



Dairy Markets: The Road Ahead



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COVID in the Rearview Mirror?



Daily New COVID Cases

Daily spread trends

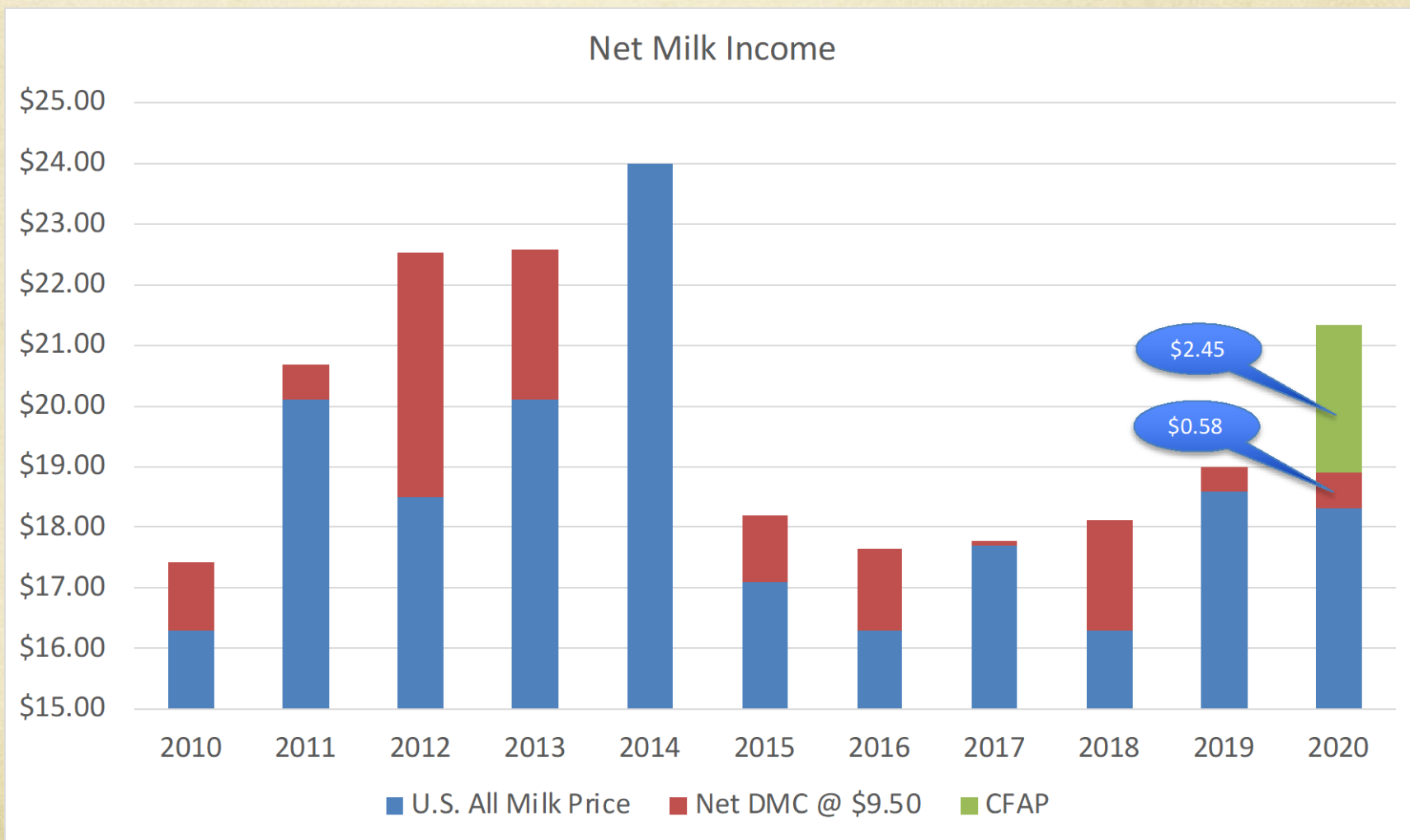
New cases



All time



2020 Milk Income Wasn't Bad

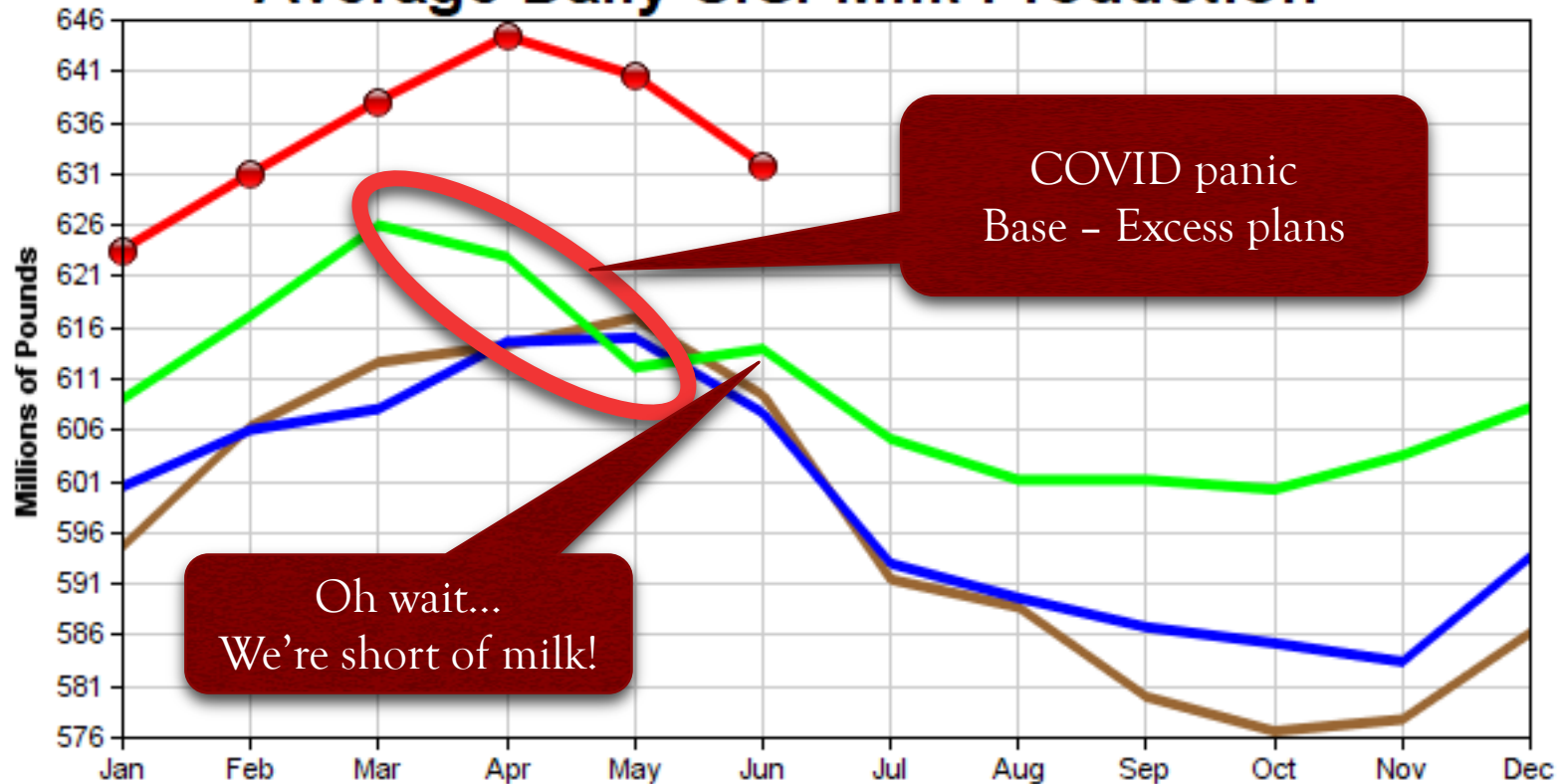


Domestic Demand Was Surprisingly Good

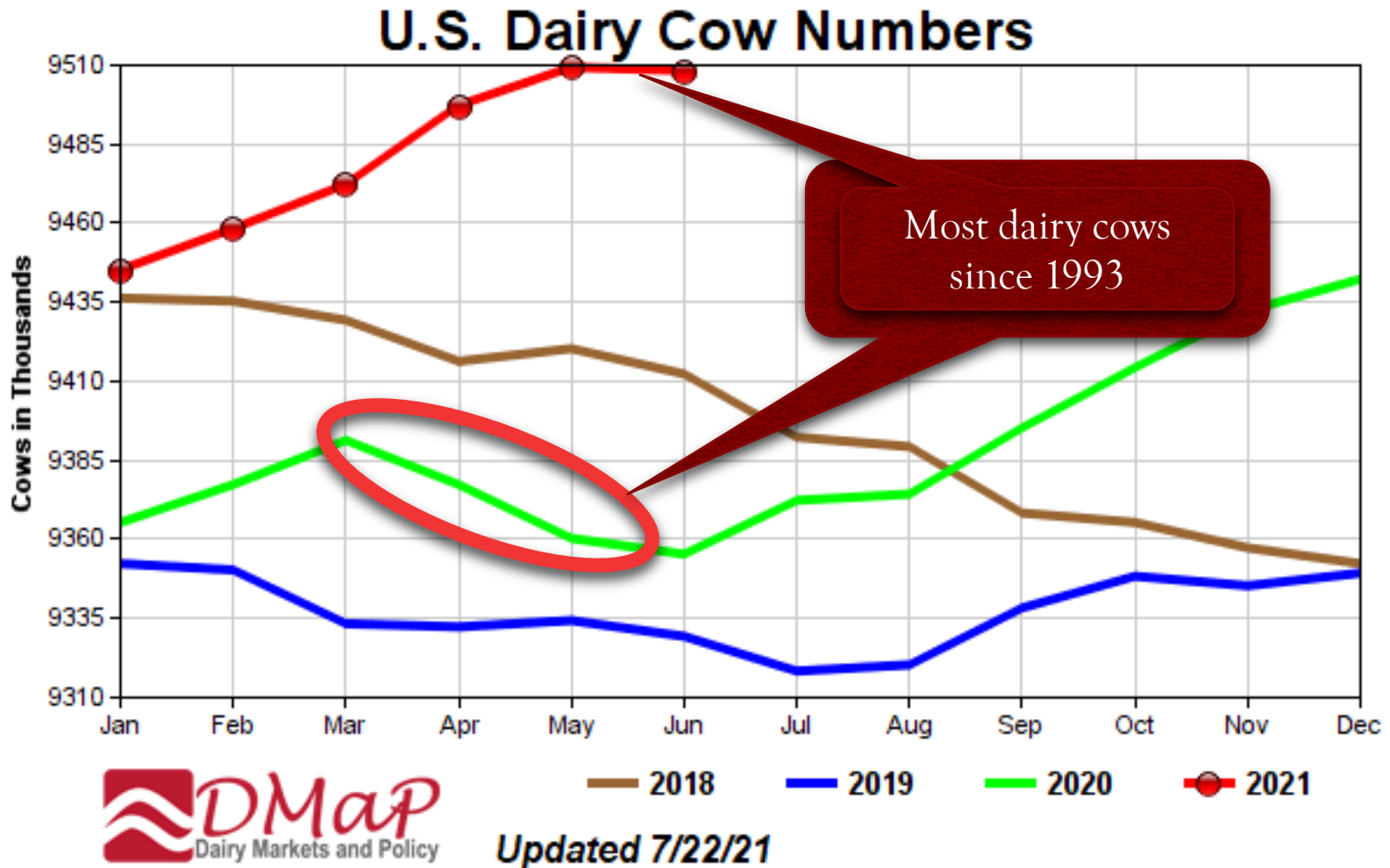
- 2020 retail sales of dairy were remarkable
- Early collapse of out-of-home eating, but recuperated in second half of the year.
- Farm-to-Family Food Boxes were a surprising stimulant.
- Now we have a lot of milk and it's a good thing that exports are holding up.

