Georgia Milk Producers

GEORGIA MILK REVIEW

August 2022 | Issue 100

DMC Premiums Due September 1

From Dave Natzke, Progressive Dairy

With monthly Dairy Margin Coverage (DMC) program triggers well above the $9.50 per hundredweight (cwt) coverage level, there have been no indemnity payments distributed through the USDA's Farm Service Agency (FSA) through June 2022. So while in the past producers were able to deduct annual DMC premiums from indemnity payments, that's not the case this year.

Consequently, approximately 80% of calendar year 2022 DMC and Supplemental DMC premiums have not paid as the payment deadline of Sept. 1 approaches, noted W. Scott Marlow, deputy administrator of farm programs with the FSA.

In a notice to state and county FSA offices this week, Marlow instructed offices to notify dairy operations, via letter by Aug. 15, with a payment deadline reminder and the amount of outstanding premium balance due.

County offices will not send letters to dairy operations with $10 or less of total unpaid premium balances.

Failure to pay the DMC premium by the deadline will halt future indemnity payments and may affect a dairy operation's ability to participate in the DMC program in future years. Contact your county FSA office for further information.

Latest estimates using the USDA's DMC decision tool indicate there is a small chance indemnity payments for Tier I/$9.50 per cwt coverage could be triggered in one or more months, August-December 2022.

Senate Passed Inflation Bill Contains Nearly $40 Billion in Ag Spending

The United States Senate passed the Inflation Reduction Act, a $750 billion omnibus package with provisions for health care, taxes, and environmental programs Sunday afternoon on a party-line vote. Vice President Kamala Harris cast the tie-breaking vote to send the measure back to the House of Representatives for approval. The Senate-passed bill includes nearly $40 billion in spending for agricultural programs with a focus on climate smart and carbon reduction policies.

The bulk of the Ag spending went to existing USDA programs:

- $1.4 billion for the Agricultural Conservation Easement Program (ACEP)
- $3.25 for the Conservation Stewardship Program (CSP)
- $6.75 billion for the Regional Conservation Partnership Program (RCPP)
- $8.45 billion for Environmental Quality Incentives Program (EQIP)

The measure also includes $14 billion for rural development initiatives including grants for rural electrical coops to fund renewable energy products,

The House of Representatives is expected to vote on the measure as early as this week. Upon a favorable vote from the US House, the measure will go to the President for final authorization.

FROM THE EXECUTIVE DIRECTOR'S DESK

If you look at the first page of this newsletter you'll notice the issue number in the top, right-hand corner along with the issue date. In the category of fun coincidences, this is the 100th issue of the Georgia Milk Review. As started by my predecessor, Farrah Newberry, the Georgia Milk Review has served as an important rallying point of information for the dairy industry in Georgia, and it is certainly my goal to continue that tradition.

This issue was originally scheduled to go out on August 4th, but with the news of the plant closure in Dothan, AL, I thought it best to hold off until we had time to see how the dust settles from this recent shakeup. The closing of the Borden plant has forced producers to find new avenues to market their milk, grocers and wholesalers to find new suppliers, and our school systems to acquire new vendors for their cafeterias. You won't find a singular solution in this article to solve the issue we face with limited processing in Georgia. However, I believe in teams, and we have a very strong dairy team in Georgia. I believe we have a chance to find some positive solutions for our industry; I hope we can share some of those in Georgia Milk Review issues to come.

In July, I attended the National Milk Producers Federation meeting of State Dairy Associations. There was plenty of discussion on Federal Marketing Orders, environmental and sustainability initiatives, and regulatory updates on topics from school milk to drug residue testing. I enjoyed getting to meet my counterparts from around the country and seeing a strong turnout from the Southeast (Florida, Kentucky, North Carolina, and Virginia were all present and accounted for). In the days since I've returned from Chicago, I've had several good conversations with colleagues to compare notes from the Summit. The spirit of cooperation among the state dairy groups is encouraging; I hope we will maintain this momentum in the months ahead.

The topic that took up the largest portion of the agenda was Federal Milk Marketing Order Reform. NMPF's Task Force on FMMO Reform has several recommendations that will eventually be voted on by their board of directors and (some or all will be) submitted to USDA in their request for a federal hearing. Edge Dairy cooperative and the Dairy Business Association have made their own policy proposals. In addition, American Farm Bureau is hosting a FMMO Forum in Kansas City in October.

