

Production and Processing Capacity, A Look at CA Dairy's Future



Michael Boccadoro
Executive Director
CCOA and Dairy Cares
(Moderator)



Mike McCullough
Professor & Sr.
Economist
Cal Poly, SLO &
ERA Economics



Katie Davey
Executive Director
Dairy Institute of
California



Mike McCully
President
McCully Consulting



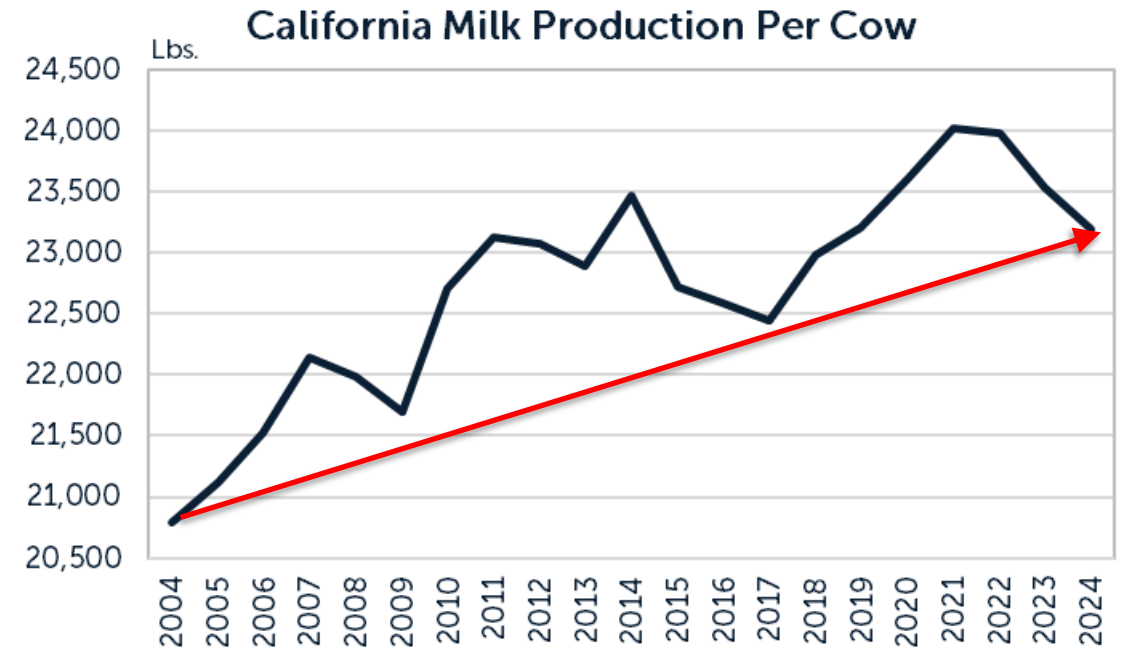
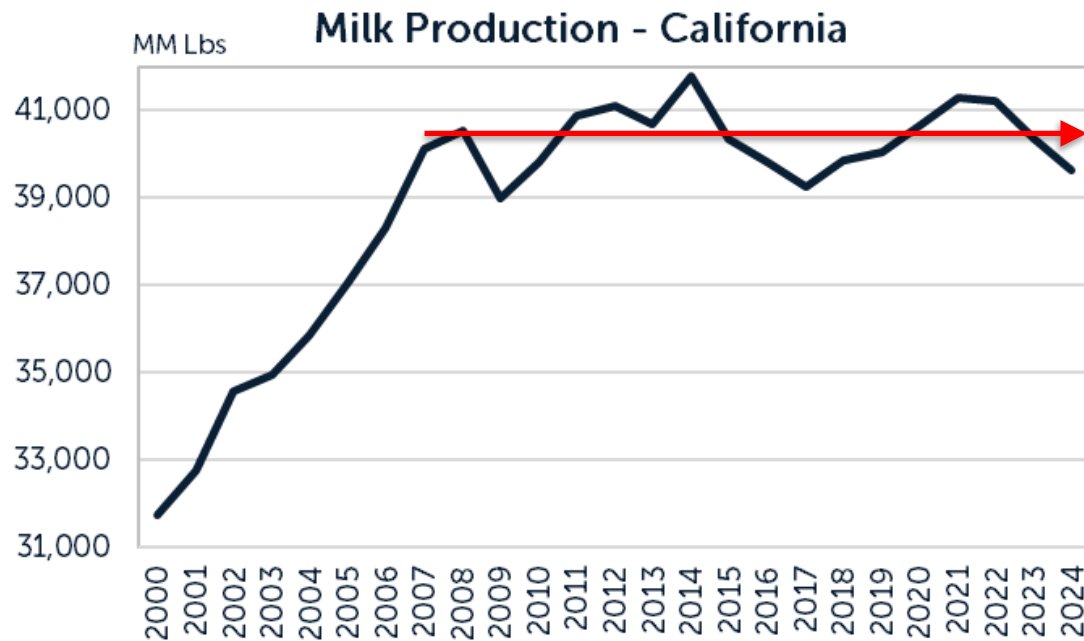
Milk Processing Outlook for California

