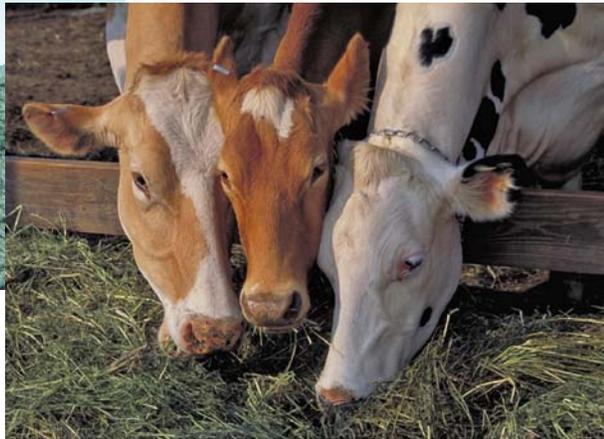


California

# 2011 Dairy



## MID-YEAR REVIEW



# 2011 MID-YEAR REVIEW

## 2011 Review

For the first six months of 2011, California recorded increased milk production for each month compared to the same time period in 2010. For dairy producers, milk prices increased but the cost of feed relative to total cost of production is at an all time high. For dairy processors, both national and global supply and demand for finished dairy products remains strong. Milk production in California reflected an average positive growth rate of 2.6 percent for the first six months of 2011, compared to the same period in 2010. For the U.S. overall, in June 2011, USDA reports indicate that compared to June 2010, milk production was up 1.1 percent, cow numbers decreased by 81,000 head, and average production per cow was up 4 pounds per cow.

## Dairy Products

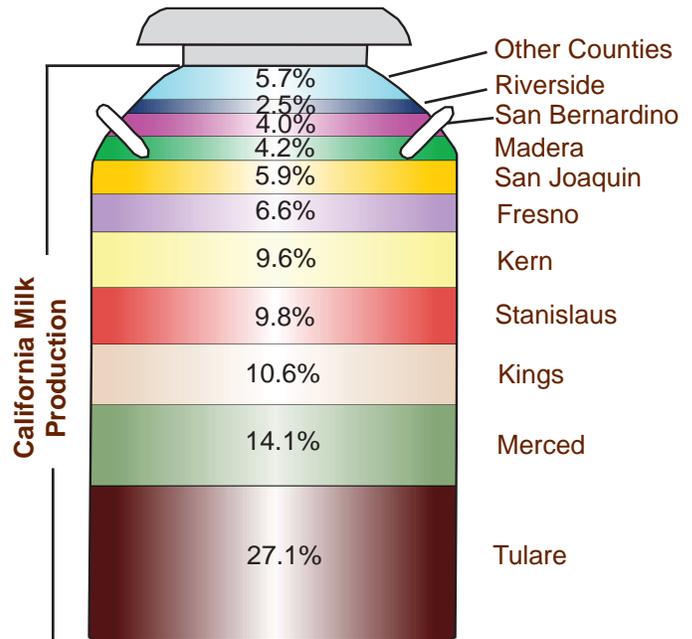
Through June of 2011, compared to the same period in 2010, California dairy product growth continued to be focused on butter and powder products, however total cheese production has also shown growth compared to last year levels. For California production, compared to 2010, the first half of 2011 recorded an increase of 8.9 percent in butter production, a decrease of 10.3 percent in nonfat dry milk production (not including the skim milk powders and whey protein concentrates), and an increase of 4.6 percent in total cheese production. In addition, for January-June 2011, Class 1 sales of fluid milk (including half and half) in California continues to decline recording a decrease of 1.7 percent, compared to the same period in 2010.

## Milk Prices

Commercial demand for dairy products, including global demand, continues to be steady and strong which is contributing to strong commodity prices. For the first quarter of 2011, the average mailbox milk price paid to California producers was \$16.94/cwt. (with a first quarter average statewide cost to produce milk of \$14.79/cwt.); compared to an average mailbox milk price paid of \$13.51/cwt. for the first quarter of 2010 (with a first quarter average statewide cost to produce milk at \$13.48/cwt.).

