

MARKET OUTLOOK

November 2019

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MARKET INSIGHTS



- **Domestic:**

- U.S. milk production strengthened in September, up 1.3% from the prior year
- In preparation for the holiday buying season, production of all major U.S. dairy product categories experienced growth in September
- U.S. dairy export volumes were mixed across production categories but increased overall, led by cheese and powder exports

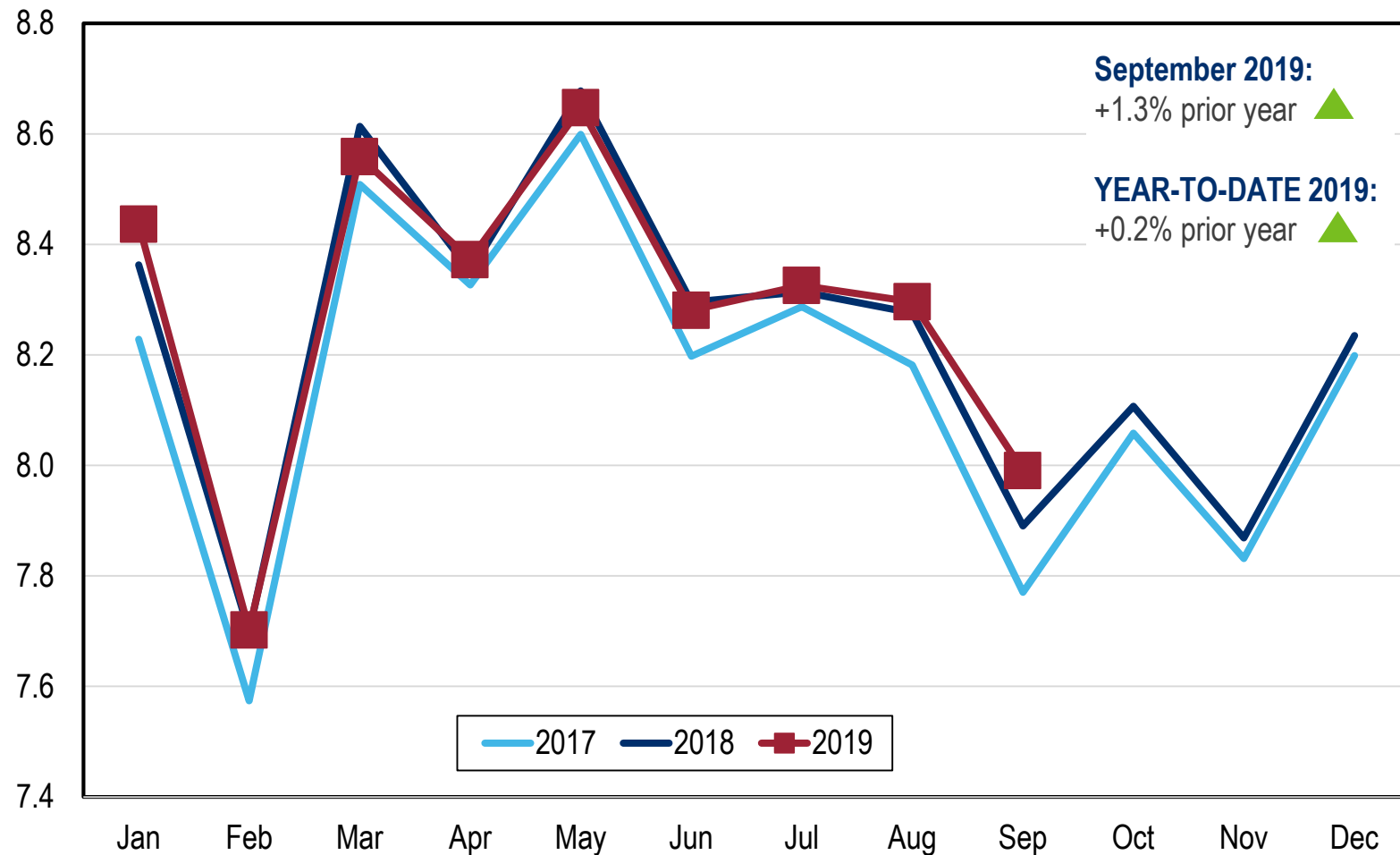
- **Global:**

- European milk production grew modestly in September, while Oceanian production trended down
- Through September, China continued to import increasing amounts dairy products, with imports up nearly 10% year to date, with top imports including milk and cream, whole milk powder, skim milk powder and infant milk formula

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

U.S. MILK PRODUCTION

MILLION METRIC TONS

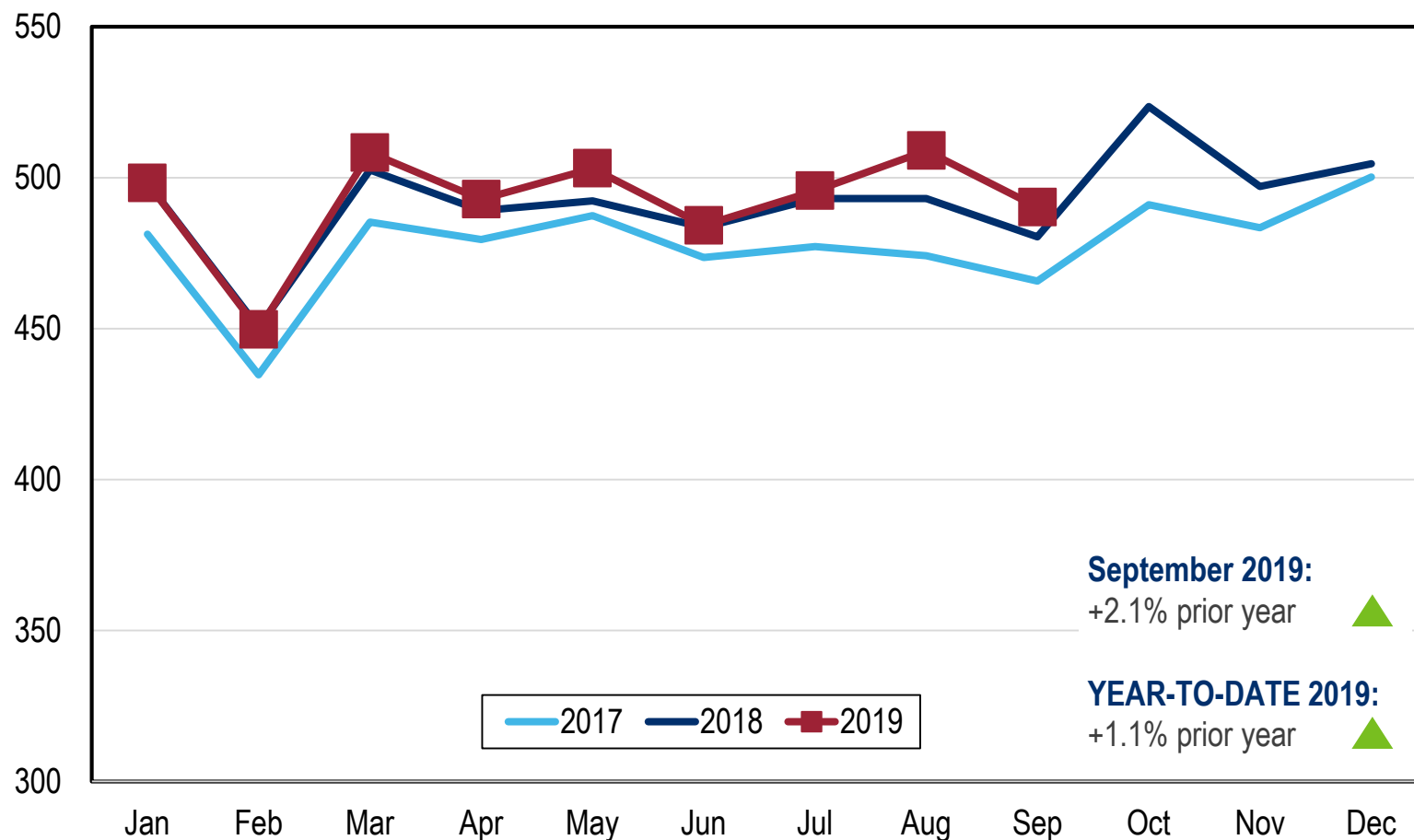


- Total milk production in September was 7.9 million metric tons, an increase of 100 thousand metric tons from the prior year.
- In September, cow numbers were reported at 9.32 million head, relatively steady from the prior year.

