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Dairy Marketing Branch

California

Dairy Review

A publication serving the California dairy industry for over 14 years

Volume 14 Issue 9 September 2010

In This Issue . . .

Senator Klobuchar Pushes for EPA Exemption for Dairy Farms

U.S. Senator Amy Klobuchar recently co-sponsored legislation to expedite a decision from the Environmental Protection Agency (EPA) to exempt dairy farmers from regulations that would require them to develop and implement prevention plans for milk spills. The legislation that Senator Klobuchar is co-sponsoring was introduced by Senators Mike Johanns, R-Neb., and Charles Schumer, D-N.Y.).

As part of the Clean Water Act, the EPA has the authority over the Spill Prevention, Control and Countermeasures (SPCC) program. The SPCC program contains regulations to ensure that facilities that store or use significant quantities of oil or toxic substances develop a prevention plan in case of spills. The EPA's definition of oil within the SPCC regulation includes milk because of its animal fat content, and due to this classification, dairy producers would be required to develop the same type of storage/spill plan as for oil and toxic substances. Milk storage is already regulated under a Food and Drug Administration rule called the Pasteurized Milk Ordinance. The proposed EPA regulation would mean that dairy farms with 1,320 gallons of milk stored would have to develop a spill response plan which, in some cases, could cost thousands of dollars. The compliance date for these rules is November 10, 2010.

"Subjecting our dairy farmers to rules that were designed for massive oils spills and toxic substances not only is unnecessary but also creates a financial burden," said Senator Klobuchar. "This bill acts quickly to exempt dairy farmers from these excessive regulations and to remove an extra obstacle that our dairy producers would face."

In January of 2009, EPA suggested potentially exempting milk storage from SPCC regulations, but has not yet reached a decision. The goal is that the proposed legislation will expedite the EPA's rule exempting milk storage containers from SPCC regulations in advance of the November 2010 SPCC compliance deadline.

Please Note:
The 2010 Mid-Year Report has been released and is available online at: http://www.cdfa.ca.gov/dairy/dairystats_annual.html

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

This newsletter is available on the Dairy Marketing website at:
http://www.cdfa.ca.gov/dairy/ca_dairyrev_newsletter.html

Minimum Class Prices

California Hundredweight Prices

Class		July	August	September
1	No. Calif.	$17.14	$17.33	$17.15
	So. Calif	$17.42	$17.60	$17.43
2	No. Calif.	$14.15	$15.87	$15.87
	So. Calif.	$14.38	$16.10	$16.10
3		$14.10	$15.82	$15.82
4a		$15.62	N/A	N/A
4b		$13.37	N/A	N/A

Quota Transfer Summary

Quota Transfers	June	July	August
Number of Sellers	5	10	6
Pounds of SNF Quota Transferred	2,675	4,524	3,988
Average Price Per Pound of SNF Quota	$427	$431	$434

Pool Prices

Month	Quota	Overbase
June '09	$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
June	$15.17	$13.47
July	$15.94	$14.24

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			
7/9	$1.7531	$1.5275	$1.2330	$0.3863
7/16	$1.7330	$1.5535	$1.1909	$0.3863
7/23	$1.7910	$1.5670	$1.1556	$0.3850
7/30	$1.8040	$1.6025	$1.1432	$0.3788
8/6	$1.8450	$1.6025	$1.1656	$0.3788
8/13	$1.9045	$1.6180	$1.1211	$0.3788
8/20	$1.9730	$1.6310	N/A	$0.3738

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
	Dollars per Hundredweight									
1st Quarter										
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
2nd Quarter										
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	
3rd Quarter										
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	
4th Quarter										
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

Premium Alfalfa Hay Statewide Average Per Ton Prices

Area	Monthly Low/High	Monthly Average
Petaluma	N/A	N/A
North Valley[1]	$160/185	$174
South Valley[2]	$170/185	$179
Chino Valley	$157/157	$157
Total Tons Sold[3]	253,210	
Total **Tons Delivered**[4]	62,611	

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

[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.

