



# 2023 Dairy Price Outlook— Spotlight on Supply, Demand, Inflation & Regulation

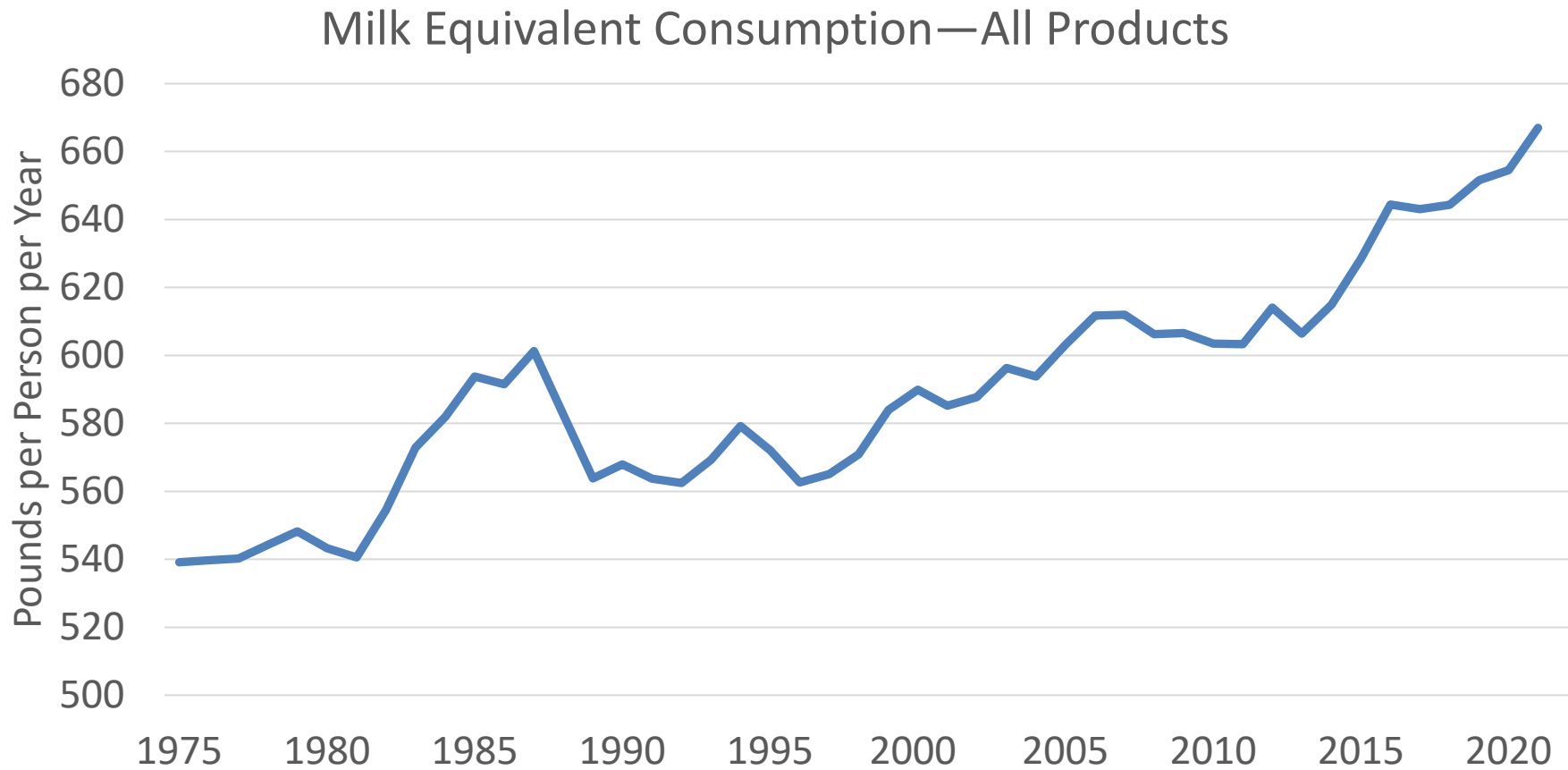
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Wisconsin Agricultural Outlook Forum

