

## **DIXIE DAIRY REPORT**

### **August 2023**

**Cheese prices.** July began with the CME block cheddar price at \$1.3925/lb. On August 4 block closed at \$1.9650/lb., a \$0.57/lb. increase. The CME barrel price increased from \$1.3225/lb. to \$1.7750/lb. during the same time period. Reasons for the quick upward movement in cheese prices are: Based on CME trading activity (sales and bids), it appears buyers went to the CME seeking current cheddar cheese. Reports indicate cheese demand is improving. For the first time in many months, there was no increase in year-over-year milk production (more below). This caught the attention of cheese buyers, and they started buying. Early in July cheese was at bargain prices. Buyers wanted to “load up” at these bargain prices. Once the buying started, it continued. The run-up in cheese prices was too late to impact the July Class III price of \$13.77/cwt., the lowest July Class III price since 2009. Higher cheese prices will move the August Class III north of \$17.00/cwt. However, higher cheese prices may be short-lived. This past week saw the CME barrel price drop a \$0.095/lb. from \$1.8700/lb. to \$1.7750/lb.

**Other dairy product prices.** The CME butter price moved higher as well over the past month. Butter started July at \$2.4675/lb. and closed at \$2.6200/lb. on August 4. *Dairy Market News* reports cream is tightening and demand is steady. Both nonfat dry milk powder (NDM) and dry whey moved lower in July. July Dairy Products Sales Report (DPSR) prices are \$1.1522/lb. and \$0.2660/lb. respectively. Compared to a last July, prices are \$0.68/lb. and \$0.28/lb. lower. Hopefully, NDM and dry whey prices have reached their low, and should start reversing direction.

**Milk production.** USDA reports June milk production is unchanged from a year earlier. The nation’s dairy herd is 5,000 cows below a year ago. June milk per cow was only one pound more than last June. June milk production was 1.2% lower in California and 1.0% higher in Wisconsin. In the Southwest, June production in Texas and New Mexico, was down 5.0% and 7.1%, respectively. June was another strong month for dairy cow slaughter, 255,700 head, 22,700 more head than last June. For the year-to-date, 98,400 more dairy cows were slaughtered than last year. The June *Dairy Margin Coverage Program’s* margin above feed cost was \$3.65/cwt., the lowest recorded for the program. Last June it was \$11.92/cwt. Low margins will continue sending more dairy cows to slaughter, thus lowering production.

In the ten Southeast States, first-half 2023 production is 2.3% lower. Only two Southeast States have higher milk production, Georgia +3.3% and Kentucky +0.2%, the other eight states are all lower. USDA estimates the Southeast States produced 4.167 billion lbs. of milk during the first half of 2023. Six years ago, first-half production was 5 billion lbs.

**Class I usage.** June was a positive month for producer milk used in Class I. In the three Southeastern federal orders, Class I usage was 0.4% higher than last June. However, for the first half of 2023, Class I usage is 3.1% lower than 2022. To put this in perspective, the daily average number of loads of Class I producer milk was 472 for the first six months of 2022. Last year it was 487, a drop of 15 loads per day.

**Milk prices.** After declining in June, blend prices will decline further in July. Projected July base zone blend prices (3.5% fat) are: Appalachian \$19.81/cwt., Florida \$21.86/cwt., and Southeast \$20.50/cwt. Blend prices will decline further in August. The August Class I Mover is \$16.62/cwt., \$0.70/cwt. lower than July. Compared to the “higher of” Mover calculation, the August Mover is \$1.67/cwt. lower. Current projections show blend prices for the last four months of 2023, averaging about \$4.25/cwt. lower than 2022.

