

CALIFORNIA Dairy Review

VOLUME 10 ISSUE 2

FEBRUARY 2006

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35 California Dairies Participate in the 2005 CWT Herd Retirement

CWT Goal: Remove 70,000 cows to yield a 1.2 billion pound reduction in milk production.

Result: Removed 64,050 cows to yield a 1.2 billion pound reduction in milk production.

In the summer of 2005, with both cow numbers and production per cow on the rise, the Cooperatives Working Together (CWT) Committee, comprised of member representatives, determined that another herd retirement round should be undertaken.

CWT received 651 bids for participation from farmers across the country. From among these, 448 were tentatively selected and 442 successfully audited. There were 35 dairies in California that participated in this round of herd retirement.

The average bid among accepted herds in Round 3 was \$6.75 per hundredweight, up from the \$5.24 per hundredweight associated with the retirement program executed in 2004. As a result, the number of cows retired fell below initial goals (64,050 vs. 70,000). However, the high production of the cows retired enabled CWT to meet its ultimate goal of removing 1.2 billion pounds of milk, or 0.7% of the nation's milk production capacity. ☀



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



Production, Prices, Quota Transfers, Alfalfa

December Milk Production

Milk production in California for December 2005 totaled 3.18 billion pounds, up 3.0 percent from December 2004. USDA's estimate for U.S. milk production for December 2005 in the 23 major dairy states is 13.6 billion pounds, up 4.2 percent from December 2004. Production per cow in the 23 major states averaged 1,665 pounds for December, 55 pounds more than December 2004. ☀

Minimum Class Prices

Statewide average hundredweight prices

Class	December	January	February
1	\$15.13	\$14.63	\$114.60
2	\$13.82	\$13.82	N/A
3	\$13.55	\$13.55	N/A
4a	\$12.11	N/A	N/A
4b	\$13.25	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	Dec	Jan	Feb
Phoenix, Arizona	\$15.92	\$15.73	N/A
Southern California	\$15.26	\$14.76	\$14.74
Portland, Oregon	\$15.47	\$15.28	N/A
Northern California	\$14.99	\$14.49	\$14.47
Boston (Northeast)	\$16.82	\$16.63	N/A

Quota Transfer Summary

For December 2005, eight dairy producers transferred 5,305 pounds of SNF quota. December quota sales averaged \$490 per pound of SNF (without cows), average ratio of 2.32. For January 2006, ten dairy producers transferred 8,021 pounds of SNF quota. January quota sales averaged \$494 per pound of SNF (without cows), average ratio of 2.37. ☀

Alfalfa Update: January

Northern California: Supreme and Premium alfalfa was steady, with good demand and very light supplies. Fair and Good alfalfa was steady with moderate demand and light to moderate supplies. Retail and Stable hay was steady with moderate supplies. Various areas had to deal with rainy weather through much of the month.

Southern California: Supreme and Premium alfalfa was not well tested until the end of the month with very light supplies. Fair and Good alfalfa was steady in limited test with moderate to light supplies and demand. Retail and stable hay was steady with light to moderate demand. Temperatures were cool near the end of the month. ☀

Supreme Hay Prices

Statewide average prices per ton

Area	12/23	1/6	1/13	1/20
Petaluma	N/A	N/A	N/A	N/A
North Valley ¹	\$200-215	\$195-215	\$200-225	\$190-215
South Valley ²	\$205-210	\$210	\$198	\$190-215
Chino Valley	N/A	N/A	N/A	\$180

¹ North Valley is Escalon, Modesto and Turlock areas.

² South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

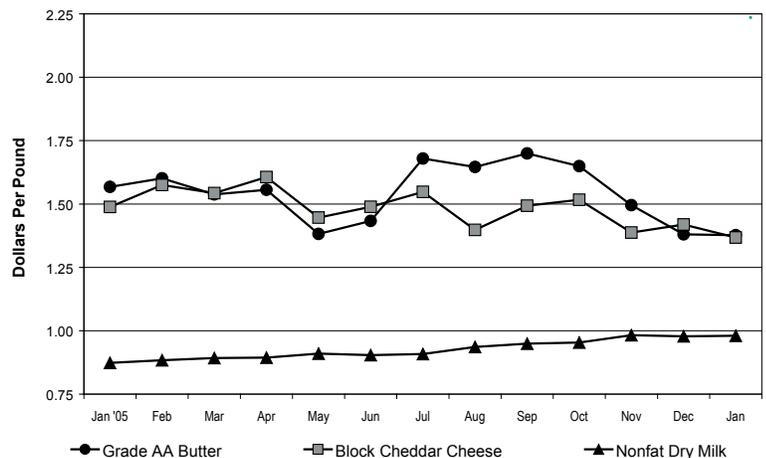
	December	January
Tons Sold ¹	35,397	52,891
Tons Delivered ²	15,195	40,825

