



# Understanding the US Butter Market

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## Disclaimer

*Land O'Lakes is not making any specific or general recommendations about markets, risk management policies, or transactions.*



## Land O'Lakes Dairy Foods Risk Manager



60% of the  
time I am right  
every time

 LAND O'LAKES, INC.

## Agenda

- About Land O'Lakes
- International Butter Fundamentals
- US Demand Fundamentals
- US Production
- Class I BF Usage
- Implications

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## Our business today



**WINFIELD**



Agriculture services, crop inputs, precision agriculture

**PURINA**



Animal nutrition and feed



Where simple goodness begins®



Dairy foods

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## Land O'Lakes, Inc. overview

**10,000**  
employees

**3,574**  
individual members

**826**  
member cooperatives

Serving **300,000+**  
agricultural producers

**290** U.S. facilities

LAND O'LAKES, INC.

## Land O'Lakes, Inc. overview



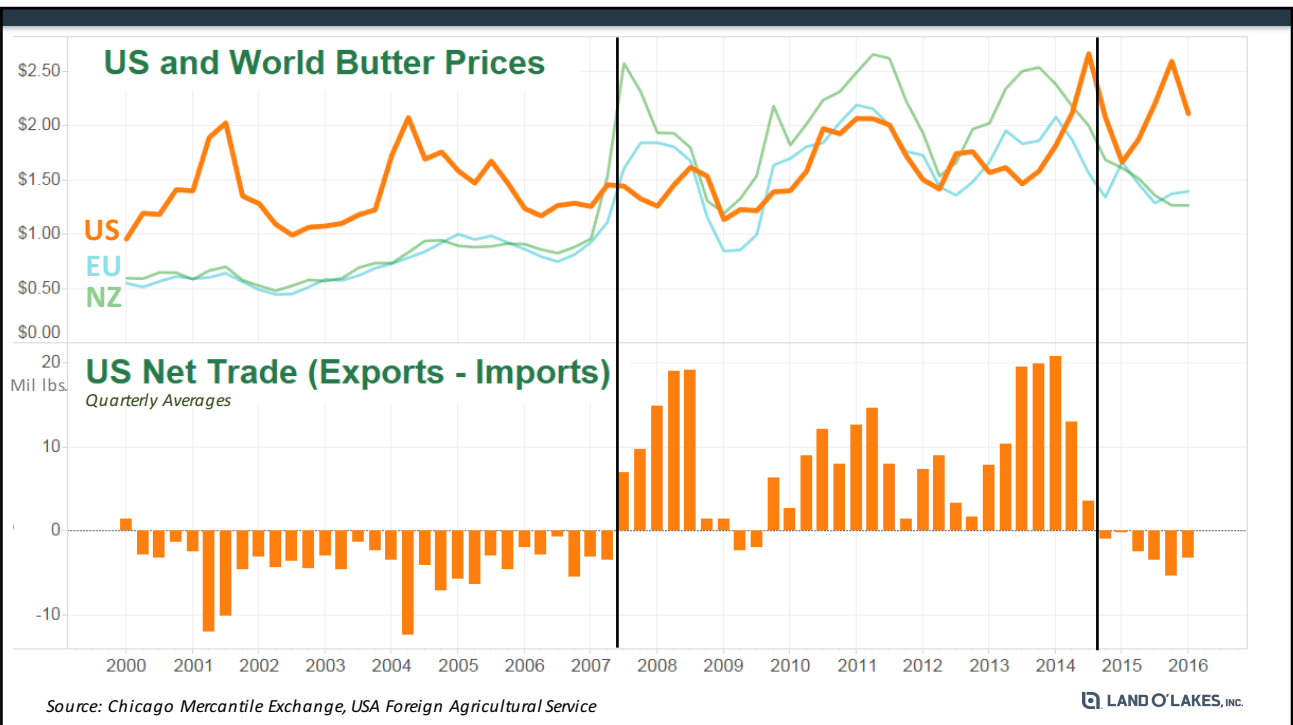
largest member-owned cooperative in U.S.

