Michigan's Dairy Industry

Michigan Milk Producers Association

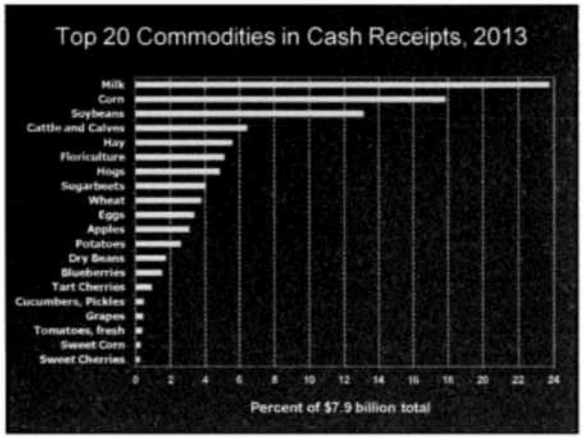
Presentation to

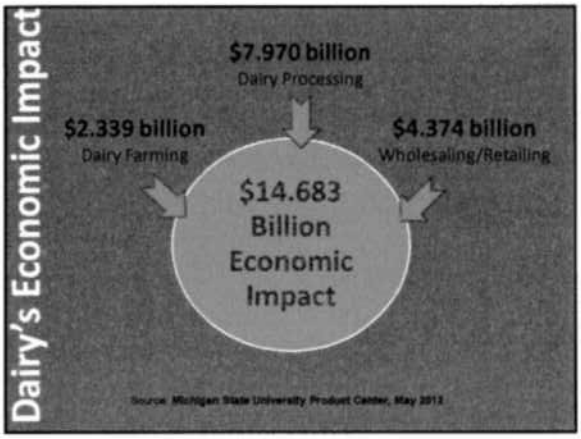
Michigan House Agriculture Committee

April 15, 2015

Michigan's Dairy Industry

- Ranks 7th nationally
- Dairy is the top ranking segment of Michigan's agriculture industry.
- Dairy contributes over 20% of Michigan's cash receipts for Agriculture.
- Represents more than 4.0% of total U.S. milk production.





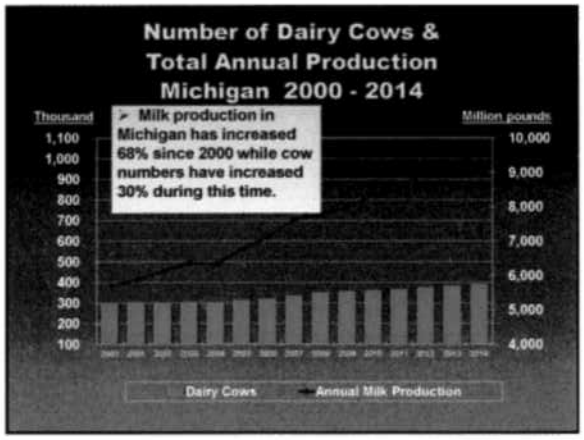
Top Ten Dairy States

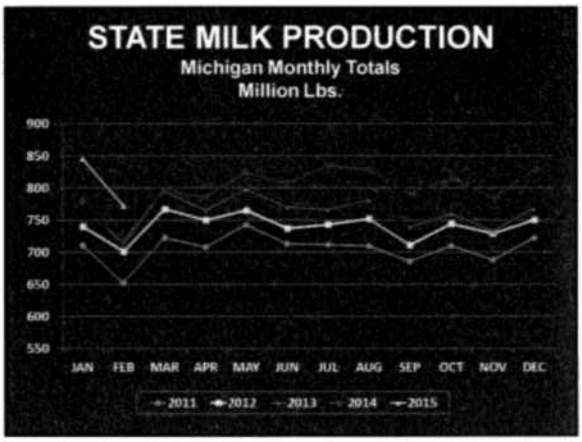
2014 Milk Production

1.	California	42.3 billion lbs	+ 2.6%
2.	Wisconsin	27.8	+ 0.8
3.	Idaho	13.9	+ 3.3
4.	New York	13.7	+ 2.2
5.	Pennsylvania	10.7	+ 1.2
6.	Texas	10.3	+ 7.3
7.	Michigan	9.6	+ 4.9
8.	Minnesota	9.1	- 0.1
9.	New Mexico	8.1	+ 0.6
10.	Washington	6.5	+ 3.9

