

California

# Dairy Review

*A publication serving the California dairy industry for over 12 years*

Volume 13 Issue 3

March 2009

## In This Issue . . .

- 1** U.S. Census of Agriculture 2007
- 2** Milk Production, Prices, Quota Transfers
- 3** Supreme Hay Prices - Weekly
- 3** California Weekly Commodity Spot Prices
- 4** Cost of Milk Production Summary
- 4** California Feed Costs vs. Production
- 5** Corn and Soybean Markets Affected
- 5** USDA Milk-Feed Ratio
- 5** European Farmers Also Face Tough Economy
- 6** MILC Feed Calculator
- 7** Questions from The Corral
- 9** California Update: Bovine TB
- 11** USDEC Export Outlook
- 13** National Dairy Situation & Outlook
- 14** Pool and Mailbox Price

## U.S. Census of Agriculture 2007

*Excerpts from the Census of Agriculture Report*

As reported by USDA, the 2007 Census of Agriculture counted 2,204,792 farms in the United States, a net increase of 75,810 farms. Nearly 300,000 new farms have begun operation since the last census in 2002. Compared to all farms nationwide, these new farms tend to have more diversified production, fewer acres, lower sales and younger operators who also work off-farm.

In the past five years, U.S. farm operators have become more demographically diverse. The 2007 Census counted nearly 30 percent more women as principal farm operators. The count of Hispanic operators grew by 10 percent, and the counts of American Indian, Asian and Black farm operators increased as well.

The latest census figures show a continuation in the trend towards more small and very large farms and fewer mid-sized operations. Between 2002 and 2007, the number of farms with sales of less than \$2,500 increased by 74,000. The number of farms with sales of more than \$500,000 grew by 46,000 during the same period.

Census results show that the majority of U.S. farms are smaller operations. More than 36 percent are classified as residential/lifestyle farms, with sales of less than \$250,000 and operators with a primary occupation other than farming. Another 21 percent are retirement farms, which have sales of less than \$250,000 and operators who reported they are retired.

In addition to looking at farm numbers, operator demographics and economic aspects of farming, the Census of Agriculture delves into numerous other areas, including organic, value-added, and specialty production, all of which are on the rise.

*Continued on Page 13*



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

# Production, Prices, Quota Transfers, Alfalfa

## January Milk Production

USDA estimates U.S. milk production for January 2009 in the 23 major dairy states at 14.9 billion pounds, up 1.0 percent from January 2008. Production per cow in the 23 major states averaged 1,746 pounds for January, 5 pounds above January 2008.

## Quota Transfer Summary

Quota Transfers	Dec.	Jan.	Feb.
Number of Sellers	9	13	8
Pounds of SNF Quota Transferred	13,314	4,530	4,328
Average Price Per Pound of SNF Quota	\$556	\$554	\$527

## Minimum Class Prices

California Hundredweight Prices

Class	January	February	March
1 No. Calif.	\$17.42	\$11.27	\$11.13
So. Calif.	\$17.69	\$11.55	\$11.40
2 No. Calif.	\$13.30	\$10.27	\$10.27
So. Calif.	\$13.53	\$10.50	\$10.50
3	\$13.25	\$10.22	\$10.22
4a	\$ 9.53	N/A	N/A
4b	\$ 9.02	N/A	N/A

## Commodity Prices Used in the Calculation of California Class 1 Milk Prices

Month	Chicago Mercantile Exchange		California Manufacturing Plants	Dairy Market News
	Grade AA Butter	Block Cheddar Cheese	Nonfat Dry Milk	Western Dry Whey
<i>Dollars per Pound</i>				
Jan.	\$1.1275	\$1.1178	\$0.8146	\$0.1500
Feb.	\$1.1008	\$1.1456	\$0.8106	\$0.1488
Mar.				
Apr.				
May				
June				
July				
Aug.				
Sept.				
Oct.				
Nov.				
Dec.				

## Federal Order and California Minimum Class 1 Prices

Hundredweight Prices

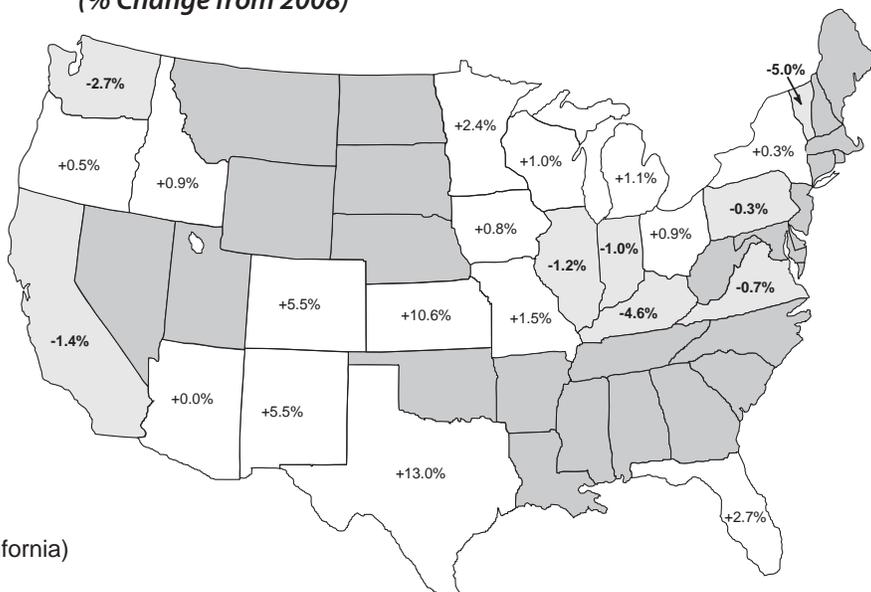
Regions	January	February	March
Phoenix, Arizona	\$18.09	\$13.07	\$11.78
Southern California	\$17.69	\$11.55	\$11.40
Portland, Oregon	\$17.64	\$12.62	\$11.33
Northern California	\$17.42	\$11.27	\$11.13
Boston (Northeast)	\$18.99	\$13.97	\$12.68

## January Milk Production in the Top 23 States

(% Change from 2008)

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

- U.S. Milk production during January was up 1.0%
- The number of cows on farms was 8.509 million head, up 58,000 head
- Production per cow averaged 1,746 pounds, 5 pounds more than January 2008
- Three of the top twenty-three milk producing states showed a decrease in milk production



As reported by USDA and CDFA (for California)

## **Supreme Alfalfa Hay Prices / Alfalfa Sales - Reported Weekly**



### **Alfalfa Hay Update:**

January began with warm and mild weather conditions, causing the planted hay to grow faster than wanted. Hay still being sold out of barns and from stacks; dairy producers buying hay only as needed. Late January weather turned wet and rainy for many areas - may be enough to irrigate new seedlings.

