

**Dairy Outlook 2013-14
Southern Outlook
Conference, Atlanta, GA
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9/22/2013

Current Statements

- 2013 has been another volatile year for livestock and dairy markets
 - Weather – Wet this time
 - Feed Costs – Up *and* down ... may go lower
- Many market fundamentals remain key drivers
 - Export demand
 - U.S. demand recovery
 - High production expenses
- Consumer response to high meat and dairy prices – Off again / On again
- Potential consolidation into the largest pork company on earth will affect meat and dairy trade dynamics

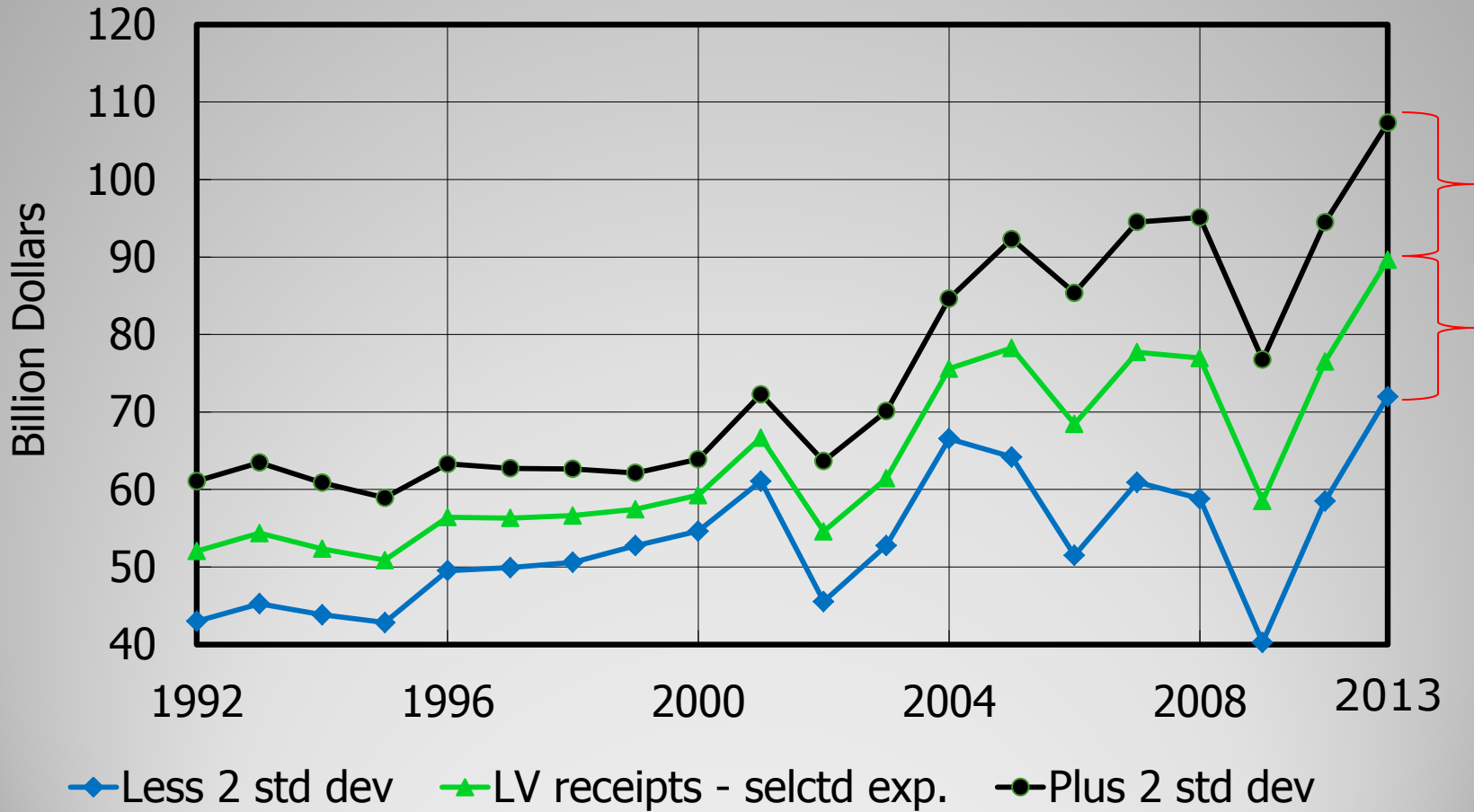
What Lies Ahead?

- Price Volatility Will Continue
 - Milk Prices
 - Feed Prices
 - Other Input Prices
- General Economic Outlook Important
 - Depends on Economic Growth
 - What Happens in the Rest of the World
- Milk Supplies in the Rest of the World
- Price Outlook Depends on Demand
- Dairy Policy Alternatives continue to be Debated
- What's in the next Farm Bill for dairy?



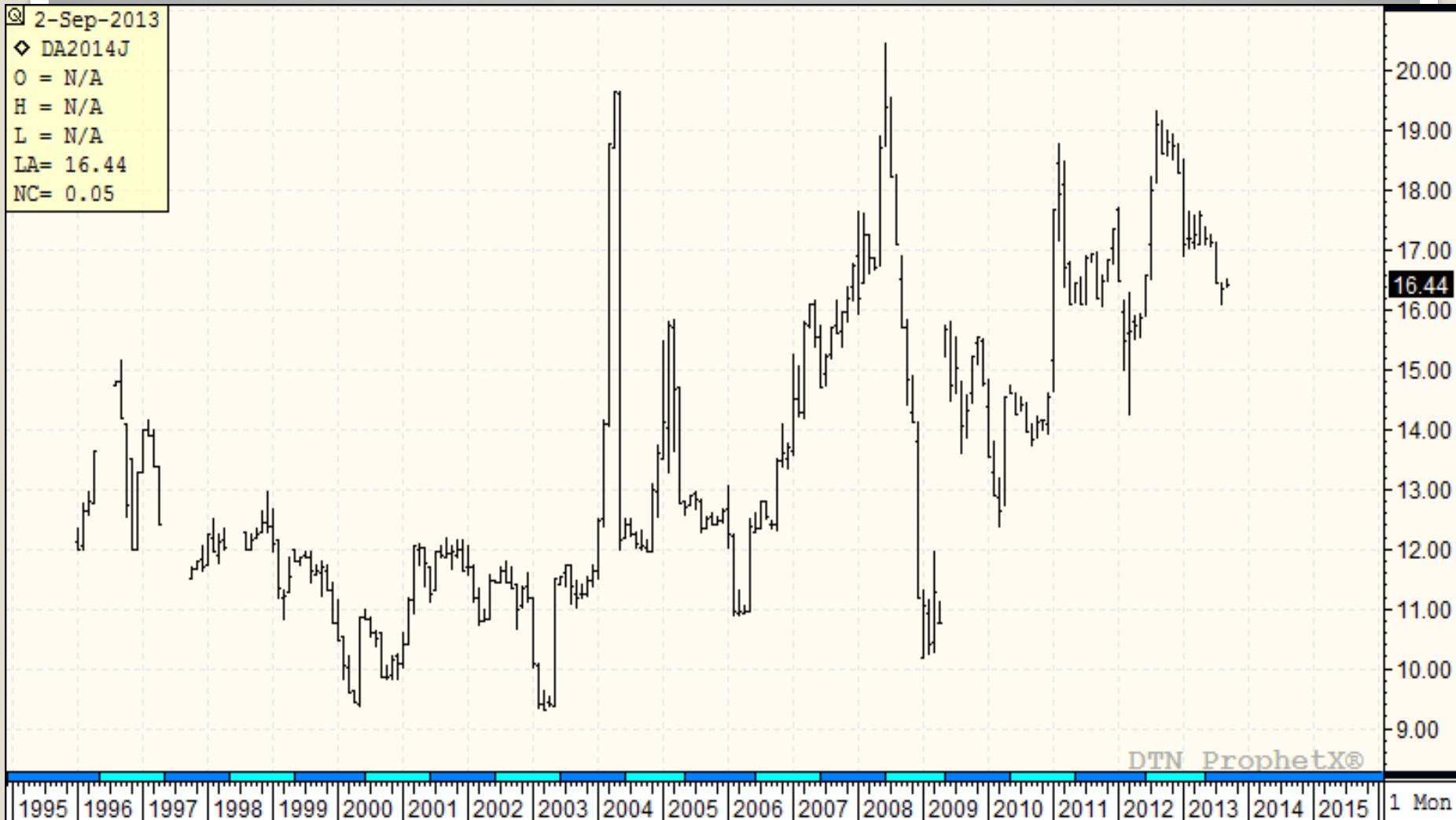
What Can We Expect? Nothing is ever ***For Sure***

Higher Returns at a Cost: More Risk



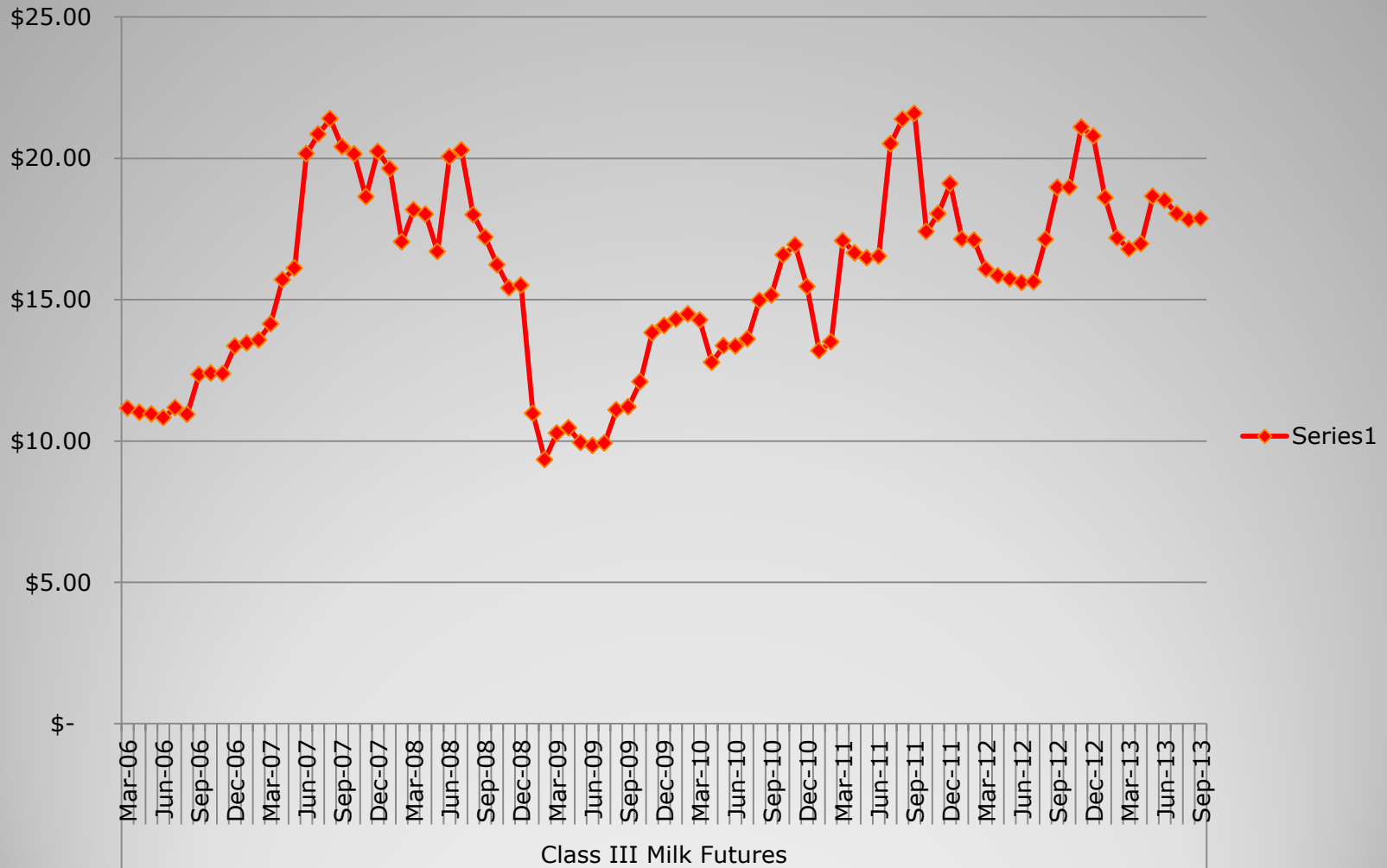
Source: Scott Brown, USDA

Class III Milk April Futures (monthly nearest)



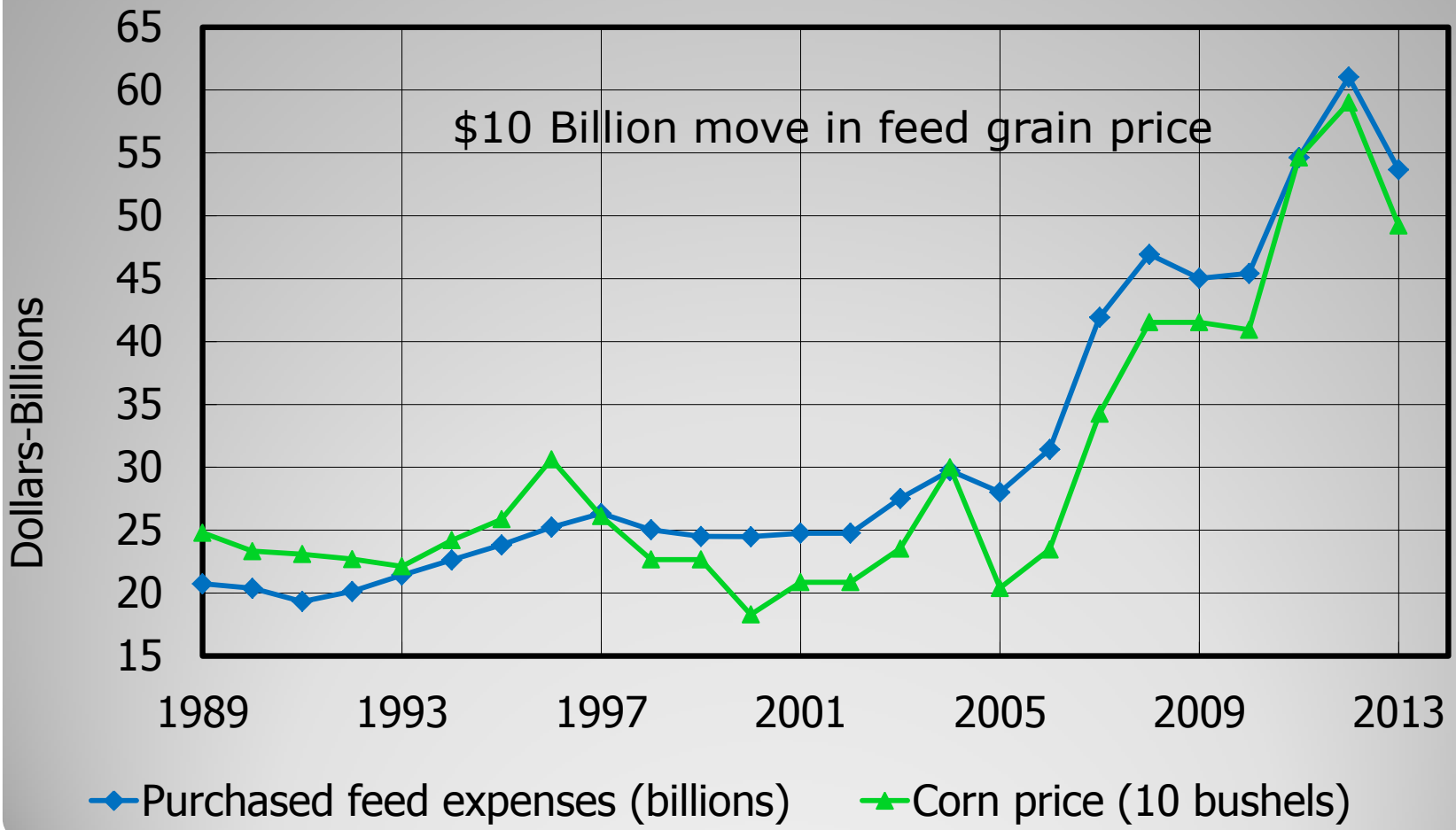
Source: DTN

Class III Milk Futures 3-06 > 9-13



Source: DTN

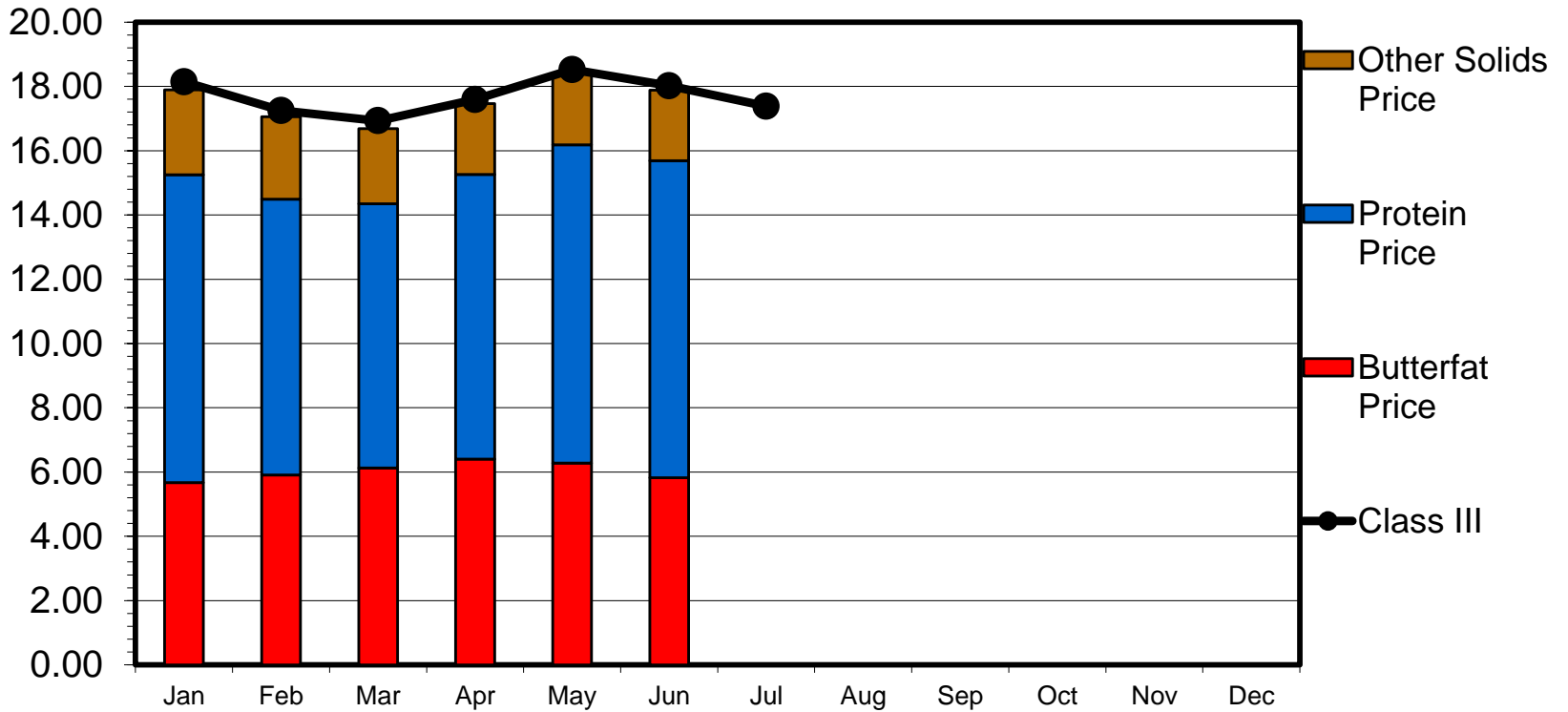
What does a \$1 lower corn price mean?



