

California

Dairy Review

A publication serving the California dairy industry for over 12 years

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March 2010

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Correction:

Please note that the total number of dairies operating in California as of December 31, 2009 has been revised from the previous reported 1,743 to 1,752. This equates to a net loss of 100 dairies compared to 2008.

Deadline Nears to Comply With Diesel Truck Rule

The California Air Resources Board (ARB) approved a new regulation to significantly reduce emissions from existing on-road diesel vehicles operating in California. The regulation applies to all on-road heavy-duty diesel fueled vehicles with a gross vehicle weight rating (GVWR) greater than 14,000 pounds, agricultural yard trucks with off-road certified engines, and certain diesel fueled shuttle vehicles of any GVWR.

Trucks used on agricultural operations, including dairies, have received some exemptions from the new rule and pickup trucks are exempt from the rule. **To obtain exemption status, dairy producers must file for the exemption by March 31, 2010.** The odometer reading of all vehicles on the farm as of January 1, plus information about the vehicle and its owner, must be reported

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.cdffa.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@cdffa.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 simply 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.

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	January	February	March
1 No. Calif.	\$18.22	\$16.46	\$16.44
So. Calif.	\$18.49	\$16.74	\$16.71
2 No. Calif.	\$13.02	\$14.88	\$14.88
So. Calif.	\$13.26	\$15.12	\$15.12
3	\$12.97	\$4.83	\$14.83
4a	\$13.75	N/A	N/A
4b	\$12.72	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Hundredweight Prices

Regions	January	February	March
Phoenix, Arizona	\$17.38	\$17.19	\$16.69
Southern California	\$18.49	\$16.74	\$16.71
Portland, Oregon	\$16.93	\$16.74	\$16.24
Northern California	\$18.22	\$16.46	\$16.44
Boston (Northeast)	\$18.28	\$18.09	\$17.59

Quota Transfer Summary

Quota Transfers	Dec.	Jan.	Feb.
Number of Sellers	7	4	1
Pounds of SNF Quota Transferred	3,912	2,907	150
Average Price Per Pound of SNF Quota	\$364	\$378	\$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>				
1/8	\$1.3325	\$1.4245	\$1.3333	\$0.4075
1/15	\$1.4020	\$1.4130	\$1.3035	\$0.4075
1/22	\$1.4844	\$1.4663	\$1.0542	\$0.4075
1/29	\$1.3790	\$1.5130	\$1.0662	\$0.4050
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

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>
12/18/09	15,000	19,900	\$35-\$41
12/25/09	12,000	15,700	\$40-\$44
01/01/10	15,900	18,100	\$41-\$41
01/08/10	17,300	20,100	\$40-\$43
01/15/10	17,300	21,100	\$39-\$45.60
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

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

January Milk Production in the Top 23 States

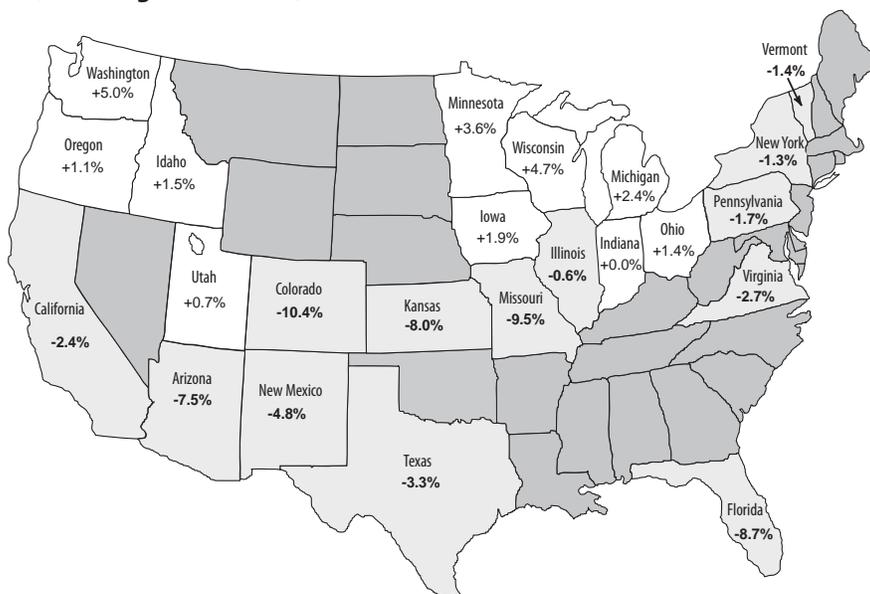
(% Change from 2009)

