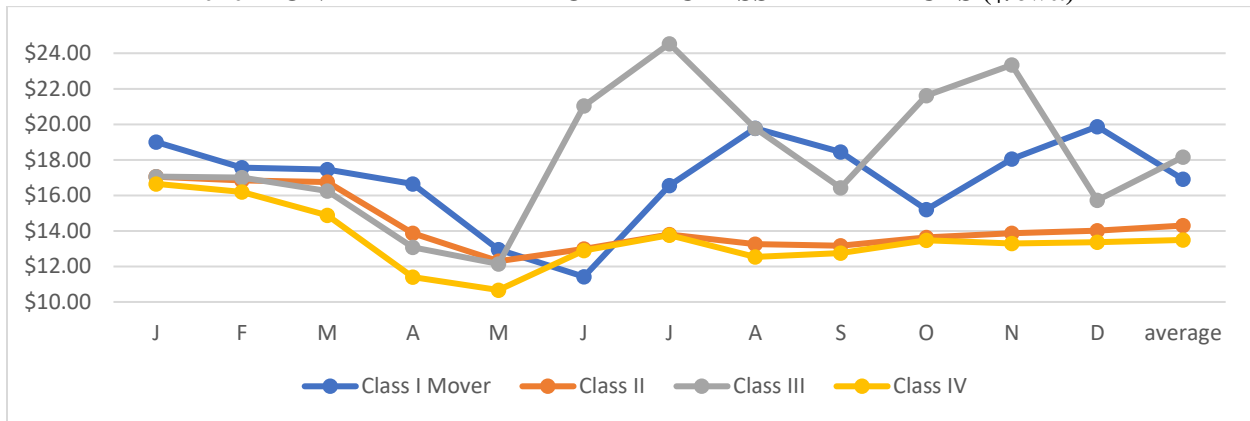


**DIXIE DAIRY REPORT**  
**January 2021**

**Class milk prices.** The graph below, showing 2020 monthly federal order class milk prices, provides an overview of the 2020 pandemic year. The year began with relatively strong milk prices, the January Class I Mover was almost \$4.00/cwt. higher than a year earlier. Then as the pandemic hit, prices declined in May (II, III and IV) and June (Mover) to the lowest levels since 2009. Then USDA's Food Box program started, and lifted the Class III price to the second highest on record high in June and then record highs in July and November. The peaks and valleys in the Class III prices correlate to when a round of Food Box purchases was coming to an end and another round announced. We estimate USDA purchased the equivalent of about 1.75% of 2020 milk production through the Food Box program. We estimate about 70% of the milk equivalent purchased was in the form of cheddar cheese, thus the strong Class III prices. As the graph depicts, Class II and IV prices only recovered, modestly, from the May low. Due to the change in the Class I Mover calculation, implemented in May 2019, the Mover failed to receive the full benefits of record Class III prices. We estimate from January to November of 2020, the new calculation lowered the Florida blend price \$1.11/cwt., Southeast \$0.94/cwt. and Appalachian \$1.05/cwt.

**2020 MONTHLY FEDERAL ORDER CLASS MILK PRICES (\$/cwt.)**



**Dairy product prices.** December butter and cheese DPSR prices are lower than November while NDM and dry whey are higher. The butter inventory continues to expand with the November inventory 39.4% greater than a year ago. Government restrictions and shutdowns hurt restaurants the most, a major butter user. Cheese took a large decline in December as the Food Box program wound down. Italian cheese sales continue to struggle, similar to butter, food service is a primary user. From July to October 2020 production of Italian cheese is 2.5% lower compared to the same period a year earlier. Generally, Italian cheese is not produced unless there is a market. Strong exports sales continue to lift both NDM and dry whey prices.

**DAIRY PRODUCTS SALES REPORT (DPSR) PRICES \***

Product	December 2020	November 2020	December 2019	December 2018
	(\$/lb.)			
<b>Butter</b>	\$1.4431	\$1.4558	\$1.9842	\$2.2425
<b>Cheese (block)</b>	\$1.7708	\$2.5808	\$1.9363	\$1.4032
<b>Cheese (barrel)</b>	\$1.4944	\$2.2929	\$2.1395	\$1.3160
<b>Cheese weighted avg.</b>	\$1.6433	\$2.4535	\$2.0509	\$1.3742
<b>Nonfat Dry Milk Powder</b>	\$1.0951	\$1.0816	\$1.2161	\$0.9020
<b>Dry Whey</b>	\$0.4171	\$0.3830	\$0.3293	\$0.4685

\*Dairy product prices used to calculate federal order class prices

**Robust milk production.** Since July, milk production is well ahead of a year ago. July-November 2020 milk production is 2.3% higher than the same period in 2019. More milk is due to more cows and more milk per cow. At the end of November, the nation’s dairy herd is estimated at 9.407 million cows, 62,000 more head than a year ago. Through November, 168,700 fewer dairy cows were slaughtered compared to the same period in 2019. Since July, milk per cow is up 1.7%. Of the 24 monthly reporting milk states, production is higher in 17 and lower in 7. Florida has the second lowest July-November production decline (3.8%). Vermont has the lowest. Georgia production is up 0.7% and Virginia up 2.4%.

