

California

Dairy Review

A publication serving the California dairy industry for over 12 years

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Dairies Launch Statewide Animal Care Initiative

A coalition of dairy groups has launched a statewide program to promote and verify responsible animal care on California's family dairy farms. Known as the National Dairy FARM (Farmers Assuring Responsible Management™) Program, it is designed to assist farmers in demonstrating their ethical treatment of dairy livestock animals and create consistency of dairy animal care practices across the country.

"Responsible care and treatment of animals is a core value for our dairy families, and we know it's important to dairy consumers," said William C. Van Dam, chairman of the statewide Dairy Cares coalition. "This new program is a major step forward for our state, in that it provides a credible, verifiable way for dairy farmers to demonstrate to consumers that these core values are carried out in our daily management practices."

Continued on Page 5

PLEASE NOTE:

The California Dairy Review is a publication designed for California dairy producers in order to provide information and data relevant to California milk production. The interest and popularity of this publication has increased the monthly mailings to well over the 1,750 California producers. The increasing cost of paper, printing and mail service for this monthly publication is financed by the monthly assessments that California dairy farmers and dairy processors pay. In an effort to reduce these costs to publish & mail this information, effective July 1, 2010, we will make the information available to the public only via the Branch's website at: http://www.cdfa.ca.gov/dairy/ca_dairyrev_newsletter.html

We will continue to mail a hard copy to the California producers and California processors whom still prefer and absolutely need a hard copy of the California Dairy Review. We ask that you simply contact us by phone (916 341- 5988), email (dairy@cdfa.ca.gov), or mail (1220 N Street, Sacramento, CA 95814) and let us know of your desire for the hard copy. Prior to making this request, we ask that you carefully consider your need for a hard copy and the fact that everyone will be able to access the information via our website. *If you would like an email notice of when the newsletter is posted to the website, please let us know.*

We appreciate your assistance in helping us provide the information in the most cost effective manner possible. If you have any questions regarding this change please contact Karen, Lu, or Dickson at (916) 341-5988.

Minimum Class Prices

California Hundredweight Prices

| Class | February | March | April |
|--------------|----------|---------|---------|
| 1 No. Calif. | \$16.46 | \$16.44 | \$14.37 |
| So. Calif. | \$16.74 | \$16.71 | \$14.64 |
| 2 No. Calif. | \$14.88 | \$14.88 | N/A |
| So. Calif. | \$15.12 | \$15.12 | N/A |
| 3 | \$14.83 | \$14.83 | N/A |
| 4a | \$12.84 | N/A | N/A |
| 4b | \$12.95 | N/A | N/A |

Federal Order and California Minimum Class 1 Prices

Hundredweight Prices

| Regions | February | March | April |
|---------------------|----------|---------|---------|
| Phoenix, Arizona | \$17.19 | \$16.69 | \$15.57 |
| Southern California | \$16.74 | \$16.71 | \$14.64 |
| Portland, Oregon | \$16.74 | \$16.24 | \$15.12 |
| Northern California | \$16.46 | \$16.44 | \$14.37 |
| Boston (Northeast) | \$18.09 | \$17.59 | \$16.47 |

Quota Transfer Summary

| Quota Transfers | Jan. | Feb. | Mar. |
|--------------------------------------|-------|-------|-------|
| Number of Sellers | 4 | 1 | 1 |
| Pounds of SNF Quota Transferred | 2,907 | 150 | 291 |
| Average Price Per Pound of SNF Quota | \$378 | \$400 | \$400 |

