

CALIFORNIA

# Dairy Review

VOLUME 9 ISSUE 5

MAY 2005

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

## CALIFORNIA REGAINS ACCREDITED-FREE STATUS FOR BOVINE TUBERCULOSIS

### *Federal Restrictions Lifted on Movement of Cattle*

Nearly two years after losing Accredited-Free status due to an outbreak of bovine tuberculosis among dairy herds in Kings and Tulare counties, the State of California has regained that status, following publication of an interim rule in the Federal Register dated April 15, 2005. As a result, a federal requirement that cattle leaving California be tested for TB has been lifted.

"It has been a long road to reach this point, and, of course, it is welcome news for California's cattle industry, which is one of our dedicated partners in animal disease prevention," said State Veterinarian Dr. Richard Breitmeyer. "I want to commend both CDFA and USDA staff for their hard work enabling us to regain our Accredited-Free status."

Following the bovine TB detections, veterinarians tested 876,069 cattle from 688 herds to make sure the disease had not spread further. In addition, new rules were put in place requiring that breeding dairy cattle entering California be tested to prevent reintroduction of the disease. Vigilance in TB surveillance at slaughter plants is critical in preventing this disease from ever becoming re-established in the state.

In publishing the interim rule, the USDA noted that California has zero prevalence of affected herds and has had no findings of tuberculosis in any herds in the two years since the depopulation of the last affected herd.

The publication of the interim rule is accompanied by a comment period through June 14, 2005, after which the rule may be modified. More information is available at:

[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2005\\_register&docid=fr15ap05-1.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2005_register&docid=fr15ap05-1.pdf)



## March Milk Production

Milk production in California for March 2005 totaled 3.22 billion pounds, up 3.9 percent from March 2004. USDA's estimate for U.S. milk production for March 2005 in the 23 major dairy states is 12.3 billion pounds, up 3.1 percent from March 2004. Production per cow in the 23 major states averaged 1,704 pounds for March, 43 pounds more than March 2004. ☀

## Minimum Class Prices

Statewide average hundredweight prices

Class	March	April	May
1	\$16.21	\$15.88	\$16.51
2	\$13.48	\$13.25	\$13.25
3	\$13.31	\$13.08	\$13.08
4a	\$12.31	N/A	N/A
4b	\$13.87	N/A	N/A

## Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	March	Apr	May
Phoenix, Arizona	\$17.78	\$16.48	N/A
Southern California	\$16.35	\$16.02	\$16.65
Portland, Oregon	\$17.33	\$16.03	N/A
Northern California	\$16.08	\$15.74	\$16.38
Boston (Northeast)	\$18.68	\$17.38	N/A

## Quota Transfer Summary

For March 2005, four dairy producers transferred 3,325 pounds of SNF quota. February quota sales averaged \$474 per pound of SNF (without cows), average ratio of 2.47. For April 2005, eight dairy producers transferred 18,213 pounds of SNF quota. April quota sales averaged \$475 per pound of SNF (without cows), average ratio of 2.44. ☀

## Alfalfa Update: April

**Northern California:** Supreme and Premium alfalfa was not well tested and supplies very light. Dairies are starting to get short on hay supplies. Fair and Good alfalfa lightly tested with good demand but light supplies. Retail and Stable hay was steady in light test with moderate supplies. Producers beginning to lay down new hay crop providing the weather cooperates.

**Southern California:** Premium and Supreme alfalfa was steady to firm with good demand and moderate supplies. This type hay is moving quickly. Fair and Good alfalfa was steady in a light test with moderate supplies. Retail and stable hay was steady with very good demand, but supplies are light. Weather has been good for producers getting second cutting baled. ☀

## Supreme Hay Prices

Statewide average prices per ton

Area	3/25	4/1	4/8	4/15
Petaluma	N/A	N/A	N/A	N/A
North Valley <sup>1</sup>	\$197-205	\$210	\$190-210	\$180-200
South Valley <sup>2</sup>	\$189	\$185-207	\$185-211	\$187-208
Chino Valley	\$175-176	N/A	\$185	\$175-190

<sup>1</sup> North Valley is Escalon, Modesto and Turlock areas.

<sup>2</sup> South Valley is Tulare, Visalia and Hanford areas.

