

Constituent Call to Action

August recess has started! U.S. Senate and House of Representatives members have headed home for their annual “Summer District Work Period”. These weeks offer you, the dairy farmers who make up NAJ and the AJCA, the opportunity to meet with lawmakers and their staff to let them know how important it is for them to take action when they return to Washington, D.C. on several issues that will help our industry return to financial health.

Trade Agreements

First up when the Congress reconvenes in September could be action on the new U.S.-Mexico-Canada Agreement (USMCA) that has been negotiated to replace NAFTA. The agreement would ensure the U.S. dairy industry remains in the position of primary supplier of milk, cheese, butter and powder products to Mexico. It would end Canada’s trade-distorting milk pricing policy that allows them to export dry dairy proteins at below cost – competing with U.S. products that are priced on the commercial market. It would also provide a modest amount of new access to the Canadian market for U.S. dairy products.

The U.S. now exports about 16% of the milk produced in the country. That is about one day’s milk production every week that finds a market outside our border. Mexico buys 25% of the dairy exported by the U.S. The USMCA offers dairy farmers like you the opportunity to keep growing markets in Mexico through efforts like the checkoff-funded work of the U.S. Dairy Export Council.

The Senate in Mexico has ratified the USMCA. Politics in Canada dictate that Parliament there will

time its vote closely with those in the U.S. Congress. The President is in favor of the new agreement. Republican leadership in the U.S. Senate is in favor of the agreement along with enough Democrats that the USMCA would clear even the 60-vote threshold. It’s all up to the leadership in the U.S. House of Representatives to decide to bring the agreement up for a vote. Be sure to take the opportunity while Members of Congress are home through Labor Day

to let them know how important the USMCA is to the future of your family’s operation.

The Trump Administration is also using import tariffs to try to pressure China to negotiate a new agreement. Retaliatory tariffs by China have reduced sales of U.S. cheese

and whey. Negotiations continue but complicated issues surrounding the treatment of intellectual property by China may require several more months of discussion. The U.S. has also begun negotiations for a bilateral trade agreement with Japan and is working to convince the European Union to include farm products in talks for a new trade pact.

Agriculture Workforce

The availability of labor on the nation’s dairy farms is also a major challenge to the competitiveness of our industry. For decades the federal government has denied employers with year-round jobs access to the H-2A program for farmworkers. Studies show that a solid majority of the milk in the country is produced with the help of foreign-born labor. With no program for farmers to use to access legal guest workers many dairy farm employees are improperly documented. Reports of enforcement actions against dairies in several areas of the country consistently bear that out.



The U.S. House of Representatives is working on a bill that would offer legal status for current farmworkers and access to legal new guest workers in the future for all sectors of agriculture. Speaker Nancy Pelosi (D-CA) and Zoe Lofgren (D-CA), the chair of the Judiciary Committee's Immigration Subcommittee, are working with a coalition of employers known as the Agriculture Workforce Coalition (AWC) and the United Farm Workers. The goal is to develop a bill that can address both the current and future workforce challenges and draw bipartisan support from both Republicans and Democrats. NAJ is part of the AWC and has advocated for immigration reform that works for agriculture during Board trips to Washington, D.C. to meet with their House Members and Senators.

Legislation to reform the system for providing visas to farmworkers might seem like it should be achievable. However, it brings up the subject of immigration reform, which has proven over the past two decades to be the most difficult political issue of our time. Unless farmers are to be forced to give up their current trained and experienced workers, a bill would, by necessity, offer legal work status to upwards of one million people working on farms today. That brings out those opposed to any type of immigration reform in force.

NAJ will continue to make the case that our industry is already desperately short of workers and further delays will only continue to make our job of feeding Americans and contributing to the country's international trade balance with our exports that much more difficult.

School Milk Program

Bills have also been introduced in both the U.S. Senate and House of Representatives to increase the milk options in the National School Lunch Program. Reports of the refusal rates and discarded milk from school foodservice professionals around the country are disturbing. Students are clearly not taking advantage of the nutrients offered in all varieties of milk. At least as concerning, however, is that milks offered in schools now may be turning off an entire generation of future consumers.

Earlier this year USDA Secretary Sonny Perdue finalized a regulatory change authorizing schools to offer 1% flavored milk along with nonfat flavored and nonfat and 1% white milk. One bill, HR 3125, would make this regulatory change a part of federal law. This bill was introduced by Representatives Joe Courtney (D-CT) and Glenn "GT" Thompson (R-PA). NAJ is supporting this bill because without it a future Secretary of Agriculture could use the same regulatory authority used by this Secretary to change it back.

