

Brighter Days Ahead

World Milk Day, celebrated annually on June 1, ushers in the month-long festivities of “June is Dairy Month.” This June the economic tide looks to be turning more favorable for dairy producers. USDA’s Milk Production reports showed a decline for March and virtually no growth in April. As a result, April’s benchmark Class III milk price is \$2.07 per hundredweight higher than February, and May projects to be even stronger.

More good news was received mid-May when the United States removed tariffs on steel and aluminum imported from Mexico and Canada. Mexico, in turn, dropped its retaliatory tariffs on U.S. cheese which had been in place since July 2018. Analysis by Daily Dairy Report estimates the tariffs may have impacted U.S. cheese exports to Mexico by over nine million pounds.

The provisions of the Dairy Margin Coverage (DMC) program included in last year’s Farm Bill included a stronger safety net for dairy producers when income over feed cost margins (IOFC) tighten. Producers can insure up to \$9.50 per hundredweight IOFC on their first five million pounds of historical production for a premium of \$0.15 per hundredweight. Administered by USDA’s Farm Service Agency, enrollment becomes available on June 17.

Each of these items should prove beneficial to dairy producers in the near- and medium-term. Meanwhile, groundwork is being laid on issues that can help provide long-term benefits.

Last year the administrations of the U.S., Mexico and Canada agreed on a new trade pact to upgrade the North American Free Trade Agreement. Known as USMCA, the new agreement must be ratified by the legislatures of the three countries. For the dairy industry, USMCA preserves Mexico’s zero tariffs policy on U.S. dairy products. This preferential treatment will allow market development to continue, affording the U.S. the opportunity to provide those consumers dairy products that their domestic dairy industry cannot. USMCA insures that Mexico will remain the largest export market for U.S. dairy products.

Furthermore, USMCA increases American dairy producers’ access to Canada’s dairy market from 1% to about 3.6%. This will increase sales by an estimated \$70 million per year.

While USMCA has not yet been formally submitted to Congress for approval, that

step is expected soon. During Congress’s deliberations this fall the agricultural community will need to be a strong advocate for its adoption.

According to USDA and the U.S. Department of Health and Human Services, American children and adolescents over four years old are not consuming enough dairy to meet the Dietary Guidelines for Americans. Milk is the #1 source of nine essential nutrients in student diets, when they drink it. Unfortunately, milk consumption in schools is declining.

The dairy industry scored a real win in 2017 when Agriculture Secretary Sonny Perdue directed USDA to allow schools to offer 1% flavored milks in school milk programs. Two bills introduced in the House of Representatives this session of Congress seek to solidify and expand milk offered in school nutrition programs.

The School Milk Nutrition Act of 2019 would codify Secretary Perdue’s administrative action pertaining to 1% flavored milks. Having USDA’s action made into law is important to prevent a future administration from reverting to allowing only nonfat flavored milk in schools. The Whole Milk for Healthy Kids Act of 2019 goes a step farther, and permits schools to offer whole milk, both flavored and unflavored, in nutrition programs.

The process of reviewing and updating the Dietary Guidelines for Americans, which happens every five years, is underway with updated guidelines slated to be released next year. Congress is unlikely to act on either school milk bill ahead of the new dietary guidelines. However, it is important to initiate discussions now about the importance of offering students milk they will actually drink to generate momentum leading to the release of new dietary guidelines.

Increasing sales of milk components, whether it be through exporting manufactured dairy products or offering additional fluid milk choices in schools, is a natural fit for Jersey’s efficient production.

The importance of the ongoing federal dairy policy issues underscore why National All-Jersey retains representation in Washington, D.C. AJCA and NAJ board members have traveled to the nation’s capital on several occasions to visit directly with members of Congress. However, there is a role for AJCA and NAJ members to play, too. The most powerful voice to a member of Congress is that of a constituent. We encourage you to engage your elected officials on these issues that can help provide a strong future for dairy.



*THE JERSEY by Bonnie L. Mohr, commissioned by the American Jersey Cattle Association.
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