

# DailyDairy



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# Outline

- Global Dairy Overview
- U.S Milk Production
- Dairy Product Production, Stocks, Trade
- Outlook

# A View From Abroad





# Germany 1983



# Germany 1983

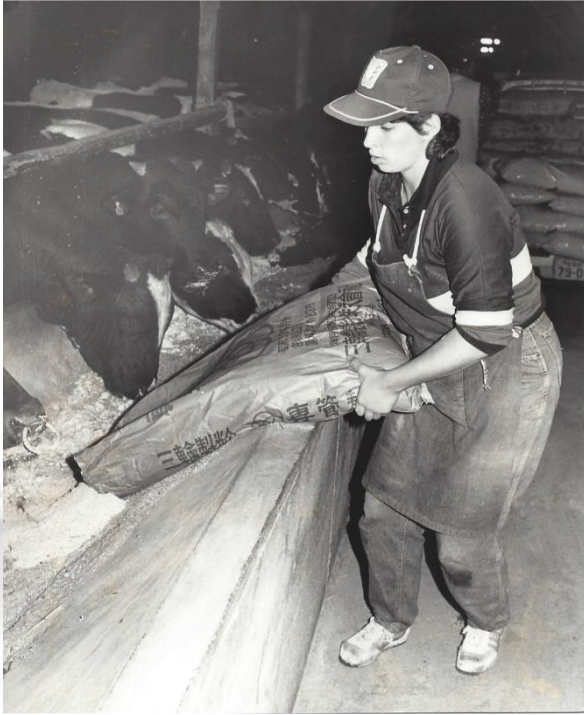




# Japan 1984



# Japan 1984





# Kobe Cow Calf Show





# School Tour



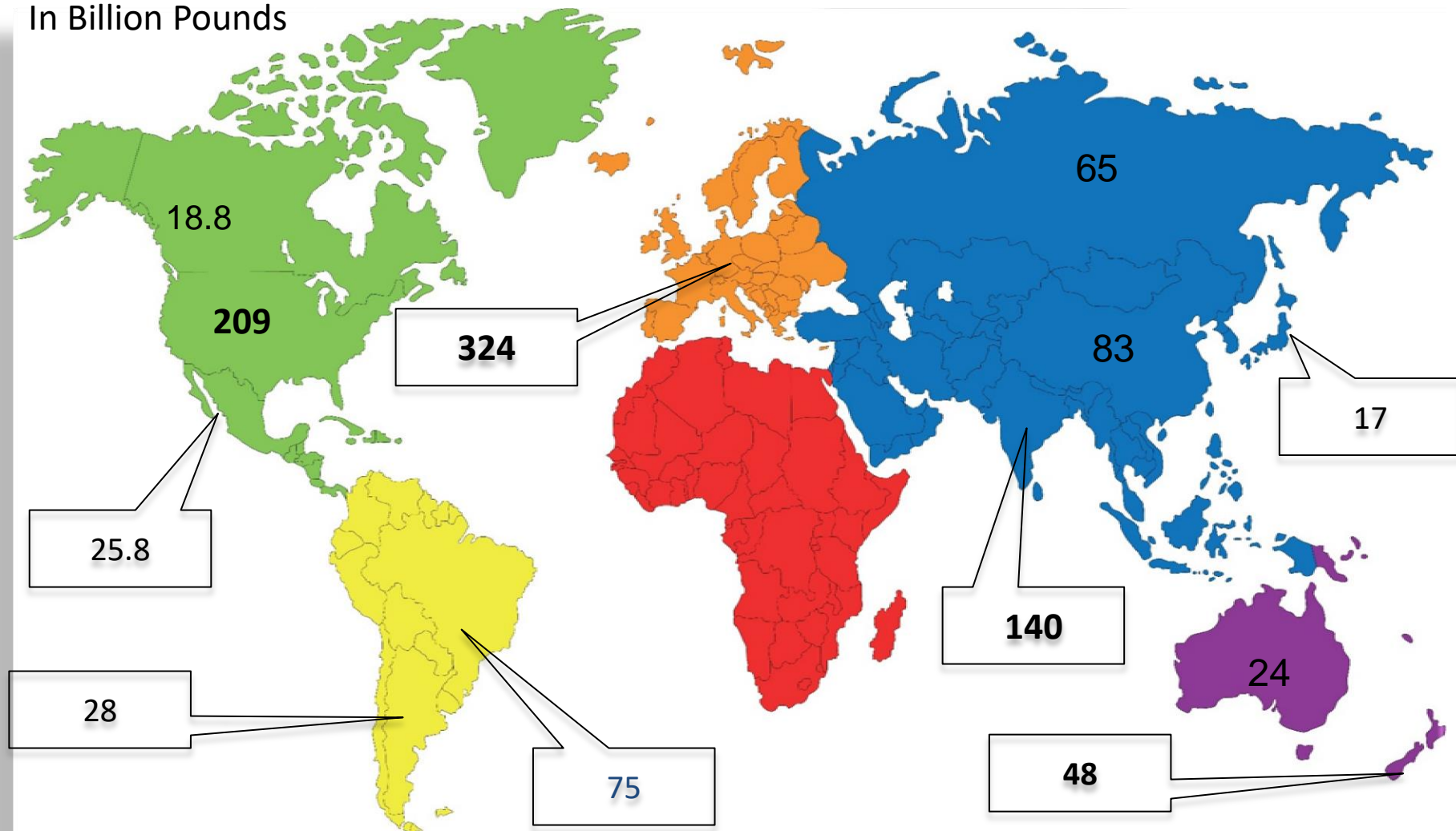
# DailyDairy



## Global Dairy Overview

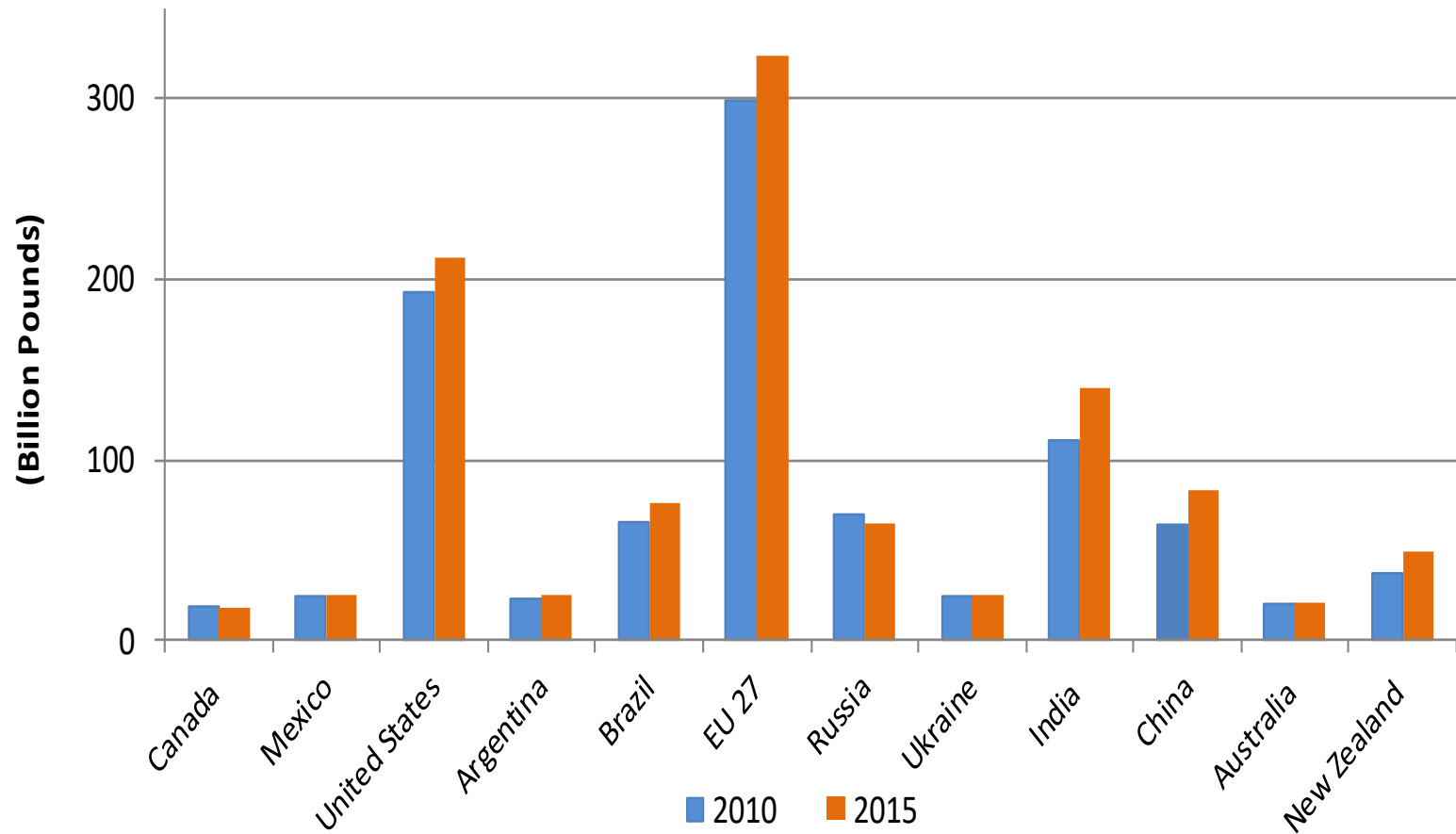
# Global Milk Production: Select Countries

