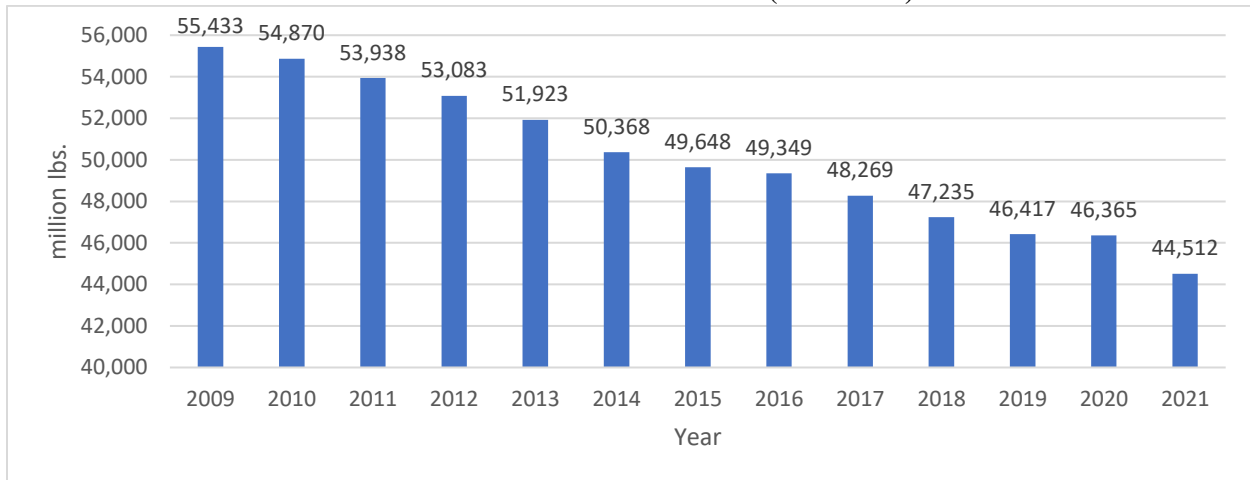


DIXIE DAIRY REPORT
September 2022

Fluid milk sales. On August 31, USDA released its annual fluid milk sales report. 2021 fluid sales totaled 44.512 billion lbs. which is 4% lower than 2020. Since 2009, fluid milk sales declined almost 11 billion lbs. or 20%. See table below. A review of the historical data shows between 1985 and 2010, annual fluid milk sales were relatively stable, between 54-55 billion lbs. The downward spiral in fluid sales started in 2010. This is the same year federal legislation was enacted limiting fluid milk in the school lunch program to skim or unflavored 1% milk. Granted they are other reasons contributing to fluid milk's decline, but in my opinion this legislation is a primary reason.

Whole milk continues to increase its share of total fluid milk sales. In 2011, whole milk represented 26% of total fluid sales. Last year whole milk's share increased to 36%. During the same time period reduced fat dropped from 65% to 51% of total sales. 2021 was a good year for flavored milk sales increasing 14.5% from the previous year. Flavored milk sales exceeded skim sales in 2021. Even though buttermilk only represents about 1% of total fluid sales, buttermilk sales increased 8% in 2021. And, for the third consecutive year eggnog sales increased.

ANNUAL FLUID MILK SALES (2009-2021)



So far in 2022 fluid milk sales are declining less than 2021. Through the first six months of 2022, packaged fluid milk sales are down 2.3%, better than last year's 4.0% decline. All of 2022 sales decline is reduced fat milk, down 5.1%. Conventional whole milk sales are up 1.2% and flavored whole milk is up 2.1%. Even though the total reduced fat category is down, flavored reduced fat sales are up 11.2%. Compared to the rest of the country, fluid milk sales in the three Southeastern federal orders, especially Florida, are doing much better than the national average. As shown below, first half fluid sales are only down 0.9% in the three orders, combined, but are up 3.2% in Florida and 1.2% in the Appalachian orders.

SOUTHEASTERN FEDERAL ORDERS
PACKAGED FLUID MILK SALES– 2022 vs 2021 (January-June)

Order	2021	2022	Change
	(Million lbs.)		(%)
Appalachian	1,640	1,660	1.2%
Florida	1,273	1,314	3.2%
Southeast	1,928	1,823	-5.5%
Total	4,841	4,797	-0.9%

Milk production. USDA reports July milk production 0.2% higher than last July. June milk production was revised down to 0.1% instead of up 0.2%. For the year-to-date, production is 0.6% lower. In the 24 milk reporting states, production was higher or no change in 11 states and lower in the other 13 states. South Dakota and Georgia continue to lead the pack in higher production up 13.1% and 12.3%, respectively. Florida showed the largest production decline, down 11.4%. In the nation’s two largest milk producing states, July production was up 2.2% in California and down 0.3% in Wisconsin. Dairy cow numbers grew by 1,000 head in July to 9.416 million head, but 67,000 head less than a year ago. USDA estimated milk per cow was 0.9% greater in July compared to a year ago.

