Lawmakers urge enforcement of USMCA dairy provisions

By CAROL RYAN DUMAS
Capital Press

A bipartisan coalition of 104 House members is calling on the Trump administration to hold Canada and Mexico to their commitments on dairy trade in the new U.S.-Mexico-Canada Agreement.

In a letter to U.S. Trade representative Robert Lighthizer and USDA Secretary Sonny Perdue, the lawmakers urged the administration to swiftly use consultation and enforcement measures to ensure Canada and Mexico deliver on all their obligations related to dairy products.

The effort was led by House Agriculture Committee Chairman Collin Peterson, D-Minn., and Reps. Ron Kind, D-Wis.; Tom Reed, R-N.Y.; Glenn "GT" Thompson, R-Pa.; Anthony Brindisi, D-N.Y.; Russ Fulcher, R-Idaho; Xochitl Torres Small, D.-N.M; and Anthony Gonzalez, R-Ohio.

Of specific concern are Canada's administration of dairy tariff rate quotas and elimination of its Class 6 and 7 dairy pricing programs and Mexico's compliance to market access for U.S. cheeses with common names.

Those concerns have been raised by the U.S. Dairy Export Council and National Milk Producers Federation even before USMCA was implemented.

In June, Canada announced TRQ allocations that appear to run counter to several USMCA provisions, Shawna Morris, vice president for trade for both organizations, told Capital Press in July.

The TRQ are "overly tilted toward Canadian processors who in many cases have a disincentive to import competing product, particularly higher value products," she said.

For example, 80% to 85% of the quantities for all the dairy TRQ have been granted to Canadian processors, leaving a small amount for distributors and cutting out retailers who have the strongest incentives to purchase U.S. product, she said.

The Class 6 and 7 pricing programs artificially lower prices for Canada's domestic milk ingredients to domestic processors to discourage imported ingredients.

As for Mexico, the U.S. industry wants to be sure it abides by its commitments to protect access for U.S. cheeses with common food names, such as parmesan. Two USMCA side letters established new protections for those products to combat efforts by the EU to seize exclusive use of common names in the Mexican market.

Strong demand for U.S. dairy abroad drives economic growth and creates jobs in the U.S., Tom Vilsack, president and CEO of USDEC, said in a press release following the congressmen's letter to the administration.

"USMCA is designed to allow the U.S. industry to fulfill this demand from two of our largest dairy customers, and we cannot allow Canada or Mexico to undermine the important gains secured in this trade deal," he said.

USMCA represents new opportunities for dairy farmers and processors after years of rural recession and the new challenges of the current crisis, Jim Mulhern, NMPF president and CEO, said.

"We must utilize USMCA's enforcement mechanisms to bring home its hard-fought wins for America's dairy farmers," he said.

If implemented as negotiated, the International Trade Commission estimates USMCA will increase U.S. dairy exports by more than $314 million annually.

Farm Bureau proposes milk pricing reform

By CAROL RYAN DUMAS
Capital Press

Carol Ryan Dumas/Capital Press File

Jersey cows look up from their feed on the Ballard Dairy in Gooding, Idaho.

The American Farm Bureau Federation is leading the charge to improve dairy policy and milk-pricing provisions to give producers a stronger voice and more equitable position in the federal order system.

The process started early in 2019 when Farm Bureau delegates requested the formation of a grassroots task force to examine the Federal Milk Marketing Order system and develop recommendations to modernize it.

Delegates approved those recommendations in early 2020 and planned to release the proposals in March. But the COVID-19 pandemic took priority, and the release was delayed until just recently.

"We were finally able to come back up for air," John Newton, AFBF's chief economist, said.

While the effort preceded the pandemic, "the volatility we've seen in cheese prices has brought renewed attention to reform in federal orders," he said.

The recommendations address a few high-level issues, including the voting process in federal orders and price discovery, he said.

Farm Bureau's policy supports a voice and a vote for dairy farmers during federal order rulemaking, he said.

Currently, only independent dairy farmers are allowed to cast individual ballots. Cooperatives can allow their members to vote independently, but they lose their ability to bloc vote on behalf of their non-participating members.

Farm Bureau supports allowing modified bloc voting, which would allow cooperative members to vote individually while allowing cooperatives to cast ballots for producers who choose not to cast an individual vote.

The recommendations also include enhancing price discovery. Current milk pricing is based on survey prices for four dairy commodities — cheddar cheese, butter, nonfat dry milk and dry whey. But many products and ingredients aren't surveyed, he said.

USDA data reveals less than 10% of the milk solids produced in the U.S. are included in the survey.

Expanding price discovery to more products would bring a better understanding of what the value of milk truly is, he said.

That can be done within the current surveyed commodities, such as changing specifications to get more cheddar cheese in the survey, or expanding outside the current survey to include such products as mozzarella cheese, he said.

Other recommendations are aimed at better risk sharing between producers and processors, he said.

One issue in that arena is make allowances, which are meant to cover processors' manufacturing costs and effectively come out of the milk payment to producers. They are currently fixed by milk class across federal orders and represent about $4 billion a year, he said.

"Having a fixed processing cost doesn't reflect the different types of operations out there or encourage efficiency," he said.

Dairy farmers say processors "are always trying to find a way to cut costs to be profitable, yet the plants have a guaranteed make allowance," he said.

Darigold moves forward with strategic plan

By CAROL RYAN DUMAS
Capital Press

Darigold

Darigold has announced plans to build a new ingredients plant and expand its warehouse space, among other changes.

Darigold will build a large-scale global ingredients plant as part of its long-term strategic plan, the company announced.

"We are still in the early stages of planning for this new plant," Erin Byrne, Darigold leader of corporate communications, told Capital Press.

The selection of the location for the plant is ongoing and will be announced in 2021 along with more specifics about the intended final products for commercialization, she said.

Without knowing the location and intended products, Darigold can't share an exact investment number, but it will be substantial, she said.

"It will be the co-op's largest capital project to date, and we are very excited to get to work," she said.

Darigold is also making sweeping changes in its leadership structure as part of its strategic plan. The changes announced include leadership transitions, new hires, acquiring additional warehouse capacity and capital investments.

Grant Kadavy, Darigold COO, will transition to chief growth and risk officer. He will spearhead the effort to launch the new plant and integrate new products, services and processes into the rest of the company's network and functions.

Duane Naluai

Duane Naluai, Darigold senior vice president and leader of consumer products, has been promoted to president of consumer products.

The company has also hired Joe Coote as president of global ingredients, a new position. He has 28 years of experience including more than 11 years with Fonterra, a globally recognized leader in the dairy business. He led large commercial organizations as part of Fonterra's senior team.

"Joe will be instrumental in leading the development and execution of our global ingredients business," Stan Ryan, president and CEO of Darigold, said in a press release.

The company has also hired Matthew Sagendorf to lead the construction and start-up of the ingredients plant. He has more than 20 years of experience in engineering and growth projects and has managed projects at companies such as Conagra and Kraft Foods.

Darigold is continuing to search for a new head of engineering to partner on designing the new plant and to lead other engineering projects. It hopes to complete that search this fall.

The company is also streamlining its international distribution capabilities to complement production investments. It has signed a lease for about 284,000 square feet of warehouse space in a planned development near the Port of Seattle.