In Billion Pounds



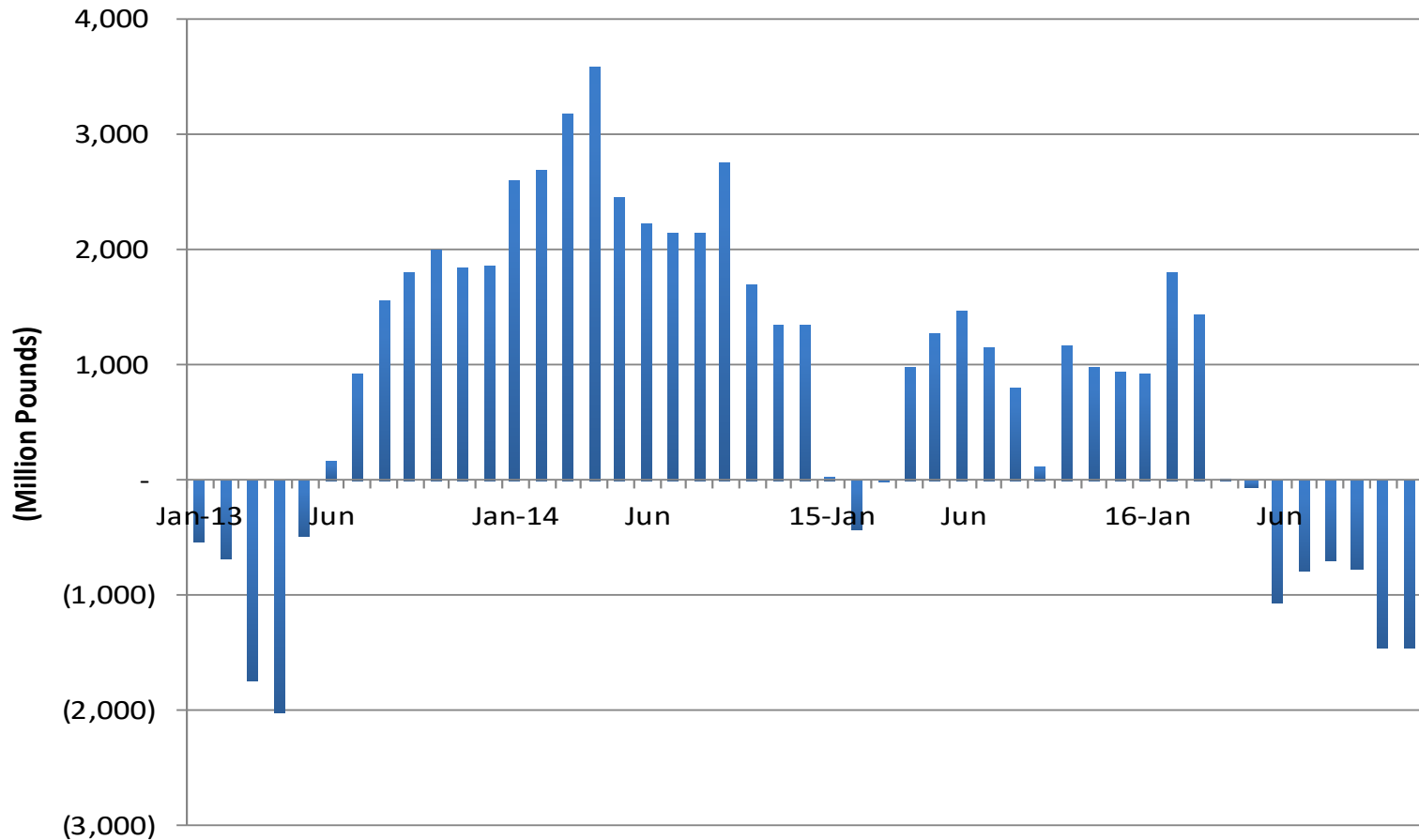


# Global Milk Production: Select Countries



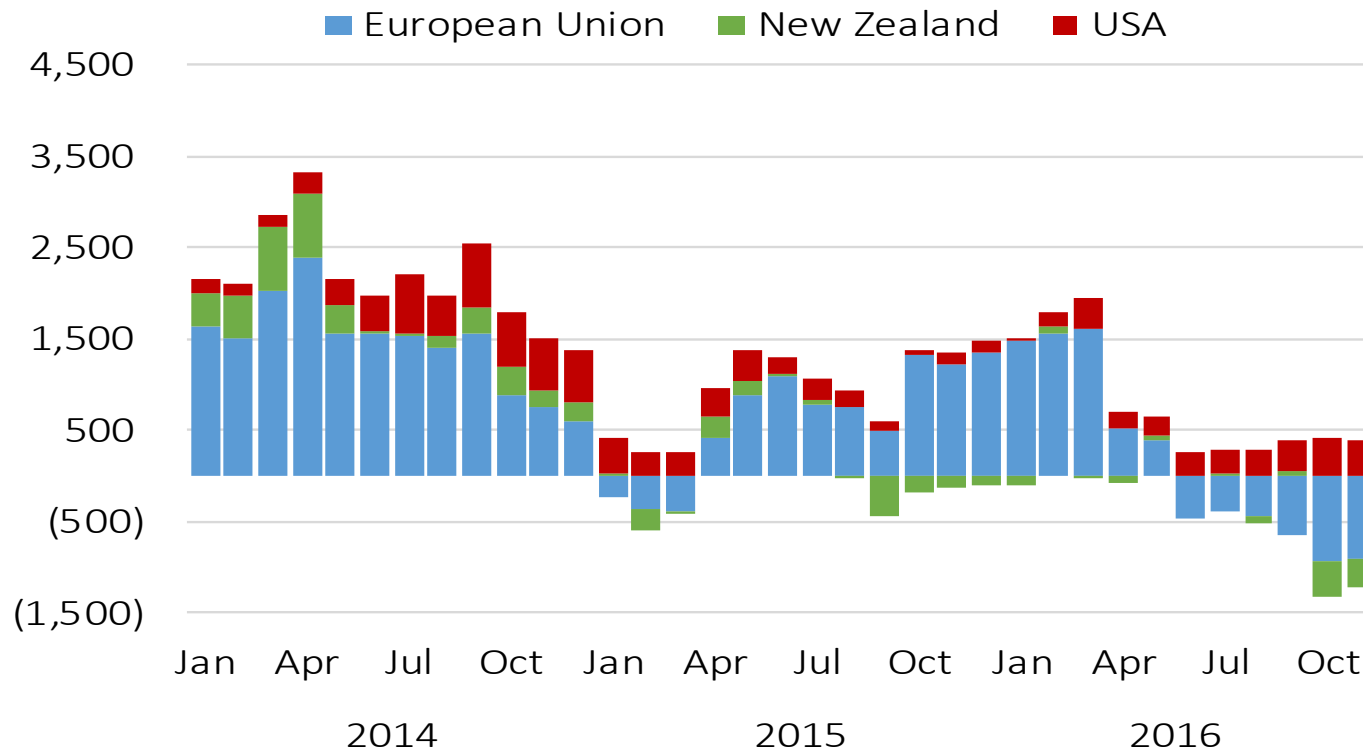
# Milk Production: AU&NZ, AR&BR, EU,US

## Year-over-year Change



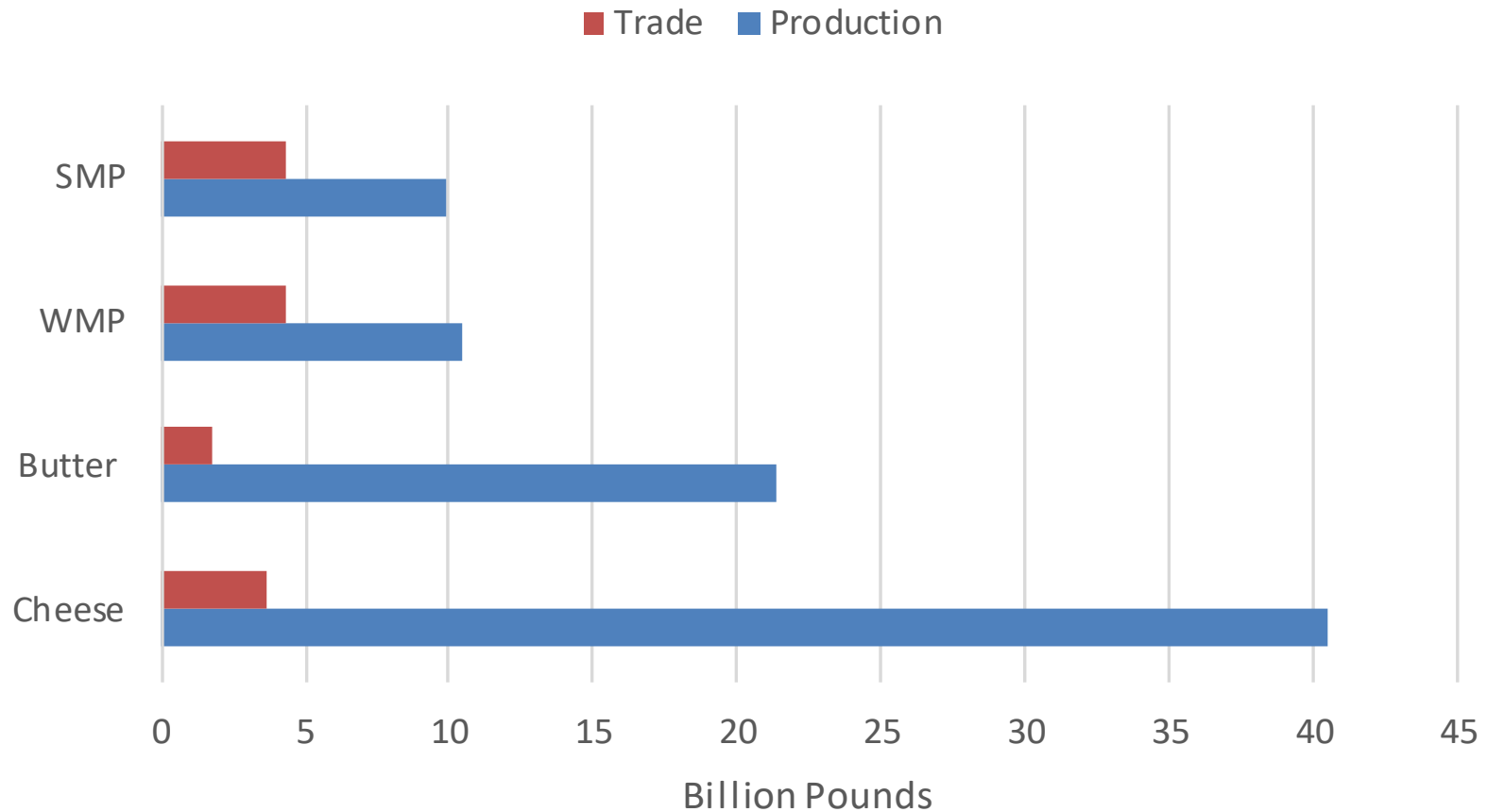
# YOY Change in Milk Production: US/EU/Oceania

## YOY Change in Global Milk Production (30-day month, in million lbs.)

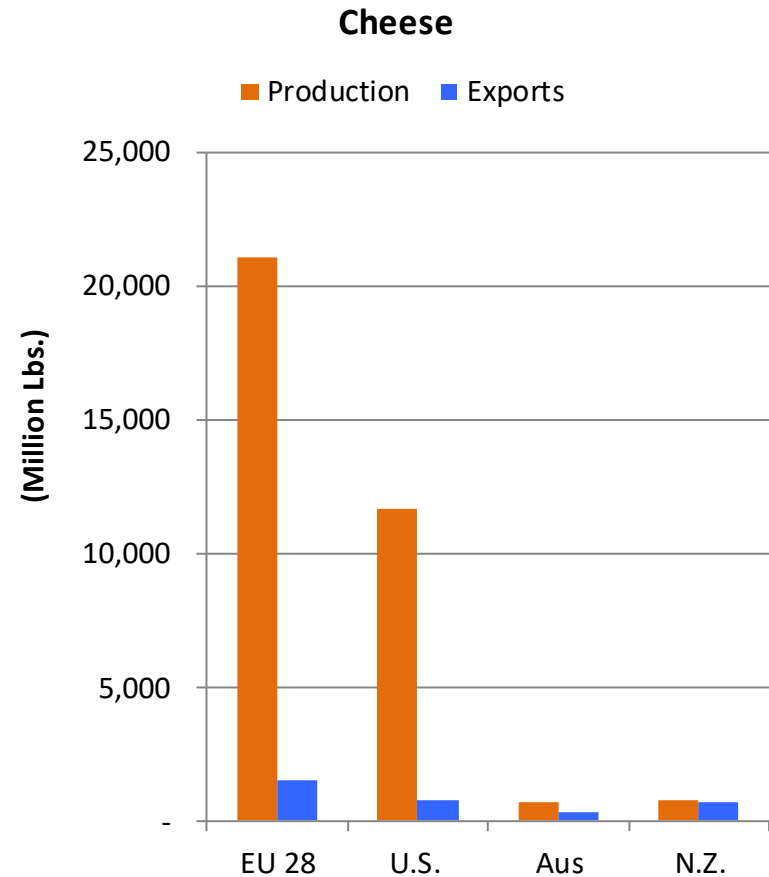
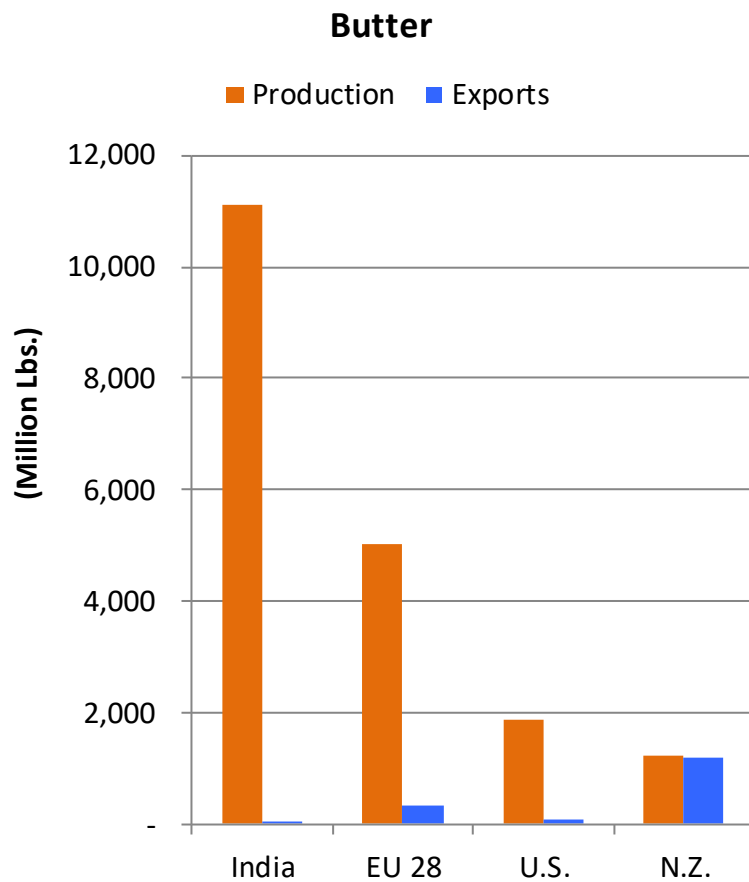




