

William (Bill) J. Lyons, Jr.
Secretary

Department Announces Hearing Decision

On January 29th and 30th, 2003, the Department held a public hearing to consider amendments to the Stabilization and Marketing Plans for Market Milk (Plans). The amendments under consideration regarded changes to various changes to the Class 2, 3, 4a and 4b pricing formulas.

Having carefully weighed the contents of the hearing record, the Department determined that several changes are warranted.

- In the Class 4a pricing formula the term “freight adjustment” is changed to “f.o.b. California Price Adjuster”. Similarly, in the Class 4b pricing formula the term “marketing adjustment” is changed to “f.o.b. California Price Adjuster”.
- f.o.b. California Price Adjuster for butter is changed from -\$0.0450 to -\$0.0332 per pound. For cheese, f.o.b. California Price Adjuster is changed from -\$0.012 to -\$0.0321 per pound.
- In the Class 4a pricing formula, the powder yield is increased from 0.99 to 1.0 pounds of powder per pound of SNF. The butter yield will remain at 1.2 pounds of butter per pound of fat.
- In the Class 4b pricing formula, the cheese yield and associated fat and SNF vat tests are increased from 10.0, 3.65% vat fat, and 8.78% vat SNF to 10.2, 3.72% vat fat, and 8.80% vat SNF, respectively.
- The federal support purchase prices for butter, nonfat powder and block Cheddar cheese are incorporated as floors to their respective commercial commodity prices in the Class 4a and 4b pricing formulas.
- A dry skim whey factor is included in the Class 4b pricing formula. A simple average of the Western dry whey (mostly) is used for the commodity price series. The manufacturing cost allowance is set to \$0.17, which is two cents higher than the nonfat powder manufacturing cost allowance. The yield is set to 5.8 pounds of dry whey per one hundred pounds of milk.
- The manufacturing cost allowance for Grade AA butter and whey butter is increased from \$0.102 to \$0.132. The manufacturing cost allowance for nonfat powder is decreased from \$0.161 to \$0.150. The manufacturing cost allowance for block Cheddar cheese is decreased from \$0.176 to \$0.175.

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FEBRUARY MILK PRODUCTION

Milk production in California for February 2003 totaled 2.9 billion pounds, up 5.0 percent from February 2002. USDA's estimate for U.S. milk production for February 2003 in the 20 major dairy states is 11.6 billion pounds, up 1.7 percent from February 2002. Production per cow in the 20 major states averaged 1,485 pounds for February, which is 13 pounds above February 2002. ☀

MINIMUM CLASS PRICES

Statewide average hundredweight prices

Class	March	April
1	\$12.03	\$11.77
2	\$10.70	\$10.23
3	\$10.53	\$10.08
4a	\$ 9.46	----
4b	\$ 8.84	----

FEDERAL ORDER AND CALIFORNIA MINIMUM CLASS 1 PRICES

Average Hundredweight Prices

Regions	March	April
Phoenix, Arizona	\$12.58	\$11.99
Southern California	\$12.17	\$11.91
Portland, Oregon	\$12.13	\$11.54
Northern California	\$11.89	\$11.63
Boston (Northeast)	\$13.48	\$12.89

QUOTA TRANSFER SUMMARY

For January 2003, six dairy producers transferred 4,835 pounds of SNF quota. January quota sales averaged \$525 per pound of SNF (without cows), an average ratio of 2.41. For February 2003, seven dairy producers transferred 12,719 pounds of SNF quota. February quota sales averaged \$507 per pound of SNF (without cows), an average ratio of 2.37. ☀

ALFALFA UPDATE: MARCH

Northern California: March brought light test of Supreme and Premium alfalfa, nearly steady with light demand and supplies. Fair and Good alfalfa was not well tested with very light demand and moderate supplies. Retail and Stable hay was steady in light test with light demand and moderate supplies.

Southern California: Rain showers throughout the month took its toll on hay quality and delayed harvest in some areas. Premium and Supreme alfalfa was lightly tested with most hay showing rain damage. Fair and Good alfalfa was not well tested with light demand. Retail and Stable hay was steady with moderate demand and supplies coming mostly out of barn storage. Antelope valley barns report that barn storage is close to being gone and supplies in the southern desert area is getting limited. ☀

SUPREME HAY PRICES

Statewide average prices per ton

Area	2/28	3/7	3/14	3/21
Petaluma	\$147-153	\$145-150	-----	\$145
North Valley ¹	\$130	-----	\$140-157	\$147
South Valley ²	\$145-150	\$145-164	\$145-155	\$143-153
Chino Valley	-----	\$130	-----	\$130-132

