



# California Dairy Review

*A publication serving the California dairy industry for over 14 years*

Volume 15 Issue 1

January 2011

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## Candace Gates Appointed As Dairy Marketing Branch Chief

In late November 2010, after serving as Assistant Branch Chief for the last five years and Acting Branch Chief since Dave Ikari retired, Candace Gates was appointed Branch Chief of the Dairy Marketing Branch.



Candace was raised in Northern California in the agricultural-based community of Half Moon Bay, in a commercial fishing family. Her interests and involvement in agriculture started early as she was active in 4-H and FFA, was a member of the school's livestock judging team, and annually showed market animals at the County Fair and the Jr. Livestock Show at the Cow Palace.

She graduated from Chico State University with a Bachelor Degree in Agricultural Business. While attending college, Candace continued her agriculture interests by working at the college dairy farm milking and feeding cows and representing the University as a member of the collegiate fitting and showing team. After graduating, she began working for the California Department of Food and Agriculture in the Dairy Marketing Branch Cost of Production Unit which gave her the opportunity to work with dairy producers and determine their cost of production. Over the past 28 years, Candace has worked in many capacities in the Branch from administrative work to statistics and economics.

Candace resides on a few acres in Elk Grove, California with her husband Andy and has two children, Brittney and Bryan. Candace passed along her love of agriculture and animals to her children as they were involved in 4-H and showed at the Sacramento County Fair. Brittney will graduate from Sonoma State University in the spring and pursue her teaching credential and Bryan is attending Sierra Junior College where he is a starting offensive lineman for their football team.

Candace is looking forward to serving the dairy industry in her new capacity and believes her experience in dairy policy/pricing issues and knowledge of the dairy industry will serve her well in her new role.



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](http://www.cdfa.ca.gov/dairy/ca_dairyrev_newsletter.html)

### Minimum Class Prices

California Hundredweight Prices

Class	November	December	January
1 No. Calif.	\$18.71	\$18.28	\$16.45
So. Calif.	\$18.98	\$18.55	\$16.72
2 No. Calif.	\$16.57	\$16.92	\$16.92
So. Calif.	\$16.81	\$17.15	\$17.15
3	\$16.52	\$16.87	\$16.87
4a	\$16.34	N/A	N/A
4b	\$13.14	N/A	N/A

### Quota Transfer Summary

Quota Transfers	October	November	December
Number of Sellers	4	3	4
Pounds of SNF Quota Transferred	2,485	2,782	5,208
Average Price Per Pound of SNF Quota	\$441	\$450	\$450

### Pool Prices

Month	Quota	Overbase
October '09	\$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
August	\$16.54	\$14.84
September	\$17.25	\$15.55
October	\$17.64	\$15.94
November	\$16.45	\$14.75

### 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>				
11/5	\$2.1100	\$1.5310	\$1.1591	\$0.3888
11/12	\$1.9980	\$1.4040	\$1.1697	\$0.3900
11/19	\$1.9480	\$1.4285	\$1.1767	\$0.3900
11/26	\$1.7500	\$1.4775	\$1.1907	\$0.3913
12/3	\$1.5575	\$1.5000	\$1.1937	\$0.3925
12/10	\$1.6120	\$1.4515	\$1.1973	\$0.3925
12/17	\$1.6470	\$1.3325	\$1.1940	\$0.3925

### 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	\$16.54	\$15.30	\$13.17	\$15.46	\$12.81	\$14.06	\$12.20	\$15.37	\$12.98
Total Costs & Allowances*	\$20.34	\$18.30	\$17.08	\$14.59	\$17.22	\$14.25	\$15.54	\$13.75	\$17.12	\$14.43
<b>3rd Quarter</b>										
Total Costs	\$17.35	\$16.73	\$14.47	\$13.75	\$14.68	\$13.57	\$13.85	\$12.74	\$14.62	\$13.65
Total Costs & Allowances*	\$19.08	\$18.47	\$16.01	\$15.20	\$16.26	\$15.06	\$15.21	\$14.29	\$16.17	\$15.13
<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