Weekly Average Commodity Prices

| Week Ending | Chicago Mercantile Exchange | | California Manufacturing Plants | Dairy Market News |
|--------------------------|-----------------------------|----------------------|---------------------------------|-------------------|
| | Grade AA Butter | Block Cheddar Cheese | Nonfat Dry Milk | Western Dry Whey |
| <i>Dollars per Pound</i> | | | | |
| 2/5 | \$1.3310 | \$1.4990 | \$1.1088 | \$0.4050 |
| 2/12 | \$1.3420 | \$1.4990 | \$1.1045 | \$0.4050 |
| 2/19 | \$1.3513 | \$1.4413 | \$1.0247 | \$0.4050 |
| 2/26 | \$1.3990 | \$1.3960 | \$1.0209 | \$0.4050 |
| 3/5 | \$1.4335 | \$1.3205 | \$1.0170 | \$0.4038 |
| 3/12 | \$1.4710 | \$1.2745 | \$1.0196 | \$0.4038 |
| 3/19 | \$1.4560 | \$1.2680 | N/A | \$0.4038 |

Dairy Cow Culling Activity (Weekly)

| Week Ending | Region 9 ¹ Dairy Cows | U.S. Dairy Cows | West Region ² Price Range |
|-------------|----------------------------------|-----------------|--------------------------------------|
| | <i>Head</i> | | <i>\$/cwt.</i> |
| 01/22/10 | 18,600 | 22,500 | \$41-\$44 |
| 01/29/10 | 18,100 | 22,200 | \$38-\$46 |
| 02/05/10 | 17,600 | 20,400 | \$40-\$48 |
| 02/12/10 | 16,900 | 19,000 | \$44-\$52 |
| 02/19/10 | 18,500 | 20,800 | \$39-\$49 |
| 02/26/10 | 17,400 | 19,900 | \$50-\$52 |
| 03/05/10 | 18,700 | 21,100 | \$46-\$54 |
| 03/12/10 | 18,300 | 58,800 | \$47-\$54 |

¹ Region 9 includes AZ, CA, HI and NV

² West region includes AZ, NV, UT, CA, ID, OR and WA

Source: USDA Market News: Report LM_CT168 and ML_LS795

February Milk Production in the Top 23 States

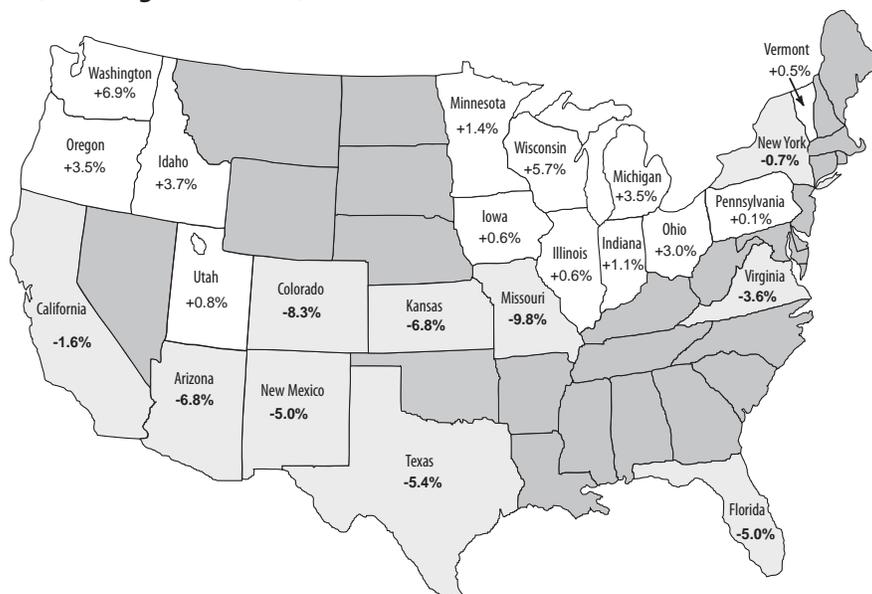
(% Change from 2009)

February Milk Production

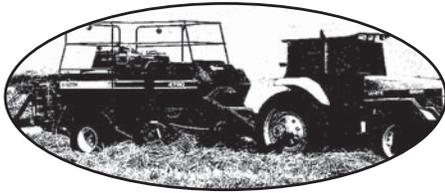
USDA estimates U.S. milk production for February 2010 in the top 23 milk producing states at 13.6 billion pounds, up 0.1 percent from February 2009. Production per cow in the top 23 milk producing states averaged 1,640 pounds for February, 35 pounds above February 2009.

