

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

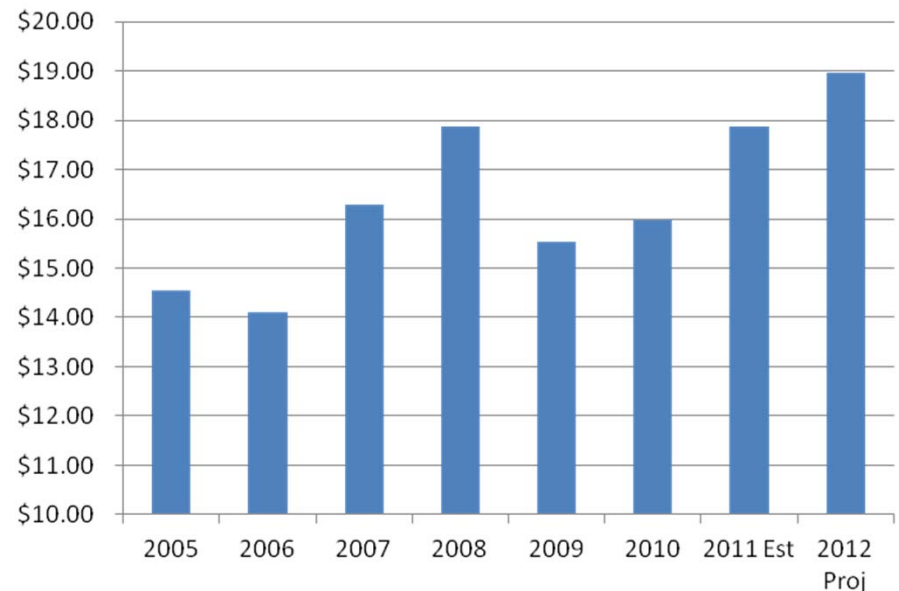
Northeast Preliminary Results

Source: Farm Credit East, Knowledge Exchange, Feb 2012

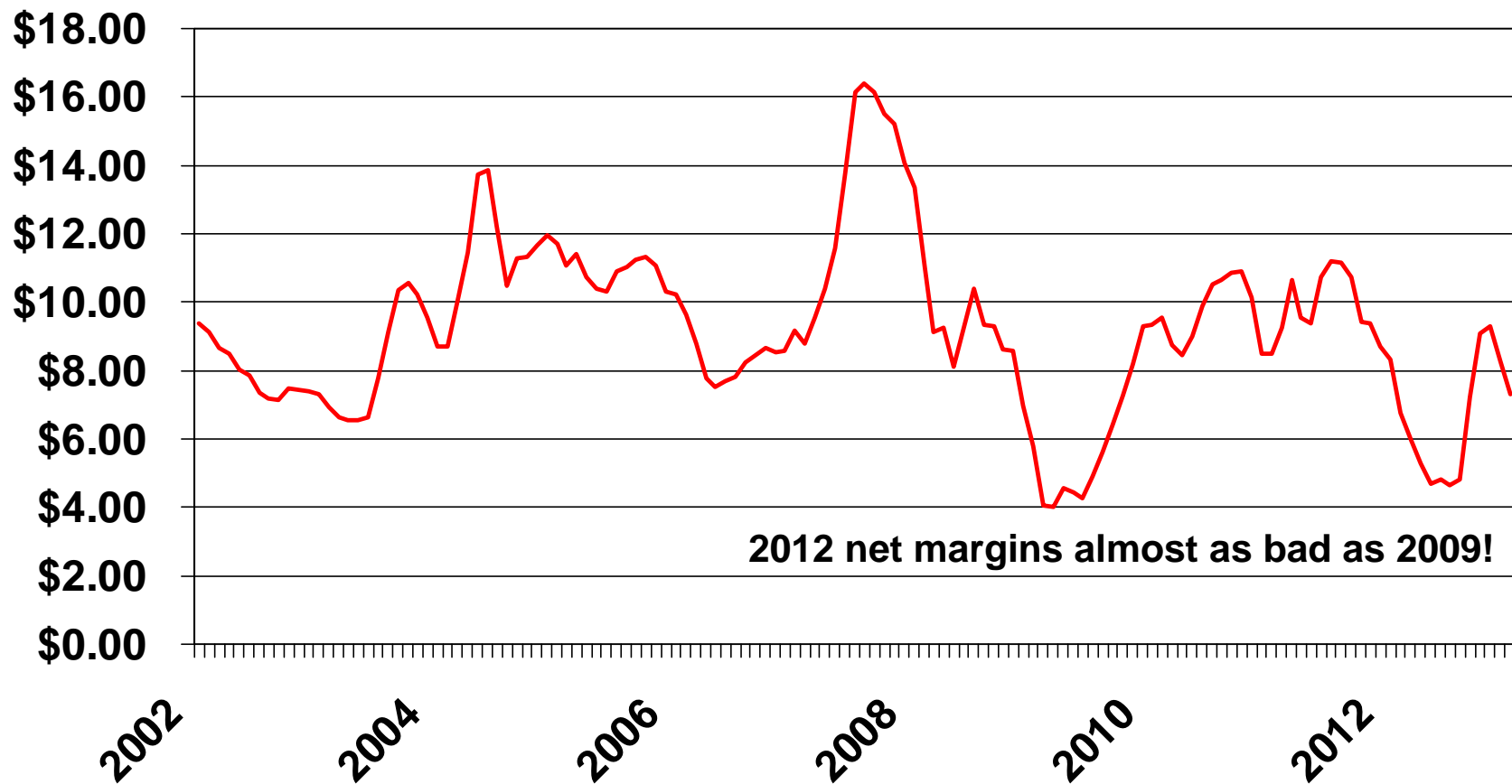
Net Cost of Production

| | | | |
|-----------|----|-------|----------|
| 2005 | \$ | 14.55 | % Change |
| 2006 | \$ | 14.10 | -3.1% |
| 2007 | \$ | 16.30 | 15.6% |
| 2008 | \$ | 17.88 | 9.7% |
| 2009 | \$ | 15.53 | -13.1% |
| 2010 | \$ | 15.97 | 2.8% |
| 2011 Est | \$ | 17.86 | 11.8% |
| 2012 Proj | \$ | 18.96 | 6.2% |

