

California Dairy Review

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

CWT Accepts 343 Herd Retirement Bids Representing Over 1 Billion Pounds of Milk

CWT announced that it is tentatively accepting 343 bids from 39 states, representing 54,000 cows which produced 1.03 billion pounds of milk last year. Beginning the week of March 19th, CWT auditors will begin visiting those farms to check their milk production records, inspect the herds, and tag each of the cows for slaughter. All farmers will be notified no later than April 15th as to whether their bids were accepted. A total of 1,397 bids were submitted to CWT in this round, a larger sum than the combined number of bids submitted in rounds 2 in 2004 (736 bids) and 3 in 2005 (651 bids). Jerry Kozak, President and CEO of NMPF, which administers CWT, said that the response by so many bidders was an indication that the timing was right for this retirement effort. "The combination of economic indicators that we've been monitoring told us that this was the right time to act," Kozak said. "As a result of the strong response to this next round, we were able to select bids at a much lower cost per hundred pounds of milk removed, and spend less of our overall budget, than we had anticipated. This will provide more funding going forward for future herd retirements, and for our very active export assistance program."

Farmers must send their animals directly to slaughter shortly after the auditing process on their farm is complete. The program again applied its regional safeguard limits, so that no region of the country will suffer a disproportionate loss of milk supplies. Under CWT's guidelines, safeguard thresholds have been established for five separate regions of the country, limiting the total milk withdrawals possible in each. The only safeguard limit reached was in Region 2, the Southeast. The two Western regions will contribute 68% of the milk removed in this round – a proportion similar to previous rounds. Kozak noted that the average herd size, and average milk output per cow, for this round's accepted bids were similar to national averages. He said that further bid information, including the average price of accepted bids, won't be released until all the on-farm visits have been completed.

For more on CWT activities, visit www.cwt.coop.



Production, Prices, Quota Transfers, Alfalfa

February Milk Production

Milk production in California for February 2007 totaled 3.145 billion pounds, up 3.6 percent from February 2006. USDA's estimate for U.S. milk production for February 2007 in the 23 major dairy states is 13.1 billion pounds, up 0.9 percent from February 2006. Production per cow in the 23 major states averaged 1,586 pounds for January, no change from February 2006. ☀

Minimum Class Prices

Statewide average hundredweight prices

Class	Feb	Mar	Apr
1	\$15.22	\$15.22	\$16.58
2	\$12.59	\$12.59	N/A
3	\$12.43	\$12.43	N/A
4a	\$12.34	N/A	N/A
4b	\$13.20	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	Feb	Mar	Apr
Phoenix, Arizona	\$15.74	\$16.60	N/A
Southern California	\$15.37	\$16.01	\$16.71
Portland, Oregon	\$15.29	\$16.15	N/A
Northern California	\$15.10	\$15.74	\$16.44
Boston (Northeast)	\$16.64	\$17.50	N/A

Quota Transfer Summary

For February 2007, three dairy producers transferred 3,186 pounds of SNF quota. February quota sales averaged \$498 per pound of SNF (without cows), average ratio of 2.41. For March 2007, four dairy producers transferred 2,217 pounds of SNF quota. March quota sales averaged \$495 per pound of SNF (without cows), average ratio of 2.55. ☀

Alfalfa Update: February

Northern California: Premium and Supreme alfalfa were steady to firm with light supplies and good demand. Fair and Good alfalfa was steady to firm with limited test. Retail and Stable hay was steady with good demand and light to moderate supplies. In late March, few acres were getting cut for hay production/green chop.

Southern California: Premium alfalfa was steady to firm with good demand and light supplies. Fair and Good alfalfa was steady to firm with good demand and light supplies, but limited test. Retail and stable hay was steady with good demand and moderate supplies. Temperatures late in the month were unseasonably warm. ☀

Supreme Hay Prices

Statewide average prices per ton

Area	2/23	3/2	3/9	3/16
Petaluma	\$200	\$200	N/A	N/A
North Valley ¹	\$195-205	\$205	\$195-205	\$205
South Valley ²	\$210--215	\$205-220	\$195-225	\$215-229
Chino Valley	\$175-178	\$185	\$190-208	\$195-205

