DIXIE DAIRY REPORT
March 2019

Milk production increase slowing. During the first quarter of 2018, milk production was 1.5% higher than the same quarter the previous year. By the fourth quarter of 2018, production growth had slowed and was only up 0.5%. This is the lowest quarter to quarter production increase since the 4th quarter of 2013. Total milk production in 2018 was 217.5 billion lbs. which is 0.9% greater than 2017. Average milk per cow per day in 2018 was 63.5 lbs., up 1% from 2017.

Milk production by region. As shown below, the Northwest, Southwest, Plains, and California regions increased milk production in 2018 while production declined or remained the same in the rest of the country. The Northwest showed the largest increase at 3.6% followed by the Southwest at 3.3%. The Midwest continues to be the largest milk producing region with over 31% of U.S. production.

U.S. MILK PRODUCTION by REGION – 2018 versus 2017

Region	2017	2018	Change	% of Total
	(million lbs.)		(%)	
Midwest	68,371	68,358	0.0	31.4
California	39,798	40,436	1.6	18.6
Northwest	31,221	32,340	3.6	14.9
Northeast	31,417	31,018	-1.3	14.3
Southwest	26,083	26,950	3.3	12.4
Plains	9,143	9,381	2.6	4.3
Southeast	9,391	8,954	-4.7	4.1
Alaska + Hawaii	41.8	37.9	-9.3	0.02
Total	**215,466**	**217,475**	**0.9**	

2018 Southeast milk production was 4.7% lower than 2017. As shown below every Southeast state produced less milk in 2018 compared to 2017. However, three states, Florida, Georgia, and North Carolina; produced more milk in 2018 compared to 2010. From 2000 to 2010, Southeast states' annual production declined from 14 to 9 billion lbs. of milk. Production increased to 9.7 billion lbs. in 2015, but has declined each year since to only 8.95 billion lbs. in 2018 which is a record low.

SOUTHEAST STATES MILK PRODUCTION RANKED by STATE 2010-2018

State	2010	2017	2018	2018 vs. 2017	Percent of Total
		(million lbs.)		(%)	(%)
Florida	2,127	2,496	2,379	-4.7	26.6
Georgia	1,395	1,840	1,766	-4.0	19.7
Virginia	1,719	1,736	1,634	-5.9	18.2
Kentucky	1,157	1,041	1,009	-3.1	11.3
North Carolina	862	952	937	-1.6	10.5
Tennessee	850	693	634	-8.5	7.1
South Carolina	286	247	241	-2.4	2.7
Louisiana	235	160	152	-5.0	1.7
Mississippi	223	137	129	-5.8	1.4
Alabama	159	89	73	-18.0	0.8
TOTAL	**9,013**	**9,391**	**8,954**	**-4.7**	

Cow numbers declining. USDA estimates the national dairy herd, as of January 1, 2019, at 9.353 million head. This is 79,000 head less than a year ago. (Note: The Southeast states, alone, were responsible for 34,000 head of the decline Cow numbers dropped 8,000 head in both Florida and Virginia.). This is the first time since 2013 cow numbers were lower than the previous year. The number of dairy replacement heifers is estimated 67,000 head lower than a year ago. Higher slaughter numbers support declining cow numbers. 165,000 more dairy cows were slaughtered in 2018 compared to 2017. Almost 40% of the 165,000 head were slaughtered during the last quarter of 2018. Declining number of cows and dairy replacements are a positive sign toward higher farm milk prices.

Packaged fluid milk sales. USDA estimates fluid milk sales of 47.075 billion lbs. in 2018. This is about 2% lower than sales of 48.060 billion lbs. in 2017. Good news, whole milk sales were up 2.2%. In the three southeastern federal orders, 2018 fluid sales were 10.229 billon lbs. down 1.8% from the previous year, as shown below. Sales increase in the Appalachian order is primarily due to the addition of milk not previously regulated under this order. In 2013, fluid sales in the southeast orders fell below 11 billion lbs. If the current rate of decline continues, sales will fall below 10 billion lbs. in 2020 and below 9 billion lbs. in 2027.

SOUTHEASTERN FEDERAL ORDERS PACKAGED FLUID MILK SALES 2010-2018

State	2010	2017	2018	2018 vs. 2017
		(million lbs.)		(%)
Appalachian	3,642	3,213	3,217	0.1
Florida	2,950	2,756	2,702	-2.0
Southeast	5,032	4,443	4,310	-3.0
Total	11,624	10,412	10,229	-1.8

Please note the above sales number includes milk packaged outside of the respective order, but sold within the order. For example, 19.26% of packaged fluid milk sold in the Florida order in 2018, was packaged outside of the Florida order. Back in 2015, the percent of outside milk was about 12%. One of the reasons for the outside increase is growing sales of milks such as organic, lactose free, A2, ultrafiltrated, grass fed, and in different containers, that are not processed by Florida based plants.

Blend prices. We are gradually increasing our blend price forecasts for 2019 due to slower milk production growth, and improving cheese prices. February blend prices are projected slightly higher than January, and about $1.50/cwt. higher than last February. Prices are projected to increase further in March. Then a slight decline is projected in April, before heading back up in May.

PROJECTED BLEND PRICES–BASE ZONES – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
		($ /cwt. 3.5% butterfat)	
January 2019 (actual)	$17.82	$19.78	$18.27
February	**$17.96**	**$20.06**	**$18.35**
March	**$18.42**	**$20.58**	**$18.63**
April	**$18.32**	**$20.43**	**$18.59**
May	**$18.56**	**$20.65**	**$18.78**

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