Market Information BULLETIN

Southeast Marketing Area
Federal Order 7

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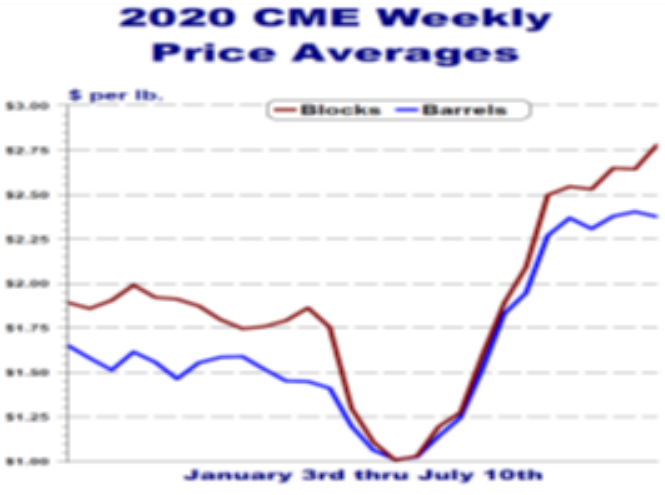
ISSUED FOR THE INFORMATION OF PRODUCERS WHO ARE NOT MEMBERS OF COOPERATIVE ASSOCIATIONS

Explanation of Producer Price Differential

In the seven Federal Milk Marketing Orders (FMMO) that pay producers based on milk components (butterfat, protein, and other solids) plus a producer price differential (PPD) value, the June PPD was significantly negative and in fact reached new lows in most of the FMMOs. This occurred when the June 2020 Class III price jumped a record $8.90 per hundredweight from the May value.

Dairy commodity markets, which are the basis for all FMMO pricing, have registered extreme swings in price levels this year, the magnitude and rapidity not previously experienced. For example, block and barrel cheese prices were relatively strong at the beginning of this year, with block prices above $1.90 per pound during most of January, and barrel prices above $1.50 per pound. Blocks even surpassed the $2.00 per pound mark on a couple of days in January. Prices remained relatively strong until early April when they plunged dramatically. Both block and barrel prices fell as low as $1.00 per pound in April, before skyrocketing in May. Blocks surpassed the $2.00 per pound threshold in late May and have continued to climb to record levels, approaching $3.00 during the second week of July. The graph below details average weekly CME prices for barrel and block since the beginning of this year. (continued at right)



Uniform Price

The uniform price in Fulton County, GA, was $15.38 per hundredweight of milk at 3.5 percent butterfat for June 2020. The uniform price is $0.01 per hundredweight lower than the previous month and is $4.20 lower than June 2019.

Class I utilization was 70.06 percent in June. This represents a 3.51 percent increase from the previous month and is 12.89 percent higher than June of last year.

Explanation of Producer Price Differential

(cont. from left) The magnitude of these rapid variations in dairy commodity markets results in unusual, or "non-typical", FMMO class price alignment. Although unusual alignment of prices has occurred in the past, the magnitude of the current disparity between class prices is unprecedented. In June, the Southeast Order Class III price ($21.04) was $5.82 higher than the announced Class I price ($15.22), at the base zone. The spread between the Class III price and the Class II ($12.99) and Class IV ($12.90) prices in June was $8.05 and $8.14, respectively, also unprecedented differences.

Producer Price Differential

The PPD is a per hundredweight payment and is but one portion of the total revenue paid to dairy farmers marketing milk in a Federal Order that pay producers based on milk components. The butterfat, protein, and other solids in producer milk comprise the other portions of producer revenue, and these are paid on a per pound basis. Some orders with multiple component pricing also include a per hundredweight price adjustment based on somatic cell levels in producer milk.