Source: USDA National Agricultural Statistics Service

U.S. TOTAL CHEESE PRODUCTION

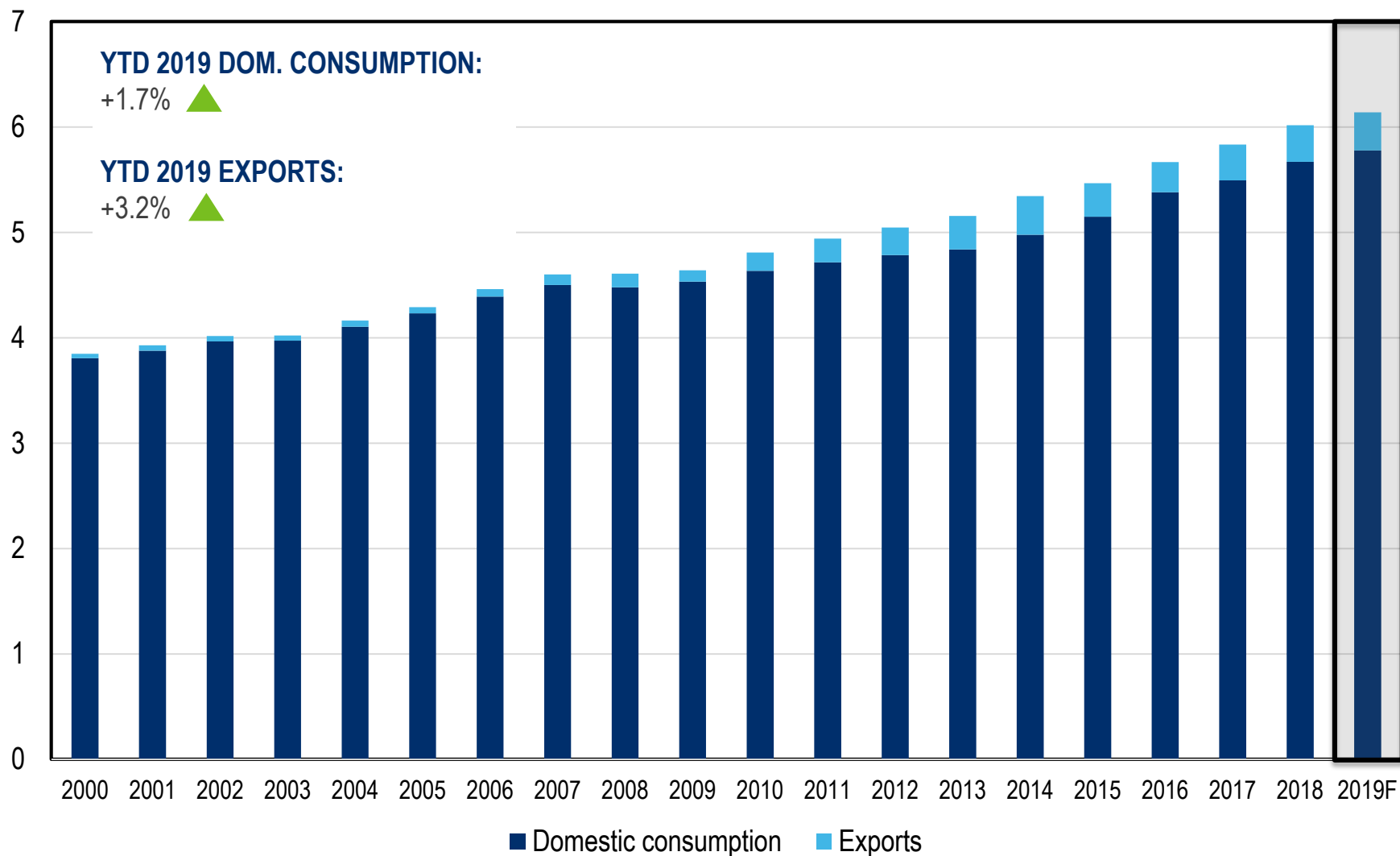
THOUSAND METRIC TONS



- Total cheese production in September was 490 thousand metric tons, up 10 thousand metric tons from the prior year.
- American cheese production was weaker, down 3 thousand metric tons.
- Other-than-American cheese production increased, up 13 thousand metric tons.

Source: USDA National Agricultural Statistics Service

U.S. TOTAL CHEESE COMMERCIAL DISAPPEARANCE



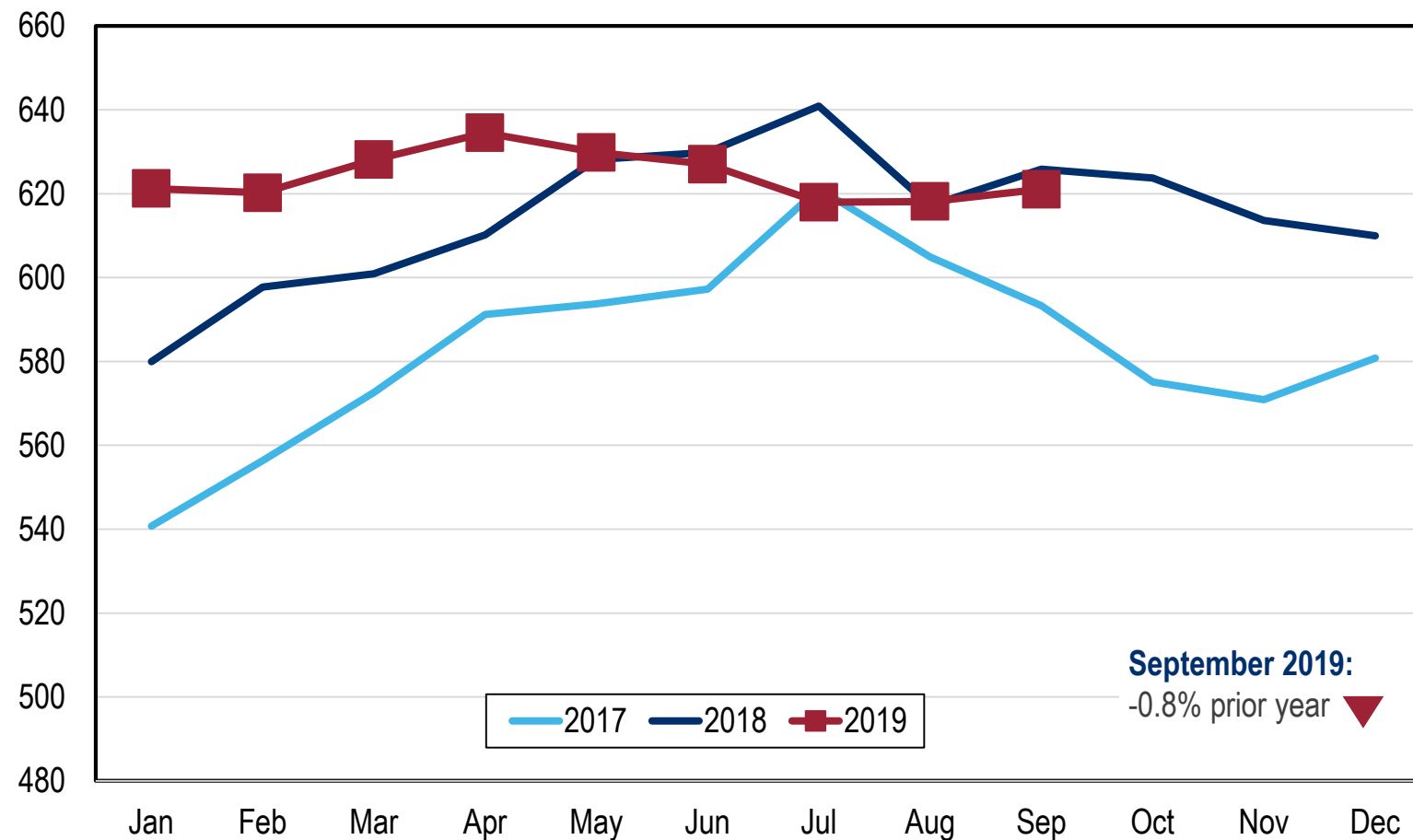
MILLION METRIC TONS

- September exports were up 3 thousand metric tons to 27 thousand metric tons.
- Domestic demand also increased in September, up 16 thousand metric tons to 474 thousand metric tons.