¹ For current or future delivery.

² Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Class 1 Milk Prices



Canadian Cow Tests Positive for BSE

A cow from an Alberta farm has tested positive for mad cow disease, officials reported January 23, 2006. Dr. Brian Evans, Canada's chief veterinary officer, said it was found in an animal approximately 6 years old. Evans said it did not enter the human food or animal-feed systems.

The announcement came after the Canadian Food Inspection Agency spokesman, Mark Van Dusen, said Sunday that officials were testing a "suspicious sample."

Mad cow disease is the common name for bovine spongiform encephalopathy, or BSE, a degenerative cattle nerve illness linked to the rare and fatal human nerve disorder Creutzfeldt-Jakob Disease. The result was a new setback for Canadian ranchers who were hit hard after the United States banned cattle imports from its northern neighbor in May 2003 following the country's first case of mad cow disease. The U.S. border reopened to young Canadian cattle in July 2005. "This case, of course, is unwelcome but it's not unexpected," Evans said, adding the cow's "age and geographic location are consistent with Canada's three previous BSE cases."

Secretary Johanns Speaks Out on U.S. Beef Exports to Japan

"We take this matter very seriously and we are conducting a thorough investigation. "Under U.S. regulations, the backbone, or vertebral column, that was exported to Japan is not a specified risk material because it was in beef under 30 months. However, our agreement with Japan is to export beef with no vertebral column and we have failed to meet the terms of that agreement.

"The processing plant that exported this product has been de-listed and therefore can no longer export beef to Japan. We will take the appropriate personnel action against the USDA Food Safety and Inspection Service employee who conducted the inspection of the product in question and approved it to be shipped to Japan. "I am dispatching a team of USDA inspectors to Japan to work with Japanese inspectors to reexamine every shipment currently awaiting approval, to confirm compliance with the requirements of our export agreement with Japan.

"I have directed that additional USDA inspectors be sent to every plant that is approved to export beef to review procedures and ensure compliance with our export agreements and I am requiring that two USDA inspectors review every shipment of U.S. beef for export to confirm that compliance. I have also ordered unannounced inspections at every plant approved for beef export.

CWT Export Work Continues . . .

CWT Awards Export Assistance for Butter to Israel

Cooperatives Working Together (CWT) accepted a bid from WestFarm Foods of Seattle, WA, to export 140 metric tons (approximately 308,000 pounds) of butter to Israel. This is the first time since CWT began its Export Assistance program in January 2004 that sales of butter products have been facilitated. Additionally, the fat content of the product being sold is 82% butterfat, identical to European-style butter and higher than the U.S. standard of 80% fat.

CWT Accepts Bid to Export Mozzarella Cheese to Morocco

CWT accepted a bid from Foremost Farms USA of Baraboo, WI, to export 20 metric tons (approximately 44,000 pounds) of Mozzarella cheese to Morocco. CWT will pay the export bonus to the bidder, once completion of the cheese shipment is verified.

This is the first export assistance bid accepted by CWT in 2006, and the seventh in the past two months. It is also the first dairy product to be exported by CWT to Morocco, and the first to be exported through Foremost Farms, a member of CWT. This accepted bid increases CWT's total cheese exports since it began operations two years ago to 4,716 tons (or 10.4 million pounds). Previous shipments facilitated by CWT's export assistance program have gone to Algeria, Croatia, Egypt, Japan, Jordan, the Netherlands, Saudi Arabia and South Korea. 

