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## Dairy

# Opportunity knocks for U.S. dairy exports

By CAROL RYAN DUMAS  
Capital Press

TWIN FALLS, Idaho — While current prices in the international dairy trade rival the lows of the 2009 crash, the fundamentals of strong dairy demand remain, and that means opportunity for the U.S.

Demand is still growing and will continue to grow, and the U.S. is in a good position to fill that need, Rabobank dairy analyst Hayley Moynihan told dairy farmers at a June 16 client dinner.

There's no doubt current prices paint a somewhat sobering picture in the short term, but the long term remains exciting, she said.

By 2020, China will need the equivalent of another 7 billion pounds of milk, and Southeast Asia will demand an additional 6 billion pounds. Total global demand is expected to increase by 45 billion pounds — equal to the entire production of California, she said.

Demand is expected to increase global traded volumes by 20 million tons (liquid milk equivalent) to 100 million tons, and it's looking like the U.S. and EU will be the regions to fill that demand, she said.

New Zealand's rapid growth in milk production is beginning to be challenged, and it's lost its lower-cost advantage. Hard constraints include the availability of land, labor and water and the increasing cost of environmental regulations. Softer constraints

include negative public opinion and resistance to change, she said.

New Zealand's milk production is still largely pasture based with lower per-cow production than U.S. operations. That annual production is about 10,000 pounds compared with 22,258 pounds in the U.S. in 2014.

There is also huge seasonal fluctuation, with cows going on "vacation" in June and July. It costs more to feed cows in those months than the global market will pay for milk, so New Zealand milking barns aren't operating at capacity.

Price volatility is another serious factor. Milk prices fell nearly 40 percent — compared with about 13 percent in the U.S. — from the start of last year till the end. It's the norm in New Zealand, and dairy farmers don't have the tools, such as futures trading for milk and feed, to manage it, she said.

Constraints on milk production in New Zealand offer opportunity for U.S. dairy exports, but that opportunity also carries risks, she said.

"Dairy is one of the most volatile commodities and will remain so. As you embrace global markets, risk exposure comes hand-in-hand," she said.

Milk price volatility will increase as the U.S. becomes more integrated in global markets, but being a consistent supplier will pay off in longer term market opportunity, she said.

# U.S. milk prices face downward pressure, industry analyst says

By CAROL RYAN DUMAS  
Capital Press

TWIN FALLS, Idaho — While good domestic demand has insulated U.S. dairy farmers from the trough affecting their global counterparts in the first half of the year, they'll be facing downward pressure in the second half, an analyst says.

There's been quite a difference in U.S. and global milk prices, with U.S. prices staying relatively strong longer than those elsewhere, said Rabobank analyst Hayley Moynihan during a client dinner on June 16.

New Zealand's milk price is the equivalent of \$11 to \$12 per hundredweight, the lowest it's been in more than 10 years, compared with the U.S. all-milk price of about \$16.

But with more U.S. milk production going to exports, international markets are going to catch up with the U.S. and pressure prices downward, she said.

"The slump in the global market looks to be somewhat long-term," she said.

The price of key commodities has pushed lower in the last seven Global Dairy Trade auctions, with prices halving and even more than halving compared with 2014. Some commodities, particularly milk powder, are at lows not seen for 10 years — even lower than in the financial crisis of 2009, she said.

The medium-term view



Carol Ryan Dumas/Capital Press

Hayley Moynihan, longtime Rabobank director of dairy research, New Zealand and Asia, explains the dynamics that have moved dairy product and milk prices lower.

'The slump in the global market looks to be somewhat long-term.'

— Hayley Moynihan

Rabobank director of dairy research

is one of darkness before the dawn, with no price recovery until late this year or early next year, she said.

International markets have been dealing with a fairly sobering demand story due to a number of factors, not the least of which is high prices for retailers, she said.

But China is the really big factor, with dairy inventories going from famine to feast. Domestic milk production began to increase and imports built as consumption slowed. China came into 2015 with excess stock, she said.

And "none of the players really knew this happened,"

she said.

