

California Dairy Review



Volume 18 Issue 9

September 2014

End of the Brucellosis Milk Surveillance Program in California

From Dr. Annette Jones, D.V.M., State Veterinarian and Director

The California Department of Food and Agriculture (CDFA) has cooperated with the livestock industry and the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) since 1934 to eradicate brucellosis. California obtained brucellosis-free status in 1997. By 2007, the national eradication program had achieved an all-time low national herd prevalence of less than 0.0001 percent and since July 2009 the USDA has designated all fifty states as Class Free for bovine brucellosis. Despite recent detections of infection in livestock in the Greater Yellowstone Area (GYA) states of Idaho, Montana and Wyoming, where the disease is endemic in wild elk and bison, all three states remain Class Free. The national surveillance plan changed in 2009 to direct resources to the challenges from brucellosis in wildlife and eliminated funding for the brucellosis milk ring test (BRT) program and for brucellosis testing at slaughterhouses and reduced slaughter surveillance.

California maintained a BRT program through July 2014, testing milk samples from all commercial dairies twice a year. It has been over 22 years since the last dairy herd was detected with brucellosis in California using the BRT. Ensuring the collection of fresh milk samples representing every milking cow from every dairy has become difficult and costly due to California's large dairies and complex marketing strategies, and it has been determined that CDFA's resources could be better utilized in other activities.

As of August 1, 2014 we are ceasing the brucellosis milk surveillance program and will rely on slaughter surveillance, private tests, and the examination of aborted fetuses and samples from aborting cattle submitted to the laboratory to detect infection and meet the national surveillance goals to maintain brucellosis-free status.

The Size of California's Dairy Farms, May 2014

	Range of Milk Marketings	Number of Grade A & B Farms	Percent of Total Grade A & B Farms	Percent of Total Grade A & B Milk Marketings
	> 5.0 Million Lbs.	203	13.85%	41.80%
	2.4 to 4.9 Million Lbs.	333	22.71%	31.24%
	1.5 to 2.3 Million Lbs.	275	18.76%	14.20%
	1 to 1.4 Million Lbs.	188	12.82%	6.25%
	750,000 to 999,999 Lbs.	121	8.25%	2.85%
	500,000 to 749,999 Lbs.	108	7.37%	1.82%
	250,000 to 499,999 Lbs.	143	9.75%	1.47%
	< 249,999 Lbs.	95	6.48%	0.37%



= Farms producing at least one tanker load of milk per day, based on 1.5+ million pounds/month.

Sources: CDFA Dairy Marketing and Milk Pooling Branches

California Farms by Size, A Comparison...

- The 536 dairy farms producing over 2.4 million pounds per month (37% of the state's dairies) produce 73% of the state's milk marketings.
- In May 2014, 811 dairies produced more than one tanker load of milk per day.
- The 346 dairy farms (24% of the state's dairies) producing less than 750,000 pounds per month produce less than 4% of the state's milk marketings.
- Nearly 42% of the total milk marketings were from dairies who produce over 5 million pounds of milk per month.
- In May 2014, there were 203 dairies producing more than 5 million pounds of milk per month (up from 201 dairies in 2013).

California Minimum Class Prices

Hundredweight Prices

Class	July	Aug.	Sept.
1 No. Calif.	\$25.13	\$25.28	\$25.39
So. Calif.	\$25.40	\$25.55	\$25.66
2 No. Calif.	\$23.22	\$23.74	\$23.74
So. Calif.	\$23.45	\$23.97	\$23.97
3	\$23.22	\$23.69	\$23.69
4a	\$23.58	N/A	N/A
4b	\$18.69	N/A	N/A

Quota Transfer Summary

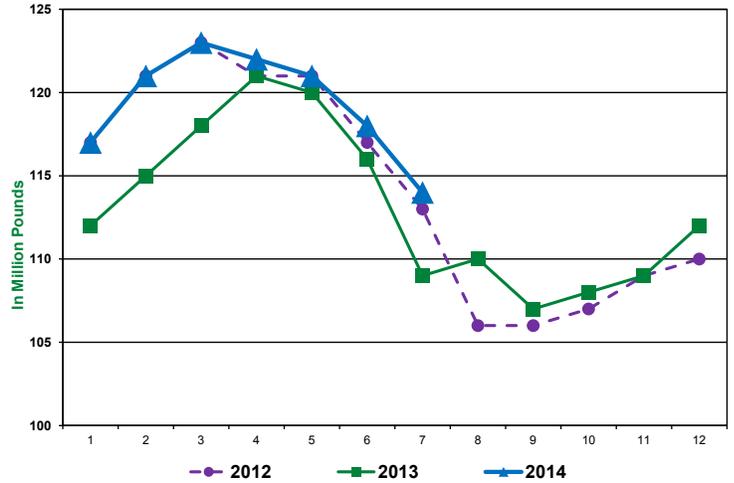
Quota Transfers	June	July	Aug.
Number of Sellers	1	3	2
Pounds of SNF Quota Transferred	1,974	11,061	275
Average Price Per Pound of SNF Quota	\$525	\$519	\$538