Milk Production

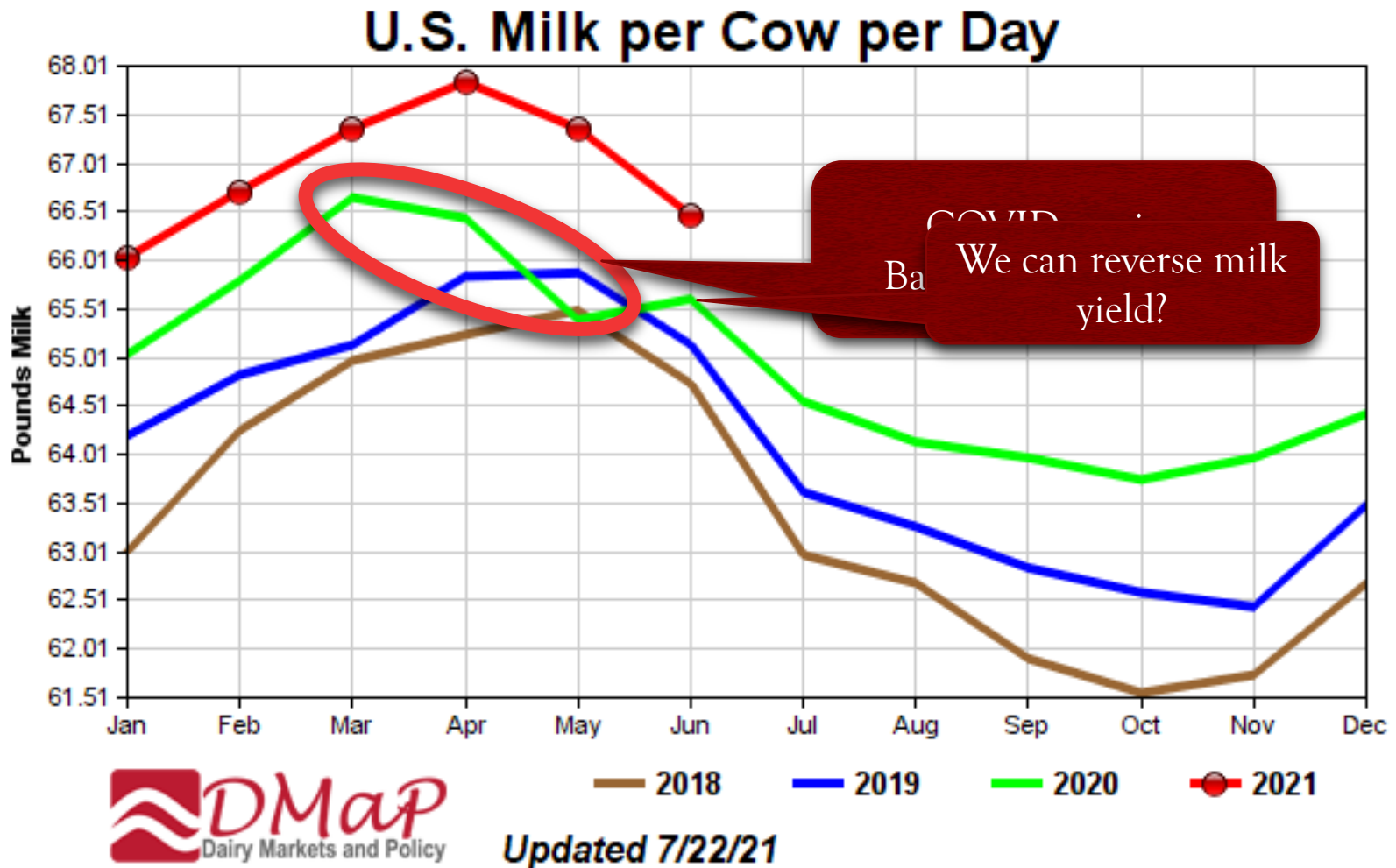
Average Daily U.S. Milk Production



U.S. Dairy Cows

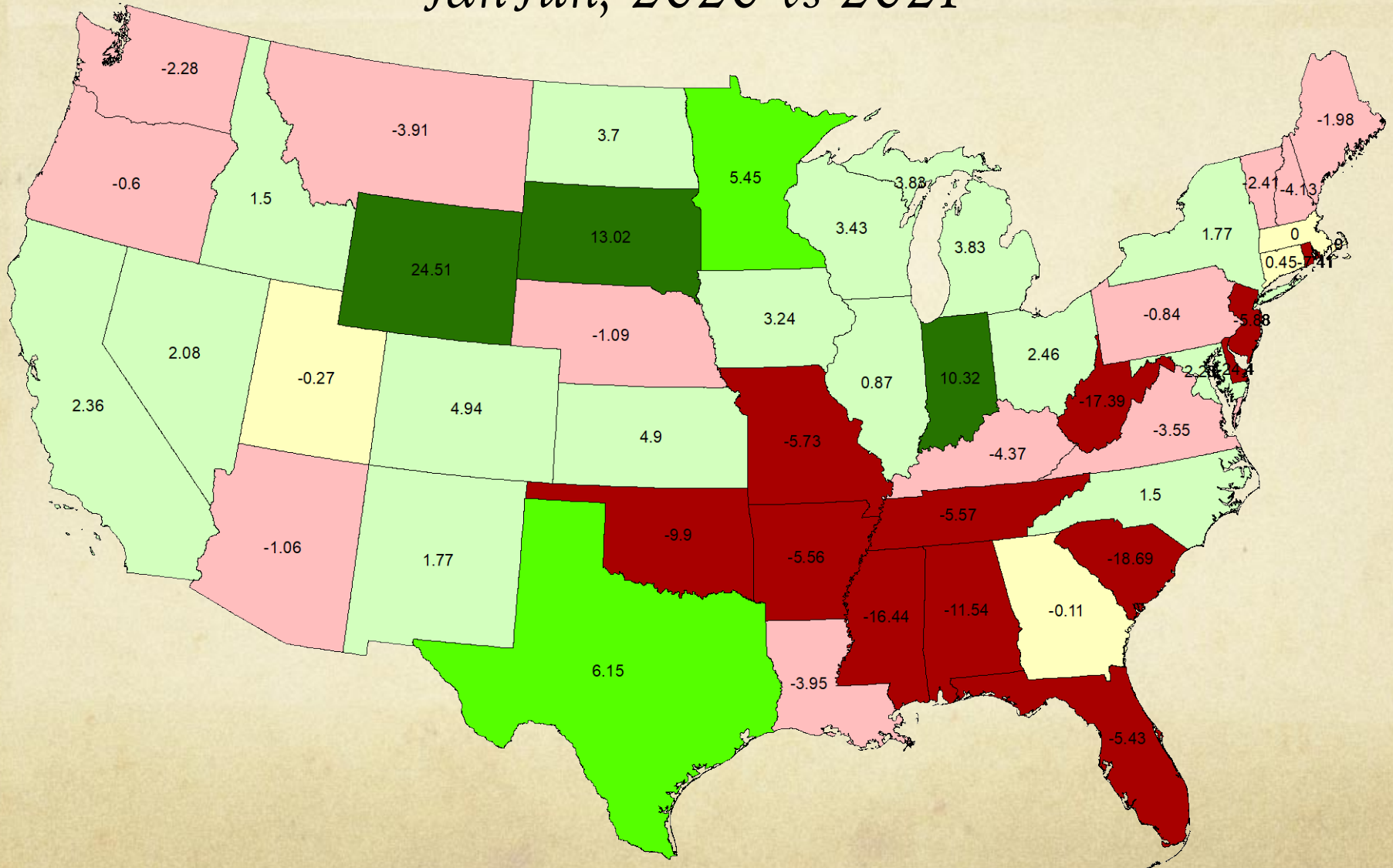


U.S. Milk per Cow

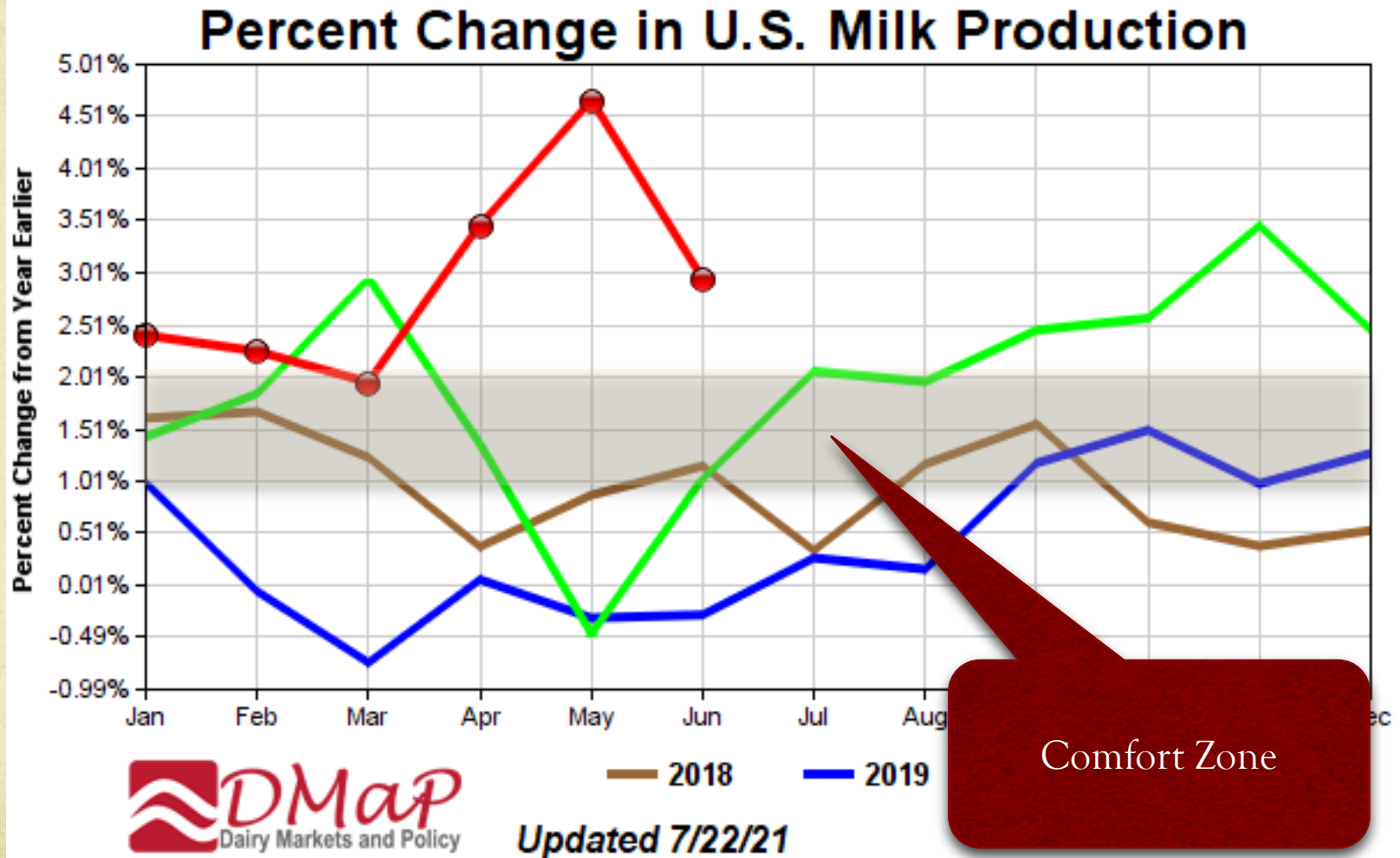


Percent Change in Milk

Jan-Jun, 2020 vs 2021



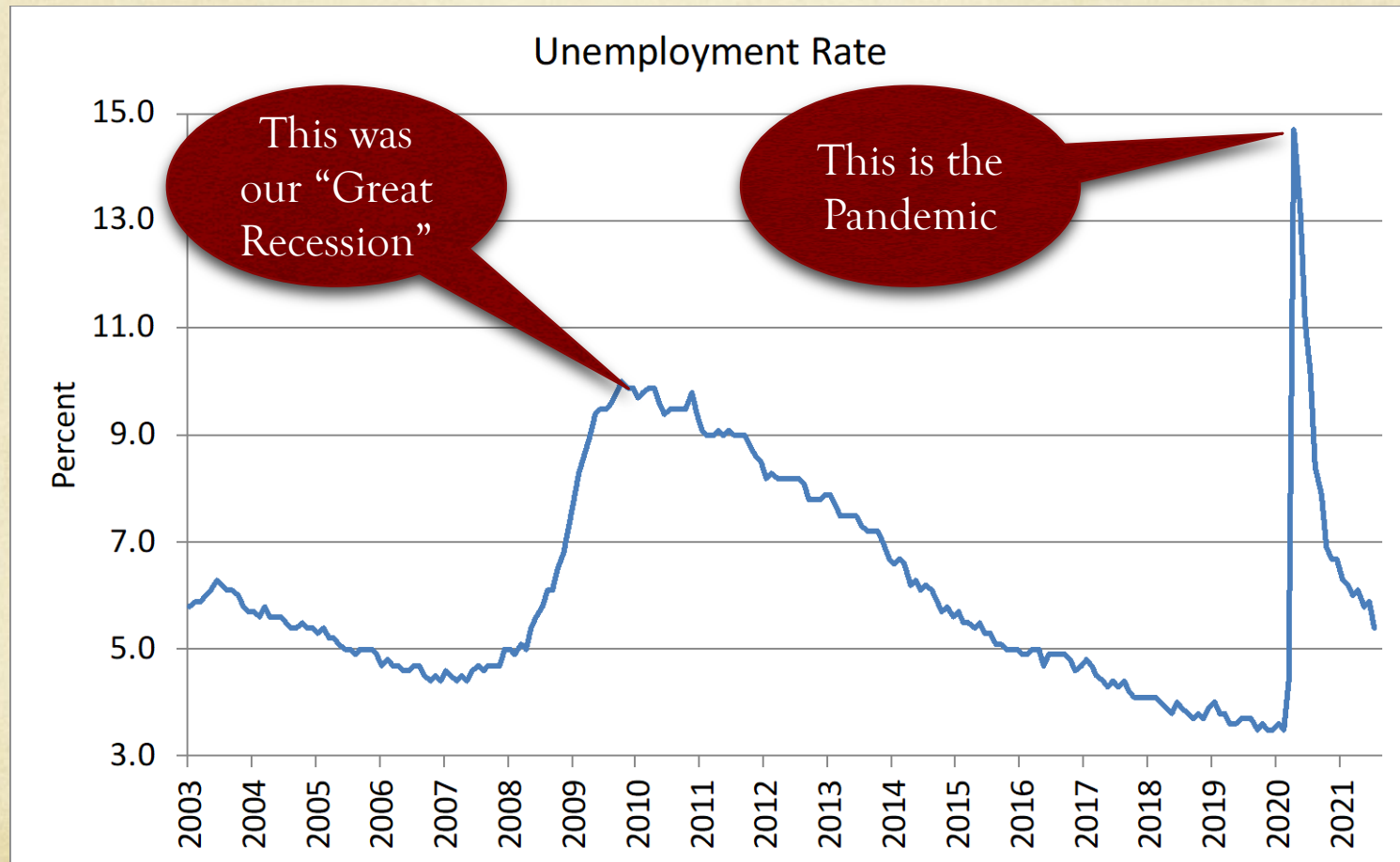
Concerns