The PPD represents, on a per hundredweight basis, total dollars accumulated by the market-wide pool minus the amount paid out to producers for priced components – protein, butterfat, and other solids. Market-wide pool revenue, or the pool classified value, is (continued on page 4)

F.O. 7 - SOUTHEAST: CALCULATION OF UNIFORM PRICES - June 2020

Calculation of Uniform Butterfat Price:

	Utilization	Pounds	Price/lb.	Value
Class I Butterfat	44.40%	6,043,760	$1.3107	$ 7,921,556.23
Class I Differential at Location				196,108.39
Class II Butterfat	46.46%	6,325,650	$1.8661	11,804,295.46
Class III Butterfat	1.23%	166,923	$1.8591	310,326.55
Class IV Butterfat	7.91%	1,077,529	$1.8591	2,003,234.17
Total Butterfat	**100.00%**	**13,613,862**		**$ 22,235,520.80**

Uniform Butterfat Price per lb. (Fulton County, Georgia): $1.6333

Calculation of Uniform Skim Milk Price:

Producer Milk	Utilization	Pounds	Price per unit	Value
Class I Skim Milk	71.05%	249,932,609	$7.08 /cwt.	$ 17,695,228.71
Class I Butterfat	44.40%	6,043,760	$1.3107 /lb.	7,921,556.23
Class I Differential at Location		255,976,369		8,322,821.08
Total Class I Milk	**70.06%**	**255,976,369**		**$ 33,939,606.02**
Class II Skim Milk	21.05%	74,032,547	$6.69 /cwt.	$ 4,952,777.43
Class II Butterfat	46.46%	6,325,650	$1.8661 /lb.	11,804,295.46
Total Class II Milk	**21.99%**	**80,358,197**		**$ 16,757,072.89**
Class III Skim Milk	1.62%	5,701,094	$15.06 /cwt.	$ 858,584.75
Class III Butterfat	1.23%	166,923	$1.8591 /lb.	310,326.55
Total Class III Milk	**1.61%**	**5,868,017**		**$ 1,168,911.30**
Class IV Skim Milk	6.28%	22,105,602	$6.62 /cwt.	$ 1,463,390.85
Class IV Butterfat	7.91%	1,077,529	$1.8591 /lb.	2,003,234.17
Total Class IV Milk	**6.34%**	**23,183,131**		**$ 3,466,625.02**
Producer Milk	**100.00%**	**365,385,714**		**$ 55,332,215.23**

Adjustments

Overage and Other Source		$44,404.25
Inventory Adjustments		$165,866.63
Producer butterfat at uniform butterfat price		($22,235,520.80)
Location Adjustments to Producers		$1,889,627.82
1/2 Unobligated Balance in P.S.F.		$174,654.87
Adjusted Pool Value	**$ 10.05517**	**$35,371,248.00**
Reserve for Producer Settlement Fund	**$ 0.04517**	$158,885.60

Uniform Skim Milk Price per cwt. (Fulton County, Georgia): $10.01

Uniform Price per cwt. (Fulton County, Georgia) $15.38*

** At 3.5% butterfat test; for information purposes.*

OTHER FEDERAL ORDERS: CLASS I AND UNIFORM PRICES (At 3.5% Butterfat)

MARKET NAME (Priced at)	CLASS I		UNIFORM		CLASS I %
	June	July	May	June	June
Appalachian (Charlotte)	$ 14.82	$ 19.96	$ 15.14	$ 15.27	83.01%
Arizona (Phoenix)	$ 13.77	$ 18.91	$ 12.38	$ 15.50	29.38%
California (Woodland)	$ 13.52	$ 18.66	$ 11.95	$ 13.13	26.10%
Central (Kansas City)	$ 13.42	$ 18.56	$ 12.24	$ 13.53	43.06%
Florida (Tampa)	$ 16.82	$ 21.96	$ 17.29	$ 16.83	85.38%
Mideast (Cleveland)	$ 13.42	$ 18.56	$ 12.73	$ 13.99	40.40%
Northeast (Boston)	$ 14.67	$ 19.81	$ 13.47	$ 15.66	32.90%
Pacific Northwest (Seattle)	$ 13.32	$ 18.46	$ 11.97	$ 15.17	24.28%
Southeast (Atlanta)	**$ 15.22**	**$ 20.36**	**$ 15.39**	**$ 15.38**	**71.05%**
Southwest (Dallas)	$ 14.42	$ 19.56	$ 13.01	$ 13.42	40.96%
Upper Midwest (Chicago)	$ 13.22	$ 18.36	$ 12.31	$ 17.23	19.50%

