

AUGUST 2021

GEORGIA MILK REVIEW

MONTHLY NEWSLETTER FOR
GEORGIA MILK PRODUCERS, INC.

USDA Announces Pandemic Market Volatility Assistance Program for Dairy

Last week, the United States Department of Agriculture (USDA) announced details for the long-awaited Pandemic Market Volatility Assistance Program for Dairy. USDA will provide more than \$350 million in pandemic assistance payments to dairy farmers who received a lower value due to market abnormalities caused by the pandemic and ensuing Federal policies. The assistance is part of a larger package including permanent improvements to the Dairy Margin Coverage safety net program.

Under the Pandemic Market Volatility Assistance Program, payments will reimburse qualified dairy farmers for 80 percent of the revenue difference per month based on an annual production of up to 5 million pounds of milk marketed and on fluid milk sales from July through December 2020. The payment rate will vary by region, based on the actual losses on pooled milk related to price volatility.

USDA will make payments through agreements with independent handlers and cooperatives. Handlers and cooperatives will distribute the monies on the same basis July through- December 2020 payments were made to their dairy farmer suppliers and a formula set by USDA. USDA will reimburse handlers and cooperatives for administrative costs.

USDA plans to contact handlers this week (Aug. 23) to finalize contracts for the payments. Within 30 days of signing an agreement and handler verification of dairy farmer adjusted gross incomes (AGIs), USDA will transfer monies to the participating handler or cooperative. Each cooperative will have 30 days to disburse monies to dairy farmers. Program payments will be reported on the dairy farmer's IRS 1099 Form issued by the cooperative or handler. Cooperatives have until September 10, 2021, to indicate their intention to participate.

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.

Continued on page 2



FEATURED ARTICLES

USDA Announces Pandemic Market Volatility Assistance Program for Dairy

Fall District Meetings Begin September 10th

Blend Prices Stall

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

U.S. Milk Production Moves Higher, Fluid Sales Keep Declining

No Match Social Security Letters Discontinued

Dixie Dairy Report

Outside the pandemic assistance, USDA will also 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. Unlike the pandemic assistance, this change will also be part of the permanent safety net and USDA estimates it will average about \$80 million per year or approximately \$800 million over ten years for dairy headed into the upcoming Farm Bill. Full details on these additional actions to support dairy farmers will be provided when regulations are published in the coming weeks.

While the payments are a welcomed start for recovery, it still leaves our larger Georgia dairies without proper support. The payment cap represents the annual production of 210 cows in 2020, according to USDA data. While the 5 million pounds of annual production covers the majority of dairies in the U.S., many in Georgia have significantly more cows and higher production.

Georgia Milk Producers will work with our national partners to secure additional funding and provide input for positive changes during the Federal Order rulemaking process.

Fall District Meetings Begin September 8th

Dairy producers across Georgia are invited to attend the annual Fall District meetings for Georgia Milk Producers and The Dairy Alliance next month. The meetings will be held in seven locations across the state.

Our organizations will hold elections; report on industry issues and promotional efforts, and announce upcoming events. Dinner or lunch will be served at each location depending on the time the meeting is set to begin.

To preregister for the district meeting of your choice, please contact the Georgia Milk office at 706-310-0020. We look forward to seeing you soon and value the input you share at our meetings!!



Georgia Milk Producers and The Dairy Alliance invite you to:

2021 Fall District Meetings

Sept. 8, Wednesday Farm to Fork Restaurant, Ringgold at NOON
120 General Lee Drive, Ringgold, GA 30736

Sept. 10, Friday Yoder's Deitsch Haus Restaurant, Montezuma at 7 PM
5252 GA Highway 26 E, Montezuma, GA 31063

Sept. 13, Monday The Plaza Restaurant, Thomasville at NOON
217 S Broad Street, Thomasville, GA 31792

Sept. 14, Tuesday Troup County Agricultural Center, LaGrange at 7 PM
21 Vulcan Materials Road, LaGrange, GA 30241

Sept. 17, Friday Hillcrest Farms, Dearing at NOON
3705 Iron Hill Road, Dearing, GA 30808