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

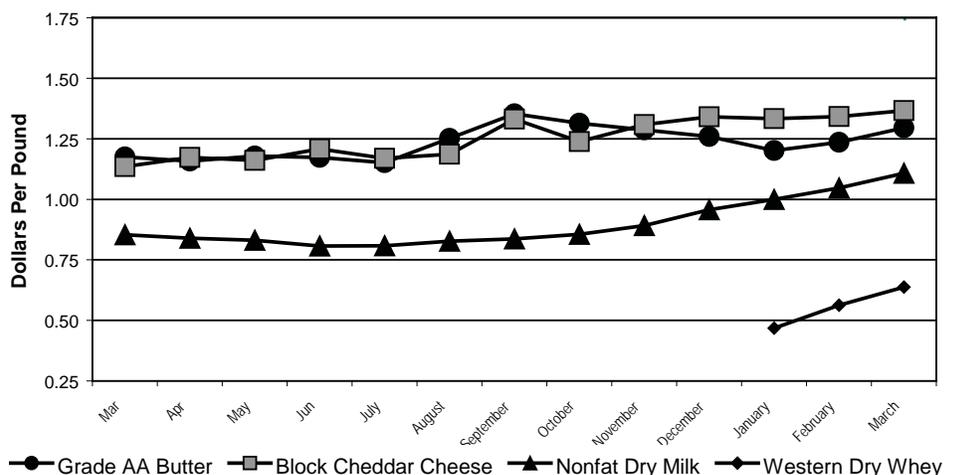
	February	March
Tons Sold ¹	45,574	72,146
Tons Delivered ²	29,585	37,627

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, Nonfat Dry Milk, and Western Dry Whey Mostly Prices Used in the Calculation of California Class 1 Milk Prices



USDA Safeguards for Canadian Cattle Entering U.S. In Question

The Chicago Tribune reports that hundreds of cattle from Canada, which just recently confirmed its ninth case of mad cow disease, have entered the U.S. without government-required health papers or identification tags, according to documents obtained by cattlemen in Washington state.

The U.S. Department of Agriculture recently launched an investigation into the Canadian cattle trade based on the documents. The documents, consisting largely of correspondence between state officials and U.S. cattle and meat companies, suggest problems with numerous truckloads of cattle that are shipped into this country almost daily.

Many of the documents note that cattle arrived in the U.S. without identification tags, or they had tag numbers that did not match the accompanying health certificates.

Ear tags or electronic identification--EID--tags that are supposed to be on cattle entering the U.S. from Canada are meant to track the cattle in case of an outbreak of disease or other problem. Health certificates confirm the health of cattle and also that they are under 30 months of age, because young cattle are not thought to be fully vulnerable to mad cow disease. Together, the tags and health papers provide a major protection against sick cows coming into the country. The USDA is supposed to work with Canadian agriculture officials to ensure that all incoming cattle have these safeguards. 

NMPF Federal Milk Marketing Order Task Force

The National Milk Producers Federation has created a new task force focused on milk pricing issues with the intent to examine how Federal Milk Marketing Orders may need to change in the future.

The new NMPF task force will allow the organization's members to provide input on ways to improve how the system functions, with the ultimate goal of advocating long-term solutions before Congress and/or USDA — which oversees the Federal Order system.

Approximately 66 percent of the nation's milk is priced under the regulations of the Federal Order system, which was established to ensure consumers an adequate supply of fluid milk, and to prevent the economic predation of individual dairy farmers by setting regional minimum prices.

The task force will review the functions performed currently under the 10 Federal Orders, including classified prices, regional pooling, monthly minimum prices, and data reporting, and how those functions might be improved.

The task force will also compare Federal milk orders to state pricing regulations, such as the system used in California, the nation's largest dairy state, and to areas where there are no pricing regulations at all, such as Idaho, the fourth-largest dairy state.

The task force is expected to conduct its analysis throughout this year, with the goal of producing recommendations at some point in early 2008. 

Tulare Cheese Plant Sold to Saputo Cheese USA, Inc.

Land O'Lakes is selling its Tulare Cheese & Protein International cheese manufacturing operation to Saputo Cheese USA, Inc. The sale of the plant, which makes, sizes and wraps mostly mozzarella and provolone products, to Montréal-based Saputo Cheese USA Inc. is expected to take place in early April. The plant employs 530 full- and part-time workers, and Saputo officials indicated no staffing changes were planned.