Alfalfa Hay Update

Northern California: Premium and Supreme Alfalfa were traded firm with very good demand and moderate supplies. The export and retail market for all classes of hay were steady. Temperature swings from hot days and cold nights were the case for August.

Southern California: Premium and Supreme Alfalfa remained steady with very good demand and moderate supplies. The market looks like it will remain firm in fall and winter months due to a decrease in tonnage for this year and current low hay inventories.

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.

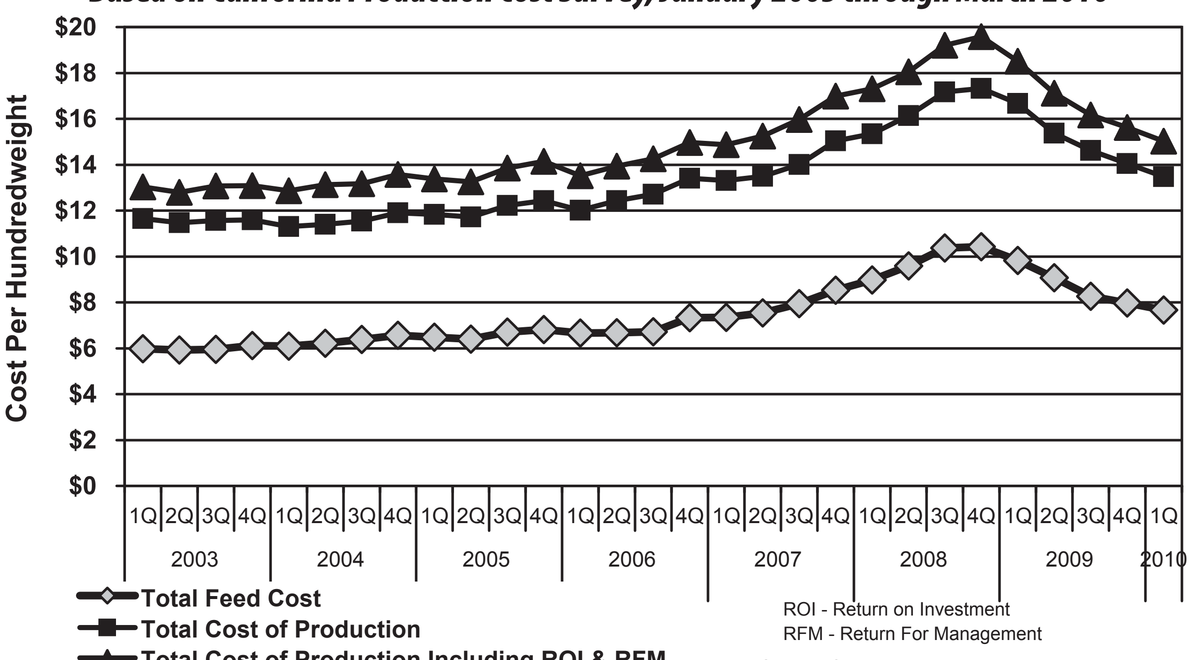
California Average Feed Commodity Spot Prices

Delivered to the Dairy, In Dollars Per Ton, 2010

Feed Commodity	Tulare/Pixley		North Valley		Los Banos/Chowchilla	
	6/29-7/20	7/27-8/24	6/29-7/20	7/27-8/24	6/29-7/20	7/27-8/24
Almond Hulls	$117.50	$114.60	$114.00	$108.80	$114.75	$112.20
Canola	$290.25	$284.00	$290.25	$284.00	$291.75	$286.00
Distillers Dried Grains	$161.00	$167.20	$163.25	$170.20	$164.50	$172.60
Rolled Corn	$177.50	$189.50	$184.25	$198.30	$183.50	$194.10
Soybean Meal	$359.00	$366.80	$359.00	$366.80	$360.50	$368.80
Whole Cottonseed	$368.50	$370.60	$368.50	$370.60	$370.00	$372.60

