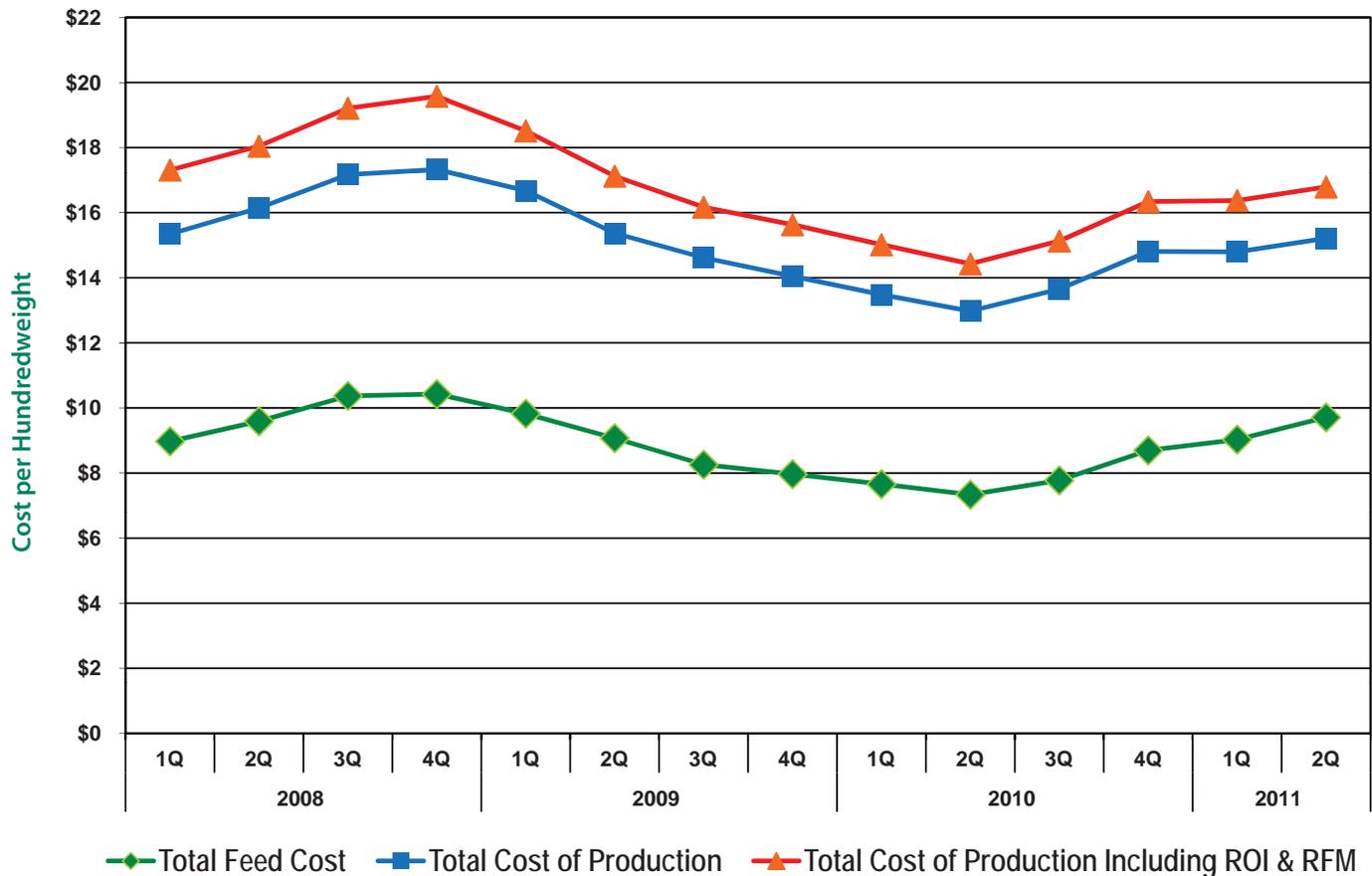


# California Dairy Review



Volume 15 Issue 11 November 2011

## California Cost of Production, Total Feed Cost, by Quarter Based on California Cost of Production Survey, January 2008 through June 2011