The continued ban on dairy imports by Russia, which won't be fixed any time soon, put more EU product on the market at the same time EU quotas were coming off. Last year's high milk prices and this year's good weather in the EU brought the expected increase in milk production early.

"We think the market will digest that milk and even out, but not until 2016," she said.

For now, international buyers and importers are stocked and won't need to come back into the market until the end of the year or into 2016, she said.

Not surprisingly, farm gate prices are well down from their 2014 peaks in most production areas, including the U.S., although domestic prices have held up comparatively well, she said.

Producers are generally getting the signal and milk production is slowing, but it will be a slow adjustment, she said.

Rabobank is forecasting falling prices for U.S. milk for the remainder of the year, putting Class III milk at \$15.24 per hundredweight in the third quarter and \$14.41 in the fourth before increasing to \$15.37 in the first quarter of 2016.

Reflecting the dismal powder market, Class IV milk prices are forecast even lower at \$13.07 in the third quarter and \$12.64 in the fourth before recovering to \$14.07 in Q1 of 2016.

# Cash dairy market signals mixed

By LEE MIELKE  
For the Capital Press

Cash traders had to digest the June Milk Production, Cold Storage and Slaughter reports last week.

Cheese prices saw some ups and downs at the Chicago Mercantile Exchange but the block Cheddar closed Friday at \$1.6975 per pound, up 8 1/2-cents on the week after dropping 11 1/4-cents the previous week.

Domestic demand appeared to remain strong, but the blocks were 27 1/4-cents below where they were a year ago. They dropped 4 1/4-cents Monday and shed another penny and a half Tuesday, slipping to \$1.64 per pound.

The Cheddar barrels finished Friday at \$1.66, up 6 1/2-cents on the week and 29 1/4-cents below a year ago. They lost 2 cents Monday but were unchanged Tuesday, holding at \$1.64 per pound and matching the blocks. Seven cars of block traded hands last week at the CME and 21 of barrel, with only one load of each exchanging hands as of Tuesday this week.

Butter slipped to \$1.8325 last Monday, the lowest price since May 4, but rallied and closed Friday at \$1.9550 per pound, up 11 1/2-cents on the week and reversed two weeks of decline, but is 63 1/2-cents below a year ago when the spot butter jumped 11 cents to \$2.59 per pound. The butter gave back the 3 1/4-cents it gained Friday on Monday this week and lost 2 more cents Tuesday, dipping

to \$1.9025. Twelve cars traded hands last week at the CME.

Cash Grade A nonfat dry keeps setting records in the wrong direction, dipping to 70 1/2-cents per pound Thursday but inched back to 71 1/4-cents Friday on two unfilled bids, down 4 1/4-cents on the week and 96 1/4-cents below a year ago. The powder inched a quarter-cent lower Monday and was unchanged Tuesday at 71 cents per pound. Twenty-three carloads exchanged hands last week at the CME. The National Dairy Products Sales Report powder price averaged 84.72 cents per pound, down 1 1/2 cents. California's latest surveyed powder price averaged 85.99 cents per pound, down 3.1 cents.

## More dairy cows retired

Dairy cow culling picked up in June, according to USDA's Livestock Slaughter report. The data shows an estimated 221,500 dairy cows were slaughtered under federal inspection in the month, up 7,500 head from May and 22,000 head, or 11 percent more than June 2014.

Looking at the first six months of 2015, 1.46 million dairy cows took retirement from the dairy business, up 65,400 head from the same period a year ago or a 4.7 percent increase.

## Cold storage data hits cheese

June's smaller-than-expected milk output increase headed to the cheese vat and still added to growing inventories. American type cheese stocks in June totaled 684.9 million pounds, according to USDA's latest Cold Storage report, up 15.4 million pounds or 2 percent from May and 29.6 million or 5 percent above June 2014. The total cheese inventory hit 1.14 billion pounds, 29.2 million pounds or 3 percent above May and 85.7 million pounds or 8 percent above a year ago.

Butter stocks dipped to 254.7 million pounds, down 10.1 million pounds or 4 percent from May but were 55.4 million pounds or 28 percent above a year ago.

