

California

# Dairy Review

A publication serving the California dairy industry for over 12 years

Volume 14 Issue 6

June 2010

## In This Issue . . .

- 1 Foot and Mouth Disease Outbreaks
- 2 Milk Production, Prices, Quota Transfers
- 3 Premium Hay Prices - Weekly
- 3 California Average Commodity Spot Prices
- 3 Cost of Milk Production Summary
- 4 California Feed Costs vs. Production
- 5 USDA Milk Feed Price Ratio
- 5 CWT Continues to Export Cheese
- 5 Rabobank Looks at U.S. Dairy Market
- 6 U.S. Dairy Export Council Changes
- 6 Cow Feed Related to Ozone Levels
- 7 National Dairy Situation & Outlook
- 8 Pool and Mailbox Price

## Recent Foot and Mouth Disease Outbreaks Raise Awareness of Safety Concerns for California Dairies

Submitted by CDFA Animal Health and Food Safety Services

Two countries listed as free of Foot and Mouth Disease Virus (FMDV) by OIE, Korea and Japan, have recently experienced incursions. The first South Korean event effected cattle and started on January 2, 2010, (FMDV-serotype A). It was resolved by March 11, 2010. On April 8, 2010 a second incursion started in cattle on Ganghwa Island. Currently it has been detected on 11 farms in three provinces (FMDV-serotype O). Nearly 6,000 animals have been destroyed: swine, cattle and goats.

Japan's FMDV started in cattle on March 31, 2010 in Miyazaki Prefecture, Kyushu Island but was not confirmed to be FMDV until April 20, 2010. To date it has been

*Continued on Page 7*

### 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](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](mailto: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 or Lu at (916) 341-5988.

## Minimum Class Prices

### California Hundredweight Prices

Class	April	May	June
1 No. Calif.	\$14.37	\$15.37	\$15.68
So. Calif.	\$14.64	\$15.64	\$15.95
2 No. Calif.	\$13.16	\$13.16	N/A
So. Calif.	\$13.40	\$13.40	N/A
3	\$13.11	\$13.11	N/A
4a	\$13.49	N/A	N/A
4b	\$12.30	N/A	N/A

## Federal Order and California Minimum Class 1 Prices

### Hundredweight Prices

Regions	April	May	June
Phoenix, Arizona	\$15.57	\$16.15	\$17.63
Southern California	\$14.64	\$15.64	\$15.95
Portland, Oregon	\$15.12	\$15.70	\$17.18
Northern California	\$14.37	\$15.37	\$15.68
Boston (Northeast)	\$16.47	\$17.05	\$18.53

## Quota Transfer Summary

Quota Transfers	Mar.	Apr.	May
Number of Sellers	1	3	4
Pounds of SNF Quota Transferred	291	3,093	2,677
Average Price Per Pound of SNF Quota	\$400	\$415	\$408

## 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>				
4/9	\$1.4970	\$1.4875	\$1.0704	\$0.4000
4/16	\$1.5370	\$1.4295	\$1.1112	\$0.4000
4/23	\$1.5700	\$1.3705	\$1.0825	\$0.4000
4/30	\$1.5900	\$1.3830	\$1.1134	\$0.4000
5/7	\$1.6110	\$1.3830	\$1.0617	\$0.3963
5/14	\$1.6115	\$1.4160	\$1.0702	\$0.3963
5/21	\$1.5835	\$1.4805	N/A	\$0.3963

## Dairy Cow Culling Activity (Weekly)

Week Ending	Region 9 <sup>1</sup> Dairy Cows	U.S. Dairy Cows	West Region <sup>2</sup> Price Range
	<i>Head</i>		<i>\$/cwt.</i>
03/19/10	18,800	21,100	\$48-\$56
03/26/10	16,900	19,200	\$48-\$54
04/02/10	16,600	18,700	\$51-\$55
04/09/10	17,100	19,700	\$48-\$54
04/16/10	17,000	19,900	\$50-\$55
04/23/10	17,300	20,500	\$55-\$58
04/30/10	16,000	19,800	\$53-\$59
05/07/10	14,800	19,800	\$51-\$58