***See the attached for more specific price, supply, and demand numbers.***

**DIXIE DAIRY REPORT - August 2023** published by Calvin Covington, ccovington5@cs.com, 352-266-7576

| <b>Class I Mover \$ Per Cwt. (3.5% fat)</b>  |         |         |         |         |         |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | J       | F       | M       | A       | M       | J       | A       | S       | O       | N       | D       | Avg.    |
| 2021   | \$15.14 | \$15.54 | \$15.20 | \$15.51 | \$17.10 | \$18.29 | \$17.42 | \$16.90 | \$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 | \$22.71 | \$24.09 | \$22.58 | \$23.66 |
| 2023   | \$22.41 | \$20.78 | \$18.99 | \$18.85 | \$19.57 | \$18.01 | \$17.32 | \$16.62 | \$18.80 | \$18.95 | \$19.13 | \$19.01 |
| <b>Southeastern Federal Orders' Blend Prices - Base Zone at 3.5% butterfat (\$/cwt.)</b> |         |         |         |         |         |         |         |         |         |         |         |         |
| <u>Florida - Tampa</u>   |         |         |         |         |         |         |         |         |         |         |         |         |
| 2021   | \$19.26 | \$19.54 | \$20.11 | \$20.21 | \$21.26 | \$22.40 | \$21.98 | \$21.11 | \$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 | \$27.70 | \$28.27 | \$27.05 | \$28.42 |
| 2023   | \$26.07 | \$25.12 | \$23.51 | \$23.28 | \$23.95 | \$22.52 | \$21.86 | \$21.68 | \$23.63 | \$23.71 | \$23.57 | \$23.51 |
| <u>Southeast - Atlanta</u>   |         |         |         |         |         |         |         |         |         |         |         |         |
| 2021   | \$17.59 | \$17.72 | \$17.92 | \$18.46 | \$19.52 | \$20.39 | \$19.80 | \$19.60 | \$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 | \$26.28 | \$26.65 | \$25.29 | \$26.88 |
| 2023   | \$24.49 | \$23.32 | \$22.12 | \$21.54 | \$22.18 | \$20.96 | \$20.50 | \$20.36 | \$21.67 | \$21.77 | \$21.82 | \$21.86 |
| <u>Appalachian - Charlotte</u>   |         |         |         |         |         |         |         |         |         |         |         |         |
| 2021   | \$17.42 | \$17.56 | \$17.94 | \$18.43 | \$19.35 | \$20.19 | \$19.61 | \$19.24 | \$19.70 | \$21.13 | \$22.08 | \$19.34 |
| 2022   | \$23.72 | \$24.87 | \$25.86 | \$27.17 | \$27.79 | \$28.52 | \$28.14 | \$27.49 | \$25.80 | \$26.24 | \$24.86 | \$26.42 |
| 2023   | \$23.90 | \$22.89 | \$21.50 | \$21.17 | \$21.72 | \$20.31 | \$19.81 | \$19.69 | \$21.59 | \$21.66 | \$21.70 | \$21.44 |
| <b>* Projections in bold</b>   |         |         |         |         |         |         |         |         |         |         |         |         |

| <b>Southeastern Federal Orders Class I Producer Milk - Million lbs.</b> |               |               |               |               |              |              |              |             |               |               |               |               |
|---|---------------|---------------|---------------|---------------|--------------|--------------|--------------|-------------|---------------|---------------|---------------|---------------|
|   | J             | F             | M             | A             | M            | J            | A            | S           | O             | N             | D             | YTD           |
| Florida   | 175.8         | 161.1         | 173.6         | 170.8         | 162.9        | 149.4        | 159.2        | 167.2       | 170.2         | 176.1         | 179.3         | 993.6         |
| 2021  | 175.8         | 161.1         | 173.6         | 170.8         | 162.9        | 149.4        | 159.2        | 167.2       | 170.2         | 176.1         | 179.3         | 993.6         |
| 2022  | 185.4         | 168.4         | 182.9         | 177.5         | 163.4        | 151.9        | 153.8        | 171.5       | 185.6         | 174.5         | 185.7         | 1,029.6       |
| 2023  | 188.8         | 166.2         | 184.0         | 170.4         | 171.0        | 155.9        | 153.8        | 171.5       | 185.6         | 174.5         | 185.7         | 1,036.4       |
| <b>% change</b>   | <b>1.8%</b>   | <b>-1.3%</b>  | <b>0.6%</b>   | <b>-4.0%</b>  | <b>4.7%</b>  | <b>2.6%</b>  | <b>2.6%</b>  | <b>4.0%</b> | <b>0.7%</b>   | <b>0.7%</b>   | <b>0.7%</b>   | <b>0.7%</b>   |
| <u>Southeast</u>  |               |               |               |               |              |              |              |             |               |               |               |               |
| 2021  | 268.9         | 253.4         | 271.8         | 265.6         | 245.7        | 234.5        | 236.9        | 259.4       | 261.3         | 268.1         | 267.5         | 1,540.0       |
| 2022  | 264.9         | 233.0         | 254.4         | 242.6         | 230.3        | 216.8        | 213.8        | 248.4       | 227.6         | 228.4         | 230.4         | 1,442.1       |
| 2023  | 237.8         | 203.5         | 226.7         | 204.8         | 213.8        | 208.2        | 213.8        | 248.4       | 227.6         | 228.4         | 230.4         | 1,294.8       |
| <b>% change</b>   | <b>-10.3%</b> | <b>-12.7%</b> | <b>-10.9%</b> | <b>-15.6%</b> | <b>-7.2%</b> | <b>-4.0%</b> | <b>-4.0%</b> | <b>4.0%</b> | <b>-10.2%</b> | <b>-10.2%</b> | <b>-10.2%</b> | <b>-10.2%</b> |
| <u>Appalachian</u>  |               |               |               |               |              |              |              |             |               |               |               |               |
| 2021  | 325.8         | 306.8         | 332.8         | 319.9         | 296.4        | 281.8        | 287.9        | 313.2       | 314.6         | 326.8         | 331.7         | 1,863.5       |
| 2022  | 333.0         | 303.3         | 343.7         | 313.8         | 307.7        | 287.6        | 284.6        | 326.0       | 329.7         | 334.8         | 337.4         | 1,889.2       |
| 2023  | 344.0         | 299.4         | 337.2         | 302.9         | 317.2        | 295.1        | 284.6        | 326.0       | 329.7         | 334.8         | 337.4         | 1,895.7       |
| <b>% change</b>   | <b>3.3%</b>   | <b>-1.3%</b>  | <b>-1.9%</b>  | <b>-3.5%</b>  | <b>3.1%</b>  | <b>2.6%</b>  | <b>2.6%</b>  | <b>3.1%</b> | <b>0.3%</b>   | <b>0.3%</b>   | <b>0.3%</b>   | <b>0.3%</b>   |
| <u>Total all Three Orders</u>   |               |               |               |               |              |              |              |             |               |               |               |               |
| 2021  | 770.5         | 721.3         | 778.2         | 756.3         | 705.0        | 665.8        | 684.1        | 739.8       | 746.2         | 771.1         | 778.5         | 4,397.1       |
| 2022  | 783.3         | 704.8         | 781.1         | 734.0         | 701.5        | 656.3        | 652.3        | 745.9       | 742.9         | 737.8         | 753.5         | 4,360.9       |
| 2023  | 770.5         | 669.1         | 747.9         | 678.1         | 702.0        | 659.2        | 652.3        | 745.9       | 742.9         | 737.8         | 753.5         | 4,226.9       |
| <b>% change</b>   | <b>-1.6%</b>  | <b>-5.1%</b>  | <b>-4.2%</b>  | <b>-7.6%</b>  | <b>0.1%</b>  | <b>0.4%</b>  | <b>0.4%</b>  | <b>0.1%</b> | <b>-3.1%</b>  | <b>-3.1%</b>  | <b>-3.1%</b>  | <b>-3.1%</b>  |

