



C A L I F O R N I A

Cost of Production

2009 Annual



Remembering Walt Spivey



This year's Milk Production Cost Annual is dedicated to the memory of Walter H. Spivey who passed away in March of 2010. Walt began his civil service career in 1972 as a cost analyst, traveling around the state collecting costs from dairies. He later was promoted to supervisor of the Milk Production Cost Unit. Walt was instrumental in the development of the Feedback publication as a way to provide value to the stakeholders he served. Walt retired from CDFA in 1995.

Walt grew up in North Carolina and went on to play football at North Carolina State. Walt served 12 years in the Navy before moving to California and signing on with CDFA. Walt was a wonderful boss and treated all who worked for him like family. Walt brought many good southern qualities to the workplace including order and discipline. He used many southern sayings, was very polite and most of all enjoyed chewing a good cigar. Walt was honest, fair, a bit stubborn, but most of all he brought integrity and dependability to the workplace. He was a great listener and loved a good "yarn" if you had one. Walt was best known for his enjoyment of the "Doggie Diners" that he frequented when traveling and collecting costs, he was always up for a good patty melt or chicken fried steak!

After retirement from CDFA, he and his wife Nell enjoyed U.C. Davis football, watching over their grandsons, and volunteering at St. James Catholic Church in Davis. He was very committed to his work and family. We all "reckon" that society today could use more Walt Spiveys in the world, he will truly be missed.

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This publication was prepared in the Division of Marketing Services, Dairy Marketing Branch by:

Cost of Production Unit Staff

Mike Francesconi, Supervisor
 David DaSilva Carl Matz
 Mirek Wilczek Richard Walker
 Cindy (Davis) Prentice

In Cooperation With:

Dairy Marketing Branch's
 Economics, Statistics, and
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 Ron Bosecker, Administrator;
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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.



Department of Food and Agriculture

A.G. Kawamura, Secretary
 Dairy Marketing Branch

1220 N Street, Sacramento, CA 95814
 (916) 341-5988 / www.cdfa.ca.gov/dairy

Introduction

Introduction

The Dairy Marketing Branch, Cost of Production Unit (COP) is pleased to present the thirteenth edition of the California Cost of Production Annual Summary. The 2009 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 & Agricultural 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.

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 milk production 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. All published data is subject to revision.

Available on Website . . .

COP Secure Website

The COP has developed a secure website called the "Cost of Production Unit Document Library." The secure website allows participants to access their

financial information that is compiled into reports labeled Feedback, Cost Comparison, and other specialized reports. This site has been developed to make sure that confidential and personal information



will not be compromised. Each participant received a username and password to access the secure website.

This website has been created to provide information in a timely manner and to store historical information. A link is located at the Department's Dairy Marketing Branch website that will take you to the Document Library. This link for the website is located at <http://www.cdfa.ca.gov/dairy/>, click on Cost of Production and a link for the secure website will be at this location.

COP Public Documents

The COP is always looking for ways to provide valuable information to the dairy industry. Quarterly and annual cost of production reports are posted to the Dairy Marketing Branch website. 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.



The Cost of Production in 2009

California Dairy Industry, 2009

The year 2009 was very difficult for the dairy industry. Historic low class prices, high cost of production and economic conditions making credit availability very tight was the story throughout the year. Excess milk production nationwide sent milk prices plunging, causing most dairy producers to reduce their herd size and others to leave the business. The economic climate, low milk prices and high costs caused significant loss of equity for many dairy producers. At year-end for 2009, there were a total of 1,752 dairies operating in California. This equates to a "net" loss of 100 total dairies compared to 2008. This net loss includes dairies that have gone out of business, relocated, or merged, and also includes new dairies.

Milk Production

California milk production recorded a net decrease for every month in 2009 compared to the same month in 2008. The year finished at a negative 4.1 percent (-1.7 billion pounds) compared to production totals for 2008. The 4.1 percent decline was the largest loss of production percentage ever recorded in California. The last year-to-year decline in milk production was in 1979. The production base caps initiated in 2008 by some California cooperatives and processing plants continued into 2009 and when combined with the four herd retirement programs, played a role in reduced milk production levels. Other factors affecting the

decline in milk production were: fewer dairies; high feed prices which encouraged producers to change to cheaper feed rations; low milk prices; and some producers limiting the size of their herds to comply with air and water regulations.

Utilization

Utilization in 2009 continued the course of the past few years with Class 4a (butter and nonfat dry milk) production playing a major role in how plants utilized the milk supply. Class 4a utilization increased to 35 percent in 2009. California nonfat dry milk production increased 1.6 percent and butter production decreased 6.3 percent as compared to 2008. The total cheese production in California continued the downward trend of the previous year recording 2.6 percent less total production than 2008. With the weak economy, cheese consumption by consumers was not as robust as a few years ago; however, some cheese plants across the country were in the midst of expansion projects. The gain in utilization of Class 4a played a role in the decrease in the Class 4b (Cheese) utilization, which fell from 43 percent to 40 percent. Mozzarella, Cheddar, and Jack cheeses accounted for 85 percent of all cheese produced in California. All types of cheese showed a decrease in production compared to 2008, with the exception of Hispanic cheese which recorded a 3.5 percent increase. The utilization of pooled milk in Class 1 (fluid milk) products increased to 15.3 percent, up from 14.3 percent in 2008.

Milk Prices

The record setting annual average mailbox milk price paid to producers in 2007 of \$17.54 per cwt. fell dramatically in 2009 to \$11.02/cwt.. The average mailbox milk price of \$11.02 per cwt. (low: \$9.60, high: \$15.33), was down 32 percent from the average prices paid to producers in 2008. The collapse of the dairy export market contributed to commodity prices being at or near the USDA support price levels which resulted in the low class prices in most of 2009. The government's purchase of the commodities of nonfat dry milk and butter was an example



The Cost of Production in 2009



period of February to July 2009 which was then doubled to approximate a year's worth of production. Producers received an estimated payment rate of \$0.32 per cwt., up to a six million pound production cap.

On July 31, 2009, USDA announced a temporary increase in the support price for nonfat dry milk and cheese. This increase raised the support price for nonfat dry milk from \$0.80 per pound to \$0.92 per pound, the price for Cheddar blocks from \$1.13 per pound to \$1.31 per pound,

and the price for Cheddar barrels from \$1.10 per pound to \$1.28 per pound. The increase was in place from August 2009 through October 2009.

of the national market imbalance of milk supply and dairy product demand (partly caused by the economic conditions of the financial markets). The last quarter of 2009 brought subtle positive changes in the commodity prices and class prices slowly inched upward.

Federal Government Producer Programs

The federal Milk Income Loss Contract (MILC) program was renewed in 2009 with a new feed cost adjuster added to the formula. Low class prices initiated payments to producers for 10 months in 2009, ranging from \$0.37-\$2.01 per cwt. In addition, the USDA implemented the Dairy Economic Loss Assistance Payment Program authorizing \$290 million for loss assistance payments to eligible producers. The USDA Farm Services Agency used the existing data it had on each dairy's milk production during the six-month

Hearings and Related Issues

On November 9, 2009, a public hearing was held on an emergency basis in response to stakeholder petitions citing 2009 as being one of the most challenging years for dairy producers. The petitions noted that producers were experiencing financial challenges brought about by low milk prices and high production costs. The hearing considered increases, both temporary and permanent, in the

Class 1, 2, 3, 4a, and 4b prices. As a result of the November 9, 2009 milk pricing hearing, the Department amended the Class 1, 2, 3, 4a and 4b pricing formulas on a temporary basis for the period January 1, 2010 to March 31, 2010. The estimated effect of these changes, on average, increased the monthly pool prices for the three months by approximately \$0.155 per cwt.





Cooperatives Working Together

The Cooperatives Working Together Program (CWT) is a voluntary, producer-funded, national program that has been in existence since 2003. According to CWT, the purpose of this program is to strengthen milk prices and bring stability through herd retirement and export assistance programs. Heading into 2009, CWT staff had determined that decisive action needed to be taken to reverse the plunge in milk prices. CWT economists estimated that due to the global economic recession that was reducing demand; over five billion pounds of milk production capacity would have to be removed from the market to accelerate milk price recovery. To get the job done, CWT member cooperatives and individual producer members, representing 67 percent of U.S. milk production, were asked to make a two-year investment commitment at \$0.10 cents per cwt. Starting in the spring of 2009, with

resources secured, CWT began implementing a series of herd retirements. Nationally the CWT Program completed four rounds of herd retirements between December 2008 and December 2009. These four herd retirement programs removed 252,000 cows from the milking herd and decreased milk production by approximately five billion pounds.

Environmental Issues and Regulations

Air and water regulations continue to march forward as rules and regulations were adopted for air quality and new timelines arrived for the Waste Discharge Requirements (WDR). In addition to being experts at milking cows, dairy producers are responsible for being environmental stewards of the land they farm. To operate a successful dairy business in California today, producers have to satisfy the environmental requirements of the federal, state, and local governmental agencies. The following are some of the issues, requirements and regulations for air and water that producers faced in 2009.

Air Regulations

Dairy producers located in the San Joaquin Valley are regulated under the San Joaquin Valley Air Pollution Control District (SJVAPCD) Rules 4570 and 4550 to reduce volatile organic compounds, ammonia, methane, and PM10. SJVAPCD inspectors were actively in the field verifying record keeping and checking for compliance.

On December 12, 2008, the California Air Resources Board approved a new regulation to significantly reduce emissions from existing on-road diesel vehicles operating in California. The regulation requires affected trucks and buses to meet performance requirements between 2011 and 2023. By January 1, 2023, all vehicles must have a 2010 model year engine or equivalent. Trucks used on agricultural operations, including dairies, have received some exemptions from the new rule. The agricultural exemptions were granted due to the types of uses the vehicles are subject to and the economic impact the rule would have on agriculture. To obtain the exemption status, dairy

The Cost of Production in 2009

producers were required to file for the exemption by March 31, 2010. For details on regulations on agricultural vehicle provisions go to <http://www.arb.ca.gov/msprog/onrdiesel/documents/tbagfs.pdf>

Water Regulations

Dairy producers in the San Joaquin Valley were busy working with consultants and engineers to complete the Annual Report due on July 1st of each year, and other deliverables



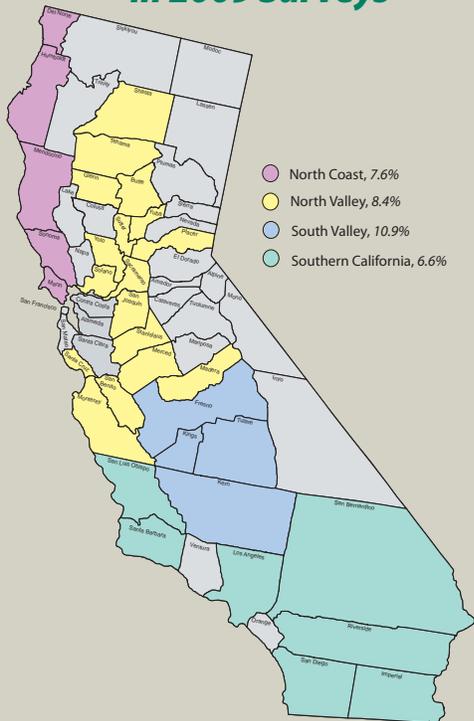
to meet regulations under the Waste Discharge Requirements (WDR) General Order No. R5-2007-0035 for existing milk cow dairies which are carried out by the Central Valley Regional Water Quality Control Board (Region 5). In addition to completing weekly and monthly monitoring for the WDR, on July 1, 2009, producers were required to complete the final step of a three-step Nutrient Management Plan. The third phase was to document the interim facility modifications completed and identify those that were proposed but not completed to balance nitrogen. Dairy facilities were also required to turn in a Salinity Report on July 1, 2009.

Dairy facilities were scheduled to complete a Waste Management Plan (WMP) signed by a civil engineer by July 1, 2009, but were granted a one-year extension. The Central Valley Regional Water Quality Control Board unanimously approved a request submitted by the Dairy CARES coalition to allow additional time for dairies to prepare waste management plans. The WMP will spell out what improvements are needed to adequately manage manure and water, and include a schedule for completion. At the end of 2009, the Central Valley Regional Water Control Board had selected approximately 25 dairies that were notified in January of 2010 to develop a monitoring well plan.

California Cost of Production

The 2009 Cost of Production Summary reports that feed costs and total production costs decreased by 10.6 and 8 percent respectively from a year ago. However, the mailbox milk price that represents

Cost of Production Survey Areas, Percent of Dairy Farms Participating in 2009 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 2009, 161 dairy farms (9.2%) in California were surveyed on a quarterly basis.

The Cost of Production in 2009

income for milk sold decreased by 29 percent compared to 2008 (see graph). When reviewing the last five quarters of costs, starting with fourth quarter 2008 through fourth quarter 2009, dairy producers on average operated at a loss, except for the last quarter of 2009. In the fourth quarter of 2009, lower prices for hay and silage fed and higher milk prices received for milk sold showed income covering expenses.



One of the biggest concerns in early 2009 was processing capacity and securing a home for all of the milk produced in the state. Producers were asked by major cooperatives and some proprietary handlers to limit milk production growth. In addition, there were a number of disruptions in processing plants, caused by equipment malfunction, leading to rerouting of milk and production restrictions. The second half of the year brought some relief to limited processing capacity and by the end of 2009, some production caps were lifted.

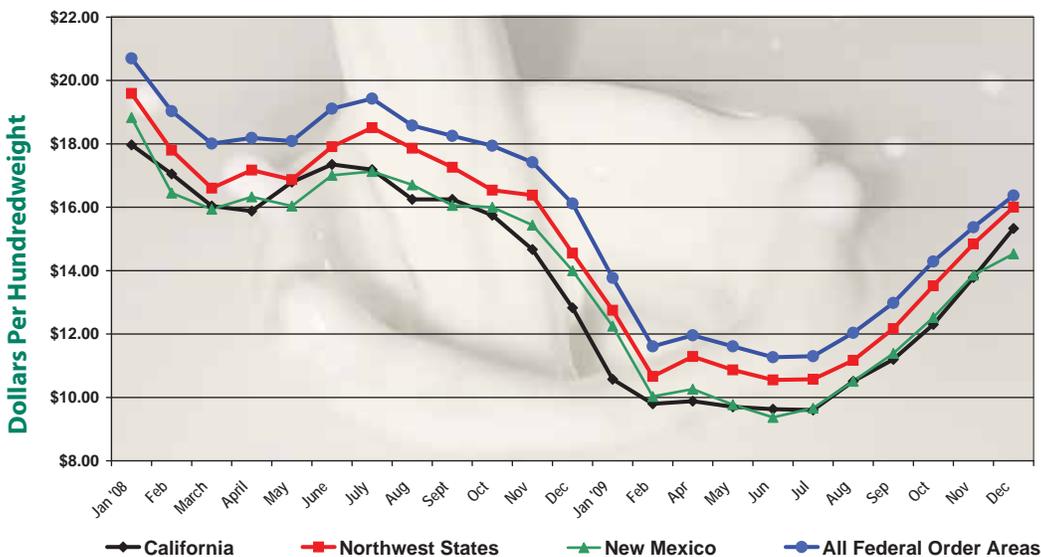
reviewing the feed cost per cwt. over the last four quarters, this transition into new feed prices paid for hay and silage is the reason feed costs decreased as the year advanced. To illustrate this gradual decrease in feed costs, in first quarter 2009, feed cost per cwt. averaged \$9.82 and by fourth quarter averaged \$7.96, a decline of 18.9 percent. Feed costs per cwt. compared to a year ago decreased by 10.6 percent but milk income decreased at a higher percentage. On average for 2009, income for milk covered just 74 percent of the total feed cost.

Producers entered the year with high inventory cost for hay and silage. As this inventory was depleted, producers were able to incorporate new crop hay and silage into feed rations that were less expensive compared to a year ago. When

As the financial institutions tightened their lending criteria, it became a challenge for many producers to secure financing to cover operating costs. As

the economy weakened and milk prices dropped, the value of dairy cows also declined. Cow values dropped to approximately \$1,200 per head, a decline of 33 percent compared to the cow values in August 2008. Banks generally lend up to between 65-75 percent of the cow values. There is some pressure for producers to look at risk management tools as an option to better deal with the volatility of high and low milk prices. The one positive was that interest rates were historically low.

**Mailbox Milk Prices for Selected States and the All Federal Milk Order Prices
January 2008 - December 2009**



The Cost of Production in 2009



North Coast

The changing status of Humboldt Creamery (Humboldt) was a significant event for this area in 2009. In February 2009, the CEO of Humboldt resigned and notified the Board of Directors there were some financial inaccuracies that needed to be reviewed. Humboldt declared bankruptcy on April 22, 2009. On September 1, 2009, Foster Farms purchased the Humboldt plant in Fortuna and the cold storage facility in Stockton from the

There are a lot of unknowns and many questions to be answered such as: will the demand pick up for dairy products domestically and internationally; will forages grown for dairy cows in California be affected by the limited water deliveries expected in the summer of 2010; and will grain commodity prices increase, decrease or hold?

New regulations regarding rendering plants went into effect in 2009. The new regulations resulted in increased rates dairy producers were being charged for pick up. Rendering plants required dairy producers to identify the age of the animal and comply with all the new regulations or they would not pick up their animals.

California Production Cost Areas

The Department breaks down cost of production into four geographical regions called North Coast, North Valley, South Valley, and Southern California. Since California is such a long state, in terms of distance from north to south, each area has its own unique way of dairying due to climate differences and feed availability. The following are unique issues that pertain to each area.

bankruptcy court. The Humboldt Creamery Cooperative was dissolved. Most of the Humboldt shippers became members of Dairy Farmers of America and a few began shipping to Rumiano Cheese. A ripple effect was felt by vendors that did business with Humboldt and their producers as they were all waiting for payment.

In the Petaluma area, the water supply was an issue for a number of dairies during the dry months of 2009. Due to the lack of rainfall, the groundwater table reached a level that forced some dairy producers to have water delivered by tanker trucks, in order to avoid having their wells run dry.



The North Coast area is unique in that most of the dairies are small compared to the rest

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 58.

The Cost of Production in 2009

of California and have access to pasture which makes them ideal candidates for organic milk production. The production of organic milk has stabilized as the demand for organic milk products in the current economic climate has done the same. Organic milk processors have put a cap on the amount of organic milk they will accept. However, this area continues to have a large consumer base that favors organic milk.

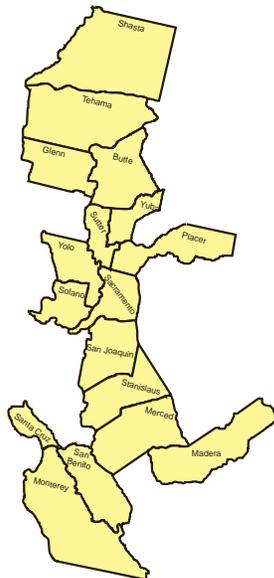
This region represents 2.6 percent of the state's total milk production. This area had a decline of five dairies in 2009, primarily in Marin County. These herds either participated in the CWT herd buyout program or just decided to get out of the dairy business.



North Valley

The North Valley region had a net loss of 68 dairies in 2009 due mainly to record low milk prices, high feed prices, and the challenges in obtaining bank loans.

The three counties in California with the largest net loss of dairies were located in the North Valley with Merced County showing a net loss of 29 dairies, Glenn County showing a net loss of 14 dairies, and Stanislaus County recording a net loss of 13 dairies. Milk production in the North Valley represents 34.3 percent of the state's milk production, a decline of 2.6 percent as compared to 2008.



In 2009, Grade B milk production more than doubled from the previous year in the North Valley. Producers

made the decision to market their milk as Grade B, speculating that the Class 4b price would be higher than the overbase price, which was the case for ten months in 2008. In 2009, the Class 4b price was higher than the overbase price for eight months. In addition, proprietary plants are allowed to forward contract with Grade B producers without following the same pricing rules for Grade A milk regarding being below the minimum price for market milk.

In May 2009, North Valley became the home for a new milk cooperative, the Pacific Gold Milk Producers. This new cooperative was formed primarily by former Crystal shippers who lost their contracts in 2008. This coop is a marketing organization shipping milk to many different milk processors and having no processing facility of its own. Saputo Cheese has expanded its processing capacity by purchasing F&A Cheese in Newman.

South Valley

The South Valley continues to be the largest milk producing area in the state producing 55.3 percent of the total milk. Total milk production in South Valley decreased by 1.5 percent, but its share of total milk production in the state increased by 3 percent, the only area to show an increase. There was a net loss of 24 dairies in South Valley, with Tulare County recording the largest net loss of 10 dairies.



The Cost of Production in 2009

Plant expansion at Land O'Lakes (LOL), California Dairies, Inc. (CDI), and Leprino Foods were ongoing to accommodate additional milk. The LOL Tulare butter plant expansion was completed in March 2009, and has plans to expand its cheese and whey facility.

The CDI expansion doubled its nonfat dry milk output in Visalia. In November 2009, the dryer started up for production for the first time. The Leprino Foods cheese plant expansion in Lemoore became operational in 2009.

Persistent drought throughout 2009 brought new challenges to farms, orchards and

the entire agricultural community in the valley. Low water availability for irrigation led to lower crop plantings and decreased farming activities in general.

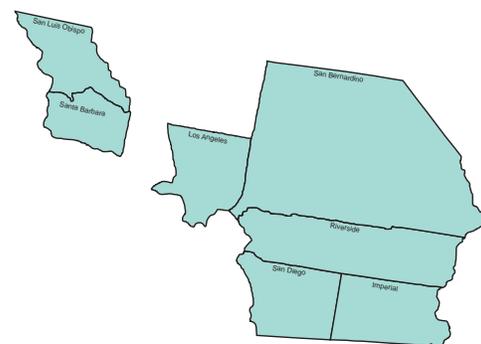
Less water available for farmers caused growers of tomatoes to move towards the Hanford area to land that had well water available. Due to crops migrating to the Hanford area, land used traditionally for corn silage or alfalfa was converted to other crops. This reduction in available acreage could lead to shortages in silage and hay in the future. Also, sorghum is growing in popularity in Kings County because it requires less water to grow in comparison to many other crops.

Southern California

In general, Southern California producers have their land paid for or are on rented facilities and most often only borrow operating capital against the value of their cows. However, this year many producers were borrowing against their land as well. Land values were being appraised at around \$100,000 per acre, a contrast from the \$500,000 per acre experienced a few years ago.

The total number of dairy operations and dairy cows continued to decline. In 2009, Southern California saw a net decrease of 12 dairies and roughly 16,000 cows, a decrease of 10.5 percent. Southern California milk production in 2009 represented 7.8 percent of total milk production in the state.

Looking back at the period 2001-2009, Southern California had major declines in total dairies, cows and production. For this time period, there was a decrease in the number of dairy operations by 53 percent from 294 to 137, the dairy cows numbers decreased by 47 percent from 266,000 to 140,000 and milk production declined by 47 percent from 5.5 billion pounds to 2.9 billion pounds.



