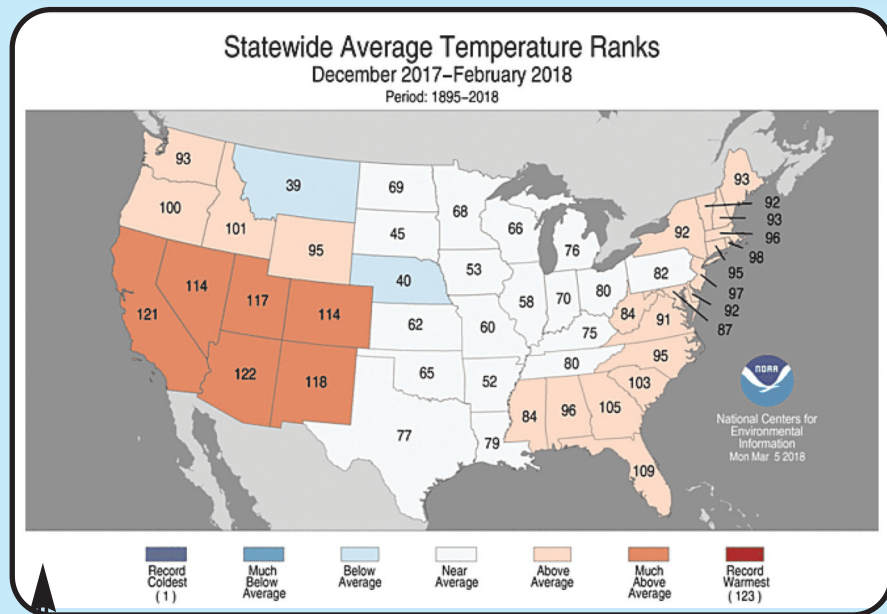


PowerPoint Panels from ADPI/ABI Meeting

The joint annual conventions of the American Dairy Products Institute (ADPI) and the American Butter Institute (ABI) were held in Chicago on April 29-May 1. Over 1,000 attendees flooded the downtown Chicago Marriott Hotel, in what's become a global dairy industry event. One more time, that gathering provided rich sources of information – both from formal presenters as well as lengthy conversations at meals, cocktail receptions, the bar, and in the hallways.

Generously, ADPI/ABI make available power point panels from most formal presenters. Picking and choosing among various presenters' offerings is no easy task. We've tried to select among the most important for our readers for the center section of this issue.

The *Milkweed* editor/publisher has attended probably 31 or 32 consecutive ADPI conventions – including one year the day after heart surgery. That Chicago confab is a vital event for the global dairy industry – a place to meet old friends and make new ones.



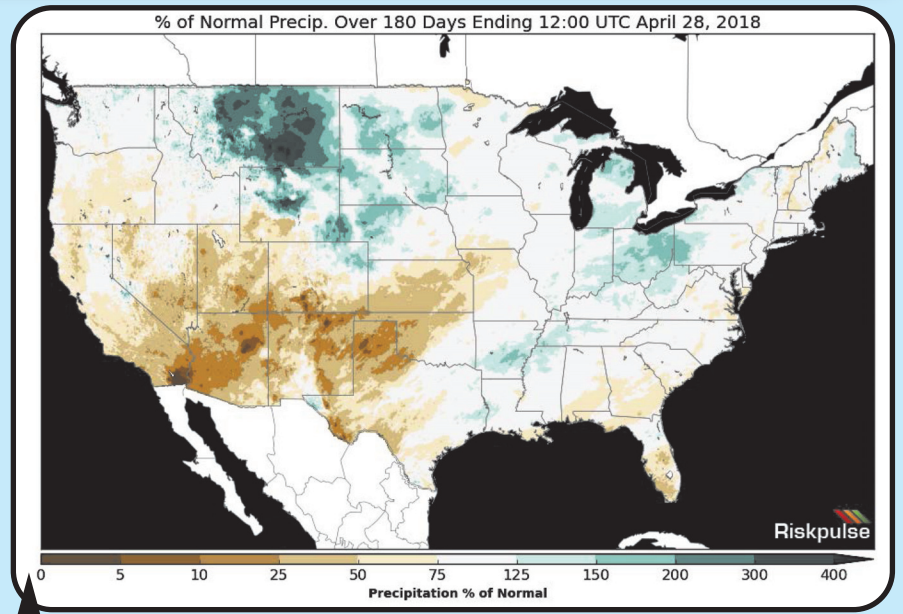
Panel #1 Statewide Average Temperature Risks

The above chart shows the December 2017-February 2018 average temperatures for each state. States are ranked, based upon 123 years of weather records. The number for each state designates its ranking over that period. Thus, it's clear that many western states (except Montana) experienced unduly warm winters. California and Arizona, respectively, saw the third- and second-warmest winters in history. Most other states recorded warmer than or near average winter temperatures.

