



2016 Dairy Situation & 2017 Outlook

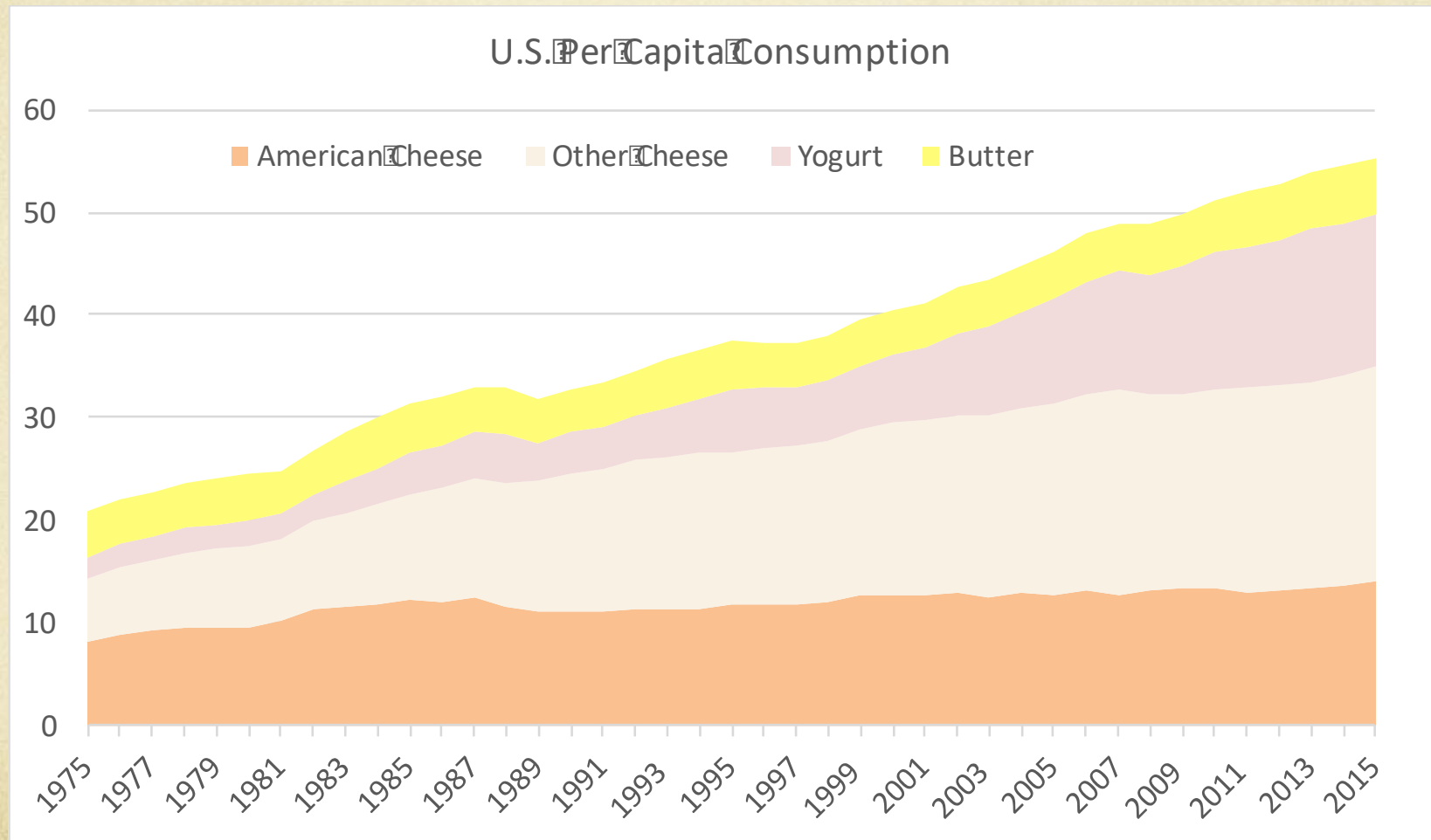
Wisconsin Agricultural Outlook Forum



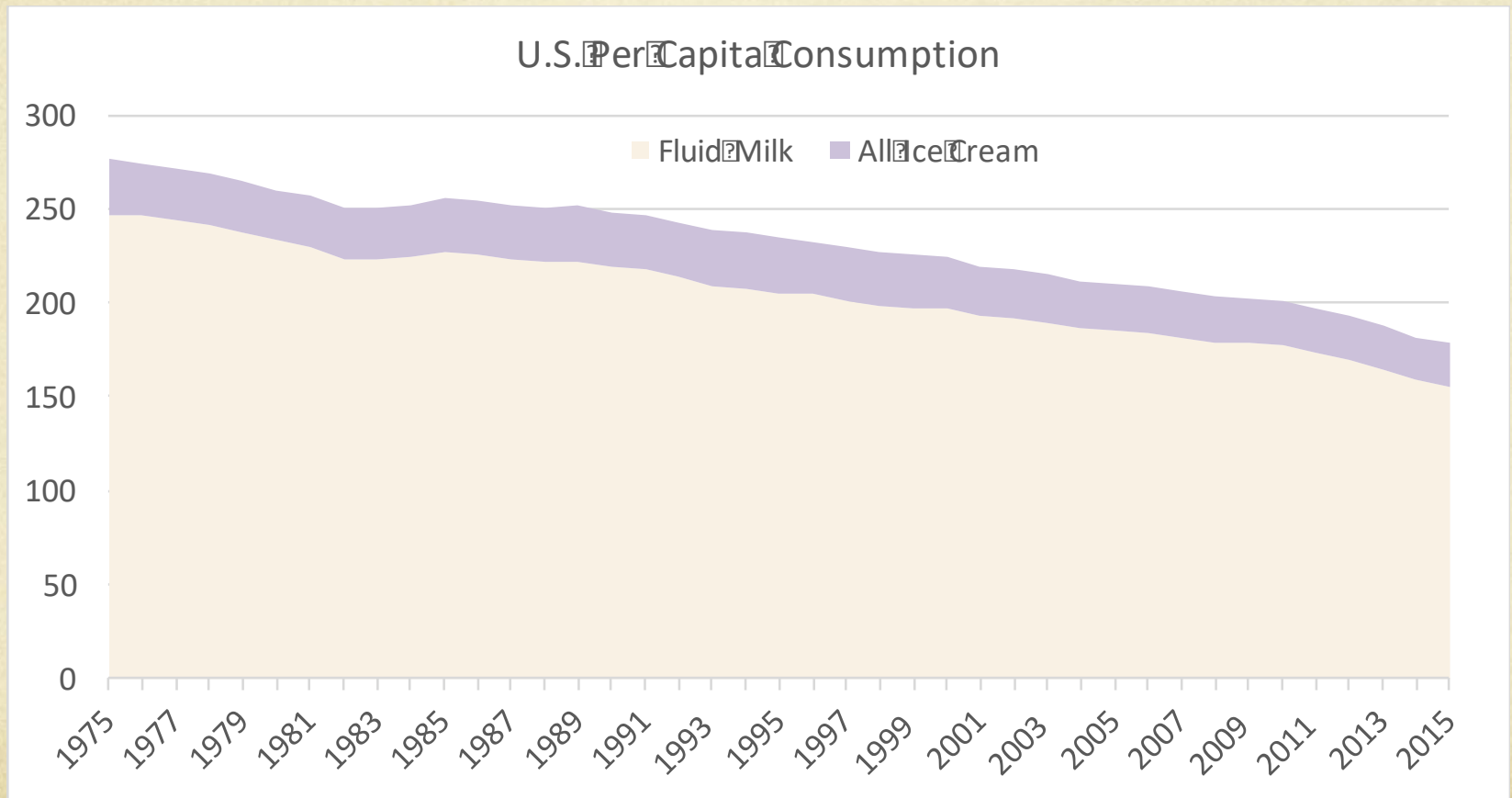
THE UNIVERSITY
of WISCONSIN
MADISON

Mark Stephenson, Ph.D.
Director of Dairy Policy Analysis

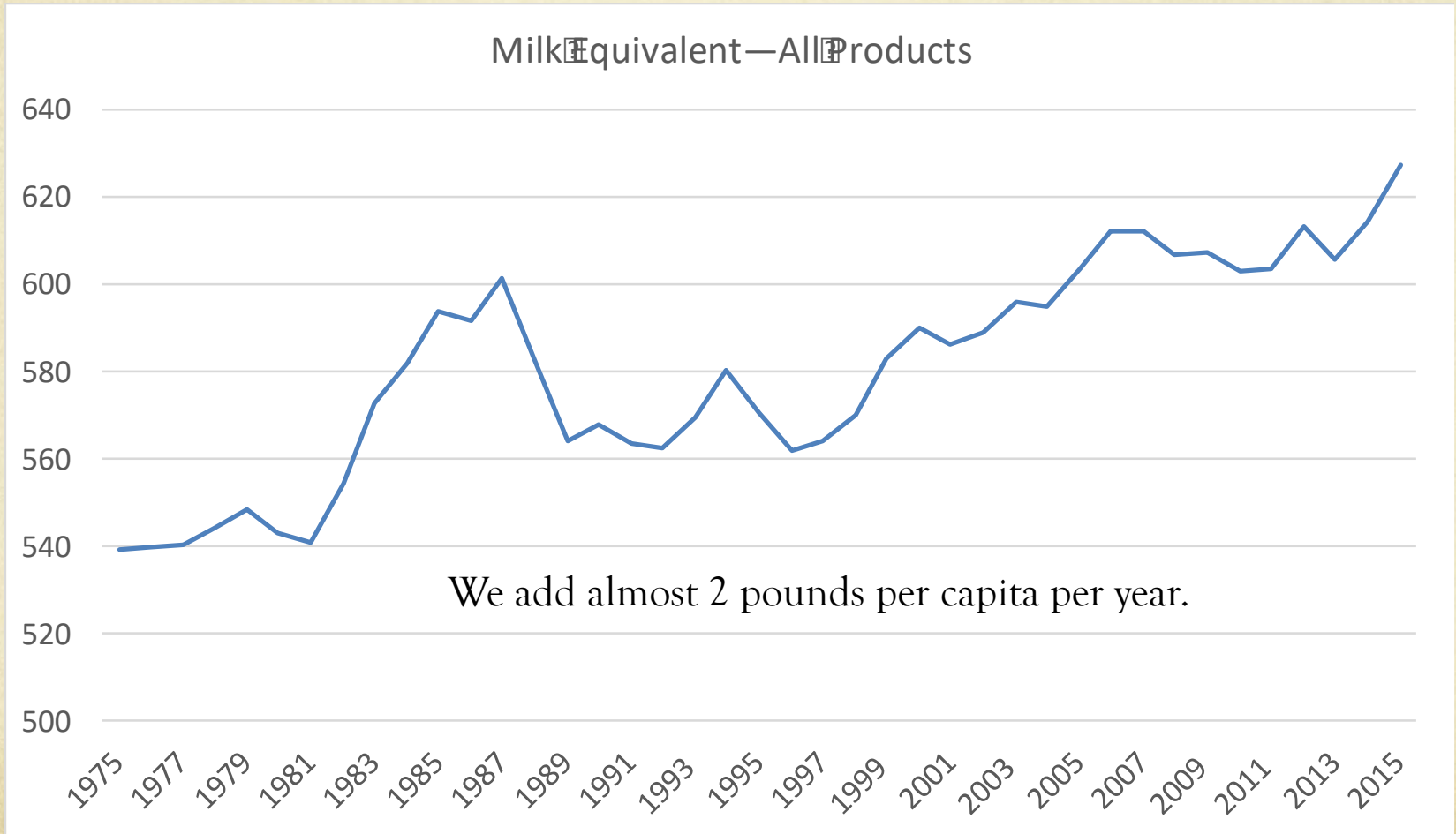
High Impact Trends!



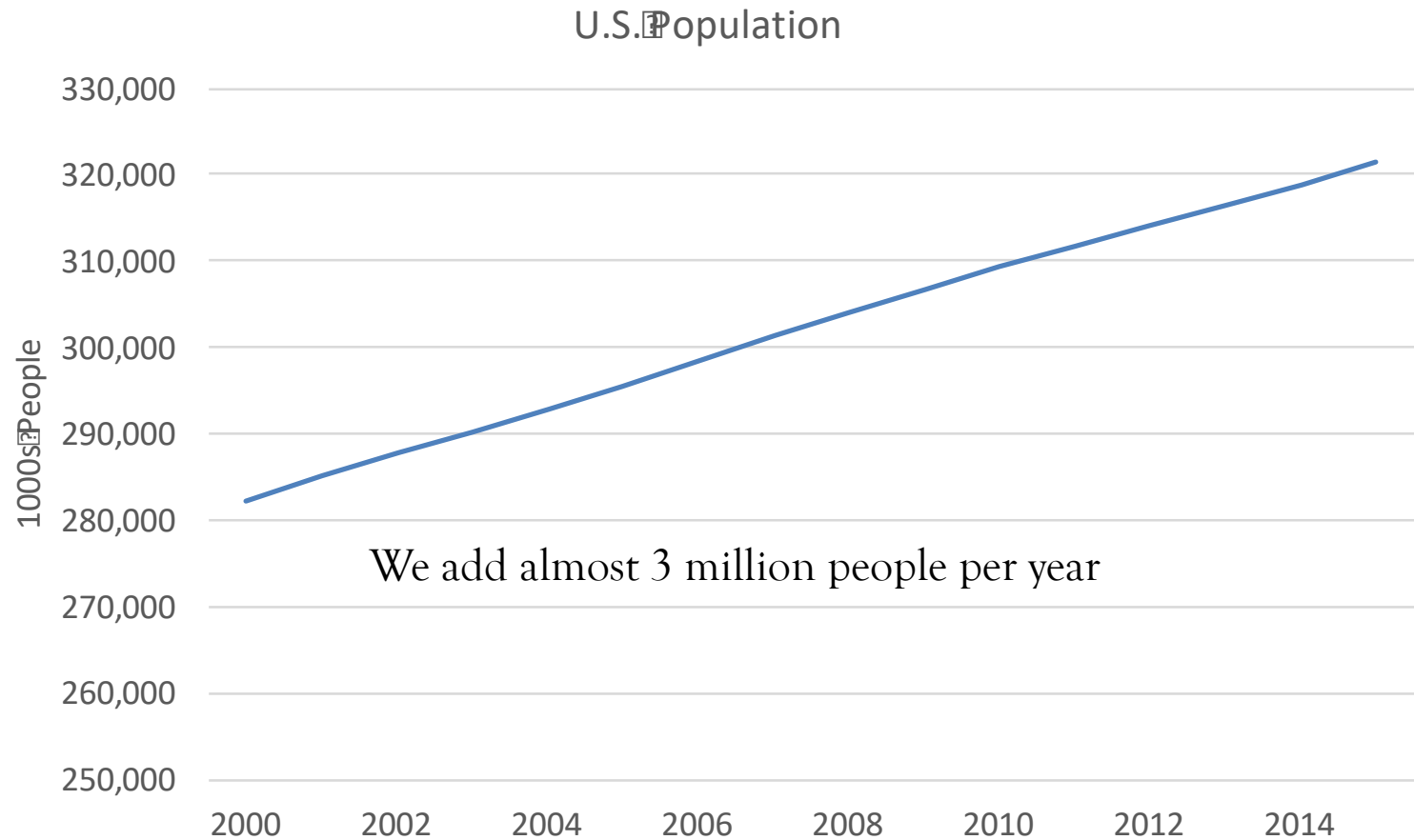
High Impact Trends!



