

Northeast Dairy Farmers Cooperatives

Agri-Mark, Inc. – Dairy Farmers of America Northeast Council – St. Albans Cooperative Creamery – Upstate Niagara Cooperative, Inc.

NDFC NEWSLETTER

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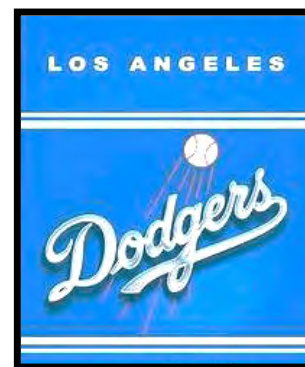


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Baseball Quiz : Last week's question – Name the team that has participated in the most tie breaker games in order to get into the post-season. The answer was the Dodgers. Over the years, they did not have good luck though as they lost 4 of the 6 tie breaker games they were in. Beating the Rockies in the 2018 Wild Card Game gave them their second tie breaker win. The Giants came in second participating in 3 tie breakers and winning 2 of them. **This week's question:** Of the four teams listed below, which major league team has the longest drought in terms of years in appearing in a World Series?

- a.) Baltimore Orioles, b.) Milwaukee Brewers, c.) Pittsburgh Pirates,
d.) Cincinnati Reds. Contact Bob here: bgray15452@aol.com



The 2018 New York Yankees! As a life-long New York Yankees fan, I believe I have the license to criticize this year's team. It was a seriously flawed team. Yes, they won 100 games but that was only because there are only a handful of good teams in the American League. We knew at the beginning of the season that their starting pitching was an issue - - but that is not why this team is so bad. It is the lack of not being able to hit with runners in scoring position that is the most serious flaw the Yankees have and one that is not easy to fix. They are near the bottom of the American League in this key stat. I can't tell you how many times I watched this team load the bases with nobody out and watch the next three batters either strike out or pop up. You have to put the ball in play. Giancarlo Stanton is probably the best case in point. He struck out more than a third of the time he batted. In fact, I was so turned off by this team that by mid-August - - I simply couldn't watch them anymore.

Will they be any better in 2019? I doubt it! Substantial changes are needed beginning with their catcher, Gary Sanchez. Over the years, the Yankees have always won pennants and World Series starting with great catching going all the way back to Bill Dickey and Yogi Berra. This was not a team that you would confuse with good Yankee teams of the past.

More On The Mexican Canadian Trade Agreement

By Bob Gray

In a continuation of my discussion last week of the proposed U.S., Mexican, Canadian Trade deal (USMCA) it is important to delve more into the details of the proposed agreement with Canada, in particular. First of all, a little background on Canada's dairy industry.

Canada's supply management program determines how much dairy farmers produce

The government sets quotas to align domestic production with domestic demand. Farmers must hold quota to operate dairy farms, which can come at considerable expense. A 2016 publication from the Canadian government estimated that quota — permits required to bring milk to market — for a 60-cow dairy in Quebec would cost about \$1.5 million.

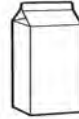
QUOTA PROCESS TO PRODUCE MILK IN CANADA



1. The Canadian government sets a national production level for milk.



2. Dairy farmers purchase quota to produce raw milk. The quota is based on the butterfat one cow produces each day.



3. Canadian farmers sell milk to central processors at a predetermined price.

IMPORTING MILK AND DAIRY



International dairy farmers may import a certain amount of dairy products; once they reach their quota, imports are subject to high tariffs.

As you will note, Canada has a quota system on how much its dairy farmers can produce. The U.S., of course, does not and over-production has been a big problem here domestically which has been the single biggest reason why our farm milk prices have remained so low over the past four years. As pointed out in last week's newsletter just 2% over-production in the U.S. will drive farm milk prices down and keep them down. Each dairy farm in Canada has a quota as to how much milk it can produce each year. This quota on milk production on each farm has been capitalized into the total value of the farm and if a farm is sold, the quota is sold with it as part of the total value of the farm. We have never had farm milk quotas here in the U.S. and never will. Canadian dairy farms average about 90 cows per herd and the prices they receive for their milk are much higher than ours. Right now, they average about \$25 per hundredweight in U.S. dollars where our farmers are getting about \$16.00 per hundredweight.

