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Dairy

Federal spending bill strengthens dairy safety net

By CAROL RYAN DUMAS
Capital Press

The Bipartisan Budget Act passed by Congress and signed by President Donald Trump includes provisions to improve the safety net for dairy producers large and small.

Changes to the Dairy Margin Protection Program mostly benefit smaller producers, while a lifting of the cap on livestock insurance products addresses the needs of larger producers.

"The enhancement to the Margin Protection Program, coupled with the expansion of additional risk-management options, are coming at a crucial time for our producers," Jim Mulhern, president and CEO of National Milk Producers Federation,



Capital Press File

The federal spending bill Congress passed late last week will benefit dairy farms of all sizes, industry officials say.

said in a statement Friday.

The disaster assistance package in the bill will cre-

ate \$1.2 billion in baseline spending for the next farm bill, paving the way for additional improvements to MPP.

It also lifts the \$20 million cap on all livestock insurance, including the Livestock Gross Margin program.

"Farmers need insurance options that are both effective and affordable, and the disaster package helps deliver on that promise," Mulhern said.

The MPP reforms include raising the fully subsidized catastrophic coverage level from a \$4 per hundredweight margin between the price of milk and the cost of feed to \$5.

They also include adjusting the first tier of covered milk production to the first 5 million pounds of annual milk production — which represents production from about 217 cows — from the current 4 million pounds.

Premium rates would also be reduced for the first 5 million pounds so pro-

ducers can afford higher levels of coverage.

Margin calculations would be changed to a monthly basis from the current bi-monthly average to make the program more accurate and responsive to producers in difficult months.

The reforms, however, do not include any change to the national feed-cost calculation, which producers have argued is significantly lower than their actual costs.

That calculation has led to program margins that are significantly higher than actual margins and resulted in few payouts.

The lifting of the cap on livestock insurance will allow USDA to develop a wider variety of additional risk-management tools that will be especially important to larger dairy producers and can complement MPP, Mulhern said.

"Taken together, these changes will provide important risk-management tools for dairy operations

of all sizes," he said.

Rick Naerebout, CEO of the Idaho Dairymen's Association, said the bill has "something for everyone in dairy in regard to safety nets."

It offers some additional benefits to smaller producers through MPP in additional dollars to subsidize premiums. But the production caps favor smaller producers.

Removing the cap on livestock insurance products was something lawmakers were able to get for larger producers.

"Basically, it's crop insurance for milk," similar to what other agricultural entities have had for years, he said.

Idaho has both small and large producers and needs solutions for operations of all sizes, he said.

The insurance opportunities, such as Livestock Gross Margin, appeal to IDA because they don't differentiate between smaller and larger dairies to create winners and losers, he said.

Dairy
Markets
Lee Mielke



Cheese up, butter down on dairy market

By LEE MIELKE
For the Capital Press

Cash cheese prices strengthened last week. The Cheddar blocks closed Friday at \$1.51 per pound, up 4 3/4-cents, but 10 cents below a year ago. Barrels hit \$1.36, up 3 1/2-cents on the week, 29 cents below a year ago, and 15 cents below the blocks.

The blocks slipped three-quarter cents Monday but gained it back Tuesday, returning to \$1.51. The barrels were unchanged Monday but inched up a quarter-cent Tuesday, to \$1.3625.

Spot and contract milk offers are abundant for cheesemakers in the Midwest, Dairy Market News reports, and milk prices are nearing holiday level discounts, from \$1 over to \$4 under Class III. Cheese demand varies. Some pizza cheese producers report seasonally slow sales now that Super Bowl is history, but expect buyers to replenish stocks. The block to barrel price gap "remains a reminder of potential instability."

Western cheese output is ongoing with "bounteous supplies of milk available," although a number of Class II processors are clearing more milk, releasing some of the pressure on cheese producers. Overall, stocks of cheese in the West are balanced to down slightly but cheese is more than sufficient to meet end user needs. Some suggest that interest from international and domestic markets is trending up, possibly due to lower prices, others report sales have slowed.

FC Stone's Tuesday Early Morning Update stated, "The spread makes sense to us today. Fresh barrels appear more plentiful today than that of blocks, but there seems to be no material sign of the kind of buyer worry that boosts prices. Part of that may be freight considerations (increased costs), which continue to be a bit of a weight on bids. Meanwhile, there is some planning for Easter promotion going on right now, which may supply a willing bid for blocks around current levels this week."

Butter closed Friday at \$2.0275 per pound, down 8 3/4-cents on the week, lowest price since Nov. 21, 2016, and 7 1/2-cents below a year ago.

It regained a quarter-cent Monday and tacked on 3 1/4-cents Tuesday, hitting \$2.0625.

DMN says butter demand, in certain cases, has increased from last month. Other producers suggest sales continue to meet "seasonally downplayed expectations."

Western butter is at or near full capacity and ample cream is finding its way to the churn but butter demand is picking up ahead of the spring holidays.

Cash Grade A nonfat dry milk moved 1 1/4-cents higher on the week, closing at 73 1/2-cents per pound, 18 1/2-cents below a year ago. The powder was unchanged Monday but inched back a half-cent Tuesday, to 73 cents per pound.

Milk pricing

In most of the U.S., milk prices are determined using complex formulas by the U.S. Agriculture Department but the system has evolved over the years from a simple volume/butterfat basis to the current multiple component pricing, which takes into consideration volume, butterfat, protein and various other components of the milk, as well as where the milk is to be used.

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