


Perspectives on the New York and Global Dairy Industries

Edward Gallagher

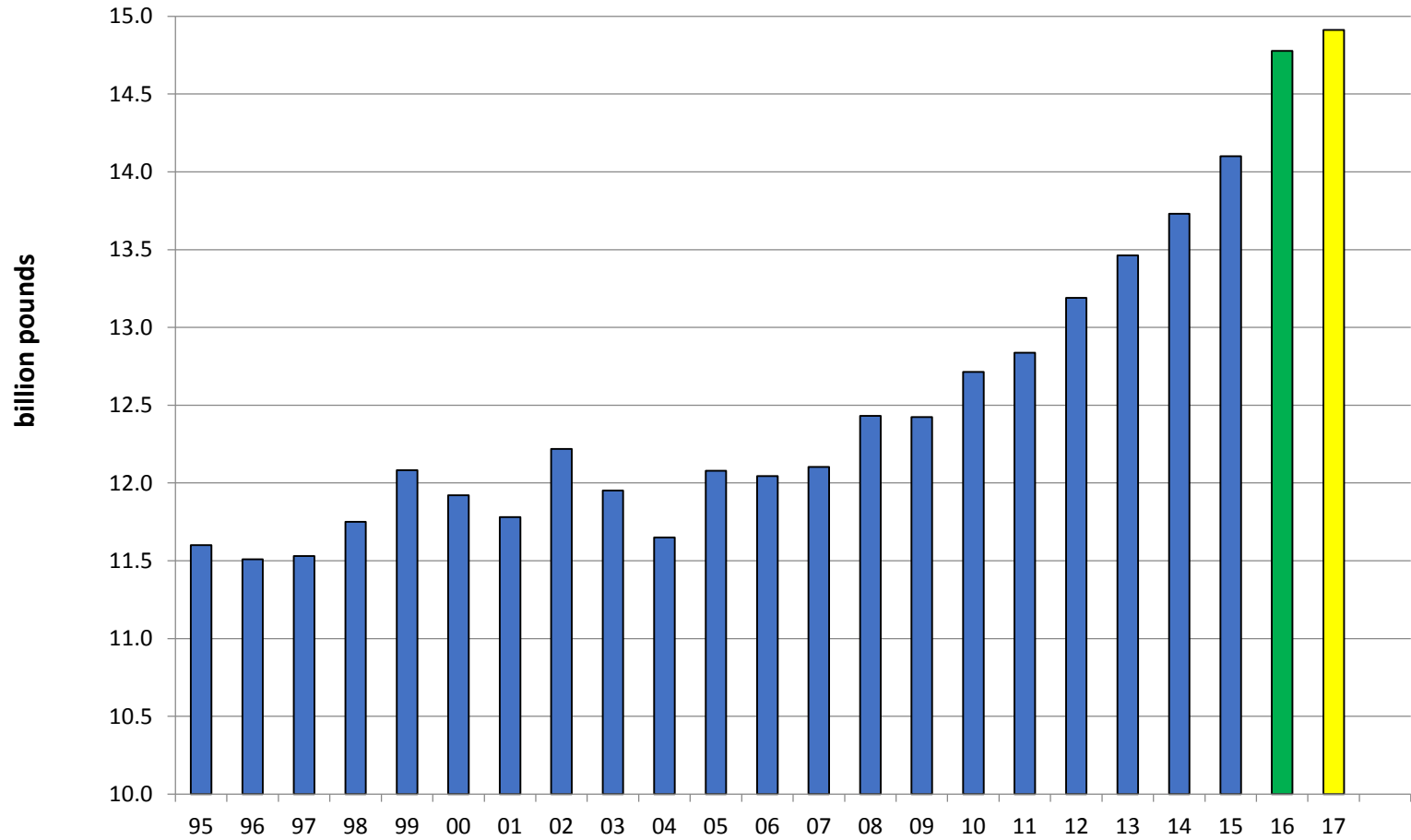
President, DFA Risk Management

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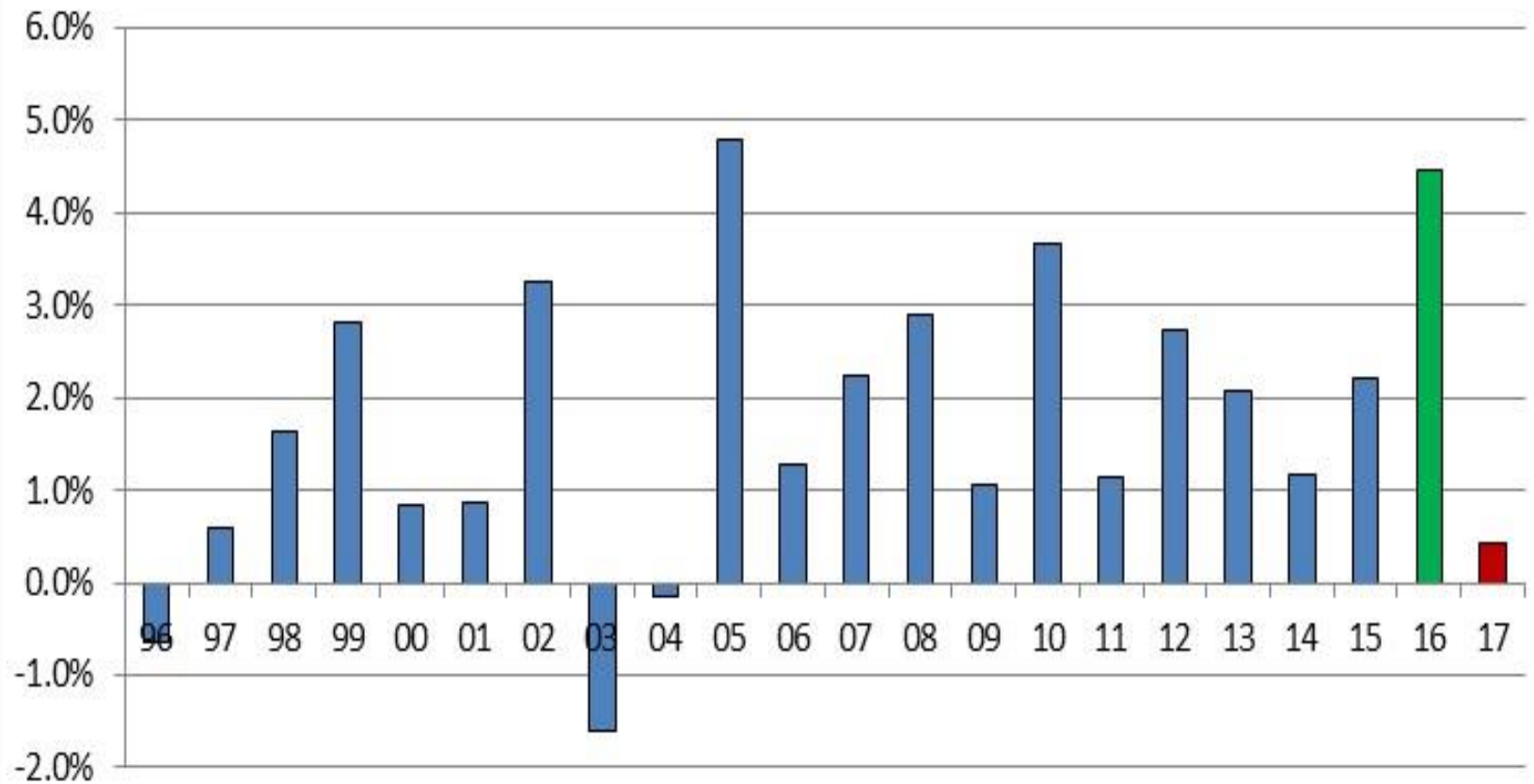
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New York Milk Production



