

C A L I F O R N I A

# Dairy Review

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

## CWT Announces Third Herd Retirement Round - Bid Deadline September 16, 2005

*Bids Being Accepted Until Mid-September*

Cooperatives Working Together (CWT) announced today that it will conduct a third herd retirement program this fall, with the intention of removing future milk production capacity to avoid the serious imbalance between supply and demand that last occurred before CWT was created in 2003.

Bids will be accepted by CWT starting on August 15th; all bids must be postmarked by Friday, Sept. 16th, to be considered. All dairy producers interested in submitting bids to sell their herds must be members of CWT, either through their membership in a participating cooperative, or as an independent member of CWT.

This is the third year in a row that CWT has conducted a program that allows dairy farmers to sell out their herds. The first two programs reduced cow numbers by more than 83,000, representing reduced milk production equivalent to 1.6 billion pounds. "In recent months, cow numbers have climbed up, along with milk output per cow, and that combination doesn't bode well for future milk prices," said Jerry Kozak, President and CEO of NMPF, which manages CWT. "The CWT management committee, in looking at all of the economic indicators that we track, has decided that we need to proceed now to keep production from swamping demand and bringing prices down to unacceptably low levels."

CWT estimates that there will be approximately 70,000 cows in this third retirement program to reach its goal of reducing future milk output by 1.9 billion pounds. Because this third retirement program is being funded for an 18-month period, the amount of milk those 70,000 cows would have produced is being calculated on an 18-month basis. In its first herd retirement program, CWT accepted 299 of the 2,038 bids submitted. Last year, it accepted 363 of the 736 bids submitted. CWT officials said that there have already been a number of inquiries from interested producers about a third round of bidding.

*(Continued on page 9)*

# Production, Prices, Quota Transfers, Alfalfa

## July Milk Production

Milk production in California for July 2005 totaled 3.12 billion pounds, up 1.5 percent from July 2004. USDA's estimate for U.S. milk production for July 2005 in the 23 major dairy states is 13.7 billion pounds, up 4.2 percent from July 2004. Production per cow in the 23 major states averaged 1,682 pounds for July, 59 pounds more than July 2004. ☀

## Minimum Class Prices

Statewide average hundredweight prices

Class	July	August	September
1	\$15.32	\$15.97	\$15.35
2	\$12.78	\$13.27	\$13.27
3	\$12.61	\$13.11	\$13.11
4a	\$12.80	N/A	N/A
4b	\$14.01	N/A	N/A

## Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	July	August	September
Phoenix, Arizona	\$16.24	\$16.79	N/A
Southern California	\$15.46	\$16.11	\$15.49
Portland, Oregon	\$15.79	\$16.34	N/A
Northern California	\$15.19	\$15.84	\$15.22
Boston (Northeast)	\$17.14	\$17.69	N/A

## Quota Transfer Summary

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. For August 2005, four dairy producers transferred 4,337 pounds of SNF quota. August quota sales averaged \$486 per pound of SNF (without cows), average ratio of 2.40. ☀

## Alfalfa Update: August

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 to moderate supplies. Retail and Stable hay was steady with moderate supplies with many producers putting supplies in the barn for winter take out.

Southern California: Premium and Supreme alfalfa not well tested with very light supplies. Fair and Good alfalfa was steady with moderate supplies. Some are contracting for this grade hay. Retail and stable hay was steady to firm with some indications of getting stronger, with moderate demand. White flies have been present, but no sever damage noticed yet. ☀

## Supreme Hay Prices

Statewide average prices per ton

Area	7/29	8/5	8/12	8/19
Petaluma	N/A	N/A	N/A	\$190
North Valley <sup>1</sup>	\$190-205	\$185-205	\$185-205	\$185-195
South Valley <sup>2</sup>	\$195-220	\$195-221	\$200-220	\$206-210
Chino Valley	N/A	N/A	N/A	N/A

<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

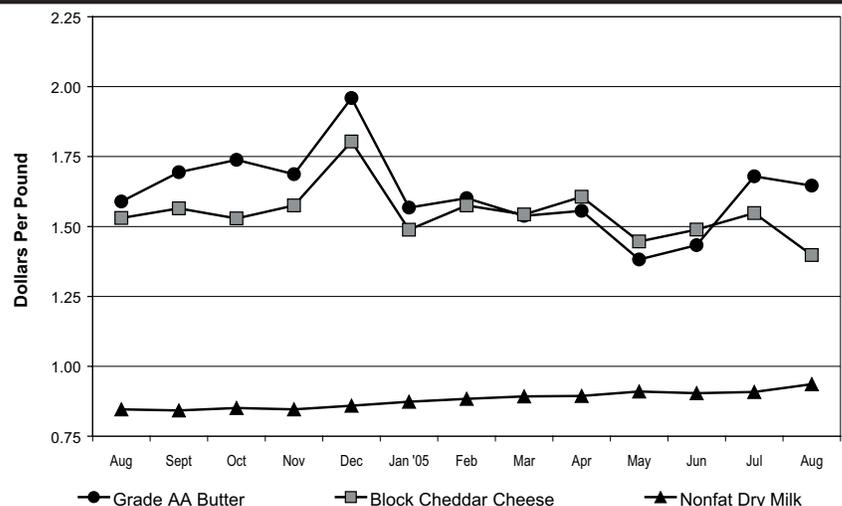
	July	August
Tons Sold <sup>1</sup>	315,069	227,255
Tons Delivered <sup>2</sup>	142,091	105,265

