

MARKET OUTLOOK

January 2020

DISCLAIMER

DFA does not make, and expressly disclaims, any express or implied guaranty, representation, or warranty regarding any opinions or statements set forth herein. DFA is not acting as your consultant or advisor, or in a fiduciary capacity, for any purpose, and is not providing advice regarding the value or advisability of trading in commodity interests, including swaps, futures contracts and commodity options or any other activity which would cause DFA or any of its affiliates to be considered a commodity trading advisor under the Commodity Exchange Act. None of the information contained herein should be construed as trading or risk management advice. Before undertaking any trading strategy, you should consult your own independent advisors.

Forward contract for delivery price indications listed throughout these materials, if any, are based on recent market activity for the respective commodity to be delivered and are not actual forward contract offers. Any prices used throughout these materials 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. The content of this communication is confidential information and should be maintained confidentially between you and DFA.



MARKET INSIGHTS



- **Domestic:**

- In 2019, U.S. milk production increased modestly from 2018
- In November, the total U.S. dairy export volume experienced strength, supported by cheese, nonfat dry milk (NFDM), whole milk powder (WMP) and whey protein concentrate (WPC) exports
- With the exception of whey, domestic consumption of dairy products in November was down year over year

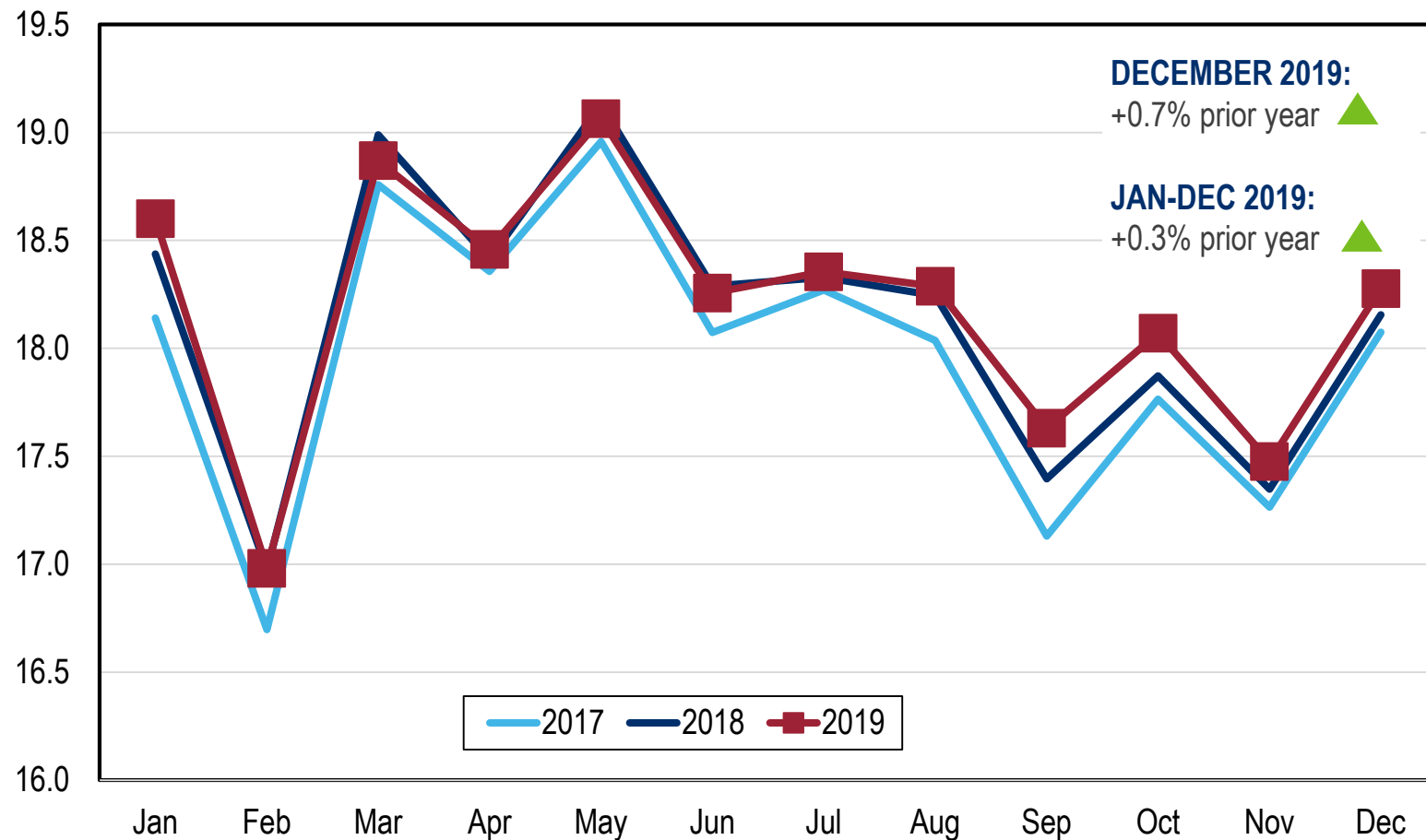
- **Global:**

- Overall global milk supply remains steady to slightly above prior year levels
- Year to date through November, Chinese dairy import volumes were nearly 10% higher than the same period in 2018

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

U.S. MILK PRODUCTION

BILLION POUNDS

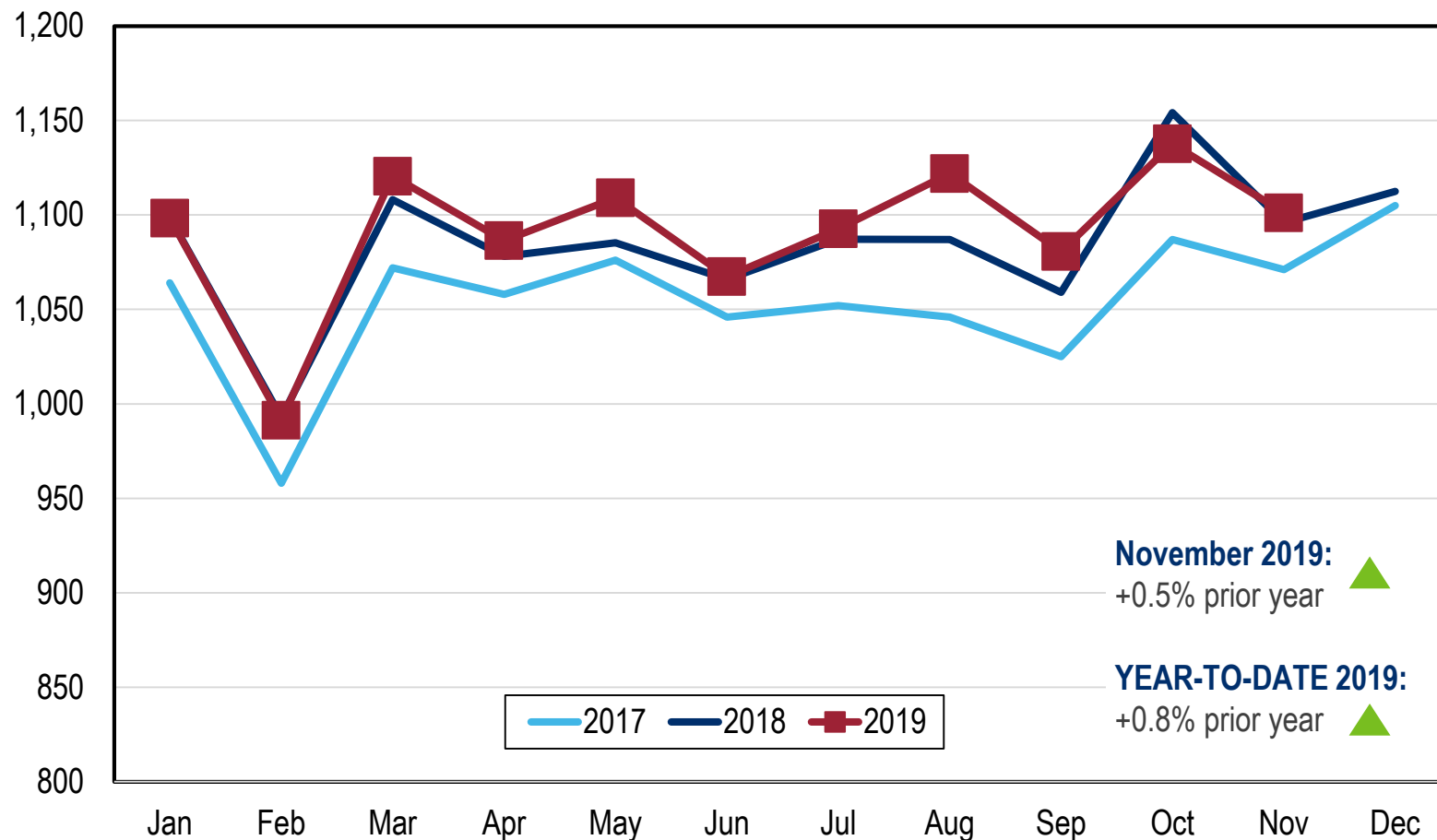


- Total milk production in December was 18.3 billion pounds, an increase of 122 million pounds from the prior year.
- According to preliminary data, 2019 milk production totaled 218.3 billion pounds, up 747 million pounds.
- In December, cow numbers were reported at 9.34 million head, down 14,000 head from the prior year.

