

## Jersey More Profitable Breed in 2010

Every year, the California Department of Food and Agriculture (CDFA) publishes its Cost of Production Survey, comparing the total costs and milk prices for participating herds in the state. Participation is voluntary, and producers receive the help of an auditor to gather and report their data. Fourteen Jersey herds and 112 Holstein herds provided data for the most recent survey.

Last year in California, the average mailbox price increased over 25% from the depressed economic situation of 2009. Feed costs actually dropped 10.6% to average \$7.84 per hundredweight. Herd replacement costs also decreased, as higher beef prices offset a large percentage of replacement stock costs. The average income over feed costs (IOFC) for California herds in 2010 was almost \$7.00 per hundredweight, compared to \$3.05 the previous year.

In 2010, the average production of surveyed Jersey herds increased 1.3% to 56.69 pounds per cow per day. Their average test was 4.74% butterfat and

9.36% solids-not-fat, which translates to a true protein test of 3.65%. Holstein herds averaged 72.21 pounds of milk per cow per day with 3.57% butterfat and 8.81% solids-not-fat, or 3.10% true protein. In actual pounds of components produced per day, the Jersey herds produced more butterfat while Holsteins, due to larger milk volumes, produced more pounds of solids-not-fat. The reported average mailbox price for Jersey milk was \$17.34 per hundredweight, compared to \$14.24 for Holstein milk.

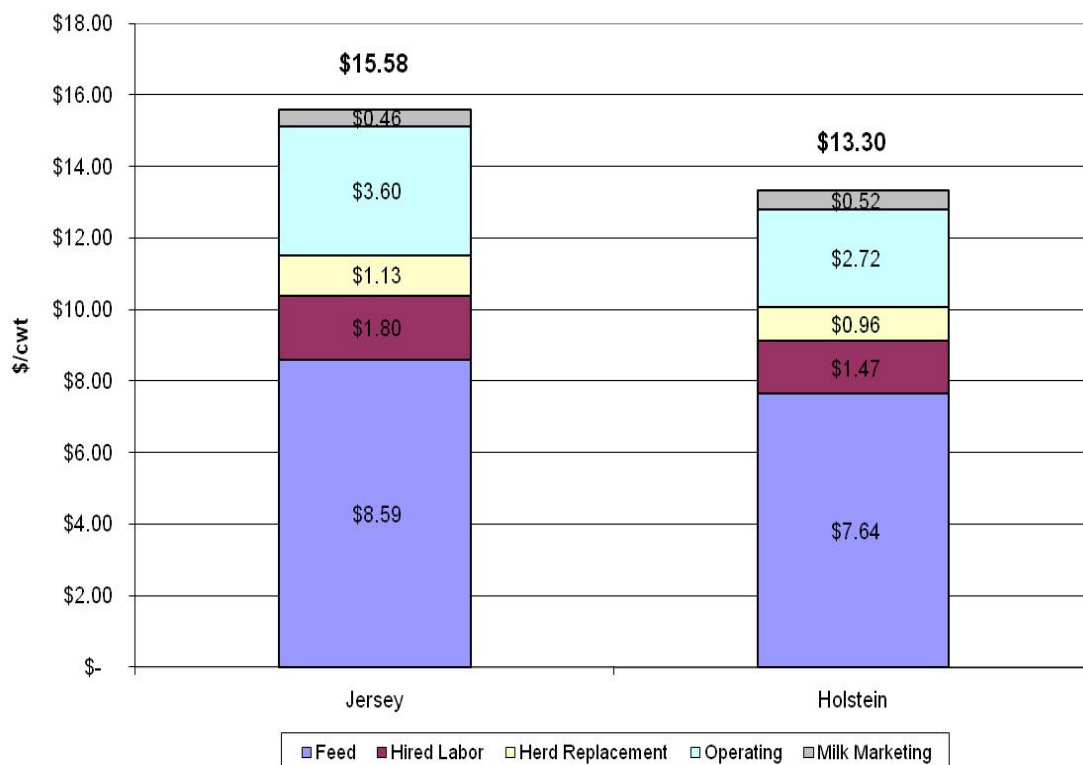
The cost of production for Jersey and Holstein herds, shown in Figure 1, was divided into five categories: feed, labor, herd replacement, operating, and milk marketing. Following the pattern of previous years, the total cost of production per hundredweight was higher for Jersey herds, having fewer pounds over which to spread costs.