As stated above, milk production continues to expand in Georgia and shrink in Florida. Through the first seven months of the year, Florida and Georgia production are almost identical. Florida production is 1.206 billion lbs. 10.6% lower than last year. Georgia production is 1.194 billion lbs., 11.6% more than a year ago. Year-to-date production in Virginia, the other Southeast reporting state, is 855 million lbs., down 3.0%.

Dairy product prices. Butter set another record high price in August, while other dairy product prices moved lower. The August National Dairy Products Sales Report (NDPSR) butter price was \$2.9792/lb. July butter inventory is 20.7% lower than last July and the lowest July butter inventory in several years. Market reports indicate cream availability remains tight, with much cream going to uses other than butter. Cheese declined over \$0.20/lb. in August to \$1.9761/lb. July cheese inventory was a record monthly high. Through June, American cheese disappearance is 1.8% lower than last year. Nonfat dry milk powder (NDM) fell over \$0.13/lb. to \$1.6690/lb. in August. Compared to a year ago, domestic skim milk powder disappearance is down 9.3% and exports down 18.2%. The August dry whey price was \$0.5045/lb., \$0.04 lower than July. Based on current CME activity, butter will continue its record high price in September with cheese prices trending lower.

Blend prices. The continuing wide spread between Class III and IV skim prices keeps lowering the Class I Mover compared to the previous “higher of” method. For September the Mover was \$1.69/cwt. lower compared to the previous method. As shown below, July blend prices were lower in all three orders compared to June. The smaller decline in the Southeast order was due to Class I utilization increasing from 62% in June to 70% in July. August blend prices are projected about \$0.50/cwt. lower than July. Blend prices are projected to continue declining through the remainder of the year. December blend prices in all three orders are projected about \$4.00/cwt. lower than the year’s peak blend prices in June. For the coming months, butterfat will make up a higher percent of the total blend price. Producer butterfat prices will exceed \$3.40/lb. in all three orders, a record high price.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
	(\$/cwt. at 3.5% butterfat – base zone)		
June 2022	\$28.52	\$30.60	\$28.74
July	\$28.14	\$30.29	\$28.71
August	\$27.74	\$29.74	\$28.26
September	\$26.36	\$28.47	\$26.67
October	\$25.32	\$27.20	\$25.64
November	\$25.02	\$26.92	\$25.20

*Projections in bold

See attached SEPTEMBER PRICES for more specific price, supply, and demand numbers.

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DIXIE DAIRY REPORT - September 2022 published by Calvin Covington, ccovington5@cs.com, 352-266-7576

Class I Mover \$ Per Cwt. (3.5% fat)													
	<u>J</u>	<u>F</u>	<u>M</u>	<u>A</u>	<u>M</u>	<u>J</u>	<u>J</u>	<u>A</u>	<u>S</u>	<u>O</u>	<u>N</u>	<u>D</u>	<u>Avg.</u>
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	\$22.88	\$24.38	\$25.45	\$25.87	\$25.87	\$25.13	\$23.62	\$22.47	\$22.18	\$21.86	\$23.42
Southeastern Federal Orders' Blend Prices - Base Zone at 3.5% butterfat (\$/cwt.)													
<u>Florida - Tampa</u>													
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	\$25.49	\$26.71	\$27.77	\$29.13	\$29.76	\$30.60	\$30.29	\$29.74	\$28.47	\$27.20	\$26.92	\$26.38	\$28.21
<u>Southeast - Atlanta</u>													
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	\$24.17	\$25.47	\$26.42	\$27.35	\$28.07	\$28.74	\$28.71	\$28.26	\$26.67	\$25.64	\$25.20	\$24.61	\$26.61
<u>Appalachian - Charlotte</u>													
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	\$23.72	\$24.87	\$25.86	\$27.17	\$27.79	\$28.52	\$28.14	\$27.74	\$26.36	\$25.32	\$25.02	\$24.52	\$26.25
* Projections in bold													

Southeastern Federal Orders Class I Producer Milk - Million lbs.													
	<u>J</u>	<u>F</u>	<u>M</u>	<u>A</u>	<u>M</u>	<u>J</u>	<u>J</u>	<u>A</u>	<u>S</u>	<u>O</u>	<u>N</u>	<u>D</u>	<u>YTD</u>
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	1,210.4
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	1,152.9
2022	185.4	168.4	182.9	177.5	163.4	151.9	153.8	167.2	164.2	170.2	176.1	179.3	1,183.4
% change	5.5%	4.5%	5.4%	3.9%	0.3%	1.7%	-3.4%						2.6%
<u>Southeast</u>													
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	1,916.4
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	1,776.9
2022	264.9	233.0	254.4	242.6	230.3	216.8	213.8	250.5	264.5	272.1	258.6	280.1	1,656.0
% change	-1.5%	-8.0%	-6.4%	-8.6%	-6.3%	-7.6%	-9.7%						-6.8%
<u>Appalachian</u>													
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	2,272.7
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	2,151.4
2022	333.0	303.3	343.7	313.8	307.7	287.6	284.6	318.1	324.6	336.6	332.5	347.0	2,173.8
% change	2.2%	-1.1%	3.3%	-1.9%	3.8%	2.0%	-1.2%						1.0%
<u>Total all Three Orders</u>													
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	5,399.6
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	5,081.2
2022	783.3	704.8	781.1	734.0	701.5	656.3	652.3	729.3	734.0	746.2	771.1	778.5	5,013.2
% change	1.7%	-2.3%	0.4%	-3.0%	-0.5%	-1.4%	-4.6%						-1.3%

