California Dairy Review

cdfa

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The Dairy Future Task Force

The Dairy Future Task Force is made up of dairy producers, processors and cooperatives asked to come together to find common ground upon which they can build a new, more stable and contemporary path for the dairy industry. The first session, held October 23-24, provided an opportunity to agree on a common fact base and develop a sense of what the group wants to accomplish in the coming months. The task force achieved alignment around a shared vision for the future of the California dairy industry which is a significant accomplishment and a key step toward long-term success. The initial session was designed to set the stage for the group to identify and build strategic pillars that will result in a robust, profitable, demand-driven dairy industry. I was impressed by the progress made and look forward to continuing this important work. I commend the group's members for embracing their task and the difficult but critical discussions it entails.

Based on the discussion of concepts for potential short-term solutions, CDFA anticipates receiving a petition shortly and will evaluate it on an expedited basis. I very much look forward to working with the talented and passionate producers and processors who are willing to provide leadership to this very important sector of the agricultural community.

Background:

The California Department of Food and Agriculture and the entire dairy industry remain very concerned about the current crisis affecting many of our state's dairy families. The drought has resulted in extremely high feed prices at a time when dairies were already receiving low prices due to falling demand and over supply of milk. Many dairies are still trying to recover from the 2009 crisis which saw record losses in the industry and they simply didn't have enough equity to see them through this crisis.

Where possible, the Department has used the limited discretion it is given by law to provide appropriate adjustments, such as modifying the whey factor scale up to 50 cents per hundredweight based on commodity prices. Moreover, fluid milk prices have been rising to meet market conditions. The minimum price has increased approximately 30 percent since June 2012 and is now among the highest prices on record. Class 4b milk, which is used to make cheese, is also up in recent months by about 30 percent.

Looking ahead, members of the industry agree the path forward must include reforms to our pricing structure as a key step towards a better future. The Dairy Future Task Force will tackle these and other important issues by facilitating open, honest conversations between people personally invested in dairy farms and processing plants. Task force members were invited as individuals - not as representatives of associations or other organizations. There will be significant public vetting of various stages of the task force's work, which will strive to create consensus around short- and long-term solutions.

The deliberations of this group will proceed under the administrative oversight of the California Milk Advisory Board (CMAB) in a private setting that we hope will eliminate public posturing, hyperbole, and positioning for political gain. The task force is the first and probably most important step the industry can take to find agreement on a shared vision for the future and create an action plan for making that vision a reality.

Several years ago, CMAB showed leadership and took a bold step in commissioning a study which provided concepts for long-term sustainability and industry growth over a 20-year period. This kind of intense industry self-evaluation and critical analysis will set a firm foundation upon which the task force can build. The Department is confident the industry will seize this opportunity, find consensus and create the momentum necessary to implement meaningful changes that will ensure a more stable and healthy California dairy industry.

Karen Ross, Secretary
California Department of Food and Agriculture

California Minimum Class Prices

Hundredweight Prices

Class	Sept.	Oct.	Nov.
1 No. Calif.	$19.34	$20.55	$23.17
So. Calif	$19.61	$20.82	$23.44
2 No. Calif.	$13.76	$16.44	$16.44
So. Calif.	$13.99	$16.67	$16.67
3	$13.71	$16.39	$16.39
4a	$16.62	$17.96	N/A
4b	$17.50	$19.43	N/A

California Pool Prices

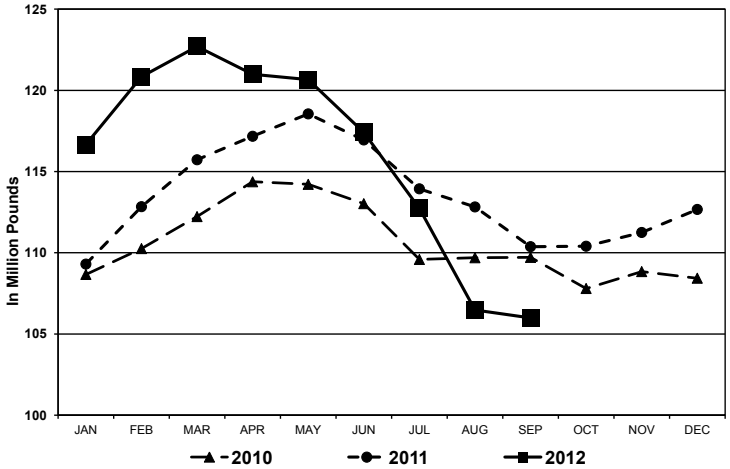
Pool Price	July	Aug.	Sept.
Quota	$16.14	$17.48	$18.42
Overbase	$14.44	$15.78	$16.72

Quota Transfer Summary

Quota Transfers	Aug.	Sept.	Oct.
Number of Sellers	10	13	14
Pounds of SNF Quota Transferred	10,148	15,616	15,569
Average Price Per Pound of SNF Quota	$476	$492	$435

California Milk Production

Average Daily Basis: 2010, 2011, 2012



February 2012 Milk Production includes 29 days.

