

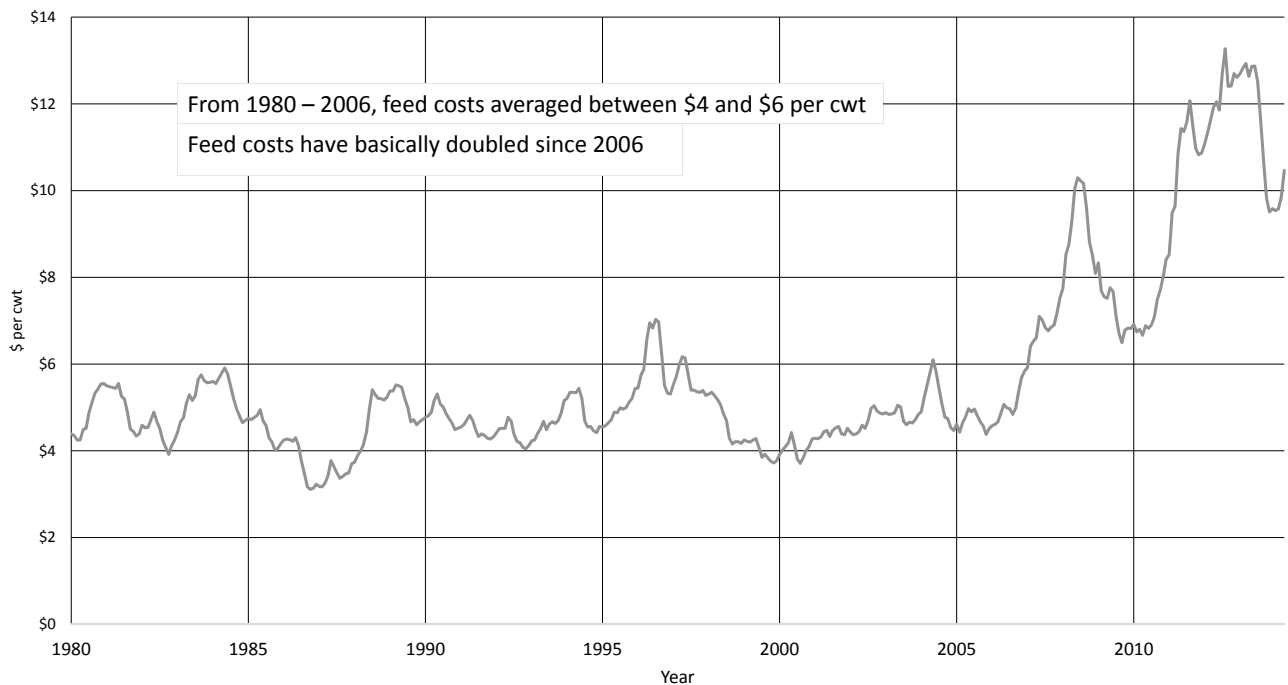
California Dairy 2014

Risk and Implications for the Industry

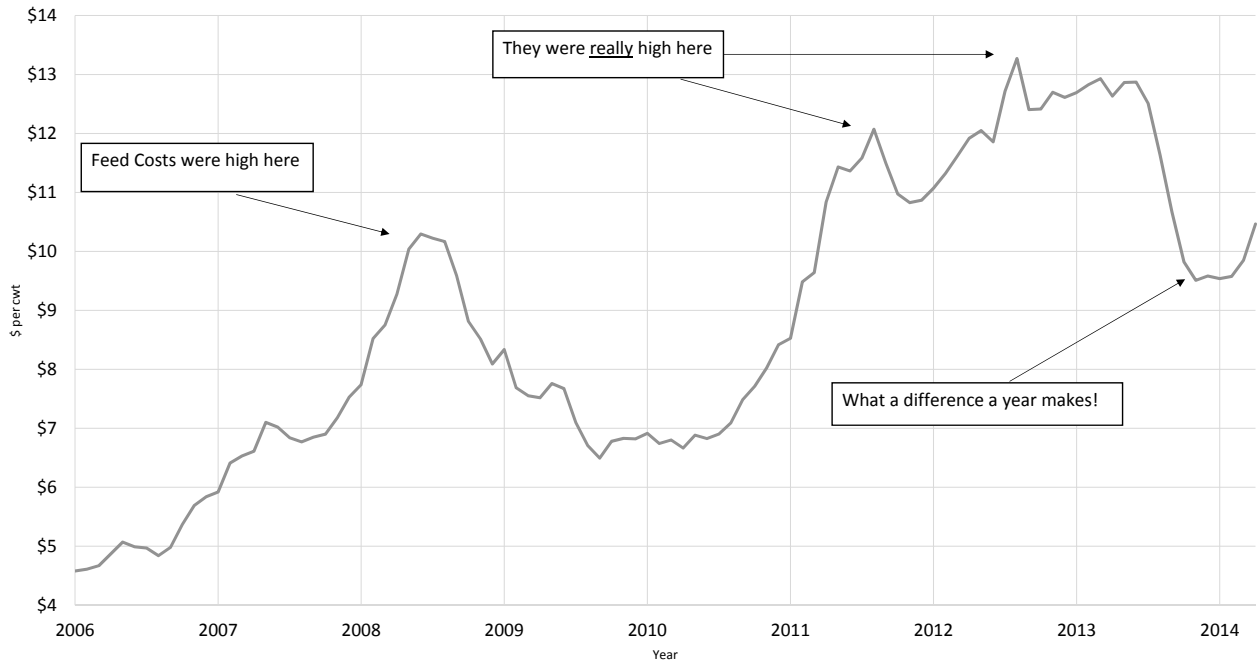
Leslie J. Butler
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University of California-Davis

Presentation to Dairy Risk Management Workshops, May 27th & 29th and July 10th 2014
Chino Fairgrounds, Chino, UCCE Offices, Merced & Sonoma County 4H Center

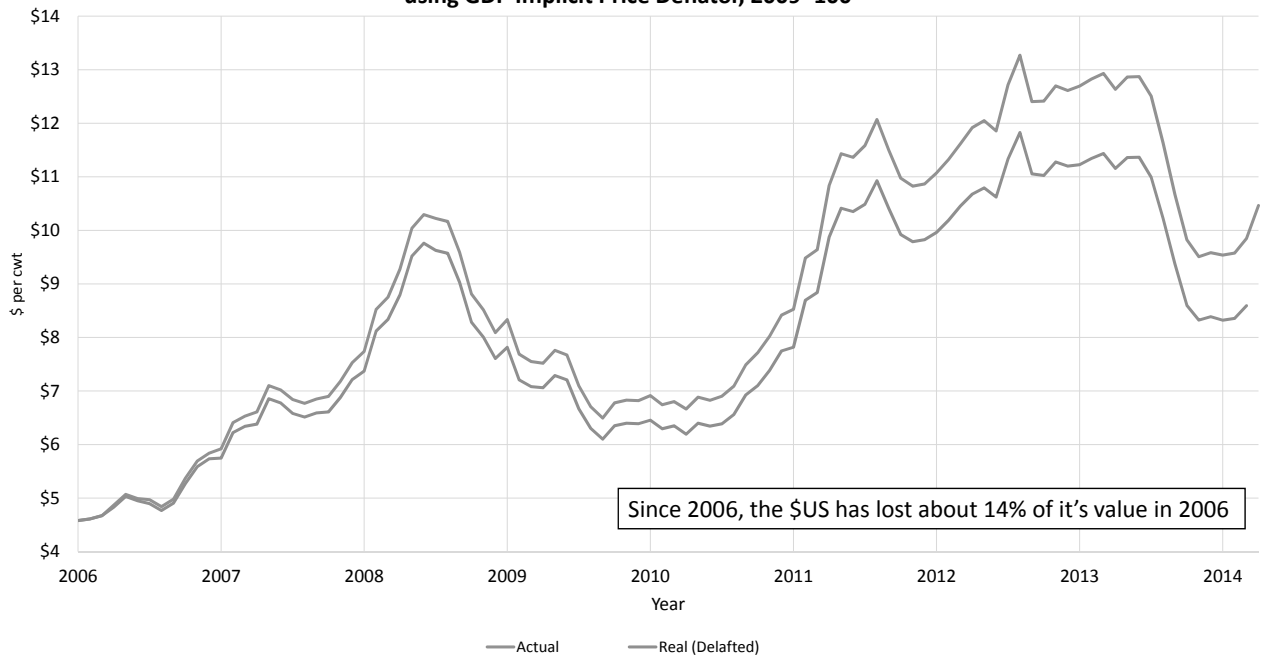
16% Protein Dairy Ration (\$ per cwt) 1980-2014



