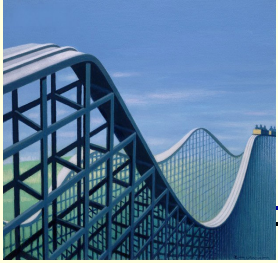


Dairy Market Outlook

“Riding the Rollercoaster”

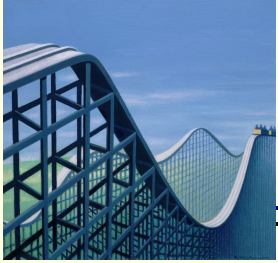
Mary Ledman, Keough Ledman Associates, Inc.
Mike Brown, Glanbia Foods, Inc.
Jim Sleper, Land O’Lakes, Inc.



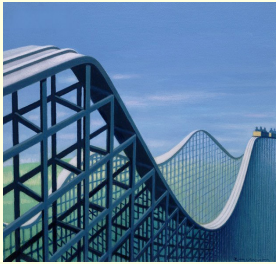


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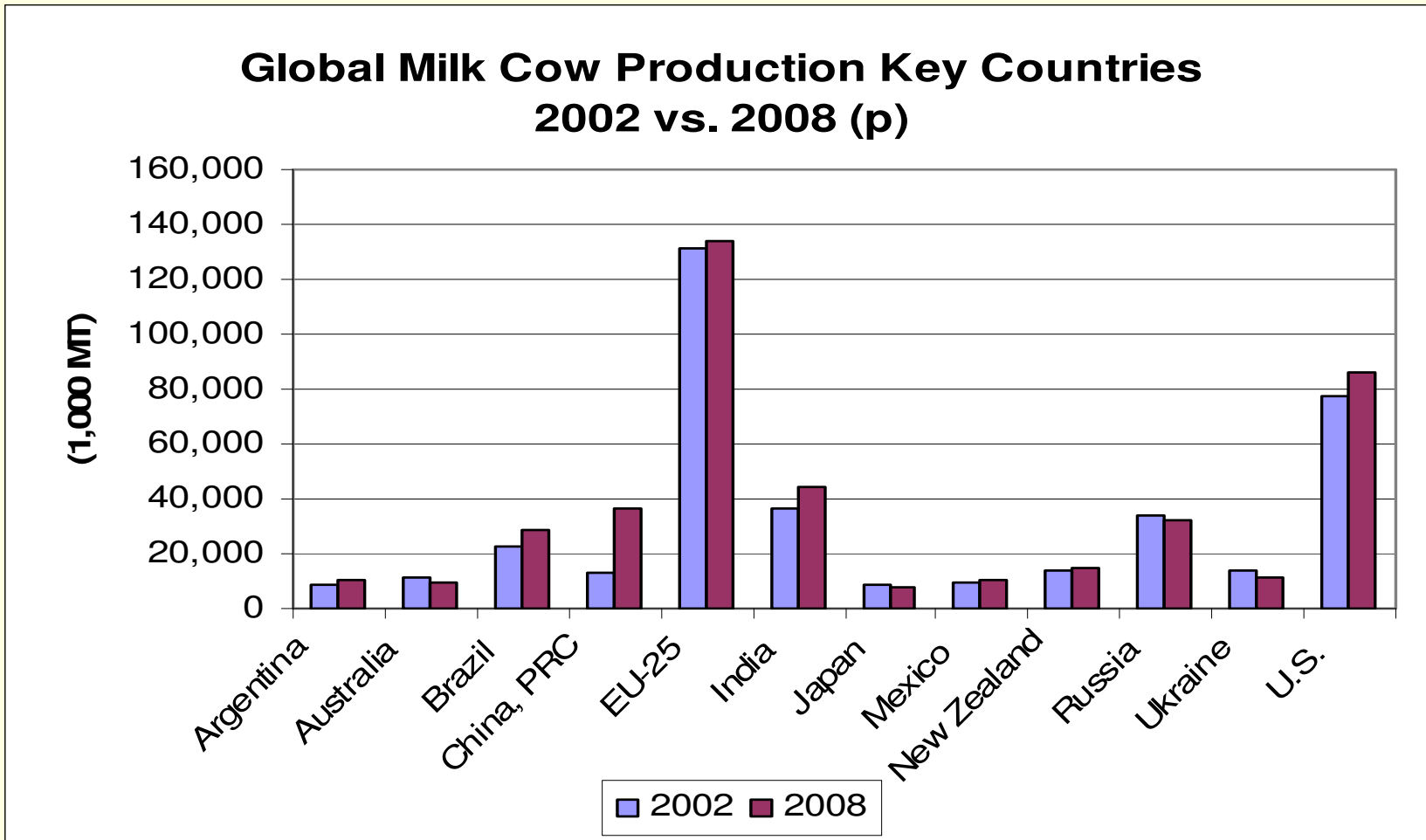
Mary Ledman



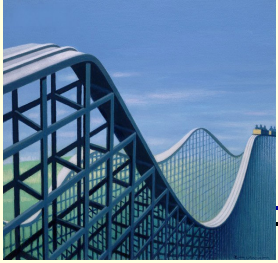
Global Situation



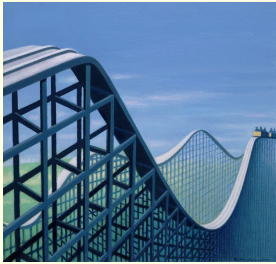
Global Milk Production



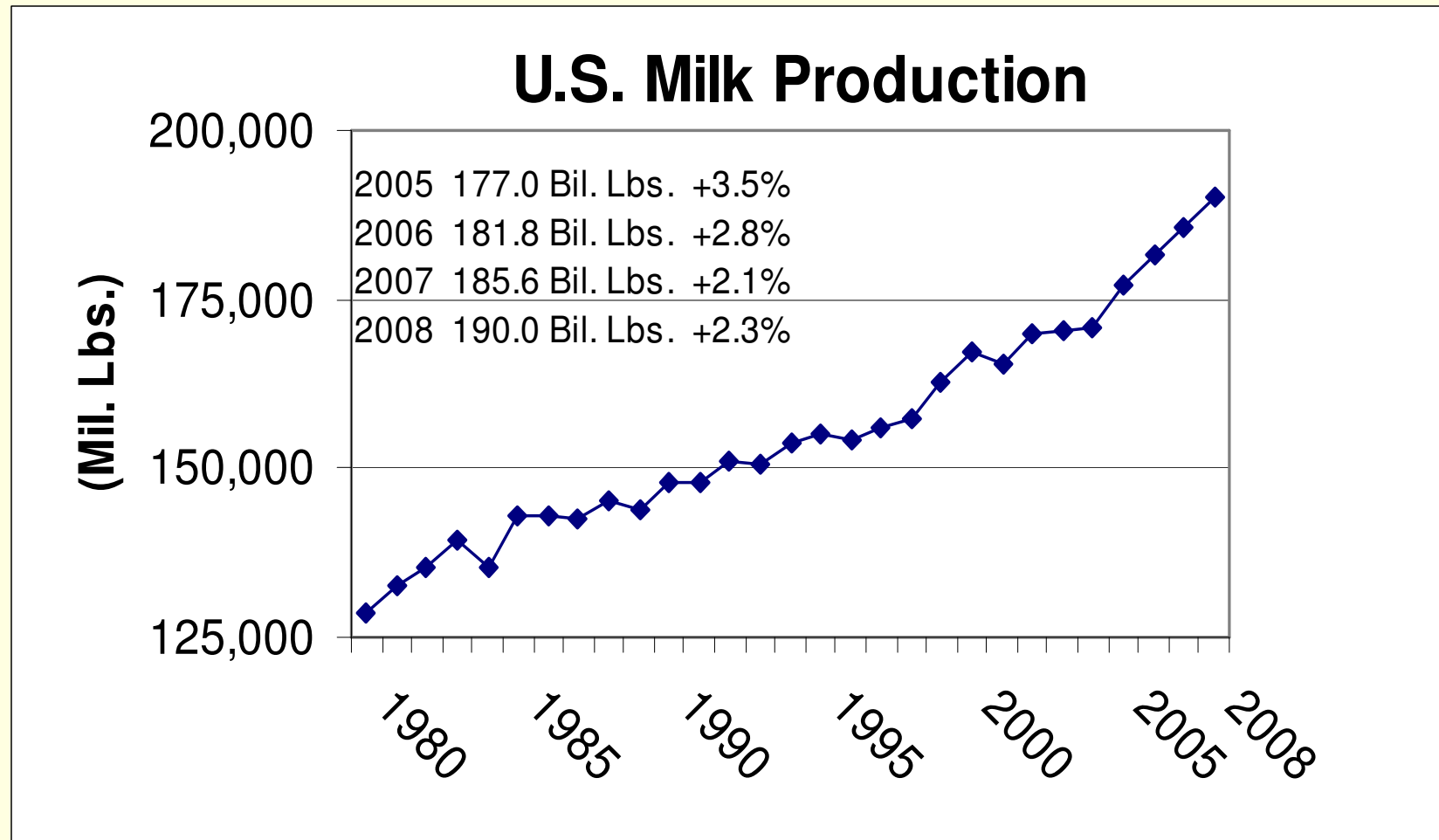
Source: USDA, Foreign Agricultural Service



