



CDI Letter

April 2009



CWT announces 2009 herd retirement program

After much debate, discussion and speculation, CWT has finally announced its intention to hold a herd retirement program, its 7th since the program was initiated in 2003. Signups for the program will be accepted immediately and until Friday May 1. Producers who wish to be considered in the herd retirement program must be members of CWT effective January 1, 2009. CDI participates fully in CWT, and all CDI members are, therefore, eligible to submit bids. As a reminder, a producer who has a financial interest in more than one dairy must include all of his cows in his bid.

Bids will be reviewed during the first three weeks of May, followed by visits from field auditors at the end of May. All bidders, whether successful or not, will be notified of their status by June 19th. For this round, CWT is cautioning potential bidders that because the value of cows and heifers has dropped dramatically, the level at which bids will be accepted is expected to be much lower than in recent years.

A producer whose bid is accepted will be paid for the milk produced during the 12-month period from March 1, 2008 through February 28, 2009. The producer is responsible for selling the cows for slaughter, and the producer is entitled to retain the sales value of the animals.

This round will again offer producers the option of including their bred heifers for a flat fee of \$700 per animal. The program stipulates that producers must offer all of their bred heifers at that

price. Whether a producer chooses to offer bred heifers will not impact whether or not his bid is accepted. However, a producer's bid must be accepted prior to CWT accepting the bred heifer offer.

Two other programmatic changes have been made:

- CWT members whose bids were accepted in a previous round will have the option of bidding in this round. This is a one-time exception to the prior rule that excluded prior participants from participating again.
- Producers whose bids are accepted will be paid in two installments. A payment of 90% of the amount due to the producer will be made when verification is received that all cows have gone to slaughter. The remaining payment (including interest) will be made after a 12-month period when it can be verified that both the producer and his dairy facility – **whether owned or leased** – did not become involved in the commercial production and marketing of milk during that period.

Please contact your field representative for more information or you can access the CWT website at <http://www.cwt.coop>.

USDA formulates plan to move NFDM to feeding programs

On March 26th, U.S. Secretary of Agriculture Tom Vilsack announced that 200 million pounds of nonfat dry milk (NFDM) will be transferred from the Commodity Credit Corporation (CCC) to USDA's Food and Nutrition Service for use in its domestic feeding programs. This represents almost the entire amount of NFDM that has been purchased by CCC since October 2008. USDA's plan for the NFDM has two purposes – to help support low-income families and to help dairy farmers who have been experiencing the worst cost-

price squeeze on record.

USDA plans to make the NFDM available for further processing or use the product to barter for other desirable feeding program products. Those products will likely include items such as instantized NFDM, ultra high temperature milk, cheese, and soups. Products should be moving through the supply chain starting this spring and are expected to continue throughout 2009.

USDA, CONTINUED ON BACK



Dairy CARES Report

Relief requested for Central Valley dairies

California dairy producers large and small are struggling through unprecedented economic challenges. Milk prices have dropped by more than one-third over the past two months, even as production costs remain at record-high levels. Meanwhile, as a part of a five-year plan that was approved in May 2007, California water quality officials are continuing to phase-in stringent water quality protection regulations for dairies. By July 1, dairy producers across the Central Valley are required to submit annual environmental monitoring reports, engineered waste management plans, nutrient management plans and other critical information. This requires time and outside professional expertise that most dairies are hard-pressed to afford.

For this reason, the Central Valley Regional Water Quality Control Board will consider at its April meeting modifying the schedule for some of the most expensive requirements of the new regulations. Specifically, the Board will consider whether to allow dairy operators until July 2010 to submit the Waste Management Plan (WMP), a portion of the requirements that requires the assistance of outside professionals (usually civil engineers) to complete. The cost of the plan can range from \$10,000 to \$30,000.

CARES coalition members strongly support the Regional Board's proposal to amend the WMP schedule. It would provide critical temporary economic relief for dairy producers and a flexibility to defer costs forward until milk prices recover.

Overall efforts to improve water quality protection will be unaffected. Water officials report immense progress as dairy producers have complied with the progressive stages of the water quality regulations adopted more in May 2007.

