


Dairy Market Perspectives


Edward Gallagher

President, DFA Risk Management

a division of Dairy Farmers of America

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DFA Risk Management

DFA members and their customers have access to the industry's leading milk price forward contracting program - globally



Risk Management



ADVANTAGES

Largest
natural sell-
side offset

Risk
management
innovation

Dairy Risk
Management
Experience

Potential
Accounting
Advantages

Going
beyond the
curve

Market
outlooks

New federal insurance program

DFA Risk Management is now licensed to provide coverage on Dairy Revenue Protection insurance. As a trusted partner in your dairy, DFA is in the best position to provide unbiased and straightforward information about this program. Call us at 1-877-424-3343 to learn more about your options.

DAIRY REVENUE PROTECTION



WHAT YOU NEED TO KNOW

Dairy Revenue Protection (DRP) is a federal crop insurance program that allows you to purchase minimum price protection on Class III and/or Class IV milk prices. DFA Risk Management has the expertise to help you navigate this new program.

- We are experts in milk pricing and price volatility and how those factors impact your milk check and your profitability
- We have more than three decades of experience with milk price risk management programs, and can help you understand all the options available
- As employees of DFA, we are here to help you find the right solution for your operation

WE'RE HERE TO HELP



Give us a call at **1-877-424-3343** to learn more about DRP.

