Dairy Marketing Branch

California
Dairy Review

A publication serving the California dairy industry for over 12 years

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In This Issue . . .

Season's Greetings

from CDFA Dairy Marketing

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

California Dairy Producer News

Minimum Class Prices

California Hundredweight Prices

Class	October	November	December
1 No. Calif.	$13.75	$15.04	$16.04
So. Calif	$14.02	$15.31	$16.31
2 No. Calif.	$11.07	$11.07	N/A
So. Calif.	$11.30	$11.30	N/A
3	$11.02	$11.02	N/A
4a	$11.54	N/A	N/A
4b	$12.69	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Hundredweight Prices

Regions	October	November	December
Phoenix, Arizona	$14.70	$15.21	$16.34
Southern California	$14.02	$15.31	$16.31
Portland, Oregon	$14.25	$14.76	$15.89
Northern California	$13.75	$15.04	$16.04
Boston (Northeast)	$15.60	$16.11	$17.24

Quota Transfer Summary

Quota Transfers	Sep.	Oct.	Nov.
Number of Sellers	4	10	4
Pounds of SNF Quota Transferred	4,443	8,450	3,089
Average Price Per Pound of SNF Quota	$364	$359	$355

Weekly Average Commodity Prices

Week Ending	Chicago Mercantile Exchange		California Manufacturing Plants	Dairy Market News
	Grade AA Butter	Block Cheddar Cheese	Nonfat Dry Milk	Western Dry Whey
	Dollars per Pound			
10/9	$1.2380	$1.4670	$0.9817	$0.3325
10/16	$1.2425	$1.4820	$0.9852	$0.3350
10/23	$1.3065	$1.4490	$0.9928	$0.3425
10/30	$1.3640	$1.5030	$0.9639	$0.3500
11/6	$1.4330	$1.5335	$1.1078	$0.3550
11/13	$1.5250	$1.5710	$1.0919	$0.3600
11/20	$1.5250	$1.5860	N/A	$0.3675

Dairy Cow Culling Activity (Weekly)

Week Ending	Region 9 [1] Dairy Cows	U.S. Dairy Cows	West Region [2] Price Range
	Head		*$/cwt.*
09/18/09	16,800	19,500	$38-$40
09/25/09	14,800	18,600	$40-$43
10/02/09	13,900	17,800	$40-$41
10/09/09	14,300	19,500	$39-$42
10/16/09	14,800	19,900	$39-$42
10/23/09	15,700	20,400	$33-$40
10/30/09	15,100	20,400	$38-$40
11/06/09	15,600	20,900	$36-$40

[1] Region 9 includes AZ, CA, HI and NV

[2] West region includes AZ, NV, UT, CA, ID, OR and WA

Source: USDA Market News: Report LM_CT168 and ML_LS795

October Milk Production in the Top 23 States

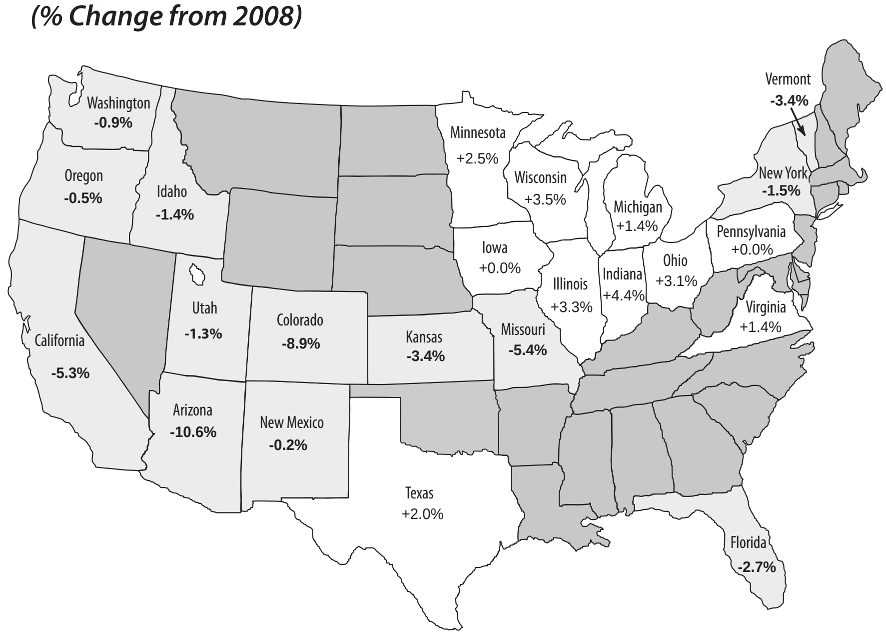
(% Change from 2008)

