Wash. livestock bill focuses on dairy cows

Producers would report transactions over the Internet

By DON JENKINS
Capital Press

OLYMPIA — The state's experiment with self-reporting cattle sales will likely begin with unbranded dairy cows.

The House and Senate are nearing agreement on legislation to let dairy producers report transactions via the Internet, rather than call a field inspector to oversee the transaction.

Originally, Senate Bill 5733 would have offered the option to beef producers as well. But the beef industry first wants to see how the Washington State Department of Agriculture implements the program and how well the method works for dairy producers.

"As an industry, we need to know what kind of data it produces, whether it's to the same level of rigor as a field inspection," Washington Cattlemen's Association Executive Vice President Jack Field said.

No later than Jan. 1, dairy producers must start reporting transactions involving 15 or fewer head of unbranded dairy cows. The transactions are currently exempt from reporting requirements.

Beef cattlemen and the WSDA see the exemption as a hole in the state's preparation to respond quickly to disease outbreaks. Outgoing WSDA Director Bud Hover has ordered the exemption eliminated by the end of the year.

An electronic system would give tech-savvy dairies, faced with new reporting requirements, an efficient way to disclose transactions, Washington State Dairy Federation director of governmental relations Jay Gordon said.

"It really is geared toward addressing the goals of the dairy guys," he said.

The WSDA's Animal Services Division assistant director, Lynn Briscoe, said the agency supports the bill's narrow focus.

"It was always our intent to start out with just the dairy industry," she said. "At this point, the beef industry hasn't really expressed an interest."

Producers who opt for electronic reporting over field inspections would have to apply for a license from the WSDA and pay fees.

The WSDA would set the fees high enough to pay for the program. Gordon said he hopes enough producers will opt for electronic reporting to spread out the costs.

Producers would be required to retain transaction records for three years and let WSDA onto their property to inspect them. If the producer denies the request, WSDA could seek a search warrant. Briscoe said the agency needs to check whether transactions are accurately reported.

SB 5733 passed the Senate with its original broader scope intact. But it was narrowed last week by the House Agricultural and Natural Resources Committee, with the approval of the bill's prime sponsor, Sen. Judy Warnick, R-Moses Lake. The slimmed-down bill won bipartisan approval by the House committee.

2015 could be a break-even year for Idaho dairy farmers

By SEAN ELLIS
Capital Press

Sean Ellis/Capital Press

Dairy cows are shown at a dairy near Kuna, Idaho, in September. Most Idaho dairy producers should break even this year, say industry leaders.

BOISE — Idaho dairy farmers expect 2015 to be a break-even year, which is a significant improvement over what they anticipated a few months ago.

And their hopes for the future are bright, in large part because of the marketplace partnerships the industry has entered with several large companies, including Domino's Pizza, McDonald's and Coca-Cola.

That's the message lawmakers heard when they were briefed recently on the state of Idaho's dairy industry, which is the No 1 farm sector in the state when it comes to farm cash receipts.

In early January, it looked like Idaho dairy producers would go through 2015 with negative margins, but the outlook has improved since then, said Rick Naerebout of the Idaho Dairymen's Association.

"The market has come up since then and we're seeing better milk prices today reflected on the board than what we did in January," he said.

Milk prices this year won't come close to the record levels reached in 2014, he said, but the cost of production has also decreased, due in part to lower feed costs.

While the average cost of production for Idaho dairy producers was $18 per hundredweight of milk in 2014, it will be closer to $17 this year, Naerebout said.

As a result, "For most of our guys, 2015 will be about a break-even year," he said.

During a presentation to members of the House Agricultural Affairs Committee, most of the questions from legislators centered around a new premium milk product called Fairlife that was launched in February.

The product is a partnership between Select Milk Producers, a dairy cooperative that produces 6 billion pounds of milk annually, and Coca-Cola, which markets and distributes Fairlife.

The product is made using an ultra-filtration system that filters out sugars and lactose and enriches the milk with more protein and calcium and other minerals.

United Dairymen of Idaho chairman Tom Dorsey, a producer in Caldwell, told lawmakers that Coca-Cola has invested $268 million in the product, which is sold in sleek bottles.

