



# California Dairy Review

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## CWT: Next Herd Retirement Round

### Excerpt from CWT News

*Producers Submitting Bids for Milking Herds May Also Retire Bred Heifers Under New Program*

In the next herd retirement round conducted by Cooperatives Working Together (CWT), dairy producers submitting bids to retire their herds of milk cows also will have the option of selling all their bred heifers. A flat rate per bred heifer will be established by CWT to be paid to all producers choosing to include their bred heifers with their herd retirement bid. The producer will retain the slaughter value of the bred heifers, so the price per heifer offered by CWT will be in addition to the animals' slaughter value, just as the payment CWT makes to producers for their milk cows is in addition to the beef value of the animals.

CWT Chief Operating Officer Jim Tillison said the decision by CWT's operating committee to include a bred heifer option "is the result of many months of work by our members to devise a new program to enhance the effectiveness of CWT's milk reduction activities. Our members asked us to come up with a way to make a bred heifer removal option work for them, and I believe this new initiative will meet their expectations."

CWT has not announced when it will conduct a fifth herd retirement round. The last one was done in February 2007. When the next round is conducted, producers submitting bids for their milking herds will also then have the option of using the bred heifer program. Producers will have to indicate the number of bred heifers they have at the time the bid is submitted, and the location of the heifers. CWT will pay a flat fee, announced at the time the retirement program commences, for each heifer. Producers will have to sell all their bred heifers, regardless of age.

*Continued on Page 4*



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

# Production, Prices, Quota Transfers, Alfalfa

## January Milk Production

Milk production in California for January 2008 totaled 3.49 billion pounds, up 3.8 percent from January 2007. USDA's estimate for U.S. milk production for January 2008 in the 23 major dairy states is 14.6 billion pounds, up 2.4 percent from January 2007. Production per cow in the 23 major states averaged 1,743 pounds for January, 17 pounds above January 2007. ☀

## Minimum Class Prices

Statewide average hundredweight prices

Class	Dec.	Jan.	Feb.
1	\$23.12	\$23.10	\$21.84
2	\$21.80	\$21.80	\$18.58
3	\$21.64	\$21.64	\$18.42
4a	\$19.14	\$16.40	N/A
4b	\$18.58	\$16.91	N/A

## Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	Jan.	Feb.	Mar.
Phoenix, Arizona	\$23.32	\$22.03	N/A
Southern California	\$23.23	\$21.98	\$19.17
Portland, Oregon	\$22.87	\$21.58	N/A
Northern California	\$22.96	\$21.71	\$18.90
Boston (Northeast)	\$24.22	\$22.93	N/A

## Quota Transfer Summary

For January 2008, three dairy producers transferred 7,554 pounds of SNF quota. January quota sales averaged \$502 per pound of SNF (without cows), average ratio of 2.48. For February 2008, three dairy producers transferred 1,124 pounds of SNF quota. January quota sales averaged \$527 per pound of SNF (without cows), average ratio of 2.48. ☀

## Alfalfa Update: February

Northern California: Premium and Supreme alfalfa were steady with light test, good demand and very light supplies. Fair and Good alfalfa was steady in a limited test with good demand and light supplies. Retail and Stable hay was steady with good demand and supplies light. Windy weather through the month limited some movement of hay, especially coming out of Nevada.

Southern California: Supreme and Premium alfalfa was steady in a limited test with good demand but very light supplies. The end of the month brought more availability of this hay in the stack. Fair and good alfalfa was not well tested. Retail and stable hay was steady with good demand and light supplies. Majority of hay coming out of barns now. ☀

## Supreme Hay Prices

Statewide average prices per ton

Area	2/1	2/8	2/15	2/22
Petaluma	N/A	N/A	\$242	N/A
North Valley <sup>1</sup>	\$250-260	\$240	\$245-254	N/A
South Valley <sup>2</sup>	\$250-255	\$245-250	N/A	\$250-262
Chino Valley	\$235-240	\$240	N/A	\$235-240

