

C A L I F O R N I A

Dairy Review

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USDA to Award \$14.3 Million to States and Tribes for National Animal ID Systems Premises Registration

The USDA in partnership with states, tribal nations, and the private sector continues development of an initiative to identify animals and track their movements as they enter commerce. This National Animal Identification System (NAIS) program is being developed to quickly and effectively control diseases of concern. The "premises identification" is one of the main components of NAIS. Agriculture Secretary Mike Johanns announced that USDA will be accepting funding applications from state and tribal governments to continue registering premises for NAIS. Approximately \$14.3 million will be available to state and tribal cooperators. "Identifying farms and ranches where animals are held is a first step in establishing our national animal identification system," said Johanns. More than 80,000 premises have been registered so far and that momentum is building. Currently, 47 states and 5 tribes have approved premises registration systems, and it is anticipated that all 50 states will be on board by July 2005. For information on obtaining a Premises Identification Number, go to: www.californiaid.org or call (916) 657-4789.

The \$14.3 million will help state and tribal governments continue the premises registration efforts they started last year. Of this total, \$13.5 million will be immediately available to the states. A certain amount has been set aside for each state based on its livestock population, land area and other factors. To receive funding, applicants will need to submit a detailed work plan and budget breakout, as well as performance measures. ☀



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

Production, Prices, Quota Transfers, Alfalfa

June Milk Production

Milk production in California for June 2005 totaled 3.18 billion pounds, up 5.2 percent from June 2004. USDA's estimate for U.S. milk production for June 2005 in the 23 major dairy states is 13.7 billion pounds, up 5.4 percent from June 2004. Production per cow in the 23 major states averaged 1,683 pounds for June, 76 pounds more than June 2004. ☀

Minimum Class Prices

Statewide average hundredweight prices

Class	June	July	August
1	\$14.89	\$15.32	\$15.32
2	\$12.78	\$12.78	N/A
3	\$12.61	\$12.61	N/A
4a	\$12.04	N/A	N/A
4b	\$13.62	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	June	July	August
Phoenix, Arizona	\$15.97	\$16.24	N/A
Southern California	\$15.03	\$15.46	\$16.11
Portland, Oregon	\$15.52	\$15.79	N/A
Northern California	\$14.75	\$15.19	\$15.84
Boston (Northeast)	\$16.87	\$17.14	N/A

Quota Transfer Summary

For June 2005, four dairy producers transferred 3,412 pounds of SNF quota. June quota sales averaged \$472 per pound of SNF (without cows), average ratio of 2.49. For July 2005, two dairy producers transferred 2,132 pounds of SNF quota. July quota sales averaged \$475 per pound of SNF (without cows), average ratio of 2.36. ☀

Alfalfa Update: July

Northern California: Supreme and Premium alfalfa was steady to firm, with good demand and light supplies. Fair and Good alfalfa was steady with moderate demand and light supplies. Retail and Stable hay was steady with moderate supplies. July brought hot weather and may start affecting hay quality.

Southern California: Premium and Supreme alfalfa not tested with no available supply. Fair and Good alfalfa was steady with moderate supplies. Some are contracting for this grade hay. Retail and stable hay was steady to 5.00 lower, with moderate demand and adequate supplies. The July weather was very hot with high humidity and will affect quality of hay and hay growth rate. ☀

Supreme Hay Prices

Statewide average prices per ton

Area	7/1	7/8	7/15	7/22
Petaluma	\$195-205	\$208	\$188-205	N/A
North Valley ¹	\$190-205	\$185-200	\$190	\$190-210
South Valley ²	\$195-220	\$195-220	\$200-220	\$200-210
Chino Valley	N/A	N/A	N/A	N/A

