



California

Dairy Review

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Department Calls Hearing

The California Department of Food and Agriculture (Department) has called a consolidated public hearing to consider amendments to the Stabilization and Marketing Plans for Market Milk for the Northern California and Southern California Marketing Areas (Plans). The hearing will be held on October 10, 2007, beginning at 9:00 a.m. at the Department Auditorium, 1220 N Street, Sacramento.

On August 15, 2007, the Department received a petition from F & A Dairy of California, Inc (F & A) and a group of other California cheese processors, requesting a public hearing to consider amendments to the Plans. The F & A petition proposes to remove the dry whey factor from the Class 4b formula. The hearing will consider the F & A proposed change to the dry whey factor in the Class 4b formula and any other aspect of the Class 4a and 4b pricing formulas that are raised by alternative proposals

All Interested parties are entitled to submit alternative proposals detailing alternative adjustments in the Class 4a and 4b price formulas. Alternative proposals must be received by the Department's Dairy Marketing Branch no later than 4:00 p.m. on September 26, 2007. The Dairy Marketing Branch's office location is the Downtown Plaza, 560 J Street, Suite 150, Sacramento. Alternative proposals may be sent electronically via email to dairy@cdfa.ca.gov, faxed to (916) 341-6697, or mailed to Hearing Officer, c/o CDFA Dairy Marketing Branch, 1220 N Street, Sacramento, CA 95814.

A public workshop will be held on Wednesday, October 3, 2007 at the California Department of Food and Agriculture Auditorium, 1220 N Street, Sacramento beginning at 9:00 a.m. At this workshop, interested persons can review and discuss all proposals submitted with Department staff and other interested parties.

A copy of the petition and other related hearing materials can be obtained by accessing the Department's web site at www.cdfa.ca.gov/dairy or by contacting the Dairy Marketing Branch at (916) 341-5988. The website information can be accessed from the dairy home page, by clicking on Hearings, then Dairy Hearing Matrix; then go to Class 4b. If any interested party has questions regarding the call of this hearing please contact Dave Ikari at (916) 341-5988.



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

California Dairy Producer News

Production, Prices, Quota Transfers, Alfalfa

July Milk Production

Milk production in California for July 2007 totaled 3.45 billion pounds, up 10.6 percent from July 2006. USDA's estimate for U.S. milk production for July 2007 in the 23 major dairy states is 14.5 billion pounds, up 3.9 percent from July 2006. Production per cow in the 23 major states averaged 1,743 pounds for July, 55 pounds above July 2006. ☀

Minimum Class Prices

Statewide average hundredweight prices

Class	July	August	Sept.
1	\$23.14	\$23.62	\$22.87
2	\$16.07	\$19.25	\$19.25
3	\$15.90	\$19.09	\$19.09
4a	\$19.84	N/A	N/A
4b	\$20.54	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	July	August	Sept.
Phoenix, Arizona	\$23.26	\$24.11	\$24.26
Southern California	\$23.26	\$23.76	\$23.10
Portland, Oregon	\$22.81	\$23.66	\$23.81
Northern California	\$22.99	\$23.49	\$22.83
Boston (Northeast)	\$24.16	\$25.01	\$25.16

Alfalfa Update: August

Northern California: Premium and Supreme alfalfa were steady with very light supplies and good demand. Fair and Good alfalfa was steady to firm with moderate demand and supplies. Retail and Stable hay was steady with demand moderate to good and supplies moderate. Most producers putting up 5th cutting now in the Sacramento Valley and 3rd cutting in the Intermountain areas.

Southern California: Premium alfalfa was not well tested with good demand but no supplies available. Fair and good alfalfa was steady with good demand and moderate supplies. Retail and stable hay was steady with good demand and moderate supplies; producers still filling barns. ☀

Supreme Hay Prices

Statewide average prices per ton

Area	7/27	8/3	8/10	8/17
Petaluma	N/A	N/A	N/A	\$212-215
North Valley ¹	\$235	\$208-212	\$200-212	\$205-210
South Valley ²	\$212	\$213-215	\$213-215	\$210-220
Chino Valley	N/A	N/A	N/A	N/A

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

	July	August
Tons Sold ¹	432,252	324,798
Tons Delivered ²	252,920	112,905

¹ For current or future delivery.

