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U.S. dairymen could face trade challenges

By CAROL RYAN DUMAS
Capital Press

A sharp fall in global milk production in the second half of 2016 allowed U.S. exports to fill a large supply gap, increasing U.S. exports 25 percent year over year in the second half of 2016 despite a strengthening dollar and strong domestic demand.

But milk production is picking up in other exporting countries, driven by a rally in prices due to the decreasing global export surplus. That rally has run its course, but it set in motion global milk-production recovery against still weak demand, according to Rabobank analysts.

Those factors, as well as several others, could challenge U.S. exports in the future, the analysts stated in their latest dairy quarterly report.

While most of the world's



Capital Press File

American dairy producers benefited from a global drop in supply last year, but milk production is picking up now in other exporting countries.

milk supply contracted in 2016, strong exports and domestic demand, cheap feed and favorable weather pushed U.S. milk production up 1.5 percent. That trend has continued in 2017, with February production up 2.3 percent year over year.

But U.S. consumption growth, which has driven the

market since the second half of 2014, might be faltering — with some excess products being pushed into warehouses. A drop in the value of the peso has also reduced U.S. exports to Mexico, the top market for U.S. exports.

But there could be even more trade challenges ahead, the analysts stated.

Price outlook for U.S. dairy (Dollars per pound)

Item	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18
NFDM*	\$0.85	0.92	0.97	0.81	0.89	0.87	0.90
AA butter	2.22	1.92	2.21	2.14	2.15	1.95	2.05
Block cheddar	1.70	1.70	1.68	1.59	1.59	1.63	1.63
Whey powder	0.29	0.35	0.48	0.46	0.41	0.39	0.41

Milk prices (Dollars per hundredweight)

Item	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18
Class III	\$16.08	17.06	16.83	16.01	15.66	15.89	16.05
Class IV	14.75	13.88	15.89	13.90	14.57	13.55	14.28

NOTE: Q4 2016 through Q1 2018 prices estimated or forecast. *Non-fat dry milk

Sources: USDA; Rabobank

Capital Press graphic

“The U.S. withdrawal from (the Trans-Pacific Partnership) which was generally seen as beneficial to the U.S. dairy sector, and talks of NAFTA renegotiations have generated significant unease in the dairy community,” they said.

Of the approximately 15 percent of U.S. dairy production exported, 55 percent

goes to partners included in TPP. In terms of NAFTA, 26 percent of U.S. exports go to Mexico and 13 percent to Canada.

Mexico has already sought to steer imports away from the U.S., resulting in a 10 percent increase in EU dairy exports to Mexico in the three months up to January, the analysts said.

“Risk for the U.S. to lose further share of Mexico and TPP buyers could potentially cause problems for U.S. dairy producers, creating downward pressure on U.S. product prices,” they stated.

They expect declines in U.S. dairy commodity prices to push many producers into negative margins, resulting in a slowing of milk production growth — from 1.6 percent in 2016 to just over 1 percent in 2017.

A large gap in available labor supply, if suggested immigration policy changes are executed by the current administration, could further exacerbate challenges on dairy farms, they said.

A modest expansion in U.S. milk supply, together with lower but still relatively strong domestic demand, should render the U.S. with little to no incremental exports through most of 2017, the analysts concluded.

Dairy has its day at Oregon Capitol

By GEOFF PARKS
For the Capital Press

SALEM — Dairy Day at the Oregon Capitol last week offered generous portions of dairy products — along with continued educational and lobbying efforts on legislative measures important to the industry.

Three FFA chapters, members of the Oregon Dairy Princess Ambassador program, Oregon State University Dairy Club members and others pitched in to help distribute information and treats in the Capitol Galleria.

But the main purpose of the event was to give a higher profile to measures currently being debated in the Legislature — about 350 of them that are important to the dairy industry, said Tammy Dennee, legislative director of the Oregon Dairy Farmers Association.

March 26 through April 1 is Oregon Ag Week, and this year is “the 20th anniversary of the designation of milk as the official beverage of Oregon,” said Tami Kerr, executive director of the association. A toast to that milestone was held in the Galleria to mark the occasion.

The event was created to be fun and informational for



Geoff Parks/For the Capital Press

Oregon Dairy Princess Ambassador First Alternate Kortni Ragsdale and Oregon Dairy Princess Ambassador Kiara Single join in a toast to Oregon Dairy Day at the Capitol with Senate President Peter Courtney.

visitors and staff, but also a reminder to legislators to be aware of the impact of bills they are considering have on the lives of dairy producers and family farms.

