JULY 2021

GEORGIA MILK REVIEW

MONTHLY NEWSLETTER FOR
GEORGIA MILK PRODUCERS, INC.

Lawmakers urge reimbursement for Class I mover-related losses

Written by Dave Natzke, Progressive Dairy Editor

Led by U.S. Representative Antonio Delgado (D-New York), a group of about 25 lawmakers urged the Biden administration to reimburse dairy farmers for reduced income related to changes in how the Class I (fluid) milk price is calculated within the Federal Milk Marketing Order system. Industry and congressional members estimate the losses at about $725 million.

The so-called "Class I mover" price formula was changed in the 2018 Farm Bill, using the "average of" versus the previous "higher of" monthly Class III and Class IV milk prices as the starting point. Due to a run-up in cheese and Class III milk prices during the COVID-19 pandemic, using Class III-Class IV price averages resulted in substantially lower Class I prices.

The losses prompted the board of the National Milk Producers Federation (NMPF) to recommend an FMMO hearing on the Class I formula in late April. No formal hearing request has been submitted to USDA, however.

"The current Class I mover was intended to be revenue-neutral compared to the formula it replaced, but that has not been the case," said Jim Mulhern, National Milk Producers Federation (NMPF) President and CEO. "The significant gaps between Class III and IV prices that developed during the COVID-19 pandemic exposed dairy farmers to significant and imbalanced losses, exceeding $725 million nationwide."

In a recent letter to President Biden, the lawmakers estimated the Class I skim milk prices averaged $3.56 per cwt less during the second half of 2020 than they would have under the previous formula.

Dairy producers in the Southeast U.S., with higher Class I milk utilization rates, estimated losses topped $750 million in 2020. Losses in the three FMMOs covering the region – Appalachian, Florida, and Southeast – lost about $155 million (21%) of the $750 million total, even though the percentage of milk produced in the three marketing areas represents just 5.5% of FMMO total milk marketings. That $155 million equated to a reduction in the 2020 blend price of about $1.25 per cwt, they said.

A paper authored by dairy economists Marin Bozic, the University of Minnesota, and Christopher Wolf, Cornell University, not only led to lower Class I milk prices but also were one of six factors contributing to reductions in producer price differentials (PPDs) within individual FMMOs.

Any reimbursement for losses could be complex, as individual FMMOs and individual producers within those orders were impacted differently.

FEATURED ARTICLES

Commissioner Black Announces Run for Senate; Harper, Swan Announce Run for Ag Commissioner

Agriculture Commissioner Gary Black announced on June 4 that he will run for the U.S.Senate seat currently held by Senator Raphael Warnock. Black has served as Georgia's agriculture commissioner since 2011 and will continue to serve through the remainder of his term. His decision to move on to Congress will require Georgians to elect a new agriculture commissioner in 2022.

According to a news report from *Georgia Farm Bureau*, Commissioner Black says he is running for Senate for the future of America.

"People have asked me 'Why are you running for the U.S. Senate when you could be re-elected to serve as agriculture commissioner?' As far as keeping an office for the sake of having it, doing that is not the way I operate nor is that how I think about it," Black said. "Running for Senate is about the safety and security of America for my children and grandchildren. It's about what kind of contribution can I make to make our country better? Some people have said they want to fundamentally change America, and I fundamentally disagree with them. I believe we have to restore trust in the institution of the federal government. I'd like to start with the U.S. Senate."

On June 29, Republican State Senator Tyler Harper announced that he is running for Georgia agriculture commissioner. Harper, an Ocilla native, is currently the only Republican in the race. A few Democrats are firing up campaigns too. According to *The Current* news organization, Fred Swan and Nakita Hemingway have initiated their campaigns and are seeking donations for the race.

Georgia Milk Hosts Legislative Tour in Macon County

Georgia Milk Producers hosted a dairy legislative tour this month in Macon County with Georgia House Agriculture Committee members. Many thanks to our producers for their hospitality. Always great to have the opportunity to share our story and work together to build a brighter future for the next generation. Happy to have Georgia Cattlemen's Association, Georgia Agribusiness Council, and Georgia Farm Bureau with us!