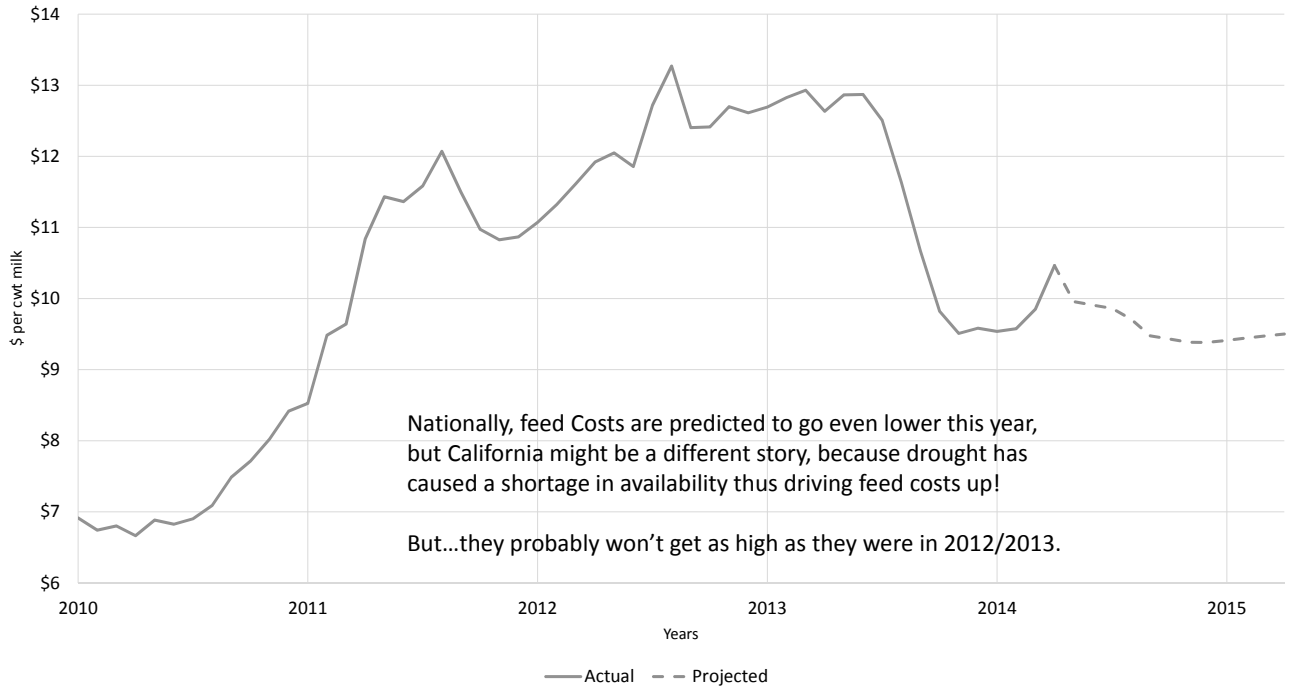
16% Protein Dairy Ration (\$ per cwt) 2006-2014



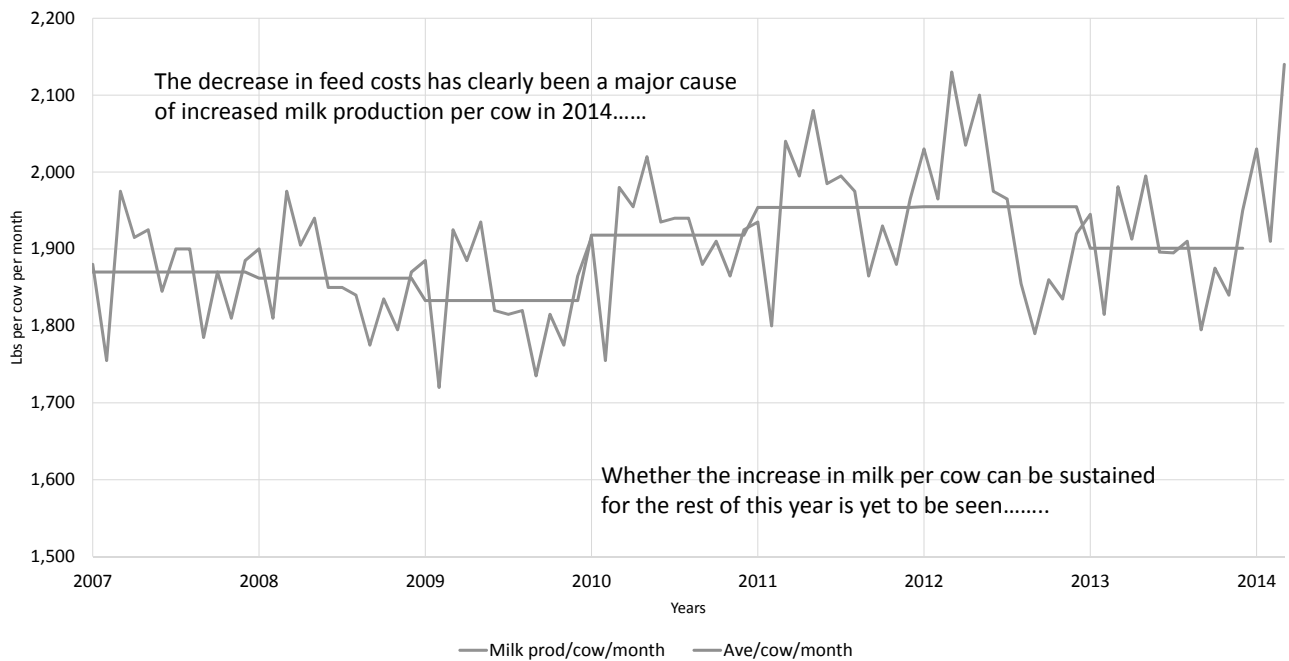
Nominal and Real (Deflated) 16% Protein Dairy Ration (\$ per cwt) 2006-2014
using GDP Implicit Price Deflator, 2009=100



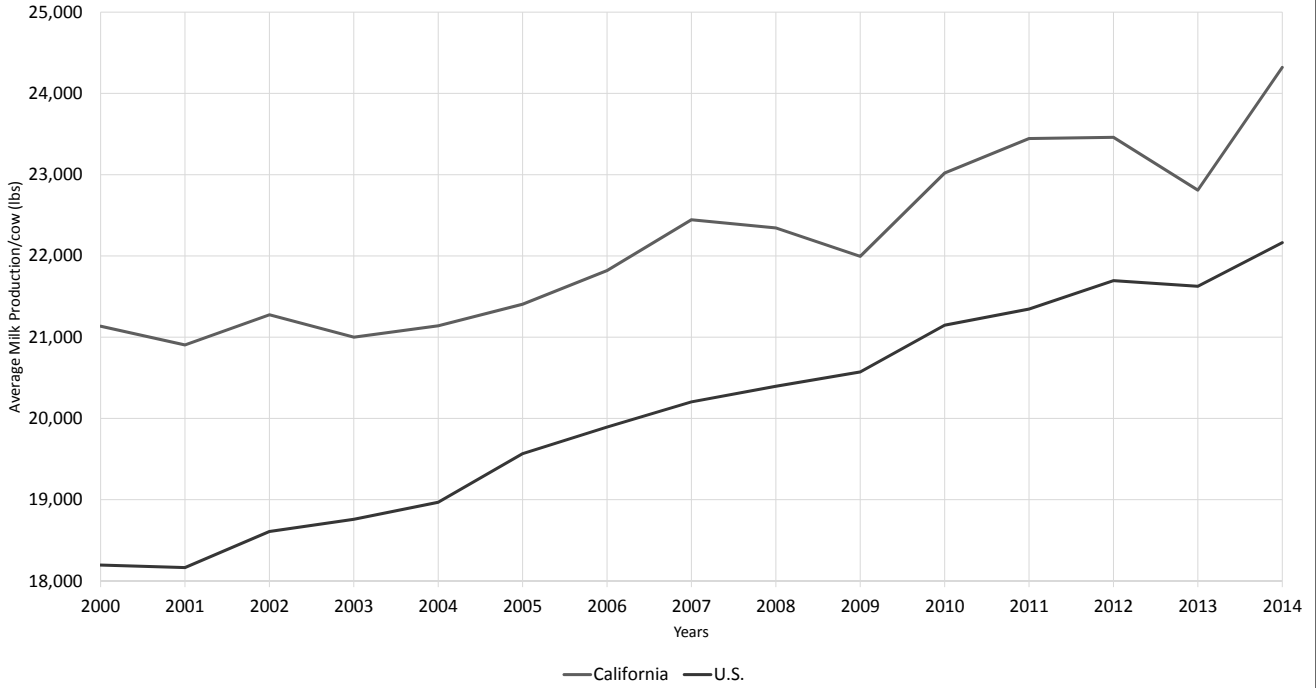
16% Protein Dairy Ration, 2010-2013 with projections through April 2015