As part of the sale, Saputo has agreed to purchase 2 billion pounds of milk annually from Land O'Lakes,

a national farmer-owned food agricultural cooperative headquartered in Arden Hills, Minn.

Land O'Lakes President and CEO Chris Policinski said, "We are very pleased to have found a strategic buyer for these facilities, as well as to have secured a long-term milk supply agreement for our members' milk production." He said the sale and milk supply agreement, whereby Land O'Lakes will supply all the milk to the facility, are consistent with his company's 85-year heritage in finding outlets for milk produced by its members. 

Project Underway to Cut Methane Emissions by Using Trucks Running on Methane Fuel from Cows

A study is being started by Western United Dairymen in which four milk tankers supplying Hilmar Cheese Co. will run on methane fuel derived from cow manure. The year-long project could reduce air pollution from diesel fuel while helping dispose of manure in a way that protects air and water, said Michael Marsh, the group's chief executive officer.

Another project involves a marketplace for credits that businesses could earn by reducing emissions believed to contribute to global warming. Scientists say methane is one of the most potent of these gases if it is allowed to simply dissipate into the atmosphere from manure and other sources. Burning it to make energy for heating, electricity generation and other uses makes it much less of a threat. Under the credit system, a dairy farmer who controls methane from manure could receive certificates that could be sold to businesses that exceed emission standards.

Joseph Gallo Farms, a major cheesemaker in Atwater, already gets the credits with a manure digester installed in 2004. The farm captures about 30,000 tons of methane a year, and each ton is worth about \$3.70 at the current price on the Chicago Climate Exchange, according to Gallo General Manager Carl Morris. The credit income is on top of money saved by using methane in place of conventional fuels.

Global warming is believed to be caused by a buildup of atmospheric gases that trap the sun's heat. The phenomenon, disputed by only a minority of scientists, could disrupt agriculture and wildlife habitat, intensify heat waves and storms, and raise sea levels as polar ice melts. Carbon dioxide, mainly from fossil fuels, is believed to be the main contributor by volume. But each ton of methane, from livestock manure and other sources, can do almost 20 times as much harm.

About 20 manure digesters are in place at California dairies. They and future digesters could help the state meet its goal of reducing climate-changing gases 30 percent by 2020.

The specific rules for measuring the reductions are being devised. Speakers at the forum said the system, at least for now, will not provide credits for

feed crops planted by dairy farmers. The plants absorb carbon dioxide from the air as they grow.

The milk truck project is funded by a \$400,000 grant from the U.S. Environmental Protection Agency. Over the next year, liquefied methane from manure will be used in place of diesel in tankers supplying Hilmar Cheese from a Tulare County dairy farm.

The dairy group and several partners will try to see if this is a practical use of methane and whether it might be expanded to other wastes from farming and food processing, he said. 

New Mexico Dairy Cow Confirmed with Bovine TB

Officials from the New Mexico Livestock Board have confirmed a case of bovine tuberculosis in Eddy County, New Mexico. According to state veterinarian Dave Fly, a joint investigation between the New Mexico Livestock Board and the U.S. Department of Agriculture is being conducted.

The infected dairy cow was discovered during routine testing, known as slaughter surveillance, which is conducted at all state and federally inspected plants in the United States. There is also a beef herd under surveillance in northeastern New Mexico for possible exposure to TB, Fly said.

Officials and beef and dairy producers are concerned about the outcome concerning the new developments of TB. An outbreak could potentially cost producers an estimated \$3 million for testing, Fly said.

According to New Mexico State University extension dairy specialist Robert Hagevoort, steps by qualified personnel will be taken to prevent the spread of the disease, he said.

At a low level in the United States, the last case of TB was reported more than two years ago in New Mexico. A management plan has been put into place and is being followed according to established rules in the Code of Federal Regulations, Fly said. 