California Production Cost Summary

Cost Comparison Summary

(All Costs in Dollars Per Hundredweight)

Total Feed Costs	\$8.77
Total Hired Labor Costs	\$1.57
Total Replacement Costs	\$1.50
Total Operating Costs	\$2.80
Total Milk Marketing Costs	\$0.52
Total Cost (\$/cwt)	\$15.16
Allowance: Return on Investment	\$1.24
Allowance: Return on Management	\$0.46
Total All Costs and Allowances	\$16.86

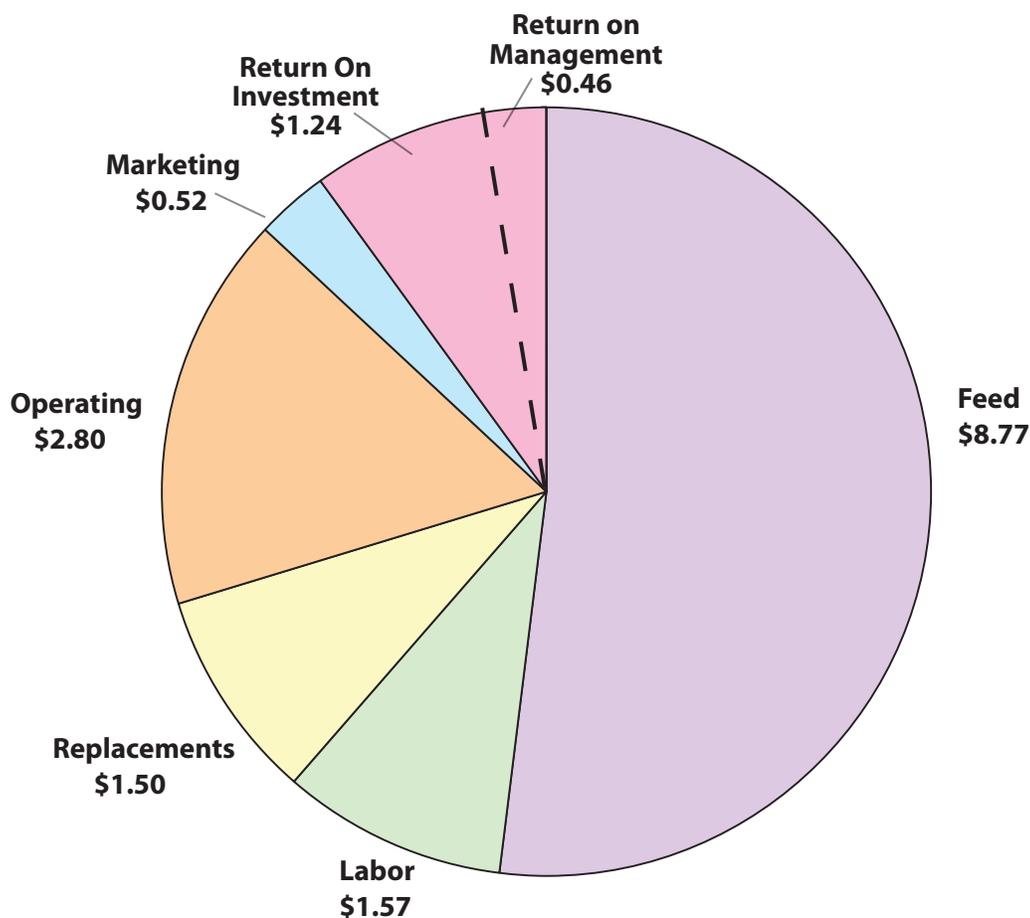
* Data totals may not add up to column figures due to rounding.

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 Agricultural Code, Section 62062).

Cost Comparison Summary, 2009 (Cost per Hundredweight)



California Production Cost Summary

California Production Cost Summary, 2009

All costs: per cow per month, unless noted	2008 Average	North Coast	North Valley	South Valley	Southern California	2009 Average	Percent Change
Number of Herds	157	14	66	58	7	145	
Feed Costs							
a. Dry Roughage	\$48.10	\$50.97	\$36.73	\$41.41	\$52.21	\$40.89	-15.0%
b. Wet Feed & Wet Roughage	\$32.63	\$9.65	\$33.07	\$33.47	\$16.13	\$31.36	-3.9%
c. Concentrates	\$86.84	\$69.81	\$73.90	\$77.72	\$66.98	\$75.37	-13.2%
d. Minerals & Supplements	\$7.98	\$2.33	\$8.91	\$6.95	\$4.13	\$7.28	-8.8%
e. Pasture	\$1.37	\$27.68	\$1.46	\$0.00	\$0.00	\$1.21	-11.2%
Total Feed Costs	\$176.92	\$160.44	\$154.06	\$159.54	\$139.44	\$156.11	-11.8%
Total Feed Costs (\$/cwt.)	\$9.82	\$11.08	\$8.67	\$8.87	\$7.94	\$8.77	-10.6%
Total Feed Costs (% of total cost)	59.6%	58.4%	57.3%	58.4%	55.9%	57.9%	
Total Hired Labor	\$28.21	\$34.58	\$29.48	\$26.70	\$27.92	\$27.96	-0.9%
Total Hired Labor Costs (\$/cwt.)	\$1.57	\$2.39	\$1.66	\$1.48	\$1.59	\$1.57	0.4%
Total Labor Costs (% of total cost)	9.5%	12.6%	11.0%	9.8%	11.2%	10.4%	
Herd Replacement	\$41.48	\$29.87	\$30.62	\$33.34	\$33.18	\$32.31	-22.1%
Less: Calf. Income (\$/cow/month)	\$12.00	\$5.35	\$5.29	\$5.89	\$5.47	\$5.64	-53.0%
Total Herd Replacement	\$29.48	\$24.52	\$25.33	\$27.45	\$27.70	\$26.67	-9.5%
Total Replacement Costs (\$/cwt.)	\$1.64	\$1.69	\$1.43	\$1.53	\$1.58	\$1.50	-8.4%
Total Replacement Costs (% of total cost)	9.9%	8.9%	9.4%	10.1%	11.1%	9.9%	
Operating Costs							
a. Utilities	\$5.31	\$7.53	\$5.53	\$4.96	\$4.81	\$5.21	-2.0%
b. Supplies	\$9.55	\$10.04	\$9.83	\$9.36	\$7.94	\$9.43	-1.3%
c. Veterinary & Medicine	\$6.96	\$4.43	\$6.98	\$6.09	\$5.35	\$6.29	-9.6%
d. Outside Services	\$3.89	\$2.40	\$3.84	\$3.68	\$3.44	\$3.69	-5.3%
e. Repairs & Maintenance	\$6.84	\$6.10	\$6.37	\$5.65	\$5.44	\$5.89	-13.9%
f. Miscellaneous	\$2.16	\$1.75	\$1.69	\$2.39	\$1.73	\$2.08	-3.7%
g. Bedding & Manure Haul	\$1.46	\$2.70	\$1.20	\$1.21	\$2.69	\$1.36	-6.9%
h. Fuel & Oil	\$3.65	\$2.95	\$2.37	\$2.34	\$2.03	\$2.34	-35.9%
i. Interest Expense	\$1.45	\$0.62	\$1.02	\$1.93	\$1.56	\$1.56	7.6%
j. R E Lease Expense	\$3.54	\$1.35	\$3.47	\$4.38	\$4.48	\$4.00	12.9%
k. Depreciation	\$6.02	\$4.88	\$6.47	\$6.41	\$2.67	\$6.10	1.4%
l. Taxes & Insurance	\$1.76	\$1.74	\$1.95	\$1.80	\$1.76	\$1.85	4.7%
Total Operating Costs	\$52.61	\$46.48	\$50.73	\$50.20	\$43.90	\$49.79	-5.4%
Total Operating Costs (\$/cwt.)	\$2.92	\$3.21	\$2.85	\$2.79	\$2.50	\$2.80	-4.1%
Total Operating Costs (% of total costs)	17.7%	16.9%	18.9%	18.4%	17.6%	18.5%	
Milk Marketing Costs							
a. Hauling	\$6.48	\$5.80	\$5.85	\$5.81	\$7.36	\$5.95	-8.3%
b. State Assessments	\$2.37	\$2.35	\$2.39	\$2.38	\$2.40	\$2.39	0.8%
c. Federal Assessments & Misc. Ded.	\$0.96	\$0.67	\$0.92	\$0.98	\$0.93	\$0.95	-1.6%
Total Milk Marketing Costs	\$9.81	\$8.82	\$9.16	\$9.18	\$10.69	\$9.28	-5.4%
Total Milk Marketing Costs (\$/cwt.)	\$0.54	\$0.61	\$0.52	\$0.51	\$0.61	\$0.52	-4.2%
Total Milk Marketing Costs (% of total costs)	3.3%	3.2%	3.4%	3.4%	4.3%	3.4%	
Total Cost (\$/Cow/Month)	\$297.03	\$274.85	\$268.76	\$273.07	\$249.66	\$269.81	-9.2%
Total Cost (\$/cwt)	\$16.48	\$18.98	\$15.12	\$15.18	\$14.21	\$15.16	-8.0%
Return on Investment and Management							
a. Allowance: Return on Investment (\$/cwt.)	\$1.33	\$1.50	\$1.24	\$1.25	\$0.99	\$1.24	-6.8%
b. Allowance: Return on Management (\$/cwt.)	\$0.67	\$0.49	\$0.46	\$0.46	\$0.47	\$0.46	-31.3%
Total Costs and Allowances (\$/cwt)	\$18.48	\$20.97	\$16.82	\$16.89	\$15.67	\$16.86	-8.8%
Milk Production Data							
a. Milk Sold/Total Cow/Month/ (cwt.)	18.02	14.48	17.77	17.99	17.57	17.79	-1.3%
b. Lbs Milk Sold/milk cow/day	68.37	56.26	67.75	68.60	66.60	67.83	-0.8%
f. Fat Test %	3.72%	3.83%	3.85%	3.65%	3.50%	3.72%	
g. SNF Test %	8.83%	8.87%	8.92%	8.83%	8.75%	8.86%	
Related Data							
l. Total Cows	1,239	300	1,054	1,737	1,199	1,261	1.8%
m. Average Total Investment per Cow	\$2,931	\$2,704	\$2,876	\$2,900	\$2,130	\$2,827	-3.5%
Milk Volume Percentages	100.00%	2.58%	34.34%	55.27%	7.81%	100.00%	



California 5-Year Production Cost Summary

California 5-Year Production Cost Summary

All costs: per cow per month, unless noted	2005 Average	2006 Average	2007 Average	2008 Average	2009 Average
Number of Herds	186	179	166	157	145
Feed Costs					
a. Dry Roughage	\$31.66	\$32.60	\$37.92	\$48.10	\$40.89
b. Wet Feed & Wet Roughage	\$20.18	\$21.76	\$25.57	\$32.63	\$31.36
c. Concentrates	\$58.53	\$59.42	\$69.61	\$86.84	\$75.37
d. Minerals & Supplements	\$6.38	\$6.54	\$6.67	\$7.98	\$7.28
e. Pasture	\$0.49	\$0.50	\$0.79	\$1.37	\$1.21
Total Feed Costs	\$117.24	\$120.83	\$140.55	\$176.92	\$156.11
Total Feed Costs (\$/cwt.)	\$6.59	\$6.84	\$7.84	\$9.82	\$8.77
Total Feed Costs (% of total Cost)	49.1%	54.1%	56.1%	59.6%	57.9%
Total Hired Labor	\$27.46	\$26.93	\$27.17	\$28.21	\$27.96
Total Hired Labor Costs (\$/cwt.)	\$1.54	\$1.53	\$1.52	\$1.57	\$1.57
Total Labor Costs (%of total cost)	11.5%	12.1%	10.9%	9.5%	10.4%
Herd Replacement	\$32.54	\$34.94	\$37.24	\$41.48	\$32.31
Less: Calf. Income (\$/cow/month)	\$17.44	\$15.41	\$12.96	\$12.00	\$5.64
Total Herd Replacement	\$15.10	\$19.53	\$24.28	\$29.48	\$26.67
Total Replacement Costs (\$/cwt.)	\$0.85	\$1.11	\$1.35	\$1.64	\$1.50
Total Replacement Costs (%of total cost)	7.0%	8.7%	9.7%	9.9%	9.9%
Total Operating Costs	\$45.92	\$47.00	\$49.20	\$52.61	\$49.79
Total Operating Costs (\$/cwt.)	\$2.58	\$2.66	\$2.74	\$2.92	\$2.80
Total Operating Costs (%of total costs)	21.4%	21.1%	19.7%	17.7%	18.5%
Milk Marketing Costs					
a. Hauling	\$5.26	\$5.62	\$5.90	\$6.48	\$5.95
b. State Assessments	\$2.35	\$2.35	\$2.31	\$2.37	\$2.39
c. Federal Assessments & Misc. Ded.	\$0.95	\$0.94	\$0.94	\$0.96	\$0.95
Total Milk Marketing Costs	\$8.55	\$8.90	\$9.16	\$9.81	\$9.28
Total Milk Marketing Costs (\$/cwt.)	\$0.48	\$0.50	\$0.51	\$0.54	\$0.52
Total Milk Marketing Costs (% of total costs)	3.6%	4.0%	3.7%	3.3%	3.4%
Total Cost (\$/Cow/Month)	\$214.27	\$223.19	\$250.35	\$297.03	\$269.81
Total Cost (\$/cwt)	\$12.05	\$12.64	\$13.96	\$16.48	\$15.16
Milk Production Data					
a. Milk Sold/Total Cow/Month/ (cwt.)	17.78	17.66	17.93	18.02	17.79
b. Lbs Milk Sold/milk cow/day	67.68	67.17	68.41	68.37	67.83
c. Gross Milk Receipts (\$/cwt)	\$14.15	\$11.83	\$18.33	\$17.14	\$11.92
d. Mailbox Price (\$/cwt)	\$13.95	\$11.58	\$17.82	\$16.66	\$11.82
f. Fat Test %	3.70%	3.72%	3.72%	3.72%	3.72%
g. SNF Test %	8.81%	8.83%	8.83%	8.83%	8.86%
h. Lbs Fat Sold/milk cow/month	76.1	76.1	77.4	77.5	76.6
i. Lbs SNF Sold/milk cow/month	181.3	180.3	183.8	184.2	182.7
j. Percent Quota	N/A	32.1%	30.5%	29.2%	28.6%
Related Data					
a. Percent Dry Cows	14%	13%	14%	14%	14%
b. Yearly Cull Rate	34%	32%	34%	37%	38%
c. Avg. Value (/Drop Bull Calf)	\$135.28	\$108.58	\$44.46	\$11.40	\$15.52
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$163.79	\$169.17	\$187.25	\$235.96	\$186.93
e. Grain, Mnrls & Splmnts (\$/ton)	\$163.57	\$172.55	\$211.61	\$271.04	\$240.97
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	29.6	29.7	28.4	27.7	26.6
g. Milkers (\$/hr with benefits & taxes)	\$13.33	\$13.29	\$13.70	\$13.91	\$13.68
h. Total Labor (\$/hr)	N/A	\$13.80	\$14.30	\$14.60	\$14.43
i. Milk Cow Feed Costs (\$/Cow/Day)	\$4.15	\$4.26	\$4.98	\$6.23	\$5.52
j. Milk Cow Feed Costs (\$/cwt.)	\$6.13	\$6.35	\$7.28	\$9.12	\$8.14
k. Milk Cows	866	914	989	1,070	1,087
l. Total Cows	1,002	1,058	1,148	1,239	1,261
m. Average Total Investment per Cow	N/A	\$2,788	\$2,827	\$2,931	\$2,827



California Quarterly Production Cost Summary

California Quarterly Production Cost Summary

All costs: per cow per month, unless noted	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2009 Average
Number of Herds	149	150	148	145	
Feed Costs					
a. Dry Roughage	\$51.70	\$44.12	\$35.18	\$33.47	\$40.89
b. Wet Feed & Wet Roughage	\$36.03	\$34.58	\$30.07	\$24.82	\$31.36
c. Concentrates	\$78.98	\$79.73	\$69.35	\$72.01	\$75.37
d. Minerals & Supplements	\$8.43	\$7.32	\$6.69	\$7.00	\$7.28
e. Pasture	\$1.01	\$2.01	\$1.31	\$0.76	\$1.21
Total Feed Costs	\$176.14	\$167.77	\$142.60	\$138.05	\$156.11
Total Feed Costs (\$/cwt.)	\$9.82	\$9.07	\$8.26	\$7.97	\$8.77
Total Feed Costs (% of total Cost)	58.9%	59.0%	56.5%	56.7%	57.9%
Total Hired Labor	\$27.61	\$28.02	\$27.88	\$28.00	\$27.96
Total Hired Labor Costs (\$/cwt.)	\$1.55	\$1.52	\$1.62	\$1.62	\$1.57
Total Labor Costs (%of total cost)	9.3%	9.9%	11.0%	11.5%	10.4%
Herd Replacement	\$37.82	\$35.27	\$29.67	\$26.31	\$32.31
Less: Calf Income (\$/Cow/Month)	\$2.53	\$5.65	\$6.55	\$7.74	\$5.64
Total Herd Replacement	\$35.29	\$29.62	\$23.12	\$18.57	\$26.67
Total Replacement Costs (\$/cwt.)	\$1.96	\$1.60	\$1.34	\$1.07	\$1.50
Total Replacement Costs (%of total cost)	12.7%	12.4%	11.8%	7.6%	9.9%
Total Operating Costs	\$50.48	\$49.24	\$49.76	\$49.69	\$49.79
Total Operating Costs (\$/cwt.)	\$2.81	\$2.66	\$2.88	\$2.87	\$2.80
Total Operating Costs (%of total costs)	16.9%	17.3%	19.7%	20.4%	18.5%
Milk Marketing Costs					
a. Hauling	\$6.04	\$6.11	\$5.78	\$5.79	\$5.95
b. State Assessments	\$2.40	\$2.48	\$2.33	\$2.33	\$2.39
c. Federal Assessments & Misc. Ded.	\$0.96	\$0.97	\$0.92	\$0.93	\$0.95
Total Milk Marketing Costs	\$9.40	\$9.57	\$9.03	\$9.05	\$9.28
Total Milk Marketing Costs (\$/cwt.)	\$0.52	\$0.52	\$0.52	\$0.52	\$0.52
Total Milk Marketing Costs (% of total costs)	3.2%	3.4%	3.6%	3.7%	3.4%
Total Cost (\$/Cow/Month)	\$298.92	\$284.21	\$252.38	\$243.37	\$269.81
Total Cost (\$/cwt)	\$16.67	\$15.37	\$14.62	\$14.05	\$15.16
Milk Production Data					
a. Milk Sold/Total Cow/Month/ (cwt.)	17.96	18.51	17.28	17.35	17.79
b. Lbs Milk Sold/milk cow/day	68.53	70.22	65.90	66.17	67.83
c. Gross Milk Receipts (\$/cwt)	\$11.14	\$10.72	\$11.35	\$14.56	\$11.92
d. Mailbox Price (\$/cwt)	\$10.99	\$10.62	\$11.21	\$14.44	\$11.82
f. Fat Test %	3.77%	3.62%	3.62%	3.83%	3.72%
g. SNF Test %	8.86%	8.82%	8.79%	8.94%	8.86%
h. Lbs Fat Sold/milk cow/month	78	77	73	78	77
i. Lbs SNF Sold/milk cow/month	183	188	178	181	183
j. Percent Quota	27%	28%	31%	29%	29%
Related Data					
a. Percent Dry Cows	13%	13%	14%	14%	14%
b. Yearly Cull Rate	36%	37%	37%	38%	38%
c. Avg. Value (/Drop Bull Calf)	\$11.84	\$15.39	\$15.63	\$19.54	\$15.52
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$245.23	\$202.63	\$155.69	\$149.44	\$186.93
e. Grain, Mnrls & Splmnts (\$/ton)	\$253.34	\$249.72	\$231.83	\$229.80	\$240.97
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	27.05	26.93	25.41	26.71	26.62
g. Milkers (\$/hr with benefits & taxes)	\$13.67	\$13.54	\$13.48	\$13.80	\$13.68
h. Total Labor (\$/hr)	\$14.36	\$14.26	\$14.25	\$14.67	\$14.43
i. Milk Cow Feed Costs (\$/Cow/Day)	\$6.26	\$5.90	\$5.01	\$4.89	\$5.52
j. Milk Cow Feed Costs (\$/cwt.)	\$9.14	\$8.39	\$7.61	\$7.39	\$8.14
k. Milk Cows	1,082	1,085	1,075	1,087	1,087
l. Total Cows	1,245	1,250	1,257	1,271	1,261
m. Average Total Investment per Cow	\$2,917	\$2,881	\$2,818	\$2,718	\$2,827



North Coast Cost Comparison

North Coast Production Cost Summary, 2009

All costs: per cow per month, unless noted	2008 Average	Organic	Conventional	2009 Average	Percent Change 2009 vs. 2008
Number of Herds	15	7	7	14	
Feed Costs					
a. Dry Roughage	\$59.54	\$50.15	\$51.57	\$50.97	-14.4%
b. Wet Feed & Wet Roughage	\$11.45	\$12.84	\$7.27	\$9.65	-15.7%
c. Concentrates	\$91.80	\$77.79	\$63.85	\$69.81	-24.0%
d. Minerals & Supplements	\$1.99	\$3.22	\$1.67	\$2.33	17.2%
e. Pasture	\$26.92	\$38.41	\$19.67	\$27.68	2.8%
Total Feed Costs	\$191.70	\$182.41	\$144.03	\$160.44	-16.3%
Total Feed Costs (\$/cwt.)	\$12.84	\$14.05	\$9.23	\$11.08	-13.7%
Total Feed Costs (% of total Cost)	63.6%	62.8%	54.7%	58.4%	
Total Hiring Labor	\$33.20	\$31.44	\$36.93	\$34.58	4.2%
Total Hiring Labor Costs (\$/cwt.)	\$2.22	\$2.42	\$2.37	\$2.39	7.4%
Total Labor Costs (%of total cost)	11.0%	10.8%	14.0%	12.6%	
Herd Replacement	\$30.84	\$29.13	\$30.42	\$29.87	-3.2%
Less: Calf. Income (\$/cow/month)	\$12.83	\$6.24	\$4.68	\$5.35	-58.3%
Total Herd Replacement	\$18.01	\$22.89	\$25.74	\$24.52	36.2%
Total Replacement Costs (\$/cwt.)	\$1.21	\$1.76	\$1.65	\$1.69	40.3%
Total Replacement Costs (%of total cost)	6.0%	7.9%	9.8%	8.9%	
Total Operating Costs	\$48.95	\$47.00	\$46.09	\$46.48	-5.04%
Total Operating Costs (\$/cwt.)	\$3.28	\$3.62	\$2.95	\$3.21	-2.13%
Total Operating Costs (%of total costs)	16.2%	16.2%	17.5%	16.9%	
Milk Marketing Costs					
a. Hauling	\$6.69	\$4.17	\$7.03	\$5.80	-13.3%
b. State Assessments	\$2.32	\$2.23	\$2.44	\$2.35	1.2%
c. Federal Assessments & Misc. Ded.	\$0.72	\$0.48	\$0.82	\$0.67	-6.8%
Total Milk Marketing Costs	\$9.73	\$6.87	\$10.28	\$8.82	-9.3%
Total Milk Marketing Costs (\$/cwt.)	\$0.65	\$0.53	\$0.66	\$0.61	-6.6%
Total Milk Marketing Costs (% of total costs)	3.2%	2.4%	3.9%	3.2%	
Total Cost (\$/Cow/Month)	\$301.59	\$290.60	\$263.08	\$274.85	-8.87%
Total Cost (\$/cwt)	\$20.21	\$22.39	\$16.86	\$18.98	-6.08%
Milk Production Data					
a. Milk Sold/Total Cow/Month/ (cwt.)	14.92	12.98	15.60	14.48	-3.0%
b. Lbs Milk Sold/milk cow/day	57.23	50.86	60.23	56.26	-1.7%
c. Gross Milk Receipts (\$/cwt)	\$21.03	\$25.48	\$12.18	\$17.27	-17.9%
d. Mailbox Price (\$/cwt)	\$20.73	\$25.59	\$11.86	\$17.12	-17.4%
f. Fat Test %	3.80%	3.98%	3.74%	3.83%	
g. SNF Test %	8.87%	8.88%	8.86%	8.87%	
h. Lbs Fat Sold/milk cow/month	66	62	68	66	-1.2%
i. Lbs SNF Sold/milk cow/month	155	137	162	152	-2.0%
j. Percent Quota	54%	56%	55%	55%	
Related Data					
a. Percent Dry Cows	14%	16%	15%	15%	
b. Yearly Cull Rate	34%	37%	47%	43%	
c. Avg. Value (/Drop Bull Calf)	\$13.27	\$13.41	\$15.19	\$14.35	8.2%
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$250.90	\$252.14	\$181.79	\$205.73	-18.0%
e. Grain, Mnrls & Splmnts (\$/ton)	\$392.53	\$469.18	\$274.33	\$371.75	-5.3%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	19.4	13.9	19.0	16.8	-13.5%
g. Milkers (\$/hr with benefits & taxes)	\$12.68	\$13.78	\$12.93	\$13.29	4.8%
h. Total Labor (\$/hr)	\$12.82	\$13.40	\$12.81	\$13.03	1.6%
i. Milk Cow Feed Costs (\$/Cow/Day)	\$6.04	\$5.29	\$4.53	\$4.86	-19.7%
j. Milk Cow Feed Costs (\$/cwt.)	\$10.56	\$10.41	\$7.53	\$8.63	-18.3%
k. Milk Cows	256	216	293	254	-0.8%
l. Total Cows	300	257	344	300	0%
m. Average Total Investment per Cow	\$2,757	\$2,843	\$2,601	\$2,704	-1.9%



