One American Connection

Beth Ford, President & CEO
1.9.2020
the harvested acres in the United States

1/2

12.5 billion pounds of milk

100 million animals fed per day
1,959 DAIRY PRODUCERS
Herds range from 50 to 10,000+

886 AG PRODUCERS

1,118 RETAIL OWNERS
Serving a producer network of 400,000+
THE STATE OF AG

- Aging farmer base
- Depressed commodity prices
- Milk production & profitability
- Bankruptcies
- Consolidation
- Credit availability
- Farm income
- Trade
- Cyclical nature of agriculture
- Policy implications
Aging farmer base
An average US farmer is approaching Social Security age

Who will take over?
Depressed commodity prices
Putting pressure on the small producer

**Profitability of corn production (assuming constant revenue per bushel)**

<table>
<thead>
<tr>
<th>USD per bushel</th>
<th>Revenue</th>
<th>Cost</th>
<th>Profit</th>
<th>Farm size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue¹</td>
<td>$3.66</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost²</td>
<td>$2.82</td>
<td>$1.91</td>
<td>$0.84</td>
<td>&lt;100 acres</td>
</tr>
<tr>
<td></td>
<td>$3.66</td>
<td>$1.70</td>
<td>$1.96</td>
<td>100-250 acres</td>
</tr>
<tr>
<td></td>
<td>$3.66</td>
<td>$1.70</td>
<td>$1.96</td>
<td>250-500 acres</td>
</tr>
<tr>
<td></td>
<td>$3.66</td>
<td>$1.67</td>
<td>$1.99</td>
<td>&gt;1000 acres</td>
</tr>
</tbody>
</table>
Upper Midwest milk production & profitability

**Upper Midwest Milk Production**

**Upper Midwest Milk Shed Producer Profitability**

<table>
<thead>
<tr>
<th>30-Day Months</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>YOY (% Change)</td>
<td>2.6%</td>
<td>1.6%</td>
<td>0.4%</td>
<td>0.7%</td>
<td>0.2%</td>
<td>0.8%</td>
<td>-0.2%</td>
<td>0.8%</td>
<td>1.5%</td>
<td>1.3%</td>
<td>-0.1%</td>
<td></td>
</tr>
<tr>
<td>YTD (% Change)</td>
<td>2.6%</td>
<td>2.1%</td>
<td>1.5%</td>
<td>1.3%</td>
<td>1.1%</td>
<td>1.0%</td>
<td>0.9%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>AVG 5-YR MOM (% Change)</td>
<td>1.3%</td>
<td>1.1%</td>
<td>0.8%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>-0.1%</td>
<td>-1.5%</td>
<td>-0.6%</td>
<td>-1.4%</td>
<td>-0.5%</td>
<td>0.0%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
Bankruptcies
Minnesota and Wisconsin have been particularly vulnerable
Consolidation
Expect both farm level and co-op consolidation to continue

An already consolidated farmgate, expected to further pressure small producers

... the U.S is also home to large scale farms (15% of farms >500 acres)

A large number of farms are mid-sized (46% have 50-500 acres of land)
Further consolidation, leading to farm network redesign
Credit availability is part of the problem
2019 farm income increase is largely driven by direct government payments, which are up 64%
China Soybean Imports

- 2015 - 2017 Average
- 2018

Brazil vs. US
Cyclical nature of agriculture
Small crops tend to get smaller

US Corn Stocks to Use

But 16% of corn has yet to be harvested: highest in a decade
Policy implications

- USMCA
- Exports – China, Japan
- Agricultural labor bill
- The Farm Bill implementation continues
The State of Rural America

1 in 4 children in rural communities live in poverty.

Fresh food is less available in rural areas.

Rural job growth is less than half the nationwide rate.

19 million of the 24 million Americans without high speed internet live in rural areas.

Nearly 120 rural hospitals have closed since 2010, with another 430 at risk of closing.

Nearly 45% of the heart disease deaths in rural America were deemed “potentially preventable,” compared to 18.5% in one urban classification.
Connection matters.
It’s our shared destiny.
Federal Reserve support is critical

- Low interest rates
- Stability in land prices
- Monetary policy
- Low unemployment
A collective call-to-action: Our approach

✓ **Awareness**
Raise awareness of the urgency of this issue.

✓ **Advocacy**
Build an alliance of stakeholders interested in helping

✓ **Action (Policy and Business Application)**
Influence policy and fast-track business solutions
Thank you.