



Dairy's Perspective

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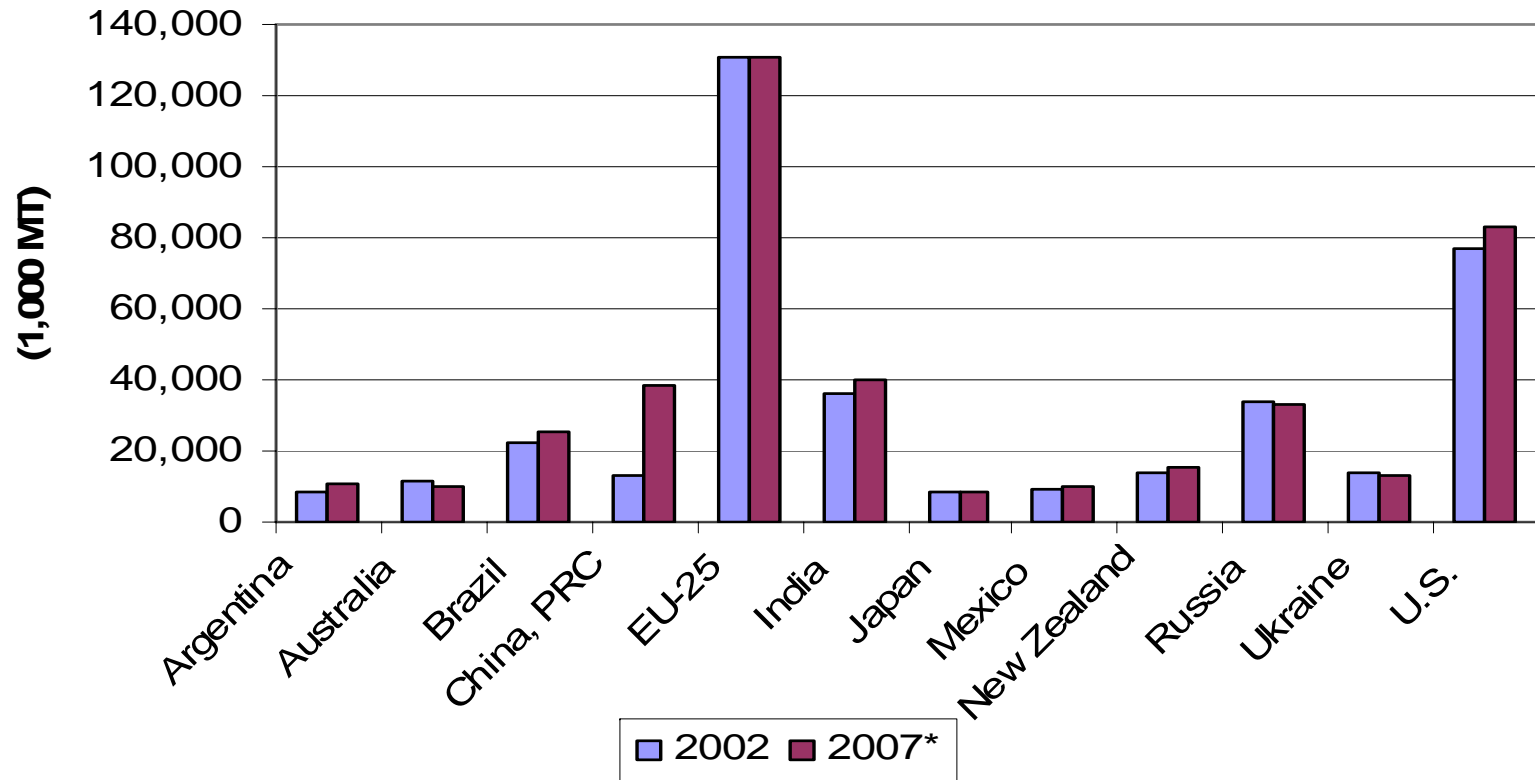
Current Landscape

- Global Influence
- Current Production Trends
- Dairy Demographics
- Closing Comments