Source: Scott Brown, USDA

CLASS III MILK PRICE COMPONENTS Current Monthly Prices

\$ Per Pound



Livestock Marketing Information Center

Data Source: USDA-AMS, Dairy Market News, Compiled & Analysis by LMIC

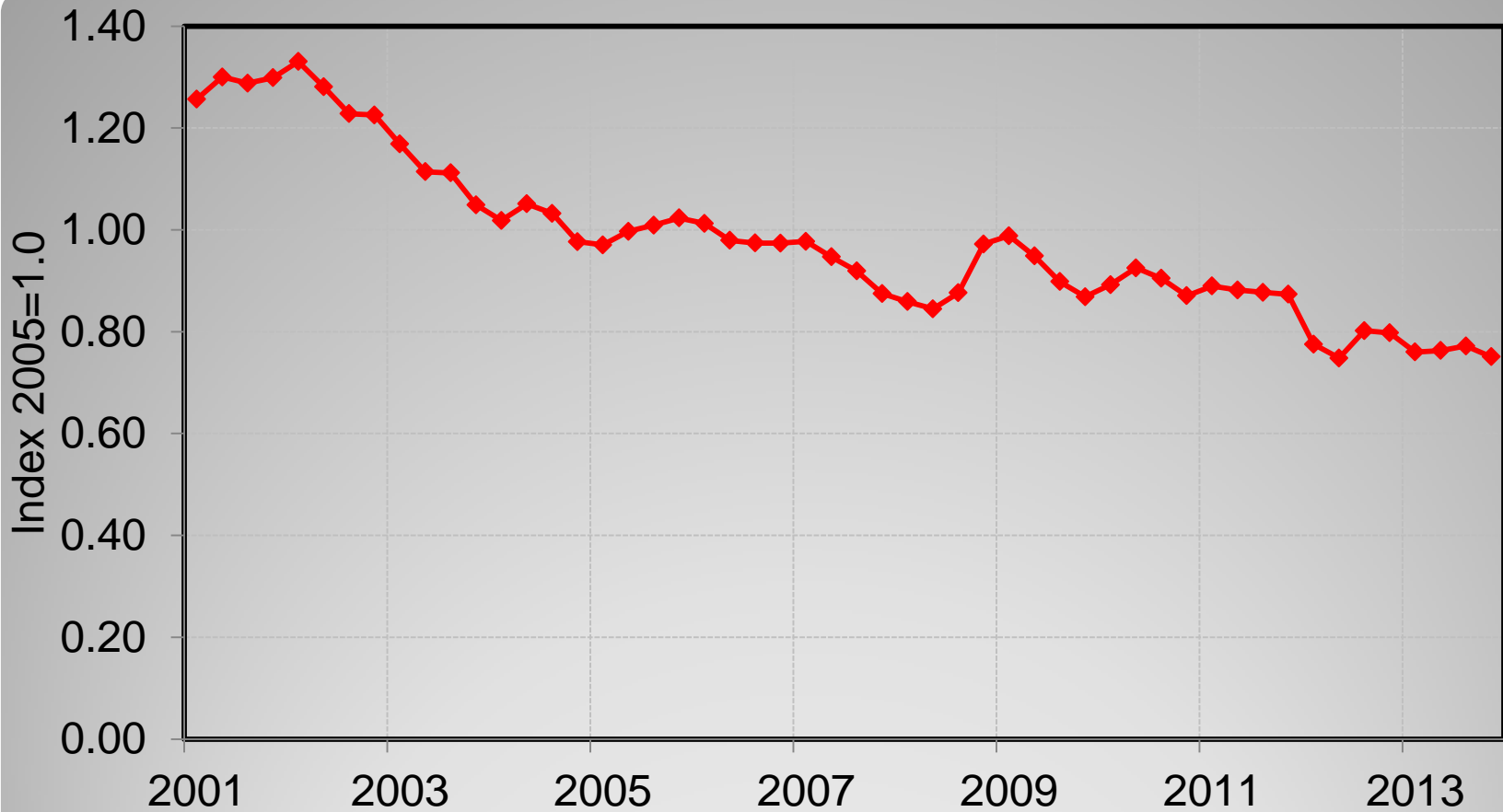
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Cash U.S. Dollar Index (Monthly Nearest)

DX - U.S. Dollar Index - Monthly Nearest OHLC Chart



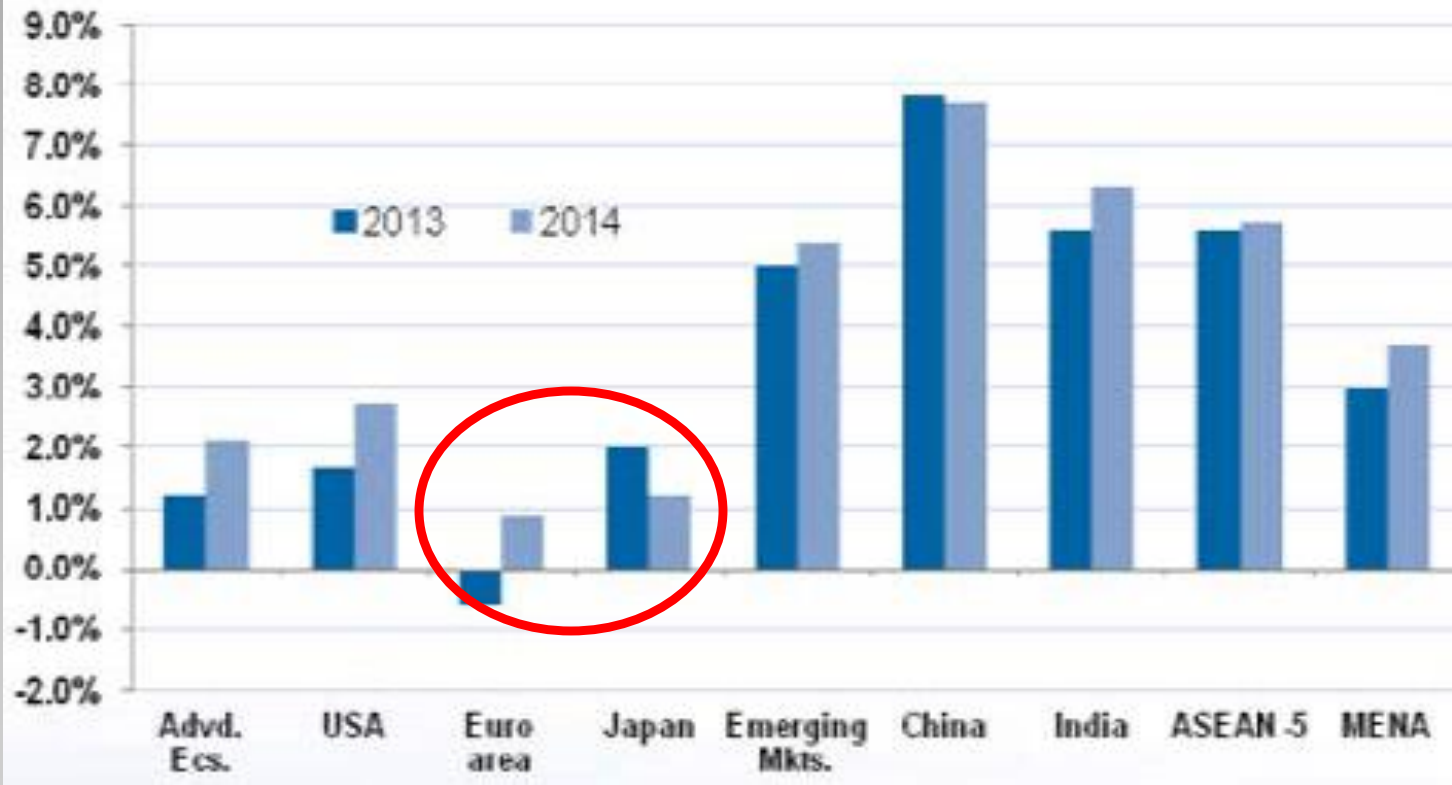
Source: Barchart.com, Sep 2013



U.S. Exchange Rate Versus Major Trading Partners

Source: ONANDA Trading Corporation, Sep 2013

IMF World Economic Outlook Projections

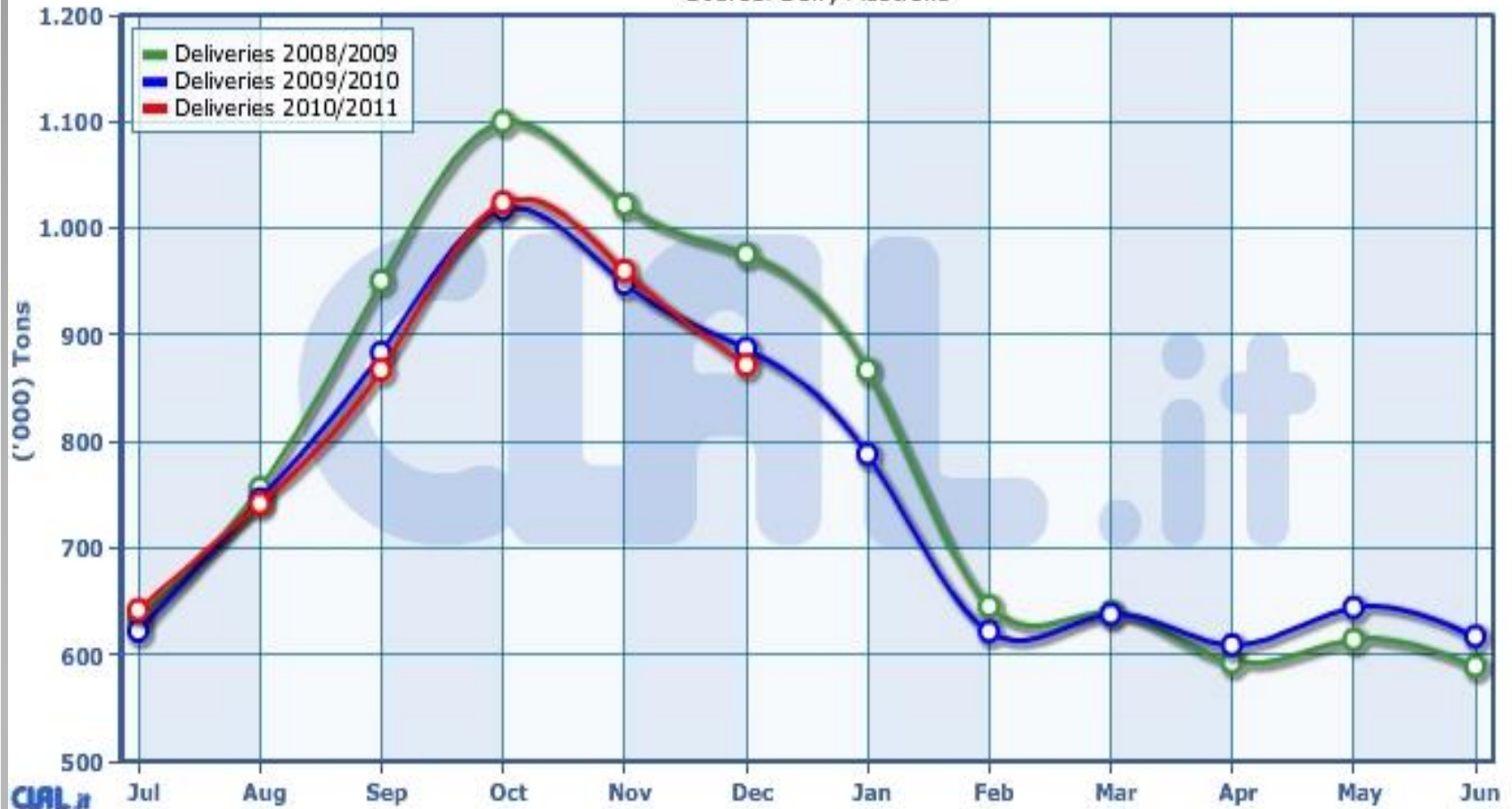


Global Economic Health

Source: Dairy Australia

Australia - Triennial overview of monthly Milk production

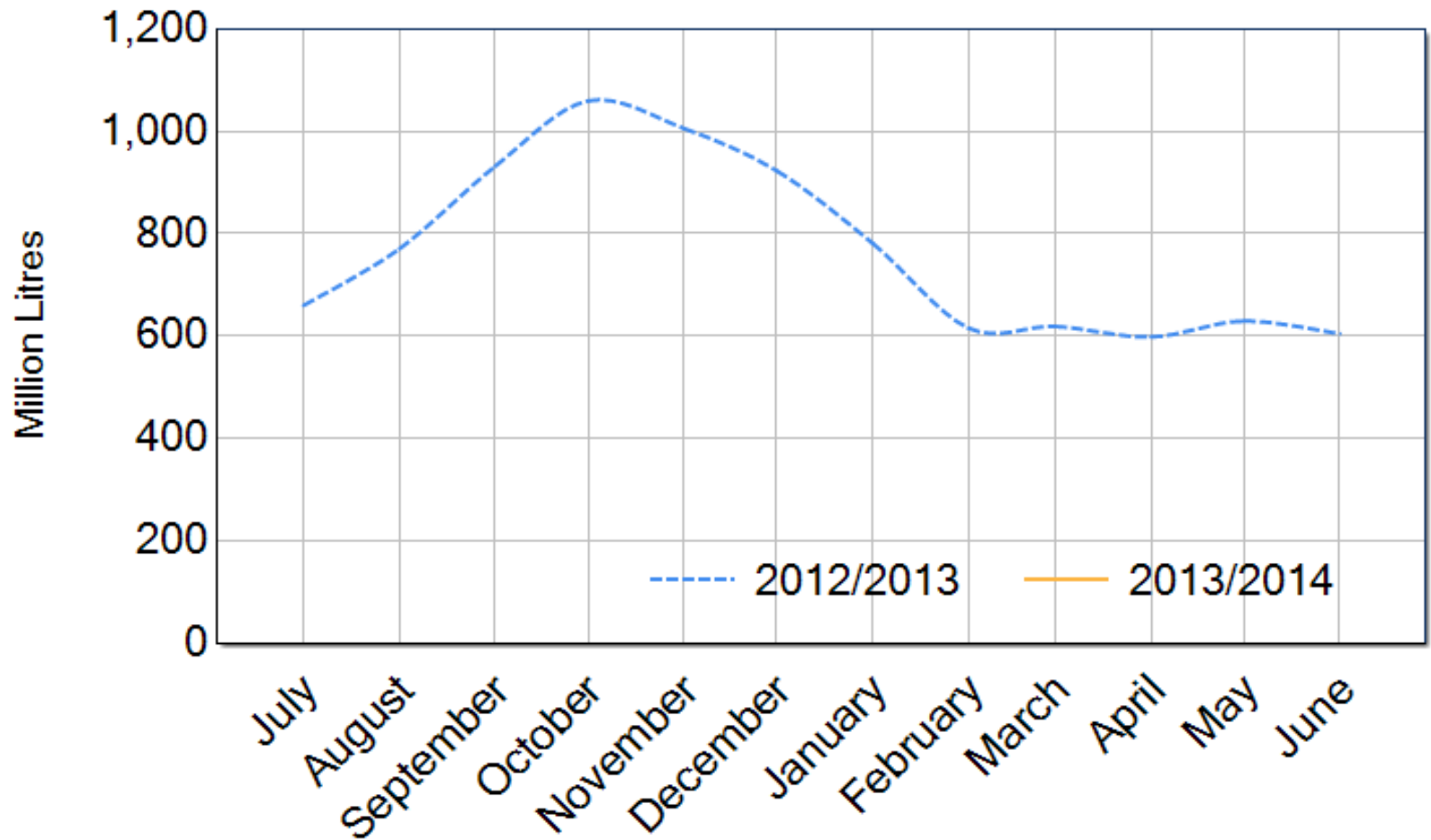
Source: Dairy Australia



Australian Milk Deliveries

Source: Scott Brown

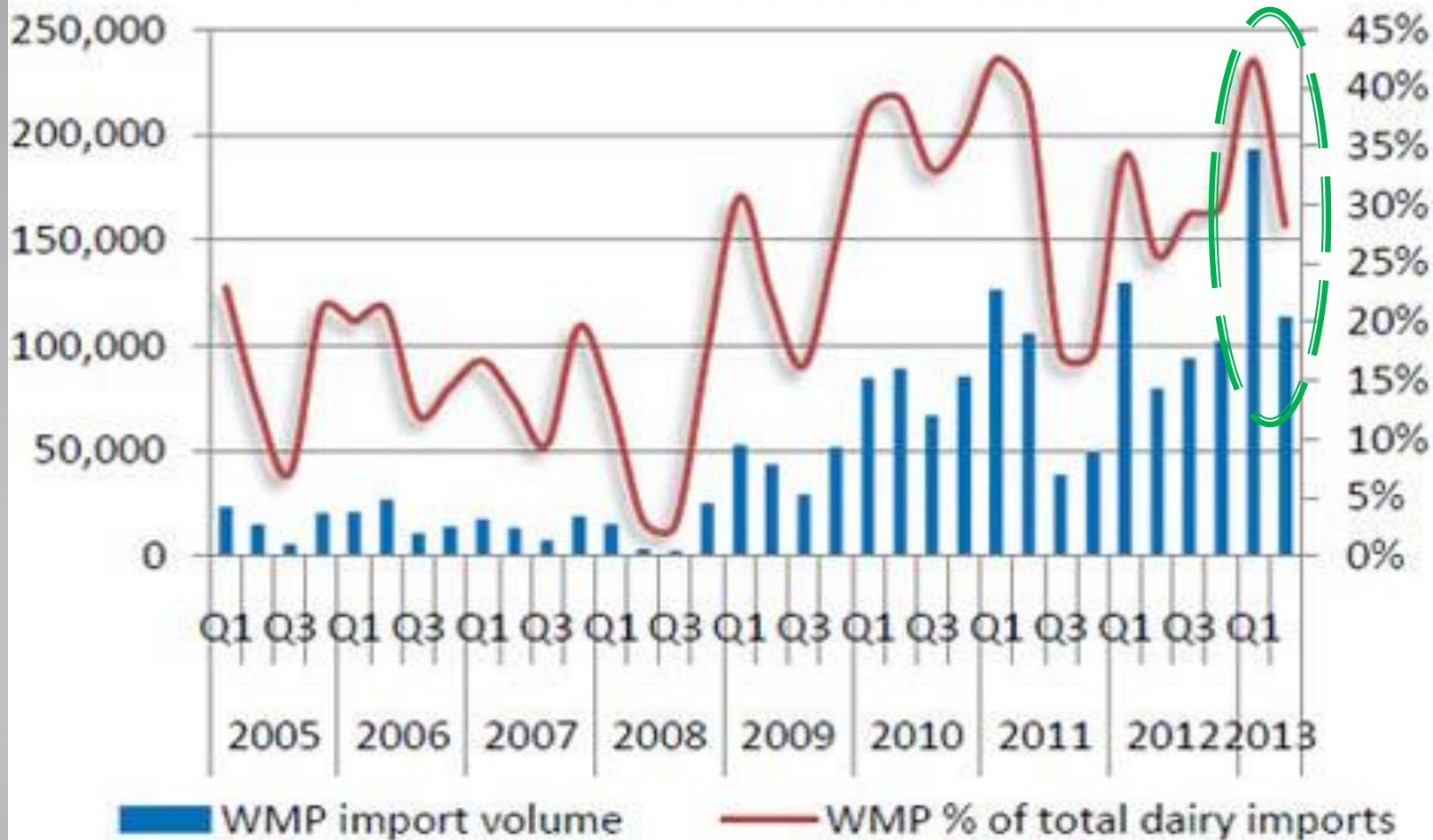
Australian Milk Production - National Total 2012/2013 & 2013/2014