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

ALFALFA HAY SALES/DELIVERY

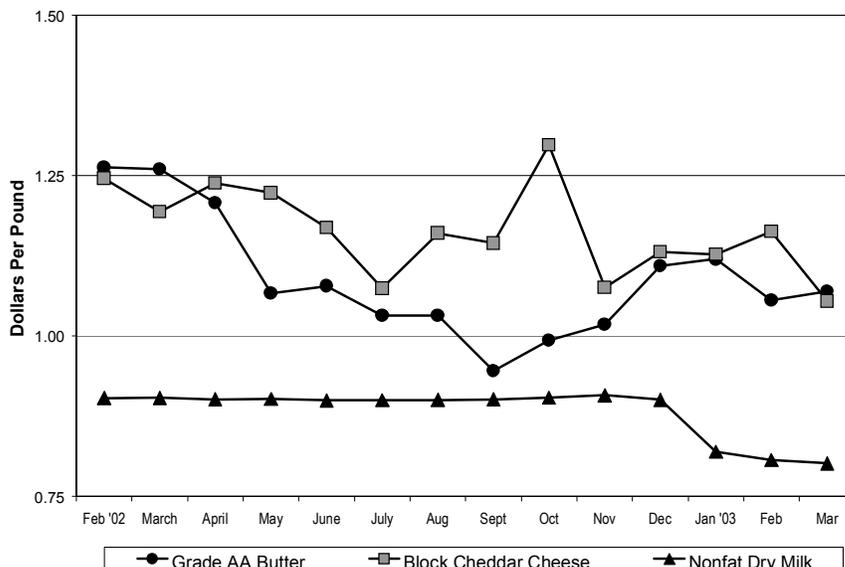
	February	March
Tons Sold ¹	76,278	69,930
Tons Delivered ²	38,175	27,204

¹For current or future delivery.

²Contracted 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



Revisiting the Details of the Pricing Formulas (Part 1 of 4)

by Dr. Eric Erba, Sr. Agricultural Economist

In last month's California Dairy Review, we explained the details of the Class 4a pricing formula. However, the decision announced by the Department as a result of the January 29th and 30th public hearing have made significant changes to the Class 4a pricing formula that was reviewed last month. Rather than move on to discussing the other pricing formulas, this article



will, once again, address the Class 4a pricing formula with attention to those elements that changed as a result of the decision by the Department.

On a total solids basis, Classes 4a and 4b comprise the largest share of the milk pooled

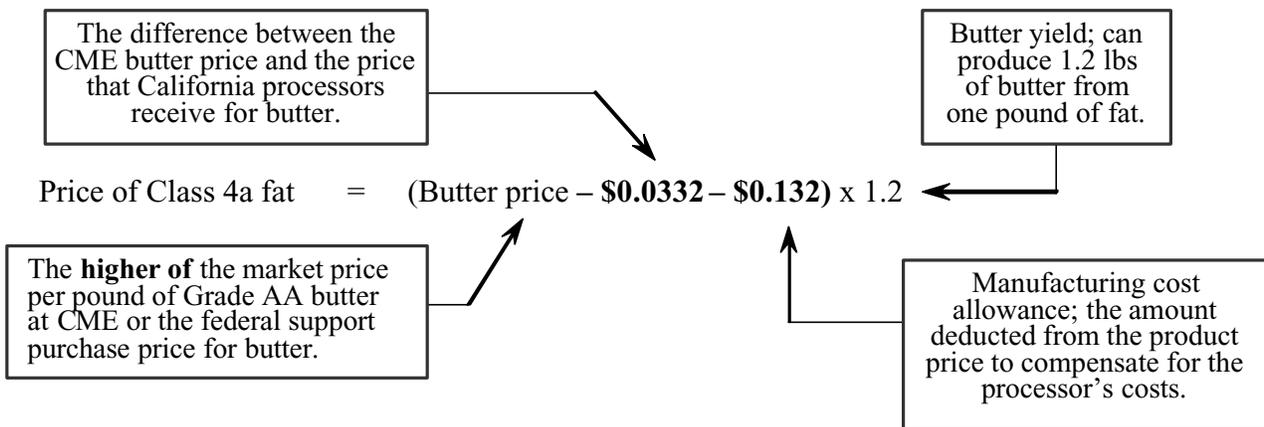
in California. Class 4b (hard cheeses) and Class 4a (butter and powder) make up about 45% and 30%, respectively, of the milk solids pooled. Consequently, the class prices for these two classes will have the most impact on the revenue in the pool each month.

The Class 4a pricing formula is the least complex of the all of the pricing formulas, and, as such, we will use it to begin the discussion. Class 4a prices are calculated retroactively, meaning that the prices are calculated "after-the-fact." For example, the February Class 4a price is not calculated until the end of February.

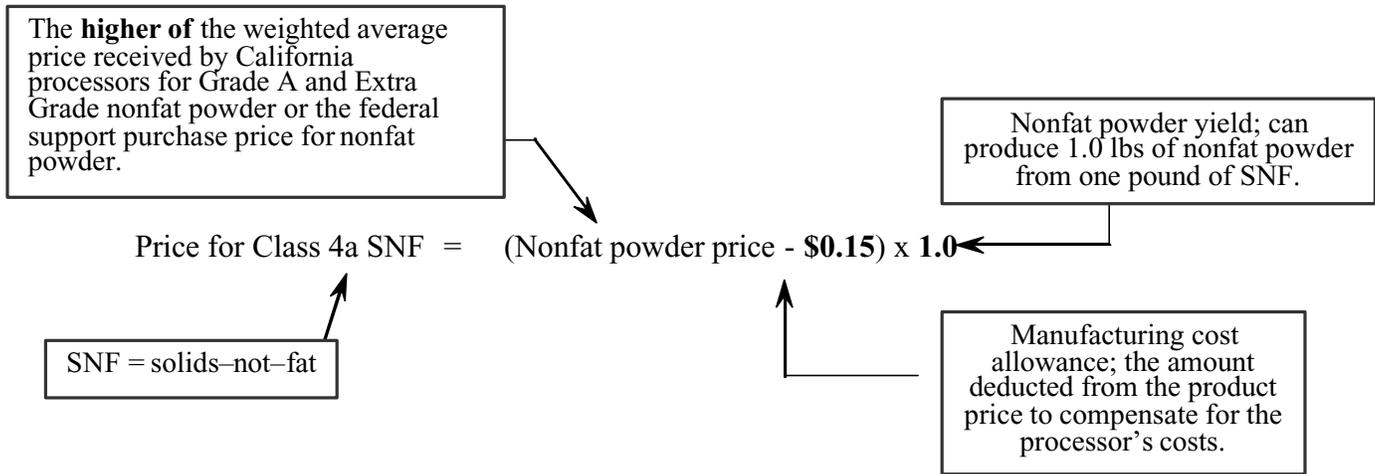
Determining the minimum price that California processors must pay for Class 4a involves five steps:

