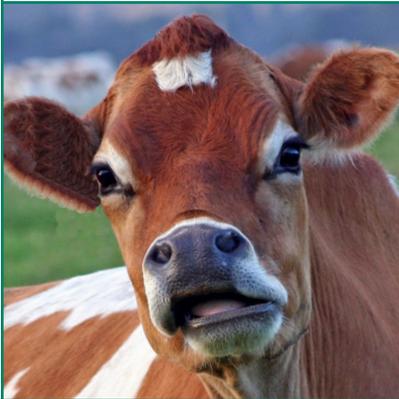


California Dairy Statistics & Trends



Mid-Year Review



2012 Data

2012 MID-YEAR REVIEW

2012 Review

For the first six months of 2012, California recorded increased milk production for each month compared to the same time period in 2011, recording an average overall growth rate of 4.7 percent. March 2012 milk production in California reached 3.8 billion pounds, the highest total monthly milk production on record. The increased milk production continued to reflect the increase in the number of cows, higher average milk per cow, availability of replacement milk cows, favorable weather, and efficiency gains and management practices on the dairy. During the early months of 2012, some processing organizations enforced production bases and capped the amount of milk they would accept to limit production growth and address plant capacity issues. For dairy producers, milk prices showed a decrease compared to 2011 and feed costs continue to be the

primary driver of the cost to produce milk. For the U.S. overall, comparing January-June of 2012 to the same time period in 2011, milk production was up 3.6 percent, the number of milk cows was up 76,000 cows, and the average milk per cow was up 2.8 percent.

cheese production up 2.4 percent. In addition, for January-June 2012, Class 1 sales of fluid milk (including half and half) in California continued to decline, recording a decrease of 2.4 percent, compared to the same period in 2011.

Dairy Products

For dairy processors, exports of manufactured dairy products remained strong, and competition in the international market has strengthened. Through June 2012, compared to the first six months of 2011, California dairy product growth continued to be focused on butter and powder products, however total cheese production also showed an increase compared to last year levels. For California, compared to 2011, the first half of 2012 showed butter production up 11.6 percent, nonfat dry milk up 34.8 percent, and total

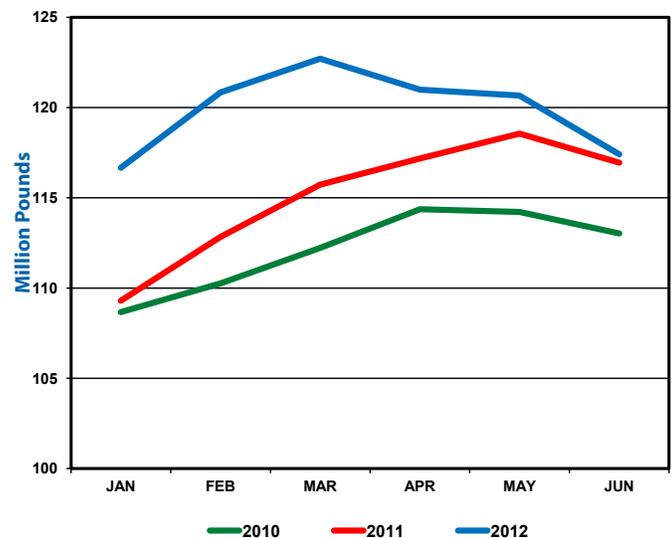
Milk Prices

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 2012, the average mailbox milk price paid to California producers was \$15.52/cwt. (with a first quarter average statewide cost to produce milk of \$16.63/cwt.); this compares to an average mailbox milk price paid of \$16.94/cwt. for the first quarter of 2011 (with a first quarter average statewide cost to produce milk at \$15.15/cwt.).

California's Top 10 Milk Producing Counties; Percent Share of California's Milk Production; January-June 2012

County (by rank)	Milk Production Jan.-June 2012 (In Pounds)	% Change from 2011	% Total California Milk Production Jan-June 2012
#1 Tulare	5,946,916,683	5.43%	27.26%
#2 Merced	3,106,700,023	5.79%	14.24%
#3 Kings	2,254,159,187	2.13%	10.33%
#4 Stanislaus	2,202,816,836	7.78%	10.10%
#5 Kern	2,131,151,697	6.12%	9.77%
#6 Fresno	1,383,459,233	1.01%	6.34%
#7 San Joaquin	1,229,656,631	0.41%	5.64%
#8 Madera	936,300,866	7.02%	4.29%
#9 San Bernardino	875,748,521	5.53%	4.01%
#10 Riverside	542,979,247	5.71%	2.49%

California's Daily Average Milk Production January-June: 2010, 2011, 2012



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This publication was prepared in the Division of Marketing Services, Dairy Marketing Branch, and is a joint effort of the California Department of Food and Agriculture, the U.S. Department of Agriculture, and the National Agricultural Statistics Service. This publication would not be possible without the cooperation of the individuals and firms engaged in the production, manufacture, and distribution of milk and dairy products.