Milk Production Per Cow Top 10 States - 2014

	State	Milk Produced Per Cow
1.	New Mexico	25,093 pounds
2.	Colorado	24,951 pounds
3.	**Michigan**	**24,638 pounds**
4.	Arizona	24,347 pounds
5.	Idaho	24,127 pounds
6.	Washington	24,117 pounds
7.	Nevada	23,793 pounds
8.	California	23,785 pounds
9.	Utah	22,968 pounds
10.	Iowa	22,444 pounds





The Michigan Advantage

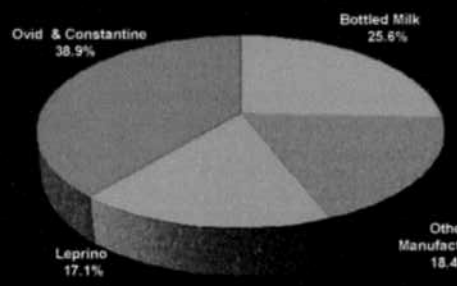
- Agricultural Land
- Climate
- Water
- Infrastructure
- Access to Population Centers

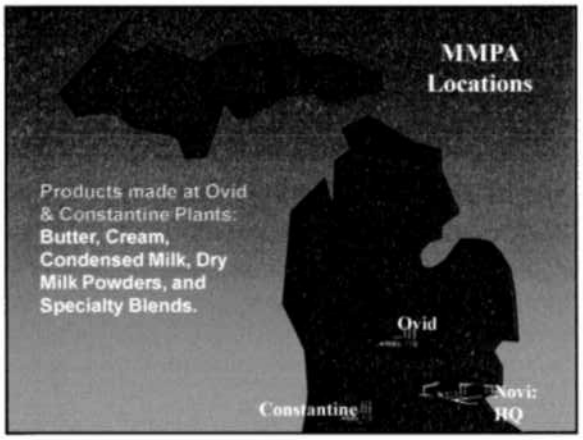
MMPA

- 1,300 member farms
- Members in Michigan, Ohio, Indiana and Wisconsin.
- Markets over 4 billion pounds of milk annually.
- 11th largest dairy cooperative in the United States.

Milk Marketed by MMPA

4.6 billion pounds for FY 2014



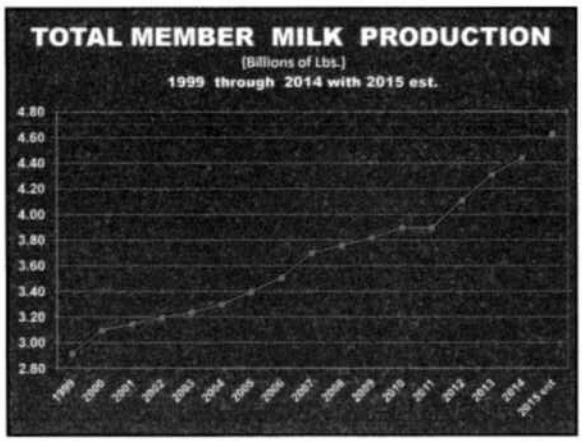


MMPA Product Customers

- Edy's Grand Ice Cream
- Kraft – Philadelphia Cream cheese, Breakstone Cultured Products, Jello Pudding
- Nestle Foods – Stouffer's Frozen Dinners
- Abbott Nutritionals – Similac Infant Formula
- Good Humor/Breyer's – Breyer's Ice Cream
- Old Europe Cheese – RenyPicot Cheese
- CF Burger Creamery – McDonanld's soft serve ice cream, Half & Half

MMPA Butter Customers

- Butterball Farms - butter molds, and McDonald's butter
- Bimbo Bakeries USA - Entemann's Baked Goods
- Dawn Foods - Panera Bread
- Masterson Foods - Ice Cream Confection
- Hooters Management Co. - Hooters Wing Sauce
- Janie's Cookies - Michigan Made Cookies
- Traditions Foods – Bakery Products



MMPA Expansion - Ovid

- In 2010, MMPA completed a $62-million expansion and renovation project at the Ovid manufacturing plant.
- Since August 2012, MMPA has invested an additional $23.5 million in the Ovid manufacturing plant to expand the wastewater treatment system, add a new whole milk powder packaging system and install a new butter churn.

