



1315 K STREET
 MODESTO, CA 95354-0917
 TELEPHONE (209) 527-6453
 FAX (209) 527-0630
 www.westernuniteddairyfarmers.com

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Butter

5 sales, 2 bids unfilled, 1 offer uncovered. Butter lost 1 cent following a 3-cent loss last week. Butter churning is active across the country as abundant milk intakes and generally lower fluid demand is sending more milk into manufacturing uses. Cream is more readily available with most ice cream manufacturers closed until January. Despite the weak market conditions, some are actively purchasing cream as they anticipate a more active market after the first of the year.

Cheese

8 sales, 0 bids unfilled, 3 offers uncovered. Cheese lost 13.5 cents for the week after a 3.25-cent loss for the prior week. Blocks have fallen to just above the CCC support purchase price of \$1.1314 per pound, and barrels are not far behind in closing in on their support price of \$1.1014. The current price level is even more dramatic in light of the record high average annual block cheese price of \$1.8500 per pound for 2008. Current interest is light as most buyers are delaying orders until January. Cheese plants are working on extended schedules to work through large volumes of surplus milk. Inventories have been building with bulk cheese buyers operating on an abbreviated holiday schedule.

Milk Production

Milk production is steady to increasing seasonally. This coupled with the Christmas season's slow demand for fluid milk has pushed more milk into manufacturing channels. California milk production is level, and according to some reports, intakes are below year-ago levels. Processors, though, are still struggling to handle all the intakes on a timely basis.

Dry Products

During the week of December 29-31, CCC purchased 8,505,056 pounds of Western NFDM under the dairy support program. Cumulative purchases since October 1, 2008, now have reached 114.6 million pounds.

Source: USDA Dairy Market News

Weekly Update delivery options

Send change of address or request for Update delivery to Western United Dairyfarmers by phone or fax, or email to info@westernuniteddairyfarmers.com.

Weekly Update

Commodity Markets: CME – California Plants

Average	AA Butter	NFDM	40# Blocks	Barrels	Dry Whey
November	\$1.6451	\$0.8684	\$1.6950	\$1.6905	\$0.1625
December	\$1.2266	\$0.8349	\$1.5788	\$1.5908	\$0.1588
January	\$1.1367	\$0.8110	\$1.1942	\$1.2267	\$0.1525
Jan 2	\$1.1300	\$0.8110	\$1.1325	\$1.1300	\$0.1525
Week	↓ 1 cent	↓ 2 ²⁶ / ₁₀₀ cents	↓ 13½ cents	↓ 17¼ cents	Unchanged

Estimated Producer CWT. Prices

Month	Class 1	4a	4b	Overbase	Quota
November	\$18.87	\$12.20	\$15.14	\$14.27	\$15.97
December	\$16.72	\$10.15	\$13.95	\$12.50	\$14.20
January	\$17.57	\$9.57	\$10.06	\$10.73	\$12.43

2009 – A challenging year ahead

No matter how you slice it, 2009 will be a rough year for dairy families. Along with the challenges of low milk prices and high production costs, an array of policy concerns will continue to plague the industry. Many of these concerns were recently discussed by over 200 attendees at the December 5, 2008, industry meeting hosted by WUD.

Tough times seem to foster an impetus for change. This can be good, especially when the industry has a number of issues that must be addressed in order to preserve a healthy dairy industry in California. However, at the same time, all producers in the state deserve the opportunity to be involved in the process of educating ourselves on those issues and possible solutions.

A rush to make radical changes to the California system without due process would neglect the right of all California dairy producers to form their own well-informed opinions and become part of the decision-making process.