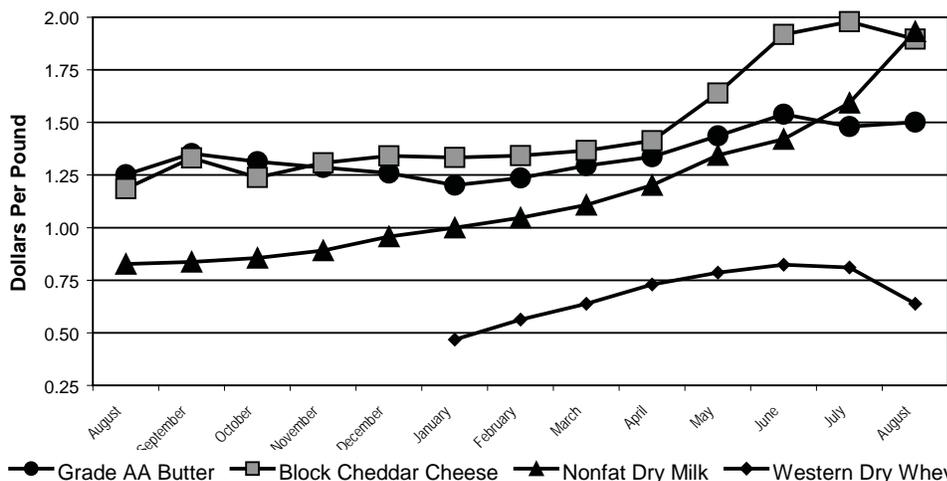
² Contracted or current sales.

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>

Quota Transfer Summary

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. For August 2007, four dairy producers transferred 4,590 pounds of SNF quota. August quota sales averaged \$495 per pound of SNF (without cows), average ratio of 2.43. ☀

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



CDFA and Dairy Marketing Branch Launch New Look To Website

In September, the Department of Food and Agriculture and all branches within the Department, (including the Dairy Marketing Branch) will be launching a new look to the website. The address is the same, there is still a multitude of information to view, but the look has changed. The goal is to make the website as user friendly as possible with easy accessibility of information and overall ease of use and browsing through the information displayed.

Please let us know if you need any assistance accessing the website or have any comments/suggestions on the new design.

Website address: www.cdfa.ca.gov/dairy

Resurgence of West Nile Virus in California Poses Risk to Horses

Horse owners urged to pursue vaccinations

The return of West Nile virus to California this year is renewing calls for horse owners to make sure their animals are vaccinated. So far in 2007, five horses have been diagnosed with the disease – all have been either unvaccinated or incompletely vaccinated.

“Outbreaks of West Nile virus are still a risk for horses,” said California State Veterinarian Dr. Richard Breitmeyer. “Horse owners should contact their veterinarians as soon as possible to ensure vaccination status is current. If people get the necessary shots for their horses now, the animals will have optimal 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. For more information, click on www.cdfa.ca.gov. Questions may be e-mailed to CDFA at WNVirus@cdfa.ca.gov 

DFA Announces Plant Closure

Dairy Farmers of America, Inc. (DFA) announced changes to its American Cheese division, including the closure of the cooperative’s Corona, California, facility and the transfer of DFA’s American cheese (large-bag shredded and packaged) business in Corona and Zumbrota, Minnesota, to Wisconsin-based Schreiber Foods Inc.

DFA’s Corona facility will operate at a reduced capacity beginning Aug. 31 and cease production of American block cheese and whey products by Dec. 31, affecting the jobs of 300 employees. An additional 70 employees at the Zumbrota facility and 11 employees at DFA’s headquarters in Kansas City, Missouri., were notified that their positions would be eliminated.

According to Tom Camerlo, chairman of DFA’s Board of Directors and a dairy farmer from Florence, Colorado, the decision to cease operations in Corona and to enter into an alliance with Schreiber Foods reflects DFA’s ongoing commitment to reduce or eliminate economic vulnerabilities within its business structure. “DFA exists to serve its dairy-farmer owners. Although it is difficult to make decisions that result in the elimination of jobs, we have an obligation to our members to make decisions that benefit them,” he said. “Market conditions and operating results have hindered success at our Corona plant and in our American Cheese Division. We constantly look for ways to end losses, and stimulate profitability.”