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Blend Prices Move Higher

From Calvin Covington, July 2021 Dixie Dairy Report

May blend prices, in all three Southeast orders, were about $1.00/cwt. higher than April. As shown below we project June blend prices up $0.95/cwt. in the Appalachian, up $1.34/cwt. in the Florida, and up $1.33/cwt. in the Southeast orders. Unless there is a significant decline in milk production or a surge in demand, June will likely be the high blend prices for the year. A $0.50-$0.85/cwt. decline is projected for July and a smaller decline in August.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
	($/cwt. at 3.5% butterfat – base zone)		
April 2021	$18.43	$20.21	$18.46
May	$19.35	$21.26	$19.52
June	**$20.30**	**$22.60**	**$20.85**
July	**$19.80**	**$21.75**	**$20.03**
August	**$19.60**	**$21.43**	**$19.58**
September	**$19.55**	**$21.48**	**$19.82**

*Projections in bold

Dr. Janemarie Hennebelle Appointed as Georgia's Next State Veterinarian

Georgia Agriculture Commissioner Gary W. Black has appointed Dr. Janemarie Hennebelle as Georgia's next State Veterinarian, succeeding Dr. Robert Cobb, who retired in June 2021. Hennebelle has served as Assistant State Veterinarian since September of 2016.

In her new role, Hennebelle will oversee the Animal Health Division of the Georgia Department of Agriculture while managing staff veterinarians the state's Animal Disease Traceability (ADT) program, and animal disease investigations as they arise.

Hennebelle received her Bachelor of Animal Science Degree at Berry College and her Doctoral of Veterinary Medicine from the University of Georgia. She also pursued a Master's of Preventative Veterinary Medicine at the University of California Davis.

Before pursuing her master's degree, Dr. Hennebelle had a diverse background in practice ranging from a mixed-animal practice in the Northeast, serving the dairy industry, as well as shelter and companion animal medicine here in Georgia. She joined the Meat Inspection Section of the Georgia Department of Agriculture in December of 2013, where she served as a Public Health Veterinary (PHV) Supervisor.

Hennebelle said her previous experiences have set her up well for this position and she looks forward to what the future has in store.

Schaapman Appointed to GA ACC for Milk Board of Directors

Ex officio members of the Georgia Agriculture Commodity Commissions met June 30 to make appointments to several of the commissions.

For the GA ACC for Milk, Ailene Schaapman of Wilcox County was appointed and Paul Johnson of Decatur County was reappointed.

The Georgia Agriculture Commodity Commissions were created by legislation the Georgia General Assembly passed at the request of producers who grow the various crops the commissions represent. The commissions operate under marketing orders approved by the growers, who pay an assessment on their respective crops or livestock. These assessments fund the research, education and promotion activities each commission coordinates to promote its respective commodity. Commission members are appointed for terms of three years and can be considered for reappointment.

January-May 2021 DMC payments top $550 million

The USDA's Farm Service Agency (FSA) distributed another $104 million to dairy farmer participants in the Dairy Margin Coverage (DMC) program in early July, covering indemnity payments on May milk marketings. Through July 12, DMC indemnity payments for the first five months of 2021 have now topped $550.6 million.

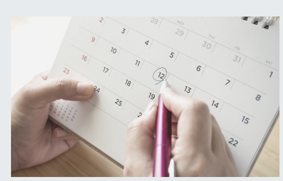
The May DMC milk income over feed cost margin was $6.89 per hundredweight (cwt), triggering indemnity payments on Tier I and Tier II milk insured at $7 per cwt and above.

Through July 12, dairy producers in Wisconsin led all states in total payments, receiving $123.6 million. Rounding out the top five states for January-May indemnity payments were: California ($52.2 million), New York ($51.6 million), Minnesota ($47.4 million) and Pennsylvania ($40.1 million). All 2021 DMC indemnity payments are subject to a 5.7% sequestration deduction.

(Reprint from July 14, 2021, Progressive Dairy Weekly Digest)

Calendar of Events:

Aug: 16-20: GDYF Promotion Week
Sept. 2: GMP Board of Directors Conference Call
Sept. 13-24: GMP Fall District Meetings
Oct. 7-17: Georgia National Fair, Perry
Oct. 19-21: Sunbelt Ag Expo, Moultrie



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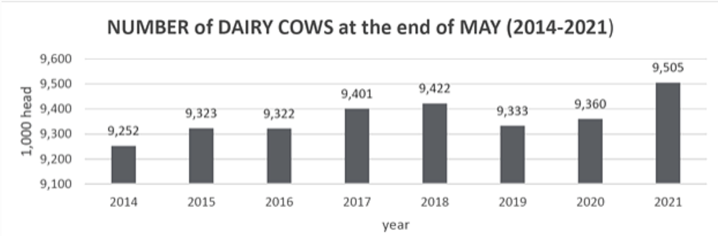
JULY 2021



