

DIXIE DAIRY REPORT November 2019

Dairy product prices. October was a strong month for cheese, especially barrels. October saw barrel cheese at the CME increase almost \$0.60/lb from \$1.6900/lb. to \$2.2875/lb. Reasons for the barrel increase according to *Dairy Market News* are: inventory of process cheese (primary use of barrels) is tight, increased demand from Mexico, increased government purchases, and process/barrels are oversold in some markets. Block cheddar also gained in October going from \$1.9575/lb. to \$2.1750./lb. These are the highest cheese prices since 2014. *Dairy Market News* also reports cheese manufacturers are shifting their production to cheddar cheese. We do not expect cheese, especially barrels, to sustain these price levels, supply will eventually meet needed demand, but hopefully will remain above \$2.00/lb. for some time. At these cheese prices the November Class III price should be around \$20.00/cwt.

Turning to Class IV products, butter continues to inch downward, with the October CME butter average at \$2.1071/lb. Since its peak in July, butter has declined about \$0.30/lb. Reports indicate cream is available, inventories are more than adequate, and the domestic price is higher than the international butter price. On the other hand, the nonfat dry milk powder price continues to move upward. The October DPSR powder price is almost a nickel higher than September. October should increase another three to five cents per lb. Increased export demand, especially from Mexico and China, along with the U.S.'s competitive price is fueling higher powder prices. We anticipate higher powder prices will offset lower butter prices, thus leading to higher Class IV prices.

DAIRY PRODUCTS SALES REPORT (DPSR) PRICES * and CLASS I MOVER

<u>Product</u>	<u>October 2019</u>	<u>September2019</u>	<u>October 2018</u>	<u>October 2017</u>
			(\$/lb.)	
Butter	\$2.1559	\$2.2344	\$2.2814	\$2.3718
Cheese (block)	\$2.0569	\$1.9843	\$1.6795	\$1.7170
Cheese (barrel)	\$1.8379	\$1.7913	\$1.4366	\$1.7032
Cheese weighted avg.	\$1.9694	\$1.9053	\$1.5686	\$1.7254
Nonfat Dry Milk Powder	\$1.0957	\$1.0519	\$0.8739	\$0.8099
Dry Whey	\$0.3396	\$0.3698	\$0.4470	\$0.3790
	<u>November 2019</u>	<u>October 2019</u>	<u>November 2018</u>	<u>November 2017</u>
			(\$/cwt.)	
Class I Mover (3.5% fat)	\$18.14	\$17.84	\$15.52	\$16.41
Class I Mover (2.0% fat)	\$14.70	\$14.18	\$11.79	\$12.49

*Dairy product prices used to calculate federal order class prices

Milk production. August milk production was 1.3% higher than last August. This is the largest month over month increase this year. The August gain was due to higher per cow production. In addition, 13,100 less dairy cows were slaughtered in August compared to the previous August. On a quarterly basis, third quarter milk production was 0.5% higher than the same quarter last year. For the year-to-date, the nation's dairy herd has declined 101,000 head. As shown below, production is higher in the western half of the country, but lower in the east. Production is up 2.6% in the Northwest states (mainly Idaho and Oregon), 2.3% in the Southwest states (mainly Texas), and 1.9% in California. Higher production in the Northwest and Southwest is due to more cows while in California it is due to more milk per cow. Cow numbers are down 48,000 and 42,000 head in the Northeast and Midwest, respectively.

The Southeast states continue to lead the nation in declining milk production, 4.8% lower in the third quarter. For the year to-date, the Southeast is down 6.1% in production. At the end of September, the Southeast reported 425,000 dairy cows. This is 41,000 fewer head than at the end of last year. Third quarter production was lower in all Southeast states, except for Florida the largest Southeast milk producing state, which was 1.1% higher due to more milk per cow. Third quarter production in the second largest state, Georgia, was down 1.7%.