<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

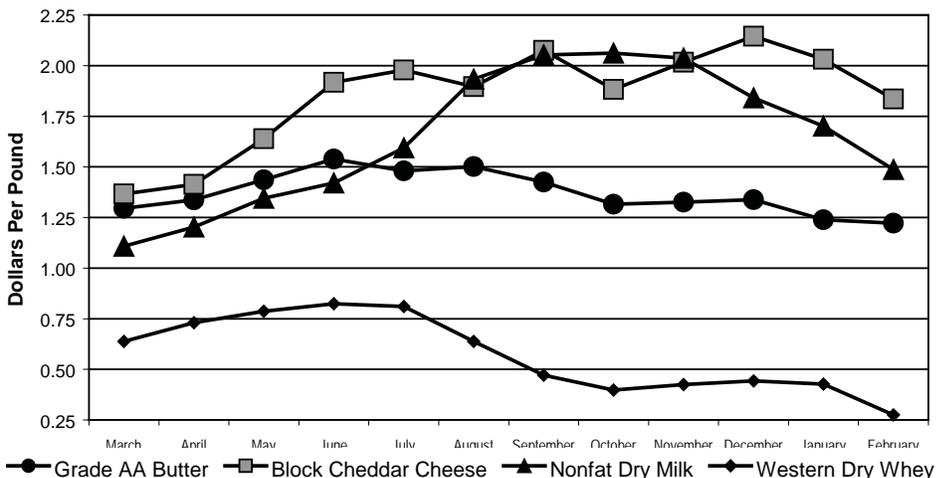
	January	February
Tons Sold <sup>1</sup>	69,870	56,476
Tons Delivered <sup>2</sup>	32,650	27,150

<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 Whey Mostly Prices Used in the Calculation of California Class 1 Milk Prices**



## **October 10, 11 Hearing Results:**

### The Manufacturing Cost Allowance

This is the last of a series of articles on the outcome of the October hearing on the class 4a and 4b formulas. As a result of this hearing, three components of the formulas have been modified: f.o.b. California price adjusters, manufacturing cost allowances and the whey factor. This series of articles features one of these components of the formulas and discusses their purpose in the price formulas and the reasons for the changes. This month will address the manufacturing cost allowance (MCA).

#### ***What is a manufacturing cost allowance?***

Dairy processors who purchase milk from farmers to manufacture basic dairy commodities (cheese, butter, and powder) incur processing costs to convert milk into those finished commodities. The manufacturing cost allowance is established as a value to recognize the manufacturing costs required for the conversion of milk into the finished commodity.

End-product pricing formulas establish the value of milk that dairy farms sell to cheese and butter/powder processors by using the wholesale prices for three basic dairy commodities (Cheddar cheese, butter and nonfat dry milk (NFD)) and subtracting the manufacturing cost allowance. A separate and unique manufacturing cost allowance (MCA) is established for each commodity: Cheddar cheese; butter; and NFD.

The end product pricing formula that is used to calculate the Class 4b price incorporates the monthly commodity price of Cheddar cheese, subtracts the established MCA, and the resulting value is multiplied by the cheese yield to determine the minimum Class 4b price.

The end product pricing formula for milk used in butter/NFD commodities incorporates the current commodity prices for butter and NFD and subtracts the appropriate MCA for each commodity. The resulting values are multiplied by the appropriate butter and NFD yield. These two values are added together to establish the minimum Class 4a price.

The MCA is reviewed periodically and adjusted through a public hearing process.

#### ***How is the value of the manufacturing cost allowance determined?***

To determine a proper MCA, the Department collects and summarizes cost data from California dairy manufacturing plants. Any plant that produces Class 4a (butter and dry milk products) or Class 4b (cheese and whey products) products are asked to participate in the cost study. The information gathered pertains to the production of butter, nonfat dry milk, skim whey powder and Cheddar cheese. This data collection and analysis is performed by auditors who review plant records for those four commodities on-site and work with plant management to collect data on all aspects of the operation. Typically, the manufacturing cost study accounts for over 92% of the products manufactured in California, so they are representative of the California dairy plant costs. Once this annual cost data are compiled and summarized, it is then utilized to help determine a proper MCA in the price formulas.

For the October 2007 hearing, the Department considered the latest manufacturing cost study based on 2006 data and released in September 2007 to evaluate what should be a reasonable MCA in the Class 4a and 4b price formulas. In addition to the latest manufacturing cost study, the Department also considered many other factors when setting the MCA. Some of these factors include the present supply and demand of raw milk, the international market for dairy products, the operating margins of cheese, butter, and nonfat dry milk manufacturers, and how efficient the manufacturing plants operating in the state are. Because processing costs for even the most efficient plants in the state were higher than previous years, the MCA for nonfat dry milk was increased from \$0.1600/lb to \$0.1698/lb and the MCA for Cheddar cheese was increased from \$0.1780/lb to \$0.1988/lb, effective December 1, 2007. The MCA for butter was determined adequate and was not changed.

