DIXIE DAIRY REPORT
February 2022

Dairy product prices. The January CME butter price was $2.7203/lb. a record high for the month of January. Compared to a year ago, the butter price is more than double. After reaching $2.93/lb. during the middle of the month, butter closed at $2.50/lb. on February 4. *Dairy Market News* reports food service sales are softening and retail sales are slowing. In addition, cream multiples are lower, cream is available, and the spread between the domestic and world price is shrinking, all signs of a weakening price. However, low production and inventories and above average exports should keep the butter price well above a year ago. January saw block and barrel cheese prices mixed. CME block cheddar started the New Year around $2.00/lb., but closed at $1.90/lb. on February 4. On the other hand barrel cheddar started at $1.8650/lb. and closed at $1.8950/lb. on February 4. Cheese plants continue to struggle with supply chain and labor issues which can lead to more movement in CME daily prices. Turning to dry products, the January Dairy Products Sales Report (DPSR) price for nonfat dry milk powder (NDM) is $1.6488/lb., the highest NDM price since 2014 when the price was over $2.00/lb. Strong exports are the main driver behind higher NDM prices. Plus, 2021 ended with the NDM inventory 15% below a year earlier. A higher NDM price, relative to cheese, will eventually move milk from cheese to powder. If exports continue strong, there is more potential upward movement in the NDM price until production expands. The January DPSR dry whey price was a record high $0.7087/lb., surpassing the previous record of $0.6890/lb. in July 2014. Dry whey production in 2021 was almost 3% lower than 2020. More whey was shifted from dry whey to higher value whey products such as whey protein concentrate.

Milk production. 2021 milk production was 226.3 billion lbs. up 1.4% from 2020. During the first quarter of 2021 production increased 1.1%, was up a strong 3.7% during the second quarter (remember comparing to the pandemic shutdown). Production eased during the third quarter, only up 0.9% and then declined 0.1% in the fourth quarter. Dairy cow inventory at the end of December was 9.375 million head which is 67,000 head below a year earlier. Milk per cow in 2021 was 0.7% higher than 2021, about one-half the historical increase. Of the 24 monthly milk reporting states, sixteen states increased or showed no change in 2021 production compared to 2020. South Dakota led the increase +15.6% followed by Texas +5.0%. California was +1.6% and Wisconsin +3.2%. Florida led the decliners -5.1% followed by Washington -4.6%. In the ten Southeast States, 2021 production fell to 8.2 billion lbs., 3.0% lower than 2020. In the past four years, Southeast production has declined over 1 billion lbs. Only two states, Georgia and North Carolina, produced more milk in 2021 than 2020.

Southeast States Milk Production 2019-2021

State	2019	2020	2021	2021 vs. 2020	Percent of Total
		(million lbs.)		(%)	(%)
Florida	2,346	2,289	2,172	-5.1	26.5
Georgia	1,771	1,772	1,799	1.5	21.9
Virginia	1,490	1,522	1,474	-3.2	18.0
North Carolina	902	895	917	2.5	11.2
Kentucky	942	938	907	-3.3	11.1
Tennessee	551	542	508	-6.3	6.2
South Carolina	206	189	160	-15.3	1.9
Louisiana	135	134	125	-6.7	1.5
Mississippi	126	131	106	-19.1	1.3
Alabama	60	45	39	-13.3	0.5
TOTAL	**8,529**	**8,457**	**8,207**	**-3.0**	

USDA's most recent projection has 2022 milk production only 0.6% higher than 2021. Higher costs to produce milk and crops will temper expansion. This along with improving cull cow prices will send more dairy cows to slaughter. In addition, USDA's January cattle inventory report shows the number of dairy cows expected to calve in 2022 is 79,700 fewer head than in 2021. And, there are 157,900 less total dairy replacements than a year ago. In other words, the cows are not here currently, to significantly expand milk production, even if costs were more favorable.

Class I sales. The average daily number of loads of Class I producer milk dropped to 529 loads in the Southeast during 2021. As shown below, this is 21 loads less than 2020. In the past ten years, Class I sales have declined more than 120 loads per day.

SOUTHEAST CLASS I PRODUCER MILK - AVERAGE TANKER LOADS* per DAY

Order	2000	2010	2015	2019	2020	2021
Appalachian	240	229	214	207	217	207
Florida	139	139	128	116	114	111
Southeast	269	259	214	190	179	171
Va. Milk Commission	49	46	44	40	41	39***
Total**	697	674	602	553	550	529

*49,500 lbs. per load **Totals may not add due to rounding. ***Estimate

Class I Mover. In 2020, the Class III price was much higher than the Class IV price for several months. Now in 2022, the reverse is happening, Class IV is much higher than Class III. The January Class IV price was $23.09/cwt. versus Class III at $20.28/cwt. Two things happen when there is a wide price spread between III and IV: 1) The Class I Mover is lower compared to the previous "higher of" formula. For February, the Mover is $0.51/cwt. lower. 2) Less milk of the higher milk price class (III or IV) is pooled on federal orders. This results in not all dairy farmers sharing in the additional dollars generated by the higher milk class.