"These additional inspection requirements in the U.S. will be applied to all processing plants approved for beef export and all beef shipments designated for export from the U.S. "I am also requiring that all USDA beef inspectors undergo additional training to make certain they are fully aware of all export agreement requirements. And, I have directed my staff to coordinate a meeting of representatives from all U.S. processing plants that export beef to review those requirements. "While this is not a food safety issue, this is an unacceptable failure on our part to meet the requirements of our agreement with Japan. We take this matter seriously, recognizing the importance of our beef export market, and we are acting swiftly and firmly."

CDFA Revises Manufacturing Cost Studies

The Department has released the revised nonfat powder, bulk butter, Cheddar cheese, and whey processing cost studies for the period of January through December 2004. This information is available on our website at www.cdfa.ca.gov/dairy or by calling Venetta Reed at (916) 341-5988. 

Filing of Milk Supply Contracts

Please remember that California Food and Agricultural Code (Code) Sections 61411 (d)(2) and 62191 (c) require that producers must file signed copies of milk supply contracts with the Department within five days of the effective date of the contract. If no contract is on file, there is no coverage under the Milk Producers Security Trust Fund and any interest due the producer because of late payments by a processor will be paid to the Department, not the producer.

Also, the Department is obligated by law to enforce the price and price terms of the written contract and applicable provisions of the Code. If you are buying or selling milk at prices and price terms that differ from those in your written contract on file with the Department, an amendment to the contract should be filed with the Department as soon as possible. The amendment must be signed by all parties to the contract.

There continue to be occasions where payment terms are changed by verbal agreement, letters signed by one party to the contract or invoices from the producer (including producer-owned cooperatives). When payment problems occur, the Department will look to the terms in the written contract and subsequent amendments to the contract to settle disputes. If you have questions or desire further information please contact Bob Maxie, Juan Gonzalez or Ben Kardokus in the Producer Security Assurance Unit of the Milk Pooling Branch at (916) 341-5901. 

Market Milk Assessments

The California Food and Agricultural Code authorizes the Secretary of Food and Agriculture to establish a maximum total assessment of two and four-tenths cents (\$0.024) per hundredweight of market milk sold in commercial trade channels to fund the operations of the Dairy marketing Branch. Since October 1988, the assessments have been at a rate of one and five-tenths cents (\$0.015) per hundredweight of milk. The Milk Stabilization Assessments were suspended on Grade A milk production beginning July 1, 2005, due to an adequate cash balance. The Branch is currently considering re-implementation of the assessments at a rate lower than the previous rate. 

National Dairy Situation and Outlook – USDA Estimates

Milk Production and Cow Numbers

Monthly: Compared to 2004, USDA estimates that overall milk production across the U.S. was up 3.9% in December, led by New Mexico's 13.8% growth in milk production (on 18,000 more cows and 130 more pounds per cow). California's estimated production was up 2.8% (on 30,000 more cows and 25 more pounds per cow). Among the western states, Arizona stayed the same; New Mexico up 13.8%; and Washington up 0.2%. None of the top 10 states reported a production decrease.

Quarterly: For the fourth quarter of 2005 compared to the third quarter of 2005, U.S. milk cow numbers stayed the same at 9.055 million, production per cow was down 0.6%; the net effect was a 0.7% decrease in milk production to 43.7 billion pounds. USDA projects that for the first quarter of 2006 compared to the fourth quarter of 2005, U.S. milk cow numbers will increase 15,000 cows to 9.070 million cows, production per cow will up 140 pounds per cow; the net effect would be an increase in milk production to 45.0 billion pounds.

Milk Prices

Comparing the fourth quarter of 2005 to the third quarter of 2005, U.S. average milk prices were up \$0.15/cwt. to \$15.10/cwt. USDA projects that for the first quarter of 2006, U.S. average all-milk prices will be \$14.30-14.70/cwt.; Class 4b prices will be \$12.70-13.10/cwt; and Class 4a prices will be \$12.15-12.65/cwt.

