

California

Dairy Review

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Department Announces Hearing Decision

The California Department of Food and Agriculture (Department) held a public hearing (called on an emergency basis) on November 9, 2009, to consider amendments to the Class 1, 2, 3, 4a and 4b pricing formulas, Northern California and Southern California Marketing Areas (Stab Plans). The Department called the hearing after receiving two petitions requesting an emergency hearing to consider price relief for dairy producers facing significant financial difficulties caused by production costs in excess of milk prices throughout 2009. The first petition was received on October 5, 2009, from The Alliance of Western Milk Producers. The second petition was received on October 16, 2009, from Western United Dairywomen. Five alternative proposals were also submitted to the Department.

The Department has decided to amend the Class 1, 2, 3, 4a and 4b pricing formulas on a temporary basis for the period January 1, 2010 to March 31, 2010 by:

- Increasing the Class 1 price approximately \$0.35/cwt. by adding:
 - o \$0.0035 per pound to the milk fat price.
 - o \$0.0298 per pound to the milk solids-not-fat price.
 - o \$0.0009 per pound to the milk fluid carrier price.
- Increasing the Class 2 and 3 prices approximately \$0.25/cwt. by adding:
 - o \$0.0205 per pound to the milk fat and milk solids-not-fat prices.
- Increasing the Class 4a and 4b prices approximately \$0.10/cwt. by adding:
 - o \$0.0082 per pound to the milk fat and milk solids-not-fat prices.

The effect of these changes will, on average, increase the monthly pool prices for the three months by approximately \$0.155/cwt.

The temporary changes to the Class 1, 2, 3, 4a and 4b pricing formulas will be reflected in the amendments to the Stabilization and Marketing Plans for Market Milk for the Northern California and Southern California Marketing Areas (Stab Plans), Order Numbers 54 and 69, respectively. The adjustments to the Stab Plans will take effect for milk delivered to processing plants on or after January 1, 2010.

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

Minimum Class Prices

California Hundredweight Prices

Class	November	December	January
1 No. Calif.	\$15.04	\$16.04	\$18.22
So. Calif.	\$15.31	\$16.31	\$18.49
2 No. Calif.	\$11.07	\$12.77	\$13.02
So. Calif.	\$11.30	\$13.01	\$13.26
3	\$11.02	\$12.72	\$12.97
4a	\$13.16	N/A	N/A
4b	\$13.76	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Hundredweight Prices

Regions	November	December	January
Phoenix, Arizona	\$15.21	\$16.34	\$17.38
Southern California	\$15.31	\$16.31	\$18.49
Portland, Oregon	\$14.76	\$15.89	\$16.93
Northern California	\$15.04	\$16.04	\$18.22
Boston (Northeast)	\$16.11	\$17.24	\$18.28

Quota Transfer Summary

Quota Transfers	Oct.	Nov.	Dec.
Number of Sellers	10	4	7
Pounds of SNF Quota Transferred	8,450	3,089	3,912
Average Price Per Pound of SNF Quota	\$359	\$355	\$364

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>				
11/6	\$1.4330	\$1.5335	\$1.1078	\$0.3550
11/13	\$1.5250	\$1.5710	\$1.0919	\$0.3600
11/20	\$1.5250	\$1.5860	\$1.1145	\$0.3675
11/27	\$1.5250	\$1.6283	\$1.1991	\$0.3738
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

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>
10/23/09	15,700	20,400	\$33-\$40
10/30/09	15,100	20,400	\$38-\$40
11/06/09	15,600	20,900	\$36-\$40
11/13/09	17,300	22,600	\$33-\$40
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

