



# Weekly Update

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

## February 20, 2009

### Butter

0 sales, 1 bid unfilled, 0 offers uncovered. For the fourth week in a row, butter ended the week unchanged. Churning schedules across the country are seasonally active with cream supplies for butter lighter than recent weeks. Demand for cream-based products for Easter and Passover in early April is developing. Overall, butter demand is good, especially in retail outlets running feature sale promotions.

### Cheese

36 sales, 2 bids unfilled, 21 offers uncovered. Cheese gained 7 cents for the week after an 8.25-cent gain last week. The CME cash cheese price moved sharply higher this week until the resistance point was reached on February 19. The product pipelines are filling with supplies needed for various promotions. Some buyers are purchasing extra inventory to take advantage of current low prices. Supplies have tightened, especially for made-to-order and mozzarella. Production is seasonally active for most varieties.

### Milk Production

Milk production is steady to higher in most of the country. Diversions to cheese plants are strong following strong 2009 sales to date, good pending orders, and favorable milk prices. Cream multiples have moved up except in some Western areas where market tone remains weak. CWT announced that it has removed 50,630 cows producing nearly 1 billion pounds of milk under the recently completed sixth herd retirement round.

### Dry Products

During the period February 16-20, CCC purchased 4,671,339 net pounds of Western NFDN under the dairy support program. Cumulative purchases since October 1, 2008, now have topped 174.6 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.

## Commodity Markets: CME – California Plants

Average	AA Butter	NFDN	40# Blocks	Barrels	Dry Whey
December	\$1.2266	\$0.8349	\$1.5788	\$1.5908	\$0.1588
January	\$1.1165	\$0.8161	\$1.0907	\$1.1019	\$0.1495
February	\$1.1014	\$0.8089	\$1.1920	\$1.1738	\$0.1519
Feb 20	\$1.1025	\$0.8058	\$1.3100	\$1.2700	\$0.1575
Week	Unchanged	↓ <sup>40</sup> / <sub>100</sub> cent	↑ 7 cents	↑ 4 cents	↑ ½ cent

## Estimated Producer CWT. Prices

Month	Class 1	4a	4b	Overbase	Quota
December	\$16.72	\$10.15	\$13.95	\$12.41	\$14.11
January	\$17.57	\$9.53	\$9.02	\$10.22	\$11.92
February	\$11.42	\$9.40	\$10.04	\$9.51	\$11.21

## Supply management systems draw lot of interest at meeting

Nearly 200 California dairy producers and processors met in Modesto on Thursday to hear from a wide range of economists and industry experts on possible solutions to the financial woes the industry is experiencing. The vast majority of the comments focused on supply management systems, both those currently in place and those that could be created in the future.

The meeting sponsored by Western United Dairyfarmers was successful in terms of the interest it generated from producers and processors, said WUD President Ray Souza. "A sustainable and stable milk price is what producers are looking for," explained Souza. "We need to get the industry together long-term instead of just responding to current crises. We have never seen such volatility in the market."

The meeting examined current supply management systems such as Cooperatives Working Together, the Canadian quota system, and a program to mitigate price volatility studied by Cornell University. While there was not a consensus on the best system, overall those attending "liked the idea of putting in base plans to control milk."

Thursday's meeting was the first of three sessions that will examine the critical issues facing the industry. The next meeting is Wednesday, March 18 in which the topics will cover an examination of federal milk marketing orders (FMMO); the competitiveness of California dairies, particularly with respect to out-of-state milk; and the stability of the California system. The final session, on Tuesday, March 31 will look at innovation and the need to encourage growth in value-added products to bring higher returns to producers by meeting domestic and global demand; and consideration of the global marketplace and how California can best align itself to meet global demand. Like the first, these sessions will be at the Modesto Doubletree Hotel, and they will begin at 10 a.m.