Other bills on school milk deserve support as well. Senator Pat Toomey (R-PA) has introduced a bill to return whole milk to schools (S 1810). House Agriculture Committee chairman Collin Peterson (D-MN) and GT Thompson (R-PA) introduced a similar bill very early this year (HR 832). Whole milk is a tougher sell due in large part to the federal Dietary Guidelines for Americans (DGA) that call for increased consumption of low-fat and nonfat dairy. The Congress will be reluctant to pass legislation that does not conform to those guidelines. The good news on that front is the DGA are being reviewed and revisions for the next five years will be issued in 2020. NAJ appreciates the work of nutrition professionals who work every day to promote our products. Their work includes helping the DGA review committee catch up to the growing scientific consensus about the many positive health benefits of milkfat.

All three school milk bills need co-sponsors. NAJ members are urged to ask their Representative to co-sponsor HR 3125 and HR 832, and their Senators to co-sponsor S 1810.

With trade, labor and school milk legislation pending in Congress, dairy producers have three critical issues that need Congressional action. While Members of Congress are home from D.C. during August is an excellent opportunity for NAJ members to let their lawmakers know how important these issues are to the future of their dairy operations.

NAJ Milk & Component Outlook - 2019 Prices through June

2019 AVERAGE STATISTICAL BLEND PRICE FOR EACH FEDERAL ORDER		2019 MILK VOLUME (Million #)		2019 AVERAGE JERSEY REGULATED BLEND PRICE	
Northeast (Boston)	\$17.60	Northeast (Boston)	13,563	Northeast (Boston)	\$21.61
Appalachian (Charlotte)	\$18.45	Appalachian (Charlotte)	2,719	Appalachian (Charlotte)	\$22.01
Southeast (Atlanta)	\$18.81	Southeast (Atlanta)	2,602	Southeast (Atlanta)	\$22.41
Florida (Tampa)	\$20.53	Florida (Tampa)	1,274	Florida (Tampa)	\$24.23
Mideast (Cleveland)	\$16.38	Mideast (Cleveland)	9,850	Mideast (Cleveland)	\$19.90
Upper Midwest (Chicago)	\$15.53	Upper Midwest (Chicago)	18,581	Upper Midwest (Chicago)	\$19.31
Central (Kansas City)	\$15.94	Central (Kansas City)	8,710	Central (Kansas City)	\$19.71
California (Sacramento)	\$16.41	California (Sacramento)	13,161	California (Sacramento)	\$17.45
Southwest (Dallas)	\$16.75	Southwest (Dallas)	7,233	Southwest (Dallas)	\$20.30
Arizona (Phoenix)	\$16.36	Arizona (Phoenix)	2,611	Arizona (Phoenix)	\$19.73
<u>Pacific Northwest (Seattle)</u>	<u>\$16.01</u>	<u>Pacific Northwest (Seattle)</u>	<u>4,431</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$19.17</u>
ALL FMMO MARKET AVERAGE	\$17.16	ALL FMMO MARKET TOTAL	84,735	ALL FMMO MARKET AVERAGE	\$20.53

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)	\$21.84	Northeast (Boston)	\$4.26	Northeast (Boston)	24.3%
Appalachian (Charlotte) (includes protein prem.)	\$22.36	Appalachian (Charlotte)	\$3.55	Appalachian (Charlotte)	18.9%
Southeast (Atlanta)	\$22.41	Southeast (Atlanta)	\$3.36	Southeast (Atlanta)	17.6%
Florida (Tampa)	\$24.23	Florida (Tampa)	\$3.67	Florida (Tampa)	17.9%
Mideast (Cleveland) (includes protein premium)	\$20.53	Mideast (Cleveland)	\$4.19	Mideast (Cleveland)	25.7%
Upper Midwest (Chicago) (includes cy premium)	\$19.56	Upper Midwest (Chicago)	\$4.07	Upper Midwest (Chicago)	26.3%
Central (Kansas City)	\$19.71	Central (Kansas City)	\$3.80	Central (Kansas City)	23.9%
California (Sacramento)	\$17.45	California (Sacramento)	\$1.10	California (Sacramento)	6.8%
Southwest (Dallas)	\$20.30	Southwest (Dallas)	\$3.56	Southwest (Dallas)	21.3%
Arizona (Phoenix) (includes protein)	\$20.08	Arizona (Phoenix)	\$3.71	Arizona (Phoenix)	22.7%
<u>Pacific Northwest (Seattle)</u>	<u>\$19.17</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$3.19</u>	<u>Pacific Northwest (Seattle)</u>	<u>19.9%</u>
ALL FMMO MARKET AVERAGE	\$20.69	ALL FMMO MARKET AVERAGE	\$3.50	ALL FMMO MARKET AVERAGE	20.5%

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.