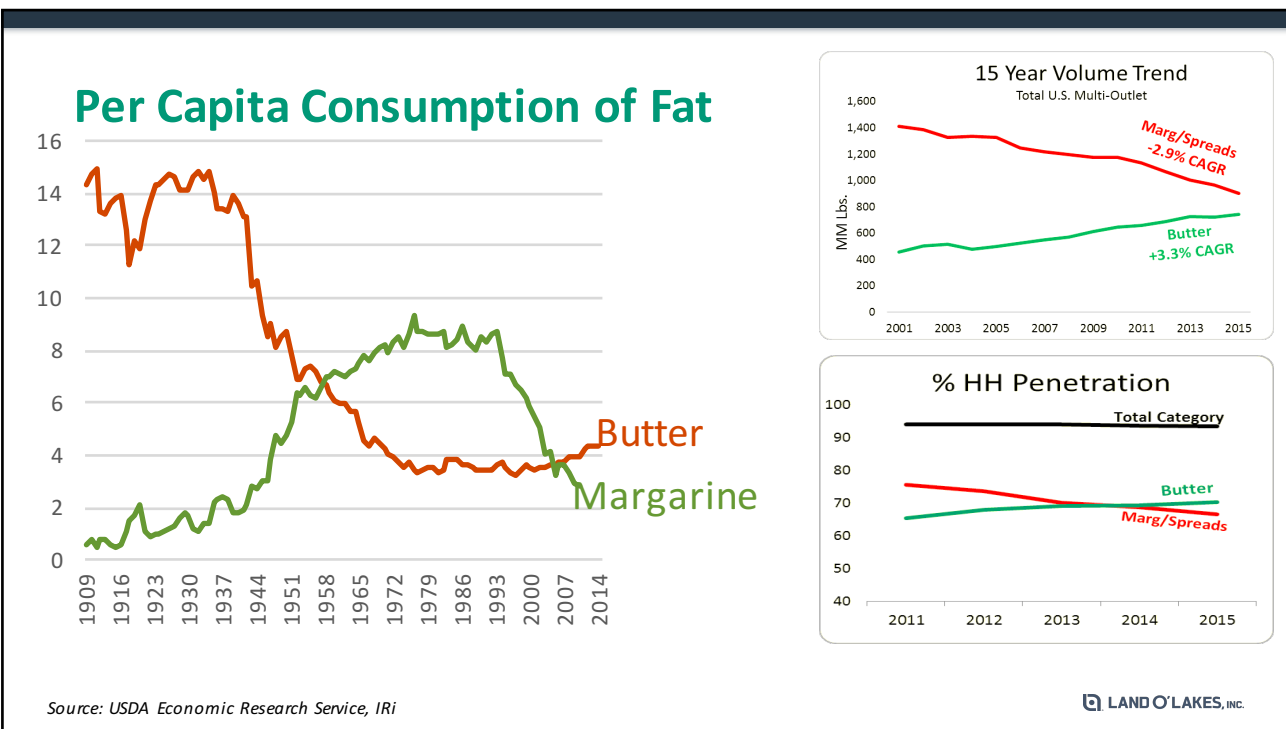
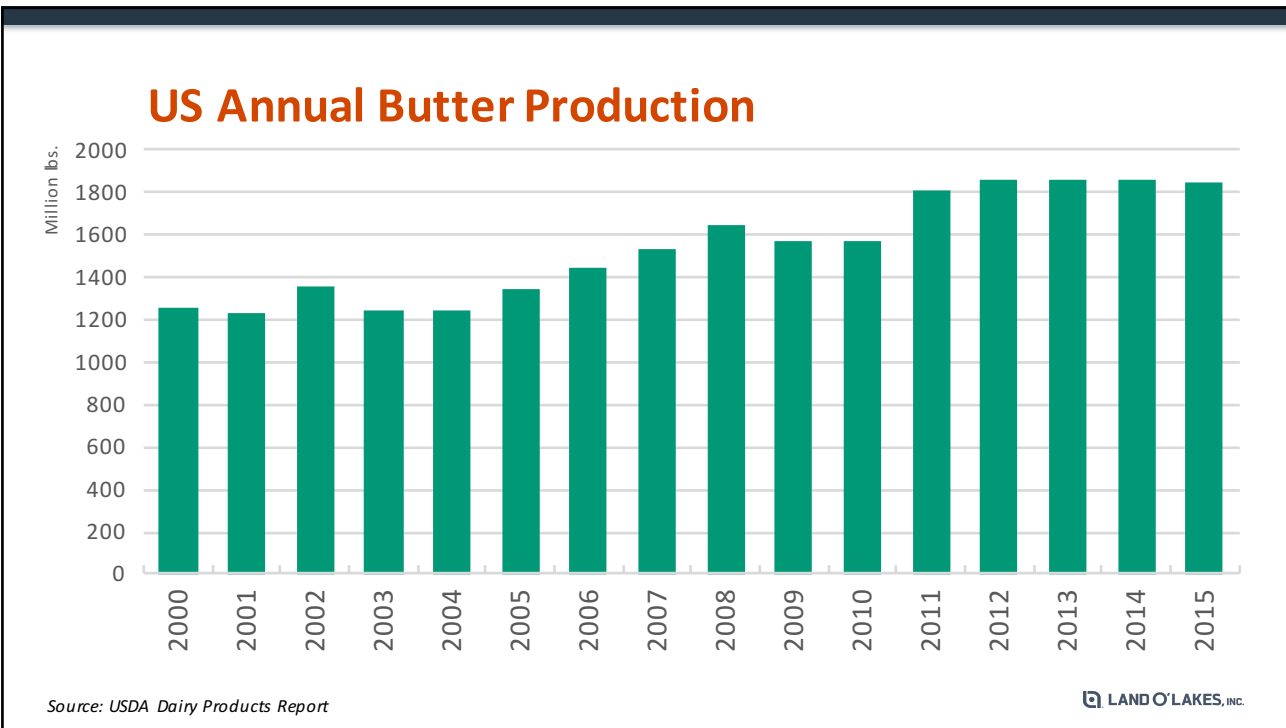
In 50 states and 60+ countries

