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# Dairy

## Dairy strives to keep improving

By ERICK PETERSON  
For the Capital Press

Jeff Wendler, livestock operations manager of Threemile Canyon Farms, looks across the sprawling dairy and crop operation near Boardman, Ore., and still feels awe.

Robotics, digital tracking, in vitro fertilization and methane digesters that convert waste into electricity are all part of the operation.

"It's a good place to be, and it just keeps getting better," Wendler said. "You'll see that in time, we'll be able to learn more, gather even more information and improve on top of what we're doing."

Anne Struthers, the director of communications, explained that Threemile Farms began in 1999 under the Offutt family, the sixth-generation owners of R.D. Offutt Co. Marty Myers, the general manager and western business manager, runs day-to-day operations at Threemile Canyon and is part owner with the Offutts, who are headquartered in Fargo, N.D.

They operate the farm and dairy on 93,000 acres in Boardman, milking 25,000 cows. They sell the conventional milk to cheese manufacturers and organic milk to retailers.

Threemile Canyon employs 300 full-time workers year-round and up to 500 during planting and harvest, the busiest times of the year.

The cows, mostly Jerseys, are milked twice a day in three barns that have been constructed to cater to their comfort.

Once remodeling is finished next February, Threemile will have the ability to milk 38,000 cows — all done without a single person ushering them into place. The cows step up in an



Erick Peterson/For the Capital Press  
Jeff Wendler, livestock operations manager of Threemile Canyon Farms, stands in the nursery.

orderly fashion to take their turn on one of the carousels. Each step into a stall where robot arms clean and stimulate their udders before employees attach milking units. After milking, each cow voluntarily leaves the carousel.

The animal welfare program is a point of pride for Wendler, who is also a veterinarian. He said a committee meets every month to discuss issues and watch training videos. Committee members then train other employees in caring for the cows. An animal advocate from Evergreen State College, Mike Paros, who also is a veterinarian, comes once a month to train and address concerns. His phone number is listed on signs throughout the farm for anyone to contact him about any concerns.

An outside auditor also visits every four to six months to spend a week talking with employees and inspecting the operation. He gives a report card at the end.

"We are one of the few who have ever received 100 percent on an audit — maybe the only one," Wendler said. He adds that the score is usually between 96 to 100, and that he has "absolutely zero

tolerance for animal abuse." Animal housing is built with comfort in mind with each cow having its own bed and fresh water and feed.

"Everything the cow needs is provided," he said. "The people who are going to survive in this industry are going in this direction."

He is also proud of the "closed loop system" created at the dairy, as milk, methane, fertilizer, energy and feed are all produced, with waste in one area helping the production of something else.

"We are one of those few, true closed-loop systems," he said, crediting Myers. "It's always been Marty's plan, and it continues to be the company's plan, to make that better."

He boasts that everything, from cow behavior to water use, is analyzed, and decisions are made every day to improve the system.

Many of the improvements would be impossible for a small dairy, he said. Given its size, Threemile Canyon can employ staffs of full-time specialists who can, for example, sample blood, urine and feces to optimize the cows' nutrition.

The dairy can also support

### Threemile Canyon Farms

**Started:** 1999  
**Location:** Boardman, Ore.  
**Size:** 93,000 acres (39,500 of irrigated farmland; 9,000 acres of certified organic and 6,500 acres of potatoes)  
**Number of cows:** 30,000  
**Number of cows milked:** 25,000 (twice daily)  
**Products:** Milk for cheese manufacturers, organic milk for retailers, potatoes, sweet corn, sweet peas, carrots, blueberries, onions, silage corn, grain corn and alfalfa hay.  
**Employees:** 300, with up to 500 full-time during busy seasons

management and send them around the country to learn from other farms.

They follow up on what they learn, as happened when the farm built its first methane digester in 2009 as a demonstration project. As the manure is digested, it creates methane gas, which powers electrical generators.

A second, larger digester was added in 2012. It produces 37,700 megawatt-hours of electricity each year, making it the largest in the Western U.S., according to Pacific Power.

