Aspects of Complexity: Current and Emerging Issues in Agribusiness

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Land O’Lakes, Inc.
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Discussion Topics

- Land O’Lakes Overview
- Challenges in Collecting Dairy Data
- Importance of Timely Data
  - Prices
  - Supply/Demand Estimates
- Emerging Issues in Data Collection
Land O’Lakes
Core Businesses

Dairy Foods/Eggs

Seed/CPP Inputs

Feed Inputs
Land O’Lakes’ Dairy Farmer Members

- 2,800 dairy members in 16 states
- 3rd largest dairy co-op in U.S.
- 12.9 billion pounds of milk
- 705 tankers on the road daily
# Unique Farm Profiles by Region

<table>
<thead>
<tr>
<th></th>
<th>Total Pounds (mill lbs.)</th>
<th>Total Farms</th>
<th>Estimated # Cows per Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>East</strong></td>
<td>2,926</td>
<td>1,587</td>
<td>90</td>
</tr>
<tr>
<td><strong>UMW</strong></td>
<td>3,925</td>
<td>1,005</td>
<td>190</td>
</tr>
<tr>
<td><strong>West</strong></td>
<td>5,863</td>
<td>255</td>
<td>1,120</td>
</tr>
<tr>
<td><strong>Total/Avg</strong></td>
<td>12,714</td>
<td>2,847</td>
<td>220</td>
</tr>
</tbody>
</table>
Larger Herds’ Share of US Milk Supply Growing

Concentration continues—but, U.S. dairy farmers can produce milk in any state
## Coops Role in Milk Marketing

<table>
<thead>
<tr>
<th>Cooperative</th>
<th>Milk Production (billion lbs.)</th>
<th>Member Farms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy Farmers of America</td>
<td>37.7</td>
<td>9,872</td>
</tr>
<tr>
<td>California Dairies</td>
<td>16.9</td>
<td>539</td>
</tr>
<tr>
<td>Land O’Lakes</td>
<td>12.7</td>
<td>2,847</td>
</tr>
<tr>
<td>Northwest Dairy</td>
<td>7.2</td>
<td>509</td>
</tr>
<tr>
<td>Dairylea Cooperative</td>
<td>6.1</td>
<td>2,279</td>
</tr>
<tr>
<td><strong>Top Five Coops</strong></td>
<td><strong>80.6</strong></td>
<td><strong>16,046</strong></td>
</tr>
</tbody>
</table>
Challenges of Sampling Larger Farms

- Finding the ‘right’ person to interview
- Time required to complete survey
- Multiple surveys (crop, livestock, financial)
- Enterprises managed by different individuals
  - Dairy
  - Crops
Complexity of Dairy Supply Chain

- Milk Processed Into Multiple Products
- Milk Price Based on Product Use
- 3rd Party Sales to Hundreds of Delivery Points
- Price Discovery Impacted: Spot, Contract
- Global Customers & Global Prices
Importance of USDA Dairy Data

- Federal Milk Order Pricing (monthly)
  - Establishes minimum prices
  - Land O’Lakes supplies sales price & volume (weekly)
- Crop Progress (weekly)
- Milk Production (monthly)
- Inventories in Cold Storage (monthly)
- World Ag Supply & Demand Estimates (monthly)
Reputation of USDA

- Unbiased, objective collector of data
- Consistent sampling methods over long term
- Fully aware of statistical methods, sampling
- Need to improve coordination among agencies—reduce redundancy
Emerging Issues

- Timeliness of data: Producers & processors desire more timely price and sales volume data—more market transparency
- Federal policies driving new data needs
  - Margin over feed
  - Bilateral trade efforts
- Submitting data on web platform
- Sustainability initiatives
- Global markets require global information

U.S. Commercial Dairy Product Sales: Domestic and Export

- U.S. Domestic Sales: +1.1% per year
- U.S. Commercial Exports: +8.8% per year

Source: USDA
We compete in a WORLD marketplace!
Partners in Data Collection

- State Agencies
  - California Dep't of Food & Ag, production costs, prices, etc.

- Academic Institutions
  - Center for Dairy Profitability, 483 dairy farms’ financials

- New Data Sources/Partnerships
  - Banks, Farm Credit
  - Regional Accounting/Financial Services
  - Cooperatives
Summary

- Land O’Lakes values NASS, ERS and global counterparts data collection
- Land O’Lakes strong advocate of public data collection
- Form new partnerships to leverage collection efforts and avoid duplication