<sup>1</sup> Region 9 includes AZ, CA, HI and NV

<sup>2</sup> West region includes AZ, NV, UT, CA, ID, OR and WA

Source: USDA Market News: Report LM\_CT168 and ML\_LS795

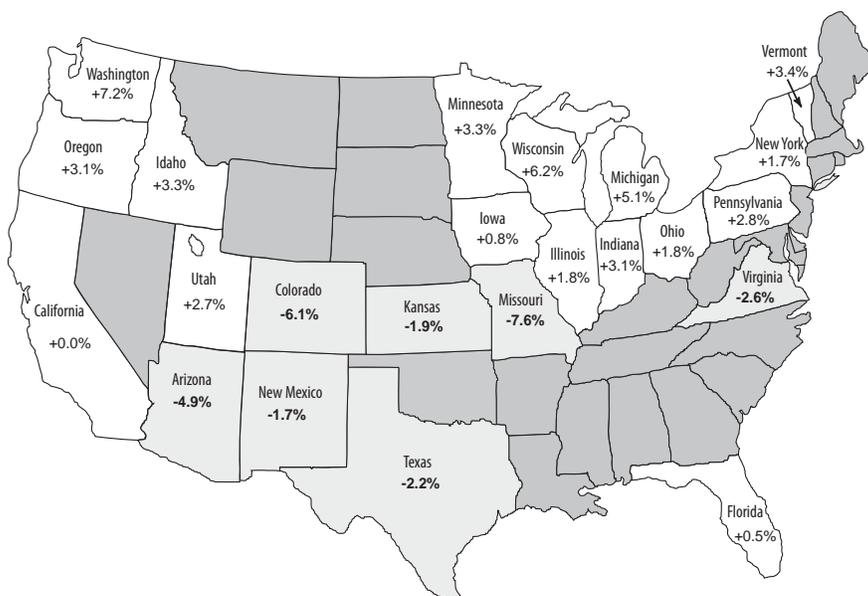
## April Milk Production in the Top 23 States (% Change from 2009)

### April Milk Production

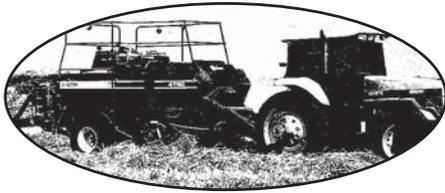
USDA estimates U.S. milk production for April 2010 in the top 23 milk producing states at 15.2 billion pounds, up 1.7 percent from April 2009. Production per cow in the top 23 milk producing states averaged 1,823 pounds for April, 63 pounds above April 2009.

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

- The number of cows on farms was 9.096 million head, down 186,000 head
- Production per cow averaged 1,801 pounds, 61 pounds more than April 2009
- Seven 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 remained steady to firm with good demand and light supplies. Weather has been unseasonably cool with freezing low temperatures in the intermountain areas. Growers are reporting many different variations of hay available this year.

**Southern California:** Premium and Supreme Alfalfa was steady to weak with demand light to moderate and supplies moderate to heavy. Weather is unseasonably cool with wind causing problems producing quality hay.

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

Area	Apr. 30	May 7	May 14	May 21	Monthly Low/High
Petaluma	N/A	\$165-175	\$165-170	\$165	\$165-175
North Valley	\$165-175	\$160-180	\$160-175	\$155-180	\$155-180
South Valley <sup>2</sup>	\$165-175	\$165-178	\$168-175	\$150-175	\$150-178
Chino Valley	\$155-165	\$130-160	\$155-165	\$160	\$130-165
<b>Tons Sold<sup>3</sup></b>	31,744	24,960	58,482	59,262	
<b>Tons Delivered<sup>4</sup></b>	13,250	10,350	21,115	25,368	

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

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

<sup>3</sup> For current or future delivery.