California Cost of Production, Total Feed Cost, by Quarter

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



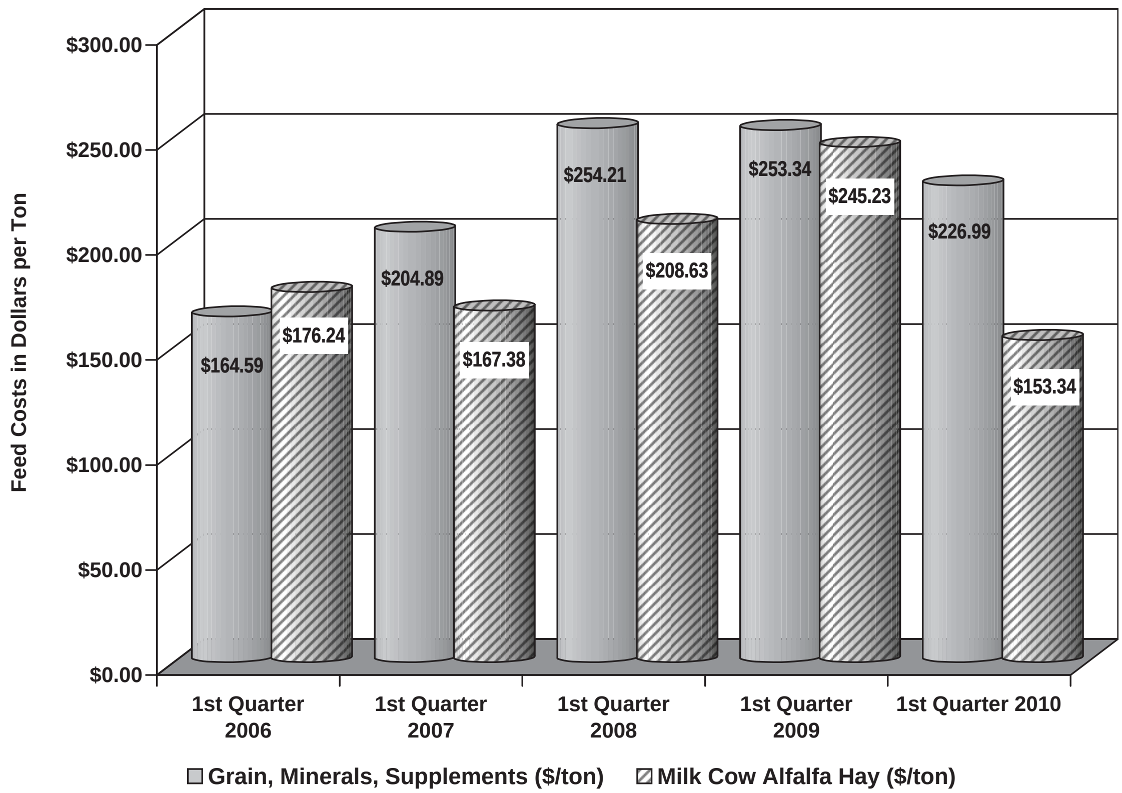
ROI - Return on Investment
RFM - Return For Management

