



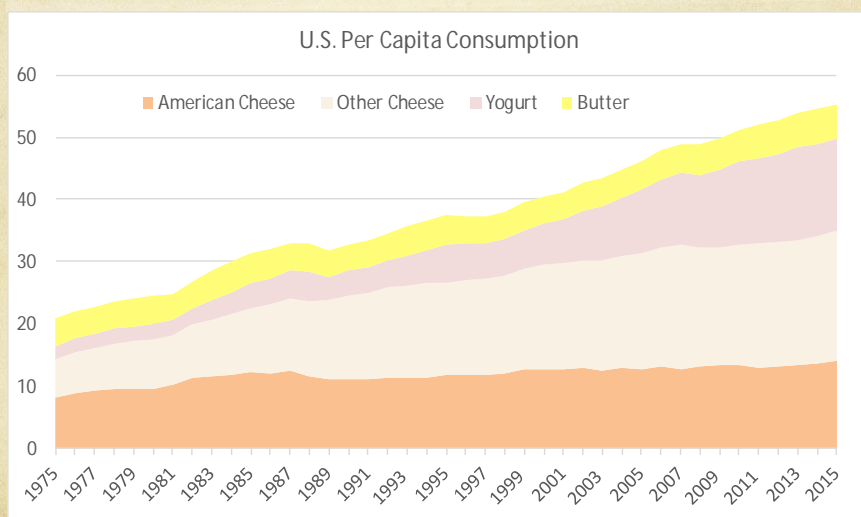
## 2016 Dairy Situation & 2017 Outlook

*Farm Credit East*

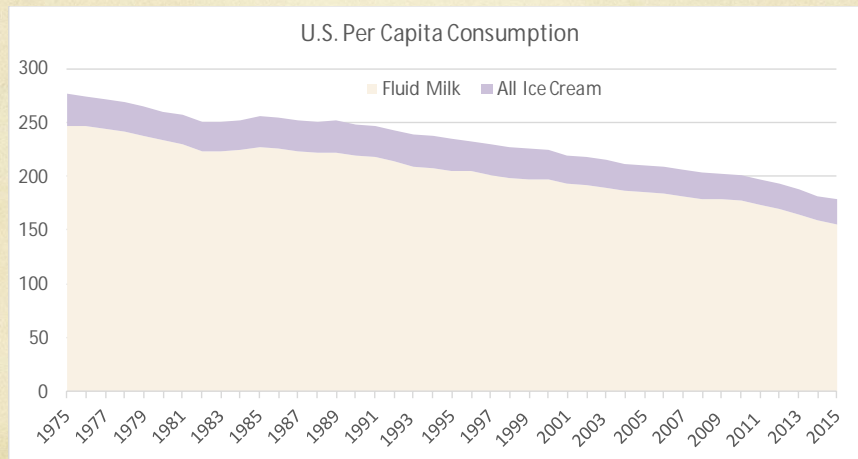


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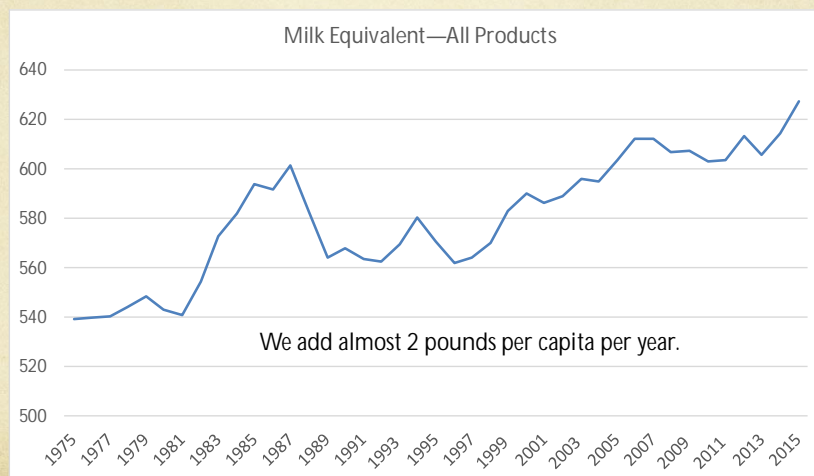
## High Impact Trends!



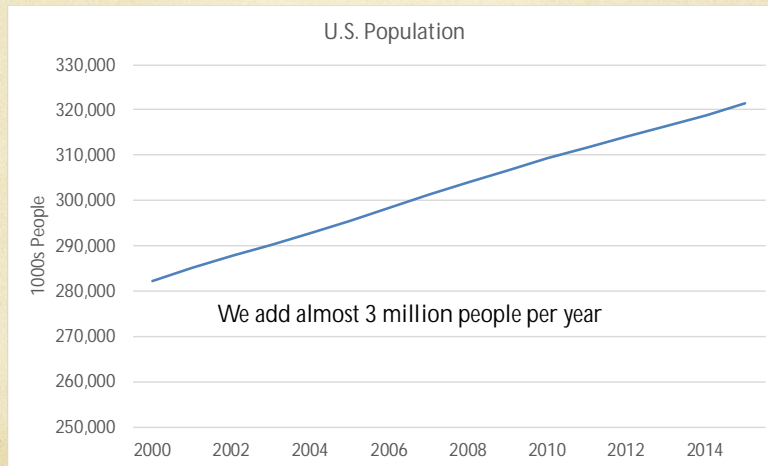
## High Impact Trends!



