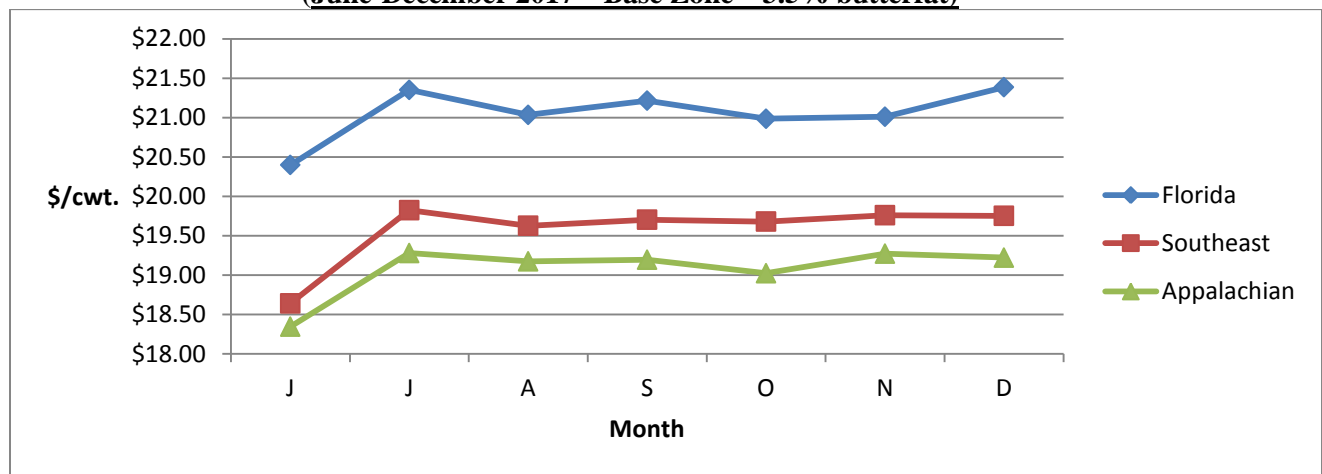


DIXIE DAIRY REPORT July 2017

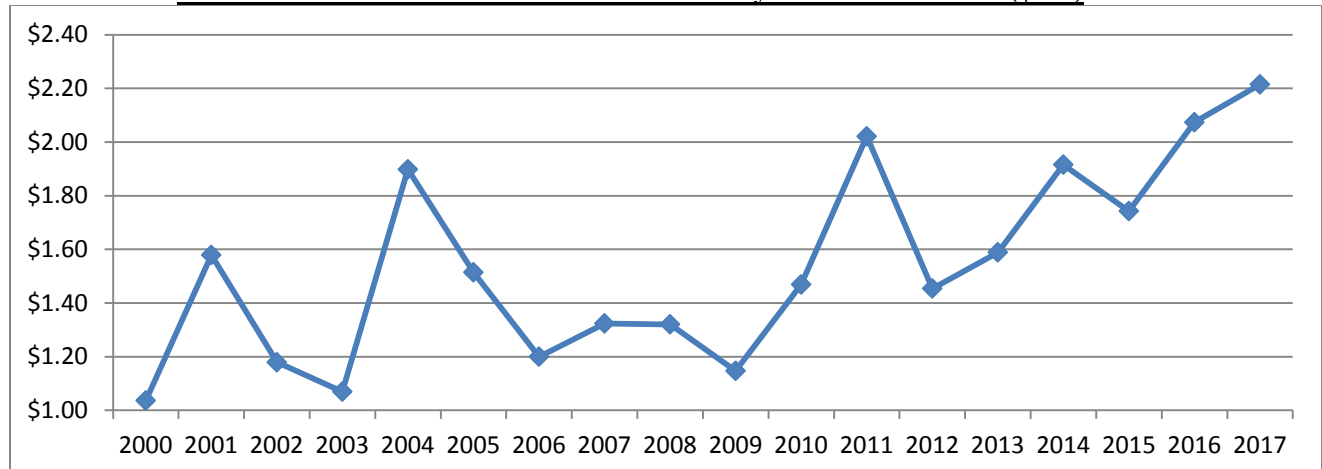
Federal order blend prices. For the three southeastern federal orders (Appalachian, Florida, and Southeast) June blend prices are projected \$0.60-\$0.70/cwt. higher than May. As shown in the table below, July blend prices are projected to increase about \$1.00/cwt. from June. For the remainder of 2017, blend prices are projected to remain relatively steady. During the first half of 2017, in all three southeastern orders, the skim portion of milk was responsible for over 50% of milk's total value. During the last half of 2017 milk's value will shift from skim to butterfat. In the Appalachian and Southeast orders over 50% of milk's value will come from butterfat. In the Florida order, butterfat and skim will carry about equal value. In all three orders, the producer butterfat price is projected to exceed \$2.90/lb. during the last four months of the year.