California Creamery Operators Association
June 2025

- California milk production trends
- US dairy plant investments
- US dairy exports
- Outlook for California

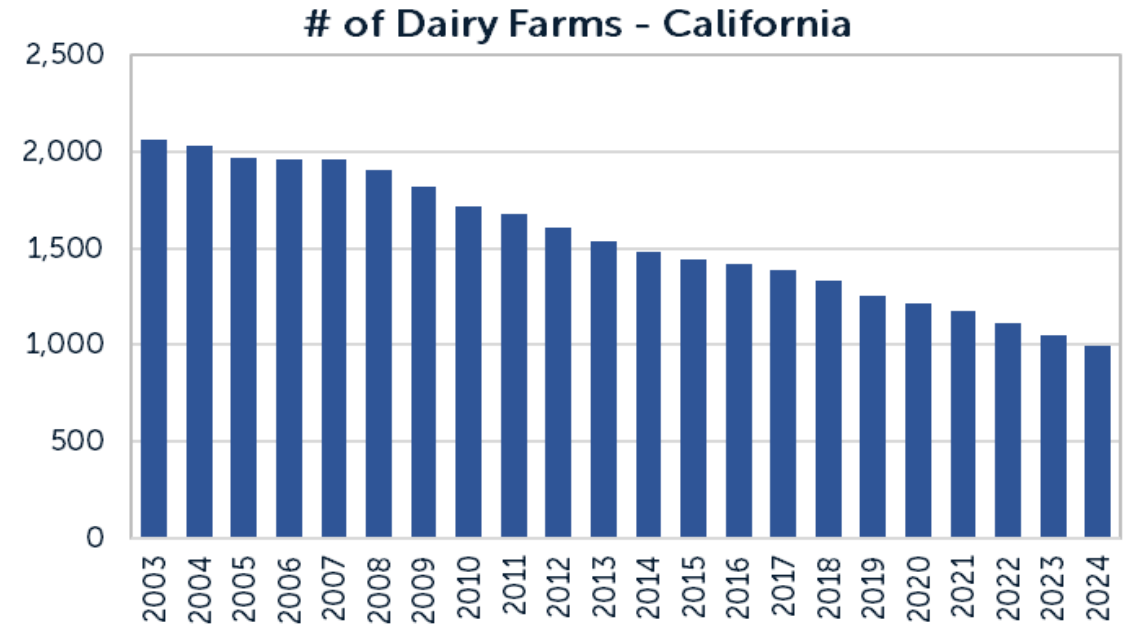
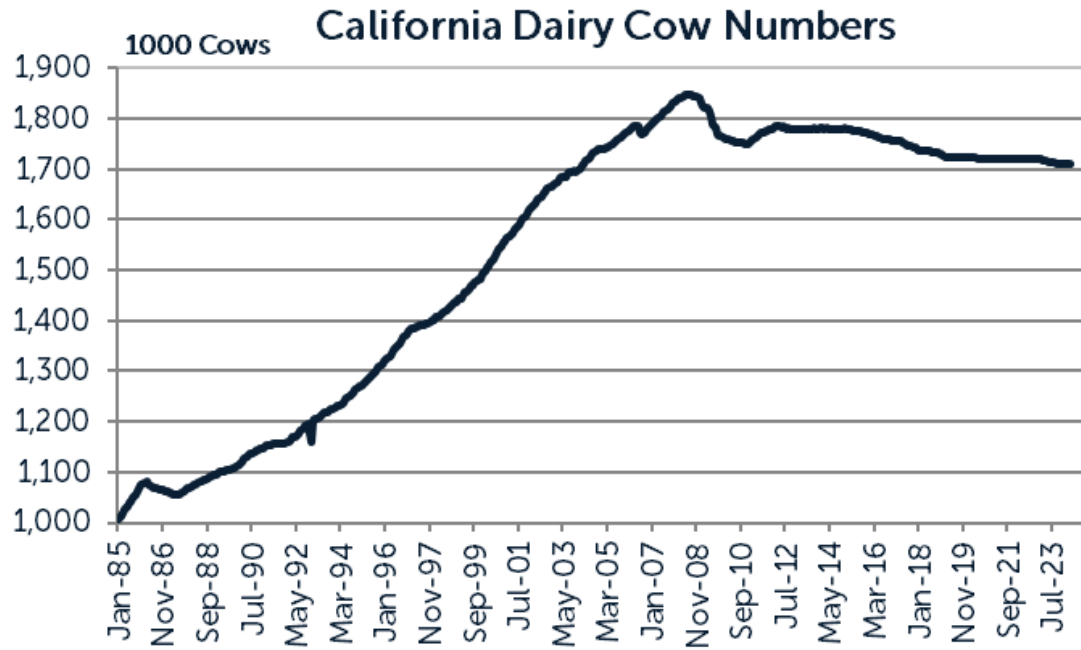
California Milk Production