Over the next couple of months, all dairy producers in the state will be given the opportunity to fully analyze the main concerns recently voiced by industry stakeholders. Expert panels, guest speakers and task forces will be organized for each meeting, and all California producers and processors will be invited to attend. Tentative topics and dates include:

#1 Tuesday, February 3, 2009

- Supply management and plant capacity

#2 Wednesday, March 18, 2009

- Examination of federal milk marketing orders (FMMO)
- Competitiveness of California, particularly with respect to out-of-state milk
- Stability of the California system

#3 Tuesday, March 31, 2009

- Innovation and the need to encourage growth in value-added products that bring higher returns for producers by meeting domestic and global demand
- Global marketplace and how California can align itself to best meet the demand

This series of meetings will provide an unprecedented opportunity for all California dairy producers. In these challenging times, producers are encouraged to take an active role in helping to determine the future of the California dairy industry by participating in fully exploring each topic.

WUD will be reaching out to all California dairy families and trade associations for their participation and suggestions. Invitations will be mailed and will include a survey designed to gather information on each of the topics. Finally, an array of articles will appear in the *Weekly Update* that will provide factual background data and thought-provoking information. We look forward to your participation.

Packaged fluid milk across state lines

CDFA studies imports and exports

According to data released by the California Department of Food & Agriculture (CDFA), packaged fluid milk moves both ways across state lines. In order to determine the most comprehensive figure for the total packaged fluid milk sold in California, the Department has conducted a survey. They have contacted California distributors, processors, grocery store chains, convenience stores, restaurants and food service entities, and various retail markets, as well as out-of-state fluid milk processors distributing packaged fluid milk in California. Data from this survey has been released for 2006 and 2007.

Recent focus has been on packaged fluid milk moving into the state and capturing markets from California processors. While this is certainly a concern, data shows that California packaged fluid milk moving out of the state over the past two years has been nearly equal in magnitude.

In fact, net packaged fluid milk imports (packaged fluid milk imported into California minus California packaged fluid milk sold out of state) amounted to less than one truckload per day in 2006. Net imports amounted to less than a third of a truckload per day in 2007. These figures exclude organic milk, which amounted to 29 percent and 33 percent of the packaged fluid milk imported into California in 2006 and 2007, respectively. Data for 2008 is currently being collected by CDFA and is expected to be released no later than June 2009.

2006 California Packaged Fluid Milk - Sources and Destinations

(gallons per year)	Processed in CA	Processed OOS (non-organic)	Processed OOS (organic)	Total Processed OOS	Total Sold in CA
Sold in California	761,580,000	23,838,366	9,736,797	33,575,163	795,155,163
Sold Out-of-State	22,468,451	na	na		
Total Processed in CA	784,048,451				

Source: California Department of Food & Agriculture

NET packaged fluid milk imports (gallons/year)*	1,369,915	
NET packaged fluid milk imports (truckloads/year)*	228	*Excludes organic milk processed OOS and sold in CA.
NET packaged fluid milk imports (truckloads/month)*	19	Net imports = packaged fluid milk imported into CA minus CA packaged fluid milk sent out of state
NET packaged fluid milk imports (truckloads/day)*	0.6	

2007 California Packaged Fluid Milk - Sources and Destinations

(gallons per year)	Processed in CA	Processed OOS (non-organic)	Processed OOS (organic)	Total Processed OOS	Total Sold in CA
Sold in California	760,687,240	24,159,797	11,899,602	36,059,399	796,746,639
Sold Out-of-State	23,496,136	na	na		
Total Processed in CA	784,183,376				

Source: California Department of Food & Agriculture

Net packaged fluid milk imports (gallons/year)*	663,661	
Net packaged fluid milk imports (truckloads/year)*	111	*Excludes organic milk processed OOS and sold in CA.
Net packaged fluid milk imports (truckloads/month)*	9	Net imports = packaged fluid milk imported into CA minus CA packaged fluid milk sent out of state
Net packaged fluid milk imports (truckloads/day)*	0.3	

First snow survey shows glimmer of hope for better water year

The California Department of Water Resources (DWR) first snow survey of the 2008-2009 winter season indicates snow water content is 76 percent of normal for the date, statewide. This time last year, snow water content was 60 percent of normal statewide. "While conditions are an improvement over last year's initial snow survey figures, the strain on California's water supply persists," said DWR Director Lester Snow. "Recent regulatory actions that further limit pumping through the Delta and deficits from the previous two dry years will require a very wet year to relieve the drought. We must take immediate steps to protect the Delta ecosystem, conserve more water, and develop additional groundwater and surface storage facilities to meet our future needs."

