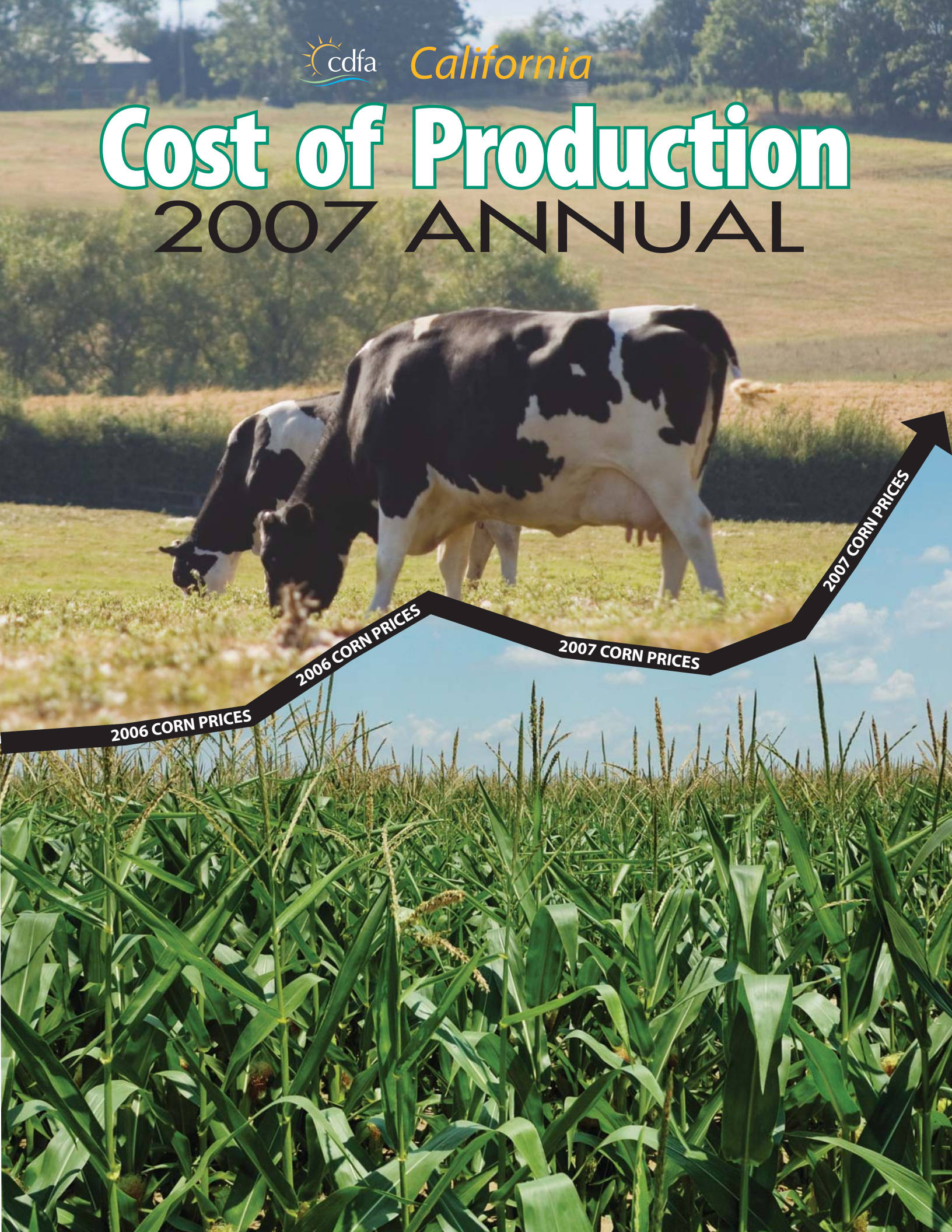
cdfa California

Cost of Production

2007 ANNUAL



Dan Areias . . .
33 Years of Service

Knowing and working with Dan for many years has been a special treat for all of us at CDFA Dairy Marketing. Dan retired in December 2007 and we would like to acknowledge his 33 years of state service working for CDFA in the Cost of Production Unit. He saw a lot of changes in his many years with the Department and within the dairy industry. One small change at work was going from sports coat and tie to more casual attire. When he first started at CDFA all work was done by hand entry and calculator, but by the end of his career almost everything was done by computer. However, Dan was one who resisted the computer age as long as possible! A note of interest is that when Dan started in Dairy Marketing there were over 100 employees, but by the time he retired that number had decreased to less than 30.

You couldn't find a better friend or co-worker. Dan brought many a chuckle to those who knew him within the work place and his special relationships with the producers that he worked with. Working in the field presents a lot of challenges and over the years Dan accumulated many stories about people, car driving, dogs, chickens, and cows. It wasn't always the story but the way he told it that could get you laughing. There may even have been a bit of embellishment, but who would know!

Dan continues to live in the area he served and will be missed at work by all of us at Dairy Marketing. He continues to be active in many phases of life: family, charity, church, travel, and even following his beloved San Francisco Giants and enjoying baseball in general.

Thank you Dan
for all your work and we wish you
the best in your retirement!

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Special Thanks

This publication would not be possible without the cooperation of the many dairy producers throughout the State who participate in the Cost of Production Program. Their willingness to voluntarily share their milk production cost data is of great benefit to the entire dairy industry.

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Introduction

The Dairy Marketing Branch, Cost of Production Unit (COP) is pleased to present the eleventh edition of the California Cost of Production Annual Summary. The 2007 Cost of Milk Production Annual Summary includes information vital to the California dairy industry. Producers need as many tools as possible to make sound management decisions, and the information in this summary provides some of these tools.

Food & Agriculture Code

Under the California Food and Agricultural Code 62062, the Department of Food and Agriculture (Department) must consider the cost of producing market milk in determining appropriate minimum prices. Notwithstanding the legislative decree, the Department has a more direct need for the cost studies as a result of the end-product pricing formulas used to establish milk prices.

Cost of Production Collection Methods

The Department's COP collects and summarizes cost data from California dairy farms. The Department has been collecting and reporting changes in milk production cost information since 1955 and is the only state in the U.S. that has an impartial government agency reporting comprehensive milk production cost information. Although the Department has the legal authority to collect cost of production information from "Grade A" dairy farms, dairy producers find the study and resulting comparisons valuable and cooperate in the cost studies voluntarily. Milk Production Cost Auditors specializing in cost accounting and other accounting procedures conduct the cost studies. Auditors review dairy farm financial records on-site and work with dairy management to perform a compilation of dairy expenditures. This information is provided primarily as a service to those participating in the cost studies, in order for them to compare the results of their operations with the information presented on the accompanying schedules.

New Reports & Information Available on Website

The COP is always looking for ways to provide valuable information to the dairy industry. The unit released four new feedbacks in 2007: Holstein Herds Only; 3X vs. 2X Holstein Milking Herds; California Organic Herds; Crossbred Herds; and Mixed & Other Herds. In the Cost Comparison Summary sections of this annual is a more detailed explanation of these new reports. In 2007, the Department started posting the quarterly and Annual Cost Comparison Summary and Feedback reports to the CDFA Dairy Marketing Branch website for the four major areas of North Coast, North Valley, South Valley, Southern California, and various specialized reports. To access these reports go to the homepage website address http://www.cdfa.ca.gov/dairy then under the Dairy Marketing tab click on Cost of Production.

USDA Cost of Production Method

Due to different collecting and reporting methods, data reported by USDA's National Agricultural Statistics Service and Economic Research Service may be slightly different than data collected and reported by the California Department of Food and Agriculture. All published data is subject to revision.

California Dairy Industry, 2007

The California dairy industry moved to new ground in 2007, with milk production topping out at over 40 billion pounds (40.6), an increase of 4.8 percent compared to 2006. This record milk production, driven by both increased milk production per cow and an increase in the total cows, all contributed to the state's dilemma of inadequate plant capacity. The low milk prices of 2006 were a thing of the past by mid-summer 2007, as the all-milk average price paid to producers reached $20.45 per hunredweight in July and continued to hover in the $20-range for the rest of 2007. As the prices dairy producers received soared, so did the cost of feed and fuel throughout the state. In addition, producers will incur higher expenses in future years, as new air and water regulations come into place.

California Cost of Production

When reviewing the California Production Cost Summary, the cost of milk production increased by 10.4 percent (without Return on Investment and Return on Management) per hundredweight of milk compared to a year ago. All the main categories of costs increased, but the main factor for the spike in costs is higher feed prices. The number one reason feed prices are higher is the demand for corn being diverted to plants that produce ethanol. The primary feedstock in the United States is corn and the typical California dairy utilizes between 36 and 40 percent corn in the concentrate portion of the ration fed to milk cows. Higher corn prices encourage farmers to increase corn acreage. Much of this increase occurs by adjusting crop rotations between corn and soybeans. This shift to corn has resulted in a shortage of other feed commodities utilized by dairy producers like soybean and cottonseed, which has resulted in higher prices for all grain commodities. This inter-relationship between corn and other commodities resulted in California dairies total feed costs in 2007 to increase by 14.5 percent per hundredweight of milk, compared to a year ago. This jump in total feed costs is more dramatic when comparing the 2006 average cost to the 4th quarter of 2007 costs, which resulted in a 25 percent increase per hundredweight of milk. In the first half of 2007, the spot price for corn fluctuated from $192 to $198 per ton, and then declined in the summer and fall months, ranging from $163 to $184 per ton, but increasing to $204 per ton in December. The big question for producers during the months of September and October was whether to forward contract for corn when the corn price was in the $170-to-$180-per ton range, which at the time were considered high. The producers that chose to enter contracts at that time made a timely decision, since corn prices were well over the $200 per ton range in the first quarter of 2008.

Corn Spot Prices, 2006-2007

Other Expenses

Higher fuel prices have also increased the cost for grain commodities by increased freight charges to move these feeds from the Midwest to California. The Fuel and Oil expense category increased by 11 percent compared to a year ago, due to producers having to pay higher fuel prices for diesel and gas. Higher fuel prices not only increase the cost to operate equipment on the dairy, but producers also incurred fuel surcharges for everything from supply deliveries to having their milk picked up. The miscellaneous category increase of 41.8 percent is mainly due to the Cooperatives Working Together (CWT) program increasing the participant's monthly charge from five cents per hundredweight in 2006 to ten cents per hundredweight of milk in 2007. CWT is a voluntary program and is designed to reduce milk

production and increase demand for dairy products, in order for dairy producers in all parts of the country to get meaningful financial returns.

Another reason miscellaneous costs increased was that at year-end, producers were incurring costs for water samples taken at the dairy that they were required to submit, due to the new waste discharge requirements. In addition, short term interest expense increased for loans used to prepay feed and other operational expenses. Producers were able to keep this interest expense in check, as higher milk prices allowed them to pay down debt for these loans at a faster rate.

Analyzing the Total Herd Replacement cost, it shows an increase of 24.3 percent. This is due primarily to the drop in calf prices that dairy producers experienced for day old calves (decreased by 59.1 percent) and higher values for herd replacements. As corn prices increased, these calves became less valuable to beef operations who raise them, since higher feed prices cut into their profit margins. Overall, when comparing the Total Cost per Cow and Total Cost per Hundredweight of Milk, they both increased from a year ago. The cost per hundred pounds of milk did not increase as much, since milk production per cow increased by 1.8 percent.

Milk Production

Milk production, cow numbers, and milk per cow all continued to grow despite: the number of dairies in the state decreasing by 24; skyrocketing feed prices and changing feed rations due to higher prices for corn and other feed commodities; and the continuing pressure of environmental and water regulation concerns. This increase in production is due to more cows milking (approximately 87,000 more cows) and production per cow increasing to 22,240 pounds in 2007. This is a large increase in animal units, but if divided by the number of dairies (1,950), it works out to an average herd size expansion of 41 cows. Herd size increased as the milk price allowed dairy producers to milk low-producing cows that would normally be culled during periods of low milk prices. The record setting March 2006 production was surpassed in March of 2007 with 3.55 billion pounds of on-farm milk production. As in 2006, the spring of 2007 saw the total milk production exceeding processing capacity in

California. This situation necessitated milk shipments moving out of state in search of a processing home. For the second year in a row, all twelve months recorded over three billion pounds in milk production. The redeeming factor of 2007 for dairy producers seemed to be the record high prices paid to producers for their milk production.

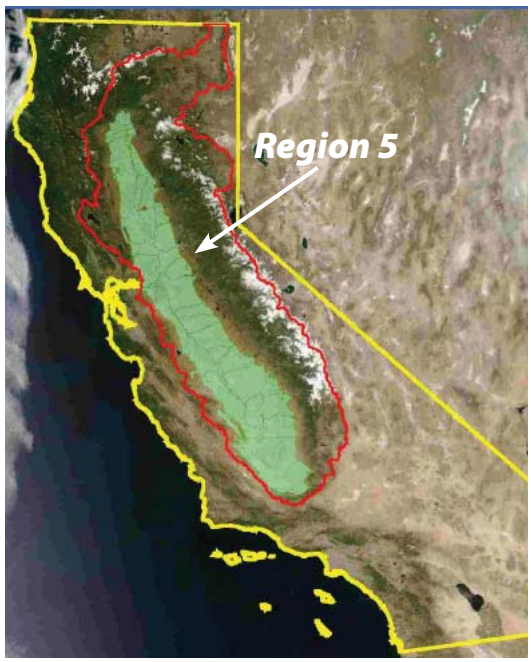
Milk Prices

The twelve-month average all milk price paid to producers was $18.04 (low: $12.93, high: $21.18) per hundredweight, up 56 percent compared to 2006. However, the cost of producing milk in 2007 certainly took the edge off the higher prices paid to producers for milk production. The continued strong world prices for dairy products, partially influenced by the drought conditions in Australia and New Zealand, played a role in the demand for U.S. dairy products. Inventories of nonfat dry milk and butter in both the U.S. and European Union were reduced to very low levels and the cheese demand was steady throughout most of the year. The weakening of the value of the U.S. dollar helped to enhance export opportunities.

If you are a Grade A milk producer and are interested in participating in the Cost of Milk Production Survey that is administered by the Dairy Marketing Branch, please see the contact information on page 54.

Industry Dialogue

One of the biggest challenges that the California dairy industry faced in 2007 is that milk production and plant capacity are not in proper alignment. The increased milk production has exceeded the ability of the plants in the state to process it all. As a result, milk was being shipped out of state to be processed, at the dairy producers' expense. As cooperatives incurred expenses to find a processing home outside of California for the increased milk production, they charged a monthly across-the-board fee to all members to market that milk. In late 2007, a large cheese plant operated by Dairy Farmers of America located in Southern California closed its doors, reducing manufacturing capacity for cheese. In Northern California, the Hershey plant stopped receiving milk as it shifted its production facility to Mexico. As a result of these factors, in late 2007 and early 2008, several cooperatives dropped the monthly fee and instituted production base programs to limit the amount of milk producers ship on a daily basis. If a producer's milk production is over this base amount, the excess milk is not picked up or they are charged a fee to find this milk a processing home. At the end of 2007, twenty-three producers received notice that the contract with their processor would end by June 30, 2008. An industry forum attended by processors and producers was held during the year to see what could be done to increase manufacturing capacity in the state. Proprietary plants claim that the business climate and environmental regulations make California unfriendly as compared to other states.



Other news of interest in 2007

- A producer group informed their members that those who choose to use rBST (a milk production enhancement) would incur a handling charge. The charge is for handling and keeping the milk separated from the milk that does not utilize this production enhancement. It is reported that most plants that bottle fluid milk are requesting milk that has not been produced with the aid of rBST.

- Cooperatives Working Together (CWT) completed its fourth herd retirement, resulting in the removal of 53,783 cows representing one billion pounds of milk. There were 333 farms accepted by CWT in this herd retirement round, those farms were spread across 39 states. California had 20 farms that were accepted in the fourth round of the herd retirement program. The average accepted bid in this round was $5.50 per hundredweight, significantly less than the $6.75 per hundredweight average in the last retirement round in 2005.

- The California Milk Advisory Board launched the new Real California Milk seal that will be put onto fluid milk containers that utilize only milk produced in California.

- The California Dairy Quality Assurance Program, in cooperation with the California Central Valley Regional Water Quality Board staff, held training workshops for producers and consultants on the new water quality regulations. These forums were designed to help producers understand the new regulations and what must be performed on the dairy, plus provide technical help in filling out the necessary reports.

Environmental issues

At the end of 2006, producers located in the San Joaquin Valley milking 1,000 cows or more, were trying to understand the new air quality rules they will have to comply with beginning in April of 2008, enforced by the California Air Resource Board (CARB) under Rule 4570.

On May 3, 2007 life on the dairy became more complicated, as the Regional Water Quality Control Board, Central Valley Region, adopted Waste Discharge Requirements General Order For Existing Milk Cow Dairies (Order No. R5-2007-0035). The Order applies to milk cow dairies that were in existence as of October 17, 2005 and filed a Report of Waste Discharge (ROWD) in response to the Regional Board's request of August 8, 2005. The Order is to regulate discharges that could affect the quality of the waters of the state, which

Visual Inspections – (Implemented 5/3/2007)
Production Area Weekly during the wet season (1 October to 31 May) and monthly between 1 June and 30 September: Inspect all waste storage areas and note any conditions or changes that could result in discharges to surface water and/or from property under control of the Discharger. Note whether freeboard within each liquid storage structure is less than, equal to, or greater than the minimum required (two feet for above ground ponds and one foot for below ground ponds). During and after each significant storm event: Visual inspections of storm water containment structures for discharge, freeboard, berm integrity, cracking, slumping, erosion, excess vegetation, animal burrows, and seepage. Monthly on the 1st day of each month: Photograph each pond showing the current freeboard on that date. All photos shall be dated and maintained as part of the discharger's record.
Land Application Areas Daily when process wastewater is being applied: Inspect the land application area and note: the condition of land application berms including rodent holes, piping, and bank erosion; the presence (or lack) of field saturation, ponding, erosion, runoff, (including tailwater discharges from the end of fields, pipes, or other conveyances), and nuisance conditions; and the conditions of any vegetated buffers or alternative conservation practices.

include both surface water and ground water. This Order applies to all producers located in the Central Valley Regional Water Quality Control Board, referred to as Region 5 (see Region 5 map on page 8) that contains about 1,600 of the state's dairy facilities. The Order will require dairies to submit an existing conditions report, waste management plan, nutrient managemet plan and require a monitoring and reporting program. To see the full details of this order go to the website at http://www.waterboards.ca.gov/centralvalley.

This order is being phased in over a period of five years. Upon implementation, producers had to immediately begin performing visual inspections (see boxed chart above) for the production and land application areas. Beginning November 3, 2007, producers were required to perform the following activities: sample each domestic and agricultural well, and any tile drain system, at their facility; and prepare written agreements with any person who receives processed wastewater from their dairy facility. This document was required to be turned in with the Existing Conditions Report, a preliminary facility assessment due to the Regional Board on December 31, 2007.

In one year, the Order requirements will propose interim facility modifications and have producers complete the first portions of waste and nutrient management plans. In two years, producers must complete interim facility modifications, nutrient management plan with retrofitting plan, and waste management plan with retrofitting plan. By four years, all dairy facilities must complete all modifications and in the fifth year, completely implement the nutrient management plan. The Regional Board staff have estimated that for a 1,000 cow dairy and other assumptions, the upfront cost to comply with this order will range from $12,000 to $56,000 and the annual cost will range from $30,000 to $36,000.

Under what circumstances is a dairy not covered by the General Order?

- Your dairy receives and/or discharges wastes other than those listed in Finding No. 13 of the General Order (See General Order for details).
- Your dairy has expanded beyond the number of mature dairy cows stated in the ROWD. For the purpose of the General Order the term "expansion" includes any increase in the existing herd size by more than 15 percent from the baseline period of October 17, 2005.
- If you have increased the storage capacity of the retention ponds or acquired more acreage for re-use of nutrients from manure or process wastewater in order to accommodate an expansion of the existing herd size.

If a dairy is not covered by the General Order then the dairy will be regulated through an Individual Waste Discharge Requrement. Prior to adoption of the individual waste discharge requirements a dairy facility must assure compliance with the California Environmental Quality Act (CEQA).

Hearings & Committees

In 2007, the Department held two separate public hearings, to consider adjustments to the economic formulas used to establish class prices and hosted an Advisory Committee to analyze the current situation of California milk pool quota and consider possible changes.

At year end another Advisory Committee was put together to explore alternative ways to price the value of whey used in the Class 4b formula. To see the full details of each hearing go to the Dairy Marketing Branch website at www.cdfa.ca.gov/dairy then click on the drop down box labeled hearings, then click on hearing matrix.

On August 28, 2007, the Department held a public hearing to consider revisions to the Weekly and Monthly Nonfat Dry Milk Sales Reports, namely changes to the nonfat dry milk (NFDM) price series used in the Class 4a and Class 1 pricing formulas. The hearing decision retained the use of the California Weighted Average Price, to establish the NFDM price series in Class 4a and Class 1 pricing formulas and modified the reporting procedures and reporting forms for the collection of the weekly and monthly NFDM prices.

The Department held a public hearing on October 10 and 11, 2007 to consider amendments to the Class 4a and 4b pricing formulas (would also have a pass-through effect on the Class 2 and 3 pricing formulas). The focus of the hearing pertained to the manufacturing cost allowances for Cheddar cheese, butter, nonfat dry milk and dry whey. The most contentious issue among producers and proprietary plants was how to allow for

the value of whey in the formula.

In April of 2007, the California State Board of Food and Agriculture asked California's Secretary of Food and Agriculture to review the California Milk Quota System. In response, the Quota Review Committee made up of 11 dairy producers, was established. The Quota Review Committee was charged with the task of providing recommendations to the Secretary on the future of the Quota system. California's Quota system has been in place since the implementation of the California Milk

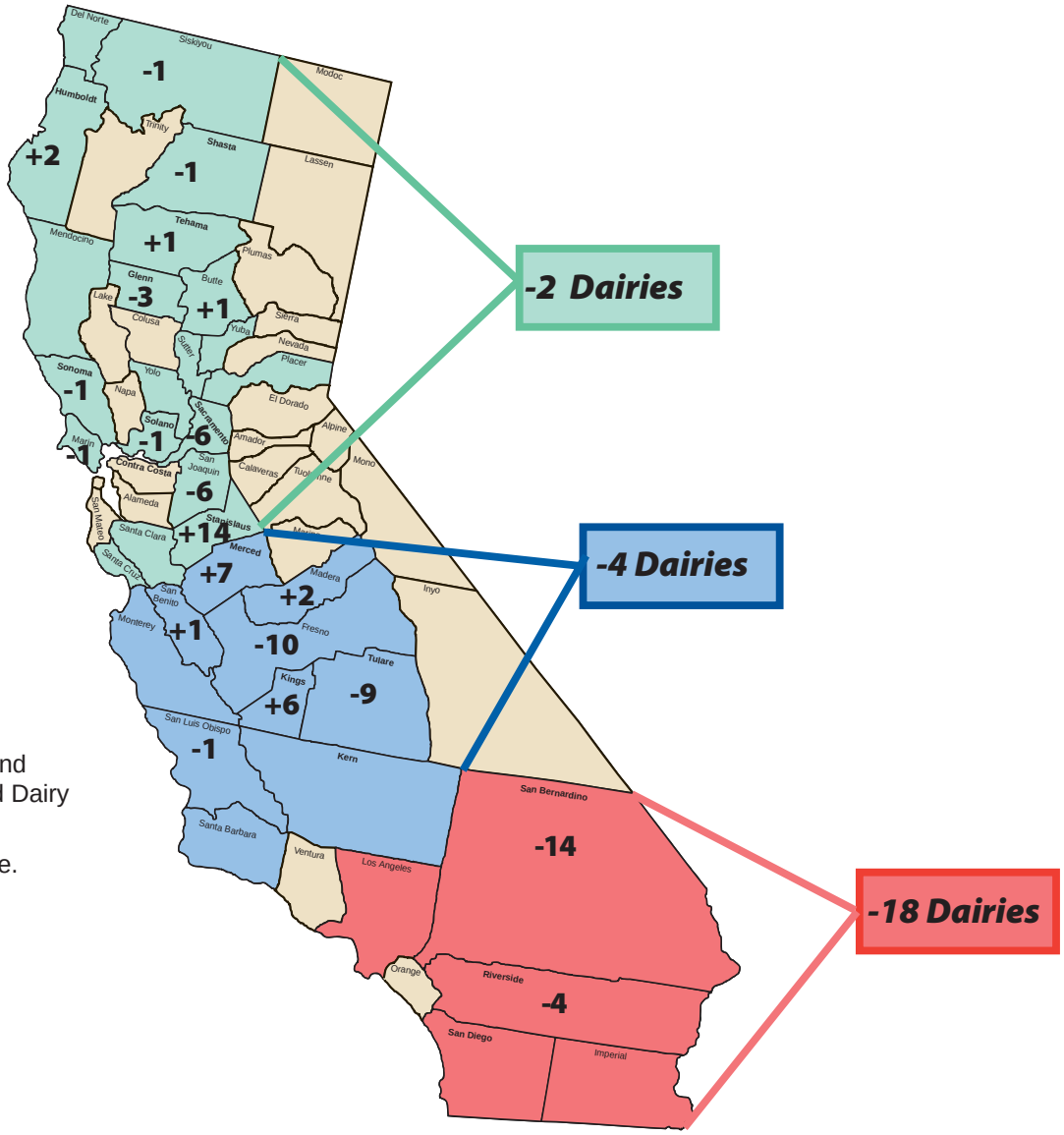
Pooling Plan. The main discussion by this committee evolved around whether quota should be retired, how quota holders should be compensated and how these changes would affect the pool payout. Ultimately, the committee recommended no change to the system.

