

PENNSSTATE

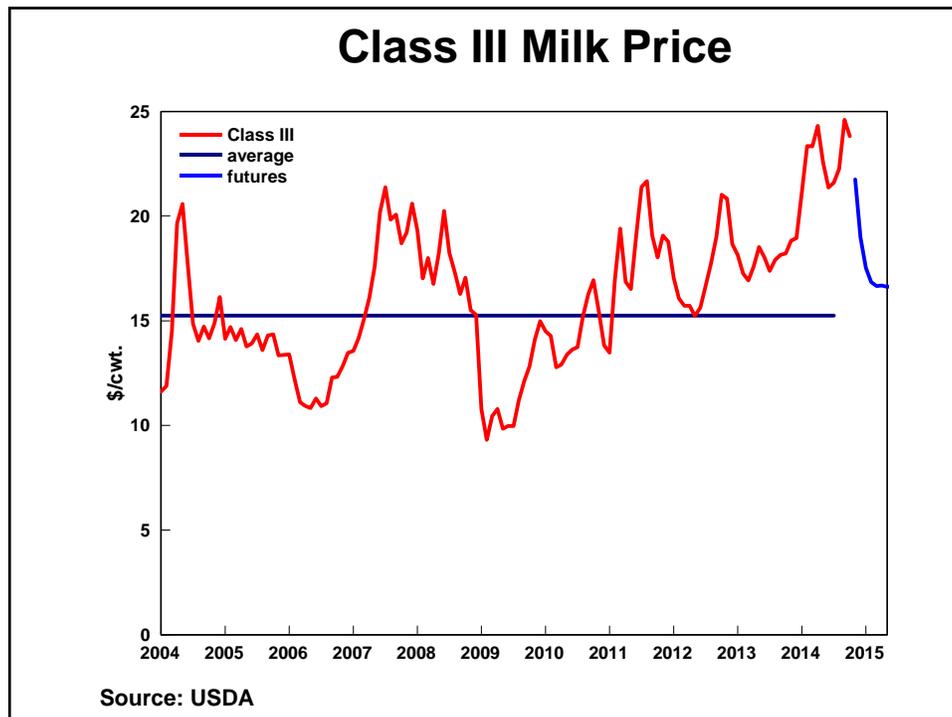


Dairy Outlook 2015

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Current Situation

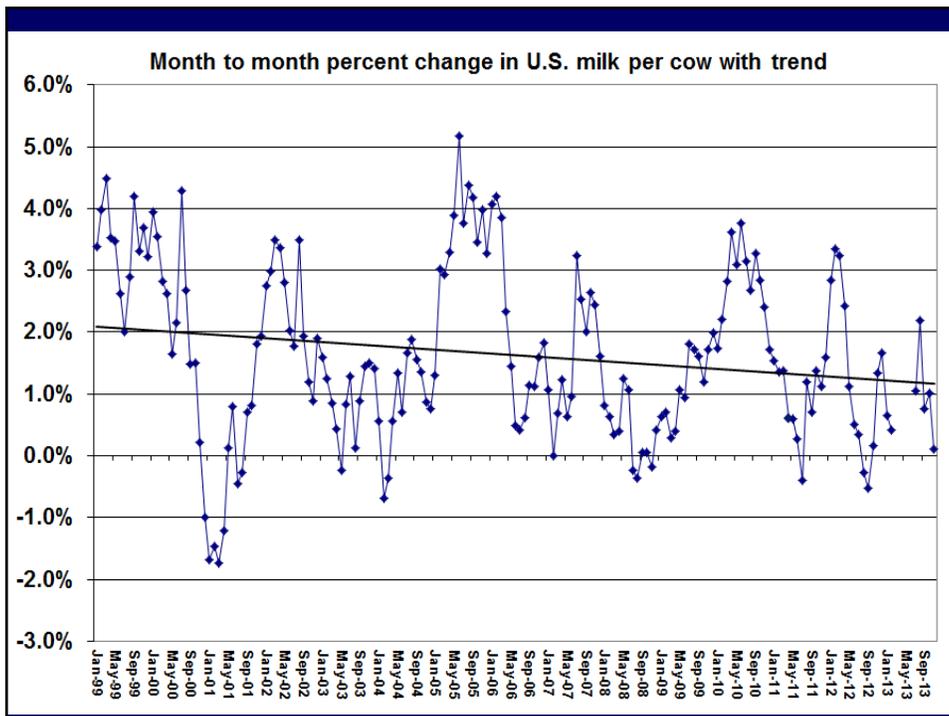
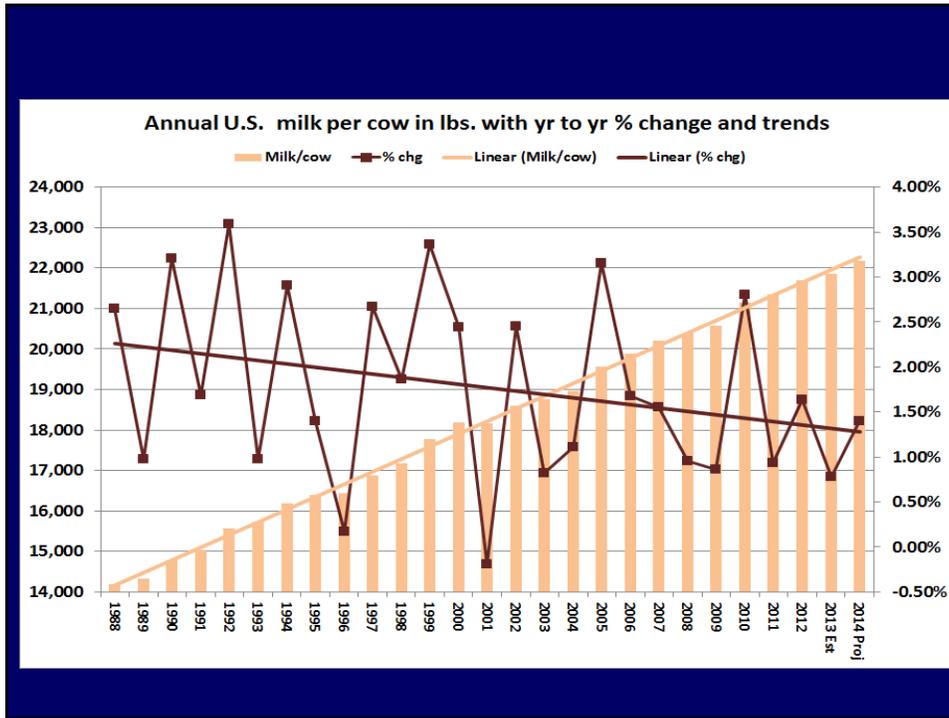
- Milk prices are coming down and feed prices are moderate
- Forecast of PA All Milk Price - \$19.59/cwt. for first half of 2015
- Feed prices will remain low

