

California

# Dairy Review

A publication serving the California dairy industry for over 11 years

Volume 11 Issue 8

August 2007

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## 2007 Mid-Year Review Enclosed



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

## Update: California Regional Water Quality Control Board

### Central Valley Region

On May 3, 2007, the Regional Water Quality Control Board, Central Valley Region (Regional Board) adopted the Waste Discharge Requirements General Order For Existing Milk Cow Dairies, which applies to milk cow dairies that were in existence as of October 17, 2005 and that filed a Report of Waste Discharge (ROWD) in response to the Regional Board's request of August 8, 2005.

These new requirements were mailed to each dairy producer in the central valley region. There will be meetings this fall on instructions for following the requirements. A brief summary is below:

### Under what circumstances are you not covered by the General Order? You are NOT eligible for coverage under the General Order if:

1. Your dairy receives and/or discharges "wastes" other than those listed in General Order. "Waste" includes, but is not limited to, manure, leachate, process wastewater, and any water, precipitation or rainfall runoff that contacts raw materials products, or byproducts such as manure, compost piles, feed silage, milk, or bedding. The disposal of waste not generated by on-site animal production activities is prohibited under the General Order. If your dairy receives whey or other off-site material for disposal in your dairy's waste management system (lagoon or land application area), you are not eligible for coverage under the General Order.
2. Your dairy has expanded beyond the number of mature dairy cows stated in the ROWD. The term "expansion" includes any increase in the existing herd size by more than 15 percent of the maximum number of mature dairy cows in the herd on 17 October 2005.
3. You have increased the storage capacity of the retention ponds or acquired more acreage for reuse of nutrients from manure or process wastewater in order to accommodate an expansion of the existing herd size.

### What actions must you take if you are NOT covered by the General Order?

1. Dairies not covered by the General Order must immediately contact Regional Board staff for instructions on how to prepare an updated ROWD.
2. Prior to adoption of individual waste discharge requirements for your dairy, the Regional Board must assure compliance with the California

Continued on Page 3

# Production, Prices, Quota Transfers, Alfalfa

## June Milk Production

Milk production in California for June 2007 totaled 3.34 billion pounds, up 4.2 percent from June 2006. USDA's estimate for U.S. milk production for June 2007 in the 23 major dairy states is 14.2 billion pounds, up 1.2 percent from June 2006. Production per cow in the 23 major states averaged 1,713 pounds for June, 16 pounds above June 2006. ☀

## Minimum Class Prices

Statewide average hundredweight prices

Class	June	July	August
1	\$20.14	\$23.14	\$23.62
2	\$16.07	\$16.07	N/A
3	\$15.90	\$15.90	N/A
4a	\$17.03	N/A	N/A
4b	\$21.18	N/A	N/A

## Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	June	July	August
Phoenix, Arizona	\$20.19	\$23.26	\$24.11
Southern California	\$20.28	\$23.26	\$23.76
Portland, Oregon	\$19.74	\$22.81	\$23.66
Northern California	\$20.01	\$22.99	\$23.49
Boston (Northeast)	\$21.09	\$24.16	\$25.01

## Quota Transfer Summary

For June 2007, thirteen dairy producers transferred 8,729 pounds of SNF quota. June quota sales averaged \$492 per pound of SNF (without cows), average ratio of 2.41. For July 2007, five dairy producers transferred 3,960 pounds of SNF quota. July quota sales averaged \$496 per pound of SNF (without cows), average ratio of 2.41. ☀

## Alfalfa Update: July

Northern California: Premium and Supreme alfalfa were steady with light supplies and good demand. Fair and Good alfalfa was steady to firm with moderate to good demand and supplies. Retail and Stable hay was steady with demand and supplies light to moderate. Scattered thunderstorms plagued hay producers at the end of the month.

Southern California: Premium alfalfa was not well tested with very light supplies but not enough supplies. Fair and good alfalfa was steady with good demand and moderate supplies. Retail and stable hay was steady with good demand and moderate supplies. Some buyers already putting hay in barns. Exporters were still buying Sudan hay. ☀

## Supreme Hay Prices

Statewide average prices per ton

Area	6/29	7/6	7/13	7/20
Petaluma	N/A	N/A	N/A	\$212-215
North Valley <sup>1</sup>	N/A	\$197-225	\$200-215	\$195-210
South Valley <sup>2</sup>	\$215-218	\$210-230	\$215-233	\$210-235
Chino Valley	N/A	N/A	\$200	N/A

<sup>1</sup>North Valley is Escalon, Modesto and Turlock areas.