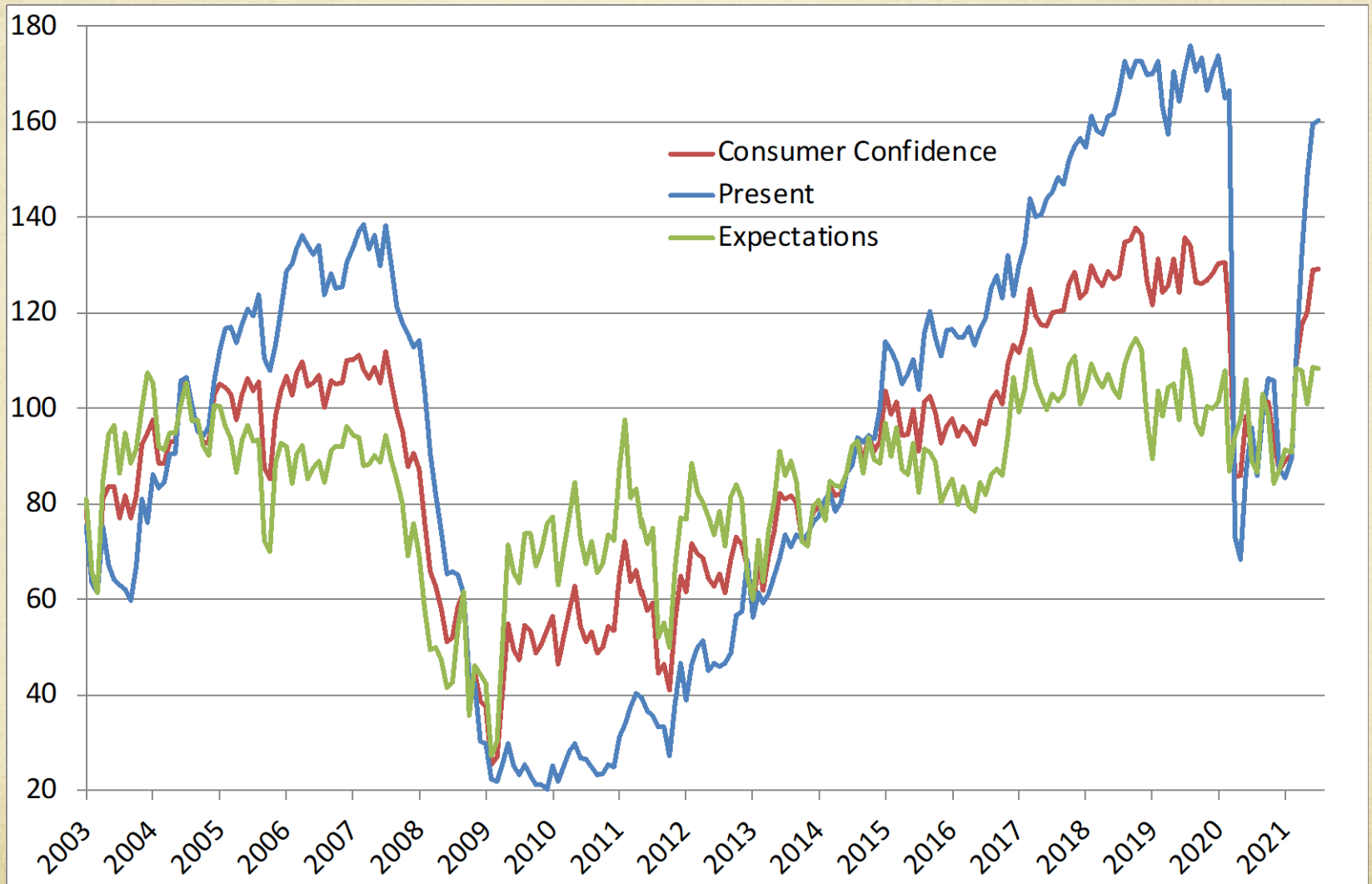
Concerns

- We have some pretty big milk production.
- That can only be sustained if:
 - Domestic sales remain strong
 - Retail
 - Restaurant & Institutional sales
 - Export sales remain strong
 - Competitors
 - Economies
 - Trade treaties
 - Strength of U.S. dollar