## Alfalfa Hay Monthly Weighted Average Prices

Week Ending December 3, 2010 - Week Ending December 17, 2010

### Petaluma

	Low/High	Average
Supreme	N/A	N/A
Premium	N/A	N/A
Good	\$220/\$220	\$220
Fair	\$200/\$200	\$200

### Escalon-Merced-Modesto-Turlock

	Low/High	Average
Supreme	\$200/\$250	\$220
Premium	\$195/\$215	\$205
Good	\$170/\$220	\$195
Fair	\$155/\$175	\$167

### Northern-Intermountain Areas FOB Prices

	Low/High	Average
Supreme	N/A	N/A
Premium	N/A	N/A
Good	N/A	N/A
Fair	130/145	\$138

### Tracy-Patterson-Stockton-Lodi-Modesto FOB Prices

	Low/High	Average
Supreme	\$170/\$180	\$175
Premium	\$190/\$190	\$190
Good	\$190/\$190	\$190
Fair	N/A	N/A

### Tulare-Visalia-Hanford-Bakersfield

	Low/High	Average
Supreme	\$190/\$220	\$207
Premium	\$210/\$220	\$217
Good	\$200/\$215	\$208
Fair	\$155/\$195	\$170

### Western Fresno-Madera FOB Prices

	Low/High	Average
Supreme	N/A	N/A
Premium	N/A	N/A
Good	N/A	N/A
Fair	N/A	N/A

### Chino-Los Angeles-San Diego

	Low/High	Average
Supreme	N/A	N/A
Premium	\$190/215	\$202
Good	N/A	N/A
Fair	N/A	N/A

### Imperial Valley FOB Prices

	Low/High	Average
Supreme	\$170-\$170	\$170
Premium	\$158/\$165	\$161
Good	\$125/\$152	\$143
Fair	\$105/\$145	\$123

	Monthly Total
Tons FOB	60,460
Tons Delivered	17,825

	ADF	NDF	RFV	TDN-100%	TDN-90%	CP-100%
Supreme	<27	<34	>185	>62	>55.9	>22
Premium	27-29	34-36	170-185	60-62	54.5-55.9	20-22
Good	29-32	36-40	150-170	58-60	52.5-54.5	18-20
Fair	32-35	40-44	130-150	56-58	50.5-52.5	16-18

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

ADF = Acid Detergent Fiber; NDF = Neutral Detergent Fiber; RFV = Relative Feed Value; TDN = Total Digestible Nutrients.

