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Dairy

DAIRY MARKETS
Lee Mielke



Will cheese price hit \$3?

By LEE MIELKE
For the Capital Press

CHEESE Cheddar block cheese started the third week of June Dairy Month losing 2 cents and stayed there until Friday, when it rocketed up 15 cents on 3 unfilled bids to a record high of \$2.65 per pound, up 13 cents on the week and 82.50 cents above a year ago. But wait, there's more. The blocks shimmied up another 5.25 cents on Monday, setting another record high, then pole vaulted 10.75 cents Tuesday, as traders weighed Monday's May Cold Storage report, and set another block record of \$2.81 per pound.

Do I hear \$3? The barrels finished Friday at \$2.2850 per pound, down 4.75 cents on the week but 54.75 cents above a year ago. Trading activity saw only 7 cars of block sold last week at the CME and 6 of barrel.

The barrels gained 3.75 cents Monday and jumped 4.75 cents Tuesday, hitting \$2.37, the highest CME price since June 9, 2020, but that's a whopping 44 cents below the blocks, exceeding the previous record spread of 43.25 cents on Sept. 23, 2019.

Most Midwestern cheesemakers continue to report six- and seven-day workweeks and mid-week spot milk prices were at least 50 cents over Class, according to Dairy Market News. Pizza cheese producers report gains in customer activity as more pizza shops report stronger sales numbers.

Some western contacts say they are running more milk through cheese vats than ever before. Retail demand has remained strong. Food-service accounts are still below seasonal purchase levels, but buyers are trying hard to refill the pipeline. That, plus the surge of government purchases, keeps production at full capacity, with some at over 125%. The down side is that U.S. cheese prices have risen to a point where they are not as competitive as the EU, so exports are slowing. Cash butter fell to \$1.80 per pound last Wednesday but closed Friday at \$1.85, 2 cents lower on the week and 54 cents below a year ago on 25 sales.

Monday's butter lost 1.75 cents and it dropped 2 cents Tuesday to \$1.8125.

Central butter makers tell DMN that cream remains out of their fiscal reach. Bulk butter offers are quiet and butter availability is a concern, in general. A growing number of butter marketers are concerned about inventories coming into the fall.

Retail butter sales are solid in the West. Export interests have declined as U.S. butter does not have a competitive advantage. Butter sales in foodservice are steady to still sluggish depending on the area. Some restaurant owners have no interest in reopening, says DMN, despite the easing of restrictions.

Grade A nonfat dry milk climbed to a Friday close of \$1.0325 per pound, up 2.75 cents on the week but 1.25 cents below a year ago; 33 cars sold on the week.

Traders left the powder unchanged Monday but inched it down 0.25 cent Tuesday, to \$1.03 per pound.

Dry whey closed Friday at 32.75 cents per pound, 1.5 cents higher on the week but 1.5 cents below a year ago, as the increased cheese production results in increased whey output; 25 cars exchanged hands last week at the CME.

Monday's whey was down 1.25 cents, and it lost 0.75 cents Tuesday, dropping to 30.75 cents per pound.

Dairy markets rally, but uncertainty looms

By CAROL RYAN DUMAS
Capital Press

The global outlook for dairy markets isn't nearly as dire as it was at the height of the COVID-19 crisis. And while markets have rallied, it might be best to wait until the dust settles to assess their true strength, Rabobank analysts said in their latest quarterly report.

"We're more optimistic about the market than we were" when everything shut down, Ben Laine, Rabobank analyst, told Capital Press.

But the industry is not out of the woods yet, he said.

"Volatility has got two parts to it — it's got the valleys, and it's got the peaks," he said.

First markets crashed, then cheese prices went to record highs. But that doesn't mean markets are back where they should be; it could just be a peak, he said.

Price outlook for U.S. milk

Item	Q4'19	Q1'20	Q2'20*	Q3'20*	Q4'20*	Q1'21*	Q2'21*	Q3'21*
Class III milk	\$19.51	16.70	15.37	18.37	16.62	14.76	15.16	16.00
Class IV milk	16.56	15.91	11.90	14.06	13.43	12.78	13.56	14.06

*Estimated or forecast

Source: USDA, Rabobank

That said, there are a lot of positive factors right now. Foodservice is starting to come back and pipelines are filling. Stronger retail demand is more sustainable than what might have been expected, and people are returning to foodservice outlets, he said.

