

# MARKET OUTLOOK

December 2019

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# MARKET INSIGHTS

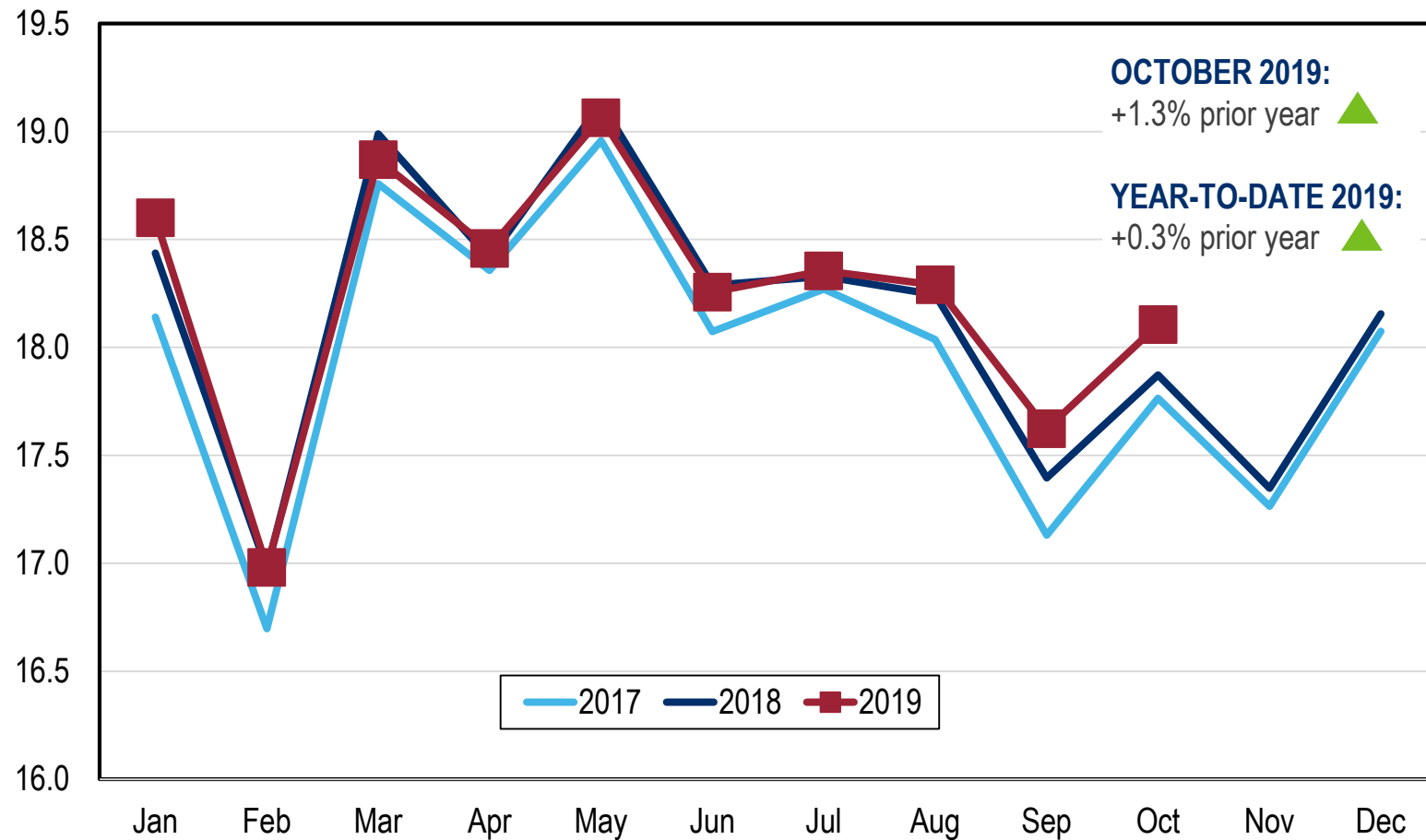


- **Domestic:**
  - U.S. milk production strengthened in October, up 1.3% from the prior year
  - Domestic consumption of dairy products in October was strong, with all major dairy product categories experiencing strength from prior year levels
  - U.S. cheese, nonfat dry milk (NFDM) and whey protein concentrate (WPC) exports increased from the prior year
- **Global:**
  - A “phase one” trade deal was reached between the United States and China. The deal will decrease some tariffs on Chinese goods and guarantee increased purchases of U.S. goods from China which include agricultural goods
  - Overall global milk supply remains steady to slightly above prior year levels

Sources: USDA, U.S. Dairy Export Council, CLAL

# U.S. MILK PRODUCTION

BILLION POUNDS

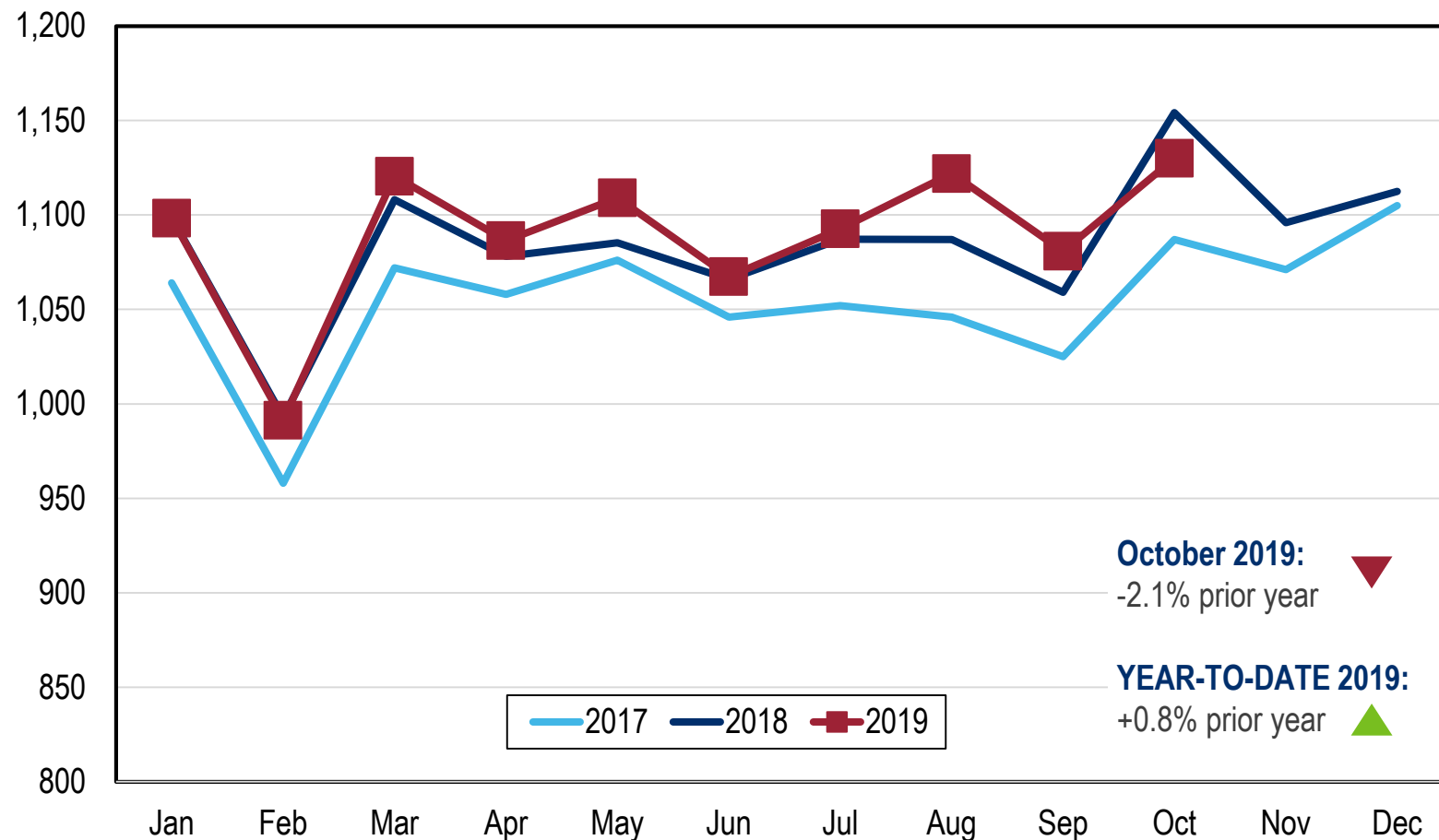


- Total milk production in October was 18.1 billion pounds, an increase of 232 million pounds from the prior year.
- In October, cow numbers were reported at 9.33 million head, down 40,000 head from the prior year.

