

GEORGIA MILK REVIEW

DAIRY PRODUCERS RECEIVE \$667 MILLION IN DIRECT PAYMENTS



USDA announced on June 15 that 12,000 dairy producers have applied for direct payments totaling \$667 million under the Corona Food Assistance Program. Overall, the agency has approved \$2.9 billion in direct payments to 220,000 producers.

USDA is accepting applications now through August 28, 2020. Producers should apply through the Farm Service Agency at their local USDA Service Center.

2021 DMC SIGNUP OPENS OCTOBER 12TH

The U.S. Department of Agriculture's Farm Service Agency (FSA) has announced that Dairy Margin Coverage (DMC) safety-net sign-up for 2021 coverage will begin October 12 and will run through December 11, 2020. DMC has already triggered payments for two months for producers who signed up for 2020 coverage.

The April 2020 income over feed cost margin was \$6.03 per hundredweight (cwt.), triggering the second payment of 2020 for dairy producers who purchased the appropriate level of coverage under the Dairy Margin Coverage (DMC) program. The April margin reflects more than a \$3 drop from the March \$9.15 cwt. income over feed cost margin.

For more information, visit the www.farmers.gov DMC webpage or contact your local USDA service center.



THIS ISSUE

USDA Approve \$667 Million in Dairy CFAP Payments

DMC Signup Opens Oct. 12

Right to Farm Legislation Passes Senate

Dr. Bernard Retires July 1

PPP EZ Loan Forgiveness Application

GA Beef Referendum

Dixie Dairy Report

Right to Farm Legislation Passes Senate From Georgia Farm Bureau

House Bill 545:
**PROTECT YOUR
RIGHT TO FARM**



The Georgia General Assembly returned June 15 to Atlanta after a three-month hiatus due to the COVID-19 pandemic with eleven legislative days to tackle the long list of pending bills. Their top priority is passing the FY21 budget, which will reflect an 11% cut across the board, down from the originally projected 14% cut.

However the most hotly debated issue came Thursday, June 18, when the Senate took up Farm Bureau's top priority, HB 545 – the Right to Farm Act. The bill was called for a vote and intense debate stretched for almost two hours as our friends and leaders in the Senate—Senators John Wilkinson, Tyler Harper, Larry Walker, Ellis Black, and Steve Gooch—provided strong and impassioned testimony in support of the bill and our farmers. The opposition continued to resort to doomsday scare tactics purported by environmental activists who generally oppose agriculture and are themselves currently suing farmers for nuisance. Unfortunately, an amendment was added to the bill by Senator Jesse Stone (Waynesboro) that removed a fundamental protection in the bill. However HB 545 did pass the full Senate, with this amendment, by a vote of 29-21. There is still time left and a path forward, as the House and Senate may form a conference committee to finesse the language, and GFB will continue working with legislators to ensure these meaningful protections are realized.

NOW IS THE TIME TO ACT. We need your help pushing HB 545 across the finish line with real protections in place. Please take a moment to send an email to your legislators, Lt. Governor Duncan, and Governor Kemp. With only a few days left, it is critical that your elected officials hear from you and that they are engaged to pass HB 545.

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Dr. John Bernard Retiring From UGA This Summer

Written by Dr. Lane Ely, UGA

Dr. John Bernard, a prominent dairy forage specialist and researcher at the University of Georgia, will retire this July. During his extraordinary career, he has touched many facets of dairy cattle management and nutrition, from calf nutrition and feeding, protein and amino acid metabolism, effective utilization of forages and by-products, to heat stress management. His research has been widely recognized by scientists from both industry and academia, and adopted into practice nationally and internationally. During the last 10 years, he received over \$3 million

in research funding from both industry and government agencies and published over 60 peer-reviewed research articles, more than 60 abstracts and numerous proceedings, bulletins and reports.

As an Extension specialist in dairy cattle nutrition and management, Dr. Bernard has served as one of the primary academic references for the dairy industry in Georgia and the southeast. He is contacted continuously by producers and industrial representatives for various questions, and invited to farms to solve different problems related to dairy cattle nutrition and management on site. He is very effective to translate others' and his own research to practical solutions. He has published over 240 (over 60 in the last 10 years) Extension articles, bulletins and educational materials, and has been invited to talk to producers numerous times on county and state levels, and nationally and internationally.

