



California Dairy Review

A publication serving the California dairy industry for over 14 years

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August 2010

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CWT Announces Results of 10th Herd Retirement Round

Cooperatives Working Together (CWT) tentatively accepted 194 bids in its latest herd retirement, representing 34,442 cows and 654 million pounds of milk. Farmers had submitted a total of 209 herd retirement bids.

Jerry Kozak, President and CEO of NMPF, which administers CWT states that "This latest herd retirement will push cow numbers lower, which is what our industry needs to better align supply and demand."

In mid-July, CWT farm auditors began visiting the farms whose bids were accepted, checking their milk production records, counting cows, and then tagging each cow for processing. All farmers will be notified no later than July 30th as to whether their bid was among those accepted in this herd retirement round.

Once CWT auditors approve the herds accepted during the bid process, farmers have 15 days in which to send their animals to a processing plant. CWT will again provide each farmer the NMPF animal handling guidelines for the proper culling and transporting of dairy cattle, Kozak said.

Producers whose bids are accepted in this herd retirement will be paid in two installments: 90% of the amount bid times the producer's 12 months of milk production when it is verified that all cows have gone to slaughter, and the remaining 10% plus interest at the end of 12 months following the farm audit, if both the producer and his dairy facility – whether owned or leased – do not become involved in the commercial production and marketing of milk during that period.

In CWT's three herd retirements conducted in 2009, the program removed a total of 200,000 cows and four billion pounds of milk. Details of past herd retirements can be found here: <http://www.cwt.coop/sites/default/files/pdf/past-herd-retirements-060210.pdf>.

Please Note:

The 2010 Mid-Year Report has been released and is available online at: http://www.cdffa.ca.gov/dairy/dairystats_annual.html



California Department of Food and Agriculture
A.G. Kawamura, Secretary

This newsletter is available on the Dairy Marketing website at:
http://www.cdffa.ca.gov/dairy/ca_dairyrev_newsletter.html

Minimum Class Prices

California Hundredweight Prices

Class	June	July	August
1 No. Calif.	\$15.68	\$17.14	\$17.33
So. Calif.	\$15.95	\$17.42	\$17.60
2 No. Calif.	\$14.15	\$14.15	N/A
So. Calif.	\$14.38	\$14.38	N/A
3	\$14.10	\$14.10	N/A
4a	\$15.26	N/A	N/A
4b	\$12.23	N/A	N/A

Quota Transfer Summary

Quota Transfers	May	June	July
Number of Sellers	4	5	10
Pounds of SNF Quota Transferred	2,677	2,675	4524
Average Price Per Pound of SNF Quota	\$408	\$427	\$431

Pool Prices

Month	Quota	Overbase
May '09	\$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
May	\$14.65	\$12.95
June	\$15.17	\$13.47

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>				
6/11	\$1.5940	\$1.3730	\$1.2815	\$0.3913
6/18	\$1.6220	\$1.3930	\$1.2888	\$0.3888
6/25	\$1.7005	\$1.4005	\$1.1963	\$0.3875
7/2	\$1.7380	\$1.4210	\$1.2765	\$0.3863
7/9	\$1.7531	\$1.5275	\$1.2330	\$0.3863
7/16	\$1.7330	\$1.5535	\$1.1909	\$0.3863
7/23	\$1.7910	\$1.5670	N/A	\$0.3850

Milk Production Cost Comparison Summary for California * By Quarter, 2009-2010

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
<i>Dollars per Hundredweight</i>										
1st Quarter										
Total Costs	22.38	19.02	16.63	13.60	16.63	13.26	15.35	12.81	16.67	13.48
Total Costs & Allowances*	24.77	20.86	18.23	15.11	18.58	14.78	17.29	14.49	18.51	15.02
2nd Quarter										
Total Costs	18.30		15.30		15.46		14.06		15.37	
Total Costs & Allowances*	20.34		17.08		17.22		15.54		17.12	
3rd Quarter										
Total Costs	17.35		14.47		14.68		13.85		14.62	
Total Costs & Allowances*	19.08		16.01		16.26		15.21		16.17	
4th Quarter										
Total Costs	18.23		14.09		13.91		13.46		14.05	
Total Costs & Allowances*	20.11		15.68		15.50		14.89		15.63	

