

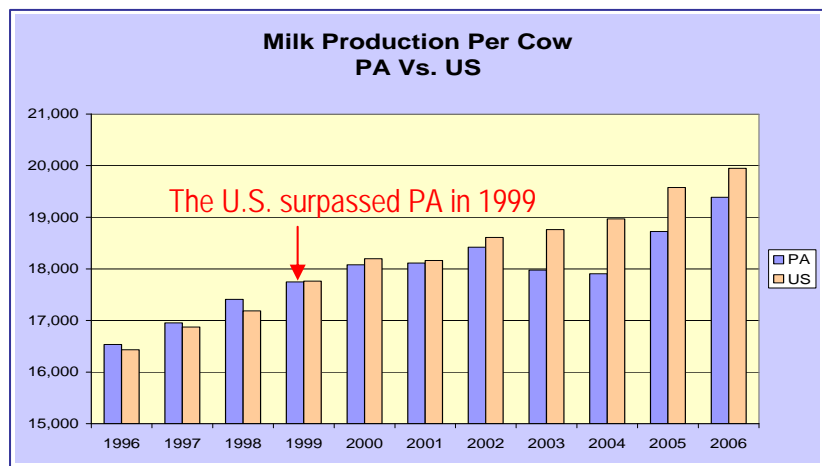
OVERVIEW OF DAIRY INDUSTRY

In 2007 Pennsylvania ranked 5th nationally in total milk production, coming in behind California, Wisconsin, New York and Idaho. The Commonwealth's 550,000 cows produce 10.68 billion pounds of milk, with the state's annual production per cow at 19,422 pounds. The state ranks 15th in milk production per cow.

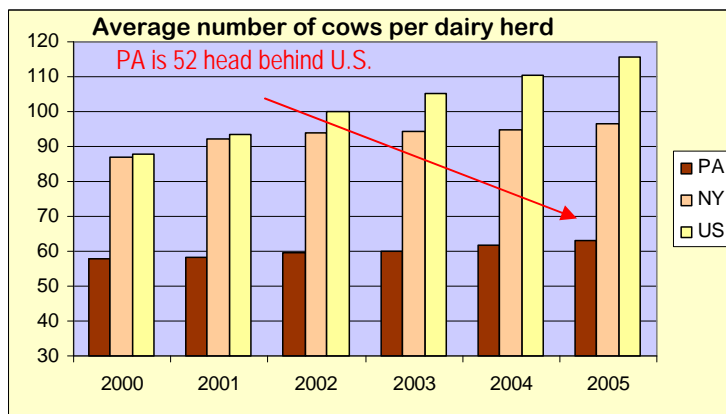
The dairy industry is the key economic driver in Pennsylvania's agriculture industry, the Commonwealth's leading economic enterprise. Dairy generates \$1.6 billion in cash receipts each year, contributing to 42 percent of the state's agricultural receipts. The dairy industry also generates 40,000 jobs in the commonwealth. Research estimates that roughly 85% of the dairy farmer's total income is spent locally, making dairy farms a significant contributor to the local economy.

National perspective

The nation's dairy herd has shrunk by 2.8 percent in the past 10 years, while the U.S.'s total milk production has grown by more than 15 percent. At the same time, Pennsylvania's dairy herd has decreased by 15 percent, while the state's total milk production has grown by 3.5 percent. Much of the growth nationally has come from the west, with California up 48% and New Mexico up 82% during the same time period.



Pennsylvania has shown significant increases in milk production per cow. However, the state hasn't kept pace with the national increase in milk production per cow. In the past 10 years, the U.S.'s annual average has increased by 21 percent to 19,949 pounds in 2006, while the commonwealth's milk production per cow has grown by 15 percent to 19,390 pounds. In 1996, Pennsylvania's milk production per cow was actually above of the national average by 103 pounds annually.



than 100 cows. In Pennsylvania, herd sizes are also increasing, at 63 head per farm in the state in 2006, although the state still has one of the smallest herd size averages in the nation. Pennsylvania is second next to Wisconsin in the number of dairy farms, with the commonwealth home to more than 8,500 dairies.

The number of dairy farms in the nation continues to decline at roughly 6 percent per year, while cow numbers decline at just 0.5 percent per year. That's largely due to the fact that herd sizes continue to grow, with dairy farms with more than 500 cows now having 44 percent of all of the cows in the U.S. Less than 25 percent of the U.S. dairy herd lives in herds less