Here are some very important facts for dairy producers to be aware of regarding the Regional Board proposal:

- **The proposal is not yet approved.** The Regional Board will consider the action at a meeting in late April. Producers should closely watch their trusted sources of information, such as trade association or processor newsletters, for more information and updates on the final decision.
- **If granted, only the WMP schedule would be modified.** All other requirements, including the Nutrient Management Plan, annual reports, etc., would remain on the current schedule. Failure to submit these reports in a timely manner could result in fines and other enforcement actions.
- **This is a change in schedule, not a removal of the requirement for a WMP.** While the proposed order would grant additional time for submittal of the engineering report, the report will still be due. *Producers who are able to continue on the current schedule are well advised to do so.*

CARES coalition members recognize that while this proposed

amendment in the Regional Board regulatory schedule may provide important relief at a critical time, it is at best temporary.

CARES members will continue to monitor the situation closely. Dairy families have already shown their commitment to comply with the regulations and protect water quality,

even as they continue to provide nutritious, high-quality dairy products for people across California and the nation. Now is the time for all Californians to stand with their dairy family neighbors as we work together to preserve this vital part of our state's economy.

News Briefs

- ▲ **Legal Action Taken** — On March 6, four dairy producers from Pennsylvania, Ohio and Wisconsin filed a class action suit against DairyAmerica and California Dairies, Inc. on behalf of dairy producers in 25 states for underreporting NFDM prices from 2002 through 2007, which caused producer pay prices to be lower. Since then two other similar class action suits have been filed against DairyAmerica and California Dairies, Inc.
- ▲ **Two-thirds in, one-third out** — CWT has reached its goal of signing up a supermajority of the nation's milk supply for two years at the \$0.10 per cwt. commitment. CWT is allowing both cooperatives and individual dairy farmers to join CWT with a 24-month membership commitment, retroactive to January. Only members will be allowed to participate in future herd retirement programs.
- ▲ **Where Do We Sign Up?!** — A proposal by the Arkansas Milk Stabilization Board to support the state's dwindling dairy industry has passed out of the State's Senate on a 33-0 vote. The program will place a \$0.30 per cwt. assessment on retail dairy product which will then be used to pay state dairy producers when production costs fall below a specified level. In addition, other incentives propose paying an individual farmer as much as \$50,000 if milk production and quality indicators are met. The bill needs final House approval before the Governor can sign the legislation into law.





MONEY TALK

MILK PRICES

April (So. California)

	2009	vs.	2008
Class 1	\$11.85		\$20.19
Class 2*	\$10.19		\$15.24
Class 3*	\$9.91		\$14.97
Class 4a*	\$9.77		\$14.31
Class 4b*	\$11.09		\$16.79

March

	2009	vs.	2008
Quota*	\$11.49		\$17.71
Overbase*	\$9.79		\$16.01

April

	2009	vs.	2008
Quota*	\$11.82		\$17.56
Overbase*	\$10.12		\$15.86

Commodity Prices • Butter

	2009	vs.	2008
2/27	\$1.1425		\$1.2180
3/6	\$1.1590		\$1.3145
3/13	\$1.1785		\$1.3365
3/20	\$1.1835		\$1.3638
3/27*	\$1.1860		\$1.3788

Cheese (Block)

	2009	vs.	2008
2/27	\$1.2000		\$2.0640
3/6	\$1.1770		\$1.8995
3/13	\$1.2410		\$1.8215
3/20	\$1.2775		\$1.7650
3/27*	\$1.2685		\$1.7950

Dry Whey (Dairy Mkt. News)

	2009	vs.	2008
2/27	\$0.1615		\$0.2350
3/6	\$0.1750		\$0.2350
3/13	\$0.1800		\$0.2400
3/20	\$0.1900		\$0.2475
3/27*	\$0.2000		\$0.2600

Nonfat Dry Milk • CWAP

	2009	vs.	2008
2/27	\$0.8040		\$1.2265
3/6	\$0.8031		\$1.3320
3/13	\$0.8054		\$1.2483
3/20	\$0.8087		\$1.3079
3/27*	\$0.8100		\$1.2391

*Estimate

Quality Corner

Annual Milk Quality Award Winners

For the 2008 Production Year

Dairies listed by Rank Within Their District

The Overall Grand Award Winner: John Bos Dairy

District 1

- George Borba & Son Dairy
- JDS Ranch
- Desert View Dairy
- Frank Konyn Dairy
- Lauren Duhalde Dairy
- Bellanave Corp.
- George Borba & Son Dairy #2
- Koot Dairy #2
- Northview Dairy
- Offinga & Son Dairy