* Includes an allowance for management and a return on investment

Premium Alfalfa Hay Statewide Average Per Ton Prices

Area	Monthly Low/High	Monthly Average
Petaluma	\$160-165	\$163
North Valley ¹	\$155-180	\$167
South Valley ²	\$150-175	\$165
Chino Valley	N/A	N/A
Total Tons Sold³	406,848	
Total Tons Delivered⁴	97,858	

Alfalfa Hay Update

Northern California: Premium and Supreme Alfalfa remained steady with good demand and light supplies. The export market was active with interest in quality hay types. Hay movement backed off slightly as many producers were inbetween cuttings.

Southern California: Premium and Supreme Alfalfa traded mostly steady with moderate to good demand and heavy supplies. Exporters showed increased interest for Sudan hay.

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

¹ North Valley is Escalon, Modesto and Turlock areas.

² South Valley is Tulare, Visalia and Hanford areas.

³ For current or future delivery.

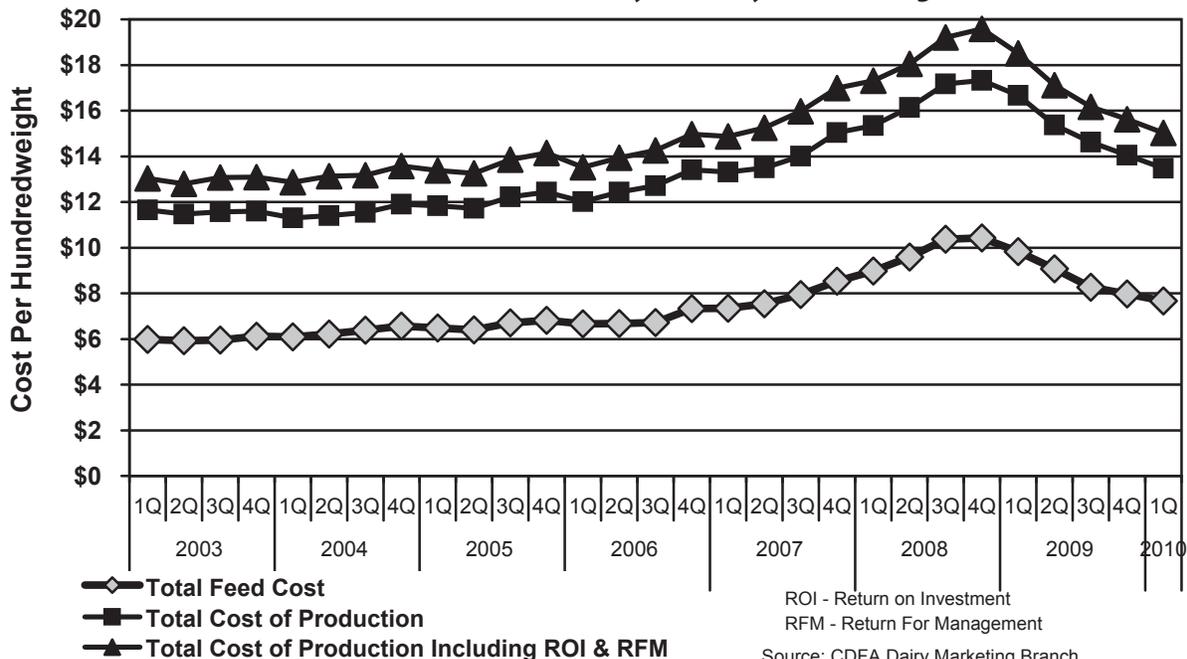
⁴ Contracted or current sales.

