DIXIE DAIRY REPORT
April 2019

Milk production. USDA released both its January and February milk production report in March. The reports show slower growth in milk production. January production was 0.9%, and February production 0.2% higher than a year earlier. Of the 23 reporting states, February production was up in 14 states, no change in one, and down in the other 8 states. Colorado leads the way with production up 8.3% followed by Texas up 7.7%. In the two largest milk producing states, California and Wisconsin, February production is up 0.1% and 1.5%, respectively. Production changes in the Northeast are mixed. New York is up 2.8% while Pennsylvania is down 6.0%. Slower production growth is due to fewer dairy cows which is the most encouraging news. At the end of February USDA estimates the national dairy herd is 77,000 less head compared to a year ago. Higher slaughter numbers supports this decline, with 7% more cows slaughtered this February, compared to last February. Cow numbers must continue to decline to lower milk production.

Southeast supply and demand. The southeast's two reporting states, Florida and Virginia, lead the nation in lower milk production. January and February production in Florida was down 4.5% and 6.2%. February is the 16th consecutive month Florida has declined in milk production. Production is declining more in Virginia, down 11.5% and 11.7% in January and February. Production declines in both states, is primarily due to less cows. At the end of February, Florida reports 8,000 and Virginia 9,000 fewer cows than last February. However, milk per cow in Florida was up slightly in February, but lower in Virginia. Federal order data shows milk production is lower throughout the southeast, not just in Florida and Virginia. Through the first two months of 2019 compared to 2018, producer milk in the Appalachian order is down 9.0%; down 1.7% in the Florida order; and down 8.3% in the Southeast order. For all three orders combined production is 7.3% lower than a year ago.

On the demand side, for the first two months of the year, producer milk utilized in Class I is down 3.6% in the Appalachian order, up 0.4% in the Florida order, and down 4.6% in the Southeast order. Combining all three orders, producer milk utilized in Class I sales is 3.1% lower than a year ago. Due to producer milk down more than Class I usage, Class I utilization is higher. For the three orders, combined, January and February Class I utilization is 76.1% compared to 72.7% for the same period in 2018.

Commodity prices. Butter continues to trade in a narrow range, only varying about $0.12/lb. from its high to low price, during the past 12 months. Butter prices should strengthen during the coming months, aided by increasing international butter prices, and a butter inventory almost 9% lower than a year ago. Cheese gained almost $0.15/lb. in March thanks to lower production and improved barrel prices. Higher Class IV prices relative to Class III, during the past few months, has moved milk from cheese vats to dryers. Nonfat dry milk powder (NFDM) declined a couple of pennies in March, but is still over 35% higher than a year ago. January powder exports were similar to a year ago, and the powder inventory is only about 4% higher than last year. Dry whey declined in March, but is still considerably higher than last March. The swine flu in China has wiped out a significant number of pigs. This is weakening whey exports due to the Chinese swine industry a major buyer of whey for feed.

DAIRY PRODUCTS SALES REPORT PRICES

Product	March 2019	February 2019	March 2018
		($/lb.)	
Butter	$2.2740	$2.2644	$2.1759
Cheese (block & barrel)	$1.5383	$1.3940	$1.5542
Nonfat Dry Milk Powder	$0.9589	$0.9800	$0.6963
Dry Whey	$0.4127	$0.4545	$0.2537

Total Dairy Demand. Domestic demand for all dairy products (total solids basis) was 1% higher in 2018 compared to 2017. Domestically, demand for butterfat continued to outpace skim, with butterfat up 1.4% and skim up 0.8%. In 2018, 66% of domestic demand was skim solids and 34% butterfat. On the export side, dairy exports set a record high in 2018, and were 10% greater than the prior year. Exports accounted for 15.4% of total demand in 2018. Unfortunately, due to over 90% of exports being skim solids, and low skim prices in 2018; export's impact on dairy farmers' milk checks was not as great as the record export demand would indicate.

Blend prices. March blend prices in the three southeastern federal orders are projected higher than February, and about $2.50/cwt. higher than last March. Blend prices are projected to retreat slightly in April, but start increasing again in May, and continue to slowly increase through November. The change in the Class I Mover calculation will provide a price boost starting in May. If milk production continues to decline at greater rate than Class I sales; a higher Class I utilization will result in blend prices higher than these projections.

PROJECTED BLEND PRICES–BASE ZONES – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
		($ /cwt. 3.5% butterfat)	
February (actual)	$18.00	$19.96	$18.35
March	**$18.45**	**$20.61**	**$18.66**
April	**$18.27**	**$20.36**	**$18.57**
May	**$18.82**	**$20.95**	**$19.06**
June	**$19.07**	**$20.96**	**$19.11**

Dairy farm numbers. At the end of 2018, USDA reports 37,468 licensed dairy farms, almost 7% fewer dairy farms than in 2017. This is the largest percentage decline in dairy farms since 2001. The Southeast saw an 8% decline in dairy farms from 2017 to 2018. There were only 2,025 dairy farms in the Southeast at the end of 2018. In 1992 there were over 10,000 Southeast dairy farms. Nationally, average herd size increased from 74 cows in 1992 to 240 cows in 2018, while Southeast herd size increased from 108 to 227 cows, during the same time period.

SOUTHEAST LICENSED DAIRY FARMS (1992-2018)

State	1992	2000	2010	2017	2018	2018 -1992
Alabama	306	154	60	35	30	(276)
Florida	288	231	140	110	95	(193)
Georgia	593	404	270	180	160	(433)
Kentucky	3,377	1,932	940	600	540	(2,837)
Louisiana	705	468	150	95	90	(615)
Mississippi	671	356	130	70	65	(606)
North Carolina	838	447	290	190	180	(658)
South Carolina	200	116	85	60	50	(150)
Tennessee	2,030	999	490	270	250	(1,780)
Virginia	1,253	998	705	585	565	(688)
TOTAL	**10,261**	**6,105**	**3,260**	**2,195**	**2,025**	**(8,236)**

Source: USDA -NASS

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