Mark Stephenson, Director of Dairy Policy Analysis, UW-Madison—Retired

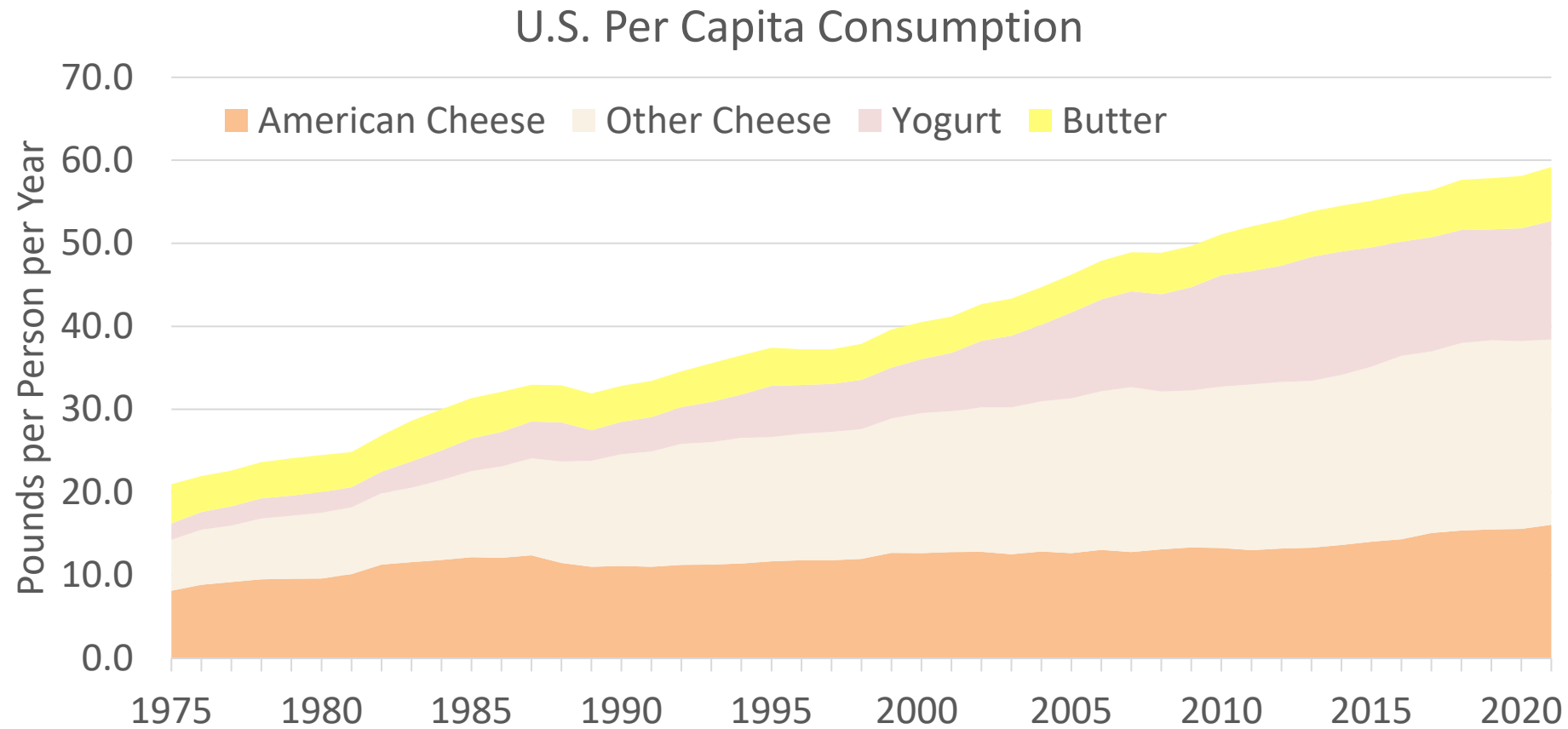


# Steady trend in domestic demand.





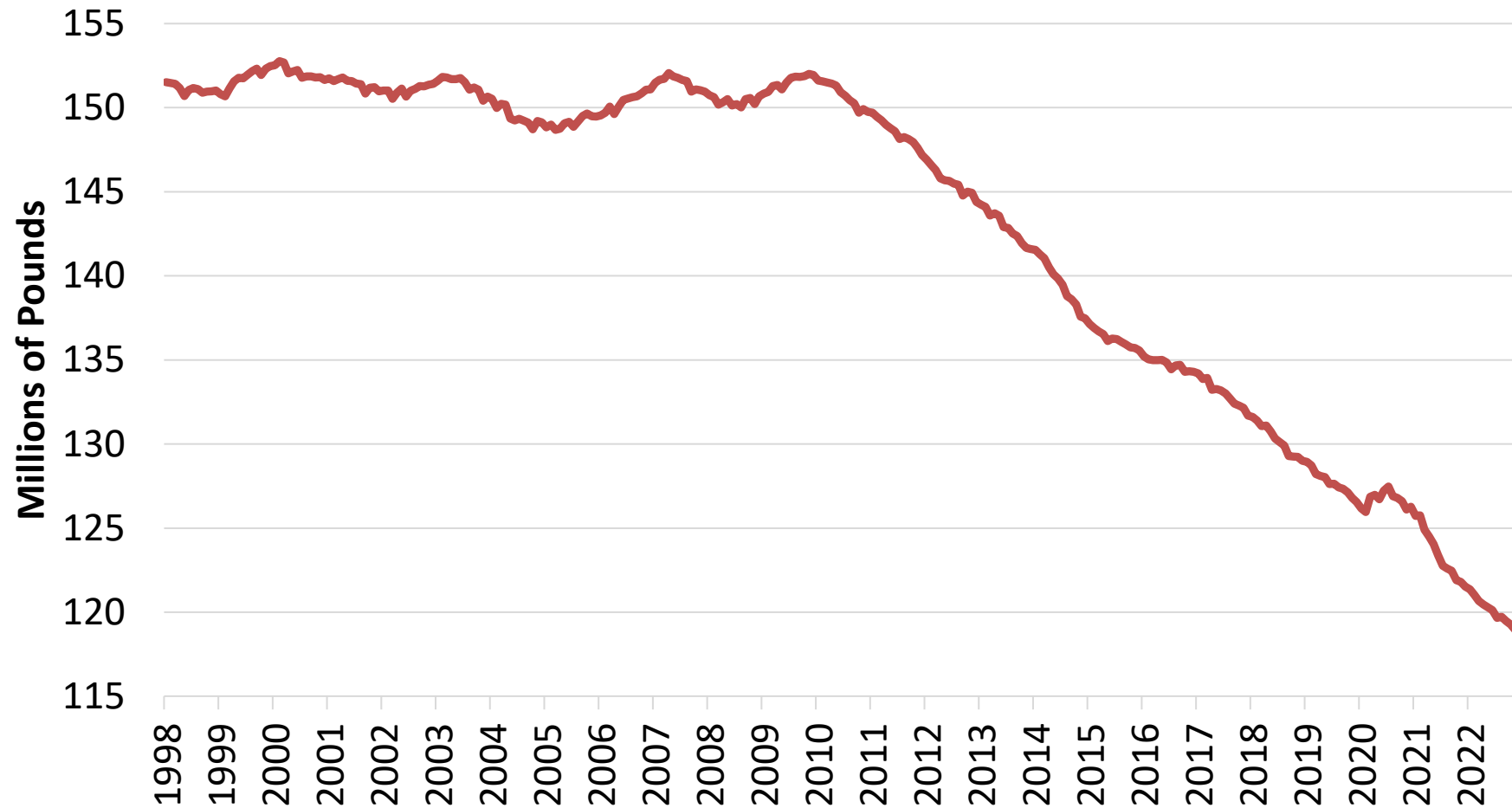
# American cheese lead cheese growth





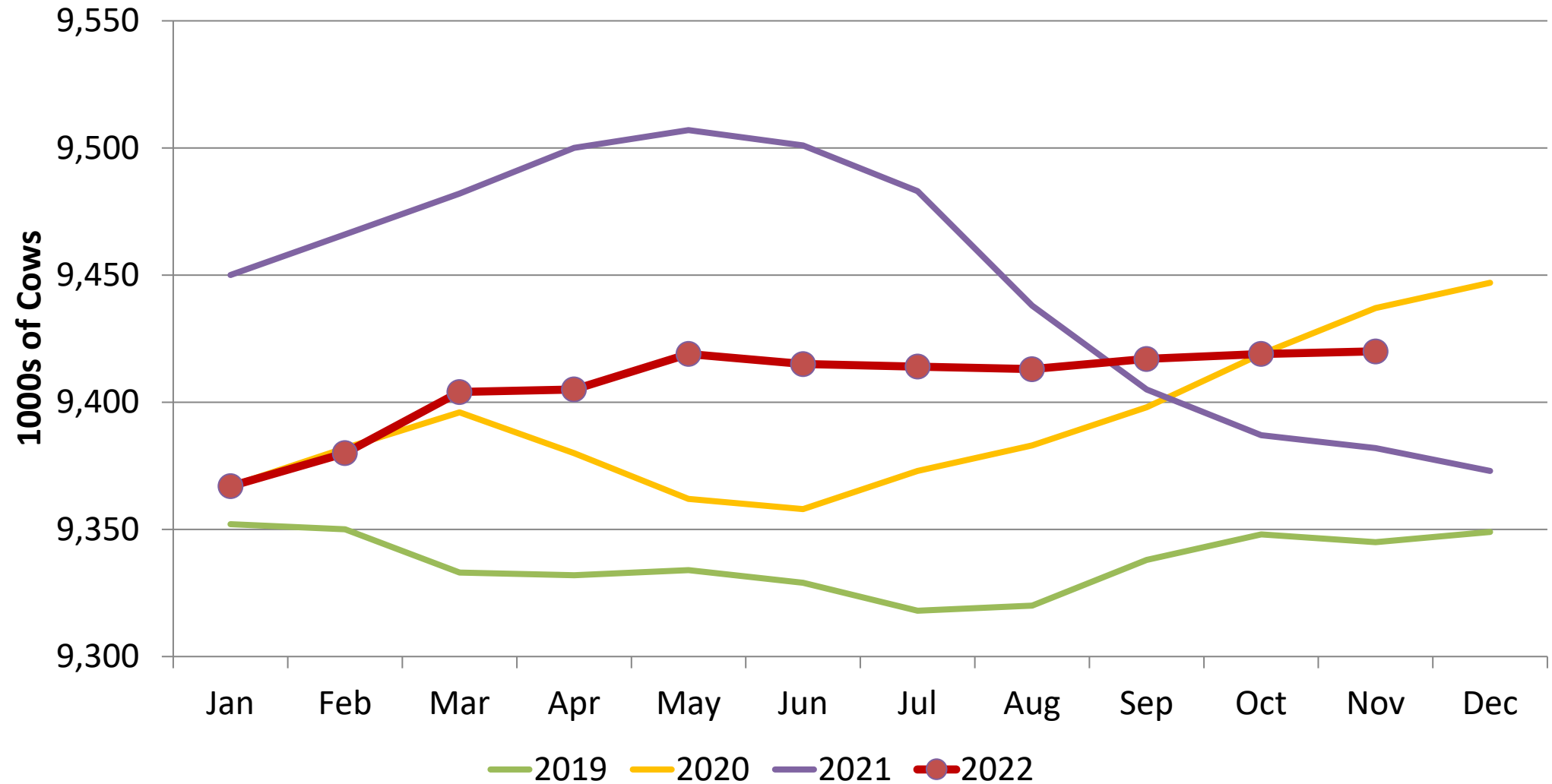
# Fluid sales returned to its depressing trend