- Milk production peaked in 2014; 2024 production was about equal to 2010
- Milk per cow increased only 2% over the last decade vs. an average increase of 8% for the US total (TX +16%, WI +12%)



California Milk Production

- Dairy cow numbers down 138K head from peak in July 2008
- Dairy farm numbers down 31% in the last 10 years (vs. 43% US average)
- Average dairy herd size has increased 483 head to 1,717 over the last decade

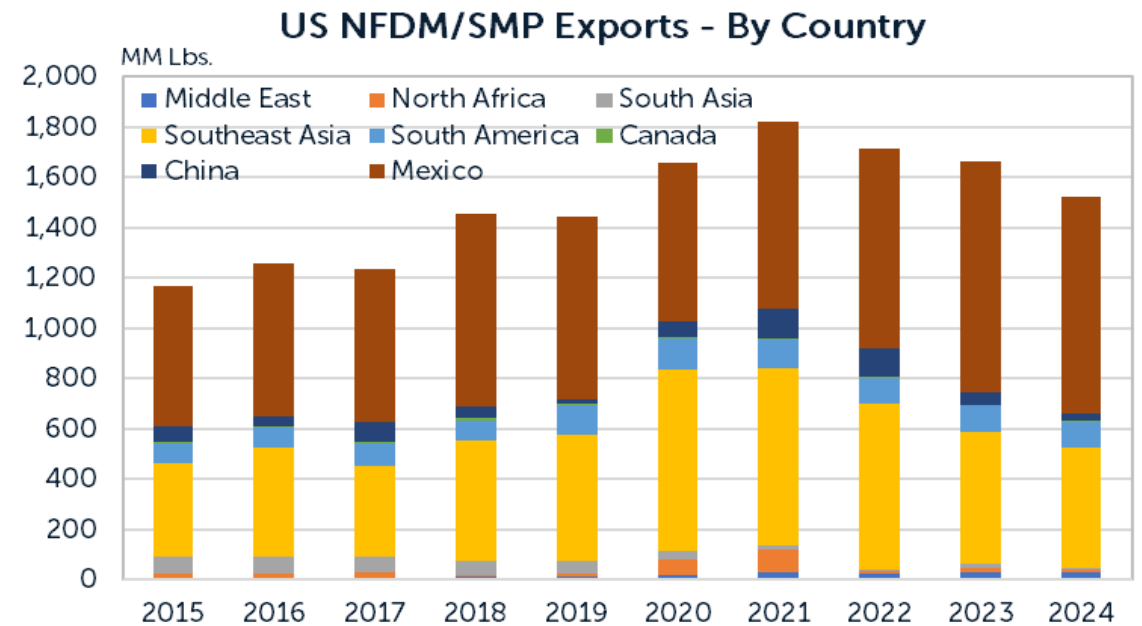
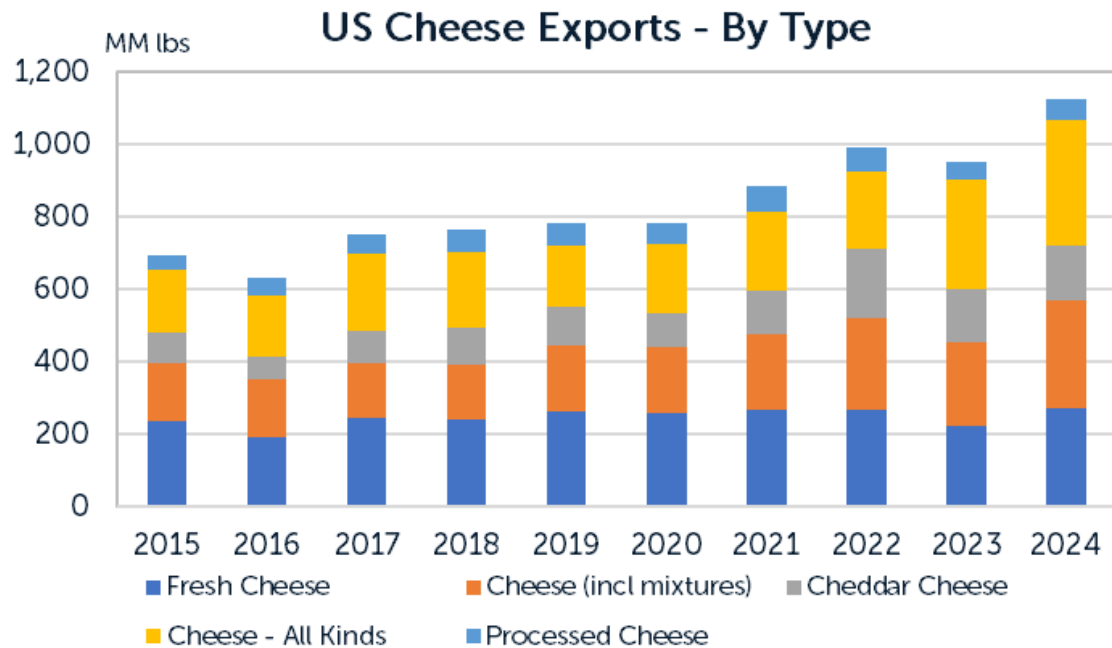


Major Milk Processing Plant Investments 2024-2027



Dairy Exports

- Cheese exports in 2024 set a new record at 1.125 billion lbs.
- Milk powder exports have dropped since 2021 with additional declines expected in 2025. In 2024, 88% of shipments went to Mexico and Southeast Asia.



Milk Supply

- Minimal to no growth in milk production
- Gains in milk per cow offset by lower cow numbers

Demand

- Increasingly harder for California plants to compete against new plants in the middle of the country
- California plants have the advantage shipping into export markets
- Plant infrastructure has focused on large volumes of commodity products
- New investments will need to focus on higher value products in select markets

