



Dairy Economics/Outlook

Annie AcMoody, Western United Dairymen



The exciting world of dairy economics

Annie AcMoody, Western United Dairymen



California Dairy Pricing 101

- 2 main components:

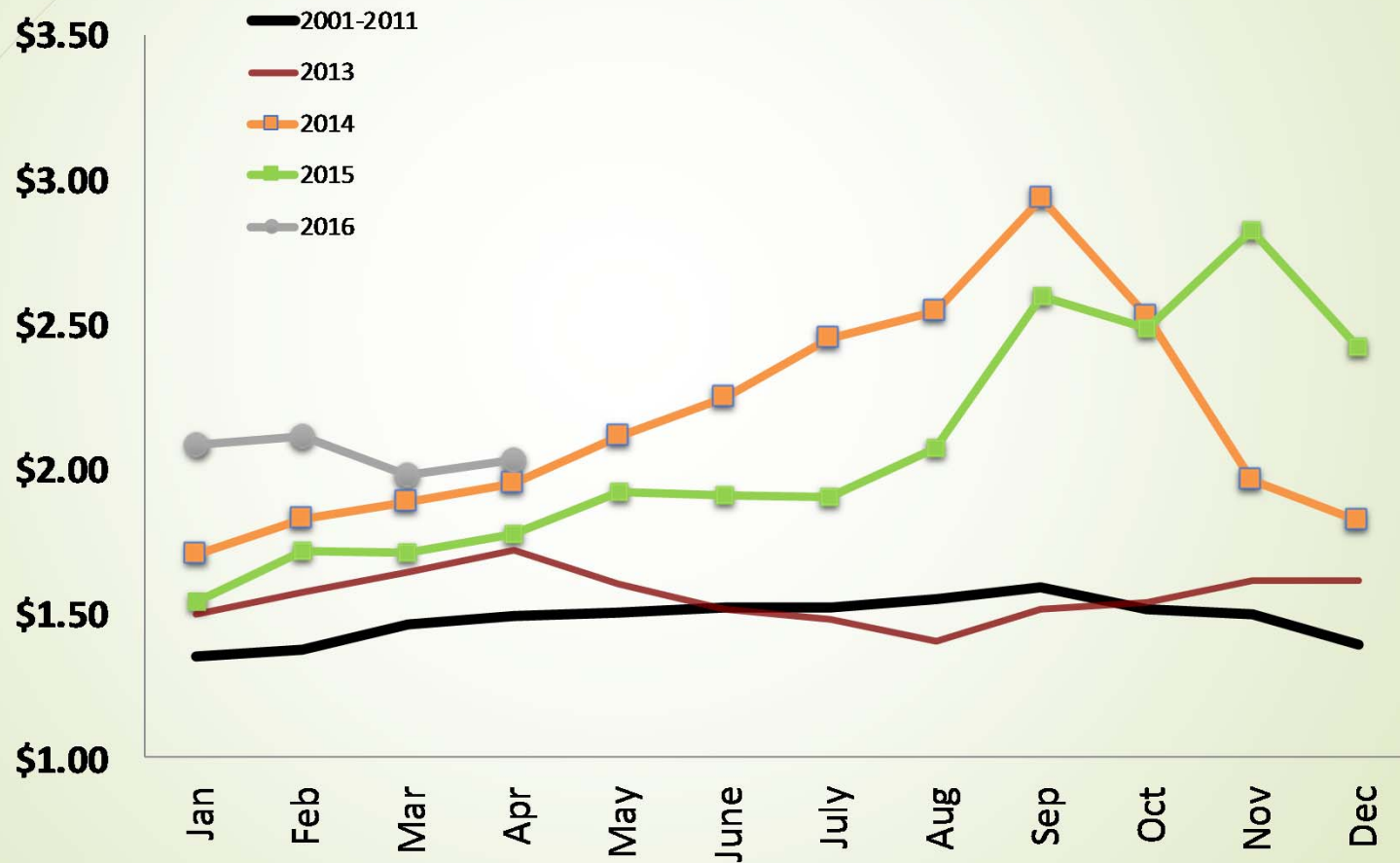
1) Class prices: minimum price processors have to pay based on the products they make

- 5 different classes
- Formula based
 - Commodities: butter, cheese, powder (NFDM) and dry whey

