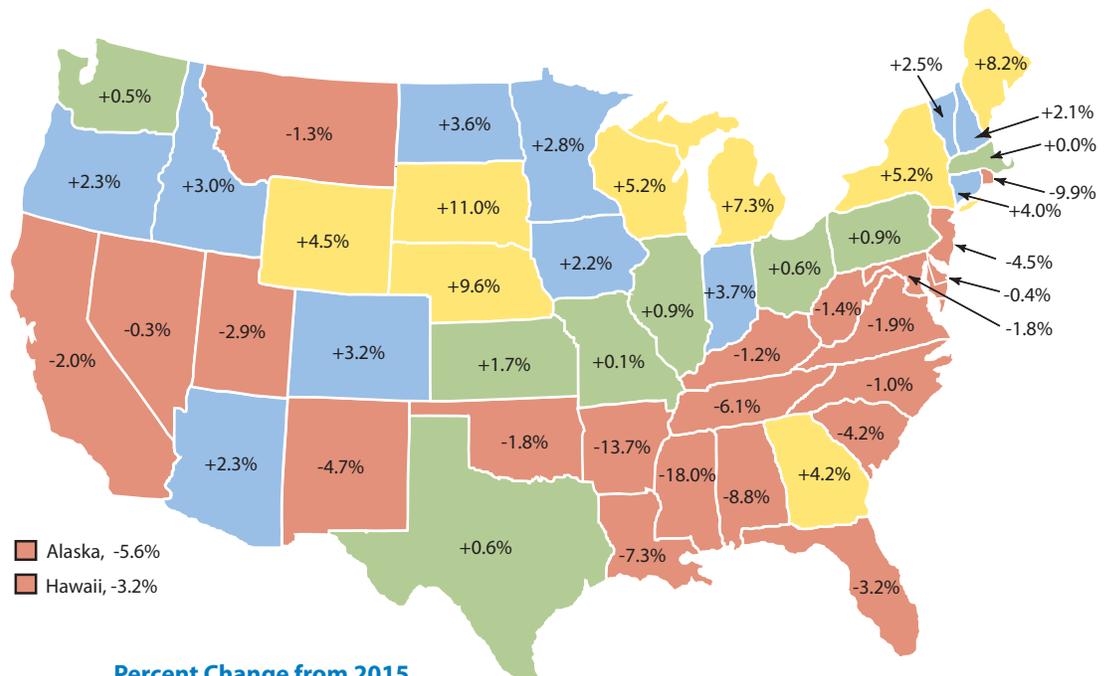


U.S. Milk Production Percent Change January - June 2015 vs January - June 2016

Comparing the first six months of 2015 to 2016:

- U.S. milk production showed an overall 1.6% increase.
- South Dakota showed the strongest increase in milk production.
- Twenty three states showed decreases in milk production.



Source: USDA-NASS publication: Milk Production

California Milk Production Cost Comparison, by Region, 2015-2016

Quarter	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
	Dollars per Hundredweight									
1st Quarter										
Total Costs	\$26.65	\$28.57	\$17.89	\$17.07	\$17.37	\$16.45	\$16.49	\$16.28	\$17.71	\$16.94
Total Costs & Allowances*	\$28.37	\$30.65	\$19.29	\$18.53	\$18.78	\$17.95	\$17.86	\$17.77	\$19.12	\$18.44

* Includes an allowance for management and a return on investment.

California Minimum Class Prices

Hundredweight Prices

Class	July.	Aug.	Sept.
1 No. Calif.	\$14.87	\$16.37	\$18.12
So. Calif.	\$15.14	\$16.64	\$18.39
2 No. Calif.	\$12.98	\$14.30	\$14.30
So. Calif.	\$13.22	\$14.53	\$14.53
3	\$12.93	\$14.25	\$14.25
4a	\$14.23	\$13.99	N/A
4b	\$14.67	\$16.34	N/A