U.S. Milk Production

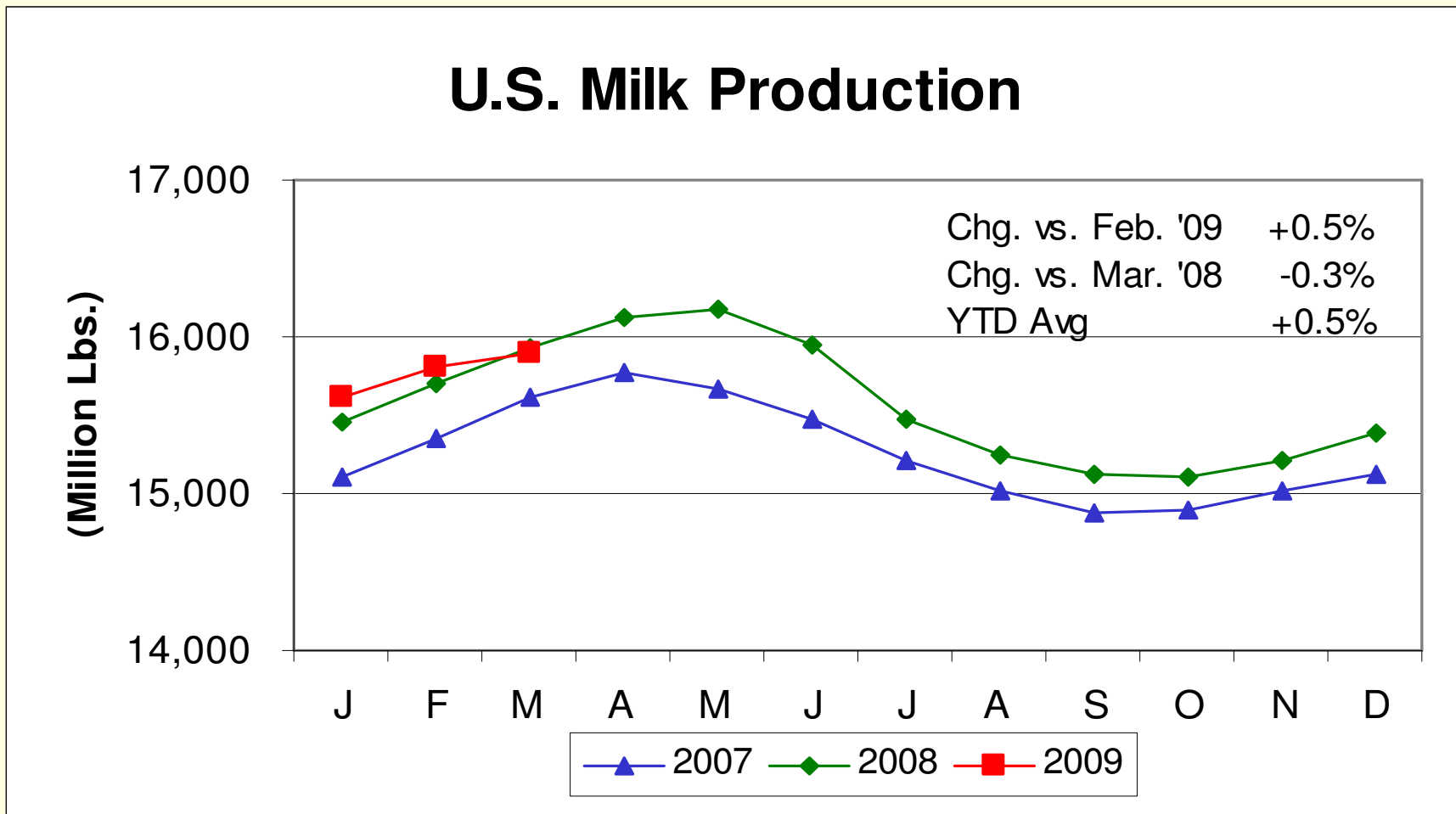


U.S. Milk Production



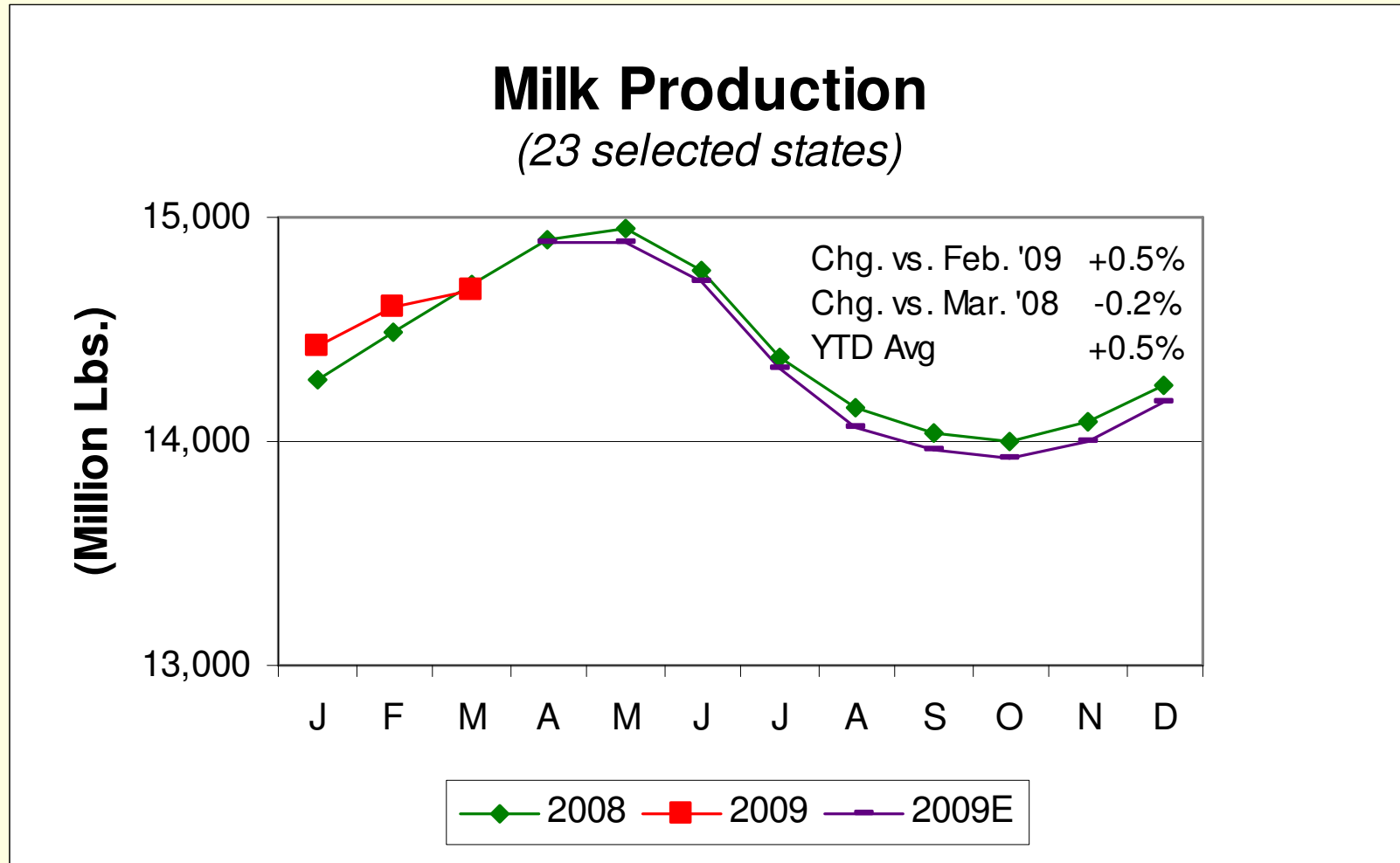


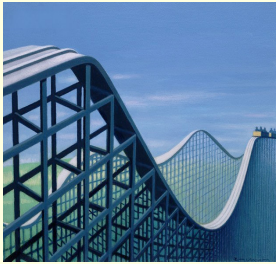
U.S. Milk Production YTD



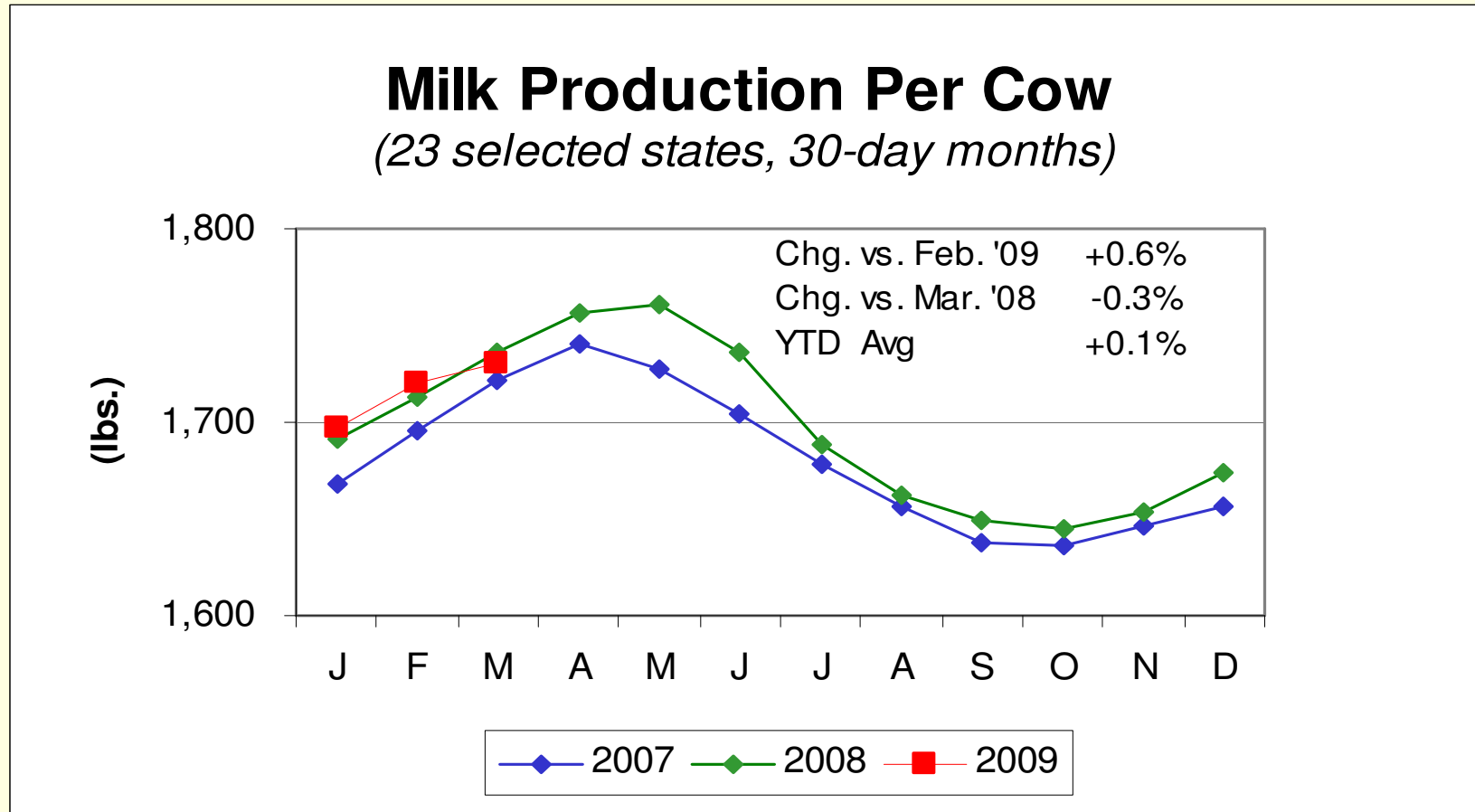


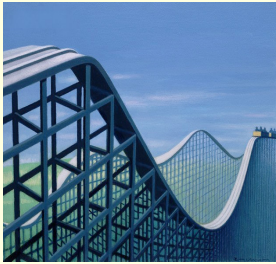
U.S. Milk Production



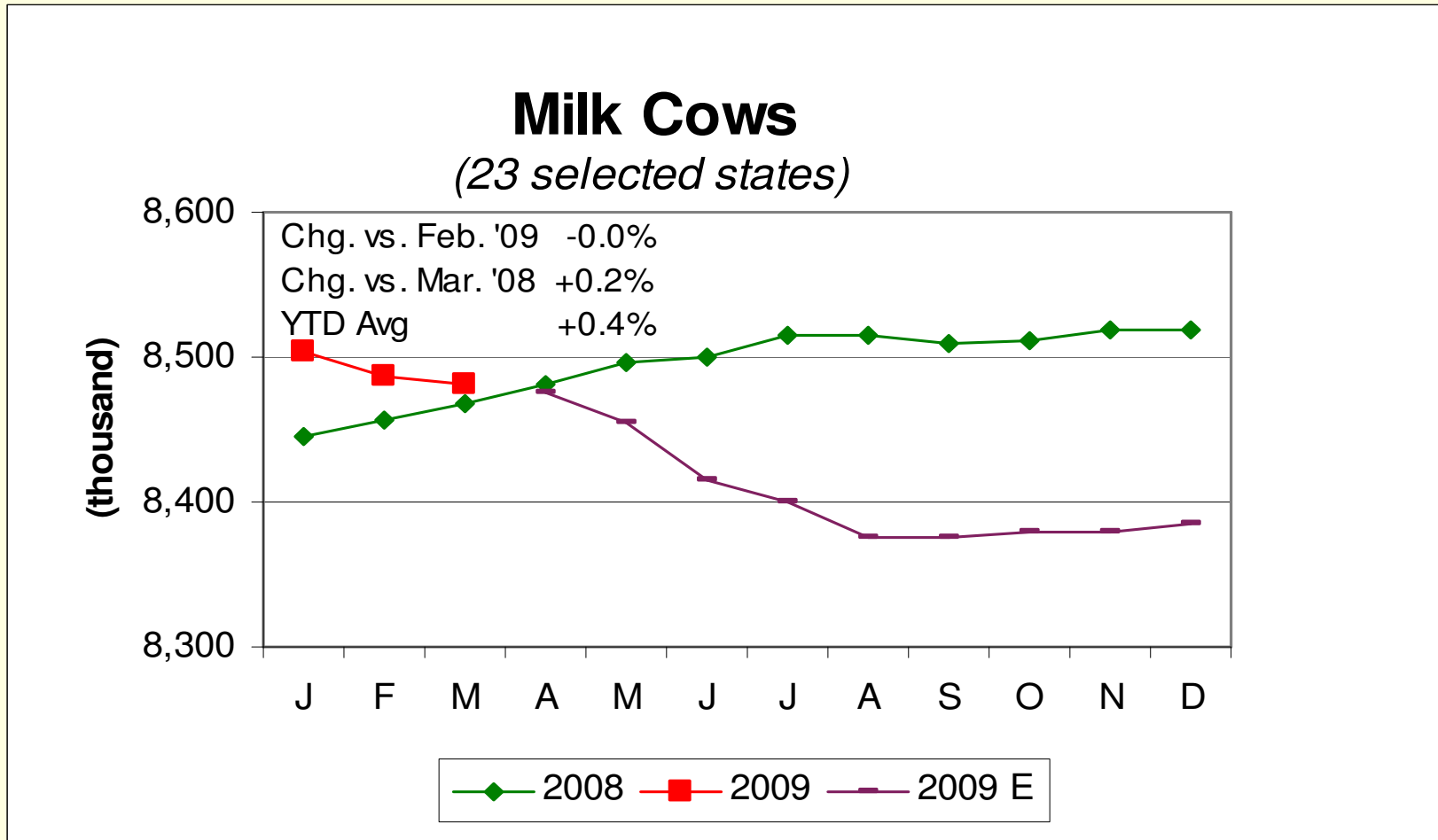


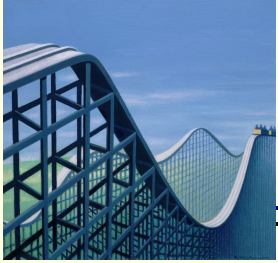
U.S. Milk Production Per Cow



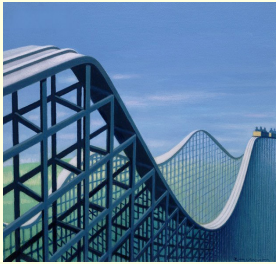


U.S. Cow Numbers

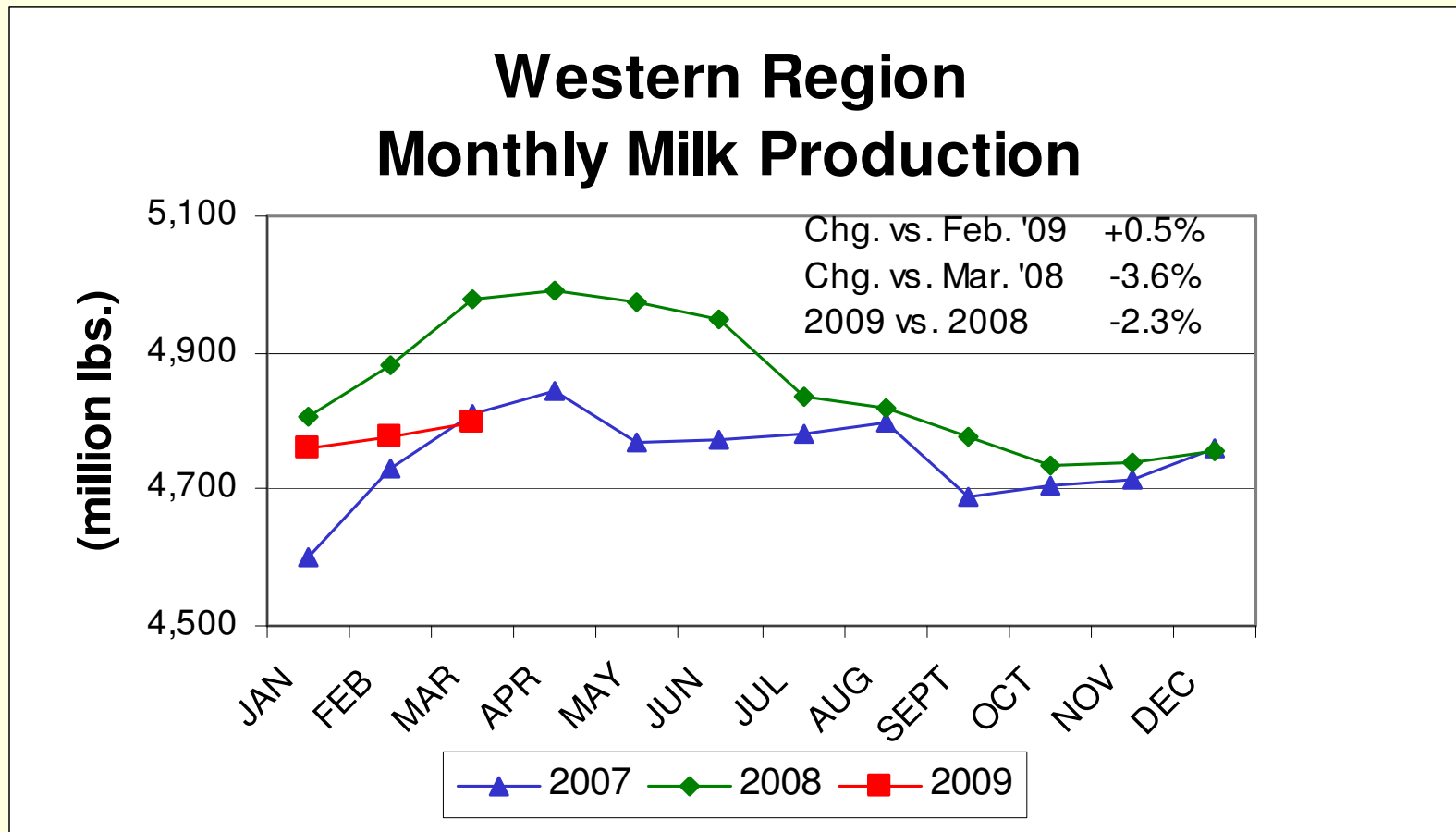


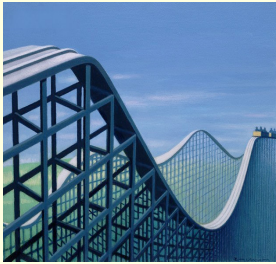


Regional Supply

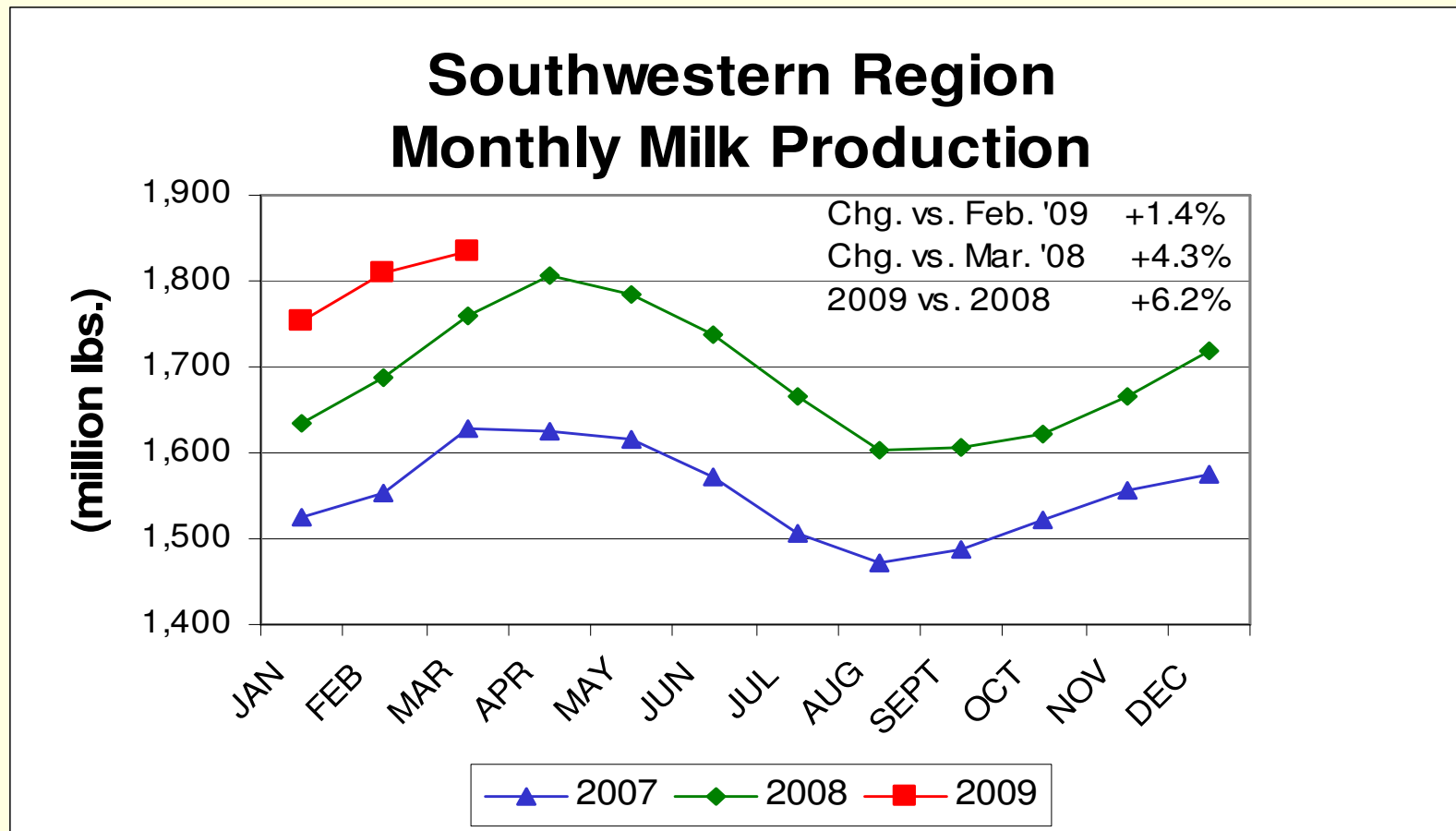


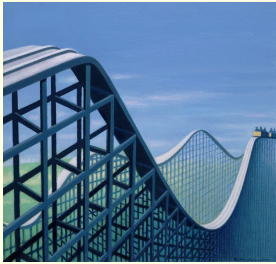
Western Region



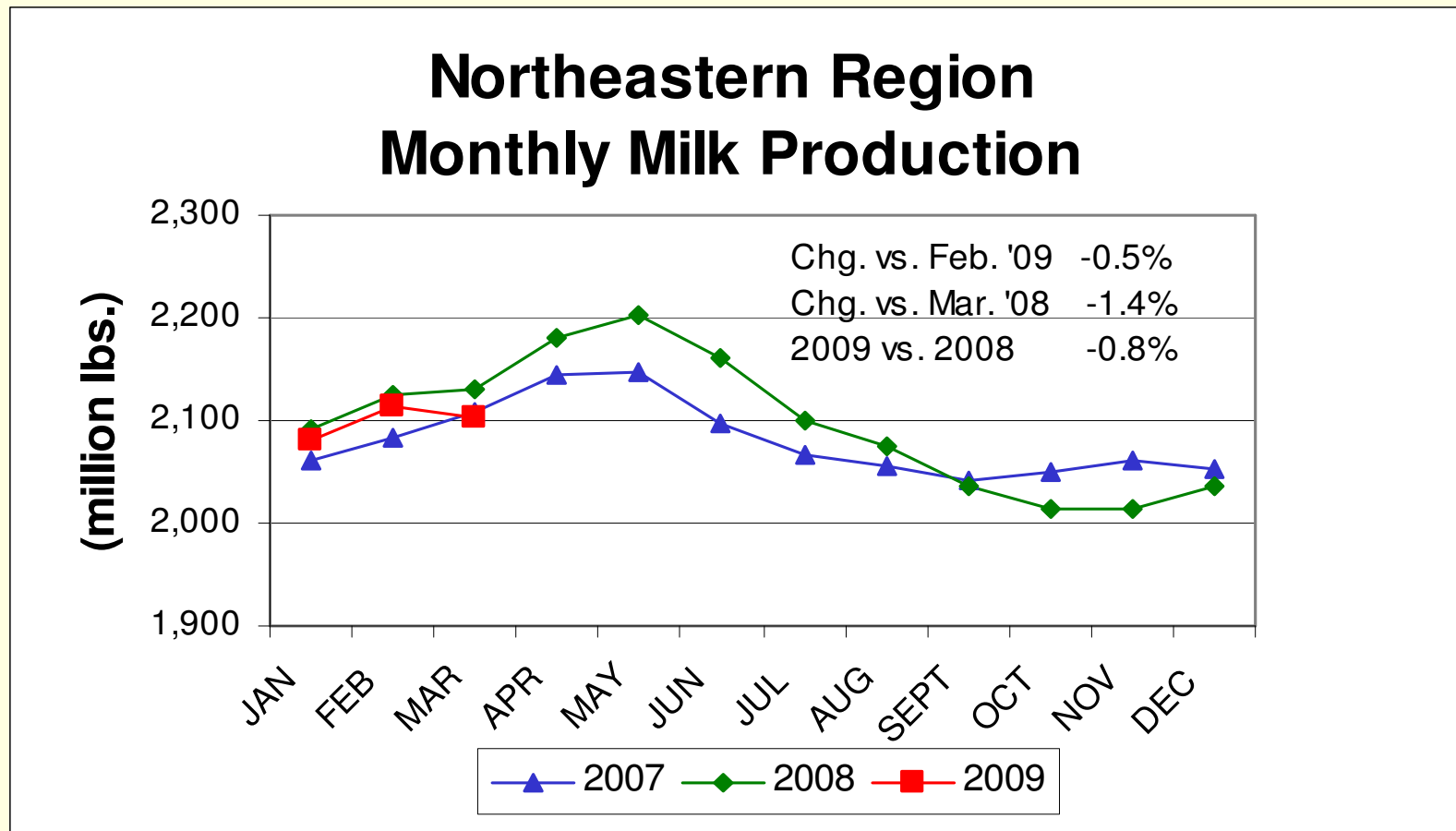


Southwest Region



