



California Dairy Review

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Department Announces Class 4a/4b Pricing Hearing

The California Department of Food and Agriculture (Department) is calling a consolidated public hearing to consider amendments to the Stabilization and Marketing Plans for Market Milk for the Northern California and Southern California Marketing Areas (Plans). The hearing will be held on June 30 and July 1, 2011 in the Department Auditorium, 1220 N Street, Sacramento, CA 95814. The hearing will begin both days at 9:00 a.m. The hearing on the second day will close once all testimony has been received.

On May 11, 2011, the Department received a petition from California Dairies, Inc. (CDI) requesting a public hearing to consider amendments to the Plans. The CDI petition proposes changes to the butter and nonfat dry milk manufacturing cost allowances and the butter f.o.b. price adjuster in the Class 4a pricing formula. On May 24, 2011, the Department received a petition from Land O'Lakes, Inc. (LOL) requesting a public hearing to consider amendments to the Plans. Specifically, the LOL petition proposes changes to the manufacturing cost allowance and f.o.b. adjuster for cheese and the whey portion of the Class 4b pricing formula.

The Department's Dairy Marketing Branch is proposing to make administrative changes to the Class 4a and 4b pricing formulas to include language to implement the collection of security charges provided by the Milk Producers Security

Trust Fund (Fund) as found in Section 62561, Article 4, Chapter 2.5, Part 3, Division 21 of the FAC. The recent financial evaluation of the Fund by an accounting firm (performed every two years) indicated that Section 62561 of the FAC amended the authority of the Department to collect Fund charges on all classes of milk. Fund charges would take effect if the Fund goes below \$30 million. The Plans are now in conflict with Section 62561 of the FAC. Originally, money collected for the Fund came from assessments on milk in Classes 1, 2 and 3. However, in 2006 (effective January 1, 2007) A.B. 2343 modified the Fund so that assessments from all classes of milk, including Classes 4a and 4b, are collected.

The hearing will consider the CDI proposed changes to the Class 4a pricing formula and the LOL proposed changes to the Class 4b pricing formula. The hearing will also consider the Department's administrative changes to the Class 4a and 4b pricing formulas and any other aspect of the Class 4a and 4b pricing formulas that are raised by alternative proposals received in the time and format specified. All Interested parties are entitled to submit alternative proposals detailing alternative adjustments in the Class 4a and 4b pricing formulas, to be received by the Dairy Marketing Branch no later than 4:00 p.m. on June 10, 2011. The Dairy Marketing Branch's office location is

Continued on back page

Does This Information Bar Look Familiar?



DTN Dairy is a source of comprehensive dairy-specific market, weather, and news information. This site provides a complete package of market analysis and commentary, real-time quotes, milk production information, highly localized weather and industry news 24 hours a day. DTN also includes exclusive updates from the Chicago Mercantile Exchange dairy traders daily. The site provides easy access to local and regional pricing information for distillers grain, soybean meal and cottonseed, as well as a



complete database of current bid prices in relation to the producer's operation. DTN also provides advice and analysis on current and historic fuel and fertilizer data.

The information bar pictured above is the header to the DTN dairy website page and is accessible on the Dairy Marketing Branch website home page at: www.cdfa.ca.gov/dairy. Go to the left side of the home page and click on "Markets, Weather, and News (DTN)" to access this information.

Minimum Class Prices

California Hundredweight Prices

Class	April	May	June
1 No. Calif.	\$21.66	\$20.90	\$21.41
So. Calif.	\$21.93	\$21.17	\$21.68
2 No. Calif.	\$18.90	\$18.90	N/A
So. Calif.	\$19.13	\$19.13	N/A
3	\$18.85	\$18.85	N/A
4a	\$19.45	N/A	N/A
4b	\$14.34	N/A	N/A

Federal Order Minimum Class Prices

Hundredweight Prices

Class I	April	May	June
Phoenix, Arizona	\$21.78	\$22.10	\$22.67
Portland, Oregon	\$21.33	\$21.65	\$22.22
Boston (Northeast)	\$22.68	\$23.00	\$23.57
Class III	\$16.87	N/A	N/A

