

California

Dairy Review

A publication serving the California dairy industry for over 12 years

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Federal Dairy Industry Advisory Committee Members Chosen

Excerpt from USDA News

Agriculture Secretary Tom Vilsack has announced the appointment of 17 members to a federal Dairy Industry Advisory Committee. Over the next two years, the committee will review the issues of farm milk price volatility, dairy farmer profitability and consolidation, and offer suggestions on ways USDA can best address the needs of a struggling dairy industry. Representatives will include: producers and producer organizations, processors and processor organizations, handlers, consumers, academia, retailers, and state agencies involved in organic and non-organic dairy at the local, regional, national, and international levels.

"USDA has worked tirelessly to assist dairy farmers during these tough times," said Vilsack. "We've increased support prices under the Dairy Product Price Support Program, reactivated the Dairy Export Incentive Program, and bought 200 million pounds of nonfat dry milk for federal feeding programs. This committee, whose members come from all aspects of the dairy industry, will work to find long term solutions to assist this struggling industry."

Producer members appointed to the committee are: Erick Coolidge (Pa.), Timothy den Dulk (Mich.), Debora Erb (N.H.), James Goodman (Wis.), James Krahn, (Ore.), Edward Maltby (Mass.), Manuel Souza (Calif.), Ed Welch (Minn.), and James Williams (Ga.).

Representatives from the processing industry include: Jay Bryant (Va.), Patricia Stroup (Calif.), Sue Taylor (Colo.), and Robert Wills. (Wis.).

Members representing state government, retail, academia, and consumers are: Rodney Nilsestuen (Wis.), Robert Schupper (Pa.), Andrew Novakovic (N.Y.), and Paul Bourbeau (Vt.).

All members will serve two-year terms, beginning in January 2010, and expiring Jan. 1, 2012. The committee was expanded this year from 15 members to 17 and will hold its first meeting in early 2010. The meeting will be open to the public and USDA encourages public participation. For additional information check the Dairy Industry Advisory Committee website, <http://www.ams.usda.gov/AMSV1.0/DairyAdvisoryCommittee>.



California Department of Food and Agriculture
A.G. Kawamura, Secretary

California Dairy Producer News

Minimum Class Prices

California Hundredweight Prices

Class	December	January	February
1 No. Calif.	\$16.04	\$18.22	\$16.46
So. Calif.	\$16.31	\$18.49	\$16.74
2 No. Calif.	\$12.77	\$13.02	N/A
So. Calif.	\$13.01	\$13.26	N/A
3	\$12.72	\$12.97	N/A
4a	\$14.76	N/A	N/A
4b	\$15.04	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Hundredweight Prices

Regions	December	January	February
Phoenix, Arizona	\$16.34	\$17.38	\$17.19
Southern California	\$16.31	\$18.49	\$16.74
Portland, Oregon	\$15.89	\$16.93	\$16.74
Northern California	\$16.04	\$18.22	\$16.46
Boston (Northeast)	\$17.24	\$18.28	\$18.09

Quota Transfer Summary

Quota Transfers	Nov.	Dec.	Jan.
Number of Sellers	4	7	4
Pounds of SNF Quota Transferred	3,089	3,912	2,907
Average Price Per Pound of SNF Quota	\$355	\$364	\$378

Weekly Average Commodity Prices

Week Ending	Chicago Mercantile Exchange		California Manufacturing Plants	Dairy Market News
	Grade AA Butter	Block Cheddar Cheese	Nonfat Dry Milk	Western Dry Whey
<i>Dollars per Pound</i>				
12/4	\$1.4950	\$1.6975	\$1.2534	\$0.3775
12/11	\$1.4380	\$1.7000	\$1.2750	\$0.3850
12/18	\$1.3945	\$1.7005	\$1.2781	\$0.3950
12/25	\$1.3269	\$1.6394	\$1.3152	\$0.3988
1/1	\$1.3275	\$1.4800	\$1.2685	\$0.4013
1/8	\$1.3325	\$1.4245	\$1.3333	\$0.4075
1/15	\$1.4020	\$1.4130	\$1.3035	\$0.4075

Dairy Cow Culling Activity (Weekly)

