

DECEMBER 2021

GEORGIA MILK REVIEW

MONTHLY NEWSLETTER FOR
GEORGIA MILK PRODUCERS, INC.

USDA Opens 2022 Signup for Dairy Margin Coverage, Expands Program for Supplemental Production

As part of the Biden Administration's ongoing efforts to support dairy farmers and rural communities, the U.S. Department of Agriculture (USDA) announced Dec. 8 that signup is open for the Dairy Margin Coverage (DMC) program and that they expanded the program to allow dairy producers to better protect their operations by enrolling supplemental production. This signup period – which runs from Dec. 13, 2021, to Feb. 18, 2022 – enables producers to get coverage through this important safety-net program for another year as well as get additional assistance through the new Supplemental DMC.

Dairy Margin Coverage (DMC) Decision Tool

Explore Your Options

DMC Signup is NOW Underway.



Supplemental DMC will provide \$580 million to better help small- and mid-sized dairy operations that have increased production over the years but were not able to enroll the additional production. Now, they will be able to retroactively receive payments for that supplemental production.

Additionally, USDA's Farm Service Agency (FSA) updated how feed costs are calculated, which will make the program more reflective of actual dairy producer expenses.

Supplemental DMC Enrollment

Eligible dairy operations with less than 5 million pounds of established production history may enroll supplemental pounds based upon a formula using 2019 actual milk marketings, which will result in additional payments. Producers will be required to provide FSA with their 2019 Milk Marketing Statement.

Supplemental DMC coverage is applicable to calendar years 2021, 2022 and 2023. Participating dairy operations with supplemental production may receive retroactive supplemental payments for 2021 in addition to payments based on their established production history.

Supplemental DMC will require a revision to a producer's 2021 DMC contract and must occur before enrollment in DMC for

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FEATURED ARTICLES

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December Blend Prices Projected as Highest of the Year

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Join us in Savannah for the 2022 Georgia Dairy Conference January 17 - 19!

GMP Seeking Nominations for the 2022 Bobby Walker Award

Dixie Dairy Report

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the 2022 program year. Producers will be able to revise 2021 DMC contracts and then apply for 2022 DMC by contacting their local USDA Service Center.

DMC 2022 Enrollment

After making any revisions to 2021 DMC contracts for Supplemental DMC, producers can sign up for 2022 coverage. DMC provides eligible dairy producers with risk management coverage that pays producers when the difference between the price of milk and the cost of feed falls below a certain level. So far in 2021, DMC payments have triggered for January through October for more than \$1.0 billion.

For DMC enrollment, producers must certify with FSA that the operation is commercially marketing milk, sign all required forms and pay the \$100 administrative fee. The fee is waived for farmers who are considered limited resource, beginning, socially disadvantaged, or a military veteran. To determine the appropriate level of DMC coverage for a specific dairy operation, producers can use the online dairy decision tool.

Updates to Feed Costs

USDA is also changing the DMC feed cost formula to better reflect the actual cost dairy farmers pay for high-quality alfalfa hay. FSA will calculate payments using 100% premium alfalfa hay rather than 50%. The amended feed cost formula will make DMC payments more reflective of actual dairy producer expenses.

Additional Dairy Assistance

Today's announcement is part of a broader package to help the dairy industry respond to the pandemic and other challenges. USDA is also amending Dairy Indemnity Payment Program (DIPP) regulations to add provisions for the indemnification of cows that are likely to be not marketable for longer durations, as a result, for example, of per- and polyfluoroalkyl substances. FSA also worked closely with USDA's Natural Resources Conservation Service to target assistance through the Environmental Quality Incentives Program) and other conservation programs to help producers safely dispose of and address resource concerns created by affected cows. Other recent dairy announcements include \$350 million through the Pandemic Market Volatility Assistance Program and \$400 million for the Dairy Donation Program.

Additional details on these changes to DMC and DIPP can be found in a rule that will be published soon in the Federal Register. This rule also included information on the new Oriental Fruit Fly Program as well as changes to FSA conservation programs. A copy of the rule is available [here](#).

More Information

To learn more or to participate in DMC or DIPP, producers should contact their local USDA Service Center. Service Center staff continue to work with agricultural producers via phone, email and other digital tools. Because of the pandemic, some USDA Service Centers are open to limited visitors. Producers should contact their Service Center to set up an in-person or phone appointment. Additionally, more information related to USDA's response and relief for producers can be found at farmers.gov/coronavirus.