## Alfalfa Hay Sales/Delivery

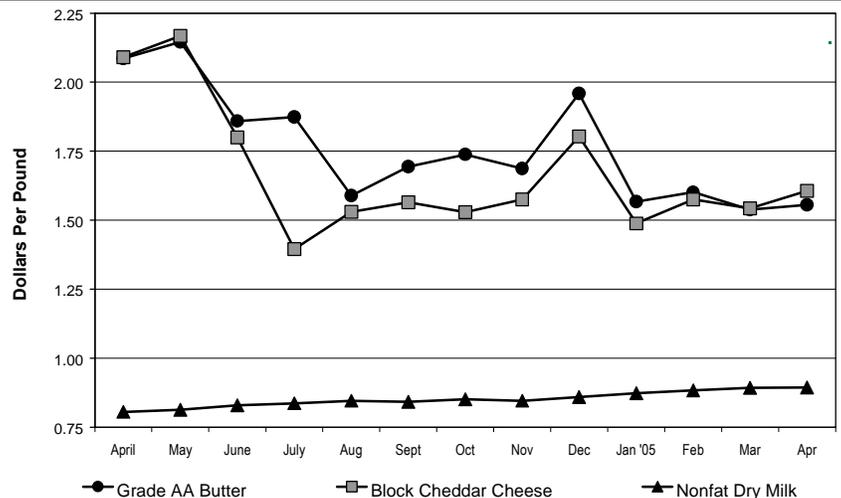
	March	April
Tons Sold <sup>1</sup>	29,162	83,105
Tons Delivered <sup>2</sup>	17,480	36,605

<sup>1</sup> For current or future delivery.

<sup>2</sup> 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**



# All Hay Prospective Plantings Are Up In California, Mixed in the West

by Seth Hoyt, California Agricultural Statistics Service

The USDA Planting Intentions report issued March 31 indicates which of the seven western states have poor prospects for irrigation water in 2005. Growers in the Northwest states of Idaho, Oregon, and Washington intended to harvest nearly 2% fewer hay acres in 2005. Growers in the other four western states, California, Arizona, Nevada and Utah, were planning to harvest 3% more hay in the coming season. It is not surprising that hay planting intentions were down in the Northwest given the very dry conditions.

## Bucking A Trend

Historically, following a strong hay market year like 2004, growers in the two largest hay producing states in the West, California and Idaho, would normally plant more hay. California growers intended to plant 3% more hay acres in 2005 while Idaho plantings were pegged to be 2 percent lower than last year. The disparity between Idaho and California hay planting intentions would have been even greater were it not for above normal rainfall in California that hampered planting in the fall through early spring.

A question on the minds of some in the California hay and dairy industries is: *Will Idaho produce enough high quality alfalfa hay in 2005 to meet the demand of their growing dairy industry?* The latest (April 8) development in Idaho is that about 100,000 acres of farm land will be taken out of production in 2005 in an effort to conserve water.

The Ag industry, working with the State legislature, came up with a plan that averted the potential for a much bigger hit to growers in Idaho. The good news for Idaho dairies is that it appears that much of the 100,000 acres to be taken out of production may be potato and sugar beet acreage. This could hold Idaho alfalfa hay acres close to 2004, according to sources. Depending on weather and production, this may temper the potential for dairy hay buyers in Idaho to be more aggressive in purchasing hay in Utah and Nevada. While Idaho received some moisture and snow in recent weeks, the snow pack is still only 60% of normal.

When comparing alfalfa hay acres between California and Idaho in 2004, Idaho with 1,180,000 acres was 12% above California's 1,050,000. With a shorter growing season and a yield of four tons per acre, however, Idaho's actual alfalfa hay production in 2004 was 36% below California. Except for Arizona, no other state came close to California's seven tons to the acre

yield. Idaho dairy cow numbers grew 6% the past year compared to 2% growth in California. However, California continues to far outpace Idaho in dairy cow numbers at 1,742,000 head vs. Idaho's 437,000 head as of February 2005.

## A Closer Look

A further analysis of the Prospective Planting report points to some developments not seen in the face value numbers. For example, due to a wet fall and winter in California, oat hay and seed plantings were down in some areas, particularly central California, according to seed company representatives. However, California's **all** oat plantings in the Prospective Planting



report were estimated to be 4% higher than 2004. It appears that the main reason is that some dairies planted more oat forage mixes to be harvested for silage, much of this in the Central Valley. This is not really surprising as dairy producers can see that hay supplies could be tight, at least for part of the year, and want to hedge against that situation. One wonders how much of the 20,000 acre increase in corn planting intentions in 2005 will be corn silage?

