CALIFORNIA
# Dairy Review
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California Department of Food and Agriculture
A.G. Kawamura, *Secretary*

## 2004 All-Hay Acreage is Down in California

*By Seth Hoyt, California Agricultural Statistics Service*

The USDA's Prospective Plantings report released March 31, 2004, indicates that California growers intend to harvest 1,480,000 acres of hay this year, 6% fewer acres than 2003. Growers in the seven western states intend to harvest 6,375,000 acres of hay, down 1% from 2003 and 4% below 2002.

While this report does not break out alfalfa from other hay, most industry sources predict lower alfalfa acres in California in 2004. However, cotton plantings were below earlier expectations due to a decline in the cotton market, particularly a drop in upland prices since October. Planting intentions for California were up 60,000 acres from 2003 (50,000 more Pima and 10,000 more upland acres). This compares to predictions by cotton industry sources last November of a 100,000 to 150,000 increase in overall cotton acreage. It appears cotton did not have as much impact on reducing alfalfa hay acres in central California, though many still believe overall alfalfa acres are down in that area compared to 2003.

Alfalfa hay acres in the Imperial Valley in mid-March were still running 16,000 acres below 2003, according to the Imperial Irrigation District (IID). The Palo Verde Water District was still working to finalize a water deal with the Metropolitan Water District that would idle 26,000 acres of farmland for many years, some of which would be alfalfa.

**Other Hay**. After further analysis and industry feedback, it is apparent the potential 90,000 acre reduction in all hay in California will not come exclusively from alfalfa. Seed company reps and other sources indicate that grain hay plantings were down significantly. A depressed oat hay market in 2003 was the biggest factor. Looking at oat plantings for all purposes in the March 31 report, which were 20,000 acres above 2003, one would think oat hay acres were up. However, sources report that oat forage mixes planted by dairies in central and northern California for silage or green chop are up from 2003. This is mainly due to very strong grain markets and a bullish outlook for hay prices. Wheat acres, including wheat for hay, were down substantially due to "rust" disease in 2003.

(Continued on page 6)

## March Milk Production

Milk production in California for March 2004 totaled 3.09 billion pounds, down 0.5 percent from March 2003. USDA's estimate for U.S. milk production for March 2004 in the 20 major dairy states is 12.8 billion pounds, down 1.8 percent from March 2003. Production per cow in the 20 major states averaged 1,656 pounds for March, 10 pounds below March 2003.

## Minimum Class Prices

Statewide average hundredweight prices

| Class | March | April | May |
|---|---|---|---|
| 1 | $13.87 | $15.91 | $ 15.91 |
| 2 | $11.45 | $13.79 | $ 13.79 |
| 3 | $11.29 | $13.62 | $ 13.62 |
| 4a | $13.93 | $ N/A | $ N/A |
| 4b | $15.57 | $ N/A | $ N/A |

## Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

| Regions | March | April | May |
|---|---|---|---|
| Phoenix, Arizona | $14.29 | $15.99 | $ N/A |
| Southern California | $14.01 | $16.05 | $21.53 |
| Portland, Oregon | $13.84 | $15.54 | $N/A |
| Northern California | $13.74 | $15.78 | $21.26 |
| **Boston (Northeast)** | **$15.19** | **$16.89** | **$ N/A** |

## Quota Transfer Summary

For March 2004, three dairy producers transferred 2,815 pounds of SNF quota. March quota sales averaged $450 per pound of SNF (without cows), an average ratio of 2.43. For April 2004, four dairy producers transferred 4,323 pounds of SNF quota. April quota sales averaged $444 per pound of SNF (without cows), average ratio of 2.50.

## Alfalfa Update: April

**Northern California:** By month-end, Premium and Supreme alfalfa was steady to firm with good demand, supplies moderate but more production becoming available. Fair and Good alfalfa was steady with good demand for dry cow hay, local supplies light. Retail and Stable hay was steady with light to moderate supplies. Weather has been favorable for hay production.

**Southern California:** Premium and Supreme alfalfa was steady with limited test, supplies are light. Fair and Good alfalfa steady to firm with moderate supplies. Retail and Stable hay was steady with moderate to light supplies as inventories get smaller. Rainy weather caught a fair amount of hay down in the field.

