holidays, will be a big factor in dairy industry priorities for Child Nutrition Act reauthorization and for flexibility on the fat levels of fluid milk served in schools.

Immigration Reform

NAJ will continue its efforts on the long-term priority of immigration reform that works for dairy producers. There are some encouraging signs that the issue may be taken up by this Congress. President Biden made a prominent campaign promise of a pathway to citizenship for the estimated 11 million – 12 million people currently in the U.S. without proper documentation. That would presumably include many dairy farm employees and immediate family members living with them since the industry has historically been barred from using any visa programs to access temporary farm labor.

The White House released its priorities for immigration reform the same day President Biden was inaugurated. The proposal includes temporary

protected status, green cards and the eventual ability to apply for citizenship for those currently in the country. The young adults eligible for the Deferred Action for Childhood Arrivals (DACA) program and farmworkers would be eligible to apply for green cards immediately. The bill would also address U.S. policy at the southern border, streamline the processing of refugee applications, address concerns about drug and human trafficking, allow those with degrees in the fields of science, technology, engineering and math (STEM) access to visas to come to the U.S., fund more immigration judges to process applications and establish an employer commission to develop ways to verify the work authorization of job applicants. The bill would not make use of the federal E-Verify system mandatory for employers.

Senate Agriculture Committee Chair Debbie Stabenow (D-MI) told attendees at the recent International Dairy Foods Association (IDFA) Virtual Forum that she remains aware of the challenge that the lack of sufficient labor means for dairy. She reiterated that members of both parties in Congress and the White House will need to work together to make reform happen.

The U.S. House of Representatives passed a bill known as "The Farm Workforce Modernization Act," which NAJ actively supported, in late 2019. That bill offered legal status for current workers and immediate family and expanded the H-2A temporary farmworker visa program to include year-round jobs like those on dairy farms. Now that a new Congress has been sworn in, the House will need to act on the issue again. Farmworker visa reform was the only immigration-related bill actually passed by either body in the last Congress. While the initial proposal from the White House now is for comprehensive reform, there are indications that a more manageable, incremental approach might be a viable way forward. NAJ is looking at all the options to help get the ball rolling on this most critical of issues for our industry.

Climate Change Policy

Perhaps the biggest change agriculture may notice from the previous administration to this one is on environmental policy, including efforts by the federal government agencies to address concerns related to climate change. President Biden has already canceled the big Keystone XL pipeline that would have carried Canadian oil to the Gulf of Mexico ports for export. The administration is also looking at reentering the Paris Climate Accord that binds developed countries to reducing greenhouse gas (GHG) emissions by 2030.

Much of U.S. agriculture is expecting to be called upon to do its part to both reduce GHG emissions by making changes to production practices and to implement new technologies to sequester carbon in the soil. All industries, including the food production system, are looking to be sustainable in the eyes of consumers by getting their products to market at least neutral in terms of carbon added to and removed from the atmosphere in the process, if not eliminating more GHGs than they are producing.

Senator John Boozman (R-AR), the Ranking Member on the Senate Agriculture Committee, also spoke at the IDFA Virtual Dairy Forum and said his goals on climate change policy include keeping incentives for farmers voluntary and to look at initiatives on GHG reduction as a way to help farmers reduce input costs. In her remarks at the same meeting, Chairwoman Stabenow said she intended for climate-related policies considered in committee to be “voluntary, producer-led and bipartisan.”

Senator Stabenow pointed to the “Growing Climate Solutions Act” that she introduced in the last Congress with Senator Mike Braun (R-IN). They will, of course, have to start over on legislation in the new Congress but the priorities remain the same. Perhaps most importantly, that bill would establish the USDA as the gatekeeper for carbon reduction-related policies affecting farmers. Senator Stabenow said that she wants participation in carbon markets by farmers to be voluntary. She went on to say that she wants agriculture to be the first industry to demonstrate that this approach can work. Those are certainly encouraging concepts. NAJ looks forward to working with the Congress and the new

administration on the nation’s climate policies as we head toward the new Farm Bill that is due in 2023.

The New Dietary Guidelines and School Milk

Another NAJ policy priority members will recognize is to increase flexibility in federal nutrition assistance for milk and dairy products at all fat levels to be included in programs that provide food to children and families. The Trump Administration released the 2020 – 2025 Dietary Guidelines for Americans (DGA) just before Christmas. Prior to that, and on more than one occasion, NAJ provided comments to the DGA Advisory Committee showing the results of many health studies over the past several years concluding that dairy fat provides nutrition benefits in diets for the vast majority of people.

NAJ was proud to join industry groups including the National Milk Producers Federation (NMPF) and the International Dairy Foods Association (IDFA) in those efforts to provide the DGA Advisory Committee with all the scientific evidence supporting the inclusion of dairy fat in the diet. While that recommendation was not made for these guidelines, NAJ will continue making the case for that change to be made when the DGAs are updated again in 2025.