**Supply and demand in 2021.** The major challenge we see facing milk prices in 2021 is farm milk production exceeding supply. Based on current indicators, we estimate 2% more milk in 2021. On the demand side, domestic demand remains weak, while exports are strong. Through the first ten months of 2020, domestic demand is 0.7% (total solids) lower than the same period in 2019. However, domestic demand would be much lower without USDA purchases. We do not expect USDA purchases to continue in 2021 at the same level as 2020. Through October of last year, export demand is up 15.8% (total solids) and accounts for almost 16% of total dairy demand. Combining domestic and export demand, total demand is 1.6% higher for the first ten months of 2020 compared to the previous year.

**Milk prices in 2021.** USDA’s December outlook projects the 2021 all-milk price \$1.65/cwt. lower than 2020. CME futures as of December 31 show 2021 Class III futures averaging \$0.95/cwt. lower and Class IV futures averaging \$1.98/cwt. higher than 2020. Our 2021 projection show blend prices, in the three southeastern orders, averaging about \$0.50/cwt. lower than 2020. If nothing else, last year told us milk price projection are not much more than guesstimates. We see answers to the following questions having the greatest impact on milk prices in 2021:

- Will cooperatives and plants implement milk production controls to lower milk supply? Last spring showed dairy farmers can lower milk production if provided the incentive.
- Based on 2021 grain futures prices at the end of 2020 (corn \$4.65/bushel, soybeans \$12.50/bushel, and soybean meal \$400/ton), feed costs appear higher in 2021. Higher feed costs mean a lower gross margin. Will this slow production?
- How long will it be before the food service sector (40% of dairy sales), recovers, thus lifting domestic demand?
- Can the export market expand further and utilize the milk produced beyond domestic demand? The cheaper dollar helps, but production is growing outside of the U.S. as well.
- What volume of dairy products will USDA purchase in 2021? It makes a significant impact.

**Blend prices.** We project December blend prices in the three southeastern orders about \$1.00/cwt. higher than November. Our 2021 projections have changed little since last month. First quarter 2021 blend prices will struggle. We project a first quarter average about \$2.25/cwt. lower than 2020.

**PROJECTED\* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS**

Month	Appalachian	Florida	Southeast
(\$/cwt. at 3.5% butterfat – base zone)			
November 2020	\$19.72	\$21.70	\$19.66
<b>December</b>	<b>\$20.68</b>	<b>\$23.16</b>	<b>\$21.20</b>
<b>January 2021</b>	<b>\$17.54</b>	<b>\$19.72</b>	<b>\$17.86</b>
<b>February</b>	<b>\$17.60</b>	<b>\$19.68</b>	<b>\$17.96</b>
<b>March</b>	<b>\$17.82</b>	<b>\$19.98</b>	<b>\$18.37</b>
<b>April</b>	<b>\$17.96</b>	<b>\$20.27</b>	<b>\$18.39</b>