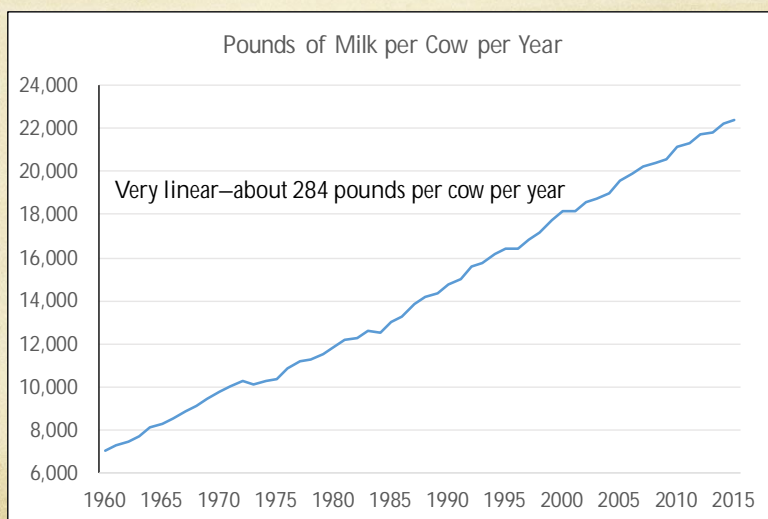
## Good News



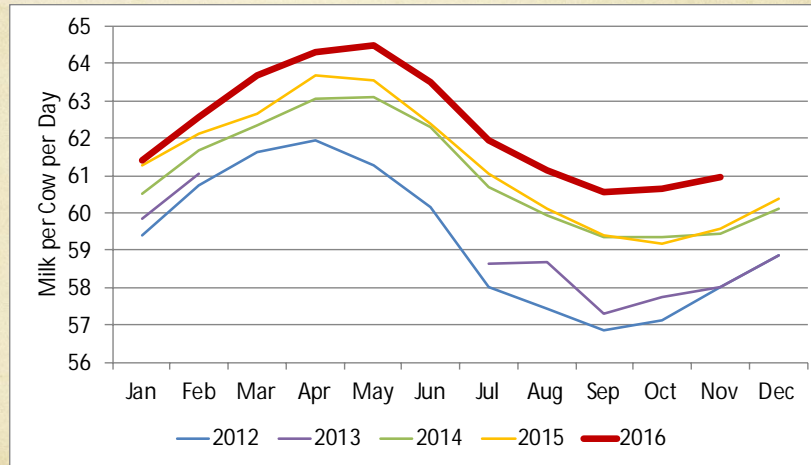
## High Impact Trend!



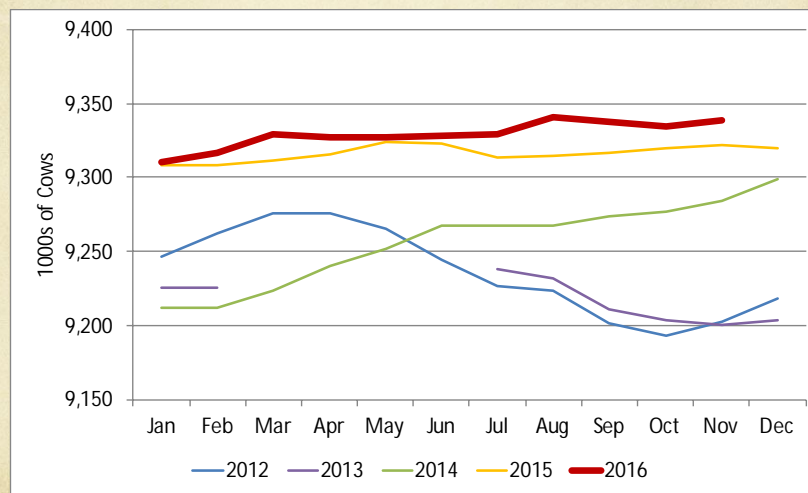
## High Impact Trend!