Source: USDA National Agricultural Statistics Service

# U.S. TOTAL CHEESE PRODUCTION

MILLION POUNDS

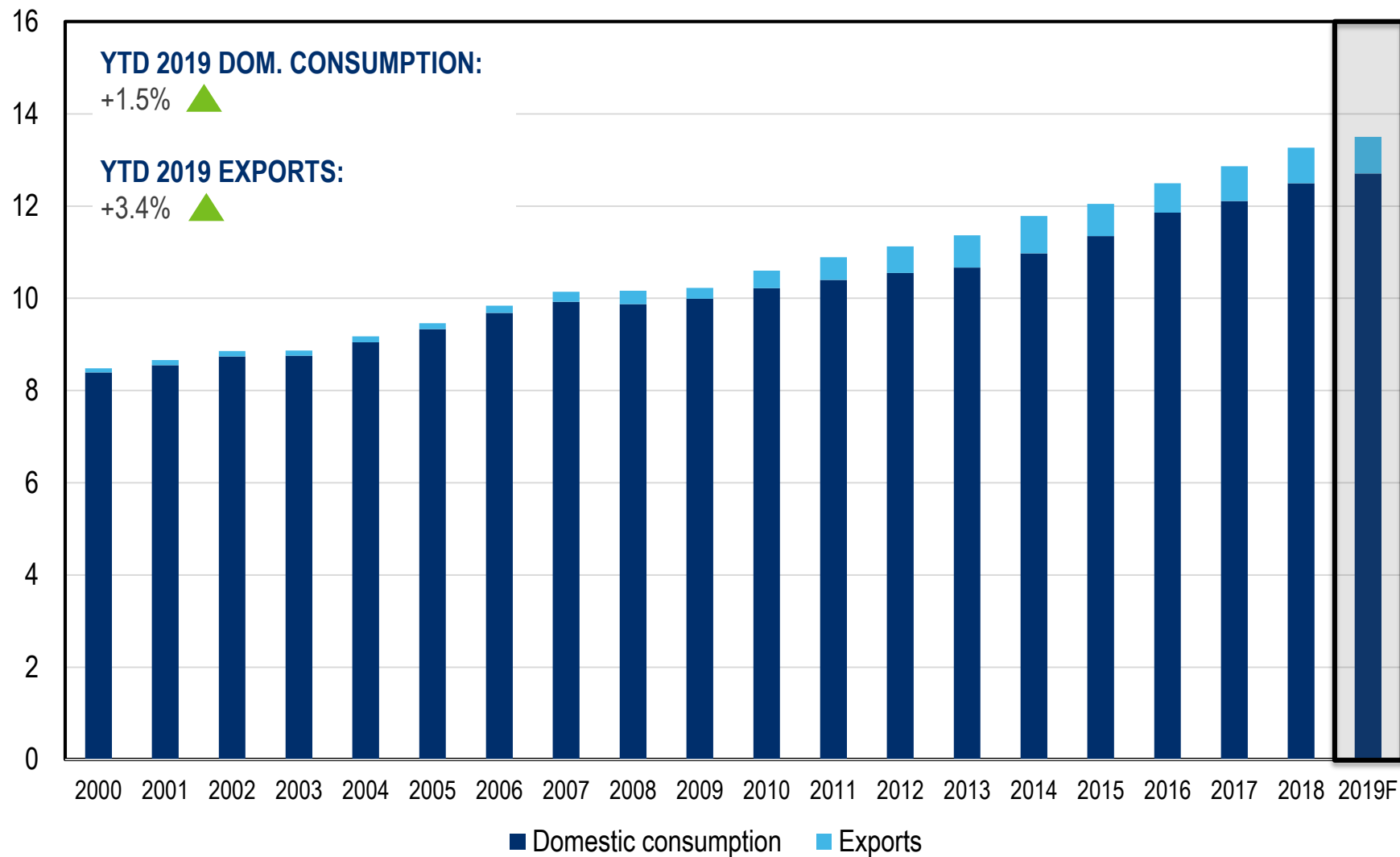


- Total cheese production in October was more than 1.1 billion pounds, down 23.7 million pounds from the prior year.
- Both American cheese and Other-than-American cheese production were weaker, down 14.5 million and 9.2 million pounds, respectively.

Source: USDA National Agricultural Statistics Service

# U.S. TOTAL CHEESE COMMERCIAL DISAPPEARANCE

BILLION POUNDS

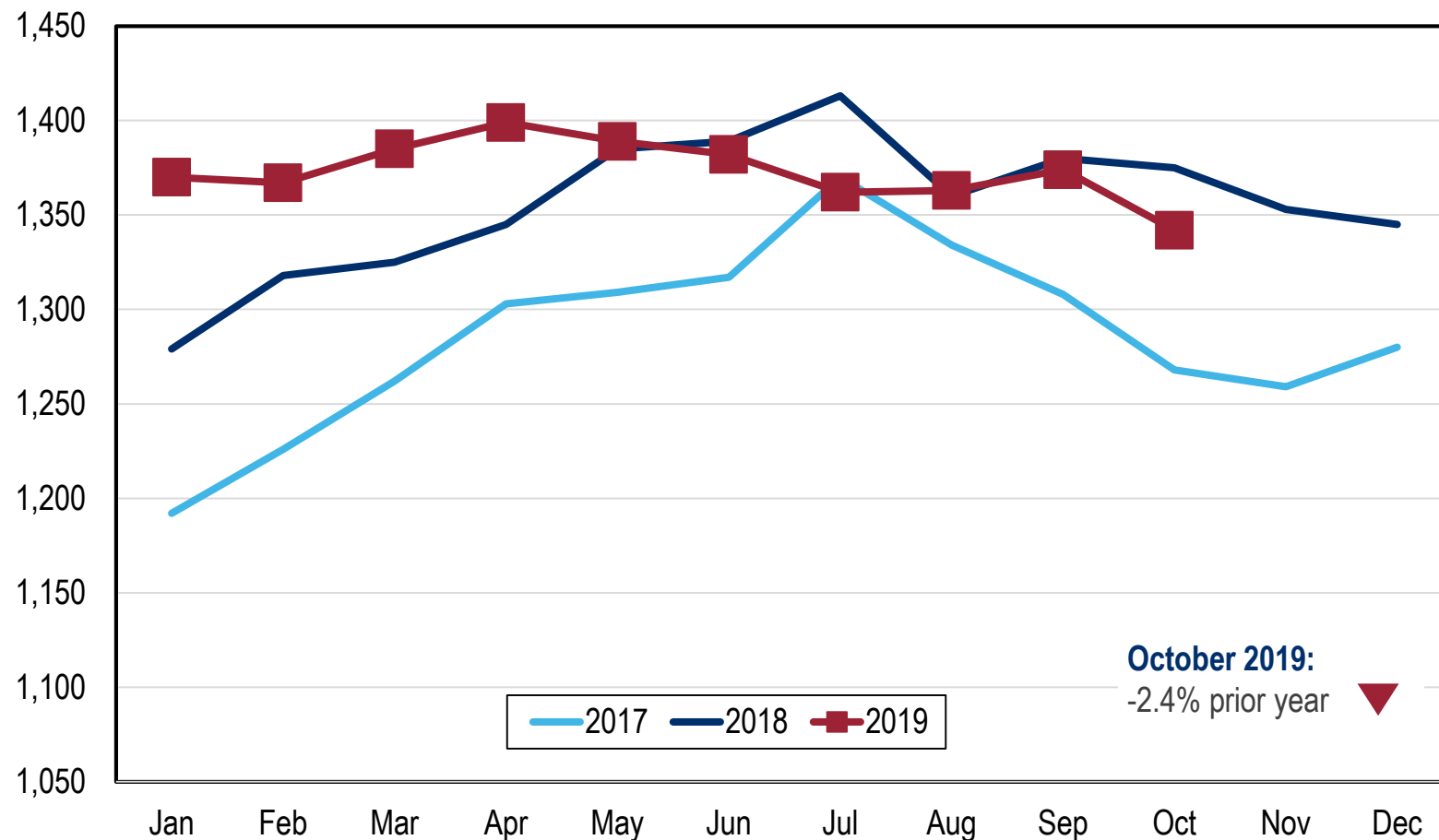


- October exports were up 3.3 million pounds to 62.6 million pounds.
- Domestic demand also increased in October, up 2.2 million pounds to more than 1.1 billion pounds.