Changing The Rules In The Middle Of The Game

When the NAFTA trade agreement was approved in 1994, Canada kept very high tariffs on most dairy products such as hard cheeses, butter and powder. However, they had very low tariffs on specialty dairy products such as ultra-filtered high protein milk which goes into sports drinks and other products. Therefore, U.S. dairy cooperatives and other dairy companies were able to build a new market in Canada for these specialty products over the years with competitive prices.

However, Canadian dairy farmers were not happy to see U.S. export sales of these products into their market and therefore got the Canadian government to create two new Classes of milk - - Class 6 and 7 - - that would not allow our dairy products to meet the specifications required to sell into their market. The Class 7 pricing system stopped all sales of U.S. ultra-filtered high protein milk. The Class 6 pricing program subsidized the sales of milk powder and other products undercutting U.S. sales of these products into Mexico thereby capturing a share of our market. Both of these actions were illegal by World Trade Organization rules - - but getting a decision out of the WTO takes a minimum of 5 years so Canada went right ahead.

The two states hurt the most by these actions were New York and Wisconsin, both of which had plants selling these specialized products into Canada. All of this milk that was being exported to Canada came back on our domestic market further lowering our farm milk prices.

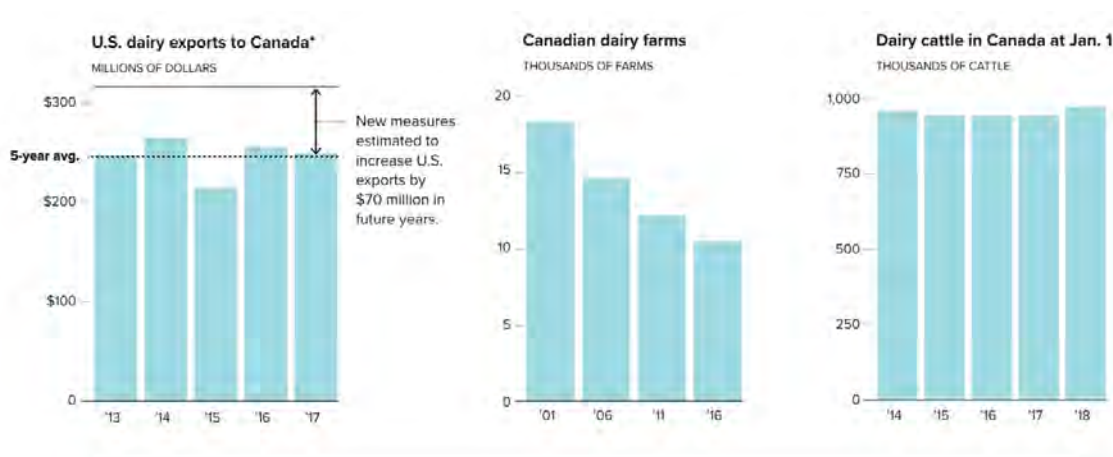
So, Is The New Canadian Deal A Good One?

I believe it is a positive step forward since it eliminates the Class 6 and 7 pricing programs six months after the USMCA is ratified by all three countries. It also states that Canada must sell non-fat dry milk powder, milk protein concentrate and infant formula at a price no lower than USDA's announced price for these products. It also caps the amount of export sales of these products by Canada and it slightly opens the Canadian market to greater exports of U.S. dairy products over the next several years.

