Dairy Market Situation & Outlook
Michigan Agricultural Credit Conference

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Director of Dairy Policy Analysis
Remember When…

All Milk Price


Milk Price
MPP Ration Value

- Corn
- SBM
- Alfalfa
Annual MPP Margin

MPP Margin

Highest Margin Ever!
Average Daily U.S. Milk Production
Percent Change in U.S. Milk Production

Percent Change in Milk Production

-2.00%
-1.00%
0.00%
1.00%
2.00%
3.00%
4.00%
5.00%

Jan-08 May-08 Sep-08 Jan-09 May-09 Sep-09 Jan-10 May-10 Sep-10 Jan-11 May-11 Sep-11 Jan-12 May-12 Sep-12 Jan-13 May-13 Sep-13 Jan-14 May-14 Sep-14 Jan-15 May-15 Sep-15
Number of Cows

![Graph showing the number of cows from January to December for the years 2012 to 2015. Each month has a line representing the number of cows, with different colors for each year. The graph illustrates fluctuations in the number of cows throughout the year.]
Milk per Cow per Day

![Graph showing milk production per cow per day from January 2012 to December 2015 with lines for 2012, 2013, 2014, and 2015.]
A Tale of Two Regions...

Change in Milk Production—First Three Quarters
Worst CA Drought in 1200 Years

U.S. Drought Monitor

October 20, 2015
(Released Thursday, Oct. 22, 2015)
Valid 8 a.m. EDT

Drought Impact Types:
~ Delineates dominant impacts
S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Author:
Brad Rippey
U.S. Department of Agriculture
## Comparative Feed Cost Data

<table>
<thead>
<tr>
<th></th>
<th>Wisconsin</th>
<th>California</th>
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<tr>
<td>Price of Hay</td>
<td>$150</td>
<td>$260</td>
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<td>Price of Corn</td>
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<td>$5.01</td>
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<tr>
<td>Price of SBM</td>
<td>$370</td>
<td>$420</td>
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Impact of Feed Costs

Milk per Cow per Day
Impact of Feed Costs

Milk per Cow per Day
All Milk Price

- CA All Milk Price
- WI All Milk Price
- MI All Milk Price

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Opinions Change Over Time

Nov-15 CME Contract Prices Over Past 120 Days

Dollars per Hundredweight

Jun-2015  Jul  Aug  Sep  Oct

Updated 10/23/15

- Class III Futures
- Class IV Futures
Opinions Change Over Time

Dec-15 CME Corn Contract Over Past 120 Days

Updated 10/23/15
Consumer Confidence

![Graph showing the trend of Consumer Confidence, Present, and Expectations from 2003 to 2015.]
Restaurant Performance Index

![Graph showing the Restaurant Performance Index from 2005 to 2015. The index fluctuates significantly, with a notable drop around 2008 and a gradual increase thereafter. The graph includes a horizontal line at 100, indicating the benchmark for performance.](image-url)
Dairy Products are a Good Buy

BLS – Dairy and Related Products

![Graph showing the increase in dairy products cost from 2004 to 2015. The cost starts at around 100 in 2004 and increases to around 220 in 2014, with a sharp increase to 240 in 2015.]
We Need Exports!

Monthly Rolling Average Percent of Solids Exported
U.S. Versus International Prices

![NFDM & SMP Prices Graph](Image)

- **Dollars per Pound**
- **X-Axis**: Jan-2010 to Jan-2015
- **Legend**:
  - Green: Oceania High-Low Range
  - Blue: Europe High-Low Range
  - Red: NASS Prices

*Updated 10/23/15*
U.S. Versus International Prices
U.S. Versus International Prices
U.S. American Cheese Stocks

American Cheese Stocks

Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

1000s Pounds

2011  2012  2013  2014  2015
U.S. Versus International Prices
U.S. Butter Stocks

Butter Stocks

Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  | Sep  | Oct  | Nov  | Dec

1000s Pounds

2011 | 2012 | 2013 | 2014 | 2015
Global Dairy Trade Index

GDT Price Index

[Graph showing the Global Dairy Trade Index from 2013 to 2015, with a peak in 2013 and a decline until 2015.]
U.S. Farm Milk Prices are Holding Up Better than Most

U.S. and New Zealand Milk Prices Evolution

EU JUL price is estimated

- **US Milk - class III prices adjusted for 4.2% fat**
- **NZ Milk - Based on 'season advance rate' ( Fonterra) adjusted for 4.2% fat and 3.35% protein**
- **EU Raw Milk price**

Source: USDA, LTO
Exports Need a Boost

Recent News

- CWT Assists with 2.2 million Pounds of Cheese Export Sales
  October 19, 2015

- CWT Assists with 531,000 Pounds of Cheese Sales
  October 13, 2015

- CWT Assists with 8 million Pounds of Cheese, Butter and Whole Milk Powder Export Sales
  October 5, 2015
Other Factors
Export Competitors’ Milk Supply

- Last year New Zealand milk production was up 12% YOY.
- This year, New Zealand is forecast to decline by 2%
- The European Union is forecast to be up about 1.2% with quotas now off
- The NZ loss is more than offset by the EU’s increase.
Can We Tap on the Brakes?
Strongest El Niño in 50 Years!
The Option to Producing Milk

Cull Cow Price

<table>
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<tr>
<th>Year</th>
<th>Price</th>
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<tr>
<td>2008</td>
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<tr>
<td>2009</td>
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<td>2014</td>
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<td>2015</td>
<td>$130</td>
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My Forecast...

- Our relatively strong U.S. economy is helping consume dairy products

- Dairy exports could become more of an issue in the next few months (watch inventory levels)

- My deduction is that the MPP margin will be worse than futures forecasts now suggest through the first half of 2016

- Class III up 50¢, Class IV up $1.80, All-Milk up 80¢ – increase does not begin until 2nd half of 2016