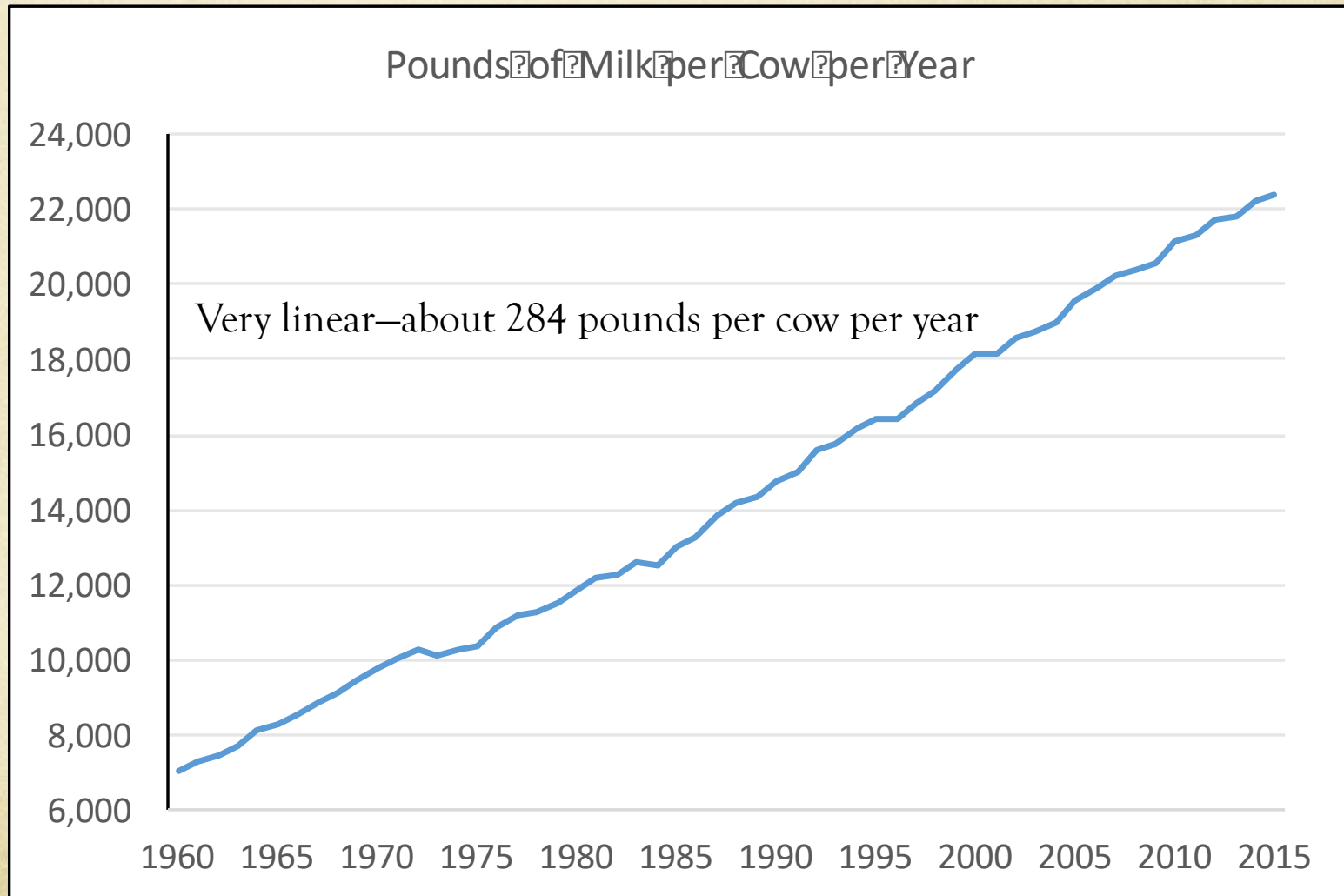
Good News



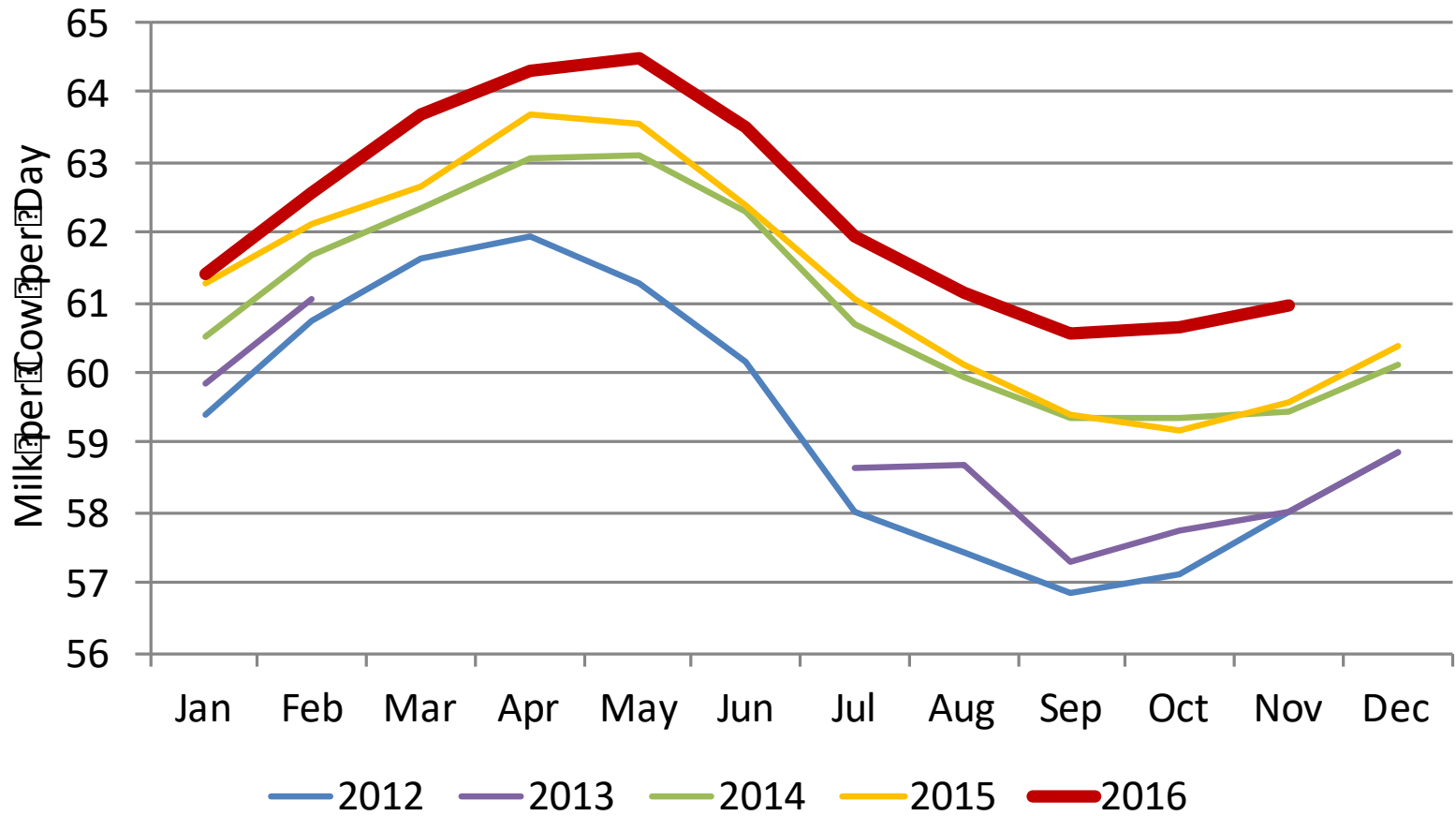
High Impact Trend!



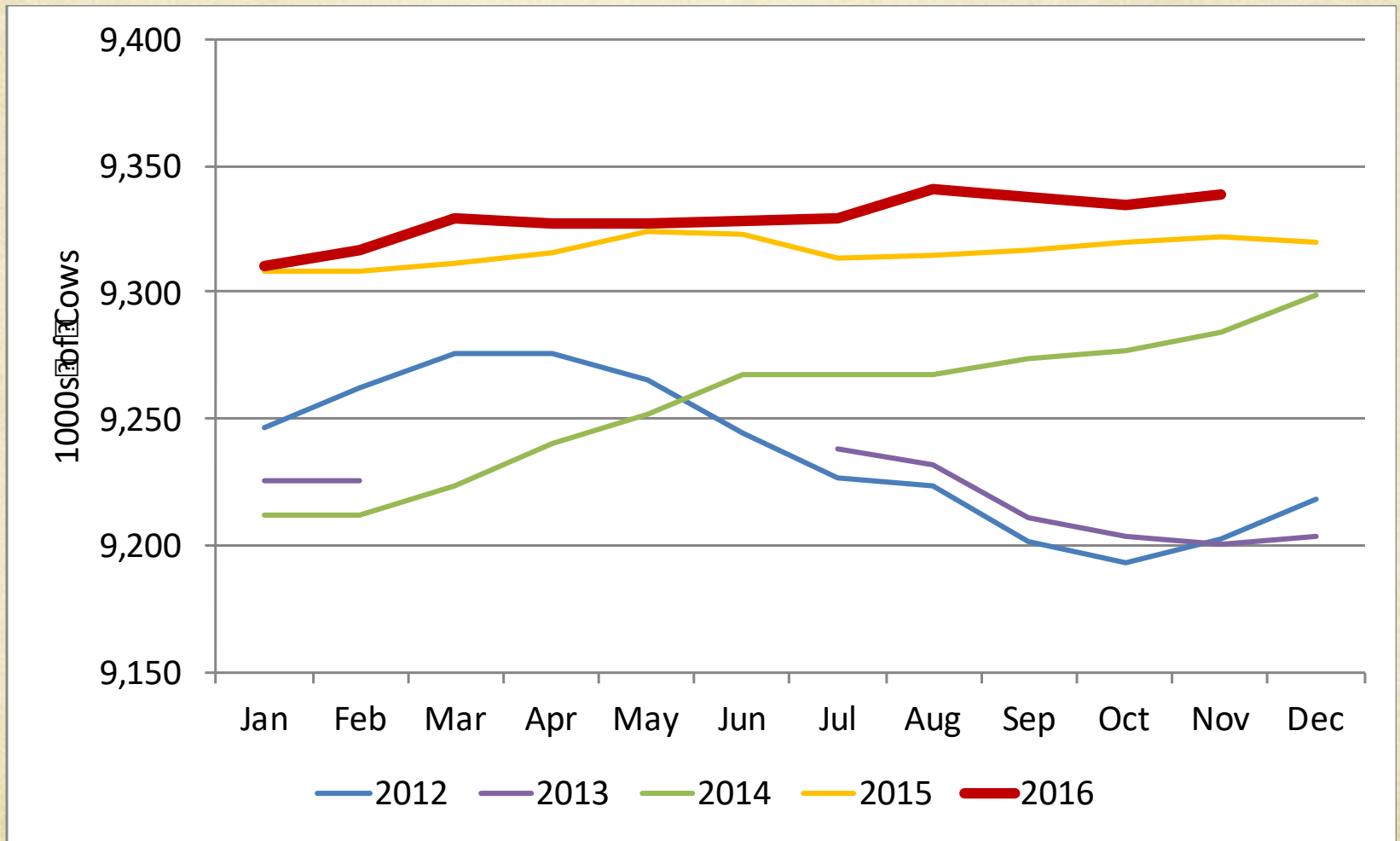
High Impact Trend!