It is the only dairy that he knows of with its own in vitro fertilization laboratory. The lab is staffed by specialists employed especially for the process.

At this lab, the top 5 percent of animals are identified for their health and production. Their eggs are collected, fertilized and grown into embryos that are then placed into the lower 40 percent of animals. This way, the least productive animals are employed to produce the top cows.

## Dairy prices continue dipping

By LEE MIELKE  
For the Capital Press

**Dairy Markets**  
Lee Mielke



The cash dairy markets ended the Memorial Day holiday-shortened week with block Cheddar at \$1.5975 per pound, down 1 1/4-cents on the week, 10 1/4-cents below a year ago, and 6 1/4-cents lower than it was on May 1, as the week's global politics may have influenced traders.

The barrels finished at \$1.52, down 2 1/2-cents on the week, 3 cents above a year ago, but 8 1/4-cents below its May 1 perch.

The blocks were down a half-cent Monday and lost 1 3/4-cents Tuesday, slipping to \$1.5750. The barrels were unchanged Monday but lost a penny and a half Tuesday and were at \$1.5050.

Cheese demand reports suggest a steady to slower market for most types of processors, according to Dairy Market News. Midwest heat and humidity had some questioning near-term milk availability, but there was no shortage Memorial Week and a growing amount of cheese-makers took to the spot milk market, as loads ranged \$4 to \$5 under class.

Western cheese output is active but the market seems to be balanced. Domestic and international sales are solid and the U.S. market is currently very competitive.

Cash butter climbed to \$2.4250 per pound Tuesday but closed Friday at \$2.3775, down 3 3/4-cents on the week, 10 3/4-cents below a year ago, but is 1 3/4-cents above where it was on May 1. A whopping 65 cars were sold last week, 32 on Friday alone.

Monday's butter was steady but gave up 1 1/2-cents Tuesday and dipped to \$2.3625.

Upper Midwest butter makers report that cream is unexpectedly tight and buying interest remains generally

healthy. Western butter remains active. Ice cream manufacturers are pulling more cream but there's still plenty to keep churns busy.

Spot Grade A nonfat dry milk closed last week at 82 1/2-cents per pound, down 1 3/4-cents, 12 1/4-cents below a year ago, and dead even with its May 1 price.

The powder lost a penny Monday and inched a half-cent lower Tuesday, to 81 cents per pound.

The new dry whey market had a good week, hitting 39 cents per pound Thursday but inched back Friday to close at 38 1/2-cents, 1 1/4-cents higher on the week, with 9 cars being sold on the four days of trading.

It gained a penny and a half Monday and a quarter-cent Tuesday, setting a new high of 40 1/4-cents per pound.

### GDT slips

The gears reversed again in Tuesday's Global Dairy Trade auction, this time with the weighted average of products offered falling 1.3 percent, following a 1.9 percent uptick May 15.

Cheddar cheese led the declines, down 3.6 percent, following a 4.4 percent ascent last time. Butter was down 3.5 percent, after it rose 2.4 percent. Anhydrous milkfat slipped 1.7 percent, after it led the gains last time with a 5.8 percent advance, and whole milk powder was off 1.1 percent after it inched 0.2 percent higher on May 15.

Buttermilk powder led the gains, up 17.7 percent. Lactose was up 3.9 percent, rennet casein was up 2.7 percent, and skim milk powder inched 0.3 percent higher after a strong 3 percent rise last time.

## Dairy can learn from alternative sectors, experts say

By CAROL RYAN DUMAS  
Capital Press

Global retail sales of dairy alternatives such as soy milk have soared at an annual rate of 8 percent over the last 10 years, reaching \$18 billion in 2017.

While that growth is expected to slow to about 5 percent over the next decade, it's still enviable compared to the 2.5 percent growth expected for traditional dairy.

That has RaboResearch analysts asking whether the conventional dairy industry should diversify into dairy alternatives — or at least learn from their marketing playbooks.

In their new report "Dare

not to dairy? What the rise of dairy-free alternatives means for dairy and how the dairy industry can respond," the analysts lay out the success of alternatives and opportunities and challenges for conventional dairy.

