Economic Outlook

AGENDA

- Supply Side Considerations
- Demand Side Considerations
- Wildcards to Watch

PRESENTED BY:

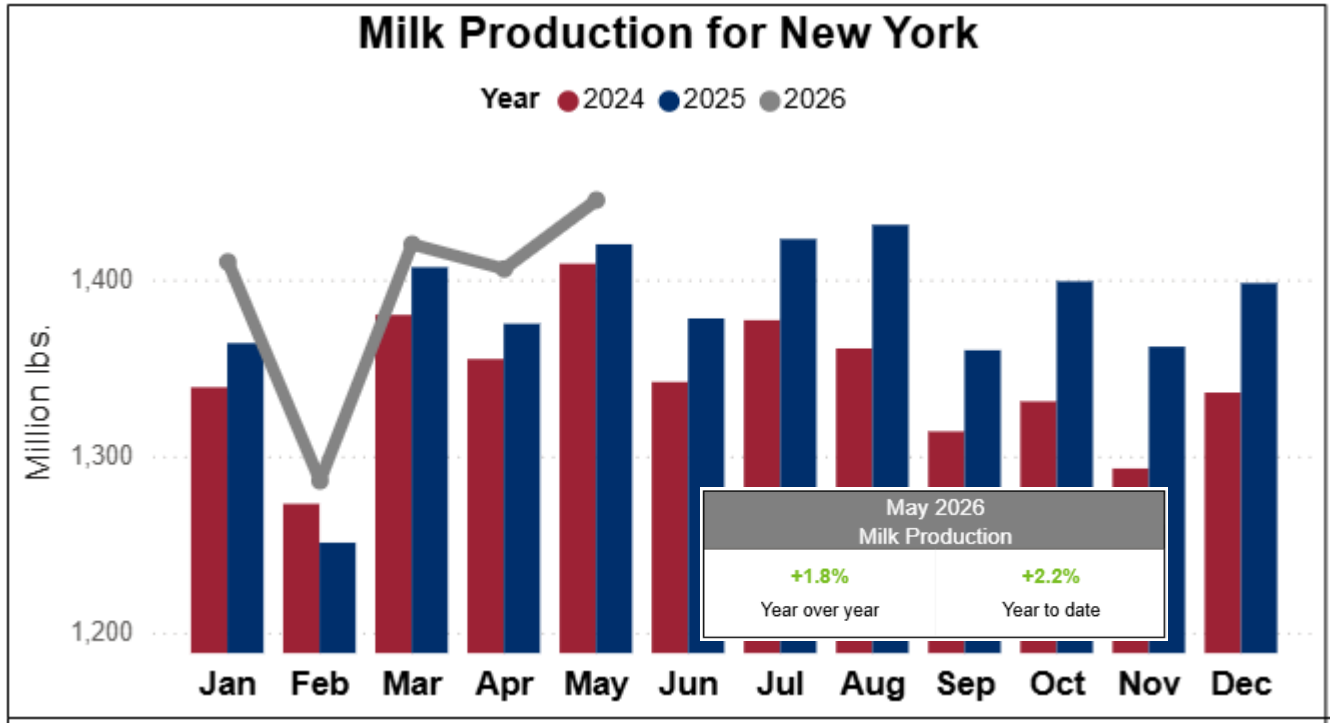
Christine Brodeur, DFA

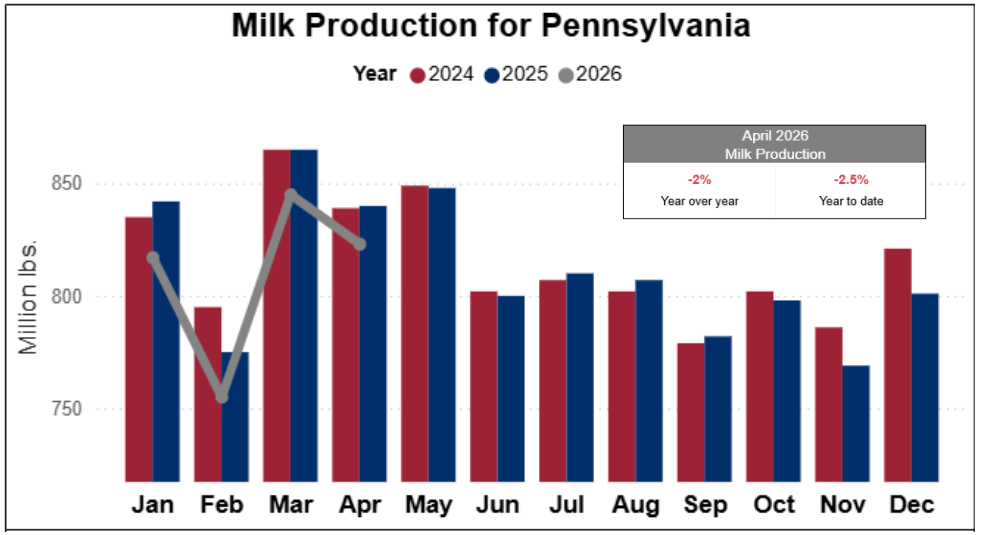
Catherine de Ronde, Agrimark

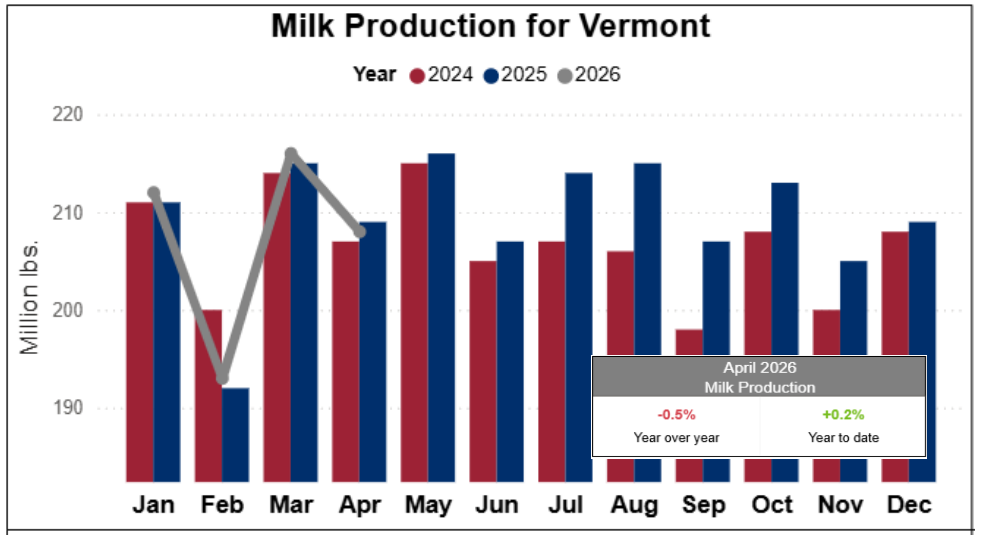
Jodi Krzysiak, UNC Dairy

Supply Side Considerations

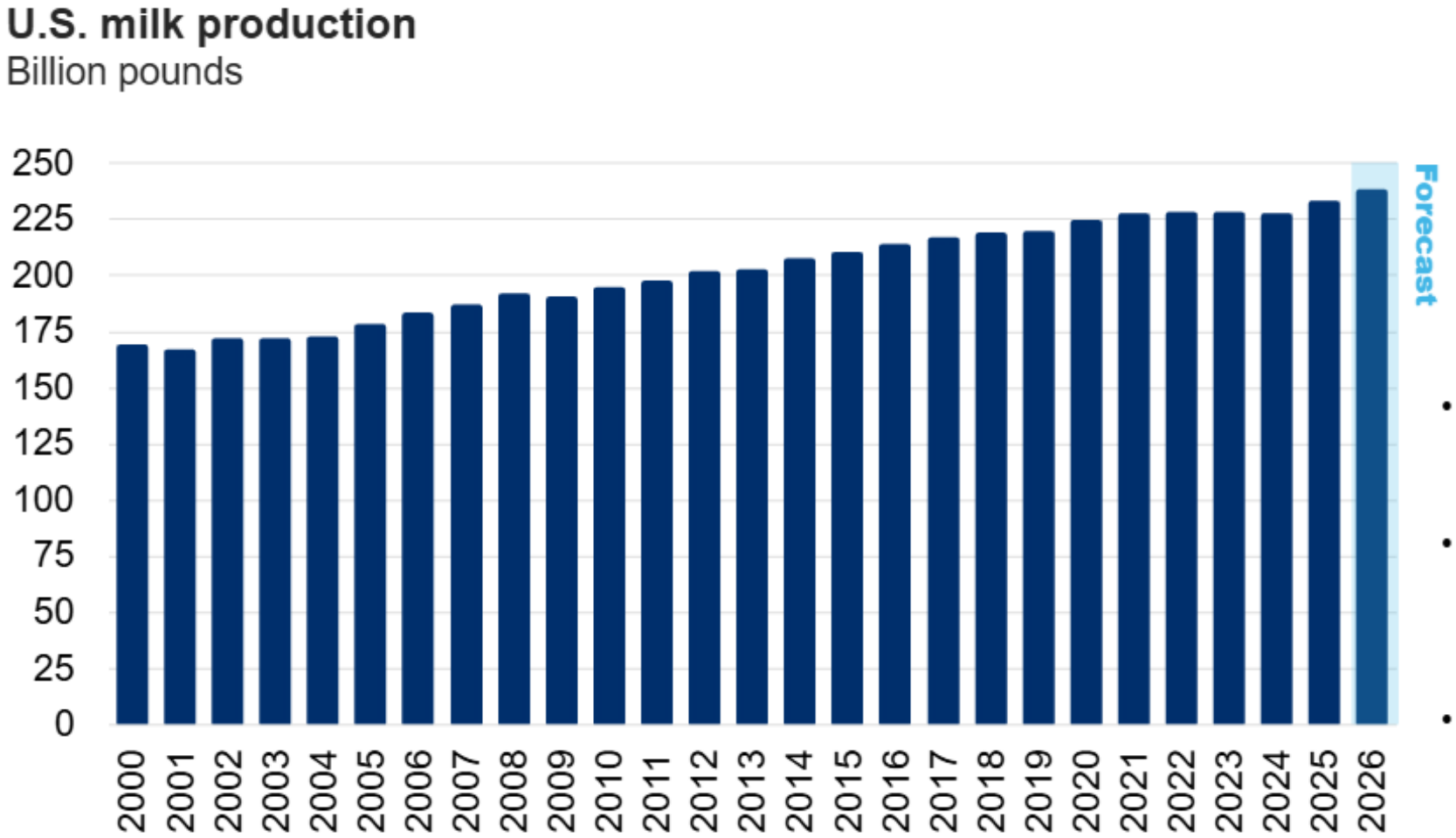
Northeast production trends







U.S. milk production is higher than expected…



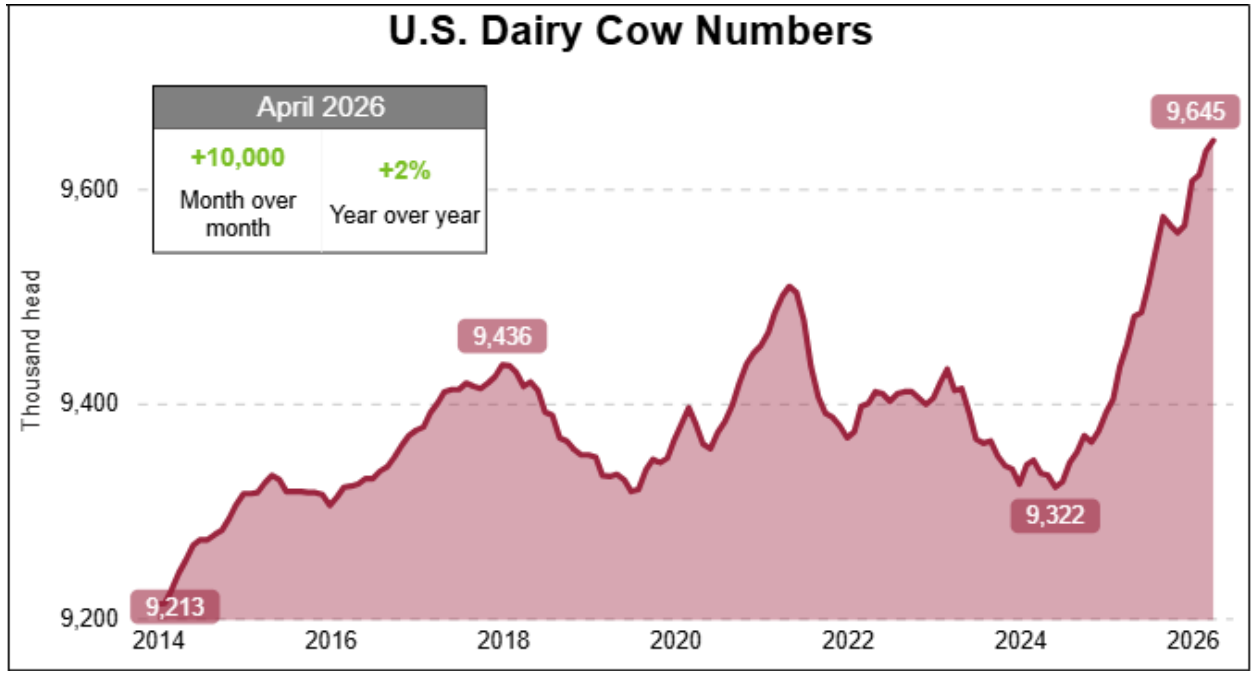
