

SHAKING OFF
THE
DAIRY
DOLDRUMS

SARINA
SHARP
THE DAILY
DAIRY
REPORT

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AGENDA

- Feed
- Cattle
- U.S. Milk Production
- International Milk Production
- Dairy Products
- Milk Price Outlook

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INFLATION & HIGH INTEREST RATES

Asset holders

Land owners

Existing businesses

People with debt already locked in

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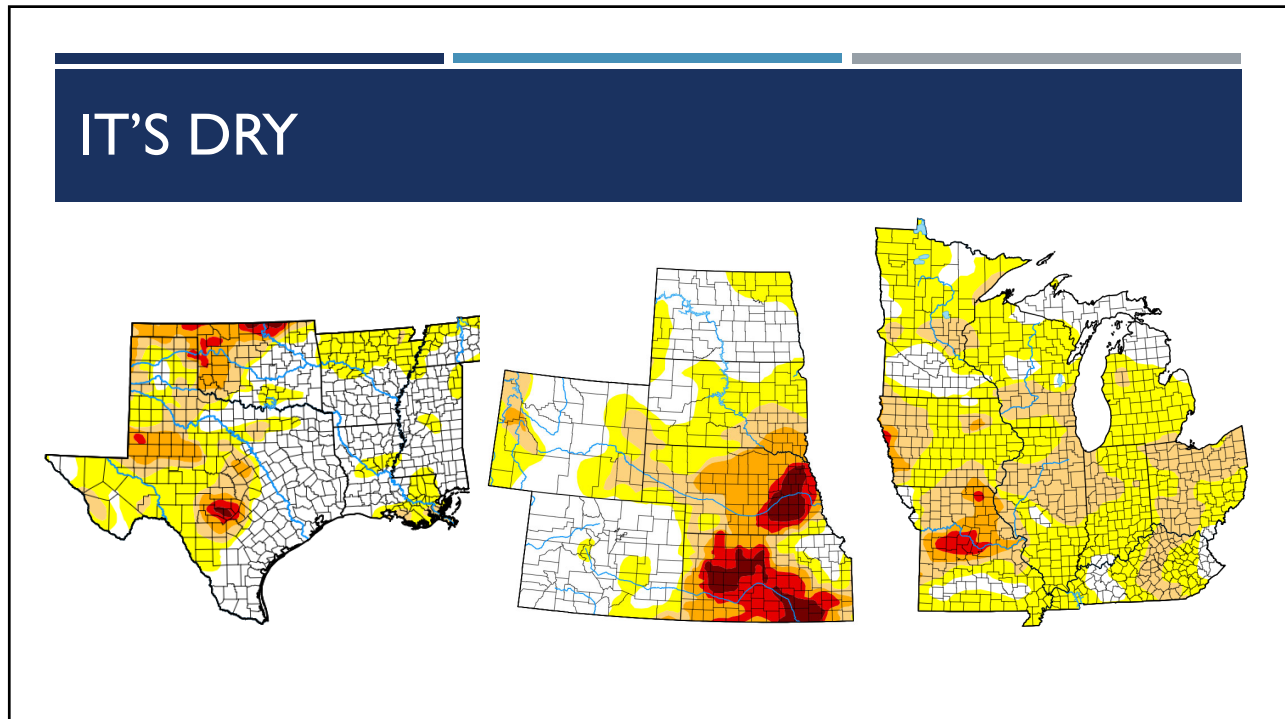
FEED MARKETS



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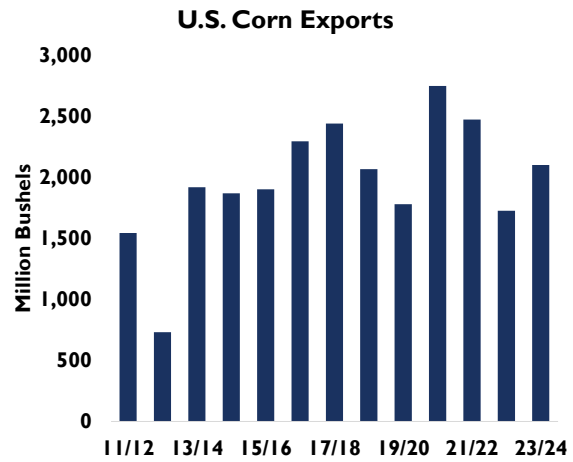
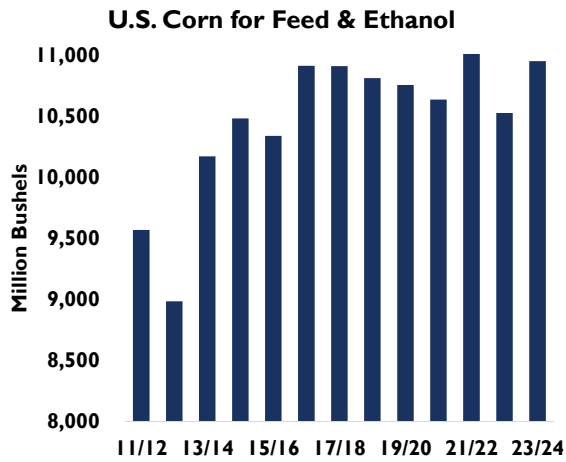


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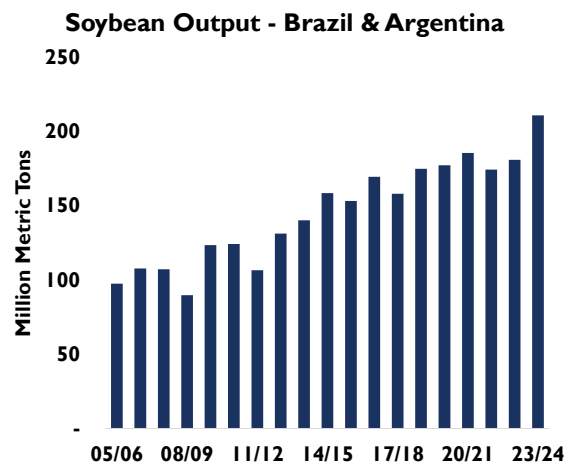
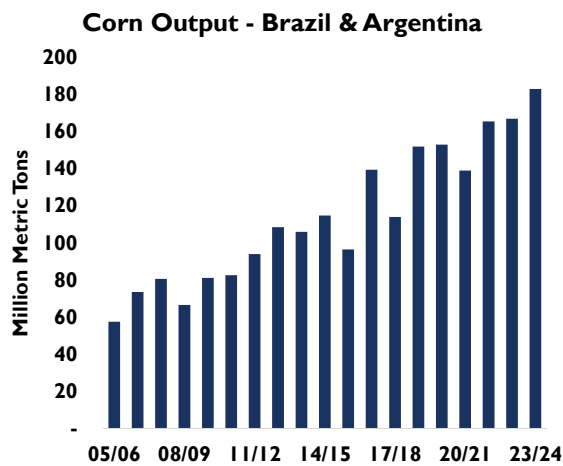
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DEMAND TO REBOUND