1. Calculate the simple average of the Chicago Mercantile Exchange (CME) grade AA butter price. For the calculation, price data released from the 26th of the prior month to the 25th of the current month is used (for example, data from January 26th to February 25th is used to calculate the February price).
2. Obtain the weighted average price for California-produced nonfat powder, which is announced by the Department of Food and Agriculture every month.
3. **Compare the two commodity price averages with their respective federal support purchase prices that are in effect and select the higher of the two.**
4. Adjust the butter and NFDM commodity prices by **the manufacturing cost allowances, yields, and, in the case of butter, the f.o.b. California price adjuster.**
5. Calculate the equivalent hundredweight price for milk testing 3.5% fat and 8.7% solids-not-fat.

The following schematic shows how all of the elements of the pricing formula interact. With the exception of the butter or powder price series that are referenced, all factors in the formula are constant from month to month. However, the factors may be amended through a public hearing.



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Once the fat and SNF price have been calculated, the Class 4a price per hundredweight is easily obtained. The hundredweight price uses a standardized milk test, containing 3.5% fat and 8.7% SNF. Therefore, the Class 4a hundredweight price is:

$$(3.5 \times \text{price of Class 4a fat}) + (8.7 \times \text{price of Class 4a SNF})$$

In the next issue of the CDR, look for a review and explanation of the Class 4b pricing formula. 

Hearing Decision - Continued from Page 1

- At this time, the Class 2 and 3 pricing formulas will remain unchanged from their current form, the Class 4b pricing formula will continue to establish component prices only for fat and solids-not-fat, and variable manufacturing cost allowances will not be adopted.

In total, the changes will result in processors having to pay more for farm milk. If the Department's announced changes were in effect from January 1998 to December 2002, the prices for Classes 2, 3 and 4a would have increased by \$0.10 per hundredweight relative to the current pricing formulas. For Class 4b, the increase would have been \$0.19 per hundredweight. Changes to annual pool prices would have averaged \$0.11 per hundredweight over the five-year period.

The adjustments to the Plans will take effect for milk delivered to processing plants on or after April 1, 2003.

Copies of the Hearing Determinations and a more detailed explanation of the Department's decision may be obtained by contacting the Dairy Marketing Branch at (916) 341-5988. You may also download copies from the Department's website at www.cdfa.ca.gov/dairy. From the main page, click on [Public Hearings] and then on [Dairy Hearings and Results].

Should you have any questions or desire further information, please contact Eric Erba or Tom Gossard at (916) 341-5988. 



CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE

Bovine Tuberculosis in California

The California Department of Food and Agriculture (CDFA), the United States Department of Agriculture (USDA), and the cattle industry are working together to control and eradicate bovine tuberculosis (TB) from California.

Bovine TB was confirmed in a Tulare County dairy herd in May 2002. The herd was quarantined by the CDFA, tested for TB three times, and all test-positive cattle were destroyed. All cattle sold from or associated with the herd over the last five years have been traced and tested. In November, the whole herd was sent to slaughter and the property thoroughly cleaned and disinfected. The premises were released from quarantine after approval of the State TB epidemiologist.

Update

Traceback of a TB-infected cow found in September 2002 at a California slaughterhouse pointed to a dispersed beef herd from Tulare County. However, DNA analysis indicates the cow was most likely a dairy cow. This investigation is ongoing.

In October 2002, a single TB-infected cow was identified in a Tulare County dairy herd tested while investigating the first affected dairy. The dairy was quarantined and depopulated during March 2003.

A TB-infected cow found at a California slaughterhouse in late December 2002 led to a Kings County dairy herd being classified as California's third TB-infected herd. Funding is being sought to depopulate this herd.

Testing

As of March 9, 2003, 198,854 cattle in 140 herds have been tested for bovine TB since this investigation began, and nearly 8,000 cattle have been slaughtered.

Cumulative Since May 13, 2002	
Herds tested	140
Number of animals tested	198,854
Number of herds quarantined	3
Number of cattle destroyed	7,954
Average number of field personnel	15

As of February 2003, we recommended a TB test on exhibition dairy cattle more than six months of age from Tulare, Kings and Fresno Counties. Documentation of a negative test is good for the 2003 fair season.

Since June 2002, all dairy breeding animals more than six months of age leaving California need a negative TB test within 30 days of movement.

Impact on California's TB-Free Status

The USDA assigns various status levels to a state under the bovine TB eradication program: Accredited Free, Modified Accredited Advanced, Modified Accredited, Accreditation Preparatory or Non-Accredited.

