

# Dairy economists forecast milk margins below \$8

By CAROL RYAN DUMAS  
Capital Press

Dairy producers will likely tighten their belts in 2015, following stellar returns in 2014, according to noted dairy economists with the University of Wisconsin-Madison.

Increased global milk production and decreased demand have put the brakes on exceptional milk prices, said Bob Cropp, professor emeritus, University of Wisconsin, and Mark Stephenson, director of dairy policy analysis at the university, in their December Dairy Situation and Outlook podcast.

Milk production has been strong in major exporting countries, with an estimated increase of 3.9 percent in 2014 over 2013, Cropp said.

Record prices in the U.S. in 2014 were driven by good domestic sales, record dairy exports and restraint in milk production, which increased less than 2 percent in the first half of the year, he said.

But two demand factors

## Quarterly dairy prices and forecast

World		(Dollars per U.S. ton)							
Item	Q1 '14	Q2 '14	Q3 '14	Q4 '14*	Q1 '15	Q2 '15	Q3 '15	Q4 '15	
Whole milk powder	\$5,043	4,150	3,179	2,593	2,400	2,400	2,900	3,300	
Skim milk powder	4,918	4,067	3,363	2,563	2,400	2,300	2,650	3,200	
Butter	4,620	4,000	3,345	2,905	2,900	2,800	2,950	3,100	
Cheddar cheese	5,050	4,708	4,232	3,880	2,900	2,900	3,000	3,500	
Sweet whey powder	1,414	1,340	1,264	1,230	1,000	950	1,000	1,200	

  

U.S.		(AMS announced, dollars per pound)							
Item	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	
Non fat dry milk	\$2.06	1.93	1.76	1.40	1.09	0.99	1.15	1.35	
AA butter	1.76	2.00	2.50	2.30	1.72	1.57	1.51	1.61	
Block cheddar	2.19	2.18	2.08	1.92	1.52	1.47	1.46	1.59	
Whey powder	0.63	0.68	0.69	0.67	0.45	0.43	0.45	0.54	

  

		(Dollars per hundredweight)							
Class III milk	\$22.61	22.75	22.82	21.22	15.10	14.52	14.59	16.38	
Class IV milk	23.02	23.04	23.42	18.89	14.47	13.04	14.27	16.27	

\*Fourth quarter 2014 is estimated. All quarters in 2015 are forecast.

Sources: Rabobank; USDA

Capital Press graphic

combined to soften world dairy imports. China, the world's largest dairy importer, reduced imports from the first half of the year by more than half, and third-ranked importer Russia banned dairy imports from the EU in early August, he said.

The two countries com-

bined account for 20 percent of world dairy imports, Cropp said.

"You've got those two backing off like that, that's a significant factor," he said.

U.S. dairy exports have been in a bit of a tough spot with prices out of alignment with competitors, higher in

the face of questionable demand in some countries, Stephenson said.

The economists' price forecasts for U.S. milk have dropped quite a bit from a couple of months ago due to the export situation and what's happening to the price of cheese, butter and nonfat

dry milk, Cropp said.

He's averaging Class III slightly below \$16 for 2015, compared with \$23.30 for 2014, and Class IV at \$15.50, compared with about \$22 in 2014.

Stephenson forecasts an average price of \$16.11 for Class II and \$13.99 for Class IV.

Both expect the average all-milk price to be down about \$7 per hundredweight in 2015.

"Lower feed costs are going to help some, but we're going to see margins below \$8 for farmers; it's going to be a little tougher," Cropp said.

"It's a big price drop, but it's a price drop from the highest prices we've ever had," Stephenson said.

U.S. exports had been strong, 15 percent to 16 percent of domestic milk production, but October exports fell to 14.4 percent of milk production. Year-over-year exports in October were down 82 percent for butter, 3 percent for cheese, 25 percent for

nonfat dry milk, and 9 percent for dry whey, Cropp said.

Meanwhile, he estimates total U.S. milk production for the year will increase 2.3 percent. Good domestic demand and strong exports could handle a 2 percent growth, keeping milk prices in a good range. But additional production will pressure prices given the export situation and building of stocks, he said.

Price for Class III milk, used to manufacture cheese, should come in at about \$17.80 or so per hundredweight for December, down from the \$24 range in September and October. They could be \$16.30 to \$16.40 in January, but Cropp's forecast is for \$16.20, then dropping down to the \$15s, he said.

By April or May, they could even drop below \$15, then possibly come back slowly maybe to the high \$16 at best in October or November, assuming exports pick up again in the second half of the year, he said.

## Groups fear new guidelines may shun red meat

By TIM HEARDEN  
Capital Press

Cattle groups fret that a federal committee that's been working on revisions to the Dietary Guidelines for Americans may call for consumers to eat less red meat.

The National Cattlemen's Beef Association and other groups contend a growing body of evidence supports lean beef's role in healthy diets and vow to push back against any claims that red meat is unhealthy.

Groups voiced concerns after the Dietary Guidelines Advisory Committee's final meeting Dec. 15, at which members appeared to some to be leaning toward remov-

ing references to lean beef as a beneficial protein and advising consumers to reduce red meat consumption.

The committee was taking public comments through Dec. 30 and plans to submit its report to the U.S. departments of Agriculture and Health and Human Services in early 2015.

