

CALIFORNIA Dairy Information BULLETIN

Packaged Fluid Milk in California

Percentage of Total Fluid Milk Products Sold, by Size of Container
October of Selected Years: 2002, 2003, 2004, and 2005

Year	3, 5, 6 Gallon	1 Gallon	1/2 Gallon	Quart	1/3 Quart (10 oz.)	Pint	1/2 Pint & (8 oz. Pouch)	4 oz. (Pouch)	12, 14 oz.	Other
	Percent									
2002	1.16%	68.80%	14.74%	2.45%	0.68%	2.16%	9.80%	0.06%	0.01%	0.13%
2003	1.15%	68.15%	16.18%	2.87%	0.63%	2.19%	8.75%	0.06%	0.01%	0.23%
2004	1.02%	69.49%	15.08%	2.52%	0.41%	1.97%	8.82%	0.09%	0.35%	0.26%
2005	1.06%	69.89%	14.99%	2.32%	0.41%	1.70%	9.10%	0.19%	0.35%	0.01%

Percentage of Total Fluid Milk Products Sold, by Type of Container
October of Selected Years: 2002, 2003, 2004, and 2005

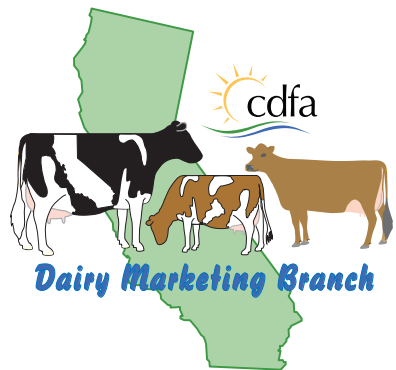
Year	Glass	Paper	Plastic	Bag
	Percent			
2002	0.07%	21.12%	77.66%	1.15%
2003	0.04%	19.11%	80.11%	0.96%
2004	0.06%	17.17%	82.28%	0.47%
2005	0.06%	17.24%	82.15%	0.55%

- The top three containers of fluid milk sold in California for October 2005 were: gallon plastic containers (70%); half gallon paper containers (7.4%); and half gallon plastic containers (7.5%).
- Sales of fluid milk in paper containers continued to decrease, down 4% since 2002.
- The proportion of fluid milk products sold in plastic containers remained constant compared to 2004, but a 4.5% increase since 2002.
- The gallon size container continued to be the most utilized size container for fluid milk products, followed by the half gallon and half pint containers, respectively.

(See Page 28 for detailed report)



Source: October 2005 Fluid Milk Sales Container Survey for California, completed by CDFA Dairy Marketing Branch, December 2005.



CALIFORNIA Dairy Information

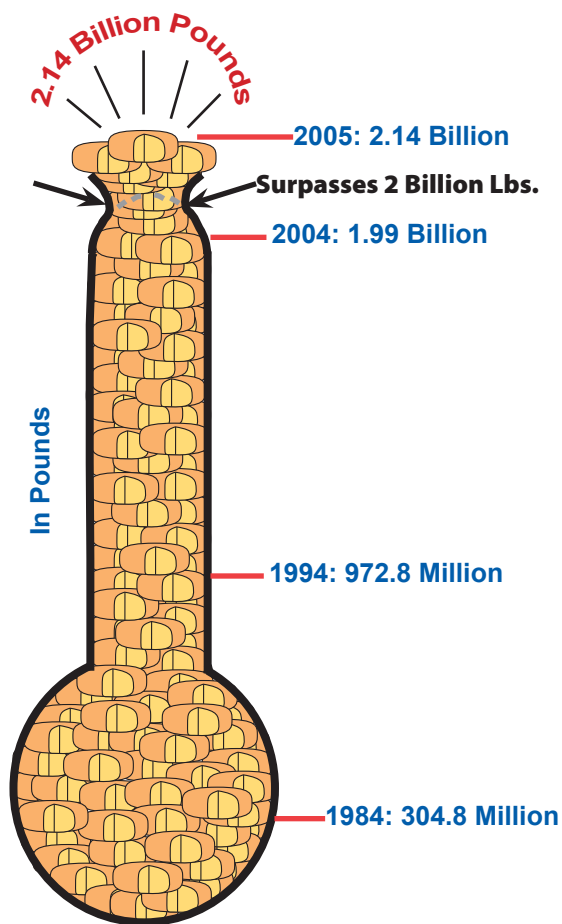
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2005 California Total Cheese Production Surpasses Two Billion Pounds

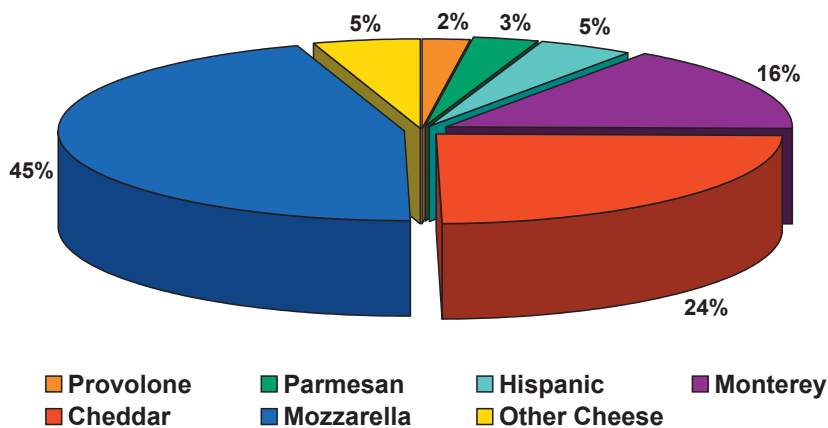
2005 Total Cheese Production Sets All-Time High for California

California total cheese production continued its record pace in 2005, surpassing two billion pounds of cheese produced.

- The year 2005 recorded a 7.1 percent increase in total cheese production compared to the previous year.
- The percent share of total cheese production (percent production change from previous year in parenthesis) were as follows: Mozzarella at 45 percent (up 8.9 percent); Cheddar at 24 percent (down 2.9 percent); Monterey at 16 percent (up 14.3 percent); Hispanic at 5 percent (up 8.2 percent). Provolone and Parmesan cheeses accounted for 5 percent of total cheese production.

