SPRINGVALE FARMS
HIGH QUALITY MILK FROM REGISTERED HOLSTEINS
DIVERSIFY IN LANDAFF, NH
LANDAFF CREAMERY
DAIRY FARM EQUITY PLUMMETED 20% OR MORE IN 2009 AND WAS HIT AGAIN IN 2012
RAMPANT INFLATION OF MANY KEY DAIRY FARM COSTS

- Fertilizer
- Seed
- Feed
- Grain cost at Erb farm:
  - 2009 $280 per ton
  - 2010 $290 per ton
  - 2011 $350 per ton
  - 2012 $418 per ton
  - 2013 $440 per ton
## Northeast Preliminary Results

Source: Farm Credit East, Knowledge Exchange, Feb 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Cost of Production</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$14.55</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$14.10</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2007</td>
<td>$16.30</td>
<td>15.6%</td>
</tr>
<tr>
<td>2008</td>
<td>$17.88</td>
<td>9.7%</td>
</tr>
<tr>
<td>2009</td>
<td>$15.53</td>
<td>-13.1%</td>
</tr>
<tr>
<td>2010</td>
<td>$15.97</td>
<td>2.8%</td>
</tr>
<tr>
<td>2011 Est</td>
<td>$17.86</td>
<td>11.8%</td>
</tr>
<tr>
<td>2012 Proj</td>
<td>$18.96</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

![Net Cost of Production Graph]

- Bar graph showing the net cost of production from 2005 to 2012, with estimated and projected values for 2011 and 2012.
2012 net margins almost as bad as 2009!
Profitability Barometer
As estimated by Ed Gallagher Q-1 2012

US Dairy Farm Average Net Margins
Estimated, Jan 08 - Dec 12

dollars per cwt

DAIRY INDUSTRY ADVISORY COMMITTEE

• Set up by USDA Secretary Vilsack
• 17 members
• 23 recommendations such as
  – immigration reform
FARM LABOR SHORTAGE IMPACT DUE TO IMMIGRATION POLICY ISSUES

• 1,732 Northeast farms highly vulnerable to going out of business or severely curtailing operations
• $2.4 billion of total farm product sales at risk
• Represents 36% of total value of Northeast agricultural output
• 20,212 full-time, year round jobs at risk

Source: Farm Credit East research report
DAIRY INDUSTRY ADVISORY COMMITTEE

• Set up by USDA Secretary Vilsack
• 17 members
• 23 recommendations such as
  – immigration reform
  – changes in somatic cell count limits
  – phase out ethanol subsidies
  – most were in the Dairy Security Act (DSA)
The DAIRY SECURITY ACT has provisions which will better align the supply and demand for farm milk when market prices collapse and will therefore raise subsequent farm milk prices in the marketplace. The current version gives producers the choice of participating or not in this dairy market stabilization program but only those farms that do participate are provided with a meaningful net milk margin protection program. The two provisions combine to provide a meaningful family farm revenue safety net at reduced total costs to the Federal government.

The current DSA has provisions that underwrite the costs of purchasing net milk margin protection insurance for the first 4 million pounds of every producer's annual milk production. This provides encouragement and significant cost savings per cwt. to the average dairy farm family milking between 100 and 200 cows.
SMALL IMBALANCES IN MILK SUPPLY AND DEMAND CAUSE HUGE SWINGS IN FARM MILK PRICES

Farm Milk Price Collapses Threaten Local Milk Production
Far More than a Market Stabilization Program

January 2001 to March 2012

Northeast Federal Milk Order Farm Blend Price
PROGRAM COMPARISONS FOR NET PRODUCER PAY PRICE
DAIRY SECURITY ACT AT A $6.50 MARGIN PROVIDES THE MORE STABLE
FARM MILK PRICE WHEN MARKET PRICES COLLAPSE

Net Farm Milk Price (120 cows)

FARM MILK PRICE (at $12 feed costs)

PRODUCER MARGIN (PRICE LESS FEED COSTS)
# US Dairy Exports as a Percent of Production

2012 YTD (through November)

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>2012 YTD</th>
<th>YEAR AGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>NDM/SMP</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>Total Cheese</td>
<td>5.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Butterfat</td>
<td>5.6%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Dry Sweet Whey</td>
<td>49%</td>
<td>54%</td>
</tr>
<tr>
<td>Lactose</td>
<td>66%</td>
<td>69%</td>
</tr>
<tr>
<td>Total Milk Solids</td>
<td>13.4%</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

**NOTE:** November exports were 12.1% of total milk solids, lowest since March 2010