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BIG SOUTH AMERICAN CROPS



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CORN MARKET OUTLOOK

- If the weather cooperates, corn will go much lower
- Another sub-par crop would mean sharply higher prices

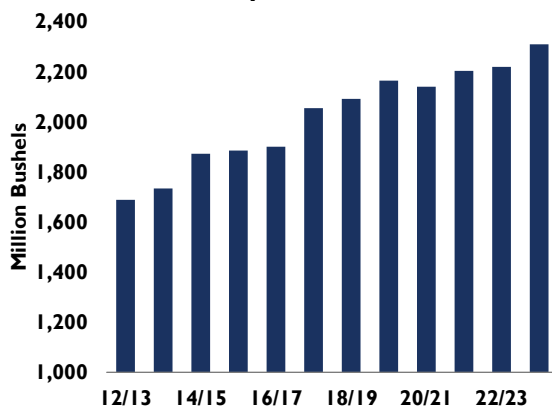
ZC - Corn - Monthly OHLC Chart



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NEW SOY CAPACITY MEANS CHEAP HULLS

U.S. Soybean Crush

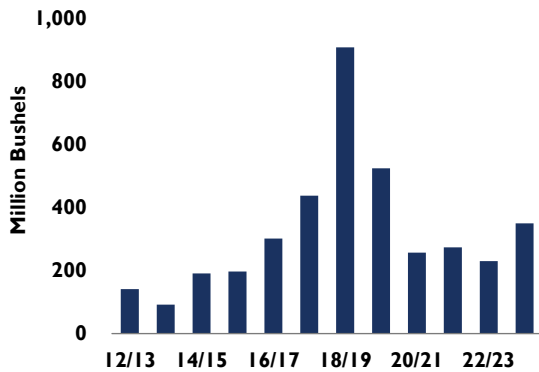


- We're raising U.S. soybean processing capacity without raising demand for SBM or hulls
- That means cheaper meal and cheaper hulls, relative to the bean price

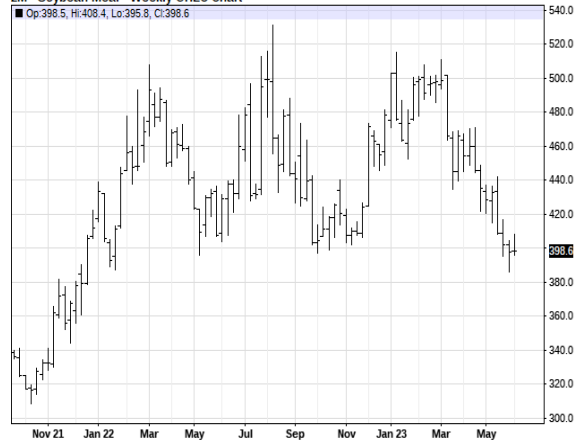
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SOY MARKET OUTLOOK

U.S. Soybean Stocks



ZM - Soybean Meal - Weekly OHLC Chart

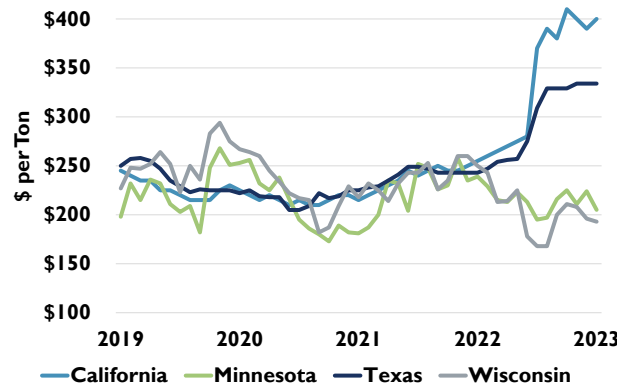


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NO SECOND CUTTING

- We are losing forage in the Midwest today
- That means higher demand for corn silage, wheat midds, soy hulls, etc.
- Less pull from the West this year
- Hay prices will follow corn in general, but they can be very tight locally