“We want to make sure that our producers can come in and share information (with legislators) about their farms and how various measures will positively or negatively impact their businesses,” she said.

One measure important to

the dairy industry is Senate Bill 197, “which is about air quality and only targets the dairy industry,” Kerr said. The bill would require monitoring and regulation of the air quality at dairy operations.

“It’s still in the Senate Energy Committee right now,” Dennee said. “Fortunately, it is not moving out of committee right now, which is a very good sign for us because we feel our industry has

done a great deal to be very progressive and responsive” by following voluntary best practices.

More than 55 pounds of cheese, 400 servings of milk, 25 servings of yogurt and 40 gallons of ice cream were served during the event.

Dennee said the event raises awareness of the dairy industry and helps the public learn about the way the 228 dairy farm families in Oregon manage their 125,000 cows.

Washington AG says What’s Upstream didn’t need to report lobbying

Farm group mulls scope of complaint

By DON JENKINS
Capital Press

The Washington Attorney General’s Office has affirmed that What’s Upstream didn’t need to report its lobbying campaign to the state, a decision causing a farm group to second-guess the scope of its complaint.

Save Family Farming director Gerald Baron said Friday that the group’s complaint to the Public Disclosure Commission may have been too narrow.

It specifically named Swinomish Indian tribe environmental director Larry Wasserman, former Environmental Protection Agency Northwest Administrator Dennis McLerran and lobbying firm Strategies 360.

Assistant Attorney General Walter Smith informed Save Family Farming last week that Wasserman, McLerran and Strategies 360 were not required to register with the PDC because they did not personally fund the campaign.

The AG’s finding upheld a ruling in February by the PDC.

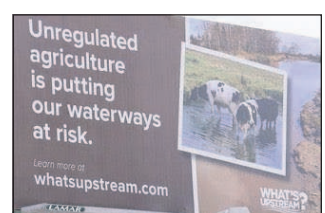
Baron said his group named Wasserman because he was the lead organizer and identified McLerran as the EPA official ultimately responsible for letting the campaign proceed.

“In retrospect that may have been an error,” Baron said. The group is considering whether to submit a broader complaint to the PDC, he said.

The EPA declined to comment. Efforts to reach Wasserman were unsuccessful. The EPA and tribe had both argued the PDC had no jurisdiction over them.

EPA money awarded to the Northwest Indian Fisheries Commission and passed through to the tribe supported What’s Upstream between 2011 and 2016. The campaign involved several environmental groups and had a \$655,000 budget, according to EPA records.

The tribe and environmental groups used the money



File Photo

An assistant state attorney general has decided that What’s Upstream, the group that paid for billboards and a website that attacked Washington state farmers, didn’t violate state lobbying laws.

to make public appeals for stricter limits on farming near water. They said they hoped to influence the votes of legislators, according to EPA records. The tribe hired Seattle-based Strategies 360 to develop the lobbying strategy.

State law requires groups that seek to rally grass-roots support for legislation to report their sources of money and their spending to the PDC.

The PDC ruled the law didn’t apply to What’s Upstream because the campaign didn’t refer to a specific bill before the Legislature. The PDC sent its decision to the attorney general for review.

In his letter to Save Family Farming, Smith, the assistant attorney general, did not cite the lack of a specific bill as grounds for rejecting Save Family Farming’s complaint.

Smith stated that McLerran did not personally approve funding to the fisheries commission or tell the tribe how to spend the money, while Wasserman spent tribal funds under the tribe’s direction.

Strategies 360 also did not fund the campaign and acted under a contract with the tribe, according to Smith.

The EPA’s inspector general has yet to release an audit into how the fisheries commission and tribe handled EPA funds. The inspector general opened the audit nearly a year ago at the request of federal lawmakers.

Some lawmakers denounced What’s Upstream as a malicious attack on farmers. EPA initially said it couldn’t control the content of the campaign, but quickly reversed its stance under congressional fire and cut off funding.

Ecology shift clears path for Washington feedlot dust bill

By DON JENKINS
Capital Press

OLYMPIA — The Washington Department of Ecology has shifted from con to neutral on a bill laying out how the agency will regulate dust at feedlots.

Ecology’s relaxed position improves the outlook for legislation championed by the Washington Cattle Feeders Association.

“I think we have a very good chance of getting the bill to the governor’s desk and having Gov. (Jay) Inslee sign it,” Cattle Feeders’ executive director, Jack Field, said Monday.

