

CALIFORNIA DAIRY CAMPAIGN

Dairymen working for Dairymen



May 20, 2016



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CDC Welcomes CDFA Dairy Pricing Decision

California Milk Production Remains in Decline

TURLOCK, CA (May 20, 2016) –California Dairy Campaign (CDC) President Joe Augusto welcomed the hearing decision announced today by California Department of Food and Agriculture (CDFA) Secretary Karen Ross that would permanently increase the price dairy producers are paid for 4b milk used to make cheese. CDC joined Milk Producers Council and Western United Dairymen in calling for a whey value in the 4b cheese milk price formula that reflects the whey value paid in the federal milk marketing order system. The CDFA pricing change announced today would increase dairy farm prices if whey prices improve.

“Dairies across the state are going out of business at an alarming rate and although we welcome the milk pricing decision that Secretary Ross announced today, it will not be enough to sustain many more dairies on the brink of closure,” warned CDC President Joe Augusto. “The grim reality is that our state dairy pricing system has underpaid California dairy farmers by more by than \$2 billion since 2010,” Augusto explained.

“CDFA Secretary Ross has recognized that our prices should be closer to prices in the rest of the country, but it will not make up for the losses that dairy farmers here have endured under our state system,” he concluded. Since 2006 more than 600 dairies have gone out of business throughout California leaving less than 1438 dairies across the state. The cost to produce milk averages \$19.74 per cwt according to CDFA while the average price paid to dairy farmers today is less than \$13 per cwt leading to mounting losses and the closure of dairies across the state.

“At the recent hearing, CDFA heard testimony from dairy farmers who have grave concerns about the future of dairy farming in California,” explained CDC Executive Director Lynne McBride. “Milk production in California declined by 3.3 percent last month and has been dropping each month for the last 16 months,” she added. “The CDFA decision will not have an immediate impact on dairy prices because whey prices remain depressed, but it will put dairy producers here in a better position once whey prices improve.”

“Prices paid to California dairy producers are routinely the lowest of any reported milk producing state in the nation,” McBride explained. “We welcome the Secretary’s decision, but the only way to restore equity in the long-term is by joining the federal order system to bring our prices and process for determining prices in line with the rest of the country,” McBride concluded.

The California Dairy Campaign (CDC) is a grassroots organization of dairy farmers who are working to encourage lawmakers and the dairy industry to be more responsive to the needs of the family dairy farm in California. The CDC is a member organization of the California Farmers Union (CFU), a state chapter of National Farmers Union, which represents more than 250,000 farmers nationwide.

