A Cooperative’s Perspective on Missouri’s Dairy Future

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U.S. Annual Consumption

Million pounds

1997-2014 CAGR
+1.9%

More Cooperative. Dairy Farmers of America
DFA overview

• A farmer-owned cooperative
• Member farms
  – Nearly 9,000 member farms/14,000 members
• Manufacturing facilities
  – 33 facilities
  – Invested in 77 facilities in total
• Diversified manufacturer of dairy products, food components and ingredients and a leader in formulating and packaging shelf-stable dairy products
• Annual sales
  – $18 billion
Affiliates and alliances network

Manufacturing Affiliates
- DairiConcepts
- Southwest Cheese Company
- O-AT-KA Milk Products
- Melrose Dairy Proteins

Fluid Affiliates
- Hiland Dairy
- Stremicks Heritage Foods

Alliances
- Leprino Foods
- Schreiber Cheese
Competitor’s market share and global position

- **Fonterra**
  - Dairy for life
  - Approx. 85% market share in New Zealand

- **FrieslandCampina**
  - Approx. 70% market share in the Netherlands

- **Arla**
  - Approx. 75% market share in Denmark

- **Nestlé**
  - World’s largest consumer packaged goods company

- **DANONE**
  - 190 facilities, and 100,000 employees around the world
10-Year Shift Milk Production

Million pounds

Source: USDA National Agricultural Statistics Service
U.S. Milk Production
Q1 2015 vs. Q1 2014 (million pounds)

Milk production was up 1.7% from prior year

Q1 2015 milk production
Qty. chg. from prior year
% chg. from prior year

Source: USDA National Agricultural Statistics Service
Processing

• Growth

• Consolidation

• Economies
  – Cost of production
  – Scale
  – Capacity
Missouri Cow Numbers

28% decrease from 2004
Milk Production vs. Class I Sales

28% decrease from 2004
Missouri Monthly Milk Production
(adj. to 30 days)

32% decrease from 2004

42.4 mil. lb. diff.

36.4 mil. lb. diff.
Balancing Reduces Value

- **Balancing plants** – inefficient
  - Capacity utilization
  - Steady product/customer
- **Milk Movements** – inefficient
  - Hauling distances
  - Hauling logistics (equipment & labor)
- **Ancillary to Fluid Sales**
SW Missouri producer seasonality

- Green 0-20%
- Yellow 21-40%
- Red Over 40%
Milk Market Musts

• Quality #1 Priority
• Minimum standards have/are changing
  – Bacteria
  – SCC limits
  – Temperature
  – Etc.
• Drug residue diligence
• FARM Animal Care
  – Written protocols
  – Training
  – Audits
• Environmental Stewardship

• Missouri Farms are Competing with other regions/farms.
Missouri Dairy Revitalization Act

• Positive step.
  – Great example & commitment to industry.
  – Head start on other states.

• IF $$$ ?

• Effort without implementation = negative