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

U.S. TOTAL CHEESE INVENTORY

THOUSAND METRIC TONS

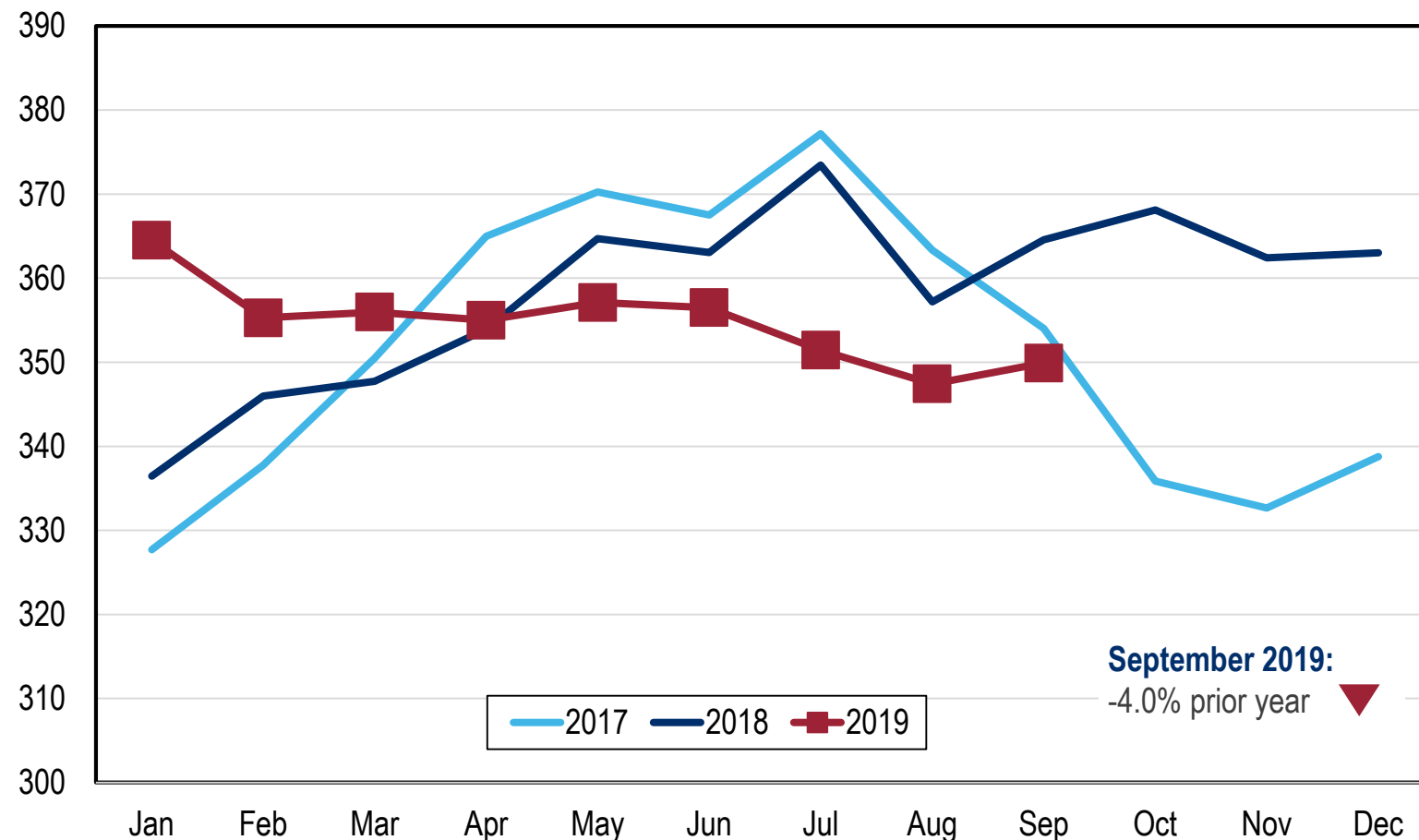


- Total cheese inventories increased modestly from August to September.
- Total cheese inventories were reported at 621 thousand metric tons, down 5 thousand metric tons from September 2018.

Source: USDA National Agricultural Statistics Service

U.S. AMERICAN CHEESE INVENTORY

THOUSAND METRIC TONS

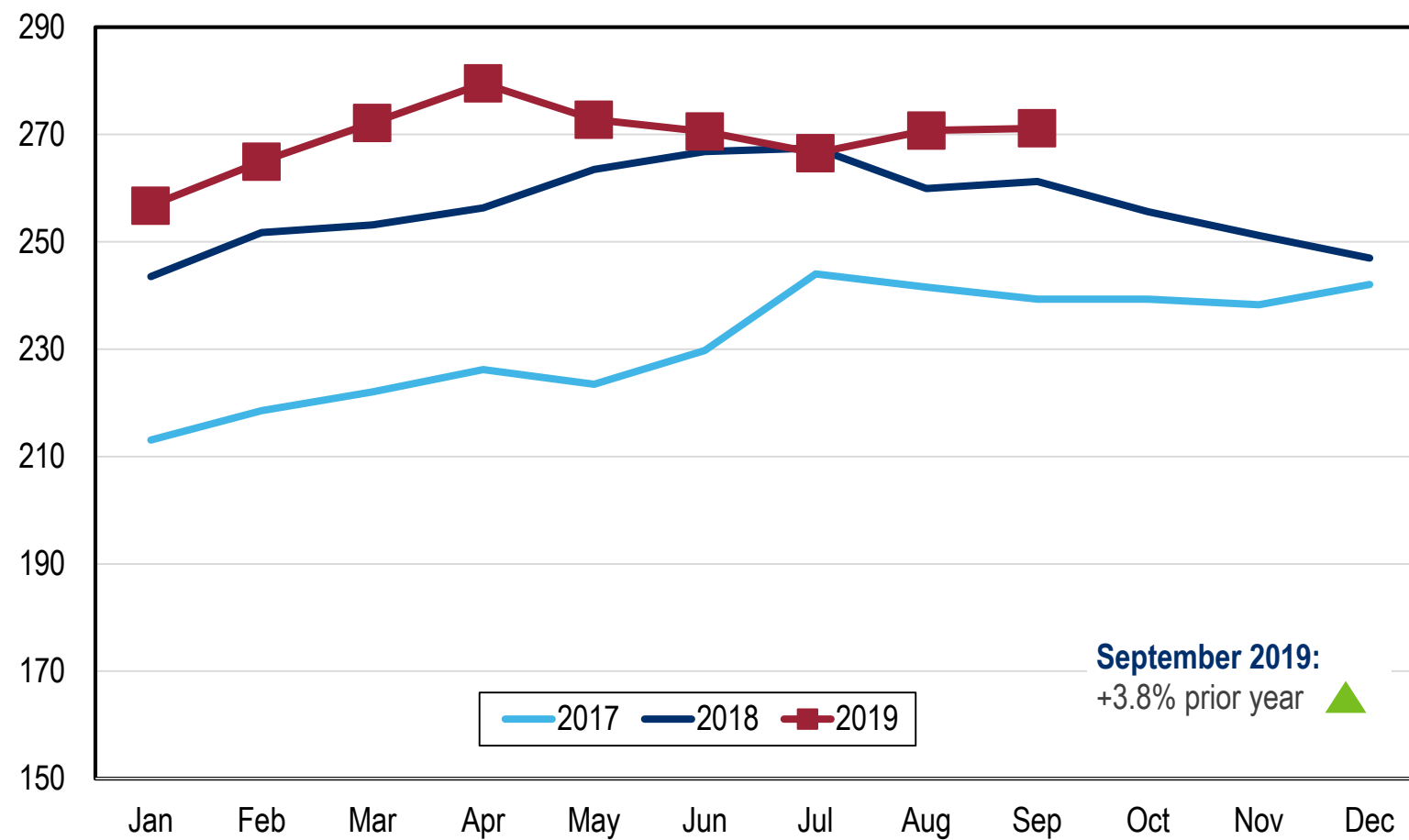


- American cheese inventories remained well below prior year levels.
- American cheese inventories were reported at 350 thousand metric tons, down 15 thousand metric tons from September 2018.

Source: USDA National Agricultural Statistics Service

U.S. OTHER-THAN-AMERICAN CHEESE INVENTORY

THOUSAND METRIC TONS

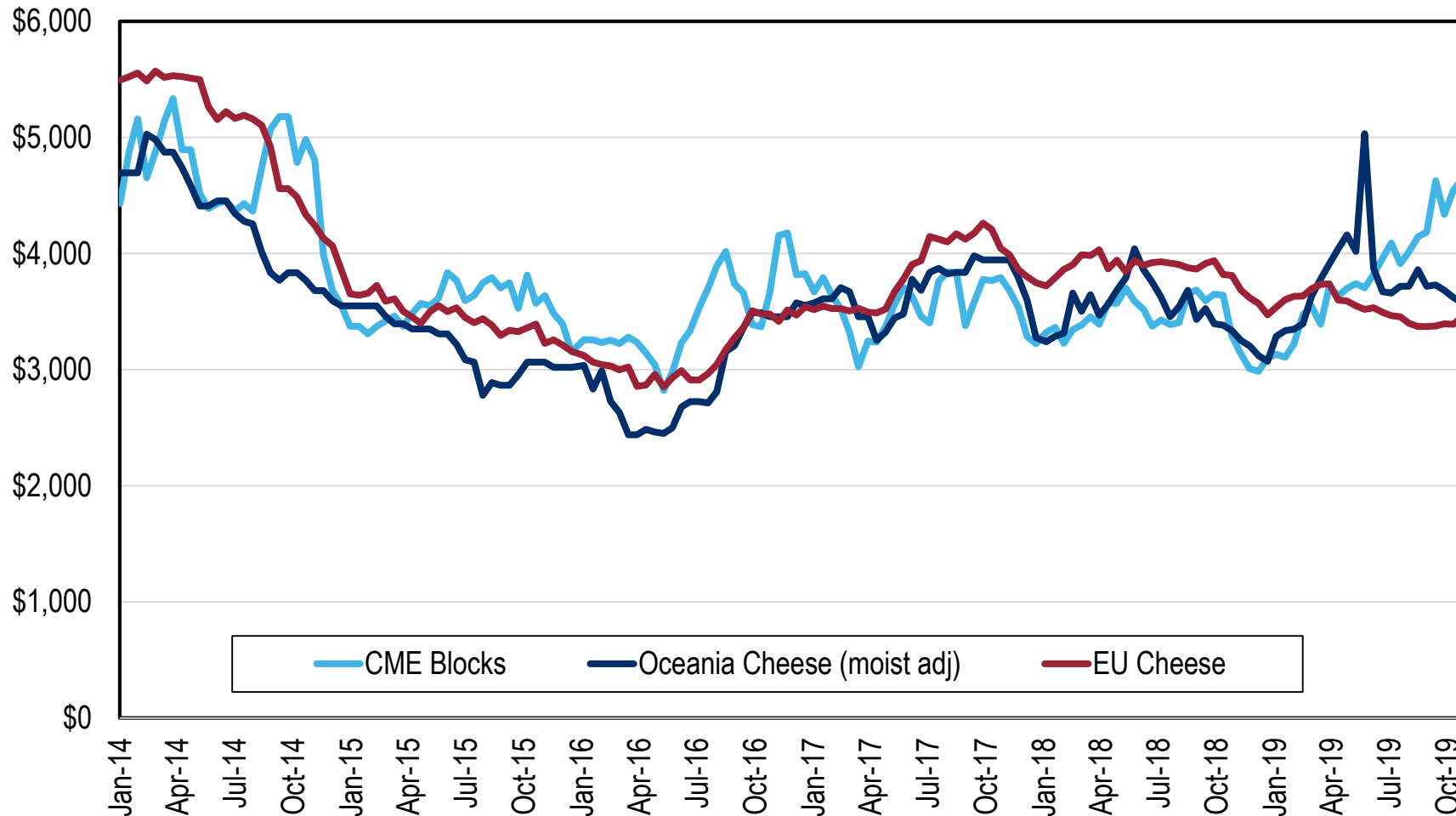


- Other-than-American cheese inventories were reported at 271 thousand metric tons, up 10 thousand metric tons from September 2018.