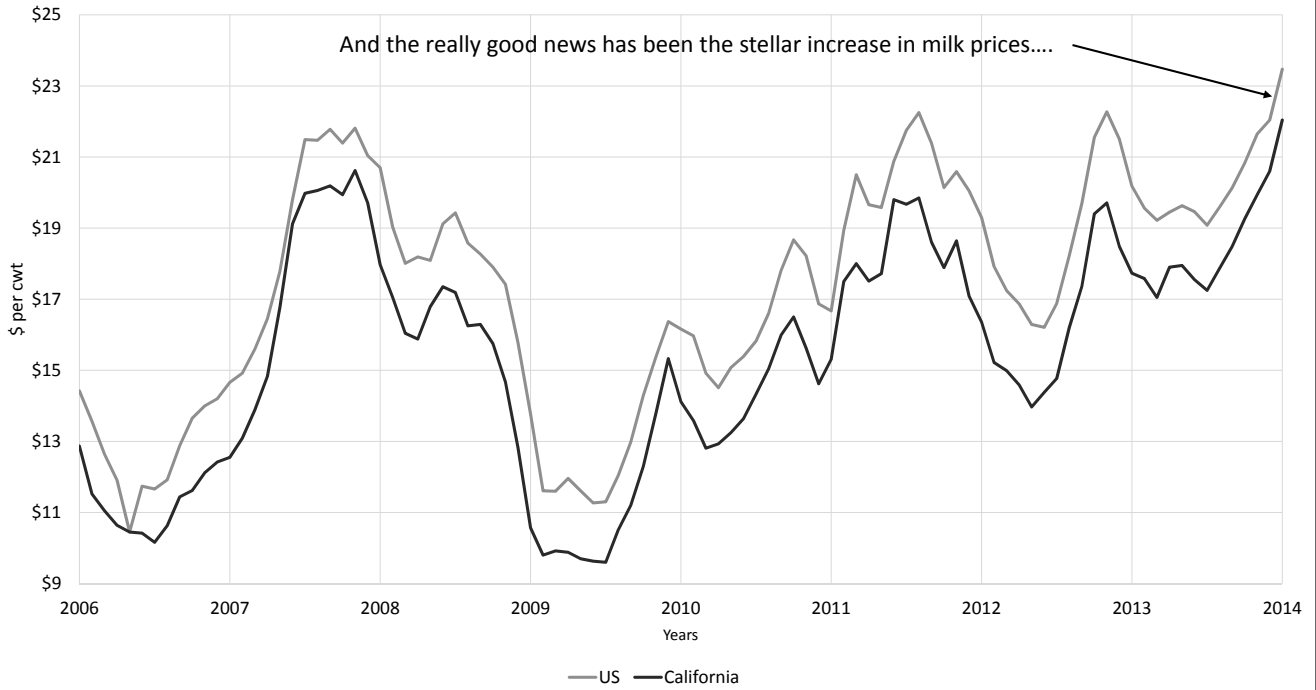
Monthly Milk Production per Cow, California 2007-2014



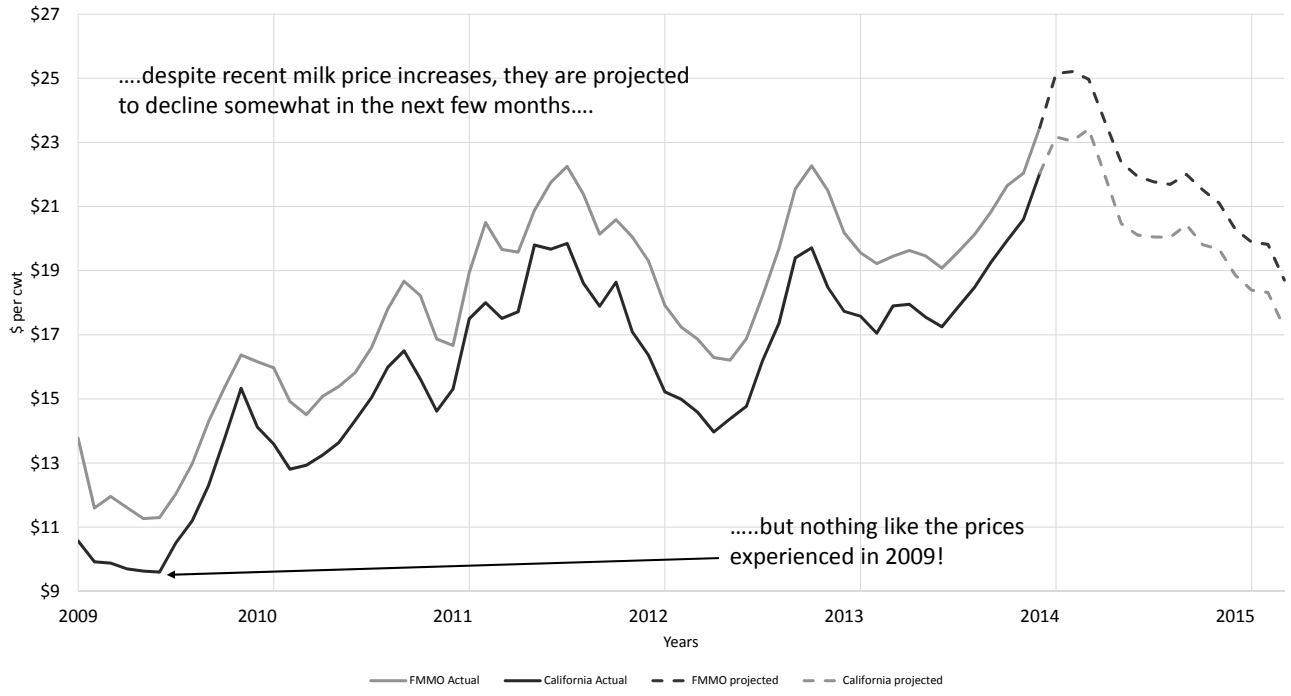
Average Annual Milk Production per Cow, California & U.S., 2000-March, 2014