#199 on

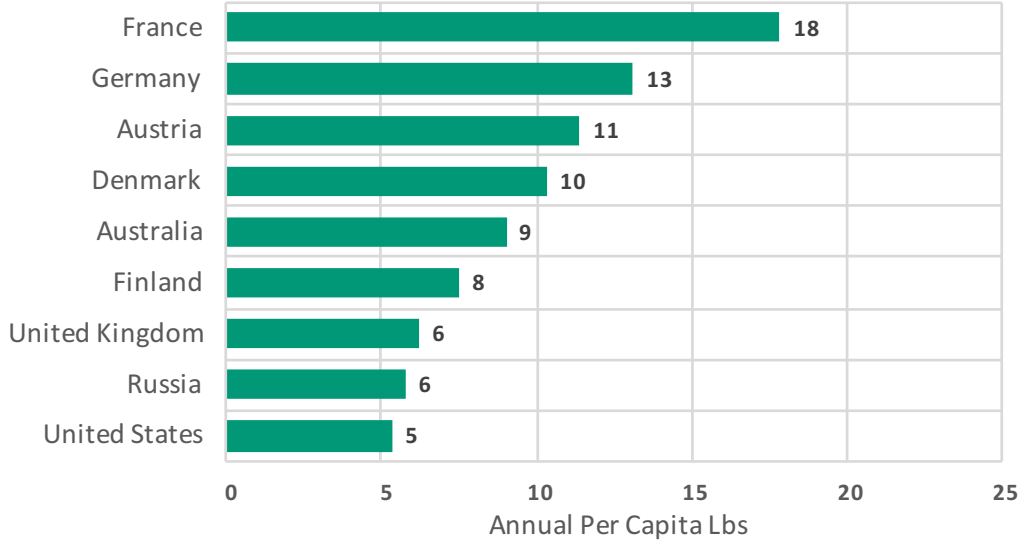


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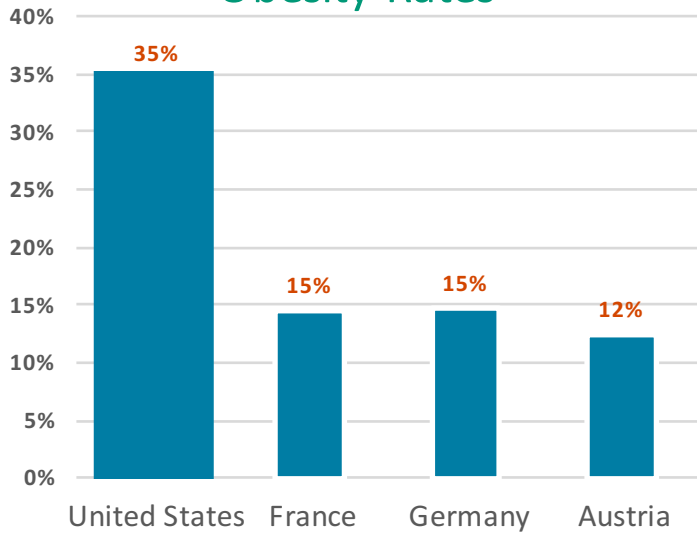
### Global Butter Consumption Trends