California Dairies: Drivers of Consolidation, Attrition, and Industry Leakage

Michael McCullough, ERA Economics



Topics

Drivers of Consolidation, Attrition, and Industry Leakage

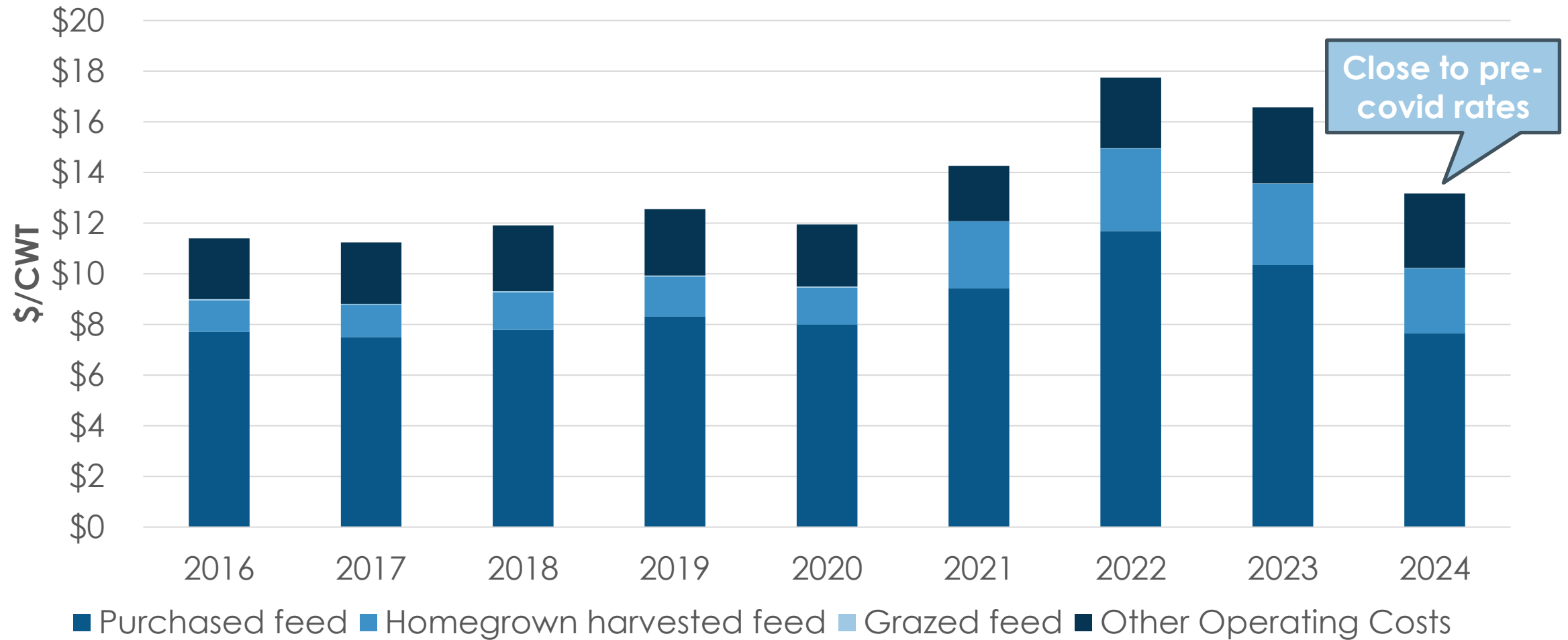
1. Input Costs

- Feed
- Energy

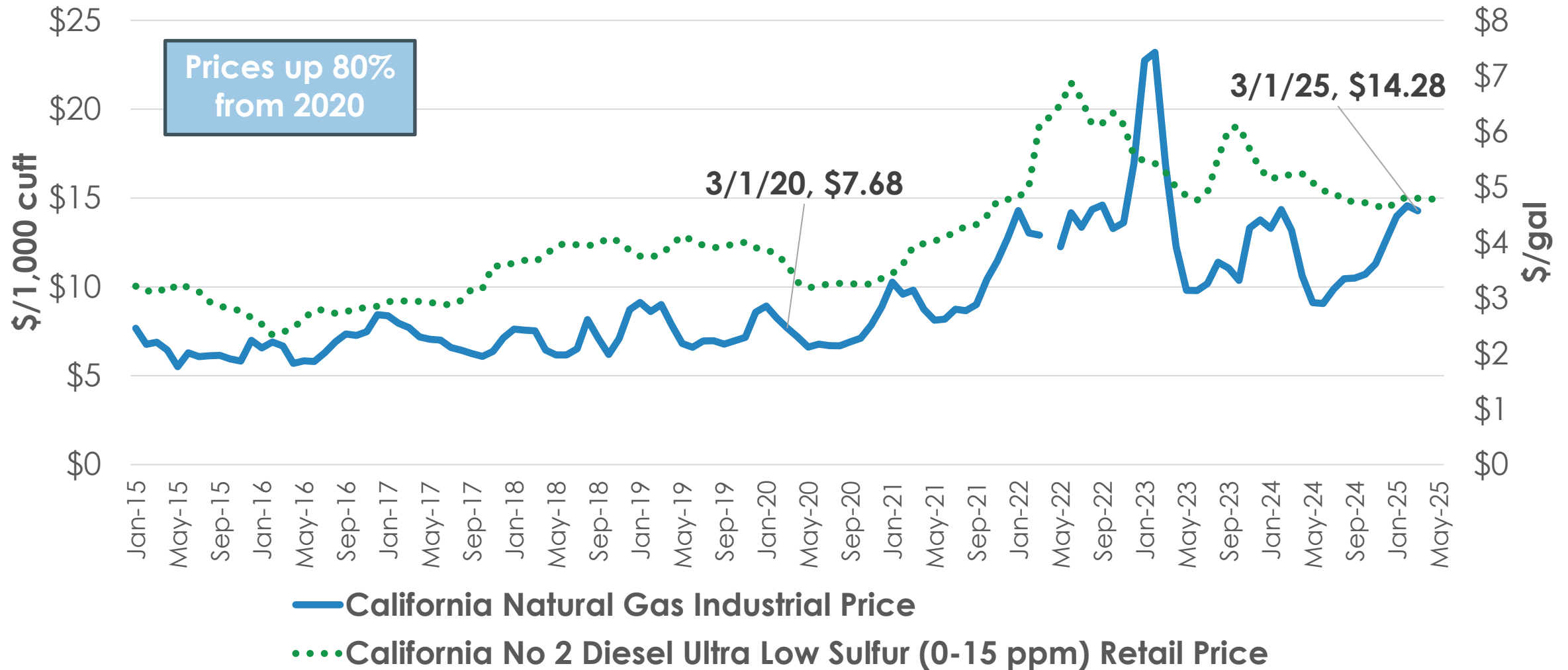
2. Evolving Regulatory Costs

- Sustainable Groundwater Management Act
- GHG Emission Reductions (SB 1383)

Feed & Other Operating Costs



Fuel and Energy Cost



Evolving Laws and Regulations

