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Dairy Markets

Lee Mielke

Cold Storage report sends shivers through market

By LEE MIELKE
For the Capital Press

We have plenty of milk, plenty of cows and plenty of dairy products, according to the July Cold Storage report, which sent shivers into last week's markets.

Cash block Cheddar cheese plunged to $1.7375 per pound Thursday. It inched back up to close Friday at $1.74, down 12 1/2-cents on the week but 4 cents above a year ago.

The barrels closed at $1.68, down 18 1/2-cents on the week, correcting the inverted price spread, but was 8 cents above a year ago. Eighteen cars of block were traded on the week at the CME and three of barrel.

The blocks lost a penny Monday and shed 2 cents Tuesday, slipping to $1.71 per pound, the lowest level since July 26, 2016.

The barrels dropped 3 3/4-cents Monday and rolled another 1 3/4-cents lower Tuesday, to $1.6250, lowest price since June 28, 2016, and a higher than normal 8 1/2 cents below the blocks.

Cheese vats full

Dairy Market News reports that Midwest cheese makers are "filling vats and running schedules as full as possible."

However, "After several weeks of decreases in milk intakes, some manufacturers feel the fall in production has begun to level off. A few contacts report being short on milk, but are able to find spot loads when needed," according to DMN. "Demand is mixed. Some market participants feel sales slowed some last week following several weeks of active orders outside contracts."

E. Idaho dairy expands home delivery to Treasure Valley

By SEAN ELLIS
Capital Press

BOISE — Low milk prices are behind an East Idaho dairy's decision to adopt a unique business model that its owners believe could result in a 10-fold increase in sales.

Reed's Dairy, which produces its own cheese and ice cream and delivers milk directly to homes in Eastern Idaho, has purchased Boise Milk's home delivery service in southwestern Idaho.

This will allow Reed's to expand its home delivery service to the Treasure Valley area, by far the state's largest population center.

"We have a really big potential market here," Reed's owner Alan Reed said of the Treasure Valley region. "We're looking at adding about 500 customers a year here."

Reed's will bottle the milk at its Idaho Falls dairy and then ship it 286 miles by truck to the Boise area. Smaller trucks will deliver it directly to homes.

Sean Ellis/Capital Press

Reed's Dairy owner Alan Reed at the Western Idaho Fair Aug. 23. Reed's recently purchased Boise Milk, which will allow the East Idaho dairy to deliver its bottled milk 286 miles away to homes in southwestern Idaho.

Low milk prices drove the decision, Reed said.

The dairy was selling about 2,500 to 3,000 gallons of surplus milk — milk left over after the dairy made its own cheese and ice cream — to a processor.

But the current low prices meant Reed's was losing money on that surplus milk and the dairy was close to deciding to stop bottling its own milk and just keep its cheese and ice cream business.

"I just needed some way to sell that milk ourselves, directly to the consumer, and that's when Boise Milk came (available)," he said. "We really purchased Boise Milk so we could stay in the milk business."

Reed's also plans to open up three to four retail stores in the Treasure Valley in the next few years, where it will sell its dairy products to consumers.

Reed said there are several dairies around the country that still bottle their own milk and deliver it to homes but he doesn't know of any others that bottle their own milk, make their own ice cream and cheese and sell them via home delivery and retail.

Dairy economist Marin Bozic, whose words earlier this year helped inspire Reed's to expand into the Treasure Valley, agrees.

"I can't think of another example," said Bozic, associate director of the Midwest Dairy Foods Research Center. "I'm really excited about this venture."

Bozic told United Dairymen of Idaho members in March that to maintain their competitive edge in this period of low milk prices, they need to be ready to pivot radically and look for new business models, partnerships and supply chain models.

"We had never really thought about expanding outside of Eastern Idaho," Reed said. "But when he said that ... I thought, we've got to find another market, and then Boise Milk came up."

UDI Chief Executive Officer Karianne Fallow said Reed's has struck on an innovative business model but every Idaho dairy is also currently exploring it options.

"There is tons of innovation happening. It's just taking many different forms," she said. "Idaho dairy farmers ... are all looking at their own business models in different ways."