U.S. MILK PRODUCTION by REGION – Third Quarter (2019 versus 2018)

<u>Region</u>	<u>2018</u>	<u>2019</u>	<u>Change</u>
	(million lbs.)		(%)
Southeast	2,047	1,949	-4.8
Midwest	17,140	17,119	-0.1
California	9,820	10,003	1.9
Northwest	8,298	8,517	2.6
Northeast	7,724	7,568	-2.0
Southwest	6,613	6,768	2.3
Plains	2,326	2,337	0.5
Total	53,969	54,261	0.5%

Southeast milk sales. Total Class I usage, by pool plants in the three Southeastern federal orders during the third quarter of this year, was 3.6% lower than a year ago. As shown below, Class I usage was up 0.3% in the Florida order, but down in the other two orders. A higher percent of total fluid milk sales by Florida based plants is helping increase Florida pool plant usage. In August of this year, Florida based plants generated 84.29% of total Florida fluid sales, last August it was 81.27%.

CLASS I USAGE by in SOUTHEASTERN FEDERAL ORDERS Third Quarter (2019 vs. 2018)

<u>Order</u>	<u>2018</u>	<u>2019</u>	<u>Change</u>
	(million lbs.)		(%)
Appalachian	1,065	1,036	-2.7
Florida	538	540	0.3
Southeast	998	931	-6.7
Total	2,601	2,507	-3.6

Order blend prices. Due to higher cheese prices we project blend prices in the three southeastern orders to continue increasing through January. We need to point out, due to the new method of calculating the Class I Mover; the December Mover will not reap all the gains from higher cheese prices. We project the December Mover about \$1.00/cwt. lower compared to the previous “higher of” method. All of the projected blend price increase will be on the skim portion of milk, with butterfat’s share declining.

PROJECTED BLEND PRICES–BASE ZONES –SOUTHEASTERN FEDERAL ORDERS

<u>Month</u>	<u>Appalachian</u>	<u>Florida</u>	<u>Southeast</u>
	(\$ /cwt. 3.5% butterfat)		
September 2019	\$20.04	\$21.85	\$20.52
October	\$20.11	\$22.06	\$20.69
November	\$20.64	\$22.63	\$21.24
December	\$20.95	\$23.16	\$21.62
January 2020	\$21.14	\$23.24	\$21.63