Source: USDA National Agricultural Statistics Service

U.S. TOTAL CHEESE PRODUCTION

MILLION POUNDS

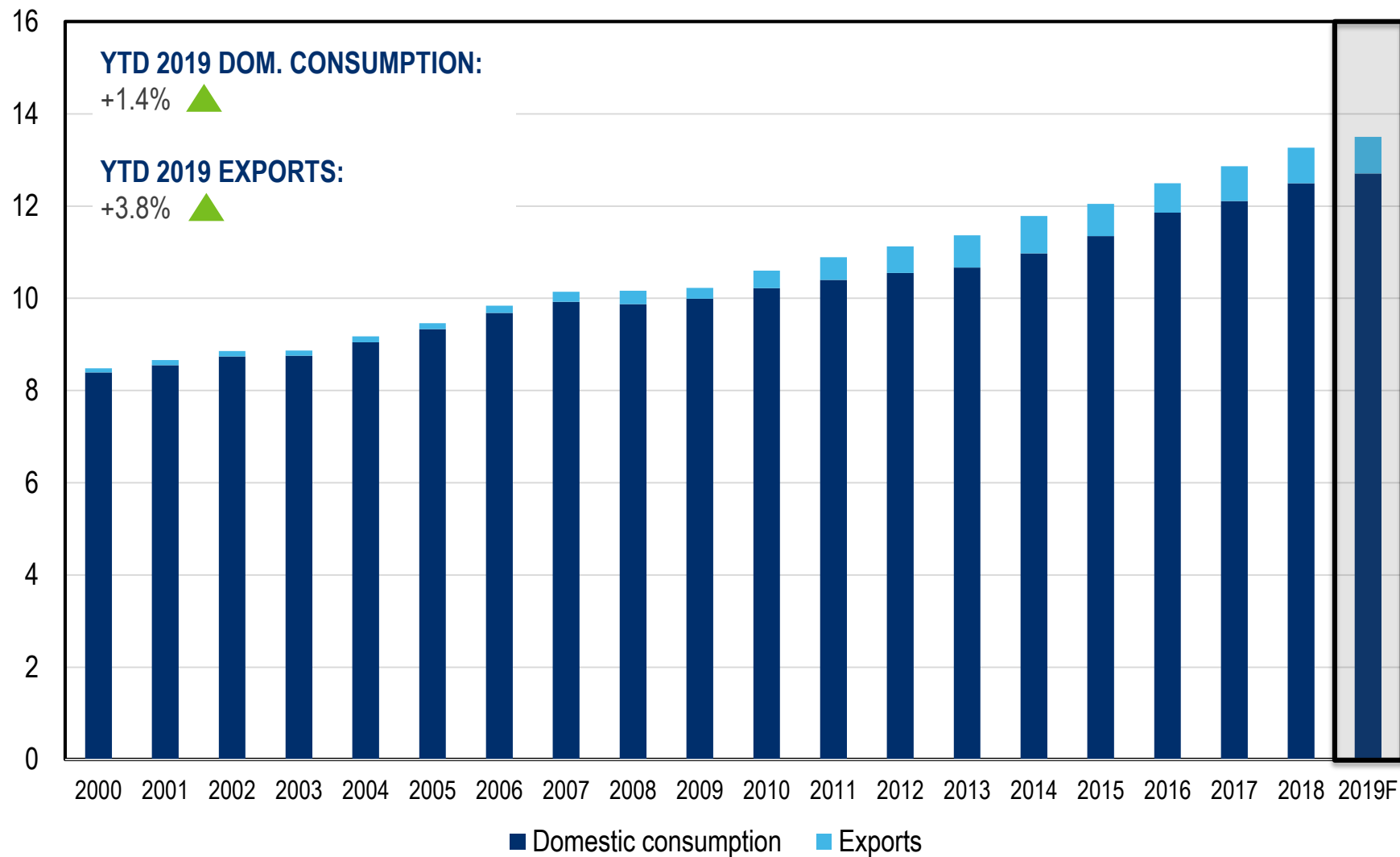


- Total cheese production in November was more than 1.1 billion pounds, up 5.2 million pounds from the prior year.
- Both American cheese and Other-than-American cheese production were stronger, up 654,000 and 4.6 million pounds, respectively.

Source: USDA National Agricultural Statistics Service

U.S. TOTAL CHEESE COMMERCIAL DISAPPEARANCE

BILLION POUNDS

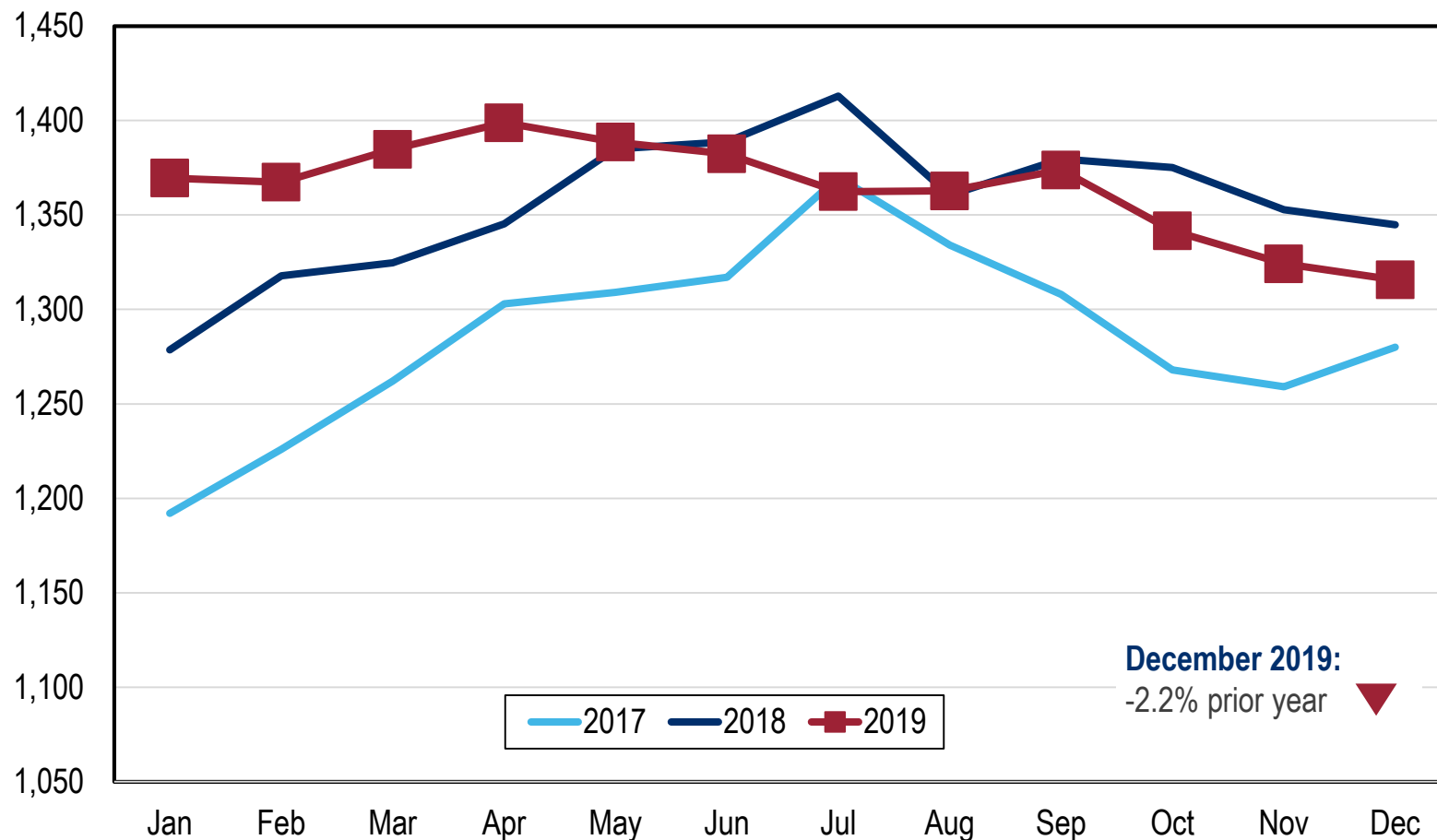


- November exports were up 4.3 million pounds to 62.7 million pounds.
- Domestic demand declined slightly in November, down 6.5 million pounds to 1.1 billion pounds.