U.S. Fluid Milk Sales: Rolling Daily Average



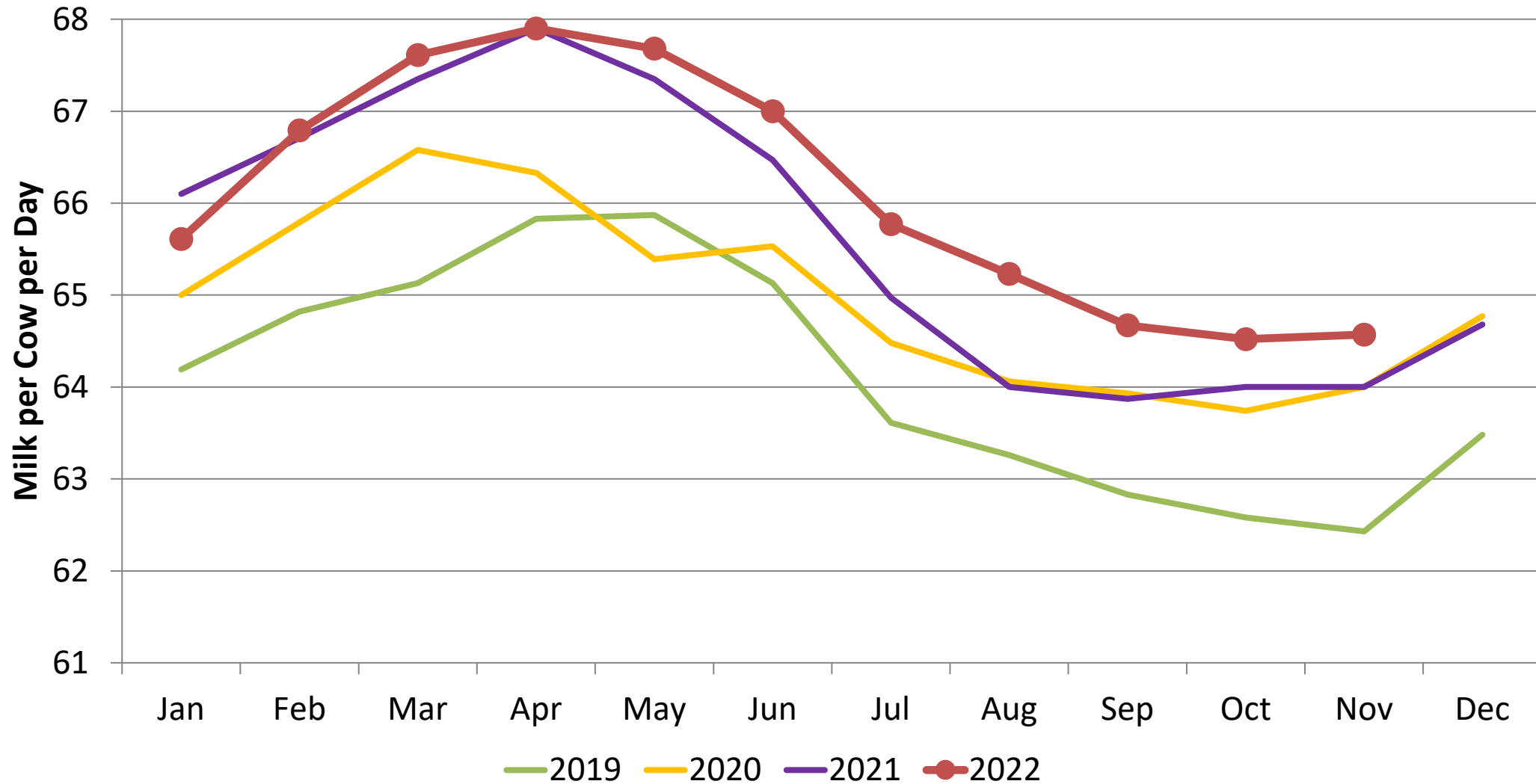


# Dairy cow numbers displayed modest growth



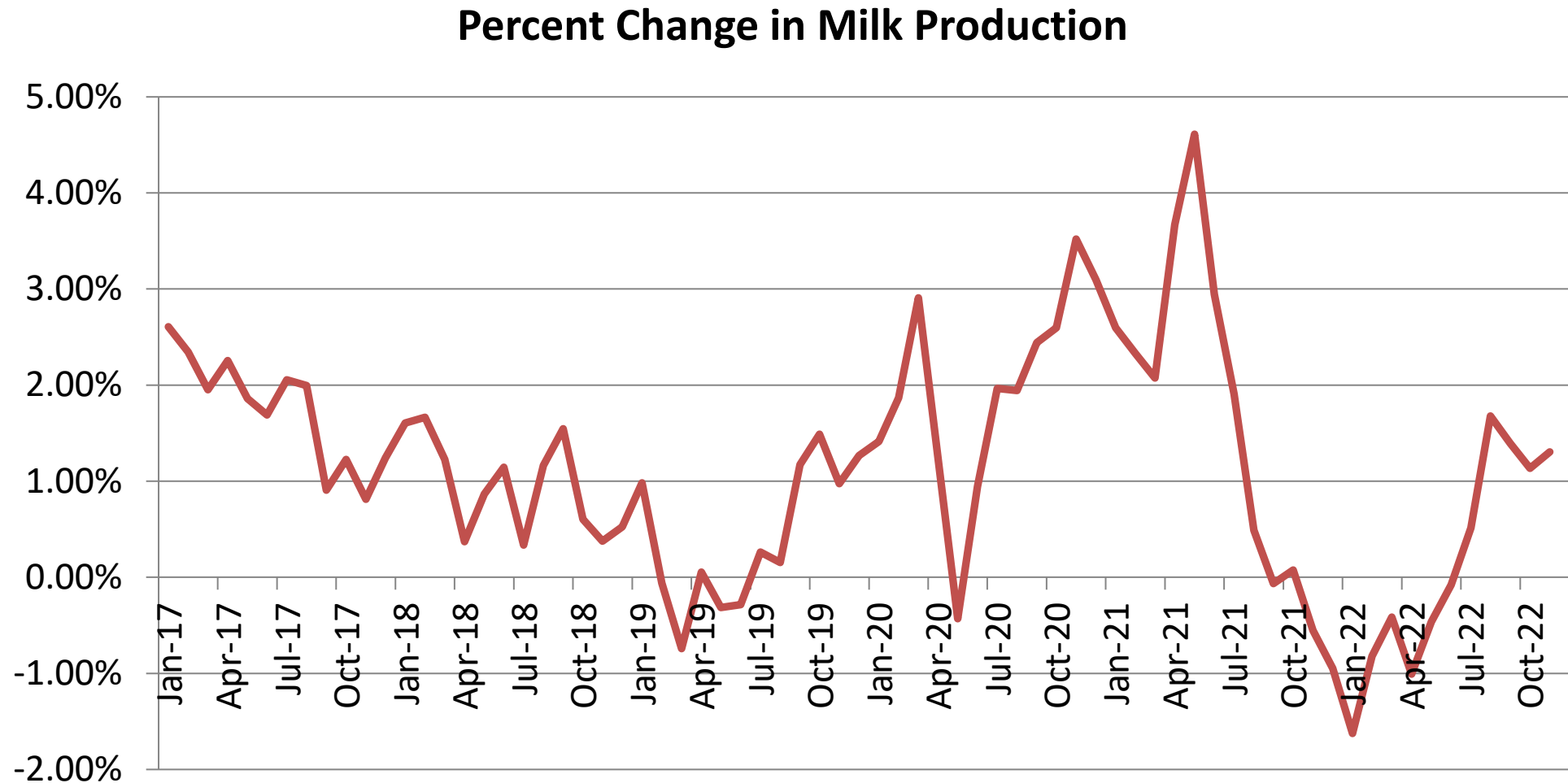


# So did milk per cow

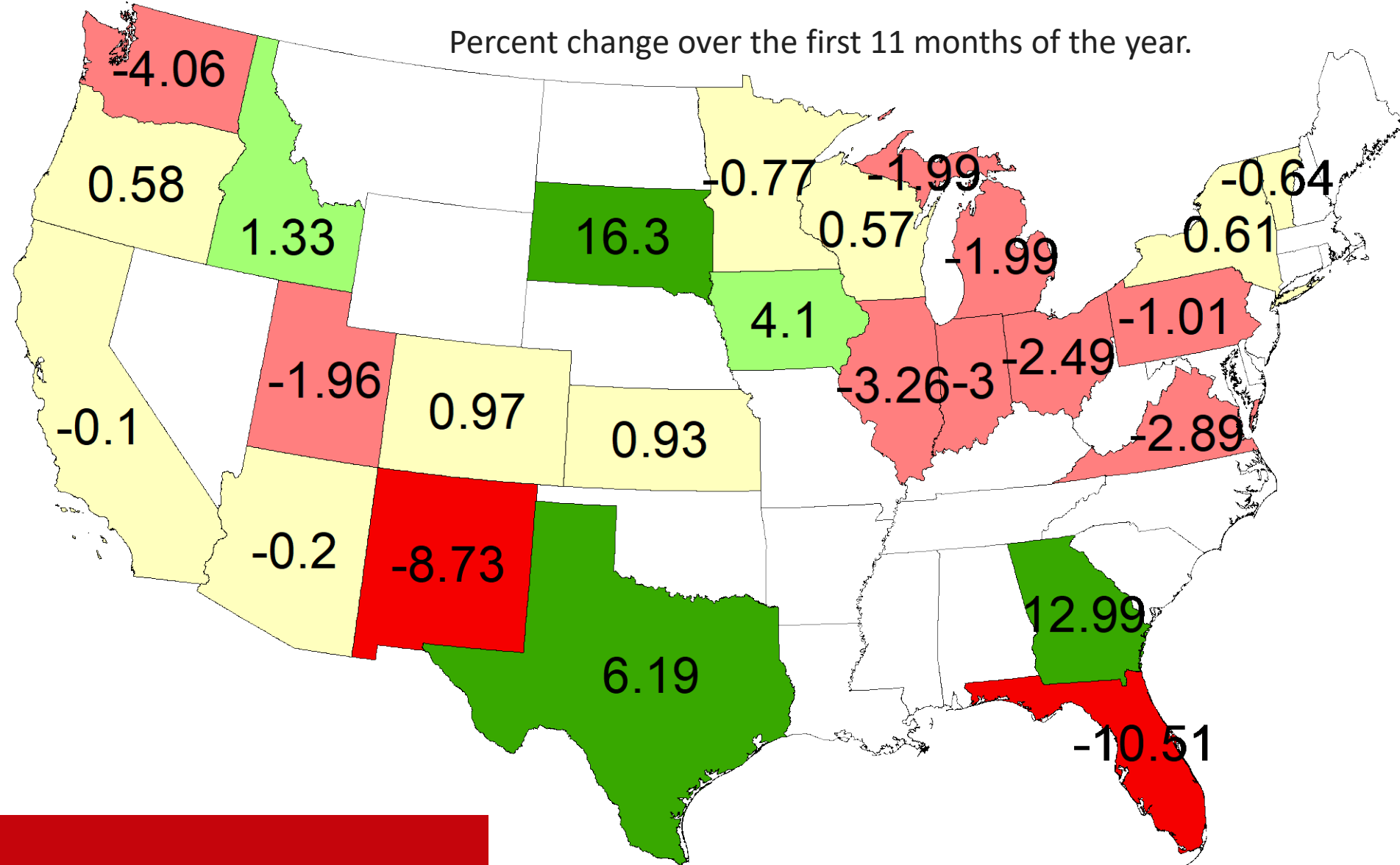