Blend prices. As shown below, January blend prices are projected significantly higher than December, and the highest blend prices since 2014. Blend prices are projected higher yet in February and March, before declining in April. Again, my projections are lower than other forecasters and current futures markets indicate. As stated earlier, I do not see much increase in milk production in the coming months. The main challenge I see impacting milk prices is demand. Higher prices will lead to buyer resistance. On-going transportation and labor issues will challenge keeping the dairy case fully stocked, and export levels are unpredictable and can be impacted by geopolitical issues. Thus, the reason for my caution.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
	($/cwt. at 3.5% butterfat – base zone)		
November 2021	$21.13	$22.93	$21.22
December	$22.08	$23.97	$22.28
January 2022	**$23.85**	**$25.38**	**$23.83**
February	**$24.47**	**$26.35**	**$24.44**
March	**$24.64**	**$26.72**	**$24.43**
April	**$24.59**	**$26.46**	**$24.36**

*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.
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	$19.71	$21.64	**$22.03**	**$21.96**	**$21.78**	**$21.54**	**$21.29**	**$21.18**	**$20.96**	**$20.78**	**$20.67**	**$20.51**	**$21.17**

Southeastern Federal Orders' Blend Prices - Base Zone at 3.5% butterfat ($/cwt.)

	J	F	M	A	M	J	J	A	S	O	N	D	Avg.
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	$22.93	$23.97	$21.30
2022	**$25.38**	**$26.35**	**$26.72**	**$26.46**	**$26.22**	**$26.02**	**$26.11**	**$25.60**	**$25.51**	**$25.32**	**$25.24**	**$24.92**	**$25.82**
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	$21.22	$22.28	$19.51
2022	**$23.83**	**$24.44**	**$24.43**	**$24.36**	**$24.26**	**$23.83**	**$23.96**	**$23.65**	**$23.91**	**$23.70**	**$23.59**	**$23.31**	**$23.94**
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	$21.13	$22.08	$19.34
2022	**$23.85**	**$24.47**	**$24.64**	**$24.59**	**$24.31**	**$23.94**	**$23.88**	**$23.79**	**$23.47**	**$23.45**	**$23.34**	**$23.03**	**$23.90**

*** 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	2,090.9
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	2,061.3
2021	175.8	161.1	173.6	170.8	162.9	149.4	159.2	167.2	164.2	170.2	176.1	179.3	2,010.0
% change	**-8.7%**	**-8.2%**	**-9.1%**	**1.7%**	**0.0%**	**-6.8%**	**-0.6%**	**4.0%**	**3.4%**	**-5.6%**	**0.1%**	**2.5%**	**-2.5%**
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	3,438.4
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	3,242.2
2021	268.9	253.4	271.8	265.6	245.7	234.5	236.9	259.4	261.1	261.3	268.1	267.5	3,094.4
% change	**-10.2%**	**-2.4%**	**-11.3%**	**-1.1%**	**-4.4%**	**-8.4%**	**-12.0%**	**3.6%**	**-1.3%**	**-4.0%**	**3.7%**	**-4.5%**	**-4.6%**
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	3,746.2
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	3,931.6
2021	325.8	306.8	332.8	319.9	296.4	281.8	287.9	313.2	308.7	314.6	326.8	331.7	3,746.5
% change	**-5.6%**	**1.8%**	**-4.7%**	**0.7%**	**-6.7%**	**-12.7%**	**-9.8%**	**-1.5%**	**-4.9%**	**-6.5%**	**-1.7%**	**-4.4%**	**-4.7%**
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	9,275.4
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	9,235.0
2021	770.5	721.3	778.2	756.3	705.0	665.8	684.1	739.8	734.0	746.2	771.1	778.5	8,850.8
% change	**-7.9%**	**-2.1%**	**-8.1%**	**0.3%**	**-4.4%**	**-9.9%**	**-8.6%**	**1.4%**	**-1.9%**	**-5.4%**	**0.5%**	**-2.9%**	**-4.2%**