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

U.S. TOTAL CHEESE INVENTORY

MILLION POUNDS

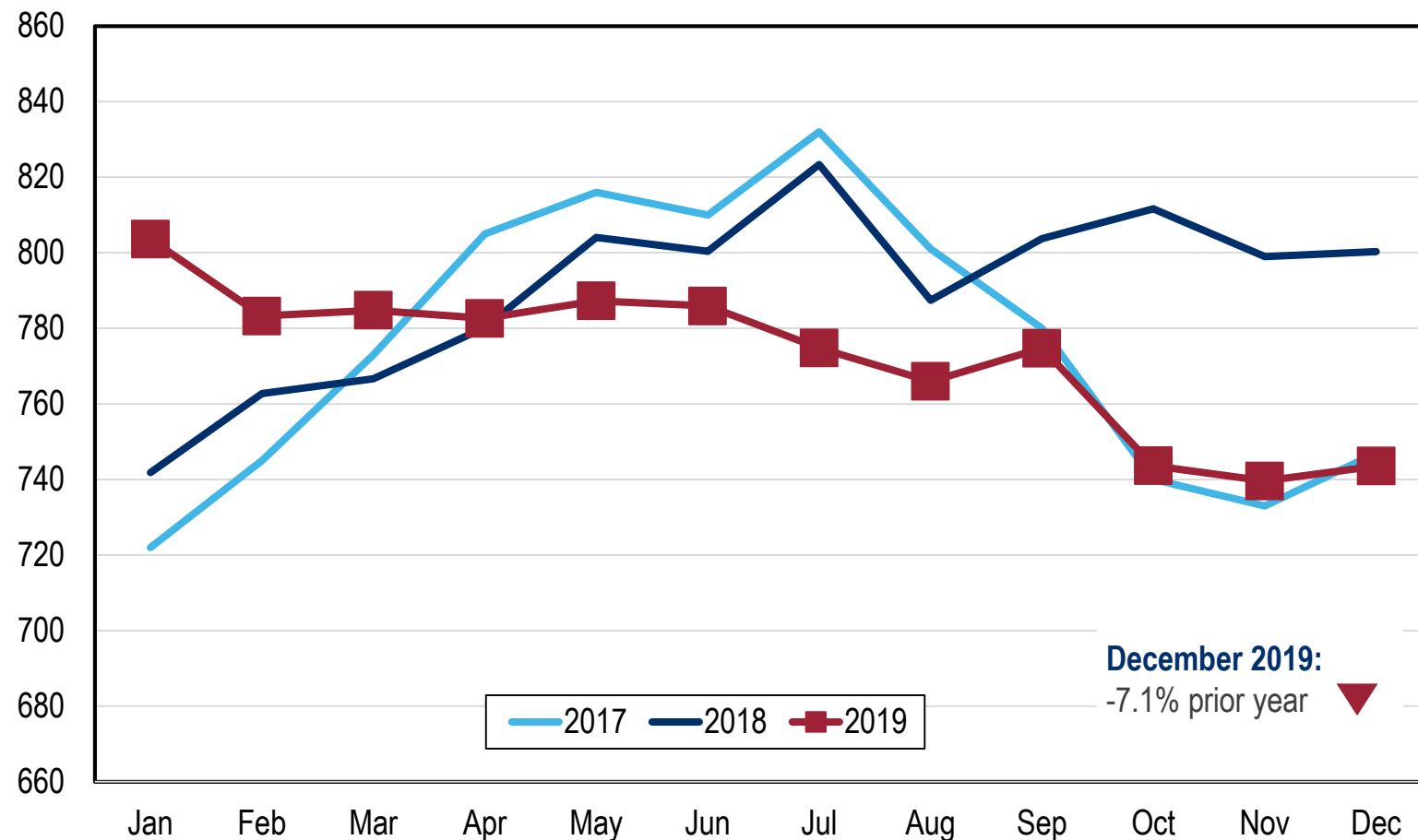


- Total cheese inventories decreased from November to December, down 6.9 million pounds.
- Total cheese inventories were reported at 1.32 billion pounds, down 29.2 million pounds from December 2018.

Source: USDA National Agricultural Statistics Service

U.S. AMERICAN CHEESE INVENTORY

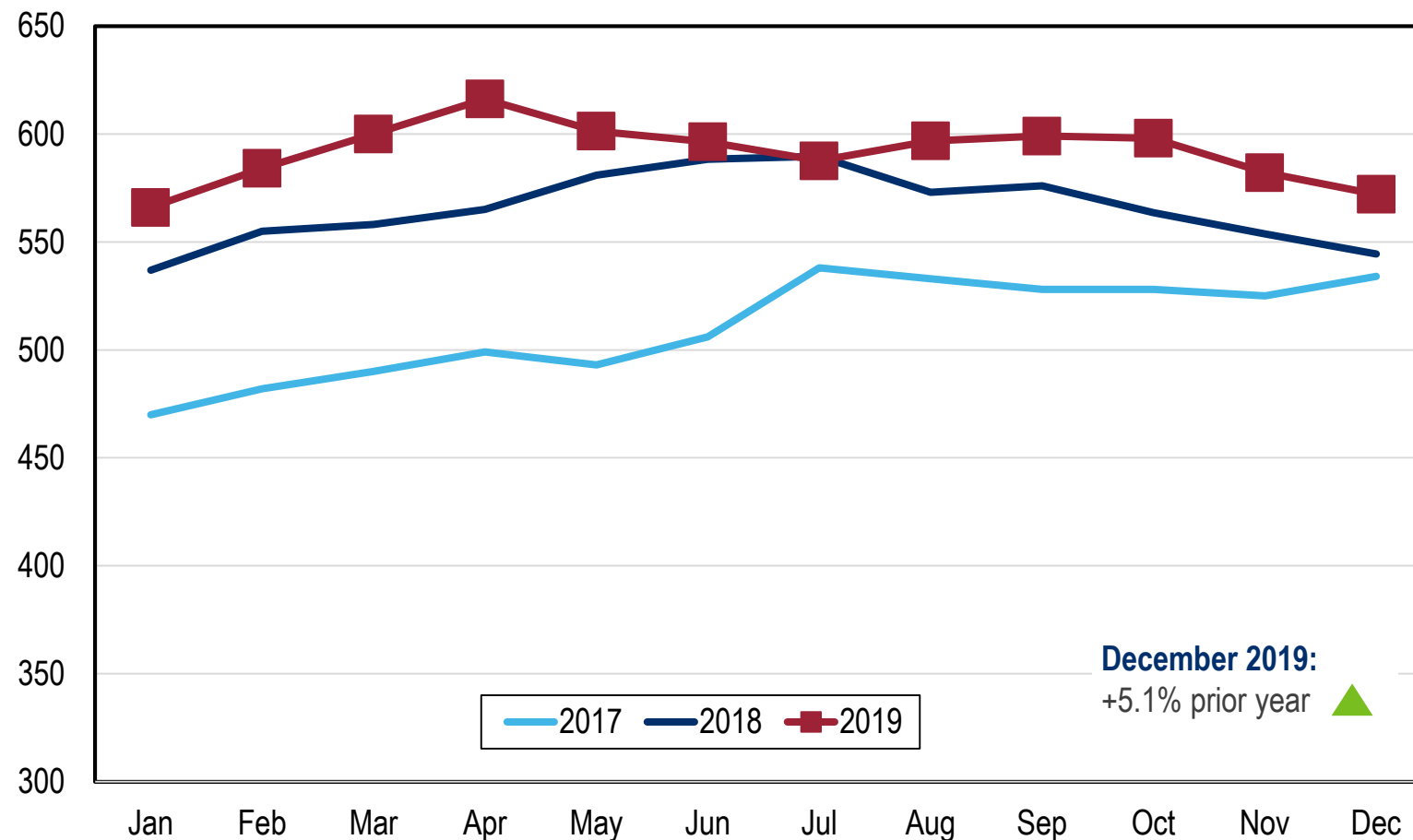
MILLION POUNDS



- American cheese inventories remained well below prior year levels.
- American cheese inventories were reported at 743.5 million pounds, down 56.8 million pounds from December 2018.

U.S. OTHER-THAN-AMERICAN CHEESE INVENTORY

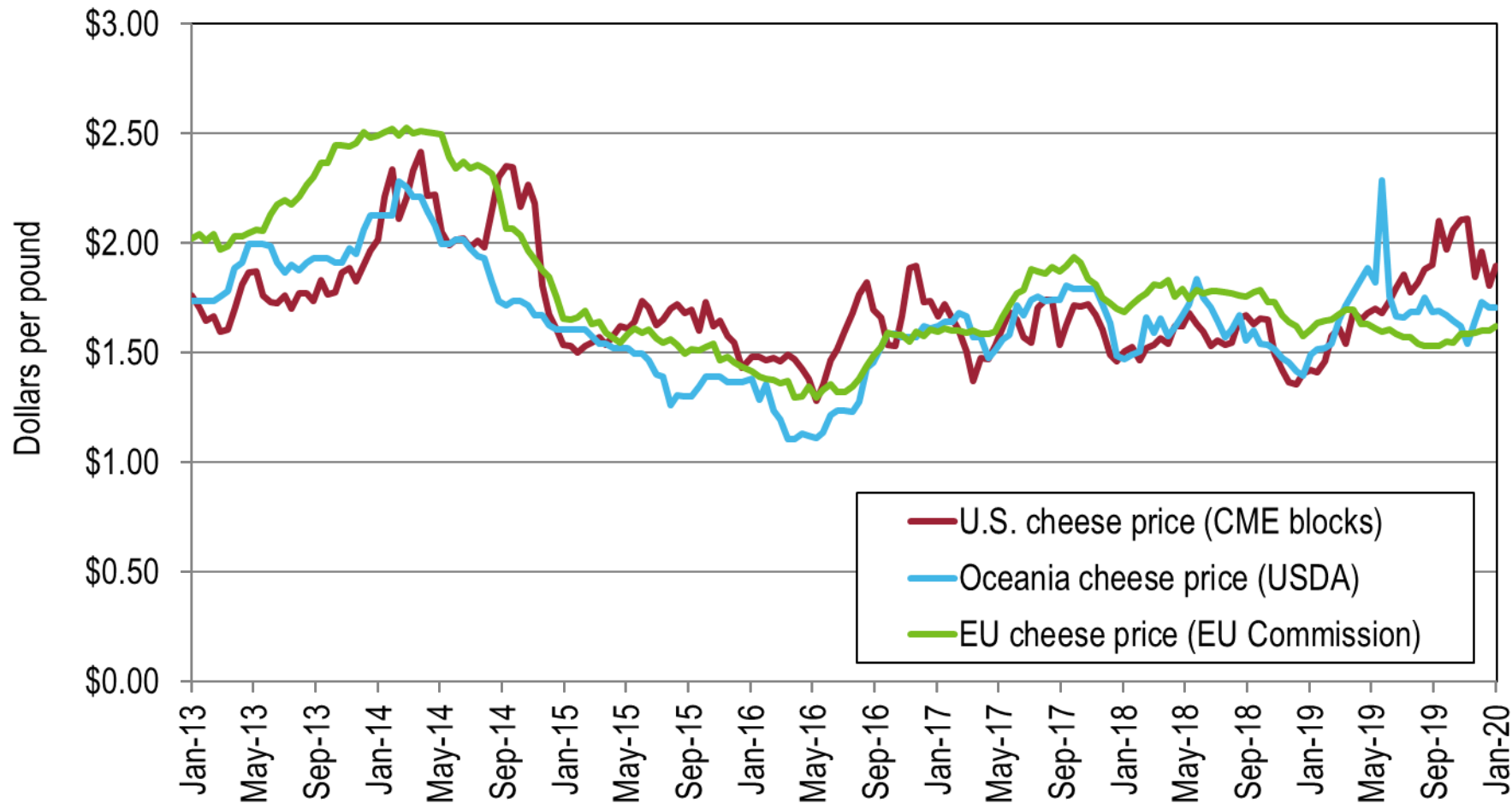
MILLION POUNDS



- Other-than-American cheese inventories were reported at 572.1 million pounds, up 27.6 million pounds from December 2018.
- December inventory levels were approximately 20% higher than the previous five-year average of 477 million pounds.