<sup>4</sup> 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](http://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	
	3/30-4/20	4/27-5/18	3/30-4/20	4/27-5/18	3/30-4/20	4/27-5/18
Almond Hulls	\$124.00	\$121.50	\$119.00	\$116.75	\$121.00	\$118.75
Canola	\$275.25	\$265.25	\$275.25	\$265.25	\$277.25	\$267.25
Distillers Dried Grains	\$166.00	\$175.75	\$168.00	\$178.00	\$171.00	\$181.00
Rolled Corn	\$174.88	\$178.88	\$183.88	\$187.88	\$179.88	\$183.88
Soybean Meal	\$332.50	\$337.75	\$332.50	\$337.75	\$334.50	\$339.75
Whole Cottonseed	\$289.75	\$303.00	\$289.75	\$304.50	\$291.50	\$306.50

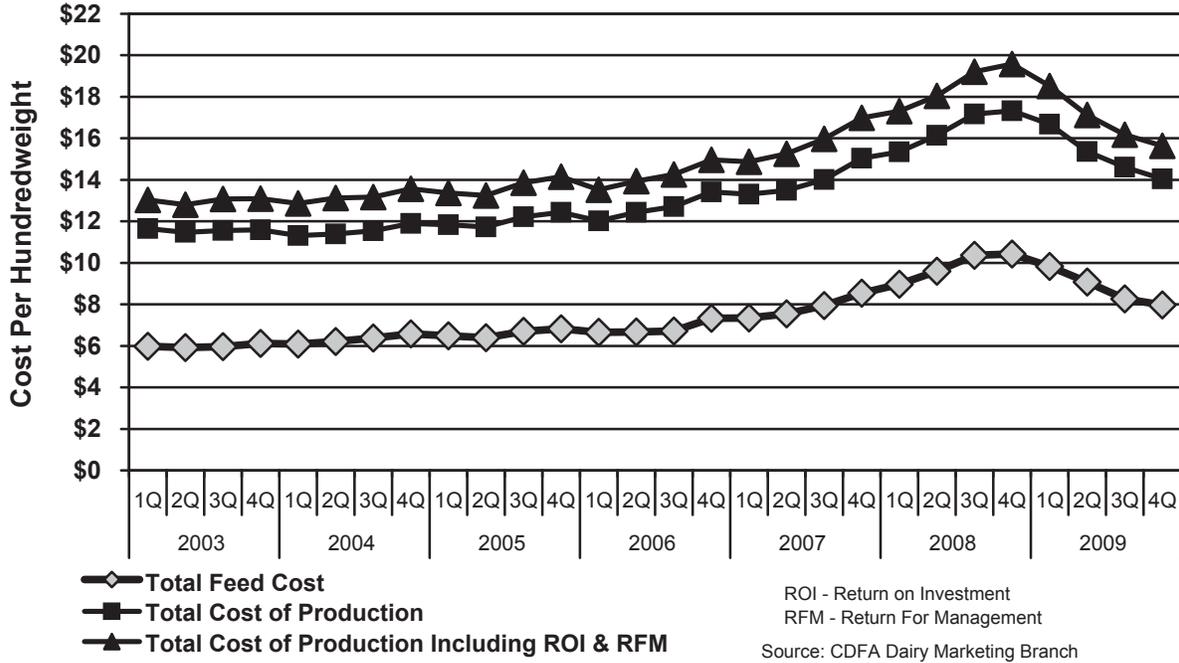
## Milk Production Cost Comparison Summary for California\* By Quarter, 2008-2009

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>										
<b>1st Quarter</b>										
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
<b>2nd Quarter</b>										
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
<b>3rd Quarter</b>										
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
<b>4th Quarter</b>										
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