For the U.S. overall, comparing February 2010 to February 2009:

- The number of cows on farms was 9.088 million head, down 201,000 head
- Production per cow averaged 1,625 pounds, 37 pounds more than February 2009
- Ten of the top twenty-three milk producing states showed a decrease in milk production



Premium Alfalfa Hay Prices / Alfalfa Sales - Reported Weekly



Alfalfa Hay Update

Northern California: Premium and Supreme Alfalfa were steady with good demand and light supplies. Retail and stable hay sales remained steady. Producers took advantage of nice weather to lay down new hay crop.

Southern California: Premium and Supreme Alfalfa demand was good and supplies moderate. Retail and stable hay sales remained steady. It has been ideal weather to finish baling the rained-on hay and to start laying more hay down.

Premium Alfalfa Hay Statewide Average Prices Per Ton / Total Tons Sold or Delivered

| Area | Feb. 26 | Mar. 5 | Mar. 12 | Mar. 19 | Monthly Low/High |
|-----------------------------------|-----------|-----------|-----------|-----------|------------------|
| Petaluma | N/A | N/A | N/A | \$185 | \$185 |
| North Valley | \$160-180 | \$160-170 | \$165-170 | \$170-175 | \$160-180 |
| South Valley ² | N/A | \$170 | \$180 | \$165 | \$165-180 |
| Chino Valley | N/A | N/A | N/A | N/A | N/A |
| Tons Sold³ | 10,585 | 22,265 | 13,765 | 18,796 | |
| Tons Delivered⁴ | 11,850 | 9,675 | 8,955 | 12,075 | |

¹ North Valley is Escalon, Modesto and Turlock areas.

² South Valley is Tulare, Visalia and Hanford areas.

³ For current or future delivery.

⁴ Contracted or current sales.

Definition of premium Alfalfa Hay: Early maturity, i.e., pre-bloom in legumes and pre head in grass hays, extra leafy and fine stemmed-factors indicative of a high nutritive content. Hay is green and free of damage.

Source: USDA Market News, Moses Lake, Washington, (509) 765-3611, www.ams.usda.gov/LSMarketNews

California Average Feed Commodity Spot Prices Delivered to the Dairy, In Dollars Per Ton, 2010

| Feed Commodity | Tulare/Pixley | | North Valley | | Los Banos/Chowchilla | |
|-------------------------|---------------|----------|--------------|----------|----------------------|----------|
| | 1/26-2/23 | 3/2-3/23 | 1/5-1/19 | 3/2-3/23 | 1/5-1/19 | 3/2-3/23 |
| Almond Hulls | \$125.20 | \$123.40 | \$120.40 | \$118.40 | \$122.40 | \$120.40 |
| Canola | \$268.00 | \$255.40 | \$268.00 | \$255.40 | \$270.00 | \$257.40 |
| Distillers Dried Grains | \$172.60 | \$163.60 | \$174.20 | \$165.20 | \$177.20 | \$168.20 |
| Rolled Corn | \$179.60 | \$180.60 | \$188.60 | \$189.60 | \$184.60 | \$185.60 |
| Soybean Meal | \$349.60 | \$331.00 | \$349.60 | \$331.00 | \$351.60 | \$333.00 |
| Whole Cottonseed | \$294.20 | \$285.20 | \$294.20 | \$286.20 | \$296.20 | \$287.00 |