Apr. 2026
+2.7%

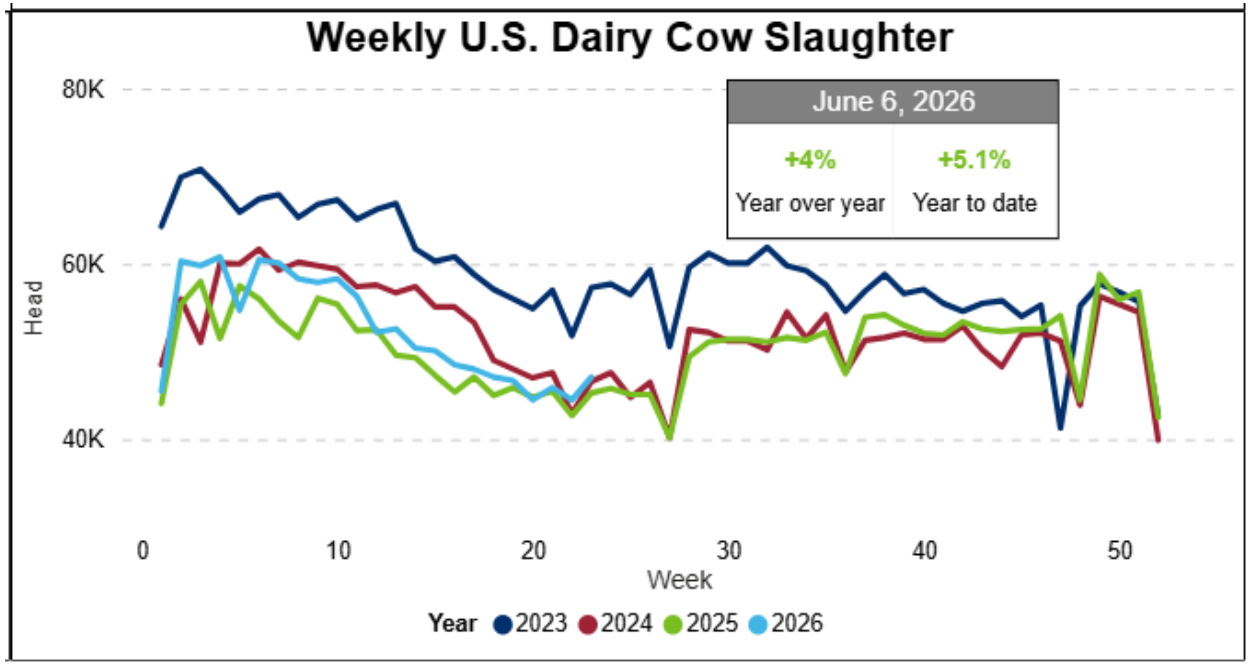
2026 est.
+2.1%

- Herd size is the driving factor of sustained milk production strength
- Milk component levels are increasing concurrent with milk production growth
- **Outlook:** Higher milk prices and favorable beef revenue will sustain milk production growth

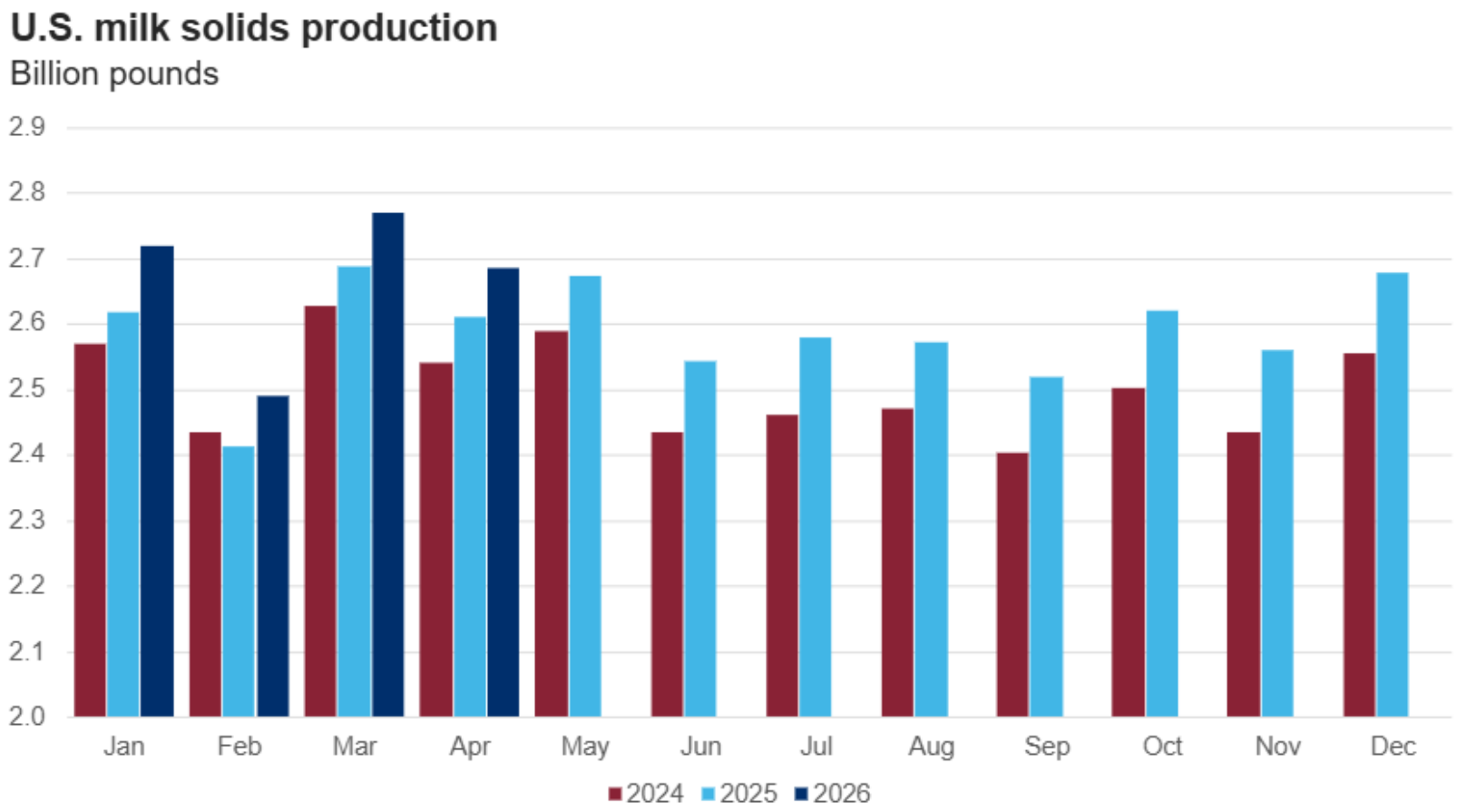
Source: USDA, DFA forecast

..as cow numbers continue to climb and culling levels remain below historic levels