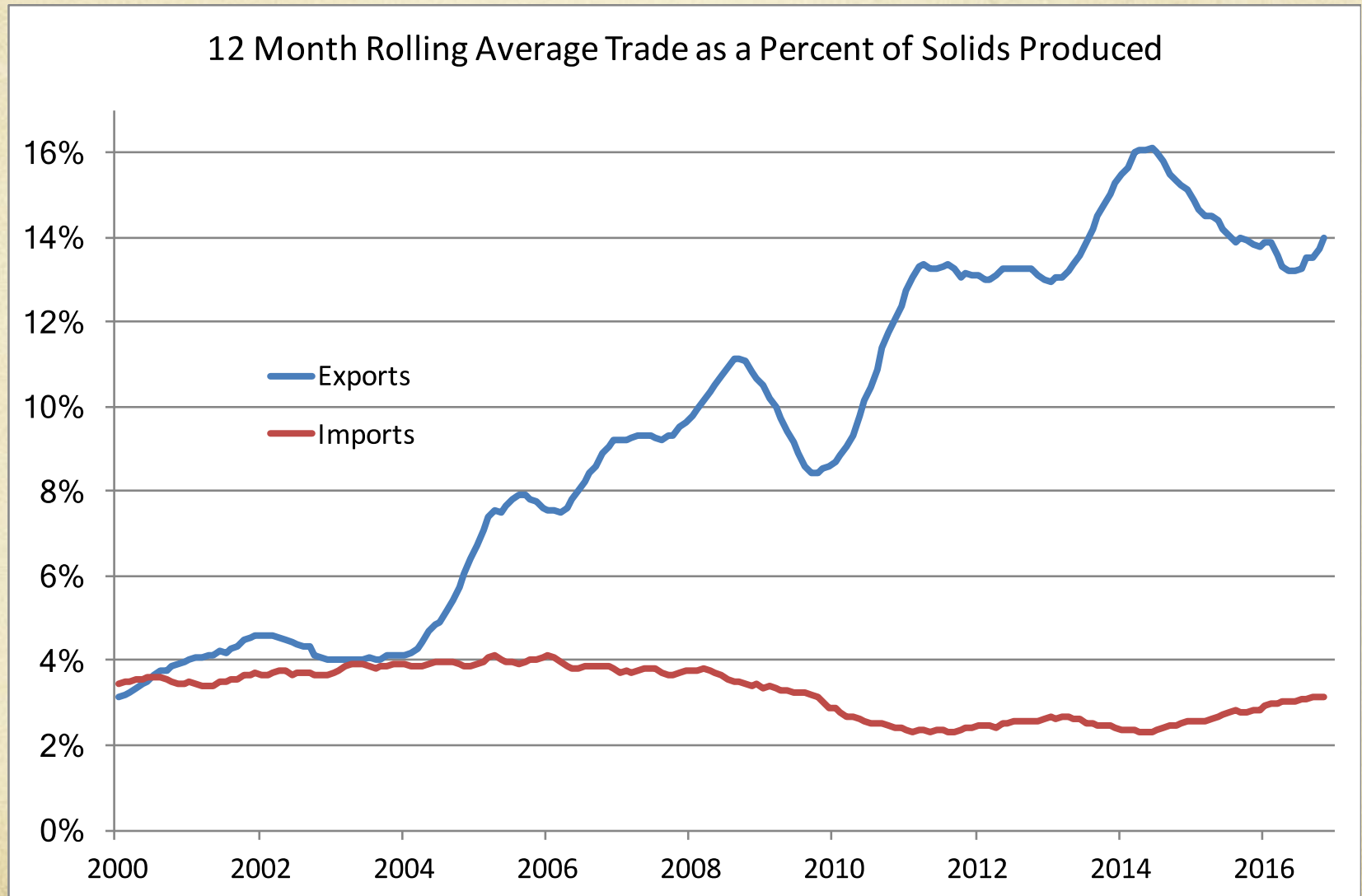
Milk per Cow per Day



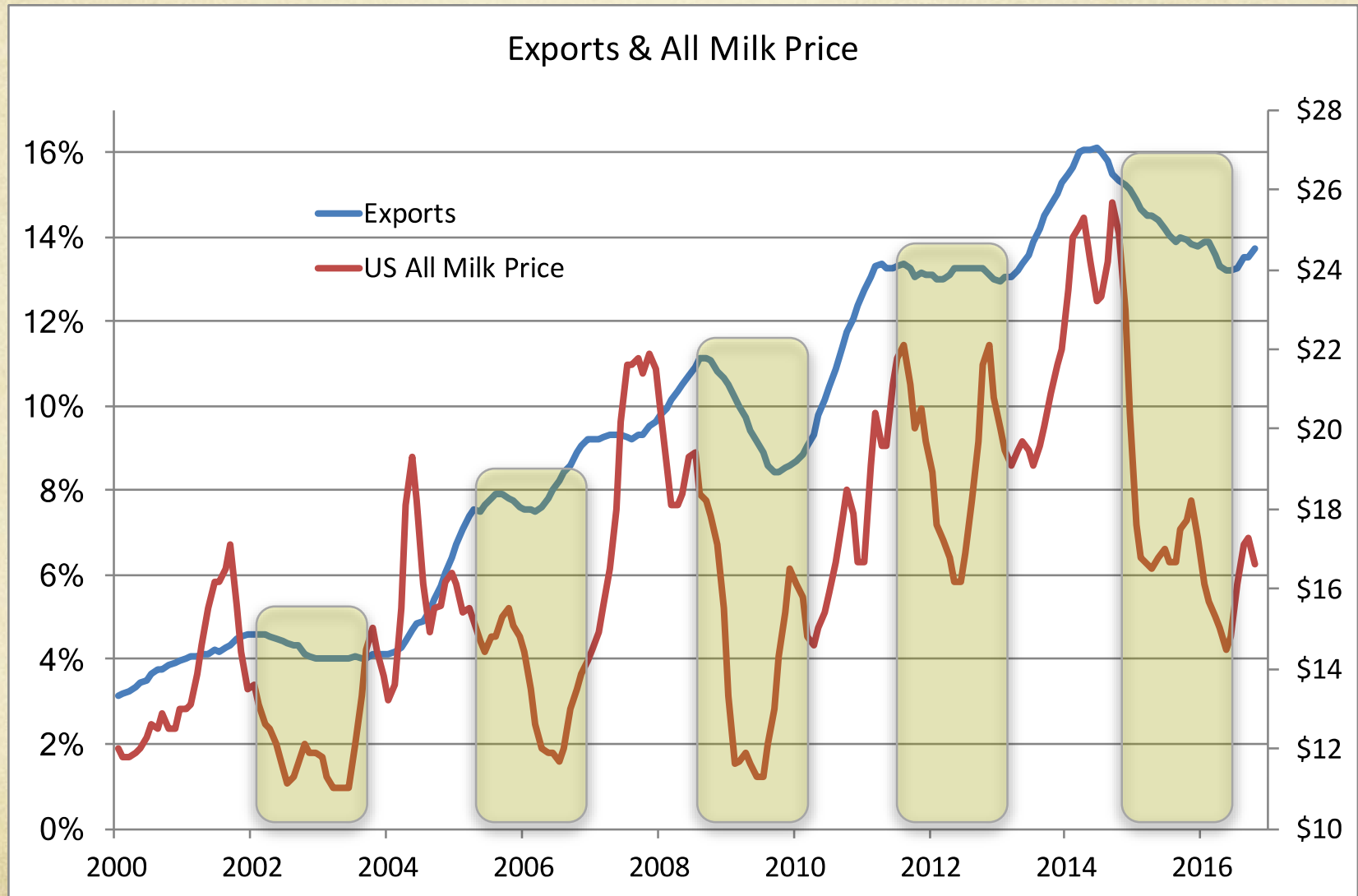
Number of Cows



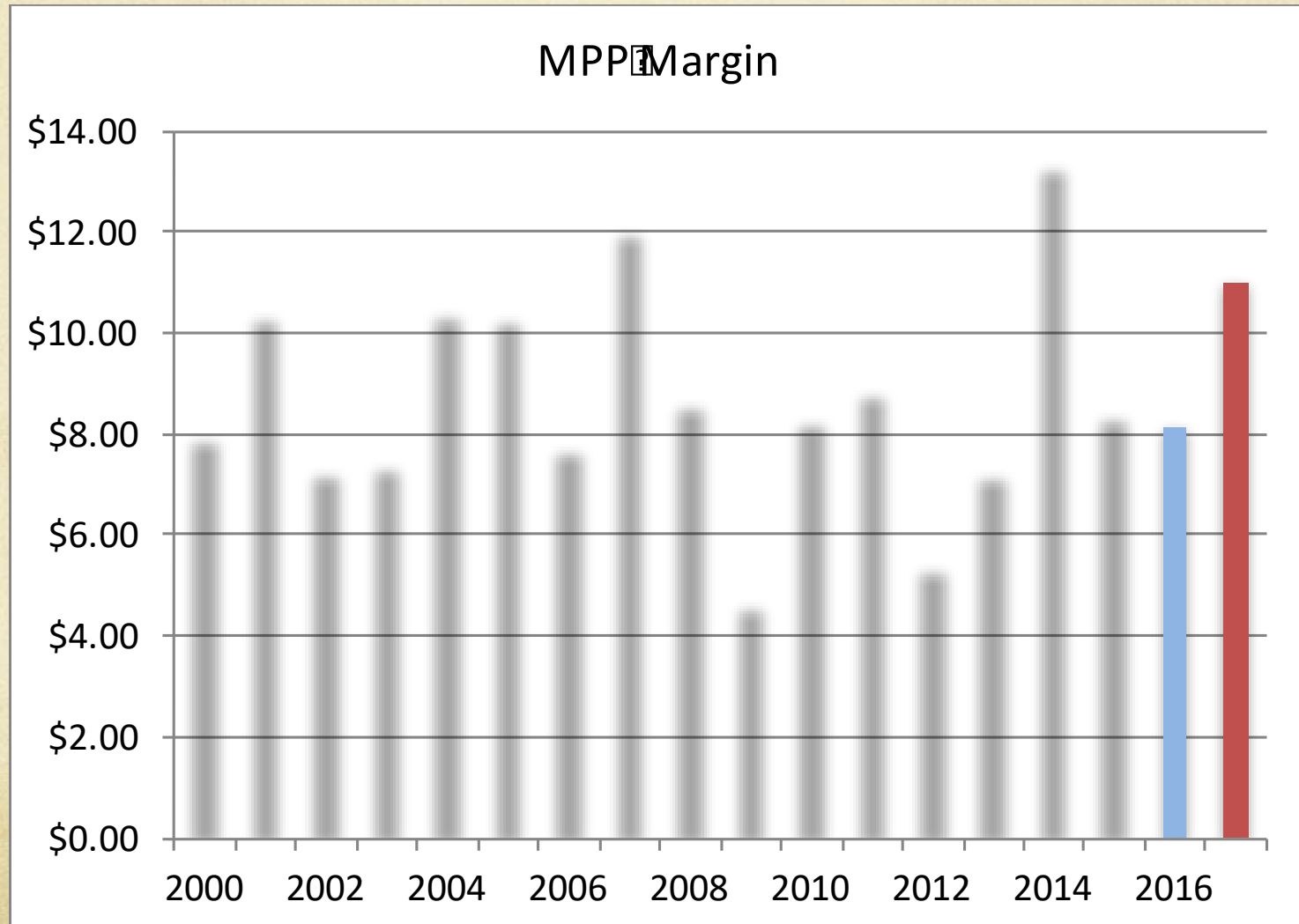
Sustained Growth Needs Exports!



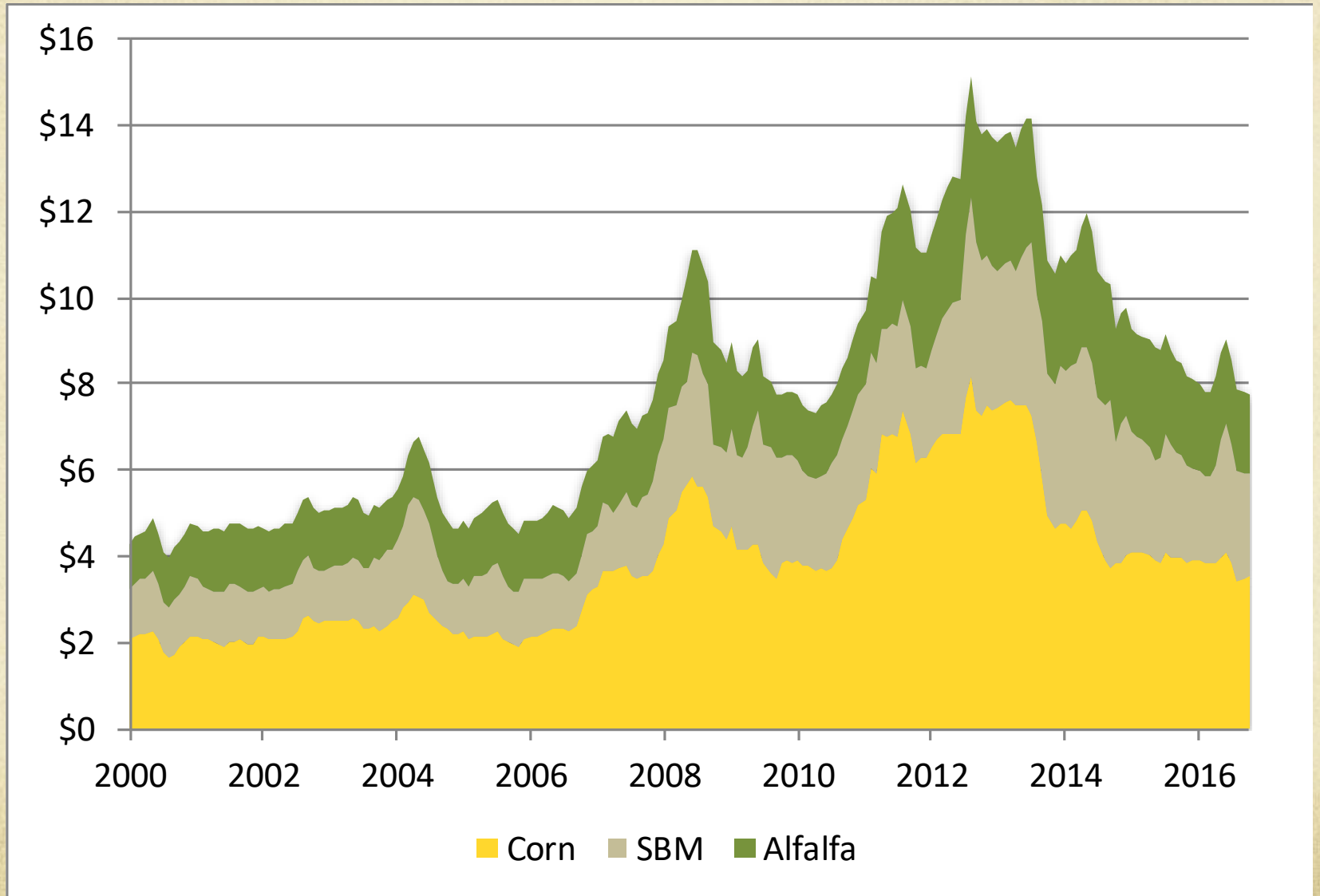
The Importance of Trade



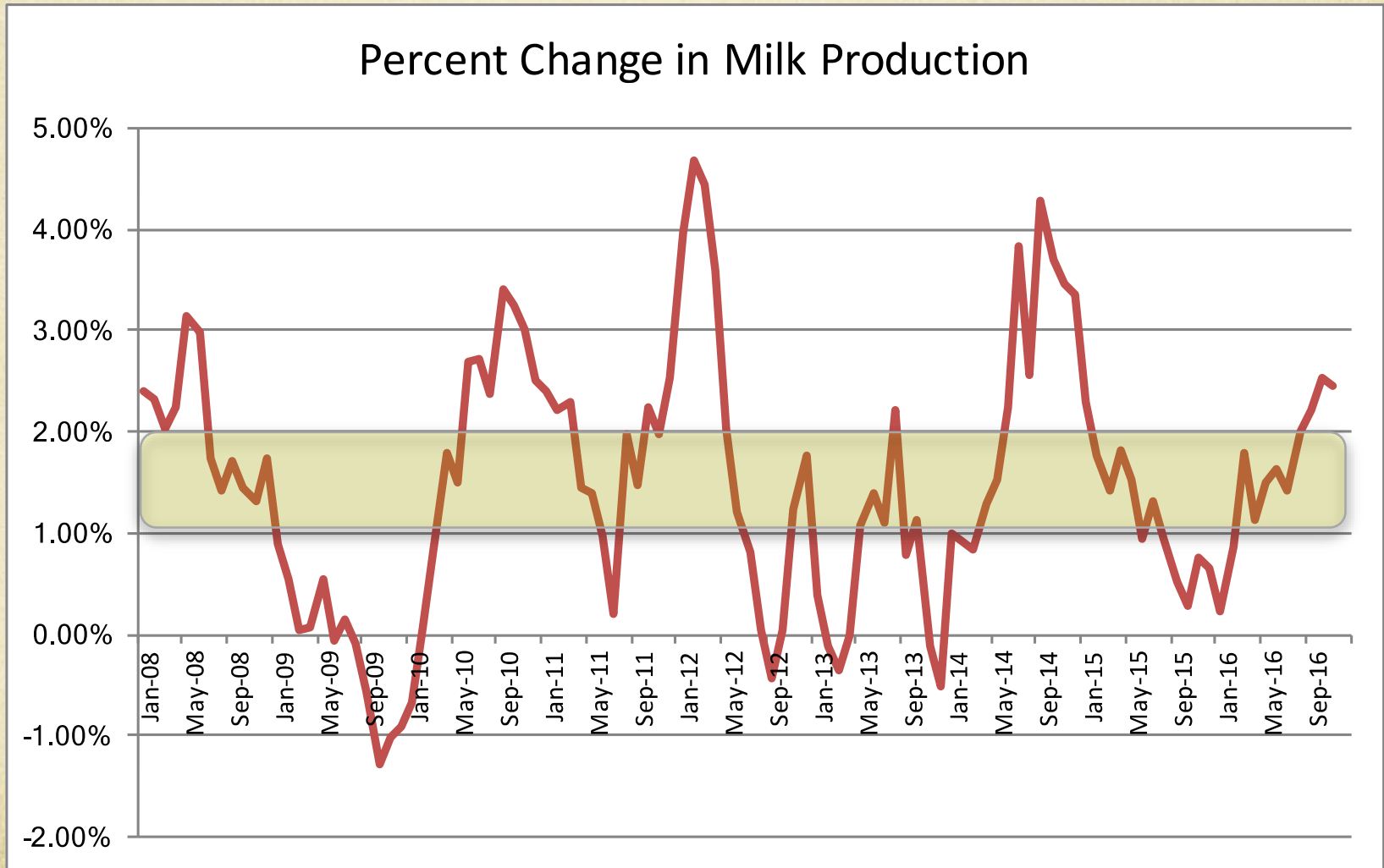
Profit is a Market's Signal to Produce More



