



# California Dairy Review

*A publication serving the California dairy industry for over 14 years*

Volume 15 Issue 8

August 2011

## 2011-12 Dairy Council Assessment Rates Established

The Dairy Council of California (Council) has recommended and the Department of Food and Agriculture has approved assessment rates for the Council's 2011-2012 fiscal year (July 1, 2011, through June 30, 2012). The rates are unchanged from last year: Class 1 Milk, One and Fifty Hundredths Cents (\$0.015) per hundredweight (cwt.); Milk for All Other Classes, Sixty Hundredths Cents (\$0.006) per cwt.

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 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.

### UPCOMING MOVE . . .

The Dairy Marketing and Milk Pooling Branches along with the entire Marketing Division, Animal Health and Food Safety Division and Inspection Services Division will be moving to a new location in August. The Dairy Marketing Branch move date is scheduled for the weekend of August 26th. It is anticipated that we will be fully functioning and up and running on Monday morning, August 29th. The new physical location will be 2800 Gateway Oaks Drive, Sacramento, in the Natomas area. Our mailing address will remain 1220 N Street, Sacramento CA 95814. Watch upcoming issues for more information and updates.

## California Milk Production Cost Comparison, by Region 1st Quarter and Yearly Average, 2010-2011

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
<i>Dollars per Hundredweight</i>										
<b>1st Quarter</b>										
Total Costs	\$19.02	\$19.99	\$13.60	\$14.73	\$13.26	\$14.62	\$12.81	\$14.86	\$13.48	\$14.79
Total Costs & Allowances*	\$20.86	\$21.92	\$15.11	\$16.29	\$14.78	\$16.18	\$14.49	\$16.56	\$15.02	\$16.37
<b>Yearly Average (All Twelve Months)</b>										
Total Costs	\$17.80		\$13.86		\$13.57		\$12.88		\$13.70	
Total Costs & Allowances*	\$19.60		\$15.32		\$15.07		\$14.48		\$15.19	

\* Includes an allowance for management and a return on investment

## Minimum Class Prices

### California Hundredweight Prices

Class	June	July	August
1 No. Calif.	\$21.41	\$22.38	\$23.24
So. Calif.	\$21.68	\$22.65	\$23.51
2 No. Calif.	\$20.12	\$20.12	N/A
So. Calif.	\$20.35	\$20.35	N/A
3	\$20.07	\$20.07	N/A
4a	\$20.79	N/A	N/A
4b	\$18.79	N/A	N/A

## Federal Order Minimum Class Prices

### Hundredweight Prices

Class I	June	July	August
Phoenix, Arizona	\$22.67	\$23.38	\$23.78
Portland, Oregon	\$22.22	\$22.93	\$23.33
Boston (Northeast)	\$23.57	\$24.28	\$24.68
<b>Class III</b>	<b>\$19.11</b>	<b>N/A</b>	<b>N/A</b>

## Quota Transfer Summary

Quota Transfers	May	June	July
Number of Sellers	2	4	6
Pounds of SNF Quota			
Transferred	1,473	1,400	5,640
Average Price Per			
Pound of SNF Quota	\$450	\$450	\$448

## Pool Prices

Month	Quota	Overbase
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
May	\$18.97	\$17.27
June	\$21.19	\$19.49

## USDA Milk-Feed Price Ratio

USDA reports that the milk-feed price ratio for June 2011 was 1.83 (up from 1.73 in May 2011). The current ratio of 1.83 means that a dairy producer can buy 1.83 pounds of feed for every pound of milk sold.

The prices used to calculate the June 2011 milk-feed price ratio: corn was \$6.58/bushel; baled alfalfa hay was \$180/ton; soybeans were \$13.30/bushel; all-milk price \$21.00/cwt. (up from \$19.60/cwt. in May 2011).