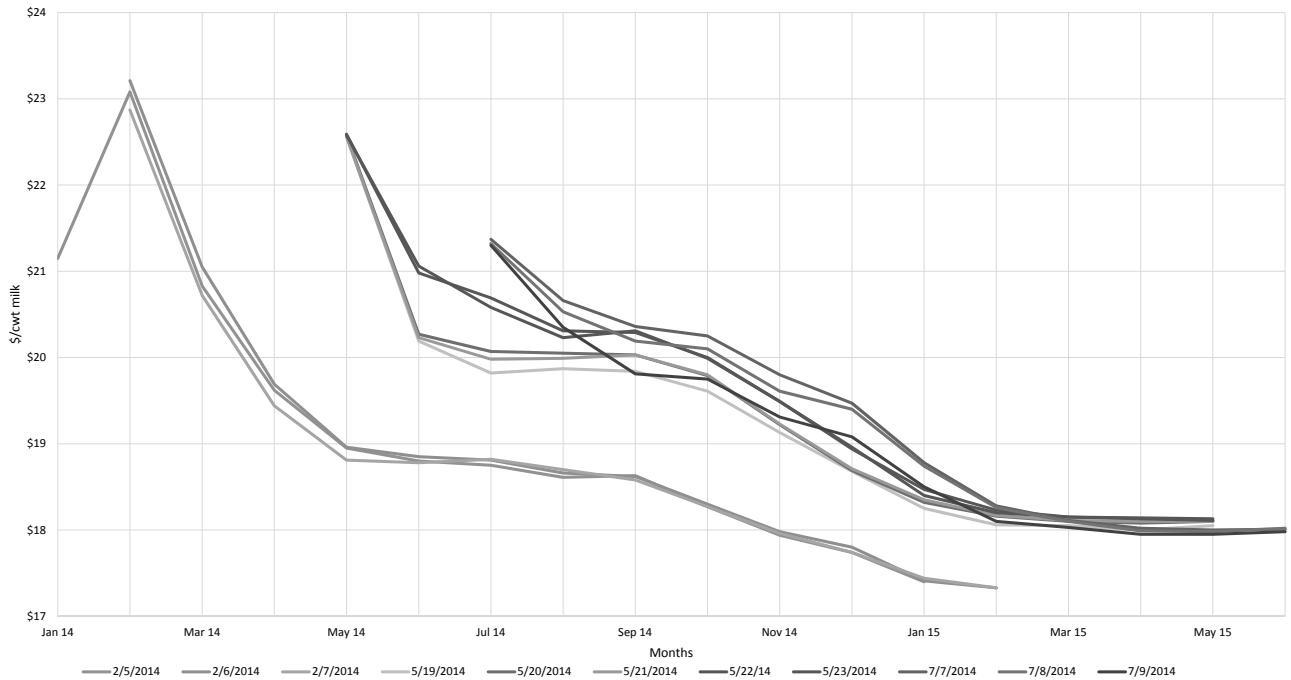
FMMO and California Mailbox Prices (\$/cwt), 2006-2013



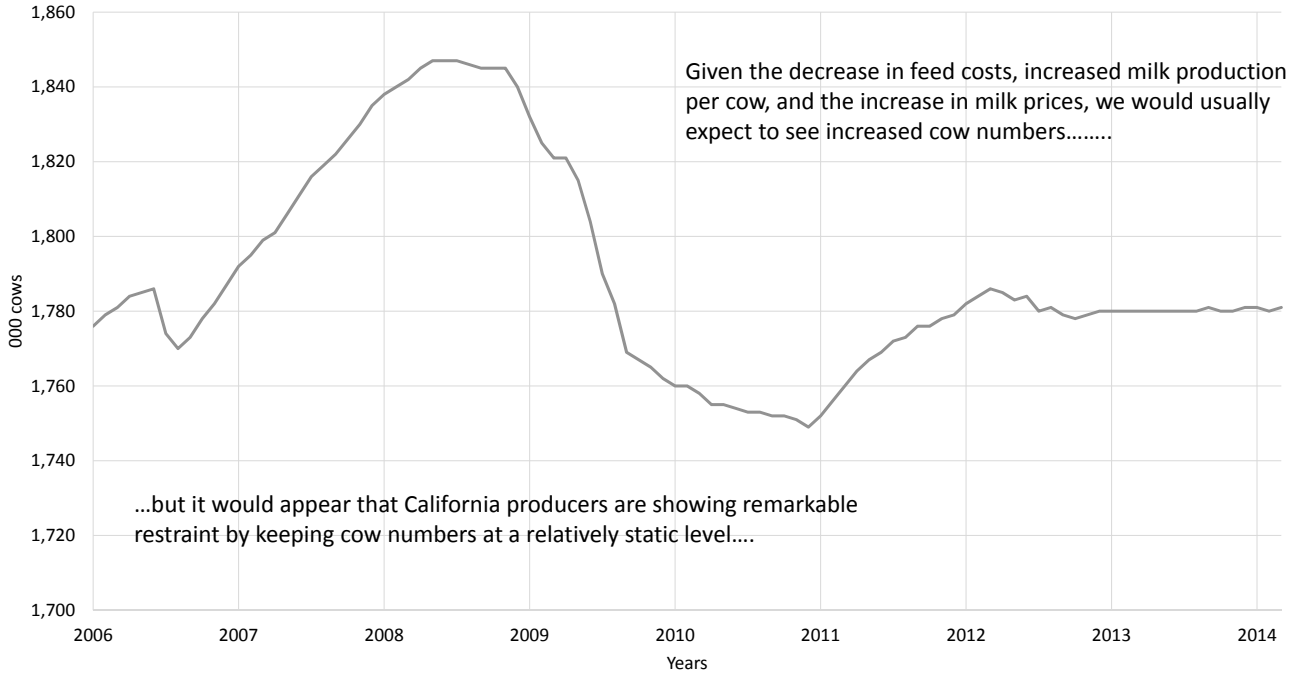
FMMO and California Mailbox Prices, 2009-2013, with projections through April 2015



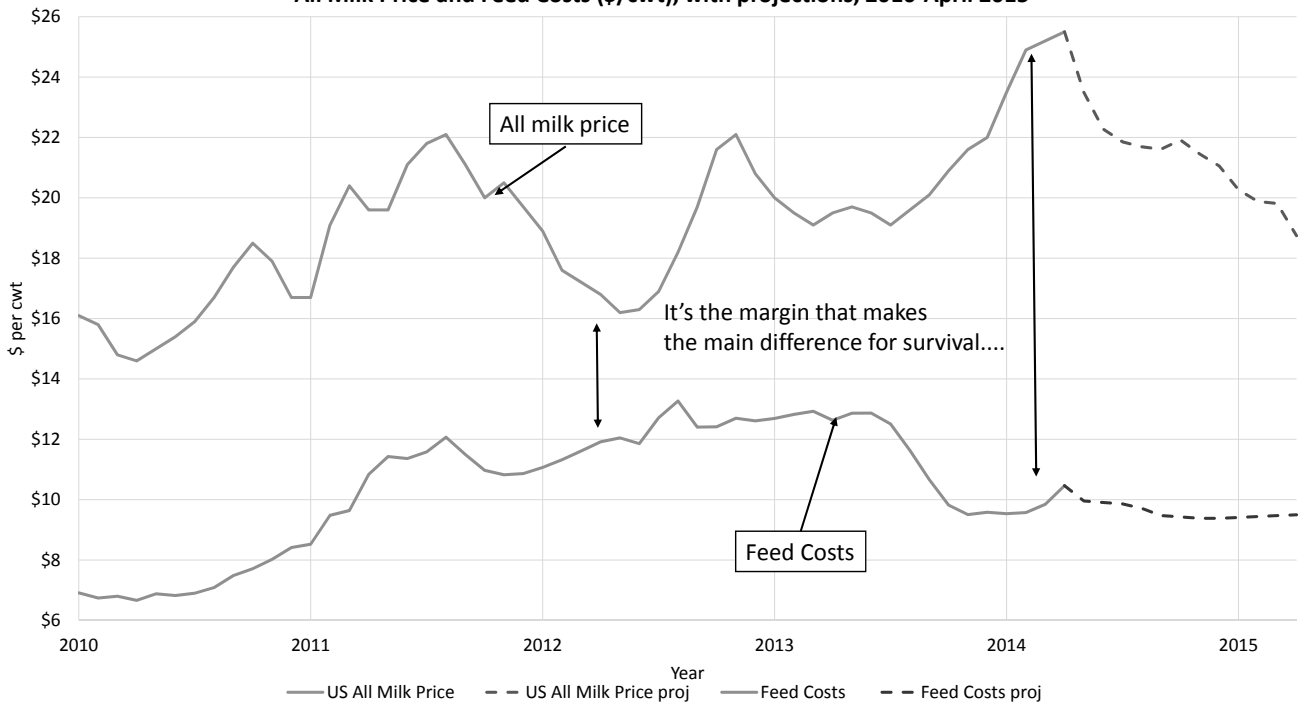
Class III Futures Prices (12 month) Early February, Mid May, and This week (July 7-9), 2014



