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# U.S. dairy exporters strained by shipping problems

By CAROL RYAN DUMAS
Capital Press

For the past year, U.S. dairy exporters have had problems securing containers and finding cargo space on ocean carriers. Ships have been returning empty containers to China and Southeast Asia to capture a premium, leaving some U.S. exporters standing on the docks.

As a result, shipping costs for U.S. dairy exporters have gone through the roof, and detention and demurrage fees are unprecedented, said Tony Rice, trade policy manager for National Milk Producers Federation and the U.S. Dairy Export Council.

Those fees were originally meant to create incentives for efficiency in the system, he said during the latest "Dairy Defined" podcast.

"But now, it's more of a revenue stream for these carriers that are somewhat being abused at the detriment of U.S. dairy exporters," he said.

A lot of dairy exporters don't know when the ship is going to be in dock, when they're going to be able to get a container or when they're going to be able to drop off a container if they do secure one, he said.

Normally the detention and demurrage system provides good guidelines for container movement, he said.

"But unfortunately, with the unpredictability and lack of transparency from the carriers, it's really difficult for our exporters to fall within the guidelines — and then they find themselves slapped with these excessive fees that just pile up quite rapidly," he said.

EO Media Group File

**Whey stacked at a warehouse. Shipping problems have tarnished what was otherwise a good year for dairy exports.**

Normally, the market would correct itself, but it's just gotten worse over time, he said.

"Part of that is due to the fact that these ocean carriers, they operate in a captive market," he said.

There are really only 10 carriers that carry about 85% of the goods to and from the U.S. Of those, it's really only three because they operate in alliances. In addition, they're all foreign-owned and exempt from U.S. antitrust and anti-competition laws, he said.

They're not subject to U.S. regulations, and they don't have the U.S. exporter in mind. Their lack of transparency seems to be intentional, and they're using the detention and demurrage system as an additional revenue stream. They are using retaliatory measures and intimidation whenever a complaint is filed, he said.

Despite all the issues, it's been a record year for U.S. dairy exports. But it begs the question of how much more the U.S. could have exported without the challenges — which cost U.S. dairy exporters upward of $1 billion in additional fees in just the first half of the year, he said.

"That's not to mention the number of lost sales, rolled contracts, the loss of product quality because of a lot of these shipments of powder and whey and lactose. … They're sitting in the dock waiting on a ship, and then that booking gets rolled," he said.

Some dairy exporters are reporting it's taken three months before product reaches its final destination, causing them to lose sales to foreign competitors, he said.

"With growing international demand for all agriculture and dairy worldwide … we really are missing the boat in picking up those potential sales that we could be having, certainly in Southeast Asia," he said.

NMPF and USDEC have been working with the administration and Congress to find solutions and have some hope that with stronger rules and guidelines on what carriers can do, the problem will be resolved within the next year, he said, but it's difficult to say.

# USDA expands, improves Dairy Margin Coverage

By CAROL RYAN DUMAS
Capital Press

Enrollment in the Dairy Margin Coverage program for 2022 will run through Feb. 18, and USDA has expanded it to allow dairy producers to include supplemental production.

The agency has also improved feed cost calculations.

The supplemental DMC will provide $580 million to help small- and medium-scale producers who increased production over the years but were not able to enroll the additional production.

Now they will be able to retroactively receive payments for that supplemental production for 2021.

It will require a revision to a producer's 2021 contract and must occur before enrollment in DMC for 2022.

The supplemental DMC payments are limited to production of less than 5 million pounds of milk annually.

DMC covers the margin between feed costs and milk prices at insured levels between $4 and $9.50 a hundredweight of milk.

USDA is also changing the feed cost formula to better reflect the actual cost for premium quality alfalfa hay. It will calculate payments using 100% premium alfalfa rather than 50%. USDA will make retroactive payments to producers based on the new formula to January 2020.

The National Milk Producers Federation said the enhancements will make the program even more valuable to producers seeking protection against unforeseen market risks.

"Signing up for DMC, which offers cost-effective margin protection for small and medium-sized producers as well as inexpensive catastrophic coverage for larger dairies, is a no-brainer for 2022," said Jim Mulhern, president and CEO of NMPF.