North Valley Cost Comparison

North Valley Production Cost Comparison, 2009

All costs: per cow per month, unless noted	2008 Average	Under 400	401 700	701 1200	1201 Plus	2009 Average	Percent Change
Number of Herds	72	17	17	15	17	66	
Feed Costs							
a. Dry Roughage	\$42.87	\$36.37	\$37.09	\$38.16	\$36.14	\$36.73	-14.3%
b. Wet Feed & Wet Roughage	\$34.87	\$29.52	\$33.13	\$33.12	\$33.47	\$33.07	-5.2%
c. Concentrates	\$86.52	\$77.18	\$78.65	\$74.20	\$72.17	\$73.90	-14.6%
d. Minerals & Supplements	\$7.63	\$4.59	\$10.48	\$11.22	\$8.17	\$8.91	16.8%
e. Pasture	\$1.84	\$1.23	\$5.70	\$2.41	\$0.04	\$1.46	-21.0%
Total Feed Costs	\$173.72	\$148.90	\$165.05	\$159.11	\$149.99	\$154.06	-11.3%
Total Feed Costs (\$/cwt.)	\$9.63	\$8.52	\$9.12	\$9.05	\$8.43	\$8.67	-10.0%
Total Feed Costs (% of total Cost)	59.6%	54.7%	58.8%	57.7%	57.1%	57.3%	
Total Hiring Labor	\$29.59	\$33.36	\$30.25	\$30.41	\$28.45	\$29.48	-0.4%
Total Hiring Labor Costs (\$/cwt.)	\$1.64	\$1.91	\$1.67	\$1.73	\$1.60	\$1.66	1.06%
Total Labor Costs (% of total cost)	10.1%	12.3%	10.8%	11.0%	10.8%	11.0%	
Herd Replacement	\$39.39	\$31.66	\$32.02	\$31.71	\$29.72	\$30.62	-22.3%
Less: Calf. Income (\$/cow/month)	\$12.25	\$5.17	\$5.57	\$5.39	\$5.20	\$5.29	-56.8%
Total Herd Replacement	\$27.14	\$26.49	\$26.45	\$26.32	\$24.52	\$25.33	-6.7%
Total Replacement Costs (\$/cwt.)	\$1.50	\$1.51	\$1.46	\$1.50	\$1.38	\$1.43	-5.3%
Total Replacement Costs (% of total cost)	13.5%	9.7%	9.4%	9.6%	9.3%	9.4%	
Total Operating Costs	\$51.18	\$51.68	\$49.13	\$50.43	\$51.13	\$50.73	-0.89%
Total Operating Costs (\$/cwt.)	\$2.84	\$2.96	\$2.72	\$2.87	\$2.87	\$2.85	0.54%
Total Operating Costs (% of total costs)	17.5%	19.0%	17.5%	18.3%	19.5%	18.9%	
Milk Marketing Costs							
a. Hauling	\$6.71	\$7.93	\$6.37	\$6.01	\$5.39	\$5.85	-12.9%
b. State Assessments	\$2.38	\$2.69	\$2.55	\$2.38	\$2.32	\$2.39	0.5%
c. Federal Assessments & Misc. Ded.	\$0.92	\$1.02	\$0.92	\$0.90	\$0.91	\$0.92	-0.5%
Total Milk Marketing Costs	\$10.02	\$11.63	\$9.84	\$9.30	\$8.62	\$9.16	-8.6%
Total Milk Marketing Costs (\$/cwt.)	\$0.56	\$0.67	\$0.54	\$0.53	\$0.48	\$0.52	-7.3%
Total Milk Marketing Costs (% of total costs)	3.4%	4.3%	3.5%	3.4%	3.3%	3.4%	
Total Cost (\$/Cow/Month)	\$291.65	\$272.06	\$280.71	\$275.57	\$262.72	\$268.76	-7.85%
Total Cost (\$/cwt)	\$16.18	\$15.56	\$15.52	\$15.67	\$14.76	\$15.12	-6.52%
Milk Production Data							
a. Milk Sold/Total Cow/Month/ (cwt.)	18.03	17.49	18.09	17.58	17.80	17.77	-1.4%
b. Lbs Milk Sold/milk cow/day	68.57	66.61	68.81	66.80	67.95	67.57	-1.5%
c. Gross Milk Receipts (\$/cwt)	\$17.51	\$11.74	\$12.56	\$13.35	\$12.02	\$12.36	-29.4%
d. Mailbox Price (\$/cwt)	\$17.52	\$11.25	\$12.61	\$13.35	\$12.63	\$12.68	-27.6%
f. Fat Test %	3.83%	3.66%	3.66%	3.82%	3.93%	3.85%	
g. SNF Test %	8.88%	8.84%	8.82%	8.87%	8.97%	8.92%	
h. Lbs Fat Sold/milk cow/month	80	74	77	78	81	79	-1.1%
i. Lbs SNF Sold/milk cow/month	186	180	185	180	185	184	-1.1%
j. Percent Quota	31%	39%	43%	35%	24%	30%	
Related Data							
a. Percent Dry Cows	14%	14%	14%	13%	14%	14%	
b. Yearly Cull Rate	38%	35%	36%	36%	36%	36%	
c. Avg. Value (/Drop Bull Calf)	\$9.83	\$15.69	\$14.79	\$12.32	\$11.18	\$12.23	24.5%
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$235.61	\$179.55	\$184.05	\$185.76	\$179.87	\$181.82	-22.8%
e. Grain, Mnrls & Splmnts (\$/ton)	\$285.11	\$234.13	\$279.22	\$258.26	\$238.47	\$252.35	-11.5%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	27.38	25.61	26.14	26.09	25.81	25.84	-5.6%
g. Milkers (\$/hr with benefits & taxes)	\$14.83	\$14.30	\$14.13	\$14.19	\$14.63	\$14.42	-2.7%
h. Total Labor (\$/hr)	\$15.29	\$14.24	\$14.21	\$14.82	\$15.52	\$15.05	-1.6%
i. Milk Cow Feed Costs (\$/Cow/Day)	\$6.12	\$5.29	\$5.71	\$5.57	\$5.33	\$5.42	-11.5%
j. Milk Cow Feed Costs (\$/cwt.)	\$8.93	\$7.94	\$8.29	\$8.34	\$7.84	\$8.02	-10.2%
k. Milk Cows	905	249	515	861	2,005	909	0.4%
l. Total Cows	1,050	290	595	995	2,328	1,054	0.4%
m. Average Total Investment per Cow	\$2,914	\$3,013	\$2,827	\$2,815	\$2,895	\$2,876	-1.3%



South Valley Cost Comparison

South Valley Production Cost Comparison, 2009

All costs: per cow per month, unless noted	2008 Average	Under 1000	1001 1400	1401 2100	2101 Plus	2009 Average	Percent Change
Number of Herds	63	17	9	14	18	58	
Feed Costs							
a. Dry Roughage	\$48.64	\$42.67	\$39.18	\$42.54	\$41.09	\$41.41	-14.9%
b. Wet Feed & Wet Roughage	\$34.28	\$31.81	\$33.17	\$32.43	\$34.32	\$33.47	-2.4%
c. Concentrates	\$87.78	\$67.75	\$67.52	\$79.86	\$80.87	\$77.72	-11.5%
d. Minerals & Supplements	\$8.63	\$6.36	\$6.05	\$9.12	\$6.31	\$6.95	-19.5%
e. Pasture	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Total Feed Costs	\$179.32	\$148.59	\$145.92	\$163.95	\$162.59	\$159.54	-11.0%
Total Feed Costs (\$/cwt.)	\$9.86	\$9.26	\$9.11	\$9.16	\$8.64	\$8.87	-10.0%
Total Feed Costs (% of total Cost)	59.4%	58.6%	57.1%	59.1%	58.3%	58.4%	
Total Hired Labor	\$26.83	\$24.71	\$26.34	\$25.54	\$27.69	\$26.70	-0.5%
Total Hired Labor Costs (\$/cwt.)	\$1.47	\$1.54	\$1.64	\$1.43	\$1.47	\$1.48	0.7%
Total Labor Costs (%of total cost)	8.9%	9.7%	10.3%	9.2%	9.9%	9.8%	
Herd Replacement	\$43.44	\$30.53	\$34.03	\$31.72	\$34.49	\$33.34	-23.2%
Less: Calf. Income (\$/cow/month)	\$11.82	\$5.23	\$5.21	\$5.89	\$6.16	\$5.89	-50.2%
Total Herd Replacement	\$31.61	\$25.30	\$28.82	\$25.83	\$28.32	\$27.45	-13.2%
Total Replacement Costs (\$/cwt.)	\$1.74	\$1.58	\$1.80	\$1.44	\$1.51	\$1.53	-12.2%
Total Replacement Costs (%of total cost)	14.4%	10.0%	11.3%	9.3%	10.2%	10.1%	
Total Operating Costs	\$54.45	\$46.75	\$46.47	\$52.51	\$50.65	\$50.20	-7.80%
Total Operating Costs (\$/cwt.)	\$2.99	\$2.91	\$2.90	\$2.93	\$2.69	\$2.79	-6.75%
Total Operating Costs (%of total costs)	18.0%	18.4%	18.2%	18.9%	18.2%	18.4%	
Milk Marketing Costs							
a. Hauling	\$6.13	\$5.17	\$5.11	\$6.03	\$5.99	\$5.81	-5.1%
b. State Assessments	\$2.36	\$2.23	\$2.15	\$2.38	\$2.45	\$2.38	1.1%
c. Federal Assessments & Misc. Ded.	\$1.01	\$0.94	\$0.87	\$1.05	\$0.99	\$0.98	-2.7%
Total Milk Marketing Costs	\$9.50	\$8.34	\$8.13	\$9.46	\$9.44	\$9.18	-3.3%
Total Milk Marketing Costs (\$/cwt.)	\$0.52	\$0.52	\$0.51	\$0.53	\$0.50	\$0.51	-2.2%
Total Milk Marketing Costs (% of total costs)	3.1%	3.3%	3.2%	3.4%	3.4%	3.4%	
Total Cost (\$/Cow/Month)	\$301.71	\$253.70	\$255.68	\$277.30	\$278.69	\$273.07	-9.49%
Total Cost (\$/cwt)	\$16.58	\$15.82	\$15.97	\$15.49	\$14.81	\$15.18	-8.46%
Milk Production Data							
a. Milk Sold/Total Cow/Month/ (cwt.)	18.19	16.04	16.01	17.90	18.82	17.99	-1.1%
b. Lbs Milk Sold/milk cow/day	69.02	61.79	60.60	68.69	71.52	68.60	-0.6%
c. Gross Milk Receipts (\$/cwt)	\$16.73	\$11.43	\$11.78	\$11.62	\$11.29	\$11.43	-31.7%
d. Mailbox Price (\$/cwt)	\$15.95	\$10.93	\$11.50	\$11.15	\$11.15	\$11.16	-30.0%
f. Fat Test %	3.66%	3.70%	3.96%	3.71%	3.57%	3.65%	
g. SNF Test %	8.81%	8.84%	8.99%	8.83%	8.80%	8.83%	
h. Lbs Fat Sold/milk cow/month	77	70	73	78	78	76	-1.1%
i. Lbs SNF Sold/milk cow/month	185	166	166	184	192	184	-0.6%
j. Percent Quota	24%	19%	13%	30%	23%	23%	
Related Data							
a. Percent Dry Cows	14%	15%	13%	14%	14%	14%	
b. Yearly Cull Rate	38%	37%	40%	37%	40%	39%	
c. Avg. Value (/Drop Bull Calf)	\$13.59	\$16.35	\$10.00	\$16.85	\$20.08	\$17.85	31.3%
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$236.64	\$184.75	\$190.55	\$200.47	\$187.78	\$190.39	-19.5%
e. Grain, Mnrls & Splmnts (\$/ton)	\$259.41	\$228.34	\$229.05	\$238.81	\$232.33	\$232.21	-10.5%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	28.42	24.50	24.32	28.37	28.68	27.67	-2.6%
g. Milkers (\$/hr with benefits & taxes)	\$12.97	\$11.89	\$12.50	\$12.12	\$13.60	\$12.90	-0.5%
h. Total Labor (\$/hr)	\$13.80	\$12.31	\$13.93	\$12.91	\$14.50	\$13.80	0.0%
i. Milk Cow Feed Costs (\$/Cow/Day)	\$6.35	\$5.36	\$5.17	\$5.85	\$5.78	\$5.69	-10.5%
j. Milk Cow Feed Costs (\$/cwt.)	\$9.20	\$8.67	\$8.54	\$8.52	\$8.09	\$8.29	-10.0%
k. Milk Cows	1,454	575	1,035	1,440	2,645	1,498	3.0%
l. Total Cows	1,682	673	1,192	1,680	3,058	1,737	3.3%
m. Average Total Investment per Cow	\$3,079	\$2,515	\$3,420	\$2,781	\$2,929	\$2,900	-5.8%

SOUTH VALLEY SURVEY AREA

Southern California Cost Comparison

Southern California Production Cost Comparison, 2009

All costs: per cow per month, unless noted	2008 Average	2009 Average	Percent Change
Number of Herds	7	7	
Feed Costs			
a. Dry Roughage	\$64.70	\$52.21	-19.3%
b. Wet Feed & Wet Roughage	\$18.64	\$16.13	-13.5%
c. Concentrates	\$80.76	\$66.98	-17.1%
d. Minerals & Supplements	\$7.31	\$4.13	-43.5%
e. Pasture	\$0.00	\$0.00	
Total Feed Costs	\$171.41	\$139.44	-18.6%
Total Feed Costs (\$/cwt.)	\$9.61	\$7.94	-17.4%
Total Feed Costs (% of total Cost)	59.1%	55.9%	
Total Hired Labor	\$29.22	\$27.92	-4.5%
Total Hired Labor Costs (\$/cwt.)	\$1.64	\$1.59	-3.1%
Total Labor Costs (%of total cost)	10.1%	11.2%	
Herd Replacement	\$41.74	\$33.18	-20.5%
Less: Calf. Income (\$/cow/month)	\$11.80	\$5.47	-53.6%
Total Herd Replacement	\$29.94	\$27.70	-7.5%
Total Replacement Costs (\$/cwt.)	\$1.68	\$1.58	-6.1%
Total Replacement Costs (%of total cost)	14.4%	11.1%	
Total Operating Costs	\$48.47	\$43.90	-9.41%
Total Operating Costs (\$/cwt.)	\$2.72	\$2.50	-8.07%
Total Operating Costs (%of total costs)	16.7%	17.6%	
Milk Marketing Costs			
a. Hauling	\$7.62	\$7.36	-3.4%
b. State Assessments	\$2.39	\$2.40	0.8%
c. Federal Assessments & Misc. Ded.	\$0.93	\$0.93	-0.6%
Total Milk Marketing Costs	\$10.94	\$10.69	-2.3%
Total Milk Marketing Costs (\$/cwt.)	\$0.61	\$0.61	-0.8%
Total Milk Marketing Costs (% of total costs)	3.8%	4.3%	
Total Cost (\$/Cow/Month)	\$289.98	\$249.66	-13.91%
Total Cost (\$/cwt)	\$16.26	\$14.21	-12.63%
Milk Production Data			
a. Milk Sold/Total Cow/Month/ (cwt.)	17.83	17.57	-1.5%
b. Lbs Milk Sold/milk cow/day	66.83	66.60	-0.3%
c. Gross Milk Receipts (\$/cwt)	\$16.88	\$11.68	-30.8%
d. Mailbox Price (\$/cwt)	\$16.07	\$10.99	-31.6%
f. Fat Test %	3.52%	3.50%	
g. SNF Test %	8.73%	8.75%	
h. Lbs Fat Sold/milk cow/month	72	71	-1.0%
i. Lbs SNF Sold/milk cow/month	178	177	-0.4%
j. Percent Quota	46%	49%	
Related Data			
a. Percent Dry Cows	13%	13%	
b. Yearly Cull Rate	34%	38%	
c. Avg. Value (/Drop Bull Calf)	\$3.96	\$13.92	251.4%
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$228.59	\$178.69	-21.8%
e. Grain, Mnrls & Splmnts (\$/ton)	\$244.10	\$209.75	-14.1%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	27.2	25.5	-6.2%
g. Milkers (\$/hr with benefits & taxes)	\$16.14	\$16.08	-0.3%
h. Total Labor (\$/hr)	\$17.18	\$16.65	-3.1%
i. Milk Cow Feed Costs (\$/Cow/Day)	\$6.00	\$4.95	-17.6%
j. Milk Cow Feed Costs (\$/cwt.)	\$8.98	\$7.43	-17.3%
k. Milk Cows	1,053	1,040	-1.2%
l. Total Cows	1,203	1,199	-0.4%
m. Average Total Investment per Cow	\$2,113	\$2,130	0.8%



Jersey Herds Summary

Despite an overall decline in the total dairy cattle population, the number of Jersey cattle has increased, mainly due to the high butterfat content of their milk. The increase in Jersey cattle numbers is a result of multiple component pricing that has provided an economic demand by cheese plants for high test milk, particularly protein. The demand for high protein milk has given producers the financial incentive to breed, feed and manage their herds for component production over the long term.

The Jersey breed has an advantage in feed efficiency over the Holstein breed. That advantage paid off this year, with lower milk prices and decreasing feed prices the Jersey herds had income of \$5.24 per cwt. over feed cost. The Holstein herds averaged only \$2.57 per cwt. over feed costs. In 2009, the Jersey herds had a slight increase in volume of milk production per cow per day and fat and solids-not-fat tests. The Jersey herds were able to accomplish this while feeding 3.9 percent less grain per cow per day. Holstein herds also reduced grain consumption by 3.9 percent but had a decreased volume of milk per cow per day.

Jersey herds generally qualify for a premium for high test milk that produces higher yields of



Based on CDFA Sample of Dairies	Jersey	Holstein
Milk Production Per Milk Cow, Per Day	56.00	70.76
Fat Test Percentage	4.67	3.58
Solids-Not-Fat Test Percentage	9.30	8.79
Income Over Feed Cost \$/cwt.	\$5.24	\$2.57



cheese. A large percentage of Jersey herds used cheese contracts to lock in their milk price for most of 2009 at a price that was higher than the state overbase blend price. The increased use of risk management tools by the Jersey herds is likely influenced by where they ship their milk.

Jersey Herd Comparison

California Jersey Production Cost Comparison, 2009

All costs: per cow per month, unless noted	2008 Average	2009 Average	Percent Change
Number of Herds	14	14	
Feed Costs			
a. Dry Roughage	\$38.68	\$32.00	-17.3%
b. Wet Feed & Wet Roughage	\$25.52	\$27.86	9.2%
c. Concentrates	\$75.26	\$68.30	-9.2%
d. Minerals & Supplements	\$7.71	\$6.59	-14.6%
e. Pasture	\$0.68	\$0.71	5.4%
Total Feed Costs	\$147.84	\$135.46	-8.4%
Total Feed Costs (\$/cwt.)	\$10.30	\$9.32	-9.5%
Total Feed Costs (% of total Cost)	58.9%	56.7%	
Total Hired Labor	\$24.84	\$25.50	2.6%
Total Hired Labor Costs (\$/cwt.)	\$1.73	\$1.75	1.4%
Total Labor Costs (%of total cost)	9.9%	10.7%	
Herd Replacement	\$31.80	\$24.91	-21.7%
Less: Calf. Income (\$/cow/month)	\$10.87	\$4.29	-60.5%
Total Herd Replacement	\$20.94	\$20.62	-1.5%
Total Replacement Costs (\$/cwt.)	\$1.46	\$1.42	-2.7%
Total Replacement Costs (%of total cost)	8.3%	8.6%	
Total Operating Costs	\$50.59	\$50.49	-0.19%
Total Operating Costs (\$/cwt.)	\$3.52	\$3.47	-1.39%
Total Operating Costs (%of total costs)	20.1%	21.1%	
Milk Marketing Costs			
a. Hauling	\$4.27	\$4.18	-2.0%
b. State Assessments	\$1.85	\$1.89	2.1%
c. Federal Assessments & Misc. Ded.	\$0.76	\$0.76	-0.1%
Total Milk Marketing Costs	\$6.87	\$6.83	-0.7%
Total Milk Marketing Costs (\$/cwt.)	\$0.48	\$0.47	-1.9%
Total Milk Marketing Costs (% of total costs)	2.7%	2.9%	
Total Cost (\$/Cow/Month)	\$251.08	\$238.90	-4.85%
Total Cost (\$/cwt)	\$17.49	\$16.44	-6.00%
Milk Production Data			
a. Milk Sold/Total Cow/Month/ (cwt.)	14.36	14.53	1.2%
b. Lbs Milk Sold/milk cow/day	55.31	56.00	1.3%
c. Gross Milk Receipts (\$/cwt)	\$18.42	\$12.80	-30.5%
d. Mailbox Price (\$/cwt)	\$19.79	\$14.56	-26.4%
f. Fat Test %	4.61%	4.67%	
g. SNF Test %	9.25%	9.30%	
h. Lbs Fat Sold/milk cow/month	78	80	2.3%
i. Lbs SNF Sold/milk cow/month	156	158	1.5%
j. Percent Quota	3%	3%	
Related Data			
a. Percent Dry Cows	15%	15%	
b. Yearly Cull Rate	32%	35%	
c. Avg. Value (/Drop Bull Calf)	\$0.79	\$1.71	115.5%
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$242.32	\$186.61	-23.0%
e. Grain, Mnrls & Splmnts (\$/ton)	\$257.79	\$236.01	-8.4%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	25.42	24.42	-3.9%
g. Milkers (\$/hr with benefits & taxes)	\$14.00	\$13.02	-7.0%
h. Total Labor (\$/hr)	\$15.02	\$14.68	-2.3%
i. Milk Cow Feed Costs (\$/Cow/Day)	\$5.26	\$4.81	-8.7%
j. Milk Cow Feed Costs (\$/cwt.)	\$9.52	\$8.58	-9.8%
k. Milk Cows	1,474	1,552	5.3%
l. Total Cows	1,732	1,819	5.0%
m. Average Total Investment per Cow	\$2,914	\$2,886	-1.0%



Holstein Herds Summary

The Holstein is the most common breed of dairy cattle in California. The Holstein Cost Comparison is very similar to the Statewide Cost Comparison. Milk volume is still the driving force behind the Holstein breed. The Holstein Comparison shows an advantage in monthly milk production, butterfat and solids-not-fat pounds per cow as compared to other herd types. Based on the cost comparison summary for 2009, Holstein milk production per cow per day is 26 percent higher than the Jersey breed. The fact that the Holstein produces more solids, by itself does not mean that Holstein herds are more profitable. There are other things to consider like feed conversion, investment per cow, etc. that are not addressed.

Other advantages Holstein breeders have is more value in their day old calves as compared to Jersey herds. This is because a Holstein bull calf converts to a better beef animal. They also have a broader selection of genetics to choose from than many of the other breeds.