U.S. VS. GLOBAL CHEESE PRICE

\$ PER POUND

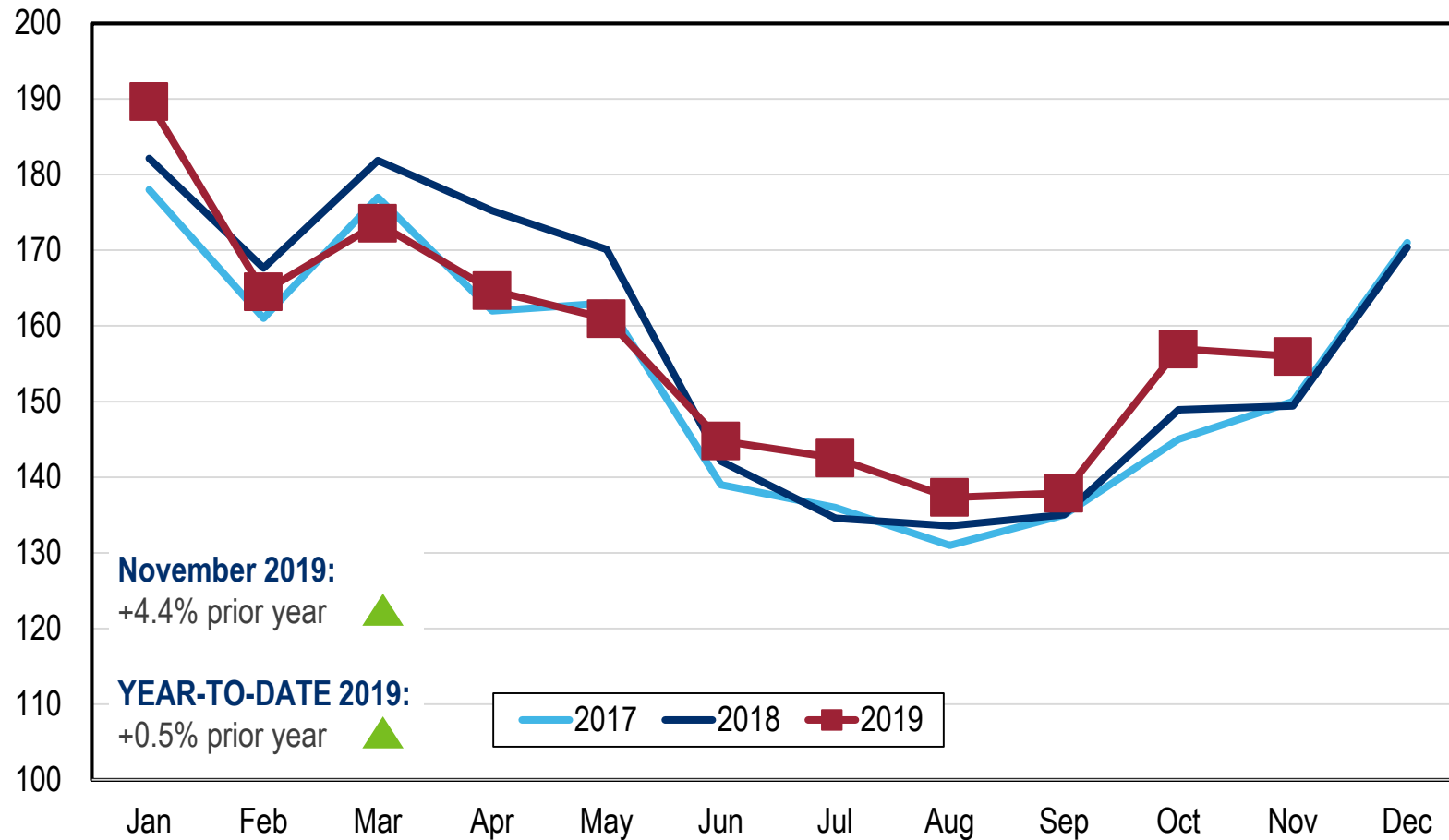


- U.S. cheese prices remain at a premium to global prices as exports and domestic demand remain high

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

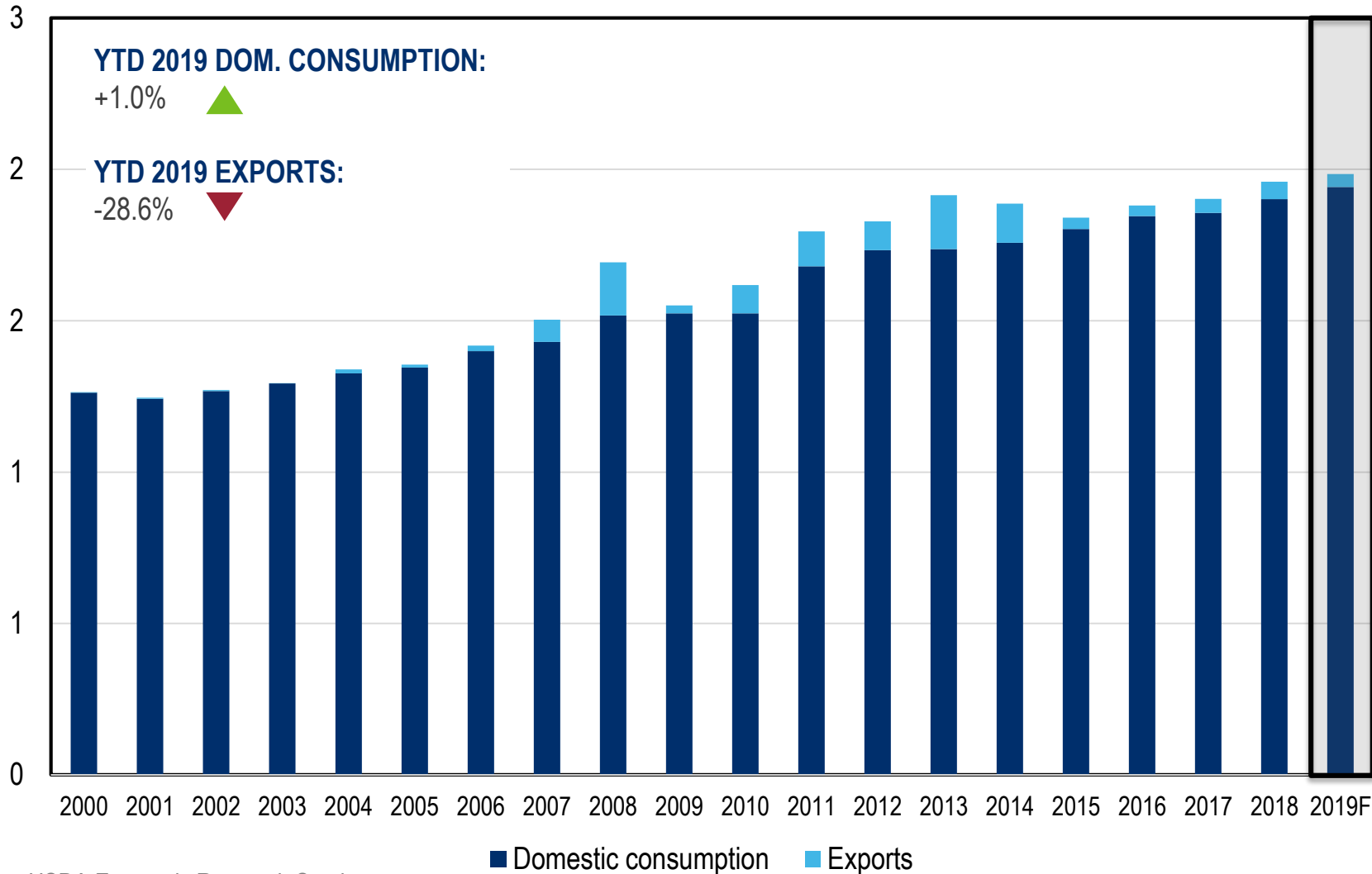
U.S. BUTTER PRODUCTION

MILLION POUNDS



- In November, butter production was reported at 156 million pounds, up 6.5 million pounds from the prior year.
- Butter production was approximately 5% higher than previous five-year average of 148 million pounds.