David Parrish, chief operating officer of DFA’s Western Area Council, which supplies milk to the Corona facility, noted that the members support the changes in the American Cheese Division. “Although dairy farmers never want to see the plant they ship milk to close its doors, our member-owners understand that we need to operate profitably,” he said. “With many DFA customers providing multiple outlets for milk, our members will continue to have a market for their milk.” 

Alfalfa Hay Yields Up in California, Mixed in the West

But will surface water shortages change the picture for the year?

Alfalfa hay yields in California on August 1, 2007 were forecast at 7.2 tons per acre for the season, the highest level in 10 years and 6% above 2006. Unlike a year ago, the main factors were favorable growing and harvesting weather combined with a very strong dry cow alfalfa hay market.

Alfalfa hay yields were mixed in the West with New Mexico up 10% and Colorado up 5% due to improved moisture this year. Nevada, Idaho, Oregon, and Utah yields were all down 2-8%, with Nevada and Idaho down the most at 7-8%. Dry conditions, combined with an April freeze took a toll on yields in those four States.

While giving their best estimates, some California growers were still not sure about water supplies for alfalfa in late season cuttings. Growers with multiple crops will be prioritizing water for crops such as almonds, while alfalfa hay may not be watered in late season. A few alfalfa fields were being dried in late July and early August in the San Joaquin Valley.

Tonnage vs. Quality

Many alfalfa hay growers in the central and northern California valleys were harvesting for tonnage rather than quality the past two cuttings.

With Fair quality alfalfa hay trading \$60.00-\$70.00/ton higher than a year ago (\$183.00-\$195.00/ton delivered to dairies in Tulare according to Market News), there was no question that growers were not going to be in any hurry to move swathers into the fields. There were many reports of two tons per acre on the most recent cutting with some growers reporting up to three tons per acre.

Record Low Price Spread

The price spread between the top and bottom of the alfalfa hay market is a record low in California. For the week ending August 10, 2007, Supreme quality alfalfa hay delivered to Tulare dairies ranged from \$213.00-\$215.00/ton, \$20.00-\$30.00/ton above Fair quality hay. A source indicated that Fair quality alfalfa hay prices would even be higher if dairies were not feeding wheat straw in TMR's and using other types of hay such as Sudan for dry cows.

Big Jump in In-Shipped Hay

With dry cow alfalfa hay prices at these levels one

would expect more lower quality alfalfa hay to be shipped into California from out-of-state. It appears this is true for shipments from Arizona in June which increased 300% from a year ago. However, this does not seem to be the case in other western states where it appears that most alfalfa shipments are the usual milk cow quality hay.

Fires in the West have burned hundreds of thousands of acres of range grass. More beef cattle operators are being forced to feed hay or liquidate their cattle. With a strong beef cattle market, some are opting to feed hay. The tight hay supplies in the West and Midwest are illustrated by the current situation in Montana where buyers from Idaho, Washington, Colorado, and the Midwest are competing for alfalfa hay.

In June, shipments of alfalfa hay from Utah to California were up 24% from a year ago, while shipments from Nevada were 47% higher than last year. Total alfalfa hay shipments into California in June were 84,237 tons, 59% higher than a year ago. This appears to be record high volume for the month of June.

What to Expect

There are no indications the hay market will weaken in the coming months. It is now questionable whether the dry cow alfalfa hay market will soften even with wheat straw and Sudan grass being fed to dry cows. There is talk that lower quality alfalfa hay may be shipped into California from some non-traditional import states such as Colorado, Texas, and New Mexico. Thus far, nothing has stalled the strong Fair quality alfalfa hay market in California.

