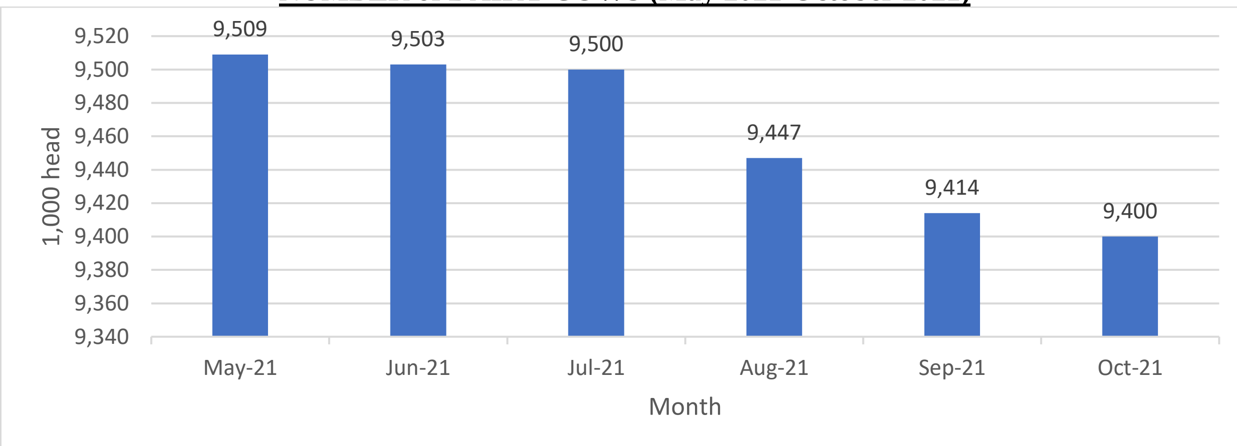
DIXIE DAIRY REPORT
December 2021

Dairy herd declining. For the first time since 2018, month-over-month (MOM) dairy cow numbers are lower. USDA estimates the nation's dairy herd as of October 31 at 9.40 million head. This is 14,000 head lower than last October. Since May of this year, the nation's dairy herd has declined 109,000 head, a large contraction over a relatively short period. Poor, and in many cases negative margins, are the main cause. USDA reports the average third quarter cost of a 16% dairy ration was $11.42/cwt. A year ago, it was $7.62/cwt., a 50% increase. This is only feed and does not include other milk production costs such as labor, fuel, parts and equipment, which have significantly increased in price.

NUMBER of DAIRY COWS (May 2021-October 2021)



Lower cow numbers resulted in October milk production 0.5% lower than last October. The first month, since May 2020 (coronavirus lockdown) for lower MOM production. In the 24 reporting states, October production was higher than a year ago in eight (8) states. South Dakota, a growing cheese producing state, continues to lead the pack with October production up 15.3%. Texas was up 3.9%, Minnesota up 2.8% and Wisconsin up 2.7%. New Mexico continues to be the leading decliner in milk production, down 15.3% in October. Through August, the average New Mexico mailbox price is $14.60/cwt. This compares to $17.77/cwt. and $17.80/cwt. in Wisconsin and Minnesota, respectively.

In the three Southeast reporting states, both Florida and Virginia continue to drop in milk production. October production was down 4.7% in Florida and 4.9% in Virginia. Compared to a year ago, Florida's dairy herd is down 7,000 head. For the seventh consecutive month, production is higher in Georgia, up 2.1%. Georgia has 1,000 more dairy cows compared to last year.

Exports drive dairy demand. The U.S. dairy industry continues to become more dependent on the world market for dairy sales. Through the first nine months of the year, export sales are 12.2% higher than last year. Domestic sales are up 1.3%. Through nine months, export sales are responsible for 17.2% of total dairy demand. A year ago, exports were 15.7% of total demand.

PERCENT CHANGE in DAIRY DEMAND – Total Solids (Quarters 2021 vs. 2020)

Quarter	Domestic	Export	Total
1st Quarter	1.6%	11.3%	3.1%
2nd Quarter	1.8%	13.6%	3.8%
3rd Quarter	0.6%	11.4%	2.3%
Total – 9 months	1.3%	12.2%	3.0%

Skim milk powder and whey products are the major dairy products exported. Almost 60% of total production of these products is exported. Butter exports are strong this year, up 127%. However, butter exports are only about 4.5% of total butter production.