Show prices for the year:

Month	Corn (\$/bu)	Blended Alfalfa Hay (\$/ton)	Soybean Meal (\$/ton)	All Milk (\$/cwt)	Final Feed Costs for DMC (\$/cwt)	Milk Margin Above Feed Costs for DMC (\$/cwt)
January	4.24	188.50	439.24	17.50	10.36	7.14
February	4.75	193.00	427.28	17.10	10.88	6.22
March	4.89	195.50	410.02	17.40	10.94	6.46
April	5.31	199.00	413.36	18.40	11.46	6.94
May	5.91	210.00	421.03	19.20	12.31	6.89
June	6.00	214.50	378.18	18.40	12.16	6.24
July	6.12	216.50	365.23	17.90	12.22	5.68
August	6.32	222.00	358.21	17.70	12.45	5.25
September	5.45	226.50	343.55	18.40	11.47	6.93
October	5.02	230.00	325.43	19.70	10.93	8.77
November						
December						

*At a milk margin minus feed costs of \$9.50 or less, payments are possible depending on the level of coverage chosen by the dairy producer.

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December Blend Prices Projected as Highest of the Year

From Calvin Covington, December 2021 Dixie Dairy Report

November blend prices are projected about \$1.25/cwt. higher than October. December blends are projected to add around another \$0.75/cwt. for the highest blend prices of the year. My 2022 blend price projections continue to increase. 2022 blend prices in the three Southeastern federal orders are projected to average \$1.50-\$2.00/cwt. more than 2021.

My projections remain lower than the current Class III and IV futures markets indicate. Milk production is below a year ago, and poor margins will continue to lead to more dairy farm exits. However, the current uptick in milk prices could prompt larger herds to add cows. On the demand side, sales may be a challenge next year. As the previous table shows, third quarter domestic demand was only 0.6% higher than last year. Inflation and other challenges may limit consumers' buying power, including dairy products. Coronavirus, and lockdowns continue to hang around. Lower milk production in the other two major exporting regions, European Union and Oceania, is good for U.S. export opportunities, but there is uncertainty regarding volume of future Chinese dairy purchases. Thus, my cautious optimism for 2022 milk prices.

PROJECTED* BLEND PRICES – Base Zones – SOUTHEASTERN FEDERAL ORDERS

Month	Appalachian	Florida	Southeast
(\$/cwt. at 3.5% butterfat – base zone)			
September 2021	\$19.37	\$21.22	\$19.70
October	\$19.70	\$21.55	\$19.86
November	\$20.96	\$22.86	\$21.04
December	\$21.85	\$23.67	\$21.87
January 2022	\$21.76	\$23.57	\$21.70
February	\$21.72	\$23.69	\$21.67

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



Georgia Dairy
Conference

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>.

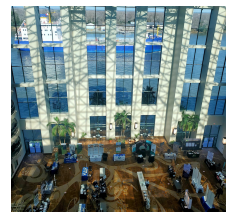
GEORGIA DAIRY PRODUCERS: Georgia Milk Producers will deduct \$100/night for two nights from each Georgia dairy farm's hotel bill at checkout. It's our way to show our appreciation for your support and to encourage you to attend your annual dairy conference! Registration for Georgia dairy producers is ALWAYS free!!

Join us in Savannah for the 2022 Georgia Dairy Conference January 17 - 19!

REGISTER TODAY!! The Georgia Dairy Conference is the place where all aspects of dairy come together in the Southeast to discuss what's important for today and tomorrow. Let us know you are joining us by REGISTERING ONLINE TODAY at www.gadairyconference.com! As always, registration for GA Dairy Farm Families is free!

Continuing Education Hours: Veterinarians, Nutritionists and Certified Waste Operators can gain continuing education hours at the 2022 GA Dairy Conference!! Information and registration for each group will be available at the registration desk!! Don't miss out!!

Dairy Wives Event: This year, our wives will fellowship over breakfast, then participate in a workshop hosted by Lauren McClure of Precise Cattle on making all-natural bath products from tallow. Tallow can be used for all manner of skin conditions, including dry, chapped, calloused, cracked, and sun-damaged skin, rashes, burning, itching, wrinkles, and so on. It gives the skin the nutrients it needs to heal itself. It can even be used as a soothing aftershave! Please let us know if you plan to participate at the registration table.