Sometime either at the end of this year or early in 2023, USDA will be presented with a request for a hearing to amend the Federal Milk Marketing Order. The Class I Mover, Class I differentials, make allowances, yield factors, and more will be on the table for reform. This is not a boring time to be in the dairy business.

Many thanks to everyone who has reached out to me as I've begun my time with the Georgia Milk Producers. I am excited for this opportunity to work in an industry that is so near and dear to my family, and I look forward to championing the stories of our Georgia farm families for many Georgia Milk Review issues to come.

Sincerely,

Bryce Trotter

Upcoming Events

Aug. 9 - Georgia ADA Board Meeting
Virtual

Aug. 11 - GA Farm Bureau Commodity Conference
Stone Mountain Evergreen Conference Center

Aug. 19-20 - Georgia Young Farmers Livestock Show
Georgia National Fairground & Agricenter

Aug. 30 - Joint Chairman's Ag Summit
Georgia National Fairgrounds & Agricenter

Sep. 12-22 - Fall District Meetings
See Page 4 of this issue for details

Oct. 6-16 - Georgia National Fair
Georgia National Fairgrounds & Agricenter

Oct. 18-20 - Sunbelt Ag Expo
Moultrie, GA

Jan. 16-18 - Georgia Dairy Conference
Marriott Savannah Riverfront

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Southeast Milk Names Shawn Dyal as CEO

Southeast Milk Inc. (SMI), a full-service dairy cooperative based in Florida, unanimously voted to promote Shawn Dyal to CEO. Since April, Dyal had been serving as interim CEO.

Dyal has worked in dairy for over 20 years, across varying aspects of the dairy value chain. “Shawn’s work ethic is much like that of a dairy farmer; he is willing to put in the time that it takes to make the right decisions and get the job done,” SMI President Jacob Larson said. “His focus on our customers and servicing the fluid milk needs of the market is exemplary. It has been very impressive to see him put together a management team so charged in executing the mission and purpose of Southeast Milk.”

“I am truly humbled by this opportunity,” Dyal said. “In short order, we have built a really strong leadership team, which will allow us to build a shared vision for the future of this cooperative — a future of sustained success for our farms, our communities and our customers.”

Sen. Larry Walker to Co-Host Joint Agriculture Issues Summit in Perry

ATLANTA | On Tuesday, August 30, 2022, Sen. Larry Walker (R – Perry) will Co-Host a Joint Agriculture Committee Chairmen Ag Issues Summit at the Georgia National Fairgrounds and Agricenter in Perry.

The summit will feature updates on agriculture related legislative issues from Sen. Walker and Rep. Robert Dickey (R – Musella), Chairmen of the Senate and House Committees on Agriculture and Consumer Affairs, respectively. Additional speakers will focus remarks on the economic outlook for Georgia’s farmers, water infrastructure funding, and integrated precision agriculture. ■

Fall District Meeting Dates Set

The Georgia Milk Producers, Inc. and the Dairy Alliance will be cohosting fall district meetings starting September 12. All Georgia dairy farmers as well as industry affiliates and farm managers are welcome to attend.

We will elect district officers, announce upcoming events, and provide a industry and promotional updates. Lunch or dinner will be served at each meeting.

To preregister for the district meeting closest to you, email Bryce@gamilk.org or call 229-221-3906. ■

2023 Georgia Dairy Conference returns January 16-23, 2023!

Visit **gadairyconference.com** now to register for the 2023 Georgia Dairy Conference. Conference attendees can take advantage of a special room rate of $139/night. Room reservation link is coming soon!

Registration is free for Georgia dairy farmers and GMP will deduct $100/night from the final hotel bill for all Georgia producers.

Exhibitor and sponsor registration is also open for the GDC Trade Show at: **gadairyconference.com/sponsorregistration**

Don't miss the Southeast's premier dairy event! ■

Chocolate Chip Cookie Day was August 4th! It's never too late to celebrate with a cold glass of milk! For a short history of the chocolate chip cookie, check out this blog post from our friends at the Dairy Alliance:

History of the Chocolate Chip Cookie

Dixie Dairy Report

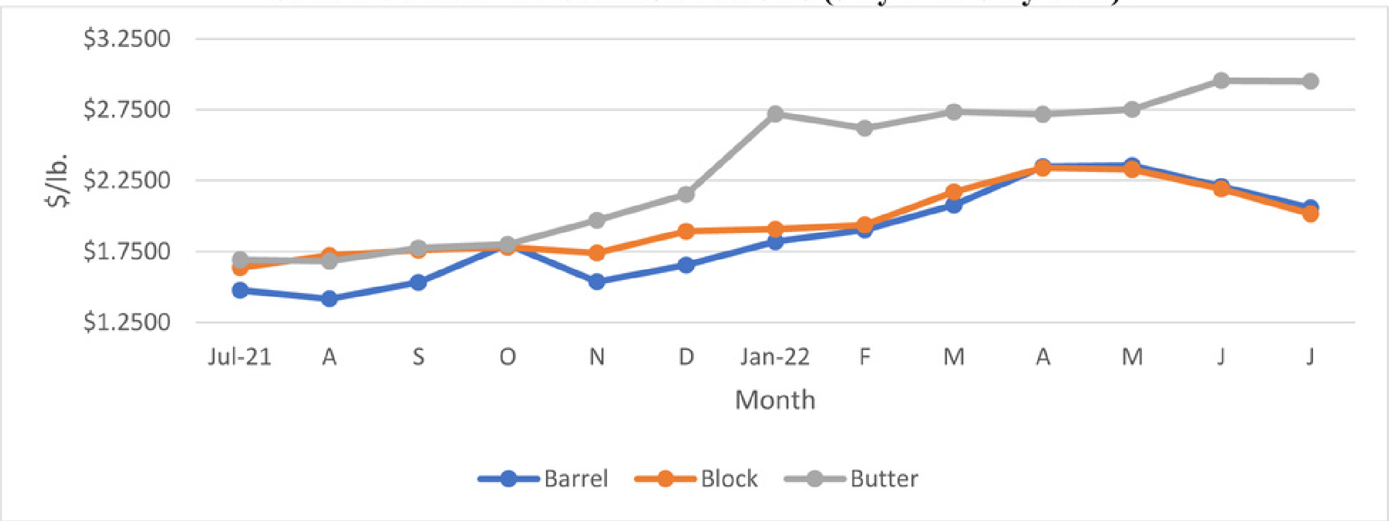
Calvin Covington

August 2022

Dairy product prices. Butter remains at a record high price while cheese prices move lower. The July CME butter price is a fraction of a penny lower than June, but another monthly high at $2.9506/lb. As shown below, the butter price has moved upward over the past year. A primary reason for continuing record butter prices is lower butter production due to less available cream. Through June, butter production is almost 3% lower than a year ago. Main sources of cream for churning are powder and fluid milk plants. Nonfat and skim milk powder production is 11% lower than a year ago. Total fluid milk sales for the year are 2.4% lower than last year, but whole milk sales are up. Less nonfat and skim milk powder manufactured and fluid milk processed, along with increased whole milk sales results in less cream available for the butter churn.

As the graph below shows, both block and barrel cheese declined for the third consecutive month. The July CME barrel price is $2.0581/lb. and block at $2.0143/lb. Both prices are over $0.15/lb. lower than June. Opposite of butter, cheese production is up 2.5%. Current market activity points to further cheese price declines in August. Nonfat dry milk powder (NDM) declined $0.015/lb. from June and dry whey dropped almost $0.07/lb. The June to July decline in cheese and dry whey prices, with little change in the butter and NDM price, resulted in the July Class III price dropping $1.81/cwt. to $22.52/cwt. and Class IV only falling $0.04/cwt. to $25.79/cwt.

