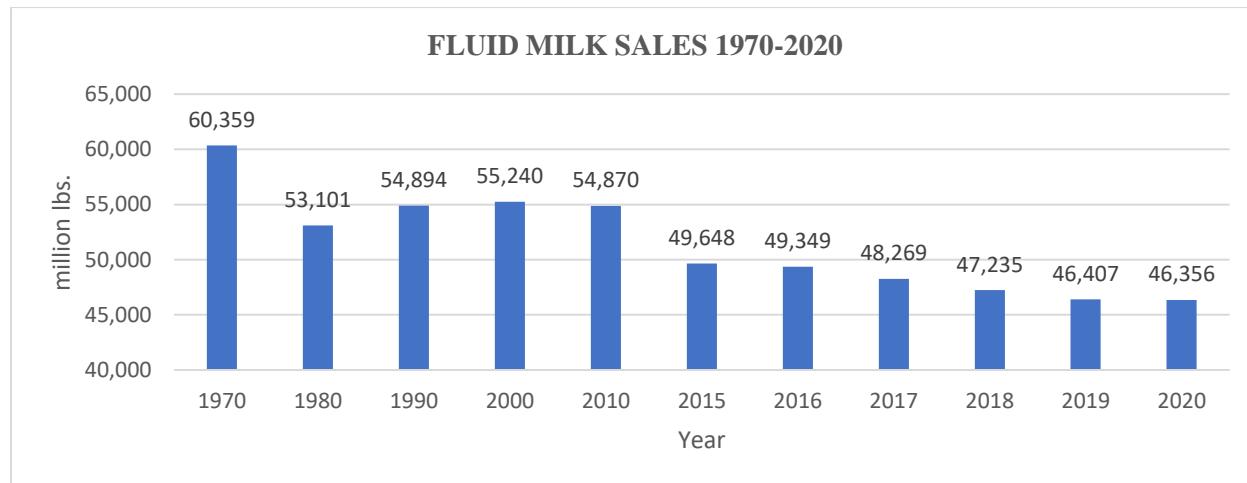


DIXIE DAIRY REPORT

September 2021

Fluid milk sales. USDA, recently, released its annual statistics on fluid milk and soft dairy product sales. 2020 fluid milk sales were 46.356 billion lbs. (see below) The following are observations:

- Even though fluid sales declined for the past eleven (11) consecutive years, 2020 was the lowest decline. 2020 sales were only 0.1% or 51 million lbs. below 2019. However, 2020 sales received a boost from the *Food Box* program. I estimate this program purchased about one billion lbs. of fluid milk products last year.
- Whole milk sales increased in 2020 for the seventh consecutive year, up 3.3% or 529 million lbs. from 2019.
- Sales of 2% milk increased in 2020, the first yearly increase since 2010. They were up 3.6% or 554 million lbs. over the previous year.
- The 2020 decline in fluid sales were due to lower sales of 1%, skim, and flavored milks.
- 2020 is the third consecutive year for increased ice cream sales. 2020 sales of 6.463 billion lbs. of ice cream were 3.2% higher than 2019, and the highest ice cream sales since 1999.
- After declining the past three (3) years, yogurt sales increased 3.3% in 2020 to 4.535 billion lbs.
- Not to be overlooked, sour cream sales increased every year since 2003. 2020 sour cream sales were 1.427 billion lbs. Back in 2004 sour cream sales were only 987 million lbs.



Demand. Turning to this year, the following table shows the percent change in dairy demand for selected products, for the first half of this year compared to the same period last year:

PERCENT CHANGE in DAIRY DEMAND First Six Months of 2021 versus 2020

Product	Domestic	Export	Domestic + Export
Total Solids	1.7%	12.5%	3.4%
Fluid Milk - Conventional	NA	NA	-5.4%
Fluid Milk - Organic	NA	NA	-0.9%
Fluid Milk – Total	NA	NA	-5.1%
American Cheese	8.1%	1.6%	7.9%
Other Cheese	2.4%	2.5%	2.4%
Butter	-1.8%	146.0%	1.3%
Dry Skim Milk Powder	-31.5%	14.9%	-0.1%
Dry Whey	-19.2%	23.8%	0.3%

Exports are driving total demand so far this year. Exports are up 12.5% while domestic demand is up only 1.7% (total solids basis.) Exports represent 17.3% of total demand, a record high. However, exports during the second quarter of the year are lagging first quarter exports. American cheese is domestic demand's shining star, while fluid milk sales are well below year ago levels. Based on various reports, it appears plant and blended (milk and plant) are cannibalizing fluid milk sales. On the other hand, organic sales are only slightly below a year ago.

Production. For the second consecutive month, growth in milk production slowed. According to USDA, July production was 2.0% higher than last July. Slower growth was due to fewer cows, 3,000 less head than June. And, July milk production per cow was only 0.7% greater than last July. In July dairy farmers sent 3,700 more cows to slaughter compared to June, and 14,200 more than last July. South Dakota led the nation in July milk production increase at +17.0% followed by Texas +7.2% and Indiana +5.7%. Production was flat in California and up 4.6% in Wisconsin.

In the three Southeast reporting states, the milk production decline is slowing in Florida. June production was even with last June, and July production was only down 0.5%. In Georgia, production has increased for five (5) consecutive months. It was up a strong 4.9% in June and 4.2% in July. Compared to a year ago, Georgia added 1,000 cows and milk per cow is up over 2.5%. On the other hand, Virginia's production is below a year ago every month so far this year.

Dairy product prices. Butter, after peaking in April, continues to move downward. The August CME butter price dropped a penny from July to \$1.6815/lb. The up and down in cheese prices, along with the large block to barrel spread, indicates uneasiness in the cheese market. The August CME block price increased nine cents from July to \$1.7217/lb. On the other hand, the CME barrel price dropped six cents in August to \$1.4158/lb. The August DPSR nonfat dry milk powder price moved up a penny to \$1.2660/lb. Dry whey continues a downward track falling 4 cents in August to \$0.5617/lb. Both the August Class III and IV prices are below \$16.00, Class III at \$15.95/cwt. and Class IV \$15.92/cwt.

Southeastern order Class I and blend prices. Total Class I producer milk volume was mixed in July. July Class I producer milk in the Appalachian and Southeast orders was down 12.0% and 9.8%, respectively, compared to last July. In Florida, July Class I was only down 0.6%. Combined, July Class I producer milk was 8.6% below the previous July in the three orders. All July blend prices were lower than June. August blend prices are projected to decline further as shown below.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
			(\$/cwt. at 3.5% butterfat – base zone)
June 2021	\$20.19	\$22.40	\$20.39
July	\$19.61	\$21.98	\$19.80
August	\$19.32	\$21.17	\$19.41
September	\$19.21	\$21.09	\$19.45
October	\$19.53	\$21.49	\$19.74
November	\$19.31	\$21.55	\$19.63

*Projections in bold

Feed prices. USDA feed cost data backs up what all dairy farmers are experiencing. The average cost of a 16% dairy ration needed to produce a cwt. of milk during the second quarter of 2021 was \$11.11/cwt. This compares to \$7.72/cwt. during the second quarter of last year. The \$11.11/cwt. feed cost is the highest quarterly feed cost since 2013.