Quota Transfer Summary

Quota Transfers	March	April	May
Number of Sellers	4	6	2
Pounds of SNF Quota			
Transferred	6,989	5,588	1,473
Average Price Per			
Pound of SNF Quota	\$443	\$432	\$450

Pool Prices

Month	Quota	Overbase
October '10	\$17.64	\$15.94
November	\$16.45	\$14.75
December	\$15.42	\$13.72
January '11	\$16.12	\$14.42
February	\$18.44	\$16.74
March	\$19.01	\$17.31
April	\$18.70	\$17.00

Dairy Cow Culling Activity (Weekly)

Week Ending	Region 9 ¹ Dairy Cows	U.S. Dairy Cows	West Region ² Price Range
	Head		\$/cwt.
03/18/11	15,900	57,500	\$63-\$69
03/25/11	15,100	56,200	\$53-\$67
04/01/11	14,500	56,100	\$61-\$71
04/08/11	15,200	58,200	\$68-\$73
04/15/11	15,000	58,300	\$65-\$72
04/22/11	15,300	55,900	\$64-\$75
04/29/11	14,400	52,900	\$66-\$72
05/06/11	14,500	53,400	\$64-\$82

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

USDA Milk-Feed Price Ratio

USDA reports that the milk-feed price ratio for April 2011 was 1.84 (down from 2.14 in March 2011). The current ratio of 1.84 means that a dairy producer can buy 1.84 pounds of feed for every pound of milk sold.

The prices used to calculate the April 2011 milk-feed price ratio: corn was \$6.40/bushel; baled alfalfa hay was \$155/ton; soybeans were \$12.80/bushel; all-milk price \$19.70/cwt. (down from \$20.40/cwt. in March 2011).

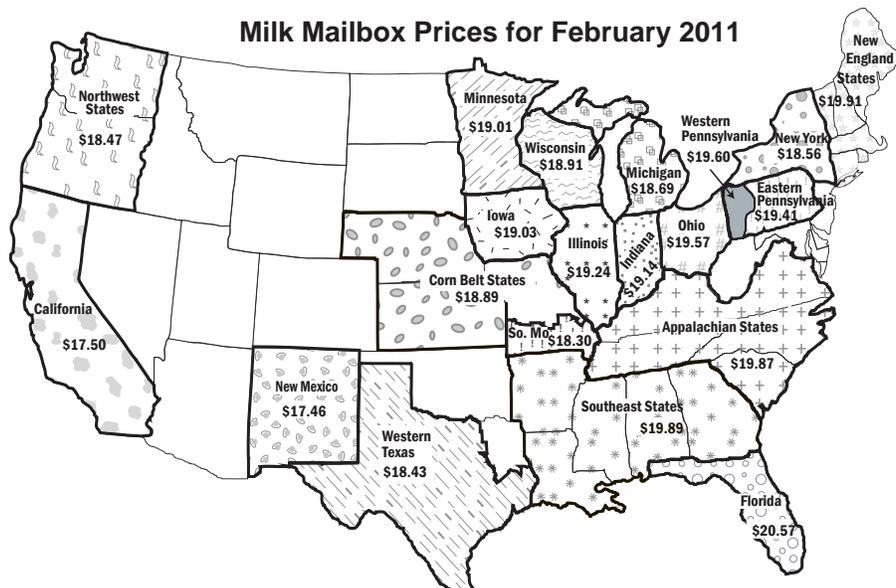
Milk Mailbox Prices in Dollars per Hundredweight

	August '10	September	October	November	December	January '11	February
California ¹	\$15.04	\$15.99	\$16.50	\$15.62	\$14.62	\$15.31	\$17.50
USDA ²	\$16.51	\$17.81	\$18.67	\$18.22	\$16.87	\$16.66	\$18.93

¹ California mailbox price calculated by CDFA.