Source: CDFA Dairy Marketing Branch

Average Cost Per Ton Fed, by Quarter

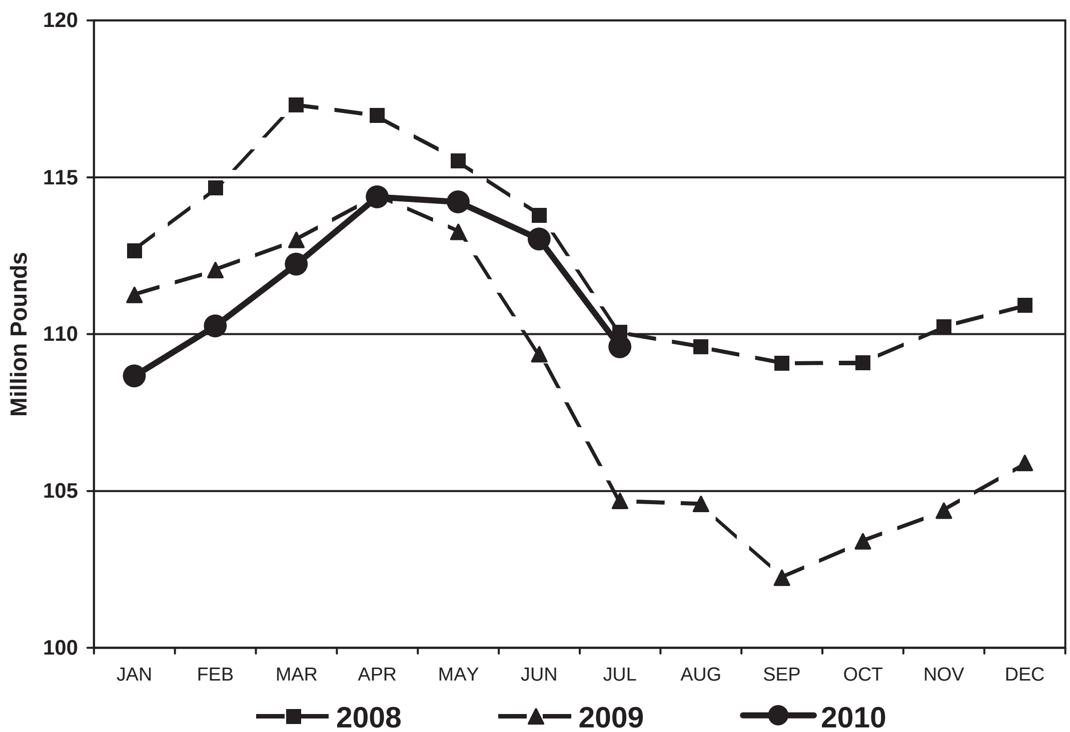
Grains, Minerals, Supplements & Milk Cow Alfalfa Hay

First Quarters of 2006-2010, in Dollars Per Ton



California Milk Production

Average Daily Basis: 2008, 2009, 2010



Dairy Cow Culling Activity (Weekly)

Week Ending	Region 9 [1] Dairy Cows	U.S. Dairy Cows	West Region [2] Price Range
	Head		$/cwt.
06/18/10	14,900	19,600	$49-$57
06/25/10	13,000	19,600	$50-$58
07/02/10	12,000	17,500	$48-$57
07/09/10	12,200	16,700	$56-$60
07/16/10	13,000	17,800	$52-$60
07/23/10	14,500	17,800	$53-$58
07/30/10	14,700	17,800	$53-$63
08/06/10	15,100	18,200	$54-$60

[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

July Milk Production

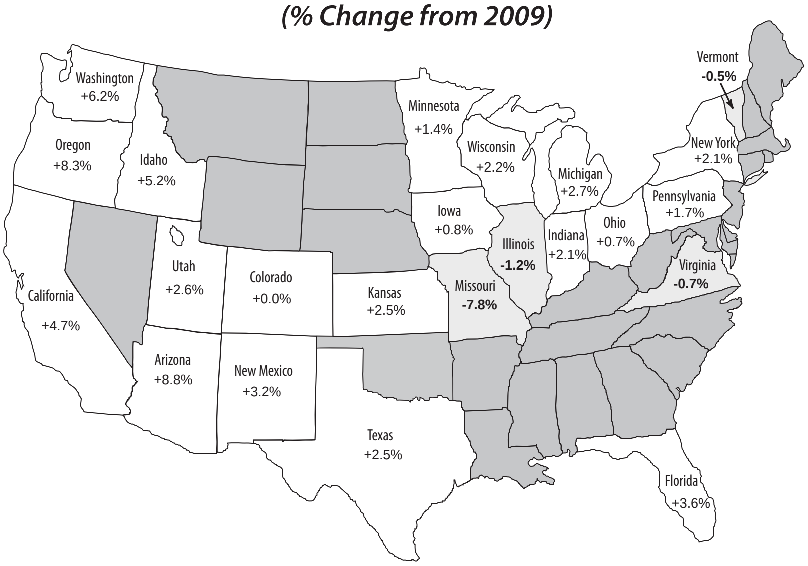
USDA estimates U.S. milk production for July 2010 in the top 23 milk producing states at 15.3 billion pounds, up 3.0 percent from July 2009. Production per cow in the top 23 milk producing states averaged 1,830 pounds for July, 59 pounds above July 2009.