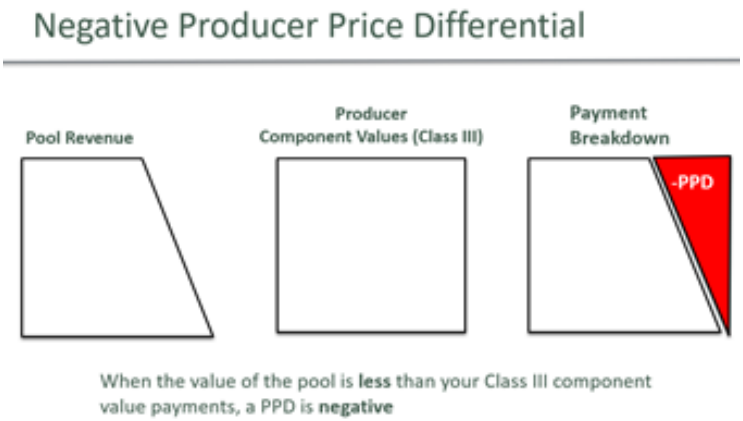
SOUTHEAST MILK MARKETING AREA-FEDERAL ORDER 7
STATISTICAL SUMMARY

	June 2020	June 2019
Receipts:		
Producer Milk		
Class I	255,976,369	252,443,097
Class II	80,358,197	67,770,400
Class III	5,868,017	71,012,230
Class IV	23,183,131	50,341,487
Total Producer Milk	**365,385,714**	**441,567,214**
Average Butterfat Test	3.72%	3.66%
Percent of Producer Milk in Class I	70.06%	57.17%
Daily Average Receipts	12,179,524	14,718,907
Other Source Milk		
Class I	4,531,197	3,782,475
Class II	3,782,581	2,777,808
Class III	0	8,306
Class IV	1,824,494	1,449,759
Total Other Source Milk	**10,138,272**	**8,018,348**
Overage		
Class I	0	0
Class II	0	0
Class III	0	0
Class IV	670,759	2,422
Total Overage	**670,759**	**2,422**
Opening Inventory		
Class I	15,557,779	21,469,879
Class II	4,703,826	62,628
Class III	93,229	234,020
Class IV	19,075,290	9,920,491
Total Opening Inventory	**39,430,124**	**31,687,018**
Total Receipts	**415,624,869**	**481,275,002**
Utilization:		
Class I Utilization		
Inventory of Packaged FMP	19,578,487	13,741,698
Route Disposition Class I	246,817,106	249,205,688
Shrinkage	1,264,264	1,722,862
Transfers & Diversions to Nonpool	8,405,488	13,025,203
Total Class I Utilization	**276,065,345**	**277,695,451**
Average Butterfat Test	2.35%	2.34%
Daily Average Utilization	9	9,256,515
Class II Utilization		
Nonfluid Used To Produce	2,883,508	2,155,415
Shrinkage	0	683,863
Transfers & Diversions to Nonpool/Commercial Foods	65,194,725	50,669,729
Used To Produce/Other Uses	20,766,371	17,101,829
Total Class II Utilization	**88,844,604**	**70,610,836**
Average Butterfat Test	8.06%	9.76%
Class III Utilization		
Shrinkage	0	5,735,727
Transfers & Diversions to Nonpool	5,961,246	61,608,310
Used To Produce/Other Uses	0	3,910,519
Total Class III Utilization	**5,961,246**	**71,254,556**
Average Butterfat Test	2.80%	2.47%
Class IV Utilization		
Inventory	17,234,352	22,814,267
Nonfluid Used To Fortify	566,995	500,639
Shrinkage	3,940,850	0
Transfers & Diversions to Nonpool	20,188,187	38,399,253
Used To Produce/Other Uses	2,823,290	0
Total Class IV Utilization	**44,753,674**	**61,714,156**
Average Butterfat Test	4.72%	4.53%
Total Utilization	**415,624,869**	**481,275,002**