California Average Feed Commodity Spot Prices Delivered to the Dairy, In Dollars Per Ton, 2010

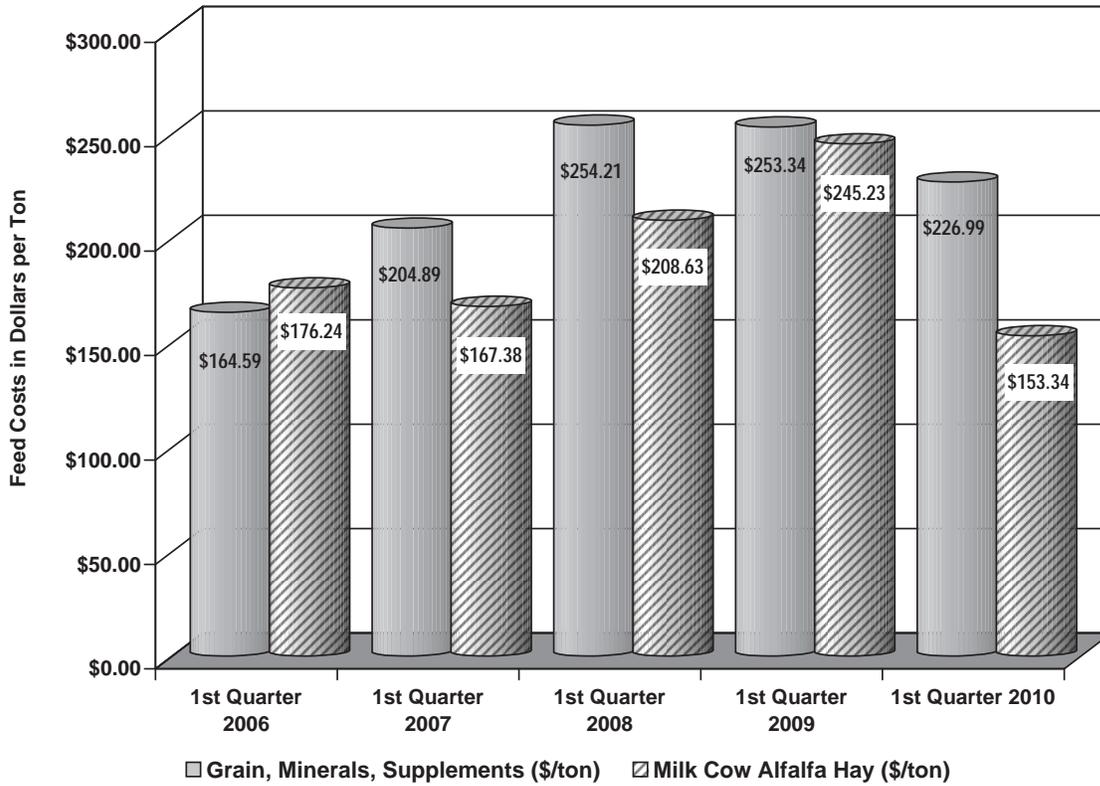
Feed Commodity	Tulare/Pixley		North Valley		Los Banos/Chowchilla	
	5/25-6/22	6/29-7/20	5/25-6/22	6/29-7/20	5/25-6/22	6/29-7/20
Almond Hulls	\$119.40	\$117.50	\$115.40	\$114.00	\$117.40	\$114.75
Canola	\$263.20	\$290.25	\$263.20	\$290.25	\$265.20	\$291.75
Distillers Dried Grains	\$166.80	\$161.00	\$170.00	\$163.25	\$171.80	\$164.50
Rolled Corn	\$175.60	\$177.50	\$184.60	\$184.25	\$180.60	\$183.50
Soybean Meal	\$342.20	\$359.00	\$342.20	\$359.00	\$344.20	\$360.50
Whole Cottonseed	\$339.00	\$368.50	\$340.20	\$368.50	\$341.40	\$370.00