September 2019:
+3.8% prior year ▲

U.S. VS. GLOBAL CHEESE PRICE

\$ PER METRIC TON

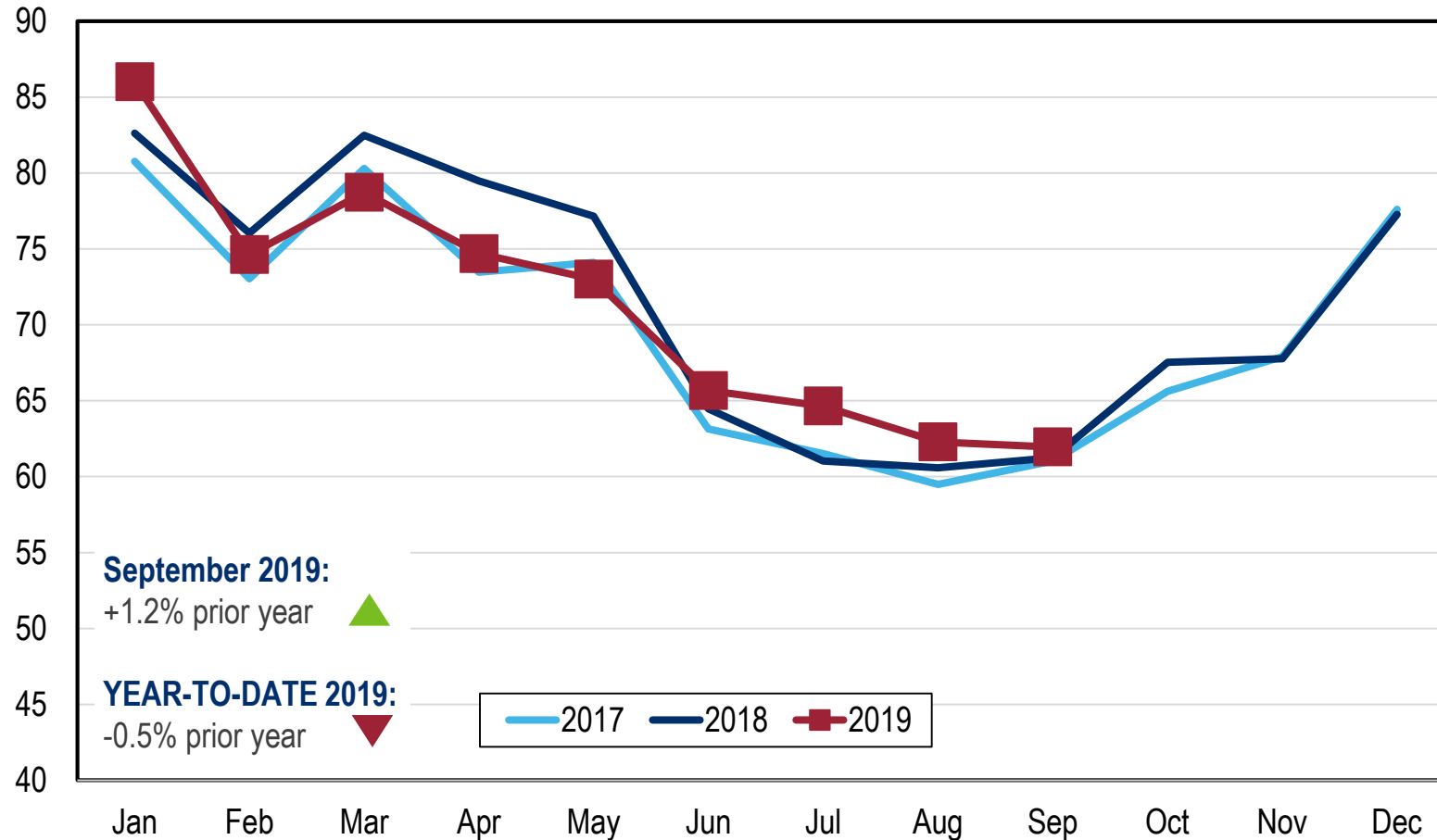


- U.S. cheese prices remain at a premium to global prices as exports and domestic demand remain high

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

U.S. BUTTER PRODUCTION

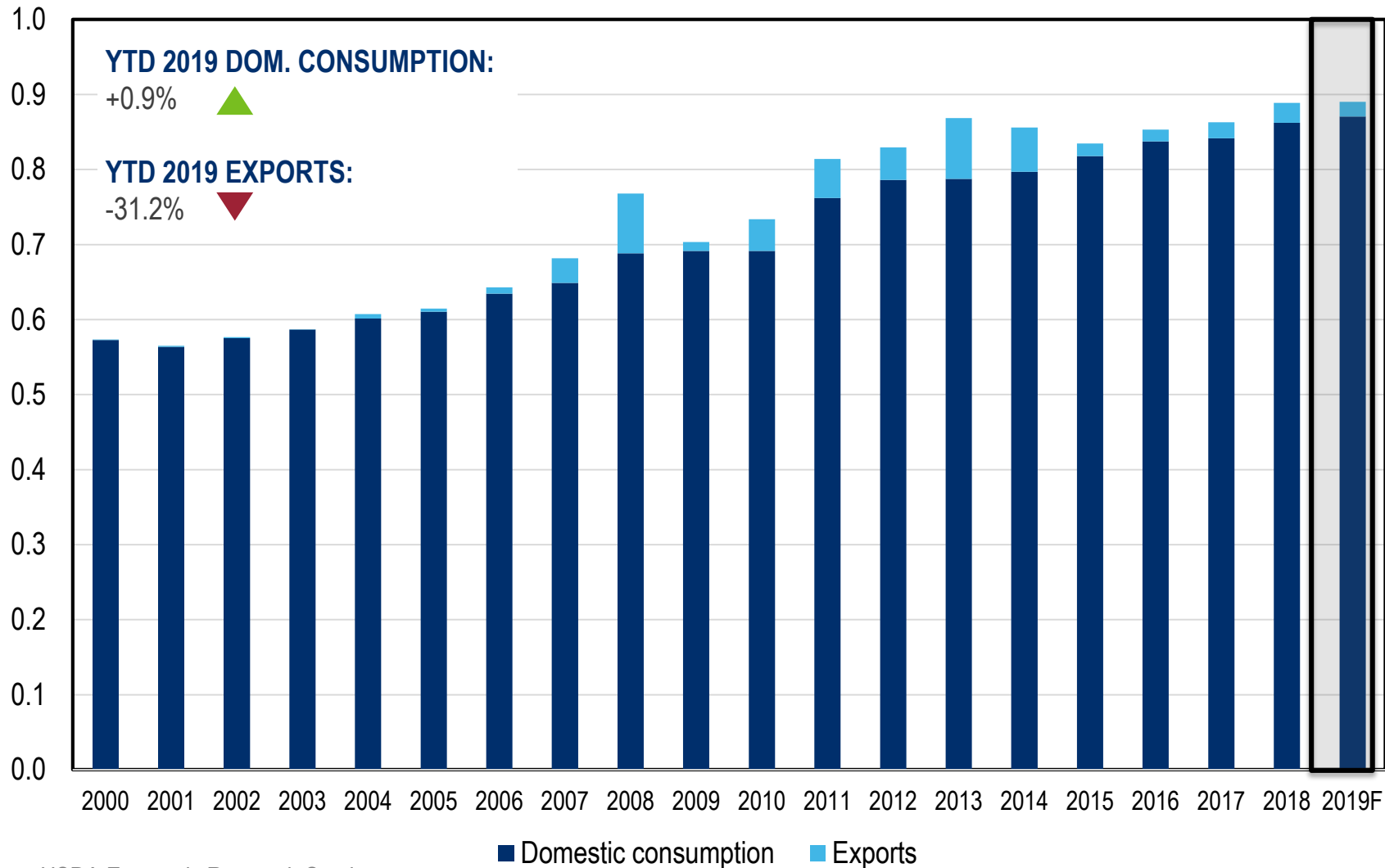
THOUSAND METRIC TONS



- In September, butter production was reported at 62 thousand metric tons, up less than 1 thousand metric tons from the prior year.