The USDA will downgrade California's status from TB-Free to Modified Accredited Advanced because a second TB-affected herd was identified within 48 months of the first herd. *The State status will change when the regulation is published in the Federal Register.*

This new status will require all California breeding cattle to have official identification and a negative TB test within 60 days of interstate movement OR originate from a TB Accredited-Free herd (mandatory annual TB testing) OR move directly to slaughter.

The USDA is reviewing its regulations for a state's TB status, and will publish a new regulation in 2003.

Plans

California is reviewing its TB control and surveillance options with the cattle industry. Current plans include:

- Continue testing all dairy herds in Tulare, Kings, and Fresno Counties.
- Require a TB test before importing dairy cattle into California.
- Restrict Mexican cattle to "pre-approved" pastures.
- Finalize agreements with neighboring states to ease annual TB testing requirements on "commuter cattle". The draft pasture agreement requires breeding beef cattle to be TB tested within 12 months of the change in state status, and subsequently tested every 3 years while California is less than TB-Free.

CDFA Animal Health Offices

Sacramento (HQ)	916-654-1447
Modesto	209-491-9350
Ontario	909-947-4462
Redding	530-225-2140
Tulare	559-685-3500
Tulare TB Task Force	559-687-1158

CDFA Milk and Dairy Foods Control Offices

Stockton	209-466-7186
Oakland	510-622-4810
Fresno	559-445-5506
Ontario	909-923-9929

USDA/APHIS/VS

916-857-6170 or 877-741-3690

Food and Agriculture Security: What Dairy Producers Need to Know

Heidi Hamlen, DVM, MS, DACVPM and Amanda Price, BS

Recent events in the United States have focused attention on food and agriculture security, including the threat of intentional introduction of disease into livestock populations and the potential for contamination of the food supply. In addition, approximately 70% of the biologic agents identified by law enforcement as being potential biological threats to people are zoonotic agents, or agents that can be spread from animals to people. Therefore, animals may show signs of these diseases before people do, so unexplained illness in animals can act as an early warning for public health and law enforcement agencies. Rapid reporting, diagnosis, and investigation of suspicious diseases could save animal and/or human lives by quickly mobilizing a response and confining the spread of disease.

It is imperative that dairy producers report any suspicious signs or unusual disease in their animals to their veterinarian.

Suspicious events include:

- higher-than-usual sickness or death in your animals,
- unusual ticks or maggots,
- blistering around an animal's mouth, nose, teats, or skin near the hooves, and
- staggering, falling, or other central nervous system signs.

Pathways of introduction of disease agents into livestock populations may occur through contaminated feed and water, inhalation, or contact with contaminated people or equipment. Producers should also be concerned that products from their animals, such as milk and meat, may be intentionally contaminated during transport and processing, and could pose a risk to food safety.

The Food and Drug Administration has issued guidelines for the food and agriculture industry to minimize the threat of an intentional introduction. These guidelines include:

Milk producers:

- Safeguard animal feed and water from intentional contamination

- Safeguard bulk tank milk prior to transport
- Conduct mock recalls and responses to terrorist events.

Milk processors:

- Restrict access to food handling and storage areas.
- Issue photo identification badges to workers with individual control numbers and color codes to indicate access to authorized areas.
- Watch for unusual behavior by employees, such as working after the end of their shift.

Both:

- Perform criminal background checks on workers.
- Restrict personal items allowed into an establishment.
- Secure water sources and test water sources regularly for their safety.
- Inspect facilities routinely and randomly.

The **California Department of Food and Agriculture (CDFA)** and **United States**

Department of Agriculture (USDA) perform many activities in order to protect animals and people from many diseases, including anthrax and botulism.

Animal health officials advise on biosecurity precautions and investigate reports of unusual sickness or death in livestock and poultry and work with private veterinarians to determine the cause.

Animal Health Branch staff also work with USDA at seaports and airports to ensure that international garbage that comes in on boats or airplanes is disposed of properly.

The **California Animal Health and Food Safety (CAHFS) Laboratory System** is a network of diagnostic laboratories that are able to diagnose infectious diseases and toxicoses in animals.

CAHFS reports all suspicious diseases to the CDFA Animal Health Branch, and animal health officials work with the private veterinarian to investigate the problem. If the disease is zoonotic (can be spread from animals to people), CDFA will notify the

California Department of Health Services (DHS). DHS protects people from zoonotic

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Food and Agriculture Security - (Continued)

diseases, investigates unusual or suspicious foodborne diseases, and safeguards public health in general. DHS works closely with **county public health offices** and the **National Centers for Disease Control and Prevention**.

CDFA also has many programs that, along with USDA, the **Food and Drug Administration (FDA)**, and DHS, help protect our food supply. These programs license and inspect meat and poultry processing facilities and milk producers and processors; test fruits, vegetables, dairy products, animal feed, fertilizers, and livestock drugs; and provide educational outreach to producers, processors, and consumers.

Despite our best efforts to prevent the introduction of disease and pests, the risk from natural and intentional introduction is *always present*. Government programs depend on animal producers to watch for and report potential signs of diseases and pests in livestock. You know your animals better than anyone else and are the front-line defense for spotting and reporting possible signs of disease or pests. In California, please call local law enforcement to report suspicious or criminal activity and your local CDFA Animal Health Branch District Office to report unusual conditions in animals.