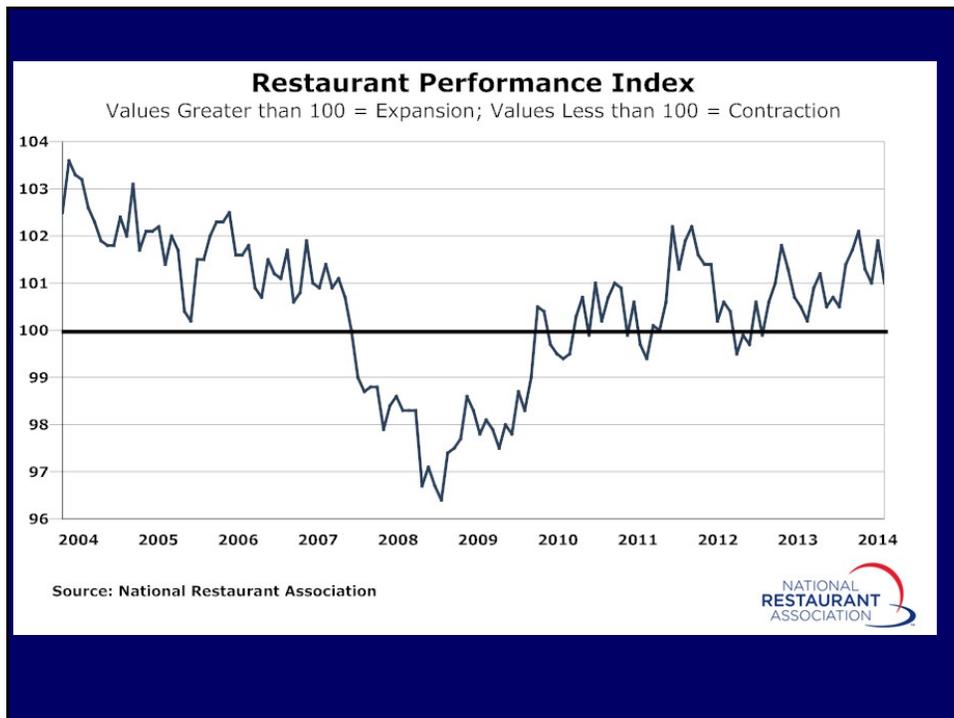
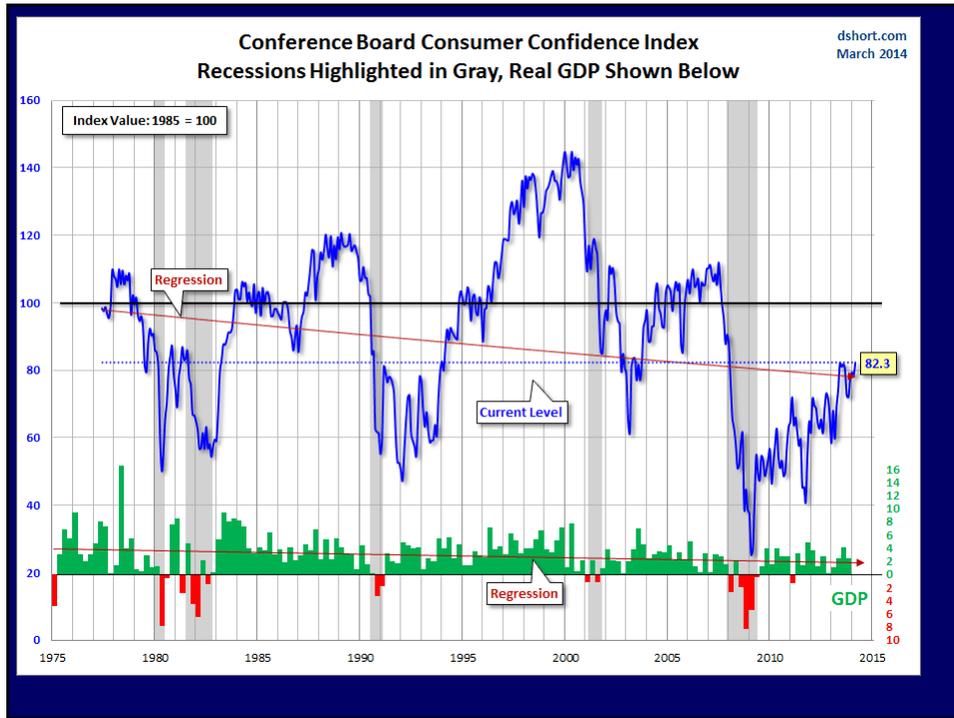


- **Citing environmental and health concerns, a panel of Los Angeles lawmakers Monday advanced a citywide ban on growing genetically modified crops.**

- Cotton stockpiles are swelling so large that there will be enough in global warehouses to make about 23 billion pairs of jeans, or three for every person on the planet. Prices are at five-year low.

