

# Milk Market Perspectives and Overview

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President, DFA Risk Management

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# What's new at DFA??



Dairy Farmers of America

## For Immediate Release

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### **DAIRY FARMERS OF AMERICA REACHES AGREEMENT WITH DEAN FOODS**

DFA to Become Stalking Horse Bidder to Acquire Substantial Portion of Dean Foods Assets and Business

**KANSAS CITY, KAN.** — Feb. 17, 2020 — Dairy Farmers of America, Inc. (DFA) announced today an agreement has been reached with Dean Foods (Dean) for the farmer-owned Cooperative to become the stalking horse bidder to acquire a substantial portion of Dean's assets and business.

The two parties have been working to reach an agreement since DFA became aware of Dean's plan to initiate voluntary Chapter 11 reorganization proceedings.

# We have a lot going on...



Midwest Cheese, St Johns, MI



# Dairy Farmers of America forms D.F.A. Ingredient Solutions

12.18.2019

By [Keith Nunes](#)

KANSAS CITY — Dairy Farmers of America (D.F.A.) has merged its ingredients division, which includes dairy powders, dairy food ingredients, DairiConcepts and Berkshire Dairy, to form D.F.A. Ingredient Solutions. The new entity will provide such ingredients as cheese, sweetened condensed milk, butter solutions, milk and nutritional powders, seasoning blends, dairy concentrates and flavors.

“Through our division, we are connecting our family farm-owners to consumers around the world through our portfolio of diverse dairy-based ingredients,” said Martin Bates, senior vice-president and chief operating officer for D.F.A. Ingredient Solutions.

“Working as one team allows us to be customer-focused and provide them with a seamless, efficient experience.”

[www.dfaingredients.com](http://www.dfaingredients.com)

# Dairy Foods Magazine Top 10



Live Real Farms #9



# Coronavirus is disrupting markets

SUB-SOVEREIGN

MOODY'S  
INVESTORS SERVICE

## SECTOR COMMENT

20 February 2020

✓ Rate this Research

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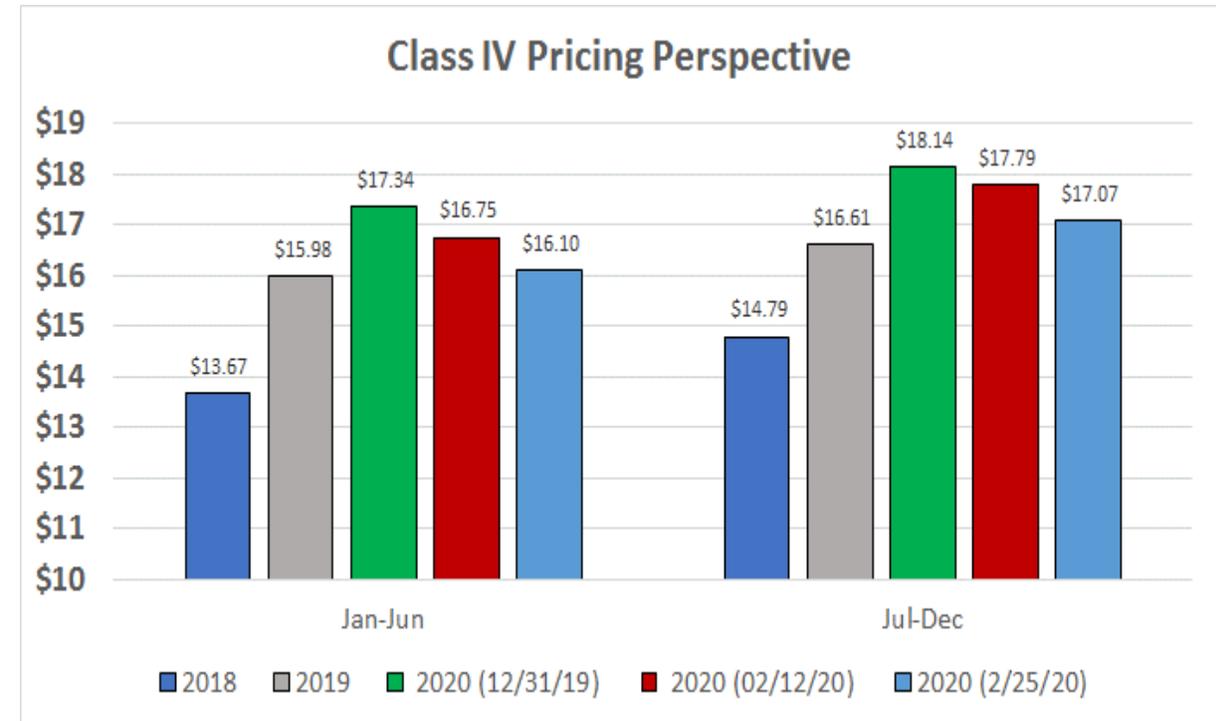
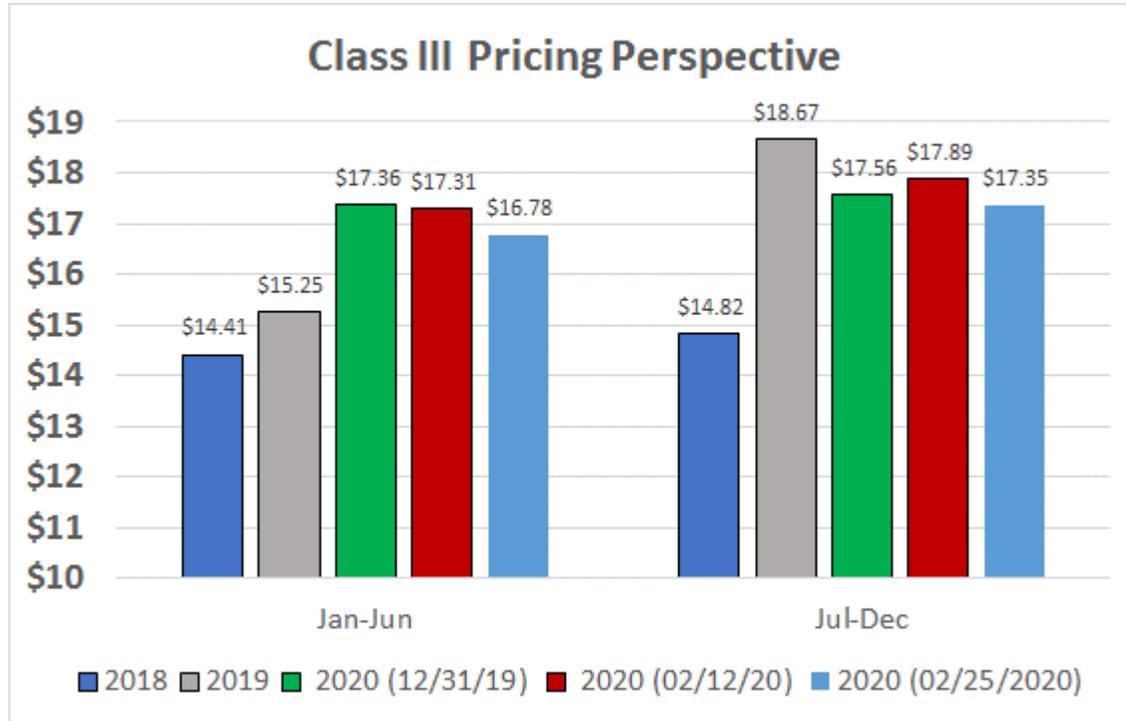
Regional & Local Governments – China

## Economic impact of coronavirus outbreak will lower RLG revenue growth

The coronavirus outbreak is already affecting [China's](#) (A1 stable) economy, and we expect economic growth to slow to 5.2% in 2020, down from our previous forecast of 5.8%. Lower economic growth at the national level increases the risk of zero growth or even a contraction in general budgetary revenue of Chinese regional and local governments (RLGs) this year. However, the impact will vary across regions, and the RLGs that are currently most affected by the outbreak have stronger financial profiles. Moreover, we expect the central government to continue to provide financial support to ensure that all RLGs continue to meet their spending requirements.