ESTIMATED JERSEY MILK COMPOSITION	2019	REGULATED MILK PRICES	2019	AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:	2019
Butterfat	5.03	FMMO Milkfat	\$2.5577	FMMO Milkfat Adjustment	\$2.97
TRUE Protein	3.80	FMMO True Protein	\$1.6850	FMMO True Protein Adjustment	\$1.02
Other Solids	5.73	FMMO Other Solids	\$0.2211	FMMO Other Solids Adjustment	(\$0.01)
Solids Not Fat (SNF)	9.53				
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.14				
CME Block Cheese Price	\$1.62				

NAJ Milk & Component Outlook - June 2019 Jersey Price Comparisons

<u>JUN '19(STATISTICAL BLEND PRICE</u>		<u>JUN'19 MONTHLY MILK VOLUME</u> (Million #)		<u>JUN'19 JERSEY REGULATED BLEND PRICE</u>	
Northeast (Boston)	\$19.10	Northeast (Boston)	2,246	Northeast (Boston)	\$23.37
Appalachian (Charlotte)	\$19.44	Appalachian (Charlotte)	418	Appalachian (Charlotte)	\$22.68
Southeast (Atlanta)	\$19.58	Southeast (Atlanta)	442	Southeast (Atlanta)	\$22.74
Florida (Tampa)	\$21.62	Florida (Tampa)	189	Florida (Tampa)	\$25.05
Mideast (Cleveland)	\$17.40	Mideast (Cleveland)	1,692	Mideast (Cleveland)	\$21.09
Upper Midwest (Chicago)	\$16.52	Upper Midwest (Chicago)	3,248	Upper Midwest (Chicago)	\$20.57
Central (Kansas City)	\$16.91	Central (Kansas City)	1,542	Central (Kansas City)	\$20.98
California (Sacramento)	\$17.23	California (Sacramento)	2,373	California (Sacramento)	\$18.40
Southwest (Dallas)	\$17.88	Southwest (Dallas)	1,120	Southwest (Dallas)	\$21.60
Arizona (Phoenix)	\$17.32	Arizona (Phoenix)	414	Arizona (Phoenix)	\$20.53
<u>Pacific Northwest (Seattle)</u>	<u>\$16.94</u>	<u>Pacific Northwest (Seattle)</u>	<u>762</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$20.39</u>
ALL FMMO MARKET AVERAGE	\$18.18	ALL FMMO MARKET TOTAL	14,445	ALL FMMO MARKET AVERAGE	\$21.58

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>JUN '19 JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS</u>		<u>JUN'19 DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>		<u>JUN'19 PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>	
Northeast (Boston)	\$23.55	Northeast (Boston)	\$4.45	Northeast (Boston)	23.3%
Appalachian (Charlotte) (includes protein prem.)	\$22.99	Appalachian (Charlotte)	\$3.55	Appalachian (Charlotte)	18.2%
Southeast (Atlanta)	\$22.74	Southeast (Atlanta)	\$3.16	Southeast (Atlanta)	16.2%
Florida (Tampa)	\$25.05	Florida (Tampa)	\$3.43	Florida (Tampa)	15.9%
Mideast (Cleveland) (includes protein premium)	\$21.61	Mideast (Cleveland)	\$4.21	Mideast (Cleveland)	24.2%
Upper Midwest (Chicago) (includes cy premium)	\$20.78	Upper Midwest (Chicago)	\$4.26	Upper Midwest (Chicago)	25.8%
Central (Kansas City)	\$20.98	Central (Kansas City)	\$4.07	Central (Kansas City)	24.1%
California (Sacramento)	\$18.40	California (Sacramento)	\$1.17	California (Sacramento)	6.8%
Southwest (Dallas)	\$21.60	Southwest (Dallas)	\$3.72	Southwest (Dallas)	20.8%
Arizona (Phoenix) (includes protein)	\$20.82	Arizona (Phoenix)	\$3.50	Arizona (Phoenix)	20.2%
<u>Pacific Northwest (Seattle)</u>	<u>\$20.39</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$3.45</u>	<u>Pacific Northwest (Seattle)</u>	<u>20.4%</u>
ALL FMMO MARKET AVERAGE	\$21.72	ALL FMMO MARKET AVERAGE	\$3.54	ALL FMMO MARKET AVERAGE	19.6%

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.

