

GEORGIA MILK REVIEW

MONTHLY NEWSLETTER FOR GEORGIA MILK PRODUCERS, INC.

GA DAIRY FACTS PAGE AVAILABLE ONLINE



Georgia Milk Producers updated our Georgia Dairy Facts page for June Dairy Month. Visit our website at <https://www.gamilk.org/ga-dairy-industry-info-> to download, share online or to distribute to visitors during farm tours!! Let's celebrate our dairy industry!



USDA DISTRIBUTES MPP PAYMENTS

USDA has issued more than \$192 million in payments this month through their revamped Margin Protection program for the first half of 2018.

According to USDA more than 21,000 U.S. farms have signed up to participate in the program.

The May margin will be published on June 28, 2018. For more information on MPP visit the website www.futurefordairy.com



Congratulations to the Swofford Family of Briarpatch Dairy in Eatonton! They were named the 2018 Dairy Farm Family of the Year at the Putnam Dairy Festival on June 2!!

Kicking off June Dairy Month in Georgia at the 2018 Putnam Dairy Festival

National Dairy Month started out as National Milk Month in 1937 as a way to promote drinking milk. According to the International Dairy Foods Association, it was initially created to stabilize the dairy demand when production was at a surplus, but has developed into an annual tradition that celebrates the contributions the dairy industry has made to the world. After the National Dairy Council stepped in to promote the cause, the name soon changed to "Dairy Month."

Each year, Georgia kicks off dairy month with The Putnam Dairy Festival. The Putnam Dairy Festival is an event hosted by the Pilot Club of Eatonton to celebrate Putnam County's status as a leading producer of dairy in Georgia. The first dairy festival was held in 1952. The Putnam Dairy Festival includes a 10K road race, arts and food vendors, a parade (Commissioner Black participated – see picture above) and a "Dairy Festival Queen" pageant. Event organizers also honor a local dairy farm family each year for their contribution to the community. This year the Swofford Family of Briarpatch Dairy was named the 2018 Dairy Farm Family of the Year. Congratulations!!



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**GEORGIA MILK PRODUCERS
BOARD OF DIRECTORS**

Everett Williams, Madison
President - 706-818-0311
e@wdairy.net

Adam Graft, Americus
Vice President - 229-942-0508
jgraft@bellsouth.net

Marvin Yoder, Montezuma
Treasurer - 478-472-4533
marvinpyoder@gmail.com

Matt Johnson, Climax
Secretary - 229-220-1577
mattjohnson195@att.net

Dave Clark, Madison
706-342-2923
clarmoo@aol.com

Ed Coble, Waynesboro
706-554-3672
lrcoble@gmail.com

Chad Davis, Eatonton
706-318-0243
cwwdavis22@gmail.com

Scott Glover, Clermont
770-539-4906
gcdairy@gmail.com

Jason Martin, Bowersville
678-233-8321
martindairy@gmail.com

Kenneth Murphy, Luthersville
770-927-9210
Udderspecialist@aol.com

Calvin Moody, Valdosta
229-263-2369
moodybcd@aol.com

Daniel Payne, Rome
706-897-9905
dpayne@berry.edu

Jeff Smith, Comer
706-783-5018
milkman17@windstream.net

Jeff Wooten, Eatonton
706-473-7729
lisawtn@bellsouth.net

James Yoder, East Dublin
912-367-9160
jtyoderclan@gmail.com

Troy Yoder, Montezuma
478-244-2172
tramildaholsteins@gmail.com

Tentative Changes to Dairy Support in the 2018 Farm Bill

Dr. Levi Russell, UGA Livestock Extension Economist

This month's vote on the 2018 Farm Bill in the Senate is an indication that legislators are progressing well on passage of a bill this year. This article highlights what the Senate Ag Committee changed in Title 1 for dairy. Keep in mind that things are in flux right now and could continue to change before the final version of the Farm Bill is passed by Congress and signed into law.

The Margin Protection Program has been renamed Dairy Risk Coverage and extends through the year 2023. The basic logic of the program remains the same, but there are significant changes to margin coverage levels and premiums. The margin calculation remains the same.

