

DIXIE DAIRY REPORT

October 2021

Per capita consumption increases in 2020. Per capita consumption of all dairy products was a record 655 lbs. in 2020, three lbs. higher than the previous year. The increase last year was even more impressive considering it was a pandemic year. Especially, how the food service industry, a major market for dairy products, was significantly challenged by the pandemic. We must acknowledge the impact of the federal government's "Food Box" program last year, purchasing the equivalent of 1.25 to 1.5% of the nation's milk production. Increased consumption was unlikely without this program. Since the beginning of the 21st century, dairy product per capita consumption has increased 11%. Higher per capita consumption, along with the U.S. adding over 50 million people the past 20 years, has resulted in a significant increase in dairy product sales.

As the table below shows, the 20-year trend shows consumers "eating more and drinking less" dairy products. Even though fluid milk per capita consumption remained steady last year at 141 lbs. it has declined 45 lbs. over the past 20 years. For the first time since 2011, total cheese per capita consumption declined a fraction. Almost all of the decline was in Italian cheese. Food service is a major market for Italian cheese. Since 1980, per capita cheese consumption has more than doubled. Butter consumption continued its growth in 2020 with per capita consumption up 40% since 2000. After declining for the past few years both ice cream and yogurt per capita consumption were higher in 2020.

DAIRY PRODUCT PER CAPITA CONSUMPTION (2000-2020)

	2000	2010	2015	2019	2020
	(lbs. per capita)				
All Dairy*	590	603	628	652	655
Fluid Milk	196	177	155	141	141
Am. Cheese	12.68	13.30	14.04	15.54	15.55
Italian Cheese	11.41	13.54	14.48	15.87	15.64
Total Cheese	29.79	32.92	35.38	38.58	38.35
Butter	4.5	4.9	5.6	6.2	6.3
Ice Cream	22.7	20.4	19.4	19.1	19.6
Yogurt	6.5	13.4	14.4	13.4	13.8

*Milk fat equivalent basis

Source: USDA-ERS

Milk production increase slowing. USDA reports August milk product was only 1.1% higher than last August. This marks the fourth consecutive month for a lower increase. (May +4.7%, June +2.9%, and July +2.0%.) Slower growth is due to: dairy cow numbers declining 29,000 head since May; during the past three months 60,800 more dairy cows slaughtered compared to the same period a year ago; and milk produced per cow was lower compared to the same month a year earlier. Higher cull cow and feed prices are making a difference. In California and Wisconsin, August production was up 0.7% and 2.6%, respectively. For the 24 reporting states, 16 states reported an August production increase. South Dakota had the highest at 16.2%. Seven states posted lower production with New Mexico showing the largest decline at (9.3%). August production was unchanged in Pennsylvania.

For the three Southeast reporting states, Georgia had the second highest August monthly milk production increase, up 4.4%. Georgia reported 2,000 more cows in August compared to last August, and milk per cow was 30 lbs. higher. August production was down 4.0% in Florida and down 2.5% in Virginia. Compared to last year, Florida has 3,000 and Virginia 1,000 less cows.

Dairy product prices. September prices for four of the five dairy products, which establish federal order class prices, were higher than August. This resulted in a higher October Class I Mover and September Class II, III and IV prices. The October Class I Mover was \$0.49/cwt. higher than September. September Class II, III and IV prices were \$0.38/cwt., \$0.58/cwt. and \$0.44/cwt. higher than August, respectively.

DAIRY PRODUCTS SALES REPORT (DPSR) PRICES *

<u>Product</u>	<u>September 2021</u>	<u>August 2021</u>	<u>September 2020</u>	<u>September 2019</u>
			(\$/lb.)	
Butter	\$1.7725	\$1.6998	\$1.4871	\$2.2344
Cheese (block)	\$1.7761	\$1.6902	\$1.9496	\$1.9843
Cheese (barrel)	\$1.4873	\$1.4371	\$1.5736	\$1.7913
Cheese weighted avg.	\$1.6411	\$1.5680	\$1.7741	\$1.9053
Nonfat Dry Milk Powder	\$1.2816	\$1.2660	\$1.0014	\$1.0519
Dry Whey	\$0.5336	\$0.5617	\$0.3196	\$0.3698

*Dairy product prices used to calculate federal order class prices

Cheese prices are projected higher in October. Softening milk production along with the seasonal demand increase for cheese are strengthening prices. For the week ending October 1, the CME weekly block average was \$1.7970/lb. Barrels narrowed the price spread with blocks, averaging \$1.6910/lb. for the week, the highest weekly barrel price since May. The butter price remains steady. The nonfat dry milk powder (NDM) price continues to move steadily upward, and is projected to surpass \$1.30/lb. in October. The domestic NDM price is very competitive in the international market.

Blend prices. August blend prices were lower in all three southeastern orders compared to July. The Southeast order saw a lower decline due to an improved Class I utilization. September blend prices are projected slightly higher than August. Higher Class I utilization, and Class II, III and IV prices will offset the lower September Class I Mover. Based on milk production growth slowing and improving cheese prices, especially barrel cheese, blend prices projections for the last quarter of the year are higher compared to last month.

Looking ahead to 2022, Southeastern orders' blend prices are currently projected \$0.75 higher than 2021. 2022 projections are lower than current futures markets indicate. The milk supply is only projected to increase 1 to 1.5% next year. However, inflation and less disposable income could hamper domestic dairy sales. Re-supplying the food service pipeline provided a one-time boost to dairy sales this year. It will be difficult for the U.S. to have a second consecutive record year for exports, especially with China showing signs of reducing dairy imports, along with continuing transportation challenges.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

<u>Month</u>	<u>Appalachian</u>	<u>Florida</u>	<u>Southeast</u>
	(\$/cwt. at 3.5% butterfat – base zone)		
July 2021	\$19.61	\$21.98	\$19.80
August	\$19.24	\$21.11	\$19.60
September	\$19.42	\$21.18	\$19.83
October	\$19.78	\$21.68	\$20.00
November	\$20.37	\$22.37	\$20.43
December	\$20.41	\$22.29	\$20.50

*Projections in bold