# Milk production is back in positive territory



# 3 big gains, 2 big losses, but the “ups” carry the day



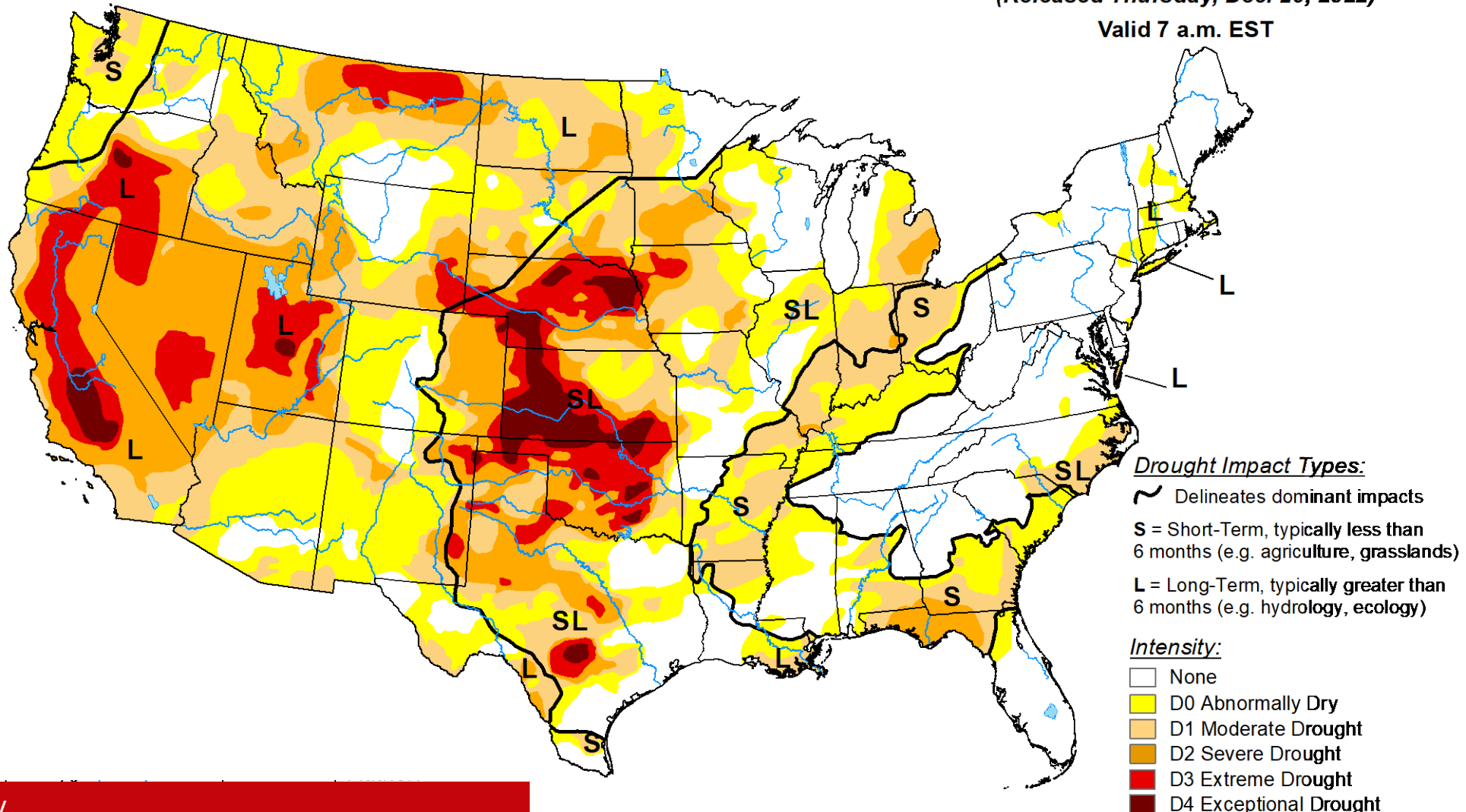


# Drought is still an issue



**December 27, 2022**  
(Released Thursday, Dec. 29, 2022)

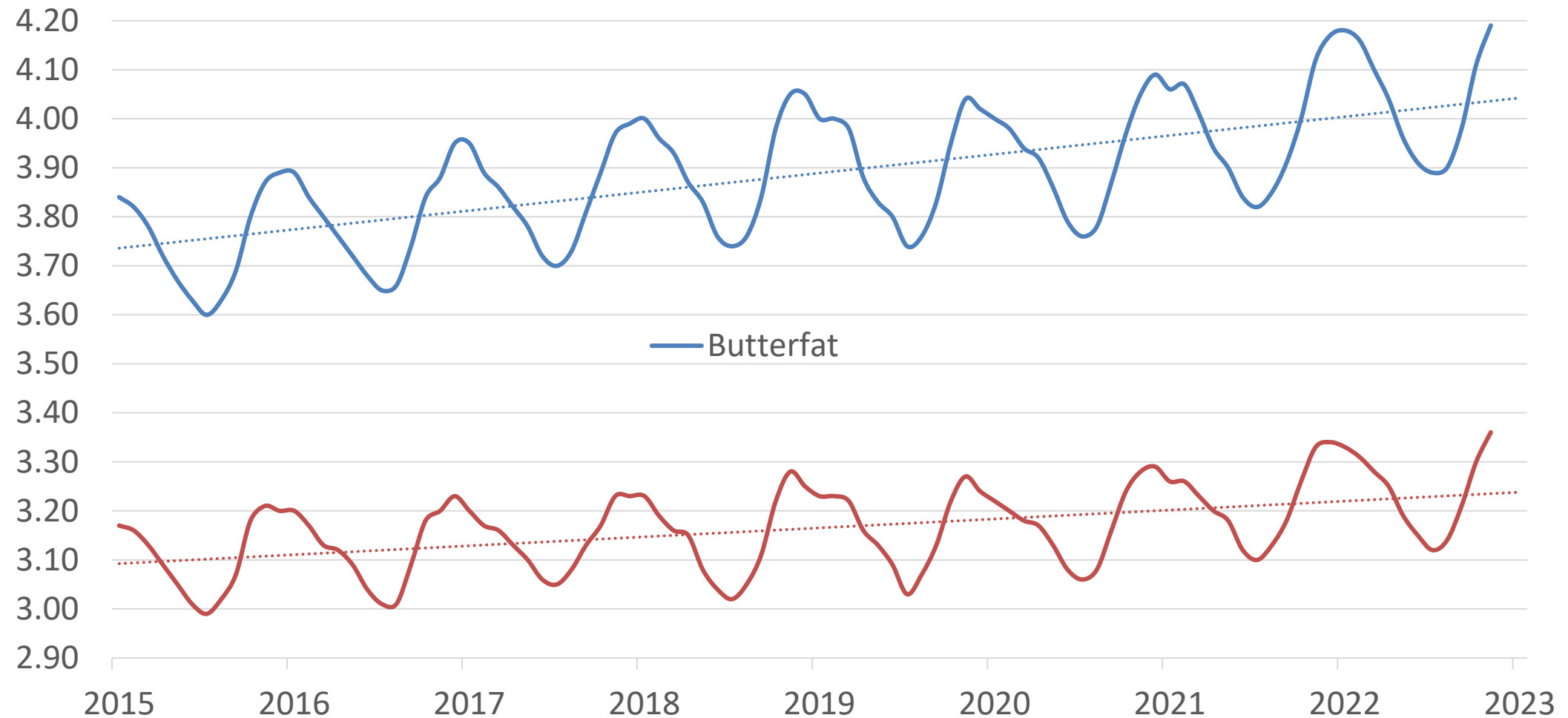
Valid 7 a.m. EST