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

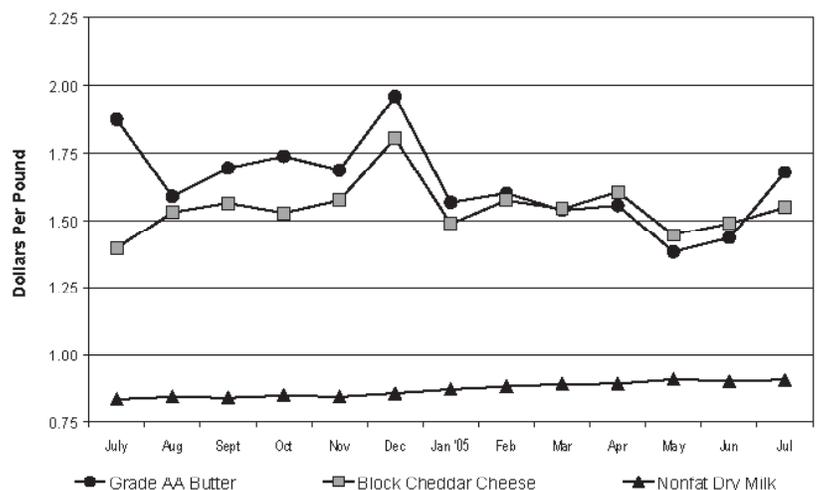
	June	July
Tons Sold ¹	274,606	315,069
Tons Delivered ²	104,430	142,091

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





CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE

Bovine Tuberculosis (TB) in California

On April 15, 2005, California regained its **TB Accredited Free Status**. The state was classified as Modified Accredited Advanced more than two years ago after bovine TB was detected in three dairy herds - two in Tulare County and one in Kings County. All three herds were quarantined, the cattle destroyed, and the affected premises cleaned and disinfected. Cattle sold from or associated with each herd were traced and tested.

Following the detection of TB, state and federal veterinarians tested over 870,000 cattle from almost 700 herds to ensure the disease had not spread in California. Additionally, regulations requiring dairy breeding cattle entering California to be tested negative for TB (to prevent reintroducing the disease) were introduced.

TB Across the U.S.

Forty-seven states are classified as TB Accredited Free. Texas is Modified Accredited Advanced. Michigan has split-state status, and New Mexico has just been given split-state status. Bovine TB has recently been detected in cattle herds in Arizona and Minnesota.

TB in Texas

Texas gained TB Accredited Free status in 2000, but lost it in 2002 after two infected herds were detected in 2001. A third infected herd was detected in 2003. Most recently, a TB-infected dairy was detected in Hamilton County in 2004, during a statewide dairy testing effort. All the infected herds have been depopulated, and all 811 dairies in Texas have been tested. Texas officials plan to test at least 2,400 purebred or beef seed stock herds by summer's end - more than 515 herds have been tested so far.

TB in Michigan

Michigan became TB Accredited Free in 1979. In 1994, a TB-infected wild deer was harvested, and subsequently diagnosed with a strain of bovine TB not previously known in wildlife. Michigan lost its free status in October 1999; in June 2000, the entire state was classified as Modified Accredited; in April 2004, Michigan was granted split-state status. The upper 11 counties are now Modified Accredited, and the rest of the state is Modified Accredited Advanced.

Since 1997, Michigan has detected 38 infected herds – 33 beef and 5 dairy herds. More than 17,000 herds (over a million cattle) were tested between January 2000 and January 2005. Testing and surveillance is ongoing in Michigan's livestock and wildlife.

TB in New Mexico

New Mexico lost its TB Accredited Free status in 2003 after two dairy herds in Roosevelt County were diagnosed with infection. One herd has been depopulated; the other is on a test and slaughter plan. Nearly 600,000 cattle have been tested since then, with no new cases of TB.

New Mexico has just received split-state status - only cattle in Roosevelt and a portion of Curry County will require a TB test to leave the state. This interim rule is open for comments until September 20, 2005.

TB in Arizona

In January 2005, an adult dairy cow was detected with TB at slaughter. The cow was traced and the herd of origin quarantined and tested. An additional infected animal was detected, and the herd declared infected.

The last confirmed case of TB in Arizona was found in January 2004 when a heifer tested positive during a routine interstate movement test. This animal was traced back to a New Mexico facility.

Arizona has been classified as TB Accredited Free since 1981. It must now show there has been no spread of bovine TB to other herds to maintain this free status.

TB in Minnesota

In February 2005, a 5-year-old beef cow was detected with TB at slaughter. The cow was traced back to a large beef herd in Roseau County that was quarantined and tested. Additional infected animals were identified, the herd declared infected and the process for depopulation begun.

The state is tracing animals that left the herd in the last seven years and investigating the source of infection. Minnesota will lose its free status if additional infected herds are found. The Minnesota Department of Natural Resources will test wild deer harvested in Roseau County this fall. Bovine TB was last detected in Minnesota in 1971.