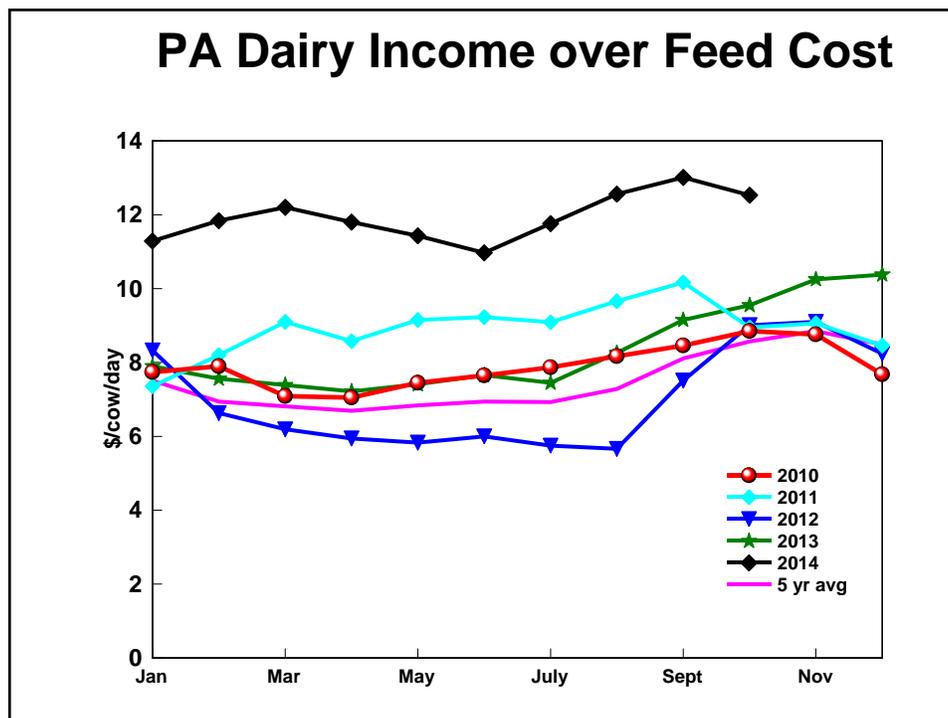
- China's Inner Mongolia Yili Industrial Group Co. is setting up a milk-powder factory in Kansas with Dairy Farmers of America Inc., building out its year-old strategic alliance with the U.S. cooperative as part of a trend of Chinese dairies expanding abroad.
- The plant will be able to produce 80,000 metric tons of milk powder a year, Yili said in a filing late Wednesday to the Shanghai Stock Exchange. The company didn't specify how much of the plant's milk powder will be sold in China.

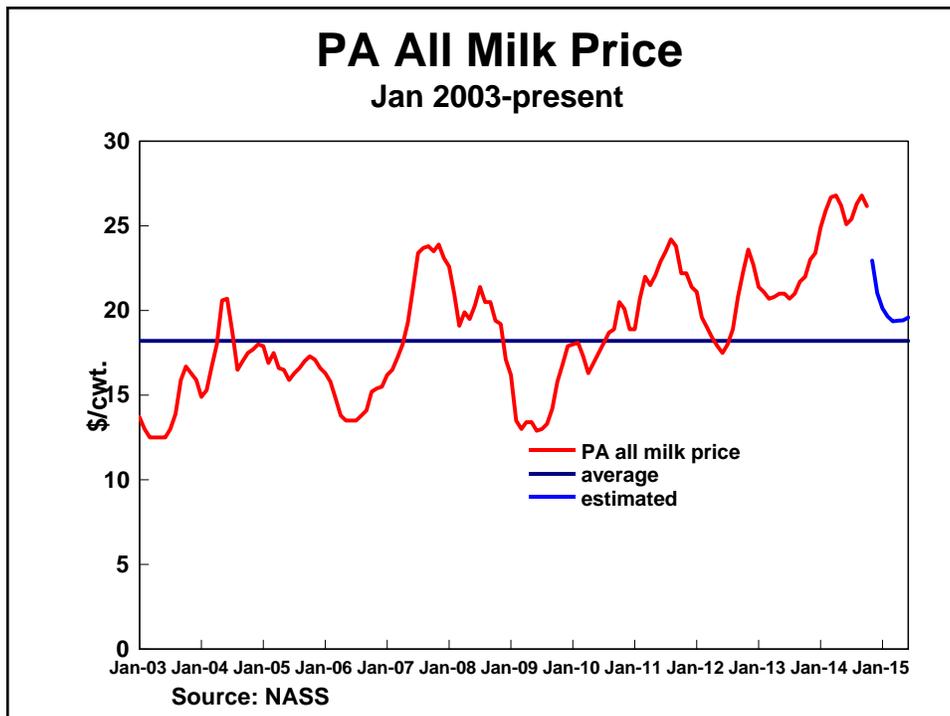
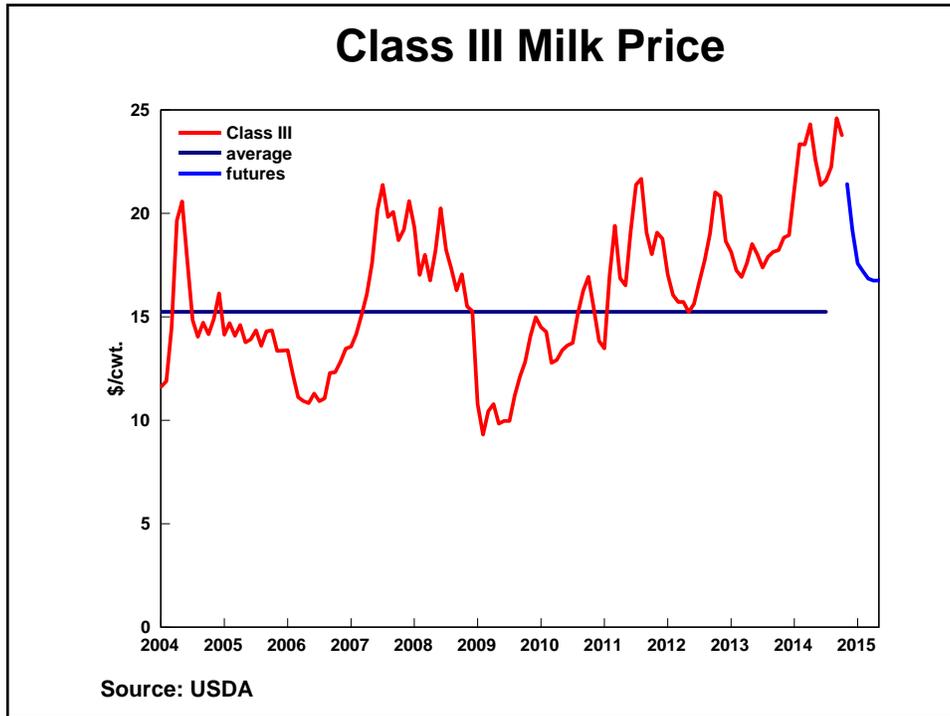


