

California

# Dairy Review

A publication serving the California dairy industry for over 12 years

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## Dairy Marketing Branch Chief Dave Ikari Announces Retirement . . .



Dave has served CDFA for the past 36 years, the most recent 25 years as Branch Chief of the Dairy Marketing Branch. He was born and raised in the Southern California area. After receiving his Bachelors in Economics Degree at Cal Poly Pomona, he ventured to the University of Nevada, Reno to earn his Master's Degree in Agricultural Economics.

Dave began his career at CDFA in 1974 as an Assistant Agricultural Economist in the Marketing Division where he served as the Department liaison for a number of marketing order boards and commissions. After a few years, he accepted an appointment as a Sr. Agricultural Economist and in 1985, Dave was appointed as Branch Chief for the Dairy Marketing Branch and has served in that position for the past 25 years. During Dave's tenure in Dairy Marketing, he served on over 75 public hearings centered on milk pricing and dairy policy issues for the State of California dairy industry.

In 2003, Dave was among a select group of government employees chosen to serve on the California Performance Review by Governor Schwarzenegger. Dave has been an active member and participant in the International Association for Milk Control Agencies, attending their conferences and serving two separate terms as President of the organization.

Dave is well respected among his CDFA peers and dairy industry leaders for his expertise and knowledge of dairy policy and pricing issues. Dairy Marketing Staff consider Dave a friend and part of their everyday work family - he will be missed by all and everyone wishes him the best in his retirement years. He and his wife Mary reside in Orangevale and are looking forward to Dave's retirement.



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

The California Dairy Review is available on the Dairy Marketing website at:  
[http://www.cdfa.ca.gov/dairy/ca\\_dairyrev\\_newsletter.html](http://www.cdfa.ca.gov/dairy/ca_dairyrev_newsletter.html)

California Dairy Producer News

## Minimum Class Prices

### California Hundredweight Prices

Class	May	June	July
1 No. Calif.	\$15.37	\$15.68	\$17.14
So. Calif.	\$15.64	\$15.95	\$17.42
2 No. Calif.	\$13.16	\$14.15	\$14.15
So. Calif.	\$13.40	\$14.38	\$14.38
3	\$13.11	\$14.10	\$14.10
4a	\$13.95	N/A	N/A
4b	\$12.40	N/A	N/A

## Federal Order and California Minimum Class 1 Prices

### Hundredweight Prices

Regions	May	June	July
Phoenix, Arizona	\$16.15	\$17.63	\$18.01
Southern California	\$15.64	\$15.95	\$17.42
Portland, Oregon	\$15.70	\$17.18	\$17.56
Northern California	\$15.37	\$15.68	\$17.14
Boston (Northeast)	\$17.05	\$18.53	\$18.91

## Quota Transfer Summary

Quota Transfers	Apr.	May	Jun.
Number of Sellers	3	4	5
Pounds of SNF Quota Transferred	3,093	2,677	2,675
Average Price Per Pound of SNF Quota	\$415	\$408	\$427

## 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
<i>Dollars per Pound</i>				
5/7	\$1.6110	\$1.3830	\$1.0617	\$0.3963
5/14	\$1.6115	\$1.4160	\$1.0702	\$0.3963
5/21	\$1.5835	\$1.4805	\$1.2350	\$0.3963
5/28	\$1.5525	\$1.4895	\$1.2770	\$0.3963
6/4	\$1.5656	\$1.4156	\$1.2815	\$0.3938
6/11	\$1.5940	\$1.3730	\$1.2815	\$0.3913
6/18	\$1.6220	\$1.3930	\$1.2888	\$0.3888

## Dairy Cow Culling Activity (Weekly)

Week Ending	Region 9 <sup>1</sup> Dairy Cows	U.S. Dairy Cows	West Region <sup>2</sup> Price Range
	<i>Head</i>		<i>\$/cwt.</i>
04/16/10	17,000	19,900	\$50-\$55
04/23/10	17,300	20,500	\$55-\$58
04/30/10	16,000	19,800	\$53-\$59
05/07/10	14,800	19,800	\$51-\$58
05/14/10	15,500	21,200	\$55-\$61
05/21/10	15,000	20,400	\$54-\$60
05/28/10	15,600	20,800	\$54-\$62
06/04/10	13,600	19,400	\$52-\$59