Explanation of Producer Price Differential, (continued)

(continued from page 1) determined by the amount of milk utilized in each class, along with the price level for each class. Class I products include fluid bottled milk, Class II products are typically described as "soft" manufactured dairy products (such as ice cream, cottage cheese, dips, fluid cream products, etc.), cheeses are the products that make up Class III, while Class IV is comprised of butter and dry milk powders.

When the total value of producer components exceeds the pool's classified value, the result is a negative PPD since money out of the FMMO pool at producer component values plus the PPD must equal money in the pool's classified value (pool revenue). In this measure, the calculation of a PPD can be thought of as an accounting method to "balance the books" of the monthly Federal Order pool (see illustrations below).



In the fat and skim pricing orders (four Federal milk orders where the largest utilization of milk is typically Class I fluid milk products – including the Appalachian, Florida, and Southeast Orders) producers are paid based on the weighted average classified use value of pooled fat in the order and the weighted average classified use value of pooled skim in the order (Class fat prices times the of amount of fat utilized in each class and the Class skim prices times the amount of skim utilized in each class). The total sum of the values paid to producers for pooled fat and pooled skim are equal to the classified use value of the pool and there is no PPD.

Factors Behind Negative PPD

The monthly PPD value can be positive or negative depending on several factors particular to the individual order. In some orders, negative PPD values can occur on a regular basis due to the utilization of producer milk among the four classes and the differences between the class prices. The PPD payment is adjusted by location of the plant where a producer's milk is delivered, so within a specific marketing area the per hundredweight value of the PPD can range from positive at the base zone where the price is announced and turn negative in the more distant differential zones

A significant short-term change in commodity prices used in the class and component price formulas can also have an impact on the PPD value, which is the case in June. In just over a one-month period, cheese prices recovered from among the lowest levels seen in recent years to the highest levels. Under the Federal Order system, Class I prices are announced in advanced of the effective month. The June 2020 Class I price was announced on May 20th using an average cheese price of $1.1859 per pound from the first two weeks in May. The June 2020 Class III price was announced on July 1st based on an average cheese price of $2.2152 per pound, calculated from four weeks in June when cheese market prices were rising. The nonfat dry milk market has not experienced the same increase as the cheese market, so Class II and IV prices have remained low as the Class II price is set off the Class IV price. These dynamics have resulted in the Class III component values, specifically the protein value, being very high relative to the other class values. Producers paid on multiple component pricing will notice the high value paid for protein in their June milk checks, when compared to what was paid out in their May milk checks. As explained above, the higher component prices result in more money paid out at the Class III component values than is available in the monthly Federal order pool and creates a negative PPD.

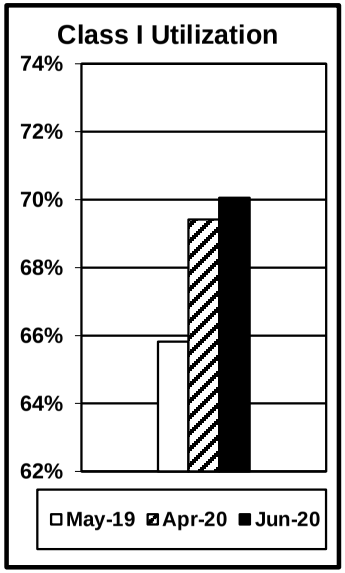
Only milk delivered to pool distributing plants is required to be producer milk under the Federal order system. Pool supply plants and deliveries to non-pool plants have specific qualifications that must be met to be eligible as producer milk. Those handlers typically have just Class II, Class III, or Class IV products and are not required to participate in the order's pool. Therefore, due to expected price relationships in some months, handlers may decide not to pool some of (continued on page 6)