### **Statewide Average Prices Per Ton / Total Tons Sold or Delivered**

<b>Area</b>	<b>Jan. 30</b>	<b>Feb. 6</b>	<b>Feb. 13</b>	<b>Feb. 20</b>	<b>Monthly Low/High</b>
Petaluma	\$255	N/A	N/A	\$215-255	\$215-255
North Valley <sup>1</sup>	\$195-220	\$180-220	\$180-230	\$182-215	\$180-230
South Valley <sup>2</sup>	\$185-200	\$190-197	\$185-190	\$185-190	\$185-200
Chino Valley	N/A	N/A	\$160-170	\$165	\$160-170
<b>Tons Sold<sup>3</sup></b>	9,390	11,875	5,460	9,208	
<b>Tons Delivered<sup>4</sup></b>	9,610	5,275	5,050	9,540	

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

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

<sup>3</sup> For current or future delivery.

<sup>4</sup> Contracted or current sales.

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

## **California Weekly Feed Commodity Spot Prices, Delivered to the Dairy**

<b>AREA</b>	<b>Almond Hulls</b>	<b>Canola</b>	<b>Distillers Dried Grains</b>	<b>Rolled Corn</b>	<b>Soybean Meal</b>	<b>Whole Cottonseed</b>
<b>Tulare/Pixley</b>						
Jan. 27	\$123.00	\$320.00	\$206.00	\$183.00	\$361.00	\$296.00
Feb. 3	\$121.00	\$300.00	\$196.00	\$177.00	\$355.00	\$286.00
Feb. 10	\$118.00	\$294.00	\$202.00	\$182.50	\$370.00	\$276.00
Feb. 17	\$118.00	\$269.00	\$204.00	\$174.50	\$340.00	\$279.00
Feb. 24	\$115.00	\$259.00	\$200.00	\$175.00	\$334.00	\$276.00
<b>Monthly Average</b>	<b>\$119.00</b>	<b>\$288.40</b>	<b>\$201.60</b>	<b>\$178.40</b>	<b>\$352.00</b>	<b>\$282.60</b>

<b>North Valley</b>	<b>Almond Hulls</b>	<b>Canola</b>	<b>Distillers Dried Grains</b>	<b>Rolled Corn</b>	<b>Soybean Meal</b>	<b>Whole Cottonseed</b>
Jan. 27	\$117.00	\$320.00	\$206.00	\$192.00	\$361.00	\$301.00
Feb. 3	\$115.00	\$300.00	\$198.00	\$186.00	\$355.00	\$286.00
Feb. 10	\$114.00	\$294.00	\$206.00	\$191.50	\$370.00	\$276.00
Feb. 17	\$114.00	\$269.00	\$208.00	\$183.50	\$340.00	\$284.00
Feb. 24	\$112.00	\$259.00	\$200.00	\$184.00	\$334.00	\$276.00
<b>Monthly Average</b>	<b>\$114.40</b>	<b>\$288.40</b>	<b>\$203.60</b>	<b>\$187.40</b>	<b>\$352.00</b>	<b>\$284.60</b>

<b>Los Banos/Chowchilla</b>	<b>Almond Hulls</b>	<b>Canola</b>	<b>Distillers Dried Grains</b>	<b>Rolled Corn</b>	<b>Soybean Meal</b>	<b>Whole Cottonseed</b>
Jan. 27	\$119.00	\$322.00	\$208.00	\$188.00	\$363.00	\$298.00
Feb. 3	\$117.00	\$302.00	\$200.00	\$182.00	\$357.00	\$288.00
Feb. 10	\$115.00	\$296.00	\$208.00	\$187.50	\$372.00	\$278.00
Feb. 17	\$115.00	\$271.00	\$208.00	\$179.50	\$342.00	\$281.00
Feb. 24	\$113.00	\$261.00	\$202.00	\$180.00	\$336.00	\$278.00
<b>Monthly Average</b>	<b>\$115.80</b>	<b>\$290.40</b>	<b>\$205.20</b>	<b>\$183.40</b>	<b>\$354.00</b>	<b>\$284.60</b>

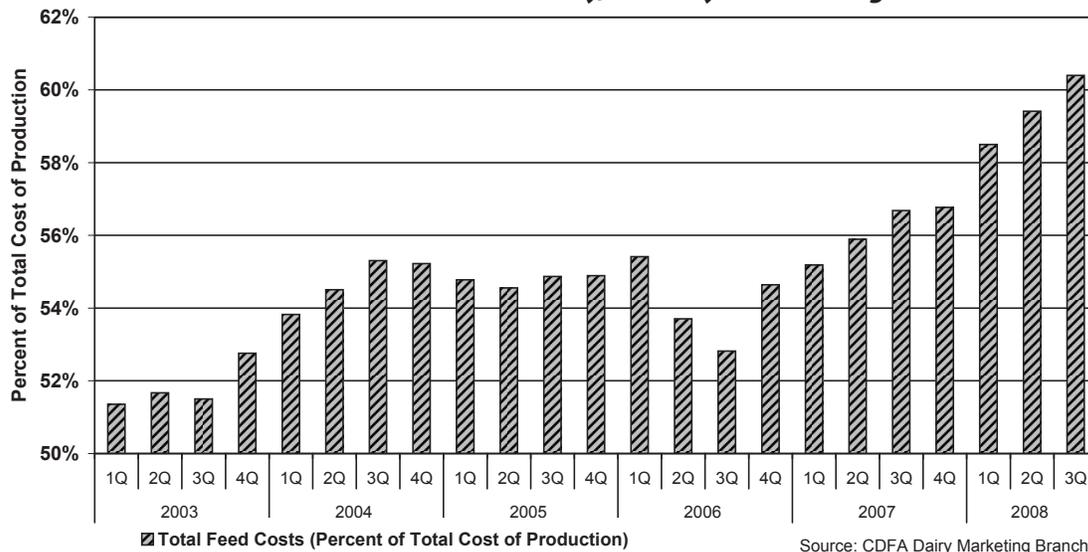
# Milk Production Cost Comparison Summary for California \*