<sup>2</sup>South Valley is Tulare, Visalia and Hanford areas.

## Alfalfa Hay Sales/Delivery

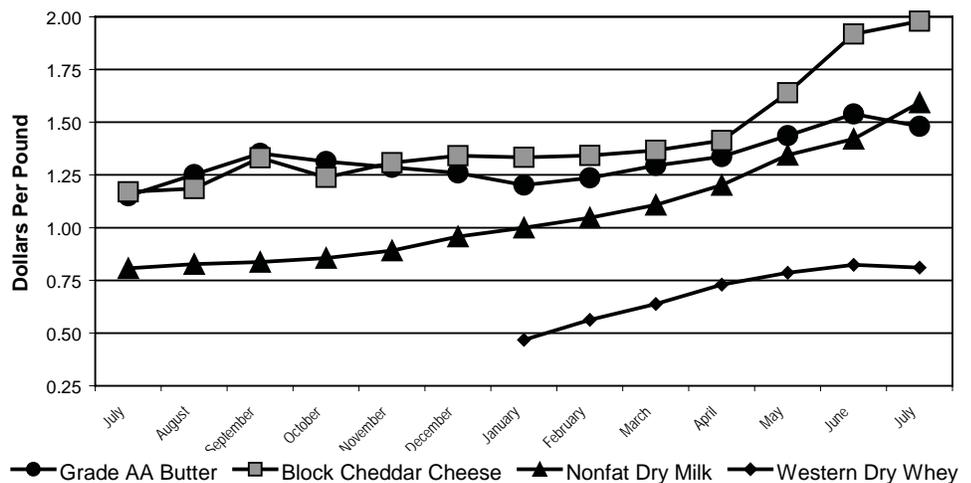
	June	July
Tons Sold <sup>1</sup>	355,523	432,252
Tons Delivered <sup>2</sup>	149,635	252,920

<sup>1</sup> For current or future delivery.

<sup>2</sup> 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 Milk Mostly Prices Used in the Calculation of California Class 1 Milk Prices



## General Order - Continued from Page 1

Environmental Quality Act (CEQA). If an agency other than the Regional Board (such as a county with a Conditional Use Permit process or program Environmental Impact Report, or an air pollution control district) is the lead agency for your dairy, you must submit a final CEQA document with your ROWD. If the Regional Board would be the lead agency for your dairy, you must hire an independent consultant to prepare a draft CEQA document in coordination and consultation with Regional Board staff.

If you have questions, please contact Charlene Herbst, Rancho Cordova, at (916) 464-4724, David Sholes, Fresno, at (559) 445-6279, or Kevin Kratzke, Redding, at (530) 224-4850.

### Complying with the General Order – Where to Begin?

The first document that needs to be submitted to the Regional Board is the **Existing Conditions Report**, due to the Regional Board on December 31, 2007.

#### Beginning immediately:

1. Conduct visual inspections of the production area as required in the Monitoring and Reporting Program
2. Take a monthly photograph of the pond freeboard and store in an easily accessible area. It is important to keep a written record noting conditions observed during inspections.
3. Maintain at least two feet of freeboard in any above-ground retention pond and at least one foot in any below-ground retention pond.
4. Ensure that the waste management and storage areas are not causing a vector problem (flies, mosquitoes, and other pests).
5. Conduct daily inspections of the land application areas when process wastewater is being applied. Again, it is important to keep a written record of conditions observed during these inspections.
6. Identify a storage area on-site for all records of inspections, sampling, and other tasks.
7. Every time you ship process wastewater or manure offsite to another person or company, complete a Manure/Process Wastewater Tracking Manifest.
8. Handle mortality in compliance with the General Order and be advised that the General Order does not allow burying or composting of animals on site.
9. Notify the Board if you plan to construct a new settling, storage, or retention pond or plan to reconstruct such a pond.
10. Notify the Board on any change in ownership or operator, or if you plan to close or modify the facility.