# Components matter to manufacturing

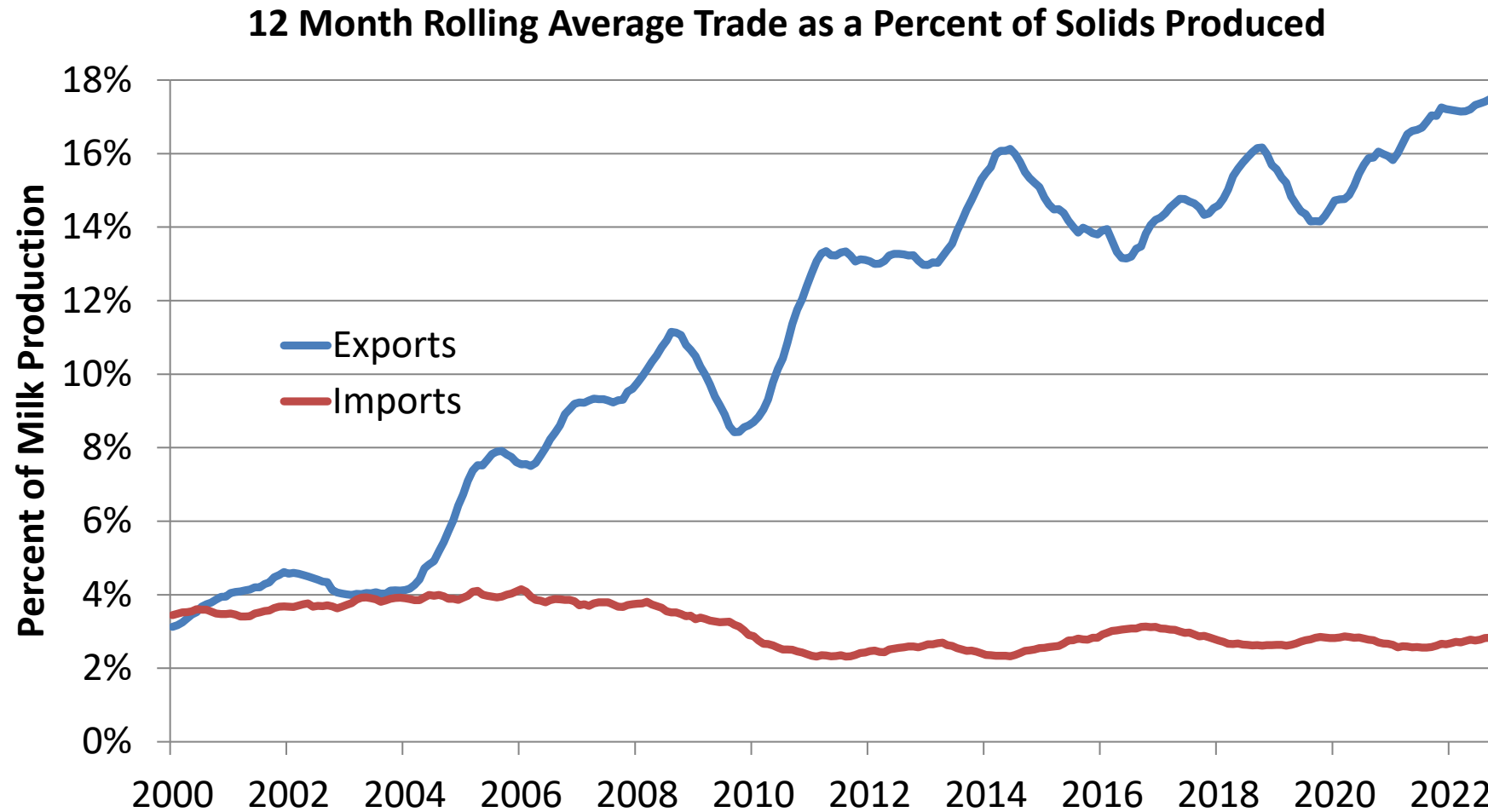
U.S. Milk Component Test





# Exports continue to grow customer base

*(and with emphasis on some new products too)*



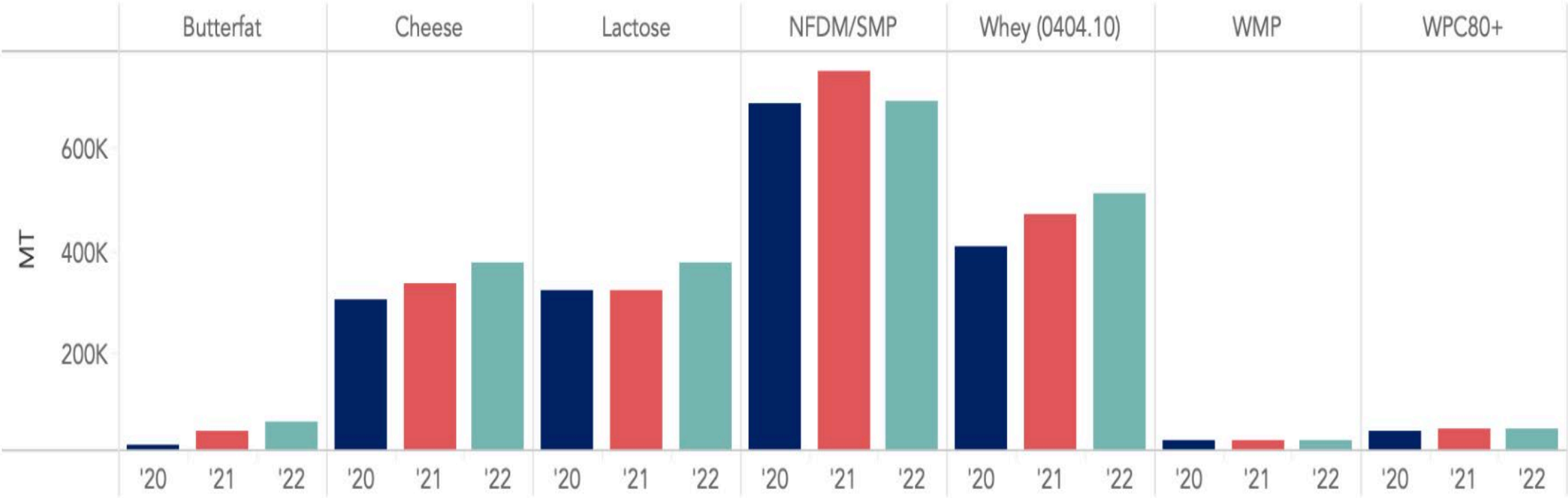


# Increasing product exports except for SMP

US Exports

Show:

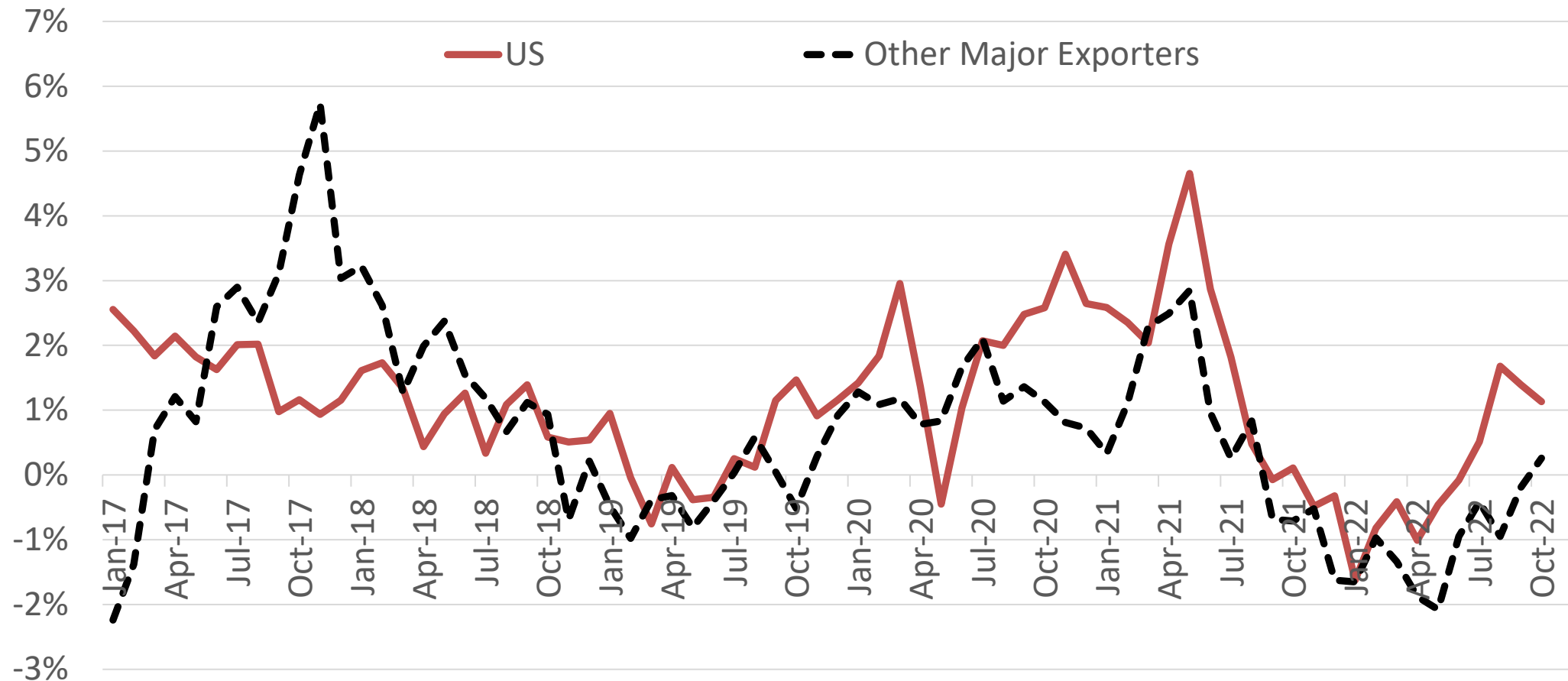
YTD



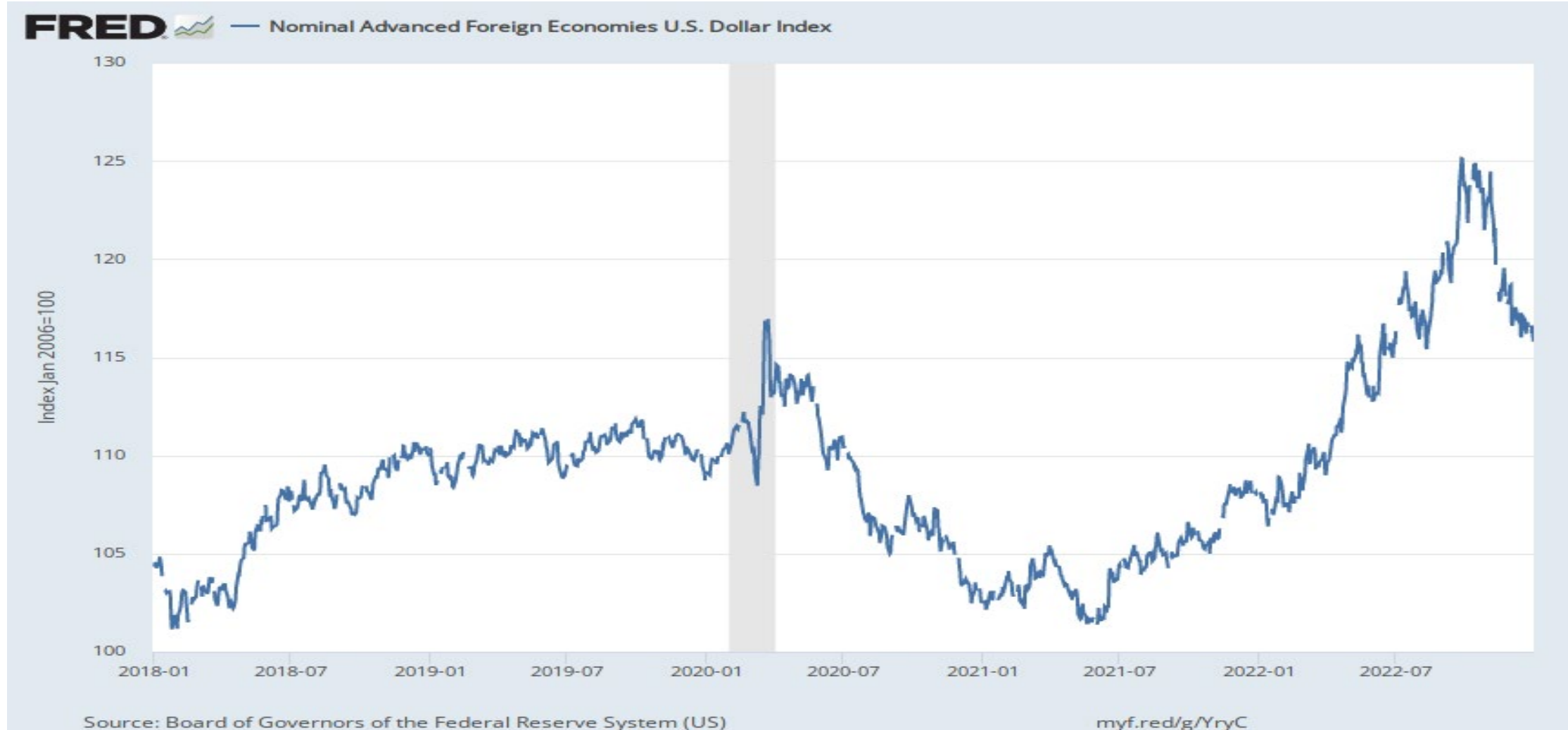
Source: USDEC

# Competition for exports

Percent Change in Milk Production from Year Earlier



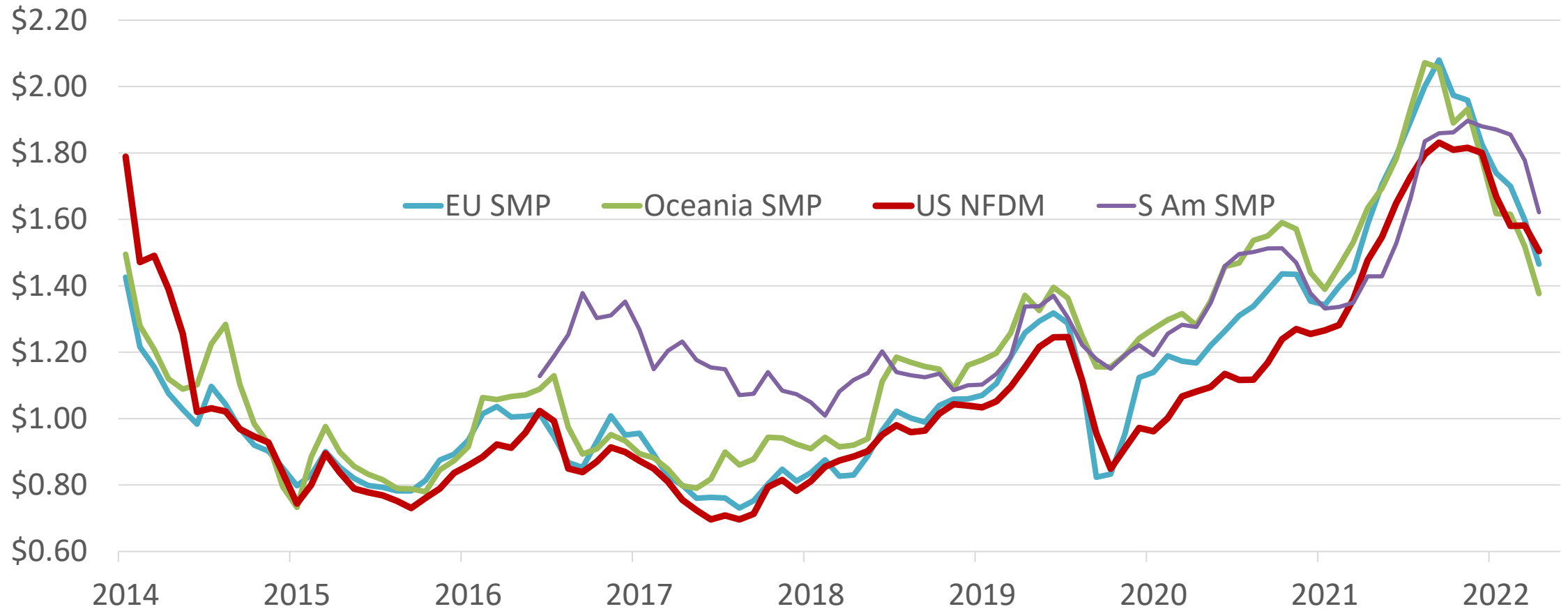
# Dollar value is weakening—which is good for exports