## California Top 10 Milk Producing Counties; Percent Share of California's Milk Production; January- June 2011

County (by rank)	Milk Production Jan.-June 2011 (In Pounds)	% Change from 2010
#1 Tulare	5,640,532,963	1.28%
#2 Merced	2,936,533,715	-0.15%
#3 Kings	2,207,253,987	4.73%
#4 Stanislaus	2,043,755,016	1.22%
#5 Kern	2,008,209,363	4.88%
#6 Fresno	1,369,686,135	3.63%
#7 San Joaquin	1,224,596,439	7.06%
#8 Madera	874,905,802	9.84%
#9 San Bernardino	829,863,570	3.72%
#10 Riverside	513,638,173	3.49%



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# CALIFORNIA DAIRY FARMS / MILK PRODUCTION

## The Size of California's Dairy Farms, May 2011

	Range of Milk Marketings	Number of Grade A & B Farms (Arrows Indicate Difference from May 2010)	Percent of Total Grade A & B Farms	Percent of Total Grade A & B Milk Marketings
	> 5.0 Million Lbs.	180 ↑	10.76%	36.45%
	2.4 to 4.9 Million Lbs.	328 ↓	19.61%	30.95%
	1.5 to 2.3 Million Lbs.	305 ↑	18.23%	15.92%
	1 to 1.4 Million Lbs.	246 ↑	14.70%	8.26%
	750,000 to 999,999 Lbs.	138 ↓	8.25%	3.30%
	500,000 to 749,999 Lbs.	157 ↓	9.38%	2.69%
	250,000 to 499,999 Lbs.	192 ↓	11.48%	1.93%
	< 249,999 Lbs.	127 ↓	7.59%	0.50%

 = Farms producing at least one tanker load of milk per day, based on 1.5+ million pounds/month.

### California Farms by Size, A Comparison...

- The 508 highest-producing dairy farms (30% of the state's dairies) produce 67% of the state's milk marketings.
- In May 2011, 813 dairies produced more than one tanker load of milk per day.
- The 476 lowest-producing dairy farms (28% of the state's dairies) produce only 5% of the state's milk marketings.
- The group of dairies producing less than 249,000 pounds of milk per month (127 dairies) accounted for less than 1% of the state's milk marketings.

## California Commercial Production of Market and Manufacturing Milk January-June, 2010 vs 2011 (In Thousand Pounds)

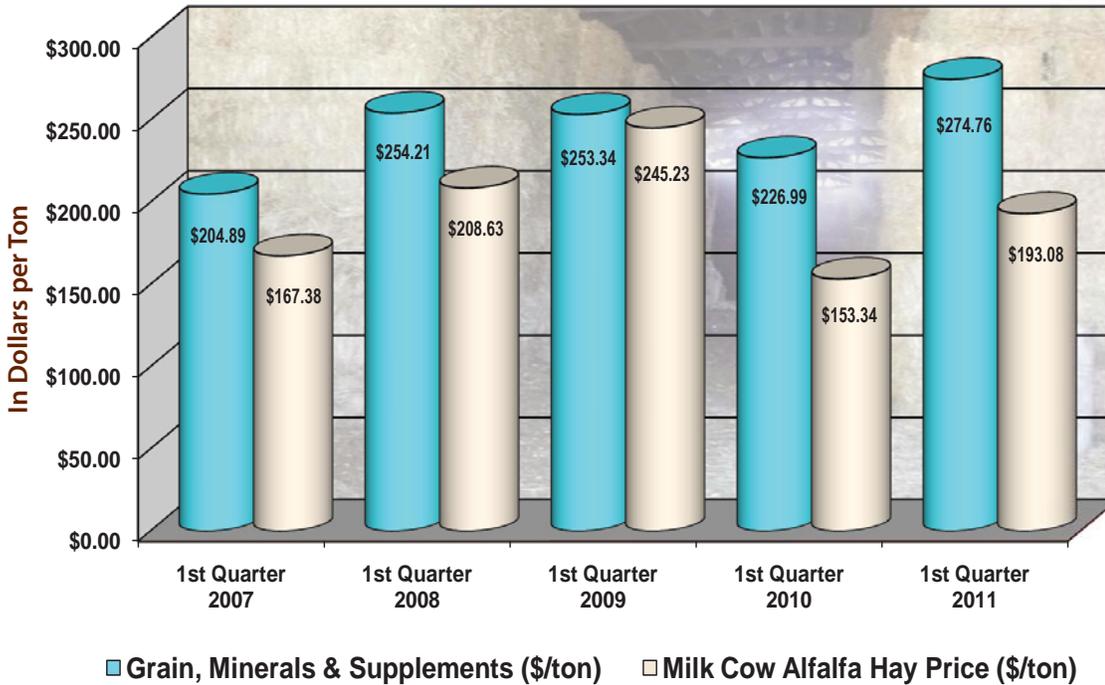
Month	Market Milk			Manufacturing Milk			Total Milk Production		
	2010	2011	% Change	2010	2011	% Change	2010	2011	% Change
January	3,193,141	3,329,957	4.3%	175,499	58,465	-66.7%	3,368,639	3,388,422	0.6%
February	2,921,998	3,104,945	6.3%	165,204	54,547	-67.0%	3,087,202	3,159,492	2.3%
March	3,293,405	3,524,818	7.0%	185,666	62,723	-66.2%	3,479,071	3,587,541	3.1%
April	3,249,518	3,455,312	6.3%	181,635	59,881	-67.0%	3,431,153	3,515,192	2.4%
May	3,350,312	3,610,947	7.8%	190,301	64,175	-66.3%	3,540,613	3,675,122	3.8%
June	3,209,629	3,447,281	7.4%	181,094	61,107	-66.3%	3,390,723	3,508,388	3.5%
<b>Jan-June Totals</b>	<b>19,218,002</b>	<b>20,473,259</b>	<b>6.5%</b>	<b>1,079,398</b>	<b>360,898</b>	<b>-66.6%</b>	<b>20,297,400</b>	<b>20,834,157</b>	<b>2.6%</b>