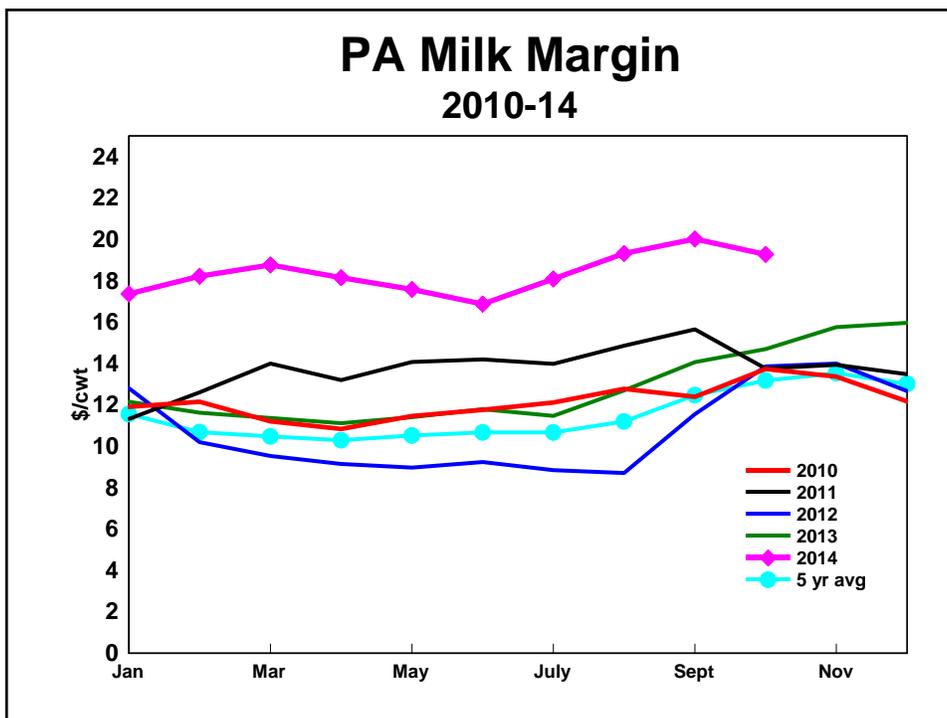
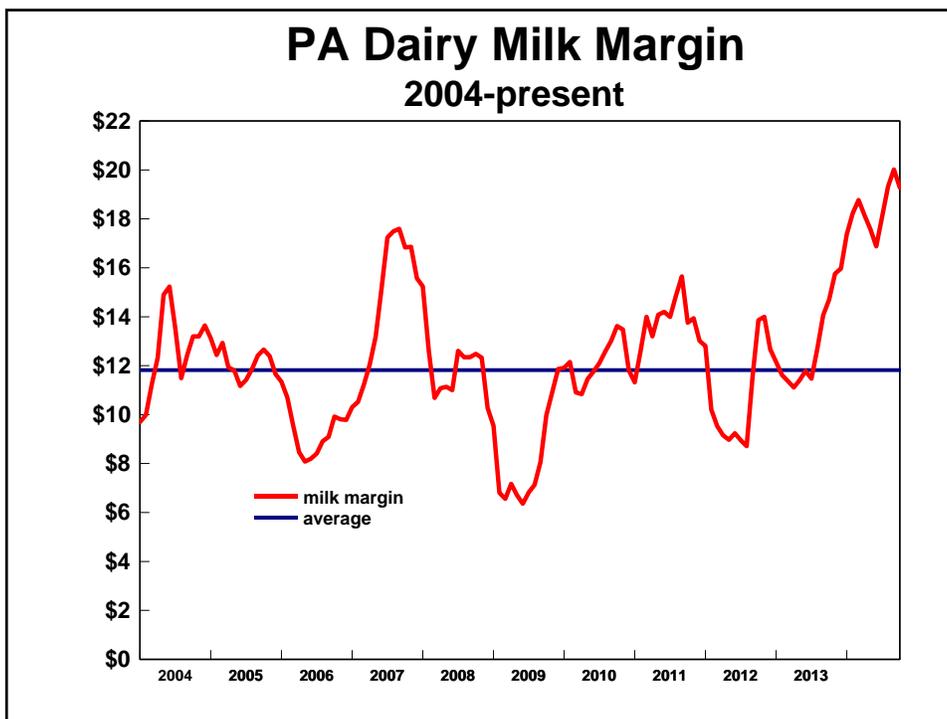


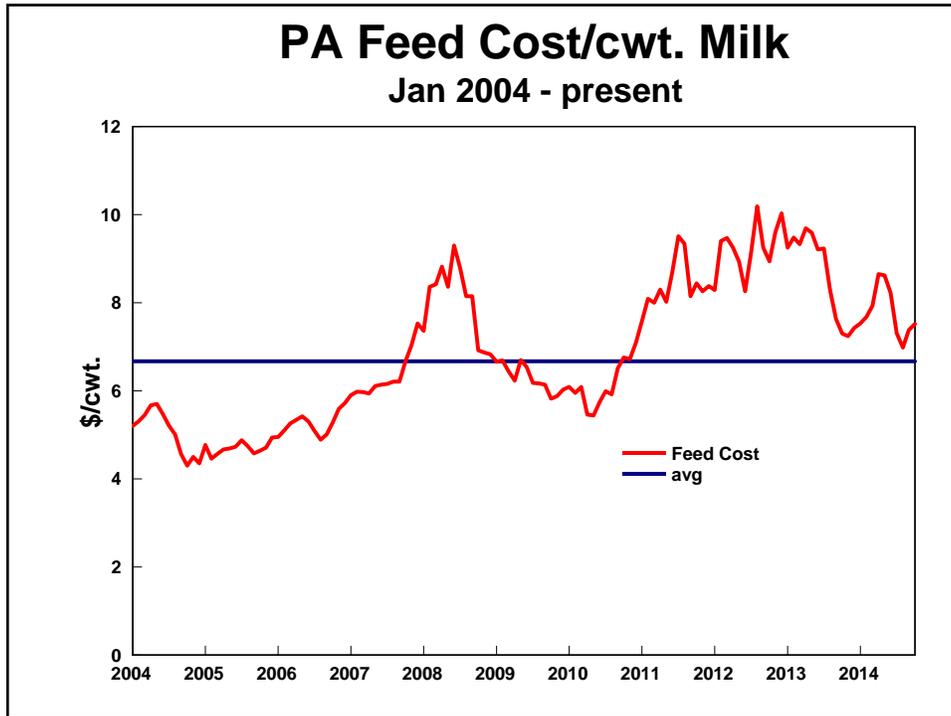
Economy

- Still not great, but improving
- Dairy isn't especially economy driven, although some products are more affected than others – fancy cheese
- Other products do well in recession – Macaroni & Cheese



