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California Department of Food and Agriculture
A.G. Kawamura, *Secretary*

Governor Schwarzenegger Appoints A.G. Kawamura as CDFA Secretary

Governor Schwarzenegger appointed A.G. Kawamura as secretary of the California Department of Food and Agriculture (CDFA) in November 2003. Secretary Kawamura is a third-generation produce grower and shipper from Orange County, where his family grows strawberries, green beans and other specialty crops.

Secretary Kawamura has a long history of public service to his community and to agriculture. At the time of his appointment, he was a member of the California State Board of Food and Agriculture, where he had served since 1998. He is the immediate past chairman of the Agricultural Technical Advisory Committee, a USDA advisory position for international trade. He also held board positions with CDFA's Western Institute for Food Safety and Security, a partnership with U.C. Davis, and with the California Institute for Specialty Crops, a partnership with Cal Poly San Luis Obispo. In addition, Secretary Kawamura has served as president of the Orange County Farm Bureau, chairman of Western Growers Association, president of the Orange County Agricultural Association, director on the California strawberry and celery advisory boards, and as a founding trustee for Sage Hill High School in Orange County.

Secretary Kawamura is widely known for his passion for education and for his commitment to the issues of hunger and nutrition. As president of Orange County Harvest, a nonprofit organization promoting agricultural partnerships, he arranged for thousands of volunteers to harvest and glean over a million pounds of produce for area food banks. His urban projects, such as the 7-acre Common Ground project in San Juan Capistrano and 4-acre Incredible Edible Park in Irvine, are agricultural paradigms linking nutritional education and interaction with local schools and food banks. Secretary Kawamura has a bachelor's degree in comparative literature from U.C. Berkeley.

October Milk Production

Milk production in California for October 2003 totaled 2.9 billion pounds, down 0.6 percent from October 2002. USDA's estimate for U.S. milk production for October 2003 in the 20 major dairy states is 11.6 billion pounds, down 0.1 percent from October 2002. Production per cow in the 20 major states averaged 1,503 pounds for October, 6 pounds above October 2002.

Minimum Class Prices

Statewide average hundredweight prices

Class	October	November	December
1	$16.34	$16.34	$ 15.25
2	$10.77	$10.77	$ N/A
3	$10.61	$10.61	$ N/A
4a	$ 9.98	$ N/A	$ N/A
4b	$14.21	$ N/A	$ N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	Oct.	Nov.	Dec.
Phoenix, Arizona	$16.62	$16.72	$N/A
Southern California	$16.47	$16.48	$15.39
Portland, Oregon	$16.17	$16.27	$N/A
Northern California	$16.20	$16.21	$15.11
Boston (Northeast)	**$17.52**	**$17.62**	**$N/A**

Quota Transfer Summary

For October 2003, nine dairy producers transferred 14,948 pounds of SNF quota. October quota sales averaged $421 per pound of SNF (without cows), an average ratio of 2.51. For November 2003, seven dairy producers transferred 6,868 pounds of SNF quota. November quota sales averaged $433 per pound of SNF (without cows), average ratio of 2.57.

Alfalfa Update: November

Northern California: Premium and Supreme alfalfa demand was good as the season comes to a close. The end of the month supplies are light with most supplies spoken for. Fair to Good alfalfa was steady with light to moderate demand, strong sales for clean, non-rained on supplies. Retail and Stable hay was mostly steady with light demand, most supply coming out of barns now.

Southern California: Premium and Supreme alfalfa not well tested with limited supplieson new production of premium hay. Fair and Good alfalfa was steady with moderate supplies. Retail and Stable hay was steady with light moderate supplies. Interest from exporters was light. The market on new hay sales has slowed down considerably.

Supreme Hay Prices

Statewide average prices per ton

Area	10/31	11/7	11/14	11/21
Petaluma	$140-160	$160	$145	——
North Valley[1]	$145-160	$143-160	$135-147	——
South Valley[2]	$142-165	$150-163	$150-160	$145-165
Chino Valley	——	——	——	——

[1] North Valley is Escalon, Modesto and Turlock areas.
[2] South Valley is Tulare, Visalia and Hanford areas.

