



UPSTATE NIAGARA
COOPERATIVE, INC.
FARMER OWNED

Northeast Market Perspective & Challenges

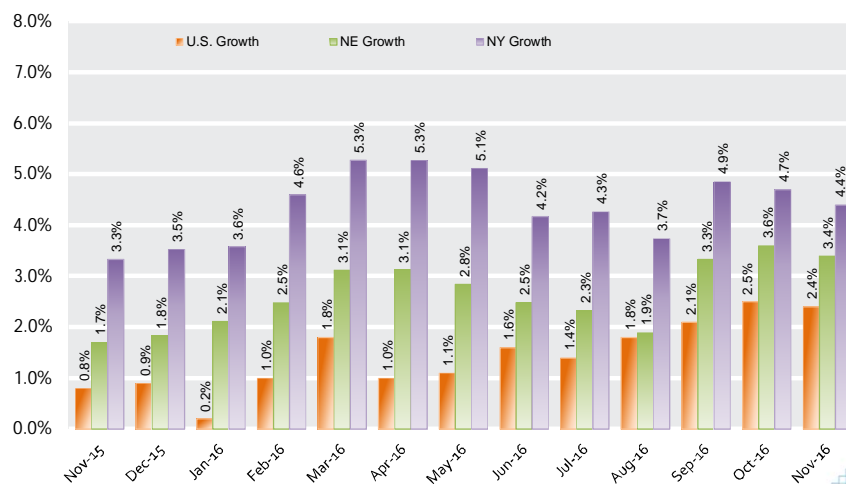
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January 20, 2017

Mixed Messages

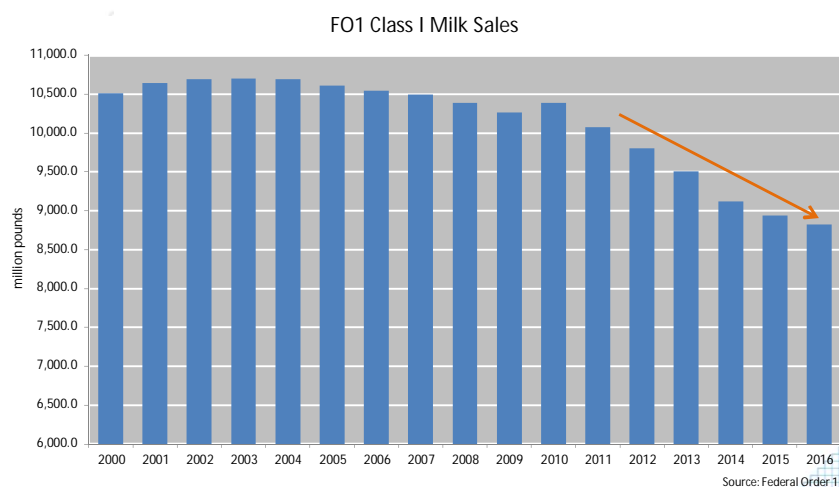
- Producer pay prices are likely to rise during 2017
 - Margins will improve
 - A farmer's impetus is to produce more milk...
- Regional demand and capacity restraints may result in lower/negative premiums to producers
 - Federal Order announced prices do not fully reflect regional demand, capacity and balancing issues

Impressive Milk Production Growth



Source: USDA NASS, NE Growth calculated using available data from Northeast states

Class I Demand



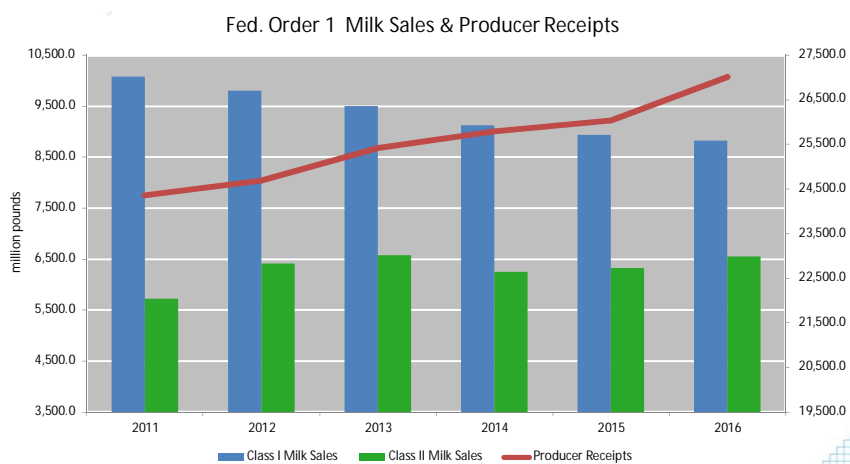
Source: Federal Order 1

The Yogurt Boom!

