

**DIXIE DAIRY REPORT**  
**June 2021**

**Strong first quarter for dairy demand.** Dairy product commercial disappearance, for the first quarter of 2021 (total solids basis), was 4.1% higher than the first quarter of last year. Exports led higher demand, up 12.2%, while domestic demand was up a respectable 2.7%. Exports represented 16.3% of total disappearance during the first quarter compared to 15.4% during the first quarter of 2020.

Challenges at west coast ports, most likely, kept exports from being even stronger. Butter and whey products were the leading exporters. The U.S.'s lower butter price, relative to the world price, helped push butter exports over 120 % higher compared to the first quarter of last year. Dry whey and whey protein concentrate exports were over 30% and 20% higher, respectively. Rebuilding the Asian swine herd is utilizing much whey for feed. The majority of the nation's skim milk powder continues to be exported, with over 60% exported during the first quarter, which was about 1.8% higher than last year.

Shifting to domestic demand, butter and skim milk powder were the leaders. Food service is a major outlet for both products. Continuing re-openings of many food service establishments fueled demand. First quarter domestic butter disappearance was up 7% and skim milk powder up 15.5%. Cheese disappearance was mixed. American cheese was almost 7% higher, but disappearance of other cheese (primarily Italian) was flat. The decline in other cheese disappearance deserves a careful watch, especially after being down last year. During the past decade, the other cheese category was responsible for much of the growth in cheese demand, up almost 25%.

Strong disappearance of manufactured products has reduced dairy product inventories. At the end of January, the butter inventory was over 30% higher than a year earlier. At the end of April, the butter inventory was only 3.4% higher than last April. American cheese inventory at the end of April is slightly lower than last April. Nonfat dry milk powder inventory was down almost 10% at the end of March.

**Fluid milk sales struggling.** Unfortunately, packaged fluid milk sales failed to keep pace with increased manufactured dairy demand. As shown below, estimated daily packaged milk sales were 4.2% lower during the first quarter of this year compared to last year. It is interesting to note, organic sales are up almost 6%, while conventional sales were down almost 5%. The Southeast had the federal orders with both the largest increase and decrease in first quarter packaged fluid sales. Appalachian was up 3.2%, while Florida was down almost 11%. For the entire Southeastern areas, first quarter daily packaged fluid milk sales are 4.8% lower than last year. The Southeast decline is more concerning, considering population growth in the Southeast states.

**ESTIMATED DAILY PACKAGED FLUID MILK SALES – First Quarter 2021 vs. 2020**

Million lbs.			
	<u>2020</u>	<u>2021</u>	<u>Change %</u>
<u>U.S.</u>			
Conventional	124.33	118.28	-4.9%
Organic	7.73	8.18	5.9%
<b>Total U.S.</b>	<b>132.05</b>	<b>126.46</b>	<b>-4.2%</b>
<b>Southeastern Federal Orders</b>			
Appalachian	9.13	9.43	3.2%
Florida	8.12	7.23	-10.9%
Southeast	12.03	11.11	-7.6%
Virginia Milk Commission	2.06	2.07	0.6%
<b>Total Southeastern</b>	<b>31.35</b>	<b>29.84</b>	<b>-4.8%</b>

**Milk production continues expanding.** USDA estimates the nation’s dairy farmers produced 3.3% more milk in April compared to last April. Most of the additional milk came from more cows. The nation’s dairy herd is estimated at 9.490 million head. This is 113,000 more dairy cows than a year ago. To put this in perspective, this is the largest dairy herd since 1985. In the nation’s two largest milk production states, California and Wisconsin, April production was up 4.1% and 4.6%, respectively. Other states with large April production increase were: Indiana +11.4%, Texas +7.7%, South Dakota + 13.4%, Minnesota + 6.9%, and Michigan +4.5%.

Florida had the largest decline in April production of any reporting state, down 5.3%. Florida’s decline is due to fewer cows, 6,000 head less than a year ago, and flat milk production per cow. In the other two Southeast reporting states, April production was flat in Georgia, and down 2.3% in Virginia.

