

DAIRY MARKET OUTLOOK SOUTHEAST STATES

Georgia Milk Producers Association

January 15 , 2024

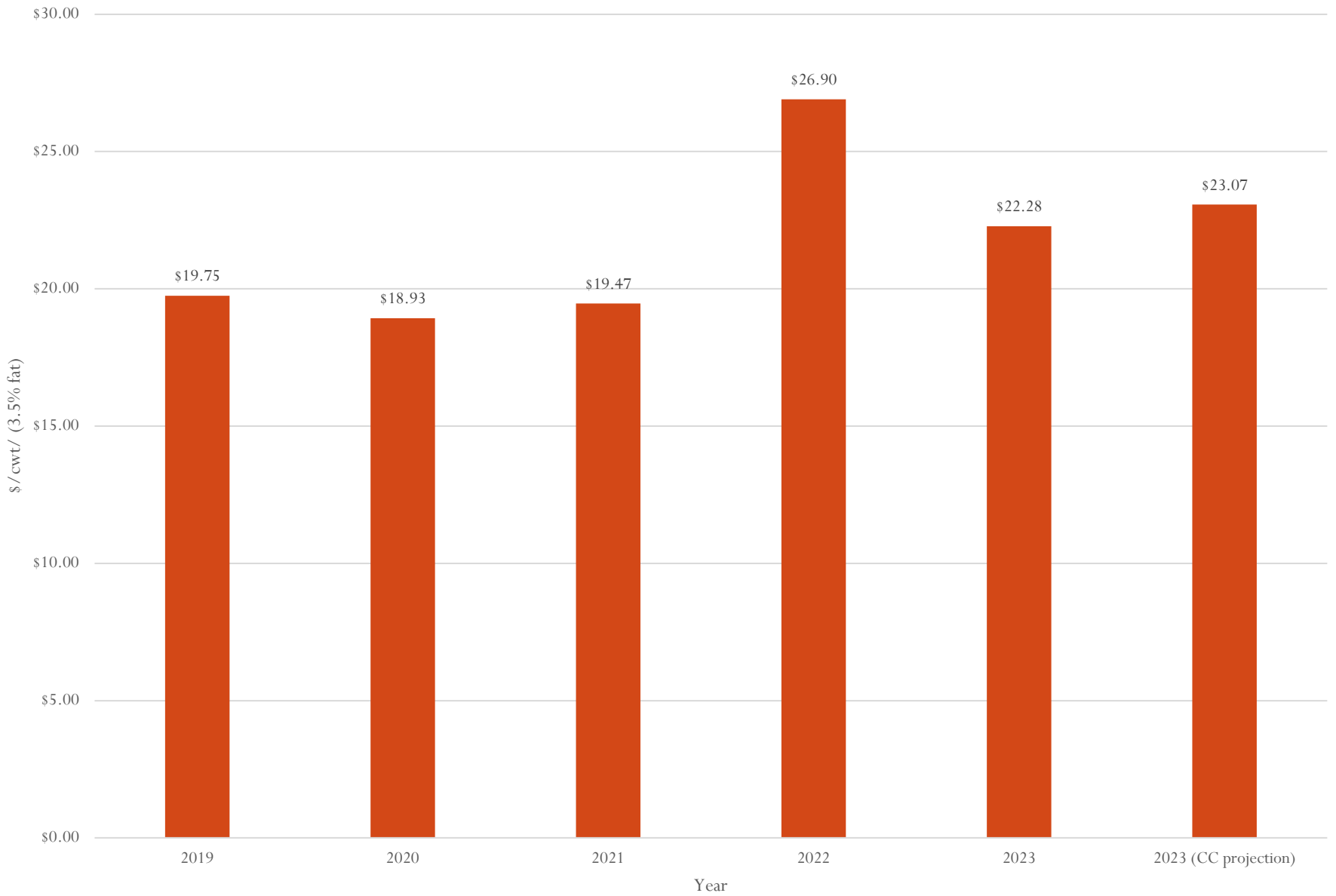
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OUTLINE