Week Ending	Region 9 ¹ Dairy Cows	U.S. Dairy Cows	West Region ² Price Range
	<i>Head</i>		<i>\$/cwt.</i>
11/20/09	15,500	22,600	\$33-\$36
11/27/09	11,400	15,700	\$33-\$41
12/04/09	14,900	19,700	\$37-\$41
12/11/09	14,900	19,000	\$35-\$41
12/18/09	15,000	19,900	\$35-\$41
12/25/09	12,000	15,700	\$40-\$44
01/01/10	15,900	18,100	\$41-\$41
01/08/10	17,300	20,100	\$40-\$43

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 ML_LS795

December Milk Production in the Top 23 States

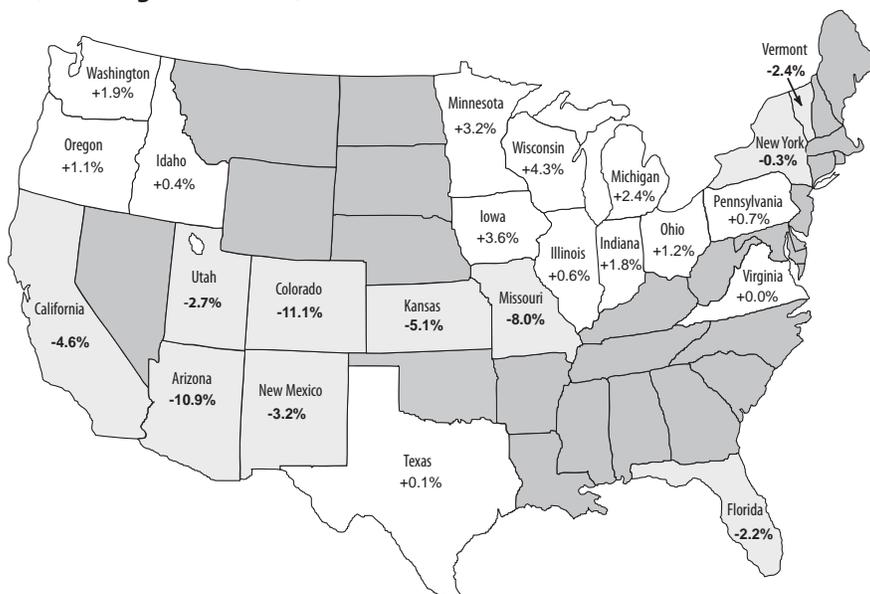
(% Change from 2008)

December Milk Production

USDA estimates U.S. milk production for December 2009 in the top 23 milk producing states at 14.6 billion pounds, down 0.8 percent from December 2008. Production per cow in the top 23 milk producing states averaged 1,758 pounds for December, 29 pounds above December 2008.

For the U.S. overall, comparing December 2009 to December 2008:

- The number of cows on farms was 9.082 million head, down 252,000 head
- Production per cow averaged 1,735 pounds, 32 pounds more than December 2008
- Ten of the top twenty-three milk producing states showed a decrease in milk production



Premium Alfalfa Hay Prices / Alfalfa Sales - Reported Weekly



Alfalfa Hay Update

Northern California: Premium and Supreme Alfalfa demand was good but supplies very limited. Retail and stable hay sales were steady. Most areas received some rainfall and snow - limiting sales in those areas.

Southern California: Premium and Supreme Alfalfa demand was good but supplies very limited. Retail and stable hay not well tested with moderate supplies. Rain limited sales in the area.

Premium Alfalfa Hay Statewide Average Prices Per Ton / Total Tons Sold or Delivered

Area	Dec. 31	Jan. 8	Jan. 15	Jan. 22	Monthly Low/High
Petaluma	N/A	N/A	N/A	N/A	N/A
North Valley	N/A	\$170	\$160-175	\$160-170	\$160-175
South Valley ²	N/A	\$160-163	\$155-170	N/A	\$155-170
Chino Valley	N/A	N/A	\$155	N/A	\$155-155
Tons Sold³	10,465	21,325	35,215	8,525	
Tons Delivered⁴	1,950	8,150	15,435	1,225	

¹ North Valley is Escalon, Modesto and Turlock areas.

² South Valley is Tulare, Visalia and Hanford areas.

³ For current or future delivery.

⁴ Contracted or current sales.