#### Beginning soon:

1. Beginning October 1, 2007, monitor discharges

of manure, process wastewater, storm water, and tailwater.

2. By November 3, 2007, sample each domestic and agricultural well, and any tile drain system, at your facility.
3. By December 31, 2007, prepare written agreements with any person who receives your process wastewater.

Most of the information you collect from these activities will be submitted to the Regional Board with your Annual Report. Your first Annual Report is due on 1 July 2008.

**INSPECTIONS** - Effective immediately, the Discharger shall conduct and record the inspections specified below and maintain records of the results on-site for a period of five years.

#### October 1-May 31: Weekly Inspections

#### June 1-30: Monthly inspections

- Inspect all waste storage areas and note any conditions or changes that could result in discharges to surface water and/or from property under control of the Discharger. Note whether freeboard within each liquid storage structure is less than, equal to, or greater than the minimum required (two feet for above ground ponds and one foot for below ground ponds).
- During and after each significant storm event: Visual inspections of storm water containment structures for discharge, freeboard, berm integrity, cracking, slumping, erosion, excess vegetation, animal burrows, and seepage.
- Monthly on the 1st day of each month: Photograph each pond showing the current freeboard on that date. All photos shall be dated and maintained as part of the discharger's record.

#### **List of Regional Board Contacts**

For dairies in Fresno, Kern, Kings, Madera, Mariposa, and Tulare counties:

California Regional Water Quality Control Board  
Central Valley Region  
1685 E Street

Fresno, CA 93706-2007

Attention: Confined Animal Regulatory Unit

Contact person is David Sholes: Phone (559) 445-6279

E-mail: [dsholes@waterboards.ca.gov](mailto:dsholes@waterboards.ca.gov)

For dairies in Butte, Lassen, Modoc, Plumas, Tehama, and Shasta counties:

California Regional Water Quality Control Board  
Central Valley Region  
415 Knollcrest Drive, Suite 100  
Redding, CA 96002

*(Continued next page)*

## Regional Water - Continued from page 3

### CONTACTS Continued:

Attention: Confined Animal Regulatory Unit  
(530) 224-4845  
Contact person is Kevin Kratzke:  
Phone: (530) 224-4850  
E-mail: [kkratzke@waterboards.ca.gov](mailto:kkratzke@waterboards.ca.gov)

For dairies in Glenn, Lake, Colusa, Sutter, Yuba, Sierra, Nevada, Placer, El Dorado, Napa, Yolo, Solano, Sacramento, Amador, Calaveras, Contra Costa, San Joaquin, Alameda, Stanislaus, Tuolumne, and Merced counties:

California Regional Water Quality Control Board  
Central Valley Region  
11020 Sun Center Drive #200  
Rancho Cordova, CA 95670-6114  
Attention: Confined Animal Regulatory Unit  
Contact person is Charlene Herbst:  
Phone: (916) 464-4724  
E-mail: [cherbst@waterboards.ca.gov](mailto:cherbst@waterboards.ca.gov)



## Brand Inspector Exam

**Positions:** Exist Statewide  
**Hours per Month:** 40 to 143 hours per month  
**Salary Range:** \$16.53 hourly  
**Minimum Qualifications:** Will be available online at [www.spb.ca.gov](http://www.spb.ca.gov)  
Go to Hot Links and click Exam Bulletins

or at  
California Department of Food and Agriculture  
Human Resources Branch  
Atten: Cindy Torres  
1220 N Street, Rm. 242  
Sacramento, CA 95814

**Applications:** STD 678 available online at [www.spb.ca.gov](http://www.spb.ca.gov)  
Go to Hot Links and click State Application  
or  
contact Cindy Torres at the address listed above

**Final Filing Date:** Friday, August 10, 2007  
**Questions:** Mila Matthews 916-653-3190



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## 2007-2008 DAIRY COUNCIL ASSESSMENT RATES ESTABLISHED

The Dairy Council of California has recommended and the Department of Food and Agriculture has approved assessment rates for the Council's 2007-2008 fiscal year (July 1, 2007, through June 30, 2008). The rates are presented below. These rates are the same as last year's rates.

