



# Weekly Update

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**June 26, 2009**

## Butter

29 sales, 4 bids unfilled, 1 offer uncovered. Butter closed the week unchanged after losing 2.25 cents the previous week. Churning remains active across the country while cream supplies have tightened. Some processors continue to churn more than current needs to build surplus for use later in the summer and fall. On Monday FAS announced a nearly doubled DEIP bonus level for butter. Late in the week new bids were received. Traders have less than a week to take advantage of the program before it expires on June 30.

## Cheese

28 sales, 5 bids unfilled, 1 offer uncovered. Blocks had a 0.25-cent recovery this week after a loss of 3.25 cents last week. The cash cheese price continues to be under pressure with both blocks and barrels priced at a cent under support. Ample cheddar has already been inventoried for later usage or aging programs. Western stocks are higher than any recorded in more than two decades. Production remains seasonally active although milk volumes are starting to decline as summer temperatures affect milk and component levels.

## Milk Production

A relatively cool spring in many areas has now ended with summer ushering in higher temperatures, particularly in the Upper Midwest and Southwest. Most contacts in California indicate that milk production is now off the spring peak, and that trend will continue with the triple-digit temperatures expected in the coming week. This is shaping up to be the region's first real heat wave of the season.

## Dry Products

During the period June 22-26, CCC purchased 5,683,263 net pounds of NFDm under the dairy support program. Cumulative purchases since October 1, 2008, to 264 million pounds.

Source: USDA Dairy Market News

## Weekly Update delivery options

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

## Commodity Markets: CME – California Plants

Average	AA Butter	NFDm	40# Blocks	Barrels	Dry Whey
April	\$1.1961	\$0.8082	\$1.2279	\$1.1879	\$0.2200
May	\$1.2449	\$0.8124	\$1.1418	\$1.0763	\$0.2563
June	\$1.2337	\$0.8204	\$1.1397	\$1.0884	\$0.2925
June 26	\$1.2050	\$0.8218	\$1.1200	\$1.0900	\$0.3100
Week	Unchanged	↑ <sup>36</sup> / <sub>100</sub> cent	↑ ¼ cent	↑ 2 cents	↑ ½ cent

## Estimated Producer CWT. Prices

Month	Class 1	4a	4b	Overbase	Quota
April	\$11.73	\$9.79	\$10.41	\$9.87	\$11.57
May	\$12.84	\$10.03	\$9.54	\$9.76	\$11.46
June	\$11.85	\$10.06	\$9.52	\$9.66	\$11.36

## May Pool Recap

Class	Price	Solids	% Solids	Dollars	% Dollars
1	12.84	57,064,512	14.39%	56,451,955	17.01%
2	10.08	19,731,914	4.97%	17,241,121	5.19%
3	9.91	18,554,949	4.68%	17,001,316	5.12%
4a	10.03	144,196,443	36.35%	120,299,922	36.24%
4b	9.54	157,089,734	39.61%	120,941,493	36.44%
Totals		396,637,552		\$331,935,808	

## WUD celebrates 25th anniversary with Sacramento reception

Western United Dairymen celebrated its 25th anniversary Wednesday evening with a Sacramento reception that acknowledged the sacrifices and hard work that made possible the merger in 1984 of the United Dairymen and Western Dairymen associations. Lieutenant Governor John Garamendi was on hand to present a resolution commending the trade association for its accomplishments over the past 25 years on behalf of California dairy families. Garamendi acknowledged the current economic crisis facing the industry, but said, "Your spirit of hard work will persevere and you will come out of this period stronger than ever."

The reception at the downtown Sutter Club attracted many state legislators, reflective of the reputation WUD has earned in the state Capitol over the years for championing the interests of California dairy families. WUD President Ray Souza introduced state Senator Jeff Denham (R-Merced) as "our next Lieutenant Governor", noting his campaign for the Republican nomination for that post. Denham, former chair of the Senate Ag Committee, praised WUD for its effectiveness in speaking out for dairy producers and urged its members to continue to remind lawmakers of the powerful economic impact of the industry.

