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Dairy/Livestock

China's new tariff reduction to boost U.S. cheese exports

By CAROL RYAN DUMAS
Capital Press

Associate Press File
Cheese ages at a Wisconsin plant. China's decision to reduce its tariff on U.S. cheese is expected to increase exports.

China is unilaterally lowering its tariffs on cheese imports from 12 percent to 8 percent in a broader package of tariff reductions on foods and consumer goods that went into effect on Dec. 1.

The U.S. Dairy Export Council says the lower tariffs will immediately boost the competitiveness of U.S. cheese exports and help U.S. suppliers play a larger role in meeting China's booming cheese demand.

"We are very pleased with China's decision because it will help U.S. cheese exporters and manufacturers chip away the tariff disadvantage with other competitors," Tom Vilsack, USDEC president and chief executive officer, said in a press release.

Cheese was included in the tariff reductions because of three years of bridge-building efforts led by USDEC. Those efforts focus on working with Chinese authorities to analyze the mutual benefits that would flow from China unilaterally lowering its tariffs on certain dairy products.

USDEC has been focused on pursuing opportunities to address the competitive disadvantage faced by various U.S. dairy exports into China and other markets, said Shawna Morris, vice president of trade policy for USDEC.

The effort is broader than access to the cheese market in China, but this was an opportunity to make headway there and USDEC is very pleased by the step China chose to take, she told Capital Press.

"As this was a unilateral action, China clearly saw it as in its own benefit to make this change and thereby help to increase consumer choice options in China," she said.

Over the last decade, China's cheese imports soared more than seven-fold to nearly 100,000 metric tons. Already a Top 10 cheese buyer, it is on pace to become the largest cheese importer in the world in the coming years.

At the same time, U.S. suppliers have been losing market share, in part due to unfavorable tariff rates versus that of competitors, according to USDEC.

U.S. cheese exports to China in 2016 were 11,743 metric tons, valued at $38.2 million. That was down from 15,483 metric tons valued at $53.3 million in 2015, according to the USDA Foreign Agricultural Service.

U.S. market share on a value basis was 14 percent of China's total cheese imports in 2016, down from the peak of 27 percent in 2012, Veronica Nigh, American Farm Bureau Federation economist, noted in this week's AFBF Market Intel.

Oceania and the EU are the main competitors to U.S. dairy in China, Morris said.

The EU doesn't have a free trade agreement with China, so it pays the same tariff rates as the U.S. But Australia and New Zealand have agreements with China that provide duty-free access on a certain quantity of their products and diminishing tariffs for various products, she said.

The U.S. remains at a disadvantage not only in China but in other countries when it comes to tariffs due to lack of U.S. free trade agreements, Jaime Castaneda, USDEC senior vice president of trade policy said in the press release.

"We are committed to finding ways to recoup that competitive disadvantage," he said.

USDA expands school flavored-milk options

By CAROL RYAN DUMAS
Capital Press

Low-fat flavored milk will be back in schools around the country next school year due to USDA's new School Meal Flexibility Rule, which reinstates that option.

USDA eliminated that option in 2012, allowing only nonfat flavored milk and lowfat and nonfat unflavored milk in the National School Lunch and School Breakfast programs.

Dairy groups are applauding USDA Secretary Sonny Purdue for following through on his proposal earlier this year to allow schools the option, saying loss of that option resulted in a significant decrease in milk consumption in schools.

While total fluid milk consumption in schools in 2016 was estimated at 402 million gallons or 3.4 billion pounds, based on USDA data, it had dropped by 288 million half pints in 2015 compared to 2011, according to International Dairy Foods Association and National Milk Producers Federation.

That represents a 4.2 percent decrease of about 144 million pounds, or nearly 17 million gallons, despite growing enrollment and the option of nonfat flavored milk.

USDA's action "will help reverse declining milk consumption by allowing schools to provide kids with access to a variety of milk options, including the flavored milks they enjoy," Michael Dykes, IDFA president and CEO, said in a press release.

Perdue's willingness to provide greater flexibility to schools recognizes that a variety of milk and other healthful dairy foods is critically important to improving nutritional contributions of child nutrition programs in schools, Jim Mulhern, NMPF president and CEO, said in the press release.

"The math here is quite simple: More milk consumption equals better nutrition for America's kids," he said.

Having a small amount of fat in the milk helps with mouth-feel as well as satiety, Chris Galen, NMPF senior vice president of communications, told Capital Press.

"The issue isn't just flavored milk; schools are offering that now. It's the combination of the flavor, usually chocolate, plus the 1 percent fat level that makes it more popular than either fat-free flavored, or 1 percent white milk," he said.

The other thing to keep in mind is that offering 1 percent flavored milk is consistent with the Dietary Guidelines for America, which recognize that such a product will help children meet their daily nutritional needs without making significant contributions to their sugar or fat intake levels, he said.

Under current rules, schools would have to demonstrate either a reduction in student milk consumption or an increase in school milk waste to offer low-fat flavored milk.

The two organizations said they appreciate Perdue's understanding that the regulatory process needed to move quickly so schools can include the option in their menu planning and procurement processes.

Publication of the new rule will allow school districts to solicit bids for low-fat flavored milk this spring, giving milk processors time to formulate and produce a product that meets the specifications of particular school districts, they said.

Dairy Markets
Lee Mielke

Dairy prices continue lower

By LEE MIELKE
For the Capital Press

CME dairy prices were mostly lower last week. Cheddar block cheese fell to $1.55 per pound the first day of trading following the Thanksgiving break, but closed Friday at $1.5625, down 4 3/4-cents on the week and 24 3/4-cents below a year ago.

The barrels fell to $1.51 last Wednesday and finished Friday at $1.5350, down 14 cents on the week and 8 cents below a year ago. Twenty-two cars of block traded hands on the week and a whopping 62 of barrel.

The blocks then tumbled 4 1/4-cents Monday and slipped three-quarters Tuesday, to $1.5125, as traders analyzed the morning's Global Dairy Trade auction and awaited the October Dairy Products report. That's the lowest block price since Aug. 31, 2017.

The barrels were up a penny and a half Monday and added 1 3/4-cents Tuesday, hitting $1.5625, 5 cents above the blocks.

Milk headed to Class III plants remained accessible following Thanksgiving weekend, reports Dairy Market News, and spot prices ranged from flat market to $4 under class. Barrel prices hovering above the blocks is typically viewed as "an indication of market instability."

Cheese output in the West is also strong due to higher milk availability. Supplies are abundant and inventories continue to increase but demand is doing well. The falling prices have also resulted in more interest from the international market.