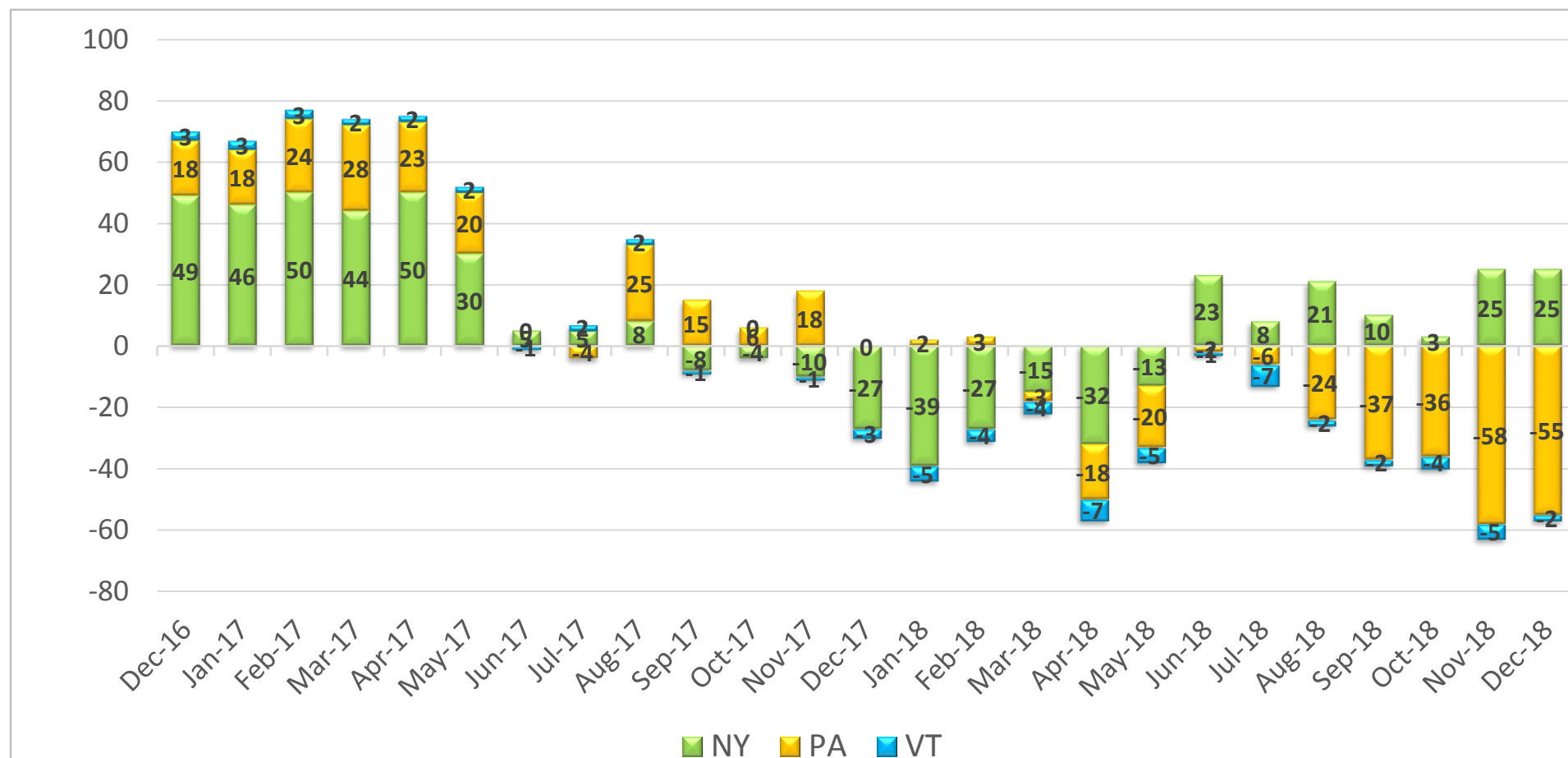


“Local” Milk Production and Economics

A story for the Northeast

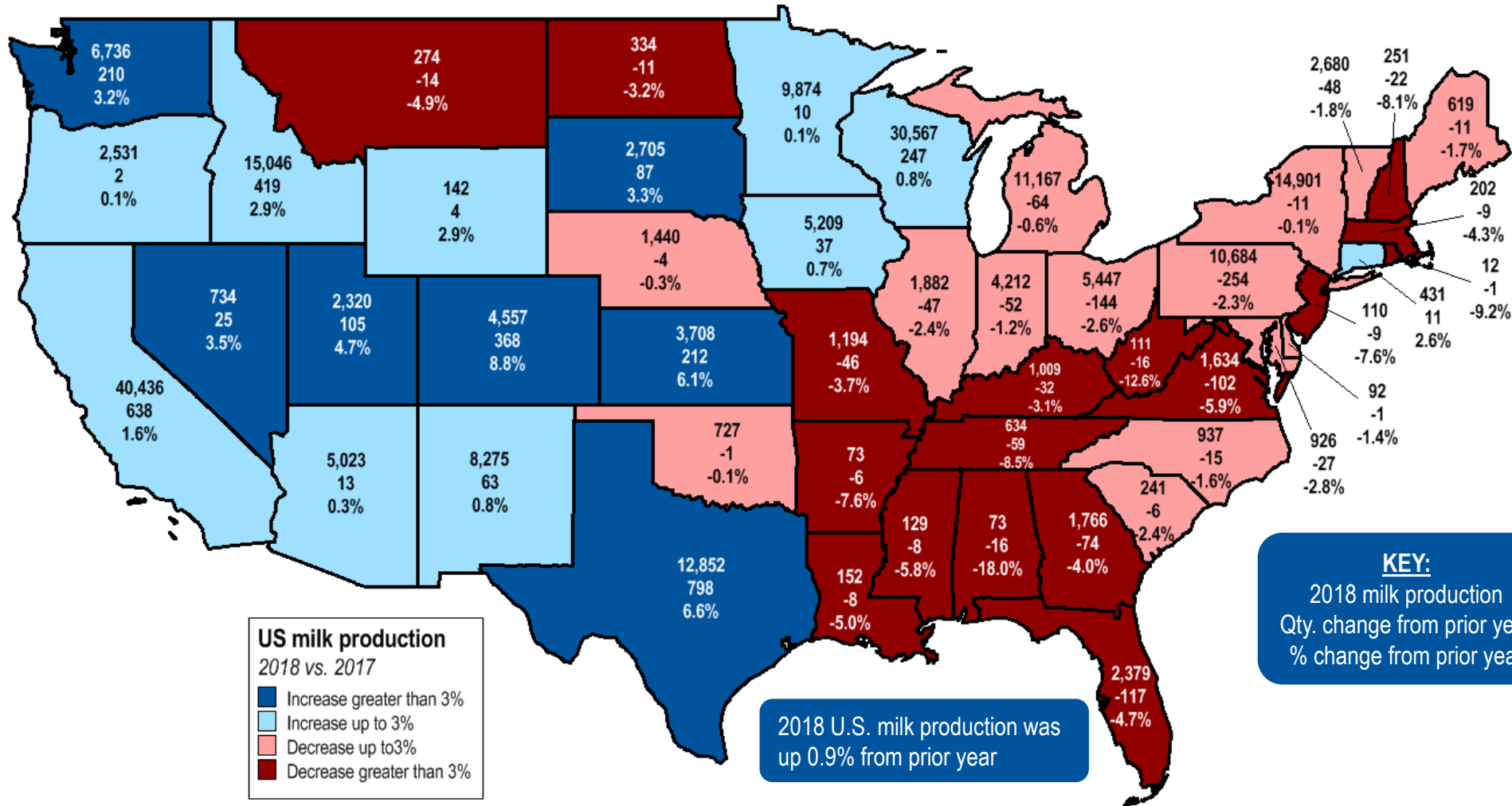
Northeast Milk Production

Millions of pounds change same month year over year



US milk production

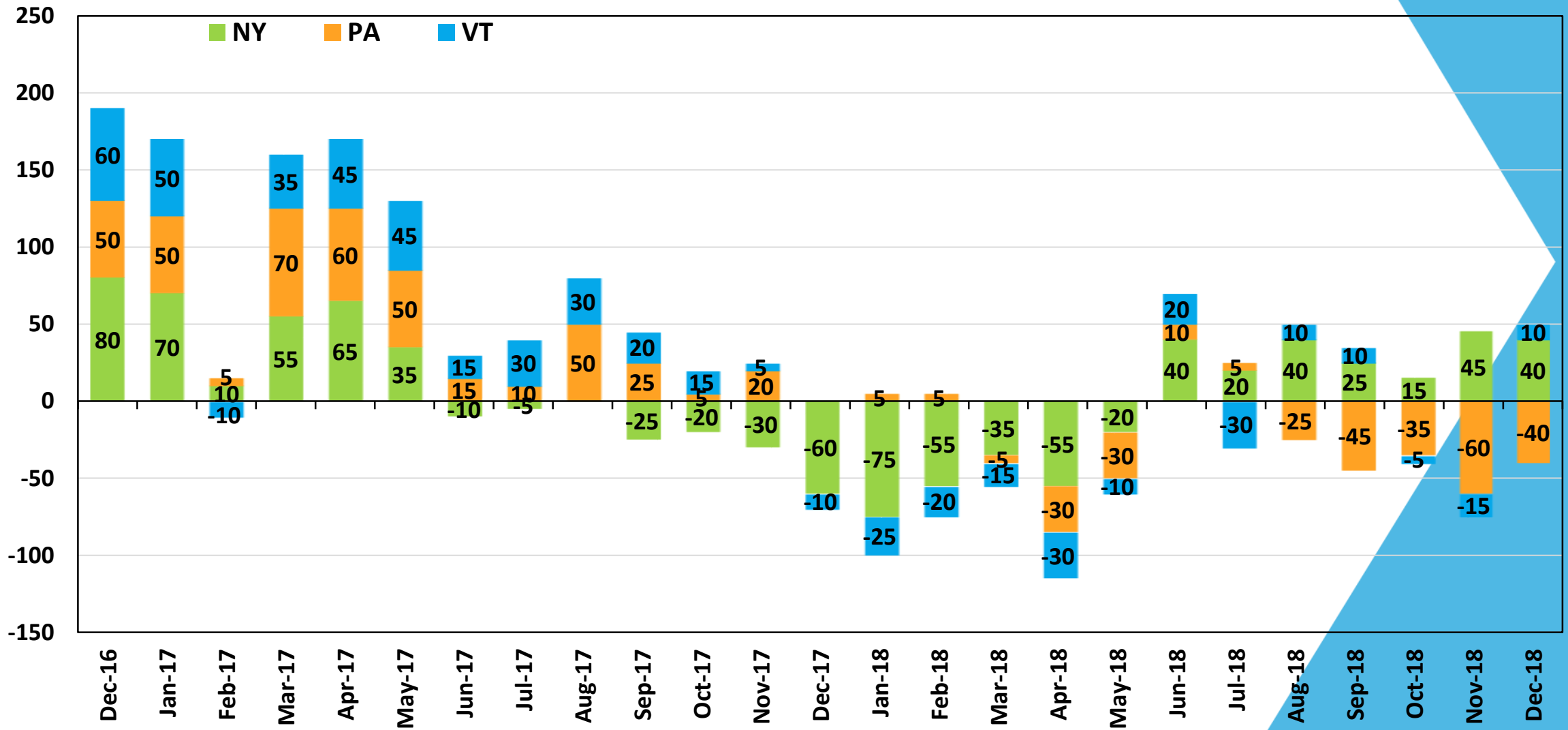
2018 vs. 2017