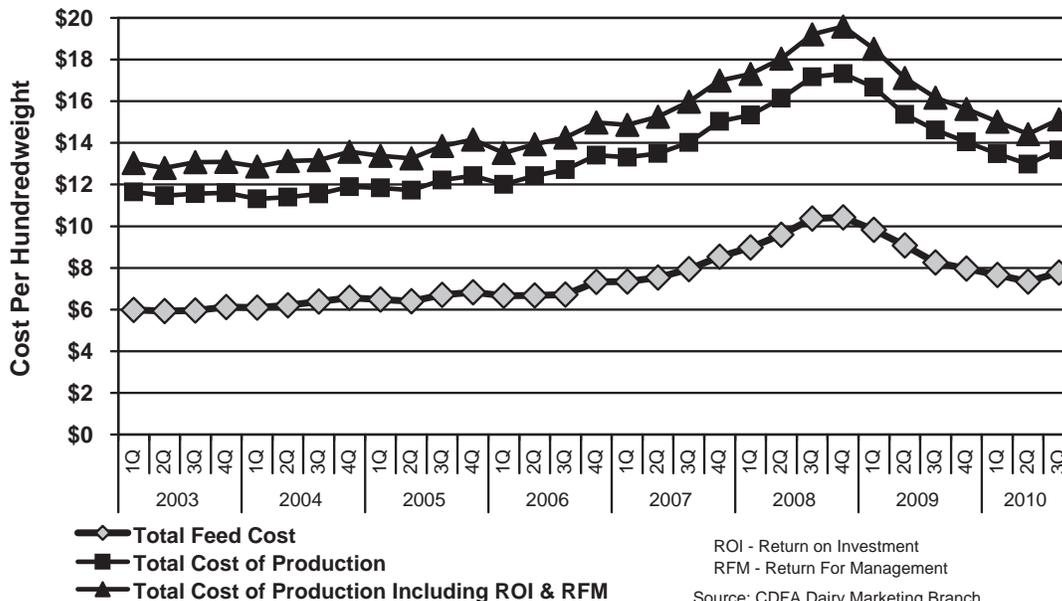
### Alfalfa Hay Update

**Northern California:** All classes of domestic alfalfa were traded mostly steady with moderate demand and light supplies. Trading is slowing down in this winter season.

**Southern California:** All classes of domestic alfalfa remained mostly steady with moderate demand and moderate supplies. Export hay traded mostly steady. The majority of this year's hay has been traded and new 2011 hay production will begin in February.

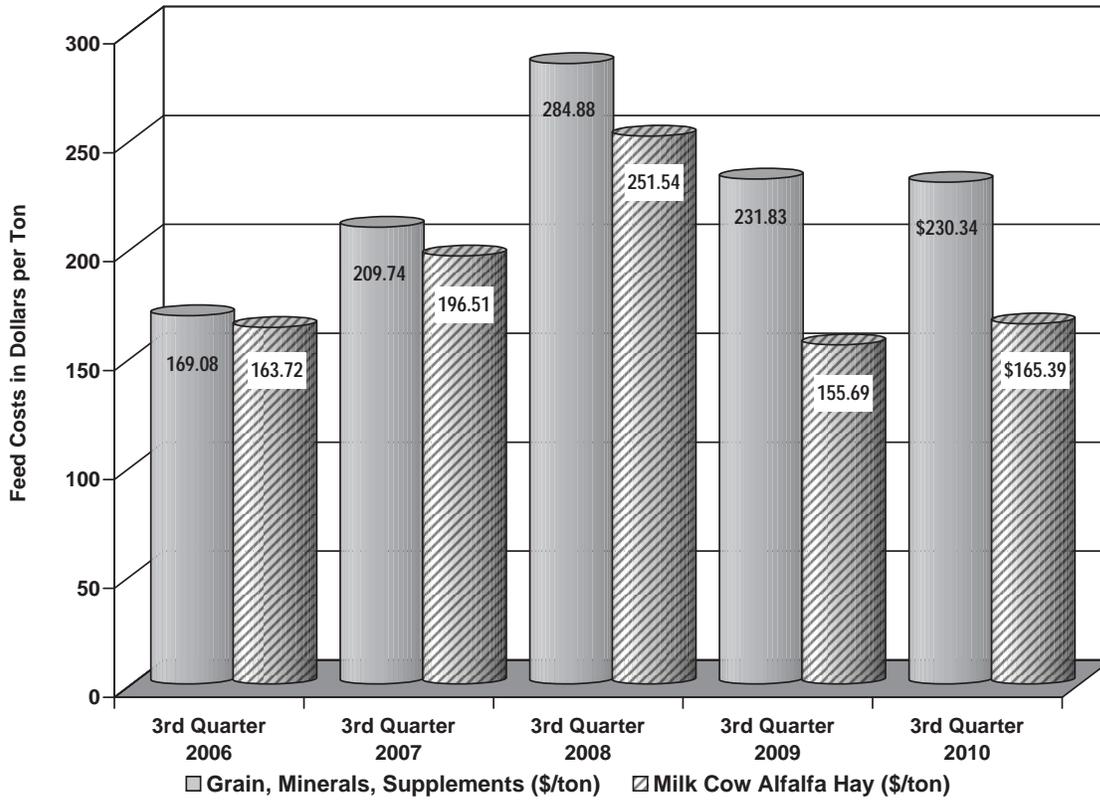
## California Cost of Production, Total Feed Cost, by Quarter