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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
2020	252	231	256	226	220	208	209	206	208	223	219	224	1,393
2021	222	206	223	216	206	200	207	214	212	220	224	229	1,273
2022	231	214	231	227	213	198							1,314
% change	4.1%	3.9%	3.6%	5.1%	3.4%	-1.0%							3.2%
Southeast													
2020	372	337	386	338	327	313	320	318	318	339	331	344	2,073
2021	335	319	346	326	313	289	297	318	322	323	329	334	1,928
2022	331	296	321	309	295	271							1,823
% change	-1.2%	-7.2%	-7.3%	-5.2%	-5.8%	-6.2%							-5.5%
Appalachian													
2020	280	252	299	272	274	268	278	283	279	286	283	291	1,645
2021	292	267	289	272	267	252	258	270	268	273	285	289	1,640
2022	295	260	294	275	275	261							1,660
% change	1.0%	-2.6%	1.6%	1.1%	3.0%	3.4%							1.2%
Total all Three Orders													
2020	904	820	941	836	821	789	807	807	805	848	833	859	5,111
2021	849	792	859	814	786	741	762	802	802	816	838	852	4,841
2022	857	770	846	811	783	730							4,797
% change	0.9%	-2.8%	-1.5%	-0.4%	-0.4%	-1.5%							-0.9%

U.S. Estimated Fluid Milk Sales - million lbs.													
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	23,315
2021	3,872	3,584	3,925	3,718	3,637	3,390	3,474	3,601	3,669	3,762	3,798	3,908	22,126
2022	3,808	3,476	3,792	3,639	3,576	3,331							21,622
% change	-1.7%	-3.0%	-3.4%	-2.1%	-1.7%	-1.7%							-2.3%

Southeast Federal Orders' Class I Utilization %													
Florida	J	F	M	A	M	J	J	A	S	O	N	D	Avg.
2020	86%	82%	82%	78%	82%	84%	83%	82%	81%	84%	82%	81%	83%
2021	79%	82%	84%	81%	79%	81%	86%	81%	83%	83%	85%	84%	82%
2022	83%	82%	83%	84%	79%	81%	81%						82%
Southeast													
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%
2022	77%	77%	77%	63%	63%	62%	70%						70%
Appalachian													
2020	74%	70%	70%	71%	69%	83%	85%	71%	72%	81%	76%	68%	69%
2021	71%	72%	68%	69%	67%	66%	69%	72%	74%	73%	77%	73%	71%
2022	72%	71%	68%	68%	66%	66%	68%						69%

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U.S. Milk Production - Million lbs.													
	J	F	M	A	M	J	J	A	S	Q	N	D	YTD Total
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	131,000
2021	19,365	17,685	19,797	19,350	19,855	18,942	19,097	18,721	18,018	18,623	18,015	18,790	134,091
2022	19,030	17,533	19,713	19,147	19,755	18,930	19,140						133,248
% change	-1.7%	-0.9%	-0.4%	-1.0%	-0.5%	-0.1%	0.2%						-0.6%

U.S. Dairy Cows - 1,000 head													
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	9,450	9,466	9,482	9,500	9,507	9,501	9,483	9,438	9,405	9,387	9,382	9,373	
2022	9,367	9,380	9,402	9,403	9,419	9,415	9,416						
Change	-83	-86	-80	-97	-88	-86	-67						

Florida Milk Production - Million lbs.													
2020	215	205	219	208	199	186	183	174	162	171	174	192	1,415
2021	199	183	205	199	194	186	175	163	155	163	167	181	1,341
2022	185	166	183	175	180	162	155						1,206
Change %	-7.0%	-9.3%	-10.7%	-12.1%	-7.2%	-12.9%	-11.4%						-10.1%

Georgia Milk Production - Million lbs.													
2020	161	152	163	154	152	143	142	136	132	141	142	154	1,067
2021	156	143	163	157	155	150	146	142	137	146	145	158	1,070
2022	172	162	177	176	177	166	164						1,194
Change %	10.3%	13.3%	8.6%	12.1%	14.2%	10.7%	12.3%						11.6%

Virginia Milk Production - Million lbs.													
2020	134	127	137	132	133	126	123	121	117	123	121	128	912
2021	130	118	133	129	130	121	120	117	114	119	117	123	881
2022	125	115	130	126	127	116	116						855
Change %	-3.8%	-2.5%	-2.3%	-2.3%	-2.3%	-4.1%	-3.3%						-3.0%

Total above Three States* Milk Production - Million lbs.													
2020	510	484	519	494	484	455	448	431	411	435	437	474	3,394
2021	485	444	501	485	479	457	441	422	406	428	429	462	3,292
2022	482	443	490	477	484	444	435						3,255
Change %	-0.6%	-0.2%	-2.2%	-1.6%	1.0%	-2.8%	-1.4%						-1.1%

* 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.