FEDERAL ORDER 7 - SOUTHEAST: CLASS AND UNIFORM PRICES

Pool Period	CLASS I*			CLASS II			CLASS III			CLASS IV			UNIFORM*		
	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5	Skim/cwt	Bfat/lb	@ 3.5
Apr **2019**	$10.85	$2.5979	$19.56	$7.75	$2.5445	$16.38	$7.34	$2.5375	$15.96	$ 7.09	$2.5375	$15.72	$ 10.09	$2.5622	$18.70
May	$11.62	$2.5735	$20.22	$7.72	$2.5788	$16.48	$7.65	$2.5718	$16.38	$ 7.55	$2.5718	$16.29	$ 10.60	$2.5732	$19.24
Jun	$12.19	$2.6014	$20.87	$8.26	$2.6649	$17.30	$7.22	$2.6579	$16.27	$ 7.80	$2.6579	$16.83	$ 10.72	$2.6381	$19.58
Jul	$11.98	$2.6909	$20.98	$8.48	$2.6928	$17.61	$8.45	$2.6858	$17.55	$ 7.77	$2.6858	$16.90	$ 11.23	$2.6885	$20.25
Aug	$12.61	$2.7210	$21.69	$8.57	$2.6644	$17.60	$8.60	$2.6574	$17.60	$ 7.71	$2.6574	$16.74	$ 11.86	$2.6858	$20.85
Sep	$12.67	$2.6935	$21.65	$8.46	$2.5052	$16.93	$9.91	$2.4982	$18.31	$ 7.88	$2.4982	$16.35	$ 11.90	$2.5820	$20.52
Oct	$13.09	$2.5750	$21.64	$8.54	$2.4101	$16.68	$10.68	$2.4031	$18.72	$ 8.27	$2.4031	$16.39	$ 12.40	$2.4810	$20.65
Nov	$13.91	$2.4335	$21.94	$9.02	$2.3265	$16.85	$12.78	$2.3195	$20.45	$ 8.79	$2.3195	$16.60	$ 13.14	$2.3705	$20.98
Dec	$15.41	$2.3588	$23.13	$9.43	$2.2022	$16.81	$12.11	$2.1952	$19.37	$ 9.34	$2.1952	$16.70	$ 14.20	$2.2656	$21.63
Jan **2020**	$15.51	$2.2395	$22.81	$9.98	$2.1187	$17.05	$10.01	$2.1117	$17.05	$ 9.60	$2.1117	$16.65	$ 14.25	$2.1637	$21.32
Feb	$14.26	$2.1689	$21.35	$10.24	$1.9883	$16.84	$10.43	$1.9813	$17.00	$ 9.60	$1.9813	$16.20	$ 13.26	$2.0586	$20.00
Mar	$14.62	$2.0437	$21.26	$10.38	$1.9247	$16.75	$9.88	$1.9177	$16.25	$ 8.45	$1.9177	$14.87	$ 13.21	$1.9678	$19.64
Apr	$13.99	$1.9819	$20.44	$9.55	$1.3288	$13.87	$8.75	$1.3218	$13.07	$ 7.02	$1.3218	$11.40	$ 12.57	$1.6052	$17.75
May	$12.52	$1.3328	$16.75	$7.73	$1.3826	$12.30	$7.59	$1.3756	$12.14	$ 6.07	$1.3756	$10.67	$ 11.02	$1.3582	$15.39
Jun	$10.88	$1.3487	$15.22	$6.69	$1.8661	$12.99	$15.06	$1.8591	$21.04	$ 6.62	$1.8591	$12.90	$ 10.01	$1.6333	$15.38
Jul	$14.42	$1.8403	$20.36	$7.16											

