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## Dairy/Livestock

# Cow-calf returns continue to plummet

By CAROL RYAN DUMAS  
Capital Press

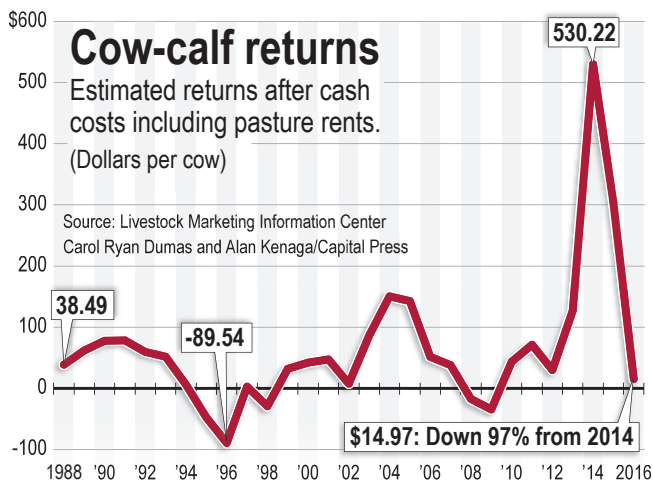
Cow-calf producers are facing their lowest returns since 2009 after two years of record-high returns.

While returns can vary widely by operation, the Livestock Marketing Information Center estimates per-cow returns on cost of production, including pasture rents, will drop to about \$15 this year.

That's a decrease of about \$285 per cow from last year and an even more dramatic decrease of about \$515 per cow from 2015.

LMIC estimates the cost per cow at \$806.25 and returns at \$821.22.

Every operation has different resources and costs, and margins can vary great-



ly. Year-over-year changes in LMIC's calculated returns are more insightful than the specific numeric levels, said Jessica Sampson, agriculture economist with LMIC.

The price of calves is a key

factor in this year's equation, and those prices have been dropping significantly all year, she said.

For example, prices on 750-pound steer calves at Oklahoma City last week

were \$140 a hundredweight, compared with \$193 a year ago. LMIC is forecasting fourth-quarter calf prices to be down 25 percent from a year ago, she said.

After record-high prices in 2014 and the first half of 2015, calf prices fell in August of last year. They recovered slightly, but they've been falling all year, she said.

"The hard part this year was they got a lot lower a lot faster than people expected," she said.

The simple answer to the fall in prices is more available animals. Record prices across the cattle and beef sectors in 2014 and 2015 encouraged producers to hold back cows and heifers. That resulted in a 3.5 percent year-over-year increase in total cattle inventories

on Jan. 1, she said.

A bigger cattle supply, lower fed cattle prices and losses at feedlots are all influencing calf prices, she said.

Production costs were down in 2016 because of cheaper feed and fuel and a slight decrease in pasture rents, but they didn't offset lower calf prices, she said.

John Nalivka, owner of Sterling Marketing in Vale, Ore., said he's a little surprised LMIC thinks returns are going to be so low.

"We've seen a pretty significant drop in prices, but it's not that bad," he said.

In general, he expects returns to run \$100 to \$125 per cow, he said.

His calculations don't include pasture rental costs, and that's probably the key differ-

ence between his estimates and LMIC's.

But Western producers had a lot of grass this year and likely didn't rent as much pasture, he said.

With total cattle inventories expected to be up again by 2.5 to 3.5 percent on Jan. 1, LMIC isn't expecting an increase in calf prices in 2017. In fact, they could go slightly lower, Sampson said.

While Nalivka pegs the increase at 2 percent, he thinks returns will be down again next year — to about \$50 per cow.

Beef production will be up 5 percent both this year and next. Pork will be up about 1.5 percent and poultry will be up about 3 percent this year and next, and there's already some pushback in retail beef prices from consumers, he said.

## Fall dairy product prices going up?

By LEE MIELKE  
For the Capital Press

**Dairy Markets**  
Lee Mielke



Dairy prices continued sliding the second week of October.

Cash block cheddar sank to \$1.5175 per pound Tuesday but regained 3 1/4-cents Friday, closing at \$1.55, unchanged on the week but 11 1/2-cents below a year ago.

The barrels dipped to \$1.4475 Thursday but inched back a penny and a quarter Friday, to \$1.46, 5 cents lower on the week, 18 cents below a year ago, and a larger than normal 9 cents below the blocks. Three cars of block traded hands on the week and 19 of barrel.

The blocks sustained Friday's turnaround on Monday, jumping another 3 1/2-cents on an unfilled bid, as traders anticipated Tuesday's Global Dairy Trade and Thursday's September Milk Production report. They jumped 9 1/2-cents Tuesday, to \$1.68 per pound.