## By Quarter, 2007-2008

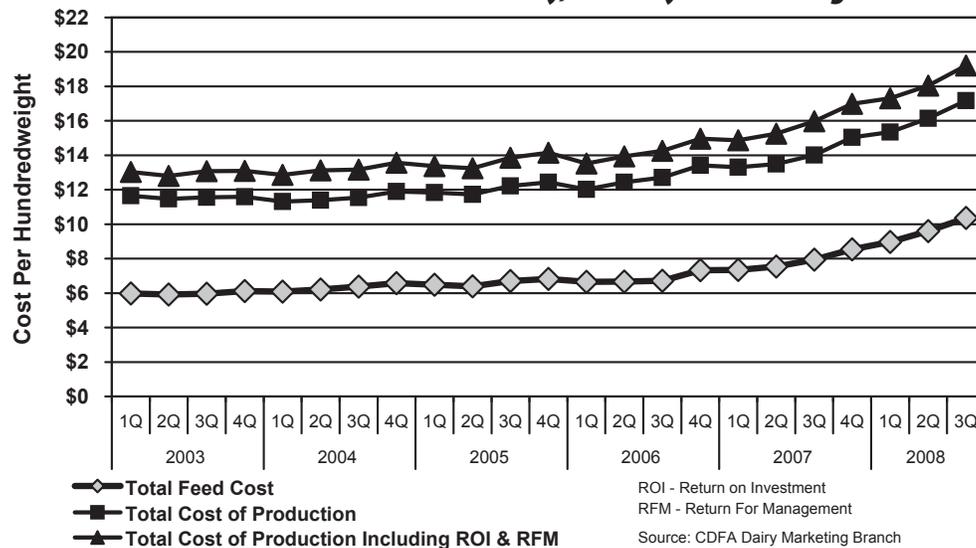
Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
	<i>Dollars per Hundredweight</i>									
<b>1st Quarter</b>										
Total Costs	17.52	19.74	13.33	15.14	13.16	15.31	13.17	15.44	13.31	15.34
Total Costs & Allowances*	19.27	21.97	14.86	16.98	14.76	17.17	14.55	17.07	14.87	17.31
<b>2nd Quarter</b>										
Total Costs	16.23	18.49	13.41	15.86	13.51	16.26	13.00	16.06	13.49	16.14
Total Costs & Allowances*	18.15	20.62	15.13	17.76	15.29	18.16	14.53	17.69	15.25	18.04
<b>3rd Quarter</b>										
Total Costs	17.12	20.52	13.62	16.68	14.20	17.38	13.76	17.13	14.01	17.17
Total Costs & Allowances*	19.24	22.74	15.51	18.67	16.24	19.46	15.52	18.93	15.98	19.21
<b>4th Quarter</b>										
Total Costs	19.01		14.93		15.04		14.46		15.03	
Total Costs & Allowances*	21.21		16.84		17.05		16.23		14.97	

\* Includes an allowance for management and a return on investment

## Total Feed Costs (Percent of Total Cost of Production) Based on California Production Cost Survey, January 2003 through June 2008

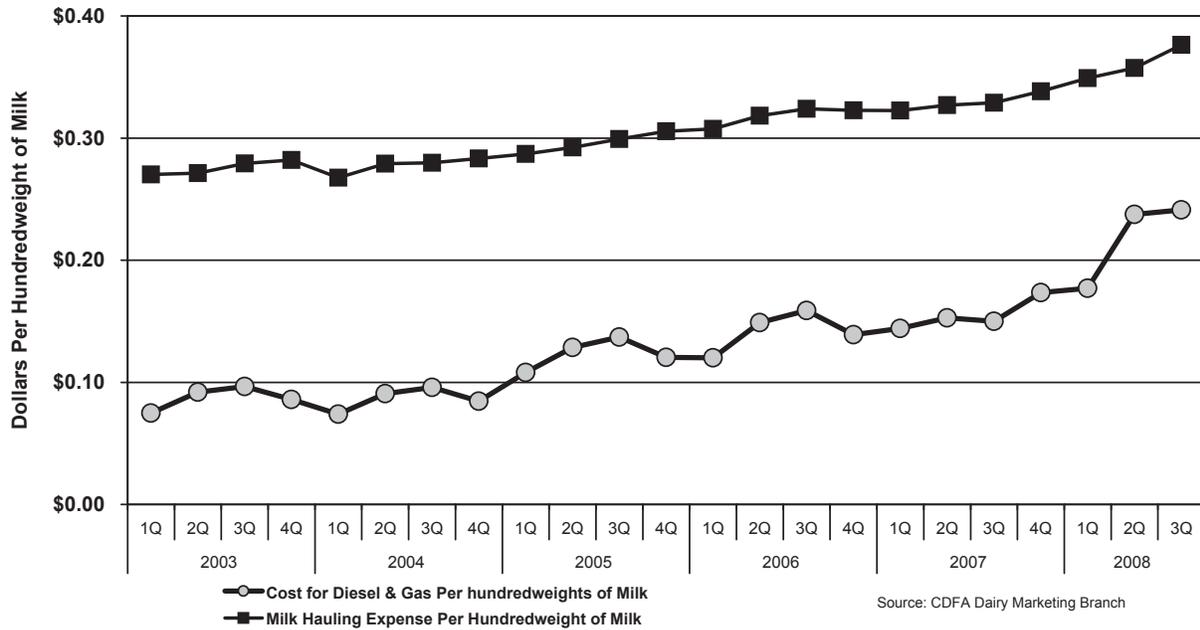


## California Cost of Production, Total Feed Cost, by Quarter Based on California Production Cost Survey, January 2003 through June 2008





## Diesel, Gas, and Milk Hauling Costs, Per Hundredweight of Milk Based on California Production Cost Survey, January 2003 through June 2008



### USDA Milk-Feed Ratio Lowest On Record

The milk-feed price ratio for January was the lowest it's ever been since the USDA began using the profitability measure in 1985. The January ratio was 1.69, compared to a year ago, when it was 2.65, indicating higher profitability was experienced in 2008. The low ratio is caused in part by the lower milk prices. The all-milk price of \$13.80/cwt. for January is down \$1.80/cwt. from December and nearly 33 percent lower than a year ago.

