

Impacts of Calif. milk order proposals differ

By CAROL RYAN DUMAS
Capital Press



Tim Hearnden/Capital Press

Cows are milked at VanderWoude Dairy near Merced, Calif. The federal government is considering alternatives for a marketing order for Class 4b milk in California. An analysis of the four proposals shows each produces different results.

California dairymen and their processors will be testifying in favor and against various proposals when USDA officials roll into Clovis on Sept. 22 to launch a hearing on establishing a federal milk marketing order for the state.

USDA Agricultural Marketing Service released an impact analysis of the four proposals in August. The proposal submitted by three dairy co-ops on behalf of dairy farmers and the proposal submitted by Dairy Institute of California on behalf of processors address all segments of a marketing order.

The proposal from California Producer-Handler Association addresses quota exemption, and the proposal from Ponderosa Dairy addresses out-of-state milk.

The analysis looked at the economic impacts on the California dairy industry but also looked at the broader impacts throughout the U.S. from 2017 through 2024.

It found the co-op proposal would increase the California all-milk price, the state's milk production and producer revenue, but it would also cause an increase in U.S. milk production and a decrease in the all-milk price and producer revenue in all 10 existing federal orders.

The Dairy Institute's proposal would also increase California's all-milk price, producer revenue and milk production but to a much lesser extent, and its effects on individual federal orders across the U.S. were mixed.

The other two proposals would result in impacts similar to the co-op proposal.

Comparing the impacts to California, annual milk production would increase an average of 540 million pounds with the co-op plan and 60 million pounds with the Institute plan.

The all milk price would increase an average \$1.03 per hundredweight with the co-op plan and 10 cents with the Institute plan, and annual producer revenue would increase \$700 million with the co-op plan and \$70 million with the Institute plan.

The impetus in pursuing a federal order has been the sizeable disparity between California's price for 4b milk used

to manufacture cheese and the federal order Class III price going to the same utilization.

That difference has averaged \$1.84 per hundredweight per month since 2010, totaling an estimated \$1.83 billion, according to producer organizations. The discrepancy is largely due to the difference in the value of dry whey in the respective formulas, and producers have been unable to gain any resolve of the issue from the California Department of Food and Agriculture.

Prices

Andrew Novakovic, professor of ag economics at Cornell University, said producers want to join the federal order system because they think the state system doesn't work and the California secretary of agriculture is no longer responsive.

After a few years of trying hard to get a change, producers decided they needed to change the game and go to the federal system, he said.

"But it's no slam dunk; the train could still go off the track," he said.

After hearing testimony, USDA-AMS will draw up a proposal for producers to consider, which may or may not be to their liking.

There's a gigantic difference between the impacts on California's milk prices and production response under the co-op and Institute proposals, Novakovic said.

The co-op proposal would instantly solve the issue of most concern for producers, raising the cheese milk price an average of \$1.84 per hundredweight. However, it would dramatically affect cheese processors, which could lead to unfavorable consequences, he said.

The co-op proposal would raise the all-milk price about \$1 per hundredweight in California and other Western (Non-FMMO) areas, but it would also increase production and lower that price to producers elsewhere as much as 25 cents, he said.

"Part of the discussion is whether what happens in California stays in California. A rock this big would have an effect in other parts of the country," he said.

The ongoing drought could challenge a production response in California, but on the other hand an additional \$1 per hundredweight could have its own impact, he said.

While the direction of USDA-AMS projected changes

Online

Read the USDA analysis of proposals for establishing a federal milk marketing order for California:

<http://www.ams.usda.gov/sites/default/files/media/Preliminary%20Impact%20Analysis%20-%20Final.pdf>

are consistent with what economists would expect to see, the model probably overstates the increase to California's all-milk price, and the pressure on prices elsewhere seems pretty high, said Mark Stephenson, director of dairy policy analysis at the University of Wisconsin.

But those prices have a bearing on other factors in the proposals, primarily milk pooling and quota payments.

Pool quota

While producers say the intent is to bring California milk prices in line with those in federal orders, they've also stood firm that loss of the state's quota system — which pays more to producers holding quota certificates, representing a physical asset — and optional processor participation in the milk pool are deal breakers.

Considering the estimated increase of \$1.84 in the cheese milk price and the decrease in

the cheese milk price elsewhere, that would be almost a \$2 change in competitive position, Stephenson said.

If processors were allowed to opt out of the pool (as they are in the federal system), they would. That would reduce the overall milk price, and there wouldn't be enough to support the pool, from which quota payment is derived, he said.

If the quota system is discontinued in a new federal order, dairy farmers would lose a lot of value on their balance sheet because quota certificates can be sold. It's not just a matter of a higher milk price, Novakovic said.

The whole point of switching to a federal order is a higher cheese milk price, but processors wonder where they're going to get the money to pay higher milk prices and the preferential price on quota if pooling is mandatory, he said.

The Institute proposal allows processors to opt in and

out of the pool with certain restrictions.

If cheese makers can and do opt out of the pool, the pool would crumble, Novakovic said.

"That's at the root of the debate. It's a fundamental conflict" between producers and processors, he said.

California's cheese industry is quite big. If a big chunk of cheese processors decided not to be part of the system, it would be difficult for the remainder of the industry to make the pool work, he said.

The higher cheese price, quota and automatic pooling reinforce each other in the co-op proposal, which combines aspects of the existing state order and the federal system. The processors' proposal is more aligned with federal orders, he said.