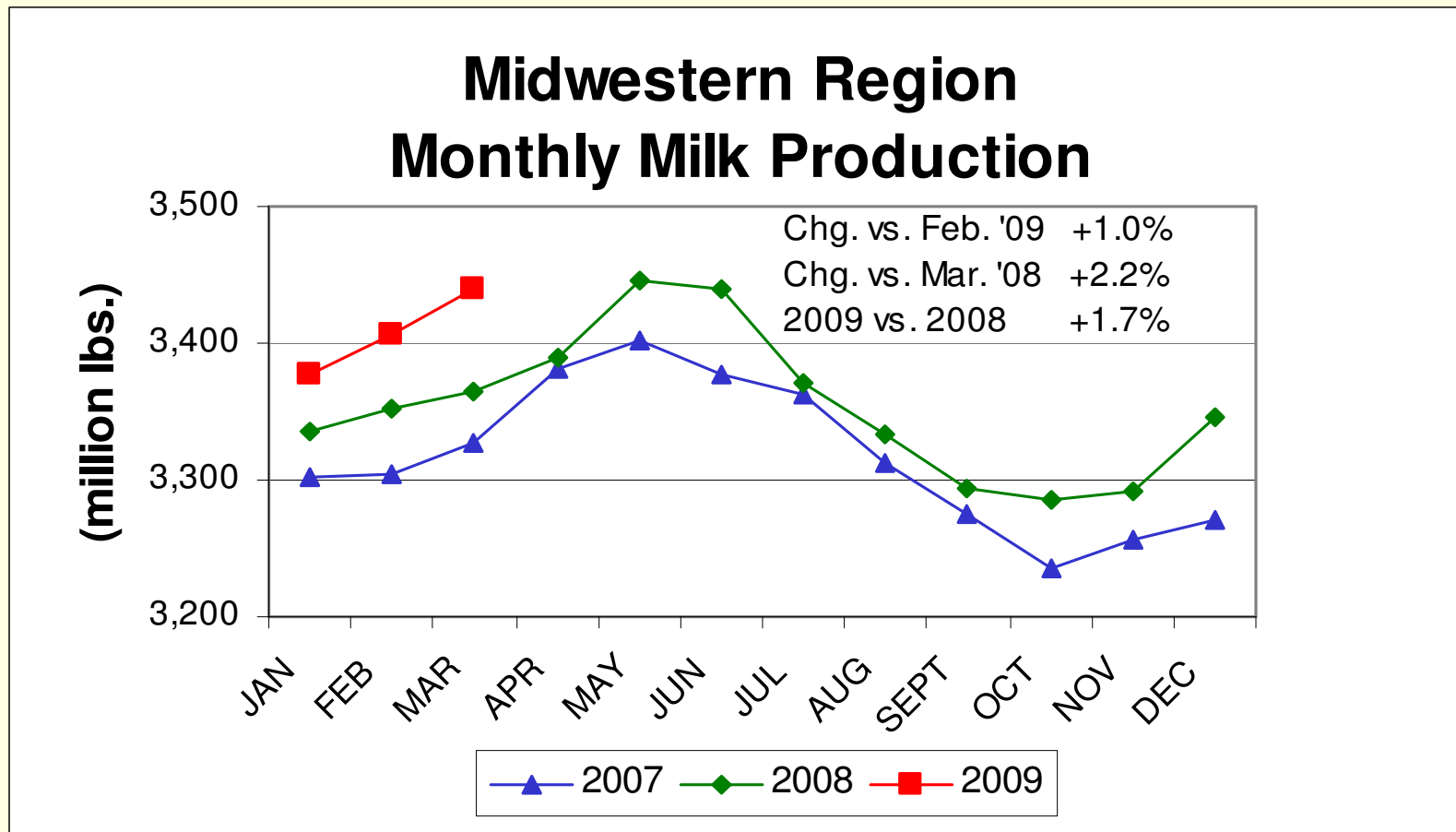


Northeast Region



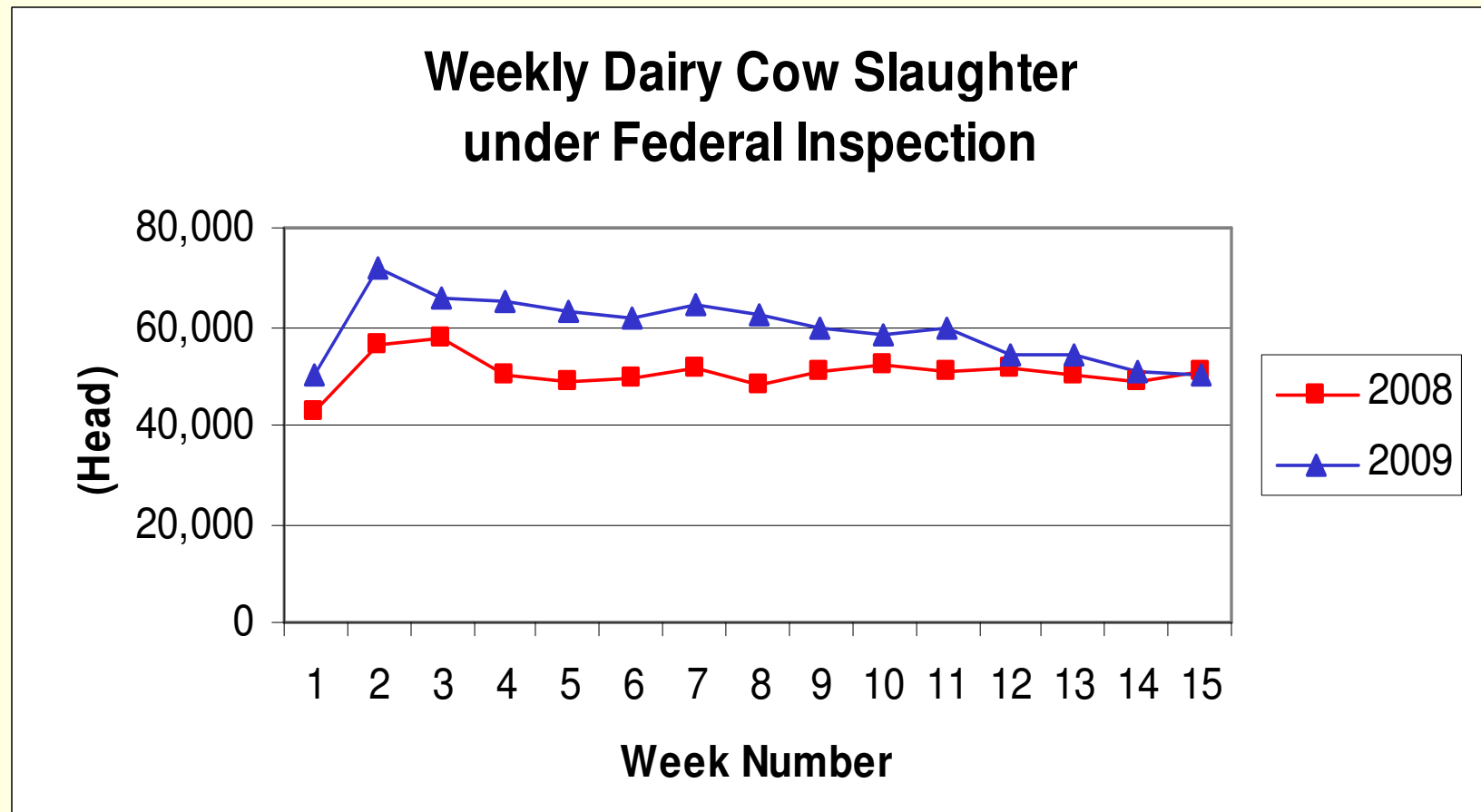


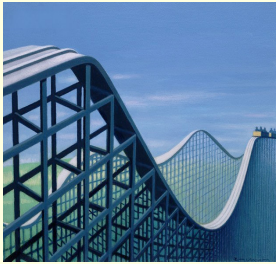
Midwest Region



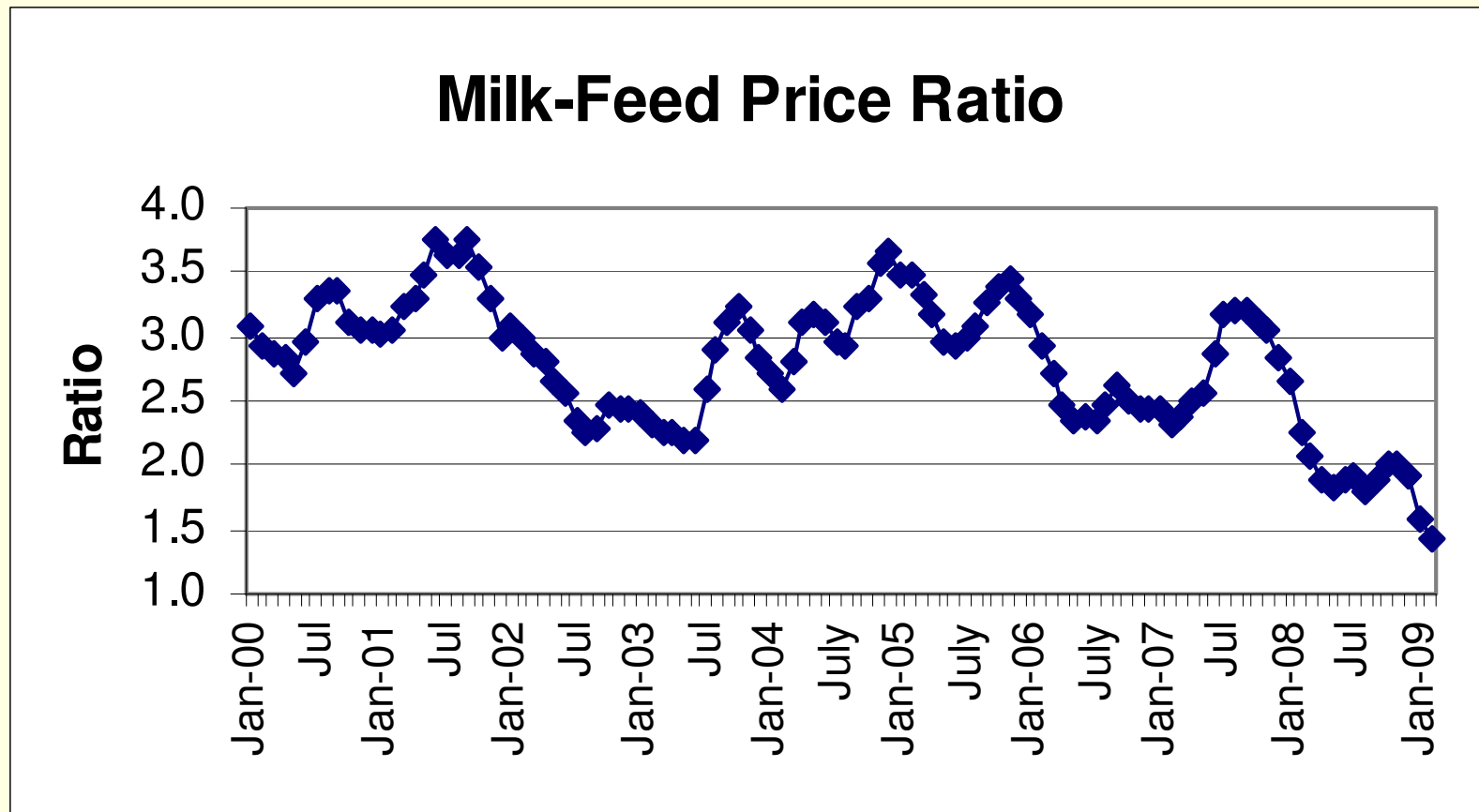


Dairy Cow Slaughter





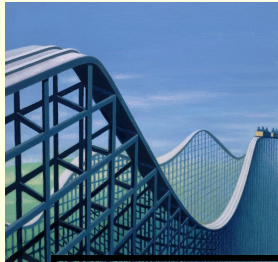
Milk-feed Price Ratio





Milk Feed Price Ratio

- Pounds of 16% Mixed Dairy Feed equal in value to 1 pound of Whole Milk
- 16% Mixed Dairy Feed includes:
 - Corn
 - Soybeans
 - Alfalfa
- Ratio above 3.0 drives expansions



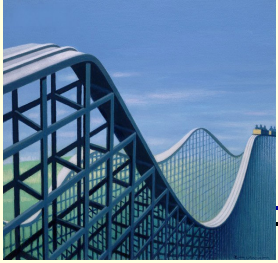
Milk Feed Price Ratio

Mar. Est. Milk Feed Price Ratio	1.51	+0.01
All Milk Price	\$11.50/cwt.	-\$0.10/cwt.
Corn	\$3.96/bu.	+\$0.09/bu.
Soybeans	\$9.13/bu.	-0.42/bu.
Alfalfa	\$137/ton	-\$6.00/ton



Milk Production Outlook

