USDEC boosts its dairy export efforts

Growing milk production will demand more attention to Middle East, North Africa

By CAROL RYAN DUMAS
Capital Press

As part of an ambitious effort to increase exports, the U.S. Dairy Export Council is adding nine on-the-ground professionals to its team in key foreign markets.

The move is part of the "Next 5%" initiative announced last fall to grow dairy exports from 15 percent of U.S. milk production to 20 percent over the next three to five years.

Hiring has already begun, beginning with two professionals in the Middle East and North Africa, called the "MENA" region.

USDEC sees ample opportunity for U.S. suppliers to capture a greater share of that large and growing market.

MENA's dairy imports grew significantly from 2007 to 2014, and despite a downturn the last three years, imports averaged a 3 percent annual growth over the last decade.

Import numbers are hard to come by, so USDEC uses export data from major suppliers as a proxy, said Al Levitt, USDEC vice president of communications and market analysis.

Exports to the region in 2017 of skim milk and whole milk powders, cheese, butterfat and whey products from the top 11 suppliers totaled 1.513 million tons, he said.

For comparison, China's imports of the same products in 2017 were about 1.47 million tons, and Southeast Asia's imports were 1.54 million tons, he said.

Total global dairy trade is about 9.5 million tons. So the MENA region is about 16 percent of total world dairy trade, he said.

"Our exports to the region have plunged since 2014. But now we're doubling down, applying more resources to try to get some of that share back," he said.

Oil is a big part of the MENA economy, so when oil prices began their descent in the summer of 2014, dairy import demand followed, declining for three straight years, USDEC reported in January.

Cuts in oil production until the end of 2018, announced by OPEC in late November, are expected to increase oil prices. The International Monetary Fund has also forecast growth in the GDP for MENA's oil exporters and importers in 2018, USDEC reported.

The fast-growing market spans nearly 4,000 miles from the coast of Morocco to the eastern side of Oman. Dairy demand in the region is strong, and USDEC expects dairy ingredient and cheese imports to increase by more than 160,000 tons and 85,000 tons, respectively, from 2016 to 2021.

Part of the rationale for doubling down in MENA is that increasing U.S. dairy exports in the years ahead will take more than sales to Mexico, Southeast Asia, China, Japan and Korea, Levitt said.

"Those markets alone won't get us to our goals. The MENA region is a large dairy importing region, and that should continue to grow," he said.

USDEC will continue to defend and grow U.S. share in critical dairy export markets, but to reach the Next 5%, MENA must get more attention, USDEC stated in a press release on the new hires.

In addition to the new positions in MENA, USDEC will be adding three in China, two in Southeast Asia, one in Japan and one in Korea.

Dairy prices continue to slip

By LEE MIELKE
For the Capital Press

After weighing last week's February Milk Production and Cold Storage reports, plus Tuesday's Global Dairy Trade auction, traders took the Cheddar blocks to a Friday close of $1.5450 per pound, down 4 cents on the week and 3 cents below a year ago. The barrels finished at $1.51, down a nickel on the week and three-quarter cents below a year ago, when they plunged 10 1/4-cents.

The blocks were unchanged Monday and Tuesday. The barrels lost a penny Monday and stayed there Tuesday, at $1.50.

Dairy Market News reports that demand for cheese is trending up. "Manufacturers of most varieties and styles are reporting bullish ordering ahead of the spring holidays. On the other hand, for some Midwestern producers, Northeastern weather continues to hinder sales as the fourth "nor'easter" in three weeks struck the densely populated customer base."

Spot milk prices are discounted $3 to $4 under Class, with no shortage of milk offers. Cheese inventories are generally long, but vary from manufacturer to manufacturer. Some barrel producers are suggesting their stocks are lighter than expected.

Although milk availability is ample, some Western cheese processors are not running at full capacity but are planning to increase output in the coming weeks as the spring flush gets near. Overall, cheese supplies are "copious," says DMN. "Some cheese outputs are being stocked for future usage as current demand, although strong, seems to still be below total production levels. Export market activities are flat and are expected to remain the same unless domestic or international cheese prices change."

The Daily Dairy Report's Sarina Sharp warned in the March 16 Milk Producers Council newsletter that improved export demand has helped cheese prices, "but domestic demand accounts for about 95 percent of cheese consumption. It's going to be hard to make a dent in the massive cheese stockpile without a hearty domestic hunger for cheese."

Cash butter finished last week at $2.19 per pound, down 2 cents but 6 cents above a year ago, with 39 carloads exchanging hands.

Monday's butter was down a penny and held there Tuesday at $2.18.

Butter producers report that demand is at or near expectations, according to DMN. "Undoubtedly, spring holiday orders have been fulfilled and production is generally quieter. A number of Central butter makers are buying from the Western region where cream supplies, along with discounted spot loads, are abundant.