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

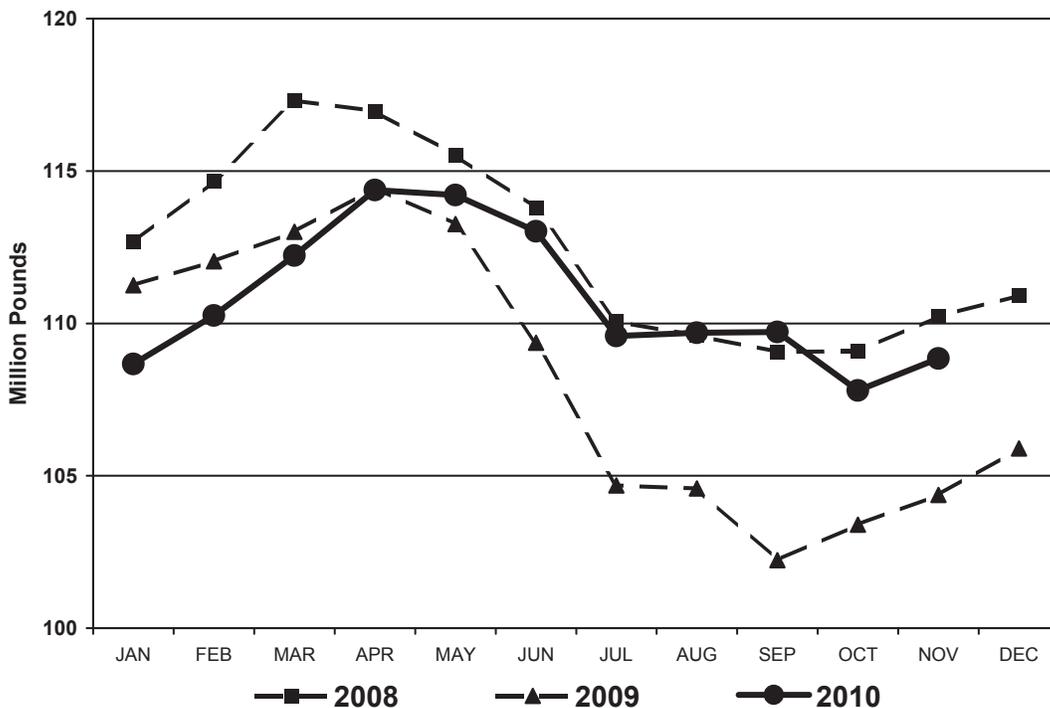


ROI - Return on Investment  
RFM - Return For Management  
Source: CDFA Dairy Marketing Branch

**Average Cost Per Ton Fed, by Quarter**  
**Grains, Minerals, Supplements & Milk Cow Alfalfa Hay**  
**Third 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 <sup>1</sup>	U.S. Dairy Cows	West Region <sup>2</sup>
	Dairy Cows		Price Range
		Head	\$/cwt.
10/15/10	14,000	52,000	\$43-\$54
10/22/10	14,800	55,000	\$45-\$54
10/29/10	14,700	55,600	\$45-\$51
11/05/10	15,300	57,400	\$45-\$50
11/12/10	18,800	60,700	\$45-\$53
11/19/10	15,100	57,900	\$44-\$53
11/26/10	14,100	45,600	\$46-\$47
12/03/10	16,800	61,300	\$44-\$51