## Net Milk Available in California January-June, 2006-2011 (In Thousand Pounds)

Year	Production Entering California	Production Leaving California	California Milk Production	Net Milk Available
2006	597,215	194,183	19,591,176	19,994,208
2007	526,398	205,156	20,315,427	20,636,669
2008	414,379	235,055	20,958,092	21,137,416
2009	403,027	260,603	20,314,791	20,457,215
2010	309,243	209,832	20,297,400	20,396,812
2011	341,291	230,749	20,834,157	20,944,699

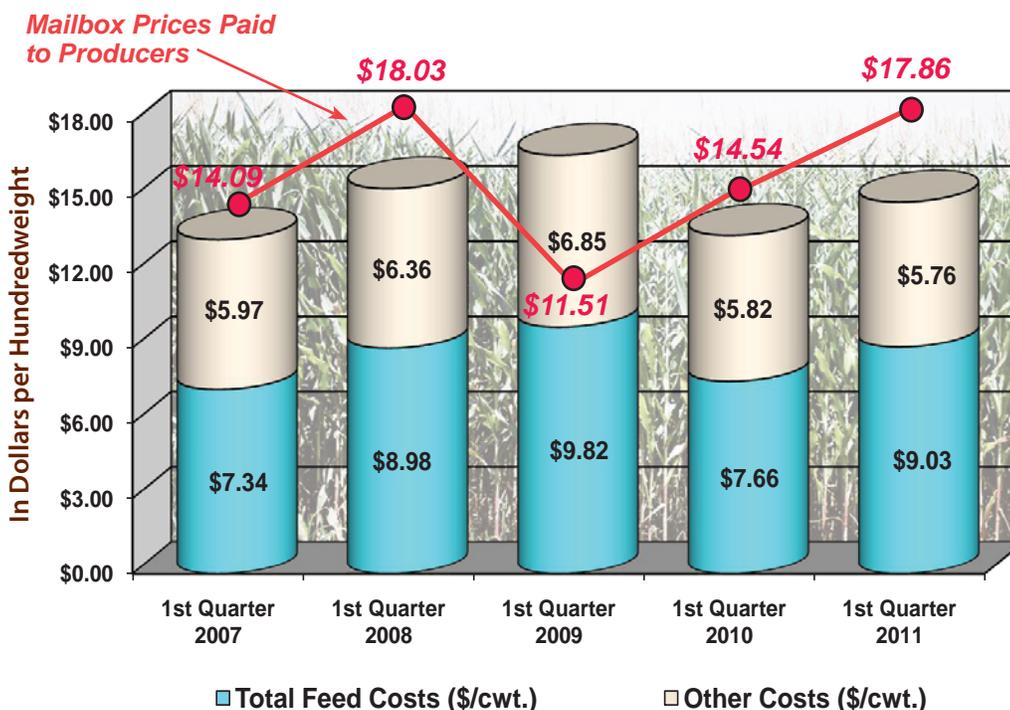
# CALIFORNIA COST OF PRODUCTION

## A Comparison of the Average Cost Per Ton Fed: Grains, Minerals, Supplements & Milk Cow Alfalfa Hay First Quarters of 2007-2011, In Dollars Per Ton



- The first quarter of 2011 showed that the grain, minerals, and supplements costs were the highest over the five-year period shown.
- The first quarter 2011 milk cow alfalfa hay costs were 26% higher than first quarter 2010, but lower than the same time period in 2008 and 2009.
- Comparing the first quarter of 2007 with 2011, grains, minerals, and supplements costs per ton increased 34%; milk cow alfalfa hay cost per ton increased 15%.