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



BOVINE SPONGIFORM ENCEPHALOPATHY UPDATE

AUGUST 2005

United States BSE Surveillance

The United States Department of Agriculture (USDA) enhanced Bovine Spongiform Encephalopathy (BSE) surveillance in June 2004 after diagnosing BSE in a Canadian-origin cow in Washington State in December 2003. As many samples as possible are being collected over a 12-18 month period from "high-risk" cattle over thirty months of age. The plan is to find out if U.S. cattle have BSE, and if so, at what level. A "cost-recovery" system for the movement, storage and disposal of carcasses or products is in place to aid the cattle industry during this surveillance program.

Since June 2004, over 412,359 samples have been collected from U.S. cattle; only one sample confirmed a case of BSE. Approximately 50,000 of these samples were collected in California.

BSE in the United States

On June 24, 2005, the U.S. Secretary of Agriculture, Mike Johanns, announced that The Veterinary Laboratories Agency in Weybridge, England, confirmed that a cow slaughtered in November 2004 was infected with BSE. The cow was sampled for BSE at a pet food facility in Texas. DNA tests confirmed that the approximately 12-year-old Brahma-cross cow was born and raised in a herd in Texas. The herd was quarantined and cattle that were in a similar birth group as the infected animal and/or ate the same feed were identified and removed from the herd. The infected cow's last two calves are also being traced.

Sixty-seven cattle were removed from the herd and tested negative for BSE. The herd testing has been completed and the quarantine released. The source of infection is still under investigation.

BSE in Canada

In January 2005, BSE was confirmed in an eight-year-old dairy cow and in a seven-year-old beef cow. Both were born in Alberta, Canada. No part of these animals entered human food or animal feed. The Canadian Food Inspection Agency suspects these animals were infected through contaminated feed produced before or shortly after the 1997 feed ban. The investigations focused on tracing the infected cows, their offspring, and other cattle born on the same farms within a year of the infected animals.

The four cases of BSE diagnosed in Canadian-born cattle since May 2003 have cost the industry an estimated five billion dollars. These recent cases have also raised concerns about the proposed reopening of the Canadian border.

Minimal-Risk Regions

The USDA published a final rule classifying regions as "minimal risk for introducing BSE into the U.S." on January 4, 2005. The rule aims to continue to protect the U.S. from BSE while removing unnecessary restrictions on trade in ruminants, their products and byproducts. This rule recognizes Canada as the first country to be classified as a minimal-risk region after diagnosing BSE.

Ranchers Cattlemen Action Legal Fund United, Stockgrowers of America (R-CALF) petitioned the U.S. District Court of Montana to prohibit this rule, and sought an injunction against the rule. On March 3, 2005, the district court ruled for a preliminary injunction barring the implementation of the regulation. On July 14, 2005, the Ninth District Court of Appeals lifted this injunction. The original suit may be heard in the Montana court after the appeals court provides further instruction.

As of July 14, 2005, the following commodities can be imported from Canada:

- Cattle for immediate slaughter or feeding (must be less than 30 months old when slaughtered). Feeder cattle must be branded to show their origin ("C/N" will be used for Canada), individually identified with an ear tag tracing to their farm of origin, moved to feedlots in "sealed" vehicles, and must not go to more than one feedlot. Specified risk materials must be removed at slaughter.
- Meat from cattle, and certain other products and byproducts, including bovine livers, tongues, gelatin, and tallow.

Other regions that meet the minimal-risk conditions in the future will be classified through rulemaking and a risk assessment.

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Redding	530-225-2140
Tulare	559-685-3500
USDA/APHIS/VS	916-857-6170 or 877-741-3690



USDA Reports Case of Mad Cow Traced to Texas

USDA Chief Veterinarian John Clifford reported that DNA test results have confirmed the source herd of the animal determined last week to be positive for BSE. Based on information we have received from the owner, the cow was born and raised in a herd in Texas and was approximately 12 years old. It was the first time the disease has been confirmed in a U.S.-born cow. The other U.S. case, confirmed in December 2003 in Washington state, was in a dairy cow imported from Canada.

On November 15, 2004, the deceased and infected cow was brought to Champion Pet Food, reported business owner Benjy Bauer. The employees took samples and sent them to the Texas Veterinary Diagnostic laboratory at Texas A&M University. The lab, which tests cows from Texas, New Mexico, Arkansas and Louisiana, is one of several the Agriculture Department uses to screen the nation's cattle for mad cow disease.