In late December 2007, under the direction of the Secretary, members of the California dairy industry were assembled to form a Dry Whey Committee focusing on the "dry whey" aspect of the milk pricing formulas. The Dry Whey Committee was charged with the task of providing recommendations to the Secretary on developing a whey pricing system that reflects the world markets, while fostering financial equity for the dairy producer and dairy processor. The committee had its first meeting in late December 2007 and is expected to provide their recommendations to the Secretary by July 2008.

Recap of 2007

There are many issues the dairy industry is facing and dairy producers can feel overwhelmed at times. Producers are faced with environmental regulations that will have a large financial impact on the cost of doing business and may even make some leave the business altogether. The plant capacity issue in California will not be solved overnight, since a new plant or expansion of an existing plant can take several years to get the right permits and proper approvals to construct. Cooperatives and proprietary plants have made producers adhere to daily production base programs and pay for surplus milk that must be moved out of state to be processed. The positive outlook is that the demand for dairy products, domestically and internationally, kept prices at a level that made dairying profitable in 2007.

California's Dairy Landscape Continued to Change in 2007 . . .
Total Number of Dairies Continues Sharp Decline



Sources: CDFA Milk and Dairy Food Safety and Dairy Marketing Branches

Data subject to change.

The dairy landscape in California continues to experience dairies relocating within California, to other states, or shutting down. In 2007 (compared to 2006), all three highlighted areas experienced a net loss in the overall number of dairies.

Overall, California recorded a net loss of ***24*** dairies compared to 2006. San Bernardino County recorded the largest decrease of ***14*** dairies, followed by Fresno County, showing a decline of ***10*** dairies. Merced County showed an increase of ***7*** dairies, compared to experiencing the largest net decrease in 2006 of ***22*** dairies (compared to 2005).

The northern California region (green shaded area) showed the smallest change in the number of dairies, recording a net loss of ***2*** dairies. However, Stanislaus and Merced counties accounted for a combined net gain of ***21*** dairies.

The Valley region (blue shaded area) showed a net loss of ***4*** dairies, following last year's net loss of ***15*** dairies (a contrast to the 2004 net gain of ***36*** dairies).

The southern California region (red shaded area) continues to lose the largest share of dairies. The shift of dairy operations relocating to the Valley region experienced a few years ago, appears to have changed.

Cost Comparison Summary

(All Costs in Dollars Per Hundredweight)

Total Feed Costs	$7.84
Total Hired Labor Costs	$1.52
Total Replacement Costs	$1.35
Total Operating Costs	$2.74
Total Milk Marketing Costs	$0.51
Total Cost ($/cwt)	**$13.96**
Allowance: Return on Investment	$1.09
Allowance: Return on Management	$0.72
Total All Costs and Allowances	**$15.77**

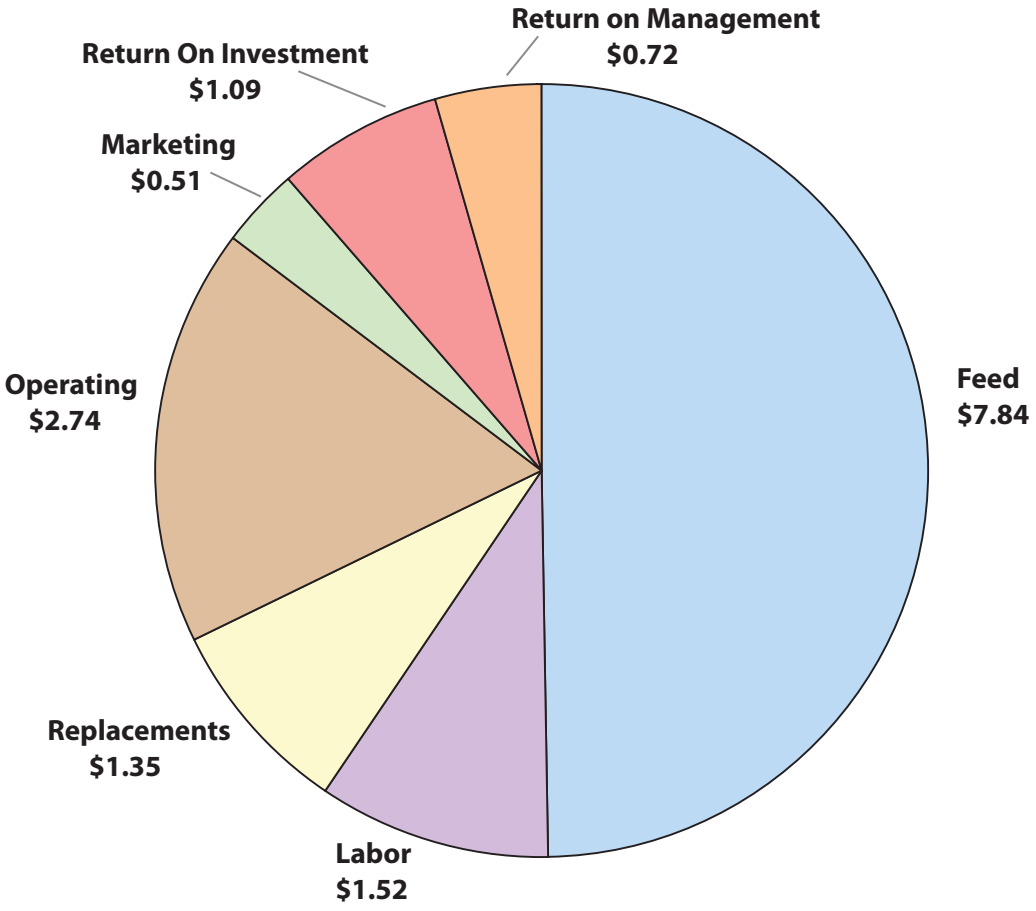
Milk Production Costs

The Cost Comparison Summary is used to monitor the cost of production on dairy farms. A summary is published for each of the four production areas, based on monthly cost of production data. The comparison provides a statewide weighted average of all costs and allowances for each month.

In addition to reporting costs for feed, labor, operating, replacements and marketing, the Cost Comparison Summary includes an allowance for return on management and return on investment. The return on investment is based on the Moody's Baa Corporate Bond Index that is published monthly. The California Legislature has established statutes requiring the Secretary to consider relevant economic factors, including the cost of management and a reasonable return on investment, when establishing minimum prices (Food and Agriculture Code, Section 62062).

Cost Comparison Summary, 2007

(Cost per Hundredweight)



California Production Cost Summary

California Production Cost Summary, 2007

All costs: per cow per month, unless noted	2006 Average	North Coast	North Valley	South Valley	Southern California	2007 Average	Percent Change
Number of Herds	**179**	**15**	**76**	**68**	**7**	**166**	
Feed Costs							
a. Dry Roughage	$32.60	$49.14	$34.11	$38.37	$47.86	$37.92	16.3%
b. Wet Feed & Wet Roughage	$21.76	$7.08	$27.92	$26.49	$15.57	$25.57	17.5%
c. Concentrates	$59.42	$77.08	$70.48	$69.48	$64.42	$69.61	17.1%
d. Minerals & Supplements	$6.55	$1.93	$8.33	$5.86	$5.95	$6.67	1.8%
e. Pasture	$0.50	$20.78	$0.69	$0.00	$0.00	$0.79	57.4%
Total Feed Costs	**$120.83**	**$156.00**	**$141.54**	**$140.20**	**$133.81**	**$140.55**	**16.3%**
Total Feed Costs ($/cwt.)	**$6.84**	**$10.48**	**$7.84**	**$7.80**	**$7.41**	**$7.84**	**14.5%**
Total Feed Costs (% of total Cost)	**54.1%**	**60.1%**	**56.8%**	**55.8%**	**54.3%**	**56.1%**	
Total Hired Labor	**$26.93**	**$30.16**	**$29.15**	**$25.61**	**$27.42**	**$27.17**	**0.9%**
Total Hired Labor Costs ($/cwt.)	**$1.53**	**$2.03**	**$1.61**	**$1.42**	**$1.52**	**$1.52**	**-0.6%**
Total Labor Costs (% of total cost)	**12.1%**	**11.6%**	**11.7%**	**10.2%**	**11.1%**	**10.9%**	
Herd Replacement	**$34.94**	**$30.16**	**$35.73**	**$38.30**	**$39.27**	**$37.24**	**6.6%**
Less: Calf. Income ($/cow/month)	**$15.41**	**$12.06**	**$12.93**	**$13.08**	**$12.65**	**$12.96**	**-15.9%**
Total Herd Replacement	**$19.53**	**$18.09**	**$22.80**	**$25.23**	**$26.62**	**$24.28**	**24.3%**
Total Replacement Costs ($/cwt.)	**$1.11**	**$1.22**	**$1.26**	**$1.40**	**$1.47**	**$1.35**	**22.4%**
Total Replacement Costs (% of total cost)	**8.7%**	**7.0%**	**9.1%**	**10.0%**	**10.8%**	**9.7%**	
Operating Costs							
a. Utilities	$5.09	$6.88	$5.37	$4.72	$5.44	$5.08	-0.3%
b. Supplies	$8.52	$9.46	$9.21	$8.66	$8.16	$8.83	3.6%
c. Veterinary & Medicine	$7.50	$4.54	$7.57	$7.25	$4.97	$7.10	-5.3%
d. Outside Services	$3.35	$2.37	$3.78	$3.59	$3.11	$3.59	7.1%
e. Repairs & Maintenance	$5.56	$6.20	$5.46	$6.30	$5.70	$5.94	6.7%
f. Miscellaneous	$1.25	$1.27	$1.20	$2.13	$2.11	$1.77	41.8%
g. Bedding & Manure Haul	$1.25	$3.54	$1.31	$1.00	$3.46	$1.39	11.2%
h. Fuel & Oil	$2.50	$3.45	$2.50	$3.16	$1.51	$2.78	11.3%
i. Interest Expense	$2.00	$0.84	$1.10	$3.25	$2.97	$2.38	18.6%
j. R E Lease Expense	$2.54	$1.41	$1.47	$3.43	$5.25	$2.82	10.8%
k. Depreciation	$5.58	$4.39	$5.44	$6.59	$3.20	$5.82	4.3%
l. Taxes & Insurance	$1.85	$1.64	$1.80	$1.62	$1.80	$1.70	-8.0%
Total Operating Costs	**$47.00**	**$46.00**	**$46.20**	**$51.69**	**$47.68**	**$49.20**	**4.66%**
Total Operating Costs ($/cwt.)	**$2.66**	**$3.09**	**$2.56**	**$2.87**	**$2.64**	**$2.74**	**3.04%**
Total Operating Costs (% of total costs)	**21.1%**	**17.7%**	**18.5%**	**20.6%**	**19.4%**	**19.7%**	
Milk Marketing Costs							
a. Hauling	$5.62	$6.12	$6.25	$5.38	$7.55	$5.90	5.1%
b. State Assessments	$2.35	$2.30	$2.35	$2.28	$2.35	$2.31	-1.7%
c. Federal Assessments & Misc. Ded.	$0.94	$0.77	$0.95	$0.95	$0.93	$0.94	0.0%
Total Milk Marketing Costs	**$8.90**	**$9.18**	**$9.55**	**$8.61**	**$10.83**	**$9.16**	**2.9%**
Total Milk Marketing Costs ($/cwt.)	**$0.50**	**$0.62**	**$0.53**	**$0.48**	**$0.60**	**$0.51**	**1.3%**
Total Milk Marketing Costs (% of total costs)	**4.0%**	**3.5%**	**3.8%**	**3.4%**	**4.4%**	**3.7%**	
Total Cost ($/Cow/Month)	**$223.19**	**$259.43**	**$249.24**	**$251.34**	**$246.36**	**$250.35**	**12.17%**
Total Cost ($/cwt.)	**$12.64**	**$17.42**	**$13.81**	**$13.98**	**$13.65**	**$13.96**	**10.44%**
Return on Investment and Management							
a. Allowance: Return on Investment ($/cwt.)	$1.07	$1.24	$1.03	$1.14	$0.88	$1.09	1.9%
b. Allowance: Return on Management ($/cwt.)	$0.47	$0.76	$0.73	$0.72	$0.73	$0.72	53.2%
Total Costs and Allowances ($/cwt.)	**$14.18**	**$19.42**	**$15.57**	**$15.84**	**$15.26**	**$15.77**	**11.21%**
Milk Production Data							
a. Milk Sold/Total Cow/Month/ (cwt.)	17.66	14.89	18.05	17.98	18.05	17.93	1.6%
b. Lbs Milk Sold/milk cow/day	67.17	57.82	68.95	68.56	68.39	68.41	1.8%
f. Fat Test %	3.72%	3.85%	3.81%	3.68%	3.55%	3.72%	
g. SNF Test %	8.83%	8.87%	8.87%	8.82%	8.75%	8.83%	
Related Data							
l. Total Cows	1,058	311	878	1,654	1,043	1,148	8.5%
m. Average Total Investment per Cow	$2,788	$2,558	$2,673	$3,047	$2,226	$2,827	1.4%
Milk Volume Percentages	100.00%	2.59%	36.48%	52.30%	8.63%	100.00%	

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs
Note: Total Cow numbers for 2006 is a revised figure

California Quarterly Production Cost Summary, 2007

All costs: per cow per month, unless noted	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2007 Average
Number of Herds	**175**	**168**	**163**	**159**	**166**
Feed Costs					
a. Dry Roughage	$33.97	$37.26	$39.41	$40.94	$37.92
b. Wet Feed & Wet Roughage	$24.60	$25.11	$25.32	$27.34	$25.57
c. Concentrates	$67.06	$67.73	$68.19	$75.74	$69.61
d. Minerals & Supplements	$6.44	$6.55	$7.02	$6.70	$6.67
e. Pasture	$0.33	$1.14	$1.11	$0.62	$0.79
Total Feed Costs	**$132.40**	**$137.79**	**$141.05**	**$151.34**	**$140.55**
Total Feed Costs ($/cwt.)	**$7.34**	**$7.54**	**$7.94**	**$8.53**	**$7.84**
Total Feed Costs (% of total Cost)	**55.2%**	**55.9%**	**56.7%**	**56.8%**	**56.1%**
Total Hired Labor	**$26.78**	**$27.10**	**$26.67**	**$28.15**	**$27.17**
Total Hired Labor Costs ($/cwt.)	**$1.49**	**$1.48**	**$1.50**	**$1.59**	**$1.52**
Total Labor Costs (%of total cost)	**11.2%**	**11.0%**	**10.7%**	**10.6%**	**10.9%**
Herd Replacement	**$36.65**	**$36.54**	**$36.74**	**$39.05**	**$37.24**
Less: Calf. Income ($/cow/month)	**$12.14**	**$12.04**	**$14.47**	**$13.16**	**$12.96**
Total Herd Replacement	**$24.51**	**$24.50**	**$22.27**	**$25.90**	**$24.28**
Total Replacement Costs ($/cwt.)	**$1.36**	**$1.34**	**$1.25**	**$1.46**	**$1.35**
Total Replacement Costs (%of total cost)	**10.2%**	**9.9%**	**8.9%**	**9.7%**	**9.7%**
Total Operating Costs	**$47.04**	**$47.86**	**$49.84**	**$52.02**	**$49.20**
Total Operating Costs ($/cwt.)	**$2.61**	**$2.62**	**$2.81**	**$2.93**	**$2.74**
Total Operating Costs (%of total costs)	**19.6%**	**19.4%**	**20.0%**	**19.5%**	**19.7%**
Milk Marketing Costs					
a. Hauling	$5.81	$5.98	$5.84	$6.00	$5.90
b. State Assessments	$2.41	$2.35	$2.24	$2.24	$2.31
c. Federal Assessments & Misc. Ded.	$0.96	$0.97	$0.93	$0.93	$0.94
Total Milk Marketing Costs	**$9.18**	**$9.29**	**$9.02**	**$9.17**	**$9.16**
Total Milk Marketing Costs ($/cwt.)	**$0.51**	**$0.51**	**$0.51**	**$0.52**	**$0.51**
Total Milk Marketing Costs (% of total costs)	**3.8%**	**3.8%**	**3.6%**	**3.4%**	**3.7%**
Total Cost ($/Cow/Month)	**$239.91**	**$246.54**	**$248.85**	**$266.58**	**$250.35**
Total Cost ($/cwt)	**$13.31**	**$13.49**	**$14.01**	**$15.03**	**$13.96**
Milk Production Data					
a. Milk Sold/Total Cow/Month/ (cwt.)	18.03	18.28	17.76	17.73	17.93
b. Lbs Milk Sold/milk cow/day	68.39	70.43	67.50	67.52	68.41
c. Gross Milk Receipts ($/cwt)	$13.91	$17.68	$20.86	$20.94	$18.33
d. Mailbox Price ($/cwt)	$13.58	$17.14	$20.23	$20.39	$17.82
f. Fat Test %	3.79%	3.65%	3.64%	3.80%	3.72%
g. SNF Test %	8.86%	8.81%	8.77%	8.89%	8.83%
h. Lbs Fat Sold/milk cow/month	78	78	75	79	77
i. Lbs SNF Sold/milk cow/month	182	188	182	184	184
j. Percent Quota	30%	29%	31%	31%	30%
Related Data					
a. Percent Dry Cows	12%	14%	14%	14%	14%
b. Yearly Cull Rate	36%	34%	33%	33%	34%
c. Avg. Value (/Drop Bull Calf)	$38.52	$54.28	$49.24	$36.45	$44.46
d. Milk Cow Alfalfa Hay Price ($/ton)	$167.38	$184.14	$196.51	$201.19	$187.25
e. Grain, Mnrls & Splmnts ($/ton)	$204.89	$208.51	$209.74	$224.42	$211.61
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	27.82	28.34	28.16	29.20	28.36
g. Milkers ($/hr with benefits & taxes)	$13.47	$13.64	$13.60	$14.12	$13.70
h. Total Labor ($/hr)	$14.02	$14.17	$14.25	$14.76	$14.30
i. Milk Cow Feed Costs ($/Cow/Day)	$4.74	$4.90	$4.94	$5.33	$4.98
j. Milk Cow Feed Costs ($/cwt.)	$6.93	$6.96	$7.33	$7.91	$7.28
k. Milk Cows	962	964	1,008	1,026	989
l. Total Cows	1,095	1,128	1,176	1,198	1,148
m. Average Total Investment per Cow	$2,802	$2,791	$2,841	$2,877	$2,827

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs

California Production Cost Areas in 2007 . . .

North Coast

The North Coast is still in a transition with dairy producers struggling with the decision as to whether they should remain conventional milk producers or switch to producing organic milk. The decision to switch has many factors that need to be considered and most dairies that are going to convert to organic milk production, are either converting now or already have converted. The impact on the organic herds of the increased cost of production is quite apparent. This difference in cost is why the 2007 cost summaries were sorted by organic and conventional herds.

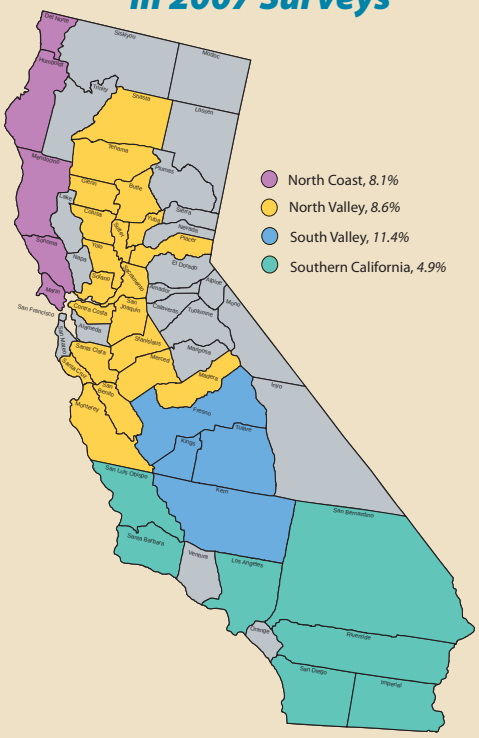
Pasture remains a mainstay in most North Coast dairy feed rations. When comparing 2007 to 2006 total costs, there was an increase of 44.9 percent in pasture cost, per cow. This increase was partially due to the increase in the value of forages and partially due to some producers converting to organic, thereby increasing their usage of pasture. Another note of interest is the per hundredweight decline of 2.9 percent in "Total Milk Marketing Costs." This is primarily a result of some of the organic milk processors paying some or all of their cost to haul milk.

The North Coast area had some handler changes in 2007, as the processing facility in Petaluma, that had been closed, was reopened under new ownership. Safeway, in San Leandro, added a few direct shippers from the Sonoma/Marin milk production region.

North Valley

There were seven more dairies in the North Valley in 2007 as compared to 2006. Stanislaus, Merced and Madera counties combined to show an increase of 23 dairies; however Sacramento and San Joaquin counties combined to show a decrease of 12 dairies. The remaining counties in the North Valley recorded

Cost of Production Survey Areas, Percent of Dairy Farms Participating in 2007 Surveys



(Grey areas not included in the survey areas)

- The Milk Production Cost Unit was established in 1955 to conduct financial reviews of individual dairy farms. The Unit collects and calculates milk production costs from the financial records of Grade A dairy farms throughout California.
- In 2007, 179 dairy farms (9.2%) in California were surveyed on a quarterly basis.

changes ranging from a decrease of three dairies to an increase of one dairy.

South Valley

The South Valley had 13 fewer dairies in 2007 as compared to 2006. However, total market milk production for this area increased by 6.3 percent. In 2007, California increased market milk production by 1.7 billion pounds. The four counties of Fresno, Kings, Tulare, and Kern were responsible for 71 percent (1.2 billion pounds) of the state's increase in milk production. The South Valley region represents 52.3 percent of the state's milk production.

South Valley producers who farm and rely on surface water deliveries through canals faced cutbacks in the amount of water delivered in 2007. As a result the demand for well-drilling has boomed, well drillers have not been able to keep up with new orders.

HP Hood purchased Crystal Cream and Butter in 2007 and plans to process and market extended shelf life milk. Currently they are in the process of remodeling and retrofitting the plant. Foster Farms purchased the Crystal name and distribution system and is bottling the milk sold under the Crystal label. The Hershey plant in Oakdale fazed out of production in 2007, this plant had no producer contracts for milk. In late 2007, there was a group of producers that began looking for a new home for their milk, as their milk contracts will expire in mid-2008.

Producers have been hiring consultants, more than in the past. There has been more interest in consultants for air and water quality compliance issues. There has also been an increased hiring of labor and human resource consultants in the South Valley.

Southern California

Southern California continued its downward trend in cow numbers, milk production, and number of dairy facilities. Even though the losses were greater

in 2007 compared to a year ago, the decrease in cows and milk production has slowed compared to the time period of 2002 to 2005. Compared to 2006, there were 19 fewer dairies, approximately 12,000 fewer cows, and 7.5 percent less milk production. The decreases in production and dairy numbers primarily took place in Riverside and San Bernardino counties that comprise a little over 90 percent of the milk production in the region.

Producers are used to the Santa Ana winds, which blow east to west across Southern California. These winds usually occur in the fall and bring gusts up to 35 to 40 miles per hour. This past October, the Santa Ana winds recorded speeds of more than 80 mph. The increase in wind speed brought producers some challenges. Some of the older barns and buildings were not able to withstand the winds and collapsed or were severely damaged. In Chino, a manure packaging plant caught fire which forced some nearby dairies to evacuate employees from their facilities, due to smoke. Some dairies missed scheduled milkings due to evacuations. Producers in the San Jacinto area were without power for a few days and had to run dairies with generators. Producers also had to do the usual cleaning of feed bunks that were full of wind-born dust and sand.

Another issue Southern California producers have had to deal with is increased regulation for air and water. Recently, it seems the focus has been on the dairies located in the San Joaquin Valley that are facing new air and water regulations. However, Southern California producers have been dealing with these issues since the late 1990's.

At the end of 2007, Dairy Farmers of America closed down the Golden Cheese plant, located in the city of Corona.