## California Total Feed Costs; Total Cost of Production\*; Mailbox Prices Paid to Producers First Quarters of 2007-2011, In Dollars Per Hundredweight



### Comparing the first quarter time periods, 2007-2011:

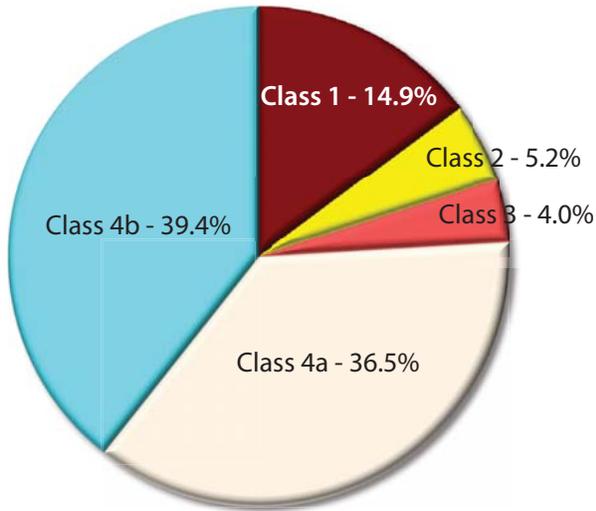
- The 2011 total feed costs were the second highest over the five-year period, and 18% higher than 2010.
- The mailbox prices paid to producers (red line on graph) continue to be "above cost" levels, a stark contrast to 2009 levels.

\*Total Cost of Production (total feed costs and other costs charted) does not include Return on Investment and Return for Management