MPP Ration Value

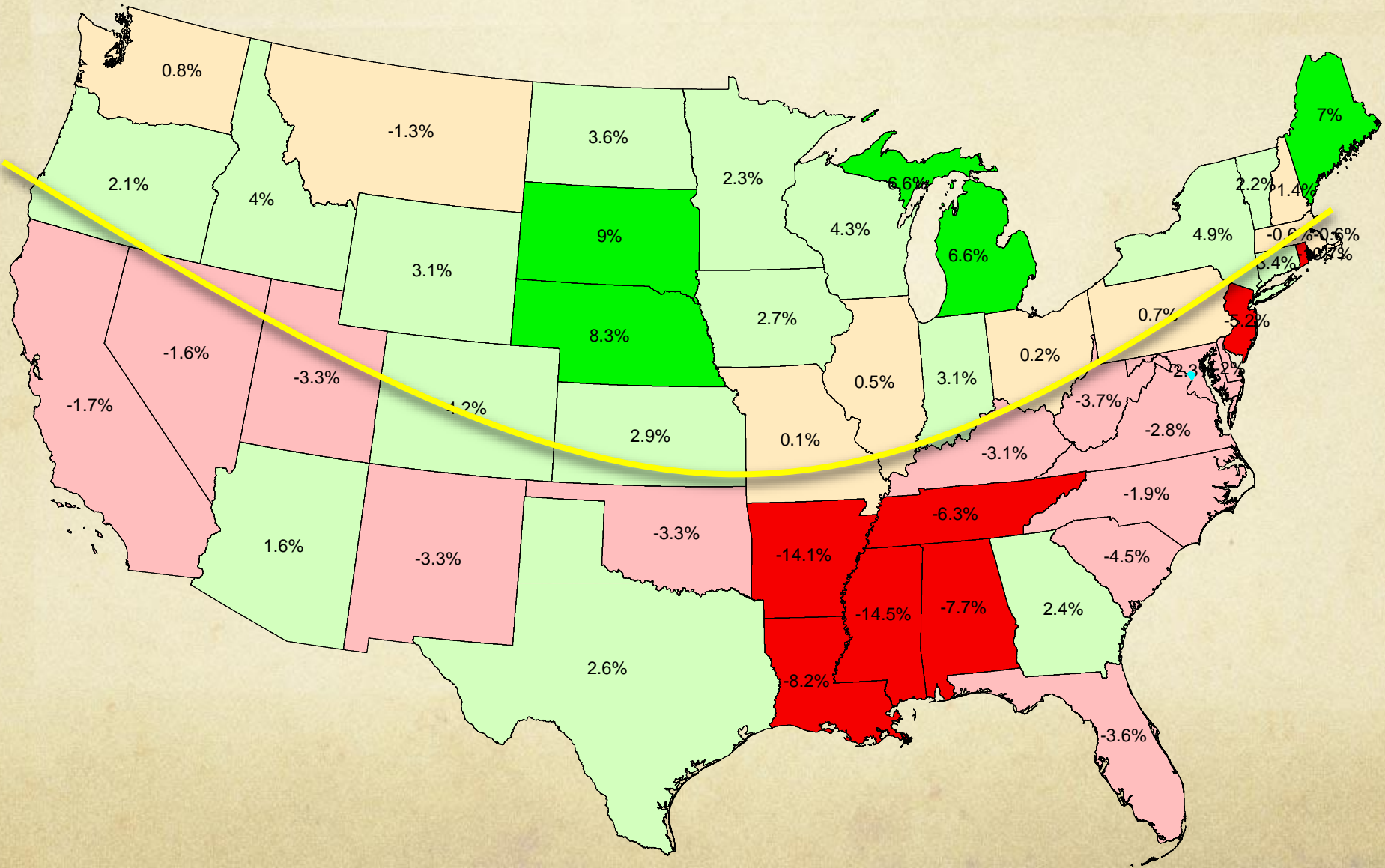


Percent Change in U.S. Milk Production

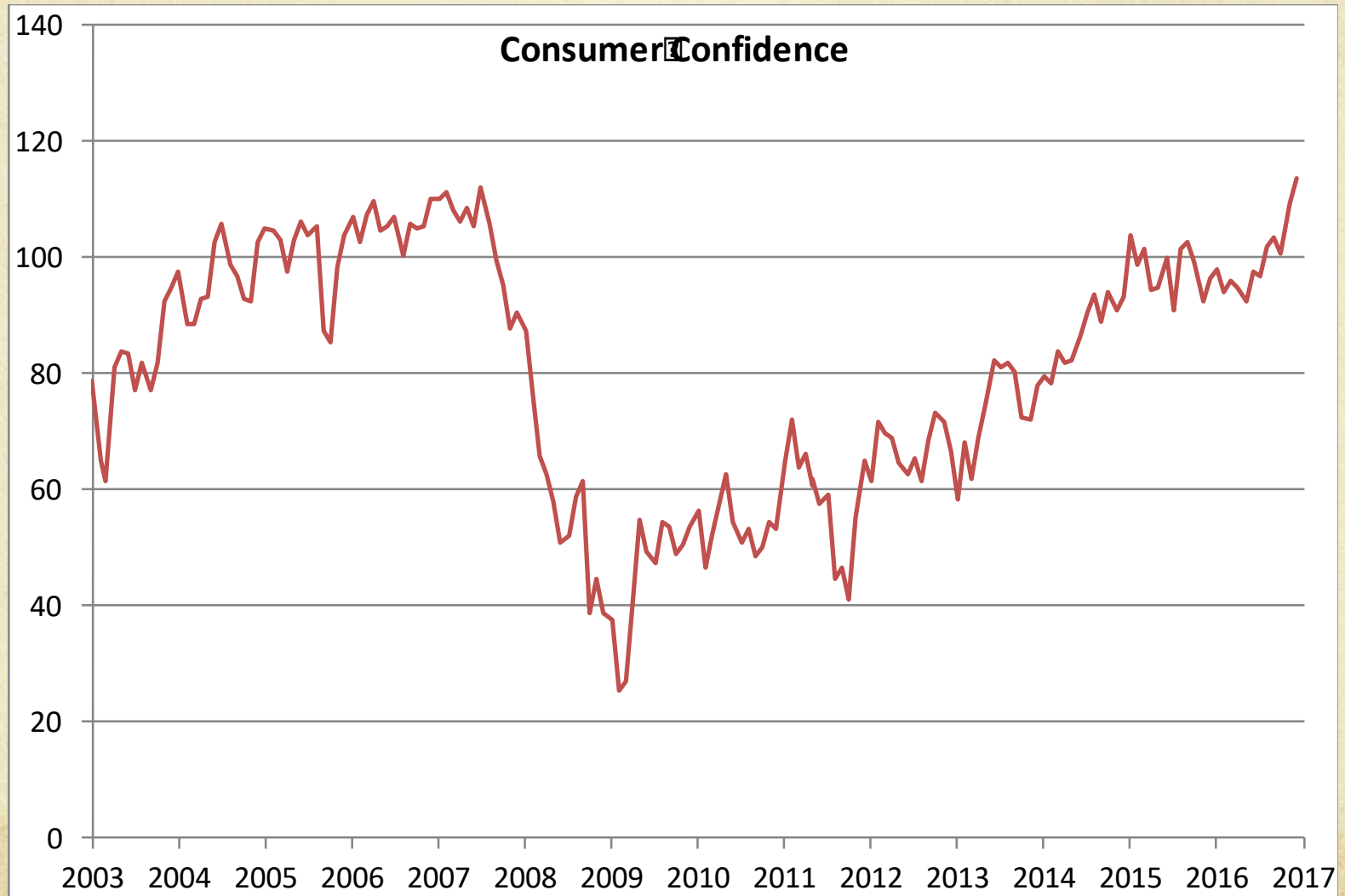


Northern States Making More Milk?

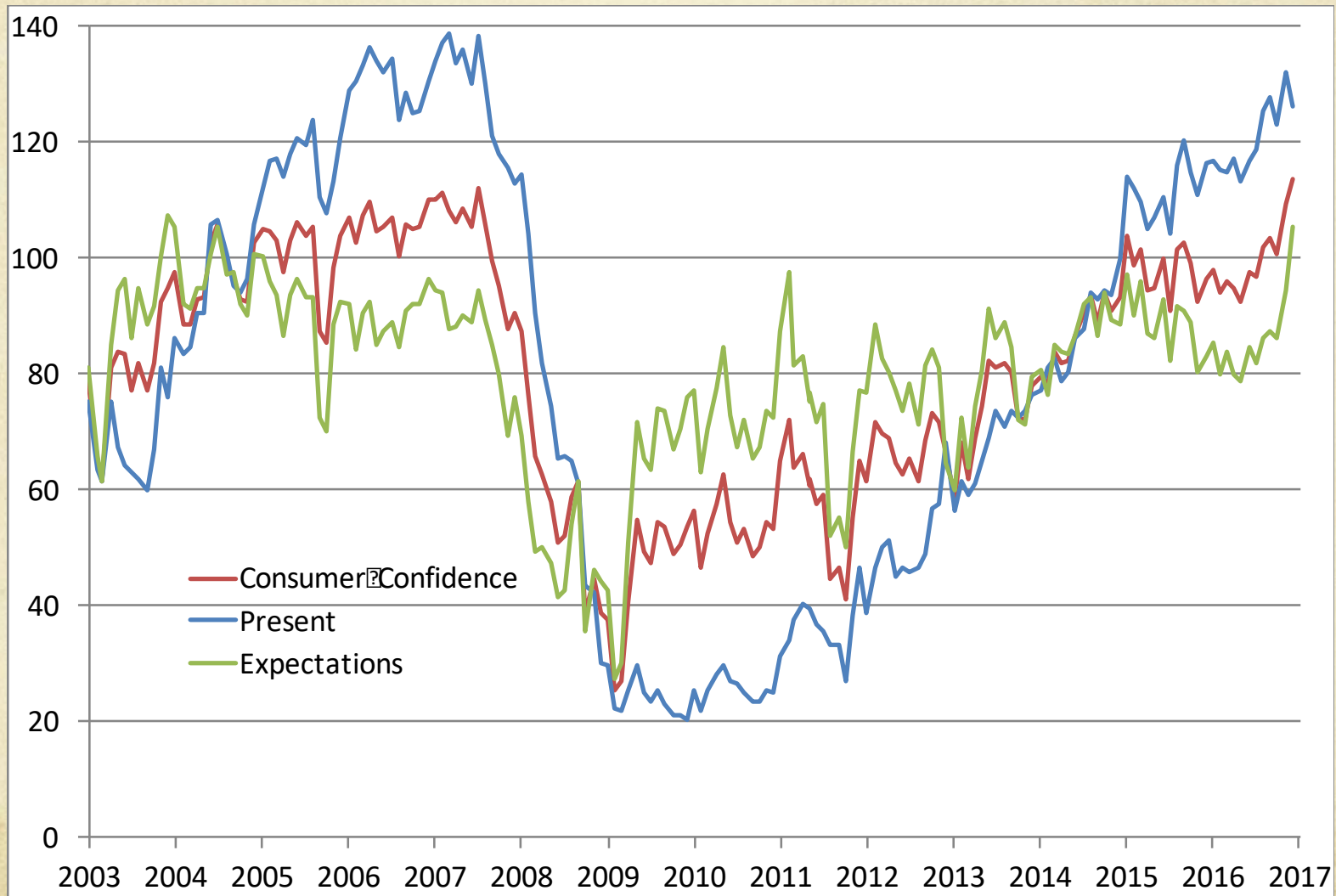
Change in Milk Production—First 3 Qtrs of 2016 compared to 2015