Electronic sensor readings show northern Sierra snow water equivalents at 54 percent of normal for this date, central Sierra at 76 percent, and southern Sierra at 99 percent. Storage in California's major reservoirs is low. Lake Oroville, the principal storage reservoir for the State Water Project (SWP), is at 28 percent of capacity, and 44 percent of average storage for this time of year. Continuing dry conditions and court-ordered restrictions on Delta water exports are limiting water deliveries to farms and urban areas. DWR's early estimate is that it will only be able to deliver 15 percent of the volume requested by the State Water Project this year for the Bay Area, San Joaquin Valley, Central Coast, and Southern California.

California sues to block endangered species rules

California is suing the Bush administration to block last-minute endangered species regulations that are intended to reduce input from federal scientists, state Attorney General Jerry Brown announced last week. Brown said President Bush is trying to gut the Endangered Species Act before he leaves office next month. "Unfortunately, the Bush administration has had an antipathy to using sound science," Brown said in a phone interview with The Associated Press. "This is the latest assault as Bush goes out the door. It's intolerable." The lawsuit was filed late Monday in U.S. District Court in San Francisco. The Interior Department issued the revised rules this month. They allow federal agencies to issue permits for mining, logging and similar activities without getting a review from federal wildlife biologists if their own research shows the project will not affect plants and animals.

New USDA office to assess carbon credit values

A new U.S. Department of Agriculture office to assess the environmental benefits of agriculture and determine their value for carbon credit trading has been announced by Agriculture Secretary Ed Schafer. The Office of Ecosystem Services and Markets and a board to assist in the development of technical guidelines for values will promote markets for ecosystem services, according to Schafer. There will also be a public advisory board.

"Our nation's farms, ranches, and forests provide goods and services that are vital to society—natural assets we call 'ecosystem services'," Schafer said. "The Office of Ecosystem Services and Markets will enable America's agriculture producers to better compete, trade their services around the world, and make significant contributions to help improve the environment." Sally Collins, associate chief of the USDA Forest Service, will be director of the new office, which will have direct oversight from the Agriculture secretary. Collins has been credited with pioneering concepts for ecosystem services and markets as part of the Forest Service's sustainable land management mission. The first ecosystem services to be examined will be carbon sequestration.

The board, chaired by the USDA secretary, will include the secretaries of Interior, Energy, Commerce, Transportation, and Defense; the chairman of the Council of Economic Advisors; the director of the White House Office of Science and Technology; the administrator of the Environmental Protection Agency; and the commander of the Army Corps of Engineers.

Ann Silva to receive Common Threads award

Ann Silva, Tracy area dairy producer and member of Western United Dairymen, will be one of six women who have played prominent roles in California agriculture and their communities who will be honored during the Common Threads luncheon and awards ceremony at UC Davis on March 5. She was nominated by Paul Martin, WUD's director of environmental services, who noted her life-long commitment to the California dairy industry. Common Threads is a collaborative effort of the California Agricultural Leadership Foundation, the UC Davis College of Agricultural and Environmental Sciences, California Women for Agriculture, and various county Farm Bureaus.

Live website news feed keeps WUD members up to date

As part of its commitment to keep members and supporters of Western United Dairymen up to date on the latest and most important information, WUD has added a live news feed to its website. The rotating Headline News section at the top of the WUD website features news stories as they are posted throughout the day. At the end of the day, the stories are compiled into California Dairy Industry Headline News, an electronic newsletter distributed daily. "Providing timely, accurate information about the many issues facing California's dairy industry has never been more important," explains Mark Looker, WUD's communications manager.

"We're proud that our website offers the most timely and accurate information about issues that affect the industry. Many members do not want to wait until the end of the day to catch up on the news and we believe this new live news feed will help meet those information needs." The WUD website is located at www.westernuniteddairymen.com.