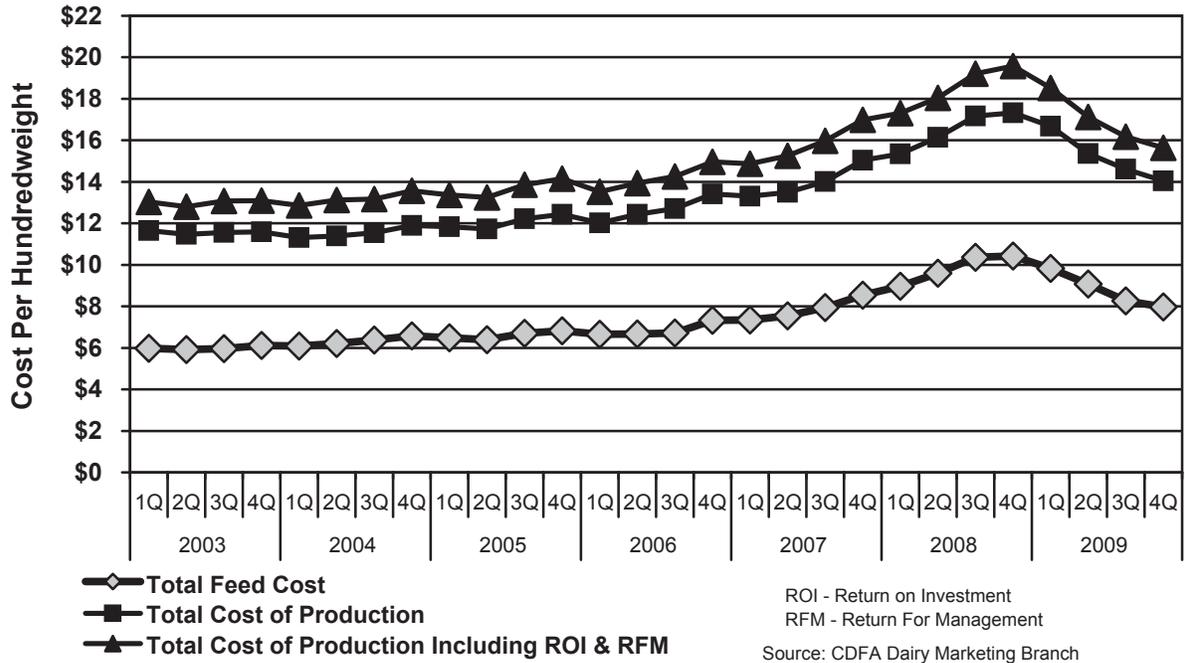
Milk Production Cost Comparison Summary for California* By Quarter, 2008-2009

| Quarter | North Coast | | North Valley | | South Valley | | Southern California | | Statewide Weighted Average | |
|----------------------------------|-------------|-------|--------------|-------|--------------|-------|---------------------|-------|----------------------------|-------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| <i>Dollars per Hundredweight</i> | | | | | | | | | | |
| 1st Quarter | | | | | | | | | | |
| Total Costs | 19.74 | 22.38 | 15.14 | 16.63 | 15.31 | 16.63 | 15.44 | 15.35 | 15.34 | 16.67 |
| Total Costs & Allowances* | 21.97 | 24.77 | 16.98 | 18.23 | 17.17 | 18.58 | 17.07 | 17.29 | 17.31 | 18.51 |
| 2nd Quarter | | | | | | | | | | |
| Total Costs | 18.49 | 18.30 | 15.86 | 15.30 | 16.26 | 15.46 | 16.06 | 14.06 | 16.14 | 15.37 |
| Total Costs & Allowances* | 20.62 | 20.34 | 17.76 | 17.08 | 18.16 | 17.22 | 17.69 | 15.54 | 18.04 | 17.12 |
| 3rd Quarter | | | | | | | | | | |
| Total Costs | 20.52 | 17.35 | 16.68 | 14.47 | 17.38 | 14.68 | 17.13 | 13.85 | 17.17 | 14.62 |
| Total Costs & Allowances* | 22.74 | 19.08 | 18.67 | 16.01 | 19.46 | 16.26 | 18.93 | 15.21 | 19.21 | 16.17 |
| 4th Quarter | | | | | | | | | | |
| Total Costs | 22.08 | 18.23 | 17.08 | 14.09 | 17.39 | 13.91 | 16.62 | 13.46 | 17.33 | 14.05 |
| Total Costs & Allowances* | 24.71 | 20.11 | 19.32 | 15.68 | 19.65 | 15.50 | 18.56 | 14.89 | 19.58 | 15.63 |