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Class I Mover \$ Per Cwt. (3.5% fat)													
	<u>J</u>	<u>F</u>	<u>M</u>	<u>A</u>	<u>M</u>	<u>J</u>	<u>J</u>	<u>A</u>	<u>S</u>	<u>O</u>	<u>N</u>	<u>D</u>	<u>Avg.</u>
2017	\$17.45	\$16.73	\$16.90	\$16.05	\$15.20	\$15.31	\$16.59	\$16.72	\$16.71	\$16.44	\$16.41	\$16.88	\$16.45
2018	\$15.44	\$14.25	\$13.36	\$14.10	\$14.44	\$15.25	\$15.36	\$14.15	\$14.85	\$16.33	\$15.52	\$15.05	\$14.84
2019	\$15.12	\$15.30	\$15.98	\$15.76	\$16.42	\$17.07	\$17.18	\$17.89	\$17.85	\$17.84	\$18.14	\$19.00	\$16.96
Class I Mover \$ Per Cwt. (2.0% fat)													
2017	\$14.09	\$13.07	\$13.36	\$12.50	\$11.74	\$11.89	\$12.61	\$12.36	\$12.26	\$12.25	\$12.49	\$13.21	\$12.65
2018	\$11.82	\$10.59	\$9.94	\$10.56	\$10.81	\$11.43	\$11.45	\$10.42	\$11.02	\$12.64	\$11.79	\$11.35	\$11.15
2019	\$11.43	\$11.66	\$12.24	\$12.03	\$12.74	\$13.35	\$13.31	\$14.00	\$14.00	\$14.18	\$14.70	\$15.61	\$13.27
Class II \$ Per Cwt. (3.5% fat)													
2017	\$16.36	\$16.52	\$16.21	\$14.81	\$14.84	\$16.15	\$17.48	\$17.56	\$16.80	\$15.95	\$15.32	\$14.49	\$16.04
2018	\$14.11	\$13.44	\$13.88	\$14.03	\$14.57	\$15.48	\$15.20	\$15.07	\$15.13	\$15.54	\$15.63	\$15.67	\$15.67
2019	\$15.74	\$16.13	\$16.61	\$16.38	\$16.48	\$17.30	\$17.61	\$17.60	\$16.93	\$17.03	\$17.24	\$17.35	\$16.87
Class III \$ Per Cwt. (3.5% fat)													
2017	\$16.77	\$16.88	\$15.81	\$15.22	\$15.57	\$16.44	\$15.45	\$16.57	\$16.36	\$16.40	\$16.88	\$15.44	\$16.15
2018	\$14.00	\$13.40	\$14.22	\$14.47	\$15.18	\$15.21	\$14.10	\$14.95	\$16.09	\$15.53	\$14.44	\$13.78	\$14.61
2019	\$13.96	\$13.89	\$15.04	\$15.96	\$16.38	\$16.27	\$17.55	\$17.60	\$18.31	\$18.72	\$20.00	\$19.43	\$16.93
Class IV \$ Per Cwt. (3.5% fat)													
2017	\$16.19	\$15.59	\$14.32	\$14.01	\$14.49	\$15.89	\$16.60	\$16.61	\$15.86	\$14.85	\$13.99	\$13.51	\$15.16
2018	\$13.13	\$12.87	\$13.04	\$13.48	\$14.47	\$14.91	\$14.14	\$14.63	\$14.81	\$15.01	\$15.06	\$15.09	\$14.22
2019	\$15.48	\$15.85	\$15.71	\$15.72	\$16.29	\$16.83	\$16.90	\$16.74	\$16.35	\$16.39	\$16.58	\$16.61	\$16.29
Domestic Commercial Disappearance of Manufactured Dairy Products (million lbs.)													
Butter													<u>YTD Total</u>
2017	123.1	114.6	175.2	143.8	144.0	141.0	141.3	159.4	162.9	183.5	207.4	159.6	1,142.4
2018	124.7	129.8	171.9	141.9	136.5	144.8	155.7	164.3	148.3	204.3	230.2	148.8	1,169.6
2019	158.3	132.5	151.9	147.3	143.2	136.6	145.4	167.7					1,182.9
% change	26.9%	2.1%	-11.6%	3.8%	4.9%	-5.7%	-6.6%	2.1%					1.1%
American Cheese													
2017	434.8	360.7	393.2	394.0	421.1	414.3	382.4	433.3	412.0	460.3	411.2	420.9	3,233.8
2018	446.1	372.8	421.0	416.6	409.1	419.6	407.0	456.9	399.7	439.9	438.2	437.2	3,349.1
2019	422.6	395.2	421.7	418.1	427.5	412.4	434.2	451.9					3,383.6
% change	-5.3%	6.0%	0.2%	0.4%	4.5%	-1.7%	6.7%	-1.1%					1.0%
Other Cheese													
2017	608.3	525.2	601.7	589.2	596.5	579.2	579.1	605.7	600.1	638.7	635.9	629.9	4,684.9
2018	618.8	540.3	626.9	592.1	595.7	589.1	620.2	646.0	612.1	692.3	651.7	647.3	4,829.1
2019	610.4	545.6	621.7	607.5	642.4	615.9	640.4	623.6					4,907.5
% change	-1.4%	1.0%	-0.8%	2.6%	7.8%	4.5%	3.3%	-3.5%					1.6%
Nonfat dry milk powder/skim milk powder													
2018	113.2	53.2	73.3	76.2	64.8	54.2	63.8	76.2	64.4	45.4	34.6	94.5	574.9
2019	93.8	43.9	98.6	99.7	47.0	101.2	93.7	89.8					667.7
% change	-17.1%	-17.5%	34.5%	30.8%	-27.5%	86.7%	46.9%	17.8%					16.1%