Source: USDA National Agricultural Statistics Service

U.S. BUTTER COMMERCIAL DISAPPEARANCE



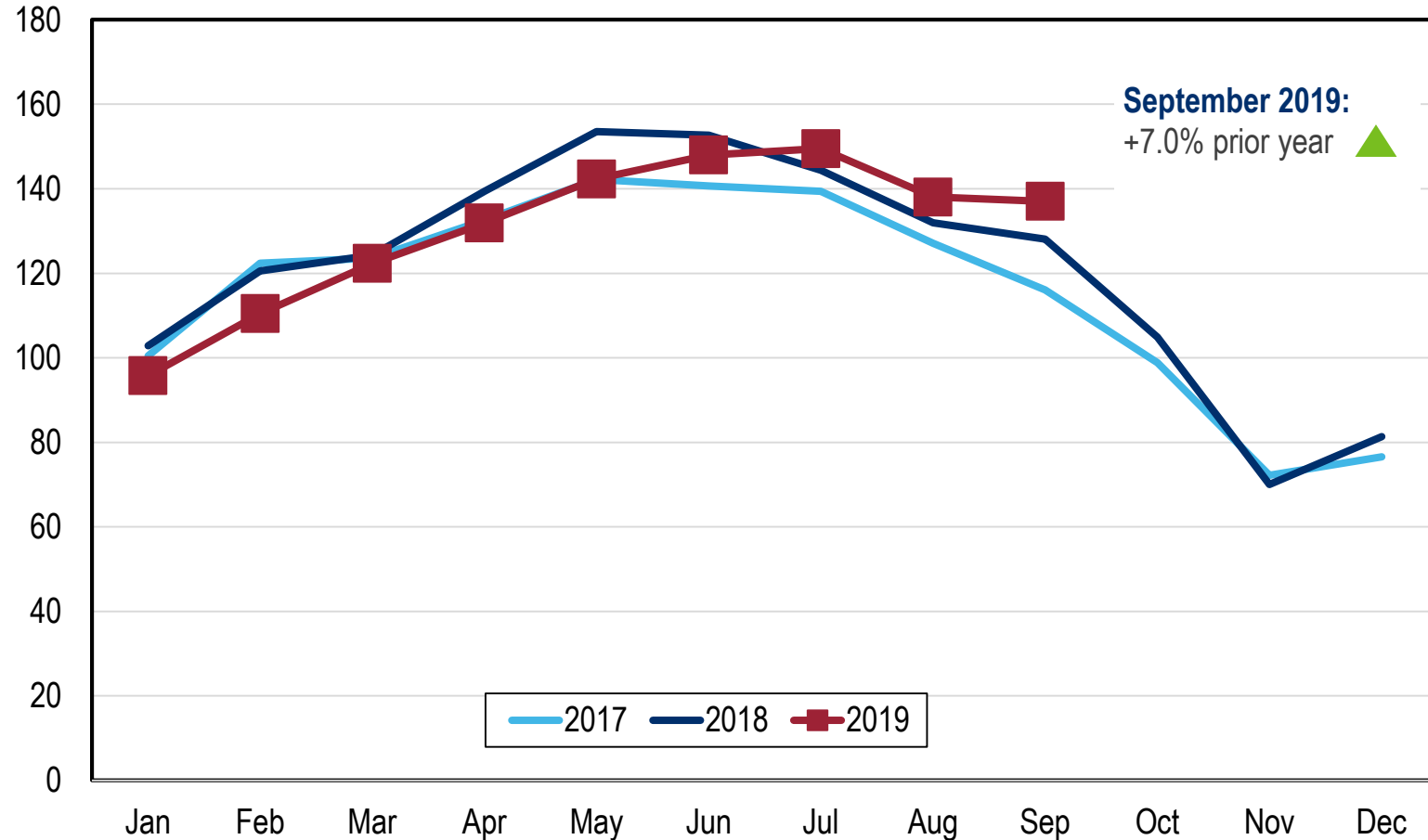
MILLION METRIC TONS

- After year-over-year strength in August, September domestic consumption declined, weakening 1 thousand metric tons to 66 thousand metric tons from the prior year.
- Exports of butter were reported at 2 thousand metric tons, down 332 metric tons from the prior year.

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

U.S. BUTTER INVENTORY

THOUSAND METRIC TONS

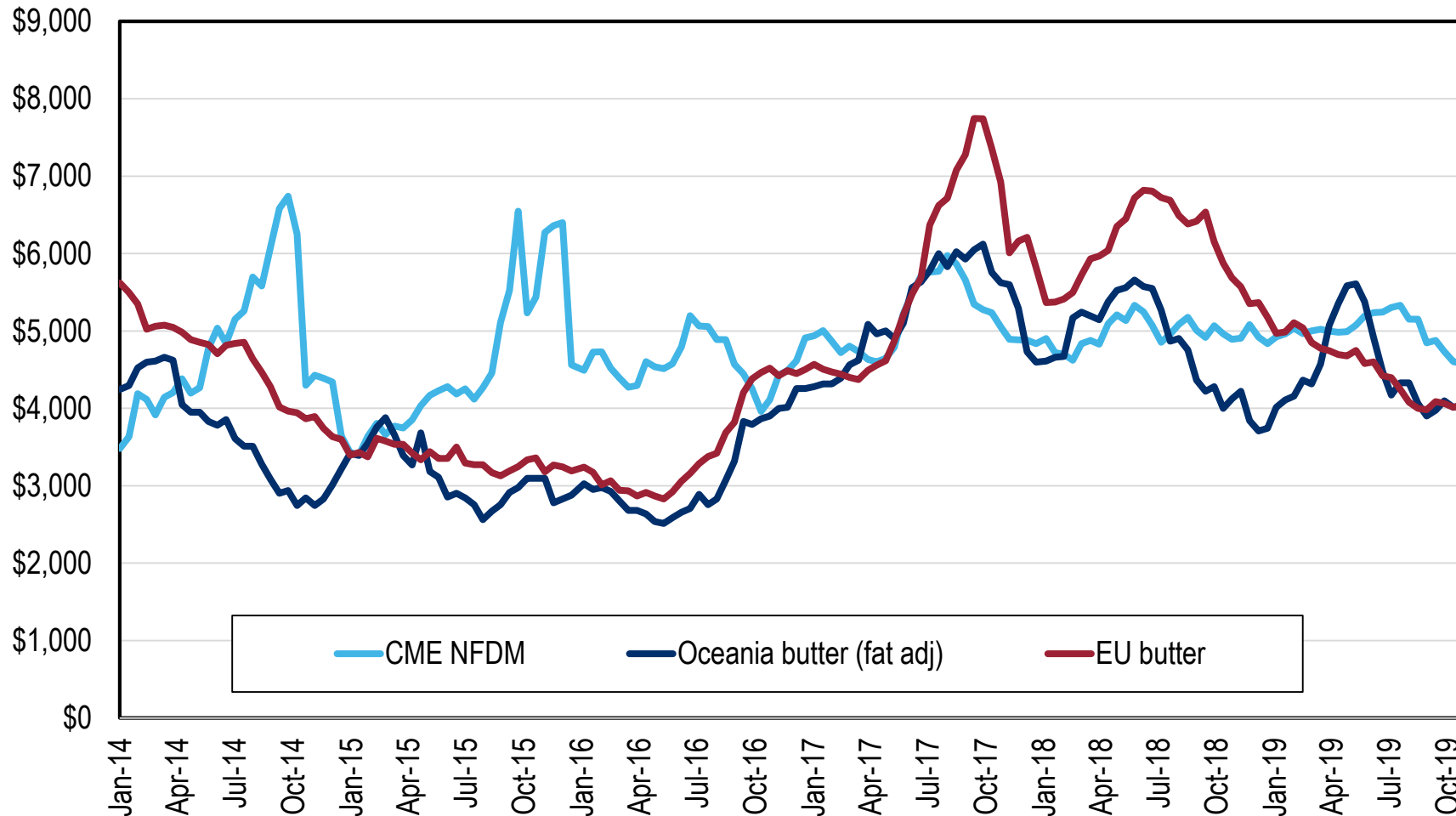


- Butter inventories increased 9 thousand metric tons from the prior year to 137 thousand metric tons in September.
- From August to September, butter inventories were relatively unchanged.