Milk-Feed Ratio Continues Downward Trend, Falls to 2.32

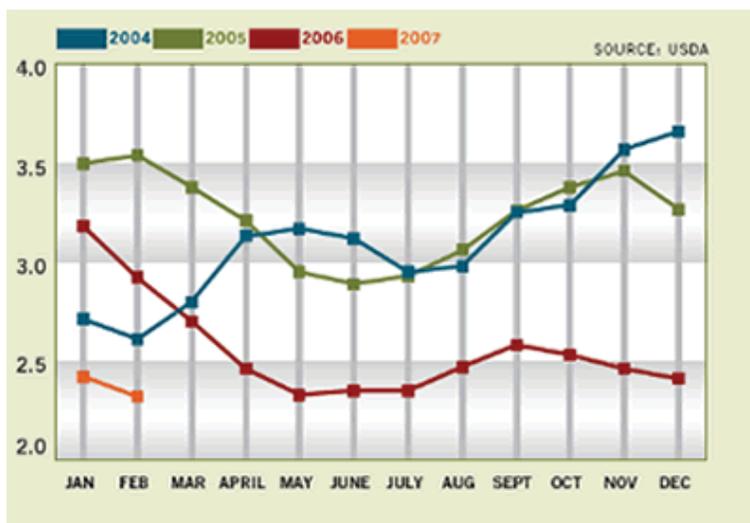
The milk-feed price ratio has dropped again. According to the USDA's announcement of feed-price ratios on Feb. 28, the February ratio is 2.32, a loss of 0.1 points versus January. One year ago the ratio was 2.92.

The all-milk price used to calculate the February ratio increased 20 cents to \$14.70. One year ago, the all-milk price was \$13.50.

The corn price used to calculate the February ratio climbed 27 cents to \$3.32 per bushel. Soybeans increased 45 cents to \$6.83 per bushel. One year ago, the prices for corn and soybeans were \$2.02 and \$5.67, respectively.

The USDA issued a revision to the January milk-feed ratio, increasing it from 2.34 to 2.42. The revision is due to a slight decrease in feed prices for January and a 10-cent gain in the January all-milk price. The milk-feed ratio represents the pounds of 16-percent mixed dairy feed equal in value to 1 pound of whole milk. Therefore, with a 2.32 ratio in February, a dairy producer could buy 2.32 pounds of feed for every 1 pound of milk sold.

Whenever the ratio meets or exceeds 3.0, it is considered profitable to buy feed and produce milk.



First Case of Equine West Nile Virus in California in 2007

Horse owners urged to maintain vaccinations

The first case of equine West Nile Virus in 2007 has been reported in California in late February. A horse in Sonoma County has been diagnosed with the disease. The detection serves as a reminder to horse owners to make sure their animals are vaccinated. Last year, 58 horses in the state were known to have contracted the disease, with 24 deaths. In the great majority of those cases the horses were either not vaccinated or vaccinated improperly.

“Outbreaks of West Nile Virus are expected to continue this year,” said California State Veterinarian Dr. Richard Breitmeyer. “Horse owners should contact their veterinarians as soon as possible to ensure current vaccination status, so that horses will have maximum protection against the disease.”

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

CDFA is collaborating with state, federal and local agencies to detect and respond to the disease in California. CDFA is distributing a video public service announcement about West Nile Virus and has taken a public education program directly to the equine community over the last several years, including tips on mosquito control.

For more information, click on www.cdfa.ca.gov or call the Equine West Nile Virus Information Line at 1-800-268-7378. Questions may be e-mailed to CDFA at WNVirus@cdfa.ca.gov

Increased Corn Acres May Affect Cottonseed Inventory

Increased corn acres, spurred by ethanol production, could mean 14 percent fewer cotton acres this year, according to Tom Wedegaertner, director of cottonseed research and marketing for Cotton, Inc. The impact on cottonseed available for feeding “is going to be huge,” he says. Anticipating higher prices, Wedegaertner suggests that producers contact their cottonseed dealers now to book up to one-third of their needs for next year.

CWT Accepts Export Assistance Bids

Cooperatives Working Together (CWT) announced that it accepted export assistance bids for the sale of cheese, butter and anhydrous milkfat. The various bids are described as follows: bids from Dairy Farmers of America of Kansas City, MO: 259 metric tons (569,800 pounds) of Cheddar cheese to the Netherlands; bids for 19 metric tons (41,800 lbs.) each of Cheddar cheese to South Korea; 108 metric tons (237,600 lbs.) each of anhydrous Milkfat, one destined for the Netherlands, the other for Panama; bids from Darigold of Seattle, WA: 250 metric tons (550,000 lbs.) of Cheddar cheese to the Netherlands, and 250 metric tons (550,000 lbs.) of butter to Belgium (the first time CWT exports have gone to that country); bid from Land O'Lakes of Arden Hills, MN, for 167 metric (367,400 lbs.) tons of butter to Kyrgyzstan, and from Foremost Farms of Baraboo, WI, for 36 metric tons (79,200 lbs.) of butter to the Netherlands.