Source: USDA Economic Research Service  
\*see disclaimer on slide 2

# U.S. TOTAL CHEESE INVENTORY

MILLION POUNDS

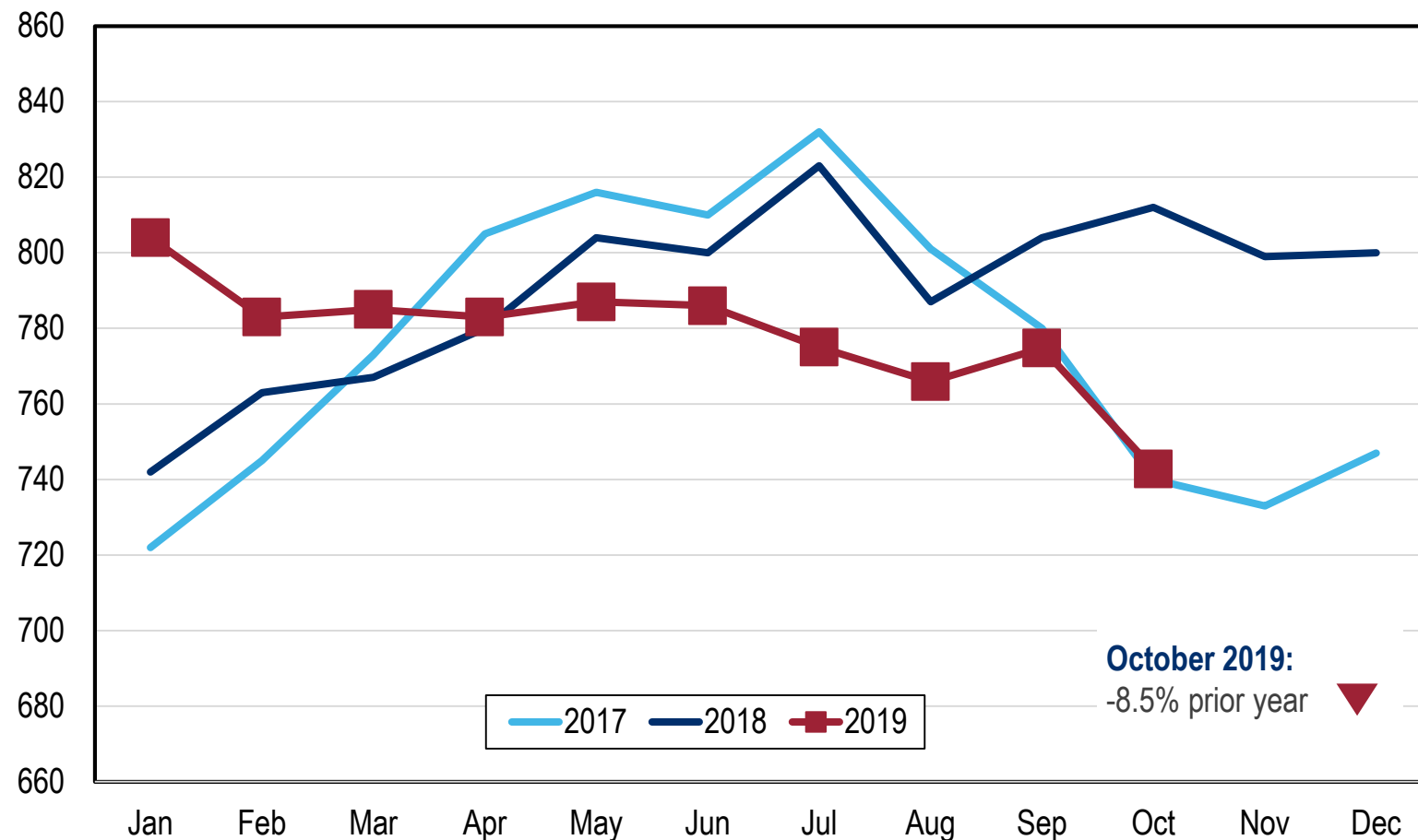


- Total cheese inventories decreased from September to October, down 31.6 million pounds.
- Total cheese inventories were reported at 1.34 billion pounds, down 32.9 million pounds from October 2018.

Source: USDA National Agricultural Statistics Service

# U.S. AMERICAN CHEESE INVENTORY

MILLION POUNDS



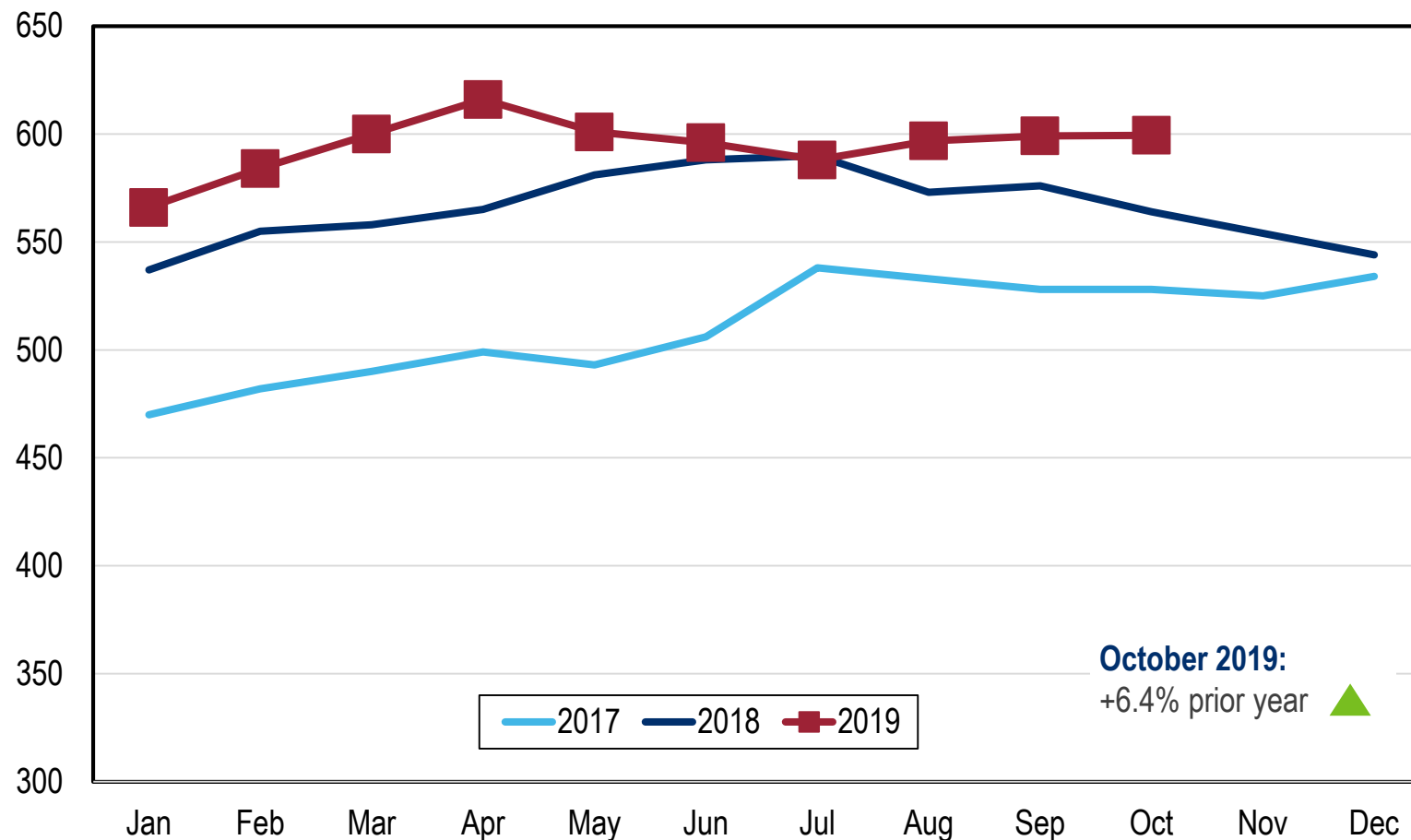
- American cheese inventories remained well below prior year levels.
- American cheese inventories were reported at 742.8 million pounds, down 68.8 million pounds from October 2018.

Source: USDA National Agricultural Statistics Service



# U.S. OTHER-THAN-AMERICAN CHEESE INVENTORY

MILLION POUNDS

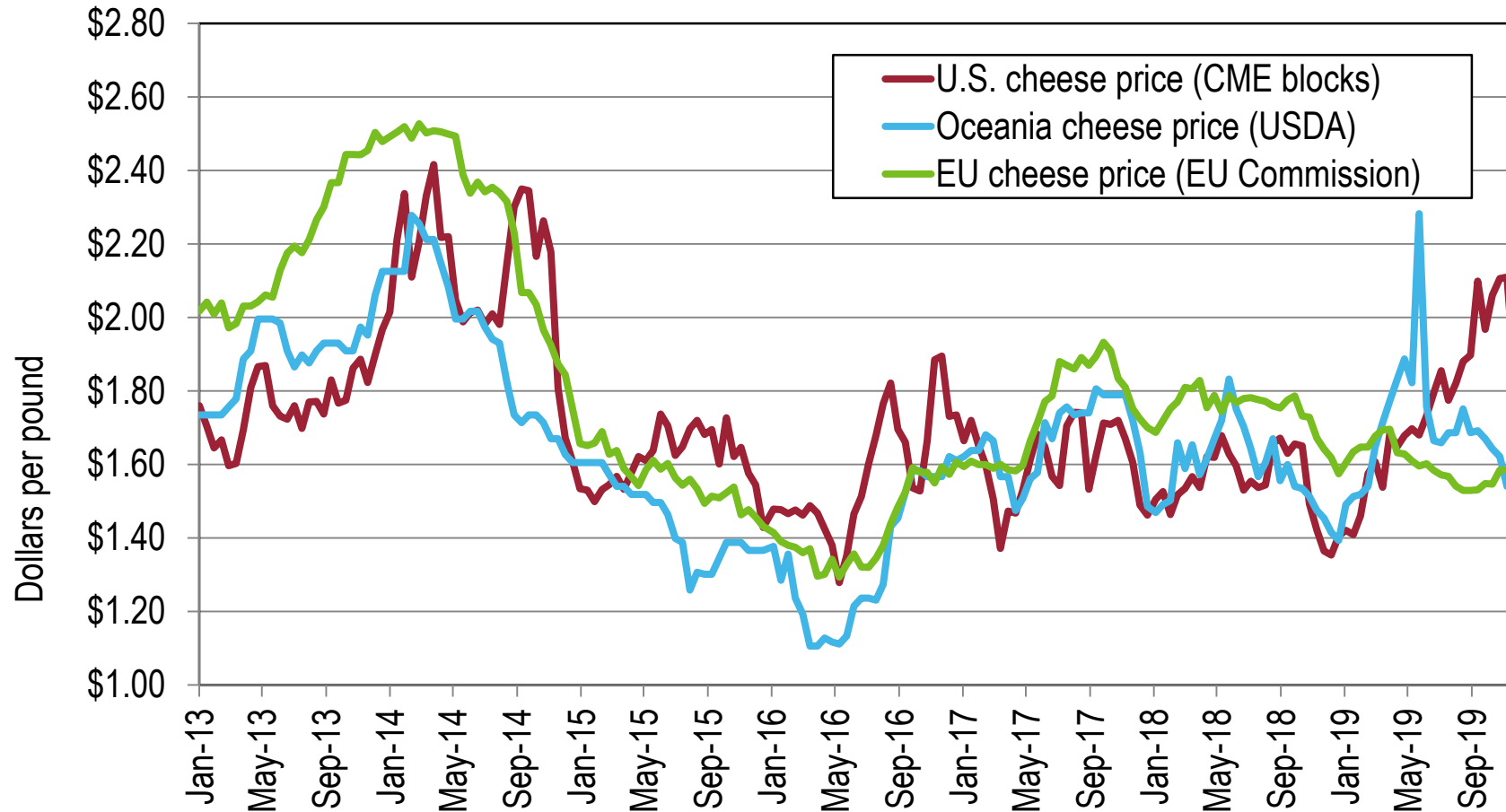


- Other-than-American cheese inventories were reported at 599.4 million pounds, up 35.9 million pounds from October 2018.
- October inventory levels were almost 25% higher than the previous five-year average of 480 million pounds.