U.S. BUTTER COMMERCIAL DISAPPEARANCE



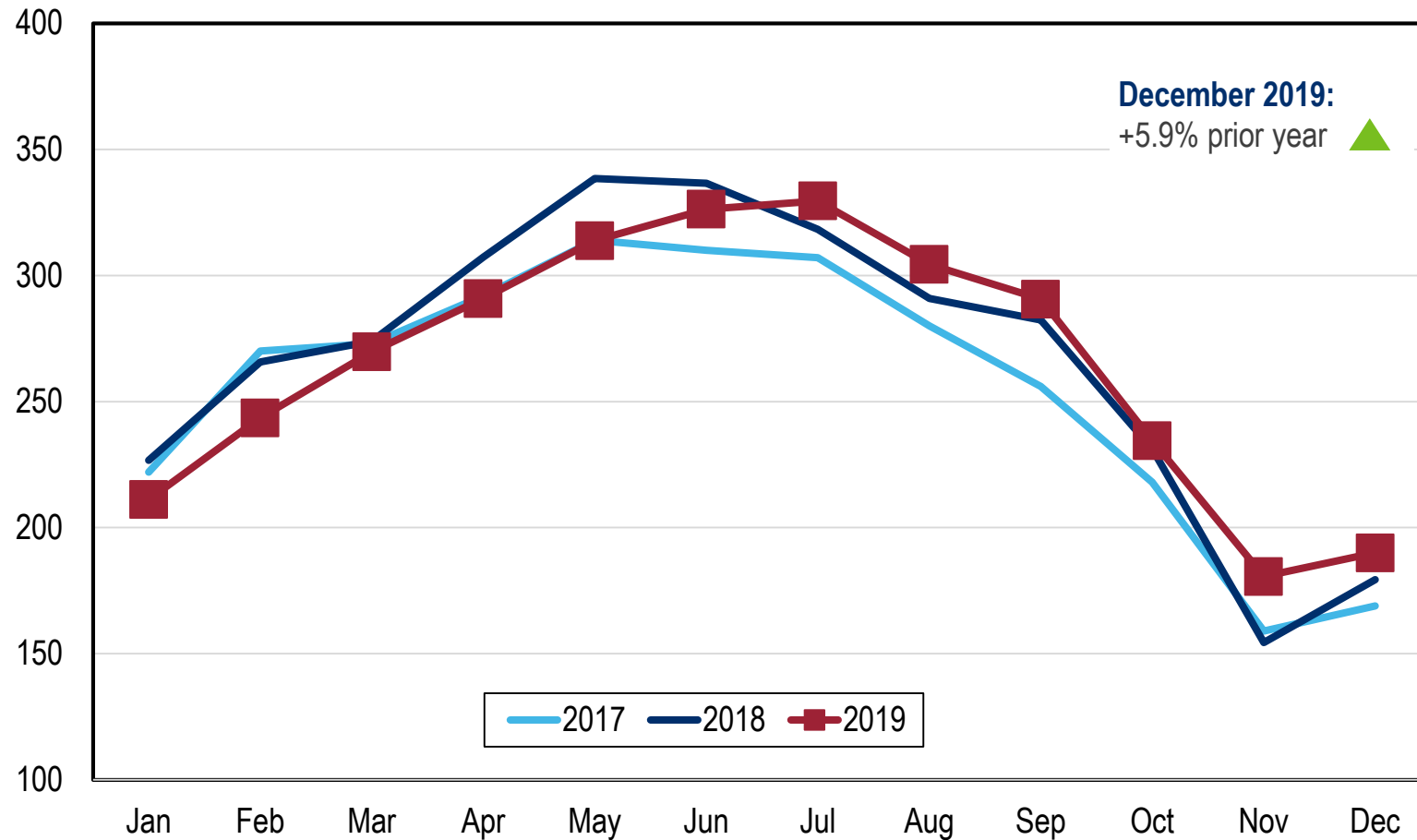
BILLION POUNDS

- November domestic consumption decreased, down 19.5 million pounds to 210.7 million pounds from the prior year.
- Exports of butter were reported at 3.1 million pounds, down 392,000 pounds from the prior year.

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

U.S. BUTTER INVENTORY

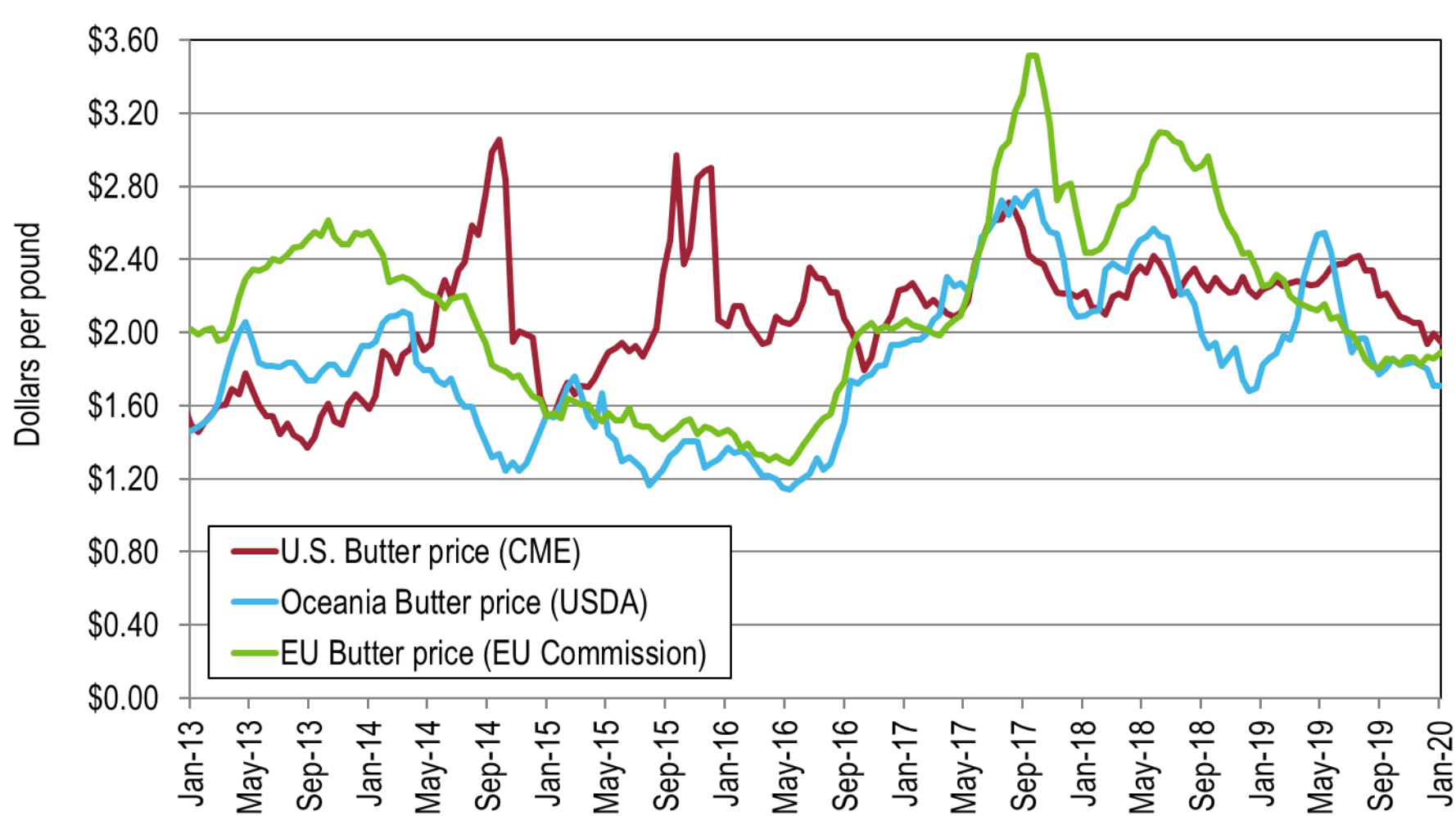
MILLION POUNDS



- Butter inventories increased 10.7 million pounds from the prior year to 190 million pounds in December.
- From November to December, butter inventories increased 9.3 million pounds.