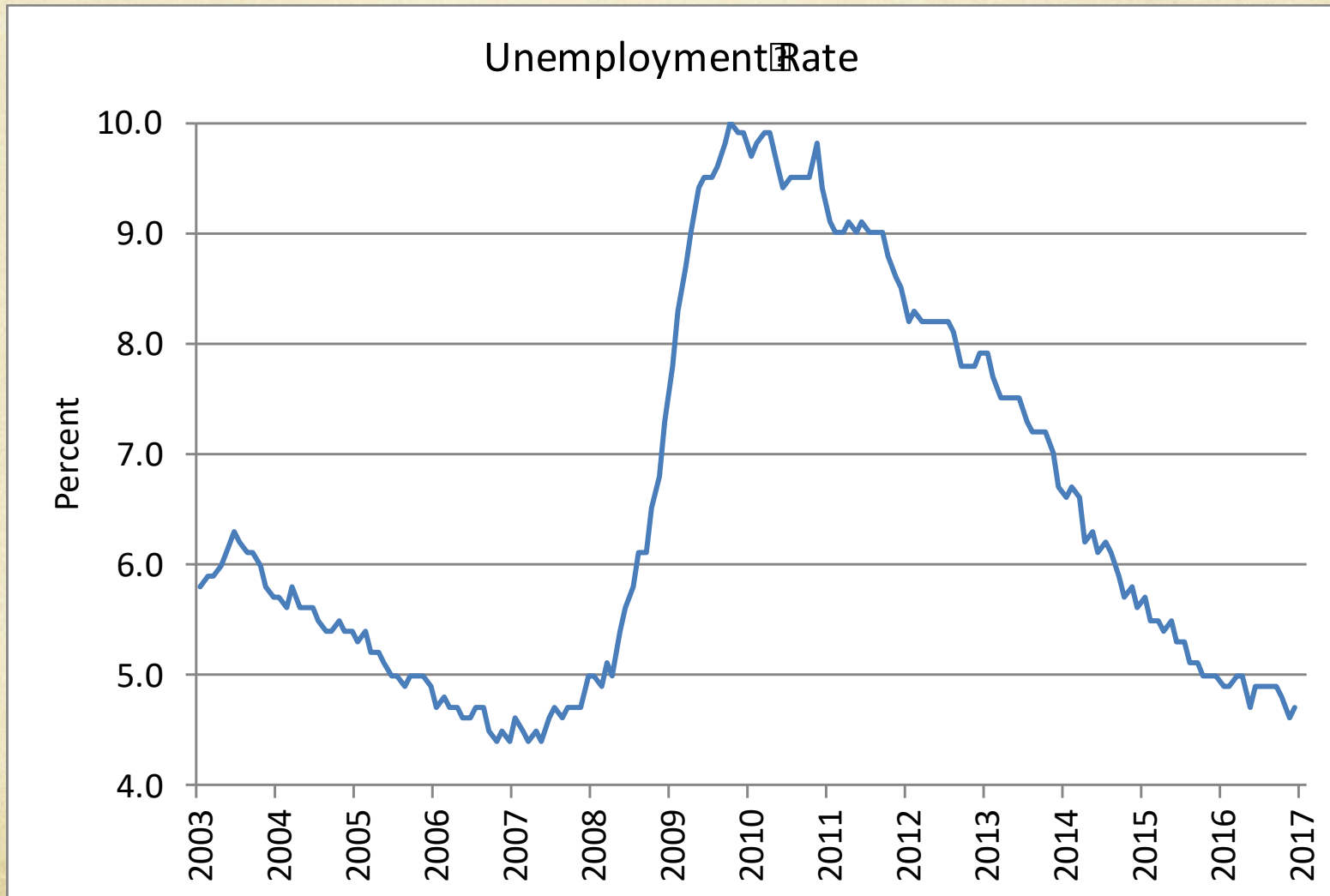
Consumer Confidence



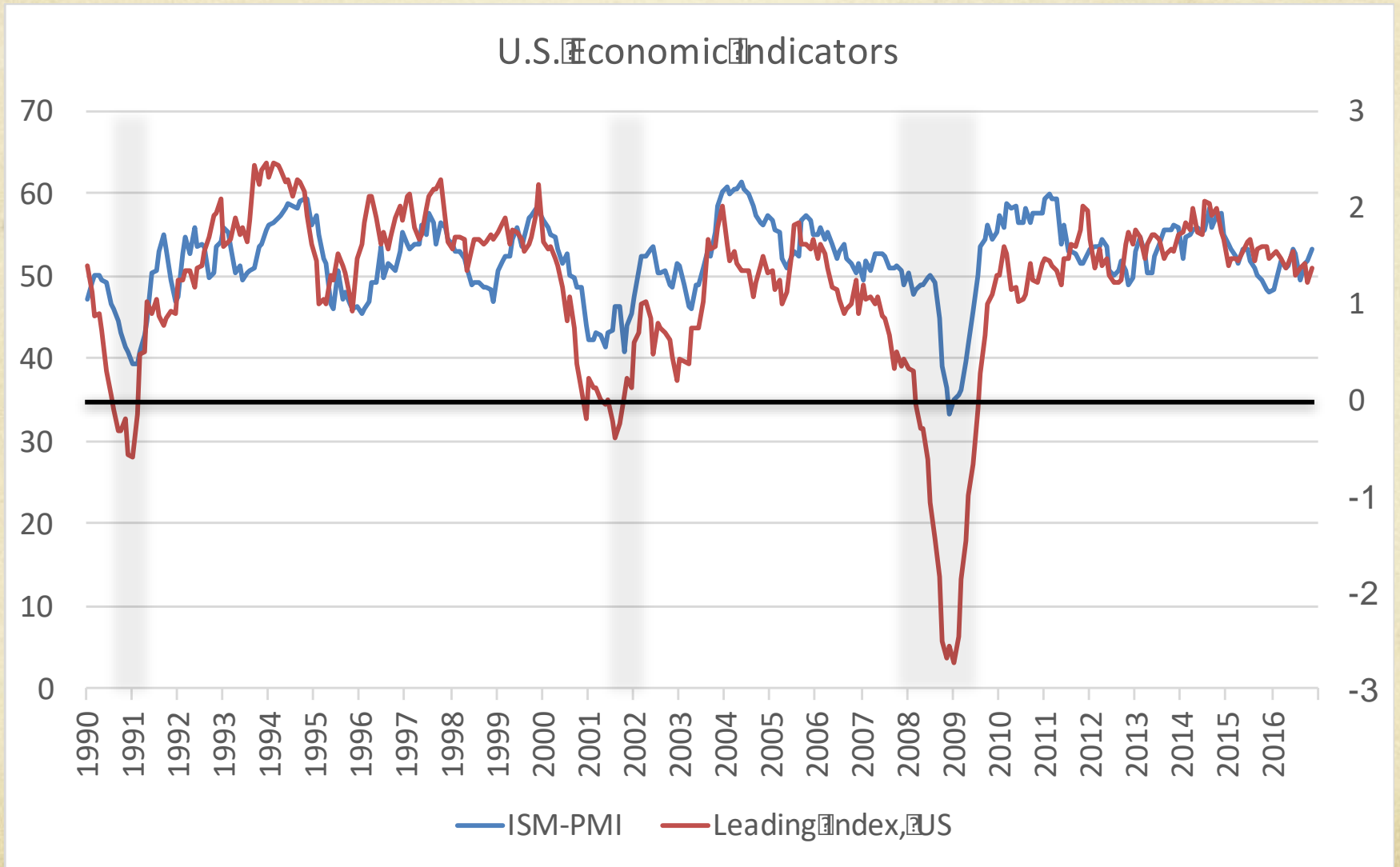
Consumer Confidence



U.S. Unemployment Rate

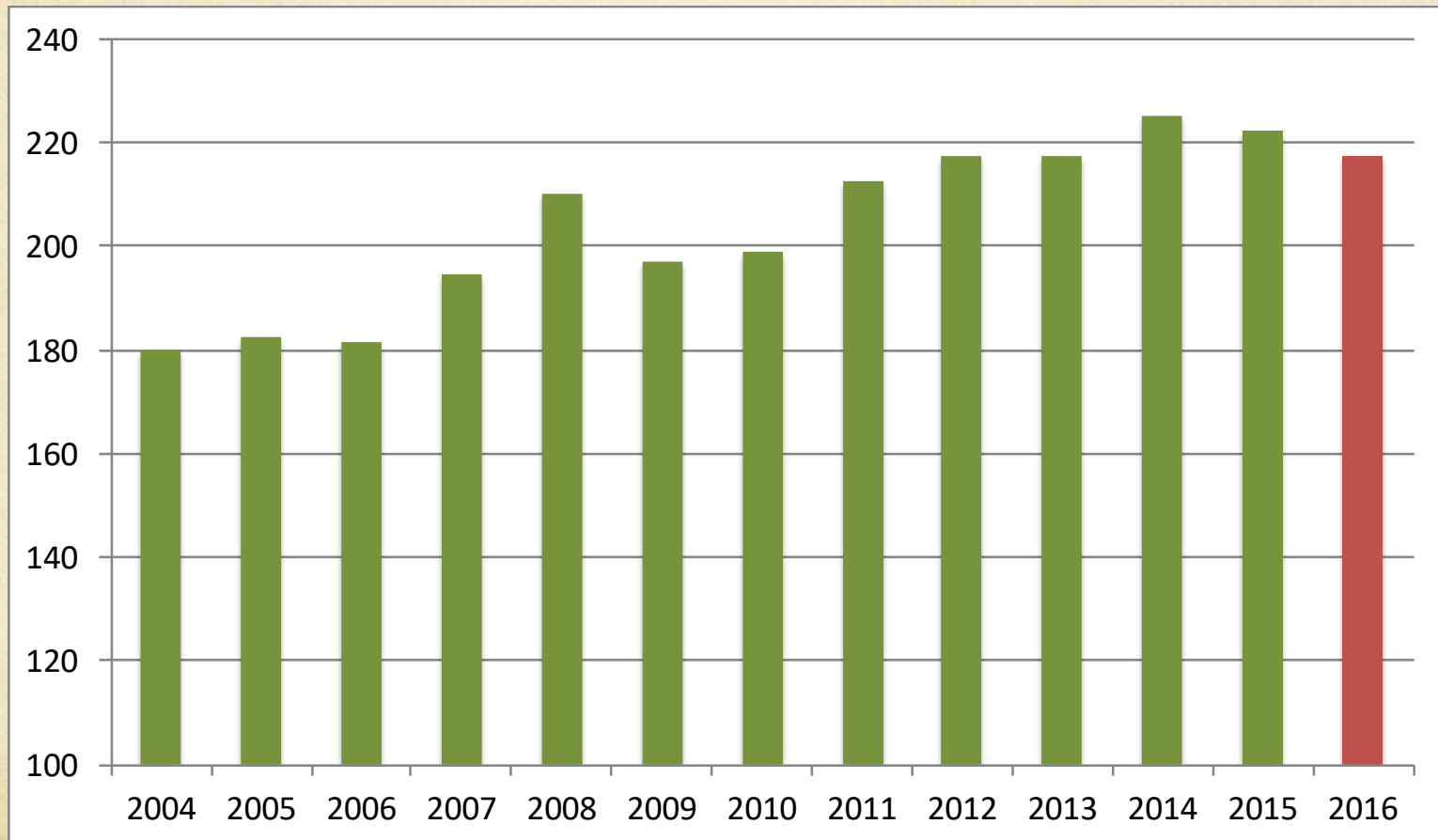


Economic Indicators



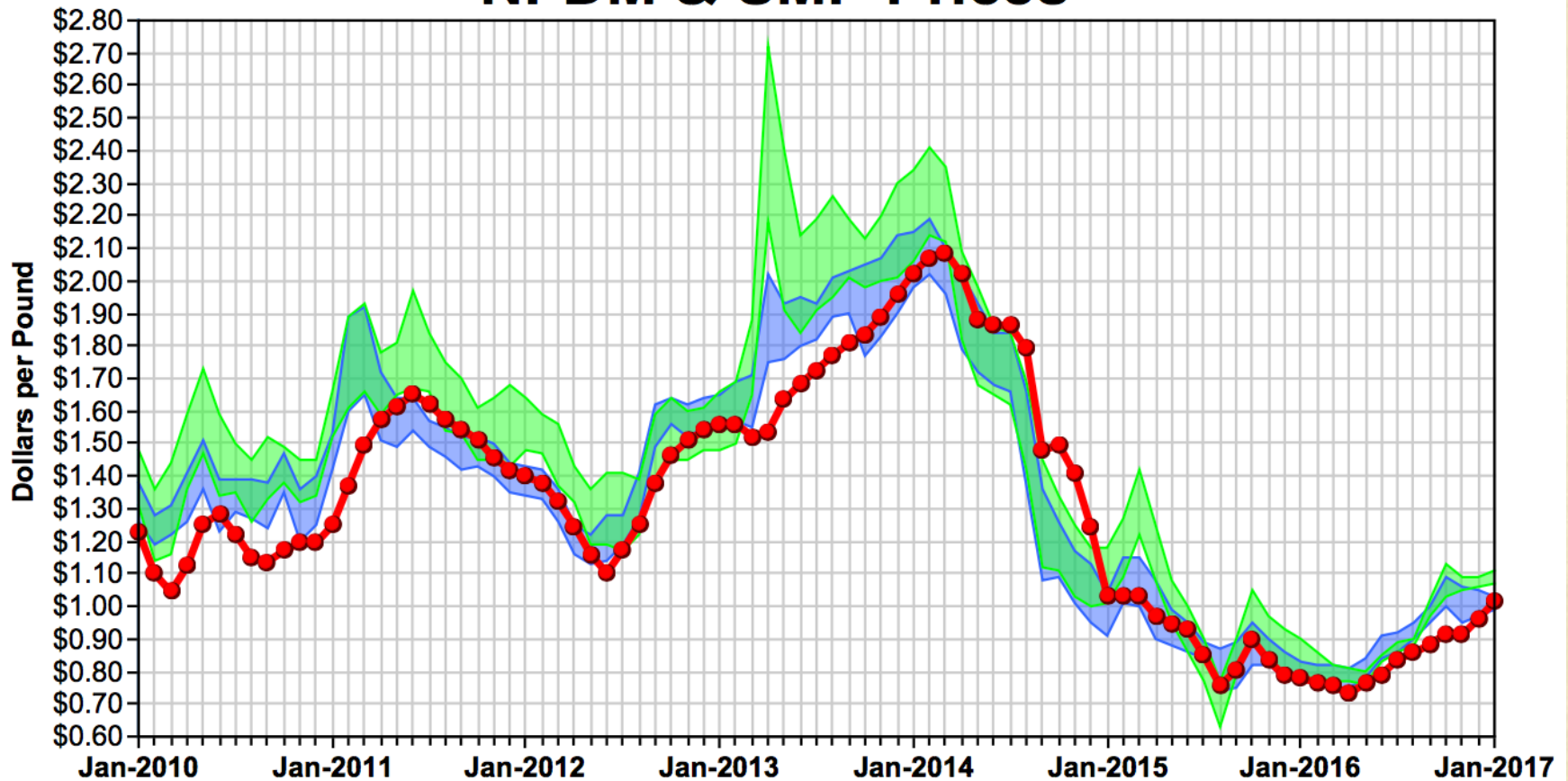
Dairy Products are a Good Buy

BLS –Dairy and Related Products

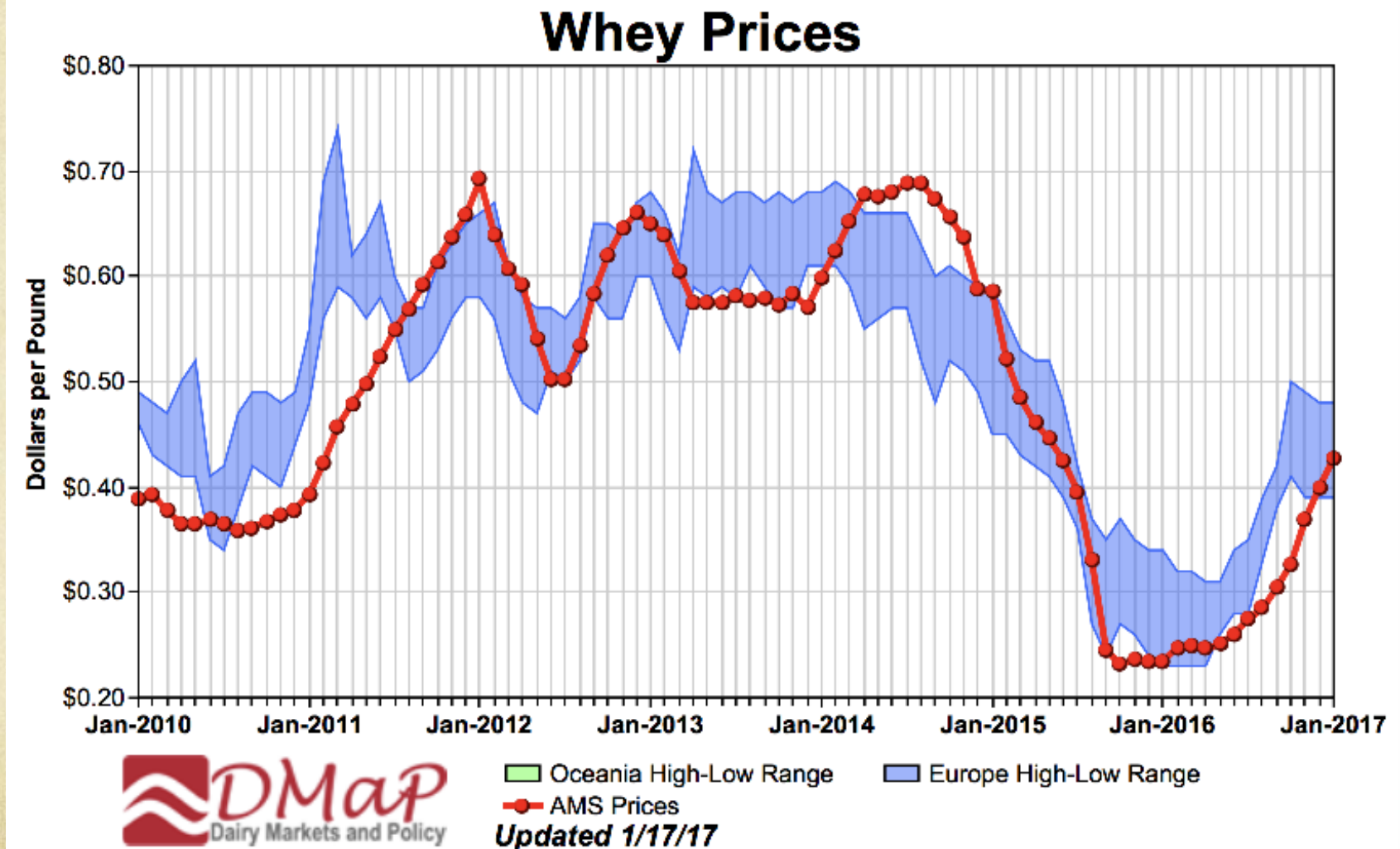


U.S. Versus International Prices

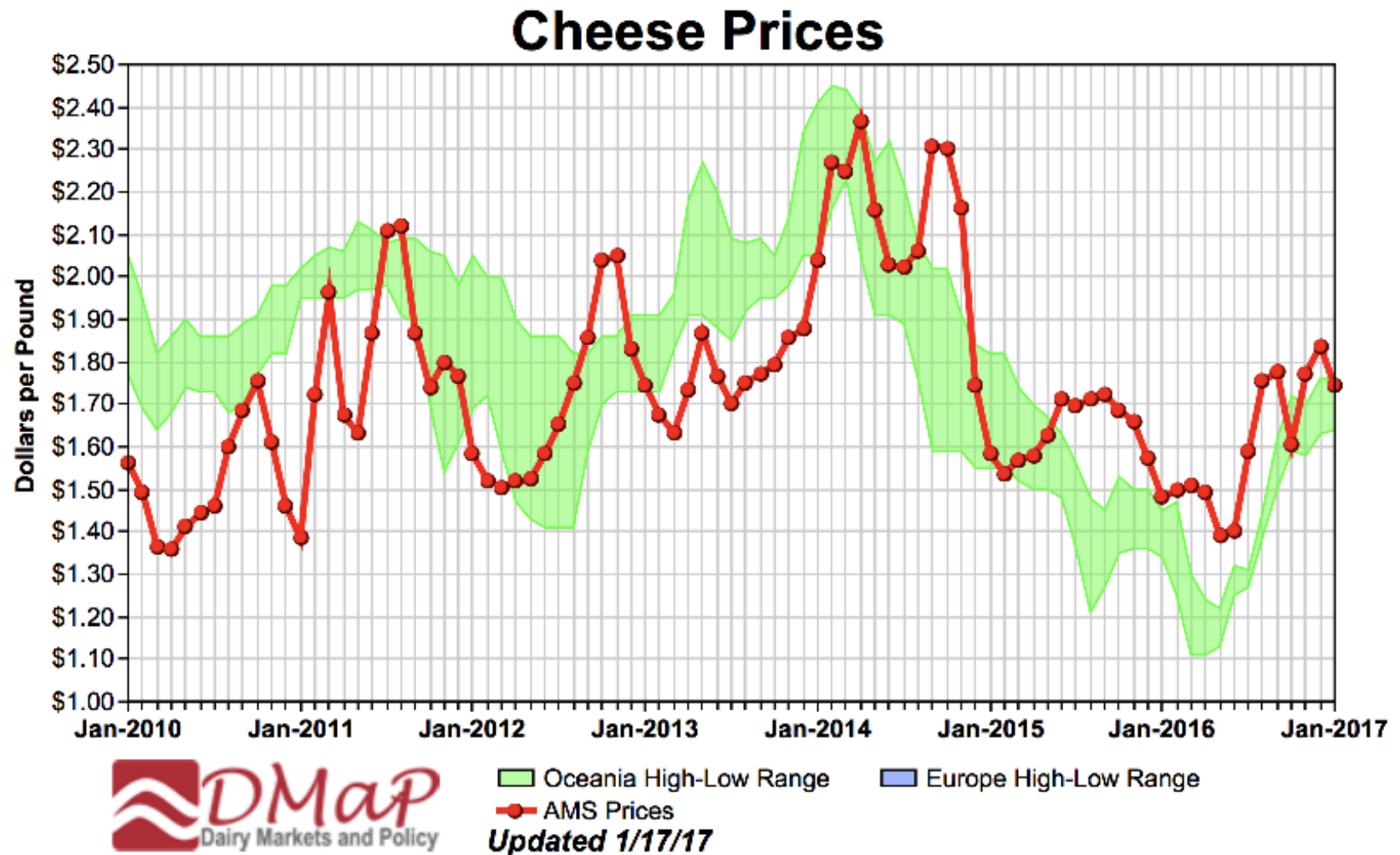
NFDM & SMP Prices



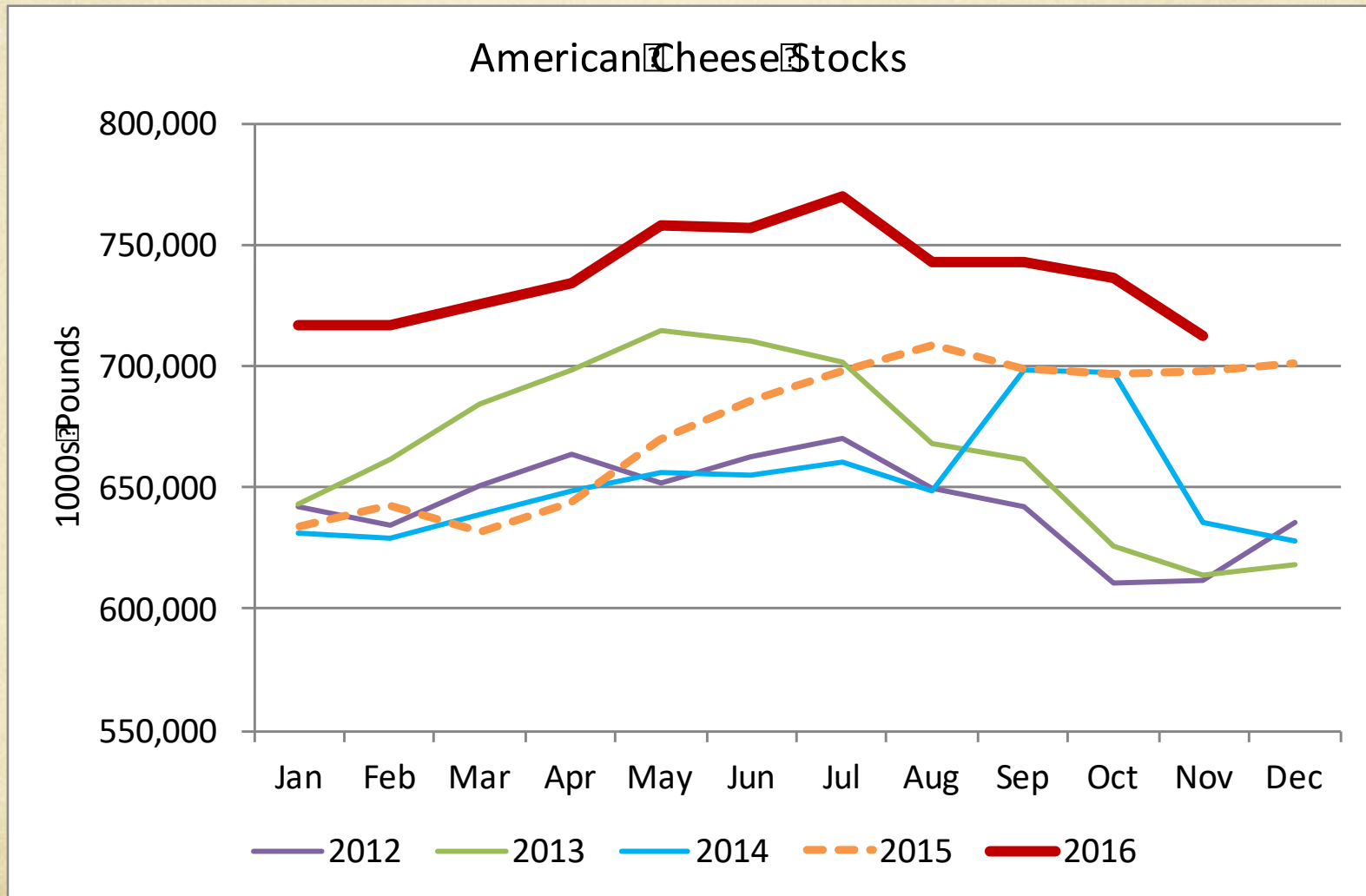