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

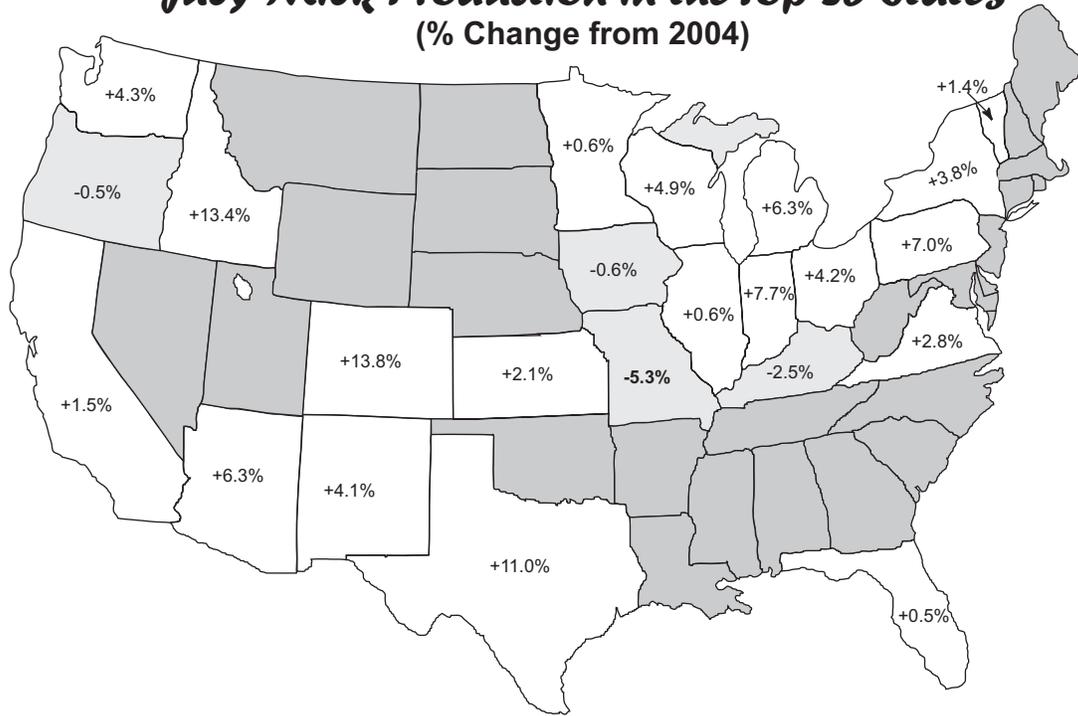
<sup>2</sup> Contracted or current sales.

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



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



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

- Milk production during July was up 3.9%
- The number of cows on farms was 9.060 million head, up 32,000 head
- Production per cow averaged 1,652 pounds, 55 pounds more than July 2004
- Nineteen 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	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	13.96	13.23	13.02	12.76	12.99	13.35	12.93	13.04	13.02
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.



# West Nile Virus

## Update September 2005

### West Nile Virus

West Nile Virus (WNV) is a mosquito-borne virus that was first detected in the United States in 1999 in the New York City area. The virus has since been identified in all 48 continental states and the District of Columbia. West Nile Virus may cause a wide range of clinical illness from mild, "flu-like" symptoms, to encephalitis (inflammation of the brain) that may be fatal to both humans and horses. While horses are susceptible to WNV, many horses infected with the disease will not develop any illness and will recover uneventfully. Currently, there is no specific treatment for WNV.

Mosquitoes acquire WNV from infected birds and pass it on to other birds, animals, and people. Mosquitoes have not demonstrated the ability to feed on an infected horse and ingest enough of the virus to transmit it to other animals.

### California Surveillance Efforts

The California Department of Food and Agriculture (CDFA) works with federal, state, and local health and agricultural agencies to minimize the impact of WNV on the equine industry. West Nile Virus surveillance includes sampling dead birds, sentinel chickens, mosquito pools, horses, and humans. CDFA confirms possible equine WNV cases, maintains horse surveillance data, and educates horse owners on control and prevention. The information collected is used by collaborating agencies to focus on disease control efforts.

### California Outbreak

West Nile Virus was first diagnosed in October 2003 in a 20-year-old unvaccinated Missouri Fox Trotter. In 2004, California became the disease epicenter with 540 confirmed clinical cases. All confirmed cases were laboratory positive and demonstrated compatible signs. Cases affected 32 of the 58 CA counties. A high percentage of these horses died or were euthanized. Only 22 of the 540 cases were fully vaccinated.

In 2005, the first positive case of WNV occurred in late May. As of August 19, 2005 there are 209 confirmed cases in 31 counties. Only two of the 209 cases were fully vaccinated. Over 44 percent of the confirmed horses have died or were euthanized.