- U.S. milk production is expected to be flat in 2009.
- Growth in U.S. milk production in 2009 will be dependent upon increase milk per cow as the dairy herd is expected to contract due to lower profitability.
 - Regional Impacts
 - “Leverage” more than size matters



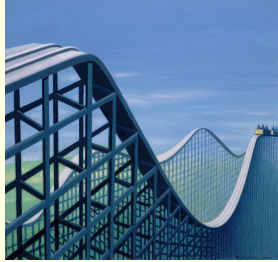
ADPI / ABI Annual Conference

Mike Brown
Glanbia Foods, Inc.
April 27, 2009



Topics

- Cheese
 - American Style
 - Mozzarella
- Whey
 - Dried Whey
 - WPC
 - Lactose & Permeate

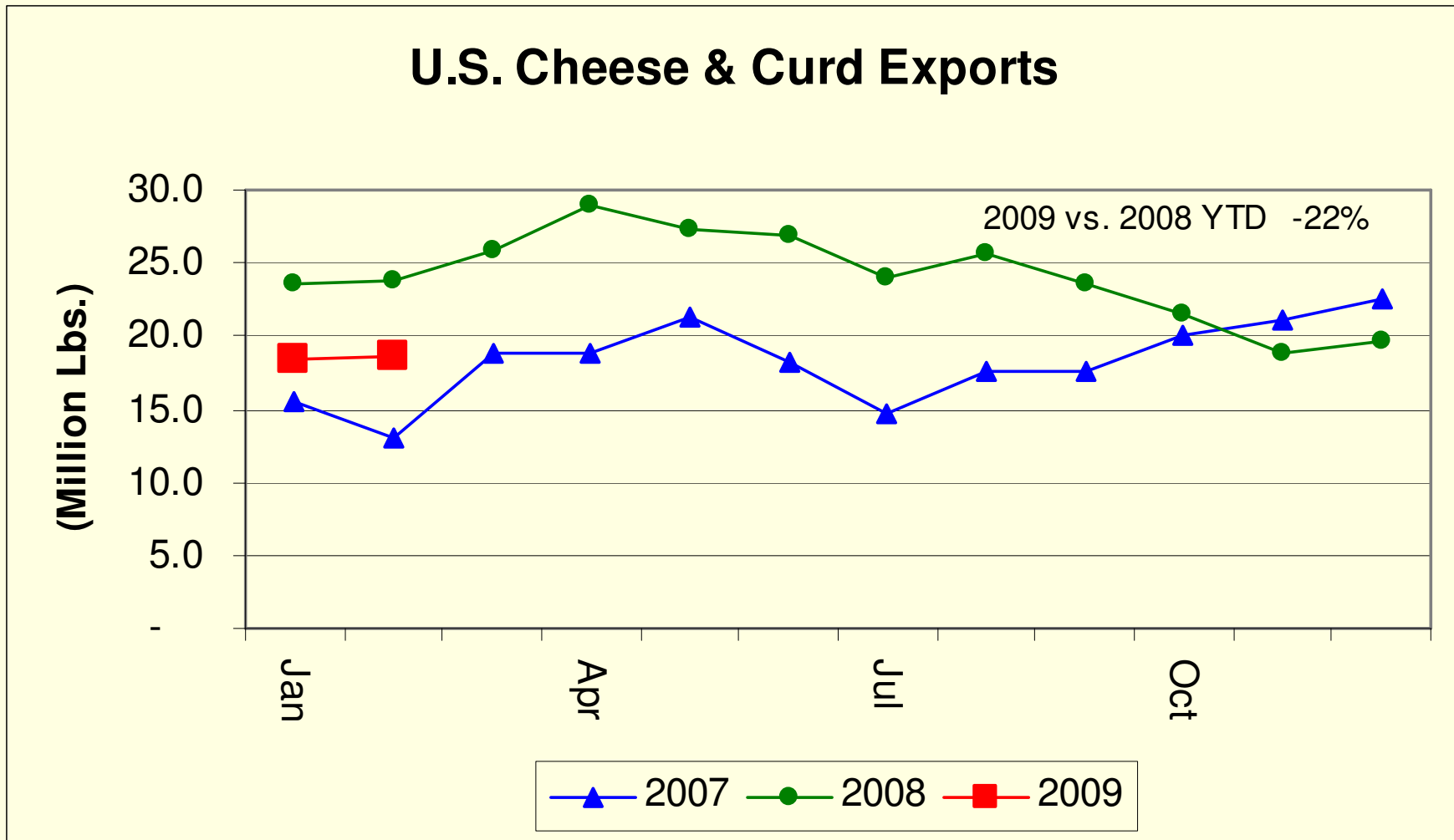


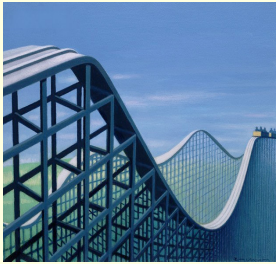
Cheese & Whey Demand

- Consumer Habits impacting Demand
 - Eat Out Less
 - Price Points
- Export Market Weakening
 - Buyers have Less Money
 - Sellers have more Cheese
- Net Commercial Disappearance Lower