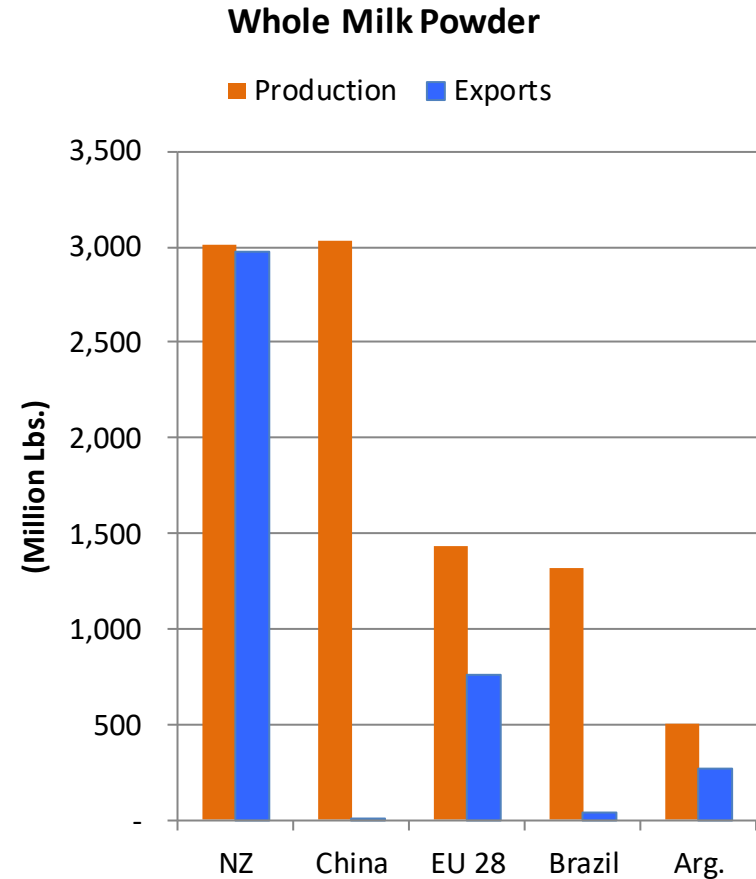
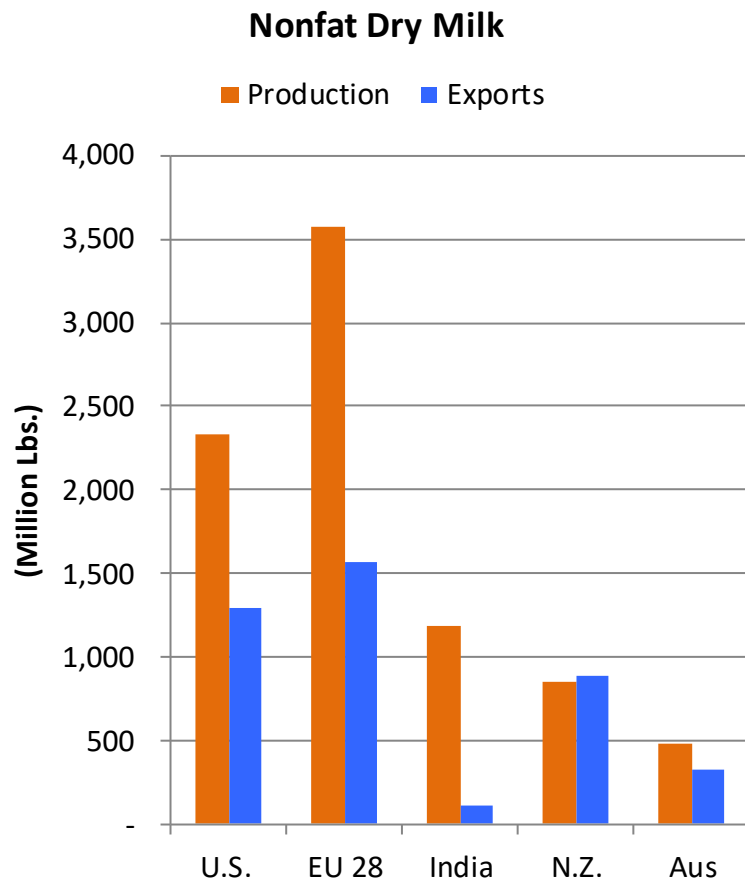
# Global Dairy Product Production and Exports



# Global Dairy Product Production and Exports



# Global Dairy Product Production and Exports





# Global Dairy Summary

- Global milk production and dairy product demand are dominated by a few players.
- The countries that are increasing milk production at the highest rates tend to be consuming that gain domestically or in the region. In other words, they have not become major, consistent exporters.
- The “perfect storm” for high prices occurs when milk output in Europe, the United States and New Zealand is lower than the historical growth rate. The opposite scenario is also true.

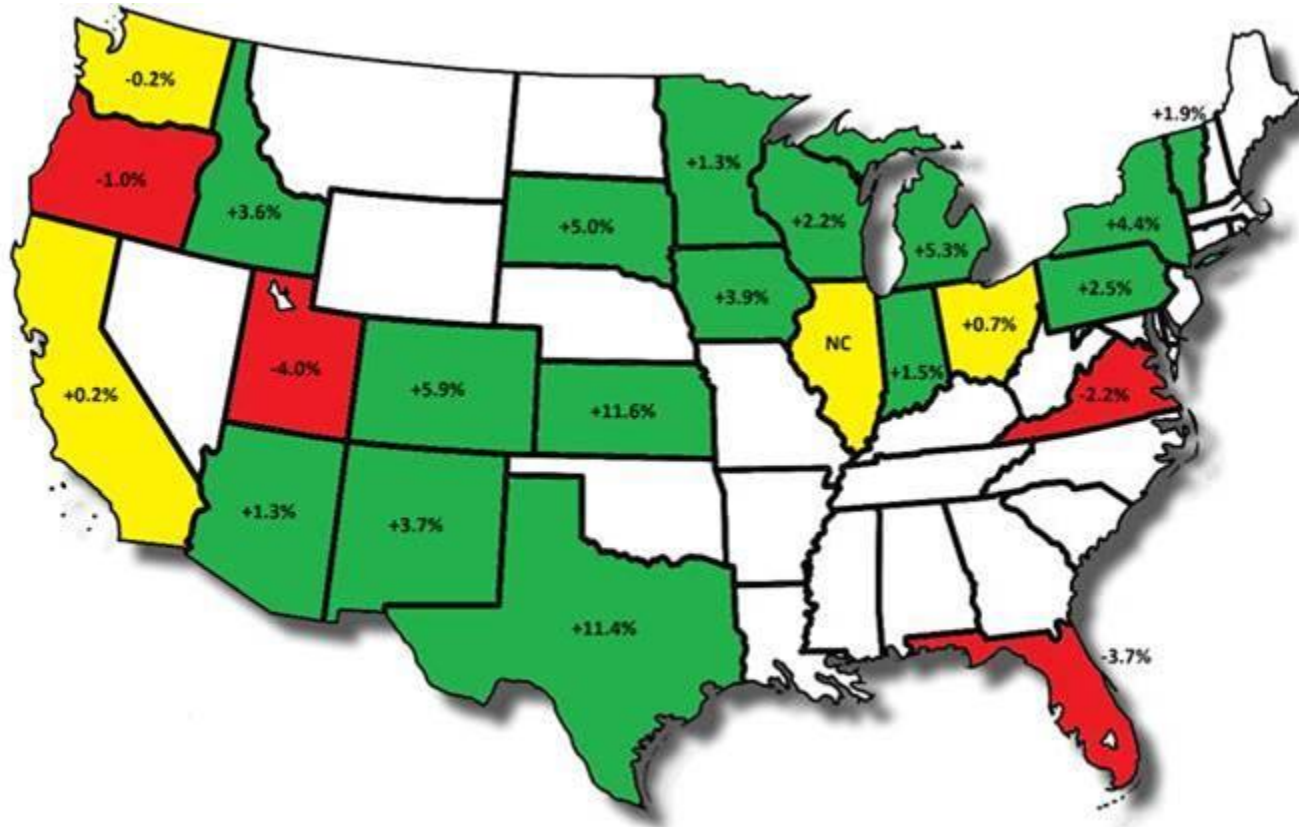
# DailyDairy

A graphic of a milk splash, showing a thick stream of milk falling and creating a crown-like splash with several droplets, positioned to the right of the 'DailyDairy' text.

## U.S. and Regional Milk Production

# U.S. Milk Production By State: November '16

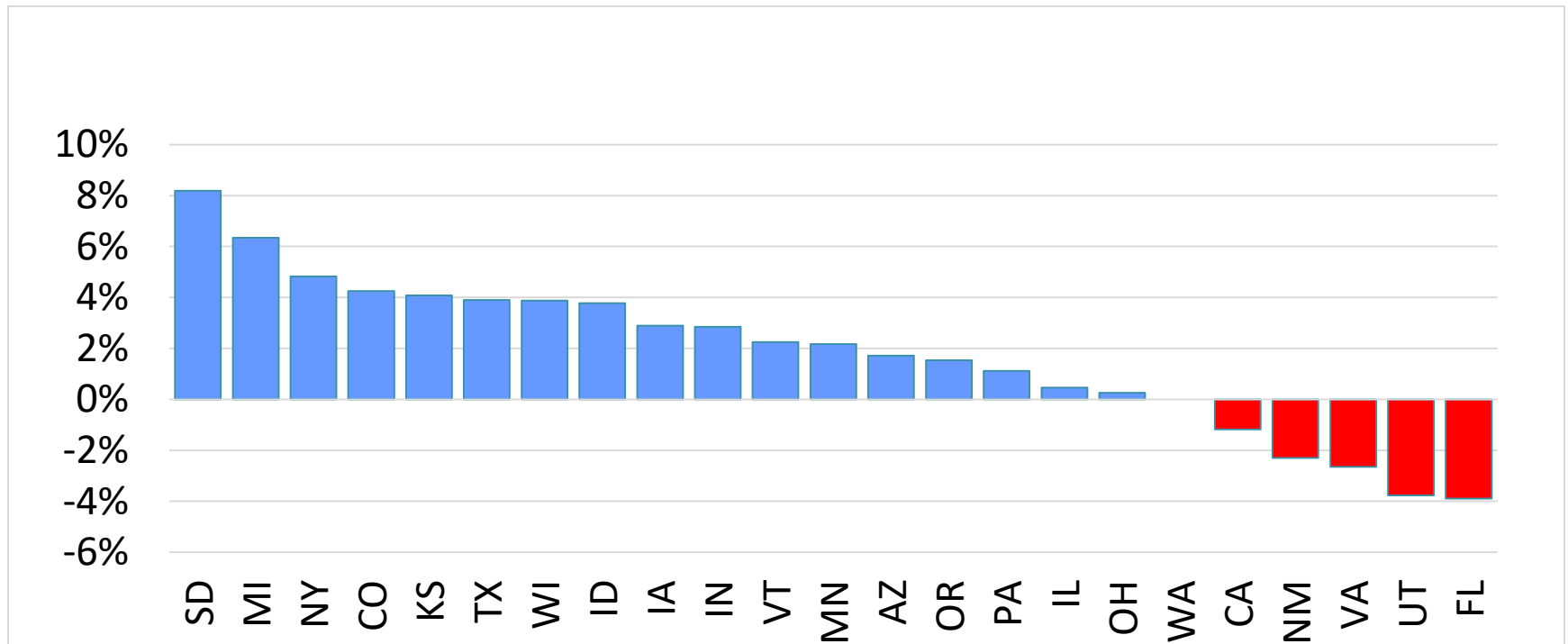
Year-over-year Percentage Change





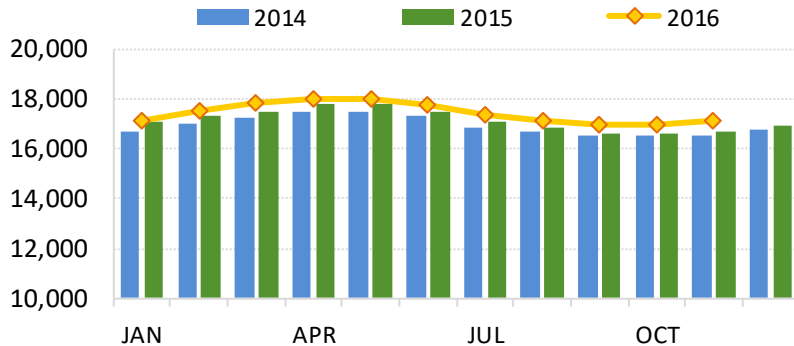
# November YTD Change in Milk Production

Year-over-year Percentage Change

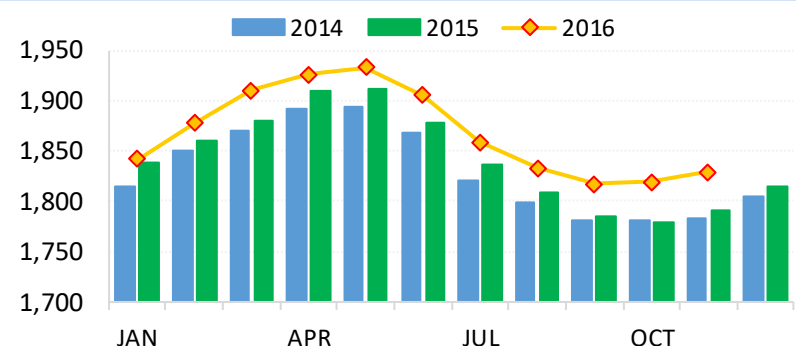


# U.S. Milk Production Data at a Glance

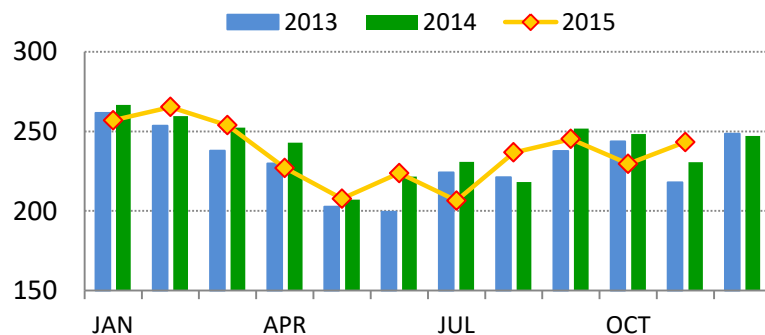
**U.S. Milk Production**  
(30-day month, in million lbs.)