Source: USDA National Agricultural Statistics Service

# U.S. VS. GLOBAL CHEESE PRICE

\$ PER POUND

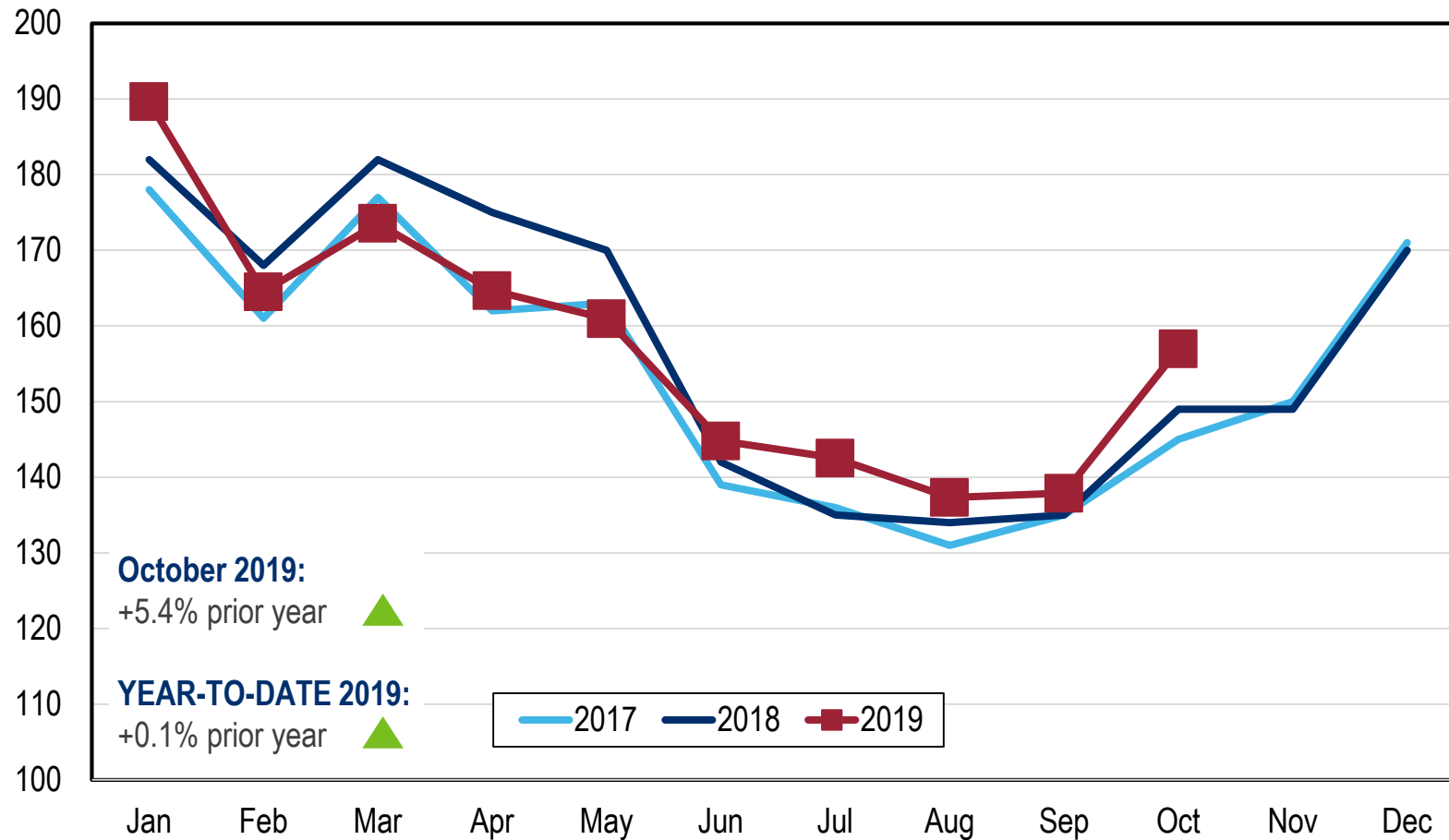


- U.S. cheese prices remain at a premium to global prices as exports and domestic demand remain high
- The CME cash barrel cheese market has declined significantly since reaching its November 6 high of \$2.39 per pound

Source: USDA Agricultural Marketing Service, CME Group, EU Commission

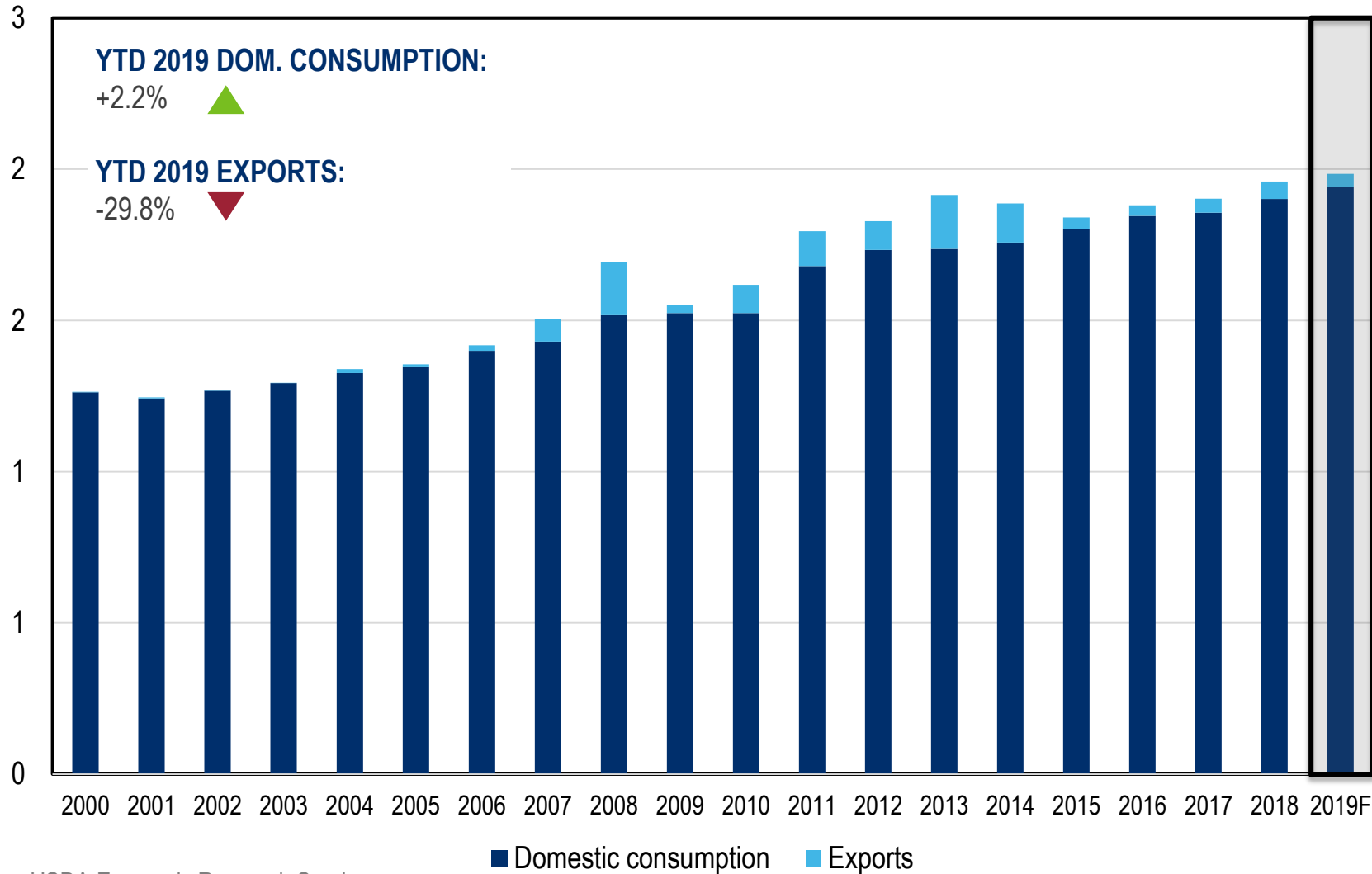
# U.S. BUTTER PRODUCTION

MILLION POUNDS



- In October, butter production was reported at 157 million pounds, up 8.1 million pounds from the prior year.
- Butter production was approximately 7% higher than previous five-year average of 147 million pounds.