<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

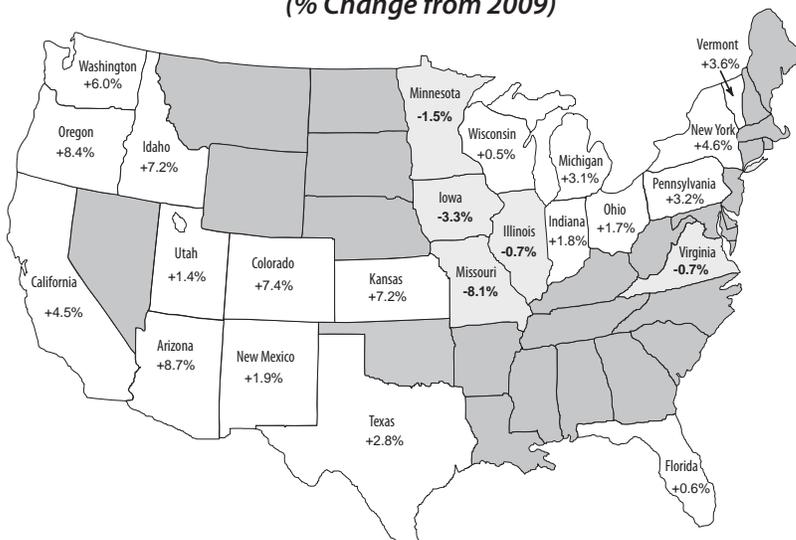
## November Milk Production

USDA estimates U.S. milk production for November 2010 in the top 23 milk producing states at 14.4 billion pounds, up 3.1 percent from November 2009. Production per cow in the top 23 milk producing states averaged 1,722 pounds for November, 41 pounds above November 2009.

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

- The number of cows on farms was 9.121 million head, up 30,000 head
- Production per cow averaged 1,696 pounds, 38 pounds more than November 2009
- Five of the top twenty-three milk producing states showed a decrease in milk production

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



## Federal Order Minimum Class I Prices

Hundredweight Prices

Regions	Nov.	Dec.	Jan.
Phoenix, Arizona	\$19.59	\$19.31	\$17.55
Portland, Oregon	\$19.14	\$18.86	\$17.10
Boston (Northeast)	\$20.49	\$20.21	\$18.45

## 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 2.7% in November 2010 compared to November 2009. USDA reports that California milk production increased 4.5% compared to November 2009 (on 15,000 less cows and 95 more pounds per cow). Among other western states, compared to November 2009, Arizona was up 8.7%; New Mexico was up 1.9%; and Washington was up 6.0%. One of the top 10 states reported a production decrease. The largest increase was reported by Arizona at 8.7% growth in milk production (on 14,000 more cows and 5 more pounds per cow).

Quarterly: For the third quarter of 2010 compared to the second quarter of 2010, U.S. milk cow numbers increased to 9.123 million head, milk production per cow decreased to 5,270 pounds; the net effect was decreased milk production to 48.1 billion pounds. USDA projects that for the fourth quarter of 2010 compared to the third quarter of 2010, U.S. milk cow numbers will decrease to 9.120 million cows, production per cow will decrease to 5,220 pounds; the net effect would be decreased milk production to 47.6 billion pounds.

### Milk Prices

Comparing the third quarter of 2010 to the second quarter of 2010, U.S. average milk prices increased to \$16.80/cwt. USDA projects that for the fourth quarter of 2010, U.S. average all-milk prices will be \$17.65-17.85/cwt.; Class 4b prices will be \$15.25-15.45/cwt.; and Class 4a prices will be \$16.15-16.45/cwt.

### Utility Cow Prices

Comparing the third quarter of 2010 to the second quarter of 2010, average U.S. utility cow prices were up \$0.11/cwt. to a national average of \$58.90/cwt. USDA projects that utility cow prices will average \$55-56/cwt. in the fourth 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 November was 2.22, down slightly from the milk-feed ratio from November 2009 of 2.26. The current ratio of 2.22 means that a dairy producer can buy 2.22 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 November was \$4.59 per bushel; the price of baled alfalfa hay was \$117 per ton; the price of soybeans was \$11.20 per bushel.

