

Arizona Dairy Market Trends



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



Dairy Industry Overview

- 2015 was generally not profitable
 - Milk price dropped in January, 2015
 - Exports lower due to stockpiles from 2014
 - Good news grain remained low, hay softened
- Deregulation in EU increased milk supply
- Bull calf prices \$400-\$450, price down to \$100-\$150 in early 2016.



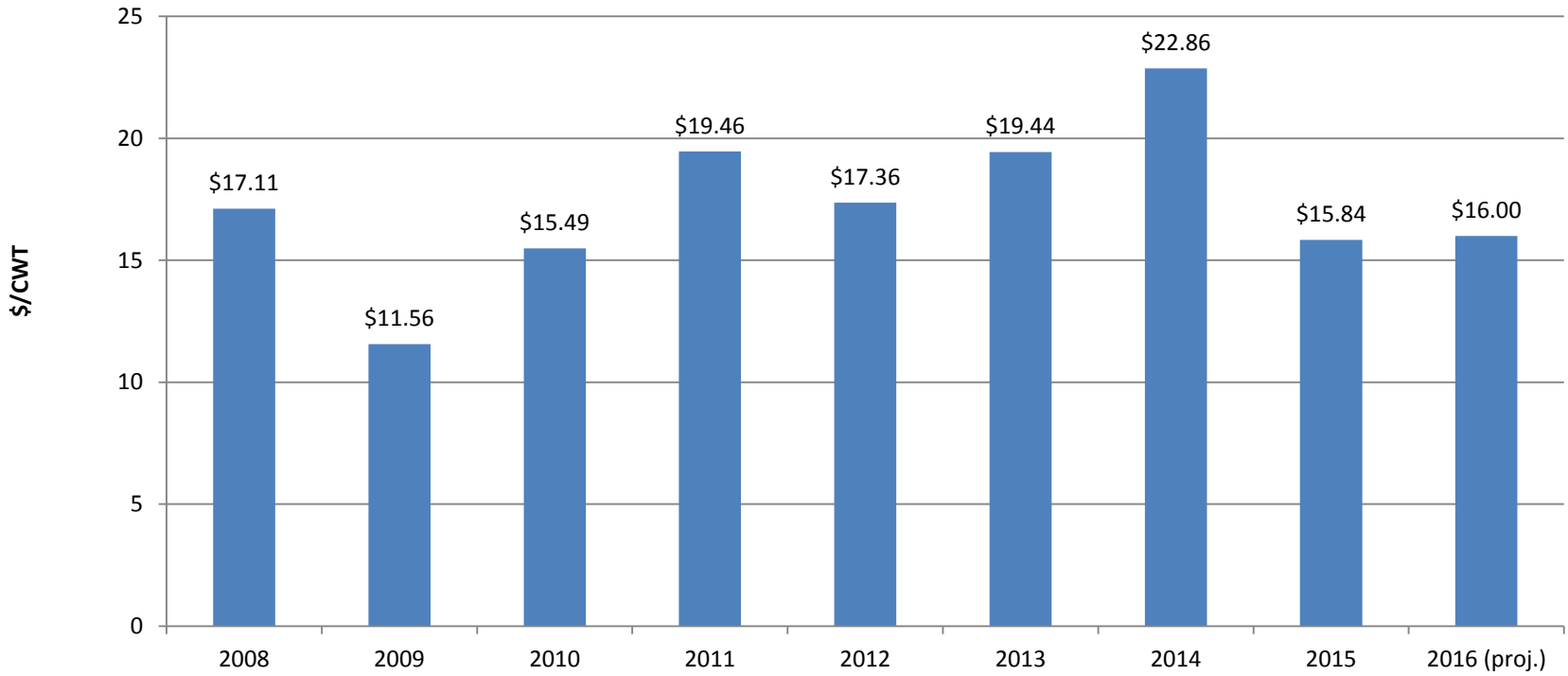
Dairy Income & Expense Trends

Data From Frazer, Frost LLLP's "Dairy Farm Operating Trends"