Source: Dairy Australia

Export potential

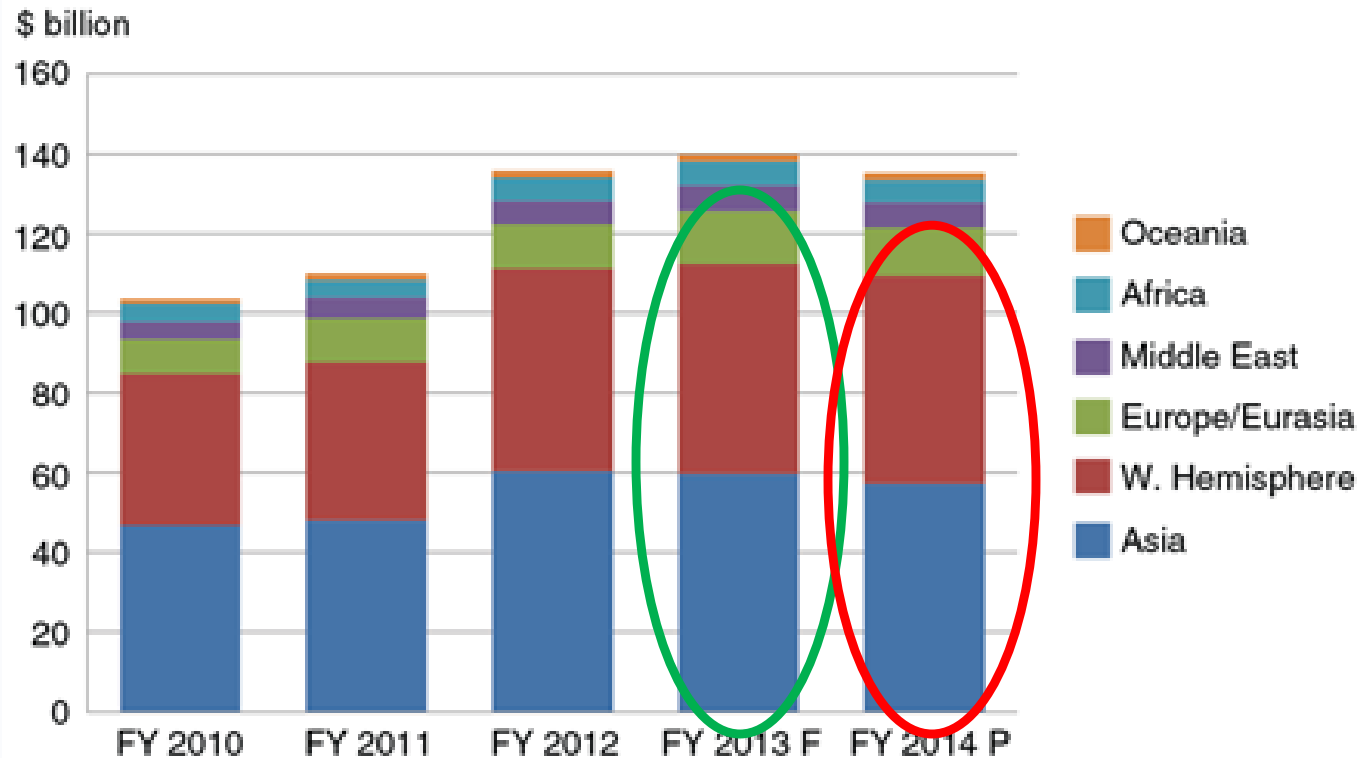
China Quarterly WMP Imports (tonnes)



Source: Dairy Australia

Export potential

U.S. agricultural exports by global region, FY 2010-14



FY = fiscal year; F = forecast; P = projected.

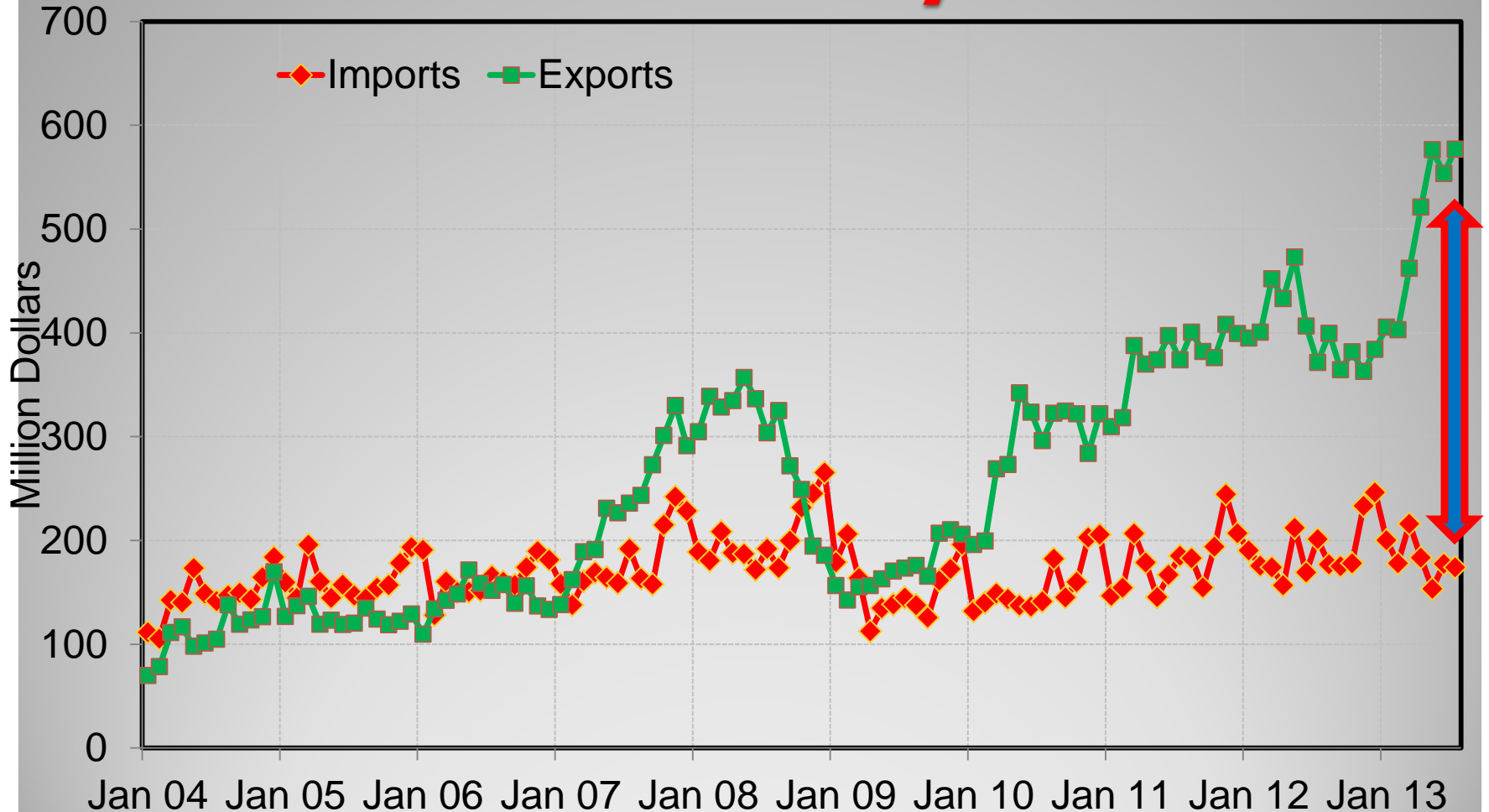
Source: USDA, Economic Research Service compilation using data from U.S. Department of Commerce, U.S. Census Bureau.

Source: USDA / ERS

French Take on Global Exports and Australia production

- French Take on Global Production
 - French take on US milk powder and cheese exports
 - French take on Australia Production
 - French take on Australia powder and cheese exports

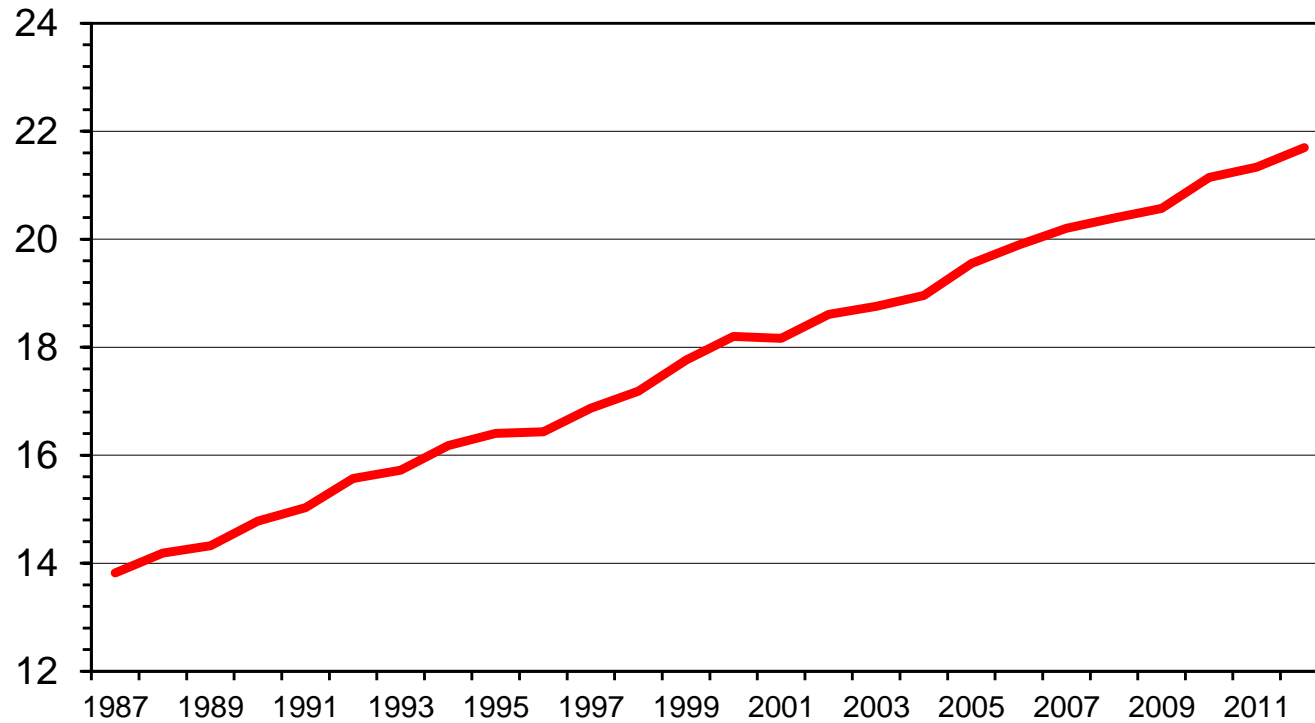
Value of US Dairy Trade



Source: Scott Brown, USDA. FAS

MILK PRODUCTION PER MILK COW 1986-2011, Annual

Thou. Pounds



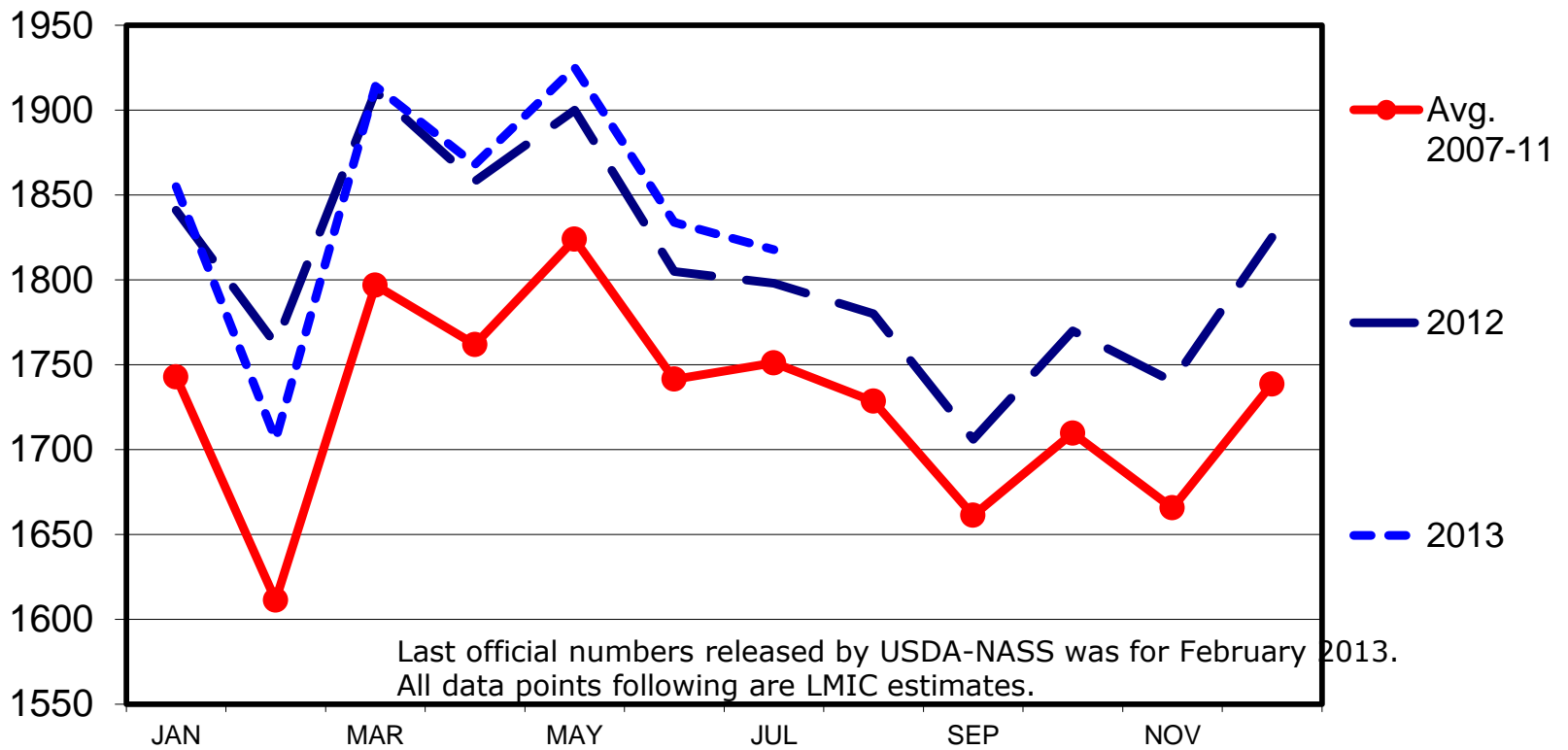
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Data Source: USDA/NASS

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MILK PRODUCED PER COW US Total, Monthly

Pounds



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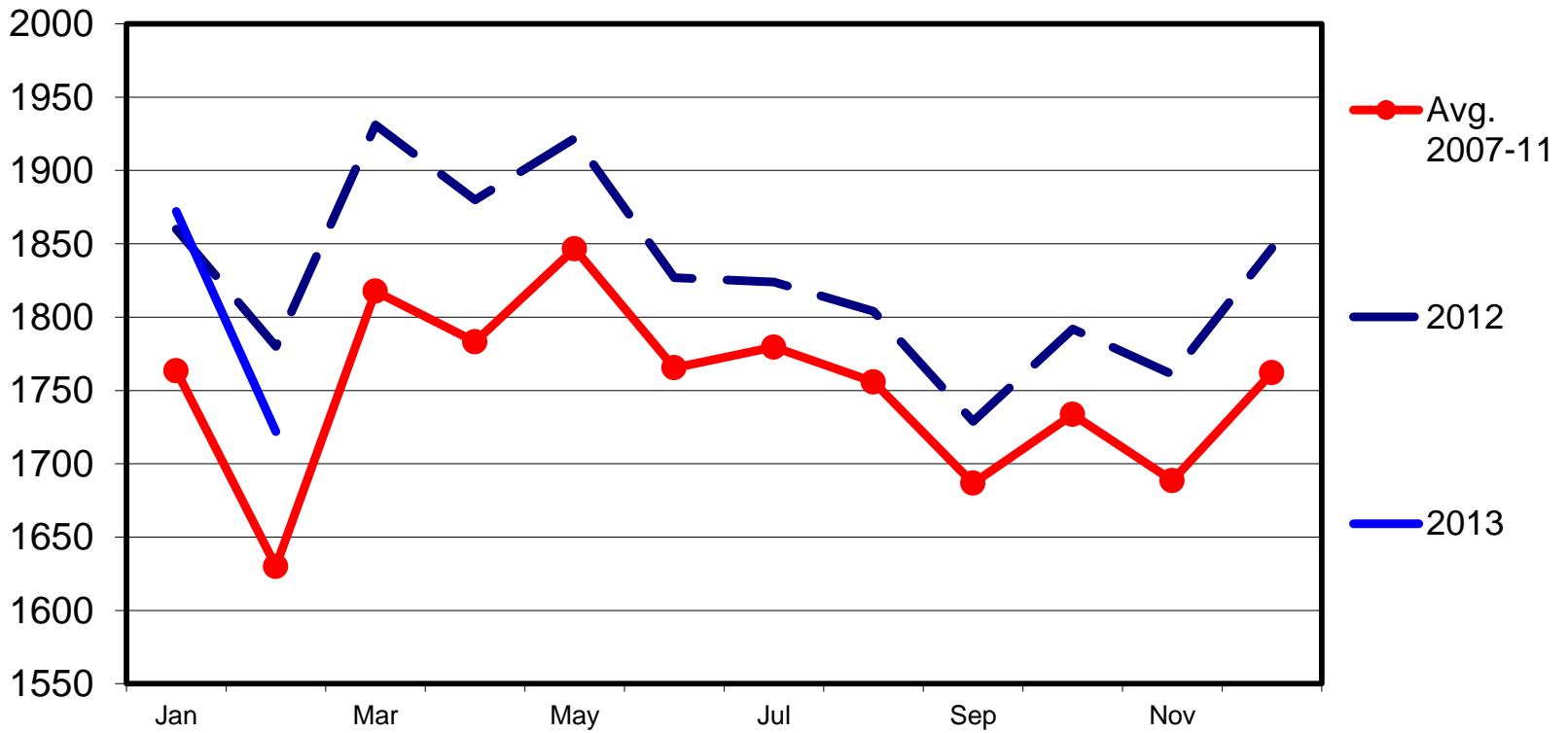
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Data Source: USDA-NASS

