U.S., China open doors to apple trade

By DAN WHEAT
Capital Press

Dan Wheat/Capital Press

Red Delicious apples, similar to these being packed Dec. 11 at Olympic Fruit in Moxee, Wash., have been the main U.S. variety exported to China for the past two decades. All U.S. varieties soon will be allowed in and Washington apple shippers are anxious for China to become a large market.

WENATCHEE, Wash. — All U.S. apple varieties will be allowed into China and Chinese apples will be allowed into the U.S. as a result of plant health bilateral meetings in San Francisco last week.

Shipments both ways could begin in 30 to 60 days, the Washington Apple Commission, in Wenatchee, said in making the announcement.

It is too late in this season for major sales in advance of the Feb. 19 Chinese New Year, but China could become a major market of 5 million boxes worth about $100 million annually next year and maybe 10 million boxes worth $200 million in the not too distant future, Todd Fryhover, president of the Washington Apple Commission, has said.

Exports to China peaked at about 3 million boxes and $55 million in the 2010-2011 marketing season when Red and Golden Delicious were allowed into China and other U.S. varieties made their way in through gray-market channels from Hong Kong.

Fryhover and Commission Chairwoman Barbara Walkenhauer, owner of Larson Fruit Co., Selah, left Jan. 25 for China to talk with importers about Washington apple varieties and resumption of Red and Golden Delicious imports.

Reds and Goldens from the Pacific Northwest had been allowed into China in 1993 but were suspended from August 2012 to October 2014 because rots were found.

Walkenhauer called the China opening "a welcome bright spot." Fryhover noted Reds and Goldens account for less than 40 percent of the Washington crop and said full varietal access "allows us to provide Chinese consumers with more high quality choices from Washington."

The agreement in San Francisco was between USDA's Animal and Plant Health Inspection Service and China's General Administration of Quality Supervision Inspection and Quarantine.

The agreement covers all U.S. apple varieties from all U.S. growing regions that meet pest protocols, said Danelle Huber, international marketing specialist at the Washington Apple Commission.

The New York, Michigan and California apple industries are talking about exporting to China, Huber said.

Washington traditionally makes up about 65 percent of the U.S. fresh crop and does the vast majority of exporting. The previous agreement for Reds and Goldens applied only to Washington, Oregon and Idaho, Mike Willett, vice president for scientific affairs of the Northwest Horticultural Council in Yakima, has said.

The council, Northwest Fruit Exporters in Yakima and the Apple Commission have long worked on access. On Dec. 5, 2012, the Apple Commission dropped its opposition to Chinese apples coming into the U.S.

China is the world's largest producer of apples, growing mainly Fuji and seeking U.S. access since 1998. It was denied while the U.S. identified and prioritized more than 1,000 pest concerns.

At one time Washington marketers feared an onslaught of low-priced Chinese apples would be too much competition. But Fryhover and others now figure superior Washington quality will trump at home and U.S. apple sales in China will outweigh any slighter market losses here.

Milk production up, prices down

By CAROL RYAN DUMAS
Capital Press

December milk production for the 23 major milk states, at 16.2 billion pounds, was up 3.2 percent year over year on an additional 35 pounds per cow and 107,000 more cows.

Per-cow production, at an average of 1,886 pounds, was the highest per-cow measure for the month of December since the 23-state series began in 2003, according to USDA National Agricultural Statistics in its latest report released Jan. 22.

At 8.61 million cows, December's cow count was up 16,000 head from November after month-to-month increases of 3,000 head in November and September; 6,000 head in July; 11,000 head in June; and 10,000 head in May and April, NASS reports.

Milk production for all of 2014 in the 23 states is forecast up 2.5 percent year over year.

But the record-high milk prices driving the increase in milk production have faltered on global production increases in major exporting countries and demand decreases in major importing countries.

Milk prices in 2015 will be significantly lower than last year's prices, according to analysts with National Milk Producers Federation and Dairy Management Inc.

Tight market conditions continue to reverse, and prices will stay depressed until imports pick up and international expansion of milk production slows, the organizations forecast in their January market report released this week.

2014 milk production and prices

(23 selected dairy states)

	Million pounds			Dollars per hundredweight		
Month	2013	2014	Percent change	All milk	Class III	Class IV
Jan.	15,985	16,186	1.3	$23.50	$21.15	$22.29
Feb.	14,715	14,899	1.3	24.90	23.35	23.46
March	16,512	16,687	1.1	25.20	23.33	23.66
April	16,105	16,332	1.4	25.30	24.31	23.34
May	16,648	16,922	1.6	24.20	22.57	22.65
June	15,860	16,227	2.3	23.20	21.36	23.13
July	15,762	16,388	4.0	23.30	21.60	23.78
Aug.	15,768	16,174	2.6	24.10	22.25	23.89
Sept.	14,874	15,507	4.3	25.70	24.60	22.58
Oct.	15,449	16,013	3.7	24.90	23.82	21.35
Nov.	15,002	15,532	3.5	23.00	21.94	18.21
Dec.	15,741	16,242	3.1	20.30	17.82	16.70
Year	188,410	193,109	2.5	23.97	22.34	22.09

Source: USDA, National Agricultural Statistics and Agricultural Marketing services

Capital Press graphic

Imports by the major importing countries, led by China, are well-below year-ago levels, and U.S. dairy exports as a percentage of U.S. milk production were down 2.2 percent for September through November 2014 compared with the same period in 2013, the analysts reported.

