SEPTEMBER 2021

# GEORGIA MILK REVIEW

MONTHLY NEWSLETTER FOR
GEORGIA MILK PRODUCERS, INC.

## Senate subcommittee hearing focuses on FMMOs, reforms

*From Dave Natzke, Progressive Dairy*

With eyes on potential reform, several dairy producers and industry representatives told a Senate Ag Committee subcommittee that it's time to take a comprehensive review of the Federal Milk Marketing Order (FMMO) system.

U.S. Senator Kirsten Gillibrand (D-New York), chair of the Senate Agriculture Subcommittee on Livestock, Dairy, Poultry, Local Food Systems, and Food Safety and Security, conducted the hearing on Sept. 15.

The program is part of the $6 billion pandemic assistance announced in March to address a number of gaps and disparities in previous rounds of assistance. Other pandemic assistance to dairy farmers includes $400 million for a new Dairy Donation Program to address food insecurity and mitigate food waste and loss; and $580 million for Supplemental Dairy Margin Coverage for small and medium farms.

With eyes on potential reform, several dairy producers and industry representatives told a Senate Ag Committee subcommittee that it's time to take a comprehensive review of the Federal Milk Marketing Order (FMMO) system.

U.S. Senator Kirsten Gillibrand (D-New York), chair of the Senate Agriculture Subcommittee on Livestock, Dairy, Poultry, Local Food Systems, and Food Safety and Security, conducted the hearing on Sept. 15. A recording of the two-hour hearing is available here.

Gillibrand, whose subcommittee has oversight on dairy pricing and policy, said the COVID-19 pandemic's impact on the dairy industry brought the need for FMMO reforms into sharper focus. The last major reforms to the FMMO were implemented more than 20 years ago.

Dairy producers, processors and dairy economists were among industry representatives making oral and written presentations to the committee. Many cited aging FMMO regulations unable to keep up with a rapidly changing U.S. dairy industry, shortcomings that were exposed by the COVID-19 pandemic and led to depooling and negative producer price differentials (PPDs).

Listen to the full hearing online at:
***https://www.agriculture.senate.gov/hearings/milk-pricing-areas-for-improvement-and-reform***

## FEATURED ARTICLES

# DMC Margin Drops Again in July; Margin Formula to be Updated

*From National Milk Producers Federation*

USDA has reported the July margin under the Dairy Margin Coverage program at $5.68/cwt, a drop of 56 cents from the June margin and the lowest DMC margin since May 2020. The lower July margin resulted from a $0.50/cwt drop in the U.S. average all-milk price, to $17.90/cwt, and a six-cent per hundredweight higher feed cost. A lower soybean meal price offset a good part of a higher price of corn, while alfalfa hay prices were slightly higher.

| Month | Corn ($/bu) | Blended Alfalfa Hay ($/ton) | Soybean Meal ($/ton) | All Milk ($/cwt) | Final Feed Costs for DMC($/cwt) | Milk Margin Above Feed Costs for DMC($/cwt) |
|---|---|---|---|---|---|---|
| January | 4.24 | 188.50 | 439.24 | 17.50 | 10.36 | 7.14 |
| February | 4.75 | 193.00 | 427.28 | 17.10 | 10.88 | 6.22 |
| March | 4.89 | 195.50 | 410.02 | 17.40 | 10.94 | 6.46 |
| April | 5.31 | 199.00 | 413.36 | 18.40 | 11.46 | 6.94 |
| May | 5.91 | 210.00 | 421.03 | 19.20 | 12.31 | 6.89 |
| June | 6.00 | 214.50 | 378.18 | 18.40 | 12.16 | 6.24 |
| July | 6.12 | 216.50 | 365.23 | 17.90 | 12.22 | 5.68 |
| August | | | | | | |
| September | | | | | | |
| October | | | | | | |
| November | | | | | | |
| December | | | | | | |

*At a milk margin minus feed costs of $9.50 or less, payments are possible depending on the level of coverage chosen by the dairy producer.

USDA announced Aug. 19 that it will "make improvements to the Dairy Margin Coverage safety net program updating the feed cost formula to better reflect the actual cost dairy farmers pay for high quality alfalfa.