"This year has illustrated just how valuable this program is for those producers that can take advantage of it, and DMC will once again be an essential part of many farmers' risk management in the coming year," he said.

USDA expects to pay out $1.1 billion in DMC payments for 2021, including $106.4 million in California, $22.7 million in Idaho, $21.7 million in Washington and $12.3 million in Oregon.

The Midwest Dairy Coalition said the supplemental program has been long anticipated.

"Expansion of this safety net program will ensure it can bring much-needed help to dairy farm families," said Steve Etka, the coalition's spokesperson.

# Scoular cuts ribbon on new feed plant

By CAROL RYAN DUMAS
Capital Press

JEROME, Idaho — Scoular Co. on Dec. 7 celebrated the opening of its new 15,000-square-foot facility to produce Emerge, a first-of-its-kind concentrated barley protein.

Emerge was developed to help meet the growing demand for plant-based, sustainable ingredients in aquaculture feed and pet food.

Scoular also operates a livestock ingredient facility in Jerome and several grain handling facilities in Idaho.

"Scoular has a long history of success with our Jerome, Idaho, teams and customers, and we are thrilled to make additional investments in this region," said Paul Maass, Scoular CEO.

The plant will process

Carol Ryan Dumas/Capital Press

**Scoular officials J.C. Olsen, right, and Joe Andrus give a media tour on Tuesday at the company's new facility in Jerome, Idaho. It will manufacture barley protein concentrate for aquaculture feed and pet food.**

1.7 billion to 1.8 billion bushels of barley annually with a capacity to consume 12,000 barley acres, said J.C. Olsen, Emerge program manager.

Emerge is the plant's No. 1 product, but the company will also convert starch from the process into syrup for a high-energy liquid feed supplement for livestock, he said.

With fisheries around the world being depleted, plant-based proteins are critical for the aquaculture industry, he said.

"The world needs to be more efficient with its resources," he said.

Montana Microbial Products of Melrose, Mont., started developing the technology to create the product 15 years ago and was waiting for a commercial opportunity. Scoular worked with the company for that opportunity, and broke ground on the new facility a year ago, he said.

Joining Maass at Tuesday's ribbon-cutting ceremony in Jerome were David Faith, Scoular board chairman; Laura Wilder, executive director of the Idaho Barley Commission; and Mike Williams, city administrator of Jerome.

# USDA milk production estimates lowered again

By LEE MIELKE
For the Capital Press

DAIRY MARKETS

Lee Mielke

The Agriculture Department lowered its estimate for both 2021 and 2022 milk production in the latest World Agricultural Supply and Demand Estimates report, for the sixth month in a row, again citing lower expected dairy cow numbers and slower growth in milk per cow.

2021 production and marketings were estimated at 226.2 billion and 225.2 billion pounds, respectively, down 200 million pounds on production from last month's estimates and 100 million pounds lower on marketings. If realized, 2021 production would still be up 3.0 billion pounds, or 1.3% from 2020.

2022 production and marketings were estimated at 227.7 billion and 226.6 billion pounds, respectively, down 400 million pounds on both. If realized, 2022 production would be up 1.5 billion pounds or 0.7% from 2021.

Butter, cheese and whey price forecasts for 2021 were raised from last month based on current prices and strength in demand. The nonfat dry milk (NDM) price forecast was unchanged.

The 2021 Class III milk price forecast was raised on the higher cheese and whey prices and projected to average $17.05 per hundredweight, up a dime from last month's estimate, and compares to $18.16 in 2020 and $16.96 in 2019. The 2022 average was put at $18.15, up 40 cents from what was expected last month.

The 2021 Class IV price forecast was raised on the higher butter price and should average $16.05, up a nickel from last month and compares to $13.49 in 2020 and $16.30 in 2019. The 2022 average was projected at $19, up 30 cents.

Cheese, butter, NDM and whey price forecasts for 2022 were raised, based on lower expected milk supplies.

The Agriculture Department gave us the latest view on U.S. dairy demand.

Starting with cheese, October disappearance totaled 1.18 billion pounds, up just 0.7% from October 2020, with robust exports overcoming weaker domestic disappearance, according to HighGround Dairy's analysis. HGD says it was the weakest October domestic disappearance since 2017.