The first six months of 2002 for the California dairy industry have continued the trend of increases in milk production, total number of cows, and average milk per cow. In fact, California milk production set a record in May 2002 when monthly production surpassed three billion pounds for the first time. Compared to the first six months of 2001, California milk production is up 5.3 percent, cow numbers have increased by 58,000, and average production is up by 25 pounds per cow. Overall, for the second quarter of 2002 compared to 2001, U.S. milk production is up 3.0 percent, cow numbers have increased by 33,000, and average production is up 122 pounds per cow. For the third quarter of 2002, compared to 2001, USDA projects that production per cow will be up 2.8%, causing a net effect 2.7 percent increase in milk production to 41.7 billion pounds.

California Counties
The bulk of milk produced in California continues to be concentrated in just a handful of counties. For January-June 2002, Tulare, Merced, Stanislaus, San Bernardino, and Kings counties accounted for two-thirds of the milk produced in California and 26.7 percent of the nation’s total milk production. If Tulare County were a state, it would rank as the fifth largest milk-producing state in the country.

Dairy Products
California continues to lead the nation in the production of market milk, butter, and nonfat dry milk, producing an estimated 21, 27, and 47 percent, respectively, of the nation’s total production. As in 2001, this year continues the steady growth of cheese production with California producing 21 percent of the nation’s total cheese. If the current trend in cheese production continues, California could produce a record 1.7 billion pounds of total cheese by year-end, a 4.4 percent increase over last year’s record 1.6 billion pounds. The year 2001 recorded a decline of 5.3 percent in butter production, however the first six months of this year have shown a surge in butter production, up 14.1 percent from the same period last year. Nonfat dry milk production continues its steady increase and in the first six months of 2002, production is up 12.6 percent over the same period last year.

When compared to the same period in 2001, utilization of milk in California for the first six months of this year grew 6.35 percent. The breakdown of the utilization on a total solids basis was as follows:
- Class 1 fluid dairy products increased 1.9 percent;
- Class 2, soft dairy products, decreased 4.7 percent;
- Class 3, frozen dairy products, decreased 7.3 percent;
- Class 4a, butter and powder, increased 14 percent;
- Class 4b, cheese, increased 6 percent.

Milk Prices
Contrary to the higher prices realized in 2001, milk prices for 2002 have been declining on a monthly basis. Commodity markets for butter, cheese, and powder have been sluggish since late 2001. USDA is predicting that for the third quarter of 2002, U.S. average milk prices will be down another $1 per cwt, compared to the first quarter of 2002. Cheese and butter production has exceeded consumer demand which is down from last year levels. This could partly be due to the overall lackluster economy and the fact that despite commodity prices being down, retail prices have not reflected the price changes evident in wholesale markets. In addition, it is interesting to note that the overall per capita consumption of all dairy products from 1975-2001 grew 9.1 percent, while the per capita consumption of the fluid milk products declined 20.7 percent.

The 2002 Farm Bill
The 2002 Farm Bill guarantees monthly payments to producers whenever the Class 1 price of milk in Boston falls below $16.94 per cwt. (the payment rate is 45% of this difference). As of July 2002, the payment rate has ranged from $0.77/cwt. (December 2001 rate) to $1.38/cwt. (July 2002 rate). The Food and Agriculture Policy Research Institute estimates that the impact of the Farm Bill on the dairy industry will be an increase in U.S. milk production of 0.9 billion pounds which in turn could reduce the all-milk price by an average $0.25 per cwt. If this is the case, states with large herds (such as California, Arizona, Idaho, and New Mexico) may not have enough production to offset the reduction in market prices causing possible net losses on average.
Top Ten California Counties in Milk Production: January-June 2002

• These ten counties accounted for 92% of California’s milk production and 18.7% of the nation’s total milk production.
• If Tulare County were a state, it would rank as the fifth largest milk-producing state in the U.S.
• All ten counties increased production compared to the same period in 2001, with Kern County recording the largest increase of 14.2%.

California Utilization of Market Milk by Class: January-June: 1998 and 2002

For the months January through June:
• Utilization of all market milk has increased 30% from 1998 to 2002,
• Class 1 representation of total milk on a total solids basis continues to decline, from 22.3% in 1998 to 17.6% in 2002, with June 2002 Class 1 utilization falling to 16.5%, and
• Utilization of Class 4b continues to increase, from 37.8% in 1998, climbing to 42.9% in 2002.
U.S. Milk Production, Top 20 Reporting States: January-June 2002 (Million Pounds)
Percent Change from Same Period in 2001

- U.S. milk production in the top twenty reporting states for January-June, 2002, showed an overall 3% increase compared to the same period in 2001.
- These top twenty reporting states produced 86.2% of the nation’s total milk production.
- The strongest increase in production was recorded by New Mexico (15.7%), and the largest decrease recorded by Minnesota (-4.3%).
- California continues to lead the nation in production, including producing a record 3 billion pounds of milk in May 2002.

Milk Production Per Cow, Top 20 Reporting States: June 2002
Percent Change is June 2002 vs. June 2001

- Sixteen of the top twenty reporting states showed an increase in milk production per cow when compared to 2001.
- Milk production per cow was down for only 4 states: Minnesota, Wisconsin, Idaho, and Illinois.
- An increase in milk per cow has a net effect of more production: for example, in the second quarter of 2002, the 2.7% increase in milk per cow to 6.1 gallons/day had a net effect of a 2.6% increase in total milk production.

Total Number of Milk Cows, Top 20 Reporting States: June 2002 vs. June 2001
- Major increases in milk cow numbers occurred in California (+58,000 or 3.7%), New Mexico (+35,000, or 13.3%), and Idaho (+21,000 or 5.7%); overall, U.S. total cows increased by 29,000 or +0.37%.
- Major declines in milk cow numbers occurred in Wisconsin (-20,000 or 1.6%), Minnesota (-20,000 or 3.9%), Pennsylvania (-18,000 or 3.0%), and Texas (-18,000 or 5.5%); only nine states had less cows than a year ago.