<sup>1</sup> Region 9 includes AZ, CA, HI and NV

<sup>2</sup> West region includes AZ, NV, UT, CA, ID, OR and WA

Source: USDA Market News: Report LM\_CT168 and ML\_LS795

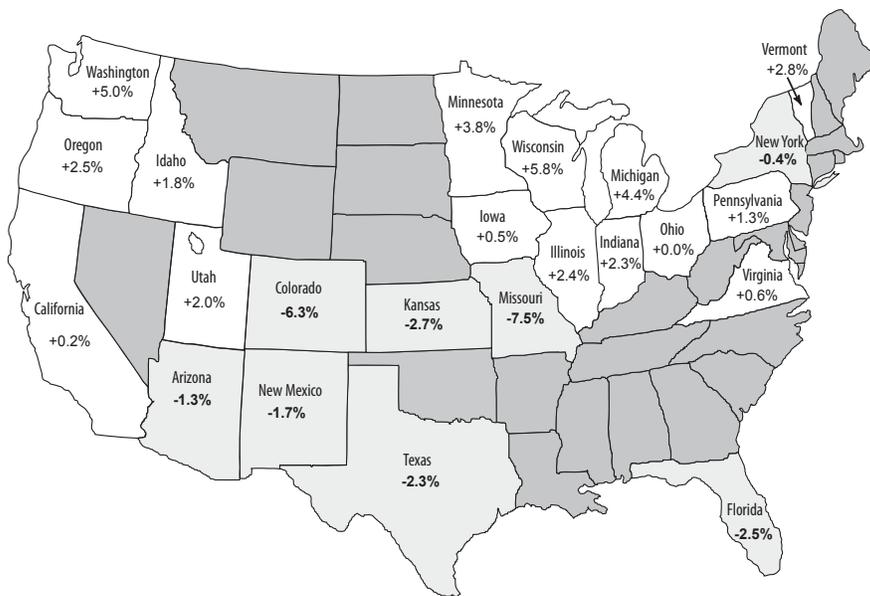
## May Milk Production in the Top 23 States (% Change from 2009)

### May Milk Production

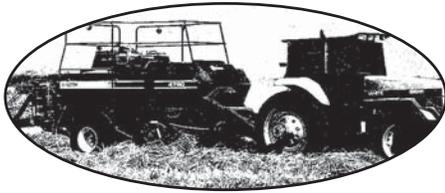
USDA estimates U.S. milk production for May 2010 in the top 23 milk producing states at 15.7 billion pounds, up 1.3 percent from May 2009. Production per cow in the top 23 milk producing states averaged 1,889 pounds for May, 55 pounds above May 2009.

### For the U.S. overall, comparing May 2010 to May 2009:

- The number of cows on farms was 9.103 million head, down 171,000 head
- Production per cow averaged 1,866 pounds, 54 pounds more than May 2009
- Eight 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 were mostly steady with good demand and moderate supplies. Retail and stable hay remained steady. Weather allowed producers to put up delayed cuttings.

**Southern California:** Premium and Supreme Alfalfa were steady to firm with good demand and moderate supplies. Buyer demand has been light to moderate.

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

Area	May 28	June 4	June 11	June 18	Monthly Low/High
Petaluma	\$165	N/A	N/A	N/A	\$165
North Valley	\$155-180	\$150	\$150-160	\$155-160	\$150-180
South Valley <sup>2</sup>	\$168-173	\$160-170	\$160	\$185	\$160-185
Chino Valley	\$160-165	N/A	\$155	\$160-165	\$155-165
<b>Tons Sold<sup>3</sup></b>	57,782	57,685	57,011	40,555	
<b>Tons Delivered<sup>4</sup></b>	35,625	11,320	6,440	9,800	

<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.