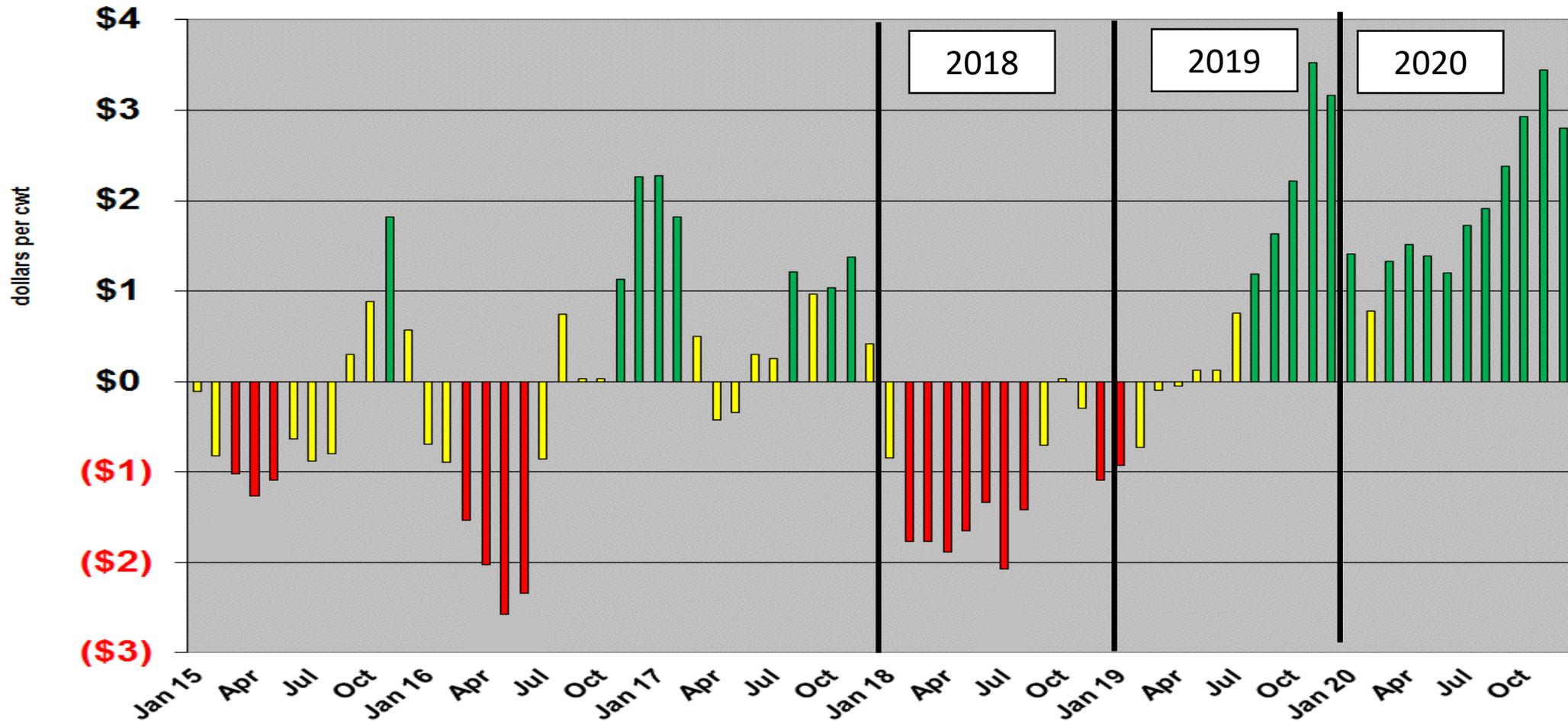


# Markets have deteriorated rapidly over the past two-plus weeks



# US Dairy Farm Average Net Margins

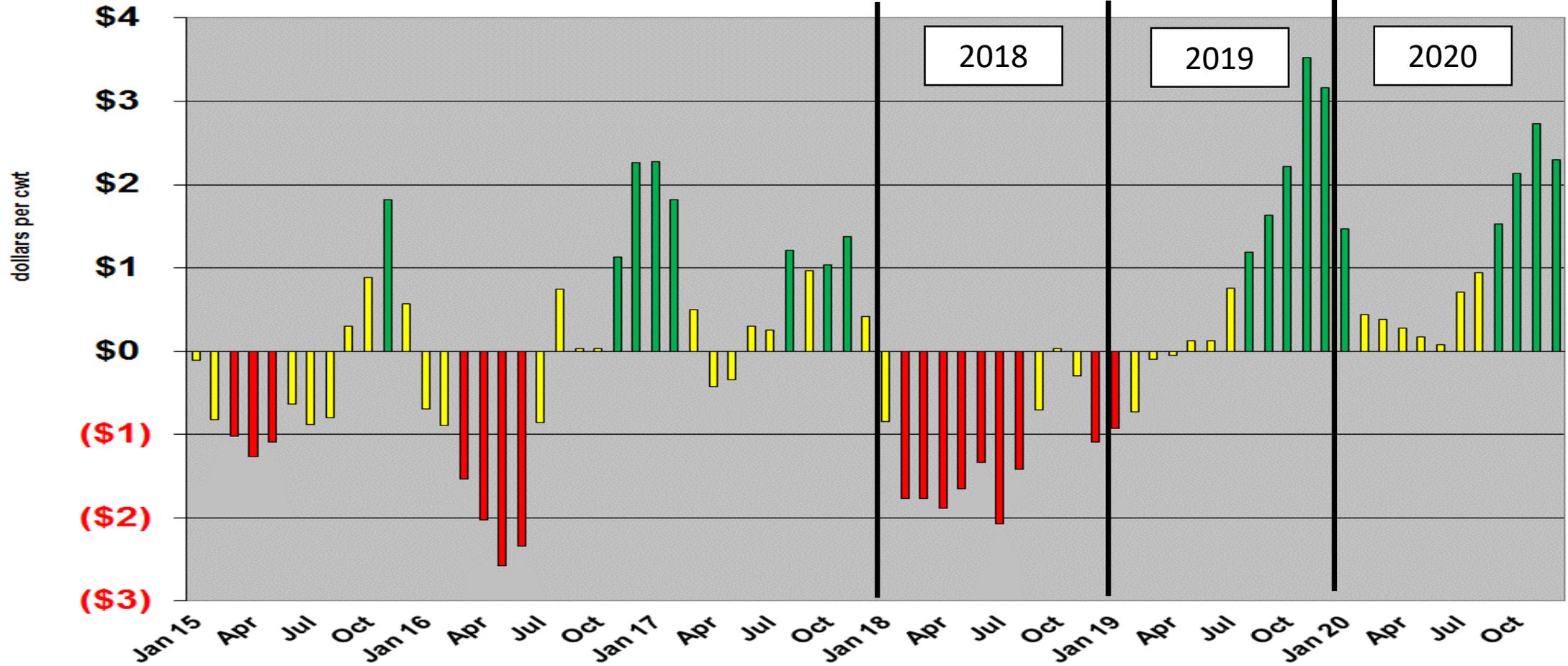
Estimated, Jan 2015- Dec 2020



Based on CME Group futures prices on February 10, 2020

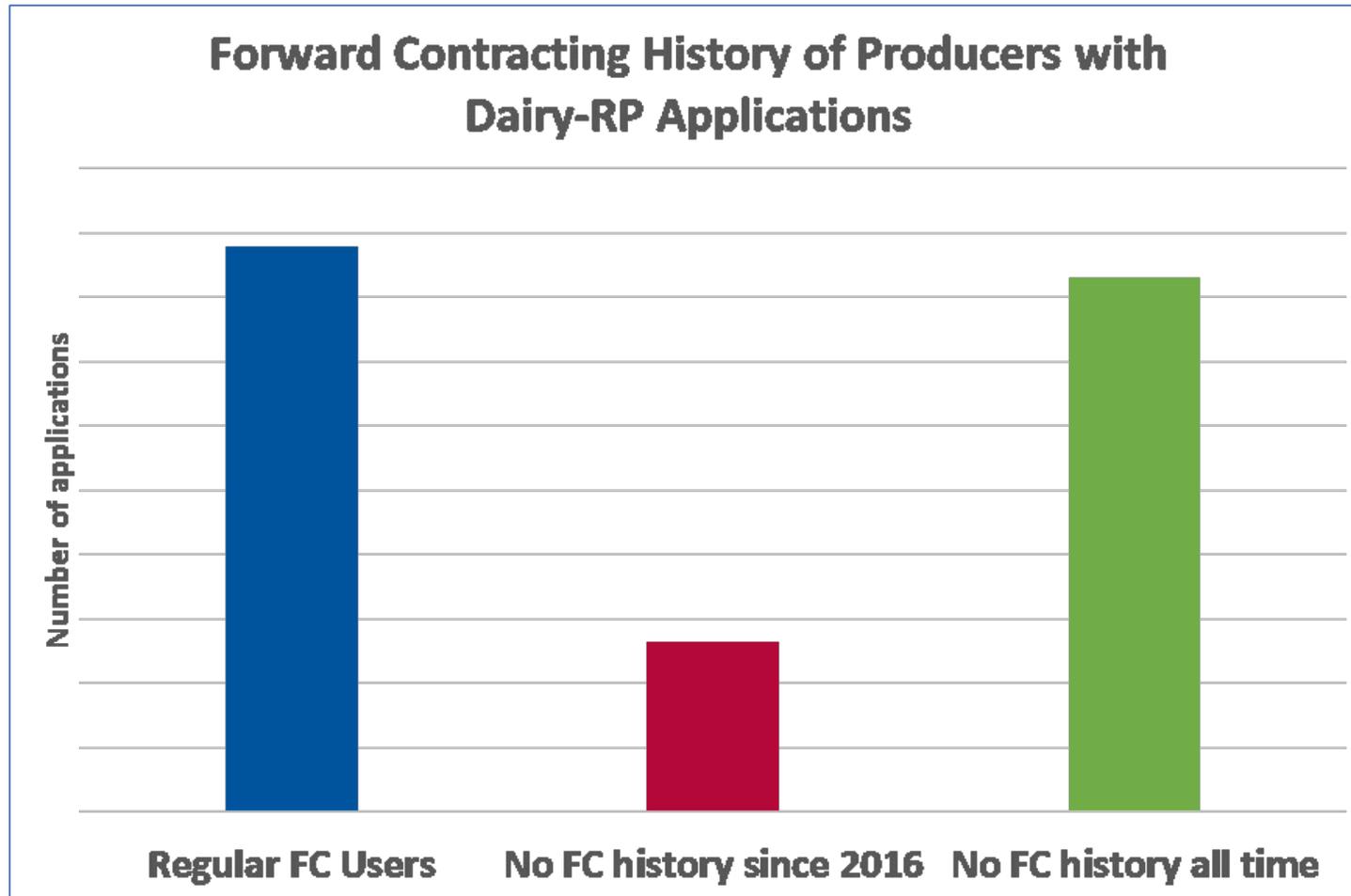