But there are limitations to getting back to normal due to foodservice restrictions and cautious consumers.

"It's going to take some time. But we're moving in the right direction," he said.

Just when markets will get back to normal is hard to say. There's a lot of uncertainty, he said.

"A lot is going to depend on how the economy looks and how consumers feel about the economy, he said.

"Technically we're entering a recession, and it's hard to know what that will look like. It's just adding to the volatility," he said.

There's also the risk of an increase in coronavirus infections or a second wave. If there's not a second wave, consumption should get back to at least approaching more normal levels moving into 2021, he said.

But consumers have adapted well and even if the balance between foodservice and retail isn't normal,

demand is not that far off due to sustained retail purchases, he said.

People have gotten back to the comfort of basic dairy products and also treating themselves with premium dairy products while stuck at home, he said.

"I think that will be sustained for some time," he said.

Government purchases have also helped, playing a major part in the rally the market is seeing now, he said.

Going forward, those purchases are the wildcard. But it is an election year, and there's a potential to see

more generous aid at a magnitude not seen in a while, he said.

Government purchases and direct payments to farmers have also helped bridge the gap for dairy farmers. Rabobank is expecting U.S. milk production to stay positive year over year for the remainder of 2020, with modest growth less than 1%, he said.

Projected milk prices are certainly not as bad as had been anticipated. But he thinks the scare when things collapsed probably had some producers thinking they didn't have enough risk protection. That presents the potential for more interest in risk-management programs, he said.

It served as a reminder that something major and unforeseen can happen, and that's what risk-management is — protecting against things no one sees coming, he said.

Dairy industry wants fat flexibility in dietary guidelines

By CAROL RYAN DUMAS
Capital Press

With the 2020 Dietary Guidelines for Americans under review, the dairy industry is hoping the advisory committee will consider new scientific findings showing dairy foods are beneficial regardless of the level of fat they contain.

The current guidelines recommend three servings of fat-free or low-fat dairy foods a day.

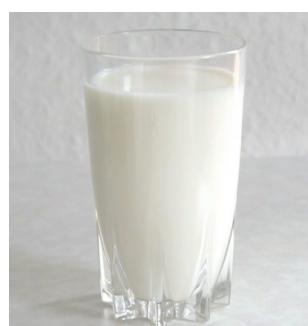
The industry maintains there is enough scientific evidence to include whole-fat dairy products in the recommendations but is also concerned the advisory committee has not included that evidence in its review.

The National Milk Producers Federation and International Dairy Foods Association sent a letter to the secretaries of Agriculture and Health and Human Services on Monday voicing their concerns.

"We would like to reiterate, as explained more fully in previous comments to the (advisory committee), that a body of science in recent years has found that dairy foods, regardless of fat level, appear to have either neutral or beneficial effects on chronic disease risks," they stated.

The groups are concerned the committee will conclude its work without coming to any conclusion on the benefits of dairy at each fat level. Instead they worry the committee will simply default to a recommendation for low-fat and fat-free dairy because of general concern about saturated fats.

If that happens, "this will represent a lost opportunity to share newer science with consumers, health professionals and policy makers and contribute to ongoing confusion about the healthfulness of dairy," they said.



The Dietary Guidelines for Americans are under review, and the dairy industry wants the advisory committee to consider new research findings.

The dietary guidelines are something the National Dairy Council watches closely, said Greg Miller,

the council's global chief science officer.

"Being a science-based organization, we hope the process will work like it should" with science taking the lead, he said.

The evidence says dairy foods reduce the risk of chronic diseases, such as cardiovascular disease and type 2 diabetes, regardless of the fat level, he said.

"The science has only gotten better since the last round of dietary guidelines," he said.

The council is hoping the newest guidelines offer flexibility when it comes to fat in dairy foods and that whole-fat dairy foods can

be one of the recommended choices for a healthy diet, he said.

The obstacle has been that saturated fats can increase low density lipoproteins (LDL) cholesterol. Elevated levels of LDL cholesterol have implications for heart disease, he said.

But the structure of food impacts the body's response to saturated fat, and the dairy food matrix seems to change the response associated with blood levels of cholesterol and risk of heart disease. Studies have shown the saturated fat in dairy foods doesn't change blood cholesterol as would be predicted, he said.

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