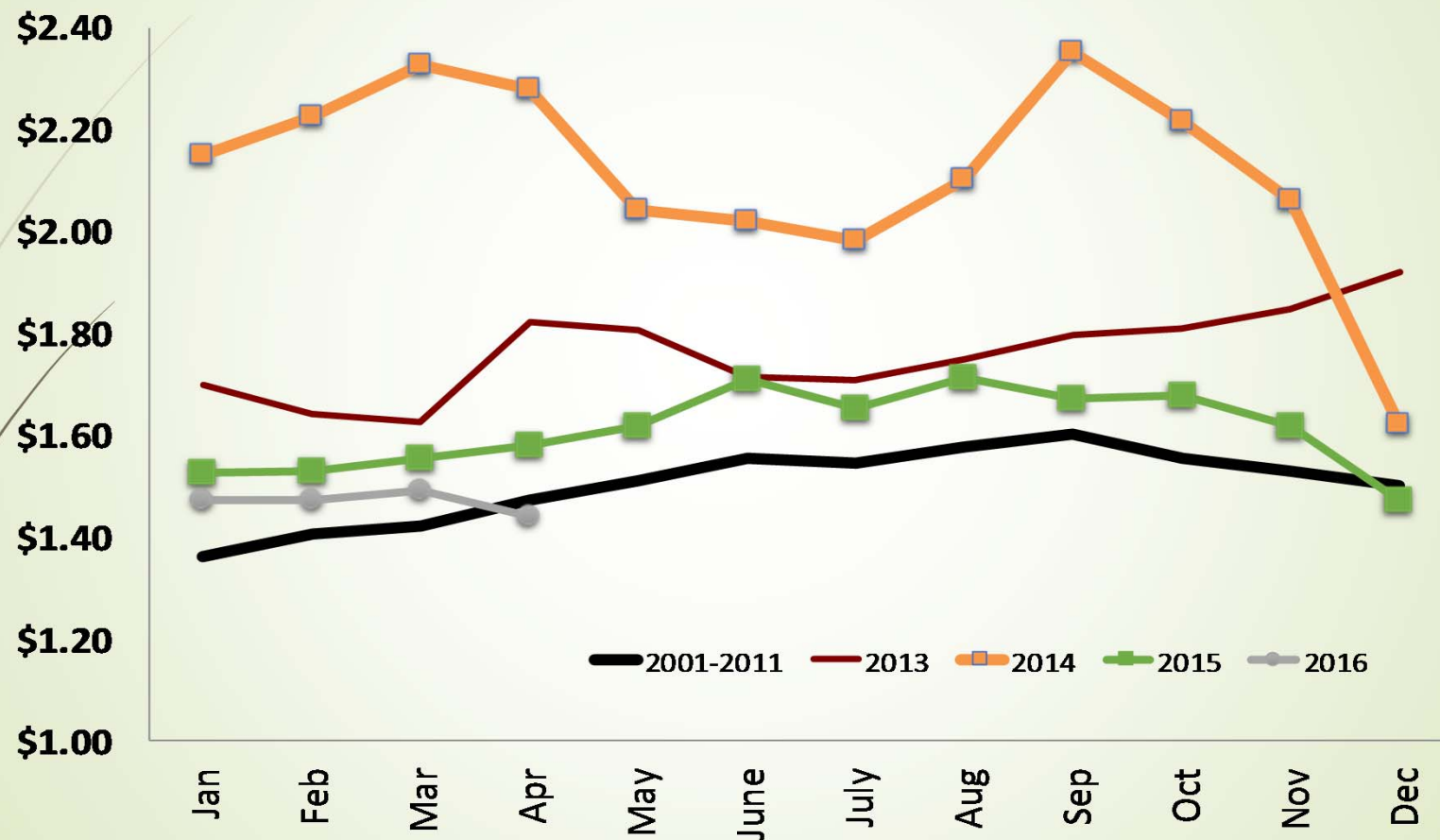
2) Pooling: sharing of revenues from class prices among producers

