DIXIE DAIRY REPORT
April 2018

Southeast fluid milk deficit declining. The difference between milk produced in the ten (10) southeastern states and milk needed for fluid consumption has steadily declined. Comparing per capita production to per capita fluid consumption makes this clearer. See below. From 2010 to 2017, population in the ten (10) southeastern states increased about 5 million people, from 73.8 to 78.9 million. During the same time period, milk production increased from about 9 billion to 9.4 billion lbs. On a per capita basis, milk production only declined slightly from 122 lbs. in 2010 to 119 lbs. in 2017. From 2010 to 2017, estimated per capita fluid milk sales declined much more, from 177 lbs. to 148 lbs. Per capita production was 55 lbs. below consumption in 2010. By 2017 this deficit was cut almost in half to 29 lbs.

SOUTHEASTERN STATES ESTIMATED PER CAPITA MILK PRODUCTION and FLUID MILK CONSUMPTION (2010 -2017)

Year	Production	Consumption	Production-Consumption
		(lbs. per capita)	
2010	122	177	-55
2011	122	172	-50
2012	124	168	-46
2013	122	163	-41
2014	124	157	-33
2015	125	154	-29
2016	121	152	-31
2017	119	148	-29

Data sources: USDA - ERS, NASS, and U.S. Census

Looking at per capita milk production by state (see below) helps better see which southeastern states have increased or decreased milk production. From 2010 to 2017, per capita production increased in Florida, Georgia, and North Carolina, and declined in the other seven states. It is interesting to note, the three states with increased production are also the three states with the largest increases in population. Not accounting for additional production needed to balance a fluid market, three states, Georgia, Kentucky, and Virginia have sufficient milk production to meet fluid demand within their respective states.

SOUTHEASTERN STATES ESTIMATED PER CAPITA MILK PRODUCTION (2010 vs. 2017)

State	2010	2017	2017 versus 2010
		(lbs. per capita)	
Alabama	33	18	-15
Florida	*113*	*119*	*6*
Georgia	*144*	*177*	*33*
Kentucky	266	234	-32
Louisiana	52	34	-18
Mississippi	75	46	-29
North Carolina	*90*	*93*	*3*
South Carolina	62	49	-13
Tennessee	134	103	-31
Virginia	214	205	-9
Total	**122**	**119**	**-3**

Data sources: USDA – NASS and U.S. Census

Another strong month for milk production. According to USDA, February milk production is 1.8% higher than last February. Milk production in January was also 1.8% higher than a year earlier. The February increase is due to 45,000 more cows than a year ago, and 24 more lbs. of milk per cow. The nation's dairy herd is estimated at 9.41 million head. This is the largest dairy herd in over ten (10) years. The number of dairy cows continues to increase even though more dairy cows are going to slaughter.

Seventeen (17) of the 23 reporting states increased milk production in February. For the second consecutive month, production increased in California, up 2.4%. *Dairy Market News* reports challenges finding adequate plant capacity for increased California production. On the other hand production increases are slowing in the Upper Midwest and the Northeast. Wisconsin production was only up 0.1%.and Michigan up 0.9%. New York showed a 2.3% decline and Pennsylvania was only up 0.3%. Florida reported the largest February milk decline of any state at 2.8%. According to the USDA report, the Florida decline is due to less milk per cow per. *The Florida production decline equates to over four less tankers of milk per day this February compared to last February.* Production is down 0.7% in Virginia, the other southeast reporting state.

Class I demand higher. Through the first two months of 2018, total Class I utilization by pool plants in three southeastern orders is 1.1% higher than the same period in 2017 as shown below.

SOUTHEASTERN FEDERAL ORDERS AVERAGE DAILY CLASS I UTILIZATION

Order	2017 (January-February)	2018 (January – February)	2018 vs. 2017
	(average million lbs. per day)		(% change)
Appalachian	12.17	12.64	3.8
Florida	6.76	6.65	-1.6
Southeast	11.72	11.70	0.1
Total	*30.65*	*30.99*	*1.1*

Source: Market Administrator reports

Dairy commodity prices. Butter, cheese, and nonfat dry milk powder all traded in a narrow range at the CME during March. Butter began the month at $2.18/lb. and ended at $2.215/lb. Block cheddar began and ended the month at $1.53/lb. while barrels increased from $1.475/lb. to $1.56/lb. Nonfat dry milk is holding around $0.69/lb. Higher March cheese prices compared to February increased the March Class III price $0.82/cwt. from $13.40 to $14.22/cwt., but it is still almost $1.60/cwt. lower than last March.

Blend prices. March blend prices are projected $0.25-$0.40/cwt. lower than February. Our current projections show March as the lowest blend price for the year. Blend prices are projected to start advancing in April. However, it will be a slow upward climb. It will be the last half of the year before the Florida blend exceeds $19.00 and Appalachian and Southeast past $17.00/cwt.

PROJECTED BLEND PRICES–BASE ZONES – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
	(dollars /cwt.) – 3.5% butterfat		
March 2018	$16.15	$18.11	$16.33
April	$16.33	$18.47	$16.52
May	$16.51	$18.54	$16.66
June	$16.54	$18.70	$16.93
July	$16.81	$18.99	$17.28

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