Roundup Ready Problems

After hearing about a dairy that was leery of feeding Roundup Ready (RR) alfalfa hay (a genetically modified variety of alfalfa hay produced by Monsanto that is not affected by the herbicide Roundup when controlling weeds in alfalfa) to milk cows, it seemed appropriate to address the current RR hay situation. It is true that tagging regulations for baled hay may create a negative perception when marketing or feeding RR alfalfa hay. But the reality is that 90% of the soybeans in the U.S. are Roundup Ready, while 73% of corn and 87% of cotton acres in the U.S. are planted with Genetically Modified (GMO) seed. Concentrate feed rations for milk cows in California and the U.S. have, and will continue to include, Roundup Ready grains and feedstuffs. Recent results of studies conducted in the European Union (EU) indicate that GMO feed shows no residual traces in meat, milk, or eggs. As you may recall, the EU was adamantly opposed to GMO feed a few years ago.

Continued next page

Alfalfa - Continued from page 4

Feedback from some growers of the reported 80,000 acres of Roundup Ready alfalfa hay in California indicated that fields were cleaner with much less herbicide use. The Judge's ruling to protect cross-contamination of Roundup Ready and conventional alfalfa hay seed has in affect put a dark cloud over Roundup Ready alfalfa hay. It has been reported that the Environmental Impact Study (EIS) required by the court could take as long as two years to complete.

The equipment cleaning mandated by the court was bad enough but the tagging of hay bales has created a production nightmare for growers. If the requirements are not changed they will obviously force growers to produce big bales and some growers have indicated that they will plow under Roundup Ready fields. 

Former Visalia Kraft Foods Plant Gets New Life . . .

A Tulare County dairy family has leased the former Kraft Foods plant in Visalia with plans to make specialty cheese products. Provisions Food Co. is the new entity formed by Gary and Donna de Graaf, who operate Jer-Z-Boyz Ranch in Pixley and Delano with sons Dustin and Daniel. In September, they plan to start making nonfat dry milk powder inside the 160,000-square-foot plant, and early next year should begin processing cream cheese, blue cheese and yogurt, said Jonathan "Jody" Graves, chief executive officer of the start-up company.

Provisions Food Co. will be supplied with Jersey milk produced by Jer-Z-Boyz Ranch. Jersey milk, Graves said, has higher nutritional components that produce a higher yield of cheese and other milk products. He said 10 pounds of Jersey milk makes 1.35 pounds of cheese, compared with 1 pound from other breeds.

Increasing milk supplies boost the need for processing capacity, but Graves said few plants are being built. "The recent dramatic turnaround in prices is really going to spur additional milk supply, and Provisions Food Co. will be there to take on that demand," he said.

About 30 people will be hired in upcoming weeks and in the next two years, the company is expected to create 70 to 80 jobs. 

Foot and Mouth Disease Outbreak in England - Update

The Regional Disease Control Center in Reigate, England, confirmed an outbreak of Food and Mouth disease in southern England. In early August, British officials were attempting to contain the outbreak and avoid any repeat of mass infections that devastated the rural economy in 2001, while biosecurity experts investigated a suspected link between the cases and a vaccine laboratory.

Severe floods in June and July had already proved costly for farmers, and authorities were looking into the possibility that the flooding helped spread the virus. About 120 cows were destroyed after the virus was first detected and another 50 cattle within the 2-mile radius protection zone were also slaughtered. The investigation was focusing on a research laboratory near the Surrey farm where two cattle were discovered with the disease. The strain of the disease found in the infected cattle is the same one used at the laboratory.

The government immediately ordered a ban on all movement of cattle, sheep, goats and pigs nationwide. At the national level, the Farmers Union said the government's voluntary ban on exports of livestock, meat and milk has already cost millions of dollars. The ban was imposed a day after the discovery of the disease at the Surrey farm. Imports of British pigs and pork products have been banned by the United States, Japan, Russia and South Korea in response to the outbreak. The United States and Japan already have bans in place on British beef imports.

Many farmers are still recovering from the outbreak of foot-and-mouth in 2001, when 7 million animals were slaughtered, costing the economy around \$17 billion. Foot-and-mouth can be fatal among young hogs, sheep and cattle, while infection in older animals causes blistering on the mouth and tongue, reducing milk and meat production. Foot-and-mouth can be carried by wind and on the vehicles and clothes of people who come into contact with infected animals.

Nearing the end of August, Chief Veterinary Officer Debby Reynolds urged farmers and members of the public to remain vigilant as expectations arose that the foot and mouth crisis was over. 

