SOUTHEAST DAIRY OUTLOOK

Georgia Milk Producers Association

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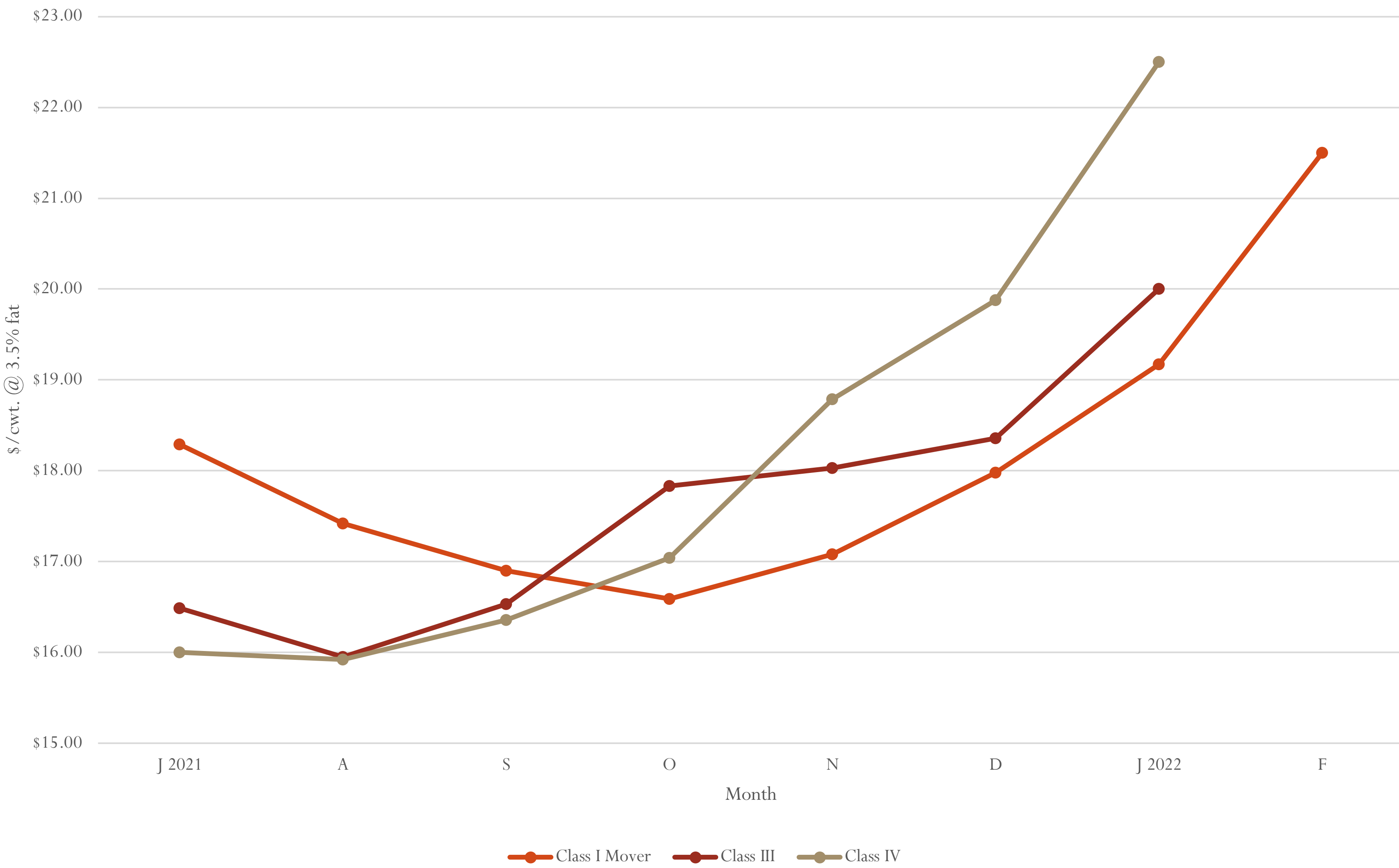
Actual and Projected Class I Mover, III and IV Prices



USDA 2022 PROJECTIONS
“Quick Increase”

- 2021 $18.65 Average Annual All Milk Price

- <u>2022</u>

September	$18.40	
October	$19.20	+$0.55
November	$20.24	+$1.59
December	$20.75	+$2.10
January	$22.60	+$3.95

OUTLINE

- What is behind the upward movement in milk prices.