Source: USDA National Agricultural Statistics Service

U.S. VS. GLOBAL BUTTER PRICE

\$ PER METRIC TON

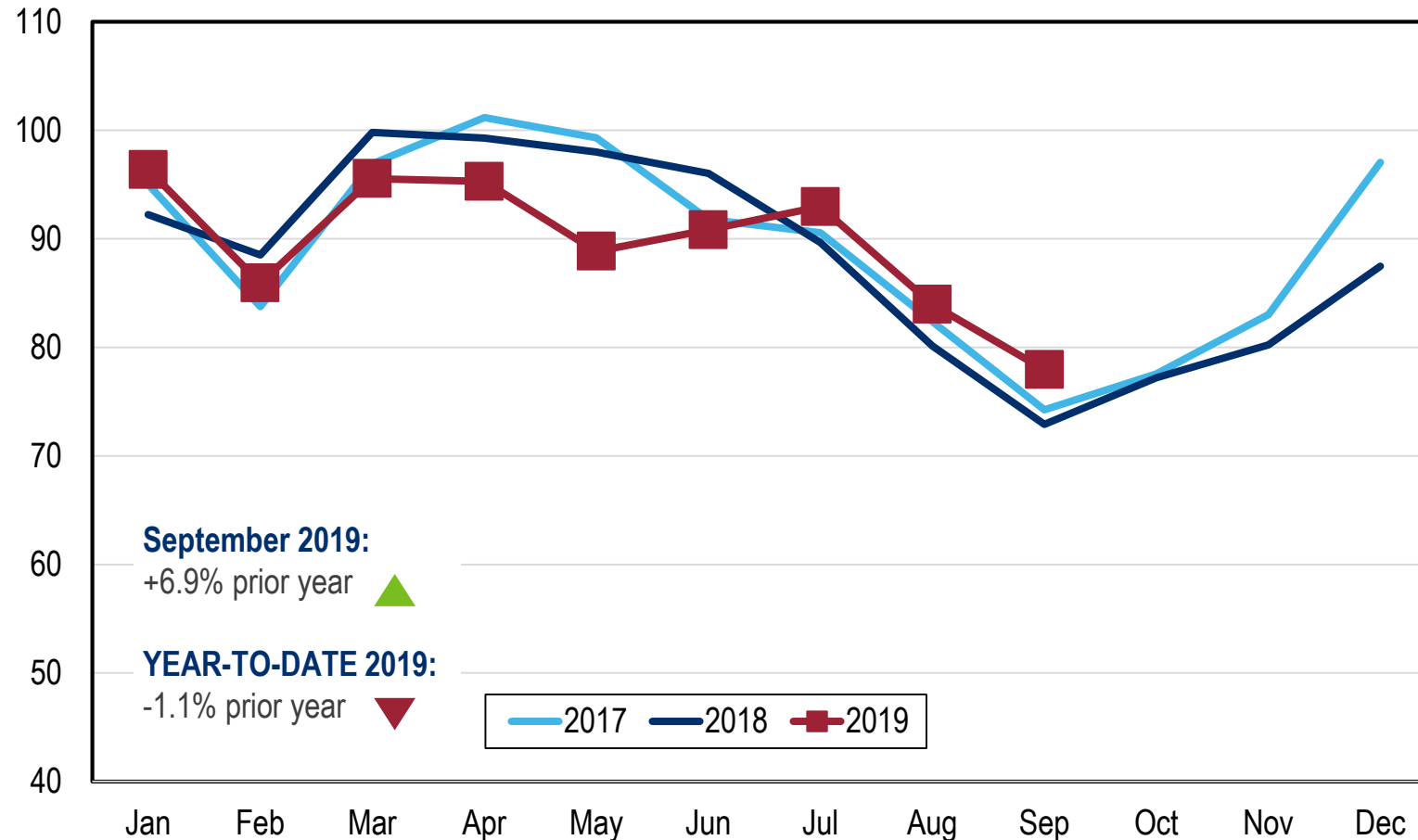


- As production has increased and stocks have replenished, butter prices have declined in recent months

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

U.S. NFDM & SMP PRODUCTION

THOUSAND METRIC TONS

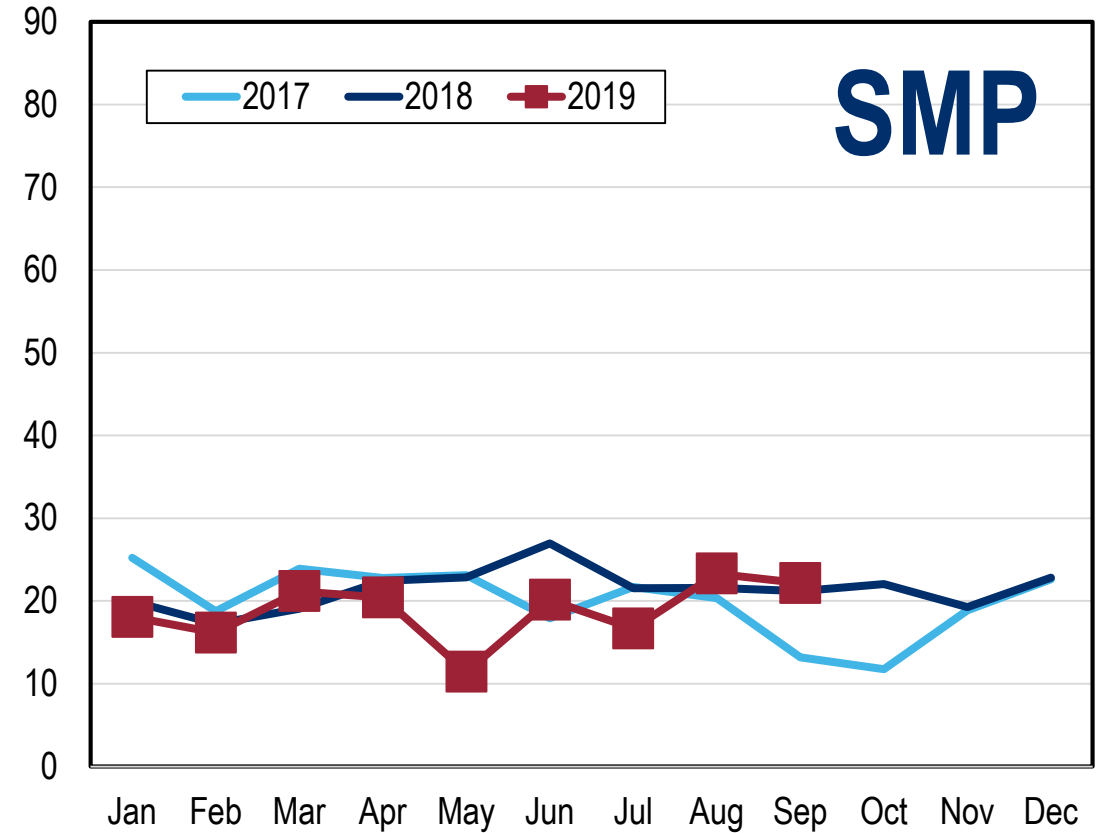
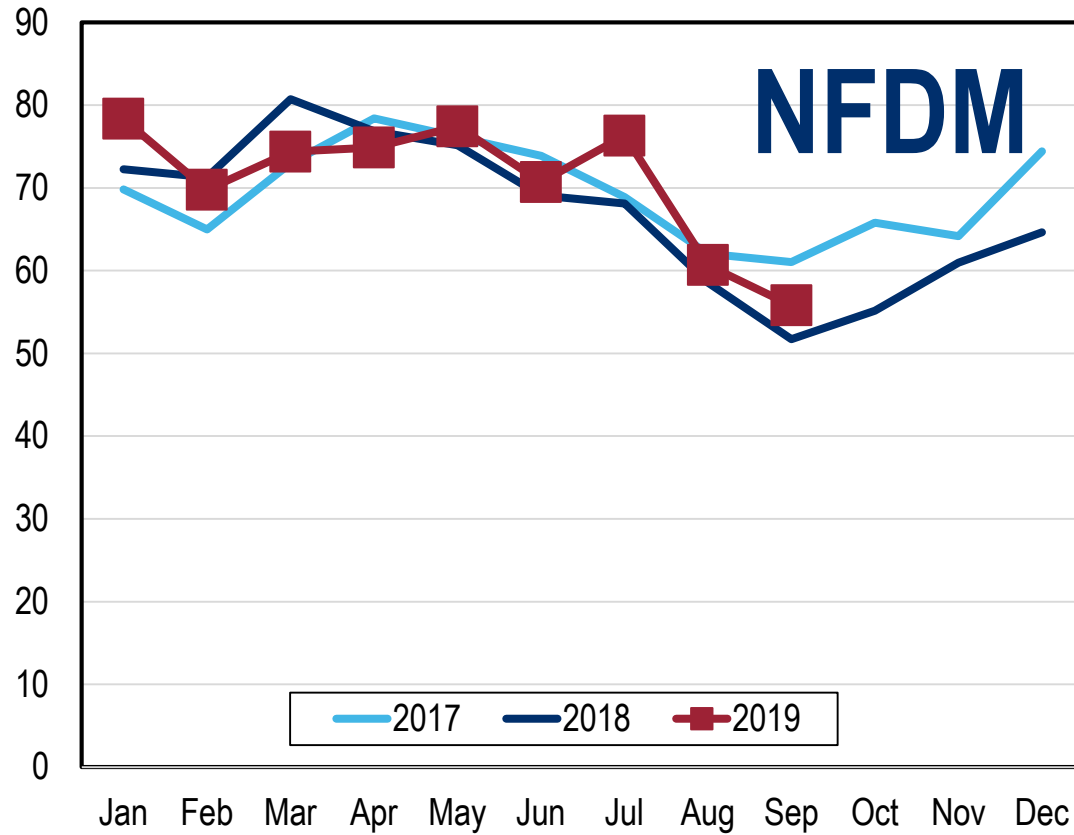


- In September, both NFDM and SMP production increased from the prior year.
- NFDM production strengthened 4 thousand metric tons to 56 thousand metric tons.
- SMP production grew 1 thousand metric ton to 22 thousand metric tons.
- Together, NFDM and SMP production grew 5 thousand metric tons from the prior year to 78 thousand metric tons in September.