Jon Davis of Riskpulse, Inc. (a Chicago-based firm that consults clients on weather impacts upon agriculture) was the ADPI/ABI lead-off batter once again. After at least five years presenting his outlooks to ADPI, Davis packs the room and generally bases his analyses on Sea Surface Temperatures (SSTs). This year, Davis made two key points:

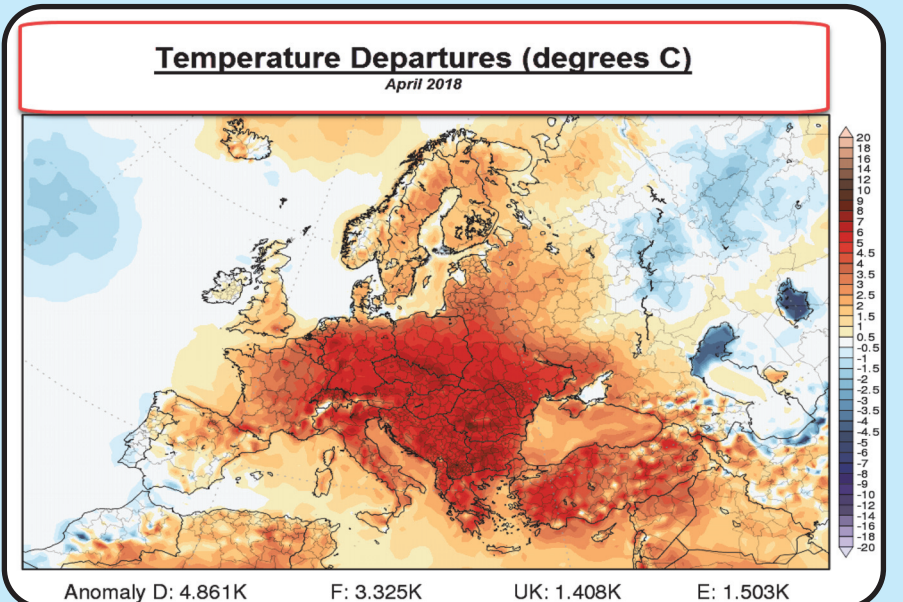
1) That neither El Niño nor La Niña conditions currently prevail for the Pacific Ocean SSTs. Thus, weather patterns that have prevailed over the North America for the past 180 days will remain unchanged through mid- or late summer.

2) The super warm temperatures of the Mediterranean Sea and recent hot temperatures throughout much of Europe must be viewed as serious challenges to that region's agricultural fortunes in 2018.