However, at first blush the deal with Canada has not been completely welcomed by our dairy industry. As they comb through the details of the agreement, they can see ways in which Canada can circumvent some of the key provisions. For example, Canada could manipulate its "make allowance" (that is the cost of converting fluid milk into cheese or other dairy products) and therefore still undercut our export sale prices. And there are other provisions as well that give pause as to how effective this agreement will be.

What is interesting is that Canadian dairy farmers are extremely upset by this deal. They say Prime Minister Trudeau has "sold them out"!

The following bar charts show past and new estimated U.S. dairy exports to Canada and the number of dairy herds - - decreased by 40% since 2001 and the number of dairy cattle in Canada.



Enclosed below are the new tariff rate quotas for U.S. dairy exports to Canada:

New tariff rate quotas for U.S. dairy exports to Canada

Under the USMCA, tariff rate quotas will increase to a certain level by year six of the agreement, then by a set percentage in later years.

	QUOTA BY YEAR SIX OF USMCA, IN METRIC TONS	QUOTA INCREASE AFTER YEAR SIX
Fluid milk	50,000	+1 percent for an additional 13 yrs.
Cheese	12,500	+1 percent for an additional 13 yrs.
Cream	10,500	+1 percent for an additional 13 yrs.
Skim milk powder	7,500	+1 percent for an additional 13 yrs.
Butter and cream powder	4,500	+1 percent for an additional 13 yrs.
Yogurt and buttermilk	4,135	+1 percent for an additional 13 yrs.
Whey	4,134	+1 percent for an additional 4 yrs.; quota tariff ends in 10 yrs.
Products of natural milk constituents	2,760	+1 percent for an additional 13 yrs.
Concentrated/condensed milk	1,380	+1 percent for an additional 13 yrs.
Ice cream/ice cream mixes	690	+1 percent for an additional 13 yrs.

Will The USMCA Get Ratified?

Good question! All three countries have to ratify it. The outlook here in the U.S. is cloudy at best. The President wants to get it ratified this fall. All of the details still have to be worked out. Generally speaking Republicans support free trade agreements. Democratic members on the other hand are more protectionist and less likely to vote in favor of trade deals but they will examine this one very closely. If the Democrats capture the House in November, they will push to have ratification put off until 2019. However, President Trump will put all the pressure he can on the Republicans to have the Lame Duck session ratify the deal this fall.

New Dairy Program Operational As Of October 9th

By Bob Gray

On Tuesday, October 9th the Dairy Revenue Protection Program was officially put in place by USDA's Risk Management Agency. The program was developed by John Newton, Chief Economist for the American Farm Bureau Federation, and he shepherded it through the Department's Federal Crop Insurance Corporation.

Enclosed is a brief summary of the key provisions of the program. It is under USDA's crop insurance program and therefore does not compete for funding with the Margin Protection Program and Livestock Gross Margin Dairy Insurance Program.

Dairy-Revenue Protection

- **Modeled after crop insurance revenue protection product**
 - Expected price multiplied by expected state-level milk yield
 - Based on Class III and Class IV milk prices
 - State milk yield published by USDA NASS
 - Contracts are quarterly, purchase up to 15 months out
- **Farmer has three decisions to make**
 - Milk price blend between Class III and Class IV
 - Number of Cows
 - Coverage Level (Up to 90%)
- **Indemnity paid to dairy farmer if actual revenue falls below revenue guarantee**
 - Actual price multiplied by state-level milk yield
 - Price declines or production declines
 - Production increases would reduce indemnities
- **Administered by USDA's Risk Management Agency**
 - Compliments existing tools (MPP, LGM)

House Majority Leader To Introduce Border Wall Bill

By Bob Gray

House Majority Leader Kevin McCarthy (R-CA) is planning to introduce a bill that would provide \$23.4 billion in funding for the border wall between the U.S. and Mexico. It would be the final installment on the \$1.6 billion already appropriated for the wall. The President has made it clear that he will not sign any Omnibus Budget Bill that does not contain funding for the border wall. Congress could be in session at Christmas time.