The source herd was put under a hold order as they identified animals of interest within the herd. Animals of interest would include any other animals that were born the same year as this animal, as well as any born the year before and the year after. If the age of the animal cannot be pinpointed, then they may expand the inquiry to include all animals in this herd before the feed ban went into place in 1997. They are also interested in any of this animal's offspring that were born within the last 2 years.

Given the cow's age, agriculture officials believe it was most likely infected by consuming feed before the 1997 ban forbidding the use of cattle parts in cattle feed. The Department and the Food and Drug Administration are trying to trace the history of the herd's feed.

USDA Veterinarian Clifford emphasizes that this animal did not enter the human food chain. The plant at which this animal was sampled is a 3D/4D pet food plant that does not handle animals for human consumption and, in this case, did not use the animal in the production of pet food. The animal remains were incinerated.

"The testing and traceback efforts may yield further information as to how this animal became infected. The safety of our food supply is not in question. I am very confident that our interlocking safeguards are effective, and this case is evidence of that. USDA bans non-ambulatory cattle from the food supply. USDA bans animal parts that could carry BSE from the food supply. USDA bans slaughter techniques that could introduce BSE into the food supply. These safeguards ensure that American beef is among the safest in the world." Clifford stated.

Herdmates test negative for BSE

USDA now reports that all 67 cows culled from the Texas herd that contained the confirmed case of BSE have tested negative for the disease. Testing was conducted on two groups of animals removed from the herd. 

CDFA Reaches Agreement In Hillside-Ponderosa Case

CDFA News Release: Following seven years of litigation and more than seven months of mediation, the California Department of Food and Agriculture has reached an agreement with the plaintiffs in the Hillside/Ponderosa v. Kawamura case, which challenged a provision of CDFA's milk pooling system designed to discourage a practice known as "round tripping".

The contested provision came about in 1997, when CDFA made an amendment to pool regulations closing a loophole that had significantly disadvantaged in-state producers. The loophole encouraged round tripping by allowing for the circumvention of the milk pool in cases where tanker trucks hauling California milk out of state brought a like amount back into the state.

Under the terms of the agreement, CDFA will drop its appeal of the case before the Ninth Circuit Court of Appeals in exchange for a modified injunction allowing CDFA to regulate round tripped milk originating in California. The parties believe a modified injunction would permit CDFA to regulate consistent with the Commerce Clause. Under the agreement the plaintiffs will receive payments for approximately two years. The impact of the payments in the retail marketplace would be zero. Modification of the injunction will be subject to the review and approval of federal district court Judge Garland E. Burrell, Jr.

For more information please call the CDFA Public Affairs Office at 916/654-0462 or visit the CDFA website at www.cdfa.ca.gov 

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 5.0% in June, led by Idaho's 11.7% growth in milk production (on 27,000 more cows and 90 more pounds per cow). California's estimated production was up 5.1% (on 33,000 more cows and 55 more pounds per cow). Among the western states, Arizona was up 4.3%; New Mexico up 3.8%; and Washington up 3.7%. None of the top 10 states reported a production decrease.

Quarterly: For the second quarter of 2005 compared to the first quarter of 2005, U.S. milk cow numbers were up 0.3% at 9.025 million, production per cow was up 4.5%; the net effect was a 4.8% increase in milk production to 45.3 billion pounds. USDA projects that for the third quarter of 2005 compared to the second quarter of 2005, U.S. milk cow numbers will increase 5,000 cows to 9.025 million cows, production per cow will be down 4.5%; the net effect would be a 4.4% decrease in milk production to 43.3 billion pounds.

Milk Prices

Comparing the second quarter of 2005 to the first quarter of 2005, U.S. average milk prices were down \$0.80/cwt. to \$14.87/cwt. USDA projects that for the third quarter of 2005 compared to the second quarter, U.S. average all-milk prices will be \$14.60-15.00/cwt.; Class 4b prices will be \$13.65-14.05/cwt; and Class 4a prices will be \$12.50-13.00/cwt.

Utility Cow Prices

Comparing the second quarter of 2005 to the first quarter of 2005, average U.S. utility cow prices were up \$5.50/cwt. to a national average of \$59.80/cwt. USDA projects that utility cow prices will average \$56-58 in the third quarter of 2005.