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

- The number of cows on farms was 9.145 million head, down 42,000 head
- Production per cow averaged 1,802 pounds, 58 pounds more than July 2009
- Four of the top twenty-three milk producing states showed a decrease in milk production

July Milk Production in the Top 23 States

(% Change from 2009)



Federal Order Minimum Class I Prices

Hundredweight Prices

Regions	July	August	September
Phoenix, Arizona	$18.01	$18.12	$17.85
Portland, Oregon	$17.56	$17.67	$17.40
Boston (Northeast)	$18.91	$19.02	$18.75

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 2.9% in July 2010 compared to July 2009. USDA reports that California milk production increased 4.7% compared to July 2009 (on 41,000 less cows and 130 more pounds per cow), compared to July 2009. Among other western states, Arizona was up 8.8%; New Mexico was up 3.2%; and Washington was up 6.2%. None of the top 10 states reported a production decrease. The largest increase was reported by Arizona at 8.8% growth in milk production (on 8,000 more cows and 70 more pounds per cow).

Quarterly: For the second quarter of 2010 compared to the first quarter of 2010, U.S. milk cow numbers increased to 9.111 million head, milk production per cow increased to 5,458 pounds; the net effect was increased milk production to 49.7 billion pounds. USDA projects that for the third quarter of 2010 compared to the second quarter of 2010, U.S. milk cow numbers will increase to 9.120 million cows, production per cow will decrease to 5,230 pounds; the net effect would be decreased milk production to 47.7 billion pounds.

Milk Prices

Comparing the second quarter of 2010 to the first quarter of 2010, U.S. average milk prices decreased to $15.07/cwt. USDA projects that for the third quarter of 2010, U.S. average all-milk prices will be $16.30-16.60/cwt.; Class 4b prices will be $14.60-14.90/cwt.; and Class 4a prices will be $15.35-15.75/cwt.

Utility Cow Prices

Comparing the second quarter of 2010 to the first quarter of 2010, average U.S. utility cow prices were up $7.00/cwt. to a national average of $58.79/cwt. USDA projects that utility cow prices will average $57-59/cwt. in the third quarter of 2010.

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

USDA Milk-Feed Price Ratio

USDA reports that the milk-feed ratio for July was 2.31, up from the milk-feed ratio from July 2009 of 1.57. The current ratio of 2.31 means that a dairy producer can buy 2.31 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 corn price used to calculate the ratio in June was $3.55 per bushel; the price of baled alfalfa hay was $117 per ton; the price of soybeans was $9.79 per bushel.

The all-milk price used to calculate the ratio was $16.00 per hundredweight, up from $11.30 in July 2009.

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 18,616 metric tons (41.0 million pounds) to 23 countries on four continents. In addition, sales of butter and AMF totaling 11,237 metric tons (24.8 million pounds) have been made to nine countries on three 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.

Flooded Dairy Finds A Helping Hand

Illinois Flood Leaves 300 Cows Displaced

Amid these days of struggling economic conditions, it can be a comfort to know that there are still stories in the news about farmers helping farmers. In Ridott, Illinois the Meier Dairy has been operating for close to a century, nestled next to the picturesque Pecatonica River which in those years has posed close to no problems for the Holstein producers. But with Midwest downpours and flash flooding in northern Illinois, the Meier family dairy was in trouble and needed a helping hand.