October Milk Production

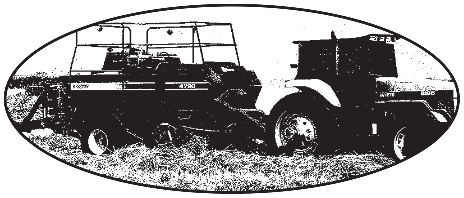
USDA estimates U.S. milk production for October 2009 in the top 23 milk producing states at 14.3 billion pounds, down 1.1 percent from October 2008. Production per cow in the top 23 milk producing states averaged 1,721 pounds for October, 21 pounds above October 2008.

For the U.S. overall, comparing October 2009 to October 2008:

- The number of cows on farms was 9.098 million head, down 226,000 head
- Production per cow averaged 1,697 pounds, 22 pounds more than October 2008
- Thirteen of the top twenty-three milk producing states showed a decrease in milk production



Premium Alfalfa Hay Prices / Alfalfa Sales - Reported Weekly



Alfalfa Hay Update

Northern California: Premium and Supreme Alfalfa demand light to moderate with supply moderate to heavy. Some hay supplies are starting to come out of barns, including high test and dry cow hay. Hay trading has declined as we move into the holiday season.

Southern California: Premium and Supreme Alfalfa demand is good and supply is light, the weather was much better in November for making hay than previous weeks, the quality of hay should improve in the coming weeks.

Premium Alfalfa Hay Statewide Average Prices Per Ton / Total Tons Sold or Delivered

Area	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Monthly Low/High
Petaluma	N/A	$170	N/A	N/A	$170
North Valley	$135-155	$130-155	$160-180	$145-155	$130-180
South Valley[2]	$135-145	$135-158	$135-165	$138-150	$135-165
Chino Valley	N/A	N/A	N/A	N/A	N/A
Tons Sold[3]	32,155	33,805	20,913	30,746	
Tons Delivered[4]	10,605	23,200	13,455	15,085	

[1] North Valley is Escalon, Modesto and Turlock areas.
[2] South Valley is Tulare, Visalia and Hanford areas.
[3] For current or future delivery.
[4] Contracted or current sales.

Definition of premium Alfalfa Hay: Early maturity, i.e., pre-bloom in legumes and pre head in grass hays, extra leafy and fine stemmed-factors indicative of a high nutritive content. Hay is green and free of damage.

Source: USDA Market News, Moses Lake, Washington, (509) 765-3611, www.ams.usda.gov/LSMarketNews

California Average Feed Commodity Spot Prices

Delivered to the Dairy, In Dollars Per Ton, 2009

Feed Commodity	Tulare/Pixley		North Valley		Los Banos/Chowchilla	
	9/29 - 10/20	10/27-11/17	9/29 - 10/20	10/27 - 11/17	9/29 - 10/20	10/27 - 11/17
Almond Hulls	$99.00	$103.25	$93.50	$98.25	$96.50	$101.25
Canola	$258.25	**N/A**	$258.25	$302.75	$260.25	$304.75
Distillers Dried Grains	$170.00	$183.00	$170.00	$182.50	$173.00	$185.50
Rolled Corn	$180.88	$187.88	$188.25	$197.00	$184.25	$192.88
Soybean Meal	$364.75	$377.75	$364.75	$377.75	$366.75	$379.75
Whole Cottonseed	$318.25	$284.00	$320.75	$287.75	$320.25	$286.00