Definition of premium Alfalfa Hay: Early maturity, i.e., pre-bloom in legumes and pre head in grass hays, extra leafy and fine stemmed-factors indicative of a high nutritive content. Hay is green and free of damage.

Source: USDA Market News, Moses Lake, Washington, (509) 765-3611, www.ams.usda.gov/LSMarketNews

California Average Feed Commodity Spot Prices Delivered to the Dairy, In Dollars Per Ton, 2009

Feed Commodity	Tulare/Pixley		North Valley		Los Banos/Chowchilla	
	12/1-12/15	1/5-1/19	12/1-12/15	1/5-1/19	12/1-12/15	1/5-1/19
Almond Hulls	\$113.67	\$124.67	\$108.67	\$119.67	\$111.00	\$121.67
Canola	\$328.50	\$315.33	\$328.50	\$315.33	\$330.50	\$317.33
Distillers Dried Grains	\$185.33	\$186.67	\$186.67	\$185.33	\$189.00	\$187.67
Rolled Corn	\$186.17	\$186.33	\$195.17	\$195.33	\$191.17	\$191.33
Soybean Meal	\$384.67	\$367.33	\$384.67	\$367.33	\$386.67	\$369.33
Whole Cottonseed	\$308.00	\$307.33	\$308.00	\$307.33	\$310.00	\$309.33

Source: USDA Market News, St. Joseph, Missouri, (816) 238-0678, www.ams.usda.gov/LSMarketNews

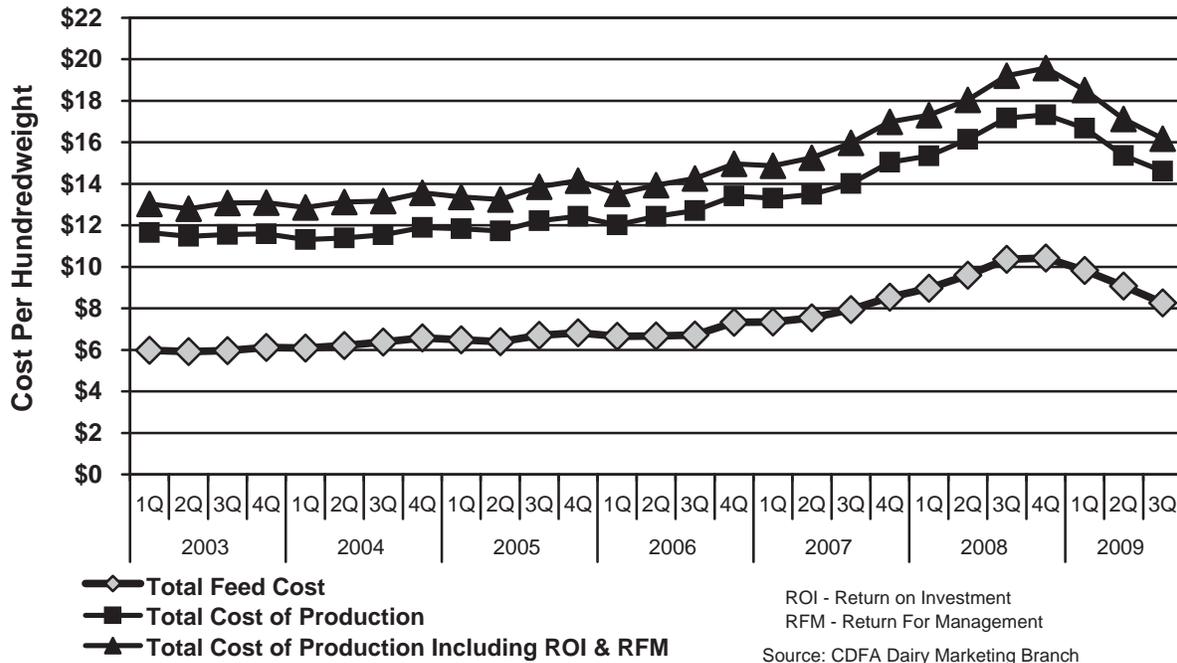
Milk Production Cost Comparison Summary for California * By Quarter, 2008-2009