Quota Transfer Summary

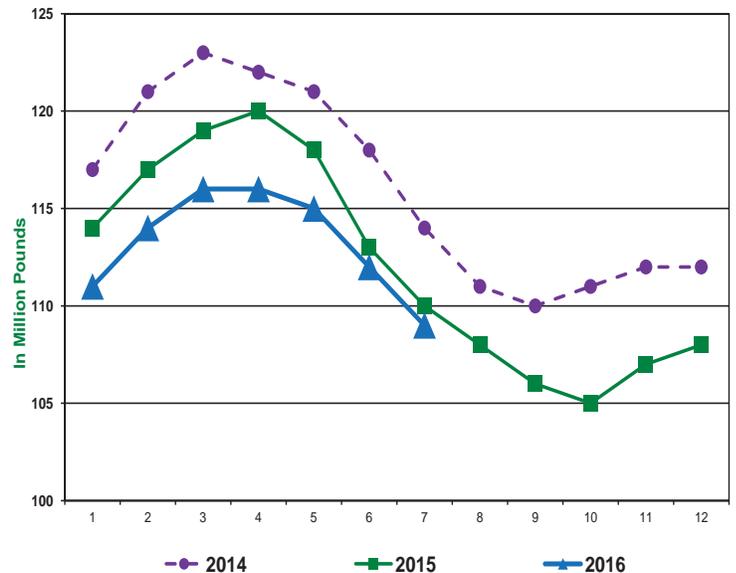
Quota Transfers	July.	Aug.	Sept.
Number of Sellers	5	5	2
Pounds of SNF Quota Transferred	4,791	6,385	7,198
Average Price Per Pound of SNF Quota	\$541	\$545	\$550

California Pool Prices

Pool Price	May	June	July
Quota	\$13.63	\$14.62	\$15.66
Overbase	\$11.93	\$12.92	\$13.96

California Milk Production

Average Daily Basis: 2014, 2015, 2016



California Alfalfa Hay Weekly* Weighted Average Prices (\$/Ton) – Delivered

Week Ending	July 29, 2016		August 12, 2016		August 19, 2016		August 26, 2016		
	Delivered	Tons	Price Range	Tons	Price Range	Tons	Price Range	Tons	Price Range
Tulare, Hanford Areas									
Supreme		1,200	\$235-\$255	1,550	\$235-\$253	400	\$240-\$255	1,510	\$240-\$255
Premium		2,452	\$210-\$240	5,275	\$212-\$240	1,490	\$205-\$230	1,825	\$215-\$235
Good		1,665	\$155-\$210	8,142	\$160-\$210	5,318	\$160-\$210	2,000	\$160-\$210
Fair		13,775	\$130-\$150	6,735	\$130-\$155	15,125	\$135-\$150	7,000	\$140-\$150
Escalon, Modesto, Turlock Areas									
Supreme		2,800	\$225-\$245	2,030	\$230-\$255	600	\$230-\$245	4,425	\$230-\$250
Premium		2,175	\$200-\$235	1,825	\$208-\$230	2,225	\$210-\$225	2,400	\$200-\$235
Good		335	\$170-\$180	500	\$165-\$185	300	\$150-\$175	400	\$155-\$180
Fair		3,550	\$120-\$135	7,400	\$125-\$140	1,340	\$120-\$140	4,000	\$130-\$140

* Comparable information not available for week ending August 5, 2016

Source: The Hoyt Report, Inc.

Federal Order Minimum Class Prices

Hundredweight Prices

Class I	July.	Aug.	Sept.
Phoenix, Arizona	\$16.05	\$17.42	\$18.91
Portland, Oregon	\$15.60	\$16.97	\$18.46
Boston (Northeast)	\$16.95	\$18.32	\$19.81
Class III	\$15.24	\$16.91	N/A

USDA Dairy Cow Culling Activity

Week Ending	Region 9 ¹ Dairy Cows	U.S. Dairy Cows	West Region ² Price Range
	Head	Head	\$/cwt.
07/22/16	14,300	53,300	\$71-\$81
07/29/16	12,200	50,000	\$73-\$78
08/05/16	12,800	52,000	\$60-\$78
08/12/16	13,300	53,300	\$76-\$76

¹ Region 9 includes AZ, CA, HI and NV

² West region includes AZ, NV, UT, CA, ID, OR and WA

Source: USDA Market News: Report LM_CT168 and SJ_LS714

USDA Commercial Cold Storage Report

Month	Butter		American Cheese		Nonfat Dry Milk	
	2015	2016	2015	2016	2015	2016
<i>In Million Pounds</i>						
January	149	192	636	716	240	226
February	179	236	646	716	240	217
March	184	243	634	726	251	232
April	232	296	644	734	248	252
May	265	325	669	758	261	232
June	256	328	686	757	262	231
July	254	333	698	770	270	251
August	212		709		231	
September	188		699		212	
October	179		697		180	
November	133		698		198	
December	155		701		204	

Source: USDA, Farm Services Agency, NASS Cold Storage and Dairy Products. (As published in the Dairy Market News)

USDA Milk-Feed Price Ratio

USDA reports that the milk-feed price ratio for July 2016 was 2.14 (up from 1.91 in June 2016). The current ratio of 2.14 means that a dairy producer can buy 2.14 pounds of feed for every pound of milk sold. The prices used to calculate the July 2016 milk-feed price ratio were: corn \$3.60/bushel; soybeans \$10.20/bushel; alfalfa hay \$140/ton; all-milk price \$16.10/cwt. (increased from \$14.80 in June 2016).