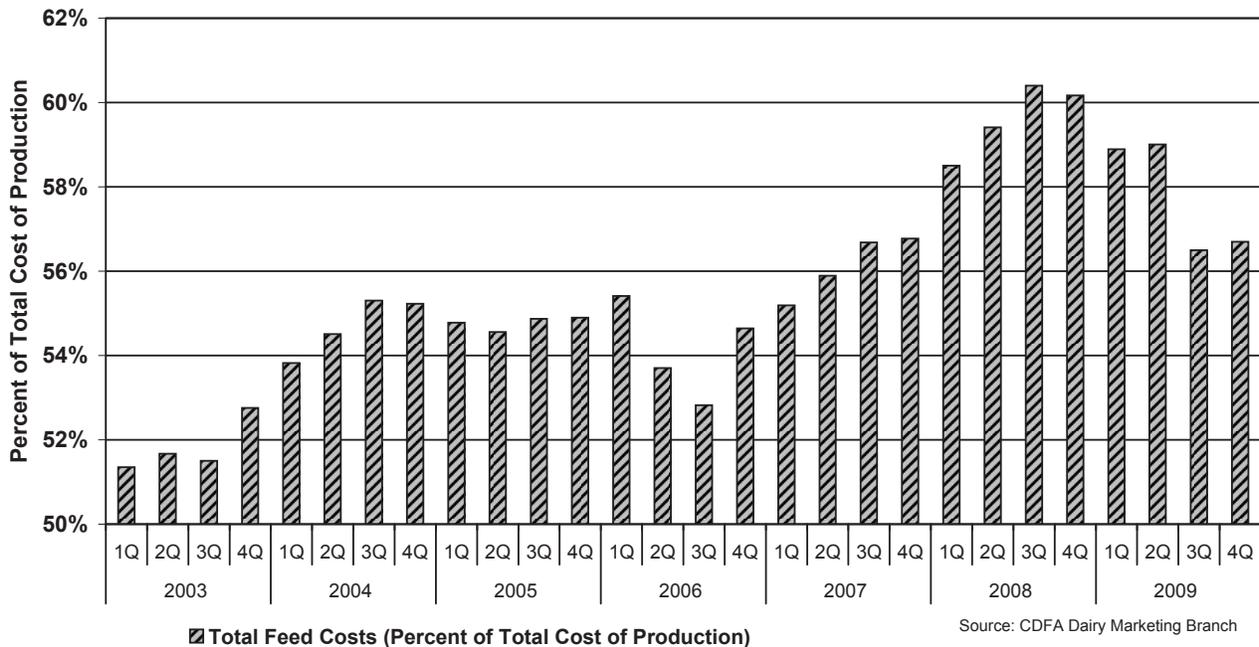
## **California Cost of Production, Total Feed Cost, by Quarter**

**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 April was 2.15. The current ratio of 2.15 means that a dairy producer can buy 2.15 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 March 2010: the corn price used to calculate the ratio in April was \$3.51 per bushel; the price of baled alfalfa hay was \$113 per ton; the price of soybeans was \$9.48 per bushel.

The all-milk price used to calculate the ratio was \$14.60 per hundredweight, down from \$14.80 in March 2010.

## **CWT Continues to Export Cheese**

Cooperatives Working Together (CWT) reactivated the Export Assistance program on March 18, 2010. Since then, CWT has assisted members in making export sales of Cheddar cheese totaling 11,228 metric tons (24.8 million pounds) to 15 countries on four continents.

The Export Assistance program was reactivated when economic analysis indicated that sizeable cheddar cheese inventories overhanging the market are hampering a recovery in producer milk prices. Assisting CWT members in exporting cheddar cheese will provide the most immediate way to positively impact producer milk prices.

## **Tulare Cheese Plant to Close**

Sometime in the latter half of 2010, Land O' Lakes, one of Tulare's largest employers, will shut down its Tulare cheese operation. The plant currently produces several varieties of cheese for industrial food-manufacturing customers. According to Gary Germaine, plant director of cheese and butter, milk shipments will be directed to the butter operation.