Source: USDA National Agricultural Statistics Service, preliminary data

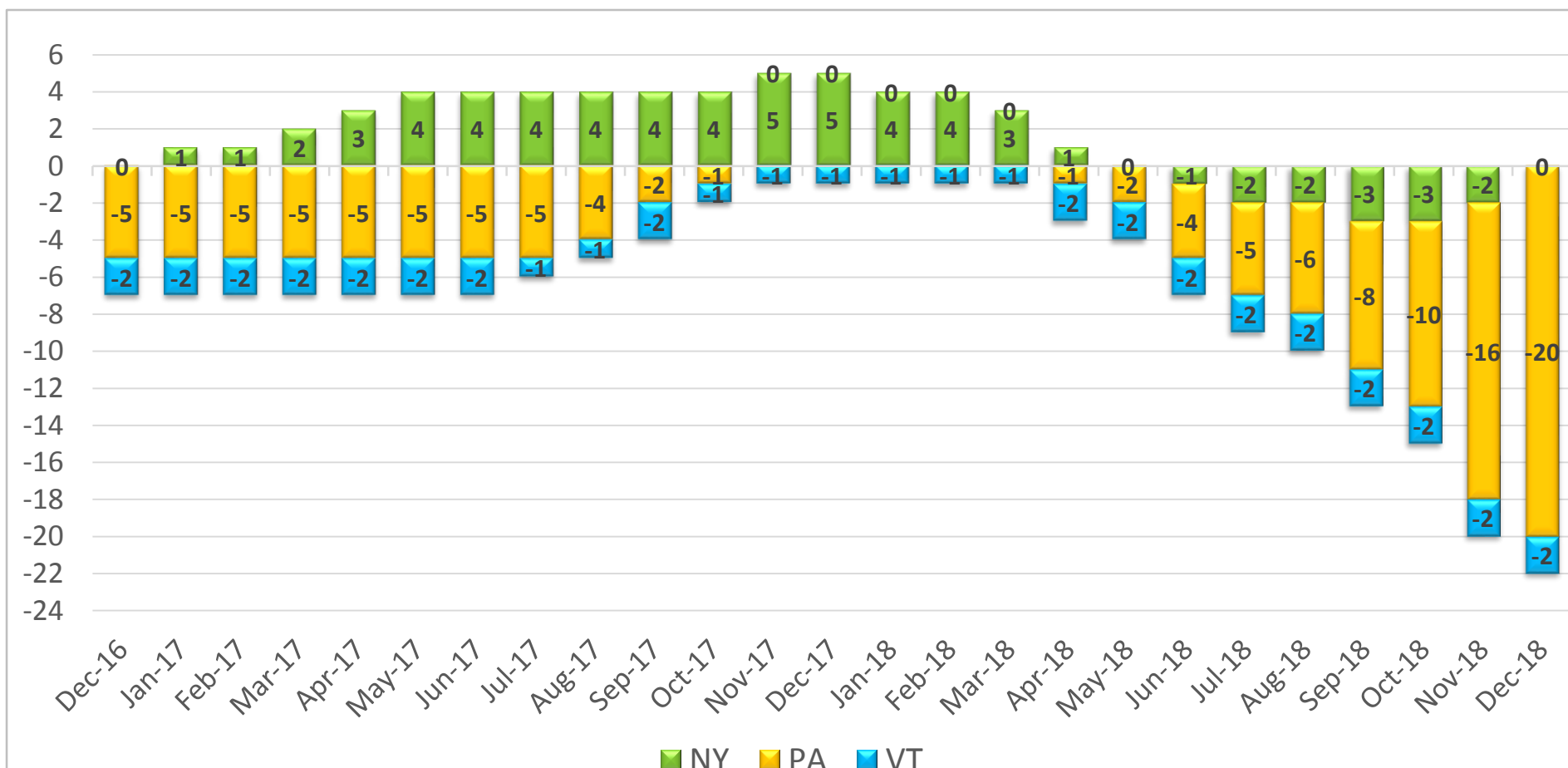
Northeast milk per cow

Change from prior year

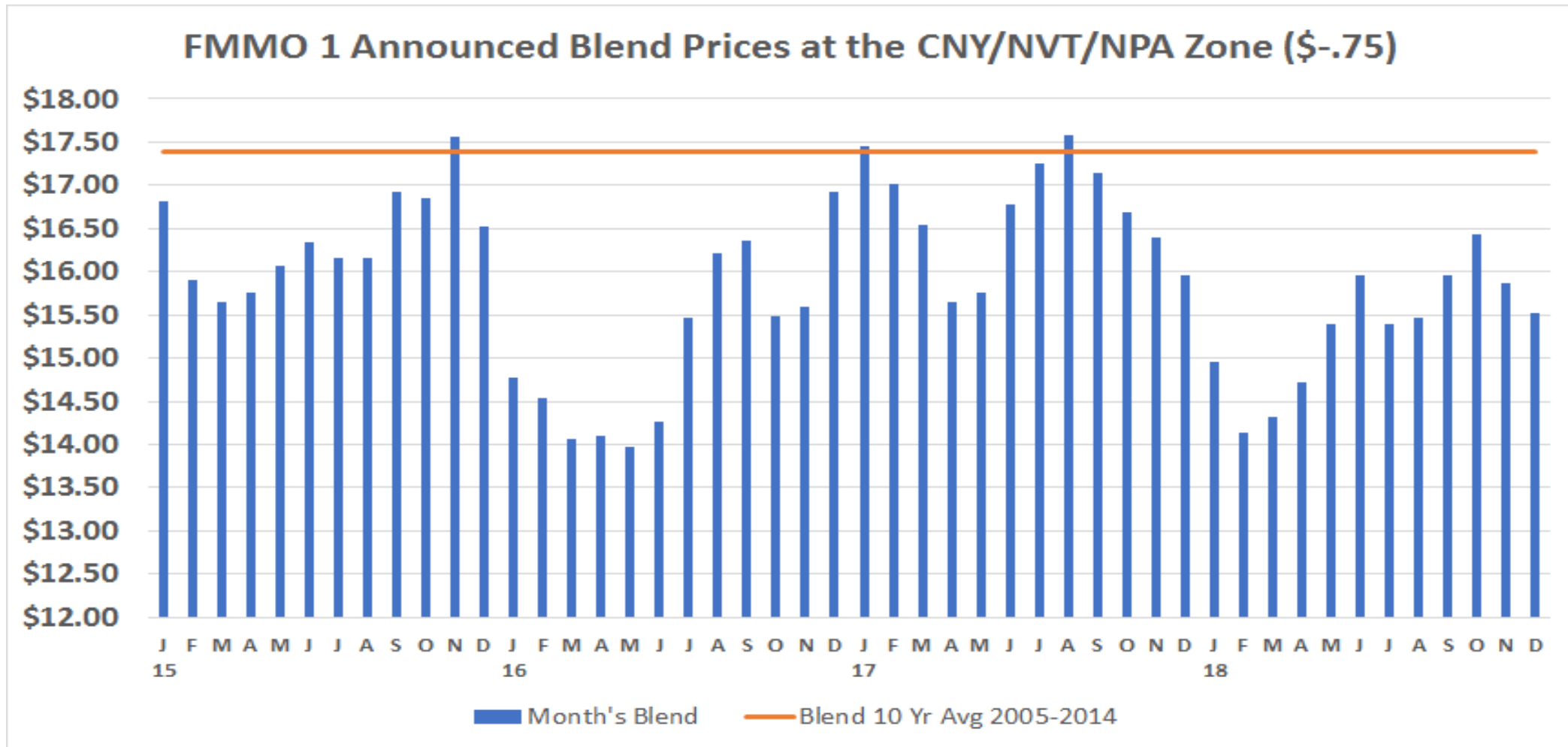


Northeast Cow Numbers

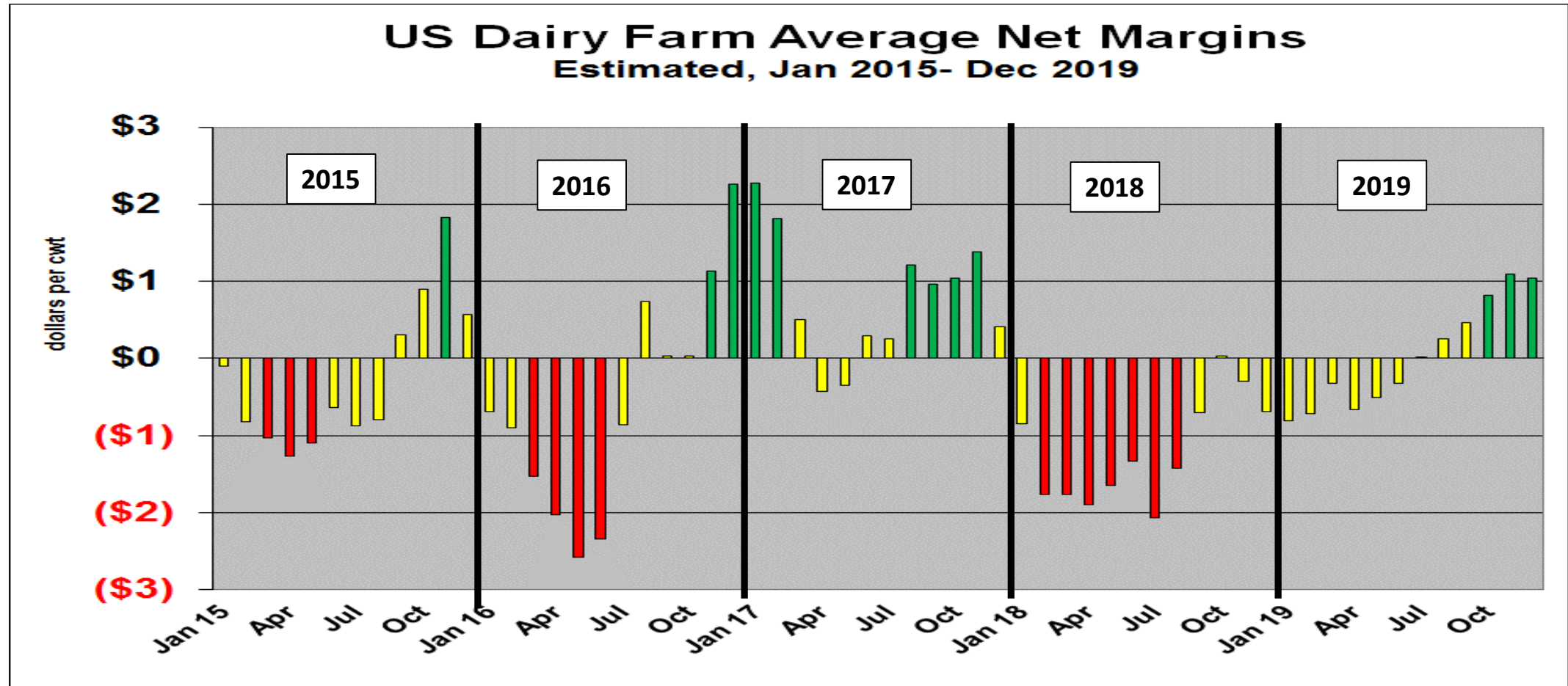
Thousands of cows change same month year over year