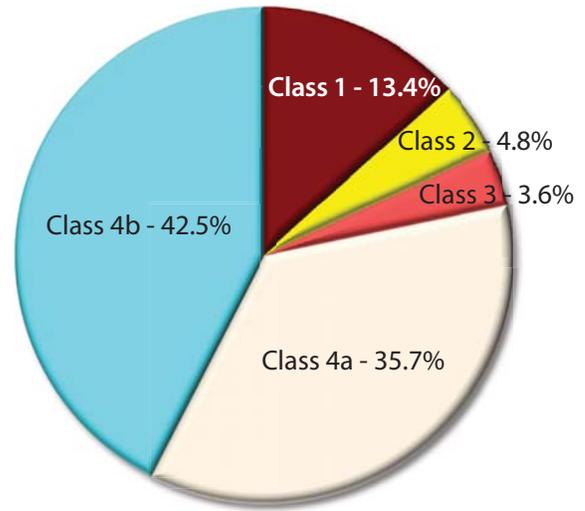
# CALIFORNIA MILK UTILIZATION

## Utilization of Pooled Milk in California, by Class

January - June 2010



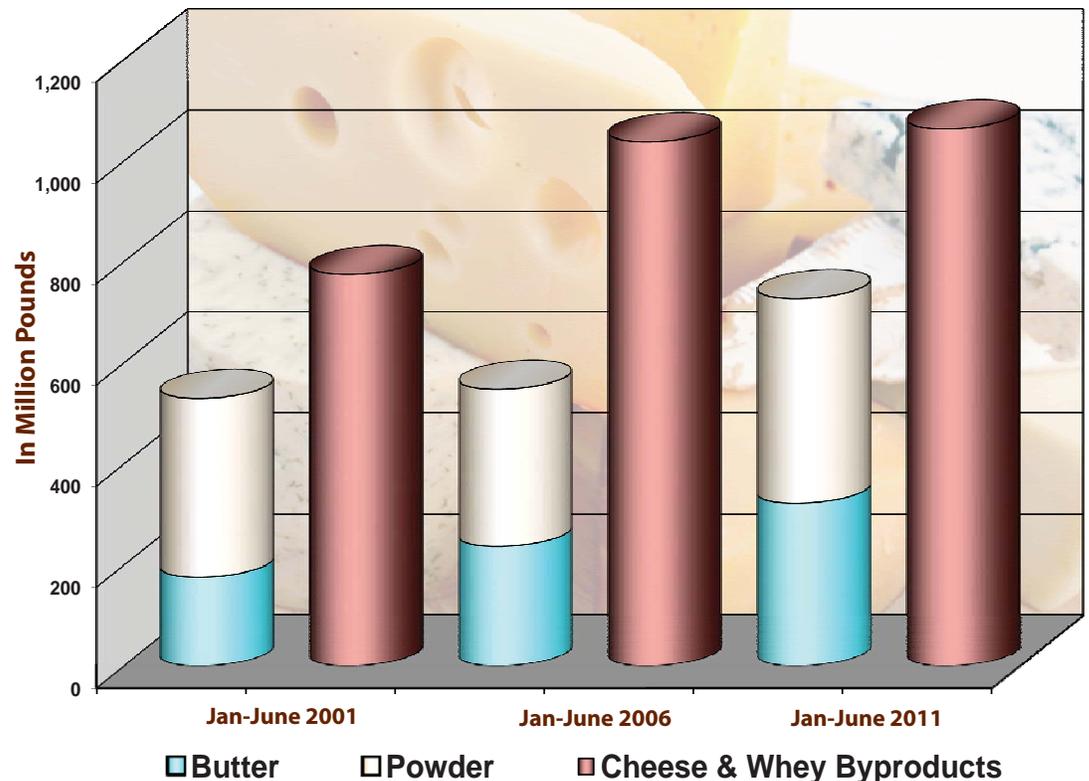
January - June 2011



## A Comparison of the Production of Class 4a and 4b Products in California January-June 2001-2011, In Million Pounds

### Comparing Jan-June 2001, 2006, 2011: Production of Class 4a and 4b Products

- Butter production shows a steady increase in the same time period over the last 10 years, while powder productions (Nonfat Dry Milk Human Consumption) show a slight drop in 2006.
- Total production of Class 4b is ahead of 2006 levels.