# U.S. powder prices are reasonably competitive

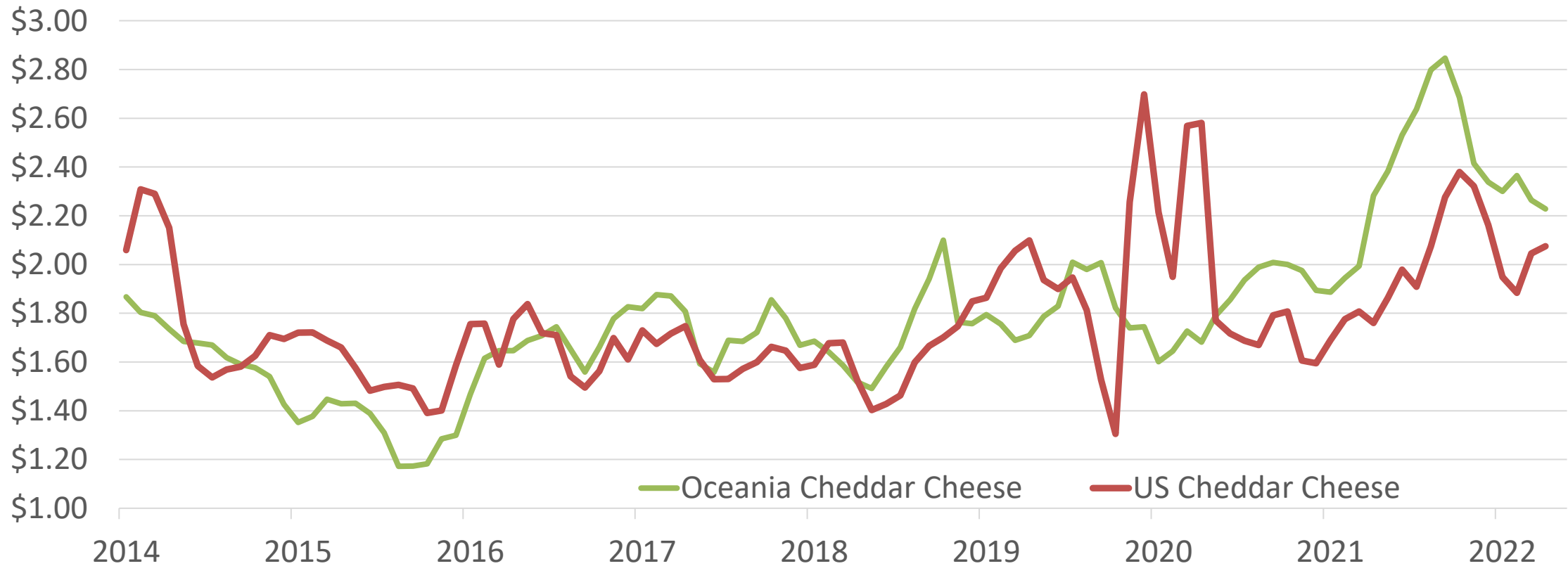
Skim Milk Powder Prices





# U.S. cheese prices are surprisingly competitive

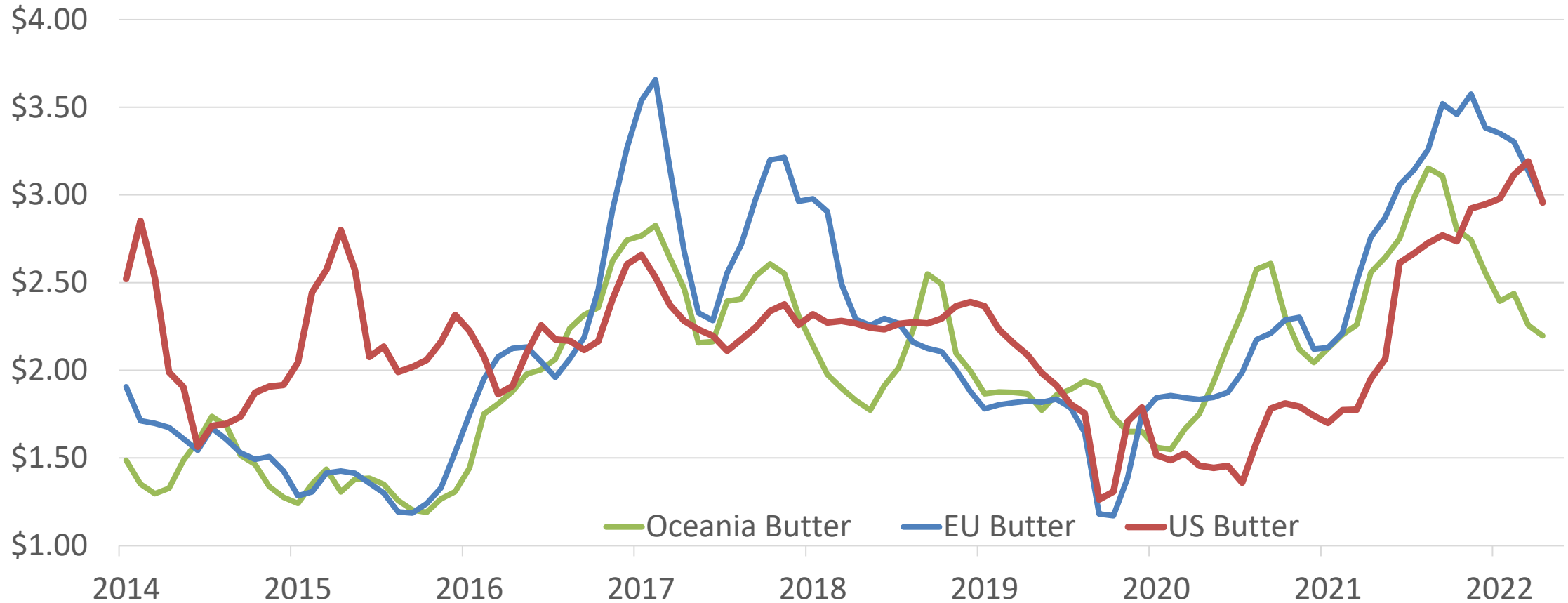
Cheese Prices





# Oceania is selling butter

Butter Prices



# Inflation is improving but not where it needs to be yet

CPI Rate of Inflation





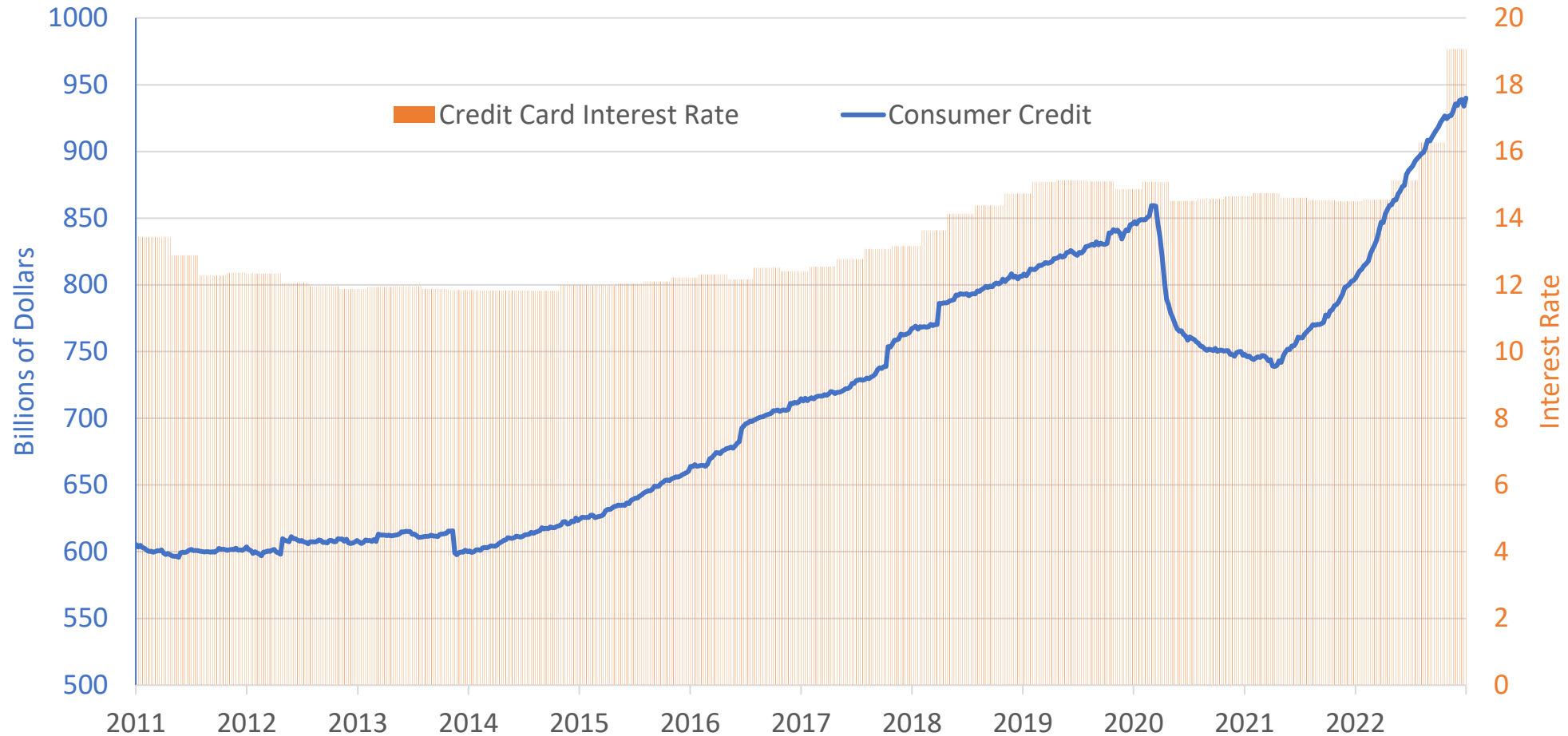
# We've been meeting inflation at the expense of savings