Source: USDA National Agricultural Statistics Service

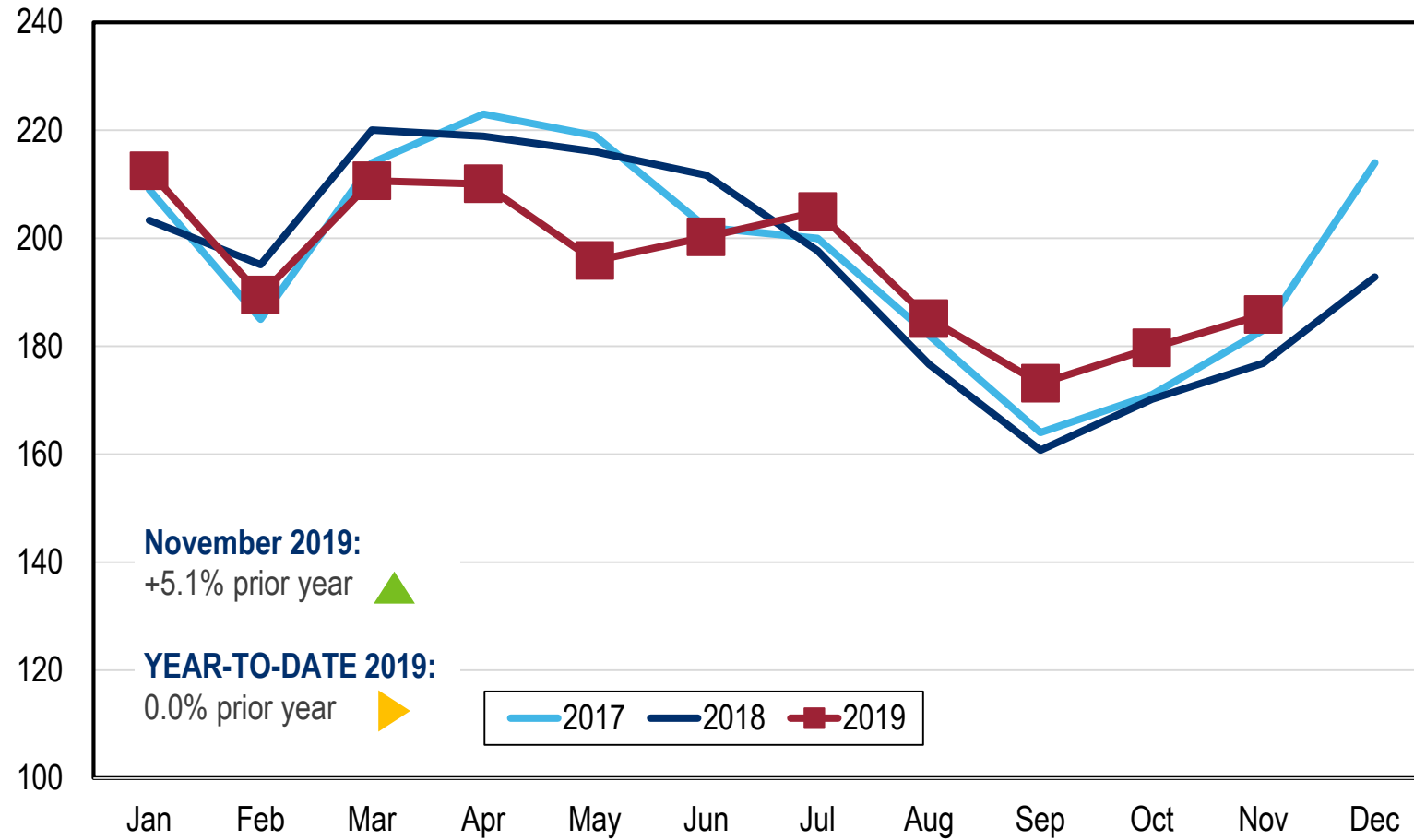
U.S. VS. GLOBAL BUTTER PRICE



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

U.S. NFD & SMP PRODUCTION

MILLION POUNDS

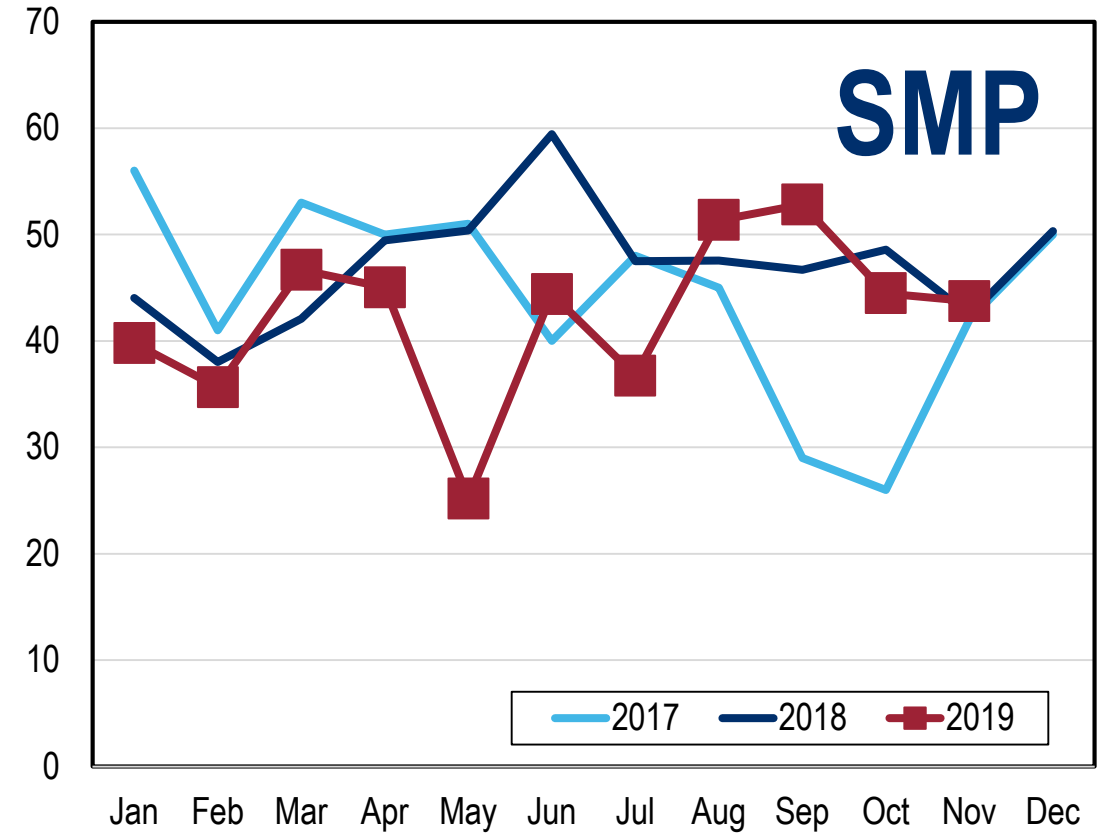
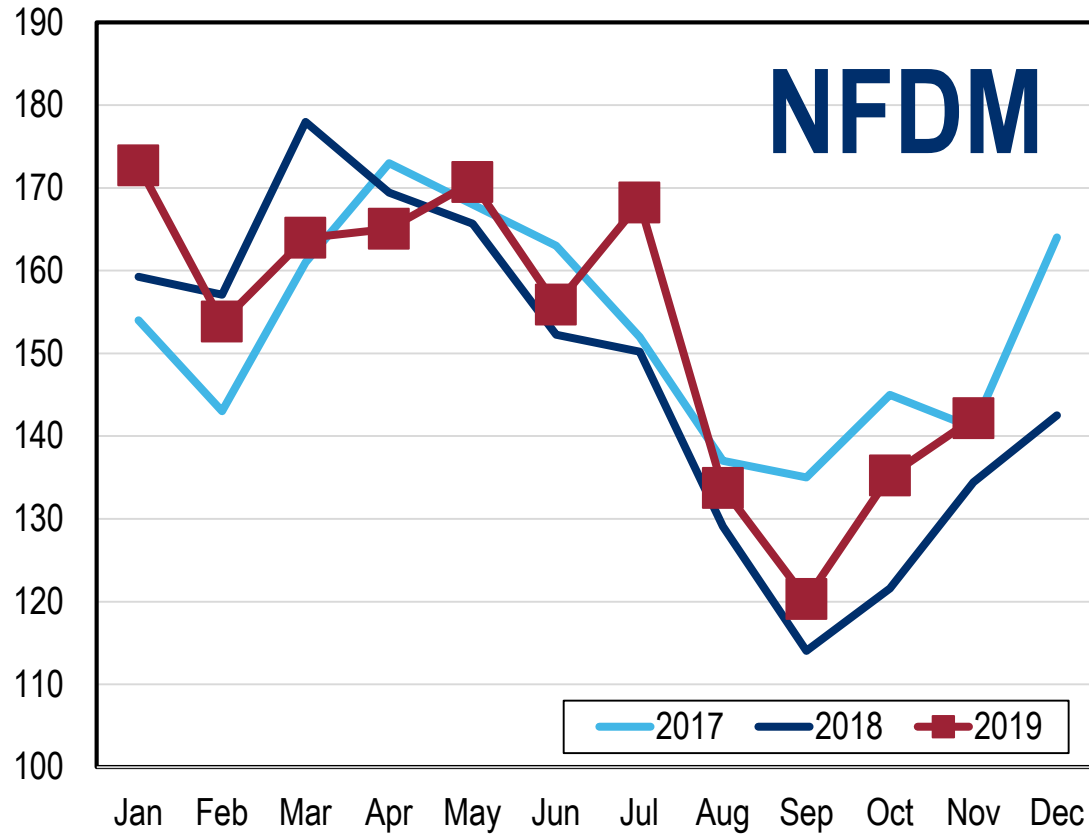


- In November, NFD & SMP production increased from prior year.
- NFD production strengthened 7.7 million pounds to 142.1 million pounds.
- SMP production grew 1.3 million pounds to 43.7 million pounds.

