# **Dairy feed costs down in 2015**

By CAROL RYAN DUMAS Capital Press

Feed costs on U.S. dairies were down an average of \$1.37 per hundredweight of milk January through October compared with the same period in 2014, running \$11.93 compared with \$13.30, according to the USDA cost of production report

Lower feed costs largely contributed to the \$1.61 decrease in operating costs and a \$1.45 decrease in total costs during that time period, according to the report.

But milk prices were also down, with federal order Class III prices in all of 2015 averaging \$15.80 per hundredweight, down \$6.54 compared with an average of \$22.34 in 2014.

Income over feed costs for Class III milk from January through October was \$4.05

### U.S. dairies, cost of production

(Dollars per hundredweight of milk)

	October		Jan Oct.	
Item	2014	2015	2014	2015
Total operating cost	\$15.28	\$14.83	\$16.48	\$14.87
Allocated overhead*	8.68	9.05	8.40	8.57
Total cost	23.96	23.88	24.89	23.44

Includes hired labor, opportunity cost of unpaid labor, capital recovery of machinery and equipment, opportunity cost of land, taxes and insurance, and general farm overhead Source: USDA ERS Capital Press graphic

per hundredweight, less than half the \$9.10 average for all of 2014.

Lower feed costs are "absolutely helping, but it's not enough to make up for the decline in milk prices," said Sarina Sharp, market analyst for the Daily Dairy Report.

The industry is nowhere near the bleak situation of 2009, when milk prices were several dollars lower and feed costs were substantially higher, she said.

Markets vary and margins are generally slim but adequate in the Midwest with expansion limited by capacity rather than budget - and below break-even in the West, where producers are tightening their belts, she said

Cost of production declined consistently throughout 2015, which was somewhat remarkable. Large global supplies of corn and soybeans saw prices continue to slip after harvest, she said. Global supplies really are big," she said.

Back-to-back good production in recent years and higher expected production and exports in South America in 2016 should keep feed costs low in the year ahead, barring any weather issues or surprising uptick in demand, she said.

Where milk prices will go is the million-dollar question. But given the large inventories of dairy products and continued strong milk production in Europe, it could be a while before prices rebound, she said.

Some analysts are saying prices could start to rebound in the second half of the vear but there would have to be slower milk production growth in Europe and the U.S. or an increase in demand, largely in China's appetite for milk powder, she said.



Don Jenkins/Capital Press

Steam rises from the KapStone Paper and Packaging Corp. plant in Longview, Wash. Gov. Jay Inslee's administration has proposed capping and reducing greenhouse gases emitted by manufacturers. The rule would apply to a fertilizer maker and two food processors in Eastern Washington.

## **Inslee's administration** lifts lid on carbon cap plan

Fertilizer maker, food processors on 'polluters' list

### By DON JENKINS Capital Press

Washington Gov. Jay Inslee's administration Wednesday proposed capping and reducing greenhouse gas emissions from 70 oil refineries, fuel importers and manufacturers, including a fertilizer maker in Kennewick and two food processors in Othello.

The state Department of Ecology, which wrote the rule at Inslee's direction, said the carbon cap would limit damage climate change to agriculture, coastal communities and municipal water systems.

"It's important that we act now to protect our water supplies, infrastructure and economy for future generations," DOE Director Maia Bellon said in a written statement

DOE plans to circulate the proposal for public comment before adopting a final rule by summer.

Todd Myers, environmental director for the conservative Washington Policy Center, called DOE's plan the "most backward approach to this issue that can be imagined."

"Assuming you want to reduce carbon, regulation is the least rational and most expensive way to do it," he

Because the companies use lots of energy and do business internationally, all three probably would have until 2020 to prepare for operating under a cap.

Agrium U.S. spokesman Paul Poister said the company participated in several meetings with DOE last year and appreciates the department's willingness to listen to energy-intensive and trade-dependent industries.

"We are equally committed to reducing air emissions and share the governor's goal to protect air quality as much as possible," Poister said in an email. "We look forward to fully reviewing the draft with an eye toward its potential impact on our facility and sharing our assessment with the administration."

Simplot spokesman Ken Dey said the company was reviewing the proposal, but had no further comment.

Efforts to obtain comments from McCain Foods were unsuccessful.

Companies that exceed their carbon caps could be fined \$10,000 a day, according to DOE.

Besides cutting their emissions, businesses could fulfill their obligations by buying surplus carbon credits from other manufacturers or pay for carbon-reduction projects, such as anaerobic digesters at dairies to convert manure into renewable electricity

DOE energy specialist Bill Drumheller said the department wanted to give

## PVMI sees growth in potato royalties

### By JOHN O'CONNELL Capital Press

BEND, Ore. — An organization that handles licensing and royalty collection of potato varieties developed in the Northwest had its best year in 2015, and officials say it's poised for greater growth in the next few years. The nonprofit Potato Variety Management Institute gave royalties totaling \$536,000 in December to the potato breeding programs of University of Idaho, Oregon State University, Washington State University and the USDA's Agricultural Research Service, said PVMI Executive Director Jeanne Debons

Formed in 2005 by the potato commissions of Oregon, Idaho and Washington state, PVMI collects a quarter per hundredweight in royalties for its varieties raised within the Tri-state region, 50 cents for varieties raised elsewhere in the U.S. and \$1 for varieties raised abroad

Debons said royalties were down in 2014, when PVMI collected \$326,000, compared with \$408,000