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
<i>Dollars per Hundredweight</i>										
1st Quarter										
Total Costs	19.74	22.38	15.14	16.63	15.31	16.63	15.44	15.35	15.34	16.67
Total Costs & Allowances*	21.97	24.77	16.98	18.23	17.17	18.58	17.07	17.29	17.31	18.51
2nd Quarter										
Total Costs	18.49	18.30	15.86	15.30	16.26	15.46	16.06	14.06	16.14	15.37
Total Costs & Allowances*	20.62	20.34	17.76	17.08	18.16	17.22	17.69	15.54	18.04	17.12
3rd Quarter										
Total Costs	20.52	17.35	16.68	14.47	17.38	14.68	17.13	13.85	17.17	14.62
Total Costs & Allowances*	22.74	19.08	18.67	16.01	19.46	16.26	18.93	15.21	19.21	16.17
4th Quarter										
Total Costs	22.08		17.08		17.39		16.62		17.33	
Total Costs & Allowances*	24.71		19.32		19.65		18.56		19.58	

* Includes an allowance for management and a return on investment

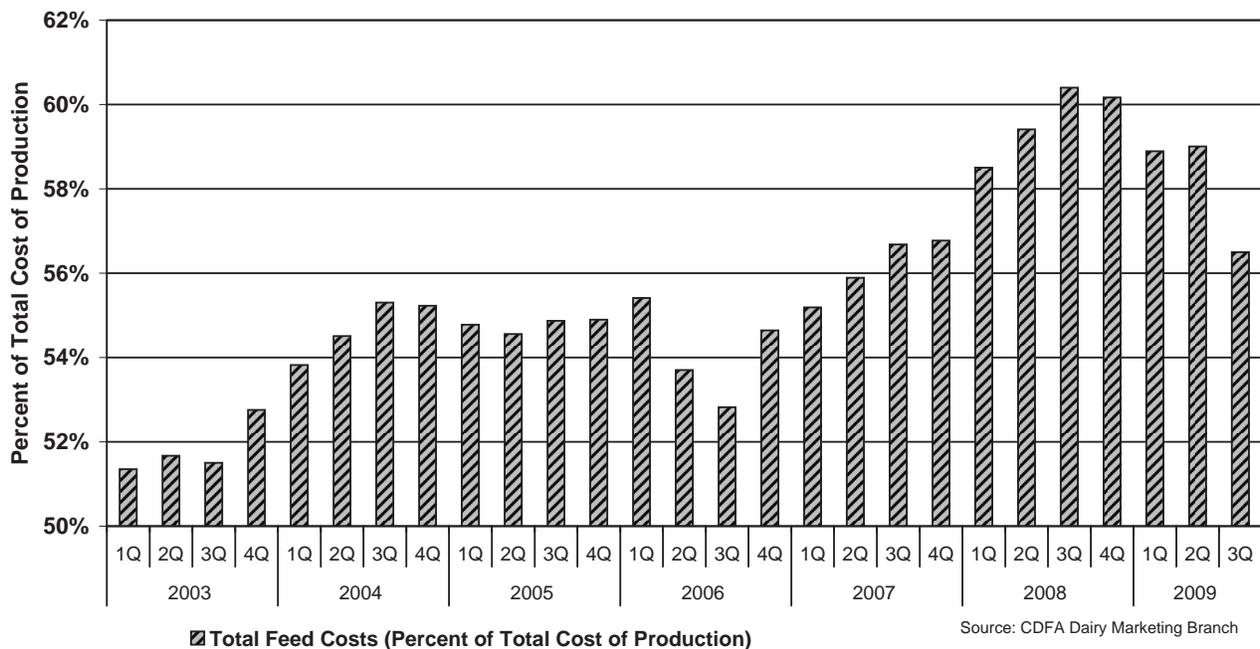
California Cost of Production, Total Feed Cost, by Quarter

Based on California Production Cost Survey, January 2003 through September 2009



Total Feed Costs (Percent of Total Cost of Production)

Based on California Production Cost Survey, January 2003 through September 2009



USDA Milk-Feed Price Ratio

USDA reports that the milk-feed ratio continued its upward movement in December, rising to 2.38.

The current ratio of 2.38 means that a dairy producer can buy 2.38 pounds of feed for every pound of milk sold. Whenever the ratio meets or exceeds 3.0, it is considered profitable to buy feed and produce milk. The higher November milk-feed ratio was the result of higher milk prices.