Source: USDA Market News, St. Joseph, Missouri, (816) 238-0678, www.ams.usda.gov/LSMarketNews

*Milk Production Cost Comparison Summary for California **

By Quarter, 2008-2009

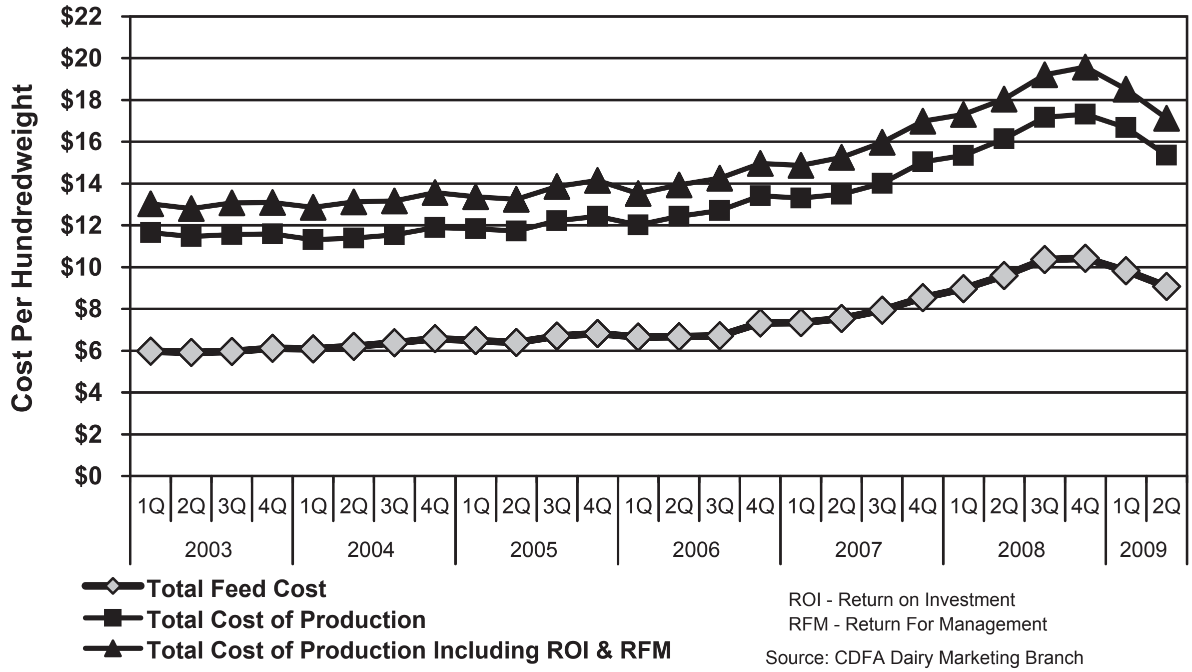
Milk Production Cost Comparison Summary for California, by Quarter, 2008-2009

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
	Dollars per Hundredweight									
1st Quarter										
Total Costs	19.74	22.38	15.14	16.63	15.31	16.63	15.44	15.35	15.34	16.67
Total Costs & Allowances*	21.97	24.77	16.98	18.23	17.17	18.58	17.07	17.29	17.31	18.51
2nd Quarter										
Total Costs	18.49	18.30	15.86	15.30	16.26	15.46	16.06	14.06	16.14	15.37
Total Costs & Allowances*	20.62	20.34	17.76	17.08	18.16	17.22	17.69	15.54	18.04	17.12
3rd Quarter										
Total Costs	20.52		16.68		17.38		17.13		17.17	
Total Costs & Allowances*	22.74		18.67		19.46		18.93		19.21	
4th Quarter										
Total Costs	22.08		17.08		17.39		16.62		17.33	
Total Costs & Allowances*	24.71		19.32		19.65		18.56		19.58	