North Coast Cost Comparison

North Coast Production Cost Summary, 2007

All costs: per cow per month, unless noted	2006 Average	Organic Herds	Conventional Herds	2007 Average	Percent Change
Number of Herds	**18**	**6**	**9**	**15**	
Feed Costs					
a. Dry Roughage	$45.56	$50.10	$48.67	$49.14	7.8%
b. Wet Feed & Wet Roughage	$8.89	$8.50	$6.39	$7.08	-20.4%
c. Concentrates	$59.27	$91.68	$70.03	$77.08	30.1%
d. Minerals & Supplements	$2.54	$1.79	$2.00	$1.93	-24.2%
e. Pasture	$14.44	$31.72	$15.49	$20.78	43.9%
Total Feed Costs	**$130.70**	**$183.79**	**$142.58**	**$156.00**	**19.4%**
Total Feed Costs ($/cwt.)	**$8.56**	**$13.06**	**$9.33**	**$10.48**	**22.4%**
Total Feed Costs (% of total Cost)	**56.5%**	**65.8%**	**57.1%**	**60.1%**	
Total Hired Labor	**$28.57**	**$27.20**	**$31.59**	**$30.16**	**5.6%**
Total Hired Labor Costs ($/cwt.)	**$1.87**	**$1.93**	**$2.07**	**$2.03**	**8.3%**
Total Labor Costs (%of total cost)	**12.3%**	**9.7%**	**12.6%**	**11.6%**	
Herd Replacement	**$29.78**	**$26.00**	**$32.16**	**$30.16**	**1.2%**
Less: Calf. Income ($/cow/month)	**$13.86**	**$12.04**	**$12.08**	**$12.06**	**-13.0%**
Total Herd Replacement	**$15.92**	**$13.97**	**$20.09**	**$18.09**	**13.6%**
Total Replacement Costs ($/cwt.)	**$1.04**	**$0.99**	**$1.31**	**$1.22**	**16.5%**
Total Replacement Costs (%of total cost)	**6.9%**	**5.0%**	**8.0%**	**7.0%**	
Total Operating Costs	**$46.61**	**$47.17**	**$45.43**	**$46.00**	**-1.31%**
Total Operating Costs ($/cwt.)	**$3.05**	**$3.35**	**$2.97**	**$3.09**	**1.22%**
Total Operating Costs (%of total costs)	**20.1%**	**16.9%**	**18.2%**	**17.7%**	
Milk Marketing Costs					
a. Hauling	$6.47	$4.35	$6.98	$6.12	-5.5%
b. State Assessments	$2.43	$2.24	$2.32	$2.30	-5.5%
c. Federal Assessments & Misc. Ded.	$0.80	$0.72	$0.79	$0.77	-3.4%
Total Milk Marketing Costs	**$9.70**	**$7.31**	**$10.09**	**$9.18**	**-5.3%**
Total Milk Marketing Costs ($/cwt.)	**$0.64**	**$0.52**	**$0.66**	**$0.62**	**-2.9%**
Total Milk Marketing Costs (% of total cost	**4.2%**	**2.6%**	**4.0%**	**3.5%**	
Total Cost ($/Cow/Month)	**$231.49**	**$279.44**	**$249.77**	**$259.43**	**12.07%**
Total Cost ($/cwt)	**$15.16**	**$19.86**	**$16.34**	**$17.42**	**14.94%**
Milk Production Data					
a. Milk Sold/Total Cow/Month/ (cwt.)	15.27	14.07	15.29	14.89	-2.5%
b. Lbs Milk Sold/milk cow/day	58.68	54.42	59.47	57.82	-1.5%
c. Gross Milk Receipts ($/cwt)	$13.57	$25.15	$18.85	$20.79	53.2%
d. Mailbox Price ($/cwt)	$13.22	$25.30	$18.36	$20.50	55.0%
f. Fat Test %	3.87%	3.90%	3.82%	3.85%	
g. SNF Test %	8.85%	8.88%	8.87%	8.87%	
h. Lbs Fat Sold/milk cow/month	69	65	69	68	-2.1%
i. Lbs SNF Sold/milk cow/month	158	147	160	156	-1.2%
j. Percent Quota	51%	43%	57%	53%	
Related Data					
a. Percent Dry Cows	14%	15%	15%	15%	
b. Yearly Cull Rate	32%	28%	40%	36%	
c. Avg. Value (/Drop Bull Calf)	$81.40	$40.93	$36.56	$37.94	-53.4%
d. Milk Cow Alfalfa Hay Price ($/ton)	$177.76	$233.38	$185.22	$199.20	12.1%
e. Grain, Mnrls & Splmnts ($/ton)	$234.96	$394.20	$248.44	$308.18	31.2%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	22.02	18.64	22.85	21.48	-2.5%
g. Milkers ($/hr with benefits & taxes)	$12.58	$13.15	$12.29	$12.56	-0.2%
h. Total Labor ($/hr)	$12.27	$13.15	$12.30	$12.54	2.2%
i. Milk Cow Feed Costs ($/Cow/Day)	$4.23	$5.67	$4.68	$5.00	18.2%
j. Milk Cow Feed Costs ($/cwt.)	$7.21	$10.43	$7.86	$8.65	20.0%
k. Milk Cows	264	210	300	263	-0.2%
l. Total Cows	308	247	355	311	0.8%
m. Average Total Investment per Cow	$2,272	$2,841	$2,421	$2,558	12.6%

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs

North Valley Cost Comparison

North Valley Producton Cost Comparison, 2007

All costs: per cow per month, unless noted	2006 Average	Under 400	401 600	601 1000	1000 Plus	2007 Average	Percent Change
Number of Herds	**86**	**20**	**17**	**17**	**22**	**76**	
Feed Costs							
a. Dry Roughage	$29.90	$34.48	$34.56	$35.81	$33.41	$34.11	14.1%
b. Wet Feed & Wet Roughage	$24.20	$26.79	$28.16	$26.41	$28.51	$27.92	15.4%
c. Concentrates	$60.27	$75.25	$74.57	$74.31	$67.71	$70.48	17.0%
d. Minerals & Supplements	$7.82	$2.69	$7.01	$6.24	$10.04	$8.33	6.5%
e. Pasture	$0.29	$0.44	$2.25	$1.26	$0.19	$0.69	140.5%
Total Feed Costs	**$122.48**	**$139.65**	**$146.54**	**$144.03**	**$139.87**	**$141.54**	**15.6%**
Total Feed Costs ($/cwt.)	**$6.93**	**$8.08**	**$8.04**	**$7.95**	**$7.73**	**$7.84**	**13.2%**
Total Feed Costs (% of total Cost)	**54.6%**	**56.7%**	**57.0%**	**56.2%**	**56.9%**	**56.8%**	
Total Hired Labor	**$29.07**	**$30.18**	**$30.13**	**$29.72**	**$28.60**	**$29.15**	**0.3%**
Total Hired Labor Costs ($/cwt.)	**$1.64**	**$1.75**	**$1.65**	**$1.64**	**$1.58**	**$1.61**	**-1.8%**
Total Labor Costs (%of total cost)	**13.0%**	**12.3%**	**11.7%**	**11.6%**	**11.6%**	**11.7%**	
Herd Replacement	**$33.59**	**$32.34**	**$34.60**	**$39.01**	**$35.36**	**$35.73**	**6.4%**
Less: Calf. Income ($/cow/month)	**$15.46**	**$12.51**	**$12.91**	**$14.00**	**$12.64**	**$12.93**	**-16.3%**
Total Herd Replacement	**$18.13**	**$19.83**	**$21.70**	**$25.02**	**$22.71**	**$22.80**	**25.8%**
Total Replacement Costs ($/cwt.)	**$1.03**	**$1.15**	**$1.19**	**$1.38**	**$1.26**	**$1.26**	**23.2%**
Total Replacement Costs (%of total cost)	**8.1%**	**8.1%**	**8.4%**	**9.8%**	**9.2%**	**9.1%**	
Total Operating Costs	**$45.12**	**$45.73**	**$48.80**	**$47.15**	**$45.38**	**$46.20**	**2.39%**
Total Operating Costs ($/cwt.)	**$2.55**	**$2.64**	**$2.68**	**$2.60**	**$2.51**	**$2.56**	**0.26%**
Total Operating Costs (%of total costs)	**20.1%**	**18.6%**	**19.0%**	**18.4%**	**18.5%**	**18.5%**	
Milk Marketing Costs							
a. Hauling	$6.04	$7.25	$6.61	$6.80	$5.86	$6.25	3.5%
b. State Assessments	$2.39	$2.58	$2.47	$2.39	$2.27	$2.35	-1.7%
c. Federal Assessments & Misc. Ded.	$0.95	$0.98	$0.92	$0.97	$0.95	$0.95	0.0%
Total Milk Marketing Costs	**$9.37**	**$10.81**	**$10.00**	**$10.16**	**$9.08**	**$9.55**	**1.8%**
Total Milk Marketing Costs ($/cwt.)	**$0.53**	**$0.63**	**$0.55**	**$0.56**	**$0.50**	**$0.53**	**0.0%**
Total Milk Marketing Costs (% of total costs	**4.2%**	**4.4%**	**3.9%**	**4.0%**	**3.7%**	**3.8%**	
Total Cost ($/Cow/Month)	**$224.17**	**$246.20**	**$257.16**	**$256.08**	**$245.64**	**$249.24**	**11.18%**
Total Cost ($/cwt)	**$12.68**	**$14.24**	**$14.11**	**$14.14**	**$13.58**	**$13.81**	**8.87%**
Milk Production Data							
a. Milk Sold/Total Cow/Month/ (cwt.)	17.67	17.29	18.22	18.11	18.09	18.05	2.1%
b. Lbs Milk Sold/milk cow/day	67.37	66.07	69.24	68.78	69.31	68.95	2.3%
c. Gross Milk Receipts ($/cwt)	$12.12	$18.48	$18.15	$18.20	$18.88	$18.62	53.6%
d. Mailbox Price ($/cwt)	$11.84	$17.96	$17.58	$17.53	$18.52	$18.16	53.5%
f. Fat Test %	3.82%	3.76%	3.72%	3.66%	3.89%	3.81%	
g. SNF Test %	8.87%	8.79%	8.82%	8.83%	8.91%	8.87%	
h. Lbs Fat Sold/milk cow/month	78	76	78	77	82	80	2.3%
i. Lbs SNF Sold/milk cow/month	182	177	186	185	188	186	2.4%
j. Percent Quota	39%	53%	36%	43%	30%	35%	
Related Data							
a. Percent Dry Cows	14%	14%	13%	13%	14%	14%	
b. Yearly Cull Rate	35%	33%	32%	34%	33%	33%	
c. Avg. Value (/Drop Bull Calf)	$98.60	$48.42	$49.44	$52.76	$36.85	$42.55	-56.8%
d. Milk Cow Alfalfa Hay Price ($/ton)	$174.85	$181.50	$187.74	$192.02	$189.99	$189.38	8.3%
e. Grain, Mnrls & Splmnts ($/ton)	$180.41	$225.49	$227.23	$214.73	$213.08	$219.90	21.9%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	29.80	27.40	28.00	28.70	29.51	28.99	-2.7%
g. Milkers ($/hr with benefits & taxes)	$14.27	$13.86	$13.20	$14.16	$15.26	$14.58	2.1%
h. Total Labor ($/hr)	$14.52	$13.91	$13.56	$14.31	$15.70	$14.93	2.8%
i. Milk Cow Feed Costs ($/Cow/Day)	$4.34	$5.02	$5.16	$5.11	$4.98	$5.03	15.8%
j. Milk Cow Feed Costs ($/cwt.)	$6.45	$7.60	$7.45	$7.43	$7.18	$7.30	13.1%
k. Milk Cows	678	223	445	671	1,538	755	11.4%
l. Total Cows	786	259	515	775	1,792	878	11.7%
m. Average Total Investment per Cow	$2,741	$2,790	$2,613	$2,665	$2,674	$2,673	-2.5%

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs

South Valley Production Cost Comparison, 2007

All costs: per cow per month, unless noted	2006 Average	Under 800	801 1300	1301 2000	2001 Plus	2007 Average	Percent Change
Number of Herds	**65**	**14**	**18**	**18**	**18**	**68**	
Feed Costs							
a. Dry Roughage	$32.33	$40.02	$37.90	$38.52	$38.21	$38.37	18.7%
b. Wet Feed & Wet Roughage	$22.19	$23.15	$25.97	$25.12	$27.90	$26.49	19.4%
c. Concentrates	$59.33	$69.42	$62.09	$70.30	$71.68	$69.48	17.1%
d. Minerals & Supplements	$6.09	$2.80	$6.45	$5.97	$6.06	$5.86	-3.8%
e. Pasture	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0.0%
Total Feed Costs	**$119.94**	**$135.39**	**$132.40**	**$139.92**	**$143.86**	**$140.20**	**16.9%**
Total Feed Costs ($/cwt.)	**$6.75**	**$8.44**	**$8.02**	**$7.97**	**$7.56**	**$7.80**	**15.4%**
Total Feed Costs (% of total Cost)	**53.8%**	**56.8%**	**55.3%**	**56.7%**	**55.3%**	**55.8%**	
Total Hired Labor	**$25.39**	**$24.14**	**$25.27**	**$23.79**	**$26.91**	**$25.61**	**0.9%**
Total Hired Labor Costs ($/cwt.)	**$1.43**	**$1.50**	**$1.53**	**$1.36**	**$1.41**	**$1.42**	**-0.4%**
Total Labor Costs (%of total cost)	**11.4%**	**10.1%**	**10.6%**	**9.6%**	**10.4%**	**10.2%**	
Herd Replacement	**$36.02**	**$36.34**	**$36.14**	**$35.74**	**$40.72**	**$38.30**	**6.3%**
Less: Calf. Income ($/cow/month)	**$15.43**	**$11.40**	**$12.25**	**$12.74**	**$13.80**	**$13.08**	**-15.3%**
Total Herd Replacement	**$20.58**	**$24.94**	**$23.89**	**$23.00**	**$26.92**	**$25.23**	**22.6%**
Total Replacement Costs ($/cwt.)	**$1.64**	**$1.55**	**$1.45**	**$1.31**	**$1.41**	**$1.40**	**-14.5%**
Total Replacement Costs (%of total cost)	**9.2%**	**10.5%**	**10.0%**	**9.3%**	**10.4%**	**10.0%**	
Total Operating Costs	**$48.48**	**$45.82**	**$49.94**	**$51.82**	**$53.15**	**$51.69**	**6.62%**
Total Operating Costs ($/cwt.)	**$2.73**	**$2.86**	**$3.03**	**$2.95**	**$2.79**	**$2.87**	**5.29%**
Total Operating Costs (%of total costs)	**21.8%**	**19.2%**	**20.9%**	**21.0%**	**20.4%**	**20.6%**	
Milk Marketing Costs							
a. Hauling	$5.09	$4.86	$4.85	$5.21	$5.74	$5.38	5.6%
b. State Assessments	$2.31	$2.15	$2.14	$2.22	$2.38	$2.28	-1.5%
c. Federal Assessments & Misc. Ded.	$0.95	$0.89	$0.93	$0.97	$0.96	$0.95	0.0%
Total Milk Marketing Costs	**$8.35**	**$7.91**	**$7.92**	**$8.40**	**$9.07**	**$8.61**	**3.1%**
Total Milk Marketing Costs ($/cwt.)	**$0.47**	**$0.49**	**$0.48**	**$0.48**	**$0.48**	**$0.48**	**1.8%**
Total Milk Marketing Costs (% of total cos	**3.7%**	**3.3%**	**3.3%**	**3.4%**	**3.5%**	**3.4%**	
Total Cost ($/Cow/Month)	**$222.75**	**$238.20**	**$239.42**	**$246.93**	**$259.90**	**$251.34**	**12.84%**
Total Cost ($/cwt)	**$12.54**	**$14.84**	**$14.50**	**$14.07**	**$13.65**	**$13.98**	**11.43%**
Milk Production Data							
a. Milk Sold/Total Cow/Month/ (cwt.)	17.76	16.05	16.51	17.55	19.04	17.98	1.3%
b. Lbs Milk Sold/milk cow/day	67.47	62.06	63.00	67.22	72.19	68.56	1.6%
c. Gross Milk Receipts ($/cwt)	$11.52	$18.12	$17.86	$18.27	$17.88	$17.99	56.2%
d. Mailbox Price ($/cwt)	$11.33	$17.72	$17.50	$17.91	$17.14	$17.43	53.9%
f. Fat Test %	3.68%	3.74%	3.79%	3.74%	3.61%	3.68%	
g. SNF Test %	8.81%	8.85%	8.83%	8.81%	8.81%	8.82%	
h. Lbs Fat Sold/milk cow/month	75	71	73	76	79	77	1.7%
i. Lbs SNF Sold/milk cow/month	181	167	169	180	193	184	1.6%
j. Percent Quota	23%	23%	20%	22%	25%	23%	
Related Data							
a. Percent Dry Cows	13%	15%	14%	14%	13%	14%	
b. Yearly Cull Rate	34%	34%	34%	32%	37%	35%	
c. Avg. Value (/Drop Bull Calf)	$115.68	$42.59	$42.56	$43.22	$51.08	$47.05	-59.3%
d. Milk Cow Alfalfa Hay Price ($/ton)	$165.33	$185.34	$185.13	$193.68	$183.80	$186.64	12.9%
e. Grain, Mnrls & Splmnts ($/ton)	$166.49	$209.86	$203.84	$203.68	$200.69	$204.19	22.6%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	30.06	26.40	25.61	28.71	29.42	28.35	-5.7%
g. Milkers ($/hr with benefits & taxes)	$11.98	$11.59	$12.20	$12.20	$13.27	$12.67	5.7%
h. Total Labor ($/hr)	$12.74	$12.18	$12.86	$12.87	$14.21	$13.47	5.8%
i. Milk Cow Feed Costs ($/Cow/Day)	$4.24	$4.87	$4.73	$4.98	$5.09	$4.98	17.4%
j. Milk Cow Feed Costs ($/cwt.)	$6.29	$7.85	$7.51	$7.41	$7.05	$7.27	15.6%
k. Milk Cows	1,405	526	941	1,357	2,680	1,426	1.5%
l. Total Cows	1,623	618	1,093	1,581	3,092	1,654	1.9%
m. Average Total Investment per Cow	$2,970	$2,899	$2,932	$2,942	$3,166	$3,047	2.6%

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs

Southern California Production Cost Comparison, 2007

All costs: per cow per month, unless noted	2006 Average	2007 Average	Percent Change
Number of Herds	**10**	**8**	
Feed Costs			
a. Dry Roughage	$40.42	$47.86	18.4%
b. Wet Feed & Wet Roughage	$14.06	$15.57	10.8%
c. Concentrates	$56.82	$64.42	13.4%
d. Minerals & Supplements	$5.33	$5.95	11.8%
e. Pasture	$0.00	$0.00	0.0%
Total Feed Costs	**$116.62**	**$133.81**	**14.7%**
Total Feed Costs ($/cwt.)	**$6.58**	**$7.41**	**12.6%**
Total Feed Costs (% of total Cost)	**53.1%**	**54.3%**	
Total Hired Labor	**$26.63**	**$27.42**	**3.0%**
Total Hired Labor Costs ($/cwt.)	**$1.50**	**$1.52**	**1.1%**
Total Labor Costs (% of total cost)	**12.1%**	**11.1%**	
Herd Replacement	**$35.74**	**$39.27**	**9.9%**
Less: Calf. Income ($/cow/month)	**15.59**	**12.65**	**-18.9%**
Total Herd Replacement	**20.15**	**26.62**	**32.1%**
Total Replacement Costs ($/cwt.)	**$1.14**	**$1.47**	**29.7%**
Total Replacement Costs (% of total cost)	**9.2%**	**10.8%**	
Total Operating Costs	**$46.29**	**$47.68**	**3.0%**
Total Operating Costs ($/cwt.)	**$2.61**	**$2.64**	**1.1%**
Total Operating Costs (% of total costs)	**21.1%**	**19.4%**	
Milk Marketing Costs			
a. Hauling	$6.56	$7.55	15.1%
b. State Assessments	$2.37	$2.35	-1.1%
c. Federal Assessments & Misc. Ded.	$0.90	$0.93	3.7%
Total Milk Marketing Costs	**$9.83**	**$10.83**	**10.1%**
Total Milk Marketing Costs ($/cwt.)	**$0.55**	**$0.60**	**8.1%**
Total Milk Marketing Costs (% of total costs)	**4.5%**	**4.4%**	
Total Cost ($/Cow/Month)	**$219.52**	**$246.36**	**12.23%**
Total Cost ($/cwt.)	**$12.39**	**$13.65**	**10.17%**
Milk Production Data			
a. Milk Sold/Total Cow/Month/ (cwt.)	17.72	18.05	1.9%
b. Lbs Milk Sold/milk cow/day	67.28	68.39	1.7%
c. Gross Milk Receipts ($/cwt)	$11.90	$18.44	54.9%
d. Mailbox Price ($/cwt)	$11.47	$17.93	56.4%
f. Fat Test %	3.58%	3.55%	
g. SNF Test %	8.74%	8.75%	
h. Lbs Fat Sold/milk cow/month	73	74	0.8%
i. Lbs SNF Sold/milk cow/month	179	182	1.7%
j. Percent Quota	51%	46%	
Related Data			
a. Percent Dry Cows	13%	13%	
b. Yearly Cull Rate	32%	34%	
c. Avg. Value (/Drop Bull Calf)	$115.81	$38.84	-66.5%
d. Milk Cow Alfalfa Hay Price ($/ton)	$165.94	$178.40	7.5%
e. Grain, Mnrls & Splmnts ($/ton)	$157.59	$192.55	22.2%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	29.72	27.85	-6.3%
g. Milkers ($/hr with benefits & taxes)	$16.77	$16.61	-0.9%
h. Total Labor ($/hr)	$17.14	$17.15	0.0%
i. Milk Cow Feed Costs ($/Cow/Day)	$4.09	$4.69	14.6%
j. Milk Cow Feed Costs ($/cwt.)	$6.08	$6.85	12.7%
k. Milk Cows	869	905	4.2%
l. Total Cows	1,004	1,043	3.9%
m. Average Total Investment per Cow	$2,146	$2,226	3.7%

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs

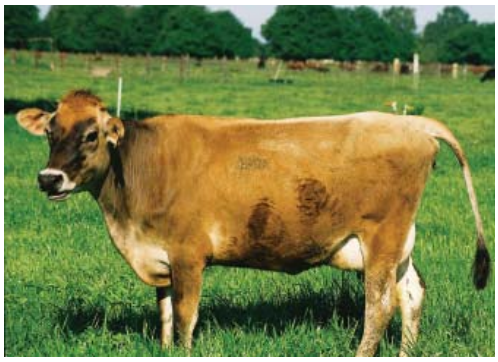
Jersey Herds Summary

Jersey producers claim many advantages to milking Jersey cows such as: calving ease, reproductive superiority, early age at first calving, ease of handling in facilities, and less waste matter to handle.

The Jersey herds had a large increase in their feed costs, but it was a similar percentage increase compared to the other herds in the state. Jersey herds had an increase in milk production of over two pounds of milk per cow per day as compared to 2006. The average size of Jersey dairies participating in the cost studies showed an increase of close to 300 cows per herd compared to last year. This increase in herd size reflects the shift of the cost studies being conducted on larger dairies, rather than actual growth from the 2006 dairies participating in the studies.

When comparing Jersey herds to Holstein herds, the Jersey herds are producing milk with higher components. In 2007, the fat and solids-not-fat tests averaged 4.67 and 9.24 percent, respectively, as compared to the Holstein average of 3.62 and 8.78 percent.

Jersey herds also showed a lower cull rate at 30 percent as compared to Holstein herds at 35 percent. Another Jersey advantage was a higher mailbox milk price of $19.91 per hundredweight compared to $17.56 for Holsteins. However, Jersey herd total costs were $15.76 per hundredweight as compared to the Holstein total cost of $13.80 per hundredweight.