### MILC Payment Estimates

Month	Trigger	Class I	Payment*
Feb-09	\$16.94	<b>\$13.97</b>	\$1.34
Mar-09	\$16.94	\$12.84	\$1.85
Apr-09	\$16.94	\$13.67	\$1.47
May-09	\$16.94	\$13.70	\$1.46
Jun-09	\$16.94	\$14.17	\$1.25
Jul-09	\$16.94	\$14.69	\$1.01
Aug-09	\$16.94	\$15.80	\$0.51
Sep-09	\$17.02	\$16.66	\$0.16
Oct-09	\$16.99	\$17.27	NA
Nov-09	\$16.97	\$17.36	NA
Dec-09	\$17.22	\$17.83	NA
Jan-10	\$17.25	\$17.81	NA

\*MILC trigger payments are estimated using CBOT and CME futures prices for corn, soybeans and milk on 2/19/09. **Bold** are actual values and not estimate. Source: Cornell Program on Dairy Markets & Policy

## 51,000 cows removed in latest round

Cooperatives Working Together (CWT) has finished the farm audits of its sixth herd retirement round since the program's inception in 2003. This round removed 50,630 cows that produced almost one billion pounds of milk per year. At the completion of the on-farm auditing process earlier this month, CWT removed 186 herds in 33 states, comprised of nearly 51,000 cows that produced 976 million pounds of milk. These figures reflect the number of dairies successfully audited. (Continued page 2)

(Continued from page 1) Herds with bids accepted in this round were audited in December, January, and early February. CWT had received 471 bids from 40 states during the bidding process last fall. As has been the case with its previous herd retirement rounds, most of the cows removed were in the western region of the country. This round also removed 1,240 bred heifers. In the west, bids were accepted from 49 farms representing 23,773 cows and 497.9 million pounds of milk. The average bid, nationally, was \$6.87 per hundredweight.

## Some dairy benefits seen in stimulus package

There are some benefits in the stimulus package that dairy producers will be able to take advantage of, reports Charlie Garrison, WUD's legislative advocate in Washington DC. Several more would also come into play if the industry were anywhere near profitability right now. Among the features of the package of interest to dairy producers:

- One year extension for Bonus Depreciation and Enhanced Expensing.
- Net Operating Loss Carryback was extended from two to five years for small businesses.
- Electricity Tax Credit received a two-year extension of the "placed in service" date through December 31, 2013, for renewable electricity generated from biomass (including methane digesters).
- \$50 million allocated to upgrade USDA Farm Service Agency offices.
- Supplemental Nutrition Assistance Program (SNAP) (aka Food Stamps) received a \$20 billion increase.
- Women, Infants and Children (WIC) Program received a \$450 million increase.

## State slaughter law overturned by federal judge

Pigs that fail to stand up on their own prior to slaughter may still be butchered and their meat sold for human consumption despite a state law designed to prevent that, a federal judge ruled Thursday in Fresno, according to a published report in the *Fresno Bee*. The law, which took effect January 1, made it illegal for anyone to butcher and sell animals unable to stand, sometimes due to fatigue. Slaughterhouses argued that the law was too broad and caused meat from healthy animals to go to waste. At issue was whether the state law could take precedence over a 102-year-old federal law also designed to protect food safety. U.S. District Judge Lawrence J. O'Neill ruled that it could not.

In his 21-page ruling, O'Neill stopped the state from enforcing the law against swine slaughterhouses. The state legislation was approved last summer after the largest beef recall in history. That recall came after the Humane Society of the United States secretly videotaped animal abuse at a Southern California slaughterhouse, a tape that included a man dragging sick cows and shocking them. The National Meat Association and the American Meat Institute challenged the law, saying federal law preempts state law. O'Neill agreed, citing the 1907 Federal Meat Inspection Act. "The very purpose of the FIMA is to ensure the safety of the nation's food supply and to minimize the risk to public health from potentially dangerous food and drug products," O'Neill wrote.

## Renewables score big gains in \$789 billion stimulus plan

Renewable energy and energy efficiency programs and projects scored major gains under the \$789 billion economic stimulus bill, according to an article published by the 25 x '25 agricultural energy group. Renewable energy advocates say they were pleased with the results of the negotiations, noting that while the package did not include everything the sector sought, new spending and tax benefits included in the stimulus legislation amounted to \$37.5 billion. Industry officials say they will seek additional funding and tax credits in other climate and environment legislation expected later this year.

