

Labor Costs

The agriculture industry in California has historically relied on seasonal workers to harvest field crops. As competition for workers increased, fruit and vegetable growers have seen a shortage of laborers willing to work in the fields. The housing boom and various other manufacturing jobs have provided alternative work, offering more income and less hours to those who have traditionally worked as farm laborers. Since the dairy industry does not rely on seasonal employees as much as fruit and vegetable growers, the effect has been minimal in maintaining a full work force. As housing costs rise, workers are looking for the more stable jobs that the dairy industry provides, plus housing or a housing allowance is a common benefit that dairy employees receive.

A tight labor market generally leads to employers having to increase wages to attract workers. In 2005, dairy wages increased by 2.1 percent compared to the previous year partly due to a tight labor market and higher health insurance premiums. Payroll costs increased even though workman's compensation base rates have decreased since 2004. Labor costs accounted for 11.5 percent of the total costs in 2005.

In calculating labor costs, the Cost of Production Unit staff includes the gross wage, benefits, and employer taxes paid. Also, if any housing or other perquisites such as health insurance, bonuses or utilities are provided for the employee, they are included as benefits. Cash wages have increased by 2.6 percent compared to 2005, with hourly wages for all hired workers averaging \$9.75. When including taxes and perquisites, the hourly rate paid averaged \$13.76. When comparing the four areas, the Southern California area had the highest wages while the North Coast area had the lowest. When measured on a per cow basis it is somewhat reversed, the North Coast area had the highest labor and the South Valley area had the lowest labor costs.

Many producers increased their employee's salaries in 2005. As the cost of health insurance continues to rise, some producers are giving their employees the choice of increasing their salary or having health insurance. This is the primary reason perquisites declined by four percent.

Dairy producers continue to incorporate a larger percentage of outside contracting for services compared to prior years. As dairies become larger, it is more efficient to hire contractors to perform specialized services such as: calf raising, hoof trimming and hay layout. This helps the producer save time and in many instances money, since no payroll taxes or benefits have to be paid for the contracted services.



Labor Cost Comparison

Labor Comparison, by Cost of Production Area, 2005

AVERAGES	2004 Statewide Average	North Coast	North Valley	South Valley	Southern California	2005 Statewide Average	Percent Change
CASH WAGE / HIRED MILKER	\$2,111	\$1,935	\$2,100	\$2,157	\$2,723	\$2,164	2.49%
PERQUISITES / HIRED MILKER ^{\1}	\$356	\$435	\$494	\$234	\$400	\$344	-3.40%
TOTAL WAGE / HIRED MILKER ^{\2}	\$2,970	\$2,867	\$3,116	\$2,903	\$3,792	\$3,032	2.09%
HOURS / MONTH / HIRED MILKER	225	228	218	234	227	227	1.09%
HOURLY CASH WAGE / HIRED MILKER	\$9.37	\$8.49	\$9.64	\$9.23	\$12.01	\$9.51	1.52%
HOURLY PERQUISITES / HIRED MILKER ^{\1}	\$1.58	\$1.91	\$2.27	\$1.00	\$1.76	\$1.51	-4.31%
HOURLY WAGE / HIRED MILKER ^{\2}	\$13.18	\$12.57	\$14.31	\$12.42	\$16.72	\$13.33	1.14%
LABOR							
CASH WAGE / HIRED LABOR	\$2,385	\$1,924	\$2,347	\$2,564	\$2,772	\$2,451	2.78%
PERQUISITES / HIRED LABOR ^{\1}	\$466	\$509	\$566	\$336	\$464	\$450	-3.49%
TOTAL WAGE / HIRED LABOR ^{\2}	\$3,411	\$2,933	\$3,493	\$3,489	\$3,920	\$3,487	2.22%
HOURS / MONTH / HIRED LABOR	240	244	238	249	219	243	1.22%
HOURLY CASH WAGE / HIRED LABOR	\$9.93	\$7.88	\$9.85	\$10.28	\$12.64	\$10.09	1.62%
HOURLY PERQUISITES / HIRED LABOR ^{\1}	\$1.94	\$2.09	\$2.38	\$1.35	\$2.12	\$1.85	-4.58%
HOURLY WAGE / HIRED LABOR ^{\2}	\$14.20	\$12.02	\$14.66	\$13.99	\$17.87	\$14.35	1.07%
ALL HIRED							
CASH WAGE / ALL HIRED	\$2,222	\$1,930	\$2,212	\$2,308	\$2,739	\$2,280	2.59%
TOTAL WAGE / ALL HIRED ^{\2}	\$3,149	\$2,895	\$3,287	\$3,119	\$3,835	\$3,215	2.10%
HOURLY CASH WAGE / ALL HIRED	\$9.61	\$8.21	\$9.74	\$9.63	\$12.21	\$9.75	1.51%
HOURLY WAGE / ALL HIRED ^{\2}	\$13.61	\$12.32	\$14.48	\$13.02	\$17.10	\$13.76	1.09%
ALL HIRED PER COW							
HOURS / COW / MONTH / ALL HIRED	1.97	2.57	2.01	1.99	1.68	1.99	1.21%
CASH COST / COW / MONTH / ALL HIRED	\$18.94	\$21.13	\$19.55	\$19.16	\$20.49	\$19.45	2.69%
COST / COW / MONTH / ALL HIRED ^{\2}	\$26.84	\$31.70	\$29.05	\$25.90	\$28.68	\$27.43	2.21%
ALL MILKERS & LABOR							
NUMBER COWS / HIRED MILKER	198	162	207	191	201	196	-0.89%
NUMBER COWS / HIRED LABOR	288	210	249	326	401	291	1.03%
NUMBER COWS / ALL MILKERS & LABOR ^{\3}	107	72	103	113	117	107	0.00%
MILK SOLD / PERSON / MONTH (LBS.) ^{\3}	187,750	116,302	182,882	203,344	198,271	191,079	1.77%
REVENUE GENERATED / PERSON / MONTH ^{\3}	\$27,993	\$18,059	\$26,501	\$28,062	\$28,204	\$27,002	-3.54%