CDFA Animal Health Branch

Headquarters	(916) 654-1447
Redding District	(530) 225-2140
Modesto District	(209) 491-9350
Tulare District	(559) 685-3500
Ontario District	(909) 947-4462

WEB RESOURCES

CDFA Animal Health Branch

<http://www.cdfa.ca.gov/ahfss/ah/index.htm>

DHS Veterinary Public Health Section

<http://www.dhs.ca.gov/dcdc/html/publicat.htm>

Emergency Preparedness and Response

CDFA Animal Diseases and Issues of Current Interest

http://www.cdfa.ca.gov/ahfss/ah/ad_news.htm

DHS, Bioterrorism Updates

<http://www.dhs.ca.gov/bioterrorism/>

Centers for Disease Control and Prevention,
Bioterrorism Preparedness and Response Program

<http://www.bt.cdc.gov/>

State of California, Office of Emergency Preparedness

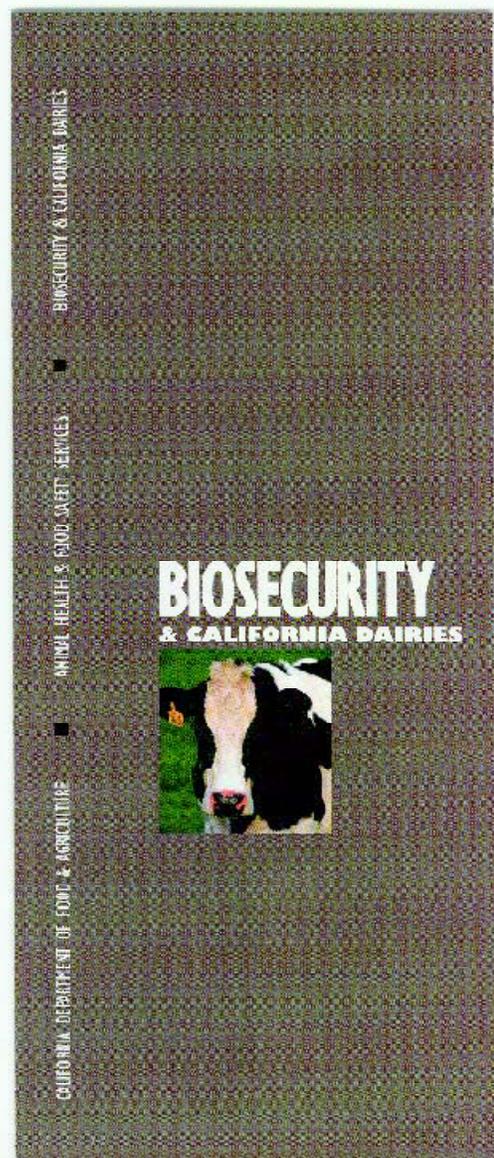
<http://www.oes.ca.gov>

USDA APHIS Veterinary Services Emergency

Programs <http://www.aphis.usda.gov/vs/ep/>



If you do not already have this biosecurity brochure, contact the Department at the numbers above to receive one.



Whole Cottonseed Quality is Lower for the 2002 Crop

by John K. Bernard, Dairy Research and Extension

Submitted by Steven D. Wong, California Department of Food and Agriculture

The rains that drenched parts of the Southeast this past fall damaged a portion of the 2002 cotton crop. Much of the cotton that was exposed to prolonged wet weather before harvest has lower quality lint and whole cottonseed (WCS). Some of the WCS has higher concentrations of free fatty acids (FFA) in the oil than normal. Also, it is not uncommon to see sprouted WCS in some loads and aflatoxin is a possibility. Not all WCS was damaged, but a greater proportion of the crop is not suitable for crushing.

Because WCS is not considered suitable for crushing doesn't mean that it is not suitable as a feed ingredient. The WCS that is crushing to extract oil must meet the highest quality standards. Cotton oil is used mainly by fine restaurants and bakeries because of its flavor and it isn't as susceptible to rancidity as other oils. Typically, oil mills must have WCS that has less than 12% moisture, 1.8% FFA in the oil, and 1% foreign matter.

To minimize the possibility of receiving lower quality feed ingredients, producers should develop minimum quality and provide a means of negotiation a settlement if the feed is not what was expected.

For WCS, the specifications will vary from those used by oil mills, but should be adequate to maintain quality. Whole cottonseed should be dry (less than 12% DM). An exception to this would be for new seed if facilities are available for drying the WCS on site to reduce and maintain moisture levels below 12%. The cost of drying should be taken into account when negotiating a price. It is not wise to store wet WCS as the quality will deteriorate during storage and the potential for aflatoxin increases. If a producer received a wet load of cottonseed, steps should be taken to dry it and get it fed as quickly as possible.

The concern with elevated concentrations of FFA in the oil is related to the potential negative effect on intake and production. Other fat sources with elevated concentrations of FFA have been shown to reduce dry matter intake, milk yield and nutrient digestibility when fed to cattle; however limited research has been conducted with WCS containing elevated concentrations of FFA in the oil. We recently completed a trial in which lactating cows were fed diets containing WCS with up to 12.5% FFA in the oil and did not see any negative impact on

intake, digestion, milk yield or composition. In a second trial using steers, WCS with 18% FFA altered ruminal fermentation slightly, but no negative effects were observed when WCS containing less than 18% FFA in the oil were fed. No lactation trials have been conducted with WCS that contain even higher concentrations of FFA in the oil. In a normal year, most WCS does not exceed 12.5% FFA in the oil. The potential negative impact associated with feeding WCS with very high concentration of FFA in the oil will be proportional to the amount fed.

