U.S. cattle numbers hold steady

By CAROL RYAN DUMAS
Capital Press

USDA's annual inventory of cattle shows the number of all beef and dairy cattle and calves in the U.S. on Jan. 1 was slightly higher than a year earlier. At nearly 94.8 million, the tally increased 461,700 head year over year.

The number of beef cows and calved heifers at 31.8 million was up 1% and nearly 300,000 head, the National Agricultural Statistics Service reported on Thursday.

Beef replacement heifers at 5.9 million was down 3% and about 283,000 head. The 2018 calf crop at 36.4 million was up 2% and about 644,000 head.

Cattle on feed in all U.S. feedlots, including small feedlots, at 14.4 million is up 2 percent.

The report held no major surprises and confirms what the industry had expected, Derrell Peel, livestock marketing specialist at Oklahoma State University, said.

Beef herd expansion is slowing, and cattle numbers are approaching a plateau, he said.

"The beef cow-herd number was a little bigger than some expected but not enough to change the story," he said.

There might be a little more growth in cattle numbers next year, but it will be minimal if it happens. Beef replacement heifers were down last year as well, and the report reinforces that herd expansion is slowing to a point that there'll be little to no change in cattle numbers, he said.

The report also contained the quarterly cattle on feed numbers, which showed more heifers on feed for the 12th quarterly report in a row, he said.

"It's all consistent with a slowdown in expansion. The report really provides a little certainty to the story," he said.

The 2018 calf crop was up and the 2019 calf crop should be slightly larger, so there are ample feeder supplies in the pipeline through 2020 — leading to modest increases in beef production this year and in 2020, he said.

The report was also no surprise to John Nalivka, owner of Sterling Marketing in Vale, Ore.

"It matches my projections pretty closely," he said.

He did, however, expect the number of beef replacement heifers expected to calve in 20019 to be larger. Those heifers were retained in 2017 and bred in 2018, and 2017 was a pretty good year for cow-calf producers, he said.

"I thought maybe there'd been more motivation to hold back heifers and continue expansion," he said.

But heifer slaughter was up 6% last year and up 12% in 2017. In addition, cow slaughter was up 6% last year and 7% in 2017. Those significant increases put things in perspective, he said.

"You can't be slaughtering that many cows and heifers and not be putting the brakes on expansion," he said.

But 2018 was a pretty good year for cow-calf producers, with about a $160 per cow return on a cash basis. So producers might have held more heifers back for replacement last fall, he said.

"If prices hold together this year and demand is good, we might slowly build the herd again," he said.

Carol Ryan Dumas/Capital Press File

Beef cattle graze in Idaho's Wood River Valley. Analysts say cattle numbers may grow next year, but it will be minimal.

U.S. cattle inventory, Jan. 1

Item	(Million head) 2018	2019	Percent change
Cattle and calves	94.3	94.8	0.5%
Beef cows and heifers that have calved	31.5	31.8	1
Replacement beef heifers	6.1	5.9	-3
Replacement beef heifers expected to calve	3.8	3.5	-6
Item	**(Million head) 2017**	**2018**	**Percent change**
Calf crop	35.8	36.4	2

Source: USDA NASS Capital Press graphic

Eastern farmers keep milk production in check

By CAROL RYAN DUMAS
Capital Press

The first milk production report since the partial government shutdown shows the U.S. is slowing the flow, growing just 0.5% year over year in December.

But spigot rates varied across the country, with some big reductions to the east of the Mississippi River offset by some significant increases to the west.

Milk production dropped 12.3% in Virginia, 9.7% in Illinois, 7.2% in Florida, 6% in Pennsylvania and 3.7% in Indiana.

Pennsylvania dropped 20,000 cows from the herd year over year. The cow count was down 8,000 head in Virginia, Illinois and Florida and down 6,000 head in Indiana.

Countering those decreases were milk production increases in Colorado (up 6%), South Dakota (up 5.5%), Kansas (up 5.3%), Idaho (up 4.9%), Washington and Texas (each up 4.8%), Oregon (up 4.3%), Utah (up 2.1%), and California (up 1.7%).

All of those states increased cow numbers year over year, with Texas topping the list with an additional 27,000 head. Heavy hitters Idaho and California added 14,000 and 11,000 cows, respectively.

Nonetheless, total cow numbers across the country declined 49,000 year over year in December.

The good news is milk production was only up half a percent in the last quarter of the year and cow numbers are still going down, Bob Cropp, an economist at the University of Wisconsin, said in the latest "Dairy Situation and Outlook" podcast.

For all of 2018, milk production was up a little over 1% and cow numbers are lower, he said.

"So that's good news because (with) production at that level … we should start seeing some improvement in prices," he said.

Prices have increased in the last six Global Dairy Trade auctions, with prices for all products except butter running higher than U.S. prices. EU intervention stocks of powder are practically eliminated, increasing powder prices in the EU, he said.

That's also reflected in the U.S. Class IV milk price, which is up almost $1 per hundredweight, Mark Stephenson, another University of Wisconsin economist, said.

But the Class III price on milk for cheese is still struggling, he said.

Cheese demand is a little soft, and the last stocks report was 8% higher year over year. There's been a little movement upward in cheese prices, but not enough to get Class III prices out of the $14 range, Cropp said.