Global Milk Production

**Global Milk Cow Production Key Countries
2002 vs. Forecasted 2007**

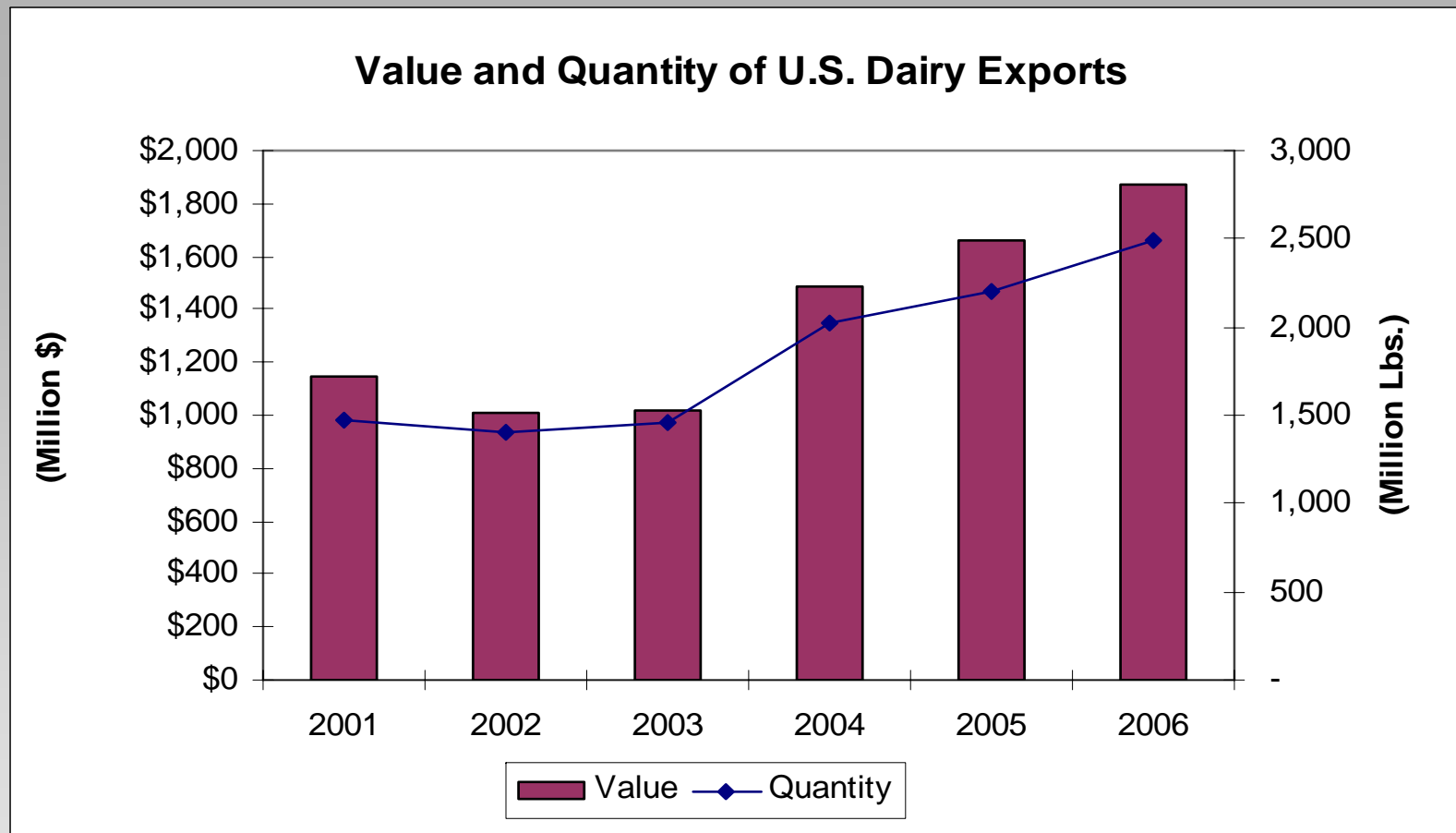


Source: USDA, Foreign Agricultural Service

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Value and Quantity of U.S. Dairy Exports





January – November 2007 Exports

	Million Lbs.	% vs. 2006	% of Production
NFDM/SMP	518.2	-12.8%	38%
Butter/Milkfat	76.2	232%	5.5%
Total Cheese	196.6	38%	2.0%
Cheddar Cheese	29.8	203%	1.1%
Dry Whey	544.4	18.1%	55%
WPC	187.8	44.3%	58%
Lactose	710.4	51.2%	95%



Regional Supply



2006 U.S. Milk Production By Region and Percent of Total



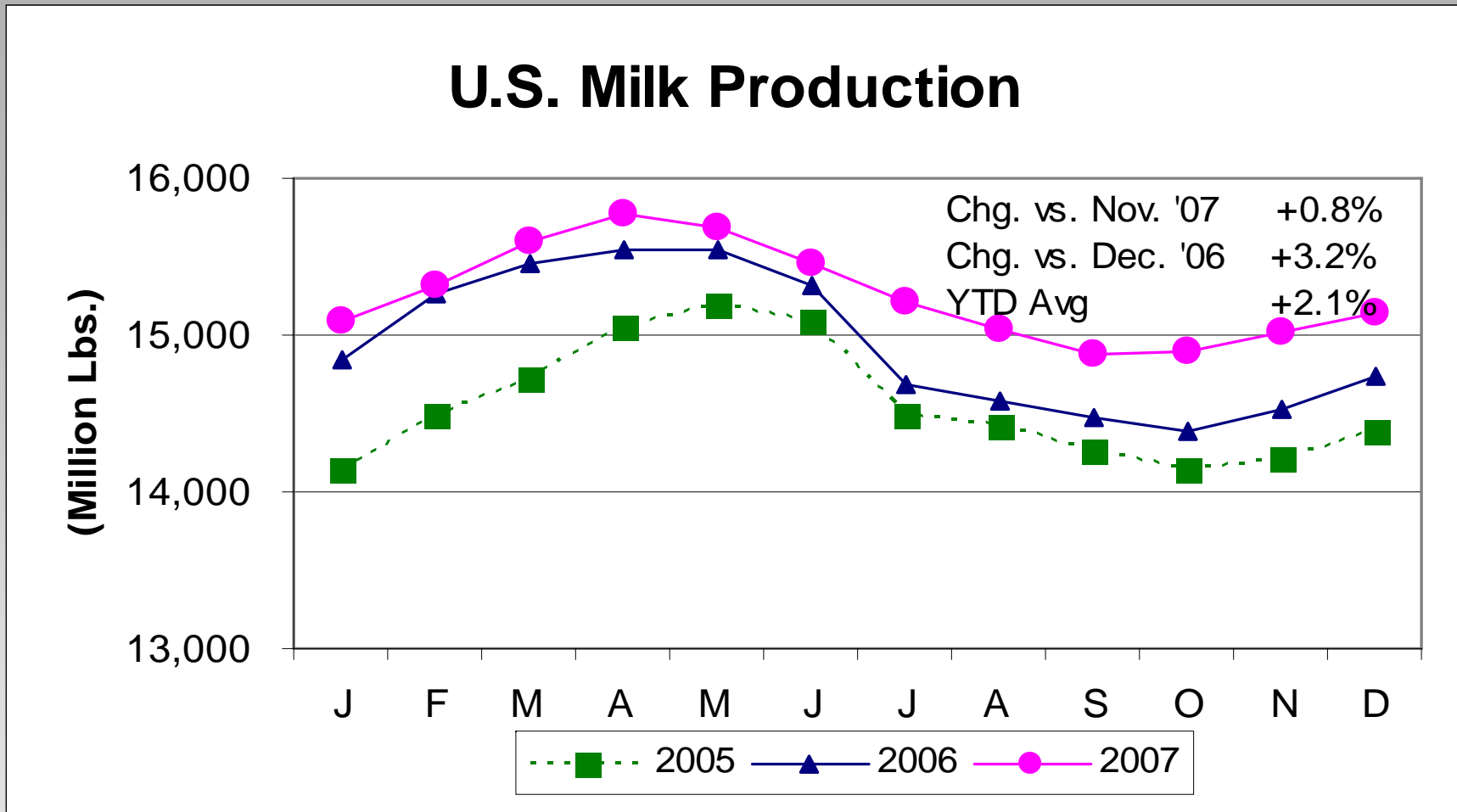
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U.S. Milk Production