**DIXIE DAIRY REPORT - August 2023 page two**

| Southeastern Federal Orders' Packaged Fluid Milk Sales - Million lbs. |              |              |              |               |              |     |     |     |     |     |     |     |              |
|---|--------------|--------------|--------------|---------------|--------------|-----|-----|-----|-----|-----|-----|-----|--------------|
| Florida   | J            | F            | M            | A             | M            | J   | J   | A   | S   | O   | N   | D   | YTD          |
| 2021  | 222          | 206          | 223          | 216           | 206          | 200 | 207 | 214 | 212 | 220 | 224 | 229 | 1,073        |
| 2022  | 231          | 214          | 231          | 227           | 213          | 198 | 194 | 217 | 202 | 203 | 219 | 225 | 1,116        |
| 2023  | 235          | 209          | 231          | 211           | 213          |     |     |     |     |     |     |     | 1,099        |
| <b>% change</b>   | <b>1.7%</b>  | <b>-2.3%</b> | <b>0.0%</b>  | <b>-7.0%</b>  | <b>0.0%</b>  |     |     |     |     |     |     |     | <b>-1.5%</b> |
| Southeast   |              |              |              |               |              |     |     |     |     |     |     |     |              |
| 2021  | 335          | 319          | 346          | 326           | 313          | 289 | 297 | 318 | 322 | 323 | 329 | 334 | 1,639        |
| 2022  | 331          | 296          | 321          | 309           | 295          | 271 | 273 | 312 | 303 | 325 | 304 | 309 | 1,552        |
| 2023  | 319          | 276          | 308          | 277           | 291          |     |     |     |     |     |     |     | 1,471        |
| <b>% change</b>   | <b>-3.6%</b> | <b>-6.8%</b> | <b>-4.0%</b> | <b>-10.4%</b> | <b>-1.4%</b> |     |     |     |     |     |     |     | <b>-5.2%</b> |
| Appalachian   |              |              |              |               |              |     |     |     |     |     |     |     |              |
| 2021  | 292          | 267          | 289          | 272           | 267          | 252 | 258 | 270 | 268 | 273 | 285 | 289 | 1,387        |
| 2022  | 295          | 260          | 294          | 275           | 275          | 261 | 263 | 288 | 273 | 281 | 285 | 285 | 1,399        |
| 2023  | 285          | 250          | 283          | 254           | 271          |     |     |     |     |     |     |     | 1,343        |
| <b>% change</b>   | <b>-3.4%</b> | <b>-3.8%</b> | <b>-3.7%</b> | <b>-7.6%</b>  | <b>-1.5%</b> |     |     |     |     |     |     |     | <b>-4.0%</b> |
| Total all Three Orders  |              |              |              |               |              |     |     |     |     |     |     |     |              |
| 2021  | 849          | 792          | 859          | 814           | 786          | 741 | 762 | 802 | 802 | 816 | 838 | 852 | 4,100        |
| 2022  | 857          | 770          | 846          | 811           | 783          | 730 | 730 | 817 | 778 | 809 | 808 | 819 | 4,067        |
| 2023  | 839          | 735          | 822          | 742           | 775          |     |     |     |     |     |     |     | 3,913        |
| <b>% change</b>   | <b>-2.1%</b> | <b>-4.5%</b> | <b>-2.8%</b> | <b>-8.5%</b>  | <b>-1.0%</b> |     |     |     |     |     |     |     | <b>-3.8%</b> |