Component production still strong



Milk solids growth

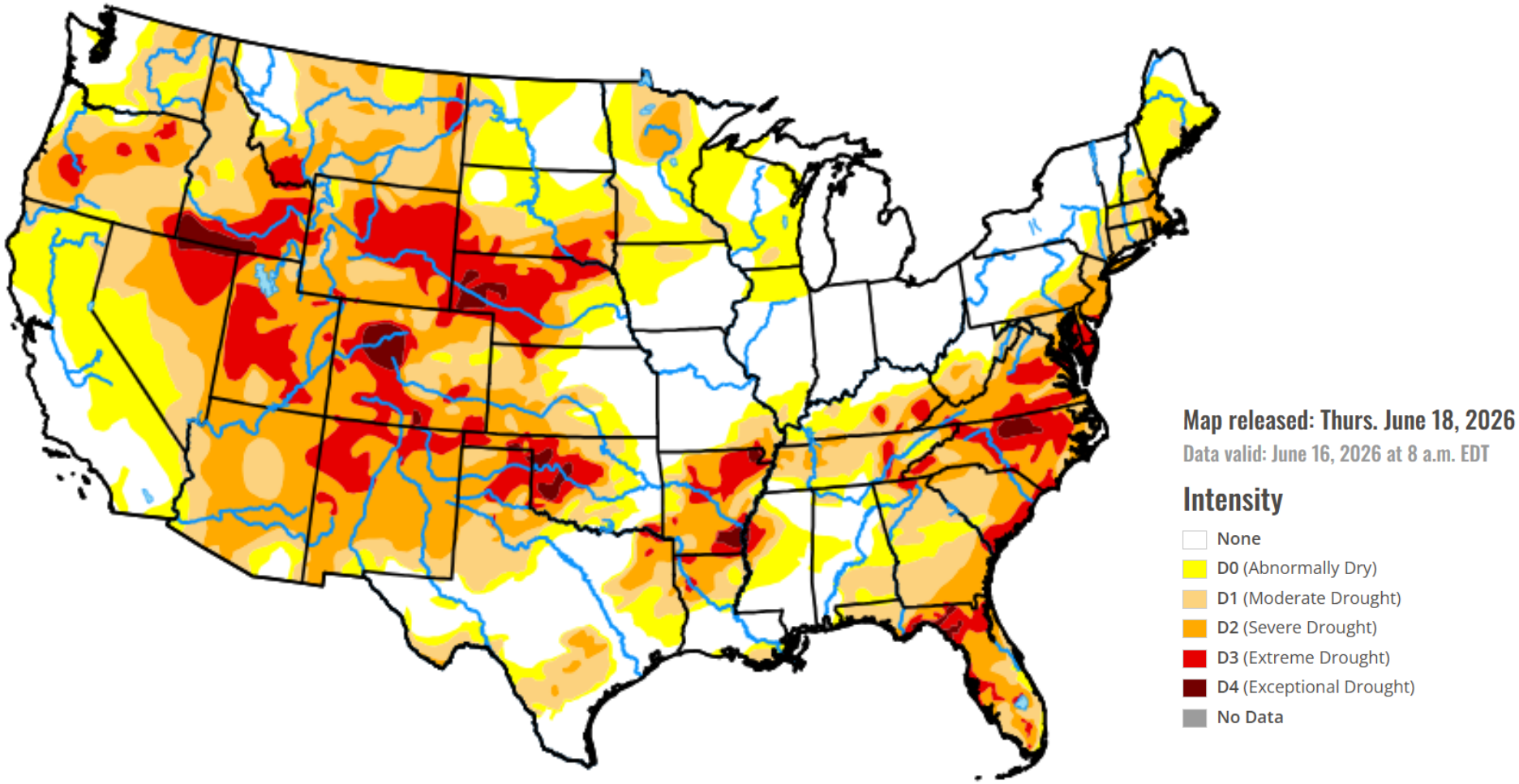
Apr. 2026

+2.9%

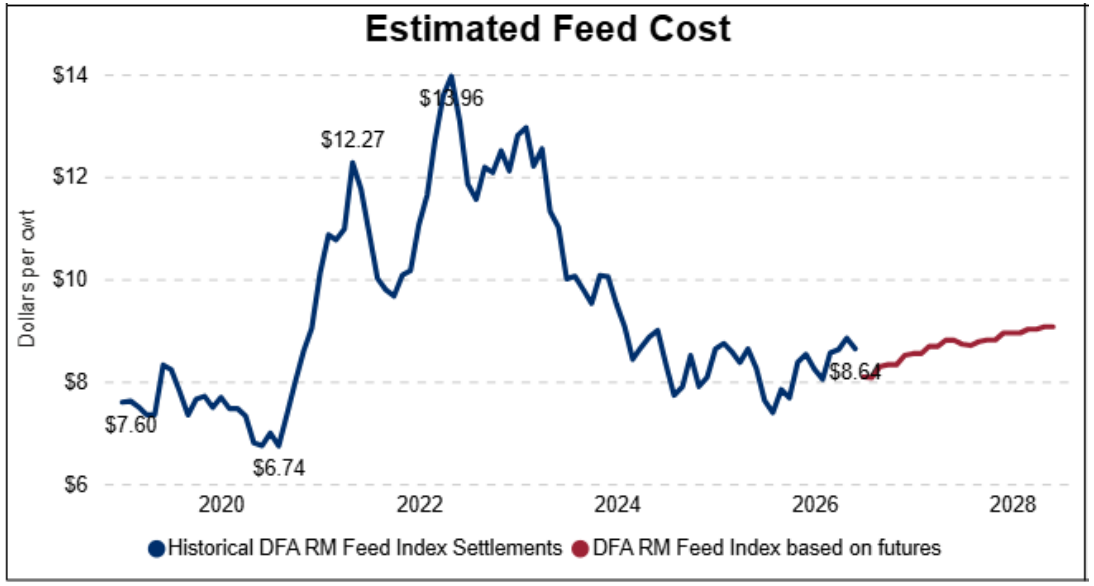
2026 est.

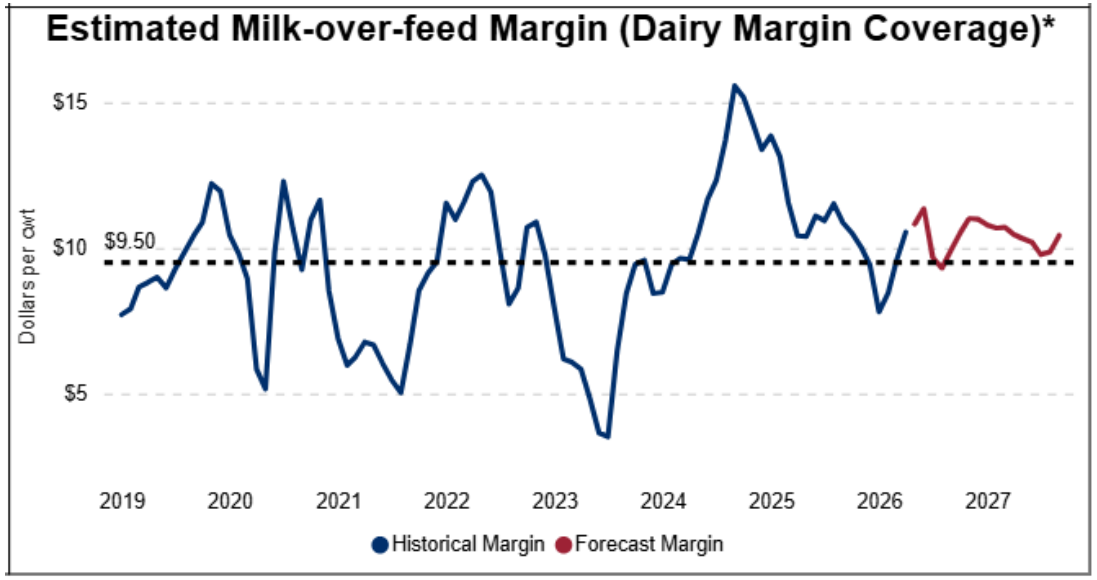
+2.5%

Dry conditions across much of U.S.