**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](http://www.ams.usda.gov/LSMarketNews)

## California Average Feed Commodity Spot Prices Delivered to the Dairy, In Dollars Per Ton, 2010

Feed Commodity	Tulare/Pixley		North Valley		Los Banos/Chowchilla	
	4/27-5/18	5/25-6/22	4/27-5/18	5/25-6/22	4/27-5/18	5/25-6/22
Almond Hulls	\$121.50	\$119.40	\$116.75	\$115.40	\$118.75	\$117.40
Canola	\$265.25	\$263.20	\$265.25	\$263.20	\$267.25	\$265.20
Distillers Dried Grains	\$175.75	\$166.80	\$178.00	\$170.00	\$181.00	\$171.80
Rolled Corn	\$178.88	\$175.60	\$187.88	\$184.60	\$183.88	\$180.60
Soybean Meal	\$337.75	\$342.20	\$337.75	\$342.20	\$339.75	\$344.20
Whole Cottonseed	\$303.00	\$339.00	\$304.50	\$340.20	\$306.50	\$341.40

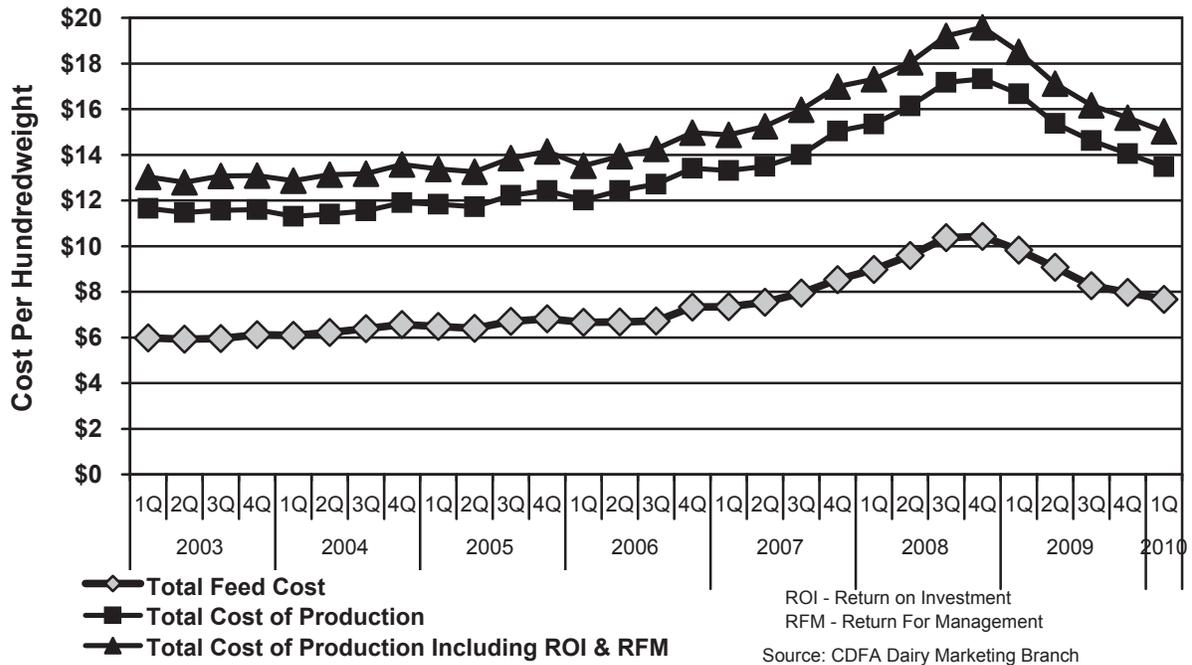
## Milk Production Cost Comparison Summary for California \* By Quarter, 2009-2010

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
<i>Dollars per Hundredweight</i>										
<b>1st Quarter</b>										
Total Costs	22.38	19.02	16.63	13.60	16.63	13.26	15.35	12.81	16.67	13.48
Total Costs & Allowances*	24.77	20.86	18.23	15.11	18.58	14.78	17.29	14.49	18.51	15.02
<b>2nd Quarter</b>										
Total Costs	18.30		15.30		15.46		14.06		15.37	
Total Costs & Allowances*	20.34		17.08		17.22		15.54		17.12	
<b>3rd Quarter</b>										
Total Costs	17.35		14.47		14.68		13.85		14.62	
Total Costs & Allowances*	19.08		16.01		16.26		15.21		16.17	
<b>4th Quarter</b>										
Total Costs	18.23		14.09		13.91		13.46		14.05	
Total Costs & Allowances*	20.11		15.68		15.50		14.89		15.63	