This change will be retroactive to January 2020 and is expected to provide additional retroactive payments of about $100 million for 2020 and 2021." Full details will be provided when regulations are published in the coming weeks, but it is expected that the price of alfalfa hay used in the DMC feed cost calculation will be changed, from the current 50-50 blend of the U.S. average price for all alfalfa and the average price of premium and supreme alfalfa hay in the five largest milk-producing states to just the 5-state average for premium and supreme alfalfa.

For the July DMC margin, the change would result in a margin of $5.47/cwt for the month, another 21 cents a hundredweight lower than the margin USDA has preliminarily announced. Averaged over all months from January 2020 through this past July, the change would result in an average $15 per ton higher alfalfa hay price used in the DMC feed cost calculation and a 13.1-cent higher average payment for DMC coverage at $9.50/cwt.


## REGISTRATION NOW OPEN FOR 2022 GA DAIRY CONFERENCE

*Visit online at gadairyconference.com*

**@GADairyConference**

## GMP Seeking Nominations for the 2022 Bobby Walker Award

Georgia Milk Producers will award the "2022 Bobby Walker Award" to an individual or company that served as a strong advocate for Georgia's dairy industry in 2021 at the GA Dairy Conference in January. We would like Georgia dairy producers to send in nominations for this award to our office by December 10, 2021. This award is open to any individual who is involved with the dairy industry (Cooperative officials/field representatives, feed/supply companies or salesperson, veterinarian, etc.). Please call our office with your nomination at 706-310- 0020 or email to gamilkproducers@gmail. com.

## GMP Board of Directors

### OFFICERS

**Jason Martin, Bowersville**
***President*** - 678-233-8321
martindairy@gmail.com

**Matt Johnson, Climax**
***Vice President*** - 229-220-1577
mattjohnson195@att.net

**Adam Graft, Americus**
***Secretary*** - 229-942-0508
jgraft@bellsouth.net

**Chad Davis, Eatonton**
***Treasurer*** - 706-318-0243
cwdavis22@gmail.com

**Steven Addis, Rocky Face**
706-463-2303;
stevenaddis01@gmail.com

**Megan Bell, Madison**
706-818-2141
godfreydairy@gmail.com

**Ed Coble, Waynesboro**
706-554-3672
ltcoble@gmail.com

**Scott Glover, Clermont**
770-539-4906
gcdairy@gmail.com

**Charlie Lane, Monticello**
706-468-6037
charlielane@bellsouth.net

**Kenneth Murphy, Luthersville**
770-927-9210
Udderspecialist@aol.com

**Calvin Moody, Valdosta**
229-263-2369
moodybcd@aol.com

**Jeff Smith, Comer**
706-338-2746
milkman17@windstream.net

**Tal Talton, Bonaire**
478-952-3800
riverfrontangus@hotmail.com

**Everett Williams, Madison**
706-818-0311
e@wdairy.net

**Marvin Yoder, Montezuma**
478-472-4533
marvinpyoder@gmail.com

**Troy Yoder, Montezuma**
478-244-2172
tramildaholsteins@gmail.com

## Blend Prices Fall, Feed Prices Depress Price Further

*From Calvin Covington, September 2021 Dixie Dairy Report*

Southeastern order Class I and blend prices. Total Class I producer milk volume was mixed in July. July Class I producer milk in the Appalachian and Southeast orders was down 12.0% and 9.8%, respectively, compared to last July. In Florida, July Class I was only down 0.6%. Combined, July Class I producer milk was 8.6% below the previous July in the three orders. All July blend prices were lower than June. August blend prices are projected to decline further as shown here.