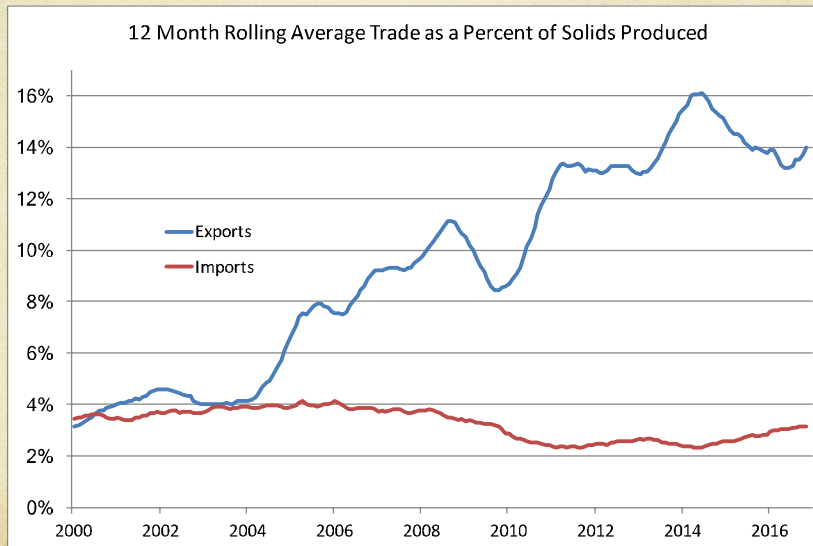
## Milk per Cow per Day



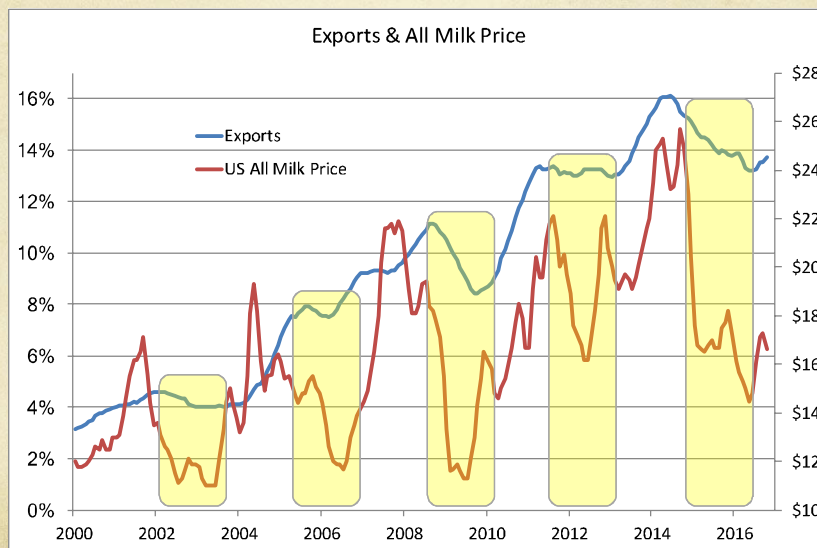
## Number of Cows



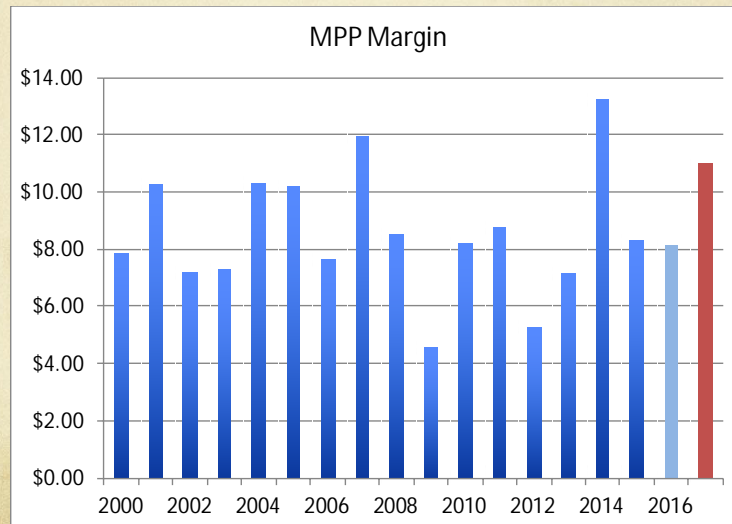
## Sustained Growth Needs Exports!



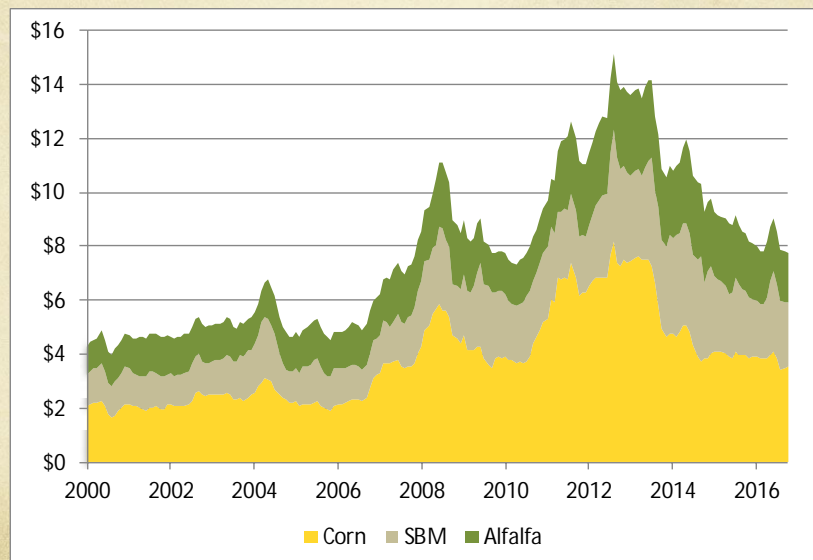
## The Importance of Trade



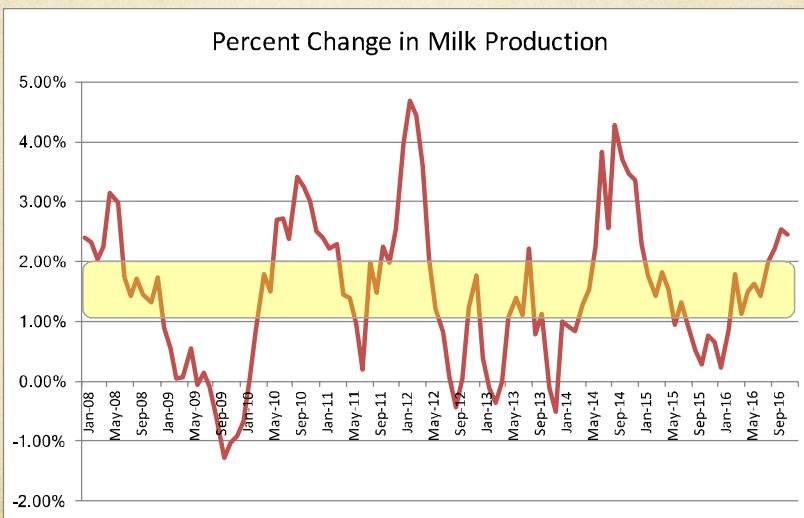
## Profit is a Market's Signal to Produce More