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	<u>J</u>	<u>F</u>	<u>M</u>	<u>A</u>	<u>M</u>	<u>J</u>	<u>J</u>	<u>A</u>	<u>S</u>	<u>O</u>	<u>N</u>	<u>D</u>	<u>Avg.</u>
Southeast Federal Orders' Blend Prices - Base Zone at 3.5% butterfat (\$/cwt.)													
Florida - Tampa													
2017	\$22.22	\$21.07	\$21.28	\$20.08	\$19.69	\$20.39	\$21.45	\$21.43	\$21.14	\$20.62	\$20.66	\$20.92	\$20.91
2018	\$19.62	\$18.57	\$18.14	\$18.72	\$19.25	\$19.96	\$19.57	\$18.89	\$19.23	\$20.87	\$20.12	\$19.47	\$19.37
2019	\$19.78	\$19.96	\$20.41	\$20.46	\$21.13	\$21.62	\$21.75	\$22.48	\$21.85	\$22.06	\$22.63	\$23.16	\$21.44
Southeast - Atlanta													
2017	\$20.27	\$19.36	\$19.15	\$17.97	\$17.83	\$18.70	\$19.64	\$20.02	\$19.61	\$19.12	\$19.07	\$19.04	\$19.15
2018	\$18.00	\$16.57	\$16.30	\$16.88	\$17.46	\$18.12	\$18.12	\$17.53	\$17.94	\$19.39	\$18.71	\$18.00	\$17.75
2019	\$18.27	\$18.35	\$18.70	\$18.70	\$19.24	\$19.58	\$20.25	\$20.85	\$20.52	\$20.69	\$21.24	\$21.62	\$19.83
Appalachian - Charlotte													
2017	\$20.06	\$19.09	\$19.06	\$17.77	\$17.65	\$18.37	\$19.35	\$19.53	\$19.06	\$18.59	\$18.63	\$18.37	\$18.79
2018	\$17.53	\$16.31	\$16.02	\$16.56	\$17.20	\$17.81	\$17.52	\$17.03	\$17.35	\$18.76	\$18.12	\$17.45	\$17.31
2019	\$17.82	\$18.00	\$18.31	\$18.28	\$18.93	\$19.44	\$19.84	\$20.34	\$20.04	\$20.11	\$20.64	\$20.95	\$19.39
Southeast Federal Orders' Class I Utilization %													
Florida													
2018	82%	85%	85%	84%	85%	85%	81%	84%	82%	84%	85%	81%	<u>Avg.</u> 84%
2019	86%	84%	82%	85%	86%	82%	83%	86%	80%				84%
Southeast													
2018	73%	68%	65%	65%	68%	68%	74%	76%	75%	79%	78%	70%	71%
2019	76%	70%	65%	67%	66%	57%	70%	74%	73%				69%
Appalachian													
2018	71%	69%	67%	66%	68%	67%	69%	72%	69%	75%	75%	67%	70%
2019	76%	72%	65%	66%	67%	63%	71%	73%	73%				69%
Average Whole Milk Retail Prices \$ per Gallon as Collected by Federal Milk Market Administrators													
Atlanta													
2018	\$3.76	\$3.76	\$3.76	\$3.76	\$3.76	\$3.78	\$3.78	\$3.78	\$3.52	\$3.76	\$3.59	\$3.61	<u>YTD Avg.</u> \$3.74
2019	\$3.64	\$3.36	\$3.79	\$3.39	\$3.39	\$3.39	\$3.39	\$3.26	\$3.52	\$3.72			\$3.49
% change	-3.2%	-10.6%	0.8%	-9.8%	-9.8%	-10.3%	-10.3%	-13.8%	0.0%	-1.1%			-6.9%
Louisville													
2018	\$1.82	\$1.89	\$1.89	\$1.82	\$1.99	\$1.82	\$1.82	\$1.89	\$1.82	\$1.82	\$1.82	\$1.82	\$1.86
2019	\$1.82	\$1.82	\$1.99	\$1.99	\$1.99	\$1.99	\$1.99	\$2.16	\$2.22	\$2.29			\$2.03
% change	0.0%	-3.7%	5.3%	9.3%	0.0%	9.3%	9.3%	14.3%	22.0%	25.8%			9.0%
Miami													
2018	\$4.00	\$4.00	\$3.90	\$3.90	\$3.90	\$3.90	\$3.98	\$3.98	\$3.82	\$3.92	\$4.02	\$3.96	\$3.93
2019	\$3.96	\$3.91	\$3.91	\$4.00	\$4.00	\$3.88	\$3.88	\$3.89	\$3.81	\$4.10			\$3.93
% change	-1.0%	-2.3%	0.3%	2.6%	2.6%	-0.5%	-2.5%	-2.3%	-0.3%	4.6%			0.1%
U.S. Avg.													
2018	\$3.32	\$3.33	\$3.29	\$3.28	\$3.26	\$3.27	\$3.23	\$3.26	\$3.26	\$3.28	\$3.27	\$3.27	\$3.28
2019	\$3.25	\$3.26	\$3.28	\$3.29	\$3.29	\$3.29	\$3.29	\$3.28	\$3.35	\$3.38			\$3.30
% change	-2.1%	-2.1%	-0.3%	0.3%	0.9%	0.6%	1.9%	0.6%	2.8%	3.0%			0.5%

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Southeast Federal Orders' Packaged Fluid Milk Sales - Million lbs.