## Supreme Hay Prices

Statewide average prices per ton

| Area | 3/26 | 4/2 | 4/9 | 4/16 |
|---|---|---|---|---|
| Petaluma | $160 | —— | —— | $155-160 |
| North Valley[1] | $145-174 | $162 | $150-160 | $155-175 |
| South Valley[2] | $165-172 | $155-172 | $160-175 | $165-175 |
| Chino Valley | $147-158 | $150-158 | $147-152 | $150-152 |

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

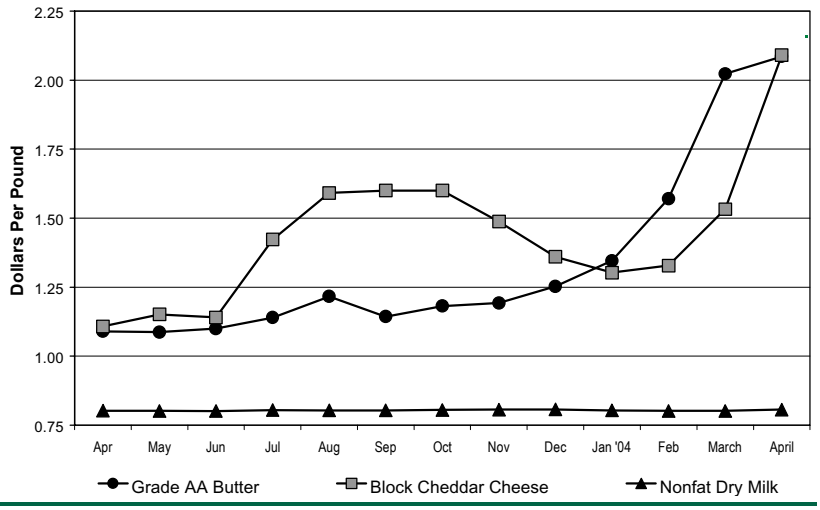
## Alfalfa Hay Sales/Delivery

| | March | April |
|---|---|---|
| Tons Sold[1] | 58,790 | 135,172 |
| Tons Delivered[2] | 38,270 | 72,350 |

[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



# BSE PRODUCER UPDATE

## Bovine Spongiform Encephalopathy (BSE) Diagnosed in North America

On December 23, 2003 the United States Department of Agriculture (USDA) diagnosed a case of BSE in a dairy cow from a herd in Washington State. The cow was born on April 9, 1997 in a herd in Alberta, Canada and was one of 81 animals from that herd imported into the U.S.

On May 20, 2003 the Canadian Minister of Agriculture confirmed a case of BSE in a 6-year-old beef cow from a herd in Alberta, Canada. Both of these cases were detected in the routine, targeted BSE surveillance program.

In 1993 a case of BSE was also diagnosed in Alberta, Canada in a beef bull imported from the United Kingdom (UK) in 1987. This animal had signs consistent with BSE in the importing herd. The animal and the herd it came from were destroyed, as were all offspring and all remaining animals imported from the UK.

## Enhanced BSE Surveillance Plan in U.S.

The USDA has initiated an enhanced targeted BSE surveillance plan following the diagnosis of BSE in Washington State. The aim of the plan is to define whether BSE is present in the National Herd and, if so, at what level. Over the next 12-18 months, samples will be collected from as many "high-risk" cattle over 30 months of age as possible that:

- Cannot rise or cannot walk
- Show neurological signs
- Are condemned, euthanized or died following signs that may be associated with BSE
- Die from unknown causes.

A USDA cost recovery system is planned to aid the cattle industry during this surveillance program. These costs include the transportation of carcasses, storage of products or carcasses, and the disposal of products.

A random sample of apparently healthy cattle over thirty months of age will also be taken at slaughter facilities.

## Overview of California's BSE Surveillance Plan

Regulatory personnel plan to collect brain samples at rendering facilities and other locations throughout California. Individual animal and premises of origin information will be collected with all samples. Samples will be delivered to the California Animal Health & Food Safety Laboratory in Davis for the rapid BSE screening test.