It has been a long time since milk prices have measured up

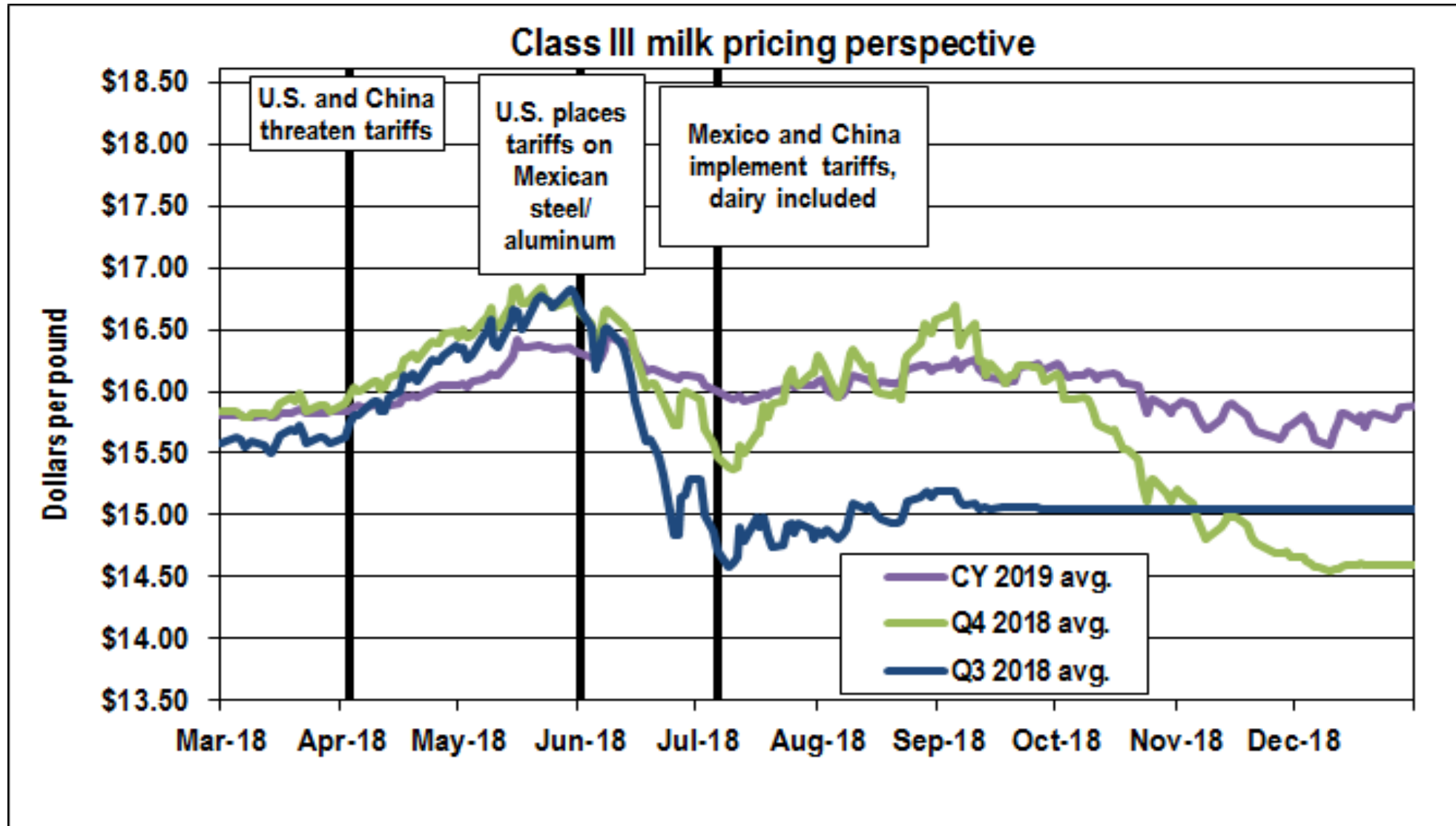


Potential Q4 improvement



Estimated by Gallagher on February 22, 2019

But...there was “light” last year too

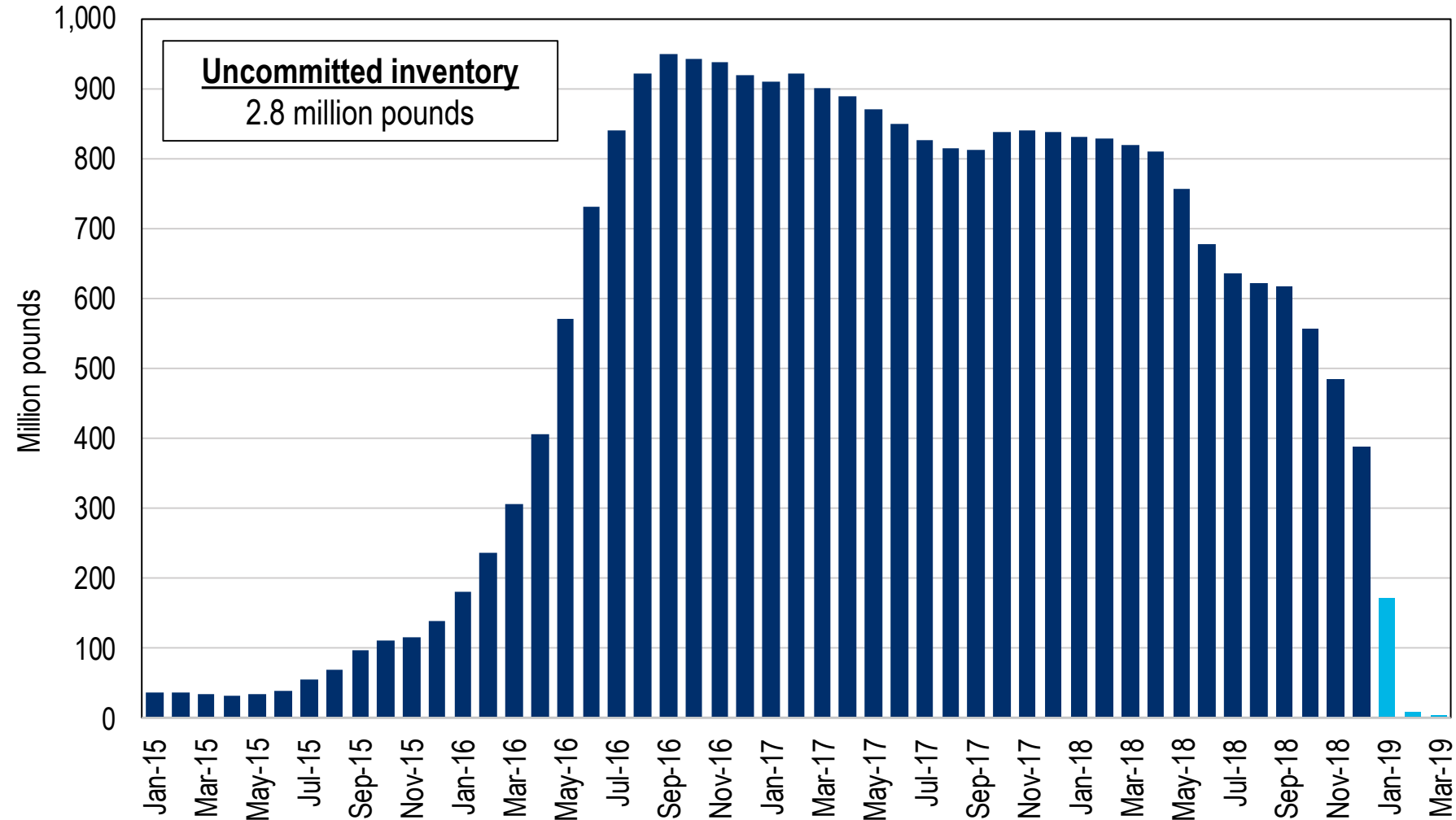




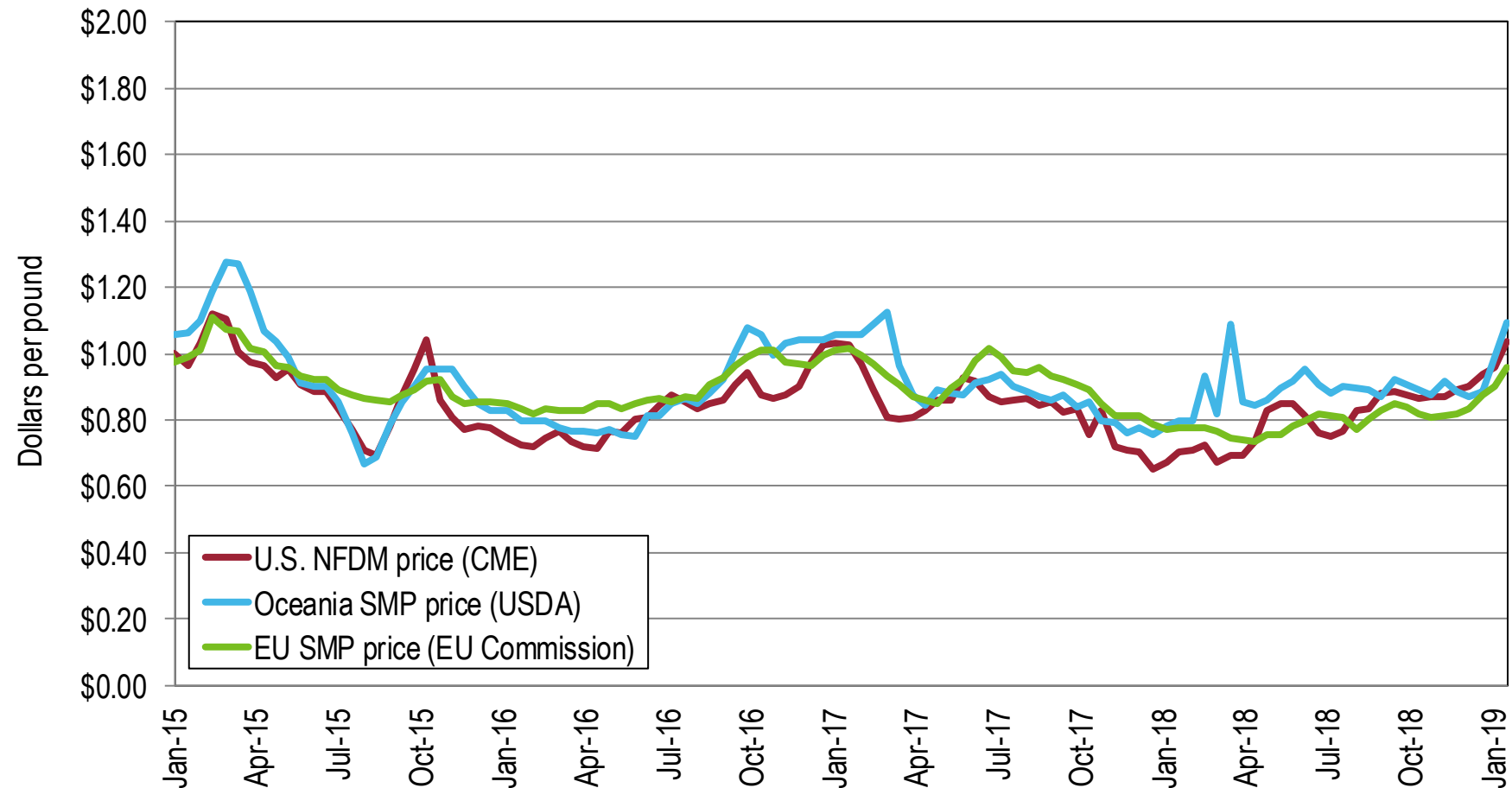
Light at the end of the tunnel?