Based on CDFA Sample of Dairies	Holstein	Jersey
Milk Production Per Milk Cow, Per Day	70.88	53.44
Fat Test Percentage	3.62	4.67
Solids-Not-Fat Test Percentage	8.78	9.24

Jersey Herd Comparison

California Jersey Production Cost Comparison, 2007

All costs: per cow per month, unless noted	2006 Jersey	2007 Jersey	Percent Change
Number of Herds	**16**	**16**	
Feed Costs			
a. Dry Roughage	$23.83	$31.50	32.2%
b. Wet Feed & Wet Roughage	$19.52	$19.99	2.4%
c. Concentrates	$50.89	$60.22	18.3%
d. Minerals & Supplements	$8.61	$9.08	5.4%
e. Pasture	$1.39	$0.99	-28.9%
Total Feed Costs	**$104.24**	**$121.78**	**16.8%**
Total Feed Costs ($/cwt.)	**$7.80**	**$8.87**	**13.7%**
Total Feed Costs (% of total Cost)	**51.5%**	**56.3%**	
Total Hired Labor	**$26.40**	**$25.42**	**-3.7%**
Total Hired Labor Costs ($/cwt.)	**$1.98**	**$1.85**	**-6.3%**
Total Labor Costs (%of total cost)	**13.1%**	**11.8%**	
Herd Replacement	**$29.25**	**$29.11**	**-0.5%**
Less: Calf. Income ($/cow/month)	**$9.10**	**$10.87**	**19.4%**
Total Herd Replacement	**$20.14**	**$18.24**	**-9.5%**
Total Replacement Costs ($/cwt.)	**$1.51**	**$1.33**	**-11.9%**
Total Replacement Costs (%of total cost)	**10.0%**	**8.4%**	
Total Operating Costs	**$45.36**	**$44.61**	**-1.7%**
Total Operating Costs ($/cwt.)	**$3.40**	**$3.25**	**-4.3%**
Total Operating Costs (%of total costs)	**22.4%**	**20.6%**	
Milk Marketing Costs			
a. Hauling	$3.60	$3.78	5.0%
b. State Assessments	$1.79	$1.74	-2.8%
c. Federal Assessments & Misc. Ded.	$0.70	$0.72	3.7%
Total Milk Marketing Costs	**$6.08**	**$6.24**	**2.6%**
Total Milk Marketing Costs ($/cwt.)	**$0.46**	**$0.45**	**-0.2%**
Total Milk Marketing Costs (% of total costs)	**3.0%**	**2.9%**	
Total Cost ($/Cow/Month)	**$202.22**	**$216.28**	**6.95%**
Total Cost ($/cwt)	**$15.14**	**$15.76**	**4.12%**
Milk Production Data			
a. Milk Sold/Total Cow/Month/ (cwt.)	13.36	13.72	2.7%
b. Lbs Milk Sold/milk cow/day	51.31	53.44	4.1%
c. Gross Milk Receipts ($/cwt)	$13.18	$20.18	53.1%
d. Mailbox Price ($/cwt)	$13.32	$19.91	49.4%
f. Fat Test %	4.69%	4.67%	
g. SNF Test %	9.26%	9.24%	
h. Lbs Fat Sold/milk cow/month	73	76	3.7%
i. Lbs SNF Sold/milk cow/month	144	150	3.9%
j. Percent Quota	9%	5%	
Related Data			
a. Percent Dry Cows	14%	16%	
b. Yearly Cull Rate	32%	30%	
c. Avg. Value (/Drop Bull Calf)	$2.96	$2.53	-14.4%
d. Milk Cow Alfalfa Hay Price ($/ton)	$176.54	$196.11	11.1%
e. Grain, Mnrls & Splmnts ($/ton)	$191.79	$228.42	19.1%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	25.06	25.24	0.7%
g. Milkers ($/hr with benefits & taxes)	$14.02	$14.09	0.5%
h. Total Labor ($/hr)	$14.82	$14.96	0.9%
i. Milk Cow Feed Costs ($/Cow/Day)	$3.66	$4.34	18.6%
j. Milk Cow Feed Costs ($/cwt.)	$7.13	$8.12	13.9%
k. Milk Cows	863	1,103	27.7%
l. Total Cows	1,008	1,306	29.5%
m. Average Total Investment per Cow	$2,677	$2,892	8.0%

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs

Holstein Herds Summary

California dairies utilize various breeds of cattle to produce milk. Some herds contain a mixture of two or more different breeds and some even crossbreed them. The vast majority of herds, however, consist of one breed the Holstein cow. Since the number of Holstein cows is so great, not surprisingly the Holstein Cost Comparison is very similar to the Statewide Cost Comparison representing all breeds.

Milk volume is still the driving force behind the Holstein breed. Milk production for the Holstein group is 70.88 pounds per milk cow, per day, and includes herds milking two and three times a day. When compared to Jersey herds, Holsteins produce more pounds of fat and solids-not-fat per month. The fact that the Holstein produces more solids, by itself does not mean that Holstein herds are more profitable to milk. There are other things to consider like feed conversion, investment per cow, etc. that are not addressed here.

Based on CDFA Sample of Dairies	Holstein	Jersey
Milk Production Per Milk Cow, Per Day	70.88	53.44
Butter Fat Lbs. Per Milk Cow, Per Month	78	76
Solids-Not-Fat Lbs. Per Milk Cow, Per Month	189	150

In 2007, the feed cost for Holstein herds increased by 14.2 percent, an increase of $0.96 per hundred pounds of milk. This feed cost increase would have been higher; however it was offset by a 2.5 percent milk production per cow increase compared to a year ago. Overall, the total cost per hundredweight of milk increased by 10.84 percent, compared to 2006.

Holstein Herd Comparison

California Holstein Production Cost Comparison, 2007

All costs: per cow per month, unless noted	2006 Average	Holstein 1-750	Holstein 751-1200	Holstein 1200 Plus	2007 Average	Percent Change
Number of Herds	**155**	**54**	**32**	**44**	**130**	
Feed Costs						
a. Dry Roughage	$33.49	$40.77	$37.93	$38.83	$38.94	16.3%
b. Wet Feed & Wet Roughage	$22.38	$24.31	$26.90	$27.28	$26.75	19.5%
c. Concentrates	$60.51	$76.38	$70.92	$71.12	$71.88	18.8%
d. Minerals & Supplements	$6.42	$4.43	$7.25	$6.08	$6.06	-5.6%
e. Pasture	$0.45	$3.63	$0.52	$0.00	$0.66	46.3%
Total Feed Costs	**$123.26**	**$149.53**	**$143.52**	**$143.30**	**$144.30**	**17.1%**
Total Feed Costs ($/cwt.)	**$6.77**	**$8.34**	**$7.90**	**$7.54**	**$7.73**	**14.2%**
Total Feed Costs (% of total Cost)	**54.4%**	**57.3%**	**55.9%**	**55.8%**	**56.0%**	
Total Hired Labor	**$27.08**	**$30.16**	**$28.40**	**$26.44**	**$27.41**	**1.2%**
Total Hired Labor Costs ($/cwt.)	**$1.49**	**$1.68**	**$1.56**	**$1.39**	**$1.47**	**-1.3%**
Total Labor Costs (% of total cost)	**11.9%**	**11.6%**	**11.1%**	**10.3%**	**10.6%**	
Herd Replacement	**$35.47**	**$35.69**	**$38.88**	**$39.21**	**$38.61**	**8.9%**
Less: Calf. Income ($/cow/month)	**$16.15**	**$12.93**	**$13.25**	**$13.56**	**$13.40**	**-17.0%**
Total Herd Replacement	**$19.32**	**$22.76**	**$25.64**	**$25.65**	**$25.20**	**30.5%**
Total Replacement Costs ($/cwt.)	**$1.06**	**$1.27**	**$1.41**	**$1.35**	**$1.35**	**27.3%**
Total Replacement Costs (% of total cost)	**8.5%**	**8.7%**	**10.0%**	**10.0%**	**9.8%**	
Total Operating Costs	**$47.85**	**$48.45**	**$49.92**	**$52.37**	**$51.27**	**7.15%**
Total Operating Costs ($/cwt.)	**$2.63**	**$2.70**	**$2.75**	**$2.76**	**$2.75**	**4.51%**
Total Operating Costs (%of total costs)	**21.1%**	**18.6%**	**19.4%**	**20.4%**	**19.9%**	
Milk Marketing Costs						
a. Hauling	$5.77	$6.52	$5.91	$5.90	$5.99	3.8%
b. State Assessments	$2.42	$2.50	$2.36	$2.39	$2.40	-0.7%
c. Federal Assessments & Misc. Ded.	$0.97	$0.94	$0.99	$1.00	$0.99	1.6%
Total Milk Marketing Costs	**$9.16**	**$9.96**	**$9.25**	**$9.28**	**$9.38**	**2.4%**
Total Milk Marketing Costs ($/cwt.)	**$0.50**	**$0.56**	**$0.51**	**$0.49**	**$0.50**	**0.0%**
Total Milk Marketing Costs (% of total costs)	**4.0%**	**3.8%**	**3.6%**	**3.6%**	**3.6%**	
Total Cost ($/Cow/Month)	**$226.65**	**$260.87**	**$256.73**	**$257.04**	**$257.56**	**13.64%**
Total Cost ($/cwt.)	**$12.45**	**$14.55**	**$14.13**	**$13.53**	**$13.80**	**10.84%**
Milk Production Data						
a. Milk Sold/Total Cow/Month/ (cwt.)	18.21	17.93	18.17	19.00	18.66	2.5%
b. Lbs Milk Sold/milk cow/day	69.13	68.25	68.96	72.11	70.88	2.5%
c. Gross Milk Receipts ($/cwt.)	$11.70	$18.69	$18.04	$18.01	$18.11	54.8%
d. Mailbox Price ($/cwt.)	$11.43	$18.19	$17.59	$17.41	$17.56	53.7%
f. Fat Test %	3.64%	3.66%	3.63%	3.61%	3.62%	
g. SNF Test %	8.79%	8.79%	8.77%	8.78%	8.78%	
h. Lbs Fat Sold/milk cow/month	77	76	76	79	78	1.8%
i. Lbs SNF Sold/milk cow/month	185	182	184	193	189	2.4%
j. Percent Quota	33%	43%	34%	30%	33%	
Related Data						
a. Percent Dry Cows	13%	14%	13%	13%	13%	
b. Yearly Cull Rate	35%	34%	35%	35%	35%	
c. Avg. Value (/Drop Bull Calf)	$119.92	$49.78	$50.78	$50.31	$50.32	-58.0%
d. Milk Cow Alfalfa Hay Price ($/ton)	$168.60	$190.45	$188.10	$185.38	$186.83	10.8%
e. Grain, Mnrls & Splmnts ($/ton)	$178.80	$237.05	$212.74	$201.61	$219.03	22.5%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	30.19	27.10	28.12	29.16	28.63	-5.2%
g. Milkers ($/hr with benefits & taxes)	$12.84	$13.28	$13.21	$13.44	$13.36	4.1%
h. Total Labor ($/hr)	$13.43	$13.52	$13.94	$14.19	$14.02	4.4%
i. Milk Cow Feed Costs ($/Cow/Day)	$4.35	$5.23	$5.09	$5.07	$5.10	17.3%
j. Milk Cow Feed Costs ($/cwt.)	$6.29	$7.66	$7.38	$7.03	$7.20	14.4%
k. Milk Cows	915	381	850	1,965	1,034	12.9%
l. Total Cows	1,057	441	982	2,269	1,194	13.0%
m. Average Total Investment per Cow	$2,901	$2,838	$2,674	$3,060	$2,947	1.6%

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs
** 2006 Toal cow numbers have been revised.

Crossbred, Mixed-and-Other Herds Summary

This year the cost of production unit has produced a cost comparison for Crossbred herds and Mixed-and-Other herds. These herds are defined as follows.

Crossbred herds are herds that have crossbred a large percentage of Holstein cows with Montbeliarde, Swedish Red, Red Dane or other breeds of cattle.

Mixed-and-Other herds represent herds that are milking a large percentage of Jerseys, Guernseys, Brown Swiss or other breeds of cattle along with Holsteins or herds that are breeds other than Jersey or Holstein.

Crossbreeding will generally show benefits of hybrid vigor in the cows. Producers involved in a crossbreeding program report many positive results. The most significant are: higher conception rates; improved calving ease; higher calf survival rate; longer cow life; improved cow health and body condition; reduction in fresh cow transition problems; a higher quality of colostrum; lower somatic cell counts; less mastitis problems; and stronger feet and legs.

Mixed-and-Other herds find benefits in producing milk that has higher components. The mixed herds also produce a higher volume of milk than a straight Jersey herd, as mixed herds still have a significant Holstein influence.

The Mixed-and-Other herd's main advantage over a Holstein or Crossbred herd is in the components. These herds average 4.05 percent fat and a 9.01 percent solids-not-fat test in comparison to an

average 3.62 percent fat and an 8.78 percent solids-not-fat test for Holsteins. The Mixed-and-Other herd's average milk production is 5.86 pounds per milk cow per day more than the average Jersey herd, but 11.58 pounds less than the average Holstein herd.

The Crossbred cow's longevity is very evident in the herd replacement costs of only $0.81 per hundredweight. This is the only herd group with a herd replacement cost of less that $1.00 per hundredweight. The Crossbred herds have a cull rate of 30 percent which is equal to the Jersey cull rate, but less than the Mixed or Holstein herd cull rates of 36 and 35 percent, respectively.

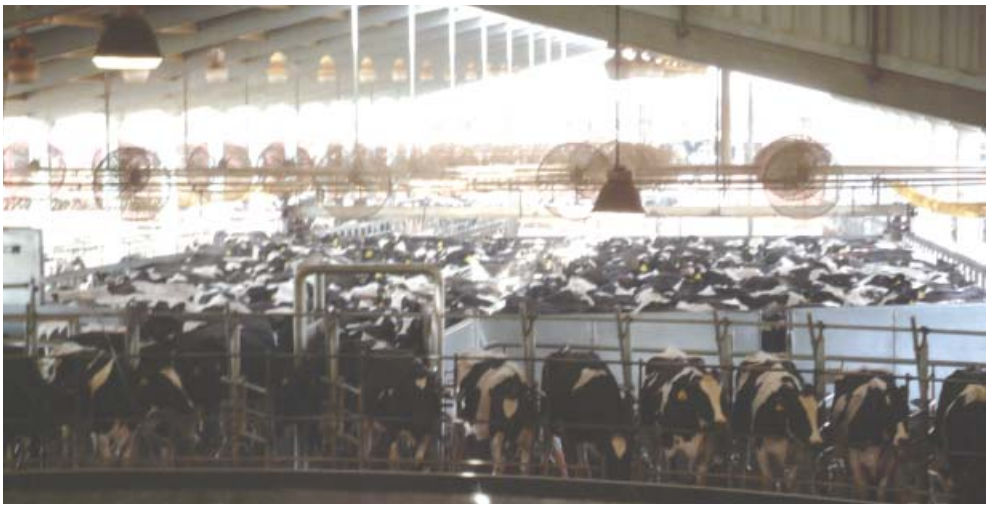
California Crossbred, Mixed-and-Other Herds Production Cost Comparison, 2007

All costs: per cow per month, unless noted	2007 Xbred	2007 Mixed & Other	2007 Average
2007	**7**	**7**	**14**
Feed Costs			
a. Dry Roughage	$27.86	$28.91	$28.44
b. Wet Feed & Wet Roughage	$29.92	$29.12	$29.48
c. Concentrates	$68.76	$57.51	$62.52
d. Minerals & Supplements	$7.25	$9.23	$8.35
e. Pasture	$2.53	$0.05	$1.16
Total Feed Costs	**$136.32**	**$124.83**	**$129.95**
Total Feed Costs ($/cwt.)	**$7.56**	**$8.23**	**$7.90**
Total Feed Costs (% of total Cost)	**57.4%**	**56.3%**	**56.8%**
Total Hired Labor	**$29.53**	**$21.64**	**$25.15**
Total Hired Labor Costs ($/cwt.)	**$1.64**	**$1.43**	**$1.53**
Total Labor Costs (%of total cost)	**12.4%**	**9.8%**	**11.0%**
Herd Replacement	**$27.92**	**$38.91**	**$34.01**
Less: Calf. Income ($/cow/month)	**$13.31**	**$10.11**	**$11.54**
Total Herd Replacement	**$14.61**	**$28.80**	**$22.48**
Total Replacement Costs ($/cwt.)	**$0.81**	**$1.90**	**$1.37**
Total Replacement Costs (%of total cost)	**6.1%**	**13.0%**	**9.8%**
Total Operating Costs	**$46.87**	**$38.50**	**$42.23**
Total Operating Costs ($/cwt.)	**$2.60**	**$2.54**	**$2.57**
Total Operating Costs (%of total costs)	**19.7%**	**17.4%**	**18.4%**
Milk Marketing Costs			
a. Hauling	$7.04	$5.32	$6.09
b. State Assessments	$2.32	$1.98	$2.13
c. Federal Assessments & Misc. Ded.	$0.93	$0.84	$0.88
Total Milk Marketing Costs	**$10.29**	**$8.14**	**$9.10**
Total Milk Marketing Costs ($/cwt.)	**$0.57**	**$0.54**	**$0.55**
Total Milk Marketing Costs (% of total costs)	**4.3%**	**3.7%**	**4.0%**
Total Cost ($/Cow/Month)	**$237.62**	**$221.92**	**$228.91**
Total Cost ($/cwt)	**$13.17**	**$14.64**	**$13.92**
Milk Production Data			
a. Milk Sold/Total Cow/Month/ (cwt.)	18.04	15.16	16.44
b. Lbs Milk Sold/milk cow/day	69.56	59.30	63.91
c. Gross Milk Receipts ($/cwt)	$18.40	$18.75	$18.58
d. Mailbox Price ($/cwt)	$17.91	$18.50	$18.21
e. Mailbox Price Less Costs/ (cwt)	$5.31	$4.40	$4.84
f. Fat Test %	3.80%	4.05%	3.93%
g. SNF Test %	8.91%	9.01%	8.96%
h. Lbs Fat Sold/milk cow/month	80	73	76
i. Lbs SNF Sold/milk cow/month	188	163	174
j. Percent Quota	18%	20%	19%
Related Data			
a. Percent Dry Cows	15%	16%	15%
b. Yearly Cull Rate	30%	36%	33%
c. Avg. Value (/Drop Bull Calf)	$55.82	$37.14	$46.19
d. Milk Cow Alfalfa Hay Price ($/ton)	$183.91	$188.85	$186.83
e. Grain, Mnrls & Splmnts ($/ton)	$208.65	$200.42	$204.38
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	28.28	26.23	27.15
g. Milkers ($/hr with benefits & taxes)	$14.29	$12.89	$13.61
h. Total Labor ($/hr)	$15.19	$13.55	$14.36
i. Milk Cow Feed Costs ($/Cow/Day)	$4.84	$4.52	$4.66
j. Milk Cow Feed Costs ($/cwt.)	$6.95	$7.62	$7.30
k. Milk Cows	747	851	801
l. Total Cows	876	1,013	947
m. Average Total Investment per Cow	$2,641	$2,427	$2,522

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs

California 3X vs. 2X Milk Production Schedules

California producers often look into different management practices to gain a competitive advantage and improve their profit margins. One of the options to consider may be changing from two times per day milking (2X) to three times per day milking (3X). The 2007 cost comparison* shows an objective comparison of these two types of milking schedules. In "total cost" terms, the herds utilizing a 3X milking schedule incur a seven percent higher total cost ($271.29 per cow, per month) than herds on a 2X milking schedule ($253.51 per cow, per month). A closer look at this cost comparison reveals, however, that total milk production is higher for 3X dairies by over 11 percent (or more than 7 pounds per cow, per day), which lowers the actual total cost per hundredweight of milk produced for 3X herds by 4.3 percent, as compared to 2X herds.



While comparing the total feed cost of 3X vs. 2X milking herds, the feed cost per cow in 3X is 4.8 percent higher, but feed cost per hundredweight of milk is actually lower by 6.2 percent. Total replacement costs for 3X milking follow the same pattern with 6.6 percent higher cost per cow, and a 4.7 percent lower cost per hundredweight of milk. The longevity of cows milked on a 3X schedule appears to be comparable to cows milked on a 2X schedule: the cull rate is one percent higher (36% vs. 35%) for the 3X schedule.

Milking cows one additional time per day requires more electricity to run the vacuum pump, the milk machine liners wear out more often, the equipment needs more maintenance, and the usage of detergents is higher, among other things. These costs reflected in the "Total Operating Cost" for 3X are higher by 8.9 percent than the 2X schedule, on a per cow, per month basis. When operating cost is recalculated based on a hundredweight of milk produced, it is 2.6 percent lower for 3X as opposed to 2X.

Labor is the only cost category which is higher on both percent (15.7%) and per hundredweight of milk (3.5%). When converting from 2X to 3X a day milking, the increase in labor will be mainly utilized in the milking parlor. The outside labor, feeders, supervisors, and office staff will likely stay at the same level. The labor cost of 3X milking is $0.05 per hundredweight higher than 2X milking. The impact of this cost is diminished, since the labor cost accounts for only 11.3 percent of the total cost.

It is important to recognize that this analysis compares existing facilities utilizing two different milking schedules. The transition to a 3X schedule may create additional costs in order to accommodate one more milking. For example, in some instances, a retrofit or construction of a new milking facility may be necessary. Also finding qualified labor to fill one more shift can present a challenge of its own. As with any change in management practices, there are many factors to consider when changing from a 2X to 3X milking schedule.

* For the purpose of this cost comparison, only conventional (not organic) Holstein herds were considered.

California Holstein 3X vs. 2X Milking Production Cost Comparison, 2007

Comparison: 3X-Per-Day vs. 2X-Per-Day Milking (Holstein Herds, No Organic Dairies)

All costs: per cow per month, unless noted	3X Milking	2X Milking	Percent Difference 3X vs. 2X
Number of Herds	**16**	**110**	
Feed Costs			
a. Dry Roughage	$38.54	$38.77	-0.6%
b. Wet Feed & Wet Roughage	$30.80	$26.05	18.2%
c. Concentrates	$72.48	$71.21	1.8%
d. Minerals & Supplements	$7.23	$5.83	24.1%
e. Pasture	$0.00	$0.32	
Total Feed Costs	**$149.05**	**$142.18**	**4.8%**
Total Feed Costs ($/cwt.)	**$7.28**	**$7.76**	**-6.2%**
Total Feed Costs (% of total Cost)	**54.9%**	**56.1%**	
Total Hired Labor	**$30.72**	**$26.55**	**15.7%**
Total Hired Labor Costs ($/cwt.)	**$1.50**	**$1.45**	**3.5%**
Total Labor Costs (% of total cost)	**11.3%**	**10.5%**	
Herd Replacement	**$40.53**	**$38.36**	**5.7%**
Less: Calf. Income ($/cow/month)	**$13.78**	**$13.26**	**4.0%**
Total Herd Replacement	**$26.74**	**$25.10**	**6.6%**
Total Replacement Costs ($/cwt.)	**$1.31**	**$1.37**	**-4.7%**
Total Replacement Costs (%of total cost)	**9.9%**	**9.9%**	
Total Operating Costs	**$54.83**	**$50.36**	**8.9%**
Total Operating Costs ($/cwt.)	**$2.68**	**$2.75**	**-2.6%**
Total Operating Costs (%.of total costs)	**20.2%**	**19.9%**	
Milk Marketing Costs			
a. Hauling	$6.23	$6.01	3.7%
b. State Assessments	$2.57	$2.37	8.8%
c. Federal Assessments & Misc. Ded.	$1.14	$0.96	19.1%
Total Milk Marketing Costs	**$9.94**	**$9.33**	**6.6%**
Total Milk Marketing Costs ($/cwt.)	**$0.49**	**$0.51**	**-4.6%**
Total Milk Marketing Costs (% of total costs)	**3.7%**	**3.7%**	
Total Cost ($/Cow/Month)	**$271.29**	**$253.51**	**7.0%**
Total Cost ($/cwt.)	**$13.25**	**$13.84**	**-4.3%**
Milk Production Data			
a. Milk Sold/Total Cow/Month/ (cwt.)	20.48	18.32	11.8%
b. Lbs Milk Sold/milk cow/day	77.58	69.60	11.5%
c. Gross Milk Receipts ($/cwt.)	$17.75	$18.13	-2.1%
d. Mailbox Price ($/cwt.)	$17.22	$17.55	-1.9%
f. Fat Test %	3.56%	3.63%	
g. SNF Test %	8.76%	8.79%	
h. Lbs Fat Sold/milk cow/month	84	77	9.4%
i. Lbs SNF Sold/milk cow/month	207	186	11.1%
j. Percent Quota	24%	35%	-33.1%
Related Data			
a. Percent Dry Cows	13%	13%	
b. Yearly Cull Rate	36%	35%	
c. Avg. Value (/Drop Bull Calf)	$51.39	$50.02	2.7%
d. Milk Cow Alfalfa Hay Price ($/ton)	$186.73	$185.47	0.7%
e. Grain, Mnrls & Splmnts ($/ton)	$210.50	$211.29	-0.4%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	29.90	28.52	4.8%
g. Milkers ($/hr with benefits & taxes)	$12.72	$13.61	-6.5%
h. Total Labor ($/hr)	$13.56	$14.21	-4.6%
i. Milk Cow Feed Costs ($/Cow/Day)	$5.29	$5.03	5.1%
j. Milk Cow Feed Costs ($/cwt.)	$6.82	$7.23	-5.7%
k. Milk Cows	1,693	969	74.6%
l. Total Cows	1,950	1,120	74.1%
m. Average Total Investment per Cow	$2,981	$2,949	1.1%

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs
1/ This is a comparison of conventional herds only

Organic Herds Comparison

Organic milk production has become a mainstay in California over the last five to ten years. As a result, 2007 averaged eight organic dairy herds participating in the Cost of Production survey. Most of the organic dairy herds on cost are in the North Coast region and a few are in the North Valley region. Organic milk production is a niche market outside of the commercial milk market. Milk producers in this market feel it creates long term viability for them in the dairy business. In 2007, a California Organic Production Cost Comparison is being published for the first time.