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

November Milk Production in the Top 23 States

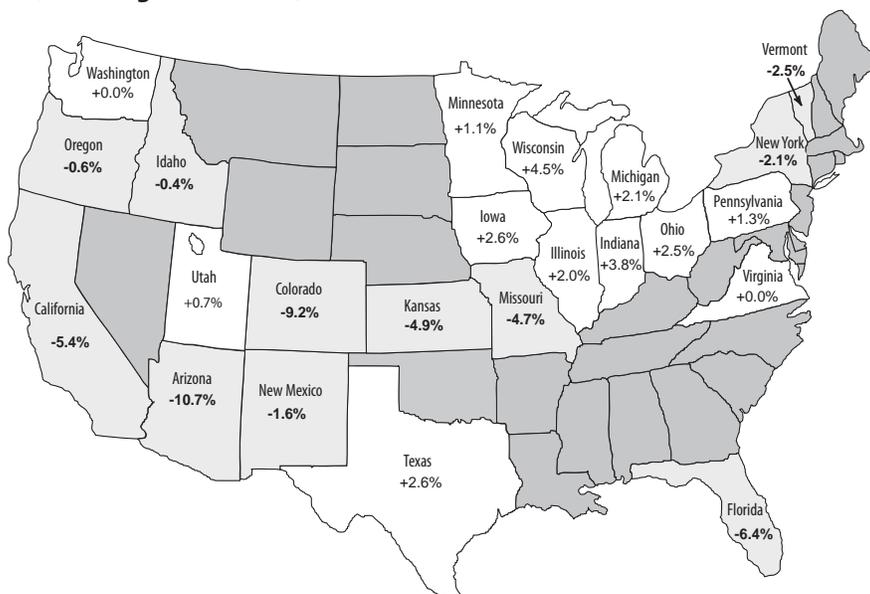
(% Change from 2008)

November Milk Production

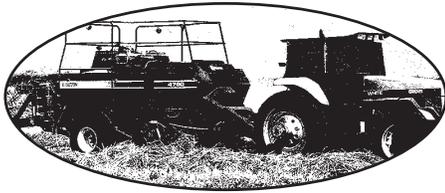
USDA estimates U.S. milk production for November 2009 in the top 23 milk producing states at 14.0 billion pounds, down 1.0 percent from November 2008. Production per cow in the top 23 milk producing states averaged 1,679 pounds for November, 25 pounds above November 2008.

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

- The number of cows on farms was 9.091 million head, down 242,000 head
- Production per cow averaged 1,657 pounds, 27 pounds more than November 2008
- Eleven 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 traded steady with good demand and light supplies. Retail and stable hay sold steady. Most areas received some rainfall.

Southern California: Premium and Supreme Alfalfa were steady with good demand and light supplies, in a limited test. Retail and stable hay trading was steady.

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

Area	Nov. 25	Dec. 4	Dec. 11	Dec. 18	Monthly Low/High
Petaluma	N/A	N/A	N/A	N/A	N/A
North Valley	\$180	\$148	\$158-160	N/A	\$148-\$180
South Valley ²	\$163-175	N/A	\$165	\$145	\$145-\$175
Chino Valley	\$140	\$140	\$136-138	\$135-145	\$135-\$145
Tons Sold³	19,467	24,350	20,360	26,835	
Tons Delivered⁴	9,825	10,724	7,275	8,125	

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	
	10/27-11/17	12/1-12/15	10/27-11/17	12/1-12/15	10/27-11/17	12/1-12/15
Almond Hulls	\$103.25	\$113.67	\$98.25	\$108.67	\$101.25	\$111.00
Canola	N/A	\$328.50	\$302.75	\$328.50	\$304.75	\$330.50
Distillers Dried Grains	\$183.00	\$185.33	\$182.50	\$186.67	\$185.50	\$189.00
Rolled Corn	\$187.88	\$186.17	\$197.00	\$195.17	\$192.88	\$191.17
Soybean Meal	\$377.75	\$384.67	\$377.75	\$384.67	\$379.75	\$386.67
Whole Cottonseed	\$284.00	\$308.00	\$287.75	\$308.00	\$286.00	\$310.00