**Key factors suggesting
a change in course**

EU SMP inventory

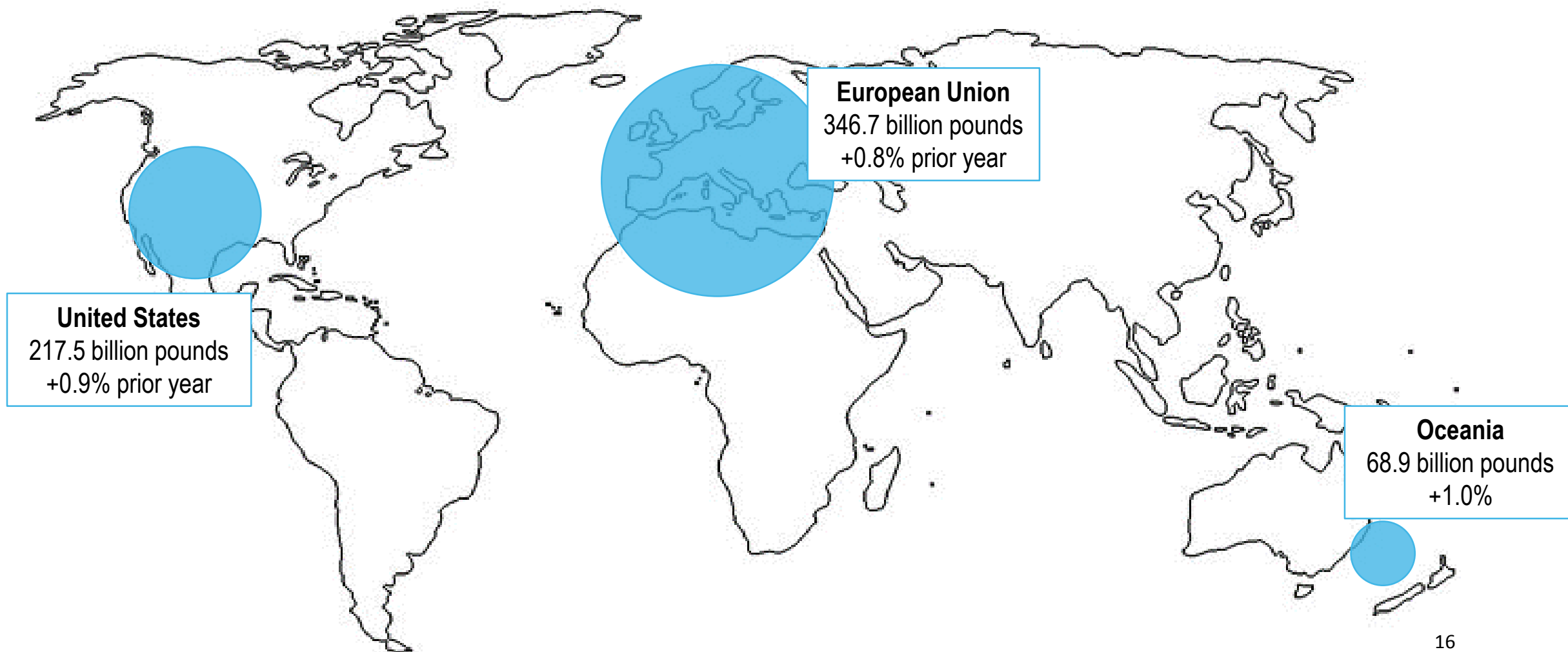


U.S. NFDM vs. global SMP price



Global milk production

2018



Global economies growing

TABLE 1.1 Real GDP¹
(Percent change from previous year)

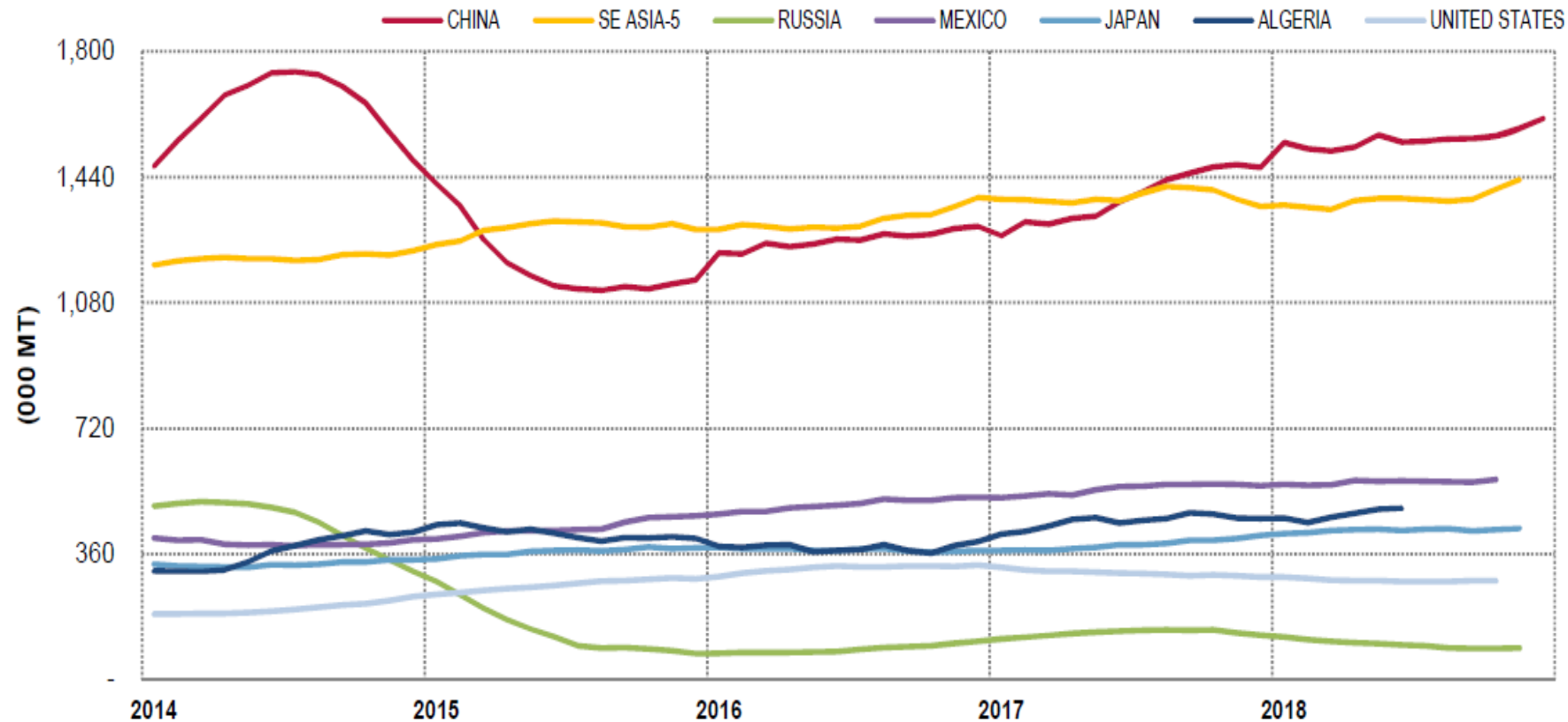
	2016	2017	2018e	2019f	2020f	2021f
World	2.4	3.1	3.0	2.9	2.8	2.8
Advanced economies	1.7	2.3	2.2	2.0	1.6	1.5
United States	1.6	2.2	2.9	2.5	1.7	1.6
Euro Area	1.9	2.4	1.9	1.6	1.5	1.3
Japan	0.6	1.9	0.8	0.9	0.7	0.6
Emerging market and developing economies (EMDEs)	3.7	4.3	4.2	4.2	4.5	4.6
Commodity-exporting EMDEs	0.8	1.7	1.7	2.3	2.9	2.9
Other EMDEs	5.9	6.1	5.8	5.5	5.6	5.6
Other EMDEs excluding China	4.9	5.2	5.0	4.7	4.9	5.1
East Asia and Pacific	6.3	6.6	6.3	6.0	6.0	5.8
China	6.7	6.9	6.5	6.2	6.2	6.0
Indonesia	5.0	5.1	5.2	5.2	5.3	5.3
Thailand	3.3	3.9	4.1	3.8	3.9	3.9
Europe and Central Asia	1.7	4.0	3.1	2.3	2.7	2.9
Russia	-0.2	1.5	1.6	1.5	1.8	1.8
Turkey	3.2	7.4	3.5	1.6	3.0	4.2
Poland	3.1	4.8	5.0	4.0	3.6	3.3
Latin America and the Caribbean	-1.5	0.8	0.6	1.7	2.4	2.5
Brazil	-3.3	1.1	1.2	2.2	2.4	2.4
Mexico	2.9	2.1	2.1	2.0	2.4	2.4
Argentina	-1.8	2.9	-2.8	-1.7	2.7	3.1
Middle East and North Africa	5.1	1.2	1.7	1.9	2.7	2.7