Feed prices used to calculate the ratio increased, except for baled alfalfa hay. The cost per ton of baled alfalfa hay fell to \$149 per ton. Meanwhile, the corn price rose five cents to \$4.15 per bushel, \$0.17 per bushel higher than one year ago.

The price of soybeans increased from \$9.24 to \$9.92 per bushel — a \$0.68 gain and very near last year's price of \$9.95 per bushel.

A ratio of 1.69 means that a dairy producer can buy 1.69 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.

### European Farmers Also Face Rough Economic Times

In Holland, many farmers who had planned to make investments or improvements to their operations in 2009 have cancelled or put on hold these plans.

Farmers across Europe are also facing lower milk prices, uncertain markets, and the unwillingness of banks to lend money. With low dairy commodity prices on the European spot market, trading contracts in the futures market have disappeared. The European Union has reinstated export subsidies for butter, cheese and nonfat dry milk. The European dairy farmer unions claim that the move back to export subsidies and freeing farmers to produce as much milk as they want (no quotas) will fail.

## ***Leprino Foods Still Plans to Build Colorado Plant***

Despite the collapse of the price of milk in the past few months, Leprino Foods of Denver has not changed plans to build a new cheese plant. When complete, it will be the second largest of the nine U.S. Leprino plants.

Mike Reidy, senior vice president of business development, said Leprino's new plant will be operating in 2011. Once operating at full capacity, the plant will need 7 million pounds of milk per day, and will employ 500 people. Today, Colorado dairies produce about 7 million pounds per day.

Leprino is the largest producer of mozzarella cheese in the country for the quick-service restaurant business. In addition to the mozzarella cheese it provides as diced and shredded product, it also produces whey and lactose products, which it also will do at the Greeley plant. In addition to plants in Colorado, it operates facilities in Minnesota, New Mexico, Nebraska, California and the United Kingdom.

## ***MILC Feed Calculator***

The Milk Income Loss Contract (MILC) program now includes a "feed cost adjuster." This provision adjusts the \$16.94 benchmark price, depending on the feed cost. A website is available to help determine MILC payment rates. At the "Understanding Dairy Markets" website, maintained by the University of Wisconsin Dairy Marketing and Risk Management Program, there are links to information about the MILC program and a spreadsheet model to help calculate the MILC program's "feed cost adjuster." This website also offers access to the Farm Service Agency's 2008 MILC handbook. The handbook describes the program's provisions, eligibility requirements, how to compute payments and sign-up requirements.

Here is access the University of Wisconsin website:  
<http://future.aae.wisc.edu/milc.html>

***See additional information on the MILC Payments on Page 10***

## ***DFA Implements GPS Tracking System***

The Dairy Farmers of America (DFA) Southwest Area Council has chosen to implement a GPS tracking system on 100 trailers in the DFA fleet that delivers bulk milk.

The SmartFleet trailer tracking system is to enhance efficiency of the supply chain and ensure that dairy products are delivered in an expeditious, cost-effective way. This system will allow real-time monitoring of each trailer's location at all times.

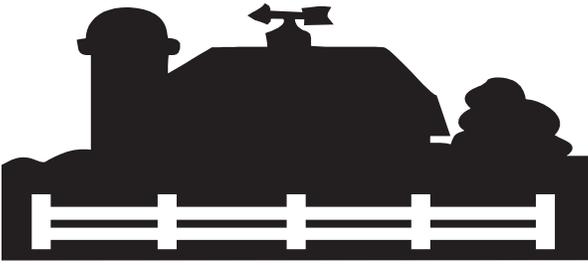
"We estimate that SmartFleet will help us save \$750,000 a year in transportation-related costs through better utilization of assets," says Jim Lee, general manager of DFA's Southwest Area Council.

## ***Peanut Butter Recall Includes Dairy Products***

The peanut butter salmonella outbreak was an isolated incident in the beginning, but the recall of products has now spread across the food chain including dairy products. A number of dairy products that contain peanut butter are under voluntary recall over Salmonella-contamination concerns.

Turkey Hill Dairy in Pennsylvania is one of the latest companies to announce a voluntary product recall because several of its ice cream and frozen yogurt items contain ingredients that were sold by the Peanut Corporation of America, the company linked to the recent salmonella outbreak.

Umpqua Dairy Products in Oregon also voluntarily recalled certain lot codes of its ice cream because they have the potential to be contaminated with salmonella. The products were manufactured using peanuts recalled by Peanut Corporation of America.



## *Questions from the Corral*

The Dairy Marketing Branch is bringing back the “Questions from the Corral” question and answer section of the Dairy Review. As the dairy industry evolves and changes, questions arise and this is a way that dairy producers can ask the Department questions or ask for clarity on pricing issues, hearing decisions, etc. Please email your questions to [kdapper@cdfa.ca.gov](mailto:kdapper@cdfa.ca.gov) or [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov); or fax your questions to (916) 341-6697.

### **Question:**

*As a result of the October 2007 hearing, a change was made to the whey factor in the Class 4b price formula. What has been the impact of that change since its implementation?*

### **Answer:**

As a result of the October 2007 hearing, the Class 4b pricing formula changed effective December 2007. The whey factor within that formula was modified and this was a controversial change among stakeholders in the industry. On one side, producers would prefer a high whey factor value so it yields higher 4b prices, and ultimately higher milk prices. On the other side, processors prefer a lower whey factor value (if any at all) so the price they pay for the raw milk they use to make cheese is lower. A whey factor had been put in place in the 4b formula for the first time in 2002 so producers could get part of the revenue that some cheese processors were getting from processing whey, a by-product of cheese making.

The whey factor in the Class 4b formula was modified because its key components had significant flaws. These flaws were causing a large amount of disagreement among the stakeholders in the industry. First, the majority of the cheese plants in California were arguing that they do not produce dry whey products so they should not be paying for the dry whey value of the raw milk (in the form of a whey factor) since they do not get revenue from it. At the time of the hearing, of the 61 cheese plants in California, only 5 of them produced dry whey and only 14 of the 61 made any form of whey product.