Many consultants have commented on the lower oil and protein content of some WCS. These changes are related more to differences in the varieties of cottonseed that are being planted rather than any direct effect of the weather except for seed which have sprouted or have other apparent problems. The trend in the cottonseed industry for the past decade has been to select for higher lint yields. As lint yield increases, the size of the WCS decreases. As the size of the WCS decreases, the concentration of oil and protein in the seed decreases. This change is reflected in values included in the latest NRC and accounts for the lower energy content of this ingredient. This trend does not appear to be changing because the value of lint is approximately 10 times that of WCS.

If producers have low quality WCS on hand and suspect it is causing intake problems, the amount fed should be reduced. The energy content of the ration should be adjusted to avoid reduced milk yield. If the quality of the WCS has not been determined, a sample should be submitted to a laboratory for analyses. An aflatoxin screen is advisable, especially if the moisture content is higher than normal. If the WCS is wet, it should be dried to prevent mold growth and additional deterioration in quality. For most producers, it is not feasible to purchase another load to blend or dilute the off quality seed.

High quality WCS will be priced higher compared to lower quality WCS this year. Producers should talk with their broker about quality when ordering. Steps should be taken to maintain the quality of WCS once it has been delivered to the farm. If there are concerns about the quality of the WCS and possible impact on production, it may be advisable to reduce the amount fed. 

The Milk Producers Security Trust Fund

The Milk Producers Security Trust Fund (Fund) was established in 1987 to provide protection for producers in the event that a dairy processor defaults and fails to pay dairy producers. The following are important facts that producers and handlers should know.

What Producers Should Know about the Fund . . .

- For milk shipments to be covered by the Fund, a contract between the Producer and the Processor must be on file with the Department. It is the PRODUCERS' RESPONSIBILITY to file the contract with the Department. If the contract is not on file with the Department, the Producer will not be covered under the Fund.
- The contract is to be filed with the Department within the first five days of contract start date. If the contract is not filed within the first five days, the Department will use the date it was received by the Dairy Marketing Branch as the coverage start date.
- The Fund earns interest which goes back into the Fund to help maintain the required balance.
- Contracts are normally mailed, but can be faxed to (916) 341-5995 or sent through common courier to the Dairy Marketing Branch, Milk Pooling Branch, 1220 N Street, Sacramento, CA 95814.
- For shipments to be covered, milk must be produced in California and shipped to a California Processor.
- The Producer cannot have a beneficial ownership interest in the Processing entity where shipments are made.
- Milk handled by a broker is not covered, coverage is only from the Producer to the first point of sale.
- When a Fund claim is filed, a \$200,000 deductible is subtracted from the total amount the Processor owes to Producers before individual reimbursements are calculated.
- The Fund only covers milk shipped during the first 35 days of payment default. It is very important for Producers to report missed payments as soon as possible to minimize the days that may not be covered.
- It is a Cooperative's responsibility to act on behalf of their members' milk. The Cooperative must file the contract with each Processor with the Department to ensure coverage on all member milk.

If a cooperative goes bankrupt, will the Fund pay member-producers?

- No, member-producers of a cooperative are not covered by the Fund. The intent of the Fund is to pay a producer if a handler fails to pay for bulk milk. For purposes of the Fund, a cooperative association of producers is considered one producer. If a handler fails to pay a cooperative, the Fund would pay the cooperative and the cooperative would disperse the money to its members.

If, however, the cooperative fails to pay its member-producers, they are not entitled to file a claim against the Fund. Since its member-producers control the cooperative, the Fund is not accountable for internal decisions that may have led to the failure to pay.

As a producer shipping to a proprietary plant, will the Trust Fund cover my milk shipments?

- Yes, your milk shipments will be covered by the Fund provided you have met the minimum criteria requirements. Your contract with the proprietary plant (handler) must be on file with the Department. It is your responsibility as the producer to send the contract to the Department. In addition to filing the contract, the following criteria must be met for coverage by the Fund: the handler must be licensed and bonded; the milk is produced and delivered in California; the handler is not on the ineligible list; the milk is not custom processed; and the producer does not have a beneficial ownership interest in the handler.
- In all payment defaults, there is a \$200,000 deductible per occurrence. For example, if a handler defaulted on milk shipments of \$1 million to 10 producers, there would be a \$200,000 deductible, and the subtraction of the \$20,000 bond. The \$780,000 balance would be divided among the 10 producers on a pro rata basis depending on the amount of eligible milk shipped to the plant by each producer.

What is the Ineligible List and how does it work?

- The Ineligible List alerts producers and all interested parties that any milk shipments made to the milk handler will not be covered by the Fund. When a milk handler fails to pay a producer in full for milk shipped to that handler, and/or fails to make payment in full upon demand, the milk handler is placed on the Ineligible List.
- Failure to file the proper bond and failure to pay the Equalization Fund will also cause a milk handler to be placed on the Ineligible List. 

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 up 1.7% in February, led by New Mexico's 8.1% growth in milk production (on 23,000 more cows and five more pounds per cow). California's estimated production was up 4.7% (on 60,000 more cows and 15 more pounds per cow). Among other western states, Arizona was up 2.5%; Idaho up 5.8%; and Washington up 3.5%. Two of the top 10 states reported decreases: Minnesota -3.1%, and Pennsylvania -1.2%.