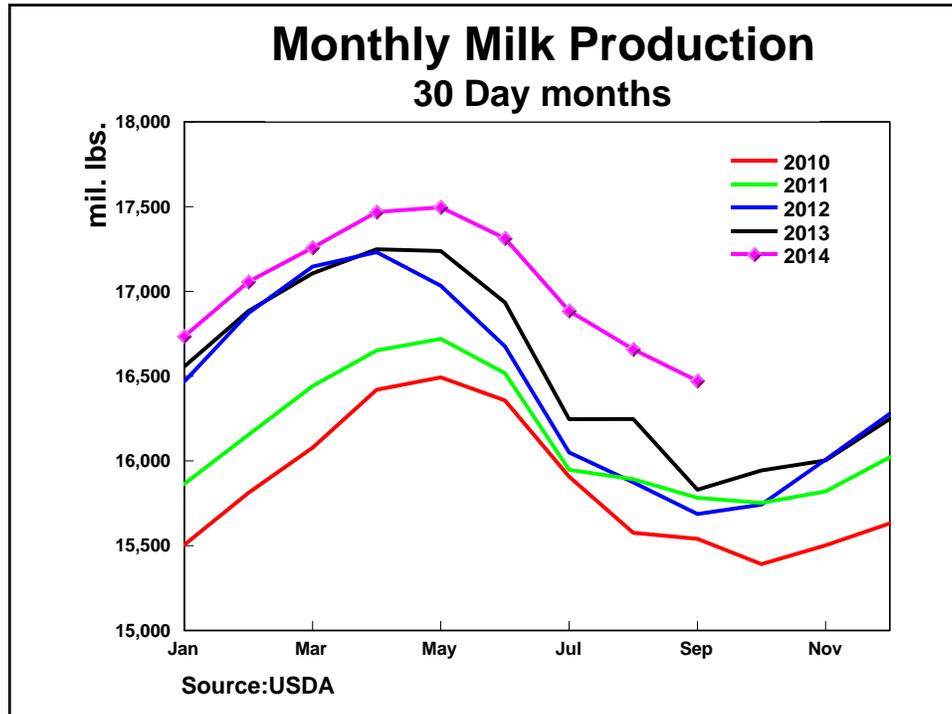






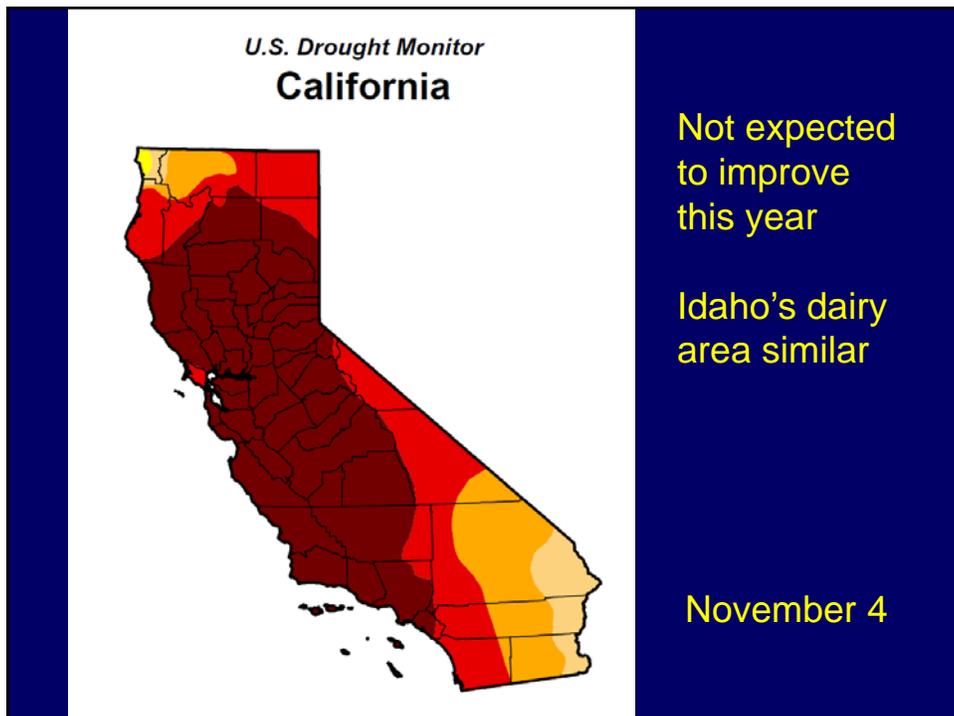
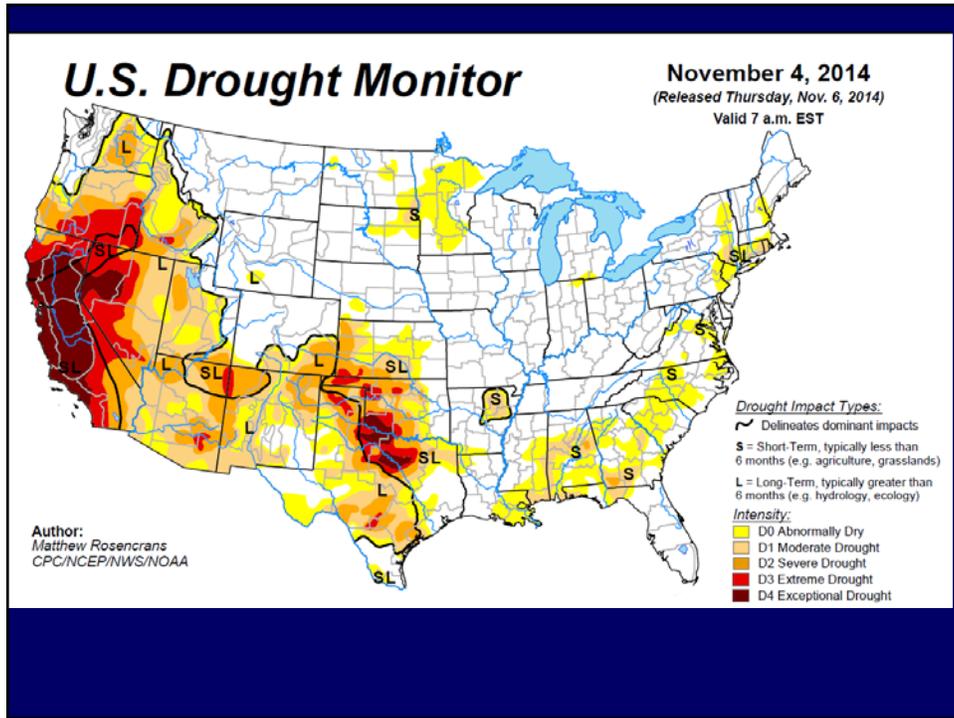
Measures of Dairy Farm Profitability 2004-14