Data source: World Bank, January 2019

Global Dairy Demand Growth

AGGREGATE IMPORT VOLUME - MAJOR BUYERS - ROLLING 12 MONTHS

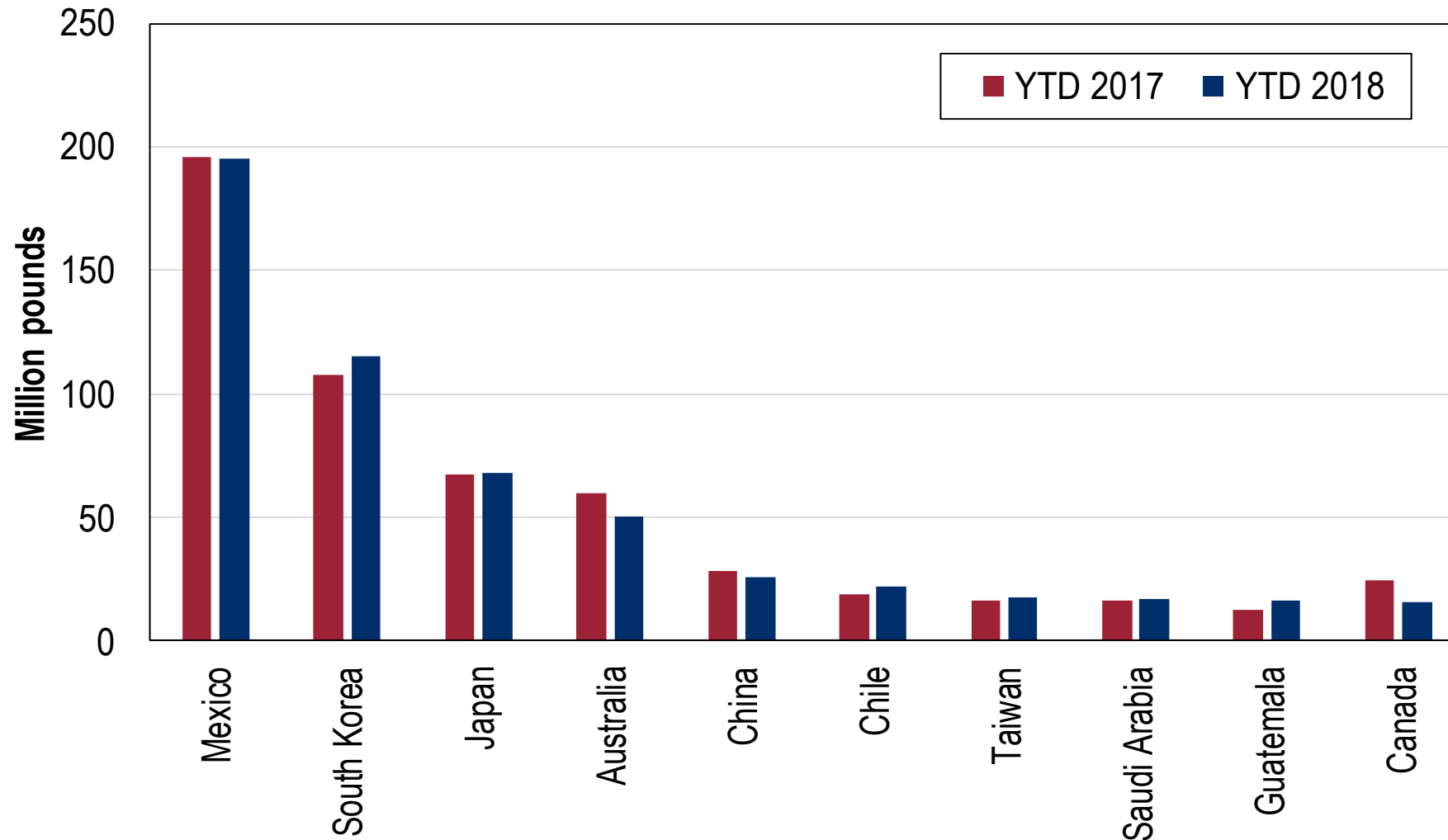
SMP, WMP, CHEESE, BUTTERFAT, WHEY



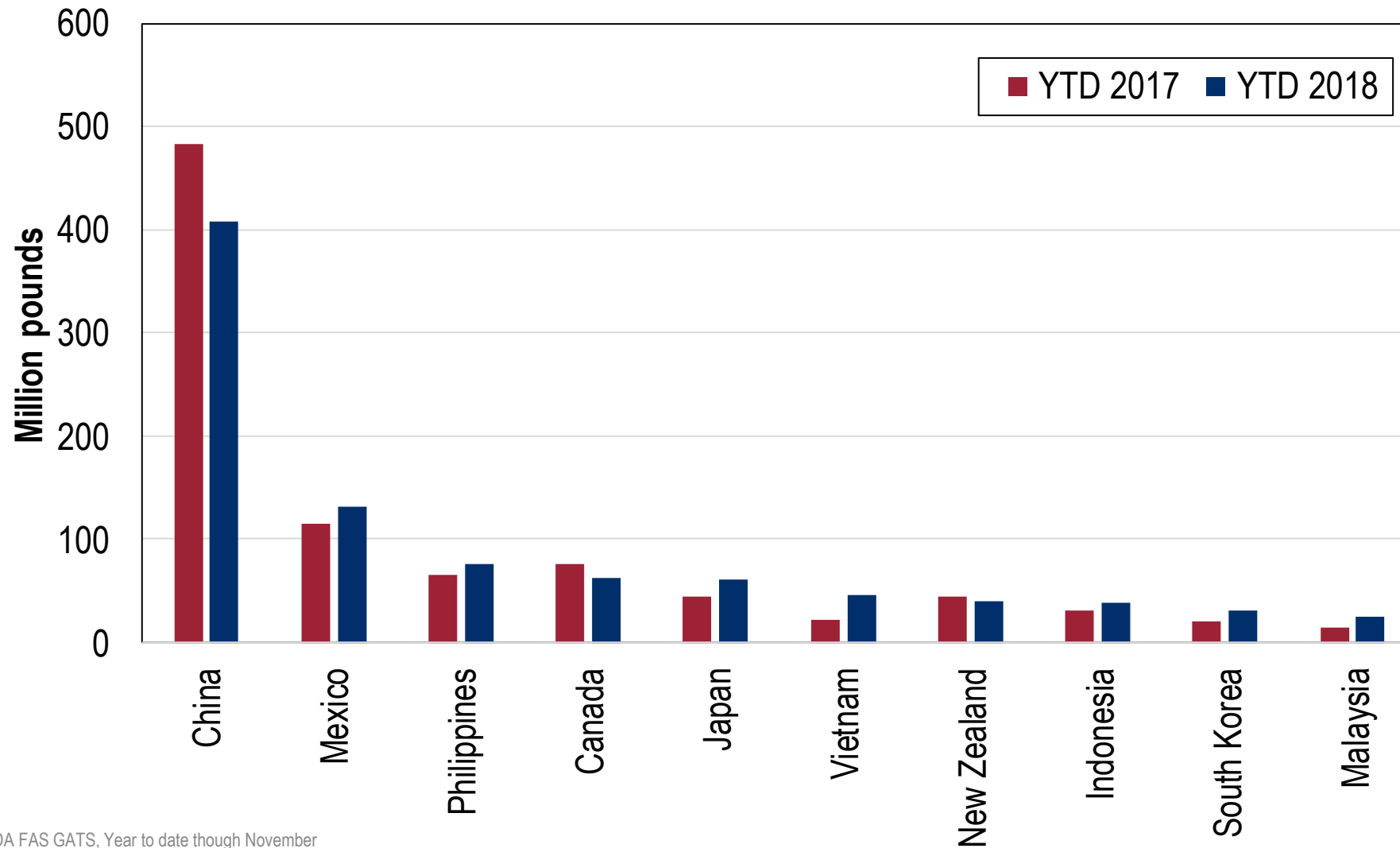
SE Asia-5 includes Indonesia, Malaysia, Philippines, Singapore and Thailand. Russia excludes imports from Belarus.