When analyzing alfalfa hay acres for 2005, we won't have an accurate picture until the June 30 acreage report. In talking with seed company representatives, it appears that much of the increase in all hay acres could be alfalfa. Sources think oat hay acreage could be down in California this year. However, some say volunteer oats harvested for hay could be up due to

(Continued on next page)

## Hay Outlook - Continued from Page 3

above normal rain and excellent growth. Sources believe Sudan hay acres in the central and northern valley areas will range from unchanged to lower. Imperial Valley sources believe Sudan hay acres will be up in 2005 due to a strong market in 2004.

In the scenario that the 50,000 acre increase in all hay acres in California in 2005 was alfalfa, it would push alfalfa hay acres 5% above 2004. Sources don't see a 5% increase in alfalfa acres having a negative impact on the market. With hay inventories so low, combined with the number of dairies that need hay, it would probably take 10% or more acres to put bearish pressure on alfalfa hay prices.

In comparison, 2002 alfalfa hay acres in California increased 15% from 2001, which did cause a bearish alfalfa hay market, particularly the second half of the year. Another factor to consider is that dairy cow numbers in California as of February 2005 are up by 100,000 head from mid-2002.

### Record Shipments

To further illustrate how tight supplies have been this winter and early spring, let's take a look at alfalfa hay shipments into California. February shipments set a record high for the second consecutive month with 76,202 tons crossing into California. This is 36% more than a year ago and 14% higher than the previous record for February in 1999. Large alfalfa hay shipments continue to come from Nevada and Utah. Following a trend from last year, 60% of the 24,557 tons shipped from Utah in February went to Tulare County dairies.

Tight alfalfa hay supplies are also evidenced by the current record high prices of \$140.00 to \$155.00 per ton, fob in the southern California desert on new crop Premium and Supreme alfalfa. This translates to delivered prices to dairies in the Tulare-Visalia-Hanford-Bakersfield areas, ranging from \$172.00 to \$211.00 per ton, according to Market News.

Production costs for hay growers and dairy producers are being negatively impacted by higher fuel and fertilizer costs, raising the bar on breakeven costs. One hay producer told me that he contracted alfalfa hay for 2005, and told the dairy hay buyer there would be a surcharge on the delivered price if fuel prices were above a certain level.

Who said there aren't dynamics in the California and western states hay industry? 

## Establishment of Increased Inspection Fees and Brand Fees

A fee increase may occur if costs to administer and to enforce the statutes require a greater fee. Sections 20760 and 21291 of the California Food and Agricultural Code authorize the Secretary to increase fees up to 20 percent of the statutory fee. The action of the Secretary to increase fees is initiated by a recommendation by the Livestock Identification Advisory Board.

On March 17, 2005, the Livestock Identification Advisory Board met and passed a motion by the required two-thirds vote to recommend that Secretary A.G. Kawamura increase some of the fees associated with the Bureau of Livestock Identification. Secretary Kawamura has approved the following fee increases

### Effective May 1, 2005

- Increase the *Service Charge* from \$10.00 to \$12.00.
- Impose the *Service Charge* for all brand inspection sites (Country or Ranch Inspections), **except cattle consigned to a destination inspection site (for example, salesyards, feedlots, slaughter plants and fairs).**
- Increase the fee of a *Brand Application* from \$50.00 to \$60.00
- Increase the fee of a *Brand Transfer* from \$50.00 to \$60.00
- Increase the fee for *Brand Re-recording* for a cancelled or forfeited brand from \$100.00 to \$120.00

To address the on-going deficit, the Bureau of Livestock Identification will conduct a review of its current fee structure and an analysis of projected expenditures on a long-term basis. The Bureau will meet with Department staff, beef and dairy representatives and the advisory board to develop a consensus that defines an adequate fee structure for the continuation of the Bureau.

For more information, please contact Greg Lawley at (916) 654-0889. 

## Taiwan Reopens Market for U.S. Beef Products

WASHINGTON, April 7, 2005 -The USDA announced that Taiwan is lifting its ban on U.S. boneless beef from animals under 30 months of age effective April 16, 2005.