CALIFORNIA DAIRY FARMS / MILK PRODUCTION

The Size of California's Dairy Farms, May 2012

	Range of Milk Marketings	Number of Grade A & B Farms (Arrows Indicate Difference from May 2011)	Percent of Total Grade A & B Farms	Percent of Total Grade A & B Milk Marketings
	> 5.0 Million Lbs.	195 ↑	12.09%	38.54%
	2.4 to 4.9 Million Lbs.	336 ↑	20.83%	31.05%
	1.5 to 2.3 Million Lbs.	287 ↓	17.79%	14.91%
	1 to 1.4 Million Lbs.	237 ↓	14.69%	7.90%
	750,000 to 999,999 Lbs.	137 ↓	8.49%	3.25%
	500,000 to 749,999 Lbs.	128 ↓	7.94%	2.16%
	250,000 to 499,999 Lbs.	175 ↓	10.85%	1.77%
	< 249,999 Lbs.	118 ↓	7.32%	0.43%



= 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 531 dairy farms producing over 2.4 million pounds per month (33% of the state's dairies) produce 70% of the state's milk marketings.
- In May 2012, 818 dairies produced more than one tanker load of milk per day.
- The two highest ranges of dairies producing from 2.4 to more than 5.0 million pounds per month were the only ranges showing an increase in number of dairies and milk production, compared to 2011.
- The 421 lowest-producing dairy farms (26% of the state's dairies) produce only 4% of the state's milk marketings.
- The group of dairies producing less than 249,999 pounds of milk per month (118 dairies) accounted for less than one half of 1% of the state's milk marketings.
- In May 2012, there were 195 dairies producing more than 5 million pounds of milk per month (up from 180 dairies in 2011).

California Commercial Production of Market and Manufacturing Milk January-June, 2011 vs 2012 (In Thousand Pounds)

Month	Market Milk			Manufacturing Milk			Total Milk Production		
	2011	2012	% Change	2011	2012	% Change	2011	2012	% Change
January	3,329,957	3,588,477	7.8%	58,465	28,124	-51.9%	3,388,422	3,616,601	6.7%
February	3,104,945	3,477,927	12.0%	54,547	26,403	-51.6%	3,159,492	3,504,330	10.9%
March	3,524,818	3,773,228	7.0%	62,723	30,570	-51.3%	3,587,541	3,803,797	6.0%
April	3,455,312	3,597,878	4.1%	59,881	31,756	-47.0%	3,515,192	3,629,634	3.3%
May	3,610,947	3,707,431	2.7%	64,175	32,985	-48.6%	3,675,122	3,740,416	1.8%
June	3,447,274	3,491,990	1.3%	61,107	30,365	-50.3%	3,508,381	3,522,355	0.4%
Jan-June Totals	20,473,252	21,636,931	5.7%	360,898	180,203	-50.1%	20,834,150	21,817,133	4.7%

CALIFORNIA COST OF PRODUCTION

A Breakdown of Feed Ingredients; January-March 2012

(Based on the Cost of Production Survey)

This summary provides a breakdown for feed ingredients fed to milk cows (excludes dry cow feed) for the first quarter of 2012. The table displays the dollars-per-ton fed for each commodity fed, feed intake per-cow-per-day, estimated dry matter intake per-cow-per-day, and the percent of total feed cost. This table does not contain organic herds.