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

got milk? Expands to Clothing Line At A Store Near You . . .

Coming soon to a Wal-Mart near you: got milk? boxers and loungewear. The California Milk Processor Board has reached a licensing agreement with both MjC Corp and Cutie Pie Baby that will allow them to use the popular got milk? logo on everything from men's boxers to baby clothes. In addition to Wal-Mart, you will be able to find the got milk? clothing items at Babies R Us; Buy, Buy, Baby; Baby Depot and, eventually, Target stores. 

CWT Begins Third Year With Record Participation

*Membership Enrollment In CWT
Tops 73% Of Nation's Milk Supply*

Nearly three-quarters of the nation's milk supply is now contributing to Cooperatives Working Together (CWT). With the addition of two more cooperatives into CWT's ranks –Southeast Milk Inc. in Florida, and Bongards Creameries in Minnesota – farmers who market 73.1% of America's milk output are now contributing 5 cents per every hundredweight of production into CWT. That money will be used in CWT's third year to help strengthen and stabilize farm-level milk prices through a combination of dairy herd removals, and cheese and butter exports.

CWT will use a combination of advertising and direct outreach to farmers, and their cooperatives, to solicit their support for the program. In the past two years, CWT has removed approximately 1.7 billion pounds of milk through a combination of two herd retirement programs, periodic exports of cheese, and a reduced milk production program.

Earlier this summer, CWT's committee decided that the program's activities will remain focused on both reducing cow numbers, and boosting exports of manufactured dairy products. For more information on the CWT Program, call 888-463-6298, or write to Cooperatives Working Together, 2101 Wilson Blvd, Suite 400, Arlington, VA, 22201. 

Secretary Johanns Applauds Court Decision

Secretary Johanns' statement: "I applaud today's ruling by the Ninth Circuit Court of Appeals to lift the preliminary injunction that blocked implementation of the BSE minimal risk regions rule. Because the ruling is effective immediately, we are immediately taking steps to resume the importation of cattle under 30 months of age from Canada. USDA's Animal and Plant Health Inspection Service is already in contact with the Canadian Food Inspection Agency to prepare to certify cattle for shipment. We have been safely importing boneless boxed beef from Canada since September 2003, and now we will use the scientific approach laid-out in our minimal risk rule to once again safely import live Canadian cattle for processing. This is great news for the future of the U.S. beef industry, specifically the many ranchers, feeders, and processing plants that have been struggling to make ends meet due to the closed border. It also bolsters our position with other international trading partners by following the very advice we have given them to base trade decisions on sound science." 

California Alfalfa Hay Acres Down in 2005

By Seth Hoyt, USDA, National Agricultural Statistics Service, California Office

Reduced acres in the central and southern San Joaquin Valley more than offset increased acres in the northern San Joaquin and Sacramento Valley

As stated in my last report, "when analyzing alfalfa hay acres for 2005, we won't have an accurate picture until the June 30 acreage report" because the March planting intentions report only asks about all hay planting and doesn't break out alfalfa from other hay. It was very clear as I analyzed the June survey data from hay growers in California that alfalfa hay acres in California in 2005 were not higher than last year, but, in fact were lower. Alfalfa hay acres in California on June 1, 2005, were estimated at 1,020,000, down three percent from 2004. Other hay acres were estimated at 520,000, up four percent from last year.

When preparing estimates for hay, cattle, and other commodities, I always like to get a feel for what is happening across the country. Some reports suggested that California alfalfa hay acres would be down in 2005, but I didn't get a good handle on this until the June survey acreage started coming in. In the seven years I've been preparing estimates on alfalfa hay acres in California, this was the first time I didn't have a good sense of the alfalfa hay acreage trend before the June survey.

Where's the HAY?

After the good hay market in 2004, one would have expected alfalfa hay acres to go up in California in 2005. What happened? As I discussed in my last article, due to the heavy rain from early fall of last year through early spring of this year, some growers could not get all of their alfalfa planted. Cotton growers had no incentive to increase alfalfa hay acres this year after positive returns in 2004 due to the cotton support program and excellent yields. Additionally, strong prices continued to push Pima cotton acres higher in California. Another thing I noticed while traveling in the southern San Joaquin Valley in early June was the acres of almonds that have displaced alfalfa hay. This was very evident in Kern County. California almond production in 2005 is forecast to be down 13 percent from 2004 because of poor pollination due to rain. The almond market is reported to be very strong. Consequently, almond hulls are being offered at prices \$5.00 to \$10.00 per ton above a year ago with a firm undertone. The dollar return-per-acre on almonds this year will be staggering. While almond acres and production have increased for several years, so has the market. How many crops can you say that about?