- Overbase price

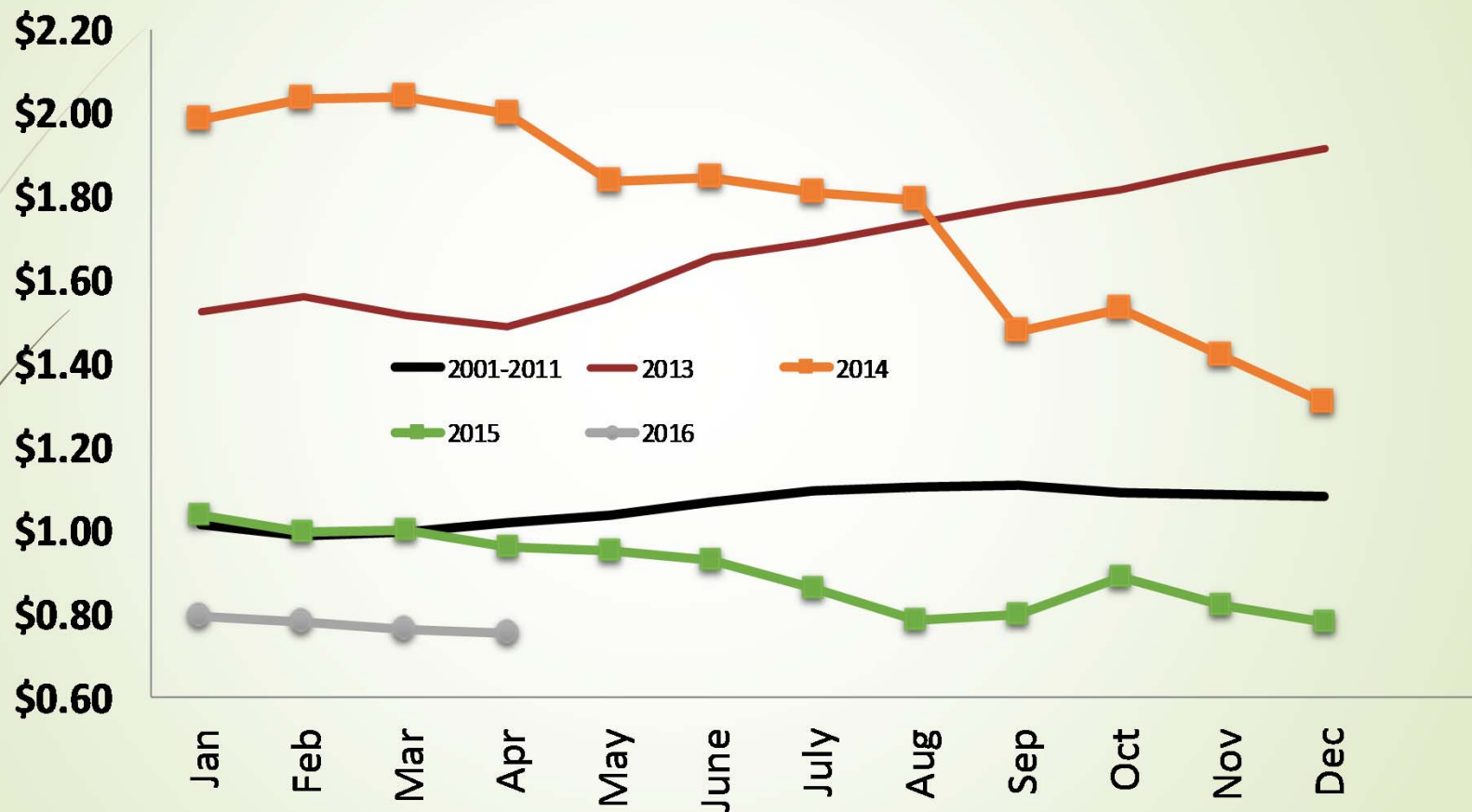
Commodities: butter



Commodities: cheese

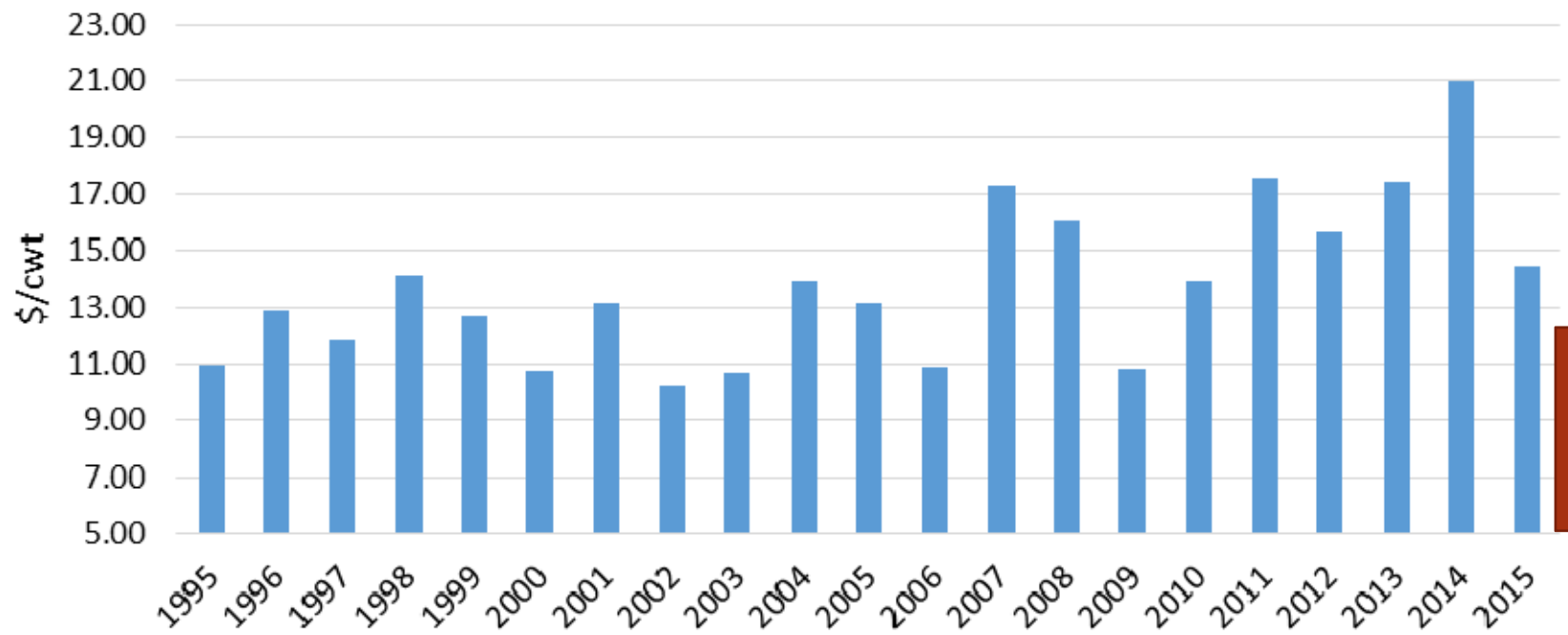


Commodities: nonfat dry milk



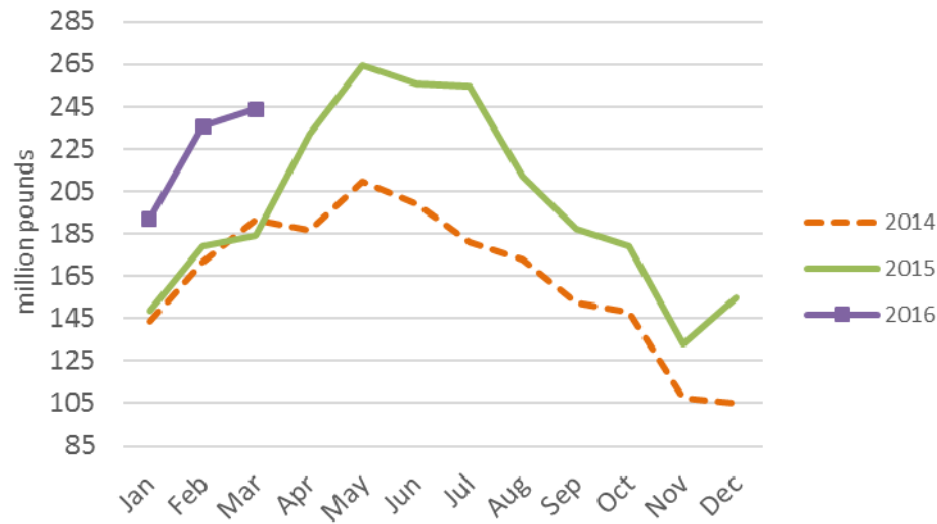
California Overbase Price

1995-2015



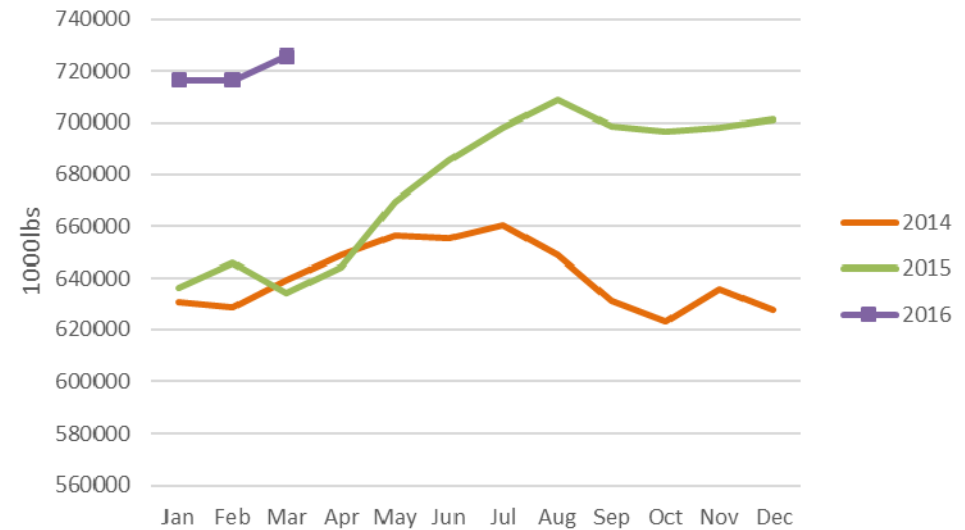
Strong Domestic Demand...

