

CDI Letter

September 2009

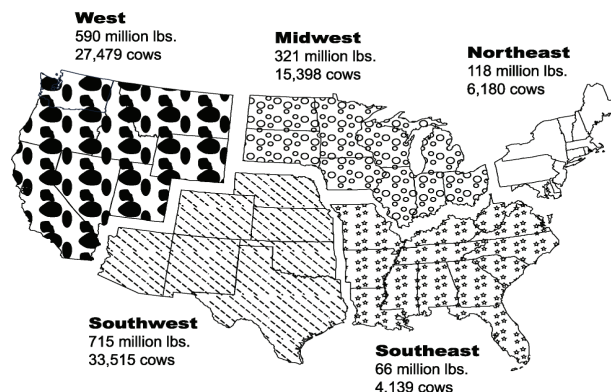


Results of second herd buyout of 2009

CWT is completing the farm audits for the 294 bids that were tentatively accepted in the 8th herd buyout, representing 86,711 cows and 1.8 billion pounds of milk. In addition, approximately 3,100 bred heifers were accepted in this round of herd retirement. Overall, the average herd size of 296 cows and average production per cow at 20,900 lbs. were the highest statistics of any of the eight buyouts to date.

The results followed the same basic trend that has been seen with other herd buyouts with a heavy emphasis in Western states. The West and Southwest regions combined for 70% of the cows removed and 73% of the associated milk production. While the Northeast and Southeast were again minimally impacted by the selection process, the participation in the Midwest was noticeably higher – 18% of the milk and cows were from the Midwest region.

Since December 2008, CWT has offered three herd buyouts. Combined, they have removed 238,380 cows, equivalent to 4.75 billion lbs. of milk produced annually.



USDA to Receive Nominations

USDA has announced its intentions to establish the Dairy Industry Advisory Committee (Committee). The purpose of the Committee is to review the issues of farm milk price volatility and dairy farmer profitability and provide suggestions and ideas to Secretary Vilsack on how USDA can best address these issues to meet the dairy industry's needs.

Secretary Vilsack will select up to 15 dairy industry representatives, and the Committee is expected to include producers, producer organization representatives, processors, processor organization representatives, consumers, academics, retailers and regulators.

Nominations must be submitted in writing and received on or before September 28, 2009. Faxes and e-mail submissions will be accepted as well.

Please send nominations to:

Brandon Willis, Deputy Administrator,
Farm Programs, Farm Service Agency, USDA
1400 Independence Avenue, SW., Room 3612-S, Stop 0510
Washington, DC 20250-0510; Facsimile: (202) 720-4726;
E-mail: brandon.willis@usda.gov

If you wish to obtain further information, please contact Solomon Whitfield, Designated Federal Official at Phone: (202) 720-7901 or e-mail Mr. Whitfield at solomon.whitfield@usda.gov

CDI Wins Butter Awards

In August, CDI participated in the Los Angeles International Dairy Competition by submitting 20 entries under various labels. The products were manufactured in CDI's Turlock, Visalia and Fresno facilities. The judging categories included salted butter, whipped butter, pasteurized butter and sweet butter. Every CDI entry received a Gold Medal, the highest achievable award in the competition, which is simply a tremendous achievement. This is further evidence that CDI produces the best quality products possible using the best quality milk in California!





Dairy CARES Report

Re-establishing consumer trust vital to future of California's dairy families

American consumers know how to eat, but ever fewer have “hands-on” knowledge of where their food comes from (“the supermarket, right?”). That’s hardly news: Farmers and livestock ranchers have been facing the challenge of educating an increasingly “citified” public for nearly a century, as more and more people live and work in urban areas while relying on fewer and fewer farmers to feed them.

Lately, this challenge seems to be getting a little steeper. The recent film “Food, Inc.” and the just-published *Time* (Aug. 21 issue) article, “Getting real about the high price of cheap food,” are examples of the growing number of questions proliferating in the mass media about how food is produced – and who is responsible for it.

There is a good story to tell for dairy families and many others who produce our nation’s food. Dairy farmers have been innovators for decades, producing an affordable, plentiful, reliable and safe supply of milk and dairy products to hundreds of millions of Americans every single day. These same dairy families produce a daily bounty of products while implementing sustainable farming practices. They use manure, a natural fertilizer, to grow crops, balancing nutrients to protect soil and water, and managing their farms to reduce air emissions and

be good neighbors. Dairy families also remain dedicated to caring for the animals that provide milk and meat to sustain millions of people.

Unfortunately, that’s not always the story we hear. Critics point out that marketing efforts portray an image of farming that doesn’t resemble reality. It is normal for marketers of everything from bacon to breadsticks to cover their packaging with sentimental images of farming landscapes, such as red, wood-frame barns and grassy hill-sides.

To state the obvious, farms in general – and dairies specifically – don’t look like they did 50 or 100 years ago. Wooden barns have been replaced with steel structures with improved sanitation. Breeding and feeding has improved dramatically, resulting in healthier animals that produce more milk. More milk from fewer cows contributes to a smaller environmental footprint.

