Onion prices rebound after lull

By BRAD CARLSON
Capital Press

Prices for onions shipped from Oregon, Idaho and Washington are up by 30% to 50% from their pre-Thanksgiving lull, when shipments sagged and packers' profit margins fell close to breakeven.

A 50-pound sack of jumbo yellow onions from southwest Idaho and nearby Malheur County, Ore., on Jan. 24 sold for $9 to $9.50, USDA said in its daily National Potato and Onion Market Report.

Onions from the Columbia Basin in Washington and the Umatilla basin in Oregon, where transportation costs are lower, sold for $8 to $8.50.

On Nov. 6, Idaho-Malheur onions sold for $6 to $7, and Columbia-Umatilla onions sold for $5.50 to $6.

Onions are big business in the region. Washington, southwestern Idaho, southeastern Oregon and west-central Oregon led the U.S. in fall-storage onion production last year, said Greg Yielding, National Onion Association executive vice president.

Nevada was next, followed by New York.

Grant Kitamura, partner in Baker & Murakami Produce, a major packer-shipper in Ontario, Ore., said the business has seen the traditional rush, with heavy demand, after New Year's Day.

"And now it has leveled off to a more normal level and the market is holding, which is a very good sign," he said.

Supplies are manageable, and "I'm optimistic we can hold the market steady, and hopefully have some higher prices," Kitamura said.

Idaho Farm Bureau

Onion prices are up recently.

That could happen if demand stays steady and the Idaho-Malheur market sees smaller sheds finish shipments in January and February while larger players keep shipping into April.

Holiday demand helped onion prices, as did available supplies dropping as some sheds reduced operating hours, said Mick Davie, with USDA Specialty Crops Market News in Idaho Falls.

Mexico's participation in the U.S. market could affect onion prices, he said.

"If they start coming, we could see pressure on prices," Davie said. "If they don't bring any volume, I don't see why this thing can't stay where it is. Last year, the Mexican market stayed strong enough that those onions stayed and were not brought into the U.S. This year, we don't know."

Another unknown factor in future pricing is the extent of shrink on remaining onions in storage, he said.

Oregon State University Malheur Experiment Station Director Stuart Reitz said possibly 5% of the 2019 crop from Malheur County, Ore., and southwestern Idaho sustained damage or was not harvested due to rain and freezing weather.

"Prices might be really high, but if you don't have as many onions to sell, it's kind of a wash at that point," he said.

USDA Jan. 24 reported shipments to date were down by nearly 13% from a year earlier in Idaho-Malheur, and by nearly 8% and 12% in the Columbia and Umatilla basins, respectively.

"Last year was kind of an anomaly with Idaho and Oregon because of the bumper crop they had last year (2018)," Davie said. The Columbia Basin's year-earlier shipments also reflected a strong crop.

Cattle inventories high, demand keeps pace

By CAROL RYAN DUMAS
Capital Press

USDA

Cows at a feedlot in Nebraska. With demand keeping up with the number of cattle on feed, prices should increase this year, an expert predicts.

USDA's latest count of cattle on feed in large feedlots came as no surprise to the industry. Just shy of 12 million head, the Jan. 1 inventory is up 2.3% from a year earlier.

Placements into feedlots during December increased 3.5% from a year earlier, and marketings of fed cattle out of feedlots were up 5.3% on one additional business day compared to December 2018.

The numbers were well anticipated, with pre-report estimates rarely coming this close, Derrell Peel, a livestock marketing specialist at Oklahoma State University, told Capital Press.

"We do have a large number of cattle," he said.

The Jan. 1 inventory is the largest January number since 2008, and the 12-month rolling average is at a record level, he said.

"It has never been as big as it is now since the mid-'90s," he said.

The large inventory is a result of herd expansion. The beef herd bottomed out in 2014 and has been expanding ever since. But it's either at its peak now or near the peak, he said.

"We've been working our way up to this and have actually done pretty well. Demand has increased to match the increase in supply," he said.

There are large supplies of cattle, but they're kind of at their peak and kind of stable, he said, adding that as long as demand is good, the industry will continue to do well.

"We should see higher cattle prices because supplies will stop growing," he said.