The DGAs also play a big role in regulations in food assistance programs and legislation to be considered by Congress. Agencies and members of Congress are typically more willing to enact nutrition policies consistent with the current DGAs. The Childhood Nutrition Act is long overdue for reauthorization, for example. That bill includes the school feeding programs. NAJ will keep working for the flexibility to include dairy products at all fat levels. Having the DGA include the recommendation of increased consumption of dairy at all fat levels will be a tremendous help as we work to convince the Congress to expand the dairy options in food assistance including the National School Lunch Program.

NAJ encourages its members establish and maintain relationships with their Members of Congress. Those relationships can prove to be invaluable for providing input during the formulation of legislation critical to the dairy industry. NAJ staff stands ready to help members initiate and cultivate those relationships.

NAJ Milk & Component Outlook - December 2020 Jersey Price Comparisons

<u>DEC'20 STATISTICAL BLEND PRICE</u>		<u>DEC'20 MONTHLY MILK VOLUME</u> (Million #)		<u>DEC'20 JERSEY REGULATED BLEND PRICE</u>	
Northeast (Boston)	\$17.26	Northeast (Boston)	2,282	Northeast (Boston)	\$24.63
Appalachian (Charlotte)	\$20.61	Appalachian (Charlotte)	510	Appalachian (Charlotte)	\$23.02
Southeast (Atlanta)	\$20.99	Southeast (Atlanta)	410	Southeast (Atlanta)	\$19.31
Florida (Tampa)	\$23.18	Florida (Tampa)	216	Florida (Tampa)	\$25.62
Midwest (Cleveland)	\$16.90	Midwest (Cleveland)	1,421	Midwest (Cleveland)	\$20.17
Upper Midwest (Chicago)	\$15.89	Upper Midwest (Chicago)	1,716	Upper Midwest (Chicago)	\$19.53
Central (Kansas City)	\$16.23	Central (Kansas City)	1,086	Central (Kansas City)	\$19.93
California (Los Angeles)	\$14.94	California (Los Angeles)	2,001	California (Los Angeles)	\$16.81
Southwest (Dallas)	\$16.31	Southwest (Dallas)	1,057	Southwest (Dallas)	\$19.50
Arizona (Phoenix)	\$16.24	Arizona (Phoenix)	438	Arizona (Phoenix)	\$18.35
<u>Pacific Northwest (Seattle)</u>	<u>\$15.52</u>	<u>Pacific Northwest (Seattle)</u>	<u>611</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$18.79</u>
ALL FMMO MARKET AVERAGE	\$17.64	ALL FMMO MARKET TOTAL	11,747	ALL FMMO MARKET AVERAGE	\$20.51

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>DEC '20 JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS</u>		<u>DEC'20 DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>		<u>DEC'20 PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>	
Northeast (Boston)	\$24.93	Northeast (Boston)	\$4.32	Northeast (Boston)	21.0%
Appalachian (Charlotte) (includes protein prem.)	\$23.43	Appalachian (Charlotte)	\$2.44	Appalachian (Charlotte)	11.6%
Southeast (Atlanta)	\$19.31	Southeast (Atlanta)	\$2.05	Southeast (Atlanta)	8.8%
Florida (Tampa)	\$25.62	Florida (Tampa)	\$2.44	Florida (Tampa)	10.5%
Midwest (Cleveland) (includes protein premium)	\$20.93	Midwest (Cleveland)	\$4.03	Midwest (Cleveland)	23.8%
Upper Midwest (Chicago) (includes cy premium)	\$19.83	Upper Midwest (Chicago)	\$3.94	Upper Midwest (Chicago)	24.8%
Central (Kansas City)	\$19.93	Central (Kansas City)	\$3.70	Central (Kansas City)	22.8%
California (Los Angeles)	\$16.81	California (Los Angeles)	\$1.87	California (Los Angeles)	12.5%
Southwest (Dallas)	\$19.50	Southwest (Dallas)	\$3.19	Southwest (Dallas)	19.5%
Arizona (Phoenix) (includes protein)	\$18.77	Arizona (Phoenix)	\$2.53	Arizona (Phoenix)	15.6%
<u>Pacific Northwest (Seattle)</u>	<u>\$18.79</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$3.27</u>	<u>Pacific Northwest (Seattle)</u>	<u>21.0%</u>
ALL FMMO MARKET AVERAGE	\$20.71	ALL FMMO MARKET AVERAGE	\$3.07	ALL FMMO MARKET AVERAGE	17.5%

