

Michigan's Dairy Industry

Ken Nobis, MMPA President



**MICHIGAN MILK
PRODUCERS ASSOCIATION**



**ONE CENTURY
STRONG**



**1,200
DAIRY FARMS**



**5 Billion
LBS. OF MILK**



Quality



Integrity



Leadership



Progressive



Community

MMPA Locations



Products made at Ovid & Constantine Plants:

Butter, Cream,
Condensed Milk, Dry
Milk Powders, and
Specialty Blends.

Middlebury Plant:

Colby, Monterey-jack
and Cheddar type
cheeses.





MMPA Product Customers

- Edy's Grand Ice Cream
- Kraft – Philadelphia Cream cheese, Breakstone Cultured Products, Jello Pudding
- Abbott Nutritionals – Similac Infant Formula
- Good Humor/Breyer's – Breyer's Ice Cream
- Old Europe Cheese – RenyPicot Cheese
- CF Burger Creamery – McDonald's soft serve ice cream, Half & Half



MMPA Butter Customers

- Butterball Farms - butter molds, and McDonald's butter
- Bimbo Bakeries USA - Entenmann's Baked Goods
- Dawn Foods - Panera Bread
- Masterson Foods - Ice Cream Confection
- Hooters Management Co. - Hooters Wing Sauce
- Janie's Cookies - Michigan Made Cookies
- Traditions Foods – Bakery Products
- Nestle – prepared foods

Michigan's Dairy Industry



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Michigan's Dairy Industry



- Ranks 5th nationally
- Dairy is the top ranking segment of Michigan's agriculture industry.
- Dairy contributes over 20% of Michigan's cash receipts for Agriculture.
- Represents more than 5.0% of total U.S. milk production.



Top Ten Dairy States



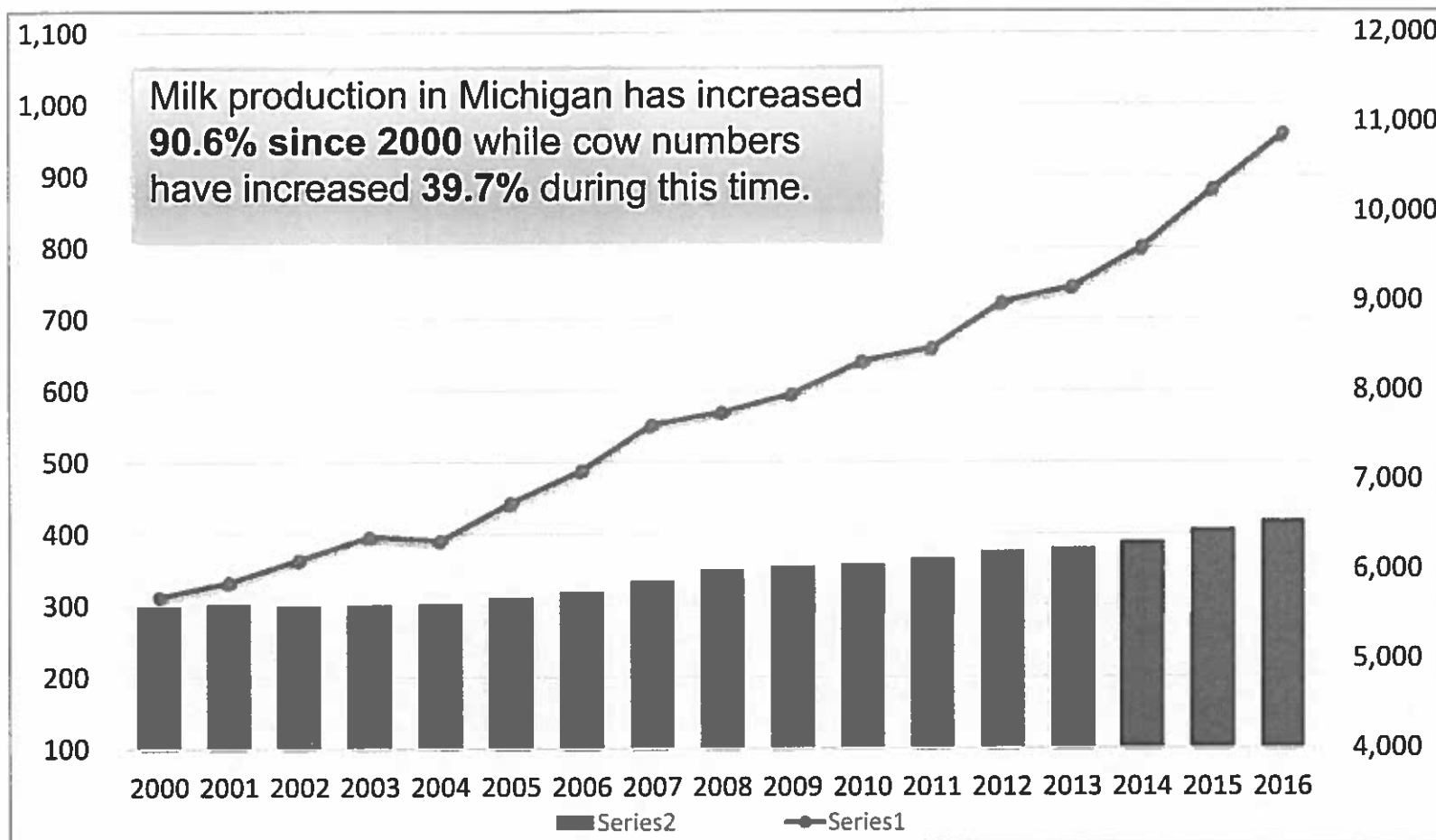
2016 Milk Production

1.	California	40.5 billion lbs.	-1.0 %
2.	Wisconsin	30.1	+3.8
3.	New York	14.8	+4.8
4.	Idaho	14.7	+3.9
5.	Michigan	10.9	+6.0
6.	Pennsylvania	10.8	+0.2
7.	Texas	10.7	+4.6
8.	Minnesota	9.7	+2.2
9.	New Mexico	7.7	-1.5
10.	Washington	6.7	+0.7

