

SOUTHEAST DAIRY OUTLOOK

Georgia Milk Producers Association

January 22, 2020

Calvin Covington

ccovington5@cs.com

Better News Than Last Year

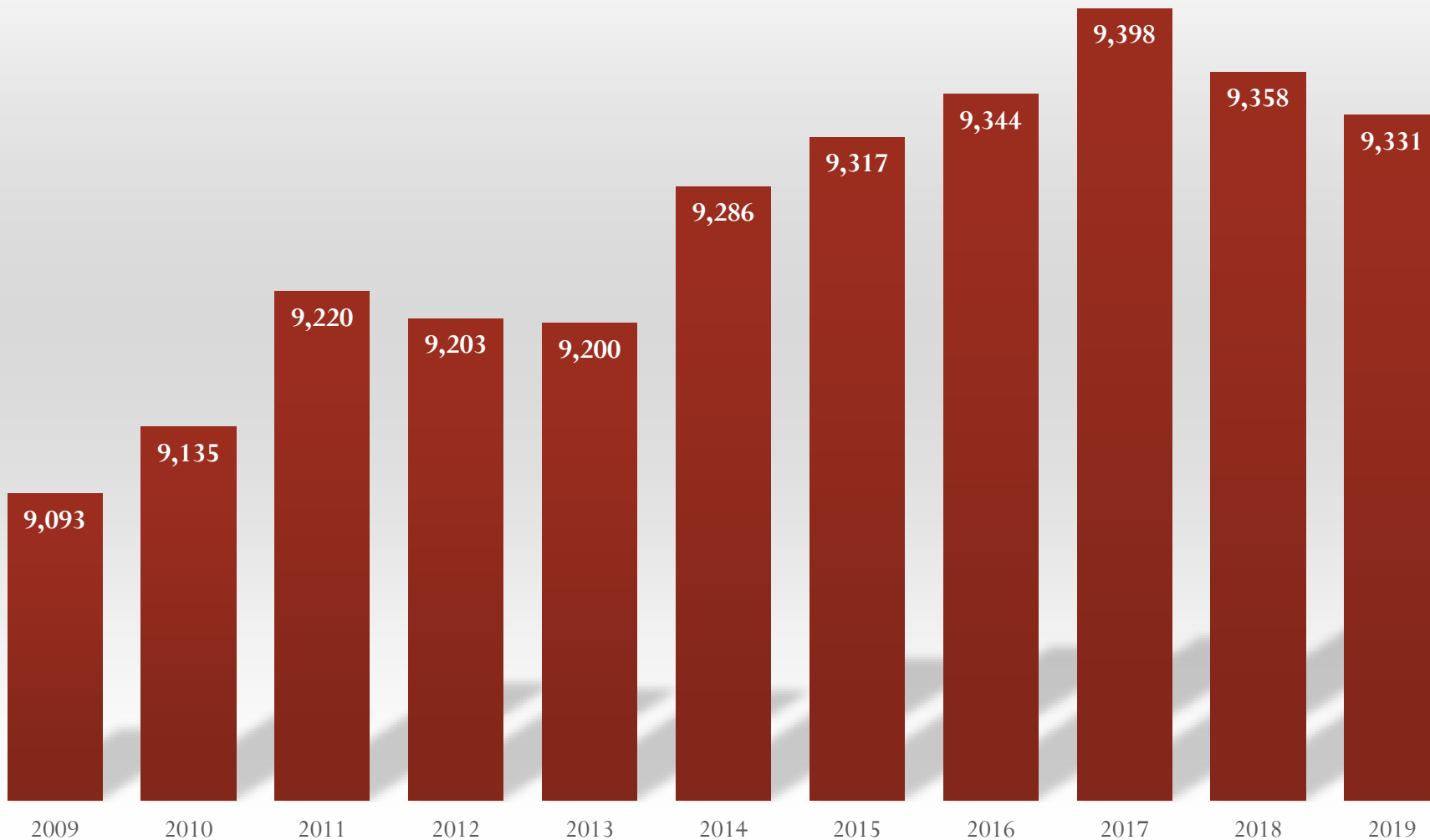
<u>Year</u>	<u>Appalachian</u>	<u>Florida</u>	<u>Southeast</u>
	Blend Price (\$/cwt., 3.5% fat, base zone, weighted average)		
2015	\$18.57	\$20.90	\$19.27
2016	\$17.08	\$19.23	\$17.51
2017	\$18.79	\$20.92	\$19.13
2018	\$17.29	\$19.37	\$17.71
2019	\$19.38	\$21.39	\$19.75
<u>Change 19 vs. 18</u>	<u>\$2.09</u>	<u>\$2.02</u>	<u>\$2.04</u>