#### ***How does a change in the manufacturing cost allowance affect the price producers receive?***

Changes in the MCA have an impact on Class 4a and 4b prices, and ultimately on pool prices. Following the last hearing, the increases in the MCAs for nonfat dry milk and Cheddar cheese resulted in a decrease of \$0.09/cwt in the Class 4a price and a decrease of \$0.21/cwt in the Class 4b price. This translates to a combined reduction of approximately \$0.13/cwt in pool prices. 

## CWT - Continued from Page 1

Tillison said that whether a producer elects to also sell his bred heifers will have no bearing on whether the producer's herd retirement bid is accepted by CWT. Also, if the farmer's herd retirement bid is not accepted, the bred heifers he or she offers will not be accepted, either.

Additional details about the terms of the bred heifer program will be posted to the CWT website once a herd retirement round commences.

CWT announced that it accepted an export assistance bid for the sale of whole milk powder. The bid was from Humboldt Creamery of Fortuna, CA, for the export of 20 metric tons (44,000 pounds) of whole milk powder to Honduras. CWT will pay an export bonus to the bidder, only when delivery of the product is verified by the submission of the required documentation.

With this accepted bid, CWT's total 2008 export obligations are: whole milk powder, 170 metric tons (374,000 lbs.), and butter, 291.2 metric tons (641,805 pounds).

The CWT Export Assistance program, on a competitive bid basis, assists CWT members in selling U.S. dairy products in world markets. CWT's export assistance program has helped sell cheese, butter, anhydrous milkfat and whole milk powder to 51 countries on four continents.

Cooperatives Working Together is being funded by dairy cooperatives and individual dairy farmers, who are contributing 10 cents per hundredweight assessment on their milk production through December 2008. The money raised by CWT's investment is being apportioned between two supply management programs that strengthen and stabilize the national all milk price. For more on CWT's activities, visit [www.cwt.coop](http://www.cwt.coop). 

## U.S. Dairy Operations

A USDA summary recently released shows that the number of dairy operations declined last year in all size groups, except operations with 500 head or more. In the 500-999 head category, there were 1,700 operations in 2007, unchanged from 2006. The number of operations with 1,000 head of milk cows or more increased from 1,443 operations in 2006 to 1,515 last year. And not surprisingly, those farms account for a growing portion of the U.S. milk supply — 42 percent in 2007 versus 38 percent in 2006. 

## National Dairy Situation and Outlook – USDA Estimates

### Milk Production and Cow Numbers

Monthly: Compared to 2007, USDA estimates that overall milk production across the U.S. was up 1.9% in January, led by Colorado's 9.4% growth in milk production (on 5,000 more cows and 85 more pounds per cow). USDA reports that California's milk production was up 3.6% on 45,000 more cows and 20 more pounds per cow compared to January 2007. Among the western states, Arizona was up 6.3%; New Mexico up 2.6%; and Washington was up 5.6%. None of the top 10 states reported a production decrease.

Quarterly: For the fourth quarter of 2007 compared to the third quarter of 2007, U.S. milk cow numbers increased to 9.195 million, production per cow decreased 30 pounds per cow; the net effect was decreased milk production to 46.1 billion pounds. USDA projects that for the first quarter of 2008 compared to the fourth quarter of 2007, U.S. milk cow numbers will increase to 9.230 million cows, production per cow will be up 180 pounds per cow; the net effect would be decreased milk production to 48.0 billion pounds.

### Milk Prices

Comparing the fourth quarter of 2007 to the third quarter of 2007, U.S. average milk prices were up to \$21.60/cwt. USDA projects that for the first quarter of 2008, U.S. average all-milk prices will be \$19.10-19.40/cwt.; Class 4b prices will be \$17.71-18.01/cwt; and Class 4a prices will be \$15.53-15.93/cwt.