U.S. Versus International Prices



U.S. Versus International Prices



U.S. American Cheese Stocks



Exports Need a Boost

Recent News



CWT Assists with 1.5 Million Pounds of Cheese and Butter Export Sales

December 27, 2016



CWT Assists with 1.6 Million Pounds of Cheese and Butter Export Sales

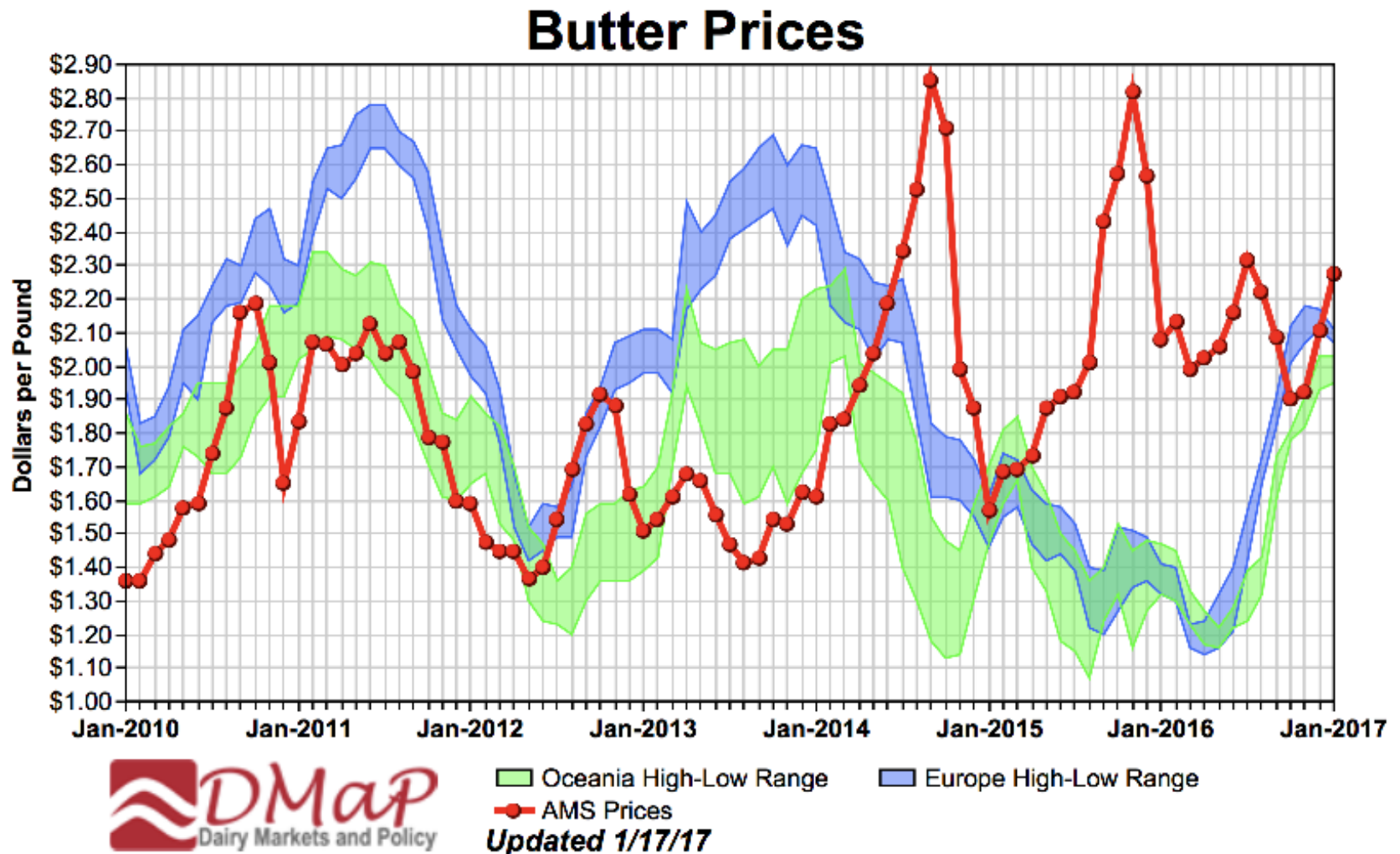
December 20, 2016



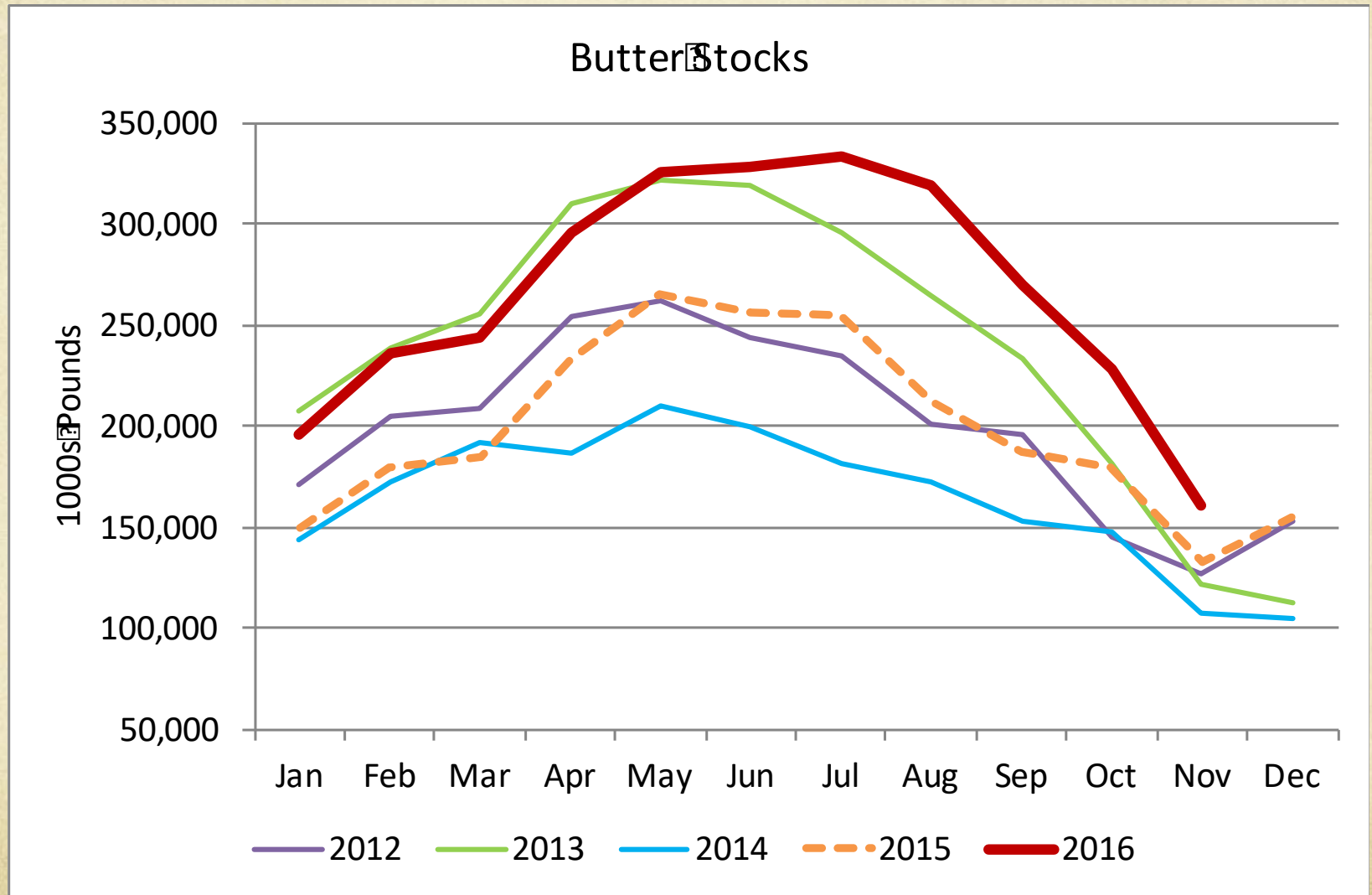
CWT Assists with 3 Million Pounds of Cheese and Butter Export Sales