Dairy Product Prices

Establish Milk Price

Year	Butter	Cheese	Nonfat Dry Milk Powder	Dry Whey
	Annual Average (\$/lb.)			
2014	\$2.14	\$2.16	\$1.77	\$0.65
2015	\$2.08	\$1.65	\$0.90	\$0.38
2016	\$2.08	\$1.61	\$0.83	\$0.29
2017	\$2.33	\$1.63	\$0.87	\$0.44
2018	\$2.26	\$1.54	\$0.79	\$0.34
2019	\$2.24	\$1.76	\$1.04	\$0.38

Dairy Cows end of November 2009 – 2019 (1,000 head)



Milk Production Growth Slowing

<u>Year</u>	<u>Milk Production</u>	<u>Change from Previous Year</u>
	(million lbs.)	(%)
2014	206,054	
2015	208,597	1.23
2016	212,405	1.83
2017	215,527	1.47
2018	217,575	0.95
2019 (estimated)	218,250	0.30

Milk Production by Regions

<u>Region</u>	2018 (January-September)	2019 (January-September)	<u>Change %</u>
	(million lbs.)		
Midwest	51,599	51,530	-0.1%
California	30,416	30,827	1.4%
Northwest	24,385	24,913	2.2%
Northeast	23,456	22,990	-2.0%
Southwest	20,396	20,696	1.5%
Plains (I-29)	7,066	7,074	0.1%
Southeast	6,880	6,459	-6.1%

DAIRY PRODUCT INVENTORY

<u>Product</u>	<u>Nov. 2017</u>	<u>Nov. 2018</u>	<u>Nov. 2019</u>	<u>19 vs. 18</u> <u>Change %</u>
Butter	161	154	181	+ 18 %
Nonfat Dry Milk Powder	317	289	223	-23 %
Dry Whey	100	68	80	+ 18 %
American Cheese	733	799	740	- 7 %

Strong Domestic Demand

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>19 vs. 18</u>
	Total Solids (January-November) billion lbs.			Change %
Domestic	21.9	22.1	22.6	+ 2.3 %
Export	3.6	4.1	3.7	-9.2 %
Total	25.5	26.2	26.3	+ 0.5%
Export % of Total	14.1%	15.6%	14.1%	

Below 10 billion in Sales

<u>Order</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>19 vs. 18</u>
	Class I Producer Milk (million lbs.)			
Appalachian	4,002	3,984	3,746	-6.0%
Florida	2,168	2,144	2,091	-2.5 %
Southeast	3,767	3,704	3,438	-7.2 %
Total	9,937	9,832	9,275	-5.7 %
Virginia	760	741	714	-3.6%
Total All	10,697	10,573	9,989	-5.5%

Southeast Class I Utilization

Little Change

<u>Order</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Appalachian	69.18 %	68.98 %	69.48 %	70.33 %
Florida	83.84 %	83.33 %	83.59 %	83.38 %
Southeast	71.22 %	69.10 %	71.11 %	70.18%
Total	72.88 %	71.73 %	72.79 %	72.84 %

What Kind of Milk are People Drinking?

Florida Order 2014 vs. 2019 (Nov.)

<u>Product</u>	<u>2014</u>	<u>2019</u>
	(Percent of Total Fluid Sales)	
Whole	34.7	38.6
Low fat	41.5	39.2
Skim	10.2	6.8
Fortified	1.0	0.0
Flavored	8.4	10.8
Buttermilk	0.5	0.6
Eggnog	0.3	0.2
Organic	3.3	3.8

2020 Outlook

- Cow numbers – flat to up slightly ???
- Production – up 1.25%
- Demand – up 1.25% to 1.50%
- Close balance between supply and demand
- Product prices
 - Nonfat dry milk powder – higher
 - Cheese – up slightly, volatility
 - Butter – down
 - Dry whey - ? Exports – Asia rebuilt swine herds