\*Projections in bold

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<b>Class I Mover \$ Per Cwt. (3.5% fat)</b>													
	J	F	M	A	M	J	J	A	S	O	N	D	Avg.
2019	\$15.12	\$15.30	\$15.98	\$15.76	\$16.42	\$17.07	\$17.18	\$17.89	\$17.85	\$17.84	\$18.14	\$19.33	\$16.99
2020	\$19.01	\$17.55	\$17.46	\$16.64	\$12.95	\$11.42	\$16.56	\$19.78	\$18.44	\$15.20	\$18.04	\$19.87	\$16.91
2021	\$15.14	\$15.32	\$15.65	\$15.78	\$15.90	\$16.01	\$16.18	\$16.26	\$16.34	\$16.41	\$16.47	\$16.46	\$15.99
<b>Southeast Federal Orders' Blend Prices - Base Zone at 3.5% butterfat (\$/cwt.)</b>													
<u>Florida - Tampa</u>													
2019	\$19.78	\$19.96	\$20.41	\$20.46	\$21.13	\$21.62	\$21.75	\$22.48	\$21.85	\$22.00	\$22.33	\$23.18	\$21.41
2020	\$23.33	\$21.69	\$21.64	\$19.35	\$17.29	\$16.83	\$20.80	\$22.69	\$21.85	\$19.65	\$21.70	\$23.16	\$20.83
2021	\$19.72	\$19.68	\$19.98	\$20.27	\$20.18	\$20.44	\$20.47	\$20.53	\$20.64	\$20.89	\$20.77	\$20.66	\$20.35
<u>Southeast - Atlanta</u>													
2019	\$18.27	\$18.35	\$18.70	\$18.70	\$19.24	\$19.58	\$20.25	\$20.85	\$20.52	\$20.65	\$20.98	\$21.63	\$19.81
2020	\$21.32	\$20.00	\$19.64	\$17.75	\$15.39	\$15.38	\$18.89	\$20.18	\$19.62	\$17.86	\$19.66	\$21.20	\$18.91
2021	\$17.86	\$17.96	\$18.37	\$18.39	\$18.38	\$18.76	\$18.81	\$18.62	\$18.89	\$18.96	\$19.36	\$19.07	\$18.62
<u>Appalachian - Charlotte</u>													
2019	\$17.82	\$18.00	\$18.31	\$18.28	\$18.93	\$19.44	\$19.84	\$20.34	\$20.04	\$20.17	\$20.53	\$21.11	\$19.40
2020	\$21.03	\$19.63	\$19.49	\$17.49	\$15.14	\$15.27	\$19.34	\$20.25	\$19.68	\$17.82	\$19.72	\$20.68	\$18.80
2021	\$17.54	\$17.60	\$17.82	\$17.96	\$18.18	\$18.27	\$18.56	\$18.71	\$18.75	\$18.90	\$19.30	\$18.70	\$18.36
<b>* Projections in bold</b>													

<b>Southeastern Federal Orders Class I Producer Milk - Million lbs.</b>													
	J	F	M	A	M	J	J	A	S	O	N	D	YTD Total
Florida	198.5	173.8	194.0	177.3	177.4	160.9	160.4	179.6	167.7	183.1	186.4	185.3	1,959
2018	198.5	173.8	194.0	177.3	177.4	160.9	160.4	179.6	167.7	183.1	186.4	185.3	1,959
2019	199.3	174.3	184.9	182.7	176.7	155.3	164.1	184.4	163.4	180.8	148.2	176.8	1,914
2020	192.6	175.4	191.0	167.9	162.9	160.3	160.2	160.7	158.9	180.4	176.0	180.4	1,886
<b>% change</b>	<b>-3.4%</b>	<b>0.7%</b>	<b>3.3%</b>	<b>-8.1%</b>	<b>-7.8%</b>	<b>3.3%</b>	<b>-2.4%</b>	<b>-12.8%</b>	<b>-2.8%</b>	<b>-0.2%</b>	<b>18.7%</b>	<b>18.7%</b>	<b>-1.4%</b>
<u>Southeast</u>													
2018	345.5	292.3	323.7	313.3	309.5	284.8	289.5	318.4	294.7	315.4	319.1	298.3	3,406
2019	333.7	274.9	289.9	298.5	287.8	252.4	280.1	298.3	278.5	299.3	260.0	285.0	3,153
2020	299.4	259.6	306.6	268.5	257.1	256.0	269.2	250.5	264.5	272.1	258.6	285.0	2,962
<b>% change</b>	<b>-10.3%</b>	<b>-5.6%</b>	<b>5.8%</b>	<b>-10.0%</b>	<b>-10.7%</b>	<b>1.4%</b>	<b>-3.9%</b>	<b>-16.0%</b>	<b>-5.0%</b>	<b>-9.1%</b>	<b>-0.5%</b>	<b>-6.1%</b>	<b>-6.1%</b>
<u>Appalachian</u>													
2018	373.9	314.3	347.3	326.0	330.2	299.3	308.5	343.0	308.6	348.5	352.8	331.6	3,652
2019	370.1	293.2	310.2	310.9	306.8	263.2	290.9	339.3	321.2	333.5	285.0	321.9	3,424
2020	344.9	301.4	349.0	317.7	317.8	322.8	319.1	318.1	324.6	336.6	332.5	336.6	3,585
<b>% change</b>	<b>-6.8%</b>	<b>2.8%</b>	<b>12.5%</b>	<b>2.2%</b>	<b>3.6%</b>	<b>22.7%</b>	<b>9.7%</b>	<b>-6.2%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>16.7%</b>	<b>16.7%</b>	<b>4.7%</b>
<u>Total all Three Orders</u>													
2018	917.9	780.4	865.0	816.6	817.1	745.0	758.4	841.0	771.0	847.0	858.3	815.2	9,018
2019	903.1	742.4	785.0	792.1	771.3	670.9	735.1	822.0	763.1	813.6	693.2	783.6	8,492
2020	836.9	736.4	846.6	754.1	737.8	739.2	748.6	729.3	748.0	789.1	767.0	783.6	8,433
<b>% change</b>	<b>-7.3%</b>	<b>-0.8%</b>	<b>7.8%</b>	<b>-4.8%</b>	<b>-4.3%</b>	<b>10.2%</b>	<b>1.8%</b>	<b>-11.3%</b>	<b>-2.0%</b>	<b>-3.0%</b>	<b>10.6%</b>	<b>10.6%</b>	<b>-0.7%</b>