## MPP Ration Value

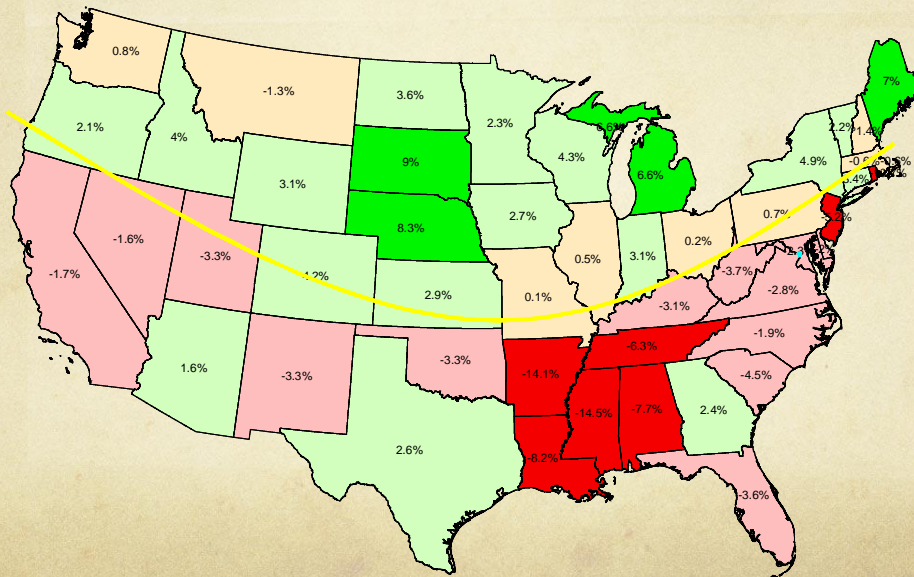


## Percent Change in U.S. Milk Production

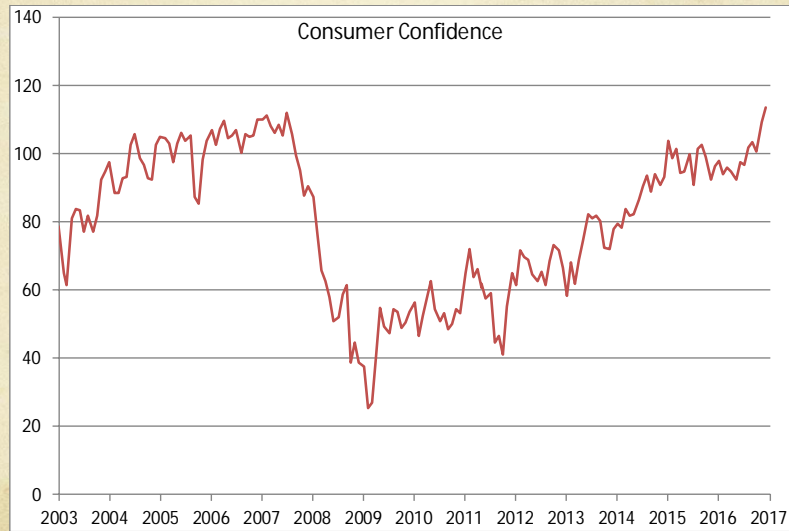


# Northern States Making More Milk?

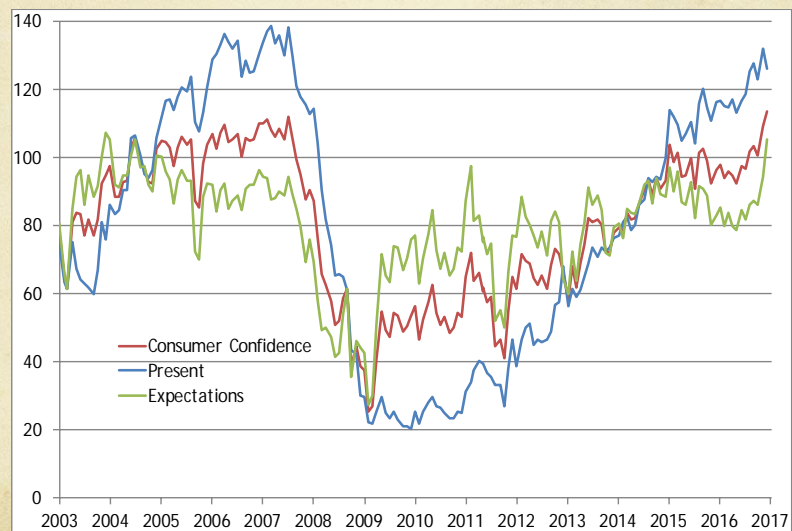
### Change in Milk Production—First 3 Qtrs of 2016 compared to 2015