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

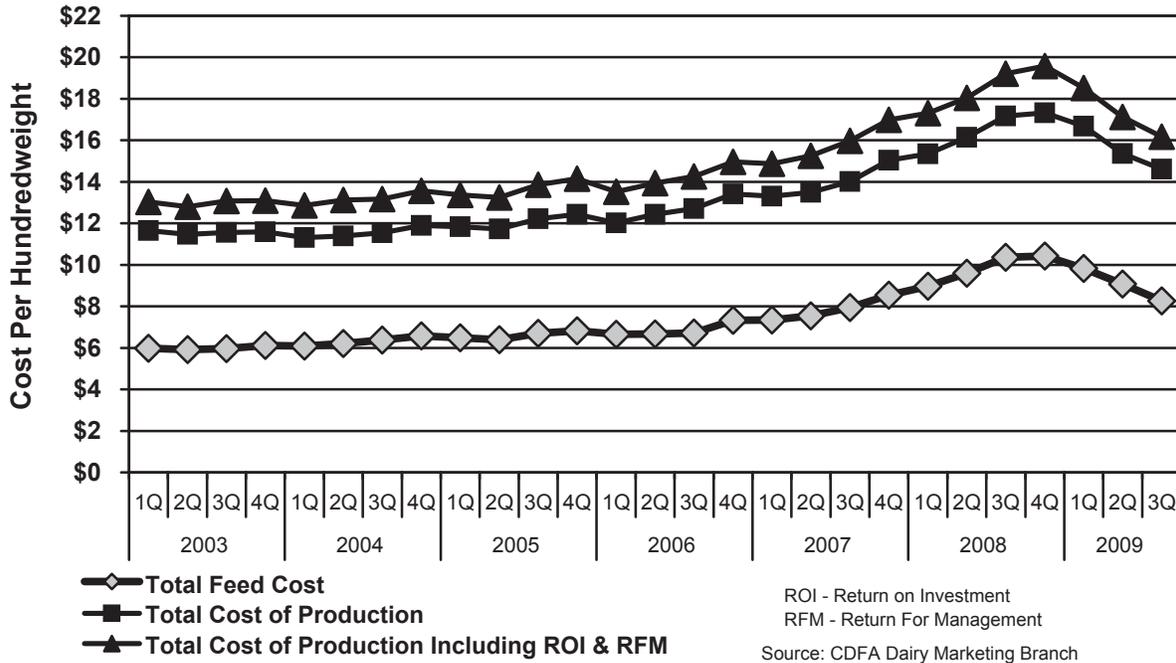
Milk Production Cost Comparison Summary for California * By Quarter, 2008-2009

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

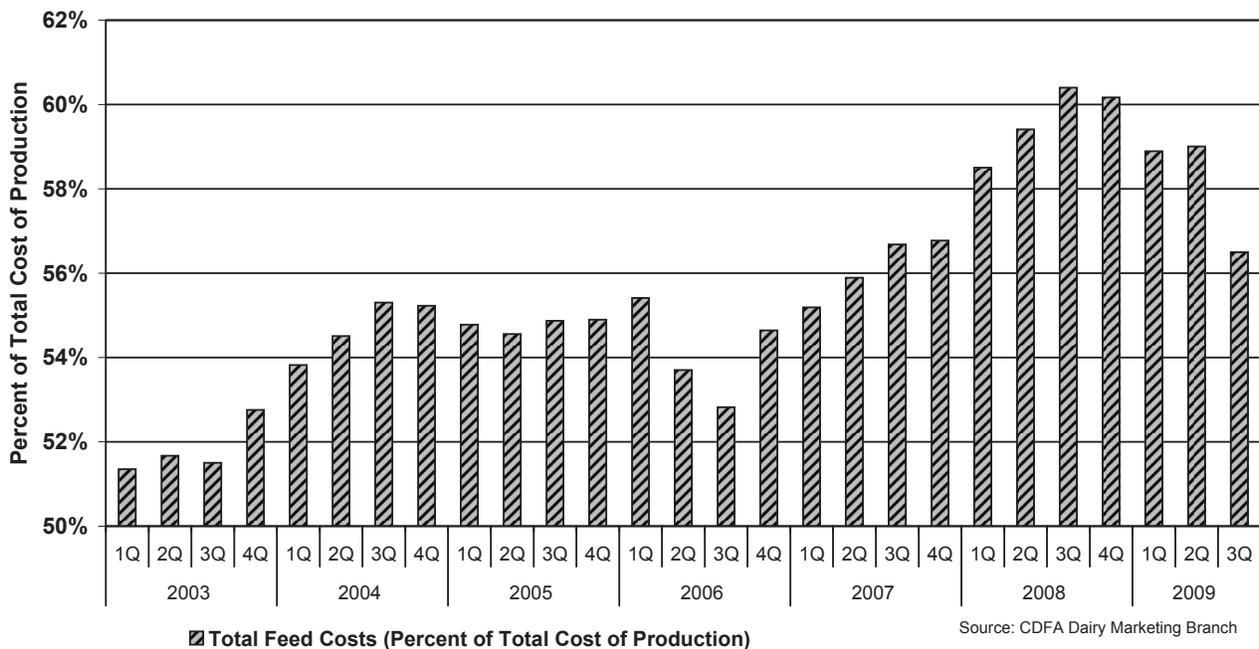
California Cost of Production, Total Feed Cost, by Quarter

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 November, rising to 2.19, up from the 2.09 reported for October.

The current ratio of 2.19 means that a dairy producer can buy 2.19 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.

The corn price used to calculate the ratio in November was \$3.64 per bushel, up \$0.03 from the October price. The price of baled alfalfa hay increased \$1.00 per ton to \$110. Soybeans rose \$0.04 per bushel to \$9.48.