Source: USDA National Agricultural Statistics Service

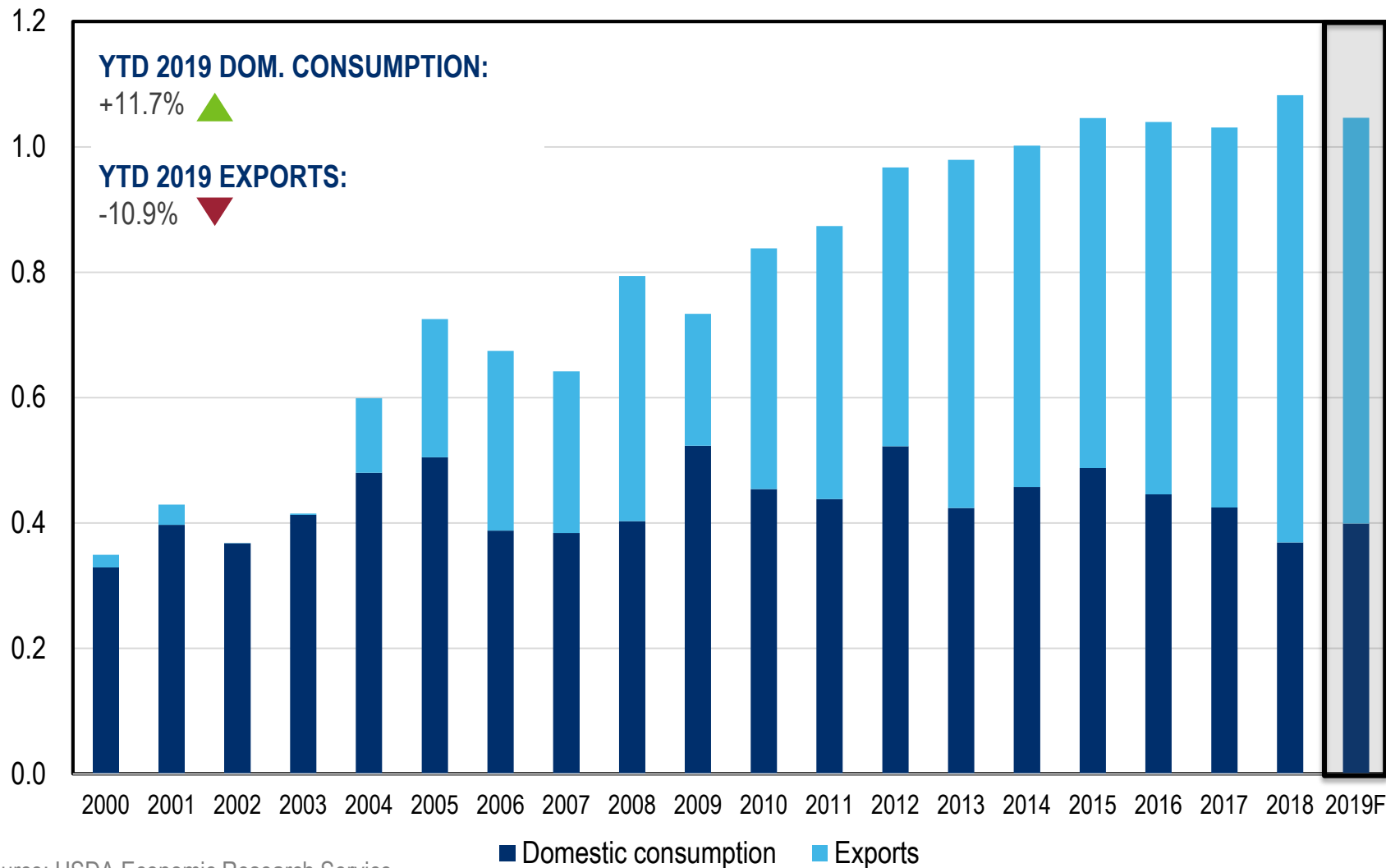
U.S. NFDM vs. SMP PRODUCTION

THOUSAND METRIC TONS



Source: USDA National Agricultural Statistics Service

U.S. NFDM & SMP COMMERCIAL DISAPPEARANCE



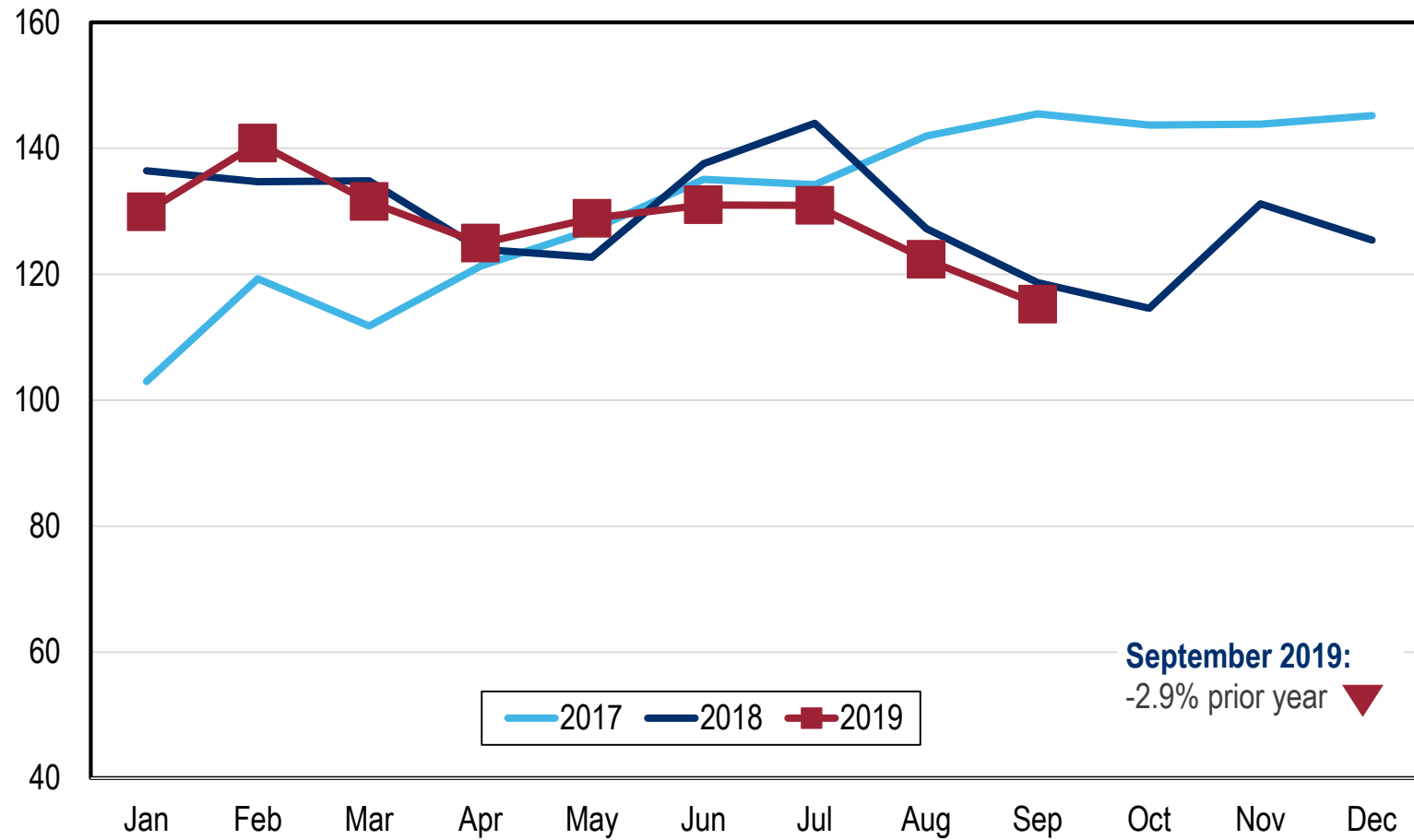
MILLION METRIC TONS

- After ten consecutive months of year-over-year declines, powder exports rebounded in September, increasing 13 thousand metric tons to 65 thousand metric tons.
- Conversely, domestic consumption declined, down 10 thousand metric tons to 20 thousand metric tons.

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

U.S. NFDMM INVENTORY

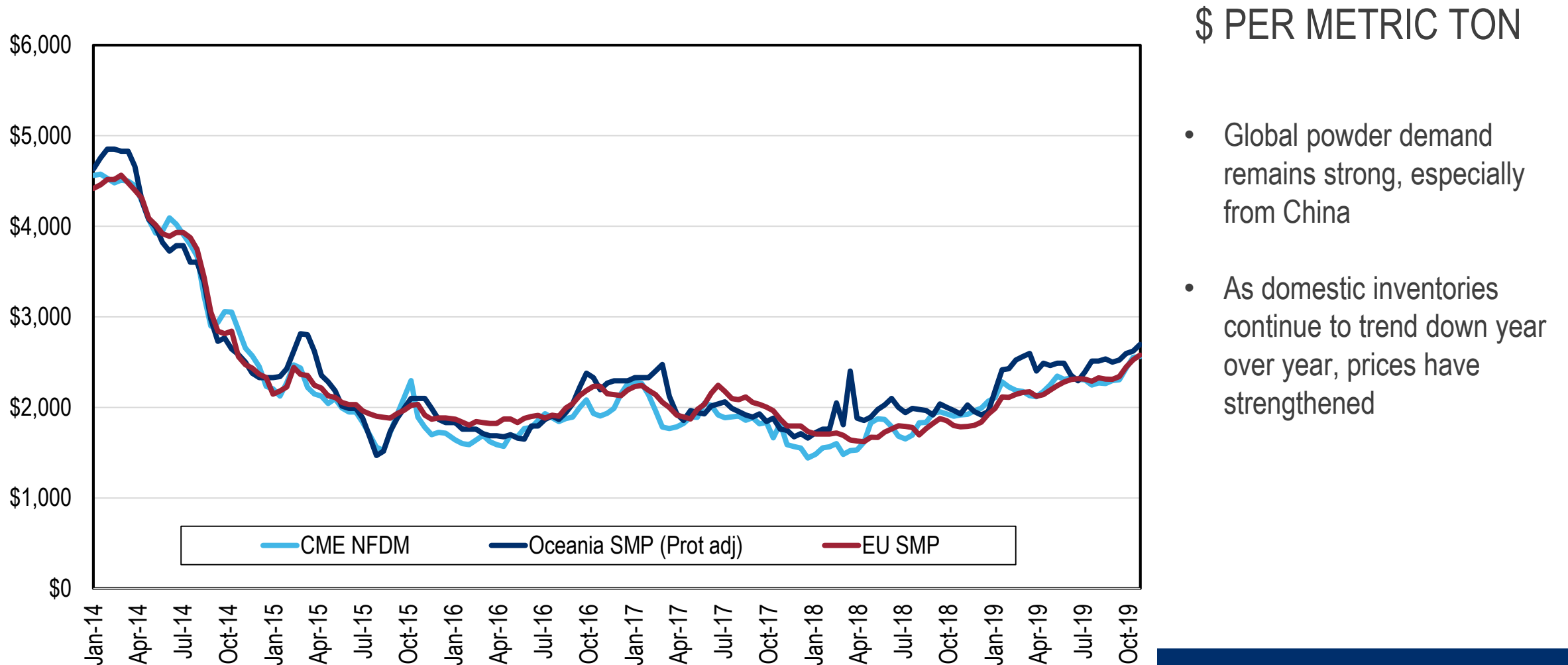
THOUSAND METRIC TONS



- Inventories were down 3 thousand metric tons from the prior year to 115 thousand metric tons in September.
- Inventories were down 7 thousand metric tons from August to September.