CDC WEEKLY REPORT

May 20, 2016

COMMODITIES	Apr 16	May 16	Jun 16	COST OF PRODUCTION		
Calif. AA Butter	1.9851	2.0051	2.0215	North Valley		4th Qrt 2015
Grade B Butter	1.9338	1.9538	1.9700	COSTS — Released Quarterly		
CME Block	1.4380	1.3184	1.3150	TOTAL FEED	\$	10.05
Calif. 40# Blocks	1.4128	1.2912	1.2898	TOTAL LABOR	\$	1.98
Calif. NFDM	0.7382	0.7255	0.7308	HERD REPLACEMENT	\$	2.19
Dry Whey (Avg west \$/Lb.)	0.2431	0.2350	0.2363	OPERATING COST	\$	3.28
CA Dry Whey (\$/CWT)	0.3850	0.2500	0.2500	TOTAL MARKETING COSTS	\$	0.53
MILK PRICES						
4a - 3.5,8.7 \$/Cwt	12.54	12.51	12.63	Total Costs	\$	18.02
FMMO IV (\$/CWT)	12.67	12.99	12.98	Allowance ROI & ROM	\$	1.65
4b - 3.5,8.7 \$/Cwt	12.71	11.35	11.34	Total Cost and Allowances	\$	19.67
FMMO III (\$/CWT)	13.63	12.91	12.85	INCOME		
3 - 3.5,8.7 \$/Cwt	13.22	13.22	12.90	GROSS MILK PRICE/CWT	\$	17.07
2 - 3.5,8.7 \$/Cwt	13.54	13.36	13.18	MAILBOX PRICE/CWT	\$	16.98
CRP	15.31	14.87	14.99	NET INCOME/CWT	\$	(2.69)
1 - 3.5,8.7 \$/Cwt	15.26	14.83	14.39	DATA —————		
Q - FAT \$/lb.	2.2015	2.2223	2.2369	MILK COW HAY PRICE \$/T	\$	266.68
Q - SNF \$/lb	0.7873	0.6752	0.6594	CONCENTRATE PRICE \$/T	\$	270.09
Q - 3.5,8.7 \$/Cwt	14.38	13.65	13.57	CONCENTRATE lbs/cow/day		28.72
OB - FAT \$/lb.	2.2015	2.2223	2.2369	MILKERS \$/hr - incl frin&tax	\$	16.97
OB - SNF \$/lb	0.5723	0.4802	0.4644	TOTAL LABOR (\$/hr)	\$	17.95
OB - 3.5,8.7 \$/Cwt	12.68	11.96	11.87	MILK SOLD lbs/C/Day		71.17
BLEND @ (3.5,8.7)	13.05	12.32	12.24	FAT TEST	%	4.04
CA Usage & FO Prices	13.58	13.38	13.28	SNF TEST	%	9.08
O.B. less CA FMMO	(0.89)	(1.43)	(1.41)	Milk Cow Feed Cost: \$/CWT	\$	9.35
CALIFORNIA NFDM						
	Price	Volume	Oceania	Butter	SMP	Cheese
May 13, 2016	\$ 0.7308	15,274,342	4/29/2016	\$1.18	\$0.79	\$1.17
May 6, 2016	\$ 0.7297	16,679,454	4/15/2016	\$1.22	\$0.78	\$1.18
Cold Storage (1,000 Lb.)						
	5/1/2016	5/9/2016	Weekly Chng.	29-Feb-16	31-Mar-16	Monthly Chng.
Butter	28,011	28,720	3%	235,559	243,632	3%
American Cheese	95,173	95,298	0%	716,357	725,744	1%
MARGIN INSURANCE						
	ALL MILK	FEED COST	MARGIN	Insured for	Premium	Return
DAIRY (200,000 cwt/year)				\$ 8.00	\$ 1.1639	
Jul/Aug 2015	\$ 16.65	\$ 8.95	\$ 7.6951	\$ 16.95	\$ 34,917	\$ (25,770)
Sep/Oct 2015	\$ 17.60	\$ 8.52	\$ 9.0821	\$ 16.52	\$ 34,917	\$ (34,917)
Nov/Dec 2015	\$ 17.70	\$ 8.14	\$ 9.5571	\$ 16.14	\$ 34,917	\$ (34,917)
Jan/Feb 2016	\$ 15.90	\$ 7.89	\$ 8.0093	\$ 15.89	\$ 34,917	\$ (34,917)
Mar 2016	\$ 15.30	\$ 7.93	\$ 7.3657	\$ 15.93	\$ 34,917	\$ (25,402)
Total						\$ (155,922)

CHICAGO MERCANTILE EXCHANGE CASH TRADING

PRODUCT	MONDAY May 16	TUESDAY May 17	WEDNESDAY May 18	THURSDAY May 19	FRIDAY May 20	WEEKLY AVERAGE#
CHEESE BARRELS	\$ 1.3300 (+0.0100)	\$ 1.3500 (+0.0200)	\$ 1.3625 (+0.0125)	\$ 1.3800 (+0.0175)	\$ 1.3550 (-0.0075)	\$ 1.3555 (+0.0635)
CHEESE 40# BLOCKS	\$ 1.2800 (N.C.)	\$ 1.2800 (N.C.)	\$ 1.3150 (+0.0350)	\$ 1.3150 (N.C.)	\$ 1.3150 (N.C.)	\$ 1.3010 (+0.0220)
BUTTER GRADE AA	\$ 2.0375 (N.C.)	\$ 2.0375 (N.C.)	\$ 2.0525 (+0.0150)	\$ 2.0600 (+0.0075)	\$ 2.0700 (+0.0175)	\$ 2.0515 (+0.0040)