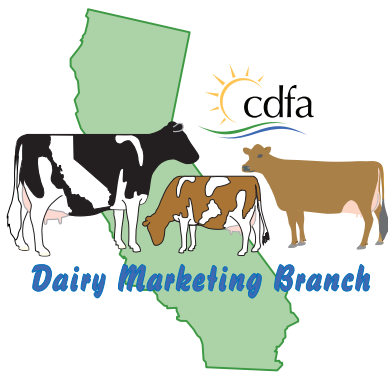


2005 Class 4b Production Percent of Total, by Type of Cheese



Source: CDFA Dairy Marketing Branch

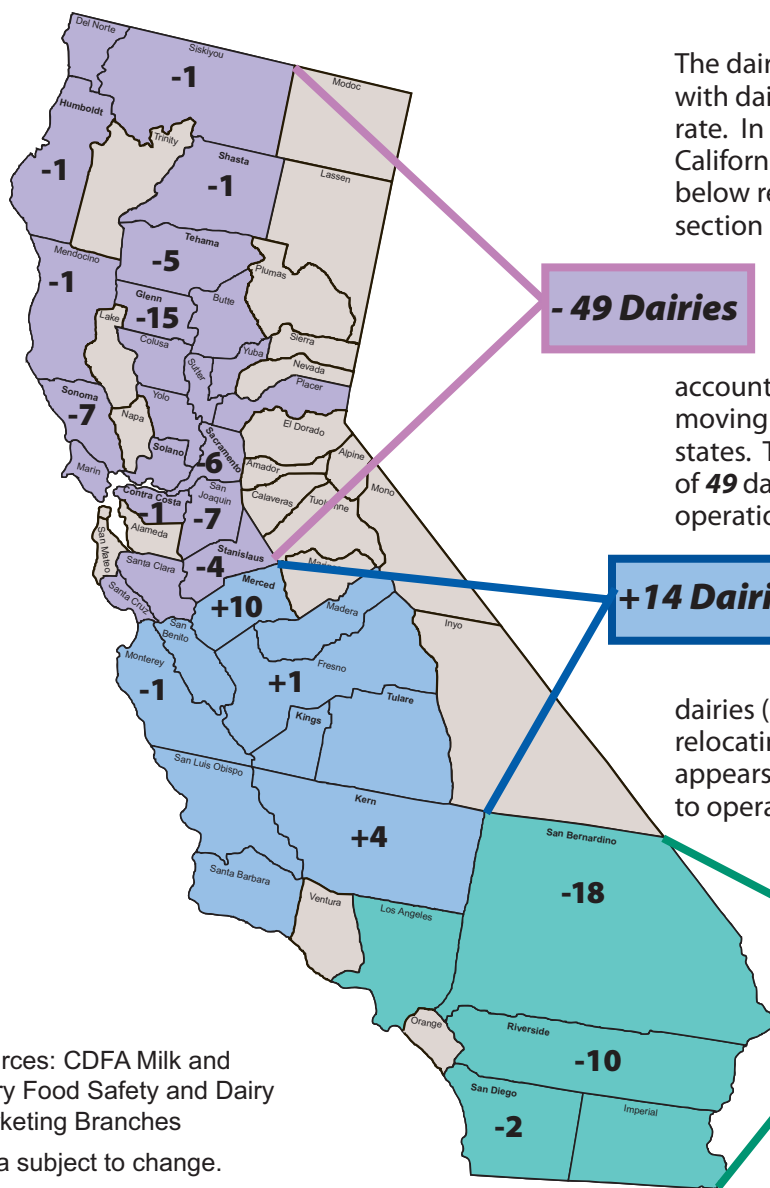




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California's Dairy Landscape Continued to Change in 2005... Total Number of Dairies Continues Sharp Decline



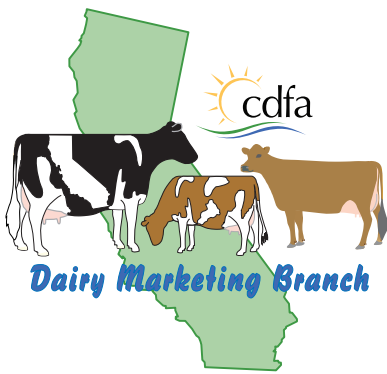
The dairy landscape in California continues to change with dairies relocating or shutting down at an increasing rate. In 2005 (compared to 2004 data), the northern California and southern California areas highlighted below recorded a net loss of **79** dairies - while the mid-section of California only showed a net gain of **14** dairies. These totals equate to **65** California dairies either shutting down or moving to areas out of state. San Bernardino and Riverside counties continued to lose dairies, accounting for **28** of the dairies either shutting down, moving north to the Valley region, or moving to other states. The northern California region recorded a loss of **49** dairies (with no counties reporting new dairy operations), compared to a loss of only **20** dairies in 2004.

Over the past few years, the Valley region (blue shaded area) consistently recorded the largest increases in dairy operations, for example, in 2004, this area gained **36** dairies (compared to 2003). This shift of dairy operations relocating to the Valley region over the last few years appears to be changing, with more dairies either ceasing to operate or moving out of state in 2005.

Sources: CDFA Milk and Dairy Food Safety and Dairy Marketing Branches
Data subject to change.

- The numbers inside the counties indicate the change in the number of dairies, 2005 vs. 2004.
- Grey areas indicate counties recording no operating dairies in 2005.
- Blue, purple, and green shaded-counties with no numbers indicate no change in the number of dairies compared to 2004.