District 3

- de Groot Dairy
- Francisco Ribeiro Dairy
- Dutra and Dutra Dairy
- Dos Rios Ranch
- Hillview Dairy Farm
- de Groot Dairy South
- Pacheco Dairy, Inc.
- Domingos Ribeiro
- Charles Vander Kooi Dairy
- Henry Veenendaal Dairy LP

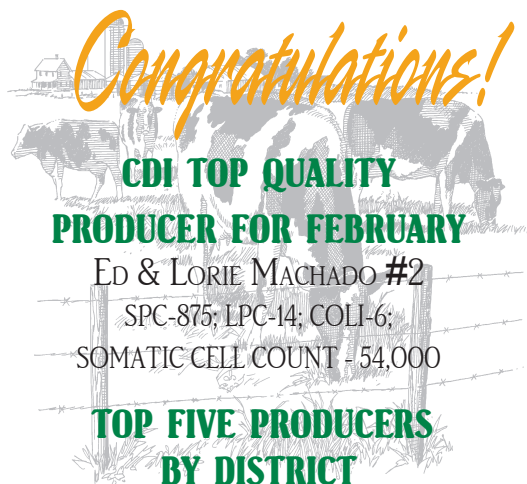
District 2

- Lou-Mar Dairy
- Five Star II
- M & L Dairy
- Borba & Sons Dairy
- Twin River Ranch
- Van Ryn Dairy
- Bar VP Dairy
- de Groot Dairy #1
- Oakview Dairy
- John Vander Poel Dairy

District 4

- Joe & Renee Barroso
- Ed & Lorie Machado #2
- Michel Ranch and Dairy
- Paul Caetano
- Pedretti Ranches
- Antone L. Gomes & Sons
- 6D/Dores Dairy
- Nelson Dairy
- Den-K Holsteins Inc.
- Dores Dairy





USDA, CONTINUED FROM FRONT

This announcement by USDA is welcome news to the dairy industry. While there is no direct effect on milk prices, the removal of 200 million pounds of NFDM from storage facilities should help to speed recovery of powder markets – tightening the supply of powder will tend to push powder prices higher.

USDA's announcement did not contain any hint as to when the Dairy Export Incentive Program (DEIP) might be used. The dairy industry has requested repeatedly that DEIP be utilized to provide additional relief to dairy producers. DEIP was first authorized in the 1985 Farm Bill and then re-authorized in every farm bill since then, including the 2008 Farm Bill. DEIP works by providing subsidies to U.S. firms that export products into foreign markets. Using DEIP to subsidize exports of powder, butter, and cheese would be beneficial to the dairy industry by reducing product held in inventory. Smaller inventories, in turn, speeds price recovery by tightening markets.

Reminder: Attend CDI annual meeting

CDI will be holding its 10th Annual Membership Meetings on April 29th, 30th and May 1st. All members are encouraged to attend the meeting held in their districts. However, if a conflict exists, members are welcome to attend a meeting held in another district. For each meeting, registration will be open at 9:00 a.m., and the meeting will begin at 10:00 a.m.

Meeting Date

Location

District 4 Wednesday, April 29th	TPA (Turlock Ballroom) Hall 728 Golden State Blvd. Turlock
Districts 2 & 3 Thursday, April 30th	CDI Plant - Visalia 2000 N. Plaza Drive Visalia
District 1 Friday, May 1st	Double Tree Hotel 222 North Vineyard Ontario

District 1
JDS Ranch, Bidart Dairy,
Palla Rosa Farms Dairy #3,
H & R Dairy, George Borba & Son #2

District 2
Lou-Mar Dairy, Chris de Jong,
South Creek Dairy, Bluegrass Dairy,
Jake Koetsier Dairy

District 3
Pimentel Dairy, de Groot Dairy,
Fred Rau Dairy Inc. #2,
Charles Vander Kooi Dairy,
Dutra and Dutra Dairy

District 4
Paul Caetano, Joe & Renee Barroso,
Correia Family Dairy #2, Pedretti Ranches,
Valley Holsteins

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