<u>ESTIMATED JERSEY MILK COMPOSITION</u>	<u>Jun-19</u>	<u>REGULATED MILK PRICES</u>	<u>Jun-19</u>	<u>AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:</u>	<u>Jun-19</u>
Butterfat	4.89	FMMO Milkfat	\$ 2.6579	FMMO Milkfat Adjustment	\$3.00
TRUE Protein	3.69	FMMO True Protein	\$ 2.0046	FMMO True Protein Adjustment	\$1.18
Other Solids	5.73	FMMO Other Solids	\$ 0.1702	FMMO Other Solids Adjustment	(\$0.01)
Solids Not Fat (SNF)	9.42				
Cheese Yield (90% Fat Recovery, 38% Moisture)	12.75				
CME Block Cheese Price	\$ 1.79				

August 12, 2019

America's Dairy Farmers Depend On Trade Ratify the USMCA This Fall

The U.S.-Mexico-Canada Agreement (USMCA) is a step in the right direction on dairy trade in North America.

U.S. dairy exports have grown over the past decade to the point where about 15% of our milk, roughly the milk production of one day each week, is marketed internationally.

The U.S. dairy industry employs nearly 1 million Americans, generates about \$38 billion in direct wages for workers, pays more than \$64 billion in annual taxes and adds about \$620 billion annually to the U.S. economy.

Mexico is the top foreign market for U.S. dairy products buying nearly 25% of the total that we export. U.S. dairy exporters sold \$1.4 billion in products to Mexico last year.

Dairy farmers in the U.S. have worked with the industry in Mexico to develop that market for high quality dairy products. Mexico does not produce enough milk domestically to supply that growing market so it that has benefited dairy farmers in both countries.

Other Pacific Rim nations have proceeded with a multilateral trade agreement that leaves the U.S. dairy industry in a less competitive position in many export markets. The USMCA will help keep U.S. dairy exporters in the lead in sales to Mexico, already our most important international customer.

Canada agreed to change its Class 6 and 7 dairy protein pricing structure as part of the USMCA. Recent increases in Canada's dairy protein production far outpaced demand there so Canada developed the new pricing structure to allow the excess to be dumped on the world market at below the cost of production. That has played a big role in keeping farm milk prices in the U.S. too low for too long while Canada's domestic quotas and import duties protect farmers there.

Canada also agreed to new access for U.S. products up to 3.6% of the domestic dairy market there.

The USMCA establishes strong food safety standards and discourages unscientific barriers to safe food exports.

The USMCA protects the rights of U.S. companies to use common food names for products marketed in Mexico and Canada.

NAJ joined the nearly 1,000 food and agricultural groups that wrote to Congress recently to support ratification of the USMCA as quickly as possible.

August 12, 2019

Support Bills to Expand School Milk Options

- Three bills introduced in this Congress would allow school foodservice directors to expand milk options for students participating in the National School Lunch and Breakfast programs. Please support one or all of these bills.
- Current regulations permit only nonfat and 1% white and flavored milk in school feeding programs.
- Multiple studies released recently have found that milkfat is not a human health concern for the vast majority of school children and may even help with chronic conditions like diabetes and obesity.
- Milk is the major source of nine essential nutrients in kids' diets but fluid milk consumption in schools is declining. School foodservice personnel report an increase in the amount of milk either declined entirely or returned rather than consumed.
- It is important to ensure that beverages offered as alternatives to milk be nutritionally equivalent to milk.

HR 832; "The Whole Milk for Healthy Kids Act" Collin Peterson (D-MN) and Glenn "GT" Thompson (R-PA)

- This bill would allow flavored and unflavored whole milk to be offered in school meals. It requires that milks offered be consistent with the current Dietary Guidelines for Americans (DGA). The DGA are reviewed by a panel of nutrition experts every five years and are due for an update in 2020.

HR 3125; "The School Milk Nutrition Act" Joe Courtney (D-CT) and Glenn "GT" Thompson (R-PA)

- This bill would codify the regulatory action taken by U.S. Secretary of Agriculture Sonny Perdue recently to allow 1% flavored milk back into the National School Lunch and Breakfast Program. Milk choices had been limited since 2010 to nonfat white and flavored milk and 1% white milk only. Alternative beverages could only be offered with a written note from a physician.

S 1810; "The Milk in Lunches for Kids Act" Pat Toomey (R-PA)

- This bill would exclude milk from the calculation of the average saturated fat in a meal to allow school foodservice directors to offer the range of milk varieties in school meals.