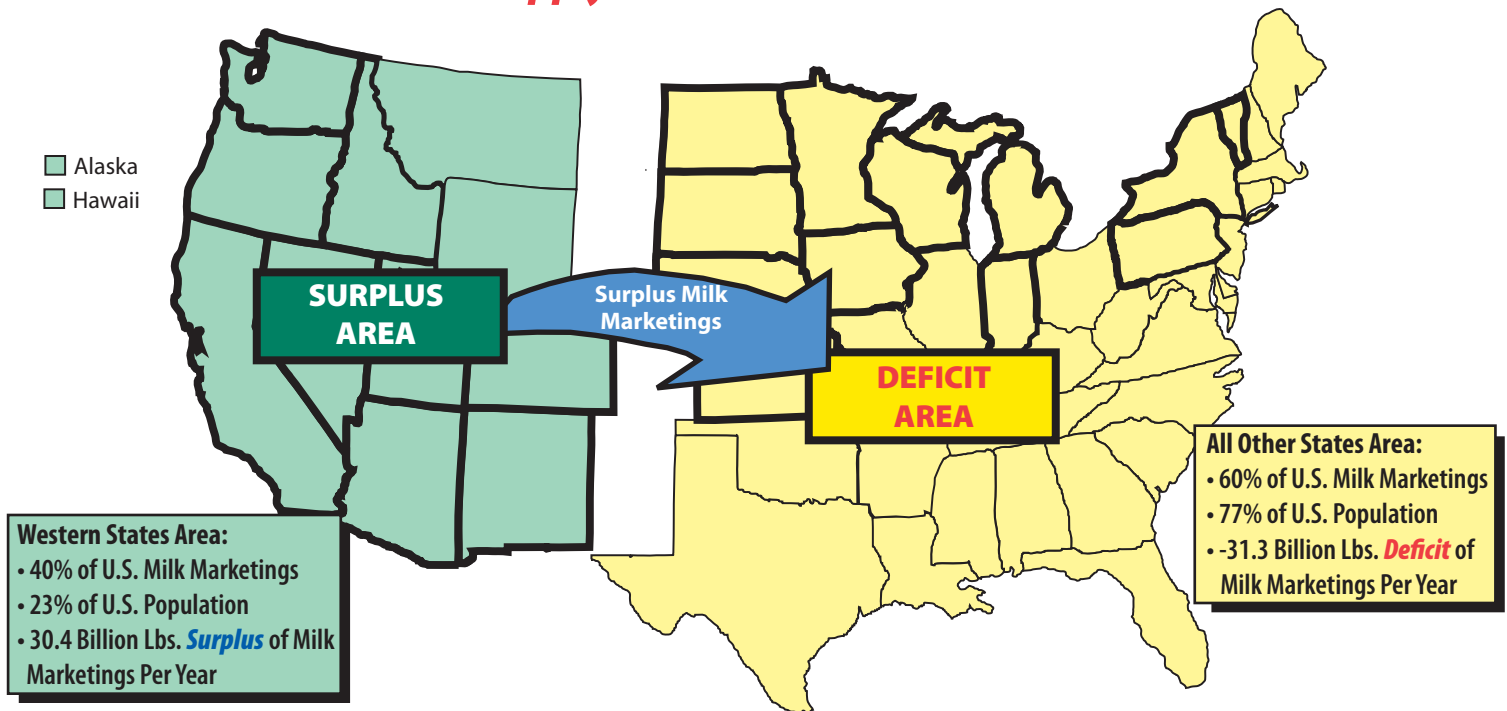




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Where Is the Milk? ... Where Is It Needed? The West Continues to Supply "Milk Use" Needs of Deficit Areas Across U.S.

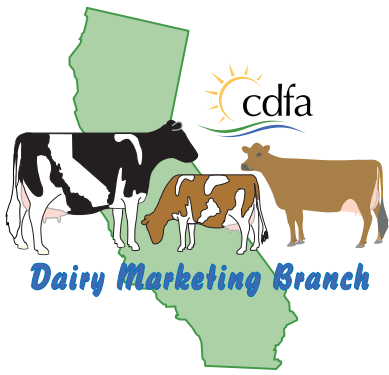


Per capita milk marketings averaged 1,045 pounds per year for the Western States, translating to a yearly surplus of 30.4 billion pounds of surplus milk marketings. Whereas, per capita milk marketings for the "Other States" area (to the east of the Western States) averaged 463 pounds per year, translating to a yearly deficit of -31.3 billion pounds. It appears that milk production in the "other states" area meets the fluid milk needs of that population area but is not adequate to meet all their dairy products needs. This analysis would indicate that there currently is a definite need for the ongoing surplus milk marketings of the Western States. Theoretically, in 2005, the Western States produced enough surplus milk marketings to take care of 97% of the Other States shortfall in milk marketings.

Data Analysis: This analysis assumes that every person in the U.S. needs approximately 300 pounds of milk annually to meet fluid milk needs and an additional 300 pounds of milk annually to meet total dairy product needs. An area's per capita milk production above 600 pounds could be considered surplus, below 600 pounds could be referred to as deficit. States with a heavy black outline indicate that, on an individual basis, they produce surplus per capita milk marketings. The "green" shaded states are the Western States as defined by USDA, the "yellow" shaded states are all other states in the U.S.

Per capita consumption data was derived from: population estimates for 2005 from the U.S. Census Bureau, and milk production by state, for 2005 from USDA NASS.