### Utility Cow Prices

Comparing the fourth quarter of 2007 to the third quarter of 2007, average U.S. utility cow prices were down \$4.60/cwt. to a national average of \$49.40/cwt. USDA projects that utility cow prices will average \$49-51 in the first quarter of 2008.

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



**Bovine Tuberculosis (TB) in California**

A Fresno County dairy herd was detected with bovine TB (*Mycobacterium bovis*) in January 2008 after a single lymph node lesion was found in a 69-month-old cow during routine slaughter surveillance.

CDFA and USDA personnel are investigating herds that received cattle from or sold cattle to this herd since 2003, and are working closely with the owners to eradicate disease from the herd and avoid possible spread.

At least 85 operations have received cattle from the affected herd since 2003. This includes 52 California dairies, 2 out-of-state dairies, 15 dealers, 1 calf raiser, 1 out-of-state heifer raiser, and 10 slaughter channel traces. To date, 30 operations have been identified as sources of cattle entering the affected herd. Testing herds that received cattle and herds that contributed cattle to the affected herd is ongoing.

TB Testing & Cattle Culled To Date		
	# Herds	# Cattle
Affected Herds	1	~5,000
Tested Herds	26	36,658
Depopulated Cattle	---	387

California regained its TB Accredited Free Status on April 15, 2005, two years after losing its' free status and depopulating the last of three bovine TB-affected central valley dairy herds. California can maintain its Free status if the affected herd is depopulated, no additional affected herds are detected within the next 48 months, and the tracing of cows and testing of herds linked to the affected herd is completed within approximately seven months.

**California Surveillance\***

Last year, nearly 773,000 adult cattle slaughtered in California were inspected for TB; 2,000 suspicious samples were submitted for evaluation and all but three were negative for TB. Two of the three *M. bovis* positive samples came from Mexican-origin feedlot steers. Two additional feedlot steers (killed in other states) traced from California to Mexico in 2007. The third positive sample was from a cow sold by an infected New Mexico dairy.

In 2007, private veterinarians did over 84,000 tuberculin caudal fold skin tests in California, and had 348 responders (0.41% response rate). To prevent the spread of bovine TB, producers must prevent contact between their breeding cattle and Mexican-origin cattle. In addition, dairy cattle imported from other states into California require a negative TB test before movement.

**National TB Report\***

Between 2005 and 2008, 25 newly affected herds were detected in the United States. Four affected herds were detected in 2005 (1 in Arizona and 3 in Minnesota). Nine herds were detected in 2006 (2 in Minnesota and 7 in Michigan). In 2007, 7 affected herds were detected; 2 each in Minnesota and Michigan, and 1 each in New Mexico, Oklahoma, and Colorado. One California dairy and 4 Minnesota beef herds have been detected in 2008.

**Colorado:** One affected herd was detected in 2007 after an infected rodeo bull was found during routine slaughter surveillance in Texas. This herd was depopulated.

**Michigan:** One small dairy and a captive cervid ranch were detected and depopulated in 2007. Seven affected herds were detected and depopulated in 2006 (5 beef and 2 dairy); 2 of these herds were outside the endemic zone and 1 herd was a re-infection. A test-and-removal plan continues on 2 dairies detected in 2004. Since 1995, 525 infected whitetail deer have been detected from over 145,000 examined. Michigan has three TB zones: Free, Modified Accredited Advanced (MAA) and Modified Accredited (MA).

**Minnesota:** Eleven affected beef herds have been detected from 2005–2008: 3 in 2005, 2 in 2006, 2 in 2007, and 4 in 2008. All affected herds detected before 2008 have been depopulated. Seventeen cases of bovine TB have been confirmed in Minnesota whitetail deer. Minnesota is classified as MAA, but their status will likely be downgraded to MA with the finding of the eleventh herd.

**New Mexico:** One large affected dairy herd was detected and depopulated in 2007; over 300 traces out of this dairy were investigated. One affected dairy herd detected in 2003 remains under a test-and-removal plan. New Mexico has split-state status (Free and MAA).

**Oklahoma:** One beef herd was detected by slaughter surveillance and was depopulated in 2007.

**Texas:** No new affected herds were found in 2007. The last known infected herd was depopulated in September 2004 and Texas was declared TB free in September 2006.