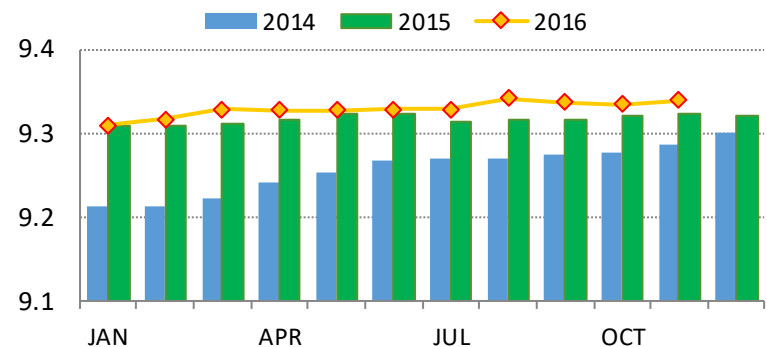
**U.S. Milk Per Cow**  
(30-day month, in lbs.)



**Monthly U.S. Dairy Cattle Slaughter**  
(30-day month, in 1,000 head)



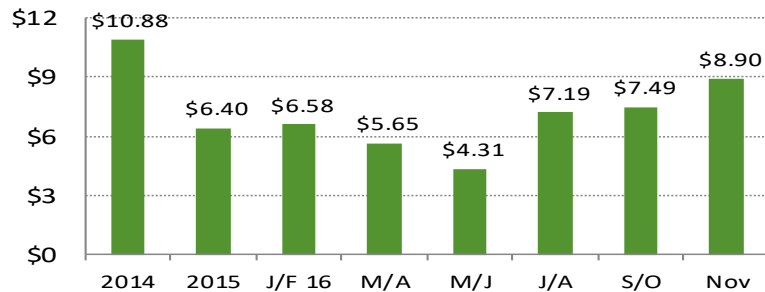
**U.S. Dairy Cows**  
(in million head)



# Income Over Feed Key States

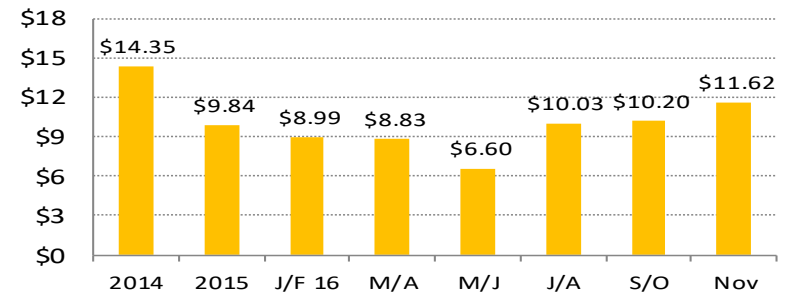
**Regional Dairy Production Margin**  
(in \$ per cwt.)

■ California



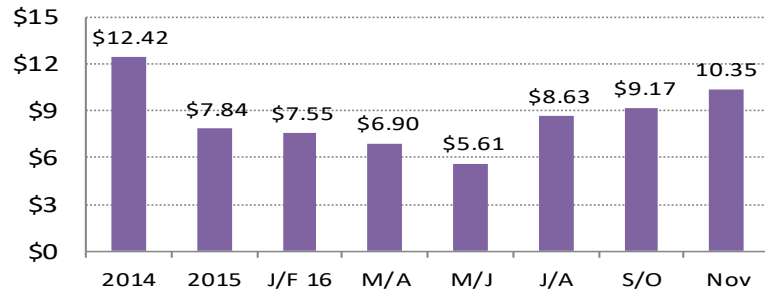
**Regional Dairy Production Margin**  
(in \$ per cwt.)

■ Wisconsin



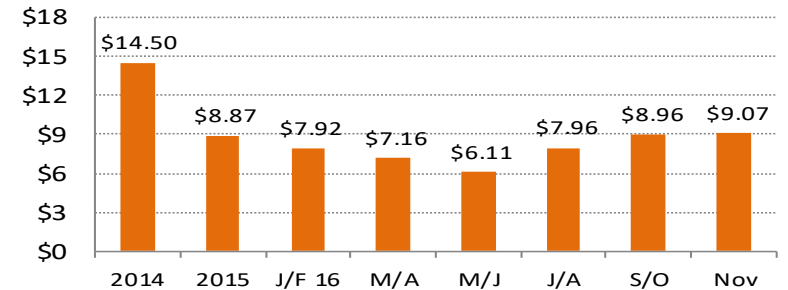
**Regional Dairy Production Margin**  
(in \$ per cwt.)

■ Idaho



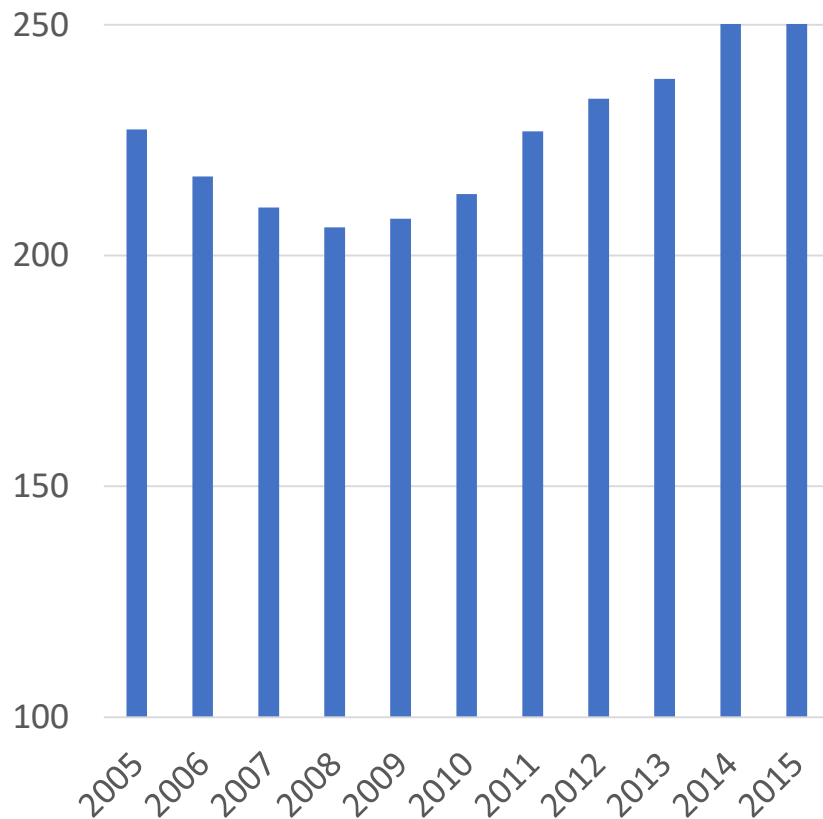
**Regional Dairy Production Margin**  
(in \$ per cwt.)