Dairy product prices. November saw Dairy Products Sales Report (DPSR) prices for butter, nonfat dry milk powder (NDM), and dry whey increase, while cheese declined. The November butter price of $1.9503/lb. is the highest in two years. The NDM November price of $1.4769/lb. is the highest since 2014. The November Class III price increased $0.20/cwt. from October (due to a higher dry whey price) to $18.03/cwt. The November Class IV price was $18.79/cwt. This is a gain of $1.75/cwt. from October and the highest, Class IV price since October 2014. The December Class I Mover moved up $1.19/cwt. to $19.17/cwt., the highest Mover for the year. The Class I Mover averaged $16.83/cwt. for 2021.

Looking ahead, December butter should stay close to $1.95/lb. Butter demand remains steady, and inventory is 6% below a year ago. The NDM price should move higher and push the December Class IV price around $19.00/cwt. Cheese is uncertain, which is evident by the large block to barrel spread. A month ago, the barrel price was higher than block. Today it is reversed with the December 3rd CME block price at $1.8575/lb. and a barrel price of $1.6025/lb. Due to a lower supply, the dry whey price is inching slightly higher, and will offset some of the cheese price decline in the Class III price. I project a December Class III price around $18.00/cwt. and a January Class I Mover around $19.30/cwt.

Blend prices. November blend prices are projected about $1.25/cwt. higher than October. December blends are projected to add around another $0.75/cwt. for the highest blend prices of the year. My 2022 blend price projections continue to increase. 2022 blend prices in the three Southeastern federal orders are projected to average $1.50-$2.00/cwt. more than 2021. My projections remain lower than the current Class III and IV futures markets indicate. Milk production is below a year ago, and poor margins will continue to lead to more dairy farm exits. However, the current uptick in milk prices could prompt larger herds to add cows. On the demand side, sales may be a challenge next year. As the previous table shows, third quarter domestic demand was only 0.6% higher than last year. Inflation and other challenges may limit consumers' buying power, including dairy products. Coronavirus, and lockdowns continue to hang around. Lower milk production in the other two major exporting regions, European Union and Oceania, is good for U.S. export opportunities, but there is uncertainty regarding volume of future Chinese dairy purchases. Thus, my cautious optimism for 2022 milk prices.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
	($/cwt. at 3.5% butterfat – base zone)		
September 2021	$19.37	$21.22	$19.70
October	$19.70	$21.55	$19.86
November	**$20.96**	**$22.86**	**$21.04**
December	**$21.85**	**$23.67**	**$21.87**
January 2022	**$21.76**	**$23.57**	**$21.70**
February	**$21.72**	**$23.69**	**$21.67**

*Projections in bold

May you all have a Merry Christmas and a Blessed New Year. During this Christmas season and throughout the coming years: May the joy of the angels, the eagerness of the shepherds, the perseverance of the wise men, the obedience of Joseph and Mary, and most importantly the hope, peace, and salvation that comes from the Christ-child be yours.

Calvin Covington, ccovington5@cs.com, 352-266-7576

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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.
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	$17.42	$16.90	$16.59	$17.08	$17.98	$19.17	$16.83
2022	**$19.31**	**$19.21**	**$18.96**	**$18.81**	**$18.64**	**$18.59**	**$18.74**	**$18.84**	**$18.91**	**$18.99**	**$18.99**	**$18.94**	**$18.91**
Southeastern Federal Orders' Blend Prices - Base Zone at 3.5% butterfat ($/cwt.)													
Florida - Tampa													
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	$21.26	$22.40	$21.98	$21.11	$21.22	$21.55	**$22.86**	**$23.67**	$21.26
2022	**$23.57**	**$23.69**	**$23.60**	**$23.26**	**$23.04**	**$23.07**	**$23.50**	**$23.27**	**$23.49**	**$23.49**	**$23.46**	**$23.30**	**$23.40**
Southeast - Atlanta													
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	$19.52	$20.39	$19.80	$19.60	$19.70	$19.86	**$21.04**	**$21.87**	$19.46
2022	**$21.70**	**$21.67**	**$21.13**	**$21.05**	**$21.02**	**$20.89**	**$21.30**	**$21.36**	**$21.93**	**$21.87**	**$21.65**	**$21.58**	**$21.43**
Appalachian - Charlotte													
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	$19.35	$20.19	$19.61	$19.24	$19.37	$19.70	**$20.96**	**$21.85**	$19.30
2022	**$21.76**	**$21.72**	**$21.43**	**$21.34**	**$21.11**	**$21.03**	**$21.26**	**$21.51**	**$21.49**	**$21.67**	**$21.61**	**$21.39**	**$21.44**