Beef demand will probably be a little higher in 2020 both domestically and internationally, and beef production will likely be up only 0.5% year over year, he said.

The outlook suggests a good opportunity for higher cattle prices, he said. That includes prices for cow-calf operators.

He's expecting the 2019 calf crop to come in at about the same level as the 2018 calf crop.

Calf prices took an unexpected downward turn in the second half of 2019. He's expecting they'll be up 8% to 10% year over year in the second half of this year and average 3% to 4% higher for all of 2020.

Looking closer at the cattle on feed report, inventories were up year over year in seven of the 12 states reporting, according to USDA National Agricultural Statistics Service.

Inventories shifted from the Midwest to the Southern Plains and mountain states, Peel said.

"My best guess is it's the result of challenges in weather conditions," he said.

The western Corn Belt saw month after month of wet, soppy weather conditions in 2019. But it's a temporary thing and will correct over time, he said.

But the report did show a pronounced regional difference when comparing inventories in Nebraska and Texas, he said.

It's been common the past few years for those inventories to be about the same. But Nebraska's inventory was 500,000 head lower than the inventory in Texas, he said.

Cattle numbers on Jan. 1 were down 4% year over year in Nebraska and up 8% in Texas, according to USDA.

Cattle on feed, placements, marketing and other disappearances, December

(Feedlots with 1,000-head capacity or more)

Item	(1,000 head) 2018	2019	Percent change
Placed on feed, Dec.	1,767	1,828	3.5
Fed cattle marketed, Dec.	1,741	1,834	5.3
Other disappearance, Dec.*	75	67	-11
Item	**(1,000 head) 2019**	**2020**	**Percent change**
On feed, Jan. 1	11,690	11,985	2.3

*Includes death loss, movement from feedlots to pasture, and shipments to other feedlots for further feeding.

Source: USDA NASS

Capital Press graphic

California dairy farmers seek resolution on quota

By CAROL RYAN DUMAS
Capital Press

TO READ THE PROPOSALS

To read the proposals, visit: www.dairyfamilies.org

The vast majority of California dairy producers were keen on ditching their state milk marketing order to join the federal milk marketing order system. But they were adamant about retaining the state's quota system.

What resulted is the Quota Implementation Plan, which is separate from the federal order and administered by the California Department of Food and Agriculture.

The quota system came into play in the late 1960s to win support for a state marketing order that would pool milk and distribute payments for milk across different utilization more equitably.

It allowed producers with Class 1 contracts to receive a higher price for their milk than the market average, or blend price.

Quota is a valuable asset in the industry, and was worth more than $1 billion before California joined the federal order system. With 57% of dairy farmers owning some level of quota, its preservation was critical in getting enough votes to establish a federal order for California.

But as some in the industry predicted, the quota program came under scrutiny after California joined the federal order system and now faces legal challenges.

Under California's stand-alone program, all grade A producers are assessed and those funds are distributed to quota owners. It operates much the same as it has for the past 50 years.

But joining the federal order system affected quota in two ways, according to an analysis by dairy economist Marin Bozic and market analyst Matt Gould.

First, a vote to abolish quota is no longer perceived as a vote to abolish milk pooling. Second, the assessment is now listed as a line-item deduction on producers' milk checks, which wasn't the case in the state order.

That assessment is sticking in the craw of producers who don't own quota or don't own enough to see any benefit.

The issue has divided the industry, leading to the formation of the Stop QIP Dairy Tax Coalition and United Dairy Families of California.

Stop QIP is calling for the elimination of the quota, and UDFC is focused on consensus on how to move forward — which led to a series of meetings across the state to get producer input.

The two groups and three dairy cooperatives hired Bozic and Gould to analyze the situation and use producer feedback to identify options as alternatives to immediate termination of quota.

Origin and evolution

The original intent of quota was to provide a stable and adequate supply of milk through pooling under a state marketing order — at a time when 62% of California's production was used for fluid milk.

The California Federal Milk Marketing Order achieves that purpose, and QIP in its current form does not contribute to that purpose, Bozic and Gould said in their analysis.

"In our opinion, the original purpose of quota is thus achieved and indefinite existence of the quota is no longer necessary on those grounds," they said.