Based on CDFA Sample of Dairies	Holstein	Jersey
Milk Production Per Milk Cow, Per Day	70.76	56.00
Butter Fat Lbs. Per Milk Cow, Per Month	77.18	79.55
Solids-Not-Fat Lbs. Per Milk Cow, Per Month	189.72	158.37



Holstein Herd Comparison

California Holstein Production Cost Comparison, 2009

All costs: per cow per month, unless noted	2008 Average	Holstein 1-750	Holstein 751-1200	Holstein 1200 Plus	2009 Average	Percent Change
Number of Herds	118	43	20	47	110	
Feed Costs						
a. Dry Roughage	\$49.16	\$42.65	\$39.92	\$42.26	\$42.00	-14.6%
b. Wet Feed & Wet Roughage	\$34.74	\$29.89	\$35.62	\$33.22	\$33.11	-4.7%
c. Concentrates	\$89.02	\$79.39	\$70.80	\$78.24	\$77.40	-13.0%
d. Minerals & Supplements	\$8.14	\$6.44	\$7.50	\$7.88	\$7.65	-6.1%
e. Pasture	\$0.34	\$1.93	\$0.00	\$0.00	\$0.25	-27.9%
Total Feed Costs	\$181.40	\$160.30	\$153.85	\$161.60	\$160.41	-11.6%
Total Feed Costs (\$/cwt.)	\$9.60	\$8.82	\$8.54	\$8.56	\$8.59	-10.5%
Total Feed Costs (% of total Cost)	59.4%	57.5%	56.5%	58.2%	57.9%	
Total Hired Labor	\$28.63	\$31.63	\$30.46	\$27.59	\$28.48	-0.5%
Total Hired Labor Costs (\$/cwt.)	\$1.52	\$1.74	\$1.69	\$1.46	\$1.52	0.6%
Total Labor Costs (%of total cost)	9.4%	11.3%	11.2%	9.9%	10.3%	
Herd Replacement	\$43.61	\$32.19	\$34.13	\$34.04	\$33.82	-22.5%
Less: Calf. Income (\$/cow/month)	\$12.23	\$5.32	\$5.82	\$5.98	\$5.87	-52.0%
Total Herd Replacement	\$31.38	\$26.87	\$28.32	\$28.07	\$27.95	-10.9%
Total Replacement Costs (\$/cwt.)	\$1.66	\$1.48	\$1.57	\$1.49	\$1.50	-9.9%
Total Replacement Costs (%of total cost)	10.3%	9.6%	10.4%	10.1%	10.1%	
Total Operating Costs	\$53.76	\$49.30	\$50.04	\$50.81	\$50.52	-6.03%
Total Operating Costs (\$/cwt.)	\$2.84	\$2.71	\$2.78	\$2.69	\$2.70	-4.94%
Total Operating Costs (%of total costs)	17.6%	17.7%	18.4%	18.3%	18.2%	
Milk Marketing Costs						
a. Hauling	\$6.88	\$7.08	\$6.25	\$6.20	\$6.32	-8.2%
b. State Assessments	\$2.47	\$2.65	\$2.46	\$2.48	\$2.50	1.2%
c. Federal Assessments & Misc. Ded.	\$1.02	\$0.99	\$0.98	\$1.01	\$1.00	-1.6%
Total Milk Marketing Costs	\$10.37	\$10.73	\$9.69	\$9.69	\$9.82	-5.3%
Total Milk Marketing Costs (\$/cwt.)	\$0.55	\$0.59	\$0.54	\$0.51	\$0.53	-4.2%
Total Milk Marketing Costs (% of total costs)	3.4%	3.8%	3.6%	3.5%	3.5%	
Total Cost (\$/Cow/Month)	\$305.55	\$278.84	\$272.36	\$277.76	\$277.18	-9.28%
Total Cost (\$/cwt)	\$16.17	\$15.34	\$15.12	\$14.71	\$14.84	-8.23%
Milk Production Data						
a. Milk Sold/Total Cow/Month/ (cwt.)	18.90	18.17	18.02	18.88	18.68	-1.1%
b. Lbs Milk Sold/milk cow/day	71.39	69.08	68.25	71.72	70.76	-0.9%
c. Gross Milk Receipts (\$/cwt)	\$16.78	\$11.68	\$11.69	\$11.41	\$11.48	-31.6%
d. Mailbox Price (\$/cwt)	\$16.05	\$11.32	\$11.11	\$11.15	\$11.16	-30.4%
f. Fat Test %	3.60%	3.59%	3.61%	3.57%	3.58%	
g. SNF Test %	8.78%	8.79%	8.78%	8.79%	8.79%	
h. Lbs Fat Sold/milk cow/month	78	76	75	78	77	-1.7%
i. Lbs SNF Sold/milk cow/month	191	185	182	192	190	-0.7%
j. Percent Quota	32%	42%	42%	29%	32%	
Related Data						
a. Percent Dry Cows	13%	14%	13%	13%	13%	
b. Yearly Cull Rate	37%	37%	42%	39%	39%	
c. Avg. Value (/Drop Bull Calf)	\$13.28	\$15.85	\$16.39	\$18.49	\$17.90	34.8%
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$234.40	\$186.26	\$177.71	\$187.64	\$186.05	-20.6%
e. Grain, Mnrls & Splmnts (\$/ton)	\$265.41	\$243.77	\$229.12	\$234.11	\$236.98	-10.7%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	28.57	26.43	25.85	28.02	27.47	-3.9%
g. Milkers (\$/hr with benefits & taxes)	\$13.69	\$13.55	\$12.96	\$13.79	\$13.63	-0.4%
h. Total Labor (\$/hr)	\$14.41	\$13.67	\$13.87	\$14.55	\$14.32	-0.6%
i. Milk Cow Feed Costs (\$/Cow/Day)	\$6.40	\$5.66	\$5.49	\$5.74	\$5.68	-11.3%
j. Milk Cow Feed Costs (\$/cwt.)	\$8.97	\$8.19	\$8.04	\$8.00	\$8.03	-10.5%
k. Milk Cows	1,136	365	821	1,957	1,128	-0.7%
l. Total Cows	1,309	424	946	2,261	1,304	-0.4%
m. Average Total Investment per Cow	\$2,996	\$2,854	\$2,658	\$2,902	\$2,864	-4.4%



Crossbred, Mixed-and-Other Herds Summary

The Crossbred, Mixed-and-Other Herds are defined as follows:

Most Crossbred Herds: Herds that crossbreed a large percentage of Holstein cows with the breeds of Montbeliarde, Swedish Red or Red Dane. ProCross is the term being used for this type of breeding program by those that sell the semen for these alternative breeds of bulls.

Mixed-and-Other Herds: Herds that milk a mixture of Holstein and Jersey cows, includes herds that are milking breeds other than Jersey or Holstein. Most herds in this category have a high percentage of Jersey cows.

According to Creative Genetics of California, capturing and sustaining optimum heterosis requires keeping good records on a three breed rotation. Heterosis is defined as the tendency of a crossbred to have qualities superior to those of either parent. Breeders claim that some heterosis values in crossbred cows are: better udders, improved feet and legs, easy calving, high fertility, good feed efficiency, better body condition, higher survivability and lower vet costs.



Based on CDFA Sample of Dairies	Crossbred	Holstein
Pounds of Milk Sold Per Milk Cow, Per Day	63.37	70.76
Fat Test Percentage	3.82	3.58
Solids-Not-Fat Test Percentage	8.96	8.79

Based on CDFA Sample of Dairies	Mixed	Jersey
Pounds of Milk Sold Per Milk Cow, Per Day	57.69	56.00
Fat Test Percentage	4.07	4.67
Solids-Not-Fat Test Percentage	9.08	9.30

Crossbred, Mixed-and-Other Herds Comparison

California Crossbred, Mixed-and-Other Herds Production Cost Comparison, 2009

All costs: per cow per month, unless noted	2008 Xbred	2009 Xbred	Percent Change	2008 Mixed & Other	2009 Mixed & Other	Percent Change
Number of Herds	7	6		6	5	
Feed Costs						
a. Dry Roughage	\$35.94	\$30.72	-14.5%	\$43.47	\$38.49	-11.5%
b. Wet Feed & Wet Roughage	\$37.65	\$35.42	-5.9%	\$33.96	\$31.75	-6.5%
c. Concentrates	\$80.56	\$65.11	-19.2%	\$74.53	\$63.68	-14.6%
d. Minerals & Supplements	\$9.81	\$10.65	8.6%	\$8.89	\$5.61	-36.9%
e. Pasture	\$3.81	\$3.08	-19.1%	\$0.43	\$0.00	-100.0%
Total Feed Costs	\$167.77	\$144.99	-13.6%	\$161.27	\$139.54	-13.5%
Total Feed Costs (\$/cwt.)	\$9.58	\$8.51	-11.2%	\$10.64	\$9.46	-11.1%
Total Feed Costs (% of total Cost)	60.6%	58.6%		60.5%	59.2%	
Total Hired Labor	\$30.43	\$28.38	-6.8%	\$24.56	\$22.99	-6.4%
Total Hired Labor Costs (\$/cwt.)	\$1.74	\$1.66	-4.2%	\$1.62	\$1.56	-3.8%
Total Labor Costs (%of total cost)	11.0%	11.5%		9.2%	9.8%	
Herd Replacement	\$31.89	\$27.91	-12.5%	\$38.44	\$27.36	-28.8%
Less: Calf. Income (\$/cow/month)	\$11.30	\$5.56	-50.8%	\$9.67	\$4.57	-52.8%
Total Herd Replacement	\$20.58	\$22.35	8.6%	\$28.76	\$22.79	-20.8%
Total Replacement Costs (\$/cwt.)	\$1.17	\$1.31	11.6%	\$1.90	\$1.55	-18.6%
Total Replacement Costs (%of total cost)	7.4%	9.0%		10.8%	9.7%	
Total Operating Costs	\$47.20	\$41.64	-11.8%	\$42.76	\$42.14	-1.43%
Total Operating Costs (\$/cwt.)	\$2.69	\$2.44	-9.3%	\$2.82	\$2.86	1.31%
Total Operating Costs (%of total costs)	17.0%	16.8%		16.1%	17.9%	
Milk Marketing Costs						
a. Hauling	\$7.70	\$6.83	-11.3%	\$6.06	\$5.41	-10.8%
b. State Assessments	\$2.31	\$2.29	-1.0%	\$2.09	\$2.07	-1.2%
c. Federal Assessments & Misc. Ded.	\$0.90	\$0.89	-0.8%	\$0.85	\$0.79	-6.8%
Total Milk Marketing Costs	\$10.91	\$10.01	-8.3%	\$9.01	\$8.27	-8.2%
Total Milk Marketing Costs (\$/cwt.)	\$0.62	\$0.59	-5.7%	\$0.59	\$0.56	-5.6%
Total Milk Marketing Costs (% of total costs)	3.9%	4.0%		3.4%	3.5%	
Total Cost (\$/Cow/Month)	\$276.89	\$247.36	-10.7%	\$266.36	\$235.73	-11.50%
Total Cost (\$/cwt)	\$15.80	\$14.51	-8.2%	\$17.57	\$15.99	-9.03%
Milk Production Data						
a. Milk Sold/Total Cow/Month/ (cwt.)	17.52	17.05	-2.7%	15.16	14.75	
b. Lbs Milk Sold/milk cow/day	68.58	65.98	-3.8%	58.62	57.69	-1.6%
c. Gross Milk Receipts (\$/cwt)	\$17.11	\$11.75	-31.3%	\$17.31	\$11.90	-31.3%
d. Mailbox Price (\$/cwt)	\$16.48	\$11.28	-31.6%	\$17.31	\$11.72	-32.3%
f. Fat Test %	3.84%	3.82%		3.96%	4.07%	
g. SNF Test %	8.93%	8.96%		9.02%	9.08%	
h. Lbs Fat Sold/milk cow/month	80	77	-4.5%	71	71	0.8%
i. Lbs SNF Sold/milk cow/month	187	180	-3.7%	161	159	-1.2%
j. Percent Quota	16%	19%		12%	11%	
Related Data						
a. Percent Dry Cows	16%	15%		15%	16%	
b. Yearly Cull Rate	30%	35%		35%	36%	
c. Avg. Value (/Drop Bull Calf)	\$15.87	\$22.83	43.8%	\$8.66	\$10.77	24.3%
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$226.69	\$173.25	-23.6%	\$233.25	\$175.93	-24.6%
e. Grain, Mnrls & Splmnts (\$/ton)	\$267.03	\$230.73	-13.6%	\$252.66	\$226.14	-10.5%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	26.80	24.97	-6.9%	26.36	24.29	-7.9%
g. Milkers (\$/hr with benefits & taxes)	\$14.56	\$14.90	2.3%	\$12.48	\$12.47	-0.1%
h. Total Labor (\$/hr)	\$15.25	\$15.86	4.0%	\$13.76	\$13.62	-1.0%
i. Milk Cow Feed Costs (\$/Cow/Day)	\$6.02	\$5.13	-14.7%	\$5.82	\$5.06	-13.0%
j. Milk Cow Feed Costs (\$/cwt.)	\$8.77	\$7.78	-11.3%	\$9.93	\$8.78	-11.6%
k. Milk Cows	760	919	20.9%	590	659	11.8%
l. Total Cows	908	1,082	19.2%	696	784	12.7%
m. Average Total Investment per Cow	\$2,713	\$2,592	-4.5%	\$2,730	\$2,685	-1.7%



California 3X vs. 2X Milk Production Schedules

Some California producers milk cows three times a day (3X) to gain a competitive advantage over their counterparts milking twice a day (2X). The year 2009 is the third year of compiling data used to analyze relationships between 3X and 2X dairies. When comparing 3X to 2X based on level of production per hundredweight, differences emerge. In all cost categories, 3X proves to be more efficient, except for labor which is higher by 2.3 percent. The overall cost advantage of 3X dairies is shown in total cost per hundredweight, giving them a 4.3 percent advantage over 2X dairies. This trend is consistent with findings from the two previous years where all types of cost based on production prove to be lower on dairies utilizing the 3X schedule.



In terms of net revenue the two types of dairies were evaluated based on value of components at overbase prices. Eliminating quota premium and quality payments allows us to compare 3X and 2X on an equal basis. The table shows a comparison of 3X and 2X for 2008 and 2009 and the changes between these years.

Cost/Revenue Analysis for 3X vs. 2X Milk Production In Dollars Per Cow/Month, Based on Overbase Milk Values

Items For Analysis	2008		2009	
	3X	2X	3X	2X
Number of Dairies	16	101	20	90
Milk Schedule	3X	2X	3X	2X
Fat Revenue	\$128.84	\$118.10	\$102.65	\$96.32
SNF Revenue	\$255.85	\$228.92	\$148.71	\$135.53
Total Revenue	\$384.69	\$347.02	\$251.37	\$231.85
Total Cost	\$322.53	\$301.10	\$289.32	\$272.91
Net Revenue	\$62.16	\$45.92	-\$37.95	-\$41.06
Advantage	\$16.24		\$3.11	

2008 Overbase Avg. Prices (Fat \$1.5337/lb., SNF \$1.2241/lb.)

2009 Overbase Avg. Prices (Fat \$1.2673/lb., SNF \$0.7325/lb.)

California 3X vs. 2X Milk Production Comparison

California Holstein 3X vs. 2X Milking Production Cost Comparison, 2009

All costs: per cow per month, unless noted	2008 3x	2008 2x	2009 3x	2009 2x	Percent Diff 2009 3X vs. 2X
Number of Herds	16	101	20	90	
Feed Costs					
a. Dry Roughage	\$48.50	\$49.05	\$42.14	\$41.95	0.5%
b. Wet Feed & Wet Roughage	\$38.92	\$33.83	\$36.37	\$31.96	13.8%
c. Concentrates	\$90.95	\$88.54	\$80.22	\$76.41	5.0%
d. Minerals & Supplements	\$9.26	\$7.89	\$8.35	\$7.40	12.7%
e. Pasture	\$0.00	\$0.43	\$0.00	\$0.33	-100.0%
Total Feed Costs	\$187.63	\$179.75	\$167.08	\$158.06	5.7%
Total Feed Costs (\$/cwt.)	\$9.06	\$9.75	\$8.31	\$8.69	-4.4%
Total Feed Costs (% of total Cost)	58.2%	59.7%	57.8%	57.9%	
Total Hired Labor	\$32.87	\$27.53	\$31.16	\$27.54	13.1%
Total Hired Labor Costs (\$/cwt.)	\$1.59	\$1.49	\$1.55	\$1.51	2.3%
Total Labor Costs (%of total cost)	10.2%	9.1%	10.8%	10.1%	
Herd Replacement	\$45.28	\$43.20	\$34.19	\$33.69	1.5%
Less: Calf. Income (\$/cow/month)	\$12.93	\$12.06	\$5.93	\$5.85	1.3%
Total Herd Replacement	\$32.35	\$31.14	\$28.26	\$27.84	1.5%
Total Replacement Costs (\$/cwt.)	\$1.56	\$1.69	\$1.41	\$1.53	-8.2%
Total Replacement Costs (%of total cost)	10.0%	10.3%	9.8%	10.2%	
Total Operating Costs	\$58.53	\$52.55	\$52.67	\$49.76	5.8%
Total Operating Costs (\$/cwt.)	\$2.83	\$2.85	\$2.62	\$2.74	-4.3%
Total Operating Costs (%of total costs)	18.1%	17.5%	18.2%	18.2%	
Milk Marketing Costs					
a. Hauling	\$7.32	\$6.73	\$6.41	\$6.28	2.1%
b. State Assessments	\$2.66	\$2.43	\$2.63	\$2.46	7.1%
c. Federal Assessments & Misc. Ded.	\$1.18	\$0.98	\$1.10	\$0.97	13.2%
Total Milk Marketing Costs	\$11.15	\$10.14	\$10.14	\$9.71	4.5%
Total Milk Marketing Costs (\$/cwt.)	\$0.54	\$0.55	\$0.50	\$0.53	-5.5%
Total Milk Marketing Costs (% of total costs)	3.5%	3.4%	3.5%	3.6%	
Total Cost (\$/Cow/Month)	\$322.53	\$301.10	\$289.32	\$272.91	6.0%
Total Cost (\$/cwt)	\$15.57	\$16.32	\$14.39	\$15.01	-4.1%
Milk Production Data					
a. Milk Sold/Total Cow/Month/ (cwt.)	20.71	18.44	20.10	18.18	10.6%
b. Lbs Milk Sold/milk cow/day	78.27	69.67	76.26	68.90	10.7%
c. Gross Milk Receipts (\$/cwt)	\$16.52	\$16.84	\$11.19	\$11.59	-3.4%
d. Mailbox Price (\$/cwt)	\$15.86	\$16.10	\$10.77	\$11.32	-4.8%
f. Fat Test %	3.53%	3.63%	3.49%	3.61%	
g. SNF Test %	8.76%	8.78%	8.76%	8.80%	
h. Lbs Fat Sold/milk cow/month	84	77	81	76	6.7%
i. Lbs SNF Sold/milk cow/month	209	187	203	185	9.9%
j. Percent Quota	24%	34%	21%	36%	
Related Data					
a. Percent Dry Cows	13%	13%	13%	13%	
b. Yearly Cull Rate	40%	37%	37%	40%	
c. Avg. Value (/Drop Bull Calf)	\$14.75	\$12.87	\$18.76	\$17.58	6.7%
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$232.91	\$234.84	\$186.60	\$185.87	0.4%
e. Grain, Mnrls & Splmnts (\$/ton)	\$262.67	\$265.41	\$240.57	\$236.18	1.9%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	30.11	28.21	28.29	27.21	4.0%
g. Milkers (\$/hr with benefits & taxes)	\$13.13	\$13.88	\$13.18	\$13.83	-4.7%
h. Total Labor (\$/hr)	\$13.73	\$14.65	\$13.95	\$14.47	-3.6%
i. Milk Cow Feed Costs (\$/Cow/Day)	\$6.64	\$6.34	\$5.94	\$5.60	6.1%
j. Milk Cow Feed Costs (\$/cwt.)	\$8.49	\$9.10	\$7.79	\$8.12	-4.2%
k. Milk Cows	1,675	1,058	1,618	1,019	58.8%
l. Total Cows	1,930	1,219	1,868	1,178	58.5%
m. Average Total Investment per Cow	\$2,996	\$2,998	\$2,999	\$2,816	6.5%

Organic Herds Comparison

Organic Herd Comparison, 2009

Organic producers felt the downturn in the economy in terms of demand for organic products. The depressed economy caused most processors to restrict purchases of organic milk. The production base imposed by processors varied from 60-85 percent of 2008 milk production. The milk that is produced above the base amount received conventional minimum prices. Organic contracts are based on a set price for each component (fat, solids-not-fat and/or protein). The price received for organic milk did not change, but some processors did reduce or eliminate some of the bonuses paid for quality. Most organic milk received a fixed contract price, so organic producers were not subject to the decline of the commodity markets that were used to establish minimum prices in 2009. Some producers elected to only produce the milk that would not exceed their organic base amount. This was accomplished by either milking fewer cows and/or feeding less grain.

The good news for 2009 is that feed costs dropped by 13.7 percent compared to last year. This drop in feed cost is a result of lower hay and grain prices compared to a year ago. Alfalfa hay dropped by 15 percent averaging \$238 per ton, and grain mix fed dropped by 8.9 percent averaging \$467 per ton.

The pounds of milk produced per cow dropped slightly; this decrease is partly due to producers feeding 7.7 percent less grain compared to 2008, averaging 15.03 pounds of feed per milk cow. In 2009, the cost to produce organic milk is approximately \$8 per cwt. higher than conventional milk.

All costs: per cow per month, unless noted	2008 Organic	2009 Organic	Percent Change
Number of Herds	12	11	
Feed Costs			
a. Dry Roughage	\$50.82	\$47.47	-6.6%
b. Wet Feed & Wet Roughage	\$21.14	\$15.79	-25.3%
c. Concentrates	\$102.46	\$81.87	-20.1%
d. Minerals & Supplements	\$3.33	\$4.13	24.2%
e. Pasture	\$31.53	\$31.39	-0.5%
Total Feed Costs	\$209.28	\$180.64	-13.7%
Total Feed Costs (\$/cwt.)	\$16.42	\$14.57	-11.2%
Total Feed Costs (% of total Cost)	66.0%	62.4%	
Total Hired Labor	\$29.50	\$30.44	3.2%
Total Hired Labor Costs (\$/cwt.)	\$2.31	\$2.46	6.1%
Total Labor Costs (%of total cost)	9.3%	10.5%	
Herd Replacement	\$38.13	\$32.06	-15.9%
Less: Calf. Income (\$/cow/month)	\$13.54	\$6.51	-51.9%
Total Herd Replacement	\$24.60	\$25.55	3.9%
Total Replacement Costs (\$/cwt.)	\$1.93	\$2.06	6.8%
Total Replacement Costs (%of total cost)	7.8%	8.8%	
Total Operating Costs	\$49.23	\$48.68	-1.11%
Total Operating Costs (\$/cwt.)	\$3.86	\$3.93	1.68%
Total Operating Costs (%of total costs)	15.5%	16.8%	
Milk Marketing Costs			
a. Hauling	\$2.09	\$1.66	-20.4%
b. State Assessments	\$1.86	\$1.90	2.3%
c. Federal Assessments & Misc. Ded.	\$0.56	\$0.55	-1.2%
Total Milk Marketing Costs	\$4.51	\$4.12	-8.7%
Total Milk Marketing Costs (\$/cwt.)	\$0.35	\$0.33	-6.1%
Total Milk Marketing Costs (% of total costs)	1.4%	1.4%	
Total Cost (\$/Cow/Month)	\$317.12	\$289.43	-8.73%
Total Cost (\$/cwt)	\$24.88	\$23.35	-6.15%
Milk Production Data			
a. Milk Sold/Total Cow/Month/ (cwt.)	12.75	12.40	-2.7%
b. Lbs Milk Sold/milk cow/day	49.57	48.37	-2.4%
c. Gross Milk Receipts (\$/cwt)	\$25.26	\$25.80	2.1%
d. Mailbox Price (\$/cwt)	\$26.41	\$26.66	1.0%
f. Fat Test %	3.90%	3.92%	
g. SNF Test %	8.89%	8.92%	
h. Lbs Fat Sold/milk cow/month	59	58	-2.2%
i. Lbs SNF Sold/milk cow/month	134	131	-2.4%
j. Percent Quota	26%	28%	
Related Data			
a. Percent Dry Cows	16%	16%	
b. Yearly Cull Rate	34%	34%	
c. Avg. Value (/Drop Bull Calf)	\$12.02	\$13.53	12.6%
d. Milk Cow Alfalfa Hay Price (\$/ton)	\$280.04	\$238.56	-14.8%
e. Grain, Mnrls & Splmnts (\$/ton)	\$512.90	\$467.24	-8.9%
f. Grain, Mnrls. & Splmnts. (lbs/mc/day)	16.28	15.03	-7.7%
g. Milkers (\$/hr with benefits & taxes)	\$13.53	\$13.37	-1.2%
h. Total Labor (\$/hr)	\$13.82	\$13.42	-2.9%
i. Milk Cow Feed Costs (\$/Cow/Day)	\$6.54	\$5.37	-17.9%
j. Milk Cow Feed Costs (\$/cwt.)	\$13.20	\$11.11	-15.8%
k. Milk Cows	368	360	-2.2%
l. Total Cows	437	428	-2.1%
m. Average Total Investment per Cow	\$2,809	\$2,718	-3.2%

Feed Cost Summary

The year 2009 brought some relief in feed prices. Many dairy producers locked into long-term feed contracts for commodities that ran through August or September of 2009. Those producers who did not contract feed commodities saw lower feed prices much sooner.