2007-2008 Dairy Council Assessment Rates	
Class 1 Milk	one and fifty hundredths cents ( <b><u>\$0.015</u></b> ) per cwt.
Milk For All Other Classes	sixty hundredths cents ( <b><u>\$0.006</u></b> ) per cwt.

As you can see from the table above, the Dairy Council Law mandates a two-tier assessment structure; an assessment for milk used in Class 1 milk products and a lower assessment for milk used in all other classes of milk products. The Dairy Council Law stipulates that the assessment rate for Class 1 milk shall not exceed two cents (\$.02) per hundredweight (cwt.) and that the assessment rate for all other usages of milk shall not exceed eight mills (\$0.008) per hundredweight (cwt.). In addition, the Law further requires that the relationship between the two rates shall be at a ratio of 2.5 to 1. The Dairy Council assessment rates are applicable to both milk producers and milk handlers. The Dairy Council uses the funds generated from these assessments to carry out its mission of stimulating demand for milk by demonstrating the role of dairy products as essential elements in a healthy diet.

As in the past, handlers will continue to be responsible for remitting both the handler and producer assessments to the Department. Handlers shall pay the handler assessments for milk utilized in the plant of the handler. The producer assessments shall be collected by the first handler of milk produced in California by deducting any such assessments from any payment due the producer of such milk.

Please call Dennis Manderfield of the CDFA Marketing Branch at (916) 341-6005 if you have any questions about these assessment rates. If you have questions regarding the activities of the Dairy Council, please call Peggy Biltz, CEO of the Dairy Council, at (916) 263-3560.

# California Department of Food and Agriculture



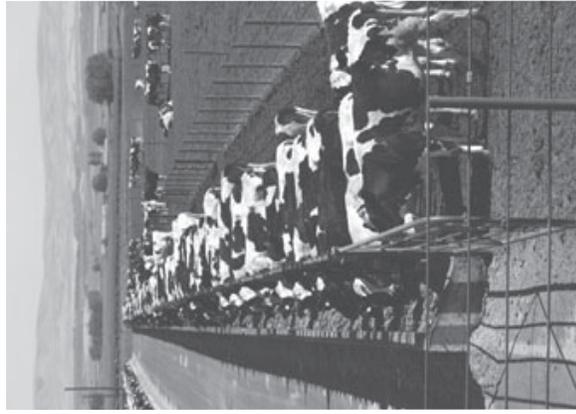
CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE

Animal Health and Food Safety Services  
Animal Health Branch

## Bovine

# Spongiform Encephalopathy

“Mad Cow Disease”



Producer Guide  
August 2007

**Protecting California Consumers:**  
The following are banned from entering the human food supply:

- ◆ Non-ambulatory disabled cattle (**downers**)
- ◆ **Specified risk materials** - the skull, brain, trigeminal ganglia, eyes, vertebral column, spinal cord, and dorsal root ganglia from cattle over 30 months old
- ◆ The small intestine (distal ileum) and tonsils from cattle of any age
- ◆ **Mechanically separated beef**
- ◆ Any material from cattle not inspected and passed for human consumption.

**Please call the appropriate numbers listed on this brochure if you have knowledge of the illegal importation of animals, or animal products, or the feeding of prohibited materials.**

### What Should Producers Do?

- ◆ Comply with the feed ban - **Do not feed products containing prohibited materials to ruminants.** Be diligent that commodities do not contain any prohibited materials (e.g., salvaged pet foods).
- ◆ **Keep copies of all feed records** – invoices and labels – for at least two years, and have them available for inspection. Farm inspections help ensure prohibited materials are not being fed to ruminants. Regulatory action can be taken under the Federal Food, Drug and Cosmetic Act for non-compliance.
- ◆ **Establish an individual animal identification plan for your herd.**
- ◆ **Maintain accurate records** when animals enter and leave your herd.
- ◆ **Report cattle with neurological signs to your veterinarian ASAP.**
- ◆ Humanely euthanize non-ambulatory cattle. Guidelines are available from CDFA.
- ◆ Dispose of carcasses appropriately, such as with a licensed renderer or other approved disposal options.