U.S. Butter Stocks



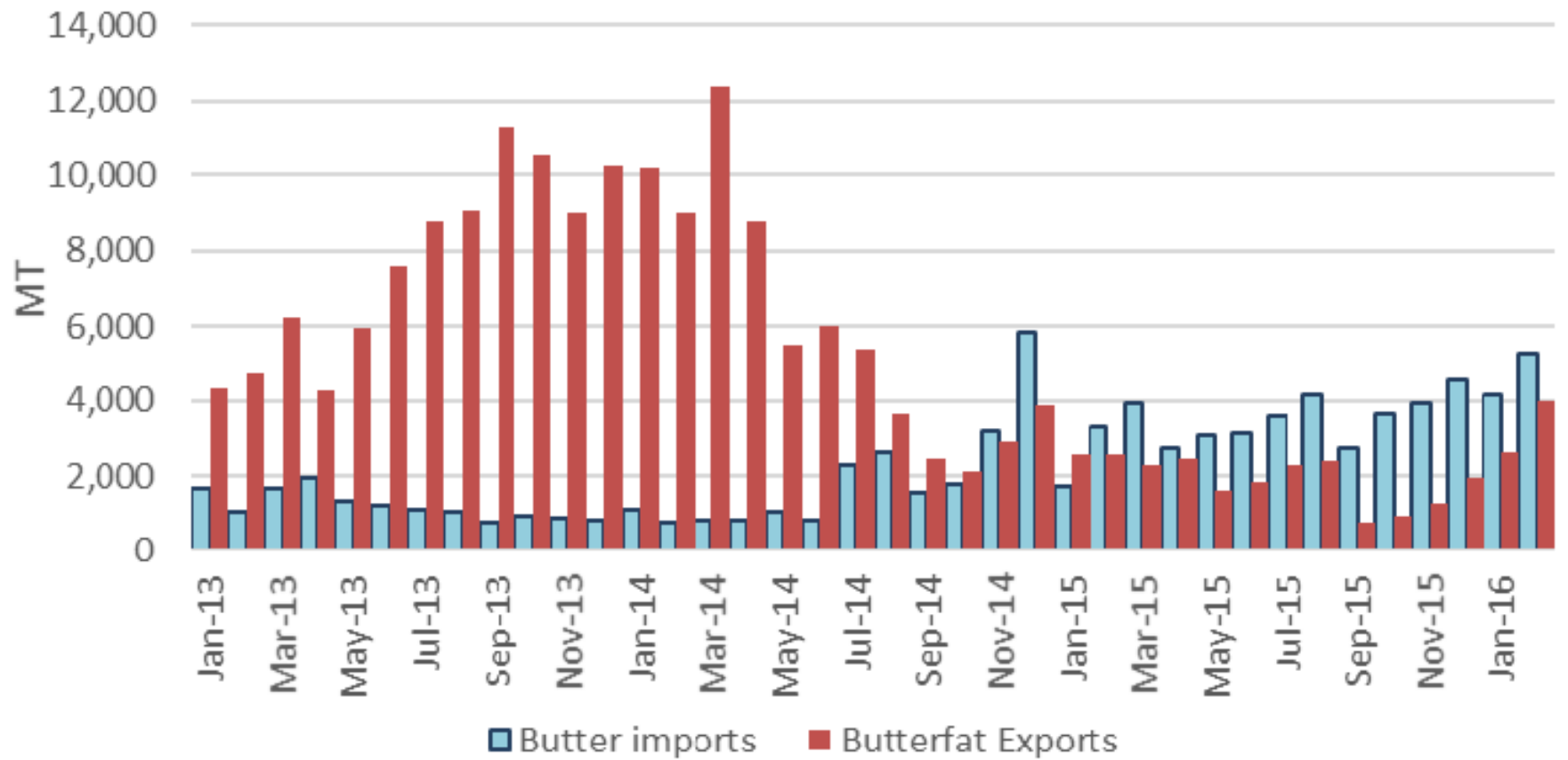
➡ +32%

American Cheese Stocks



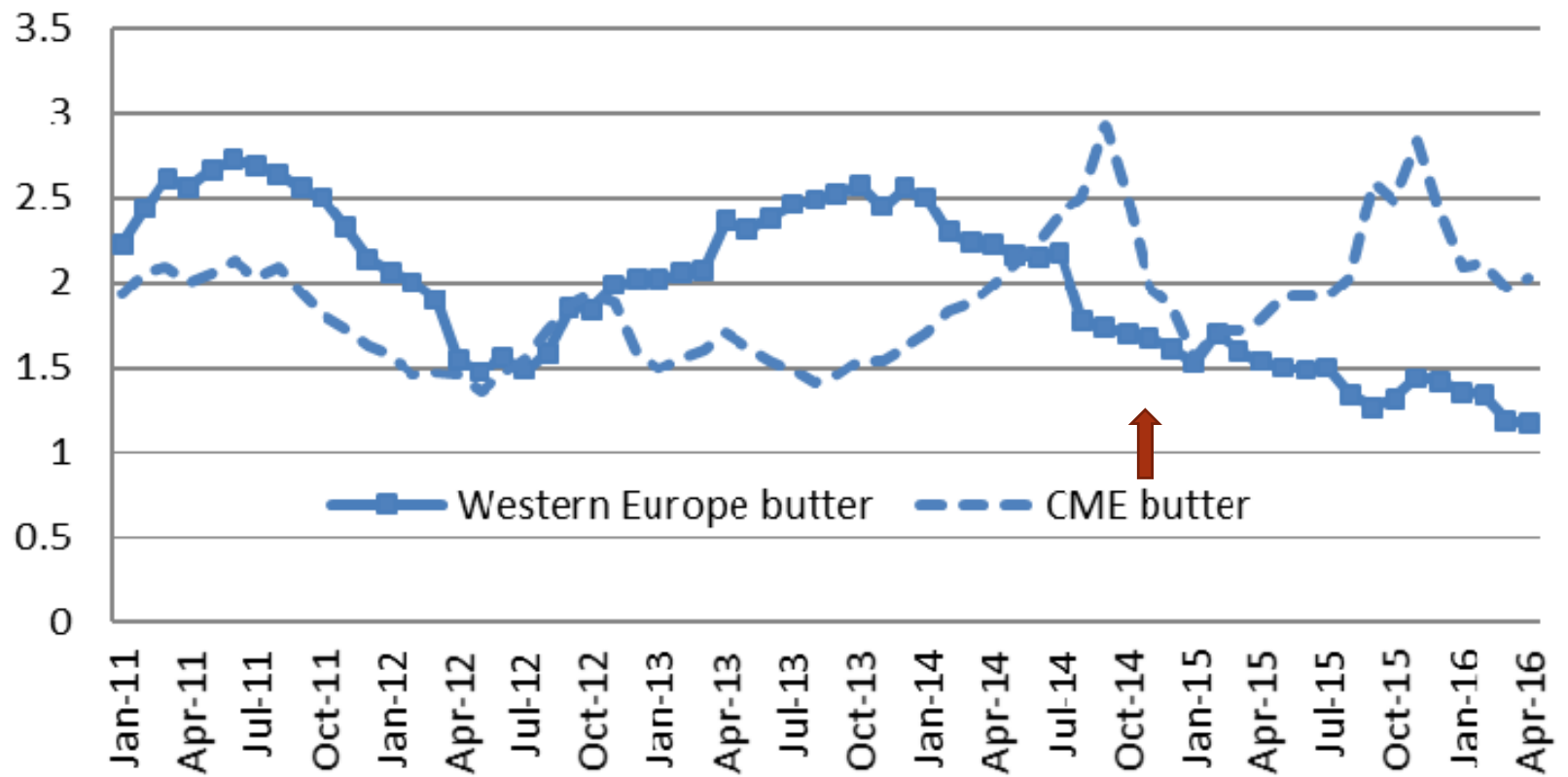
➡ +14%

U.S. Butter & Butterfat Trade



Exports finally up a bit yoy, but 2015 was down 70% yoy