The rules to become Certified Organic were changed effective July, 2007. This marked the end of the 80-20 rule where a producer who wanted to become organic could feed 80 percent organic feed and 20 percent conventional feed for the first nine months of their one-year transition period. They would then have to feed 100 percent organic for the last three months, and then be certified organic. The new rule is that to transition to organic, a producer needs to feed 100 percent organic feed for a full year before becoming certified organic. This change was the reason that a lot of producers who were thinking of converting to organic, opted to do so before the new rule became effective.

Producers of organic milk generally receive a twelve-month fixed contract price for their milk. In 2007, this fixed price was at a level where it had been profitable to produce organic milk, even though feed costs had increased. The 2007 average milk cow organic hay price was $236.96 per ton as compared to the state average of $187.25 per ton. The 2007 average price for organic grain, minerals and supplements was $399.35 per ton as compared to the state average of $211.61 per ton. Toward the end of 2007 there were significant increases in the price of feed that qualifies to be fed to organic herds. These increased feed costs dramatically affected any profit margins gained by producing organic milk.

Due to the addition of new certified organic herds in 2007, the organic milk supply finally caught up with consumer demand. Most processors of organic milk have taken the position of not accepting additional organic producers until there is an increase in demand. Even with the restriction on new organic herds, the price of most organic milk fixed contracts increased in the fall of 2007. However, the increase in price did not keep organic milk producers at the same profit margin, as feed prices continued to increase.

Organic Herd Comparison, 2007

All costs: per cow per month, unless noted	Organic Herds
Number of Herds	**8**
Feed Costs	
a. Dry Roughage	$48.22
b. Wet Feed & Wet Roughage	$11.57
c. Concentrates	$97.78
d. Minerals & Supplements	$2.51
e. Pasture	$25.37
Total Feed Costs	**$185.45**
Total Feed Costs ($/cwt.)	**$13.82**
Total Feed Costs (% of total Cost)	**67.4%**
Total Hired Labor	**$27.16**
Total Hired Labor Costs ($/cwt.)	**$2.02**
Total Labor Costs (%of total cost)	**9.9%**
Herd Replacement	**$28.17**
Less: Calf. Income ($/cow/month)	**$13.72**
Total Herd Replacement	**$14.45**
Total Replacement Costs ($/cwt.)	**$1.08**
Total Replacement Costs (% of total cost)	**5.3%**
Total Operating Costs	**$42.50**
Total Operating Costs ($/cwt.)	**$3.17**
Total Operating Costs (% of total costs)	**15.4%**
Milk Marketing Costs	
a. Hauling	$2.90
b. State Assessments	$1.98
c. Federal Assessments & Misc. Ded.	$0.68
Total Milk Marketing Costs	**$5.56**
Total Milk Marketing Costs ($/cwt.)	**$0.41**
Total Milk Marketing Costs (% of total costs)	**2.0%**
Total Cost ($/Cow/Month)	**$275.13**
Total Cost ($/cwt.)	**$20.50**
Milk Production Data	
a. Milk Sold/Total Cow/Month/ (cwt.)	13.42
b. Lbs Milk Sold/milk cow/day	52.16
c. Gross Milk Receipts ($/cwt.)	$23.69
d. Mailbox Price ($/cwt.)	$23.97
f. Fat Test %	3.84%
g. SNF Test %	8.88%
h. Lbs Fat Sold/milk cow/month	61
i. Lbs SNF Sold/milk cow/month	141
j. Percent Quota	25%
Related Data	
a. Percent Dry Cows	15%
b. Yearly Cull Rate	25%
c. Avg. Value (/Drop Bull Calf)	$47.39
d. Milk Cow Alfalfa Hay Price ($/ton)	$236.96
e. Grain, Mnrls & Splmnts ($/ton)	$399.35
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	19.30
g. Milkers ($/hr with benefits & taxes)	$11.79
h. Total Labor ($/hr)	$12.14
i. Milk Cow Feed Costs ($/Cow/Day)	$5.96
j. Milk Cow Feed Costs ($/cwt.)	$11.42
k. Milk Cows	299
l. Total Cows	353
m. Average Total Investment per Cow	$2,684

* Starting in 2007 misc. income costs are deducted fromTotal Herd Replacement Costs
- 2006 Comparison not available

Feed Cost Summary

The word high best describes feed prices in 2007. All feed commodity and forage prices increased in 2007, as compared to 2006. Many commodity and hay prices were at record high levels. There were several reasons for such significant increases in feed costs.

The largest contributor to higher feed costs was increased demand for corn for ethanol production. New ethanol plants came online throughout the country in 2006 and 2007. This added demand for corn significantly increased its cost in late 2006, at a time when milk prices were very low. Milk producers began making significant changes to their feed rations as they looked to other feeds they could substitute for corn by feeding more forages, wet feeds, different commodities, etc. This increased the demand for all feed commodities and forages, causing the price of other feeds to escalate. The high value of corn encouraged many farmers throughout the nation to move from growing other commodities to growing corn. Most of the additional corn produced was purchased by the ethanol plants. One of the crops most significantly impacted by the ethanol demand was soybeans. Compared to 2006, soybean production in the United States, declined by 19 percent.

In California, there were 100,000 fewer acres of alfalfa hay planted in 2007, as hay growers dealt with water management issues and found other crops more profitable to grow. Freezing temperatures in January delayed alfalfa hay harvest in the Southern California desert and reduced tonnage on early cuttings in the central and northern valleys. Farmers that grow dry land oat hay did not have good yields in 2007 due to a very dry winter. This resulted in a shortage of oat hay in the spring. The dry winter also shortened the grass season, causing beef producers to purchase hay and other feeds they don't normally need to buy for their cattle. Producers also found some commodities to be in such short supply they had to remove them from their feed rations. There were not enough organic feeds of all types to meet demand, causing the value of these feeds to increase significantly.

In 2007, feed costs represented 56 percent of the total cost to produce a hundredweight of milk, as compared to 54 percent in 2006. Total feed costs increased 14.5 percent on a per hundredweight basis. Milk cow hay prices increased 10.7 percent compared to last year, averaging $187 per ton. Grain, mineral and supplement prices increased by 22.6 percent compared to 2006, averaging $212 per ton.

Feed commodities were forward contracted on a limited or short-term basis in late 2007, as producers were waiting for feed prices to come down. More varieties of by-products were found in feed rations, for both milk cows and dry cows. Other feeds that were included in rations were a variety of corn by-products, corn stalks, rice straw, bean straw, wheat straw, bermuda grass hay, Sudan hay and anything else they could find that had nutritional value. This kept nutritionists busy putting together creative new feed rations.

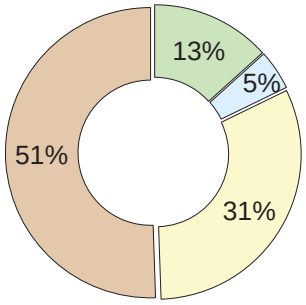
The price spread between the top and the bottom of the alfalfa hay market was at a record low in 2007. Dry cow alfalfa hay prices increased an average of $64 per ton in 2007 as compared to 2006, far exceeding any previous year-to-year increase in dry cow hay prices.

Looking ahead, 2008 is starting out with even higher commodity prices and a very strong alfalfa hay market. Growers are in a position to choose from several high value crops to plant. This along with uncertainties regarding irrigation water supplies and a tight supply of alfalfa seed will likely keep alfalfa acreage from increasing in California for 2008.

Costs for feed moved up dramatically in the last part of 2007, and will likely have an impact on the first two quarters of 2008. The input costs to grow feed; fertilizers, fuel, seed, and rent/acre have all increased, and some have even doubled. However, producers who are able to grow their own crops/forages may fare better than those who are forced to purchase all their feed. Producers who have less land may be in a tighter feed market, compared to those who can grow a lot of their own roughage needs.

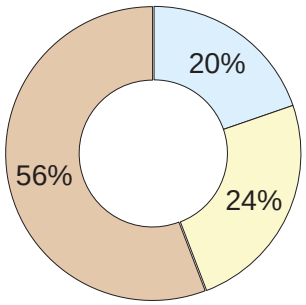
Average Monthly Cost of Feed Per Cow and Percentage by Feed Category, 2007 (Feed Costs Based on Milk Cows & Dry Cows)

North Coast



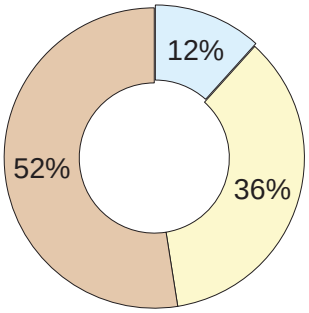
Cost per cow = $156.00

North Valley



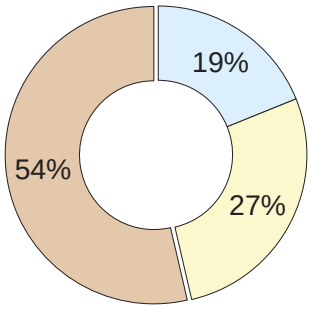
Cost per cow = $141.54

Southern California



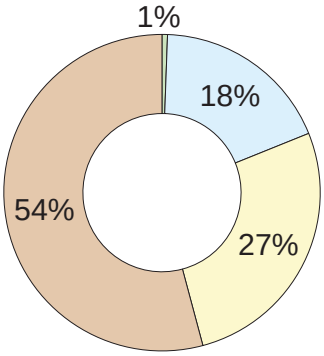
Cost per cow = $133.81

South Valley



Cost per cow = $140.20

State Average

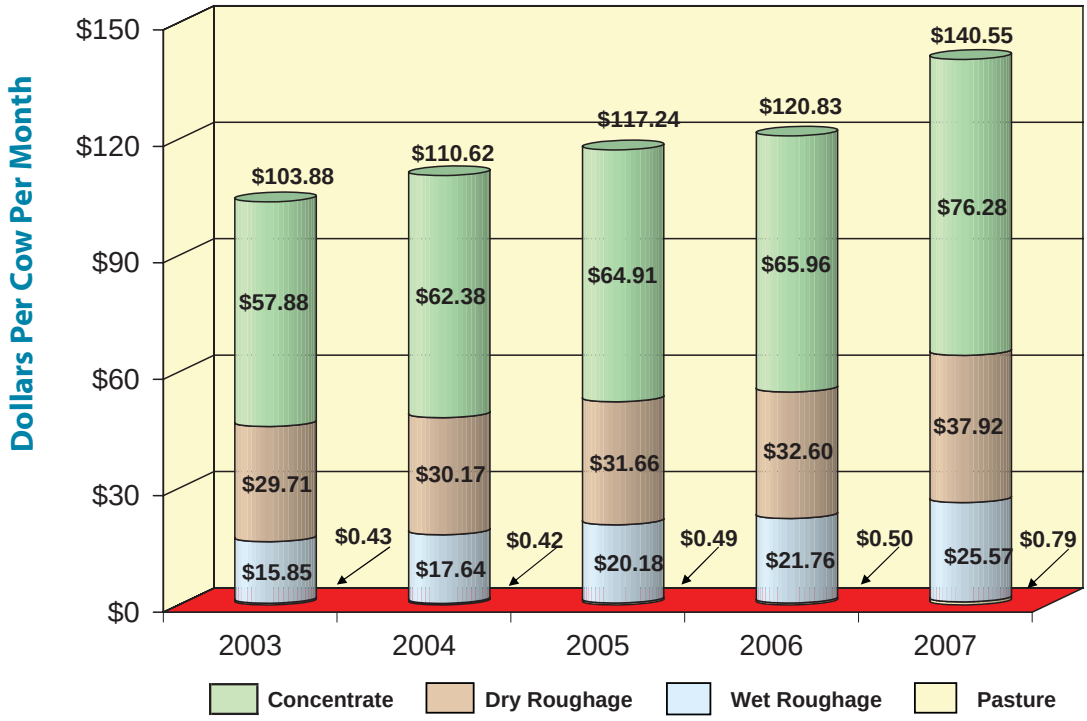


Cost per cow = $140.55

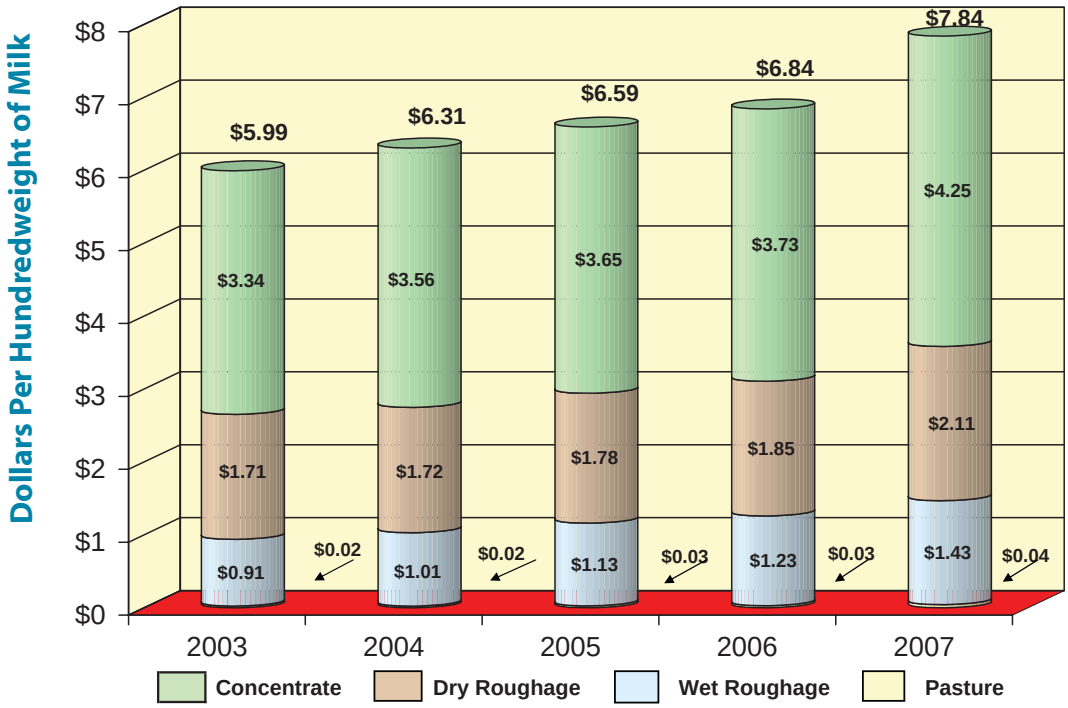
Concentrate | Dry Roughage | Wet Roughage | Pasture

Total Feed Costs

Total Feed Costs Per Cow, Per Month [1/]
California, 2003-2007

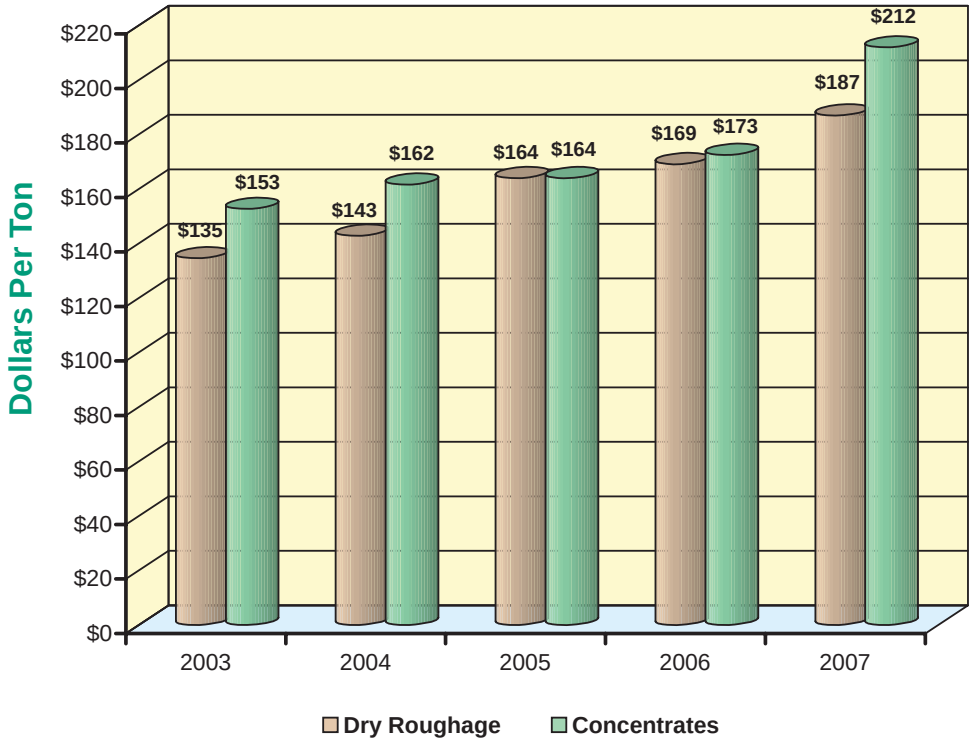


Total Feed Cost Per Hundredweight of Milk [1/]
California, 2003-2007

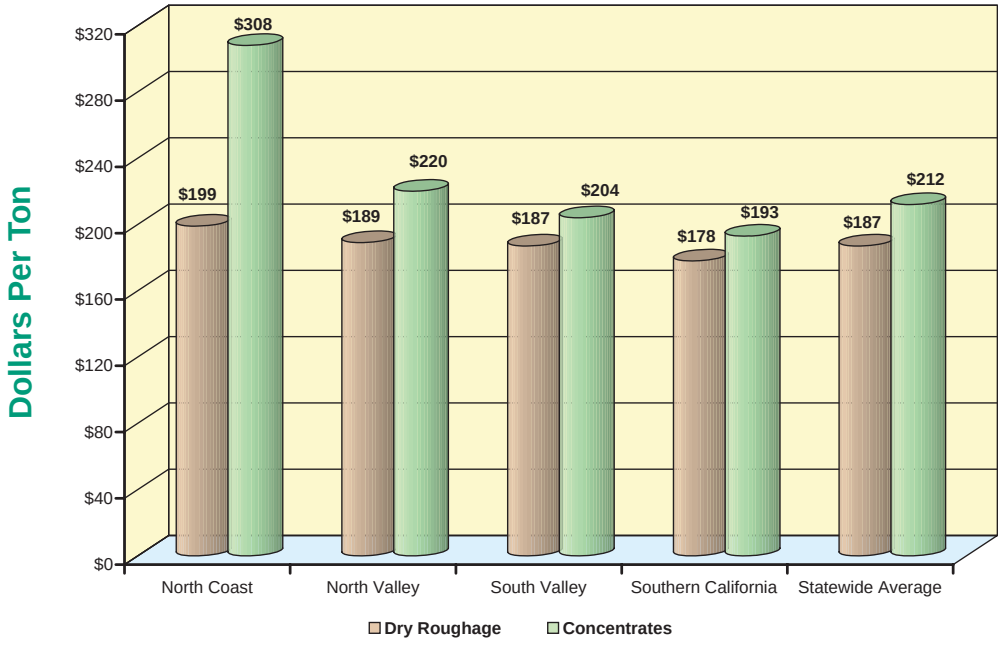


[1/] Includes feed costs for both milk cows and dry cows.

Dry Roughage and Concentrate Costs , California, 2003-2007



Dry Roughage and Concentrate Costs, California, by Area, 2007

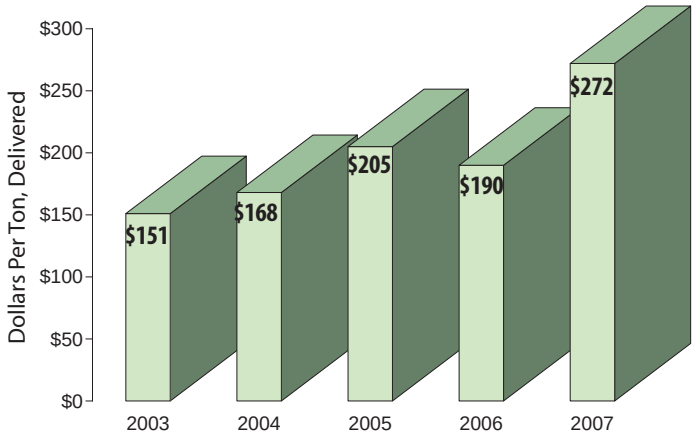


Average Supreme Alfalfa Hay Prices

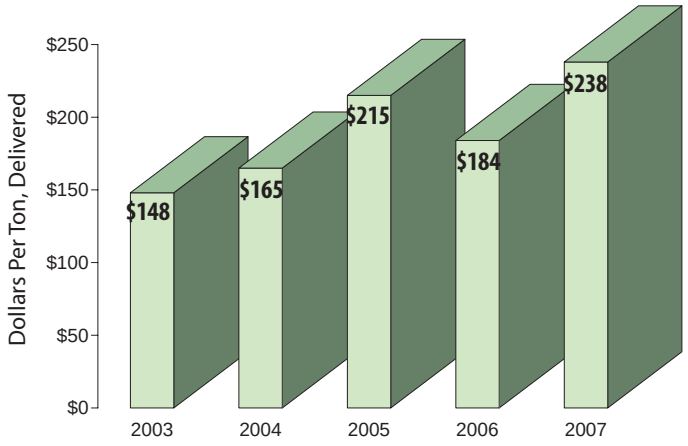
Supreme Alfalfa Hay, California, Selected Areas, 2003-2007

Supreme Alfalfa: Very early maturity, pre bloom, soft fine stemmed, extra leafy. Factors indicative of very high nutritive content. Hay is excellent color and free of damage.

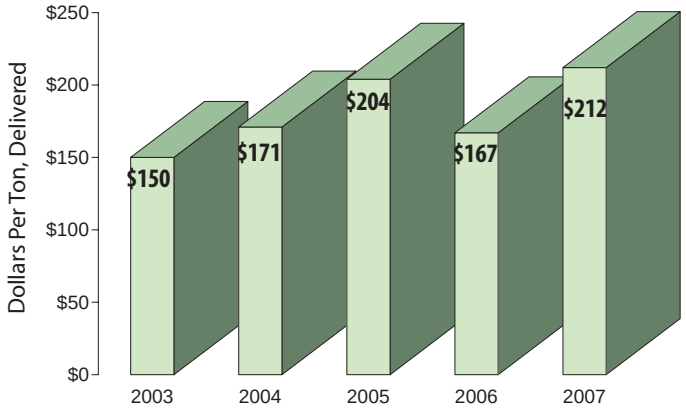
Petaluma



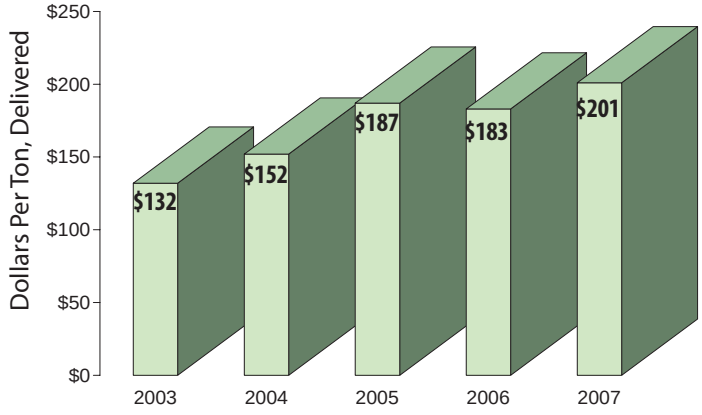
Escalon, Modesto, Turlock



Tulare, Visalia, Hanford



Chino Valley, Los Angeles



Alfalfa Guidelines (for domestic livestock use and not more than 10% grass)

Quality	ADF	NDF	*RFV	**TDN-100%	**TDN-90%	CP
Supreme	<27	<34	>185	>62	>55.9	>22
Premium	27-29	34-36	170-185	60.5-62	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
Utility	>35	>44	<130	<56	<50.5	<16

*RFV calculated using the Wis/Minn formula. **TDN calculated using the western formula. Quantitative factors are approximate, and many factors can affect feeding value. Values based on 100 % dry matter (TDN showing both 100% & 90%). Guidelines are to be used with visual appearance and intent of sale (usage).

Source: USDA, Agricultural Marketing Services, Livestock and Grain Market News, 2007 Alfalfa Hay California Market Summary.

Labor Cost Summary

Labor issues at the dairy level continue to be more about compliance and immigration than anything else. Producers have been taking steps to insure that their workers are aware of breaks and lunch times. Traditionally dairy producers have used a manual stamped time card or manually tracked hours now they are using thumb or digital time clocks that are more compliant with conventional labor laws. In the last several years, there have been producers who have faced lawsuits by employees claiming they were not fairly compensated for hours worked or breaks not taken. Producers are becoming more aware of the need to do a better job of documentation of hours worked and lunch/break time taken.

Immigration issues have been on the forefront as well. The need for a pool of manual labor has been a real issue between government and agriculture. The I-9 compliance issue (checking to insure the legal status against the social security number) was emphasized more in 2007.

