

DIXIE DAIRY REPORT
February 2021

Dairy product prices. 2021 begins with prices of the four commodities used to establish federal order class prices all higher than December, except for block cheddar. However, all prices, except dry whey are lower than last January. Both nonfat dry milk powder (NDM) and dry whey had the largest price increase from December. Both increased almost \$0.04/lb. Strong exports are the primary reason for higher NDM and dry whey prices. Through November, powder exports are 19% higher compared to a year earlier, and dry whey exports up over 40%. Remember each penny increase or decrease in the NDM price changes the Class IV price about \$0.09/cwt. and a penny change in dry whey moves the Class III price about \$0.06/cwt. We project NDM and dry whey prices inching higher over the coming months. The January 5 announcement of a 5th Food Box program quickly moved the CME block price higher to close at \$1.9625/lb. on January 11. Then the new administration's regulatory freeze resulted in blocks relinquishing most of the gain closing at \$1.5750/lb. at the end of the month. Based on American cheese inventory almost 7% higher at the end of December, compared to a year earlier, and much discounted milk flowing into cheese plants (*Dairy Market News reports prices as low as \$8.50/cwt. below class price*), cheese prices will continue to struggle. The butter price remains a challenge with the December butter inventory over 44% higher than the previous December. January CME butter averaged \$1.3496/lb., the lowest January average butter price since 2009.

DAIRY PRODUCTS SALES REPORT (DPSR) PRICES *

<u>Product</u>	<u>January 2021</u>	<u>December 2020</u>	<u>January 2020</u>	<u>January 2019</u>
	(\$/lb.)			
Butter	\$1.4548	\$1.4431	\$1.9153	\$2.2343
Cheese (block)	\$1.7171	\$1.7708	\$1.8995	\$1.4280
Cheese (barrel)	\$1.5601	\$1.4944	\$1.6869	\$1.3147
Cheese weighted avg.	\$1.6502	\$1.6433	\$1.8092	\$1.3868
Nonfat Dry Milk Powder	\$1.1345	\$1.0951	\$1.2451	\$0.9513
Dry Whey	\$0.4595	\$0.4171	\$0.3367	\$0.4805

*Dairy product prices used to calculate federal order class prices

Milk production. 2020 marks the tenth consecutive year of increased milk production. Slightly over 223 billion lbs. of milk were produced in 2020, which when adjusted for Leap Year, is 1.9% more than 2019. However, for the last half of 2020, production was 2.5% greater than the same period a year earlier. The additional milk came primarily from more cows. At the end of December, the nation's dairy herd was estimated at 9.443 million head. This is 100,000 more cows than a year ago, and the largest dairy herd since 1996. As shown below, milk production increased in all regions in 2020, except the Southeast.

ANNUAL 2019 and 2020 ACTUAL MILK PRODUCTION by REGION

<u>Region</u>	<u>2019</u>	<u>2020</u>	<u>Change</u>	<u>Percent all Milk</u>
	(million lbs.)		(%)	
Midwest	68,454	69,592	1.7%	31.2%
California	40,564	41,352	1.9%	18.5%
Northwest	33,248	34,239	3.0%	15.3%
Northeast	30,520	30,824	1.0%	13.8%
Southwest	27,604	28,564	3.5%	12.8%
Plains	9,465	10,033	6.0%	4.5%
Southeast	8,528	8,451	-0.9%	3.8%
Total	218,383	223,055	2.1%	

Virginia and Mississippi are the only two Southeast states reporting increased production in 2020. Lower total milk production in the Southeast is due to 13,000 less cows in 2020 compared to 2019. Florida accounts for 5,000 of the reduced dairy herd. For the two Southeast states that account for 48% of total Southeast production, 2020 production was down 1.9% in Florida and down 0.1% in Georgia.