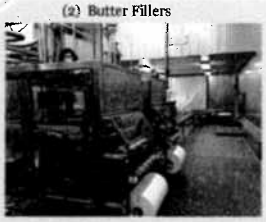
MMPA
MICHIGAN MILK PRODUCERS ASSOCIATION

Butter Churn

Ovid

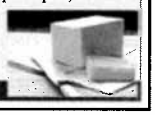
17.6K Lbs /Hour of Butter

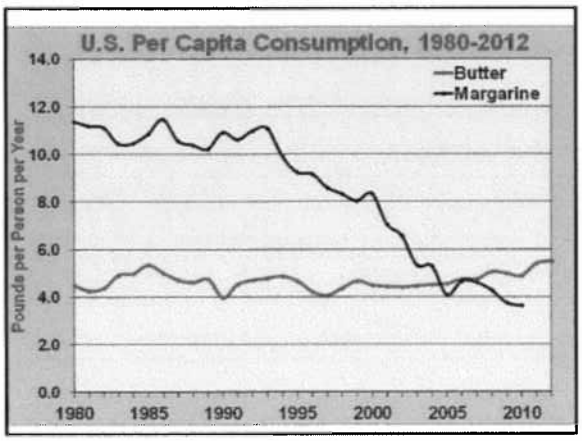
(2) Butter Fillers



MMPA Butter Churn

- Capability to process cream separated from the equivalent of 7 million pounds of milk each day.
- Increases the efficiency and through-put of the Ovid plant. All the cream can now be utilized at the plant.
- The quality of MMPA butter is well recognized by customers.
- Butter has recently surpassed margarine in U.S. per capita consumption.
  - Butter consumption has reached 5.6 pounds a year per capita, an increase of about 37% since 1997.





Whole Milk Powder

The Gas Flush packaging system at MMPA's Ovid Plant is one of the first units to be installed in North America.

Operational September 2013

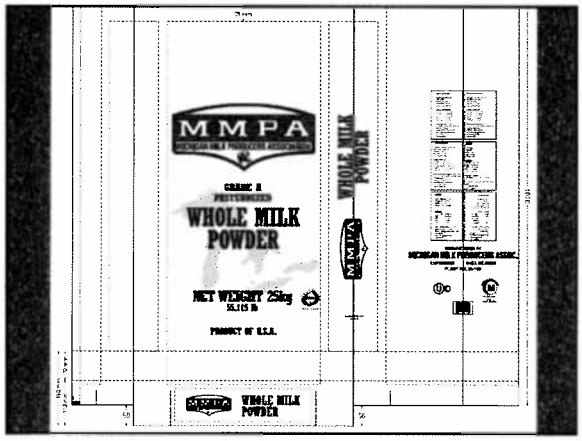
Whole Milk Powder

Gas Flush Packaging System

- Higher fat content of whole milk powder makes it more susceptible to oxidation.
- Gas flush system – flushes with nitrogen to drive off oxygen.
- Increases shelf life from 6 months to 18 months with gas flush.

Whole Milk Powder

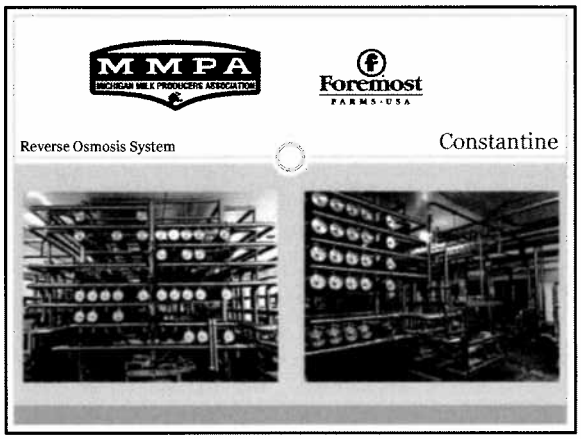
- Usage focuses on Infant formula and consumer consumption in countries with emerging economies or those that lack the infrastructure to support fresh milk.
- Global demand is growing. China largest consumer. Asia has high demand.
- New Zealand currently supplying China with WMP. Provides opportunities for markets in other parts of the World.