# US Dairy Farm Average Net Margins

Estimated, Jan 2015- Dec 2020



Based on CME Group futures prices on February 25, 2020

# DFA Risk Management: Record Use, Many Options, Industry Leading Expertise

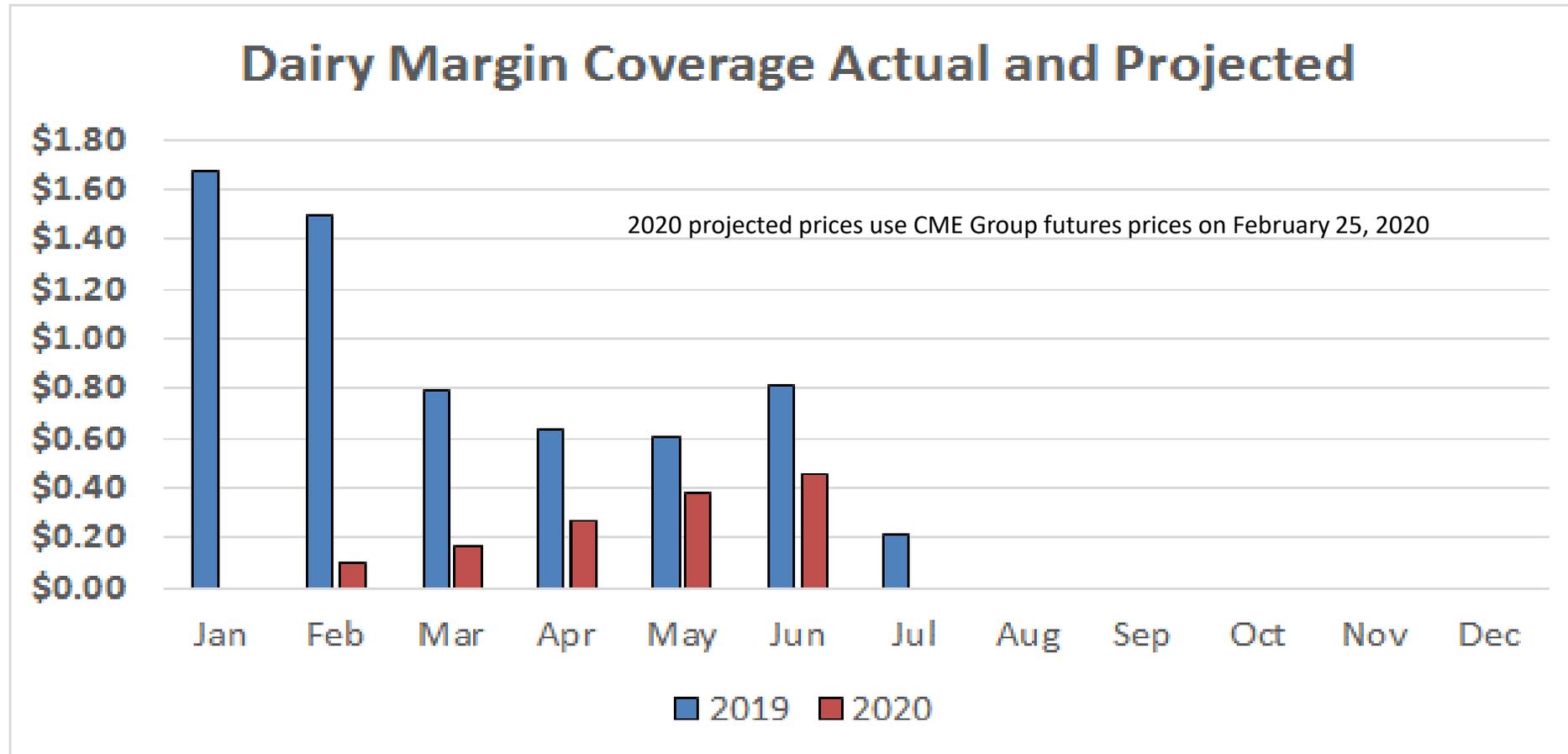


\* DMC for < 300 cow dairies

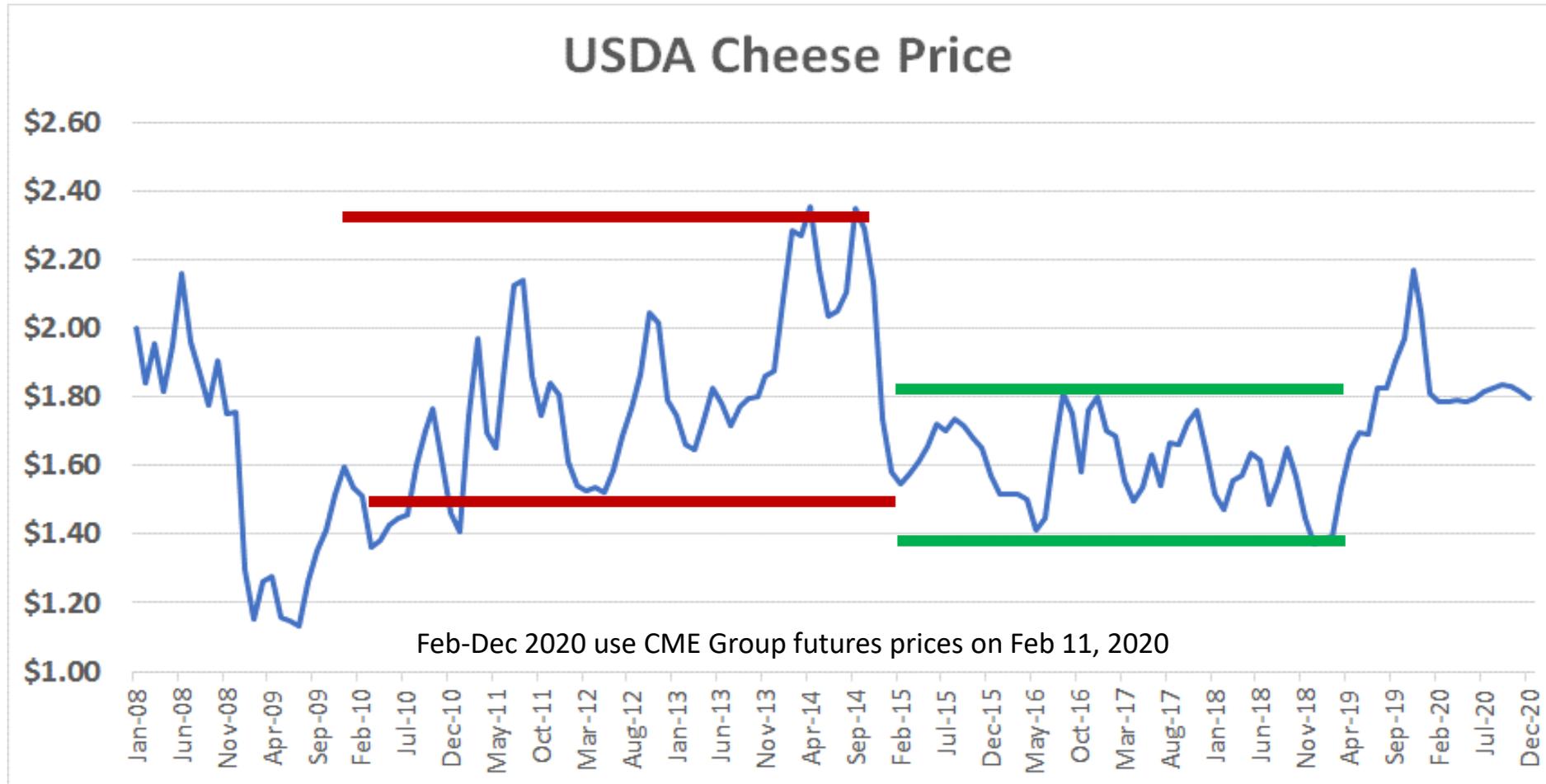
\* DRP for larger dairies using risk management for first time