Source: USDA National Agricultural Statistics Service

U.S. NFDMM vs. SMP PRODUCTION

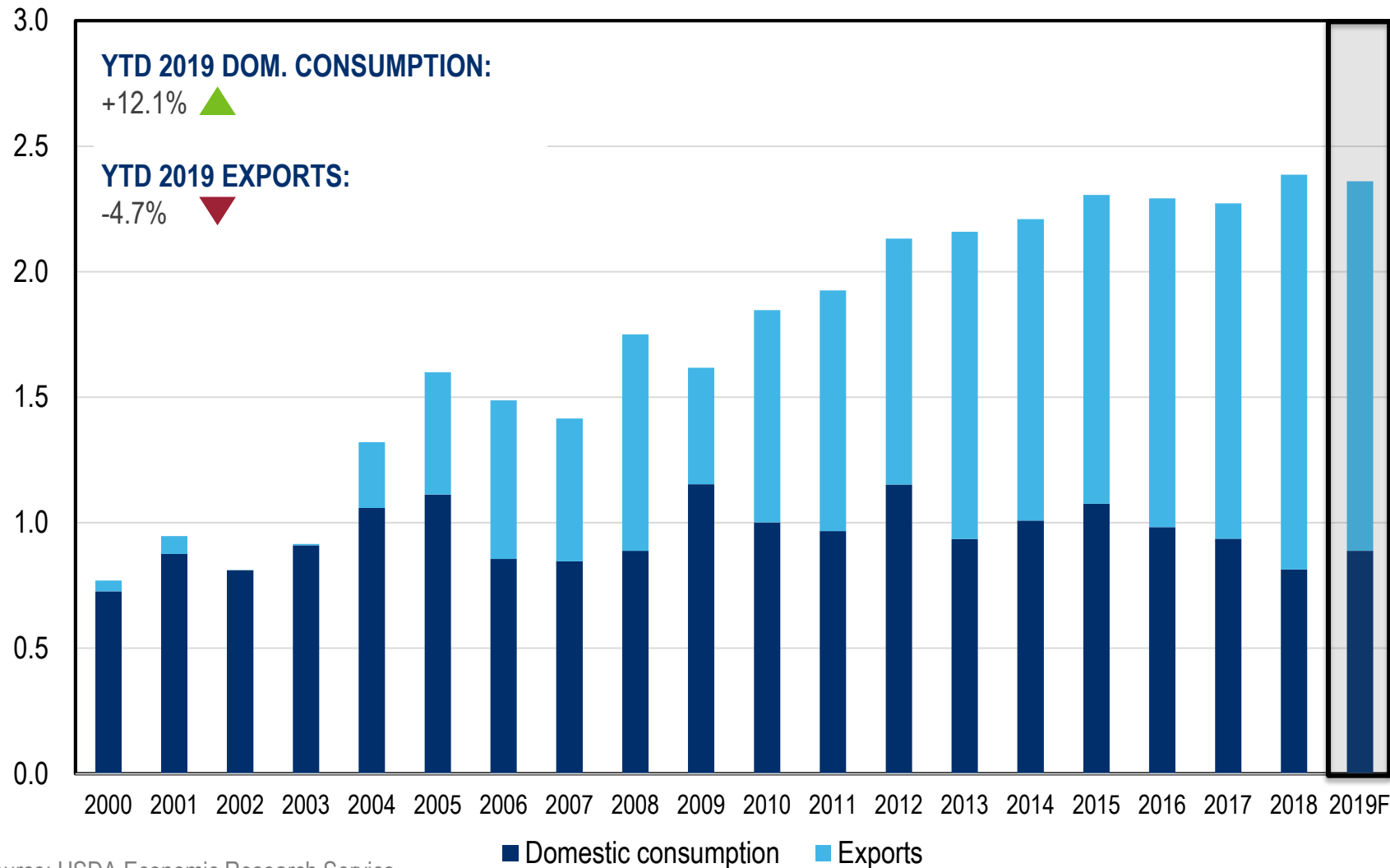
MILLION POUNDS



Source: USDA National Agricultural Statistics Service

U.S. NFDM & SMP COMMERCIAL DISAPPEARANCE

BILLION POUNDS

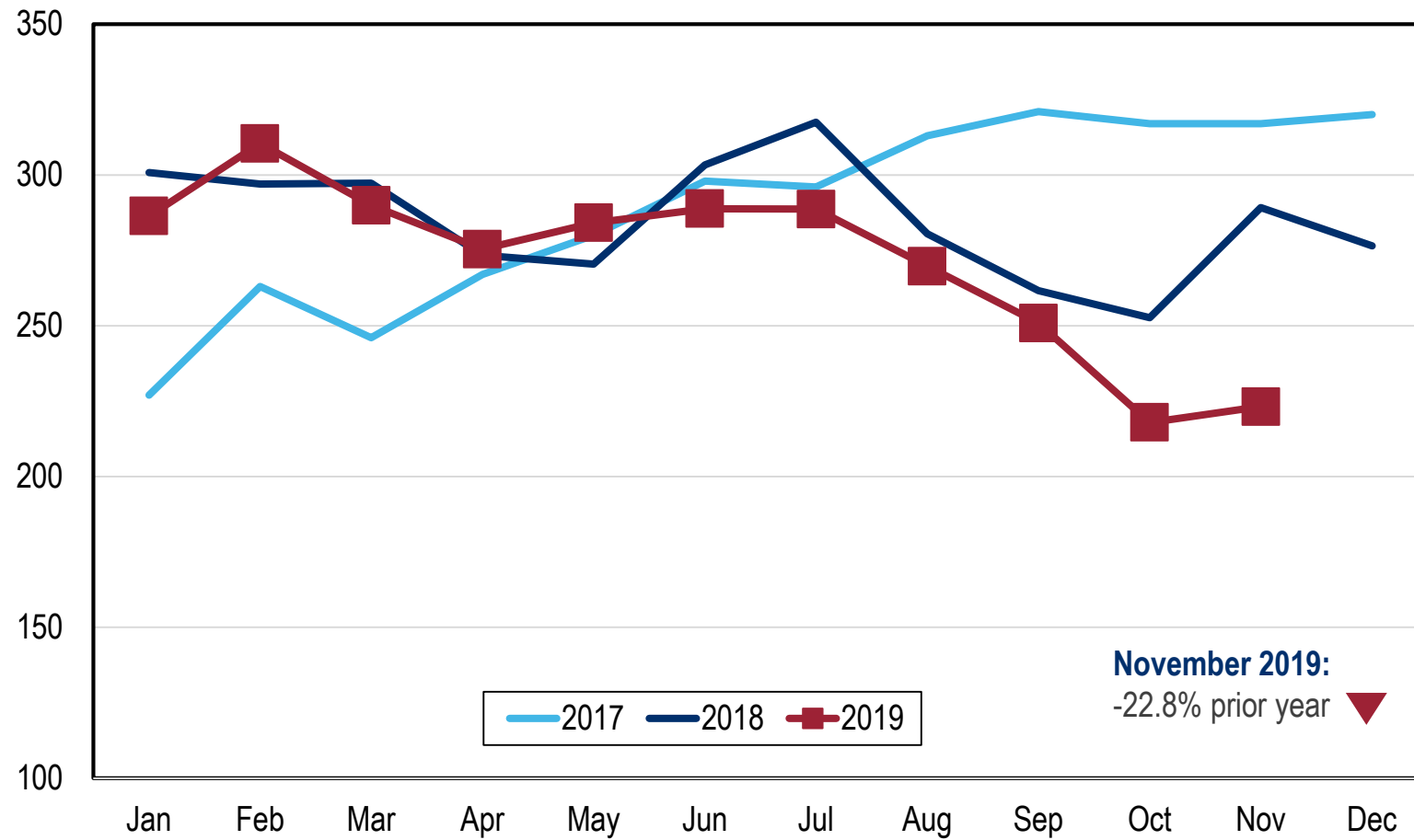


- Powder exports continued increasing in November, up 42.7 million pounds from the prior year to 148.6 million pounds.
- Domestic consumption decreased, down 3 million pounds to 31.6 million pounds.

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

U.S. NFDMM INVENTORY

MILLION POUNDS

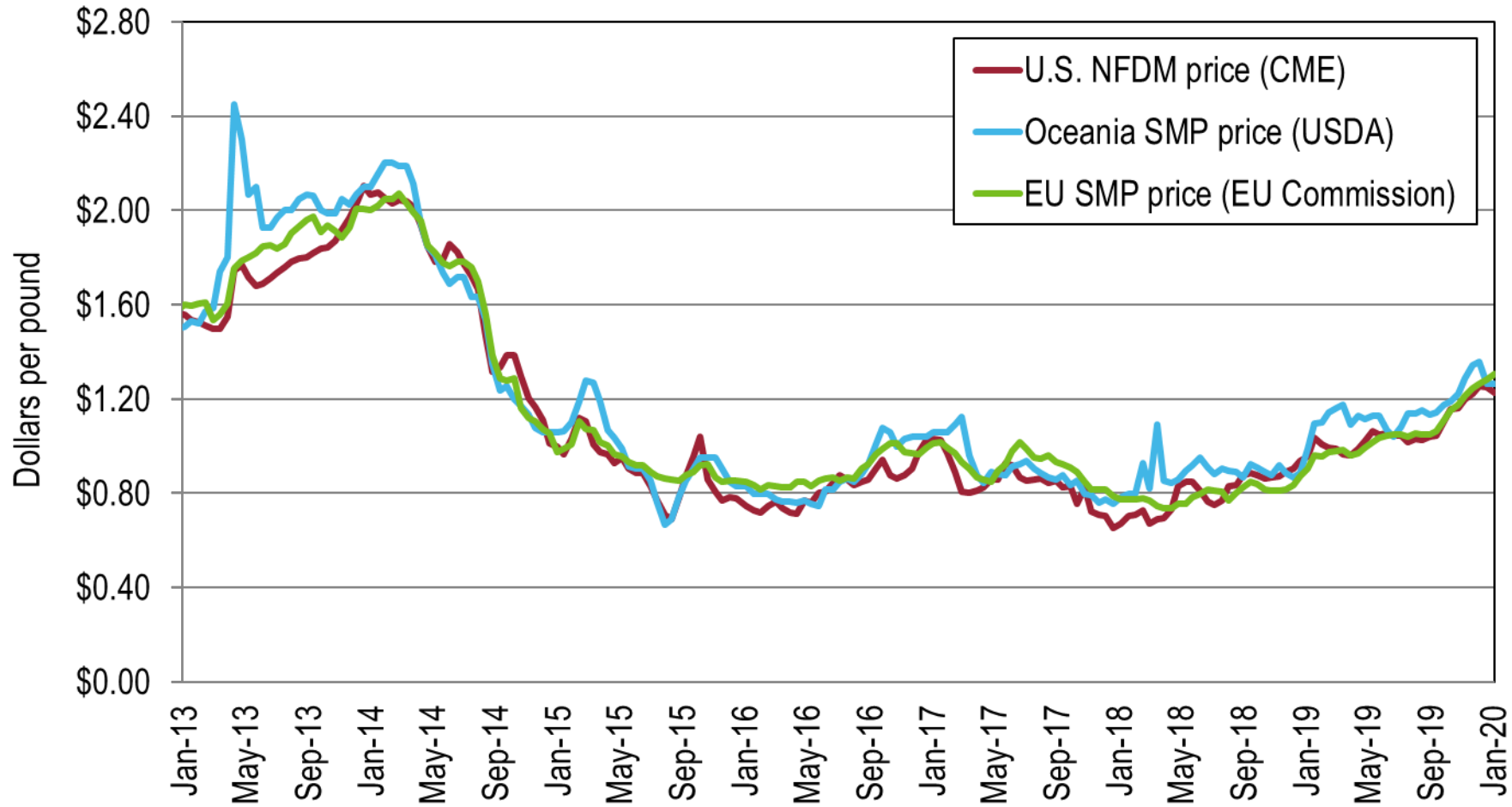


- Inventories were down 66.1 million pounds from the prior year to 223.1 million pounds in November.
- Inventories were up 5.2 million pounds from October to November.
- November inventory levels were approximately 25 million pounds lower than the previous five-year average.