| U.S. Estimated Fluid Milk Sales - million lbs. |              |              |              |              |             |       |       |       |       |       |       |       |              |
|--|--------------|--------------|--------------|--------------|-------------|-------|-------|-------|-------|-------|-------|-------|--------------|
| 2021   | 3,872        | 3,584        | 3,925        | 3,718        | 3,637       | 3,389 | 3,473 | 3,601 | 3,669 | 3,762 | 3,799 | 3,912 | 18,736       |
| 2022   | 3,808        | 3,476        | 3,792        | 3,639        | 3,577       | 3,331 | 3,298 | 3,631 | 3,581 | 3,678 | 3,693 | 3,767 | 18,292       |
| 2023   | 3,786        | 3,367        | 3,765        | 3,397        | 3,585       |       |       |       |       |       |       |       | 17,900       |
| <b>% change</b>                                | <b>-0.6%</b> | <b>-3.1%</b> | <b>-0.7%</b> | <b>-6.7%</b> | <b>0.2%</b> |       |       |       |       |       |       |       | <b>-2.1%</b> |

| Southeast Federal Orders' Class I Utilization % |     |     |     |     |     |     |     |     |     |     |     |     |      |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|
| Florida   | J   | F   | M   | A   | M   | J   | J   | A   | S   | O   | N   | D   | Avg. |
| 2021  | 79% | 82% | 84% | 81% | 79% | 81% | 86% | 81% | 83% | 83% | 85% | 84% | 82%  |
| 2022  | 83% | 82% | 83% | 84% | 79% | 81% | 81% | 84% | 85% | 85% | 84% | 86% | 83%  |
| 2023  | 83% | 83% | 82% | 82% | 82% | 82% |     |     |     |     |     |     | 83%  |
| Southeast                                       |     |     |     |     |     |     |     |     |     |     |     |     |      |
| 2021  | 68% | 71% | 62% | 63% | 64% | 65% | 68% | 72% | 71% | 68% | 71% | 70% | 68%  |
| 2022  | 77% | 77% | 77% | 63% | 63% | 62% | 70% | 78% | 83% | 78% | 74% | 72% | 73%  |
| 2023  | 74% | 69% | 74% | 64% | 71% | 71% |     |     |     |     |     |     | 70%  |
| Appalachian                                     |     |     |     |     |     |     |     |     |     |     |     |     |      |
| 2021  | 71% | 72% | 68% | 69% | 67% | 66% | 69% | 72% | 74% | 73% | 77% | 73% | 71%  |
| 2022  | 72% | 71% | 68% | 68% | 66% | 66% | 68% | 73% | 73% | 72% | 76% | 72% | 70%  |
| 2023  | 72% | 71% | 69% | 67% | 70% | 67% |     |     |     |     |     |     | 69%  |

