



Dairy

STATISTICS & TRENDS



2005 Mid-Year Review

The Big Picture

For the first six months of 2005, the California dairy industry continued the trend of increased milk production, posting record production numbers in the months of March and May. Milk production in California has reflected an average growth rate of 3.4 percent for the first six months of 2005, compared to the 12-month average growth rate in 2004 of 2.9 percent. For five of the first six months of 2005, California recorded milk production over three billion pounds and continues to set new records in production. For the U.S. overall, for January-June 2005 compared to the same period in 2004, milk production was up 2.6 percent, cow numbers increased by 40,000, and average production per cow was up 80 pounds per cow.

Dairy Products

California continues to lead the nation in the production of market milk, butter, and nonfat dry milk, producing an estimated 21, 29, and 46 percent, respectively, of the nation's total production. Following the trend of 2004, the first six months of this year continued the steady growth of California cheese production, averaging a 8.5 percent increase in production over the same period in 2004. The month of May 2005 produced a record 187.3 million pounds. If the current trend in cheese production continues, California could produce a record 2.1 billion pounds of total cheese by year-end, compared to last year's record 1.99 billion pounds. The year 2005 recorded an increase of 5.3 percent in butter production, and the first six months of this year have continued this trend with butter production up 5.5 percent from the same period last year. Nonfat dry milk production continued to decline for the first six months of 2005, with production down 35.0 percent compared to the same period last year. This large decrease reflects overseas demand which has created a market for custom-tailored powder which does not have the same standards as nonfat dry milk powder, therefore is not included in the nonfat dry milk dataset. Utilization in the first six months of 2005 continued to reflect recent production trends with butter, cheese, and nonfat powder production accounting for 76 percent of all California-produced milk available on a total solids basis.

Milk Prices

The low milk prices that dominated discussions in the dairy industry for most of 2003 are now just a distant memory. With today's pricing environment, the industry experienced consistent farm prices, with the first six months of 2005 recording an average price paid to California producers of \$13.98 per hundredweight. Even though the commodity prices for butter and cheese were volatile and unpredictable at times, overall, the prices responded to renewed consumer confidence, strong world prices, and at times, the lack of surplus dairy products on hand. Looking back at the low prices of 2003 and early 2004 provides just another example of how milk prices can and do move both up and down rapidly. It also shows that the level of milk prices is more reflective of the supply/demand of the dairy commodity markets. For example, the pricing formulas that resulted in \$10 per hundredweight milk two years ago are the same ones that are now resulting in prices in the \$14 to \$16 per hundredweight range.

Shifting Dairy Landscape

The dairy landscape in California continues to shift with the continuing evolution of Southern California from a significant milk producing region to a highly urbanized region. While the dairy industry in Southern California has been shrinking for years, the rate of dairies exiting Southern California continues to increase from year-to-year. For example, over the past four years, San Bernardino and Riverside counties have recorded a net loss of 77 dairies. During the first five months of 2005, milk production in Southern California decreased by 12.8 percent compared to 2004, following a 15% decrease in production for the same period comparing 2004 to 2003. Southern California now only accounts for approximately 10.7 percent of the state's milk production. With nearly two-thirds of the state's population in the Los Angeles basin and a full complement of plants to supply dairy products to that population, in the future it will become increasingly important to move milk to those processing facilities by means that are efficient, orderly, and sustainable.