For BSE concerns and questions, please call:

#### Animal Health Branch

Headquarters (916) 654-1447  
 Redding District (530) 225-2140  
 Modesto District (209) 491-9350  
 Tulare District (559) 685-3500  
 Ontario District (909) 947-4462

<http://www.cdfa.ca.gov>

For animal feed questions, please call:

#### Inspection Services

#### Agricultural Commodities and Regulatory

Headquarters (916) 445-0444  
 Fresno (559) 452-9687  
 Ontario (909) 930-9689  
 Imperial (760) 356-4673

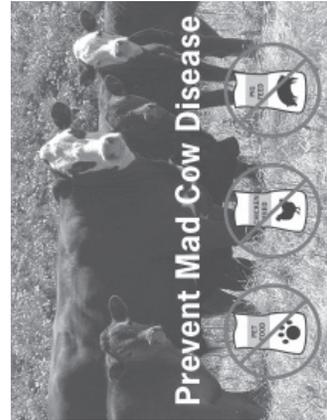
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For reporting illegal animal movement, call:

#### United States Department of Agriculture Veterinary Services

Sacramento (916) 854-3900  
 Toll Free (877) 741-3690

[http://www.aphis.usda.gov/animal\\_health/](http://www.aphis.usda.gov/animal_health/)



Developed by the State of California, Department of Food and Agriculture, Animal Health and Food Safety Services, Animal Health Branch, 1220 N Street, Room A-107, Sacramento, CA, 95814, (916) 654-1447.

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### What is BSE?

Bovine Spongiform Encephalopathy (BSE) is a **fatal neurological disease of cattle** first recognized in the United Kingdom (U.K.) in 1986. It is a transmissible spongiform encephalopathy similar to scrapie in sheep and goats, chronic wasting disease in deer and elk, and spontaneous Creutzfeldt-Jakob disease (CJD) in humans.

The human disease known as variant CJD (vCJD) was first diagnosed in 1996 in the U.K. Probable and confirmed cases of vCJD total 202 worldwide: 171 of these lived in the U.K. for at least six months. **Scientific evidence supports vCJD is caused by the same agent that causes BSE.** Evidence suggests the BSE agent may be transmitted from cattle to man through consumption of products contaminated with the infectious agent.

As a result of BSE, more than eight million cattle have been diverted from the human food chain into rendering and incineration in the U.K. BSE has affected almost 200,000 cattle in 29 countries to date.



**In the U.S., three cases have been detected:** a dairy cow in Washington (December 2003) that was born in Canada, a beef cow from Texas (June 2005), and a beef cow from Alabama (March 2006).

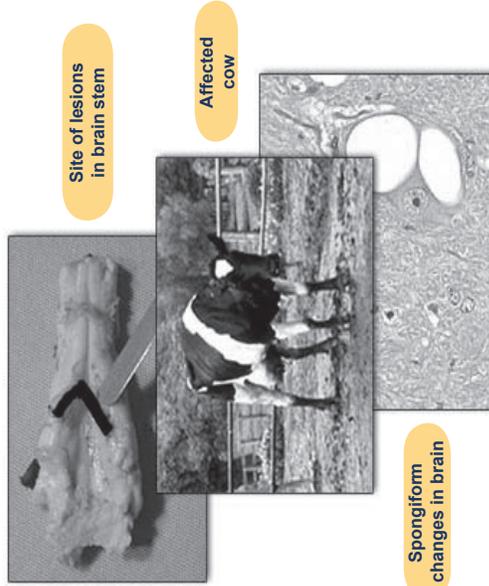
**Estimated U.S. BSE prevalence is less than one case per one million cattle, or four to seven cases of BSE in the 42 million adult cattle within U.S. borders.**

### What are the Signs of BSE?

BSE has an incubation period of two to eight years. Signs begin with changes in temperament, such as nervousness / aggression. Cattle become progressively uncoordinated, losing condition despite continued appetite. There is no treatment. Affected cattle die two weeks to six months after the first signs.

### What Causes BSE?

The agent causing BSE is not fully characterized. **Most evidence suggests it comes from an abnormal protein known as a prion.** Prions are smaller than most viruses, very resistant to heat, ultraviolet light, radiation, and disinfectants. This prion causes no detectable immune or inflammatory response.



### How is BSE Spread?

BSE spreads among cattle principally through feed containing meat and bone meal made of rendered ruminant products from infected animals. In 1997, the U.S. and Canada banned these products in ruminant feed to prevent BSE transmission. Debate is ongoing about the possibility of spontaneously arising or sporadic BSE.