ROI - Return on Investment  
RFM - Return For Management

Data Source: CDFA Dairy Marketing Branch

## California Milk Production Cost Comparison, by Region 2nd 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>2nd Quarter</b>                        |             |         |              |         |              |         |                     |         |                            |         |
| Total Costs                               | \$16.54     | \$18.75 | \$13.17      | \$15.16 | \$12.81      | \$15.11 | \$12.20             | \$15.08 | \$12.98                    | \$15.21 |
| Total Costs & Allowances*                 | \$18.30     | \$20.67 | \$14.59      | \$16.73 | \$14.25      | \$16.68 | \$13.75             | \$16.76 | \$14.43                    | \$16.79 |
| <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        | September | October | November |
|--------------|-----------|---------|----------|
| 1 No. Calif. | \$23.56   | \$21.50 | \$20.26  |
| So. Calif.   | \$23.84   | \$21.77 | \$20.54  |
| 2 No. Calif. | \$20.85   | \$20.18 | \$20.18  |
| So. Calif.   | \$21.09   | \$20.42 | \$20.42  |
| 3            | \$20.80   | \$20.13 | \$20.13  |
| 4a           | \$19.29   | N/A     | N/A      |
| 4b           | \$16.33   | N/A     | N/A      |

## Federal Order Minimum Class Prices

Hundredweight Prices

| Class I            | September      | October    | November   |
|--------------------|----------------|------------|------------|
| Phoenix, Arizona   | \$24.13        | \$21.91    | \$20.80    |
| Portland, Oregon   | \$23.68        | \$21.46    | \$20.35    |
| Boston (Northeast) | \$25.03        | \$22.81    | \$21.70    |
| <b>Class III</b>   | <b>\$19.07</b> | <b>N/A</b> | <b>N/A</b> |

## Quota Transfer Summary

| Quota Transfers                      | August | September | October |
|--------------------------------------|--------|-----------|---------|
| Number of Sellers                    | 1      | 2         | 4       |
| Pounds of SNF Quota Transferred      | 865    | 529       | 5,017   |
| Average Price Per Pound of SNF Quota | \$364  | \$450     | \$454   |

## Pool Prices

| Month     | Quota   | Overbase |
|-----------|---------|----------|
| March '11 | \$19.01 | \$17.31  |
| April     | \$18.70 | \$17.00  |
| May       | \$18.97 | \$17.27  |
| June      | \$21.19 | \$19.49  |
| July      | \$21.24 | \$19.54  |
| August    | \$21.23 | \$19.53  |
| September | \$19.87 | \$18.17  |

## 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.                              |
| 08/19/11    | 14,300                           | 54,200          | \$64-\$71                            |
| 08/26/11    | 13,500                           | 54,600          | \$58-\$66                            |
| 09/02/11    | 14,100                           | 53,500          | \$60-\$71                            |
| 09/09/11    | 13,300                           | 49,200          | \$62-\$62                            |
| 09/16/11    | 15,400                           | 60,500          | \$55-\$64                            |
| 09/23/11    | 15,300                           | 58,700          | \$55-\$67                            |
| 09/30/11    | 15,600                           | 59,000          | \$52-\$61                            |
| 10/07/11    | 15,800                           | 56,800          | \$53-\$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

## USDA Milk-Feed Price Ratio

USDA reports that the milk-feed price ratio for September 2011 was 1.76 (down from 1.84 in August 2011). The current ratio of 1.76 means that a dairy producer can buy 1.76 pounds of feed for every pound of milk sold.

The prices used to calculate the September 2011 milk-feed price ratio: corn was \$6.69/bushel; baled alfalfa hay was \$196/ton; soybeans were \$13.10/bushel; all-milk price \$20.90/cwt. (down from \$22.00/cwt. in August 2011).

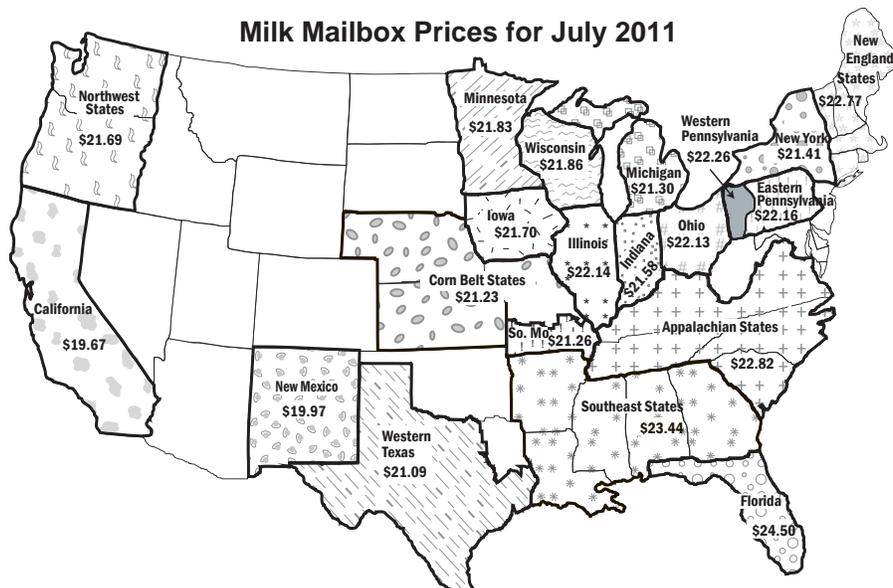
Prices used to calculate the milk-feed price ratio are based on U.S. prices and don't necessarily reflect California prices.