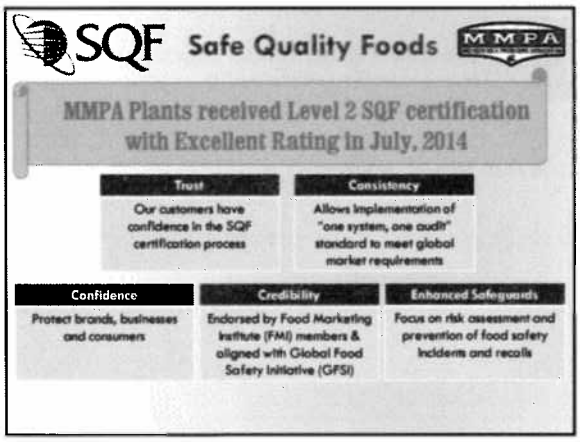
MMPA Expansion - Constantine

- In July 2014, MMPA and Foremost Farms USA formed a strategic alliance and have invested $10 million into the MMPA Constantine plant to install reverse osmosis (RO) technology.
  - RO technology removes the water from the milk, leaving only the milk solids to be transported farther distances. Three loads of milk can be reduced to one.
  - Will reduce costs, improve transportation efficiencies and provide market stability for our members' growing milk supply.
  - RO system currently processes 1 million pounds/day. Phase two will increase RO capacity by another 1 million pounds/day.

MMPA Foremost


MMPA
MICHIGAN MILK PRODUCERS ASSOCIATION
Foremost
FARMS·USA
Reverse Osmosis System
Constantine

MMPA
Since 2008, MMPA members have invested over $100 million in expanding Michigan's dairy industry.


SQF
Safe Quality Foods
MMPA
MMPA Plants received Level 2 SQF certification with Excellent Rating in July, 2014
Trust
Our customers have confidence in the SQF certification process
Consistency
Allows implementation of "one system, one audit" standard to meet global market requirements
Confidence
Protect brands, businesses and consumers
Credibility
Endorsed by Food Marketing Institute (FMI) members & aligned with Global Food Safety Initiative (GFSI)
Enhanced Safeguards
Focus on risk assessment and prevention of food safety incidents and recalls

U.S. Dairy Export Markets

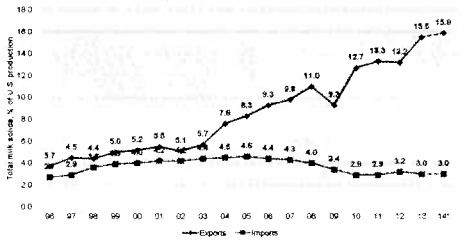
Export Market's Importance

- Exports now represent a major segment of the commercial market for U.S.-produced milk, and the fastest growing one
- Exports used over 13 percent of U.S. milk in 2012 exceeded 15 percent in 2013 and 2014.
- Growth in commercial exports is contributing about twice as much new market growth for U.S. milk production as growth in domestic sales of the major consumer dairy products.

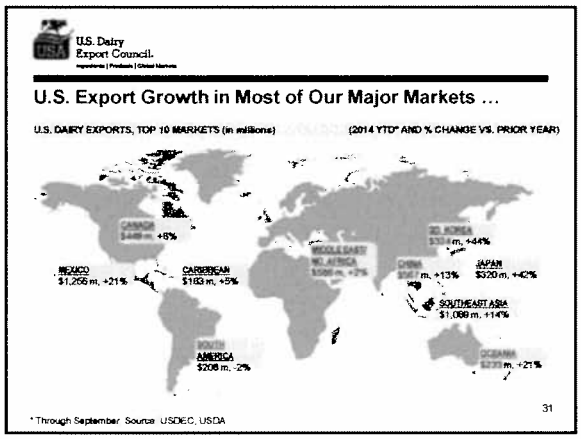
U.S. Dairy Export Council.