- Southeast Outlook: Fluid Sales, Milk Production and 2022 Projected Blend Prices.

PRODUCTS DRIVING MILK PRICES

Product* and Class Price	4^{th} quarter 2020	4^{th} quarter 2021	Change
Butter $/lb.	$1.47	$1.93	$0.46
Nonfat Dry Milk Powder $/lb.	$1.08	$1.46	$0.38
Class IV $/cwt.	$13.38	$18.57	$5.19
Class II $/cwt.	$13.83	$18.44	$4.61
Cheese Average $/lb.	$2.13	$1.76	($0.37)
Block $/lb.	$2.31	$1.81	($0.50)
Barrel $/lb.	$1.92	$1.68	($0.23)
Dry Whey $/lb.	$0.38	$0.59	$0.21
Class III $/cwt.	$20.22	$18.07	($2.15)

*Dairy Products Sales Report Prices – rounded to decimal places

ABOVE AVERAGE DEMAND Thanks to Exports

Quarter	Domestic	Export	Total
	Percentage Change 2021 versus 2020 – total solids basis		
First quarter	1.6%	11.3%	3.1%
Second quarter	1.8%	13.6%	3.8%
Third quarter	0.2%	11.4%	2.0%
October-November	2.2%	8.5%	3.2%
YTD	**1.4%**	**11.5%**	**3.0%**
Ten year average	1.5%	4.3%	1.7%
	2020	2021	
Export % of Total	**15.8%**	**17.1%**	