Other notable Central Valley Assembly lawmakers in attendance included Connie Conway (R-Tulare), Tom Berryhill (R-Modesto), Bill Berryhill (R-Stockton), and Majority Leader Alberto Torrico (D-Fremont), a candidate for the Democratic nomination for Attorney General. Former WUD CEO Richard Cotta was honored for his contributions as the group's first CEO.

## House approves cap-and-trade bill

House Democrats and President Obama squeaked out a legislative victory today as the House voted 219-to-212 to approve a comprehensive global warming bill that sets mandatory limits on U.S. greenhouse gas emissions. The vote caps a week of frenzied lobbying by the administration. (Continued Page 2)

## May Pool Summary

Total Pool Income	\$331,935,808
Less Quota Payout	(13,024,324)
Less Transportation	(3,249,438)
Net Pool Income	\$315,662,045
Overbase Price	\$9.76
Quota Price	\$11.46

(Continued from Page 1) The bill contains agricultural provisions resulting from intense negotiations between Ag Committee Chairman Collin Peterson (D-MN) and Energy & Commerce Committee Chairman Henry Waxman (D-CA). Included in the basic points announced Thursday is an agreement that USDA will be the regulatory body for establishing how farming operations would create offsets under a cap-and-trade scenario. Livestock operations with manure digesters already in place will be allowed to participate in the offset program regardless of when they installed their digester, or how it was funded. Any reductions in greenhouse gases from digesters would be considered as additional reductions under the legislation. Additionally, the current version of the bill specifies that a wide variety of practices will be accepted as offsets, including reduced tillage, nitrogen efficiencies, and changes in livestock diets that reduce methane.

In the vote today, 211 Democrats and 8 Republicans voted to adopt the sweeping legislation following a final week of lobbying that included personal pleas from Obama and GOP pledges of political payback. The floor vote was as close as many expected, with 44 Democrats bucking their president and House Speaker Nancy Pelosi (D-CA) in opposing the legislation.

Paul Martin, Western United Dairymen's director of environmental services, praised the efforts of Representative Dennis Cardoza and California Farm Bureau's Cynthia Cory in helping reach the agreement. "They worked tirelessly on behalf of California to make sure that agriculture's needs were met, and Chairman Peterson responded to those requests," said Martin. He pointed out that there is still a long road ahead as the Senate takes up the bill next. "WUD will continue to represent the interests of its members as this legislation works its way through Congress," said Martin.

### Get on the bus for Wednesday's pooling bill hearing

Legislation to amend the Gonsalves Milk Pooling act will be heard by the Assembly Agriculture Committee on Wednesday, July 1. The hearing on SB362 by Senator Dean Florez (D-Shafter) will be held at 1:30 p.m. in Room 126 of the Capitol.

SB362 is being actively opposed by WUD, the Dairy Institute of California, and the Alliance of Western Milk Producers. If passed, the bill would reduce income for each dairy by an average of \$24,100 per year.

Western United Dairymen is organizing a bus ride for members of Western United Dairymen who are interested in attending the hearing to let legislators know that if the bill were passed, it would have a significant adverse impact on California dairy families. The bus will begin in Visalia and make stops to pick up members in Fresno, Merced, and Modesto.

### Tail docking bill amended, to Assembly Ag Committee Wednesday

Legislation that would end the practice of docking tails of dairy cattle has passed the Assembly Public Safety Committee and it will be taken up by the Assembly Ag Committee on Wednesday, July 1. In its original form, SB135 would have prohibited docking cattle except during an individual treatment, emergency, or operation performed by a veterinarian, provided the animal has been adequately anesthetized to minimize the animal's pain and suffering during the treatment or operation and it is done in such a way as to minimize the long-term pain and suffering resulting from the treatment or operation, using only suitable instruments, and in hygienic conditions.

At this week's hearing, the author, Senator Dean Florez (D-Shafter), offered an amendment to require that if the tail docking took place under emergency conditions that this action be reported to the California Department of Food and Agriculture and that the procedure be performed only by a licensed veterinarian. The amendment, which was not provided ahead of time to industry representatives or members of the committee, drew an immediate objection from Western United Dairymen and other animal livestock groups. "The added reporting requirement under emergency situations, which are rare, is unneeded and new fees that will be associated with that reporting requirement are untenable," said Gary Conover, WUD's director of government relations. However, the bill was passed out of committee with the reporting requirement intact, and that language will be the focus of Wednesday's hearing in the Assembly Ag Committee.

