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USDA predicts TPP would be net positive for U.S. dairy

By CAROL RYAN DUMAS
Capital Press

A new USDA analysis shows the Trans-Pacific Partnership would initially increase U.S. dairy exports by up to $275 million annually and by as much as $1.8 billion when fully implemented.

Full implementation of TPP — a trade treaty involving the U.S. and 11 other Pacific Rim countries — would come in 2032.

USDA economists analyzed four models aimed at determining the outcome for U.S. dairy producers if Congress adopts TPP.

The U.S. International Trade Commission's long-term model includes higher-value processed dairy products, such as ice cream and infant formula, and economy-wide and cross-commodity effects not included in the other economic models analyzed by USDA.

All four models — by Virginia Tech, the University of Missouri, American Farm Bureau and the trade commission — show a net increase in U.S. dairy exports that underscores the importance of TPP, according to USDA's office of the chief economist in its report, "Why Trade Agreements Matter: The Case for U.S. Dairy."

If the U.S. rejects TPP, Virginia Tech's Center for Agricultural Trade projects an annual loss of nearly $31 million in U.S. dairy exports and $11.5 million in producer welfare, reflecting the preferential access competitors such as New Zealand and Australia would gain in TPP countries.

USDA's analysis points out U.S. dairy exports have grown more than fivefold during the last 15 years, reaching a record $7.1 billion in 2014 and tripling the share of domestic milk production exported to as much as 15 percent. It also found that continued growth of the U.S. dairy sector is largely contingent on trade.

"The U.S. market is fairly mature and per-capita consumption is not expected to expand significantly, which makes overseas markets increasingly important to producers' returns," the economists stated.

Free trade agreements have contributed to export growth and have helped address tariff and nontariff barriers, according to the report. U.S. dairy exports to FTA partners grew from $690 million before the agreements to $2.8 billion in 2015.

The International Dairy Foods Association, U.S. Dairy Export Council and National Milk Producers Federation all support TPP, said Beth Hughes, IDFA director of international affairs.

"We think it's critical for our industry and for our export markets," she said.

Exports are part of IDFA's processing members' long-term plans for growing their businesses, and the Asian Pacific region is a natural place for the U.S. to increase exports, she said.

Other countries are already looking at trade agreements, and some are underway. If Congress doesn't implement TPP, the U.S. will give the upper hand to other countries and be subject to higher tariffs that will make the U.S. unable to compete, she said.

"We'll be pushed out and lose market share," she said.

The U.S. share of global dairy markets has grown from 4 percent in 2000 to 14 percent in 2014.

Asia offers new opportunities due to a substantial increase in per-capita income, which is expected to far surpass the world rate, USDA reported.

In addition to providing market-access gains to key countries — such as Japan, Malaysia, Vietnam and Canada — TPP also breaks new ground with rules on nontariff barriers, including sanitary and phytosanitary measures, geographic indicators, biotechnology and organics, USDA reported.

Changes in U.S. dairy annual balance sheet with TPP participation

(Millions of dollars)

Economic model	U.S. exports	U.S. imports
University of Missouri, (2024) all countries*	$150.4	$97.3
Virginia Tech, (2026) TPP countries only**	275.3	38
Virginia Tech, (2026) all countries	262.5	42.3
American Farm Bureau Federation (2032 – full implementation, net exports)	131.2	N/A
U.S. International Trade Commission (2032 – full implementation)	1,845.5	348.6

*Does not include bilateral trade flows. **Includes bilateral trade flows.

To view the entire report from the Office of the Chief Economist, go to: *www.fas.usda.gov/data/why-trade-agreements-matter-case-us-dairy*

Source: USDA Office of the Chief Economist Capital Press graphic

USDA moves ahead with new GIPSA rules

By CAROL RYAN DUMAS
Capital Press

USDA's advancement of its rules regarding competitive injury and undue preference under the Grain Inspection, Packers and Stockyards Act has met with renewed opposition from some livestock groups and renewed enthusiasm from others.