# U.S. BUTTER COMMERCIAL DISAPPEARANCE



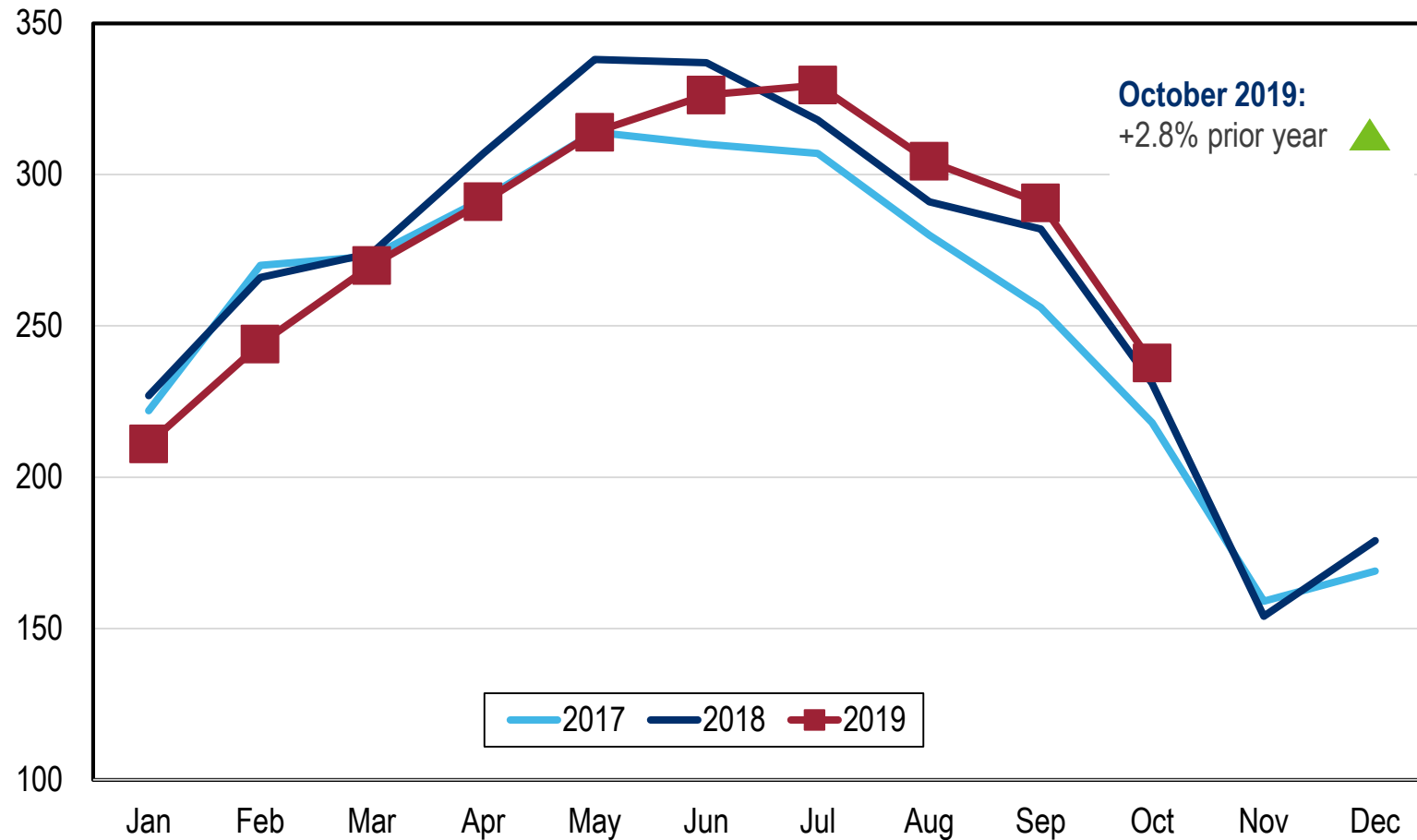
BILLION POUNDS

- October domestic consumption increased, up 8.4 million pounds to 212.7 million pounds from the prior year.
- Exports of butter were reported at 3.9 million pounds, down 757,000 pounds from the prior year.

Source: USDA Economic Research Service  
\*see disclaimer on slide 2

# U.S. BUTTER INVENTORY

MILLION POUNDS

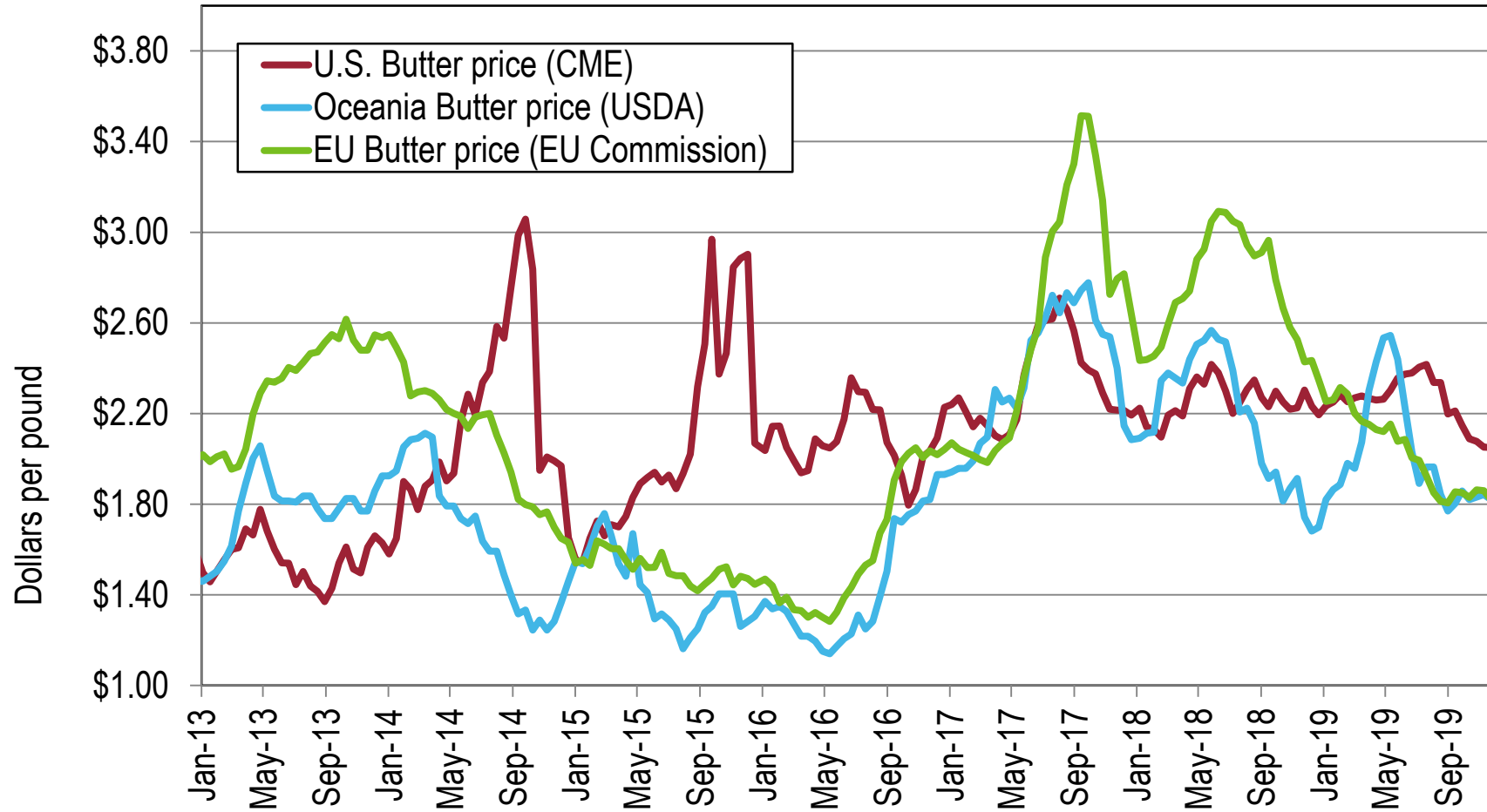


- Butter inventories increased 6.5 million pounds from the prior year to 237.7 million pounds in October.
- From September to October, butter inventories declined 52.9 million pounds.

Source: USDA National Agricultural Statistics Service

# U.S. VS. GLOBAL BUTTER PRICE

\$ PER POUND



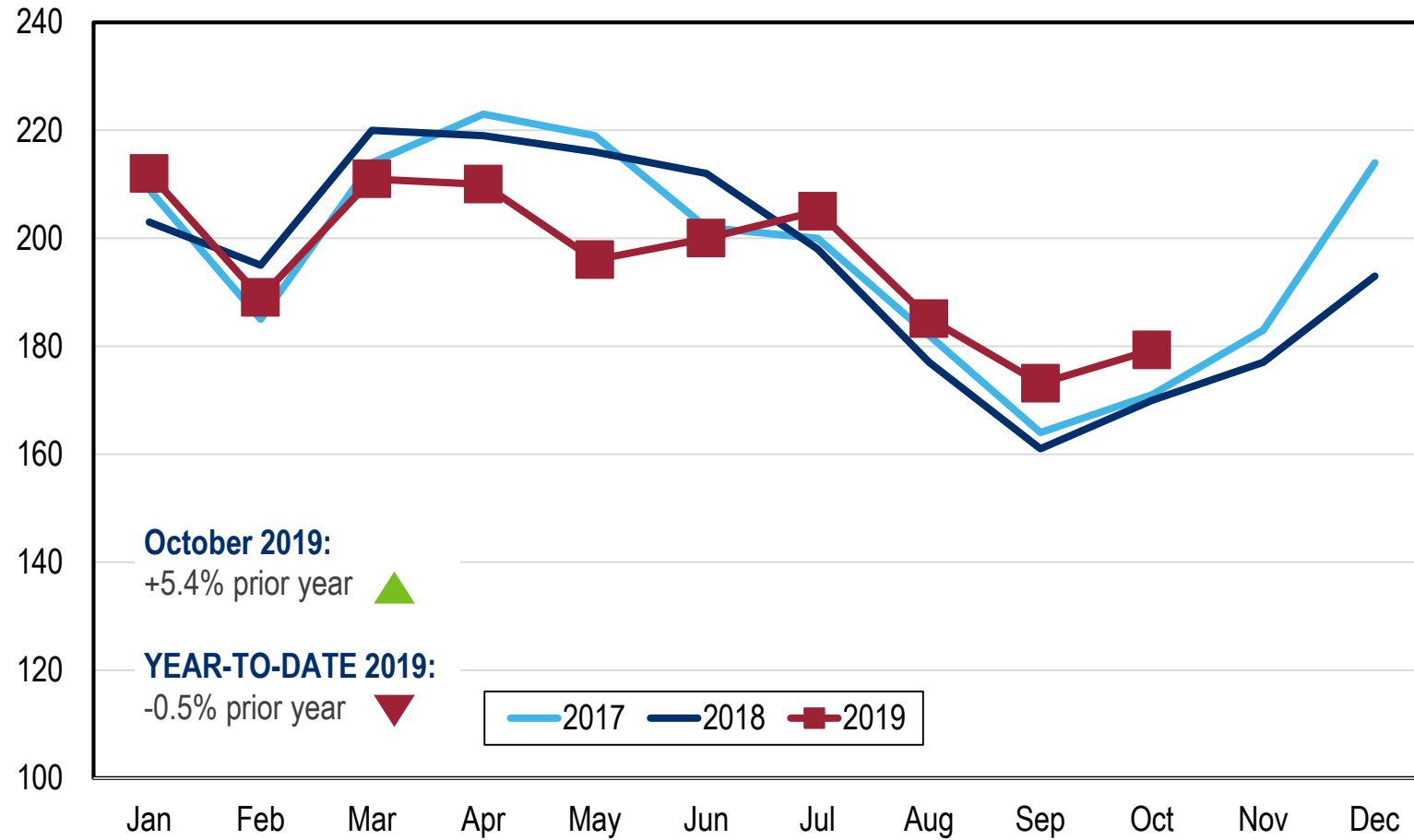
CME cash butter

- YTD high: \$2.43½ (July 16)
- As production has increased and stocks have replenished, butter prices have declined in recent months