- Premiums are still split into two tiers and the threshold remains the same. Lower premiums for less than or equal to 5 million pounds of milk covered and higher premiums for milk covered in excess of 5 million pounds.
- Premiums are discounted based on the dairy's total annual production. For dairies with 10 million pounds or more of production, there is no discount. For dairies with 2 million to 10 million pounds of total annual production, there is a 25% discount on all premiums. For dairies with 2 million pounds of production or less, there is a 50% discount on all premiums.
- In addition to the \$4.00, \$4.50, \$5.00, \$5.50, \$6.00, \$6.50, \$7.00, \$7.50, and \$8.00 margin coverage levels producers covering less than 5 million pounds of milk can choose \$8.50 and \$9.00 coverage levels.
- There is no longer a 25% minimum production coverage level. Producers can choose coverage as low as 5% up to 90% of their production in 5% increments.
- Production history is still based on 2011-2013 production, but adjustments will end in 2019.
- Other changes made in the Bipartisan Budget Act of 2018 remain the same, such as the monthly calculation of the margin and payments.
- Producers who paid MPP premiums in excess of the indemnity payments they received in 2015, 2016, and 2017 will receive a refund of the difference between the premiums they paid and the payments they received.

The tables to the right show the premiums for the three different levels of annual production. In general, premiums for both Tier I and Tier II are higher. However, these higher premiums are offset to some extent by discounts for what the proposed law calls "small and medium" dairies. The 50% discount for dairies with 2 million pounds of annual production or less pushes the new premiums lower than those in the Bipartisan Budget Act of 2018 this year. The 25% discount offsets the increase in premiums to a degree, but not completely.

The program is now more flexible in that it allows producers to purchase coverage for as little as 5% of their annual production. While this doesn't offset the higher premiums, it does allow producers to cover a smaller percentage of their production if they wish. For example, a larger dairy could use hedging techniques or the new dairy insurance

Premiums for Dairy Risk Coverage for More Than 10 Million Pounds of Annual Production			
Tier I (Coverage less than or equal to 5 million pounds)		Tier II (Coverage in excess of 5 million pounds)	
Coverage Level	Premium per Cwt	Coverage Level	Premium per Cwt
\$4.00	None	\$4.00	None
\$4.50	\$0.005	\$4.50	\$0.048
\$5.00	\$0.010	\$5.00	\$0.096
\$5.50	\$0.020	\$5.50	\$0.144
\$6.00	\$0.040	\$6.00	\$0.240
\$6.50	\$0.070	\$6.50	\$0.420
\$7.00	\$0.100	\$7.00	\$1.080
\$7.50	\$0.120	\$7.50	\$1.320
\$8.00	\$0.140	\$8.00	\$1.680
\$8.50	\$0.160		
\$9.00	\$0.180		

Premiums for Dairy Risk Coverage for more than 2 million but less than 10 million pounds of production			
Tier I (Coverage less than or equal to 5 million pounds)		Tier II (Coverage in excess of 5 million pounds)	
Coverage Level	Premium per Cwt	Coverage Level	Premium per Cwt
\$4.00	None	\$4.00	None
\$4.50	\$0.00375	\$4.50	\$0.036
\$5.00	\$0.0075	\$5.00	\$0.072
\$5.50	\$0.015	\$5.50	\$0.108
\$6.00	\$0.030	\$6.00	\$0.180
\$6.50	\$0.0525	\$6.50	\$0.315
\$7.00	\$0.075	\$7.00	\$0.810
\$7.50	\$0.090	\$7.50	\$0.990
\$8.00	\$0.105	\$8.00	\$1.260
\$8.50	\$0.120		
\$9.00	\$0.135		

product created by Farm Bureau to manage most of their risk and still participate in the Dairy Risk Coverage program at a lower level.

