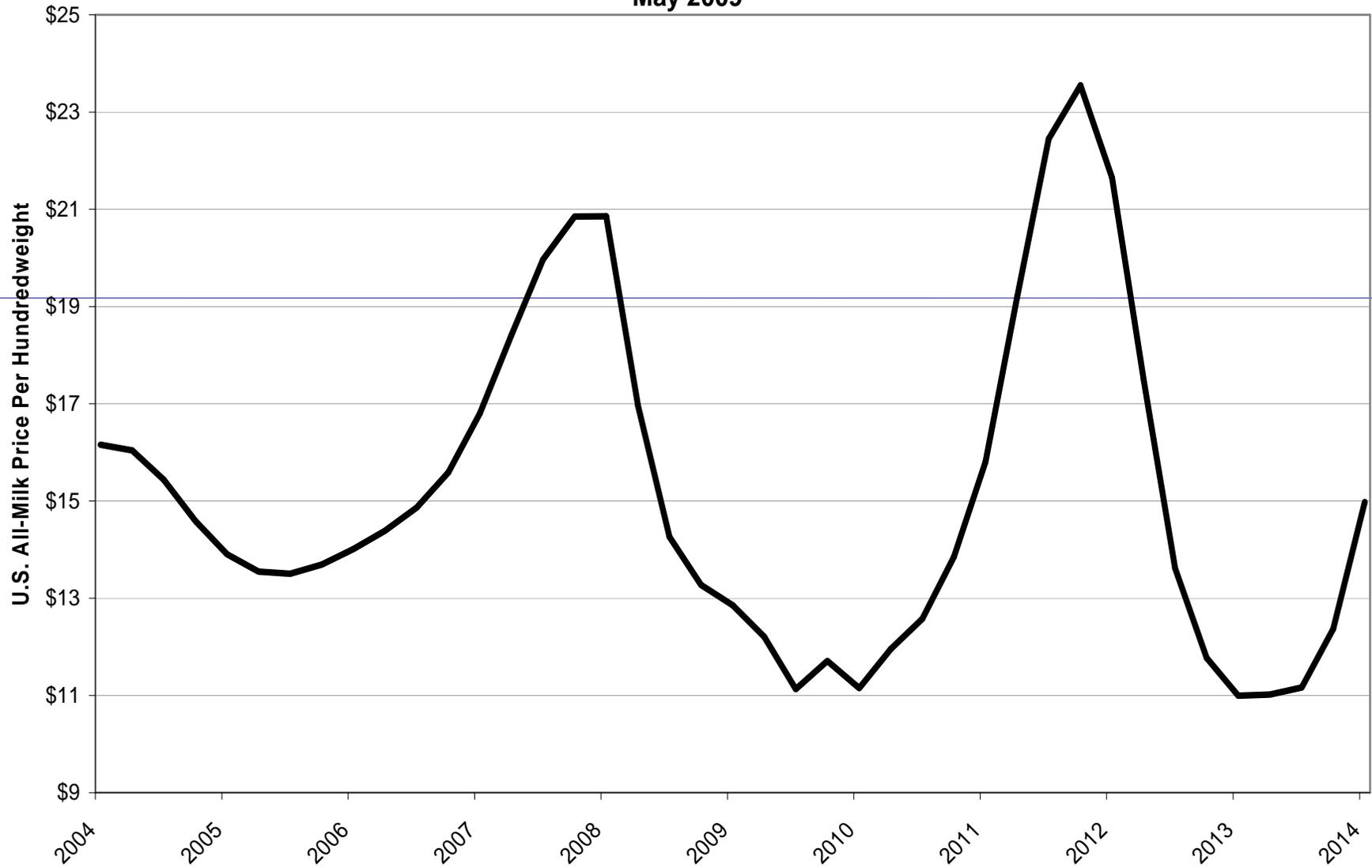


What happened?

- High Prices lead to low prices
 - Australia-NZ Drought
 - Booming US and World Economy
 - Relative weak dollar

- 2008-09 Economic Crunch
- European Subsidies January 09
- Stronger dollar last winter

Baseline Projection is we do nothing
Cornell University's Program on Dairy Markets and Policy
May 2009



National Rural News

Milk executives dodge angry Tas dairy farmer protest

06 Oct 09 | Angry Tasmanian farmers moved in on Devonport today where the first of a series of Federal parliamentary hearings into rising milk prices got underway. Farmers were expecting to show their frustrations with low milk prices to National Foods executives who were expected to attend the hearing, however amid much controversy and accusations of “dodging bullets” National Foods missed the rally and will now appear before the Senate inquiry in Canberra tomorrow.



More US dairy herds to be taken out of production

05 Oct 09 | United States dairy agribusiness Cooperatives Working Together...



EU dairy protection casts doubts on our ETS plan

02 Oct 09 | THE RECENT announcement by the European Union to safeguard their milk processors under the EU emissions trading scheme has the potential to seriously impact the Australian dairy industry,...



Fonterra profit soars 38pc

24 Sep 09 | GIANT New Zealand dairy co-op Fonterra has reported a 38 per cent increase in profit, to \$NZ890 million (\$734 million), despite an 8 percent fall in sales for the year ended July.



Dairy prices begin to recover

23 Sep 09 | The beginning of a global economic recovery is having a positive impact on international dairy prices,



Will the Senate dairy price inquiry make a difference?

17 Sep 09 | A SENATE committee will investigate pricing and competition in the Australian dairy industry, with particular attention being given to the varying prices being paid to dairy farmers.

Inquiry looks at varying milk prices

p 09 | A SENATE committee will investigate pricing and competition in the Australian dairy industry with a particular focus on varying prices paid to farmers.

What next?

- **Slow Price Recovery Through the Winter (Maybe)**
- **Nervous Bankers...**
- **National Policy Discussions By...**
 - **NMPF**
 - **House**
 - **Senate**

Policy Discussions...include

- **Minor Tweaking to existing programs.**
- **“De-Regulation”- The NMPF Plan include:**
 - Revamping Dairy Product Price Support and Milk Income Loss Contract programs;
 - creating a new dairy producer income insurance program;
 - improve participation in Cooperatives Working Together, allowing it to better address imbalances in the milk supply; and
 - reforming the Federal Milk Marketing Order program.

www.nmpf.org/latest_news/press_releases/strategic_planning092109
- **Supply Management options include:**
 - Specter-Casey SB 889
 - http://www.hoards.com/dairyman_extras/Images/Senate_Bill_889.pdf
 - Holstein Plan B and the MPC Growth Management Plan
 - <http://www.milkproducerscouncil.org/GMP.htm>
 - <http://holsteinusa.com/association/dpsp.html>

Action or Reaction?

Odds Favor No Significant Changes, so

1. We have few “tools” to prevent the next wave.
2. Risk Management becomes more important.
 - i.e. Livestock Gross Margin Program
 - <http://www.rma.usda.gov/help/faq/lgmdairy.html>
 - http://future.aae.wisc.edu/lgm_dairy.html

– **QUESTIONS???**