It was very evident when analyzing survey data that alfalfa hay acres were down in the southern San Joaquin Valley in 2005. Alfalfa hay acres were up in the northern San Joaquin and Sacramento Valley. One grower in the northern San Joaquin Valley told me he was planting alfalfa hay in June and knew of other growers who were doing the same. They planned on getting a little production from these acres in 2005. Depending on the number of growers planting late spring alfalfa, it could push alfalfa hay acres for the State a little above 1,020,000 in the final acre estimate in December.

Alfalfa hay acreage in some southern California locations was down substantially in the survey but acreage in the southern desert was down only slightly from last year. The start date on the water deal between the Palo Verde Valley Irrigation District and Metropolitan Water District has been pushed back to August 1, 2005. Consequently, some alfalfa growers in the Blythe area harvested spring alfalfa hay cuttings before the dry down. Alfalfa hay acres in the Imperial Valley as of June 13, were 139,254, only one percent below 2004, according to the Imperial Irrigation District. Alfalfa hay acres in the seven Western States in 2005 were estimated at 4,180,000, down one percent from last year. This compares to 22,118,000 acres of alfalfa in the U.S., up two percent from 2004.

When looking at other hay, acreage was mixed in California. The one thing that was evident from the June survey was the large number of volunteer hay acres. Oat hay acres, while up in some areas, were down in others. It appears that overall grain hay acres could be up due to wheat that was baled for hay. It also appears that Sudan hay acres could be up in California compared to last year with the big increase in the Imperial Valley. The Imperial Irrigation District reported that there were 60,650 acres of Sudan hay in the Imperial Valley in mid-June, compared to 53,004 acres the same time last year.

Supply/Demand Picture

After setting records the first three months of 2005, alfalfa hay shipments into California from other states returned to more normal levels in April. April hay shipments totaled 65,216 tons, up one percent from a year ago, according to CDFA border station reports. Utah shipments remained large at 20,767 tons, up 53 percent from April of last year. Arizona shipments were down 34 percent from last year at 15,367 tons, due

Hay Stocks Down in 2005 - Continued

to fewer hay supplies and a growing dairy industry in Arizona.

May 1, 2005 hay stocks in California were down 30 percent from a year ago. Hay supplies in the seven Western States on May 1 were down 10 percent, while U.S. supplies were up seven percent. Due to cool and rainy weather, many growers got a late start on alfalfa hay production this spring in California. Consequently, production appears to be running behind normal. Additionally, some growers reported lower tonnage on first and third cuttings, while second cutting tonnage was above normal. With tight supplies and record high prices on high quality alfalfa hay, growers were aiming for that market. Unfortunately, mother nature had different ideas. Due to rain-damaged hay or over-mature hay as growers were dodging storms, spring alfalfa hay quality in California was probably the poorest since 1998. Look for the price spread between the top and bottom of the alfalfa hay market to widen to record levels this summer.

With the amount of rain-damaged or lower-testing alfalfa hay on the market in late June, the dry cow alfalfa hay market was showing some weakness. Additionally, in an effort to reduce feed costs for dry cows, dairy producers were feeding silage, rain-damaged oat or volunteer hay, and a few were even purchasing rice straw from the Sacramento Valley to mix into Total Mixed Rations (TMR's) in central California. However, the high quality alfalfa hay market (Premium and Supreme) was strong on light supplies, showing no signs of weakness. This market could be strong for the balance of the year and some think into early next year. The market was boosted even further by rain on first cutting alfalfa in Nevada, Utah, and Oregon.

Many dairy producers in California have reduced the amount of alfalfa hay in milk cow rations and increased the amount of grain. However, as any good dairy producer will tell you, they would prefer feeding the optimal amount of high quality alfalfa to maximize milk production and maintain cow health. With so many dairies being forced to feed 53 to 55 TDN alfalfa hay to milk cows, rather than 56 TDN or higher, how will this impact milk production in California this summer? Hot weather in other parts of the U.S. was putting downward pressure on milk production in late June.