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

| Month | Appalachian | Florida | Southeast |
|---|---|---|---|
| | ($/cwt. at 3.5% butterfat – base zone) | | |
| June 2021 | $20.19 | $22.40 | $20.39 |
| July | $19.61 | $21.98 | $19.80 |
| **August** | **$19.32** | **$21.17** | **$19.41** |
| **September** | **$19.21** | **$21.09** | **$19.45** |
| **October** | **$19.53** | **$21.49** | **$19.74** |
| **November** | **$19.31** | **$21.55** | **$19.63** |

*Projections in bold

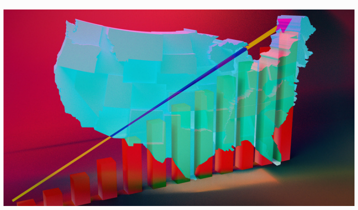
Feed prices. USDA feed cost data backs up what all dairy farmers are experiencing. The average cost of a 16% dairy ration needed to produce a cwt. of milk during the second quarter of 2021 was $11.11/cwt. This compares to $7.72/cwt. during the second quarter of last year. The $11.11/cwt. feed cost is the highest quarterly feed cost since 2013.

## Make Your Hotel Reservation for the 2022 GA Dairy Conference by Dec. 27

2022 Georgia Dairy Conference

Take advantage of special room rates for the 2022 Georgia Dairy Conference by making your reservations before Monday, December 27, 2021! The Savannah Riverfront Marriott is offering room rates for those attending the Georgia Dairy Conference from Saturday, January 15, until Wednesday, January 19, at $139.00/room for single and double occupancy rooms. There will be a $10 parking fee per day for our group at the hotel. Individuals are requested to call the hotel at 800-285-0398 for reservations or visit our website at ***https://www.gadairyconference.com/accommodations.***

***GEORGIA DAIRY PRODUCERS:*** Georgia Milk Producers will deduct $100/night for two nights from each Georgia dairy farm's hotel bill at checkout. It's our way to show our appreciation for your support and to encourage you to attend your annual dairy conference! Registration for Georgia dairy producers is ALWAYS free!!



## U.S. and Georgia Milk Production Moves Higher

According to the U.S. Department of Agriculture (USDA) milk production for August 2021 reached 18.8 billion pounds, up 208 million pounds (1.1%) from August 2020.

The U.S. dairy herd size was reported at 9.5 million head, up 106,000 cows (1.1%) from the prior year and down 19,000 cows (0.2%) from the prior month. August milk production per cow was relatively flat compared to the prior year at 1,987 pounds.

Georgia saw an increase 4.4 percent in milk production for August 2021, while Florida declined 4 percent and Virginia declined 2.5 percent.


## House Dems scrap plan to change stepped-up basis, for now

*From Jon Adamy, Farm News Media*

Months of hard work from farmers and ag interests across the nation to protect stepped-up basis appears to have paid off.

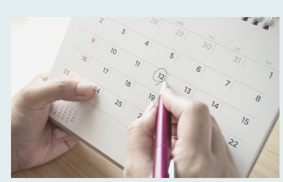
House Democrats have been eyeing proposals within the 2022 budget that would have repealed stepped-up basis or put new capital gains taxes in place to help pay for a $3.5 trillion spending bill.

Stepped-up basis and the estate tax in the current tax code help protect family farms that are passed down from generation to generation.

As of Sept 13th, were not included in an outline published by the House Ways and Means Committee.

## Calendar of Events:

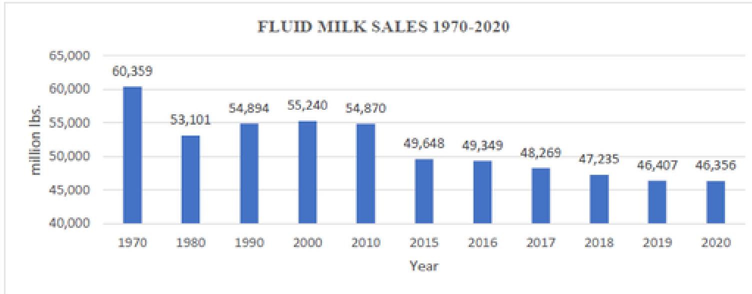
Sept. 10-23: GMP Fall District Meetings
Oct. 7-17: Georgia National Fair, Perry
Oct. 19-21: Sunbelt Ag Expo, Moultrie
Nov. 9-10: 2021 Georgia Ag Labor Forum, Tifton
Jan. 17-19: 2022 GA Dairy Conference , Savannah



# DIXIE DAIRY REPORT

CALVIN COVINGTON
SEPTEMBER 2021

**Fluid milk sales**. USDA, recently, released its annual statistics on fluid milk and soft dairy product sales. 2020 fluid milk sales were 46.356 billion lbs. (see below) The following are observations:




- Even though fluid sales declined for the past eleven (11) consecutive years, 2020 was the lowest decline. 2020 sales were only 0.1% or 51 million lbs. below 2019. However, 2020 sales received a boost from the Food Box program. I estimate this program purchased about one billion lbs. of fluid milk products last year.
- Whole milk sales increased in 2020 for the seventh consecutive year, up 3.3% or 529 million lbs. from 2019.
- Sales of 2% milk increased in 2020, the first yearly increase since 2010. They were up 3.6% or 554 million lbs. over the previous year.
- The 2020 decline in fluid sales were due to lower sales of 1%, skim, and flavored milks.
- 2020 is the third consecutive year for increased ice cream sales. 2020 sales of 6.463 billion lbs. of ice cream were 3.2% higher than 2019, and the highest ice cream sales since 1999.
- After declining the past three (3) years, yogurt sales increased 3.3% in 2020 to 4.535 billion lbs.
- Not to be overlooked, sour cream sales increased every year since 2003. 2020 sour cream

**Demand.** Turning to this year, the following table shows the percent change in dairy demand for selected products, for the first half of this year compared to the same period last year.

PERCENT CHANGE in DAIRY DEMAND First Six Months of 2021 versus 2020

| Product | Domestic | Export | Domestic + Export |
|---|---|---|---|
| Total Solids | 1.7% | 12.5% | 3.4% |
| Fluid Milk - Conventional | NA | NA | -5.4% |
| Fluid Milk - Organic | NA | NA | -0.9% |
| Fluid Milk – Total | NA | NA | -5.1% |
| American Cheese | 8.1% | 1.6% | 7.9% |
| Other Cheese | 2.4% | 2.5% | 2.4% |
| Butter | -1.8% | 146.0% | 1.3% |
| Dry Skim Milk Powder | -31.5% | 14.9% | -0.1% |
| Dry Whey | -19.2% | 23.8% | 0.3% |

Exports are driving total demand so far this year. Exports are up 12.5% while domestic demand is up only 1.7% (total solids basis.) Exports represent 17.3% of total demand, a record high. However, exports during the second quarter of the year are second quarter of the year are lagging first quarter exports. American cheese is domestic demand's shining star, while fluid milk sales are well below year ago levels. Based on various reports, it appears plant and blended (milk and plant) are cannibalizing fluid milk sales. On the other hand, organic sales are only slightly below a year ago.

**Production.** For the second consecutive month, growth in milk production slowed. According to USDA, July production was 2.0% higher than last July. Slower growth was due to fewer cows, 3,000 less head than June. And, July milk production per cow was only 0.7% greater than last July. In July dairy farmers sent 3,700 more cows to slaughter compared to June, and 14,200 more than last July. South Dakota led the nation in July milk production increase at +17.0% followed by Texas +7.2% and Indiana +5.7%. Production was flat in California and up 4.6% in Wisconsin.

In the three Southeast reporting states, the milk production decline is slowing in Florida. June production was even with last June, and July production was only down 0.5%. In Georgia, production has increased for five (5) consecutive months. It was up a strong 4.9% in June and 4.2% in July. Compared to a year ago, Georgia added 1,000 cows and milk per cow is up over 2.5%. On the other hand, Virginia's production is below a year ago every month so far this year.

Dairy product prices. Butter, after peaking in April, continues to move downward. The August CME butter price dropped a penny from July to $1.6815/lb. The up and down in cheese prices, along with the large block to barrel spread, indicates uneasiness in the cheese market. The August CME block price increased nine cents from July to $1.7217/lb. On the other hand, the CME barrel price dropped six cents in August to $1.4158/lb. The August DPSR nonfat dry milk powder price moved up a penny to $1.2660/lb. Dry whey continues a downward track falling 4 cents in August to $0.5617/lb. Both the August Class III and IV prices are below $16.00, Class III at $15.95/cwt. and Class IV $15.92/cwt.

Georgia Milk Producers, Inc.
1641 New High Shoals Road
Suite 5
Watkinsville, GA 30677
Return Address Service Requested