Later in the month bids were accepted as follows: bids from Dairy Farmers of America of Kansas City, MO: 96 metric tons (651,200 pounds) of Mozzarella cheese to Guatemala; 140 metric tons (308,000 lbs.) of Cheddar cheese, also to Guatemala; and 100 metric tons (220,000 lbs.) of Cheddar to South Africa; bids from Darigold of Seattle, WA: 250 metric tons (550,000 lbs.) of butter to Belgium, and 250 metric tons (550,000 lbs.) of Cheddar to Egypt; bids from Land O'Lakes of Arden Hills, MN, all bound for China: 6 metric tons (13,200 lbs.) of retail-packaged cheese; another 3 tons (6,600 lbs.) of retail cheese; and two bids together totaling .45 metric tons (990 lbs.) of retail-packaged butter.

CWT will pay an export bonus to the bidders, once completion of the butter, milkfat and cheese shipments is verified. These accepted bids increase CWT's total 2007 export obligations for cheese to 4,388 metric tons (9.7 million lbs.), its YTD anhydrous milkfat exports to 873 tons (1.9 million lbs.), and its YTD export obligations for butter to 2,790 metric tons (6.1 million lbs.). Previous shipments facilitated by CWT's export assistance program have gone to Algeria, Bahrain, Barbados, Belgium, Bermuda, China, Denmark, the Dominican Republic, Egypt, El Salvador, Germany, Guatemala, Honduras, Hong Kong, India, Indonesia, Israel, Japan, Jordan, Kuwait, Kyrgyzstan, Lebanon, Mexico, Morocco, the Netherlands, Nicaragua, Oman, Qatar, Panama, Philippines, Poland, Romania, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Taiwan, Trinidad, Tunisia, Turkey, the United Arab Emirates, the United Kingdom, and Vietnam. 

National Dairy Situation and Outlook – USDA Estimates

Milk Production and Cow Numbers

Monthly: Compared to 2005, USDA estimates that overall milk production across the U.S. was up 0.4% in February, led by Idaho's 7.0% growth in milk production (on 30,000 more cows and 10 more pounds per cow). California's estimated production was up 3.5% (on 14,000 more cows and 45 more pounds per cow). Among the western states, Arizona was down -2.7%; New Mexico down -7.4%; and Washington was up 0.5%. Three of the top 10 states reported a production decrease.

Quarterly: For the fourth quarter of 2006 compared to the third quarter of 2006, U.S. milk cow numbers decreased to 9.115 million, production per cow was flat; the net effect was relatively no change in milk production to 44.6 billion pounds. USDA projects that for the first quarter of 2007 compared to the fourth quarter of 2006, U.S. milk cow numbers will increase 10,000 cows to 9.125 million cows, production per cow will be up 160 pounds per cow; the net effect would be increased milk production to 56.2 billion pounds.

Milk Prices

Comparing the fourth quarter of 2006 to the third quarter of 2006, U.S. average milk prices were up to \$13.83/cwt. USDA projects that for the first quarter of 2007, U.S. average all-milk prices will be \$14.70-14.90/cwt.; Class 4b prices will be \$13.96-14.16/cwt; and Class 4a prices will be \$12.68-12.98/cwt.

Utility Cow Prices

Comparing the fourth quarter of 2006 to the third quarter of 2006, average U.S. utility cow prices were down \$5.00/cwt. to a national average of \$44.29/cwt. USDA projects that utility cow prices will average \$48-49 in the first quarter of 2007.

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

Strong Demand for Corn Driving Up Many Costs . . .

The U.S. Agriculture Department issued a statement that the strong demand for corn from ethanol plants will drive up the cost of livestock and will raise prices for beef, pork and chicken. The monthly crop report points out that meat and poultry production will fall as producers face higher feed costs. Ethanol fuel, which is blended with gasoline, is consuming 20 percent of last year's corn crop and is expected to consume more than 25 percent of this year's crop.