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Southeastern Federal Orders' Packaged Fluid Milk Sales - Million lbs.													
Florida	J	F	M	A	M	J	J	A	S	O	N	D	YTD
2018	247	216	242	223	226	203	208	229	215	233	226	235	2,242
2019	246	219	234	231	222	199	209	228	207	229	225	227	2,224
2020	252	231	256	226	220	208	209	206	208	223			2,239
<b>% change</b>	<b>2.4%</b>	<b>5.5%</b>	<b>9.4%</b>	<b>-2.2%</b>	<b>-0.9%</b>	<b>4.5%</b>	<b>0.0%</b>	<b>-9.6%</b>	<b>0.5%</b>	<b>-2.6%</b>			<b>0.7%</b>
<u>Southeast</u>													
2018	395	341	375	356	355	324	331	376	348	374	372	361	3,575
2019	386	325	343	346	334	306	327	366	339	362	352	346	3,434
2020	372	337	386	338	327	313	320	318	318	339			3,368
<b>% change</b>	<b>-3.6%</b>	<b>3.7%</b>	<b>12.5%</b>	<b>-2.3%</b>	<b>-2.1%</b>	<b>2.3%</b>	<b>-2.1%</b>	<b>-13.1%</b>	<b>-6.2%</b>	<b>-6.4%</b>			<b>-1.9%</b>
<u>Appalachian</u>													
2018	298	252	277	261	269	249	253	273	261	277	279	268	2,670
2019	287	240	268	261	265	232	250	267	256	273	271	271	2,599
2020	280	252	299	272	274	268	278	283	279	286			2,771
<b>% change</b>	<b>-2.4%</b>	<b>4.9%</b>	<b>11.7%</b>	<b>4.1%</b>	<b>3.4%</b>	<b>15.5%</b>	<b>11.1%</b>	<b>6.0%</b>	<b>9.0%</b>	<b>4.8%</b>			<b>6.6%</b>
<u>Total all Three Orders</u>													
2018	940	809	894	840	850	776	792	878	824	884	877	864	8,487
2019	919	784	845	838	821	737	786	861	802	864	848	844	8,257
2020	904	820	941	836	821	789	807	807	805	848			8,378
<b>% change</b>	<b>-1.6%</b>	<b>4.6%</b>	<b>11.4%</b>	<b>-0.3%</b>	<b>0.0%</b>	<b>7.0%</b>	<b>2.7%</b>	<b>-6.3%</b>	<b>0.4%</b>	<b>-1.9%</b>			<b>1.5%</b>

U.S. Estimated Fluid Milk Sales - million lbs.													
2018	4,231	3,720	4,101	3,856	3,932	3,593	3,614	3,950	3,788	4,121	4,125	4,046	38,906
2019	4,210	3,650	3,917	3,866	3,911	3,446	3,620	3,889	3,756	4,042	4,008	3,953	38,307
2020	4,071	3,704	4,242	3,864	3,803	3,631	3,707	3,663	3,716	3,969			38,370
<b>% change</b>	<b>-3.3%</b>	<b>1.5%</b>	<b>8.3%</b>	<b>-0.1%</b>	<b>-2.8%</b>	<b>5.4%</b>	<b>2.4%</b>	<b>-5.8%</b>	<b>-1.1%</b>	<b>-1.8%</b>			<b>0.2%</b>