\* Traditional risk management booming with savvy risk managers

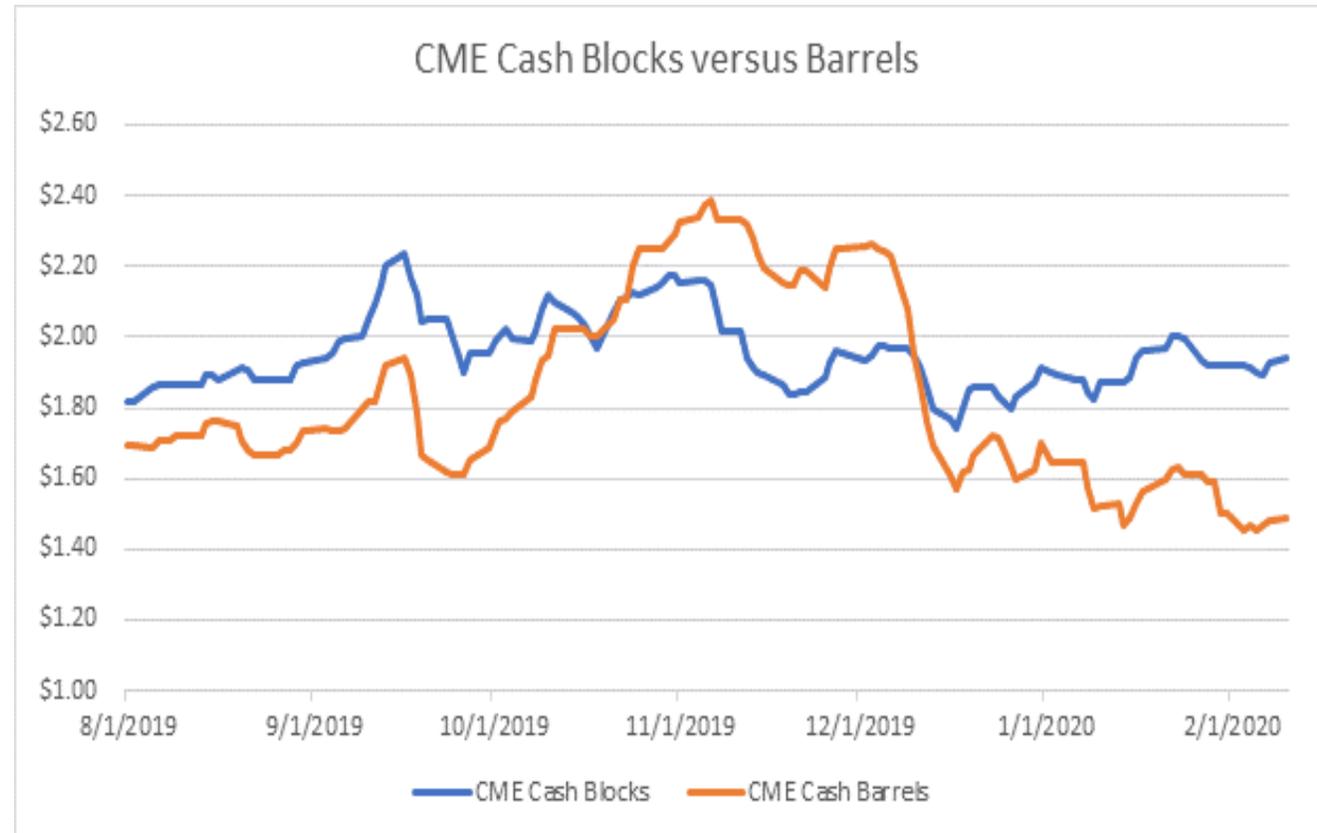
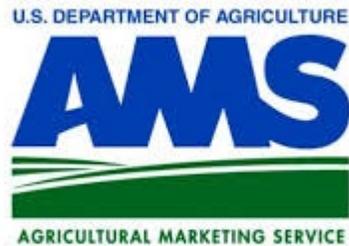
# Market now forecasts DMC payments for 2020



# Cheese price volatility has changed...



# Cheese pricing/milk pricing reform



# Trade Intrigue



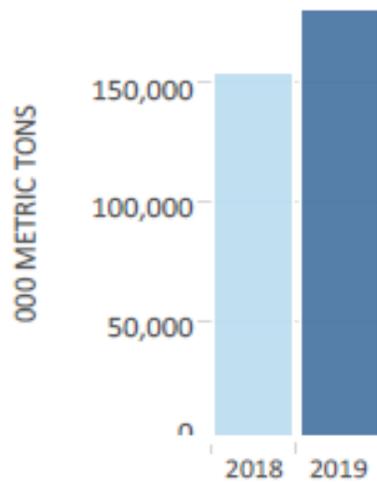
# Exports improving...

## U.S. Exports (Volume, MT)

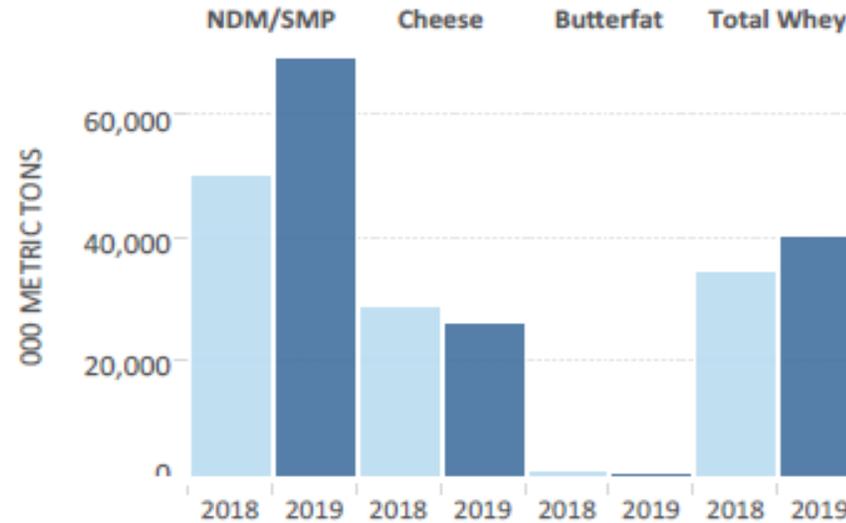
Data updated to —

Show  Curr. Month

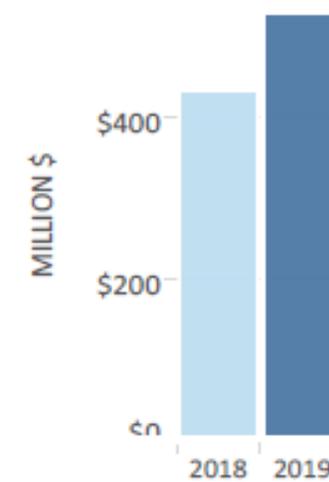
### U.S. Exports Aggregate Volume\* - Dec. 2019



### U.S. Exports Volume - Dec. 2019



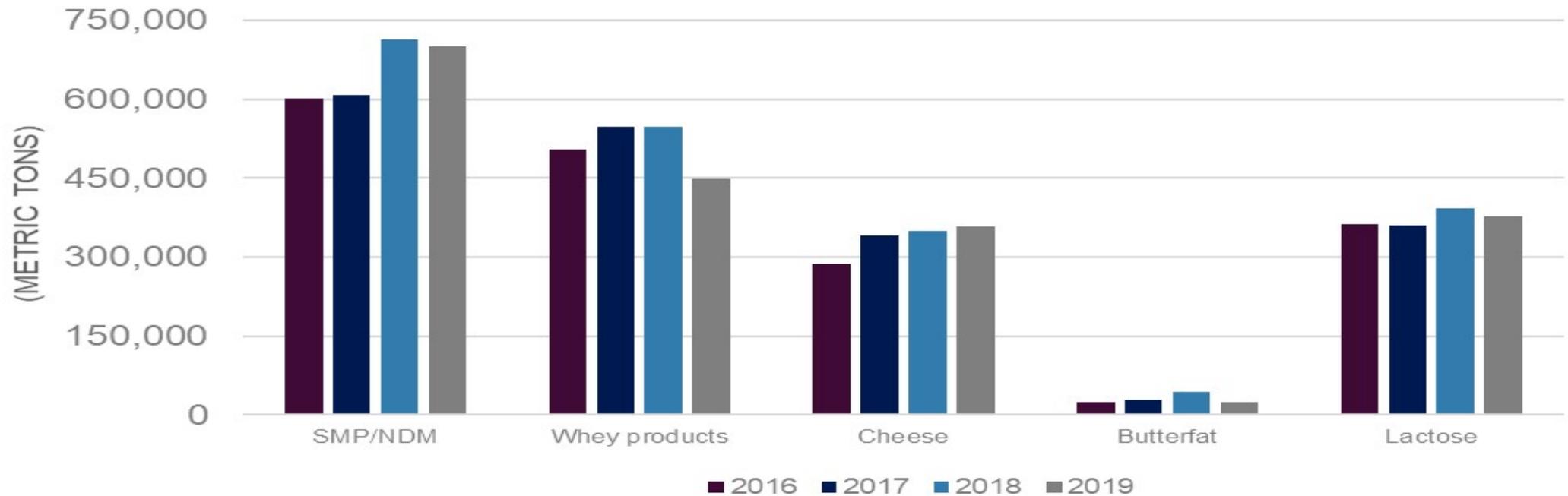
### U.S. Exports Value - Dec. 2019



# We are digging out of our trade war issues....

## U.S. Dairy Exports

2016-2019



Source: U.S. Dairy Export Council, U.S. Bureau of Census.