Sept. 20, Monday Bonner's Triple B Restaurant, Buckhead at 7 PM
1500 Bonner Lane, Buckhead, GA 30625

Sept. 23, Thursday Burke Co. Extension Office, Waynesboro at 7 PM
715 West 6th St., Waynesboro, GA 30830

To preregister for the district meeting of your choice, please contact Georgia Milk Producers at 1-706-207-0168 or email at gamilkproducers@gmail.com. Meetings are open to dairy producers, industry affiliates, and farm managers. We look forward to seeing you soon and value the input you share at our meetings!!

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Blend Prices Stall

From Calvin Covington, August 2021 Dixie Dairy Report

Blend prices. June federal order blend prices were almost \$1.00/cwt. higher in the Appalachian and Southeast orders, and over a \$1.00/cwt. higher in Florida versus June. Unless, there is a significant market correction, June is the month with the highest blend prices for the year. Blend price projections for the remainder of the year are lower than last month. July blend prices are projected \$0.50-\$0.80/cwt. lower than June with further declines in August and September. Compared to the first half of 2021, blend prices are projected to average about \$0.50/cwt. higher during the last half of the year.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
(\$/cwt. at 3.5% butterfat – base zone)			
May 2021	\$19.35	\$21.26	\$19.52
June	\$20.19	\$22.40	\$20.39
July	\$19.70	\$21.65	\$20.18
August	\$19.17	\$21.03	\$19.26
September	\$18.88	\$20.81	\$19.12
October	\$19.05	\$21.02	\$19.25

*Projections in bold

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



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. Milk Production Moves Higher USDA, Fluid Sales Keep Declining

According to the U.S. Department of Agriculture (USDA) July Milk Production report, U.S. milk production reached 19.1 billion pounds, up 384 million pounds (4.62%) from July 2020.

The number of milk cows on farms in the United States was 9.5 million head, 128,000 head more than July 2021, but 3,000 head less than June 2021. July milk production per cow was reported at 2,015 pounds, an increase of 14 pounds (0.7%) from a year ago.

June 2021 sales of packaged fluid milk products totaled 3.39 billion pounds, down about 6.7% from the same month a year earlier. At 22.13 billion pounds, year-to-date (January-June 2021) sales of all fluid products were down 5.1%.



No Match Social Security Letters Discontinued

From Wimberly & Lawson law firm – August 2021 Newsletter

In the past, the Social Security Administration (SSA) during periods of time has issued so-called "no-match letters" to employers with "at least one name and combination submitted on Form W-2 that do not match" Social Security records. This has created difficult issues for employers as to the extent they must investigate such discrepancies, terminate employees having such discrepancies, or face issues of "constructive knowledge" of unauthorized workers. SSA has now announced that it is discontinuing such letters and will try to find other ways to make reporting wages better. For more information click "Educational Correspondence to Employers" on the page <https://www.ssa.gov/employer/notices.html>. The elimination of these no-match letters will relieve some employers of the burden of facing this dilemma.

Calendar of Events:

Aug: 16-20: GDYF Promotion Week
Sept. 2: GMP Board of Directors Conference Call
Sept. 10-23: GMP Fall District Meetings

Oct. 7-17: Georgia National Fair, Perry
Oct. 19-21: Sunbelt Ag Expo, Moultrie
Jan. 17-19: 2022 GA Dairy Conference