Carcasses or rendered products will be held until there is a negative laboratory result, and then they will be released.

Positive screening test samples will be sent to the National Veterinary Systems Laboratory in Iowa for confirmatory testing. A small percentage of samples may be false positives because of the sensitivity of the screening test. The carcasses or rendered products will be held secure if a sample is screen test positive. The confirmatory test, an immuno-histochemistry test, will determine if the sample is truly BSE positive or negative.

## Consequences of a BSE Diagnosis in California

Additional cases of BSE may be diagnosed during this surveillance. If the National Laboratory confirms BSE, the carcass and rendered products will be destroyed. The positive animal will be traced to its premises of origin and the herd will be held until a full epidemiological investigation has been completed. Additional herds may be held if they are associated with the case. The movement of milk will not be impacted if BSE is diagnosed.

Because BSE does not spread from animal to animal, only cattle directly associated with the case will be destroyed, not the entire herd. Cattle that consumed the same contaminated feed as the case will be traced and destroyed. Any offspring of the case will also be traced and destroyed. Producers' identification and movement records will be used to clear all but these associated animals. Other cattle may be taken if there is insufficient identification or records to determine their identity.

## Cattle Producers' Role in the Surveillance Plan

Testing as many "high-risk" cattle over 30 months of age as possible will assist the U.S. in resuming trade in beef and beef products. Producers can assist in this effort by:

- Ensuring all cattle, including dead animals, are identified before leaving the premises
- Keeping accurate animal identification and movement records
- Keeping accurate feed records
- Reporting cattle with neurological signs to your veterinarian
- Disposing of carcasses appropriately, such as with a licensed renderer.

| CDFA Animal Health Branch Offices | |
|---|---|
| Sacramento (HQ) | 916-654-1447 |
| Modesto | 209-491-9350 |
| Ontario | 909-947-4462 |
| Redding | 530-225-2140 |
| Tulare | 559-685-3500 |
| **USDA/APHIS/VS** | 916-857-6170 or 877-741-3690 |

**For more information, visit Web sites at: www.cdfa.ca.gov or www.aphis.usda.gov/vs**

# Cattle Producer Update


## Bovine Tuberculosis (TB) in California

One year ago, California was classified as **Modified Accredited Advanced (MAA)** because bovine TB had been confirmed in three dairy herds since May 2002 - two in Tulare County and one in Kings County. All three herds were quarantined, the cattle destroyed, and the affected premises cleaned and disinfected. All three herds have been repopulated and have TB tested negative. California will reapply for Accredited Free status in April 2005, if no additional infected herds are detected.

## Update

As of April 1, 2004, 720,044 cattle in 563 herds have been tested for bovine TB since this investigation began, and about 13,000 cattle have been depopulated.

| Cumulative Since May 13, 2002 | |
|---|---|
| Number of herds tested | 563 |
| Number of animals tested | 720,044 |
| Number of herds quarantined | 3 |
| Number of cattle destroyed | ~13,000 |
| Average number of field personnel | 30 |

## Summary of Events

May 2002: First infected herd detected.
June 2002: Negative TB test required on dairy breeding cattle more than 6 months old leaving California.
Oct. 2002: Second infected herd detected.
Nov. 2002: First infected herd depopulated.
Jan. 2003: Third infected herd detected.
Mar. 2003: Second infected herd depopulated.
April 2003: Third Infected herd depopulated. California reclassified as Modified Accredited Advanced.
May 2003: Tri-county area testing started.
Aug. 2003: Negative TB test required on dairy breeding cattle more than 6 months old entering California.
Feb. 2004: All repopulated herds have TB tested negative.

## California's Eradication Plan

CDFA, USDA and the cattle industry are currently:

- Testing cattle on all dairies in Fresno, Kings and Tulare Counties.
- Enhancing slaughter surveillance in all California's slaughter plants.
- Improving live cattle testing procedures through training and education.
- Preparing to apply for Free status in April 2005.

## TB Surveillance in California

Surveillance in live cattle and at slaughter is key to eradicating TB. Testing cattle entering or leaving California ensures infected animals are detected rapidly.

