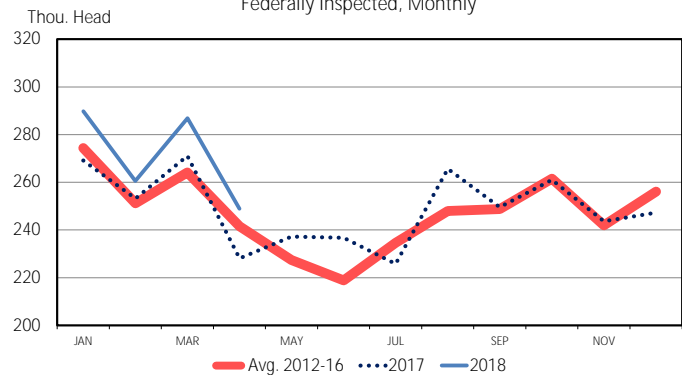


Dairy cow slaughter so far in 2018 has been up 15,000-20,000 head per month from a year ago during the first four months (except for February, which registered a 7,000 head increase). In percentage terms, the increase is 5%-10% above last year. At this pace, annual dairy cow slaughter will be 3.1 million head, the biggest since 2013. Total cow slaughter, including beef cows, has been up 25,000-55,000 head per month, on a course to exceed 6 million, again, for the first time since 2013.

The elevated cow harvest prior to 2014 reflect the impact of the last major drought in the Western US that receded during the course of 2014. Beef cow slaughter accounted for 60% of the decline in total cow slaughter from 2013 to 2017. Pasture and range conditions rated poor or very poor in the Southern Plains, as of late May in 2013 stood at 36.5% and 36% in 2014. By the end of October 2014, Southern Plains ranges and pastures rated poor or very poor was down to 24.5% as summer weather was more favorable. Southern Plains ranges and pastures rated poor or very poor in late May this year stood at 22%, which compares 8%-9.5% in late May of 2015-2017. Droughty weather conditions also underlie elevated hay prices in the first few years of this decade. The rising trend in hay prices during the last two months, approaching the values of the drought years, is a concern that could keep dairy cow slaughter at high levels for the remainder of the year.

Expanded dairy cow slaughter also reflects diminished economic returns captured by the relationship between low milk prices and feed ingredient costs that are high relative to those milk

DAIRY COW SLAUGHTER Federally Inspected, Monthly



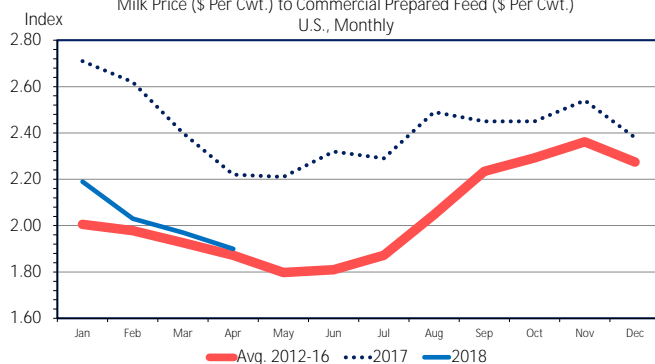
Data Source: USDA-NASS
Livestock Marketing Information Center

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prices. The dairy cow herd in April was unchanged from December. This compares with a 38,000 cow increase during the same interval of 2017. The difference represents cows that were disposed of this year instead being milked. Improving consumer demand for cheese and butter, trends that gained momentum during the first quarter of the year, are expect to continue, leading to a recovery in milk prices that may offset higher feed costs.

MILK-FEED PRICE RATIO

Milk Price (\$ Per Cwt.) to Commercial Prepared Feed (\$ Per Cwt.)
U.S., Monthly

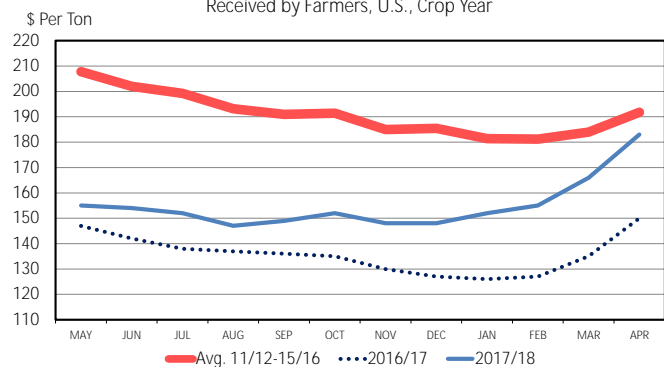


Data Source: USDA-NASS
Livestock Marketing Information Center

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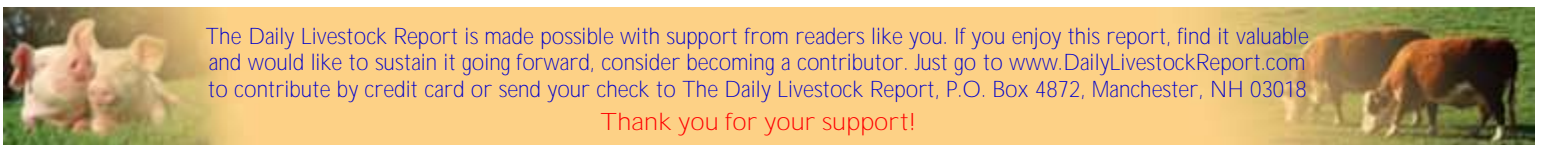
ALFALFA HAY – MONTHLY AVERAGE PRICE

Received by Farmers, U.S., Crop Year



Data Source: USDA-NASS
Livestock Marketing Information Center

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