Dairy Economics/Outlook
Annie AcMoody, Western United Dairymen
The exciting world of dairy economics

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California Dairy Pricing 101

- 2 main components:
  1) **Class prices**: minimum price processors have to pay based on the products they make
     - 5 different classes
     - Formula based
     - Commodities: butter, cheese, powder (NFDM) and dry whey
  2) **Pooling**: sharing of revenues from class prices among producers
     - Overbase price
Commodities: nonfat dry milk
Strong Domestic Demand...

- U.S. Butter Stocks: +32%
- American Cheese Stocks: +14%
Exports finally up a bit yoy, but 2015 was down 70% yoy
Cheese exports down 20% yoy.
International fundamentals

- **Russia ban still in effect**
  - Banned imports of dairy products from EU, Canada, US, Norway and Australia for a year (over 50% of their dairy imports)
  - The U.S. does not export significant volumes of dairy products to Russia

- **Chinese imports decline**
Milk Production (Top 5) vs. China/Russia Imports

Source: USDEC
EU Cheese Exports to Russia 2000-2015

Source: U.S. Dairy Export Council, GTIS.
EU - Cows' milk collected

Jan-Feb 2016/15 : +7.4%

Source: Estat - Newcronos

Last update: Jan-Feb
Milk Production in U.S. and California
Year-over-year growth
Is Wisconsin about to surpass California?
CA: fewer dairies; larger herds... The trend continues?

• Number of dairies in gradual decline
  • 2,157 dairies in 2001
  • 1,668 dairies in 2011
  • 1,470 dairies in 2014
  • 1,438 dairies in 2015

• Which county has the most dairies?

• Cows per dairy continue to increase
  • 721 cows per dairy in 2001
  • 1,101 cows per dairy in 2011
  • 1,217 cows per dairy in 2014
  • 1,215 cows per dairy in 2015

• What is the county with the highest average?
U.S. Politics – 2016 Election

MAKE AMERICANS EAT CHEESE AGAIN!