Outcome

The federal order process will take nearly two years, leaving all kinds of opportunity for things to happen and making an outcome hard to predict, Novakovic said.

But he sees three possible scenarios.

Producers can wait until USDA-AMS finishes the process and see if the proposal is something they can live with. They could wait, end up with a terrible proposal and vote it down. Or, California ag officials could change the rule and give producers a lot of what they want, he said.

"A number of people in the dairy industry are a little suspicious the last thing will happen. It's a distinct possibility," he said.

In fact, the issue would have been put to rest if Ag Secretary Karen Ross hadn't put a time limit on the temporary (one-year) cap increase to the whey value in 4b pricing that she assigned in July, he said.

Stephenson expects the USDA-AMS proposal to contain aspects from each of the proposals.

He thinks dairymen will be very disappointed if quota and mandatory pooling aren't included, he said.

"But if it provides improvement in price, would they not take half a loaf?" he posed.

It might not be as much as they want, but it might be better than what they have, he said.

Johnson named interim chair of WSU animal sciences department

New interim chair looks to fill expertise gaps

By MATTHEW WEAVER
Capital Press

Kris Johnson is the new interim chair of Washington State University's animal sciences department.

She replaces Margaret Benson, who retired. Johnson said she hopes to fill some of the vacancies in the department created by retirements.

Johnson hopes to work with WSU and College of Agricultural, Human and Natural Resource Science administrators to prioritize vacant research, outreach and teaching positions and "build

back some of that expertise, get some new expertise."

Johnson sees need in research and sustainable systems, which include animal well-being, food quality and animal and human health.

Johnson hopes to "make certain we provide our stakeholders the cutting-edge science, the information they need, the technology they need to be successful and sustainable."

The college also aims to prepare students so that they are career-ready the first day they begin a new job in animal agriculture, she said.

The department also works to provide outreach to farmers and ranchers. Johnson said the department is developing programs about weed management and

Kris Johnson is the new interim chair of Washington State University's Department of Animal Sciences.

Johnson said her priorities include filling gaps in the department and making sure experts are available to work with farmers and ranchers.

Courtesy Washington State University

grazing strategies during wildfire recovery. She welcomes rancher and farmer comments and ideas for programs.

Johnson expects to hold the interim chair position for a year, with the option of a second year.



WSU extension promotion leaves tree fruit endowed chair open

Layne named the new director of the WSU Agricultural and Food Systems program

By DAN WHEAT
Capital Press

WENATCHEE, Wash. — An endowed chair faculty position at the Washington State University Tree Fruit Research and Extension Center in Wenatchee may be refocused following the promotion of the person who has held the job for the last two years.

Desmond Layne, endowed chair, professor of pomology and tree fruit extension leader at the center, became the new director of the WSU Agricultural and Food Systems and



Dan Wheat/Capital Press

Des Layne, director of the WSU Agricultural and Food Systems and Integrated Plant Sciences programs, will be teaching and involved in curriculum development. The programs have more than 400 students.

Integrated Plant Sciences programs in Pullman on Sept. 1.

The programs have more than 400

students and Layne will be teaching and involved in curriculum development and program assessment.

The move leaves vacant Layne's position in Wenatchee. It will be up to WSU administrators and the WSU Tree Fruit Endowment Advisory Committee to decide what happens with industry endowment fund dollars that supported it, said Jim McFerson, center director and manager of the Washington Tree Fruit Research Commission.

The position could be changed depending on industry needs, said Jake Gutzwiller, a committee member and quality control manager at Stemilt Growers LLC in Wenatchee.

The seven-member committee is made up of industry members. Gutzwiller said he has no opinion right now on what should be done. "I need to look at it more," he said.

Rhizosphere ecology (soils and

roots) and post-harvest systems are the next two endowed chair positions to be activated, Gutzwiller said. Searches are underway, or soon will be, for people to fill those positions, he said.

WSU pays the salaries and benefits of the endowed chairs but the industry endowment pays for support staff.

The state's apple and pear growers voted in 2011 and cherry growers voted in 2013 to assess their tonnage for eight years to raise \$32 million for endowments, whose interest earnings support personnel and equipment for six faculty positions and research orchard operations.

Layne was state extension horticulture program leader at Clemson University in South Carolina before he was hired at WSU in 2013 at \$167,693 per year.

Stripe rust levels are low this summer

By MATTHEW WEAVER
Capital Press

Dry weather helped keep stripe rust from infecting spring wheat in the Northwest this year, a USDA expert says.

The disease got off to an early start in several locations, reaching severe levels in the Pullman and Walla Walla, Wash., winter wheat crops, said USDA Agricultural Research Service plant research geneticist Xianming Chen.

But as the weather got hotter, the rust stopped developing.

"Usually, when stripe rust is severe on winter wheat, spring wheat is likely to get severe rust, but some years can be different, like this year," Chen said.

Early applications of fungicide and an early harvest also played a part in easing stripe rust pressure.

Chen doesn't expect many rust spores to be in the air now, except in some locations in higher elevations that have received more moisture.

Current signs point to a lighter rust level next year, but it's too early to tell for sure, Chen said. Winter and spring conditions will be a determining factor.

"Rust is low, but it will never completely go away from this area," he said.

In recent years, stripe rust races in the region have become the same as races elsewhere in the U.S. In the past, the Northwest hosted unique races. Some cultivars that were susceptible to the region-specific races have regained their resistance, Chen said.