■ New York

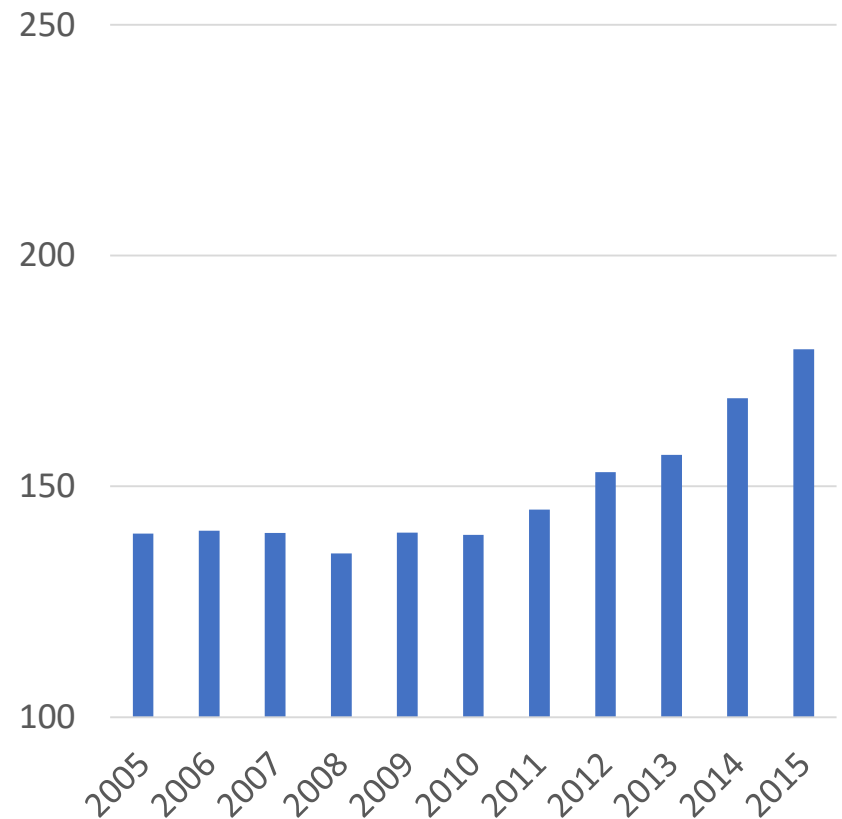


# Closer to Home

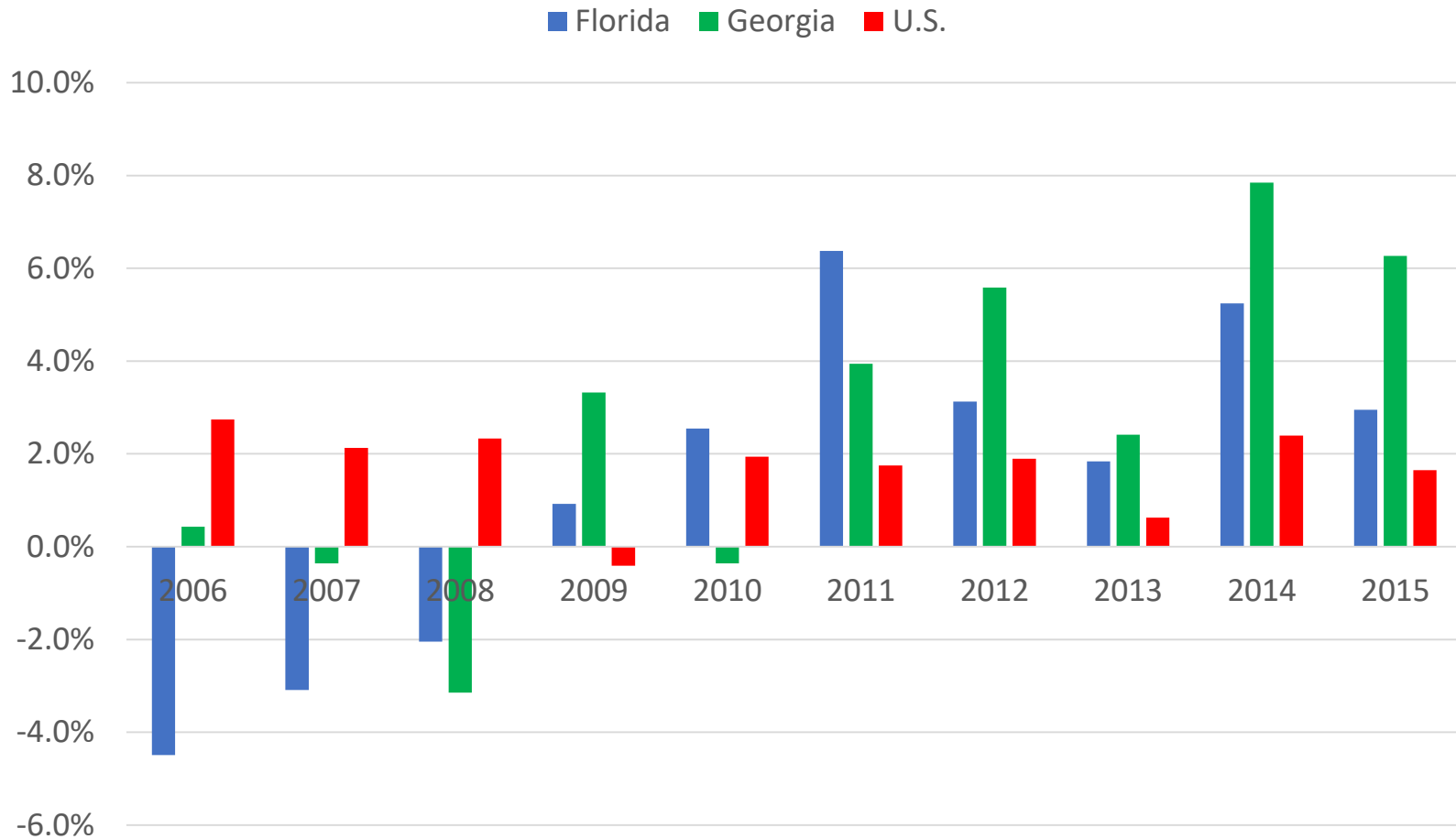
**Florida Milk Production (Mil. Lbs.)**



**Georgia Milk Production (Mil. Lbs.)**



# Comparison of Growth Rates





# U.S. Milk Production Summary

- Continual strong year-over-year growth in milk production from the Dakotas' east will continue to put downward price pressure on the traditional premium structure.
- Lack of processing capacity, particularly in Michigan, will result in more milk traveling west to find a processing home.
- Stabilizing Southeast milk production and lower fluid milk sales requires less supplemental milk.
- Recovery in Texas milk output is expected to flow into southeast and compete with supplemental milk supplies from the North.

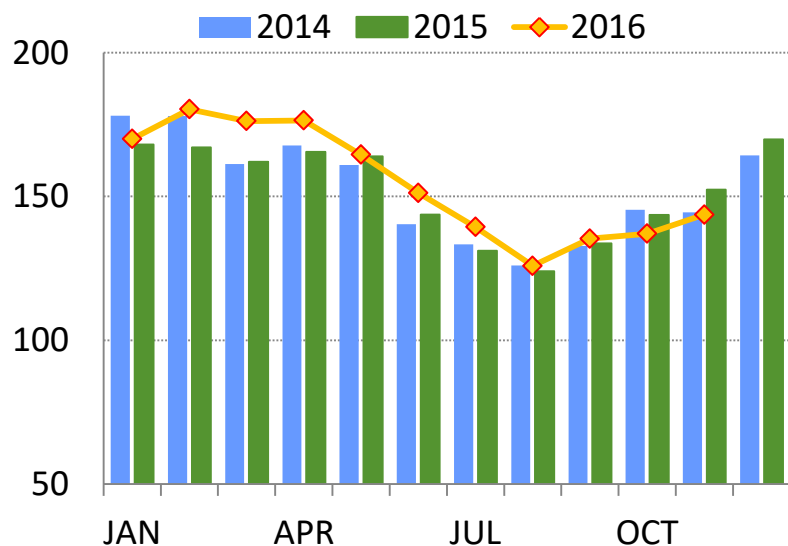
# DailyDairy



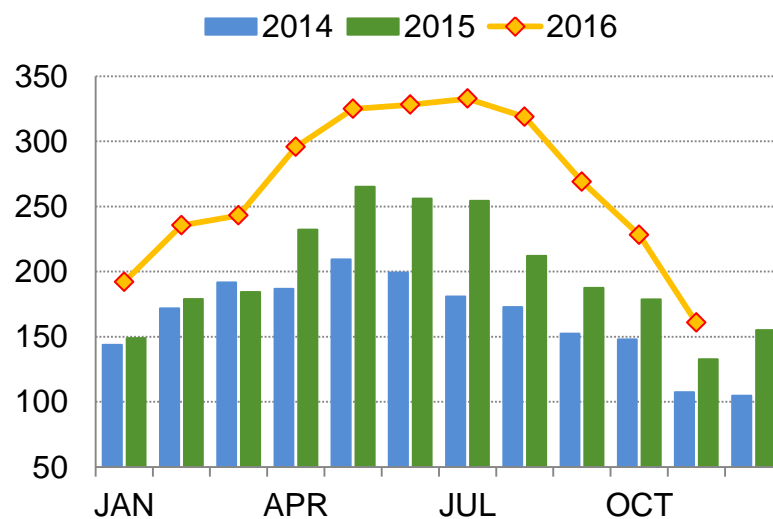
Dairy Products Production,  
Stocks and Trade

# Butter Production & Stocks

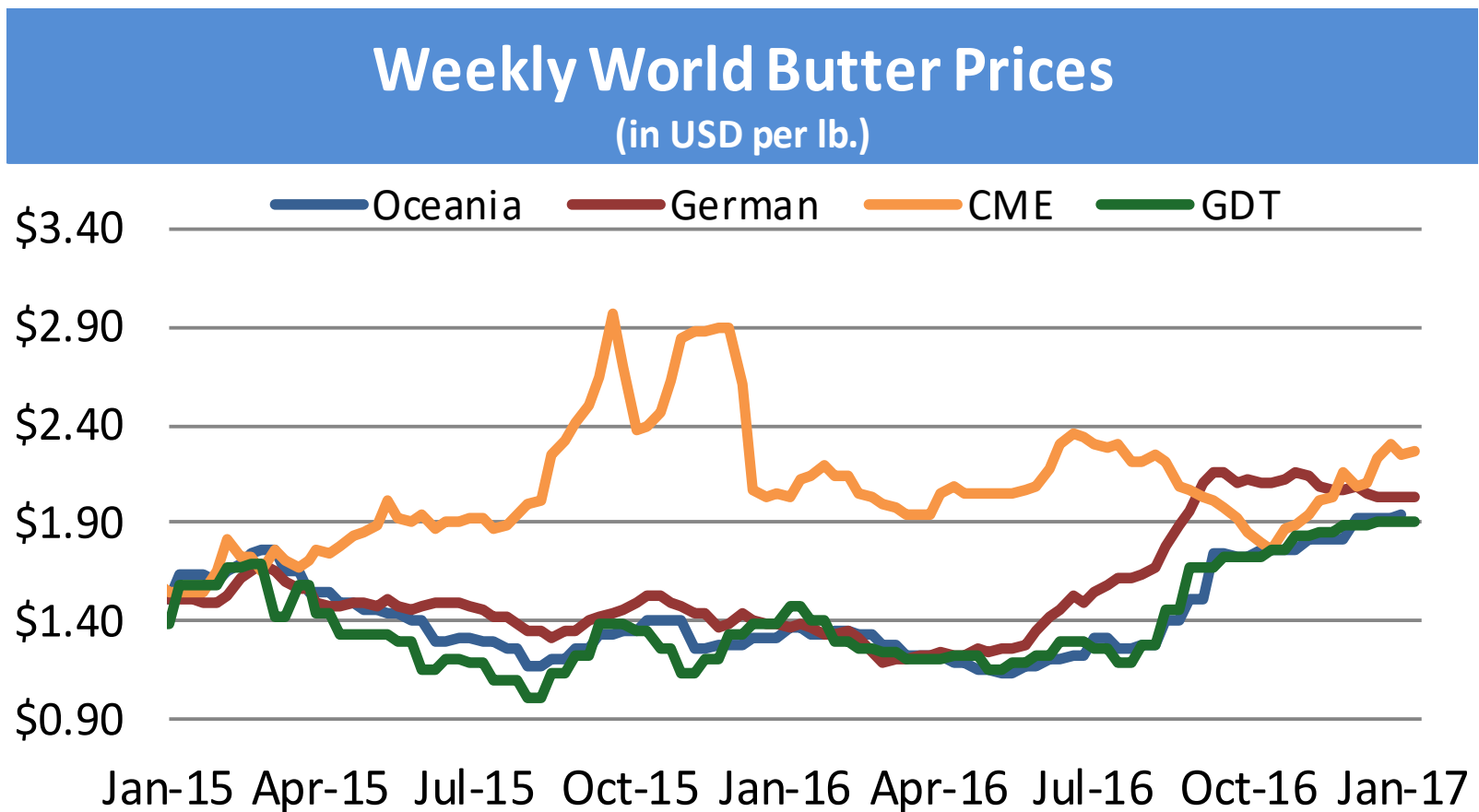
U.S. Butter Production  
(in million lbs.)



U.S. Butter Stocks  
(in million lbs.)

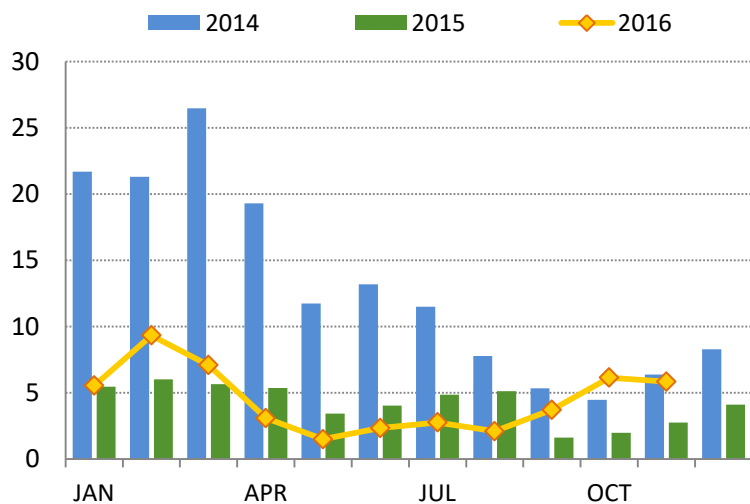


# Global Butter Prices

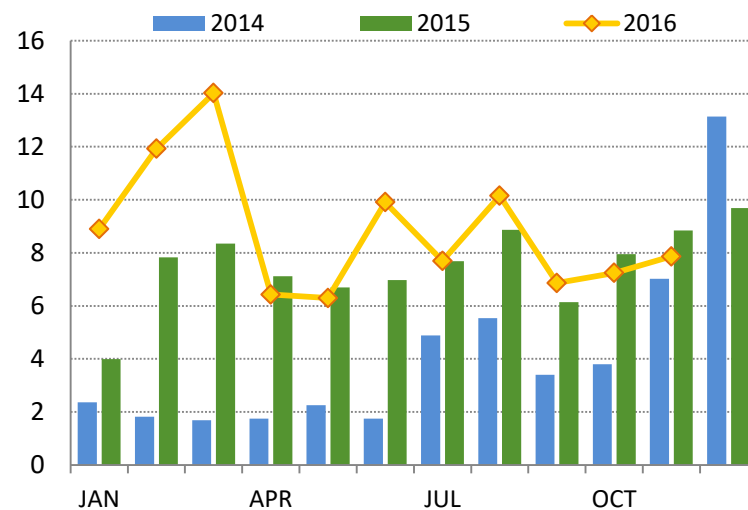


# Butter & Milkfat Exports and Imports

U.S. Butter & Milkfat Exports  
(30-day month, in million lbs.)



