Revised MPP should pay off for smaller producers

By CAROL RYAN DUMAS
Capital Press

Carol Ryan Dumas/Capital Press File
A cow ready to give birth lies in the close-up pen at Fairview Dairy near Buhl, Idaho, on Feb. 28. The revised Margin Protection Plan is more useful for small dairy operators than the previous version.

Legislative changes to the Margin Protection Plan for Dairy, providing more affordable premiums for a farmer's first 5 million pounds of milk, are expected to pay off for smaller producers this year.

Significant changes in the program came just in time, given the dim outlook for producer margins this year, Peter Vitaliano, vice president of economic policy and market research for National Milk Producers Federation, said in a webinar for reporters on how the improved program works.

"Farmers should take a very, very serious look at the program," he said.

The program pays the difference between a national average milk price and national average feed costs at coverage levels selected by participating producers up to $8 per hundredweight.

MPP has not been as effective as anticipated in providing a safety net in the last few years, but changes passed two months ago in the Bipartisan Budget Act will improve the program's effectiveness, Chris Galen, NMPF senior vice president of communications, said.

One big problem with the program is that Congress watered down the original margin calculation developed by NMPF, to where it wasn't really an adequate indicator of stress, Vitaliano said.

"These changes … do not address the problems with the margin but by lowering the premiums, they go a … fairly decent way toward making the program again viable," he said.

The improved program merits a second look, especially since producers can retroactively sign up back to Jan. 1, 2018.

While January's margin was above $8, February's margin was $6.88 and margins are projected to be below $8 into August, he said.

The changes are skewed toward smaller producers, with the lower Tier I premiums aimed at the first 5 million pounds of milk — which represents a herd of slightly more than 200 cows, he said.

At top coverage of an $8 margin, those premiums went from 47 cents per hundredweight to 14.5 cents, he said.

The program still isn't perfect, and NMPF will continue to work for improvements. But in a year of low prices like this one, the program warrants a serious look, he said.

The bottom line is premiums at the Tier I level are much more affordable, down by about two-thirds, Galen said.

Using USDA's MPP calculator, available online, he demonstrated returns for producers covering 5 million pounds of production history.

Coverage of 90 percent of production showed net returns to producers over premiums above the $6 margin coverage level. At an $8 coverage margin in 2018, a producer could expect to pay $6,927 in premiums and receive payouts totaling $32,805.

Annual production of 5 million pounds is the national average, Galen said.

"For many producers, unless the markets improve dramatically … in all likelihood, there will be payouts through this program if you ensure at the highest levels for the next four or five months," he said.

Tier II premiums haven't changed, however, and are pretty prohibitive, especially at the higher coverage levels, Vitaliano said.

Above 5 million pounds, premiums make it uneconomical to participate at that level in most cases, he said.

He also ran calculations on covering 10 million pounds of production history. Covering 90 percent of production produced all negative returns no matter the margin level protected.

"It's not going to be a paying proposition," he said.

Covering half that production, however, would show a net return for protected margins above the $6.50 level.

NMPF also has an MPP calculator so producers can enter their price and costs estimates, at futurefordairy.com.

MPP enrollment ends June 1.

File Photo
Several organizations are suing the USDA over its decision to withdraw a new rule governing organic livestock and poultry.

Animal welfare groups join lawsuit over USDA organic rules

By CAROL RYAN DUMAS
Capital Press

The ASPCA and Animal Welfare Institute have joined the Organic Trade Association in its lawsuit against USDA for not implementing new organic livestock standards.

The original lawsuit, filed in federal court last September, was aimed at USDA's repeated delays in implementing the standards that were finalized by the Obama administration.

On April 11, OTA revised its complaint to reflect USDA's plan, announced last month, to withdraw the final regulation.

USDA stated the rule exceeds the agency's statutory authority and could have a negative effect on voluntary participation in the National Organic Program.

The amended complaint argues that USDA's contention that it does not have the authority to regulate animal care, welfare or production standards under the Organic Food Production Act is "novel and erroneous."

It also argues that it conflicts with every previous administration's approach to rulemaking under OFPA and the National Organic Standards Board.

OTA welcomes the support of the animal welfare community in standing up against the administration's attack on this important standard for organic livestock and poultry, Laura Batcha, OTA executive director, said in a press release.

"In USDA's attempt to kill this fully vetted final regulation, they've taken a radical departure from conclusions reached over more than 20 years of rulemaking regarding organic livestock care," she said.

It is an aberrant view that has no historical basis or legal justification, she said.

Conventional livestock and poultry groups have fiercely opposed the rule, citing health threats to animals.

They have argued its animal-welfare standards aren't based on science and are outside the scope of the law, which limits organic regulations to feeding and medication practices.

They have also argued that it would vilify conventional livestock practices, open the door to activists' lawsuits and create barriers for existing and new organic producers.

The final rule — which addresses living conditions, animal health care, transportation and slaughter — was published after more than a decade of extensive public input and thorough vetting, OTA contends.

Public comment showed more than 63,000 comments opposed withdrawing the rule and 50 in support.