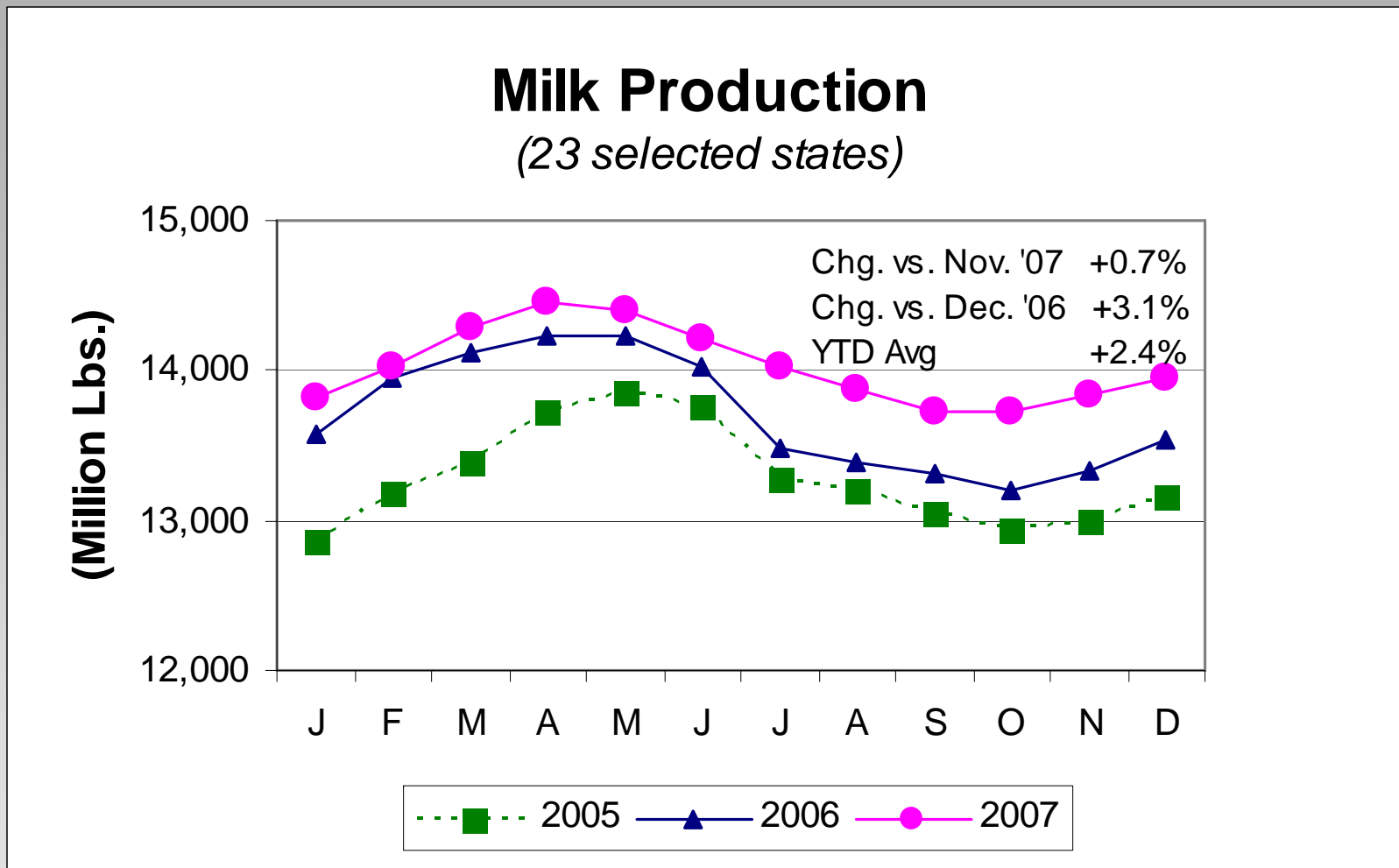


U.S. Milk Production YTD





U.S. Milk Production

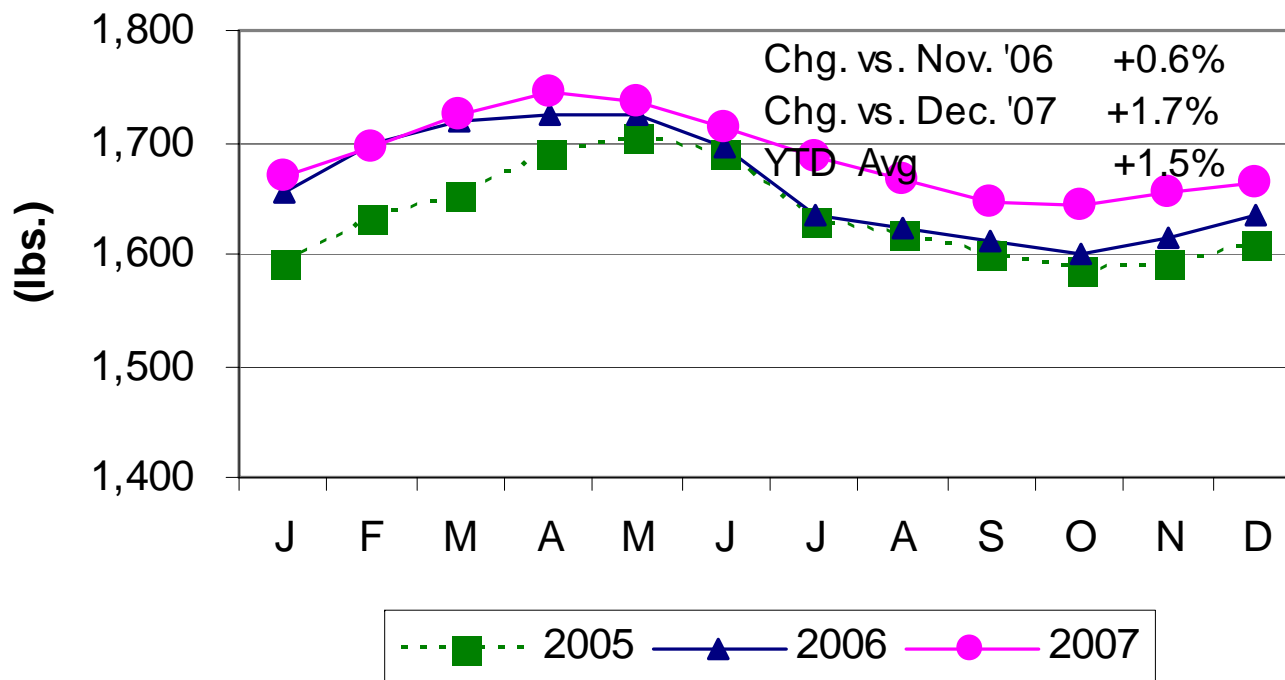