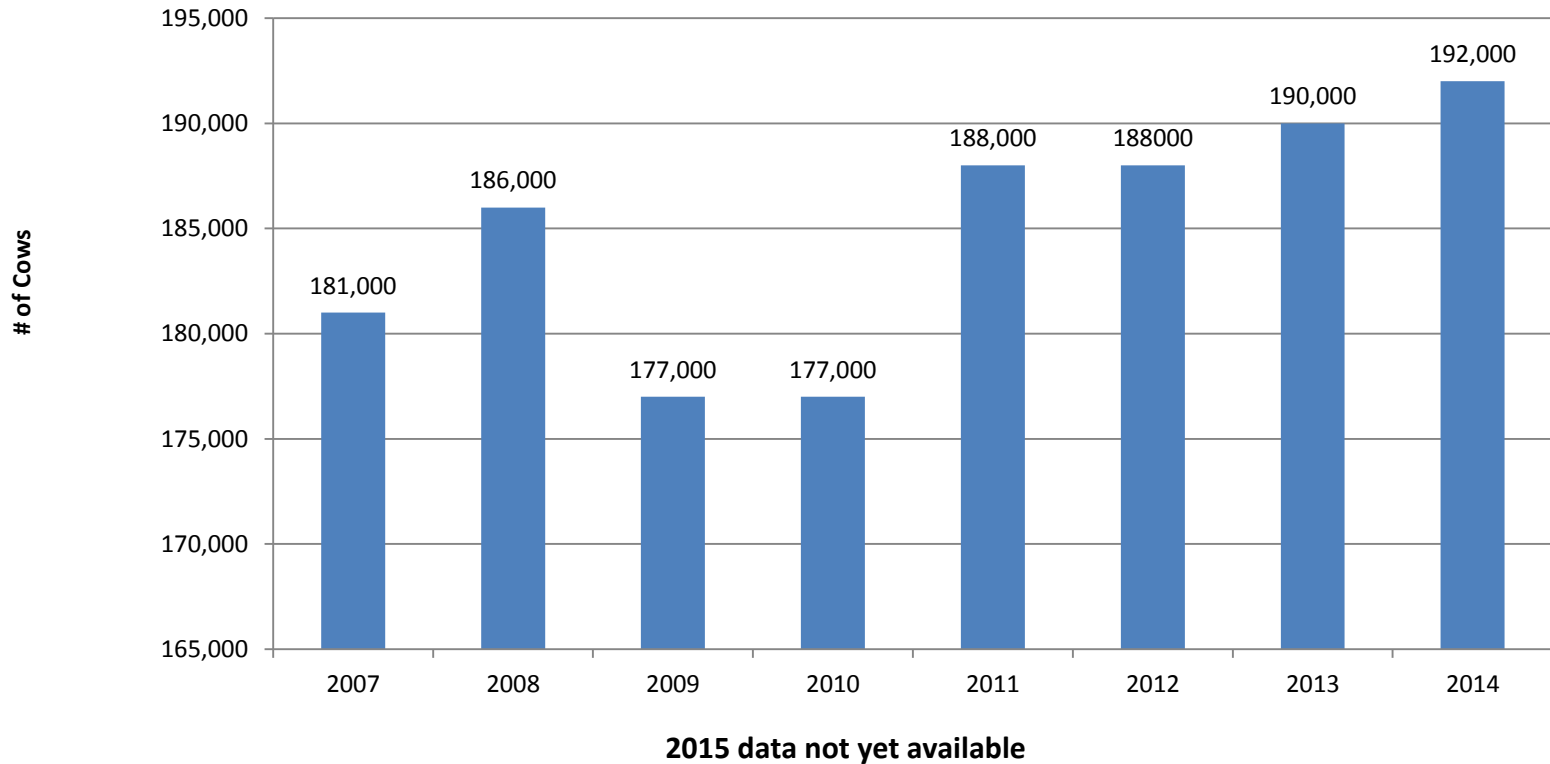
Income/ Cow	2010	2011	2012	2013	2014	2015 (1 st 6 months)
Milk	\$3,510	\$4,253	\$4,001	\$4,351	\$5,113	\$1,861
<u>Calves-other</u>	<u>22</u>	<u>54</u>	<u>67</u>	<u>80</u>	<u>263</u>	<u>173</u>
Gross Income/ Cow	\$3,532	\$4,307	\$4,068	\$4,431	\$5,376	\$2,034
Expenses/Cow						
Feed	\$1,549	\$2,180	\$2,490	\$2,527	\$2,350	\$1,175
Labor	334	343	411	408	451	205
Herd Repl.	316	265	221	221	151	74
<u>Other</u>	<u>1,036</u>	<u>1,098</u>	<u>1,001</u>	<u>1,068</u>	<u>1,163</u>	<u>521</u>
Total Ex.	\$3,280	\$3,886	\$4,123	\$4,224	\$4,15	\$1,975
Net Income/Cow	\$252	\$421	\$(55)	\$207	\$1,261	\$59