Number of Dairy Cows & Total Annual Production Michigan 2000 - 2016

Thousand

Million pounds



Milk Production Per Cow- Top 10 States - 2016

	State	Milk Produced Per Cow
1.	Colorado	25,980 pounds
2.	Michigan	25,957 pounds
3.	Idaho	24,647 pounds
4.	New Mexico	24,479 pounds
5.	Arizona	24,429 pounds
6.	Washington	24,094 pounds
7.	New York	23,815 pounds
8.	Iowa	23,634 pounds
9.	Wisconsin	23,552 pounds
10.	Nebraska	23,317 pounds

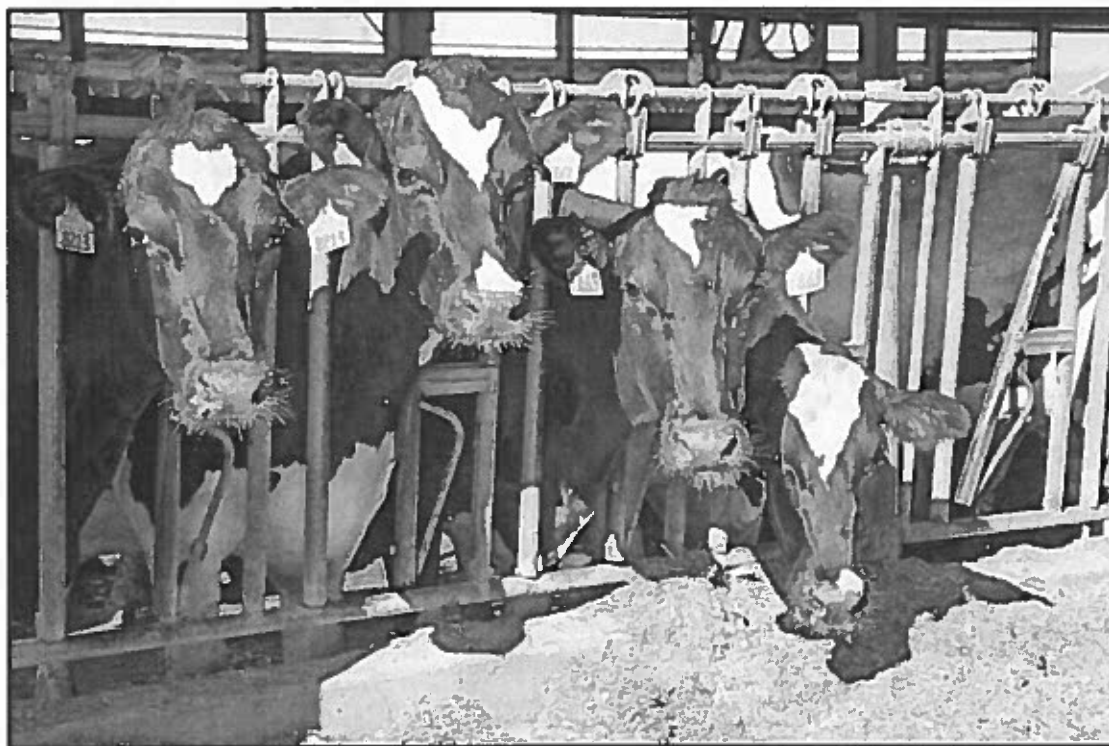
The Michigan Advantage



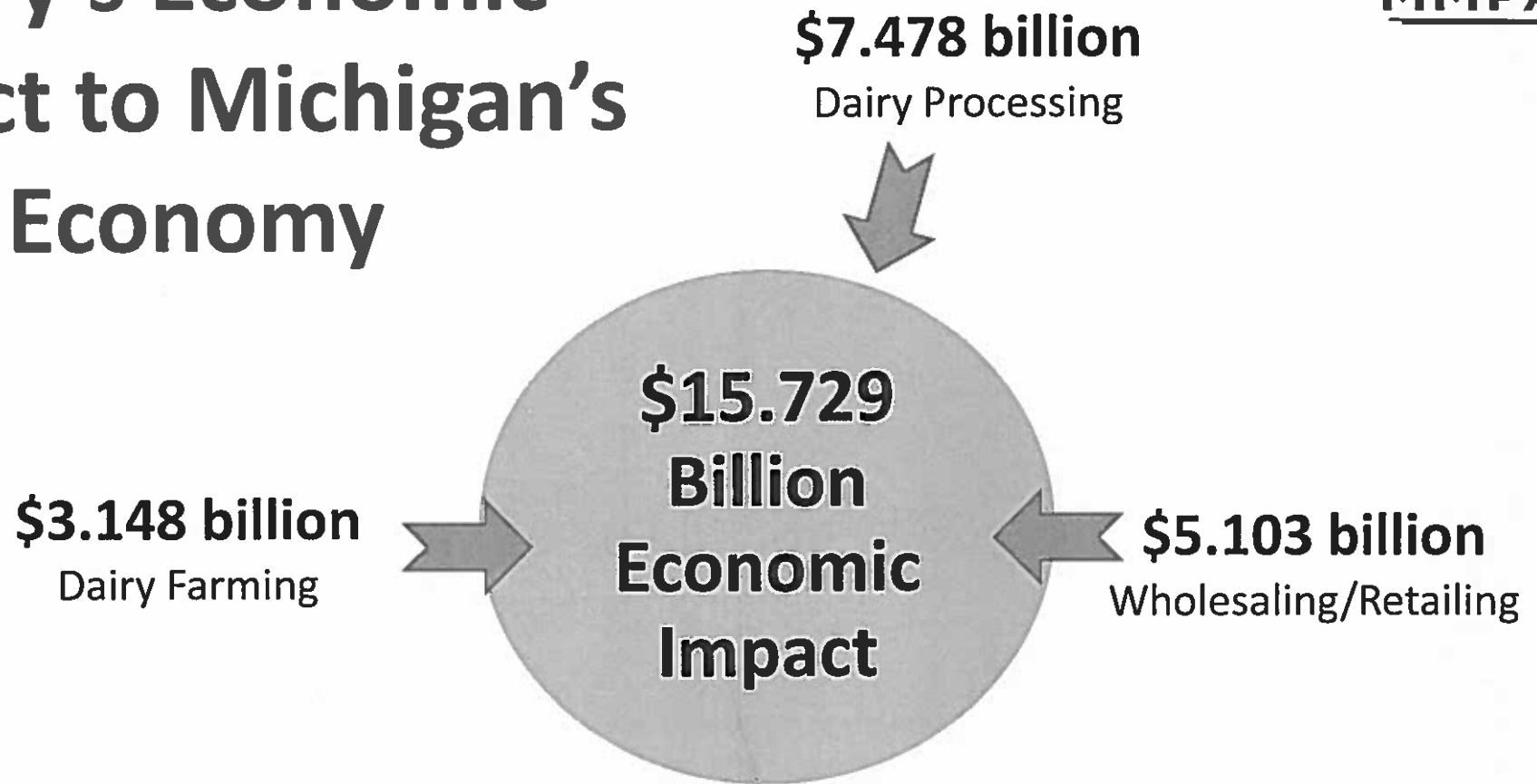
- Agricultural Land
- Climate
- Water
- Infrastructure
- Access to Population Centers



Advances in genetics, nutrition, herd management, and technology innovation have led to greater efficiency in the dairy industry.



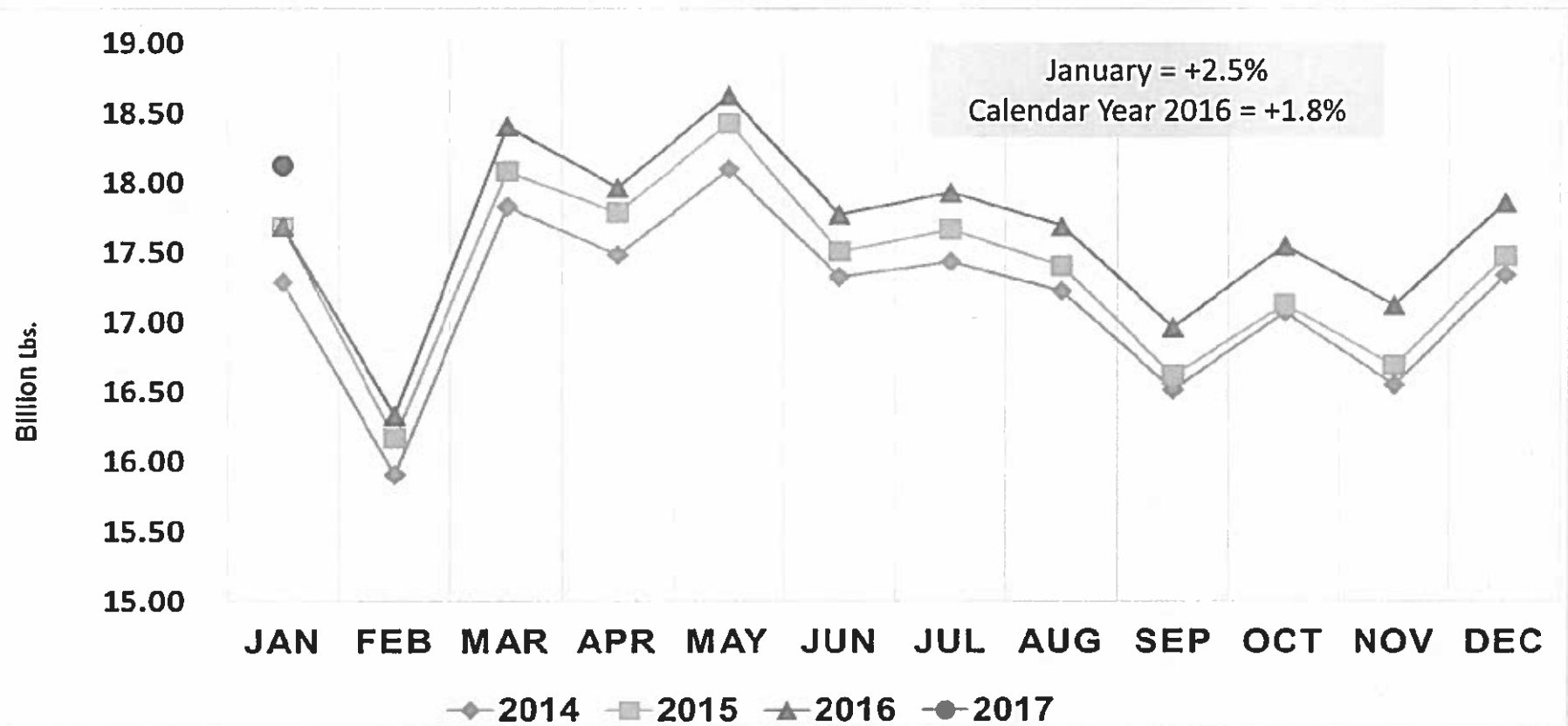
Dairy's Economic Impact to Michigan's Economy