Compared to November 2009: the corn price used to calculate the ratio in December was \$3.59 per bushel, down \$0.05; the price of baled alfalfa hay remained the same at \$110 per ton; soybeans rose \$0.43 per bushel to \$9.96.

The all-milk price used to calculate the ratio was \$16.30 per hundredweight — up \$1.00 from November.

Average Hourly Wages for Milkers

The University of California at Davis released the Dairy USA Wage Survey results in December, coordinated by Gregorio Billikopf, farm advisor in labor management at the University of California. These results show that the average hourly pay for milkers has gone up in the Midwest and the Northeast over the past three years, but has dropped in the West and Southeast.

Based on responses from the West (44), from the Midwest (52), from the Southeast (9), and from the Northeast (21), the average hourly wage ranges from \$9.76 per hour in the Midwest to \$10.16 per hour in the West. The industry average is \$9.95 per hour.

The survey found that milkers with one-to-three years of experience are paid \$9.35 per hour, on average, while those with four-to-seven years of service are paid \$10.20 per hour.

The current industry average of \$9.95 per hour is up \$0.26 from the average in 2006. But in the West, average milker pay dropped \$0.12 per hour from 2006, and in the Southeast it dropped \$0.01 per hour.

Tulare Farm Show

The world's largest annual agricultural exposition is in Tulare, California on February 9-11, 2010.

The World Ag Expo (Tulare Farm Show) displays 2.6 million square feet of show grounds and 1,600 exhibitors, one of the largest agriculture expositions in the world. The Expo attracts an annual average of 100,000 attendees, and the three day expo transforms Tulare, California into the World's hot spot for agriculture technology and innovation.

Haiti Relief Assistance

In conjunction with the National Milk Producers Federation, Cooperatives Working Together (CWT) donated \$100,000 to the American Red Cross to assist in the aid and recovery effort in Haiti.

"This is a time for the U.S. dairy producer community to step up to the plate and help, in a coordinated way, to address an enormous humanitarian crisis close to home," said Jerry Kozak, President and CEO of NMPF, which manages CWT. "Dairy producers have given generously in the past to help with other international and domestic relief efforts. In this tragic situation, a cash donation to the Red Cross is the most effect and expeditious method to help people in Haiti."

With tens of thousands of people feared dead in Haiti, little or no functioning infrastructure, and absent a strong governmental response, CWT is making a cash contribution to the Red Cross's specific Haiti relief fund to best assist the people of that nation. Kozak said that CWT's monetary contribution will be used to provide dairy products and other foods, along with water, fuel, medicine, shelter, or whatever services are most critically needed.

Haiti is one of dozens of countries that has, in the past, been a commercial market for U.S. dairy products sold through CWT's Export Assistance program.

Nestle' Acquires Kraft Pizza Business

Under a \$3.7 billion deal, Nestle is buying from Kraft the assets of Tombstone, Jack's and DiGiorno plus the California Pizza Kitchen trademark in the United States along with the Delissio brand in Canada. Kraft estimates the pizza business generated \$1.6 billion in net revenues in 2009. The sale will transfer approximately 3,400 employees to Nestle.

As part of the deal, Nestle will not pursue British confection company Cadbury. Kraft has been trying to buy the British confection company Cadbury for months but offers have been rejected as being too low. As part of the pizza deal, Nestle will no longer pursue buying Cadbury. Cadbury had been seeking counter offers from Nestle as well as Hershey's.

2009 Crop Production Summary

Excerpts from USDA Report

U.S. corn for grain production is estimated at a record 13.2 billion bushels, up 1 percent compared to the previous record of 13.0 billion bushels set in 2007. U.S. grain yield is also estimated at a record level for 2009, at 165.2 bushels per acre. This is 4.9 bushels above the previous record of 160.3 bushels per acre set in 2004.

Soybean production in 2009 totaled 3.36 billion bushels, up 13 percent from 2008. U.S. production is the largest on record. The average yield per acre is estimated at a record high 44.0 bushels, 4.3 bushels above last year's yield. Harvested area is up 2 percent from 2008 to a record 76.4 million acres.

All cotton production is estimated at 12.4 million 480-pound bales, down 3 percent from 2008. The U.S. yield is estimated at 774 pounds per acre, down 39 pounds from last year. Harvested area, at 7.69 million acres, is down less than 1 percent from December but up 2 percent from last year.