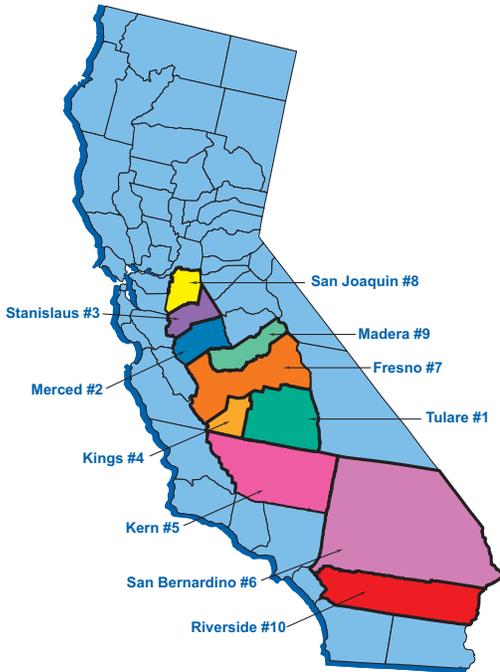


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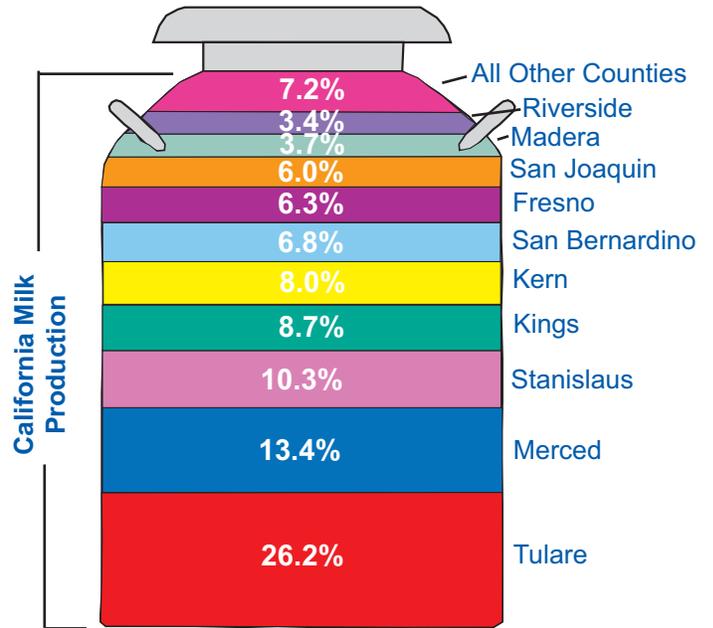
This publication was prepared in the Division of Marketing Services, Dairy Marketing Branch, and is a joint effort of the California Department of Food and Agriculture, the U.S. Department of Agriculture, and the National Agricultural Statistics Service. This publication would not be possible without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

CALIFORNIA MILK PRODUCTION

Top Ten Counties in Milk Production



Percent Share of California's Milk Production, January-June 2005



County (By Rank)	Milk Production Jan-June 2005 (In Pounds)	% Change from 2004
Tulare	4,918,755,371	3.91%
Merced	2,524,237,168	1.77%
Stanislaus	1,929,629,671	4.55%
Kings	1,637,440,539	6.80%
Kern	1,511,452,157	20.79%
San Bernardino	1,271,078,358	-12.32%
Fresno	1,180,166,852	13.08%
San Joaquin	1,118,729,576	2.72%
Madera	701,284,335	4.96%
Riverside	640,002,528	-13.39%

Production Notes, January-June 2005:

- The top ten counties accounted for 93% of California's total milk production and 20% of the nation's total milk production.
- For the top ten counties, in comparison to the same period in 2004, Kern County recorded the largest increase in milk production at 20.8%, and San Bernardino and Riverside counties showed the greatest decreases in milk production at -12.3% and -13.4%, respectively.
- Compared to the same period last year, San Bernardino County dropped from ranking 5th to ranking 6th in milk production, San Joaquin County dropped from ranking 7th to ranking 8th, and Riverside County dropped from ranking 9th to ranking 10th in milk production.
- The milk production of Tulare, Merced, Stanislaus, Kings, and Kern counties accounted for 14% of the nation's total milk production.