Source: USDA Agricultural Marketing Service, CME Group, EU Commission

# U.S. NFDM & SMP PRODUCTION

MILLION POUNDS

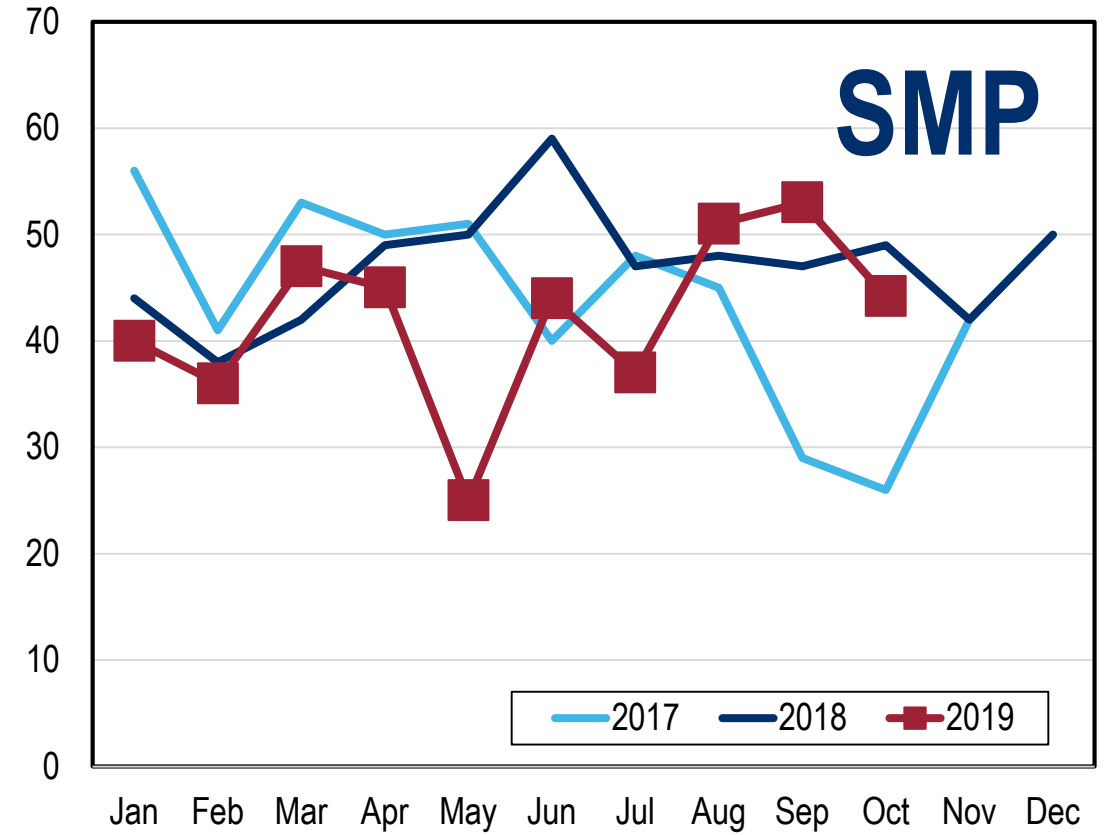
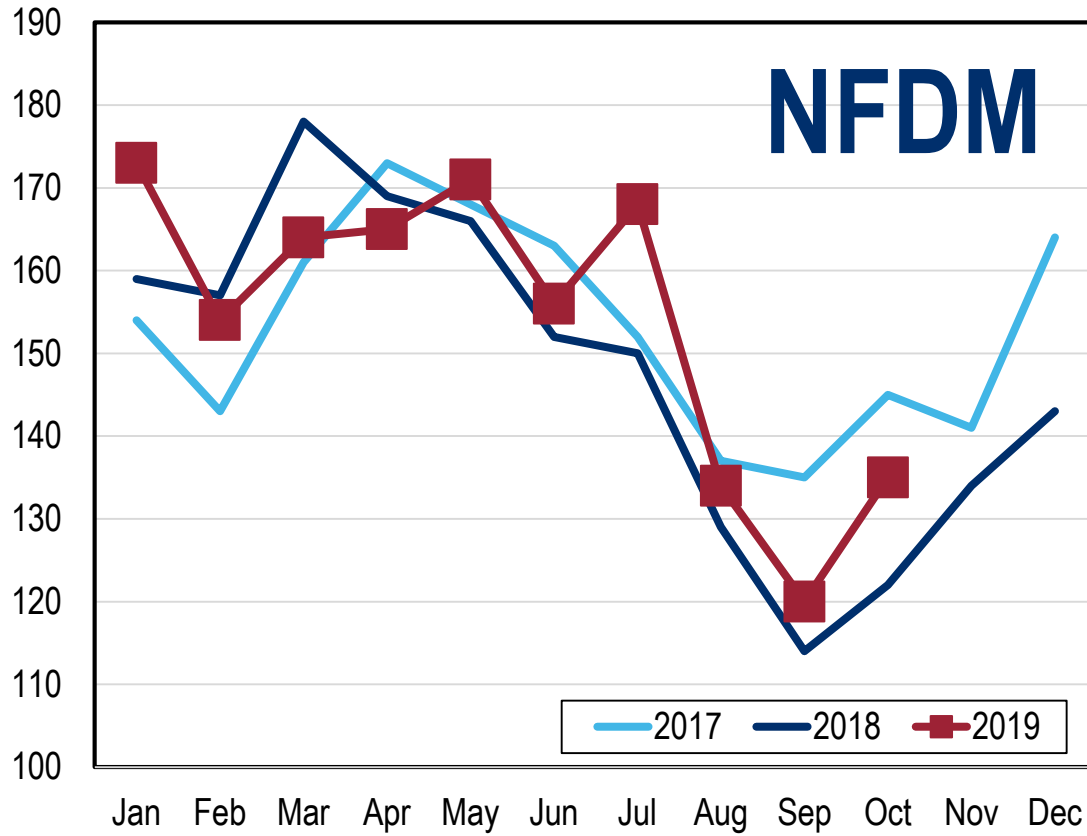


- In October, NFDM production increased while SMP production decreased from prior year.
- NFDM production strengthened 13.5 million pounds to 135.1 million pounds.
- SMP production declined 4.4 million pounds to 44.2 million pounds.
- Together, NFDM and SMP production grew 9.2 million pounds from the prior year to 179.3 million pounds in October.