The Farmer Fair Practices Rules are a product of flawed 2010 rulemaking that was finalized in 2011 and repeatedly defunded in congressional appropriations bills, said Colin Woodall, National Cattlemen's Beef Association's vice president of government-tal affairs.

The rules have not yet seen the light of day, but NCBA suspects not much will change in USDA's newest attempt to address "fairness" with a subjective definition that will open the door to litigation and limit producers' marketing options, he said.

The rules would not require a showing of injury (to overall market competition) to claim a violation under GIPSA.

That means if a producer thinks his price is unfair, he can report it and sue the packer, the feedlot and even other producers, Woodall said.

For instance, if a producer thinks it is unfair for another producer to receive a premium based on genetics and that he should have the same opportunity even though he didn't invest in genetics, he can sue that producer claiming he was complicit in the arrangement, Woodall said.

It's going to threaten marketing arrangements and value-added programs and push the industry back toward more commodity cattle, he said.

Agriculture Secretary Tom Vilsack has said the agency is considering excluding certain provisions from the earlier rules, including marketing arrangements, but that's no guarantee, Woodall said.

National Pork Producers Council is also concerned by the resurrected rules, saying they will create legal uncertainty in the industry.

The concern is that producers will no longer need to prove that a meatpacker's action injured or diminished competition in a "marketplace." They will only need to show that a practice was "unfair" to them or that an "undue" or "unreasonable" preference or advantage was given to another producer or producers, NPPC stated in a press release.

The organization points out the Senate rejected a "no competitive injury" provision in the 2008 Farm Bill and eight federal appeals courts have held that an action must have harmed marketplace competition to be a violation of GIPSA.

R-CALF USA and the U.S. Cattlemen's Association are in full support of USDA moving forward with the rules, saying producers would no longer have to show harm or competitive injury to the entire industry to file a complaint.

"The rules will facilitate competition by defining the legal framework within which our markets can begin to function properly," said Bill Bullard, R-CALF's CEO.

"With clear delineations between which market practices are allowed and which are not, producers can self-monitor and self-enforce industry competition without having to wait on the government to act on their behalf," he said.

In a statement commending USDA, USCA President Kenny Graner said, "These common sense clarifications protect U.S. ranchers and feeders from anti-competitive buying practices and help to advance true price discovery in a competitive marketplace."

Capital Press file

Cattlemen's groups differ in their reaction to new marketing rules under consideration by the USDA.

Cash dairy prices continue mixed

By LEE MIELKE
For the Capital Press

Dairy Markets
Lee Mielke

Cash cheese prices strengthened last week but then backed down.

Block cheddar jumped to $1.68 per pound on Tuesday but closed Friday at $1.65, up a dime on the week and 3 3/4-cents above a year ago.

The barrels got to $1.61 but ended at $1.57, up 11 cents on the week and 2 cents above a year ago.

Monday's trading took the blocks down a penny and they lost a quarter-cent Tuesday, slipping to $1.6375.

The barrels also lost a penny Monday but were unchanged Tuesday, holding at $1.56.

Midwest cheesemakers tell Dairy Market News that cheese production has increased slightly. Milk is readily available and components are on the rise, but so are orders.

Butter continued the meltdown that started in August, slipping to $1.7550 per pound last Wednesday, the lowest price since April 2015, but it inched up a half-cent Friday to close at $1.76, down 2 1/2-cents on the week and 71 cents below a year ago.

It added 2 cents Monday and in heavy trading Tuesday — 20 cars — jumped a nickel to $1.83.

Butter output is active as moderate to heavy cream supplies continue clearing to churns.

Grade A nonfat dry milk closed last week at 88 cents per pound, up a penny, and 3 1/2-cents above a year ago.

The powder inched a quarter-cent lower Monday and three-quarters Tuesday, slipping to 87 cents per pound.