Personal Savings Rate

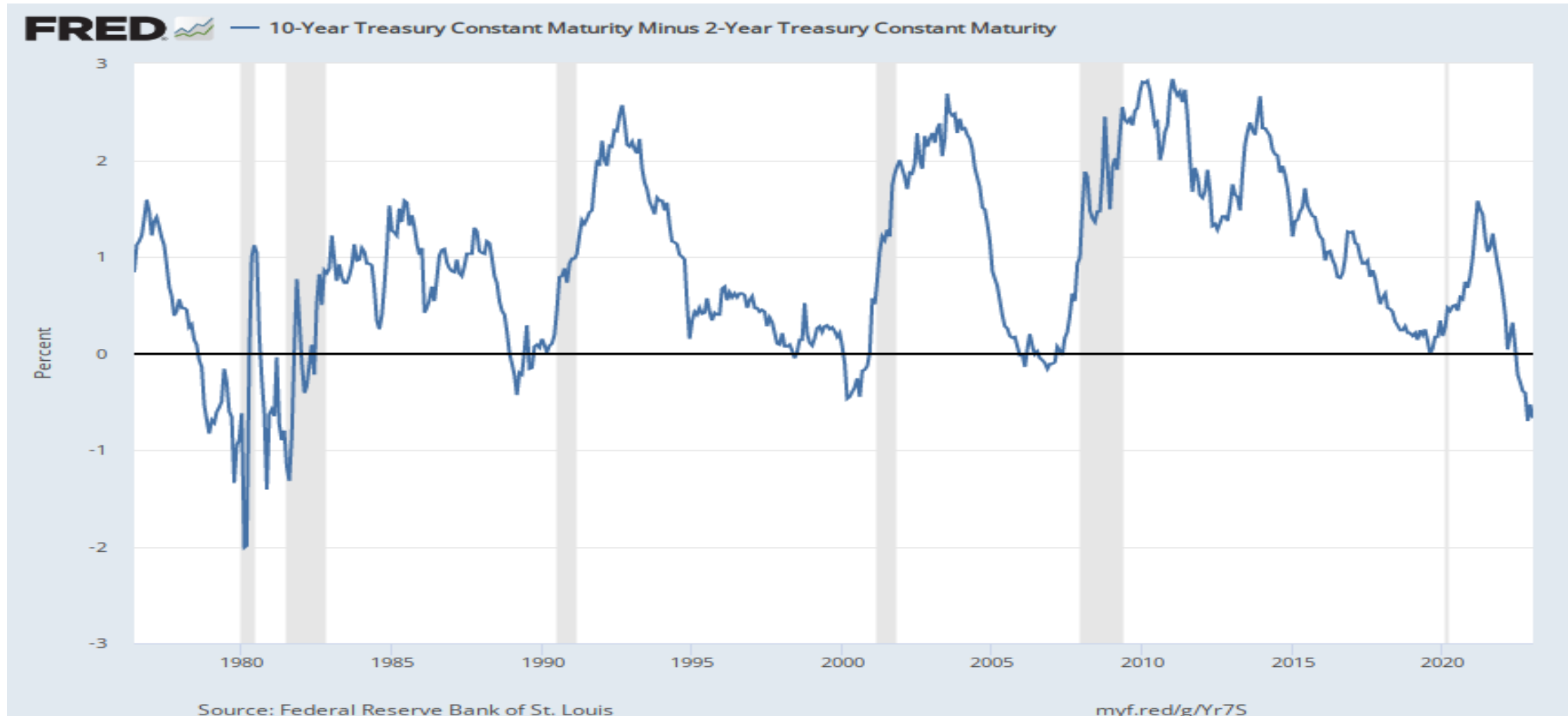


# We've also accommodated inflation with credit

Consumer Credit Card Debt and Interest Rate

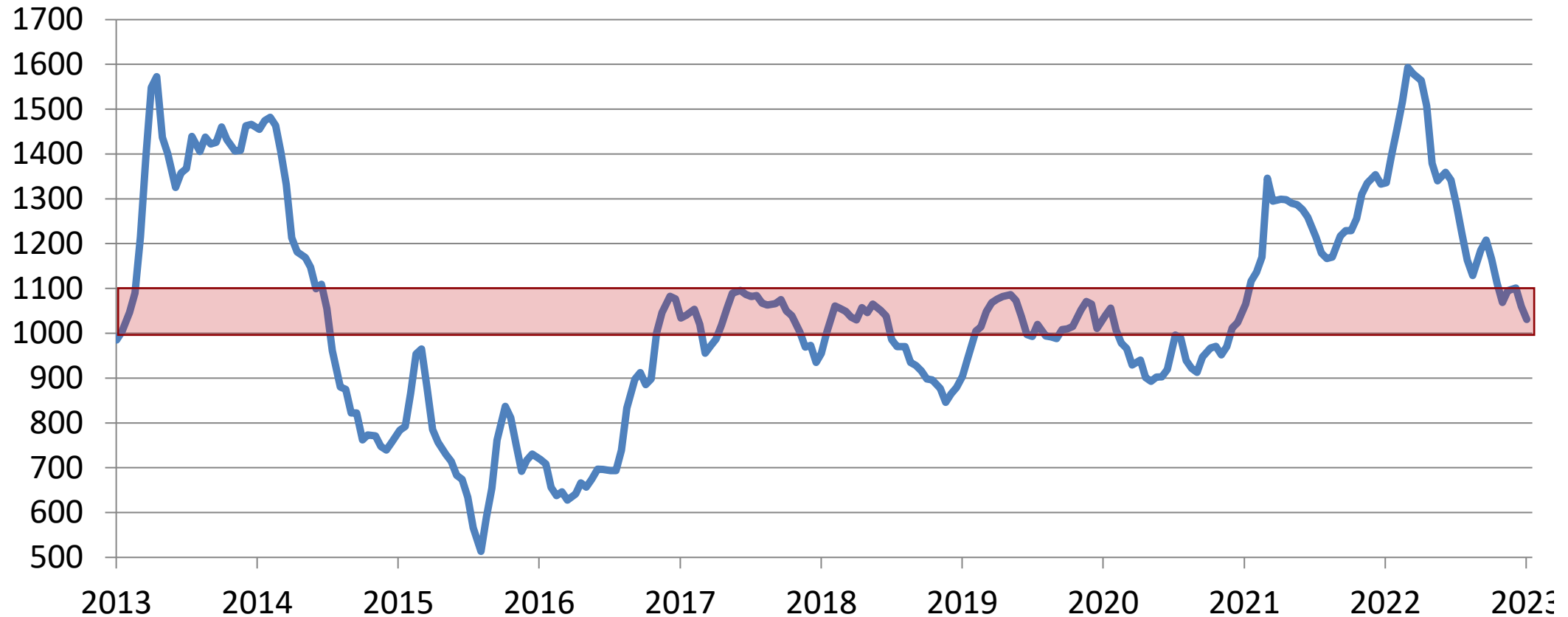


# We have an inverted yield curve



# What does the GDT index tell us?

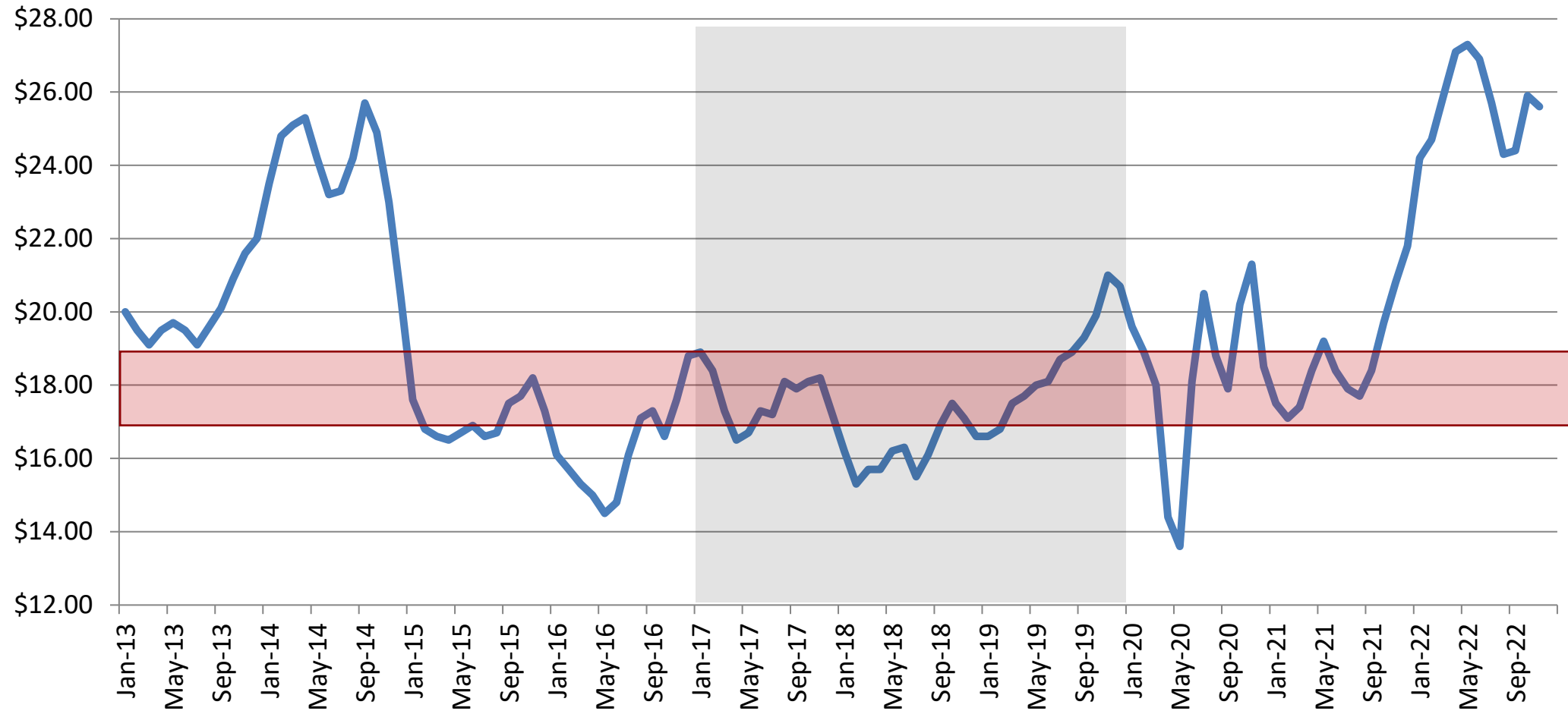
Global Dairy Trade Price Index





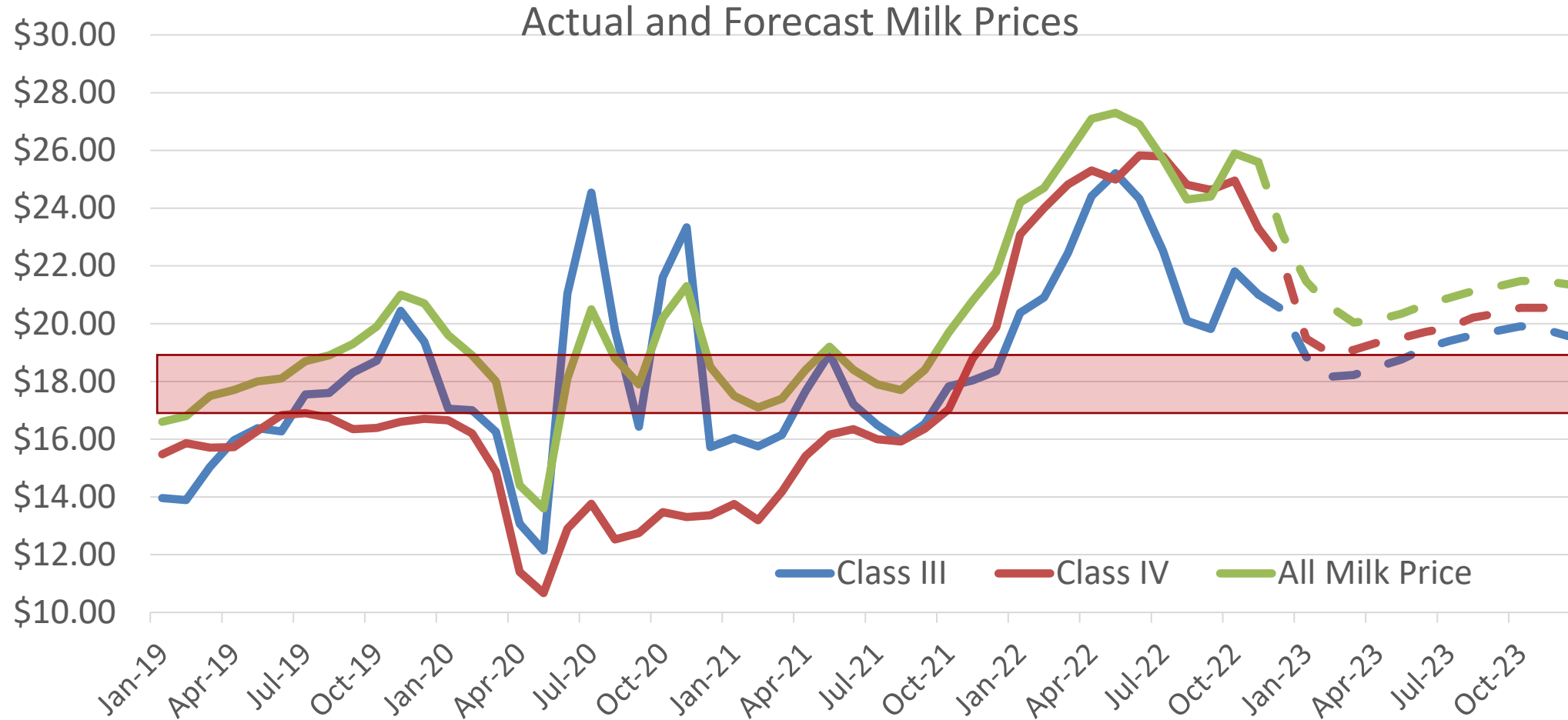
# What does the GDT index tell us?

US All Milk Price





# CME futures based forecast





# In summary...

- Domestic demand has held up surprisingly well in the face of inflation
- Consumers have bought a year's worth of inflation from savings and credit cards—this is not a long-term strategy
- I am concerned about the probability of a recession
  - What will consumer strategy be under this scenario
- Milk production has been cautious but there is new plant capacity being planned
- High milk prices have yielded decent margins for most producers in 2022. I'm not sure the same thing will be the case in 2023.
- Expect milk prices to be \$4.50 to \$5.50 lower this year.