Source: USDA National Agricultural Statistics Service

# U.S. NFDM vs. SMP PRODUCTION

MILLION POUNDS

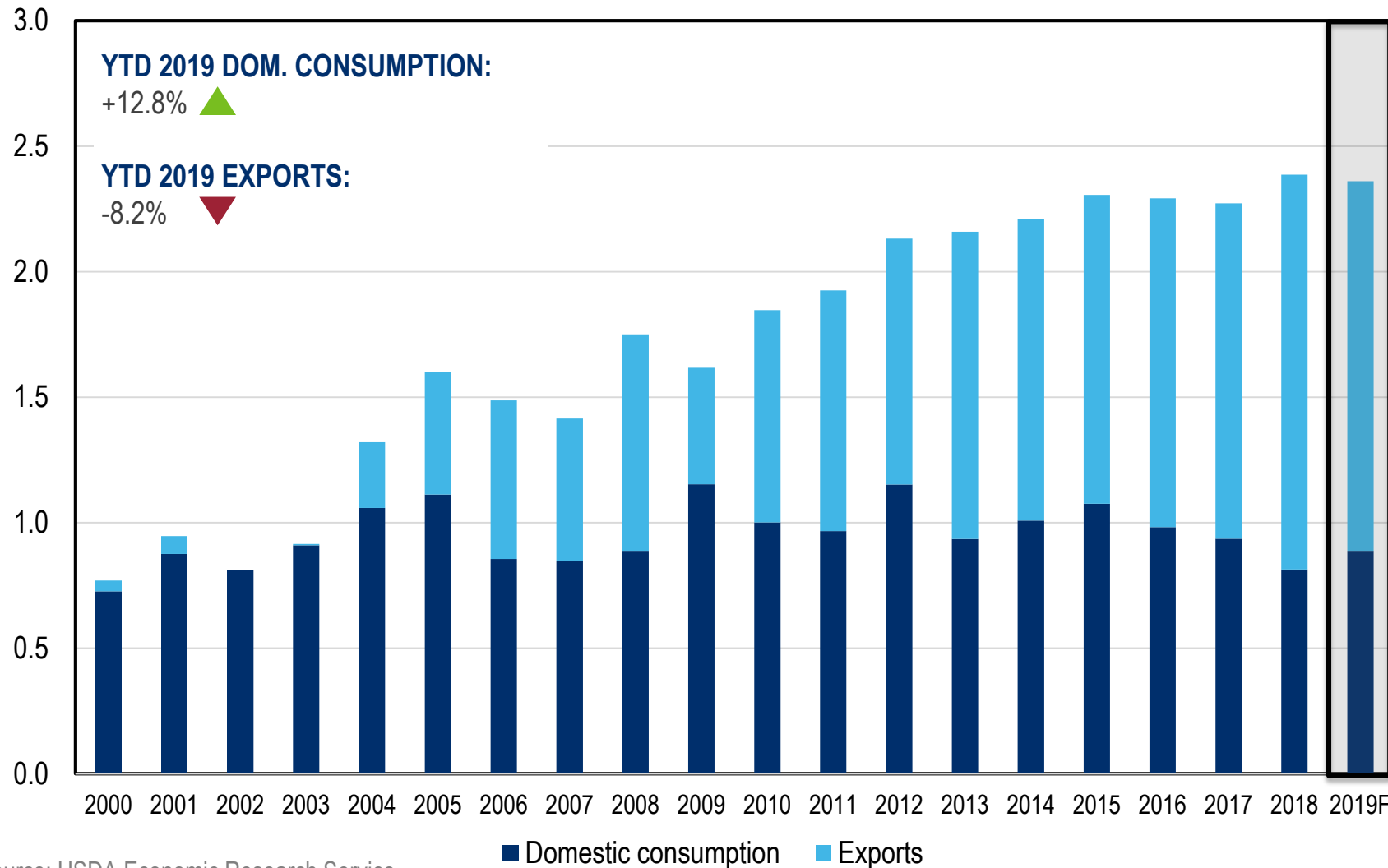


Source: USDA National Agricultural Statistics Service



# U.S. NFDM & SMP COMMERCIAL DISAPPEARANCE

BILLION POUNDS

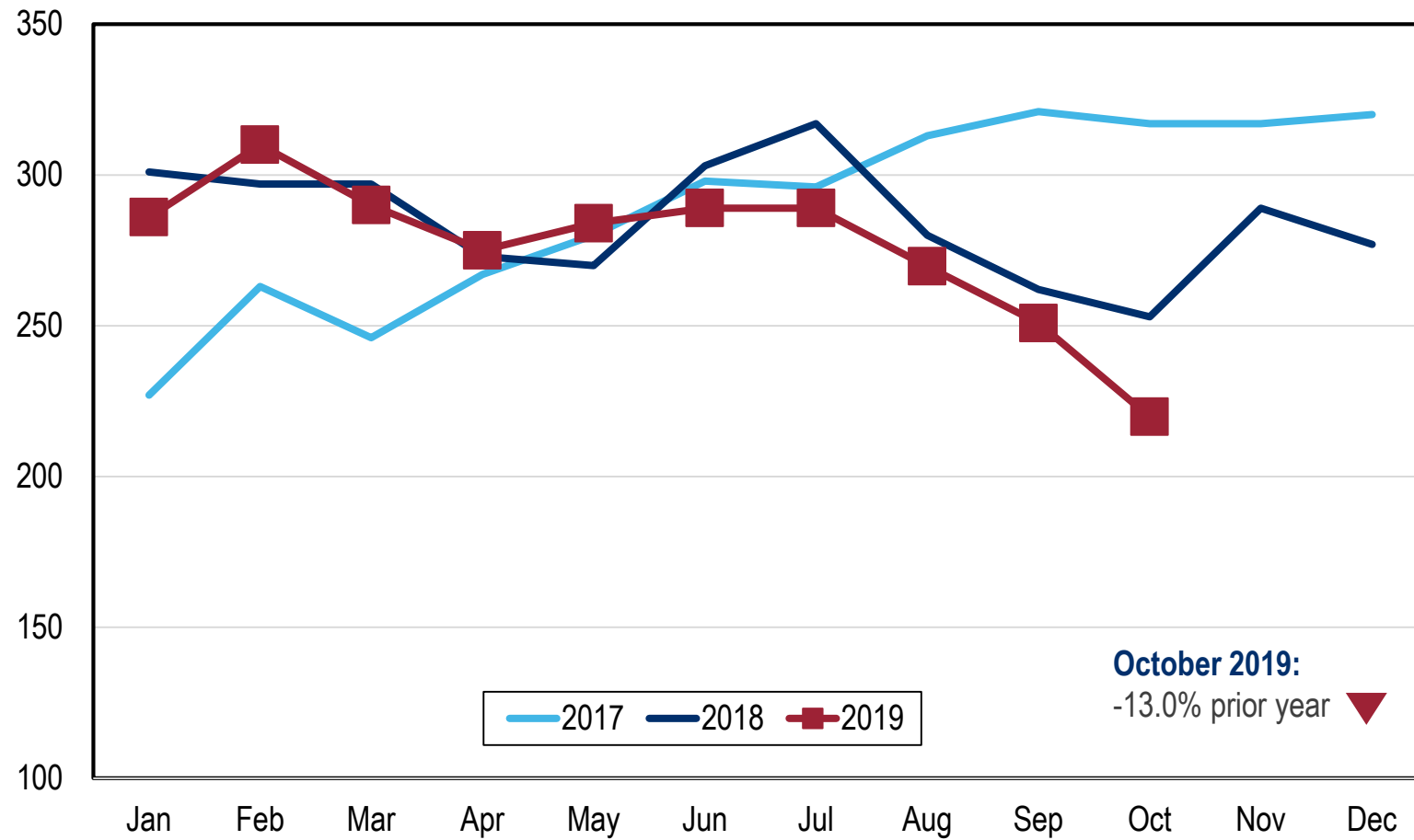


- Powder exports continued increasing in October, up 22.2 million pounds from the prior year to 155.9 million pounds.
- Domestic consumption also increased, up 8.3 million pounds to 53.7 million pounds.

Source: USDA Economic Research Service  
\*see disclaimer on slide 2

# U.S. NFDMM INVENTORY

MILLION POUNDS

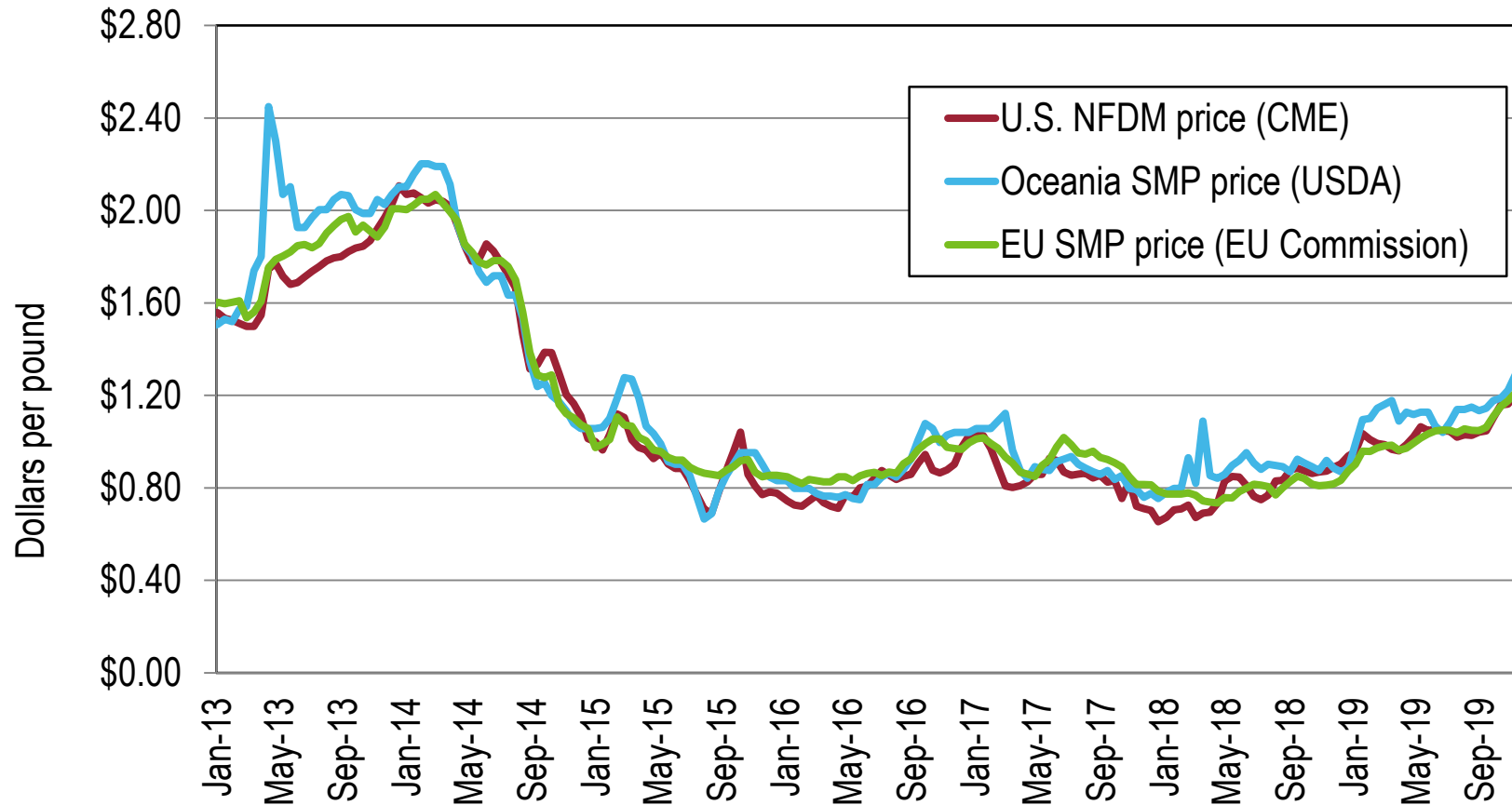


- Inventories were down 32.8 million pounds from the prior year to 219.8 million pounds in October.
- Inventories were down 31.1 million pounds from September to October.
- October inventory levels were approximately 10 million pounds lower than the previous five-year average.