California Pool Prices

Pool Price	May	June	July
Quota	\$22.77	\$22.75	\$22.53
Overbase	\$21.07	\$21.05	\$20.83

California Milk Production

Average Daily Basis: 2012, 2013, 2014



California Milk Production Cost Comparison, by Region, 2013-2014

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
<i>Dollars per Hundredweight</i>										
1st Quarter										
Total Costs	\$24.44	\$24.89	\$17.64	\$16.73	\$17.57	\$16.19	\$16.96	\$16.11	\$17.69	\$16.56
Total Costs & Allowances*	\$26.14	\$26.92	\$19.08	\$18.38	\$19.06	\$17.84	\$18.38	\$17.76	\$19.16	\$18.22

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

California Alfalfa Hay Monthly Weighted Average Prices – Delivered

Week Ending	Aug. 1, 2014		Aug. 8, 2014		Aug. 15, 2014		Aug. 22, 2014	
	Tons	Price Range	Tons	Price Range	Tons	Price Range	Tons	Price Range
Tulare, Hanford Areas								
Supreme	2,575	\$350-\$365	350	\$350-\$355	600	\$350-\$360	200	\$350
Premium	2,485	\$338-\$350	150	\$330-\$345	1,300	\$330-\$355	1,760	\$310-\$340
Good	7,570	\$290-\$320	350	\$280-\$315	7,350	\$280-\$320	2,863	\$275-\$300
Fair	6,525	\$250-\$280	7,825	\$235-\$260	5,175	\$235-\$255	8,225	\$235-\$250
Escalon, Modesto, Turlock Areas								
Supreme	1,040	\$350-\$365	1,100	\$350-\$372	1,305	\$350-\$355	1,000	\$345-\$355
Premium	540	\$330-\$350	185	\$335-\$350	400	\$325-\$330	1,750	\$305-\$335
Good	500	\$280-\$300	250	\$265	0	No Sales	1,300	\$255-\$280
Fair	3,750	\$240-\$270	2,700	\$230-\$260	1,750	\$230-\$250	3,400	\$225-\$240

Source: The Hoyt Report, Inc.



Federal Order Minimum Class Prices

Hundredweight Prices

Class I	July	Aug.	Sept.
Phoenix, Arizona	\$25.37	\$26.22	\$25.98
Portland, Oregon	\$24.76	\$24.92	\$25.53
Boston (Northeast)	\$26.11	\$26.27	\$26.88
Class III	\$21.60	N/A	N/A

USDA Dairy Cow Culling Activity

Week Ending	Region 9 ¹ Dairy Cows	U.S. Dairy Cows	West Region ² Price Range
	Head	Head	\$/cwt.
07/18/14	12,300	53,100	\$96-\$115
07/25/14	12,600	52,600	\$87-\$119
08/01/14	12,500	50,200	\$93-\$109
08/08/14	13,300	53,300	\$94-\$120

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

USDA Commercial Cold Storage Report

Month	Butter		American Cheese		Nonfat Dry Milk	
	2013	2014	2013	2014	2013	2014
<i>In Million Pounds</i>						
January	207	138	644	631	249	149
February	240	164	667	628	225	182
March	255	180	680	639	218	214
April	310	174	699	648	208	239
May	321	193	714	656	227	221
June	319	186	711	655	230	229
July	296	170	705	660	207	-
August	269		670		194	
September	233		661		147	
October	182		626		111	
November	121		616		114	
December	112		618		133	

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

USDA Milk-Feed Price Ratio

USDA reports that the milk-feed price ratio for July 2014 was 2.44 (up from 2.20 in June 2014). The current ratio of 2.44 means that a dairy producer can buy 2.44 pounds of feed for every pound of milk sold. The prices used to calculate the July 2014 milk-feed price ratio were: corn \$3.80/bushel; soybeans \$12.70/bushel; baled alfalfa hay \$216/ton; all-milk price \$23.40/cwt. (increased from \$23.20 in June 2014).