## Consumer Confidence



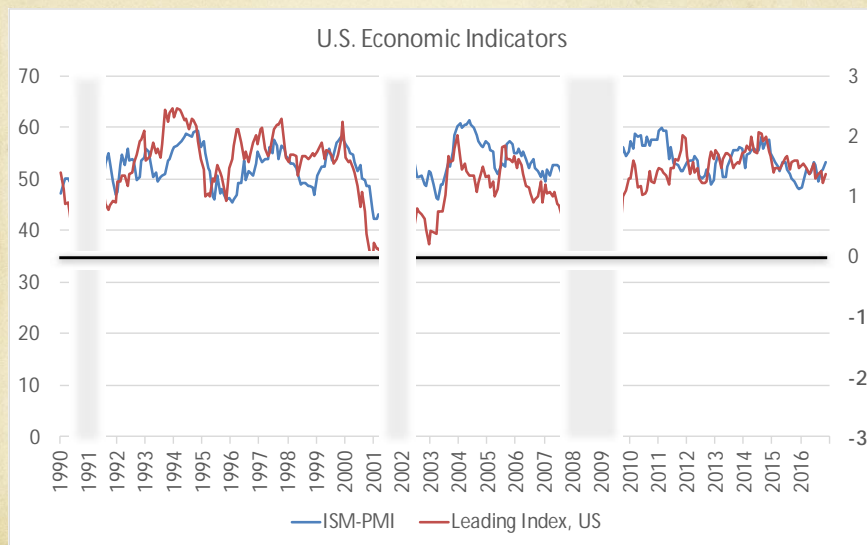
## Consumer Confidence



## U.S. Unemployment Rate

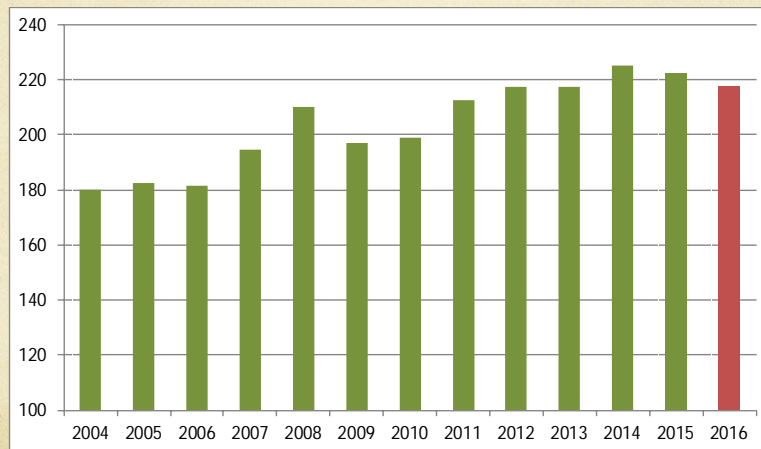


## Economic Indicators

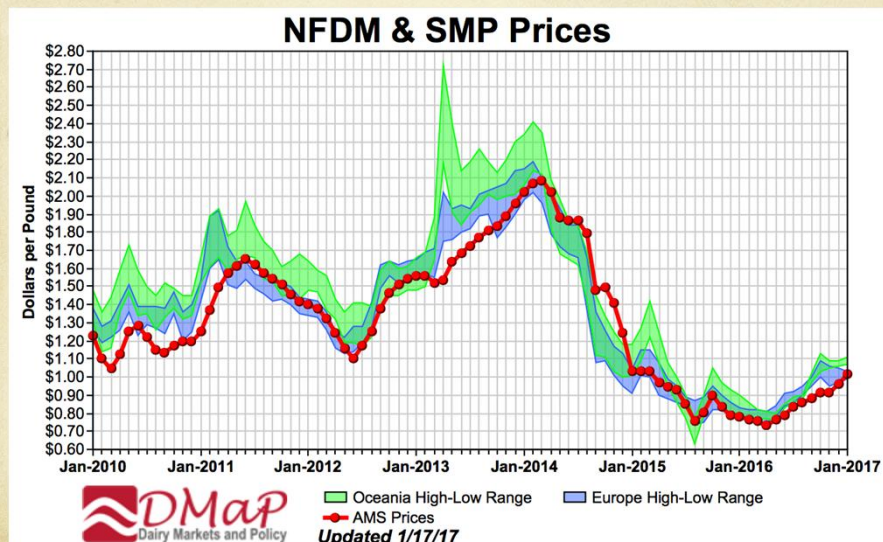


## Dairy Products are a Good Buy

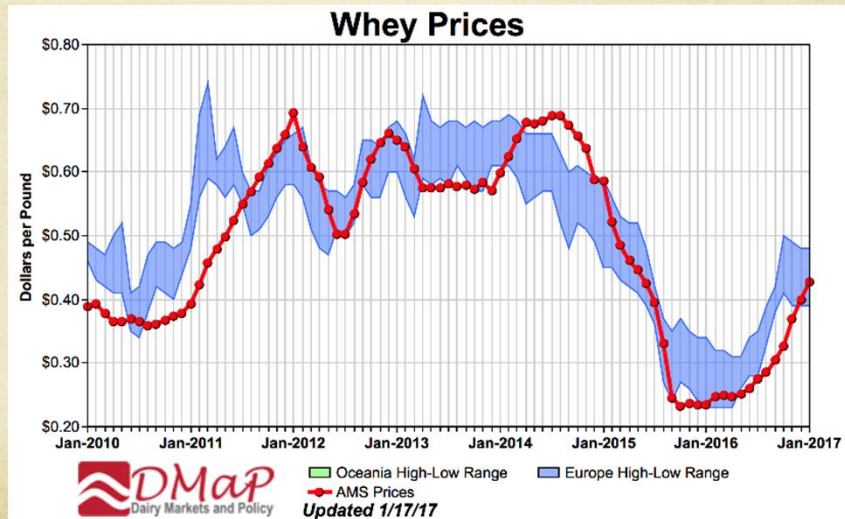
*BLS – Dairy and Related Products*



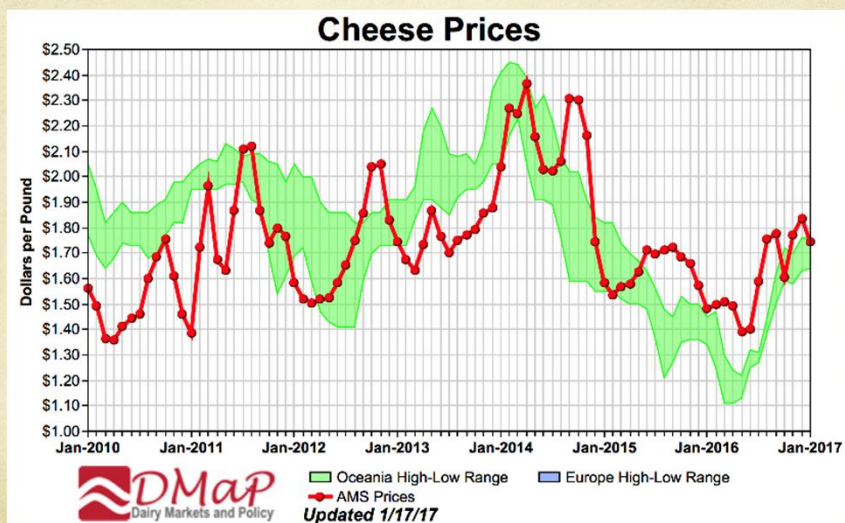