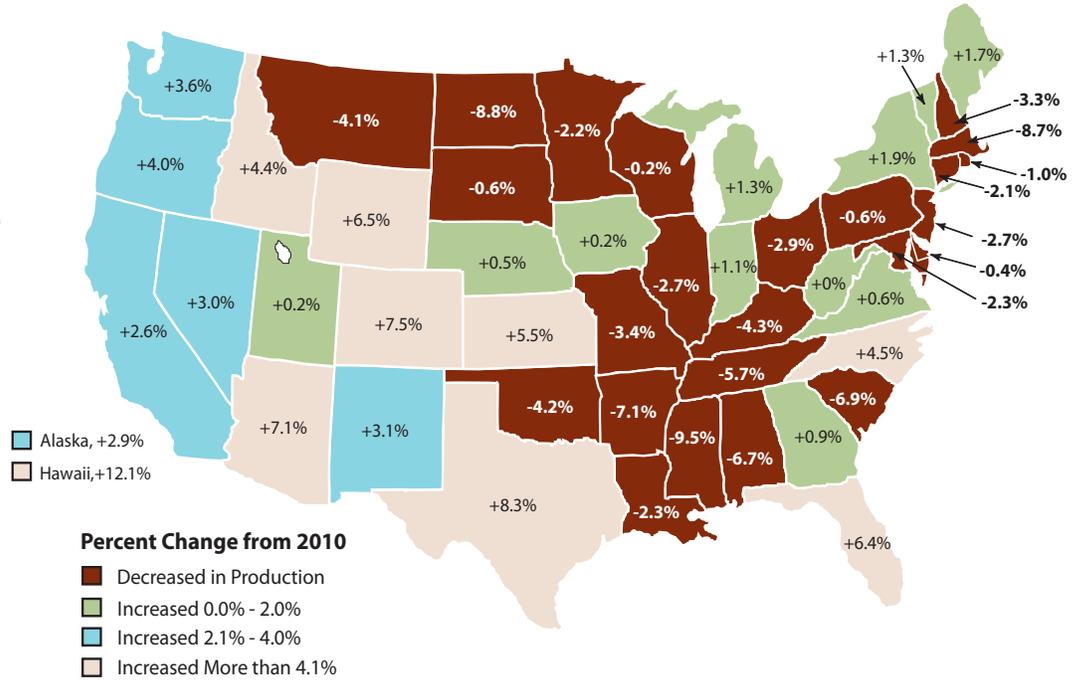


# U.S. MILK PRODUCTION / RETAIL MILK PRICES

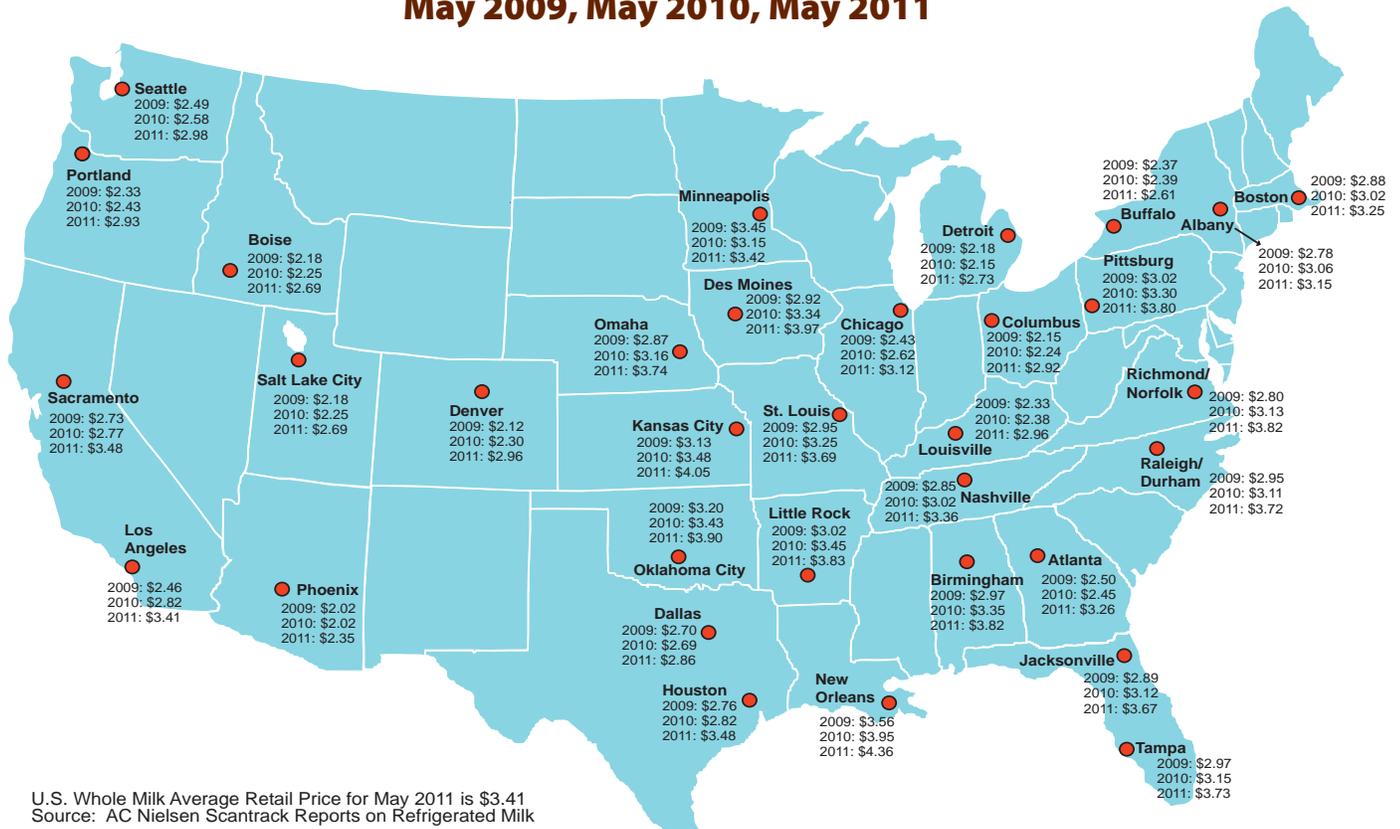
## U.S. Milk Production Percent Change January-June 2011 vs January-June 2010

### Comparing the first six months of 2011 to 2010:

- U.S. milk production showed an overall 1.7% increase.
- Hawaii and Wyoming showed the strongest increase in milk production.
- There were twenty-four states recording a decrease in milk production.



## Average Retail Gallon Prices for Whole Milk in Selected Cities May 2009, May 2010, May 2011



U.S. Whole Milk Average Retail Price for May 2011 is \$3.41  
Source: AC Nielsen Scantrack Reports on Refrigerated Milk