U.S. dairy exports will likely continue below year-earlier levels until mid year. World import demand and U.S. exports are expected to recover after that, but year-earlier comparison levels will be lower, they forecast.

CME dairy futures indicate the U.S. average all-milk price for all of 2015 will be at least $7 per hundredweight below 2014's record $23.97, they stated.

The USDA all-milk price for December has dropped $5.40 per hundredweight from last year's high of $25.70 in September. The Class III milk price has dropped $6.78 from its high of $24.60 in September, and the Class IV price has dropped $7.19 from its high of $23.89 in August.

On the upside, the analysts expect feed to stay at current moderate levels due to a large volume of stored grain from last year's harvest.

USDA's December price for Midwest soybean meal was $431.74 a ton, down about $10 a ton from November and $67 a ton from a year earlier. The Midwest corn price was $143 per ton, up about $38 from November but down $25 from a year ago. Farm gate alfalfa hay was $182 per ton, down slightly from both November and a year earlier.

USDA is forecasting corn prices at an average of $3.65 per bushel and soybean prices at an average of $360 per ton for the 2014/15 marketing year.

Raisin ruling may impact crop volume controls

U.S. Supreme Court will decide raisin 'takings' case

By MATEUSZ PERKOWSKI
Capital Press

The U.S. Supreme Court has decided to hear a legal challenge to USDA's restrictions on raisin sales, a case that could ultimately impact similar commodity marketing orders.

The justices have agreed to reconsider a California grower's lawsuit that alleges federal controls over raisin sales amount to unconstitutional takings without just compensation.

Under the marketing order for California raisins, a portion of a farmer's crop is diverted to a federal "reserve pool," which is intended to limit the market supply of raisins and stabilize their price.

Farmer Marvin Horne of Kerman, Calif., claims the scheme violates the 5th Amendment of the U.S. Constitution because he must transfer ownership of his crop to USDA without being paid the fair market value.

If the court agrees to overturn the marketing order, the effect on similar USDA programs will depend on how broadly the justices interpret the meaning of "taking," said James Burling, an attorney with the Pacific Legal Foundation property rights group, which is tracking the controversy.

The USDA has marketing orders for 20 crops, with some form of volume control authorized for almonds, tart cherries, Florida citrus, cranberries, dates, hazelnuts, plums, raisins and spearmint oil.

Not all of those restrictions are currently in effect, and the mechanism for regulating market conditions varies by crop.

If the raisin marketing order is invalidated, the potential impact on the other programs will depend on the specific language of the court's ruling, Burling said.

"That's going to be on a case-by-case basis," he said.

The case was already reviewed by the Supreme Court in 2013, so the justices' decision to again hear arguments in the dispute is seen in legal circles as significant.

"You have a long shot of in getting any case before the Supreme Court. To get the same case before the court twice, that doesn't happen very often," said Burling.

While the previous review related to procedural issues in the case, the Supreme Court will now sort out the underlying constitutional question of whether the USDA is "taking" raisin farmers' property.

The program allows USDA to buy raisins from the reserve pool for its food programs, with the funds paying for the administration of the marketing order.

Any leftover money is supposed to be returned to farmers, but Horne and other producers claim that in past years administrative costs ate up all the cash.

Horne tried to avoid the scheme by installing his own packing equipment instead of selling his crop to raisin handlers. However, USDA claimed the action made him a handler and fined him about $700,000 for not setting raisins aside for the reserve pool.

The dispute prompted Horne to file suit against the USDA, but the case became tangled up in procedural rules over which federal court should handle the issue.

The Supreme Court ultimately decided that the lawsuit should be heard by the 9th U.S. Circuit Court of Appeals, effectively allowing Horne to avoid paying the $700,000 penalty before challenging the constitutionality of the marketing order.

Last year, however, the 9th Circuit rejected Horne's arguments, finding that he continued to benefit from raisins in the reserve pool because diverting them from the open market prevented prices from dropping.

If raisin farmers don't agree with the marketing order, they should try to persuade USDA or Congress — not federal courts — to change the program, the 9th Circuit said.

During the Supreme Court's first review of the case, some justices seemed "perplexed" by the marketing order, which they appeared to regard as antiquated, said Burling of the Pacific Legal Foundation.

"Whether that amazement leads them to find it's a taking is a completely different question," he said.