# Global Issues Impacting Whey

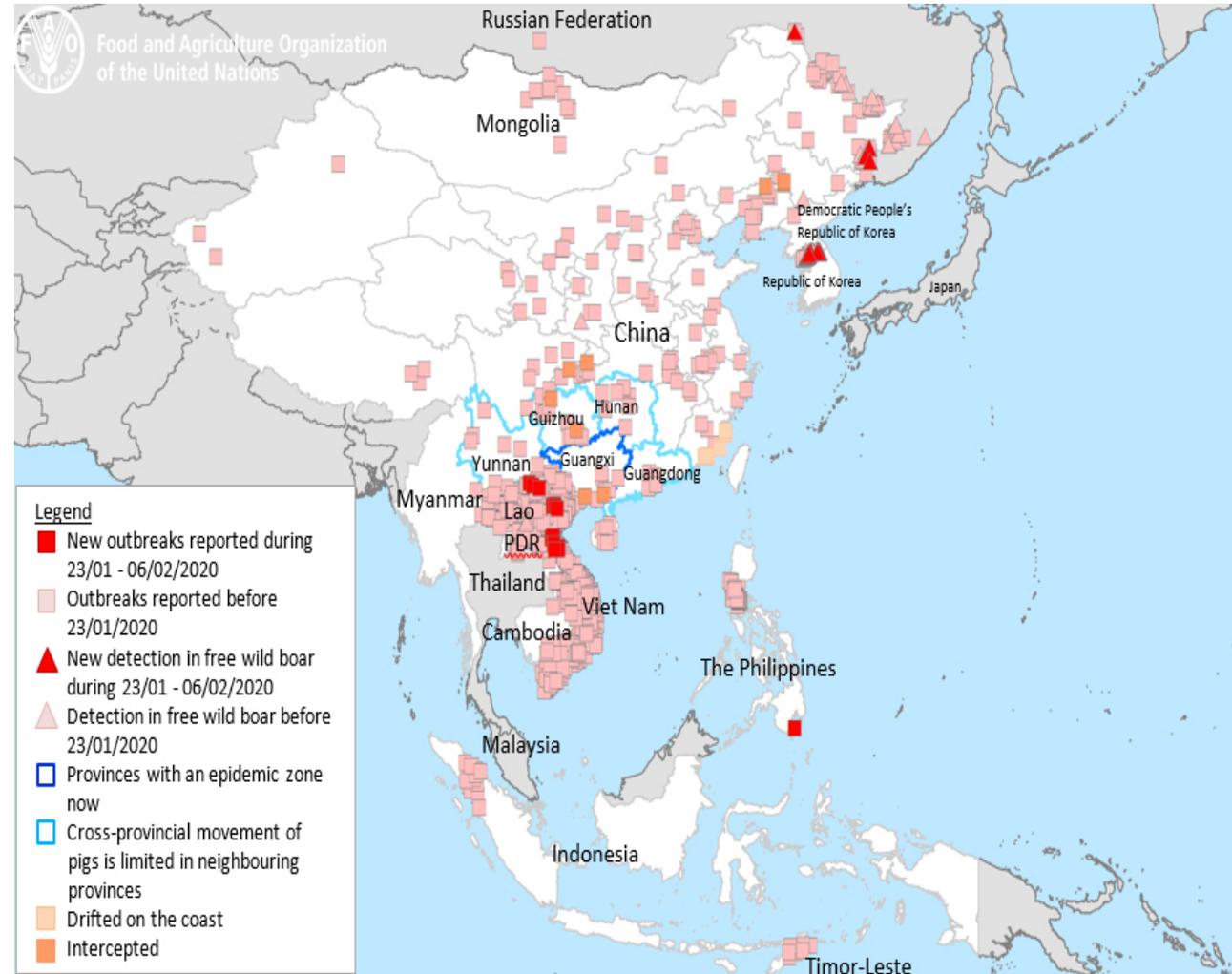
BUSINESS NEWS

DECEMBER 15, 2019 / 8:12 AM / 2 MONTHS AGO

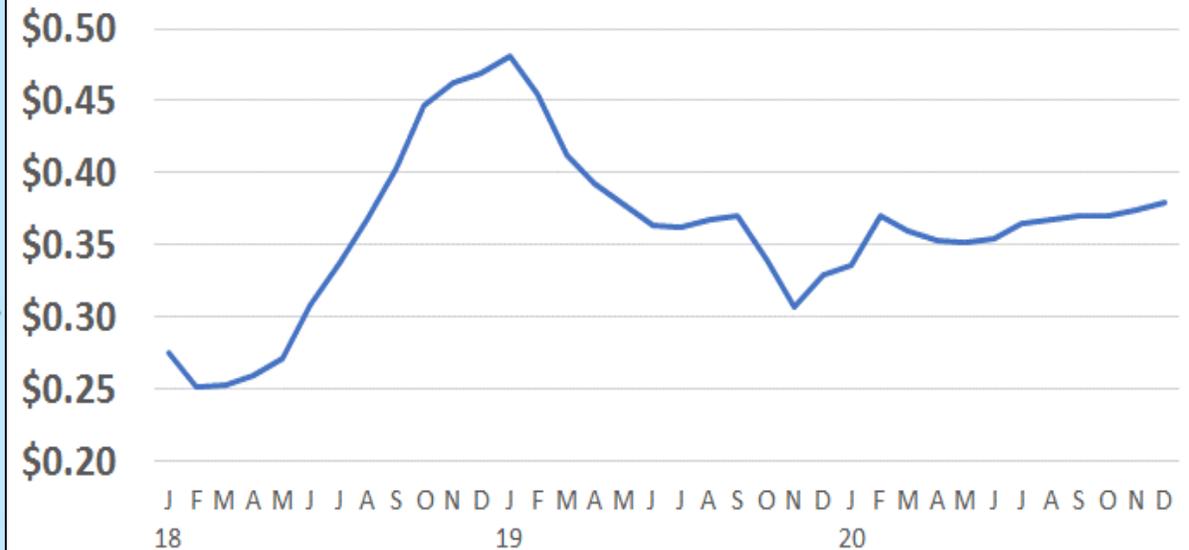
## Indonesia files WTO palm oil suit as tensions with EU grow

Ed Davies, Philip Blenkinsop

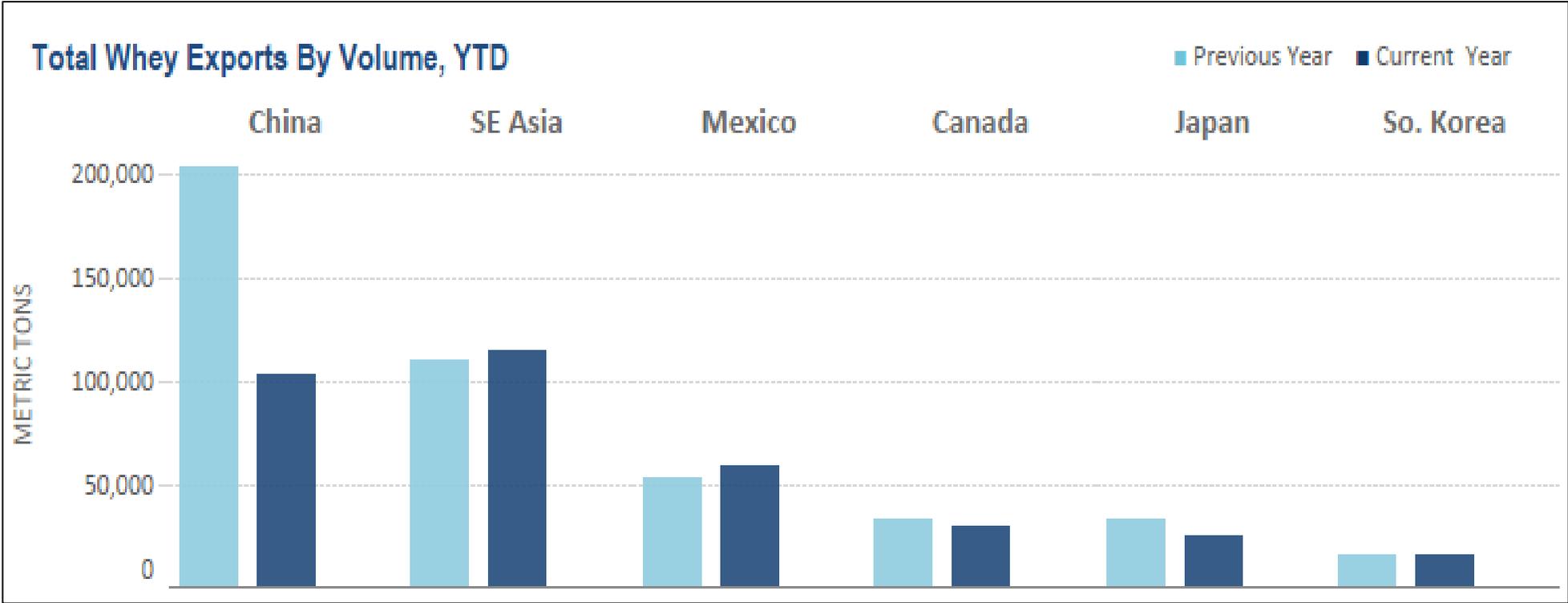
JAKARTA/BRUSSELS (Reuters) - Indonesia has filed a lawsuit at the World Trade Organization (WTO) against the European Union, claiming the bloc's restrictions on palm oil-based biofuel are unfair, the latest in a series of disputes between the two sides.