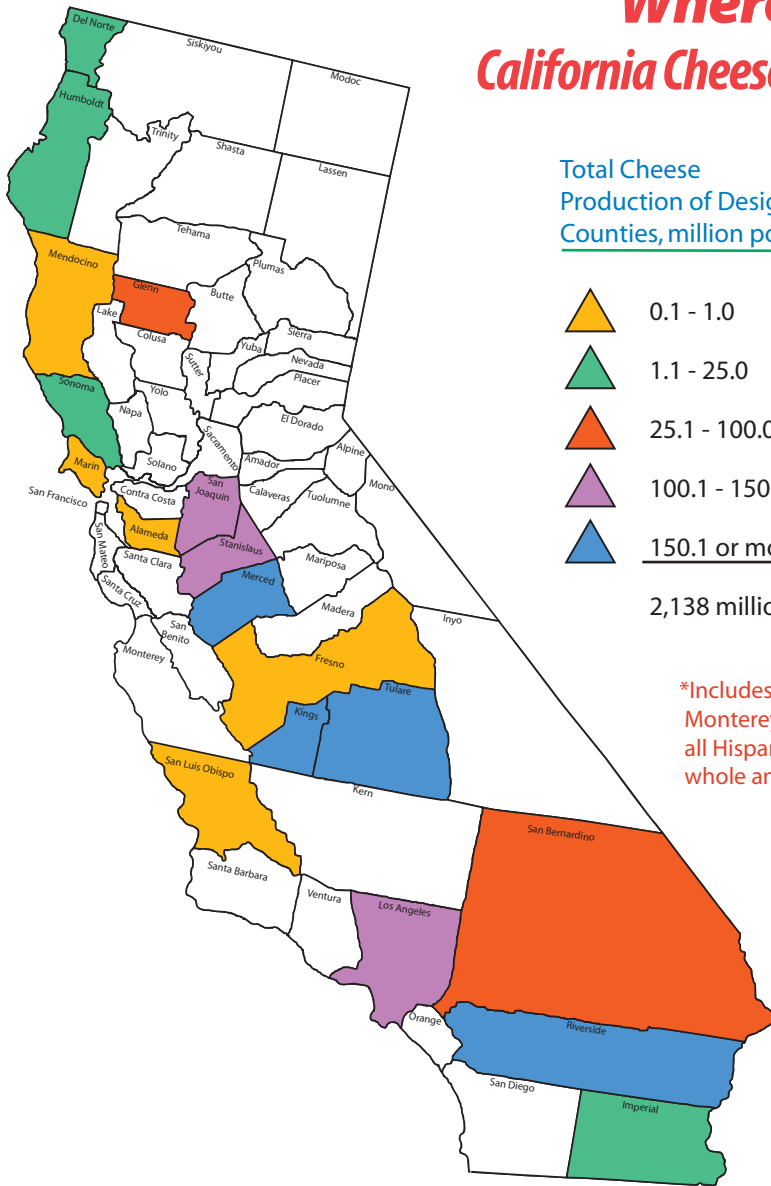
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Where's the Cheese?

California Cheese Production, by County, 2005



Total Cheese
Production of Designated
Counties, million pounds

Number
of Plants

Number
of Counties



0.1 - 1.0

11

5



1.1 - 25.0

8

4



25.1 - 100.0

4

2



100.1 - 150.0

20

3



150.1 or more

18

4

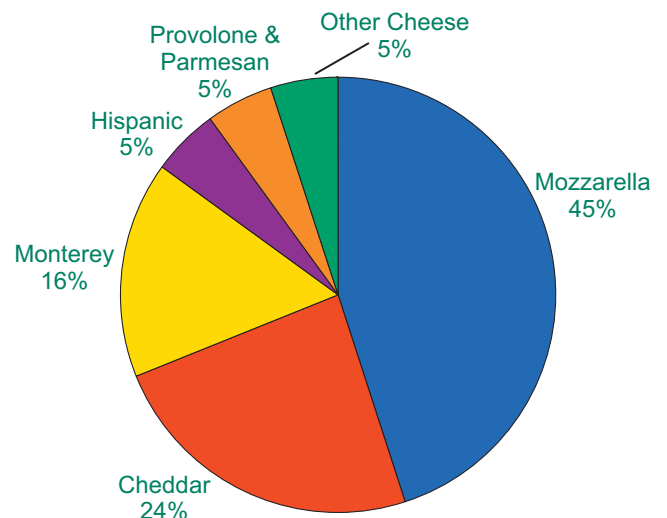
2,138 million pounds

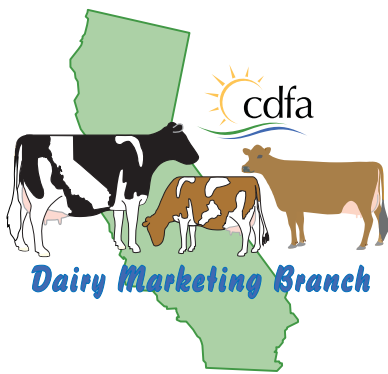
61 plants

18 counties

*Includes whole milk Cheddar; whole, part and full skim milk Monterey, Mozzarella, Provolone, Parmesan, and Ricotta; all Hispanic; Farmstead; Cream Cheese; and all other whole and part skim milk cheeses.

Shares of Total Cheese Production, 2005





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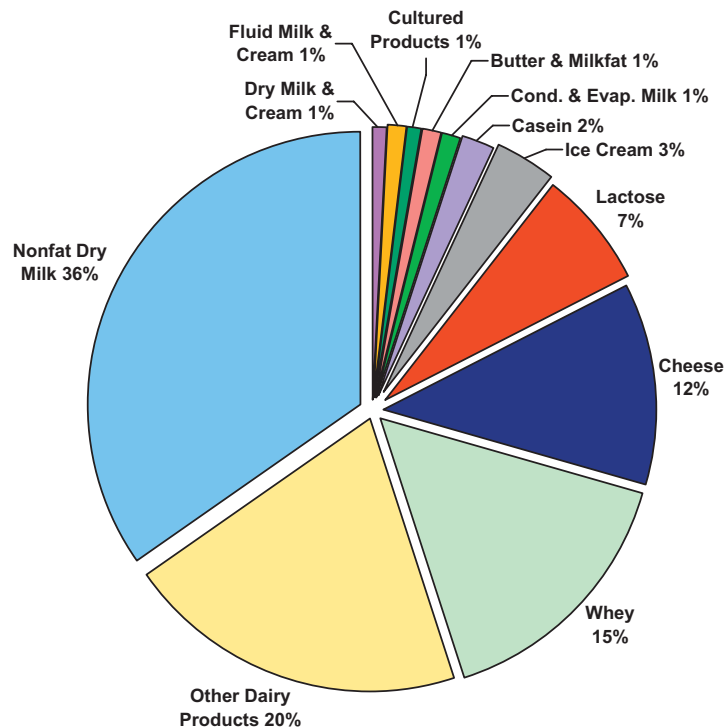
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2005 Dairy Product Exports

Percent of Total Export Value, by Export Product, 2005

Total Export Value in 2005: \$1.66 Billion, a 10% increase from 2004



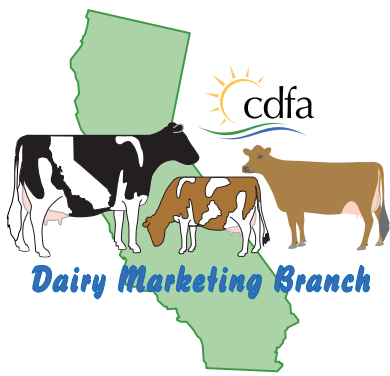
Percent Volume of Product Exported, by Destination, by Product, 2005