California Cost of Production, Total Feed Cost, by Quarter

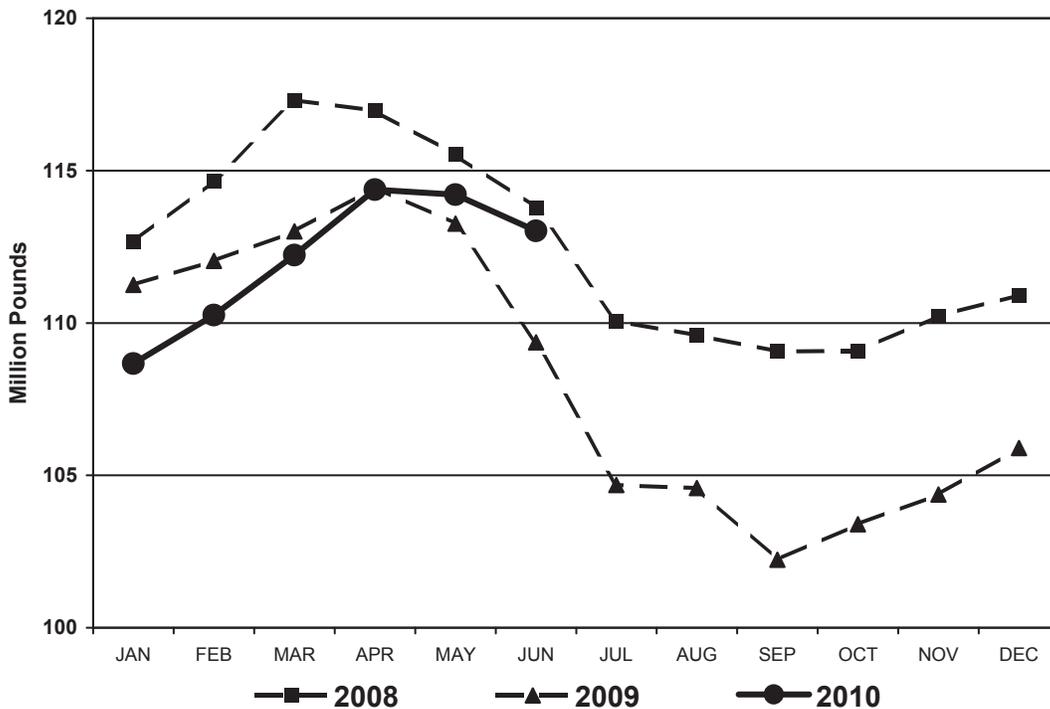
Based on California Production Cost Survey, January 2003 through March 2010



Average Cost Per Ton Fed, by Quarter
Grains, Minerals, Supplements & Milk Cow Alfalfa Hay
First Quarters of 2006-2010, in Dollars Per Ton



California Milk Production
Average Daily Basis: 2008, 2009, 2010



Dairy Cow Culling Activity (Weekly)

Week Ending	Region 9 ¹ Dairy Cows	U.S. Dairy Cows	West Region ² Price Range
	Head		\$/cwt.
05/21/10	15,000	20,400	\$54-\$60
05/28/10	15,600	20,800	\$54-\$62
06/04/10	13,600	19,400	\$52-\$59
06/11/10	13,300	19,400	\$50-\$63
06/18/10	14,900	19,600	\$49-\$57
06/25/10	13,000	19,600	\$50-\$58
07/02/10	12,000	17,500	\$48-\$57
07/09/10	12,200	16,700	\$56-\$60