## Dairy exports climb 25% in 2008

Although U.S. dairy export sales slowed considerably in the fourth quarter of 2008, total sales for the year were still up 25 percent over 2007 and double the level of sales for 2006. U.S. dairy exports totaled \$2.82 billion in 2008, accounting for 10.8 percent of U.S. milk production. Imports also climbed 9 percent to \$3.32 billion. The result: A dairy trade surplus of some \$504 million. "U.S. exporters enjoyed a remarkable two-year run, from the middle of 2006 to the middle of 2008, when they were able to capitalize on a serious imbalance in global supplies," says Tom Suber, U.S. Dairy Export Council president.

### 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 Leslie Corp, field representative for districts 1, 3 and 10. Leslie can be contacted at (530) 354-4981.*

The annual Western United Dairymen convention is just around the corner and if you like wine, you are in luck! This year's convention will be at the Doubletree Hotel in Rohnert Park, right in the middle of Sonoma Wine Country, from March 4 to March 6. The District 3 convention committee has been working very hard throughout the past year and they will put on a great convention for you. We hope you plan to attend.

Here is a brief look at what to expect at this year's convention. Wednesday kicks off the event with workshops with topics on labor, food safety, water and air quality, and much more. Enjoy the trade show, milk and ice cream breaks, and wine and cheese tasting before being transported to the membership dinner where you can mingle over barbecued oysters and a live band. Our annual meeting takes place Thursday morning followed by a day of great speaker presentations, including sessions on succession planning and animal welfare. The Ladies Day outing will be fantastic, with shopping, food, and a tour of an incredible winery and castle. Thursday night will be full of good food and fun at the annual banquet as Motivational Humorist and Chalk Artist, Sam Glenn, entertains the crowd. Friday we will hear about current prices and forecasts as well as hear the latest legislative news from Washington DC and Sacramento. The convention will close Friday with the district delegate business meeting.

If you want to learn more about the convention events, go to <http://westernuniteddairymen.com/content/view/39/41/> for the link to the convention page on the WUD website. **Convention registrations are due February 23.** If you are planning on attending PLEASE REGISTER! Pre-registration allows the hotel to make adequate food accommodations and it speeds up the onsite check-in process for everyone.

Since the convention is in my area, I hope to see everyone there from my districts! If you have any questions regarding the convention or any other issue, please do not hesitate to call me.

**Reminder for District 1:** Now that rains have begun, remember to sample storm water leaving your property. Contact Joe with WUES at (530) 588-4414 with your questions on this.

## **EEEC pursues targeted industries: Are dairies next?**

By Anthony P. Raimondo



Recently, the Economic and Employment Enforcement Coalition (EEEC) has conducted raids in targeted industries in Southern California. The EEEEC is a coalition made up of investigators from the Division of Labor Standards Enforcement (DLSE), Division of Occupational Safety and Health (Cal/OSHA), Employment Development Department (EDD), Contractor's State License Board (CSLB), and US Department of Labor (US DOL), and is designed to increase enforcement of workplace laws and regulations in industries where the government believes there is a high rate of violations. The coalition is looking for businesses that are not in compliance with wage and hour laws, safety laws, workers' compensation laws, and other workplace laws and regulations.

Industries targeted by the EEEEC include the garment industry, car washes, restaurants, construction, and agriculture. Dairies are particularly vulnerable because there are often several dairies on the same road or in the same area, and it is easy for inspectors to visit several in a single day. But other areas of agriculture are certainly not immune, as inspectors have been known to stop in fields where they see crews working to conduct inspections.

Since the first two-day sweep in late September, the DLSE has issued 200 citations totaling over \$906,100 in fines to agricultural employers for violations that include failure to provide work permits for minors; failure to pay the minimum wage; failure to provide employees with an itemized wage statement (check stub); failure to pay overtime wages; and failure to provide workers' compensation. Also cited were the failure to provide workers' compensation coverage for employees, and failure to provide employees a wage deduction statement or failure to keep records as required under Labor Code § 226.

The state is stepping up its enforcement efforts as the political furor over so-called "exploited workers" continues to make good press. Of note, the state has been increasingly aggressive about collecting penalties in addition to any unpaid wages, perhaps as the budget crisis becomes increasingly difficult to manage. As employers are faced with a difficult economy and low milk prices, the risk of these raids and their consequences has increased.