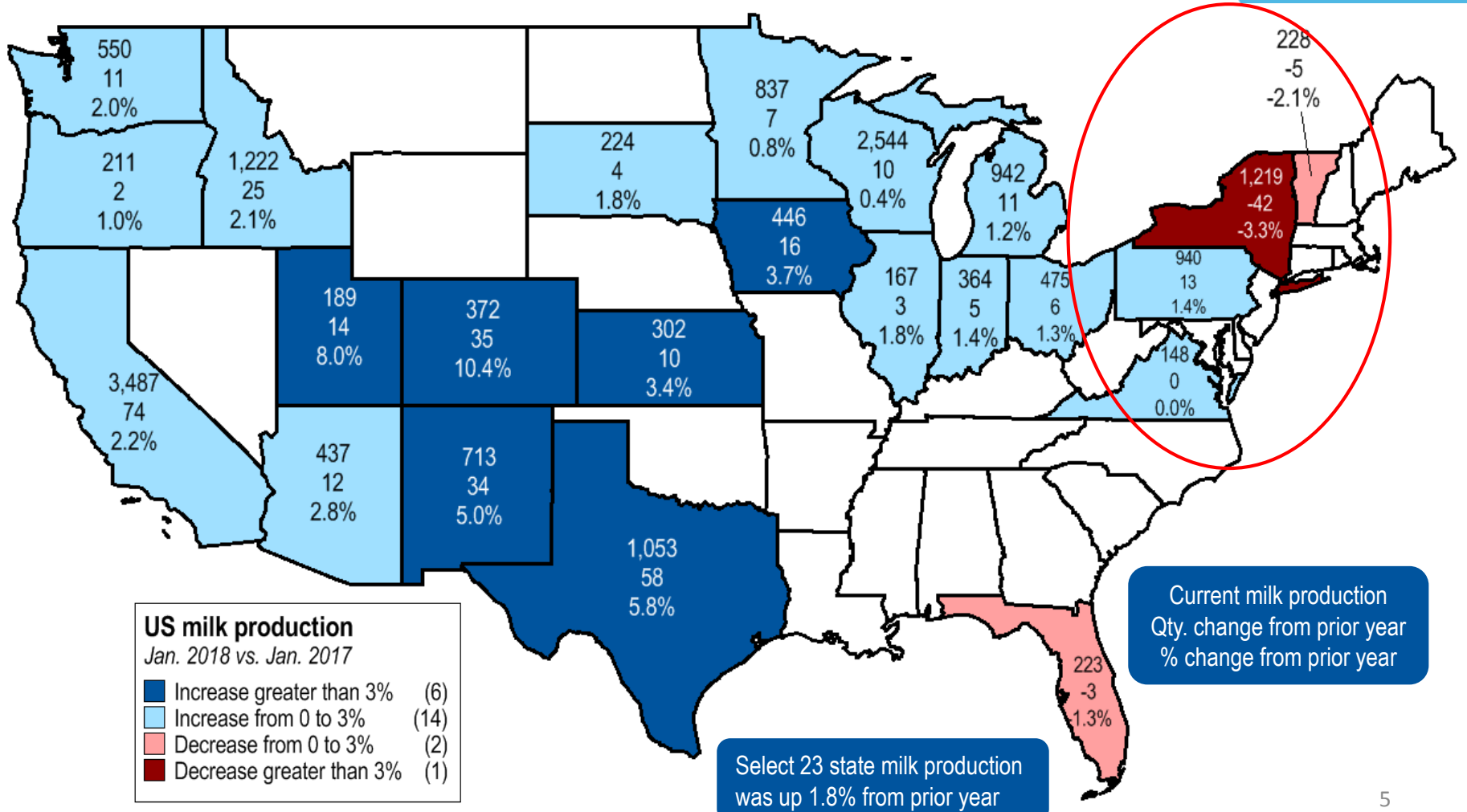
New York Milk Production Per Cow

Percent Change from Year Earlier



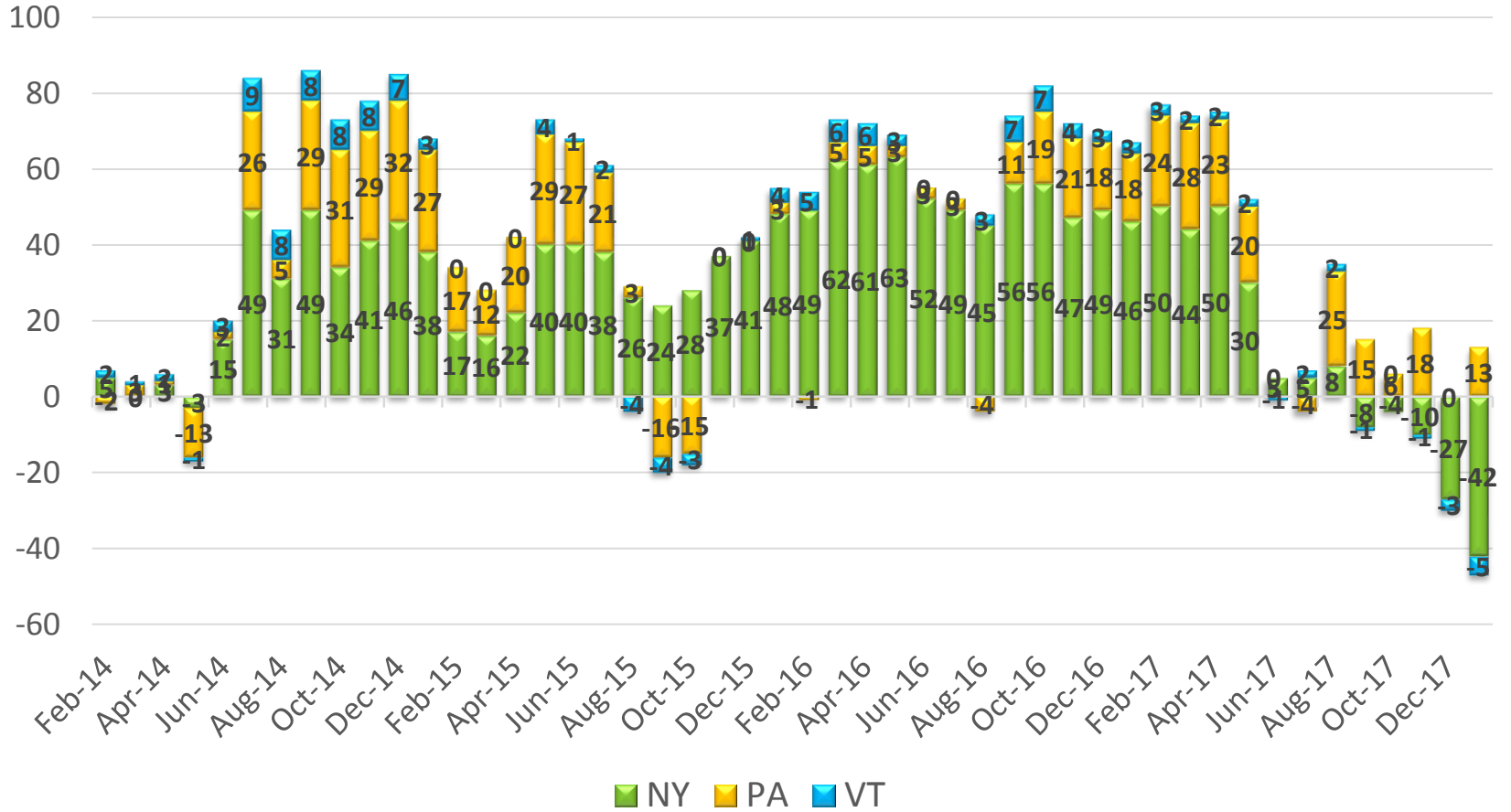
US milk production

January 2018 vs. January 2017 (million pounds)