EPA Warns Six Dairies in Southern California

The U.S. Environmental Protection Agency (EPA) recently ordered six dairies located in the Southern California cities of Chino, Ontario, and Mira Loma to comply with federal wastewater discharge regulations or face fines up to \$32,500 per day per violation. The orders were issued to the Legend Dairy #1, Legend Dairy #3, Sun Valley Jersey Dairy #1, Miersma Dairy #1, Tom Alger Dairy, and Venegas Dairy for failing to comply with their wastewater discharge permit requirements, violations of the federal Clean Water Act. Runoff from their facilities could pollute the Santa Ana River.

At the request of the Santa Ana Regional Water Quality Control Board, the EPA inspected these dairies in March, 2007. The dairies are being cited for violations of state-issued permits, including: failure to execute waste management plans, failure to contain on-site manure waste; failure to properly design, construct, and manage manure containment structures; and failure to monitor and report to the state.

In 2000 and 2001, the EPA fined numerous dairies in the Chino area for similar Clean Water Act violations. In 2003, the EPA issued similar orders to five dairies in the Chino area. To address these violations and to prevent future violations, the EPA, along with 14 other signatories from the dairy industry, academia, environmental, and other state and federal agencies, formed the California Dairy Quality Assurance Program to provide compliance assistance to dairy producers and operators. Through the California Dairy Quality Assurance Program, a voluntary environmental stewardship program, dairy operators learn how to meet all federal, state, regional and local requirements related to manure and nutrient management and protect surface and groundwater.

In California, compliance with the Clean Water Act's permit program is overseen by the State's Regional Water Quality Control Boards.

For more information on the EPA's wastewater program please visit: <http://cfpub.epa.gov/npdes/index.cfm> 

Kroger Transitions to Certified rBST-Free Milk by Early 2008

The Kroger Co. announced it will complete the transition of milk it processes and sells in its stores to a certified rBST-free supply by February 2008. The Company said its decision was based on customer feedback in the markets it serves. In early 2007, Kroger transitioned the milk it sells in the western half of the U.S. to a certified rBST-free supply. This move includes milk it processes and sells in its City Market, Dillons, Fry's, Food 4 Less, Fred Meyer, King Soopers, QFC, Ralphs and Smith's divisions and Kroger stores in Louisiana and Texas.

By February 2008, milk the Company processes and sells in its stores throughout the Midwest and Southeast will also be certified as rBST-free. This includes Kroger banner stores in Arkansas, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, North Carolina, Ohio, South Carolina, Tennessee, Virginia and West Virginia.

Recombinant bovine somatotropin ("rBST") is given to cows to help increase milk production. The Food and Drug Administration (FDA) has concluded there is no difference between milk derived from cows treated with rBST and those that have not been treated. For the past 10 years, Kroger has informed its raw milk suppliers that the Company prefers milk from cows that have not been given rBST, based on consumer preference. Recently, a growing number of dairy farmers have started to offer certification that the milk they produce comes from cows not treated with rBST.

Kroger operates 15 dairies and three ice cream plants in the U.S. that produce all varieties of fluid milk and other dairy products such as yogurt, cottage cheese, ice cream and novelty treats. Headquartered in Cincinnati, Ohio, Kroger is one of the nation's largest retail grocery chains. At the end of the first quarter of fiscal 2007, the Company operated (either directly or through its subsidiaries) 2,458 supermarkets and multi-department stores in 31 states under two dozen local banners including Kroger and Kroger Marketplace, Ralphs, Fred Meyer, Food 4 Less, King Soopers, Smith's and Smith's Marketplace, Fry's and Fry's Marketplace, Dillons, QFC and City Market. Kroger also operated (either directly or through subsidiaries, franchise agreements, or operating agreements) 779 convenience stores, 408 fine jewelry stores, 652 supermarket fuel centers and 42 food processing plants. For more information about Kroger, please visit our web site at <http://www.kroger.com>. 