"We are very pleased with this development because it is further significant progress in our efforts to reopen global markets for U.S. beef," said Agriculture Secretary Mike Johanns. "This action demonstrates Taiwan's commitment to trade in beef and beef products based on internationally accepted scientific standards for human and animal health. Our goal is the resumption of normal beef trade throughout the world and we are working tirelessly to that end."

In 2003, the United States exported more than \$76 million worth of beef to Taiwan, with boneless beef products accounting for \$56 million. As a result of this action, Taiwan's market is now open to more than 90 percent of total U.S. ruminant and ruminant products whose value had reached \$325 million in 2003. 

## Kansas to Test Extensively for TB in Cattle

Kansas animal health authorities began testing 84,000 dairy cattle for tuberculosis after animals from infected herds in New Mexico and Arizona were traced to dairies in southwest Kansas, the state's top veterinarian said. Kevin Varner, chief veterinarian in charge of the U.S. Department of Agriculture in Kansas, said no TB cases in cattle have been found in Kansas, but several dairies received animals from places where infected cows have been found — a dairy in New Mexico and a heifer-raising facility in Arizona. It is not known whether any of the animals brought to Kansas had TB.

The extensive tuberculosis testing of Holsteins in Kansas — which is expected to take four weeks to complete — is unprecedented in the state. Kansas has not had a case of tuberculosis in cattle since 1995, said George Teagarden, Kansas animal health commissioner. The state would need to find two infected herds within two years to lose its TB-free designation. If the state loses its TB-free certification, other states would require any Kansas cattle imports to be tested prior to delivery. 

## Class 1 Hearing Reminder

On February 9, 2005, the Department received a petition from Dairy Institute of California (Dairy Institute), requesting a public hearing to consider amending the Commodity Reference Price (CRP) adjuster employed in the Class 1 (milk used in fluid products including lowfat, reduced-fat, and nonfat milks) milk pricing formulas.

The Department has called two public hearings: the first to consider amendments to the Stabilization and Marketing Plan for Market Milk for the Northern California Marketing Areas, and the second to consider amendments to the Stabilization and Marketing Plan for Market Milk for the Southern California Marketing Areas (collectively, Plans).

**The Northern California hearing will be held on May 3, 2005.** The hearing will begin at 8:30 am at the Red Lion Hotel, 1401 Arden Way (please note that this is a corrected address), Sacramento.

**The Southern California hearing will be held on May 6, 2005.** The hearing will begin at 8:30 am at the Ontario Airport Marriott, 2200 E Holt Boulevard, Ontario.

The hearings will consider Dairy Institute's proposed consolidated changes to specific components of the current Class 1 pricing formulas and any other aspect of the Class 1 formulas that are raised by alternative proposals received in the time and format required. Additionally, because any change in the relative Class 1 prices between Northern and Southern California affects the ability of processors to move milk plant-to-plant, the hearings will consider adjustments to the Transportation Credits, but only to the extent that there are changes to the relative Class 1 prices. If any interested party has questions regarding the call of this hearing please contact Dave Ikari at (916) 341-5988. 

## Free Guide On the Well-Being of Dairy Animals on California Dairies Now Available

A free guide to evaluating the well-being of dairy animals on California dairies is now available online at [www.cdqa.org/ahw](http://www.cdqa.org/ahw). The guide was created as a teaching tool for use by the California Dairy Quality Assurance Program. This program is designed to accurately evaluate the well-being of dairy animals on facilities of all sizes and locations through the state. The guide will cover an assessment of the dairy facility and a technical guide providing science-based information on the best management practices. Funding for the guide was provided by the California Dairy Research Foundation. 

## Update to Ineligible List

### Update to the Ineligible List for Coverage Under the Milk Producers Security Trust Fund:

Ariza Cheese Company in Paramount, California supplied a surety bond to the Department as required when purchasing bulk milk from producers (including producer-owned cooperatives).

Therefore, Ariza Cheese Company was removed from the List of Milk Handlers Ineligible for Coverage Under the Milk Producers Security Trust Fund effective April 11, 2005. 

## Dairy Checkoff's "Real People, Real Results" Promotion

Through their checkoff program, America's dairy producers are reminding consumers about dairy's role in weight loss, specifically around the abdominal region, with the launch of the 3-A-Day™ of Dairy "Real People, Real Results" promotion. The timing aims to build on the upcoming "swimsuit season" as a compelling reason for the public to meet weight loss goals.