California’s milk is produced on nearly 1,800 dairies, virtually all family-owned and operated. Many have been in the business for generations. To compete in the modern world, these families have innovated to improve their ability to care for animals and the environment. Even more important – while the style of dairying has changed through modern innovations, the core values of the California dairy family have remained. The compassion,

responsibility and respect that guided dairies of 100 or 200 cows in the past are the same values that guide dairies with 1,000 or even 5,000 cows today.

Recently, two national dairy organizations, Dairy Management Inc. (DMI) and National Milk Producers Federation (NMPF), announced they will launch the National Dairy FARM Program: *Farmers Assuring Responsible Management*, later this year. Dairy Cares representatives this month met with DMI and NMPF to discuss the developing efforts and to provide a California perspective. This FARM program offers a potential avenue for today’s dairy families to re-connect with consumers, and

demonstrate the shared values held by farmers and consumers when it comes to responsible, humane animal care.

Dairy Cares applauds the efforts of DMI and NMPF in taking steps to develop a program that will allow dairy farmers to reinforce with consumers what they already know and practice, including proper animal care and treatment, environmental sustainability and a continuing dedication to producing the finest dairy products in the world. Continuing to achieve these goals, and making sure that consumers are educated about our efforts, is vital to the economic future of California dairy farm families.

MILC Reminder – A new Milk Income Loss Contract Program (MILC) year starts in October, and it’s time to think about selecting a start month for potential MILC payments. Earlier this year, most dairymen in California chose a starting month of February or March, which covered the time period through September 30th, 2009. If you don’t make any changes, your start month for the upcoming fiscal year will default to the one you selected previously (i.e., February or March).

The recent price increases are rapidly eroding any potential for continued MILC payments, but there appears to be some likelihood of small payments for the months of October 2009 through February 2010. The estimated payment rates have been estimated by two organizations:

- Cornell University (<http://cpdmp.cornell.edu/>)
- National Milk Producers Federation (<http://www.nmpf.org/>)

Please keep in mind that the payment rates found on both websites are projections based on futures markets for feed and for milk. Futures markets change with each trading day, and, consequently, so will the projected payment rates.

You may wish to consider contacting your Farm Service Agency (FSA) office to request a change in your start month to October. The FSA office must be notified by the 14th of the month prior to the new start month. For example, to change to an October start month, you will have to notify the FSA office by September 14th.

MONEY TALK

MILK PRICES

September (So. California)

	2009	vs.	2008
Class 1	\$13.48		\$19.51
Class 2	\$10.70		\$16.76
Class 3	\$10.42		\$16.49
Class 4a*	\$10.41		\$15.51
Class 4b*	\$11.83		\$16.63

August

	2009	vs.	2008
Quota*	\$12.18		\$18.01
Overbase*	\$10.48		\$16.41

September

	2009	vs.	2008
Quota*	\$12.75		\$17.92
Overbase*	\$11.05		\$16.22

Commodity Prices • Butter

	2009	vs.	2008
8/7	\$1.2380		\$1.6515
8/14	\$1.2200		\$1.6400
8/21	\$1.1815		\$1.6230
8/28	\$1.1685		\$1.6075

Cheese (Block)

	2009	vs.	2008
8/7	\$1.2850		\$1.7500
8/14	\$1.3350		\$1.7680
8/21	\$1.3850		\$1.7155
8/28	\$1.3845		\$1.7065

Dry Whey (Dairy Mkt. News)

	2009	vs.	2008
8/7	\$0.3200		\$0.2800
8/14	\$0.3200		\$0.2750
8/21	\$0.3200		\$0.2675
8/28	\$0.3200		\$0.2550

Nonfat Dry Milk • CWAP

	2009	vs.	2008
8/7	\$0.8522		\$1.3514
8/14	\$0.8542		\$1.3559
8/21	\$0.8452		\$1.3429
8/28*	\$0.8600		\$1.3293

*Estimate

Quality

Corner

"Raw milk consumption: An emerging public health threat?"

This was the title of a recent paper presented by the Center for Food Safety and Security Systems. It makes you wonder why we are still debating the benefits of milk pasteurization after nearly 100 years of doing so. And then you talk to folks that are not in the food business and you find out why. There are an unbelievably high number of ignorant consumers in our world. Many college educated people that you would think should know better, in fact don't know better. The belief that if this food costs more than another, it must be better for you has somehow overruled education and common sense.

Raw foods, including milk from the cow has bacteria in or on it. Some of this bacteria comes from within the cow (*Staphylococcus aureus* for example) and some from the outside (*Escherichia coli*, etc.). It's always been a good idea to cook our food because it does contain bacteria and some in the right amounts could make you really sick. That should be all that needs to be said but apparently it isn't for some folks and the number is surprisingly large!