### Preventing the Entry of BSE:

In July 1989, the United States Department of Agriculture (USDA) banned importation of live ruminants and most ruminant products from BSE-affected countries. In December 2000, the USDA banned the importation of all rendered animal products from Europe, regardless of species. BSE continues to affect export markets for beef, beef products, and consumer confidence.

### BSE Surveillance in the U.S.:

BSE surveillance began in 1990; it consists of examining brain tissue from cattle showing neurological signs and targeted samples from high-risk cattle. Between May 1990 and August 2006, more than 862,000 samples nationwide were examined for BSE.



### The U.S. Feed Ban:

Since August 1997, the Food and Drug Administration (FDA) has prohibited the use of protein derived from mammalian tissues (with certain exceptions including milk, blood, porcine and equine products) in ruminant feed. A ruminant is any animal that has a four-chambered stomach, including: cattle, buffalo, sheep, goats, deer, elk, and antelope. Feed manufacturers are required to label all feed that contains prohibited materials with this statement: **“Do not feed to cattle or other ruminants”**.

### Compliance Within California:

Inspections conducted at California feed manufacturing facilities and ruminant feeding operations have found no significant deviations from the FDA Rule on prohibited animal proteins. As of October 2005, the FDA estimates that 95-99 percent of all feed-manufacturing facilities in the U.S. are in compliance with the feed ban requirements.

**Cattle producers are the front line of defense in preventing BSE by ensuring that feeds containing rendered mammalian tissues are NOT fed to ruminants.**

# California Alfalfa Hay Acres Down

By Seth Hoyt, USDA-CDFA, NASS CA Field Office

## **SORTING IT ALL OUT**

Alfalfa hay acres in California in June 2007 were estimated at 950,000 acres, down 10 percent from 2006 and the lowest number of alfalfa hay acres in California since 1997. While some California growers planted more alfalfa hay acres in 2007, this was significantly offset by growers who reduced acres. Alfalfa hay acres in the 11 Western States were up one percent, however the five States that export alfalfa hay to California were down about 10,000 acres.

In California, the shift from alfalfa to corn and wheat did in fact happen. Acres planted to produce corn for grain were up 73 percent from a year ago and all planted wheat acres were up 23 percent from 2006. It does not appear that there was much of a shift from hay to processed tomatoes. Processed tomato acreage was up 4 percent from 2006.

Other hay acres in California were estimated at 620,000, compared to 530,000 in 2006. In the 11 Western States, hay acres were up 5 percent with a huge increase in Montana. Other hay acres were down 6 percent in the five States that ship alfalfa hay to California, including a 15 percent drop in Idaho. As one who analyzes hay acreage and production, I was perplexed by the California "other hay" acres in the June report. Due to the drought in central California and the reduction in dryland oat hay harvested acres, I didn't expect other hay acres to be much higher than a year ago. I knew Sudangrass, Bermudagrass, and Kleingrass acres in the Imperial Valley were up from last year but it seemed to be an offset to the loss in oat hay acres in central California.

I did discover that wheat and barley hay production increased in some areas due to the potential for low grain yields. Beardless wheat hay and forage mix (mainly for horses) acres were also higher in some areas.

## **SOMETHING NEW**

My research has shown that dairy producers in central California were planting Sudangrass (Sudan) this spring after they harvested their wheat for silage. A seed supplier in central California reported that he sold a large amount of Sudan seed and a dairy producer reported he planned on getting two cuttings for hay and a third cutting for silage. To my knowledge, Sudan has not been planted by dairy producers on a large scale in the past. They have fed Sudan to dry cows in

years when the export market was slow and Sudan hay prices were weak. Most Sudan hay in California is grown for export, mainly in the southern California desert and much of it goes to Japan.

There was excellent growing and harvesting weather this spring in central and northern California and subsequently, the alfalfa hay quality was very good. This, combined with heavy losses to dry-land oat hay because of drought, had some dairies concerned about dry cow hay supplies. The dairy producers that planted Sudan for dry cows had it pegged correctly. Currently dry cow alfalfa hay is selling at record high prices. In mid-to-late June, Fair quality alfalfa hay delivered to dairies in Tulare brought \$50.00 to \$60.00 per ton more than the same period last year (around \$179.00 per ton average). Some dairy producers were using wheat straw in their Total Mixed Ration (TMR's) for dry cows. Wheat straw delivered to Tulare dairies in mid-to-late June brought \$80.00 to \$95.00 per ton, a record high.