Quarterly: For the fourth quarter of 2002 compared to the fourth quarter of 2001, U.S. milk cow numbers were up 0.5% at 9.148 million, production per cow was up 1.0%; the net effect was a 1.7% increase in milk production to 41.6 billion pounds. USDA projects that for the first quarter of 2003 compared to the fourth quarter of 2002, U.S. milk cow numbers will decrease 8,000 cows to 9.140 million cows, production per cow will be up 3.6%;

the net effect would be a 3.4% increase in milk production to 43.0 billion pounds.

Milk Prices

Comparing the fourth quarter of 2002 to the third quarter of 2002, U.S. average milk prices were up \$0.50/cwt. to \$11.93/cwt. USDA projects that for the first quarter of 2003, U.S. average milk prices will be down \$0.25-0.50/cwt. compared to the fourth quarter; including a \$0.20-0.50/cwt. Class 4b price decrease and a \$0.40-0.75/cwt. Class 4a price decrease.

Utility Cow Prices

Comparing the fourth quarter of 2002 to the third quarter of 2002, average U.S. utility cow prices were down \$2.00/cwt. to a national average of \$35.69/cwt. USDA projects that utility cow prices will rise to \$39-40 levels in the first quarter of 2003.

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

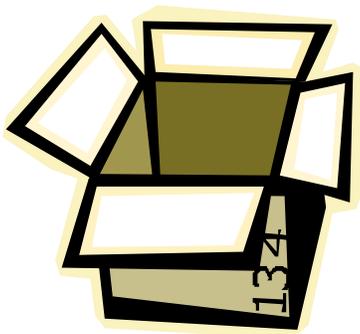
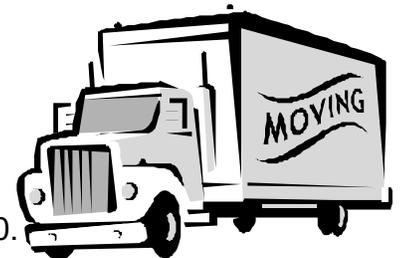


Dairy Marketing Branch moves

The Division of Marketing Services, including the Dairy Marketing Branch, (DMB) was relocated to the Downtown Mall office space at 560 J Street. The mailing address will remain 1220 N Street, Sacramento, CA 95814, however, the DMB offices will be physically located at 560 J Street, Suite 150. Phone and fax numbers will be referred to the new numbers for a few months, however, please make note of the new numbers now in use:

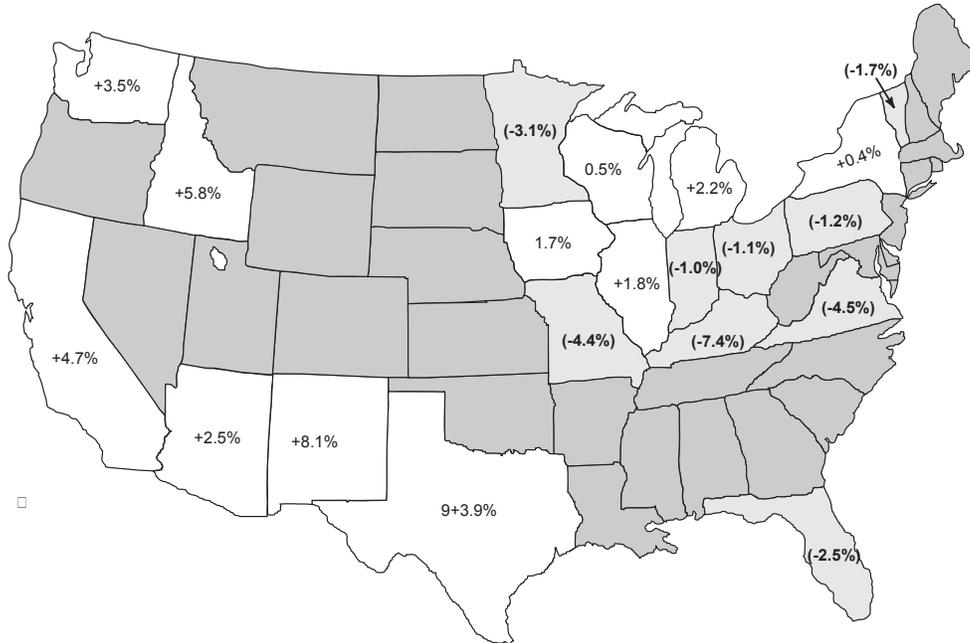
Dairy Marketing Branch phone (916) 341-5988 and fax (916) 341-6697.

Milk Pooling Branch phone (916) 341-5901 and fax (916) 341-5995.



The milk price information phone number 1-800-503-3490 will remain the same and the (916) 442-MILK price information line will also remain unchanged. 