Prices used to calculate the milk-feed price ratio are based on U.S. prices and don't necessarily reflect California prices.

National Dairy Situation & Outlook USDA Estimates

Milk Production

Monthly: USDA estimates overall milk production across the U.S. increased 1.4% in July 2016, compared to July 2015. USDA reports that California milk production decreased 0.8% compared to July 2015 (with 10,000 less cows and 5 less pounds of milk per cow). Among other western states, compared to July 2015, Arizona was up 1.3%; New Mexico was down 1.2%; and Washington was unchanged. Two of the top ten milk producing states reported a production decrease. The largest increase was reported by South Dakota at 5.9% growth in milk production (on 8,000 more cows and 25 less pounds of milk per cow).

Quarterly: For the second quarter of 2016 compared to the first quarter of 2016, U.S. milk cow numbers increased to 9.327 million head, milk production per cow increased to 5,827 pounds; the net effect was an increase in milk production to 54.4 billion pounds. USDA projects that for the third quarter of 2016 compared to the second quarter of 2016, milk cow numbers will decrease to 9.320 million head, production per cow will decrease to 5,625 pounds; the net effect would be a decrease in milk production to 52.4 billion pounds.

Milk Prices

Comparing the second quarter of 2016 to the first quarter of 2016, U.S. average all-milk prices decreased to \$14.77/cwt. USDA projects that for the third quarter of 2016, U.S. average all-milk prices will be \$16.80-\$17.10/cwt.; Class III prices will be \$16.25-\$16.55/cwt.; and Class IV prices will be \$14.50-\$14.90/cwt.

Utility Cow Prices

Comparing the second quarter of 2016 to the first quarter of 2016, average U.S. utility cow prices were up \$2.37/cwt. to a national average of \$75.87/cwt. USDA projects that utility cow prices will average \$70-\$74/cwt. in the third quarter of 2016.

Top Ten Milk Production States - July 2016

(Percent Change from Same Month/Previous Year)

1. California	-0.8%	6. Pennsylvania	+0.3%
2. Wisconsin	+2.1%	7. Texas	+4.4%
3. Idaho	+3.7%	8. Minnesota	+1.5%
4. New York	+4.0%	9. New Mexico	-1.2%
5. Michigan	+4.5%	10. Washington	0.0%

Information from the USDA-NASS publication "Milk Production" and the USDA-ERS publication: "Livestock, Dairy, and Poultry Outlook."



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Milk Mailbox Prices in Dollars per Hundredweight - 2016

2016 Mailbox Milk Prices

Reporting Areas	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Dollars Per Hundredweight												
California	\$14.54	\$13.99	\$13.61	\$13.27	\$12.58							
New England States	\$17.35	\$17.06	\$16.36	\$16.30	\$15.97							
New York	\$15.93	\$15.72	\$15.08	\$15.06	\$14.77							
Eastern Pennsylvania	\$16.11	\$15.87	\$15.10	\$15.09	\$14.80							
Appalachian States	\$16.90	\$16.08	\$15.17	\$15.11	\$15.06							
Southeast States	\$16.83	\$15.75	\$14.72	\$14.68	\$14.48							
Southern Missouri	\$16.75	\$15.68	\$14.46	\$14.18	\$14.19							
Florida	\$17.95	\$16.49	\$15.68	\$15.69	\$15.30							
Western Pennsylvania	\$16.55	\$15.82	\$15.21	\$15.06	\$14.56							
Ohio	\$15.97	\$15.56	\$15.18	\$15.23	\$14.81							
Indiana	\$15.58	\$15.13	\$14.61	\$15.12	\$14.68							
Michigan	\$14.69	\$14.17	\$13.51	\$13.39	\$12.90							
Wisconsin	\$16.09	\$16.03	\$15.68	\$15.52	\$14.71							
Minnesota	\$16.25	\$15.92	\$15.70	\$15.46	\$14.71							
Iowa	\$15.84	\$15.59	\$15.31	\$15.11	\$14.42							
Illinois	\$16.16	\$15.88	\$15.31	\$15.35	\$14.62							
Corn Belt States	\$15.03	\$14.66	\$14.25	\$14.21	\$13.62							
Western Texas	\$15.08	\$14.72	\$14.27	\$14.16	\$13.63							
New Mexico	\$14.19	\$13.96	\$13.48	\$13.29	\$12.88							
Northwest States	\$15.25	\$14.81	\$14.56	\$14.56	\$14.14							
All Federal Order Areas	\$15.83	\$15.48	\$14.96	\$14.89	\$14.37							

California mailbox price calculated by CDFA Dairy Marketing Branch
All federal milk market order weighted average, as calculated by USDA.