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 3.7% in July, led by California 10.6% growth in milk production (on 30,000 more cows and 150 more pounds per cow). Among the western states, Arizona was up 10.4%; New Mexico down -9.0%; and Washington was up 0.9%. Two 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 increase to 9.130 million cows, production per cow will be down 200 pounds per cow; the net effect would be decreased 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 \$18.27/cwt. USDA projects that for the third quarter of 2007, U.S. average all-milk prices will be \$21.95-22.25/cwt.; Class 4b prices will be \$20.57-20.87/cwt; and Class 4a prices will be \$21.31-21.71/cwt.

Utility Cow Prices

Comparing the second quarter of 2007 to the first quarter of 2007, average U.S. utility cow prices were up \$2.90/cwt. to a national average of \$53.96/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."

Upcoming Corn Crop May Set Records

Based on conditions as of August 1st, 2007, corn yields are forecast to average 152.8 bushels per acre, according to USDA's "Crop Production" report. This could be the second-largest yield on record, trailing the 160.4-bushel yield achieved in 2004. Total production is projected to be the largest on record — estimated at 13.1 billion bushels. 

USDA Announces Milk-feed Ratio Climbs to 3.19

A \$21.70 all-milk price pushed the July milk-feed price ratio past the coveted 3.0 mark. According to the USDA's announcement of feed-price ratios on July 31, the ratio climbed to 3.19, up 0.31 points from June. One year ago, the ratio was 2.33.

The \$21.70 all-milk price used to calculate the ratio is up \$1.50 versus June, \$10 higher than a year ago. Baled alfalfa hay was unchanged at \$137 per ton. That is \$24 higher than a year ago.

The corn price used to calculate the July ratio was \$3.23. That is down 28 cents versus June, but \$1.09 per bushel higher than a year ago. Soybeans came in at \$7.92, a gain of 41 cents per bushel. One year ago, soybeans were \$5.61.

The USDA also revised the June ratio up to 2.88. That is a gain of 0.12 points. The adjustment is due to reduced corn and soybean prices, which the agency lowered by 26 cents and 6 cents, respectively. The other contributing factor was a 20-cent gain in the all-milk price, which pushed it to \$20.20 per hundredweight.

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 3.19 ratio in July, a dairy producer could buy 3.19 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. 

Afternoon Cutting of Alfalfa Increases Milk Yield

Researchers presented results of a Canadian study at the American Dairy Science Association Annual Meeting concerning the timing of cutting alfalfa for silage. The Canadian study has shown that shifting alfalfa cutting from morning to afternoon increases milk yield. Alfalfa cut in the afternoon and fed as silage increased milk production about 2 pounds per cow per day. Researchers claim that alfalfa cut in the afternoon contains more total nonstructural carbohydrates or sugars than alfalfa cut in the morning. For example, in this study, the total nonstructural carbohydrate content of alfalfa cut in the late afternoon was 36 percent greater than alfalfa cut in the early morning. 

Milk Best At Replacing Fluids

New research suggests that the best way to rehydrate after exercise is not by drinking a big glass of water or a fancy sports drink, but by drinking a glass of skimmed milk. The Loughborough University's School of Sport and Exercise Studies found milk was the most effective for replacing fluids after exercise. It is believed that it is the electrolyte content in milk which makes it so effective.