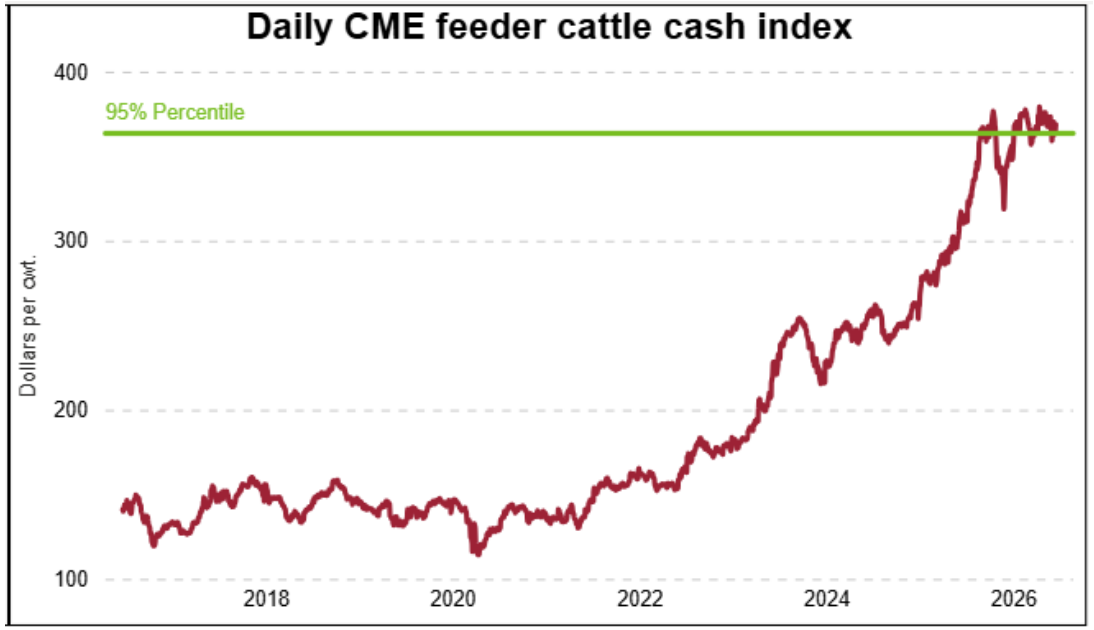


Still, margin outlook is favorable, even before adding beef revenue



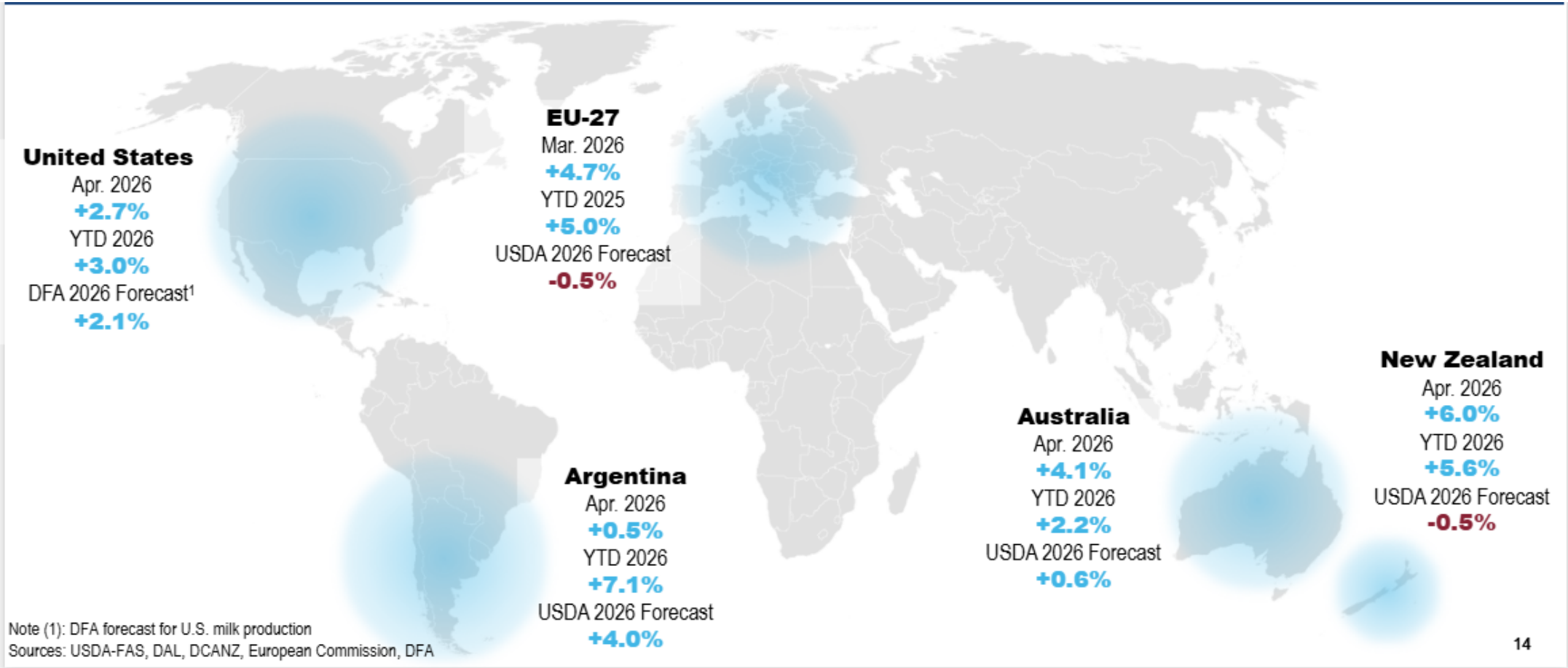


Beef market



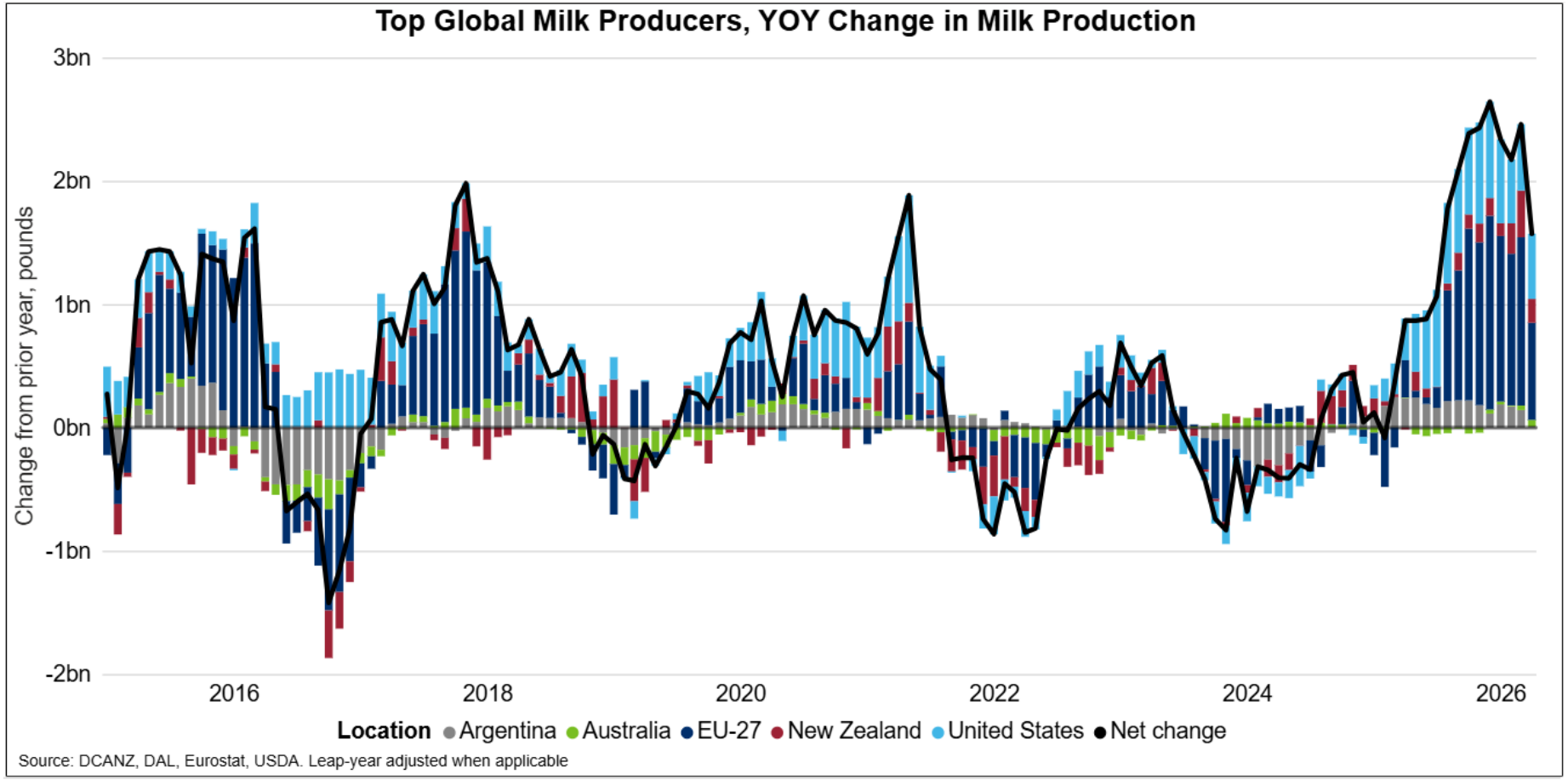
- Producers report revenue from sold beef-on-dairy calves and cull cows equates to $3-5/cwt
  - Calves around $1200-$1500/head
  - Culls around $1800-2200/head