CDFA Animal Health Branch Offices	
Sacramento (HQ)	916-654-1447
Modesto	209-491-9350
Ontario	909-947-4462
Redding	530-225-2140
Tulare	559-685-3500
<b>USDA/APHIS/VS</b>	916-854-3900 or 877-741-3690
<a href="http://www.cdfa.ca.gov">http://www.cdfa.ca.gov</a> or <a href="http://www.aphis.usda.gov">http://www.aphis.usda.gov</a>	

\* All references to years refer to the Federal TB Fiscal Year: October 1 – September 30. We are now in FY08, which goes from 10/1/07 to 9/30/08.

## U.S. Achieves Cattle Brucellosis Class Free Status

The U.S. Department of Agriculture announced that for the first time in the 74-year history of the brucellosis program, all 50 states, Puerto Rico and the Virgin Islands have simultaneously achieved Class Free status. Texas is the last and final state to be declared brucellosis free.

Brucellosis is a bacterial disease that causes decreased milk production, weight loss, infertility, loss of young and lameness in cattle, elk and bison. The disease is contagious and can, though rarely, affect humans. There is no known treatment for brucellosis, and depopulation of infected and exposed animals is the only effective means of disease containment and eradication.

Class Free status is based on a state finding no known brucellosis in cattle for the 12 months preceding designation as Class Free. A state's Class Free status, however, can change. If brucellosis is found in more than one herd of cattle in a brucellosis free state within a two-year period, the state is downgraded to Class A status.

The presence of brucellosis in free-ranging bison and elk in Yellowstone National Park and Grand Teton National Park still threatens the brucellosis status of surrounding states. In May 2007, Montana discovered brucellosis in a herd of cattle, potentially jeopardizing its free status.

The classifications for brucellosis are as follows: Class Free, Class A, Class B and Class C. Restrictions on the interstate movement of cattle become less stringent as a state approaches or achieves Class Free status. The Class C designation is for states or areas with the highest rate of brucellosis. States or areas that do not meet the minimum standards for Class C are required to be placed under federal quarantine. 

## Milk-Feed Ratio Decline Continues

In January, USDA announced that the milk-feed ratio fell 0.3 points to 2.55. However, it is still slightly higher than a year ago when the ratio was 2.45.

The USDA used an all-milk price of \$20.70 to calculate the January ratio. That is 80 cents less than December, but \$6.20 higher than a year ago when it was \$14.50.

On the feed side, prices were mostly higher than December. The corn price used to calculate the ratio increased to \$4.28 per bushel. That is 52 cents more than December and \$1.23 higher than a year ago when it was \$3.05. Soybeans again broke the \$10 mark — pushing \$1 past it to \$11 per bushel. That is \$4.63 more than a year ago. Meanwhile, baled alfalfa hay decreased in price. The hay price used to calculate the January ratio fell \$1 to \$135 per ton. That also is \$23 per ton higher than a year ago.

The milk-feed ratio represents the pounds of 16-percent mixed dairy feed equal in value to 1 pound of whole milk. The price of commercial prepared dairy feed is based on current U.S. prices received for corn, soybeans and alfalfa. The model used to determine the ratio uses 51 percent corn, 8 percent soybeans and 41 percent alfalfa.

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

## World Ag Expo Draws Record Crowd

Sunny skies and moderate temperatures in the upper helped draw large crowds to the 2008 World Ag Expo. Although no official attendance figures are available, reports have hinted at the attendance setting a possible record. For the first time, traffic was diverted away from the Expo grounds because all of the available parking spaces (on 65 acres of parking ground) were filled. Cars that were turned away were directed instead to a location in the city of Tulare where “park-and-ride” service was available. 

## Inhumane Treatment Allegations At California Slaughterhouse

A STATEMENT BY CDFA SECRETARY  
A.G. KAWAMURA ON INHUMANE TREATMENT  
ALLEGATIONS AGAINST CALIFORNIA  
SLAUGHTERHOUSE

“The allegations of inhumane handling against a California meat packing plant are deeply disturbing and warrant strict and prompt corrective actions by the federal government upon confirmation through investigation. I am fully supportive of the actions taken by Secretary Schafer and the USDA to move quickly to address this issue and to rapidly conduct and complete such an investigation. State and federal law clearly prohibit the inhumane handling of all farm animals. The serious allegations that involve ‘downer’ animals are of great concern as there has been significant work to assure the nation that these animals are kept from entering the food supply. California and CDFA have a long history promoting the proper care and handling of all farm animals. We will continue to be passionate advocates for that cause.” 