HighGround Dairy's Eric Meyer points out that "all three cheese categories saw monthly stock builds that were greater than the five year average, suggestive that bullish conditions present in the market a few months prior have dissipated." He adds that "butter stocks declined in June from May but at historically average levels from past years. The year-over-year percentage growth continues to increase with three straight months over 20 percent," so he sees the data as bearish toward cheese and neutral toward butter.

## Class I loses 25 cents

The Agriculture Department announced the August federal order Class I base milk price at \$16.28 per hundred-

weight, down 25 cents from July, \$7.59 below August 2014, and the lowest August Class I since 2010. The price equates to about \$1.40 per gallon, down from \$1.42 last month and \$2.05 a year ago. The eight month Class I average stands at \$16.33, down from \$23.13 a year ago and \$18.39 in 2013.

## May fluid sales down

Dairy industry woes continue on the fluid front as May 2015 packaged fluid milk sales totaled 4.0 billion pounds, down 3.7 percent from May 2014, according to USDA's Dairy Market News.

May sales of conventional products totaled 3.8 billion pounds, down 3.5 percent from a year ago; organic products, at 195 million pounds, were down 7.4 percent. Organic represented about 4.8 percent of total sales for the month.

Looking at the January to May period, total packaged fluid milk sales, at 20.7 billion pounds, were down 2.3 percent from the same period a year earlier. Year-to-date sales of conventional products, at 19.7 billion pounds, were down 2.3 percent; organic products, at 1.0 billion pounds, were down 1.9 percent. Organic represented about 4.9 percent of total fluid milk sales in the first five months of 2015.

The figures represent consumption of fluid milk products in federal milk order marketing areas and California, which account for approximately 92 percent of total fluid milk sales in the U.S.

# United Dairymen of Idaho group hires business developer

United Dairymen of Idaho has hired Amanda Gibson as the new manager of business development and processor relations.



Gibson

Before joining UDI, Gibson managed international projects at the Idaho State Department of Agriculture, connecting companies with qualified buyers worldwide and helping them navigate logistical challenges.

She also managed Idaho's Specialty Crop Block Grant Program, overseeing \$2 mil-

lion in annual funding for research and promotion projects.

She has also worked in logistics with a wireless device company in Bilbao, Spain, and at an animal health products company in Eagle, Idaho, and has worked for a statewide construction association connecting Idaho contractors to job opportunities and managing the organization's online bidding program.

She holds a master's degree in global business administration from Thunderbird School of Global Management, and a bachelor's degree in international business, finance, and Spanish from Boise State University.

# UDI awards 19 scholarships

United Dairymen of Idaho has awarded college scholarships to 19 Idaho students through its Idaho Dairy Farm Family Scholarship program for select high school seniors who are family members of Idaho dairy farmers.

Each \$1,500 scholarship is awarded to graduating high school seniors and students enrolled in a post-secondary education institution. In addition, the highest scoring applicant is selected to receive the \$2,500 Bill and Charlotte Stouder Memorial Scholarship for \$2,500.

Fallon Machado from Buhl received the Stouder Memorial Scholarship.

Scholarship recipients were selected based on their academic achievements, ex-

tra-curricular activities in school, community service, letters of recommendation and a written essay.

In addition to Fallon, this year's recipients are: Ashlyn Aardema, Kimberly; Kyle Ackerman, Twin Falls; Jolene Andersen, Burley; Lauren Bingham, Rupert; Wyatt Callister, Howe; Jordan Darrington, Declo; Hank Jay DeVries, Buhl; Anna Hubbard, Grace; Matthew Lampman, Bruneau; Lexie Lehman, Aberdeen; Kendall Lloyd, Bancroft; Alyssa Nielsen, Weston; Krystal Phillips, Blackfoot; Elizabeth Reynolds, Kuna; Averri Rosdahl, Caldwell; Leah Stouder, Wendell; Brooke Teunissen, New Plymouth; and Mark Henry Vander Hulst, Mesa, Ariz.

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