Global milk production snapshot

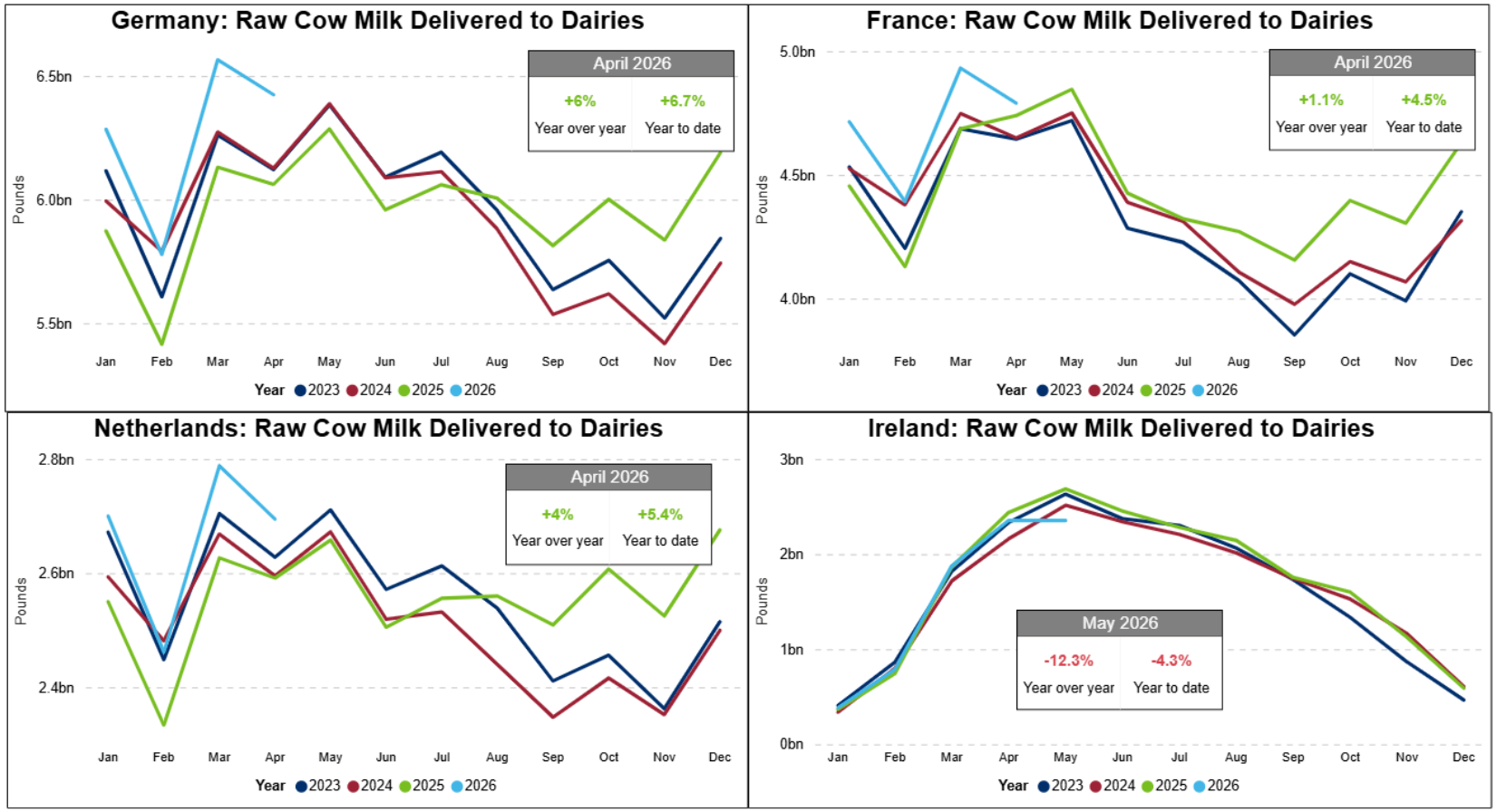


Note (1): DFA forecast for U.S. milk production
Sources: USDA-FAS, DAL, DCANZ, European Commission, DFA

Strongest global growth in 10 years



Regional differences starting to show



Source: DCANZ, DAL, European Commission, USDA Note: percent changes are leap-year adjusted when applicable

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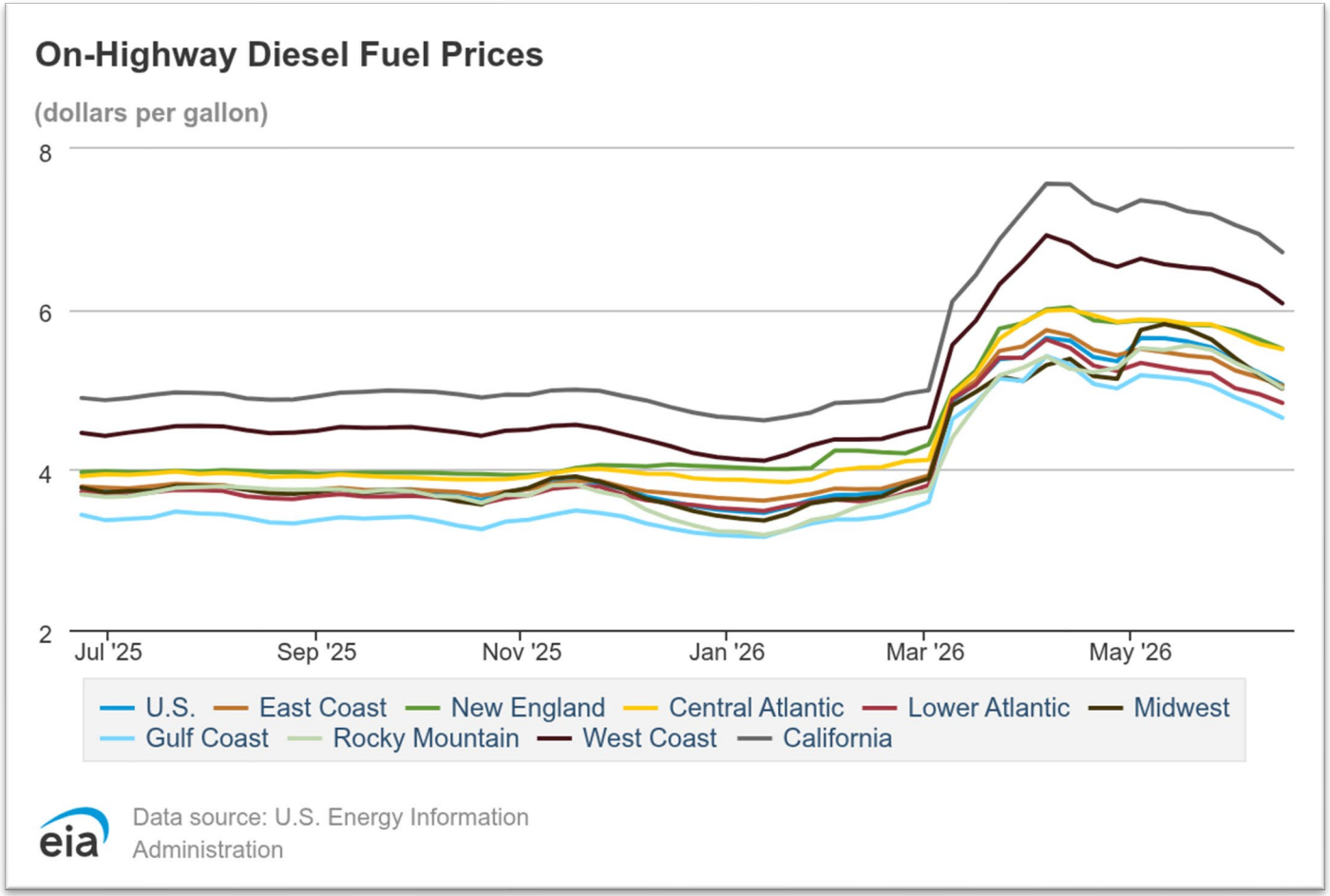
Energy prices weigh on production & consumer demand