FEED	HOLSTEIN MILK COWS				JERSEY MILK COWS			
	\$ Per Ton	As Fed #s Per/Day Milk Cow	Dry Matter #s Per/Day Milk Cow	% of Total Feed Cost	\$ Per Ton	As Fed #s Per/Day Milk Cow	Dry Matter #s Per/Day Milk Cow	% of Total Feed Cost
DRY ROUGHAGE								
Alfalfa Hay	\$282.41	9.60	8.63	18.0%	\$295.92	5.91	5.29	13.2%
Other Hay	\$134.04	0.68	0.61	0.6%	\$148.39	1.67	1.43	1.8%
Almond Hulls & Shells	\$147.00	4.84	4.36	4.5%	\$143.55	2.94	2.64	3.0%
Total Dry Roughage	\$232.37	15.12	13.60	23.4%	\$229.92	10.51	9.36	18.3%
SILAGE								
Corn Silage	\$65.07	30.13	10.06	13.1%	\$64.42	26.90	9.04	13.1%
Other Silage	\$58.63	6.14	2.09	2.4%	\$60.75	6.51	2.24	3.0%
Green Chop	\$55.00	0.22	0.05	0.1%	\$0.00	0.00	0.00	0.0%
Total Silage	\$63.92	36.50	12.20	15.5%	\$63.70	33.41	11.28	16.1%
OTHER FORAGES & WET FEEDS								
Earlage	\$140.53	0.45	0.29	0.4%	\$0.00	0.00	0.00	0.0%
Wet Distiller Grain	\$86.98	3.04	0.92	1.8%	\$91.63	1.18	0.37	0.8%
Wet Corn Gluten	\$93.71	0.51	0.18	0.3%	\$91.49	1.65	0.60	1.1%
Whey	\$42.06	2.68	0.58	0.7%	\$31.26	2.29	0.27	0.5%
Other Wet Feeds	\$33.38	3.98	0.79	0.9%	\$33.69	1.13	0.33	0.3%
Total Other Forages & Wet Feeds	\$58.26	10.66	2.77	4.1%	\$58.97	6.24	1.57	2.8%
CONCENTRATES & BYPRODUCTS								
Inside Barn Mix	\$297.15	2.43	2.09	4.8%	\$0.00	0.00	0.00	0.0%
Rolled Corn	\$280.04	8.24	7.28	15.4%	\$272.49	8.61	7.59	17.7%
Rolled Barley	\$282.17	0.42	0.37	0.8%	\$0.00	0.00	0.00	0.0%
Whole Cottonseed/Pima	\$360.70	2.10	1.93	5.0%	\$368.90	3.71	3.42	10.3%
Soybean Meal	\$352.83	0.56	0.50	1.3%	\$363.72	1.07	0.95	2.9%
Canola	\$277.48	3.63	3.33	6.7%	\$273.05	3.70	3.40	7.6%
Beet Pulp	\$0.00	0.00	0.00	0.0%	\$0.00	0.00	0.00	0.0%
Wheat Millrun	\$230.76	0.60	0.54	0.9%	\$228.97	0.53	0.48	0.9%
Dried Distillers Grain	\$261.98	1.59	1.46	2.8%	\$244.93	1.62	1.48	3.0%
Other Grains & byproducts	\$300.37	2.22	2.00	4.4%	\$320.07	5.31	4.75	12.8%
Mill/Custom Mix	\$314.37	5.25	4.54	11.0%	\$346.17	0.90	0.82	2.4%
Total Concentrates & Byproducts	\$295.21	27.03	24.03	53.1%	\$300.33	25.46	22.89	57.7%
MINERALS & ADDITIVES								
All Minerals	\$395.92	1.37	1.12	3.6%	\$363.86	1.85	2.72	5.1%
PASTURE								
Pasture	\$50.74	0.62	0.12	0.2%	\$40.23	0.23	0.05	0.1%
TOTALS	\$164.52	91.29	53.84	100.0%	\$170.42	77.71	47.86	100.0%

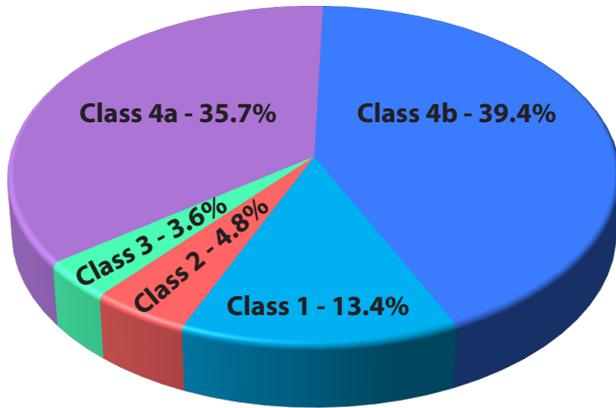
Cost Per Cow/Day \$7.51
 Cost per cwt. \$10.14
 Avg Milk Cows 1,039
 Milk Production Per MC/Day 74.07