More Than 15% of U.S. Milk is Exported

U.S. Dairy Trade Balance, 1996-2014

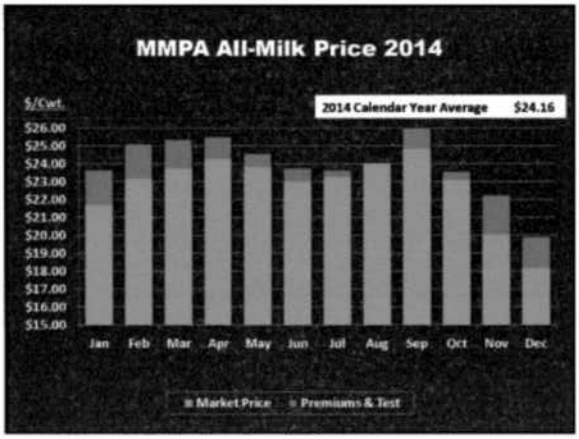


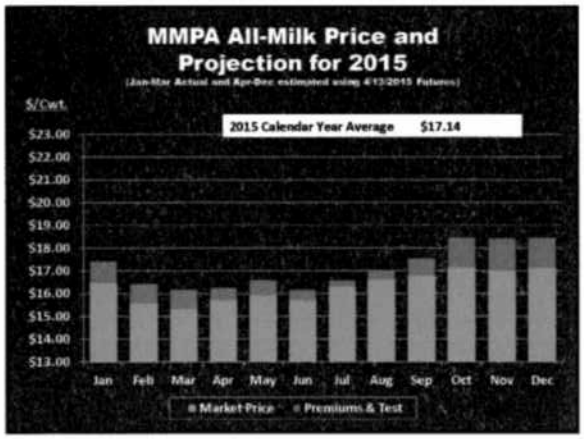
* 2014 is YTD through September. Source: USDEC, NMPF, USDA

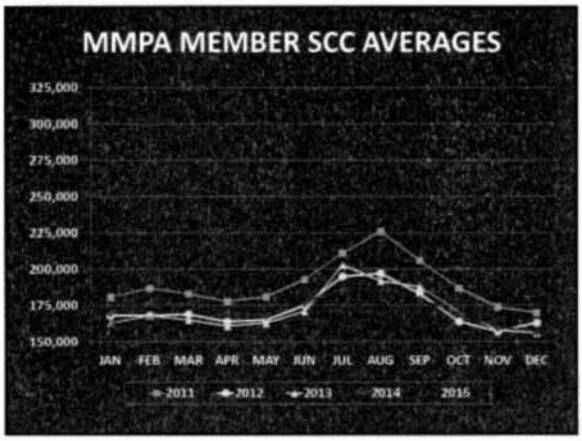


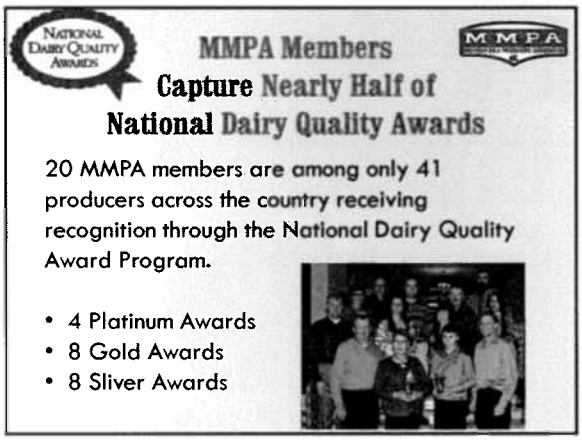
Current Trade Policy Key Issues

- **Trade Promotion Authority (TPA)** – it is crucial for Congress to pass TPA to help in securing well-negotiated trade agreements.
- **Trans-Pacific Partnership (TPP)** – seeking balanced TPP outcome for dairy that balances what the U.S. grants on dairy imports with commercially meaningful new access into the large Canadian and Japanese markets.




MMPA All-Milk Price and Projection for 2015
$/Cwt.
2015 Calendar Year Average $17.14
$23.00
$22.00
$21.00
$20.00
$19.00
$18.00
$17.00
$16.00
$15.00
$14.00
$13.00
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Market Price
Premiums & Test


MMPA MEMBER SCC AVERAGES
325,000
300,000
275,000
250,000
225,000
200,000
175,000
150,000
JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC
2011
2012
2013
2014
2015


National Dairy Quality Awards
MMPA
MMPA Members
Capture Nearly Half of
National Dairy Quality Awards
20 MMPA members are among only 41 producers across the country receiving recognition through the National Dairy Quality Award Program.
• 4 Platinum Awards
• 8 Gold Awards
• 8 Sliver Awards

National Dairy FARM Program

Farmers Assuring Responsible Management

The National Dairy FARM Program Farmers Assuring Responsible Management™ provides consistency and uniformity to best practices in animal care and quality assurance in the dairy industry.