MILK PRODUCED PER COW

23 States, Monthly

Pounds



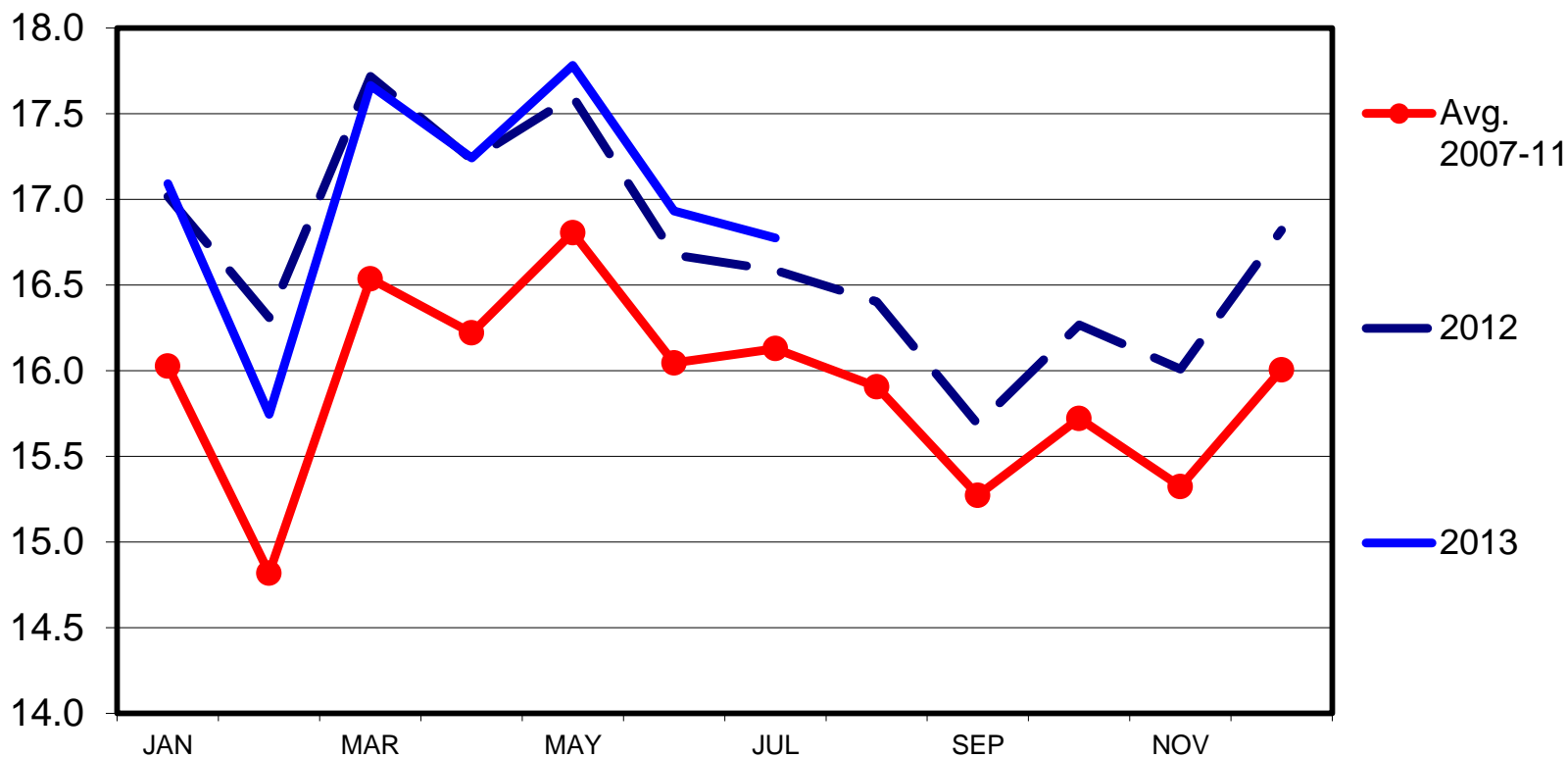
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Data Source: USDA-NASS

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MILK PRODUCTION US Total, Monthly

Bil Pounds

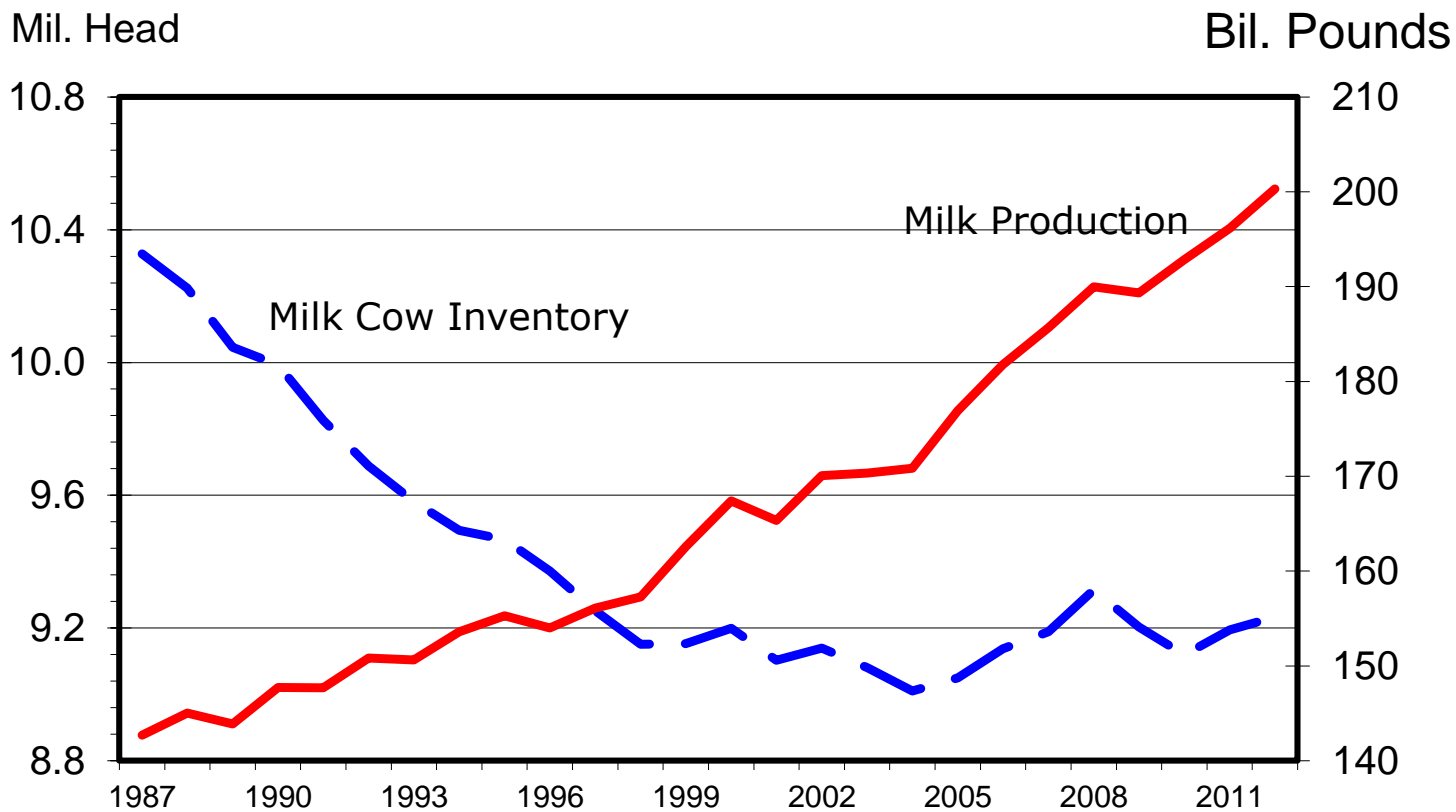


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Data Source: USDA-NASS

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**MILK PRODUCTION
vs. MILK COW INVENTORY**
Average Annual Inventory, U.S.



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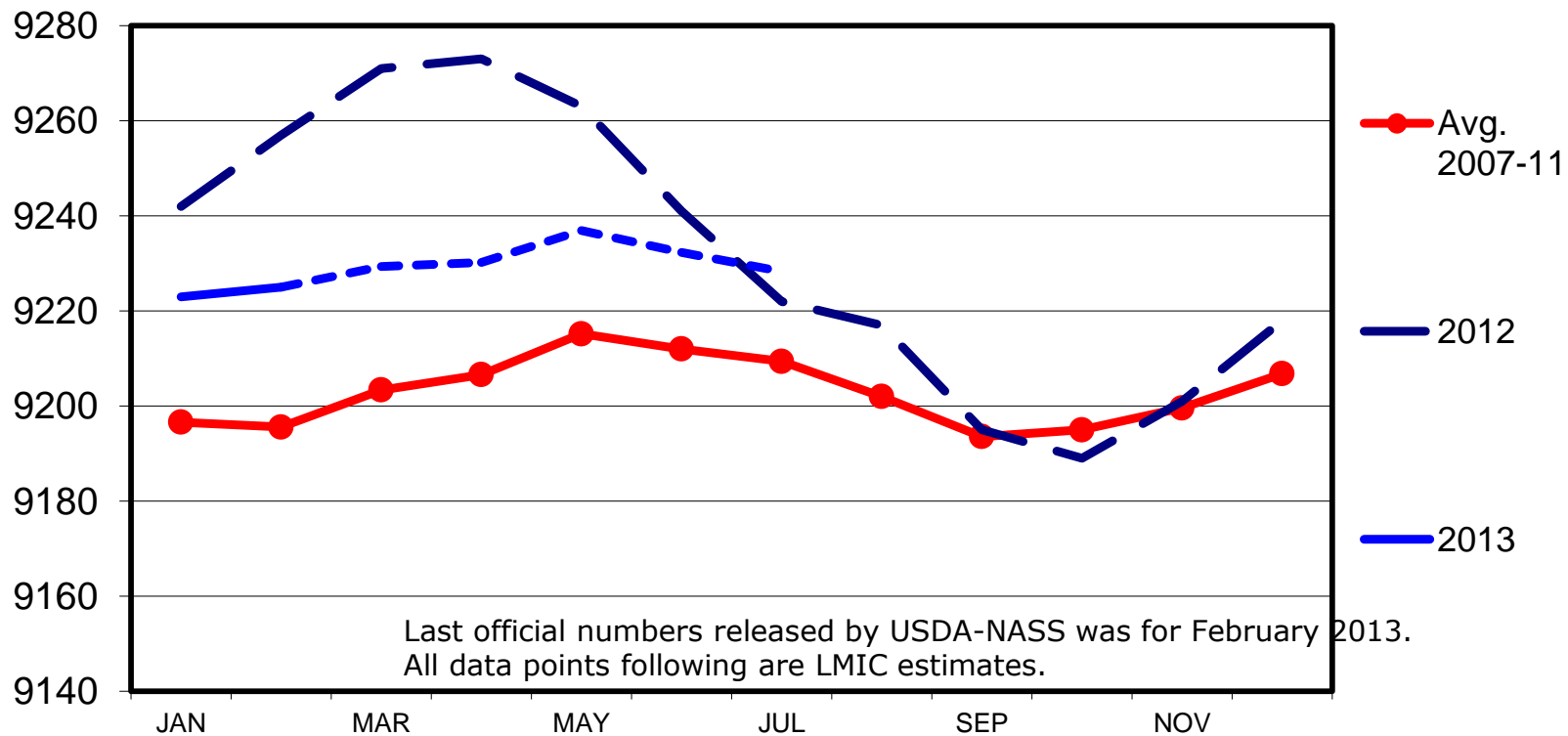
Data Source: USDA/NASS

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DAIRY COW INVENTORY

US Total, Monthly

Thou Head



Livestock Marketing Information Center

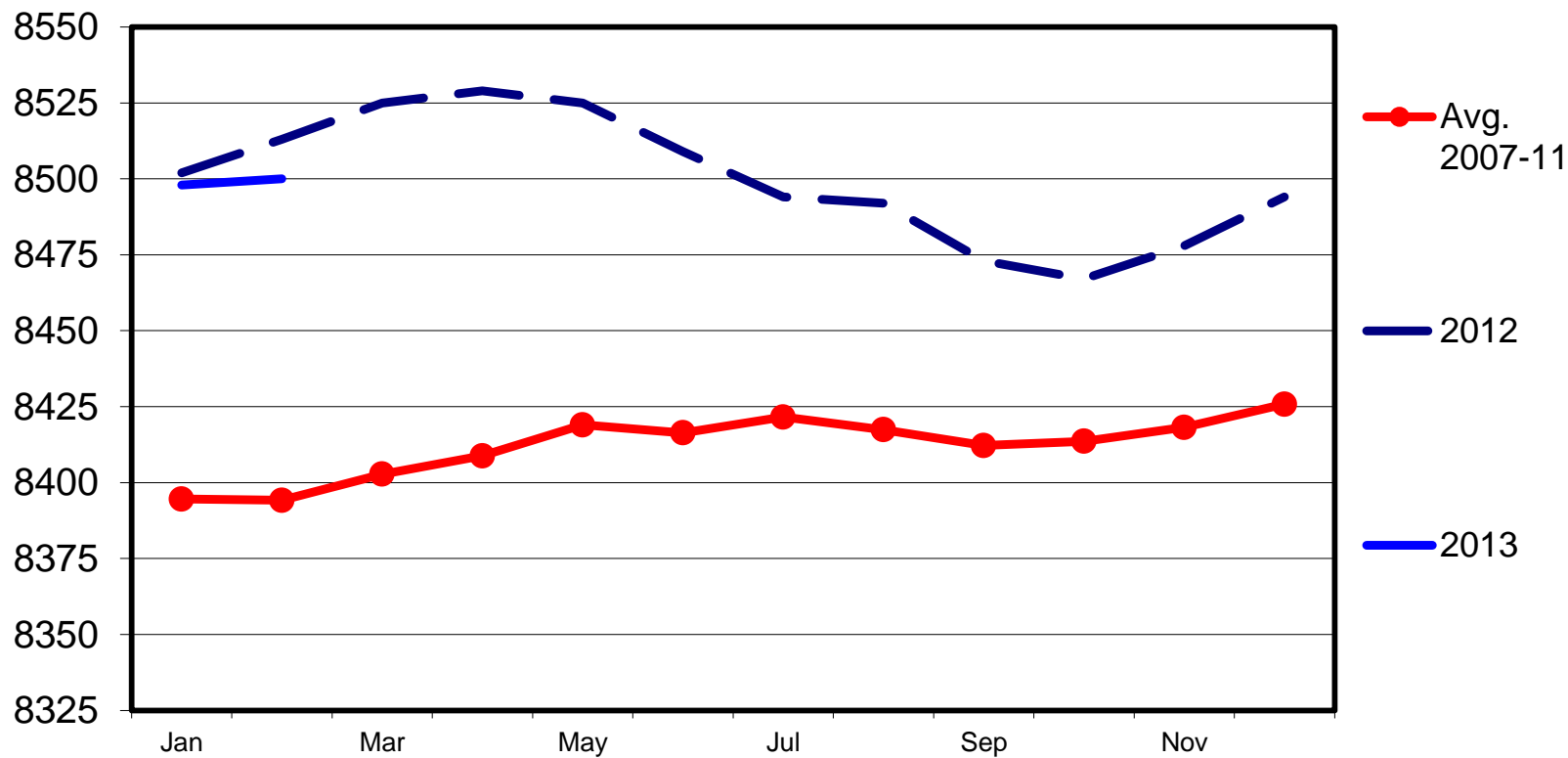
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Data Source: USDA-NASS