The average feed costs for California Jersey herds dropped 7.9% per hundredweight last year, while feed costs for Holstein herds decreased an average of 11.1%. Jersey herds had an average IOFC of \$8.75 per hundredweight, compared to the Holstein average of \$6.60. Jersey total cost of production declined 5.23% compared to 2009, while total costs for Holstein herds fell 10.35%.

Because cost of production is only one side of the profitability equation, NAJ compared the revenue and income generated by Jersey and Holstein herds under four pricing systems. The results are shown in Figure 2.

The CDFA survey reported “The Jersey breed

Figure 1 - Cost of Production per cwt



population is still gaining in popularity, especially among producers shipping their milk to cheese processing plants. Jersey milk is valued for its high components, which convert to higher cheese yields...Jersey milk quite often brings cheese yield premiums not attainable by lower testing Holstein herds.” These comments are demonstrated by the payment plans obtained from two California cheese plants, A and B. Both utilize California regulated minimum pricing, but employ different premium programs to reflect the added value realized from higher component milk.

The largest Jersey advantage was seen under the cheese plant pricing system that paid based on a broad mix of end product prices. Jersey milk generated \$3.83 more per hundredweight in revenue and, after factoring in total cost of production, returned \$1.55 more net income per hundredweight of milk produced. That was equivalent to \$224.43 more profit generated by each Jersey cow compared to Holsteins under the same payment system.

Figure 2 - Revenue and Income

<u>Revenue Per CWT</u>	<u>Jersey</u>	<u>Holstein</u>	<u>Jersey Advantage</u>
California Regulated Value	\$ 17.13	\$ 14.49	\$ 2.64
California Cheese Plant A	\$ 17.99	\$ 14.59	\$ 3.40
California Cheese Plant B	\$ 18.11	\$ 14.28	\$ 3.83
Federal Order Value	\$ 19.59	\$ 16.15	\$ 3.44
<u>Net Per CWT</u>	<u>Jersey</u>	<u>Holstein</u>	<u>Jersey Advantage</u>
California Regulated Value	\$ 1.55	\$ 1.19	\$ 0.36
California Cheese Plant A	\$ 2.41	\$ 1.29	\$ 1.12
California Cheese Plant B	\$ 2.53	\$ 0.98	\$ 1.55
Federal Order Value	\$ 4.01	\$ 2.85	\$ 1.16
<u>Net Income Per Cow</u>	<u>Jersey</u>	<u>Holstein</u>	<u>Jersey Advantage</u>
California Regulated Value	\$ 274.57	\$ 272.27	\$ 2.29
California Cheese Plant A	\$ 426.57	\$ 295.15	\$ 131.42
California Cheese Plant B	\$ 447.95	\$ 223.52	\$ 224.43
Federal Order Value	\$ 709.11	\$ 651.20	\$ 57.91

2010 CA average prices: Fat \$1.8271, Overbase SNF \$0.8657, Quota SNF \$1.0607

2010 CA average mailbox price: Holstein milk \$14.24/cwt, Jersey milk \$17.34/cwt

2010 CME average block cheddar cheese price: \$1.4964 per pound

The Jersey herds’ profitability advantage was similar under federal order pricing and California Cheese Plant A, using a simple protein premium. Both pricing systems returned over \$3.40 more to Jersey herds per hundredweight, with net income around \$1.12 more per hundredweight

Jersey milk also produced a distinct revenue advantage under the California regulated pricing system, generating \$2.64 in additional revenue per hundredweight. Once total costs and production were factored in, Jersey and Holstein milk generated essentially the same amount of annual revenue per cow under basic California regulated pricing.

There was a significant difference between average regulated prices in the federal orders and California last year. While federal order calculations use National Agricultural Statistics Service (NASS) survey prices for Grade AA butter, Cheddar cheese, dry whey, and nonfat dry milk, the California system uses a mix of Chicago Mercantile Exchange (CME) and Dairy Market News average prices for those commodities. The announced monthly prices also address slightly different periods of time, giving the federal order prices a greater lag.

CDFA’s 2010 Cost of Production survey data confirmed that Jersey herds generated more revenue per hundredweight than Holstein herds. Jersey herds were competitive under California’s regulated pricing system and showed distinct advantages under all other pricing scenarios, both per hundredweight and per cow.

The NAJ Equity Newsletter is Published for Supporters of and People Interested In Equitable Milk Pricing

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