	<u>J</u>	<u>F</u>	<u>M</u>	<u>A</u>	<u>M</u>	<u>J</u>	<u>J</u>	<u>A</u>	<u>S</u>	<u>O</u>	<u>N</u>	<u>D</u>	<u>YTD Total</u>
Florida													
2018	247	216	242	223	226	203	208	229	215	233	226	235	1,794
2019	246	219	234	227	222	199	209	226					1,782
% change	-0.4%	1.4%	-3.3%	2.0%	-1.8%	-2.0%	0.5%	-1.3%					-0.6%
Southeast													
2018	395	341	375	356	355	324	331	376	348	374	372	361	2,853
2018	386	325	341	342	334	306	327	363					2,724
% change	-2.3%	-4.7%	-9.1%	-4.0%	-5.9%	-5.6%	-1.2%	-3.5%					-4.5%
Appalachian													
2018	298	252	277	261	269	249	253	273	261	277	279	268	2,132
2018	287	240	268	261	265	232	250	264					2,067
% change	-3.7%	-4.8%	-3.2%	0.0%	-1.5%	-6.8%	-1.2%	-3.3%					-3.0%
Total all Three Orders													
2017	940	809	894	840	850	776	792	878	824	884	877	864	6,779
2018	919	784	843	830	821	737	786	853					6,573
% change	-2.2%	-3.1%	-5.7%	-1.2%	-3.4%	-5.0%	-0.8%	-2.8%					-3.0%

Mailbox Prices - \$/cwt.

													<u>YTD Avg.</u>
Florida													
2018	\$18.25	\$16.90	\$16.46	\$16.90	\$17.40	\$17.97	\$18.07	\$17.72	\$18.16	\$19.03	\$18.87	\$17.90	\$17.42
2019	\$18.58	\$18.31	\$18.48	\$18.67	\$18.73	\$19.16	\$19.38						\$18.76
Southeast States													
2018	\$16.80	\$15.05	\$14.68	\$15.39	\$15.79	\$16.29	\$17.27	\$16.01	\$16.43	\$17.16	\$17.52	\$16.68	\$15.90
2019	\$16.99	\$17.10	\$17.10	\$17.22	\$17.69	\$18.03	\$18.64						\$17.54
Appalachian States													
2018	\$16.99	\$15.38	\$15.02	\$15.61	\$15.97	\$16.37	\$16.28	\$15.82	\$16.24	\$17.71	\$17.59	\$16.82	\$15.95
2019	\$17.04	\$17.24	\$17.30	\$17.03	\$17.45	\$17.96	\$18.39						\$17.49

U.S. Milk Production - Million lbs.

													<u>YTD Total</u>
2017	18,128	16,694	18,740	18,332	18,952	18,060	18,268	18,049	17,156	17,769	17,260	18,058	162,379
2018	18,437	16,973	18,989	18,412	19,131	18,288	18,329	18,245	17,395	17,873	17,348	18,155	164,199
2019	18,600	16,981	18,869	18,458	19,064	18,256	18,370	18,290	17,616				164,504
% change	0.9%	0.0%	-0.6%	0.2%	-0.4%	-0.2%	0.2%	0.2%	1.3%				0.2%

U.S. Dairy Cows - 1,000 head

2017	9,359	9,365	9,383	9,392	9,401	9,404	9,404	9,404	9,399	9,395	9,398	9,400	9,392
2018	9,438	9,436	9,430	9,418	9,422	9,414	9,392	9,389	9,368	9,367	9,358	9,353	9,399
2019	9,352	9,350	9,330	9,330	9,333	9,319	9,319	9,317	9,315				