### Vaccination

There are currently two approved WNV vaccine products available for horses. An initial series of at least two vaccinations, followed by periodic "booster" injections is required with each.

Horse owners are urged to consult their veterinary practitioner to ensure the vaccination status of all their horses is current.

### Mosquito Control

You can decrease the chances of your horse being exposed to WNV by minimizing their exposure to mosquitoes, especially during the peak mosquito-feeding period, which is dusk to dawn. Applying mosquito repellent also effectively reduces the number of mosquito bites.

Additionally, mosquito-breeding sites should be eliminated. Mosquitoes need still water to lay their eggs, which develop in 7-10 days.

Eliminating standing water weekly may keep many mosquitoes from breeding in the first place. Methods for eliminating mosquito-breeding sites include:

- Drain unnecessary standing water: wheelbarrows, tires, etc.
- Clean water containers: bird baths, plant saucers, etc., at least weekly.
- Schedule pasture irrigation to minimize standing water.
- Stock water tanks with fish that consume mosquito larvae (local mosquito control may provide assistance), or use mosquito "dunks" available at hardware stores. Dunks are safe and non-toxic to animals.

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
<b>CDFA Equine WNV Hotline</b>	<b>800-268-7378</b>
<a href="http://www.cdfa.ca.gov/ahfss/ah/wnv_info.htm">www.cdfa.ca.gov/ahfss/ah/wnv_info.htm</a>	





## Dairy Field Publishes Top 100 Ranking Dairy Processors

Each year *Dairy Field* magazine publishes the top 100 ranking dairy processors in the U.S. Rankings are based on reported sales of finished dairy products. Dairy processors have to be innovative players in the food and beverage industry as consumers demand new products that fit into specific lifestyles, have more nutritional benefits, and excite their taste buds. Examples of some of the new product offerings: ice cream that cuts fat but keeps the flavor; milk flavors and packaging that grabs the attention of children; broader selection of cheeses; and yogurt in portable containers for all age groups. The following dairy processor ranking information is excerpted from *Dairy Field*.

### California Takes 31 Awards at Cheese Competition

Considered one of the world's most prestigious competitions in recognizing the art of artisanal and specialty cheesemaking, the American Cheese Society announced this year's winners. California, the nation's leading dairy state, took home 31 awards in the American Cheese Society's 22nd annual competition. A record-breaking 749 cheeses from around the country were entered in the Louisville, Kentucky, competition. California cow's-milk cheeses won eight first-place, 12 second-place and 11 third-place awards, raising the state's total to 149 awards in the cow's-milk cheese categories over the past five years, more than any other state.

California first-place winners in 2005 included: Three Sisters Farmstead Cheese of Lindsay for Bella Sorella; Cantaré Foods of San Diego for mascarpone; Fiscalini Cheese Co. of Modesto for cheddar and cheddar with sage; Belfiore Cheese Co. of Berkeley for fresh mozzarella; Sierra Nevada Cheese Co. of Willows for jalapeño cream cheese; Mozzarella Fresca of Concord for marinated mozzarella; and Cowgirl Creamery of Point Reyes Station for cottage cheese.

California is the second-largest producer of cheese in the country with approximately 48% of all milk produced in the state being used to produce cheese. For a complete list of winners, go to [www.cheesesociety.org](http://www.cheesesociety.org). 

#### Largest Cooperatives in the U.S.

- Rank #1. Dairy Farmers of America (13,445 farms)
- Rank #2. California Dairies Inc. (662 farms)
- Rank #3. Land O'Lakes (3,899 farms)
- Rank #4. Northwest Dairy Assoc. (691 farms)
- Rank #5. Family Dairies, U.S.A. (4,078 farms)

#### Largest Cooperatives in California

- 1. California Dairies Inc. (U.S. rank #2)
- 2. Security Milk Producers (U.S. rank #23)
- 3. Central Valley Dairymen Coopertive (U.S. rank #35)
- 4. Cal-West Dairymen, Inc. (U.S. rank #24)
- 5. Humboldt Cooperative Creamery Assoc. (U.S. rank #65)

#### How did California processors rank in the U.S.?

- #1 Dean Foods
- #2 Kraft Foods
- #3 Land O'Lakes
- #5 Kroger Company
- #6 Dairy Farmers of America
- #8 Leprino Foods Inc.
- #9 Dreyer's Grand Ice Cream
- #15 California Dairies Inc.
- #18 Safeway Dairy Group
- #20 Yoplait Columbo
- #21 Saputo Cheese, USA
- #22 Sorento Lactalis
- #26 Hilmar Cheese Company
- #31 Bongrain North America
- #36 Nestle USA
- #39 Super Store Industries
- #41 Foster Farms Dairy
- #51 Carvel Corp.
- #55 Heartland Farms
- #56 Crystal Cream and Butter Co.
- #57 Stonyfield Farms
- #62 Gossner Foods
- #68 Instantwhip Foods
- #81 Kozy Shack Enterprises
- #82 Producers Dairy Foods
- #91 Joseph Gallo Farms 

## **CWT Awards Export Assistance for Cheese Sale to South Korea**

Cooperatives Working Together (CWT) has accepted a bid from Land O'Lakes of Arden Hills, MN, to export 400 metric tons (approximately 880,000 pounds) of cheddar cheese to South Korea. CWT will award the agreed-to export bonus to the bidder, once completion of the cheese shipment is verified.