The plant will continue to manufacture butter. Land O'Lakes took ownership of the Tulare facility in 1998, when it merged with Dairyman's Cooperative Creameries Association. Land O'Lakes is a national, farmer-owned food and agricultural cooperative with annual sales of \$10 billion. It does business in all 50 states and more than 50 countries.

## **Rabobank Looks At First Quarter 2010 U.S. Dairy Market**

*Excerpts from Rabobank International Food & Agribusiness Research and Advisory Quarterly Report*

In the Rabobank Quarterly Trend and Outlook Report released in late March, it was forecasted that 2010 will be a slow rebalancing of the U.S. dairy market, with limited significant upside for suppliers in coming months.

Rabobank analysts reported that "export markets will continue to take reasonable volumes of U.S. product in coming months, but are unlikely to offer enough upside to provide a rapid solution to ample supply availability in the domestic market."

**For the European Union (EU):** Rabobank expects the EU milk supply to be lower than previous year levels as the region passes through the crucial spring flush in the coming months. Extreme cold and heavy, late snow have made for a weak start to the flush. The EU dairy herd started 2010 at 2.2% smaller than previous year levels and coupled with the reduced use of feed concentrates last year, may impact fertility rates. Milk prices are considerably above last year but still only around breakeven levels in much of the EU.

**For the U.S.:** Rabobank reports that the reduced milk supply, improving local consumption and rising exports tightened up the U.S. market, with the federal All Milk price up 37% over previous-year levels in February. Further slippage in corn prices has contributed to marginal profitability. Milk production looks likely to stabilize sooner than was expected a few months ago, with potential for suppliers to improve feed rates and benefit from full heifer pipelines in response to improved returns to milk production. January data showed the first herd expansion in 13 months, followed by a further small increase in February.

### **Rabobank Expectations:**

- Rabobank's primary expectation is to see international prices across the dairy commodity complex generally remain in touch with current levels as we progress through the second quarter of 2010.
- The recent market correction has brought pricing back into a more comfortable range, at prices that buyers can live with, even against a generally weak economic backdrop, which will soon stabilize milk production, but not encourage too much of it.

## **U.S. Dairy Export Council Elects New Chairman**

Colorado dairyman Les Hardesty was elected chairman of the U.S. Dairy Export Council (USDEC) in a special election. He is the third elected chairman in the organization's history, following Elwood Kirkpatrick (1995-2004) and Tom Camerlo (2004-2009).

Hardesty milks 700 cows on the Painted Prairie Dairy in Greeley, Colo., and also owns the smaller showcase Cozy Cow Dairy educational facility. Hardesty is chairman of the Mountain Area Region of Dairy Farmers of America and of the National Dairy Council, and serves on the board of National Milk Producers Federation and United Dairy Industry Association. He has been an active member of the USDEC board for the last seven years.

"USDEC is a great organization managed by quality people with incredible support from the membership," said Hardesty. "As incoming chair, I have an opportunity to continue the tradition of helping influence how U.S. dairy reaches our worldwide customers and consumers."

Hardesty will preside over the 94-member organization, which is made up of U.S. dairy producers, proprietary processors and cooperatives, ingredient suppliers, export traders and industry affiliates. The group is focused on market development, resolving market access barriers and advancing the industry's trade policy goals, supported by the dairy check-off, U.S. Department of Agriculture funding and membership dues.

Hardesty notes, "We have tremendous opportunities to satisfy growing global demand for dairy in the years ahead. I see each and every person in the world as a potential customer for U.S. dairy products. We also have a chance to grow the membership and spread the word about USDEC programs intended to help U.S. suppliers serve that population."