February Milk Production in the Top 20 States (% Change from 2002)



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

- Milk production during February was up 1.7%
- The number of cows on farms was 9.154 million head, up 43,000 head
- Production per cow averaged 1,470 pounds, 18 pounds more than February 2002

Milk Production Cost Index for California

Month	Del Norte / Humboldt		North Bay		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
<i>Dollars per Hundredweight</i>												
January	14.68	15.39	13.66	14.17	12.60	12.97	12.09	12.90	13.04	13.10	12.5165	13.0110
February	14.68	15.39	13.66	14.17	12.60	12.97	12.09	12.90	13.04	13.10	12.5165	13.0110
March	12.66	13.18	13.10	14.11	12.39	12.50	12.00	12.49	13.20	12.98	12.3930	12.6245
April	12.66	13.18	13.10	14.11	12.39	12.50	12.00	12.49	13.20	12.98	12.3930	12.6245
May	11.43	11.59	13.15	13.36	12.66	12.50	12.39	12.94	13.57	13.05	12.7255	12.8019
June	11.43	11.59	13.15	13.36	12.66	12.50	12.39	12.94	13.57	13.05	12.7255	12.8019
July	11.75	11.36	13.50	13.82	12.75	12.59	12.95	13.57	13.91	13.42	13.0678	13.1835
August	11.75	11.36	13.50	13.82	12.75	12.59	12.95	13.57	13.91	13.42	13.0678	13.1835
September	12.89	12.22	13.57	14.37	13.04	12.89	12.99	13.39	14.19	13.70	13.2516	13.2803
October	12.89	12.22	13.57	14.37	13.04	12.89	12.99	13.39	14.19	13.70	13.2516	13.2803
November	14.23	13.00	14.09	14.23	12.86	12.99	12.69	12.78	13.45	13.26	12.9463	12.9767
December	14.23	13.00	14.09	14.23	12.86	12.99	12.69	12.78	13.45	13.26	12.9463	12.9767

HUNDREDWEIGHT POOL PRICES

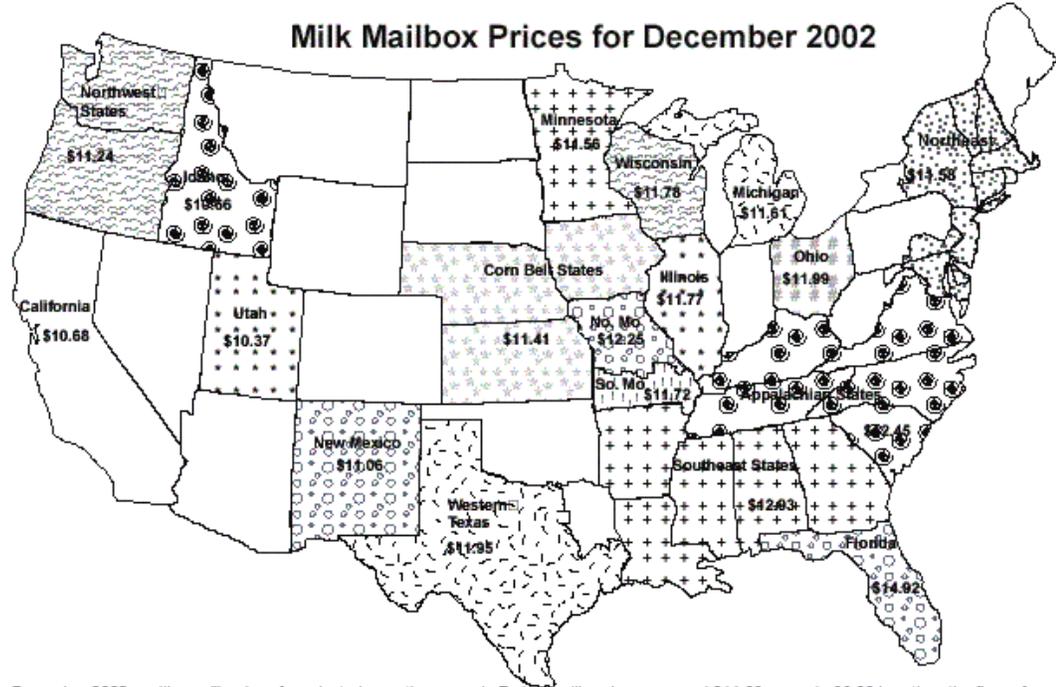
Month	Quota	Overbase
October '01	\$14.71	\$13.01
November	\$13.67	\$11.97
December	\$12.93	\$11.23
January '02	\$13.18	\$11.48
February	\$12.53	\$10.83
March	\$12.37	\$10.67
April	\$12.41	\$10.71
May	\$12.06	\$10.36
June	\$11.60	\$ 9.90
July	\$11.28	\$ 9.58
August	\$11.48	\$ 9.78
September	\$11.58	\$ 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

Milk Mailbox Prices in Dollars per Hundredweight

	June	July	August	September	October	November	December
California ¹	\$10.44	\$10.11	\$10.35	\$10.58	\$10.94	\$10.69	\$10.68
USDA ²	\$11.33	\$10.95	\$11.18	\$11.40	\$12.00	\$11.75	\$11.69

¹ California mailbox price calculated by CDFA.

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



In December 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.69 per cwt., \$0.06 less than the figure for the previous month. Most of this month-to-month decrease results from lower Federal milk order minimum producer milk prices. The component tests of producer milk in November 2002 were: butterfat, 3.79%; protein, 3.09%; and other solids 5.69%. On an individual reporting area basis, mailbox prices decreased in all reporting areas except four, and ranged from \$14.92 in Florida to \$10.37 in Utah. In December 2001, the Federal milk order all-area average mailbox price was \$13.21, \$1.52 higher.