Butter prices



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

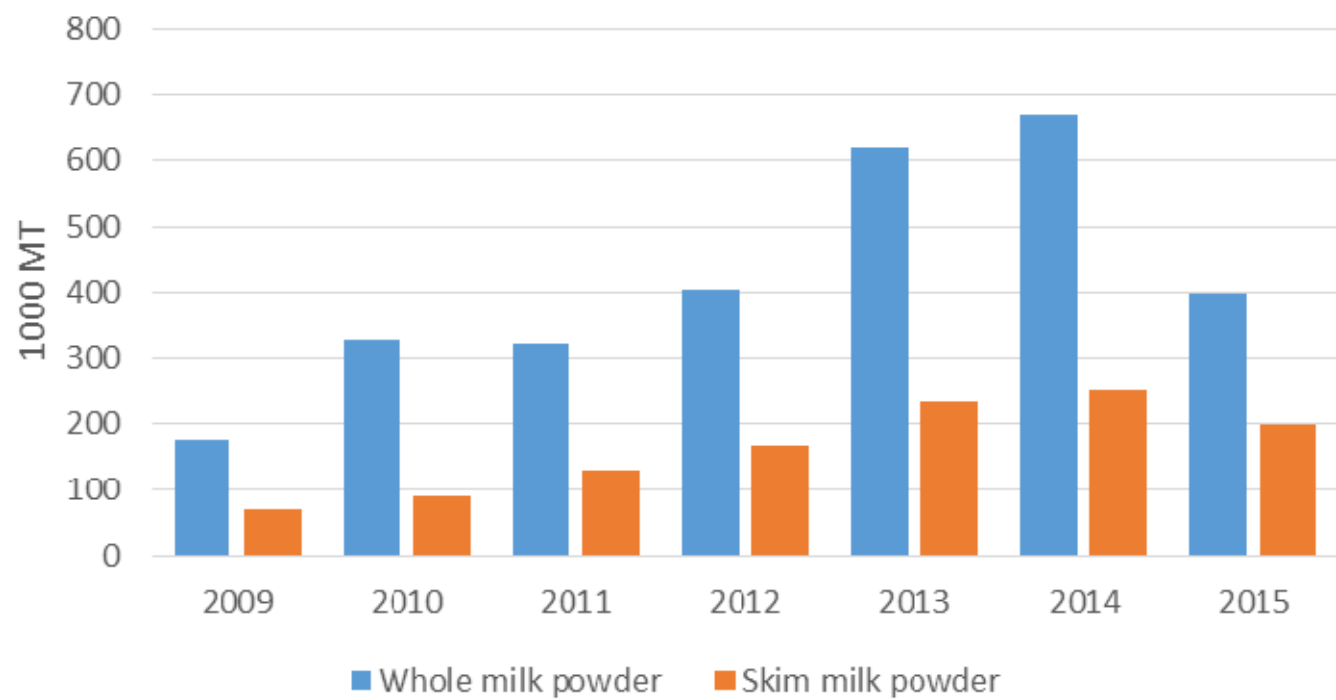
➤ Chinese imports decline

Milk Production (Top 5) vs. China/Russia Imports