The adjacent river began flooding and the rain continued raising river levels an estimated 8 to 10 inches per hour. Unrelenting showers pushed water levels up into the barn, leaving the Meier's desperate for a temporary home for their 300 head of Registered Holstein cattle.

Many neighbors and friends had room for a dozen or so, but space was limited. Quickly, the Meier family hauled some of their cattle to the local operations because they feared that the driveway would wash out, leaving the cattle stranded. Still, a majority of the herd continued to stand in the flooding barn.

Suddenly the Meier family remembered hearing that Larson Acres in Evansville (one hour away) was expanding their 1,400-cow, 4,000-acre dairy. The Meiers contacted Mike Larson and told of their problem of needing immediate room for 300 head. Mike Larson said that as luck would have it, our barn was not full yet and had 300 open stalls. With room to spare, Larson Acres did not hesitate to help out the Meier family.

"We had never met, Larson says, but when they called us on Saturday evening, they were pretty shook up, and we were glad to help." That night, the Larson family called in some favors and had construction workers and technicians come in to quickly finish up the barn and prepare it for its first guests.

By 3 a.m. on Saturday, cattle trailers began the one-hour journey to make it to the operation in time for morning milking. All told, over 250 lactating cows were transported across the border to the new freestall parlor.

The five-generation, six-family Larson establishment says they will continue to house the cattle as long as the rising river remains problematic. "We are excited to have made new friends with the Meier family," Larson says. "But we are even prouder that we were able to help. That's what farmers do; we help each other out in tough times."

Resurgence of West Nile Virus in California Poses Risk to Horses

Horse owners urged to pursue vaccinations

The return of West Nile virus to California this year is renewing calls for horse owners to make sure their animals are vaccinated. So far in 2010, four horses have been diagnosed with the disease, in Sacramento, San Joaquin and Madera counties. All of the horses were either unvaccinated or incompletely vaccinated.

"Outbreaks of West Nile virus are still a risk for horses," said California State Veterinarian Dr. Richard Breitmeyer. "Horse owners should contact their veterinarians as soon as possible to ensure vaccination status is current. If people get the necessary shots for their horses now, the animals will have optimal protection against the disease."

Signs of West Nile virus include stumbling, staggering, wobbling, weakness, muscle twitching and inability to stand. Horses contract the disease from carrier mosquitoes and are not contagious to other horses or people. Not every horse exposed to the virus will die.

Cotton Supply Robust

As Reported by Cotton Incorporated

Higher cotton acreages combined with ideal growing conditions across most of the Cotton Belt could double the supply of whole fuzzy cottonseed available to dairy producers in 2010-11, compared to 2009-10.

According to the U.S. Department of Agriculture World Agricultural Supply and Demand Estimates report, the 2010 cotton harvest will total 18.5 million bales, a 52 percent increase over the previous season's 12.1 million bales.

"What this means for dairy producers is an anticipated 100 percent increase in the amount of whole cottonseed available for feeding," notes Tom Wedegaertner, director of cottonseed research and marketing at Cotton Incorporated. "If favorable weather continues, we will net 6.3 million tons of cottonseed this year, up from last year's 4.1 million tons. After the crush, which will use 2.5 million tons, 3.8 million tons will be available for dairy cows, compared to just 1.9 million tons last year."

USDA Crop Production Reports Higher Production Levels

Corn production is forecast at a record high 13.4 billion bushels, up 2 percent from the previous record set in 2009. Based on conditions as of August 1, yields are expected to average a record high 165.0 bushels per acre, up 0.3 bushel from last year's record of 164.7. Forecasted yields are higher than last year across the upper Mississippi Valley and upper Great Lakes region where moderate temperatures and adequate soil moisture provided favorable growing conditions.

Soybean production is forecast at a record high 3.43 billion bushels, up 2 percent from last year. Based on August 1 conditions, yields are expected to average 44.0 bushels per acre, unchanged from last year's record high yield.

All cotton production is forecast at 18.5 million 480-pound bales, up 52 percent from last year's 12.2 million bales. Yield is expected to average 837 pounds per harvested acre, up 60 pounds from last year.