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

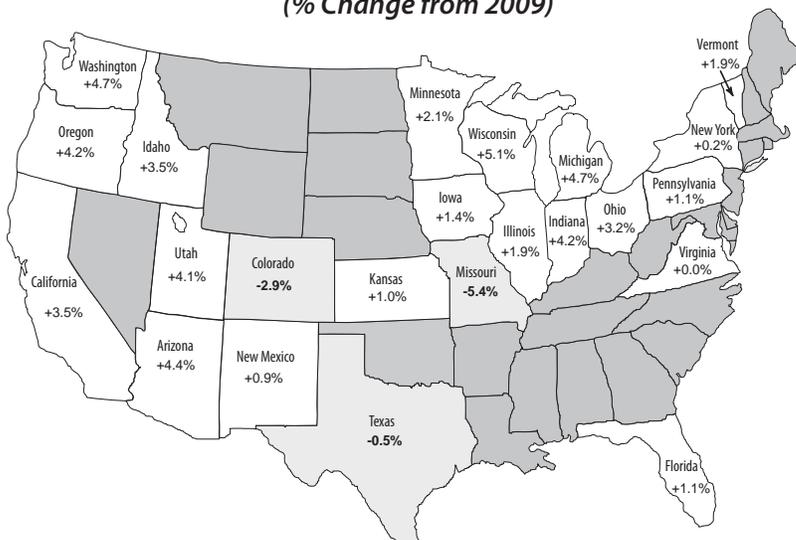
June Milk Production

USDA estimates U.S. milk production for June 2010 in the top 23 milk producing states at 15.2 billion pounds, up 2.7 percent from June 2009. Production per cow in the top 23 milk producing states averaged 1,816 pounds for June, 67 pounds above June 2009.

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

- The number of cows on farms was 9.122 million head, down 108,000 head
- Production per cow averaged 1,790 pounds, 64 pounds more than June 2009
- Three of the top twenty-three milk producing states showed a decrease in milk production

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



Federal Order Minimum Class I Prices

Hundredweight Prices

Regions	June	July	August
Phoenix, Arizona	\$17.63	\$18.01	\$18.12
Portland, Oregon	\$17.18	\$17.56	\$17.67
Boston (Northeast)	\$18.53	\$18.91	\$19.02

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 2.4% in June 2010 compared to June 2009. USDA reports that California milk production increased 3.5% compared to June 2009 (on 53,000 less cows and 120 more pounds per cow), compared to June 2009. Among other western states, Arizona was up 4.4%; New Mexico was up 0.9%; and Washington was up 4.7%. One of the top 10 states reported a production decrease. The largest increase was reported by Wisconsin at 5.1% growth in milk production (on 5,000 more cows and 80 more pounds per cow).

Quarterly: For the second quarter of 2010 compared to the first quarter of 2010, U.S. milk cow numbers increased to 9.100 million head, milk production per cow increased to 5,430 pounds; the net effect was increased milk production to 49.4 billion pounds. USDA projects that for the third quarter of 2010 compared to the second quarter of 2010, U.S. milk cow numbers will decline to 9.090 million cows, production per cow will decrease to 5,220 pounds; the net effect would be decreased milk production to 47.5 billion pounds.

Milk Prices

Comparing the second quarter of 2010 to the first quarter of 2010, U.S. average milk prices decreased to \$15.17/cwt. USDA projects that for the third quarter of 2010, U.S. average all-milk prices will be \$16.00-16.40/cwt.; Class 4b prices will be \$13.90-14.30/cwt.; and Class 4a prices will be \$15.55-16.05/cwt.

Utility Cow Prices

Comparing the second quarter of 2010 to the first quarter of 2010, average U.S. utility cow prices were up \$7.00/cwt. to a national average of \$58.79/cwt. USDA projects that utility cow prices will average \$53-57/cwt. in the third quarter of 2010.

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

Livestock Gross Margin - Dairy Insurance Program Introduced through Upcoming August Workshops

The Livestock Gross Margin-Dairy insurance program becomes available to California producers as of June 30th. LGM-Dairy is a new, unique tool for producers to manage price volatility of both milk and feed. LGM-Dairy differs from other price risk management tools in several important ways. It can be engaged throughout the year, uses low minimum volumes, addresses both feed and milk price risk, and has relatively low overall costs. However, the sign-up period is only one day each month and premiums are due upon sign-up.

In order for the dairy community to effectively assess LGM-Dairy, the California Center for Cooperative Development (CCCD) is presenting several one-day educational workshops in the second week of August. Each one-day workshop will be offered in three California locations: Petaluma, Modesto, and Tulare. These workshops are targeted towards producers, dairy and feed supply co-ops, insurance providers, lenders, and agricultural agencies. The workshops will be conducted by Dr. Brian Gould of the University of Wisconsin, who has given numerous presentations on the program. Dr. Gould will also provide a comparison between LGM-Dairy and the proposed National Milk Producers Federation revenue insurance program. Lastly, the training will include a hands-on interactive workshop where attendees will pair up on laptops and will learn to use software that calculates a producer's optimal LGM-Dairy contract. Attendees may request a laptop to be provided for them if needed, while they are available.