<u>Cow numbers keep growing.</u> According to USDA, the nation's dairy herd is estimated at 9.505 million head at the end of May. As the graph below shows, this is 145,000 more head than last May. Six states, Indiana, Michigan, Minnesota, South Dakota, Texas, and Wisconsin account for 124,000 of the increase in dairy cows. Texas leads the way with 32,000 more cows. Pennsylvania had the largest decline, down 8,000 head. More cows, along with more milk per cow (milk per cow is up 1.2% this year) results in more milk. May milk production was 4.6% higher than last May. Due to the pandemic. May 2020 milk production was 0.5% lower than the previous year, compared to May 2019 this May's production was still up over 4%. For the year-to-date, production is 2.3% greater than a year ago.

For the three Southeast reporting states, May production numbers were mixed. After 12 months of consecutive lower production, Florida production in May was up 0.5% due to more milk per cow. However, compared to May 2019 production was 5.6% lower. Georgia saw a May production increase of 2%, again due to more milk per cow. Virginia's production was 2.3% lower, due to 2,000 fewer cows. For the year-to-date, production in the three Southeast reporting states is 3.6% lower, a large contrast between the national increase of 2.3%.

CME CHEESE and BUTTER PRICES (January-June 2021)

Class	January	February	March	April	May	June
Cheddar (block)	$1.7470	$1.5821	$1.7362	$1.7945	$1.6778	$1.4978
Cheddar (barrel)	$1.5141	$1.4420	$1.4811	$1.7119	$1.6923	$1.5639
Butter	$1.3496	$1.3859	$1.7153	$1.8267	$1.8124	$1.7758

<u>Cheese price tumbles</u>. The June CME block cheddar price declined $0.18/lb. from May. This is the lowest June block price since 2009. Barrel cheddar dropped $0.13/lb. In May and June, the barrel price was higher than block. Lower cheese prices are primarily due to large supply of cheese resulting from an abundance of milk, plus new and expansion at current cheese plants. For the months of March, April, and May combined, cheese production was 5.9% higher than the same three months last year and 4.7% higher than 2019. Other factors moving cheese prices lower include: foodservice sales softening as inventories are replenished, transportation challenges, and difficulty in fully staffing dairy plants. During the past week, blocks recovered slightly closing at $1.5435/lb. on July 2, but barrels retreated to $1.4955/lb. As shown below, butter declined slightly in June, but the price remains relatively steady. Butter production is below a year ago, and exports are almost three times greater than last year.

Moving to the other two products determining federal order class prices, the June nonfat dry milk powder (NDM) Dairy Product Sales Report (DPSR) price was $1.2696/lb., up three cents from May, and the highest NDM price since 2014. Due to increased NDM production (31% more than last May) further price increases in the coming months look doubtful. After almost a year of monthly price increases, the June DPSR dry whey price fell a fraction of a penny to $0.6437/lb. More cheese means more whey products. The bottom line, the abundant supply of milk is moving dairy product prices lower, which in turn results in lower milk prices.

As shown below, the lower cheese price pushed the July Class I Mover down $0.87/cwt., and the June Class III price down $1.75/cwt. June Class II and IV prices increased slightly. A lower August Class I Mover is projected along with lower prices for the three other classes in July. Current projections show the June Class I Mover and the May Class III, are the highs for the year. Relatively strong Class III prices are a large contributor for increased milk production, especially in areas with a high percentage of milk used in cheese. Time will tell the impact of lower, Class III prices on milk production in the heavy cheese producing areas.

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*Projections in bold

<u>Fluid milk sales continue to struggle.</u> May was another challenging month for Class I sales. In all federal orders, producer milk utilized in Class I was 4.7% lower than last May or about 5 million less lbs. of milk per day used in Class I (additional milk that ended up in cheese or NDM). For the year to-date, total federal order Class I producer milk is 3.7% lower than 2020 and 5.3% below 2019. The three southeastern federal orders did a littlebetter than the national average. May Class I producer milk in the Florida order was almost identical to last May. The Southeast and Appalachian orders were down 4.4% and 6.7%, respectively. Combined, May Class I producer milk in all three orders was down 4.4%. For the year-to-date Class I producer milk is 4.6% below last year.

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