

# US Dairy Demand Outlook

## ADPI/ABI Annual Conference

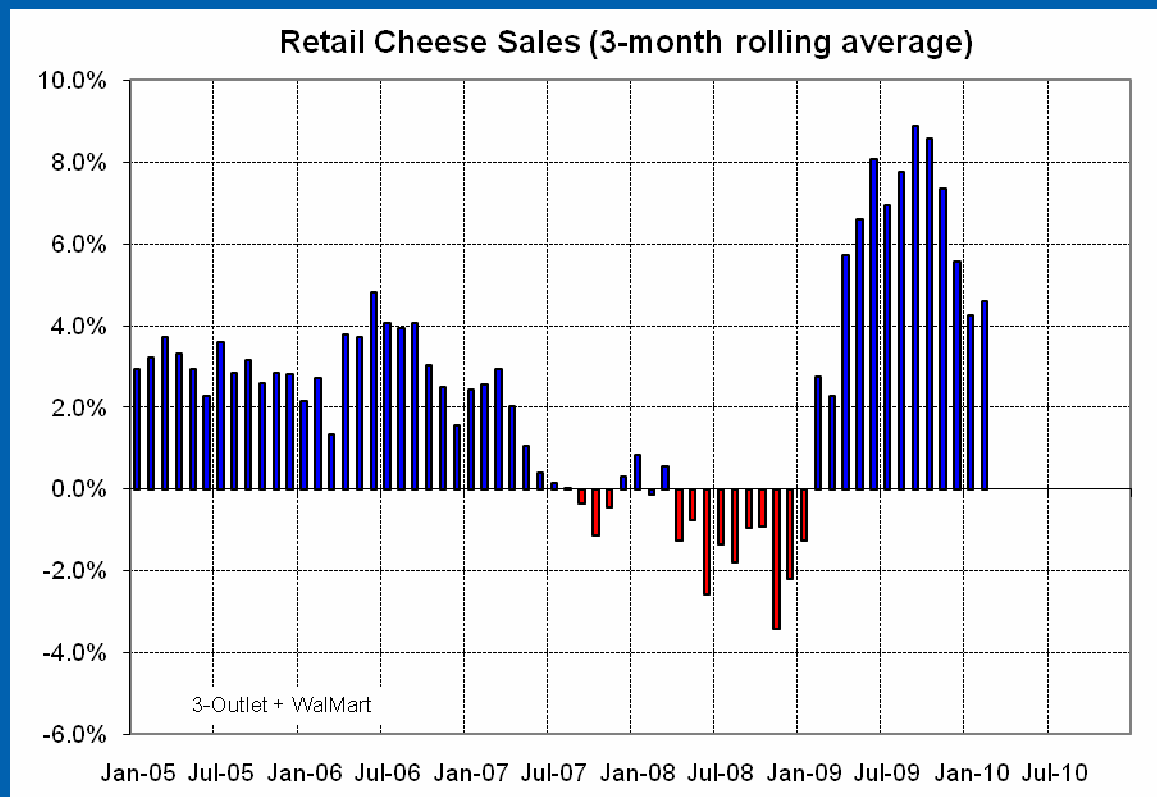
Mike McCully – Kraft Foods

April 25, 2010



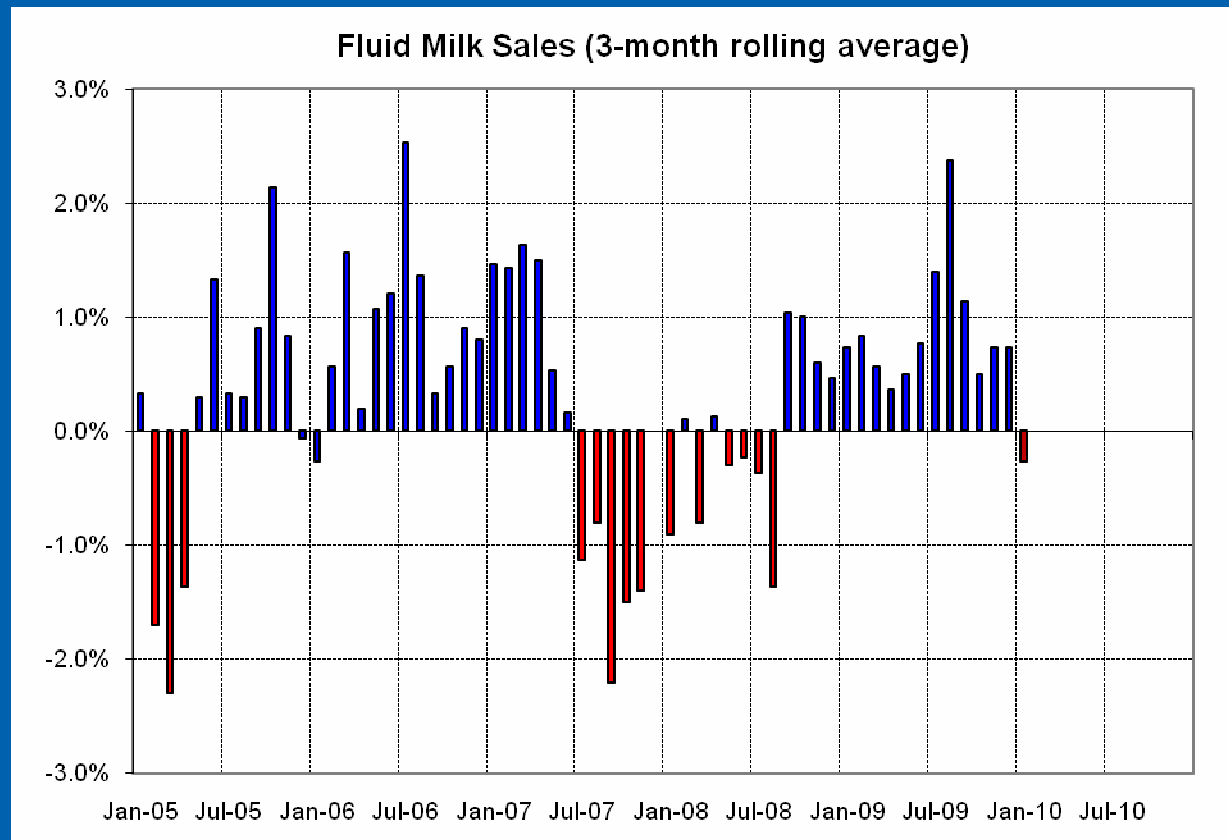
# Retail cheese sales have been strong, but growth is slowing