Export Destination	Nonfat Dry Milk	All Dry Whey	Cheese	Butter	Fluid Milk & Cream
North America	38.26%	23.92%	44.86%	31.17%	94.54%
Caribbean	6.26%	1.18%	6.56%	9.00%	2.38%
Central America	3.44%	2.20%	3.86%	1.67%	0.00%
South America	0.57%	5.00%	3.90%	0.77%	0.19%
Europe	2.09%	1.25%	3.88%	0.36%	0.00%
Middle East/N.A.	11.97%	0.94%	4.22%	49.65%	0.00%
Far East	35.97%	65.20%	32.28%	7.15%	2.66%
South Asia	1.27%	0.07%	0.02%	0.00%	0.00%
Oceania	0.01%	0.16%	0.28%	0.09%	0.23%
Sub-Saharan Africa	0.15%	0.08%	0.14%	0.14%	0.00%

Combined Areas of Destination: North America (Canada, Mexico); South America (Brazil, Colombia, Venezuela, Peru); Europe (European Union, Eastern Europe, FSU, Other Europe); Far East (China/Hong Kong, Taiwan, South Korea, Japan, Southeast Asia: Singapore, Thailand, Philippines, Indonesia, Malaysia, Vietnam)



Sources: U.S. Dairy Export Council

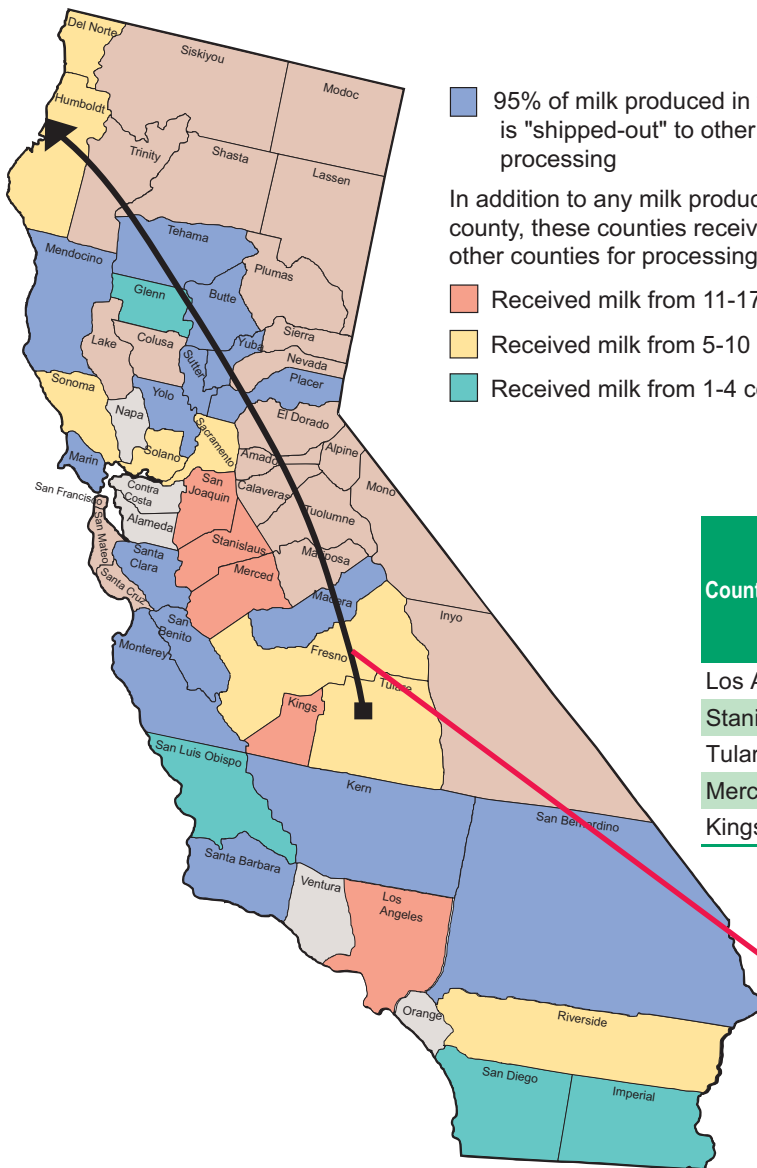


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Grade A Milk Movement in California, April 2006



95% of milk produced in these counties is "shipped-out" to other counties for processing

In addition to any milk produced within the county, these counties received milk from other counties for processing:

- Received milk from 11-17 counties
- Received milk from 5-10 counties
- Received milk from 1-4 counties

For the counties with no reported Grade A milk production:

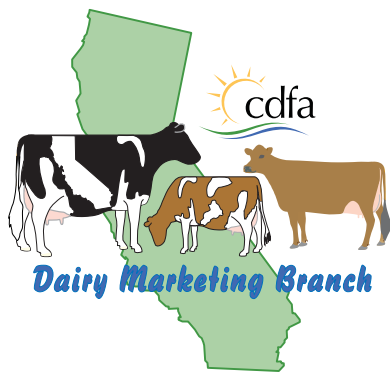
- These counties had no Grade A milk production but received milk from up to 11 counties
- These counties had no Grade A milk production and received no milk for processing

Milk Producing Counties Receiving the Most Milk from Other Counties for Processing

County	County's Percent Share of State's Total Milk Production	Percent of County's Milk Production Staying in County for Processing	Percent of State's Milk Production Received from Other Counties for Processing
Los Angeles	11.63%	100.00%	11.52%
Stanislaus	13.23%	56.24%	7.55%
Tulare	29.37%	80.44%	7.40%
Merced	13.35%	49.80%	6.71%
Kings	9.41%	40.48%	5.64%

Milk travelling the farthest distance for processing during April 2006, approximately 500 miles