Source: USDA National Agricultural Statistics Service

# U.S. NFDM VS. GLOBAL SMP PRICE

\$ PER POUND



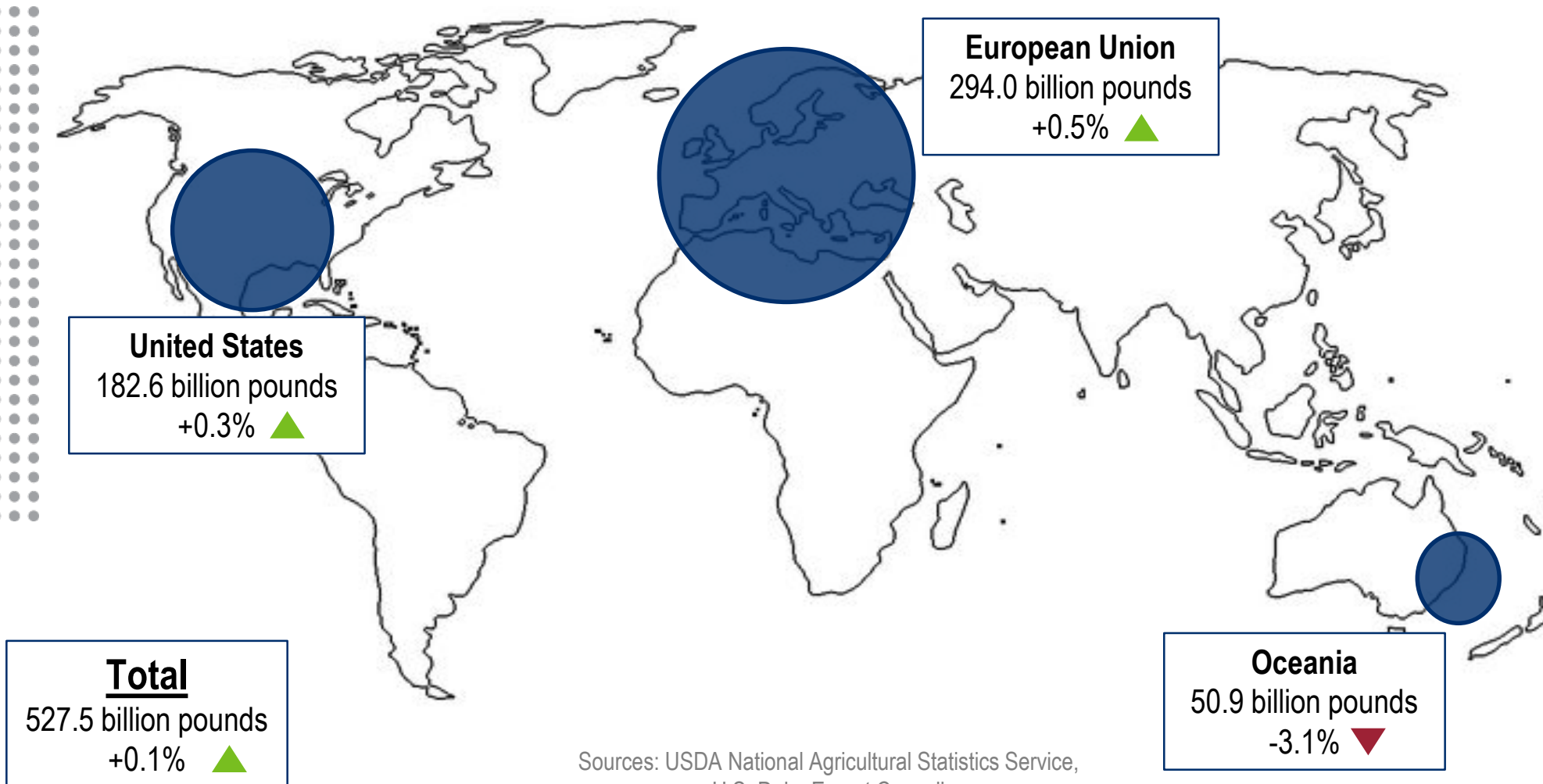
CME cash NFDM

- YTD high: \$1.26½ (Dec.16)
- Global powder demand remains strong, especially from China
- As domestic inventories continue to trend down year over year, prices have strengthened

Source: USDA Agricultural Marketing Service, CME Group, EU Commission

# GLOBAL MILK PRODUCTION

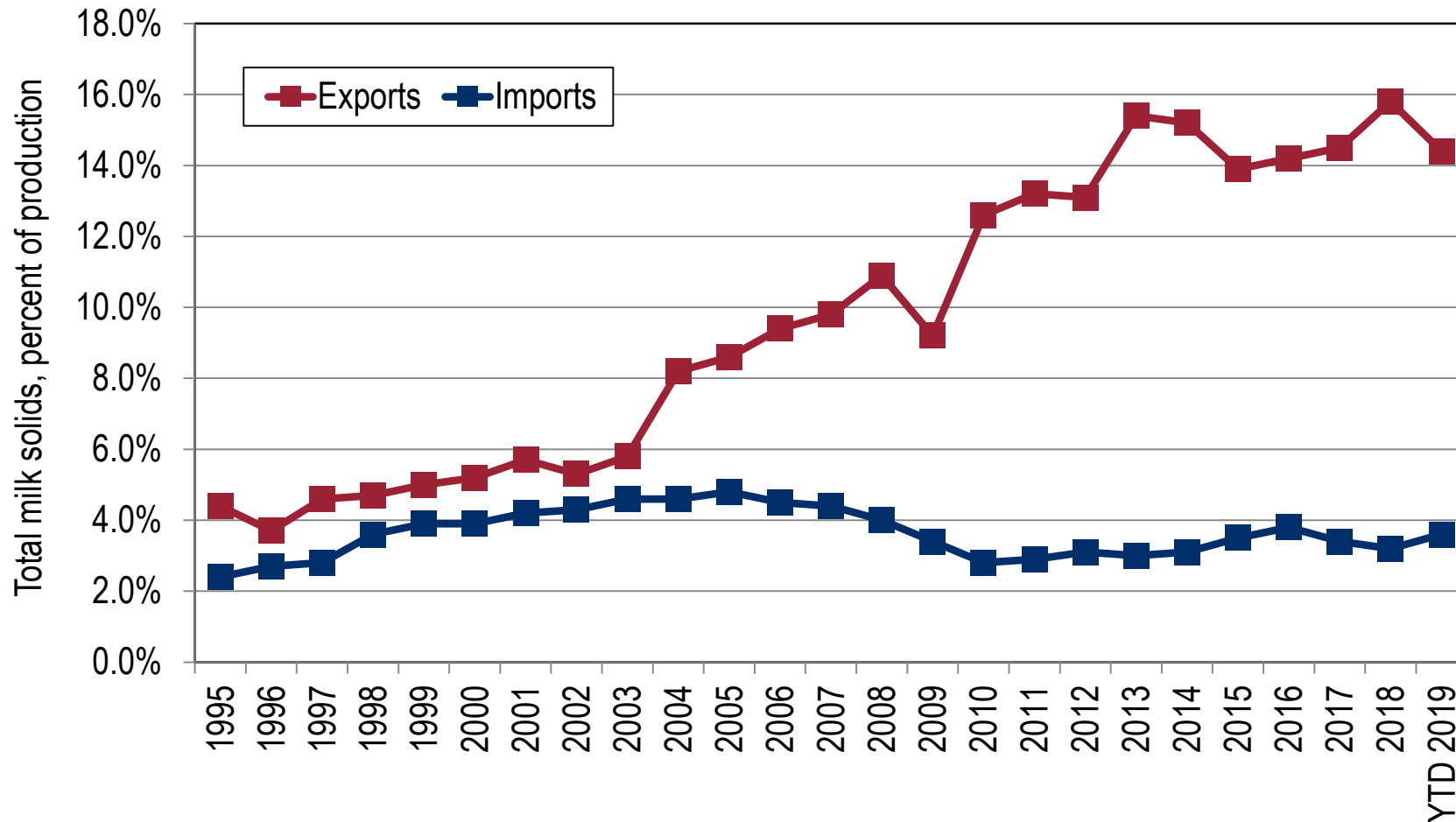
YTD through October 2019



Sources: USDA National Agricultural Statistics Service,  
U.S. Dairy Export Council

# U.S. DAIRY EXPORTS

YTD through October 2019



# U.S. TOP DAIRY EXPORT DESTINATIONS

MILLION POUNDS, TOTAL DAIRY PRODUCTS

Rank	Country	October 2019	YTD 2019
1	Mexico	123.6	1,102.6
2	China	31.5	355.5
3	Indonesia	30.3	208.0
4	Canada	25.3	243.3
5	Philippines	22.7	238.6
6	New Zealand	19.9	148.3
7	South Korea	18.3	209.1
8	Japan	16.0	203.0
9	Vietnam	15.2	157.8
10	Malaysia	12.8	87.2

# U.S. TOP DAIRY EXPORT DESTINATIONS

MILLION DOLLARS, TOTAL DAIRY PRODUCTS

Rank	Country	October 2019	YTD 2019
1	Mexico	\$153.6	\$1,281.5
2	Canada	\$58.5	\$560.5
3	Indonesia	\$30.9	\$193.4
4	China	\$26.9	\$305.5
5	Philippines	\$24.1	\$218.2
6	South Korea	\$23.0	\$286.1
7	Japan	\$17.0	\$235.9
8	Vietnam	\$15.3	\$136.1
9	Malaysia	\$14.3	\$86.6
10	New Zealand	\$12.8	\$87.1