* Includes an allowance for management and a return on investment

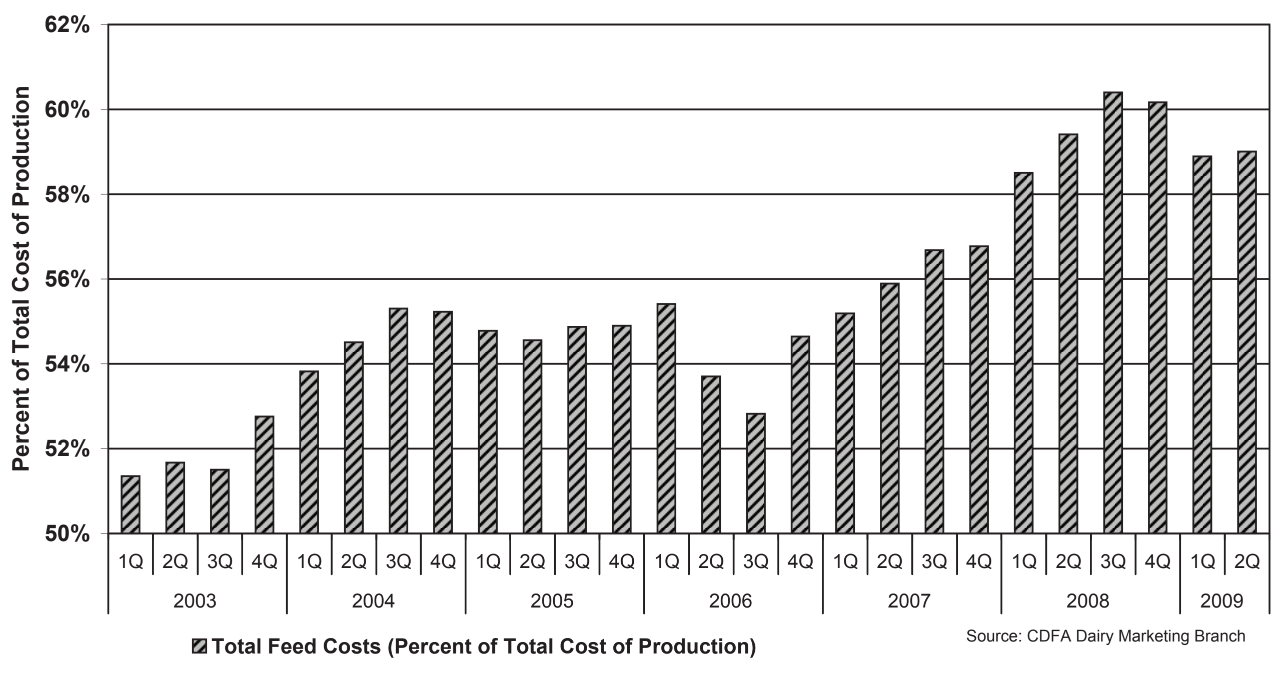
California Cost of Production, Total Feed Cost, by Quarter

Based on California Production Cost Survey, January 2003 through June 2009



Total Feed Costs (Percent of Total Cost of Production)

Based on California Production Cost Survey, January 2003 through June 2009



USDA Milk-Feed Price Ratio

USDA reports that the milk-feed ratio continued its upward movement in October, rising to 2.04, up from the 2.02 reported for October 2008.

The current ratio of 2.04 means that a dairy producer can buy 2.04 pounds of feed for every pound of milk sold. Whenever the ratio meets or exceeds 3.0, it is considered profitable to buy feed and produce milk. The higher October milk-feed ratio was the result of higher milk prices.

The corn price used to calculate the ratio in October was $3.54 per bushel, up $0.29 from the September price. The price of baled alfalfa hay was relatively the same as September, $110 per ton compared to $109 in September. Soybeans also stayed relatively the same at $9.74 per bushel.

The all-milk price used to calculate the ratio was $13.80 per hundredweight — up 90 cents from September.

Corn Harvest Progress Slow

According to USDA's "Crop Progress" report, 37 percent of the corn crop in the 18 top corn-producing states had been harvested as of mid-November. That is 45 percentage points behind the five-year average. Top corn-producing states Illinois and Iowa had 31 percent and 34 percent of their corn crops harvested, respectively.