DIXIE DAIRY REPORT

CALVIN COVINGTON
AUGUST 2021

Overview. Milk continues to flow. Second quarter milk production was 3.7% higher than the second quarter of last year. On the positive side the nation's dairy herd declined by 1,000 head from June to July, and 10,500 more dairy cows were slaughtered in July compared to last July. Hopefully, improving cull cow prices will send more cows to slaughter. More milk is producing more dairy products. June to June dairy product production changes: American cheese +5.1%, butter +7.8%, and nonfat dry milk powder (NDM)+19.8%. Good domestic demand utilized much of the additional milk during the first four months of the year, but domestic demand is slowing with May domestic demand down 1.3%. However, we must remember the significant impact of the Food Box program on dairy demand last year when making comparisons. Exports remain at historical highs, up 14% through May, but international butter and powder prices are moving downward. Strong supply is moving domestic dairy prices lower. All July Dairy Product Sales Report (DSPR) prices declined from June, thus lowering the July Class III price to \$16.49/cwt., the Class IV price to \$16.00/cwt. and the August Class I Mover to \$16.90/cwt. Class prices are projected to remain below \$17.00/cwt. for the remainder of 2021, which means lower farm milk prices. Higher feed and other production expenses will continue to shrink margins. The June Dairy Margin program's gross margin was only \$6.24/cwt., well below last June's margin of \$9.99/cwt.

Milk production. Growth in milk production slowed in June, only increasing 2.9% over last June. The May and April increases were 4.7% and 3.5%, respectively. For the first half of the year, milk production is 2.4% greater than the same period last year, and is 4.3% higher than 2019. As the table below indicates, most of the production growth is in the center of the country, Midwest, Plains States, and the Southwest (primarily Texas.) In the center of the country, dairy farmers have added cows to fill up capacity at new and expanding cheese plants. In California, milk production is up 2.4% through June, but it is due to more milk per cow. Water and labor challenges are expected to cause a decline in California production in the coming months. In Wisconsin, first-half production is up 3.4% with 17,000 more cows. The three states with the largest first-half production increases are: South Dakota + 13.0%, Indiana + 10.3%, and Texas + 6.1%. These three states, combined, added 17,000 cows over the past year.

The Southeast is the only region declining in milk production. The decline is due to less cows. At the end of June, the Southeast's dairy herd is estimated at 410,000 head. Five years ago, the Southeast had almost 500,000 head of dairy cattle. North Carolina is the only state, out of the ten Southeast states, reporting an increase in milk production for the first half of the year, up 1.5%. For the two leading Southeast milk producing states, Florida is 5.4% lower and Georgia is down 0.1%. However, Georgia production is rebounding. Second quarter production is 2.7% higher than the second quarter of last year.

Inventories. A key barometer in forecasting future milk prices is dairy product inventories. At the end of June, butter and NDM inventories are heavy. The June 30 butter inventory is 14.4% higher than last June, and the NDM inventory is up 24.3%. Growing inventories put downward pressure on butter and NDM prices.

REGIONAL CHANGE in MILK PRODUCTION & COW NUMBERS
(First Six Months of 2021 vs. 2020)

Region	Milk Production (Percent Change)	2021 vs. 2020 (Head of Dairy Cows)
Midwest	4.0%	89,000
California	2.4%	0
Northwest	1.1%	22,000
Northeast	0.3%	-11,000
Southwest	3.2%	30,000
Plains	5.2%	24,000
Southeast	-3.7%	-12,000
Total	2.4%	141,000

CLASS I PRODUCER MILK – First Half 2019, 2020 and 2021

Federal Order/State Milk Commission	2019	2020	2021	Change (21 vs. 20)
	(Million lbs.)			(%)
Appalachian	1,854.4	1,953.6	1,863.5	-4.6%
Florida	1,073.2	1,050.2	993.6	-5.4%
Southeast	1,737.2	1,647.2	1,540.0	-6.5%
Virginia	357.4	368.2	358.0	-2.8%
Total Above	5,022.2	5,019.2	4,755.1	-5.3%
All Federal Orders	21,991.2	22,005.8	20,968.4	-4.9%

Fluid milk sales. Fluid milk sales, measured by Class I producer milk, is 4.9% lower for the first half of 2021 compared to the same period in 2020. Combining the three Southeast federal orders and the Virginia Milk Commission, Class I sales are down 5.3% through the first six months of the year. However, it is important to remember, fluid milk sales received a boost last year through the Food Box program. Nationwide, I estimate the

Food Box program purchased about 300 million lbs. of fluid milk from May 15-June 30 of last year. Adjusting for Food Box purchases, Class I sales are down 3.3% this year, still a significant decline.

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