In spite of higher costs on fuel, fertilizer, and other inputs, sources indicate that dairies in California are still showing profitability. On June 28, the Chicago Mercantile Exchange Class 3 milk futures prices from June to December ranged from \$13.25 to \$14.95 per

hundredweight. The overbase milk price in California in May was \$12.90 cwt. Spot cheese and butter markets were strong nationally in late June and ice cream demand was on the rise.

Outlook

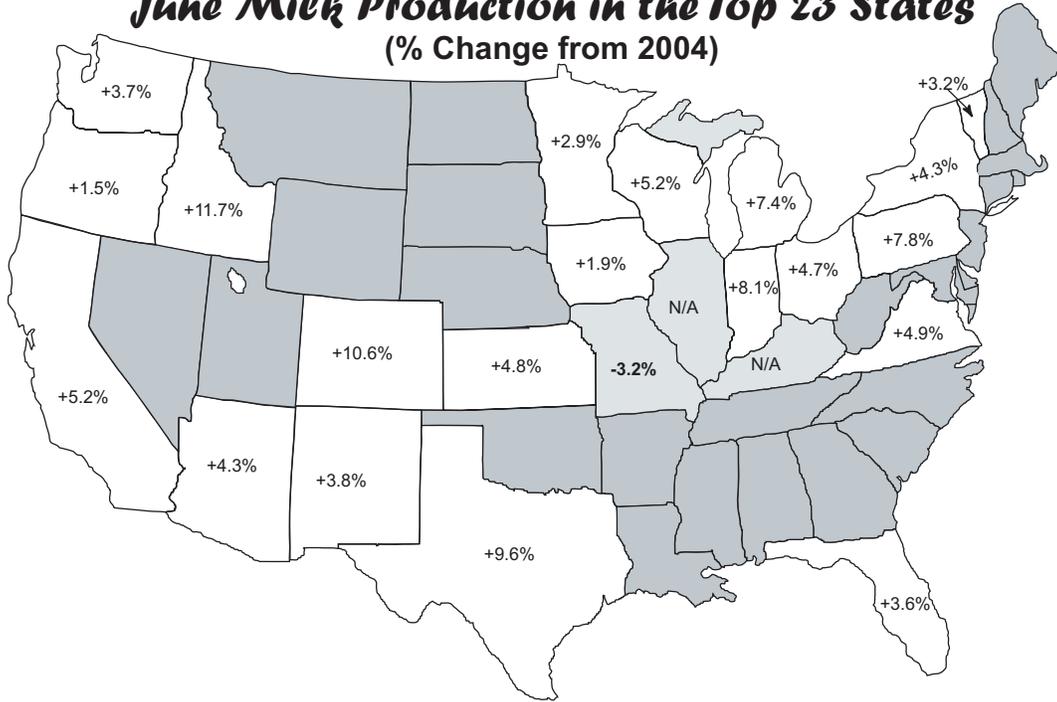
It doesn't take a rocket scientist to see that 1,020,000 or even 1,030,000 alfalfa hay acres in California cannot service the needs of 1,754,000 dairy cows, particularly on high quality alfalfa hay. This doesn't include alfalfa hay used for dairy heifers, horses, and a smaller amount for beef cattle/sheep and export markets. Whoever thought we would see Premium and Supreme alfalfa hay delivered to dairies in central California for \$185.00 to \$220.00 per ton? Even Fair quality hay delivered to Tulare dairies for \$130.00 to \$148.00?

With the amount of silage and by-product feeds in California, it is very difficult to say how many alfalfa acres could sustain profitability for growers and satisfy the demand from the dairy and horse industries. A 10 percent increase would add roughly 100,000 alfalfa hay acres in California and push acreage to 1,120,000 in 2006. California had 1,160,000 alfalfa acres in 2002 when the market turned bearish. However, dairy cow numbers have increased 120,000 head since May of 2002, equal to the number of dairy cows in the entire State of Missouri.

In some areas, such as the central and southern San Joaquin Valley where water costs are higher, almonds continue to look attractive to growers given the low water use and high net return per acre. Alfalfa hay will continue to be on the radar screen to growers from the northern San Joaquin Valley to the northern mountains because of lack of options. Will alfalfa hay acres stabilize in the southern desert if central California acres cannot meet the demands from the large dairy industry? Will cotton growers stay with cotton in 2006 where the support program, a strong Pima market, and decent yields can still turn a profit? Will almond planting continue to displace alfalfa hay acres? Stay Tuned!!