## Dairy Cow Culling Activity (Weekly)

Week Ending	Region 9 <sup>1</sup> Dairy Cows	U.S. Dairy Cows	West Region <sup>2</sup> Price Range
	Head		\$/cwt.
05/20/11	14,000	51,700	\$64-\$80
05/27/11	14,800	52,500	\$55-\$80
06/03/11	13,600	44,100	\$65-\$73
06/10/11	14,100	47,100	\$63-\$69
06/17/11	14,800	50,700	\$65-\$74
06/24/11	13,400	50,100	\$59-\$60
07/01/11	13,900	51,000	\$58-\$61
07/08/11	12,100	41,100	\$59-\$62

<sup>1</sup> Region 9 includes AZ, CA, HI and NV

<sup>2</sup> West region includes AZ, NV, UT, CA, ID, OR and WA

Source: USDA Market News: Report LM\_CT168 and SJ\_LS714

## Milk Mailbox Prices in Dollars per Hundredweight

	October '10	November	December	January '11	February	March	April
California <sup>1</sup>	\$16.50	\$15.62	\$14.62	\$15.31	\$17.50	\$18.00	\$17.51
USDA <sup>2</sup>	\$18.67	\$18.22	\$16.87	\$16.66	\$18.93	\$20.50	\$19.66

<sup>1</sup> California mailbox price calculated by CDFA.

<sup>2</sup> All federal milk market order weighted average, as calculated by USDA.

### Milk Mailbox Prices for April 2011



In April 2011, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$19.66 per cwt., down \$0.84 from the previous month average, and up \$5.15 from April 2010. The component tests of producer milk in April 2011 were: butterfat, 3.70%; protein, 3.06%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices increased from the previous month in all Federal milk order reporting areas except Appalachian States, Southeast States, and Florida. Mailbox prices in April 2011 ranged from \$22.06 in Florida to \$18.08 in New Mexico.

## U.S. Milk Production - June 2011

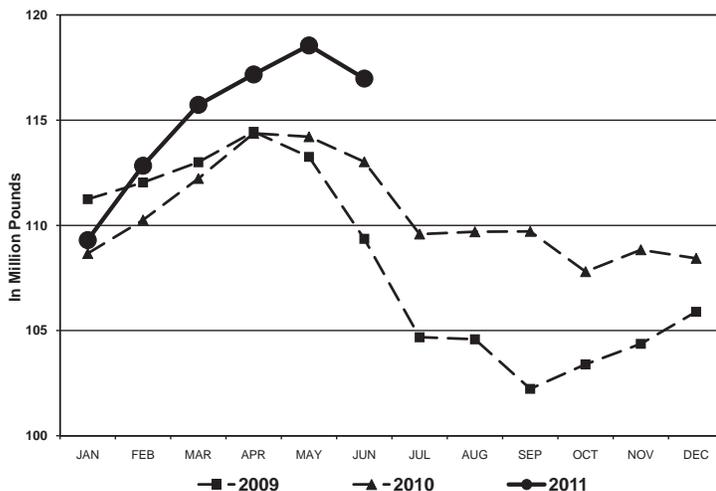
USDA estimates U.S. milk production for June 2011 in the top 23 milk producing states at 15.4 billion pounds, up 1.4 percent from June 2010. Production per cow in the top 23 milk producing states averaged 1,819 pounds for June, 2 pounds above June 2010.

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

- The number of cows on farms was 9.210 million head, up 81,000 head
- Production per cow averaged 1,795 pounds, 4 pounds more than June 2010
- Nine 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 1.1% in June 2011, compared to June 2010. USDA reports that California milk production increased 3.4% compared to June 2010 (on 19,000 more cows and 45 more pounds of milk per cow). Among other western states, compared to June 2010, Arizona was up 3.4%; New Mexico was up 1.9%; and Washington was up 6.3%. Three of the top 10 states reported a production decrease. The largest increase was reported by Texas at 10.3% growth in milk production (on 24,000 more cows and 75 more pounds of milk per cow).

Quarterly: For the second quarter of 2011 compared to the first quarter of 2011, U.S. milk cow numbers increased to 9.195 million head, milk production per cow increased to 5,490 pounds; the net effect was increased milk production to 50.5 billion pounds. USDA projects that for the third quarter of 2011 compared to the second quarter of 2011, U.S. milk cow numbers will remain the same at 9.195 million head, production per cow will decrease to 5,280 pounds; the net effect would be decreased milk production to 48.6 billion pounds.