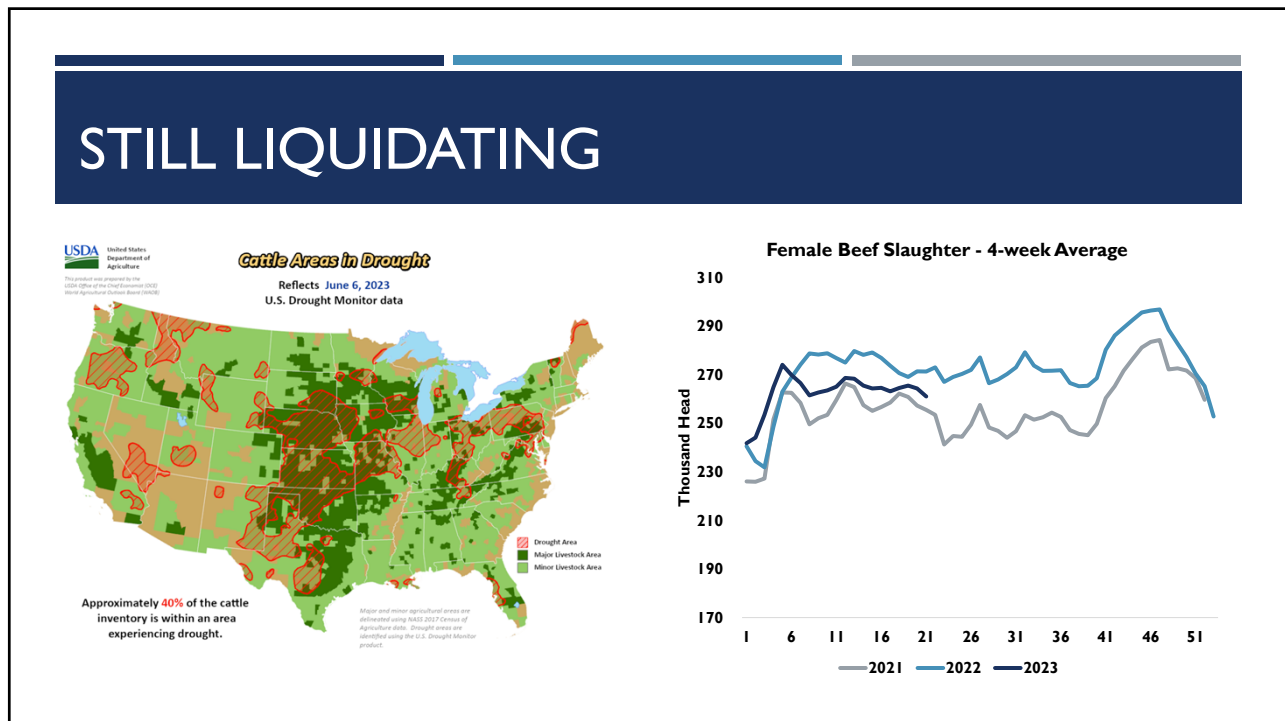
Premium Alfalfa Prices



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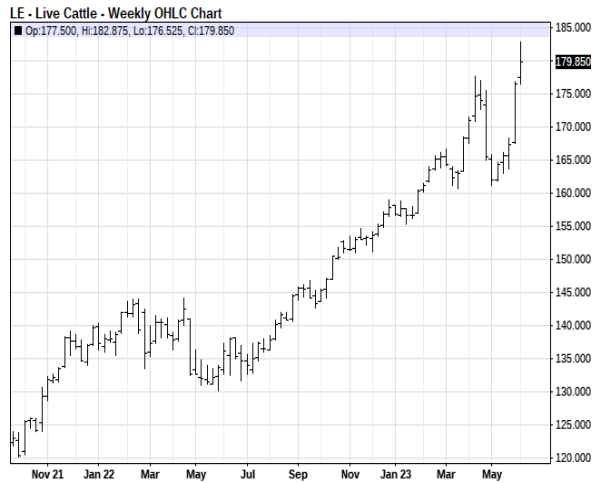
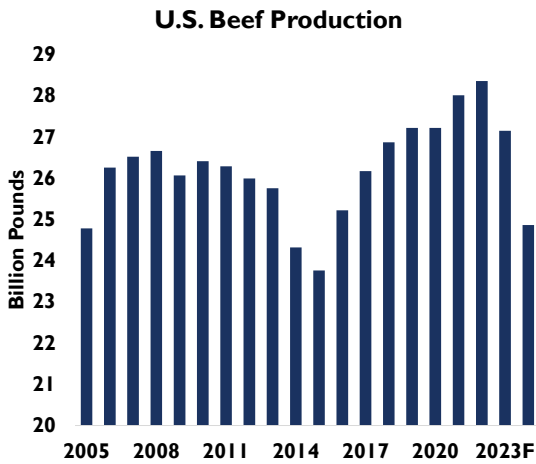


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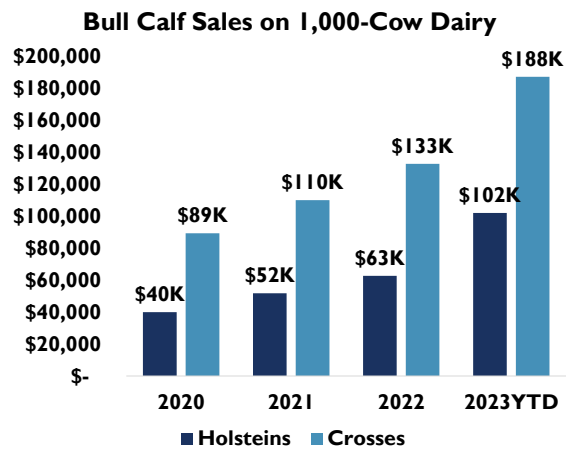
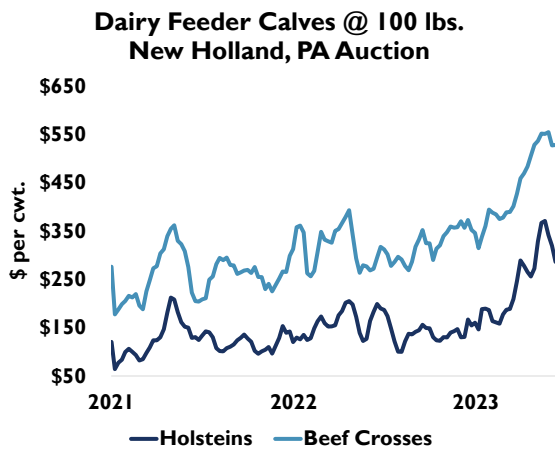
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LESS BEEF, HIGHER PRICES



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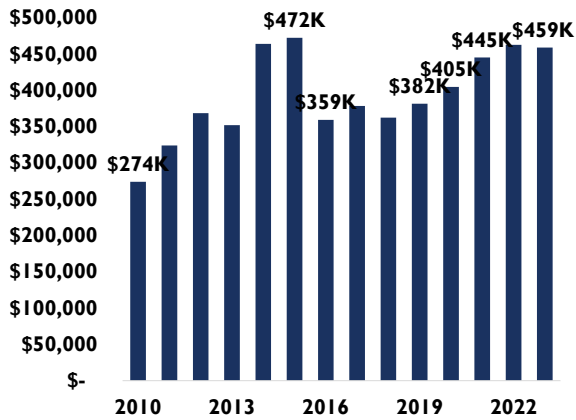
THE BEEF INDUSTRY NEEDS OUR CALVES



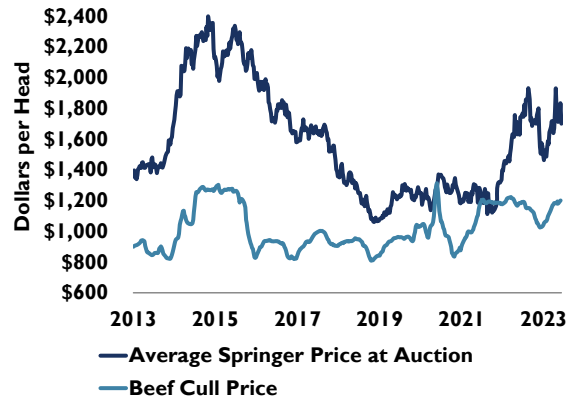
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THE BEEF INDUSTRY NEEDS OUR CULL COWS