U.S. Milk Production Per Cow

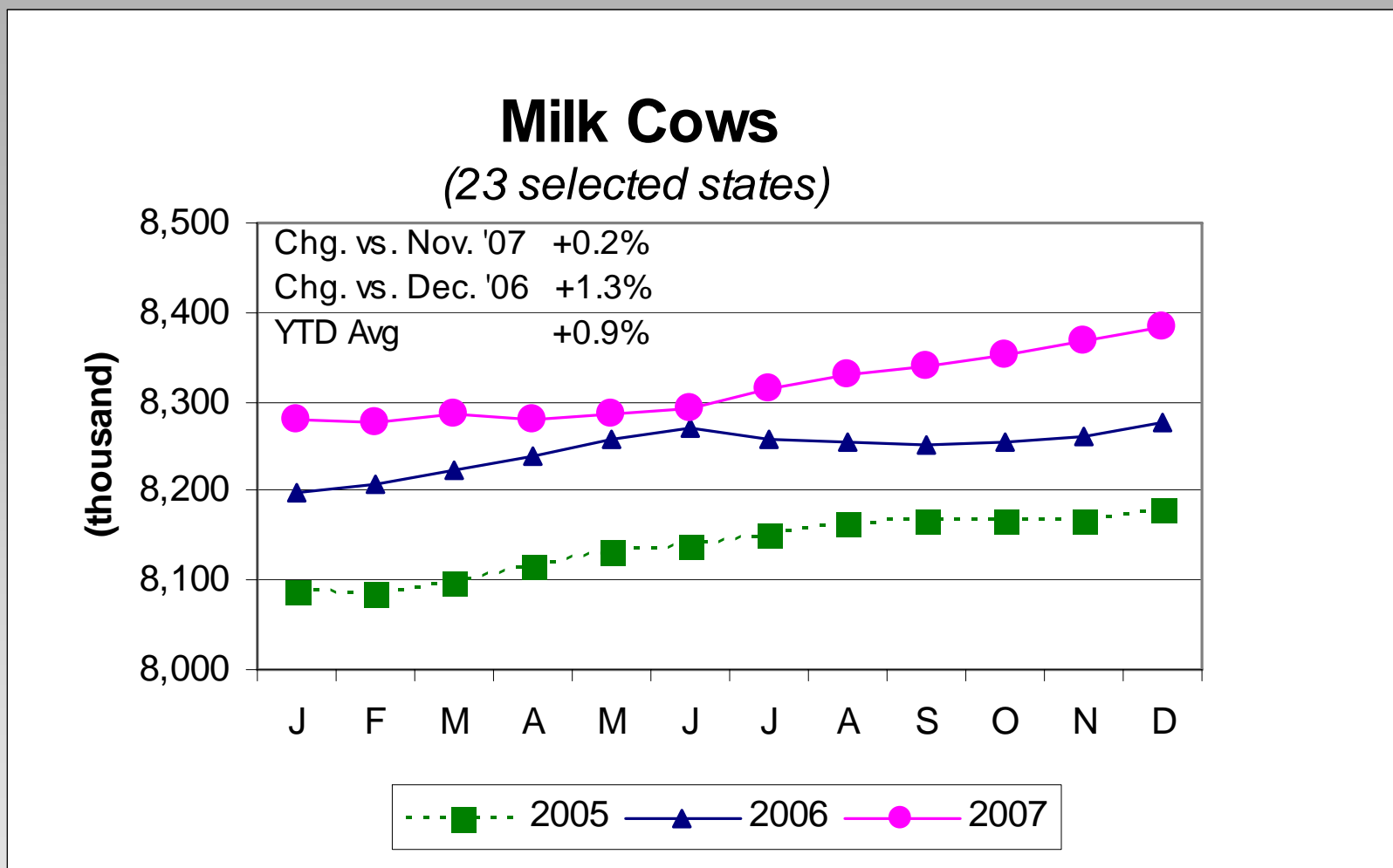
Milk Production Per Cow

(23 selected states, 30-day months)