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

Milk Mailbox Prices for February 2011



In February 2011, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$18.93 per cwt., up \$2.27 from the previous month average, and up \$2.96 from February 2010. The component tests of producer milk in February 2011 were: butterfat, 3.80%; protein, 3.11%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased from the previous month in all Federal milk order reporting areas. Mailbox prices in February 2011 ranged from \$20.57 in Florida to \$17.46 in New Mexico.

U.S. Milk Production - April 2011

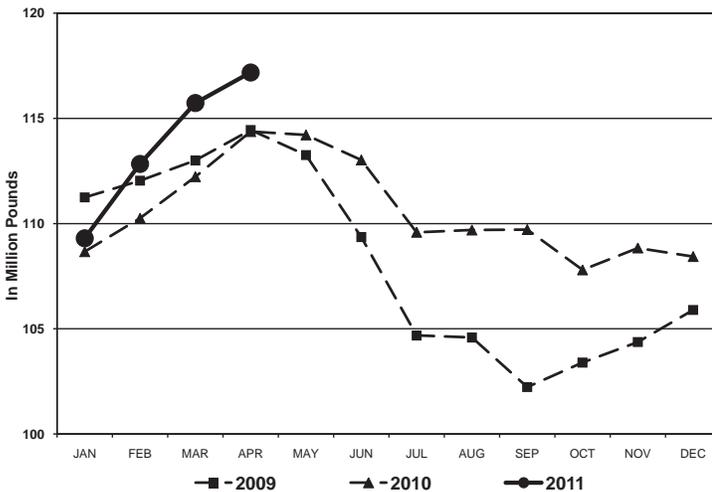
USDA estimates U.S. milk production for April 2011 in the top 23 milk producing states at 15.5 billion pounds, up 1.7 percent from April 2010. Production per cow in the top 23 milk producing states averaged 1,834 pounds for April, 9 pounds above April 2010.

For the U.S. overall, comparing April 2011 to April 2010:

- The number of cows on farms was 9.186 million head, up 78,000 head
- Production per cow averaged 1,814 pounds, 12 pounds more than April 2010
- Six of the top twenty-three milk producing states showed a decrease in milk production

California Milk Production

Average Daily Basis: 2009, 2010, 2011



National Dairy Situation and Outlook – USDA Estimates

Milk Production

Monthly: USDA estimates overall milk production across the U.S. was up by 1.5% in April 2011, compared to April 2010. USDA reports that California milk production increased 2.6% compared to April 2010 (on 14,000 more cows and 35 more pounds of milk per cow). Among other western states, compared to April 2010, Arizona was up 8.2%; New Mexico was up 2.7%; and Washington was up 3.0%. Three of the top 10 states reported a production decrease. The largest increase was reported by Arizona at 8.6% growth in milk production (on 16,000 more cows and 20 less pounds of milk per cow).

Quarterly: For the first quarter of 2011 compared to the fourth quarter of 2010, U.S. milk cow numbers increased to 9.163 million head, milk production per cow increased to 5,286 pounds; the net effect was increased milk production to 48.4 billion pounds. USDA projects that for the second quarter of 2011 compared to the first quarter of 2011, U.S. milk cow numbers will increase to 9.175 million head, production per cow will increase to 5,485 pounds; the net effect would be increased milk production to 50.3 billion pounds.

Top Ten Milk Production States - April 2011

(Percent Change from Same Month/Previous Year)

1. California	+2.6%	6. Texas	+7.2%
2. Wisconsin	-0.1%	7. Minnesota	-1.9%
3. New York	+0.8%	8. Michigan	+0.7%
4. Idaho	+4.6%	9. New Mexico	+2.7%
5. Pennsylvania	-0.8%	10. Washington	+3.0%

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

Delivered Alfalfa Hay Monthly Weighted Average Prices

Week Ending April 29, 2011 - Week Ending May 20, 2011

Petaluma

	Low/High	Average
Supreme	N/A	N/A
Premium	\$245/\$255	\$252
Good	\$255/\$255	\$255
Fair	\$235/\$235	\$235