January Milk Production

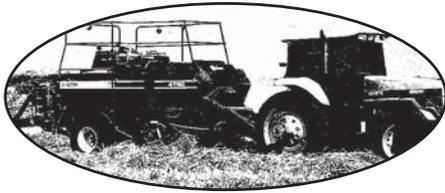
USDA estimates U.S. milk production for January 2010 in the top 23 milk producing states at 14.8 billion pounds, down 0.6 percent from January 2009. Production per cow in the top 23 milk producing states averaged 1,782 pounds for January, 30 pounds above January 2009.

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

- The number of cows on farms was 9.085 million head, down 227,000 head
- Production per cow averaged 1,766 pounds, 33 pounds more than January 2009
- Thirteen 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 demand was good but supplies very light. Retail and stable hay sales were steady. Off and on rain/snow showers limited hay movement.

Southern California: Premium and Supreme Alfalfa demand was good but supplies very limited. Retail and stable hay were steady to weak with moderate supplies. Predictions were for no rain so some producers start laying hay down, some are waiting.

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

Area	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Monthly Low/High
Petaluma	N/A	N/A	N/A	N/A	N/A
North Valley	\$110-180	\$165-180	\$165-180	\$170-185	\$110-185
South Valley ²	\$165-170	N/A	N/A	\$175	\$165-175
Chino Valley	N/A	N/A	N/A	N/A	N/A
Tons Sold³	30,500	14,750	9,470	7,535	
Tons Delivered⁴	9,375	14,725	9,575	12,850	

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	
	1/5-1/19	1/26-2/23	1/5-1/19	1/26-2/23	1/5-1/19	1/26-2/23
Almond Hulls	\$124.67	\$125.20	\$119.67	\$120.40	\$121.67	\$122.40
Canola	\$315.33	\$268.00	\$315.33	\$268.00	\$317.33	\$270.00
Distillers Dried Grains	\$186.67	\$172.60	\$185.33	\$174.20	\$187.67	\$177.20
Rolled Corn	\$186.33	\$179.60	\$195.33	\$188.60	\$191.33	\$184.60
Soybean Meal	\$367.33	\$349.60	\$367.33	\$349.60	\$369.33	\$351.60
Whole Cottonseed	\$307.33	\$294.20	\$307.33	\$294.20	\$309.33	\$296.20

Source: USDA Market News, St. Joseph, Missouri, (816) 238-0678, www.ams.usda.gov/LSMarketNews

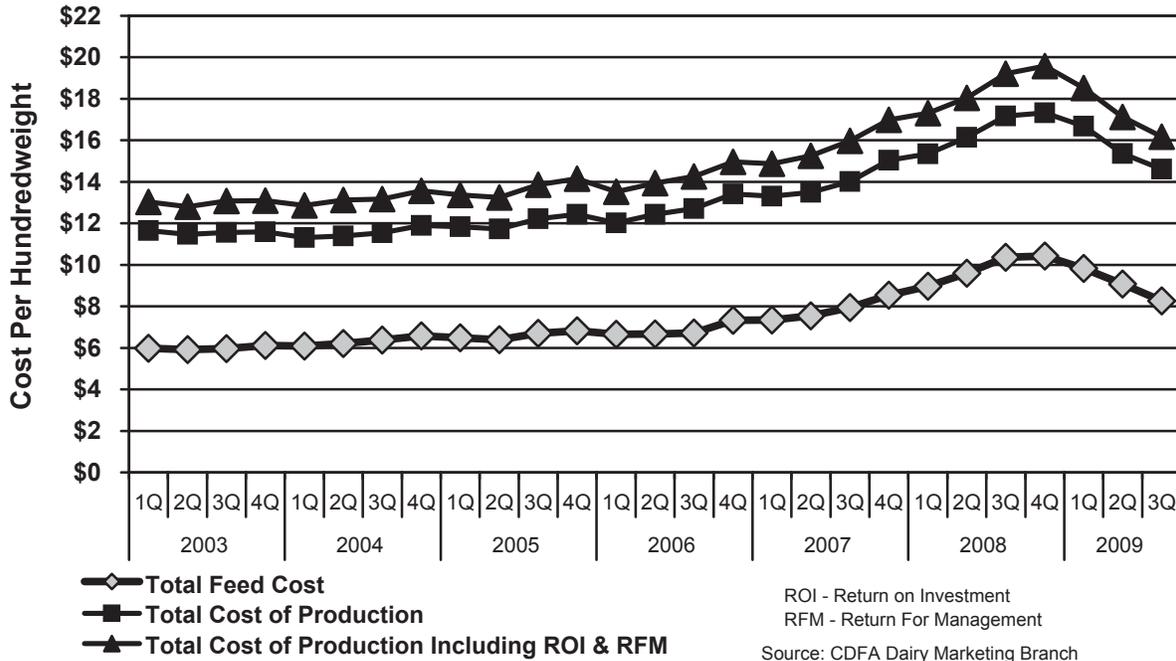
Milk Production Cost Comparison Summary for California * By Quarter, 2008-2009