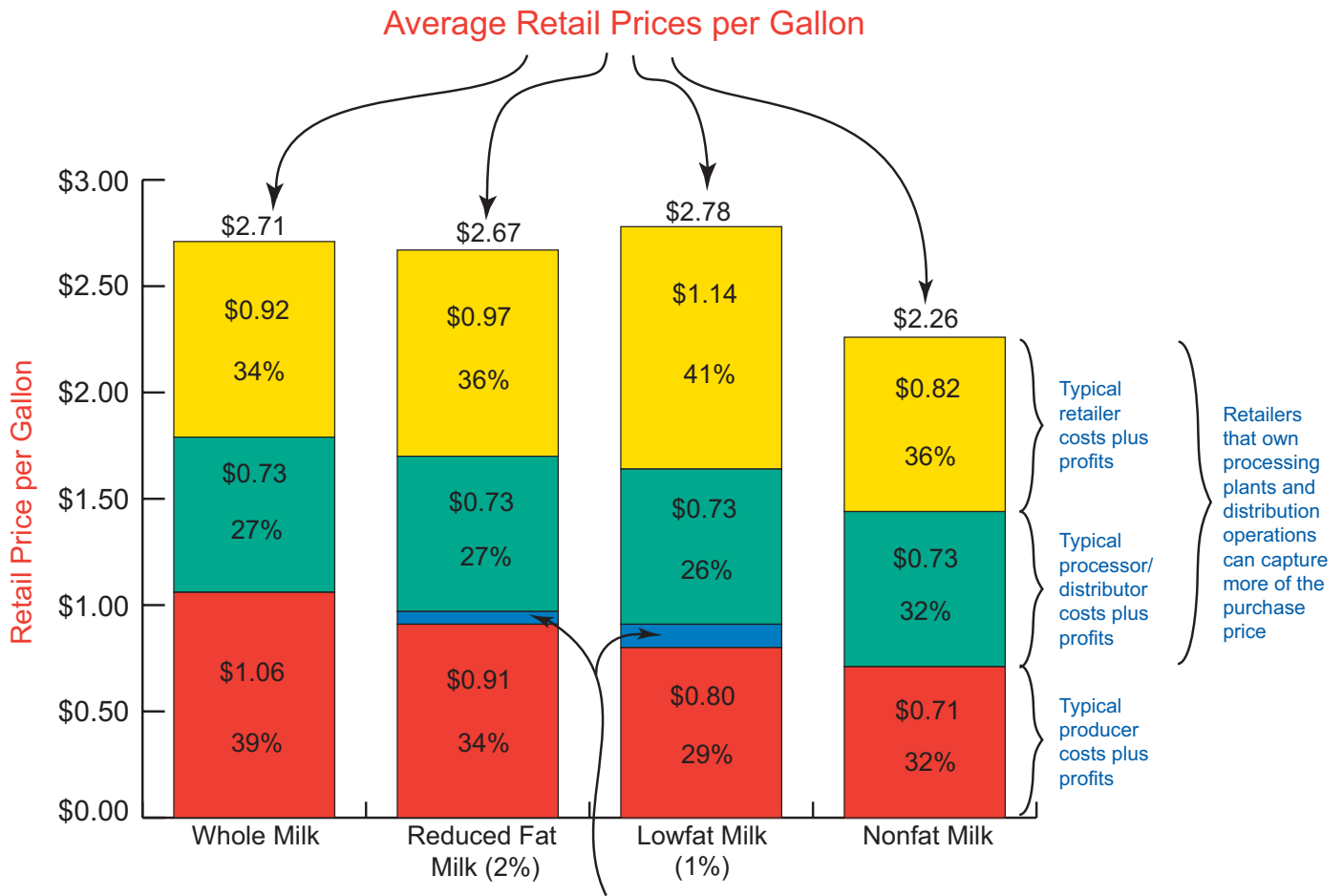
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Where Do Consumer's Milk Dollars Go? Sacramento, May 2006

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 about a third of the retail price of milk.



Retail price data for Sacramento for May 2006 obtained from A.C. Nielson Company



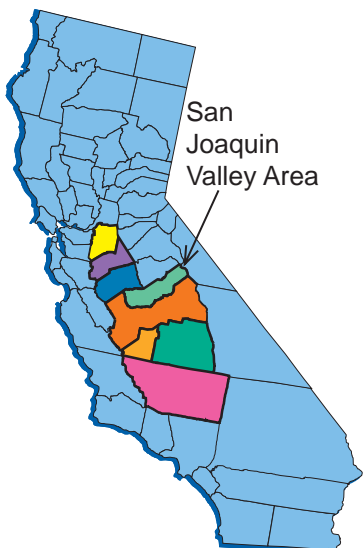


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California's San Joaquin Valley... Milk Production, Temperature, & Rainfall

