

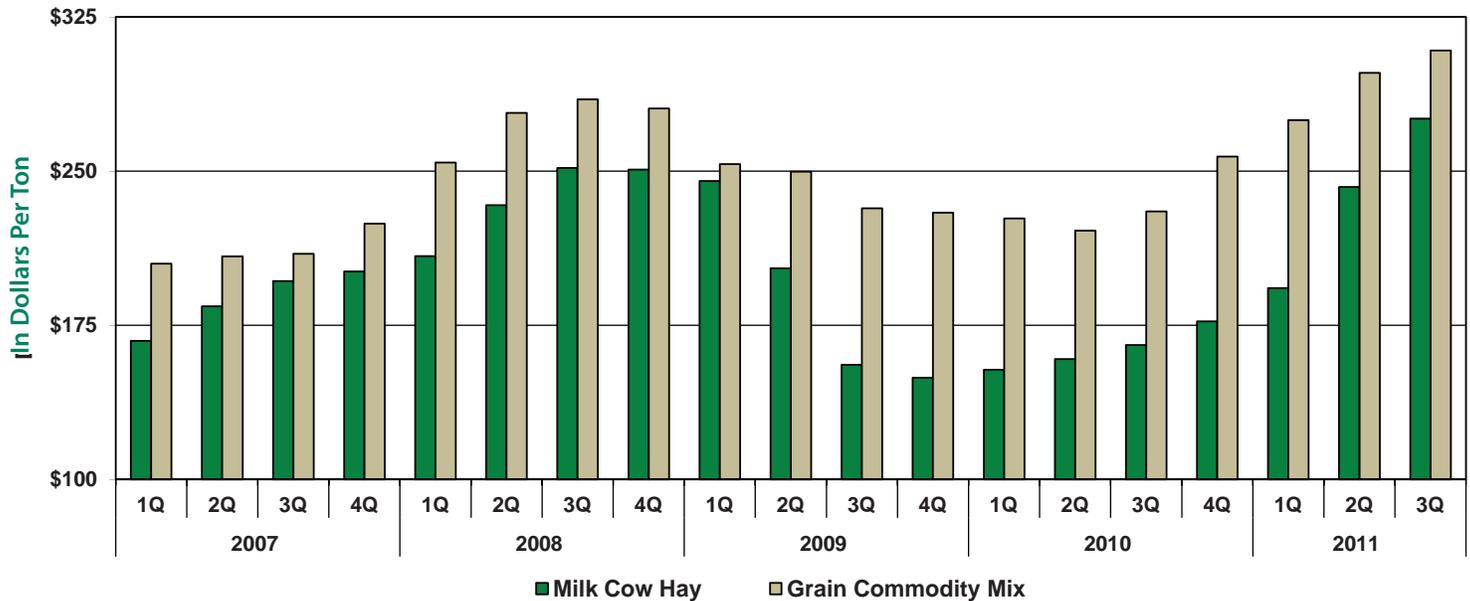
# California Dairy Review



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## California Milk Cow Hay and Grain Commodity Mix Prices<sup>1</sup> 1<sup>st</sup> Quarter 2007 through 3<sup>rd</sup> Quarter 2011, in Dollars Per Ton



<sup>1/</sup> Survey of average price for hay & grain mix fed by California producers.

Data Source: CDFA Dairy Marketing Branch

- The third quarter of 2011 showed that the Grain Commodity Mix costs and the Milk Cow Hay costs were the highest over the five-year period shown.