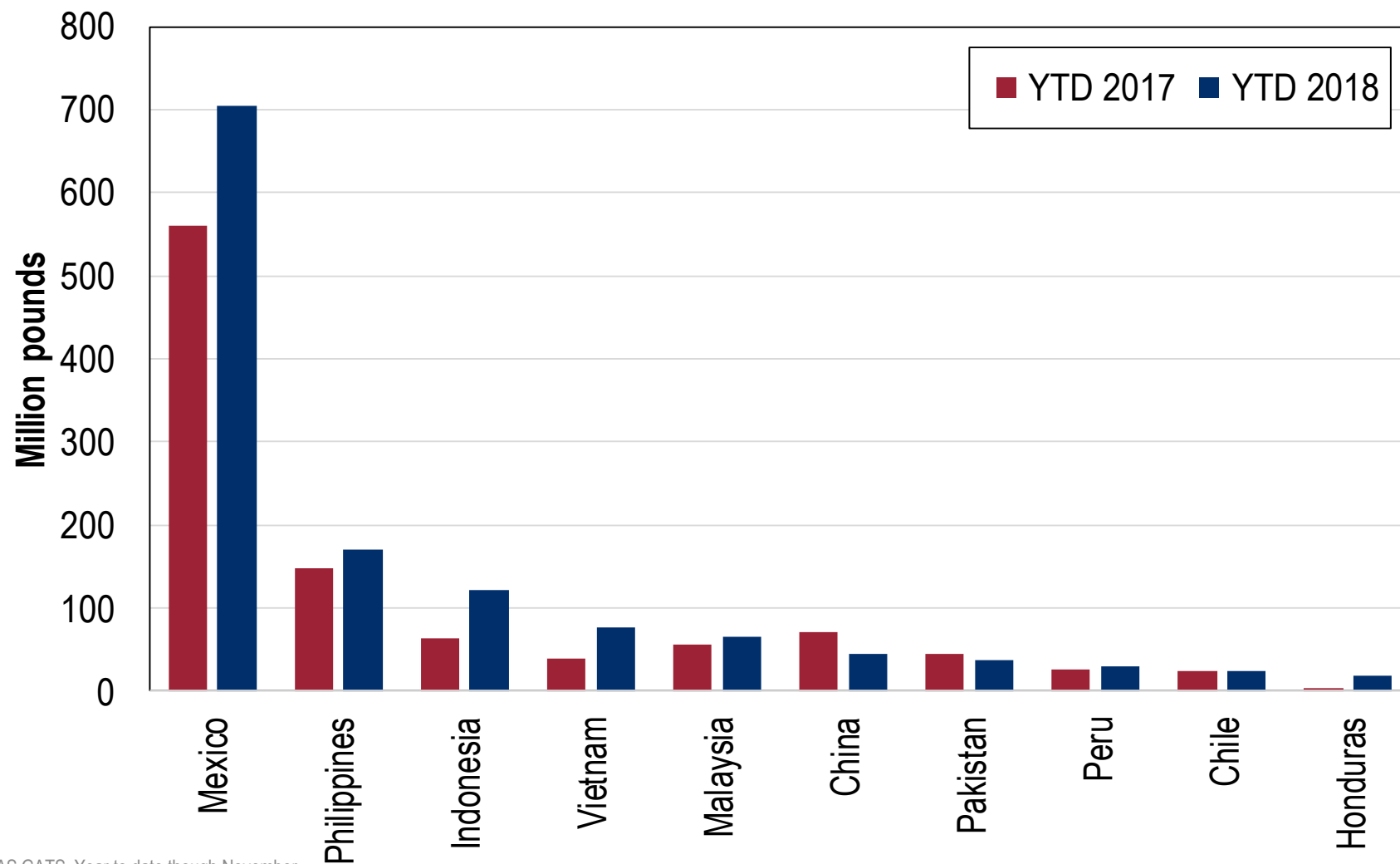
US cheese exports



US whey exports



US NFDM exports

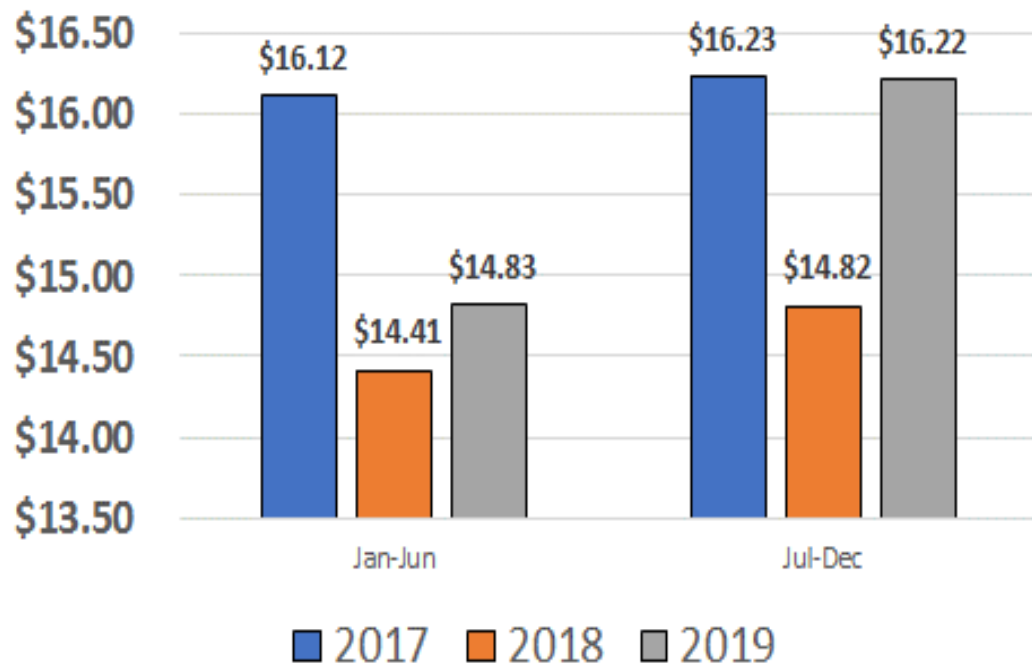




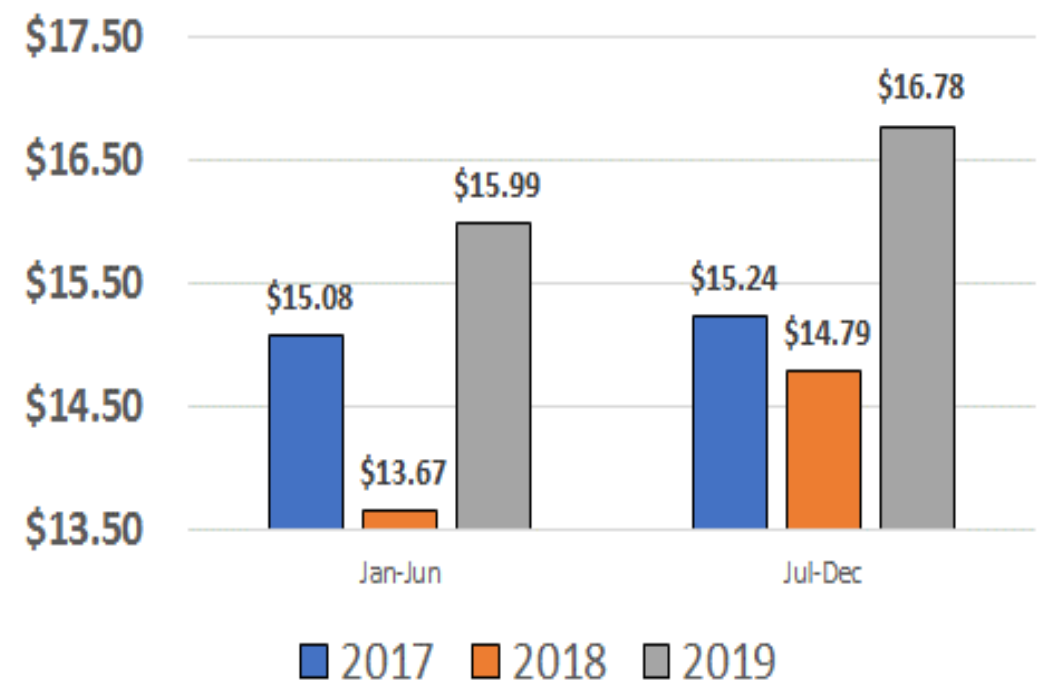
Most of these events may impact
2020 milk prices more than 2019

So where are we for 2019?