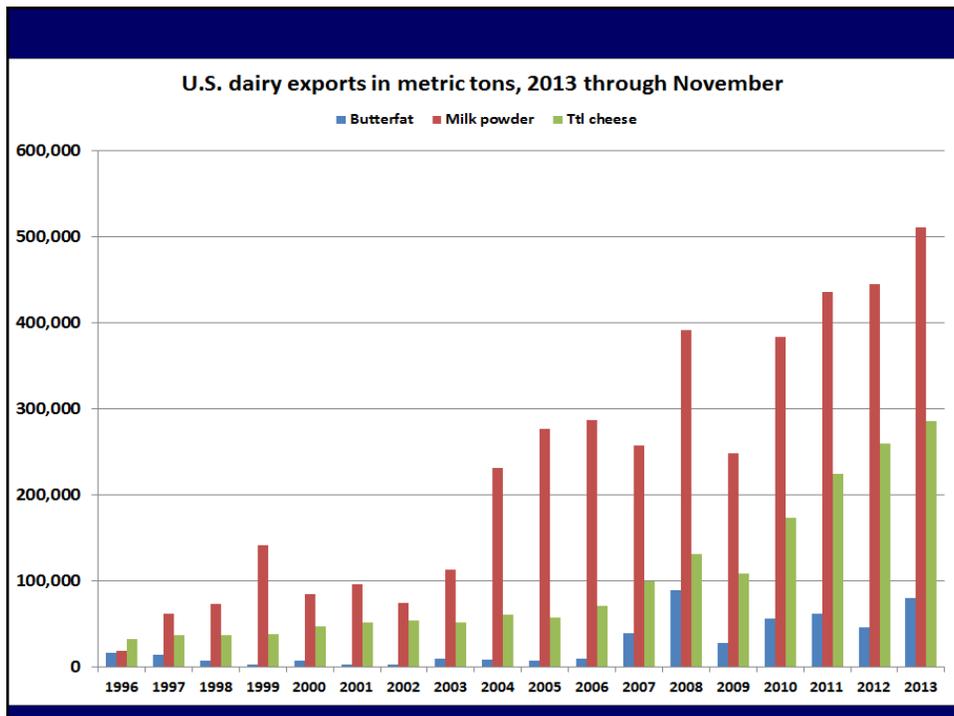
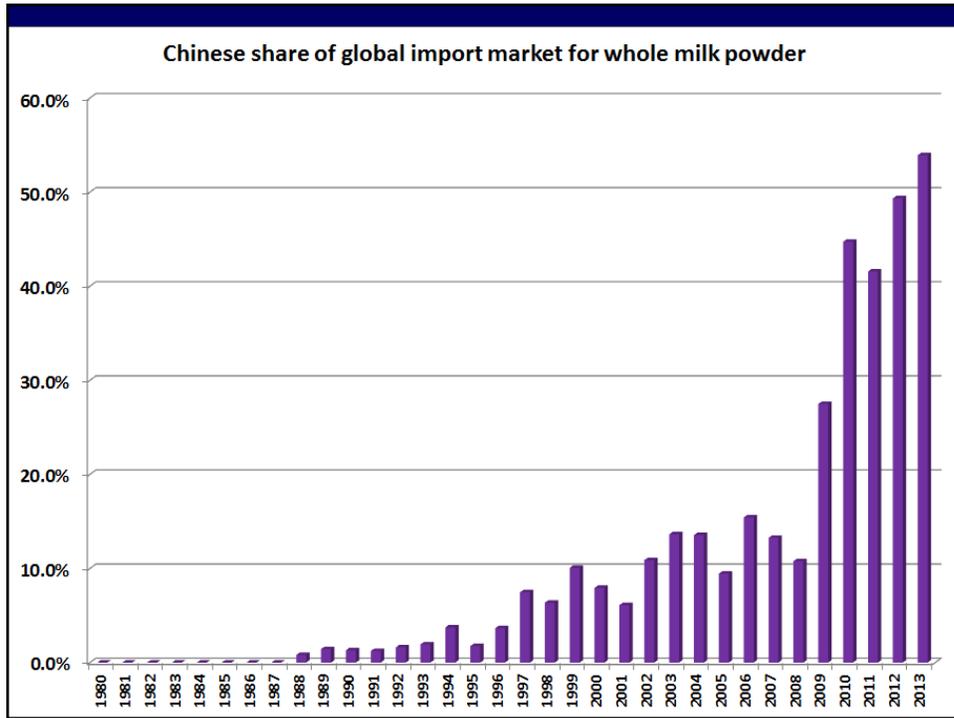
	Avg.	High	Low	Oct 2014
PA All-Milk Price	\$18.63	\$27.40	\$12.90	\$26.80
Feed Cost/cwt.	\$6.81	\$10.19	\$4.30	\$7.52
Milk Margin	\$11.82	\$20.02	\$6.36	\$19.28



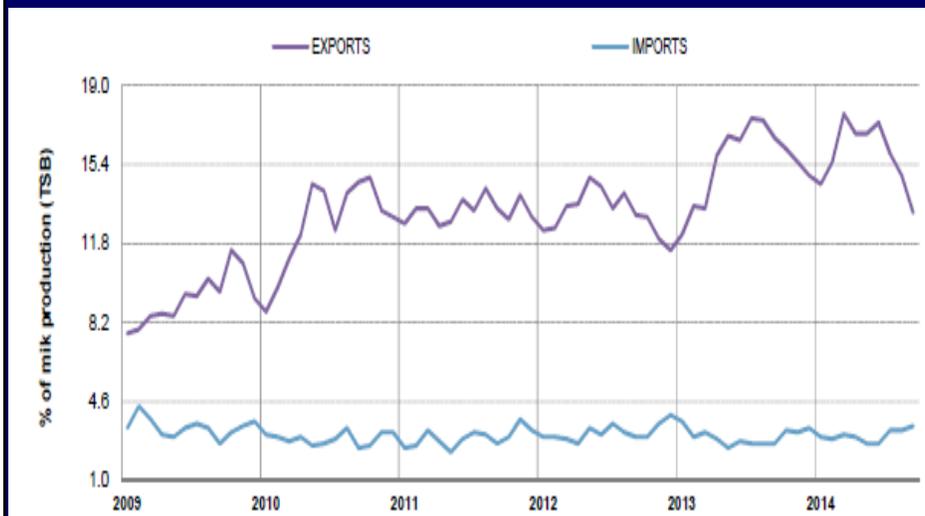
Drought in West

- California officials will cut off water to local agencies serving 25 million residents and about 750,000 acres of farmland
- Severe drought in the California and Idaho dairy regions





