



## Legislative Watch

Issues important to today's dairy farmers

### **NMPF Opposition to Possible New Zealand Trade Agreement Communicated to Congress**

NMPF President and CEO Jerry Kozak sent a letter to members of Congress in August voicing the dairy industry's strong opposition to any kind of trade agreement with New Zealand.

Since the collapse of the World Trade Organization talks in Geneva earlier this summer, NMPF has been increasingly concerned that past interest expressed by the Bush Administration for a free trade agreement that would include New Zealand could now gain momentum. Earlier this year, the Bush administration expressed interest in

a "P4" free trade agreement (FTA) with Singapore, New Zealand, Chile, and Brunei, and talks related to the financial and services sectors are already taking place. As the U.S. already has FTAs with Singapore and Chile, and limited trade interest in the tiny nation of Brunei, the P4 FTA would essentially be a trade pact with New Zealand.

The NMPF letter urged Congress not to approve any trade agreement with New Zealand because of the negative impact it would have on America's dairy producers and rural communities.

With an FTA, New Zealand would be able to export dairy products to the U.S. market while other countries' markets would remain largely closed off, thereby swamping the U.S. with imports and further stressing already depressed rural economies. Since the benefits of such an agreement would flow solely to New Zealand, NMPF could not support such an unbalanced FTA. NMPF will continue to monitor this situation and to fight any prospect of a trade agreement with New Zealand.

### **Department of Homeland Security Considers New Location for Proposed National Bio- and Agro-Defense Facility**

Since 1954, the Plum Island Animal Disease Center (PIADC), off the coast of Long Island, New York, has been responsible for research and diagnosis to protect United States animal industries and exports against catastrophic economic losses caused by foreign animal disease agents accidentally or deliberately introduced into the U.S., including Foot and Mouth Disease (FMD).

In 2003, the management of the PIADC was transferred from the U.S. Department of Agriculture to the Department of Homeland Security. The proposed National Bio- and Agro-Defense Facility (NBAF) would replace the PIADC facilities for research into high-consequence biological threats involving zoonotic (i.e., transmitted from animals

to humans) and foreign animal diseases. Proposed locations for the NBAF facility include five mainland sites and Plum Island.

In comments submitted in late August to DHS on the Draft Environmental Impact Statement for NBAF, NMPF reiterated its primary concern that the NBAF facility have adequate protection so that no accidental release of a disease such as FMD could occur. As such, no matter where it is located, the facility needs to have a large animal biosecurity level 3 and 4 laboratory so that research can be conducted on diseases such as Foot and Mouth Disease. One key component of these facilities is that they are adequately funded to remain up-to-date with modern technologies that evolve to ensure that they continue

to provide the necessary security against a release of harmful microorganisms.

NMPF also believes that the experience in the United Kingdom last summer is instructive with regard to the potential hazards in working with highly-contagious microorganisms. Due to plumbing control problems at its Pirbright facility near London, the Foot and Mouth Disease virus was inadvertently released into the environment, where it infected commercial farms before it was ultimately contained. This incident should be a cautionary tale of what can happen, even accidentally, when biohazards exist in too close a proximity to concentrations of humans and animals.

## USDA Delays Implementation of Revised Class III & IV Make Allowances

The USDA has delayed implementation of its interim final rule on Class III and IV make allowance adjustments by one month, in response to a lawsuit filed on behalf of seven dairy farmer cooperatives, two other farm operators, and a state dairy farmers association. The suit claims that USDA was obliged by the passage of the new Farm Bill to determine producer feed and energy costs, and take those into consideration in any hearing, and that USDA did not do this when making its decision on the rule.

The revised new make allowances were to take effect September 1, 2008 for all classes, increasing make allowances for cheese, butter, nonfat dry milk, and dry whey, and revising the butterfat yield factor. Barring action by a judge, those changes will instead take effect on October 1, 2008.

The revised formulas were to be applied to the August 22 announcement of advanced prices (Class II skim and Class I skim and butterfat) for September, and to the October 3 announcement of Class III and IV prices. As a result of USDA's action at press time, the application of these changes was put off until at least October, with the new formulas to be applied no earlier than the September 19 announcement for October's advanced pricing, and the October 31 announce-

ment for October's Class III and IV prices.

The rule, as published on July 31, would have raised the manufacturing ("make") allowances for all four products whose price enters into the formula. The cheese make allowance was to be raised from 16.82 cents per pound to 20.03 cents, lowering the Class III formula price by 31 cents per hundredweight, according to NMPP's analysis. The butter make allowance would go from 12.02 cents per pound to 17.15 cents, lowering the butterfat price by 6.2 cents per pound, the Class IV price by 22 cents per hundredweight and the Class III price by 3 cents per hundredweight. The nonfat dry milk make allowance was to be raised from 15.7 cents per pound to 16.78

cents, lowering the Class IV formula by 10 cents. Dry whey's make allowance would rise from 19.56 cents per pound to 19.91 cents per pound, lowering the Class III formula by 2 cents. (These milk price impacts could differ by a penny in some months, due to the rounding in the Class price formulas.)

The butter yield factor of the butterfat price was also to be raised from 1.20 to 1.211. Because this is multiplied by the butter price in calculating the butterfat value, the impact of the change depends upon the butter price. At June's average butter price, the yield factor change would raise the butterfat price by 1.5 cents and the Class IV price by 5 cents per hundredweight.



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