Agricultural meteorologist for the USDA, Brad Rippey, noted that the pace of this year's corn harvest has been the slowest in 35 years.

Only 25 percent of the corn crop had been harvested as of Nov. 1. Looking back over 35 years of data, that was easily the smallest percentage registered by Nov. 1. The previous record for slowness was set in 1992, when only 44 percent of the corn had been harvested by that date, he said.

CWT Finalizes Third Herd Retirement Round in 2009

Cooperatives Working Together (CWT) has tentatively finalized the third herd retirement round for 2009: accepting 154 bids , accounting for 26,412 cows and 517 million pounds of milk. Combined with CWT's three previous herd retirements since December 2008, accounts for a total reduction of milk production capacity of five billion pounds.

CWT member farmers in 33 states submitted a total of 168 herd retirement bids for this latest herd retirement round. This is the ninth herd retirement in the past six years of CWT's existence, and featured a maximum acceptable bid threshold of $5.25 per cwt., the same price ceiling as in the retirement conducted in August. In addition to the 26,000 cows, 465 bred heifers were also accepted.

In November, CWT field auditors began visiting the 154 farms whose bids were accepted, checking their milk production records, inspecting their herds, and tagging each cow for processing. Once CWT field auditors inspect and finalize acceptance of the herds offered through the bidding process, farmers have 15 days in which to send their animals to a processing plant.

As with the two most recent herd retirements in 2009, producers whose bids are accepted in this herd retirement will be paid in two installments: 90% of the amount bid times the producer's 12 months of milk production when it is verified that that all cows have gone to slaughter, and the remaining 10% plus interest at the end of 12 months following the farm audit, provided both the producer and his dairy facility – whether owned or leased – do not become involved in the commercial production and marketing of milk during that period.

California Dairies Inc. Visalia Plant Expands Capacity

California Dairies Inc. (CDI) reports that the Visalia plant will be increasing their processing capacity from 5 million pounds of milk to 10 million pounds of milk per day. The company has built the Visalia plant into one of the largest milk plants on the West Coast. The expansion will also help boost production jobs in Visalia.

Richard Cotta, CDI CEO, reports that although they have concentrated on producing butter and powder in Visalia mostly for big food service customers, the co-op will take a new tack this winter, adding several lines in Visalia and elsewhere to make new consumer products. The new lines should be in operation in the first quarter of 2010.

Agricultural Industry Public Workshops Across the U.S.

The Department of Justice and the U.S. Department of Agriculture (USDA) recently announced the dates and locations of joint public workshops that will explore competition and regulatory issues in the agriculture industry. The workshops are the first joint Department of Justice/USDA workshops to be held to discuss competition and regulatory issues in the agriculture industry. The all-day workshops will be held in Alabama, Colorado, Iowa, Washington, D.C. and Wisconsin. The goals of the workshops are to promote dialogue among interested parties and foster learning with respect to the appropriate legal and economic analyses of these issues, as well as to listen to and learn from parties with experience in the agriculture sector.

March 12, 2010 - Issues of Concern to Farmers - Ankeny, Iowa: This event will serve as an introduction to the series of workshops, but also will focus specifically on issues facing crop farmers. Specific areas of focus may include seed technology, vertical integration, market transparency and buyer power.
May 21, 2010 - Poultry Industry - Normal, Ala.: Specific areas of focus may include production contracts in the poultry industry, concentration and buyer power.
June 7, 2010 - Dairy Industry - Madison, Wis.: Specific areas of focus may include concentration, marketplace transparency and vertical integration in the dairy industry.
Aug. 26, 2010 - Livestock Industry - Fort Collins, Colo.: Specific areas of focus will address beef, hog and other animal sectors and may include enforcement of the Packers and Stockyards Act and concentration.
Dec. 8, 2010 - Margins - Washington, D.C.: This workshop will look at the discrepancies between the prices received by farmers and the prices paid by consumers. As a concluding event, discussions from previous workshops will be incorporated into the analysis of agriculture markets nationally.