GMP Seeking Nominations for the 2022 Bobby Walker Award

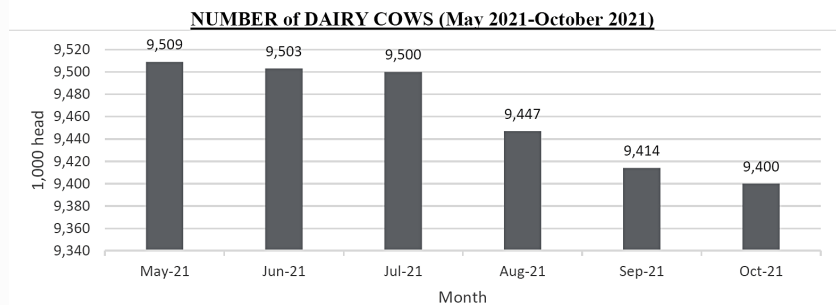
Georgia Milk Producers will award the "2022 Bobby Walker Award" to an individual or company that served as a strong advocate for Georgia's dairy industry in 2021 at the GA Dairy Conference in January. We would like Georgia dairy producers to send in nominations for this award to our office by December 10, 2021. This award is open to any individual who is involved with the dairy industry (Cooperative officials/field representatives, feed/supply companies or salesperson, veterinarian, etc.). Please call our office with your nomination at 706-310-0020 or email to gamilkproducers@gmail.com.



DIXIE DAIRY REPORT

CALVIN COVINGTON
DECEMBER 2021

Dairy herd declining. For the first time since 2018, month-over-month (MOM) dairy cow numbers are lower. USDA estimates the nation's dairy herd as of October 31 at 9.40 million head. This is 14,000 head lower than last October. Since May of this year, the nation's dairy herd has declined 109,000 head, a large contraction over a relatively short period. Poor, and in many cases negative margins, are the main cause. USDA reports the average third quarter cost of a 16% dairy ration was \$11.42/cwt. A year ago, it was \$7.62/cwt., a



Lower cow numbers resulted in October milk production 0.5% lower than last October. The first month, since May 2020 (coronavirus lockdown) for lower MOM production. In the 24 reporting states, October production was higher than a year ago in eight (8) states. South Dakota, a growing cheese producing state, continues to lead the pack with October production up 15.3%. Texas was up 3.9%, Minnesota up 2.8% and Wisconsin up 2.7%. New Mexico continues to be the leading decliner in milk production, down 15.3% in October. Through August, the average New Mexico mailbox price is \$14.60/cwt. This compares to \$17.77/cwt. and \$17.80/cwt. in Wisconsin and Minnesota, respectively.

In the three Southeast reporting states, both Florida and Virginia continue to drop in milk production. October production was down 4.7% in Florida and 4.9% in Virginia. Compared to a year ago, Florida's dairy herd is down 7,000 head. For the seventh consecutive month, production is higher in Georgia, up 2.1%. Georgia has 1,000 more dairy cows compared to last year.

Exports drive dairy demand. The U.S. dairy industry continues to become more dependent on the world market for dairy sales. Through the first nine months of the year, export sales are 12.2% higher than last year. Domestic sales are up 1.3%. Through nine months, export sales are responsible for 17.2% of total dairy demand. A year ago, exports were 15.7% of total demand.

Skim milk powder and whey products are the major dairy products exported. Almost 60% of total production of these products is exported. Butter exports are strong this year, up 127%. However, butter exports are only about 4.5% of total butter production.

PERCENT CHANGE in DAIRY DEMAND – Total Solids (Quarters 2021 vs. 2020)

Quarter	Domestic	Export	Total
1 st Quarter	1.6%	11.3%	3.1%
2 nd Quarter	1.8%	13.6%	3.8%
3 rd Quarter	0.6%	11.4%	2.3%
Total – 9 months	1.3%	12.2%	3.0%

Dairy product prices. November saw Dairy Products Sales Report (DPSR) prices for butter, nonfat dry milk powder (NDM), and dry whey increase, while cheese declined. The November butter price of \$1.9503/lb. is the highest in two years. The NDM November price of \$1.4769/lb. is the highest since 2014. The November

Class III price increased \$0.20/cwt. from October (due to a higher dry whey price) to \$18.03/cwt. The November Class IV price was \$18.79/cwt. This is a gain of \$1.75/cwt. from October and the highest, Class IV price since October 2014. The December Class I Mover moved up \$1.19/cwt. to \$19.17/cwt., the highest Mover for the year. The Class I Mover averaged \$16.83/cwt. for 2021.

Looking ahead, December butter should stay close to \$1.95/lb. Butter demand remains steady, and inventory is 6% below a year ago. The NDM price should move higher and push the December Class IV price around \$19.00/cwt. Cheese is uncertain, which is evident by the large block to barrel spread. A month ago, the barrel price was higher than block. Today it is reversed with the December 3rd CME block price at \$1.8575/lb. and a barrel price of \$1.6025/lb. Due to a lower supply, the dry whey price is inching slightly higher, and will offset some of the cheese price decline in the Class III price. I project a December Class III price around \$18.00/cwt. and a January Class I Mover around \$19.30/cwt.