1. Milk prices.
2. Southeast- demand and supply.
3. Federal Orders – recent final decision and on-going hearing.

SOUTHEAST FMMO ANNUAL BLEND PRICES - Base Zone



SKIM MILK - DECLINE

	2022	2023	Change
Skim (\$/cwt.)	\$16.16	\$12.28	(\$3.88)
Butterfat (\$/lb.)	\$3.2256	\$2.9806 (second highest)	(\$0.245/lb.) (\$0.86/cwt.)
Average BF %	3.96 %	<u>4.01 %</u>	
3.5% BF (\$/cwt.)	\$26.90	\$22.28	(\$4.62)
Average BF % (\$/cwt.)	\$28.29	\$23.74	(\$4.56)
Average – 3.5 (\$/cwt.)	\$1.39	\$1.46	

DAIRY PRODUCT PRICES

	2022	2023	Change
	(\$/lb.)		
Butter*	\$2.87	\$2.62	(\$0.25)
Cheese (block)*	\$2.10	\$1.86	(\$0.24)
Cheese (barrel)*	\$2.09	\$1.71	(\$0.38)
<u>Nonfat Dry Milk*</u>	\$1.69	\$1.19	<u>(\$0.50)</u>
Dry Whey*	\$0.61	\$0.36	(\$0.25)
World Butter**	\$2.63	\$2.21	<u>(\$0.42)</u>
World Skim Powder**	\$1.75	\$1.21	<u>(\$0.54)</u>
World Cheese ***	\$2.47	\$1.99	<u>(\$0.48)</u>
* DPSR	** Oceania	*** Western Europe	

MILK SUPPLY

“More Solids in Milk)

	2021	2022	2023
Milk production (billion lbs.)	226.3	226.5	226.5 (p)
<u>Annual Change</u>	<u>1.4%</u>	<u>0.1%</u>	<u>0.0%</u>
Cows – December (1,000’s)	9,373	9,396	9,350 (p)
Milk Solids %	13.35%	13.49%	13.56% (p)
Milk Solids (billion lbs.)	30.2	30.6	30.7 (p)
<u>Annual Change</u>	<u>2.2%</u>	<u>1.1%</u>	<u>0.5%</u>
<u>Predicted Cheddar Cheese Yield (lbs. per cwt.)</u>			
<u>2010</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>10.06</u>	<u>10.78</u>	<u>10.98</u>	<u>11.08</u>

DAIRY PRODUCT INVENTORY

Product	November 2021	November 2022	November 2023	Change
	(million lbs.)			(%)
Butter	210	200	215	7.8 %
Nonfat Dry Milk Powder	227	252	209	(16.9 %)
American Cheese	835	816	826	1.2 %
Dry Whey	60	73	71	(2.7 %)

DEMAND* -Domestic versus Export

<u>Year</u>	<u>Domestic %</u>	<u>Export %</u>
2000	96.1%	3.9%
2010	87.9%	12.1%
2015	86.6%	13.4%
2020	84.3%	15.7%
2021	83.2%	16.7%
2022	82.4%	17.6%
<u>2023 (January-October)</u>	<u>83.8%</u>	<u>16.2%</u>
*total solids		

ANNUAL DEMAND* CHANGE

Year	Domestic	Export	Total
	(percent)		
2018	1.2%	10.1%	2.5%
2019	2.1%	-7.3%	0.7%
2020	-0.2%	12.8%	1.7%
2021	1.6%	9.5%	2.9%
2022	0.1%	5.9%	1.1%
5 yr. Average	1.0%	6.7%	1.8%
<u>2023 (Jan-Oct)</u>	<u>3.0%</u>	<u>-7.0%</u>	<u>1.3%</u>
*total solids			

DAIRY EXPORTS

Product	2021-2022 % U.S. Production Exported	2023 vs. 2022 (Jan.-Oct.) % Change in Export
Nonfat and Skim Milk Powder	69.8%	(2.5%)
Dry Whey	53.5%	(19.5%)
Butter	5.5%	(50.0%)
Cheese	8.4%	(0.7%)

WHY DROP in MILK PRICES ?