Cost Per Cow/Day \$6.62
 Cost per cwt. \$10.99
 Avg Milk Cows 1,634
 Milk Production Per MC/Day 60.26

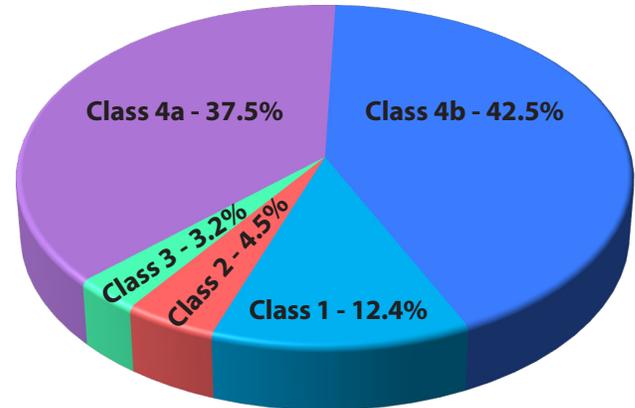
CALIFORNIA MILK UTILIZATION

Percent Utilization of Pooled Milk in California, by Class

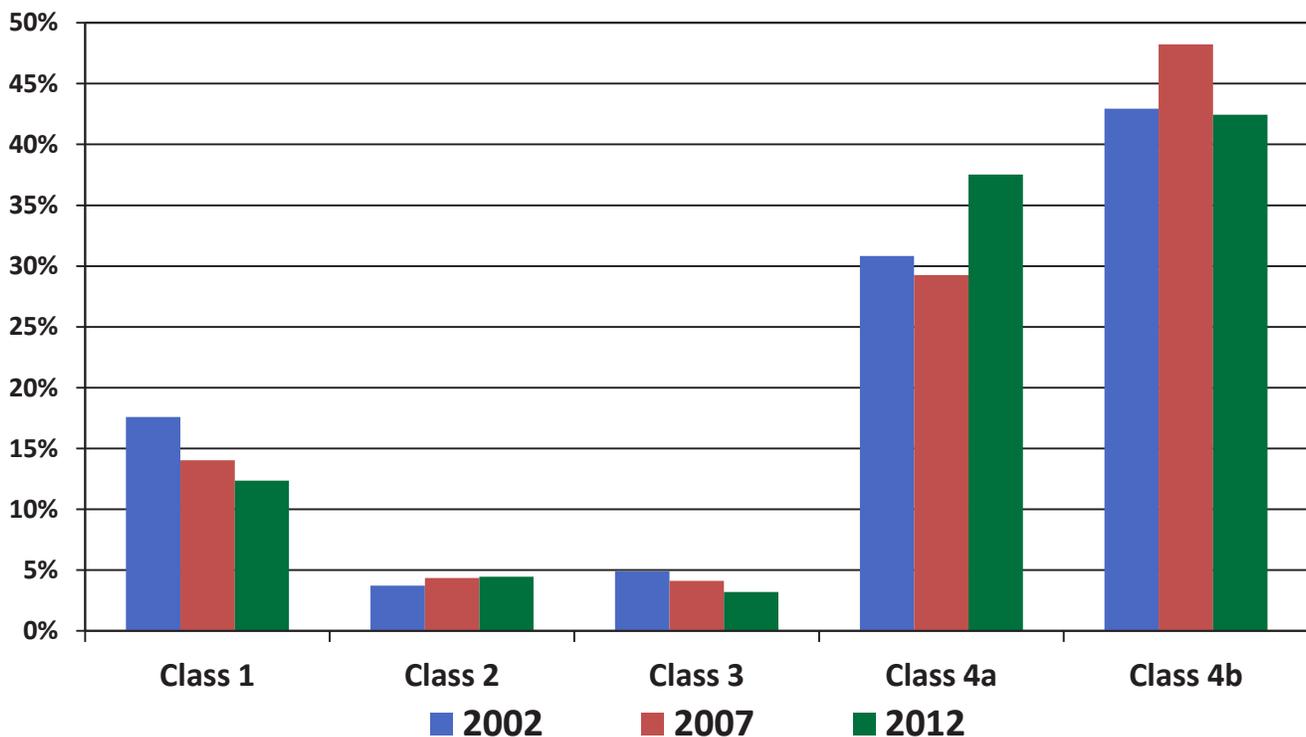
January - June 2011



January - June 2012



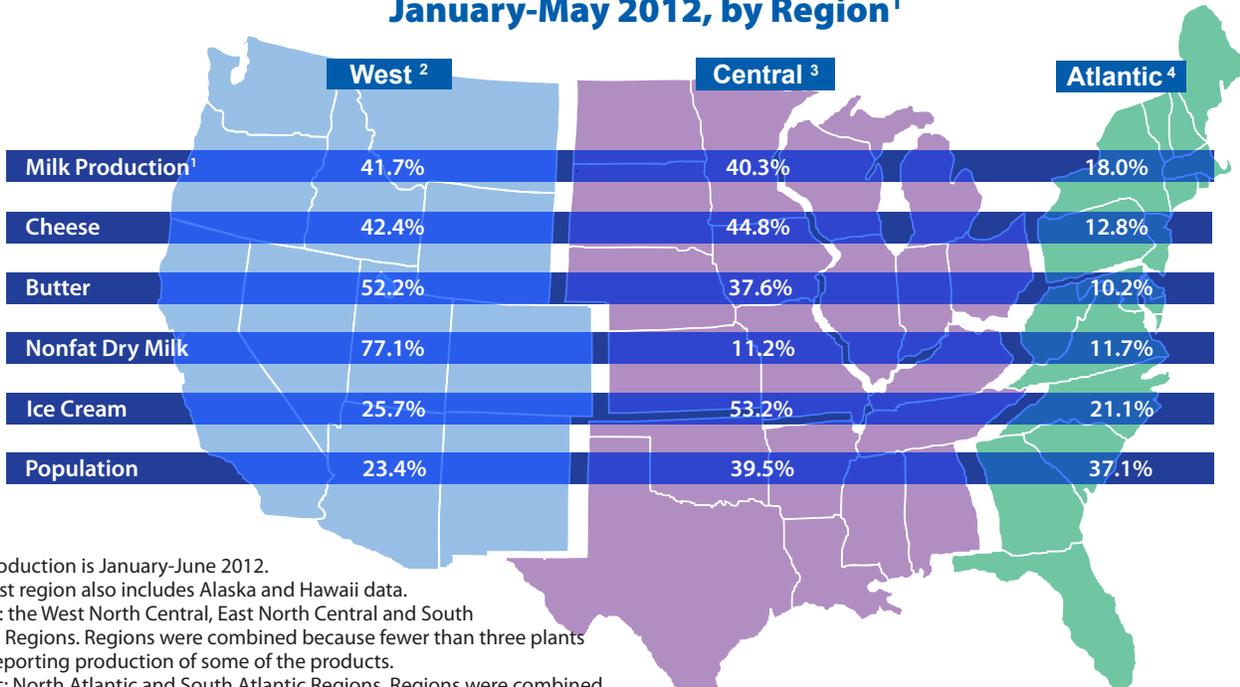
Percent Utilization of Pooled Milk, by Class
A Comparison of the Class 1, 2, 3, 4a and 4b Products in California
January-June: 2002, 2007, 2012
(In Million Pounds)



▶ Comparing 2002, 2007, and 2012: As indicated by the chart above, Classes 1 and 3 have shown steady decreases in utilization, Class 2 has remained even or slightly increased, while Classes 4a and 4b continue to account for the largest percentage of pooled milk. For June 2012, Classes 4a and 4b accounted for 80% of the milk pooled in California.

U.S. DAIRY PRODUCTS / RETAIL MILK PRICES

Percent Share of Selected U.S. Dairy Product Production January-May 2012, by Region¹



¹ Milk production is January-June 2012.

² The West region also includes Alaska and Hawaii data.