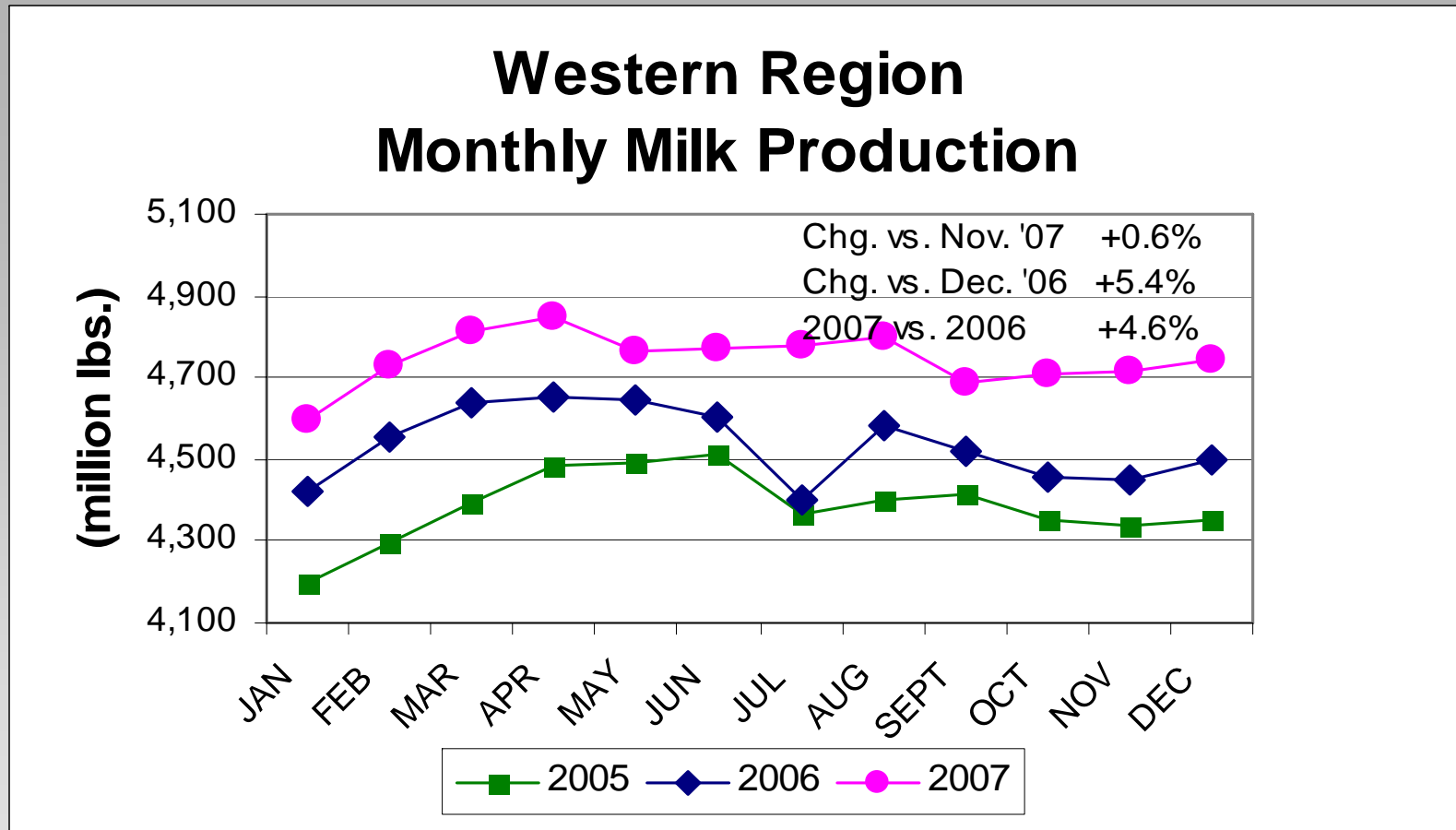
U.S. Cow Numbers



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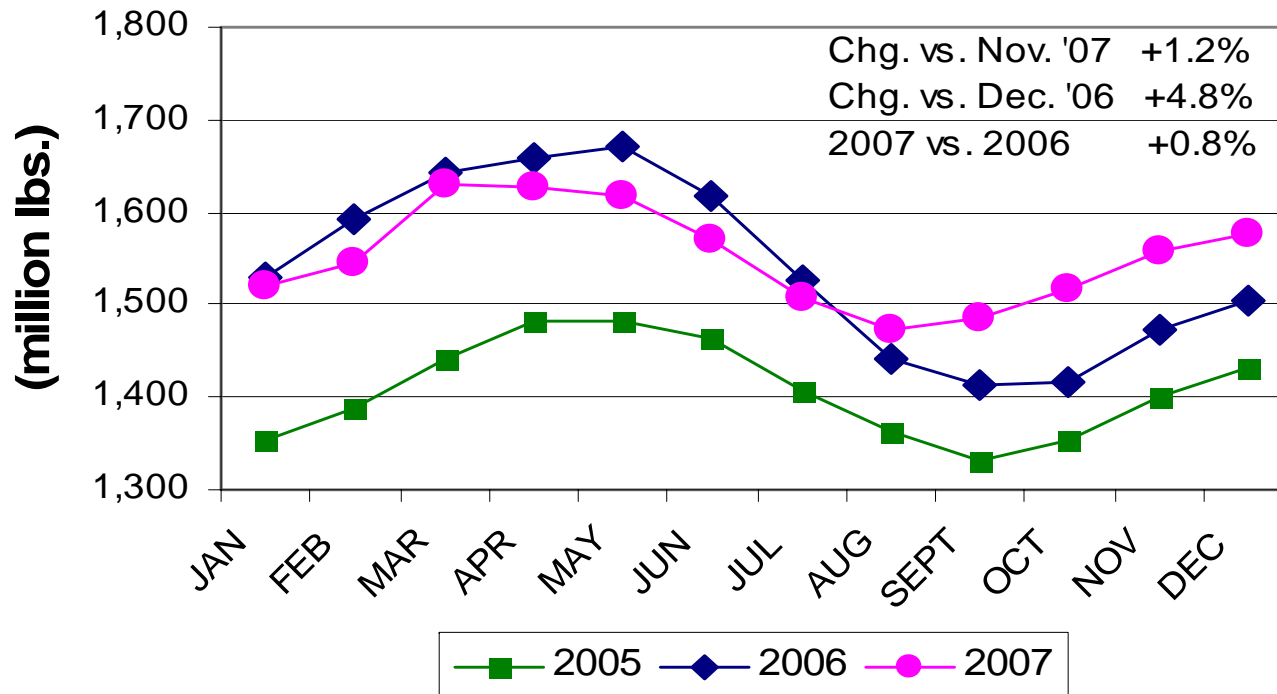
Western Region