## **TIGHT HAY SUPPLIES**

One would expect the dry cow alfalfa hay market in California to weaken by mid-to-late summer due to increased production and the additional acres of Sudan in central California. However, due to very tight supplies currently and the likelihood that there may not be sufficient water to irrigate some late season alfalfa in the central valley, the dry cow alfalfa hay market is a tough one to call for the second half of the season. The big question is how much Sudan will be produced for dry cows in the central valley? Another question, will dairy producers that are blending dry cow alfalfa hay with higher quality alfalfa in milk cow rations continue to do so in the months ahead? The latest inventory of dairy cows in California is 1.8 million, which would normally include around 13-to-15 percent dry cows. However, due to the disrupted breeding cycles of many cows caused by the heat wave last July, the percentage of dry cows in April thru June of this year appeared to be higher than normal.

Supplies of higher quality alfalfa hay remain light in the West. With lower acres and the possibility of lower yields, both in California and other Western States, there may not be the usual amount of milk cow hay supplies in the summer and early fall. A hard spring freeze reduced the tonnage of first cutting in Nevada and some other Western States. Alfalfa hay trucked into California in January thru May 2007 from all states was running 11 percent lower than a year ago. While alfalfa hay trucked in from Arizona dramatically increased from 2006, this did not offset a 50 percent drop in shipments from Utah and 30 percent drop from Oregon. Nevada hay shipments into California were

*(Continued next page)*

## Hay Acres - Continued

off 5 percent compared to the first five months of last year.

To further illustrate the tight alfalfa hay supplies in the West, there was a report that dairies in Arizona were inquiring in central Nevada in early June about milk cow quality alfalfa hay. One dairy was reportedly looking for 5,000 tons of big bales. Short hay supplies in other parts of the country could make the Utah market more attractive to hay buyers. Also, a new large export hay compressor in Northern Utah could impact the Utah alfalfa hay market.

### DAIRY SITUATION

The boom and bust cycle in the dairy industry continues. Growing demand for milk powder in Asia, a long term drought in Australia, reduced milk supplies in the European Union, and strong cheese demand in the U.S. were some of the factors for the upward spike in milk prices the past few months. USDA projected milk prices for July to more than double from a year ago, but that outlook changed in late June with the drop in cheese prices and subsequent drop in the Class 3 milk futures market. Some dairy analysts believe the milk market fundamentals internationally are still bullish and the market should continue to be strong. The May overbase milk price in California was \$16.59/cwt., compared to \$10.20/cwt. last year.

### CORN

Sources in central California indicate that with the higher milk prices and increased California corn acreage plantings, corn usage could be back to normal at many dairies. Further supporting this was higher prices of substitute feeds for corn. Corn prices, after a retreat following the March 30, 2007 Planting Intentions Report had climbed back to over \$4.00 a bushel in mid-June (about \$185.00 to \$190.00 per ton for whole corn delivered by rail to California). However, the combination of rain in the Eastern Corn Belt and the 92.9 million acre U.S. corn acreage estimate in June drove prices down to \$3.30 a bushel (about \$158.00 per ton delivered to California) in late June. The December corn futures price the same day settled at \$3.50 a bushel.

### WHAT TO EXPECT

Hay prices should continue to be strong. Depending on the amount of Sudan hay harvested by dairies in the central valley, the dry cow hay market could soften in the coming months from the current unprecedented levels. However, alfalfa hay production could decline the second half of the season in central California due to surface water

shortages. Out-of-State shipments of alfalfa hay into California may increase from the past few months but there may be stiff competition from buyers in other States. Alfalfa and other hay production in the West could be impacted by dry conditions, with the southern half of California, Arizona, Nevada, Wyoming, and southeastern Oregon the hardest hit areas. 

