

Arizona Dairy Market Trends



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Farm Credit Services
S O U T H W E S T



Dairy Industry Overview

- 2013 was mostly profitable year
 - Nationwide milk production was flat or declined first half of 2013, small increase 2nd half of 2013
 - Declining corn price and improving milk prices
 - Breakeven through first 6 months of 2013 range \$18 to \$20 per cwt (lower in 2nd half of 2013)

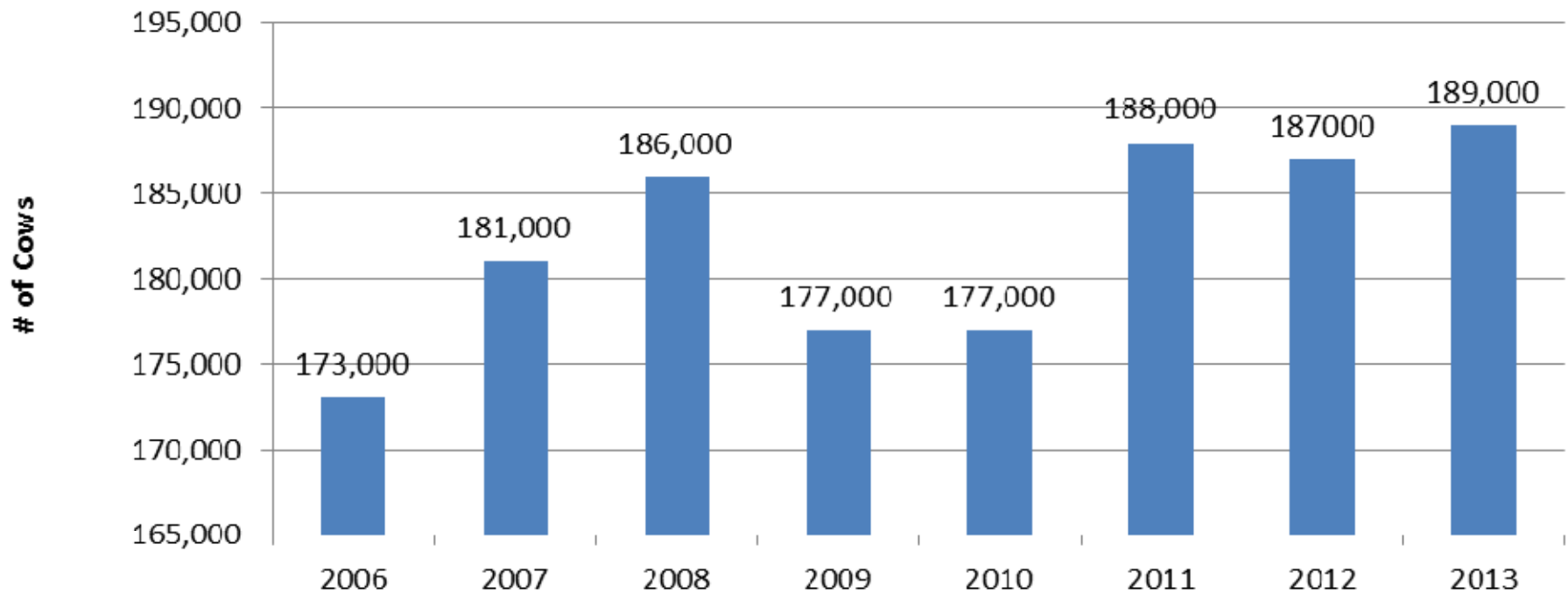