DAIRY COW INVENTORY

23 States Total, Monthly

Thou Head

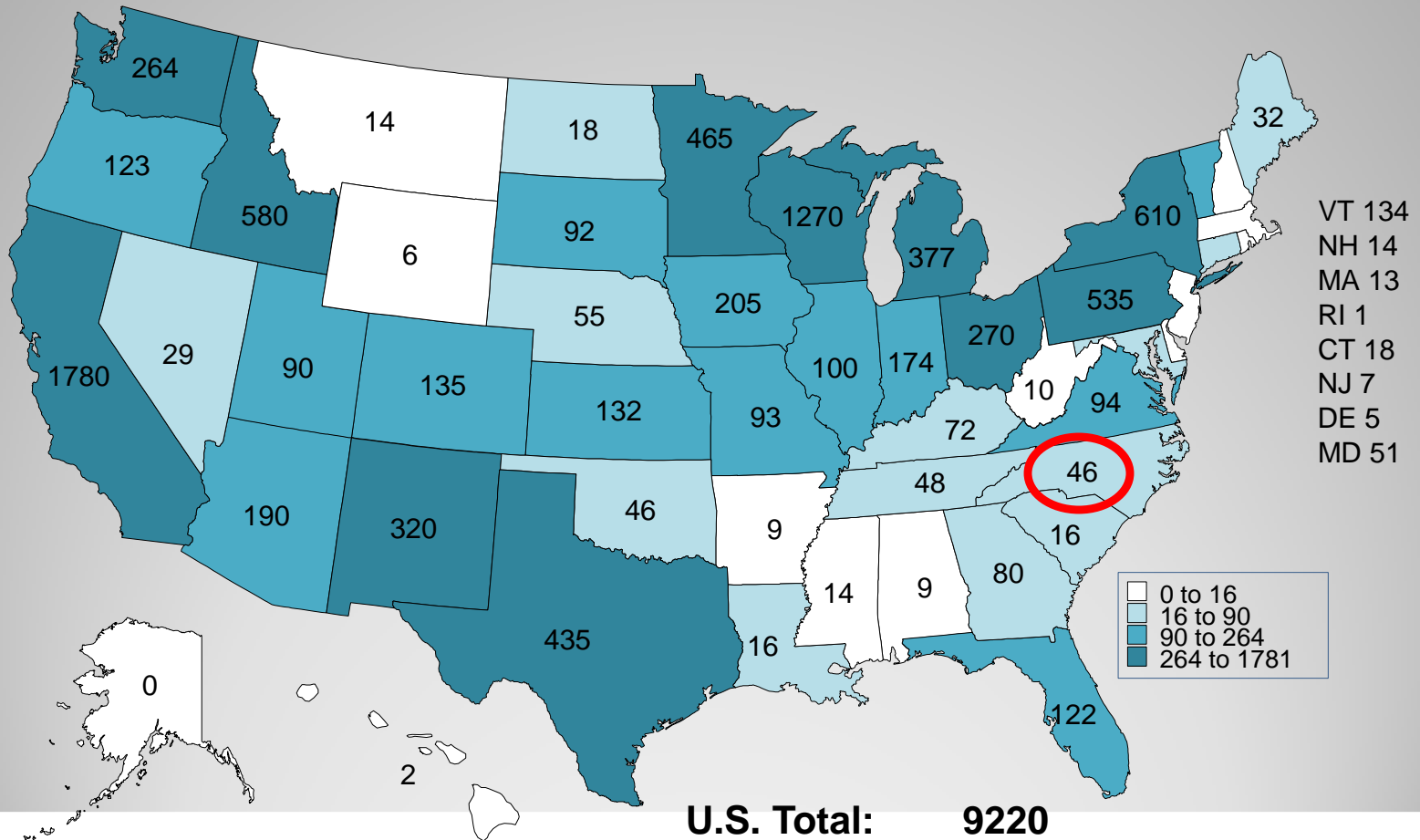


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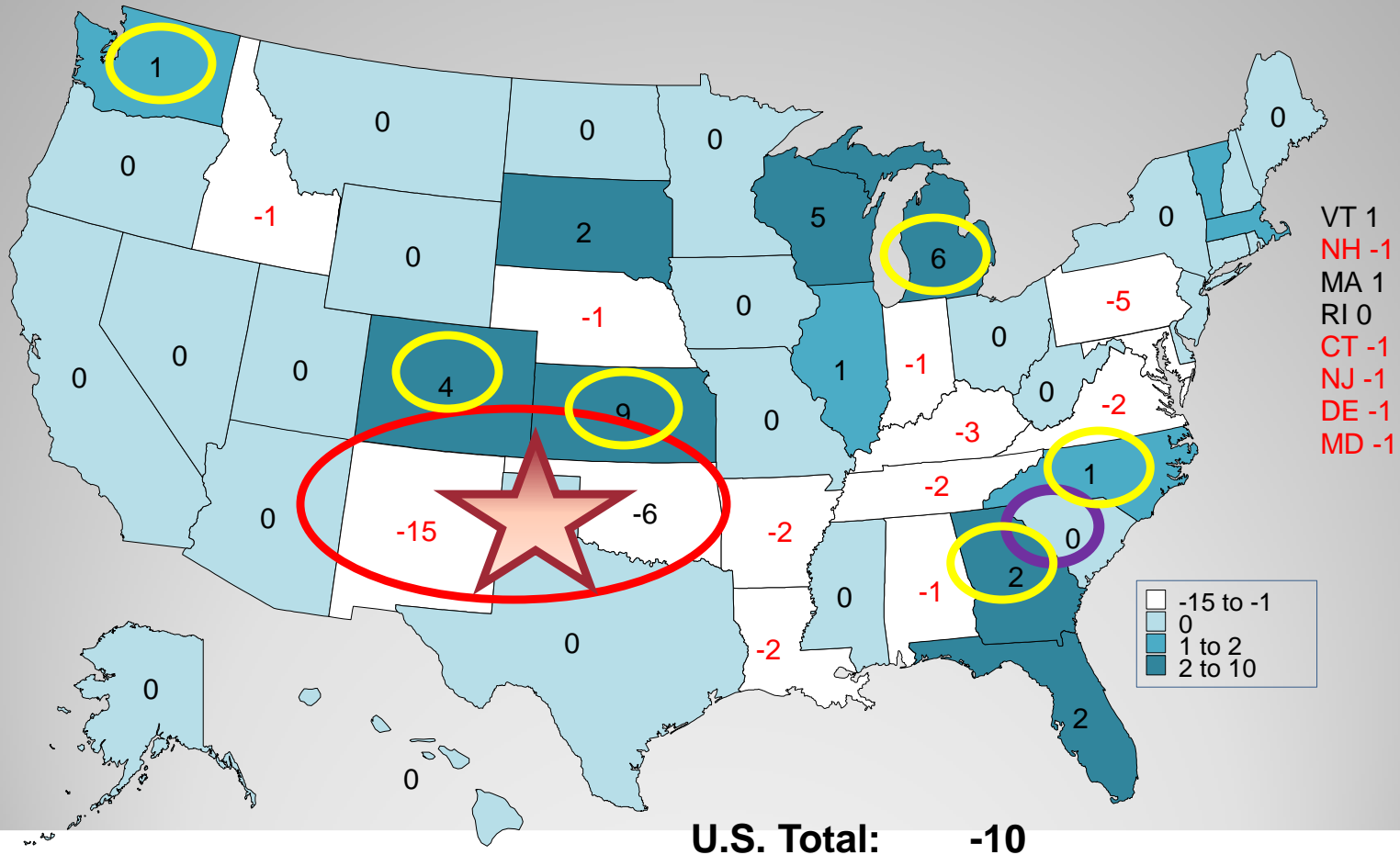
Data Source: USDA-NASS

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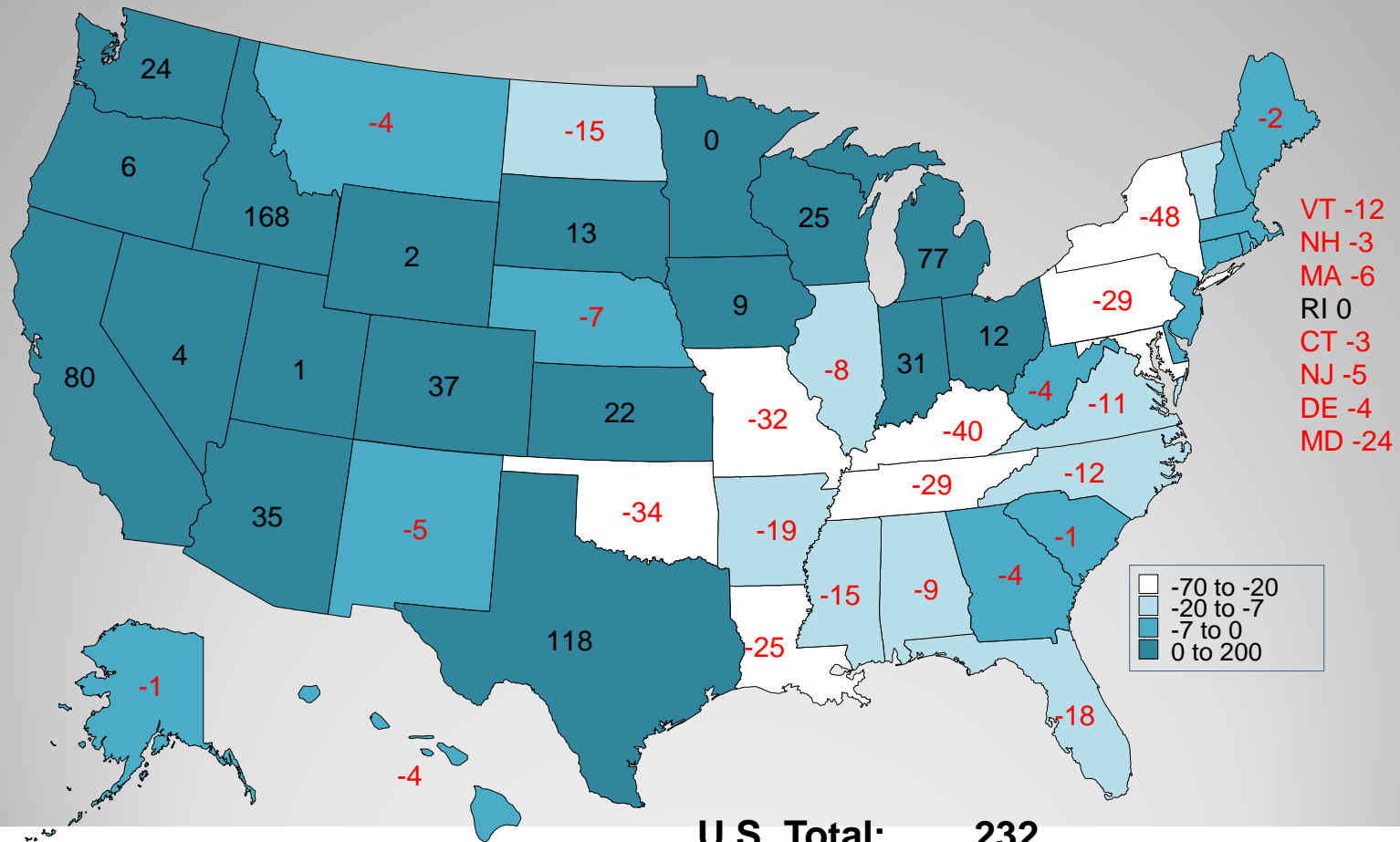
MILK COWS THAT HAVE CALVED JANUARY 1, 2013 (1000 Head)



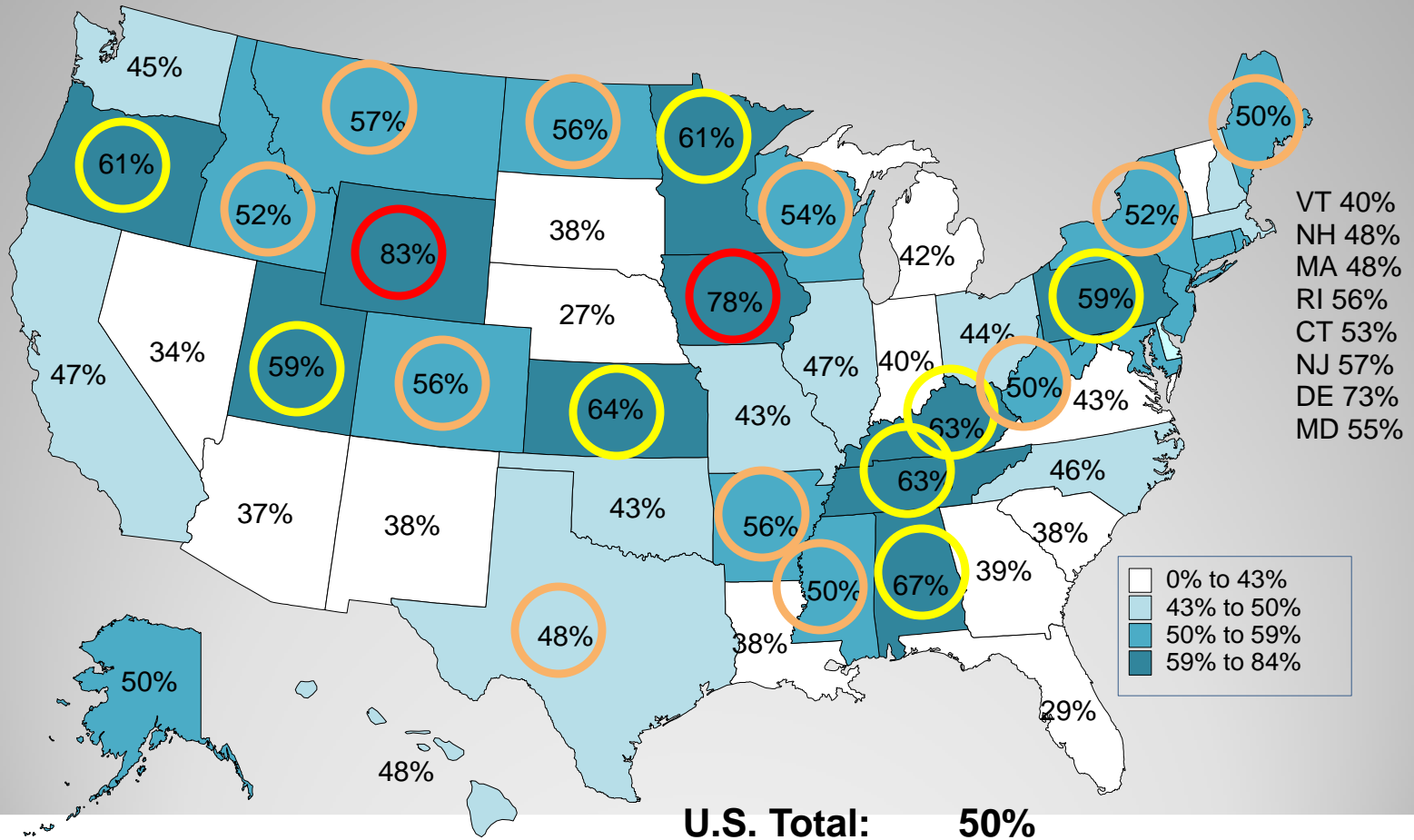
CHANGE IN MILK COWS THAT HAVE CALVED JANUARY 1, 2012 TO JANUARY 1, 2013 (1000 Head)



CHANGE IN MILK COWS THAT HAVE CALVED JANUARY 1, 2004 TO JANUARY 1, 2013 (1000 Head)

