

## DIXIE DAIRY REPORT

### February 2021

**Dairy product prices.** 2021 begins with prices of the four commodities used to establish federal order class prices all higher than December, except for block cheddar. However, all prices, except dry whey are lower than last January. Both nonfat dry milk powder (NDM) and dry whey had the largest price increase from December. Both increased almost \$0.04/lb. Strong exports are the primary reason for higher NDM and dry whey prices. Through November, powder exports are 19% higher compared to a year earlier, and dry whey exports up over 40%. Remember each penny increase or decrease in the NDM price changes the Class IV price about \$0.09/cwt. and a penny change in dry whey moves the Class III price about \$0.06/cwt. We project NDM and dry whey prices inching higher over the coming months. The January 5 announcement of a 5<sup>th</sup> Food Box program quickly moved the CME block price higher to close at \$1.9625/lb. on January 11. Then the new administration's regulatory freeze resulted in blocks relinquishing most of the gain closing at \$1.5750/lb. at the end of the month. Based on American cheese inventory almost 7% higher at the end of December, compared to a year earlier, and much discounted milk flowing into cheese plants (*Dairy Market News reports prices as low as \$8.50/cwt. below class price*), cheese prices will continue to struggle. The butter price remains a challenge with the December butter inventory over 44% higher than the previous December. January CME butter averaged \$1.3496/lb., the lowest January average butter price since 2009.

#### DAIRY PRODUCTS SALES REPORT (DPSR) PRICES \*

Product	January 2021	December 2020	January 2020	January 2019
	(\$/lb.)			
<b>Butter</b>	\$1.4548	\$1.4431	\$1.9153	\$2.2343
<b>Cheese (block)</b>	\$1.7171	\$1.7708	\$1.8995	\$1.4280
<b>Cheese (barrel)</b>	\$1.5601	\$1.4944	\$1.6869	\$1.3147
<b>Cheese weighted avg.</b>	\$1.6502	\$1.6433	\$1.8092	\$1.3868
<b>Nonfat Dry Milk Powder</b>	\$1.1345	\$1.0951	\$1.2451	\$0.9513
<b>Dry Whey</b>	\$0.4595	\$0.4171	\$0.3367	\$0.4805

\*Dairy product prices used to calculate federal order class prices

**Milk production.** 2020 marks the tenth consecutive year of increased milk production. Slightly over 223 billion lbs. of milk were produced in 2020, which when adjusted for Leap Year, is 1.9% more than 2019. However, for the last half of 2020, production was 2.5% greater than the same period a year earlier. The additional milk came primarily from more cows. At the end of December, the nation's dairy herd was estimated at 9.443 million head. This is 100,000 more cows than a year ago, and the largest dairy herd since 1996. As shown below, milk production increased in all regions in 2020, except the Southeast.

#### ANNUAL 2019 and 2020 ACTUAL MILK PRODUCTION by REGION

Region	2019	2020	Change	Percent all Milk
	(million lbs.)		(%)	
<b>Midwest</b>	68,454	69,592	1.7%	31.2%
<b>California</b>	40,564	41,352	1.9%	18.5%
<b>Northwest</b>	33,248	34,239	3.0%	15.3%
<b>Northeast</b>	30,520	30,824	1.0%	13.8%
<b>Southwest</b>	27,604	28,564	3.5%	12.8%
<b>Plains</b>	9,465	10,033	6.0%	4.5%
<b>Southeast</b>	8,528	8,451	-0.9%	3.8%
<b>Total</b>	218,383	223,055	2.1%	

Virginia and Mississippi are the only two Southeast states reporting increased production in 2020. Lower total milk production in the Southeast is due to 13,000 less cows in 2020 compared to 2019. Florida accounts for 5,000 of the reduced dairy herd. For the two Southeast states that account for 48% of total Southeast production, 2020 production was down 1.9% in Florida and down 0.1% in Georgia.

**Class I sales.** The three southeastern federal orders and the Virginia Milk Commission averaged 556 loads per day of Class I producer milk in 2020. See table below. This is three loads per day lower than 2019. Just ten years ago in 2010, there was an average of 680 loads of Class I producer milk per day. On the positive side, the 2020 decline was lower compared to the decline from 2018 to 2019 of 32 loads. We see the continuing decline in Class I sales as the greatest challenge facing the Southeast dairy industry. It is difficult to bargain for higher milk prices, and profitably expand milk production when the volume of milk needed to meet market demand is declining.

#### CLASS I PRODUCER MILK - AVERAGE TANKER LOADS per DAY

<u>Order</u>	<u>2000</u>	<u>2010</u>	<u>2015</u>	<u>2019</u>	<u>2020</u>
<b>Appalachian</b>	242	231	216	209	219
<b>Florida</b>	141	141	130	117	115
<b>Southeast</b>	271	262	218	192	181
<b>Va. Milk Commission</b>	49	47	44	40	41
<b>Total*</b>	704	680	608	559	556

\*Totals may not add due to rounding

**Milk prices.** Compared to last month our blend price projections for the next few months are lower due to: strong milk production, growing cheese production and lower prices, historical high butter inventory, and food service demand remaining soft. As shown below, projected January blend prices are over \$3.00/cwt. lower than December. Remember the Class I Mover declined from \$19.87/cwt. in December to \$15.14/cwt. in January. Slightly higher January Class II, III and IV prices absorb part of the Mover decline. Comparing first quarter 2021 to 2020, we project blend prices \$1.85 to \$2.50/cwt. lower.

#### PROJECTED\* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
(\$/cwt. at 3.5% butterfat – base zone)			
December 2020	\$20.61	\$23.18	\$20.99
<b>January 2021</b>	<b>\$17.58</b>	<b>\$19.74</b>	<b>\$17.91</b>
<b>February</b>	<b>\$17.43</b>	<b>\$19.57</b>	<b>\$17.80</b>
<b>March</b>	<b>\$17.48</b>	<b>\$19.67</b>	<b>\$18.03</b>
<b>April</b>	<b>\$17.61</b>	<b>\$19.89</b>	<b>\$18.04</b>
<b>May</b>	<b>\$18.05</b>	<b>\$20.03</b>	<b>\$18.25</b>

\*Projections in bold

**Retail milk prices.** The average 2020 retail price for a gallon of whole milk in Miami, as reported by the Market Administrator, was \$3.83/gallon. This is \$0.23/gallon lower than 2019. As a comparison the federal order Class I price in 2020 was about a penny gallon lower than 2019. In Atlanta, the average 2020 price was \$3.37/gallon compared to \$3.53/gallon in 2019. Nationwide, a gallon of whole milk increased from \$3.32/gallon in 2019 to \$3.52/gallon in 2020. It is interesting to note Kansas City reported the highest retail price at \$4.50/gallon while the lowest was in Wichita, Kansas at \$2.49/gallon. Both cities are in the same federal order, with the federal order Class I price in Wichita a little over \$0.02/gallon higher than Kansas City.