Dairy Industry Overview

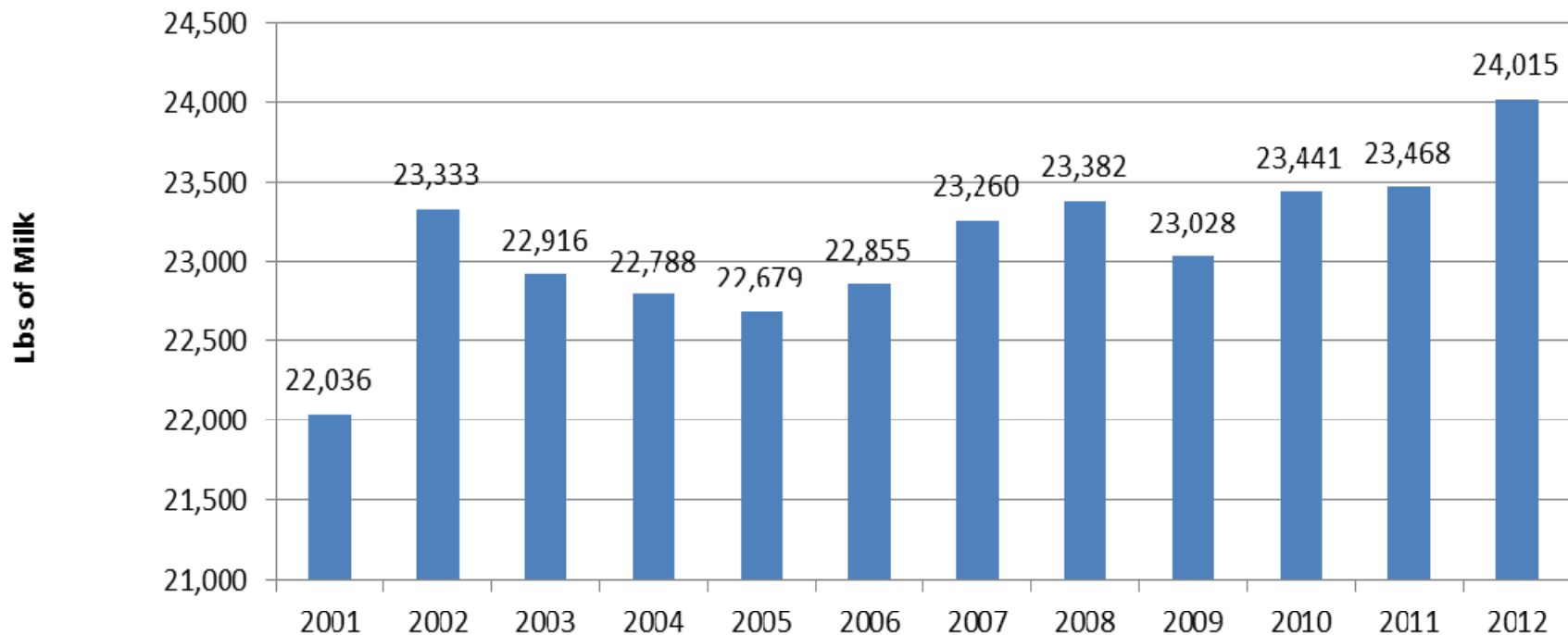
- Milk price has improved significantly in past recent months
- Lower corn prices, other feeds remain high
- Drought in California



of Dairy Cows in Arizona per USDA's AZ Agricultural Statistics



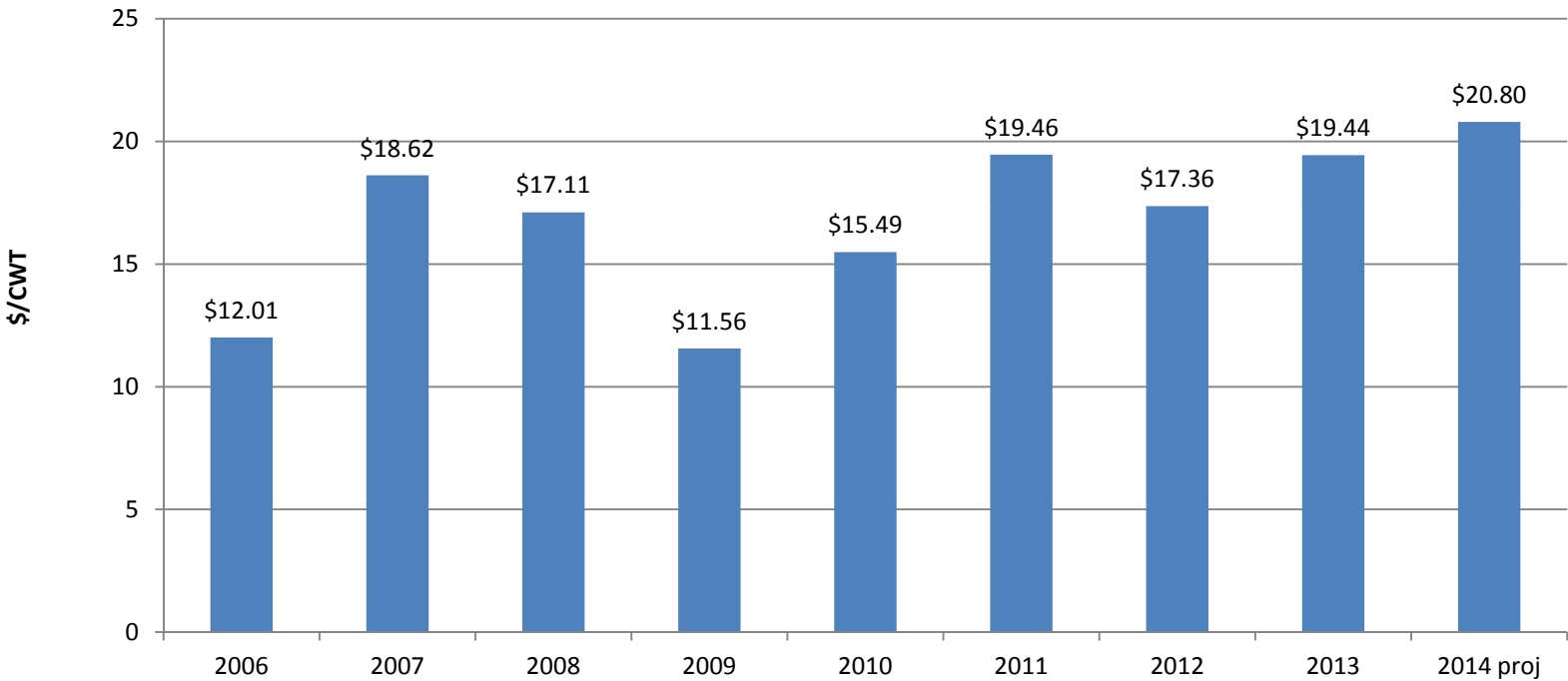
AZ Milk Production Per Cow per USDA's AZ Agricultural Statistics



*Milk production in Arizona was down year over year thru May, 2013.
3rd Quarter production per cow shows small increase.