Cull Cow Sales on 1,000-cow Dairy



Springer vs. Dairy Cull Price



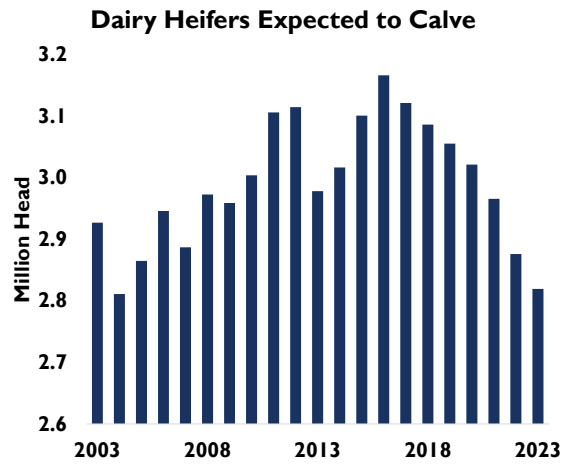
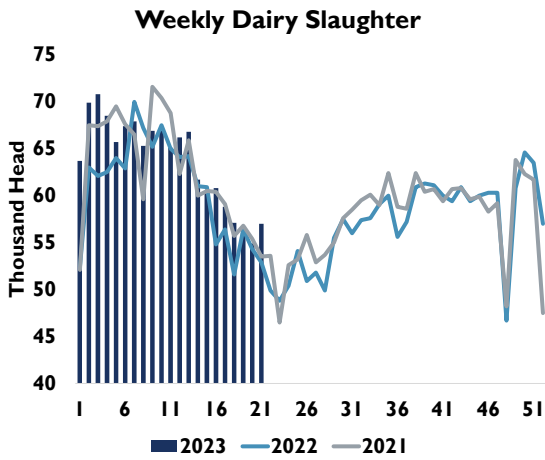
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U.S. MILK PRODUCTION



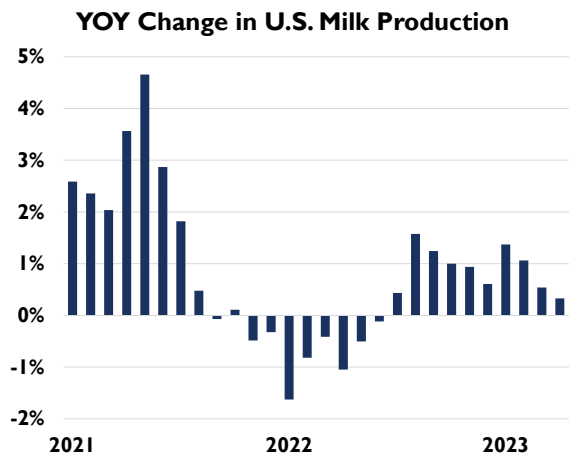
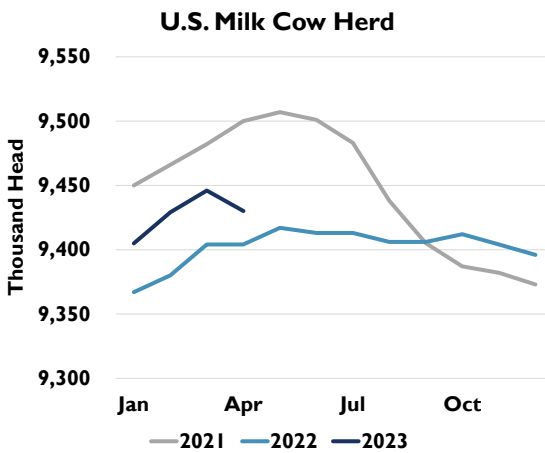
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IS IT FINALLY HAPPENING?