California Commercial Production of Market and Manufacturing Milk January-June, 2004 vs. 2005 (In Thousand Pounds)

Month	Market Milk			Manufacturing Milk			Total Milk Production		
	2004	2005	% Change	2004	2005	% Change	2004	2005	% Change
January	2,950,802	3,009,153	2.0	42,630	66,979	57.1	2,993,432	3,076,132	2.8
February	2,815,802	2,772,773	-1.5	40,640	72,159	77.6	2,856,045	2,844,932	-0.4
March	3,058,918	3,137,521	2.6	40,834	85,781	110.1	3,099,752	3,223,302	4.0
April	3,027,406	3,104,824	2.6	42,638	78,716	84.6	3,070,044	3,183,540	3.7
May	3,092,397	3,205,403	3.7	51,614	82,698	60.2	3,144,011	3,288,101	4.6
June	2,970,852	3,097,458	4.3	49,844	80,131	60.8	3,020,696	3,177,589	5.2
Jan-June Totals	17,915,780	18,327,132	2.3	268,200	466,464	73.9	18,183,980	18,793,596	3.4

CALIFORNIA DAIRY FARMS / NET MILK AVAILABLE

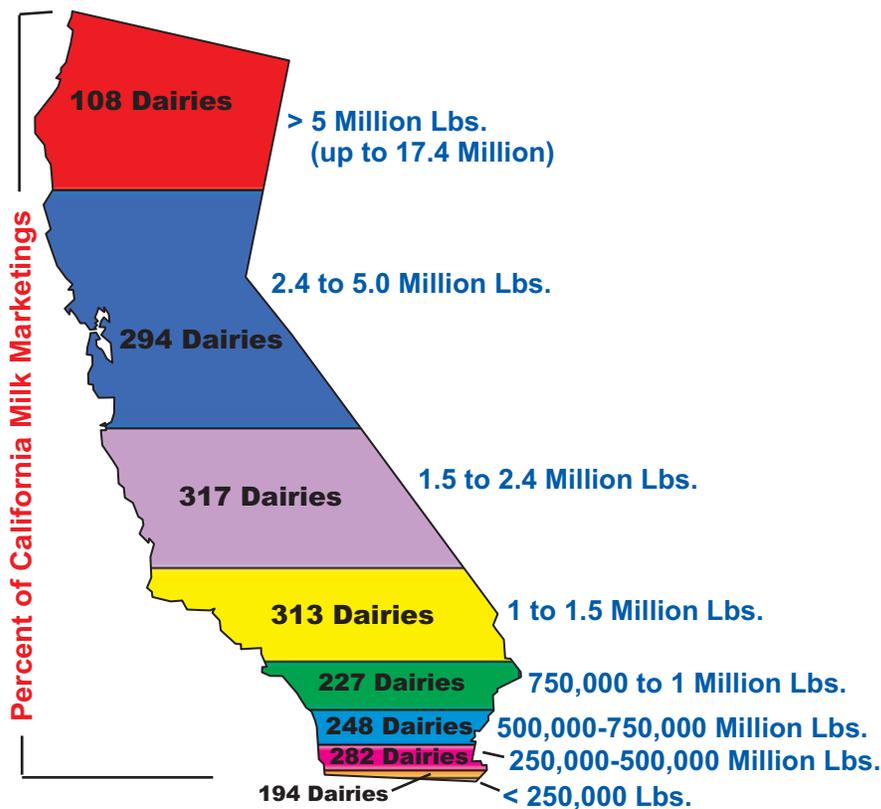
The Size of California's Dairy Farms, May 2005

Range of Milk Marketings	Number of Grade A & B Farms	Percent of Total Grade A & B Farms	Percent of Total Grade A & B Milk Marketings
< 250,000 Lbs.	194	9.78%	0.91%
250,000 to 500,000 Lbs.	282	14.22%	3.27%
500,000 to 750,000 Lbs.	248	12.51%	4.78%
750,000 to 1 Million Lbs.	227	11.45%	6.13%
1 to 1.5 Million Lbs.	313	15.78%	11.87%
1.5 to 2.4 Million Lbs.	317	15.99%	18.41%
2.4 to 5.0 Million Lbs.	294	14.83%	30.76%
> 5.0 Million Lbs. (up to 17.4 Million Lbs.)	108	5.45%	23.88%

Distribution of Farms by Size of Milk Marketings, May 2005

California Farms by Size, Comparison

- The 402 top-producing dairy farms (20% of the state's dairies) produce 55% of the state's milk marketings.
- The 724 lowest-producing dairy farms (36% of the state's dairies) produce only 9% of the state's milk marketings.
- The group of dairies producing less than 250,000 pounds of milk per month (194 dairies) accounted for less than 1% of the state's milk marketings.
- In May 2005, there were 108 dairies producing greater than 5 million pounds of milk per month, an increase of 33% more dairies than in July 2004.