## Milk Mailbox Prices in Dollars per Hundredweight

|                         | January '11 | February | March   | April   | May     | June    | July    |
|-------------------------|-------------|----------|---------|---------|---------|---------|---------|
| California <sup>1</sup> | \$15.31     | \$17.50  | \$18.00 | \$17.51 | \$17.72 | \$19.80 | \$19.67 |
| USDA <sup>2</sup>       | \$16.66     | \$18.93  | \$20.50 | \$19.66 | \$19.58 | \$20.88 | \$21.74 |

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

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



In July 2011, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$21.74 per cwt., up \$.86 from the previous month average, and up \$5.92 from July 2010. The component tests of producer milk in July 2011 were: butterfat, 3.56%; protein, 2.95%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices increased from the previous month in all Federal milk order reporting areas. Mailbox prices in July 2011 ranged from \$24.50 in Florida to \$19.97 in New Mexico.

## U.S. Milk Production - September 2011

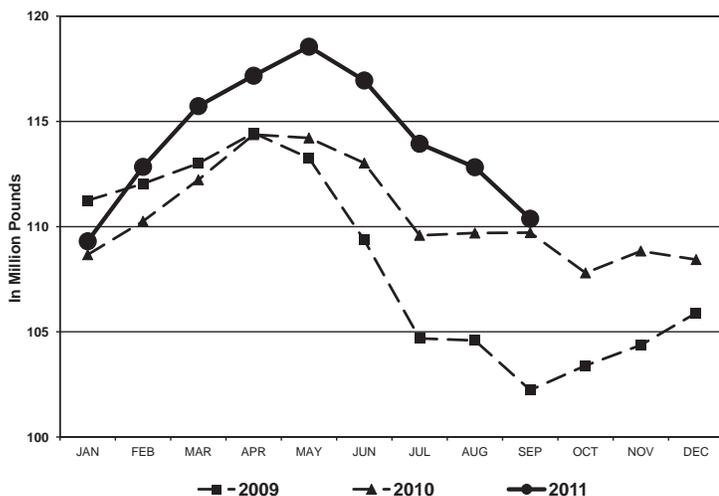
USDA estimates U.S. milk production for September 2011 in the top 23 milk producing states at 14.8 billion pounds, up 1.9 percent from September 2010. Production per cow in the top 23 milk producing states averaged 1,742 pounds for September, 12 pounds above September 2010.

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

- The number of cows on farms was 9.209 million head, up 88,000 head
- Production per cow averaged 1,716 pounds, 12 pounds more than September 2010
- Four 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 1.7% in September 2011, compared to September 2010. USDA reports that California milk production increased 0.6% compared to September 2010 (on 25,000 more cows and 15 less pounds of milk per cow). Among other western states, compared to September 2010, Arizona was up 4.7%; New Mexico was up 4.4%; and Washington was up 5.5%. Two of the top 10 states reported a production decrease. The largest increase was reported by Florida at 11.3% growth in milk production (on 6,000 more cows and 75 more pounds of milk per cow).

**Quarterly:** For the third quarter of 2011 compared to the second quarter of 2011, U.S. milk cow numbers increased to 9.217 million head, milk production per cow decreased to 5,290 pounds; the net effect was decreased milk production to 48.8 billion pounds. USDA projects that for the fourth quarter of 2011 compared to the third quarter of 2011, U.S. milk cow numbers will decrease to 9.215 million head, production per cow will decrease to 5,245 pounds; the net effect would be decreased milk production to 48.3 billion pounds.

### Top Ten Milk Production States - Sept. 2011

(Percent Change from Same Month/Previous Year)

- |                 |       |                |        |
|-----------------|-------|----------------|--------|
| 1. California   | +0.6% | 6. Texas       | +10.1% |
| 2. Wisconsin    | +1.8% | 7. Minnesota   | -0.7%  |
| 3. Idaho        | +2.9% | 8. Michigan    | +1.9%  |
| 4. New York     | +0.1% | 9. New Mexico  | +4.4%  |
| 5. Pennsylvania | -1.5% | 10. Washington | +5.5%  |

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 September 30, 2011 - Week Ending October 21, 2011