Industry members were successful in asking for bill language that would allow either the animal's owner or a licensed veterinarian to perform the tail docking. Conover and representatives of the Farm Bureau and California Cattlemen's Association argued that sometimes it takes hours or days for a veterinarian to reach a farm, causing extended pain or risk for a cow. Florez agreed to amend the bill to allow for an owner to conduct the procedure, but insisted on keeping the 30-day reporting requirement, setting the stage for Wednesday's hearing.

### MILC Payment Estimates

Month	Trigger	Class	Payment*
Feb-09	\$17.33	\$13.97	\$1.51
Mar-09	\$17.14	\$12.68	\$2.01
Apr-09	\$17.14	\$13.61	\$1.59
May-09	\$17.60	\$14.22	\$1.52
Jun-09	\$16.94	\$13.33	\$1.62
Jul-09	\$17.57	\$13.51	\$1.83
Aug-09	\$17.58	\$13.69	\$1.75
Sep-09	\$17.45	\$14.08	\$1.52
Oct-09	\$17.39	\$15.08	\$1.04
Nov-09	\$17.35	\$15.84	\$0.68
Dec-09	\$17.59	\$16.93	\$0.30
Jan-10	\$17.59	\$17.23	\$0.16
Feb-10	\$17.57	\$17.29	\$0.12
Mar-10	\$17.69	\$17.26	\$0.19
Apr-10	\$17.72	\$17.83	NA
May-10	\$17.76	\$18.11	NA

\*MILC trigger payments are estimated using CBOT and CME futures prices for corn, soybeans and milk on 6/25/09. **Bold** are actual values and not estimate. Source: Cornell Program on Dairy Markets & Policy

### Pooling bill bus schedule:

- 7:15 a.m. **Visalia:** Depart from Holiday Inn 900 West Airport Drive
- 8:10 a.m. **Fresno:** Depart from Radisson Hotel 2233 Ventura Street
- 9:20 a.m. **Merced:** Depart from Hampton Inn 225 South Parsons Avenue
- 10:15 a.m. **Modesto:** Depart from Doubletree 1150 Ninth Street, Modesto

The bus will arrive in Sacramento at 11:30 a.m., allowing time for lunch before the hearing begins at 1:30 p.m. The hearing is expected to last until about 4 p.m.

### Monthly USDA Cold Storage Report

Products (1,000 pounds)	May 2009 Report		
	% change from		
	May 2009	May 2008	Apr 2009
Butter	251,057	-7%	+5%
Total Cheese	957,046	+9%	+5%
American Cheese	608,272	+7%	+3%

## Cardoza urges USDA to reauthorize export incentive

U.S. Representative Dennis Cardoza (D-Merced) is actively seeking the support of fellow Members of the House for a letter he has written to USDA Secretary Tom Vilsack urging quick reauthorization of the Dairy Export Incentive Program (DEIP). The program was implemented with only six weeks left in the fiscal year and that short span has not allowed for full use of the program, said Cardoza. "It is extremely important to maintain momentum on regaining export markets for U.S. dairy. The combination of the late announcement and lack of industry familiarity with the bid process after a five-year period of program inactivity make it imperative that DEIP be reauthorized soon for the new fiscal year beginning July 1, 2009," wrote Cardoza. "Without a sustained period of assistance in regaining export demand, the sad downward economic trajectory of milk prices that are far below the cost of production for even the most efficient dairy farmers will continue."

Additional USDA purchases and donations of nonfat dry milk helped to stabilize the farm milk price earlier this year, but "only at about the support level, which is roughly half the average cost of production," said Cardoza. "Only DEIP has the ability to help the dairy industry regain and maintain export market relationships they created in the past few years when the worldwide economy was stronger and supplies from competitors were tight. DEIP is a critical tool that will assist in moving dairy products to foreign buyers instead of having stocks overhang our market or stored in a CCC warehouse."

Cardoza noted many positive steps taken by the dairy industry, such as the CWT herd retirement program that is expected to remove nearly two billion pounds of milk from the market. "Since February, there has been an 18% increase from last year in the number of dairy cows sent to slaughter. The CWT program is wrapping up the largest herd retirement round in its six-year history and producer interest in the quick announcement of another round is reportedly very high," said Cardoza. WUD members are encouraged to thank Representative Cardoza for his letter and to urge their own Congressman to sign on.