Demand Side Considerations

Key Drivers

Whole Milk For Healthy Kids Act

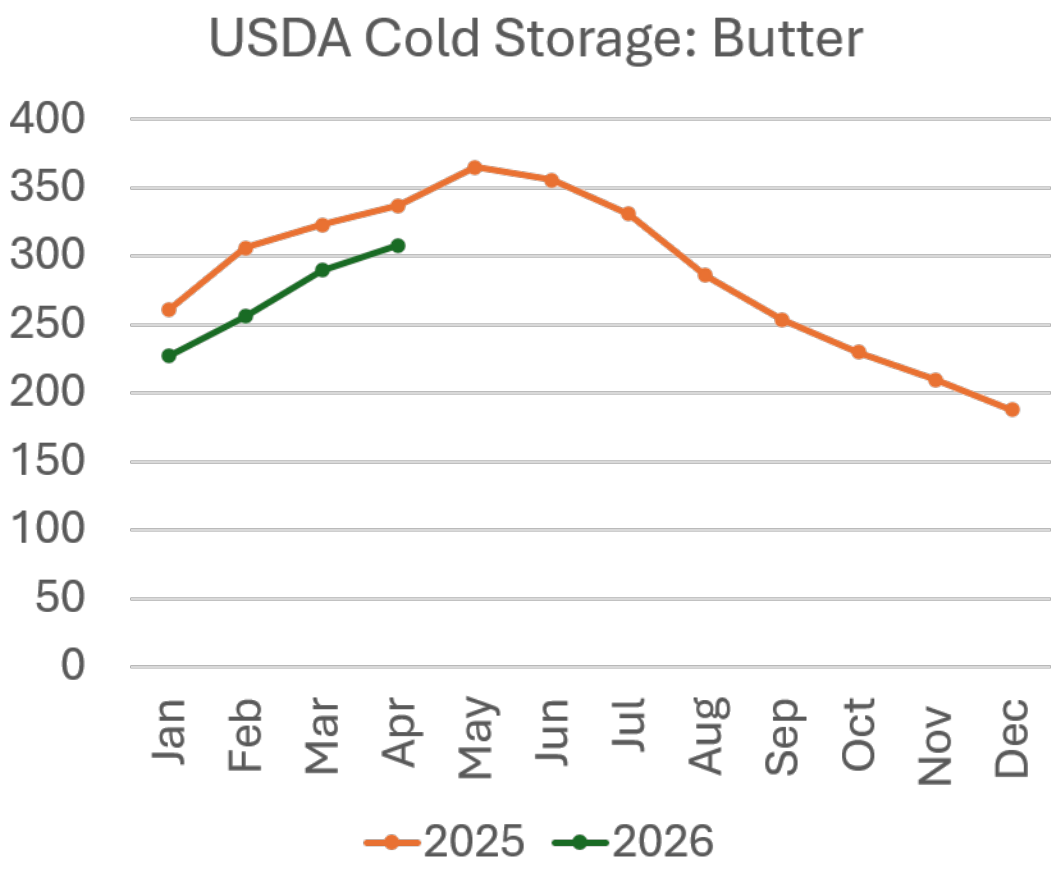
Dietary Guidelines for Americans

GLP-1

Exports

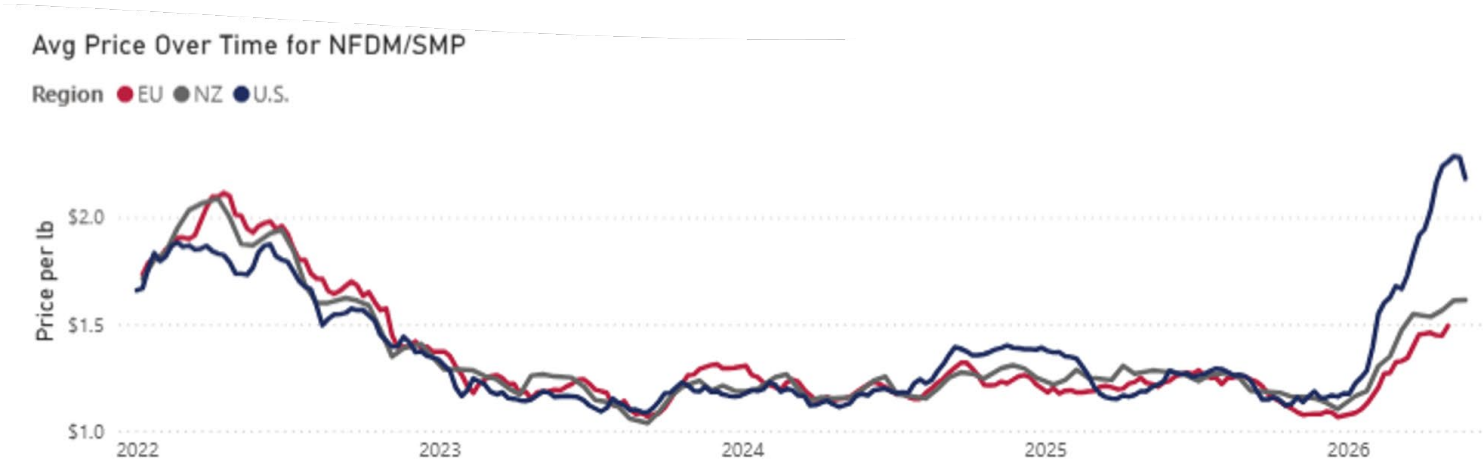
Butter

- Butterfat a plenty
  - Production +4.5%
  - Inventories –8.5%
- International price gap drives exports & keeps inventories in check
- $1.80 range

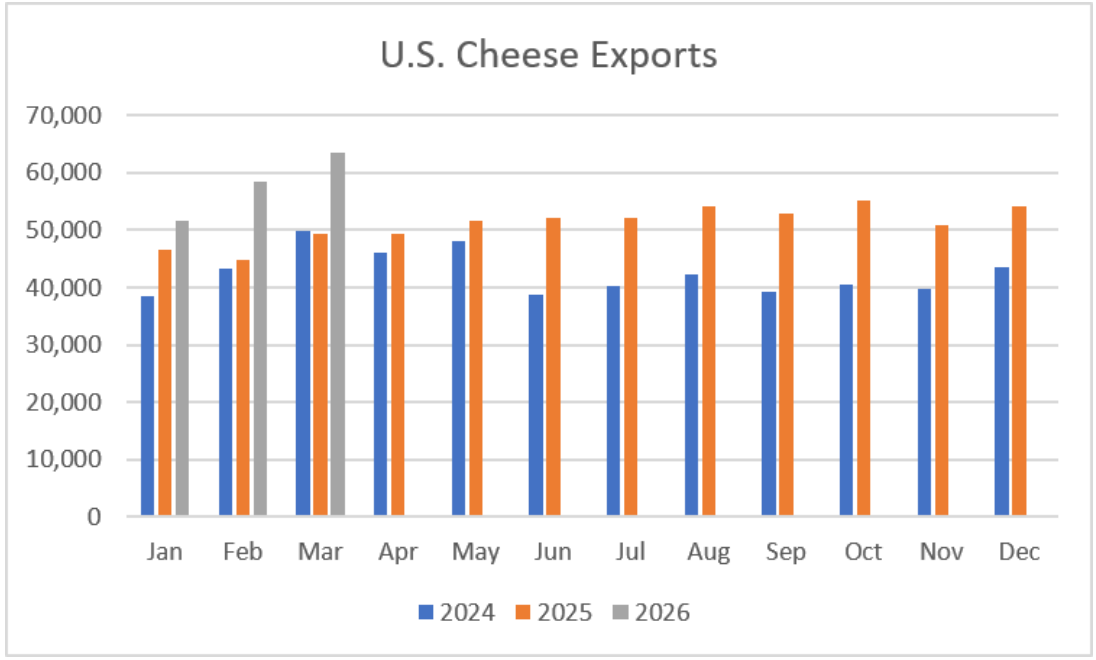


NFDM

- Production +9.4%
- Inventories –6.9%
- Major product recalls drive market rally
- Will settle to world market
- $1.55 range



Cheese



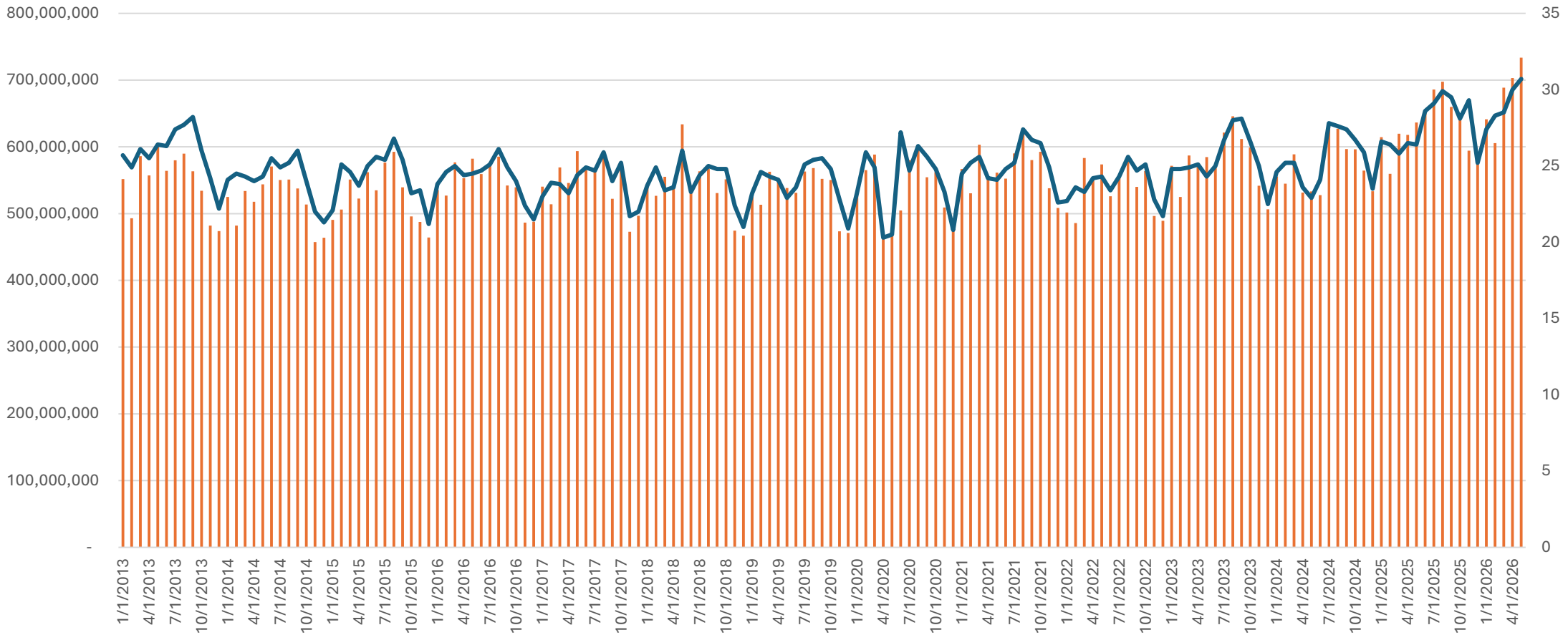
- Production
  - +1.7% Total
  - -1.2% American
- Exports driving the market & keeping inventories in check
  - 25-35 cent discount to sustain demand
  - Inventories –0.9% total, -1.4% American

