

Dairy Conference Discusses Feed Cost, Immigration

The future of feed costs for livestock producers and the immigration discussion in Washington, D.C. were topics of discussion at this month's National Dairy Producers Conference organized by the National Milk Producers Federation (NMPF). Both issues directly impact dairy producers and their bottom line, and hopefully changes are coming for both feed costs and the immigration system.

Professor Christopher Hurt of Purdue University tackled feed costs in the session, "High Feed Prices: When Will They Moderate?" He started by reminding attendees that high grain prices are not a new phenomenon, citing price spikes after World War I, World War II, and in the 1970s. After all of those historical price spikes came moderation; the question for the current situation is when that moderation will come and to what extent will prices drop.

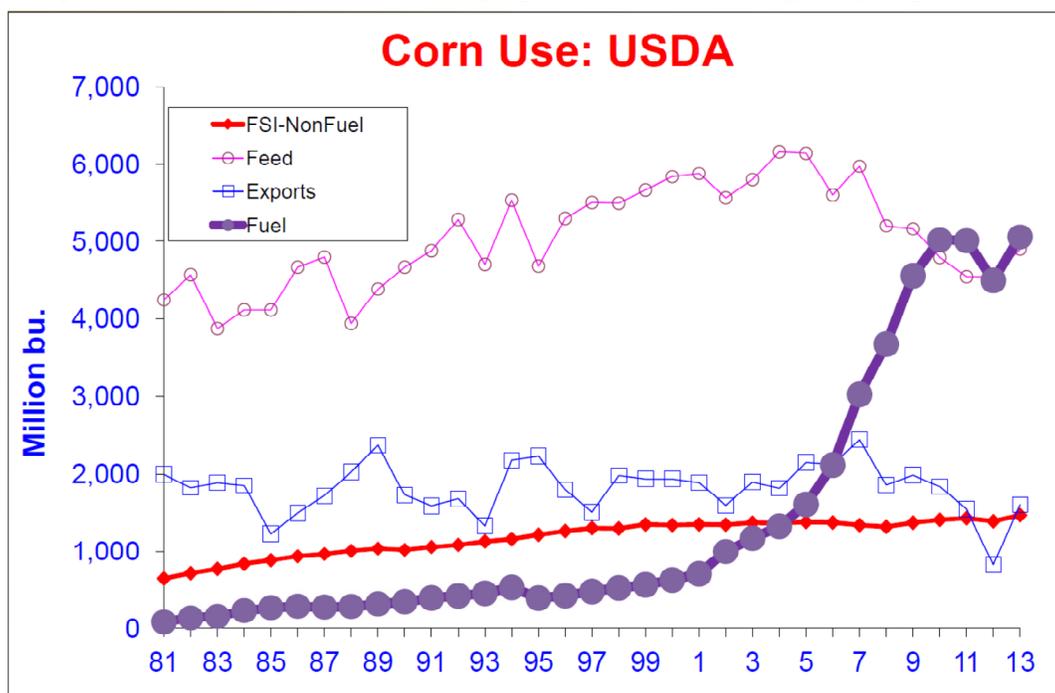
Over the last three crop years, corn yields dropped from 153 bushels per acre in 2010 to 147 bushels per acre the following year, then last year's drought pushed average yields down to 122 bushels per acre. Combined with strong demand, these short crop yields resulted in the current high prices.

Professor Hurt listed five factors influencing the current grain price situation. The first is biofuel policy worldwide, an example of policy-driven demand instead of market-driven demand. The tremendous increase in corn use for fuel is demonstrated in Professor Hurt's Corn Use line graph. The second factor in the current supply and demand imbalance is the amount of exports to a growing middle class around the world, especially soybean exports to China. The third factor is underinvestment in developing world agriculture. In the days of low grain prices, it was much cheaper for developing countries or organizations to buy grain from the developed world rather than invest in raising crops locally. That is no longer the case, and now, when high grain prices are impacting countries around the world, those developing nations do not have the infrastructure to grow large volumes of crops for themselves.