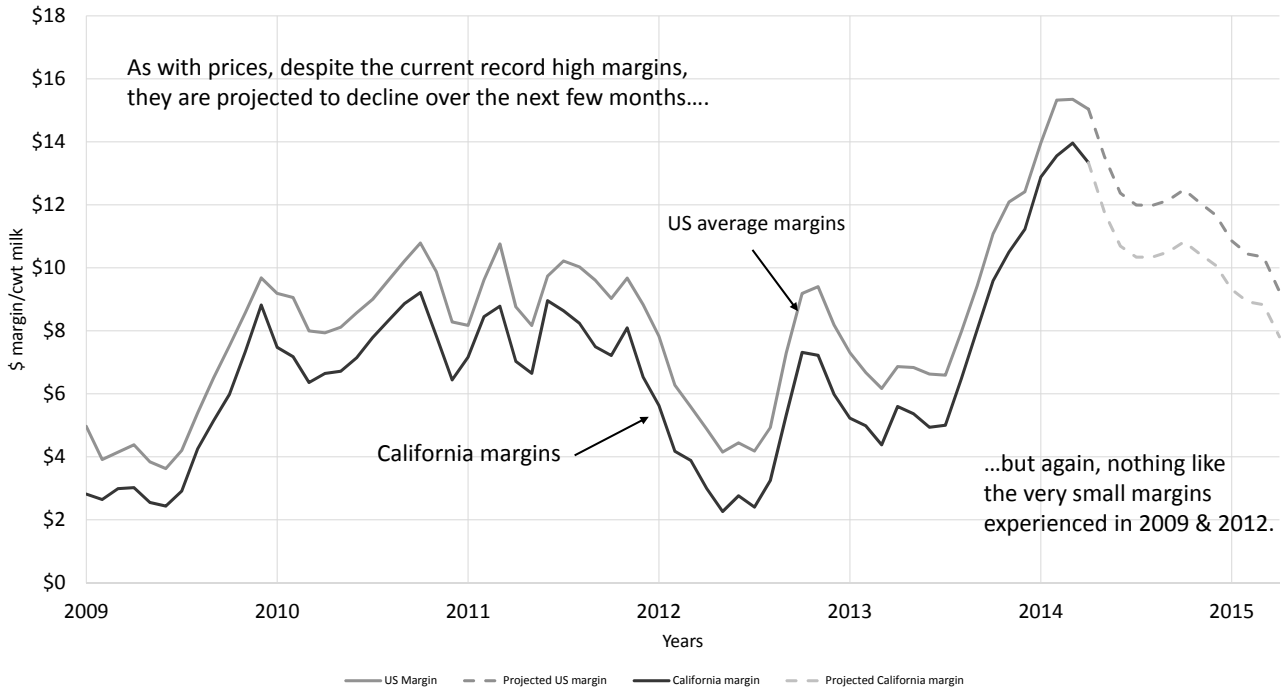
Number of Milk Cows on Farms in California 2006-2014



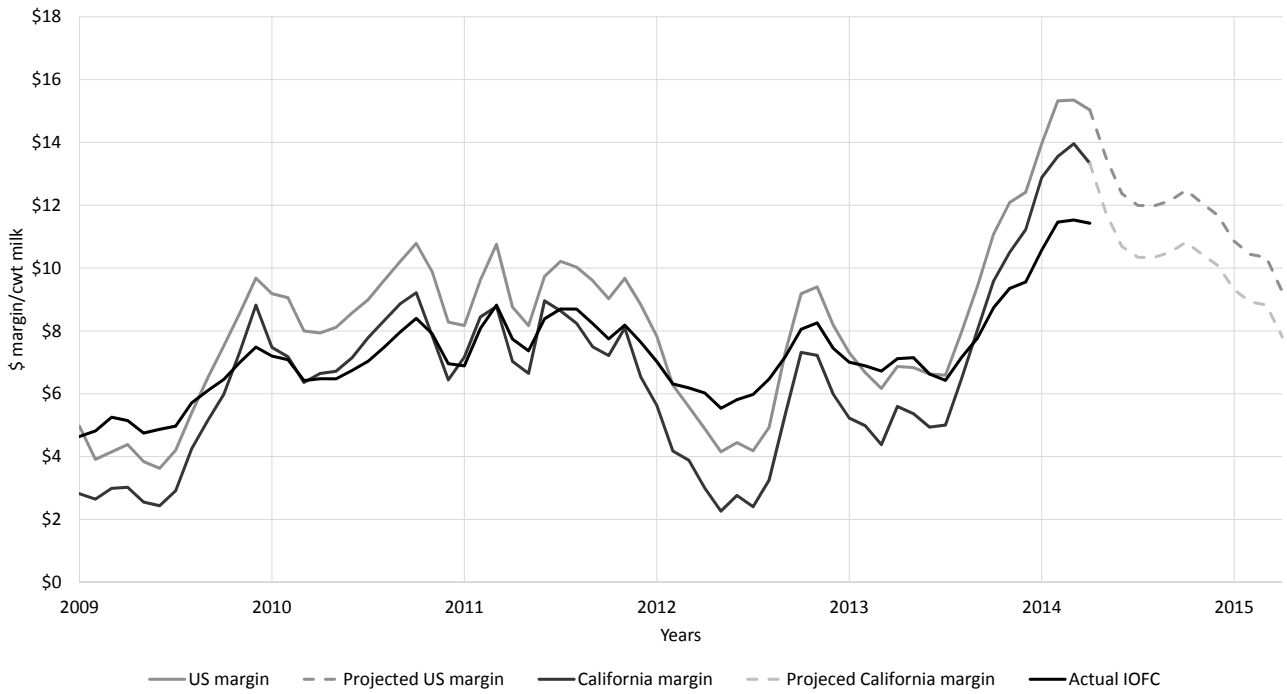
All Milk Price and Feed Costs (\$/cwt), with projections, 2010-April 2015



Simple Margin between All Milk Prices & Feed Costs, with projections, 2009-April 2015



Simple margins (with projections) and Actual IOFC, 2009-April 2014 & April 2015



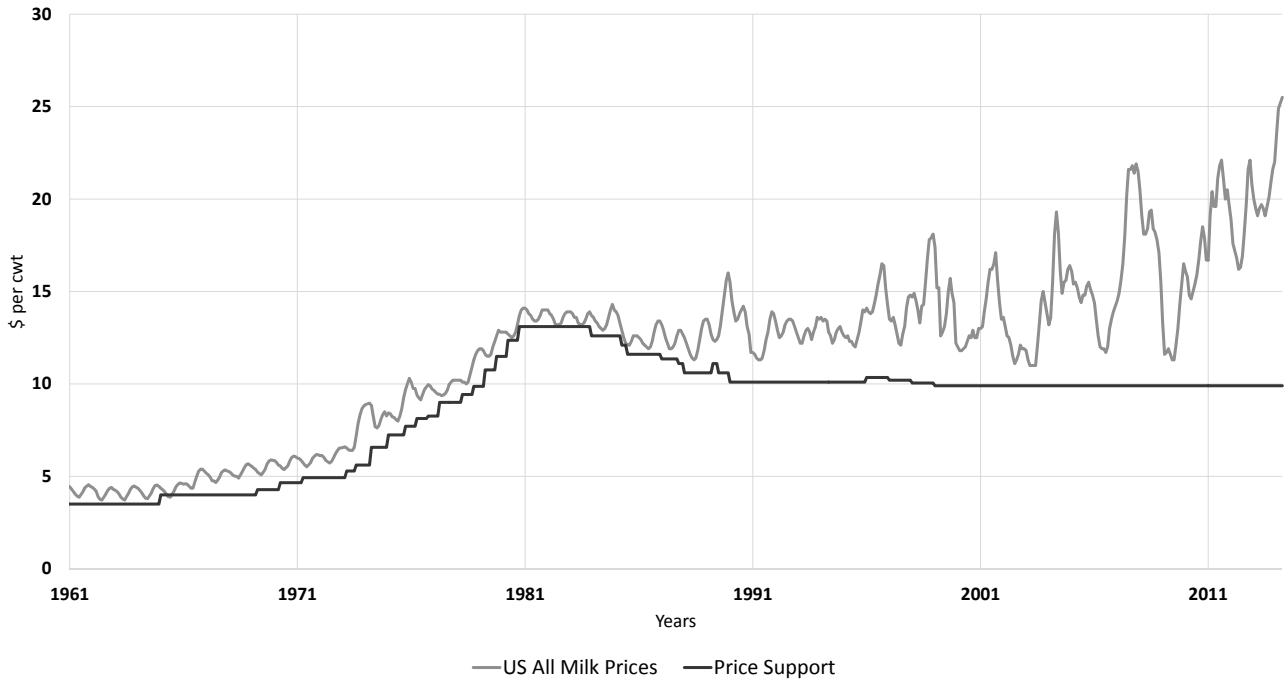
Things to watch out for....