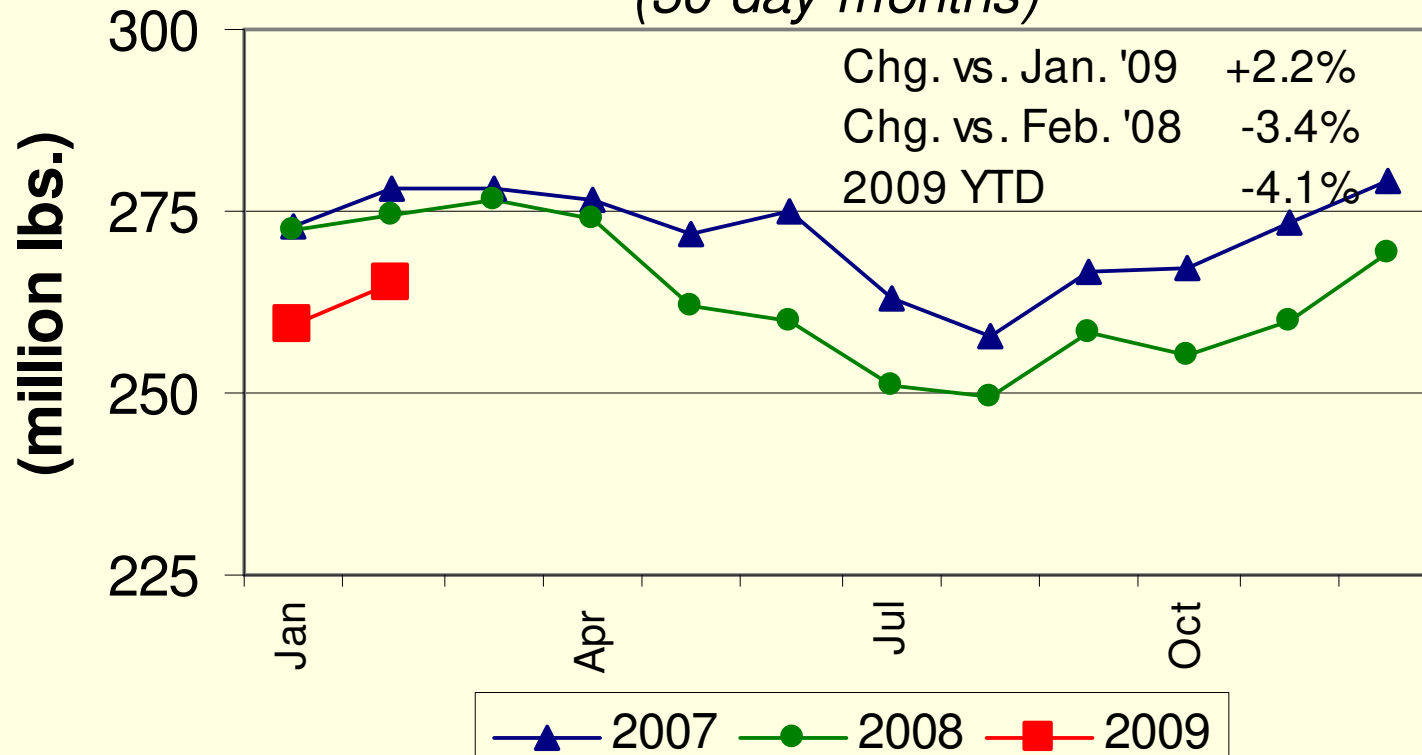
Cheese Exports Slowing

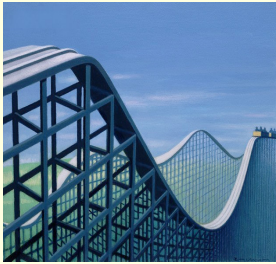




Mozzarella Output Weaker

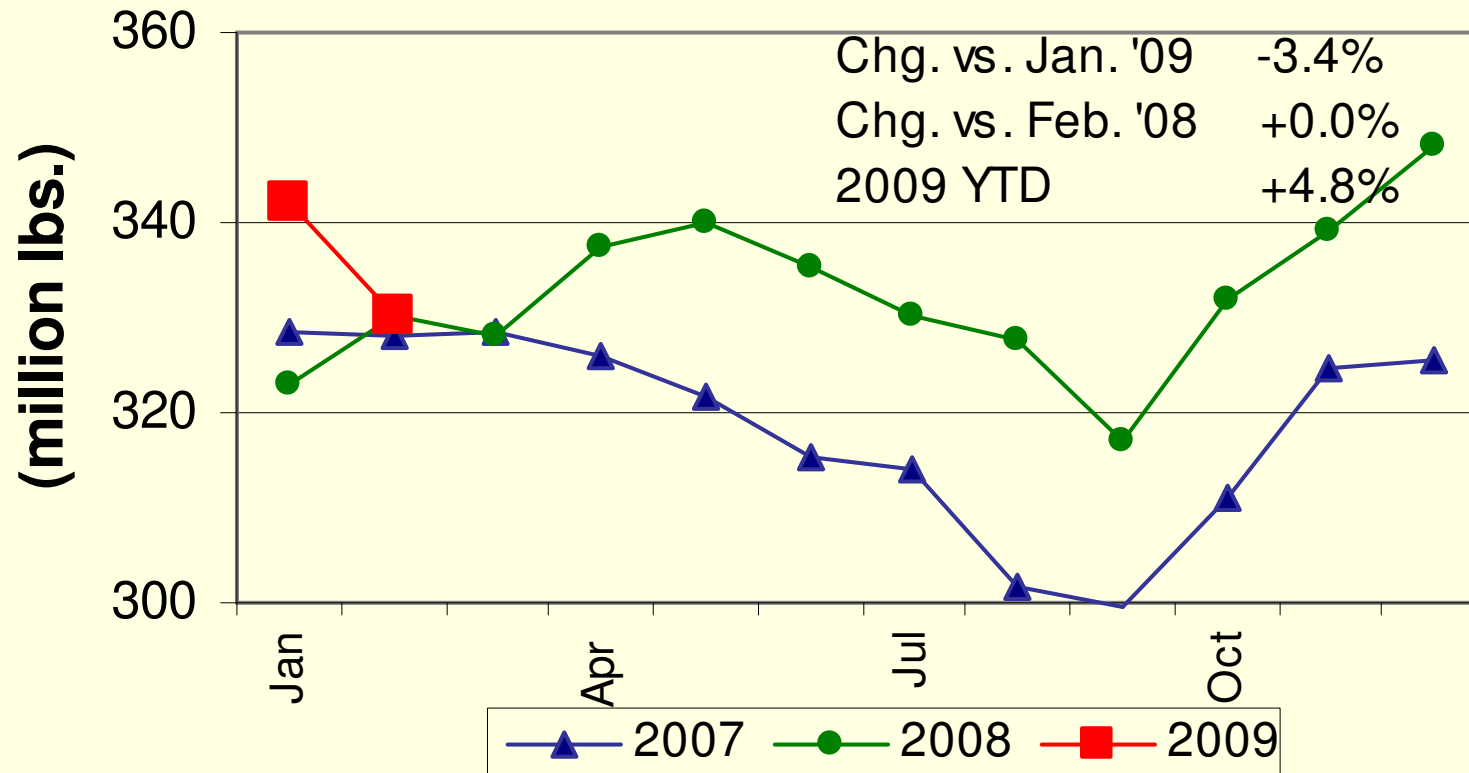
U.S. Mozzarella Cheese Production (30-day months)

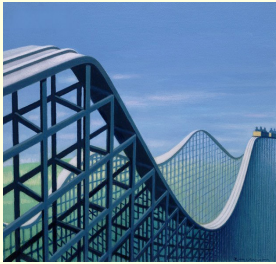




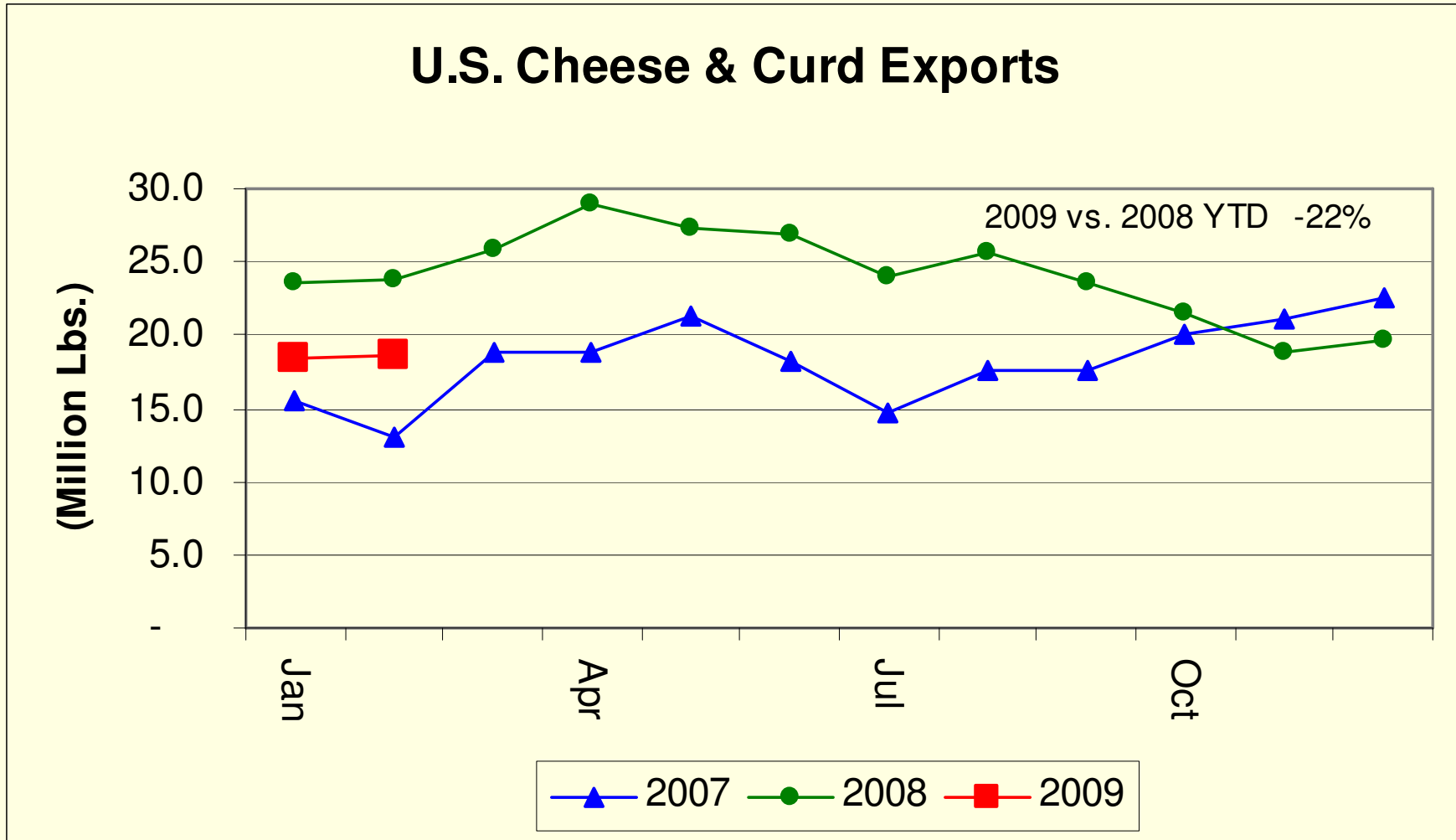
Cheddar Production Stronger

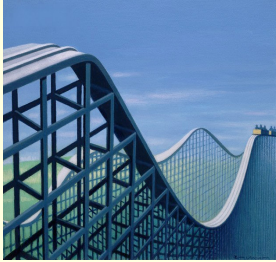
U.S. American Cheese Production (30-day months)



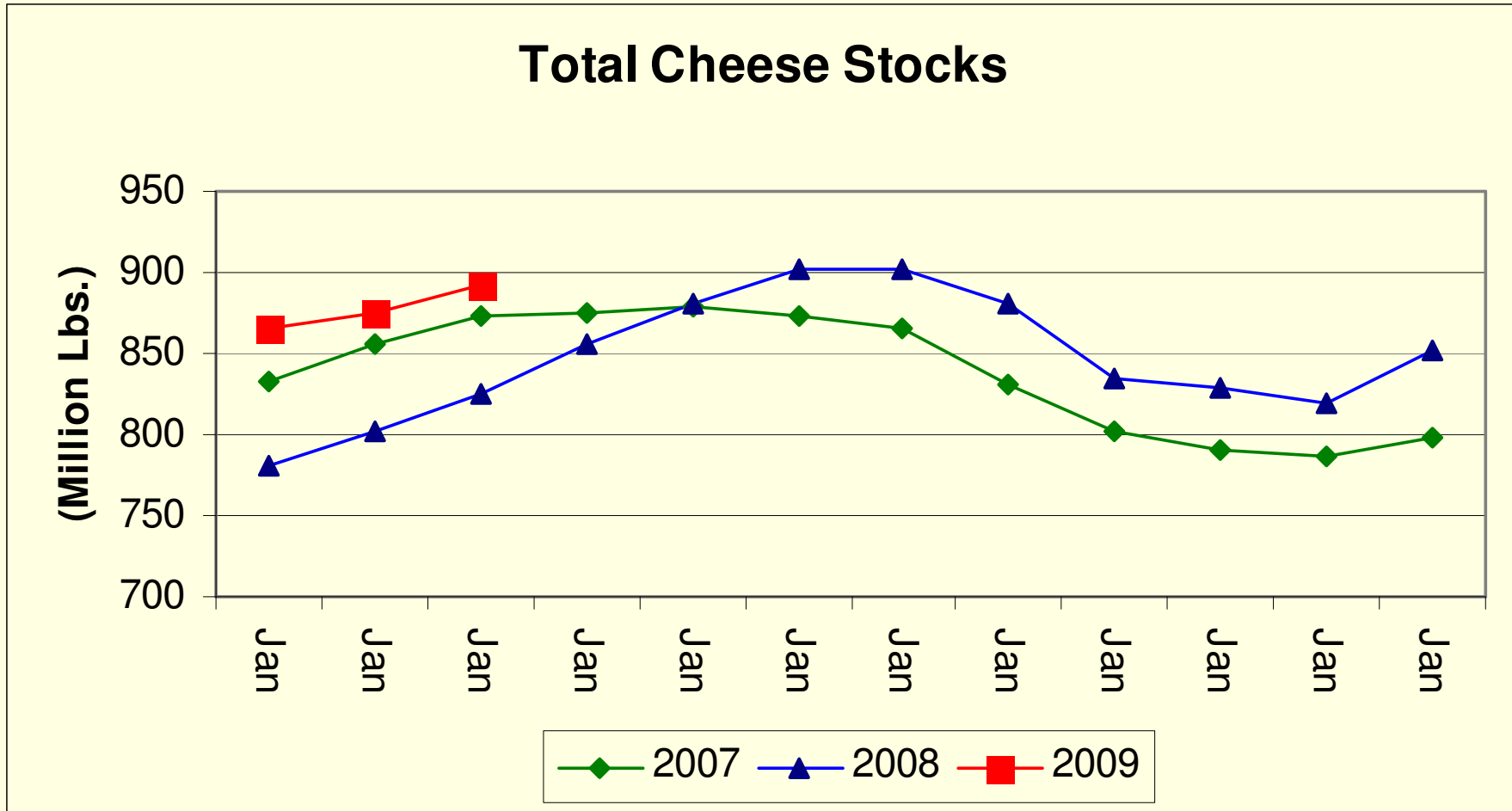


Cheese Exports Slowing





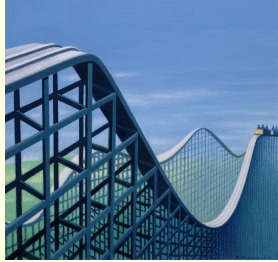
Cheese Inventories Strong





Whey Products

- More collective knowledge in this room than anywhere in the world!
- Classic Economic Issues
 - Supply Effect
 - Demand Effect
 - Income Effect