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		17.08		17.39		16.62		17.33	
Total Costs & Allowances*	24.71		19.32		19.65		18.56		19.58	

* Includes an allowance for management and a return on investment

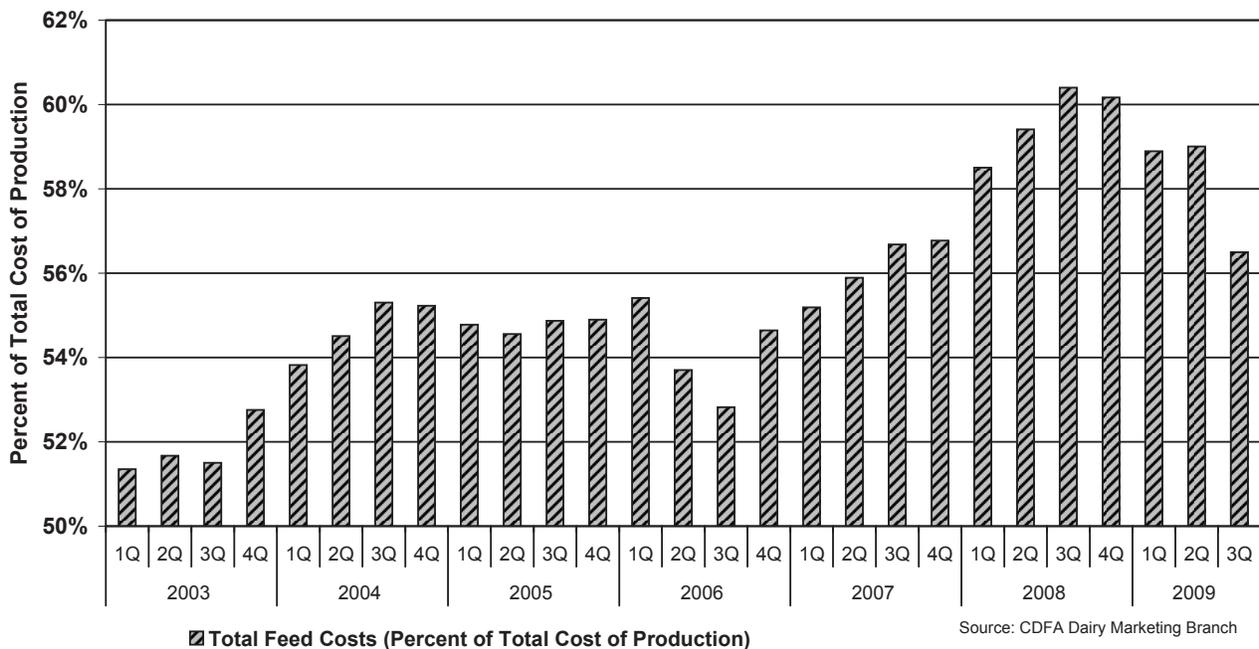
California Cost of Production, Total Feed Cost, by Quarter

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



Total Feed Costs (Percent of Total Cost of Production)

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



USDA Milk-Feed Price Ratio

USDA reports that the milk-feed ratio continued its upward movement in January, rising to 2.45. The current ratio of 2.45 means that a dairy producer can buy 2.45 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. The higher January milk-feed ratio was the result of higher milk prices.