## U.S. Versus International Prices



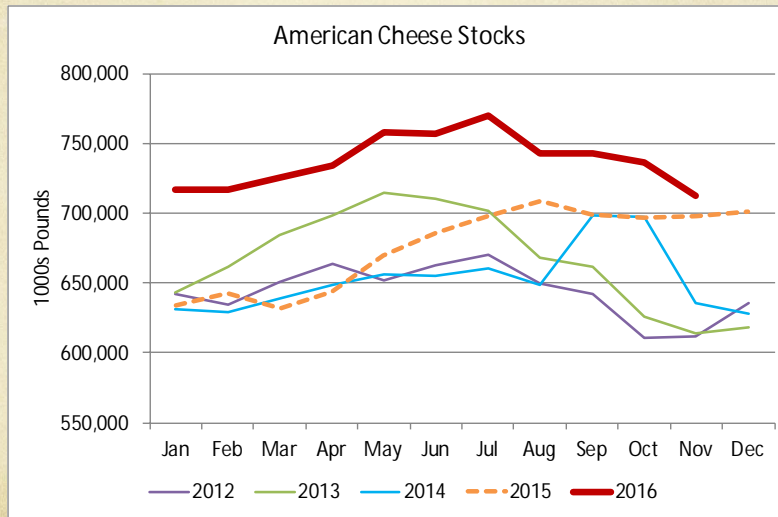
## U.S. Versus International Prices



## 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**

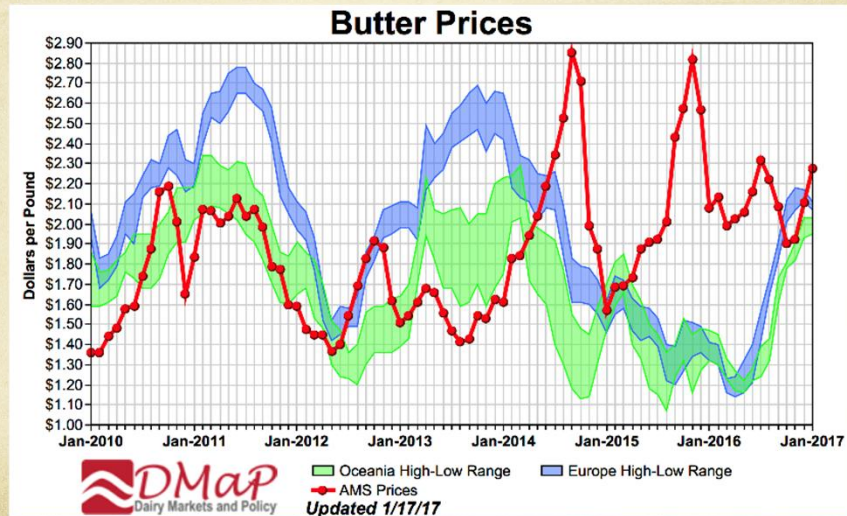
*December 20, 2016*



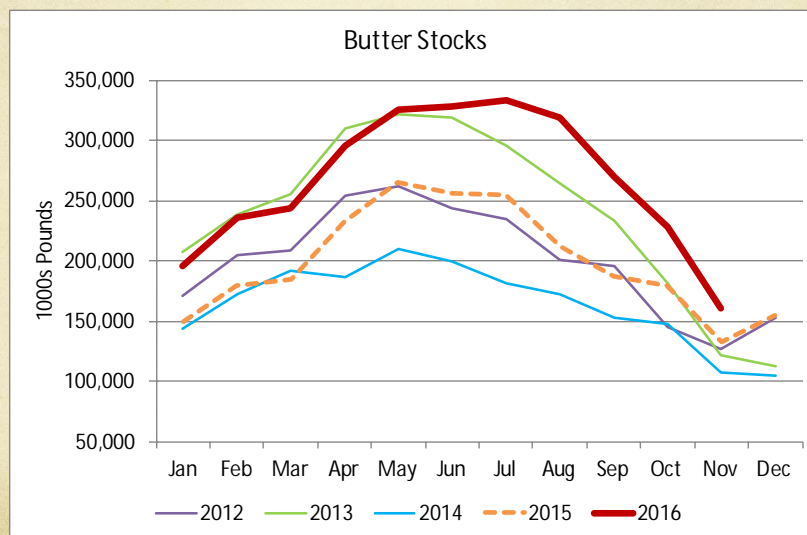
**CWT Assists with 3 Million Pounds of Cheese and Butter Export Sales**