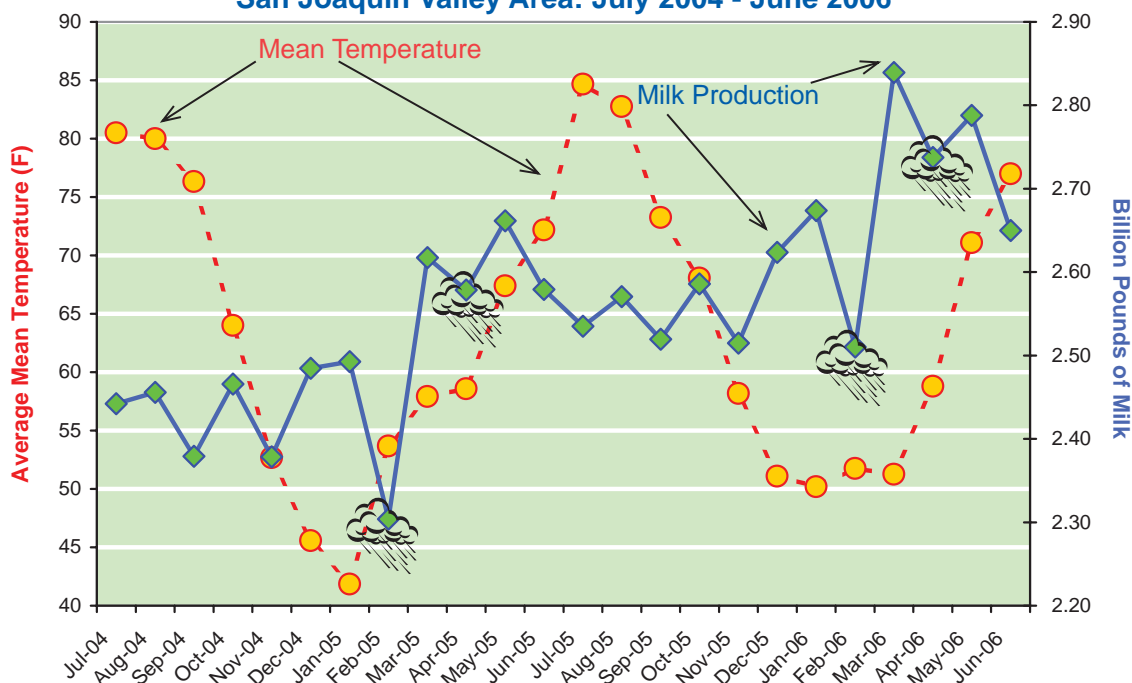


The San Joaquin Valley is home to some of California's highest milk producing dairy counties. The area consists of eight counties: San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Kern, and Tulare. Together, these counties account for 84% of California's milk production, more than 2.6 billion pounds of milk per month, or approximately 17% of the nation's monthly milk production.

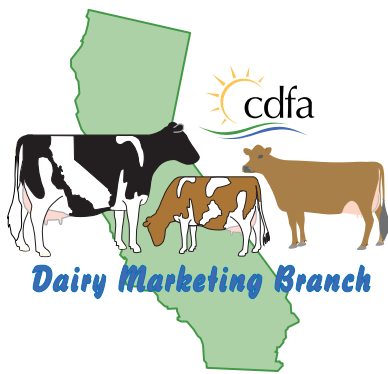
The graph below shows the effect of temperature on milk production in the San Joaquin Valley. Note that when temperatures are on the rise, milk production tends to be lower, but when temperatures begin to fall, milk production increases. Also, the rain clouds indicate the highest rainfall during this 24-month period, notice the decrease in milk production during these high rainfall months.

Note: June 2006 was already showing rising temperatures and slowed production (see chart). In mid-to-late July, a record-setting heat wave coupled with high humidity caused a tremendous fall in production and an increase in cow deaths due to heat-related causes. Not only did the heat have an immediate effect on milk production, but it is questionable whether or not the lactating cows will come back to the same level of production before experiencing this high heat period.

Comparing Average Mean Temperature with Average Milk Production
San Joaquin Valley Area: July 2004 - June 2006



Sources: USDA California Agricultural Statistics Service, CDFA Dairy Marketing Branch
Temperature and Rainfall data taken from monthly averages of the following areas: Stockton, Fresno, Bakersfield. Average milk production data included the eight San Joaquin Valley counties listed above.



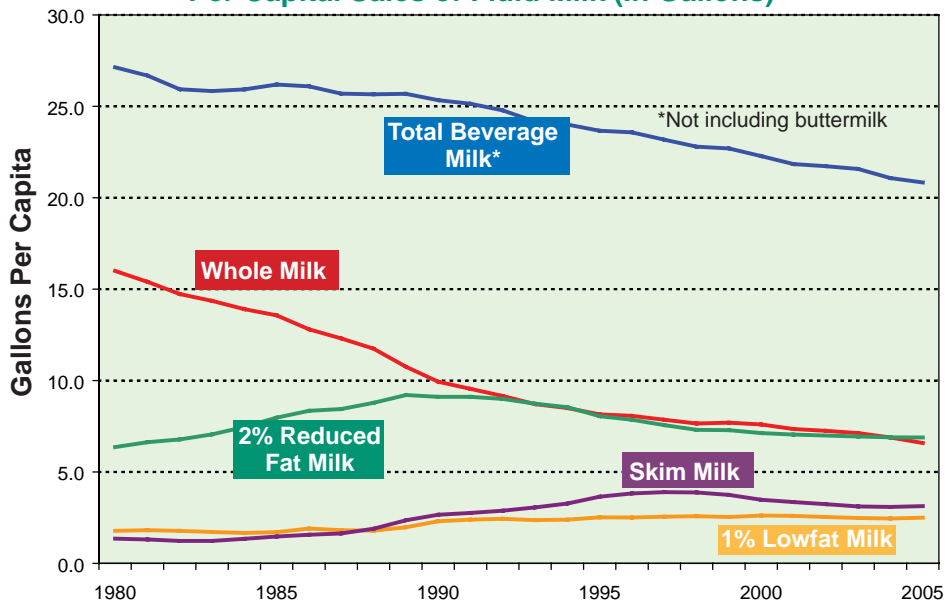
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U.S. Dairy Product Per Capita Consumption, 1980-2005 What Products Are Consumers Purchasing?

Per Capital Sales of Fluid Milk (In Gallons)



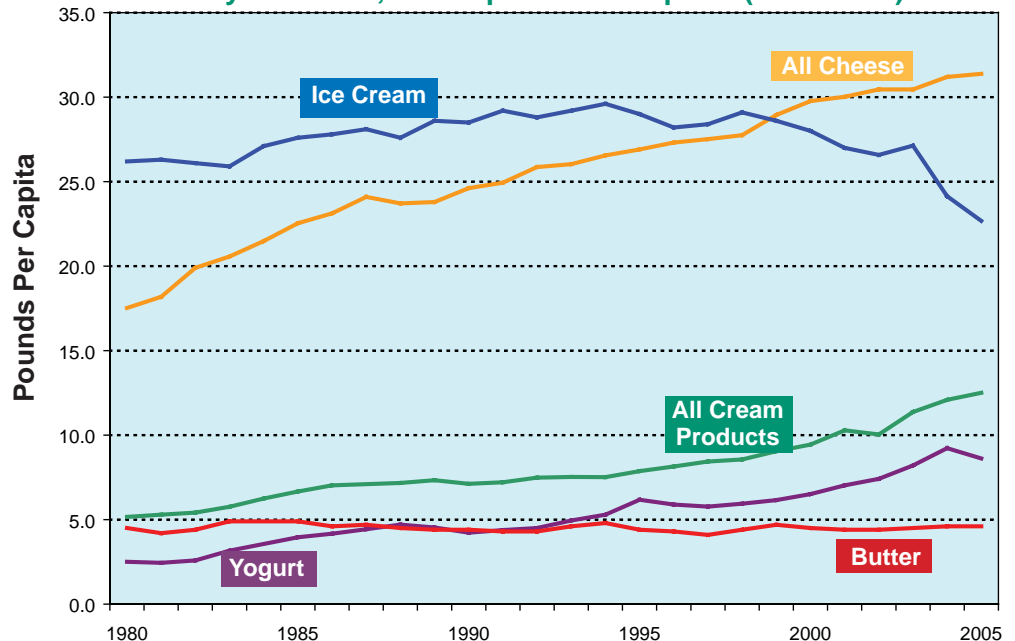
Trends for fluid milk...

