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## Dairy/Livestock

# USDA clears the way for California FMMO

By CAROL RYAN DUMAS  
Capital Press

After a disappointing delay in the process of establishing a federal milk marketing order for California, the state's dairymen can look forward to a final decision soon.

On Friday, a judicial officer appointed by USDA to keep the process safe from legal challenges, ratified the hearing record and put the process back on track.

That process started with a petition to USDA by three dairy cooperatives in February 2015. It was disrupted in February when two Supreme Court cases involving the Securities and Exchange Commission called into question the appointments of administrative law judges by federal agencies.

While the case did not involve USDA directly, the outcome could call into question the appointment of the administrative law judge who presided over the California FMMO process.

If the court were to find administrative law judges in the cases were not appointed properly under the Constitution, it could implicate the FMMO and make it vulnerable to legal challenges.

Instead of moving forward with a final decision, USDA decided to appoint a judicial officer — who is not subject to the appointments clause in the Constitution — to review the FMMO hearing record.

Stephen Vaden, an attorney with USDA's office of general counsel, said last month the cautious route USDA is taking would only delay the process one to four months.

If USDA had ignored the potential threat to the appointment of its administrative law judge and the court



Cows are milked at VanderWoude Dairy near Merced, Calif. The effort to establish a federal milk marketing order appears to be back on track.

ruled against the Securities and Exchange Commission, the FMMO could have been vacated by the court, he said.

That would set the process back to square one and push potential implementation of the FMMO back three years, he said.

Ratification of the record by the judicial officer clears the way to move forward, said Geoff Vanden Heuvel, board member and economic consultant for Milk Producers Council.

The delay was disappointing, but USDA cured the problem in less than 30 days, he said.

"We expect news soon, he said.

That news will be the final decision on how the FMMO would operate and what producers will be voting on in a referendum to approve an FMMO for the state, he said.

Establishing an FMMO for California has been a long road, rooted in producers' frustration with milk prices significantly below prices in other states and the state's failure to adequately address the issue.

Producers have petitioned the California Department of Food and Agriculture for years to make changes to the state's pricing system. With little to

no success, they turned to the federal order system three years ago in the hope of securing equitable prices.

Capital Press is waiting on a reply from USDA when a final decision might be issued. Vaden said last month if ratification went smoothly, an order for California could be implemented by November.

"We look forward to the process continuing to move forward as soon as possible so California producers can have some certainty in their future," said Annie AcMoody, director of economic policy for Western United Dairymen.

# U.S. beef outlook guardedly optimistic

By CAROL RYAN DUMAS  
Capital Press

U.S. cattle markets are showing positive momentum in the first quarter of 2018, following their second-most profitable year on the books. But the year ahead could slow the roll on favorable markets.

Cattle prices for the year to date have been holding at, or above, expected levels, supported by a continuation of solid demand by both domestic and export markets, analysts at Rabobank stated in their most recent beef quarterly report.

The slower-than-expected expansion in the U.S. cattle inventory in 2017 and the heavy front-end load of cattle on feed due to drought creates a tighter than expected supply and brighter outlook for the second half of 2018, they said.

But "while market tone has started the year with solid footing and continuation of profitability in all sectors, there are a number of potential headwinds that could become driving issues as the year unfolds," the analysts said.

Those headwinds revolve around drought, increased production and trade.

The foremost concern is drought, with 27 states showing some level of drought stress. Those states represent 76 percent of the cow population, Don Close, senior analyst with RaboResearch, told Capital Press on Thursday.

Conditions have improved in many areas in the last couple of weeks. But with that much of the cow population in areas at risk of drought liquidation, it's really an issue that needs to be monitored, he said.

Cattle on feed numbers are up 8 percent from year-

ago levels, with aggressive placements of calves due to lack of winter wheat pasture. That's not a show-stopper in itself because of the number of light cattle on feed that will be well distributed throughout the year, he said.

"But if we start to build weight, total (beef) production will be a big concern," he said.

With good availability of feed grains at very attractive prices, it will be critical to avoid excess carcass weights in order to keep total beef production at manageable levels, the analysts said.

The other uncertainty in the market is U.S. trade policy. North American Free Trade Agreement negotiations are progressing slowly, and there is still discussion of reopening the U.S. trade agreement with South Korea.

President Donald Trump's intention to impose tariffs on steel and aluminum imports adds the concern of counter duties on U.S. agricultural exports, Close said.

In addition, the 11-member version of the Trans-Pacific Partnership was signed this week — without the U.S. While the U.S. continues to deal with the agreement with Japan, the agreement is expected to bring gains for other beef exports through reduced tariffs into Japan — a key global beef importer, the analysts said.

There continues to be chatter that Trump would be interested in trade talks with those countries, but any trade deal would take a long time to accomplish, Close said.

But U.S. beef exports seem to be holding, and the U.S. is positioned very well as a global supplier of high-value product, he said.

"Without trade conflicts, I think exports will continue to grow," he said.

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11-2/102

Dairy Markets  
Lee Mielke



# Dairy prices see ups and downs

By LEE MIELKE  
For the Capital Press

Cash dairy prices saw some ups and downs last week as traders absorbed Tuesday's Global Dairy Trade auction.

The Cheddar blocks climbed to \$1.6025 per pound Monday, highest price since Nov. 28, 2017, but closed Friday at \$1.57, up a penny on the week and 18 1/2-cents above a year ago when it bottomed out for the year at \$1.3850.

The barrels climbed to \$1.5150 Tuesday, highest since Dec. 18, 2017, but finished at \$1.4975, up 2 1/4-cents on the week and 9 3/4-cents above a year ago. Eight cars of block sold on the week at the CME and 25 cars of barrel.

The blocks were down 2 cents Monday and lost a penny Tuesday, slipping to \$1.54. The barrels inched up a quarter-cent Monday and stayed there Tuesday at \$1.50.

Dairy Market News reports that spot milk into Midwestern cheese plants is ranging \$2 to \$3 under class, with some as low as \$5 under.

"Milk shipments were delayed early in the week, while mozzarella and provolone producers, currently reporting steady demand, are concerned about multiple winter storms affecting orders made by Eastern region customers. Hard Italian orders are trending up, while barrel producers report demand as middling.

Western cheese production is active as more milk is going to the vats, says DMN, and "the cheese market undertone seems unsettled."