



April 17, 2016

Hyrum Eastman
California Department of Food and Agriculture
2800 Gateway Oaks
Sacramento, CA 95855

RE: Post Hearing Brief for April 11, 2016 Consolidated Public Hearing to Consider Amendments to the Stabilization and Marketing Plans for Market Milk for the Northern and Southern California Marketing Areas

Dear Mr. Eastman and Members of the Hearing Panel:

The California Dairy Campaign appreciates the opportunity to submit a post-hearing brief following the April 11 hearing.

During the hearing, we were asked to provide more information about the number of dairy cows that are leaving the state which was referenced during the California Dairy Campaign testimony.

We had the opportunity to speak extensively with Peter Belezuoli, President of the Overland Stockyard, who provided a great deal of information about dairy cow sales in California. The Overland Stockyard has been in operation since 1959 and Mr. Belezuoli has been working there all his life. He indicated that he sees the dairy landscape changing dramatically in recent years. At Overland Stockyard the number of dairy cows being sold to beef at dairy dispersals has increased substantially. In years past the number of dairy cows sold as beef cows was approximately 10 percent, but today it has increased to between 20 to 30 percent of all dairy cows sold. He indicated that dairy producers are only willing to purchase the most productive cows due to the lack of profitability. At auction, he reported that a majority of cows sold are leaving California and bought by buyers in Idaho, Utah, Texas and New Mexico. At a recent dairy auction in Texas, sellers did not even advertise in California because dairy producers in California are not buying dairy cows. As for dairy cow prices, he indicated that top herds are sold for \$2500 per head on average, but that average herds are selling for \$1500 per head due to depressed milk prices. Bull calf prices have dropped sharply since last summer from \$500 to \$150 per head.

Because of the uncertainty of dairy pricing, Mr. Belezuoli indicated that he does not think the next generation is interested in becoming dairy producers because of the lack of profitability. When margins on dairy operations were better, springer sales would include 300 to 500 springers and draw anywhere from 50 to 75 buyers. At the average

springer auction today, approximately 50 to 75 springers are offered for sale and the number of people at the sale has dropped to between ten to fifteen buyers. He indicated that a number of those present at sales are retired dairy producers who are not planning to buy cows. He gave an example of a young dairy farm family who chose to leave the state because of the high cost of dairy farming in California. He explained that they were paying \$15,000 per month rent on their dairy facility in California and made the decision to move to the Amarillo, Texas area because the costs to run a dairy there are substantially less. The young dairy family was able to buy a dairy facility including 380 acres for \$750,000. They paid \$100,000 in a down payment and will pay \$2500 per month to purchase that new facility.

We also had an opportunity to speak with staff from the Turlock Livestock Auction Yard. He indicated that during a recent dairy farm dispersal sale that included 700 dairy cows, 200 were sold to become beef cows, 150 were sold to an out of state buyer in Idaho and the rest were bought by another dairy producer in California. The staff from the Turlock Sales Yard indicated that this sale was representative of how dairy cows are sold during dairy farm dispersal sales today. He indicated that most cows that are sold out of state are bought by buyers in Idaho.

As we testified during the April 11 hearing, California Dairy Campaign is greatly concerned about the decline in milk production, the number of cows going out of production and those being sold to out of state buyers. Given these factors, we believe it is critical that milk prices paid to California producers are brought in line with prices paid in the federal milk marketing order system. At the hearing, opponents of the CDC, MPC and WUD proposal indicated that it would increase milk production and our organization could not disagree with this assumption more strongly. Adoption of the proposal will bring the 4b milk price in a closer relationship with the federal order Class III price and help to sustain dairy operations in California that continue to close at an alarming rate. We strongly urge CDFA to adopt the proposal we have put forward along with Milk Producers Council and Western United Dairymen.

We greatly appreciate your attention in this regard.

Sincerely,



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Executive Director

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