TB screening tests have a high false positive rate - a 1% caudal-fold response rate is standard - due to cattle health and environmental issues. Most of these cattle are negative on the confirmatory test done by regulatory veterinarians. Guidelines enhancing the quality of practitioner tests are being developed.

All cattle are examined for TB lesions at slaughter, and the goal for good surveillance is to examine tissues from 1 animal in the laboratory for every 2,000 adult cattle killed. California's high cull rate - approximately 30% annually - helps TB surveillance. California continues to set high standards for slaughter surveillance; this enhanced surveillance led to the detection of the first and third infected herds.

## Cattle Leaving California

All breeding cattle and bison leaving California require official identification and a negative official TB test within 60 days of being moved, unless they are:

- Moved directly to slaughter at an approved slaughter plant
- From an accredited herd with a certificate showing the herd completed all testing for accredited status with negative results within one year before moving.

These TB requirements do not apply to sexually intact heifers moving to feedlots, or steers and spayed heifers. Some states have more restrictive policies - always check with the state of destination when moving cattle.

Breeding beef cattle 24 months of age and older moving to neighboring states annually for grazing on approved Pasture-to-Pasture permits require a TB test by January 2005. These herd tests are valid for three years for the annual Pasture-to-Pasture permits.

## Michigan Granted Split State TB Status

Michigan was granted Split State Tuberculosis Status on April 19, 2004. Previously, the entire State of Michigan was classified as Modified Accredited (MA) for cattle and bison. The new MA zone includes 11 counties and a portion of two counties. The designation of the remaining counties is raised to MAA.

| CDFA Animal Health Branch 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 |
| **USDA/APHIS/VS** 916-857-6170 or 877-741-3690 | |


*See end of article for information on submitting questions*

**Q When buying or selling quota, does the ratio matter?**

**A** The ratio in question is a simple calculation that involves dividing the pounds of quota solids–not–fat (SNF) by pounds of quota fat being transferred. Prior to 1994, both the fat and SNF components of the quota price carried value. The price of the quota transfer was tied directly to the pounds of fat. Consequently, a high ratio for any quota transferred was desirable, as the higher the ratio, the more quota SNF that came with each pound of quota fat.

In 1994, the $1.70 per cwt. fixed differential between the quota price and the overbase price was instituted. At the same time, all of the price differential above the overbase price was assigned to SNF, i.e., the price for quota fat was set equal to the price for overbase fat. As a result, the ratio cannot be used in the same way to assess potential quota purchases or sales. If the manner in which the quota and overbase prices are calculated changes, then the ratio may have more meaning than it does today.

**Q Does a producer have to own quota to get a transportation allowance?**

**A** No. Transportation allowances apply to all market (grade A) milk moving from dairy farms to plants in qualifying areas that process more than 50 percent of the milk received into Class 1, Class 2, and/or Class 3 products. In addition, cooperative organizations receive transportation allowances on shipments to their plants if the plant is located in a deficit area and if the plant supplies 40 percent of its receipts for Class 1 usage.

Transportation allowances were instituted as a means of encouraging milk to move to fluid milk plants and other “higher use” plants. They are set up to provide partial compensation to producers for the cost of hauling milk to specific plants. As such, any producer who ships milk to a qualified plant is eligible to receive a transportation allowance, which is based on the distance from the dairy to the plant and the volume of milk shipped.

*Note: Send your “Questions to the Corral” via the branch website email address: dairy@cdfa.ca.gov or contact Karen Dapper by phone at (916) 341-5988.*

## Milk Mailbox Prices for 2003

## Hay Acreage *(from Page 1)*

**Other Developments**. Since my last article published in late 2003, there has been a significant increase in dairy replacement heifers shipping into California and higher alfalfa hay imports. In the first two months of 2004, 27,169 dairy heifers were shipped into California, up 50% from the first two months of last year. Tight supplies of dairy replacement heifers in California and a return to profitability in the dairy industry have driven springer heifer prices sharply higher than 2003. The market on April 1, 2004, ranged from $1,700 to $2,300 per head with reports of penlots (several head per lot) selling at $2,150 per head at a major dairy auction in central California. Stronger milk prices enabled California dairy heifer buyers to be much more competitive in other states.