- Retail cheese sales picked up in early 2009 as the economy dipped into recession
  - Private label has gained share over branded companies



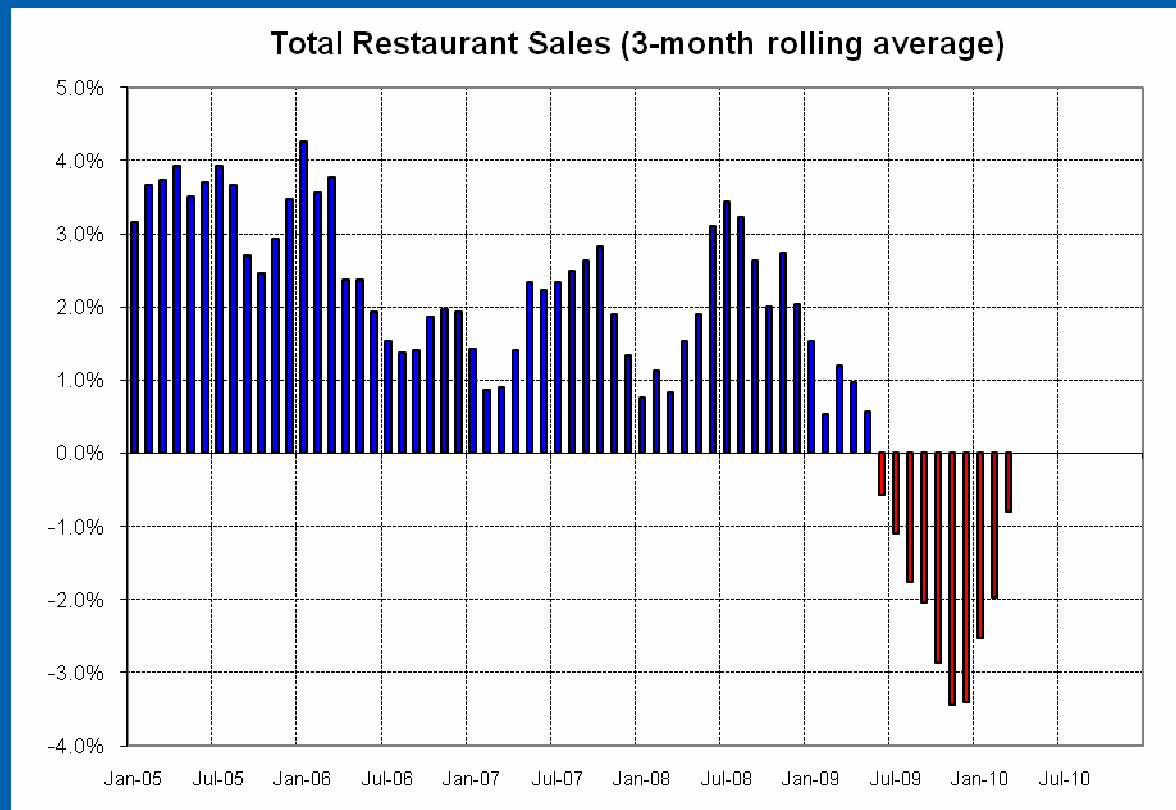
# Fluid milk sales also posted growth in 2009, but are weakening