## New Zealand Drought Update

New Zealand is facing a La Nina drought hitting all agricultural production, including the dairy producing regions. Fonterra -- the world’s biggest exporter of dairy products -- is warning that the drought was not only eroding New Zealand’s milk production but might restrict new export orders.

The record dry summer over much of the country means season-to-date milk production is now falling below last year. Farmers in dry regions were facing challenges in terms of lost cash flows and also in managing their farms with very little feed available. In many parts of the country, January rainfalls were the lowest or second lowest on record, temperatures have been hotter than usual and soil moisture levels are falling.

The lack of feed was causing sheep farmers to sell stock early and dairy farmers were recording lower production as many were forced to dry-off their milking herds.

A combination of low rainfall, near record high temperatures, extremely dry soils and falling river levels prompted what is reported to be the region’s first drought declaration.

Even if rain fell it was unlikely to put enough moisture into the soil to boost pasture growth to normal levels. 

## Secretary of Agriculture Ed Schafer Regarding Hallmark/ Westland Meat Packing Company

USDA’s Food Safety and Inspection Service (FSIS) has evidence that Hallmark/Westland did not consistently contact the FSIS public health veterinarian in situations in which cattle became non-ambulatory after passing ante-mortem inspection, which is not compliant with FSIS regulations. Because the cattle did not receive complete and proper inspection FSIS has determined them to be unfit for human food and the company is conducting a recall.

The United States enjoys one of the safest food supplies in the world. To help ensure the safety of the food supply, we implement a series of safeguards to protect against foodborne disease. These safeguards include in-plant procedures to reduce dangerous foodborne pathogens such as E. coli O157:H7 and Salmonella. It also includes the removal of specified risk materials-those tissues demonstrated to contain the bovine spongiform encephalopathy agent in infected cattle-from the human food chain, along with the U.S. Food and Drug Administration’s 1997 ruminant to ruminant feed ban. The prohibition of non-ambulatory cattle from the food supply is an additional safeguard against bovine spongiform encephalopathy.

Upon notification of possible violations of USDA regulations, we immediately began an investigation and placed products from this plant destined for the National School Lunch Program, the Emergency Food Assistance Program and the Food Distribution Program on Indian Reservations on hold. Since then, we also suspended all Federal food and nutrition program contracts with Hallmark/Westland Meat Packing Company. To date, Hallmark/Westland Meat Packing Company remains suspended by the Food Safety and Inspection Service. The products destined for the Federal food assistance programs, including the National School Lunch Program, will now be removed from schools and other holding facilities and destroyed.

I am dismayed at the in-humane handling of cattle that has resulted in the violation of food safety regulations at the Hallmark/Westland Meat Packing Company. It is extremely unlikely that these animals were at risk for BSE because of the multiple safeguards; however, this action is necessary because plant procedures violated USDA regulations. In addition, our Office of the Inspector General and the Food Safety and Inspection Service continue the investigation. We will respond immediately if further findings warrant. Details about this recall and USDA actions are available at [www.usda.gov/actions](http://www.usda.gov/actions) . “ 

## New Cheese Plant Approved for Central Valley

Blue Ribbon Cheese Company LLC of Bakersfield has received approval from the Fresno County Planning Commission for construction of a state-of-the-art cheese plant in western Fresno County. Blue Ribbon Cheese president, David Albers, reports that the \$300 million facility is expected to begin operations in 2010 and employ 300 local residents.

The approval clears the way for construction to begin later this year on the 435,000 square-foot plant where the cheese plant will produce a variety of American and Italian style cheeses including cheddar, jack, mozzarella and provolone. Production is expected to include 6.8 million pounds of milk daily.

Blue Ribbon customers will include international pizza chains, franchise restaurants and institutional food service companies, the company says.

Mr. Albers, a third-generation dairyman who owns and operates Vintage Dairy, says the plant's operations will provide indirect support for another 300 jobs among its network of service vendors and suppliers.

Blue Ribbon Cheese Company is a subsidiary of American Dairy Parks. In addition to Blue Ribbon and Vintage Dairy, ADP includes BioEnergy Solutions, a Bakersfield company whose first-in-the-state biogas injection project is expected to begin production of renewable natural gas for Pacific Gas and Electric Company in early March. 