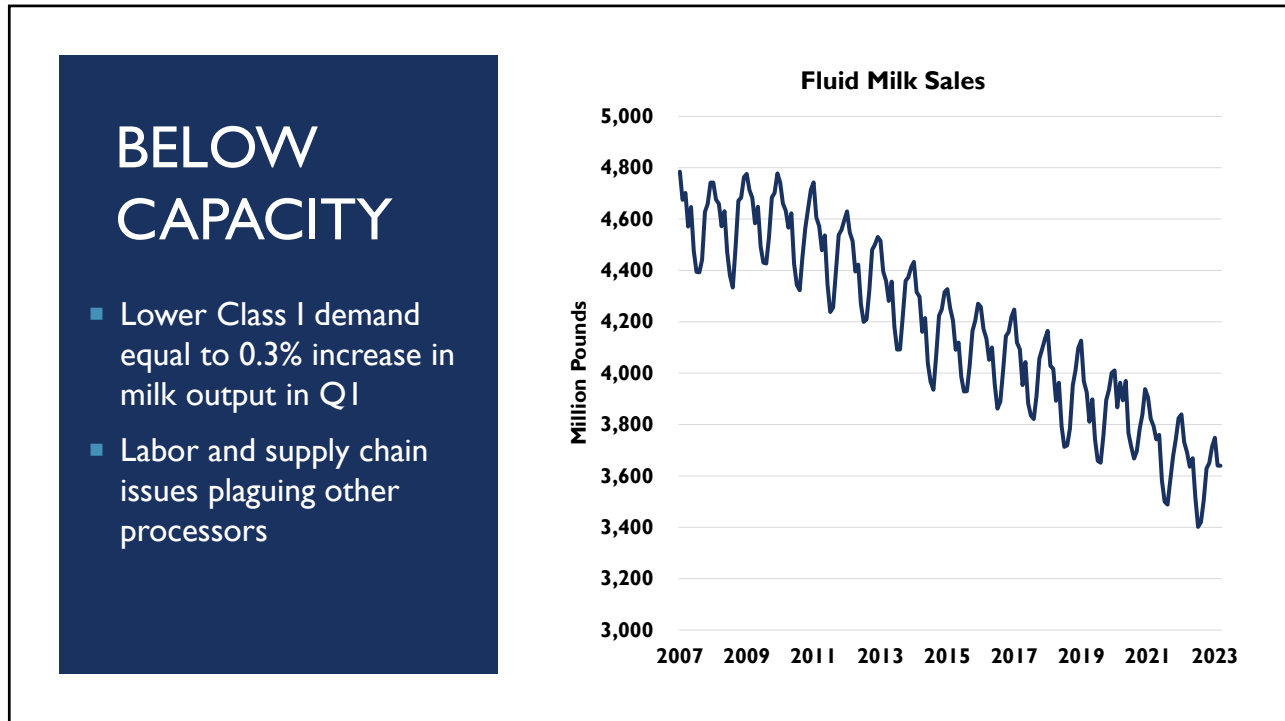


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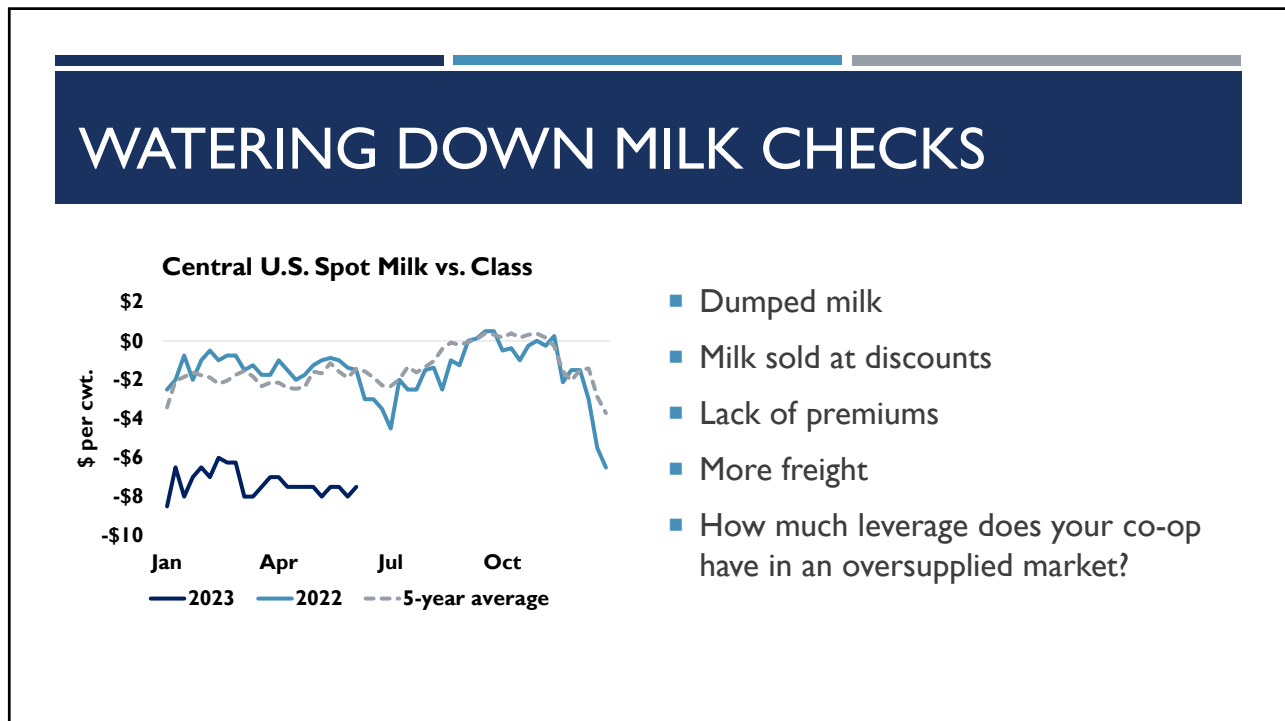
STILL A LOT OF WORK TO DO