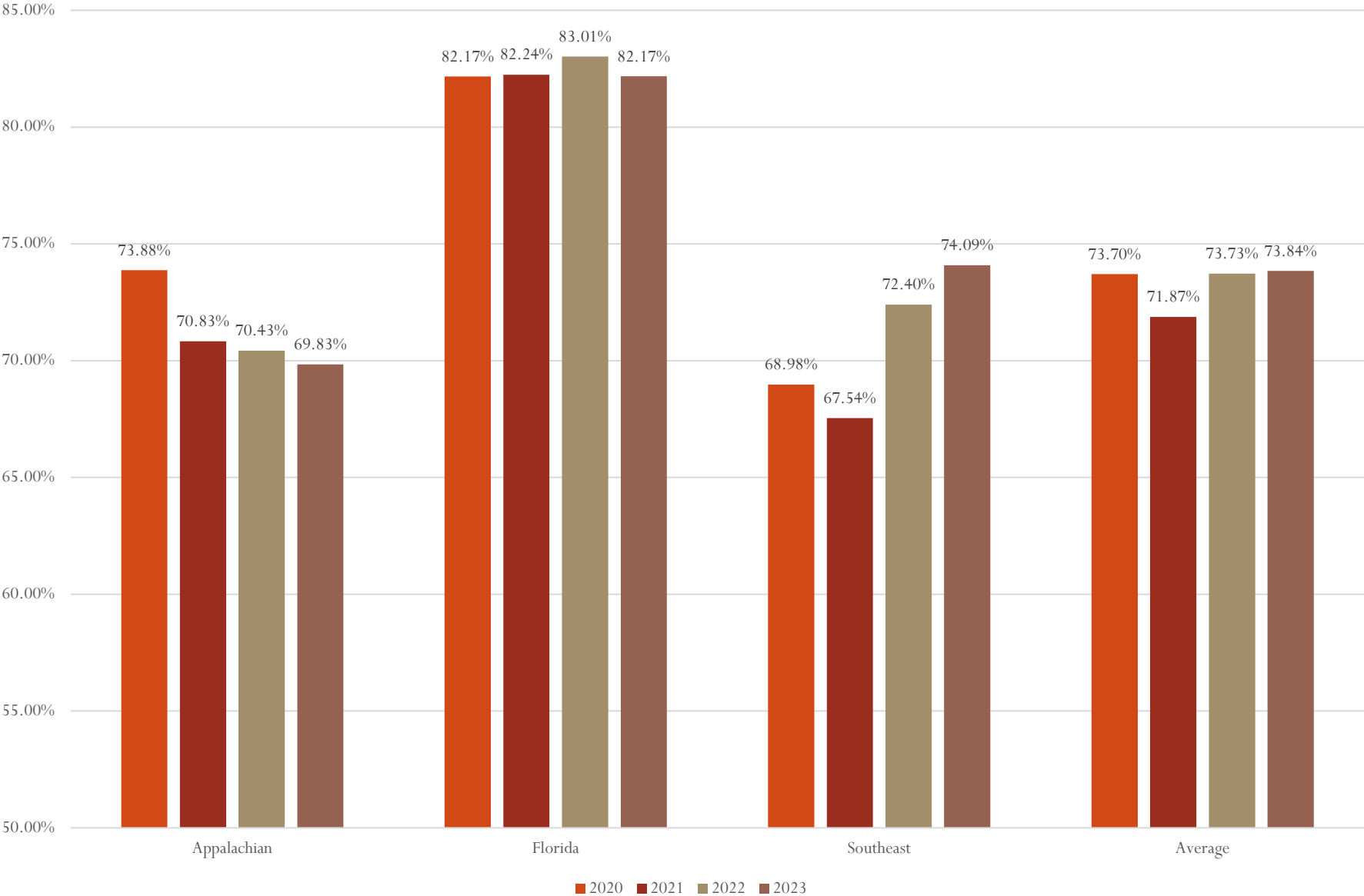
- Decline in U.S. dairy exports.
- Decline in Global dairy prices lowered domestic dairy prices.
- Increased milk solids – more product from same volume of milk.