2010 Alfalfa Hay Prices

Dan Putnam, Extension Forage Specialist at U.C. Davis says a slow price improvement for growers is expected in 2010. Putnam shared his 2010 outlook as a speaker at the Western Alfalfa and Forage Conference held in Reno, Nev., in late 2009.

In mid-to-late 2008, prices for Western alfalfa hay hit record-setting levels but fell rapidly thereafter. Prices fell 40-55 percent compared to 2008 in most Western states, but have stabilized in recent months. Prices have leveled off in California, Arizona and Washington.

Lower alfalfa hay prices were the result of soured demand for U.S. dairy exports caused largely by the worldwide recession and milk prices lower than the cost of production which pushed many dairy producers to re-examine their feed rations and overall herd size.

Many experts, including Putnam, predict slowly rising milk prices; more time for dairymen to recoup from heavy financial losses; continued dairy herd reductions; stronger hay exports including shipments to the United Arab Emirates, China, and Japan; reduced alfalfa acreage and replanting in many areas; and reduced hay inventories.

Putnam predicts that "Hay prices should move up slowly as hay inventories are depleted and dairy prices improve. Debt and cash flow in the dairy sector will take time to recover. The key is an emphasis on producing high-quality hay for cash-strapped dairies."

Assessments Suspended

The California Food and Agricultural Code authorizes the Secretary of Food and Agriculture to establish a maximum total assessment of two and four tenths cents (\$0.024) per hundredweight of market milk sold in commercial trade channels to fund the operations of the Dairy Marketing Branch. The current rates of assessments are one and two tenths cents (\$0.012) per hundredweight for market milk and one and eight tenths cents (\$0.018) per hundredweight for manufacturing milk, two thirds of which is assessed to producers and one third to handlers.

At the Dairy Advisory Committee meeting on October 8, 2009, it was determined that there are sufficient funds to administer the activities of the Branch without collecting further assessments for a period of time. Therefore, effective for milk produced on or after January 1, 2010, the Secretary is suspending both of the Milk Stabilization Administrative Fees until such time as the program's cash balance is drawn down to a two or three month reserve. Given average costs of administering the program, it is anticipated that the Fee will be suspended for a minimum of seven months.

National Dairy Situation and Outlook – USDA Estimates

Milk Production

Monthly: Compared to 2008, USDA estimates overall milk production across the U.S. was down by 0.9% in December 2009. USDA reports that California milk production was down 4.6% (on 76,000 less cows and 10 less pounds per cow), compared to December 2008. Among other western states, Arizona was down 10.9%; New Mexico was down 3.2%; and Washington was up 1.9%. Seven of the top 10 states reported a production increase. The largest increase was reported by Wisconsin at 4.3% growth in milk production (on 4,000 more cows and 65 more pounds per cow).

Quarterly: For the fourth quarter of 2009 compared to the third quarter of 2009, U.S. milk cow numbers dropped to 9.090 million, milk production per cow decreased to 5,085 pounds; the net effect was decreased milk production to 46.2 billion pounds. USDA projects that for the first quarter of 2010 compared to the fourth quarter of 2009, U.S. milk cow numbers will decrease to 9.040 million cows, production per cow will increase to 5,200 pounds; the net effect would be increased milk production to 47.0 billion pounds.

Milk Prices

Comparing the fourth quarter of 2009 to the third quarter of 2009, U.S. average milk prices increased to \$15.27/cwt. USDA projects that for the first quarter of 2010, U.S. average all-milk prices will be \$15.70-16.10/cwt.; Class 4b prices will be \$13.81-14.21/cwt.; and Class 4a prices will be \$14.44-14.94/cwt.

Utility Cow Prices

Comparing the fourth quarter of 2009 to the third quarter of 2009, average U.S. utility cow prices were down \$3.08/cwt. to a national average of \$44.43/cwt. USDA projects that utility cow prices will average \$46-50/cwt. in the first quarter of 2010.