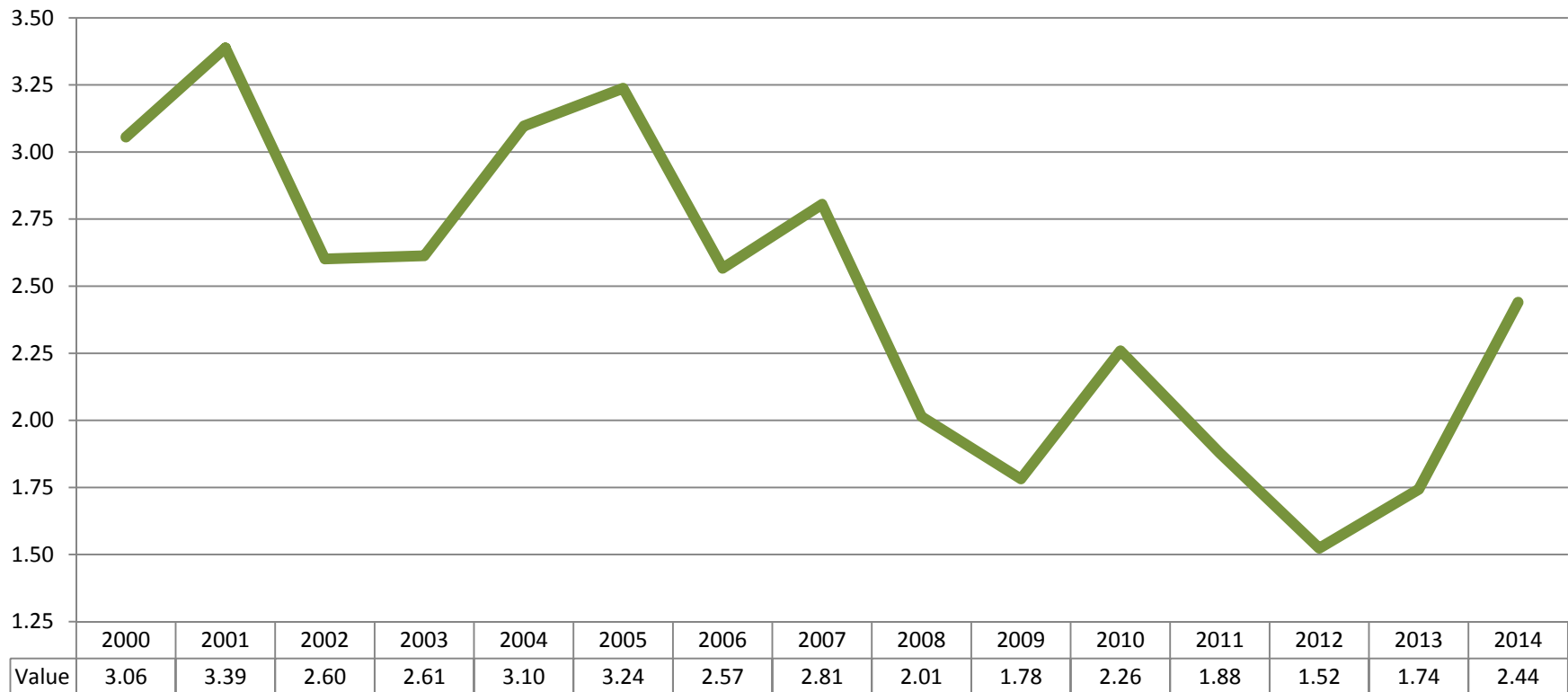
AZ Blended Milk Price 50-50 Blend Quota/Over Quota



Milk to Feed Ratio- US

- Measures how much feed can purchased with 1lb of milk
- Generally 2.5 or higher means profit/expansion, 2 or lower means contraction
- 2.44 in January, 2014

Milk-Feed Price Ratio - US



Arizona Dairy Values

- Current Dairy Values
- Saudi style facilities- Most recent sales
 - \$1,700 to \$2,737 per cow
- Conventional style dairies- no recent arm's length sales
 - \$1,000 to \$1,500 per cow?
- Values vary depending on housing and heifer facilities on-site



Rental Rates

- Rental rates steady
- \$10-\$17 per wet head/month
 - Conventional corral dairies make up lower end, Saudi shades and corrals the higher end
- Above average cow cooling, on-site housing and calf/heifer facilities command more rent per cow



Dairy Industry Outlook

- 2014 expected to be very profitable year
- Powder shortage and export market has increased milk prices significantly
- Drought in California affects feed supply