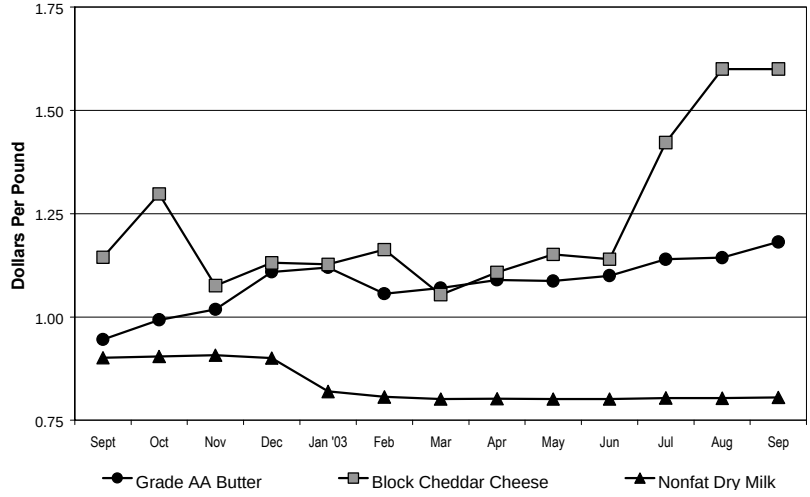
Alfalfa Hay Sales/Delivery

	October	November
Tons Sold[1]	163,207	119,486
Tons Delivered[2]	72,000	47,655

[1] For current or future delivery.
[2] Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, http://www.ams.usda.gov/marketnews.htm

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Class 1 Milk Prices



Western United Dairymen Request Hearing on Class 4a and 4b Pricing Formulas

In late November, the Department received a petition from Western United Dairymen (WUD) requesting a public hearing. The petition included proposed changes to the Class 4a and 4b pricing formulas, focused on adjusting the manufacturing cost allowances to reflect the recently released manufacturing cost study. WUD notes that the costs outlined in the study indicate that manufacturing costs for butter, nonfat dry milk, and Cheddar cheese have declined since the last study period. WUD specifically requested that the butter manufacturing cost be adjusted to $0.1189, the nonfat dry milk manufacturing cost be adjusted to $0.1419, and the Cheddar cheese manufacturing cost allowance be adjusted to $0.1599. The cost study was released by the Department on November 17, 2003.

In addition, WUC requested updated data on California butter and Cheddar cheese sales data. If this data is available prior to the hearing, they will also consider amending the petition to adjust the f.o.b. California price adjusters in the Class 4a and 4b formulas to reflect this updated data.

Bovine Tuberculosis (TB) in California Update . . .

As of October 31, 2003, 592,845 cattle in 435 herds have been tested for bovine TB since the Department's investigation began, and about 13,000 cattle have been depopulated.

As of October 31, 2003, cumulative TB testing information since May 13, 2002	
Number of herds tested	435
Number of animals tested	592,845
Number of herds quarantined	3
Number of cattle destroyed	~13,000
Average number of field personnel	43

CWT Update . . .

CWT Set to Launch Export Incentive Program

The CWT program currently consists of the reduced production marketings program and the herd retirement program. Under the herd retirement program, 299 herds are being retired with a total reduction of 32,724 cows, representing 608 million pounds of annual production. The reduced production program saw 77 bids accepted and has a goal of reducing the nation's milk supply by 88 million pounds during the next 12 months. CWT is being funded by dairy cooperatives and individual dairy farmers, who are contributing 5 cents per hundredweight assessment on their milk production from July 2003 through June 2004. The money raised by CWT's assessment – estimated at $60 million over 12 months – will be apportioned among the three supply reduction programs to improve the national all milk price by a target of $.36 cents per hundredweight.

The CWT Program is developing specific recommendations to allocate money to assist in the expiorting of cheese and butterfat. CWT has budgeted approximately $18-20 million for this third objective of the overall program. The Export Assistance program of CWT will provide economic incentives for the export of cheese and butter in an effort to strengthen the prices of those commodities, which will ultimately have a direct impacton dairy farmer milk checks.

