



California Dairy Review

Volume 15 Issue 9

September 2011

Department Announces Hearing Decision

Having carefully weighed the contents of the hearing record from the June 30 and July 1, 2011 milk pricing hearing, the Department has decided to amend the Class 4a and 4b pricing formulas in the Stabilization and Marketing Plans for Market Milk (Plans).

The Department has decided to:

- Implement the Department's administrative changes to the Class 4a and 4b formulas by including language to implement the collection of security charges provided by the Milk Producer Security Trust Fund as found in Code Section 62561.
- Increase the f.o.b. California Price Adjuster for Grade AA butter from \$0.0309 per pound to \$0.0485 per pound.
- Increase the manufacturing cost allowance for Grade AA butter from \$0.1560 to \$0.1635.
- Increase the manufacturing cost allowance for nonfat dry milk from \$0.1698 to \$0.1763.
- Replace the \$0.25/cwt. fixed whey factor with a sliding scale with five cent 'steps' that floors whey values at \$0.25/cwt. and caps whey values at \$0.65/cwt., using the Dairy Market News (DMN) Dry Whey-West Mostly commodity price series.

DMN Monthly Average Dry Whey Price (\$/lb)	Whey Factor in 4b Formula (\$/cwt.)
< 0.25	0.25
≥ 0.25 and < 0.30	0.30
≥ 0.30 and < 0.35	0.35
≥ 0.35 and < 0.40	0.40
≥ 0.40 and < 0.45	0.45
≥ 0.45 and < 0.50	0.50
≥ 0.50 and < 0.55	0.55
≥ 0.55 and < 0.60	0.60
≥ 0.60	0.65

The Department has decided not to make changes to:

- The f.o.b. California Price Adjuster for Cheddar cheese, and
- The manufacturing cost allowance for Cheddar cheese.

The Department recommends holding industry stakeholder meetings to:

- Review the methodology and parameters used in the calculation of the f.o.b. California Price Adjusters especially for Cheddar cheese, and
- Compare the National Agricultural Statistics Service (NASS) price series to the DMN price series for dry whey.

Had these changes been in effect from May 2006 to April 2011, the five-year average annual impact would have been a decrease of \$0.162/cwt. in Class 2/3/4a prices, an increase of \$0.149/cwt. in Class 4b prices, and no change in Quota and Overbase prices.

The changes to the Class 4a and 4b pricing formulas will be reflected in the amendments to the Plans for the Northern California and Southern California Marketing Areas, Order Numbers 55 and 70, respectively. The adjustments to the Plans will take effect for milk delivered to processing plants on or after September 1, 2011.

The Hearing Determinations, Panel Report, Plans and documents related to the hearing can be obtained on the Dairy Marketing home page at www.cdfa.ca.gov/dairy by clicking on [Hearing Matrix]. To access the Plans, click on [Dairy Marketing], located in the middle of the dairy home page and then on [Stabilization Plans].

Should you have any questions or desire further information, please contact Hyrum Eastman or Candace Gates at (916) 900-5014.

NEW LOCATION UPDATE ... The Dairy Marketing and Milk Pooling Branches along with the entire Marketing Division, Animal Health and Food Safety Division and Inspection Services Division have moved to 2800 Gateway Oaks Drive, Sacramento, 95833. The Dairy Marketing Branch phone number is 916-900-5014 and the Fax number is 916-900-5341. The mailing address will remain 1220 N Street, Sacramento CA 95814.

Minimum Class Prices

California Hundredweight Prices

Class	July	August	September
1 No. Calif.	\$22.38	\$23.24	\$23.56
So. Calif.	\$22.65	\$23.51	\$23.84
2 No. Calif.	\$20.12	\$20.85	\$20.85
So. Calif.	\$20.35	\$21.09	\$21.09
3	\$20.07	\$20.80	\$20.80
4a	\$20.07	N/A	N/A
4b	\$19.35	N/A	N/A

Pool Prices

Month	Quota	Overbase
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
July	\$21.24	\$19.54

USDA Milk-Feed Price Ratio

USDA reports that the milk-feed price ratio for July 2011 was 1.91 (up from 1.88 in June 2011). The current ratio of 1.91 means that a dairy producer can buy 1.91 pounds of feed for every pound of milk sold.

The prices used to calculate the July 2011 milk-feed price ratio: corn was \$6.46/bushel; baled alfalfa hay was \$189/ton; soybeans were \$13.40/bushel; all-milk price \$22.10/cwt. (up from \$21.20/cwt. in June 2011).