HELPING U.S. EXPORTS

- Flat and lower supply in Oceania and European Union

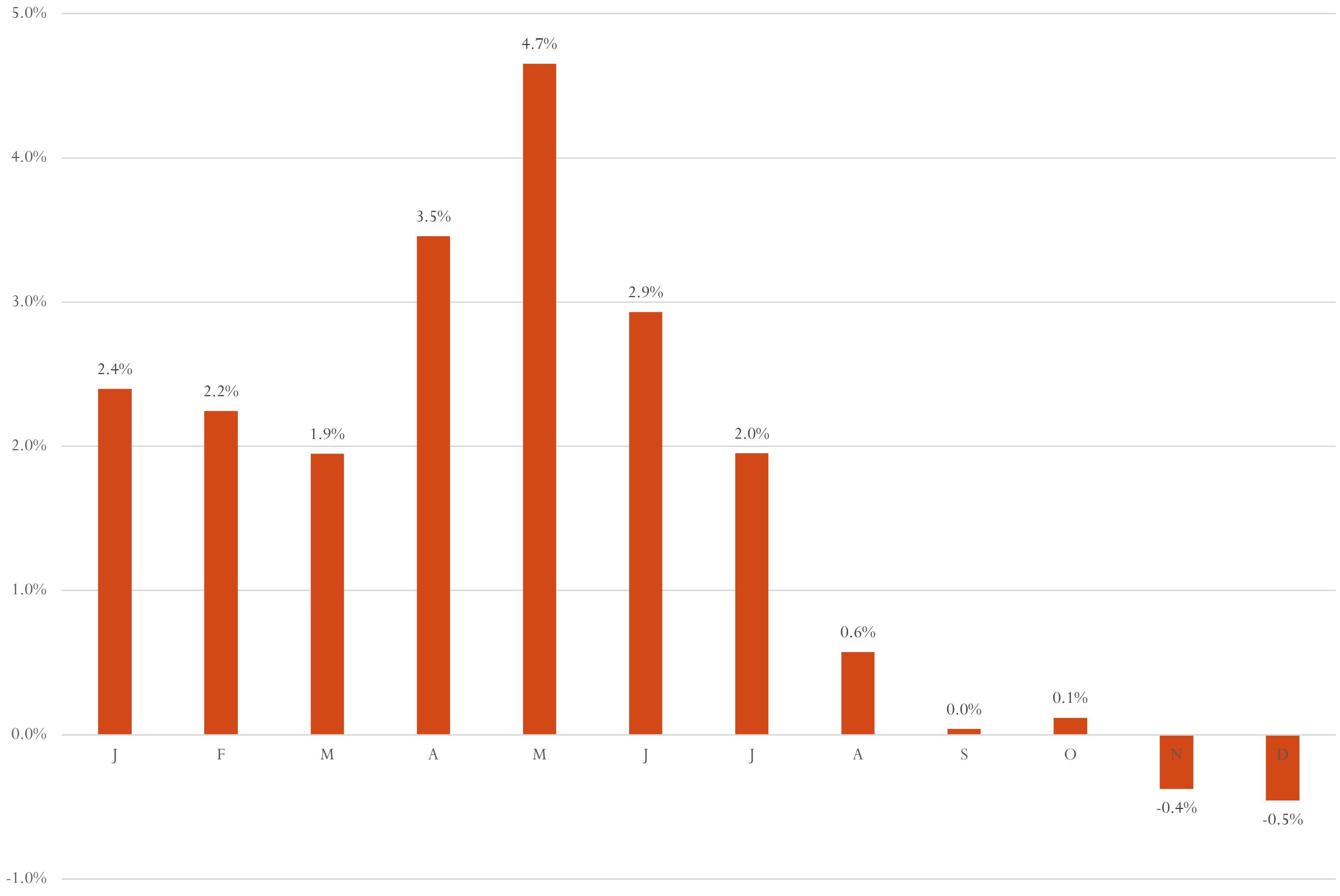
- Competitive Prices – 2021 averages

	Butter	SMP-NDM
Oceania	$2.33	$1.53
U.S.	$1.73	$1.27

DAIRY DEMAND by Products

Product	Domestic	Export	Total	Export % 2021
	Percent Change 2021 vs. 2020 (J-N) Commercial Disappearance			
Butter	1.9%	123.9%	**4.5%**	4.5%
Dry Skim Milk Powder	-22.6%	11.3%	**0.3%**	75.1%
American Cheese	3.2%	25.0%	**3.8%**	3.5%
Other Cheese	2.6%	10.6%	**3.2%**	8.4%
Fluid Milk (federal orders)			**(4.0%)**	

2021 YOY % CHANGE in MILK PRODUCTION



COWS and PER COW PRODUCTION

Milk Cows

- May 9,509,000
- November 9,385,000
- Decline 124,000 cows
- Largest decline since 2009

Milk Per Cow

- Past 10 yr. average increase in milk per cow 1.2%
- July-November 0.1%
- Cost of production catching up

24 MONTHLY MILK REPORTING STATES (July-November) YOY Change

Top Increase		Top Decliners	
1. South Dakota	16.7%	1. New Mexico	(9.9%)
2. Texas	3.9%	2. Washington	(6.8%)
3. Wisconsin	3.2%	3. Florida	(4.6%)
4. Georgia	3.2%	4. Virginia	(3.0%)
5. Iowa	3.0%	5. Arizona	(2.5%)
6. Minnesota	2.7%	6. Pennsylvania	(2.3%)
7. Michigan	1.4%	7. Illinois	(1.4%)
8. New York	1.1%	8. Ohio	(1.1%)

Milk Production

Year	Milk Production	Change from Previous Year
	(million lbs.)	(%)
2014	206,054	2.4%
2015	208,597	1.2%
2016	212,405	1.8%
2017	215,527	1.5%
2018	217,575	1.0%
2019	218,382	0.4%
2020	223,220	2.2%
2021 (p)	226,239	1.4%
2022 (p)	226,700	0.2%

DAIRY PRODUCT INVENTORY

Product	November 2020	November 2021	Change
	(million lbs.)		(%)
Butter	252	212	**(15.9%)**
Nonfat Dry Milk Powder	250	197	**(21.4%)**
American Cheese	762	835	**9.6%**
Dry Whey	68	62	**(8.7%)**

DAIRY PRODUCT PRODUCTION

Product	July-N 2020	July-N 2021	Change
	(million lbs.)		(%)
Butter	789	759	**(3.8%)**
Nonfat Dry Milk Powder	736	654	**(11.2%)**
American Cheese	2,240	2,270	**1.3%**
Italian Cheese	2,299	2,427	**5.6%**
Dry Whey	382	384	**0.5%**