For more on CWT's activities, visit the CWT Website at www.cwt.coop.

It's Renewal Time

Bureau of Livestock Identification is reminding all dairies that the Dairy Exemption Numbers that have – **XX LS99 XXXX** - indicated in their numbers are up for renewal. Those Exemption Numbers expire on 12/31/2003. Renewal Notices will be mailed, please update any information that has changed.

PLEASE NOTE THAT RENEWALS ARE STILL YOUR RESPONSIBILITY.

All inquires can be directed to the office in Sacramento at (916) 654-0889.

Fire disaster aid available for Southland farmers

With President Bush's designation of several Southern California counties as disaster areas, low-interest USDA emergency loans are available for eligible farmers in portions of San Diego, Los Angeles, Ventura, Riverside and San Bernardino counties. Information on this loan program and other services and assistance can be found at www.fsa.usda.gov/fsa and http://disaster.usda.gov/.

Waste Discharge Permit Fees

The State Water Resources Control Board adopted new annual fees for confined animal facilities, including dairies, to be assessed according to size. These new assessments will replace the previous one-time application fee paid by dairies. Producers are urged to examine any bills they receive on these new assessments which are based on the number of mature cows, milking and dry, on each dairy. If a producer feels they have been over-billed, it is possible the Board does not have current information on the dairy's number of cows. There is contact information on the bill as to who to contact in case of an error.

The actual amounts depend on the type of facility and number of mature cows. The 9% monitoring surcharge to pay for statwide water quality monitoring programs related to waste discharges.

There are two ways to get a discount on the fees (each dairy is eligible for only one discount):
1) Dairies certified in Californi aDiary Quality Assurance Program will receive a 50% reduction in fees.
2) Dairies located in counties with active regulatory programs will receive a 50% reduction in fees.

CDFA Manufacturing Cost Studies Completed

On Monday, November 10, 2003, the Department released the latest nonfat powder, bulk butter, and Cheddar cheese processing cost studies for the period of January through December 2002. This information is available on our website at www.cdfa.ca.gov/dairy or by calling Edward Hunter at 916-341-5988.

National Dairy Situation and Outlook – USDA Estimates

Milk Production and Cow Numbers

Monthly: Compared to 2002, USDA estimates that overall milk production across the U.S. was down 0.6% in October, led by Idaho's 9.3% growth in milk production (on 22,000 more cows and 60 more pounds per cow). California's estimated production was down 0.6% (on 38,000 more cows and 50 less pounds per cow). Among other western states, Arizona was up 2.3%; New Mexico up 3.9%; and Washington down 0.4%. Five of the top 10 states reported a decrease: New York -3.6%; California -0.6%; Washington -0.4%; Minnesota -0.6%, and Pennsylvania -7.5%.

Quarterly: For the third quarter of 2003 compared to the second quarter of 2003, U.S. milk cow numbers were down 5.4% at 9.066 million, production per cow was down 4.8%; the net effect was a 5.5% decrease in milk production to 41.5 billion pounds. USDA projects that for the fourth quarter of 2003 compared to the third quarter of 2003, U.S. milk cow numbers will decrease 25,000 cows to 9.040 million cows, production per cow will be up 0.7%; the net effect would be a 0.5% increase in milk production to 41.7 billion pounds.

Milk Prices

Comparing the third quarter of 2003 to the second quarter of 2003, U.S. average milk prices were up $2.10/cwt. to $13.20/cwt. USDA projects that for the fourth quarter of 2003, U.S. average milk prices will be up $1.10-1.40/cwt. compared to the third quarter; including a $0.05 decrease-to-0.30 increase/cwt. Class 4b price change and a $0.10 decrease- to-$0.30 increase/cwt. Class 4a price change.