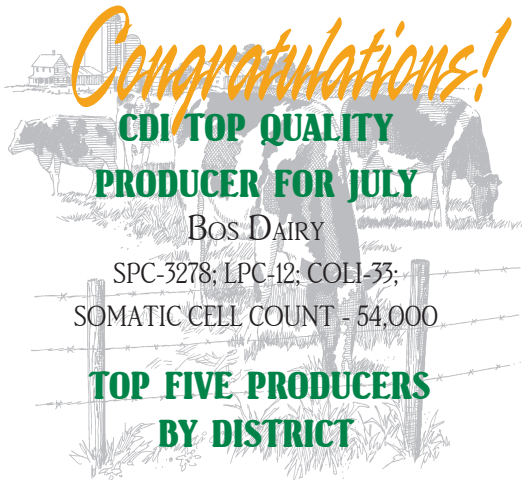
Opponents to pasteurization claim that the pasteurization process inactivates natural antimicrobials present in raw milk, increases the risk of lactose intolerance, increases milk allergies, increases the incidence of arthritis, increases the incidence of asthma, decreases the availability of calcium and reduces the amount of vitamins. These claims are largely unsubstantiated because there have been few clinical studies involving raw milk consumption by humans. That doesn't appear to matter in the court of public opinion.

In fact, it has been substantiated that many of the enzymes including lysozyme and lactoperoxidase retain most of their activity after pasteurization. Pasteurization has minimal impact on most trace nutrients that milk is an important source of. Vitamin A and D are added to milk. Vitamin A is fat soluble and losses occur because of butterfat reduction, not pasteurization.

Historically, milk has been identified as a source of food borne diseases. This includes several potentially life-threatening diseases such as tuberculosis, brucellosis and salmonellosis. Largely due to the widespread use of pasteurization and hygiene programs, milk is responsible for less than 1% of reported food poisonings. 70% of that 1% involve unpasteurized milk. Unfortunately this data does indicate there were also problems with milk that had been pasteurized. However, unpasteurized dairy product resulted in outbreaks more frequently and cause more severe illness than outbreaks caused by pasteurized products.

The Center for Disease Control reports the incidence of disease nationally. Looking at data from 1993 through 2006, they reported the incidence of outbreaks was almost 4 times higher in states permitting the sale of raw, unpasteurized milk.

The ongoing discussion about whether to allow the sale of raw milk is just one example of a much bigger issue. It would appear as an industry, agriculture generally has not done enough to educate the consumer. Misconceptions and misinformation are in great supply. It's becoming increasingly difficult to assure the consuming public that the plain old carton of milk that's always been in the store dairy case is still the best buy for their dollar. Talk to someone 18 – 40 years old and see if they hold your same view of dairy. You may be surprised what you hear.



**CDI TOP QUALITY
PRODUCER FOR JULY**

BOS DAIRY

SPC-3278; LPC-12; COLI-33;

SOMATIC CELL COUNT - 54,000

**TOP FIVE PRODUCERS
BY DISTRICT**

District 1

Lauren Duhalde Dairy, H & R Dairy,
JDS Ranch, Frank Konyn Dairy,
Northview Dairy

District 2

M & L Dairy, Twin River Ranch,
Oakview Dairy, De Groot Dairy #1,
Astma Dairy

District 3

De Groot Dairy, Francisco Ribeiro Dairy,
CSU-Fresno, Shein Ranch, Souza Dairy #2

District 4

Rosa Dairy Farms, Paul Caetano,
Den-K Holsteins Inc., Rafael Pacheco,
Freitas Brothers



**Introducing
New Board Member
Steve Nash**

For the last two months, we have been introducing the four new Board members who began their tenure in May 2009. Two of the four new Board members elected operate dairies in District 3, and this month we are featuring Steve Nash.

Meet District 3 Director Steve Nash, who operates Nash Farms Inc. and Nash Farms Inc. #2 in Selma. Steve has been in the dairy business for 29 years, but his family has been producing milk for 80 years! Steve's grandfather started the dairy in 1929 in Corcoran, which was then moved to its current location in 1932. Steve currently milks 1,500 cows and maintains a herd average of 23,300 pounds of milk (875 pounds of fat). Steve and his family have been recognized as one of the top producing herds in Fresno County, both with their Holsteins and their Jerseys. Steve is a graduate of Cal Poly San Luis Obispo's Dairy Science program.

Steve actively participates as a representative of the dairy industry by serving as a Director of the Fresno County Farm Bureau, Director of the California Milk Advisory Board and a member of the California Department of Food and Agriculture's Dairy Advisory Committee. He also serves as a Director of the Consolidated Mosquito District.

Steve and his wife Terry have two children — Stephanie and Cody. Steve's other interests include traveling, snow skiing, and watching his children in any school activity. Steve says, "I am very humbled that the members have elected me to serve them on the CDI Board. Each decision that I make will look out for the best interest of the owners of CDI (the producers). Starting with quality milk from our members is a must and manufacturing it into a product that consumers want and purchase will make CDI a stronger company and one that never stops looking at innovation to return higher dividends to our members."

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