**Large decline in cheese prices.** Strong milk production moved cheese prices lower over the past month. Since the first of May, CME block cheddar declined almost \$0.30/lb. from \$1.8000/lb. to \$1.5050/lb. on June 4. Extra demand for barrel cheese during the summer grilling season softened the CME barrel decline. During the same period, barrel declined from \$1.8125/lb. to \$1.5925/lb. Good demand, both domestic and export, continues to support the butter price. On June 4 the CME butter price was \$1.7900/lb., almost \$0.04/lb. higher compared to the first of May. May DPSR prices for both nonfat dry milk powder and dry whey increased from April. May NDM moved up \$0.06/lb. to \$1.24/lb., the highest price in over a year. May dry whey advanced \$0.035/lb. to \$0.64/lb., its highest price since 2014. We anticipate increased milk production will slow upward movement in these two product prices.

The May Class III price increased almost \$1.29/cwt. to \$18.97/cwt., while Class IV advanced \$0.74/cwt. The relatively large spread between Class III and IV will continue to result in large volumes of milk not pooled on federal orders in May. May blend prices in some parts of the Appalachian and Southeast orders will be lower than the Class III price. The decline in CME cheese prices will be reflected in a lower June Class III price (\$1.00/cwt. or more). Time will tell if lower Class III prices will soften milk production growth in markets with heavy cheese milk usage.

**Blend prices.** May blend prices in the three Southeastern orders are projected over a \$1.00/cwt. higher than April. Blend prices are projected to move higher in June as well, with the Florida and Southeast orders increasing another \$1.00/cwt. If national milk production increases continue at current levels, June may be the peak blend price for the year. Through April, pounds of producer milk in the Appalachian and Southeast orders are almost unchanged from the previous year. More milk, located outside the orders’ marketing area is being pooled on these two orders. In the Florida order, producer milk is down almost 6%, however, Class I sales are down more which prevents an increase in Class I utilization.

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

Month	Appalachian	Florida	Southeast
	(\$/cwt. at 3.5% butterfat – base zone)		
March 2021	\$17.94	\$20.11	\$17.92
April	\$18.43	\$20.21	\$18.46
<b>May</b>	<b>\$19.53</b>	<b>\$21.41</b>	<b>\$19.81</b>
<b>June</b>	<b>\$20.31</b>	<b>\$22.63</b>	<b>\$20.87</b>
<b>July</b>	<b>\$20.07</b>	<b>\$21.99</b>	<b>\$20.31</b>
<b>August</b>	<b>\$20.15</b>	<b>\$21.96</b>	<b>\$20.15</b>

\*Projections in bold

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Class I Mover \$ Per Cwt. (3.5% fat)													
	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	\$15.54	\$15.20	\$15.51	\$17.10	\$18.29	\$17.71	\$17.67	\$17.89	\$18.01	\$18.09	\$17.91	\$17.01
Southeast Federal Orders' Blend Prices - Base Zone at 3.5% butterfat (\$/cwt.)													
Florida - Tampa													
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	\$23.18	\$20.83
2021	\$19.26	\$19.54	\$20.11	\$20.21	\$21.41	\$22.63	\$21.99	\$21.96	\$22.22	\$22.49	\$22.41	\$22.14	\$21.36
Southeast - Atlanta													
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	\$20.99	\$18.89
2021	\$17.59	\$17.72	\$17.92	\$18.46	\$19.81	\$20.87	\$20.31	\$20.15	\$20.52	\$20.60	\$21.00	\$20.35	\$19.61
Appalachian - Charlotte													
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	\$20.61	\$18.79
2021	\$17.42	\$17.56	\$17.94	\$18.43	\$19.53	\$20.31	\$20.07	\$20.15	\$20.30	\$20.51	\$20.97	\$20.23	\$19.45
<b>* Projections in bold</b>													