Source: Michigan State University Product Center, Dec. 2016

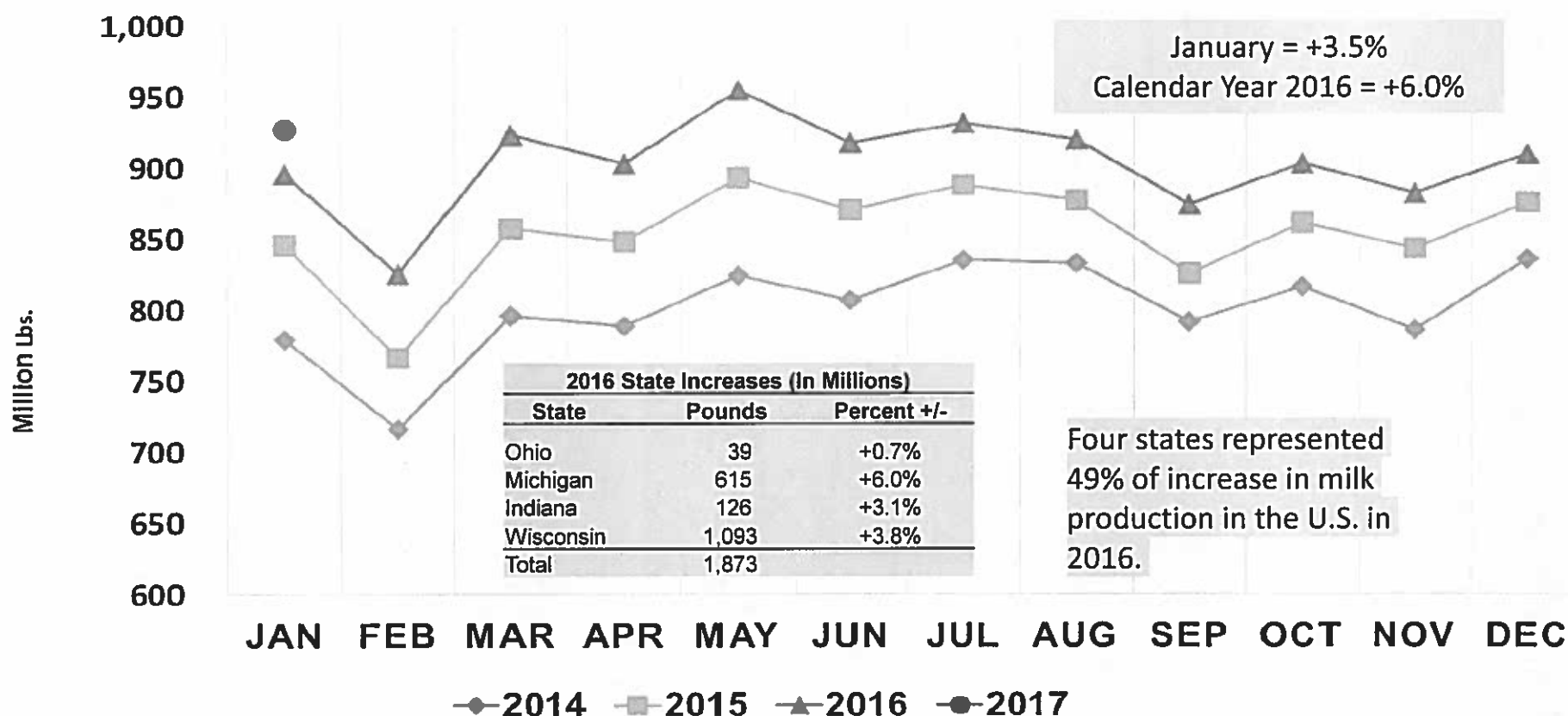


U.S. MILK PRODUCTION



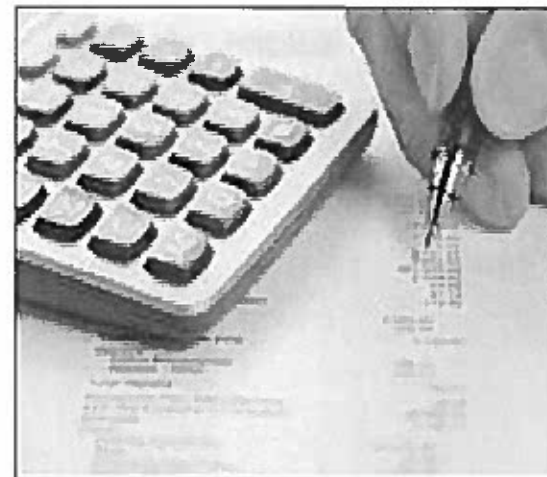


STATE MILK PRODUCTION

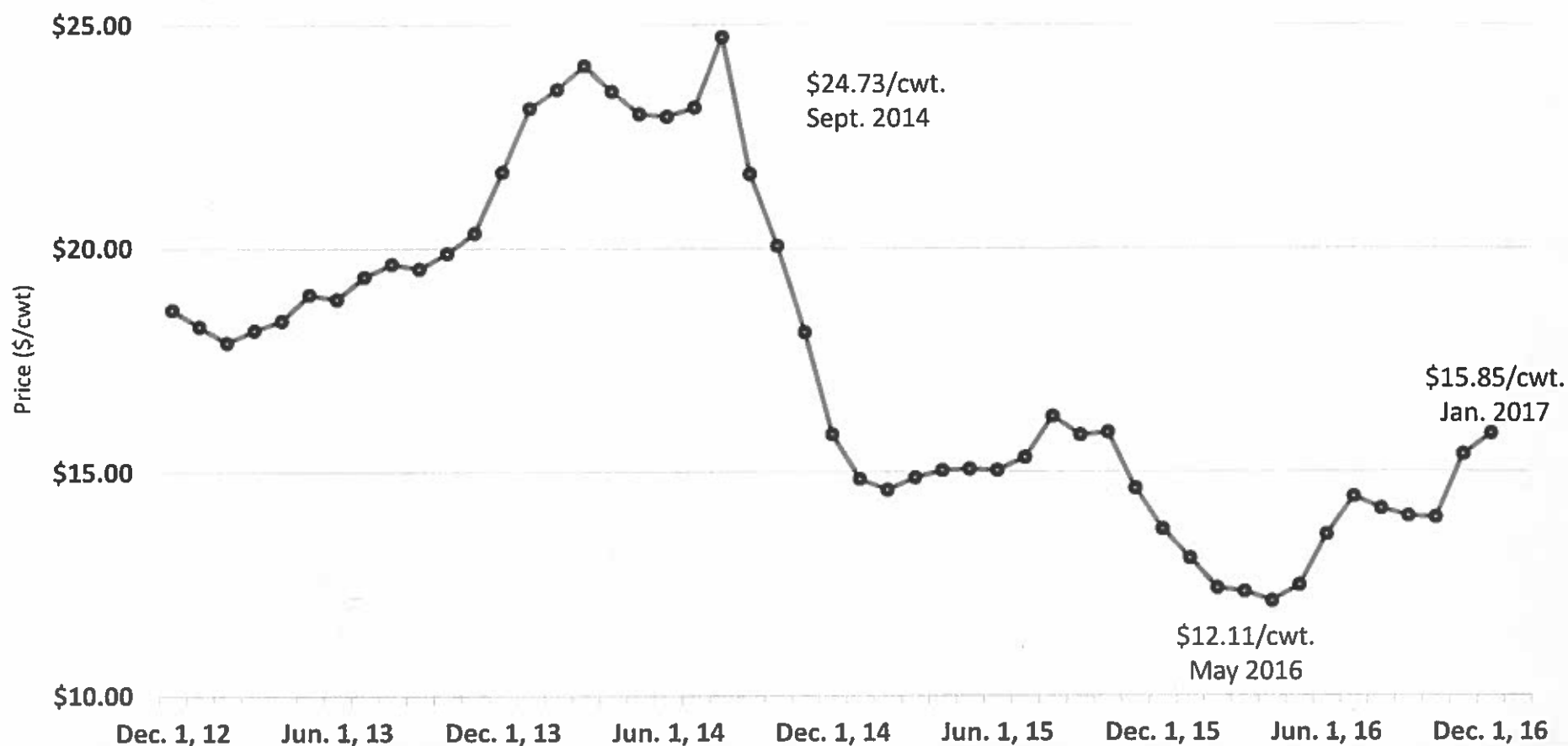


Michigan's Dairy Industry

- Dairy farmers facing economic challenges in 2016.
- Farm milk prices have dropped over 40% since 2014.
- Price outlook for 2017 shows some improvement.