### Top Ten Milk Production States - June 2011

(Percent Change from Same Month/Previous Year)

1. California	+3.4%	6. Texas	+10.3%
2. Wisconsin	-1.6%	7. Minnesota	-4.6%
3. Idaho	+5.0%	8. Michigan	+0.1%
4. New York	+0.3%	9. New Mexico	+1.9%
5. Pennsylvania	-2.0%	10. Washington	+6.3%

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 July 1, 2011 - Week Ending July 22, 2011

### Petaluma

	Low/High	Average
Supreme	N/A	N/A
Premium	N/A	N/A
Good	N/A	N/A
Fair	N/A	N/A

### Escalon-Merced-Modesto-Turlock

	Low/High	Average
Supreme	\$285/\$310	\$294
Premium	\$290/\$295	\$292
Good	\$235/\$262	\$252
Fair	\$245/\$245	\$245

### Tulare-Visalia-Hanford-Bakersfield

	Low/High	Average
Supreme	\$310/\$330	\$316
Premium	\$275/\$290	\$283
Good	\$250-\$275	\$265
Fair	\$240/\$270	\$253

### Chino-Los Angeles-San Diego

	Low/High	Average
Supreme	N/A	N/A
Premium	N/A	N/A
Good	N/A	N/A
Fair	N/A	N/A

**Note:** The format of the alfalfa hay report will be changing in upcoming issues. USDA has changed the regions and reporting of the weekly reports and these changes will be incorporated beginning with the September issue.

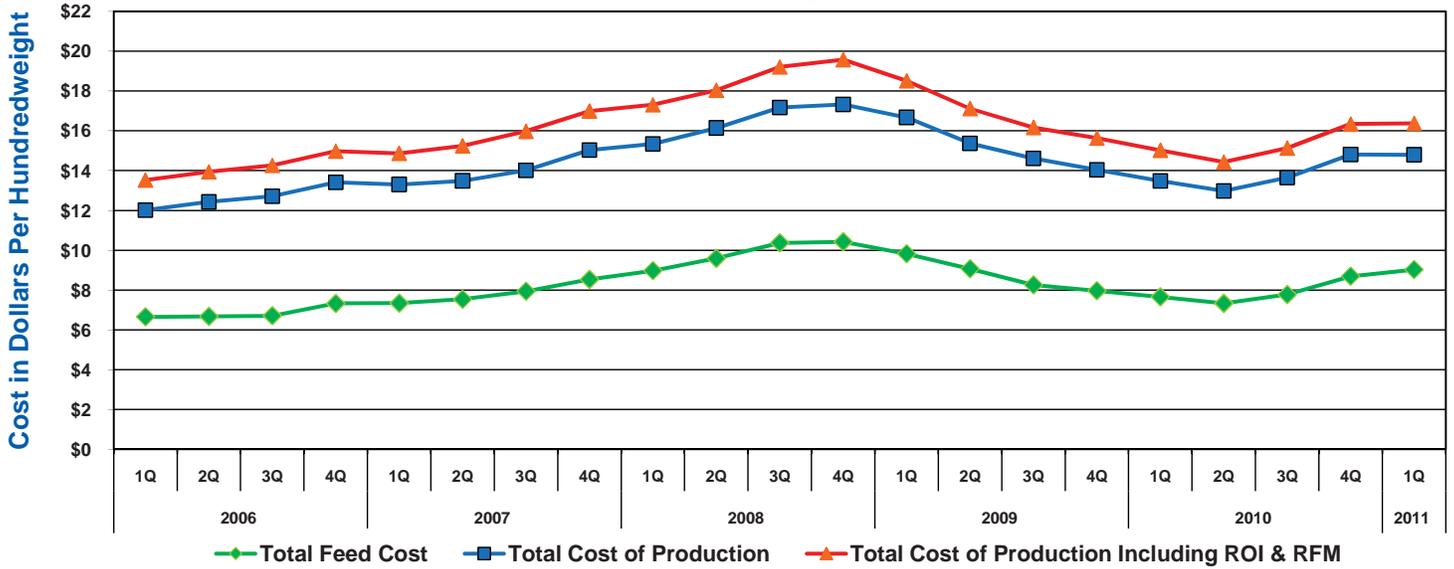
### Alfalfa Hay Update

All classes of hay traded mostly steady to firm and demand remains good with moderate trading activity. The supply of high quality test hay remains limited and prices are still firm. Exporters are very active on all types of hay. Southern hay is testing higher than usual for this time of year.

# U.S. Mailbox Milk Prices

## California Cost of Production, Total Feed Cost, by Quarter

Based on California Production Cost Survey, January 2006 through March 2011



ROI - Return on Investment  
RFM - Return For Management

Data Source: CDFA Dairy Marketing Branch



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

### Dairy Marketing Branch:

Outside California 1-916-442-MILK  
Within California 1-800-503-3490

### Milk Pricing Information:

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

California Department of Food and Agriculture  
Karen Ross, Secretary  
Dairy Marketing Branch  
1220 N Street  
Sacramento, CA 95814



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