Under Senate Bill 5196, feedlots that use approved dust-control measures won’t fall under the state Clean Air Act unless Ecology shows the lot’s dust seriously harmed public health. Most agricultural activities already have such an exemption.

The bill has passed the Republican-led Senate. More significantly, it won unani-



Matthew Weaver/Capital Press

Cattle at a feedlot near Pasco, Wash. A bill backed by the Washington Cattle Feeders Association has picked up momentum in the Legislature after the Department of Ecology dropped its opposition.

mous approval recently in the Democratic-controlled House Environment Committee.

The committee’s chairman, Rep. Joe Fitzgibbon of Burien, said he believed the bill was strong enough to protect workers, neighbors and livestock from feedlot dust.

Cattle feeders say the bill will preserve practices that Ecology and the industry agreed to in 1995.

Industry representatives say the practices have worked well, but are threatened by a recent change in Ecology’s

attitude. Lawmakers heard testimony that the agency had been reasonable, but was now unrealistic in entirely eliminating dust from thousands of animals in dry country.

Under SB 5196, feedlots would be required to follow dust-control plans based on the 1995 practices. Many feedlots already have such plans, but some have had trouble getting theirs approved. The bill will clarify the responsibilities of feedlots and Ecology, Field said.

“We’re not asking for a

free pass,” he said. “You have to put your (best-management practices) in place.”

Ecology strongly opposed the bill at a hearing in January, saying it would hamper its authority.

The agency dropped its opposition because the bill was amended to allow the state to order more dust-controlling measures in areas that aren’t meeting federal air-quality standards for particulate matter, an Ecology spokeswoman said Monday.

Franklin County rancher Bill Easterday said the bill won’t change how he manages his operation.

“We have best-management practices in place. We’ve had them for years. There would just be no difference in operation of the facility on a daily basis whatsoever,” he said.

Ecology and the Cattle Feeders must agree on updates to dust-control practices that feedlots are expected to follow, according to SB 5196.

Cheese prices make strong showing; spot milk prices reported at \$1 to \$4 under class

By LEE MIELKE
For the Capital Press

March cheese prices went out like a lion, with a big move to the upside, despite a fair amount of product finding its way to Chicago but driven in part by demand for fresh cheese and anticipated increasing exports.

The cheddar blocks marched to \$1.52 per pound the last Friday of the month, 8 cents higher on the week, 5 cents above a year ago, and 3 cents above

Dairy Markets

Lee Mielke



where it was March 1.

The barrels finished at \$1.47, up 8 cents on the week, 1 1/2-cents above a year ago, and a half-cent above its March 1 price. Nineteen cars of block traded hands on the week and 38 of barrel.

The blocks gained a penny Monday but gave it back Tues-

day as traders likely didn’t like what they saw in the GDT. The barrels were up 2 1/2-cents Monday but gave back 1 1/2-cents Tuesday, slipping to \$1.48.

Milk continues to be available to Midwest and Western cheese-makers, according to Dairy Market News. Reports from some in the Midwest point to an inability to take on any extra milk. Spot milk prices have been reported at \$1 to \$4 under class.

Spot butter saw a Friday

finish at \$2.1075 per pound, up a penny on the week, 14 3/4-cents above a year ago, but down 12 1/2-cents from its March 1 perch.

Monday saw the butter tick up 2 cents then tack on 2 1/4-cents Tuesday, hitting \$2.15.

Butter output is active in the Central region, according to DMN. Cream is still available to butter producers. Some report they are in the peak of spring holiday demand while others still expect stronger de-

mand to come.

Western butter makers also have plenty of cream and are actively churning it.

Cash Grade A nonfat dry milk closed Friday at 80 cents per pound, down 2 cents on the week but 8 1/2-cents above a year ago.

The powder was unchanged Monday and Tuesday.

GDT higher

Tuesday’s Global Dairy Trade auction’s weighted average inched up 1.6 percent, fol-

lowing the 1.7 percent gain on March 21, after plunging 6.3 percent March 7 and 3.2 percent on Feb. 21. It also surpassed the U.S. \$20 billion milestone in cumulative value of products sold.

Buttermilk powder led the declines, down 12.2 percent. Cheddar cheese fell 4.4 percent, after a 1 percent slip last time, and butter was down 1.6 percent, following a 4.9 percent increase. Skim milk powder was down 0.8 percent, after leading the losses last time with a 10.1 percent plunge.