A side note: due to Idaho receiving 300 percent of normal rainfall in May, reservoirs are the fullest since 1998. Sources indicate that only 15,000 to 20,000 acres of Idaho farm land will be taken out of production in 2005. Much of the first cutting alfalfa hay in the Magic Valley was rained on. 

June Milk Production in the Top 23 States (% Change from 2004)



For the U.S. overall, comparing June 2005 to June 2004:

- Milk production during June was up 5.0%
- The number of cows on farms was 9.048 million head, up 40,000 head
- Production per cow averaged 1,659 pounds, 70 pounds more than June 2004
- Twenty-two 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 ^{1/} 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	15.55	13.61	13.72	12.47	13.50	12.96	13.93	13.06	13.69
March	14.37	14.86	13.16	12.99	12.24	12.70	13.08	13.16	12.77	12.92
April	13.77	14.68	13.27	13.16	12.50	13.03	13.07	12.95	12.91	13.12
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	

^{1/} Cost Comparison Summary data includes an allowance for management and a return on investment.

Hundredweight Pool Prices

Month	Quota	Overbase
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
April	\$15.06	\$13.36
May	\$14.60	\$12.90
June	\$14.56	\$12.86

Milk Mailbox Prices

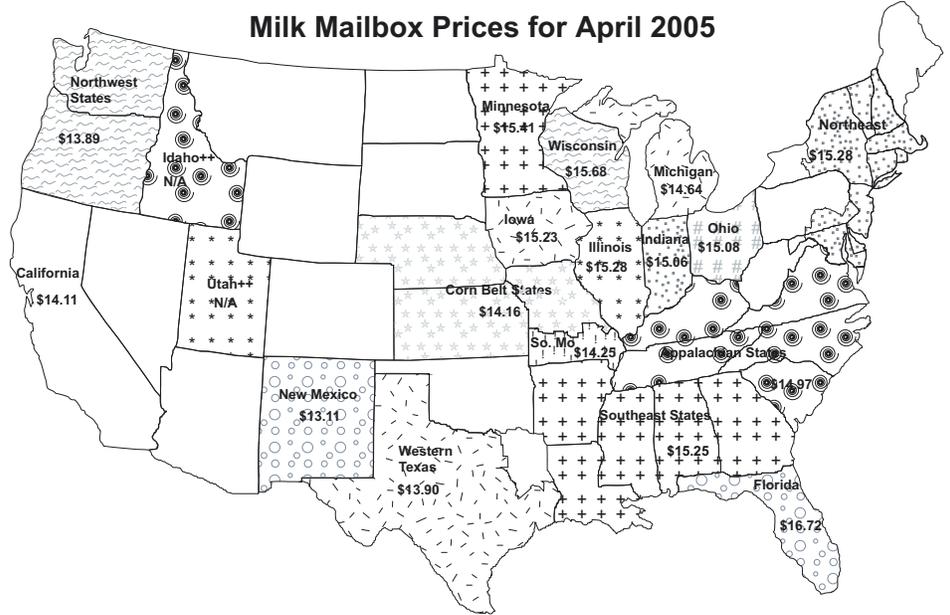
Milk Mailbox Prices in Dollars per Hundredweight

	October	November	December	January	February	March	April
California ¹	\$14.12	\$15.23	\$15.18	\$14.85	\$14.16	\$13.99	\$14.11
USDA ²	\$15.58	\$16.12	\$16.38	\$15.89	\$15.24	\$15.46	\$14.97

¹ California mailbox price calculated by CDFA.

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

Milk Mailbox Prices for April 2005



In April 2005, mailbox prices for selected reporting areas in Federal milk orders averaged \$14.97 per cwt., \$0.49 less than the figure for the previous month. The component tests of producer milk in April 2005 were: butterfat, 3.63%; protein, 3.01%; and other solids 5.72%. On an individual reporting area basis, mailbox prices decreased in all reporting areas, ranging from \$16.72 in Florida to \$13.11 in New Mexico. In April 2004, the Federal milk order all area average mailbox price was \$17.40, \$2.43 higher.

**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.

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