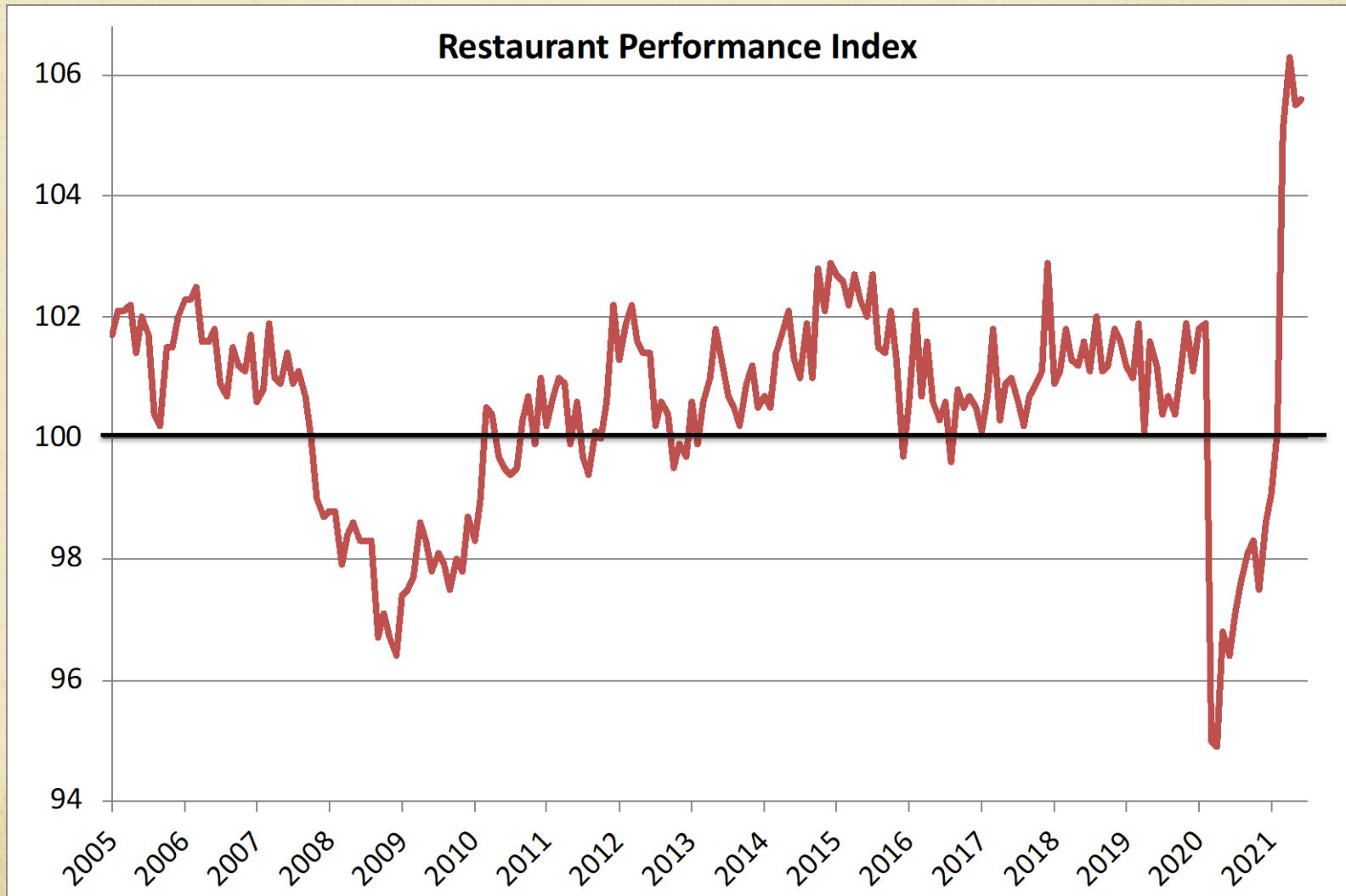
The Pandemic Hit



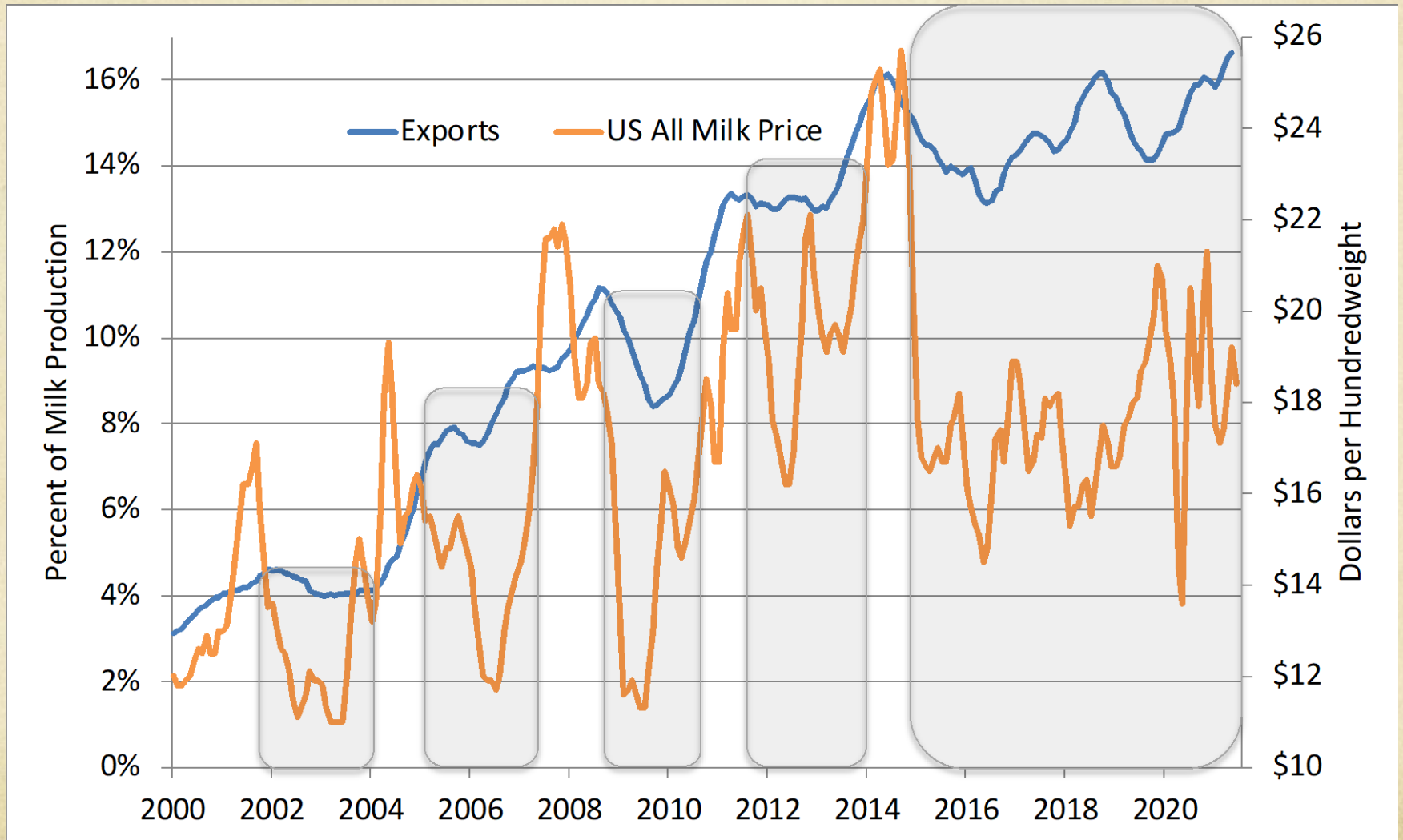
Consumer Confidence



Restaurant Performance

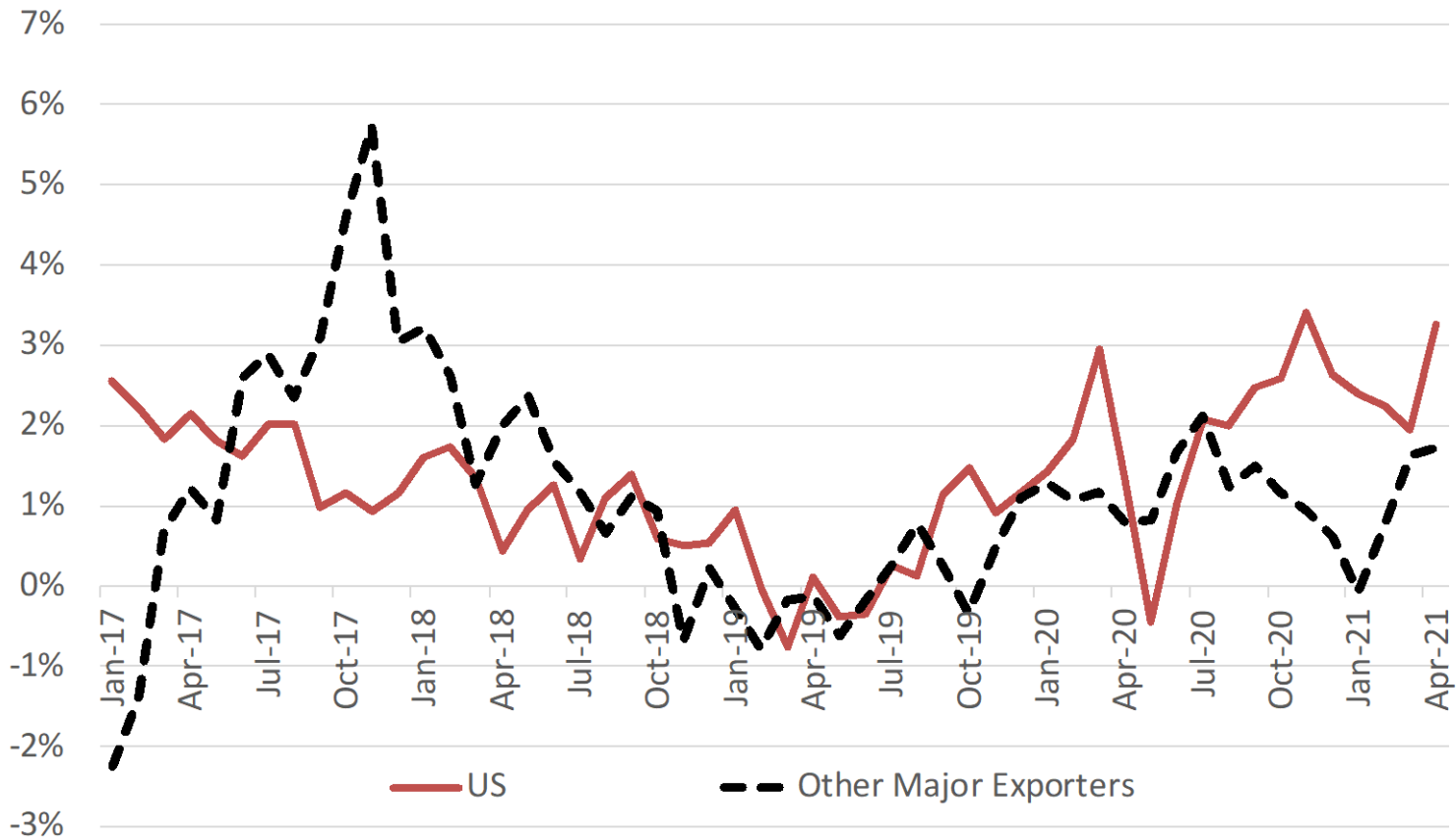


We Count on Exports

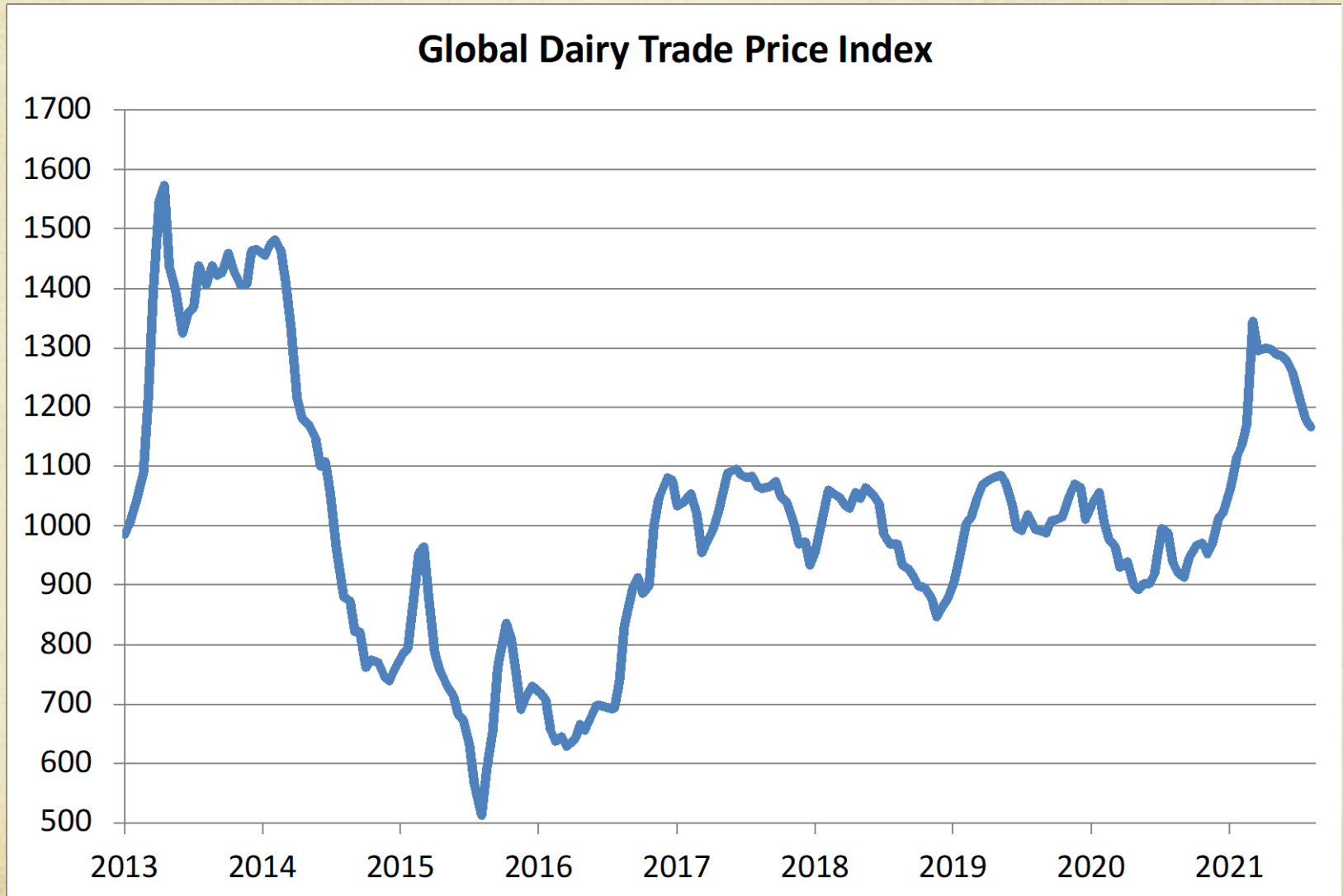


We Are Contributing a Lot of Milk

Percent Change in Milk Production from Year Earlier