* Includes an allowance for management and a return on investment

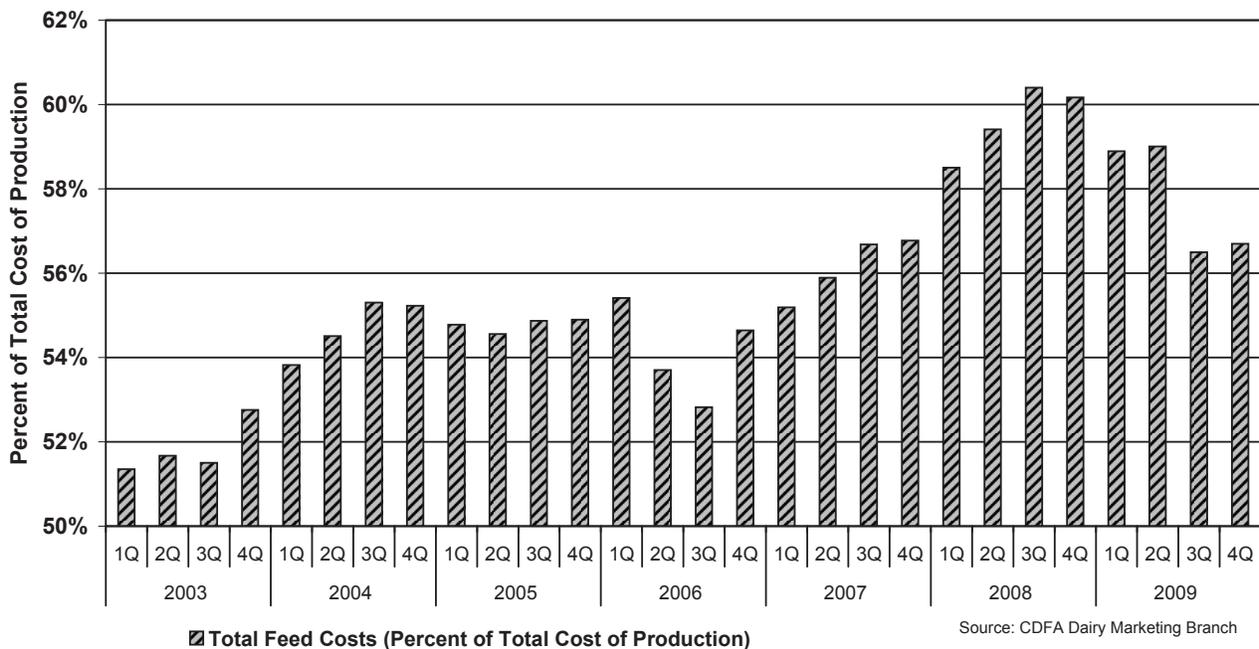
California Cost of Production, Total Feed Cost, by Quarter

Based on California Production Cost Survey, January 2003 through December 2009



Total Feed Costs (Percent of Total Cost of Production)

Based on California Production Cost Survey, January 2003 through December 2009



USDA Milk-Feed Price Ratio

USDA reports that the milk-feed ratio for February was 2.38. The current ratio of 2.38 means that a dairy producer can buy 2.38 pounds of feed for every pound of milk sold. Whenever the ratio meets or exceeds 3.0, it is considered profitable to buy feed and produce milk.

Compared to January 2010: the corn price used to calculate the ratio in February was \$3.45 per bushel; the price of baled alfalfa hay was \$111 per ton; soybeans fell \$0.39 per bushel to \$9.40.

The all-milk price used to calculate the ratio was \$15.90 per hundredweight, down from \$16.10 in January 2010.