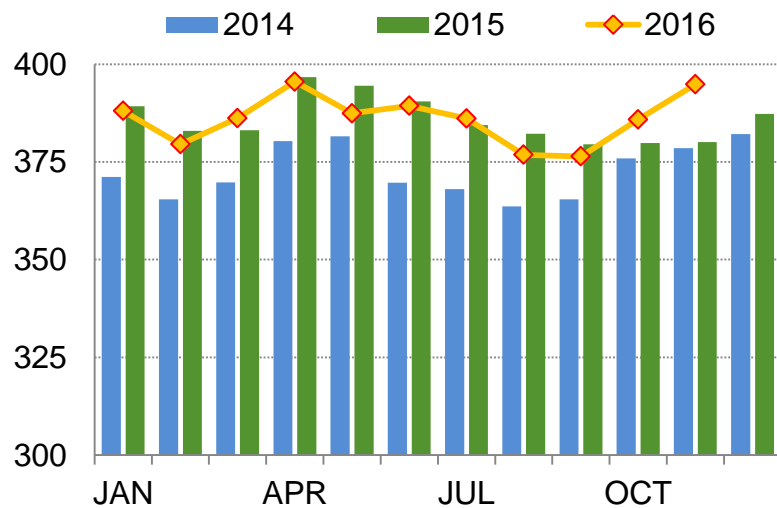
U.S. Butterfat Imports  
(30-day month, in million lbs.)



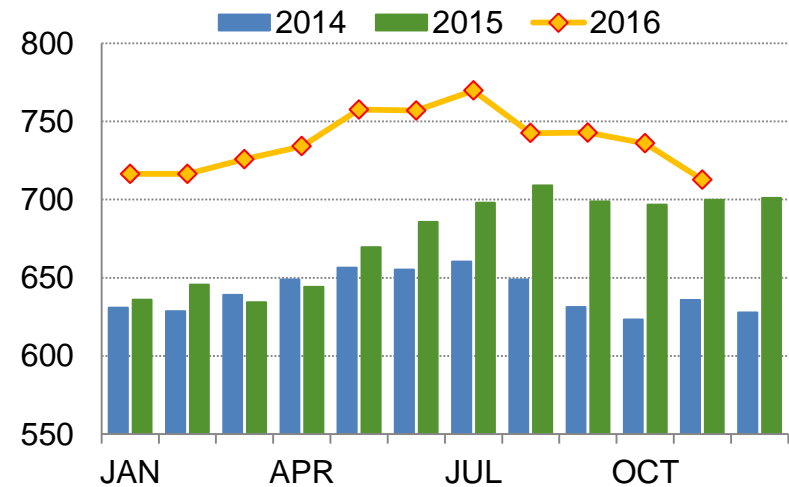


# American Cheese Production & Stocks

American Cheese  
(30-day month, in million lbs.)

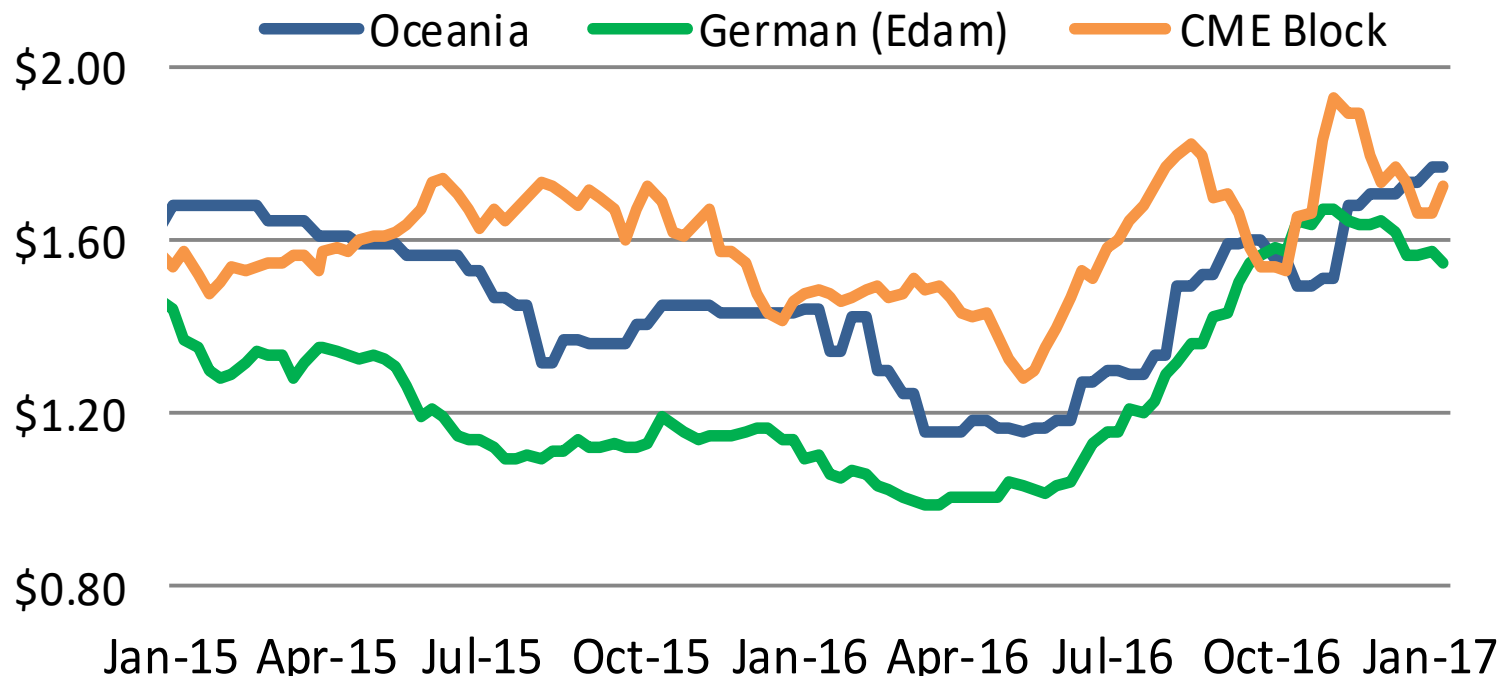


American Cheese Stocks  
(in million lbs.)



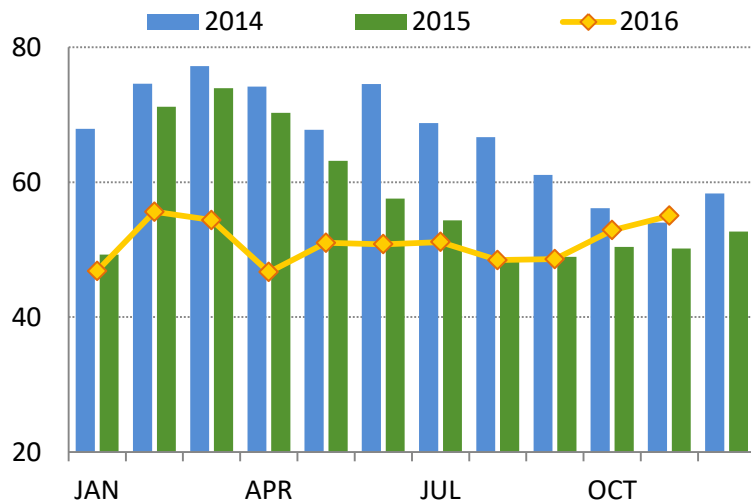
# Global Cheese Prices

## Weekly World Cheese Price (in USD per lb.)

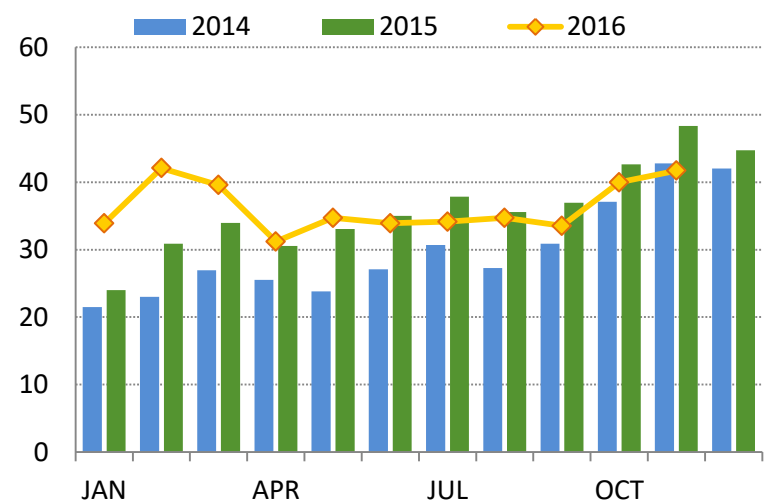


# Cheese Exports and Imports

U.S. Cheese & Curd Exports  
(30-day month, in million lbs.)

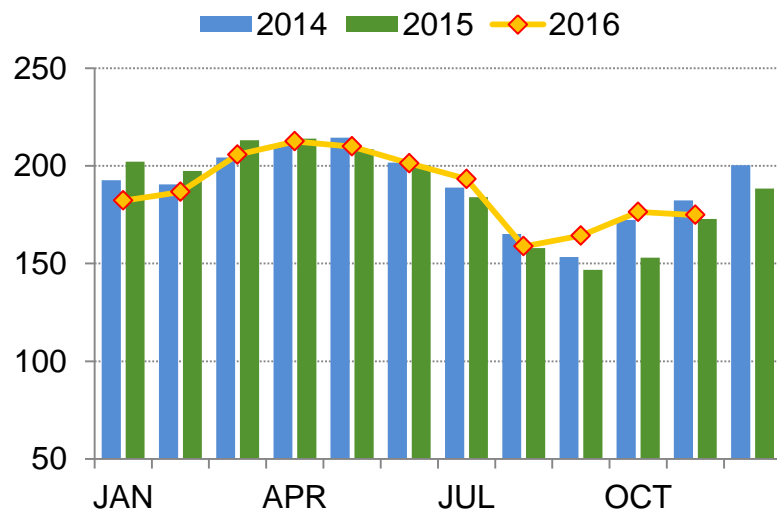


U.S. Cheese & Curd Imports  
(30-day month, in million lbs.)

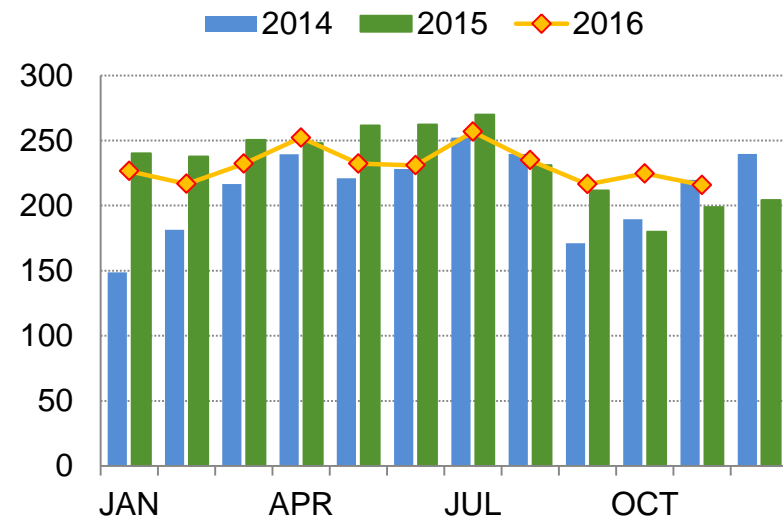


# NDM/SMP Production & Stocks

U.S. NDM and SMP Production  
(30-day month, in million lbs.)