Escalon-Merced-Modesto-Turlock

	Low/High	Average
Supreme	\$290/\$320	\$302
Premium	\$260/\$303	\$279
Good	\$270/\$270	\$270
Fair	\$240/\$240	\$240

Tulare-Visalia-Hanford-Bakersfield

	Low/High	Average
Supreme	\$280/\$310	\$290
Premium	\$270/\$300	\$286
Good	N/A	N/A
Fair	\$250/\$250	\$250

Chino-Los Angeles-San Diego

	Low/High	Average
Supreme	N/A	N/A
Premium	N/A	N/A
Good	\$255/\$260	\$258
Fair	\$260/\$260	\$260

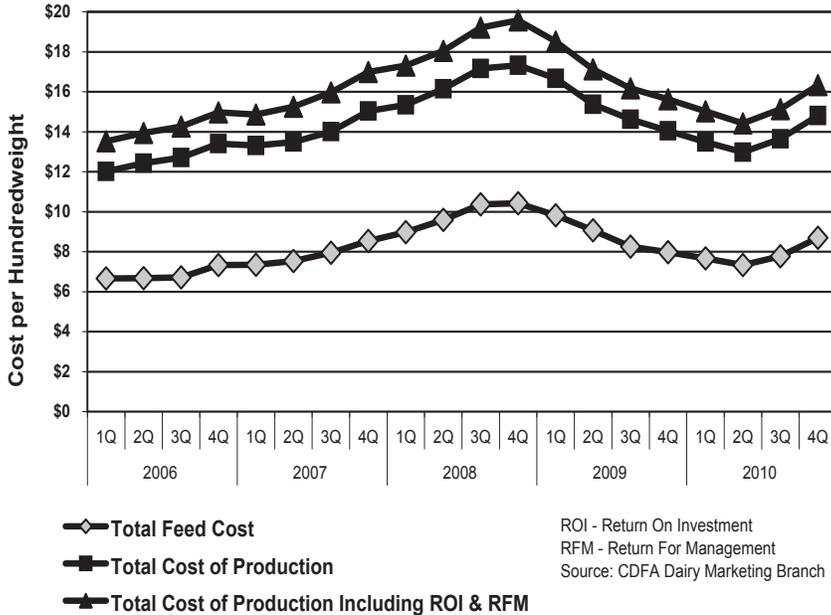
Alfalfa Hay Update

Northern California: Late in the month, all classes of alfalfa hay traded mostly steady with good demand. Rains caused delayed cutting and many buyers looked further south for hay where they are between first and second cuttings. Demand has increased for large square bales that require less labor.

Southern California: Late in the month, buyer demand was good for all classes of Alfalfa hay with moderate supplies. More central valley dairy producers seeking hay in this area due to rains in the valley. Export interest on Klein Grass and Bermuda.

U.S. Mailbox Milk Prices

California Cost of Production, Total Feed Cost, by Quarter Based on California Production Cost Survey, January 2006 through December 2010



Hearing - from page 1

the Downtown Plaza, 560 J Street, Suite 150, Sacramento, CA 95814. The Department strongly encourages all alternative proposals to be sent electronically via email to: dairy@cdfa.ca.gov or faxed to (916) 341-6697. Alternative proposals may be mailed to Hearing Officer, c/o CDFA Dairy Marketing Branch, 1220 N Street, Sacramento, CA 95814, but an additional five (5) business days should be allotted if mailed.

To assist interested persons in preparing for the hearing, a public workshop will be held on Monday, June 20, 2011 in the Department Auditorium, 1220 N Street, Sacramento, CA 95814 beginning at 9:00 a.m. The Department's entire hearing exhibit will be available for public inspection at the Dairy Marketing Branch office on June 23, 2011.

If any interested party has questions regarding the call of this hearing please contact Hyrum Eastman or Candace Gates at (916) 341-5988. Hearing Information: http://www.cdfa.ca.gov/dairy/dairy_hearings_matrix.html



Dairy Marketing Branch:
 Phone (916) 341-5988; Fax (916) 341-6697
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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 or Lu Tang at (916) 341-5988, or send an email to dairy@cdfa.ca.gov

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