## Last Oahu Dairy Closing

O'ahu's last dairy shut down in mid-February, which will make the island's 910,000 residents entirely dependent on imported milk. The closing of Pacific Dairy in Wai'anae Valley will leave Hawaii with just two Big Island dairies, which produce milk almost exclusively for that island.

As recently as 1980, Hawaii had two dozen dairies and was totally self-sufficient in milk. The shuttering of local dairies makes Hawaii more dependent on the Mainland and more vulnerable in an emergency, said Chin Lee, a dairy extension specialist at the University of Hawaii. "The bottom line is in the event that we have any kind of disruption of any kind of transportation, there will be no local supply to tide us over until the issue is resolved."

Although Hawaii's \$500 million farm sector remains relatively small compared to the \$11 billion tourism industry, agriculture plays an important role in diversifying the state economy, preserving greenbelt lands and reducing the Islands' dependence on imported food.

The decline in Hawaii's dairy sector and livestock industry in general comes amid rising feed, shipping and land costs, urban encroachment, environmental regulations and stagnant sales. 

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## Bovine Tuberculosis Detected at Fresno County Dairy

A detection of Bovine Tuberculosis (TB) has occurred at a dairy in Fresno County. State and federal animal health officials are working closely with the dairy farmer and his veterinarians to implement control strategies to eradicate the disease.

The diagnosis of TB was made after a cow with suspicious lesions was found during routine slaughter inspection. CDFA and USDA veterinarians completed tests on some herds that may have been exposed based on animal tracing records and determined that, to date, TB is present in just one herd. The tracing of related animal movement will continue, as will TB testing.

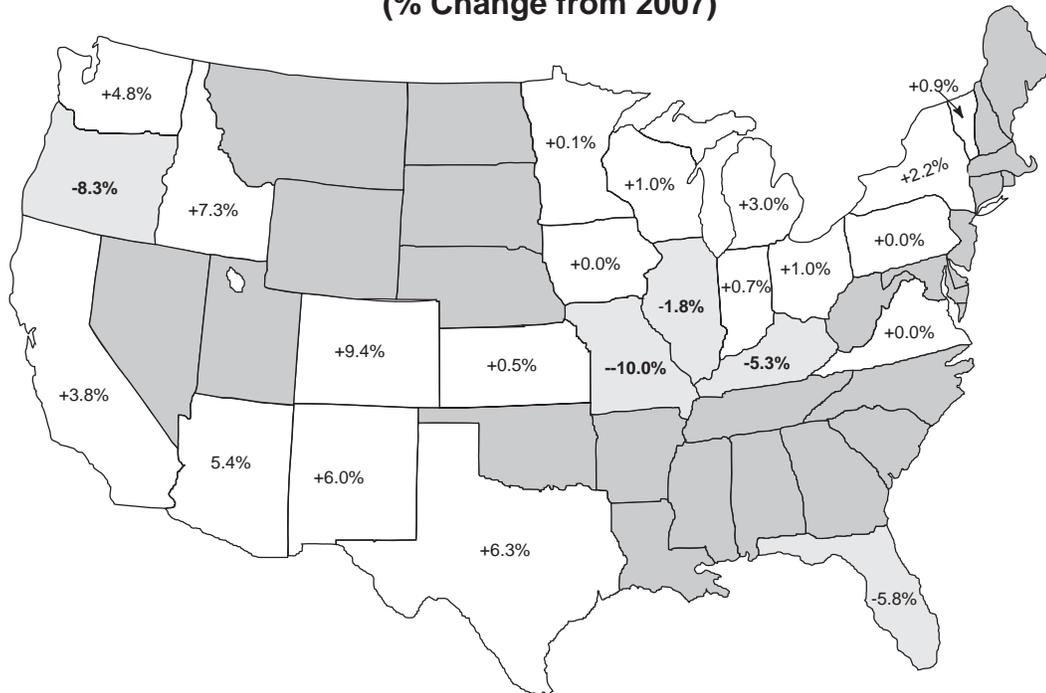
Bovine Tuberculosis does not threaten the quality and safety of milk and meat products in California. Almost all milk sold in California is pasteurized, which destroys

organisms that could be harmful to humans, including TB organisms. The state's two raw milk dairies are regularly tested for TB. All cattle processed for meat are inspected for signs of TB infection and rejected for consumption if they show signs of the disease.