Estimated Margin Under Dairy Margin Program (2019) and Margin Protection Program for Dairy

													<u>YTD Avg.</u>
2017	\$11.06	\$10.58	\$9.35	\$8.55	\$8.61	\$9.33	\$9.08	\$10.27	\$9.99	\$10.00	\$10.39	\$9.36	\$9.65
2018	\$8.12	\$6.88	\$6.77	\$6.62	\$6.78	\$7.37	\$6.72	\$7.43	\$8.26	\$8.96	\$8.66	\$7.85	\$7.22
2019	\$7.71	\$7.91	\$8.66	\$8.82	\$9.00	\$8.63	\$9.27	\$9.85	\$10.41				\$8.92

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Commercial and Government Storage Holdings - Million lbs.													
Butter	<u>J</u>	<u>F</u>	<u>M</u>	<u>A</u>	<u>M</u>	<u>J</u>	<u>J</u>	<u>A</u>	<u>S</u>	<u>O</u>	<u>N</u>	<u>D</u>	
2018	227	266	274	307	338	337	318	291	282	231	154	179	
2019	211	244	270	291	314	326	330	304	302				
American Cheese													
2018	742	763	767	780	805	800	823	787	804	811	799	800	
2019	804	783	785	783	787	786	775	766	771				
Nonfat Dry Milk Powder													
2018	307	298	297	273	270	303	317	280	262	252	287	276	
2019	286	310	290	275	284	289	289	270	NA				
Dairy Products Production - million lbs.													
Butter													<u>YTD total</u>
2018	182	170	182	175	170	142	135	134	135	143	146	172	1,290
2019	190	165	174	165	161	145	143	136					1,277
Total Cheese													
2018	1,097	986	1,108	1,078	1,085	1,066	1,083	1,087	1,054	1,130	1,082	1,093	8,590
2019	1,098	991	1,121	1,086	1,109	1,067	1,093	1,111					8,676
Nonfat/Skim Milk Powder													
2018	206	196	220	219	216	212	198	177	155	163	161	194	1,643
2019	212	189	211	210	196	200	205	184					1,607
Dairy Exports - million lbs.													
Butter													<u>YTD total</u>
2018	3.8	4.1	5.4	5.1	7.1	6.2	4.6	5.1	4.4	4.7	3.5	4.2	41.4
2019	4.2	4.8	3.6	2.7	3.3	3.4	2.5	3.4					27.9
Cheese													
2018	59.4	62.1	74.6	72.5	65.9	75.4	60.9	62.1	54.2	59.4	58.4	63.6	532.9
2019	61.5	71.7	82.0	71.5	73.0	66.2	61.1	58.6					545.6
Nonfat/Skim Milk Powder													
2018	109.4	146.1	146.4	166.8	154.7	125.3	119.8	137.4	115.9	133.8	105.9	111.0	1,105.9
2019	108.9	121.6	132.6	124.9	140.2	94.3	109.2	112.4					944.1
Dairy Cattle Slaughter - 1,000 head													
2018	289.8	260.6	286.9	248.9	245.1	237.5	239.8	279.7	247.4	288.2	268.0	261.2	2,335.7
2019	298.4	278.9	302.4	268.5	258.1	231.2	256.8	266.6	255.7				2,416.6
% change	3.0%	7.0%	5.4%	7.9%	5.3%	-2.7%	7.1%	-4.7%	3.4%				3.5%
USDA Estimate of Oceania Prices \$/lb.													
Butter													<u>Avg.</u>
2018	\$2.16	\$2.39	\$2.41	\$2.54	\$2.61	\$2.55	\$2.31	\$2.14	\$1.98	\$1.90	\$1.83	\$1.77	\$2.22
2019	\$1.91	\$2.01	\$2.23	\$2.55	\$2.49	\$2.10	\$2.00	\$1.87	\$1.88				\$2.12
Skim milk powder													
2018	\$0.82	\$0.90	\$0.86	\$0.88	\$0.94	\$0.94	\$0.92	\$0.91	\$0.94	\$0.91	\$0.92	\$0.94	\$0.91
2019	\$1.11	\$1.18	\$1.17	\$1.16	\$1.15	\$1.09	\$1.16	\$1.18	\$1.20				\$1.16