Net Cost of Production



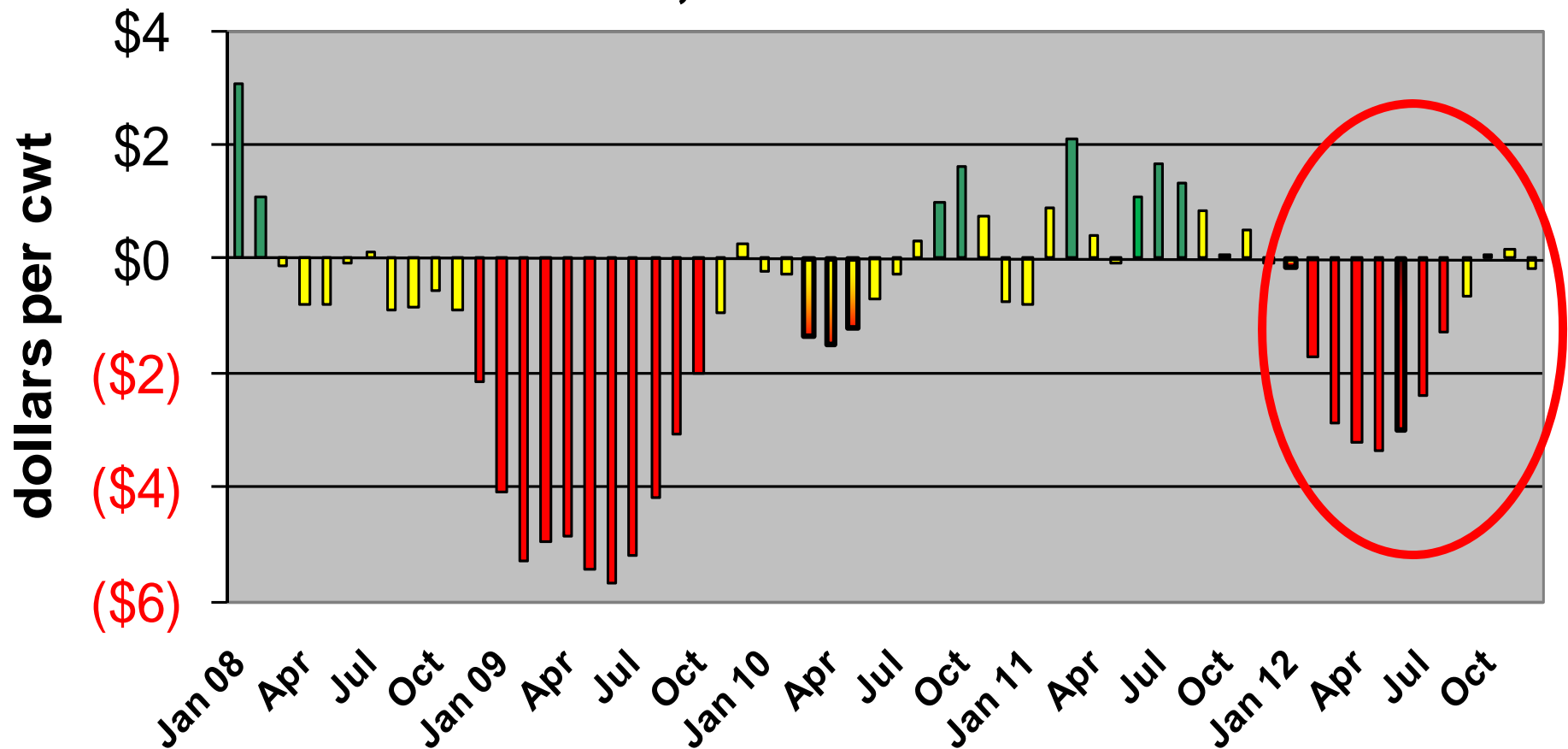
NET MARGINS 2002-JAN. 2013



Profitability Barometer

As estimated by Ed Gallagher Q-1 2012

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



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)