Too often dairy employers leave themselves open to attack by failing to keep time records, by paying employees salaries without overtime compensation, by paying daily wage rates that do not provide for overtime compensation, and for failing to provide check stubs showing wages earned and all deductions. Many times, dairy employers leave themselves open to minimum wage violations because they consider housing as part of the compensation package, but do not have the required written agreement with the employee to credit housing towards minimum wage. Of course, employers who credit housing towards minimum wage must include that housing when calculating overtime rates and paying overtime. Such violations are easily avoided, but all too often are not.

As the summer approaches, dairy producers and other agricultural employers will face increased scrutiny in light of the political uproar surrounding heat stress. This is a good time for agricultural employers to review their timekeeping and payroll practices, and examine their safety policies and procedures to make sure that they can defend themselves from aggressive state enforcement. With catastrophically low milk prices, dairies cannot afford to face legal fees, fines, and exposure to liability. Planning and preparation remain the keys to survival.

*The goal of this article is to provide employers with current labor and employment law information. The contents should not be interpreted or construed as legal advice or opinion. For individual responses to questions or concerns regarding any given situation, the reader should consult with Anthony Raimondo at McCormick Barstow LLP in Fresno, at (559)433-1300. Mr. Raimondo is the group legal services provider to Western United Dairymen.*

## **Dairy Calf and Heifer Conference in Arizona March 24-27**

The Dairy Calf and Heifer Conference will be held in Tucson, Arizona, on March 24 to March 27. Special attention will be placed on feed cost and optimization, sexed semen and the implications of its use, keeping good workers, the heifer growers' place in the global economy, raising quality heifers faster, dairy beef quality assurance, cleaning techniques, and biosecurity. New for 2009 will be the DCHA Desert Classic golf outing on March 24 at the Arizona National Golf Club. A portion of the proceeds from the tournament will benefit the DCHA scholarship program. More information about speakers, registration and lodging is available at [www.calfandheifer.org](http://www.calfandheifer.org).

## **Williamson Act appears to be safe in latest budget deal**

As details of the new state budget emerged Friday, it appears lawmakers avoided cutting the Williamson Act, which provides revenue to local governments that provide property tax breaks to landowners who agree not to develop farmland to higher-valued urban uses. It appears \$34 million in Williamson Act subvention funds, originally eliminated in the Governor's initial budget proposal, has been restored due to a strong lobbying effort by a wide array of agricultural groups.

## **Carinalli tabbed as CMAB treasurer**

Domenic Carinalli Jr. is the new treasurer for the Executive Committee of the California Milk Advisory Board. Carinalli, a dairyman all of his life, milks 300 Holstein and 50 Guernsey cows at the 500-acre Carinalli Dairy outside Sebastopol. He is a past president of Western United Dairymen and sits on the board of directors of the California Guernsey Club, Sonoma County Farm Bureau, and the Goldridge Volunteer Fire Department. He is a member of the Dairy Barn Committee for the Petaluma-Marin Fair and the Sonoma County Replacement Heifer Committee.

## CDQAP announces new workshops

CDQAP is once again offering workshops on the upcoming round of deadlines for General Order R5-2007-0035 (Waste Discharge Requirements for Existing Milk Cow Dairies). The next set of reports is due July 1, 2009. CDQAP plans two sets of workshops. The first is targeted specifically at dairy industry professionals working in the subject matter, and the second will be for dairy producers.

The workshops will be short (2 hours versus 3 hours for previous classes) and they will focus solely on the General Order requirements. As in the past, CDQAP will provide summary documents, sample report forms, and updates on significant issues. CDQAP staff will also solicit suggestions from industry professionals on improvements that can be made to the curriculum prior to the producer workshops. Dates of the producer workshop will be announced in the next few weeks.

## Dairy leader application deadline March 13

Applications for the next California Dairy Leader program are now available either at <http://www.westernuniteddairymen.com/DairyLeaderApplicationpacket.pdf>, by contacting a WUD field representative, or by calling the WUD office at (209) 527-6453. Applications must be post-marked by Friday, March 13.

