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THISISSUE

FARM BILL VOTES FAIL TO PASS HOUSE

On May 18, the House of Representatives voted down the farm bill introduced by Representative K. Michael Conaway of Texas, chairman of the House Committee on Agriculture. Two-hundred thirteen members of the house voted against the bill, the Agriculture and Nutrition Act of 2018 (H.R. 2), and 198 voted in favor.

According to several national news reports, the bill failed primarily over an immigration dispute with GOP Leadership and because the proposed legislation would have cut spending on the Supplemental Nutrition Assistance Program by $20.5 billion over the next 10 years.

The Senate is looking to send their version of the Farm Bill for a vote at the end of June.

The current 2014 farm law expires on September 30, including the Margin Protection Program. However many provisions will continue to operate for months. Food stamps and crop insurance are permanent programs, and will remain in operation.

Dairy producers should continue to contact their legislators to stress the importance of passing a sensible Farm Bill that will help support American farmers.

Plant Closures: Not One Person or Group is to Blame

Op-Ed from Farrah Newberry, GMP Executive Director

This month, Dean Foods employees in Braselton received notice informing them of the plant's closure this fall. Word quickly spread across the Southeast dairy community of the closure; as well as the news that 6 to 7 Dean Foods plants will likely close also.

Social media posts rapidly shared the news online, with most people blaming the large processor as the culprit by monopolizing the industry. Dean Foods has yet to officially announce the closures, but news outlets are stating that company executives are telling staffers that they were "losing customers and the volume of sales was going down" and must close down plants.

It's easy to blame Dean Foods for our industry's problems – they are the largest bottler of fluid milk in the U.S. and an easy target in this complicated world of milk marketing. But let's face it; Americans are turning away from milk amongst a multitude of other beverage options, including dairy substitutes like almond and soy "milk". Dean Foods is a business and like any business with poor sales, they must cut costs to minimize losses.

The dairy industry's problem started around 40 years ago when milk consumption rates began to decline. According to the *U. S. Department of Agriculture*, the average person consumed around 18 gallons of milk last year. Back in the 1970s it was more like 30 gallons a year. What led to the decline, especially when the average gallon of milk costs less than a 12 pack of canned soda? If consumers are willing to pay more for their beverage, then our industry has lost value in milk as a marketed beverage. Therefore it's not a price issue, but a marketing issue. Here's why I think so:

First, our industry is facing a generational problem. Baby Boomers and their children see milk as a healthy option to beverages like soda and juice. However Millennials and Generation Z have been over exposed to bogus and damaging health warnings about drinking milk; causing them to avoid it (the same is happening to the soda industry). If milk is seen as being harmful to our health, then people aren't going to drink it. New research shows that full fat dairy products are beneficial to our health, but unfortunately the damage of bad press and bad doctor advice for many years has taken a toll on our industry.

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Second, the lack of product innovation has consumers picking fluid milk less at the grocery store. There are many options in the marketplace for consumers to try from energy drinks to sports recovery drinks to alternative milk products. Milk processors failed to proactively change with consumer preferences over the last several decades, leading to an industry with very old product lines, little innovation and outdated facilities.

Third, over the last 15 years the animal rights movement has viciously attacked our industry, leading to an increase in meatless and/or dairy-free diet trends. Animal activist groups are flooding the internet with negative YouTube videos, social media posts and internet trolls, which tremendously outnumber the positive online dairy message posted by dairy producer groups. I realize that our industry does have has an online presence that is easily accessed, but it is not effective.

In an NPR article printed last year titled *Why Are Americans Drinking Less Cow's Milk? Its Appeal Has Curdled*, Marion Nestle, a professor of nutrition, food studies and public health at New York University says that the decline in milk consumption is due to more beverage choices and animal welfare. Dr. Nestle states that "the political debate over how dairy cows were raised also became a factor…The dairy industry has a lot of public relations [work] that it is going to need to do to convince the public that it is producing a product that is healthy, good for animals, good for people and good for the planet."

Ouch! Unfortunately I think that Dr. Nestle may be right! Our decline in consumption and sales data are proof!

As dairy farmers continue to face another year of record low prices and plant closures, all dairy groups must explore how our industry can move from a reactive to a proactive marketing strategy. I believe a good start for moving forward must be at the local level. Farmers must do more than just "tell their story" as they are often told by checkoff groups to do. They must become involved in their communities, serve on local boards and interact with their neighbors.

I recently heard someone say on an industry conference call that "the public trusts farmers but not the way they farm". I agree. Dairy farmers and those that represent them, must be more specific about farming practices, for example, they must tell neighbors why they recycle manure through irrigation pivots, dehorn heifers, flame udders or treat sick animals with antibiotics.