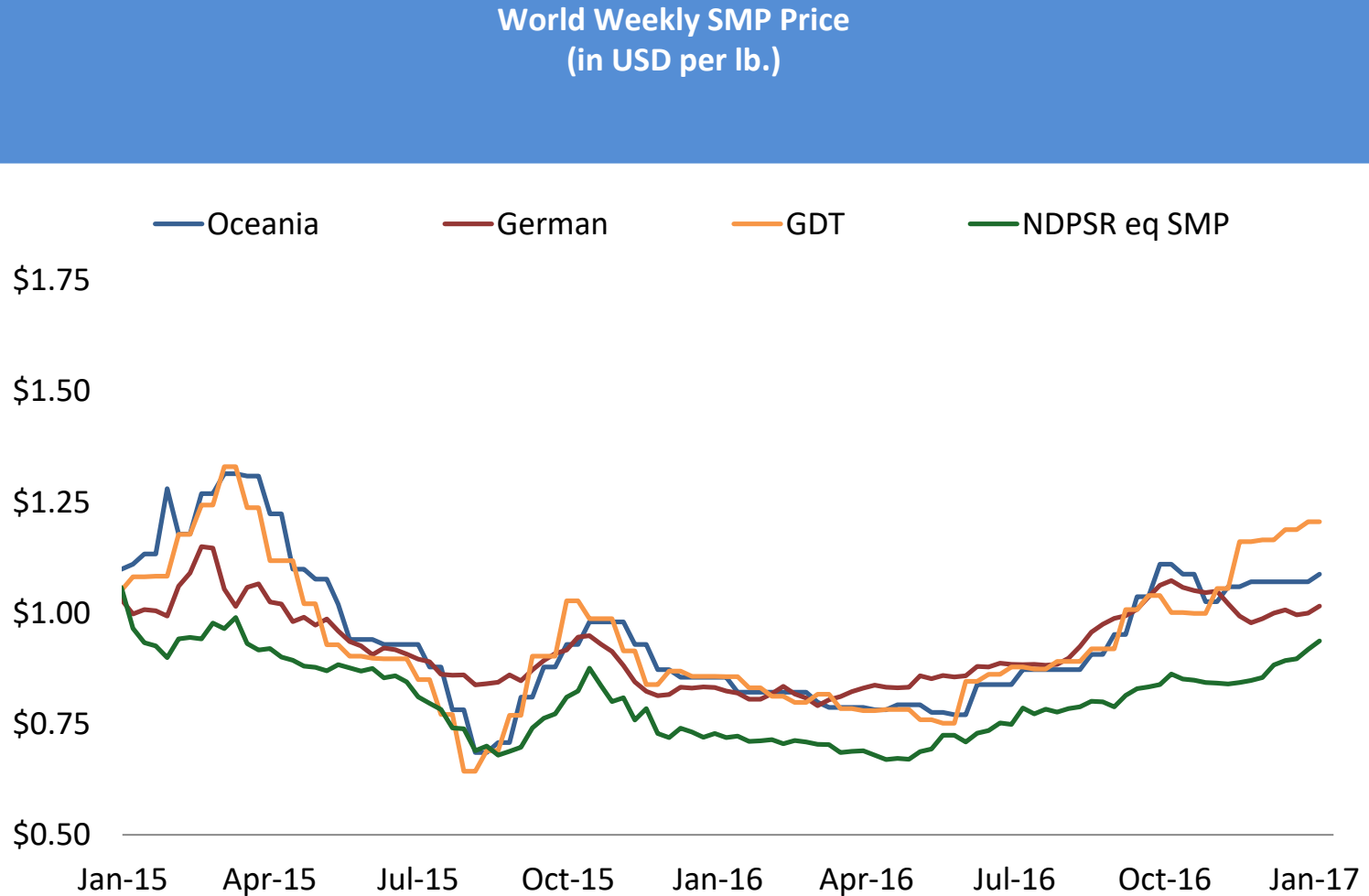


U.S. Manufacturers' Stocks of NDM  
(in million lbs.)

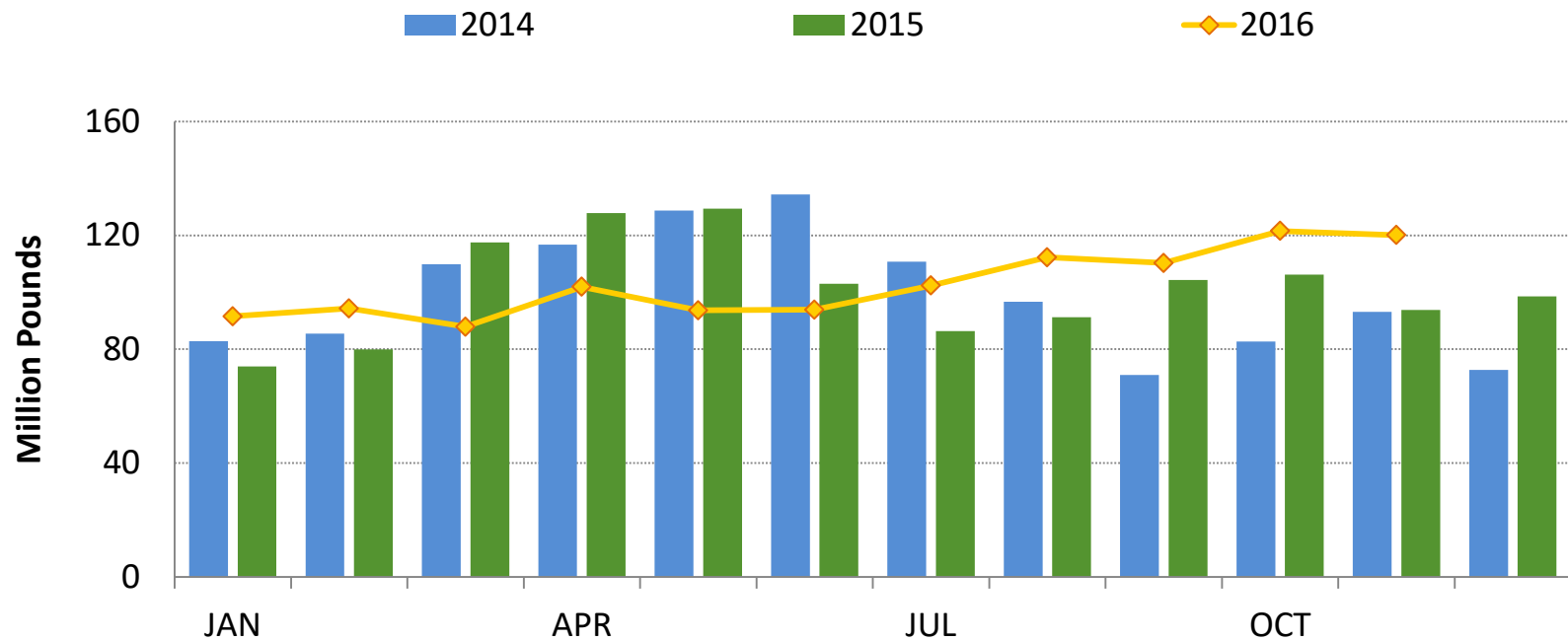




# NDM Exports and Global Prices



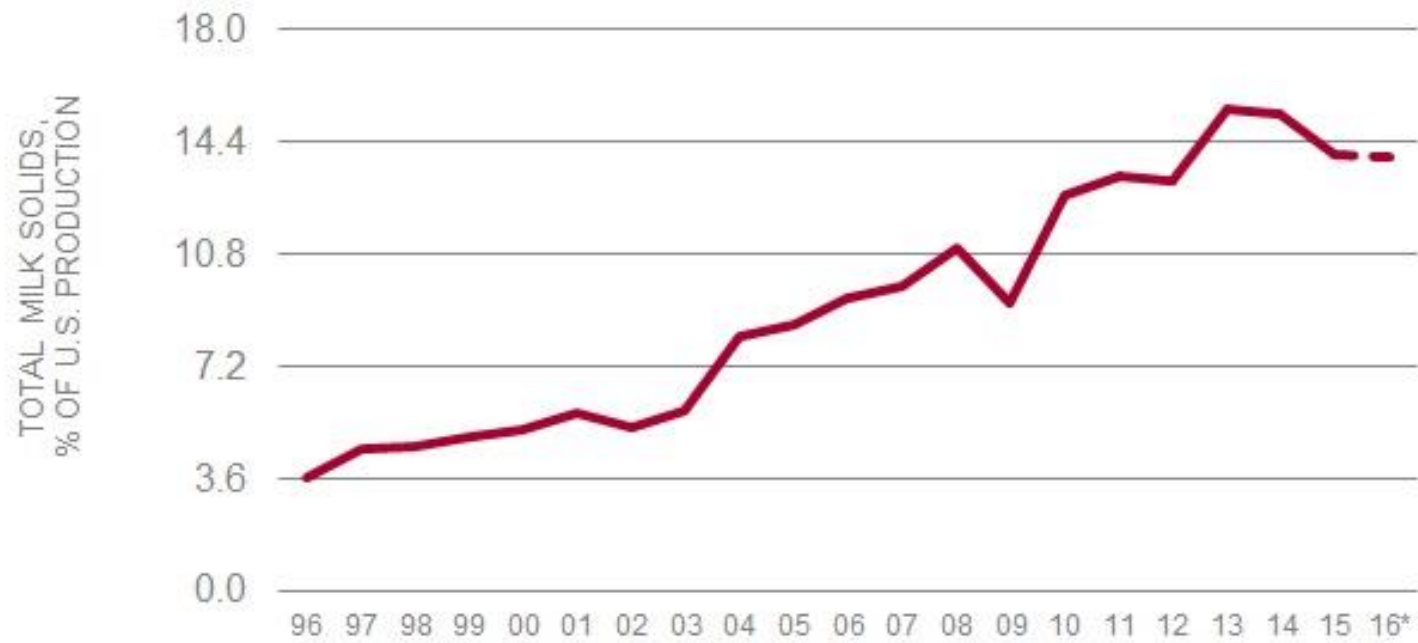
# NDM/SMP Exports



# Consequences to High Prices

## U.S. Dairy Exports - Percent of Production

1996-2016



2016 through July. Source: U.S. Dairy Export Council, USDA.

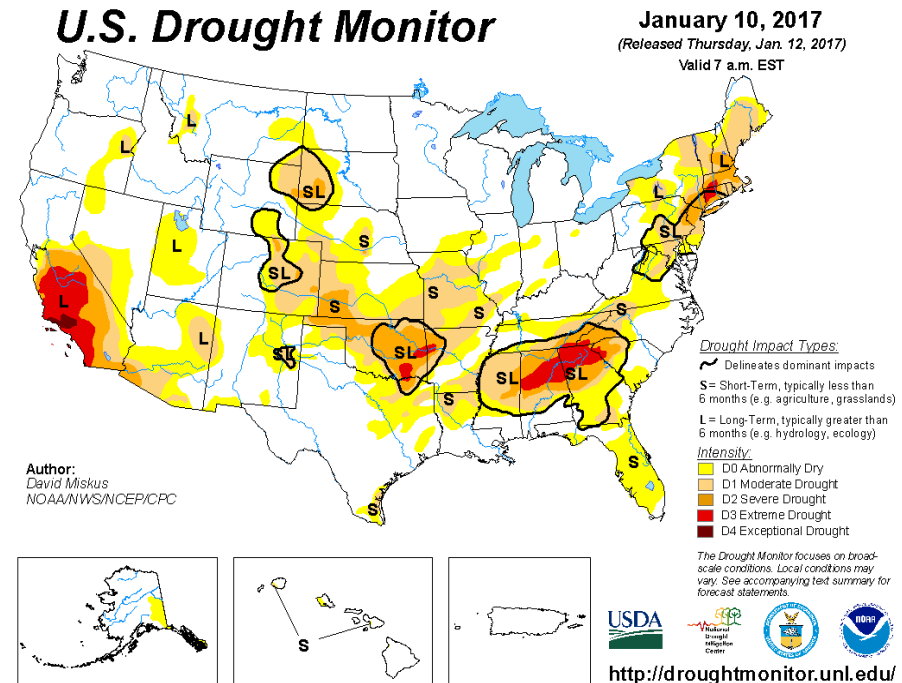
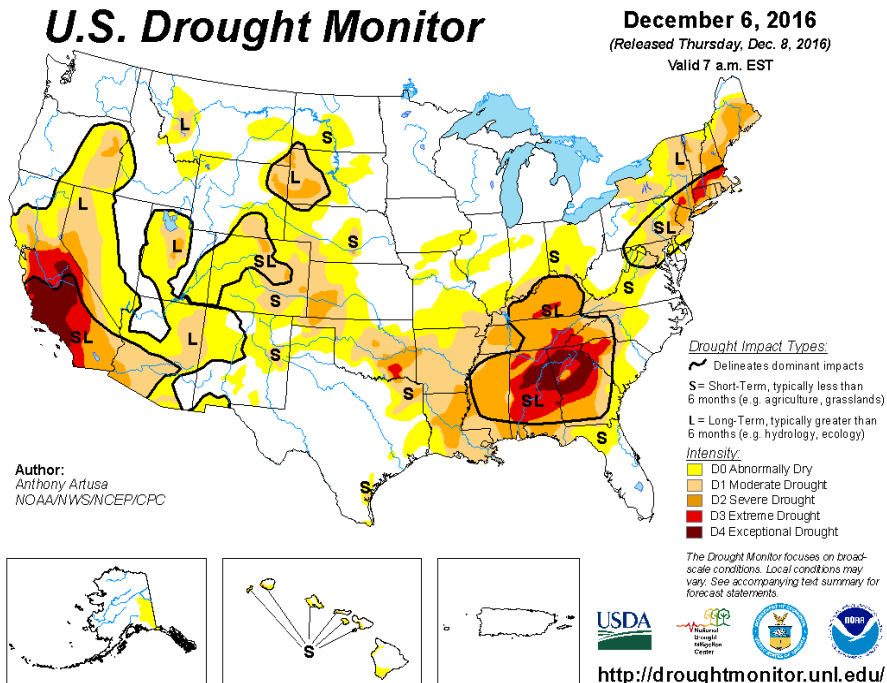
# Export Summary YTD November 2016