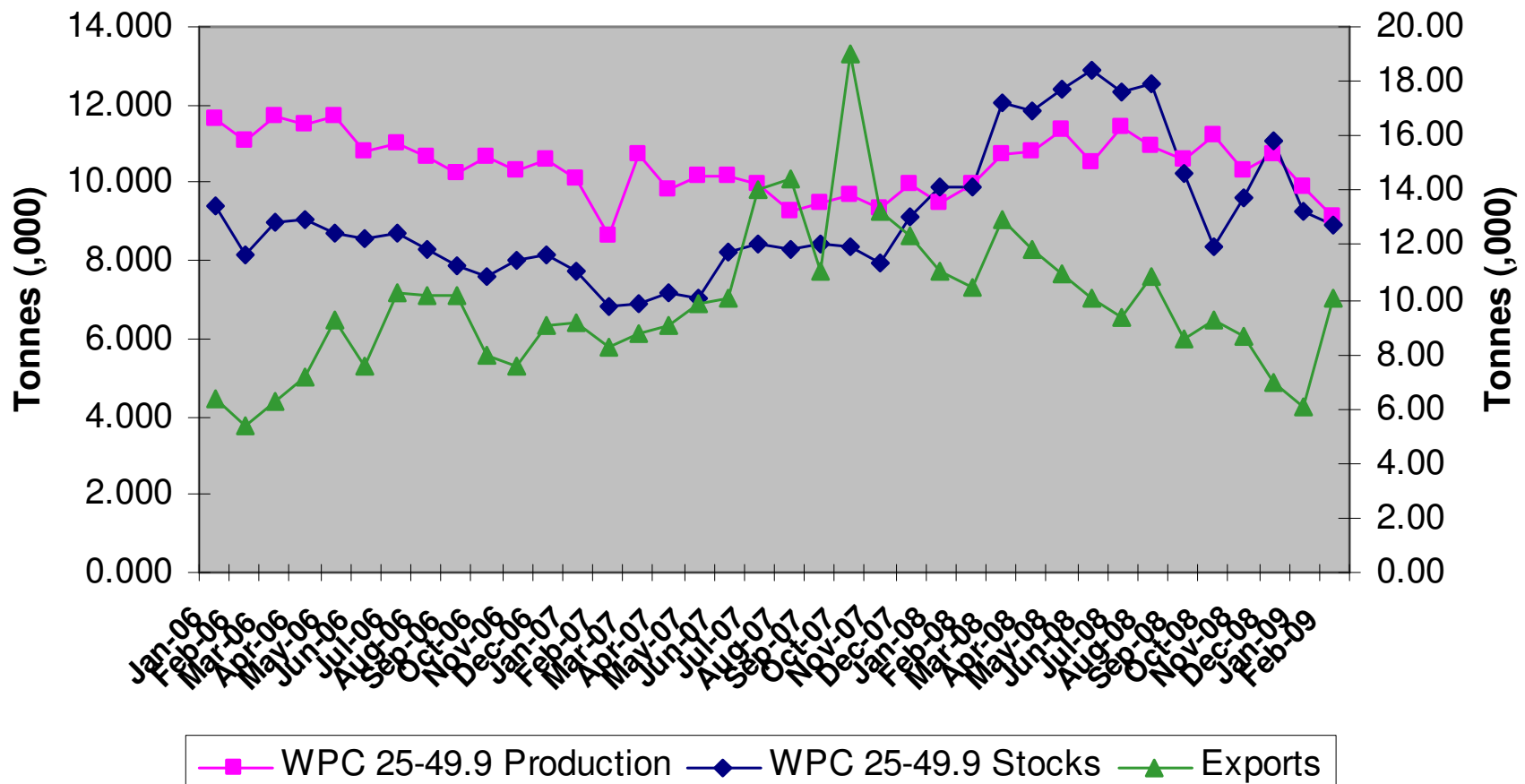
Whey Products Sales Impacts

- Substitution Effect
 - Many sources of sugars and starches
 - More when goal is energy, not functionality
- Income Effect
 - Global Meltdown leads to less money to buy anything!
 - Weaker Currencies - Mexico
 - Food purchases greater percentage of income
 - High Prices have greater impact



WPC 34: At a Plateau

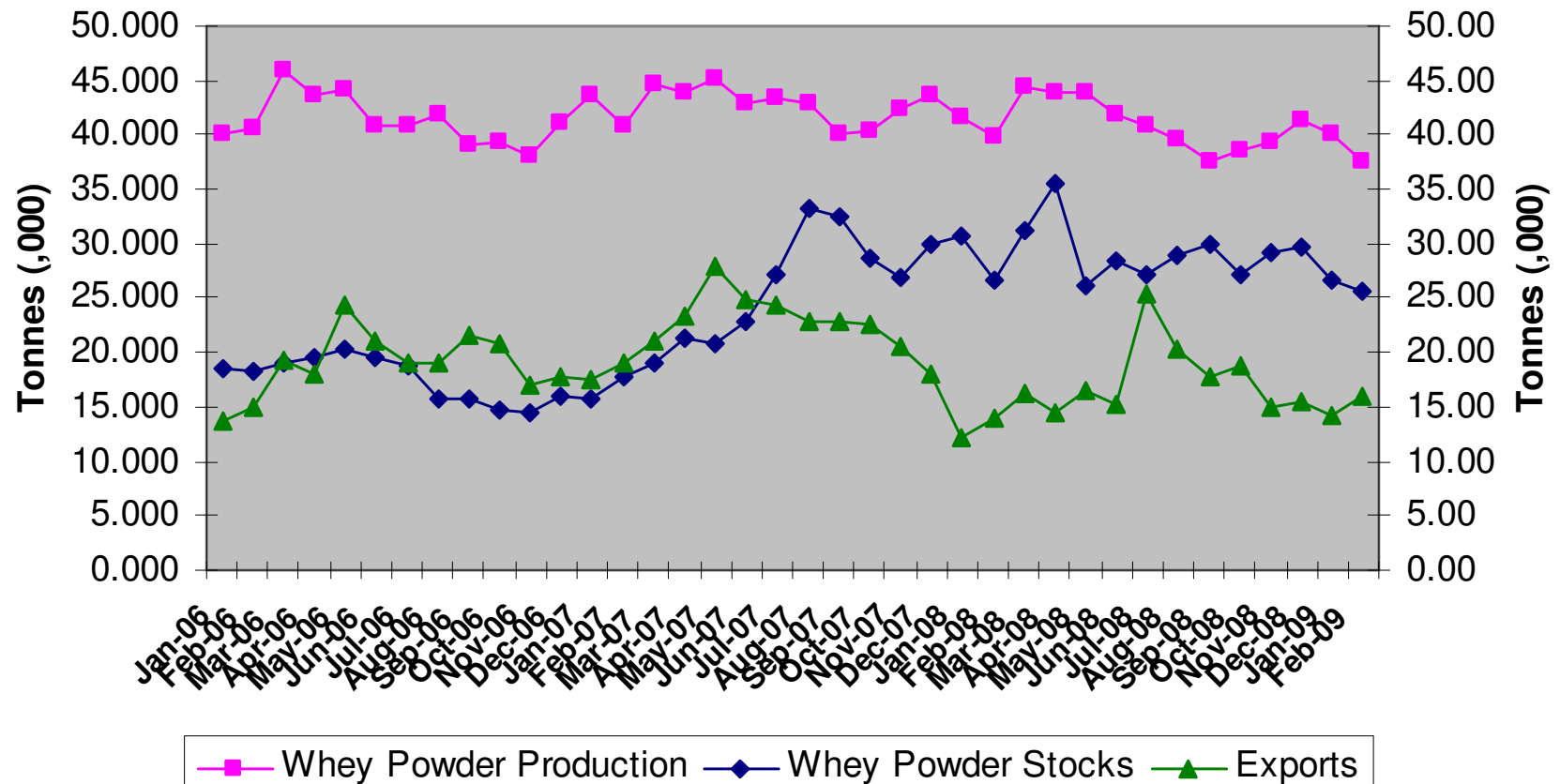
US WPC 34 Production/Stocks/Exports

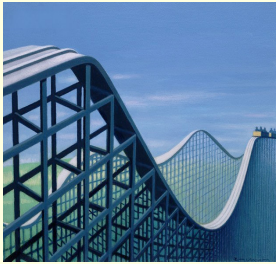




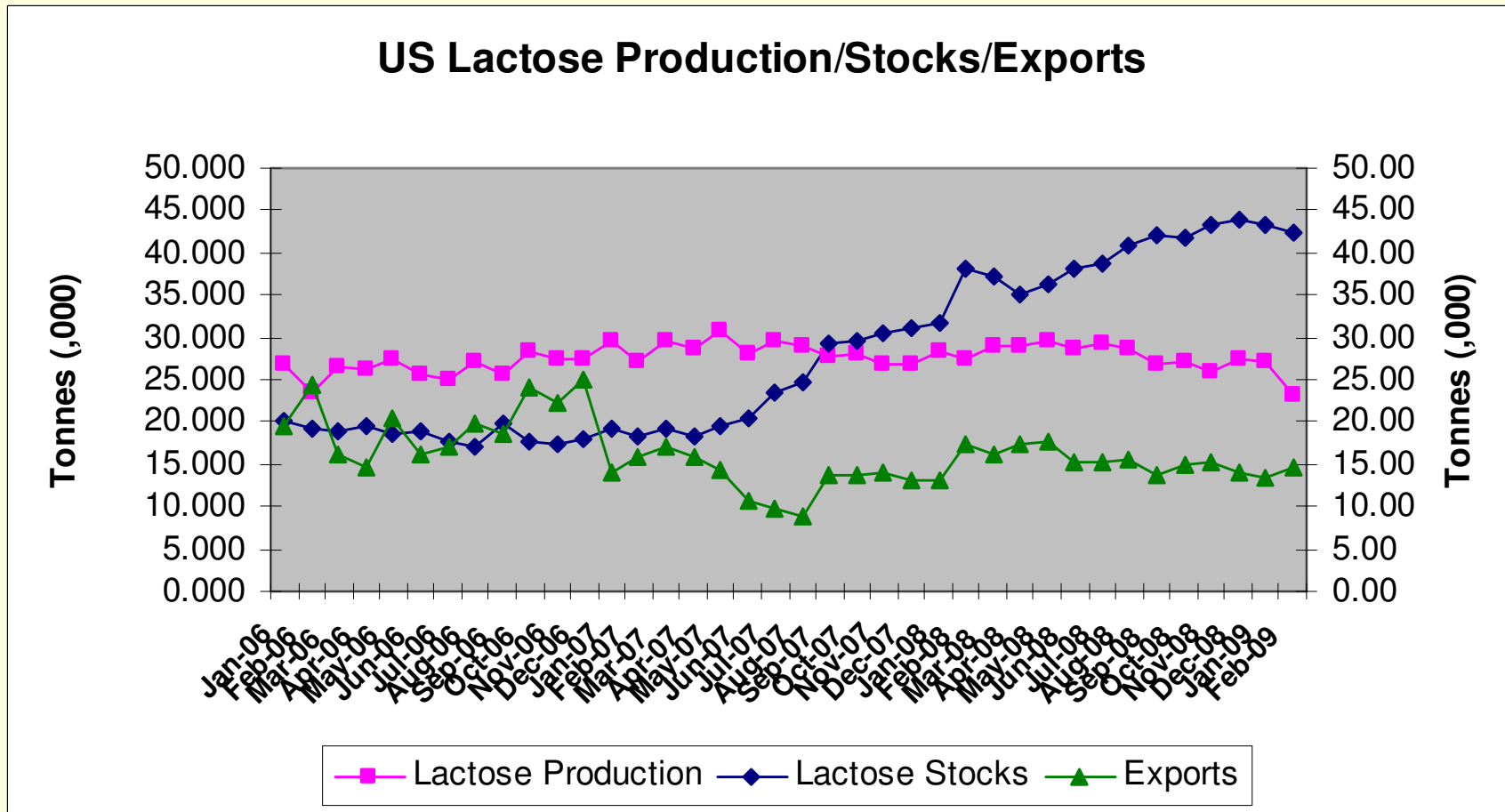
Whey: Coming Back?