## National Dairy Situation and Outlook – USDA Estimates

### Milk Production and Cow Numbers

Monthly: Compared to 2006, USDA estimates that overall milk production across the U.S. was up 1.0% in June, led by Colorado's 6.0% growth in milk production (on 7,000 more cows and 5 less pounds per cow). California's estimated production was up 4.1% (on 18,000 more cows and 55 more pounds per cow). Among the western states, Arizona was up 5.9%; New Mexico down -9.9%; and Washington was down -0.9%. Four of the top 10 states reported a production decrease.

Quarterly: For the second quarter of 2007 compared to the first quarter of 2007, U.S. milk cow numbers decreased to 9.126 million, production per cow increased 160 pounds per cow; the net effect was increased milk production to 47.4 billion pounds. USDA projects that for the third quarter of 2007 compared to the second quarter of 2007, U.S. milk cow numbers will decrease to 9.100 million cows, production per cow will be up 175 pounds per cow; the net effect would be increased milk production to 45.5 billion pounds.

### Milk Prices

Comparing the second quarter of 2007 to the first quarter of 2007, U.S. average milk prices were up to \$18.20/cwt. USDA projects that for the third quarter of 2007, U.S. average all-milk prices will be \$21.70-22.10/cwt.; Class 4b prices will be \$20.55-20.95/cwt; and Class 4a prices will be \$21.16-21.66/cwt.

### Utility Cow Prices

Comparing the second quarter of 2007 to the first quarter of 2007, average U.S. utility cow prices were up \$5.00/cwt. to a national average of \$52.71/cwt. USDA projects that utility cow prices will average \$50-52 in the third quarter of 2007.

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



# Pool Prices

Month	Quota	Overbase
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
March	\$15.28	\$13.58
April	\$16.33	\$14.63
May	\$18.29	\$16.59
June	\$20.70	\$19.00

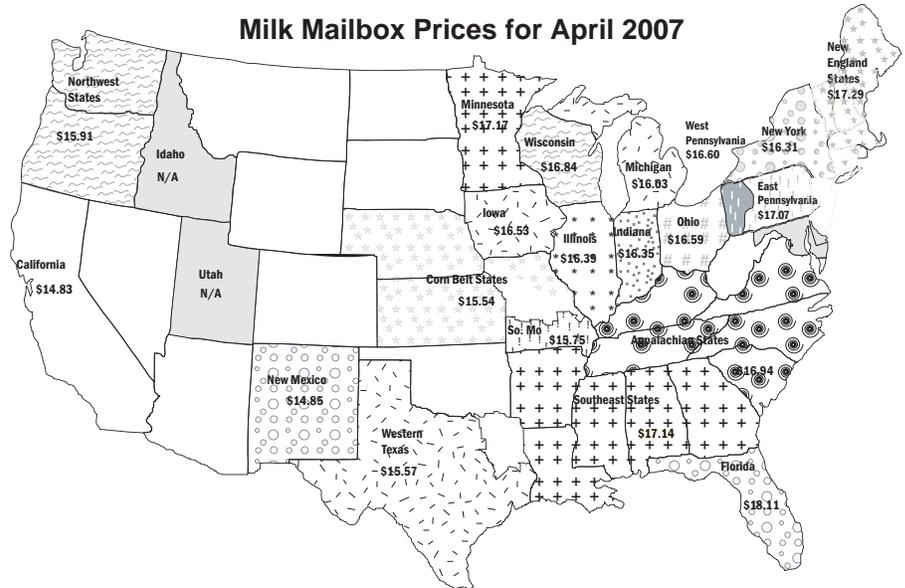
# Milk Mailbox Prices

## Milk Mailbox Prices in Dollars per Hundredweight

	October	November	December	January	February	March	April
California <sup>1</sup>	\$11.62	\$12.12	\$12.42	\$12.55	\$13.09	\$13.89	\$14.83
USDA <sup>2</sup>	\$13.65	\$14.00	\$14.20	\$14.66	\$14.92	\$15.60	\$16.45

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

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



In April 2007, mailbox prices for selected reporting areas in Federal milk orders averaged \$16.45 per cwt., \$0.85 more than the figure for the previous month. The component tests of producer milk in April 2007 were: butterfat, 3.67%; protein, 3.04%; and other solids 5.72%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$18.11 in Florida to \$14.85 in New Mexico. In April 2006, the Federal milk order all-area average mailbox price was \$11.91, \$4.54 lower.

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