USDA Dry Whey Prices

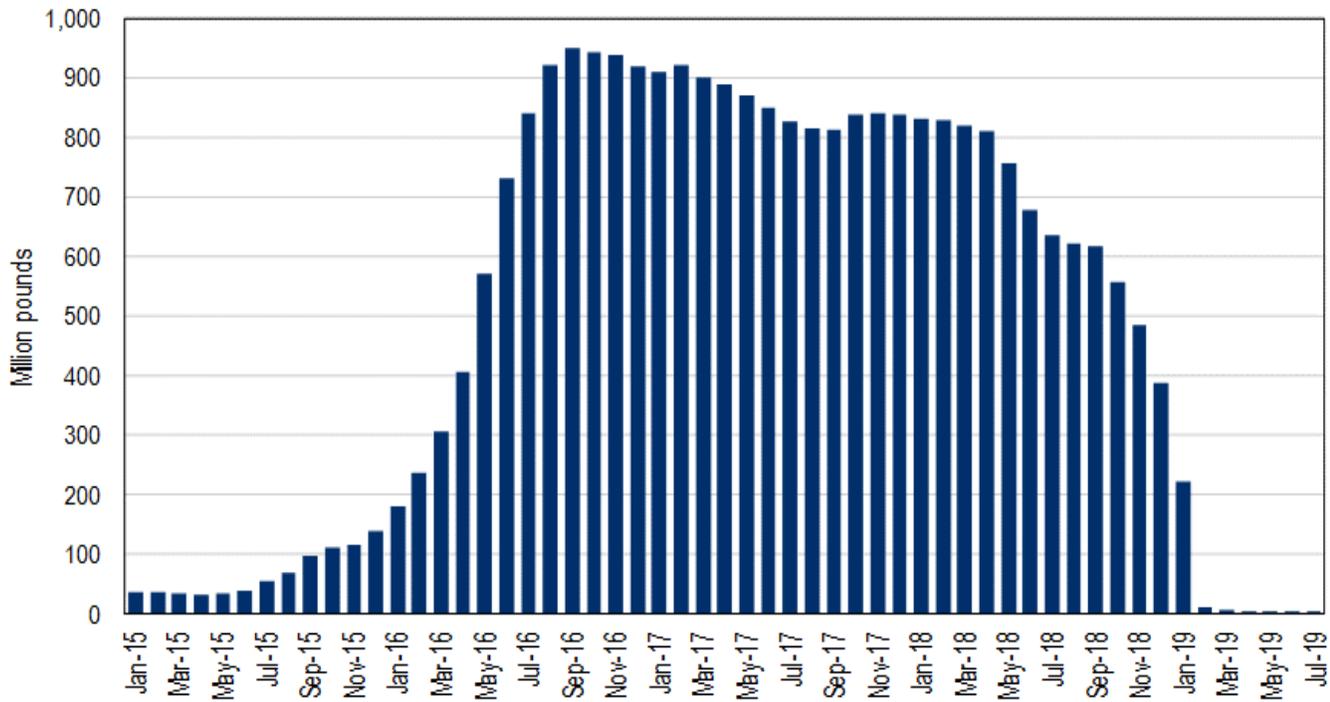


# Whey will still be a challenge...

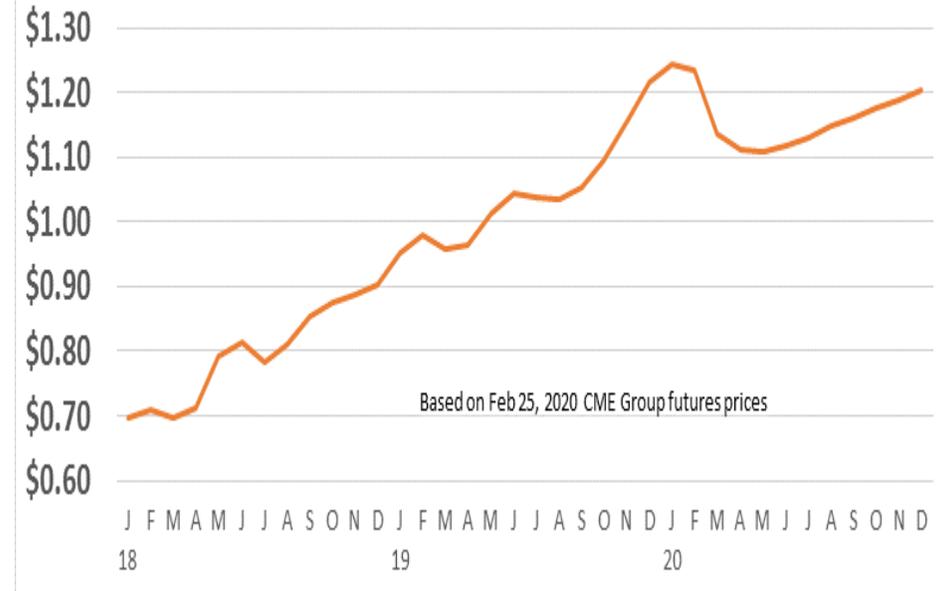


# Powder Prices Stronger

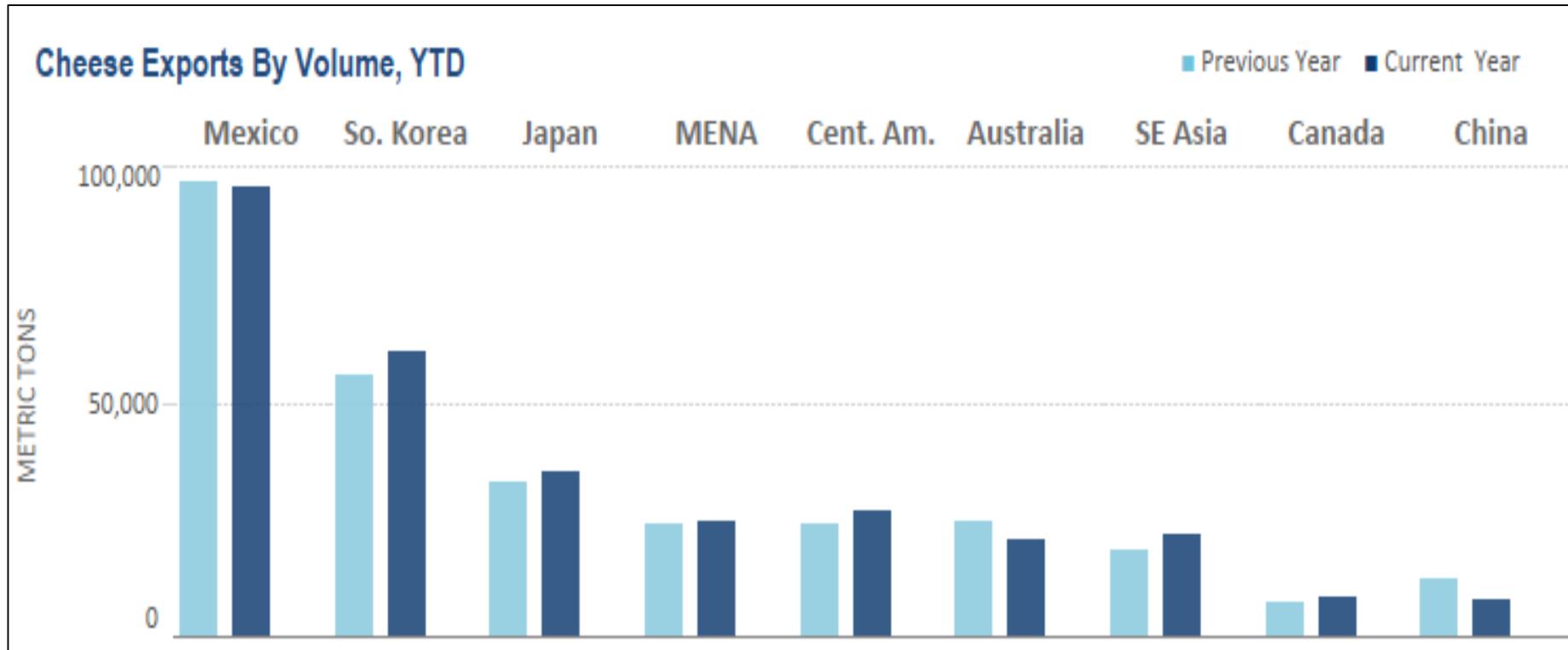
### EU Commission SMP Inventories



### USDA NFDN Prices

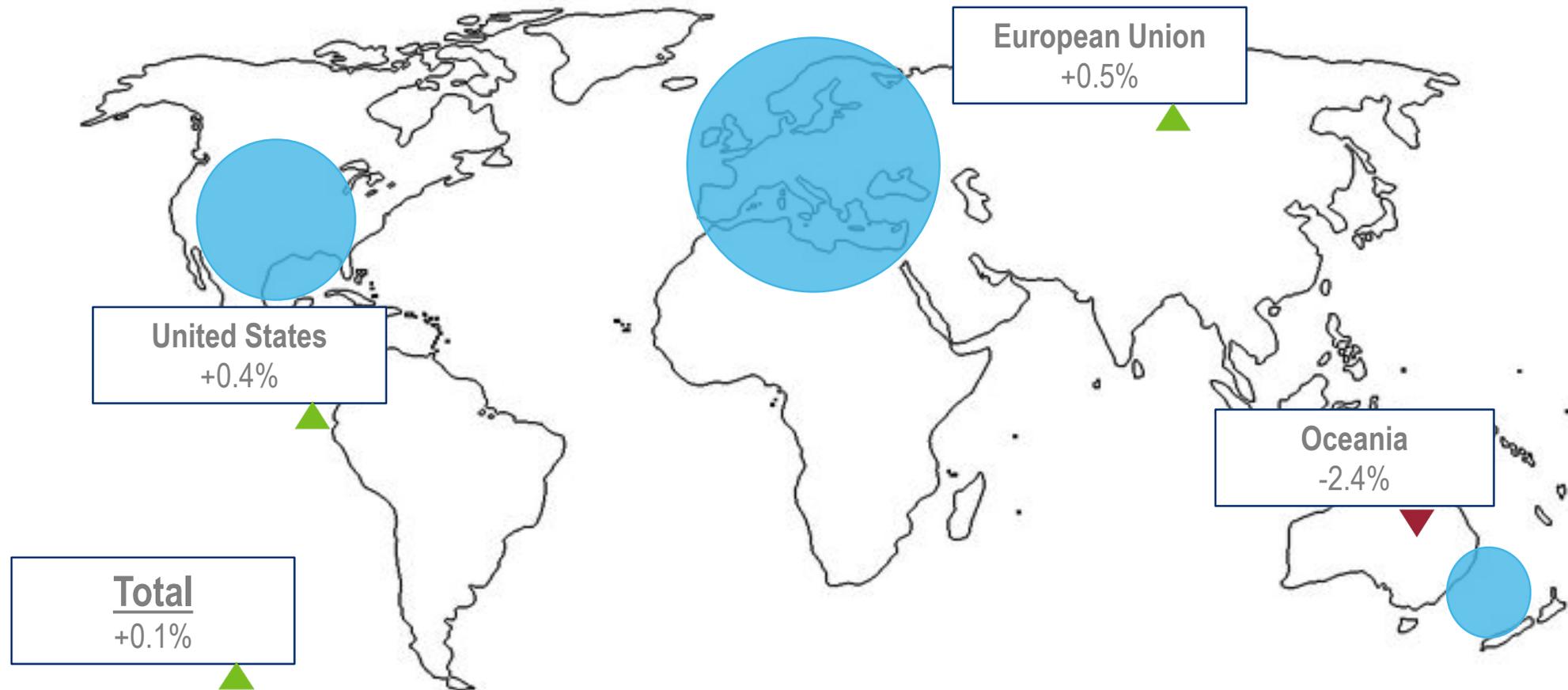