US Whey Production/Stocks/Exports





Lactose: It's a Demand Issue





Exports Mixed, but Improving

Whey Product Exports

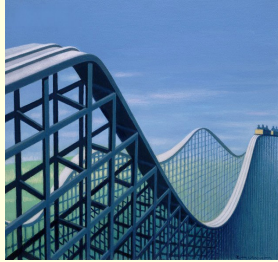
	Annual Exports			YTD	YTD 2009
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>% Change</u>
WPC	97,149	139,361	120,996	16,130	-25.3%
Whey	226,797	265,032	201,282	30,157	16.1%
Lactose	237,867	335,514	185,717	28023.3	-8.1%



Stocks Tell Much of the Story

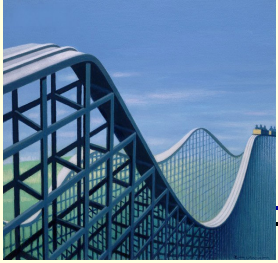
Current ' 09 US Stocks Vs History

	<u>WPC > 50%</u>	<u>WPC < 49%-</u>	<u>Whey</u>	<u>Lactose</u>
2005	154%	136%	141%	144%
2006	143%	101%	137%	233%
2007	158%	131%	144%	231%
2008	129%	91%	96%	111%



Whey Products: Looking Ahead

- Milk Supply vs. Cheese, Whey Supply
 - No Milk, No Cheese No Whey
- World Income
 - Recovery crucial to grow Demand
- Pigs in China
 - Removes a lot of whey, milk sugar solids
- Recover Lost markets due to substitution
 - Price
 - Risk Management



ADPI / ABI Annual Conference

Jim Sleper
Land O'Lakes
April 27, 2009



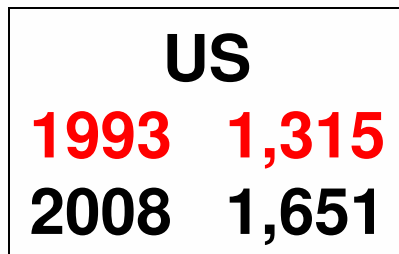
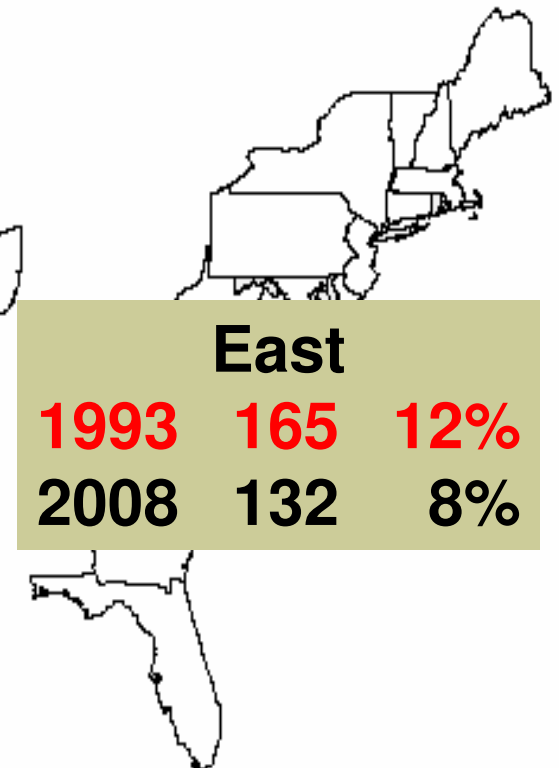
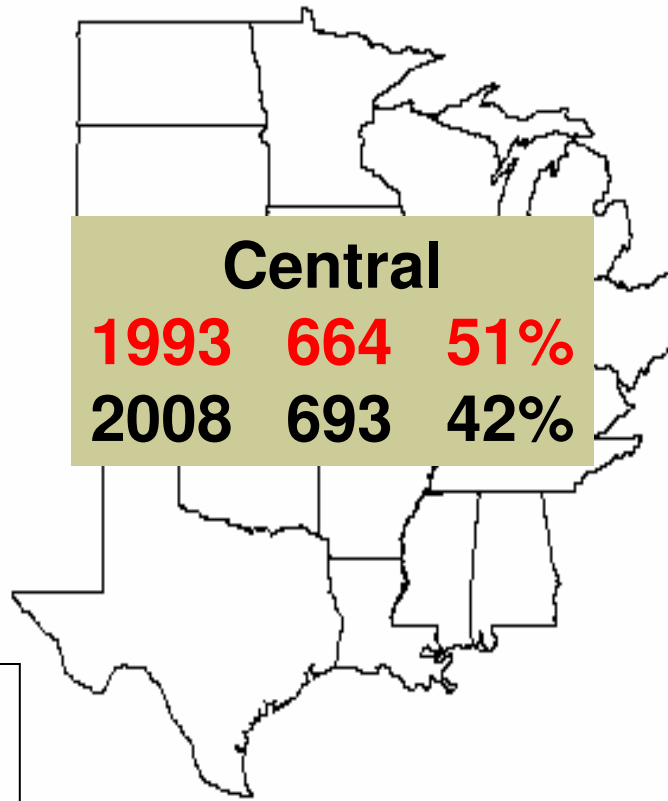
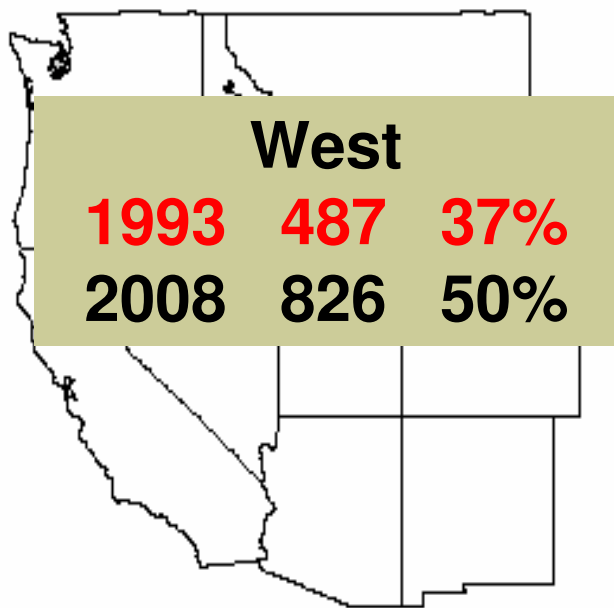
Topics

- Butter
- Non-fat Dry Milk
- CWT Program



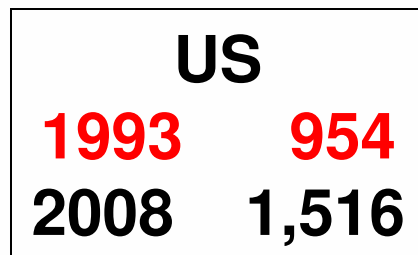
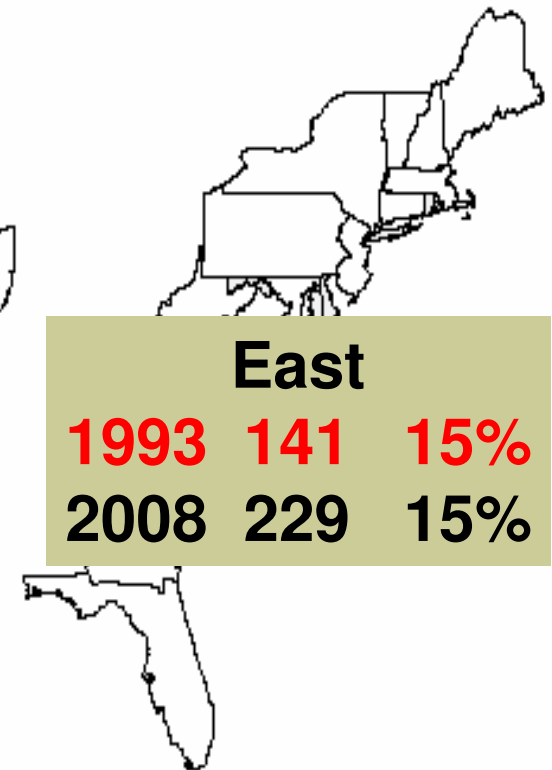
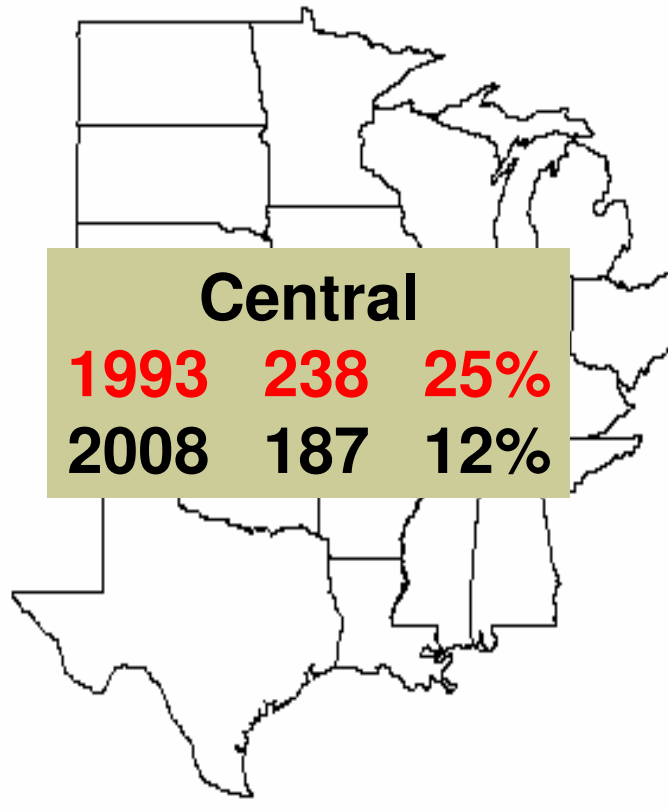
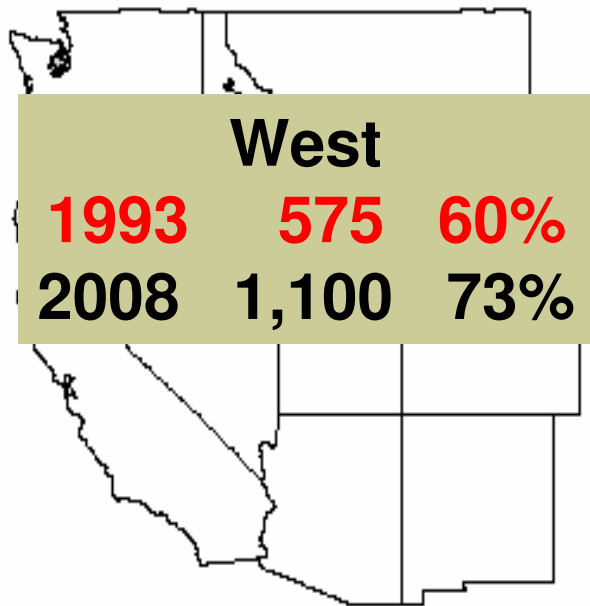
Butter Production

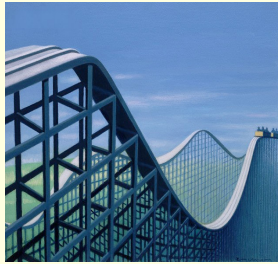
(million pounds)



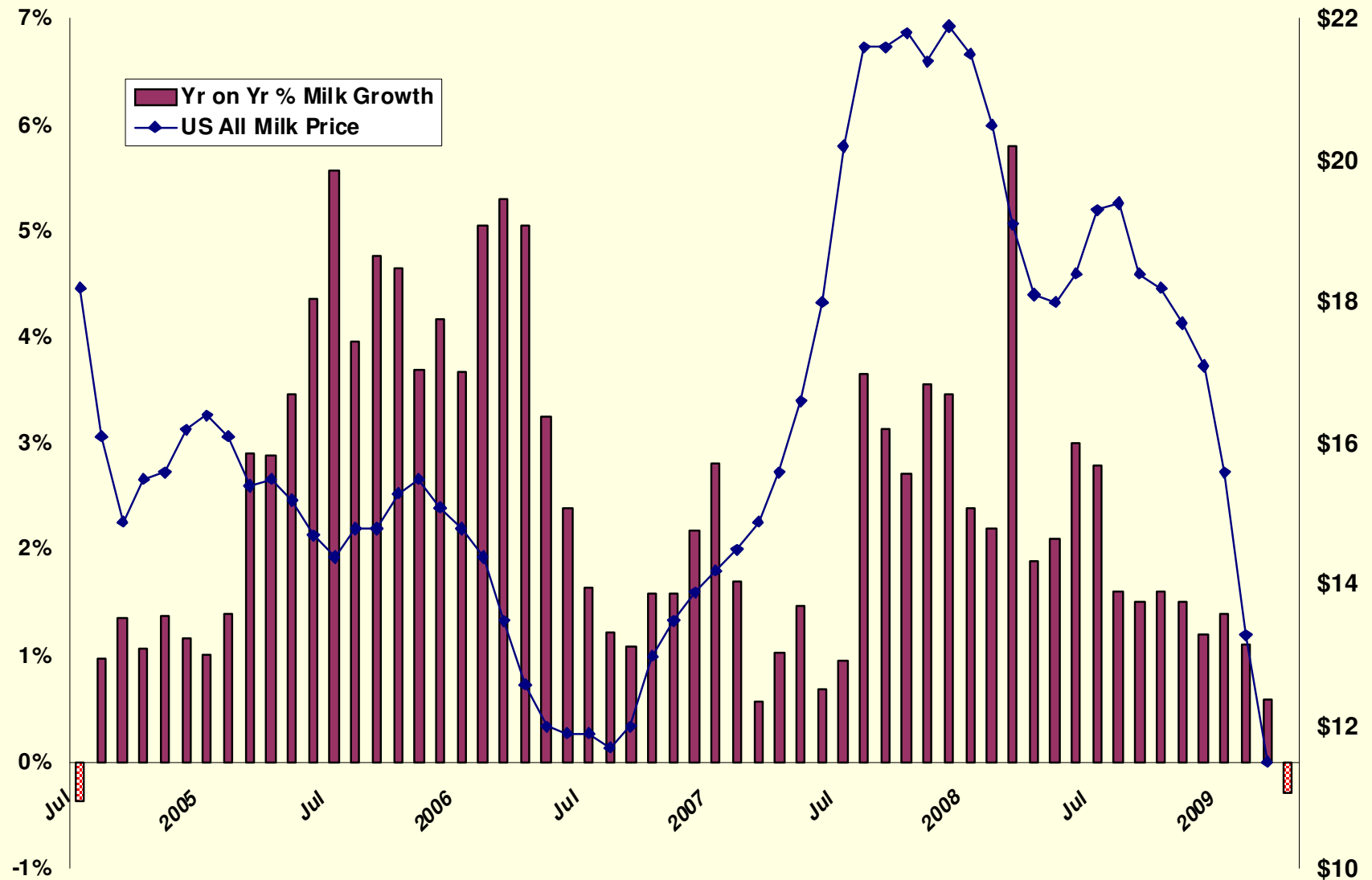


Nonfat Dry Milk Production (million pounds)