December 13, 2016

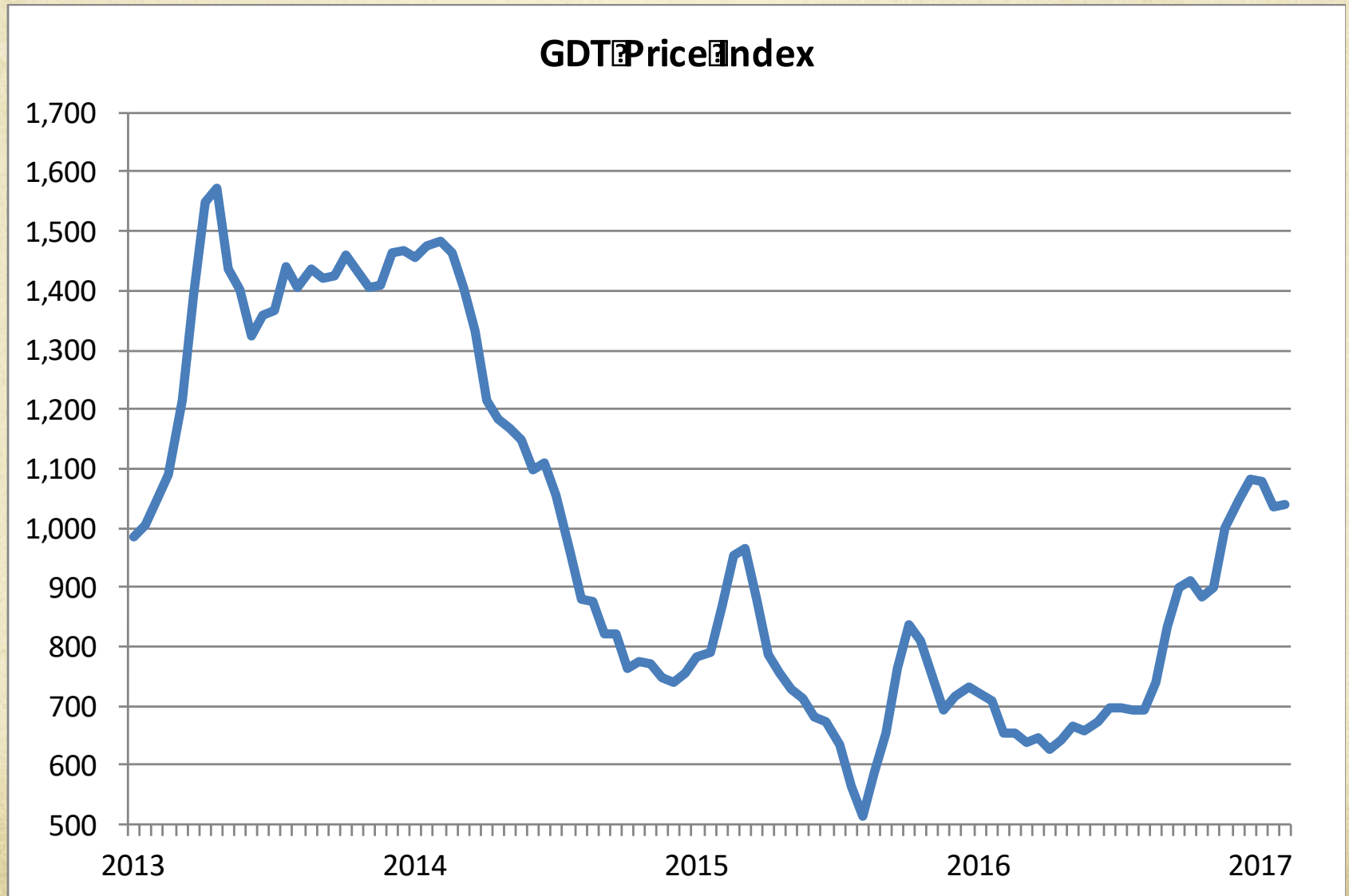
U.S. Versus International Prices



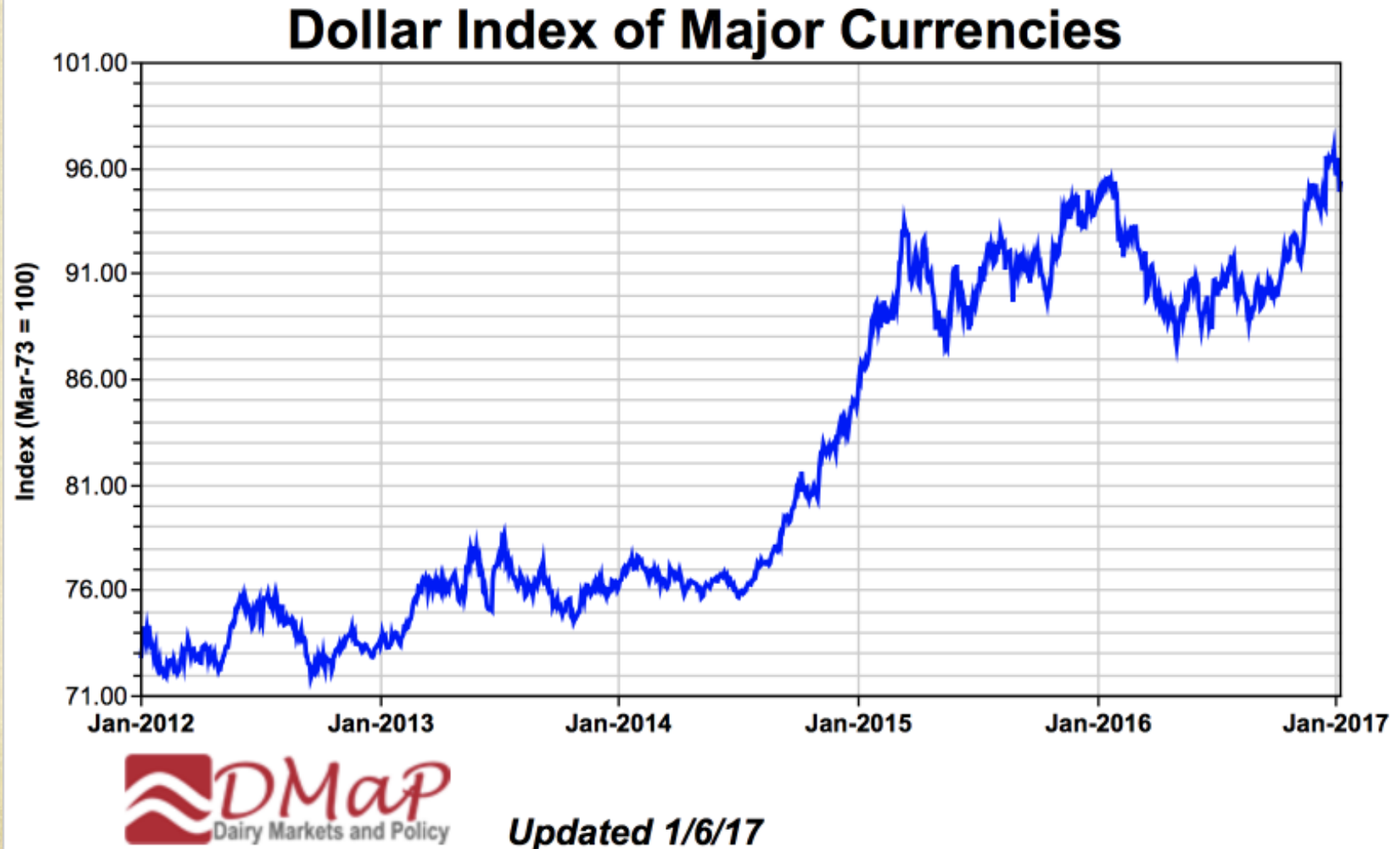
U.S. Butter Stocks



Global Dairy Trade Index

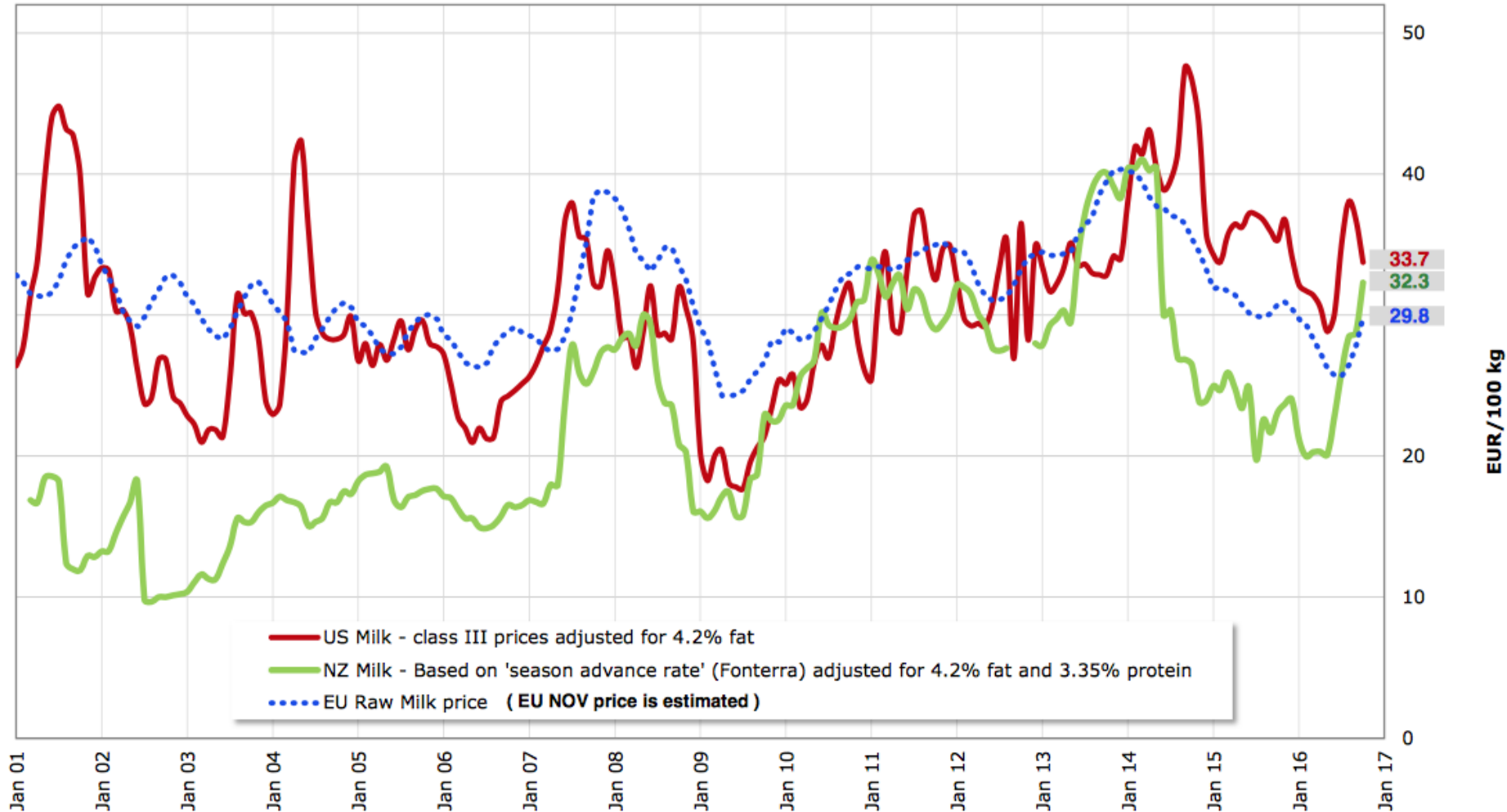


Other Factors



U.S. Farm Milk Prices Held Up Better than Most

U.S. and New Zealand Milk Prices Evolution

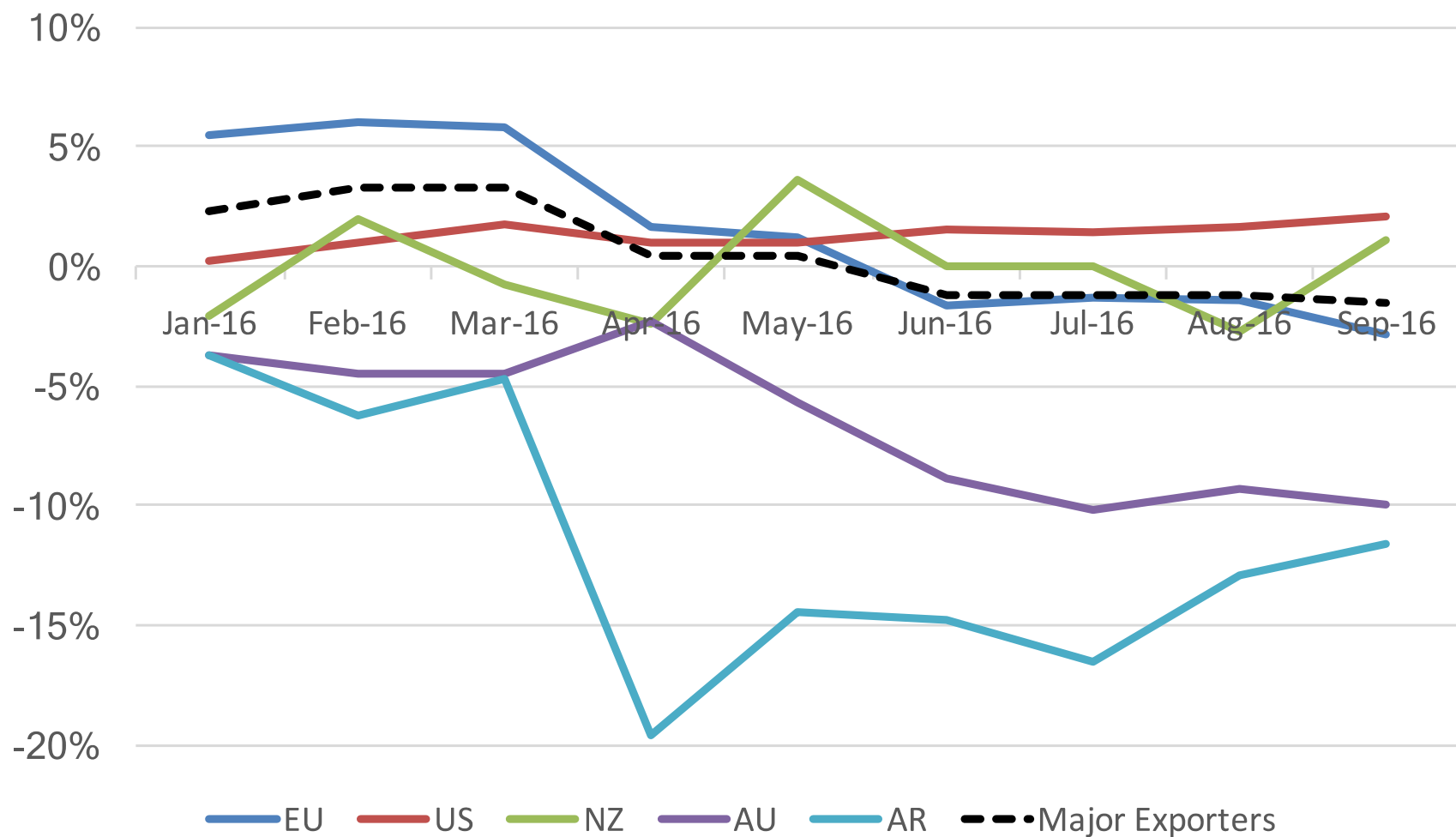


U.S. Farm Milk Prices are Holding Up Better than Most

- U.S. farm gate prices were about \$17-18 while EU prices were about \$13-14 and NZ as low as \$10 per cwt.
- Much bigger price spread than is usual—Why?
 - U.S. had strong domestic economy to absorb lost export sales
 - EU used market intervention purchases to support prices
 - NZ just let the price fall to clear markets