Class III Pricing Perspective

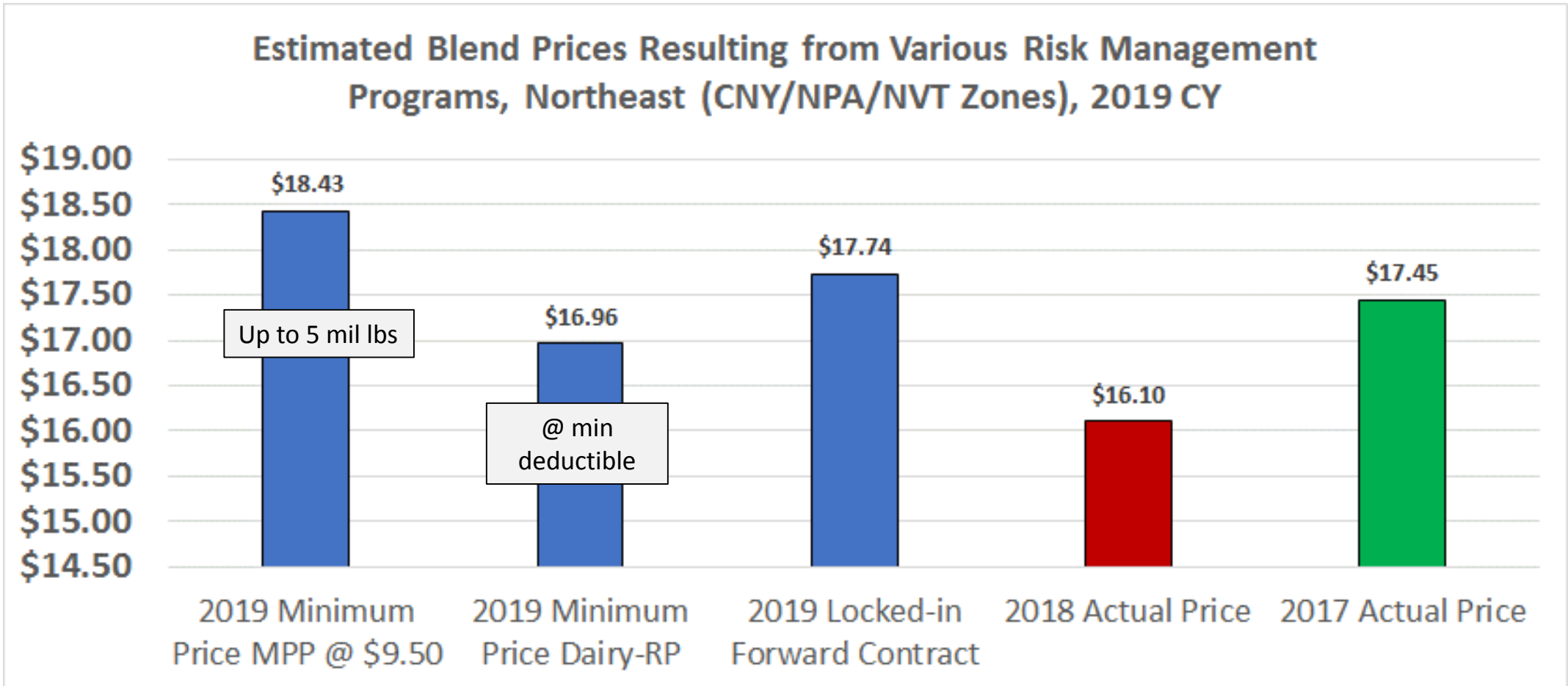


Class IV Pricing Perspective



Base on CME Group Futures Prices on February 28, 2019

Risk management program comparisons - Northeast



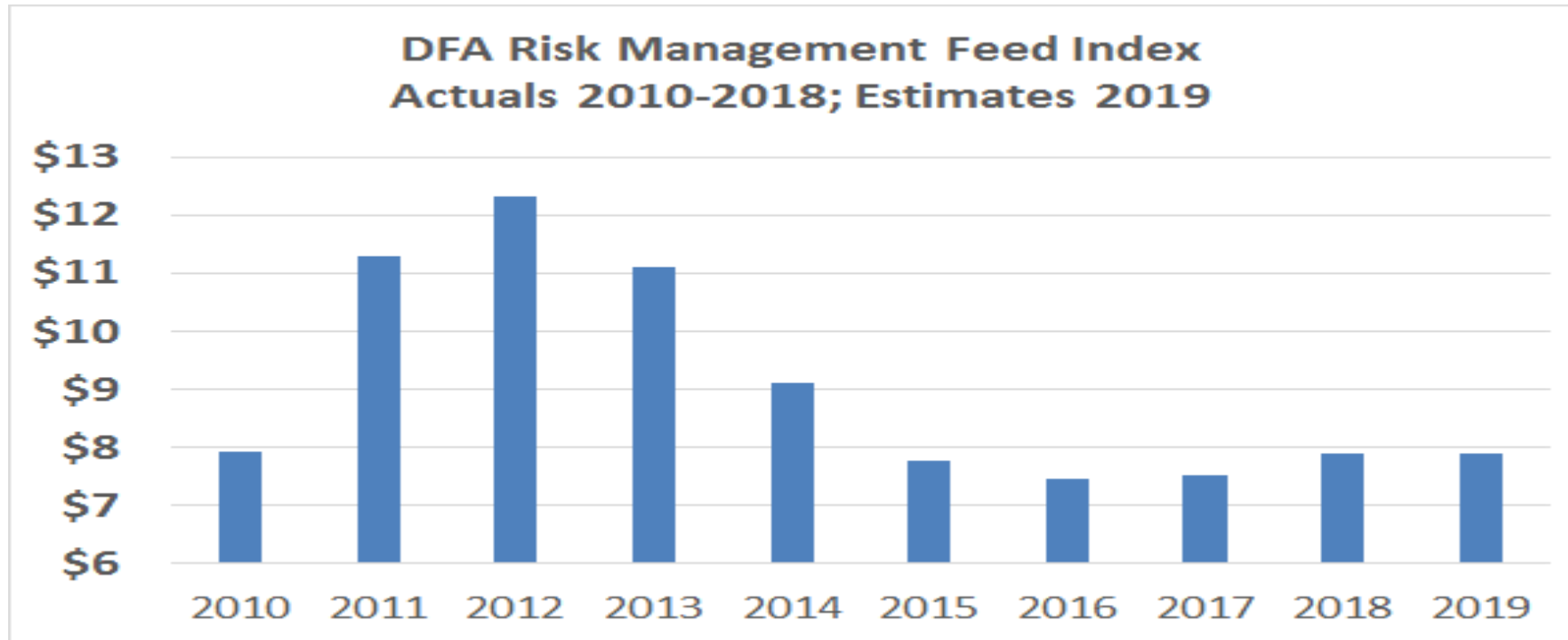
For milk testing 3.75 percent butterfat, 3.05 percent true protein and 5.75 percent other solids.
Estimates based on CME Group futures prices on February 22, 2019.

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Thank you!!

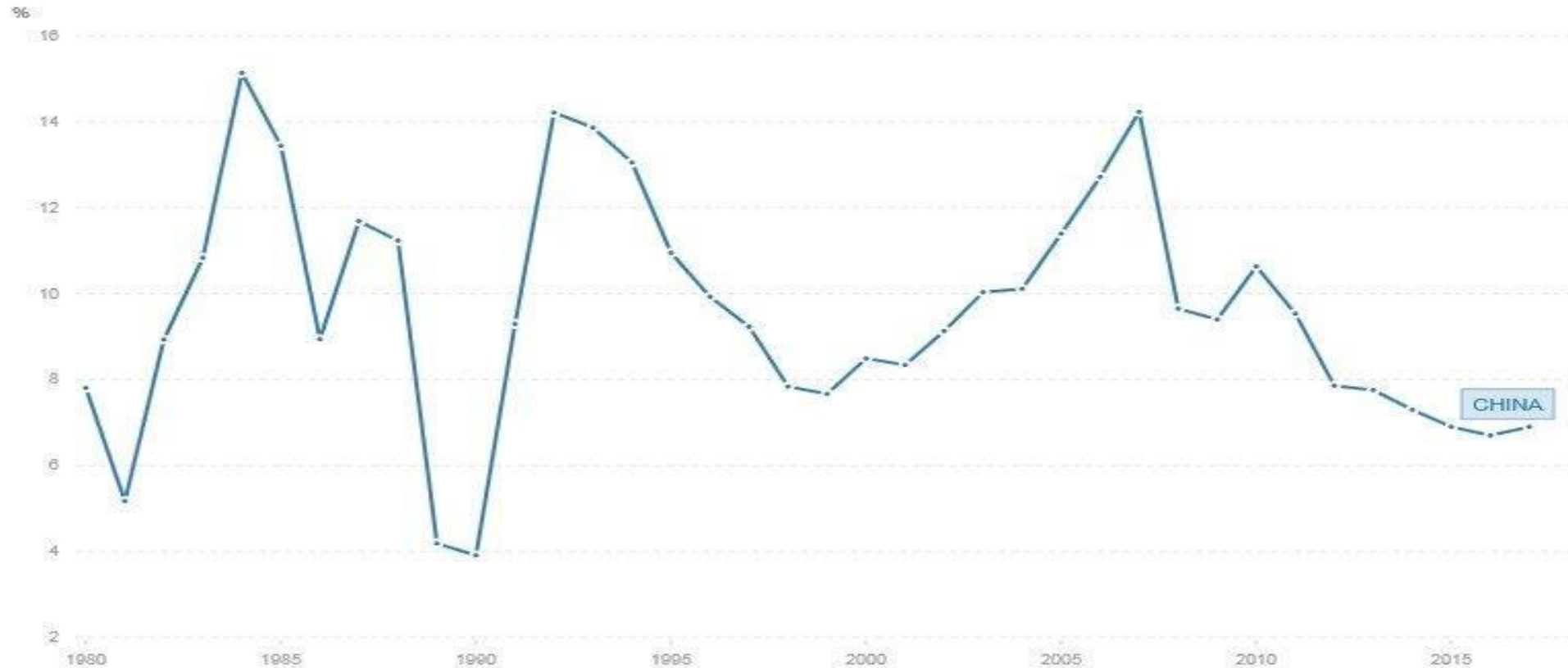
African Swine Fever Outbreaks

<u>pre-2007</u>	<u>2014</u>	<u>2015</u>	<u>2017</u>	<u>2018</u>
Russian Federation	Poland	Estonia	Czech Republic	Romania
	Latvia			Bulgaria
	Lithuania			Belgium
				CHINA
Source: Wikipedia				



Prices from Feb 13, 2019

China GDP Growth, year-over-year, 1980-2017



Source: The World Bank