

COVID-19

COVID-19 pandemic rocks dairy markets

By CAROL RYAN DUMAS
Capital Press

Two months ago, dairy economists were forecasting a good year for dairy farmers, and farmers were responding to higher prices with more milk production.

Now, that additional milk is only going to add to the misery of markets turned upside down by the coronavirus pandemic.

Adjusted for the leap year, milk production in February was up 1.7% from a year earlier, USDA National Agricultural Statistics Service reported.

“That’s a lot of milk. Without exports, you can’t hold strong prices,” Bob Cropp, dairy economist with the University of Wisconsin, said in the latest “Dairy Situation and Outlook” podcast.



University of Wisconsin
University of Wisconsin professor emeritus Bob Cropp, left, and Mark Stephenson, director of dairy policy analysis at the university, see a rocky year ahead for the dairy industry.

Dairy exports started out gangbusters in January, with total volume up 21% over a year earlier and milk powder volume up 41%. The U.S. exports half of its powder production, and now there are bottlenecks

at ports, he said.

The futures market was forecasting powder prices at \$1.25 a pound; now they’re about \$1.

Powder had been pulling up the Class IV milk price, and the Class III price was

trying to catch up, Mark Stephenson, a fellow economist at the university, said.

“Now we’ve got quite the opposite. Powder prices have dropped like a brick ... and those are putting a real drag on the markets,” he said.

The May futures contract for Class IV milk has dropped \$5 per hundred-weight since mid-January, he said on Friday.

The futures market had been forecasting Class III and Class IV milk prices for 2020 in the \$18 per hundred-weight range. Those prices are now below \$16 for Class III and below \$15 for Class IV.

“It’s terrible,” Cropp said.

In addition to recovery in the powder market and healthy exports at the end of 2019 and into January, other

factors supporting markets were lower milk production, lower stocks of American-style cheese and good domestic demand.

Higher milk production, more cows and the spring flush ahead are going to put downward pressure on milk prices, the economists said.

Now with schools closing that milk for students will have to go to cheese manufacturing. And restaurants are closing, conferences are being canceled and people aren’t traveling, Cropp said.

“People are still going to eat ... but with all that going on, it’s going to hurt butter and cheese sales, no question about it. So we’ve got a softer demand,” he said.

With product prices dropping and a ready supply of milk, processors aren’t going to purchase a lot of

milk, he said.

Sales are also shifting from foodservice to retail, and Stephenson doesn’t think those sales will match the volume of dairy product sales of a more normal situation, he said.

“We’re going to have more milk than we can handle without having prices really depressed,” he said.

The coronavirus situation is rapidly evolving and markets will feel its effects for months. It’s having a big impact on the world economy, and it will take time to bounce back, the economists said.

Instead of a long-needed recovery year for dairy farmers, 2020 might be the worst year in the last five years, Stephenson said.

“This is devastating,” he said.

U.S. apple retail sales get a boost

By DAN WHEAT
For the Capital Press

WENATCHEE, Wash. — The coronavirus scare has boosted retail sales of Washington apples 40%, but it also may keep growers from getting all the H-2A-visa foreign guestworkers they need.

“Retailers are up 40% on apples. With everyone staying home and online grocery orders off the charts, our shippers are double shifting and running weekends. Bag demand is crazy,” said Brian Focht, manager of the Washington Apple Growers Marketing Association in Wenatchee.

“If this continues, it could save the season for growers,” said Desmond O’Rourke, world apple analyst and retired Washington State University agricultural economist.

The September-to-September sales season had been bleak because the large crop depressed prices.

“The last two weeks has been an amazing turnaround,” O’Rourke said. “March is normally the turning point for the season. If it doesn’t go well and prices are down it affects the rest of the season.”

But the downside of the virus is that while Mexican workers who worked in the U.S. on H-2A (foreign agricultural) visas in the last 12 months are being allowed to return to the U.S., first-time H-2A workers are not.

That’s a concern for Washington tree fruit growers, who filled 26,226 jobs with H-2A workers last year. Of that the farm labor association Wafra provided 12,000 workers for 16,000 jobs.

“Most of our employers are crossing returning work-



Dan Wheat/For the Capital Press
Yesenia Gutierrez boxes film bags of small Honeycrisp apples at Gilbert Orchards in Yakima, Wash., last October. Film-bagged apples are hot sellers during the coronavirus outbreak apparently because they’re viewed as more sanitary.

ers, but about 15% of our employers say it will be an issue,” said Dan Fazio, Wafra director.

About 100 Wafra-provided H-2A workers who finish contracts by June 1 will be available to transfer to other growers, but they won’t be enough to meet the need, Fazio said.

Growers are concerned about that and having enough worker housing if coronavirus quarantines are needed, he said.

Wafra and other farm labor groups are working to convince the U.S. State Department to allow entry of first-time H-2A workers.

Prior to consumers stocking up on groceries due to the coronavirus, Washington companies were shipping 2.5 million to 2.8 million, 40-pound boxes of apples to retailers weekly, Focht said.

The week ending March 22, they shipped 3.8 million boxes, up from 2.3 million for the same week a year ago, he said.

But last year’s crop was smaller, so compared to a similar-sized crop two years ago, shipments are still up 1 million boxes for that week, O’Rourke said.

Prices, still flat for most varieties, are edging up for Honeycrisp at \$32 to \$40.90 per box for standard grade, medium size 80 apples per box, according to USDA. It was \$26 to \$36.90 on Feb. 6.

“We’re not actively going out in the crisis and moving the price up, but our shippers won’t have to take low-end prices. It should solidify, increase our pricing slightly, in June, July and August,” Focht said.

Demand is high for apples

Potato prices jump as retail demand goes ‘through roof’

By BRAD CARLSON
Capital Press

Potato prices jumped by more than one-third in the most recent week on COVID-19 concerns, as consumers stocked up to stay at home.

The fall 2019 crop was smaller already on late planting, fewer acres, reduced yield and a frost-impacted harvest.

Mick Davie, with USDA Specialty Crops Market News in Idaho Falls, said prices for a baled 5-pound film bag, non-size-A, ranged from \$6.50 to \$8, mostly \$7 to \$8, on March 16.

As of March 23, prices were up to \$11, and mostly \$9.50 to \$10.

“Due to the shutdown of most restaurants to just being curbside or carry-out, foodservice has considerably decreased while retail demand has exponentially gone through the roof,” he said.

The Idaho Potato Commission advised retailers that shippers in Idaho and throughout the U.S. have been unable to keep up with the surge in demand for bagged product but that the supply of bulk potatoes is higher given the drop in restaurant and college foodservice sales.

IPC Retail Vice President Seth Pemsler said the commission is advising retailers to reallocate some merchandising space from bagged potatoes to bulk. The strategy aims to provide a ready supply of potatoes to display and purchase, in various size and package configurations.

The shift is possible in that the state’s fresh potato crop is roughly equally divided between retail and foodservice. More of the foodservice share is available now.

“Until panic buying stops, it is hard to keep retailers fully stocked,” Pemsler said. “This will help slow it down, as the retailer will always have at least some Russet potatoes on the shelf.”

Meanwhile, many retailers have moved to limit purchase quantities.

Ryan Wahlen, sales manager at Pleasant Valley Potato in Aberdeen, Idaho, said total sales have held up for the most part as the surge in retail demand helps mitigate the foodservice loss. But the foodservice segment must recover, “or it will have an impact on the market in the short term — and everybody in the long term.”



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