At each workshop, the public will have an opportunity to ask questions and provide comments. The attendance and participation of the public is encouraged throughout the series of workshops. The Department of Justice and USDA are also asking for comments in advance of the workshops. Interested parties should submit written comments in both paper and electronic form to the Department of Justice no later than Dec. 31, 2009. All comments received will be publicly posted. Two paper copies should be addressed to the Legal Policy Section, Antitrust Division, U.S. Department of Justice, 450 5th Street, NW, Suite 11700, Washington, D.C. 20001. The electronic version of each comment should be submitted to agriculturalworkshops@usdoj.gov.

U.S. Dairy Industry Seeks Raw Milk Regulation

The International Dairy Foods Association (IDFA) and the National Milk Producers Federation (NMPF) have urged lawmakers to ensure plants producing unpasteurised products will no longer be exempt from FDA scrutiny. Currently, such facilities do not have to comply with food safety plans, record keeping and access, and other regulations that are triggered by registration with FDA.

Under the present rules, it is reported that raw milk plants are also exempt from national regulations enforced at the state level known as the Pasteurized Milk Ordinance (PMO). The dairy groups are calling for a measure where all facilities producing raw or unpasteurized milk products for direct human consumption to register with FDA and adhere to the food safety requirements that are followed by all other facilities producing milk products.

"Before pasteurization became widely utilized during the 1920s, human consumption of raw milk was one of the major sources of food borne illnesses and one of the primary causes of infant mortality," wrote IDFA CEO Connie Tipton and NMPF CEO Jerry Kozak. "It is important to the health of the American public, and for the continued confidence in the dairy industry, that the new food safety legislation bolsters the success of the PMO program and applies any new FDA requirements to raw milk and raw dairy products."

The PMO covers all aspects of hazard analysis, planning and monitoring from farm and processing plants to retail outlets which has resulted in low numbers of food safety problems for pasteurized dairy products. However, raw milk products for human consumption have a poorer track record and have been linked with a much higher incidence of food-related illnesses.

National Dairy Situation and Outlook – USDA Estimates

Milk Production
Monthly: Compared to 2008, USDA estimates overall milk production across the U.S. was down by 1.1% in October 2009. USDA reports that California milk production was down 5.3% on (78,000 less cows and 20 less pounds per cow), compared to October 2008. Among other western states, Arizona was down 10.6%; New Mexico was down 0.2%; and Washington was down 0.9%. Five of the top 10 states reported a production increase or no change. The largest increase was reported by Indiana at 4.4% growth in milk production (on 2,000 more cows and 55 more pounds per cow).

Quarterly: For the third quarter of 2009 compared to the second quarter of 2009, U.S. milk cow numbers dropped to 9.159 million, milk production per cow decreased to 5,105 pounds; the net effect was decreased milk production to 46.8 billion pounds. USDA projects that for the fourth quarter of 2009 compared to the third quarter of 2009, U.S. milk cow numbers will decrease to 9.065 million cows, production per cow will decrease to 5,090 pounds; the net effect would be decreased milk production to 46.1 billion pounds.

Milk Prices
Comparing the third quarter of 2009 to the second quarter of 2009, U.S. average milk prices increased to $12.07/cwt. USDA projects that for the fourth quarter of 2009, U.S. average all-milk prices will be $14.55-14.85/cwt.; Class 4b prices will be $13.40-13.70/cwt.; and Class 4a prices will be $13.00-13.40/cwt.

Utility Cow Prices
Comparing the third quarter of 2009 to the second quarter of 2009, average U.S. utility cow prices were down $1.95/cwt. to a national average of $47.51/cwt. USDA projects that utility cow prices will average $46-48/cwt. in the fourth quarter of 2009.

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

Emergency Assistance to U.S. Dairy Farmers Soon . . .

President Obama signed a bill that will give $350 million in emergency assistance for dairy farmers. The bill includes $290 million for direct support to dairy farmers and an additional $60 million to be used to purchase cheese for food banks and nutrition programs. Agriculture Secretary Tom Vilsack will use guidelines for distribution to be determined under an expedited process.