Some suggested another whey product be used in the formula as the whey factor. However, the whey products produced in these 14 cheese plants varied greatly in terms of their composition and uses. Since there was so much variation in the whey products produced, there was also disagreement about which whey product should be used in the formula if it was to be changed.

Another problem with the whey factor was that there was a lack of data to accurately adjust its components. The previous whey factor contained cost and yield information from dry whey production that the Department calculated annually, but it did not represent the production process of the vast majority of California cheese plants. Moreover, the dry whey manufacturing cost information could no longer be publicly available due to the insufficient amount of plants processing it as part of the Department’s cost study. Because of these flaws, the decision was made at the October 2007 hearing that changes should be made.

Recognizing that there is value to the whey obtained from milk during the cheese-making process, the Department did not entirely remove the whey value from the Class 4b formula as originally petitioned by a group of cheese processors. Instead, they introduced a fixed whey factor in the Class 4b formula that adds a constant \$0.25 per hundredweight to the Class 4b milk price monthly. The previous whey factor added a variable value to the Class 4b and the overbase prices based on the rise and fall of the dry whey price. Therefore, the values of the previous whey factor and the new fixed whey factor and their impact on the 4b price are different.

The table below shows the Class 4b and Overbase prices since December 2007 under the current formula with the fixed whey factor and also shows an estimate of what the Class 4b and Overbase prices would have been if the previous whey factor had still been in place in the current formula during the same period. A comparison of the numbers shows that except for the months of December 2007 and January 2008, the current formula with the new fixed whey factor has resulted in higher Class 4b and Overbase prices. On average, for the period December 2007 to December 2008, the Class 4b price under the fixed whey factor was about \$0.25

*(Continued next page)*

**Questions - Continued from Page 7**

per hundredweight higher than what the Class 4b price would have been with the previous whey factor. On average over the same period, the Overbase price was about \$0.11 per hundredweight higher than what the Overbase price would have been with the previous factor. In essence, dairy producers have been better off with the fixed whey factor in the current formula compared to the previous whey factor.

<b>Month</b>	<b>Class 4b Price</b>	<b>Estimated Class 4b Price (if previous whey factor had been in the 4b formula)</b>	<b>Overbase Price</b>	<b>Estimated Overbase Price (if previous whey factor had been in the 4b formula)</b>
<b>December 2007</b>	<b>\$18.58</b>	<b>\$19.34</b>	<b>\$19.09</b>	<b>\$19.45</b>
<b>January 2008</b>	<b>\$18.81</b>	<b>\$17.30</b>	<b>\$17.44</b>	<b>\$17.82</b>
<b>February 2008</b>	<b>\$17.54</b>	<b>\$17.24</b>	<b>\$18.72</b>	<b>\$18.58</b>
<b>March 2008</b>	<b>\$18.04</b>	<b>\$18.53</b>	<b>\$18.01</b>	<b>\$15.83</b>
<b>April 2008</b>	<b>\$18.79</b>	<b>\$18.57</b>	<b>\$15.86</b>	<b>\$15.77</b>
<b>May 2008</b>	<b>\$18.86</b>	<b>\$18.49</b>	<b>\$18.77</b>	<b>\$18.70</b>
<b>June 2008</b>	<b>\$19.12</b>	<b>\$18.85</b>	<b>\$17.42</b>	<b>\$17.34</b>
<b>July 2008</b>	<b>\$17.77</b>	<b>\$17.80</b>	<b>\$17.35</b>	<b>\$17.27</b>
<b>August 2008</b>	<b>\$18.14</b>	<b>\$15.84</b>	<b>\$18.31</b>	<b>\$18.22</b>
<b>September 2008</b>	<b>\$18.83</b>	<b>\$18.19</b>	<b>\$18.22</b>	<b>\$18.02</b>
<b>October 2008</b>	<b>\$18.83</b>	<b>\$15.81</b>	<b>\$15.44</b>	<b>\$15.12</b>
<b>November 2008</b>	<b>\$15.14</b>	<b>\$14.31</b>	<b>\$14.27</b>	<b>\$13.80</b>
<b>December 2008</b>	<b>\$13.85</b>	<b>\$13.07</b>	<b>\$12.41</b>	<b>\$12.04</b>
<b>13 Month Average</b>	<b>\$16.98</b>	<b>\$16.73</b>	<b>\$16.25</b>	<b>\$16.14</b>



### Bovine Tuberculosis (TB) Update

A new dairy herd in San Bernardino Co, tested as part of the current investigation, contained a cow with a lesion compatible with TB. This herd is quarantined and cattle movements are being investigated while the results are pending.

Since January 2008, seven cows from three Fresno Co herds have been diagnosed with bovine TB. Approximately 377,000 cattle have been TB-tested, two herds depopulated, over 8,000 cattle killed, and over \$20 million spent in this investigation. One affected herd is on a test and removal program. Strain typing indicates the cases had two separate sources - both similar to the southwest feeder cattle isolates.



Bovine lymph node showing lesions compatible with *Mycobacterium bovis*

TB Testing To Date		
	# Herd tests	# Cattle tests
Affected Herds	3	~20,000
Tested Herds	271	377,000

### Classification

As of September 18, 2008, California is classified as "Modified Accredited Advanced" (MAA). Federal regulations require that for a state to regain its "TB Free" status a waiting period of two years must occur after depopulating the last affected herd or after the quarantine is released on the last affected herd, provided that no more infection is found.

### Impact on California

Veterinarians and producers must check the TB-testing requirements of receiving states when moving cattle out of California; state requirements may be more restrictive than federal rules. Current federal rules require intact cattle over six months of age that originate in an MAA state to be officially identified and accompanied by a certificate stating that the animal tested negative to an official TB test conducted within 60 days prior to interstate movement.

