Dairy in the West: A Fast Forward

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What is the Western Dairy Model?

- Smaller Land Footprint
- Harnessing Economies of Scale
- Purchased Feed Inputs
- Significant Rise through the mid-2000s
Rise of Dairy in the West (Select States)

Source: USDA NASS, Compiled by LMIC
Net Cash Receipts for Dairy and Dairy Products, Real Dollars, 1980 to 2016

Source: USDA ERS
10 Year Look Back Vs. Today

- Last 10 Years: Tumultuous
  - Feed/Milk Price Cycles
  - Large Consolidation
  - Financing: Special Assets
  - Rise of Exports

- Today
  - Feed/Milk Price Cycles
  - Stronger Balance Sheets: 2009 vs 2017
  - Better Risk Management Tools
    - LGM-Dairy (2010)
    - MPP (2014)
Agenda:

• Regulations
• Economic Drivers
• Future Game Changers
Regulations:

[Image of Legislative Map]

http://animalagalliance.org/connect/#legislation#
Regulations: Not All Bad

• Right to Farm (State Level)
  – 10 States Total

• Farm Protections (State Level)
  – 11 States Total

Four States: ND, IA, MO, and NC have both
Regulations

• Endangered Species
• Waters of the US (withdrawn?)
• Labor Laws
• Immigration
• Nutrient Management

• Trade Restrictions/Standards
• Labeling
• Animal Welfare Standards
• Environment
Labor and Immigration

• 2015 Survey
  – 34% of Farms with Immigrant Labor
  – 79% of the Milk Produced use Immigrant Labor
  – 51% of total labor on dairies.

• Estimates for 50% Loss of Immigrant Labor
  – 45% increase in Retail milk
  – 1 million cows removed from production
  – 24 billion in lost milk production

Source: Dr. David Anderson, Texas A&M University
Trade: Wild Card

Value of Dairy Exports

- Dairy Exports
- Mexico
- Canada

Source: USDA FAS
Economic Drivers

Milk-Feed Ratio

Conventional Wisdom

Source: USDA NASS
Ever-Changing Feed Landscape

April 12, 2016

April 11, 2017
## Operating Expenses (Highest to Lowest)

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Feed Costs:
- All States: \(\uparrow 50\%\)
- California: \(\uparrow 86\%\)

Source: USDA ERS
U.S. Ag Land Values, 2000-2016

Dollars per Acre

Source: USDA NASS
10 Year Land Value Change, 2006-2016

Source: USDA NASS
Relative Land Values For 2016

US National Average: $4090/Acre

Source: USDA NASS
Urban Pressure

• California 1984-2010:
  – Urbanization increases 1.1 million acres.
  – Prime Farmland lost: 1.0 million acres.

• Urban Populations Closer

• California…Still
  – Top State in Cows/Production
Jan 1 Dairy Herd Inventory, 2007-2017

Source: USDA NASS, LMIC
Heifer Replacements, 2017-2016 Percent Change

Source: USDA NASS, LMIC
10, 20, 30 years...

• 39% of milk was produced West of the Rockies in 2016
  – Lowest since 2003

• Other Western States increasing…
  – 1% drop in CA = 2.8%
  Increase in ID
MILK PRODUCTION vs. MILK COW INVENTORY
AVERAGE ANNUAL INVENTORY, U.S.

Data Source: USDA/NASS
Livestock Marketing Information Center
Meeting Name | Month Day, Year

Inventory
Production
“Boom” Factors

- Land Values
- Water Availability
- Ease of Doing Business
- Feed Costs
10, 20, 30 years...

• Industry Consolidation
  – Larger Farms/Less Farms
  – Continued Tight Margins
  – Enterprising

• Investment Partnerships
  – Emphasis on Professionals
  – Increased Reliance on Risk Management

• Trade Map
Questions

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