Adverse weather, especially drought, is the fourth factor in current high grain prices. On July 24, 2012, 64% of the U.S. was in drought conditions. Today, about 52% of the country is still short on moisture. Winter storms through the spring will greatly impact the degree of recovery this year. The

fifth factor in high grain prices is macroeconomic events, such as the rising value of the dollar, U.S. and world Gross Domestic Product (GDP) growth, and interest rate levels.

Professor Hurt believes the big drivers of demand will flatten out over the next four years, giving the grain supply a chance to recover. The big question mark is weather: how quickly will the U.S. recover from last year's drought and when will the crop get planted,



considering this year's cold, wet spring so far.

Another topic of discussion at the National Dairy Producers Conference was immigration reform. Unlike the Farm Bill process, immigration reform is showing signs of life in Congress. Kristi Boswell, Director of Congressional Relations for the American Farm Bureau Federation, and Jaime Castaneda of NMPF shared details about the ongoing immigration reform debate in both the House of Representatives and Senate, and both speakers were optimistic that something would get passed this year. To realistically have a chance, a deal must show significant movement, if not passage, by the August recess.

About a week after the National Dairy Producers Conference, a bipartisan group of Senators unveiled their proposal for immigration reform. The piece addressing agricultural workers is different from the overarching legislation. Under the agriculture piece, there would be two separate programs: a new program for future agricultural workers administered by the United States Department of Agriculture (USDA) rather than the Department of Labor and earned legalization for current agricultural workers.

Under the agriculture piece of the Senate proposal, current undocumented workers that can show they've worked in agriculture a minimum of 100 days or 575 hours in the two year period ending December 31 of this year will be eligible to obtain legal status through a Blue Card program. Blue Card recipients who meet additional work requirements, pay taxes and a fine, and have not been convicted of a felony or violent misdemeanor may then move on to the Green Card program.

For new agricultural workers, the program would have two options: a portable, at-will visa and a contract-based visa. The existing H-2A program would sunset one year after the new program is implemented. For the first five years, there would be a fixed cap of 112,333 new visas each year up to a maximum of 337,000 visas. After the first five years, the Secretary of Agriculture would establish the visa cap annually.

The legislated wage rate for dairy employees would be \$11.37 per hour in 2016 and would increase at least 1.5% annually, but no more than 2.5%. All employers must provide housing or a housing allowance. Compared to the larger legislation, the agriculture piece holds several benefits for dairy producers: lower fines for undocumented workers and year-round visas. An estimated 70% of milk produced in the United States is harvested by foreign-born workers.

The Senate immigration bill's first stop for discussion is the Senate Judiciary Committee, which is currently holding several hearings. There is also a bipartisan coalition in the House of Representatives working on their version of immigration reform, which would have to be reconciled with the Senate version in a conference committee. "I am very, very optimistic that the House of Representatives is going to have a plan that is going to be able to go to a conference with the Senate in which we're going to be able to resolve differences," said Representative Luis Gutierrez (D-IL) on CNN's "State of the Union." Along with Rep. Gutierrez on the House's coalition is Rep. Becerra (D-CA), Rep. Carter (R-TX), Rep. Diaz-Balart (R-FL), Rep. S. Johnson (R-TX), Rep. Labrador (R-ID), Rep. Lofgren (D-CA), and Rep. Yarmuth (D-KY). The House Judiciary Committee has also announced their intention to introduce a series of immigration reform bills, their stated intent being to press the House bipartisan coalition and jump-start the debate in the House.

So far, 2013 has been a year of changes and challenges for dairy producers as they try to recover from years of high feed prices and as policy issues like the Farm Bill and immigration reform continue to be debated across the country. The National Dairy Producers Conference presented optimism on both issues: Professor Hurt sees grain prices moderating with improvement in weather, and the Senate coalition has presented their plan for immigration reform. National All-Jersey Inc. will continue to monitor both situations and keep our members informed. Please contact us with any questions, or for more information.

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