## DIXIE DAIRY REPORT September 2019

Fluid milk sales for the first half of 2019. Conventional fluid milk sales, for the first half of 2019 compared to 2018, are down 2.0% and organic sales are down 4.6%. The larger organic decline may be due to organic milk drinkers shifting to plant based alternatives. On the positive side, whole milk sales are up 0.7% for conventional and 0.9% for organic. On the other hand, reduced fat sales are down 4.5% and 8.3%, respectively. Milk consumers are purchasing whole milk, and turning away from reduced fat milk, even though nutrition and other programs emphasize reduced fat dairy products.

In the Southeast States, fluid sales in all three federal orders combined are 3.4% below a year ago, for the first six months of the year. On a daily basis, this decline is the equivalent of almost 1 million lbs. of farm milk per day. As shown below, most of the sales decline is in the Appalachian and Southeast orders. Fluid sales are only down 0.7% in the Florida order. The Southeast States account for about 23% of the nation's fluid milk sales.

FLUID MILK SALES January-June 2018 versus January-June 2019

	2018 (six months)	2019 (six months)	Change %	<u>Farm Loads of</u> <u>Milk per day</u> <u>Change</u>
(million lbs.)				
Appalachian Order	1,606	1,553	(3.3)	(6)
Florida Order	1,357	1,347	(0.7)	(1)
Southeast Order	2,146	2,034	(5.2)	(12)
Total all Three	5,109	4,934	(3.4)	(19)
National*				
Conventional	22,140	21,699	(2.0)	
Organic	1,293	1,233	(4.6)	

Source: Agricultural Marketing Service

<u>Milk production.</u> During July the combined milk production in three southeast reporting states, which produce about two-thirds of the milk in the Southeast, is down 2.8%. As shown below, almost all the decline is in Virginia. Production is up 2.8% in Georgia, and down 1.1% in Florida. Georgia gained a thousand cows in July, along with 25 more pounds of milk per cow. Florida per cow production was up 35 pounds in July. Virginia's production decline remains in double digits.

SOUTHEAST MONTHLY MILK REPORTING STATES - July to July Milk and Cows

	Georgia	Florida	Virginia	Total		
(Production)		(million lbs.)				
July 2019	147	186	119	452		
July 2018	143	188	134	465		
Change %	2.8%	-1.1%	-11.2%	-2.8%		
(Cows)	(1,000 head)					
July 2019	82	115	74	271		
July 2018	81	119	83	283		
Difference	1	-4	-9	-12		

<sup>\*</sup>National numbers may be skewed due to California's change from a state to federal order.

Nationally, July milk production was unchanged compared to a year ago. There are 82,000 less cows than a year ago. Dairy cow slaughter in July was over 7% higher than a year ago. Milk per cow was up 17 lbs. compared to last July. Thirteen of the 24 reporting states produced more milk. Colorado and Texas were at the top with production increases of 5.9% and 5.8%, respectively. California was up 2.5% and Wisconsin down 1.0%. In the Northeast, New York was up 0.3%, but Pennsylvania was down 7.6%; due to 35,000 fewer cows and 15 less pounds of milk per cow.

<u>Dairy replacements.</u> USDA's July 1 *Cattle Report* puts the number of dairy replacement heifers at 4.1 million head. This is 601,500 head less than reported on January 1, and the largest January to July decline since 1973. The ratio of heifers to milk cows is the lowest since 2009. Increased breeding of dairy cows to beef bulls, more farms exiting the dairy business, and lower heifer prices contribute to the decline.

<u>Dairy products.</u> As shown below, little change in August dairy product prices, prices remain steady. All prices except whey are higher than a year ago. Looking ahead, a bigger inventory and greater production, along with lower international prices are moving the butter price lower. Block cheddar cheese is gaining strength approaching \$2.00/lb. but barrels are about \$0.25/lb. lower. Cheese inventories are below a year ago, and demand is reported as good.

## DAIRY PRODUCTS SALES REPORT PRICES and CLASS I MOVER

<u>Product</u>	<b>August 2019</b>	<u>July 2019</u>	<u>August 2018</u>	August 2017
	(\$/lb.)			
Butter	\$2.3659	\$2.3893	\$2.3192	\$2.6578
Cheese (block & barrel)	\$1.8276	\$1.8238	\$1.5544	\$1.6664
Nonfat Dry Milk Powder	\$1.0335	\$1.0393	\$0.8111	\$0.8733
Dry Whey	\$0.3671	\$0.3631	\$0.3681	\$0.4345
	September 2019	<u>August 2019</u>	September 2018	September 2017
	(\$/cwt.)			
Class I Mover (3.5% fat)	\$17.85	\$17.89	\$14.85	\$16.71
Class I Mover (2.0% fat)	\$14.00	\$14.00	\$11.02	\$12.26

<u>Milk prices.</u> July blend prices in all three southeastern federal orders were the highest for the year-to-date, and over \$2.00/cwt. higher than last July. After a historically low Class I utilization in June, Southeast order Class I utilization rebounded to normal levels in July. As shown below, we project higher blend prices in August, and then remaining relatively flat through the remainder of the year. With the butter price declining, more of the price will be carried by milk's skim portion.

## PROJECTED BLEND PRICES-BASE ZONES -SOUTHEASTERN FEDERAL ORDERS

Month	<u>Appalachian</u>	<u>Florida</u>	Southeast	
	(\$ /cwt. 3.5% butterfat)			
July 2019 (actual)	\$19.84	\$21.75	\$20.25	
August	\$20.35	\$22.34	\$20.89	
September	\$20.16	\$22.20	\$20.82	
October	\$20.30	\$22.28	\$20.91	
November	\$20.32	\$22.34	\$20.92	