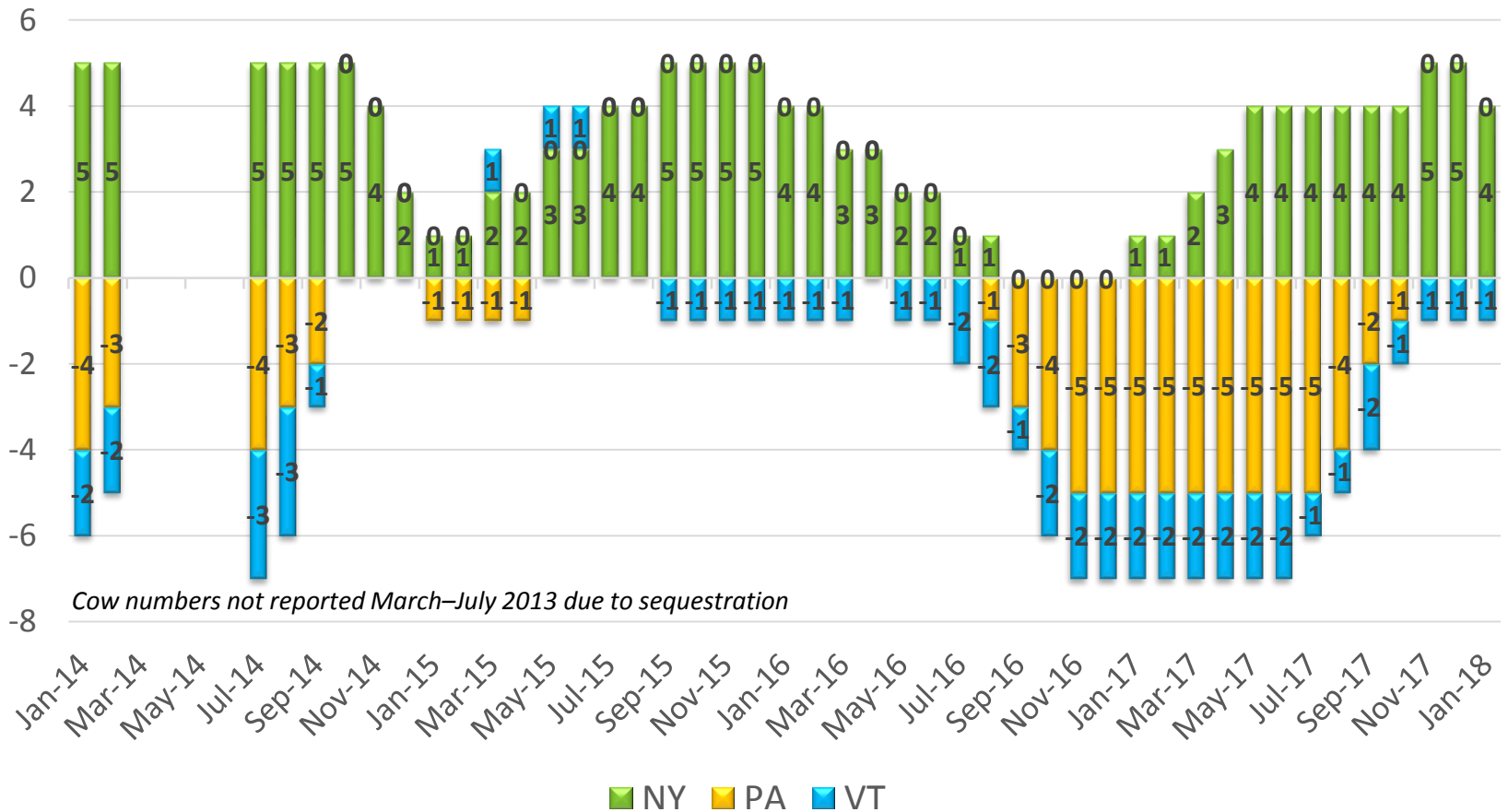
Northeast Milk Production

Million of Pounds This Year Compared to Previous Years

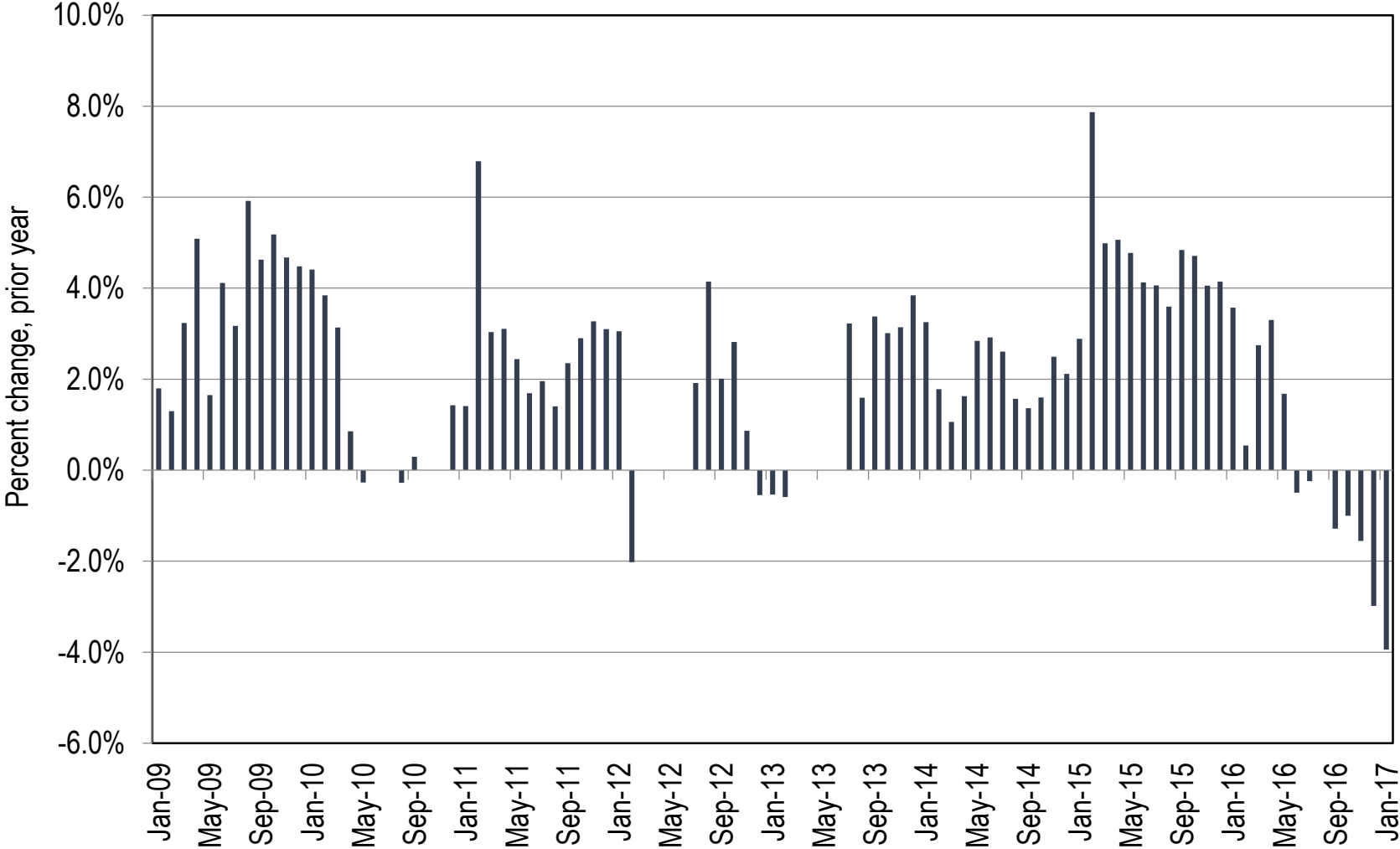


Northeast Cow Numbers

Thousands of Cows This Year Compared to Previous Years



New York milk per cow, change from prior year



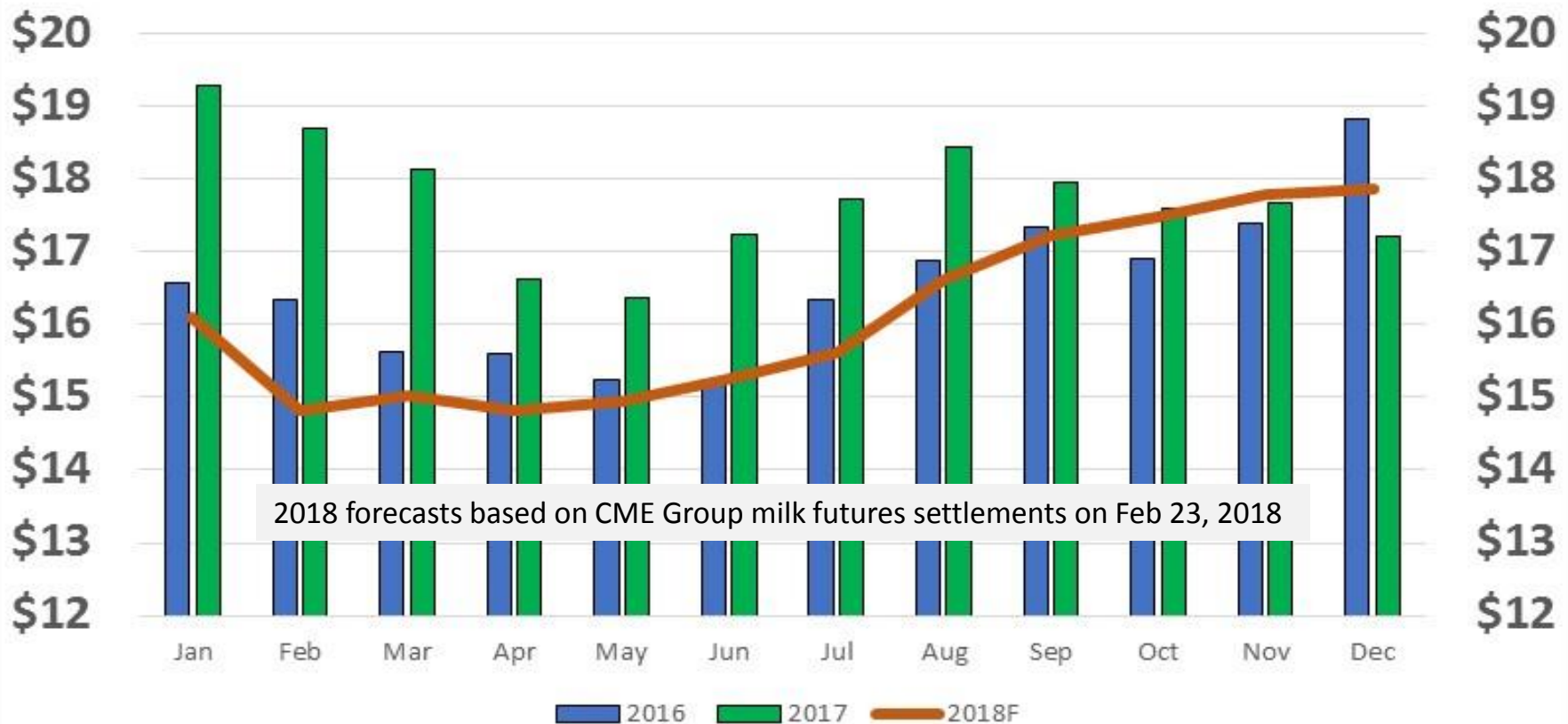


Dairy farm economics



Today's outlook

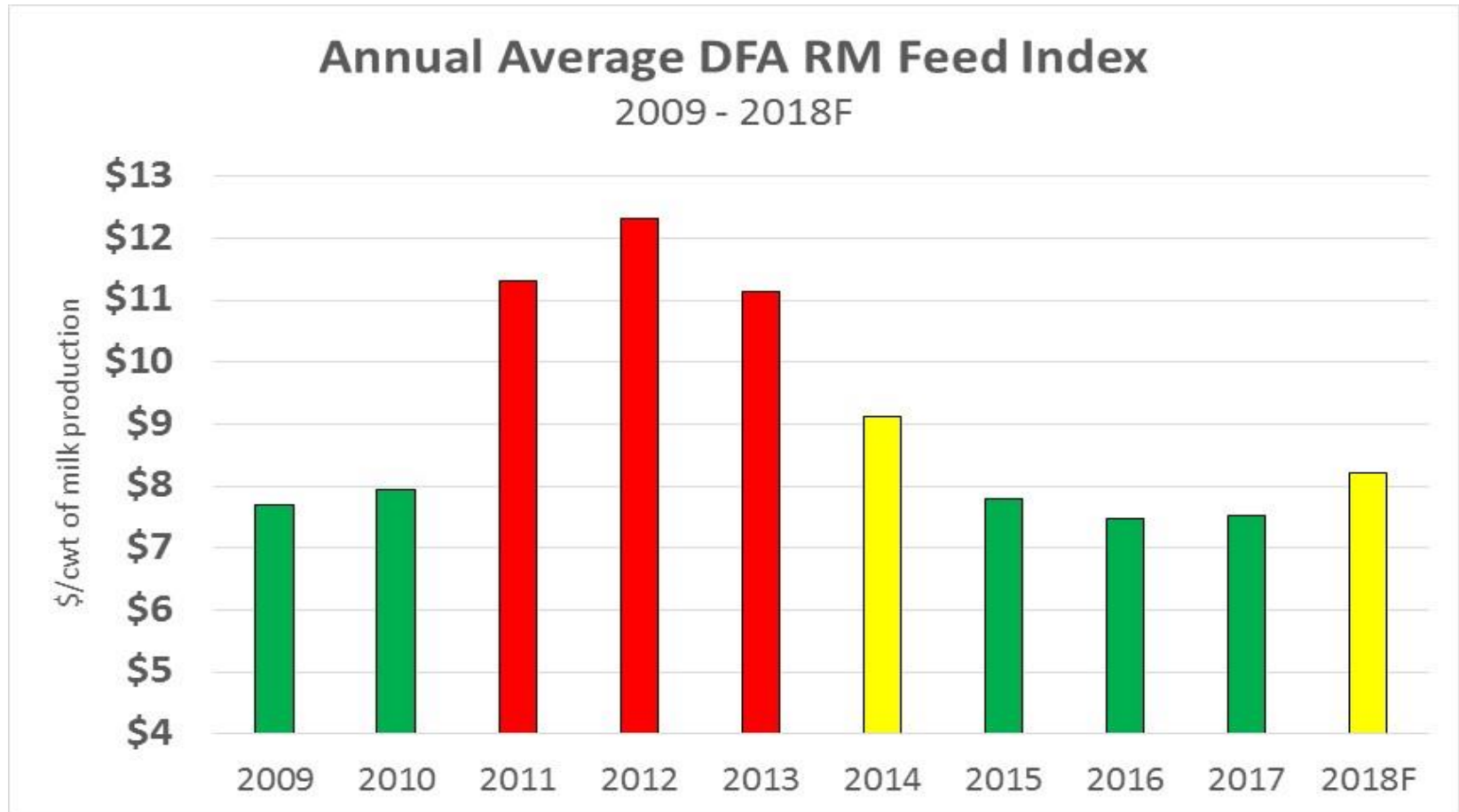
CNY, NVT, NPA Gross Milk Prices



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Forward contract price and delivery indications listed above, if any, are based on recent market activity for the respective underlying commodity and are not actual forward contract offers. The prices above, if any, are subject to change and reflect only the base price of the commodity and do not include any additional overages, premiums, freight or other adjustments. This email contains confidential information and should be maintained confidentially between DFA and the recipient of this chart.