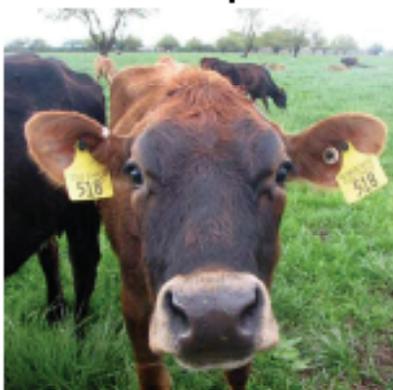
### Exceptions include:

- Cattle from an accredited herd, with a whole herd test within 12 months of the movement
- Cattle moving directly to a federally inspected slaughter facility
- Feeder cattle – identification and TB testing requirements are delayed – however some states require a statement on the CVI that feeder cattle are not linked to a TB investigation and have not commingled with Mexican cattle
- Breeding beef herds moving for grazing on a commuter herd agreement (Pasture to Pasture Permit) have the TB test waived for the next 12 months. Premises identification numbers are highly recommended for these permits.

### Bovine Tuberculosis Control Plans

The California Department of Food and Agriculture (CDFA) and the cattle industry have made the following recommendations to the USDA to improve the TB program to meet the changing livestock industry practices. These include to:

- Educate producers to recognize and implement biosecurity practices that prevent disease spread
- Base state status on disease prevalence and risk, not simply on number of infected herds
- Change the feeder cattle practices to reduce the exposure of breeding cattle to Mexican origin cattle
- Develop, implement and monitor improved diagnostic tests for live animals and for slaughter surveillance
- Improve investigation of TB cases to identify and test potentially exposed native cattle
- Improve border surveillance to prevent illegal movement of cattle
- Improve communication with the Center for



- Disease Control on human-livestock interactions
- Support development of effective TB vaccines, especially for application in wildlife populations
- Require application, recording and collection of official permanent individual identification of cattle moving in commerce

Testing and Identification in Associated Herds  
Herds associated with the affected herds are being tested. Herd owners are provided, free of charge, official individual animal RFID tags for test eligible cattle. Using RFID tags enhances accurate and efficient TB testing and traceability.

#### Caudal Fold Skin Test (CFT)



Caudal fold tuberculin test responder

Cows typically become skin test positive 3-6 weeks after infection with *M. bovis*. Any response to this test must be reported to regulatory veterinarians immediately so they can apply

either the gamma interferon or the CCT as confirmatory tests. Cattle positive to confirmatory tests are necropsied and tissues sent to the National Veterinary Service Laboratory (NVSL) in Ames, Iowa.

#### Comparative Cervical Test (CCT)

This skin test determines if a CFT response is more likely due to *M. bovis* or *M. avium*. It must be done within 10 days (or after 60 days) of the CFT test injection. Two areas on the neck are shaved, the skin thickness measured, and bovine and avian extracts injected at the separate sites. Responses are evaluated and measured 72 hours after the injections. The differences in pre and post-test measurements determine the result as negative, suspect, or reactor.

#### TB Gamma Interferon Test

This test uses whole blood. The lymphocytes are stimulated with *M. bovis* and *M. avium* extracts, the supernatant harvested and tested by ELISA for gamma interferon. Cows typically become gamma interferon test positive 3-5 weeks after infection with *M. bovis*. CCT and gamma have equivalent sensitivity (73-100%) and specificity (85-99%).

#### National Report

At least 72 cattle herds plus 2 captive cervid herds have been detected with bovine TB since 2000; 31 between 2005 and now, with 11 disclosed in 2008.

Minnesota's cattle TB-status was downgraded to modified accredited (MA) in April 2008 (the third lowest level on the USDA five-tiered cattle TB ranking system) after 11 affected beef herds had been detected since 2005. In September 2008, they received split state status with an MA zone around the affected herds and infected wildlife area, and a MAA zone for the rest of the state. In December 2008, three infected cattle were identified at slaughter from one herd that entered the buyout program for cattle from the affected area.

Michigan has detected 45 affected cattle herds and three cervid herds since 1998, the most recent in Dec 2008, and three in the prior year. The state has three zones – the infected area, classified as MA, the Upper Peninsula, TB-free, and the rest of the state, MAA.

New Mexico lost its TB-free status in September after detecting a new infected herd – the entire state is now MAA, but they are seeking split state status.

Other states: Infection in a captive cervid facility was detected in New York after routine skin testing on an aged fallow deer. Indiana is investigating a beef animal diagnosed with TB at a slaughter facility in Pennsylvania, and North Dakota is investigating a beef animal detected at a slaughter facility in Minnesota. In 2007, TB was also detected in herds in Colorado and Oklahoma.

#### On Farm TB Prevention

The best ways for cattle producers to prevent bovine TB are to:

- Maintain a closed herd
- Obtain TB-free herd accreditation
- Isolate and test cattle entering the herd
- Prevent contact between breeding cattle and Mexican feeder cattle, including in the sick pen
- Prevent contact with cattle of unknown TB status
- Arrange professional diagnostic workups of suspicious sick or dead animals, and
- Establish a TB screening policy for employees
- Enhance disease tracing by recording individual animal identification and maintaining accurate records.

#### Significance of Bovine TB

While the risk of humans contracting bovine TB is extremely low due to the safeguards of milk pasteurization and routine meat inspection, people can contract TB through consuming illegal soft cheese products and through respiratory exposure to live infected cattle or their carcasses. Conversely, humans infected with bovine TB can transmit disease to cattle.

#### USDA TB Listening Session

The listening sessions in December 2008 provided industry members the opportunity to suggest major changes in the national TB program. Summaries will be placed on-line at [www.aphis.usda.gov](http://www.aphis.usda.gov), Hot Issues, Bovine Tuberculosis.

CDFA Animal Health Branch Offices	
Sacramento (HQ)	916-654-1447
Modesto	209-491-9350
Ontario	909-947-4462
Redding	530-225-2140
Tulare	559-685-3500
USDA/APHIS/VS	916-854-3950 or 877-741-3690

<http://www.cdffa.ca.gov> or <http://www.aphis.usda.gov>

# **Dairy Exports Start 2008 Strong, Mid-Year Shows Start of Decline**

*Excerpts from U.S. Dairy Export Council*

U.S. dairy exports reached record levels in 2008, however volume and price declines that began at mid-year accelerated in the fourth quarter. Dairy export sales totaled \$3.82 billion last year, up 25 percent from 2007 and twice the amount sold in 2006. This was the sixth straight year of growth. Exports were equivalent to 2.545 billion lbs. of milk solids (total-solids basis), 16 percent higher than 2007, according to analysis of trade data conducted by the U.S. Dairy Export Council (USDEC). The export volume represented 10.8 percent of U.S. milk production in 2008.