- What do dairy producers think are the main risks in dairying...?

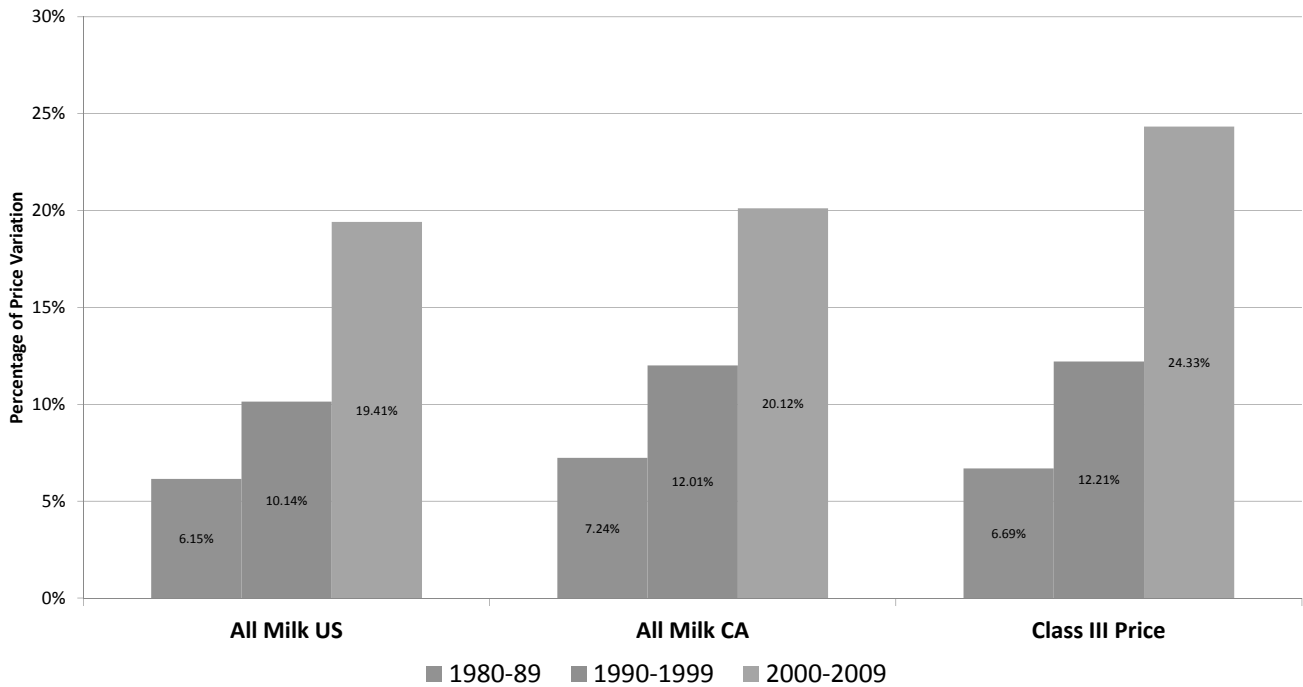
Producer Ranking of Risks in Agriculture

	All Farms	Field Crops	Dairy
Decrease in yield/production	2.95	2.53	3.4
Price uncertainty	2.91	2.48	3.54
New technology	2.23	1.92	2.45
Lawsuits	2.26	2.07	2.36
Changes in consumer demand	2.47	2.13	2.76
Changes in laws/regulations	3.02	2.88	3.31
1=Not concerned.....5=Very concerned			
Source: Janet Perry, USDA-ERS, December 1997			

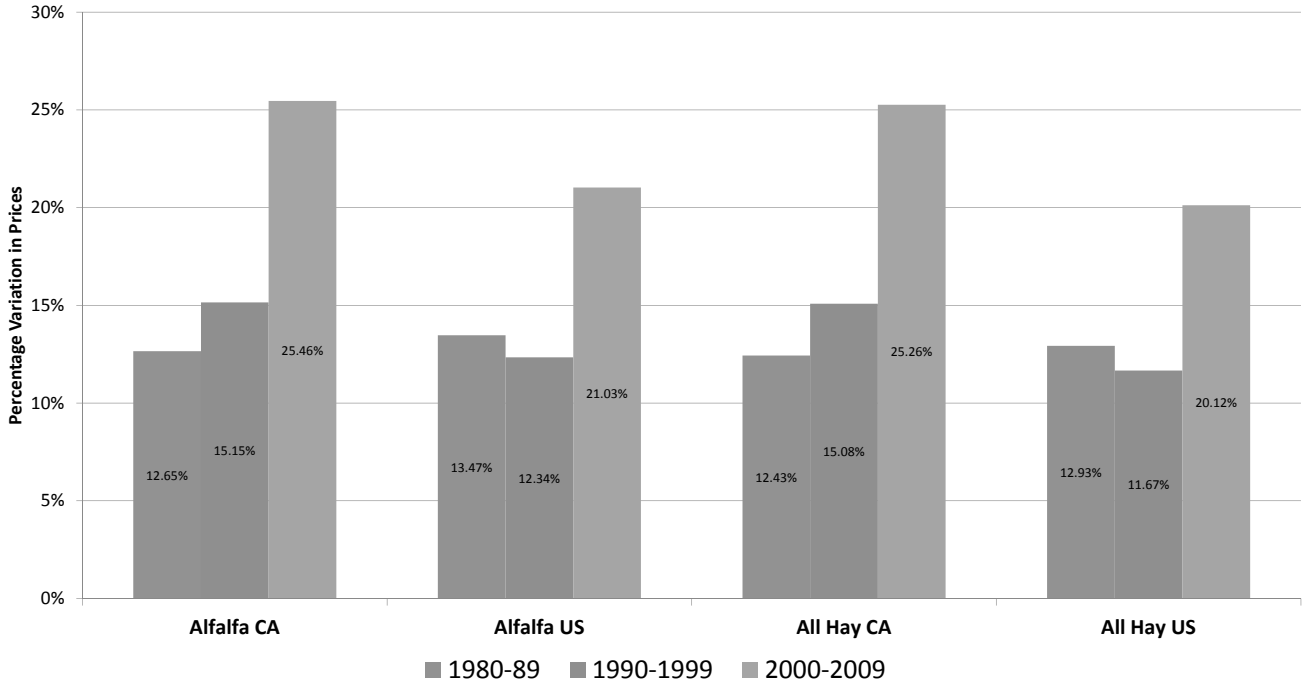
Monthly All Milk Prices and Support Prices 1961-2014



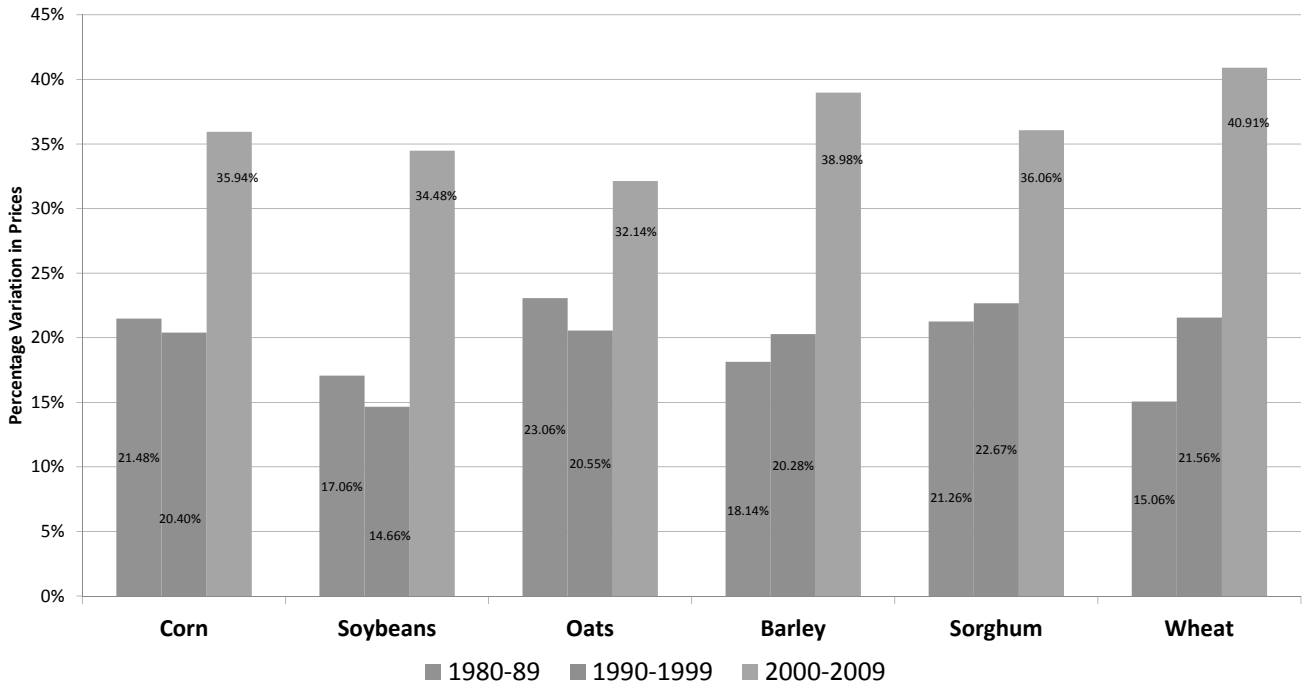
Coefficients of Variation for Milk Prices, 1980-2010



