

# U.S. dairy outlook a little brighter, analyst says

By CAROL RYAN DUMAS  
Capital Press

## Price outlook for U.S. dairy

Item	Q2 2016	Q3 '16	Q4 '16*	Q1 '17*	Q2 '17*	Q3 '17*	Q4 '17*
Dollars per pound							
Nonfat dry milk	\$0.76	0.85	0.92	1.12	1.11	1.04	1.04
AA butter	2.08	2.22	1.92	2	2.08	2.15	2.03
Block cheddar	1.43	1.70	1.70	1.68	1.68	1.71	1.71
Whey powder	0.25	0.29	0.35	0.35	0.35	0.37	0.38
Dollars per hundredweight							
Class III milk	\$13.20	16.08	17.06	15.91	16.09	16.65	16.66
Class IV milk	13.18	14.75	13.88	15.88	16.14	15.85	15.34

Sources: USDA; Rabobank

\*Estimated or forecast

Capital Press graphic

Lower global milk production, fewer available dairy products for export and high demand for butter and cheese in the U.S. and EU are improving the outlook for U.S. dairy farmers, according to the latest industry quarterly report from Rabobank.

Milk supplies from dairy export regions overseas have fallen 2.6 million tons in the second half of 2016 year over year, and volumes available for export are down 4.5 million tons.

Low milk prices around the globe and weather challenges and high feed costs in different regions have reduced milk production in all the major exporting countries except the U.S.

Strengthening producer margins in the U.S. has made it the only major export region able to compensate for tightening global supplies, with exports up 19 percent in the third quarter of 2016 compared with a year earlier, the analysts reported.

The U.S. market has kind of isolated itself from international prices, insulated by domestic butter and cheese demand, said Tom Bailey, a senior analyst with the bank's food and agribusiness research and advisory team.

Dairy farmers are seeing a

return to profits, but it's only marginal, he said.

"It's not going to get people overly excited; the market is still fragile," he said.

Product prices in 2017 will be better, and it looks pretty good for U.S. dairy producers, but there will

still be a few things to keep an eye on, he said.

Clearing EU intervention stocks that are overhanging the market in the face of weak demand for milk powder will be a challenge, he said.

The EU recently tried to sell some of its nearly 400,000 tons of skim milk powder. It hoped to sell about 20,000 tons and only sold 40 tons, he said.

A strengthening U.S. dollar could also be a challenge to U.S. exports.

However, the U.S. will be the only export surplus market with a growing milk supply, the analysts said.

Significant recovery of global production and volumes available for export will be delayed until the second half of 2017 when the new Oceania

season commences, they said.

The U.S. will fill some of the gaps left in global cheese and butter shortages. And with fewer U.S. imports, solid domestic demand growth and continued draw-down of inventory, the U.S. should find itself in a fairly well-balanced domestic market for most of 2017, the analysts reported.

World prices for dairy products have rocketed upward, driven by butterfat demand. Cheese and butter prices will continue to climb, but more stagnant prices are expected for milk proteins.

"The story really is we've (passed) the low point in the market for now and we'll be trying to figure out mid-level pricing over the next 12 months," Bailey said.

## Washington's winter outlook turns colder

### 'Weak' La Nina carries punch

By DON JENKINS  
Capital Press



Don Jenkins/Capital Press

Snow blankets a farm Dec. 15 in southwestern Washington. The state can expect a colder and wetter winter than average, according to a Climate Prediction Center outlook.

A new federal forecast says the odds now favor a cold and wet winter throughout Washington, a change from previous outlooks.

The National Weather Service's Climate Prediction Center on Thursday released its U.S. forecast for January, February and March.

The center noted that the biggest change from November's outlook was the increased probability of cold weather in Washington. Plus, Western Washington, like Eastern Washington, can now expect above-average precipitation.

Previously, the center said it was a 50-50 bet which way Washington's winter would tilt. The center described the swing toward a harder winter as a "modest" change in the odds.

"It's not really a strong forecast. It's just a nudge that way," Washington State Climatologist Nick Bond said Dec. 16.

Still, the revised outlook and

early snowfall bodes well for summer irrigation, he said.