Field Representative Corner

WUD is featuring news from its various field representatives on a regular basis in the Weekly Update. This month's column features news from Jake Oosterman, field representative for districts 2, 4 and parts of 5.

Happy New Year's greetings! You might ask "What's to be happy about?" Just watch the world news for ten minutes. When's the last time your dairy got bombed by rockets? We just went through a peaceful election process. It's snowing in the mountains. The kids and grandkids got presents under the tree. We have much to be thankful for.

Over the next few weeks Western United Dairymen will be having their annual district meetings. I encourage all of you to attend your district's meeting. You will have the opportunity to elect district delegates. The meeting will include reports on state and federal issues, and current prices. Environmental issues will also be covered. Please come to ask Michael Marsh those tough questions your field rep couldn't answer!

In February take a day or two off the dairy to attend the World Ag Expo in Tulare. There will be over 1,600 exhibitors this year. Take in one or two seminars. You can easily spend all your time in the dairy section. If you find just one idea or product that will improve your dairy, the trip will be well worth it. Check out the full schedule at www.worldagexpo.com.

Also on the schedule, the 2009 annual Western United Dairymen convention will be held from March 4 to 6 in Rohnert Park at the Doubletree Hotel. The theme for this year's event is "Field of Dreams". The trade show promises to be the biggest ever, and the seminars and workshops will help turn those "Dreams" into reality on your dairy. Take some time to visit with neighbors and old friends. Spend an extra day to take in the tours. The WUD website at www.westernuniteddairymen.com has a promotional convention video. To see it, click on "annual convention" on the "about us" tab.

Yes these are difficult times for the dairy industry. We have seen them before, and eventually things will turn around. California has the most innovative dairymen in the world. So by your hard work and God's grace this too will pass.

Please call **Jake Oosterman at (209) 535-1929** if you have any questions on these issues or other concerns related to your dairy.

MILC start month needs to be considered

Dairy farmers can now sign up for the revised Milk Income Loss Contract Program (MILC). The final rule issued by the USDA Commodity Credit Corp (CCC) puts into effect the MILC program as authorized by the 2008 Farm Bill. The amount of eligible milk will now be 2.985 million pounds per year, an increase from the level it had been in the prior program of 2.4 million pounds per year (October through September). For California, this cap covers production for approximately 133 cows.

Month	Trigger	Class I	Payment
Dec-08	\$17.79	\$18.68	NA
Jan-09	\$17.52	\$18.99	NA
Feb-09	\$17.29	\$14.97	\$2.32
Mar-09	\$17.32	\$14.92	\$2.40
Apr-09	\$17.35	\$15.25	\$2.10
May-09	\$17.44	\$15.77	\$1.68
Jun-09	\$17.51	\$15.89	\$1.62
Jul-09	\$17.58	\$16.32	\$1.27
Aug-09	\$17.61	\$16.86	\$0.75
Sep-09	\$17.78	\$17.45	\$0.33
Oct-09	\$17.76	\$17.82	NA
Nov-09	\$17.75	\$18.03	NA

* **Source:** Cornell University Program on Dairy Markets & Policy. MILC trigger payments are estimated using CBOT and CME futures prices for corn and soybeans and milk on 12/23/08. **Bold** are actual values and not estimates.

The target price still is a \$16.94 Boston Class I price or a \$13.69 Class I mover across all orders. However, there now is a feed cost adjuster, which kicks in when calculated feed costs exceed \$7.35 per hundredweight, which can adjust the payment trigger. The feed adjuster calculation includes the national average prices for grain corn, soybeans, and dry hay to yield a 16 percent dairy ration and is the same formula used in the monthly milk-feed price ratio figure.

There was no MILC payment for the months of October through December 2008. Producers should consider which start month will maximize their payment, based on their individual production levels. A producer, who reaches the cap in one month, should attempt to select the month with the highest payment. However, this will not be an easy task given the volatility in milk and feed markets. Cornell University's Program on Dairy Markets is providing estimates based on futures market values for Class III and Class IV milk, corn and soybeans.