Slightly higher but moderate feed prices

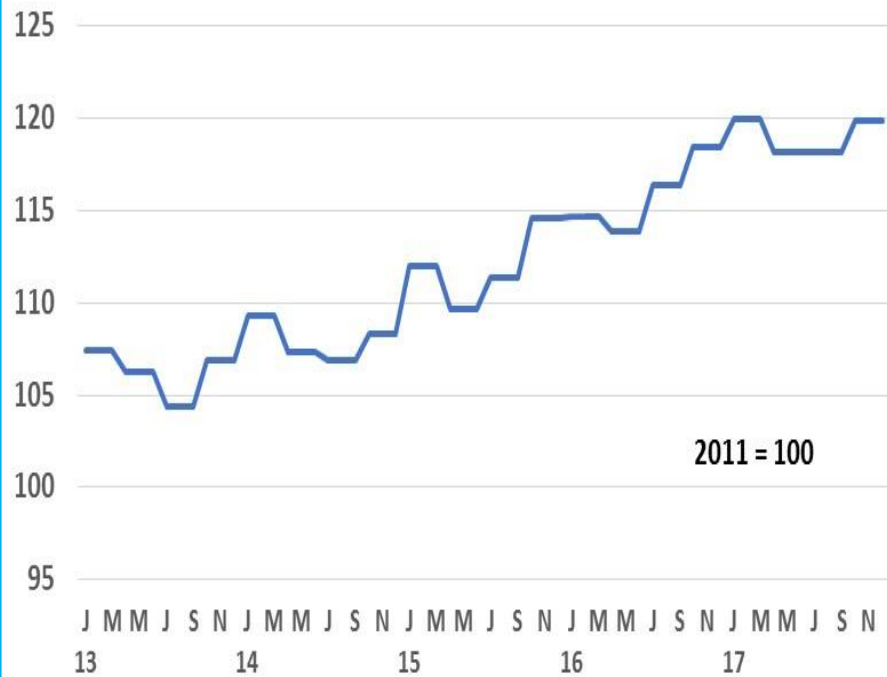


Forecast based on CME Group futures settlements on February 23, 2018

Wage inflation occurring in agriculture

US Agricultural Prices Paid Wage Index

Jan 2013- Dec 2017



The U.S. Is Running Out of Truckers

The supply isn't rising, so freight prices will soar and cut down demand. That's bad for the whole economy. - Bloomberg 2/9/18