- Fluid milk sales growth turned negative in early 2010
  - Sales increased in 2009 as prices dropped back to 2006 levels



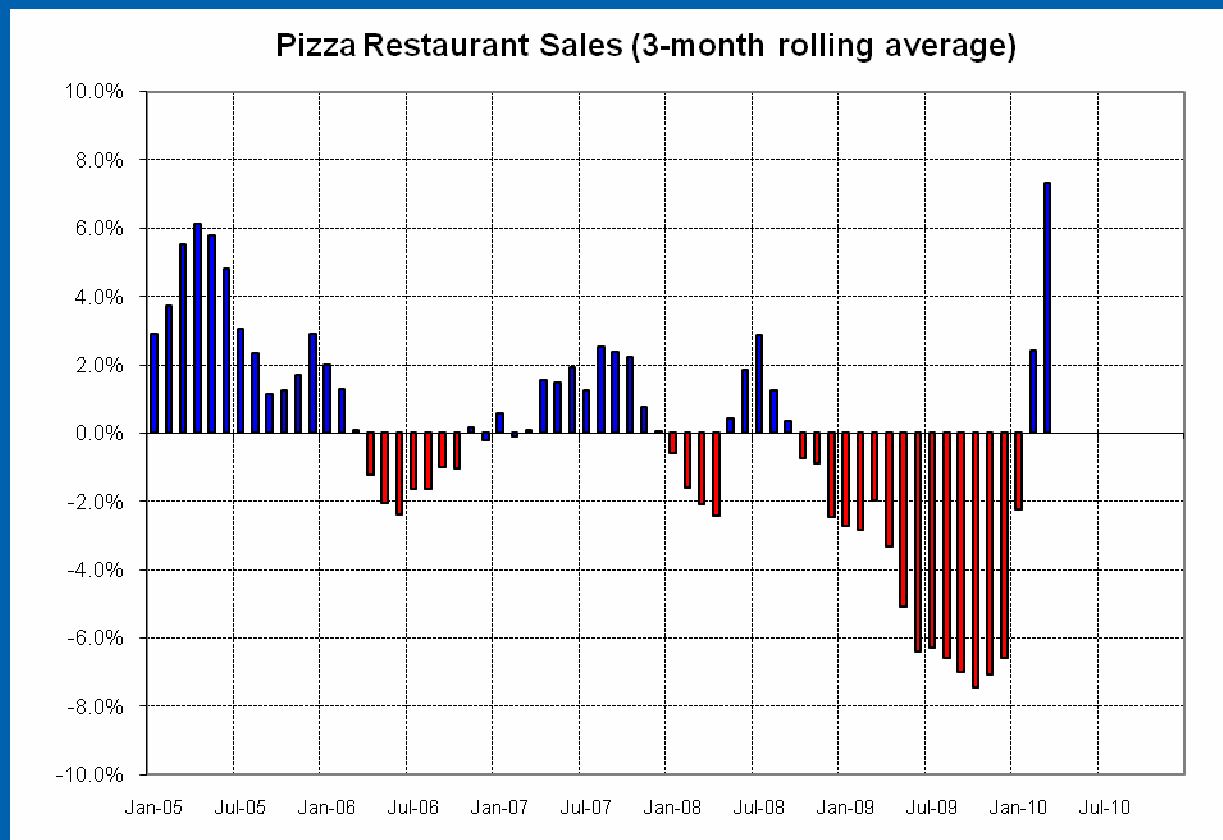
# Restaurant sales are improving, regaining share lost to grocery/retail

- Restaurant sales dropped sharply due to the recession
  - Recovery is not even with some segments doing well while others lag



# Is Pizza back??

- After an unprecedented 18-month slump, Pizza restaurant sales have shown large gains in early 2010
  - Is it the improving economy? Domino's reinvention?



# Dairy Commodity Risk Management

- A variety of new tools are being developed to hedge dairy commodity price risk
- CME Group – milk, butter, NFDM, whey currently with SMP and cheese in Q2/Q3
- NZX – WMP late Q2... AMF and SMP later in the year
- Eurex & NYSE LIFFE– butter, SMP, and whey later this year
- Development of viable futures contracts will greatly enhance global price discovery and transparency and will provide a method for the industry to manage price volatility