Promotion of milk and dairy must also return to the basics, highlighting milk as a natural, inexpensive and minimally processed product. Dairy promotion groups may need to look at the success of other companies that are not directly tied to Agriculture for new ideas, innovation and promotion.

Dean Foods to close 7 plants in 2018; No additional producer letters expected soon

https://milkshedsblog.com/

(NOTE: This is an evolving story affecting Dean Plants across the country. Sources are a variety of public information and anonymous sources. Updates will be made as warranted).

Dean Foods will be closing 7 processing plants in seven states in the next months, with the plants located in Kentucky, Georgia, Pennsylvania, Massachusetts, Illinois, Michigan and Minnesota.

News of the plant closings began to emerge through local news outlets in some of the cities involved through the day Tuesday, May 22nd, yet, at this posting, there are yet no official statements from Dean Foods corporate officials.

This announcement follows the jolting announcement in early March that over 100 farmers in 8 states, marketing milk as Dean Dairy Direct (independent producers, meaning not members of a co-op or marketing agency) producers, would have their contracts terminated as of May 31, 2018. At this point, many of those farmers have found new markets; some elected to disperse their herds and others cannot find a market and income source for their farm's milk.

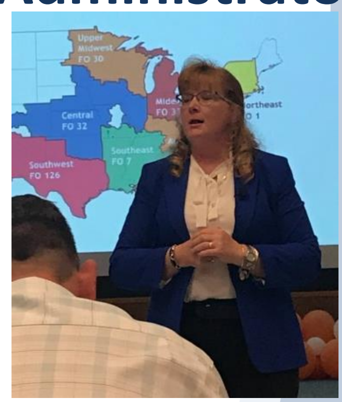
The navigation of stormy, wind-tossed oceans of milk in the overflowing worldwide dairy milkshed has led to the announcement that these processing plants will be shutting their doors during the late summer and fall. Intense competition to find a processing market/plant for milk, exacerbated by declining milk consumption the world over, has converged in a perfect storm of farmers getting caught in the crosshairs with no markets for their milk, along with employees in processing plants losing their jobs as well.

Competition for the prime retail real estate of grocery store shelf space is also a factor in these events.

In the southeast, the two Dean Foods plant closures at Braselton, GA and Louisville, KY follow the early May announcement of the closure of a Fulton, KY plant, owned by Prairie Farms. In that event, processing operations will cease, but the facility will remain a distribution center, with 12 of 52 employees remaining.

To read more about this story as it evolves visit the Milksheds blog at: https://milkshedsblog.com/2018/05/24/dean-foods-to-close-7-plants-in-2018-no-additional-producer-letters-expected-soon/

SE Dairy Farmers Hear from USDA Deputy Administrator



Recently the Tennessee and Kentucky Farm Bureau's hosted a meeting in Knoxville for USDA dairy officials and farmers to address several industry concerns and to learn more about multiple component pricing. The meeting featured Dana Coale, deputy administrator for USDA Ag Marketing Service dairy programs, and FMMO market administrators from FMMOs 5 and 7. Special thanks to these organizations for hosting this event. Coale explained the purpose of the Federal Milk Marketing Order System, how touchbase provisions and diversions are implemented in the system and how multiple component pricing would have impacted on-farm milk prices in the Southeast if in place over the last two years. To review a copy of the slide presentation, go online to http://www.malouisville.com/linkeddocs/FO%205%20MCP%20Presentation.pdf . A recorded video of the meeting can also be found on the GA Milk Facebook page.

Hearing Requested for Multiple Component Pricing in SE – *From Calvin Covington*

USDA received a request to hold an administrative hearing for the Appalachian and Southeast federal milk marketing orders. The request asks for multiple component pricing (MCP), along with an adjustment for somatic cell count (SCC), be implemented into these two orders. Under the proposal, Class I milk would continue to be priced based on skim and butterfat. Class II and IV milk priced on nonfat solids and butterfat. Class III priced on protein, other solids, and butterfat. The MCP proposal prices producer milk based on pounds of protein, other solids, and butterfat regardless of how the milk is utilized, plus an SCC adjustment +/- 350,000. Fluid differentials and other adjustments are paid through the producer price differential per cwt. All other federal orders, except these two southeastern orders, plus Arizona, and Florida, have used MCP since 2000. Primary reasons given for the MCP proposal are: 1) Better facilitate the movement of milk from marketing areas, surrounding the Appalachian and Southeast orders, into the two marketing areas. 2) Not encourage the movement of above average component milk, physically located in the Appalachian and Southeast orders, to the orders that use MCP. In the orders currently using MCP, the majority of the milk is utilized in Class II, III, and IV. As a result, MCP provides the economic incentive to increase total pool dollars available to pay dairy farmers. Due to the 70% Class I utilization in the Appalachian and Southeast orders, and much of the area's Class III and IV milk marketed as surplus, the opportunity to increase total dollars available to pay dairy farmers is not significant. MCP, in these orders, is mainly a redistribution of pool dollars from low to high component milk producers. This request makes the fourth attempt to implement MCP in part or all of the southeast orders. The first attempt was at a hearing in the 1960's held for one of the old West Florida orders. The second was in 1989 at the Carolina order promulgation hearing. And, the third as part of federal order reform implemented in 2000. USDA did not recommend implementing MCP in any of these attempts due to the Southeast's high Class I utilization, little economic justification, potential conflict with the Agricultural Adjustment Act, and limited producer and cooperative support.