Two Californians Appointed to Board by Secretary Vilsack

Agriculture Secretary Tom Vilsack announced the appointment of 12 members to the National Dairy Promotion and Research Board (Board). All appointees will serve 3-year terms beginning immediately.

The 36-member board is authorized by the Dairy Production Stabilization Act of 1983 with oversight by USDA's Agricultural Marketing Service. Selections were made from nominations submitted by eligible producer organizations, general farm organizations, and qualified State or regional dairy products promotion, research or nutrition education programs. The board's goal is to strengthen the position of dairy in the marketplace and to maintain and expand domestic and foreign markets and uses for dairy and dairy products. The mandatory program is funded at the rate of 15 cents per hundredweight of milk produced in the 48 contiguous States and marketed commercially.

California (Region 2) appointees are Ray S. Prock and Arlene J. Vander Eyk. Appointees from other regions: George E. Marsh, Oregon (Region 1); Brian W. Esplin, Idaho (Region 3); Neil A. Hoff, Texas (Region 4); Paul A. Fritsche, Minnesota (Region 5); Patricia M. Boettcher, Wisconsin (Region 6); Mark E. Erdman, Illinois (Region 7); Susan D. K. Troyer, Indiana (Region 9); and Ronald R. McCormick, New York (Region 12).

Animal Care Initiative - Continued from Page 1

Developed by the nation's leading animal scientists, veterinarians and dairy industry experts, the National Dairy FARM Program contains a comprehensive set of animal care best management practices. California dairy farmers are among the first in the nation to adopt the effort. California dairy products are marketed nationally and internationally, and California dairy farmers recognize the importance of participating in a nationwide program to ensure national uniformity for customers and consumers.

Dairy Cares will promote Dairy FARM throughout California using a five-point strategy, which includes:

- 1 – Adoption of the National Dairy FARM animal care best practice standards;
- 2 – Orientation of dairy farmers to National Dairy FARM standards through workshops and educational materials from the University of California and California Dairy Quality Assurance Program;
- 3 – On-farm evaluation of each dairy farm to assess compliance and provide a benchmark to measure improvement;
- 4 – Producer support and assistance to continuously improve animal care practices; and
- 5 – Independent third-party verification to demonstrate program integrity and credibility.

“Dairy farmers are passionate about the care they provide to their animals. The National Dairy FARM Program takes that passion and quantifies it to tell the story of dairy animal care,” said Jamie Jonker, vice president of scientific and regulatory affairs at National Milk Producers Federation.

With the new National Dairy FARM standards already in place, Dairy Cares is moving forward with initial outreach and education classes. Workshops will review critical issues in animal welfare and prepare dairy farmers for an upcoming on-farm evaluation, which are expected to begin later this year. As the program matures, post-evaluation support and assistance will occur later this year with third-party verifications slated to begin in 2011. The program will continue into the future with follow-up evaluations on a routine basis.

When Is the Next CWT Herd Retirement

Jerry Kozak, chief executive officer for the National Milk Producers Federation (NMPF), recently noted that NMPF can't pinpoint a specific time period to announce a herd-retirement program, but it is reviewed on a monthly basis.

It was noted by Kozak that currently NMPF is paying back the line of credit that was taken out to perform the three herd-retirement programs in 2009. The herd-retirement of late 2008, plus the three herd-retirements in 2009 removed more than 250,000 cows from the nation's dairy herd. He also indicated that the line of credit should be paid in full by the end of March 2010. At that point, funds can accumulate again. Kozak said, "If we do not spend any money between now and the end of the year, we should accumulate \$80 million."

Canada Confirms Case of BSE

Canada has confirmed another case of bovine spongiform encephalopathy (BSE) in a 72-month-old beef cow in Alberta. This latest confirmed case may delay Canada's efforts to get its disease status for BSE upgraded with the World Organization for Animal Health (OIE). A country cannot apply to upgrade to negligible status sooner than 11 years after the latest-born case of BSE, according to Reuters. Canadian Beef Export Federation head Ted Haney says this will push the Canadian effort back to 2016.