Net Milk Available in California In Thousand Pounds, January-June 2001-2005

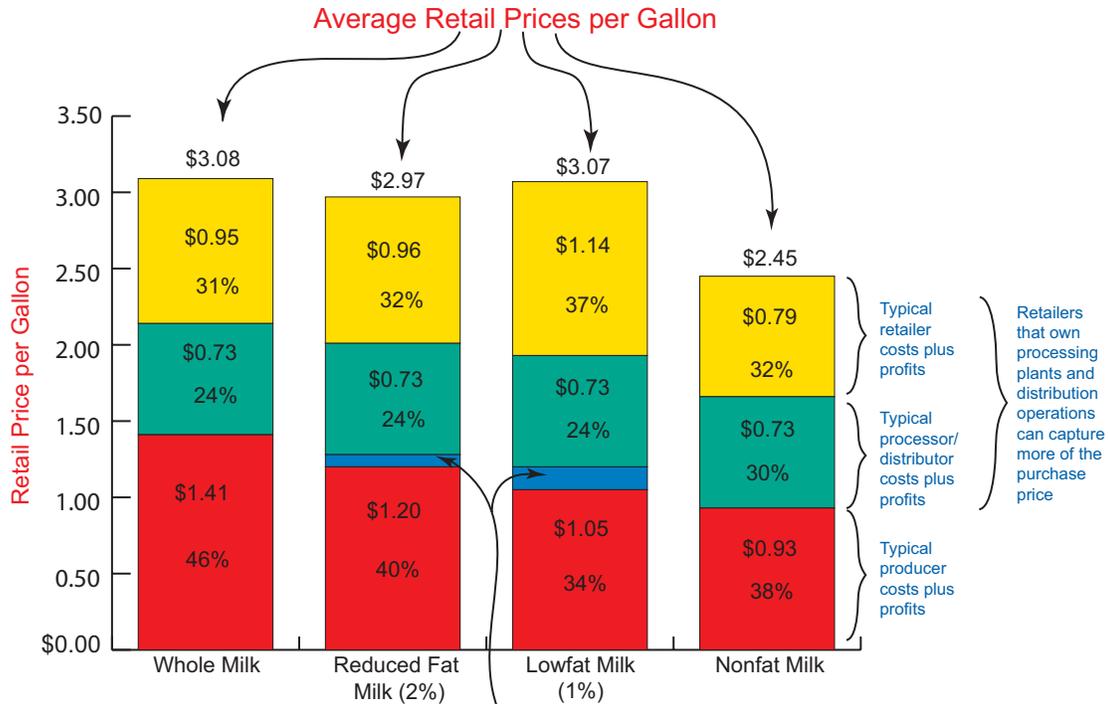
Year	Production Entering California	Production Leaving California	California Milk Production	Net Milk Available
2001	409,301	151,199	16,527,272	16,785,374
2002	601,210	286,287	17,490,758	17,805,681
2003	634,164	335,284	17,953,364	18,252,244
2004	730,164	139,284	18,183,980	18,774,473
2005	639,799	161,063	18,793,595	19,272,331

CONSUMER MILK DOLLARS / RETAIL PRICES

Where Do Consumer's Milk Dollars Go?