- Per capita sales consumption of total fluid milk showed a continual downward trend.
- Reduced fat, lowfat, and skim milks have remained constant in per capita sales consumption since 2003.
- Whole milk per capita sales consumption fell below reduced fat milk sales consumption for the first time.
- Overall, consumer consumption levels of fluid dairy products has steadily decreased.

Trends for manufactured dairy products...

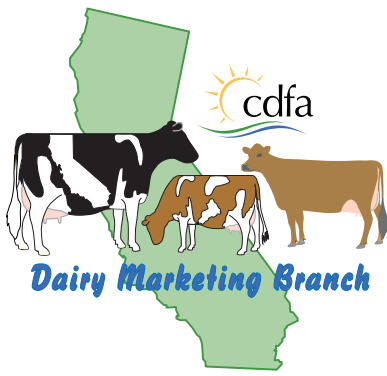
- Yogurt and cream products per capita consumption have shown consistent growth since 1980.
- The per capita consumption of butter showed relatively no gain, remaining just above 1980 levels.
- Ice cream product consumption has been on a steady decline since 1998, well below 1980 levels.
- By far, cheese consumption has shown the largest and most consistent growth since 1980.

Dairy Products, Per Capita Consumption (In Pounds)



Sources: USDA Economic Research Service; Livestock, Dairy, and Poultry Outlook. 2005 data is preliminary





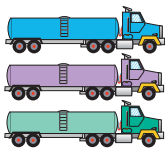
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The Size of California's Dairy Farms, May 2006

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.	187	9.65%	0.82%
250,000 to 500,000 Lbs.	263	13.58%	2.97%
500,000 to 750,000 Lbs.	229	11.82%	4.24%
750,000 to 1 Million Lbs.	207	10.69%	5.42%
1 to 1.5 Million Lbs.	299	15.44%	11.05%
1.5 to 2.4 Million Lbs.	322	16.62%	18.01%
2.4 to 5.0 Million Lbs.	306	15.80%	30.82%
> 5.0 Million Lbs. (up to 18.2 Million Lbs.)	124	6.40%	26.67%



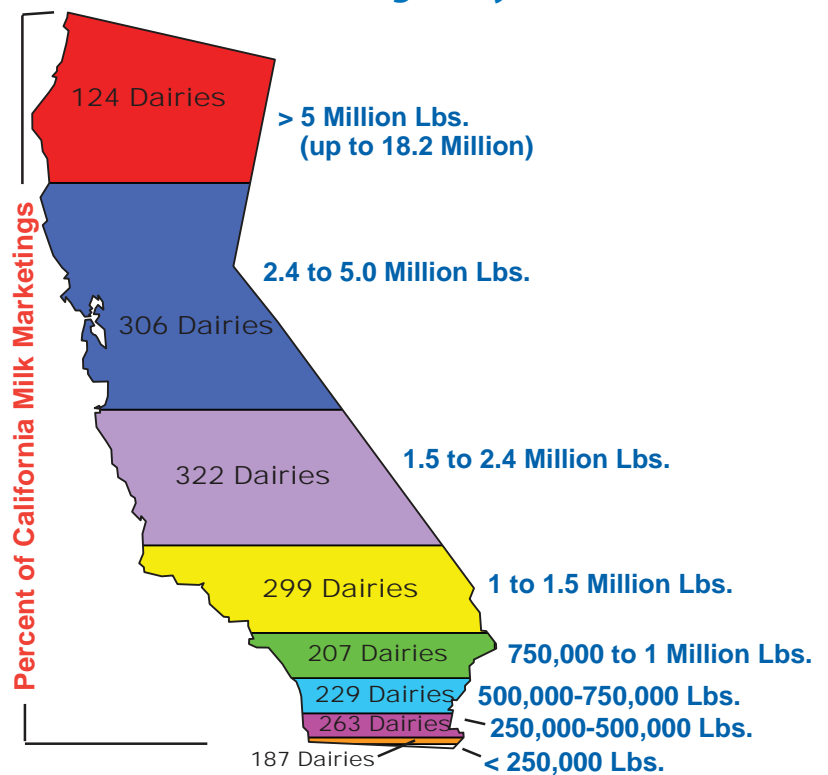
= Farms producing at least one tanker load of milk per day

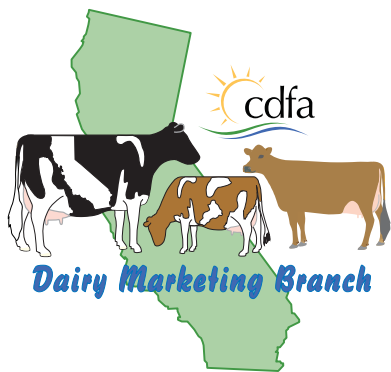
California's Dairy Farms . . .

- In May 2006, there were 752 California dairies producing over 1.5 million pounds of milk per month, a volume of milk approximating one tanker load per day.
- The 430 top-producing dairy farms (22% of the state's dairies) produce 58% of the state's milk marketings.
- The 679 lowest-producing dairy farms (35% of the state's dairies) produce only 8% of the state's milk marketings.
- The group of dairies producing less than 250,000 pounds of milk per month (187 dairies) accounted for less than 1% of the state's milk marketings.
- In May 2006, there were 124 dairies producing greater than 5 million pounds of milk per month, 15% more dairies than in May 2005.

Sources: CDFA Dairy Marketing and Milk Pooling Branches

Distribution of Farms by Size of Milk Marketings, May 2006





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Season's Greetings



from CDFA Dairy Marketing