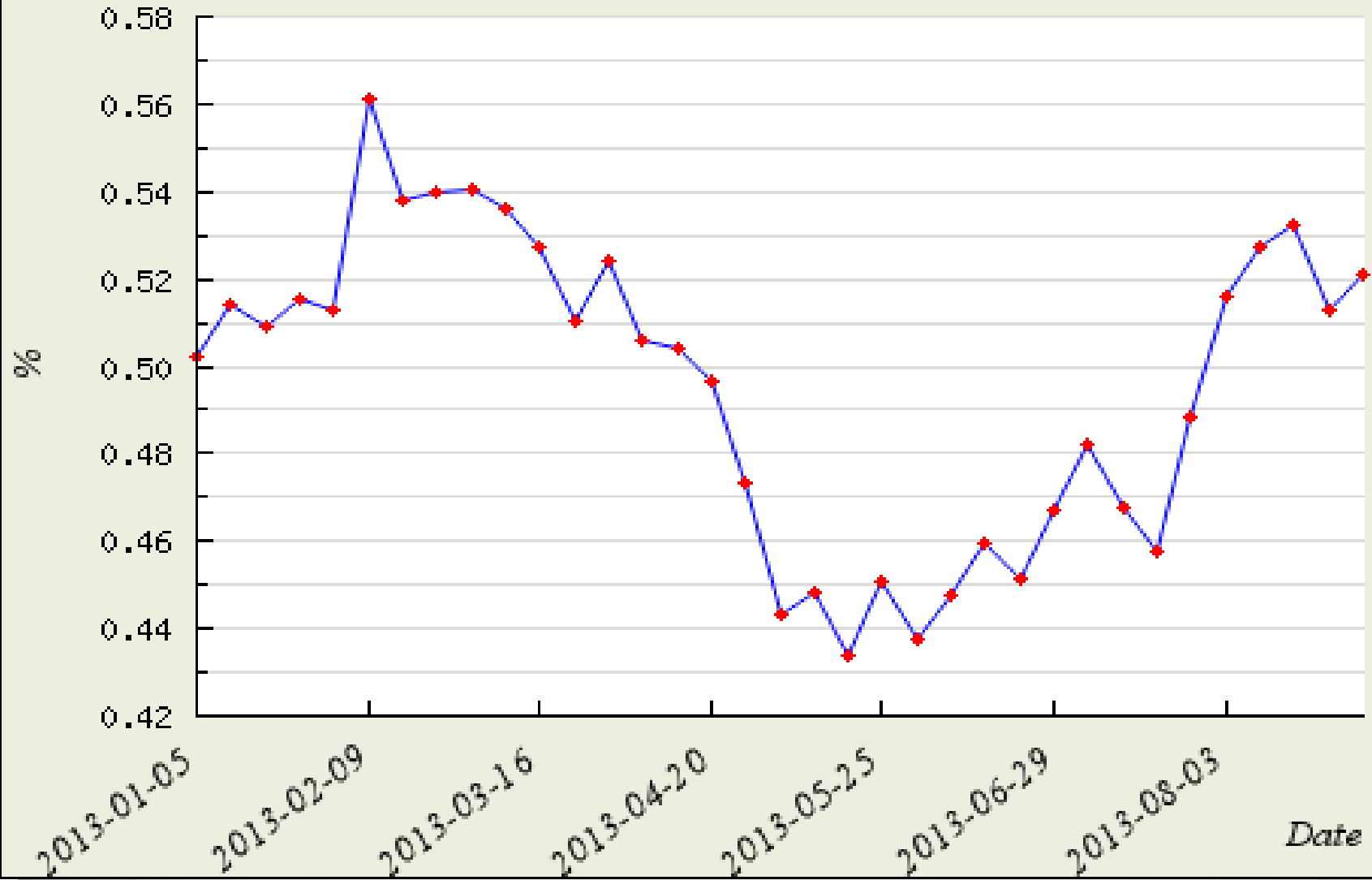


MILK COW REPLACEMENTS AS A PERCENT OF MILK COWS, JANUARY 1, 2013



Dairy Cattle Slaughter As % of Total

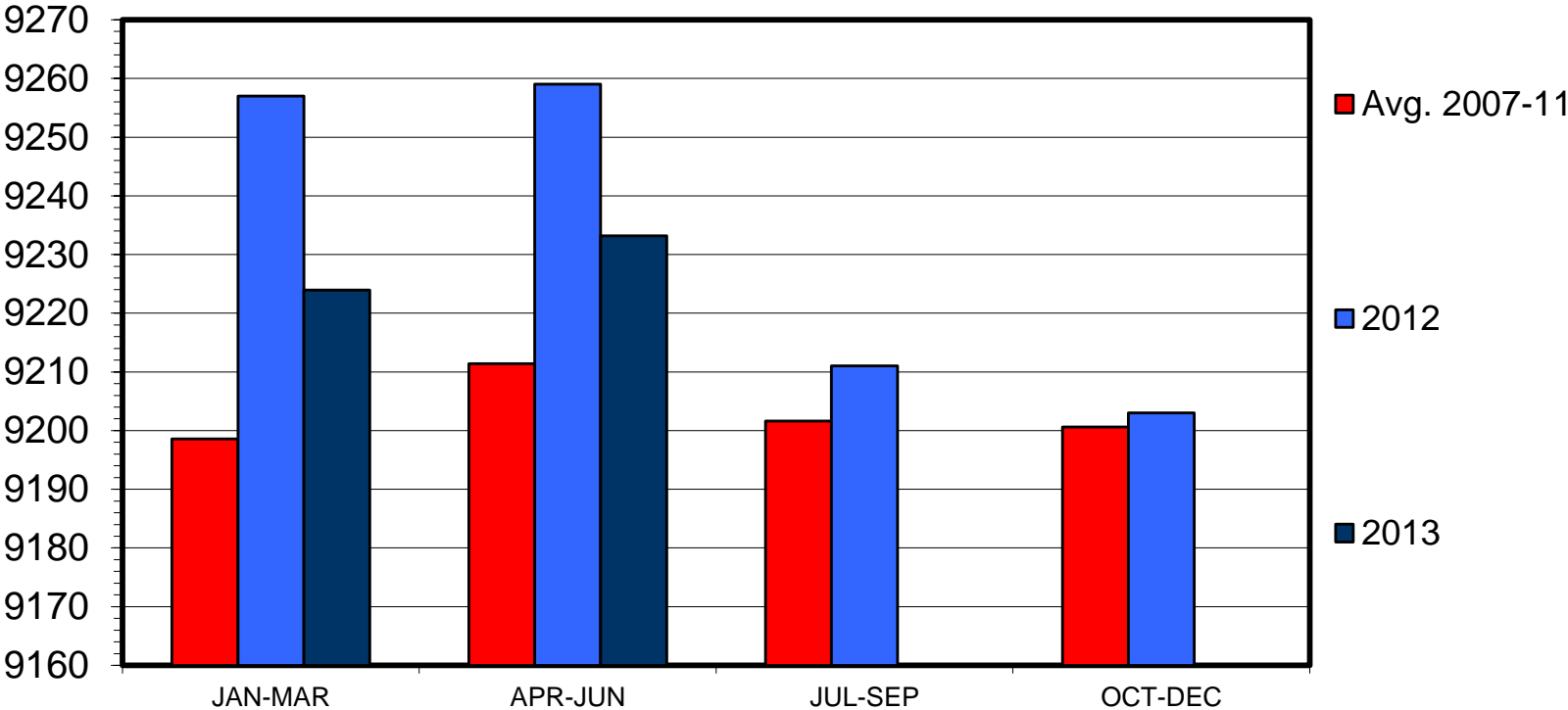
Area : US



Dairy Slaughter as % of Total

DAIRY COW INVENTORY
US, Average, Quarterly

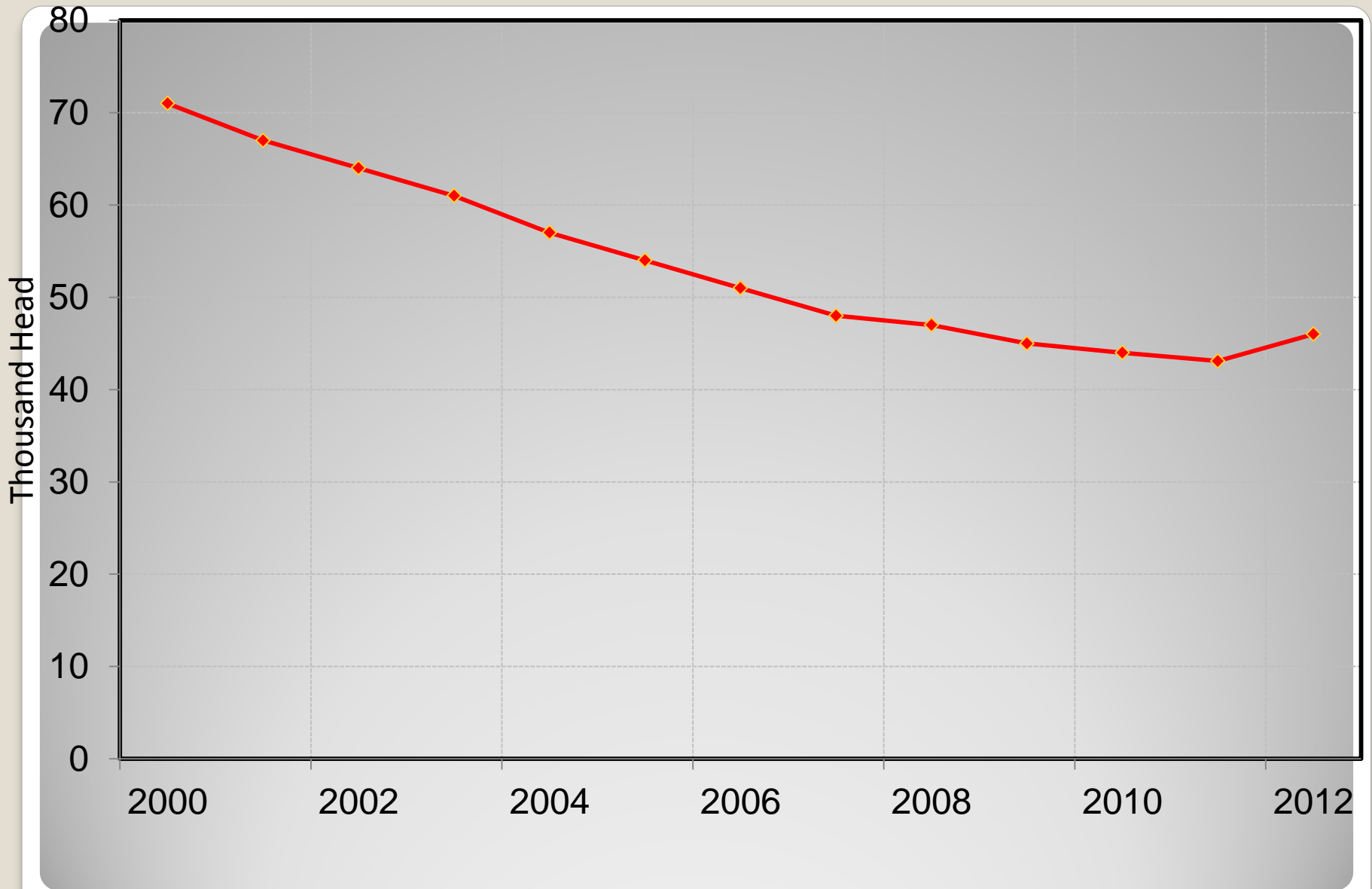
Thou. Head



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Data Source: USDA-NASS

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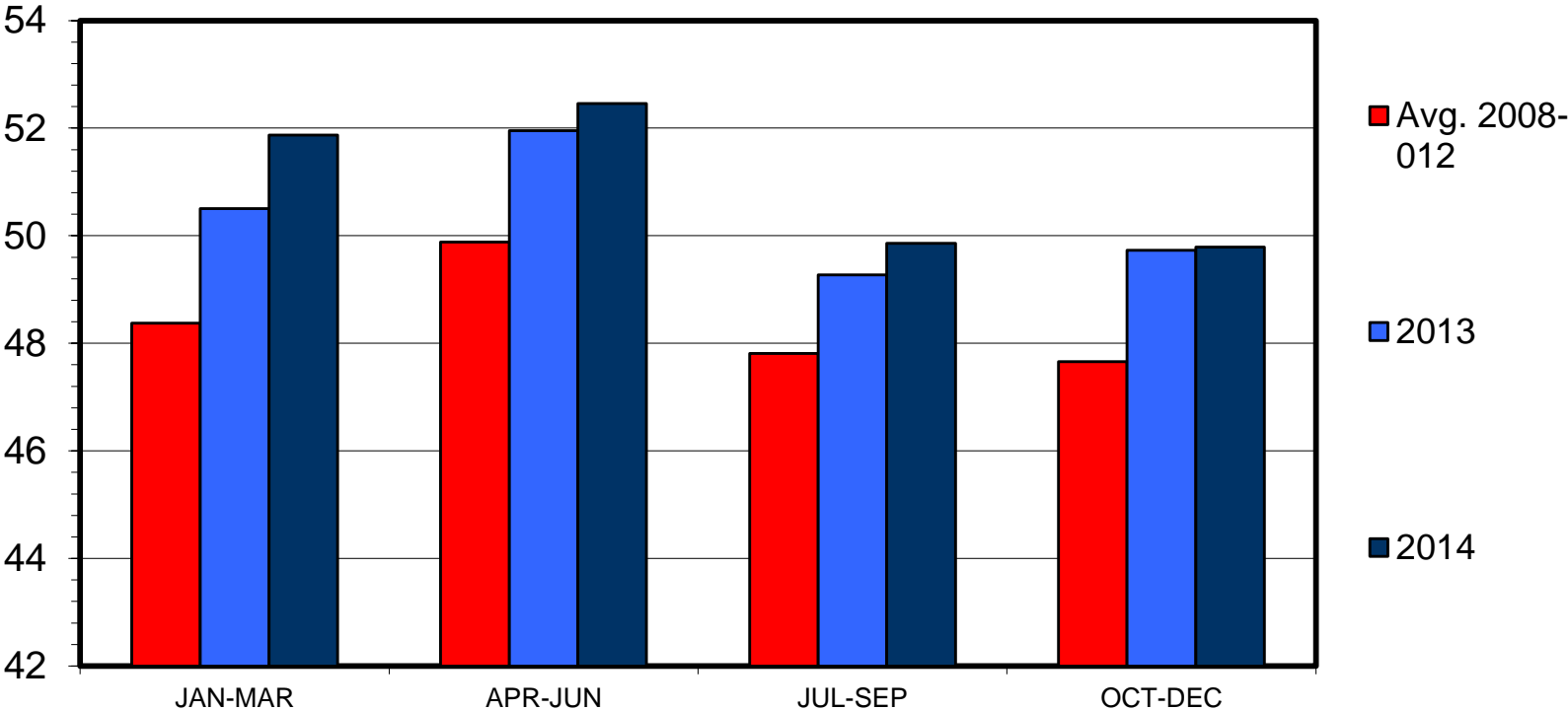


North Carolina Dairy Cows

MILK PRODUCTION FORECASTS

US Total, Quarterly

Bil. Pounds



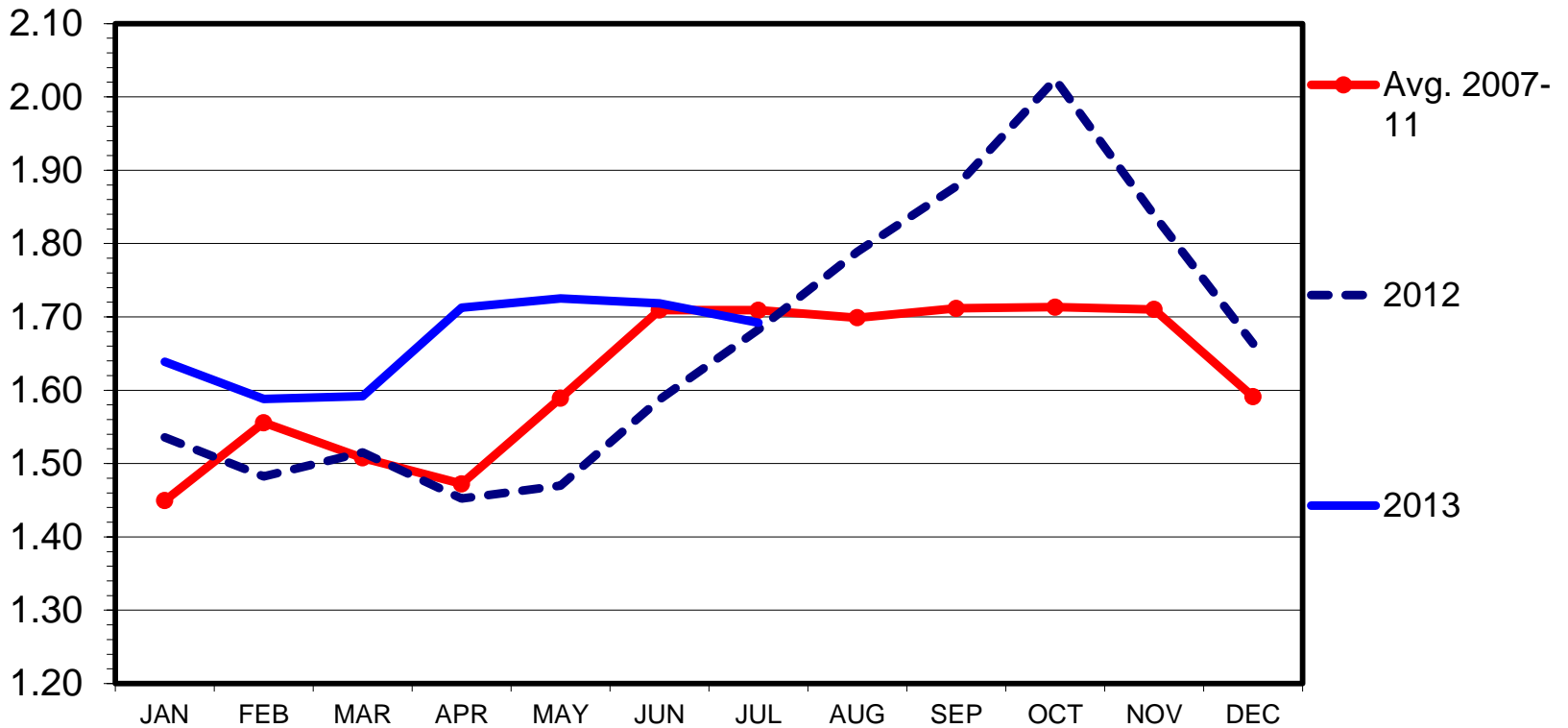
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Data Source: USDA-NASS, Compiled & Analysis by LMIC

CHEDDAR CHEESE PRICES 500 Pound Barrel, CME, Monthly

\$ Per Pound



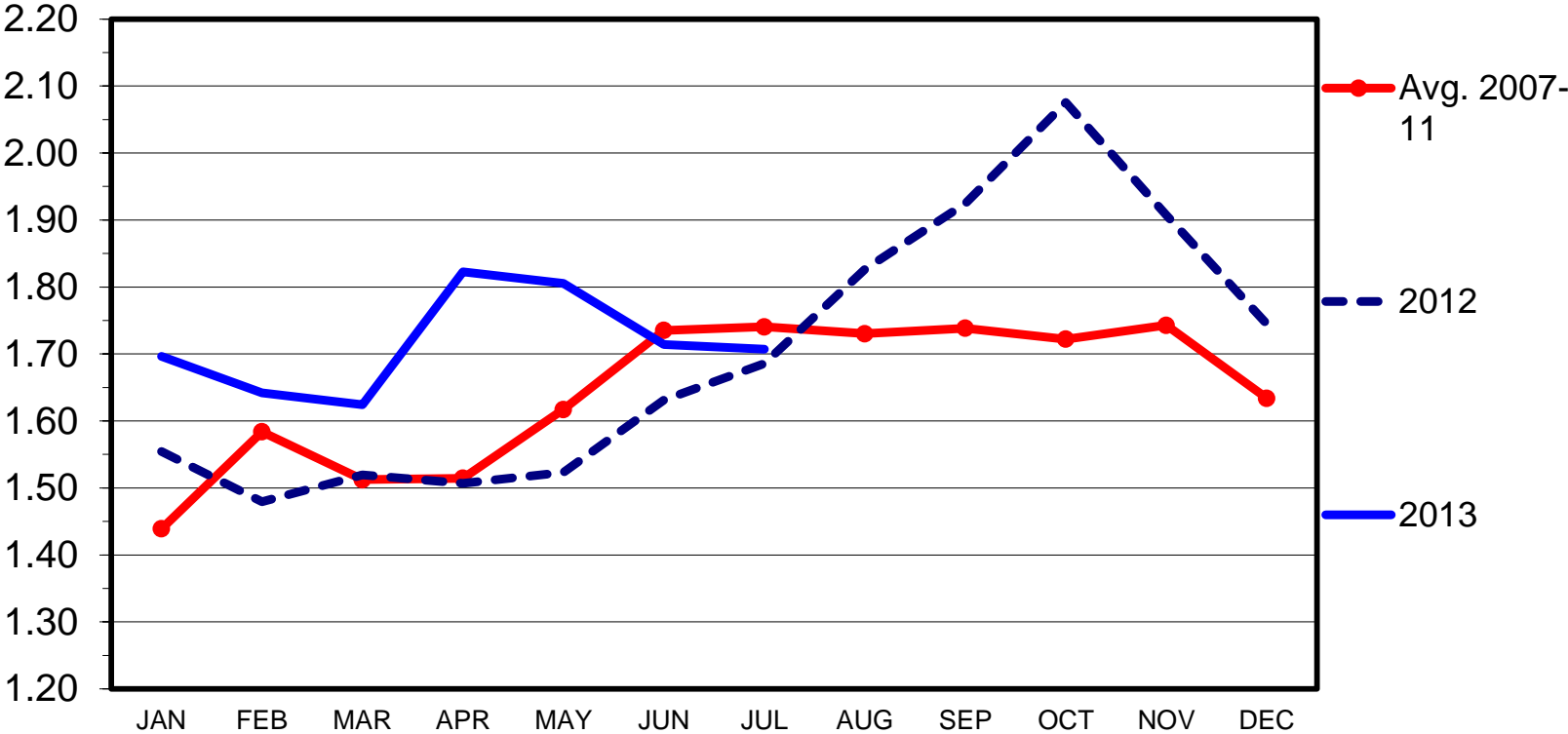
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Data Source: USDA-AMS, Dairy Market News

CHEDDAR CHEESE PRICES 40 Pound Block, CME, Monthly

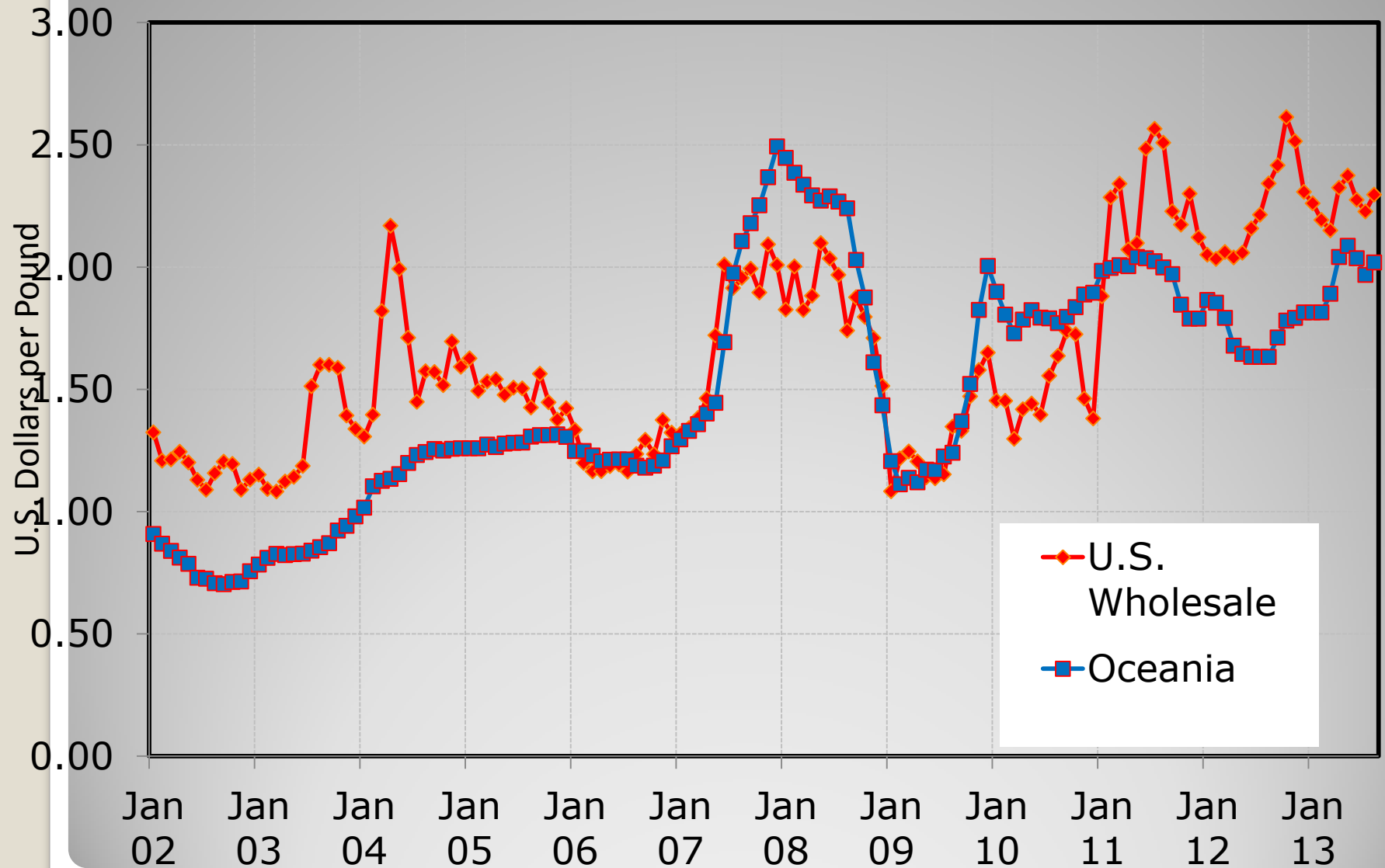
\$ Per Pound



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Data Source: USDA-AMS, Dairy Market News