The price of corn, the main feed for livestock, has driven the cost of feeding chickens up 40 percent, according to the National Chicken Council. The council says that chicken, the most popular meat with consumers, will soon cost more at the grocery store. The industry worries the competition from ethanol could cause a shortage of corn.

The average price of corn, unchanged from last month, is \$3.20 a bushel, up from \$2 last year.

While chicken producer Tyson Foods Inc. posted its first profitable quarter in a year Jan. 29, executives warned that a dramatic rise in feed costs will raise chicken prices. "Companies will be forced to pass along rising costs to their customers, meaning consumers will pay significantly more for food," Chief Executive Dick Bond said.

Deputy Agriculture Secretary Chuck Conner said USDA is keeping an eye on corn supply and demand. Demand likely will prompt farmers to plant more acres in corn, he said. "We do have confidence in the marketplace's ability to react," Conner said. "We believe producers are seeing the market saying, 'I need more corn, not only for ethanol, but for our feed needs in this country.'"

The department will issue planting predictions in late March.

For soybeans, analysts said prices are averaging \$6.30 a bushel, up from last month's average of \$6.20. Last year's price was \$5.66. Wheat prices are averaging \$4.25 a bushel, unchanged from last month and up from \$3.42 last year. 

NMPF Voices Opposition to Resuming Cattle Exports From Canada . . .

The National Milk Producers Federation (NMPF) submitted comments to USDA opposing the resumption of cattle exports from Canada for breeding or herd replacement purposes.

NMPF told USDA that it would be imprudent to allow live animal traffic to resume because of ongoing concerns about the effectiveness of Canada's ban on feeding mammalian tissues to cows. This is the key firewall intended to prevent the spread of bovine spongiform encephalopathy. USDA is currently considering reopening the U.S. border to animals born after March 1999 for any use, including as breeding stock.

In its comments, NMPF pointed out that six of the last seven Canadian cases of BSE were in cattle born after 1997. Four of the last six BSE cases were in animals born after March 1, 1999, which USDA pegs as the date of the Canadian cattle industry's full compliance with the feed ban.

"We feel that there are a few more questions that need to be answered before we allow replacement animals in the United States," says Jerry Kozak, NMPF president and chief executive officer. "The dairy and beef industry should protect itself from another case of BSE entering this country through our borders."

NMPF also expressed concern that Canada's implementation of the 1997 feed ban was not as effective as the government had originally thought. USDA estimates the prevalence of BSE in Canada at 6.8 animals per every 10 million adult cattle, which is more than seven times the BSE prevalence in the United States.

Kozak also says that USDA has not yet done an economic impact analysis on the potential financial losses to dairy farmers from the resumption of Canadian dairy heifer imports. Such action is "crucial to examining the overall changes to our market that will result from moving forward with a completely open border," Kozak notes. 

Commercial Exports Up 19 Percent

Exports are becoming increasingly important to the dairy industry, as evidenced by the 19 percent jump in commercial dairy exports in 2006 compared to 2005. Last year, commercial exports (on a milk-equivalent, total-solids basis) totaled 15.76 billion pounds, according to the U.S. Dairy Export Council (USDEC). U.S. dairy exports reached record levels for the third straight year in 2006, driven by continued robust global demand that strained supplies, pushing international prices to new heights. The attractive world prices gave U.S. suppliers a profitable outlet for the full range of components in the milk stream, according to analysis of trade data conducted by USDEC.

In 2006, exports of milk powder, whey, cheese, lactose and other dairy products were valued at \$1.89 billion, up 13 percent from the prior year. Consumption in China, Southeast Asia, Mexico, the Middle East and Russia has been strong and coupled with a slowdown in exportable surplus dairy products from the European Union and Australia has created a shortage of milk solids worldwide.

Whey proteins accounted for 55 percent of the increase in exports by value. Exports of cheese and lactose accounted for most of the rest of the export gain. Mexico, Southeast Asia and Canada remain the largest destinations for U.S. dairy products, and China, the Philippines, Egypt and Indonesia were the fastest-growing markets last year.

The U.S. exported 42 percent of the nonfat dry milk, 48 percent of the whey proteins, and 75 percent of the lactose produced in the U.S. last year. Imports dropped 4 percent in 2006 to 923 million pounds of milk solids. For the first time, exports were more than double the level of imports according to USDEC.