Dixie Dairy Report – May 2018

Calvin Covinaton

<u>Butter, cheese, nonfat dry milk powder (NFDM), and dry whey prices moving higher.</u> Sooner and quicker, than most dairy market watchers expected, the four dairy commodity prices that set federal order class prices are increasing. Both, the CME March and April butter prices, are record highs with April over $0.20/lb. higher than last April. On the cheese side, the CME April block cheddar average is over $0.10/lb. higher than a year ago, and barrel cheddar is $0.04/lb. higher. However, the Dairy Product Sales Report (DPSR) price for NFDM is still about $0.12/lb. and the DPSR dry whey price over $0.25/lb. lower than a year ago, but prices of both are slowly advancing, and inventories are stabilizing. Strong demand is moving commodity prices higher. Through the first two months of this year, on a total solids basis, total demand (domestic and export) is 3.41% higher than the same period a year ago. Domestic demand is up 1.71% and exports are up 13.86%. On the other hand, milk supply for the first quarter of 2018 is 1.5% higher than the first quarter of 2017 (see below). Outside the U.S. Dairy Market News reports production in Europe is lower than processors had anticipated, and in New Zealand March production was 1.5% lower than a year ago, and dairy product inventories are low.

<u>Class I usage down almost 1%.</u> In the three southeastern federal orders and Virginia Milk Commission, total Class I usage by pool plants, for the first quarter of 2018 compared to the first quarter of 2017, is down 0.9%. As shown below average daily Class I pounds are down in Florida and the Southeast orders and Virginia, but up a strong 2.1% in the Appalachian order.

SOUTHEASTERN FEDERAL ORDERS and VIRGINIA MILK COMMISSION
DAILY AVERAGE CLASS I UTILIZATION
1st Quarter 2018 versus 1st Quarter 2017

Area	2017	2018	Change %
	(million lbs.)		
Appalachian Order	12.22	12.48	2.1
Florida Order	6.85	6.63	-3.2
Southeast Order	11.87	11.56	-1.5
Virginia Commission	2.17	2.13	-1.5
Total	**33.10**	**32.80**	**-0.9**

<u>Higher blend prices projected.</u> Due to increasing dairy commodity prices, our blend price projections are higher, compared to previous months. However, our projections are not as high as current future prices would indicate. This is due to concerns that dairy exports will not remain at the current high level. Plus, higher farm prices most often lead to increased milk production.

PROJECTED BLEND PRICES–BASE ZONES – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
	(dollars /cwt.) – 3.5% butterfat		
April 2018	$16.48	$18.58	$16.70
May	$17.02	$19.04	$17.21
June	$17.46	$19.68	$17.88
July	$17.81	$19.98	$18.22
August	$18.15	$20.22	$18.68

Milk production lower in the southeast. As stated above, for the first quarter of 2018, nationally, milk production is 1.5% higher than a year earlier. For the third consecutive month, cow numbers have declined. At the end of March the nation's dairy herd is estimated at 9.406 million head, 2,000 lower than February. Dairy cow slaughter, during the first quarter of 2018, is 5.5% higher than the first quarter of 2017. Unlike a year ago, production is up 2.7% in California, and up 4.5% in the Northwest. Production is lower in the Northeast and almost flat in the Midwest. Higher production in California is due to more milk produced per cow.

In the Southeast states, first quarter milk production is 1.8% lower than a year ago. Lower production is due to less milk per cow. Southeast cow numbers are similar to a year ago. In the ten Southeast states, Kentucky is the only state with higher first quarter production, up 4.8%. Production is flat in North and South Carolina, but down in the other seven states, including down 2.2% in Florida, down 4.8% in Georgia, and down 1.4% in Virginia.