## California Milk Production Cost Comparison, by Region 3<sup>rd</sup> 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>3rd Quarter</b>                        |             |         |              |         |              |         |                     |         |                            |         |
| Total Costs                               | \$16.73     | \$19.89 | \$13.75      | \$16.10 | \$13.57      | \$16.50 | \$12.74             | \$16.22 | \$13.65                    | \$16.41 |
| Total Costs & Allowances*                 | \$18.47     | \$21.80 | \$15.20      | \$17.70 | \$15.06      | \$18.12 | \$14.29             | \$17.95 | \$15.13                    | \$18.04 |
| <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

## California Minimum Class Prices

Hundredweight Prices

| Class        | January | February | March   |
|--------------|---------|----------|---------|
| 1 No. Calif. | \$19.88 | \$18.52  | \$17.60 |
| So. Calif.   | \$20.15 | \$18.79  | \$17.87 |
| 2 No. Calif. | \$18.42 | \$16.81  | \$16.81 |
| So. Calif.   | \$18.65 | \$17.04  | \$17.04 |
| 3            | \$18.37 | \$16.76  | \$16.76 |
| 4a           | \$16.18 | N/A      | N/A     |
| 4b           | \$14.23 | N/A      | N/A     |

## Federal Order Minimum Class Prices

Hundredweight Prices

| Class I            | January        | February | March   |
|--------------------|----------------|----------|---------|
| Phoenix, Arizona   | \$21.15        | \$19.38  | \$18.65 |
| Portland, Oregon   | \$20.70        | \$18.93  | \$18.20 |
| Boston (Northeast) | \$22.05        | \$20.28  | \$19.55 |
| <b>Class III</b>   | <b>\$17.05</b> | N/A      | N/A     |

## California Pool Prices

| Pool Price | November | December | January |
|------------|----------|----------|---------|
| Quota      | \$19.31  | \$17.80  | \$17.25 |
| Overbase   | \$17.61  | \$16.10  | \$15.55 |

## USDA Milk-Feed Price Ratio

USDA reports that the milk-feed price ratio for January 2012 was 1.77 (down from 1.81 in December 2011). The current ratio of 1.77 means that a dairy producer can buy 1.77 pounds of feed for every pound of milk sold. The prices used to calculate the January 2012 milk-feed price ratio: corn was \$5.90/bushel; baled alfalfa hay was \$192/ton; soybeans were \$11.70/bushel; all-milk price \$19.20/cwt. (down \$0.60 from December 2011).

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

## Quota Transfer Summary

| Quota Transfers                      | December | January | February |
|--------------------------------------|----------|---------|----------|
| Number of Sellers                    | 1        | 6       | 8        |
| Pounds of SNF Quota Transferred      | 150      | 5,681   | 4,603    |
| Average Price Per Pound of SNF Quota | \$475    | \$456   | \$474    |

## USDA 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.                              |
| 01/06/12    | 15,100                           | 58,200          | \$59-\$66                            |
| 01/13/12    | 15,300                           | 62,600          | \$59-\$68                            |
| 01/20/12    | 17,100                           | 60,900          | \$58-\$72                            |
| 01/27/12    | 16,300                           | 59,200          | \$55-\$62                            |
| 02/03/12    | 17,900                           | 63,400          | \$61-\$64                            |
| 02/10/12    | 18,700                           | 64,100          | \$64-\$73                            |

<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

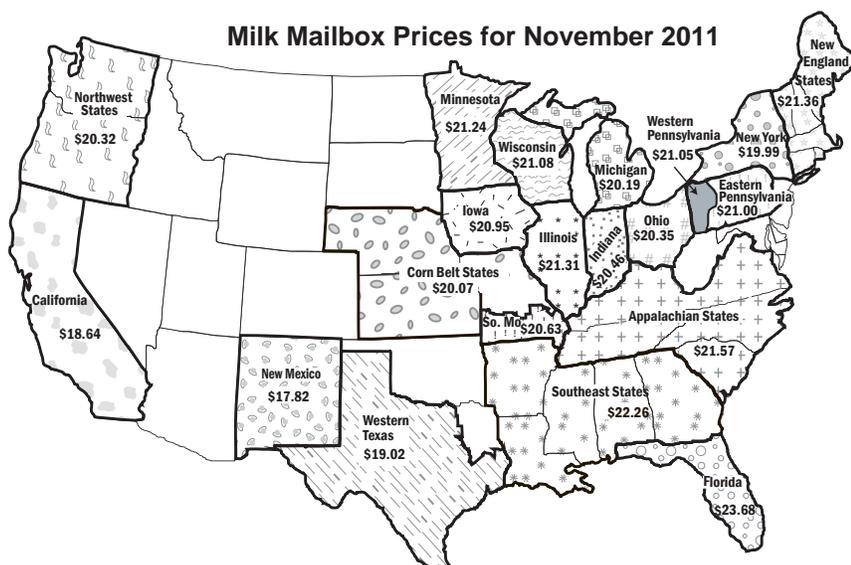
Source: USDA Market News: Report LM\_CT168 and SJ\_LS714