# 2020 holds quite a bit of promise...



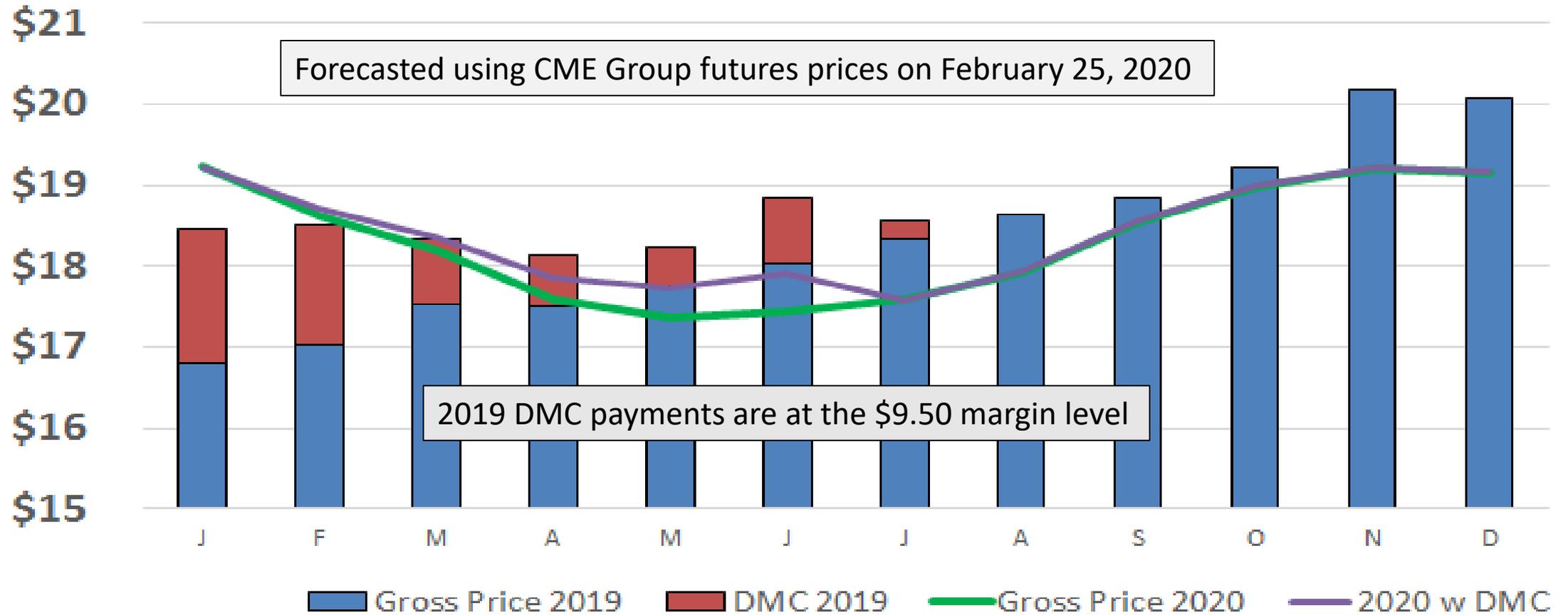
# Global milk production

YTD through Dec 2019



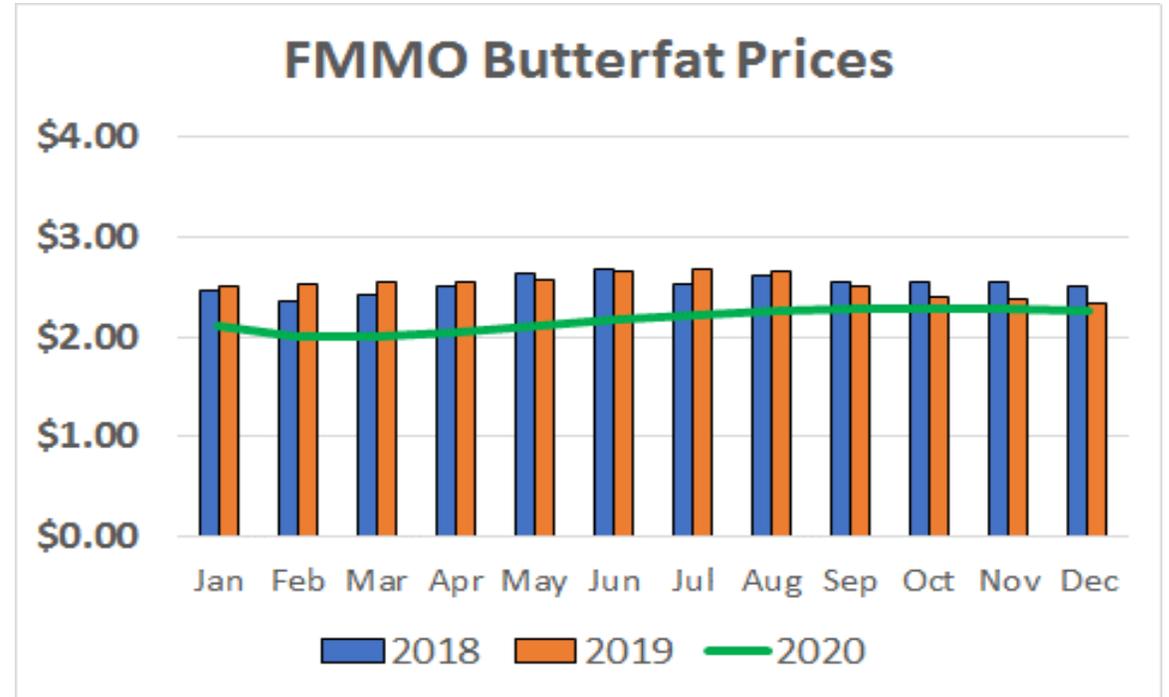
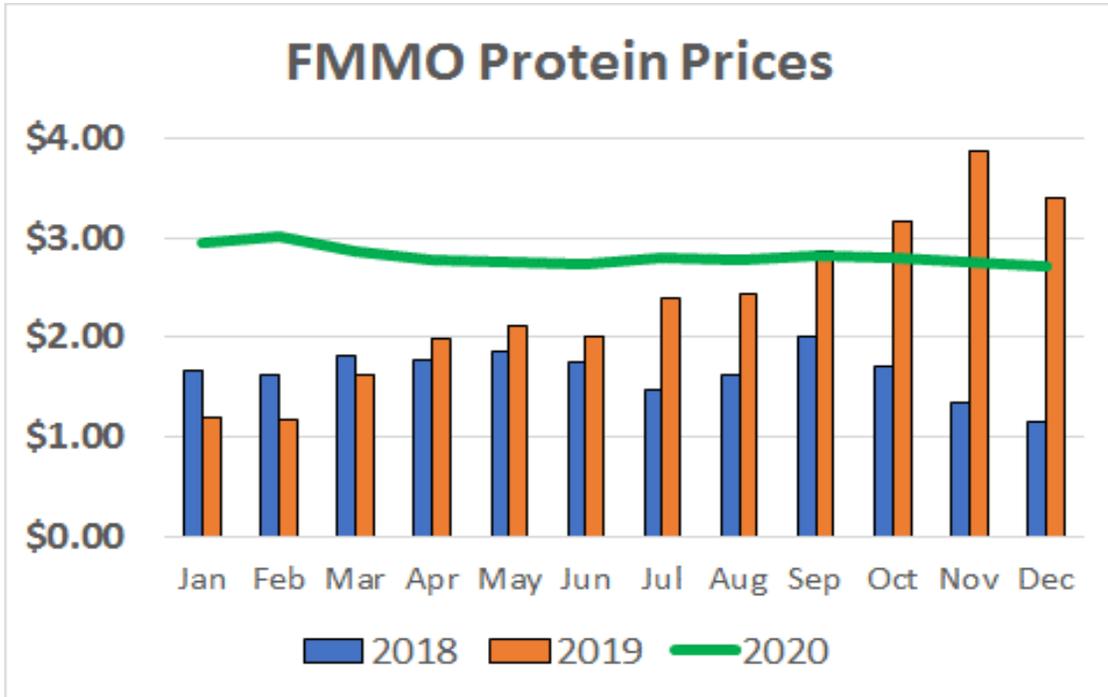
# Estimated Gross Milk Prices, CNY, NVT, NPA