Source: USDA National Agricultural Statistics Service

U.S. NFDm VS. GLOBAL SMP PRICE

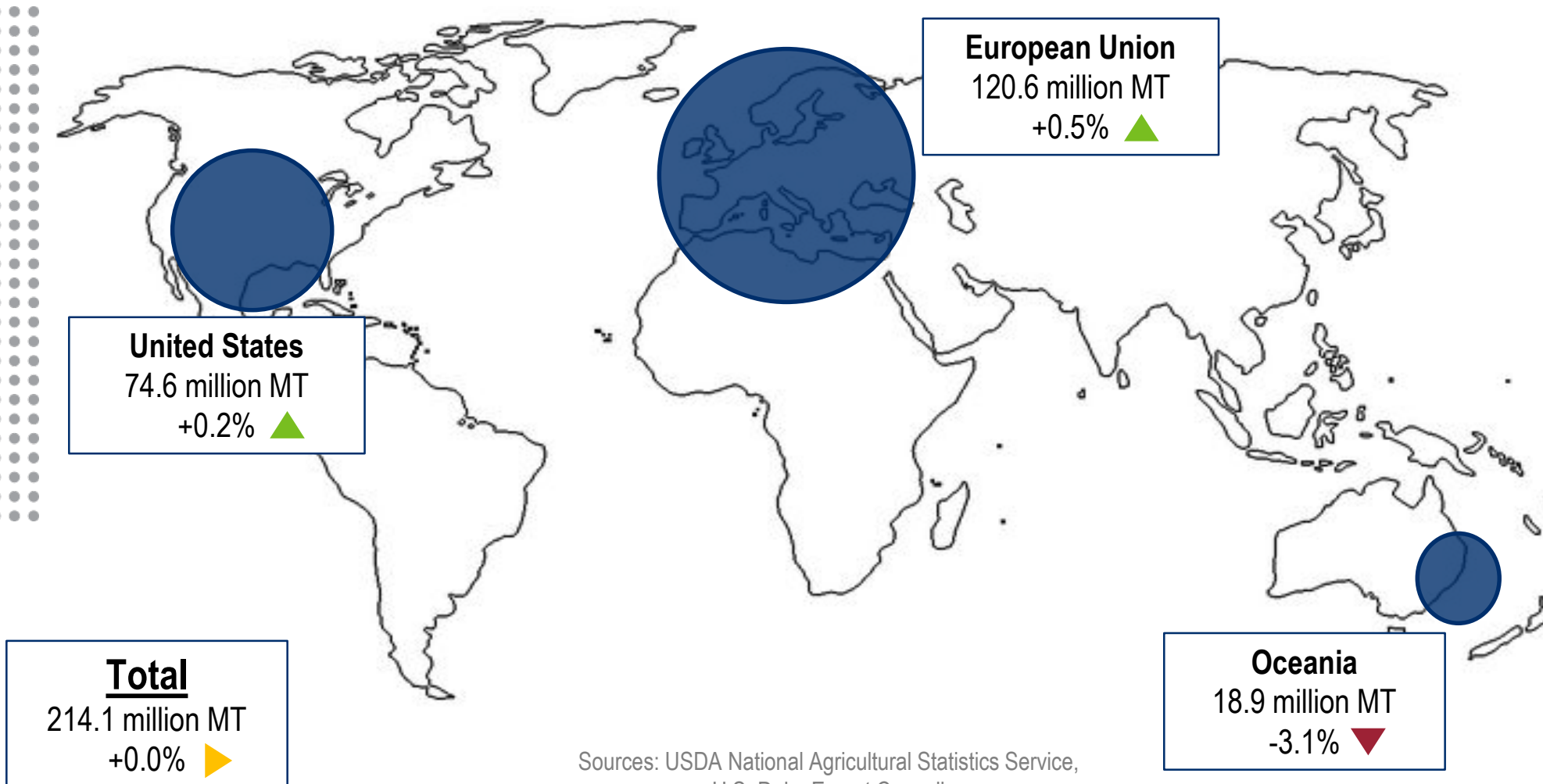


- Global powder demand remains strong, especially from China
- As domestic inventories continue to trend down year over year, prices have strengthened

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

GLOBAL MILK PRODUCTION

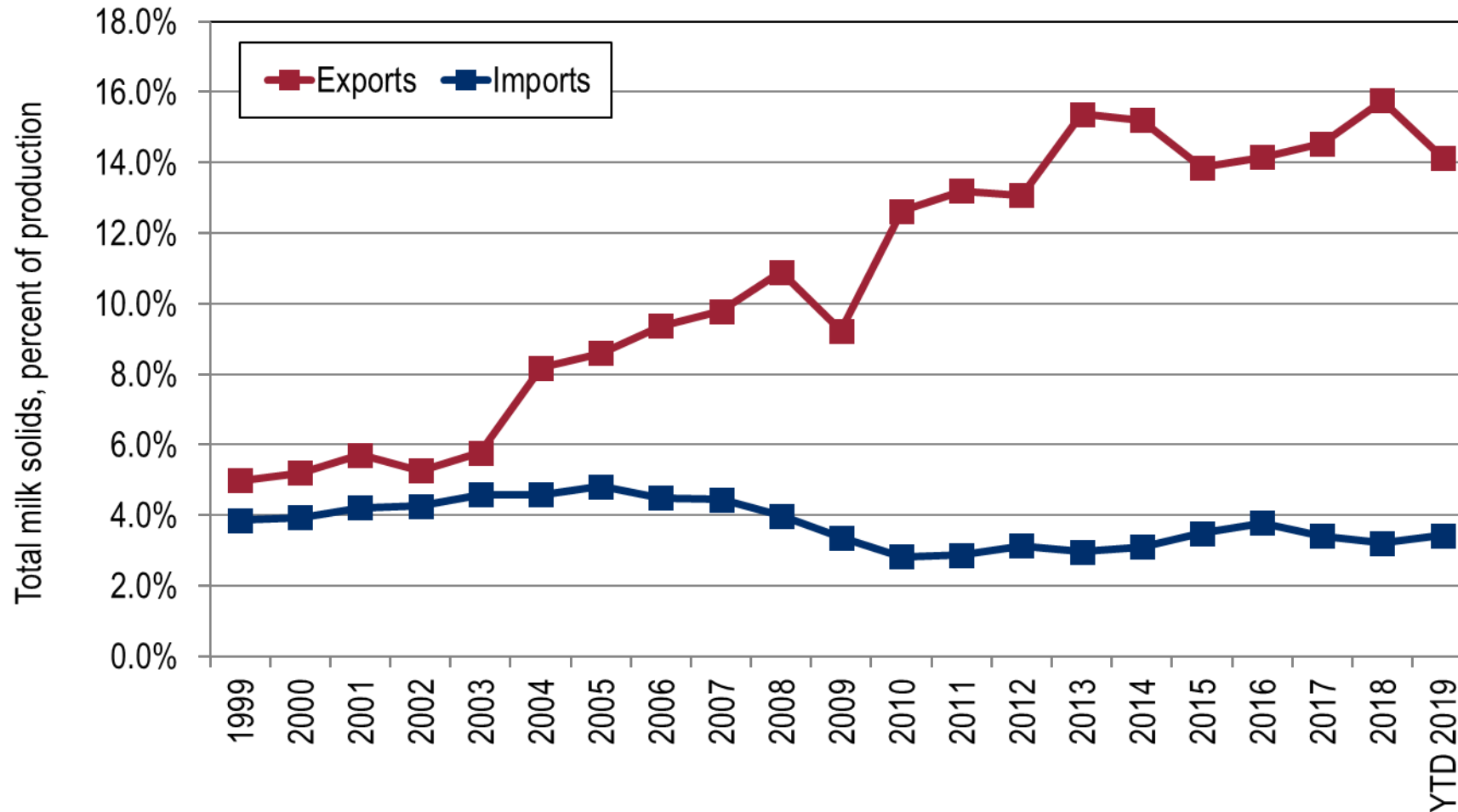
YTD through September 2019



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

U.S. DAIRY EXPORTS

YTD through September 2019



U.S. TOP DAIRY EXPORT DESTINATIONS

THOUSAND METRIC TONS, TOTAL DAIRY PRODUCTS

Rank	Country	September 2019	YTD 2019
1	Mexico	53.8	444.1
2	China	15.3	147.0
3	Indonesia	11.5	80.6
4	Canada	10.2	98.9
5	Philippines	9.9	97.9
6	Vietnam	8.8	64.7
7	Japan	8.5	84.9
8	South Korea	8.3	86.5
9	New Zealand	6.0	58.2
10	Australia	3.9	32.5

U.S. TOP DAIRY EXPORT DESTINATIONS

MILLION DOLLARS, TOTAL DAIRY PRODUCTS

Rank	Country	September 2019	YTD 2019
1	Mexico	\$144.8	\$1,127.9
2	Canada	\$52.0	\$502.0
3	China	\$28.2	\$278.6
4	South Korea	\$26.2	\$263.1
5	Indonesia	\$24.7	\$162.5
6	Japan	\$22.9	\$218.8
7	Philippines	\$20.2	\$194.1
8	Vietnam	\$18.2	\$120.7
9	Australia	\$13.8	\$113.0
10	Peru	\$10.0	\$56.4