Class I sales. The three southeastern federal orders and the Virginia Milk Commission averaged 556 loads per day of Class I producer milk in 2020. See table below. This is three loads per day lower than 2019. Just ten years ago in 2010, there was an average of 680 loads of Class I producer milk per day. On the positive side, the 2020 decline was lower compared to the decline from 2018 to 2019 of 32 loads. We see the continuing decline in Class I sales as the greatest challenge facing the Southeast dairy industry. It is difficult to bargain for higher milk prices, and profitably expand milk production when the volume of milk needed to meet market demand is declining.

CLASS I PRODUCER MILK - AVERAGE TANKER LOADS per DAY

<u>Order</u>	<u>2000</u>	<u>2010</u>	<u>2015</u>	<u>2019</u>	<u>2020</u>
Appalachian	242	231	216	209	219
Florida	141	141	130	117	115
Southeast	271	262	218	192	181
Va. Milk Commission	49	47	44	40	41
Total*	704	680	608	559	556

*Totals may not add due to rounding

Milk prices. Compared to last month our blend price projections for the next few months are lower due to: strong milk production, growing cheese production and lower prices, historical high butter inventory, and food service demand remaining soft. As shown below, projected January blend prices are over \$3.00/cwt. lower than December. Remember the Class I Mover declined from \$19.87/cwt. in December to \$15.14/cwt. in January. Slightly higher January Class II, III and IV prices absorb part of the Mover decline. Comparing first quarter 2021 to 2020, we project blend prices \$1.85 to \$2.50/cwt. lower.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

<u>Month</u>	<u>Appalachian</u>	<u>Florida</u>	<u>Southeast</u>
	(\$/cwt. at 3.5% butterfat – base zone)		
December 2020	\$20.61	\$23.18	\$20.99
January 2021	\$17.58	\$19.74	\$17.91
February	\$17.43	\$19.57	\$17.80
March	\$17.48	\$19.67	\$18.03
April	\$17.61	\$19.89	\$18.04
May	\$18.05	\$20.03	\$18.25

*Projections in bold

Retail milk prices. The average 2020 retail price for a gallon of whole milk in Miami, as reported by the Market Administrator, was \$3.83/gallon. This is \$0.23/gallon lower than 2019. As a comparison the federal order Class I price in 2020 was about a penny gallon lower than 2019. In Atlanta, the average 2020 price was \$3.37/gallon compared to \$3.53/gallon in 2019. Nationwide, a gallon of whole milk increased from \$3.32/gallon in 2019 to \$3.52/gallon in 2020. It is interesting to note Kansas City reported the highest retail price at \$4.50/gallon while the lowest was in Wichita, Kansas at \$2.49/gallon. Both cities are in the same federal order, with the federal order Class I price in Wichita a little over \$0.02/gallon higher than Kansas City.

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Class I Mover \$ Per Cwt. (3.5% fat)													
	J	F	M	A	M	J	A	S	O	N	D	Avg.	
2019	\$15.12	\$15.30	\$15.98	\$15.76	\$16.42	\$17.07	\$17.18	\$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	\$18.44	\$15.20	\$18.04	\$19.87	\$16.91	
2021	\$15.14	\$15.54	\$15.65	\$15.78	\$15.90	\$16.01	\$16.18	\$16.34	\$16.41	\$16.47	\$16.46	\$16.01	
Southeast Federal Orders' Blend Prices - Base Zone at 3.5% butterfat (\$/cwt.)													
<u>Florida - Tampa</u>													
2019	\$19.78	\$19.96	\$20.41	\$20.46	\$21.13	\$21.62	\$21.75	\$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	\$21.85	\$19.65	\$21.70	\$23.18	\$20.83	
2021	\$19.74	\$19.57	\$19.67	\$19.89	\$20.03	\$20.48	\$20.75	\$20.97	\$21.32	\$21.21	\$21.04	\$20.46	
<u>Southeast - Atlanta</u>													
2019	\$18.27	\$18.35	\$18.70	\$18.70	\$19.24	\$19.58	\$20.25	\$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	\$19.62	\$17.86	\$19.66	\$20.99	\$18.89	
2021	\$17.91	\$17.80	\$18.03	\$18.04	\$18.25	\$18.82	\$19.11	\$19.23	\$19.31	\$19.78	\$19.30	\$18.71	
<u>Appalachian - Charlotte</u>													
2019	\$17.82	\$18.00	\$18.31	\$18.28	\$18.93	\$19.44	\$19.84	\$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	\$19.68	\$17.82	\$19.72	\$20.61	\$18.79	
2021	\$17.58	\$17.43	\$17.48	\$17.61	\$18.05	\$18.35	\$18.84	\$19.12	\$19.34	\$19.78	\$19.10	\$18.47	
* Projections in bold													