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

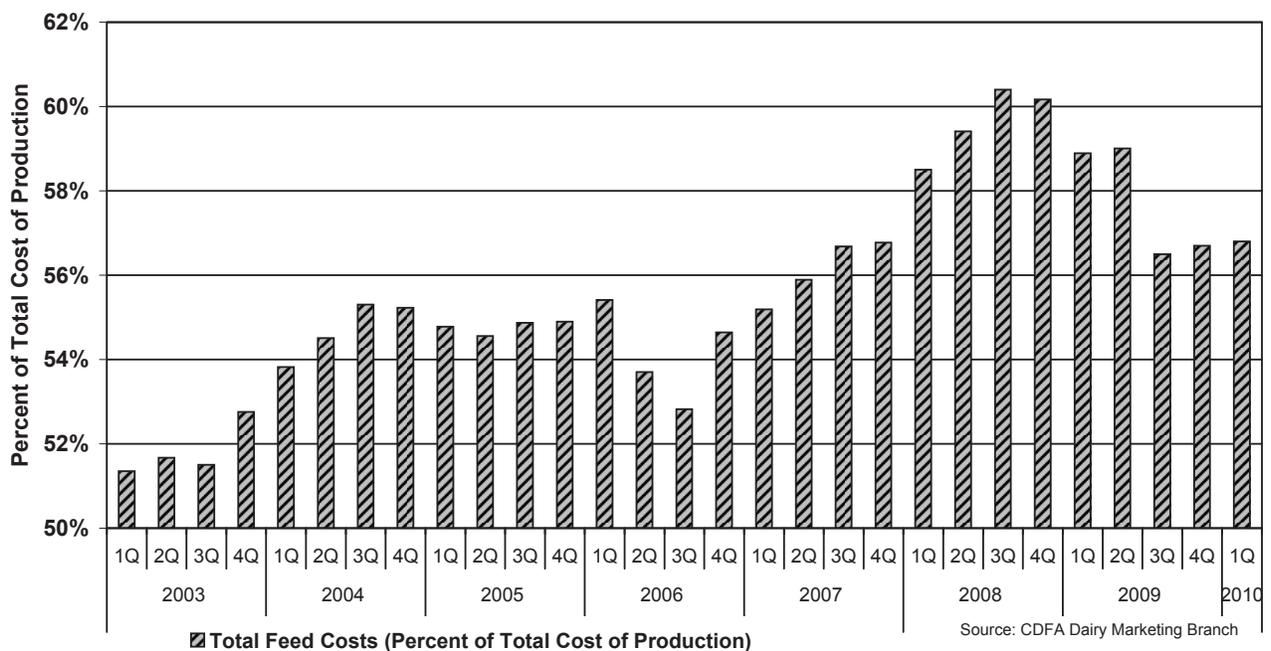
## **California Cost of Production, Total Feed Cost, by Quarter**

**Based on California Production Cost Survey, January 2003 through March 2010**



## **Total Feed Costs (Percent of Total Cost of Production)**

**Based on California Production Cost Survey, January 2003 through March 2010**



## **USDA Milk-Feed Price Ratio**

USDA reports that the milk-feed ratio for May was 2.20. The current ratio of 2.20 means that a dairy producer can buy 2.20 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.

For May 2010: the corn price used to calculate the ratio was \$3.41 per bushel; the price of baled alfalfa hay was \$121 per ton; the price of soybeans was \$9.28 per bushel.

The all-milk price used to calculate the ratio was \$15.00 per hundredweight, up from \$14.60 in April 2010.

## **CWT Announces New Herd Retirement Round**

In late May, Cooperatives Working Together (CWT) announced that it will conduct another herd retirement round with bids accepted through Friday, June 25, 2010.

"It is our belief that a herd retirement at this time will add to the positive momentum already building and should result in speeding up the milk price recovery already in progress," says Jerry Kozak, president and chief executive officer of the National Milk Producers Federation.

This is the tenth herd retirement since CWT began operations in the summer of 2003. Producers must still bid on a per hundredweight basis, and CWT will continue to review and accept bids beginning from the lowest bids received, moving up toward the maximum level. Farmers whose bids are accepted are paid by CWT for their milk production, and they also retain the beef value of the cows they send to processing.