*December 13, 2016*

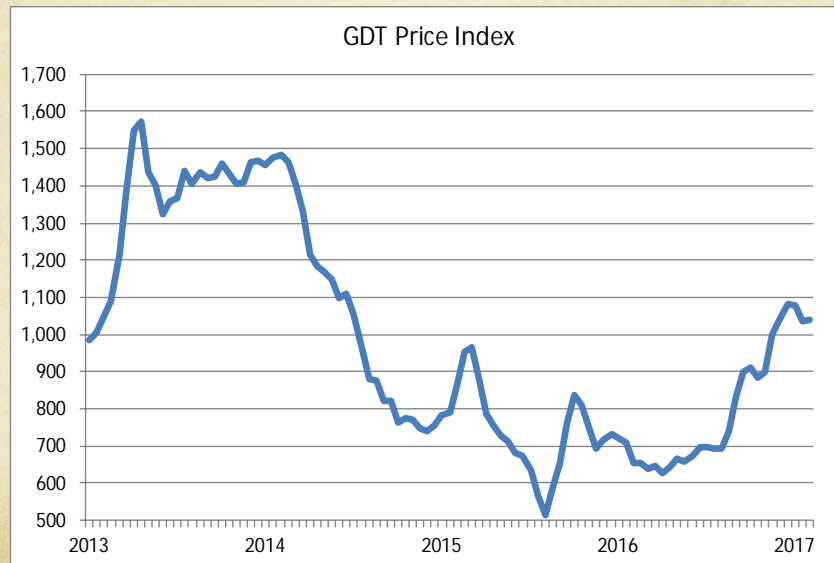
## U.S. Versus International Prices



## U.S. Butter Stocks



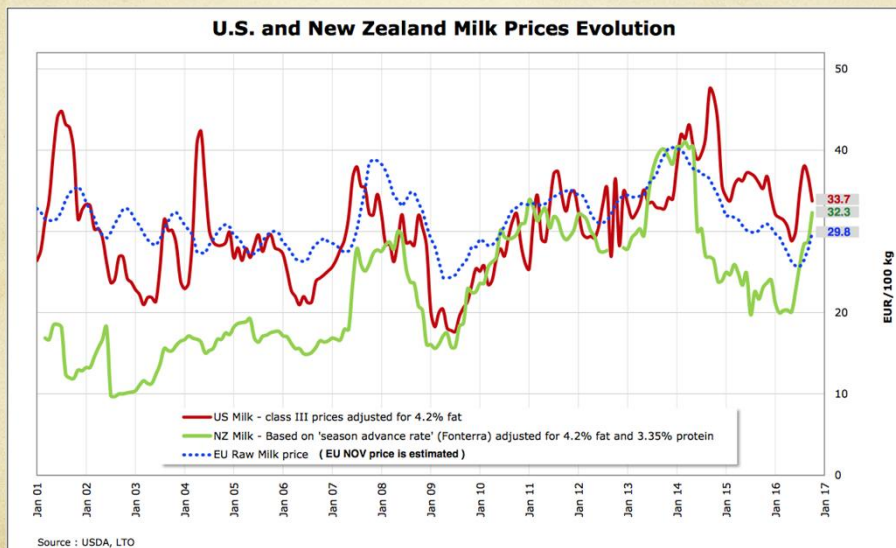
## Global Dairy Trade Index



## Other Factors



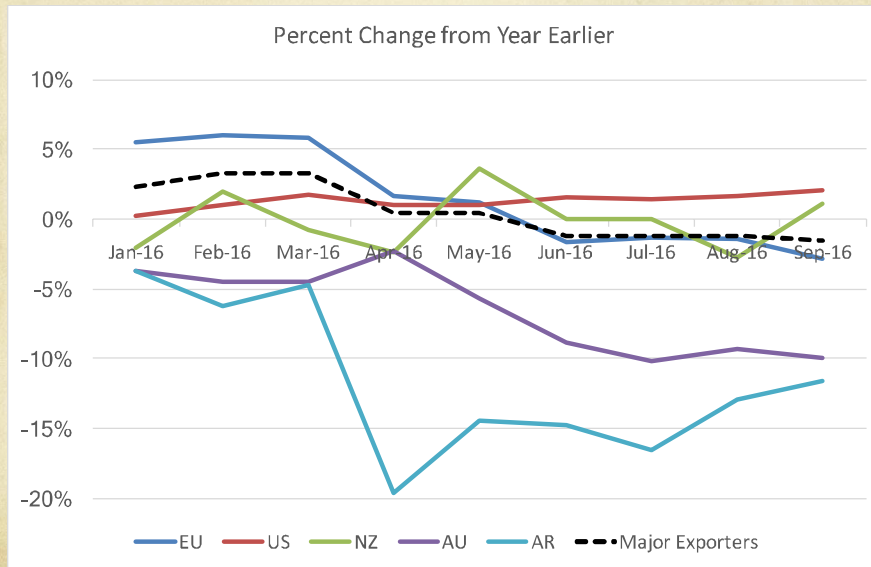
## U.S. Farm Milk Prices Held Up Better than Most