The New Supreme Court Justice

By Bob Gray

Justice Brett Kavanaugh took his seat on the U.S. Supreme Court on Tuesday this past week after being confirmed by a narrow 50 to 48 vote.

Having 9 justices will avoid having 4 to 4 split decisions on key votes by the court in the future. There are a number of potential environmental affecting agricultural issues coming before the Supreme Court in the near future, including the Waters of the U.S. Rule. In past decisions Justice – then Judge Kavanaugh – has a good record on his environmental opinions which seem fair and very well thought through.

New TB Test Could Be A Game Changer

By Bob Gray

Dr. Berwyn Clarke and his team in Suffolk, England have developed a bovine TB test that can accurately spot the disease very early in cattle and therefore result in their slaughter before the disease is spread. It can also be used to test for Johne's Disease as well.

This Antiphage product as it is known is attracting interest from all over the world. The new product still has hurdles to overcome in getting it approved for private use with England's Department for Environment, Food and Rural Affairs.



The Heathen Chronicle

By Willow and Mia Gray

This was more Willow's idea than mine. But anyway . . . us canines hope you know that as we get older – like Willow – we need even better food, our favorite subject. It should have a high amount of fish oil. Actually, make that salmon oil. No, we are not cats! Don't be like that! Thanks to mommy, we just have educated palates! We also need as much physical activity and play time with other dogs as we can get. We also need stuff that perks up our brains like learning new tricks and even solving puzzles. Our favorite puzzle is a Kong. You know, the ones that hold peanut butter? Or any other treats?

Forget about obedience class. That's a big yawn, anyway. But agility class? Why not! Or even field trials out in the country! You can bring a folding chair and just watch us be Beagles!

Body Cams Proposed For ICE

By Maggie McHugh

Like so many other constabularies around the country, ICE and CBP are finally getting body cameras. On Tuesday, October 2nd, Senators Kamala Harris (D-CA), Tom Udall and Martin Heinrich, both D-NM, introduced the DHS Body-Worn Camera Act (BWC). This legislation would require the Department of Homeland Security to establish pilot programs for such cameras at Customs and Border Patrol as well as ICE.

The legislation also requires DHS to report to Congress on these programs, develop policies governing the use of BWC with public consultation and develop an implementation plan to require full BWC deployment. According to Senator Harris, "This is something I prioritized as Attorney General of California and continue to fight for in the United States Senate. Body-worn cameras can not only lower use-of-force incidents, but can also help reduce grievances against officers and ultimately improve trust between law enforcement and the communities they serve."

Senator Tom Udall agrees. "Body-worn cameras are a valuable resource to increase the safety of the public and law enforcement." Senator Martin Heinrich seconds the idea. "Equipping ICE and CBP agents with body-worn cameras will increase accountability and help build the community's trust in law enforcement. This legislation was carefully crafted with input and support from the Southern Border Communities Coalition and the National Border Patrol Council and will go a long way towards increasing transparency, strengthening New Mexico's border communities, and keeping families safe."

Succinctly, the DHS Body-Worn Camera Act:

- Expands CBP's work on BWC and establishes a separate pilot at ICE with a timeline for the start (60 days for CBP and 180 days for ICE) and completion (11 months for CBP and 18 months for ICE) of the pilot programs.
- Requires DHS to report to Congress on the results of the pilot programs no later than 60 days after their end. This report must include as assessment of BWC in deterring use of excessive force by officers and agents; on response to and adjudications of complaints; on personal privacy of members of the public and officers; on officer safety; on evidence for criminal civil investigations; and on other issues arising from the use of BWC.

- Directs DHS to develop draft policies governing operations of BWC; storage and maintenance of BWC recordings; privacy protections for the public; access to BWC recordings; disciplinary procedures for violations of BWC policies; and training on the use of BWC. Requires DHS to publish final policies and a rationale for each policy.
- Requires DHS to consult with the public and internal/external stakeholders to develop BWC policies.
- Requires DHS to submit a post-pilot programs implementation plan for BWCs at both ICE and CBP, and commence with deployment of BWC at CBP and ICE following the conclusion of the pilots.