Source: USDA, Dairy Australia, Canadian Dairy Information Centre

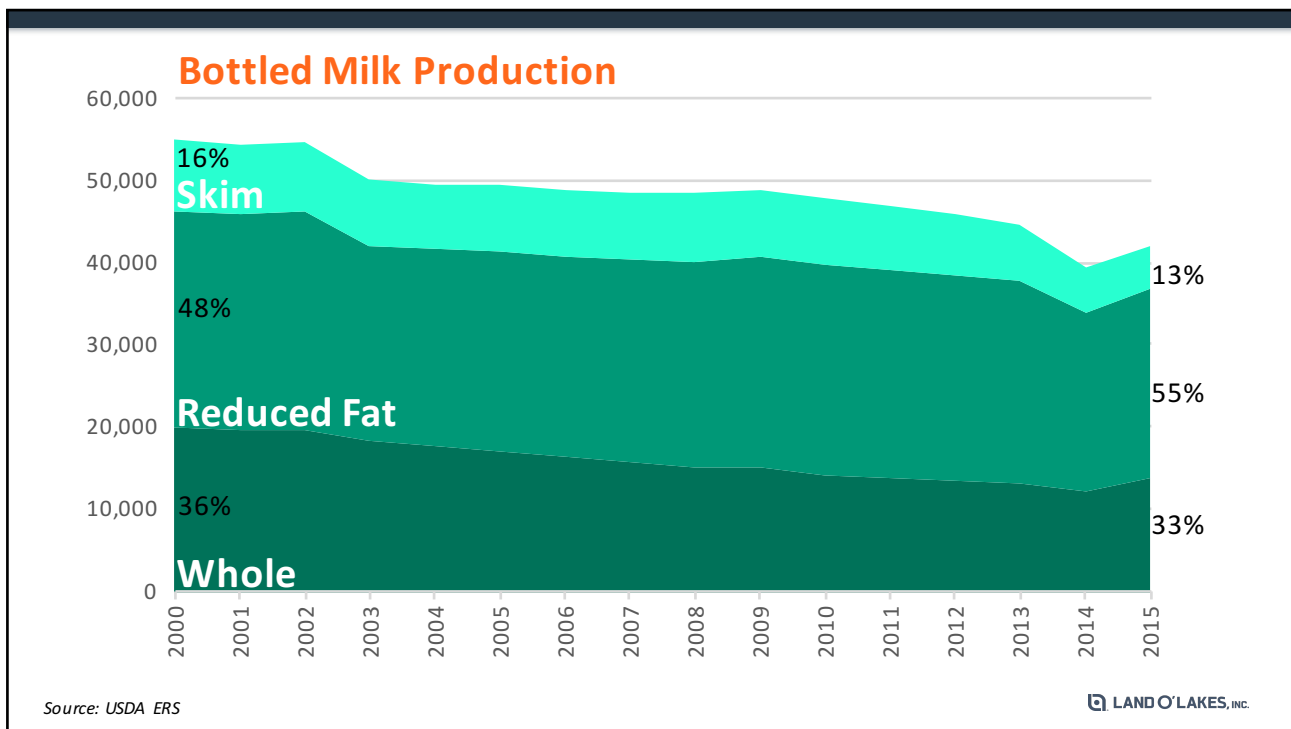
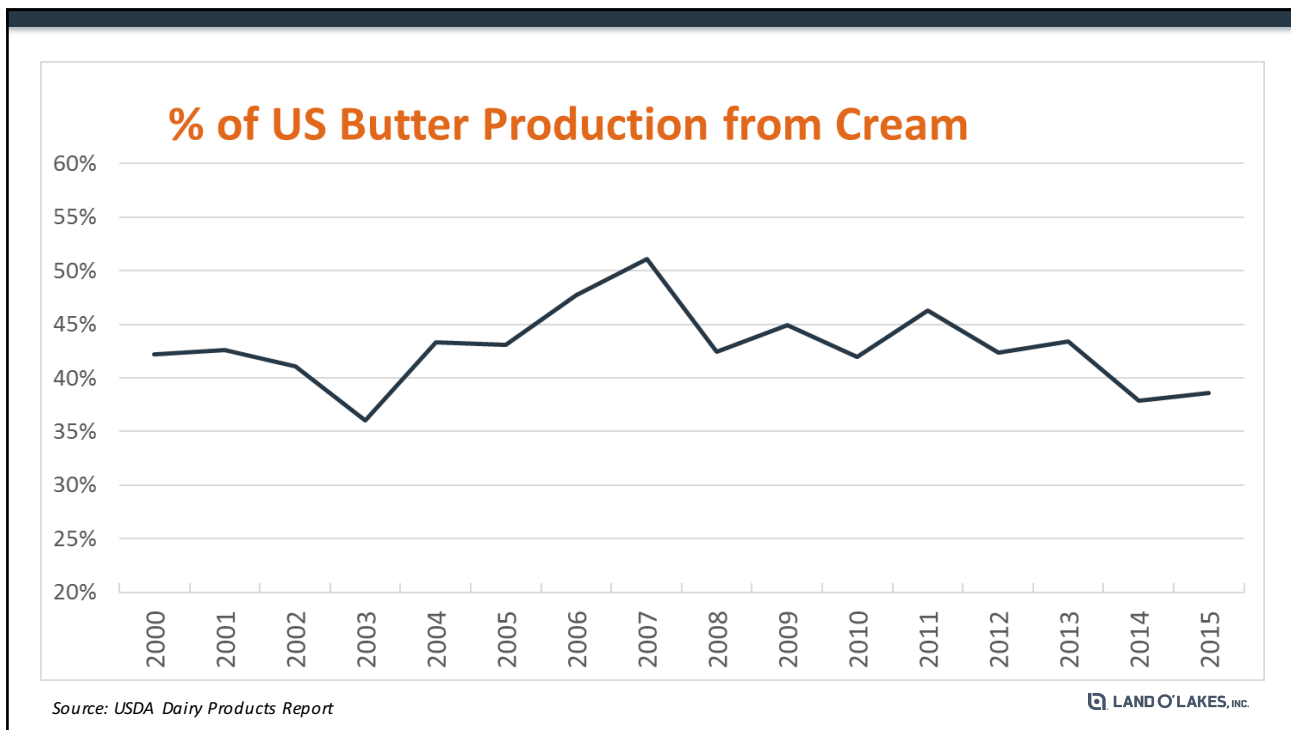
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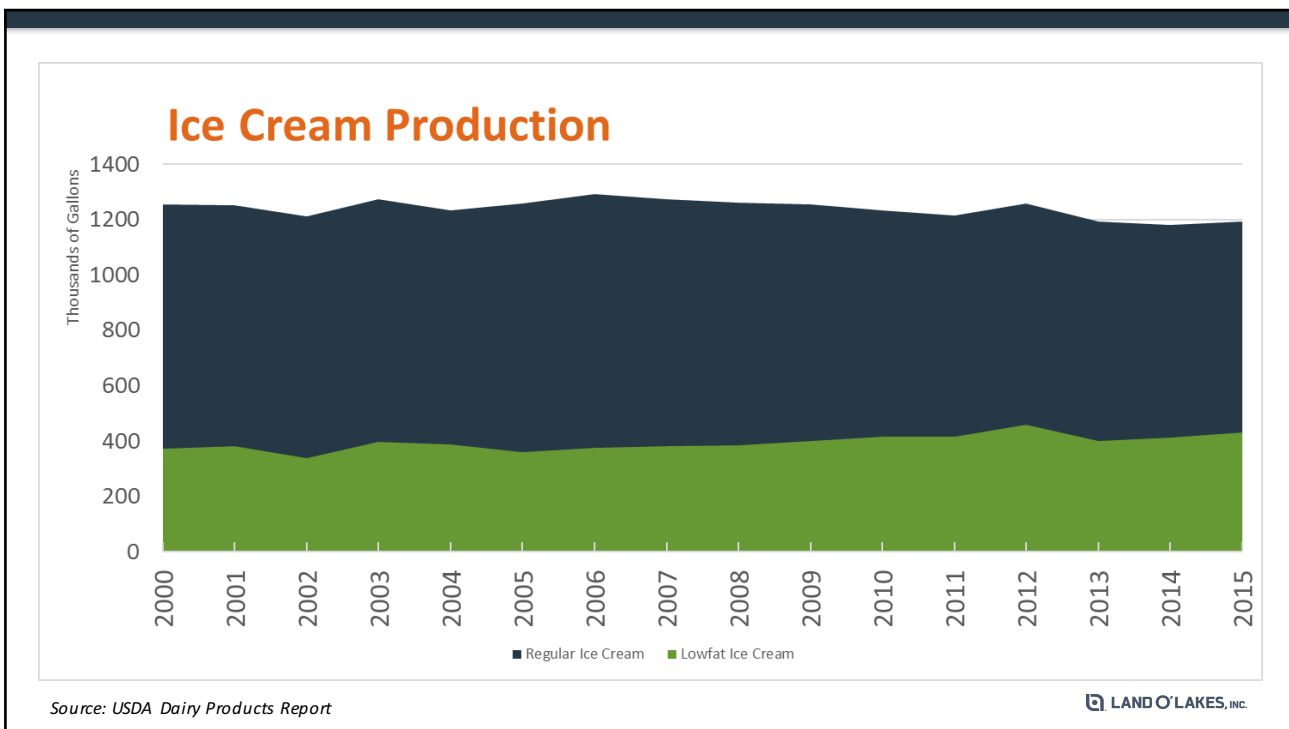
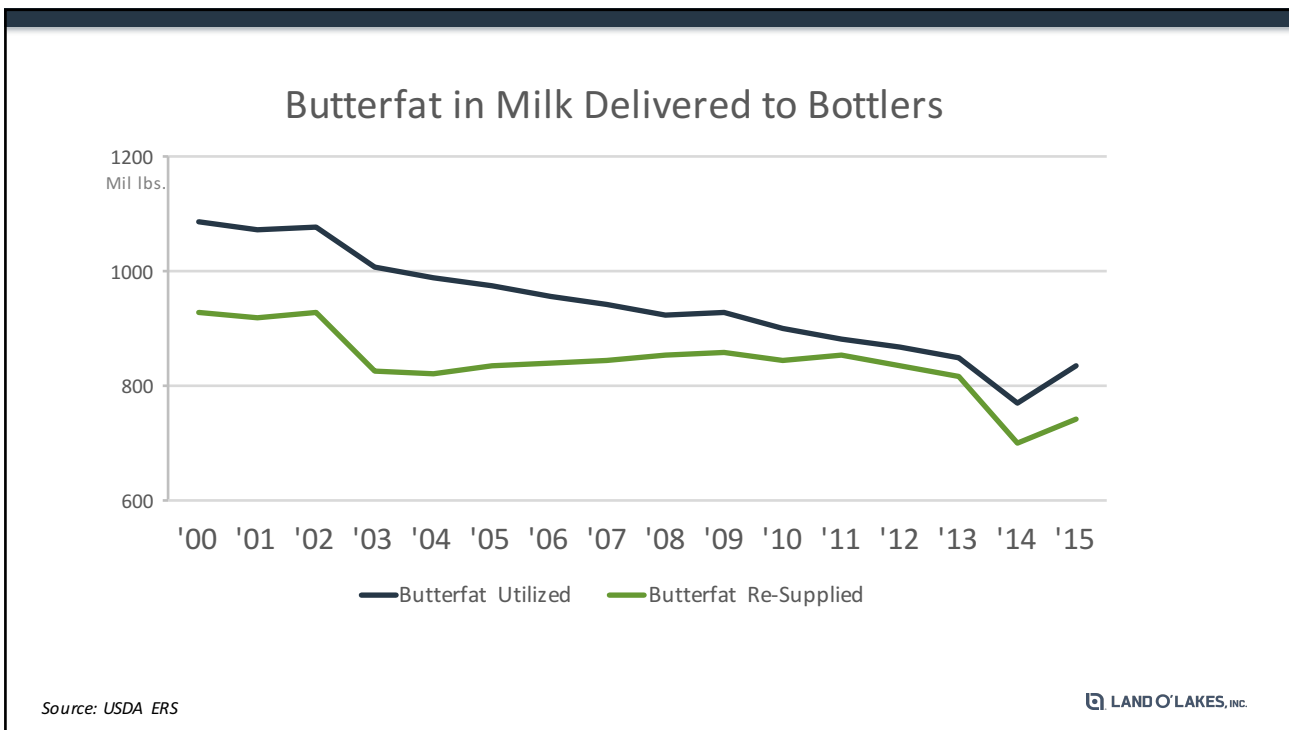
### Obesity Rates



Source: OECD.org

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## Conclusions

- Developed countries tend to export protein
- Historically US trade balance has been sensitive to global prices
- But US prices have been mainly driven by domestic markets
- Much higher per capita butter consumption is possible (EU diet, US history)
- Class I production has only recently increased its competition for butterfat supply

### Looking ahead

- Demand:
  - Will more low-fat milk consumers switch to whole milk?
  - Big unknowns around extent of US butter demand growth
- Supply
  - Growth trends in fat yield in milk
  - Manufacturing capacity