Whey

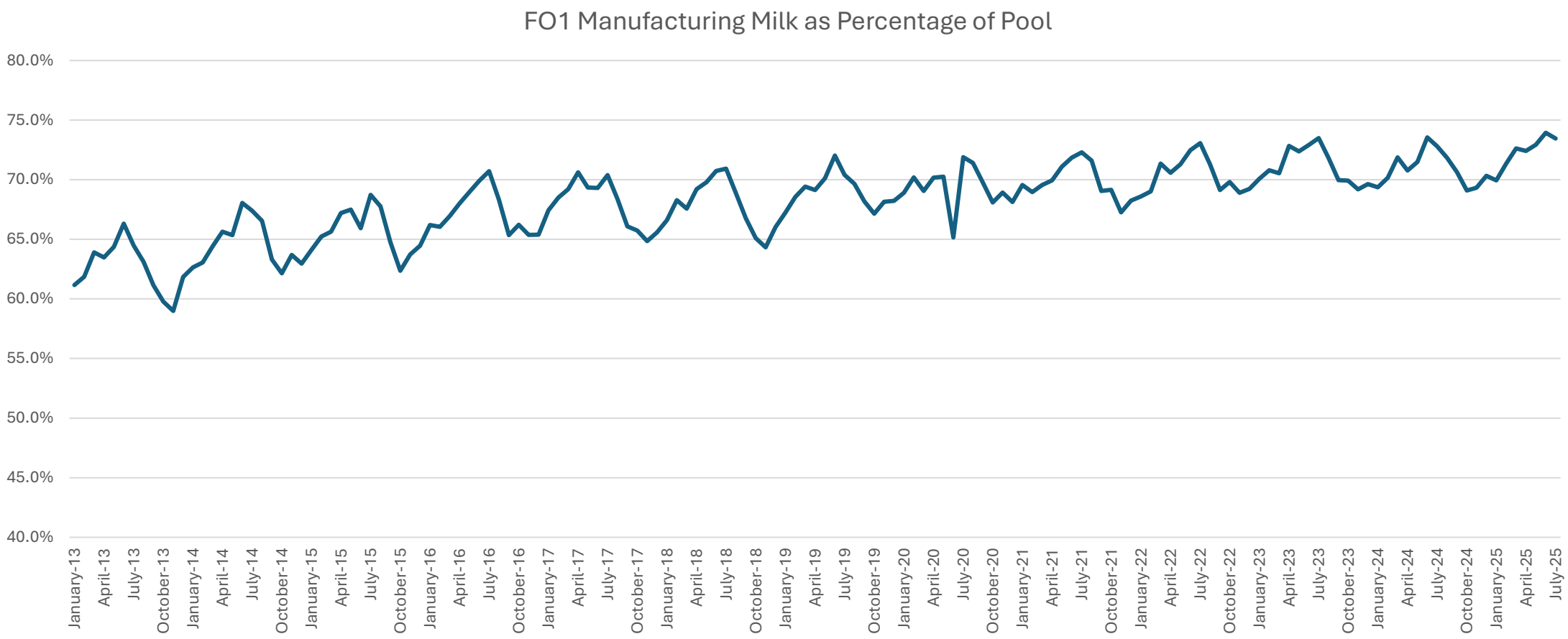
- Support from larger whey complex
- Production +8.7%
- Protein craze
  - Food pyramid
  - GLP-1
- Tipping point expected, but no time soon
- $0.67 range

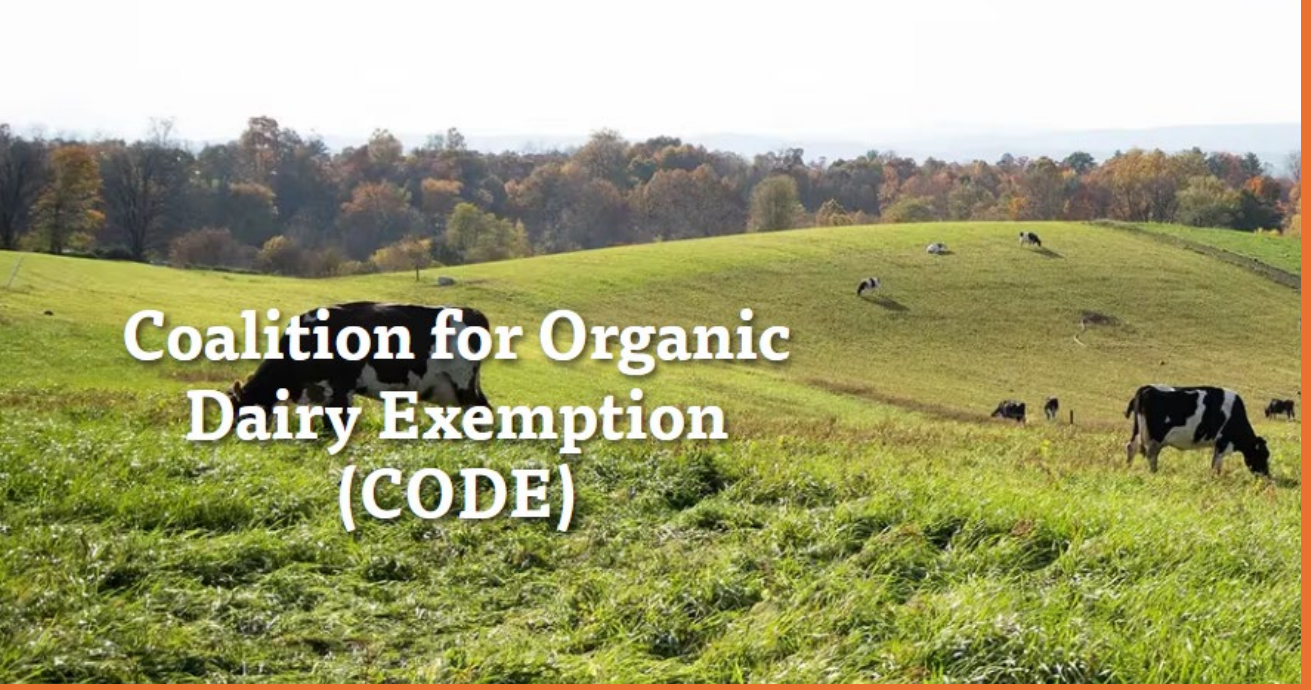
Protein Craze Shows Up in Order 1…

Cultured Dairy & High Protein Beverages Set New Records



Longer-Term Impact on Order 1…





Wildcards to Watch…

Federal Orders

- CODE Exemption
- Several Legal Cases filed…
- Increased Administrative Scrutiny
- NMPF Reconvening Task Force

More information on Coalition for Organic Dairy Exemption
Photos: CODE & Dairy Herd Management

Wildcards to Watch…

Impacts of Situation in Iran…

- Energy Costs
- Exports into MENA
- And, etc…

Wildcards to Watch...

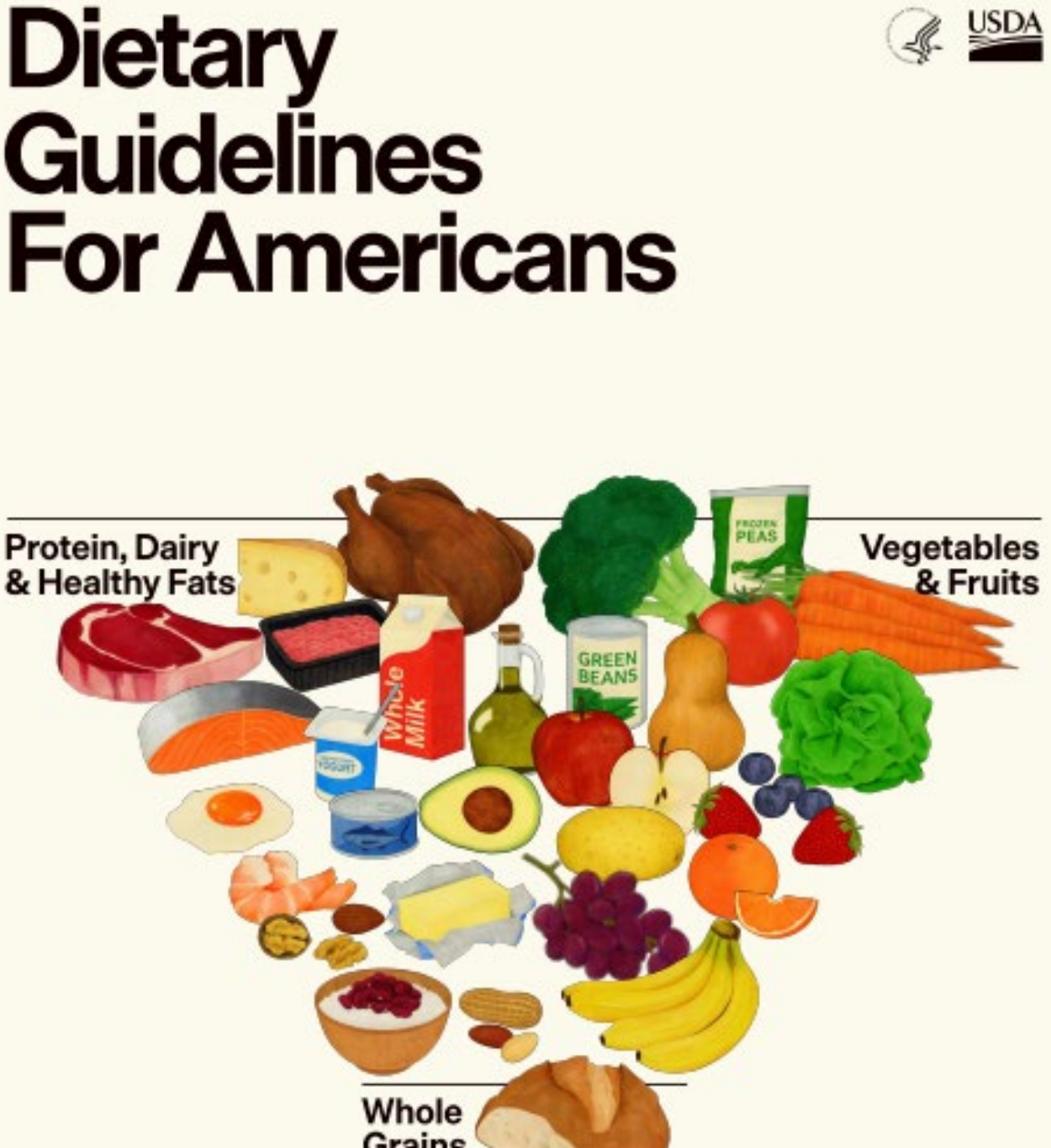
Animal Health Concerns

- H5N1 Detections Rising
- New World Screwworm
- Bovine TB
- Foot and Mouth Disease