Alfalfa hay shipments into California the first two months of 2004 were up 11% from the same period in 2003. Nevada shipments were up 13% in the two- month period. The most dramatic turn-around was from Utah, up 72%. Due to below normal TDN tests in 2003, and the liquidation of many beef cows over the past three years because of drought, Utah's hay stocks were 25% higher on December 1, 2003. In recent months it appears that the top end of old crop hay stocks in Utah were being purchased by California dairy buyers due to attractive prices. On March 26, 2004, Premium and Supreme alfalfa in Utah traded from $65.00 to $85.00 per ton, fob, according to Market News. If Nevada and Utah achieve more normal hay tests this year, don't be surprised to see more alfalfa shipped to California.

**Milk Futures**. If you watched Milk futures prices on the Chicago Board of Trade over the past 45 days, you witnessed history in the making. What a difference a year makes!! On April 1, 2004, April and May milk futures prices closed at $18.91 and $18.88, respectively. The $18.91 price for April shatters the previous record high of $17.00. Last year's April futures price was $9.81 and the Statewide Overbase milk price in California was $9.32/cwt. The Statewide Overbase milk price in California in February 2004 was $11.62/cwt.

This is good news for California alfalfa growers who have seen dairy customers struggle the past two years. While sharp upward price swings can sometimes cause more harm than good the following year, this upturn in milk prices is exactly what California's hay and dairy industries needed to heal financial wounds from the past two years. In 2004, alfalfa hay, particularly milk cow quality hay, should move readily in most areas of California and prices should be strong for much, if not all of the year.

## National Dairy Situation and Outlook – USDA Estimates

**Milk Production and Cow Numbers**

Monthly: Compared to 2003, USDA estimates that overall milk production across the U.S. was down 0.9% in March, led by Texas' 6.8% growth in milk production (on 3,000 less cows and 115 more pounds per cow). California's estimated production was down 0.6% (on 27,000 more cows and 40 less pounds per cow). Among other western states, Arizona was up 0.6%; New Mexico down 0.2%; and Washington down 4.5%. Two of the top 10 states reported an increase: Idaho 2.3% and Arizona 0.6%.

Quarterly: For the first quarter of 2004 compared to the fourth quarter of 2003, U.S. milk cow numbers were down 2.3% at 8.990 million, production per cow was up 3.6%; the net effect was a 3.4 increase in milk production to 42.9 billion pounds. USDA projects that for the second quarter of 2004 compared to the first quarter of 2004, U.S. milk cow numbers will decrease 30,000 cows to 8.960 million cows, production per cow will be up 2.4%; the net effect would be a 2.1% increase in milk production to 43.8 billion pounds.

**Milk Prices**

Comparing the first quarter of 2004 to the fourth quarter of 2003, U.S. average milk prices were down $0.60/cwt. to $13.83/cwt. USDA projects that for the second quarter of 2004, U.S. average milk prices will be up $4.00-$4.50/cwt. compared to the first quarter; including a $5.50-$6.00 increase/cwt. Class 4b price change and a $1.10-1.60 increase/cwt. Class 4a price change.