This is the first export assistance bid accepted by CWT in its third year of operations, which began on July 1st. It is the second consecutive export to South Korea facilitated by CWT; the preceding one was announced on June 6th.

This accepted bid increases CWT's total cheese exports since it began operations two years ago to 4,068 tons (or almost 9 million pounds). Previous shipments facilitated by CWT's export assistance program have gone to Algiers, Croatia, Egypt, Japan, Jordan, the Netherlands and Saudi Arabia. Through CWT's Export Assistance program, exports occur as overseas buyers are found for the products, and as CWT's members bid to be compensated for selling cheese and butter to those importers. 

## **Energy Efficiency Classes for California Dairies, Planning and Improvements**

PG&E will be hosting a series of Dairy Energy Efficiency classes this fall. A class description and schedule is listed below:

This course explores dairy farm energy management issues and provides practical advice for achieving efficient operations and techniques for effectively managing energy costs. This course covers the wide variety of energy efficiency measures and processes found on a modern California dairy farm, including milk harvesting, milk cooling (refrigeration), lighting, circulation and ventilation, washing and water heating, water systems, and compressed air systems.

September 27, 2005	Ferndale, CA
October 20, 2005	Stockton, CA
November 3, 2005	Bakersfield, CA

For additional information and to register for a class, go to [www.pge.com/stocktonclasses](http://www.pge.com/stocktonclasses), or call (800) 244-9912. 

## **USDA Proposes to Ease Mad Cow Ban on Japan Beef - Comment Period Ends 9/19/05**

The U.S. Department of Agriculture (USDA) has proposed allowing imports of Japan's Kobe beef, easing a nearly four-year ban imposed because of mad cow disease concerns. An activist farm group criticized the proposed rule, saying the USDA was sacrificing U.S. food safety to appease the Japanese government. "We are having to compromise our health and safety standards in order to restore that market," said Bill Bullard, chief executive of ranchers group R-CALF USA.

The United States banned Japanese beef imports after the Asian country discovered its first case of mad cow disease in September 2001. Japan has found more than a dozen new cases since then. Japan took similar action after the United States found its first case of the disease in a Washington state dairy cow in December 2003.

As part of a trade pact reached last October, the USDA agreed to conduct a risk assessment on Japan's Kobe beef with a view to resume imports so both countries can reopen their borders in tandem. Jim Rogers, spokesman for USDA's Animal and Plant Health Inspection Service, said the proposed rule was not connected to U.S. efforts in reopening Japan's borders to U.S. beef. "If any country asked us for the same thing, we would do something similar," Rogers said.

R-CALF said Japanese beef was not safe for U.S. consumers because it only recently implemented a ban prohibiting the use of cattle remains to feed other cattle. The restriction is viewed as the main safeguard in preventing the spread of bovine spongiform encephalopathy (BSE).

Under the proposed rule, the USDA said it would allow Japanese boneless cuts of beef from government certified plants that do not use certain stunning techniques to kill cattle. The rule is published in the Federal Register. Industry groups, consumer advocates and other interested parties have until September 19 to submit comments, the USDA said. Kobe beef, a delicacy that commands more than \$100 per pound in Japan, comes from Wagyu cattle massaged with sake and fed a diet enriched with beer to stimulate their appetite. The United States imported about \$800,000 worth of Kobe beef annually before the ban, the USDA said. 

## 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 3.9% in July, led by Colorado's 13.8% growth in milk production (on 2,000 more cows and 200 more pounds per cow). California's estimated production was up 1.5% (on 30,000 more cows and 5 less pounds per cow). Among the western states, Arizona was up 6.3%; New Mexico up 4.1%; and Washington up 4.3%. 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 0.4% at 9.035 million, production per cow was up 5.1%; the net effect was a 5.6% increase in milk production to 45.6 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 15,000 cows to 9.050 million cows, production per cow will be down 4.8%; the net effect would be a 4.6% decrease in milk production to 43.5 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 \$14.83/cwt. USDA projects that for the third quarter of 2005 compared to the second quarter, U.S. average all-milk prices will be \$14.65-14.95/cwt.; Class 4b prices will be \$13.60-13.90/cwt; and Class 4a prices will be \$12.80-13.20/cwt.

### Utility Cow Prices

Comparing the second quarter of 2005 to the first quarter of 2005, average U.S. utility cow prices were up \$5.00/cwt. to a national average of \$59.17/cwt. USDA projects that utility cow prices will average \$55-57 in the third quarter of 2005.

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

## MILC Payment Program to End

The federal Class I price fell to \$13.70 for September — a 74-cent decline versus August, but still \$0.01¢ higher than the trigger price for Milk Income Loss Contract payments. As a result, there will be no MILC payment for September, which also marks the final month of the payment program. 