Jurgen Bruer, an official with the German potato processor Agrarfrost, examines a new potato variety raised in research fields at the University of Idaho's Aberdeen Research & Extension Center in August 2015. Bruer's company has plans to conduct large-scale field trials of several Pacific Northwest potato varieties this season.

during a speech at the Na- McDonald's "gold stanprocessors have begun coop dard," and concerns about tional Potato Council's 2015 erating much earlier in the Potato Expo, and the comtexture and flavor are the breeding process. "We get more real-time pany is considering PVMI's most common reasons why Clearwater Russet. feedback of specifications varieties fail to gain approvthat are needed to make a va-Smith said Clearwater al. "Typically what we see riety successful," Whitworth is especially intriguing because of its "sustainable atis the texture has been too said, adding developing vasmooth or pasty," Smith said tributes in terms of lower inrieties that require less induring the Expo. "We're puts to raise is a top industry put use as well as low sugars concern.

during the prior year.

PVMI, which wrote its first royalty checks in 2009, has contributed \$1.686 million to breeding programs to date, plus more than \$200,000 to support programs such as the UI Potato Lab. The organization also covers its own operating costs — roughly \$130,000 per year — and has more than \$500,000 in reserves. PVMI's top varieties for generating royalties are Alturas, which has generated \$1 million, Classic Russet, which has generated \$417,000, and GemStar Russet, responsible for \$259,000.

During 2015, McDonald's approved the PVMI variety Blazer Russet for use in making its fries in the Eastern region of North America. McDonald's quality systems director Mitch Smith said

and, in some cases, higher yields.'

He said McDonald's varieties must undergo a rigorous approval process involving the supplier making a business case, careful analysis of yield and attributes, screening by a sensory team in Oakland, Calif., further reviews by panels, reviews by management and a team of owners and operators from throughout the country and consumer testing.

Smith said there are only four varieties that now meet looking to get that nice baked potato texture. The other would be musty and old potato flavors, or too strong potato flavors."

Debons declined to comment specifically about Mc-Donald's plans but said she expects an upturn in Blazer planting this season, especially in Maine.

Jonathan Whitworth, a potato scientist with US-DA-ARS in Aberdeen, Idaho, believes the breeding programs are better meeting the industry's needs because

Reshlts!

Debons said PVMI is also poised to see growth in its varieties internationally.

'We had calls from Turkey. They wanted to try out Clearwater, so we're organizing that this coming year," Debons said.

She said Jurgen Bruer, an official with the German potato processor Agrarfrost who has large field trials of several PVMI varieties planned for 2016, also toured the Northwest potato industry last summer.

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When in full force by 2020, the rule would cap greenhouse gases from sources responsible for 65 percent of the state's carbon output, according to DOE.

The rule would initially apply to businesses and two public institutions that emit at least 100,000 metric tons of carbon annually. They would be required to roll back their current emissions by 5 percent every three years.

The threshold gradually would lower to 70,000 metric tons by 2035, potentially bringing more businesses into the program.

Agrium Kennewick Fertilizer and food processors J.R. Simplot and McCain Foods are among the operations that will be immediately affected by the rule, according to DOE

businesses multiple ways to comply with the rule.

Myers said DOE's plan would reward companies for suspending Washington operations and selling their carbon credits.

"Their plan actually pays for taking jobs overseas, but punishes for keeping jobs here. If you stay, your costs go up," he said.

DOE's list of "carbon polluters" includes the University of Washington's Seattle campus and the military's Joint Base Lewis-McChord.

Inslee ordered DOE to write the carbon cap rule after state lawmakers rejected his proposal to create a capand-trade program.

DOE's proposal would set a cap, but unlike Inslee's legislative proposal, would not require businesses to bid for emission credits.

### Ecology cancels E. Wash. water quality meetings

#### By MATTHEW WEAVER Capital Press

The Washington State Department of Ecology has canceled three Eastern Washington meetings slated to discuss water quality, citing low response to its offers of technical and financial assistance.

The department had planned agriculture water quality stakeholder work group information sessions Jan. 26-28 in Walla Walla, Wash., Fairfield, Wash., and Pullman, Wash ..

Kelly Susewind, special assistant to the director for Ecology, said the department has been working closely with agriculture partners to schedule and develop workshops to share information about watershed surveys in 2015 and anticipated in 2016.

"The response rate to our 2015 technical and financial assistance offers was much lower than we anticipated." Susewind said. "So rather than identifying new sites with additional watershed surveys, we have decided to focus our energy on high priority sites identified in past years.

In an email to members of the department's agriculture and water quality advisory committee, Susewind said the department decided against conducting a new evaluation and potentially adding new sites.

Toni Meacham, a Connell, Wash., rancher and attorney, said she suggested Ecology offer outreach education meetings with technical service providers instead of canceling the meetings. Agriculture stakeholders held a meeting in October that was well-received and provided information based on peer-reviewed sound science, she said.

"DOE is not basing their site visits on scientific evidence and they need to do that," Meacham said. "As landowners become aware of what science shows,

that good land management and good grazing plans actually improve water quality, they are less likely to accept DOE's plan of fencing. Many have started working with technical service providers instead."

With the shift in focus, Ecology and its partners agree a change in approach to the "appropriate," workshops is Susewind said.

"We'll continue to work with our partners to identify and connect willing landowners with the tools and resources available," he said. "Our goal is to make real progress on the ground protecting clean water and supporting healthy farms."

Education remains critical, Meacham said, as does open communication between the department and the industry.

"Water quality isn't a goal that is exclusive to DOE," she said. "Water quality is important to landowners as well, but we ask for balance and science-based solutions.'

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