"We think it's going to be a big boon to the industry," he said. "It's the first new fluid milk initiative that has happened during my lifetime and we're very excited about it."

UDI CEO Karianne Fallow said similar partnerships with other major companies make this an exciting time for the domestic dairy industry.

While fluid milk consumption in this country continues to decline, total milk utilization is up in large part due to these marketplace partnerships that have brought significant innovation to the industry, she said.

That includes a partnership with McDonald's that helped convince the company launch its frappe line and include Go-Gurt with happy meals.

Cheese, butter finish March higher

By LEE MIELKE
For the Capital Press

Dairy Markets
Lee Mielke

Cash dairy prices saw little change in Chicago last week with the exception of butter, but this week appears to be a different story.

Block Cheddar cheese closed the last Friday of March at $1.54 per pound, unchanged on the week but 84 1/2-cents below a year ago. The blocks gained 2 1/2-cents Monday and tacked on another penny and a half Tuesday, hitting $1.58, the highest level since Jan. 13, 2015.

The Cheddar barrels closed Friday at $1.5450 per pound, up 2 1/2-cents on the week and 74 1/2-cents below a year ago, then added 2 cents Monday and 3 1/2 on Tuesday, hitting $1.60, an atypical 2 cents above the blocks. Seven cars of block traded hands last week and 10 of barrel.

Cash butter finished last week at $1.7525 per pound, up 7 1/4-cents, buoyed perhaps by last Monday's somewhat bullish Cold Storage report, but still 24 3/4-cents below a year ago. The butter was unchanged Monday but jumped 3 1/4-cents Tuesday, closing at $1.7850, highest spot price since Feb. 6, 2015. Only two cars traded hands last week.

Cash Grade A nonfat dry milk held all week at 97 1/2-cents per pound and was still holding there Tuesday. Five cars were sold last week in the cash market.

U.S. will be major exporter again

U.S. dairy exports took us to record high prices last year and now the drop in those exports is plunging prices well below those of a year ago. Looking ahead, there are a lot of challenges the U.S. faces in the global dairy market, including the strength of the U.S. dollar in relation to other currencies, EU quotas ending, New Zealand has signed a trade agreement with South Korea, which is one of our valuable trading partners. I asked FC Stone dairy broker Dave Kurzawski in Friday's DairyLine radio program whether the U.S. will be a major dairy exporter again, and when.

"Yes, we will," Kurzawski answered, "But not any time real soon."

He acknowledged that 2015 dairy exports, so far, have actually been a little better than expected but are still down about 40 percent, as of the January data. Kurzawski says we exported about 17.5 percent in January 2014 and that figure is closer to 11 percent this year.

He agrees the challenges will make exporting difficult and he doesn't see much of a change in that dynamic in the second half of the year.

"The dollar will continue to provide a headwind to exports," he said, but while the major discussion is over exports, he emphasized how good domestic demand for dairy products is right now.

We also discussed the Russian embargo, which Kurzawski said could change this year. His ear to the rail says sanctions will be lifted in August but that's not assured. However, "it would be a big game changer for product that is now competing with U.S. product out of Europe."

"There is the possibility that the second half bears better export fruit than the first half," he said, "But some of these issues that we're dealing with will keep a lid on exports at least through Third Quarter of this year."

As to the free trade agreement between New Zealand and South Korea, Kurzawski said it is a factor.

However, the U.S. is not the only country with a trade agreement with South Korea, many countries do, and New Zealand's entry is really "late in coming."

You also have to look at the product mix, according to Kurzawski. The U.S. predominantly exports cheese to South Korea and New Zealand would likely export powder, but we'll have to wait to see what the outcome of this will be but he doesn't see this changing U.S. dynamics substantially.

February milk-feed ratio slips

The February 2015 milk-feed price ratio is 2.02, down from January's 2.09 and compares to 2.59 in February 2014 and 1.52 in February 2013, according to the Agriculture Department's latest Ag Prices report, issued Monday.

The index is based on the current milk price in relationship to feed prices for a ration of 51 percent corn, 8 percent soybeans and 41 percent alfalfa hay. In other words, one pound of milk today can purchase 2.02 pounds of dairy feed containing that blend.