The minimum wage increased from $6.75 to $7.50 per hour in 2007. There is another scheduled increase in the minimum wage from $7.50 to $8.00 per hour. Benefits such as housing and utilities paid have not increased as larger new dairies tend not to have housing on the dairy. A few dairies pay quality-incentive bonuses and Christmas bonuses. The minimum wage increase in January 2007 had a major impact on percent change from 2006 to 2007. There usually is a correlation between minimum wage increases and other wages or salaries moving higher.

Workers Compensation base rates decreased in 2007 and it appears they will continue to edge down into 2008. There are self insured groups who are trying to be competitive in the workers compensation insurance field.

One area of interest is the Revenue Generated per Person per Month line that shows a 66.48 percent increase. The increase is due largely to the jump in milk prices as related to labor for 2007.

Labor Comparison, by Cost of Production Area, 2007

AVERAGES	2006 Statewide Average	North Coast	North Valley	South Valley	Southern California	2007 Statewide Average	Percent Change
CASH WAGE / HIRED MILKER	$2,255	$2,090	$2,255	$2,316	$2,685	$2,304	2.13%
PERQUISITES / HIRED MILKER \1	$324	$440	$492	$225	$323	$322	-0.74%
TOTAL WAGE / HIRED MILKER \2	$3,048	$2,987	$3,202	$2,987	$3,583	$3,079	1.02%
HOURS / MONTH / HIRED MILKER	234	238	219	236	217	230	-1.78%
HOURLY CASH WAGE / HIRED MILKER	$9.64	$8.77	$10.29	$9.82	$12.38	$10.02	3.98%
HOURLY PERQUISITES / HIRED MILKER \1	$1.39	$1.84	$2.24	$0.95	$1.49	$1.40	1.06%
HOURLY WAGE / HIRED MILKER \2	$13.03	$12.53	$14.60	$12.67	$16.52	$13.40	2.85%
CASH WAGE / HIRED LABOR	$2,566	$2,053	$2,552	$2,782	$3,113	$2,678	4.36%
PERQUISITES / HIRED LABOR \1	$442	$365	$583	$353	$343	$445	0.68%
TOTAL WAGE / HIRED LABOR \2	$3,543	$2,870	$3,648	$3,658	$4,104	$3,644	2.85%
HOURS / MONTH / HIRED LABOR	244	232	234	245	226	240	-1.82%
HOURLY CASH WAGE / HIRED LABOR	$10.52	$8.87	$10.88	$11.36	$13.79	$11.18	6.29%
HOURLY PERQUISITES / HIRED LABOR \1	$1.81	$1.58	$2.49	$1.44	$1.52	$1.86	2.54%
HOURLY WAGE / HIRED LABOR \2	$14.52	$12.40	$15.56	$14.94	$18.18	$15.21	4.75%
CASH WAGE / ALL HIRED	$2,374	$2,076	$2,383	$2,478	$2,836	$2,445	3.01%
TOTAL WAGE / ALL HIRED \2	$3,237	$2,943	$3,394	$3,221	$3,766	$3,293	1.74%
HOURLY CASH WAGE / ALL HIRED	$9.98	$8.81	$10.55	$10.37	$12.89	$10.47	4.90%
HOURLY WAGE / ALL HIRED \2	$13.61	$12.48	$15.03	$13.48	$17.12	$14.10	3.61%
HOURS / COW / MONTH / ALL HIRED	2.03	2.49	1.83	1.90	1.69	1.88	-7.15%
CASH COST / COW / MONTH / ALL HIRED	$20.26	$21.94	$19.33	$19.74	$21.76	$19.73	-2.60%
COST / COW / MONTH / ALL HIRED \2	$27.62	$31.10	$27.53	$25.65	$28.90	$26.57	-3.80%
NUMBER COWS / HIRED MILKER	189	151	217	193	201	199	5.28%
NUMBER COWS / HIRED LABOR	307	255	286	360	370	327	6.53%
NUMBER COWS / ALL MILKERS & LABOR \3	117	94	123	125	130	124	5.79%
MILK SOLD / PERSON / MONTH (LBS.) \3	206,768	139,505	222,063	225,331	234,304	221,705	7.22%
REVENUE GENERATED / PERSON / MONTH \3	$24,357	$29,001	$41,343	$40,546	$43,216	$40,549	66.48%

\1 Includes Fair Market Value For Housing Supplied By Employer, Health Insurance, Meat, Etc.

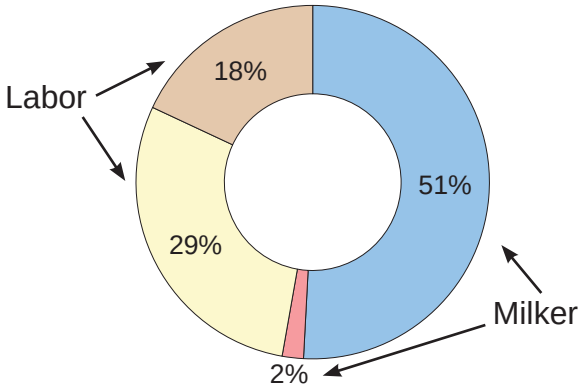
\2 Includes Cash Wages, Perquisites, and Employment Taxes (FICA, Worker's Compensation,Unemployment Insurance) Paid by Employer

\3 Includes All Dairy Workers, Hired and Family

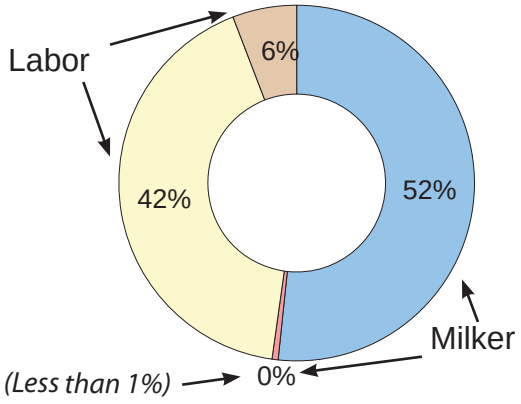
Labor Costs, by Area

Labor Cost Percentage, 2007

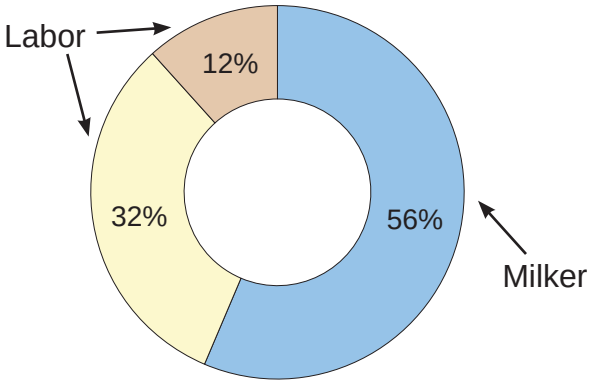
North Coast



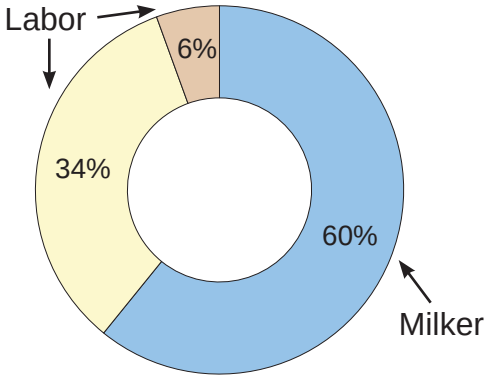
North Valley



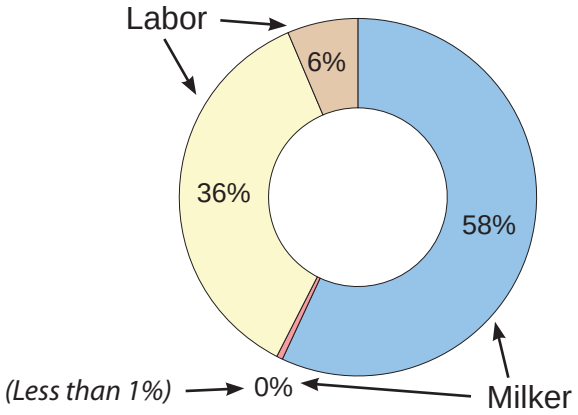
Southern California



South Valley



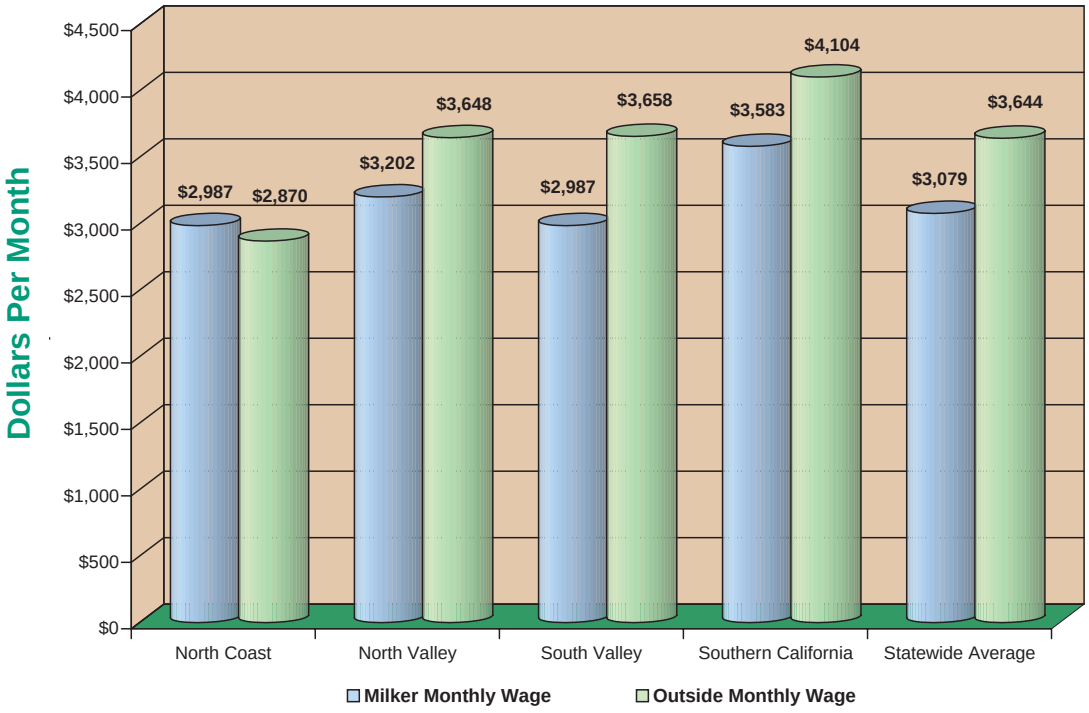
State Average



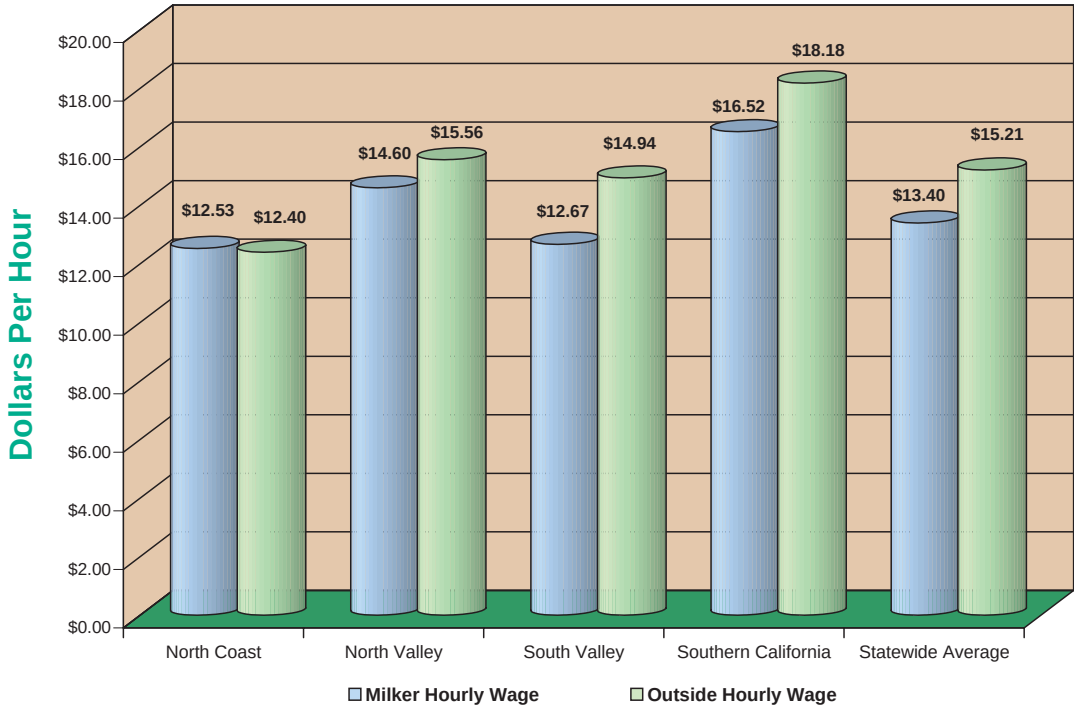
Hired Milker **Family Milker** **Hired Labor** **Family Labor**

Average Milker and Outside Labor Wages

Average Milker and Outside Labor Monthly Wages Including Benefits and Employer Taxes California Cost of Production Areas, 2007



Average Milker and Outside Labor Hourly Wages Including Benefits and Employer Taxes California Cost of Production Areas, 2007



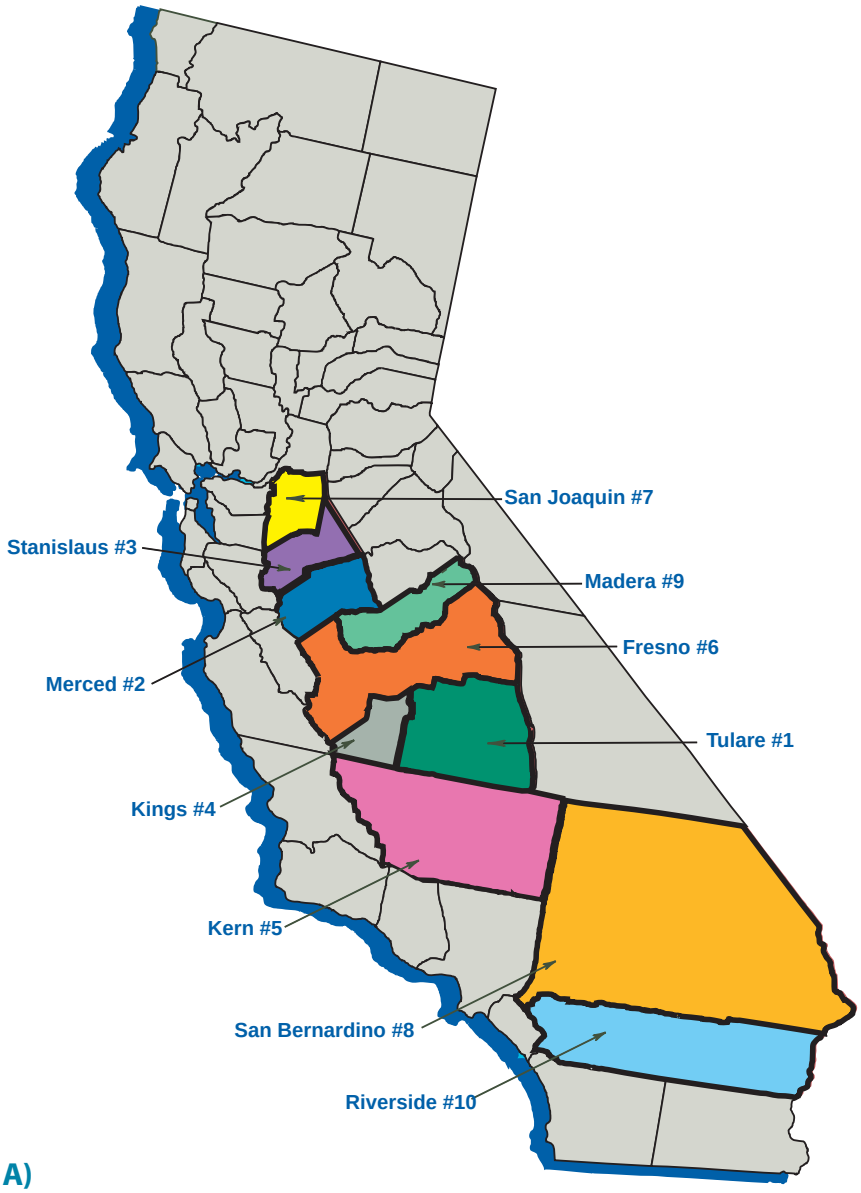
Commercial Production of Bulk Milk, Average Milk Fat, and Solids-Not Fat Test, Number of Cows and Heifers that have Calved on Farms, Number of Dairies, and Average Number of Cows per Dairy in California, by County and Region, 2007

County and Region [1/]	Milk Production (1,000 Pounds)	Average Milk Fat Test	Average Solids-Not-Fat Test	Number of Cows	Number of Dairies [2/]	Average Number Cows/Dairy
Butte	5,669	4.21	9.25	259	3	86
Del Norte	64,546	4.05	8.90	3,938	9	438
Fresno	2,714,942	3.65	8.82	120,773	115	1,050
Glenn	394,850	3.66	8.79	18,032	50	361
Humboldt	240,964	4.11	8.94	14,702	77	191
Kern	3,794,676	3.65	8.76	172,556	55	3,137
Kings	3,873,240	3.65	8.79	178,689	166	1,076
Madera	1,678,202	3.66	8.83	76,640	57	1,345
Marin	206,450	3.62	8.88	10,507	27	389
Mendocino [3/]					2	
Merced	5,757,717	3.72	8.86	262,943	312	843
Monterey	30,955	3.67	8.85	1,414	3	471
Placer [3/]					1	
Sacramento	360,812	3.75	8.81	16,478	38	434
San Benito	12,642	3.69	8.83	577	4	144
San Joaquin	2,440,679	3.70	8.81	111,461	130	857
Santa Clara [3/]					1	
Santa Cruz [3/]					1	
Shasta [3/]					1	
Siskiyou	18,683	3.79	8.83	853	3	284
Solano	90,979	3.68	8.76	4,155	3	1,385
Sonoma	547,765	3.75	8.88	27,879	71	393
Stanislaus	4,090,442	3.68	8.82	186,802	301	621
Sutter [3/]					1	
Tehama	85,212	4.07	9.03	3,891	18	216
Tulare	10,585,433	3.69	8.81	481,353	332	1,450
Yolo	52,312	4.00	9.00	2,389	3	796
Yuba	68,966	3.88	8.93	3,150	4	787
Northern California	**37,177,911**	**3.69**	**8.82**	**1,702,426**	**1,788**	**952**
Imperial	119,486	4.09	8.92	6,256	4	1,564
Los Angeles [3/]					2	
Riverside	1,216,604	3.61	8.76	58,126	41	1,418
San Bernardino	1,947,398	3.55	8.75	93,041	107	870
San Diego	84,072	3.47	8.68	4,017	6	669
San Luis Obispo [3/]					1	
Santa Barbara [3/]					1	
Southern California	**3,468,186**	**3.59**	**8.76**	**166,182**	**162**	**1,026**
STATE TOTALS	**40,646,098**	**3.68**	**8.81**	**1,868,608**	**1,950**	**958**

[1/] Counties omitted have no reported milk production. Data includes total milk sold, excludes milk used on ranch.
[2/] Number of dairies source is Milk and Dairy Food Safety Branch.
[3/] Not published, but included in total.

Top Counties Profile, 2007

- *The top ten milk producing counties for 2007 produced 94 percent of the state's total milk production.*
- *Tulare leads the state in Grade A milk production and Merced leads the state in Grade B milk production for 2007.*
- *If Tulare County were a state, it would rank sixth in milk production in the U.S.*
- *The top ten milk producing counties accounted for 83 percent of the state's total number of dairies and 93 percent of the state's total number of cows.*



Market Milk Production (Grade A)

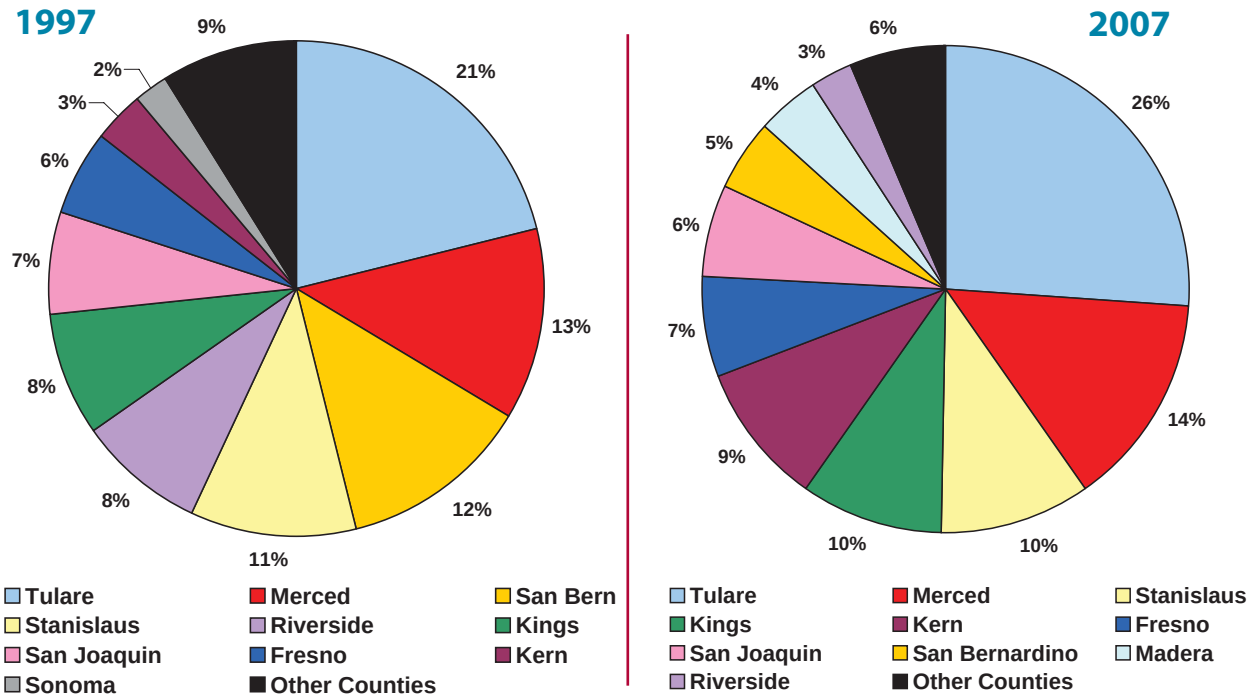
County (by rank)	Pounds of Milk Produced in 2007 (in thousand pounds)	% Change from 2006
Tulare	10,344,367	3.10%
Merced	5,398,367	6.32%
Stanislaus	3,953,656	1.38%
Kings	3,846,756	8.34%
Kern	3,790,960	12.47%
Fresno	2,705,243	19.61%
San Joaquin	2,438,989	14.29%
San Bernardino	1,940,695	-22.67%
Madera	1,602,612	12.57%
Riverside	1,167,917	-5.90%

Manufacturing Milk Production (Grade B)

County (by rank)	Pounds of Milk Produced in 2007 (in thousand pounds)	% Change from 2006
Merced	359,350	37.14%
Tulare	241,067	6.37%
Stanislaus	136,786	98.56%
Madera	75,590	18.77%
Humboldt	56,347	-22.32%

Top Milk Producing Counties

Top Ten Milk Producing Counties, 1997 vs. 2007

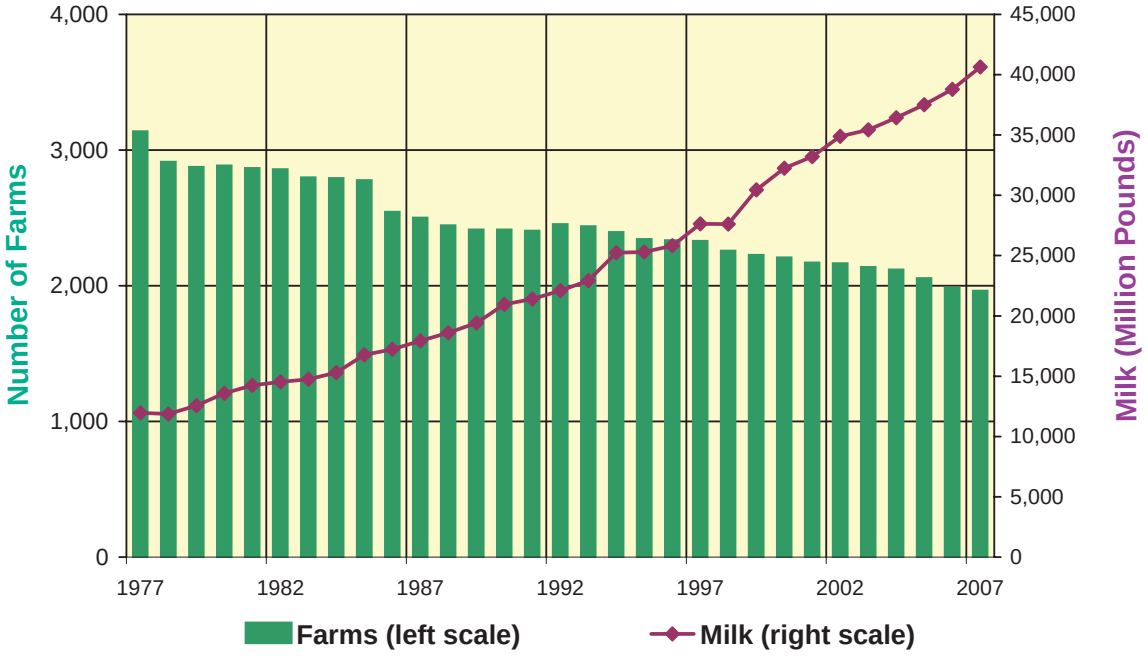


The counties for both 1997 and 2007 are designated in the same color, with the exception of Sonoma in 1997 is grey and did not make the top ten counties in 2007, whereas, Madera in light blue is in the top ten producing counties in 2007. Tulare has remained the top milk producing county, while it is interesting to note the changing roles of Kern, Riverside, and San Bernardino counties in the state's milk production over the last ten years.