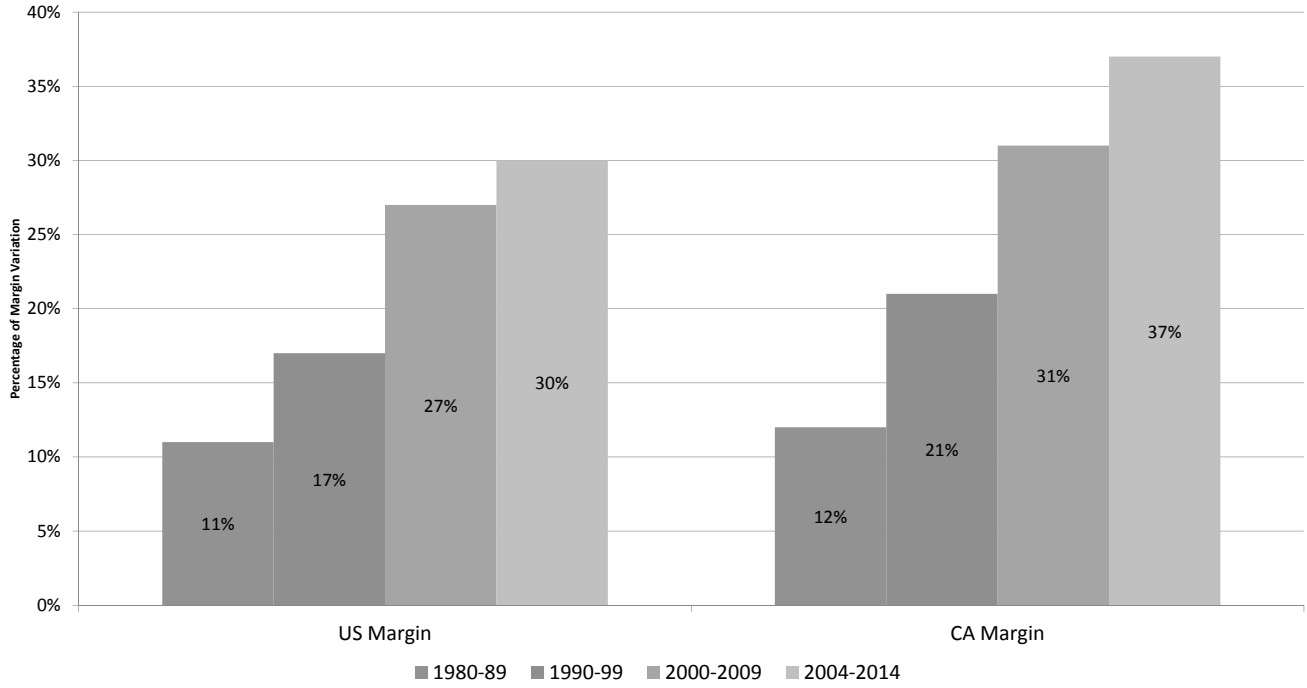
Coefficients of Variation of Prices of Alfalfa and Hay (US & CA), 1980-2010



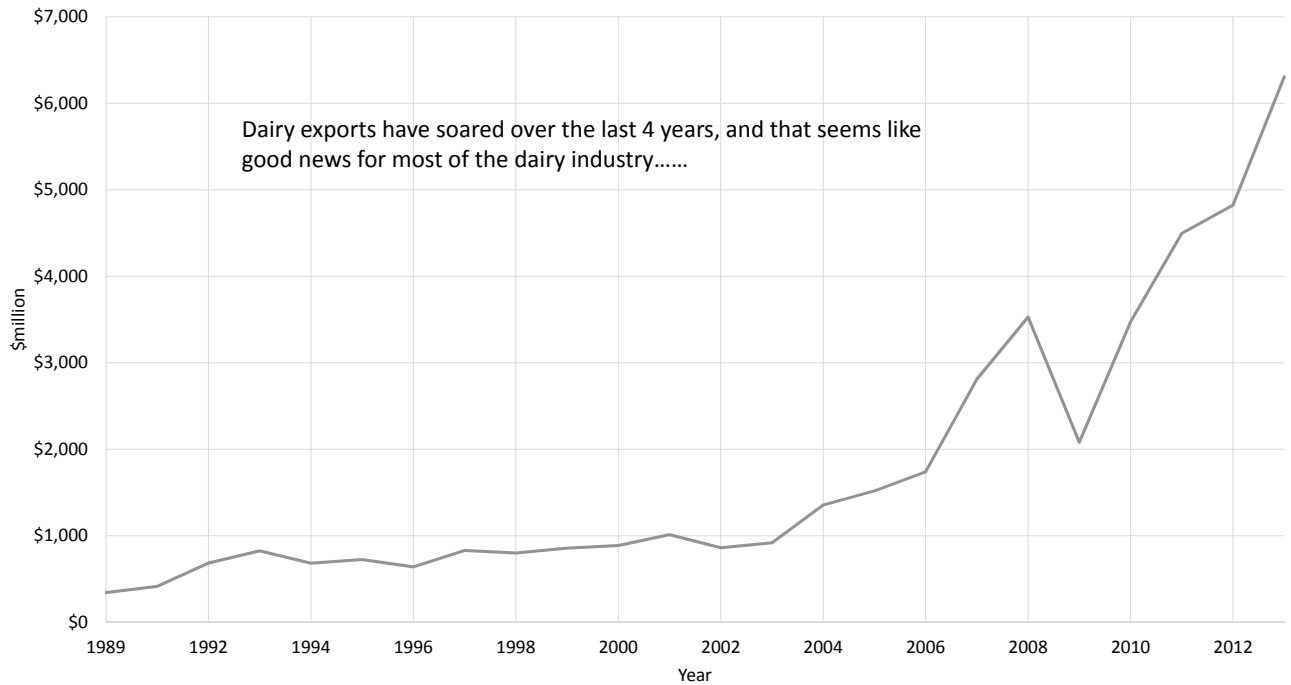
Coefficients of Variation for Prices of Selected Crops, 1980-2010



