# DIXIE DAIRY REPORT
## April 2014

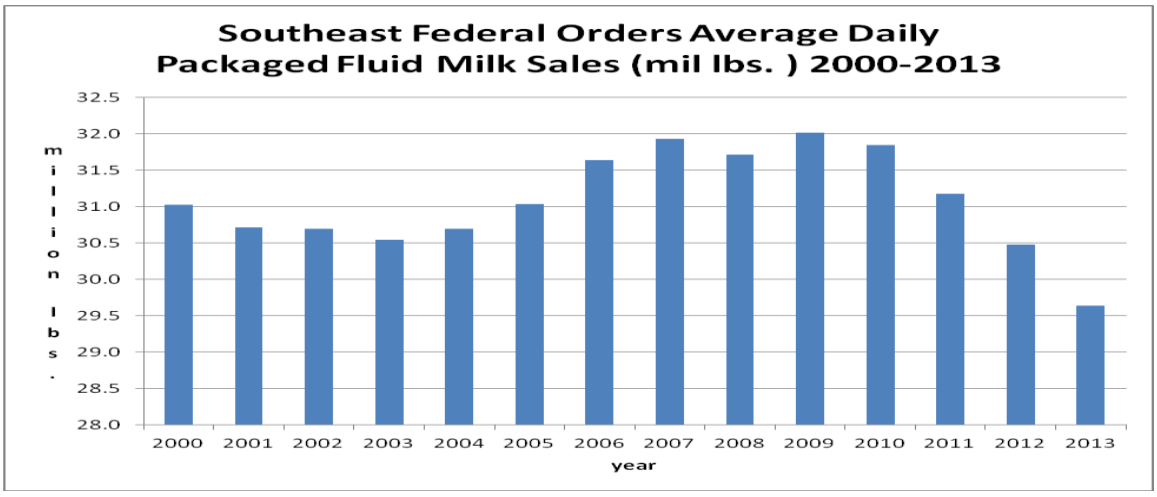
**March saw many record prices and look for more in April.** March 28 at the CME was the first time cheese, butter, and nonfat dry milk powder all traded above $2.00/lb. CME block cheddar set a record price of $2.4325/lb. on March 24. March saw both the Class I Mover and Class IV price, again, at record prices. All three southeast federal orders saw record blend prices announced in March for the previous month. Look for more record prices in April, but based on commodity prices starting to decline at the CME, April will the last month of record setting prices, at least for some time.

**Southeast blend prices going higher.** The Florida blend price is projected over $28.00/cwt. The Appalachian and southeast blend prices are projected over $26.00/cwt. We project blend prices to remain at these levels for April as well. May prices are projected to decline slightly from April. Look for June blend prices to drop about $2.00/cwt. from May, then for the decline to continue the remainder of the year. However, these "lower" prices will remain above previous years' averages. For all of 2014 we project southeast blend prices to average at least $2.50/cwt. higher than 2013.

**U.S. milk production remains steady.** February milk production was up 1.1% compared to a year ago. Cow numbers remained steady, so the increase was due to more milk per cow. California production was up 5.3%, while production in Wisconsin was down 2.0%. Outside the U.S., January saw milk production in the European Union and New Zealand up 5.1% and 7.4%, respectively, compared to last January.

**Higher prices not yet reflected at retail.** February, Bureau of Labor statistics, show the average retail price of a gallon of whole milk is only $0.08 higher than last February. On the other hand, the raw milk cost of a gallon of milk this February compared to last February is over $0.30 per gallon higher. The average retail price per lb. of cheese is actually down $0.40/lb. compared to a year ago, while the CME block cheddar price is up $0.55/lb. So far retailers are not passing on higher raw prices.

**Fluid milk sales continue to decline.** Average daily packaged fluid milk sales in the three southeast federal milk marketing orders was 29.6 million lbs. in 2013, down 2.7% from 2012. As seen in the chart below, fluid milk sales peaked at 32 million lbs. per day in 2009, and have declined each year since. We estimate southeast per capita fluid milk consumption at 143 lbs. per capita in 2013. In 2000 it was 182 lbs. per capita. Hopefully, generic milk promotion efforts emphasizing "milk protein", increasing fluid milk export opportunities, more protein fortified and specialty fluid milk products, along with some increased interest in fluid milk brands will turn around or at least slow down fluid milk sales declines.




Calvin Covington, ccovington5@cs.com, 336-766-7191