The all-milk price used to calculate the ratio was \$15.00 per hundredweight — up \$0.80 from October.

Nevada's Yerington Western Dairy Specialties Plant Closes

Western Dairy Specialties, LLC, announced that it is ceasing operations at its state-of-the-art dairy processing plant in Yerington, Nevada.

Matt Berry, Managing Member of Western Dairy Specialties, and owner of the plant said, "We have worked hard to create a business which serves the entire Northern Nevada business and agricultural community. The current economy and the highly competitive nature of the dairy business have made financing and supply contracts exceedingly difficult. We will continue to utilize all available opportunities to preserve the jobs and economic contributions the plant has generated." The Western Dairy Specialties plant is one of only four dairy processing plants in the United States, utilizing Creative Edge (R) technology.

California Farm Bureau Elects New President

Paul Wenger, a third-generation Modesto farmer, was recently elected as president California Farm Bureau.

Paul Wenger is a walnut and almond grower and replaces Doug Mosebar, who served as president since 2005. Wenger told delegates at the California Farm Bureau convention, "I'm a hands-on farmer and I'll be a hands-on president." He has been serving as first vice president for the Farm Bureau since 2005.

Renewable Energy from Manure Hot Topic for New York

The Dairy Power Summit, held in New York in October 2009, brought together over 200 dairy producers and industry stakeholders to discuss the potential for dairy-supplied renewable energy. The Summit came to consensus that Methane digesters on dairy farms could soon be a common source of energy for residents and businesses in the state of New York.

Summit attendees set a 2020 goal that 40 percent of all manure from New York dairy farms goes through the anaerobic digestion process, which captures methane from manure and generates clean, renewable energy. The energy produced from this effort could power 32,000 homes while strengthening the economic vitality of New York's dairy farms and could reduce New York's greenhouse gas emissions by 500,000 metric tons of carbon, equivalent to taking 100,000 cars off the road.

The Innovation Center for U.S. Dairy, with sponsorship from GE Energy, coordinated the Dairy Power Summit. "The Dairy Power Summit is an outstanding effort on the part of the Innovation Center for U.S. Dairy, as we try to reduce the methane emissions and enable farmers to use cleaner, renewable energy sources, and as we go forward in our attempt to green our environment, to green our economy, and also to create economic development for our farmers," said New York Gov. David A. Paterson.

Gov. Paterson's "45 by 15" program is one of the nation's most aggressive energy efficiency and renewable energy initiatives. By 2015, New York State will meet 45 percent of its electricity needs through improved energy efficiency (15 percent) and clean renewable energy, such as methane (30 percent). This goal is in line with the commitment of the Innovation Center for U.S. Dairy to reduce industrywide greenhouse gas emissions associated with fluid milk by 25 percent by 2020.

Don't Blame Cows for Climate Change

Excerpts from a December UC Davis Publication

UC Davis Associate Professor and Air Quality Specialist Frank Mitloehner, an authority on farming and greenhouse gases, says that it is simply not true that consuming less meat and dairy products will help stop climate change. The promoters of "meatless Mondays," seem to be well-intentioned but not well-schooled in the complex relationships among human activities, animal digestion, food production and atmospheric chemistry, says Mitloehner.

"Smarter animal farming, not less farming, will equal less heat," Mitloehner said. Mitloehner traces some public confusion over meat and milk's role in climate change to two sentences in a 2006 United Nations report, titled "Livestock's Long Shadow." Printed only in the report's executive summary and nowhere in the body of the report, the sentences read: "The livestock sector is a major player, responsible for 18 percent of greenhouse gas emissions measured in CO₂e (carbon dioxide equivalents). This is a higher share than transport." These statements are not accurate, yet their wide distribution through news media have put us on the wrong path toward solutions, Mitloehner says. "We certainly can reduce our greenhouse-gas production, but not by consuming less meat and milk.

Mitloehner said leading authorities agree that, in the U.S., raising cattle and pigs for food accounts for about 3 percent of all greenhouse gas emissions, while transportation creates an estimated 26 percent.

"In developing countries, we should adopt more efficient, Western-style farming practices, to make more food with less greenhouse gas production," Mitloehner continued. In this he agrees with the conclusion of "Livestock's Long Shadow," which calls for "replacing current suboptimal production with advanced production methods — at every step from feed production, through livestock production and processing, to distribution and marketing."

