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Expert takes close look at dairy sustainability

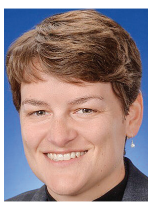
By CAROL RYAN DUMAS
Capital Press

'WHAT'S UNIQUE IS YOU CAN OF COURSE TRANSLATE A LOT OF THAT INFORMATION INTO ENVIRONMENTAL OUTCOMES AS WELL.'

Sara Place, chief sustainability officer for Elanco Animal Health

Feeding a growing world in a sustainable way is a top priority for farmers and ranchers and their suppliers. But what does that mean?

Sustainability is a word that can have a lot of different definitions, and it's full of value judgments, said Sara Place, chief sustainability officer for Elanco Animal Health.



Sara Place

"But there is broad agreement that it's about balancing environmental, social and economic issues, and it's about a long-term focus," she said in the latest "Dairy Download" podcast.

Zooming in on the dairy industry, it's about producing safe, nutritious food with environmental stewardship, economic vitality and social responsibility from a long-term perspective, she said.

That's a broad definition, but it has to be because there are many different ways to achieve sustainability. The right mix and balance can vary from operation to operation and over time, she said.

Elanco helps producers on a day-to-day basis with technical consultants, whether it's issues popping up or in evaluating their business.

"What's unique is you can of course translate a lot of that information into environmental outcomes as well," she said.

Looking at animal diets, feed intake and milk production, for example, can lead to measuring the carbon footprint.

Elanco also provides educational opportunities to help producers understand where they are, she said.

The dairy industry is becoming more and more interested in the concept of net zero emissions and trying to reduce emissions substantially.

Net zero is "really thinking about having no additional greenhouse gas emissions added to the atmosphere from the system," she said.

Those can be emissions that come from the animal itself, the manure, feed production and any electricity or fuel used on the farm, she said.

The industry is also aspiring to increase carbon sequestration with things like cover crops and no-till systems, she said.

Research also shows that methane emissions actually don't have to equal zero to have no further warming impact or new climate impact, she said.

"And ultimately that is what we care about when we talk about net zero," she said.

That terminology essentially comes from the Paris Climate Accord and trying to keep within a certain level of warming, she said.

"That's a really positive thing from a standpoint of making the goal of being net zero and having no additional warming impact with the dairy industry realistic. It gives us key levers to pull from a standpoint of methane digesters and ways we can intervene with enteric methane emissions and recognizing they don't have to be zero to have zero climate impact," she said.

Elanco is focused on how its products and services can improve animal health and productivity to produce more high-quality protein for people while having a low environmental impact, she said.

She's definitely seen an evolution in agriculture's willingness to engage in the topic of sustainability. Producer groups and agribusiness companies are more comfortable talking about it although the industry is still on a learning curve, she said.

"I think what's also changed and evolved is really setting a stake in the ground and different industry groups setting goals," she said.

That also changes the way agriculture talks about sustainability.

"Rather than saying as animal agriculture essentially, 'pardon us, we're not as bad as you think we are,' we're forward-looking in saying, 'This is what we're going to do,'" she said.

Dairy group wants inclusive discussions on milk pricing

By CAROL RYAN DUMAS
Capital Press

The American Dairy Coalition wants a seat at the table as the dairy industry works through the complex issues of milk pricing and the flaws brought to light by the COVID-19 pandemic.

Some dairy farmers have lost millions of dollars and weren't able to utilize risk-management tools, Laurie Fischer, the coalition's CEO, told Capital Press.

Fischer said the culprit is negative PPDs — producer price differentials — that show up as deductions on milk checks for most farmers participating in the Federal Milk Marketing Order system.

Federal order milk pools include milk for different utilizations — Classe I, II, III and IV. Four of the federal orders pay producers on a weighted average based on the four classes. But seven of the orders pay based on components, such as butterfat and protein, and pay all milk at the Class III price.

Laurie Fischer

Usually, the pool has more money in it than the total Class III payments and producers receive a positive PPD. But when Class III prices skyrocketed during the pandemic and Class III processors pulled out of the pool, there wasn't enough money in the pool to pay the Class III price on all milk in the pool.

Handlers had to take away a producer's price differential from the Class III payments, resulting in a negative PPD.

Negative PPDs in some orders were as high as $8 per hundredweight, and producers could see negative PPDs through the rest of the year, Fischer said.

"Seventy percent of farms were impacted at different levels," she said.

And farmers who purchased risk-management tools were unable to use them because the programs are based on milk prices and not necessarily on what producers actually receive, she said.

For instance, a producer might have insurance for $16 per hundredweight on his milk. The processors pay price might be $16, but the producer only received $10 if he had a negative PPD of $6.

Based on USDA data, the coalition estimates there has already been a $2.7 billion shortfall in federal order milk pools.

The industry needs to get together and find long-term and short-term solutions, she said.

To that end, the coalition is asking National Milk Producers Federation and International Dairy Foods Association for a seat at the table for a more balanced voice of dairy farmers.

Both are large lobbying groups and well respected. But National Milk represents farmer cooperatives, and the Dairy Foods Association represents processors. She's hearing from farmers all over the country who don't feel their voices are being heard, she said.

"We believe an expedited federal order hearing should be requested immediately, along with an immediate solution to address the negative PPDs that are being passed onto farmers," the coalition stated in a letter to the two groups.

The issue is two-fold — a change to the pricing of Class I fluid milk implemented in May of 2019 and the depooling of higher value milk.

The change in Class I pricing is in how the Class I price mover is calculated. The mover sets the base Class I price to which a location differential is added. Beginning in January 2000, the Class I mover was the "higher of" the advanced price for Class III (milk for cheese) and Class IV (milk for powder and butter).

That was changed in the 2018 Farm Bill to the average of Class III and Class IV plus 74 cents per hundredweight, which reflected the average difference of Class III and Class IV and the higher of the two.

Class III prices skyrocketed in the pandemic — due mostly to government cheese purchases — and rose well above Class I under the current mover.

In seven of the 11 federal orders, all milk pooled — no matter its utilization — is paid the Class III price for components, such as butterfat and protein. With the high Class III prices, that took more money than was in the pool in those orders and producers saw negative PPDs on their milk check.

Only Class I milk is required to be pooled, and many Class III processors opted out of the pool rather than pay the elevated regulated price. So that high-value milk was no longer contributing to the pool.

Capital Press File

DMC margin falls in February

By CAROL RYAN DUMAS
Capital Press

Lower milk prices and higher corn and alfalfa hay prices in February compared to January shrank USDA's calculated margin between milk prices and feed costs in the Dairy Margin Coverage Program.

The February margin is $6.22 per hundredweight of milk, 92 cents below January's $7.14 margin.

Compared with January, milk prices decreased 40 cents per hundredweight. Corn prices increased 51 cents per bushel. Alfalfa hay increased $4.50 a ton, and soybean meal decreased $11.96 per ton.

Dairy producers who enrolled milk at a $6.50 margin or higher can expect a payout for February. Coverage at the $9.50 margin would yield a payout of $3.28 per hundredweight.

At the end of March, USDA estimated payouts for January and February would total more than $93 million. The agency's April 5 report puts total payouts at $22.6 million.

A spokesperson from USDA's communications team told Capital Press on April 7 the total is approximately $203 million — about $85 million for January and about $118 million for February.

"The vast majority of DMC payments have been made, and we don't expect the numbers to change much for the Jan. and Feb. payments," the spokesperson said in an e-mail.