Sacramento, May 2005

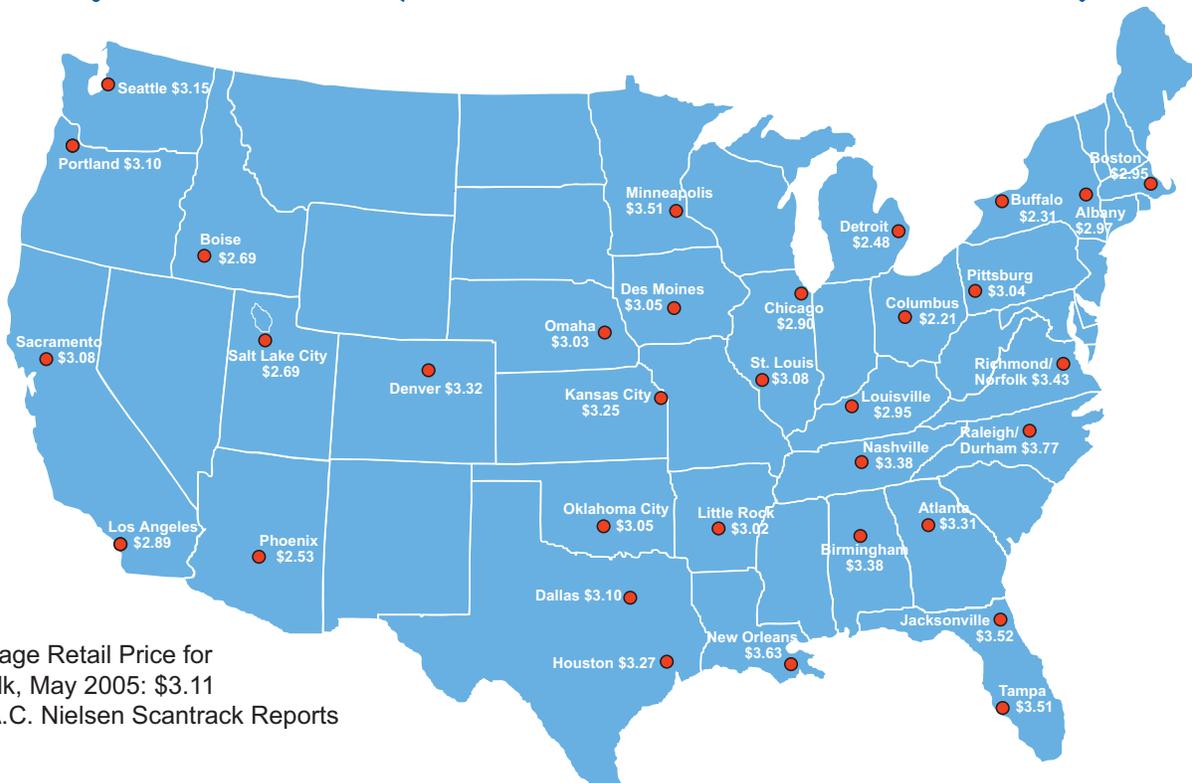
Under both California and federal milk marketing orders, minimum farmgate prices are regulated, but retail prices are not. Consumers often assume that most of their milk dollar goes to dairy farmers. The chart below shows that farmers receive less than half of the retail price of milk.



Costs to meet California's higher nutritional standards (\$0.08 {3%} for reduced fat milk; \$0.15 {5%} for lowfat milk)

Retail price data for Sacramento for May 2005 obtained from A.C. Nielsen Company

Average Retail Prices for Whole Milk, Selected Cities, May 2005



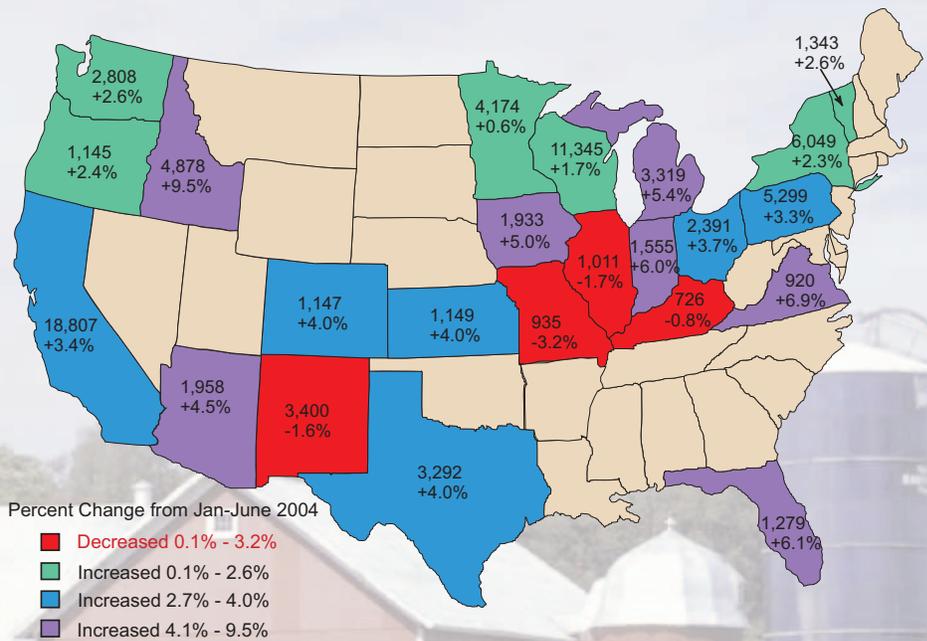
U.S. Average Retail Price for Whole Milk, May 2005: \$3.11
Source: A.C. Nielsen Scantrack Reports