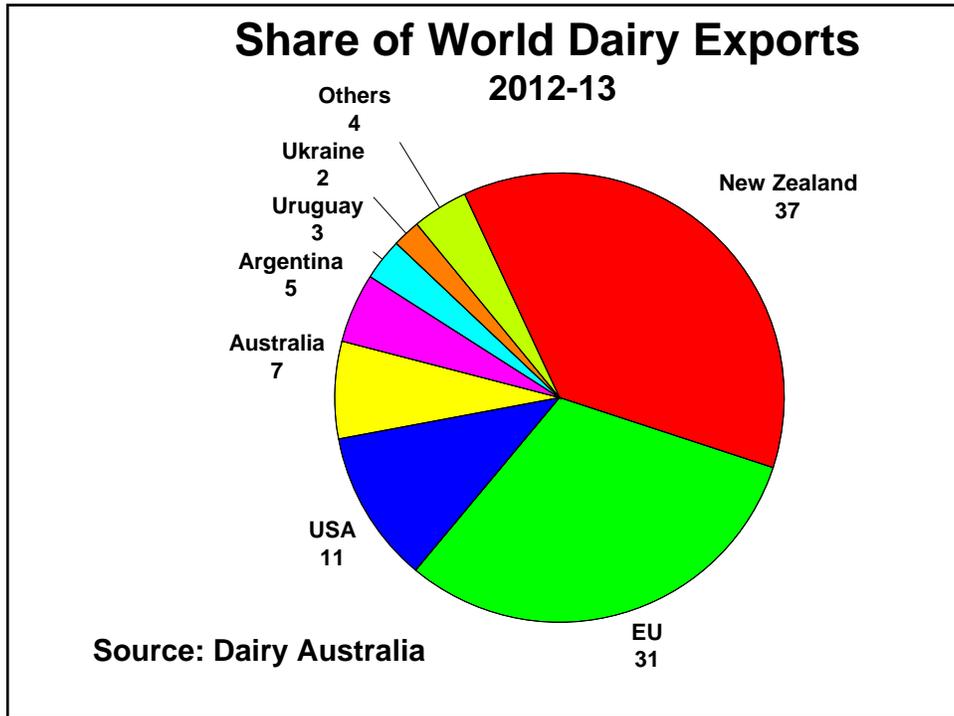
Dairy Trade and Percent of Milk Production

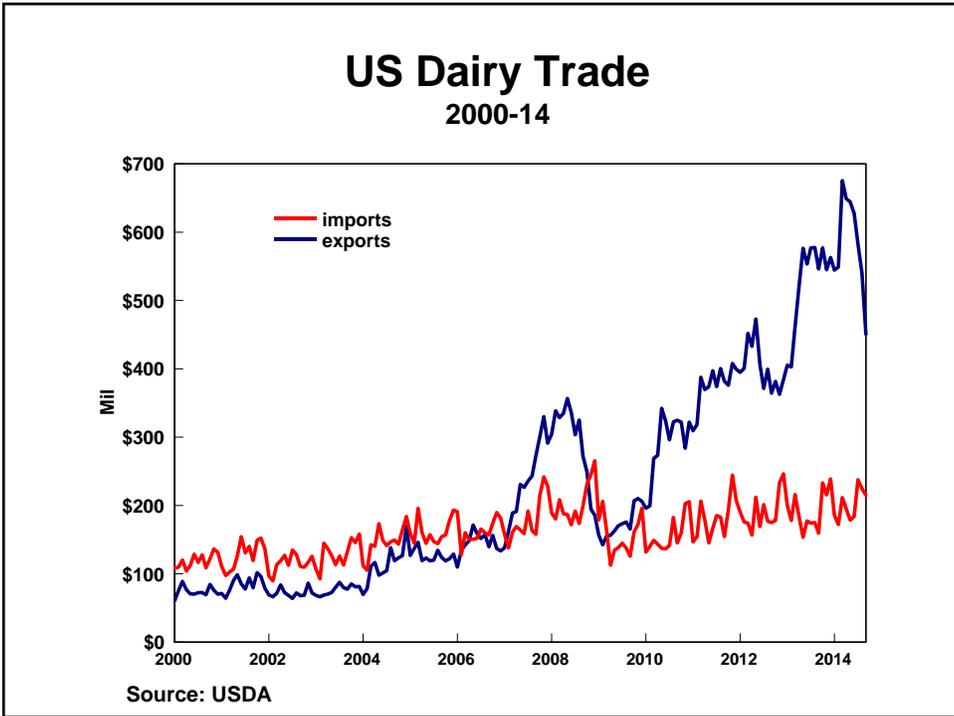
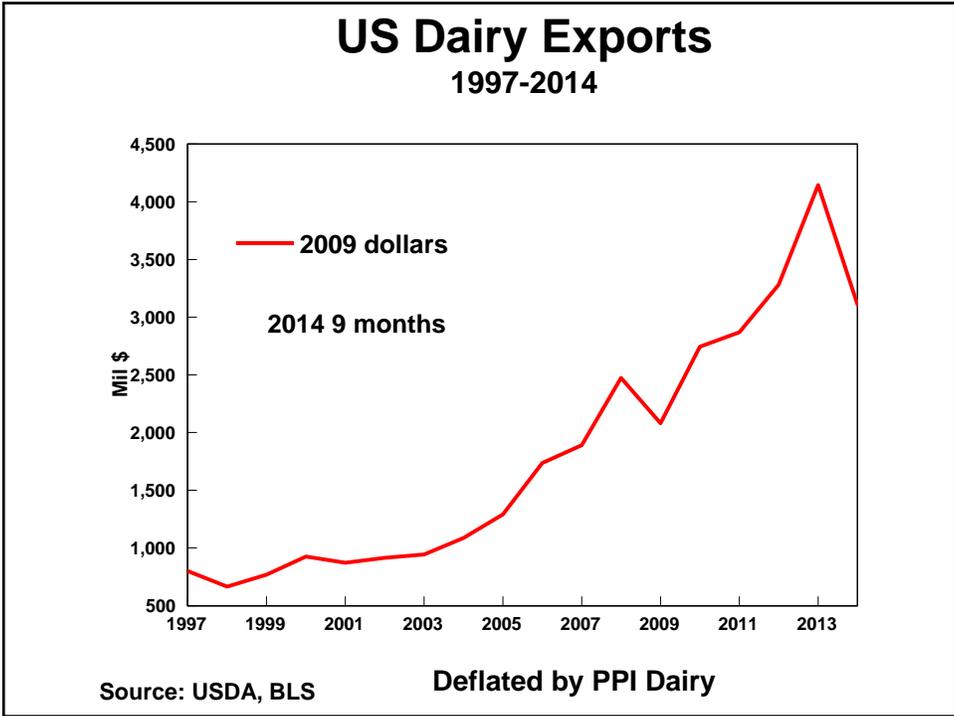