The all-milk price used to calculate the ratio was \$17.90 per hundredweight, up from \$15.40 in November 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 33,103 metric tons (73.0 million pounds) to 26 countries on four continents. In addition, sales of butter and anhydrous milkfat totaling 14,968 metric tons (33.0 million pounds) have been made to nine countries on three continents.

Nearly 50% of the product will be delivered between now and April 2011.

The Export Assistance program was reactivated when economic analysis indicated that sizeable cheddar cheese inventories overhanging the market were hampering a recovery in producer milk prices.

## ***Cottonseed Supply To Rebound?***

The tightening global cotton supply may help persuade U.S. cotton growers to expand cotton acreages in 2011, and produce even more whole cottonseed available for dairies.

Tom Wedegaertner, director of cottonseed research and marketing, Cotton Incorporated, stated that "The cottonseed supply already is on the upswing." Throughout 2010, we've been expecting a doubling of the cottonseed supply compared to last year, and a return to more normal levels of the feedstuff. With 1.3 million more acres planted, good growing conditions across the Cotton Belt and relatively minor weather events during harvest, we are confident the seed yield and quality will be very good."

It is estimated that cottonseed production could reach 6.2 million tons, compared to last year's 4.1 million tons. Wedegaertner says after the crush (about 2.5 million tons), about 3.7 million tons will be available for feeding to dairy cows.

## ***American Specialty Cheesemakers Shine at World Cheese Awards***

At the World Cheese Awards in Birmingham, England, a total of 2,629 cheeses competed this year, coming from more than 29 countries, and U.S. artisan and specialty cheese makers received a total of 79 medals. There were more U.S. cheeses entered in this year's competition than ever before.

California speciality cheesemakers winning awards:  
Fiscalini Cheese Co., Modesto, CA  
Point Reyes Farmstead Cheese Co., Point Reyes, CA  
Bellwether Farms, Petaluma, CA  
Marin French Cheese Co., Petaluma, CA  
Lactalis American Group (Mozzarella Fresca), Tipton, CA

## ***CWT Initiates Membership Drive***

Cooperatives Working Together (CWT) has initiated a membership drive to boost participation in the self-help program during the next two years, with the goal of signing up at least 75% of the nation's milk in order to fully fund the Export Assistance program.

"Focusing CWT's efforts exclusively on helping sell U.S.-made dairy products into foreign markets will have a positive impact on all dairy farmers," said Jerry Kozak, President and CEO of NMPF, which manages CWT. "With the investment in CWT at two cents per hundredweight by all dairy farmers, we believe the Export Assistance program will be extremely effective in enhancing and maintaining producer's margins."

CWT is expected to carry over \$30 million from its 2009-2010 budget. These monies will provide the basic funding for the program in 2011 and 2012, and will be supplemented by the revenue generated from a two-year commitment by cooperative and individual producers marketing a minimum of 75% of the eligible milk production. Kozak said CWT needs a commitment from at least 75% of the nation's milk supply to the two cent (2¢) per hundredweight level in order for the assessment to go into effect.

## ***World Ag Expo Coming In February***

The 44th Annual World Ag Expo 2011, Tools for Agri-Business, will run Feb. 8-10 at the International Agri-Center show grounds in Tulare, Calif. An estimated annual average of 100,000 attendees from 52 countries are expected to attend World Ag Expo this year. The expo is the largest annual agricultural show of its kind with 1,600 exhibitors displaying cutting-edge agricultural technology and equipment on 2.6 million square feet of show grounds.

## ***Joint State Agency Effort Shortens California Dairy Digester Projects Permit Time***

The Central Valley Regional Water Board voted unanimously to approve a final Environmental Impact Report certification for a program of dairy manure digester and co-digesters in the Central Valley. This inter-agency effort will enable state agencies to achieve Governor Schwarzenegger's mandates to reduce permit processing times by at least 50% for projects in renewable energy.