Dr. Bernard grew up in a dairy farm in TN. After obtaining a B.S. degree at the University of Tennessee, he became a fieldsman for Dairymen Inc. in Georgia for 5 years. Later he returned to his family farm in TN and then obtained his M.S. and Ph.D. degrees at the University of Georgia. Upon graduation, he started his professional career at the University of Tennessee for 11 years before starting his current position at the University of Georgia – Tifton Campus.

Georgia Milk Producers truly appreciates the dedication and commitment Dr. Bernard has had for our industry. His research has greatly improved how southeast producers manage forages and cattle. We celebrate his retirement and wish him the best in this next chapter of life!

Blend Prices—Dixie Dairy Report

Written by Calvin Covington

As stated previously, the large and quick decreases and increases in dairy product prices, makes it more difficult to project. Please keep this in consideration as you review blend price projections. Due to the lag between the dairy product prices used to calculate order prices and CME prices, plus Class I advanced pricing, southeast dairy farmers will not see any significant improvement in blend prices until the July milk check. The May and June Class I Movers are \$12.95/cwt. and \$11.42/cwt., respectively. The July Class I Mover is projected at \$17.35/cwt. In addition, due to the new method of calculating the Class I Mover implemented about a year ago (averages Class III and IV prices instead of using the higher of), southeast dairy farmers will not directly receive the full benefit from record high cheese prices in their milk checks. As shown below, May blend prices are projected \$2.00 to \$2.35/cwt. lower than April. A small increase is projected for the Appalachian and Southeast orders in June, but a lower blend price in Florida. This is due to the Appalachian and Southeast orders having a higher Class II, III, and IV utilizations. The large increase in blend prices is projected for July.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
			(\$/cwt. at 3.5% butterfat)
April 2020	\$17.49	\$19.35	\$17.75
May	\$15.13	\$17.57	\$15.45
June	\$15.83	\$16.96	\$16.43
July	\$19.38	\$21.38	\$19.85
August	\$19.37	\$21.59	\$19.91
September	\$19.23	\$21.07	\$19.70

*Projections in bold

New EZ and Revised Full Forgiveness Applications for the Paycheck Protection Program (PPP)

From Michael Best strategies Federal COVID-19 Team

The U.S. Small Business Administration (SBA), in consultation with the Department of the Treasury, recently posted a revised, Paycheck Protection Program (PPP) loan forgiveness application and a new EZ version of the forgiveness application that applies to borrowers that:

- Are self-employed and have no employees; OR
- Did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the number or hours of their employees; OR
- Experienced reductions in business activity as a result of health directives related to COVID-19, and did not reduce the salaries or wages of their employees by more than 25%.

The EZ application, found online at <https://home.treasury.gov/system/files/136/PPP-Forgiveness-Application-3508EZ.pdf>, requires fewer calculations and less documentation for eligible borrowers. Details regarding the applicability of these provisions are available in the instructions to the new EZ application form.

Both applications give borrowers the option of using the original 8-week covered period (if their loan was made before June 5, 2020) or an extended 24-week covered period. The revised full application has been cut to five pages, including a page of instructions, from the original 11, and the new "EZ" application form is just three pages. These changes will result in a more efficient process and make it easier for businesses to realize full forgiveness of their PPP loan.

Vote for the GA Beef Referendum Before June 30

Georgia beef and dairy producers have until June 30 to vote to renew the \$1/per head assessment for the Georgia Agriculture Commodity Commission for Beef established by the Georgia legislature in 2014. Beef producers were mailed a ballot at the end of May. If you did not receive a ballot, call Andy Harrison at 404-656-3680 or go online to www.GABeefBallot.com. Ballots and the back of the return envelope must be filled out for the ballot to be considered as eligible. Ballots must also be postmarked by June 30. Our Georgia Milk Board of Directors strongly supports this checkoff and it's purpose of increasing research and educational programs that will improve beef quality and consumption in Georgia. Please vote yes before June 30!



Dixie Dairy Report – June 2020

Calvin Covington

V shape dairy recovery? Economists define a "V" shape recovery as a sharp decline with a quick, sustained recovery. Chicago Mercantile Exchange (CME) block and barrel cheddar and butter meet the first two requirements as shown below. Block cheddar was over \$1.90/lb. the first of February, then fell to \$1.00/lb. on April 15. Over a four-week period, blocks doubled and closed at \$2.5525/lb. on June 5. Barrels and butter follow a similar pattern. Butter remained over \$1.80/lb. for the first two months of the year before falling to \$1.10/lb. on April 23, then closed at \$1.9250/lb. on June 5.