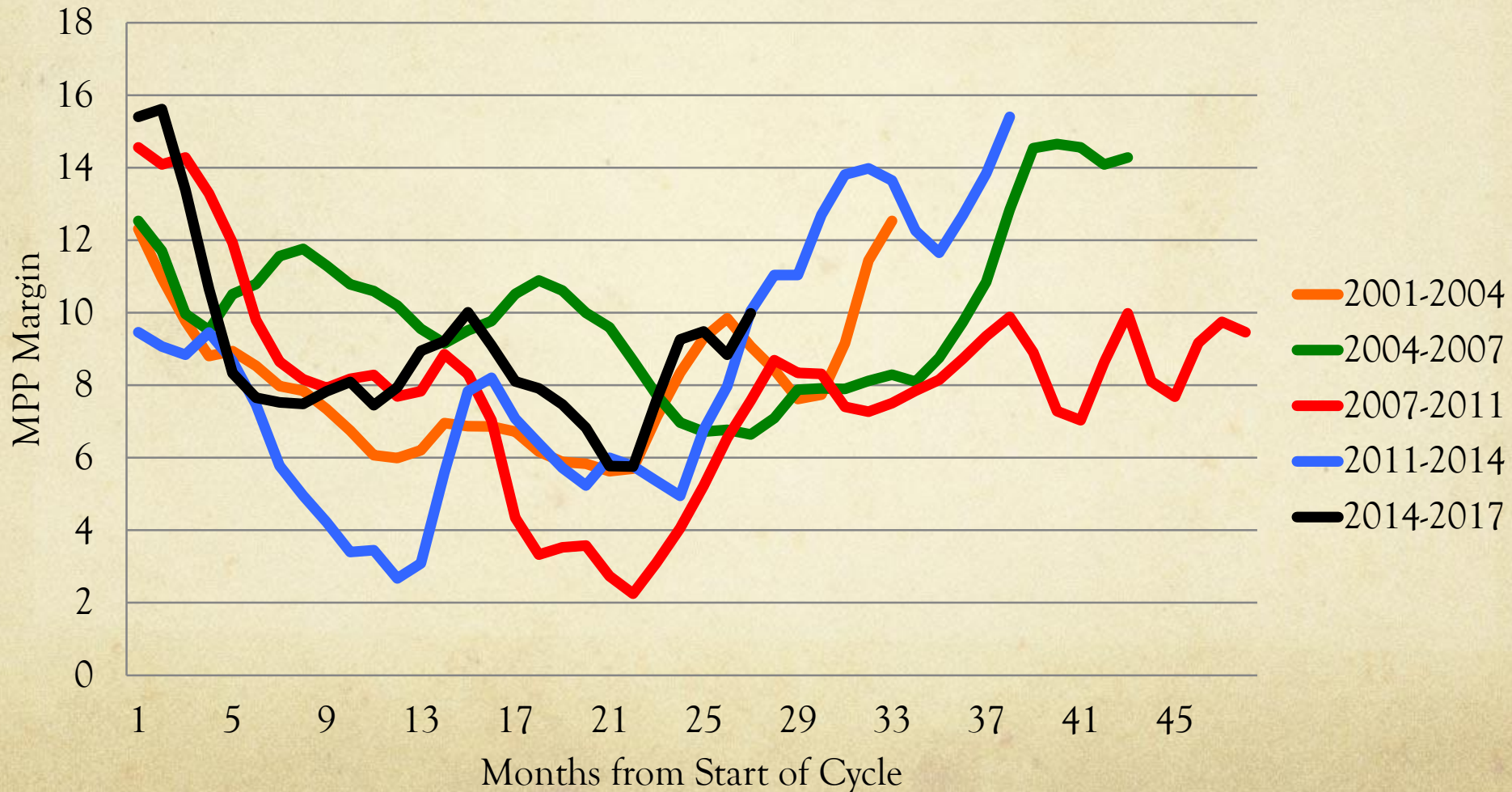
Output Down from Major Exporters

Percent Change from Year Earlier



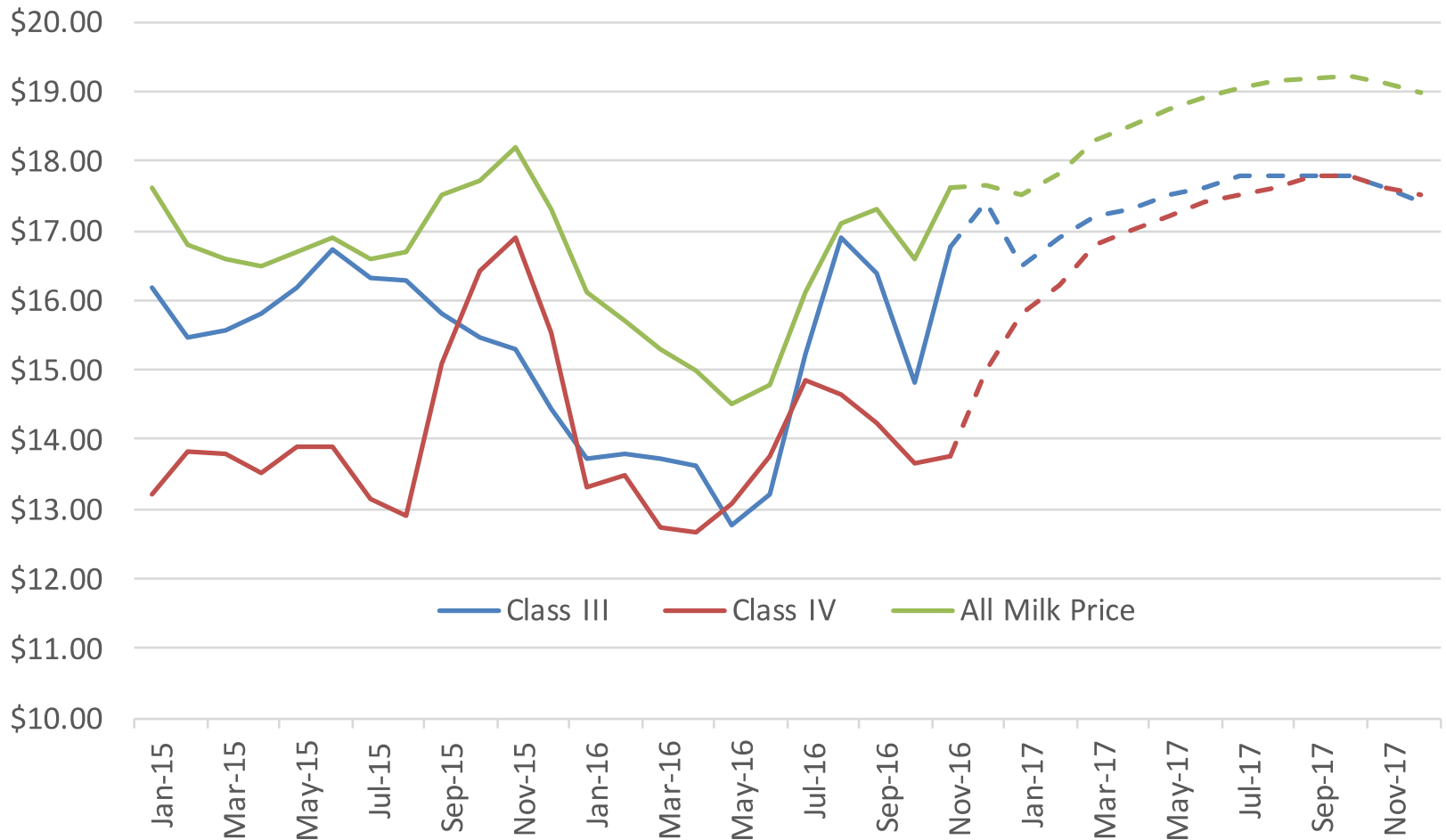
Price Cycles

MPP Margin of Recent Price Cycles

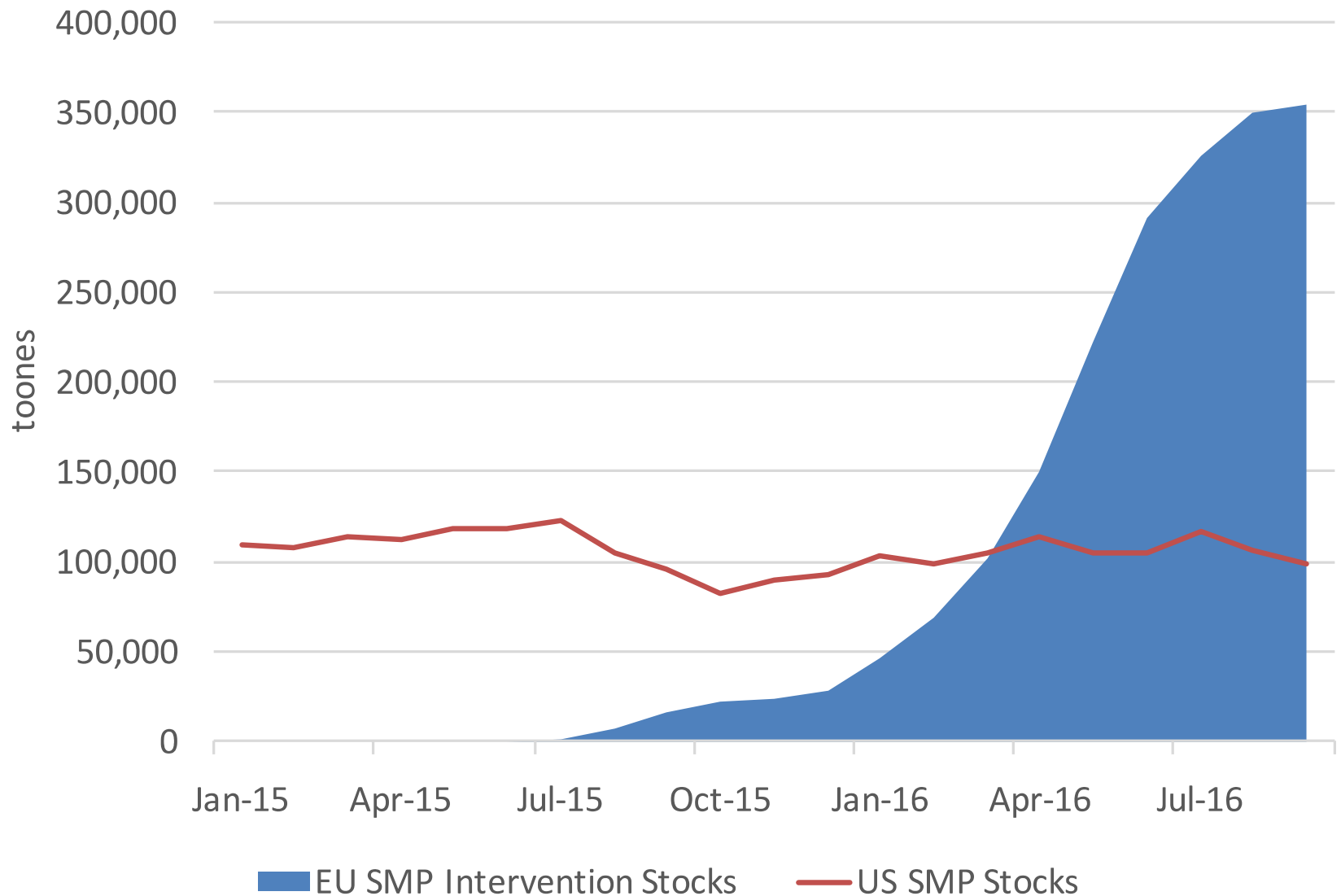


My Price Forecast

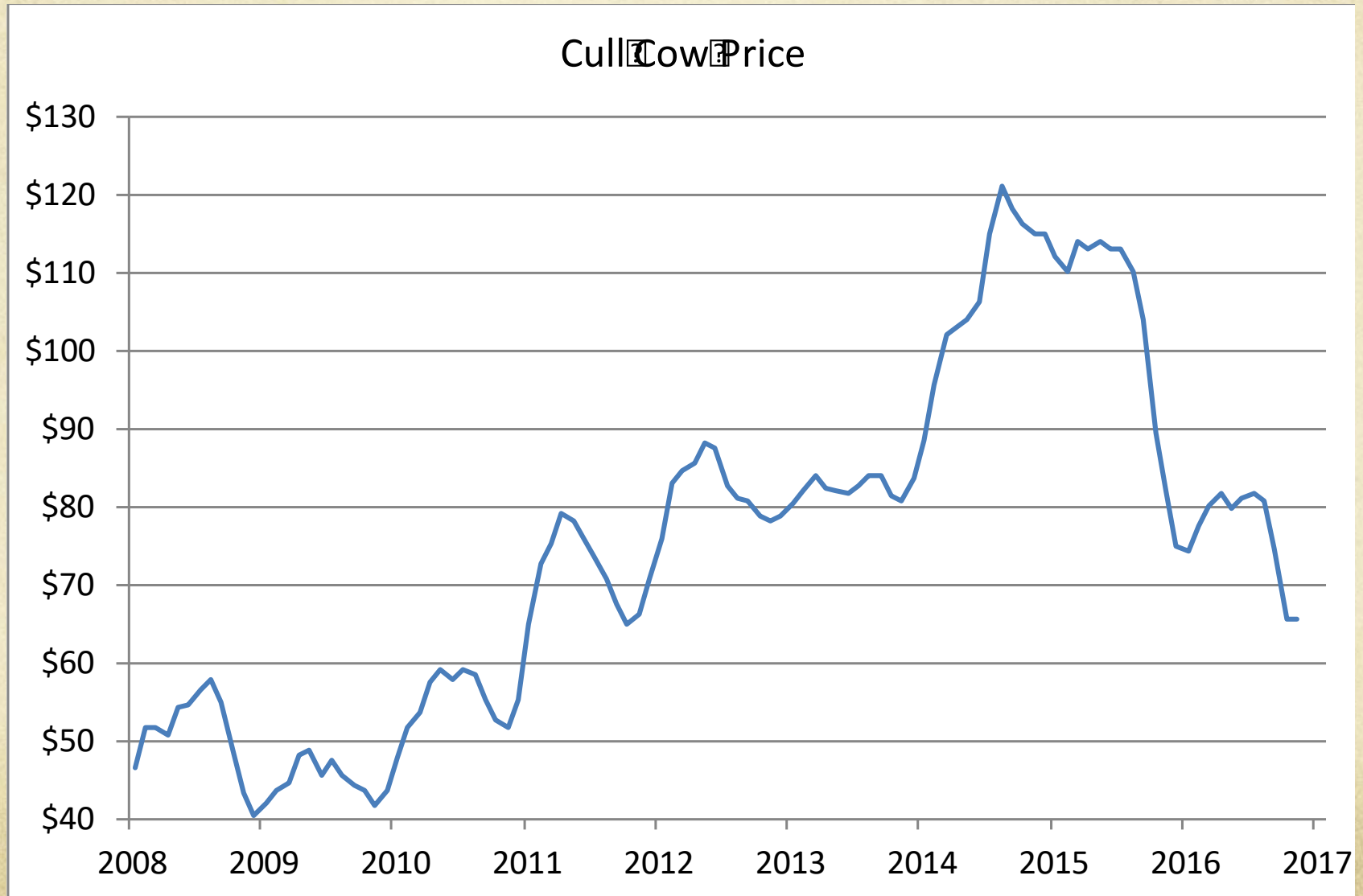
Actual and Forecast Milk Prices



Intervention Stocks Overhang Markets



The Alternative to Producing Milk



My Forecast...

- Our relatively strong U.S. economy is helping consume dairy products
- World supply has slowed allowing world demand to begin to pull down on stocks
- World prices are recovering faster than U.S. prices
 - Our prices never fell as far
 - This is a supply driven recovery—not a demand recovery
 - How fast will the rest of the world respond with production?
- I'm more optimistic than USDA about prices in 2017
 - I have class III up \$2.50 and class IV up \$3.40
 - That should bring a WI All Milk Price up about \$2.45
- I am also forecasting WI milk production to be up by less than it has been this year. But, it will exceed the 30 billion pound goal.

Questions?