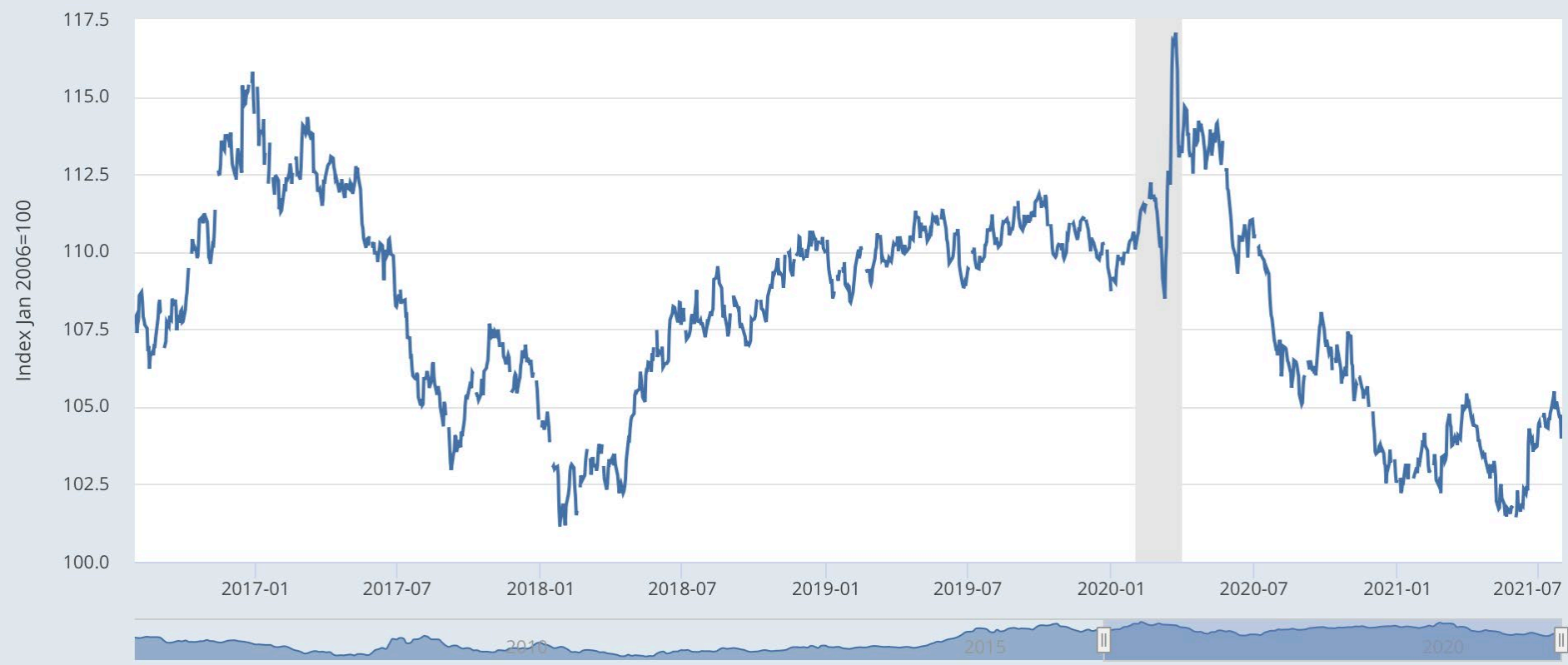
The World is Feeling Well Supplied



Recently Strengthened U.S. Dollar



Trade Weighted U.S. Dollar Index: Advanced Foreign Economies, Goods and Services



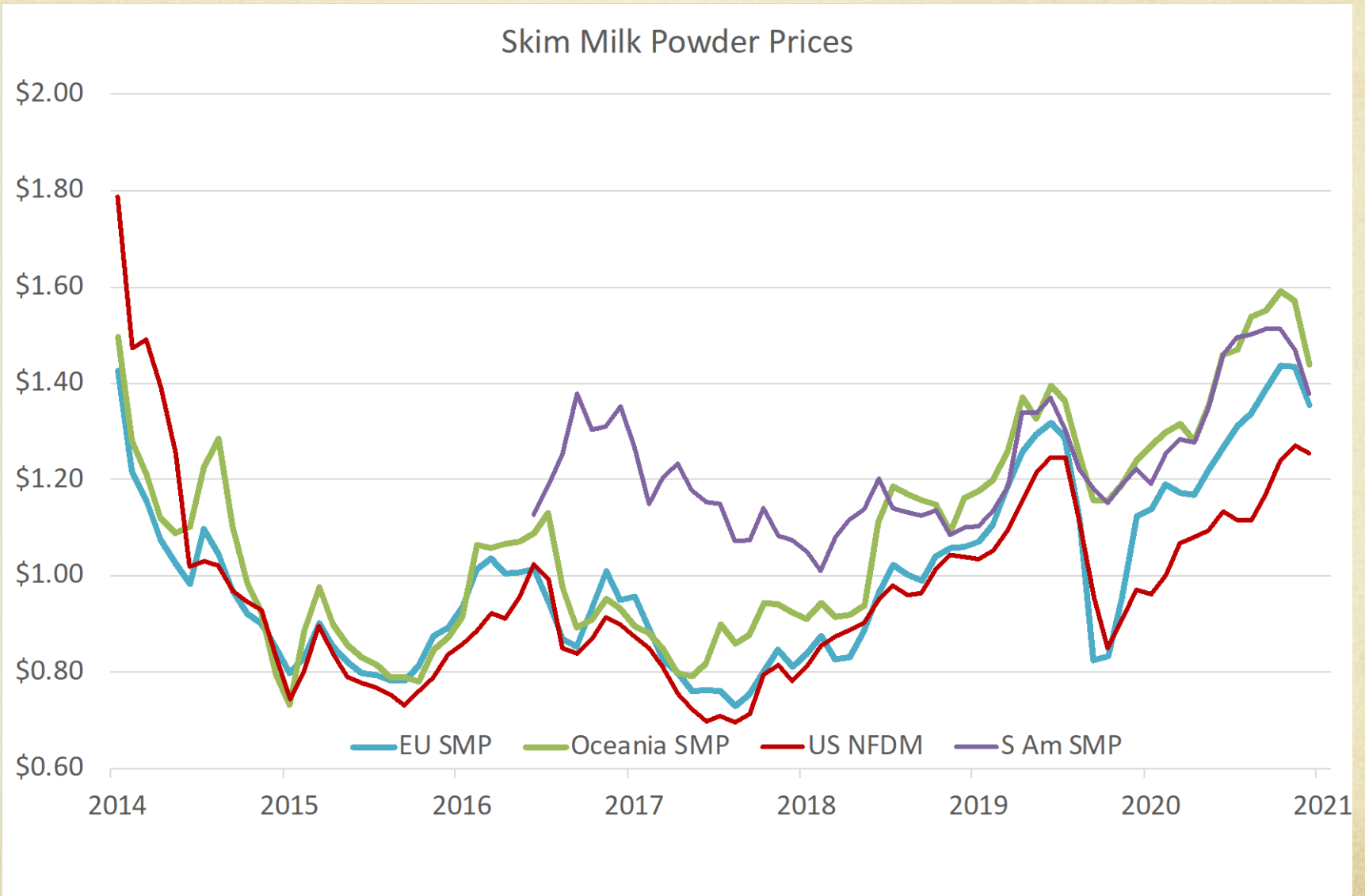
Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