## **Cow Feed Related to Ozone Levels . . .**

A new study funded by the U.S. Department of Agriculture, California Air Resources Board and the San Joaquin Valley Air Pollution Control District was intended to measure the impact of animal manure, urine and flatulence on ozone levels. However, University of California, Davis researchers found that ozone levels appear to be affected by fermenting cattle feed. Dairy producers have long suspected that something other than the manure lagoons could be to blame and requested more studies.

UC Davis Department of Civil and Environmental Engineering Professor Michael J. Kleeman, the study's lead investigator, reports: "The take-home is that feed sources might be more important than all of the things we've been caring about in the past."

When tests on animal waste failed to find as much ozone as expected, researchers turned their attention to the silage — giant mixes of corn, alfalfa, almond shells and corn stalks that's piled to ferment under black plastic. The alcohol-drenched concoction is scooped with tractors and dumped into dairy cow feed troughs.

Researchers found that the gases emitted during the fermentation react in the atmosphere to turn oxygen into ozone. The valley, which is under federal mandate to reduce its ozone levels, is the No. 1 dairy production region in the country.

Now the San Joaquin Valley Air Pollution Control District is working to amend emissions regulations to focus on new requirements for handling silage, said Executive Director Sayed Sadredin. In June, Sadredin plans to ask the board to consider requiring dairies bag their silage, a move that could cut ozone emissions by 90 percent. While bagging silage adds expense, dairy producers say the cost is far less than a \$2 million methane digester.

## **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 1.5% in April 2010. USDA reports that California milk production showed no change compared to April 2009 (on 69,000 less cows and 75 more pounds per cow), compared to April 2009. Among other western states, Arizona was down 4.9%; New Mexico was down 1.7%; and Washington was up 7.2%. Two of the top 10 states reported a production decrease. The largest increase was reported by Washington State at 7.2% growth in milk production (on 10,000 more cows and 55 more pounds per cow).

Quarterly: For the first quarter of 2010 compared to the fourth quarter of 2009, U.S. milk cow numbers dropped to 9.089 million, milk production per cow increased to 5,208 pounds; the net effect was increased milk production to 47.3 billion pounds. USDA projects that for the second quarter of 2010 compared to the first quarter of 2010, U.S. milk cow numbers will decrease to 9.080 million cows, production per cow will increase to 5,390 pounds; the net effect would be increased milk production to 48.9 billion pounds.

### **Milk Prices**

Comparing the first quarter of 2010 to the fourth quarter of 2009, U.S. average milk prices increased to \$15.60/cwt. USDA projects that for the second quarter of 2010, U.S. average all-milk prices will be \$14.90-15.20/cwt.; Class 4b prices will be \$13.11-13.41/cwt.; and Class 4a prices will be \$14.23-14.63/cwt.

### **Utility Cow Prices**

Comparing the first quarter of 2010 to the fourth quarter of 2009, average U.S. utility cow prices were up \$8.23/cwt. to a national average of \$51.79/cwt. USDA projects that utility cow prices will average \$56-60/cwt. in the second quarter of 2010.

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

## **Safety Concerns - Continued from Page 1**

detected on 101 farms and over 82,000 animals have been destroyed: cattle, swine and water buffalo.

The Japanese strain has been confirmed as serotype O. Both the South Korean and Japanese viruses are very similar to isolates from a recent event in Hong Kong. The sources of the Japanese and South Korean events are still under investigation. Two FMDV endemic countries, China and Mongolia, have experienced serotype O this year as well.

California is host to many Asian visitors including guests from Japan, South Korea and China. Note several FMDV strains are endemic in a number of other Asian countries. Periodically CDFA and others have received requests for farm tours. One should take appropriate cautions regarding visitors from countries experiencing FMDV. If you or others involved in animal agriculture are considering international travel it is good to determine the status of that nation, especially if you wish to visit farms. Be aware of the measures put in place for travelers to reduce the risk to the United States. Also think about what you can do when you travel and on your farm to reduce the risk. For more information regarding travel tips and FMDV, please review the printed handouts/materials included in this newsletter and visit the CDFA Animal Health website ([http://www.cdca.ca.gov/ahfss/Animal\\_Health/FMD\\_Info.html](http://www.cdca.ca.gov/ahfss/Animal_Health/FMD_Info.html)).