Dairy manure digester and co-digester projects can provide benefits to the state by generating usable methane (a byproduct of cow manure) and by reducing greenhouse gas emissions. Dairy manure digesters capture methane gas that can then be used to generate electricity or used as a substitute for conventional natural gas. Co-digesters convert, in addition to manure, agricultural and food processing waste, green waste, and fats, oils and grease into energy.

State and local agencies that worked with the Central Valley Regional Water Board in developing the program EIR include: the State Water Resources Control Board; Air Resources Board; the Department of Food and Agriculture; the Energy Commission; the Public Utilities Commission; the San Joaquin Valley Air Pollution Control District; the California Environmental Protection Agency; and the Department of Resources Recycling and Recovery.

"This is an example of how agencies can work together to align the permitting process to help California agriculture diversify into the renewable energy sector while protecting our environment" says California Secretary of Food and Agriculture, A.G. Kawamura. "Development of dairy digesters represents a potential revenue opportunity for dairy farm families during these tough economic times while at the same time assisting the state in reaching its ambitious renewable energy goals."

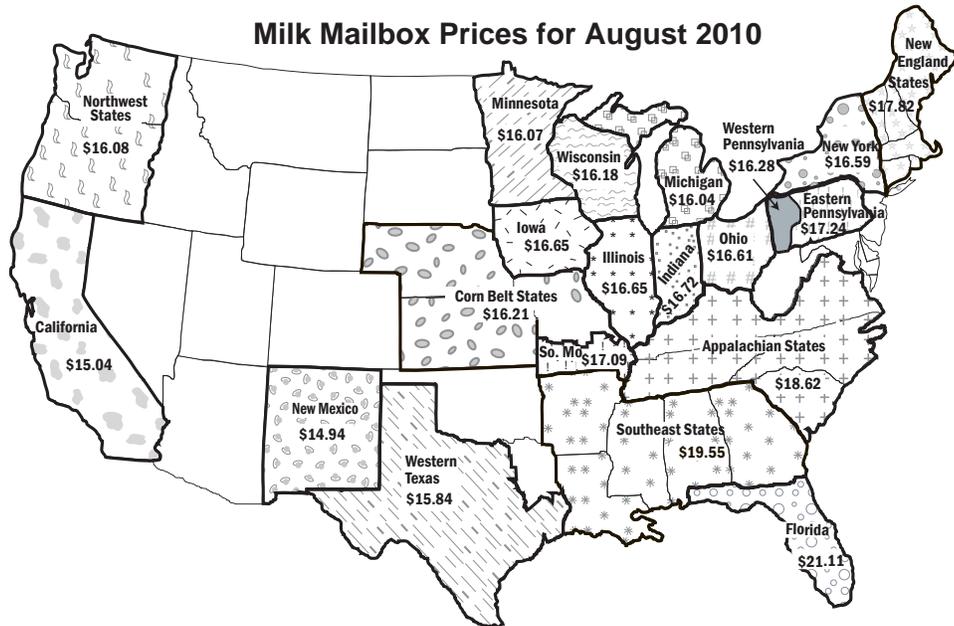
# U.S. Mailbox Milk Prices

## Milk Mailbox Prices in Dollars per Hundredweight

	Feb. '10	March	April	May	June	July	August
California <sup>1</sup>	\$13.59	\$12.81	\$12.93	\$13.25	\$13.64	\$14.33	\$15.04
USDA <sup>2</sup>	\$15.97	\$14.92	\$14.51	\$15.08	\$15.39	\$15.81	\$16.51

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

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



In August 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$16.51 per cwt., up \$0.69 from the previous month average, and up \$4.47 from August 2009. The component tests of producer milk in August 2010 were: butterfat, 3.52%; protein, 2.96%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices increased from the previous month in all Federal milk order reporting areas except Western Pennsylvania, Ohio, and Indiana. Mailbox prices in August 2010 ranged from \$21.11 in Florida to \$14.94 in New Mexico.



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 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 or Lu Tang at (916) 341-5988, or send an email to [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov)

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