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>Dec-20</u>	<u>REGULATED MILK PRICES</u>	<u>Dec-20</u>	<u>AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:</u>	<u>Dec-20</u>
Butterfat	5.28	FMMO Milkfat	\$ 1.5399	FMMO Milkfat Adjustment	\$1.88
TRUE Protein	3.93	FMMO True Protein	\$ 3.0282	FMMO True Protein Adjustment	\$1.90
Other Solids	5.73	FMMO Other Solids	\$ 0.2245	FMMO Other Solids Adjustment	(\$0.01)
Solids Not Fat (SNF)	9.66				
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.61				
CME Block Cheese Price	\$ 1.62				

NAJ Milk & Component Outlook - 2020 Prices through December

2020 AVERAGE STATISTICAL BLEND PRICE FOR EACH FEDERAL ORDER		2020 MILK VOLUME (Million #)		2020 AVERAGE JERSEY REGULATED BLEND PRICE	
Northeast (Boston)	\$17.40	Northeast (Boston)	26,824	Northeast (Boston)	\$22.49
Appalachian (Charlotte)	\$18.88	Appalachian (Charlotte)	5,322	Appalachian (Charlotte)	\$21.10
Southeast (Atlanta)	\$19.12	Southeast (Atlanta)	4,700	Southeast (Atlanta)	\$21.16
Florida (Tampa)	\$20.89	Florida (Tampa)	2,509	Florida (Tampa)	\$23.25
Mideast (Cleveland)	\$15.85	Mideast (Cleveland)	17,982	Mideast (Cleveland)	\$20.44
Upper Midwest (Chicago)	\$15.92	Upper Midwest (Chicago)	20,290	Upper Midwest (Chicago)	\$21.43
Central (Kansas City)	\$15.25	Central (Kansas City)	13,315	Central (Kansas City)	\$19.91
California (Los Angeles)	\$14.64	California (Los Angeles)	23,004	California (Los Angeles)	\$17.05
Southwest (Dallas)	\$15.65	Southwest (Dallas)	11,692	Southwest (Dallas)	\$19.62
Arizona (Phoenix)	\$15.68	Arizona (Phoenix)	4,497	Arizona (Phoenix)	\$17.97
<u>Pacific Northwest (Seattle)</u>	<u>\$15.61</u>	<u>Pacific Northwest (Seattle)</u>	<u>7,682</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$19.72</u>
ALL FMMO MARKET AVERAGE	\$16.81	ALL FMMO MARKET TOTAL	137,818	ALL FMMO MARKET AVERAGE	\$20.38

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.

2020 AVERAGE JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS		2020 AVERAGE DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE		2020 AVERAGE PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE	
Northeast (Boston)	\$22.73	Northeast (Boston)	\$5.35	Northeast (Boston)	30.7%
Appalachian (Charlotte) (includes protein prem.)	\$21.47	Appalachian (Charlotte)	\$2.47	Appalachian (Charlotte)	13.0%
Southeast (Atlanta)	\$21.16	Southeast (Atlanta)	\$2.23	Southeast (Atlanta)	11.5%
Florida (Tampa)	\$23.25	Florida (Tampa)	\$2.57	Florida (Tampa)	12.4%
Mideast (Cleveland) (includes protein premium)	\$21.06	Mideast (Cleveland)	\$5.21	Mideast (Cleveland)	33.0%
Upper Midwest (Chicago) (includes cy premium)	\$21.68	Upper Midwest (Chicago)	\$5.18	Upper Midwest (Chicago)	31.0%
Central (Kansas City)	\$19.91	Central (Kansas City)	\$4.64	Central (Kansas City)	30.5%
California (Los Angeles)	\$17.05	California (Los Angeles)	\$2.48	California (Los Angeles)	17.2%
Southwest (Dallas)	\$19.62	Southwest (Dallas)	\$4.08	Southwest (Dallas)	26.5%
Arizona (Phoenix) (includes protein)	\$18.34	Arizona (Phoenix)	\$2.64	Arizona (Phoenix)	16.8%
<u>Pacific Northwest (Seattle)</u>	<u>\$19.72</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$4.15</u>	<u>Pacific Northwest (Seattle)</u>	<u>26.5%</u>
ALL FMMO MARKET AVERAGE	\$20.54	ALL FMMO MARKET AVERAGE	\$3.73	ALL FMMO MARKET AVERAGE	22.6%

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	2020	REGULATED MILK PRICES	2020	AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:	2020
Butterfat	5.06	FMMO Milkfat	\$1.7067	FMMO Milkfat Adjustment	\$1.99
TRUE Protein	3.83	FMMO True Protein	\$3.7559	FMMO True Protein Adjustment	\$2.41
Other Solids	5.73	FMMO Other Solids	\$0.1678	FMMO Other Solids Adjustment	(\$0.01)
Solids Not Fat (SNF)	9.56				
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.25				
CME Block Cheese Price	\$2.00				