The panel appears ready to discourage eating beef despite acknowledging evidence showing that there are healthy dietary patterns with red meat intake above current U.S. consumption levels, asserts Richard Thorpe, a Texas medical doctor and cattle producer.

The committee "appears to be out of touch with to-

day's lean meat supply in the retail counter and the 30-plus years of nutrition advice showcasing benefits of lean beef," Thorpe said in a statement on the NCBA's website.

Tim Koopmann, a Sunol, Calif., rancher and the California Cattlemen's Association's immediate past president, said research into the health benefits of beef has helped change the image of red meat in recent years.

"I think the red meat bad-mouthing is starting to decline, or at least I thought it was," Koopmann said.

Officials from the USDA and Department of Health and Human Services did not return emails from the Cap-

ital Press seeking comment.

The government has updated its Dietary Guidelines every five years since 1980. The current guidelines released Jan. 31, 2011 recommend that people eat "a variety of protein foods, which include seafood, lean meat and poultry, eggs, beans and peas, soy products, and unsalted nuts and seeds."

The role of red meat in the diet has long been a source of controversy. Critics of the protein cite studies like one by researchers at the Harvard School of Public Health in 2012 that linked red meat consumption with increased cardiovascular and cancer morbidity.

However, industry groups point to the American Heart Association's decision in recent years to allow its stamp of approval — the heart-check mark — to be shown on retail labels for a half-dozen extra-lean cuts of beef.

Further, they note a study published recently in the American Journal of Clinical Nutrition that showed test participants who ate beef as part of an optimal lean diet achieved lower levels of low-density lipoprotein, known as the "bad cholesterol."

When the committee recommends the new guidelines, another public comment period will open, NCBA spokesman Chase Adams said. Industry groups can also appeal to Congress, which has oversight authority, he said.

Whatever the guidelines recommend, they won't likely have much if any immediate impact on overall consumer demand for beef, Adams and Koopmann agreed. However, the guidelines are used as a basis for the National School Lunch Program and other federal food programs, Adams said.

"It really just sets broad policy," he said. "I think overall the bigger concern is just the precedent that this sets and the image that this sends to consumers overall."

## December benchmark milk price plunges \$4.12

By LEE MIELKE  
For the Capital Press

The most profitable year for dairy farmers ever ended with a kaboom. The Agriculture Department announced the December federal order Class III milk price last Wednesday at \$17.82 per hundredweight, down \$4.12 from November. That is \$1.13 below December 2013, the lowest since July 2013, but is \$3.04 above the comparable California 4b price. The price equates to about \$1.53 per gallon, down from \$1.89 last month and \$1.63 a year ago.

That put the year's Class III average at a record high \$22.34, up from \$17.99 in 2013, \$17.44 in 2012, and \$18.37 in 2011. The second-highest yearly average was \$18.37 in 2011, followed by \$18.04 in 2007. Looking back 50 years ago, the somewhat comparable "Minnesota-Wisconsin MW" averaged a meager \$3.18 per cwt. in 1964 and \$3.11 the two years before that.

Looking ahead, Class III futures portend a much leaner 2015, with Friday's settlements portending a year end average of just \$16.00 per cwt. The January contract settled at \$15.91, February at \$15.69, and March at \$15.42.

The December 2014 Class IV price, at \$16.70, is down \$1.51 from November, \$4.84 below a year ago, and the lowest since August 2012. The 2014 Class IV average is a record high \$22.09, up from \$19.05 in 2013, \$16.01 in 2012, and \$19.04 in 2011.

The four week National Dairy Products Sales Report-surveyed cheese price used in calculating today's prices averaged \$1.7362 per pound, down 39.4 cents from November. Butter averaged \$1.9049, down 8.4 cents. Nonfat dry milk averaged \$1.2554, down 13.5 cents, and dry whey averaged 58.71 cents per pound, down 4.9 cents from November.

Dairy Markets  
Lee Mielke



4b milk price drops \$3.92

The California Department of Food and Agriculture announced the December 4b cheese milk price at \$14.78 per hundredweight, down \$3.92 from November, \$3.25 below December 2013, \$3.04 below the comparable federal order Class III price, and the lowest it has been since June 2012. That put the year's 4b average at \$19.93, up from \$16.42 in 2013 and \$15.54 in 2012.

The 2014 4b price lagged the Class III by an average \$2.41, ranging from a low of 84 cents in January to a high of \$3.24 in November. The lag averaged \$1.57 in 2013, ranging from a low of 67 cents in April to a high of \$2.30 in January.

The December 4a butter-powder milk price is \$16.57, down \$1.57 from November, \$4.59 below a year ago, and the lowest it has been since August 2012. The 4a 2014 average is \$22.00, up from \$18.85 in 2013 and \$15.63 in 2012.

Cash cheese starts 2015 on an up note

Cash block Cheddar cheese started the New Year at \$1.57 per pound, up 7 1/2-cents on the New Year's holiday shortened week, but 47 1/4-cents below a year ago. The Cheddar barrels finished at \$1.54, up 12 cents on the week but 38 cents below a year ago. No cheese was sold in the spot market on the week. The blocks and barrels were both unchanged Monday and Tuesday.

Cash butter closed Friday at \$1.5550 per pound, unchanged on the week but a penny and a half below a year ago. Two cars found new homes on the week, both on Friday.

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