U.S. MILK PRODUCTION / U.S. MILK COWS

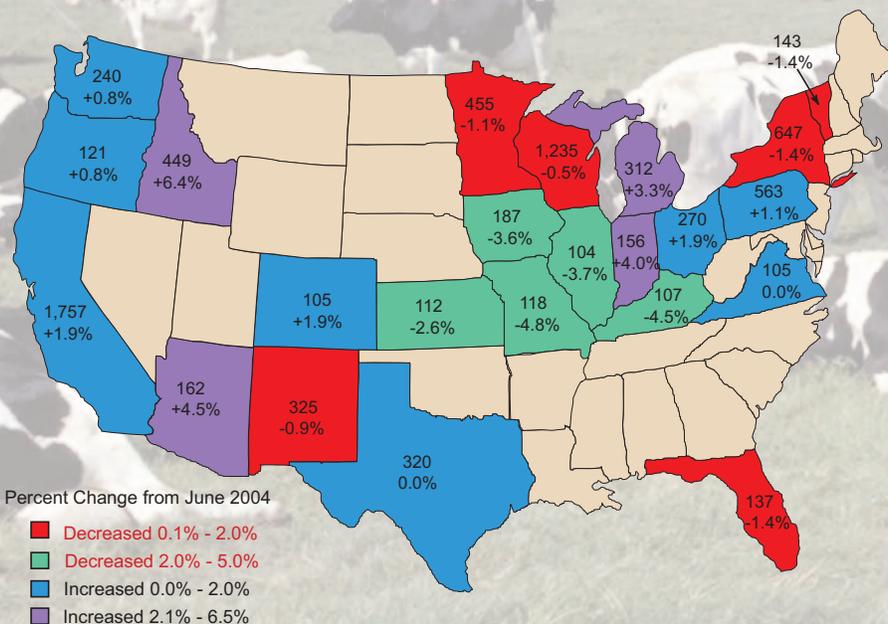
U.S. Milk Production (In Million Pounds) Top 23 Reporting States: January-June 2005 Percent Change from Same Period in 2004

In the Top Twenty-three States:

- U.S. milk production in the top twenty-three reporting states for January-June 2005, showed an overall 3.1% increase compared to the same period in 2004.
- These top twenty-three reporting states produced 91% of the nation's total milk production.
- The strongest increase in milk production for the period January-June 2005 was recorded by Idaho (+9.5%).
- Four of the top twenty-three milk producing states reported decreases in production for the period January-June 2005, compared to 12 states reporting decreases for the same period in 2004.



U.S. Total Milk Cows (Per 1,000 Head) Top 23 Reporting States, June 2005 Percent Change is June 2004 vs. June 2005



In the Top Twenty-three States:

- U.S. total milk cows in the top twenty-three reporting states for January-June 2005, showed an overall 0.6% increase compared to the same period in 2004.
- The strongest increase in the number of cows was recorded by Idaho (+6.4%); while the largest decrease in the number of cows was recorded by Missouri (-4.8%).
- Eleven of the top twenty-three milk producing states reported a decrease in the number of cows.
- The top twenty-three milk producing states accounted for 90 percent of the nation's total milk cows.