The schedule for each workshop is as follows:

10:00am – 10:05am: *Welcome*

10:05am – 11:00am: *A Brief Introduction to
LGM-Dairy*

11:15am – 12:15pm: *Application of LGM-Dairy
to a California Dairy Operation*

12:15pm – 1:00pm: *Complimentary Lunch*

1pm – 2pm: *Hands-on Workshop Using LGM-Dairy
Web-Based Software: Case Studies in
Identification of Desired Contract Design*

Workshops will be held at the following locations:

Wednesday, Aug. 11th:

Petaluma Community Center
Conference Room 2
320 N. McDowell Blvd.
Petaluma, CA

Thursday, Aug. 12th:

Stanislaus County Ag Center
Harvest Hall
3800 Cornucopia Way
Modesto, CA

Friday, Aug. 13th:

Tulare Ag Center,
Conference Dining Room
4450 S. Laspina Street
Tulare, CA

Registrations for the workshop are due on August 6th. Fees for each workshop are \$20. A wireless-enabled laptop is required and can be rented for \$25 upon registration (each laptop will be shared by two people). Scholarships are available upon request.

Registration:

Attendees may register online at www.cccd.coop/events/LGMDairy or by mailing in paper registration to: CCCD, P. O. Box 72299, Davis, CA 95617. Contact CCCD at (530) 297-1032 or info@cccd.coop with any inquiries.

(See next page for Registration Form to be used if you are registering by mail.)

Contact Information:

California Center for Cooperative Development
430 F Street, Suite 1, Davis, CA 95616
Phone 530-297-1032 Fax 530-297-1033
Email: info@cccd.coop Website: cccd.coop

Livestock Gross Margin-Dairy Workshop Registration

This workshop, presented by Dr. Brian W. Gould of the University of Wisconsin, will share information about Livestock Gross Margin-Dairy insurance, a new, unique price risk management tool for dairy producers

August 11th - Petaluma; August 12th - Modesto; August 13th - Tulare
10 am to 2 pm

Name(s): _____ Organization: _____ Phone: _____

Co-Op Affiliation (if any): _____

Address: _____ Email: _____

\$20 Conference fee includes lunch. Registration must be received by August 6, 2010.

Please note that you can register online with a credit card at: <http://cccd.coop/events/LGMDairy>.

Please check which workshop you will attend:

August 11, 2010, Petaluma Community Center, Conference Room 2, 320 N. McDowell Blvd., Petaluma, CA _____

August 12, 2010, Stanislaus County Ag Center, Harvest Hall, Rooms B & C, 3800 Cornucopia Way, Modesto, CA _____

August 13, 2010, Tulare Ag Center, Conference Dining Room, 4450 S. Laspina St., Tulare, CA _____

Attendance fee is \$20 per attendee (scholarships available; please call): \$ _____

A wireless-enabled laptop computer is required for the Hands-On Software Workshop.

A laptop can be provided for \$25 (one laptop can be shared by 2 people): \$ _____

Meal preference: _____ Meat _____ Vegetarian

TOTAL Enclosed: \$ _____

Are you bringing your own wireless-enabled laptop? Y N

If yes, are you willing to allow another participant to use it with you during the software portion of the workshop? Y N

On a scale of 1 to 5 please indicate your familiarity with computers: 1 2 3 4 5

On a scale of 1 to 5 please indicate your familiarity with price risk management tools: 1 2 3 4 5

Please send your application and payment by check to:

California Center for Cooperative Development

P. O. Box 72299

Davis, CA 95617

Questions? Call (530) 297-1032 or email info@cccd.coop

USDA Milk-Feed Price Ratio

USDA reports that the milk-feed ratio for June was 2.33, up from the milk-feed ratio from June 2009 of 1.45. The current ratio of 2.33 means that a dairy producer can buy 2.33 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 corn price used to calculate the ratio in June was \$3.38 per bushel; the price of baled alfalfa hay was \$119 per ton; the price of soybeans was \$9.39 per bushel.