The futures market anticipates Class III prices in the $15s in the second quarter and hitting $16 by August. But he's a little more optimistic than that if milk production stays at current levels, he said.

"Normally you could handle about a 1% growth in production with the domestic demand and more exports," he said.

But there has to be strength in prices and a reduction in cheese stocks, he said.

"This is one of those areas where you could say it could go either way," Stephenson said.

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Judge: Organic livestock rule lawsuit can proceed

By CAROL RYAN DUMAS
Capital Press

A federal judge has decided a lawsuit the Organic Trade Association filed against USDA over its withdrawal of the new organic livestock and poultry rule can proceed.

That rule, finalized on the last day of the Obama administration in January 2017, included new standards for raising, transporting and slaughtering organic animals.

It was set to go into effect in March 2017 but was delayed by an executive order by President Trump delaying implementation of all pending regulations.

USDA delayed implementation again in May and November 2017 and withdrew the rule in March 2018, stating it exceeds the agency's statutory authority and could have a negative effect on voluntary participation in the National Organic Program.

OTA challenged the delays in court in September 2017, amending its complaint twice and challenging the withdrawal of the rule.

The government moved to dismiss OTA's second amended complaint challenging USDA's withdrawal of the rule, citing a lack of standing by OTA.

But the court on Wednesday denied that motion, finding OTA does have standing on behalf of its members, who contend they will face increased competition in the marketplace as a result of the withdrawal of the rule.

OTA's members, who already comply with the requirements of the rule, state they suffer competitive harm because they must continue to compete against other organic operators who achieve lower production costs by not adhering to those practices.

The judge concluded the injury to OTA's members is "concrete and particularized" and therefore OTA has standing to challenge withdrawal of the rule.

"The court has recognized the harm to organic producers, to organic businesses and to the integrity of the organic seal … and the potential for even greater damage," Laura Batcha, CEO and executive director of OTA, said, in a statement on Thursday.

"We are confident our case is strong and look forward to winning this legal battle to uphold organic standards," she said.

The court also allowed OTA to proceed with its claim that USDA violated the Organic Foods Production Act by failing to consult with the National Organic Standards Board when considering and finalizing withdrawal of the rule.

While the court could not find a blanket requirement for USDA to consult with the board on livestock regulations, it also could not decide whether USDA was nonetheless required to do so before promulgating the withdrawal rule.

The Organic Livestock and Poultry Practices Rule was the "largest and most important organic rule promulgated since the 2010 Access to Pasture Rule, and USDA consulted over its development with the Board," Senior Judge Rosemary Collyer of the U.S. District Court of the District of Columbia wrote in her ruling.

As such, USDA might have been required to consult with the board before finalizing the withdrawal rule — which was similarly large and important, she wrote.

The court did, however, dismiss OTA's challenge to USDA's delays in implementation — on the grounds of the lack of or insufficient public notice and comment — finding those claims were made moot by the withdrawal of the rule.

Dairy markets remain hesitant

By LEE MIELKE
For the Capital Press

DAIRY MARKETS

Lee Mielke

Cheese traders took the Cheddar blocks higher for the fifth week in a row, closing Friday at $1.61 per pound, up 1 1/2-cents on the week, the highest since October and 5 cents above a year ago.

The barrels finished at $1.41, up a half-cent on the week, 6 1/2-cents below a year ago, and 20 cents below the blocks.

The blocks dropped 4 cents Monday and stayed there Tuesday at $1.57. The barrels gained 2 cents Monday and were unchanged Tuesday, holding at $1.43.

Cheese demand varies, according to Dairy Market News, but a growing segment of Midwestern cheesemakers reported a seasonal shift slower. Cheese inventory is unchanged but long.

Milk is readily available in the West and vats are at or near capacity and cheese makers are employing several strategies to control the size and type of inventory.

Butter closed Friday at $2.2875 per pound, up 2 3/4-cents on the week, the highest since Feb. 1 and 8 3/4-cents above a year ago.

Monday's butter jumped 5 1/4-cents, then gave back 4 1/2-cents Tuesday, falling back to $2.2950.

Central plant managers continue reporting widely available cream for the churns but demand is picking up ahead of the spring holidays. Inventories are plentiful, but contacts suggest they are in a good place ahead of increasing seasonal demand.

Western churning continues at a full and fast pace. Some processors have stopped buying cream as they do not have enough capacity. Butter supplies are plentiful and stocks continue to increase but sales are generally stable, says DMN.

Spot Grade A nonfat dry milk saw a close Friday at 98 1/2-cents per pound, down 1 1/4-cents on the week but 32 1/4-cents above a year ago.

The powder inched a quarter-cent higher Monday, then lost 1 1/4-cents Tuesday, sliding to 97 1/2-cents per pound.

Dry whey saw some ups and downs last week but finished Friday at 36 cents per pound, 1 1/4-cents higher on the week, with a whopping 47 cars sold at the CME.

The whey lost three-quarters Monday and a quarter-cent Tuesday, slipping to 35 cents per pound.

GDT climbs

Technical issues delayed reporting of the March 5 Global Dairy Trade auction but once resolved the weighted average of products offered moved higher for the seventh consecutive event, jumping 3.3%.