Southeastern Federal Orders Class I Producer Milk - Million lbs.													
	J	F	M	A	M	J	A	S	O	N	D	YTD Total	
Florida	198.5	173.8	194.0	177.3	177.4	160.9	160.4	167.7	183.1	186.4	185.3	2,144	
2018	198.5	173.8	194.0	177.3	177.4	160.9	160.4	167.7	183.1	186.4	185.3	2,144	
2019	199.3	174.3	184.9	182.7	176.7	155.3	164.1	163.4	180.8	148.2	176.8	2,091	
2020	192.6	175.4	191.0	167.9	162.9	160.3	160.2	158.9	180.4	176.0	174.9	2,061	
% change	-3.4%	0.7%	3.3%	-8.1%	-7.8%	3.3%	-2.4%	-2.8%	-0.2%	18.7%	-1.1%	-1.4%	
<u>Southeast</u>													
2018	345.5	292.3	323.7	313.3	309.5	284.8	289.5	294.7	315.4	319.1	298.3	3,705	
2019	333.7	274.9	289.9	298.5	287.8	252.4	280.1	278.5	299.3	260.0	285.0	3,438	
2020	299.4	259.6	306.6	268.5	257.1	256.0	269.2	264.5	272.1	258.6	280.1	3,242	
% change	-10.3%	-5.6%	5.8%	-10.0%	-10.7%	1.4%	-3.9%	-5.0%	-9.1%	-0.5%	-1.7%	-5.7%	
<u>Appalachian</u>													
2018	373.9	314.3	347.3	326.0	330.2	299.3	308.5	308.6	348.5	352.8	331.6	3,984	
2019	370.1	293.2	310.2	310.9	306.8	263.2	290.9	321.2	333.5	285.0	321.9	3,746	
2020	344.9	301.4	349.0	317.7	317.8	322.8	319.1	324.6	336.6	332.5	347.0	3,932	
% change	-6.8%	2.8%	12.5%	2.2%	3.6%	22.7%	9.7%	1.1%	0.9%	16.7%	7.8%	4.9%	
<u>Total all Three Orders</u>													
2018	917.9	780.4	865.0	816.6	817.1	745.0	758.4	771.0	847.0	858.3	815.2	9,833	
2019	903.1	742.4	785.0	792.1	771.3	670.9	735.1	763.1	813.6	693.2	783.6	9,275	
2020	836.9	736.4	846.6	754.1	737.8	739.2	748.6	748.0	789.1	767.0	802.0	9,235	
% change	-7.3%	-0.8%	7.8%	-4.8%	-4.3%	10.2%	1.8%	-2.0%	-3.0%	10.6%	2.3%	-0.4%	