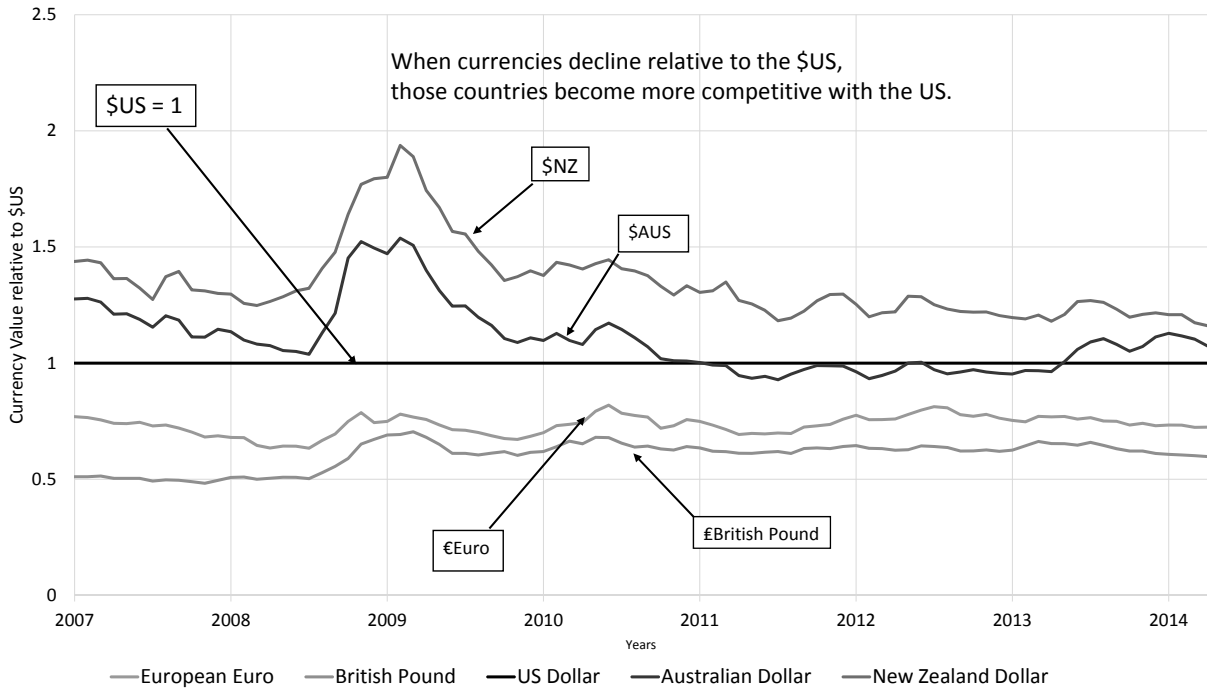
Coefficients of Variation for Profit Margins (Milk Price - Feed Costs), 1980-2014



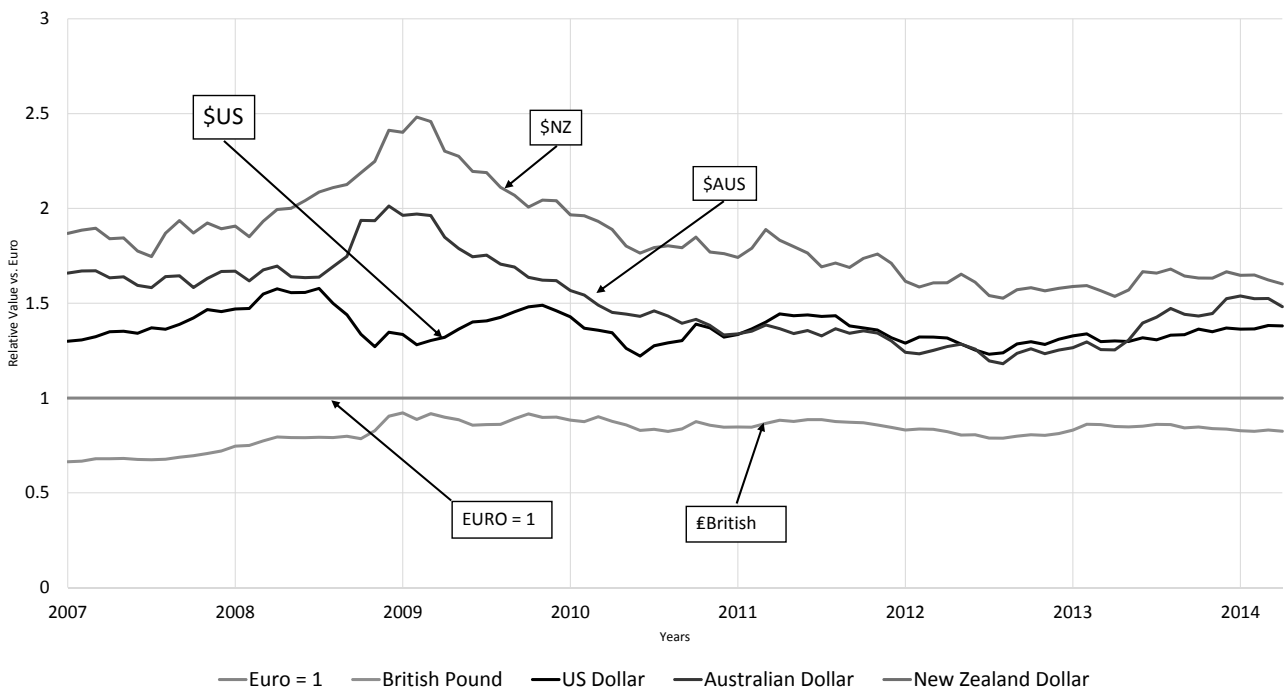
Value of Exports of Dairy Products from the U.S., 1989-2013



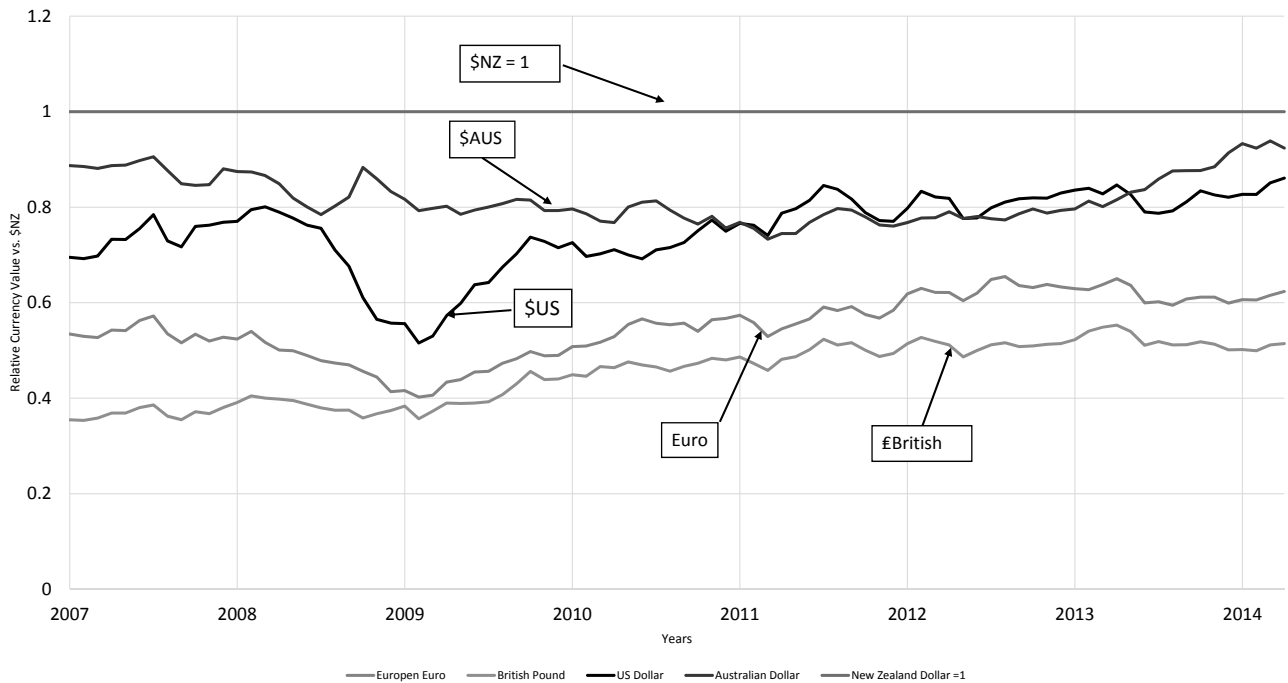
Major Dairy Competitors Currencies vs. \$US, (Monthly) 2007-April 2014



Major Dairy Competing Country Currencies vs European Euro



Major Dairy Competitors Currencies vs. \$New Zealand



Things to look out for....

- Dairy producers think that the risks in dairying are:
 - Price uncertainty
 - Decreases in yield/production
 - Changes in laws & regulations
- Milk prices and feed costs ARE becoming less predictable and more volatile.
- Laws & regulations are becoming less predictable and increasingly burdensome.
- Dairy exports have increased dramatically, but can be easily threatened by increases in the value of \$US, among other things.
- Climate change will slowly change the landscape for dairying in California

BOTTOM LINE.....

- Dairying is looking pretty good right now (except for drought)...
- BUT...dairying is becoming riskier...
- You need to plan for unexpected change....
- You need to assess the risks and plan for change
- You need a risk management plan that can be easily implemented when unexpected change occurs.