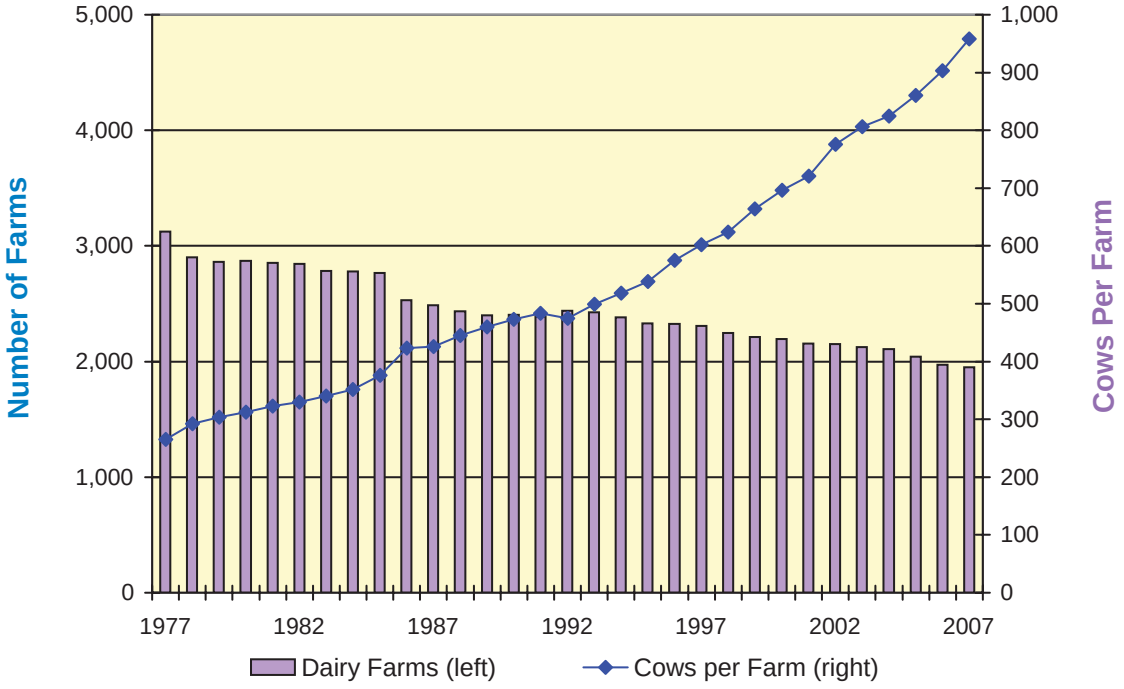
Profile of Top Ten Dairy Counties, 2007

County	Million Pounds of Milk	Number of Dairies	Number of Cows (Thousands)	Number of Cows Per Farm	Gallons of Milk Per Cow/Per Day
Tulare	10,585	332	481	1,450	6.64
Merced	5,758	312	263	843	6.96
Stanislaus	4,090	301	187	621	6.95
Kings	3,873	166	179	1,076	6.87
Kern	3,795	55	173	3,137	6.97
Fresno	2,715	115	121	1,050	7.13
San Joaquin	2,441	130	111	857	6.99
San Bernardino	1,947	107	93	870	6.65
Madera	1,678	57	77	1,345	6.92
Riverside	1,217	41	58	1,418	6.67
10-County Total	**38,099**	**1,616**	**1,743**	**1,267 (Average)**	**6.87 (Average)**
Percent of State Totals	**94%**	**83%**	**93%**		

Dairy Farms and Milk Production California, 1977-2007

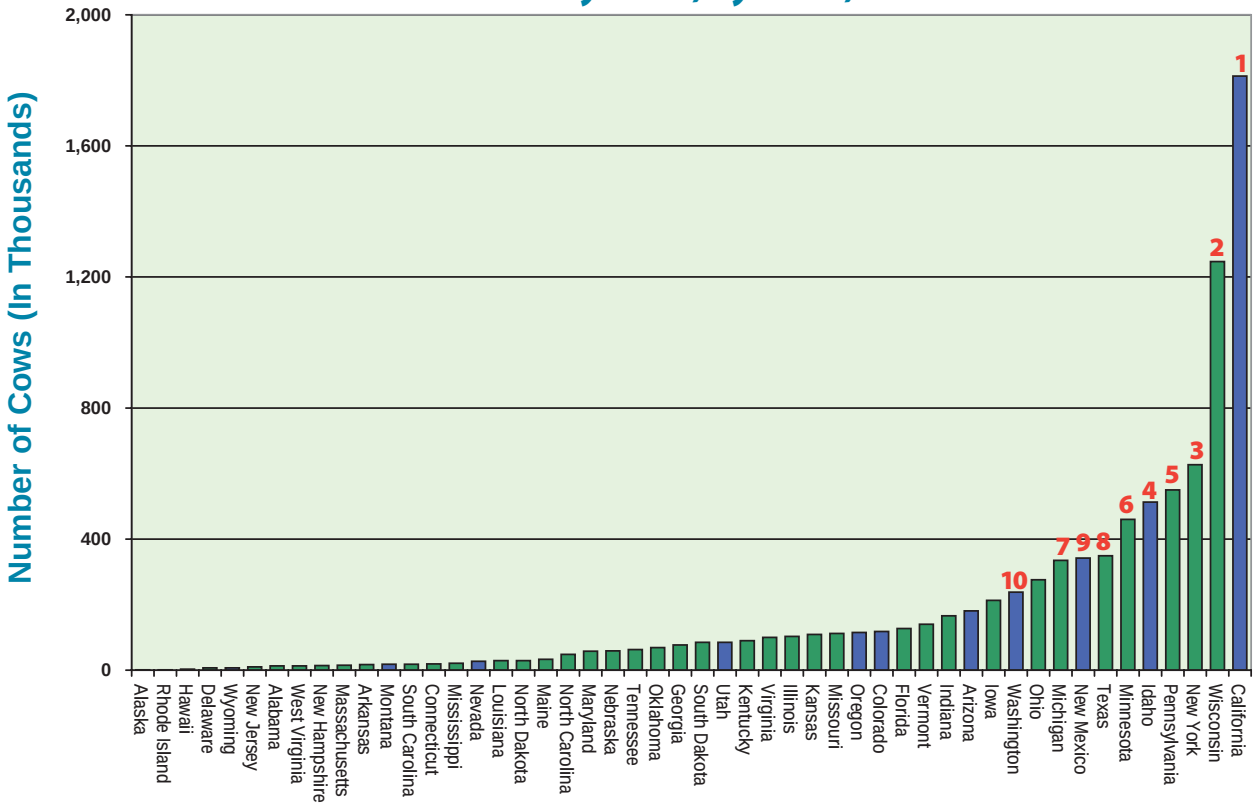


Number of Farms and Cows Per Farm California, 1977-2007



Milk Cows, Milk Per Cow

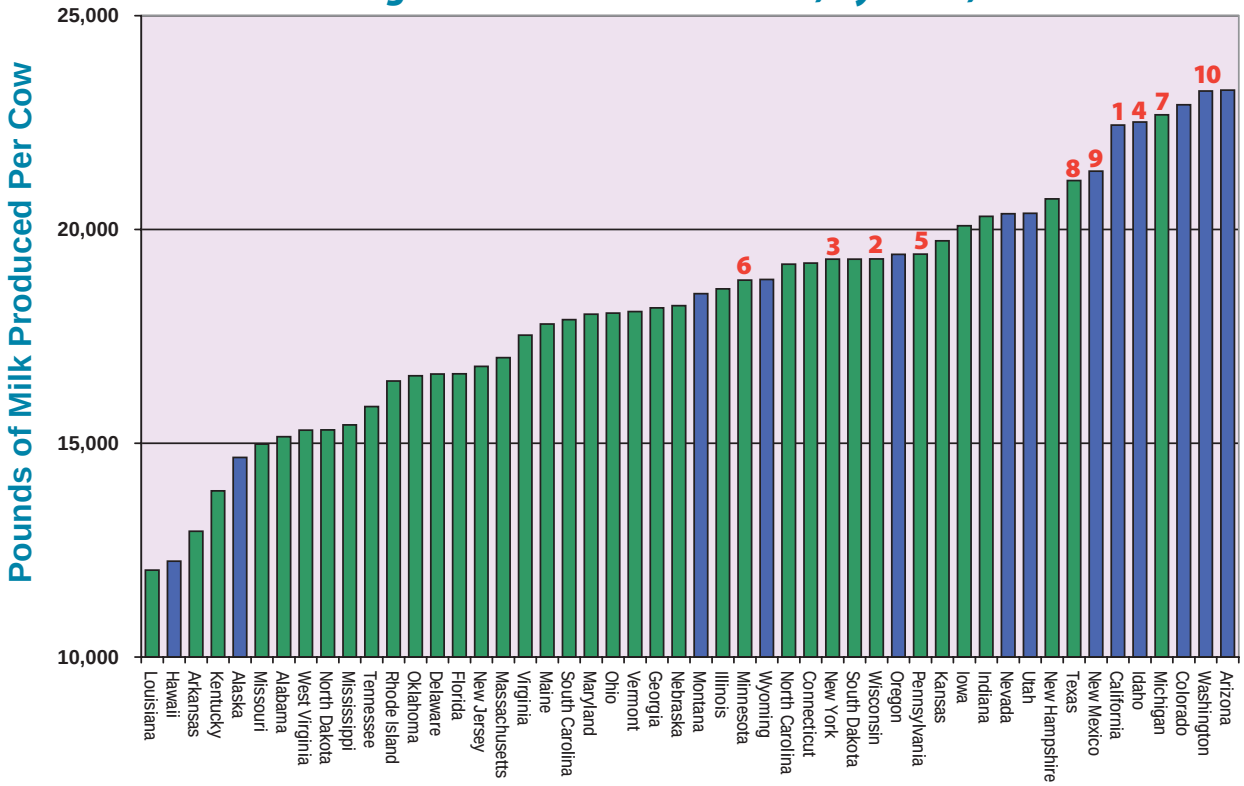
Number of Dairy Cows, by State, 2007



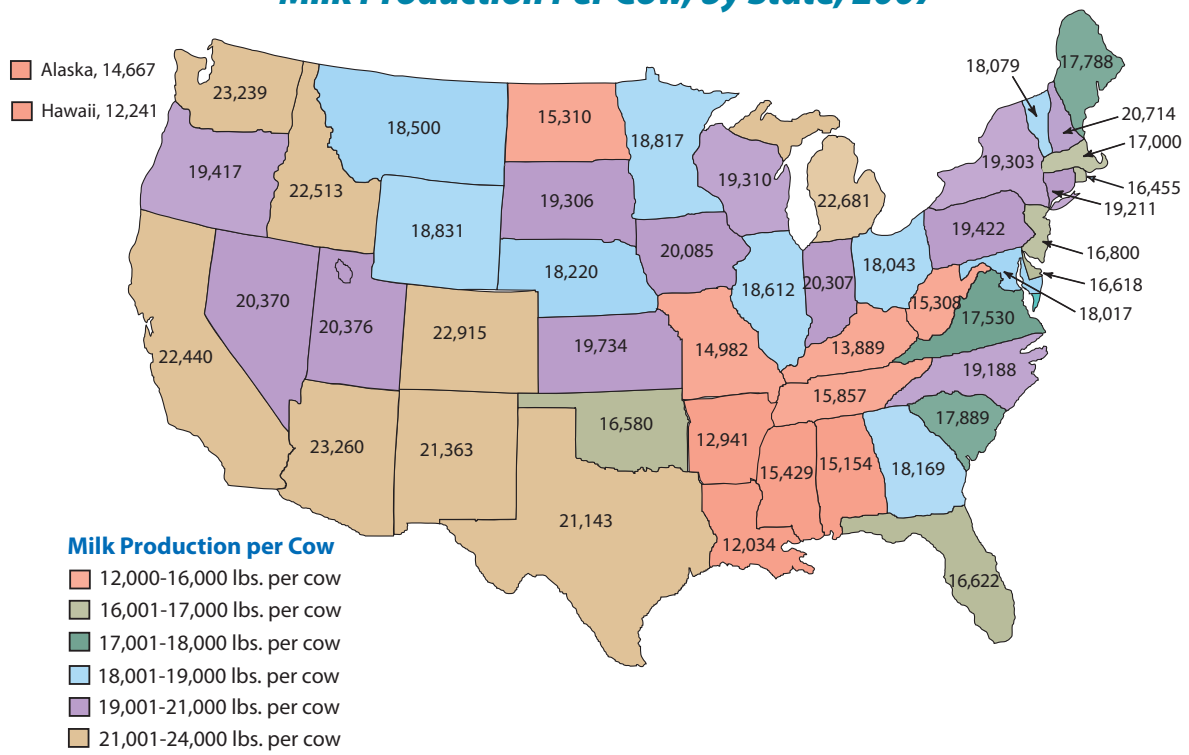
Blue bars indicate states from the Western Region

Red number indicates top ten ranking in U.S. milk production

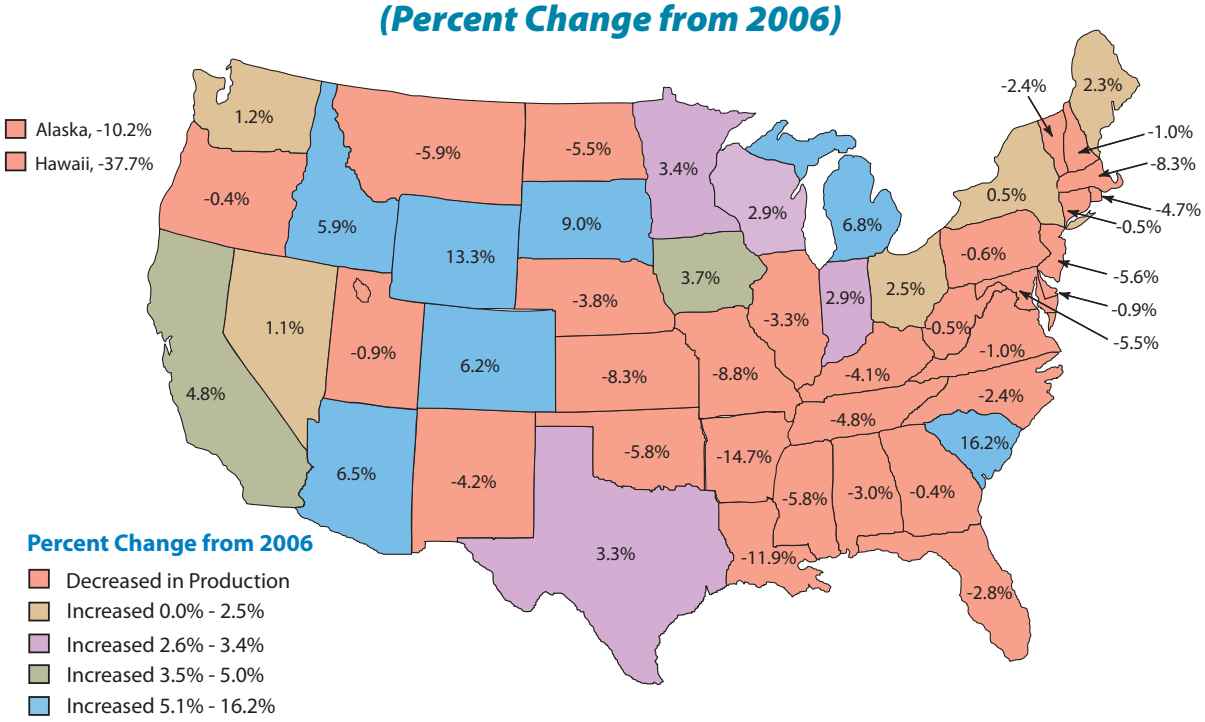
Average Pounds of Milk Per Cow, by State, 2007



Milk Production Per Cow, by State, 2007



Milk Production by State, 2007 (Percent Change from 2006)



U.S. Mailbox Milk Prices

The California Department of Food and Agriculture began publishing California mailbox milk prices in 1998. Mailbox price is defined as the net price received by dairy producers for milk. The mailbox price includes all payments received for milk sold and deducts costs associated with marketing the milk. It does not matter whether a California producer is shipping milk to either a cooperative or a proprietary plant. The mailbox price will be comparable.

The Department uses the same criteria to calculate the mailbox price that USDA uses to calculate mailbox prices for Federal Milk Marketing Orders.

Total Receipts
- Adjusted gross
- Quality payments
- Component premiums
- Yield premiums
- Seasonal bonuses
- Monthly distributions of cooperative earnings

Marketing Costs & Assessments
- Haul and stop charges
- Cooperative dues
- Equity deductions
- Federal assessments
- State assessments
- Inspection fees
- Lab fees

Total Receipts less Marketing Costs & Assessments = Mailbox Price

* Please note, annual "thirteenth checks" are not included in the mailbox price.

2007 Mailbox Milk Prices for Selected Reporting Areas in Federal Milk Orders & California

Reporting Areas	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
					Dollars Per Hundredweight							
California	**$12.55**	**$13.09**	**$13.89**	**$14.83**	**$16.77**	**$19.12**	**$19.98**	**$20.06**	**$20.19**	**$19.94**	**$20.62**	**$19.71**
New England States	$15.31	$15.46	$16.46	$17.29	$18.69	$20.72	$22.75	$22.99	$23.25	$22.88	$23.24	$22.68
New York	$14.76	$15.03	$15.65	$16.31	$17.71	$19.69	$21.71	$22.06	$22.27	$21.89	$22.23	$21.57
Eastern Pennsylvania	$15.17	$15.59	$16.24	$17.07	$18.40	$20.39	$22.37	$22.60	$22.74	$21.87	$22.81	$22.14
Appalachian States	$15.41	$15.49	$16.27	$16.94	$18.24	$20.13	$22.58	$23.38	$23.29	$23.20	$23.34	$22.02
Southeast States	$16.18	$16.13	$16.51	$17.14	$18.22	$20.28	$23.07	$24.34	$24.43	$24.15	$24.55	$22.94
Southern Missouri	$14.36	$14.54	$15.14	$15.75	$16.98	$19.13	$21.49	$22.10	$22.25	$22.03	$22.26	$21.37
Florida	$17.51	$17.27	$17.59	$18.11	$19.09	$21.29	$24.45	$26.14	$26.33	$26.03	$26.04	$23.96
Western Pennsylvania	$14.70	$15.05	$15.75	$16.60	$17.94	$19.98	$21.87	$22.15	$22.22	$21.87	$22.34	$21.92
Ohio	$14.79	$15.13	$15.74	$16.59	$17.89	$19.83	$21.72	$22.08	$22.13	$21.93	$22.32	$21.95
Indiana	$14.44	$14.77	$15.50	$16.36	$17.75	$19.64	$21.84	$22.07	$22.38	$22.19	$22.43	$21.79
Michigan	$14.25	$14.51	$15.09	$16.03	$17.29	$19.04	$20.70	$20.89	$21.29	$20.95	$21.29	$20.96
Wisconsin	$14.79	$15.31	$16.03	$16.84	$18.17	$20.17	$21.26	$20.62	$21.14	$20.53	$21.28	$21.92
Minnesota	$14.71	$15.34	$16.09	$17.17	$18.56	$20.60	$21.15	$20.57	$21.25	$20.64	$21.37	$21.68
Iowa	$14.62	$14.96	$15.71	$16.53	$17.75	$19.41	$21.00	$20.90	$21.19	$21.07	$21.54	$21.27
Illinois	$14.63	$14.90	$15.50	$16.39	$17.76	$19.86	$21.68	$21.47	$21.77	$21.34	$21.90	$22.07
Corn Belt States	$13.96	$14.19	$14.69	$15.54	$16.66	$18.66	$20.72	$20.73	$21.15	$20.96	$21.25	$20.86
Western Texas	$13.96	$14.01	$14.55	$15.57	$16.99	$19.35	$20.96	$20.91	$21.02	$20.54	$20.89	$20.82
New Mexico	$13.30	$13.19	$13.83	$14.85	$16.28	$18.60	$20.16	$20.11	$20.21	$19.84	$20.24	$19.88
Northwest States	$13.84	$13.92	$14.79	$15.91	$17.40	$19.37	$20.86	$21.00	$21.48	$21.27	$21.01	$20.21
All Federal Order Areas	$14.66	$14.92	$15.60	$16.45	$17.78	$19.80	$21.49	$21.47	$21.78	$21.39	$21.81	$21.04

California Annual Weighted Average Mailbox Milk Prices

2006: $11.29/cwt. **2007: $17.54/cwt.** **Percent Change from 2006: 55% Increase**

Average Prices Paid Producers in California For All Bulk Milk (Grade A and Grade B), by Month, 2002-2007 [1/2/]

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
	Dollars Per Hundredweight												
2002	12.52	11.73	11.47	11.38	10.98	10.42	10.07	10.34	10.48	10.86	10.53	10.61	10.95
2003	10.53	10.15	9.92	9.97	9.95	9.99	11.52	12.77	13.31	13.52	12.80	12.37	11.40
2004	11.94	12.55	14.63	17.29	17.63	16.26	13.85	13.64	14.27	14.01	15.18	15.17	14.70
2005	14.87	14.14	14.03	14.08	13.47	13.38	13.77	13.47	14.32	14.31	13.62	13.68	13.93
2006	13.17	11.86	11.31	10.91	10.73	10.71	10.46	10.92	11.79	11.97	12.47	12.73	11.59
2007	12.93	13.57	14.33	15.32	17.29	19.66	20.45	20.57	20.65	20.36	21.18	20.17	18.04

1/ Prices are F.O.B. plant, at actual test.
2/ Includes in-state pool shipments and California milk shipped into Federal Milk Marketing Orders. Excludes bonuses and premiums.

Average Prices Paid Producers in California For Market Milk (Grade A), by Month, 2002-2007 [1/2/]

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
	Dollars Per Hundredweight												
2002	12.52	11.73	11.47	11.38	10.97	10.43	10.07	10.34	10.48	10.85	10.53	10.60	10.95
2003	10.53	10.15	9.92	9.97	9.95	9.99	11.51	12.76	13.31	13.53	12.80	12.37	11.40
2004	11.94	12.55	14.61	17.26	17.62	16.26	13.86	13.64	14.27	14.00	15.16	15.16	14.69
2005	14.86	14.12	14.01	14.06	13.46	13.35	13.75	13.44	14.29	14.29	13.60	13.65	13.91
2006	13.13	11.83	11.29	10.89	10.72	10.70	10.44	10.90	11.75	11.94	12.44	12.70	11.56
2007	12.90	13.54	14.30	15.29	17.23	19.59	20.42	20.57	20.65	20.39	21.17	20.16	18.02

1/ Prices are F.O.B. plant, at actual test.
2/ Includes in-state pool shipments and California milk shipped into Federal Milk Marketing Orders. Excludes bonuses and premiums and exempt production.

Average Prices Paid Producers in California For Manufacturing Milk (Grade B), by Month, 2002-2007 [1/]

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
	Dollars Per Hundredweight												
2002	12.88	11.43	11.28	11.38	11.33	10.24	9.80	10.51	10.75	11.46	10.35	10.87	11.02
2003	10.89	10.47	9.80	10.23	10.37	10.29	12.93	13.65	13.95	13.34	12.42	12.18	11.71
2004	11.94	12.57	16.20	19.30	18.10	16.23	13.43	14.04	14.49	14.50	15.97	15.50	15.19
2005	15.52	14.95	14.64	14.94	13.98	14.47	14.67	14.39	15.51	15.25	14.48	14.89	14.81
2006	14.85	13.23	12.28	11.67	11.36	11.46	11.03	11.54	13.15	12.99	13.98	14.02	12.63
2007	14.03	14.58	15.39	16.43	19.32	22.03	21.71	20.59	20.69	19.43	21.68	20.77	18.89

1/ Prices are F.O.B. plant, at actual test.