Federal Order Minimum Class Prices

Hundredweight Prices

Class I	July	August	September
Phoenix, Arizona	\$23.38	\$23.78	\$24.13
Portland, Oregon	\$22.93	\$23.33	\$23.68
Boston (Northeast)	\$24.28	\$24.68	\$25.03
Class III	\$21.39	N/A	N/A

Quota Transfer Summary

Quota Transfers	June	July	August
Number of Sellers	4	6	1
Pounds of SNF Quota Transferred	1,400	5,640	865
Average Price Per Pound of SNF Quota	\$450	\$448	\$364

Dairy Cow Culling Activity (Weekly)

Week Ending	Region 9 ¹ Dairy Cows	U.S. Dairy Cows	West Region ² Price Range
	Head		\$/cwt.
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
07/15/11	13,900	51,400	\$60-\$64
07/22/11	14,400	49,300	\$61-\$72
07/29/11	13,400	51,600	\$62-\$67
08/05/11	14,500	53,200	\$59-\$68

¹ Region 9 includes AZ, CA, HI and NV

² West region includes AZ, NV, UT, CA, ID, OR and WA

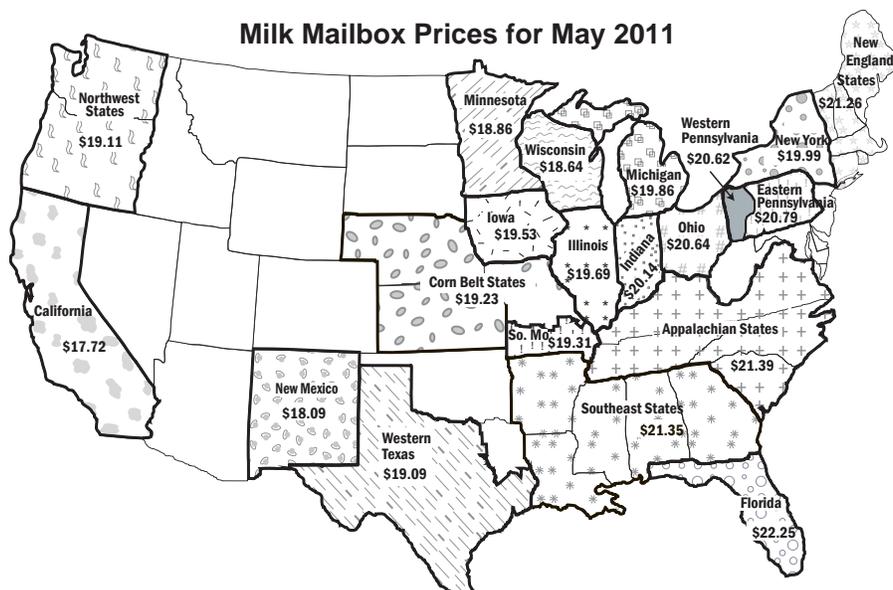
Source: USDA Market News: Report LM_CT168 and SJ_LS714

Milk Mailbox Prices in Dollars per Hundredweight

	November	December	January '11	February	March	April	May
California ¹	\$15.62	\$14.62	\$15.31	\$17.50	\$18.00	\$17.51	\$17.72
USDA ²	\$18.22	\$16.87	\$16.66	\$18.93	\$20.50	\$19.66	\$19.58

¹ California mailbox price calculated by CDFA.

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



In May 2011, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$19.58 per cwt., down \$0.08 from the previous month average, and up \$4.50 from May 2010. The component tests of producer milk in May 2011 were: butterfat, 3.65%; protein, 3.04%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices decreased from the previous month in 11 Federal milk order reporting areas and increased in 8 Federal milk order areas. Mailbox prices in May 2011 ranged from \$22.25 in Florida to \$18.09 in New Mexico.

U.S. Milk Production - July 2011

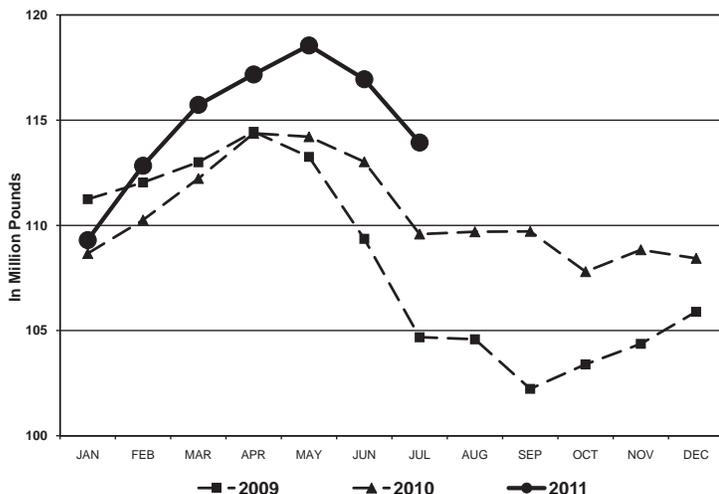
USDA estimates U.S. milk production for July 2011 in the top 23 milk producing states at 15.4 billion pounds, up 0.8 percent from July 2010. Production per cow in the top 23 milk producing states averaged 1,824 pounds for July, 5 pounds above July 2010.