(adjusted to 30-day months)

	Million Lbs.	% vs. 2015	% of Production
NDM/SMP	1,130	+1.4%	55%
Butter/Milkfat	49	+6.8%	2.9%
Total Cheese	561	-12%	5.2%
Cheddar Cheese	57	-25%	1.9%
Dry Whey (human)	375	+3.5%	44%
WPC (< 80%)	282	+35%	NA
Milk and Whey Protein > 80%	68	-7.1%	NA
Lactose > 99%	521	+10%	*combined equates
Lactose < 99%	197	-20%	to 73% of lactose production

# Weather

*Dry conditions lessen in California and other western states. There are pockets of dry areas east of the Rockies, but the major crop-producing states have not been impacted.*



# DailyDairy

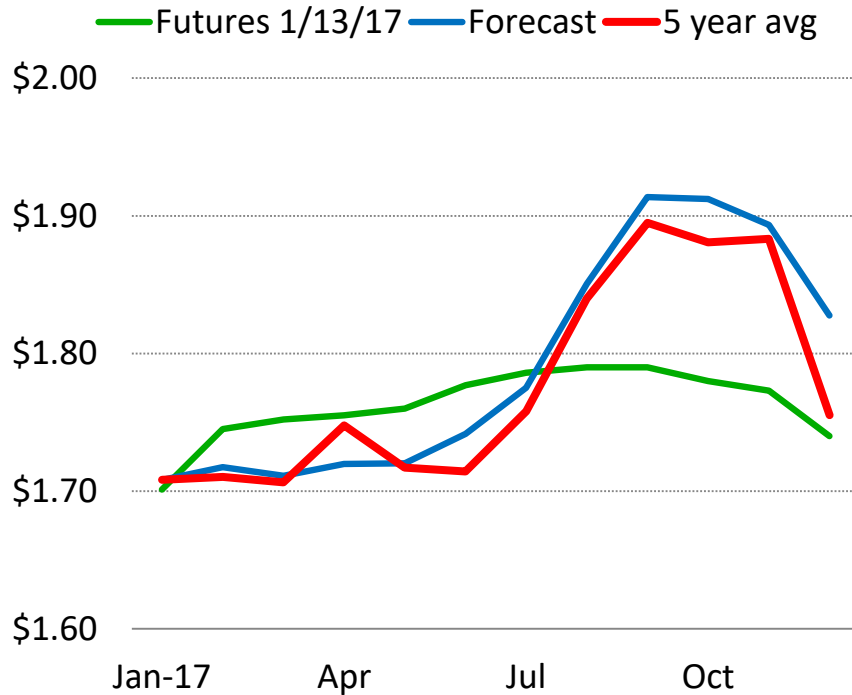


## Dairy Market Outlook

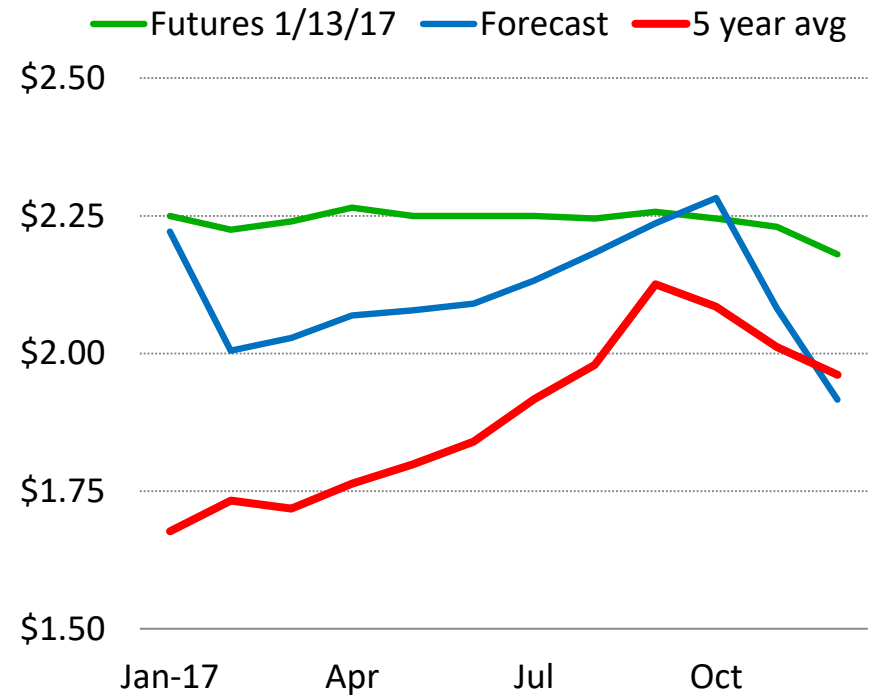


# Cheese and Butter Price Outlook

## Cheese Prices (in USD per lb.)

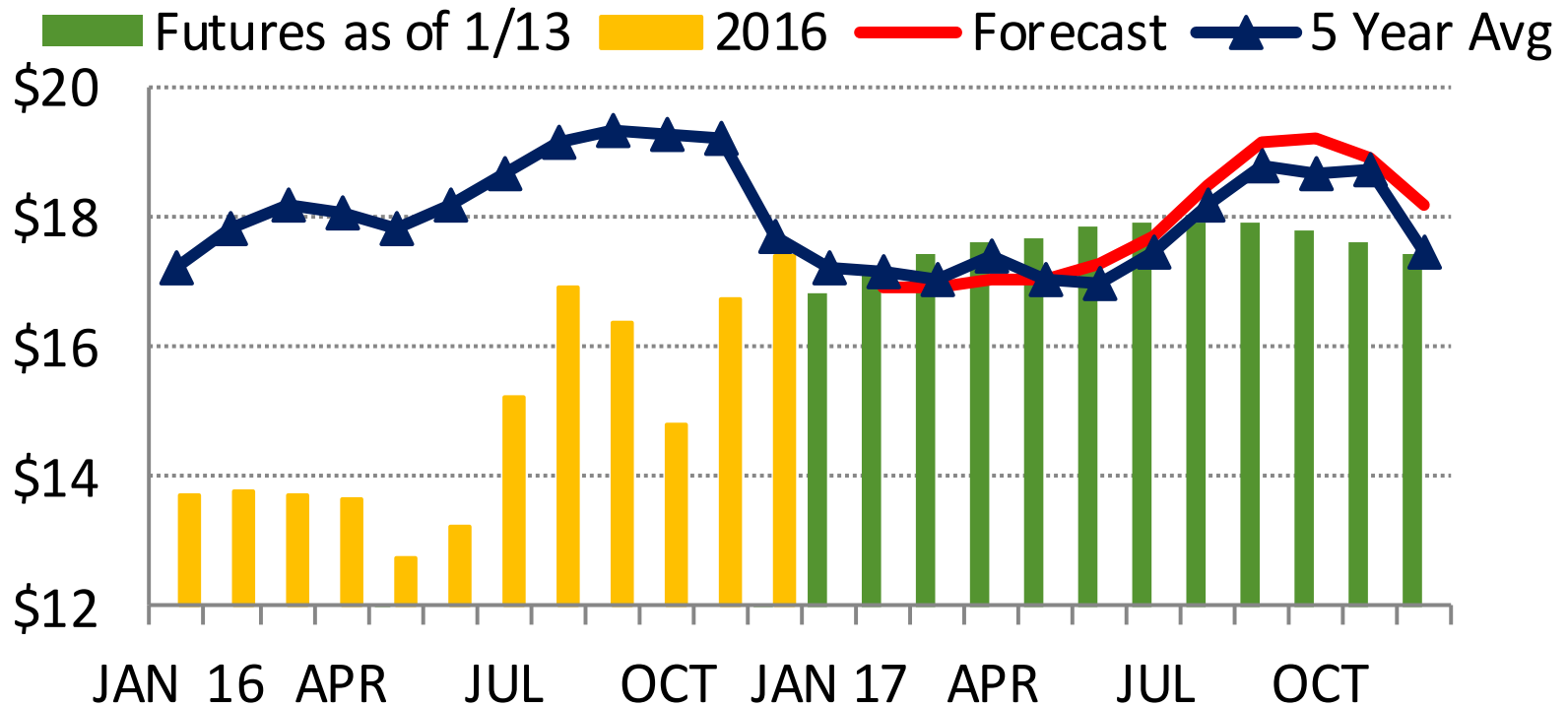


## Butter Prices (in USD per lb.)



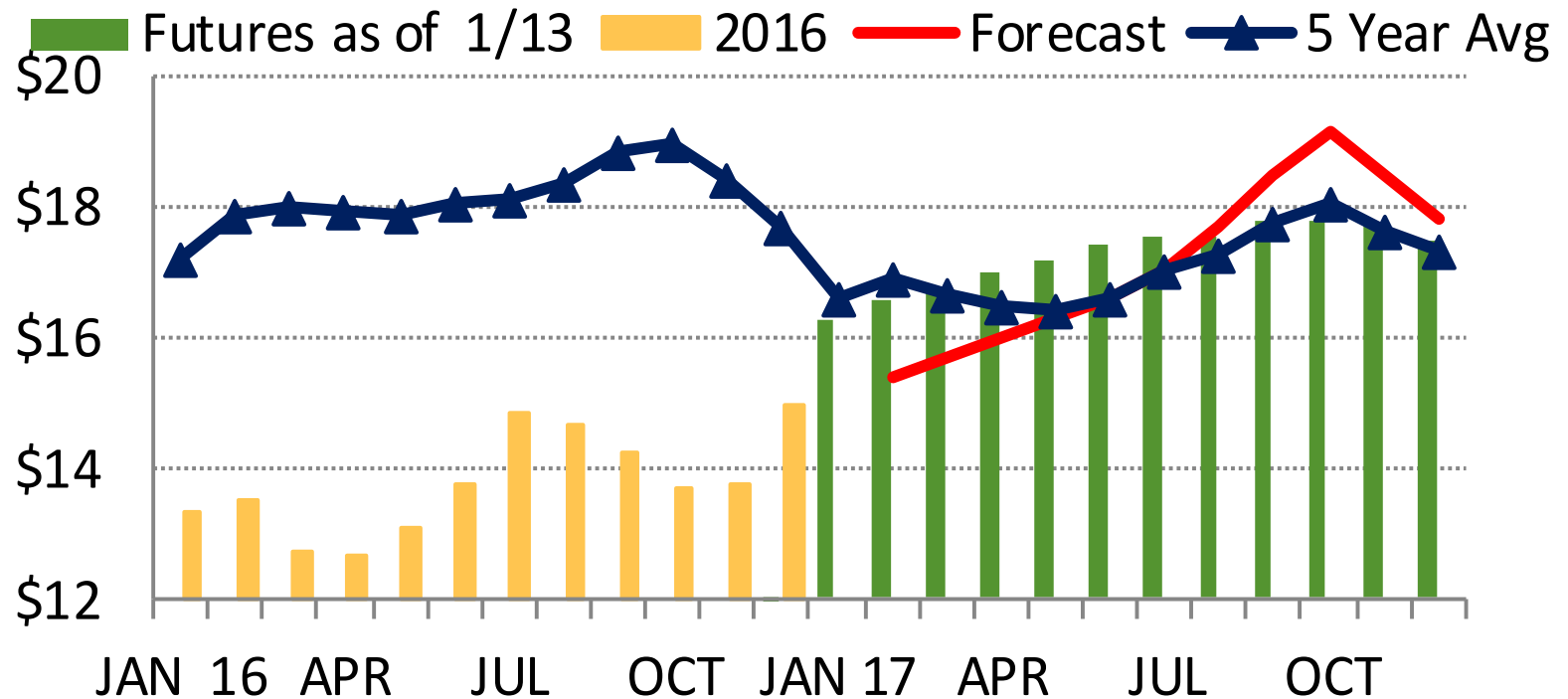
# Class III Price Outlook

## Class III Milk (in USD per cwt.)



# Class IV Price Outlook

## Class IV Milk (in USD per cwt.)



# Outlook Summary

## Bearish Factors

- Weak global demand driven by China and Russia (and other oil economies)
- Stronger US\$ vs. Euro hinders U.S. powder exports
- European output rebounds in 2Q 2017
- European Intervention Stocks
- Upper Midwest to Northeast milk supplies remain robust

## Bullish Factors

- Price Convergence: Reduced Imports and Increased Exports
- Domestic demand remains robust
- **IF** Russia and the EU reconcile
- **IF** there is extensive implementation of base programs by U.S. dairy cooperatives from the Upper Midwest through the Northeast
- Weather Uncertainty