US Gov 10Y Treasury Yields



Rabobank



WTI Crude Nearby

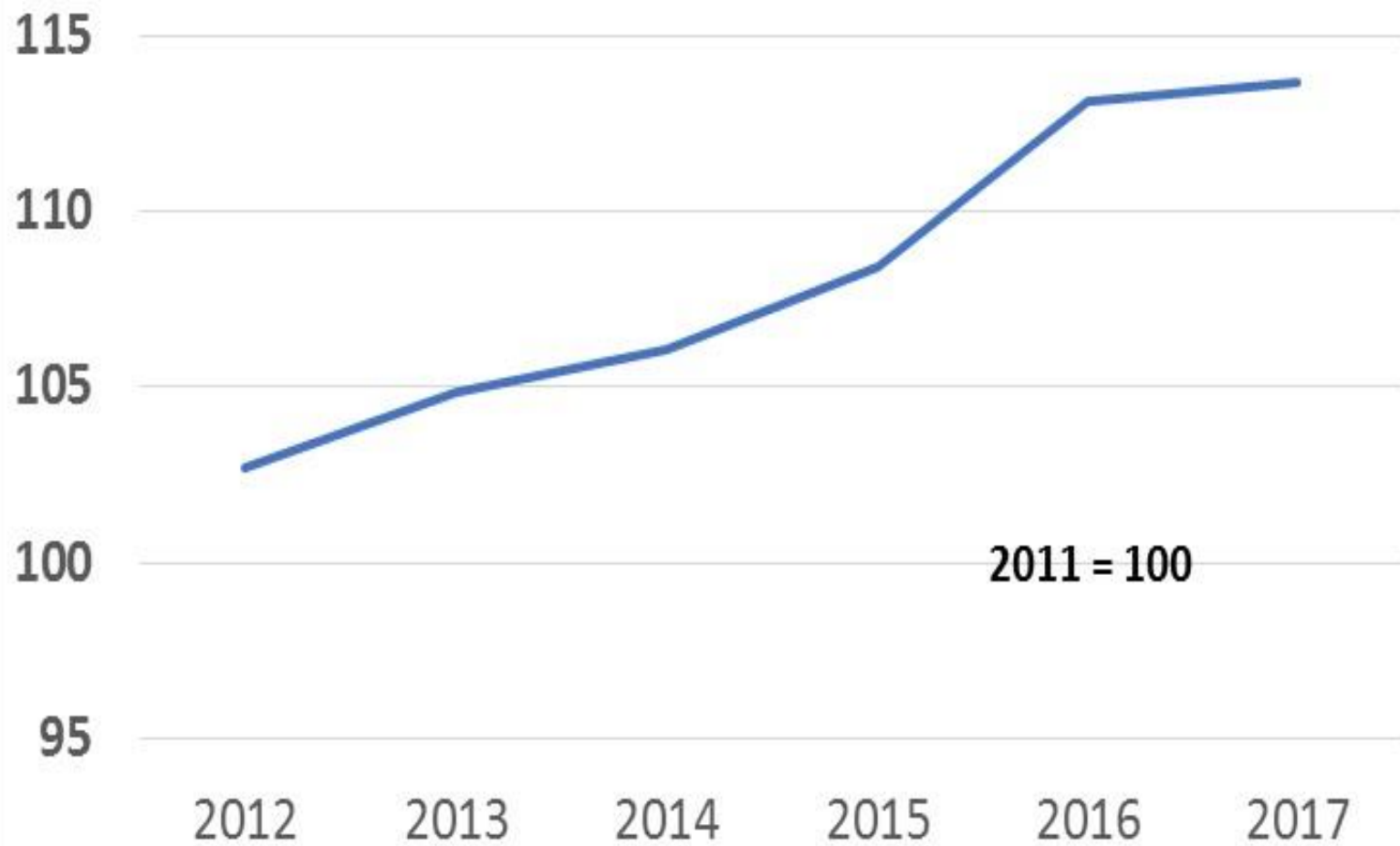


Rabobank



Charts as of February 12, 2018

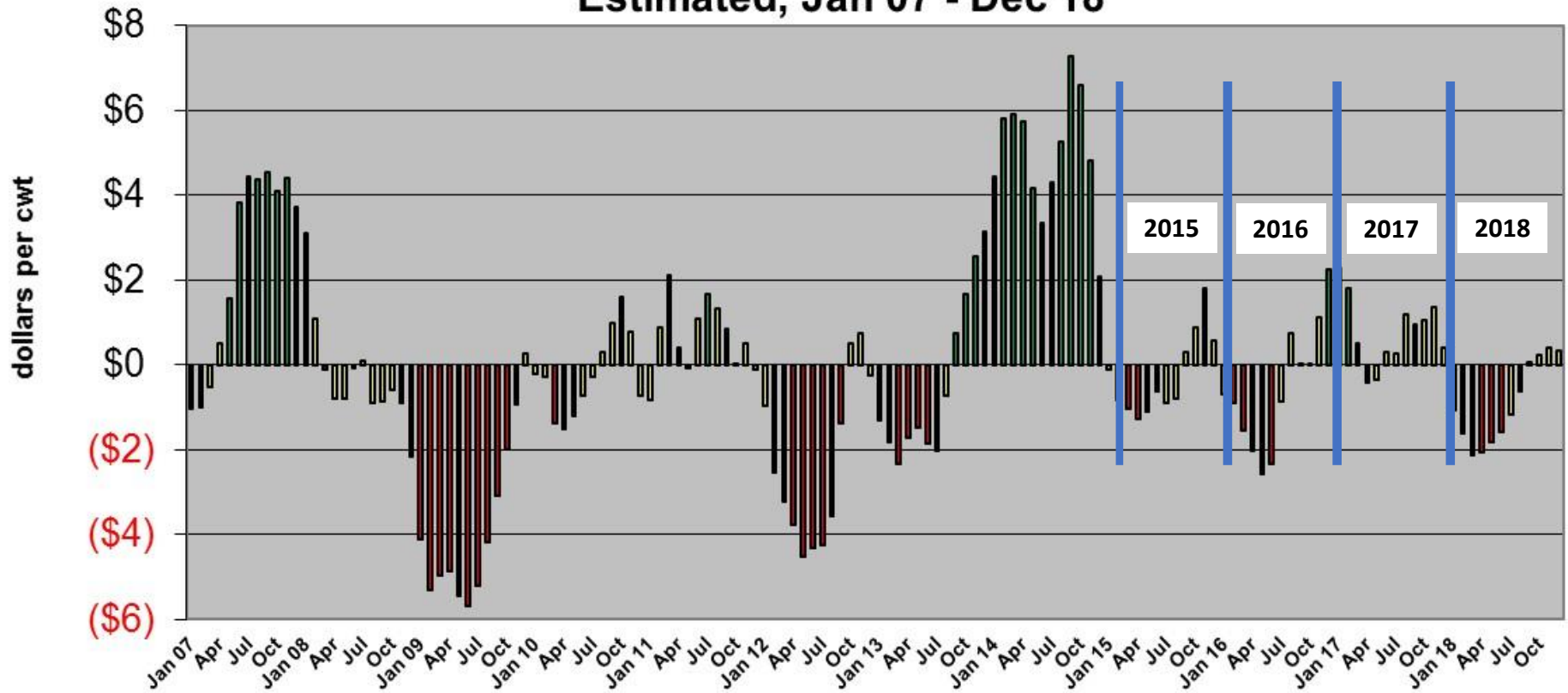
NY State Output/Cow Index



Perspective: dairy farm profitability snapshot

US Dairy Farm Average Net Margins

Estimated, Jan 07 - Dec 18



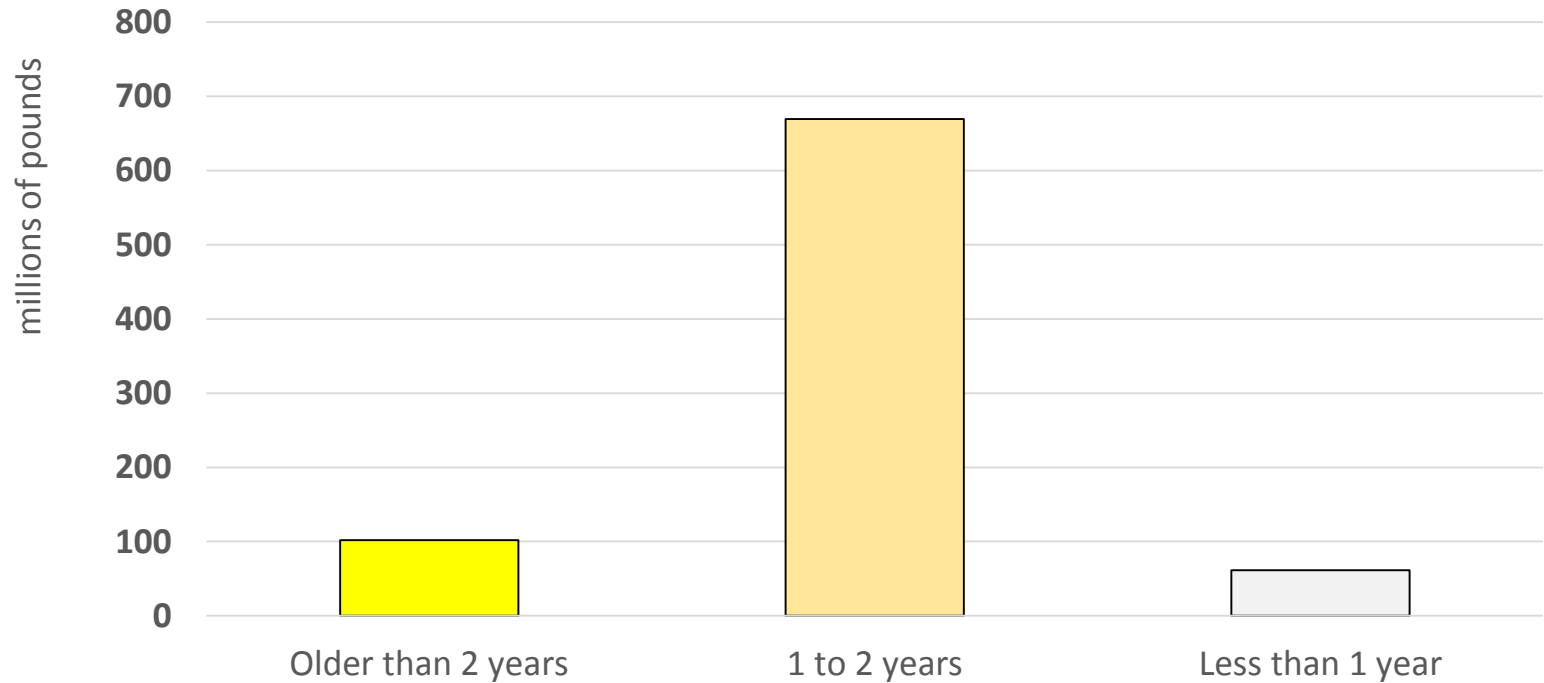


The two biggest factors



EU powder inventory overhanging market

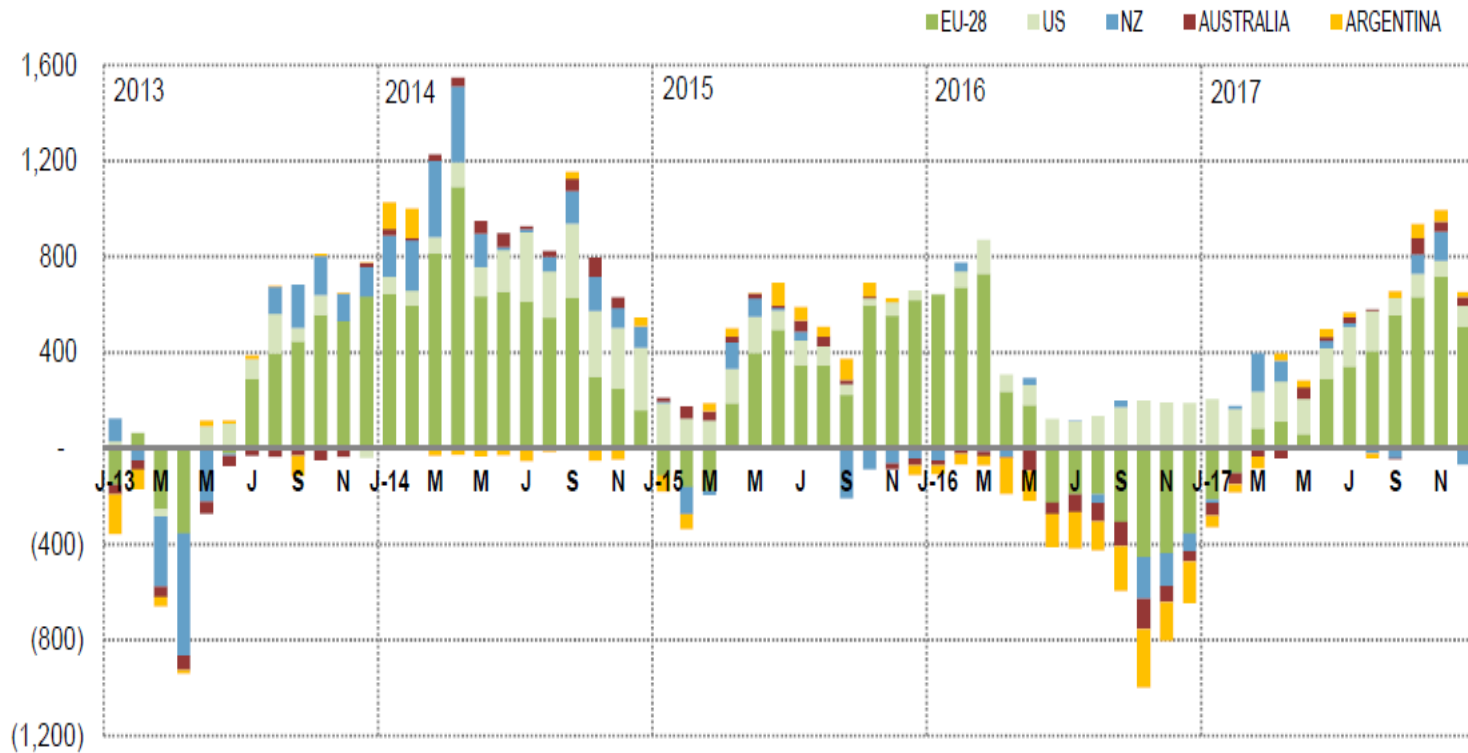
EU Commission SMP Intervention Inventory
by age of product



Milk production of major dairy exporters

MILK PRODUCTION - CHANGE FROM PRIOR YEAR

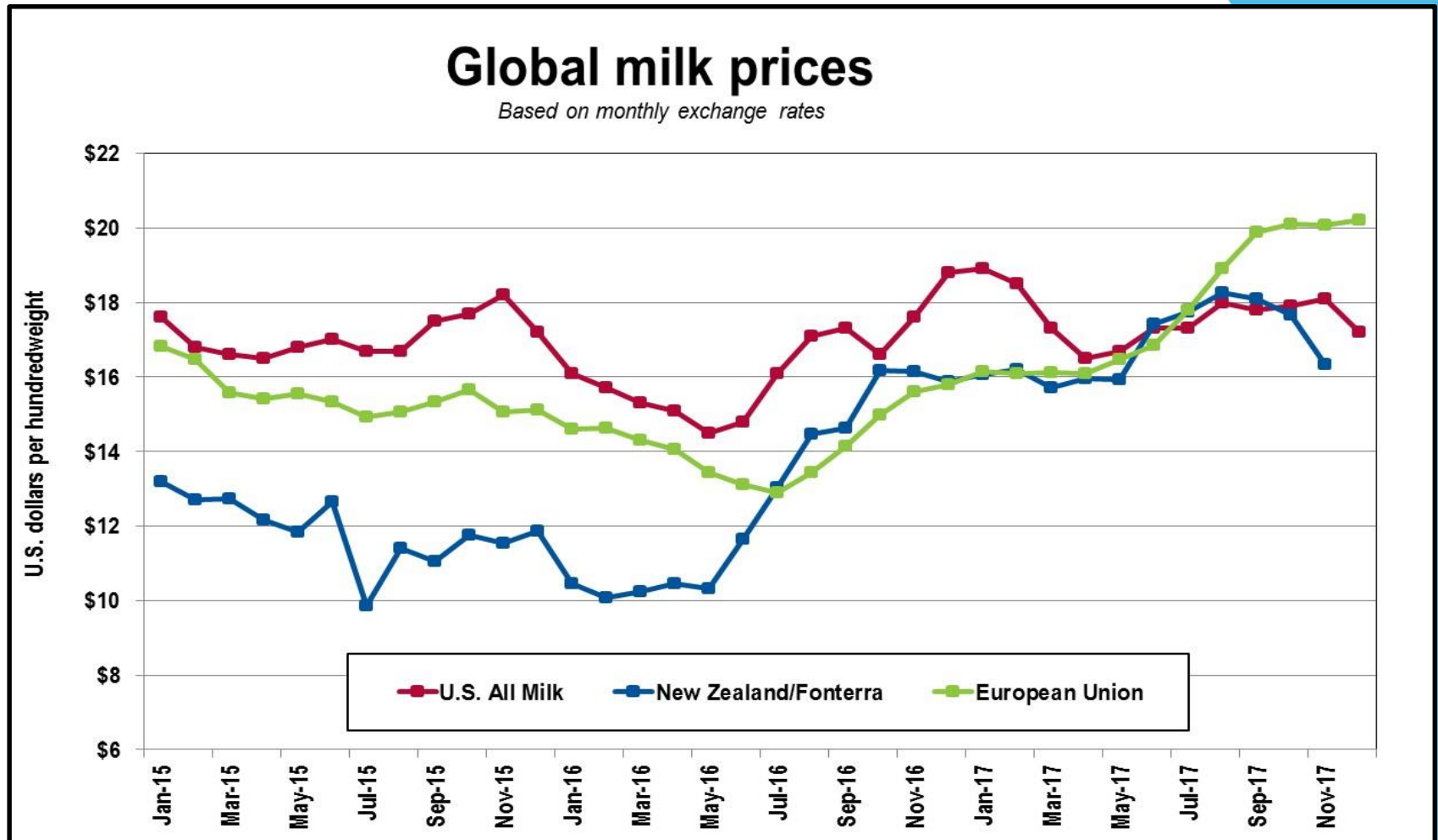
(000 MT)



* Feb 2012 and 2016 adjusted for leap day.