## Milk Mailbox Prices in Dollars per Hundredweight

|                         | May '11 | June    | July    | August  | September | October | November |
|-------------------------|---------|---------|---------|---------|-----------|---------|----------|
| California <sup>1</sup> | \$17.72 | \$19.80 | \$19.67 | \$19.85 | \$18.61   | \$17.89 | \$18.64  |
| USDA <sup>2</sup>       | \$19.58 | \$20.88 | \$21.74 | \$22.25 | \$21.39   | \$20.10 | \$20.55  |

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

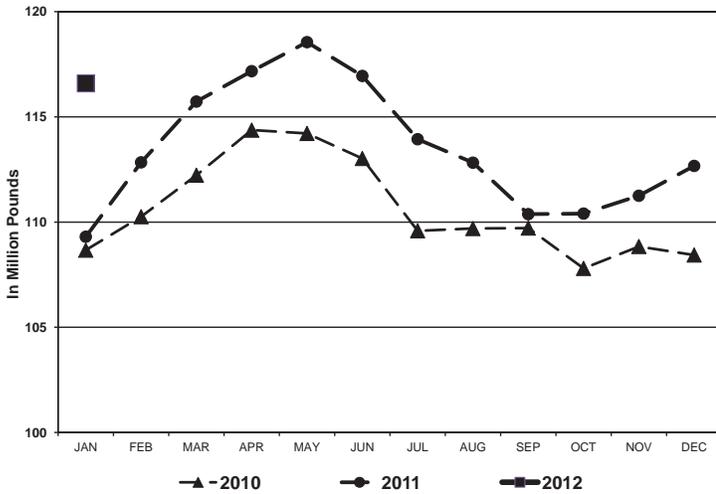
<sup>2</sup> All federal milk market order weighted average, as calculated by USDA.



In November 2011, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$20.55 per cwt., up \$0.45 from the previous month's average, and up \$2.33 from November 2010. The component tests of producer milk in November 2011 were: butterfat, 3.82%; protein, 3.20%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased in 13 areas, decreased in 5 areas, and remained the same in the Southern Missouri reporting area when compared to the previous month. Mailbox prices in November 2011 ranged from \$23.68 in Florida to \$17.82 in New Mexico.

## California Milk Production

Average Daily Basis: 2010, 2011, 2012



## National Dairy Situation and Outlook – USDA Estimates

### Milk Production

Monthly: USDA estimates overall milk production across the U.S. was up by 3.4% in January 2012, compared to January 2011. USDA reports that California milk production increased 6.6% compared to January 2012 (on 29,000 more cows and 95 more pounds of milk per cow). Among other western states, compared to January 2011, Arizona was up 7.0%; New Mexico was up 0.7%; and Washington was up 5.4%. None of the top 10 states reported a production decrease. The largest increase was reported by Utah at 8.6% growth in milk production (on 4,000 more cows and 65 more pounds of milk per cow).

### For the U.S. overall, comparing January 2012 to January 2011:

- The number of cows on farms was 9.236 million head, up 76,000 head
- Production per cow averaged 1,835 pounds, 45 pounds more than January 2011
- One of the top twenty-three milk producing states showed a decrease in milk production

### Utility Cow Prices

Comparing the fourth quarter of 2011 to the third quarter of 2011, average U.S. utility cow prices were down \$2.57/cwt. to a national average of \$63.54/cwt. USDA projects that utility cow prices will average \$70-72/cwt. in the first quarter of 2012.