**Region 3:** San Joaquin, Claveras, Stanislaus, Tuolumne, Mono, Merced, and Mariposa.

|         | Low/High    | Average |
|---------|-------------|---------|
| Supreme | \$310/\$324 | \$316   |
| Premium | \$293/\$307 | \$301   |
| Good    | \$270/\$270 | \$270   |
| Fair    | N/A         | N/A     |

**Region 4:** Madera, Fresno, Kings, Tulare, and Inyo.

|         | Low/High    | Average |
|---------|-------------|---------|
| Supreme | \$310/\$325 | \$320   |
| Premium | \$315/\$315 | \$315   |
| Good    | \$280/\$280 | \$280   |
| Fair    | \$265/\$270 | \$268   |

**Region 5:** Kern, Northeast Los Angeles, and Western San Bernardino.

|         | Low/High | Average |
|---------|----------|---------|
| Supreme | N/A      | N/A     |
| Premium | 285/285  | \$285   |
| Good    | N/A      | N/A     |
| Fair    | N/A      | N/A     |

**Region 6:** Eastern San Bernardino, Riverside, and Imperial.

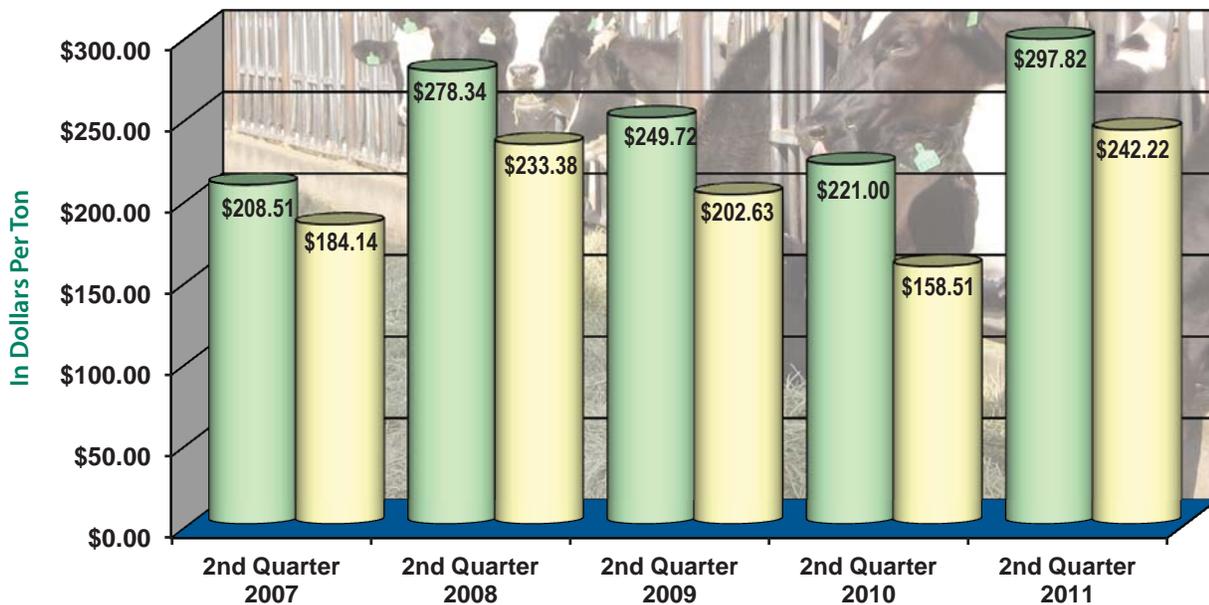
|         | Low/High | Average |
|---------|----------|---------|
| Supreme | N/A      | N/A     |
| Premium | N/A      | N/A     |
| Good    | N/A      | N/A     |
| Fair    | N/A      | N/A     |

### Alfalfa Hay Update

All classes of hay traded steady to firm with very good demand. Trading activities were light to moderate due to limited supplies statewide. Northern California hay production no longer experiencing rain delays. Southern California had very light trading activity and some retail hay coming out of barns.

Source: USDA CO Dept. of Ag Market News, Service, Greeley, CO, (970) 353-9750, [www.ams.usda.gov/mnreports/ML\\_GR311.txt](http://www.ams.usda.gov/mnreports/ML_GR311.txt)

## Average Cost Per Ton Fed: Grains, Minerals, Supplements and Milk Cow Alfalfa Hay Second Quarters, 2007-2011, in Dollars Per Ton



■ Grain, Minerals, Supplements (\$/ton)     
 ■ Milk Cow Alfalfa Hay (\$/ton)

- The second quarter of 2011 showed that the grain, minerals, and supplements costs were the highest over the five-year period shown.
- Comparing the second quarter of 2011 with 2007, grains, minerals, and supplements costs per ton increased 43 percent; milk cow alfalfa hay cost per ton increased 32 percent.

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