Congressman Filemon Vela (D-TX) will introduce the companion bill in the House of Representatives.

For more information on this effort, click here: eastcountytoday.net

Senator Stabenow Calls for 2018 Farm Bill Action

By Mike Oscar

Senate Agriculture ranking member Debbie Stabenow (D-MI) over the weekend called on the so-called Big Four Agriculture lawmakers to set aside politics as they try to settle major policy differences in farm bill negotiations. Stabenow cited "big differences" in the commodity title, and criticized the House bill's push to shift money within safety-net programs to provide much more support for cotton growers at the expense of growers in the Midwest and elsewhere. She said the concept is just as unpopular, if not more so, with some of her Republican colleagues. Stabenow also expanded on the House commodity title "cotton prices are up 20 percent and everyone else is down 50 percent. We just can't do a political play that rewrites the commodity title for southern farmers 'just because.' We have to have a farm safety net that works."

Brookings Institution Retaliatory Tariffs Report

By Mike Oscar

Last week, the Brookings Institution released a report illustrating that counties, which voted for President Trump in 2016 are nearly twice as exposed to retaliatory tariffs as counties that voted for Hillary Clinton. In Trump counties, 8.1 percent of exports come from industries subject to retaliatory duties, compared to 4.2 percent in Clinton counties. Per the report, "exports from agricultural regions of the country are the most exposed, including metro areas in the Central Valley of California and rural areas and small towns in the Midwest. Meat and poultry represent about 18 percent of U.S. exports hit with retaliatory tariffs. In rural areas across the country, tariff-affected industries account for 12.2 percent of exports and 13.4 percent of jobs.

Federal Pay Raise?

By Mike Oscar

Lawmakers have reached a tentative deal on the FY19 Financial Services appropriations bill and Congressman Garrett Graves (R-LA) said that negotiators had cautiously agreed on a 1.9 percent raise next year for civilian employees. The federal employee raise would go against the wishes of President Trump, who called for a pay freeze in August.

Senate Votes on Final Water Infrastructure Bill

By Mike Oscar

This week the Senate will vote on S. 3021, the Water Infrastructure legislation, which would authorize \$6.1 billion in federal spending for Army Corps of Engineers projects and includes \$4.4 billion for a program that finances states and utilities to provide drinking water infrastructure. The legislation is a combination of three other House and Senate bills. The House passed the bill several weeks ago. If the bill is cleared and signed by the president, this will be the third Congress in a row in which a water resources bill has been enacted.

MARCELLUS SHALE UPDATE

By Mike Oscar

Pennsylvania Gas Permitting Decreases in 2018: Pennsylvania's Department of Environmental Protection granted 134 permits to drill natural gas wells in September, down from 264 permits issued in the same month a year ago. The slowdown comes as producers prioritize restraint in capital expenditures and favor bringing drilled-but-uncompleted wells online over drilling new ones.

FERC Seat Filled: Bernard McNamee has been nominated by President Donald Trump to fill the fifth seat on the Federal Energy Regulatory Commission (FERC). McNamee, a Republican, has been an advocate of coal and nuclear subsidies. As previously reported, his predecessor, Rob Powelson, served as a Public Utilities Commissioner.

E15 News: President Trump hit the campaign trail in Iowa on Tuesday, a few hours after he gave the state's ethanol industry a big policy win in Washington. President Trump plans to direct EPA to clear the way for gas stations to offer 15 percent ethanol blends year-round, something he has been promising for months. A White House official says the agency hopes to have the E15 waiver in place before the next summer driving season begins around Memorial Day. Conversely, in an effort to address oil refiners' concerns about the costs of the federal ethanol mandate, President Trump is also directing EPA to place restrictions on trading biofuel credits. □