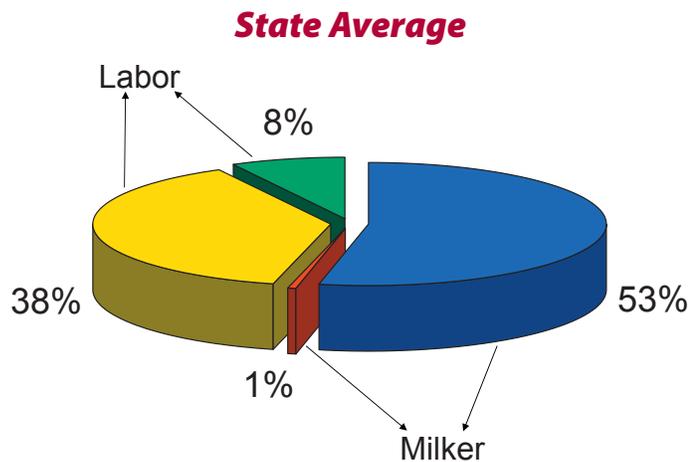
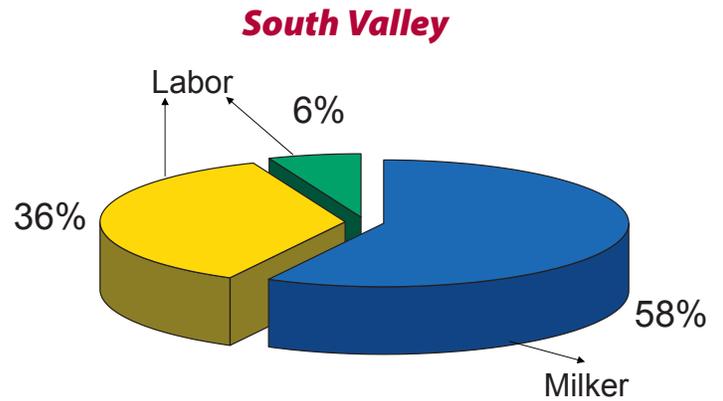
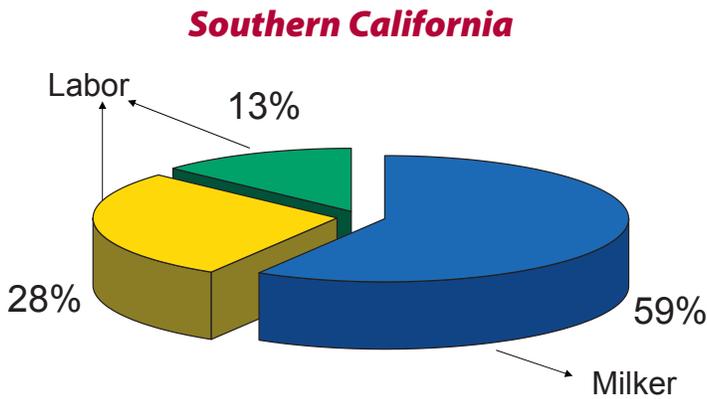
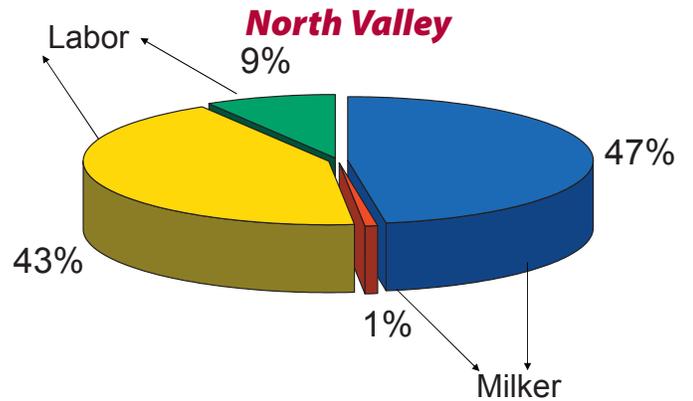
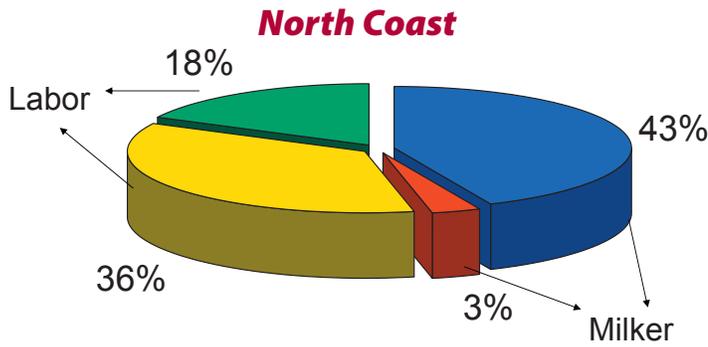
\1 Includes Fair Market Value For Housing Supplied By Employer, Health Insurance, Meat, Etc.