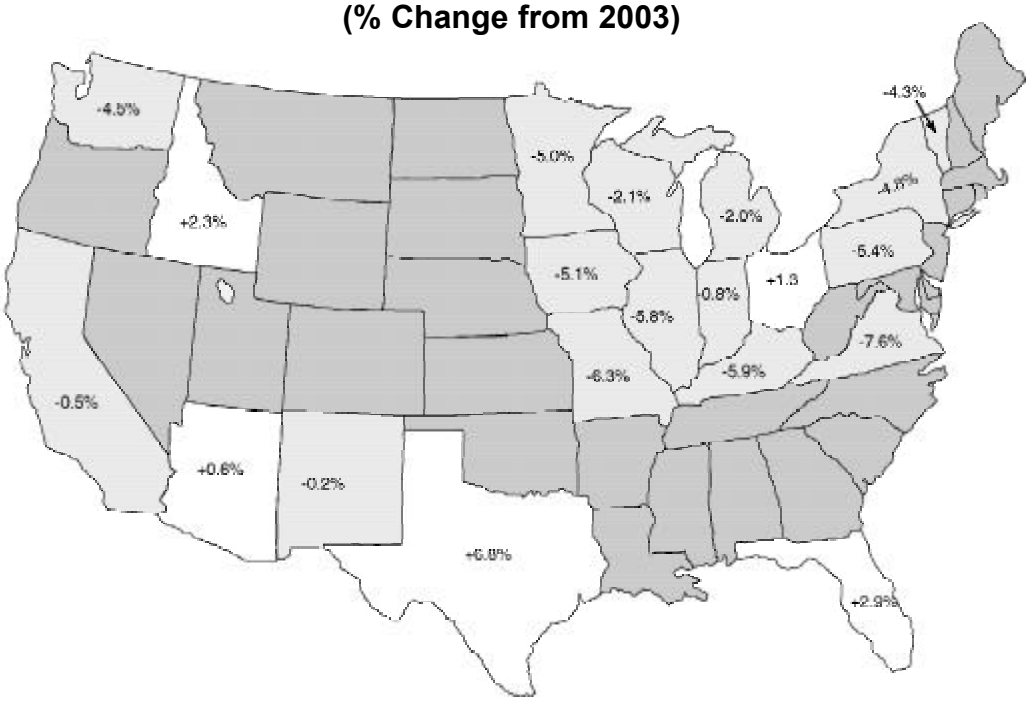
**Utility Cow Prices**

Comparing the first quarter of 2004 to the fourth quarter of 2003, average U.S. utility cow prices were down $2.10/cwt. to a national average of $47.50/cwt. USDA projects that utility cow prices will average $47-49 in the second quarter of 2004.

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

# March Milk Production in the Top 20 States

**(% Change from 2003)**




**For the U.S. overall, comparing March 2004 to March 2003:**

- Milk production during March was down 0.9%
- The number of cows on farms was 8.988 million head, down 150,000 head
- Production per cow averaged 1,638 pounds, 8 pounds less than March 2003
- Fifteen of the top twenty producing states showed a decrease in milk production

As reported by USDA
and CDFA (for California)

# California Milk Pricing Seminar

*Presented by the CDFA Dairy Marketing Branch*

**May 13, 2004 - 9 a.m. to 12 Noon**

U.C. Cooperative Extension Office, Ag Center - Tulare, California

The seminar will focus on:

- History of pricing and pooling regulations
- Basics of pricing formulas
- How to read your milk statement
- Questions and answers on current topics

*For information or questions regarding the seminar,*
*contact Eric Erba or Candace Gates at (916) 341-5988*

# Hundredweight Pool Prices

| Month | Quota | Overbase |
|---|---|---|
| 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 |
| November | $13.56 | $11.86 |
| December | $13.09 | $11.39 |
| January '04 | $12.71 | $11.01 |
| February | $13.32 | $11.62 |
| March | $15.44 | $13.74 |

# Milk Mailbox Prices

**Milk Mailbox Prices in Dollars per Hundredweight**

| | July | August | September | October | November | December | January '04 |
|---|---|---|---|---|---|---|---|
| California[1] | $11.53 | $12.75 | $13.24 | $13.46 | $12.82 | $12.54 | $12.11 |
| USDA[2] | $11.72 | $12.92 | $14.28 | $14.88 | $14.50 | $13.81 | N/A |

[1] California mailbox price calculated by CDFA.
[2] All federal milk market order weighted average, as calculated by USDA.




Information for all reporting areas was not available at press time, the all area average was not calculated for this map. The component tests of producer m in January 2004 were: butterfat, 3.77%; protein, 3.09; and other solids 5.70%. On an individual reporting area basis, mailbox prices decreased in all reportin areas. In January 2003, the Federal milk milk order all-area average mailbox price was $11.61.

Note: Beginning with this report, a new reporting area - Indiana - is shown.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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

**Milk Pricing Information:**
Within California 1-800-503-3490
Outside California 1-916-442-MILK

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





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