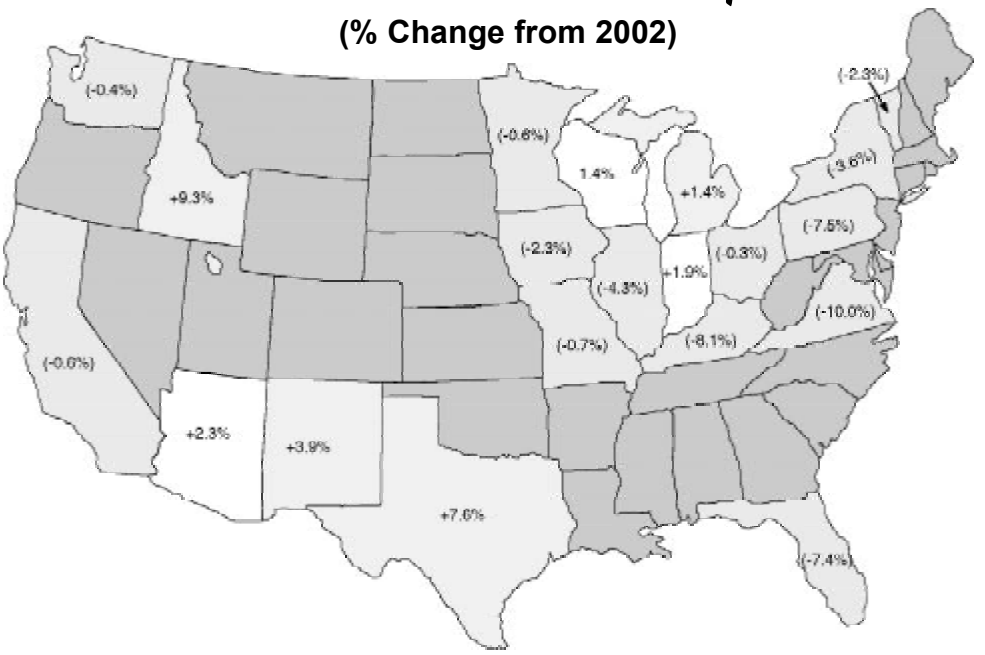
Utility Cow Prices

Comparing the third quarter of 2003 to the second quarter of 2003, average U.S. utility cow prices were up $3.30/cwt. to a national average of $49.84/cwt. USDA projects that utility cow prices will average $47-49 in the fourth quarter of 2003.

Information from the USDA-NASS publication "*Milk Production*" and the USDA-ERS publication: "*Livestock, Dairy, and Poultry Outlook*."

October Milk Production in the Top 20 States

(% Change from 2002)



For the U.S. overall, comparing October 2003 to October 2002:

- Milk production during October was down 0.6%
- The number of cows on farms was 9.022 million head, down 74,000 head
- Production per cow averaged 1,528 pounds, 12 pounds more than October 2002
- Eleven of the top twenty producing states showed an decrease in milk production

As reported by USDA

Milk Production Cost Index for California

Month	North Coast 1/		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
	Dollars per Hundredweight									
January	13.86	13.90	12.97	13.00	12.90	12.68	13.10	12.95	13.0110	12.8796
February	13.86	13.90	12.97	13.00	12.90	12.68	13.10	12.95	13.0110	12.8796
March	13.91	13.98	12.50	12.52	12.49	12.19	12.98	13.12	12.6245	12.5197
April	13.91	13.98	12.50	12.52	12.49	12.19	12.98	13.12	12.6245	12.5197
May	12.99	13.48	12.50	12.53	12.94	12.34	13.05	13.82	12.8019	12.6875
June	12.99	13.48	12.50	12.53	12.94	12.34	13.05	13.82	12.8019	12.6875
July	13.30	13.65	12.59	12.91	13.57	12.87	13.42	13.95	13.1835	13.0864
August	13.30	13.65	12.59	12.91	13.57	12.87	13.42	13.95	13.1835	13.0864
September			12.89		13.39		13.70		13.2803	
October			12.89		13.39		13.70		13.2803	
November			12.99		12.78		13.26		12.9767	
December			12.99		12.78		13.26		12.9767	

1/ Beginning with the January-February 2003 cost period, Del Norte/Humboldt and North Bay cost regions are combined and reported as the North Coast Region.