GA Milk Board Continues to Tackle Key Issues Impacting SE Dairy Industry

The Georgia Milk Producers Board of Directors recently held their summer Board meeting to discuss several key issues impacting the future of the Southeast Dairy Industry. The Board, made up of 16 dairy farmers from across the state and various dairy cooperatives, discussed dairy marketing issues, multiple component pricing, manufacturing opportunities and factors contributing to the decline of fluid milk sales. Here's a short summary for each topic discussed:

Premiums for Dairy Risk Coverage for less than 2 million pounds of annual production	
Tier I (Coverage less than or equal to 5 million pounds)	
Coverage Level	Premium per Cwt
\$4.00	None
\$4.50	\$0.0025
\$5.00	\$0.005
\$5.50	\$0.010
\$6.00	\$0.020
\$6.50	\$0.035
\$7.00	\$0.050
\$7.50	\$0.060
\$8.00	\$0.070
\$8.50	\$0.080
\$9.00	\$0.090

Georgia Manufacturing Plant: For over two years, the GMP Board has explored the possibility of building a manufacturing plant in Georgia. The Board hired Dr. Mark Stephenson from the University of Wisconsin-Madison to conduct a feasibility study of a manufacturing plant in Georgia. The study concluded that a large butter/condense plant would be feasible in Cordele or Augusta, but left many questions unanswered. The GMP Board then hired Calvin Covington to further investigate the merit of such plant and what future steps the organization should take to move the idea forward with cooperatives and/or investors. Georgia Milk has not seen much opportunity for securing an investor for a plant at this moment, but will continue to explore the issue.

Decline of Fluid Milk Sales: The GMP Board held a roundtable discussion on the factors contributing to the decline of fluid milk sales at the last Board meeting. The Board agreed that new product innovation and improved product (low fat/whole milk) in schools will help improve fluid milk's image. They also agree that dairymen must do a better job on educating consumers on farming practices and meeting the needs/desires of consumers. Promotion groups must focus on the positive, promote whole milk and its nutritional value, seek innovation and connect emotionally with consumers.

Multiple Component Pricing: The GMP Board of Directors supports multiple component pricing in the Southeast and has joined dairy cooperatives and other producer organizations to move this initiative forward. As fluid consumption declines in the Southeast, our dairymen must explore other product options to meet consumer preferences. Milk proteins and components have become key nutritional and value-added products in both the domestic and international markets. As demand for these products continues to grow, the Southeast must explore opportunities in manufacturing to remain competitive. The change to component pricing will provide new opportunities for the Southeast dairy industry. It also benefits consumers by encouraging production of the higher protein dairy products they desire.

All GMP Board meetings are open to Georgia dairy producers and the Board encourages producers to attend. As our industry continues to face economic and market pressures, it is important that producers work together to stabilize our loss of farms and market. Please contact your GMP district director or GMP staff with any questions or suggestions you have regarding the mission and objectives of Georgia Milk Producers.

Milk Production Growth is Slowing – *From Calvin Covington*

April milk production was only 0.6% higher than a year earlier, the smallest monthly increase since January 2016. Cow numbers are down for the third consecutive month. Of the 23 reporting states, production was up in 12 states and down in 11 states. Again, in a reverse from a year ago, production is up in the Western states, California, Idaho, and Washington. But, production is down in the Midwest and Northeast states, Michigan, New York, Pennsylvania, and Wisconsin.

In the Southeast, April production is down 2.2% in Florida and down 3.9% in Virginia. According to USDA data, less milk in Florida and Virginia is due to: 25 fewer lbs. of milk produced per cow during April in both states; and 1,000 fewer cows in Florida and 2,000 less in Virginia, compared to last April.

The nation's dairy herd is estimated at 9.4 million head which is only 8,000 head more than last April. The number of dairy cows slaughtered continues to run well ahead of a year ago. April saw 9.1% more cows slaughtered than last April. For the first four months of 2018, 6.3% more head have gone to slaughter than during the same period last year. Estimated margins (income over feed cost) at more than \$2.50/cwt. lower than a year ago is no doubt a main reason for more cows going to slaughter.