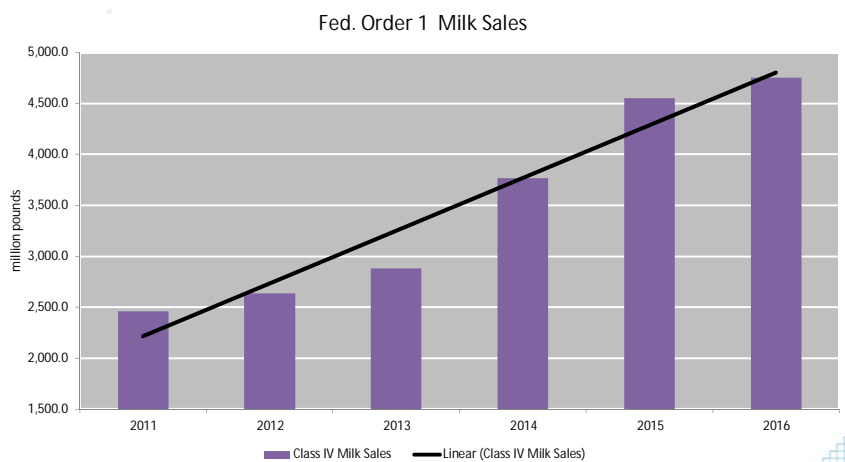


**6 oz. vs 128 oz.
per purchase occasion**

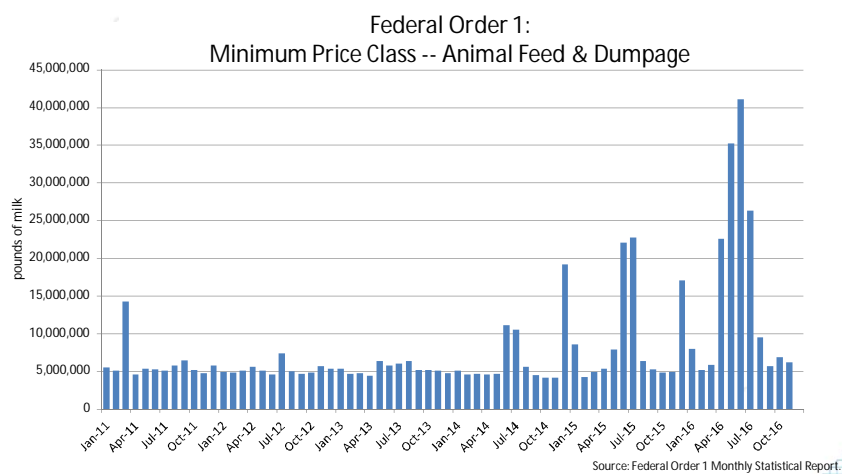
What about Class II?



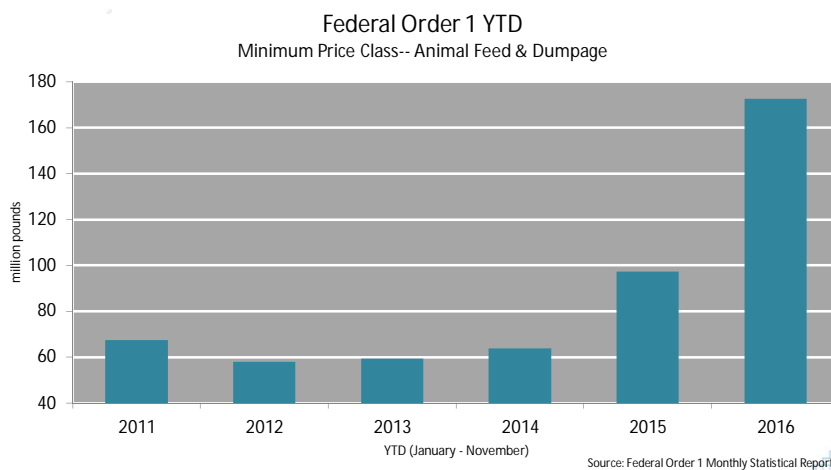
Strong Rise in Balancing Activity



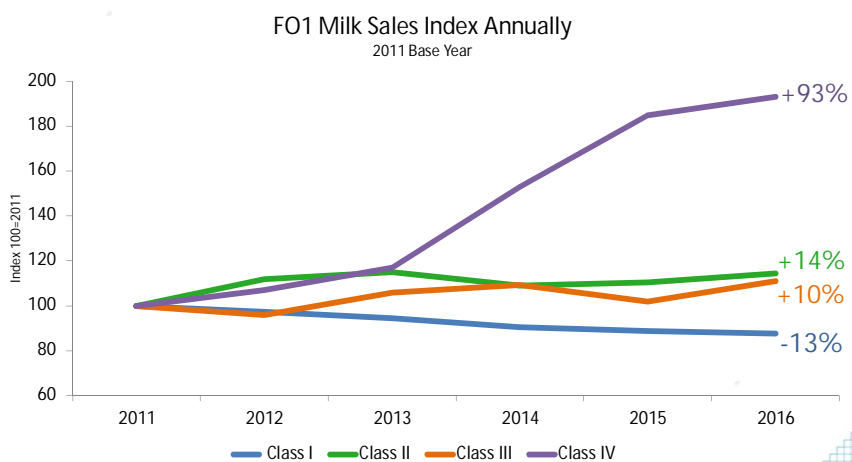
Extraordinary Measures

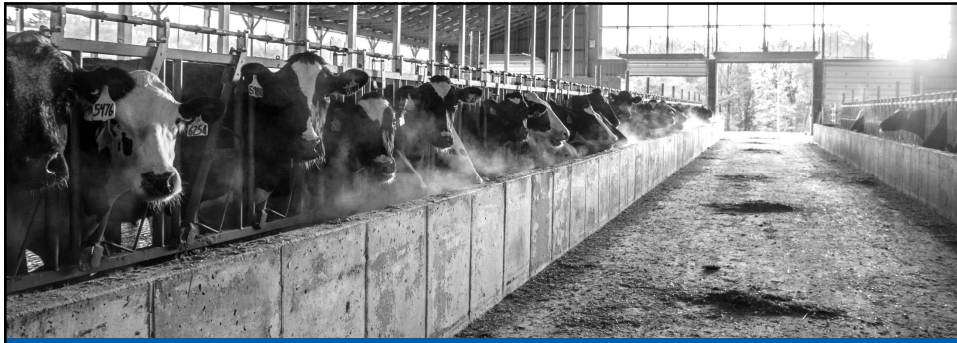


Unprecedented, Challenging Times



Structural Imbalance





thank you.

questions... jsmith@upstateniagara.com