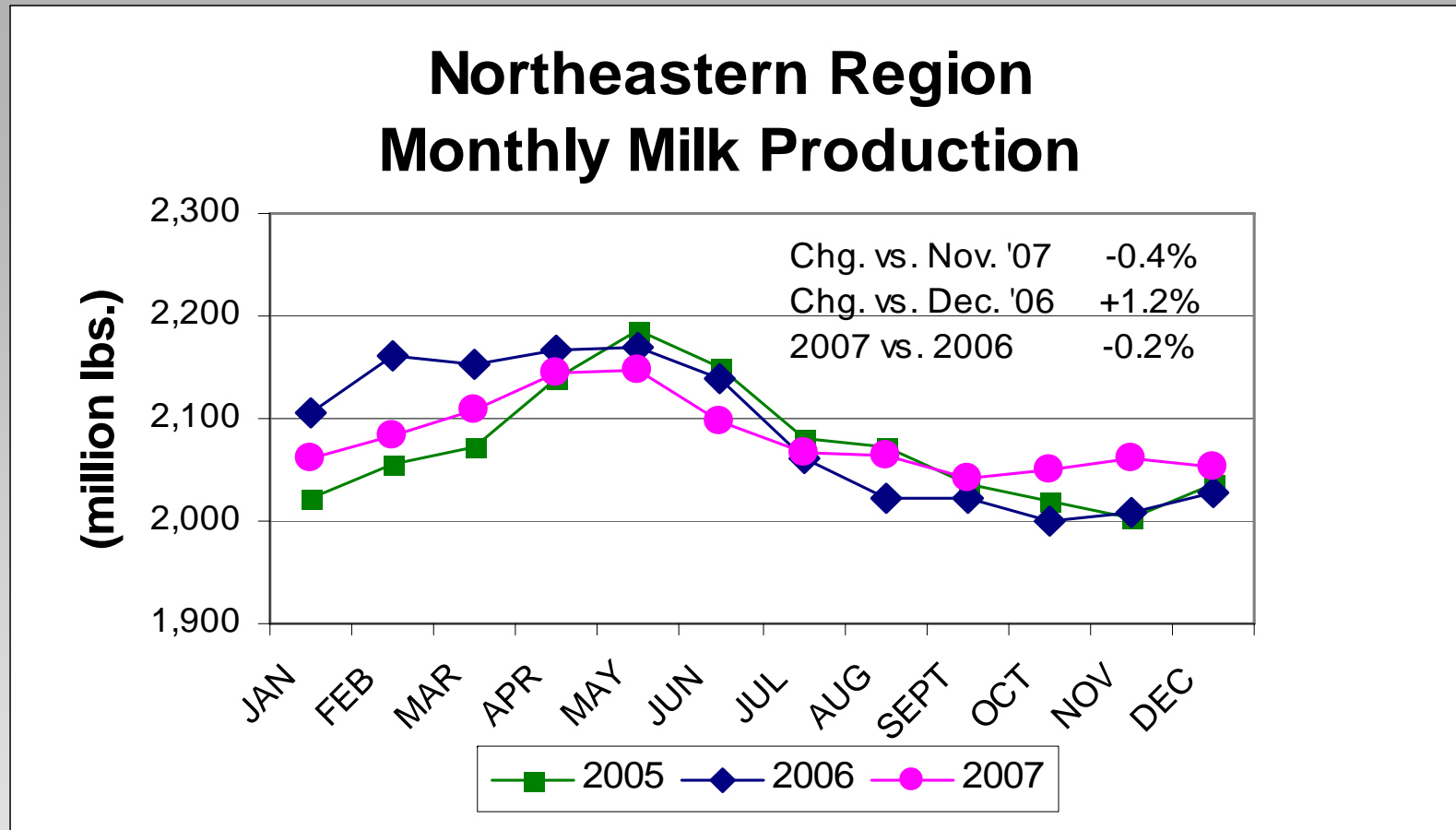
Southwest Region

Southwestern Region Monthly Milk Production



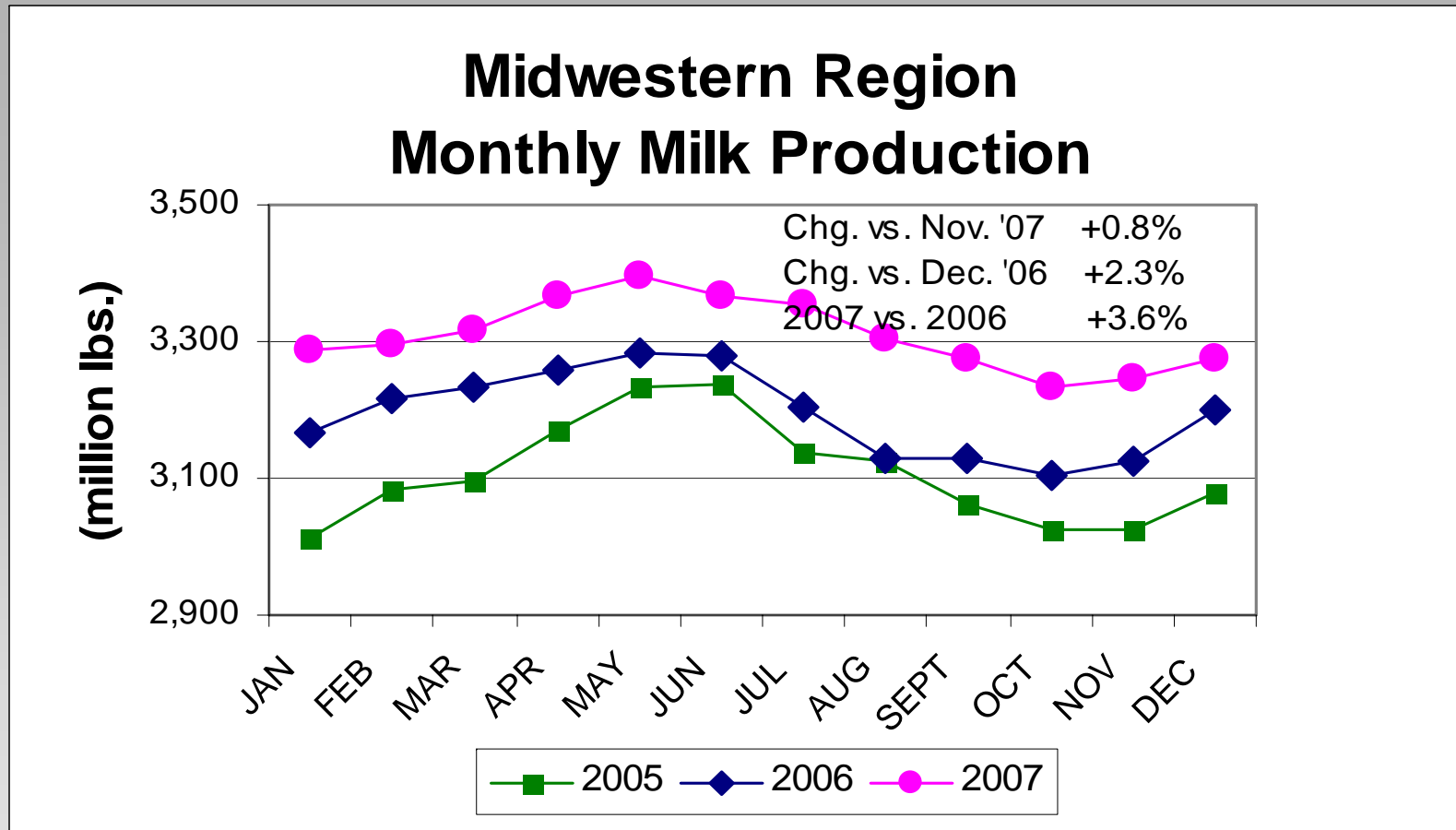


Northeast Region



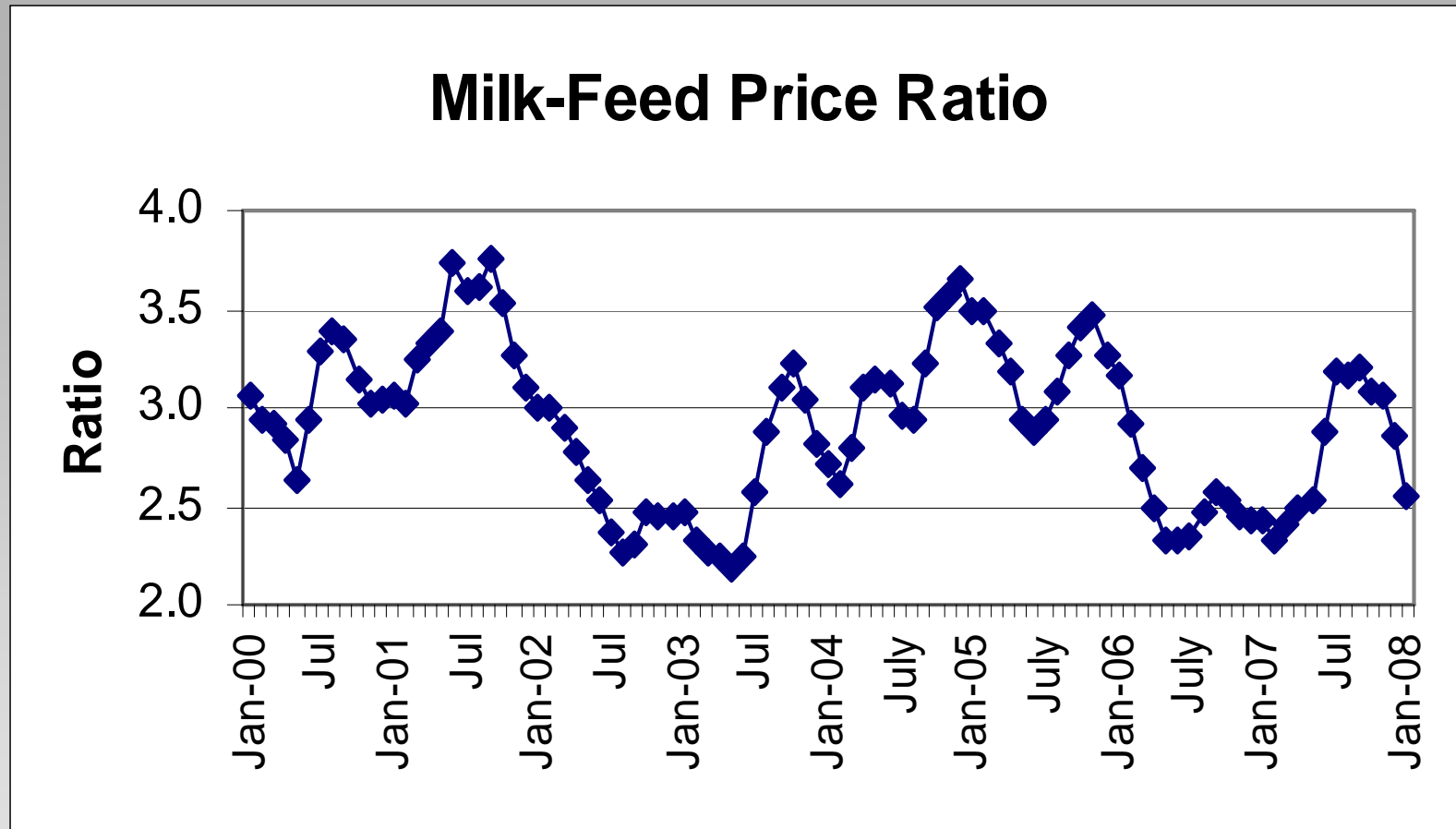


Midwest Region





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

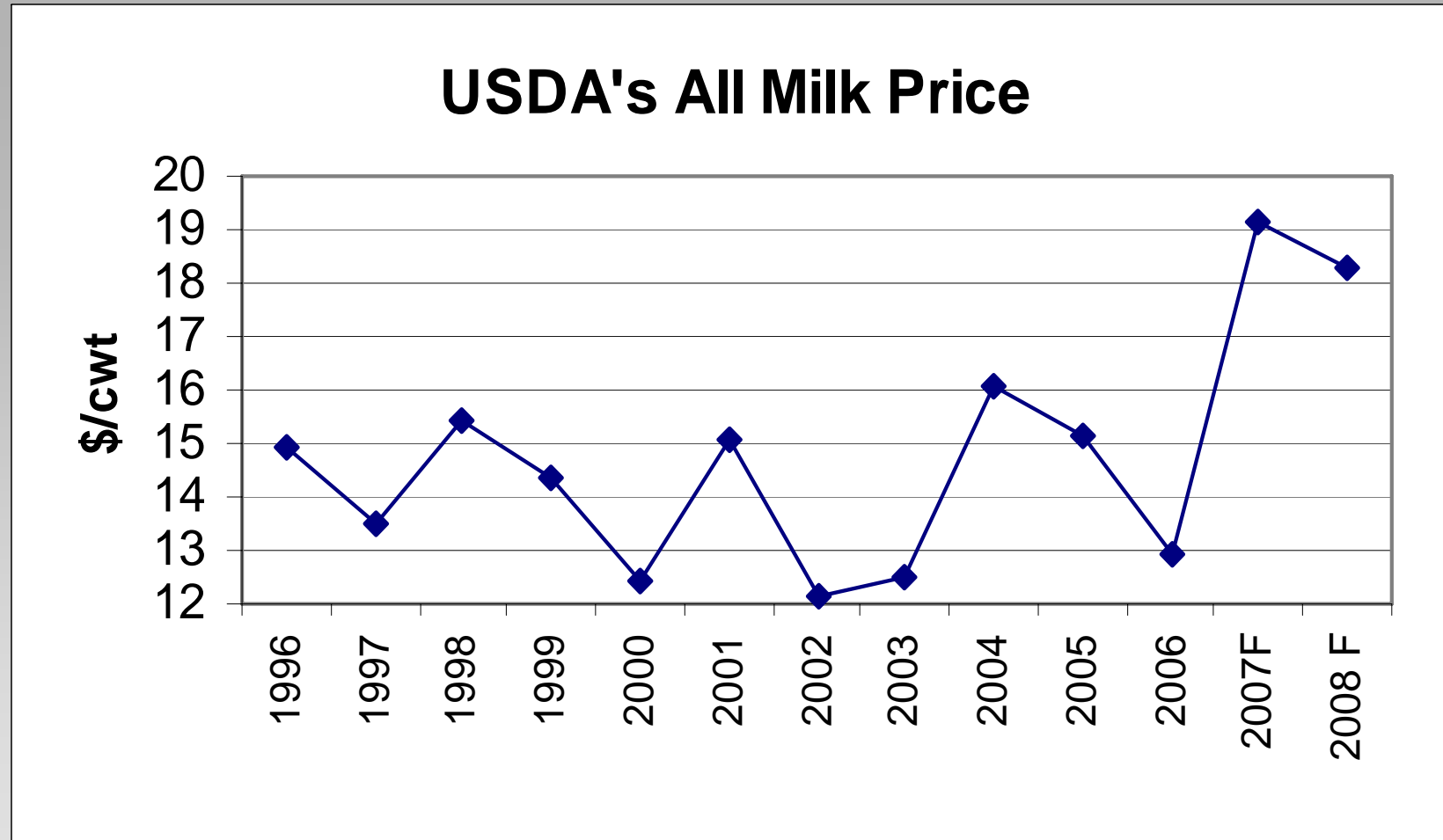


Milk Feed Price Ratio

- Jan 2008
 - Milk Feed Price Ratio 2.55
 - All Milk Price \$20.70
 - Corn \$4.28/bu
 - Soybeans \$11.00/bu
 - Alfalfa \$135/ton



USDA All Milk Price



Source: USDA January 2008

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Dairy Demographics



Dairy Demographics

Herd Size	# Farms 1997	# Farms 2003	# Farms 2006	# Farms 2007
1 – 99	102,205	67,650	57,510	54,415