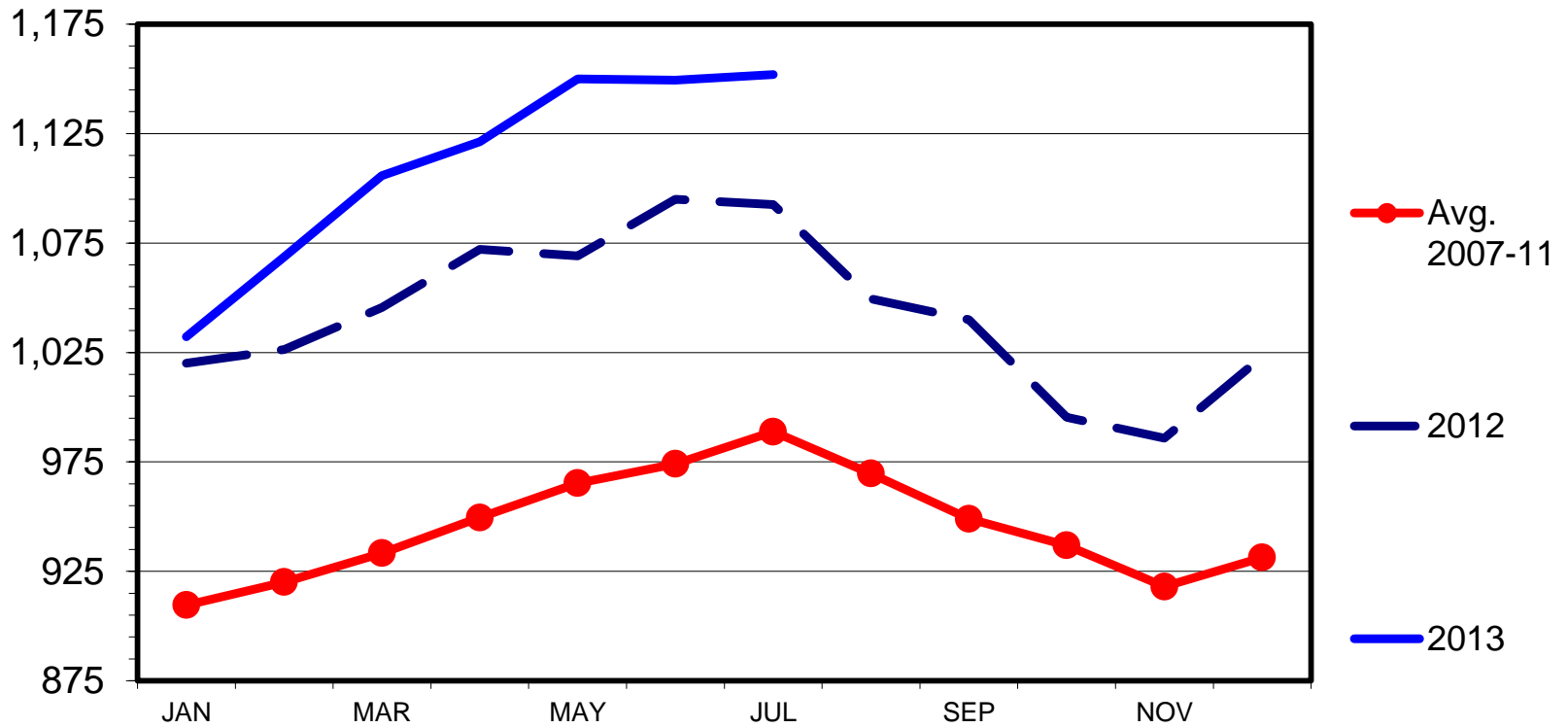


Cheese Prices

TOTAL CHEESE IN COLD STORAGE

End of the Month

Mil. Pounds



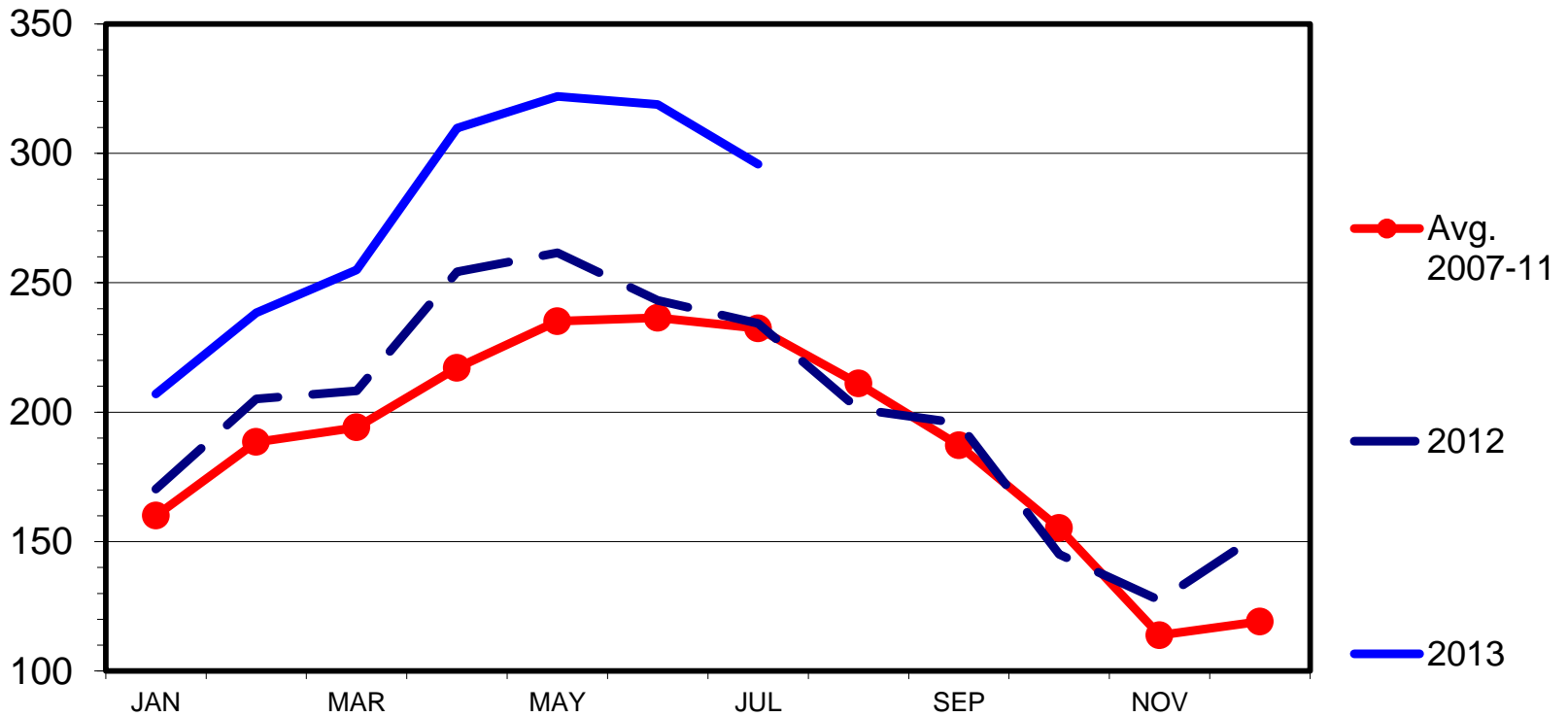
Livestock Marketing Information Center

Data Source: USDA/NASS

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BUTTER IN COLD STORAGE End of the Month

Mil. Pounds



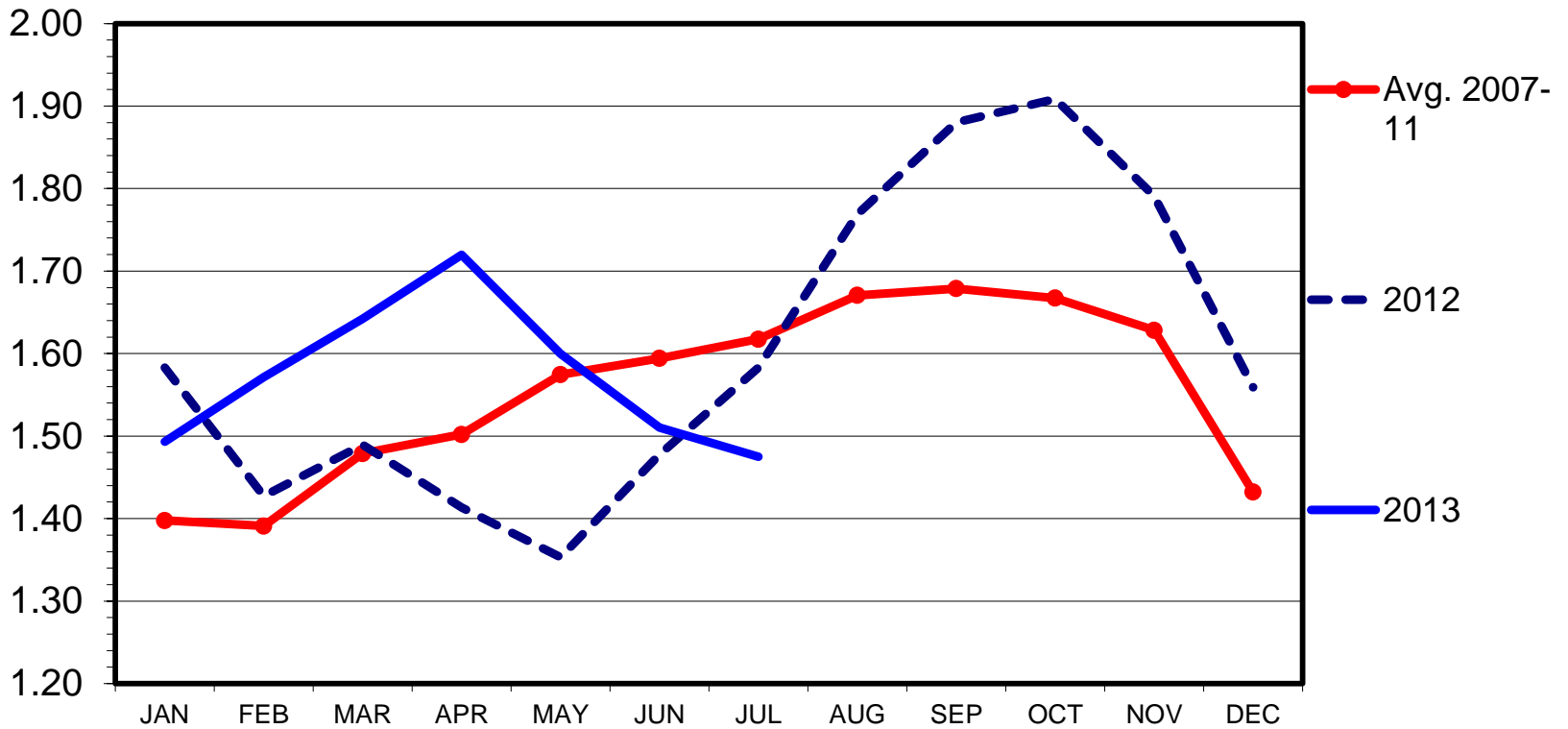
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Data Source: USDA/NASS

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BUTTER PRICES Grade AA, CME, Monthly

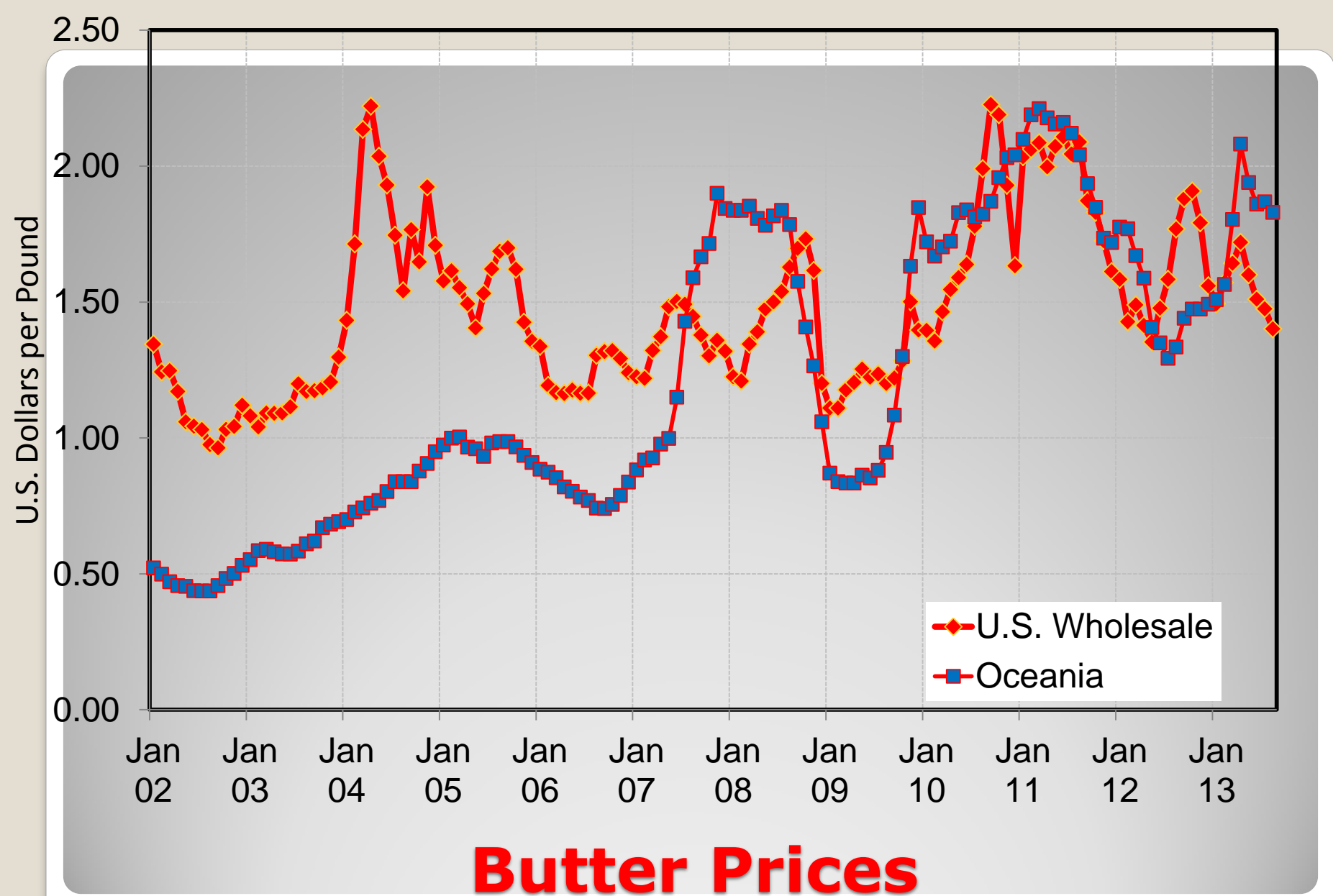
\$ Per Pound



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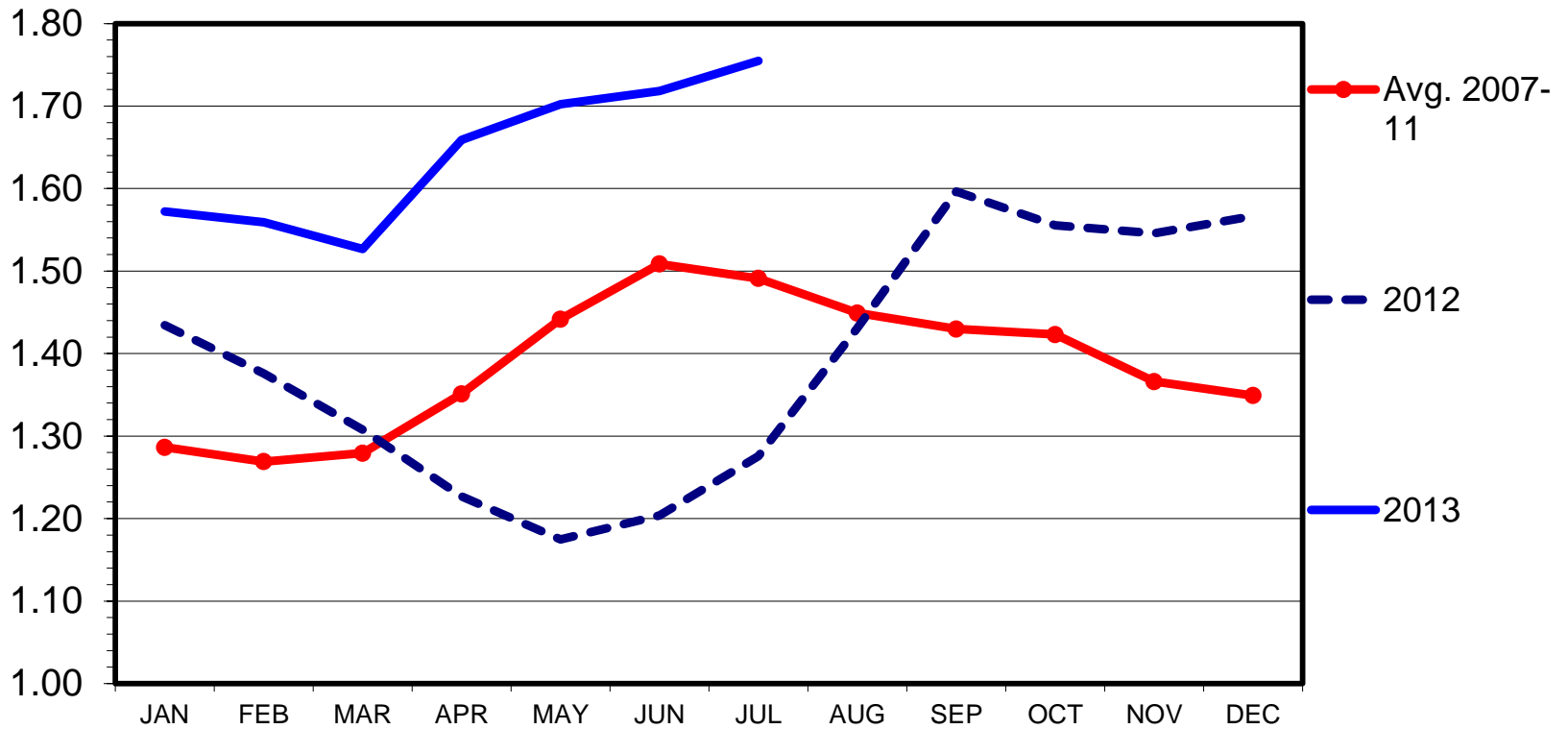
Data Source: USDA-AMS, Dairy Market News