The barrels advanced 3 cents Monday and pole vaulted 12 cents Tuesday, hitting \$1.61.

FC Stone's Dave Kurzawski wrote in his Monday "Early Morning Update" that "the bears continue to debate good milk production in the Midwest and Eastern regions, along with Canadian import restrictions of MPCs. The Restaurant Performance Index showed a contraction for the first time in 8 months with softer sales and customer traffic. The bulls continue to say retail and foodservice buyers will continue to find value in cheese in the \$1.50s where they can continue promotional activities confidently."

Midwest cheesemakers report milk is readily available, according to Dairy Market News. Some say it has hit the low point for the year and is starting to come back up.

Components are also increasing. Inventories are long, but not a major concern as holiday demand approaches and exports improve.

Spot Grade A nonfat dry milk finished last week at 87 cents per pound, down 4 1/2-cents, and 11 cents below a year ago, with five cars sold on the week.

The powder was up a penny and a quarter Monday but gave back a penny Tuesday, slipping to 87 1/4-cents per pound.

Cash butter fell to \$1.77 Thursday but regained a penny and a half Friday and closed at \$1.7850, down 6 1/2-cents on the week and 66 1/2-cents below a year ago. Eight cars were sold on the week.

Monday's trading ignored Friday's small uptick and inched a half-cent lower, then lost a penny and a quarter Tuesday, dipping to \$1.7675 per pound, lowest spot price since April 2015.

Butter demand dropped 17.95 percent from August 2015, while imports dropped 18.5 percent. Commercial disappearance of butter was up 0.9 percent from July, with year-to-date butter use through August up just 0.1 percent, according to USDA.

Cream supplies continue increasing in the Central region, says DMN, and readily available. Many processors are gearing up to meet year-end holiday needs. Inventories are heavy but some processors anticipate being short in Fourth Quarter.

Western buttermakers report strong retail demand but cream is also readily available. Lower prices are

generating interest. USDA's Foreign Agricultural Service reported that the Japanese government will offer a tender for an additional 4,000 metric tons of butter this month. American processors hope the narrowed price gap will make U.S. butter more attractive.

FC Stone's Kurzawski says, "The general consensus is that butter in the \$1.70s will incentivize holiday demand." He adds that Canada was out recently with a 3,000 metric ton butter tender. "The U.S. is competitive at these prices," he said, "and Canadian buyers are also interested in importing U.S. cream."

### Global prices slip

Tuesday's Global Dairy Trade auction lost more ground. The weighted average for all products offered slipped 1.4 percent, after dropping 3 percent Oct. 4, ending four successive sessions of gain.

Rennet casein led the declines, down 4.5 percent, after falling 3.7 percent last time. Cheddar cheese was next, down 3.7 percent, after losing 2.3 percent. Skim milk powder inched 0.3 percent lower, after dropping 3.9 percent last time.

Lactose led the gainers, up 5.6 percent, after leading the declines Oct. 4 with a 9.7 percent plunge. Whole milk powder was next, up 2.9 percent Tuesday, after falling 3.8 percent. Butter was up 2.6 percent, after inching 0.3 percent lower last time. Anhydrous milkfat was up 1.1 percent, after slipping 1 percent last time.

FC Stone equated the average GDT butter price to \$1.8204 per pound U.S. CME butter closed Tuesday at \$1.7675. GDT cheddar cheese equated to about \$1.4923 per pound U.S. and compares to Tuesday's CME block cheddar at \$1.68.

## USDA cheese purchase a disappointment

By CAROL RYAN DUMAS  
Capital Press

Cheese manufacturers and brokers showed little interest in USDA's offer to buy surplus cheese at a significantly higher price than cash markets.

In late August, USDA announced it would spend \$20 million for approximately 11 million pounds of cheese to assist ailing dairy farmers and aid food banks and pantries.

But there were only three takers in the Sept. 9-22 bidding period, resulting in USDA purchasing 3.4 million pounds for \$7.1 million at an average price of \$2.10 per pound.

Associated Milk Producers sold 768,000 pounds for \$1.5 million, Dairy Farmers of America sold 384,000 pounds for \$767,328 and broker Masters Gallery Foods sold 2.25 million pounds for \$4.84 million. Bids ranged from \$1.96 to \$2.46 per pound.

The disappointing response

left \$13 million on the table, and that money's gone because the federal government's fiscal year has ended and those funds went back into the U.S. Treasury, said Lynne McBride, executive director of California Dairy Campaign.