Compared to December 2009: the corn price used to calculate the ratio in January was \$3.45 per bushel, down \$0.14; the price of baled alfalfa hay was \$113 per ton, up \$3 from December; soybeans fell \$0.31 per bushel to \$9.49. The all-milk price used to calculate the ratio was \$16.50 per hundredweight — unchanged from December.

USDA Issues Final Rule On Organic Dairy

The US Department of Agriculture (USDA) issued new rules for organic livestock production, with the aim of setting consistent standards for pasture use across the dairy industry. The previous guidelines lacked clarity over how much access animals need to pasture in order to qualify as organic.

The new rules require cattle to have access to pasture all year round, be out on pasture for at least 120 days, and receive at least 30 percent of their feed from pasture. USDA states that the majority of organic dairy farmers already adhere to these standards, but those that have already qualified for organic certification will have one year after the final rule is published on July 17, 2010 to implement the measures. Any operations that apply for certification after this date will be expected to be in compliance.

National Milk Drug Residue Testing Program Results

The Food and Drug Administration reports that the number of antibiotic-positive milk tankers was just 0.026% for the fiscal year ending September 30, 2009, a decrease of 7% from the previous year. "Stronger on-farm animal care programs and intense testing at the dairy plant are continuing to show impressive decreases in the FDA-sponsored National Milk Drug Residue Database testing results for medicinal animal drug residues," said Allen Saylor, IDFA Vice President of Regulatory Affairs. More than 3.9 million samples were tested. More than 45,000 samples of finished dairy products were also tested, and none of these was positive.

Diesel Truck Rule - Continued from Page 1

to the California Air Resources Board by March 31, 2010. Forms required are available on the internet: <http://www.arb.ca.gov/msprog/onrdiesel/documents/TBReportingForm091222.pdf>. If a producer fails to register they will have to comply with the rule and will not receive an exemption.

For further information, please call 866-6DIESEL (866-634-3735) or email at: 8666diesel@arb.ca.gov.

Some Rule Definitions and Information:

An agricultural vehicle is one that meets one of the following definitions:

- A vehicle used exclusively to deliver fertilizer or pesticides to a farm. It must display the legally required hazardous material placard and be owned by a business with a pesticide or fertilizer license.
- A vehicle owned by a farming business that is used exclusively in agricultural operations or by a beekeeping business used exclusively to transport its own bees. Examples include farm trucks used to pick up supplies, mend fences, move cattle, and other farming operations, but not personal use vehicles or vehicles leased to others.
- A truck that is designed for and used exclusively in agricultural operations such as manure spreaders, feed mixers, and bale processors, but does not include support vehicles used to service equipment or to transport workers, equipment or supplies. Water trucks used exclusively on farms are also included.
- A truck used exclusively to transport unprocessed agricultural products to the first point of processing. Examples include trucks transporting crops from the farm to a packing shed, cotton to a cotton gin, or logs from the forest to the saw mill.

Starting January 1, 2010, agricultural vehicles that operate below the annual mileage thresholds may delay the PM filter and replacement requirements until January 1, 2017. By January 1, 2017, these vehicles must comply with the regulation like non-agricultural vehicles. All qualifying agricultural vehicles must report and be labeled.

Limited-Mileage Agricultural Vehicles

2006 or newer engines - less than 25,000 miles/year
1996 through 2005 engines - less than 20,000 miles per year

Pre-1996 engines - less than 15,000 miles per year

Starting January 1, 2010, agricultural vehicles that drive fewer than 10,000 miles each year may delay the PM filter and replacement requirements until January 1, 2023.

BOVINE TRICHOMONOSIS

January 2010



Bovine Trichomonosis

Bovine trichomonosis is a venereal disease of cattle caused by the protozoa *Trichomonas foetus*. The organism lives in the folds of the penis and internal sheath in bulls, and colonizes the vagina, cervix, uterus and oviducts of cows. It causes **abortion** and **extended calving seasons**. Bulls will remain persistently infected and spread infection from cow to cow during natural service; however, cows generally clear infection after two to three heat cycles. Bulls over four years old are the main reservoir of infection in a herd.