In 2010, participating farmers will not have the option of offering bred heifers. Members of CWT whose bids were accepted in a previous CWT herd retirement may not bid in this round. Producers whose bids are accepted will be paid in two installments: 90 percent of the bid amount multiplied by the producer's 12 months of milk production when it is verified that all cows have gone to slaughter, and the remaining 10 percent plus interest at the end of 12 months following the farm audit IF 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.

## **Ag Exports Forecast to be Second Highest in History**

USDA forecasts that U.S. farmers and ranchers will achieve \$104.5 billion in export sales - reportedly \$8 billion more than last year. The higher number reflects record sales of \$59 billion in the first half of the fiscal year.

Asia is forecast to surpass the Western Hemisphere as the largest regional market for U.S. exports. China was the top market during the first six months of the fiscal year, purchasing \$10.6 billion of U.S. agricultural products, followed by other Asian countries, the European Union, Turkey and North Africa.

Higher soybean exports contributed most to the forecast, with record U.S. soybean production and record early season sales to China. The fiscal 2010 forecast for oilseeds and products is increased to \$24.4 billion. Soybeans and soybean meal account for much of the rise. Not only was the volume of soybean exports up 4%, but the soybean meal export forecast is raised \$700 million on higher volume and unit value. Reduced exports from South America and India have led to larger export volumes to markets in Asia and Europe.

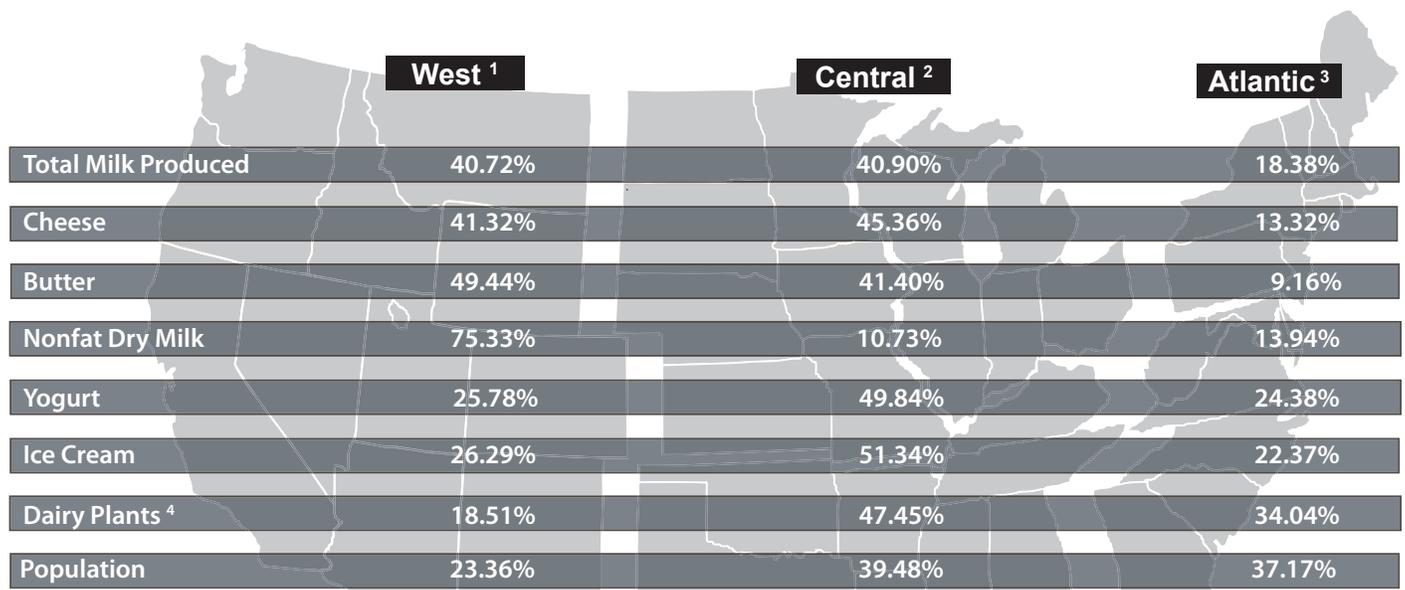
Grain and feed exports are forecast at \$26 billion, due to greater volumes of wheat, rice, and feed/fodder. Wheat exports are forecast higher reflecting strong demand in Morocco and Nigeria for high-quality wheat; coarse grain exports are forecast higher mostly due to an upward revision in sorghum volume and unit value, reflecting stronger demand from both Mexico and Japan. USDA reports that corn value is unchanged as a small price boost from China's recent purchases is offset by strong competition from Argentina. Cotton exports are also forecast up due to higher prices and tighter supplies among competing exporters.