# Pool Prices

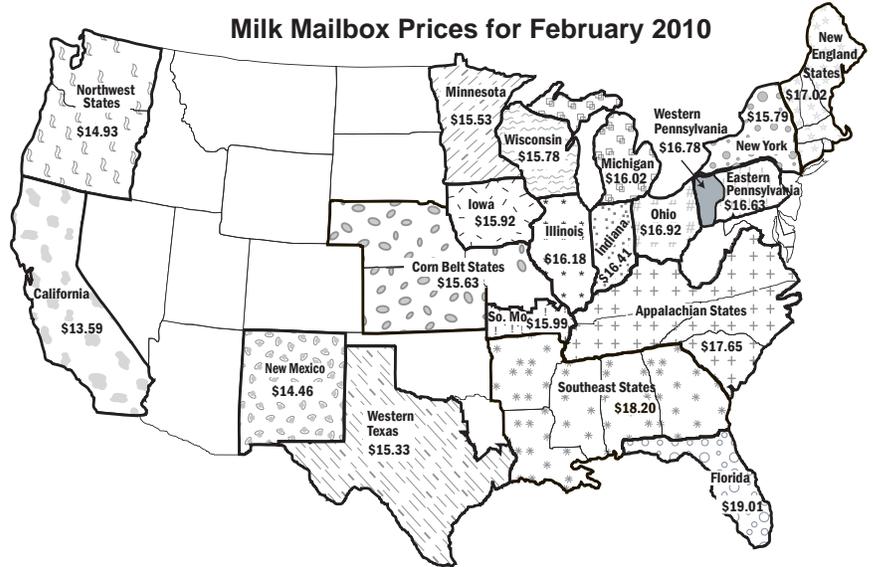
Month	Quota	Overbase
November	\$15.97	\$14.27
December	\$14.11	\$12.41
January '09	\$12.10	\$10.40
February	\$11.28	\$ 9.58
March	\$11.54	\$ 9.84
April	\$11.57	\$ 9.87
May	\$11.46	\$ 9.76
June	\$11.32	\$ 9.62
July	\$11.30	\$ 9.60
August	\$12.18	\$10.48
September	\$12.74	\$11.04
October	\$13.61	\$11.91
November	\$14.83	\$13.13
December	\$16.17	\$14.47
January '10	\$15.18	\$13.48
February	\$14.81	\$13.11
March	\$14.11	\$12.41
April	\$14.33	\$12.63

# Milk Mailbox Prices

## Milk Mailbox Prices in Dollars per Hundredweight

	August '09	September	October	November	December	January '10	February
California <sup>1</sup>	\$10.51	\$11.20	\$12.30	\$13.78	\$15.33	\$14.12	\$13.59
USDA <sup>2</sup>	\$12.04	\$12.98	\$14.29	\$15.37	\$16.37	\$16.16	\$15.97

<sup>1</sup> California mailbox price calculated by CDFSA.  
<sup>2</sup> All federal milk market order weighted average, as calculated by USDA.



In February 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.97 per cwt., down \$0.19 from the previous month average, but up \$4.36 from February 2009. The component tests of producer milk in February 2010 were: butterfat, 3.73%; protein, 3.09%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased in Southeast States and Western Pennsylvania; remained unchanged in Ohio and decreased in all other Federal milk order reporting areas. Mailbox prices ranged from \$19.01 in Florida to \$14.46 in New Mexico.



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

California Department of Food and Agriculture  
 A.G. Kawamura, Secretary  
 Dairy Marketing Branch  
 1220 N Street  
 Sacramento, CA 95814



Presorted  
 First Class  
 U.S. Postage  
 PAID  
 Permit No. 81  
 Sacramento, CA