Wildcards to Watch…

Administrative Decisions

- USMCA
- Section 301 Tariffs in July?
- School Lunch Program

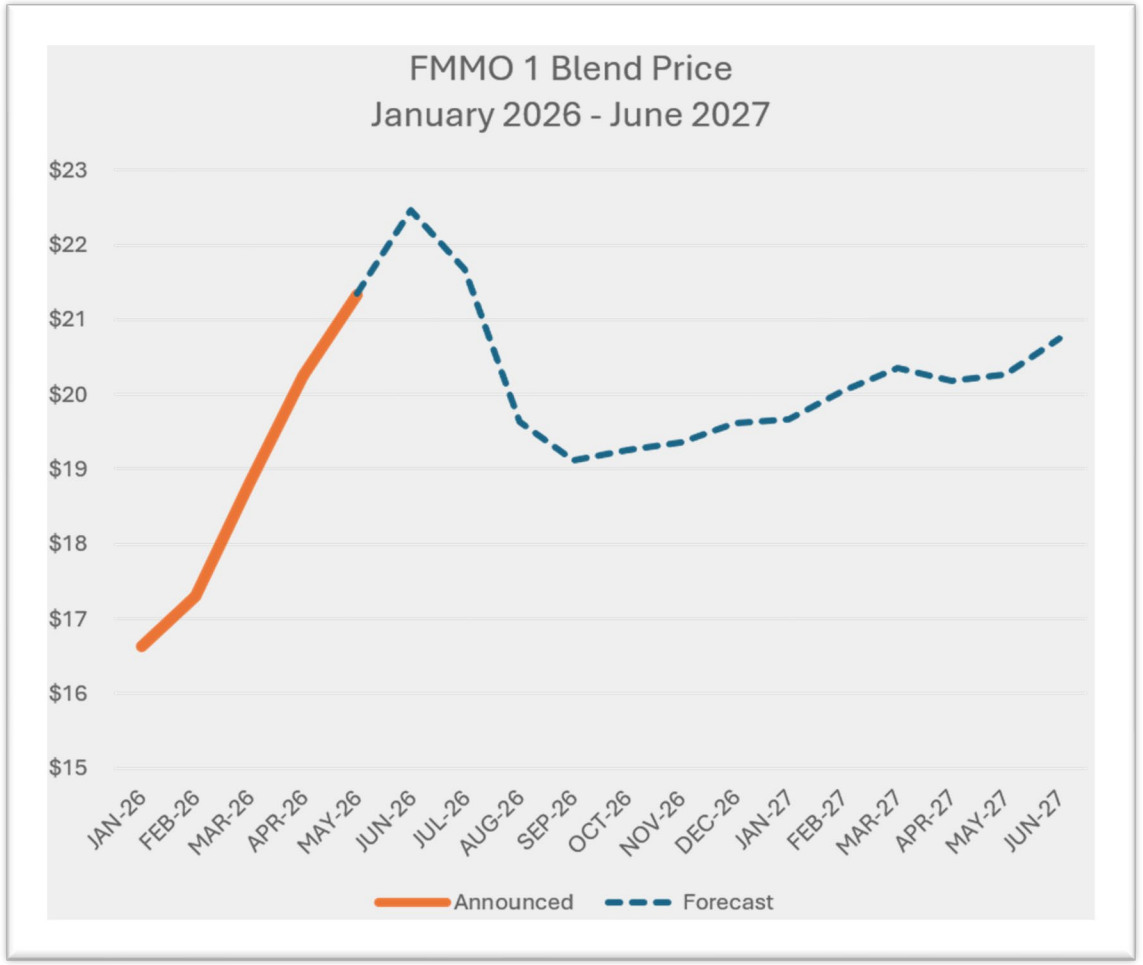


Projections & Risk Management

Section Break – Will Remove once slides get wrapped

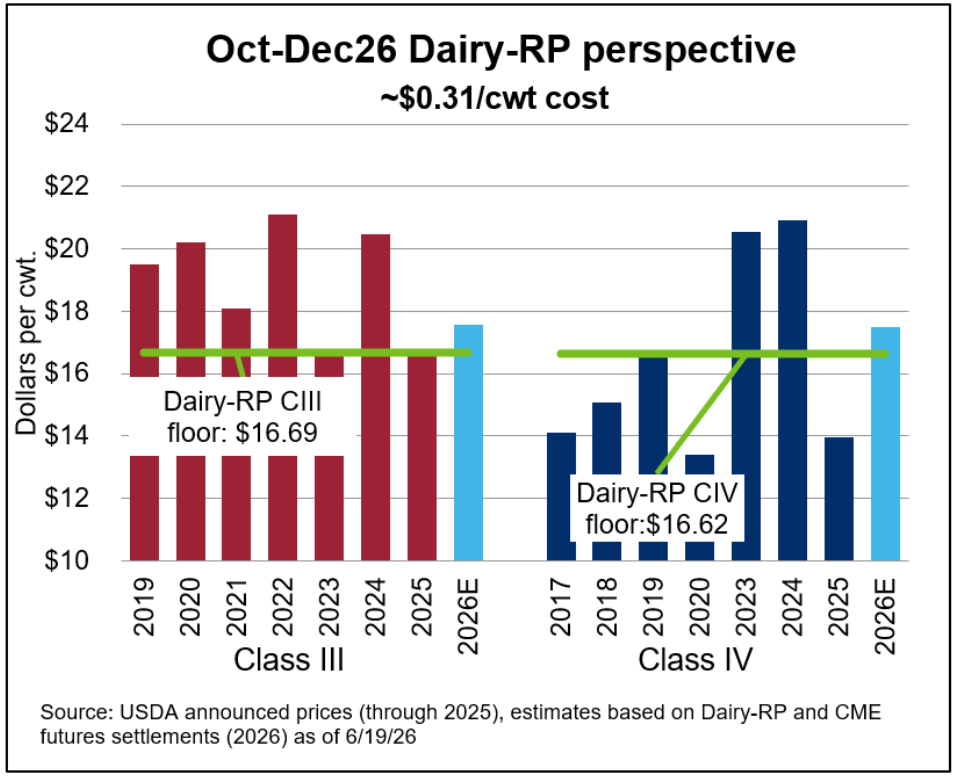
Northeast Price Outlook

- **Components**
  - •Butterfat $1.75
  - •Protein $2.65
  - •Other Solids $0.40
- **Class Prices**
  - •Class I $24.00
  - •Class II $19.50
  - •Class III $17.00
  - •Class IV $18.50
- **Blend (@Boston) $20.30**
- **PPD (@Boston) $3.25**



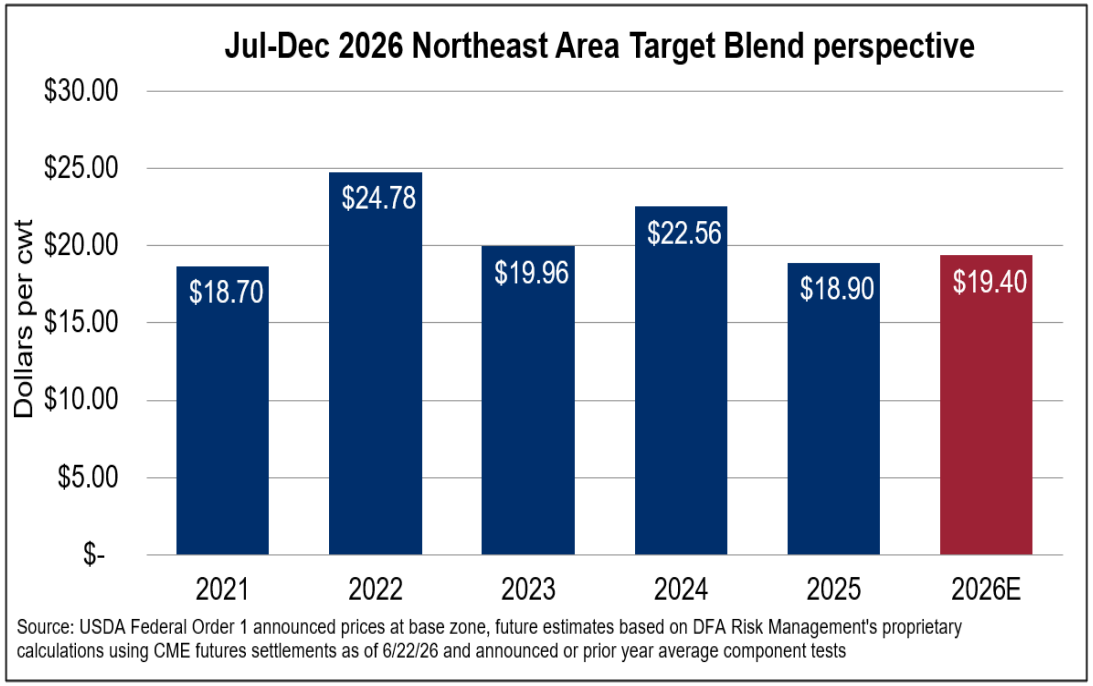
Risk management opportunities

Floors



Source: USDA announced prices (through 2025), estimates based on Dairy-RP and CME futures settlements (2026) as of 6/19/26

Fixed



Source: USDA Federal Order 1 announced prices at base zone, future estimates based on DFA Risk Management's proprietary calculations using CME futures settlements as of 6/22/26 and announced or prior year average component tests