100 – 499	19,239	15,745	14,327	13,880
500 – 999	2,336*	1,700	1,700	1,700
1000 – 1999		815	870	920
2000+		450	573	595
Total	123,780	86,360	74,980	71,510



Where's the Milk 2007?

Herd Size	% of U. S. Dairies	% of Production
1 – 99 cows	76.1%	18.8%
100 – 499 cows	19.4%	27.1%
500 – 999 cows	2.4%	12.3%
1000 – 1999	1.3%	16.1%
2000 +	0.8%	25.7%



Origins of the 2007 Milk Supply

- The largest 3,215 dairy herds with more than 500 cows account for 54.1% of the U.S. milk production.
- About 19% of the U.S. milk production comes from the 54,415 dairy operations with less than 100 cows



Closing Comments

- In 2007 the dairy industry seemed immune from the rising feed costs due to even faster rising milk costs.
- In 2008, milk prices are expected to be somewhat lower than 2007 and feed costs are expected to be at least 30% to 40% higher.



Closing Comments

- Margin squeeze is expected in areas with lowest milk price and highest feed cost ie. California
- The Red Barn club will do well. The question is whether they'll wake up some day and calculate the "opportunity costs" of putting \$5.00/bu. Corn into their 75 milking COWS.



Closing Comments

- Welcome the opportunity for Biofuels legislation to embrace green energy produced from livestock operations with the same level of subsidies provided to the ethanol/bio-mass industry.
- For example methane digesters
- Not to exclude Solar and Wind