**DIXIE DAIRY REPORT - August 2023 page three**

| <b>U.S. Milk Production - Million lbs.</b>                      |               |              |              |              |              |              |        |        |        |        |        |        |              |
|---|---------------|--------------|--------------|--------------|--------------|--------------|--------|--------|--------|--------|--------|--------|--------------|
|   | J             | F            | M            | A            | M            | J            | J      | A      | S      | Q      | N      | D      | YTD Total    |
| 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 | 114,994      |
| 2022  | 19,050        | 17,540       | 19,715       | 19,147       | 19,763       | 18,920       | 19,180 | 19,016 | 18,242 | 18,809 | 18,184 | 18,904 | 114,135      |
| 2023  | 19,305        | 17,726       | 19,821       | 19,232       | 19,884       | 18,916       |        |        |        |        |        |        | 114,884      |
| <b>% change</b>   | <b>1.3%</b>   | <b>1.1%</b>  | <b>0.5%</b>  | <b>0.4%</b>  | <b>0.6%</b>  | <b>0.0%</b>  |        |        |        |        |        |        | <b>0.7%</b>  |
| <b>U.S. Dairy Cows - 1,000 head</b>                             |               |              |              |              |              |              |        |        |        |        |        |        |              |
| 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  | 9,448        |
| 2022  | 9,367         | 9,380        | 9,404        | 9,404        | 9,419        | 9,413        | 9,413  | 9,406  | 9,406  | 9,412  | 9,404  | 9,396  | 9,402        |
| 2023  | 9,405         | 9,429        | 9,446        | 9,430        | 9,430        | 9,408        |        |        |        |        |        |        |              |
| <b>Change</b>   | <b>38</b>     | <b>49</b>    | <b>42</b>    | <b>26</b>    | <b>11</b>    | <b>-5</b>    |        |        |        |        |        |        |              |
| <b>Florida Milk Production - Million lbs.</b>                   |               |              |              |              |              |              |        |        |        |        |        |        |              |
| 2021  | 199           | 183          | 205          | 199          | 194          | 186          | 175    | 163    | 155    | 163    | 167    | 181    | 1,166        |
| 2022  | 185           | 166          | 183          | 175          | 180          | 162          | 154    | 147    | 133    | 146    | 145    | 158    | 1,051        |
| 2023  | 159           | 156          | 175          | 166          | 171          | 160          |        |        |        |        |        |        | 987          |
| <b>Change %</b>   | <b>-14.1%</b> | <b>-6.0%</b> | <b>-4.4%</b> | <b>-5.1%</b> | <b>-5.0%</b> | <b>-1.2%</b> |        |        |        |        |        |        | <b>-6.1%</b> |
| <b>Georgia Milk Production - Million lbs.</b>                   |               |              |              |              |              |              |        |        |        |        |        |        |              |
| 2021  | 156           | 143          | 163          | 157          | 155          | 150          | 146    | 142    | 137    | 146    | 145    | 158    | 924          |
| 2022  | 174           | 162          | 183          | 176          | 177          | 166          | 167    | 163    | 156    | 167    | 162    | 175    | 1,038        |
| 2023  | 183           | 169          | 188          | 180          | 181          | 171          |        |        |        |        |        |        | 1,072        |
| <b>Change %</b>   | <b>5.2%</b>   | <b>4.3%</b>  | <b>2.7%</b>  | <b>2.3%</b>  | <b>2.3%</b>  | <b>3.0%</b>  |        |        |        |        |        |        | <b>3.3%</b>  |
| <b>Virginia Milk Production - Million lbs.</b>                  |               |              |              |              |              |              |        |        |        |        |        |        |              |
| 2021  | 130           | 118          | 133          | 129          | 130          | 121          | 120    | 117    | 114    | 119    | 117    | 123    | 761          |
| 2022  | 125           | 115          | 128          | 126          | 127          | 116          | 117    | 116    | 111    | 115    | 113    | 115    | 737          |
| 2023  | 121           | 112          | 125          | 121          | 124          | 116          |        |        |        |        |        |        | 719          |
| <b>Change %</b>   | <b>-3.2%</b>  | <b>-2.6%</b> | <b>-2.3%</b> | <b>-4.0%</b> | <b>-2.4%</b> | <b>0.0%</b>  |        |        |        |        |        |        | <b>-2.4%</b> |
| <b>Total above Three States* Milk Production - Million lbs.</b> |               |              |              |              |              |              |        |        |        |        |        |        |              |
| 2021  | 485           | 444          | 501          | 485          | 479          | 457          | 441    | 422    | 406    | 428    | 429    | 462    | 2,851        |
| 2022  | 484           | 443          | 494          | 477          | 484          | 444          | 438    | 426    | 400    | 428    | 420    | 448    | 2,826        |
| 2023  | 463           | 437          | 488          | 467          | 476          | 447          |        |        |        |        |        |        | 2,778        |
| <b>Change %</b>   | <b>-4.3%</b>  | <b>-1.4%</b> | <b>-1.2%</b> | <b>-2.1%</b> | <b>-1.7%</b> | <b>0.7%</b>  |        |        |        |        |        |        | <b>-1.7%</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.