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

- The number of cows on farms was 9.215 million head, up 80,000 head
- Production per cow averaged 1,796 pounds, 3 pounds less than July 2010
- Eleven 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 0.7% in July 2011, compared to July 2010. USDA reports that California milk production increased 4.4% compared to July 2010 (on 22,000 more cows and 60 more pounds of milk per cow). Among other western states, compared to July 2010, Arizona was up 4.8%; New Mexico was up 2.4%; and Washington was up 6.6%. Five of the top 10 states reported a production decrease. The largest increase was reported by Texas at 8.3% growth in milk production (on 20,000 more cows and 60 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 9.198 million head, milk production per cow increased to 5,484 pounds; the net effect was increased milk production to 50.4 billion pounds. USDA projects that for the third quarter of 2011 compared to the second quarter of 2011, U.S. milk cow numbers will increase to 9.210 million head, production per cow will decrease to 5,270 pounds; the net effect would be decreased milk production to 48.5 billion pounds.

Top Ten Milk Production States - July 2011

(Percent Change from Same Month/Previous Year)

1. California	+4.4%	6. Texas	+8.3%
2. Wisconsin	-3.5%	7. Minnesota	-6.6%
3. Idaho	+4.8%	8. Michigan	-1.5%
4. New York	-0.2%	9. New Mexico	+2.4%
5. Pennsylvania	-3.2%	10. Washington	+6.6%

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 29, 2011 - Week Ending August 19, 2011

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

	Low/High	Average
Supreme	\$300/\$335	\$323
Premium	\$275/\$290	\$284
Good	\$248/\$275	\$268
Fair	\$240/\$260	\$250

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

	Low/High	Average
Supreme	\$300/\$325	\$318
Premium	\$275/\$305	\$289
Good	\$260/\$295	\$269
Fair	\$254/\$260	\$257

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

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

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

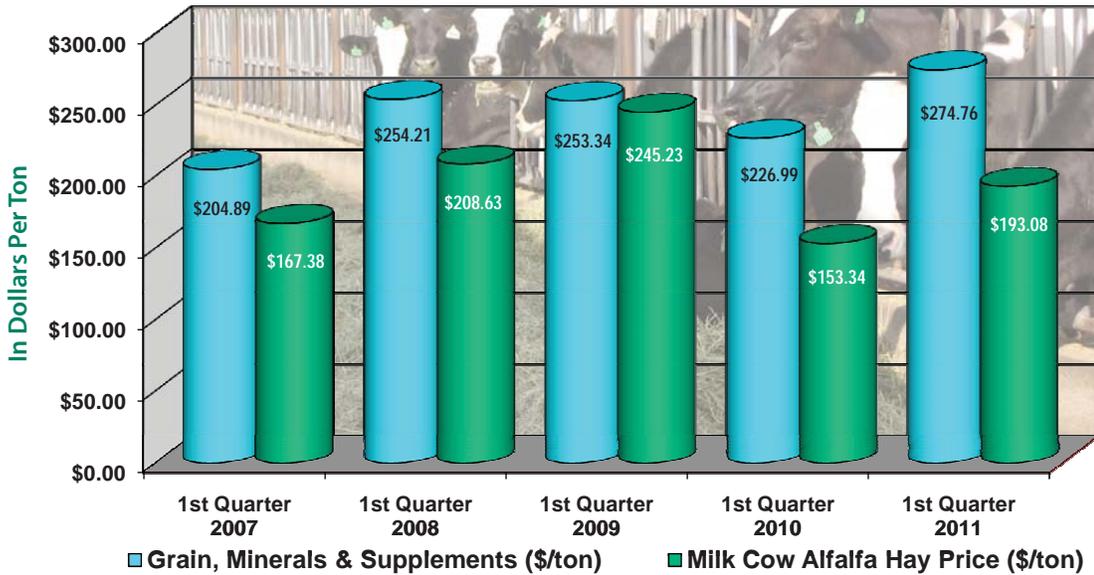
	Low/High	Average
Supreme	N/A	N/A
Premium	\$270/\$290	\$285
Good	\$265/\$270	\$268
Fair	\$250/\$260	\$255

Alfalfa Hay Update

All classes of hay traded steady to firm. Demand for hay remains very good with active trading, exporters are very actively trading on all classes of hay. Supplies are staying current with demand.

U.S. Mailbox Milk Prices

A Comparison of the Average Cost Per Ton Fed: Grains, Minerals, Supplements and Milk Cow Alfalfa Hay - First Quarters, 2007-2011, in Dollars Per Ton



- The first quarter of 2011 showed that the grain, minerals, and supplements costs were the highest over the five-year period shown.
- Comparing the first quarter of 2007 with 2011, grains, minerals, and supplements costs per ton increased 34%; milk cow alfalfa hay cost per ton increased 15%.



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

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



Presorted
 First Class
 U.S. Postage
 PAID
 Permit No. 81
 Sacramento, CA