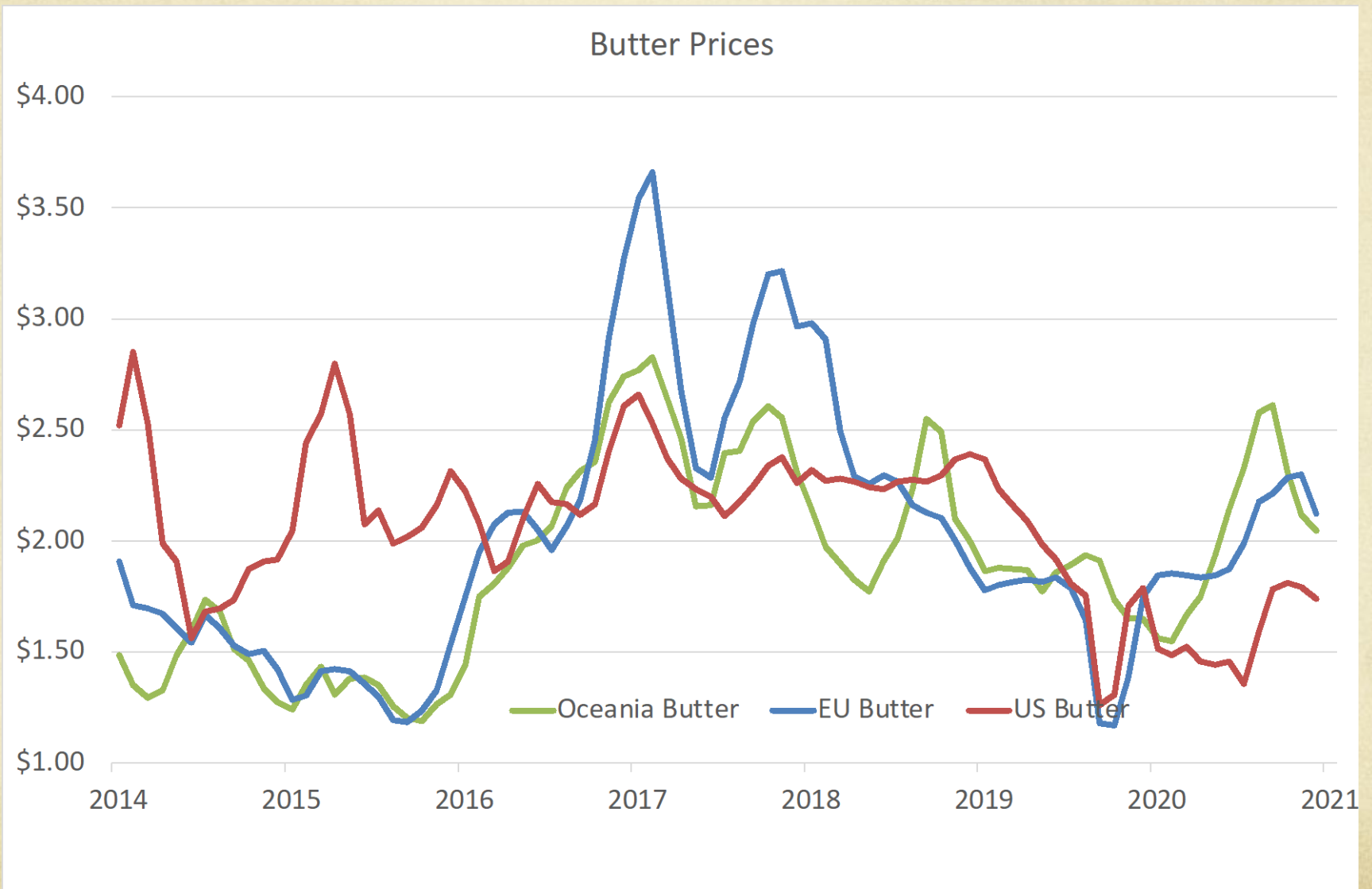
fred.stlouisfed.org



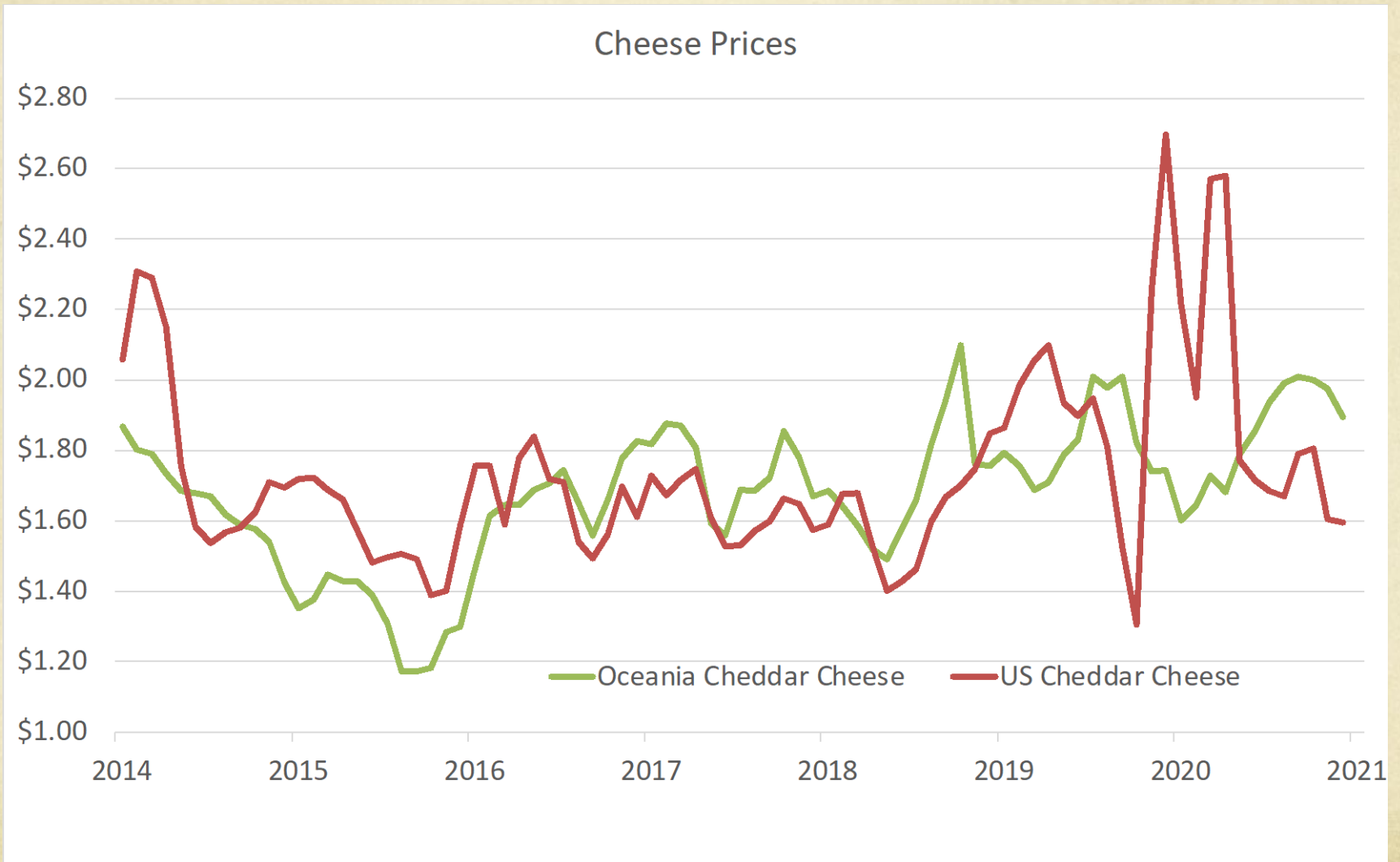
We Are Price Competitive



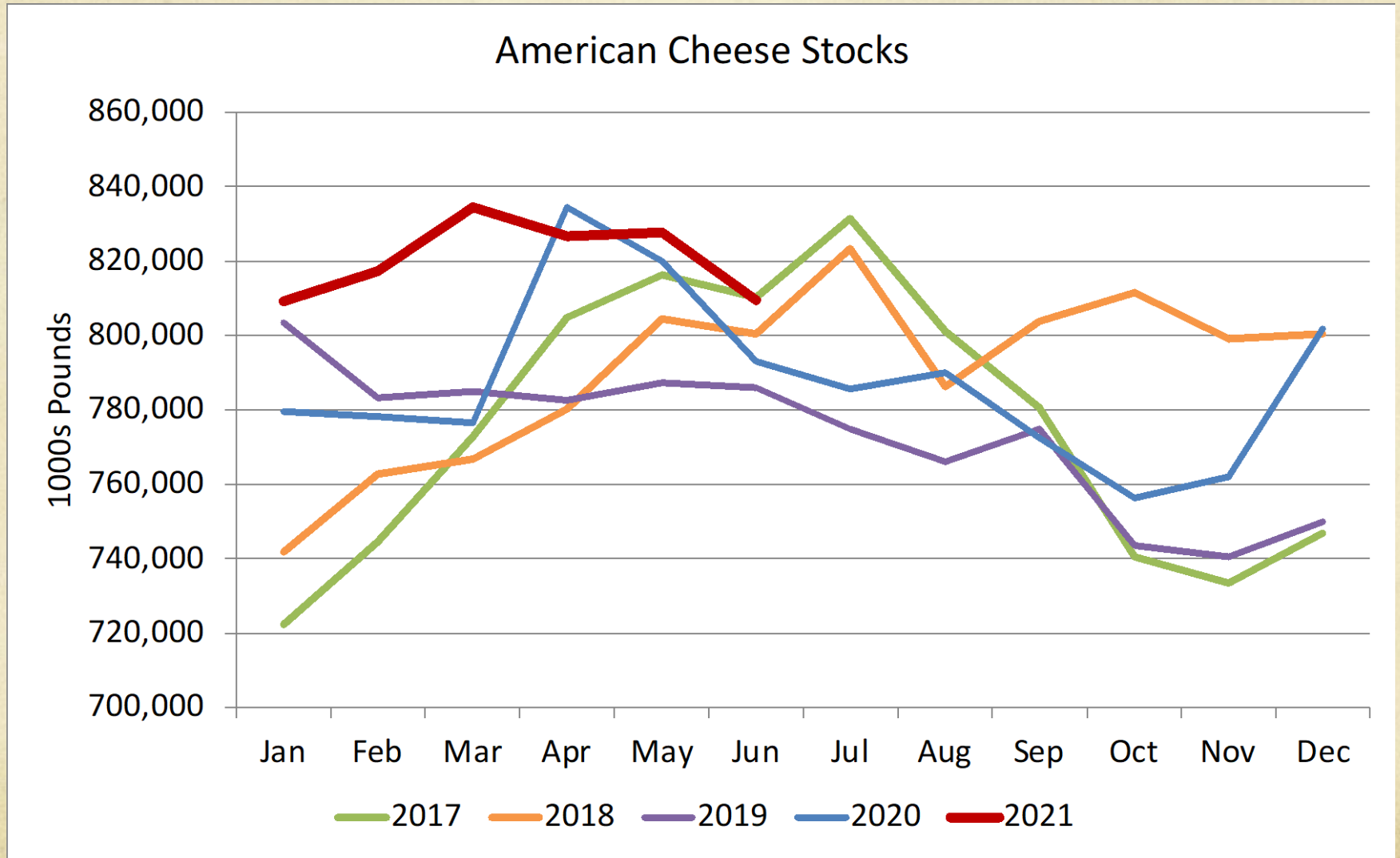
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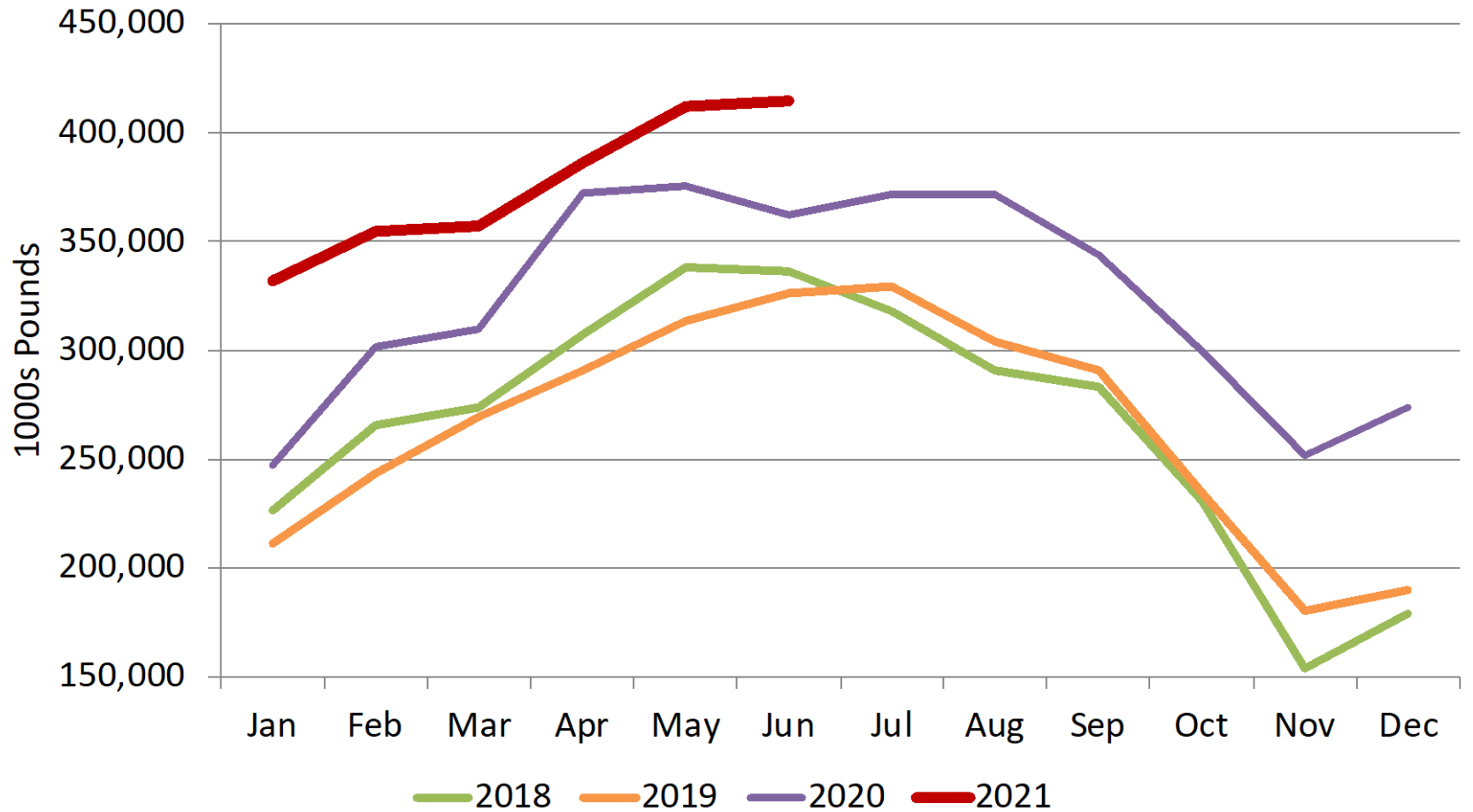