Idaho milk production continues to increase

By CAROL RYAN DUMAS
Capital Press

Idaho's milk production was up 3.7 percent in both July and June year over year and is up about 3.3 percent from January through July.

That's almost double the state's 1.7 percent increase in production last year.

Producers have steadily added cows to their operations and increased per-cow output over last year's monthly production, according to USDA National Agricultural Statistics Service.

But the increase doesn't indicate any noticeable jump in processing demand, according to industry insiders.

Several factors are affecting production growth. Part of it is just an increase in milk per cow, which typically grows 1 percent to 2 percent year over year, said Rick Naerebout, director of operations for the Idaho Dairymen's Association.

And there's still some trickle through from a banner

Carol Ryan Dumas/Capital Press

Russ De Kruyf, right, director of milk procurement for Glanbia Nutritionals and president of the Idaho Milk Processors Association, talks with Michael Gonda, Chobani's vice president of corporate communications, during IMPA's annual convention in Sun Valley on Aug. 12.

year for milk prices in 2014, with long-term investments in farms working their way through the system and some new dairies being built, he said.

There have been a few increases in demand from processors, he said, noting Chobani's recent $100 million expansion of its yogurt plant in Twin Falls.

"But we really don't see processors looking for more supply," he said.

Things are pretty much in balance, and more milk moves out of state in peak production months, he said.

Idaho's dairy industry operates mostly in a business-to-business market, with most processors producing for other brands. As their sales grow, they'll purchase more milk. But it happens quietly without announcements, he said.

Increased production reflects a 30-year trend of more milk per cow, said Russ De Kruyf, director of milk procurement for Glanbia Nutritionals and president of the Idaho Milk Processors Association.

"Dairymen are becoming more and more efficient every year and getting more and more out of less," he said.

Of the 3.7 percent increase in milk production in July, 2.1 percent is attributable to more milk per cow and 1.5 percent is attributable to additional cows, he said.

Dairymen ended 2015 with 587,000 cows in December, adding 8,000 in the first seven months of 2016 to hit 595,000 in July.

Milk production is running about 41 million pounds a day, reflecting the 3.7 percent increase, but it's relatively in balance with demand, De Kruyf said.

USDA buys $20 million worth of surplus cheese

By CAROL RYAN DUMAS
Capital Press

In response to requests from Congress and agricultural organizations to assist struggling dairy farmers, USDA announced that it will spend $20 million to purchase approximately 11 million pounds of surplus cheese.

The move is meant to aid dairy producers, whose revenues have dropped 35 percent over the past two years, by reducing cheese inventories that are at their highest level in 13 years, the agency stated.

The cheese will be purchased from private inventories and distributed to food banks across the U.S.

Agriculture Secretary Tom Vilsack said the commodity purchase is part of a "robust, comprehensive safety net" for dairy producers, adding that USDA will continue to look for ways to provide added stability in the marketplace.

Last month, USDA received requests from Congress, National Farmers Union, American Farm Bureau Federal and the National Milk Producers Federation to assist dairy producers.

In a statement following the announcement, NMPF President and CEO Jim Mulhern said the organization appreciates Vilsack's prompt action, adding that it will provide some assistance to dairy farmers through increased demand for their milk.

"We will continue to assess the economic situation facing dairy farmers and suggest ways to help farmers endure this lengthy period of low prices," he said.

Rep. Joe Courtney, D-Conn., one of the leaders of a congressional coalition asking for USDA's assistance, also issued a statement, saying that while the purchase is appreciated, it falls short of meaningful assistance.

"While I appreciate USDA's quick response to our urgent request for assistance for our dairy farmers, it is clear that this modest first step does not go far enough to make a substantial difference on the ground," he said.

He added that he will continue to work to find long-term comprehensive solutions for the dairy industry.

In the Aug. 26 Dairy Market Analyst, Jerry Dryer and Matt Gould noted that NMPF had requested a cheese purchase of $150 million, which would have increased milk prices 16 cents per hundredweight, while Farm Bureau requested $50 million in assistance.