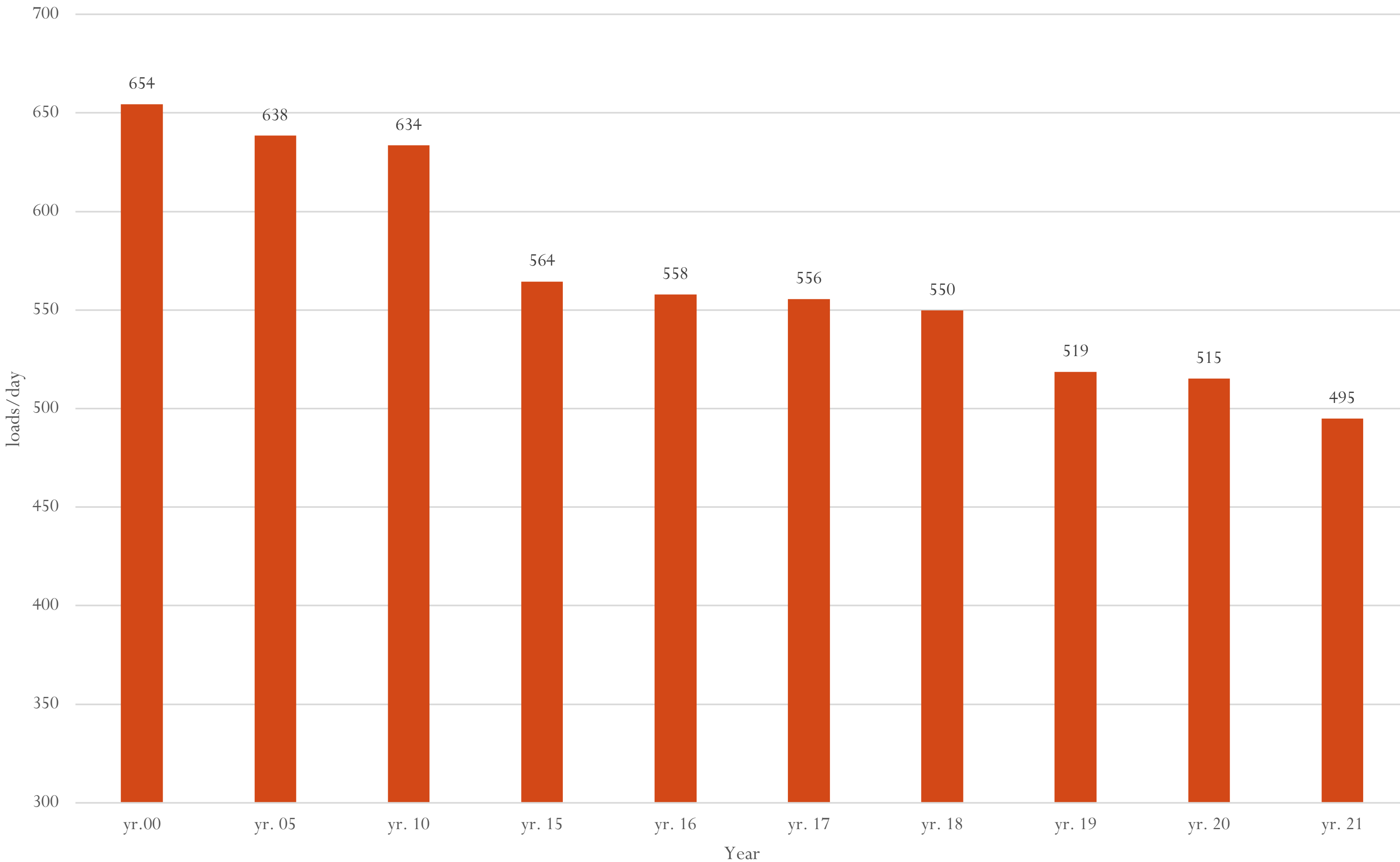
BOTTOM LINE – IMPROVING PRICES DEMAND exceeding PRODUCTION

	MILK FAT	SKIM SOLIDS	TOTAL SOLIDS
	July-November (million lbs.)		
Supply	3,693	8,339	12,032
C. Disappearance	3,944	8,624	12,568
Difference*	**(251)**	**(285)**	**(536)**
*Shortage from inventory			