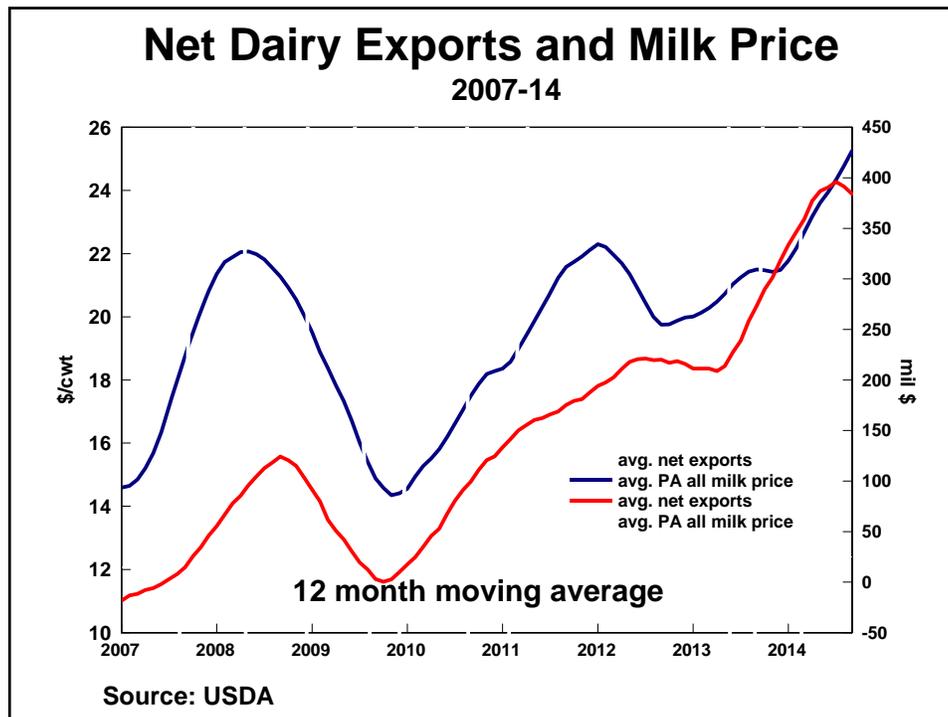
Source: US Dairy Export Council

Issues in China

- Weather
- Foot-and-mouth disease
- Industry restructuring –milk production down 6% from 2012
- Imports slowing

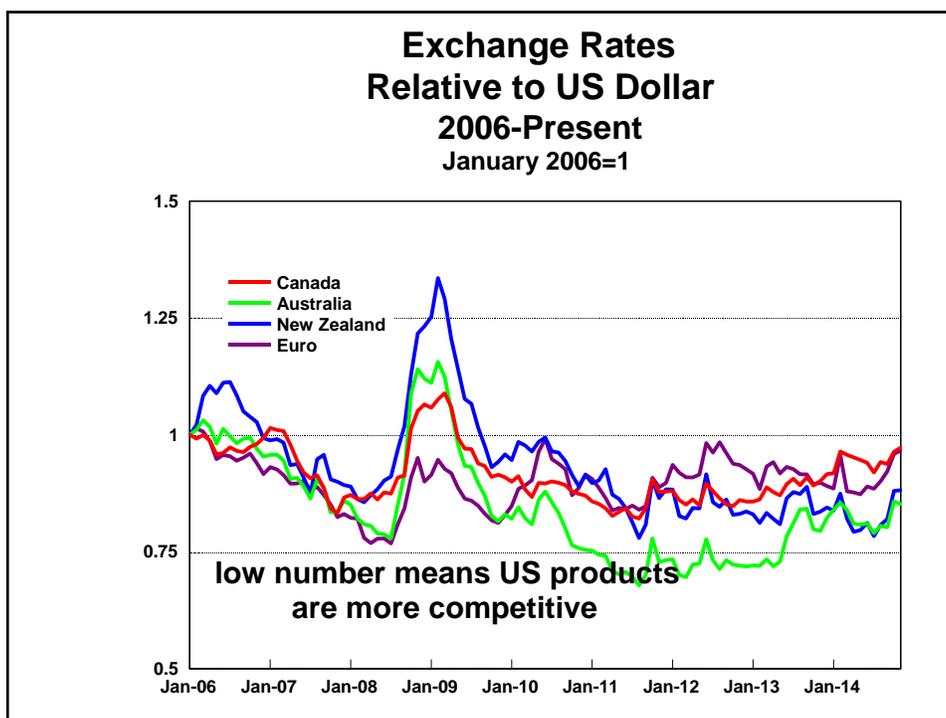






The dollar

- Dollar stronger
- Aussie dollar down 17.5% against Greenback since February 2012
- Euro very shaky because of Russia
- Many Euro countries have serious economic problems



Dairy Futures

- Somewhat lower over next year
- Class III around \$16.50-\$17.00 for 2015
- Class IV around \$15.50-\$16.00 for 2015
- Feed prices still low, so margins okay

Forecast Summary

- Milk price in 2015 estimated to be lower, but above average
- Feed prices will be good
- **Better feed prices should help California & West -drought & hay prices still an major issue**
- Income over feed cost will be okay
- Trade is decreasing – China slowing down – European exports diverted from Russia
- EU Dairy quotas end in April 2015