Source: USDA, USDEC

Global milk prices have rebounded



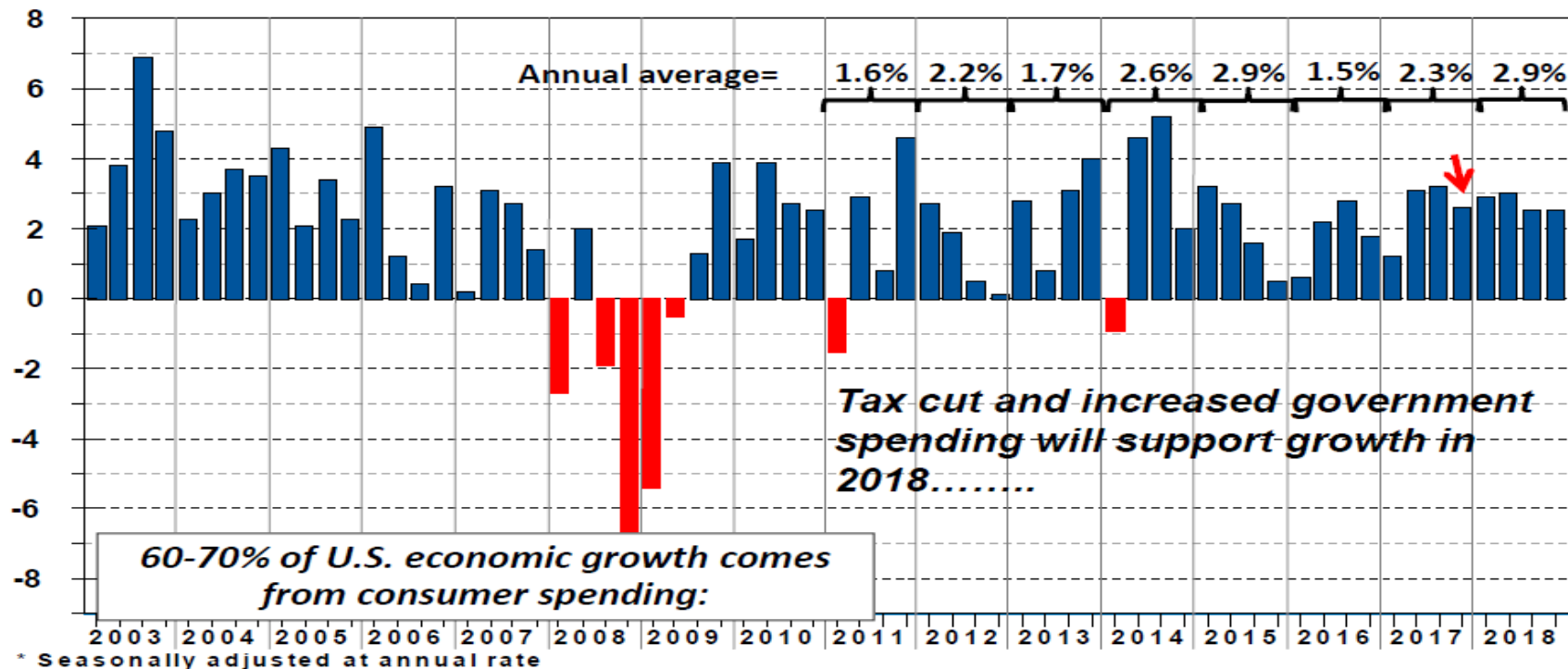
At average test; data sources, EU Dairy Commission, Fonterra and USDA

