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Will GOP Tip Change Anything?

In the recently completed midterm election, the balance of power in the U.S. Senate tipped handily in favor of the Republicans, who gained eight seats for a majority of 53. Republicans in the U.S. House of Representatives also picked up a net 12 seats for a solid majority of 244. The change in Congressional power raises the question as to whether a Republican majority in both the House and Senate will improve the stalemate that has plagued the Obama Administration for the past two years.



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It's worth looking at how two issues, both extremely important to the U.S. dairy industry, might fare with a Republican majority in both the House and Senate. The first issue is international trade. For years, President Barack Obama has been seeking to reinstate fast-track, or trade-promotion, authority but Senate Majority Leader Harry Reid, D-Nev., a staunch opponent of trade promotion authority, has blocked it from moving forward. Unlike Reid, the soon-to-be majority leader Kentucky's Sen. Mitch McConnell is expected to be much more cooperative in moving fast-track forward.

Fast-track authority allows the U.S. Trade Representative (USTR) and the other parties involved in a trade pact to negotiate a deal and present it to Congress for a vote while preventing Congress from making amendments to the agreement or using a filibuster to stall it. Fast-track authority, which was in play from 2002 to 2007, expired in July 2007.

With negotiations on the Trans-Pacific Partnership (TPP) nearing conclusion, fast-track authority could move Congressional implementation of the agreement forward more quickly than without it. The TPP is a trade agreement being negotiated between the United States and 11 other countries throughout the Asia-Pacific

region, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

Even though China is not part of this agreement, it is imperative that U.S. dairy interests continue to maintain and expand market share in the Asia-Pacific region, particularly in light of the new Australia-China free trade

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Ken's Corner



*by Ken Meyers
President, MCT Dairies Inc.*

Giving the Obama Administration fast-track authority and providing some type of acceptable path for undocumented workers to remain in the United States would benefit the U.S. dairy industry.

Earlier this month, officials from Australia and China signed a letter of intent to formalize the Australia-China FTA after a decade's worth of negotiating. According to initial news reports, the result is that all Chinese tariffs on Australian dairy products will be eliminated over the next four to 11 years, depending on the product. Not only does this level the playing field for Australia relative to New Zealand in China, but it also gives the Aussies a competitive advantage over the United States.

Earlier this year, the International Dairy Foods Association joined the Essential Worker Immigration Coalition, which is comprised of business organizations from many industries that are concerned with the shortage of lesser-skilled and unskilled laborers, sometimes referred to as "essential workers."

As Ruth Saunders, IDFA vice president of policy and legislative affairs, said, "A stable and reliable workforce is imperative to the success of our member companies and the producers who provide a consistent supply of milk." Without a consistent supply of milk, the U.S. dairy industry will not be able to compete on world markets. **MCT**

High Milk Prices to Persist til 2015...

Exceptional farm-level margins have propelled year-over-year gains in U.S. milk production during the second half of 2014. The U.S. dairy herd stands at

9.28 million head, the largest herd since April 2009. Unlike their Oceania and European counterparts, U.S. dairy producers are unlikely to see any significant

reductions in their farmgate milk prices until next year. Dairy commodity prices, led by nonfat dry milk and followed by cheese, have posted significant price declines in recent weeks with more expected. Granted, U.S. cheese and butter stocks are not burdensome. Carryover stocks are expected to be lower than the prior year, which could buoy U.S. dairy product prices in 2015. **MCT**

MCT Forecast							
	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Nov	1.9540	1.9360	22.15	1.9350	18.45	0.6375	1.4185
Dec	1.7500	1.7250	18.95	1.8725	17.60	0.6000	1.3650
Jan	1.7800	1.7500	18.50	1.8000	16.20	0.5750	1.2500
Feb	1.7300	1.7000	18.20	1.7500	15.65	0.5500	1.2100
Mar	1.7000	1.6700	17.60	1.7300	15.35	0.5250	1.2000
Apr	1.7000	1.6750	17.45	1.7000	15.15	0.5200	1.2000

* CME prices.
**NASS prices.

Scaled down plan...

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agreement (FTA), which gives Australia similar access to China that New Zealand now enjoys.

The second issue is immigration. While immigration is a top policy issue for U.S. farmers, including dairy producers, analysts are less optimistic that the new Congress will pass comprehensive immigration reform to the satisfaction of farm interests. Knowing this, President Obama moved the issue ahead through executive action last week.

The president outlined an executive plan to allow 4 million undocumented immigrants to "have the opportunity to play by the rules" and remain in the United States "without fear of deportation." These undocumented parents of U.S. citizens and lawful permanent residents would have to have been in the United States for five or more years, pass a background check, and pay taxes.

He also announced the continuation and expansion of the Deferred Action for Childhood Arrival program and eliminated the age cap of 31, opening the program to anyone who arrived

in the United States illegally before the age of 16. Moreover, adults who came in as children and have lived in the country since January 1, 2010, are also available for temporary two-year visas. These newly eligible immigrants can begin applying next year. Since undocumented immigrants are just that, undocumented, no one knows for sure how many of them are currently in the United States, but estimates range between 11 million and 20 million, with some estimates even higher.

Last summer, the Senate passed comprehensive immigration reform legislation, known as the Border Security, Economic Opportunity, and Immigration Modernization Act of 2013 (S.744) in a historic 68-to-32 vote. However, the House has since indicated it is unlikely to pass similar immigration legislation in 2014.

The National Milk Producers Federation backed the Senate's 2013 immigration reform bill that would have allowed dairy farms to maintain their current workers while ensuring a future workforce to meet their labor needs. **MCT**



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