Western butter makers are "seeing the window of spring holiday demand starting to close," and export demand has been slow to develop. "Manufacturers are not overly concerned, however with plenteous amounts of cream and active butter production, many expect butter inventories to grow."

Dairy Markets
Lee Mielke

Spot Grade A nonfat dry milk closed Friday at 69 1/4-cents per pound, up three quarter-cents on the week but 13 cents below a year ago. The powder was unchanged Monday but inched up a half-cent Tuesday, to 69 3/4-cents per pound.

Cash dry whey closed its second week of existence at 28 3/4-cents per pound, down a half-cent on the week, with no sales reported. The latest Ag Market Service surveyed dry whey price dropped 1.4 cents to 24.06 cents per pound.

Monday's whey was unchanged but it crept a quarter-cent higher Tuesday on a sale, to 29 cents per pound.

Dairy stocks high

Dairy product inventories saw large gains in February, particularly on butter. The Agriculture Department's latest Cold Storage report shows Feb. 28 butter stocks swelled to a just under 277 million pounds, up 50.2 million pounds or 22.1 percent from January and 7 million pounds or 2.6 percent above February 2017. Revisions added 2.8 million pounds to the January total.

American type cheese grew to 762.7 million pounds, up 20.9 million pounds or 2.8 percent from January and 18.1 million or 2.4 percent above a year ago. Revisions added 3.6 million pounds to the January inventory.

The other cheese category totaled 523.5 million pounds, up 15.4 million pounds or 3.0 percent from January and 68.7 million or 15.1 percent above a year ago.

That nudged the total cheese inventory to 1.3 billion pounds, up 35.5 million pounds or 2.8 percent from January and 87.7 million or 7.2 percent above a year ago.

Class I up

The April Federal order Class I base milk price was announced at $14.10 per hundredweight, up 74 cents from March but $1.95 below April 2017. It equates to $1.21 per gallon, up from $1.15 in March and compares to $1.45 a year ago.

The four month average is at $14.29, down from $16.78 at this time a year ago and $14.30 in 2016.

Culling drops

Dairy cow culling dropped sharply in February but was still above February 2017. The Agriculture Department's latest Livestock Slaughter report shows an estimated 260,700 head were slaughtered under federal inspection in February, down 29,100 head from January but 7,500 above a year ago, up almost 3 percent. A total 550,400 head were "retired" from the dairy business in the first two months of 2018, up 28,100 head or 5.4 percent.

DOT again delays ELD mandate for livestock haulers

By CAROL RYAN DUMAS
Capital Press

Courtesy of Tim O'Byrne/Working Ranch magazine
The U.S. Department of Transportation has extended a waiver for electronic logging devices for agricultural trucks.

The U.S. Department of Transportation has granted agricultural haulers another 90-day reprieve from a national mandate requiring electronic logging devices to track their time on the road.

The waiver comes as a relief to animal agriculture groups as they continue to work with DOT's Federal Motor Carrier Safety Administration on the complexities of limitations on drivers transporting live animals.

Those groups contend the livestock hauling industry is not prepared and needs more training on ELD technology and clarification of the rules applying to livestock haulers' time behind the wheel. They also question whether local law enforcement is aware of agricultural exemptions.

The FMCSA said it would take additional steps to address the unique needs of agricultural industries and provide further guidance to assist in the effective implementation of the ELD rule without impeding commerce or safety.

The agency hopes to do additional outreach on the devices to agriculture and specifically livestock haulers, Allison Cooke, executive director of government affairs for National Cattlemen's Beef Association, said in a podcast.

The agency also hopes to be able to provide guidance on the 150 air-mile exemption for agricultural haulers as well as other information that will be helpful as the industry moves down the path on ELD and hours of service requirements, she said.

"Through this whole conversation on ELD, we know that the larger issue at hand is hours of service," she said.

The hours of service rule limits commercial truckers to 11 hours of driving time and 14 consecutive hours of on-duty time in a 24-hour period. Once they reach that limit, they have to pull off the road for 10 hours before driving again.

That "just really doesn't work for the livestock hauling community. We have an animal welfare piece that we have to be concerned about at all times," she said.

Weather plays a big factor, and livestock haulers have to be worried about how that can negatively affect animals, she said.

In asking DOT for the waiver, National Pork Producers Council argued that because livestock is vulnerable to health issues triggered by extreme temperatures, long-established industry standards preclude drivers from stopping while hauling animals. That could cause them to run afoul of the ELD and hours of service rules.

"Drivers hauling livestock have a moral obligation to care for animals they're hauling regardless of any regulations," Jim Heimerl, NPPC president, said in a press release.

The waiver will give DOT and Congress additional time to find a solution that meets the unique needs of livestock haulers, he said.

Cooke said NCBA is working with Congress on language to fix the hours of service rule so it works for livestock haulers.