FEDERAL ORDER 7 - SOUTHEAST: POOLED RECEIPTS AND UTILIZATION OF PRODUCER MILK

Pool Period	Producer Milk 1000 lbs.	Number of Farms	CLASS I		CLASS II		CLASS III		CLASS IV	
			1000 lbs.	%	1000 lbs.	%	1000 lbs.	%	1000 lbs.	%
Apr **2019**	444,507	1,649	298,507	67.16%	63,541	14.29%	49,024	11.03%	33,435	7.52%
May	437,190	1,457	287,784	65.82%	61,240	14.01%	50,169	11.48%	37,997	8.69%
Jun	441,567	1,446	252,443	57.17%	67,770	15.35%	71,012	16.08%	50,341	11.40%
Jul	401,668	1,438	280,070	69.72%	66,719	16.61%	30,027	7.48%	24,852	6.19%
Aug	405,200	1,588	298,250	73.60%	65,105	16.07%	26,948	6.65%	14,897	3.68%
Sep	381,494	1,510	278,544	73.01%	62,746	16.45%	18,818	4.93%	21,387	5.61%
Oct	384,159	1,501	299,335	77.91%	65,484	17.05%	6,058	1.58%	13,282	3.46%
Nov	336,588	1,380	259,960	77.23%	55,026	16.35%	4,138	1.23%	17,463	5.19%
Dec	391,845	1,437	284,970	72.72%	58,388	14.90%	12,019	3.07%	36,468	9.31%
Jan **2020**	419,672	1,430	299,358	71.33%	59,410	14.16%	13,406	3.19%	47,497	11.32%
Feb	358,024	1,353	259,633	72.51%	42,915	11.99%	13,844	3.87%	41,631	11.63%
Mar	463,410	1,390	306,587	66.16%	54,081	11.67%	18,066	3.90%	84,675	18.27%
Apr	386,784	1,393	268,509	69.42%	43,238	11.18%	20,234	5.23%	54,802	14.17%
May	386,332	1,388	257,105	66.55%	61,886	16.02%	13,860	3.59%	53,482	13.84%
Jun	365,386	1,390**	255,976	70.06%	80,358	21.99%	5,868	1.61%	23,183	6.34%



** Class I and uniform prices are at Fulton County (Atlanta), Georgia;** Estimated*

Southeast Marketing Area - Federal Order 7

Upcoming Pool and Payment Dates

Pool Month	Pool & Uniform Price Release Date	MA Payment Dates		Payments for Producer Milk			
		Due to:	Due From:	Partial Payment** Due		Final Payment Due	
		All Funds	P/S & T-Credit	Coop	Nonmember	Coop	Nonmember
July	08/11/20	08/12/20	08/13/20	07/27/20	07/27/20	08/13/20	08/14/20
August	09/11/20	09/14/20	09/15/20	08/25/20	08/26/20	09/15/20	09/16/20
September	10/11/20	10/13/20	10/14/20	09/25/20	09/28/20	10/14/20	10/15/20

** The base rate for making partial payments in Fulton County, GA for July will be $13.84 per hundredweight. This is 90 percent of the preceding month's uniform price of $15.38 per hundredweight.

Producer Touch Base Requirements & Handler Diversion Limits

[per Order Amendment issued March 17, 2008]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Producer Touch Base Days	1	1	1	1	1	1	1	1	1	1	1	1
Diversion Percentage Limits	25%	25%	35%	35%	35%	35%	25%	25%	25%	25%	25%	35%

Explanation of Producer Price Differential, (continued)

(continued from page 4) their milk receipts. In June 2020, handlers decided to not pool a significant volume of Class III milk due to its higher value. While that milk may not have been pooled, it is also important to note that the higher Class III value still exists in the marketplace.

It is expected that Class I, II, and IV prices will continue to be low relative to the Class III price for July 2020 resulting in a negative PPD value. It is likely that multiple component pricing orders will experience some level of negative PPD values until the Class III and IV skim prices converge.

Since the Appalachian, Florida, and Southeast Orders are markets with high Class I utilization and low Class III utilization, the June uniform prices in these orders were not significantly impacted by the increase in cheese prices as explained above. The July Class I price (announced on June 17th) increased by $5.24 from the June 2020 Class I price, so this price increase will be reflected in the July uniform prices for the Appalachian, Florida, and Southeast Orders.

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