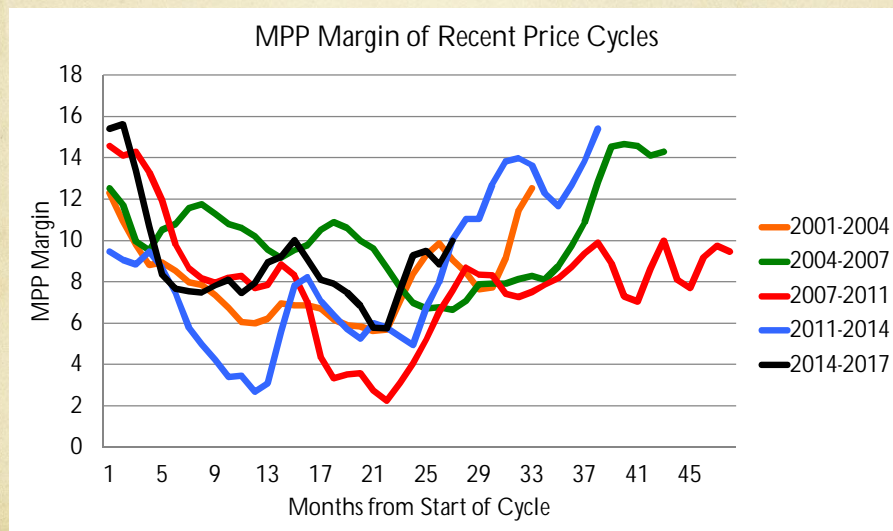
## U.S. Farm Milk Prices are Holding Up Better than Most

- § 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

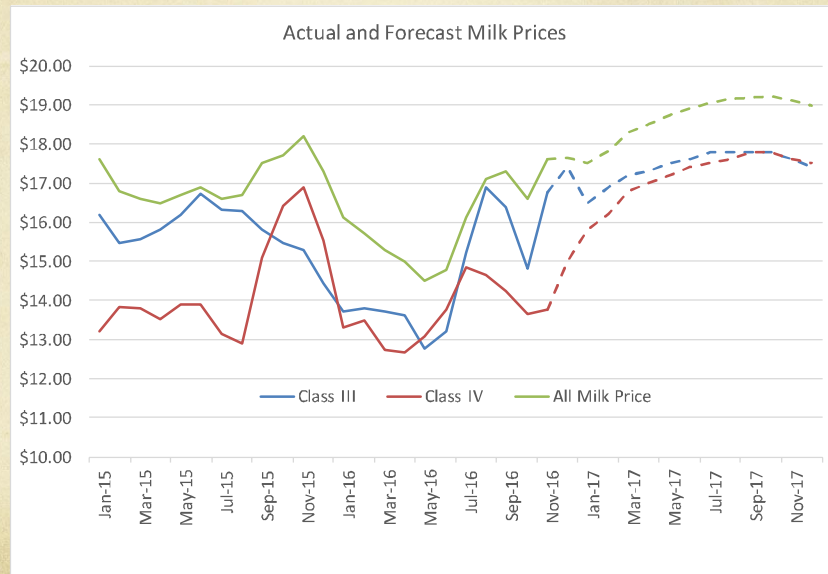
## Output Down from Major Exporters



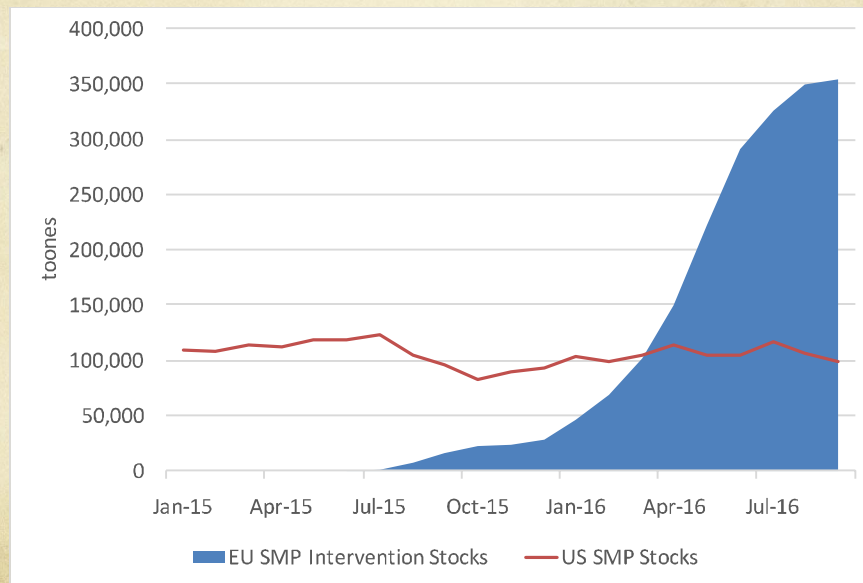
## Price Cycles



## My Price Forecast



## Intervention Stocks Overhang Markets



## 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 NY/PA All Milk Price up about \$2.65



## Questions?



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