California Trichomonosis Program

Trichomonosis is a serious economic threat to California's beef herds. The California Cattlemen's Association and the Western United Dairymen sponsored legislation to develop



a trichomonosis control program. In partnership with the livestock industry, the California Department of Food and Agriculture (CDFA) developed a program that became effective in September 2003.

Since then, **284 veterinarians have been approved for trichomonosis sampling, and 68 laboratories (92 individuals)** have been approved for testing. At the request of the cattle industry, the control program was strengthened with new laws that became effective in October 2007. **From October 2007 through December 2009, 283 positive samples have been diagnosed at the CAHFS Laboratory**, representing approximately 108 positive herds. CDFA officials have notified the owners of two to thirteen exposed herds for each affected herd.

Trichomonosis Laws

Trichomonosis is a **reportable disease**. Veterinarians, laboratories, or owners **must report cases** of trichomonosis to CDFA **within two days of diagnosis**. **Negative trichomonosis tests must be reported to CDFA within 30 days**.

CDFA personnel investigate trichomonosis cases, notify owners of potentially exposed cattle and quarantine bulls in infected and exposed herds. Infected bulls will be quarantined to their facility and may ONLY BE SOLD FOR SLAUGHTER. Additionally, three negative tests at owner's expense are required for all herdmate bulls, with no less than seven days and no more than 28 days between each test. **Owners of exposed cattle** will be notified by CDFA and are **required to test their bulls once**, at their expense.

Movement Requirements

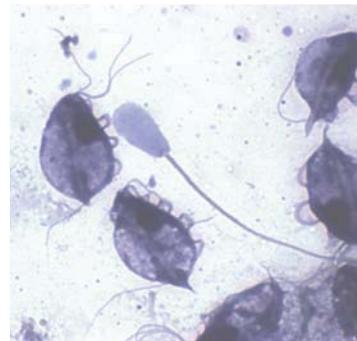
Bulls 18 months of age and over require a negative trichomonosis test within 60 days before entering California. Exemptions include:

- Bulls going directly to slaughter
- Bulls used for artificial insemination that meet Certified Semen Services standards
- Exhibition bulls not commingling with breeding cattle

Bulls entering California on a **Pasture-to-Pasture** permit require a **negative trichomonosis test within twelve months**. Copies of test charts must accompany permits. Testing can be done in California, or in the state of origin.

Bulls 18 months of age and older sold at saleyards in California require a negative trichomonosis test within 60 days before the sale or be consigned to slaughter only. **Signs must be posted at saleyards** informing producers that without a current test, bulls can only go to slaughter or to a slaughter-only feedlot.

Standardized Sampling and Testing



Sample quality and testing are critical for diagnosing and controlling trichomonosis. Laws require training and approval by CDFA for veterinarians collecting trichomonosis samples, and for laboratories processing samples.

False positive culture tests can occur, especially in young bulls. Positive cultures can be confirmed by Polymerase Chain Reaction (PCR), though confirmation is not required.

For more information

Visit: http://www.cdfa.ca.gov/ahfss/Animal_Health/Trichomonosis_Info.html or e-mail questions trich@cdfa.ca.gov

California Cattlemen's Association can be reached at (916) 444-0845 or <http://www.calcattlemen.org>.

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

National Dairy Situation and Outlook – USDA Estimates

Milk Production

Monthly: Compared to 2009, USDA estimates overall milk production across the U.S. was down by 0.6% in January 2010. USDA reports that California milk production was down 2.4% (on 72,000 less cows and 30 more pounds per cow), compared to January 2009. Among other western states, Arizona was down 7.5%; New Mexico was down 4.8%; and Washington was up 5.0%. Five of the top 10 states reported a production increase. The largest increase was reported by Washington State at 5.0% growth in milk production (on 5,000 more cows and 70 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 9.087 million, milk production per cow decreased to 5,089 pounds; the net effect was decreased milk production to 46.2 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 9.060 million cows, production per cow will increase to 5,200 pounds; the net effect would be increased milk production to 47.1 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 \$15.65-15.95/cwt.; Class 4b prices will be \$14.08-14.38/cwt.; and Class 4a prices will be \$13.26-13.66/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 \$46-48/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.”