Corn Acres Robust for 2010

Excerpts from AgWeb Report

Corn, soybeans and cotton could all be on the upswing for acreage production in 2010. A survey of 500 Top producers and AgWeb readers indicated that corn acres could jump as much as 3 percent to nearly 89 million acres. It was reported that soybeans and cotton could also make a significant increase in production. According to Jerry Gulke, president of the Gulke Group, the factors contributing to this increase in production acreage is the expiration and nonrenewal of 1.8 million acres of Conservation Reserve Program ground, which will likely go mostly to soybeans for the first year, then maybe to corn plantings. "There are 6 million fewer winter wheat acres planted this year compared to last year," Gulke says. "Across Texas, Oklahoma and Kansas, it was wet this past fall and a lot of acres didn't get planted to wheat. You can grow corn in those areas, and they are all in a corn deficit."

Cotton acres should again top 10 million, according to the survey. The recent rebound in cotton prices and the relatively lower price for corn and soybeans will cause producers to come back to the crop. "Gins are sitting idle in the South, and people want to see them being used," Gulke says.

National Dairy Situation and Outlook – USDA Estimates

Milk Production

Monthly: Compared to 2009, USDA estimates overall milk production across the U.S. was up by 0.1% in February 2010. USDA reports that California milk production was down 1.6% (on 65,000 less cows and 35 more pounds per cow), compared to February 2009. Among other western states, Arizona was down 6.8%; New Mexico was down 5.0%; and Washington was up 6.9%. Six of the top 10 states reported a production increase. The largest increase was reported by Washington at 6.9% growth in milk production (on 6,000 more cows and 75 more pounds per cow).

Quarterly: For the fourth quarter of 2009 compared to the third quarter of 2009, U.S. milk cow numbers dropped to 9.090 million, milk production per cow decreased to 5,090 pounds; the net effect was decreased milk production to 46.3 billion pounds. USDA projects that for the first quarter of 2010 compared to the fourth quarter of 2009, U.S. milk cow numbers will decrease to 9.075 million cows, production per cow will increase to 5,200 pounds; the net effect would be increased milk production to 47.2 billion pounds.

Milk Prices

Comparing the fourth quarter of 2009 to the third quarter of 2009, U.S. average milk prices increased to \$15.33/cwt. USDA projects that for the first quarter of 2010, U.S. average all-milk prices will be \$15.60-15.80/cwt.; Class 4b prices will be \$13.83-14.03/cwt.; and Class 4a prices will be \$13.17-13.47/cwt.

Utility Cow Prices

Comparing the fourth quarter of 2009 to the third quarter of 2009, average U.S. utility cow prices were down \$3.08/cwt. to a national average of \$44.43/cwt. USDA projects that utility cow prices will average \$51-52/cwt. in the first quarter of 2010.

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

CWT Export Assistance Program Active Again

Cooperatives Working Together (CWT) is reactivating its Export Assistance program in an effort to boost sales of U.S.-made Cheddar cheese.

The CWT Export Assistance Program (not used since 2008) assists member cooperatives with exporting eligible dairy products and establishing overseas markets for their members' milk. The focus in the short-term will be on Cheddar cheese, as this will have the most impact on farm-level milk prices.

"After conducting a thorough economic analysis, it was clear that implementing the Export Assistance program and focusing on Cheddar cheese could provide the most immediate positive signal to address continuing low producer milk prices," said Jerry Kozak, President and CEO of the National Milk Producers Federation, which manages CWT. "Given the smaller spread between U.S. and global cheese prices, and given the sizeable inventories of cheese that are hampering a recovery in milk prices, using CWT's export program will be expedient and effective."

The program has previously exported 186 million pounds of dairy products to 55 countries, and will provide additional incentives for sales to the target markets of Japan, Algeria, Egypt, Saudi Arabia and Australia. CWT believes these are prime markets for sales of significant quantities of Cheddar cheese, although it will consider bids for sales to other markets as well.