Changes in Milk Prices in Michigan, Dec. 2012 – Jan. 2017



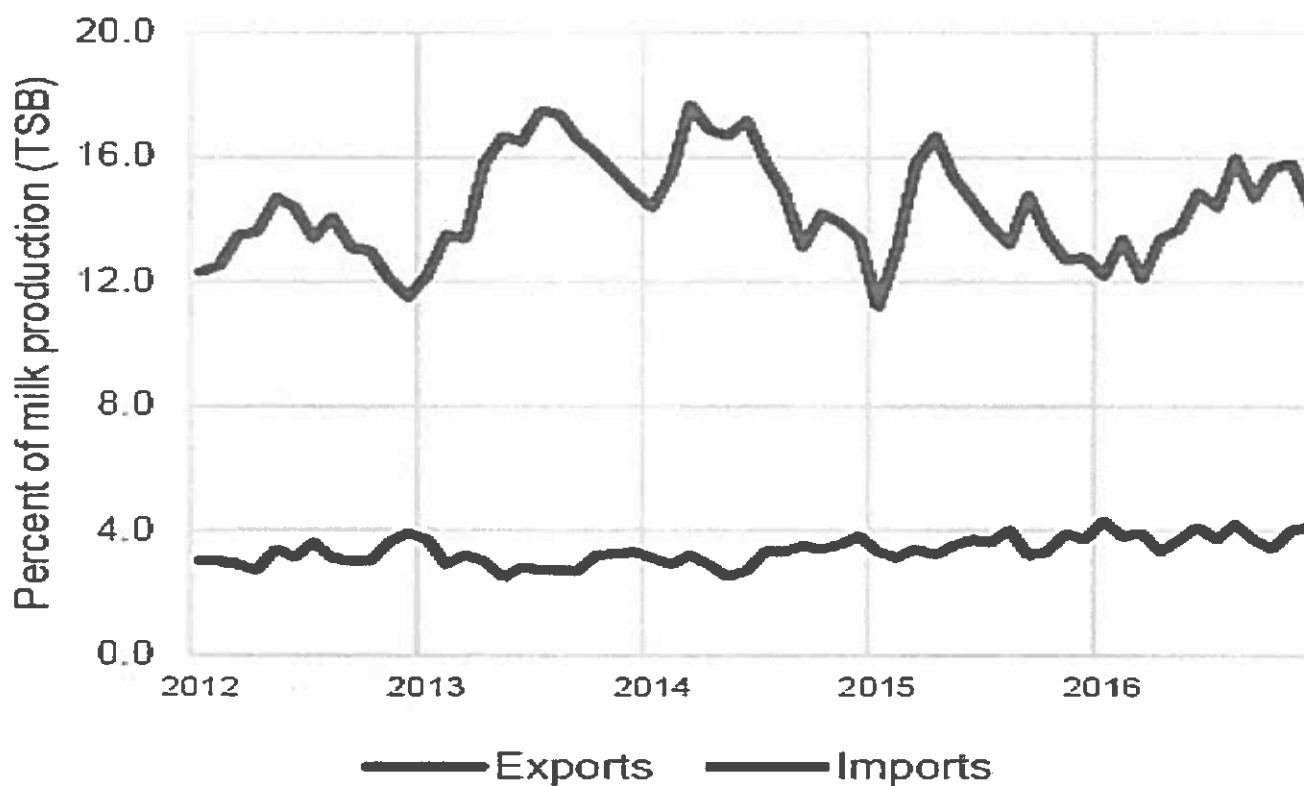


Export Market's Importance

- Exports represent a major segment of the commercial market for U.S.-produced milk, and the fastest growing one.
- Milk from one in seven U.S. tankers ends up in products and ingredients overseas.
- Exports use about 15 percent of U.S. milk production.
- Growth in commercial exports is contributing about twice as much new market growth for U.S. milk production as growth in domestic sales of the major consumer dairy products.

U.S. Exports and Imports as % of Milk Production

2012-2016





Mexico: A \$1.3 Billion Market for U.S. Dairy Products



- The largest export market for U.S. dairy products is Mexico and NAFTA has been the driving force behind our **73% market share** of Mexico's dairy imports.
- Approximately **3.4% of the U.S. milk supply** is exported to Mexico.
- Mexico is the largest buyer of U.S. dairy products at a quarter of our total dairy exports in 2015, which totaled **\$1.3 billion**.
- It takes the equivalent of 1,500 average-sized U.S. dairy farms to supply the volume of milk we ship to Mexico in the form of various dairy products. *(Based on an average of the last 4 years.)*



Milk Production Summary for Major Exporters

	2015	2016 Estimated	2017 Forecast	Forecast Change %
Argentina	11.6	10.4	10.6	2%
Australia	9.8	9.2	9.5	3%
EU-28	150.2	152.0	152.5	0%
New Zealand	21.6	21.4	21.6	1%
United States	94.6	96.3	98.3	2%
Major Exporter Total	287.8	289.3	292.5	1%