The challenge for dairy lies mostly in fluid milk sales, where, according to Euromonitor, retail sales in the U.S. and western Europe declined at an annual rate of 3 percent and 5 percent, respectively, in the five years leading up to 2017, the analysts said.

"Global dairy companies such as Danone, Nestle, Dean, Lactalis and countless startups are already leveraging opportunities in the alternative dairy markets," they said.

Traditional dairy players have many ways in which they can respond to the rise of dairy alternatives, and there are some key decisions to be made, the analysts said.

The first for dairy cooperatives is that many producers want to grow milk supply, and it is the responsibility of the co-op to find a home for their milk.

"The idea of investing in a non-dairy activity which may cannibalize dairy products is a conundrum for many players in the dairy industry," they said.

Nevertheless, entering the dairy alternative market could provide farmer-members with the opportunity to diversify their farming opera-

tions and income streams.

Product innovation offers another, possibly less controversial, opportunity. Many possibilities are available, including the potential to develop products that combine the positive attributes of dairy and the functionality of plant-based ingredients.

Most dairy strategies tend to focus on reducing costs, being more efficient and conducting dairy-centric research and development.

Meanwhile, companies involved in the alternative market use differentiation as a major strategy and capitalize on the headwinds facing conventional dairy products.

Value-added strategies

are more profitable than volume-based strategies. They pair well with dairy alternatives and can leverage synergies in processing and research and development.

"The time is right for the dairy industry to reflect on the success of alternative dairy products and to consider applying those lessons to dairy. The key to this is understanding the consumer," the analysts said.

Marketers of dairy alternatives have been far more successful at connecting and communicating with consumers on a more emotional level than traditional dairy marketers, who try to convince consumers with facts.

While it's not essential to

diversify into dairy alternatives, it would be wise to at least learn one thing from the success of dairy alternatives: putting the consumer first.

The model has inverted from "grass to glass" to "glass to grass" with consumers driving trends, Tom Bailey, a RaboResearch senior analyst, told Capital Press.

"Consumers are very active in their purchasing decisions and the supply is having to be responsive to these quick changes," he said.

Those changing trends are responsible for soy milk's popularity yesterday, almond milk's popularity today, oat milk's potential for tomorrow and the butter-is-back fad, he said.

## Land O'Lakes chief executive to retire

By CAROL RYAN DUMAS  
Capital Press

Chris Policinski, Land O'Lakes president and CEO for the past 13 years, will retire effective June 30, according to the farmer-owned cooperative.

The size of the company has doubled since he assumed leadership in 2005, the company stated. In addition, he oversaw a global expansion through joint ventures in South Africa and Kenya and the 2016



merger with United Suppliers. With nearly 40 years of experience in the food industry, Policinski held positions at Kraft General Foods, Bristol-Myers Squibb and The Pillsbury Co. before joining Land O'Lakes. In addition, he is active at the board level in various industry associations,

trade groups and corporations.

The Land O'Lakes board of directors is forming a search committee to identify a permanent CEO and has appointed Peter Janzen as interim CEO.

Janzen, Land O'Lakes chief administrative officer, will postpone his recently announced retirement until the new CEO has been named. He has been with the company his entire career, joining Land O'Lakes in 1983.

## Washington dairy receives national award

ROYAL CITY, Wash. — Austin Allred, owner of Royal Dairy in Royal City, was one of three national winners of the 2018 Outstanding Dairy Farm Sustainability Award from the Innovation Center for U.S. Dairy in Chicago on May 16.

The award was for Royal Dairy's commitment to environmental stewardship by becoming the first Washington dairy to install the BioFiltro BIDA system using worms to convert dairy wastewater into irrigation-grade water.

Royal Dairy's system is the largest of its kind in the

nation and has recycled 73 million gallons of wastewater removing on average 97 percent of suspended solids and 93 percent of nitrogen.

Royal Dairy has previously been featured in the Capital Press, last Aug. 31 and last June 5.

— Dan Wheat

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