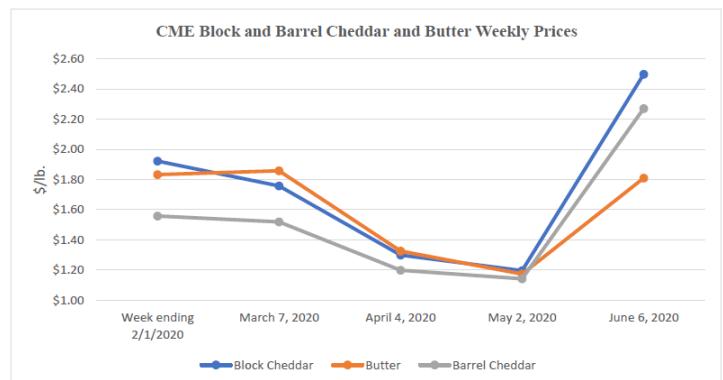
Cheese and butter's price decline is due to the coronavirus and the resulting shutdown of much of the economy, especially food service which utilizes about 50% of the nation's dairy production. Why are prices now rebounding and making the "V"? My list includes:

- As government shutdown restrictions are lifted, the food service supply chain must be refilled. That is now happening, and cheese plants are operating at full throttle to fill the demand.
- Government dairy purchases. The Coronavirus Relief Act authorized USDA to purchase \$317 million in dairy products to use for food aid. Plus, the Secretary of Agriculture is using \$120 million from Section 32 funds to purchase additional dairy products. To put this in perspective, at \$3.00/lb., \$437 million will purchase 145.7 million lbs. of cheese. It takes about 1.45 billion lbs. of milk to produce this cheese volume which equates to about 4% of the total estimated U.S. milk production in May and June. \$437 million of dairy product purchases makes an impact.
- When the economic shutdown started many cooperatives and proprietary plants quickly implemented various milk reduction programs. These programs reduced milk production, now making it difficult for some cheese plants to meet demand.
- I look at the CME as a market of last resort. If a plant has no other viable market to sell cheese or butter it offers it at the Exchange. This is one of the reasons cheese and butter prices dropped so low. Food service orders dried up, plants needed to move product, and there was no other alternative. On the other hand, if buyers cannot find product, the Exchange offers a potential place to do so. Reports indicate some companies with USDA contracts to fill Family Food Boxes, have turned to the CME to purchase cheese, thus increasing CME prices.

Sustained recovery? As stated above, the third requirement for a "V" recovery is sustained prices. Will cheese and butter prices remain at these levels? Eventually, the food service supply chain will be filled, and government purchases will end at some point. However, the stock market is getting back closer to pre-coronavirus levels. As businesses reopen, people are going back to work, employment is improving. All of this helps improve consumer confidence and bodes well for dairy demand.

On the supply side, April milk production was 1.4% higher than last April. The nation's dairy herd had 49,000 more head than a year ago. Only five states (Florida and Georgia were two) of the 24 milk reporting states had lower production than a year earlier. In the top two states, California was only up 0.3%, and production was flat in Wisconsin. Production continues to increase in Texas, with April production 4.9% greater than last April. Milk production numbers for the next two months will tell us the impact of the various milk reduction programs. However, the impact on production by coronavirus assistance payments to dairy farmers (about \$6.20/cwt. on first quarter milk production) and dairy margin coverage payments (April payment of \$3.47/cwt. at the top level) is an unknown.

As expected with the food service shut down, dairy product inventories grew significantly in April, especially for butter and NDM. As of April 30, the butter inventory is 26.8% higher than last April. Butter production set a new monthly record high in April. The nonfat dry milk (NDM) inventory is 41.1% higher. Better news, total cheese inventory at the end of April was only up 6.1%. Preliminary reports indicate improving demand, along with less milk, is drawing these inventories down. We will know exact numbers when USDA releases the May supply and demand data. My forecast is cheese and butter prices will soon start retreating. How much prices retreat all depends on supply and demand. How much dairy products consumers buy and how much milk dairy farmers produce.



RETURN SERVICE REQUESTED

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