Quota Summary

California Grade A milk producers are paid based on a system of quota and non-quota prices (pool prices). California's milk pooling system dates to 1968, when each producer with a market milk license was assigned a production base and Class 1 quota based on historical milk production during 1966 or 1967. Prior to 1968, market milk producers contracted with fluid handlers for specific volumes of milk. Since 1968, additional quota was made available to both new and existing producers. The amount of new quota allocated was based on increases in statewide Class 1 sales. Allocations to existing producers was according to the ratio of quota to production base. Specifically, to promote equity among producers, quota was allocated to "equalize" producers at a quota production base ratio of 95 percent. However, due to stagnant growth in Class 1 sales, equalization was occuring very slowly, and in 1978 a blanket allocation of new quota was made to equalize all producers holding production bases at that time. The Quota Reform legislation in 1993 introduced a fixed price differential of $1.70/cwt. between "quota" and "overbase" prices which changed the method of determining pool prices.

Quota and its associated base have always been freely transferable on the open market and can move anywhere in the state. A fairly active market exists for quota. Transactions are monitored by the Milk Pooling Branch which also oversees all pool operations. Quota selling prices are quoted on a per pound of solids-not-fat basis per day (formerly fat prior to the $1.70 spread). Quota prices are related primarily to the difference between quota and overbase prices. The value of quota holdings statewide is estimated at about $1.1 billion in 2007.

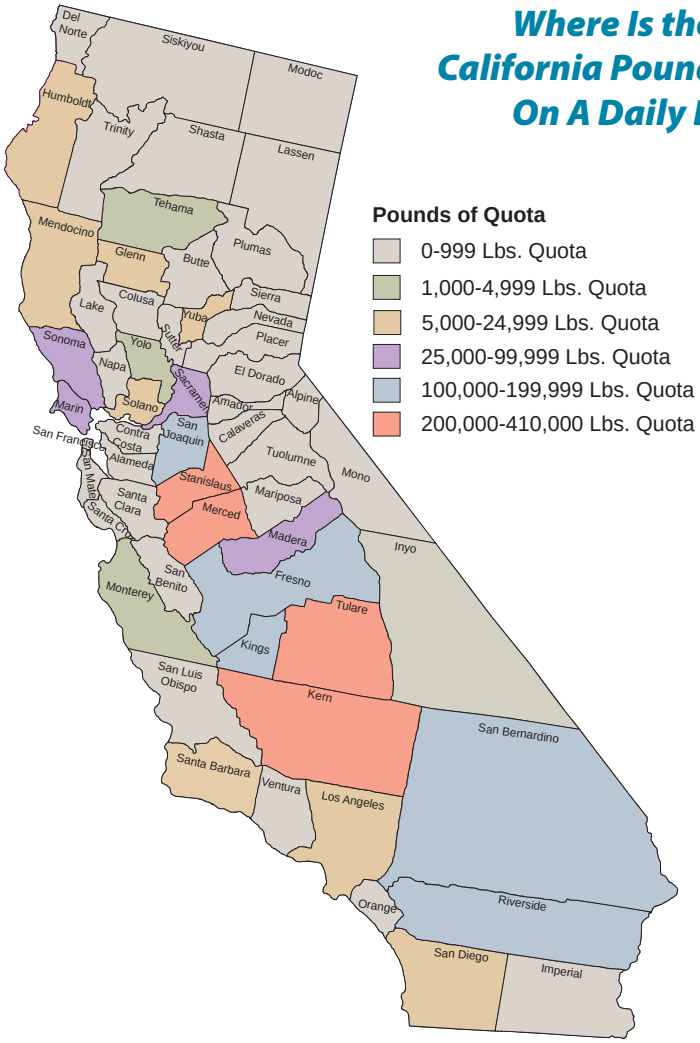
Producers can sell market milk without owning any quota. In this case, however, they receive the overbase price. In 2007, approximately 60% of all market milk producers held quota.

Summary of Quota Transfers, 2007

Effective 1st of the month	No. of Sellers	No. of Buyers	No. of Sales at 100%	Sales Without Cows Low	Avg.	High	Total Quota Fat Transferred	Total Quota SNF Transferred	Average Ratio
January	6	6	4	$491	$498	$520	5,187	12,485	2.41
February	3	6	3	$475	$498	$515	1,324	3,186	2.41
March	4	6	3	$475	$495	$500	871	2,217	2.55
April	14	13	10	$475	$495	$500	4,100	9,955	2.43
May	13	15	13	$483	$497	$525	4,953	12,053	2.43
June	13	11	14	$446	$492	$500	3,622	8,729	2.41
July	5	5	5	$490	$496	$500	1,646	3,960	2.41
August	4	6	4	$490	$495	$502	1,890	4,590	2.43
September	4	11	4	$490	$495	$500	2,111	5,164	2.45
October	5	8	4	$490	$497	$510	2,748	6,794	2.47
November	2	2	2	$440	$477	$513	136	345	2.53
December	4	4	4	$490	$508	$530	2,472	5,889	2.38
TOTAL	77	93	70	$478	$495	$510	31,060	75,367	2.44

* The average ratio is the relation of total quota fat to total quota SNF

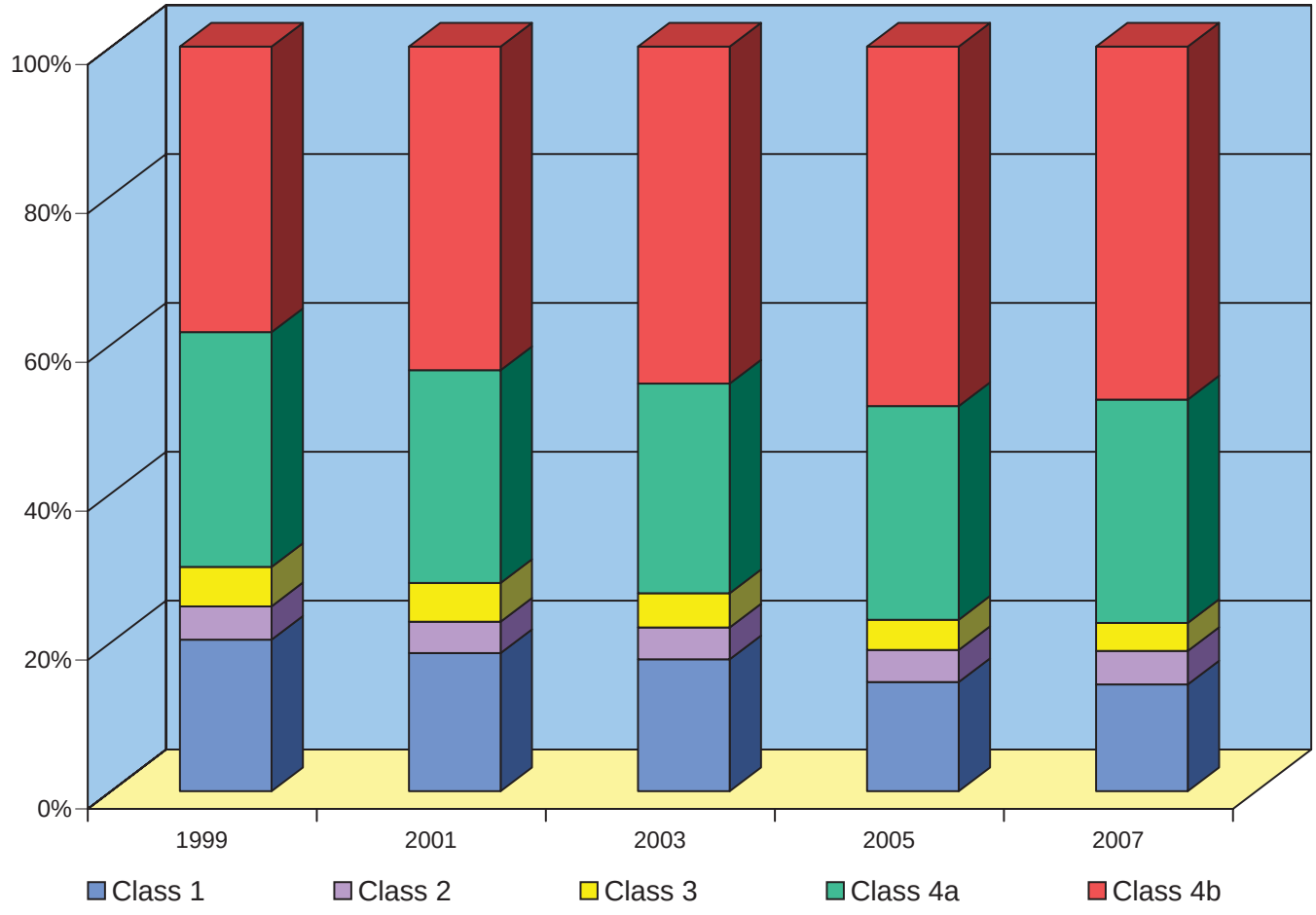
Where Is the Quota in California? California Pounds of Solids-Not-Fat Quota On A Daily Basis, December 2007



Annual Summary of Quota Transfers, 1998-2007

Year	No. of Sellers	No. of Buyers	Sales at 100%	Average Sales Without Cows	Total Quota Fat Transferred	Total Quota SNF Transferred
1998	107	137	86	$323	31,029	76,122
1999	63	93	51	$392	31,663	77,278
2000	73	110	55	$410	29,600	71,276
2001	58	92	40	$421	22,179	54,321
2002	53	64	39	$445	18,047	43,612
2003	80	103	53	$455	37,917	93,151
2004	72	108	62	$457	31,580	77,498
2005	65	79	48	$478	24,715	60,243
2006	52	75	41	$501	26,107	63,249
2007	77	93	70	$495	31,060	75,367

Utilization of Pooled Milk by Class California, 1999-2007



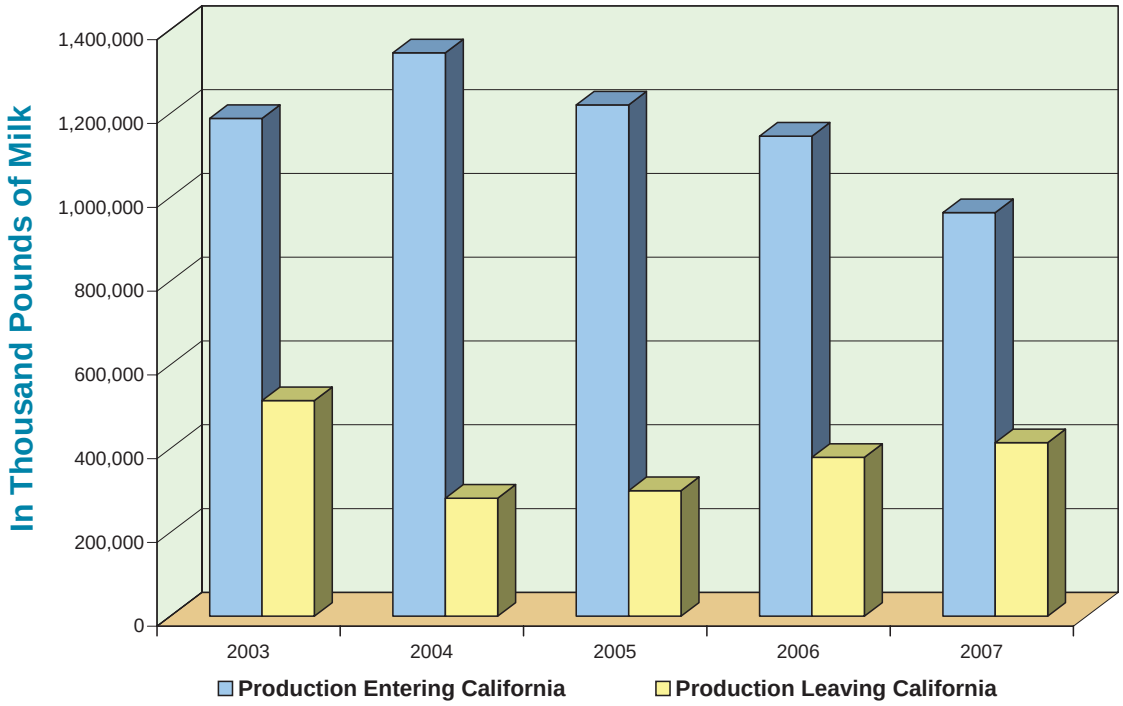
Between 1999 and 2007:

- Utilization of Class 4a has moved from approximately 1,166 million pounds to 1,442 million pounds on a total solids basis, an increase of 24 percent.
- Utilization of Class 4b has moved from approximately 1,418 million pounds to 2,277 million pounds on a total solids basis, an increase of 61 percent.
- Utilization of all market milk has moved from approximately 3,698 million pounds to 4,804 million pounds on a total solids basis, an increase of 30 percent.
- In total, Class 4a and 4b accounted for 77 percent of all milk available on a total solids basis in 2007.
- Class 1 representation of total milk, on a total solids basis, continued to decline, dropping from 21.3 percent in 1999 to 14.3 percent in 2007.

Net Milk Available in California

California Commercial Milk Production, Production Entering, Production Leaving, Net Milk Available, in Thousand Pounds, 2003-2007

Year	California Milk Production	Production Entering California	Production Leaving California	Net Milk Available in California
2003	35,393,369	1,187,717	514,266	36,066,820
2004	36,427,964	1,344,585	281,539	37,491,010
2005	37,521,450	1,220,251	299,443	38,442,258
2006	38,792,168	1,145,694	378,958	39,558,904
2007	40,646,097	963,038	414,020	41,195,115



CALIFORNIA DAIRY PRODUCER ASSESSMENT RATES

2007	POOL ADMIN FEE RATE (CWT)	MKT. MILK ADMIN. FEE RATE (CWT)	MFG. MILK ADMIN. FEE RATE (CWT)	DAIRY COUNCIL CLASS 1% QUOTA FAT	DAIRY COUNCIL CLASS 1% QUOTA SNF	DAIRY COUNCIL CLASS 1 RATE (CWT)	DAIRY COUNCIL OTHER MILK RATE (CWT)	MKT ORDER (MKT) RATE (CWT)	MKT ORDER (MFG) RATE (CWT)	MILK & DAIRY FOOD SAFETY (CWT)
Jan	0.011	0.008	0.012	38.53%	73.27%	0.0150	0.0060	0.1000	0.1000	0.0008
Feb	0.011	0.008	0.012	37.36%	70.80%	0.0150	0.0060	0.1000	0.1000	0.0008
Mar	0.011	0.008	0.012	37.11%	70.66%	0.0150	0.0060	0.1000	0.1000	0.0008
Apr	0.011	0.008	0.012	39.00%	71.74%	0.0150	0.0060	0.1000	0.1000	0.0008
May	0.011	0.000	0.012	37.83%	72.73%	0.0150	0.0060	0.1000	0.1000	0.0008
June	0.011	0.000	0.012	36.33%	66.41%	0.0150	0.0060	0.1000	0.1000	0.0008
July	0.011	0.000	0.012	38.67%	67.71%	0.0150	0.0060	0.1000	0.1000	0.0008
Aug	0.011	0.000	0.012	39.91%	71.95%	0.0150	0.0060	0.1000	0.1000	0.0008
Sept	0.011	0.000	0.012	38.27%	70.60%	0.0150	0.0060	0.1000	0.1000	0.0008
Oct	0.011	0.000	0.012	41.17%	76.33%	0.0150	0.0060	0.1000	0.1000	0.0008
Nov	0.011	0.000	0.012	40.55%	74.61%	0.0150	0.0060	0.1000	0.1000	0.0008
Dec	0.011	0.000	0.012	40.88%	72.78%	0.0150	0.0060	0.1000	0.1000	0.0008

Milk Pooling Administration Fee: (.011 cents per hundredweight) - Funds used to administer the functions of the Milk Pooling Branch. Functions include:

- Pool and distribute milk revenue
- Establish the monthly quota and overbase prices
- Administer the registration and transfer of quota holdings
- Audit monthly reports of California plants to verify receipts and usage

Market Milk Administration Fee: (.008 cents per hundredweight on Grade A milk) - Funds used to administer the functions of the Dairy Marketing Branch. Functions include:

- Establish the minimum farm price for milk
- Manage the Milk Producers Security Trust Fund
- License all milk handlers in the State
- Production and manufacturing cost audits
- California dairy industry statistics

- This assessment was suspended for part of 2007 due to sufficient operating reserves.

Manufacturing Milk Administration Fee: (.012 cents per hundredweight on Grade B milk) - Funds used for the same purpose as Market Milk Administration Fee above.

Dairy Council Fee (DCC): (Class 1 milk .015 cents per hundredweight, other milk .006 cents per hundredweight)- Funds used to administer the functions of the Dairy Council. This program's function is to provide nutrition education materials that show the role of dairy products in a balanced diet.

California Milk Advisory Board Fee (CMAB): (Market milk, 10 cents per hundredweight) - Funds used to administer the functions of the California Milk Advisory Board. This program is involved in advertising, promotion and research. This program promotes all dairy products, with a current emphasis on cheese.

California Manufacturing Milk Advisory Board Fee (CMMAB): (Manufacturing milk, 10 cents per hundredweight on Grade B milk). This program is similar to CMAB but does not promote fluid milk products because fluid milk products cannot contain Grade B milk.

Milk and Dairy Foods Safety Fee: (.0008 cents per hundredweight) - Funds used for the testing of milk fat, solids not fat and the weighing and sampling of market milk delivered to handlers by producers.

National Dairy Promotion and Research Board (NDPRB): (.05 cents per hundredweight on all milk) - Funds used to administer the functions of the NDPRB, a federal program. This program conducts promotions and research activities on behalf of all United States dairy farmers. (not shown in table above)

Glossary of Terms

Production Cost Comparison (Cost Comp) is a comprehensive report pertaining solely to the dairy enterprise. This information includes all costs and activities related only to milking and dry (total) cows. It does not include information relating to calf raising, heifer raising and other farming enterprises. The Cost Comp is designed to provide a constructive tool for better decision–making and to closely reflect the actual cost of producing milk. **All costs are based on a per cow/per month basis, unless otherwise noted.**

Number of Herds – number of herds in each size category.

Feed Costs - All feed costs attributed to the dairy enterprise.

a) Dry Roughage – All forages low in moisture content and high in fiber (e.g.) alfalfa hay, oat hay and almond hulls.
b) Wet Feed and Wet Roughage – All forages high in moisture content (e.g.) Wet Feed: brewers' malt, wet whey, wet citrus and cull vegetables. Wet Roughage: haylage, earlage, corn silage, and green chop.
c) Concentrates – Products relatively high in energy and low in fiber, including grains, milled by-products, and protein product (e.g.) rolled corn or barley, whole cottonseed, dried distillers grain and custom premixes.
d) Mineral & Supplements – Micro or macro minerals and any vitamins and feed additives that improve feed efficiency (e.g.) molasses and bicarbonate.
e) Pasture – Includes any grazing on land that contains pasture grasses or legumes.

Total Feed Costs – Total of above line items, (a) through (e)

Total Feed Costs/Cwt - Total Feed cost per cow, divided by the total monthly hundredweight of milk shipped per cow.

Total Hired Labor – Comprises all paid labor attributed to the dairy enterprise.

- Salaried and hourly labor total includes gross wages earned by hired milkers, pushers, feeders, and outside workers plus employer taxes and perquisites (e.g.) Employer Taxes: workers compensation insurance, unemployment insurance, and social security; Perquisites: house, utilities, health insurance.

Total Hired Labor Costs/Cwt - Total labor cost per cow, divided by the total monthly hundredweight of milk shipped per cow.

Herd Replacement – A twelve–month rolling average of the number and value of cows entering the herd, minus the total receipts for the same number of cows culled and dead.

Less: Calf Income - Income from the sale of day old calves.

Total Herd Replacement Costs - Herd replacement cost less calf income.

Total Replacement Costs/Cwt - Total herd replacement cost per cow, divided by the total monthly hundredweight of milk shipped per cow.

Operating Costs

a) Utilities – Includes electricity, natural gas, garbage, telephone, water, etc.
b) Supplies – Includes products needed for producing milk (e.g.) soaps, iodine, hoses, office supplies, A.I. expenses, etc.
c) Veterinary and Medicine – All costs for veterinary work, medicine and supplies, including rBST.
d) Outside Services – Hired services (e.g.) accountant, nutritionist, hoof trimmer, DHIA or private testing, etc.
e) Repairs and Maintenance – All repairs and maintenance of equipment and structures used by the dairy enterprise (e.g.) milking parlor, free-stalls, corrals, feedwagons, etc.
f) Miscellaneous – Any other operating costs not covered above (e.g.) County or state permits, branding fees, subscriptions, producer association fees, etc.
g) Bedding & Manure Haul – Cost incurred to scrape corrals and haul manure, may include any dirt or filler to maintain corrals and free-stalls.
h) Fuel & Oil – Fuel and oil used by the dairy enterprise.
i) Interest – Interest expense paid on outstanding short term loans for operating costs.
j) Lease Expense – Expense for leasing dairy facility.
k) Depreciation – Straight–line depreciation on any owned equipment or buildings used by the dairy enterprise, less a salvage value.
l) Taxes & Insurance – Tax expense due on owned real and personal property. Insurance for public liability, property damage, fires and storm coverage.

Total Operating Costs– Total of above line items, (a) through (l).

Total Operating Costs/Cwt - Total operating cost per cow, divided by the total monthly hundredweight of milk shipped per cow.

Milk Marketing Costs – Hauling charges, mandatory assessments and miscellaneous deductions.

a) Hauling – Fees paid to haul milk from ranch to plant, plus any stop charges.
b) State Assessments – Dairy Marketing, Milk Pooling, Milk & Dairy Foods Control, Dairy Council and Milk Advisory Board, plus county health inspections.
c) Federal Assessments and Misc. Deductions – National Dairy Promotion and any permits or third party component testing.

Total Milk Marketing Costs – Total of above line items, (a) through (c).

Total Milk Marketing Cost/Cwt – Total marketing cost per cow, divided by the total monthly hundredweight of milk shipped per cow.

Total Cost/Cow/Month – Total of above line items, divided by total cows.

Total Cost /Cwt. – Total costs, divided by the total monthly hundredweight of milk shipped per cow.

Milk Production Data

a) Milk Sold/Total Cow/Month (cwt) – Total hundredweight of milk shipped for the month, divided by total cows.

Milk Production Cost Comparison - (Continued)

b) Lbs. Milk Sold/Milk Cow/Day – Total pounds of milk shipped, divided by number of milk cows.
c) Gross Milk Receipts (cwt) – Blend price based on California's Pool Price Announcement, minus regional quota adjuster (RQA), plus any transportation allowances. It does not include any quality or yield bonuses.
d) Mailbox Price ($/cwt) – Total receipts (receipts includes gross dollars, quality payments, component premiums, yield premiums, seasonal bonuses, monthly distribution of cooperative earnings) less marketing costs and assessments.
e) Mailbox Price less Total Costs (cwt.) – Mailbox price plus marketing cost less total cost.
f) Fat Test % – Total pounds of fat shipped, divided by total pounds of milk shipped for the month.
g) SNF Test % – Total pounds of solids–not–fat shipped, divided by total pounds of milk shipped for the month.
h) Fat Sold/Milk Cow/Month (lb.) – Total pounds of fat shipped, divided by total milk cows.
i) SNF Sold/Milk Cow/Month (lb.) – Total pounds of solids–not–fat shipped, divided by total milk cows.
j) Percent Quota – Total pounds of quota solids-not-fat produced divided by total pounds of solids-not-fat shipped.

Related Data

a) Percent Dry Cows – Total number of dry cows, divided by total cows.
b) Yearly Cull Rate – Twelve–month total of cows leaving the herd, divided by total cows.
c) Average Value per Drop Bull Calf – Total value of bull calves, divided by total bull calves.
d) Milk Cow Alfalfa Hay Price ($/ton) – Average blend price of alfalfa hay fed to milking cows.
e) Grain, Minerals & Supplements ($/ton) – Total grain, mineral/supplement costs, divided by total tons fed to milking cows.
f) Grain Minerals & Supplements (lb./mc day) – Total pounds of grain, minerals and supplements fed, divided by total milking cows, divided by the number of days in month.
g) Milkers ($/hr) – Average hourly wage received by milkers, plus employer taxes and perquisites.
h) Total labor ($/hr) – Average hourly wage received by all hired employees, plus employer taxes and perquisites.
i) Milk Cow Feed Costs per Day – Total feed costs for milking cows, divided by number of milking cows, divided by the number of days in the month.
j) Milk Cow Feed Costs per Cwt. – Total feed costs for milking cows, divided by total hundredweight of milk shipped.
k) Milk Cows – Number of lactating cows in herd.
l) Total Cows – Number of lactating and dry cows in herd.
m) Average Investment per Cow – Total investment for land, buildings, equipment and cows, divided by total cows.

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