Dixie Dairy Report – June 2018

Calvin Covington

Strong first quarter for dairy demand. On a total solids basis, commercial disappearance for the first quarter of 2018 compared to the first quarter of 2017 is up 3.41%. As shown in the table below, exports are driving demand, up 18.02% while domestic demand is only up 1.04%. During the first quarter, exports represented 15.9% of total solids disappearance, a record level. The previous record was 15.7% in 2014. Nonfat/skim powder continues to lead U.S. dairy exports with exports over 23% higher than a year ago and currently utilizing over 60% of total nonfat / skim powder produced in this country.

TOTAL SOLIDS COMMERCIAL DISAPPEARANCE

	2017 (first quarter)	2018 (first quarter)	Change
	(million lbs.)		(%)
Domestic			
Butterfat	1,939.1	1,980.9	2.16%
Skim	3,963.4	3,983.2	0.50%
Total domestic solids	5,902.5	5,964.2	1.04%
Export			
Butterfat	80.3	94.7	17.96%
Skim	873.4	1,030.8	18.02%
Total export solids	953.7	1,125.5	18.02%
Total All Solids	6,856.2	7,089.7	3.41%

On the domestic side, quarter to quarter butterfat demand is 2.16% higher, compared to only 0.50% for skim solids. First quarter domestic demand for individual products saw butter disappearance up 4.8%, American cheese up 1.6%, other cheese up 3.7%, and nonfat/skim milk powder down 6.5%.

Fluid milk sales. Sales of packaged fluid milk were down 1.9% and organic sales down 1.6% for the first quarter of the year compared to a year earlier. Whole milk continues to be a bright spot with conventional and organic sales up 3.0% and 5.7%, respectively. Reduced fat milk sales are down 4.2% and 6.0%. Fluid sales in the

SOUTHEASTERN ORDERS and VIRGINIA PACKAGED FLUID MILK SALES

Region	2017 (first quarter)	2018 (first quarter)	Change
	(million lbs.)		(%)
Appalachian Order	816	827	1.3%
Florida Order	716	705	-1.5%
Southeast Order	1,135	1,111	-2.1%
Virginia Milk Com.	195	192	-1.5%
TOTAL ALL	2,862	2,835	-0.9%

southeastern orders and Virginia Milk Commission are only down 0.9%. Florida continues to struggle with a high percent of its fluid sales, packaged outside of the order. So far this year about 18% of Florida's fluid milk sales are packaged outside of the Florida order. **GMP SIDE**

NOTE: Per the Federal Milk Marketing Administrator's office, the increase in sales for the Appalachian Order is due to an accounting change and is not tied to an increase in consumption.

Dairy product prices continue to move higher.

For the past three months all DPSR prices have increased. As you can see below, both butter and cheese are higher than a year ago. On the other hand, nonfat dry milk powder and dry whey prices are still below year ago. However, due to declining inventory levels and increased exports, prices of these products increased about 10% from April to May.

DAIRY PRODUCTS SALES REPORT PRICES (DPSR)

Product	May 2017	April 2018	May 2018
	(\$/lb.)		
Butter	\$2.1644	\$2.2452	\$2.3382
Cheese (block & barrel)	\$1.5390	\$1.5737	\$1.6353
Nonfat Dry Milk Powder	\$0.8704	\$0.7131	\$0.7937
Dry Whey	\$0.5094	\$0.2592	\$0.2711

Higher blend prices projected for the coming months.

We project May blend prices in the Appalachian and Southeast orders to exceed \$17.00/cwt. and Florida over \$19.00/cwt. Even though blend prices are increasing they still are about \$0.50/cwt. lower than last May. As shown below, prices are projected to continue increasing through the fall months. Through April, total producer milk in all three orders is 0.5% more than the same period last year, and Class I producer milk is 1.5% higher.

PROJECTED BLEND PRICES—BASE ZONES – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
	(dollars /cwt.) – 3.5% butterfat		
May 2018	\$17.18	\$19.15	\$17.35
June	\$17.71	\$19.84	\$18.06
July	\$17.99	\$20.04	\$18.37
August	\$18.61	\$20.65	\$19.12
September	\$19.05	\$20.88	\$19.59