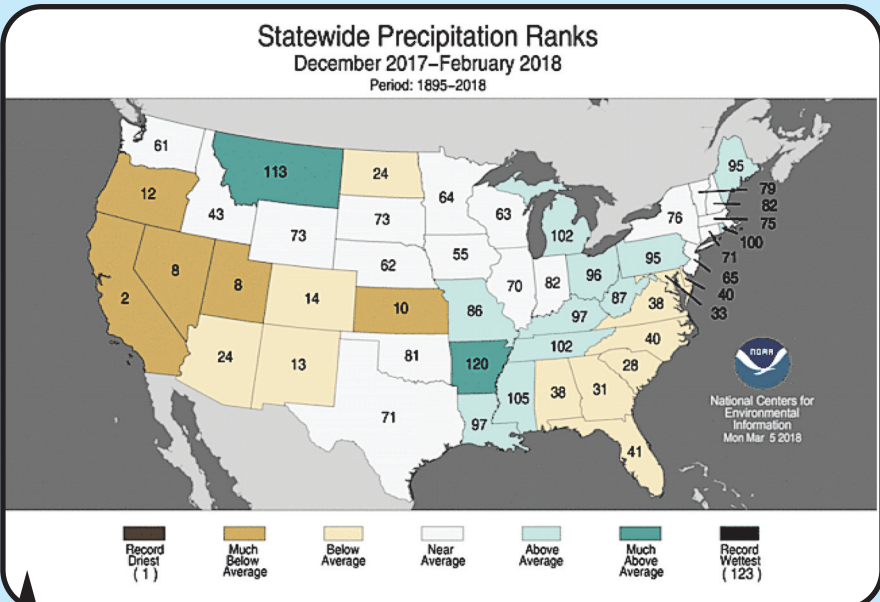
Panel #3 Percent of Normal 180 Days

This chart details precipitation patterns for the past half year. The key point here, according to Riskpulse's Jon Davis, is that weather patterns have been remarkably stable for the past 180 days. And with relatively normal SSTs prevailing over the Central Pacific Ocean, it's expected that conditions that have prevailed over the past six months will continue. In other words, the West Coast, Southwest, and Southeast will remain relatively dry and warm.



Panel #4 Temperature Departures (degrees C)

According to Jon Davis, most of Europe is on the "watch list" for potential disruptions of agricultural production due to weather events. For April 2018, temperatures across Europe ranged from 2.5 to 5 (or more) degrees Celsius above normal. These unduly warm temperatures follow a cold winter. The Mediterranean Sea is literally "on fire" – with SSTs for 2018's first four months 2.5 to 3.5 degrees Celsius hotter than normal. SSTs influence weather patterns ... Europe is set up for a hot summer.

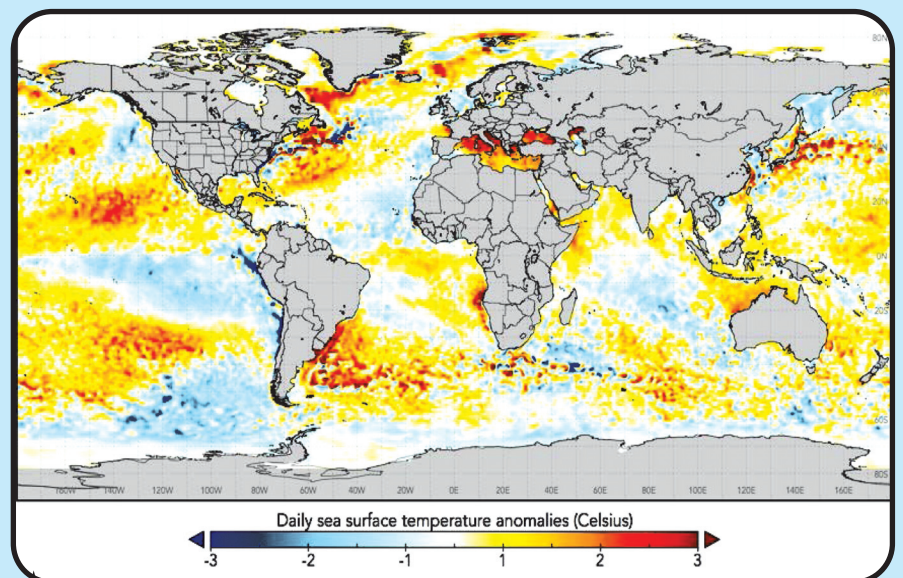


Panel #2 Winter Precipitation Ranks

The above chart ranks states' precipitation for the past winter, over their 123-year history for precipitation during December-February. Clearly, certain western states (California, Nevada, Oregon, and Utah) were exceedingly dry. California combined its second driest winter in 123 years with the third hottest winter. Parts of the Southwest (Arizona and New Mexico) were relatively dry. And the Southeast was generally dry this winter.

ADPI's Dave Thomas Retiring – Job Well Done!

Retiring from the American Dairy Products Institute is Dave Thomas, an industry "lifer" whose knowledge of dairy and people skills has dramatically boosted that organization's impact and outreach during Thomas' several years at the helm. Thomas was credited with turning around ADPI's finances and its stagnating membership numbers. Seldom have we seen the head of a dairy organization oversee a better revival than what Thomas and his staff have achieved at ADPI.



Panel #5 Sea Surface Temperatures (SSTs)

Over the past several years, Riskpulse's Jon Davis has focused on Sea Surface Temperatures (SSTs). This year, Davis reports that SSTs' impact weather on the United States are neutral. Thus, existing weather patterns will generally remain in place until mid- or late-summer. Note, though, the Mediterranean Sea – where hot water temperatures threaten Europe with a hot summer.

“Lower Left to Upper Right”

- Higher highs and higher lows
- Knowing nothing about the underlying, would you want to be long or short?