*** Projections in bold**

Southeastern Federal Orders Class I Producer Milk - Million lbs.

Florida	J	F	M	A	M	J	J	A	S	O	N	D	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	1765.9
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	1710.4
2021	175.8	161.1	173.6	170.8	162.9	149.4	159.2	167.2	164.2	170.2			1654.5
% change	**-8.7%**	**-8.2%**	**-9.1%**	**1.7%**	**0.0%**	**-6.8%**	**-0.6%**	**4.0%**	**3.4%**	**-5.6%**			**-3.3%**
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	2,893.4
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	2,703.5
2021	268.9	253.4	271.8	265.6	245.7	234.5	236.9	259.4	261.1	261.3			2,558.7
% change	**-10.2%**	**-2.4%**	**-11.3%**	**-1.1%**	**-4.4%**	**-8.4%**	**-12.0%**	**3.6%**	**-1.3%**	**-4.0%**			**-5.4%**
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	3,139.3
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	3,252.1
2021	325.8	306.8	332.8	319.9	296.4	281.8	287.9	313.2	308.7	314.6			3,088.0
% change	**-5.6%**	**1.8%**	**-4.7%**	**0.7%**	**-6.7%**	**-12.7%**	**-9.8%**	**-1.5%**	**-4.9%**	**-6.5%**			**-5.0%**
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	7,798.6
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	7,666.0
2021	770.5	721.3	778.2	756.3	705.0	665.8	684.1	739.8	734.0	746.2			7,301.2
% change	**-7.9%**	**-2.1%**	**-8.1%**	**0.3%**	**-4.4%**	**-9.9%**	**-8.6%**	**1.4%**	**-1.9%**	**-5.4%**			**-4.8%**

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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
2019	246	219	234	231	222	199	209	228	207	229	225	227	1,995
2020	252	231	256	226	220	208	209	206	208	223	219	224	2,016
2021	222	206	223	216	206	200	207	214	212				1,906
% change	**-11.9%**	**-10.8%**	**-12.9%**	**-4.4%**	**-6.4%**	**-3.8%**	**-0.8%**	**3.9%**	**1.9%**				**-5.4%**
Southeast													
2019	386	325	343	346	334	306	327	366	339	362	352	346	3,072
2020	372	337	386	338	327	313	320	318	318	339	331	344	3,029
2021	335	319	346	326	313	289	297	318	322				2,865
% change	**-9.9%**	**-5.3%**	**-10.3%**	**-3.6%**	**-4.3%**	**-7.7%**	**-7.3%**	**0.0%**	**1.3%**				**-5.4%**
Appalachian													
2019	287	240	268	261	265	232	250	267	256	273	271	271	2,326
2020	280	252	299	272	274	268	278	283	279	286	283	291	2,485
2021	292	267	289	272	267	252	258	270	268				2,435
% change	**4.3%**	**6.1%**	**-3.3%**	**0.1%**	**-2.6%**	**-5.8%**	**-7.3%**	**-4.6%**	**-3.9%**				**-2.0%**
Total all Three Orders													
2019	919	784	845	838	821	737	786	861	802	864	848	844	7,393
2020	904	820	941	836	821	789	807	807	805	848	833	859	7,530
2021	849	792	859	814	786	741	762	802	802				7,206
% change	**-6.1%**	**-3.4%**	**-8.8%**	**-2.6%**	**-4.3%**	**-6.0%**	**-5.6%**	**-0.6%**	**-0.4%**				**-4.3%**

U.S. Estimated Fluid Milk Sales - million lbs.