It's unfortunate the full \$20 million could not have been used for donation and to help dairymen, she said.

But it also begs the question of whether there really is a surplus of cheese if USDA couldn't buy cheese at a price well above the CME spot price, which was about \$1.57 a pound during that time, she said.

The lack of response makes it evident the decision to purchase cheese failed to meet expectations, she said.

On Tuesday, however, USDA announced it will soon offer another solicitation to purchase \$20 million of cheddar cheese to reduce cheese surpluses that have reached

record levels.

CDC would prefer direct assistance to dairy farmers and continues to call on Congress and USDA to provide direct relief to dairymen, who have been struggling with low milk prices, she said.

"We continue to see dairies in California close. We're really disappointed by the lack of response to this in Washington," she said.

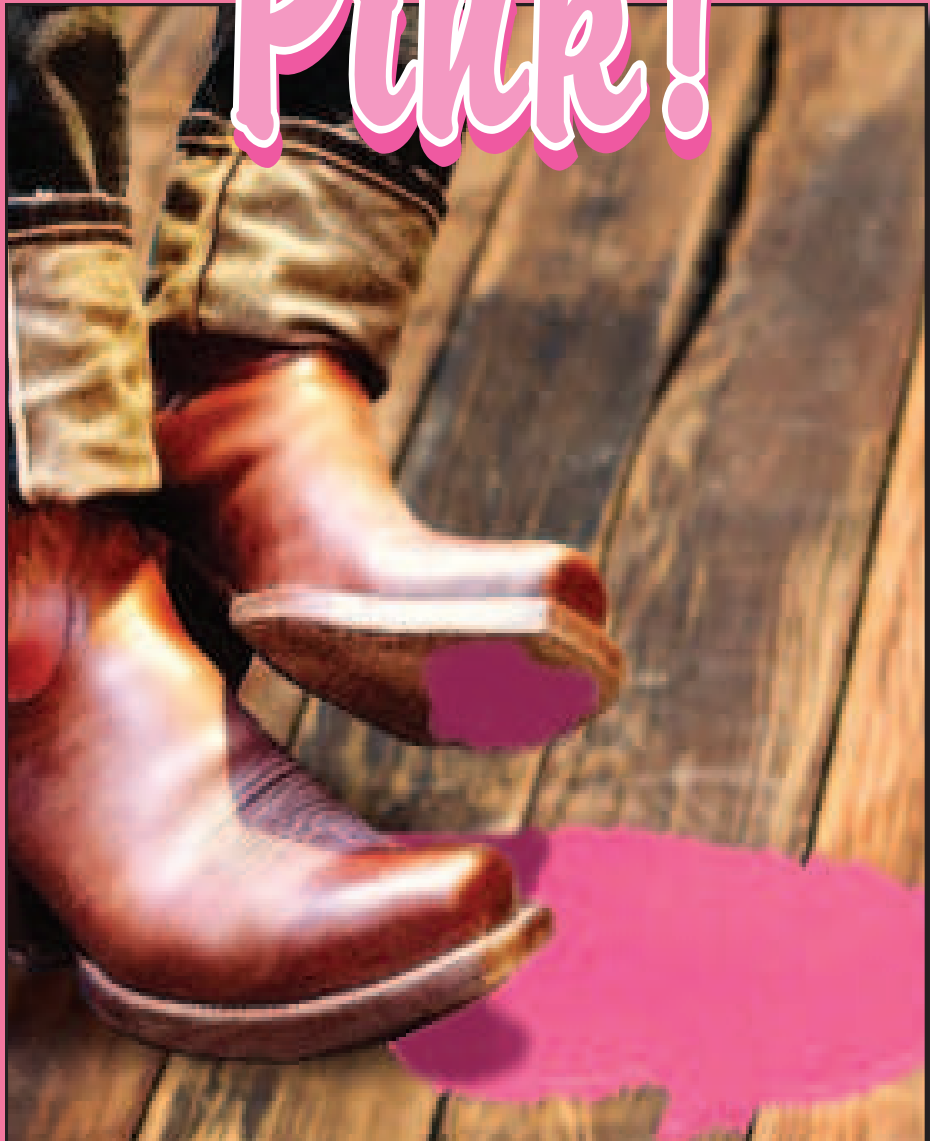
In the first five months of the year, 53 dairies have gone out of business, and more are likely to close due to mounting financial problems, she said.

The situation is every bit as bad as the 2009 crisis, and the rate of closures is faster.




Yet assistance to dairy farmers pales by comparison. In response to the 2009 downturn, USDA purchased \$60 million in dairy products for domestic food programs and spent more than \$290 million in direct relief to dairy farmers, she said.

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