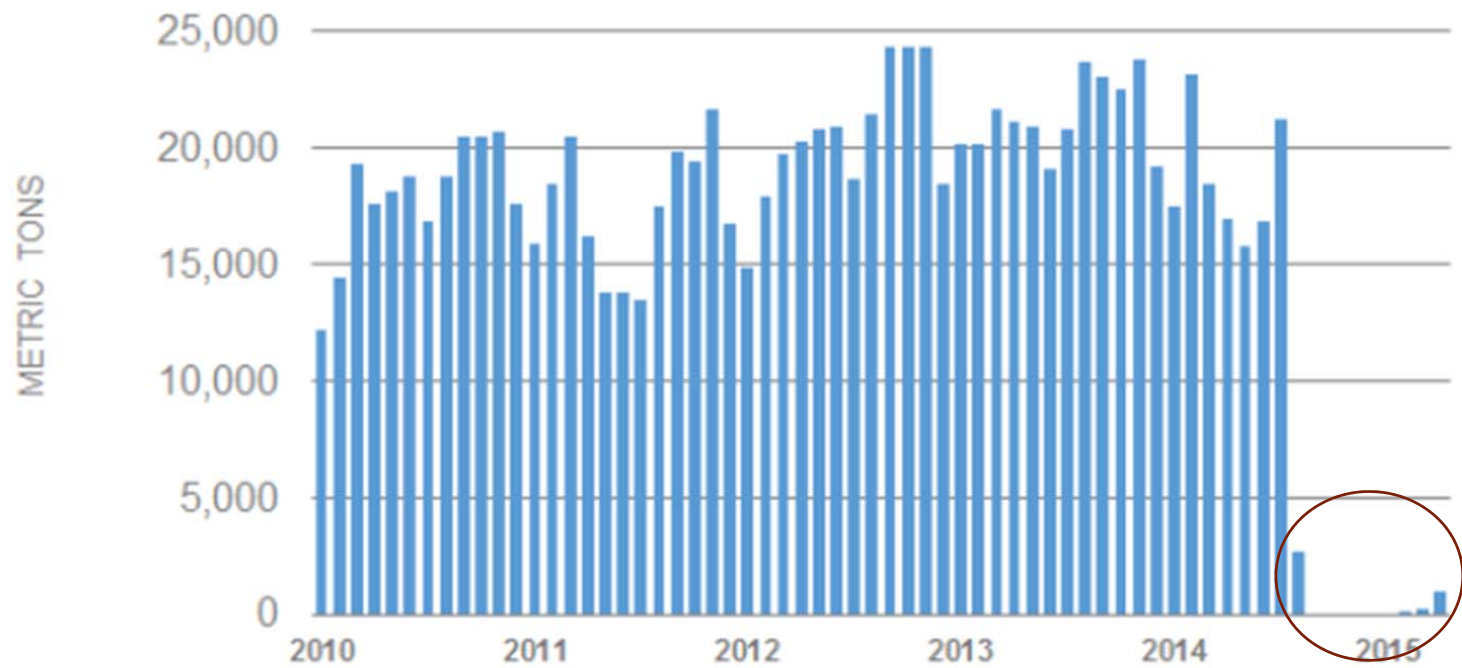
Source: USDEC

Chinese imports



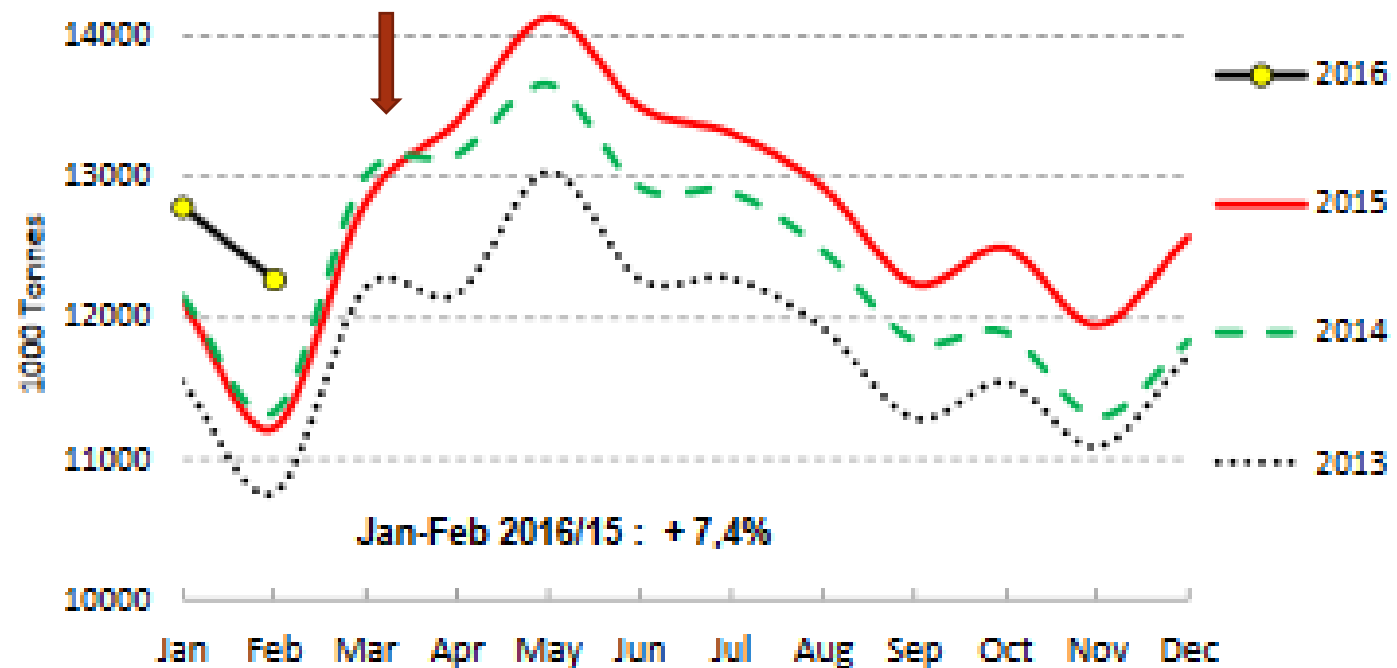
EU Cheese Exports to Russia

2000-2015



Source: U.S. Dairy Export Council, GTIS.