“U.S. exporters enjoyed a remarkable two-year run, from the middle of 2006 to the middle of 2008, when they were able to capitalize on a serious imbalance in global supplies,” says Tom Suber, USDEC president. “Conditions were favorable and U.S. suppliers made new strides to meet the growing demand. The result was that the U.S. became a more significant commercial player in the global market.” U.S. suppliers were able to increase share over the last two years in a climate of robust world demand, supply shortness, favorable exchange rates and an absence of EU subsidies, he explains.

Shipments of nonfat dry milk/skim milk powder (NFD/SMP), cheese and butterfat were all significantly higher in 2008. U.S. exporters posted record commercial shipments of milk powder and captured commercial sales of cheese and butterfat for the first time. For the fourth straight year, no government subsidies were used. Exports of fluid milk reached a 14-year high, sales of lactose and blends were flat and shipments of whey proteins were lower.

Global demand began to soften last summer, when severe food and fuel inflation cut into consumers’ purchasing power, particularly in the developing world, USDEC says. To illustrate how dramatically orders slowed, exports were 21 percent lower in the second half of the year than in the first. The global economic and financial crisis played a big role in the deterioration of demand in the fourth quarter. With the United States buying fewer goods from overseas, rising unemployment abroad forced many back to lower quality grain reliant diets. Customers saw their balance sheets weakened and bought less. Others were unable to obtain credit to hold

inventory, or even secure letters of credit to import product, eroding orders further.

At the same time, with the U.S. buying less goods from overseas, record high milk prices worldwide in 2007 fueled expansion at the farm. Oceania and European suppliers boosted production and, for the first time in two years, began to build inventory. World dairy markets ended the year down significantly from where they started. Export prices for milk powder, cheese and butter fell 40 to 60 percent in 2008, with the majority of the declines occurring in the second half.

Given the dramatic shift in the market situation, U.S. dairy exports are expected to be lower in 2009. USDEC’s economic analysis suggests declines in overall volumes ranging from 27 to 40 percent, with a drop-off of 52 to 66 percent in milk powder, 32 to 56 percent in cheese and 36 to 60 percent in butterfat. Less slippage is projected for shipments of whey proteins and lactose.

## **2008 Export Highlights**

- U.S. dairy exports in 2008 were valued at \$3.822 billion. Exports have increased 29 percent annually over the last five years.
- U.S. dairy imports increased 9 percent in 2008 to \$3.318 billion, \$504 million less than exports. That’s a sharp contrast to three years ago, when import values exceeded export values by \$1.1 billion, USDEC notes. On a volume (total solids) basis, exports were more than double the level of imports for the third straight year.
- Exports represented 46 percent of the NDM/SMP produced in the United States last year, 48 percent of the whey proteins, 55 percent of the lactose, 12 percent of the butter and 3 percent of the cheese.
- U.S. cheese exports hit a record high 290 million lbs. in 2008, up 32 percent from the prior year. Shipments to Mexico – long the number one overseas market for U.S. cheese – increased 10 percent.

## ***MILC Payments to Begin in April***

*Changes to the program will slow payments to producers, as reported in Farm Services Agency News Release*

Dave Schaad, Acting State Executive Director for USDA's Farm Service Agency in California announced that due to low milk prices Farm Services Agency (FSA) will be making payments in April to producers through the FSA's Milk Income Loss Contract (MILC) program. The 2008 Farm Bill made changes to the MILC program, most notably the addition of a dairy feed ration cost adjustment, in addition to changes to the payment rate and modifications to the per-operation poundage limit, depending on when the milk is produced. The payments may take longer to receive because of the the gathering of the required data to calculate the payment.

FSA makes MILC payments on a monthly basis when the Boston Class I milk price falls below \$16.94 per hundredweight (cwt.) as adjusted for feed costs. FSA determines the per hundredweight payment rate for the applicable month by subtracting the Boston Class I price for that month from the \$16.94 MILC payment trigger price as adjusted for feed costs, and multiplying the difference by 45 percent. The payment factor of 45 percent will decline to 34 percent on September 1, 2012.

The MILC payment trigger price of \$16.94 is adjusted upward when the National Average Dairy Feed Ration Cost for a month is greater than \$7.35 per cwt. This rate will change to \$9.50 on September 1, 2012.

The dairy feed ration cost is calculated each month from the price of feed ingredients used to create a 16 percent protein dairy feed as reported by the National Agricultural Statistics Service (NASS).

"While the dairy feed ration cost adjustment benefits producers when feed costs are high, it also means we must wait until that month's National Average Dairy Feed Ration Cost is known before the MILC payment rate can be calculated," explained Schaad. "For example, while the Boston Class I price for February is \$13.97 and below \$16.94, we still won't know the actual MILC payment rate until late March when we receive final figures from NASS for determining the National Average Dairy Feed Ration Cost. That means the MILC payment for February cannot be made until April."

FSA issues payments not later than 60 calendar days after FSA receives production evidence for the applicable month or the entire month's National Average Dairy Feed Ration Cost is posted for the applicable month, whichever is later.

FSA makes payments on up to the maximum eligible pounds of milk produced and marketed by each operation per fiscal year. The annual maximum eligible pound limit per dairy operation is 2,985,000 pounds per fiscal year. The amount drops to 2.4 million pounds per fiscal year on September 1, 2012.

MILC participants must select a month for which FSA will begin issuing payments for each fiscal year. Starting with the dairy operation's selected month, FSA will issue MILC payments based on that month's milk production and each consecutive month's production until the operation reaches the production cap or the fiscal year ends.

When dairy producers sign up for the MILC program they may select the current month as their start month. For subsequent years or if they wish to change a previously selected start month the producer must select a start month prior to the 14th of the month for which they want to receive payments and before the selected month's Boston Class I milk price is announced to the public. Producers may contact their local FSA office to sign up for the MILC program.

The 2008 Farm Bill also excludes producers whose non-farm average adjusted gross income (AGI) exceeds \$500,000 from receiving MILC payments. Producers will have to sign an AGI statement when signing up for the program. More information about the MILC program can be found on the FSA website <http://www.fsa.usda.gov>.

