



National Farmers Says USMCA Won't Solve America's Milk Price Crisis

National Farmers Organization says the new trilateral trade agreement known as USMCA may be viewed as a positive step by some, but won't change the low milk price forecast for U.S. producers.

In the past four years, American dairy producers have experienced a milk price drop of nearly 50 percent.

"We appreciate that opening up export markets to more U.S. milk products is important when we have an over supply of production here at home," said National Farmers President Paul Olson. But, when you consider there are more dairy cows in Wisconsin than all of Canada, the positive impact is significantly offset.

The new trade deal allows the U.S. to regain access to the Canadian market for milk powder and milk proteins, or Class 7 products. The U.S. will now be able to export \$560 million worth of dairy products, or about 3.5 percent of Canada's dairy industry, up from 3.2 percent.

Olson says it could give a short-term psychological boost to markets here at home, but that it won't be a salvation for America's dairy farmers. "What our dairy producers need is a new milk production and pricing system based upon balancing supply and demand factors; that is just reality," he said. "Supply management and structure management changes need serious review by U.S. co-ops and all milk marketing organizations, along with dairy farmers themselves. Then, we will need implementation in a meaningful way."

National Farmers

Olson also said National Farmers Organization leaders believe it is the wrong approach to attempt to erode Canada's milk pricing system, but should instead address the severe problems the U.S. milk pricing system has created—responsible for thousands of U.S. producers exiting the business in the past four years.

Canada's dairy industry changed in the mid-1970s, after decades of dairy farmer losses. The country moved to a supply management system, which stabilized milk markets and farm operations there. Their farm gate price enables producers to cover production costs and provide a return on labor and capital.

National Farmers points out that exports are particularly important because of milk over supply domestically, but the small Canadian gains will be dramatically offset by China's new tariffs on lactose, infant formula, caseins and others. "When you look at China's new tariff schedule, every single U.S. dairy product will now face additional fees to enter the country," Olson said.

Bob Yonkers, dairy economist and analyst with the Daily Dairy Report, says during the past five years, China imported nearly 10 percent of the total value of America's dairy product exports, coming in third after Mexico and Canada.

National Farmers leaders also pointed out that country-of-origin labeling was not addressed in the trilateral trade deal, which the organization favors. Further, the U.S. Congress, and Canada's House of Commons, must ratify the agreement, along with Mexico. National Farmers board members and ag policy committee members, share concerns that current tariffs may remain in place until 2020.

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