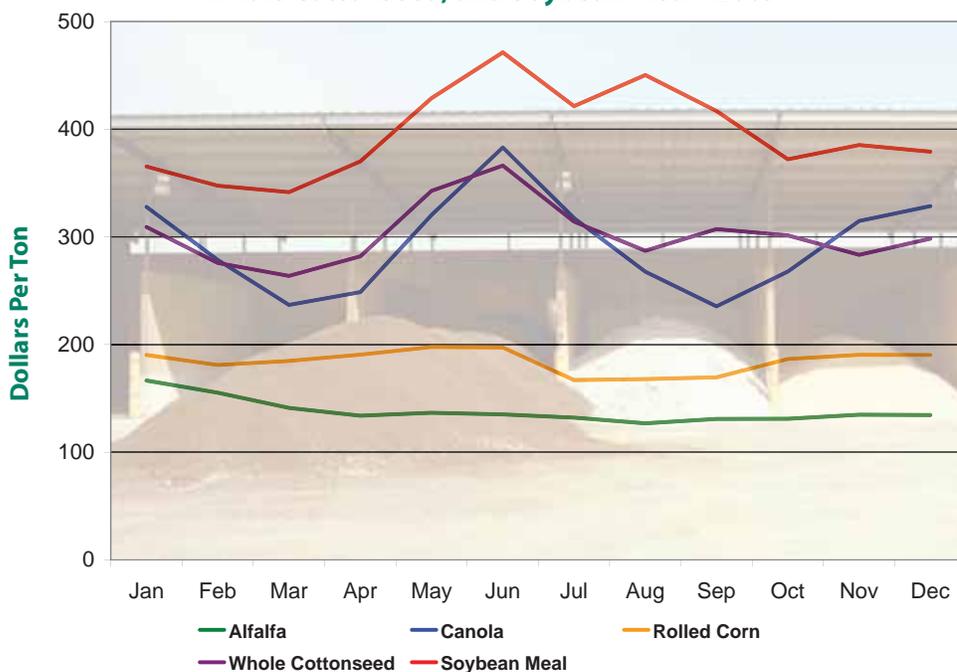
Alfalfa hay was the most responsive type of feed linked to low milk prices. The January average price for premium alfalfa hay of \$167 per ton was the high for the year. Premium hay averaged \$138 per ton for the year. Corn silage as fed for 2009 averaged around \$60 per ton while the new crop harvested in the fall averaged around \$40 per ton. The decline in roughage values was the main reason for the reduction in third and fourth quarter costs.

The spot prices for rolled corn averaged \$184 per ton, with a high approaching \$200 per ton in the spring. The high corn value was a result of speculation about 2009 crop yields. Whole cottonseed prices were volatile throughout the year, averaging \$309 per ton in January, dropping to an



average of \$264 per ton in March, followed by a steep price increase to an average of \$366 per ton by June. At the end of the year, the price settled around \$298 per ton. Canola meal was the main source of protein for dairy producers, providing a price advantage over soybean meal. The difference on the spot market between canola meal and soybean meal ranged from \$38 per ton in January to as much as \$183 per ton in August. Some producers were not able to obtain canola meal at the end of the year due to short supplies. Canola meal price ended the year at a high of \$329 per ton, while soybean meal was \$379 per ton.

California Spot Prices for Alfalfa, Canola, Rolled Corn, Whole Cottonseed, and Soybean Meal - 2009¹



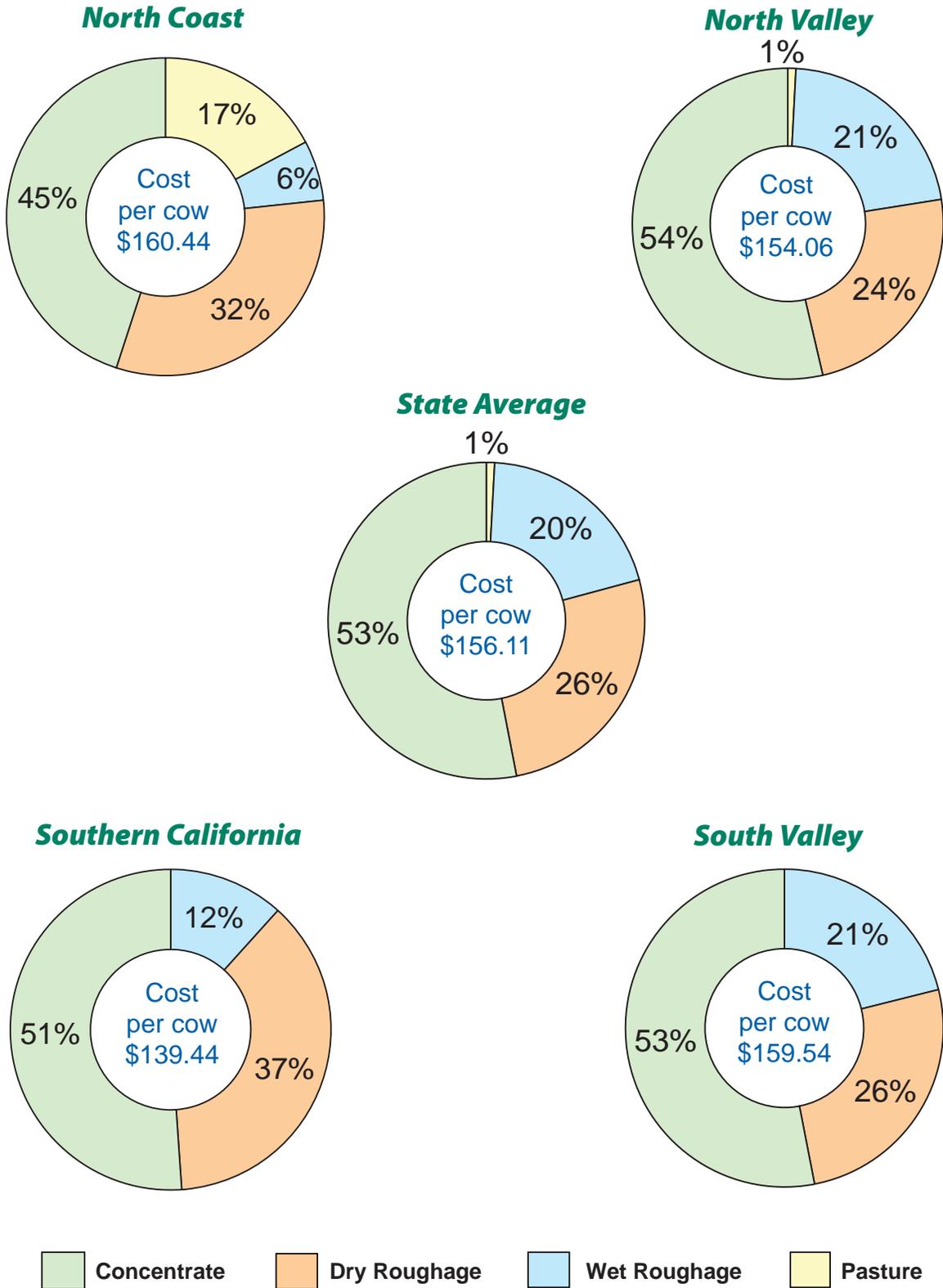
Producers looking to trim costs limited or eliminated grain commodities all together. This resulted in dairy producers feeding more dry and wet roughages which had a significant influence on milk production.

Overall, the feed costs went from \$9.82 per cwt. in the first quarter to \$7.96 per cwt. in the fourth quarter, an 18.9 percent decline. In 2009, feed cost accounted for 57.9 percent of the total production cost.

¹ JD Heiskell & Co. Inc. Weekly Price List Delivered to Tulare/Pixley Area; USDA

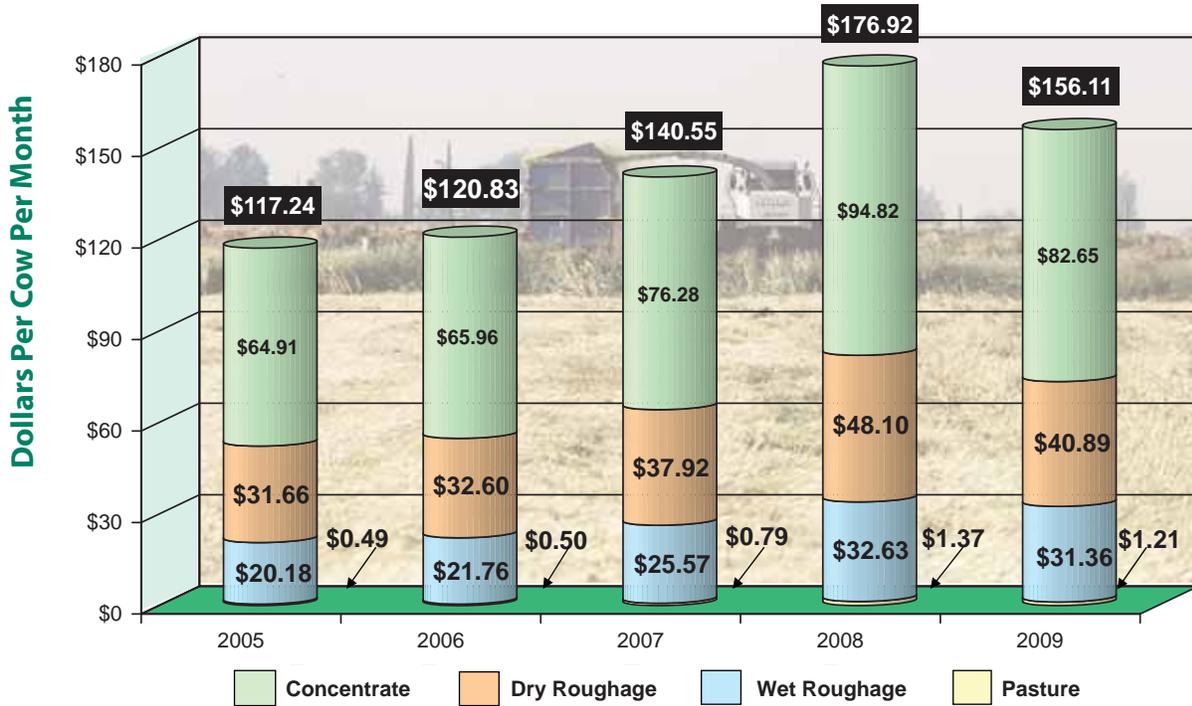
Cost of Feed Per Cow

Average Monthly Cost of Feed Per Cow and Percentage by Feed Category, 2009 (Feed Costs Based on Milk Cows & Dry Cows)

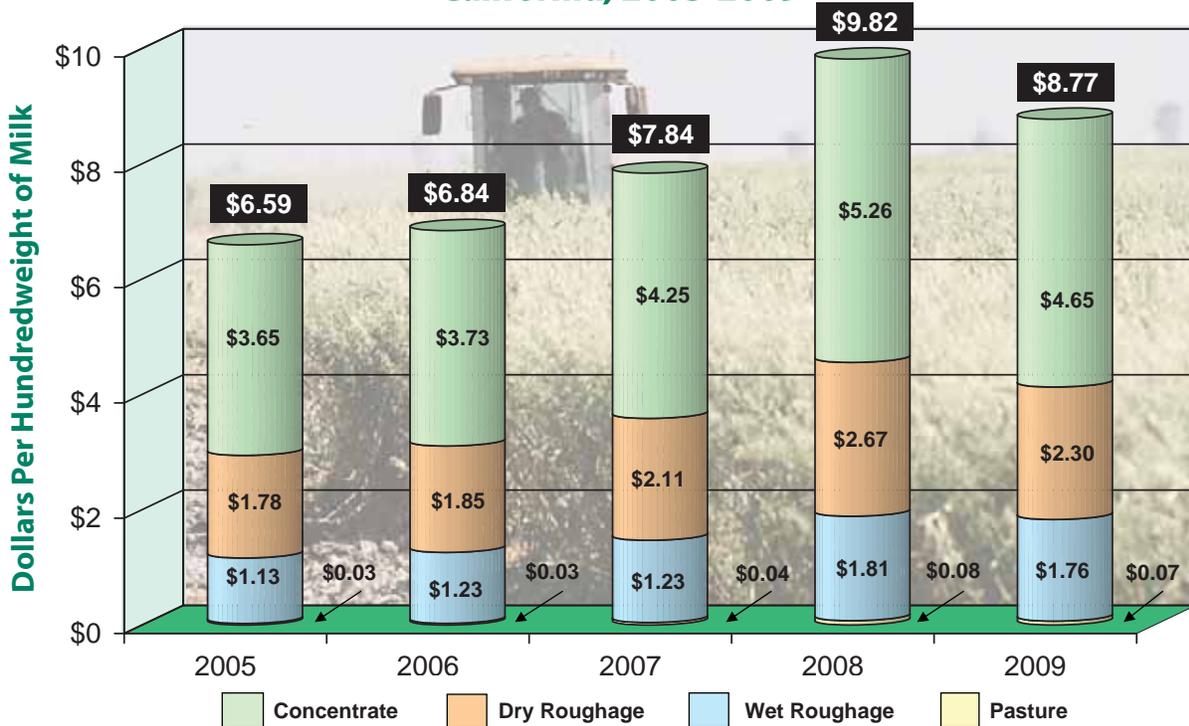


Total Feed Costs

Total Feed Costs Per Cow, Per Month ^{1/} California, 2005-2009



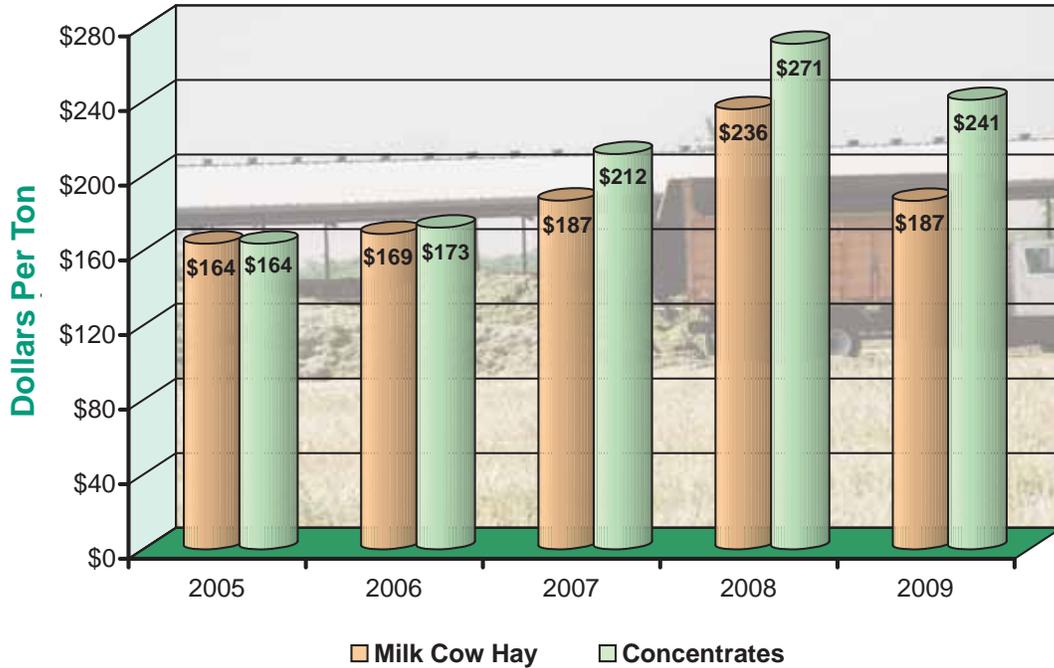
Total Feed Cost Per Hundredweight of Milk ^{1/} California, 2005-2009



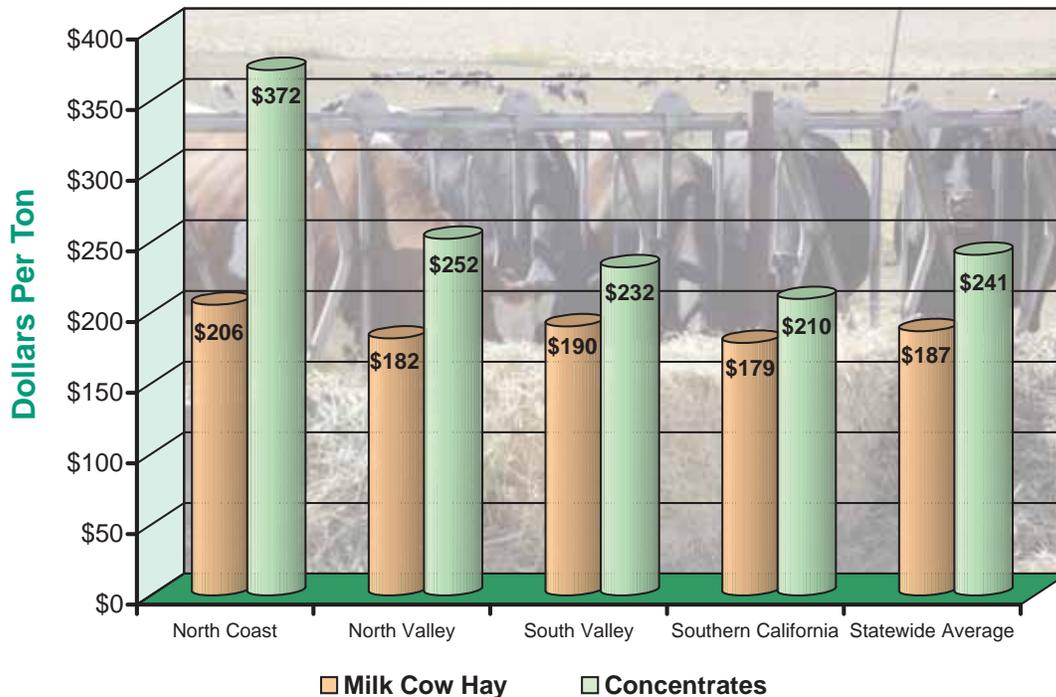
^{1/} Includes feed costs for both milk cows and dry cows.

Dry Roughage and Concentrate

Dry Roughage and Concentrate Costs, California, 2005-2009



Dry Roughage and Concentrate Costs, California, by Area, 2009

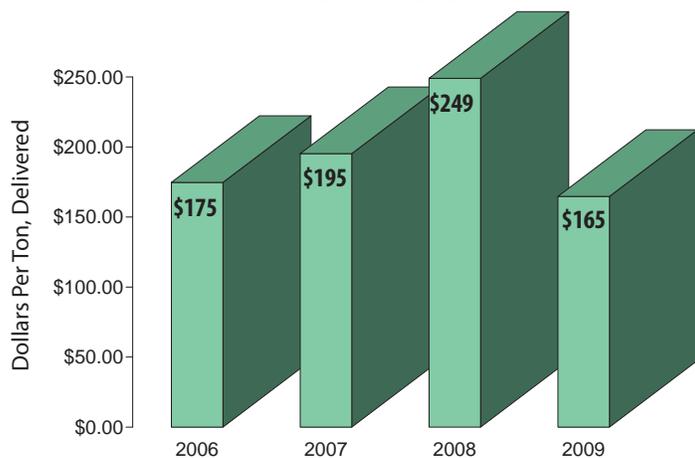


Average Premium Alfalfa Hay Prices

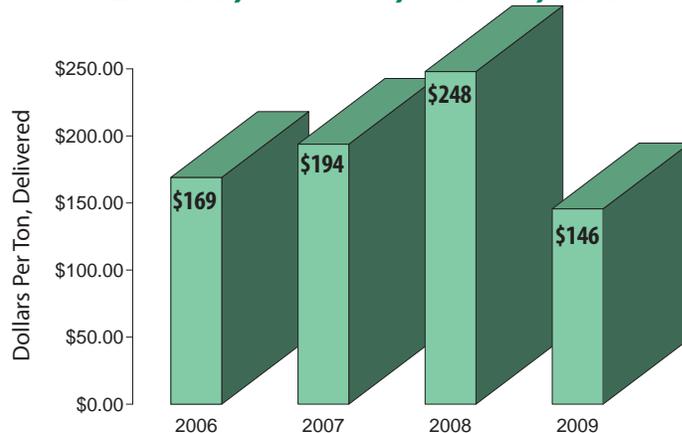
Premium Alfalfa Hay, California, Selected Areas, 2006-2009

Premium Alfalfa: Early maturity, i.e., pre-bloom in legumes and pre-head in grass hays, extra leafy and fine stemmed-factors indicative of a high nutritive content. Hay is green and free of damage.

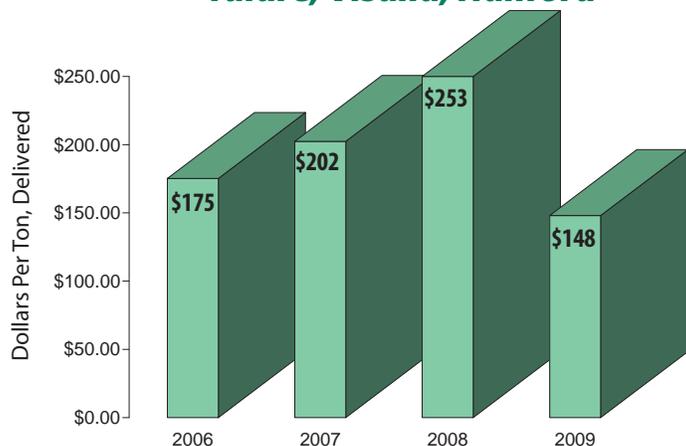
Petaluma



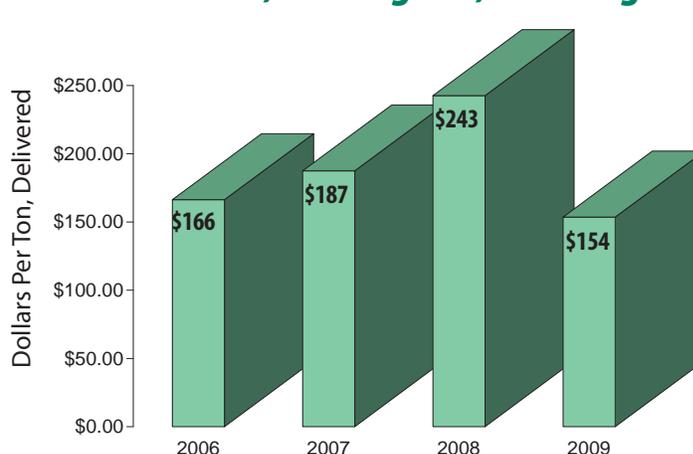
Escalon, Modesto, Turlock, Merced



Tulare, Visalia, Hanford



Chino, Los Angeles, San Diego



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, 2009 Alfalfa Hay California Market Summary.



Milk and Feed Price Volatility

Milk and Feed Price Volatility Has Affected Financial Performance of Dairies Differently

Authored By: L. A. Rodriguez, Ph.D, PAS, DPL ACAN

As reported last year, feed and milk market price volatility had resulted in stress for many dairy owners. This analysis indicates that producers should measure the financial return of the business using both inputs and outputs. Concentrating just on the cost of producing milk or just on the milk yield could make dairy producers less efficient. Therefore, producers should measure cost and returns in the dairy operation expressed per hundredweight (cwt.) of milk. In this form, it will tell how the operation is doing compared to the current milk price.

Using the California Department of Food and Agriculture cost of production data from 2006 - 2009 an analysis was done comparing the feed cost/cwt., total cost/cwt. and milk income/cwt. at two different levels of production for California dairy producers. This analysis shows how milk yield affected financial performance among these producers.

The graphs presented are divided into dairies producing 60-65 lbs. of milk per cow/per day (milk/day) and dairies producing more than 80 lbs. of milk/day. To establish a baseline for comparison, the analysis used the 2006 and 2007 average feed cost for herds producing 60-65 lbs. of milk/day and feed cost for herds producing more than 80 lbs of milk/day. The baseline feed cost for 60-65 lbs. herds averaged \$7.17 per cwt. and herds producing more than 80 pounds of milk averaged \$6.47 per cwt. When compared to the baseline for dairies producing 60-65 lbs. of milk/day, feed costs increased by 45 percent to \$10.38 in 2008 and by 26 percent to \$9.00 in 2009. For dairies producing more than 80 lbs. of milk/day, feed costs increased by 43 percent to \$9.28 in 2008 and 30 percent to \$8.38 in 2009 (Figure 1). Even though both groups of dairies had similar percent increases in the feed cost/cwt., dairies producing more than 80 lbs. of milk/day had a feed cost/cwt. of \$ 0.78 (10%) less

than dairies producing 60-65 lbs. of milk/day over the four year period.