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

National Dairy Situation & Outlook USDA Estimates

Milk Production

Monthly: USDA estimates overall milk production across the U.S. increased 3.9% in July 2014, compared to July 2013. USDA reports that California milk production increased 4.4% compared to July 2013 (on 2,000 less cows and 85 more pounds of milk per cow). Among other western states, compared to July 2013, Arizona was up 8.9%; New Mexico was down 0.1%; and Washington was up 2.9%. Two of the top 10 milk producing states reported a production decrease. The largest increase was reported by Arizona at 8.9% growth in milk production (on 5,000 more cows and 115 more pounds of milk per cow).

Quarterly: For the second quarter of 2014 compared to the first quarter of 2014, U.S. milk cow numbers increased to 9.253 million head, milk production per cow increased to 5,708 pounds; the net effect was milk production increased to 52.8 billion pounds. USDA projects that for the third quarter of 2014 compared to the second quarter of 2014, milk cow numbers will increase to 9.275 million head, production per cow will decrease to 5,495 pounds, the net effect would be a decrease in milk production to 51.0 billion pounds.

Milk Prices

Comparing the second quarter of 2014 to the first quarter of 2014, U.S. average all-milk prices decreased to \$24.23/cwt. USDA projects that for the third quarter of 2014, U.S. average all-milk prices will be \$23.60-\$23.90/cwt.; Class III prices will be \$21.00-\$21.30/cwt.; and Class IV prices will be \$22.95-\$23.35/cwt.

Utility Cow Prices

Comparing the second quarter of 2014 to the first quarter of 2014, average U.S. utility cow prices were up \$9.45/cwt. to a national average of \$98.57/cwt. USDA projects that utility cow prices will average \$101-\$105/cwt. in the third quarter of 2014.

Top Ten Milk Production States - July 2014

(Percent Change from Same Month/Previous Year)

1. California	+4.4%	6. Texas	+5.5%
2. Wisconsin	+3.4%	7. Michigan	+8.2%
3. Idaho	+4.0%	8. Minnesota	-0.1%
4. New York	+4.8%	9. New Mexico	-0.1%
5. Pennsylvania	+3.0%	10. Washington	+2.9%

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

Milk Mailbox Prices in Dollars per Hundredweight - 2014

2014 Mailbox Milk Prices

Reporting Areas	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Dollars Per Hundredweight												
California	\$22.04	\$22.67	\$23.36	\$23.13	\$21.72							
New England States	\$24.68	\$25.94	\$26.30	\$26.41	\$25.91							
New York	\$23.64	\$25.06	\$25.58	\$25.66	\$25.16							
Eastern Pennsylvania	\$23.75	\$25.10	\$25.48	\$25.58	\$25.12							
Appalachian States	\$24.59	\$25.41	\$25.96	\$25.78	\$25.77							
Southeast States	\$24.62	\$25.69	\$26.10	\$25.83	\$26.12							
Southern Missouri	\$23.69	\$24.57	\$24.92	\$24.64	\$24.63							
Florida	\$25.33	\$26.77	\$27.27	\$27.13	\$27.41							
Western Pennsylvania	\$23.69	\$25.20	\$25.61	\$25.77	\$24.87							
Ohio	\$23.68	\$24.92	\$25.24	\$25.38	\$24.45							
Indiana	\$23.03	\$24.22	\$24.46	\$24.51	\$23.87							
Michigan	\$22.94	\$24.28	\$24.62	\$24.66	\$23.90							
Wisconsin	\$23.51	\$25.31	\$25.34	\$25.91	\$24.38							
Minnesota	\$23.48	\$25.48	\$25.43	\$26.06	\$24.47							
Iowa	\$23.84	\$25.44	\$25.75	\$25.97	\$24.83							
Illinois	\$23.75	\$25.50	\$25.61	\$25.81	\$24.80							
Corn Belt States	\$22.77	\$24.24	\$24.39	\$24.51	\$23.32							
Western Texas	\$22.73	\$24.31	\$24.32	\$24.42	\$22.96							
New Mexico	\$21.53	\$22.90	\$22.96	\$22.94	\$21.77							
Northwest States	\$23.73	\$24.63	\$25.36	\$24.97	\$23.85							
All Federal Order Areas	\$23.47	\$24.91	\$25.18	\$25.33	\$24.37							

California mailbox price calculated by CDFA Dairy Marketing Branch
All federal milk market order weighted average, as calculated by USDA.

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California Department of Food and Agriculture
Karen Ross, Secretary

Dairy Marketing Branch

1220 N Street

Sacramento, CA 95814

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) 900-5014, or send an

email to dairy@cdfa.ca.gov

Milk Pricing Information:

800-503-3490 or 916-442-MILK

Dairy Marketing Branch:

Phone (916) 900-5014; Fax (916) 900-5341

Website: www.cdfa.ca.gov/dairy

Email: dairy@cdfa.ca.gov