Panel #6 “Lower Left to Upper Right”

Phil Plourd of Bliming & Associates (Madison, WI) is one of the industry’s best “outside-the-box” thinkers and presenters. Plourd detailed a wide array of subjects during his presentation, including: value of the U.S. dollar, crude oil prices moving up, dairy product sales trends, consumer shopping habits, etc., etc. But we’ll select two panels from Plourd’s discussion.

The first panel tracks block Cheddar, butter and Nonfat Dry Milk traded at the Chicago Mercantile Exchange from October 2017 through the end of April 2018. Since some point in December 2017, all of these commodity price trends are generally moving upwards ... within the normal up-and-down swings to which the industry is accustomed. Plourd’s general point with this data is that commodity price trends are moving up. And being “short” (either on inventories or futures/options positions) doesn’t look like the optimum strategy.

Adding Up the Impact

What does a 26% year-to-date increase in reefer freight translate to in a pound of cheese moving from West to East? Trucks taking cheese from plants in Twin Falls, ID to converters in Plymouth, WI travel 1,600 miles. Finished products (shreds, chunks, slices) moving from Plymouth to consumers in New York City go on a 930 mile journey.

At the peak in January, using national average rates, those moves cost at least 4-cents per pound more than the year prior. Keep in mind that milk moving from farm to plant and from plant to plant also costs more. Plus, diesel fuel prices are now up 75 cents per gallon – adding expense.

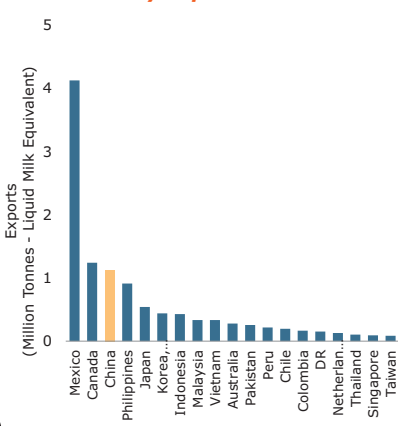


Panel #7 Adding Up the Impact

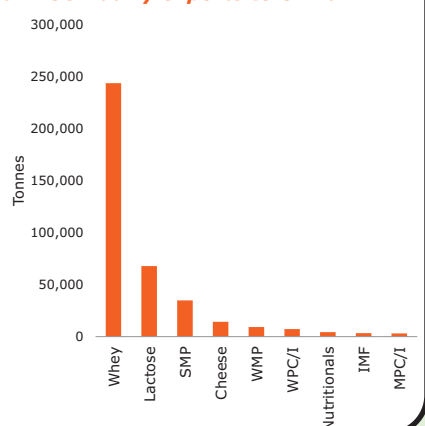
Transportation headaches beleaguer the dairy industry, with no sign that those problems will ease. Fleet owners face an array of challenges, including: aging drivers, scarcity of young workers who are deemed eligible to drive (drug, legal, health and educational problems), rising fuel costs, and new mandates regarding Electronic Logging Devices that will electronically “tattle” to law enforcement agencies when truck drivers’ eligible hours have expired.

Plourd, tongue-in-cheek, dubbed the current trucking challenges “Reefer Madness” – for refrigerated trucks. He cites a 26% increase in reefer rates (per mile) for early 2018, compared to early 2017. That spike in trucking costs means at least a 4-cent per pound cost increase for moving cheese manufactured at Jerome, Idaho to Plymouth, Wisconsin (for processing) ... and then on to New York City. Plourd explained that milk tanker freight rates are also sharply higher during the past year.

2017 USA dairy exports



2017 USA dairy exports to China



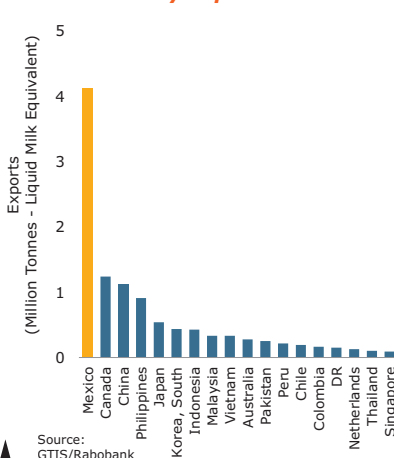
Panel #8 China-US trade battle my damage they exports
Presenters Mary Keough Ledman and Kevin Bellamy from Rabobank – the world’s largest lender to dairy – also provided a wide-ranging perspective on changing global dairy trends. We select two panels from their offerings.