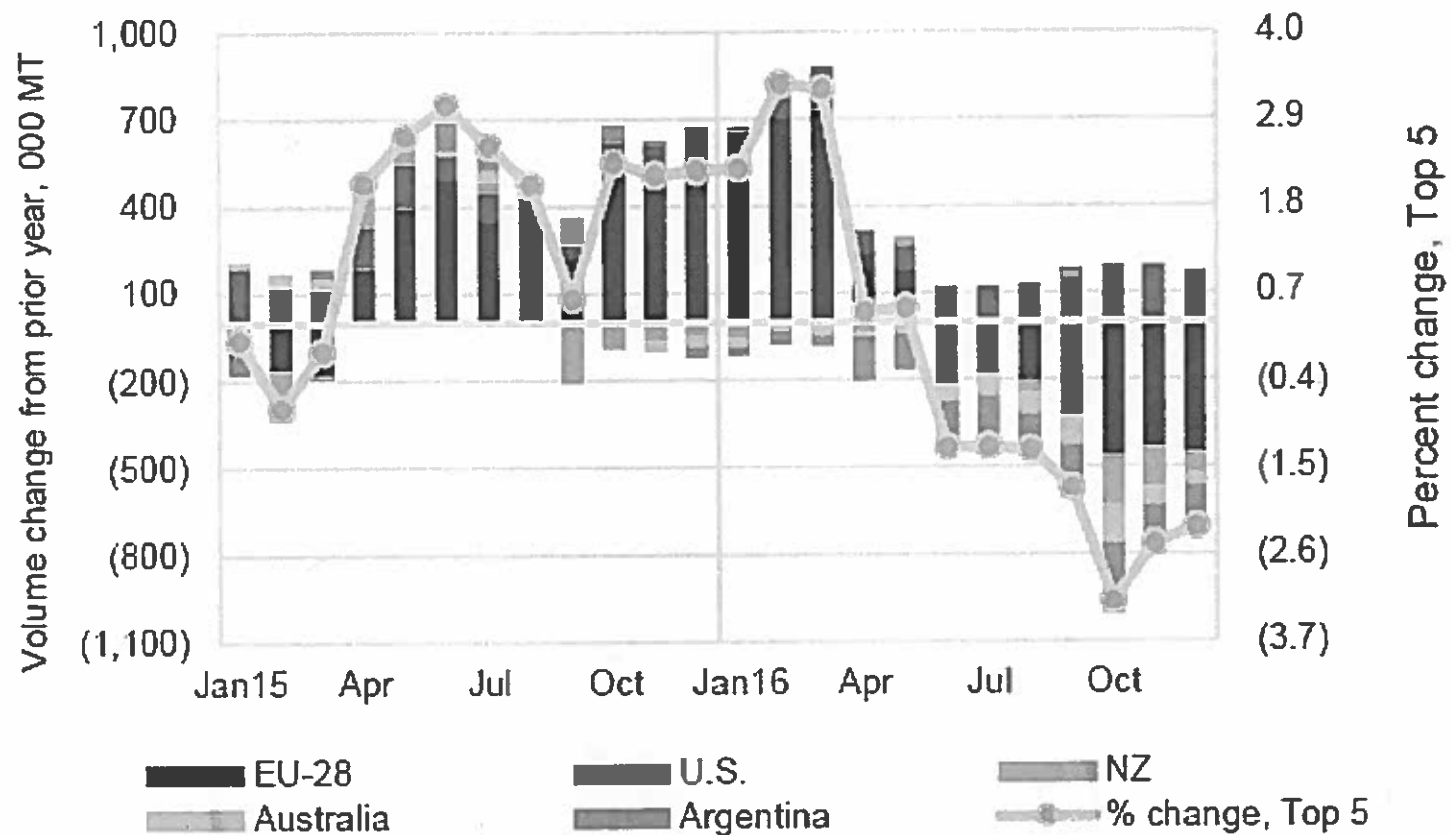
It's a Changing Dairy Trade Environment



	2003-14	2015-20 – the ‘new normal’
1.	EU quotas constrain supply	Unrestricted EU production, but with government assistance
2.	Returns from world market attractive	Returns from world market less attractive
3.	U.S. support program serves as price floor	U.S. safety net is now margin insurance
4.	Weak U.S. dollar	Stronger U.S. dollar
5.	Strong commodity cycle	Weak commodity cycle
6.	Strong China and Asian economic growth	Lower Asian growth with some stress
7.	Growing wealth in oil-producing countries	Economic pressure on oil-producing countries
8.	Free Trade Agreements (FTA's) pursued by most dairy exporters	NZ, AU and EU have finished many FTA's while U.S. struggles with TPP and TTIP

Production Correction is Building

2015-16 milk production volume change from prior year
Top 5 Global Suppliers



MMPA members have
invested over \$100
million over the last nine
years to expand MMPA
processing facilities.



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MMPA Expansion Efforts