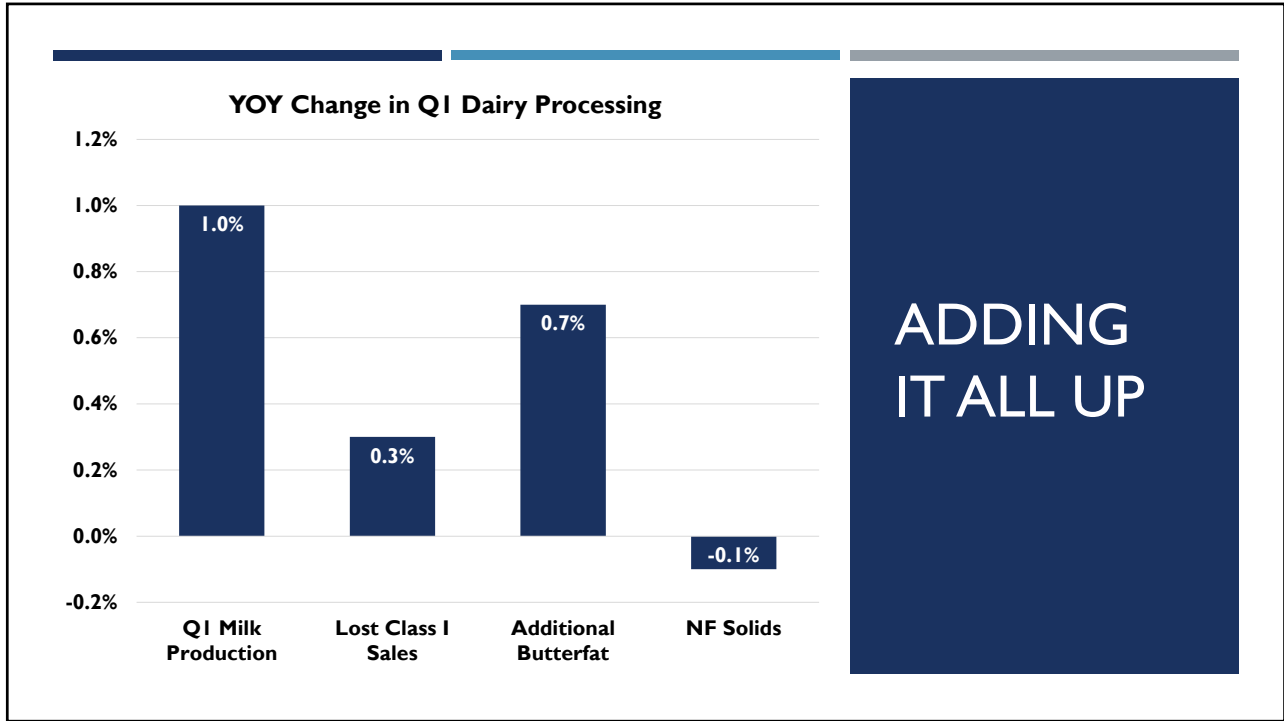
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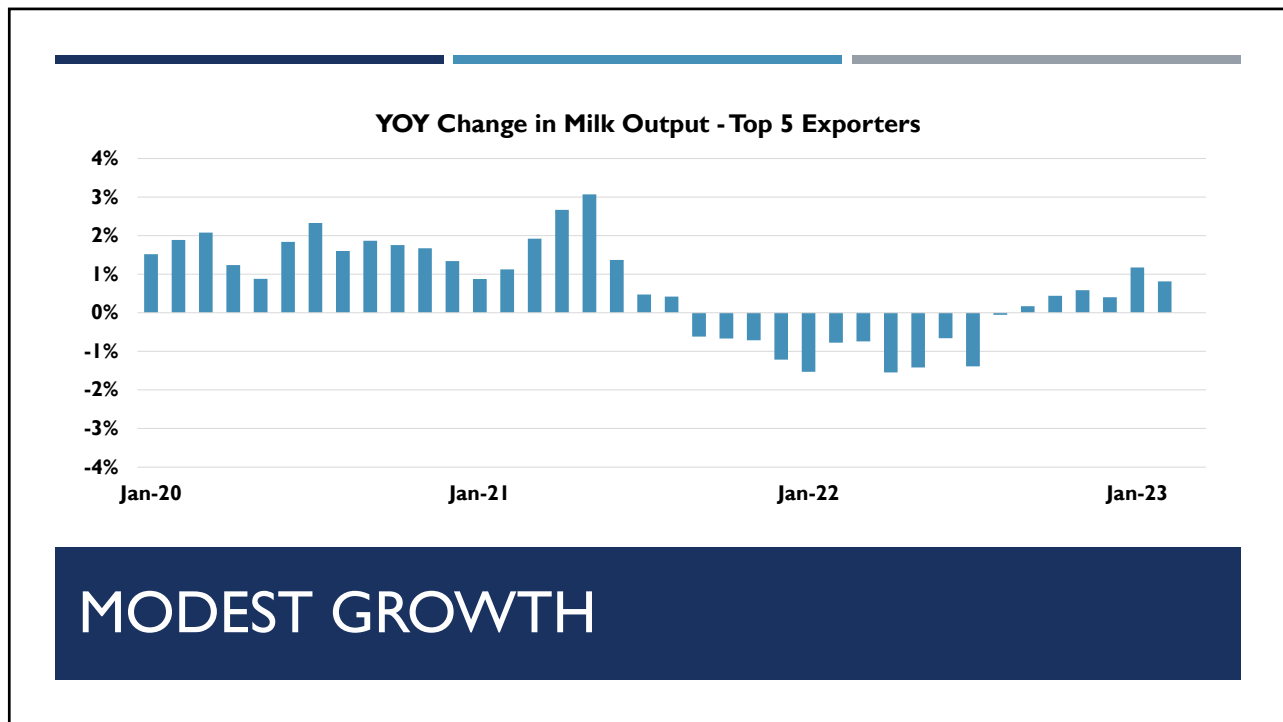
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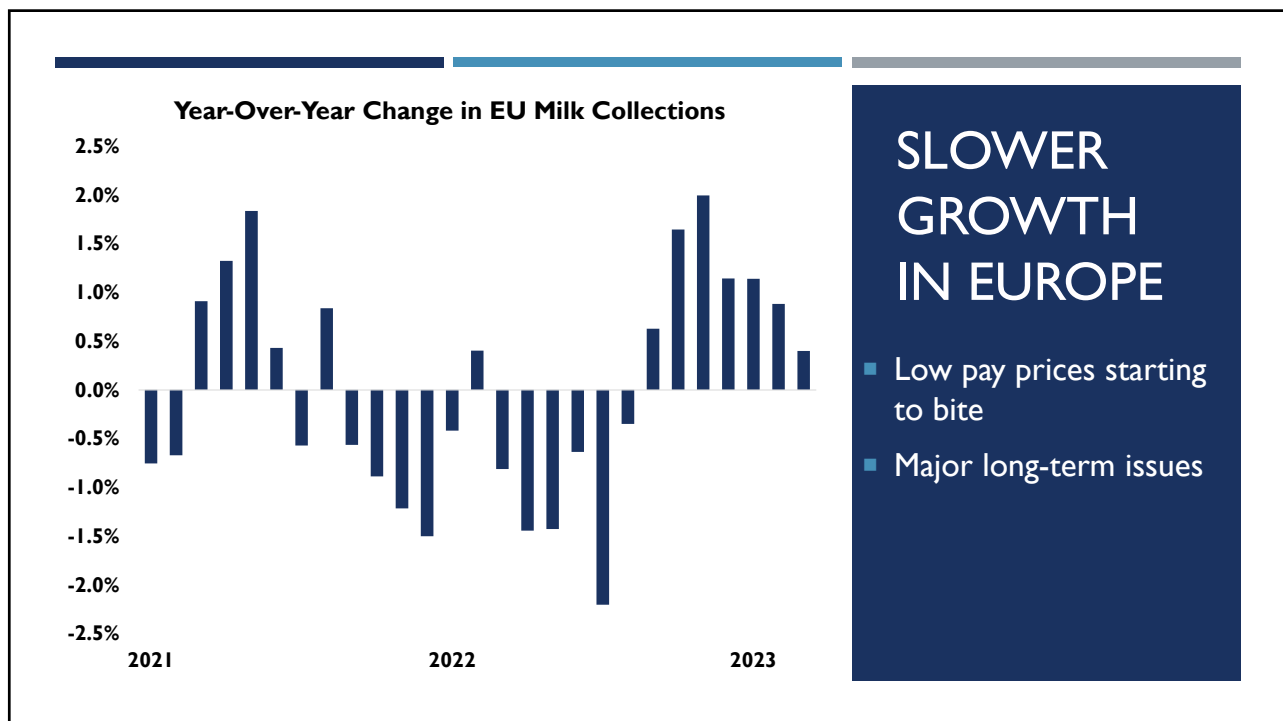
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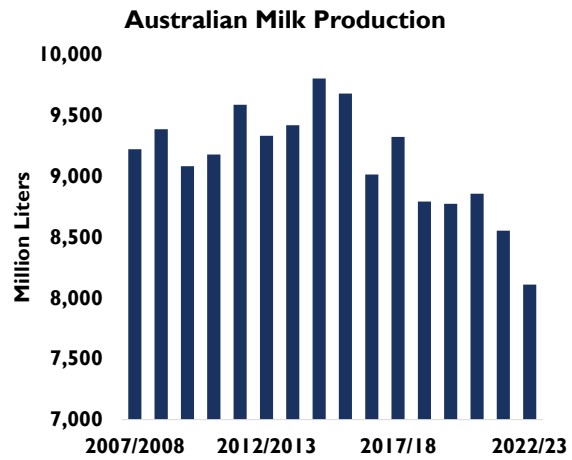
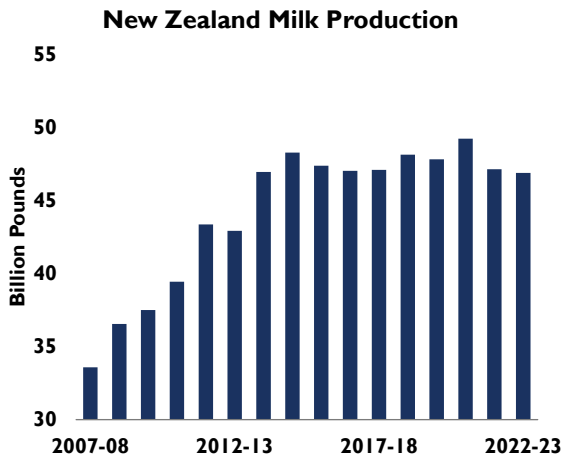