### Top Ten Milk Production States - Jan. 2012

(Percent Change from Same Month/Previous Year)

- |                       |                      |
|-----------------------|----------------------|
| 1. California +6.6%   | 6. Texas +3.8%       |
| 2. Wisconsin +3.7%    | 7. Minnesota +0.5%   |
| 3. Idaho +4.7%        | 8. Michigan +2.8%    |
| 4. New York +0.3%     | 9. New Mexico +0.7%  |
| 5. Pennsylvania +0.6% | 10. Washington +5.4% |

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

## USDA Commercial Cold Storage Report

| Month             | Butter |      | Total Cheese |      | Nonfat Dry Milk |      |
|-------------------|--------|------|--------------|------|-----------------|------|
|                   | 2011   | 2012 | 2011         | 2012 | 2011            | 2012 |
| In Million Pounds |        |      |              |      |                 |      |
| January           | 119    | 171  | 638          | 612  | 98              | N/A  |
| February          | 139    |      | 620          |      | 124             |      |
| March             | 144    |      | 611          |      | 124             |      |
| April             | 142    |      | 621          |      | 150             |      |
| May               | 170    |      | 622          |      | 166             |      |
| June              | 190    |      | 618          |      | 190             |      |
| July              | 188    |      | 647          |      | 193             |      |
| August            | 166    |      | 643          |      | 167             |      |
| September         | 151    |      | 633          |      | 151             |      |
| October           | 130    |      | 615          |      | 144             |      |
| November          | 94     |      | 584          |      | 146             |      |
| December          | 105    |      | 601          |      | --              |      |

Source: USDA, Farm Services Agency, NASS Cold Storage and Dairy Products. (As published in the Dairy Market News)

## Alfalfa Hay Monthly Weighted Average Prices

Both F.O.B. and Delivered Prices Displayed - Week Ending January 27, 2012-February 24, 2012

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

| FOB     | Low/High    | Average |
|---------|-------------|---------|
| Supreme | \$300/\$305 | \$304   |
| Premium | \$275/\$285 | \$290   |
| Good    | \$265/\$275 | \$267   |
| Fair    | \$225/\$240 | \$233   |

| Delivered | Low/High    | Average |
|-----------|-------------|---------|
| Supreme   | \$315/\$340 | \$326   |
| Premium   | \$300/\$315 | \$308   |
| Good      | \$285/\$310 | \$294   |
| Fair      | \$220/\$280 | \$260   |

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

| FOB     | Low/High    | Average |
|---------|-------------|---------|
| Supreme | N/A         | N/A     |
| Premium | \$300/\$300 | \$300   |
| Good    | N/A         | N/A     |
| Fair    | N/A         | N/A     |

| Delivered | Low/High    | Average |
|-----------|-------------|---------|
| Supreme   | \$325/\$335 | \$329   |
| Premium   | \$310/\$315 | \$314   |
| Good      | N/A         | N/A     |
| Fair      | N/A         | N/A     |

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

| FOB     | Low/High    | Average |
|---------|-------------|---------|
| Supreme | \$310/\$320 | \$319   |
| Premium | \$290/\$300 | \$294   |
| Good    | \$280/\$280 | \$280   |
| Fair    | \$265-\$265 | \$265   |

| Delivered | 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.

| FOB     | Low/High    | Average |
|---------|-------------|---------|
| Supreme | \$266/\$320 | \$294   |
| Premium | \$265/\$300 | \$276   |
| Good    | \$255/\$280 | \$265   |
| Fair    | \$240/\$250 | \$246   |

| Delivered | Low/High    | Average |
|-----------|-------------|---------|
| Supreme   | N/A         | N/A     |
| Premium   | \$315/\$320 | \$318   |
| Good      | \$285/\$310 | \$298   |
| Fair      | N/A         | N/A     |

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



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