2020 Blend Prices

Continue to be a Walk not a Run Upward

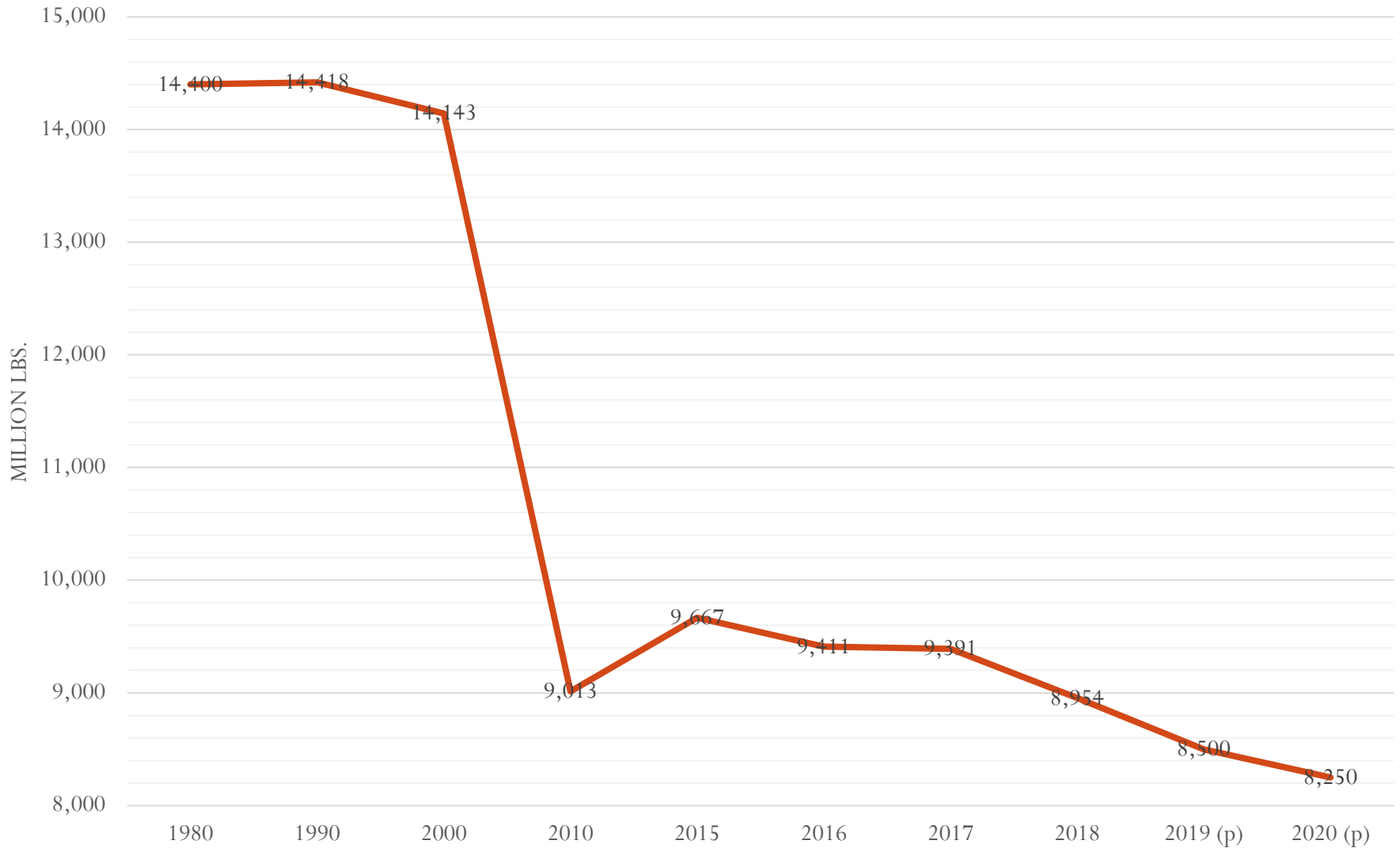
<u>Order</u>	<u>2019</u>	<u>2020</u>	<u>Change</u>
	Base Zone – 3.5% fat (\$/cwt.)		(\$/cwt.)
Appalachian	\$19.38	\$20.60	+\$1.22
Florida	\$21.39	\$22.70	+\$1.31
Southeast	\$19.75	\$21.14	+\$1.39

Southeast Milk Markets 2020 and Beyond ?