National Dairy FARM Program

Farmers Assuring Responsible Management

92% of MMPA milk supply currently participating in FARM

289 MMPA farms left to enroll

As of 4/13/15

Dairy Foods from Farm to Table

Dairy Foods from Farm to Table

QUALITY MILK STARTS AT THE FARM....

Dairy farmers work hard to provide their cows and land with excellent care.

Dairy Foods from Farm to Table

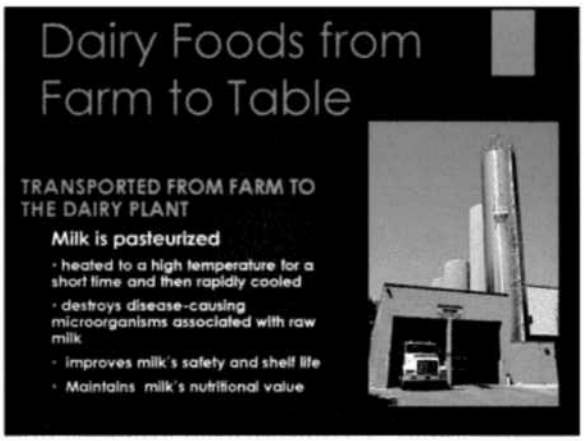
TRANSPORTED FROM FARM

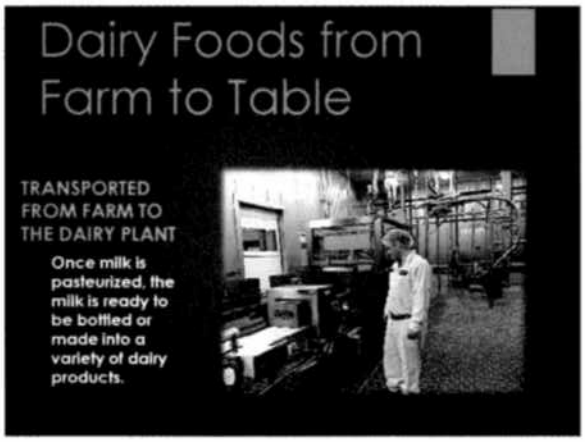
To ensure freshness milk is transported from the farm to the dairy plant every 24-48 hours by refrigerated trucks.

Dairy Foods from Farm to Table

TRANSPORTED FROM FARM TO THE DAIRY PLANT

Milk must pass rigorous tests to ensure quality and safety.


Dairy Foods from Farm to Table
TRANSPORTED FROM FARM TO THE DAIRY PLANT
Milk is pasteurized
• heated to a high temperature for a short time and then rapidly cooled
• destroys disease-causing microorganisms associated with raw milk
• improves milk's safety and shelf life
• Maintains milk's nutritional value


Dairy Foods from Farm to Table
TRANSPORTED FROM FARM TO THE DAIRY PLANT
Once milk is pasteurized, the milk is ready to be bottled or made into a variety of dairy products.

Dairy Foods from Farm to Table
AND IS DELIVERED FRESH TO YOU
Milk arrives at your retailer/school within 48 hours of leaving your local dairy farm.

In Summary.....

- Michigan's dairy industry continues to grow.
- Current processing capacity in the state will need to be expanded to accommodate additional milk production.
  - Evaluation of dairy expansion opportunities underway.
  - Location of processing plant in Michigan – transportation issues, Peninsula state

In Summary.....

- Export market provides opportunity.
- 2015 milk price projections much lower than the record milk prices experienced in 2014.

Growing Michigan's Dairy Industry

As Michigan's dairy industry expands:

1. Continue strong partnership between state government, legislators and University.
2. Provide for a workable and efficient guest worker program that ensures continued availability of dairy farm workers.
3. Further develop training programs for dairy farm employees and enhance recruitment efforts to fill dairy farm workforce needs.

Growing Michigan's Dairy Industry

As Michigan's dairy industry expands:

4. Continue efforts to meet customer needs as it relates to sustainability and animal care.
5. Continue to expand the export market for dairy products.
   - MMPA became SQF Level 2 Certified in 2014 with an "Excellent" Rating.
6. Continue to enhance the public perception of the agriculture industry.

Growing Michigan's Dairy Industry

As Michigan's dairy industry expands:

7. Support funding opportunities to enhance Animal Agriculture research programs.
8. Invest in Michigan's Infrastructure:
   - roads, bridges
   - Broadband
   - utilities – 3-phase, access to natural gas, energy costs