Butter Prices

NONFAT DRY MILK PRICES Central and East, Monthly

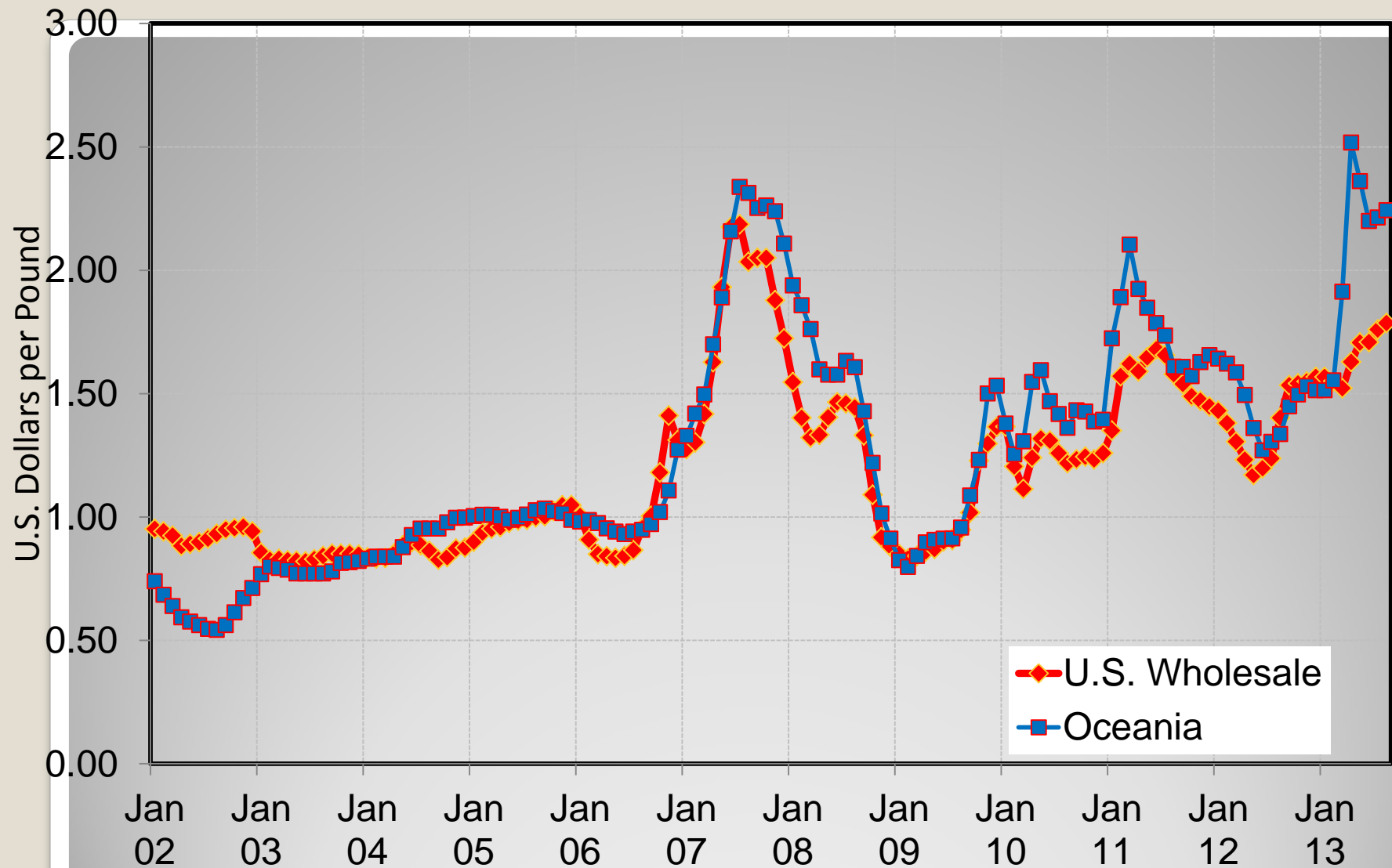
\$ Per Pound



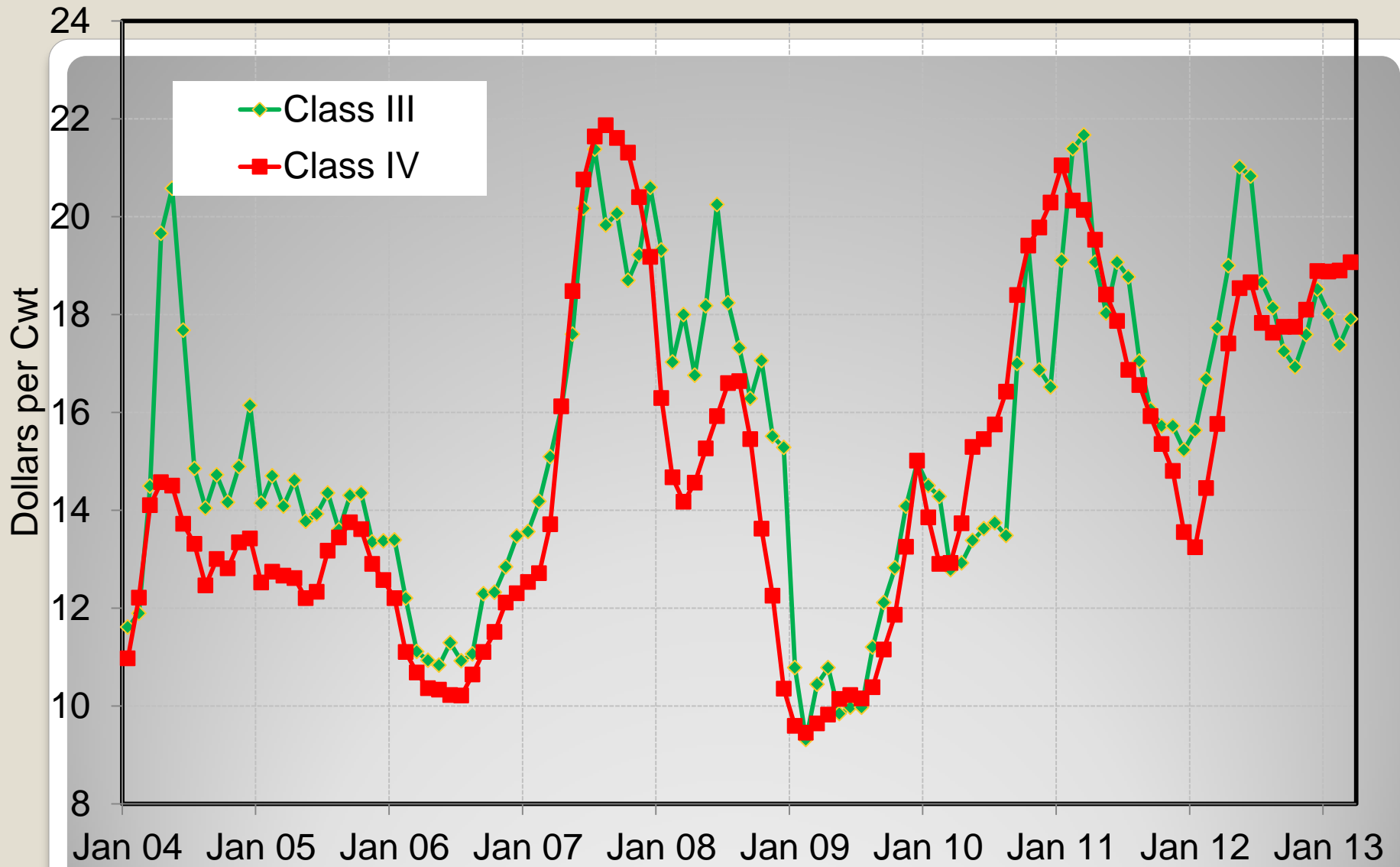
Livestock Marketing Information
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Data Source: USDA-AMS, Dairy Market News



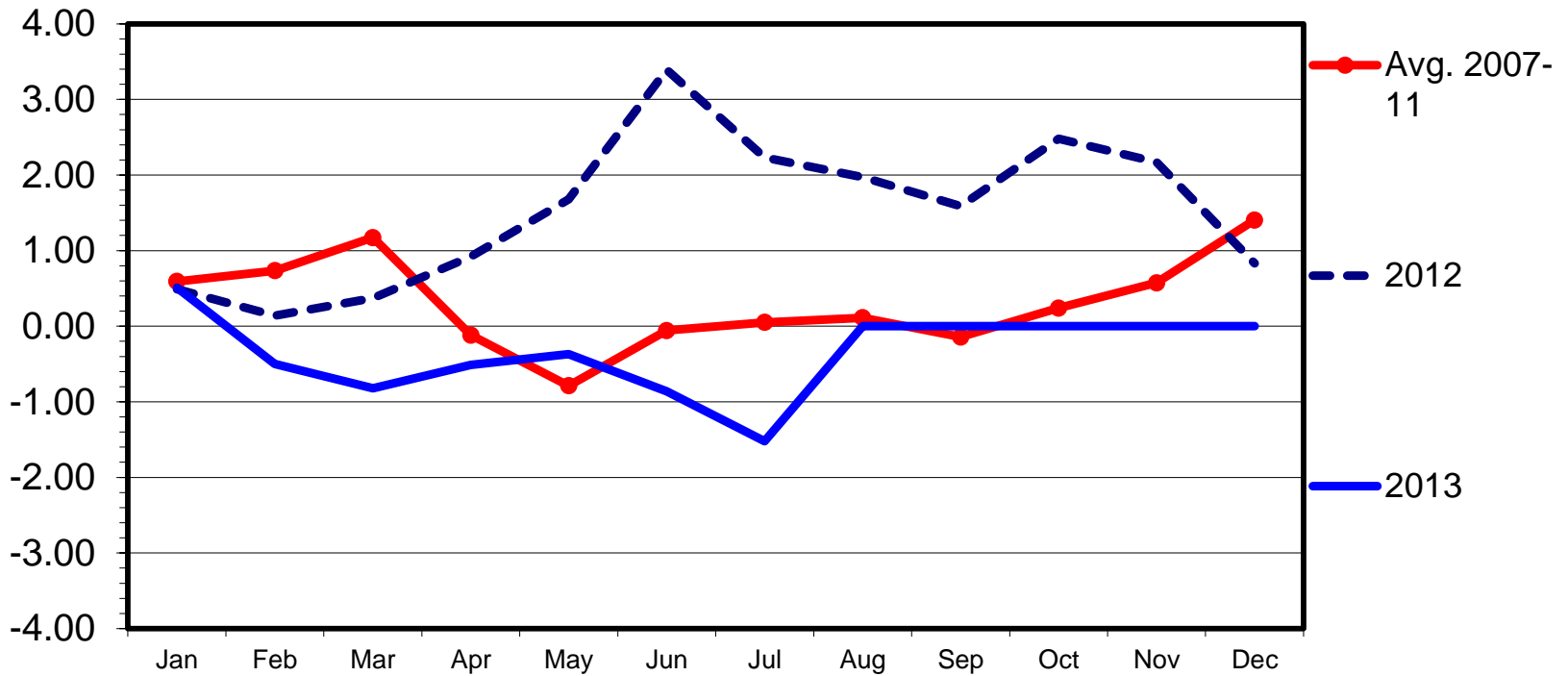
Nonfat Dry Milk Prices



Federal Order Milk Prices

CLASS III - CLASS IV DIFFERENCE IN MILK PRICE

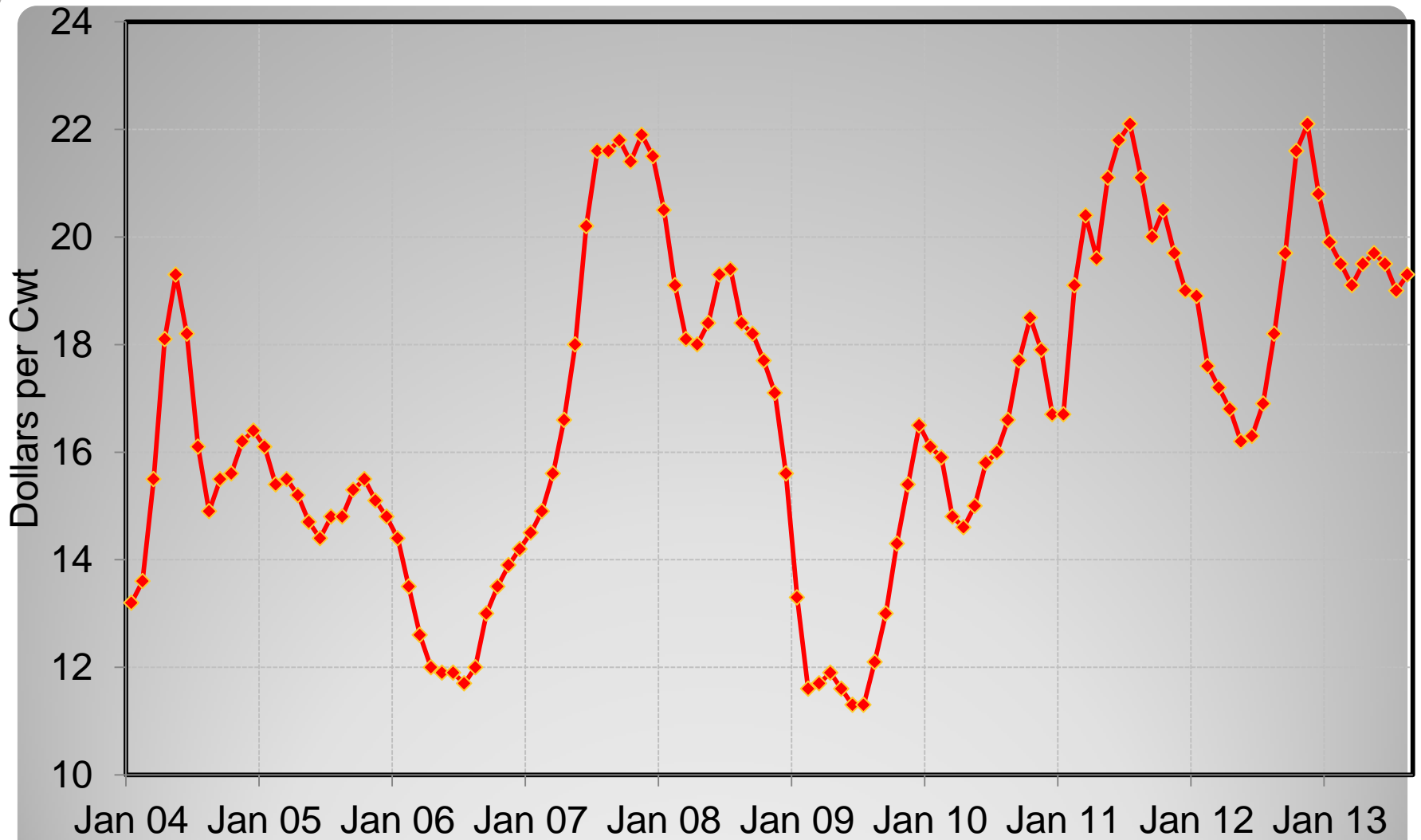
\$ Per Pound



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Data Source: USDA-AMS, Dairy Market News, Compiled & Analysis by LMIC

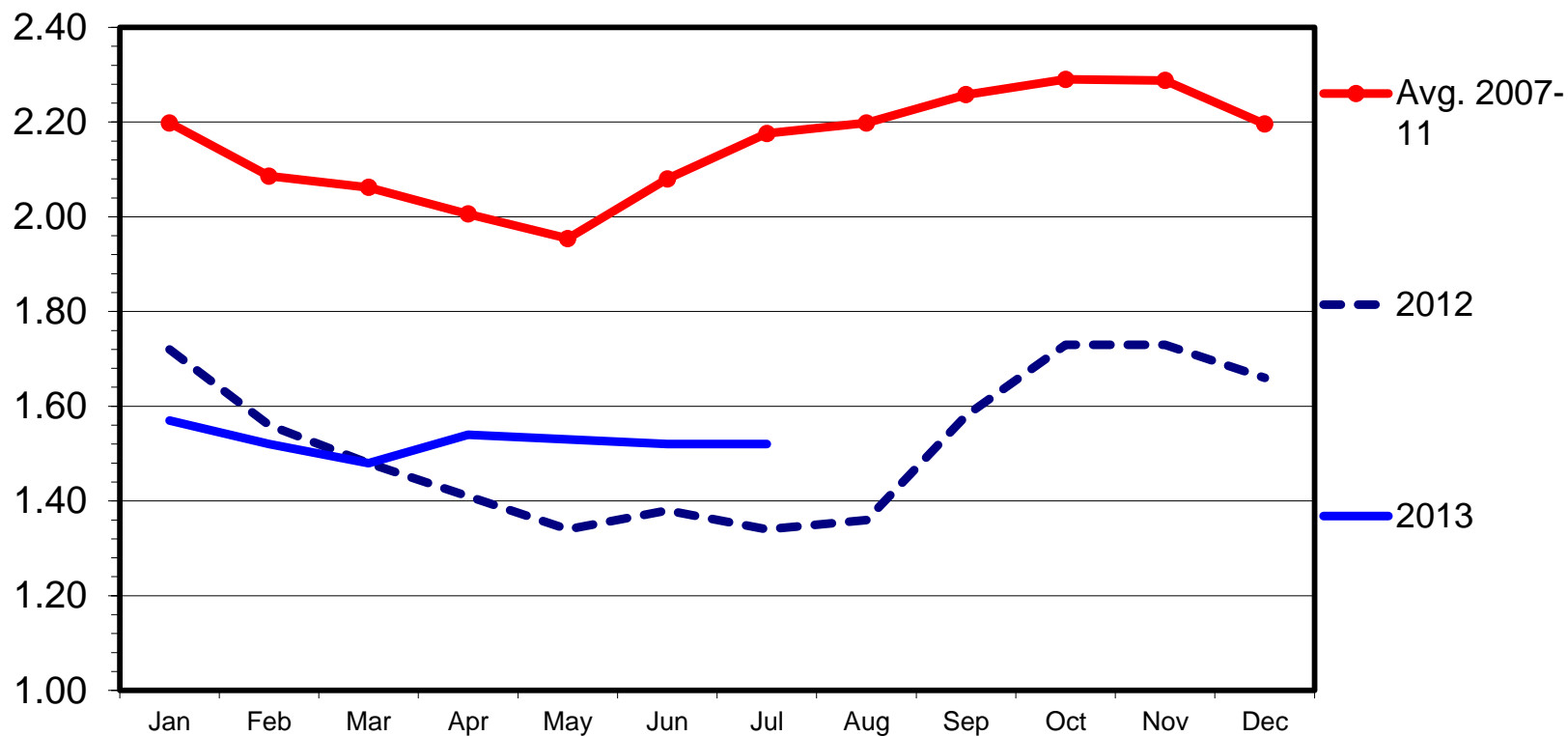
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U.S. All Milk Price

MILK-FEED PRICE RATIO US, Monthly

\$ Per Pound



Livestock Marketing Information
Center

Data Source: USDA-NASS

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- U.S. herd shows increase potential \sim 1%-2%
- Prices may be pressured lower on
 - Herd expansion
 - Expected Production improvements leading to still more milk/cow
- Exports may increase amid weak dollar, Chinese demand, and potential for lower Oceania production (severe drought for past 4 years with temps >110)
- Cull cow & calve prices may remain firm as:
 - Meat consumption remains fickle due to high beef and protein prices.

Takeaways

The Forecast

	2009	2010	2011	2012	2013	2014
Milk Cows (thou. head)	9,201	9,113	9,084	9,232	9,370*	9,450**
Milk Production (bill. pounds)	189.3	192.7	196.0	200.3	201.5*	202.0**
All Milk Price (dollars per cwt.)	12.84	16.31	18.00	18.53	18.75*	17.75**
Class III Price (dollars per cwt.)	11.36	14.41	16.50	16.28	16.97*	16.75**
Class IV Price (dollars per cwt.)	10.89	15.09	16.75	16.01	17.88*	16.75**

*Includes estimates for rest of 2013 (USDA and others)

**MTR estimates for 2014

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Outlook Always depends on your Perspective



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