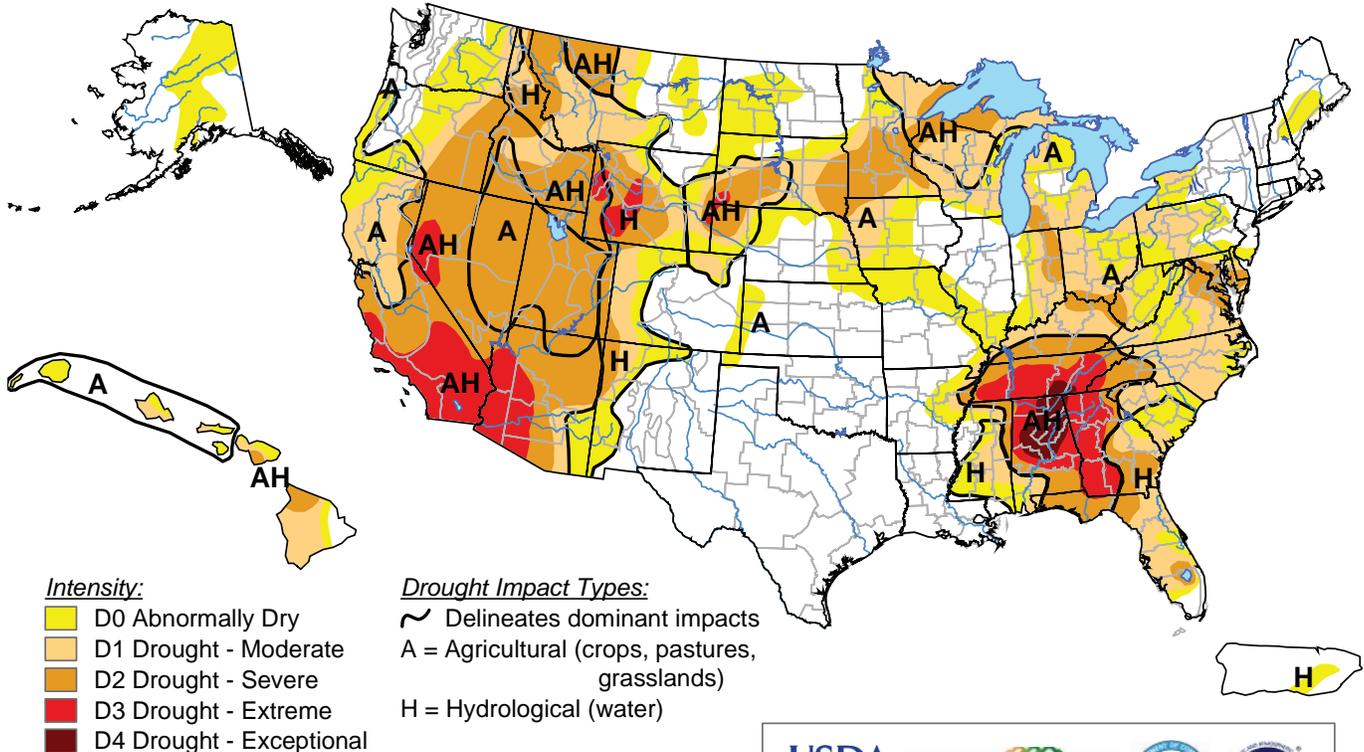
The research compared skimmed milk with plain water and a commercial sports drink and found that the dairy product had people fully rehydrated four times quicker than water or the sports drink. The research showed that after drinking milk, those who had taken part in the exercise session were fully hydrated within an hour, compared to over four hours for water and the sports drink.

The Drought Picture Across the U.S.

While areas of the Southern Plains and Pacific Northwest continue to be deluged with rain, the drought monitor released in early August shows that drought conditions have expanded significantly across the rest of the country. For example, topsoil conditions were reported as "poor" or "very poor" across 80 percent of Michigan and Wisconsin and 72 percent of Minnesota. Abnormally dry conditions have spread across most of South Dakota, Iowa and into Nebraska.

U.S. Drought Monitor

July 31, 2007
Valid 8 a.m. EDT



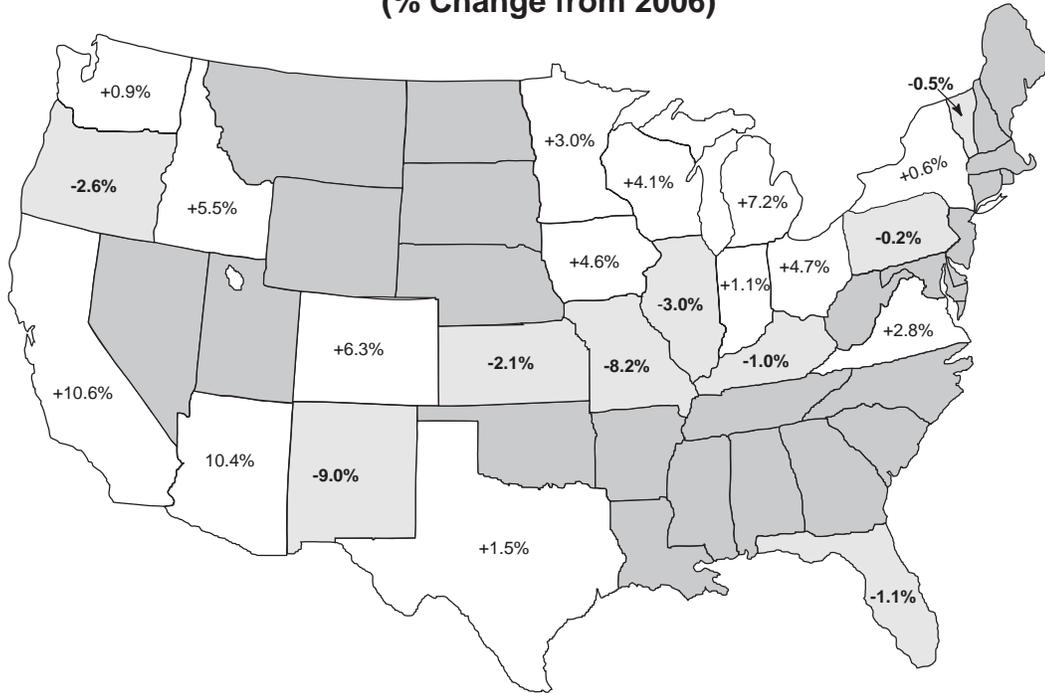
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>