Water Quality

Draft General Dairy Order (WQ XX)

Waste Management Plan (WMP)

Nutrient Management Plan (NMP)

CV Salts

Air Quality

Conservation Management Plan (CMP)

Methane Emission Reductions (SB 1383)

Truck and Bus Regulation (SB 1)

Low Carbon Fuel Standard (LCFS)

Labor Related

Overtime Pay (AB1066)

Minimum Wage (SB 3)

Healthy Workplace, Healthy Family Act (AB 1522)

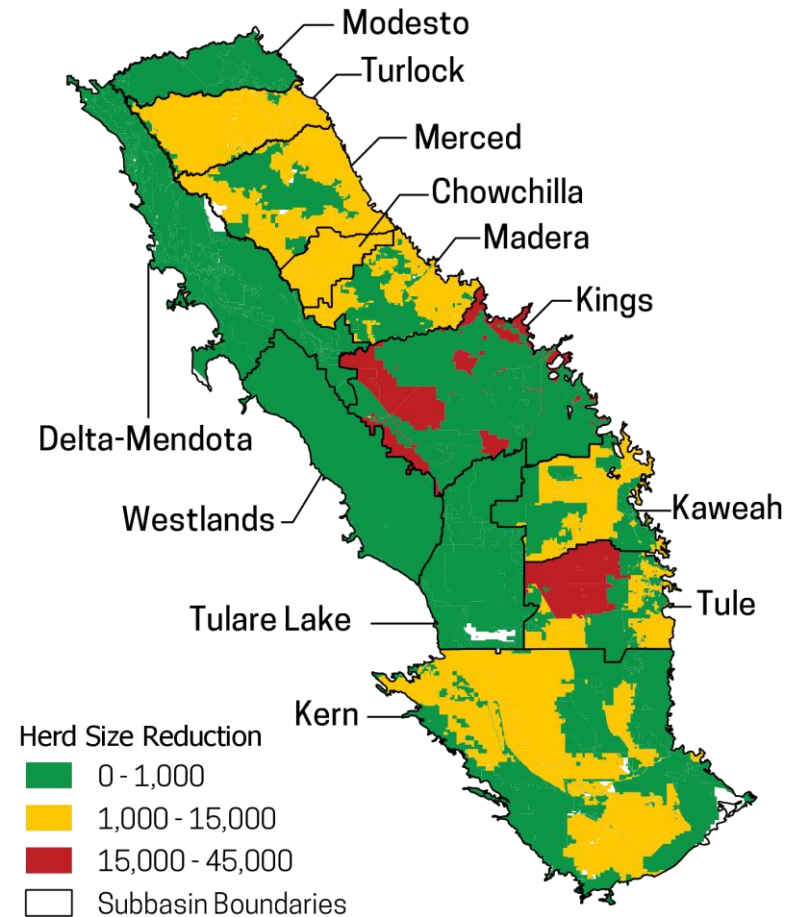
Water Quantity

Sustainable Groundwater Management Act (SGMA)