The all-milk price used to calculate the ratio was \$15.80 per hundredweight, up from \$15.10 in May 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, Monterey Jack, and Gouda cheese totaling 17,095 metric tons (37.7 million pounds) to 22 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.

2010-2011 DAIRY COUNCIL ASSESSMENT RATES ESTABLISHED

The Dairy Council of California has recommended and the Department of Food and Agriculture has approved assessment rates for the Council's 2010-2011 fiscal year (July 1, 2010, through June 30, 2011). The rates are presented below. These rates are the same as last year's rates.

2010-2011 Dairy Council Assessment Rates <i>(applicable to both producers and handlers)</i>	
Class 1 Milk	one and fifty hundredths cents (<u>\$0.015</u>) per cwt.
Milk For All Other Classes	sixty hundredths cents (<u>\$0.006</u>) per cwt.

As you can see from the table above, the Dairy Council Law mandates a two-tier assessment structure; an assessment for milk used in Class 1 milk products and a lower assessment for milk used in all other classes of milk products. The Dairy Council Law stipulates that the assessment rate for Class 1 milk shall not exceed two cents (\$.02) per hundredweight (cwt.) and that the assessment rate for all other usages of milk shall not exceed eight mills (\$.008) per hundredweight (cwt.). In addition, the Law further requires that the relationship between the two rates shall be at a ratio of 2.5 to 1. The Dairy Council assessment rates are applicable to both milk producers and milk handlers. The Dairy Council uses the funds generated from these assessments to carry out its mission of stimulating demand for milk by demonstrating the role of dairy products as essential elements in a healthy diet.

As in the past, handlers will continue to be responsible for remitting both the handler and producer assessments to the Department. Handlers shall pay the handler assessments for milk utilized in the plant of the handler. The producer assessments shall be collected by the first handler of milk produced in California by deducting any such assessments from any payment due the producer of such milk.

Please call Dennis Manderfield of the CDFA Marketing Branch at (916) 341-6005 if you have any questions about these assessment rates. If you have questions regarding the activities of the Dairy Council, please call Peggy Biltz, CEO of the Dairy Council, at (916) 263-3560.

Dairy Council of California Task Force Pinpoints Issues Facing Dairy Industry

The Dairy Council of California held its annual Functional Foods Task Force meeting to discuss the latest issues impacting dairy. The task force, made up of 14 dairy industry leaders representing research and development, marketing, regulation, education, and communication, covered a variety of topics that present both opportunities and challenges. The following summarizes the Task Force discussion of the topics.

The Task Force, made up of 14 dairy industry leaders representing research and development, marketing, regulation, education, and communications, meets annually to discuss nutrition and dairy research, public policy, regulations, and consumer perceptions that impact dairy. The Task Force noted that the soon-to-be released 2010 Dietary Guidelines and new information about lactose intolerance are among the key challenges and opportunities facing the dairy industry.

- The 2010 Dietary Guidelines are due to be finalized later this year and sodium recommendations will likely be reduced from today's limit of 2300 mg to 1500 mg per day. The perception and consumption of cheese could be greatly impacted by these new levels and will pose production, flavor and food safety challenges to the dairy industry. The consumer will be looking for "reduced" and "low-sodium" products, yet will not want to compromise the flavor of their favorite foods. Many food manufacturers are already reformulating products to contain lower levels of sodium and this will need to continue moving forward, according to the task force.
- New research and public health reports on lactose intolerance concur that many people worldwide lose some ability to digest the milk sugar lactose as they age. However, a recent National Institutes of Health Consensus Conference on lactose intolerance encouraged those with varying degrees of lactose intolerance to continue consuming dairy, at least in small amounts and with other foods, for its calcium, magnesium, potassium, protein and other important nutrients. There are many ways to minimize symptoms of lactose intolerance while including dairy products in the diet. The task force agreed that aggressive education to both the consumer and the health professional—who is often the one making these recommendations—is needed to inform people that lactose intolerance can be managed without omitting dairy from the diet.