Since 2008

- Ovid Plant expansion completed in 2010 allows processing of 60% more milk.
- Expanded Ovid wastewater treatment system
- Added a new whole milk powder packaging system to expand shelf life of product
- Installed a new butter churn.
- In July 2014, MMPA and Foremost Farms USA formed a strategic alliance and have invested \$10 million into the MMPA Constantine plant to install reverse osmosis (RO) technology.

Michigan's Dairy Industry



- Current processing capacity within the state will need to be expanded to accommodate milk production growth.
- Evaluation of further dairy expansion opportunities underway.



Cheese Plant

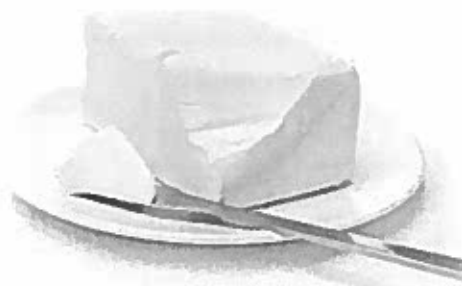
Exploration of Joint Ownership of Cheese Plant



Dairy Farmers of America

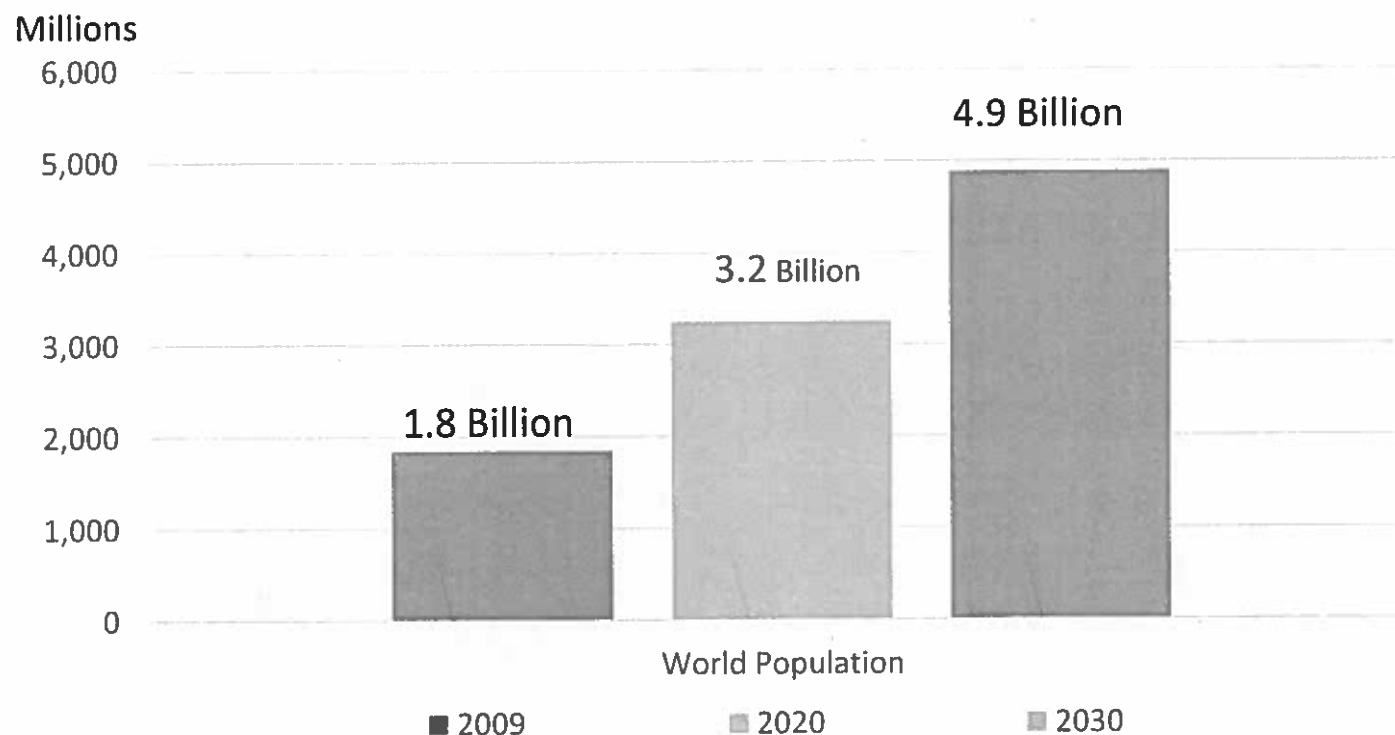
Increased Demand for Milkfat

- **Revised views on impact of dietary fat consumption on cardiovascular health and obesity has led to growth in consumption of milkfat in the U.S. domestic market**
- **Butter**
- **Fluid whole milk**
- **Yogurt**
- **Cheese**
- **Other products**