\2 Includes Cash Wages, Perquisites, and Employment Taxes (FICA, Worker's Compensation, Unemployment Insurance) Paid by Employer

\3 Includes All Dairy Workers, Hired and Family

Labor Costs, by Area

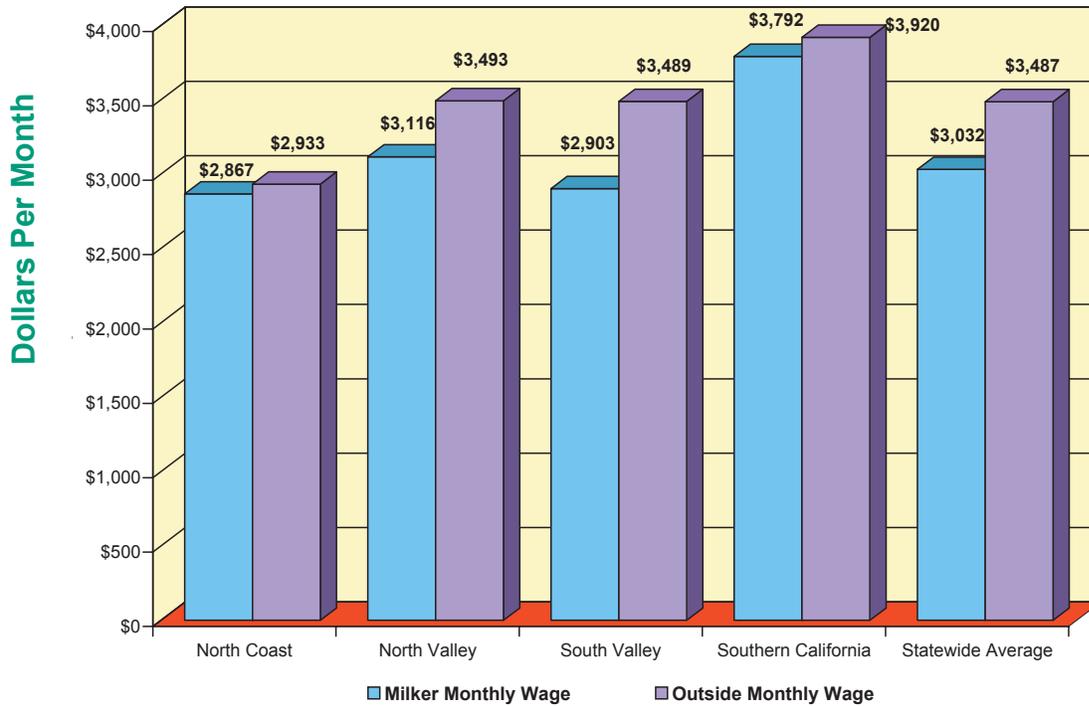
Labor Cost Percentage, 2005



■ Hired Milker
 ■ Family Milker
 ■ Hired Labor
 ■ Family Labor

Average Milk and Outside Labor Wages

**Average Milker and Outside Labor Monthly Wages
Including Benefits and Employer Taxes
California Cost of Production Areas, 2005**



**Average Milker and Outside Labor Hourly Wages
Including Benefits and Employer Taxes
California Cost of Production Areas, 2005**