CWT member bids for assistance in exporting Cheddar cheese must be submitted no later than noon Wednesday of each week. The bids will be evaluated and bidders will be advised by the close of business Thursday if their bid has been accepted or the bid level CWT is willing to accept.

Pool Prices

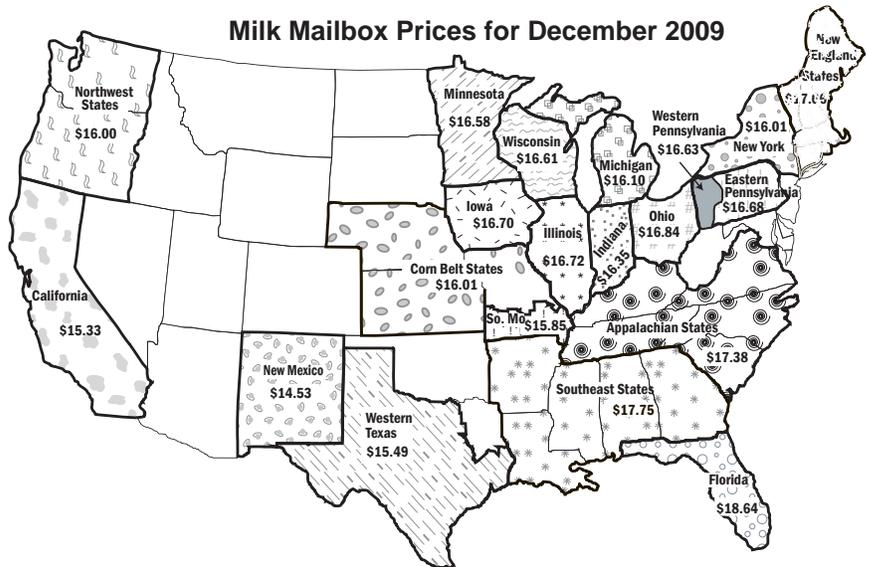
| Month | Quota | Overbase |
|---------------|---------|----------|
| September '08 | \$17.92 | \$16.22 |
| October | \$17.14 | \$15.44 |
| November | \$15.97 | \$14.27 |
| December | \$14.11 | \$12.41 |
| January '09 | \$12.10 | \$10.40 |
| February | \$11.28 | \$ 9.58 |
| March | \$11.54 | \$ 9.84 |
| April | \$11.57 | \$ 9.87 |
| May | \$11.46 | \$ 9.76 |
| June | \$11.32 | \$ 9.62 |
| July | \$11.30 | \$ 9.60 |
| August | \$12.18 | \$10.48 |
| September | \$12.74 | \$11.04 |
| October | \$13.61 | \$11.91 |
| November | \$14.83 | \$13.13 |
| December | \$16.17 | \$14.47 |
| January '10 | \$15.18 | \$13.48 |
| February | \$14.81 | \$13.11 |

Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

| | June '09 | July | August | September | October | November | December |
|-------------------------|----------|---------|---------|-----------|---------|----------|----------|
| California ¹ | \$ 9.63 | \$ 9.60 | \$10.51 | \$11.20 | \$12.30 | \$13.78 | \$15.33 |
| USDA ² | \$11.27 | \$11.30 | \$12.04 | \$12.98 | \$14.29 | \$15.37 | \$16.37 |

¹ California mailbox price calculated by CDFA.
² All federal milk market order weighted average, as calculated by USDA.



In December 2009, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$16.37 per cwt., up \$1.00 from the previous month average, and up \$0.59 from December 2008. The component tests of producer milk in December 2009 were: butterfat, 3.77%; protein, 3.14%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas, and ranged from \$18.64 in Florida to \$14.53 in New Mexico.



Dairy Marketing Branch:
 Phone (916) 341-5988; Fax (916) 341-6697
 Website: www.cdfa.ca.gov/dairy
 Email: dairy@cdfa.ca.gov

Milk Pricing Information:
 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

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