Southeast Federal Orders' Class I Utilization %													
Florida	J	F	M	A	M	J	J	A	S	O	N	D	AVG.
2018	82%	85%	85%	84%	85%	85%	81%	84%	82%	84%	85%	81%	83%
2019	86%	84%	82%	85%	86%	82%	83%	86%	80%	83%	82%	80%	83%
2020	86%	82%	82%	78%	82%	84%	83%	82%	81%	84%	82%		82%
<u>Southeast</u>													
2018	73%	68%	65%	65%	68%	68%	74%	76%	75%	79%	78%	70%	69%
2019	76%	70%	65%	67%	66%	57%	70%	74%	73%	78%	77%	73%	70%
2020	71%	73%	66%	69%	68%	70%	69%	68%	67%	71%	69%		69%
<u>Appalachian</u>													
2017	71%	69%	67%	66%	68%	67%	69%	72%	69%	75%	75%	67%	69%
2018	76%	72%	65%	66%	67%	63%	71%	73%	73%	75%	74%	70%	70%
2020	74%	70%	70%	71%	69%	83%	85%	71%	72%	81%	76%		75%

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<b>U.S. Milk Production - Million lbs.</b>													
	J	F	M	A	M	J	J	A	S	Q	N	YTD Total	
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	199,420
2019	18,612	16,966	18,845	18,433	19,058	18,225	18,375	18,267	17,595	18,135	17,506	18,365	200,017
2020	18,860	17,886	19,375	18,653	18,955	18,367	18,735	18,595	18,003	18,553	18,025	18,007	204,007
<b>% change</b>	<b>1.3%</b>	<b>5.4%</b>	<b>2.8%</b>	<b>1.2%</b>	<b>-0.5%</b>	<b>0.8%</b>	<b>2.0%</b>	<b>1.8%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>3.0%</b>		<b>2.0%</b>

<b>U.S. Dairy Cows - 1,000 head</b>													
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	9,354	9,352	9,333	9,332	9,333	9,327	9,315	9,318	9,333	9,347	9,345	9,343	9,336
2020	9,361	9,375	9,385	9,381	9,360	9,350	9,360	9,361	9,376	9,395	9,407		
<b>Change</b>	<b>7</b>	<b>23</b>	<b>52</b>	<b>49</b>	<b>27</b>	<b>23</b>	<b>45</b>	<b>43</b>	<b>43</b>	<b>48</b>	<b>62</b>		

<b>Florida Milk Production - Million lbs.</b>													
2018	220	211	233	217	223	201	188	180	163	170	182	193	2,188
2019	210	197	218	207	213	199	192	181	164	179	184	195	2,144
2020	215	205	219	208	213	186	183	174	162	171	176		2,112
<b>Change %</b>	<b>2.4%</b>	<b>4.1%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.0%</b>	<b>-6.5%</b>	<b>-4.7%</b>	<b>-3.9%</b>	<b>-1.2%</b>	<b>-4.5%</b>	<b>-4.3%</b>		<b>-1.5%</b>

<b>Georgia Milk Production - Million lbs.</b>													
2018	161	150	168	157	156	141	143	139	129	135	140	147	1,619
2019	159	148	165	157	155	145	143	135	131	139	142	148	1,619
2020	161	152	163	154	152	143	142	136	132	141	144		1,620
<b>Change %</b>	<b>1.3%</b>	<b>2.7%</b>	<b>-1.2%</b>	<b>-1.9%</b>	<b>-1.9%</b>	<b>-1.4%</b>	<b>-0.7%</b>	<b>0.7%</b>	<b>0.8%</b>	<b>1.4%</b>	<b>1.4%</b>		<b>0.1%</b>

<b>Virginia Milk Production - Million lbs.</b>													
2018	148	137	152	146	148	135	134	132	123	128	124	128	1,507
2019	132	121	134	131	133	122	118	118	115	120	119	124	1,363
2020	134	127	137	132	133	126	123	121	117	123	121		1,394
<b>Change %</b>	<b>1.5%</b>	<b>5.0%</b>	<b>2.2%</b>	<b>0.8%</b>	<b>0.0%</b>	<b>3.3%</b>	<b>4.2%</b>	<b>2.5%</b>	<b>1.7%</b>	<b>2.5%</b>	<b>1.7%</b>		<b>2.3%</b>

<b>Total above Three States* Milk Production - Million lbs.</b>													
2017	529	498	553	520	527	477	465	451	415	433	446	468	5,314
2018	501	466	517	495	501	466	453	434	410	438	445	467	5,126
2020	510	484	519	494	498	455	448	431	411	435	441		5,126
<b>Change %</b>	<b>1.8%</b>	<b>3.9%</b>	<b>0.4%</b>	<b>-0.2%</b>	<b>-0.6%</b>	<b>-2.4%</b>	<b>-1.1%</b>	<b>-0.7%</b>	<b>0.2%</b>	<b>-0.7%</b>	<b>-0.9%</b>		<b>0.0%</b>

\* Florida, Georgia, and Virginia account for about two-thirds of the Southeastern States Milk Production. These are the only three southeastern states USDA reports monthly milk production.