2024 PROJECTIONS

FO BLEND PRICES – Base Zone

	Appalachian	Florida	Southeast
<u>2023</u>			
\$ /cwt. 3.5% fat	\$21.68	\$23.76	\$22.28
<i>Butterfat \$ /lb.</i>	<i>\$2.9864</i>	<i>\$3.0090</i>	<i>\$2.9806</i>
<u>2024</u>			
\$ /cwt. 3.5% fat	\$21.55	\$23.50	\$22.06
<i>Butterfat \$ /lb.</i>	<i>\$2.9655</i>	<i>\$2.9654</i>	<i>\$2.9681</i>
Difference \$ /cwt.	(\$0.13)	(\$0.26)	(\$0.22)

CLASS I UTILIZATION



Avg. Loads Class I Producer Milk/ Day

Year	Appalachian	Florida	Southeast	Total
2000	240	139	269	<u>648</u>
2010	229	139	259	<u>627</u>
2015	214	128	216	<u>559</u>
2020	217	114	179	<u>510</u>
2021	207	111	171	490
2022	211	114	157	482
2023	210	114	145	<u>469</u>
2023 vs. 2022	(1)	0	(12)	(13)

MILK MARKETS

POOL DISTRIBUTING PLANTS

Year End	Appalachian	Florida	Southeast	Total
2000	26	12	32	70
2010	20	12	25	57
2015	17	10	22	49
2020	17	10	19	46
2022	16	8	15	39
2023	16	7	15	38

SOUTHEAST MILK PRODUCTION

State	2021	2022	2023 (p)	% of Total
	Average Number Loads of Milk per Day			
Georgia	100	112	116	25.9%
Florida	120	107	106	23.8%
Virginia	81	79	78	17.6%
Kentucky	50	51	51	11.4%
N. Carolina	51	50	50	11.1%
Tennessee	28	27	26	5.7%
S. Carolina	9	9	8	1.9%
Louisiana	7	6	6	1.3%
Mississippi	6	5	4	0.9%
Alabama	2	2	2	0.4%
Total	454	449	446	

DISTRIBUTING PLANT DELIVERY CREDIT

	Appalachian	Florida	Southeast
Maximum Assessment on Class I Producer Milk	\$0.60/cwt.	\$0.85/cwt.	\$0.50/cwt.
Percent of Eligible Miles Reimbursed	Range 75-95%	Range 75-95%	Range 75-95%
Mileage Rate Factor (MRF)	Rate paid per cwt. per eligible mile	Change monthly based on diesel fuel price	Estimated January 2024 MRF \$0.00788
Credit paid to handler.			

On-Going National FMMO Hearing

National Milk Producer Proposals	Estimated Impact FMMO's 5, 6 and 7
1. Update milk composition factors.	Increase blend price
2. Eliminate barrel cheese.	Increase blend price.
3. Return to "higher of".	Increase blend price.
4. Update make allowances.	Decrease blend price.
5. Update Class I differentials.	Increase blend price
<u>Order</u>	<u>USDA Estimate October 2022 on Blend Price</u>
Appalachian	+ \$1.68/cwt.
Florida	+ \$1.62/cwt.
Southeast	+ \$1.78/cwt.

DATA SOURCES

- USDA – Agricultural Marketing Service
- USDA – National Agricultural Statistics Service
- USDA – Economic Research Service
- USDA – Farm Service Agency

THANK YOU FOR THE OPPORTUNITY

QUESTIONS