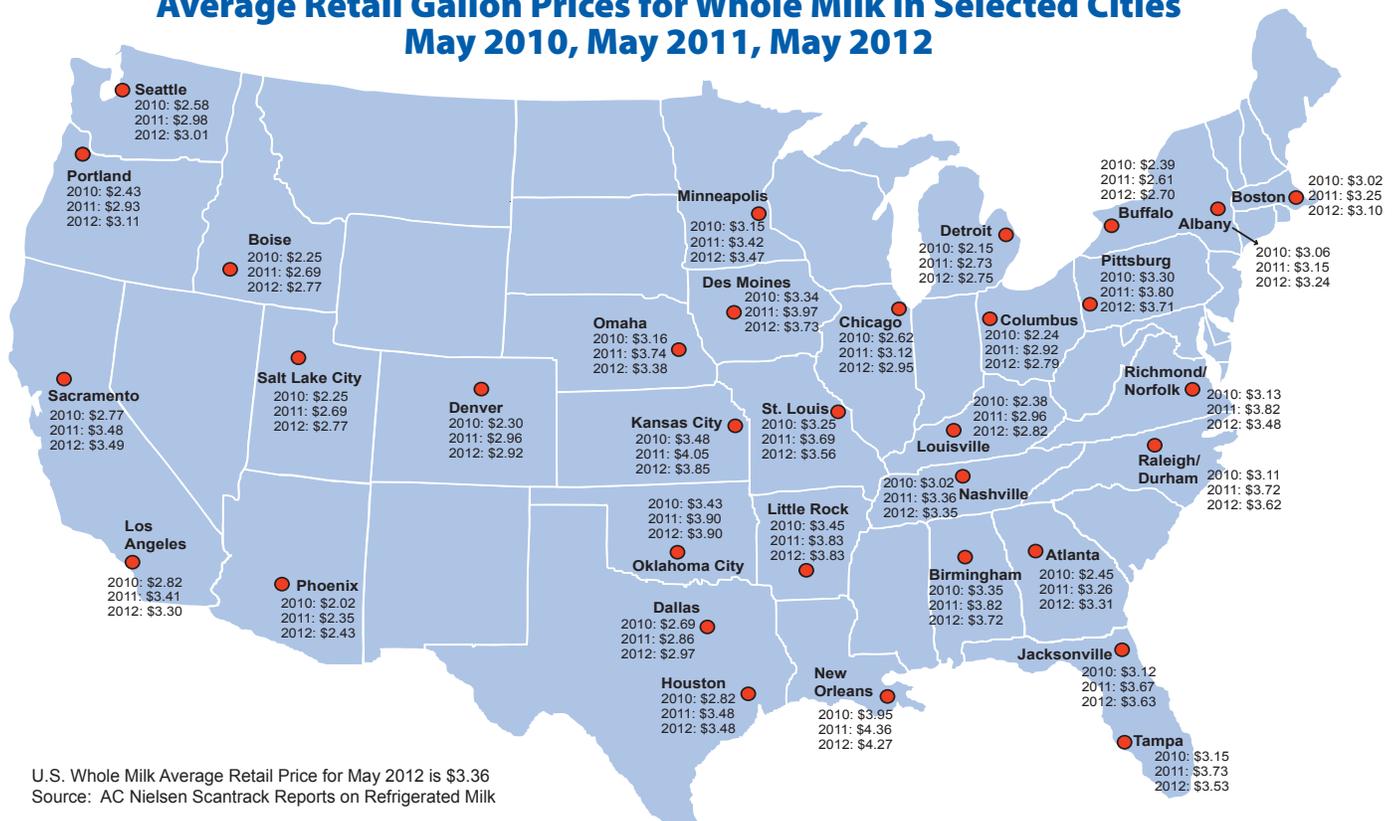
³ Central: the West North Central, East North Central and South Central Regions. Regions were combined because fewer than three plants were reporting production of some of the products.

⁴ Atlantic: North Atlantic and South Atlantic Regions. Regions were combined because fewer than three plants were reporting production of some of the products.

Sources: NASS Dairy Product and Milk Production Reports; U.S. Census Bureau/Annual Population Estimates/July 1, 2010

- ▶ Even though the West Region accounts for only 23 percent of the U.S. population, the region produces the largest percent share of U.S. nonfat dry milk (77 percent), butter (52 percent), and milk production (42 percent).
- ▶ The Atlantic and Central Regions each represent nearly the same percent shares of the U.S. population (37 percent and 40 percent respectively), however the Atlantic region's geographic area is much smaller in size and accounts for only 18 percent of the milk produced in the U.S.

Average Retail Gallon Prices for Whole Milk in Selected Cities May 2010, May 2011, May 2012



U.S. Whole Milk Average Retail Price for May 2012 is \$3.36
Source: AC Nielsen Scantrack Reports on Refrigerated Milk