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Southeastern Federal Orders' Packaged Fluid Milk Sales - Million lbs.												
Florida	J	F	M	A	M	J	A	S	O	N	D	YTD
2018	247	216	242	223	203	208	229	215	233	226	235	2,468
2019	246	219	234	231	199	209	228	207	229	225	227	2,449
2020	252	231	256	226	208	209	206	208	223	219		2,458
% change	2.4%	5.5%	9.4%	-2.2%	4.5%	0.0%	-9.6%	0.5%	-2.6%	-2.7%		0.4%
Southeast												
2018	395	341	375	356	324	331	376	348	374	372	361	3,947
2019	386	325	343	346	306	327	366	339	362	352	346	3,786
2020	372	337	386	338	313	320	318	318	339	331		3,699
% change	-3.6%	3.7%	12.5%	-2.3%	2.3%	-2.1%	-13.1%	-6.2%	-6.4%	-6.0%		-2.3%
Appalachian												
2018	298	252	277	261	249	253	273	261	277	279	268	2,949
2019	287	240	268	261	232	250	267	256	273	271	271	2,870
2020	280	252	299	272	268	278	283	279	286	283		3,054
% change	-2.4%	4.9%	11.7%	4.1%	15.5%	11.1%	6.0%	9.0%	4.8%	4.4%		6.4%
Total all Three Orders												
2018	940	809	894	840	776	792	878	824	884	877	864	9,364
2019	919	784	845	838	737	786	861	802	864	848	844	9,105
2020	904	820	941	836	789	807	807	805	848	833		9,211
% change	-1.6%	4.6%	11.4%	-0.3%	7.0%	2.7%	-6.3%	0.4%	-1.9%	-1.8%		1.2%

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	4,121	4,125	4,046	43,031
2019	4,210	3,650	3,917	3,866	3,911	3,446	3,889	3,756	4,042	4,008	3,953	42,315
2020	4,071	3,704	4,242	3,864	3,803	3,631	3,707	3,716	3,969	3,832		42,202
% change	-3.3%	1.5%	8.3%	-0.1%	-2.8%	5.4%	-5.8%	-1.1%	-1.8%	-4.4%		-0.3%

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

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U.S. Milk Production - Million lbs.													
	J	F	M	A	M	J	J	A	S	Q	N	D	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	217,575
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	218,382
2020	18,860	17,890	19,380	18,675	18,955	18,367	18,726	18,594	18,004	18,565	18,098	18,941	223,055
% change	1.3%	5.4%	2.8%	1.3%	-0.5%	0.8%	1.9%	1.8%	2.3%	2.4%	3.4%	3.1%	2.1%

U.S. Dairy Cows - 1,000 head													
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	9,443	9,382
Change	7	23	52	49	27	23	45	43	43	48	62	100	46

Florida Milk Production - Million lbs.													
2018	220	211	233	217	223	201	188	180	163	170	182	193	2,381
2019	210	197	218	207	213	199	192	181	164	179	184	202	2,346
2020	215	205	219	208	213	186	183	174	162	171	174	192	2,302
Change %	2.4%	4.1%	0.5%	0.5%	0.0%	-6.5%	-4.7%	-3.9%	-1.2%	-4.5%	-5.4%	-5.0%	-1.9%

Georgia Milk Production - Million lbs.													
2018	161	150	168	157	156	141	143	139	129	135	140	147	1,766
2019	159	148	165	157	155	145	143	135	131	139	142	152	1,771
2020	161	152	163	154	152	143	142	136	132	141	142	151	1,769
Change %	1.3%	2.7%	-1.2%	-1.9%	-1.9%	-1.4%	-0.7%	0.7%	0.8%	1.4%	0.0%	-0.7%	-0.1%

Virginia Milk Production - Million lbs.													
2018	148	137	152	146	148	135	134	132	123	128	124	128	1,635
2019	132	121	134	131	133	122	119	118	115	120	119	126	1,490
2020	134	127	137	132	133	126	123	121	117	123	121	128	1,522
Change %	1.5%	5.0%	2.2%	0.8%	0.0%	3.3%	3.4%	2.5%	1.7%	2.5%	1.7%	1.6%	2.1%

Total above Three States* Milk Production - Million lbs.													
2018	529	498	553	520	527	477	465	451	415	433	446	468	5,782
2019	501	466	517	495	501	466	454	434	410	438	445	480	5,607
2020	510	484	519	494	498	455	448	431	411	435	437	471	5,593
Change %	1.8%	3.9%	0.4%	-0.2%	-0.6%	-2.4%	-1.3%	-0.7%	0.2%	-0.7%	-1.8%	-1.9%	-0.2%

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