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	34,265
2020	4,071	3,704	4,242	3,864	3,803	3,631	3,709	3,663	3,716	3,969	3,832	4,013	34,403
2021	3,872	3,584	3,925	3,718	3,637	3,390	3,474	3,601	3,669				32,870
% change	**-4.9%**	**-3.2%**	**-7.5%**	**-3.8%**	**-4.4%**	**-6.6%**	**-6.3%**	**-1.7%**	**-1.3%**				**-4.5%**

Southeast Federal Orders' Class I Utilization %

Florida	J	F	M	A	M	J	J	A	S	O	N	D	Avg.
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%	81%	82%
2021	79%	82%	84%	81%	79%	81%	86%	81%	83%	83%			82%
Southeast													
2019	76%	70%	65%	67%	66%	57%	70%	74%	73%	78%	77%	73%	69%
2020	71%	73%	66%	69%	68%	70%	69%	68%	67%	71%	69%	68%	69%
2021	68%	71%	62%	63%	64%	65%	68%	72%	71%	68%			67%
Appalachian													
2019	76%	72%	65%	66%	67%	63%	71%	73%	73%	75%	74%	70%	69%
2020	74%	70%	70%	71%	69%	83%	85%	71%	72%	81%	76%	68%	74%
2021	71%	72%	68%	69%	67%	66%	69%	72%	74%	73%			70%

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U.S. Milk Production - Million lbs.	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	182,511
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	186,266
2021	19,328	17,667	19,780	19,340	19,855	18,954	19,122	18,739	18,038	18,515			189,338
% change	**2.4%**	**-1.3%**	**1.9%**	**3.5%**	**4.7%**	**2.9%**	**2.0%**	**0.6%**	**0.0%**	**-0.5%**			**1.6%**

U.S. Dairy Cows - 1,000 head												
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
2020	9,365	9,377	9,391	9,377	9,360	9,355	9,372	9,374	9,395	9,414	9,432	9,442
2021	9,447	9,460	9,474	9,500	9,509	9,503	9,500	9,447	9,414	9,400		
Change	**82**	**83**	**83**	**123**	**149**	**148**	**128**	**73**	**19**	**-14**		

Florida Milk Production - Million lbs.													YTD Total
2019	210	197	218	207	213	199	192	181	164	179	184	202	1,960
2020	215	205	219	208	200	186	183	174	162	171	174	192	1,923
2021	199	183	205	199	195	186	175	163	155	163			1,823
Change %	**-7.4%**	**-10.7%**	**-6.4%**	**-4.3%**	**-2.5%**	**0.0%**	**-4.4%**	**-6.3%**	**-4.3%**	**-4.7%**			**-5.2%**
Georgia Milk Production - Million lbs.													
2019	159	148	165	157	155	145	143	135	131	139	142	152	1,477
2020	161	152	163	154	152	143	142	136	132	141	142	151	1,476
2021	157	143	163	157	155	150	146	142	137	144			1,494
Change %	**-2.5%**	**-5.9%**	**0.0%**	**1.9%**	**2.0%**	**4.9%**	**2.8%**	**4.4%**	**3.8%**	**2.1%**			**1.2%**
Virginia Milk Production - Million lbs.													
2019	132	121	134	131	133	122	119	118	115	120	119	126	1,245
2020	134	127	137	132	133	126	123	121	117	123	121	128	1,273
2021	130	118	133	129	130	121	120	117	114	117			1,229
Change %	**-3.0%**	**-7.1%**	**-2.9%**	**-2.3%**	**-2.3%**	**-4.0%**	**-2.4%**	**-3.3%**	**-2.6%**	**-4.9%**			**-3.5%**
Total above Three States* Milk Production - Million lbs.													
2019	501	466	517	495	501	466	454	434	410	438	445	480	4,682
2020	510	484	519	494	485	455	448	431	411	435	437	471	4,672
2021	486	444	501	485	480	457	441	422	406	424			4,546
Change %	**-4.7%**	**-8.3%**	**-3.5%**	**-1.8%**	**-1.0%**	**0.4%**	**-1.6%**	**-2.1%**	**-1.2%**	**-2.5%**			**-2.7%**

* 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.