But there are also other factors to consider.

From the beginning of milk pooling, quota could be traded among dairy producers. Rather than expand their herds, some producers have invested in quota to augment their milk checks. Others have sold quota and invested in improving the efficiency of their operations.

"Quota thus became an alternative asset class: the most liquid that can be quickly sold off in case of a financial emergency; a vehicle to save for retirement; and a way to keep a dairy competitive in areas where expansions were not possible," the analysts said.

There is also the promise to quota owners the program would continue, which was necessary to gain their support for joining the federal order system.

In addition, legislation authorizing the stand-alone quota program implies a promise of continuing the program at least for a while.

"We interpret this legislation as the promise that if quota is to be terminated, it would happen through an orderly, consensus-based process," the analysts said.

"We believe there is a strong argument for the time-limited continued operation of QIP as a moral obligation to quota owners whose votes were necessary to authorize the federal milk marketing order," the analysts said.

Based on producer feedback, Bozic and Gould have developed three proposals they think would garner the highest support among producers.

Those include quota sunset, quota buyout through a bond or loan or keeping the program in force by tying quota payments to actual Class I sales, which represent about 13% of milk utilization.

With additional feedback, they are now working on narrowing the options to one proposal with the highest potential for support. They plan to have that proposal and analysis ready for review in early February.

Washington bill would beef-up labels

By DON JENKINS
Capital Press

OLYMPIA — Makers of veggie burgers, soy sausages and other vegetarian or vegan meat substitutes would have to prominently label packages with a disclaimer that their products sold in Washington have no meat under legislation sponsored by Sen. Judy Warnick, R-Moses Lake.

Senate Bill 6329 is similar to legislation proposed or passed in other states to regulate the advertising of plant-based products that use terms associated with meat. Warnick said she doesn't want consumers to be misled.

"To me, this is truth in advertising. If it's a meat product, it should be an animal product," she said. "The ranchers are proud of the meat they produce for the consumers, and they want it watered down by imitations."

The Washington Cattlemen's Association endorsed the bill at a hearing Jan. 23 in front of the Senate agriculture committee. The bill was opposed by grocery store associations and the Good Food Institute, a Washington, D.C.-based group that promotes alternatives to meat, dairy and eggs.

Good Food Institute policy coordinator Mark Onley said the labeling bill is unconstitutional and unnecessary. "Consumers are not confused by plant-based foods," he said.

Warnick's bill would affect companies that use traditional meat terms such as "burger" or "sausage" to describe vegetarian or vegan products. The product's labels would have to include in the same size letters as the meat term a disclaimer: "This product does not contain meat."

Cattlemen's Association President Sam Ledgerwood said the disclaimer would distinguish real meat from substitutes. "We are proud of our product," he said.

Don Jenkins/Capital Press

A bill in the Washington Senate would require labels of plant-based meat alternatives to include a disclaimer that the product does not include meat.

A federal judge in December issued a preliminary injunction stopping an Arkansas meat-labeling law from going into effect. Kristine Baker, a judge in the U.S. District Court for Eastern Arkansas, ruled that the law was likely an unconstitutional restriction on commercial speech.

The suit was brought by Tofurky, based in Hood River, Ore. Tofurky sells plant-based ham, sausage, pepperoni and other products that use meat terms, along with qualifiers such as "all vegan" and "veggie."

Tofurky said it would be impractical to tailor its packaging and advertising for just one state, according to court records.

Arkansas' law would have prohibited products from being labeled meat unless derived from harvesting an animal.

While requiring a disclaimer, Warnick's bill does not ban using meat terms to describe plant-based foods. "How am I violating the First Amendment by asking for a clarification?" Warnick said.

Warnick said after the hearing that she planned to continue to push the bill, despite the opposition to it.

"I'm going to continue to pursue it, if nothing else to let people know they should be aware of the products they're buying," she said.

U.S. Reps. Roger Marshall, R-Kan., and Anthony Brindisi, D-N.Y., introduced last year the "Real Meat Act of 2019." The bill would require labels for plant-based meat substitutes to include the word "imitation" and a statement indicating the product did not come from an animal.