For Dairies producing 60-65 lbs. of milk/day, average total cost/cwt. increased from \$13.16 in 2006 to \$13.93 in 2007 and up to \$16.91 in 2008, then dropping down to \$15.66 in 2009. This is an increase from year to year of 6 percent and 21 percent, respectively, before decreasing

Fig. 1: Feed Cost/Cwt., by Milk Production Level: 2006-2009

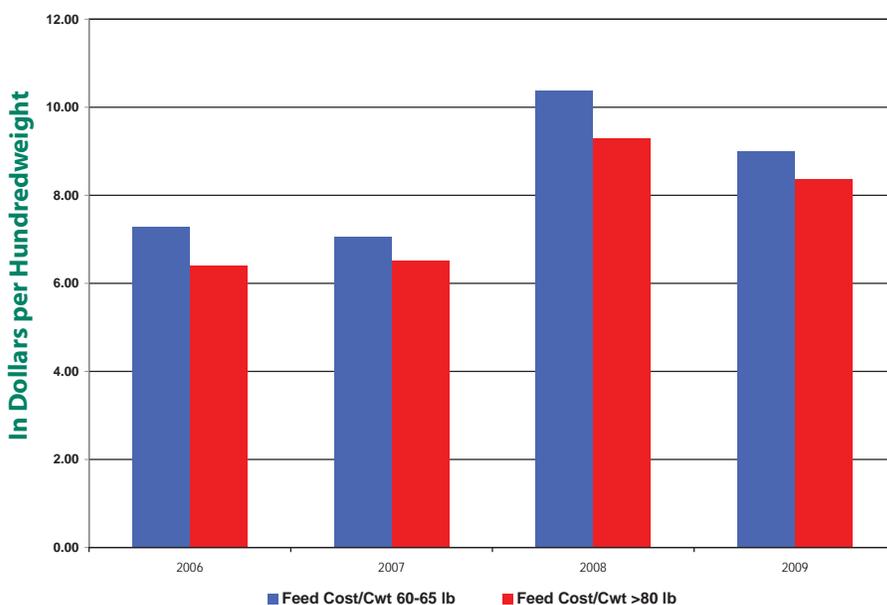
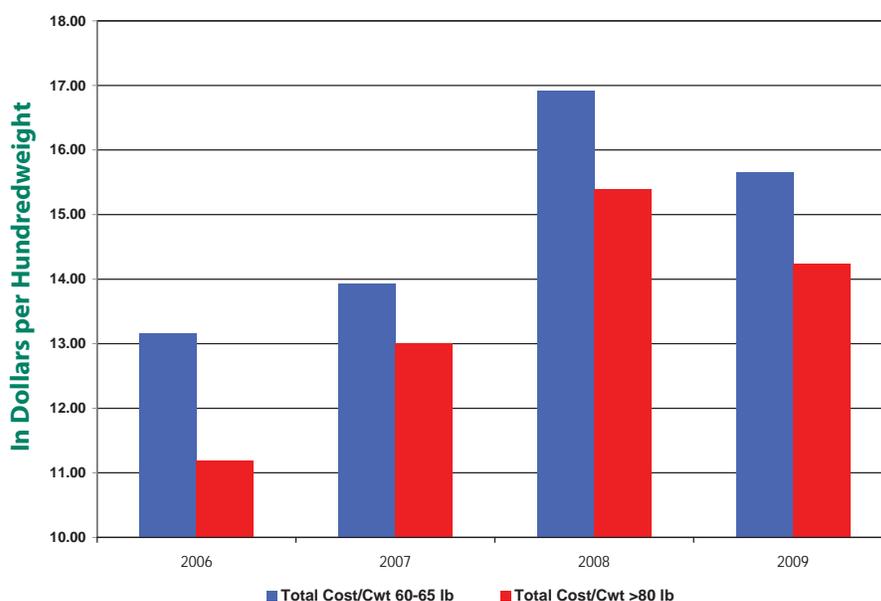


Fig. 2: Total Cost/Cwt., by Milk Production Level: 2006-2009



Milk and Feed Price Volatility

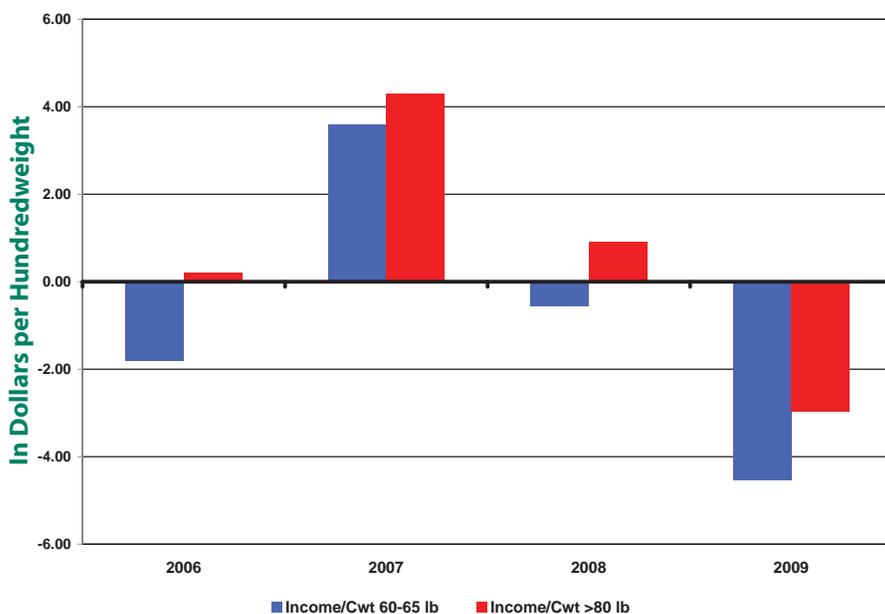
by 7 percent in 2009. For Dairies producing more than 80 lbs. of milk/day, average total cost/cwt. increased from \$11.18 in 2006 to \$13.01 in 2007 and up to \$15.39 in 2008, then dropping down to \$14.25 in 2009. This is an increase from year to year of 14 percent and 15 percent, respectively, before decreasing by 7 percent in 2009 (Figure 2). Even though both groups of dairies had increases in the total cost/cwt. over the four year period 2006 - 2009, dairies producing more than 80 lbs. of milk/day had a lower total increased cost/cwt. of \$1.98 (15%), \$0.92 (7%), \$1.52 (9%) and \$1.41 (9%), respectively, compared to dairies producing 60-65 lbs. of milk/day. Herds producing more than 80 lbs. of milk/day averaged \$1.46 cwt. less in total cost compared to dairies producing 60-65 lbs. of milk/day.

The average mailbox milk price for Holstein herds was \$11.46/cwt. in 2006, \$17.69/cwt. in 2007, \$16.21/cwt. in 2008 and \$11.16/cwt in 2009. Milk income/cwt. was highly influenced by the milk price during this time period. For dairies producing 60-65 lbs. of milk/day, average milk income/cwt. was a -\$1.80 in 2006, \$3.59 in 2007, -\$0.55 in 2008 and -\$4.53 in 2009 with a four year average of -\$0.83/cwt. For Dairies producing more than 80 lbs. of milk/day, average milk income/cwt. was \$0.21 in 2006, \$4.30 in 2007, \$0.92 in 2008 and -\$2.97 in 2009, with a four year average of \$0.62 (Figure 3).

Over this four-year period, the California dairy industry experienced four different financial scenarios: 1) in 2006, the industry had a low milk price with normal feed prices: 4 percent of the dairies producing 60-65 lbs. of milk/day and 67 percent of the dairies producing more than 80 lbs. of milk/day had a positive milk income/cwt.; 2) In 2007, the industry had a high milk price with normal feed prices: 100 percent of the dairies producing 60-65 lbs. of milk/day and 100 percent of the dairies producing more than 80 lbs. of milk/day had a positive milk income/cwt.; 3) In 2008, the industry had a high milk price with high feed prices: 33 percent of the dairies producing 60-65 lbs. of milk/day and 69 percent of the dairies producing more than 80 lbs. of milk/day had a positive milk income/cwt. 4) in 2009, the industry had a low milk price with relatively high feed prices: 0 percent of the dairies producing 60-65 lbs. of milk/day and 9 percent of the dairies producing more than 80 lbs. of milk/day had a positive milk income/cwt. It is interesting to note that on average, dairies producing 60-65 lbs. of milk showed negative income in three out of the four years evaluated. However, on average, dairies producing more than 80 lbs. of milk/day showed positive income in three out of the four years.

In summary, the analysis indicates that maintaining the highest milk yield possible within each California dairy system is a very important part of the profitability equation of the dairy industry. In these volatile times, it is important not to just cut input cost without considering the affect it could have on milk yield. When making decisions to cut inputs, one should measure the impact on a cwt. basis; it will tell how the operation is doing compared to the current milk price.

Fig. 3: Milk Income/Cwt., by Milk Production Level: 2006-2009



Labor Cost Summary

Due to the weakened economy, there were many people looking for work at dairies. Many of them had previous dairy experience, but were recently laid off from construction and other jobs. Producers were hesitant to hire these workers, believing they will move on as the economy improves. At this time, many producers were cutting back on labor where they could. For example, some producers were laying off relief labor such as milkers, feeders, etc. and doing the work themselves. The work force on dairies remained stable due to few opportunities for employment elsewhere.



Labor costs remained close to the same as in 2008. Hourly wages for all hired labor actually went down from \$14.47 to \$14.37 in 2009. Over the last two years there has been a steady decrease in perquisites for all labor. Producers have decreased benefits such as housing, utilities, and health insurance. In the last

two years the perquisites have declined by about 20 percent.

Many dairy producers hired safety awareness companies to provide classes to their employees. These classes were held anywhere from monthly to semi-annually depending on dairy needs and were offered in Spanish. There has been some monetary settlements for overtime and break issues. Union voting has taken place at several dairies over the past few years with various outcomes.



Labor Cost Comparison

Labor Comparison, by Cost of Production Area, 2009

AVERAGES	2008					2009	
	Statewide Average	North Coast	North Valley	South Valley	Southern California	Statewide Average	Percent Change
CASH WAGE / HIRED MILKER	\$2,435	\$2,219	\$2,470	\$2,444	\$2,904	\$2,466	1.27%
PERQUISITES / HIRED MILKER 1/	\$299	\$439	\$336	\$216	\$215	\$265	-11.45%
TOTAL WAGE / HIRED MILKER 2/	\$3,193	\$3,083	\$3,254	\$3,069	\$3,728	\$3,163	-0.95%
HOURS / MONTH / HIRED MILKER	233	232	226	238	232	233	0.18%
HOURLY CASH WAGE / HIRED MILKER	\$10.47	\$9.57	\$10.95	\$10.28	\$12.52	\$10.58	1.09%
HOURLY PERQUISITES / HIRED MILKER 1/	\$1.29	\$1.89	\$1.49	\$0.91	\$0.93	\$1.14	-11.62%
HOURLY WAGE / HIRED MILKER 2/	\$13.73	\$13.29	\$14.42	\$12.90	\$16.08	\$13.57	-1.13%
CASH WAGE / HIRED LABOR	\$2,828	\$2,299	\$2,838	\$2,933	\$3,417	\$2,886	2.04%
PERQUISITES / HIRED LABOR 1/	\$404	\$354	\$406	\$308	\$182	\$349	-13.79%
TOTAL WAGE / HIRED LABOR 2/	\$3,759	\$3,082	\$3,762	\$3,723	\$4,314	\$3,739	-0.55%
HOURS / MONTH / HIRED LABOR	242	242	238	241	244	240	-0.56%
HOURLY CASH WAGE / HIRED LABOR	\$11.70	\$9.49	\$11.90	\$12.15	\$13.99	\$12.01	2.61%
HOURLY PERQUISITES / HIRED LABOR 1/	\$1.67	\$1.46	\$1.70	\$1.27	\$0.74	\$1.45	-13.30%
HOURLY WAGE / HIRED LABOR 2/	\$15.56	\$12.72	\$15.77	\$15.42	\$17.66	\$15.56	0.00%
CASH WAGE / ALL HIRED	\$2,591	\$2,254	\$2,634	\$2,617	\$3,082	\$2,631	1.52%
TOTAL WAGE / ALL HIRED 2/	\$3,418	\$3,082	\$3,481	\$3,301	\$3,931	\$3,389	-0.86%
HOURLY CASH WAGE / ALL HIRED	\$10.97	\$9.53	\$11.39	\$10.95	\$13.05	\$11.15	1.66%
HOURLY WAGE / ALL HIRED 2/	\$14.47	\$13.03	\$15.05	\$13.80	\$16.65	\$14.37	-0.73%
HOURS / COW / MONTH / ALL HIRED	1.95	2.65	1.96	1.93	1.68	1.95	0.17%
CASH COST / COW / MONTH / ALL HIRED	\$21.34	\$25.29	\$22.31	\$21.17	\$21.89	\$21.73	1.83%
COST / COW / MONTH / ALL HIRED 2/	\$28.16	\$34.58	\$29.48	\$26.70	\$27.92	\$28.00	-0.56%
NUMBER COWS / HIRED MILKER	202	159	213	191	216	199	-1.13%
NUMBER COWS / HIRED LABOR	305	203	264	349	406	308	0.98%
NUMBER COWS / ALL MILKERS & LABOR 3/	114	79	114	117	124	115	0.91%
MILK SOLD / PERSON / MONTH (LBS.) 3/	205,878	115,131	202,976	211,372	224,262	205,454	-0.21%
REVENUE GENERATED / PERSON / MONTH 3/	\$35,246	\$19,755	\$25,052	\$24,109	\$26,203	\$24,412	-30.74%

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

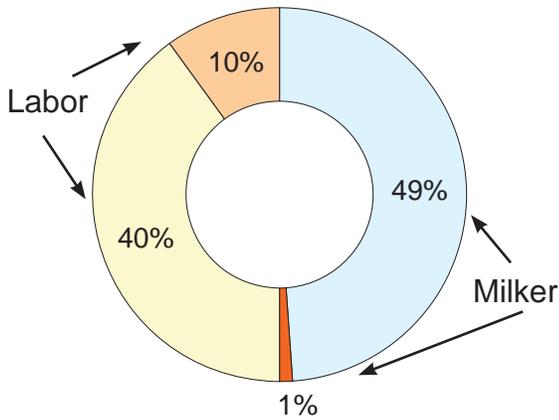
2/ Includes Cash Wages, Perquisites, and Employment Taxes (FICA, Worker's Compensation, Unemployment Insurance) Paid by Employer

3/ Includes All Dairy Workers, Hired and Family

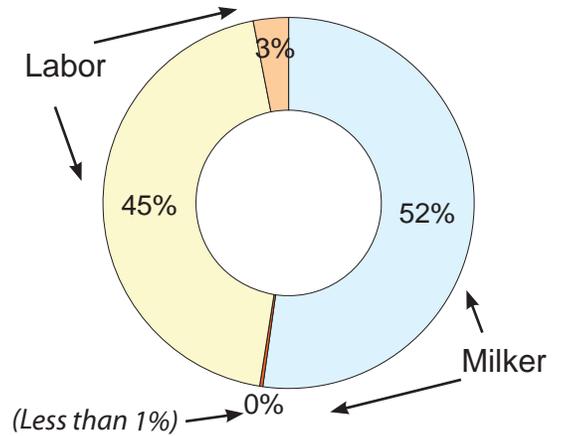
Labor Costs, by Area

Labor Cost Percentage, 2009

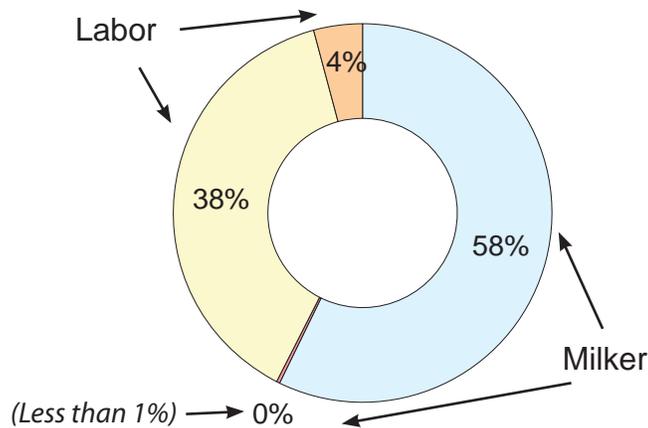
North Coast



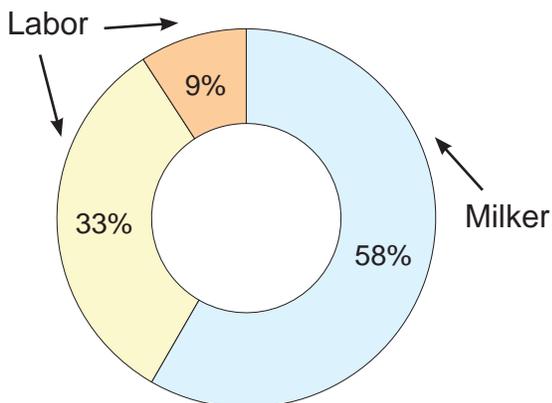
North Valley



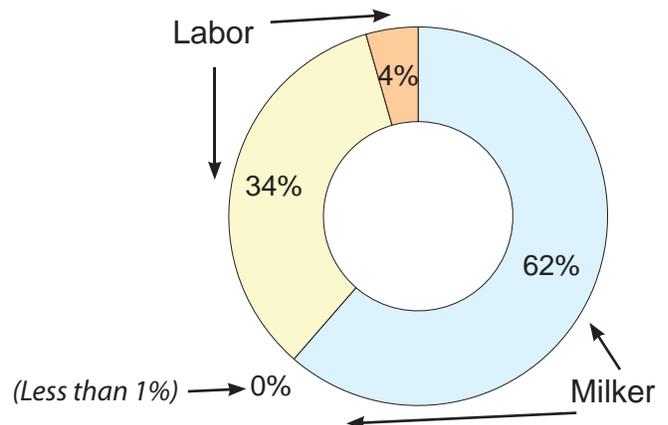
State Average



Southern California



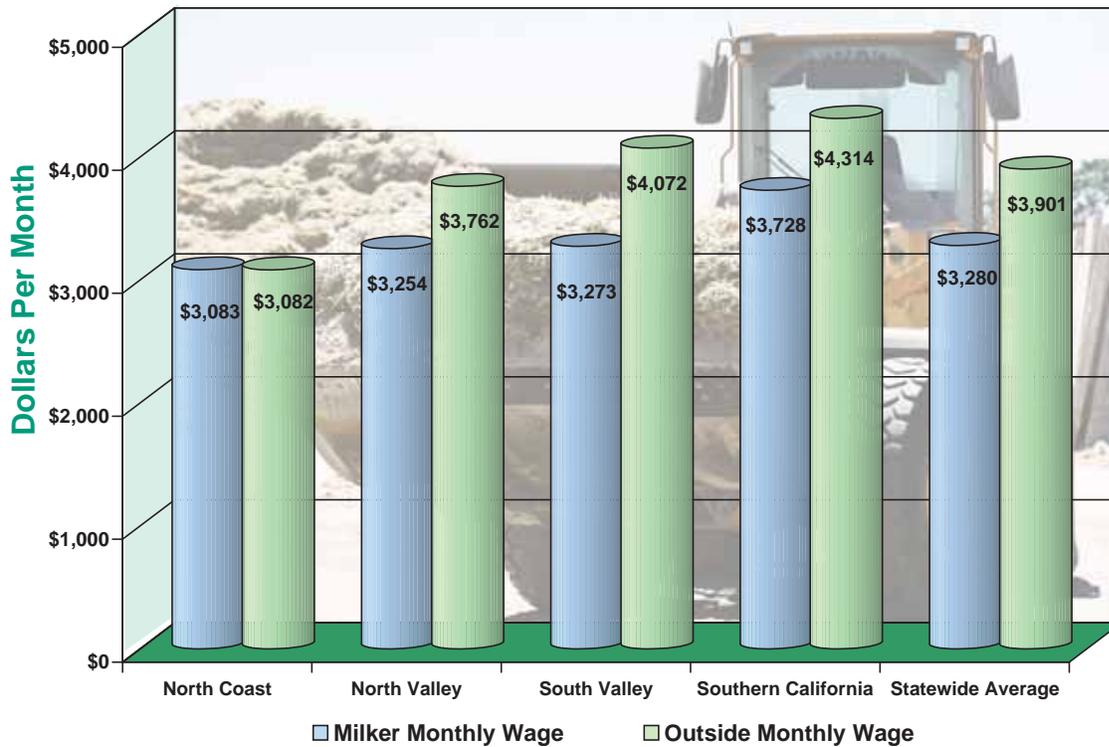
South Valley



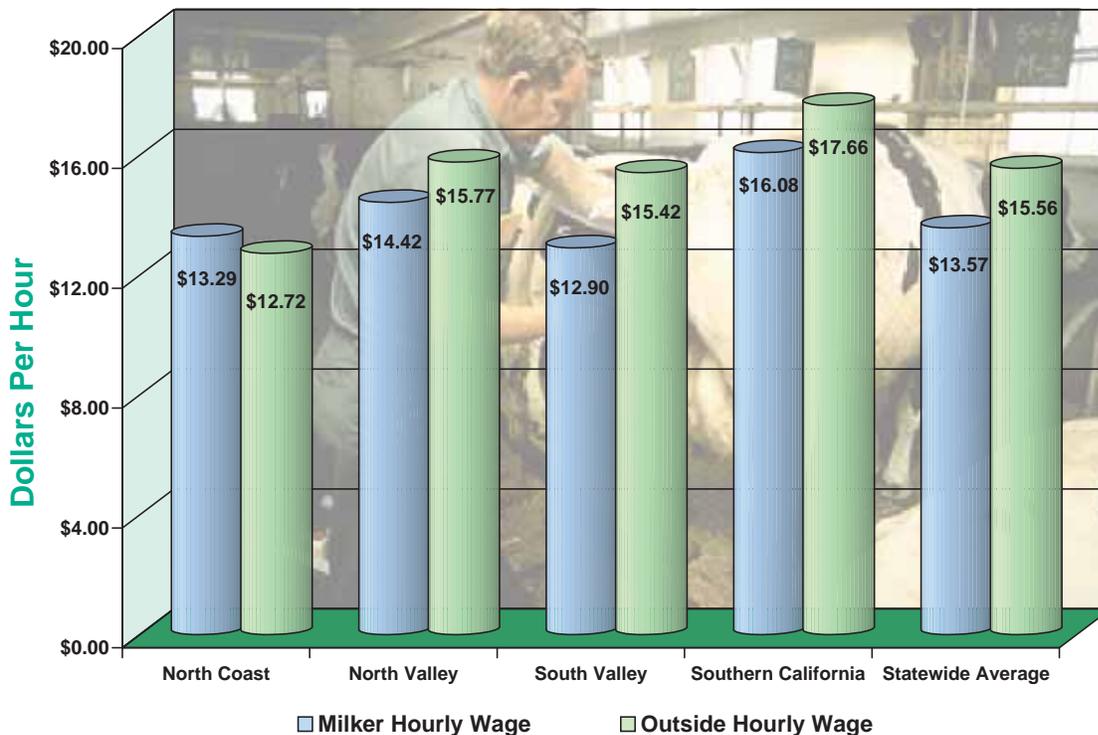
Hired Milker
 Family Milker
 Hired Labor
 Family Labor

Average Milker and Outside Labor Wages

**Average Milker and Outside Labor Monthly Wages
Including Benefits and Employer Taxes
California Cost of Production Areas, 2009**



**Average Milker and Outside Labor Hourly Wages
Including Benefits and Employer Taxes
California Cost of Production Areas, 2009**