Utility Cow Prices

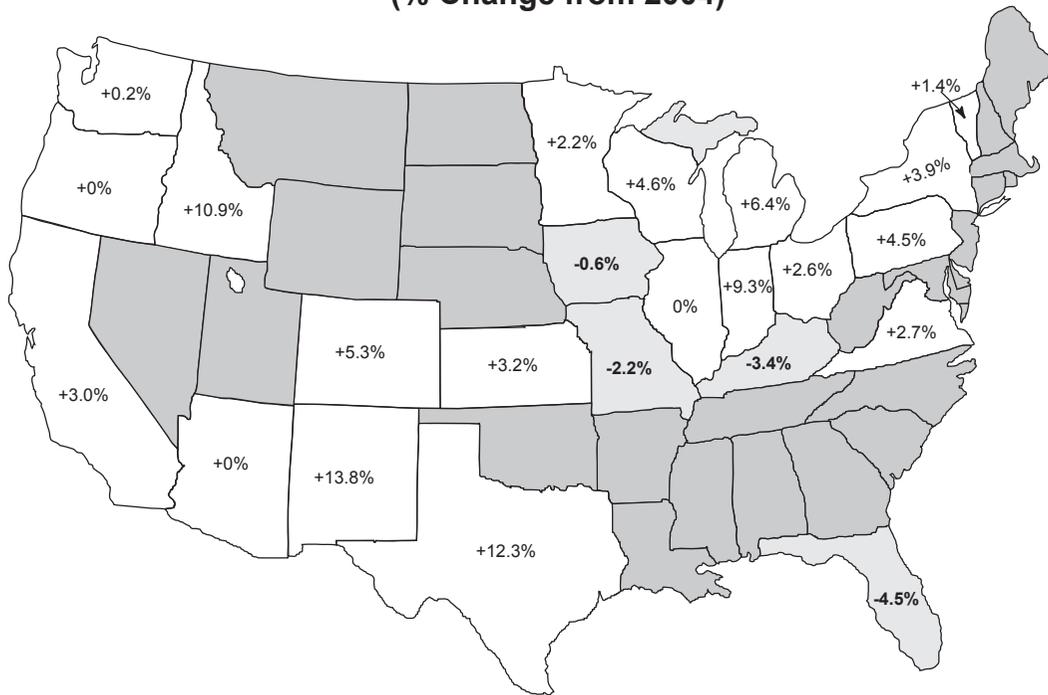
Comparing the fourth quarter of 2005 to the third quarter of 2005, average U.S. utility cow prices were down \$4.50/cwt. to a national average of \$50.64/cwt. USDA projects that utility cow prices will average \$51-53 in the first quarter of 2006.

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

Department Denies Class 1 Hearing Request

The Department has reviewed the joint request by Alliance of Western Milk Producers and Western United Dairymen for a Class 1 hearing to consider raising the Class 1 price level. After careful consideration of all factors, the Department has determined that there is an insufficient basis to change the current Class 1 pricing formula at this time. 

December Milk Production in the Top 23 States (% Change from 2004)



For the U.S. overall, comparing December 2005 to December 2004:

- Milk production during December was up 4.4%
- The number of cows on farms was 9.054 million head, up 25,000 head
- Production per cow averaged 1,566 pounds, 60 pounds more than December 2004
- Nineteen of the top twenty-three milk producing states showed an increase in milk production

As reported by USDA
and CDFA (for California)

Milk Production Cost Comparison Summary for California^{1/} By Month, January 2004-December 2005

Month	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
<i>Dollars per Hundredweight</i>										
January	15.45	15.33	13.82	13.37	12.19	13.14	12.82	13.82	12.98	13.36
February	15.81	15.55	13.61	13.72	12.47	13.50	12.96	13.93	13.06	13.69
March	14.37	14.86	13.16	12.99	12.24	12.70	13.08	13.16	12.77	12.92
April	13.77	14.68	13.27	13.16	12.50	13.03	13.07	12.95	12.91	13.12
May	13.44	13.96	13.23	13.02	12.76	12.99	13.35	12.93	13.04	13.02
June	13.70	14.04	13.45	13.41	13.09	13.02	13.63	13.21	13.32	13.22
July	13.66	14.03	13.03	13.73	12.83	13.40	13.41	13.30	13.01	13.53
August	14.16	14.51	13.00	13.69	12.82	13.46	13.48	13.39	13.03	13.57
September	14.33	15.94	13.44	14.03	13.11	13.73	13.56	13.78	13.34	13.91
October	14.22		13.43		13.08		13.38		13.29	
November	15.25		13.91		13.43		14.17		13.77	
December	15.17		13.71		13.26		13.96		13.59	

^{1/} Cost Comparison Summary data includes an allowance for management and a return on investment.