Released Thursday, August 2, 2007

Author: Brian Fuchs, National Drought Mitigation Center

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



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

- U.S. Milk production during July was up 3.7%
- The number of cows on farms was 9.149 million head, up 30,000 head
- Production per cow averaged 1,720 pounds, 60 pounds more than July 2006
- Nine of the top twenty-three milk producing states showed a 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	17.52	12.32	13.33	11.72	13.16	11.76	13.17	12.01	13.31
Total Costs & Allowances*	16.93	19.27	13.82	14.86	13.24	14.76	13.07	14.55	13.52	14.87
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

Pool Prices

Month	Quota	Overbase
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
July	\$21.60	\$19.90

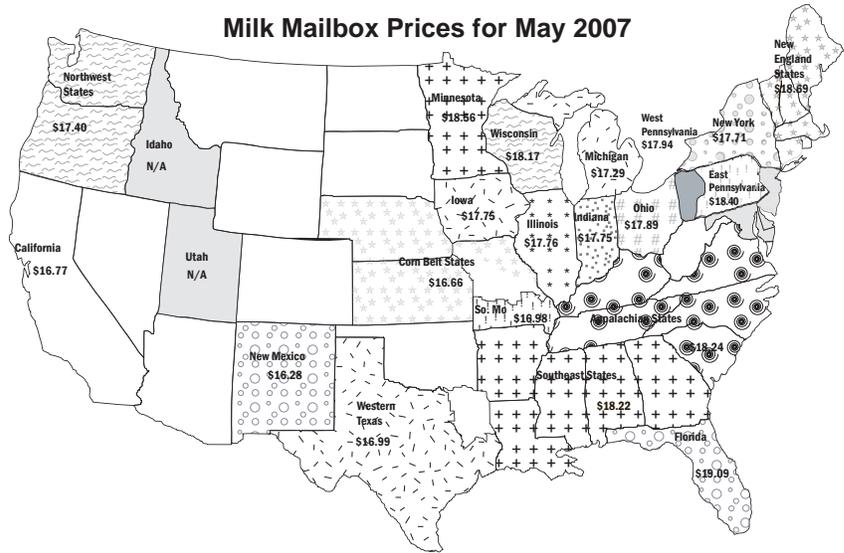
Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

	November	December	January	February	March	April	May
California ¹	\$12.12	\$12.42	\$12.55	\$13.09	\$13.89	\$14.83	\$16.77
USDA ²	\$14.00	\$14.20	\$14.66	\$14.92	\$15.60	\$16.45	\$17.78

¹ California mailbox price calculated by CDFA.

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



In May 2007, mailbox prices for selected reporting areas in Federal milk orders averaged \$17.78 per cwt., \$1.33 more than the figure for the previous month. The component tests of producer milk in May 2007 were: butterfat, 3.61%; protein, 3.00%; and other solids 5.71%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$19.09 in Florida to \$16.28 in New Mexico. In May 2006, the Federal milk order all-area average mailbox price was \$11.79, \$5.99 lower.

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

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