Hundredweight Pool Prices

Month	Quota	Overbase
May '02	$12.06	$10.36
June	$11.60	$ 9.90
July	$11.28	$ 9.58
August	$11.48	$ 9.78
September	$11.58	$ 9.88
October	$11.84	$10.14
November	$11.44	$ 9.74
December	$11.48	$ 9.78
January '03	$11.40	$ 9.70
February	$11.11	$ 9.41
March	$10.93	$ 9.23
April	$11.02	$ 9.32
May	$11.05	$ 9.35
June	$11.17	$ 9.47
July	$12.72	$11.02
August	$13.96	$12.26
September	$14.34	$12.64
October	$14.45	$12.75

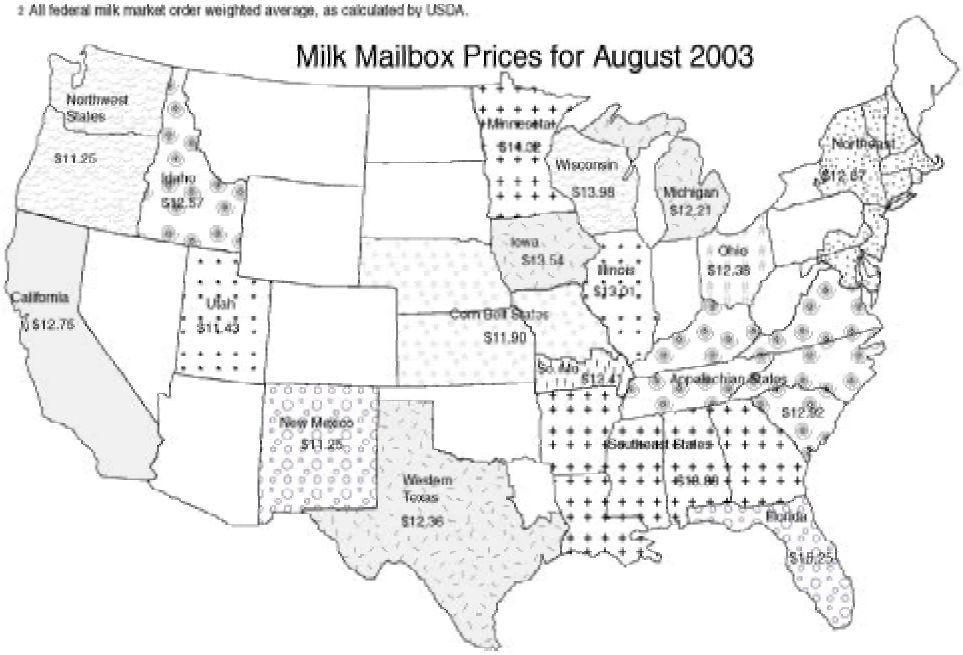
Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

**	January '03	February	March*	April	May*	June*	August
California*[1]	$10.33*	$10.06*	$10.26*	$10.13*	$10.13*	$11.53 *	$12.75
USDA[2]	$11.19*	$10.73*	$10.79*	$10.83*	$10.77*	$11.60*	$12.92**

[1] California mailbox price calculated by CDFA.

[2] All federal milk market order weighted average, as calculated by USDA.



In August 2003, mailbox milk prices for selected reporting areas in Federal milk orders averaged $12.92 per cwt., $1.20 more than the figure for the previous month. The component tests of producer milk in August 2003 were: butterfat, 3.54%; protein, 2.93%; and other solids 5.68%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from $15.25 in Florida to $11.25 in Northwestern States.
In August 2002, the Federal milk milk order all-area average mailbox price was $11.18, $1.74 lower.

Note: Effective with the January 2003 report, the Iowa reporting area has been removed from the Corn Belt States reporting area and is reported separately. The Northern Missouri reporting area has been added to the Corn Belt States reporting areas.

CDFA

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The California Department of Food and Agriculture Dairy Marketing Branch publishes the California Dairy Review monthly. Please direct any comments or subscription requests to Karen Dapper at (916) 341-5988 or send an email to dairy@cdfa.ca.gov

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Within California 1-800-503-3490
Outside California 1-916-442-MILK

Dairy Marketing Branch:
Phone (916) 341-5988; Fax (916) 341-669
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Email: dairy@cdfa.ca.gov

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