## Newest BSE Test Results Prove Negative

In late July, USDA received non-definitive test results on an animal sampled as part of a voluntary extension of the enhanced BSE surveillance program. The sample was taken from a cow that was at least 12 years of age and experienced complications during calving. It is important to note that this animal poses no threat to the food supply because it did not enter the human food or animal feed chains.

USDA conducted further testing at the National Veterinary Services Laboratories in Ames, Iowa, in consultation with experts from the international reference laboratory in Weybridge, England, and also sent samples from this animal to the Weybridge laboratory for further testing.

After the more comprehensive tests were completed, it was determined that the non-definitive test result reported in late July was negative for BSE. It was determined that the initial non-definitive result was caused by artifactual (artificial or untrue) staining and, while this staining did not resemble BSE, USDA felt the prudent course was to conduct the additional tests.

We are extremely gratified that to date, all sectors of the cattle industry have cooperated in this program by submitting samples from more than 419,000 animals from the highest risk populations. To date, only one animal has tested positive for the disease as part of the surveillance program. These interlocking safeguards continue to protect our food supply. 

## DMI Unveils New Website to Encourage Dairy Innovation

Dairy, food and beverage manufacturers looking for the latest research and information on dairy products, ingredients, processes, and packaging have a new powerful resource with the recent launch of the [www.innovatewithdairy.com](http://www.innovatewithdairy.com) website. The site, funded by America's dairy producers through their checkoff program, aims to help build sales for dairy products and ingredients by offering manufacturers key dairy product, ingredient and nutrition information through a single source. Site components include:

- Information on product/processing breakthroughs
- Dairy news and market trends
- Dairy ingredient supplier information
- Product research and application projects
- Ingredients specifications and nutrition information
- Success stories featuring dairy ingredients and technologies 

*Brief Overview:*

## **Class 4a and 4b Prices - What Drives them to Rise or Fall So Dramatically?**

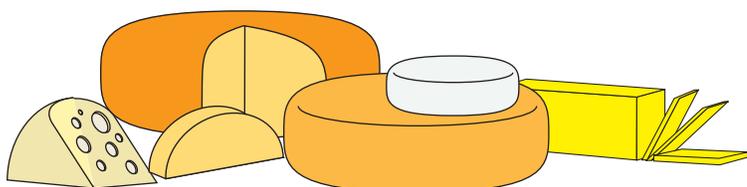
Both Class 4a prices (milk used to make butter and dried milk products) and Class 4b prices (milk used to make cheese other than cottage cheese) are calculated each month by using mathematical formulas. These formulas, referred to as “end-product pricing” formulas essentially use a measure for wholesale prices received by processors less an allowance to cover the cost the processor incurs to convert raw milk into the end-product. These formulas have other components, such as yield factors and steps to convert to hundredweight prices, but these factors remain fairly constant as they can only be changed as a result of a public hearing. Simply put, the pricing formulas can be expressed as follows:

$$\begin{array}{ccc} \boxed{\begin{array}{c} \text{Wholesale price for} \\ \text{end-product} \\ \text{(changes from} \\ \text{month-to-month)} \end{array}} & \begin{array}{c} - \\ \text{(Less)} \end{array} & \boxed{\begin{array}{c} \text{Manufacturing cost} \\ \text{allowance} \\ \text{(remains constant until} \\ \text{changed by hearing)} \end{array}} & \begin{array}{c} = \\ \text{(Equals)} \end{array} & \boxed{\begin{array}{c} \text{Class 4a/4b} \\ \text{Farm Price} \end{array}} \end{array}$$

### **Wholesale Prices**

How does the Department determine these wholesale prices for butter, cheese, powder, and Western dry whey products? The pricing formulas use the average of prices at which butter and Cheddar cheese are traded on the Chicago Mercantile Exchange (CME) each month as the measure of wholesale prices for these products. For dried milk products (powder), the Department uses the average prices received by California processors as reported to the Department each month. For dry whey, the Department uses the average of the Western mostly price from the weekly Dairy Market News reports.

Just as milk production fluctuates from month-to-month, market demand for dairy products ebbs and flows depending on a combination of factors including the time of year (holiday periods and when school is in session), the performance of the U.S. economy, and global market conditions for dairy products. Recent history has shown us that fairly small changes in the relationship between milk produced and the demand for products made from that milk can have significant effects on market prices for dairy products.



### **Manufacturing Cost Allowances**

Manufacturing cost allowances are set by the Department for butter, cheese, and powder as a result of testimony and evidence presented at periodic public hearings. However, once set, allowances remain constant until changed through another hearing process.

The Department conducts periodic studies of each butter, powder and Cheddar cheese plant in the State to determine the cost of processing raw milk into wholesale quantities of finished product. These cost figures are summarized and made public prior to each hearing. Interested parties present testimony at public hearings regarding the accuracy, timeliness and appropriateness of the summarized data in determining the proper level of allowances for each pricing formula. For example, in late 2001, the Department held a hearing on the Class 4a and 4b formulas based on a petition to increase the manufacturing cost allowances because of extraordinary increases in the price for energy (both electricity and natural gas) used in the manufacturing process. As a result of that hearing, manufacturing cost allowances were increased for butter, powder and cheese.

