

The Dairy Industry in Merced County, California *

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No one would deny that the dairy industry in Merced County California is significant. At county level, Merced dairy industry is the top agricultural commodity. Considering the State and National levels, Merced County is the 2nd primary production after Tulare County. Compared to other countries, Merced produces almost 30% of the milk yielded by countries such as Argentina, Australia, Canada, or New Zealand. One of the biggest units for cheese production in the world, it is here in Merced. In addition to this, dairy farmers are implementing state of the art technologies. For instance, a commercial robotic milking system (probably unique in the world) for over 2,000 lactating cows and one of the largest methane digester to produce electricity with manure from dairy cows has been installed recently in Merced County. These examples clearly indicate a trend; dairy industry people in Merced are prepared and looking to the future. To discuss some ideas of the forthcoming in the dairy industry, it is necessary to review information from at least three aspects: the trends in the USA and world markets of dairy products, the dairy policies of subsidize, and the possible impact of the new environmental regulations at farm level.

Local and international publications indicate that there is a general positive view of the dairy markets for the near future. Most of the reviewed reports indicate that the local market and the world markets for dairy products are likely to remain firm. The primary export markets of the USA are China, Japan, Mexico SE Asia and Canada, countries which have stable economies and high demand for dairy products. The world demand for dairy products is projected to slightly increase in the next years. As populations grow and spending power rises in developing countries, demand for dairy products increases. Most of these countries has deficit of milk and infrastructure to produce high value dairy products to meet its own demands. In other words, local and international markets for dairy products have an excellent perspective for the near future.

Probably one of most complex issue in the agricultural world today are subsidizes. In all rounds of WTO, subsidizes are on the discussion table. There is a strong pressure to decrease subsidizes in developed countries. The dairy remains one of the last subjects of protectionism in almost all developed countries. The Global Dairy Alliance, an association comprising 17 agricultural exporting free trade promoting countries, including milk producers and processors, is permanently pressing for a substantial dairy reform. The aim of this group is to reduce the various forms of subsidies, which currently support the world dairy trade. As a result, the WTO disciplines limit subsidized exports of dairy products, and the flow of commercial unsubsidized exports has grown significantly. In the near future, dairy policy around the world is likely to continue the trend, reinforcing less government involvement and more competition. But, the question is, can intensive dairy systems compete with low inputs grazing systems. Probably not, however, there are some advantages to explore. For example, intensive dairy systems can duplicate the feed conversion compared to low inputs grazing systems. A typical efficiency in an extensive grazing dairy farm is about 0.9 to 1.3 kg of fat corrected milk per kg of dry matter intake. There are examples in Merced County of dairies averaging 1.8-1.9 kg of milk/kg of dry matter intake, and this numbers can be improved. High milk production efficiency and high

quality products should be the key variables to be competitive in the global world. This is where dairy industry in the Central Valley should be moving on.

In order to describe what dairy farms will be like in the future, there are two very clear tendencies to consider. Dairy production systems all over the world are characterized by a concentration process. The milk will be produced with a lower number of dairy farms and an increased number of cows/ farm. Since the Central Valley of California follows the same trends, it is likely that the main characteristics of the dairy farms in Merced County will be large scale and very high yielding dairy cows, where environmental regulations will be the main restriction for the expansion of many dairies. Dairy farms in Merced will have to adopt a totally controlled systems in term of nutrient balances (manure management and feeding management). The whole nutrients balances will be as important as economical balances. Therefore, every dairy farmer will need to understand the significance of this limit and work on whole nutrient balances. Under these conditions, the two main challenges in the near future for dairy producers will be (1) how to feed animals averaging 140-150 lbs milk/day maintaining good animal health, reproduction, and minimizing nutrient excretion; and (2) how to identify an appropriate balance between environmental stewardship and dairy farm profitability. Many of these are research and extension problems, which involve today professionals from the University of California, Davis. Moreover, private consultants will play a very critical role working close to specialists and extensionists to help dairy producers. The future is challenging and many changes are coming, but there are no doubts that Merced County will keep its place in the local and world Dairy Industry.

* *The Merced County Farm News. Merced County Farm Bureau. Saturday, June 11, 2005.*