## More specifics released on proposed heat illness regulations

By Anthony P. Raimondo



The proposed revision to the heat illness regulation that will be discussed at a meeting in Oakland on July 16 codifies the agency's enforcement interpretations on when shade needs to be up and available for workers, it adds new requirements when temperatures reach 95 degrees Fahrenheit, and it enhances training requirements under the heat stress prevention regulation. The proposal has arisen, and may be approved quickly, because Cal/OSHA claims that enforcement statistics for 2009 show an "unexpected increase in noncompliance that requires immediate clarifying and substantive changes," especially on the provision of shade, the board says.

The proposal will establish specific requirements that take effect when temperatures exceed 85F and 95F. If approved, employers will be required to have and maintain a shaded area that is either open to the air or provided with ventilation or cooling any time the temperature rises above 85 degrees. The proposed regulation states that shade must accommodate at least 25% of the employees on the shift at any one time.

At temperatures at or below 85 degrees, the proposal provides that employers would be required to provide shade upon a worker's request. An exception to the "shade up" section is included for cases where the employer can demonstrate it is infeasible and the employer can provide equally effective heat protection.

The proposal will clarify training requirements by prohibiting workers or supervisors from beginning outdoor work unless they have been trained in heat illness prevention, and adding items to training requirements, including how to monitor weather reports and respond to hot weather advisories. There has already been an increase in Cal/OSHA sweeps in 2009, and employers can expect inspections to continue throughout the summer, especially when heat waves are forecast. While construction employers and farm labor contractors are the primary targets, growers can expect to be inspected, and sources indicate that the agency has an increasing interest in dairy operations.

It is critical that employers review their written Injury and Illness Prevention Programs (IIPP) to make sure that heat illness prevention is addressed, and they should be sure to have documentation of heat illness prevention training for all supervisors and employees. Of course, employers must maintain compliance with their obligations regarding the provision of enough water for employees to drink one quart per hour, and they should make sure shade is available at all times. Even when temperatures are cooler, shades should be with work crews, even if they do not need to be put up. For assistance with heat stress compliance, contact Anthony Raimondo at McCormick Barstow at (559)433-1300 (office) or (559)801-2226 (cell).

*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.*

### Cal/OSHA proposal for special "high heat" procedures when temperatures reach 95 degrees

- **Effective communication so employees are able to contact a supervisor if needed.** Unfortunately, what is deemed "effective" will likely raise many of the questions of interpretation that have presented problems since adoption of the original heat illness regulation.
- **Use of a "buddy system."** Employers should already be training employees to "buddy up" when temperatures spike to ensure that employees watch out for each other.
- **Observing employees for alertness and signs and symptoms of heat illness.** Again, this should be a part of existing heat illness prevention training for both supervisors and employees.
- **Reminding workers throughout the shift to drink plenty of water.** Once again, such reminders should be part of supervisor and employee training, as well as part of the daily routine during hot summer months.
- **Close supervision of new employees by a supervisor or designee for the first 14 days of employment, with exceptions.** Supervisors should already be trained that workers who are not accustomed to working in the heat are at the greatest risk for heat illness, and that new hires should be watched closely for symptoms of heat illness.

## Florez's antibiotic bill resurfaces in new form

Apparently not one to take "no" for an answer, state Senator Dean Florez (D-Shafter) has come up with a new take on his proposed legislation to limit the use of antibiotics in animal agriculture. With the deadline for introducing new legislation past and his antibiotic legislation SB416 placed on suspense by his colleagues after suffering a crushing defeat on the Senate floor, Florez turned to a tried and true tactic known as "gut and amend" whereby he took SB652, an existing bill that dealt with the citrus industry, and amended it so that it now mandates a warning on the label of any animal product derived from an animal that was administered a non-therapeutic dose of an antibiotic. Many legislative observers believe that this new attempt at antibiotic labeling faces a rough road ahead, as federal labeling laws clearly preempt any attempts by state governments to label products.