"I think you have to expect that we'll have a good snowpack coming out of this winter. I'm ready to be wrong. In this business, you have to be," Bond said.

As of Friday, snowpacks around the state were at least 75 percent of normal, according to the Natural Resources Conservation Service.

The snowpack in the Olympic Mountains was 170 percent of normal. Olympic Peninsula farmers depend on snow melting into the Dungeness River for irrigation. The snowpack

was less than 10 percent of normal during the 2015 drought.

Bond said that a "weak" La Nina — a cooling of the Pacific Ocean — is having a stronger than expected influence on the weather. La Nina years typically, but not always, produce cooler and wetter Northwest winters. Climatologists predict that La Nina will yield to neutral conditions over the next three months.

"It's possible we'll end up having a remarkably cold winter. It's not out of the realm of possibility," Bond said.

Below-average temperatures would be a big change from November. Based on records dating back to 1885, Washington had its warmest November ever, according to the federal National Centers for Environmental Education.

The Climate Prediction Center's new three-month outlook also predicts below-average temperatures in the Idaho panhandle. The odds are equal for above- or below-normal temperatures in the rest of Idaho, Oregon and Northern California.

## Storms boost S. Idaho snowpack

By JOHN O'CONNELL  
Capital Press



John O'Connell/Capital Press

IDAHO FALLS, Idaho — December snowstorms have padded a below-average snowpack throughout Southern Idaho, bringing accumulation to above-normal levels in many areas, and well above normal in the Eastern Snake Plain.

"Ten days ago, we were below average on a lot of snow (survey) sites in the Upper Snake. Now we're above average in the majority of them," Lyle Swank, watermaster for the Upper Snake region, said on Dec. 19.

Swank said the Lewis Lake Divide snow survey site in the Upper Snake headwaters in Wyoming increased its snowpack from having the equivalent of 6.7 inches of water on Dec. 14 to 10.3 inches on Dec. 19.

"That's a pretty good storm for this time of year," Swank said.

Snake Plain snow survey sites above Palisades Reservoir increased from 75 to 80 percent of normal to 128 percent of normal during the same time frame, Swank said.

"It's a much brighter outlook than we've had in some other recent years," Swank said, adding the water outlook can change rapidly this early in the winter.

Ron Abramovich, Idaho water supply specialist with USDA's Natural Resources Conservation Service, said snowpacks are average or above throughout Southern Idaho.

"Most of the basins from

Snow dusts the foothills of Kinport Peak in the City Creek area above Pocatello, Idaho. Mountain snowpacks throughout Southern Idaho are above normal following recent December storms, improving the water outlook.

Henry's Fork and across Southern Idaho have already received their full December precipitation for the first 19 days of the month," Abramovich said. "Anything else is going to keep adding to the snowpack, which is good news."

Abramovich expects the cold and wet weather pattern to persist and noted storms in the forecast are predicted to blanket Central Idaho with 20 inches of snow.

He said the wet pattern has mostly missed Idaho's Northern Panhandle, which had received just a third of its usual monthly snow total through Dec. 19.

For the long term, Abramovich said the Pacific Ocean is coming out of a

strong El Nino pattern, which results in above-normal streamflow in Southern Idaho two-thirds of the time during the following year.

"It ends up being a very active weather pattern, which is what we're seeing right now," Abramovich said. "It's all good news, and we've got more storms coming, so it will be a great Christmas present."

Wes Hipke, managed aquifer recharge coordinator with the Idaho Department of Water Resources, said the state needs a wet winter, with the Upper Snake Reservoir system now at just 45 percent of capacity.

"There's still a lot of reservoir to fill up, but it's looking awesome," Hipke said.

Hipke said continued wet weather could open the possibility of reservoir flood-control releases in the spring, enabling the state to put new Upper Snake aquifer recharge infrastructure to use. Managed recharge involves injecting surface water into the aquifer through unlined canals and spill basins to build groundwater levels.

Unfortunately, Hipke said, a recent cold spell has frozen canal headgates, reducing winter recharge in the Lower Snake River.

"We're not ramping up as quickly as I'd hoped," Hipke said.

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