The production start month selection made by the dairy operation and designated on the CCC-580 form must be received by the county FSA office on or before the 14th of the month prior to the production start month selected.

Busy months ahead for the California dairy industry

The new year is off to a fast start with many activities scheduled for California dairy families and Western United Dairymen. This year's round of district membership meetings begin on January 5 in Galt and wrap up on February 17 in Hanford. The Tulare Farm Show will be open February 10 to 12 in Tulare. Next, a series of statewide industry meetings will be held on February 3, March 18, and March 31 in Modesto. Meanwhile, on March 4 to 6, WUD members will gather for the annual convention which will be held in Rohnert Park this year. Winter is the time for rest and renewal, but it is also the time for the early-planted seeds (and ideas) to germinate and get ready to take off with the first warm days of spring. With this lineup of events, this spring should be very productive. ❖

WUD Winter Member Meeting Schedule			
Mon, Jan 5 – District 2 6:30p social, 7:00p dinner The Wholey Ravioli, Galt	Mon, Jan 12 – District 4 6:30p social, 7:00p dinner Ag Center, Stockton	Thu, Jan 22 – District 7 6:30p social, 7:00p dinner Farm Bureau, Fresno	Mon, Feb 2 – District 11 12:00 noon dinner Benji's, Bakersfield
Tues, Jan 6 – District 5 6:30p social, 7:00p dinner Turf Club, Turlock	Tue, Jan 13 – District 6 6:30p social, 7:00p dinner Pentecost Hall, Stevinson	Mon, Jan 26 – District 10 6:30p social, 7:00p dinner Curly's, Fortuna	Mon, Feb 2 – District 8 6:30p social, 7:00p dinner Ag Heritage, Tulare
Thu, Jan 8 – District 12 6:30p social, 7:00p dinner Royal Cut, Ontario	Tue, Jan 20 – District 3 6:30p social, 7:00p dinner Cattlemen's, Petaluma	Tue, Jan 27 – District 1 6:30p social, 7:00p dinner Pat & Larry's, Willows	Tue, Feb 17 – District 9 6:30p social, 7:00p dinner Fraternal Hall, Hanford

WDR reports and activities	
First of the month	Photograph freeboard in each pond.
Weekly (Oct – May)	Visually inspect production and waste storage areas and ponds.
Ongoing	These actions should occur as described: <ul style="list-style-type: none"> Record visual inspections, value and date for each process wastewater application. Record volume/density OR weight /moisture of solid manure applications. Record yield and lab analysis data for each harvested crop. Record date, time, volume, duration, location, destination, field measurements and lab analysis of runoff from one third of cropland areas of the first and a mid season significant storm event.
December 31, 2008	Field risk assessment and infrastructure checklist due to be filed with the CVRWQCB.
July 1, 2009	Second annual report due to be filed with the CVRWQCB.

Hay & Grain Report

Hay Grades	Tons	Wtd Avg
Petaluma – Delivered:		
Supreme	450	258.33
Premium	200	245.00
Fair	100	250.00
Modesto – Delivered:		
Supreme	250	242.80
Premium	150	221.00
Fair	400	167.50
Northern Mountain – FOB:		
Premium	100	177.00
Fair	200	156.88
Tracy – FOB:		
Supreme	25	220.00
Premium	50	210.00
Fair	100	147.50
Sacramento Valley – FOB:		
Supreme	50	220.00
Good	25	200.00
Fair	50	200.00
Central Coast – Delivered:		
Supreme	100	235.00
South Valley – Delivered:		
Supreme	1,200	193.75
Fair	1,000	145.00
Corcoran – FOB:		
Supreme	700	180.00
Firebaugh – FOB:		
Supreme	50	170.00
Good	170	157.50
Dos Palos – FOB:		
Supreme	175	225.17
Premium/Supreme	5,000	170.00
Fair	25	160.00
Parker – FOB:		
Good	450	163.33
Fair	150	135.00
Imperial Valley – FOB:		
Good	100	168.00

Grains

Soybean Meal, 47½ %:
 Chino Valley 296.50 – 308.00
 USDA Market News 1/2/2009