## CWT Continues to Export Cheese

Cooperatives Working Together (CWT) reactivated the Export Assistance program on March 18, 2010. Since then, CWT has assisted members in making export sales of Cheddar, Monterey Jack, and Gouda cheese totaling 17,454 metric tons (38.5 million pounds) to 18 countries on four continents.

The Export Assistance program was reactivated when economic analysis indicated that sizeable cheddar cheese inventories overhanging the market are hampering a recovery in producer milk prices. Assisting CWT members in exporting cheddar cheese will provide the most immediate way to positively impact producer milk prices.

### Percent Share of 2009 Selected U.S. Dairy Product Production By Region (Including Dairy Plants and Population)



1. The West region also includes Alaska and Hawaii data.

2. Central: the West North Central, East North Central and South Central Regions. Regions were combined because fewer than three plants were reporting production of some of the products.

3. Atlantic: North Atlantic and South Atlantic Regions. Regions were combined because fewer than three plants were reporting production of some of the products.

4. Dairy plants include plants that manufacture one or more dairy products.

Sources: NASS Dairy Product and Milk Production Reports; U.S. Census Bureau/Annual Population Estimates/July 1, 2009

- ▶ Even though the West Region accounts for only 23 percent of the U.S. population, the region produces the largest percent share of U.S. nonfat dry milk (75 percent), butter (49 percent), and is even with the Central Region in milk production (41 percent).
- ▶ The Central Region produces half of the total U.S. ice cream and yogurt production (51 percent and 50 percent, respectively).

- ▶ Almost half of the dairy plants were located in the Central Region.
- ▶ The Atlantic and Central Regions each represent nearly the same percent shares of the U.S. population (37 percent and 39 percent respectively), however the Atlantic region's geographic area is much smaller in size and accounts for only 18 percent of the milk produced in the U.S.

## **National Dairy Situation and Outlook – USDA Estimates**

### **Milk Production**

Monthly: Compared to 2009, USDA estimates overall milk production across the U.S. was up by 1.1% in May 2010. USDA reports that California milk production increased 0.2% compared to May 2009 (on 65,000 less cows and 75 more pounds per cow), compared to May 2009. Among other western states, Arizona was down 1.3%; New Mexico was down 1.7%; and Washington was up 5.0%. Three of the top 10 states reported a production decrease. The largest increase was reported by Wisconsin at 5.8% growth in milk production (on 5,000 more cows and 95 more pounds per cow).

Quarterly: For the first quarter of 2010 compared to the fourth quarter of 2009, U.S. milk cow numbers remained the same at 9.090 million, milk production per cow increased to 5,208 pounds; the net effect was increased milk production to 47.3 billion pounds. USDA projects that for the second quarter of 2010 compared to the first quarter of 2010, U.S. milk cow numbers will remain at 9.090 million cows, production per cow will increase to 5,400 pounds; the net effect would be increased milk production to 49.1 billion pounds.

### **Milk Prices**

Comparing the first quarter of 2010 to the fourth quarter of 2009, U.S. average milk prices increased to \$15.60/cwt. USDA projects that for the second quarter of 2010, U.S. average all-milk prices will be \$15.00-15.20/cwt.; Class 4b prices will be \$13.20-13.40/cwt.; and Class 4a prices will be \$14.65-14.95/cwt.

### **Utility Cow Prices**

Comparing the first quarter of 2010 to the fourth quarter of 2009, average U.S. utility cow prices were up \$8.23/cwt. to a national average of \$51.79/cwt. USDA projects that utility cow prices will average \$57-58/cwt. in the second quarter of 2010.

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

## **EPA Pushes Back SPCC Compliance Deadline for Dairies**

The National Milk Producers Federation (NMPF) reports that the U.S. Environmental Protection Agency (EPA) will push back the deadline for dairy farms to comply with Spill, Prevention, Control, and Countermeasure (SPCC) regulations. EPA has committed to finalizing the SPCC exemption for bulk milk storage "as expeditiously as possible ... to have that process completed by early 2011." EPA will be extending the compliance deadline for dairy producers until that time.