Tuberculosis is a chronic, slow-spreading disease that can remain undetected for years. Infected animals, even those that appear healthy, can spread infection to other animals. The state of California has been involved in TB eradication programs since 1917. The last known case of Bovine TB in California was in 2003.

The best way for farmers and ranchers to prevent bovine tuberculosis is to follow animal import regulations, require TB testing of new cattle before purchase, maintain permanent identification of animals, keep records of animal movements into and out of their herd, prevent contact of breeding cattle with cattle of unknown origin, and cooperate with government officials on TB investigations. 

## January Milk Production in the Top 23 States (% Change from 2007)



For the U.S. overall, comparing January 2008 to January 2007:

- U.S. Milk production during January was up 1.9%
- The number of cows on farms was 9.232 million head, up 100,000 head
- Production per cow averaged 1,723 pounds, 15 pounds more than January 2007
- Five 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 <sup>1/</sup> 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>										
<b>1st Quarter</b>										
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
<b>2nd Quarter</b>										
Total Costs	14.22	16.23	12.36	13.41	12.47	13.51	11.99	13.00	12.43	13.49
Total Costs & Allowances*	15.76	18.15	13.88	15.13	14.00	15.29	13.31	14.53	13.94	15.25
<b>3rd Quarter</b>										
Total Costs	14.62	17.12	12.58	13.62	12.73	14.20	12.56	13.76	12.71	14.01
Total Costs & Allowances*	16.14	19.24	14.10	15.51	14.33	16.24	13.90	15.52	14.26	15.98
<b>4th Quarter</b>										
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
June '06	\$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
August	\$21.74	\$20.04
September	\$21.69	\$19.99
October	\$21.16	\$19.46
November	\$21.93	\$20.23
December	\$20.79	\$19.09
January '08	\$19.14	\$17.44

# Milk Mailbox Prices

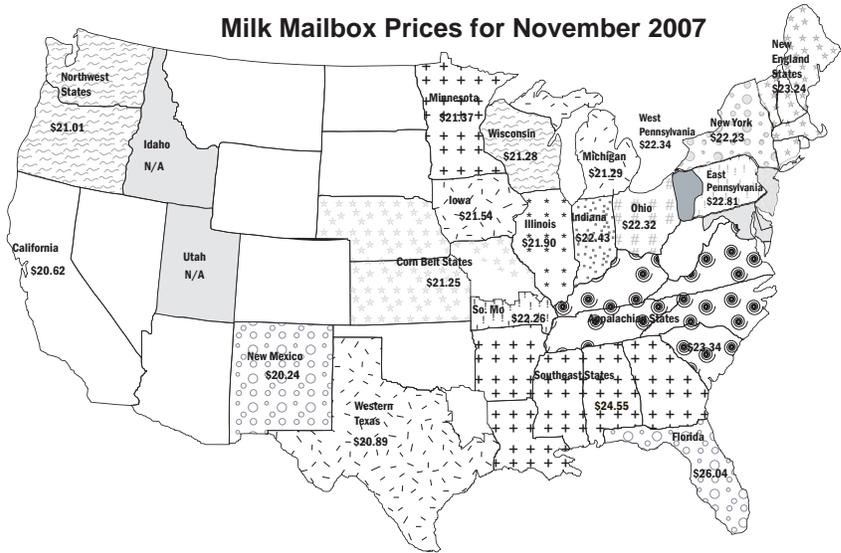
## Milk Mailbox Prices in Dollars per Hundredweight

	May	June	July	August	September	October	November
California <sup>1</sup>	\$16.77	\$19.12	\$19.98	\$20.06	\$20.19	\$19.94	\$20.62
USDA <sup>2</sup>	\$17.78	\$19.80	\$21.49	\$21.47	\$21.78	\$21.39	\$21.81

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

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

## Milk Mailbox Prices for November 2007



In November 2007, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$21.81 per cwt., up \$0.42 from the previous month. The component tests of producer milk in November 2007 were: butterfat: 3.79%; protein, 3.17%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas, and ranged from \$26.04 in Florida to \$20.24 in New Mexico. In November 2006, the Federal milk order all-area average mailbox price was \$14.00, \$7.81 lower.

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

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

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