County Dairy Statistics

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, 2009

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	5,402	4.24	9.12	247	3	82
Del Norte	62,417	4.08	8.87	4,099	9	455
Fresno	2,575,897	3.63	8.83	115,716	102	1,134
Glenn	382,555	3.60	8.81	17,519	42	417
Humboldt	237,312	4.21	8.97	15,585	69	226
Kern	3,655,981	3.61	8.76	167,309	53	3,157
Kings	3,938,365	3.64	8.79	181,243	150	1,208
Madera	1,610,362	3.64	8.81	73,747	55	1,341
Marin	182,179	3.53	8.89	9,284	23	404
Mendocino ^{3/}					2	
Merced	5,710,805	3.72	8.88	261,529	268	976
Monterey ^{3/}					2	
Placer ^{3/}						
Sacramento	337,871	3.73	8.82	15,473	34	455
San Benito	11,507	3.93	8.80	527	3	176
San Joaquin	2,215,153	3.63	8.80	101,444	125	812
Shasta ^{3/}					1	
Siskiyou	13,888	3.75	8.81	636	3	212
Solano ^{3/}					2	
Sonoma	520,731	3.71	8.90	26,538	69	385
Stanislaus	3,930,961	3.68	8.83	180,020	259	695
Sutter ^{3/}					1	
Tehama	104,847	3.92	8.99	4,802	15	320
Tulare	10,779,290	3.66	8.83	493,292	319	1,546
Yolo ^{3/}					2	
Yuba	68,053	3.88	8.90	3,117	4	779
Northern California	36,543,062	3.67	8.83	1,681,404	1,615	1,041
Imperial	141,481	3.80	8.97	7,500	4	1,875
Los Angeles ^{3/}					1	
Riverside	1,015,895	3.57	8.79	47,856	35	1,367
San Bernardino	1,636,698	3.50	8.78	77,101	90	857
San Diego	54,607	3.43	8.73	2,572	4	643
San Luis Obispo ^{3/}					1	
Santa Barbara ^{3/}					2	
Southern California	2,945,159	3.54	8.79	139,538	137	1,019
STATE TOTALS	39,488,221	3.66	8.82	1,820,942	1,752	1,039

^{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, 2009

- The top ten milk producing counties for 2009 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 2009.
- Total 2009 Grade B milk production increased 156.2 percent when compared to 2008.
- If Tulare County were a state, it would rank fifth 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)

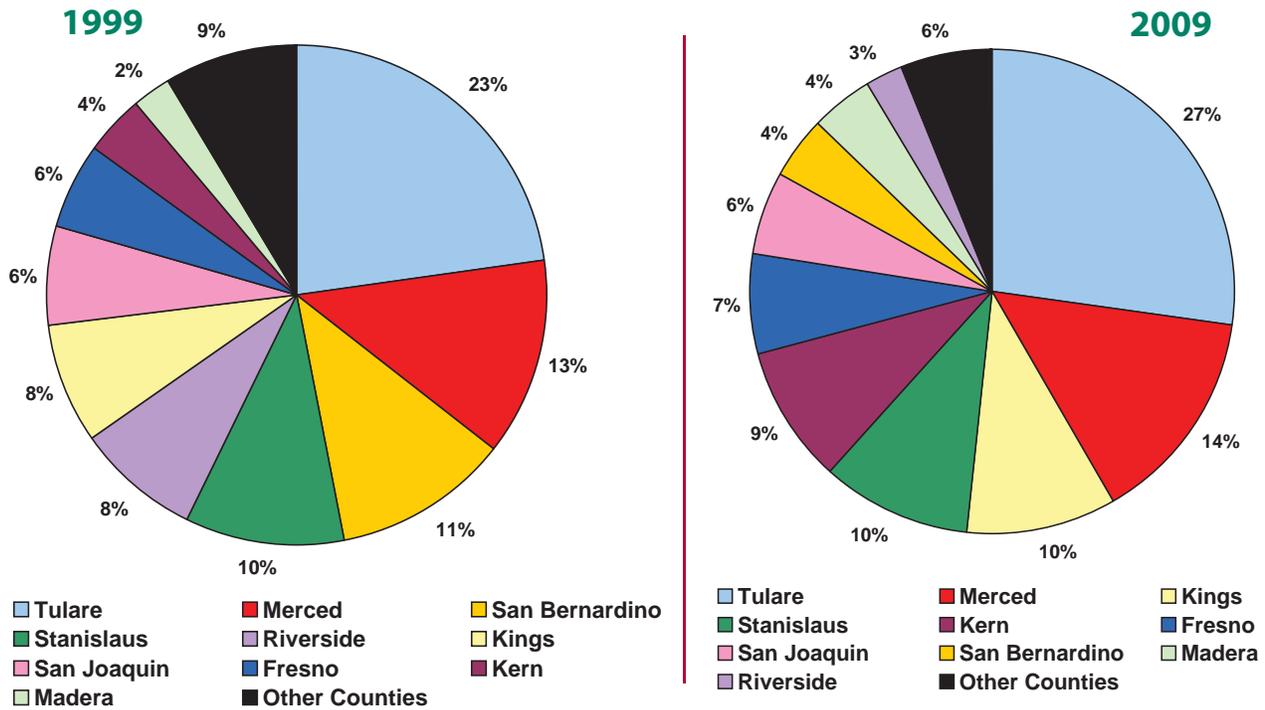
County (by rank)	Pounds of Milk Produced in 2009 (in thousand pounds)	% Change from 2008
Tulare	10,712,216	1.17%
Merced	4,924,993	-12.62%
Kings	3,908,567	-2.72%
Kern	3,653,300	-5.43%
Stanislaus	3,388,766	-16.18%
Fresno	2,564,101	-5.23%
San Joaquin	2,115,867	-13.95%
San Bernardino	1,636,160	-13.76%
Madera	1,553,245	-8.61%
Riverside	1,015,872	-7.75%

Manufacturing Milk Production (Grade B)

County (by rank)	Pounds of Milk Produced in 2009 (in thousand pounds)	% Change from 2008
Merced	785,812	227.52%
Stanislaus	542,195	4470.08%
San Joaquin	99,286	6036.36%
Tulare	67,074	-68.06%
Tehama	63,608	68.45%

Top Milk Producing Counties

Top Ten Milk Producing Counties, 1999 vs. 2009



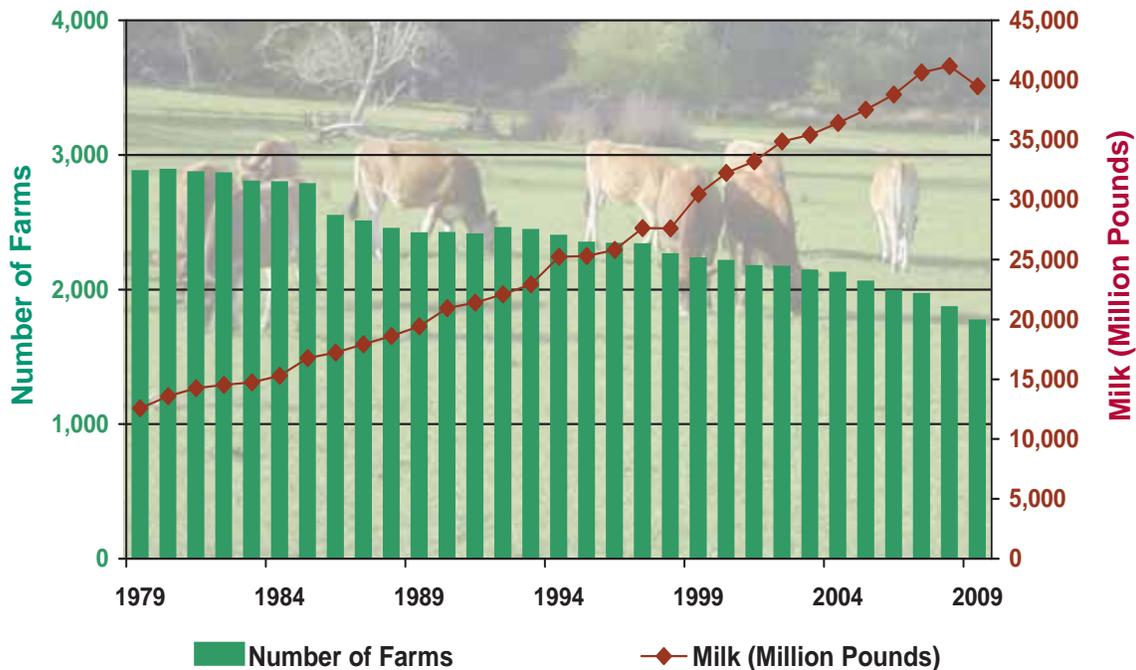
The counties for both 1999 and 2009 are designated in the same color. Tulare has remained the top milk producing county in California and would rank as the fifth largest producing state in the U.S. As the pie charts display, the "other counties" category share of milk production continues to decrease.

Profile of Top Ten Dairy Counties, 2009

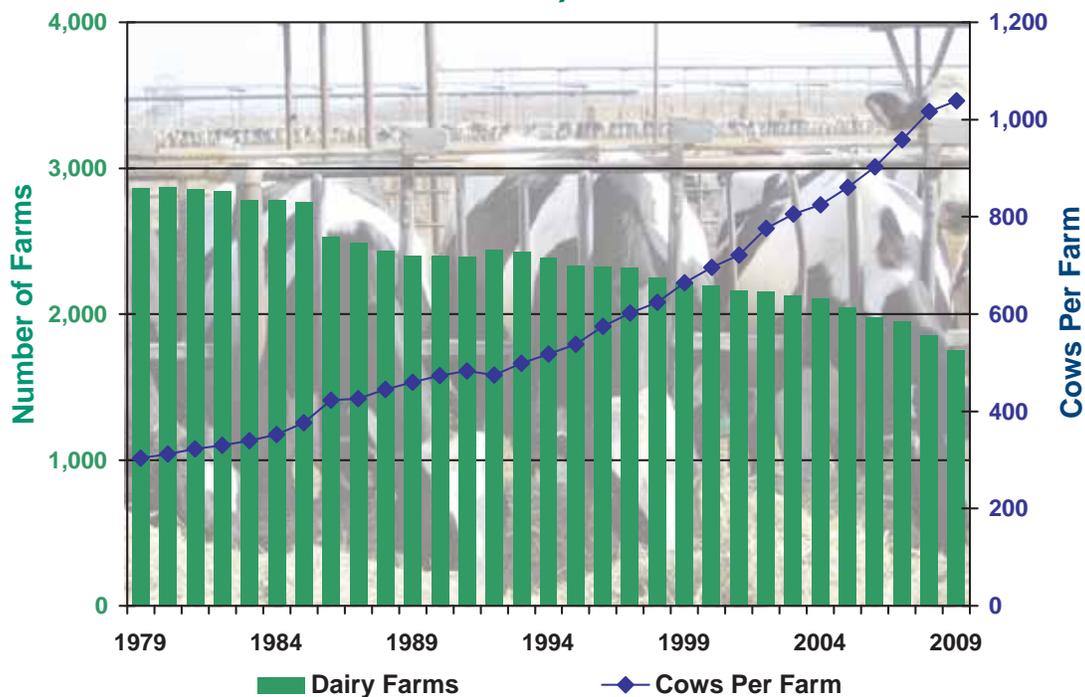
County	Million Pounds of Milk	Number of Dairies	Number of Cows (Thousands)	Number of Cows Per Farm	Gallons of Milk Per Cow/Per Day
Tulare	10,779	319	493	1,546	6.95
Merced	5,711	268	262	976	6.93
Kings	3,938	150	181	1,208	6.91
Stanislaus	3,931	259	180	695	6.94
Kern	3,656	53	167	3,157	6.96
Fresno	2,576	102	116	1,134	7.06
San Joaquin	2,215	125	101	812	6.97
San Bernardino	1,637	90	77	857	6.75
Madera	1,610	55	74	1,341	6.91
Riverside	1,016	35	48	1,367	6.72
10-County Total	37,069	1,456	1,699	1,309 (Average)	6.91 (Average)
Percent of State Totals	94%	83%	93%		

Dairy Farms in California

Dairy Farms and Milk Production California, 1979-2009

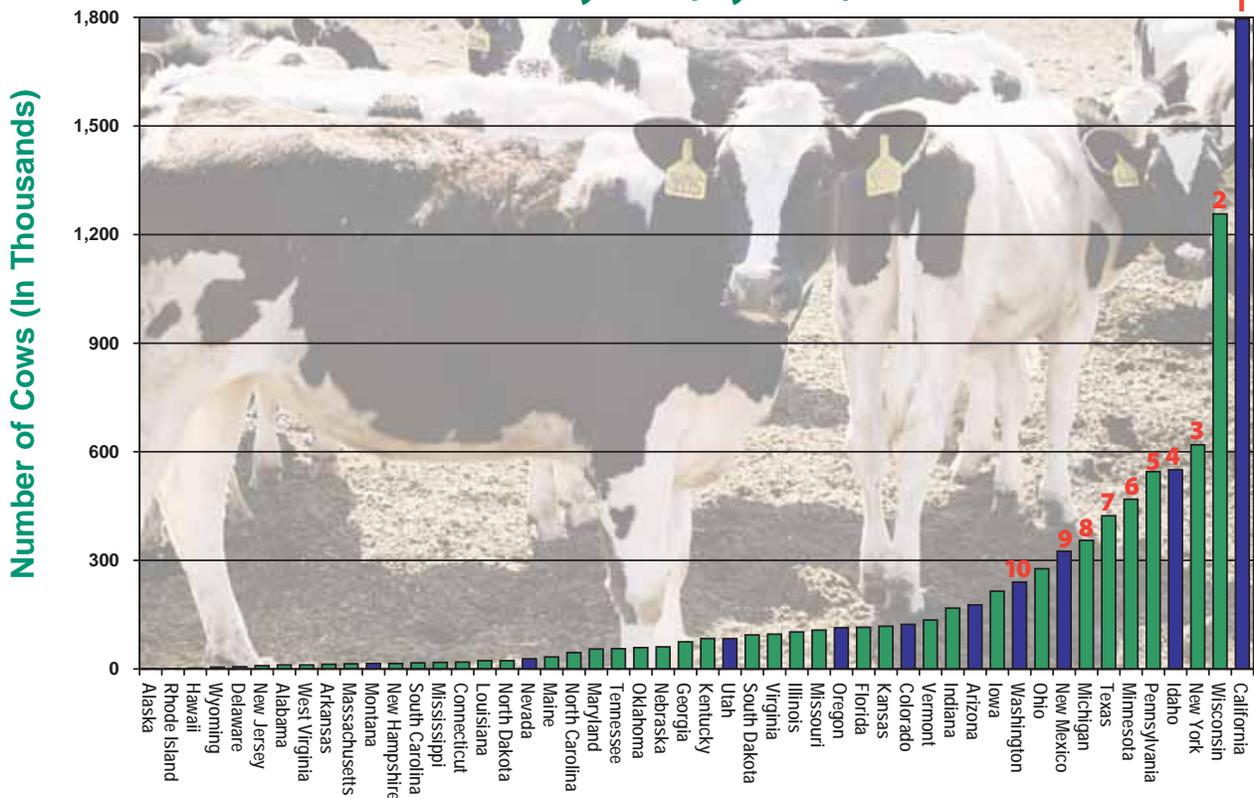


Number of Farms and Cows Per Farm California, 1979-2009



U.S. Milk Cows, Milk Per Cow

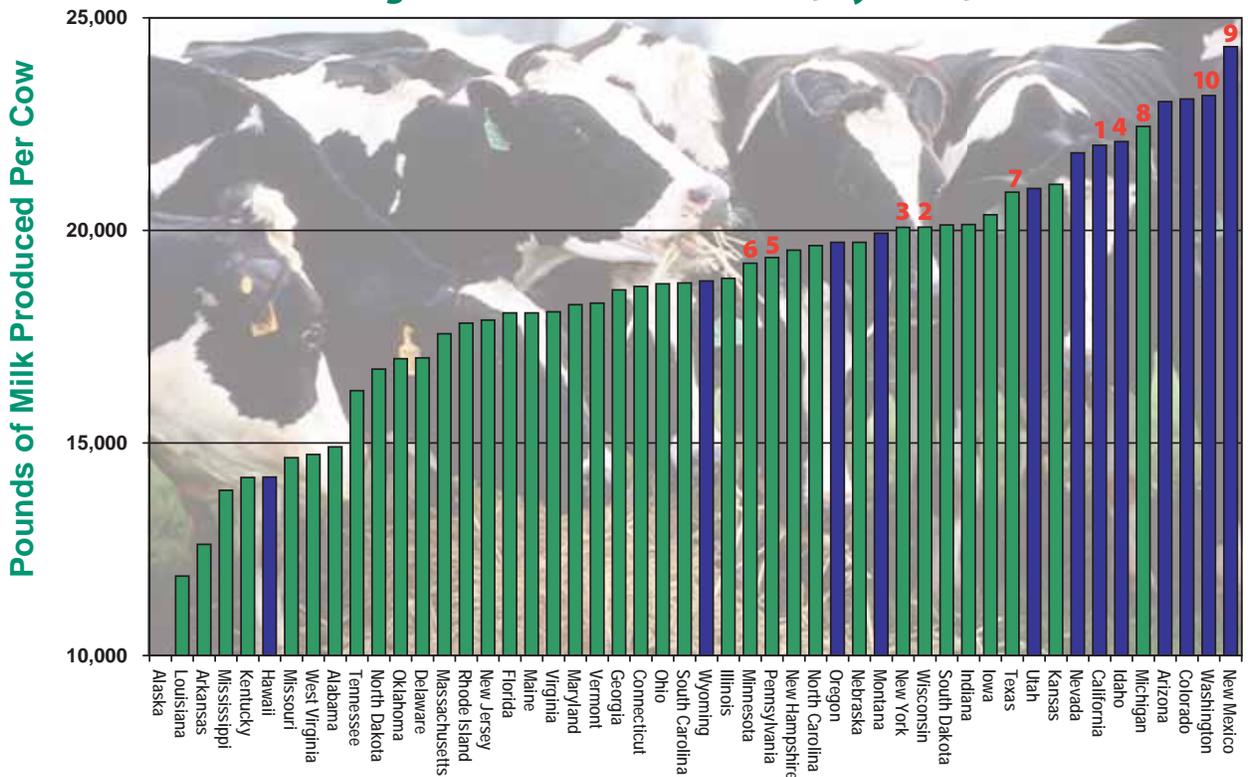
Number of Dairy Cows, by State, 2009



Blue bars indicate states from the Western Region

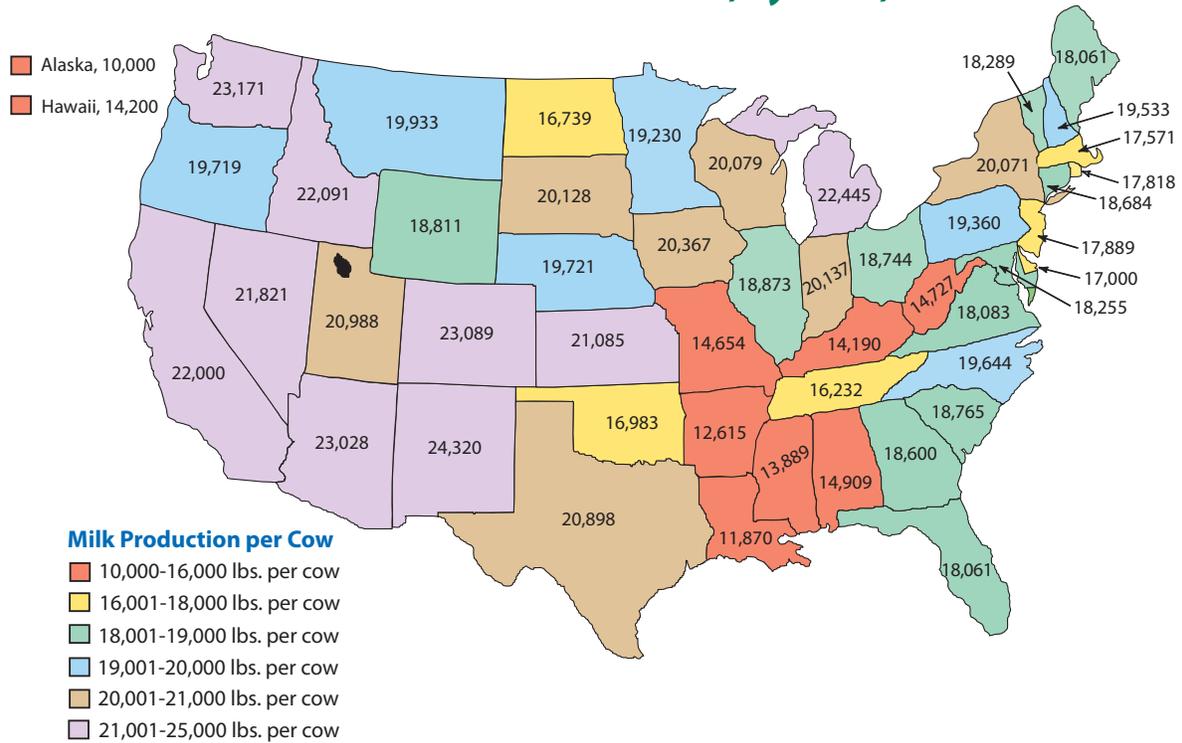
Red number indicates top ten ranking in U.S. milk production

Average Pounds of Milk Per Cow, by State, 2009

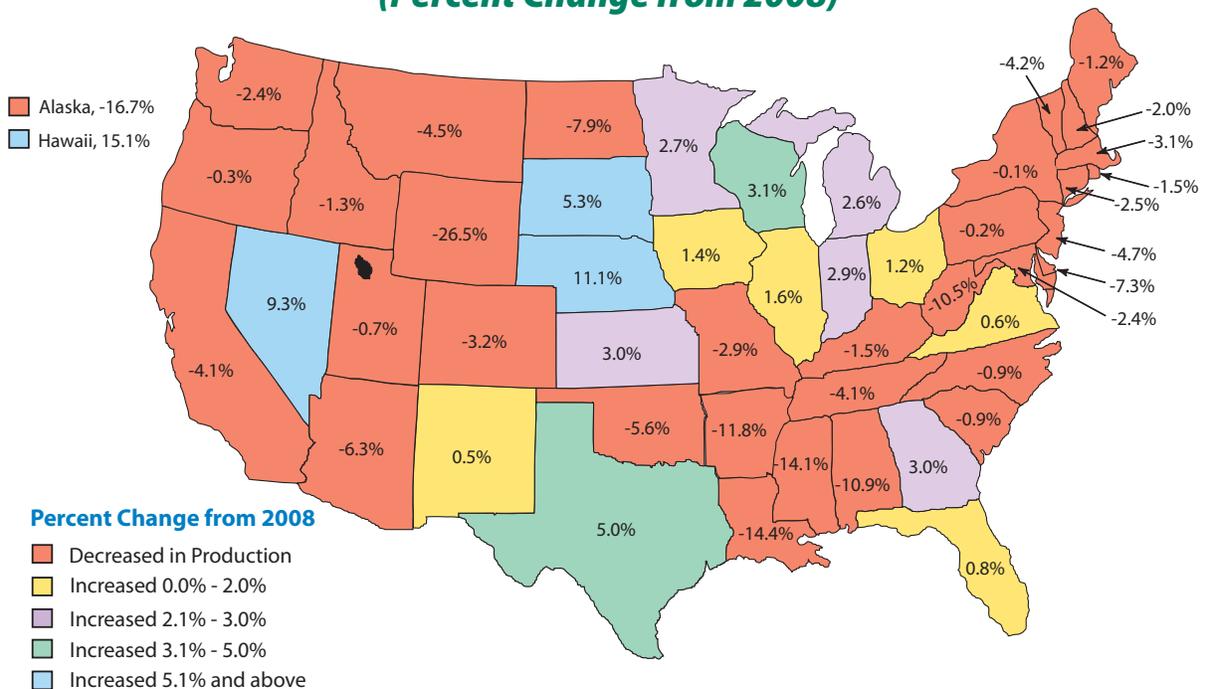


U.S. Milk Cows / Milk Production

USDA Milk Production Per Cow, by State, 2009



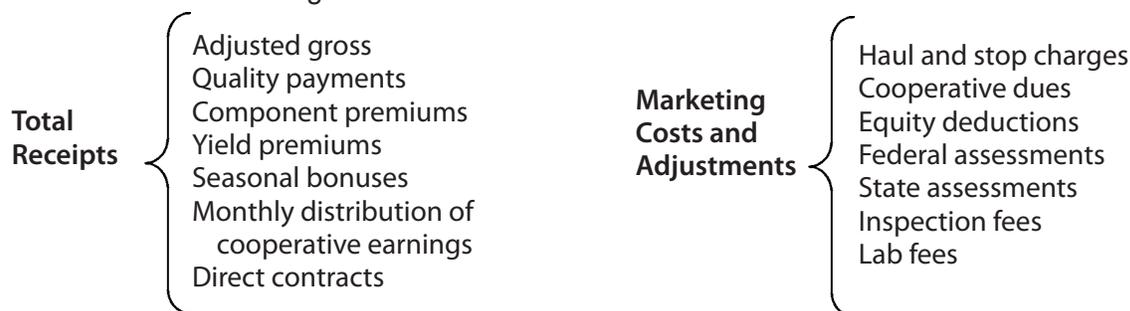
USDA Milk Production by State, 2009 (Percent Change from 2008)