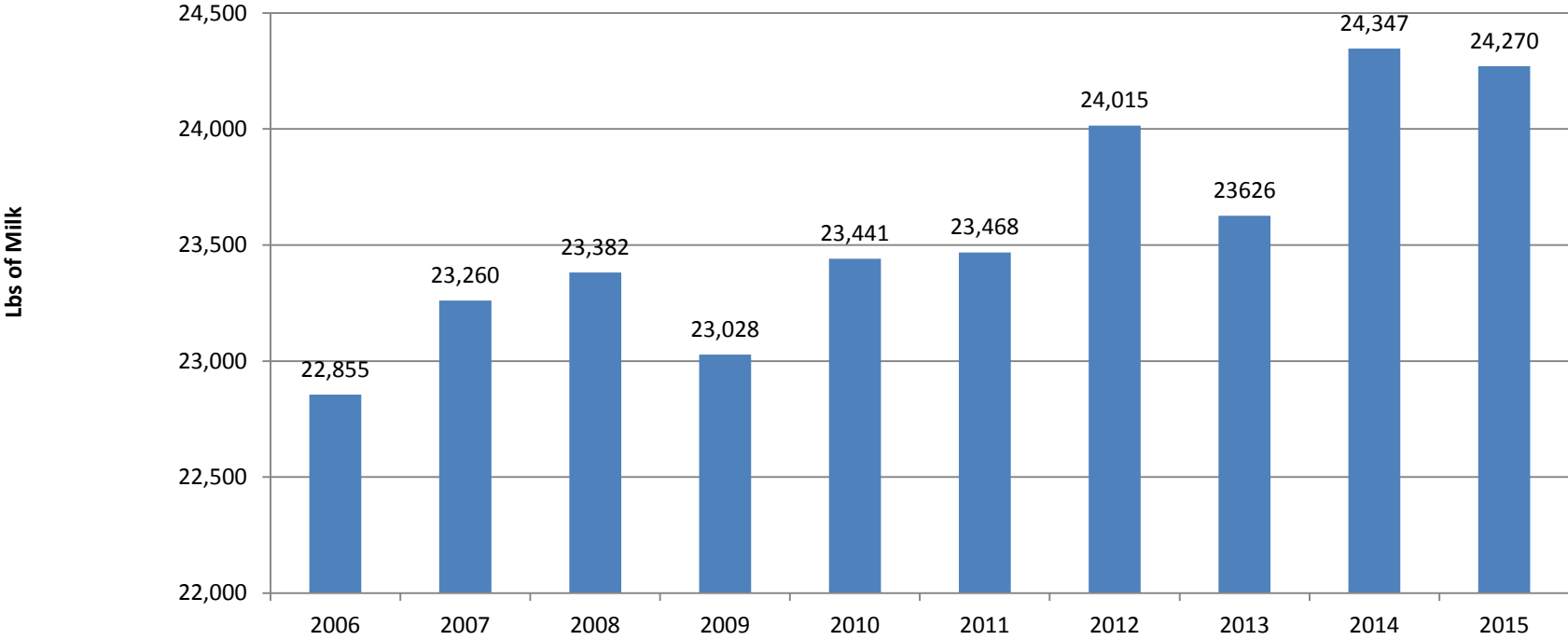
Blended Milk Price



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



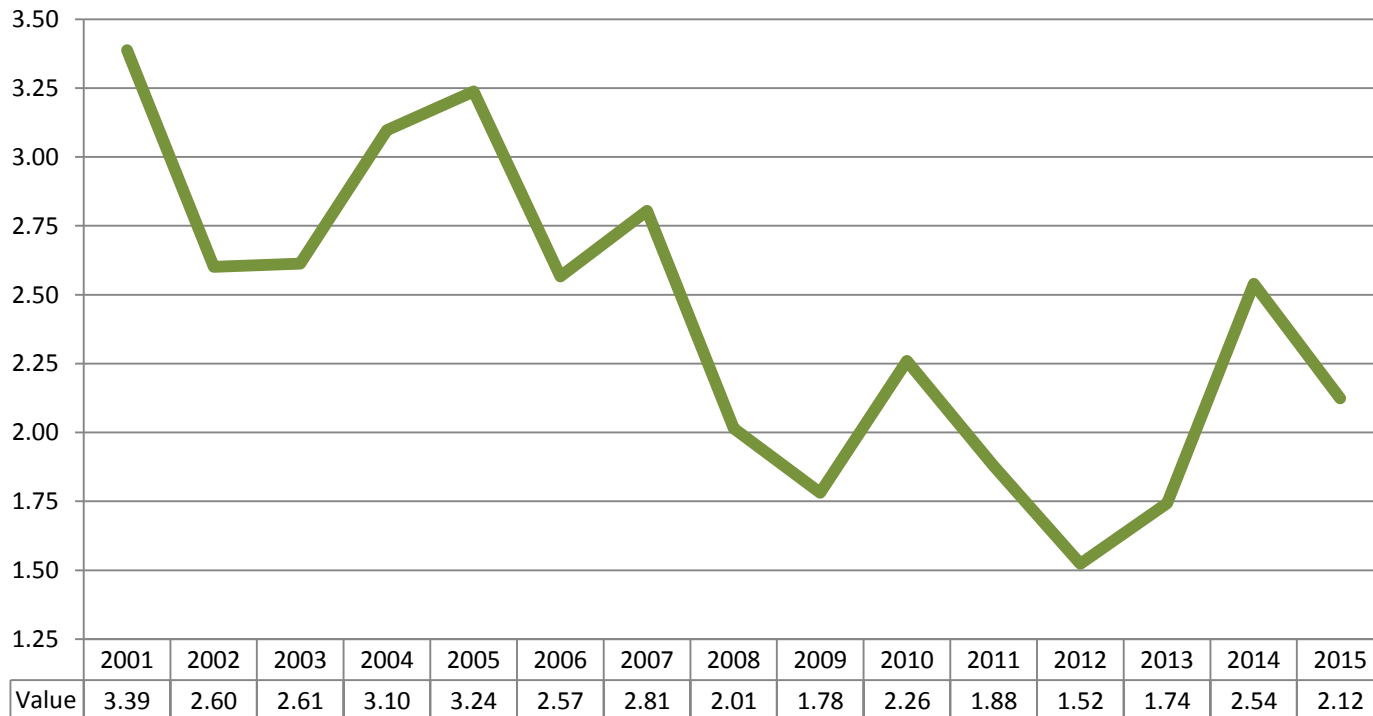
AZ Milk Production Per Cow per USDA's AZ Agricultural Statistics



Milk to Feed Ratio- US

- Measures how much feed can be purchased with 1lb of milk
- Historically 2.5 or higher means profit/expansion, 2 or lower means contraction
- Ratio was Lower in 2015.

Milk-Feed Price Ratio - US



Arizona Dairy Values

- Sales activity still limited
- Saudi style facilities
 - 4 Sales in 2010: \$1,700 to \$2,737 per cow
 - Only 2015 sale was large Cochise County dairy recent sold with very large land base
 - No recent sales
- Older conventional style dairies
 - No recent sales
 - Older sales for \$1,000 to \$1,500 per cow
- Values vary depending land base, replacement facilities and on-site housing



Rental Rates

- Rental rates remain steady
- Conventional dairies
 - \$8-13 per wet head/month
- Newer Saudi style dairies
 - \$15-\$17 per wet head/month
- Above average cow cooling, on-site housing and calf/heifer facilities command more rent per COW



Heifer & Cow Prices

- Day old Holstein heifer calves
 - \$400-\$500
- Holstein Springers and Cows stable
 - Averaging \$1,800-\$2,500



Dairy Industry Outlook

- 2016 outlook fair
 - Current price below breakeven. Some improvement 2nd part of year.
 - Current Class III futures \$13.84-\$14.86/cwt for 1st half of 2016
- Feed price and interest rates remain lower easing costs