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	2,449
2020	252	231	256	226	220	208	209	206	208	223	219	224	2,458
2021	222	206	223	216	206	200	207	214	212	220	224		2,350
% change	**-11.9%**	**-10.8%**	**-12.9%**	**-4.4%**	**-6.4%**	**-3.8%**	**-0.8%**	**3.9%**	**1.9%**	**-1.3%**	**2.3%**		**-4.4%**
Southeast													
2019	386	325	343	346	334	306	327	366	339	362	352	346	3,786
2020	372	337	386	338	327	313	320	318	318	339	331	344	3,699
2021	335	319	346	326	313	289	297	318	322	323	329		3,517
% change	**-9.9%**	**-5.3%**	**-10.3%**	**-3.6%**	**-4.3%**	**-7.7%**	**-7.3%**	**0.0%**	**1.3%**	**-4.7%**	**-0.6%**		**-4.9%**
Appalachian													
2019	287	240	268	261	265	232	250	267	256	273	271	271	2,870
2020	280	252	299	272	274	268	278	283	279	286	283	291	3,054
2021	292	267	289	272	267	252	258	270	268	273	285		2,993
% change	**4.3%**	**6.1%**	**-3.3%**	**0.1%**	**-2.6%**	**-5.8%**	**-7.3%**	**-4.6%**	**-3.9%**	**-4.5%**	**0.7%**		**-2.0%**
Total all Three Orders													
2019	919	784	845	838	821	737	786	861	802	864	848	844	9,105
2020	904	820	941	836	821	789	807	807	805	848	833	859	9,211
2021	849	792	859	814	786	741	762	802	802	816	838		8,860
% change	**-6.1%**	**-3.4%**	**-8.8%**	**-2.6%**	**-4.3%**	**-6.0%**	**-5.6%**	**-0.6%**	**-0.4%**	**-3.8%**	**0.6%**		**-3.8%**

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	42,315
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	42,204
2021	3,872	3,584	3,925	3,718	3,637	3,390	3,474	3,601	3,669	3,762	3,798		40,430
% change	**-4.9%**	**-3.2%**	**-7.5%**	**-3.8%**	**-4.4%**	**-6.6%**	**-6.3%**	**-1.7%**	**-1.3%**	**-5.2%**	**-0.9%**		**-4.2%**

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%	85%	84%	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%	71%	70%	68%
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%	77%	73%	71%

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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	218,382
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	223,220
2021	19,330	17,666	19,780	19,332	19,855	18,954	19,102	18,738	18,035	18,635	18,024	18,825	226,276
% change	**2.4%**	**-1.3%**	**1.9%**	**3.5%**	**4.7%**	**2.9%**	**1.8%**	**0.6%**	**0.0%**	**0.2%**	**-0.4%**	**-0.1%**	**1.4%**

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	9,445	9,458	9,472	9,496	9,507	9,503	9,491	9,446	9,413	9,393	9,382	9,375
Change	**80**	**81**	**81**	**119**	**147**	**148**	**119**	**72**	**18**	**-21**	**-50**	**-67**

													YTD Total
Florida Milk Production - Million lbs.													
2019	210	197	218	207	213	199	192	181	164	179	184	202	2,346
2020	215	205	219	208	200	186	183	174	162	171	174	192	2,289
2021	199	183	205	199	195	186	175	163	155	163	167	182	2,172
Change %	**-7.4%**	**-10.7%**	**-6.4%**	**-4.3%**	**-2.5%**	**0.0%**	**-4.4%**	**-6.3%**	**-4.3%**	**-4.7%**	**-4.0%**	**-5.2%**	**-5.1%**
Georgia Milk Production - Million lbs.													
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	154	1,772
2021	157	143	163	157	155	150	146	142	137	146	145	158	1,799
Change %	**-2.5%**	**-5.9%**	**0.0%**	**1.9%**	**2.0%**	**4.9%**	**2.8%**	**4.4%**	**3.8%**	**3.5%**	**2.1%**	**2.6%**	**1.5%**
Virginia Milk Production - Million lbs.													
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
2021	130	118	133	129	130	121	120	117	114	119	117	126	1,474
Change %	**-3.0%**	**-7.1%**	**-2.9%**	**-2.3%**	**-2.3%**	**-4.0%**	**-2.4%**	**-3.3%**	**-2.6%**	**-3.3%**	**-3.3%**	**-1.6%**	**-3.2%**
Total above Three States* Milk Production - Million lbs.													
2019	501	466	517	495	501	466	454	434	410	438	445	480	5,607
2020	510	484	519	494	485	455	448	431	411	435	437	474	5,583
2021	486	444	501	485	480	457	441	422	406	428	429	466	5,445
Change %	**-4.7%**	**-8.3%**	**-3.5%**	**-1.8%**	**-1.0%**	**0.4%**	**-1.6%**	**-2.1%**	**-1.2%**	**-1.6%**	**-1.8%**	**-1.7%**	**-2.5%**

* 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.