Southeast Fluid Milk Sales

Quarter	Appalachian	Florida	Southeast	All Three Orders
	Percentage Change 2021 versus 2020 (Class I producer bs.)			
First quarter	-3.0%	-8.7%	-8.3%	**-6.2%**
Second quarter	-6.3%	-1.6%	-4.6%	**-4.7%**
Third quarter	-5.4%	2.3%	-3.4%	**-3.1%**
Fourth quarter	-4.2%	-1.1%	-1.7%	**-2.7%**
Year	**-4.7%**	**-2.5%**	**-4.6%**	**-4.2%**
Class I lbs. (billion)	**3.75**	**2.01**	**3.09**	**8.85**
Virginia (J-N)				**-3.0%**

Appalachian, Florida and Southeast Orders Average Class I Producer Milk Loads Per Day



CLASS I UTILIZATION

Year	Appalachian	Florida	Southeast	All
2012-2016	**68.16%**	**84.60%**	**70.46%**	**72.31%**
2017	68.98%	83.33%	69.10%	71.73%
2018	69.48%	83.59%	71.11%	72.79%
2019	70.33%	83.38%	70.18%	72.84%
2020	73.88%	82.17%	68.98%	73.70%
2021	**70.83%**	**82.24%**	**67.54%**	**71.87%**
5 year average	**70.65%**	**82.95%**	**69.43%**	**72.57%**

POOL DISTRIBUTING PLANTS

Category	Appalachian	Florida	Southeast	Total
Grocer				
Plants	4	2	3	**9**
Cooperative				
Plants	8	2	9	**19**
Multi-Corporate				
Plants	3	2	3	**8**
Independent				
Plants	3	3	2	**8**
TOTAL	**18**	**9**	**17**	**44**

SOUTHEAST MILK PRODUCTION

	2010	2015	2020	2021	21 vs. 20
	(billion lbs.)				(%)
Florida	2.13	2.58	2.29	2.18	(4.8%)
% of total	*23.6%*	*26.7%*	*27.1%*	*26.6%*	
Georgia	1.40	1.79	1.77	1.79	1.1%
% of total	*15.5%*	*18.5%*	*21.0%*	*21.8%*	
Virginia	1.72	1.77	1.52	1.47	(3.3%)
% of total	19.1%	18.3%	18.0%	17.9%	
3 states	5.24	6.15	5.58	5.44	(2.5%)
% of Total	58.1%	63.6%	66.0%	66.4%	
Other 7 States	3.77	3.52	2.87	2.76	(4.0%)
TOTAL	**9.01**	**9.67**	**8.45**	**8.20**	**(3.0%)**

Southeast Milk Supply versus Fluid Demand (less deficit)

Year	Production	Fluid Sales	Difference
	(lbs. per capita)		
2010	122	178	**-56**
2015	125	156	**-31**
2016	121	154	**-33**
2017	119	149	**-30**
2018	113	146	**-33**
2019	106	141	**-35**
2020	105	141	**-36**
2021 (e)	103	134	**-31**

FO BLEND PRICE (not mailbox) PROJECTIONS

	Southeast Order	Florida Order	Appalachian Order
	($/cwt. – 3.5% fat - base zone)		
2020 average	**$18.89**	**$20.83**	**$18.79**
Pandemic +$2.80			
Butterfat $/lb.	*$1.74*	*$1.76*	*$1.74*
2021 average	**$19.50**	**$21.30**	**$19.33**
Butterfat $/lb.	*$1.88*	*$1.89*	*$1.88*
Last year projection	*$18.99*	*$20.75*	*$18.76*
2022 projection	**$23.05**	**$24.81**	**$23.01**
Butterfat $/lb.	*$2.54*	*$2.55*	*$2.54*
2022 versus 2021	**$3.55**	**$3.51**	**$3.68**

Final Words – Price Projections

- Best estimate, as of today, based on the information available.
- A small change in supply or demand makes a larger change (up or down) in milk prices.
- Prices can decrease as quickly as they increase.

Final Words – Price Projections

- Milk supply:

  2022 – cost of production, milk supply programs, and limited plant capacity will keep a lid on milk production.

  2023 and 2024 ??? – additional cheese plant capacity

- DEMAND – greater impact on milk prices in 2022 than milk supply.

  Consumer buying power ???

- LABOR (Supply Chain) – must have people to process and manufacture raw milk into consumer products and get them on grocery shelves and to food services.

- Unexpected situations - Coronavirus

THANK YOU

QUESTIONS