## House effort to block rules on Delta water flow fails

San Joaquin Valley lawmakers failed again in their effort to block the environmental rules that have redirected irrigation water toward the protection of endangered species, reports the *Fresno Bee*. A powerful House panel decided to quietly bury the controversial San Joaquin Valley amendment. Unlike a similar effort last week, this latest amendment never reached the House floor. The proposed amendment to a \$32 billion Interior Department funding bill would have blocked spending on two so-called "biological opinions" governing crucial California water flows. These biological opinions amount to federal water management rules that protect the Sacramento-San Joaquin River Delta and species, including salmon and the delta smelt. "For the San Joaquin Valley, the majority in this House has chosen fish over working families," Representative Devin Nunes (R-Visalia) declared Thursday.

The committee voted 8-to-4 to block Nunes from offering his amendment on the House floor, with Representative Dennis Cardoza (D-Merced) the only Democrat to side with Nunes. Nunes is preparing to try again with a related amendment to yet another Fiscal 2010 spending bill, covering energy and water projects. Similar amendments will be offered whenever possible, Nunes says.

## Central Valley cheesemaker acquired by Canadians

F&A Dairy of California Inc., a Newman-based producer of mozzarella, provolone and whey products, is being acquired by Saputo Inc. of Montreal, Quebec. Financial terms of the deal have not been announced. F&A employs about 113 people and last year made about 60 million pounds of cheese. For 2008, it had sales of about \$140 million. The acquisition will be paid in cash by drawing on available lines of credit. The deal is subject to the usual conditions and is expected to close on or about July 20. Saputo produces, markets, and distributes a wide array of dairy and snack products. According to information provided by the company, it is the 11<sup>th</sup> largest dairy processor in the world, the largest in Canada, third largest in Argentina, and among the top three cheese producers in the United States.

## Hilmar's Dairy Festival returns Sunday

After a four-year hiatus, the Hilmar Dairy Festival is making its return this year on Sunday, June 28. Formerly known as the Hilmar Dairy Festival, the name has been changed to "The Hilmar Chamber 4th of July Dairy Festival." The event runs from 4 p.m. to 9:30 p.m. at the Hilmar High School football stadium. The gates will open to the public at 4 p.m. and admission is free. Festival highlights include the Little Milkmaid and Milkman contest, as well as hay rides and a tractor parade. ❖

### WUD Calendar

Wednesday, July 1 1:30p Milk pooling bill hearing, Room 126, State Capitol Building, Sacramento  
 See page 2 for BUS SCHEDULE

### WDR reports and activities

- First of the month Photograph freeboard in each pond.
- Monthly (Jun-Sep) Visually inspect production and waste storage areas, including ponds.
- Ongoing These actions should occur as described:
  - 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
- July 1, 2009 Second annual report due to be filed with the CVRWQCB.

### Hay & Grain Report

Hay Grades	Tons	Wtd Avg
Modesto – Delivered:		
Supreme	2,280	153.56
Premium	1,660	144.23
Good	385	118.96
Fair	1,475	104.02
Tracy – FOB:		
Supreme	1,100	134.09
Premium	1,725	125.22
Good	25	100.00
Fair	150	88.33
Sacramento Valley – FOB:		
Premium	175	120.00
Good	775	102.58
Fair	500	80.50
South Valley – Delivered:		
Supreme	875	152.86
Premium	1,460	146.18
Good	2,620	121.81
Fair	3,570	112.00
Corcoran – FOB:		
Good	1,000	113.00
Fair	770	98.17
Kern County – FOB:		
Good	475	103.16
Fair	6,567	90.44
Firebaugh – FOB:		
Premium	335	120.00
Fair	925	89.51
Dos Palos – FOB:		
Supreme	2,055	137.20
Premium	685	128.14
Good	510	103.48
Fair	125	90.00
South State – Delivered:		
Premium	1,000	152.00
Good	1,200	145.00
Fair	2,250	115.33
Parker – FOB:		
Good	2,200	106.02
Fair	2,450	78.88
Imperial Valley – FOB:		
Premium	1,000	117.00
Good	2,980	98.12
Good (store)	400	100.00
Fair	2,000	81.00

### Grains

Soybean Meal, 47½ %:  
 Chino Valley 437.50 – 444.50  
 USDA Market News 6/26/2009