Demand is the wild card

U.S. On Steady Growth Path; Consumer Spending and Business Investment Lead

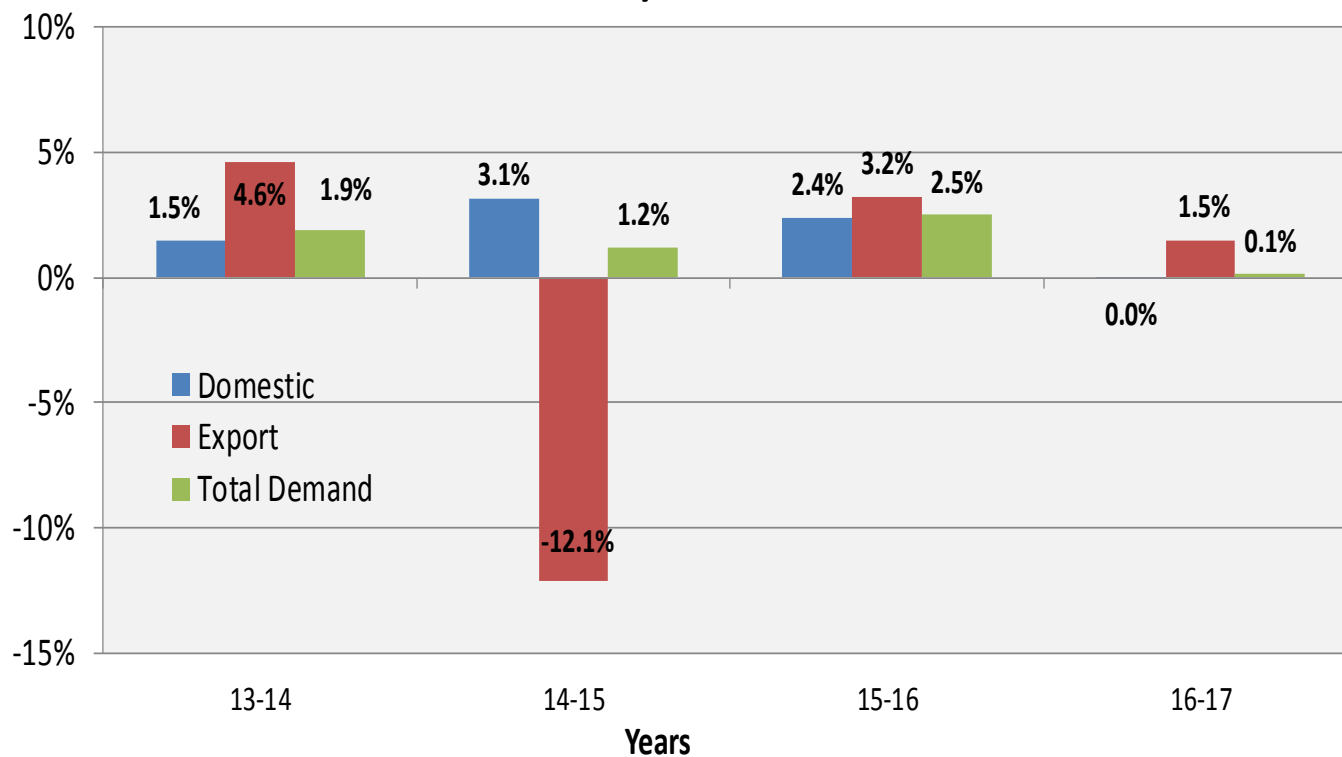


Percent change in quarterly Gross Domestic Product (Chained 2005\$)*

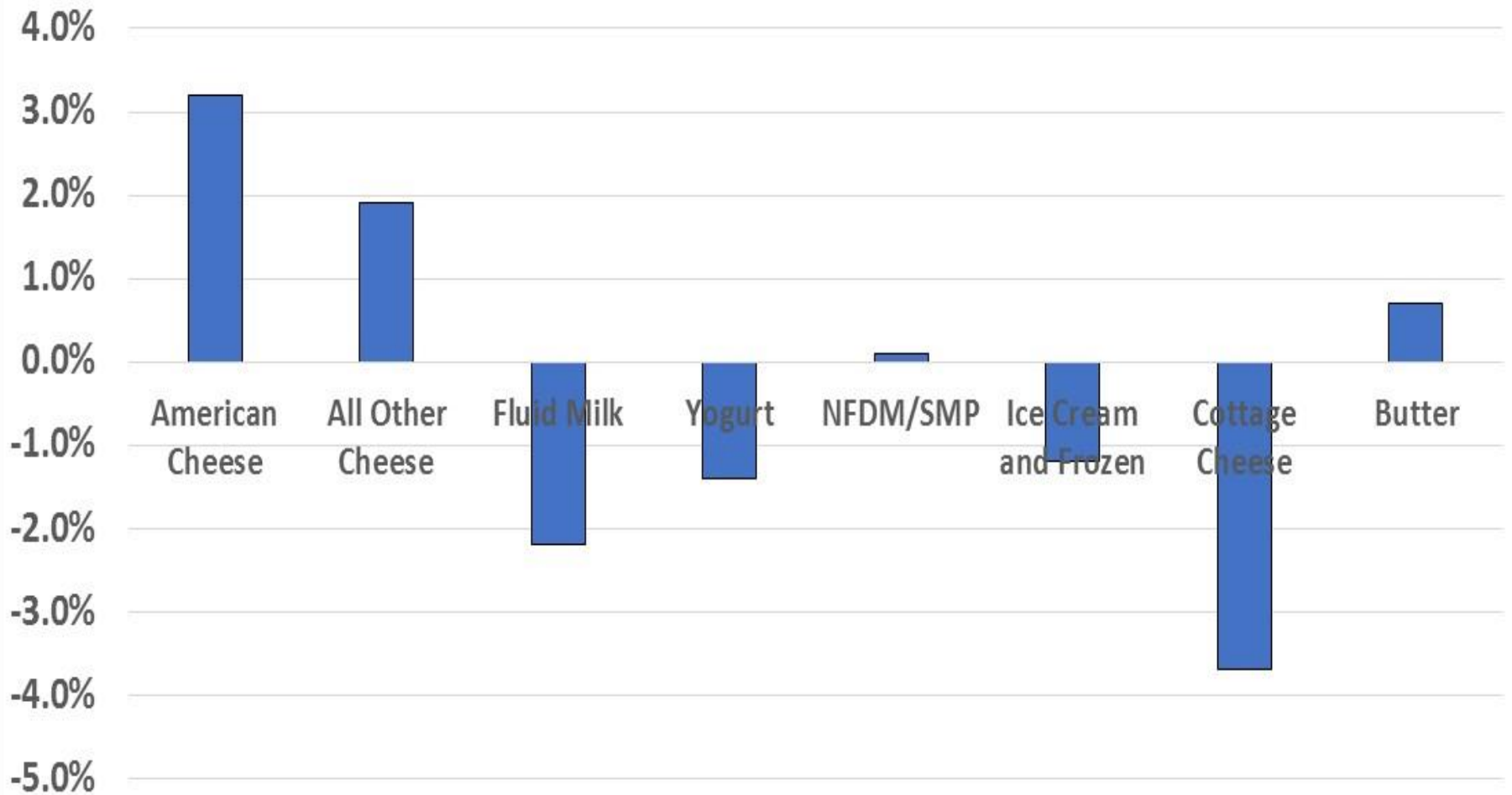


US domestic demand disappointed

Demand Change for US Milk Supply; Domestic and Export Use
Year-over-year, 2013 - 2017



Demand Change for Selected US Produced Dairy Products 2016 - 2017



Global Growth Reflects a Broader Range of Countries in Recovery

Percent change in annual world growth (purchasing-power parity rates)

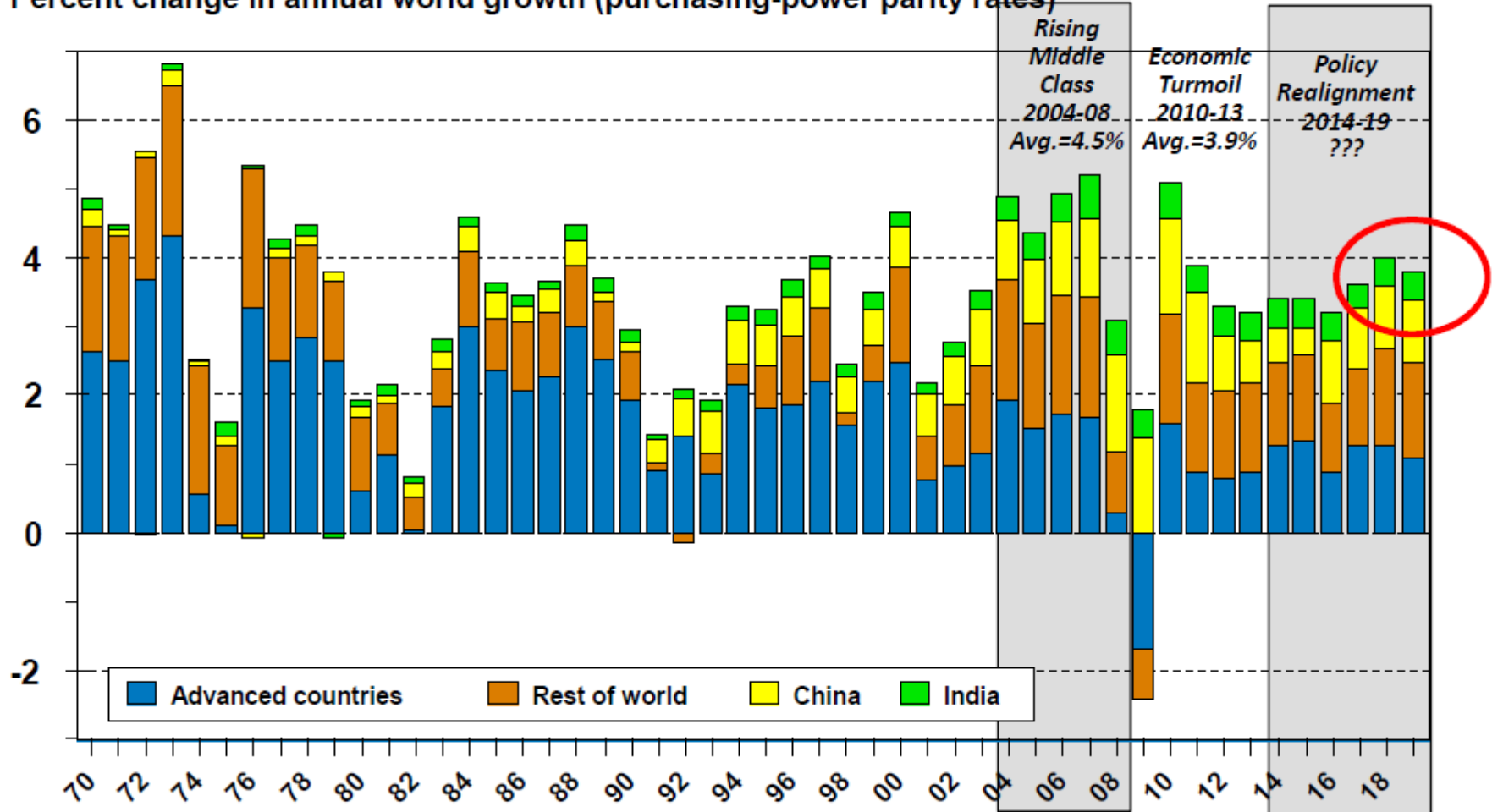


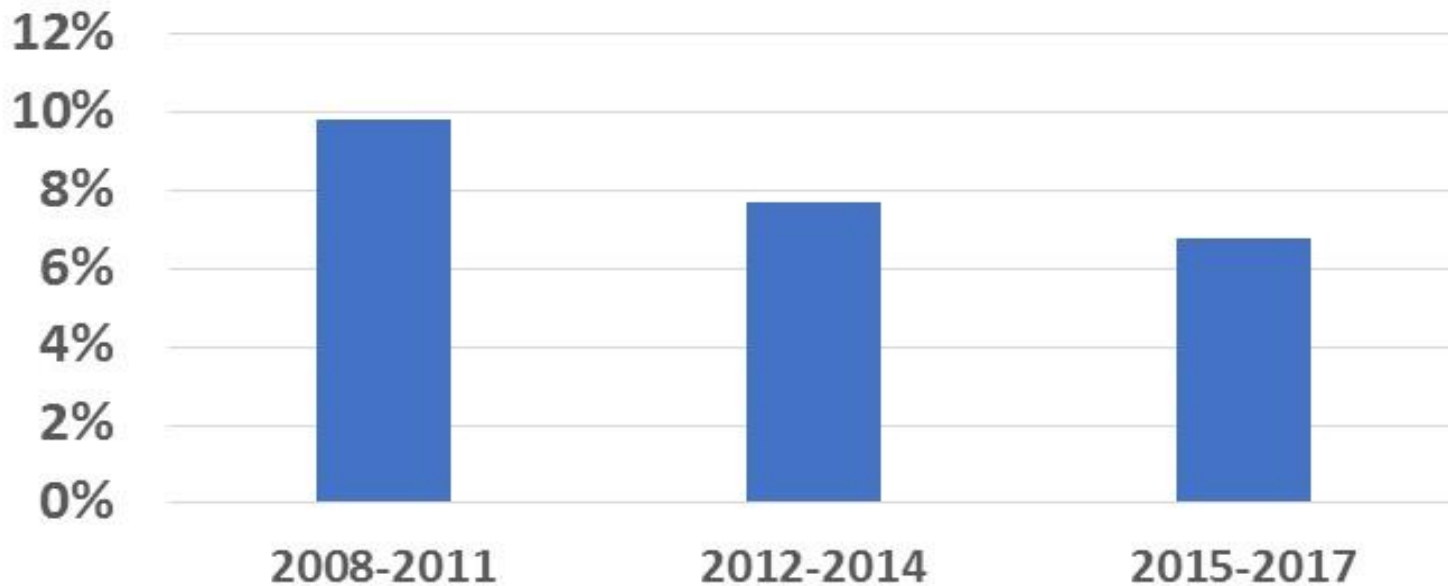
Chart source: Knowledge Exchange Division, CoBank, ACB (confidential and proprietary)

U.S. cheese exports growing

YEAR-TO-DATE	JANUARY-NOVEMBER (VOLUME, MT)			
	2015	2016	2017	% CHG
EU-28	653,986	737,010	765,070	+4
NZ	291,741	318,601	306,334	-4
U.S.	292,201	258,082	313,764	+22
Australia	153,988	150,194	153,509	+2
Argentina	39,764	47,942	41,252	-14
TOTAL OF 5	1,431,680	1,511,829	1,579,929	+5

Economic growth maturity

China: Average GDP Growth
by selected years



(VOLUME, MT)

YEAR-TO-DATE **Prev Yr** **Latest Yr** **% CHG**

Japan	Dec	257,584	272,772	+6
U.S.	Nov	184,241	166,604	-10
So. Korea	Dec	109,621	125,001	+14
Mexico	Nov	113,227	110,113	-3
China	Dec	97,179	108,034	+11
Russia	Nov	26,958	32,886	+22

Cheese Imports

(VOLUME, MT)

YEAR-TO-DATE **Prev Yr** **Latest Yr** **% CHG**

China	Dec	81,864	91,564	+12
Egypt	Sep	48,219	16,152	-67
Mexico	Nov	45,289	37,431	-17
Russia	Nov	20,131	26,332	+31
Iran	Dec	46,673	36,355	-22
Morocco	Nov	22,440	17,374	-23

Butterfat Imports

(VOLUME, MT)

	YEAR-TO-DATE		Prev Yr	Latest Yr	% CHG
Mexico	Nov		261,309	306,622	+17
China	Dec		184,470	247,305	+34
Philippines	Oct		143,415	136,622	-5
Indonesia	Oct		126,738	128,961	+2
Algeria	Oct		93,495	134,086	+43
Malaysia	Oct		112,984	105,948	-6