Sustainable Groundwater Management Act

Herd Size Impacts: 2040

Region	Head Reduction	Percent Reduction
Modesto, Turlock	10,000	8%
Delta Mendota, Merced, Chowchilla, Madera	31,700	25%
Kings	17,000	13%
Tulare Lake, Kaweah	6,600	5%
Tule	58,400	45%
Kern	5,400	4%
Total	129,100	10%



GHG Emission Reductions (SB 1383)

40% reduction in manure methane by 2030

- Cost of emission reduction tech is expensive
 - Expected herd size reduction of 40,000 – 80,000 cows
- Cost of tech per cow higher for small dairies
 - More likely to exit, expected herd decrease of 20 – 25%

Policy leakage

- For every 10 cows leaving CA, herd size in rest of U.S. increases by 7
- GHG emissions increase in these other states
- Processing facilities under construction throughout the U.S.

Closing Remarks

Increasing input & regulatory costs are driving consolidation, attrition, and policy leakage

- Large farms are insulated from input price volatility
- GHG emission reducing tech not viable for small farms
- Small farms more likely to exit California
- Other states increasing processing capacity as dairy production moves out of California
 - GHG emissions move out of California as well



A LOOK AT CA DAIRY'S FUTURE

Katie Davey, Executive Director, Dairy Institute of California

- **California Dairies, Inc. (CDI)**

- New manufacturing plant, Valley Natural Beverages, in Bakersfield
- The facility is 200,000 square feet with 3 processing lines and will process an estimated 116,000 gallons of ESL and UHT milk a day
- Expansion plans for up to 400,000 square feet with 10-12 processing lines and processing up to 600,000 gallons of milk a day
- The current facility has 90 full-time employees with plans for expansion in the future



NEW PLANT

- **Shehadey Family Foods**
 - Acquired Super Store Industries in Turlock dairy manufacturing facility
 - Now Mid Valley Family Foods
- **Sartori**
 - Acquired California-based Rumiano Cheese
 - Expand product portfolio and market presence with Rumiano's organic lines
 - Platform for growth in the West
- **Master's Gallery**
 - Acquired Rumiano's converting and distributing facility
 - West Coast expansion of operations and service to customers
- **Sigma**
 - Acquired Los Altos, Southern CA Hispanic Cheese and Cream Maker
 - First plant on West Coast, enhances existing production network
- **Platinum Equity**
 - Acquired Horizon Organic and Wallaby Organic from Danone



ACQUISITIONS



INVESTMENT

- **Shehadey Family Foods**

- Producers Fresno Facility:

- \$15 M electrical heating and cooling infrastructure project for our plant. This also includes installation of new boilers for emission compliance and efficiency
- \$1 M in additional wastewater treatment infrastructure.
- \$600,000 investment to supply tankers for ingredients to other valley manufacturers

- Producers Fairfield Facility:

- \$6.5 M corrugated boxing operation

- Total spend: Approximately \$23 M

- **Lactalis**

- \$55 M investment in Tulare facility to increase feta cheese line capacity
- Largest Lactalis feta production line in the U.S.
- Facility build out will be 380,000 square feet

- **Joseph Farms**

- \$6 M to replace refrigeration system in Atwater plant

Production and Processing Capacity, A Look at CA Dairy's Future



Michael Boccadoro
Executive Director
CCOA and Dairy Cares
(Moderator)



Mike McCullough
Professor & Sr.
Economist
Cal Poly, SLO &
ERA Economics



Katie Davey
Executive Director
Dairy Institute of
California



Mike McCully
President
McCully Consulting



Presenting



LOOK FOR THE SEAL.
RealCaliforniaMilk.com



GE VERNOVA

Platinum



Hospitality



Gold



Silver



Bronze