The California Dairy Leader program was created by Western United Dairymen in 2001 to help train the next generation of leaders ready to deal with the state's complex and ever changing issues. The year-long program covers marketing, promotion and media relations; state and federal legislative processes; dairy producer prices and economics; and environmental issues. The seventh class of Dairy Leaders will be honored at the annual WUD convention on March 5 in Rohnert Park.

## Labor law, global marketing opportunities on tap at convention

An up-to-date assessment of the climate affecting labor and employment issues in the dairy industry and an expert's look at the global marketing opportunities available to the California dairy industry are just two of the topics to be addressed at the annual Western United Dairymen convention on March 4-6 in Rohnert Park in Sonoma County.

Anthony Raimondo, an attorney with McCormick, Barstow, Sheppard Wayte & Carruth, will address labor issues. Attendees will hear about basic business practices they can implement to protect their businesses and to place themselves in a strong position in the event they face union organizing, labor commissioner claims or investigations, Cal/OSHA investigations, or lawsuits for discrimination, wrongful termination, or wage and hour violations. His talk is one of 12 workshops scheduled for opening day, Wednesday, March 4 at the Doubletree Hotel.

Thursday, March 5, will feature talks by several industry speakers. Opportunities in emerging markets will be addressed by Ross Christieson, a consultant to the California Milk Advisory Board. According to a recent study conducted by Christieson, overall U.S. dairy exports to China were up 40 percent in 2007 compared to 2006, with 35 percent of the U.S. dairy exports coming from California. Additionally, cheese and butter exports were up 73 percent and 82 percent respectively, with California supplying approximately 50 percent of these products.

Go to <http://westernuniteddairymen.com/content/view/39/41/> for a complete convention agenda. The deadline for hotel and convention registrations is Monday, February 23. The hotel's convention discount rate will be honored up to that date. ❖

### Hay & Grain Report

#### Hay Grades Tons Wtd Avg

Petaluma – Delivered:

Good (organic)	100	208.00
Supreme	150	235.00
Premium	50	247.50
Fair	150	186.67

Modesto – Delivered:

Supreme	585	189.62
Premium/Supreme	25	220.00
Good	1,100	158.91
Fair	450	147.17

Northern Mountain – FOB:

Premium (organic)	25	235.00
Fair (organic)	125	216.00
Supreme	100	180.00
Premium	50	170.00
Good	50	145.00
Fair	150	125.00

Tracy – FOB:

Supreme	25	200.00
Good	200	135.00
Fair	125	132.00

Sacramento Valley – FOB:

Supreme	75	170.00
Premium	25	190.00
Fair	50	135.00

Central Coast – Delivered:

Good	100	160.00
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South Valley – Delivered:

Supreme	225	187.22
Premium/Supreme	680	170.00
Good	50	160.00

Kern County – FOB:

Fair/Good	450	135.00
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Dos Palos – FOB:

Good (organic)	100	158.00
Supreme	260	176.15
Premium/Supreme	500	135.00
Good	900	145.00
Fair	80	135.00

South State – Delivered:

Supreme	50	165.00
Fair	500	135.00

Imperial Valley – FOB:

Supreme	275	132.73
Premium/Supreme	268	119.93
Premium	475	124.47
Good	275	115.45
Fair	500	95.00

### Grains

Soybean Meal, 47½ %:

Chino Valley	321.00 – 336.50
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USDA Market News 2/20/2009

WUD Calendar			
Wed, Mar 18 – 10 am Dairy Industry Meeting #2 Modesto Doubletree	Wed, Mar 4 – Fri, Mar 6 WUD Annual Convention Rohnert Park Doubletree	Tue, Mar 31 – 10 am Dairy Industry Meeting #3 Modesto Doubletree	
WDR reports and activities			
First of the month	Photograph freeboard in each pond.		
Weekly (Oct – May)	Visually inspect production and waste storage areas, including ponds.		
Ongoing	These actions should occur as described:		
	<ul style="list-style-type: none"> <li>Record visual inspections, volume, and date for each lagoon water application.</li> <li>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.</li> </ul>		
July 1, 2009	Second annual report due to be filed with the CVRWQCB.		