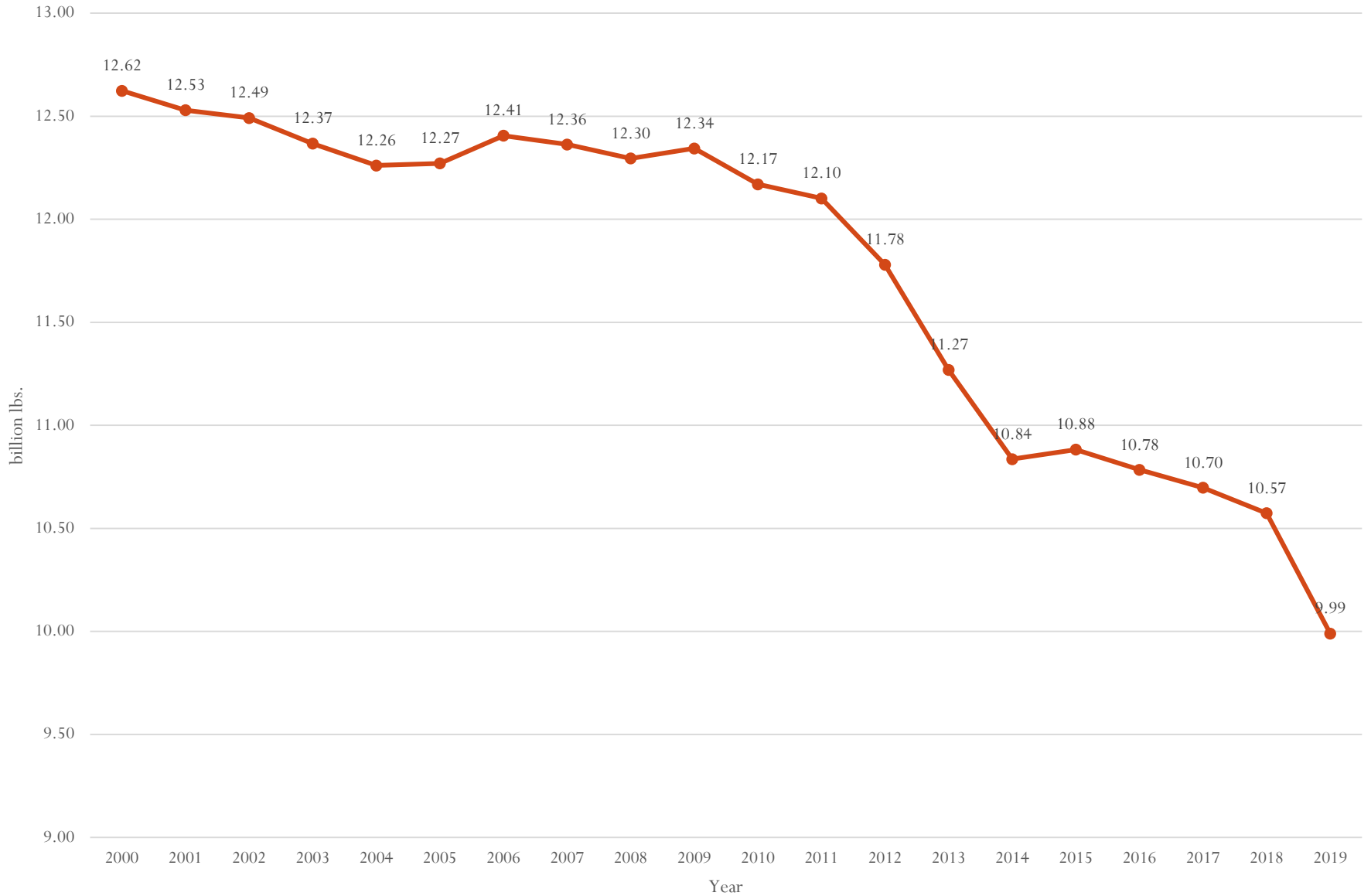
40 Pool Distributing Plants (Fluid)

- Dean Foods 11
- Borden 7
- Grocers 10
- Independents – single plant 8
- Cooperatives 4

Southeast Milk Production 2020 On ??



BELOW 10 billion lbs. in Class I SALES



Southeast Per Capita Production vs. Per Capita Fluid Sales

Year	Production	Fluid Sales	Difference
	(lbs. per capita)		
2010	122	178	-56
2011	122	174	-52
2012	124	170	-46
2013	122	165	-43
2014	124	159	-35
2015	125	156	-31
2016	121	154	-33
2017	119	149	-30
2018	113	146	-33
2019 (estimate)	106	142	-36

Outlook

- Walk, not a run, to higher prices continues.
- 2020 blend prices about \$1.25/cwt. higher than 2019.
- Southeast Fluid Milk Market facing challenges.
- Future viability of Southeast Dairy Industry is dependent upon growing, profitable, and local milk markets.
- No need to produce something unless there is a profitable market for the product.
- Good milk market – the milk production will follow.