The February U.S. average all-milk price dropped to $16.80 per hundredweight, down 80 cents from January and a whopping $8.10 below February 2014.

February corn, at $3.79 per bushel, was down 2 cents from January and 56 cents below February 2014. Soybeans averaged $9.92 per bushel, down 38 cents from January, and $3.28 per bushel below February 2014. Alfalfa hay averaged $172 per ton, down $2 from January, and $18 per ton below February 2014.

Looking at the cow side of the ledger, the report shows the February cull price for beef and dairy combined averaged $110.00 per cwt., down $2 per cwt. from January but $14.60 per cwt. above February 2014, and compares to the 2011 base average of $71.60 per cwt.

The January price received for milk cows was $1,990.00 per head, down $130 from October 2014 but $550 above January 2014, and $570 above the 2011 base.

Photo courtesy of House Agriculture Committee

Michael T. Smith, right, special projects manager at Harris Ranch in Selma, Calif., testifies March 25 at a House of Representatives subcommittee hearing on the potential impact of retaliation by Canada and Mexico for the U.S. country of origin meat-labeling law.

Congress in no hurry to pass meat-labeling fix

By TIM HEARDEN
Capital Press

Congress will apparently wait for a World Trade Organization decision on the controversial U.S. meat-labeling rule before considering legislation to stem potential retaliation from Canada and Mexico against dozens of American industries.

The effects of trade sanctions that could harm major Western commodities such as California's $24 billion wine industry and Washington's $2.25 billion apple industry were examined March 25 in a hearing by the House Agriculture Committee's Livestock and Foreign Agriculture Subcommittee.

The hearing, which was held in Washington, D.C., and streamed online, featured testimony from industry representatives such as Michael T. Smith of the Selma, Calif.-based Harris Ranch, who said the 2008 rule has added extra work and expenses for American producers while creating an uneven playing field for foreign livestock.

"All segments of the U.S. beef industry have been impacted by COOL," said Smith, Harris' special projects manager. "Feeders and packers across the country, and of all sizes, are experiencing the same issues with compliance costs and discounts. As a result of the costs associated with the implementation of COOL, we have seen discounts paid on cattle which originate in either Canada or Mexico. Those discounts have ranged from $35 to $60 per head."

However, no bill has been introduced to either change or repeal the labeling regulation to avert tariffs on potentially dozens of American agricultural goods that could be put in place later this year. Insiders say lawmakers don't want to undermine U.S. Trade Representative Michael Froman's appeal of the WTO's Oct. 20 ruling that the labeling rule's 2013 revision gave an unfair advantage to U.S. livestock.

National Pork Producers Council spokesman Dave Warner said he hopes members of Congress are working behind the scenes to craft a bill in case the U.S. loses.

"I guess they figure they don't need to do anything if the U.S. wins the appeal," Warner said. "I guess that makes sense. I think we need to be ready to go as soon as the (decision) comes out because we expect the United States will lose the appeal."

A decision by the WTO's Appellate Body is expected later this spring, and a ruling in favor of Canada and Mexico would begin "a 60-day clock" for the U.S.' two neighbors to quantify the economic harm they've suffered and start imposing tariffs.

"They just don't move that fast," Warner said of Congress. "But we need to avoid retaliation, and it's not just pork and beef (that will be targeted). It's all kinds of other products."

Canada has threatened to impose retaliatory tariffs on more than three dozen American commodities, including beef, pork, rice, corn, apples, cherries and wine. Canada and Mexico could also refuse to honor copyrights on intellectual property, University of California-Davis agricultural economist Daniel Sumner has said.

The U.S. had revised its rule in 2013 after the WTO determined that the original rule, enacted as part of the 2008 Farm Bill, was discriminatory without adequately informing American consumers about the origin of food. The WTO's initial ruling was upheld on appeal.

U.S. Agriculture Secretary Tom Vilsack said in November that Congress must change the law or Mexico and Canada need to negotiate a settlement with the United States. He has said no regulation could likely be crafted that would comply with the WTO's decisions and still uphold the law Congress passed.