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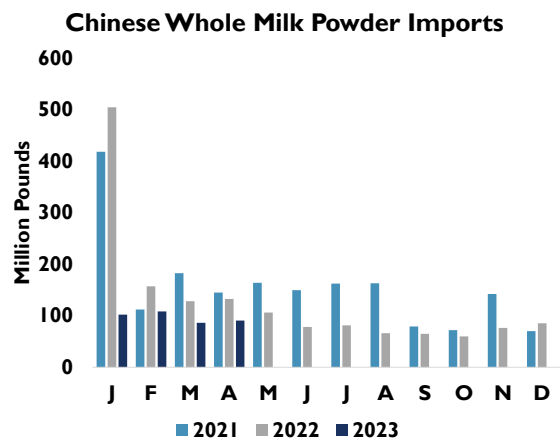
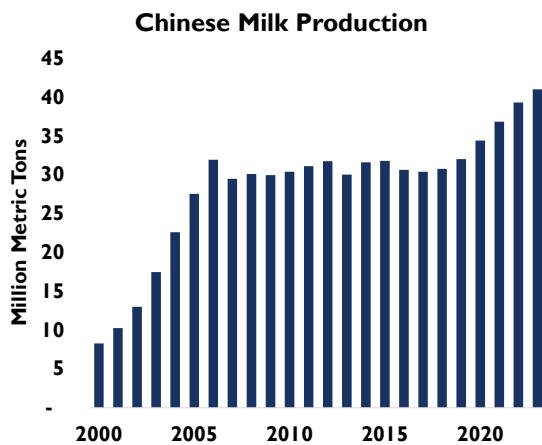
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DOWN UNDER MILK IS DOWN



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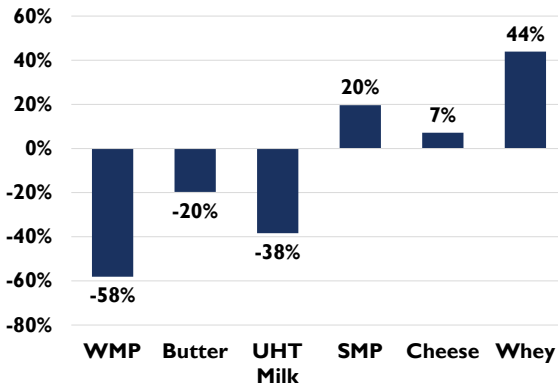
BIG GAINS IN CHINA



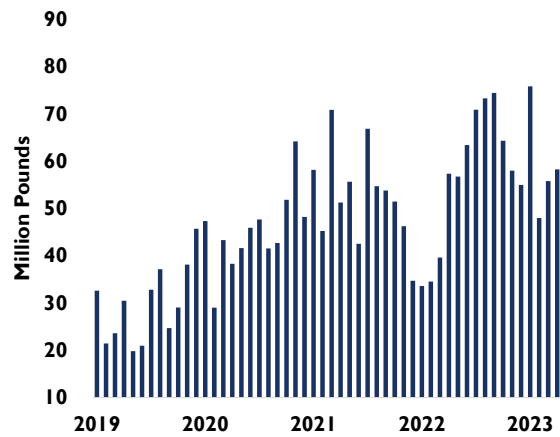
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MIXED DEMAND

YOY Change in China's Jan-Apr Imports



Chinese Imports of U.S. Whey



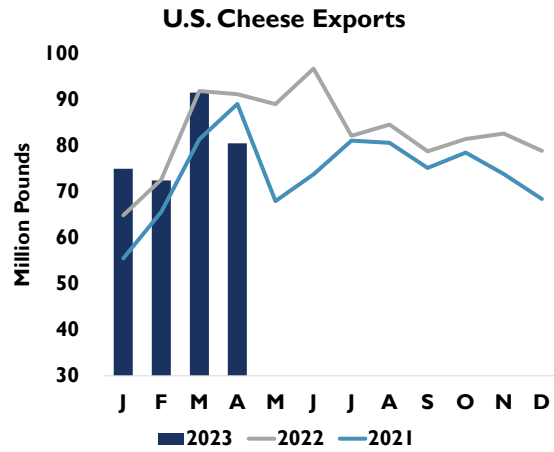
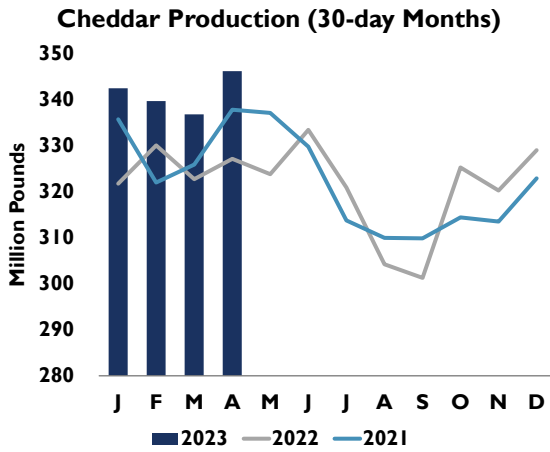
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DAIRY PRODUCTS

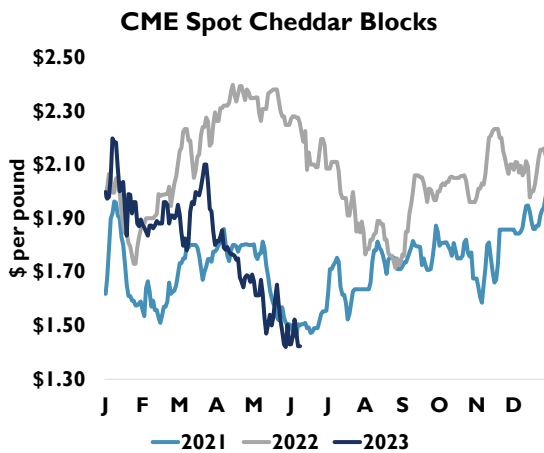
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LOTS OF CHEDDAR



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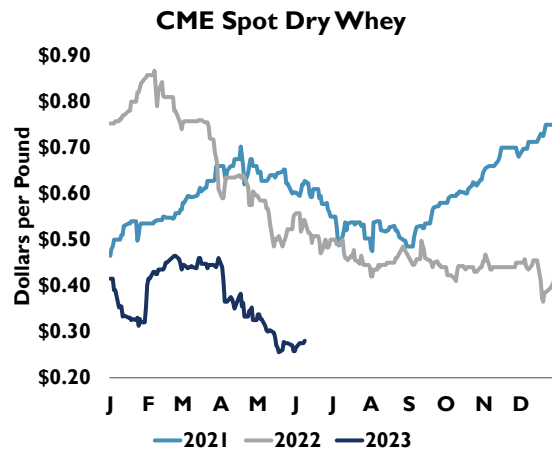
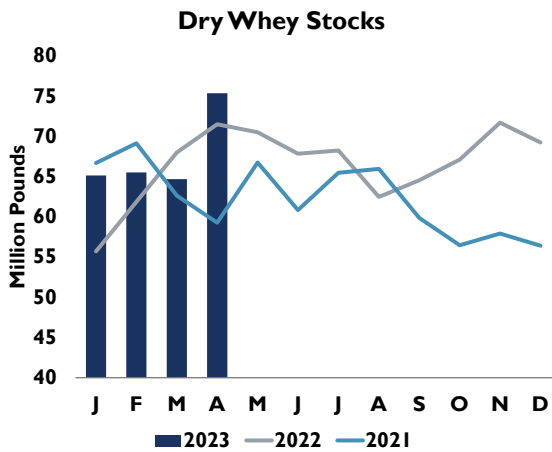
CHEESE MARKET OUTLOOK