Hundredweight Pool Prices

Milk Mailbox Prices

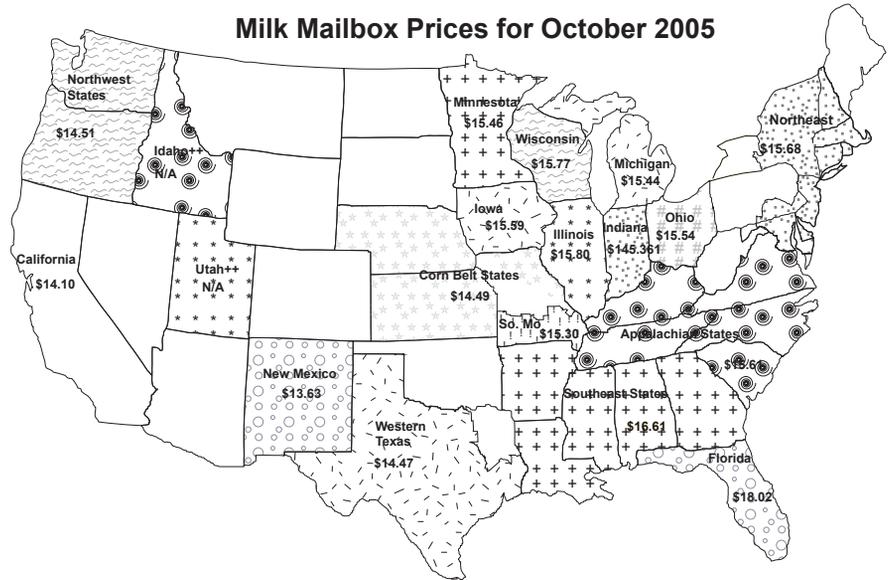
Month	Quota	Overbase
June '04	\$17.46	\$15.76
July	\$15.03	\$13.33
August	\$14.74	\$13.04
September	\$15.21	\$13.51
October	\$14.81	\$13.11
November	\$15.74	\$14.04
December	\$15.74	\$14.04
January '05	\$15.50	\$13.80
February	\$14.96	\$13.26
March	\$14.98	\$13.28
April	\$15.06	\$13.36
May	\$14.60	\$12.90
June	\$14.56	\$12.86
July	\$14.99	\$13.29
August	\$14.65	\$12.95
September	\$15.26	\$13.56
October	\$15.07	\$13.37
November	\$14.35	\$12.65
December	\$14.41	\$12.71

Milk Mailbox Prices in Dollars per Hundredweight

	April	May	June	July	August	September	October
California ¹	\$14.11	\$13.48	\$13.43	\$13.53	\$13.23	\$14.09	\$14.10
USDA ²	\$14.97	\$14.48	\$14.13	\$14.62	\$14.65	\$15.16	\$15.38

¹ California mailbox price calculated by CDFA.

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



In October 2005, mailbox prices for selected reporting areas in Federal milk orders averaged \$15.38 per cwt., \$0.22 more than the figure for the previous month. The component tests of producer milk in October 2005 were: butterfat, 3.72%; protein, 3.11%; and other solids 5.69%. On an individual reporting area basis, mailbox prices increased in all reporting areas except three, ranging from \$18.02 in Florida to \$13.63 in New Mexico. In October 2004, the Federal milk order all-area average mailbox price was \$15.58, \$0.20 higher.

**Mailbox prices for Idaho and Utah are being discontinued due to the termination of the Western Federal Order.

In accordance with the California Government Code and ADA requirements, this publication can be made available in an alternative format by contacting Karen Dapper at (916) 341-5988, by email at dairy@cdfa.ca.gov, or contacting TDD 1-800-735-0193.

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The California Department of Food and Agriculture Dairy Marketing Branch publishes the California Dairy Review monthly. Please direct any comments or subscription requests to Karen Dapper at (916) 341-5988 or send an email to dairy@cdfa.ca.gov

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Within California 1-800-503-3490
Outside California 1-916-442-MILK

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