More often than not, when looking for a cause in the rise/fall of the Class 4a/4b prices, the major factor causing the rise/fall will be the increase/decrease in the CME prices for butter and Cheddar cheese. The table below shows how different the prices for butter, Cheddar Cheese, powder, and Western dry

*(Continued on next page)*

## Class 4a/4b Prices - Continued

they can be for two different pricing periods, and the difference in the Class 4a/4b prices for those periods:

**COMPARISON OF WHOLESALE PRICES**<sup>1, 2, 3</sup>  
**Butter, Cheddar Cheese, Powder, and Western Dry Whey**  
 May 2004 and May 2005  
 (Prices Per Pound of Finished Product)

<i>Product</i>	<i>May 2004 Prices</i>	<i>May 2005 Prices</i>
	<i>Prices Per Pound of Finished Product</i>	
Butter	\$2.0958	\$1.4025
Cheddar Cheese	\$2.0634	\$1.4745
Nonfat Dry Milk (Powder)	\$0.8218	\$0.9109
Western Dry Whey	\$0.2631	\$0.3054
	<i>Prices Per Hundredweight</i>	
<b>Class Prices</b>	<b>May 2004 Prices</b>	<b>May 2005 Prices</b>
Class 4a Price	\$13.95	\$11.72
Class 4b Price	\$19.34	\$13.39

<sup>1</sup> CME prices per pound for butter and block Cheddar cheese

<sup>2</sup> Weighted average price per pound received by California manufacturers of powder

<sup>3</sup> Dairy Market News prices per pound for Western Dry Whey (mostly)

When looking at the wholesale butter, cheese, powder and Western dry whey prices, the following is the difference that a +1.0¢ increase in these whole sale prices makes in the class prices:

- Butter increases +1.0¢ per pound, Class 4a increases +4.2¢ per hundredweight
- Powder increases +1.0¢ per pound, Class 4a increases +8.7¢ per hundredweight
- Cheese increases +1.0¢ per pound, Class 4b increases +10.1¢ per hundredweight
- Dry whey increases +1.0¢ per pound, Class 4b increases +5.7¢ per hundredweight

### Summary

Once the manufacturing cost allowances and other miscellaneous factors are set in the pricing formulas, the changes in classified prices from month-to-month solely reflect changes in the wholesale prices for the four manufactured dairy products mentioned above. The wholesale prices for butter, cheese, powder, and Western dry whey are affected by changes in the amount of milk produced nationwide and changes in the market demand for these manufactured dairy products. 

## Market, News, Weather (DTN) Available on Dairy Marketing Website

DTN Dairy is a source of comprehensive dairy-specific market, weather, and news information. This site provides a complete package of market analysis and commentary, real-time quotes, milk production information, highly localized weather and industry news 24 hours a day. DTN also includes exclusive updates from the Chicago Mercantile Exchange dairy traders daily. It also provides easy access to local and regional pricing information for distillers

grain, soybean meal and cottonseed, as well as a complete database of current bid prices in relation to the producer's operation. The site also provides advice and analysis on current and historic fuel and fertilizer data.

The Dairy Marketing Branch website at [www.cdfa.ca.gov/dairy](http://www.cdfa.ca.gov/dairy) has a link featuring "Markets, Weather, and News" where you can access the DTN information site. Simply go to the left side of the branch website home page and click on "Markets, Weather, and News (DTN)" 

## Grants Available for Dairy Water Quality Improvements

Five million dollars of Proposition 50 funds are available for dairy water quality improvements through the Dairy Water Quality Grant Program. The State Water Board in consultation with the Department of Food and Agriculture is administering this grant program.

Details regarding the grant program can be found in the Solicitation Notice and the Grant Guidelines at the State Water Board website at:

[www.waterboards.ca.gov/funding/dairy.html](http://www.waterboards.ca.gov/funding/dairy.html).

Alternatively, you may call Ken Coulter, State Water Board grant manager, at (916) 341-5496.

**The deadline to submit applications is OCTOBER 3, 2005 AT 5 PM.**

Applications will be considered according to funding priorities and eligibility requirements established in the Grant Guidelines. Eligible applicants include public agencies, non-profit organizations, and dairy operators who have completed the Environmental Stewardship Short-Course of the California Dairy Quality Assurance Program (CDQAP) or have taken similar actions to mitigate adverse environmental impacts. Dairy operators are encouraged to complete the CDQAP short-course and to seek a third party evaluation. The third party evaluation can identify water quality compliance issues that the grant funds may be used to address.

Priority for funding will be given to applicants that demonstrate the greatest potential to reduce or prevent water pollution and assist dairy operations in achieving and maintaining compliance with water quality regulations. Additionally, projects that provide benefits to multiple dairy operations will also be given priority.

Proposed projects may be for on-farm improvements or regional approaches to dairy manure management that address water quality issues related to dairy operations. Eligible on-farm projects include but are not limited to:

- tailwater return systems,
- backflow prevention devices,
- infrastructure to segregate clean storm water from manure areas (gutters, grading, etc.),
- infrastructure to improve manure handling (expansion of lagoons, lagoon liners, drainage conveyance, etc.),
- planning, design, and infrastructure consistent with nutrient management plans,
- pipelines, mixing chambers, flowmeters, etc.