- Other topics discussed include front-of-package and nutrient labeling systems and their focus on fat, saturated fat, sugar and sodium; the likelihood that the vitamin D recommendation will increase in the new Dietary Guidelines; and the growing positive research around whey protein, which is especially strong in the sports nutrition and weight management arenas.

Task force participants include: Glanbia Nutritionals Inc, Dairy & Food Communications Inc, USC School of Pharmacy, GTC Nutrition, International Dairy Foods Association, Land O'Lakes Inc, Hilmar Cheese, Davisco, California Dairy Research Center, and Dairy Products Technology Center at Cal Poly San Luis Obispo.

For a complete Functional Foods Task Force report, visit www.dairycouncilofca.org and click on the industry section on the "About Us" page, or call 916/263-3560.

Hilmar Cheese Planning Expansion to Texas Plant

Hilmar Cheese is planning an expansion to their Texas plant which will roughly double the plant's capacity and make it possible to produce 640-pound blocks of natural American-style cheese. The expansion, which will add more milk storage and additional production lines, is expected to cost more than \$100 million.

Currently, the operation employs approximately 200 employees and will begin hiring the first of about 50 more in July. "We want to get folks on board and operating equipment," Chuck Ahlem said. "We hope to be up and running by the end of the year."

U.S. Mailbox Milk Prices

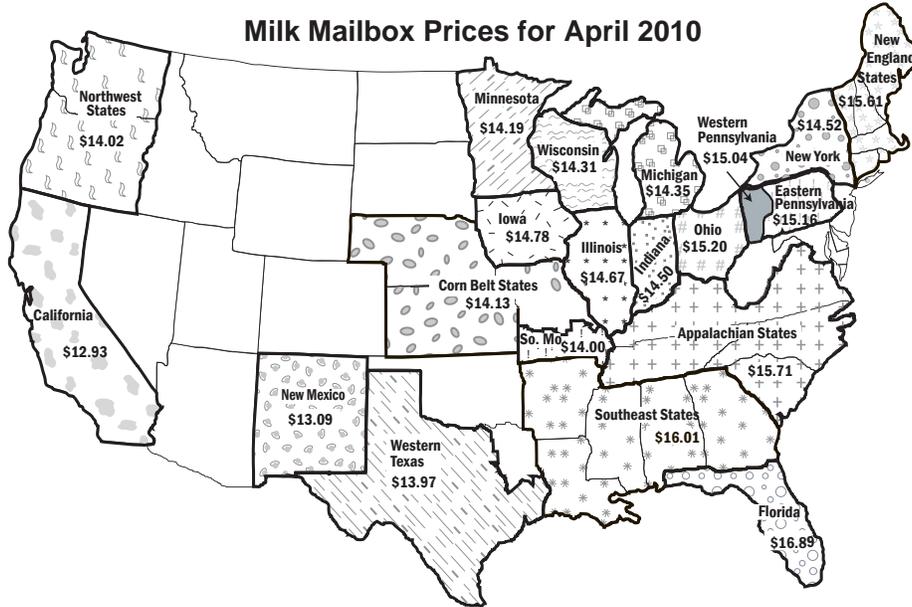
Milk Mailbox Prices in Dollars per Hundredweight

	October'09	November	December	January'10	February	March	April
California ¹	\$12.30	\$13.78	\$15.33	\$14.12	\$13.59	\$12.81	\$12.93
USDA ²	\$14.29	\$15.37	\$16.37	\$16.16	\$15.97	\$14.92	\$14.51

¹ California mailbox price calculated by CDFA.

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

Milk Mailbox Prices for April 2010



In April 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.51 per cwt., down \$0.41 from the previous month average, but up \$2.55 from April 2009. The component tests of producer milk in April 2010 were: butterfat, 3.61%; protein, 3.03%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except Minnesota. Mailbox prices ranged from \$16.89 in Florida to \$13.09 in New Mexico.



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

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