Secretary Seeks Nominations for Positions on the Milk Producers Security Trust Fund Board
(Nomination Form Must Be Postmarked No Later Than November 30, 2012)

The Department is seeking nominations to fill four positions on the Milk Producers Security Trust Fund Board of Directors that have terms expiring at the end of 2012. There will be two Director positions representing handlers, one Director position representing producers, and one Director position representing cooperative management. These appointments will be for a three-year term of office. The terms will begin on January 1, 2013 and expire on December 31, 2015. To be eligible for appointment, the nominee must serve currently in the capacity of a dairy producer, cooperative management, or processor.

Persons interested in serving on the Board, or interested in nominating another person to serve on the Board, should complete a Nomination Form and mail it to CDFA, Attn: John Bressett, Milk Pooling Branch, 1220 N Stret, Sacramento, CA 95814. The Nomination Form can be found at: http://www.cdfa.ca.gov/dairy/notices.html Nominations Forms must be post-marked no later than November 16, 2012.

California Alfalfa Hay Monthly Weighted Average Prices – Delivered

Week Ending	October 5, 2012		October 12, 2012		October 19, 2012		October 26, 2012	
Delivered	Tons	Price Range	Tons	Price Range	Tons	Price Range	Tons	Price Range
Tulare, Hanford Areas								
Supreme	3,222	$275-$295	1,875	$275-$295	1,925	$280-$305	2,630	$285-$310
Premium	1,547	$260-275	1,400	$255-$275	835	$260-$275	1,425	$260-$285
Good	5,089	$230-$260	2,500	$235-$260	1,575	$230-$255	1,175	$235-$260
Fair	2,975	$217-$230	2,025	$220-$230	775	$215-$225	1,575	$215-$230
Escalon, Modesto, Turlock Areas								
Supreme	4,288	$265-$290	4,100	$265-$295	3,600	$270-$300	3,075	$275-$310
Premium	1,400	$250-$265	1,055	$250-$265	950	$255-$260	200	$265-$265
Good	2,050	$235-$248	575	$230-$255	200	$235-$250	300	$240-$240
Fair	2,250	$207-$225	400	$205-$215	200	$210-$210	200	$210-$225

Source: The Hoyt Report, Inc.

Federal Order Minimum Class Prices

Hundredweight Prices

Class I	Sept.	Oct.	Nov.
Phoenix, Arizona	$19.94	$21.23	$23.05
Portland, Oregon	$19.49	$20.78	$22.60
Boston (Northeast)	$20.84	$22.13	$23.95
Class III	**$19.00**	**N/A**	**N/A**

USDA Dairy Cow Culling Activity

Week Ending	Region 9 [1] Dairy Cows	U.S. Dairy Cows	West Region [2] Price Range
	Head	Head	$/cwt.
09/14/12	15,600	63,400	$67-$70
09/21/12	17,500	63,000	$62-$70
09/28/12	19,600	64,500	$62-$70
10/05/12	17,500	63,400	$66-$70
10/12/12	17,100	63,000	$69-$71

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 SJ_LS714

USDA Commercial Cold Storage Report

Month	Butter		American Cheese		Nonfat Dry Milk	
	2011	2012	2011	2012	2011	2012
	In Million Pounds					
January	119	170	638	612	98	159
February	139	205	620	608	124	196
March	144	211	611	622	124	210
April	142	254	621	632	150	227
May	170	264	623	623	166	215
June	190	243	618	630	186	145
July	188	234	649	635	192	130
August	166	201	647	614	168	106
September	151	195	639	608	151	-
October	130		615		143	
November	94		584		146	
December	105		601		165	

Source: USDA, Farm Services Agency, NASS Cold Storage and Dairy Products. (As published in the Dairy Market News)

USDA Milk-Feed Price Ratio

USDA reports that the milk-feed price ratio for September 2012 was 1.46 (up from 1.36 in August 2012). The current ratio of 1.46 means that a dairy producer can buy 1.46 pounds of feed for every pound of milk sold. The prices used to calculate the Septemer 2012 milk-feed price ratio: corn was $7.35/bushel; baled alfalfa hay was $205/ton; soybeans were $16.30/bushel; all-milk price $19.10/cwt. (up $1.00/cwt. from August 2012).

Prices used to calculate the milk-feed price ratio are based on U.S. prices and don't necessarily reflect California prices.