A minimum of 30% matching funding is required for all projects, unless the project can demonstrate that it benefits a Disadvantaged Community. For individual dairy operators applying independently, the grant awards are between \$250,000 and \$500,000. Maximum awards for regional project or multi-dairy projects are \$3 million and only public agencies and non-profits can apply for these. A multi-dairy project will allow for service and equipment to be provided to individual dairies in amounts below \$250,000. Stay tuned for more on this in future editions of the California Dairy Review. 

### **CWT Third Round - from page 1**

“Based on our feedback from those whose bids we have accepted previously, we know that most producers view the decision to sell their herds through CWT as a long-term commitment which results in them exiting the business permanently,” said Walt Wosje, Chief Operating Officer of CWT. “Despite the strengthened milk prices of the past few years, there are still many farmers who want to exit the business of dairy farming, and we know CWT offers a way for them to do so that benefits their fellow dairy producers and contributes to the health of the entire industry.”

Through the herd retirement program, if a farmer’s bid is accepted, CWT pays that farmer for the milk-production value of his or her cows. The farmer is responsible for selling the cows for slaughter, and he keeps the proceeds from that transaction. In this round, any producer who had his bid accepted in either of the past two rounds, and re-entered the business, is not eligible to participate again. Also, those producers who have a financial interest in more than one farm must submit their milk production records for each of their dairy operations.

As in the past, the herd retirement program will again operate under regional safeguard limits to guarantee that milk capacity reductions in any one region of the country do not negatively impact local supplies. The safeguard limits are strictest in the Northeast, Southeast and Upper Midwest.

For more information on how to participate in CWT’s herd retirement, visit [www.cwt.coop](http://www.cwt.coop), or call 888-Info-CWT (888-463-6298). 

**MASTER LIST OF HANDLERS INELIGIBLE FOR COVERAGE UNDER THE MILK PRODUCERS SECURITY TRUST FUND AS OF AUGUST 9, 2005**

HANDLERS INELIGIBLE FOR FAILURE TO: (1) MAINTAIN A VALID LICENSE OR BOND; (2) PAY PRODUCERS FOR BULK MILK PURCHASED AND RECEIVED; OR (3) FAILURE TO PAY THEIR POOL SETTLEMENT OBLIGATIONS			
FIRM	STREET ADDRESS	CITY, ST. & ZIP CODE	HANDLER NO.
Central Valley Dairymen, Inc.	251 5th Street	Gustine, CA 95322	076086
Sequoia Valley Products, LLC	2245 S. Linwood	Visalia, CA 93277	035067
Pac Fill, Inc. – DBA: Sun Dairy Company	5471 San Fernando Road West	Los Angeles, CA 90039	140414
Ariza Cheese Company, Inc.	7602 Jackson Street	Paramount, CA 90723	148312
Formaggi Di Ferrante, Inc.	4690 E. Second Street, Suite 7	Benicia, CA 94510	018182
Valley Gold, LLC	240 North Avenue	Gustine, CA 95322	041007
Organic Pastures Dairy Company, LLC	7221 S. Jameson Ave	Fresno, CA 93706	036079
Suprema Specialties West, Inc.	14253 S. Airport Way	Manteca, CA 95336	---
Bravo Farms	34292 Road 124	Visalia, CA 93291	032075
HANDLERS THAT ARE NOT BONDED AND EITHER USE THEIR OWN PRODUCTION OR BUY MILK FROM OTHER HANDLERS (THESE PROCESSORS ARE LICENSED, BUT ARE NOT REQUIRED TO OBTAIN A MILK HANDLER'S BOND SINCE THEY ARE NOT MAKING BULK MILK PURCHASES DIRECTLY FROM PRODUCERS OR COOPERATIVE ASSOCIATIONS OF PRODUCERS.)			
FIRM	STREET ADDRESS	CITY, ST. & ZIP CODE	HANDLER NO.
Balian Ice Cream	2916 E. Olympic Boulevard	Los Angeles, CA 90023	---
Broguiere's Farm Fresh Dairy	505 South Maple Avenue	Montebello, CA 90640	142097
Cal Poly State University Dairy	Foundation Administration Bldg # 15	San Luis Obispo, CA 93407	143175
California State University Agricultural Foundation	2385 East Barstow Avenue M/S AG 85	Fresno, CA 93740-8004	032119
Claravale Farm Company	345 Kliewer Lane	Watsonville, CA 95076	012396
Cool-A-Coo Ice Cream Company	12025 Hadley Street	Whittier, CA 90601	---
DeJong's Dairy – DBA Udderly, Inc.	31910 Corydon Street	Wildomar, CA 92595	142152
Fagundes Agribusiness	8700 Fargo Avenue	Hanford, CA 93230	072027
Fleur De Lait West	17525 East Valley Boulevard	City of Industry, CA 91744	144210
Initiative Foods, Inc.	1117 K Street	Sanger, CA 93657	---
The Ice Creamery – DBA Bayche Companies, Inc.	1221 Burt Place	Fullerton, CA 92831	---
Joe Matos Cheese Factory	3669 Liano Road	Santa Rosa, CA 95407	097052
Marin French Cheese Company	7500 Red Hill Road	Petaluma, CA 94952	098020
Morningstar Foods, Inc. *	18275 Arenth Avenue	City of Industry, CA 91748	148477
Norwalk Dairy – DBA John Vanderham	13101 East Rosecrans Avenue	Santa Fe Springs, CA 90670	141680
Pedrozo Dairy & Cheese Company	7713 County Road 24	Orland, CA 95963	075129
Prison Industries Authority – CA Institution for Men	PO BOX 1031	Chino, CA 91710	143032
Prison Industries Authority – Corcoran State Prison	PO BOX 8800	Corcoran, CA 93212-8800	038125
Prison Industries Authority – Correctional Training Facility	PO BOX 700	Soledad, CA 93960-0700	012100
Prison Industries Authority – Deuel Vocational Institution	PO BOX 400	Tracy, CA 95378	078143
Three Sisters Farmstead Cheese	2381 Road 180	Lindsay, CA 93247	035056
Wonder Ice Cream Company	1717 Lafayette Street	Santa Clara, CA 95050	---