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 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 less Marketing Costs & Assessments = Mailbox Price

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

2009 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	\$10.57	\$9.80	\$9.92	\$9.88	\$9.70	\$9.63	\$9.60	\$10.51	\$11.20	\$12.30	\$13.78	\$15.33
New England States	\$14.95	\$12.46	\$12.25	\$12.66	\$12.65	\$12.27	\$12.22	\$12.57	\$13.45	\$14.84	\$15.90	\$17.06
New York	\$13.94	\$11.72	\$11.52	\$11.93	\$11.96	\$11.61	\$11.47	\$11.81	\$12.64	\$13.82	\$14.84	\$16.01
Eastern Pennsylvania	\$14.45	\$11.98	\$11.76	\$12.16	\$12.14	\$11.73	\$11.80	\$12.12	\$12.99	\$14.43	\$15.52	\$16.68
Appalachian States	\$16.55	\$13.20	\$12.25	\$12.70	\$12.78	\$12.36	\$12.74	\$13.04	\$13.94	\$15.30	\$16.33	\$17.38
Southeast States	\$17.05	\$13.76	\$12.47	\$13.08	\$13.15	\$12.85	\$13.38	\$13.88	\$14.77	\$16.41	\$16.93	\$17.75
Southern Missouri	\$14.98	\$11.69	\$10.78	\$11.09	\$10.77	\$10.77	\$11.08	\$11.51	\$12.55	\$14.23	\$15.01	\$15.85
Florida	\$18.39	\$14.97	\$13.61	\$14.34	\$14.70	\$14.07	\$14.81	\$15.37	\$16.20	\$17.76	\$17.86	\$18.64
Western Pennsylvania	\$14.37	\$11.89	\$11.61	\$12.07	\$11.86	\$11.53	\$11.53	\$11.97	\$12.97	\$14.60	\$15.69	\$16.63
Ohio	\$14.83	\$12.28	\$11.97	\$12.43	\$12.32	\$11.87	\$11.90	\$12.45	\$13.28	\$14.88	\$15.85	\$16.84
Indiana	\$14.86	\$12.00	\$11.34	\$11.76	\$12.00	\$11.37	\$11.51	\$11.90	\$12.81	\$14.27	\$15.34	\$16.35
Michigan	\$13.76	\$11.51	\$11.29	\$11.74	\$11.55	\$11.16	\$11.16	\$11.69	\$12.61	\$14.02	\$15.05	\$16.10
Wisconsin	\$12.94	\$11.24	\$11.87	\$12.17	\$11.40	\$11.24	\$11.15	\$12.25	\$13.30	\$14.54	\$15.69	\$16.61
Minnesota	\$12.77	\$11.82	\$12.27	\$12.26	\$11.49	\$11.26	\$11.27	\$12.57	\$13.48	\$14.83	\$15.77	\$16.58
Iowa	\$13.60	\$11.73	\$11.84	\$12.23	\$11.81	\$11.48	\$11.33	\$12.22	\$13.23	\$14.60	\$15.66	\$16.70
Illinois	\$13.38	\$11.62	\$11.84	\$12.06	\$11.80	\$11.44	\$10.91	\$12.44	\$13.29	\$14.71	\$15.69	\$16.72
Corn Belt States	\$13.61	\$11.33	\$11.43	\$11.62	\$11.33	\$10.96	\$10.82	\$11.69	\$12.82	\$14.12	\$14.99	\$16.01
Western Texas	\$12.98	\$10.73	\$10.73	\$11.07	\$10.59	\$10.20	\$10.43	\$11.30	\$12.22	\$13.37	\$14.65	\$15.49
New Mexico	\$12.25	\$10.03	\$9.92	\$10.26	\$9.77	\$9.37	\$9.66	\$10.51	\$11.39	\$12.52	\$13.86	\$14.53
Northwest States	\$12.75	\$10.66	\$10.95	\$11.29	\$10.87	\$10.55	\$10.57	\$11.17	\$12.17	\$13.52	\$14.84	\$16.00
All Federal Order Areas	\$13.77	\$11.61	\$11.60	\$11.96	\$11.61	\$11.27	\$11.30	\$12.04	\$12.98	\$14.29	\$15.37	\$16.37

California Annual Weighted Average Mailbox Milk Prices

2008: \$16.17/cwt. 2009: \$11.02/cwt. Percent Change from 2008: **31.9 % Decrease**

Average Prices Paid to Producers

Average Prices Paid to Producers in California For All Bulk Milk (Grade A and Grade B), by Month, 2005-2009 ^{1/2/}

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
<i>Dollars Per Hundredweight</i>													
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
2008	18.48	17.63	16.80	16.60	17.48	18.03	17.86	16.87	16.90	16.34	15.20	13.38	16.80
2009	11.18	10.32	10.51	10.50	10.25	10.10	10.01	10.99	11.68	12.76	14.19	15.61	11.51

^{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 to Producers in California For Market Milk (Grade A), by Month, 2005-2009 ^{1/2/}

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
<i>Dollars Per Hundredweight</i>													
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
2008	18.47	17.60	16.77	16.57	17.43	17.99	17.83	16.86	16.88	16.30	15.17	13.34	16.77
2009	11.23	10.29	10.47	10.46	10.25	10.09	10.01	10.94	11.64	12.71	14.13	15.56	11.48

^{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 to Producers in California For Manufacturing Milk (Grade B), by Month, 2005-2009 ^{1/}

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
<i>Dollars Per Hundredweight</i>													
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
2008	18.82	19.26	18.44	18.31	20.19	20.64	19.11	17.75	18.35	18.73	17.11	15.58	18.52
2009	10.15	11.14	11.45	11.36	10.37	10.29	10.09	12.10	12.36	13.91	15.46	16.70	12.12

^{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 occurring 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. For 2009, statewide quota holdings were valued at about \$927 million.

Producers can sell market milk without owning any quota. In this case, however, they receive the overbase price. In 2009, approximately 61 percent of all market milk producers held quota.

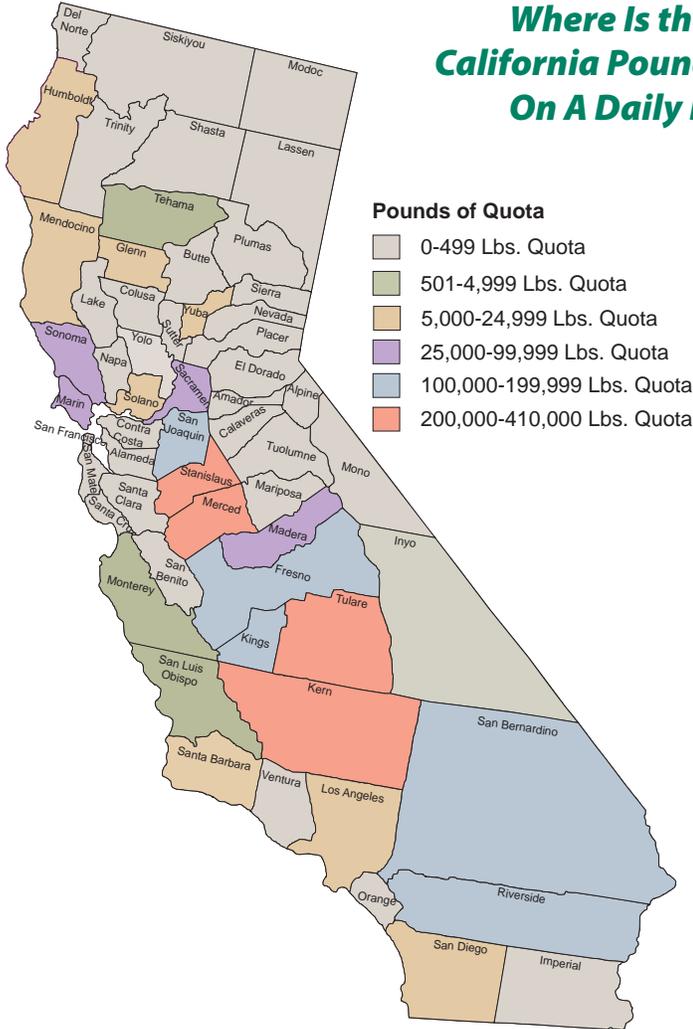
Summary of Quota Transfers, 2009

Effective 1st of the Month	No. of Sellers	No. of Buyers	No. of Sales at 100%	Sales Without Cows			Total Quota Fat Transferred	Total Quota SNF Transferred	Average Ratio
				Low	Avg.	High			
January	13	12	10	\$524	\$554	\$570	1,848	4,530	2.45
February	8	7	7	\$465	\$527	\$570	1,759	4,328	2.46
March	8	6	8	\$440	\$456	\$470	3,816	9,210	2.41
April	9	10	7	\$400	\$407	\$440	4,509	11,124	2.47
May	9	9	8	\$400	\$406	\$415	4,721	11,246	2.38
June	7	6	4	\$400	\$409	\$420	1,756	4,464	2.54
July	13	12	12	\$375	\$402	\$425	5,681	13,762	2.42
August	13	12	12	\$350	\$378	\$480	3,982	9,420	2.37
September	4	6	2	\$350	\$364	\$402	1,880	4,443	2.36
October	10	16	8	\$325	\$359	\$403	3,530	8,450	2.39
November	4	5	1	\$350	\$355	\$370	1,337	3,089	2.31
December	7	8	5	\$350	\$364	\$380	1,661	3,912	2.35
TOTAL	105	109	84	\$394	\$415	\$445	36,479	87,978	2.41

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

Where Is the Quota?

Where Is the Quota in California? California Pounds of Solids-Not-Fat Quota On A Daily Basis, December 2009



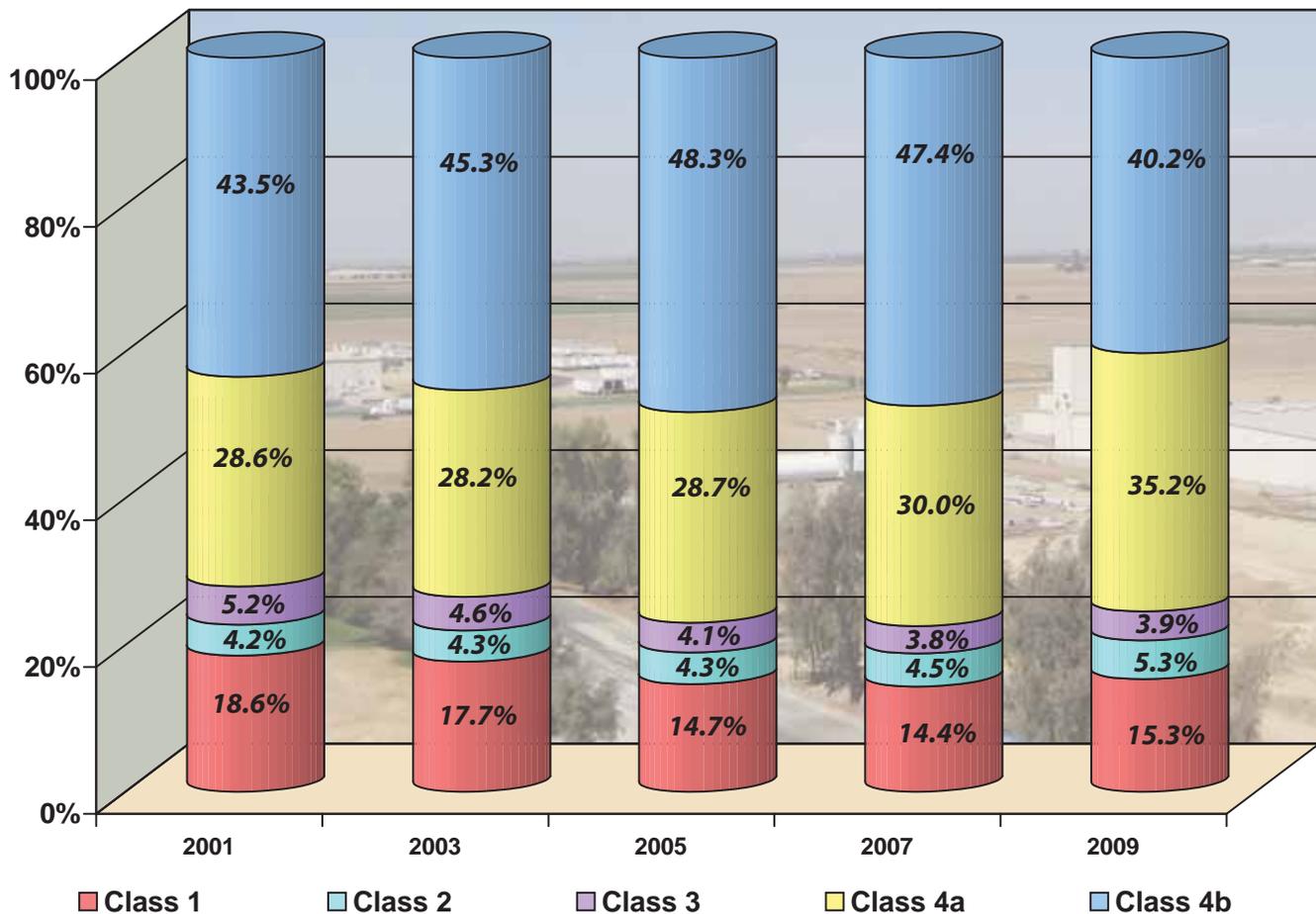
Annual Summary of Quota Transfers, 2000-2009

Year	No. of Sellers	No. of Buyers	Sales at 100%	Average Sales Without Cows	Total Quota Fat Transferred	Total Quota SNF Transferred
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
2008	56	68	51	\$534	40,425	98,654
2009	105	109	84	\$415	36,479	87,978



Pooled Milk Utilization

Utilization of Pooled Milk by Class California, 2001-2009



Comparison Based on 2001 vs. 2009:

- Utilization of Class 4a has moved from approximately 1,174 million pounds to 1,595 million pounds on a total solids basis, an increase of 36 percent.
- Utilization of Class 4b has moved from approximately 1,785 million pounds to 1,822 million pounds on a total solids basis, an increase of 2.1 percent.
- Utilization of all market milk has moved from approximately 4,108 million pounds to 4,530 million pounds on a total solids basis, an increase of 10 percent.
- In total, Class 4a and 4b accounted for 75 percent of all milk available on a total solids basis in 2009.
- Class 1 representation of total milk, on a total solids basis, dropped from 18.6 percent in 2001 to 15.3 percent in 2009.

Net Milk Available

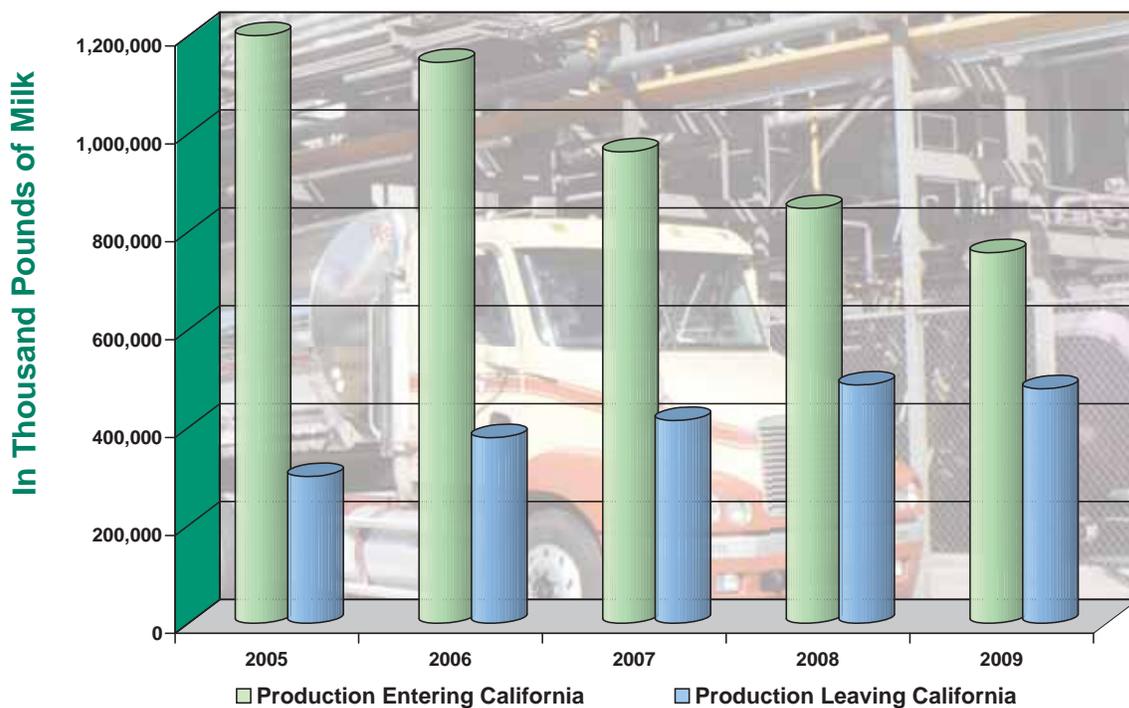
Net Milk Available in California

California Commercial Milk Production, Production Entering, Production Leaving, Net Milk Available, in Thousand Pounds, 2005-2009

Year	California Milk Production	Production Entering California	Production Leaving California	Net Milk Available in California
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
2008	41,166,115	847,054	486,799	41,526,370
2009	39,488,221	756,829	478,707	39,766,344

California Milk Production

Entering California, Leaving California, 2005-2009



CALIFORNIA DAIRY PRODUCER ASSESSMENT RATES

2009	POOL ADMIN FEE RATE (CWT)	MKT. MILK ADMIN. FEE RATE (CWT)	MFG. MILK ADMIN. FEE RATE (CWT)	DAIRY COUNCIL				MKT ORDER (MKT) RATE (CWT)	MKT ORDER (MFG) RATE (CWT)	MILK & DAIRY FOOD SAFETY (CWT)
				CLASS 1%		CLASS 1 RATE (CWT)	OTHER MILK RATE (CWT)			
				QUOTA FAT	QUOTA SNF					
Jan	0.011	0.008	0.012	37.41%	72.12%	0.0150	0.0060	0.1000	0.1000	0.001
Feb	0.011	0.008	0.012	37.72%	74.25%	0.0150	0.0060	0.1000	0.1000	0.001
Mar	0.011	0.008	0.012	37.85%	73.07%	0.0150	0.0060	0.1000	0.1000	0.001
Apr	0.011	0.008	0.012	38.45%	72.86%	0.0150	0.0060	0.1000	0.1000	0.001
May	0.011	0.008	0.012	36.50%	70.38%	0.0150	0.0060	0.1000	0.1000	0.001
June	0.011	0.008	0.012	37.78%	70.01%	0.0150	0.0060	0.1000	0.1000	0.001
July	0.011	0.008	0.012	37.42%	69.44%	0.0150	0.0060	0.1000	0.1000	0.001
Aug	0.011	0.008	0.012	37.28%	71.33%	0.0150	0.0060	0.1000	0.1000	0.001
Sept	0.011	0.008	0.012	38.10%	74.52%	0.0150	0.0060	0.1000	0.1000	0.001
Oct	0.011	0.008	0.012	38.30%	74.83%	0.0150	0.0060	0.1000	0.1000	0.001
Nov	0.011	0.008	0.012	39.03%	75.93%	0.0150	0.0060	0.1000	0.1000	0.001
Dec	0.011	0.008	0.012	39.42%	75.07%	0.0150	0.0060	0.1000	0.1000	0.001

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

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: (.001 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, union dues, and 401K or retirement plans..

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 of cows culled and dead, adjusted for the increase or decrease in herd inventory.

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, regulatory fees, 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.



Appendix A - Continued

Glossary of Terms - (Continued)

c) Federal Assessments and Misc. Deductions – National Dairy Promotion and any permits or third party component testing.

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.

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.

Cost of Production Staff



Cost of Production Unit Supervisor
Mike Francesconi
Phone: (916) 341-5988
Email: mfrancesconi@cdfa.ca.gov



South Valley Area
Carl Matz
Phone: (559) 733-5166
Email: cmatz@cdfa.ca.gov



North Valley/South Valley Areas
Mirek Wilczek
Phone: (916) 341-5988
Email: mwilczek@cdfa.ca.gov



North Coast and
North Valley Areas
Cindy Prentice
Phone: (916) 341-5988
Email: cprentice@cdfa.ca.gov



North Coast and
North Valley Areas
Richard Walker
Phone: (916) 341-5988
Email: rwalker@cdfa.ca.gov



Southern California and
South Valley Areas
David DaSilva
Phone: (916) 341-5988
Email: ddasilva@cdfa.ca.gov

California Dairy Industry Contacts



California Department of Food and Agriculture
1220 N Street, Sacramento, CA 95814
Homepage Website: <http://www.cdfa.ca.gov/dairy>
Email address: dairy@cdfa.ca.gov

Office of the Secretary

A.G. Kawamura, *Secretary*, 654-0433
Will Brown, *Undersecretary*, 654-0321
Dr. Richard Breitmeyer, DVM, *State Veterinarian*,
651-6870

ANIMAL HEALTH AND FOOD SAFETY SERVICES

Dr. Annette Whiteford, DVM, *Director*, 654-0881,
Fax 653-4249

Animal Health Branch

Kent Fowler, DVM, *Chief*, 654-1447, Fax 653-2215

District Veterinarians

Redding: Charles Palmer, DVM, (530) 225-2140
Modesto: David Willoughby, DVM, (209) 491-9350
Tulare: Melanie Swartz, DVM, (559) 685-3500
Ontario: David Kerr, DVM, (909) 947-4462

Livestock Identification Branch

Greg Lawley, *Chief*, 654-0889, Fax 653-5190

Regional Brand Supervisors

Northern: John Romano (530) 347-5721
Central: David Fischer, (209) 845-8352
Southern: Richard Wright, (559) 685-3505

Meat & Poultry Inspection Branch

Dennis Thompson, DVM, *Chief*, 654-0504, Fax 654-2608

District Veterinarians

Sacramento: Doug Hepper, DVM, 654-0504
Fresno: Herbert Radigtsch, DVM, (559) 233-7318
Ontario: Namara Garbaba, DVM, (909) 773-0079

Milk & Dairy Food Safety Branch

Stephen Beam, *Chief*, 653-0773, Fax 654-7512

Dairy Program Coordinator

Kristen Dahl, 654-1981

Licensing

Facilities, Corey Pruitt, 654-0916
Personal Licenses, Ashley Cornejo, 654-0785

Regional Administrators

Stockton: Mostafa Sherzad, (209) 466-7186
Oakland: John Macy, (510) 622-4810
Fresno: David Krall, (559) 445-5506
Ontario: Joel Kolling, (909) 923-9929

MARKETING SERVICES

Kevin Masuhara, *Director*, 445-5055,
Fax 445-2655

Environmental Program

Casey Walsh Cady, 445-5055

Dairy Marketing Branch

David K. Ikari, *Chief*, 341-5988, Fax 341-6697

California Dairy Statistics Service

Karen Dapper, 341-5988, Fax 341-6697

Economics/Pricing

Candace Gates, 341-5988, Fax 341-6697

Production Cost Unit

Mike Francesconi, 341-5988, Fax 341-6697

Manufacturing Cost Audits

Venetta Reed, 341-5988, Fax 341-6697

Enforcement & Unlawful Practices

David Ikari, 341-5988, Fax 341-6697

Milk Pooling Branch

John Lee, *Chief*, 341-5901, Fax 341-5995

Pool Operations

Don Shippelhouse, 341-5901, Fax 341-5995

Pool Audits

Nancy Hartman, Marlene Wride, Ron Quan,
Sunday Ikenador, 341-5901, Fax 341-5995

Producer Payments, Licenses/Bonds

John Bressett, 341-5901, Fax 341-5995

Marketing Branch

Robert Maxie, *Chief*, 341-6005, Fax 341-6826
Dennis Manderfield, Glenn Yost

Area Code is (916) unless otherwise noted.



Dairy Marketing Branch
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814-5621
www.cdfa.ca.gov/dairy