## National Dairy Situation and Outlook – USDA Estimates

### Milk Production and Cow Numbers

Monthly: Compared to 2008, USDA estimates that overall milk production across the U.S. was up 0.8% in January, led by Texas' 13.0% growth in milk production (on 28,000 more cows and 95 more pounds per cow). USDA reports that California milk production was down 1.4% on 7,000 less cows, and 20 less pounds per cow, compared to January 2008. Among the western states, Arizona showed no change; New Mexico was up 5.5%; and Washington was down 2.7%. Three of the top 10 states reported a production decrease.

Quarterly: For the fourth quarter of 2008 compared to the third quarter of 2008, U.S. milk cow numbers increased to 9.283 million, production per cow decreased to 5,024 pounds; the net effect was decreased milk production to 46.6 billion pounds. USDA projects that for the first quarter of 2009 compared to the fourth quarter of 2008, U.S. milk cow numbers will decrease to 9.265 million cows, production per cow will increase slightly to 5,140 pounds; the net effect would be slightly increase milk production to 47.6 billion pounds.

### Milk Prices

Comparing the fourth quarter of 2008 to the third quarter of 2008, U.S. average milk prices went down to \$16.80/cwt. USDA projects that for the first quarter of 2009, U.S. average all-milk prices will be \$11.65-11.95/cwt.; Class 4b prices will be \$9.51-9.81/cwt.; and Class 4a prices will be \$9.23-9.63/cwt.

### Utility Cow Prices

Comparing the fourth quarter of 2008 to the third quarter of 2008, average U.S. utility cow prices went down by \$15.08/cwt. to a national average of \$46.70/cwt. USDA projects that utility cow prices will average \$44-46 in the first quarter of 2009.

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

## Census of Agriculture - Continued from Page 1

The 2007 Census found that 57 percent of all farmers have internet access, up from 50 percent in 2002. For the first time in 2007, the census also looked at high-speed Internet access. Of those producers accessing the Internet, 58 percent reported having a high-speed connection.

Other "firsts" in the 2007 Census include questions about on-farm energy generation, community-supported agriculture arrangements and historic barns.

The Census of Agriculture, conducted every five years, is a complete count of the nation's farms and ranches and the people who operate them. It provides the only source of uniform, comprehensive agricultural data for every county in the nation. Census results are available online at [www.agcensus.usda.gov](http://www.agcensus.usda.gov).

Herd size (milk cows)	2002	2007
1-9	21,016 (22.8%)	14,426 (20.6%)
10-19	5,270 (5.7%)	3,568 (5.1%)
20-49	21,974 (23.9%)	16,344 (23.4%)
50-99	25,465 (27.7%)	18,986 (27.2%)
100-199	10,816 (11.7%)	8,975 (12.8%)
200-499	4,546 (4.9%)	4,307 (6.2%)
500-999	1,646 (1.8%)	1,702 (2.4%)

# Pool Prices

Month	Quota	Overbase
August '07	\$21.74	\$20.04
September	\$21.69	\$19.99
October	\$21.16	\$19.46
November	\$21.93	\$20.23
December	\$20.79	\$19.09
January '08	\$19.14	\$17.44
February	\$18.42	\$16.72
March	\$17.71	\$16.01
April	\$17.56	\$15.86
May	\$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

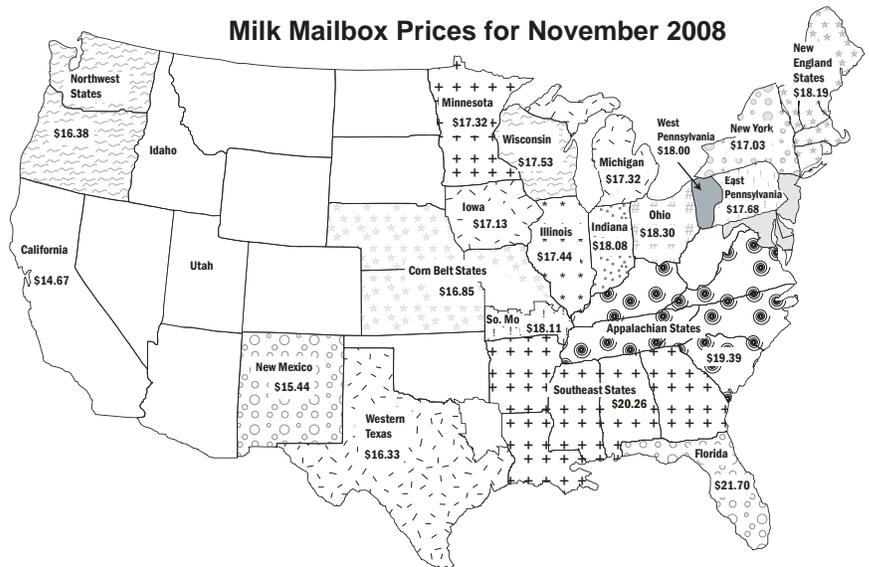
# Milk Mailbox Prices

## Milk Mailbox Prices in Dollars per Hundredweight

	May	June	July	August	September	October	November
California <sup>1</sup>	\$16.79	\$17.35	\$17.19	\$16.25	\$16.29	\$15.75	\$14.67
USDA <sup>2</sup>	\$18.09	\$19.11	\$19.43	\$18.58	\$18.25	\$17.94	\$17.42

<sup>1</sup> California mailbox price calculated by CDFA.

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



In November 2008, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$17.42 per cwt., down \$0.52 from the previous month average, and down \$4.39 from November 2007. The component tests of producer milk in November 2008 were: butterfat, 3.78%; protein, 3.14%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except in Appalachian States, Southeast States, Southern Missouri, and Indiana, and ranged from \$21.70 in Florida to \$15.44 in New Mexico.



**Dairy Marketing Branch:**  
 Phone (916) 341-5988; Fax (916) 341-6697  
 Website: [www.cdfa.ca.gov/dairy](http://www.cdfa.ca.gov/dairy)  
 Email: [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov)

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

The California Department of Food and Agriculture Dairy Marketing Branch publishes the California Dairy Review monthly. Please direct any comments or subscription requests to Karen Dapper at (916) 341-5988 or send an email to [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov)

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



Presorted  
 First Class  
 U.S. Postage  
 PAID  
 Permit No. 81  
 Sacramento, CA