Mitloehner particularly objects to the U.N. statement that livestock account for more greenhouse gases than transportation, when there is no generally accepted global breakdown of gas production by industrial sector. He notes that "Livestock's Long Shadow" produced its numbers for the livestock sector by adding up emissions from farm to table, including the gases produced by growing animal feed; animals' digestive emissions; and processing meat and milk into foods. But its transportation analysis did not similarly add up emissions from well to wheel; instead, it considered only emissions from fossil fuels burned while driving. "This lopsided 'analysis' is a classical apples-and-oranges analogy that truly confused the issue," Mitloehner said.

Dairy, USDA Reach Agreement On Reducing CO₂ Emissions

The USDA and the nation's dairy industry have formally agreed to help reduce carbon emissions in dairy by 25 percent by 2020, with increased use of methane digesters being the centerpiece of the agreement.

U.S. Agriculture Secretary Tom Vilsack and the CEO of the Innovation Center for U.S. Dairy and Dairy Management Inc., Thomas P. Galleagher, signed the agreement. The "memorandum of understanding" will direct funding from existing USDA programs to help pay for more methane digesters on farms as well as promote other technologies and programs to help reduce carbon emissions throughout the dairy industry.

"This historic agreement, the first of its kind, will help us achieve the ambitious goal of drastically reducing greenhouse gas emissions while benefiting dairy farmers," said Vilsack. "Use of manure to electricity technology is a win for everyone because it provides an untapped source of income for farmers, provides a source of renewable electricity, reduces our dependence on foreign fossil fuels, and provides a wealth of additional environmental benefits." To date, he reports that USDA has helped finance less than 150 projects involving methane digesters.

Erin Fitzgerald of Dairy Management Inc., reported that less than 2 percent of farms that are eligible to get a digester actually have one on site. The initial plan, she said, will focus on getting methane digesters on farms with more than 1,000 head of cattle. Dairy greenhouse gas emissions, she said, make up about 2 percent of the nation's total carbon emissions, while overall ag emissions account for 7 percent.

A climate change bill, currently being considered in Congress, would exempt agriculture from mandatory carbon emissions and include a cap-and-trade carbon credit program where industry could purchase excess carbon credits from farms in order to meet their reduction requirement. Vilsack defended the bill, "Climate change can be a net economic winner for agriculture. Legislation passed by the House of Representatives and under consideration in the Senate will create a market for carbon offsets that can be sold by America's farmers, ranchers and landowners to businesses that are large carbon emitters." "USDA's analysis of the legislation shows that it will be a net gain for America's producers. A USDA study found that the House climate bill would increase farm expenses by \$700 million, or 0.3 percent, from 2012-18, which would be offset by revenue from a carbon offset market, estimated by USDA at \$1 billion a year in the near term and \$15 billion in 2040."

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 1.0% in November 2009. USDA reports that California milk production was down 5.4% (on 80,000 less cows and 20 less pounds per cow), compared to November 2008. Among other western states, Arizona was down 10.7%; New Mexico was down 1.6%; and Washington reported no change. Six of the top 10 states reported a production increase or no change. The largest increase was reported by Wisconsin at 4.5% growth in milk production (on 4,000 more cows and 65 more pounds per cow).

Quarterly: For the third quarter of 2009 compared to the second quarter of 2009, U.S. milk cow numbers dropped to 9.158 million, milk production per cow decreased to 5,107 pounds; the net effect was decreased milk production to 46.8 billion pounds. USDA projects that for the fourth quarter of 2009 compared to the third quarter of 2009, U.S. milk cow numbers will decrease to 9.075 million cows, production per cow will decrease to 5,090 pounds; the net effect would be decreased milk production to 46.2 billion pounds.

Milk Prices

Comparing the third quarter of 2009 to the second quarter of 2009, U.S. average milk prices increased to \$12.07/cwt. USDA projects that for the fourth quarter of 2009, U.S. average all-milk prices will be \$14.95-15.15/cwt.; Class 4b prices will be \$13.73-13.93/cwt.; and Class 4a prices will be \$13.13-13.43/cwt.

Utility Cow Prices

Comparing the third quarter of 2009 to the second quarter of 2009, average U.S. utility cow prices were down \$1.95/cwt. to a national average of \$47.51/cwt. USDA projects that utility cow prices will average \$44-45/cwt. in the fourth quarter of 2009.

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

Hearing- Continued from Page 1

The Hearing Determinations, Panel Report, Stab Plans and more detailed explanation of the Department's decision can be obtained on the Dairy Marketing home page at www.cdca.ca.gov/dairy by clicking on [Hearing Matrix].