The following are 2006 export highlights:

- For the second straight year, exporters did not rely on the Dairy Export Incentive Program subsidies to achieve export totals: other than small volumes of food aid, all exports were commercial, unsubsidized sales.
- Shipments to Mexico were down 38 percent due to a slowdown in purchases by Liconsa, the government social-services agency, as well as inventory build-ups from the prior year.

- U.S. exports of whey protein were a record-high 766 million pounds, up 26 percent from 2005. WPC and other modified whey proteins jumped 44 percent to 214 million pounds and exports of whey protein isolates gained 59 percent to 25 million pounds.
- Cheese exports in 2006 were 157 million pounds, up 23 percent from 2005. Shipments of cheese to Mexico, the largest market of U.S. cheese, increased 40 percent and exports to the Caribbean and Central America were up 39 percent.
- Lactose exports were up 29 percent from 2005 and three emerging markets were Southeast Asia, South America, and South Korea.
- Other increases in dairy product exports: sales of fluid milk up 5 percent; ice cream exports up 1 percent; butterfat exports up 26 percent. 

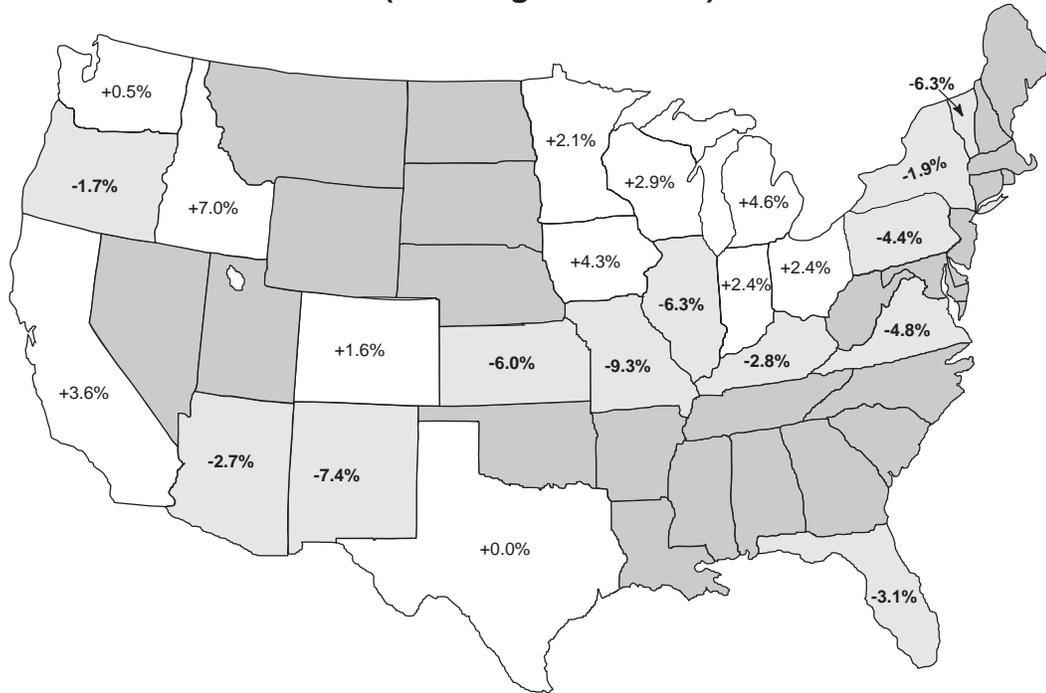
Exports Continue to Help Milk Prices

Mary Ledman, dairy market analyst with Keough Ledman Associates in Libertyville, Illinois, spoke at the Western Dairy Management Conference in Reno Nevada in March.

Why are milk prices on the rise, despite increased cow numbers and milk per cow? Mary stated that "Whey is the reason why your milk price is 60 to 75 cents higher today than a year ago." Export demand for whey, lactose and nonfat dry milk is strong, particularly from China. As long as the export market holds, these products will continue to sustain milk prices. But, "if China pulls back, you will feel it in your milk check," Ledman said. Let's hope that doesn't happen soon. Whey prices have nearly doubled since last fall to about 65 cents per pound.

For both the federal order and California pricing systems, a one-cent increase in the whey price adds six cents to the price for milk used to make cheese. 