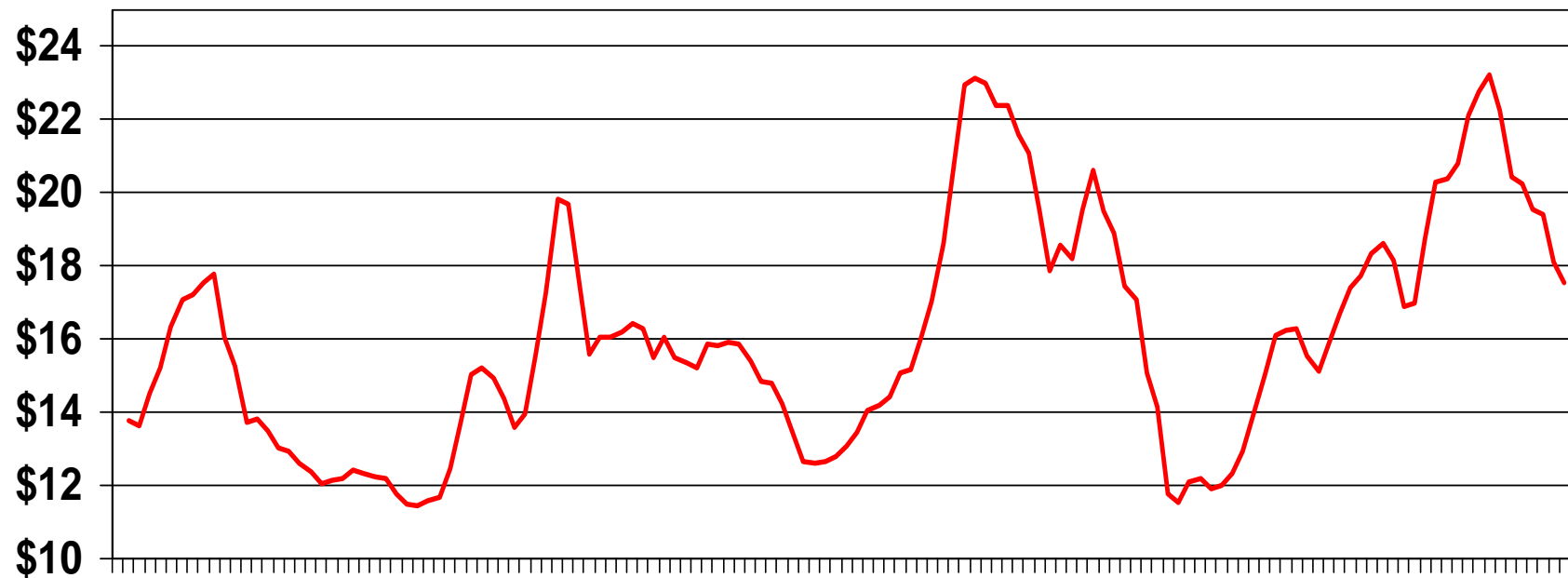
DAIRY SECURITY ACT

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**

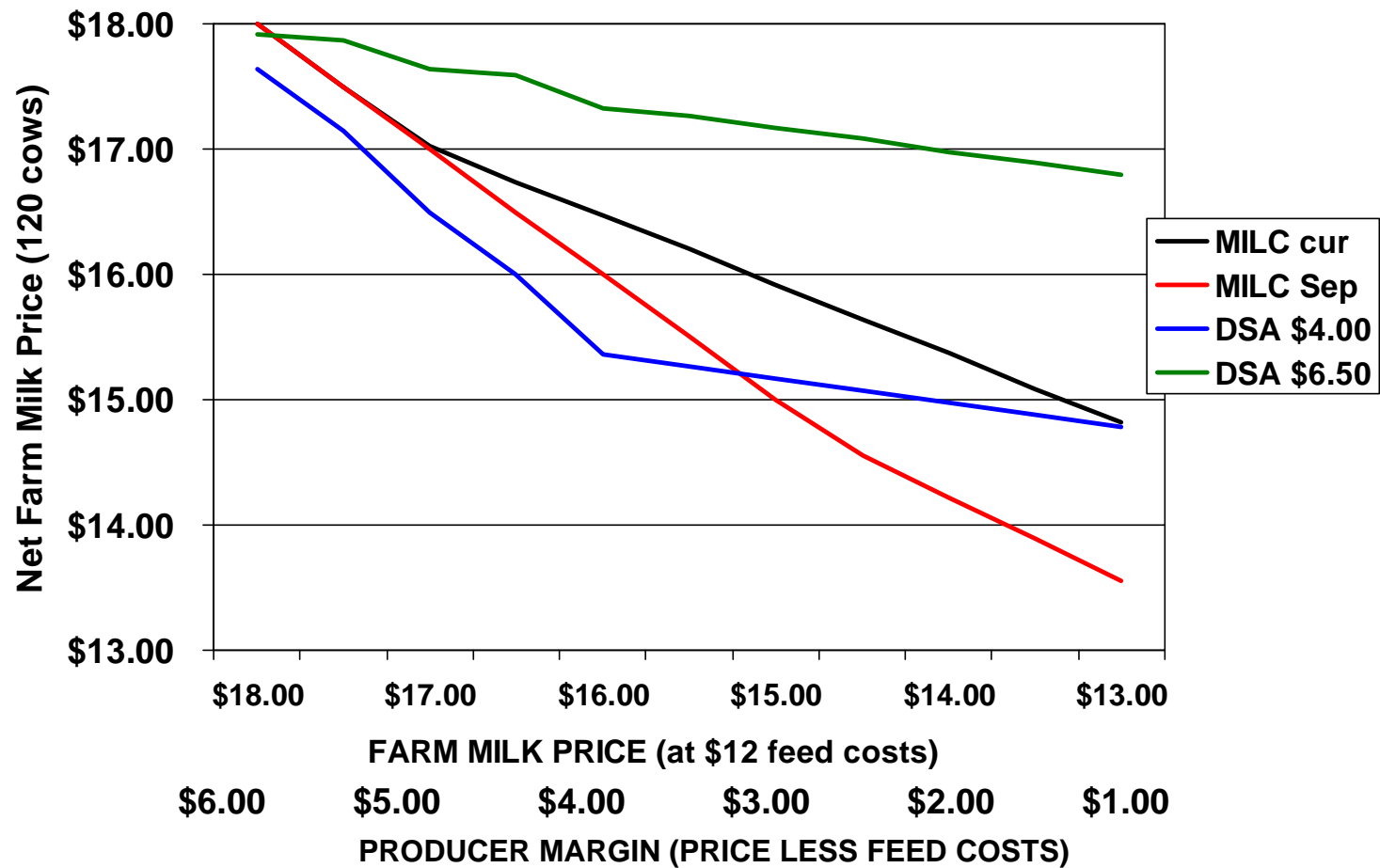


January 2001 to March 2012

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



US Dairy Exports

as a Percent of Production

2012 YTD (through November)

| PRODUCT | 2012 YTD | YEAR AGO |
|-------------------|----------|----------|
| NDM/SMP | 46% | 50% |
| Total Cheese | 5.3% | 4.7% |
| Butterfat | 5.6% | 8.0% |
| Dry Sweet Whey | 49% | 54% |
| Lactose | 66% | 69% |
| Total Milk Solids | 13.4% | 13.3% |

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