Growth of the Middle Class

The middle class is projected to grow by over 170% or more than 3 billion people from 2009 to 2030



Growing Michigan's Dairy Industry



As Michigan's dairy industry expands:

1. Continue strong partnership between state government, legislators and University.
2. Provide for a workable and efficient guest worker program that ensures continued availability of dairy farm workers.
3. Further develop training programs for dairy farm employees and enhance recruitment efforts to fill dairy farm workforce needs.

Growing Michigan's Dairy Industry



As Michigan's dairy industry expands:

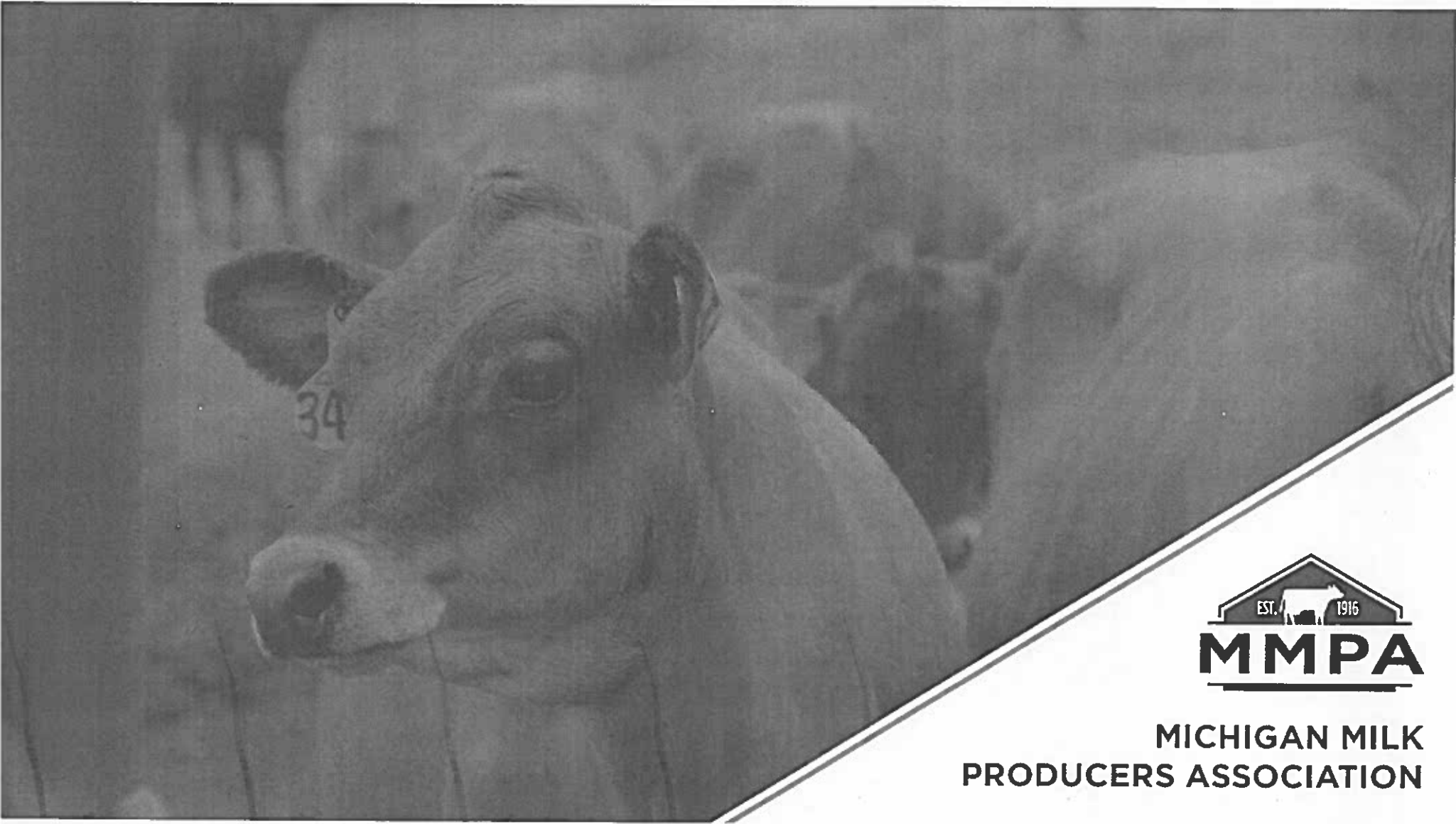
4. Continue efforts to meet customer needs as it relates to sustainability and animal care.
5. Continue to expand the export market for dairy products.
 - o MMPA became SQF Level 3 Certified in 2016 with an "Excellent" Rating at the Ovid and Constantine Plants.
6. Continue to enhance the public perception of the agriculture industry.

Growing Michigan's Dairy Industry



As Michigan's dairy industry expands:

7. Support funding opportunities to enhance Animal Agriculture research programs.
8. Invest in Michigan's Infrastructure:
 - roads, bridges
 - Broadband
 - utilities – 3-phase, access to natural gas, energy costs



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