USDA Announces New Dairy Economic Loss Assistance Payment Program

Provides Financial Relief to Struggling Dairy Producers

Agriculture Secretary Tom Vilsack announced the implementation of the new Dairy Economic Loss Assistance Payment (DELAP) program. The 2010 Agricultural Appropriations Bill authorized \$290 million for loss assistance payments to eligible dairy producers. Milk prices declined substantially through early-to-mid-2009, with the national price for milk averaging \$16.80 per hundredweight (cwt.) in the fourth quarter of 2008 and averaging \$12.23 per cwt. in the first quarter of 2009, a 27-percent decline. On average, the price U.S. dairy producers received for milk marketed in the summer of 2009 was about half of what it cost them to produce milk.

Eligible producers will receive a one-time direct payment based on the amount of milk both produced and commercially marketed by their operation during the months of February through July 2009. Production information from these months will be used to estimate a full year's production for an operation to calculate the payments, using a 6-million pound per dairy operation limit.

Dairy producers who have production records at the USDA Farm Service Agency (FSA) county office because they participated in another FSA dairy program do not need to apply for the program. FSA will use existing production records for February through July 2009 to calculate and issue their payments. Producers who have not provided production data for those months to FSA, and have not already been contacted by FSA to provide such data, have 30 days, until Jan. 19, 2010, to apply.

A national per hundred weight payment rate will be determined by dividing the available funding of \$290 million, less a reserve established by FSA, divided by the total pounds of eligible milk production approved for payment. Based on current information, FSA estimates that 875 million cwt. of milk production will be eligible for payment. The reserve will cover new applicants and appeals. The expected payment rate is approximately \$0.32 per cwt.

Pool Prices

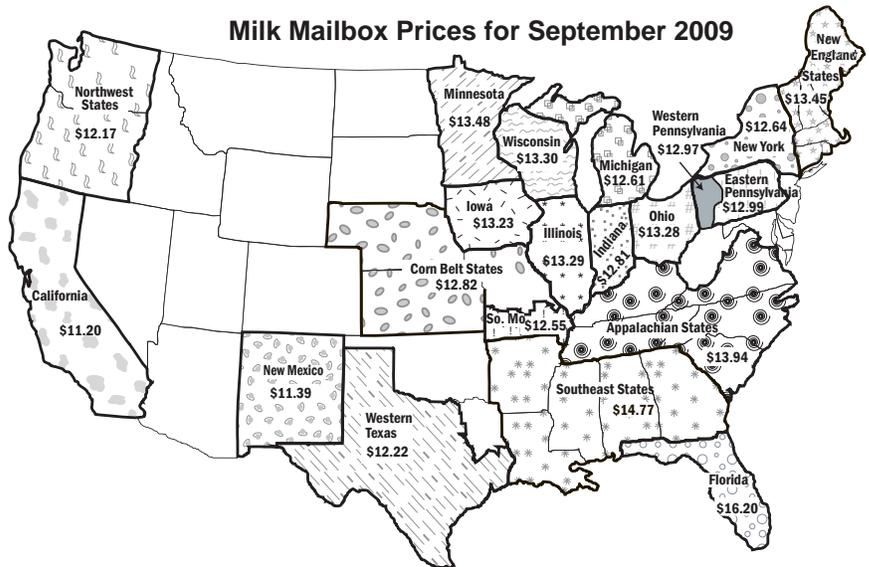
Month	Quota	Overbase
June '08	\$19.12	\$17.42
July	\$19.05	\$17.35
August	\$18.01	\$16.31
September	\$17.92	\$16.22
October	\$17.14	\$15.44
November	\$15.97	\$14.27
December	\$14.11	\$12.41
January '09	\$12.10	\$10.40
February	\$11.28	\$ 9.58
March	\$11.54	\$ 9.84
April	\$11.57	\$ 9.87
May	\$11.46	\$ 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

Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

	March '09	April	May	June	July	August	September
California ¹	\$ 9.92	\$ 9.88	\$ 9.70	\$ 9.63	\$ 9.60	\$10.51	\$11.20
USDA ²	\$11.60	\$11.96	\$11.61	\$11.27	\$11.30	\$12.04	\$12.98

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



In September 2009, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$12.98 per cwt., up \$0.94 from the previous month average, and down \$5.29 from September 2008. The component tests of producer milk in September 2009 were: butterfat, 3.63%; protein, 3.05%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas, and ranged from \$16.20 in Florida to \$11.39 in New Mexico.



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 at (916) 341-5988 or send an email to dairy@cdfa.ca.gov

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