NMPF asked EPA to take such actions to provide certainty in the SPCC regulations so that dairy producers could make decisions on their need for regulatory compliance. In the earlier proposed SPCC regulations of January 15, 2009, EPA had proposed to exempt milk containers and associated piping and equipment constructed according to current applicable 3-A Sanitary Standards and subject to the current, applicable Grade "A" Pasteurized Milk Ordinance (PMO), or an equivalent state dairy regulatory requirement.

The goal of the SPCC program is to prevent oil spills into waters of the United States and adjoining shorelines. A key element of the program calls for farmers and other facilities to have an oil spill prevention plan, called an SPCC plan. The SPCC plans are required for farms which have an aggregate storage capacity of oil products of 1,320 gallons or more, for every storage container larger than 55 gallons. This storage does not include vehicle storage capacity, but it does potentially include bulk milk tanks, as the butterfat in milk is regarded under the law as a form of oil.

# Pool Prices

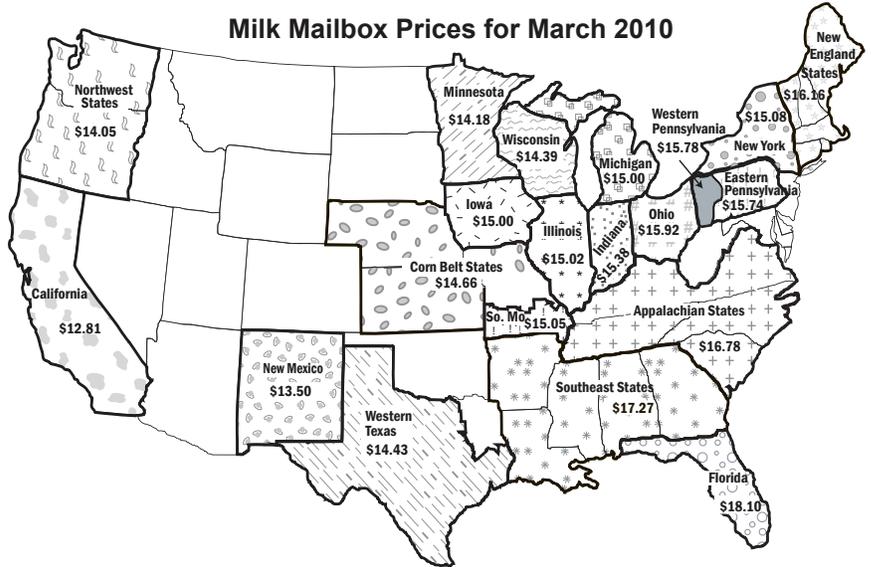
Month	Quota	Overbase
December	\$14.11	\$12.41
January '09	\$12.10	\$10.40
February	\$11.28	\$ 9.58
March	\$11.54	\$ 9.84
April	\$11.57	\$ 9.87
May	\$11.46	\$ 9.76
June	\$11.32	\$ 9.62
July	\$11.30	\$ 9.60
August	\$12.18	\$10.48
September	\$12.74	\$11.04
October	\$13.61	\$11.91
November	\$14.83	\$13.13
December	\$16.17	\$14.47
January '10	\$15.18	\$13.48
February	\$14.81	\$13.11
March	\$14.11	\$12.41
April	\$14.33	\$12.63
May	\$14.65	\$12.95

# Milk Mailbox Prices

## Milk Mailbox Prices in Dollars per Hundredweight

	September'09	October	November	December	January'10	February	March
California <sup>1</sup>	\$11.20	\$12.30	\$13.78	\$15.33	\$14.12	\$13.59	\$12.81
USDA <sup>2</sup>	\$12.98	\$14.29	\$15.37	\$16.37	\$16.16	\$15.97	\$14.92

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



In March 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.92 per cwt., down \$1.05 from the previous month average, but up \$3.32 from March 2009. The component tests of producer milk in March 2010 were: butterfat, 3.67%; protein, 3.06%; and other solids, 5.74%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas. Mailbox prices ranged from \$18.10 in Florida to \$13.50 in New Mexico.



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

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 Website: www.cdfa.ca.gov/dairy  
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