The promotion kicked off in April and highlights weight loss success stories with testimonials from successful dieters who included three servings of dairy a day in their plans. The promotion also works with key partners, including *People* magazine, WebMD® and Pillsbury Bake-Off®. 

## USDA Clamps Down on Producer-Handlers

Western dairy farms that bottle and market their own milk outside the realm of the Federal Milk Marketing Order system can only do so up to a certain point. According to a preliminary decision by the USDA last week, dairy farms in two Western federal orders can only sell 3 million pounds per month before they are subject to the pooling and pricing provisions of the federal-order system. 

## Drug Residues in Milk Continue to Decline

Keep up the good work! The latest National Milk Drug Residue Database report for fiscal 2004 shows the dairy industry has achieved its lowest level ever of milk samples testing positive for antibiotic residues — just 0.044 percent. The annual sampling program tests milk tankers being delivered to U.S. processing plants. More than 3.5 million samples were tested. The report can be viewed online at:

[www.kandc-sbcc.com/nmdrd/](http://www.kandc-sbcc.com/nmdrd/) 

## National Dairy Situation and Outlook – USDA Estimates

### Milk Production and Cow Numbers

Monthly: Compared to 2004, USDA estimates that overall milk production across the U.S. was up 2.8% in March, led by Idaho's 12% growth in milk production (on 30,000 more cows and 90 more pounds per cow). California's estimated production was up 3.9% (on 38,000 more cows and 90 more pounds per cow). Among the western states, Arizona was up 2.7%; New Mexico down 0.2%; and Washington up 3.9%. One of the top 10 states reported a decrease: New Mexico -0.2%.

Quarterly: For the first quarter of 2005 compared to the fourth quarter of 2004, U.S. milk cow numbers were down 0.4% at 8.980 million, production per cow was up 3.4%; the net effect was a 2.9% increase in milk production to 43.2 billion pounds. USDA projects that for the second quarter of 2005 compared to the first quarter of 2005, U.S. milk cow numbers will decrease 20,000 cows to 8.960 million cows, production per cow will be up 3.5%; the net effect would be a 3.15% increase in milk production to 44.7 billion pounds.

### Milk Prices

Comparing the first quarter of 2005 to the fourth quarter of 2004, U.S. average milk prices were down \$0.30/cwt. to \$15/68/cwt. USDA projects that for the second quarter of 2005, U.S. average milk prices will be down \$0.50-\$1.20/cwt. compared to the first quarter; including a \$0.35-\$0.75 decrease/cwt. Class 4b price change and a \$0.0-0.50 decrease/cwt. Class 4a price change.

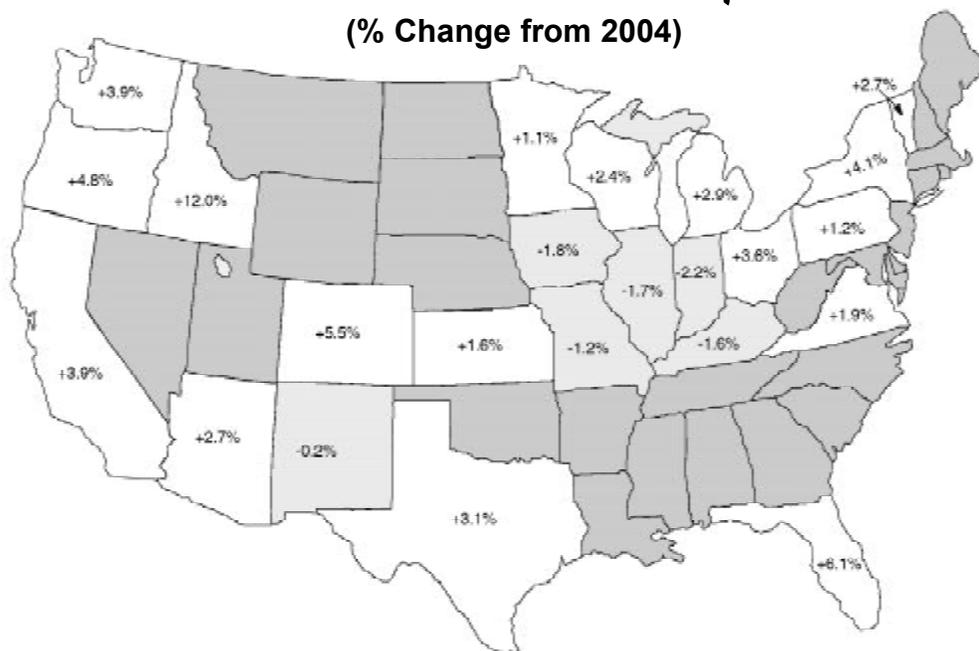
### Utility Cow Prices

Comparing the fourth quarter of 2004 to the third quarter of 2004, average U.S. utility cow prices were down \$5.50/cwt. to a national average of \$50.78/cwt. USDA projects that utility cow prices will average \$53-54 in the first quarter of 2005.