**APPALACIAN, FLORIDA, and SOUTHEAST PROJECTED BLEND PRICES
(June-December 2017 – Base Zone – 3.5% butterfat)**



Butter driving the milk price. The shift in milk's value from skim to butterfat is due to increasing butter prices. The June AMS butter price was \$2.41/lb., the highest June butter price since the current AMS system began in 2000. For the first six months of this year, the AMS butter price averaged \$2.21/lb. This is the highest six month average since 2000. Back in 2000, the six-month average was only \$1.04/lb. See below.

AMS AVERAGE BUTTER PRICES - January-June 2000 to 2017 (\$/lb.)



Why are butter prices moving upward? The demand for butterfat is increasing. Since 2000, commercial disappearance of butter has increased at an average annual rate of 3%. More butterfat is now consumed in other products such as fluid milk. Whole milk sales increased 4.8% in 2016, and are up 1.6% for the first four months of 2017. Increased demand is also reflected in butter inventories about 1.5% lower than last year. On the international market, the Oceania butter price is around \$2.60/lb. At the beginning of the year it was \$2.00/lb. .

Milk production down in the two largest milk producing states. USDA reports May milk production 1.8% higher than last May. The dairy herd continues to expand with 71,000 more cows than a year ago. However, milk production per cow slowed, with May's production only 19 lbs. more per cow than last May. California continued to decline in production, but was also joined by Wisconsin. May production in Wisconsin was 0.7% lower than a year ago, all due to less milk per cow. Also, milk production was down in two of the other top ten milk producing states, Washington and Idaho. Texas and New Mexico continue to rebound, with May production up 14.7% and 6.9%, respectively. Production continues to grow in Michigan and New York. In the two southeast reporting states, May production was down 0.4% in Florida due to 20 lbs. less milk per cow. Production was up 1.3% in Virginia.

Fluid milk sales. April was a poor month for fluid milk sales in the three southeastern orders, with sales down in all three orders. However, fluid sales rebounded in May, with all three orders posting positive numbers. Most likely the decline in the Class I Mover from April to May impacted the sales numbers. Class I raw milk costs were lower in May, compared to April. Through May, fluid milk sales in all three orders are down 1.4%. A more important sales number to dairy farmers is Class I disposition, by fluid distributing plants located within the order. As shown in the tables below, total fluid sales in the Florida order are only down 0.6%, but Class I disposition by fluid plants in the Florida order are down 6.5%, through the first five months of the year. This explains why Florida experienced additional surplus milk this year. Fluid milk packaged outside of the Florida order, but sold in Florida, accounts for the difference.

SOUTHEASTERN FEDERAL ORDERS FLUID MILK SALES

<u>Order</u>	<u>January-May 2016</u>	<u>January-May 2017</u>	<u>% change</u>
	(million lbs.)		(%)
Appalachian	1,359	1,330	-2.2
Florida	1,178	1,171	-0.6
Southeast	1,884	1,859	-1.4
Three orders combined	4,422	4,358	-1.4

CLASS I DISPOSITION by FLUID PLANTS in the FLORIDA and SOUTHEAST ORDERS

<u>Order</u>	<u>January-May 2016</u>	<u>January-May 2017</u>	<u>% change</u>
	(million lbs.)		(%)
Florida	1,012	946	-6.5
Southeast	1,591	1,570	-1.3
Two orders combined	2,603	2,516	-3.3

USDA projects slightly higher farm milk prices in 2018. In its June forecast, USDA projects a 2017 all-milk price between \$17.80 -\$18.20/cwt. The June forecast for 2018 is an all-milk price between \$18.10/cwt. and \$19.10/cwt. Using the midpoints averages, this is an increase of \$0.60/cwt.