February Milk Production in the Top 23 States (% Change from 2006)



For the U.S. overall, comparing February 2007 to February 2006:

- U.S. Milk production during February was up 0.4%
- The number of cows on farms was 9.123 million head, up 35,000 head
- Production per cow averaged 1,567 pounds, same as February 2006
- Twelve of the top twenty-three milk producing states showed an decrease in milk production

As reported by USDA
and CDFA (for California)

Milk Production Cost Comparison Summary for California^{1/} By Quarter, 2006-2007

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
<i>Dollars per Hundredweight</i>										
1st Quarter										
Total Costs	15.35		12.32		11.72		11.76		12.01	
Total Costs & Allowances*	16.93		13.82		13.24		13.07		13.52	
2nd Quarter										
Total Costs	14.22		12.36		12.47		11.99		12.43	
Total Costs & Allowances*	15.76		13.88		14.00		13.31		13.94	
3rd Quarter										
Total Costs	14.62		12.58		12.73		12.56		12.71	
Total Costs & Allowances*	16.14		14.10		14.33		13.90		14.26	
4th Quarter										
Total Costs	16.99		13.47		13.25		13.23		13.41	
Total Costs & Allowances*	18.62		15.01		14.84		14.59		14.97	

* Includes an allowance for management and a return on investment

Hundredweight Pool Prices

Month	Quota	Overbase
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
January '06	\$13.91	\$12.21
February	\$12.75	\$11.05
March	\$12.19	\$10.49
April	\$11.90	\$10.20
May	\$11.90	\$10.20
June	\$11.90	\$10.20
July	\$11.71	\$10.01
August	\$12.13	\$10.43
September	\$12.80	\$11.10
October	\$12.87	\$11.17
November	\$13.31	\$11.61
December	\$13.50	\$11.80
January '07	\$13.70	\$12.00
February	\$14.45	\$12.75

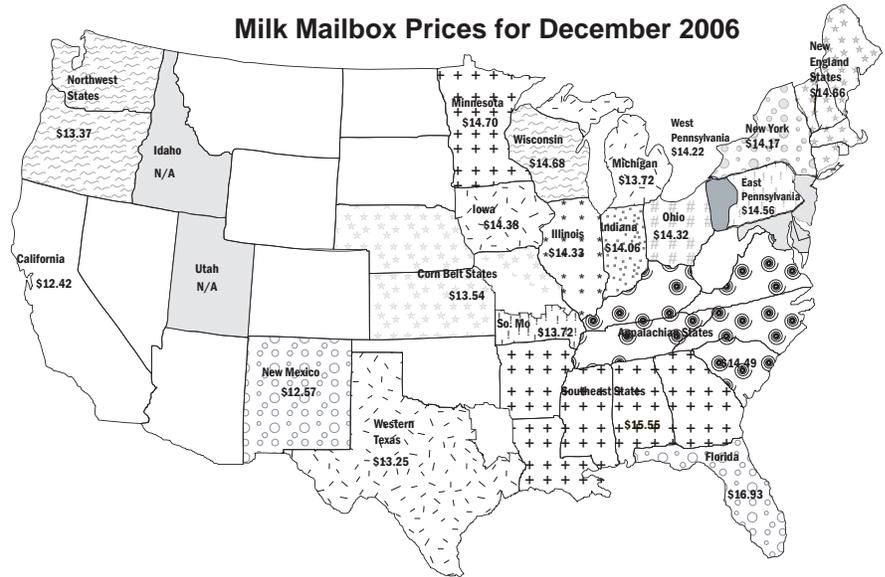
Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

	June	July	August	September	October	November	December
California ¹	\$10.42	\$10.16	\$10.63	\$11.44	\$11.62	\$12.12	\$12.42
USDA ²	\$11.75	\$11.67	\$11.93	\$12.88	\$13.65	\$14.00	\$14.20

¹ California mailbox price calculated by CDFAs.

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



In December 2006, mailbox prices for selected reporting areas in Federal milk orders averaged \$14.20 per cwt., \$0.20 more than the figure for the previous month. The component tests of producer milk in December 2006 were: butterfat, 3.78%; protein, 3.12%; and other solids 5.69%. On an individual reporting area basis, mailbox prices increased in all reporting areas except three, and ranged from \$16.93 in Florida to \$12.57 in New Mexico. In December 2005, the Federal milk order all-area average mailbox price was \$14.73, \$0.53 higher.

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