at average test for the month; **with DMC payments included**



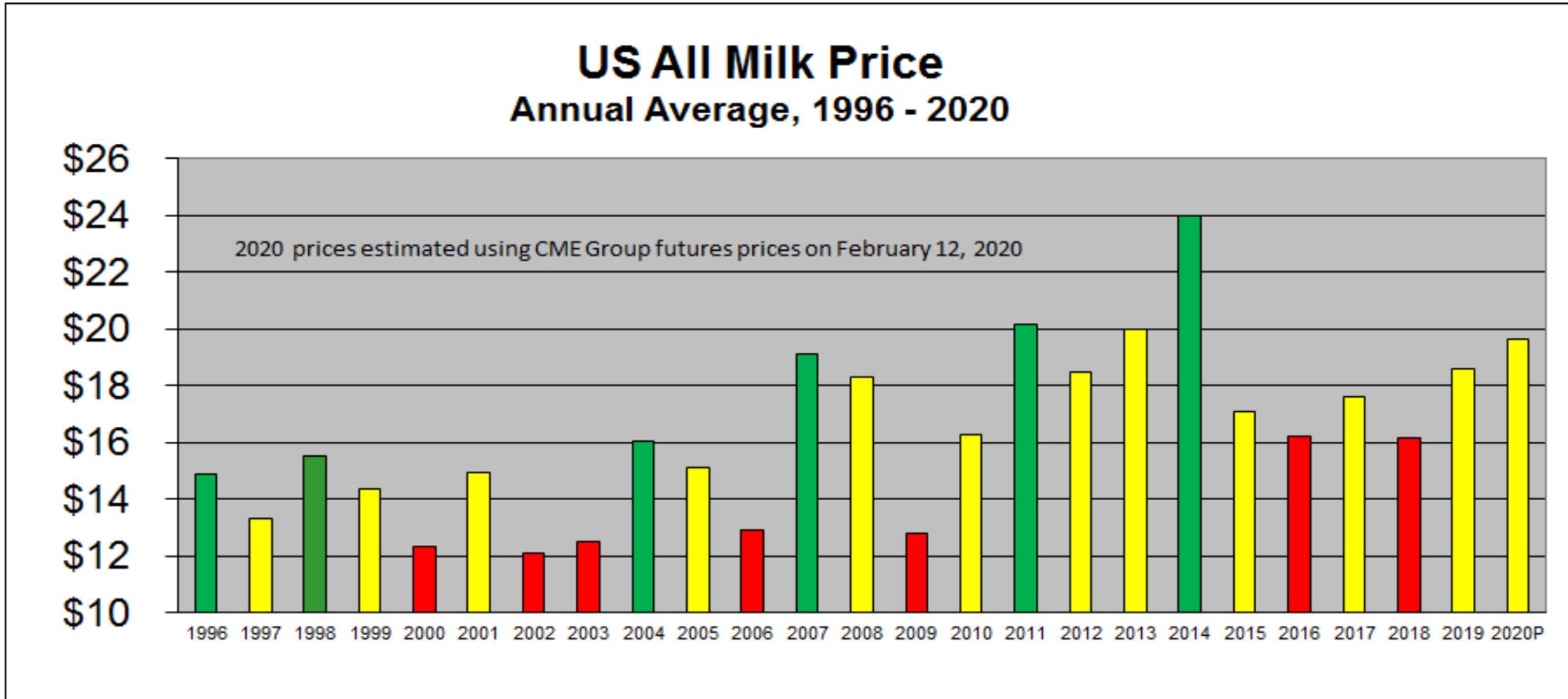
2019 and 2020 Gross Price Average (no DMC): \$18.32

# Component Values Important

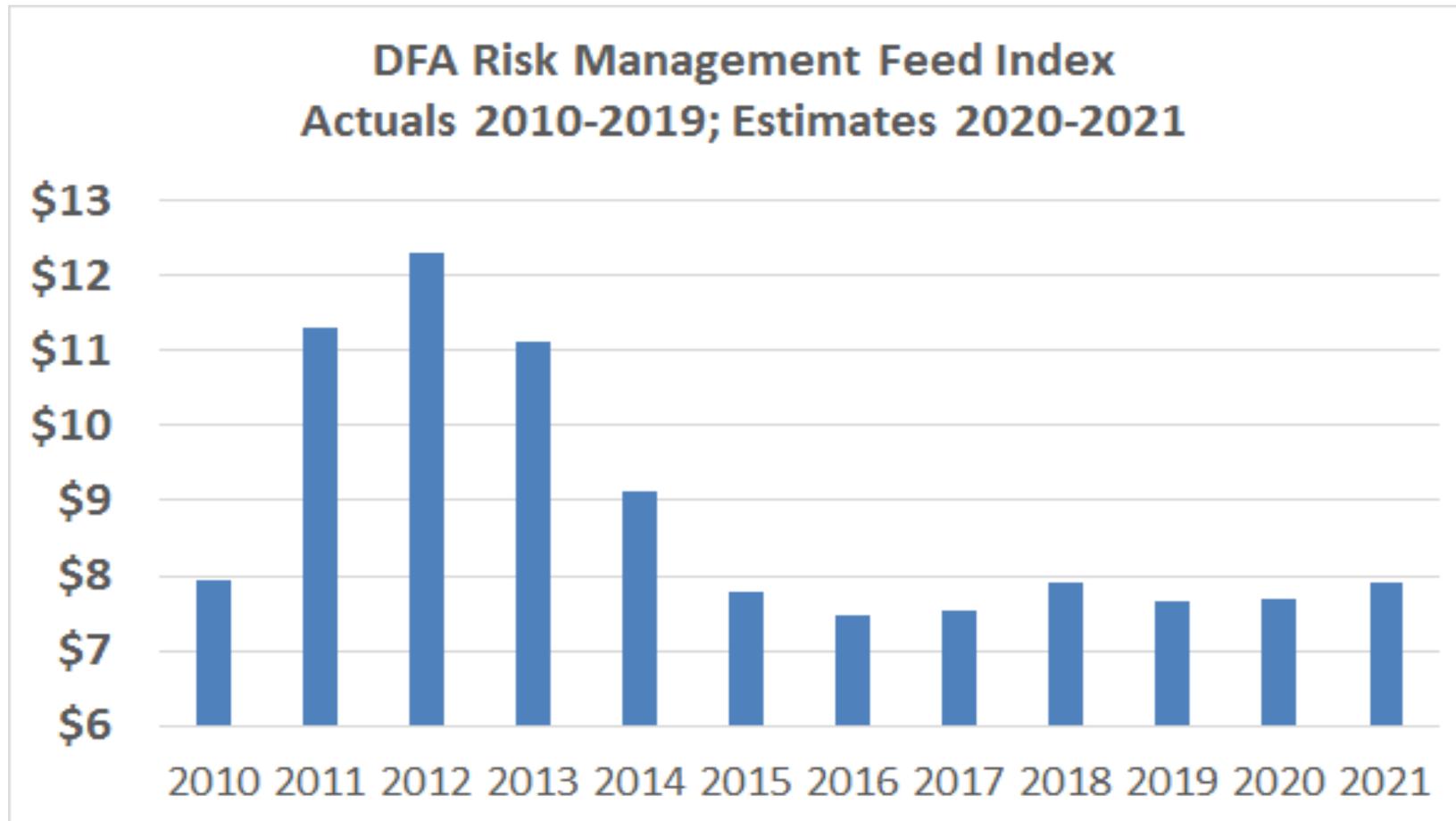


Feb-Dec 2020 prices based on CME Group futures prices on Feb 25, 2020

# Pricing cycles of old are back...



# Livestock feed prices have been moderate



2020 and 2021 estimates use CME Group futures prices on Feb 12, 2020



**Thank you!!!**

# Swans a swimming...

- Coronavirus and others
- Strength of global economy
- Climate change induced weather extremes
- Global civility
- Non-animal alternatives