The first panel – 2017 USA dairy exports – is a pair of bar graphs. The first depicts destinations for this nation’s dairy exports – with Mexico as the predominant buyer. Canada is second, and

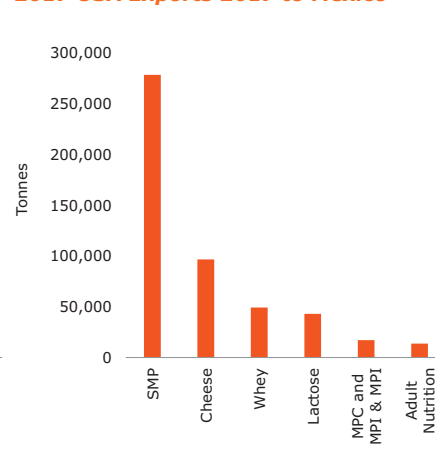
Panel #7 text continued to the next column

China is third. The second bar graph defines China’s heavy reliance upon whey protein products from the United States. At nearly 550 million lbs. in 2019, whey is clearly the predominant U.S. dairy export to China. Several years ago, a speaker at ADPI estimated that every hog raised to market weight in China consumed an average of five pounds of U.S. whey. Thus, any problems with U.S./China trade relations will harm this nation’s dairy farmers and hamper China’s pork production.

2017 USA dairy exports

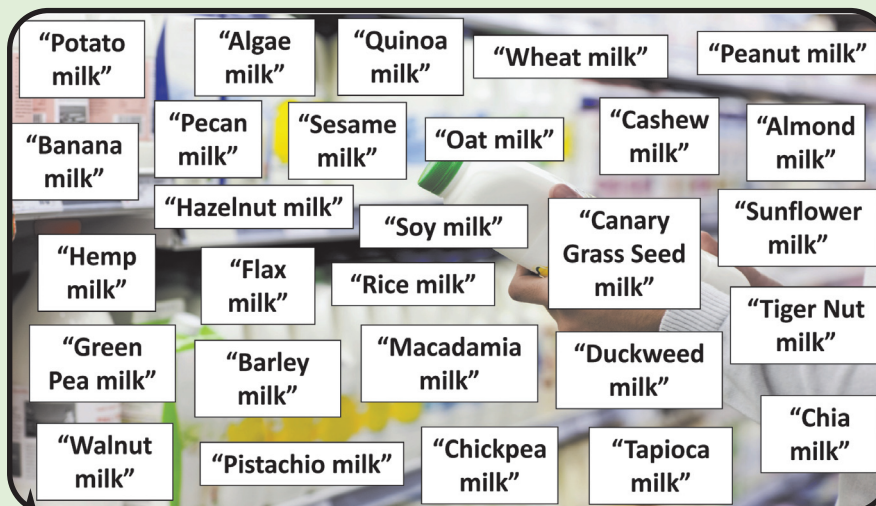


2017 USA Exports 2017 to Mexico



Panel #9 USA Exports 2017 to Mexico

Again from Rabobank. This bar graph depicts the tonnage of various U.S. dairy exports to Mexico last year. Rabobank lists Skim Milk Powder (SMP) as the predominant category. But in fact that category includes mostly nonfat dry milk and SMP.



Panel #10 Current Marketplace

Beth Breczinski, Ph.D., works for the American Butter Institute and National Milk Producers Federation. Her presentation at the ADPI/ABI meeting focused on dairy’s many challenges from plant-based competitors. These plant-based competitors have glommed onto the good name of milk. But more plant-based yogurt, cheese and butter products are appearing in supermarkets’ dairy cases. Chickpea milk? Duckweed milk? Tiger Nut milk? Canary Grass Seed milk?



Panel #11 Muscle Milk

“Muscle Milk” is a prime example of a phony product masquerading behind milk’s good name. Breczinski noted how Canadian regulators do not allow that product to be called “milk.” So the marketer calls the stuff (for lack of a four-letter word) “Muscle MLK.” But in the United States, FDA allows the “stuff” (gain, for lack of a four-letter word) to be called “Muscle Milk.”

She cited FDA letters to importers in 1983 and 1985, noting that “soy milk” “soybean milk,” and “vegetable milk” were not acceptable identity statements. And in 2008, FDA sent a “warning letter” advising that, “We do not consider ‘soy milk’ to be an appropriate common or usual name because it does not contain ‘milk.’ We do consider ‘soy drink’ or ‘soy beverage,’ however, as acceptable ...”