EU - Cows' milk collected

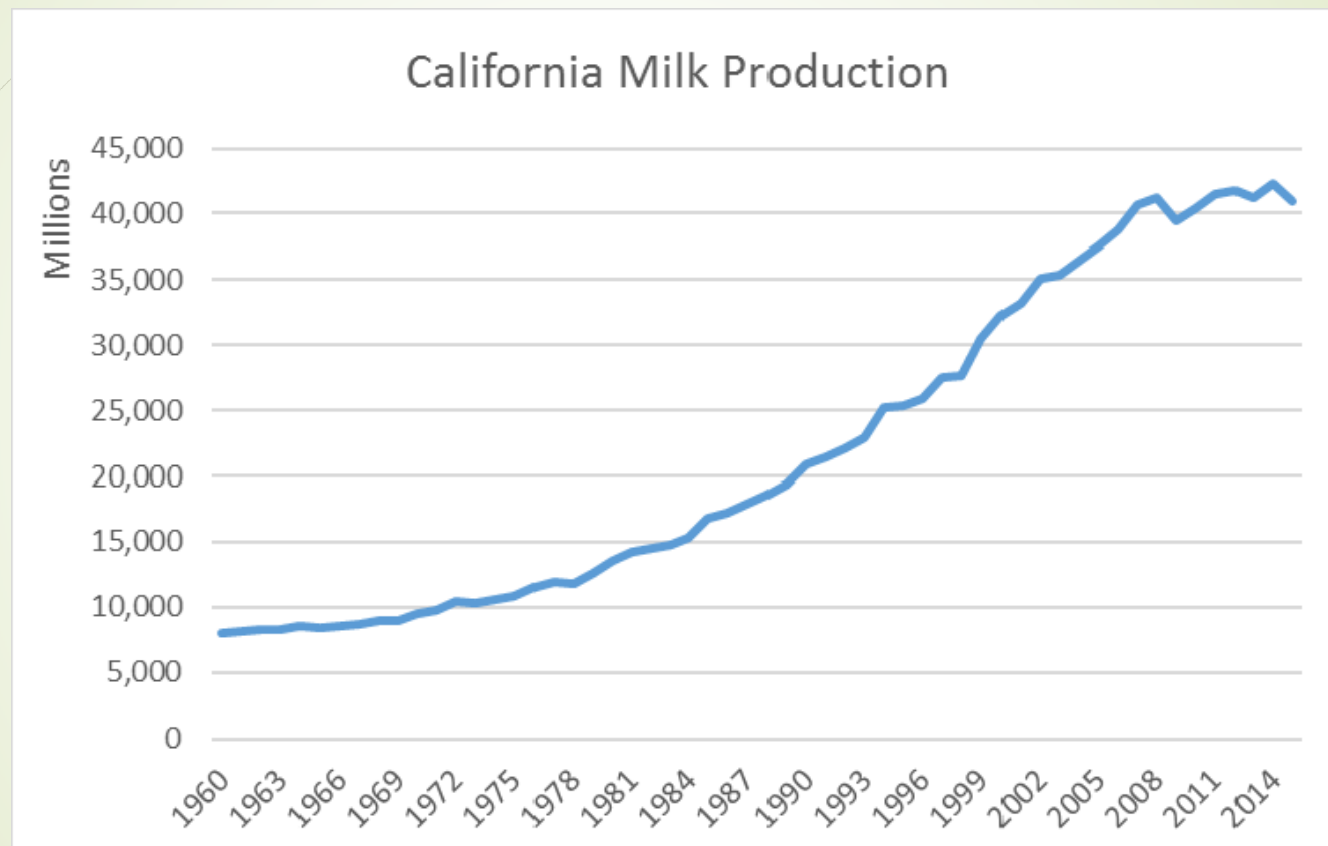


Source : Estat - Newcronos

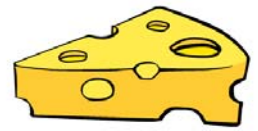
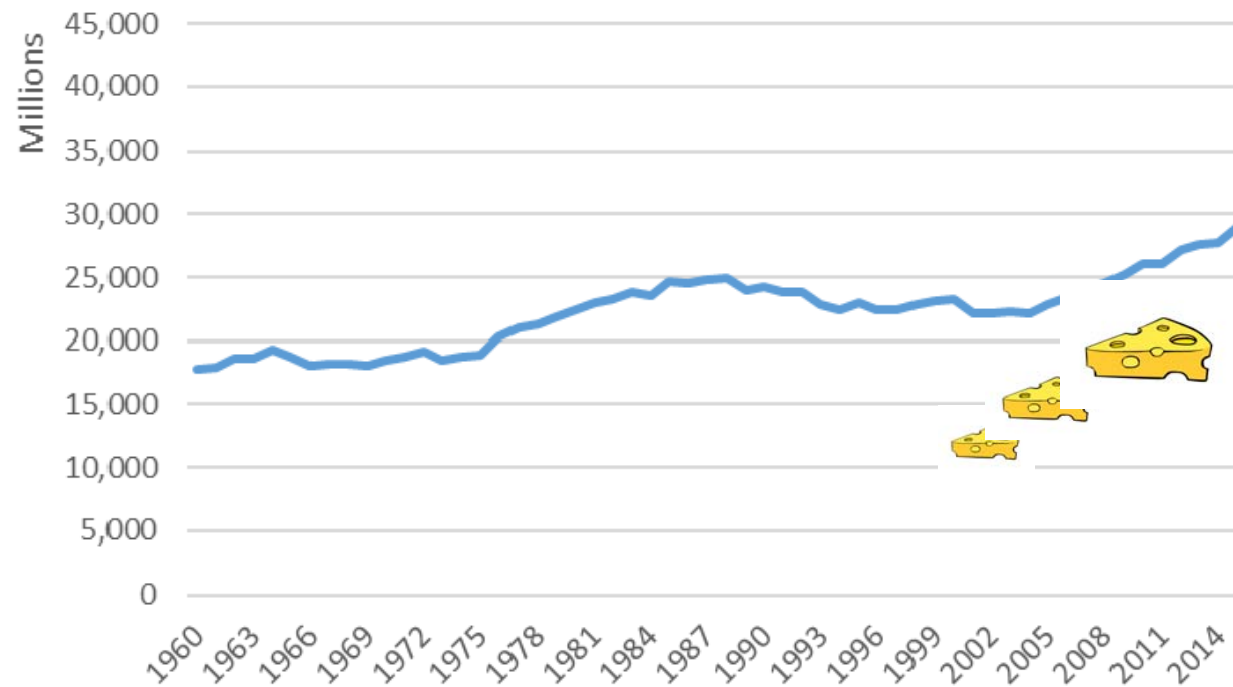
Last update : Jan-Feb

Milk Production in U.S. and California Year-over-year growth