It is reported that Secretary Vilsack had three main goals in administering the aid: 1) The payments must be directed to actual dairy farmers; (2) The payments must go out as quickly as possible; and (3) the payments must reflect as much regional equity and fairness as possible.

The emergency payments for dairy farmers my be received by the end of December, according to Jim Miller, Undersecretary for farm and foreign agricultural services for the U.S. Department of Agriculture reports - he reports: "It's our goal to get these payments out as quickly as possible - It is hoped that would mean having the money in the hands of the vast majority of producers by the end of December or even as early as mid-December."

Since the $350 million measure was approved by Congress in October, "we've made very good progress" in getting it implemented, Miller said. Since the measure is still undergoing the USDA internal rule-making process, Miller said he could not be more specific as to how the money will be distributed.

Another $60 million in the emergency relief package will be used by USDA for the purchase of cheese through the food-bank program.

Pool Prices

Month	Quota	Overbase
May '08	$18.47	$16.77
June	$19.12	$17.42
July	$19.05	$17.35
August	$18.01	$16.31
September	$17.92	$16.22
October	$17.14	$15.44
November	$15.97	$14.27
December	$14.11	$12.41
January '09	$12.10	$10.40
February	$11.28	$ 9.58
March	$11.54	$ 9.84
April	$11.57	$ 9.87
May	$11.46	$ 9.76
June	$11.32	$ 9.62
July	$11.30	$ 9.60
August	$12.18	$10.48
September	$12.74	$11.04
October	$13.61	$11.91

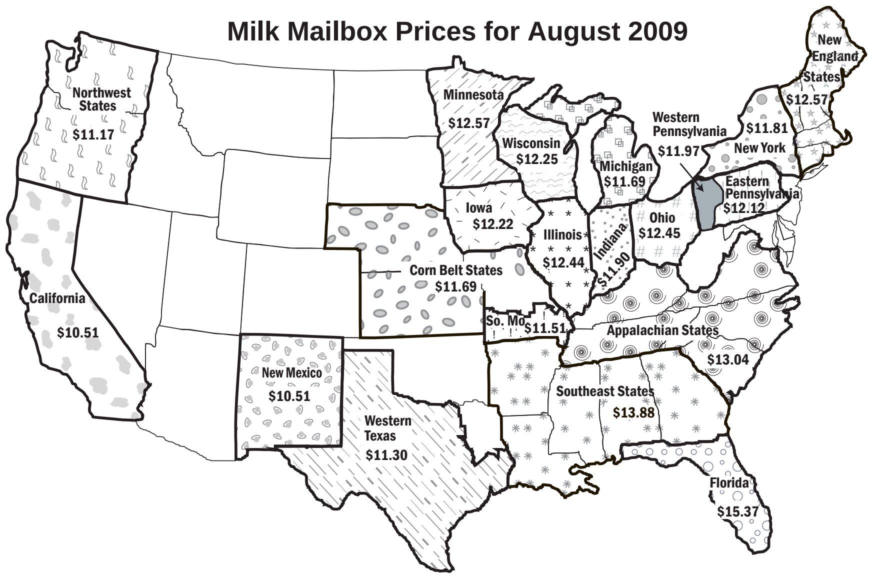
Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

	February '09	March	April	May	June	July	August
California [1]	$ 9.80	$ 9.92	$ 9.88	$ 9.70	$ 9.63	$ 9.60	$10.51
USDA [2]	$11.61	$11.60	$11.96	$11.61	$11.27	$11.30	$12.04

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

Milk Mailbox Prices for August 2009



In August 2009, mailbox milk prices for selected reporting areas in Federal milk orders averaged $12.04 per cwt., up $0.74 from the previous month average, and down $6.54 from August 2008. The component tests of producer milk in August 2009 were: butterfat, 3.57%; protein, 2.97%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas, and ranged from $15.37 in Florida to $10.51 in New Mexico.

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