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

## March Milk Production in the Top 23 States

(% Change from 2004)



**For the U.S. overall, comparing March 2005 to March 2004 (not adjusting for leap year):**

- Milk production during March was up 2.8%
- The number of cows on farms was 9.010 million head, up 8,000 head
- Production per cow averaged 1,684 pounds, 44 pounds more than March 2004
- Seventeen of the top twenty-three milk producing states showed an increase in milk production

As reported by USDA  
and CDFA (for California)

## Milk Production Cost Comparison Summary for California <sup>1/</sup>

By Month, January 2004-December 2005

Month	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
<i>Dollars per Hundredweight</i>										
January	15.45	15.33	13.82	13.37	12.19	13.14	12.82	13.82	12.98	13.36
February	15.81		13.61		12.47		12.96		13.06	
March	14.37		13.16		12.24		13.08		12.77	
April	13.77		13.27		12.50		13.07		12.91	
May	13.44		13.23		12.76		13.35		13.04	
June	13.70		13.45		13.09		13.63		13.32	
July	13.66		13.03		12.83		13.41		13.01	
August	14.16		13.00		12.82		13.48		13.03	
September	14.33		13.44		13.11		13.56		13.34	
October	14.22		13.43		13.08		13.38		13.29	
November	15.25		13.91		13.43		14.17		13.77	
December	15.17		13.71		13.26		13.96		13.59	

<sup>1/</sup> Cost Comparison Summary data includes an allowance for management and a return on investment.

# Hundredweight Pool Prices

Month	Quota	Overbase
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
April	\$18.23	\$16.53
May	\$18.69	\$16.99
June	\$17.46	\$15.76
July	\$15.03	\$13.33
August	\$14.74	\$13.04
September	\$15.21	\$13.51
October	\$14.81	\$13.11
November	\$15.74	\$14.04
December	\$15.74	\$14.04
January '05	\$15.50	\$13.80
February	\$14.96	\$13.26
March	\$14.98	\$13.28

# Milk Mailbox Prices

## Milk Mailbox Prices in Dollars per Hundredweight

**	July*	August	September*	October	November	December*	January
California* <sup>1</sup>	\$13.91*	\$13.73*	\$14.37*	\$14.12*	\$15.23*	\$15.18*	\$14.85
USDA <sup>2</sup> *	\$16.32*	\$14.75*	\$15.37*	\$15.58*	\$16.12*	\$16.38*	\$15.89

<sup>1</sup> California mailbox prices calculated by CDFAs.

<sup>2</sup> All federal milk market order weighted average, as calculated by USDA.



In January 2005, mailbox prices for selected reporting areas in Federal milk orders averaged \$15.89 per cwt., \$0.49 less than the figure for the previous month. The component tests of producer milk in January 2005 were: butterfat, 3.75%; protein, 3.08%; and other solids 5.69%. On an individual reporting area basis, mailbox prices decreased in all but four reporting areas, and ranged from \$18.70 in Florida to \$14.09 in New Mexico. In January 2004, the Federal milk order all area average mailbox price was \$13.20, \$2.69 lower.

\*\*Mailbox prices for Idaho and Utah are being discontinued due to the termination of the Western Federal Order.

In accordance with the California Government Code and ADA requirements, this publication can be made available in an alternative format by contacting Karen Dapper at (916) 341-5988, by email at dairy@cdfa.ca.gov, or contacting TDD 1-800-735-0193.

Website: [www.cdfa.ca.gov/dairy](http://www.cdfa.ca.gov/dairy)  
 Phone (916) 341-5988; Fax (916) 341-6669  
 Email: [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov)

**Dairy Marketing Branch:**  
 Outside California 1-916-442-MILK  
 Within California 1-800-503-3490

**Milk Pricing Information:**  
 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](mailto:dairy@cdfa.ca.gov)

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