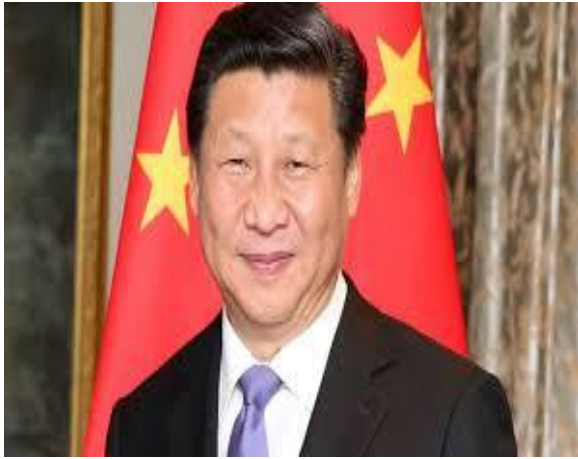
SMP Imports

(VOLUME, MT)

	YEAR-TO-DATE		Prev Yr	Latest Yr	% CHG
China	Dec		419,749	470,097	+12
Algeria	Oct		182,897	230,414	+26
Brazil	Dec		126,081	72,820	-42
Sri Lanka	Dec		84,572	84,549	-0
Singapore	Dec		68,482	68,803	+0
Hong Kong	Dec		86,313	87,230	+1

WMP Imports

Geo-political intrigue



Xi Jinping



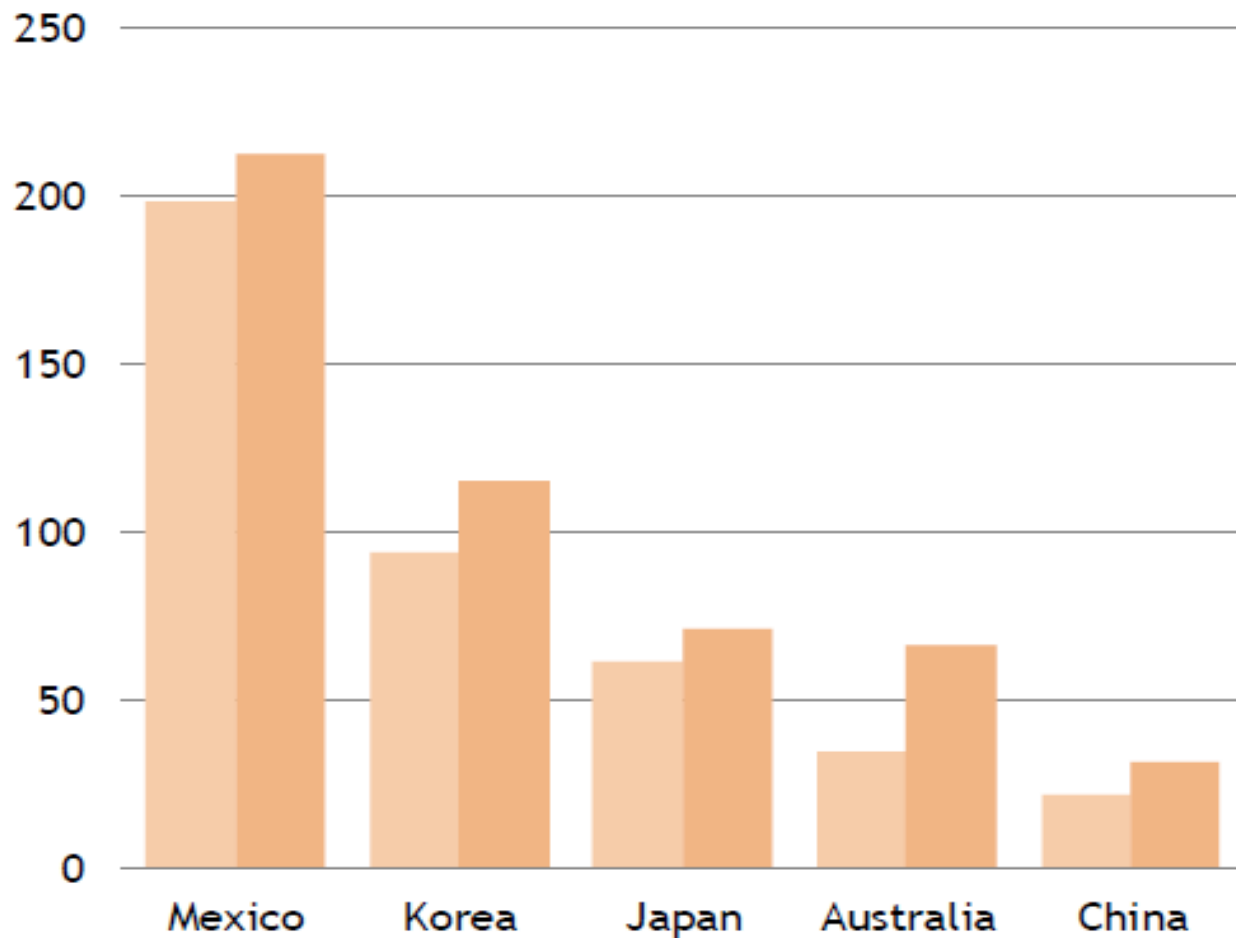
Vladimir Putin



Kim Jung-un



YTD Cheese Exports by Destination



Million Pounds; USDA

2016 2017



NAFTA

NORTH AMERICAN FREE
TRADE AGREEMENT

(VOLUME, MT)

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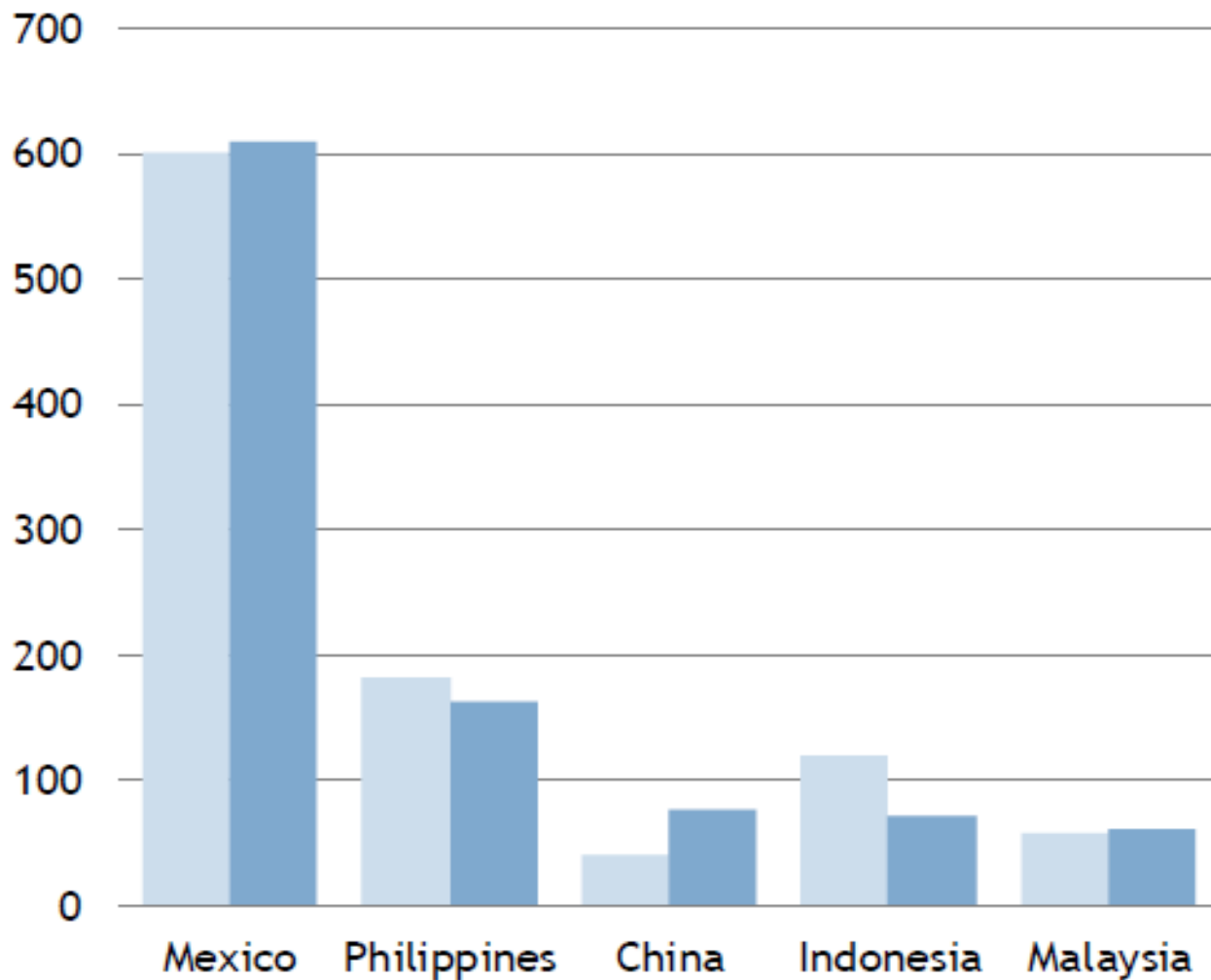
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WMP Imports

YTD NDM/SMP Exports by Destination



Million Pounds; USDA

2016 2017

Federal dairy program change

MPP premium rates, first 5 million pounds

Margin coverage	Original rate	New rate	Reduction
\$4.00	\$0.000	\$0.000	\$0.000
\$4.50	\$0.010	\$0.000	(\$0.010)
\$5.00	\$0.025	\$0.000	(\$0.025)
\$5.50	\$0.040	\$0.009	(\$0.031)
\$6.00	\$0.055	\$0.016	(\$0.039)
\$6.50	\$0.090	\$0.040	(\$0.050)
\$7.00	\$0.217	\$0.063	(\$0.154)
\$7.50	\$0.300	\$0.087	(\$0.213)
\$8.00	\$0.475	\$0.142	(\$0.333)

Strong partnerships!

- **Keys to farmers success over next decade and beyond:**



- Experts in managing their farm's commodity and business
- Best in class marketing partner
- Strong banking relationship
- Using risk management tools to protect profits and net worth



Thank you !!!!!