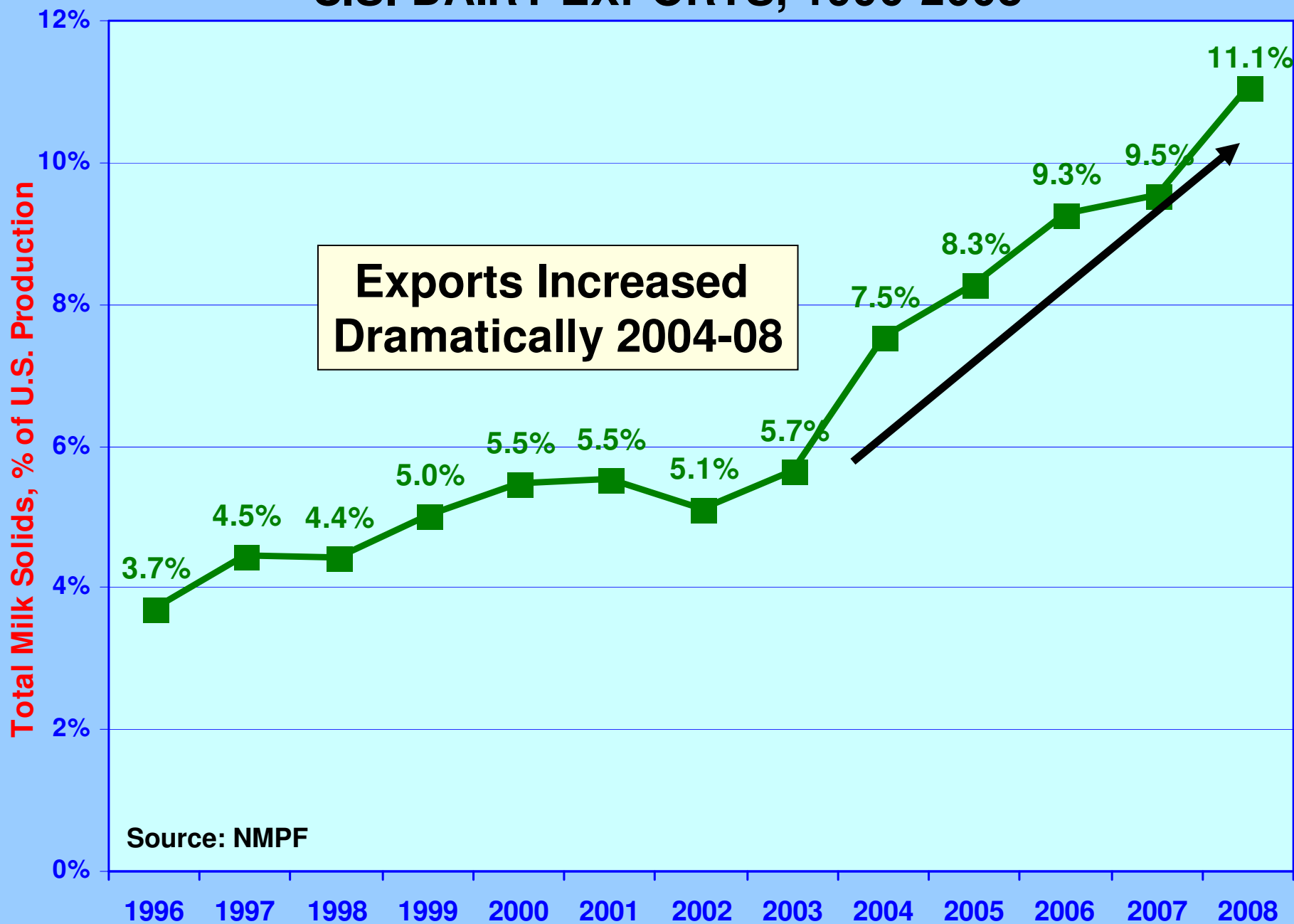




Milk Supply Expansion of 56-Months Ends



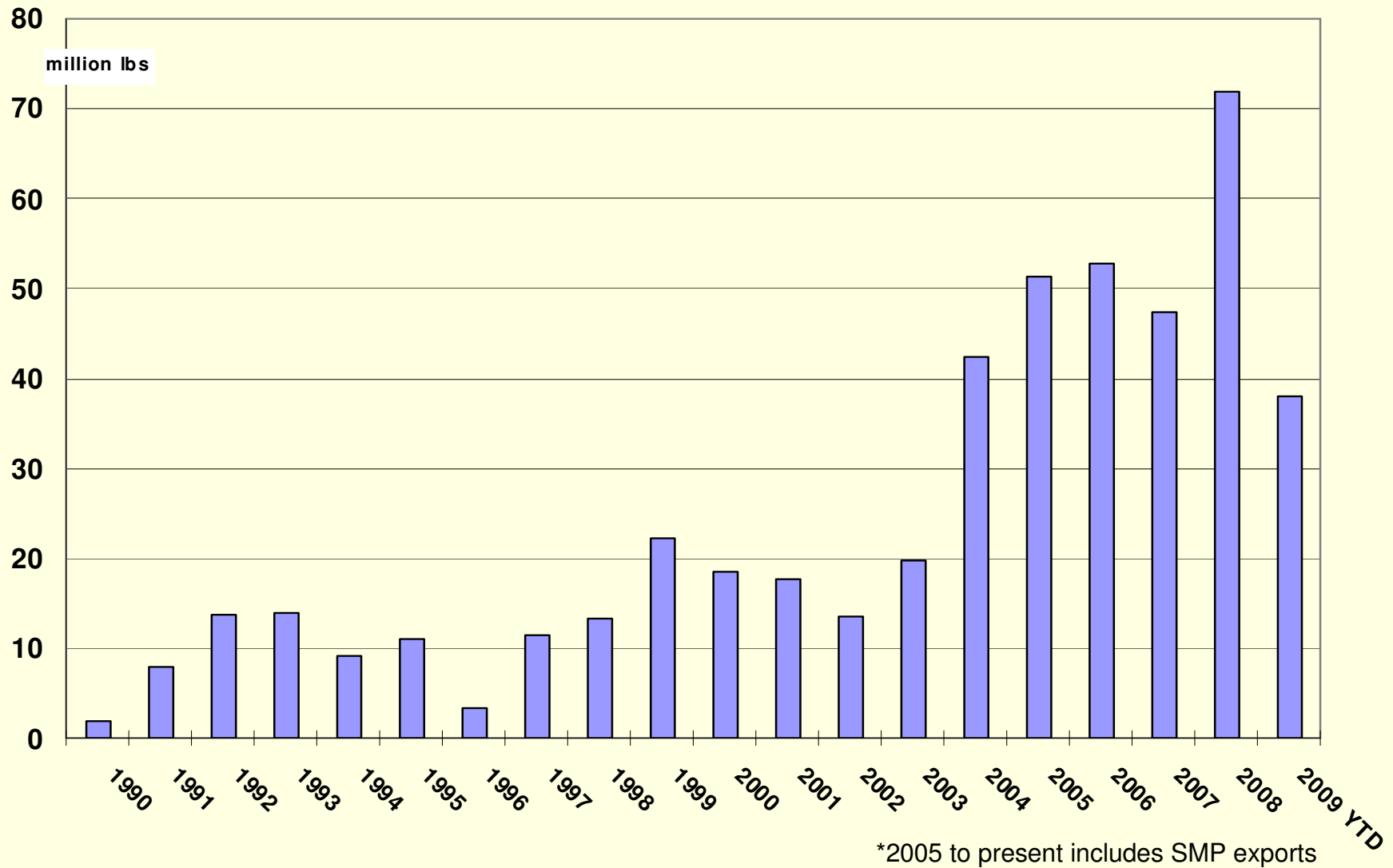
U.S. DAIRY EXPORTS, 1996-2008





US NFDM Exports

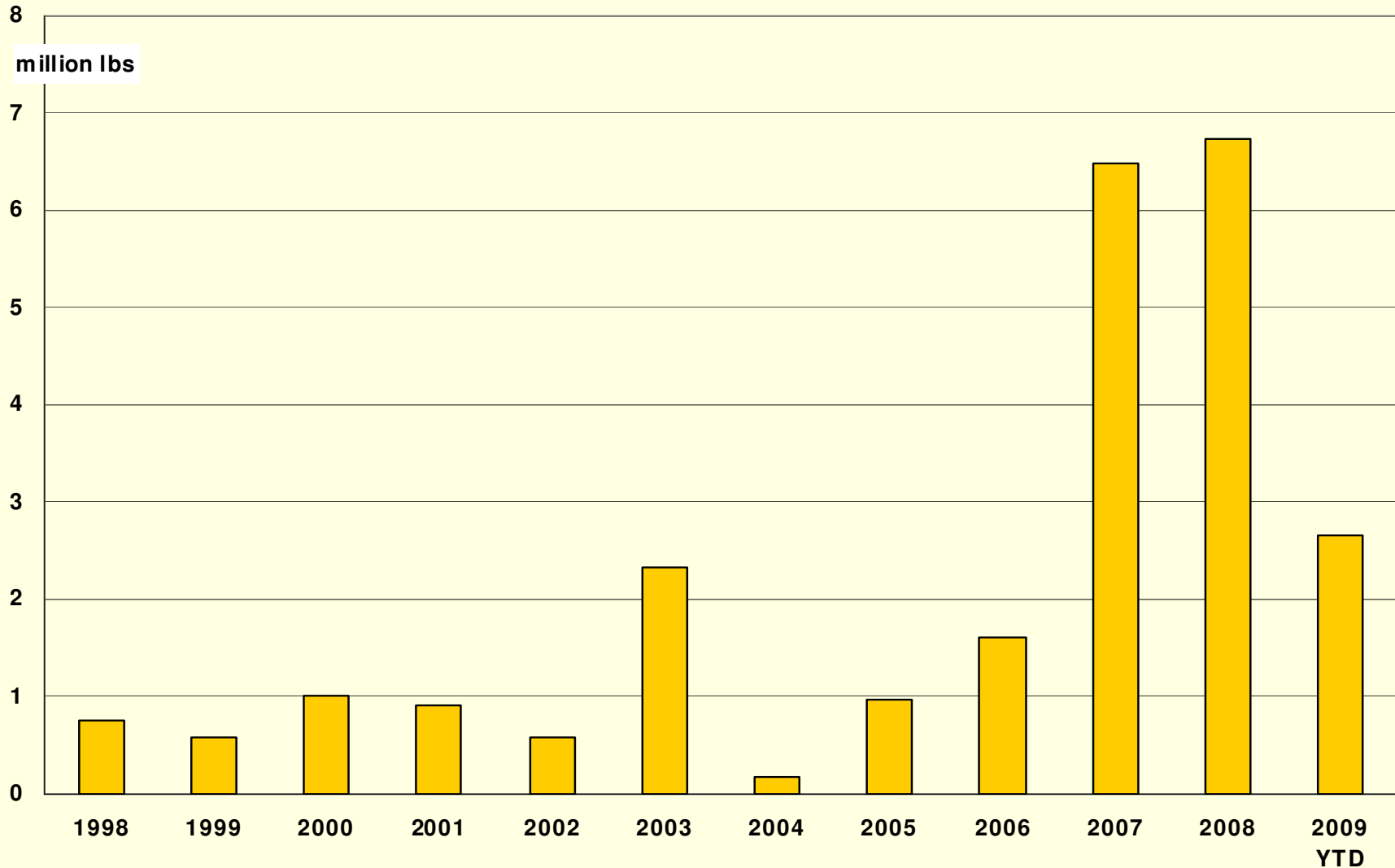
Monthly Average Volume, 1990 to present*

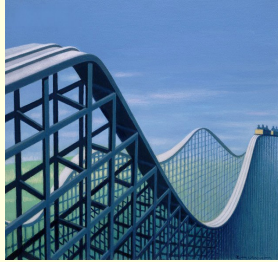




US Butter Exports

Monthly Average Volume, 1998 to Present





2008 NFDM & Butter Demand

“the tale of two stories”

■ NFDM

- 57% Exported, mostly early '08
- Market has vanished

■ Butter

- 11% Exported, mostly early '08
- Nearly 6% increase in domestic consumption



What happened to Exports?

- Global recession slowing growth & dairy demand
- High prices: global customers to dairy substitutes
- Melamine tragedy curbed China demand
- Oceania milk supply recovery
- EU reinstates export subsidies
- Strengthening US \$
- High US dairy product prices slowed consumption



CCC Purchases

(10/1/08 thru 4/17/09)

NFDM

- 218 million pounds
- Nearly one-third of prod'n (Oct thru Feb)

Butter

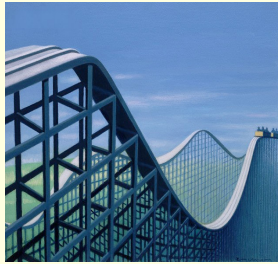
- 4.6 million pounds
- Less than 1% of prod'n (Oct thru Feb)



NFDM

Net CCC Removal Triggers

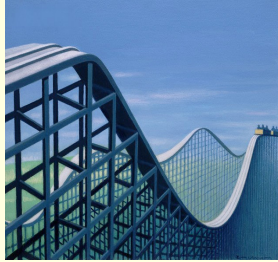
Volume Sold to CCC Falls Between (million pounds)	Max Reduction <u>temporary</u> authority to reduce	Percent of 2008 US Production
600 to 800	5¢	40% to 53%
Greater than 800	10¢ Total	Greater than 53%



“Other Activities”

- **DEIP**
 - Implement before June 30, 2009 to maximize use of annual allocation
 - NFDM
 - 150 million pounds per year
 - Butterfat
 - 46.5 million pounds per year or 58 (m) butter

- **USDA announcement will direct 200 million pounds of NFDM in feeding programs (i.e. school lunch, food banks, foreign food aid)**



Decreasing Exports Weakening US Milk Prices

2008 US exports (actual)	20.7 (B) Pounds
2009 (projected)	10.4 (B)
Net Pounds Added 'Back' to US Domestic Market	10.3 (B)
Equivalent Production Increase (largest since '84)	↑5.5%

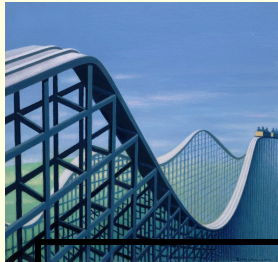
Summary: Too many cows!

CWT Program Impact???



How Many Cows Could CWT of \$200 million Buy?

Average Bid	\$4.00	\$5.00	\$6.00	\$7.00
Total Cows @17,000 lbs/year	294,000	235,000	196,000	168,000
Total Cows @ 20,000 lbs/year	250,000	200,000	167,000	143,000



CWT Herd Retirements (I – VI)

	2003	2004	2005	2007	2008 (1)	2008 (2)
Bids accepted	299	363	442	333	203	184
Total cows	37,724	50,478	64,609	52,873	24,860	61,078
Cows Per bid	126	139	146	119	122	332
Total milk (mil lbs)	609	908	1,174	1,001	436	1,206
Milk per cow	16,143	17,988	18,171	18,964	17,538	19,745
Avg. bid	\$4.02	\$5.24	\$6.75	\$5.50	\$6.10	\$6.49