The Canary in the Coal Mine



The Canary in the Coal Mine

Butter Stocks



Forecast Factors

- I think we are walking a fine line.
 - Heavy milk production, but good domestic sales and exports have been surprisingly good. But, there's no room for error.
- Drought is a factor.
- High feed prices are a factor.
- Recent spot loads of milk have been selling at, or just under, Class. They had been selling at \$5-6 under Class.

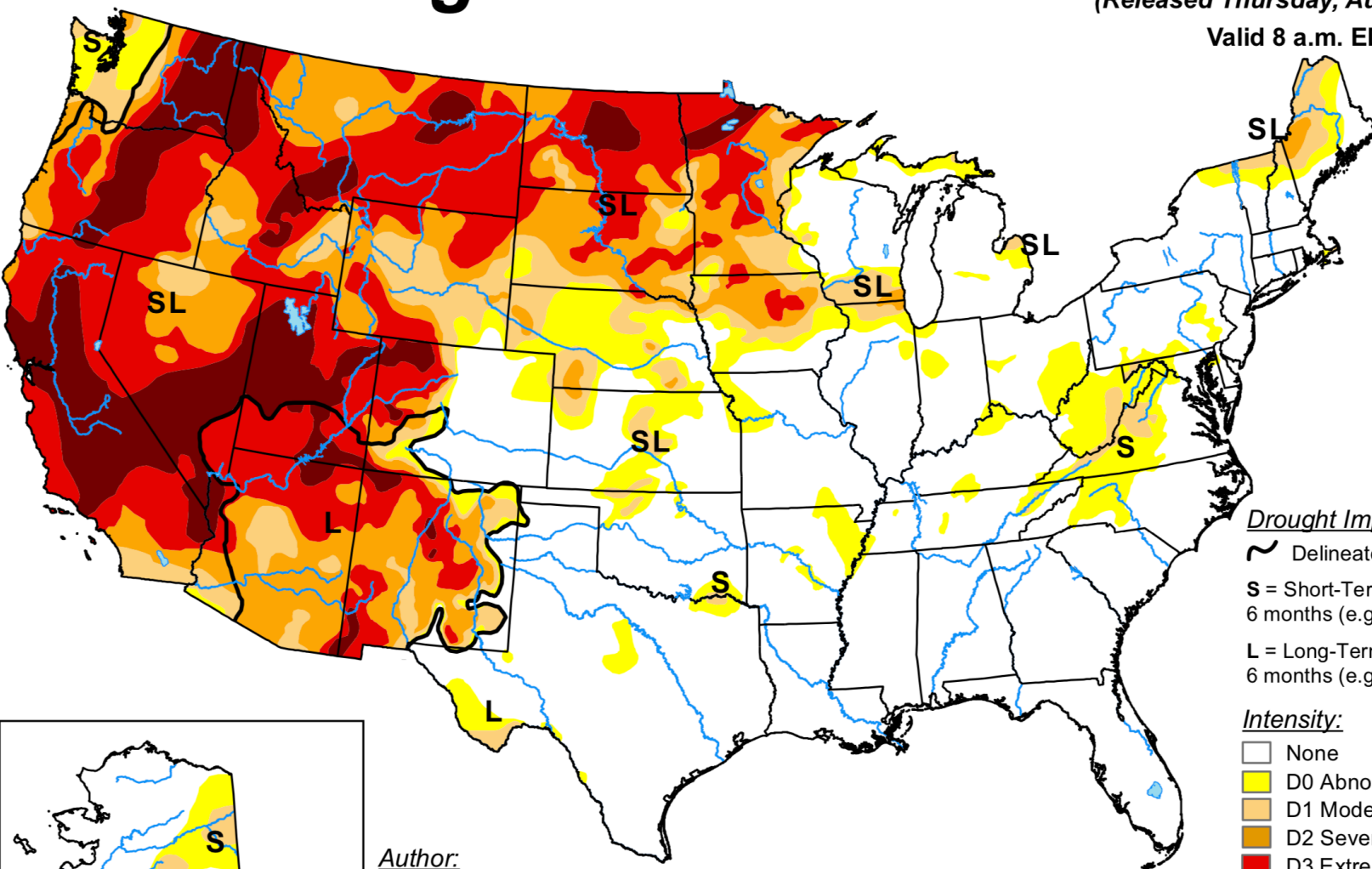
Drought is a Factor

U.S. Drought Monitor

August 10, 2021

(Released Thursday, Aug. 12, 2021)

Valid 8 a.m. EDT



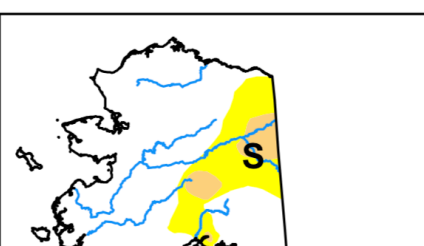
Drought Impact Types:

- ~ 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:

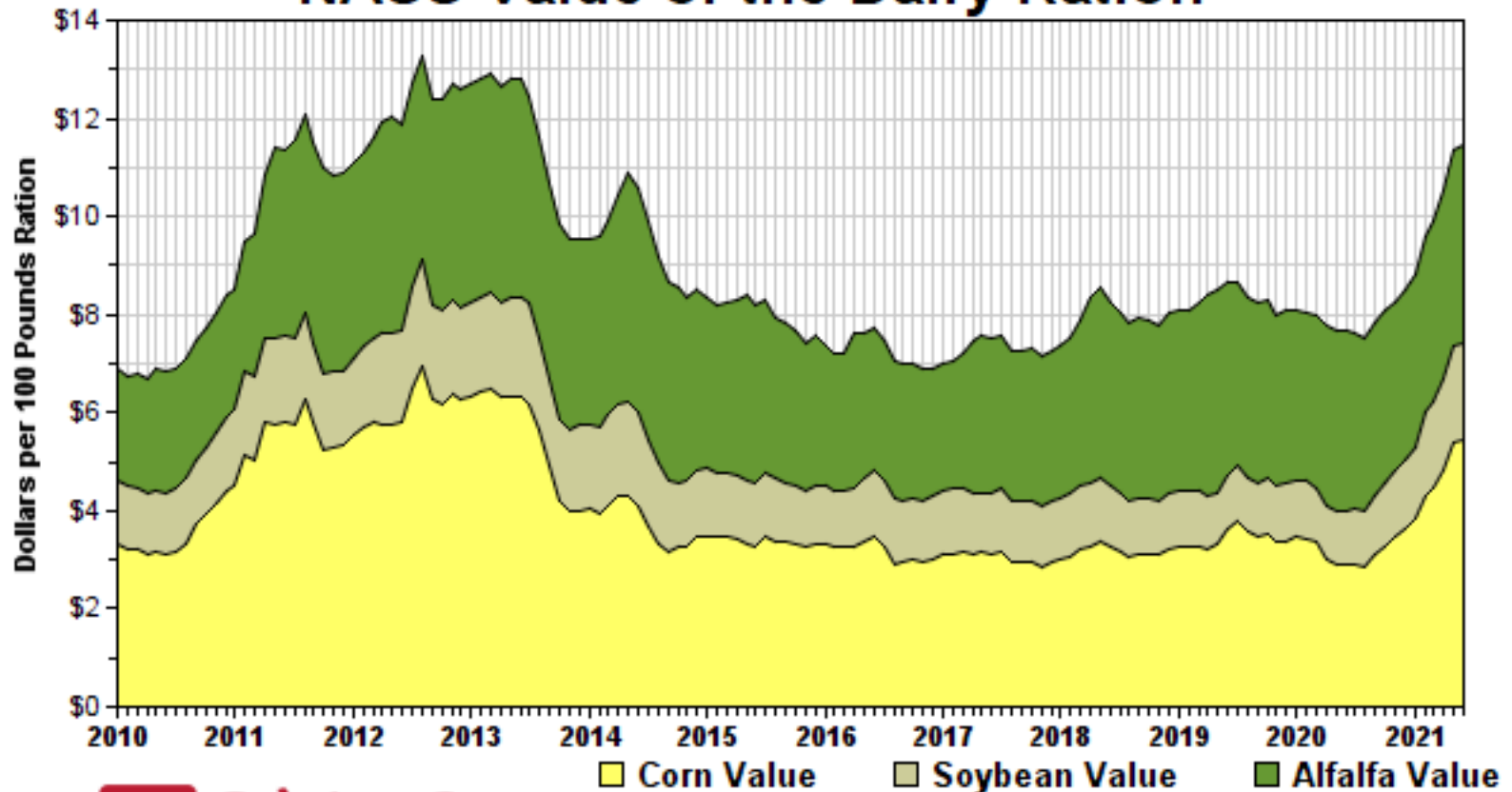
- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Author:
Richard Tinker
CPC/NOAA/NWS/NCER