Alfalfa and alfalfa mixtures: Production is forecast at 72.5 million tons, up 2 percent from last year. Based on August 1 conditions, yields are expected to average 3.49 tons per acre, up 0.14 ton from last year. If realized, this will be the second highest yield on record, trailing only the 3.51 tons per acre in 1999. Harvested area is forecast at 20.7 million acres, unchanged from June but down 2 percent from the previous year's acreage.

Weather conditions have been mostly favorable in many of the alfalfa hay growing regions. Heavier than normal precipitation levels this year have led to greater yield expectations in most States.

Other hay: Production is forecast at 81.4 million tons, up 7 percent from last year, and if realized will be the second highest production level on record. Based on August 1 conditions, yields are expected to average 2.09 tons per acre, up 0.11 ton from last year. If realized, this will be a record high yield, surpassing the 2.06 tons per acre in 2004. Harvested area is forecast at 38.9 million acres, unchanged from June but up 1 percent from 2009.

U.S. Mailbox Milk Prices

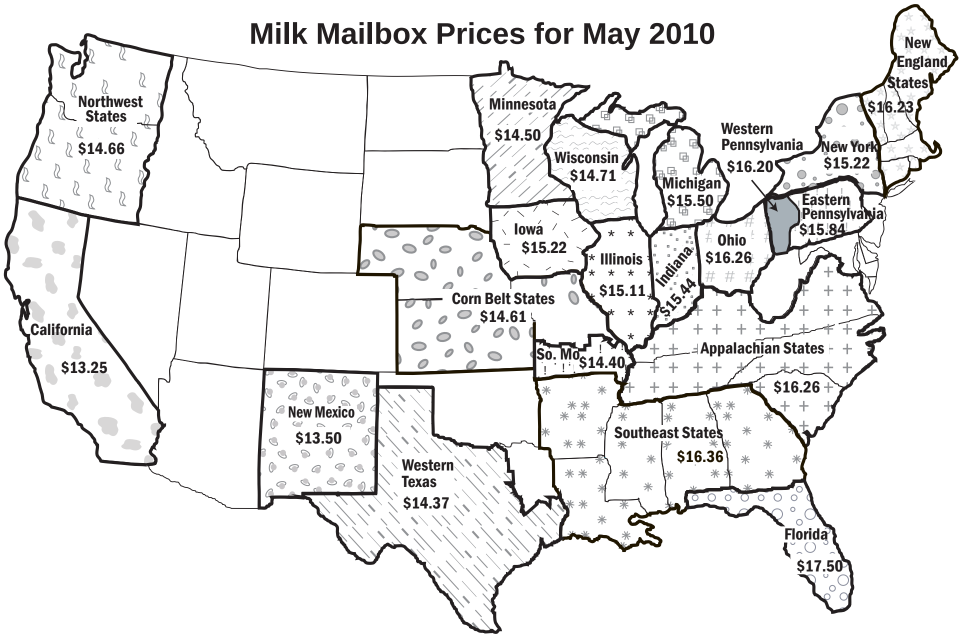
Milk Mailbox Prices in Dollars per Hundredweight

	Nov. '09	December	Jan. '10	February	March	April	May
California [1]	$13.78	$15.33	$14.12	$13.59	$12.81	$12.93	$13.25
USDA [2]	$15.37	$16.37	$16.16	$15.97	$14.92	$14.51	$15.08

1 California mailbox price calculated by CDFA.

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

Milk Mailbox Prices for May 2010



In May 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged $15.08 per cwt., up $0.57 from the previous month average, but up $3.47 from May 2009. The component tests of producer milk in May 2010 were: butterfat, 3.57%; protein, 3.01%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas. Mailbox prices ranged from $17.50 in Florida to $13.50 in New Mexico.

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California Department of Food and Agriculture

Dairy Marketing Branch
1220 N Street
Sacramento, CA 95814

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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
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