\* Morningstar's City of Industry plant is not required to have a bond. Shipments of milk to the other Morningstar plants currently are eligible for trust fund coverage.

# Hundredweight Pool Prices

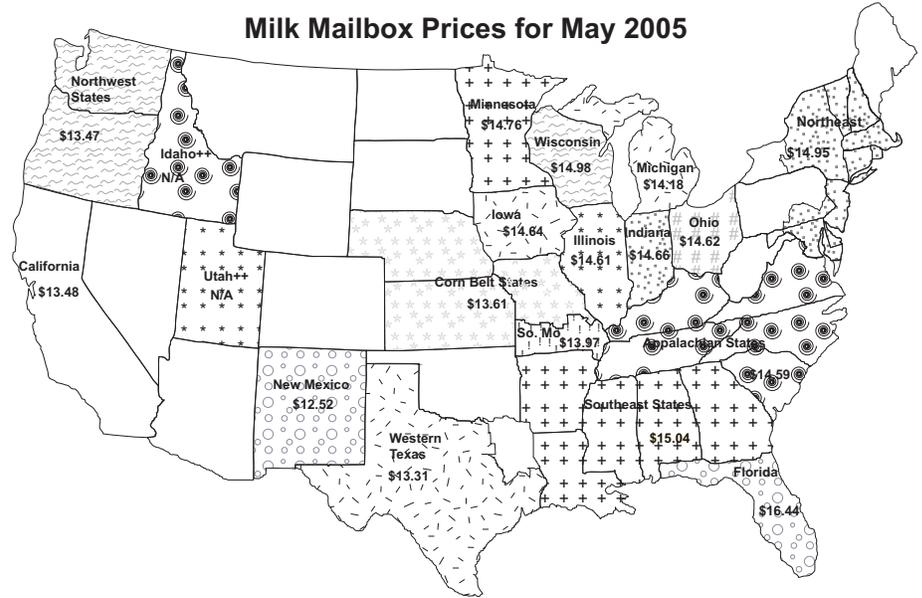
Month	Quota	Overbase
January '04	\$12.71	\$11.01
February	\$13.32	\$11.62
March	\$15.44	\$13.74
April	\$18.23	\$16.53
May	\$18.69	\$16.99
June	\$17.46	\$15.76
July	\$15.03	\$13.33
August	\$14.74	\$13.04
September	\$15.21	\$13.51
October	\$14.81	\$13.11
November	\$15.74	\$14.04
December	\$15.74	\$14.04
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
July	\$14.99	\$13.29

# Milk Mailbox Prices

## Milk Mailbox Prices in Dollars per Hundredweight

	November	December	January	February	March	April	May
California <sup>1</sup>	\$15.23	\$15.18	\$14.85	\$14.16	\$13.99	\$14.11	\$13.48
USDA <sup>2</sup>	\$16.12	\$16.38	\$15.89	\$15.24	\$15.46	\$14.97	\$14.48

<sup>1</sup> California mailbox price calculated by CDFA.  
<sup>2</sup> All federal milk market order weighted average, as calculated by USDA.



In May 2005, mailbox prices for selected reporting areas in Federal milk orders averaged \$14.48 per cwt., \$0.49 less than the figure for the previous month. The component tests of producer milk in May 2005 were: butterfat, 3.60%; protein, 3.00%; and other solids 5.73%. On an individual reporting area basis, mailbox prices decreased in all reporting areas, ranging from \$16.44 in Florida to \$12.52 in New Mexico. In May 2004, the Federal milk order all area average mailbox price was \$19.01, \$4.53 higher.

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

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California Department of Food and Agriculture  
 A.G. Kawamura, Secretary  
 Dairy Marketing Branch  
 1220 N Street  
 Sacramento, CA 95814

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) 341-6697  
 Website: www.cdfa.ca.gov/dairy  
 Email: dairy@cdfa.ca.gov

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.