Southeastern Federal Orders Average Daily Class I Producer Milk - Million lbs.													
Florida	J	F	M	A	M	J	J	A	S	O	N	D	Daily YTD
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	741.2
2020	192.6	175.4	191.0	167.9	162.9	160.3	160.2	160.7	158.9	180.4	176.0	174.9	727.0
2021	175.8	161.1	173.6	170.8	170.8	170.8	170.8	170.8	158.9	180.4	176.0	174.9	681.3
<b>% change -8.7%</b>													
<b>-8.2%</b>													
<b>-9.1%</b>													
<b>1.7%</b>													
Southeast													
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	1,197.0
2020	299.4	259.6	306.6	268.5	257.1	256.0	269.2	250.5	264.5	272.1	258.6	280.1	1,134.1
2021	268.9	253.4	271.8	265.6	265.6	265.6	265.6	265.6	264.5	272.1	258.6	280.1	1,059.7
<b>% change -10.2%</b>													
<b>-2.4%</b>													
<b>-11.3%</b>													
<b>-1.1%</b>													
Appalachian													
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	1,284.4
2020	344.9	301.4	349.0	317.7	317.8	322.8	319.1	318.1	324.6	336.6	332.5	347.0	1,313.0
2021	325.8	306.8	332.8	319.9	319.9	319.9	319.9	319.9	324.6	336.6	332.5	347.0	1,285.3
<b>% change -5.6%</b>													
<b>1.8%</b>													
<b>-4.7%</b>													
<b>0.7%</b>													
Total all Three Orders													
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	3,222.6
2020	836.9	736.4	846.6	754.1	737.8	739.2	748.6	729.3	748.0	789.1	767.0	802.0	3,174.1
2021	770.5	721.3	778.2	756.3	756.3	756.3	756.3	756.3	756.3	756.3	756.3	756.3	3,026.3
<b>% change -7.9%</b>													
<b>-2.1%</b>													
<b>-8.1%</b>													
<b>0.3%</b>													
<b>-4.7%</b>													



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<b>U.S. Milk Production - Million lbs.</b>													
	J	F	M	A	M	J	J	A	S	O	N	D	YTD Total
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	72,856
2020	18,877	17,895	19,402	18,684	18,972	18,414	18,756	18,632	18,031	18,603	18,103	18,851	74,858
2021	19,328	17,667	19,780	19,295									76,070
<b>% change</b>	<b>2.4%</b>	<b>-1.3%</b>	<b>1.9%</b>	<b>3.3%</b>									<b>1.6%</b>

<b>U.S. Dairy Cows - 1,000 head</b>													
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	9,365	9,377	9,391	9,377	9,360	10	9,372	9,374	9,395	9,414	9,432	9,442	9,388
2021	9,447	9,460	9,474	9,490									
<b>Change</b>	<b>82</b>	<b>83</b>	<b>83</b>	<b>113</b>									

<b>Florida Milk Production - Million lbs.</b>													
2019	210	197	218	207	213	199	192	181	164	179	184	202	832
2020	215	205	219	208	213	186	183	174	162	171	174	192	847
2021	199	183	205	197									784
<b>Change %</b>	<b>-7.4%</b>	<b>-10.7%</b>	<b>-6.4%</b>	<b>-5.3%</b>									<b>-7.4%</b>

<b>Georgia Milk Production - Million lbs.</b>													
2019	159	148	165	157	155	145	143	135	131	139	142	152	629
2020	161	152	163	154	152	143	142	136	132	141	142	151	630
2021	157	143	163	154									617
<b>Change %</b>	<b>-2.5%</b>	<b>-5.9%</b>	<b>0.0%</b>	<b>0.0%</b>									<b>-2.1%</b>

<b>Virginia Milk Production - Million lbs.</b>													
2019	132	121	134	131	133	122	119	118	115	120	119	126	518
2020	134	127	137	132	133	126	123	121	117	123	121	128	530
2021	130	118	133	129									510
<b>Change %</b>	<b>-3.0%</b>	<b>-7.1%</b>	<b>-2.9%</b>	<b>-2.3%</b>									<b>-3.8%</b>

<b>Total above Three States* Milk Production - Million lbs.</b>													
2019	501	466	517	495	501	466	454	434	410	438	445	480	1,979
2020	510	484	519	494	498	455	448	431	411	435	437	471	2,007
2021	486	444	501	480									1,911
<b>Change %</b>	<b>-4.7%</b>	<b>-8.3%</b>	<b>-3.5%</b>	<b>-2.8%</b>									<b>-4.8%</b>

\* 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.