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## Dairy

### Expert: Dairy export challenges plentiful

By CAROL RYAN DUMAS  
Capital Press



Shawna Morris

It's been a challenging year in the dairy industry, and preserving and growing access to foreign markets is key to keeping it on an even keel.

Unfortunately, the challenges are always plentiful, said Shawna Morris, senior vice president of trade for the National Milk Producers Federation.

"One of the big challenges our exporters are dealing with has been the crisis through some of our ports," she said during the latest "Dairy Defined" podcast.

The shipping backlog and higher costs have had a significant impact that's beginning to show up in trade flows, she said.

There's always a host of different challenges exporting into various markets, such as Canada playing games with its U.S.-Mexico-Canada agreement commitments, she said.

"On a couple of other fronts, we're working to preserve access into key markets such as Mexico and the European Union as they've gone through various regulatory changes," she said.

The European Union has rewritten all of its import certificates that need to accompany dairy, meat and other products as they arrive at European ports. National Milk has worked extensively with the U.S. Dairy Export Council and the U.S. government to navigate that issue and press for more time from Europe and more flexibility to avoid trade disruption, she said.

"On the Mexican side, what we've really been contending with has been a huge surge in regulatory changes across a number of different dairy products," she said.

One example is Mexico's proposed cheese conformity assessment to ensure exporters are complying with Mexico's

cheese standard and regulation. National Milk supports making sure people are complying with cheese standards, but Mexico has been proposing a process that is onerous, costly and complicated, she said.

One of the biggest issues on the radar for National Milk and the Dairy Export Council is simply the drum beat about the importance of pursuing new market opportunity. The USMCA is a piece of that, she said.

"We want to make sure the market opportunities we got in that agreement just last year, we maximize. But it's a big wide world out there," she said.

The dairy groups have been encouraging the administration to resume and move forward with negotiations on a free-trade agreement with the United Kingdom. It's a really big dairy importing market, but virtually all of its imports come from the European Union, she said.

"European Union has much lower non-tariff hurdles compared to us and has essentially an open door on tariffs, so we're at a huge disadvantage. Closing that gap could open up a lot of opportunity there," she said.

The other area of focus on free-trade agreements is Asia, she said.

"Europe and New Zealand have been just going to town in terms of pursuing negotiations with a lot of the countries throughout that region and that's an area where, in particular, we're sliding backward by simply standing still," she said.

A big piece of what the groups are emphasizing to the administration is that the U.S. dairy industry needs to be in these markets to make progress and even to maintain its current position, she said.

### Federal judge tosses out lawsuit to overturn raw butter prohibition

By MATEUSZ PERKOWSKI  
Capital Press

A federal judge has rejected a lawsuit that sought to overturn the U.S. Food and Drug Administration's pasteurization requirement for butter sold in interstate commerce.

Last year, organic dairy producer Mark McAfee filed a lawsuit challenging the FDA's prohibition against interstate raw butter sales with the help of the Farm-to-Consumer Legal Defense Fund nonprofit.

The complaint's allegation that FDA's rule is scientifically arbitrary "completely misses the mark" while its legal arguments against the regulation are "baseless," according to U.S. District Judge Rudolph Contreras in Washington, D.C.

"Not only does the pasteurization requirement fit well within the federal gov-



Capital Press File

**Mark McAfee of Organic Pastures Dairy Farms in Fresno, Calif., has lost a lawsuit seeking to overturn the federal prohibition against interstate sales of raw butter.**

ernment's broad power to combat the spread of infectious diseases, but there is also a great deal of scientific research showing that pasteurization is effective at doing so," Contreras said.

Though heating milk to kill bacteria was pioneered in the 1860s, pasteurization

didn't become popular in the U.S. until the early 1950s, he said. The federal government encouraged the practice but only began requiring pasteurization for milk in 1987 and other dairy products in 1992 for interstate sale.

The plaintiffs claimed that low levels of pathogens don't

cause illness and pasteurization can't eliminate them all anyway, so FDA's rule is arbitrary in violation of administrative law, the judge said.

However, the "rare possibility" that pasteurized dairy products will still be contaminated with bacteria "does not mean pasteurization is useless," Contreras said. "At bottom, there is little doubt that pasteurization minimizes the 'documented risks' posed by pathogens in dairy products like butter. The FDA thus reasonably concluded that requiring pasteurization would 'result in some benefit to the public health.'"

The government has also adequately backed up its rationale with studies and data that tied unpasteurized butter to disease outbreaks, the judge said. The FDA is owed a high level of deference in making such scientific decisions.

### Economist warns of milk oversupply

By CAROL RYAN DUMAS  
Capital Press



Marin Bozic

The world is emerging from the COVID-19 pandemic, and that's good news for dairy demand.

Global economic growth is forecast at 6% year over year in 2021 and 4.4% in 2022. In the U.S., that growth rate is expected to be 6.4% this year followed by 3.5% in 2022.

"In general, growth both domestically and internationally is good for demand for ag exports from the United States and dairy exports in particular," Marin Bozic, an economist with the University of Minnesota, said in a webinar sponsored by Northwest Farm Credit Services.

In addition, U.S. food-service demand is returning, and aggressive government stimulus in the U.S. in 2020 increased personal income, he said.

Not surprisingly, that government stimulus has resulted

in more milk production, he said.

"We've actually been seeing some quite impressive, and I should

maybe even say concerning, growth rates in 2021," he said.

U.S. milk production is showing growth rates of 3% year over year, and that is not sustainable unless the growth is export-driven, he said.

"The number of (dairy) cows in the United States is the highest it has been since 1994 ... and we don't see the stopping signs yet," he said.

"I think that a lesson learned from the previous two decades is that you don't get away from consequences of rapid herd growth," he said.

Despite economic growth, the increase in foodservice demand and all the recovery, dairy farmers' bullishness is

concerning, he said.

"People are expanding. They are well positioned to expand financially, and we usually end up, you know, eating our shoe 12 to 24 months later whenever we have such booming optimism in the industry," he said.

In this case, feed costs will curb milk production from what it would be otherwise. But there's still likely to be oversupply given the herd size and protection for smaller producers under the Dairy Margin Coverage program.

He's expecting the program to pay between \$2 and \$3 per hundredweight this year on milk protected at the \$9.50 per hundredweight margin, he said.

That means dairies with about 200 cows or less, whose annual milk production qualifies for lower program premiums, can be very profitable because they're not buying all their feed on the open market, he said.

That entire channel that was a relief valve in previous times of oversupply won't be under pressure to exit if there's oversupply and milk prices decline," he said.

So it's the dairies with 500 cows or more that are going to have to carry the burden, he said.

"The good news is that we still have exports," he said.

Oversupply would lower U.S. product prices, and a good part of the oversupply burden would be borne by U.S. competitors, he said.

"So we'll be able to export our oversupply, if you will, to some extent — but I wouldn't bet my farm on it," he said.

Larger dairies that can only protect a small portion of their milk under Dairy Margin Coverage need to have a risk-management plan in place, he said.

"The traditional relief valve will not be there or at least it will be muted this time around," he said.

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