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

2009 Reflects Net Loss of 109 Dairies in California

Although there are numerous sources and reportings of the number of dairies no longer operating in California for 2009, the Dairy Marketing Branch has always published the "net" number of dairies operating in California at yearend - essentially the "net" number of dairies operating on the last day of December. This net number reflects changes such as dairies that have gone out of business, relocated, or merged, and also includes new dairies. The CDFA Milk and Dairy Food Safety Branch provides this yearend "net" number of dairies. For 2009, California recorded a net loss of 109 total dairies. The weakened state of the economy combined with higher than average feed costs, consistently low prices paid to producers, and the numerous herd buyout programs, all contributed to the loss of dairies operating in California.

Merced County recorded the largest net decrease of **29** dairies, followed by Glenn County, showing a net decline of **14** dairies.

The state's valley region showed the largest change in the number of dairies, recording a net loss of **56** dairies (compared to last year's net loss of 36 dairies).

The state's northern region showed a net loss of **41** dairies (compared to last year's net loss of 49 dairies).

The state's southern region showed a net loss of 12 dairies (compared to last year's net loss of 14 dairies).

Pool Prices

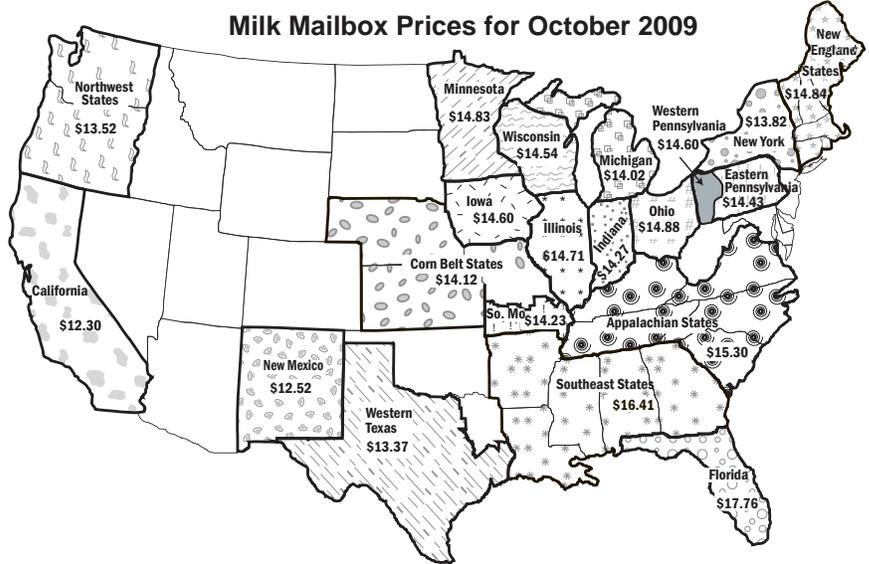
Month	Quota	Overbase
July '08	\$19.05	\$17.35
August	\$18.01	\$16.31
September	\$17.92	\$16.22
October	\$17.14	\$15.44
November	\$15.97	\$14.27
December	\$14.11	\$12.41
January '09	\$12.10	\$10.40
February	\$11.28	\$ 9.58
March	\$11.54	\$ 9.84
April	\$11.57	\$ 9.87
May	\$11.46	\$ 9.76
June	\$11.32	\$ 9.62
July	\$11.30	\$ 9.60
August	\$12.18	\$10.48
September	\$12.74	\$11.04
October	\$13.61	\$11.91
November	\$14.83	\$13.13
December	\$16.17	\$14.47

Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

	April '09	May	June	July	August	September	October
California ¹	\$ 9.88	\$ 9.70	\$ 9.63	\$ 9.60	\$10.51	\$11.20	\$12.30
USDA ²	\$11.96	\$11.61	\$11.27	\$11.30	\$12.04	\$12.98	\$14.29

¹ California mailbox price calculated by CDFA.
² All federal milk market order weighted average, as calculated by USDA.



In October 2009, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.29 per cwt., up \$1.31 from the previous month average, and down \$3.65 from October 2008. The component tests of producer milk in October 2009 were: butterfat, 3.75%; protein, 3.14%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas, and ranged from \$17.76 in Florida to \$12.52 in New Mexico.



Dairy Marketing Branch:
 Phone (916) 341-5988; Fax (916) 341-6697
 Website: www.cdffa.ca.gov/dairy
 Email: dairy@cdffa.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 at (916) 341-5988 or send an email to dairy@cdffa.ca.gov

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