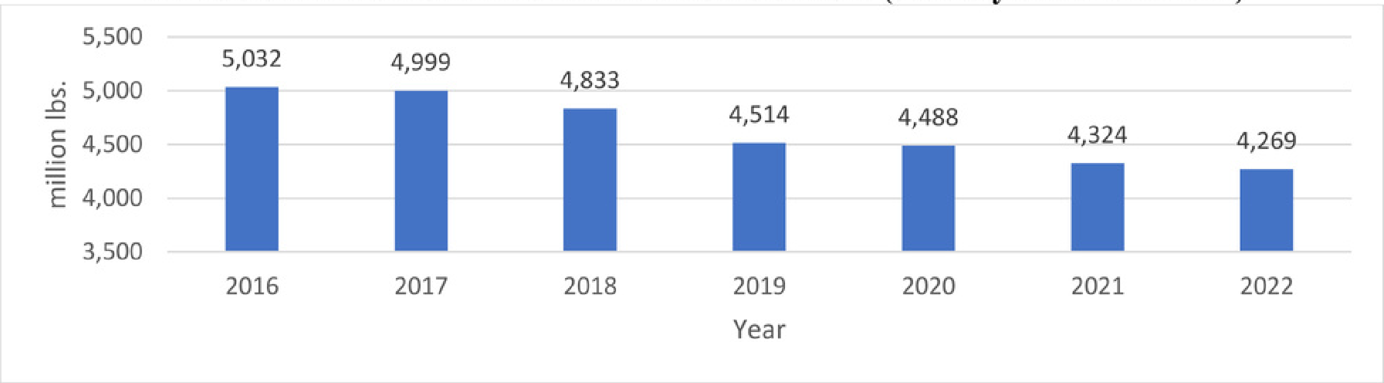
CME BUTTER and CHEESE PRICES (July 2021-July 2022)



Milk production. After nine (9) months of no increase in monthly milk production, June breaks the trend. USDA reports June production is 0.2% higher than last June. More milk is due to milk per cow 1% higher than a year ago. The nation's dairy herd grew by 4,000 head from May. However, it is still 78,000 head less than last June. For the first half of the year, milk production is 0.7% lower than last year. Of the 24 monthly milk reporting states, first half production is only higher in six (6) states led by South Dakota + 18.2% and Georgia +12.3%. The two states with the largest production declines are New Mexico -11.7% and Florida -9.0%. For the nation's two largest milk producing states, California and Wisconsin, first half production is down 0.7% and up 0.4%, respectively.

Looking at the ten (10) Southeast States, first half milk production totals 4.269 billion lbs. which is 1.3% lower than last year. The Northeast States show the largest production decline, down 1.4%. Three (3) Southeast States report increases in production: Georgia +12.3%, South Carolina +1.2% and Kentucky +0.2%. Milk production declined in the other seven (7) states. Southeast milk production continues to concentrate in Florida and Georgia. These two states account for 49.2% of Southeast production.

TEN SOUTHEAST STATES MILK PRODUCTION (January-June 2016-2022)



Dairy demand. After three (3) lackluster months, May was a strong month for demand. Measured by total solids, May demand was 1.5% higher than last May. Domestic demand increased 0.7%, but exports were up 5.1%. May dairy exports were an all-time high for any month. Exports represented 19.4% of total dairy demand in May, another record high. For the year to-date, demand is only 0.3% higher than a year ago. Domestic is up 0.2% and export 0.9%.

On the fluid side, through May, total fluid milk sales are 2.4% lower than the same period a year ago. Conventional sales are down 2.3% and organic down 2.6%. Whole milk sales continue to be a bright spot. Year to-date conventional whole milk sales are up 1% and flavored whole milk up 3.5%. On the other-hand reduced fat sales are down 5.1%.

Fluid milk sales in the three (3) Southeast federal orders continue to out perform the rest of the country. Through May, Southeastern order fluid sales are only down 0.8%. However, there is a wide difference in fluid milk sales between the Southeastern orders. Fluid sales in the Florida and Appalachian orders are up 4.0% and 0.8%, respectively. While fluid sales in the Southeast order are down 5.3%.

Federal order blend prices. June was a record high blend price in all three (3) orders. As shown below, little change is projected in July blend prices compared to June. Unfortunately, primarily due to the downward direction of cheese and whey prices, August blend prices are projected about $1.00/cwt. lower than July. Blend prices are projected to continue to decline through the end of the year. December blend prices are projected about $4.00/cwt. lower than June. A $4.00/cwt. decline over the next six (6) months is a large drop in milk prices, especially, considering record high input costs. Hopefully, market conditions will improve from current projections and lessen the decline, but current market conditions indicate otherwise. Dairy farmers need to plan now, for the potential milk price drop

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
	($/cwt. at 3.5% butterfat – base zone)		
May 2022	$27.79	$29.76	$28.07
June	$28.52	$30.60	$28.74
July	**$28.31**	**$30.65**	**$28.71**
August	**$27.52**	**$29.53**	**$27.83**
September	**$25.84**	**$27.86**	**$25.90**
October	**$25.52**	**$27.41**	**$25.66**

*Projections in bold

See attached AUGUST PRICES for more specific price, supply, and demand numbers.

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