Source: USDA National Agricultural Statistics Service

U.S. NFDM VS. GLOBAL SMP PRICE

\$ PER POUND

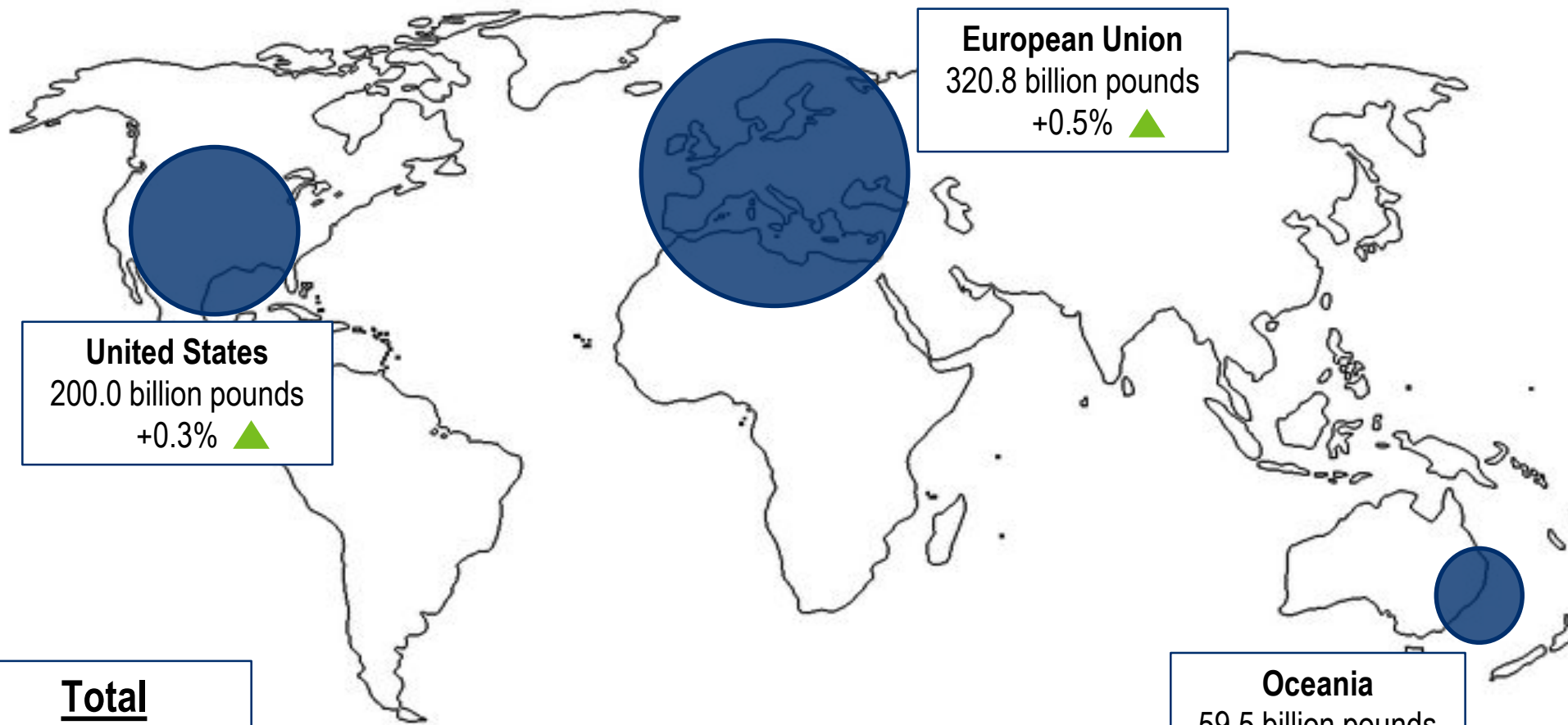


- Global powder demand remains strong, especially from China
- As domestic inventories continue to trend down year over year, prices have strengthened

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

GLOBAL MILK PRODUCTION

YTD through November 2019



United States
200.0 billion pounds
+0.3% ▲

European Union
320.8 billion pounds
+0.5% ▲

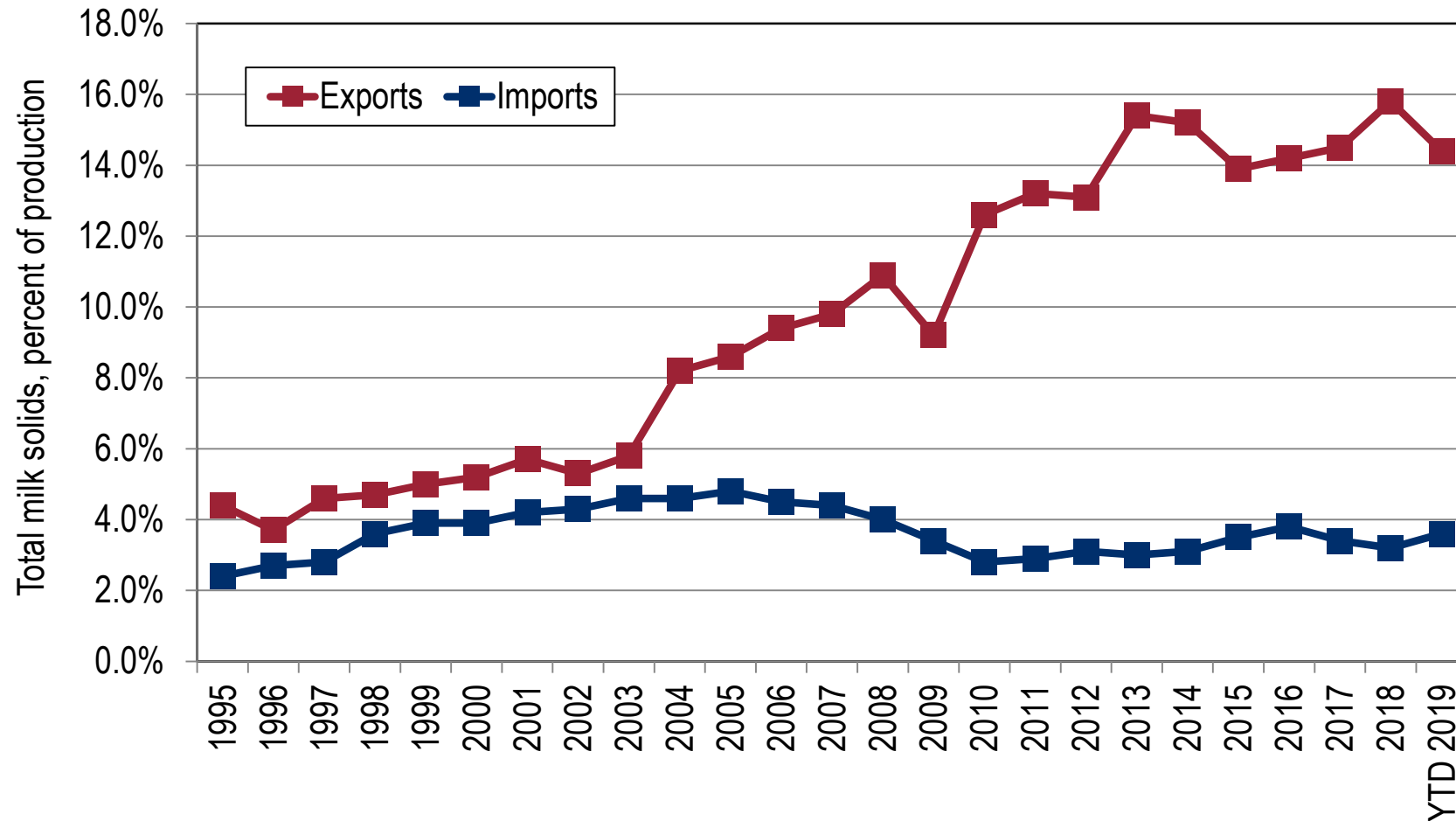
Oceania
59.5 billion pounds
-2.8% ▼

Total
580.4 billion pounds
+0.1% ▲

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

U.S. DAIRY EXPORTS

YTD through November 2019



U.S. TOP DAIRY EXPORT DESTINATIONS

MILLION POUNDS, TOTAL DAIRY PRODUCTS

Rank	Country	November 2019	YTD 2019
1	Mexico	93.1	1,195.7
2	China	45.0	400.6
3	Philippines	29.2	267.7
4	Canada	27.5	270.8
5	Indonesia	26.6	234.6
6	Japan	20.3	223.3
7	South Korea	19.0	228.1
8	Colombia	16.1	83.2
9	New Zealand	16.0	164.3
10	Vietnam	14.4	172.1

U.S. TOP DAIRY EXPORT DESTINATIONS

MILLION DOLLARS, TOTAL DAIRY PRODUCTS

Rank	Country	November 2019	YTD 2019
1	Mexico	\$124.3	\$1,405.8
2	Canada	\$59.5	\$620.0
3	China	\$37.5	\$342.9
4	Philippines	\$29.9	\$248.1
5	South Korea	\$26.0	\$312.1
6	Indonesia	\$24.4	\$217.8
7	Japan	\$24.0	\$259.9
8	Colombia	\$21.5	\$117.0
9	Malaysia	\$15.1	\$101.7
10	Vietnam	\$15.0	\$151.1