National Dairy Situation & Outlook USDA Estimates

Milk Production

Monthly: USDA estimates overall milk production across the U.S. was down by 0.5% in September 2012, compared to September 2011. USDA reports that California milk production decreased 3.9% compared to September 2011 (on 3,000 more cows and 75 less pounds of milk per cow). Among other western states, compared to September 2011, Arizona was down 5.4%; New Mexico was down 4.5%; and Washington was down 1.9%. Five of the top 10 states reported a production decrease. The largest increase was reported by Colorado at 5.2% growth in milk production (on 5,000 more cows and 25 more pounds of milk per cow).

Quarterly: For the third quarter of 2012 compared to the second quarter of 2012, U.S. milk cow numbers decreased to 9.215 million head, milk production per cow decreased to 5,280 pounds; the net effect was decreased milk production at 48.7 billion pounds. USDA projects that for the fourth quarter of 2012 compared to the second quarter of 2012, U.S. milk cow numbers will decrease to 9.180 million head, production per cow will remain at 5,280 pounds; the net effect would be decreased milk production to 48.5 billion pounds.

Milk Prices

Comparing the third quarter of 2012 to the second quarter of 2012, U.S. average milk prices increased to $18.03/cwt. USDA projects that for the fourth quarter of 2012, U.S. average all-milk prices will be $21.65-22.05/cwt.; Class 4b prices will be $20.70-21.10/cwt.; and Class 4a prices will be $18.45-18.95/cwt.

Utility Cow Prices

Comparing the third quarter of 2012 to the second quarter of 2012, average U.S. utility cow prices were down $6.57/cwt. to a national average of $76.94/cwt. USDA projects that utility cow prices will average $77-79/cwt. in the fourth quarter of 2012.

For the U.S. overall, comparing September 2012 to September 2011:

- The number of cows on farms was 9.195 million head, down 6,000 head
- Production per cow averaged 1,708 pounds, 7 pounds less than September 2011
- Nine of the top twenty-three milk producing states showed a decrease in milk production

Top Ten Milk Production States - Sept. 2012

(Percent Change from Same Month/Previous Year)

1. California	**-3.9%**	6. Texas	**-4.7%**
2. Wisconsin	+2.9%	7. Minnesota	+0.8%
3. Idaho	+2.3%	8. Michigan	+2.8%
4. New York	+2.3%	9. New Mexico	**-4.5%**
5. Pennsylvania	**-2.7%**	10. Washington	**-1.9%**

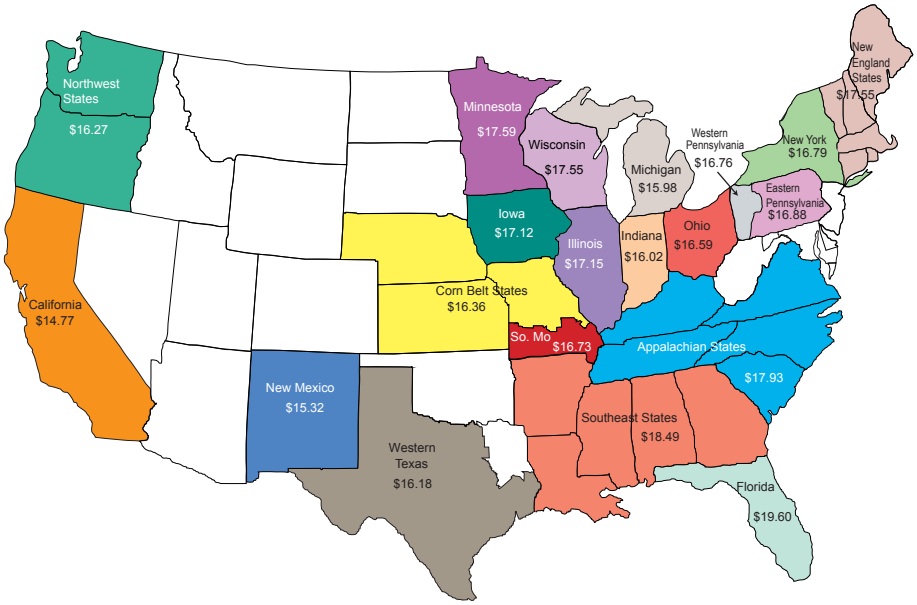
Information from the USDA-NASS publication "Milk Production" and the USDA-ERS publication: "Livestock, Dairy, and Poultry Outlook."

Milk Mailbox Prices in Dollars per Hundredweight

2012 Milk Mailbox Prices

Area	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
California	$16.36	$15.22	$14.99	$14.59	$13.97	14.38	14.77					
USDA	$19.30	$17.32	$17.24	$16.87	$16.29	16.21	16.88					

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



In July 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged $16.88 per cwt., up $0.67 from June 2012 average, and down $4.87 from July 2011 average. The component tests of producer milk in July 2012 were: butterfat, 3.56%; protein, 2.96%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas from the previous month. Mailbox prices in July 2012 ranged from $19.60 in Florida to $15.32 in New Mexico.

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