- Labor less of an issue
- Cheddar production is growing steadily
- New plants soon
- Decent exports
- European competition less fierce in the future
- Interest rates reducing buyers' appetites to stock up
- Room for a bounce

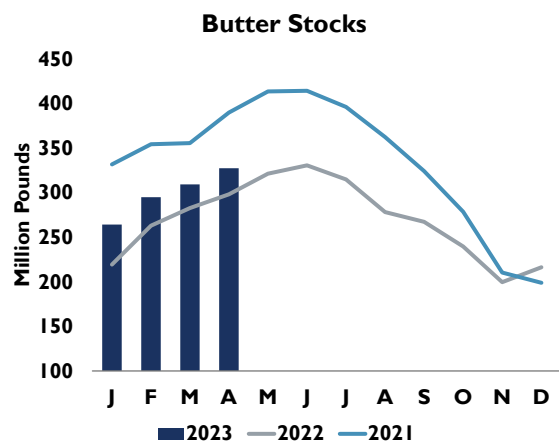
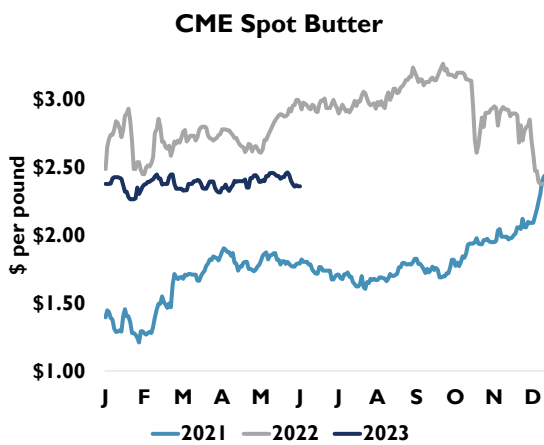
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TOO MUCH WHEY



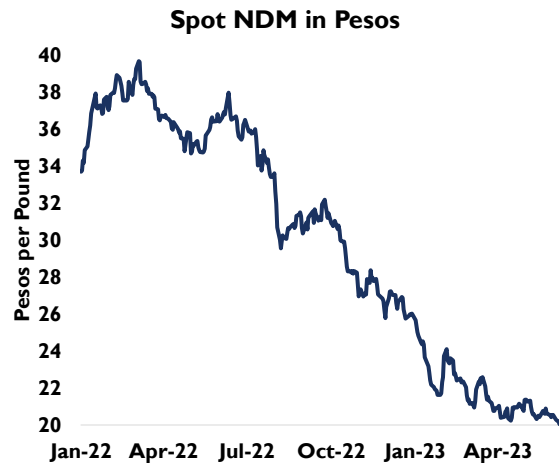
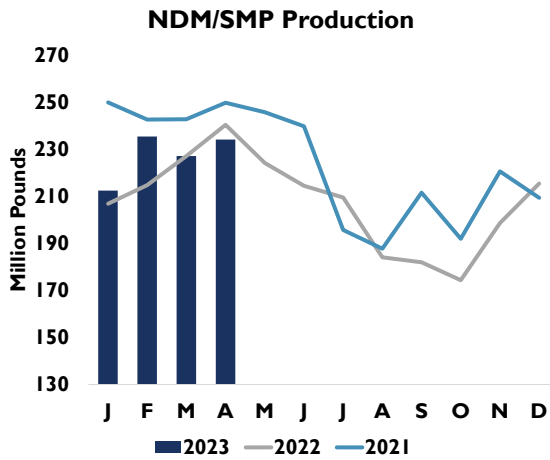
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BUILDING BUTTER STOCKS



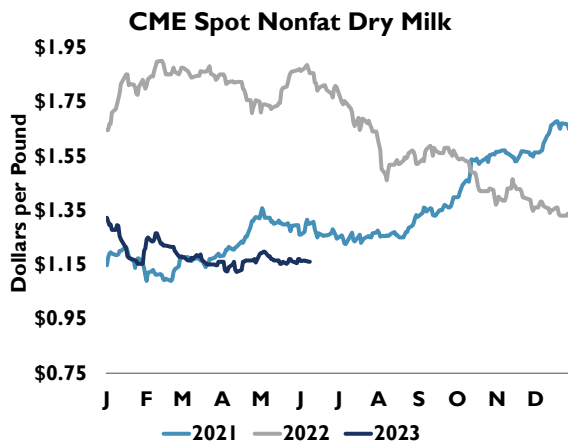
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PLENTY OF POWDER



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POWDER MARKET OUTLOOK

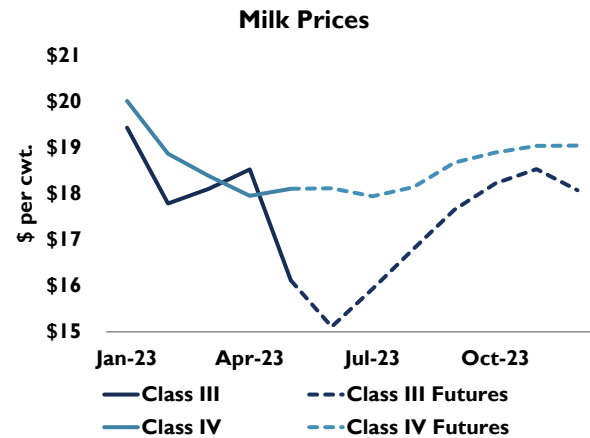


- Production isn't burdensome, but there's a lot of competition
- New cheese capacity will pull milk away from butter/powder
- Any slowdown in milk production will impact Class IV first
- Much depends on China

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MILK MARKET OUTLOOK

- Prices are probably cheap enough
- But any sizable rally will slow contraction and prolong the dairy downturn
- Get protection, but be careful about ceilings, especially for Class IV



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SHAKING OFF THE DAIRY DOLDRUMS

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