Animal Disease Traceability

Agriculture Secretary Vilsack announced that USDA will develop a new, flexible framework for animal disease traceability in the United States, and undertake several other actions to further strengthen its disease prevention and response capabilities.

“After concluding our listening tour on the National Animal Identification System in 15 cities across the country, receiving thousands of comments from the public and input from States, Tribal Nations, industry groups, and representatives for small and organic farmers, it is apparent that a new strategy for animal disease traceability is needed,” said Agriculture Secretary Tom Vilsack. “I’ve decided to revise the prior policy and offer a new approach to animal disease traceability with changes that respond directly to the feedback we heard.”

The new framework will:

- Only apply to animals moved in interstate commerce;
- Be administered by the States and Tribal Nations to provide more flexibility;
- Encourage the use of lower-cost technology; and
- Be implemented transparently through federal regulations and the full rulemaking process.

USDA will convene a forum with animal health leaders for the States and Tribal Nations to initiate a dialogue about ways of achieving the flexible, coordinated approach to animal disease traceability. The Department will also be taking several additional actions to further strengthen protections against the entry and spread of disease. These steps will include accelerating actions to lessen the risk from diseases—such as tuberculosis—posed by imported animals, initiating and updating analyses on how animal diseases travel into the country, improving response capabilities, and focusing on greater collaboration and analyses with States and industry on potential disease risk overall.

More information at:

<http://www.aphis.usda.gov/traceability>.

Pool Prices

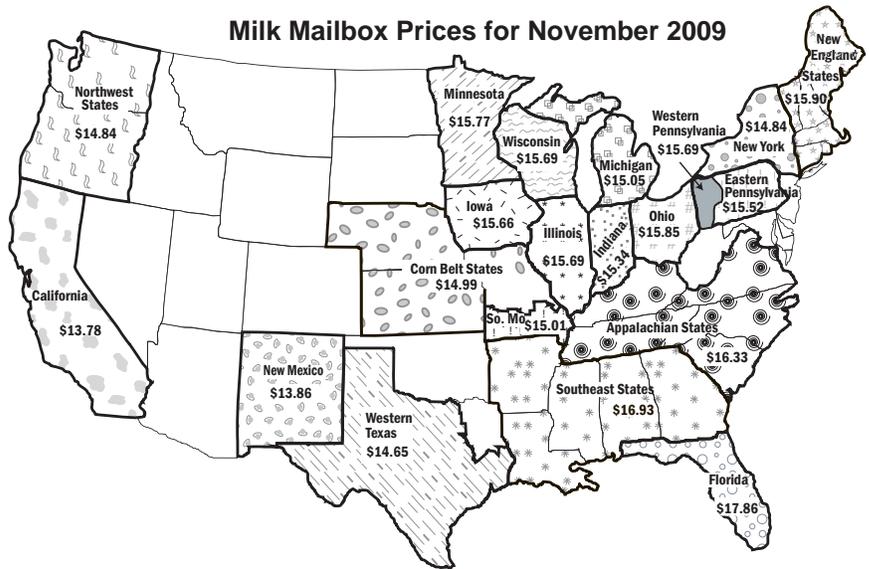
Month	Quota	Overbase
August '08	\$18.01	\$16.31
September	\$17.92	\$16.22
October	\$17.14	\$15.44
November	\$15.97	\$14.27
December	\$14.11	\$12.41
January '09	\$12.10	\$10.40
February	\$11.28	\$ 9.58
March	\$11.54	\$ 9.84
April	\$11.57	\$ 9.87
May	\$11.46	\$ 9.76
June	\$11.32	\$ 9.62
July	\$11.30	\$ 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

Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

	May '09	June	July	August	September	October	November
California ¹	\$ 9.70	\$ 9.63	\$ 9.60	\$10.51	\$11.20	\$12.30	\$13.78
USDA ²	\$11.61	\$11.27	\$11.30	\$12.04	\$12.98	\$14.29	\$15.37

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



In November 2009, mailbox milk prices for selected areas in Federal milk orders averaged \$15.37 per cwt., up \$1.08 from the previous month average, and down \$2.05 from November 2008. The component tests of producer milk in November 2009 were: butterfat, 3.76%; protein, 3.13%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas, and ranged from \$17.86 in Florida to \$13.86 in New Mexico.



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

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