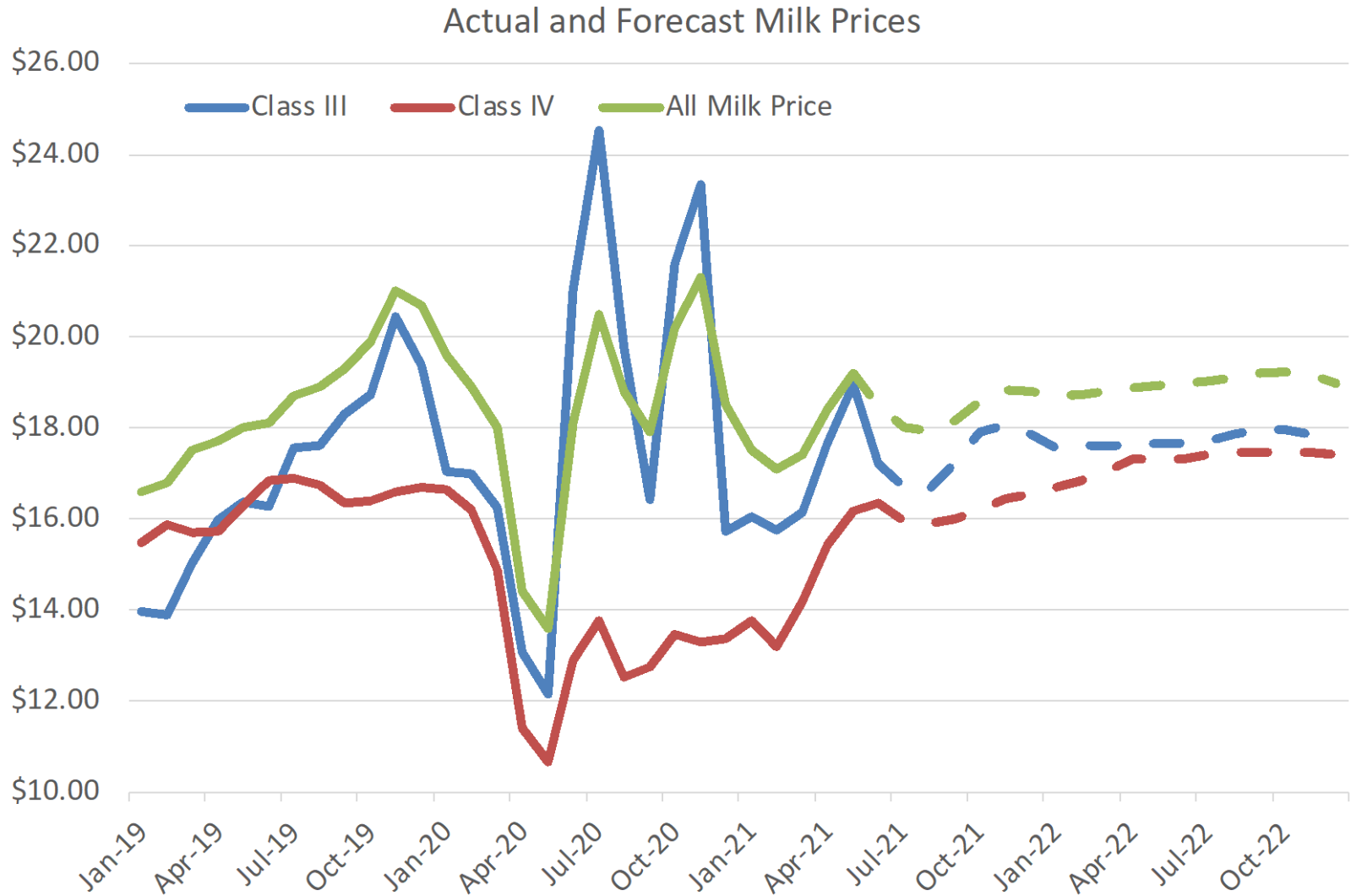


High Feed Costs are a Factor

NASS Value of the Dairy Ration

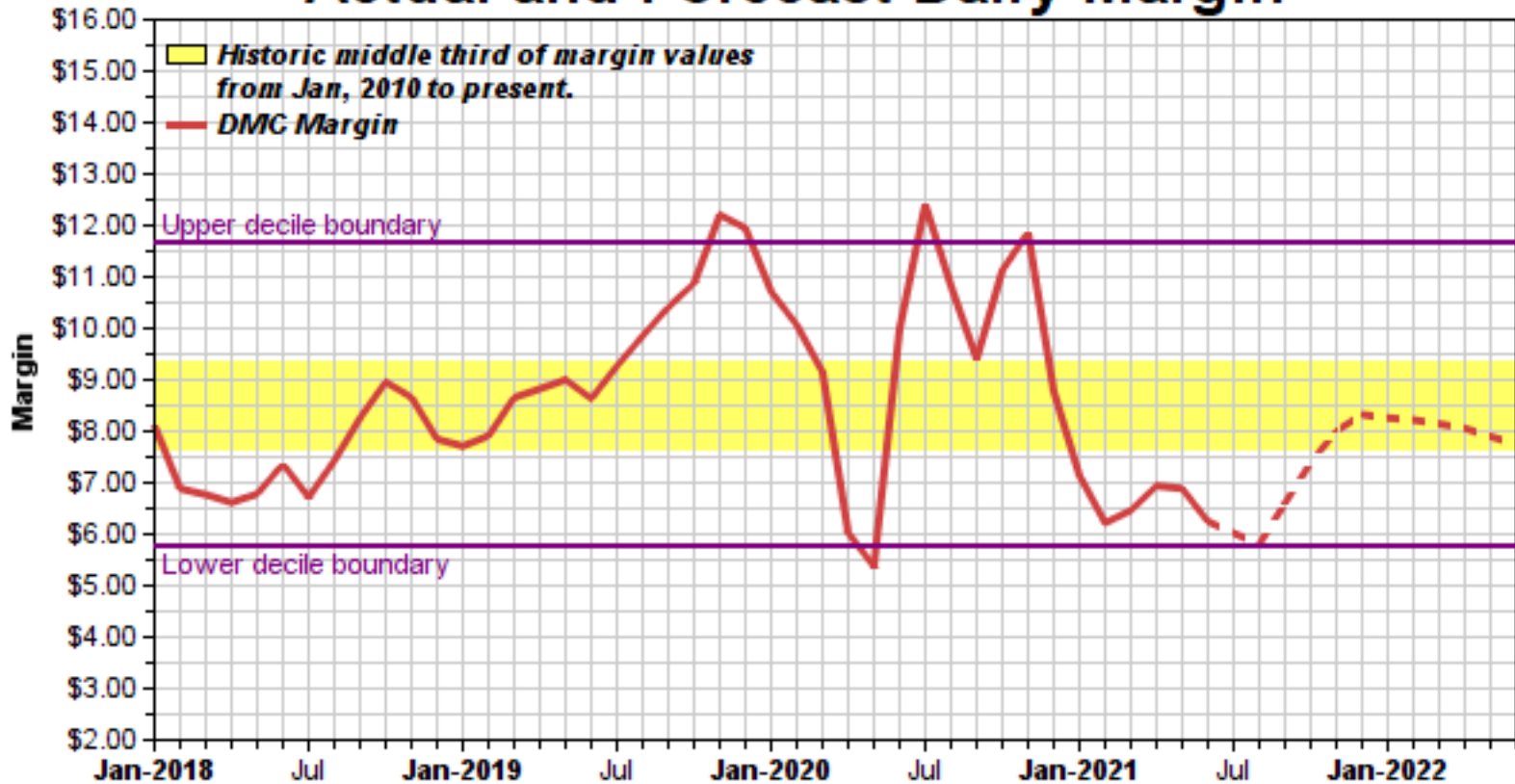


Price Forecasts



Margins Have Been Thin

Actual and Forecast Dairy Margin



Negative PPDs are Gone for a While

Mideast Order 33
Misc

Class I Differential: \$ 2.00 Adjust: \$ (0.40)
Utilization: 35% 18% 32% 15%

					<u>With no Depooling</u>		<u>With complete depooling</u>		<u>Actual PPD</u>
	Class I	Class II	Class III	Class IV	Est Uniform Price	Est PPD	Est Uniform Price	Est PPD	
May-20	\$ 14.95	\$ 12.30	\$ 12.14	\$ 10.67	\$ 12.53	\$ 0.39	\$ 12.53	\$ 0.39	\$ 0.59
Jun-20	\$ 13.42	\$ 12.99	\$ 21.04	\$ 12.90	\$ 15.30	\$ (5.74)	\$ 12.60	\$ (8.44)	\$ (7.05)
Jul-20	\$ 18.56	\$ 13.79	\$ 24.54	\$ 13.76	\$ 18.50	\$ (6.04)	\$ 15.65	\$ (8.89)	\$ (8.02)
Aug-20	\$ 21.78	\$ 13.27	\$ 19.77	\$ 12.53	\$ 17.82	\$ (1.95)	\$ 16.90	\$ (2.87)	\$ (2.93)
Sep-20	\$ 20.44	\$ 13.16	\$ 16.43	\$ 12.75	\$ 16.29	\$ (0.14)	\$ 16.23	\$ (0.20)	\$ (0.27)
Oct-20	\$ 17.20	\$ 13.63	\$ 21.61	\$ 13.47	\$ 17.01	\$ (4.60)	\$ 14.84	\$ (6.77)	\$ (6.80)
Nov-20	\$ 20.04	\$ 13.86	\$ 23.34	\$ 13.30	\$ 18.57	\$ (4.77)	\$ 16.33	\$ (7.01)	\$ (7.40)
Dec-20	\$ 21.87	\$ 14.01	\$ 15.72	\$ 13.36	\$ 16.81	\$ 1.09	\$ 16.81	\$ 1.09	\$ 1.18
Jan-21	\$ 17.14	\$ 14.18	\$ 16.04	\$ 13.75	\$ 15.35	\$ (0.69)	\$ 15.02	\$ (1.02)	\$ (1.08)
Feb-21	\$ 17.54	\$ 14.00	\$ 15.75	\$ 13.19	\$ 15.28	\$ (0.47)	\$ 15.06	\$ (0.69)	\$ (0.84)
Mar-21	\$ 17.20	\$ 15.07	\$ 16.15	\$ 14.18	\$ 15.63	\$ (0.52)	\$ 15.38	\$ (0.77)	\$ (0.47)
Apr-21	\$ 17.51	\$ 15.56	\$ 17.67	\$ 15.42	\$ 16.50	\$ (1.17)	\$ 15.94	\$ (1.73)	\$ (1.34)
May-21	\$ 19.10	\$ 16.22	\$ 18.96	\$ 16.16	\$ 17.70	\$ (1.26)	\$ 17.10	\$ (1.86)	\$ (1.53)
Jun-21	\$ 20.29	\$ 16.66	\$ 17.21	\$ 16.35	\$ 17.66	\$ 0.45	\$ 17.66	\$ 0.45	\$ 0.60
Jul-21	\$ 19.42	\$ 16.83	\$ 16.49	\$ 16.00	\$ 17.10	\$ 0.61	\$ 17.10	\$ 0.61	\$ 0.76
Aug-21	\$ 18.90	\$ 16.58	\$ 16.12	\$ 15.75	\$ 16.72	\$ 0.60	\$ 16.72	\$ 0.60	
Sep-21	\$ 19.28	\$ 16.53	\$ 16.92	\$ 15.91	\$ 17.12	\$ 0.20	\$ 17.12	\$ 0.20	
Oct-21	\$ 19.58	\$ 16.66	\$ 17.26	\$ 16.01	\$ 17.38	\$ 0.12	\$ 17.38	\$ 0.12	
Nov-21	\$ 19.86	\$ 16.77	\$ 17.77	\$ 16.12	\$ 17.67	\$ (0.10)	\$ 17.63	\$ (0.14)	
Dec-21	\$ 20.04	\$ 16.85	\$ 17.81	\$ 16.18	\$ 17.77	\$ (0.04)	\$ 17.76	\$ (0.05)	

Questions?