The rule had been widely praised by animal advocates, consumer protection groups and the vast majority of the organic livestock industry, Erin Thompson, staff attorney for the Animal Welfare Institute, said. The institute strongly disagrees with USDA's position, saying not only has USDA already determined it has the authority to regulate animal welfare, it has done so in the past.

ASPCA is the acronym for the American Society for the Prevention of Cruelty to Animals.

Analysts: Clouds linger over dairy markets

By CAROL RYAN DUMAS
Capital Press

Carol Ryan Dumas/Capital Press File
Cows line up at the feed bunk as a feed truck makes its rounds at Bokma dairy near Twin Falls, Idaho. Rabobank analysts say lower milk prices will continue until the market rebalances in the second half of the year.

Global oversupply of milk and heavy stocks of dairy products have sent farm-gate milk prices lower in most export regions by as much as 15 percent since the start of the year.

With peak milk-production season in the Northern Hemisphere looming, markets aren't likely to rebalance until the second half of 2018, Rabobank analysts said in their latest dairy quarterly report.

Low on-farm margins are expected to slow year-on-year gains in global milk production, but milk-supply growth will continue to outstrip import demand through the second quarter, the analysts said.

Markets took $2.49 per hundredweight out of the U.S. price for Class III milk used to manufacture cheese in the first quarter of 2018 and are expected to take out 15 cents in the second quarter.

In the U.S., high stocks, sluggish fluid milk sales and milk-production growth — up 1.8 percent year over year in January and February — have exerted downward pressure on wholesale product prices, they said.

At the end of February, U.S. butter stocks were up 2.6 percent year over year, cheese stocks were up 7 percent and stocks of nonfat dry milk were up 50 percent.

"(Non-fat dry milk) stocks have accumulated — in part due to weaker exports to Mexico — as buyers have sought to diversify their suppliers by importing more NFDM from the EU and Canada," the analysts said.

U.S. domestic demand remains fragmented, with retail sales of natural cheese and butter up 3 percent and 6 percent, respectively, in January and February versus a year earlier. But sales were down 2.7 percent for processed cheese, 4 percent for yogurt and 1 percent for both fluid milk and ice cream, the analysts said.

Foodservice dairy sales have helped, with quick-service restaurant sales up 5.5 percent and full-service restaurant sales up 2.7 percent.

Domestic demand should pick up, driven by U.S. economic expansion, which is anticipated to jump to 2.7 percent in 2018, compared with 2.3 percent growth in 2017.

On the global front, improved demand and favorable pricing have helped boost U.S. dairy exports, which were up 4 percent year over year in the last quarter of 2017 and continue to show growth.

Sufficient U.S. supplies and international premiums also slowed U.S. dairy imports, which were down 6 percent year over year in the fourth quarter of 2017, and that trend continues.

"Looking ahead, 2018 U.S. exports will remain competitive, with prices generally sitting below international levels and a persistently weak dollar," the analysts said.

Continued weakness in milk prices and rising feed costs, however, are expected to curb production growth. Dairy cow slaughter in January and February was more than 5 percent higher than a year earlier, and more recent weekly data indicate a similar pace.

Dairy prices encounter more ups and downs

By LEE MIELKE
For the Capital Press

Dairy Markets

Lee Mielke

Dairy prices saw more ups and downs the second week of April. The Cheddar blocks finished Friday the 13th at $1.6050 per pound, up a quarter-cent on the week and 13 cents above a year ago. The barrels closed at $1.46, up a penny and 3 1/4-cents above a year ago. Two cars of block were traded at the CME last week and 29 of barrel.

The blocks were unchanged Monday, as the Midwest dug out from a mid-April blizzard, but they jumped 2 1/2-cents Tuesday, to $1.63, lifted perhaps by the morning's Global Dairy Trade auction. The barrels were also unchanged Monday but gained 2 pennies Tuesday, hitting $1.48, a still too high 15 cents below the blocks.

Cheese demand reports are generally positive from Midwestern producers, according to Dairy Market News. Spot milk remains $2 to $3.50 under class. Some cheesemakers have turned up production and are fortifying with nonfat dry milk (NDM) to alleviate fairly heavy NDM stocks. Some questions arise with contacts regarding the block to barrel price gap, but generally Central contacts view the markets with a bullish eye.

Western cheese output is increasing. Contacts say the spring flush has commenced and cheesemakers have plenty of milk; however, demand has been strong. Inventories are heavy, but not necessarily burdensome at this point.

"However," warned DMN, "If U.S. and European cheese prices converge, manufacturers worry they may face the ineluctable realization that competition for export sales may become more fierce."

Spot butter climbed to $2.32 per pound on Monday but slipped 2 cents Thursday and closed Friday at $2.2875, unchanged on the week but 20 cents above a year ago. The week saw 46 cars sold.

Monday's butter inched back a quarter-cent only to regain three-quarters Tuesday, hitting $2.2925.

Central butter plant managers are receiving more cream offers and butter sales are taking off, both on and off the CME. Some producers suggest there is strong interest from export purchasers in multiple global localities, as butter prices domestically are competitive. Domestic interest is also adequate.