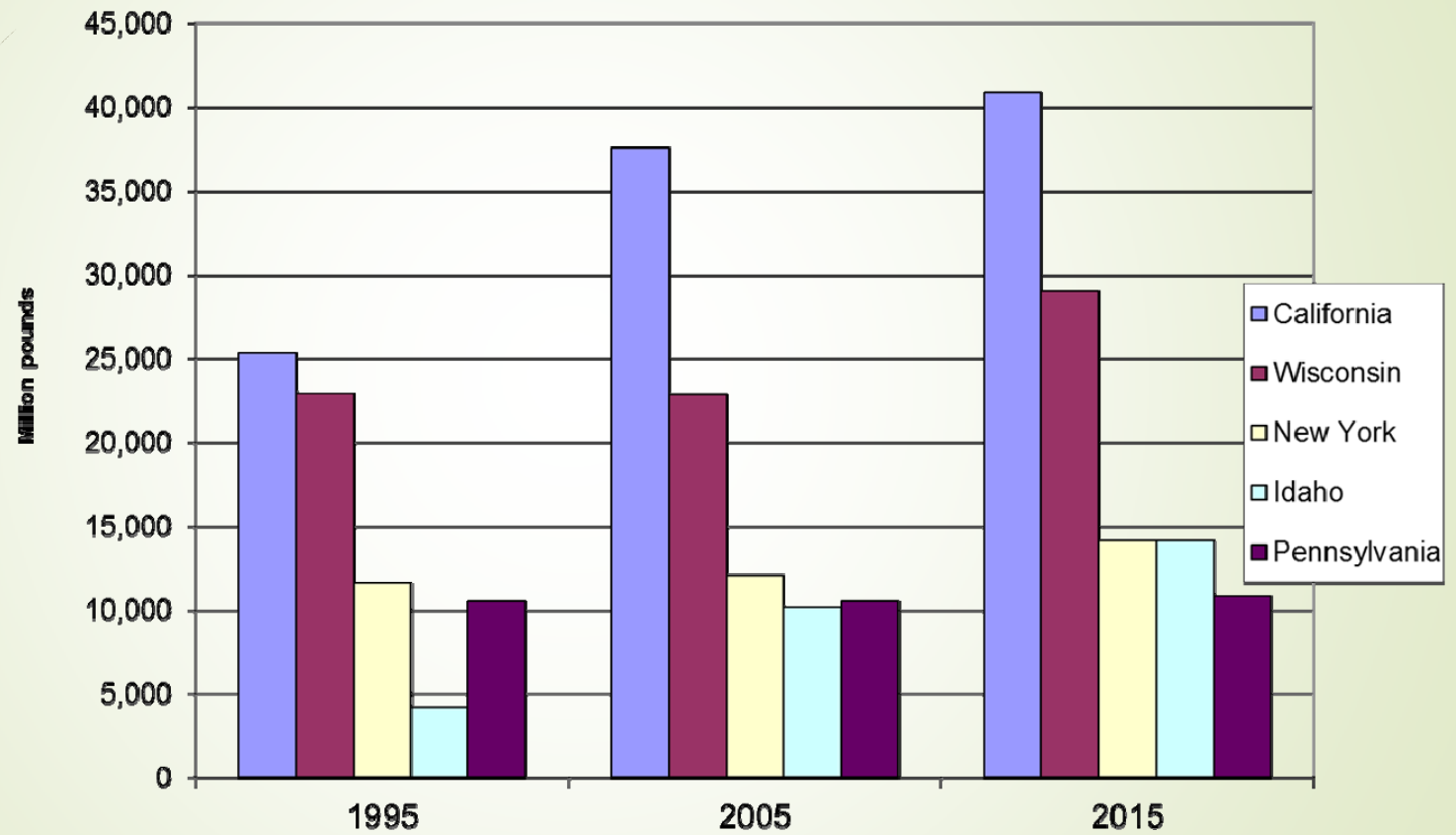
Wisconsin Milk Production



- Is Wisconsin about to surpass California?



Milk Production, Top 5 Dairy States



6 years

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

