



MARKETING SERVICE

B U L L E T I N

Teaching a Cow to Skate May Be Easier than Figuring Out Milk Prices. . .

The April 2003 Federal Milk Order Class I price mover was \$9.25 - a 25-year low.

The May 2004 Federal Milk Order Class I price mover is \$19.65 - a record high.



Dairy product prices moved or are moving toward uncharted, record-high prices. The duration and scope of these increases remains uncertain. While the current "high" prices have everyone's attention it should be remembered that just one year ago, the dairy industry was experiencing a period of notable low prices.

Much discussion, interpretation, and analysis will be presented during the next few months as a result of the expected price increases. Many of the discussions will center on the effects on dairy producer "farm" milk prices. Probably first and foremost, will be the discussion of **negative PPDs** and idea of experiencing a negative milk check component. Dairy producers need to be aware that in almost all instances when their PPD is negative their milk check total revenue is **higher** than it was the month before. Negative PPDs are typically accompanied by high butterfat and protein component prices resulting in **increased total producer revenue**. The data contained in this bulletin illustrates how total producer revenue changes with varying component levels.

There will also be discussion on the benefits and detriments of "depooling" milk from the federal milk order system. Depooling will occur as federal order Class prices for manufactured products temporarily exceed Class prices for fluid products as in April prices, or as a result of price alignments between Classes II, III & IV. These temporary price inversions may be the result of increased differences between manufactured product prices such as cheese or butter; or they may also occur when product prices increase to the point where current Class III or Class IV prices exceed the previously announced "advance" Class I price.

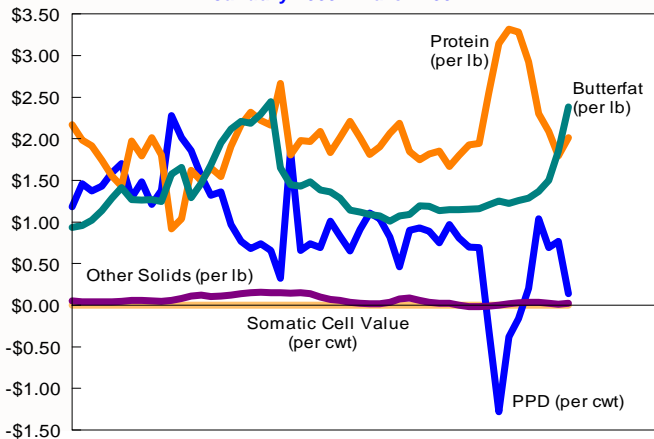
In summary, the dairy product and component price "gyrations" will be welcomed by some and disliked by others. Negative PPDs may cause consternation for dairy producers and cooperatives. Depooling milk on the federal milk order system will create opportunities for some to complain about the federal order system. However, it is important to remember that all of these situations are the result of rapidly increasing prices which benefit dairy producers. **No matter the amount of milk depooled or the size of a negative PPD, a dairy producer's milk check will be increasing over the next few months.**

The estimated April 2004 producer component price for protein is expected to reach a record high of \$3.40+ per pound with butterfat to remain near record high levels of \$2.45 per pound.

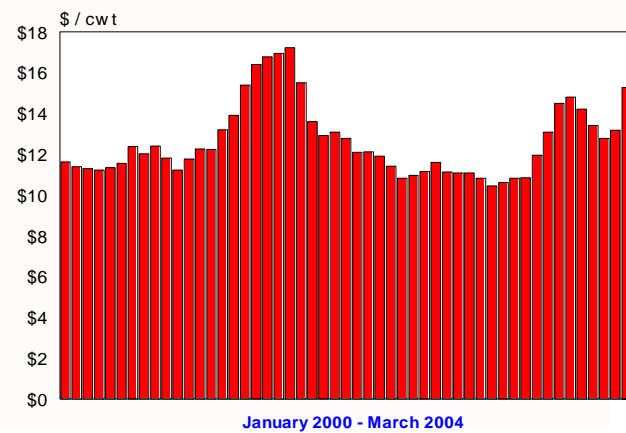
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Central Order Component Values
January 2000 - March 2004



Effective Value Of Producer Milk
@ 3.67% BF -- 3.10% Protein -- 5.70% OS -- 330,000 SCC




Central Federal Order Component Prices

	Butterfat	Protein	Other Solids	PPD	SCC
Jan 2000	0.9366	2.1677	0.0503	1.18	0.00058
Feb	0.9588	1.9849	0.0432	1.46	0.00055
Mar	1.0191	1.9166	0.0424	1.37	0.00055
Apr	1.1352	1.7399	0.0408	1.43	0.00055
May	1.2854	1.5514	0.0403	1.59	0.00055
Jun	1.4128	1.4278	0.0438	1.70	0.00056
Jul	1.2691	1.9726	0.0557	1.29	0.00061
Aug	1.2659	1.7952	0.0577	1.48	0.00058
Sep	1.2707	2.0137	0.0502	1.21	0.00062
Oct	1.2444	1.8028	0.0471	1.38	0.00058
Nov	1.5745	0.9149	0.0565	2.28	0.00051
Dec	1.6534	1.0378	0.0829	2.01	0.00054
Jan 2001	1.2896	1.6181	0.1120	1.86	0.00056
Feb	1.4626	1.4951	0.1199	1.55	0.00057
Mar	1.6820	1.6498	0.1039	1.32	0.00064
Apr	1.9483	1.5443	0.1081	1.36	0.00067
May	2.1191	1.9108	0.1229	0.97	0.00076
Jun	2.2089	2.1670	0.1409	0.77	0.00081
Jul	2.1883	2.3175	0.1510	0.68	0.00083
Aug	2.2976	2.2188	0.1535	0.74	0.00083
Sep	2.4449	2.1647	0.1520	0.66	0.00085
Oct	1.6526	2.6664	0.1482	0.32	0.00078
Nov	1.4500	1.8045	0.1470	1.86	0.00062
Dec	1.4322	1.9782	0.1517	0.66	0.00064
Jan 2002	1.4846	1.9660	0.1392	0.74	0.00065
Feb	1.3817	2.0884	0.0965	0.69	0.00064
Mar	1.3638	1.8342	0.0688	1.01	0.00060
Apr	1.2890	2.0109	0.0566	0.83	0.00062
May	1.1433	2.2097	0.0374	0.65	0.00062
Jun	1.1211	2.0148	0.0247	0.91	0.00059
Jul	1.0929	1.8095	0.0150	1.11	0.00055
Aug	1.0701	1.9021	0.0177	1.04	0.00056
Sep	1.0099	2.0646	0.0367	0.82	0.00057
Oct	1.0726	2.1839	0.0755	0.46	0.00060
Nov	1.0923	1.8469	0.0850	0.90	0.00056
Dec	1.1922	1.7506	0.0584	0.93	0.00056
Jan 2003	1.1856	1.8164	0.0339	0.89	0.00057
Feb	1.1373	1.8538	0.0240	0.75	0.00056
Mar	1.1459	1.6648	0.0206	0.97	0.00054
Apr	1.1503	1.8006	-0.0008	0.81	0.00055
May	1.1512	1.9275	-0.0144	0.70	0.00057
Jun	1.1576	1.9434	-0.0200	0.69	0.00057
Jul	1.2055	2.5480	-0.0124	-0.29	0.00067
Aug	1.2514	3.1438	0.0026	-1.28	0.00077
Sep	1.2218	3.3180	0.0170	-0.38	0.00080
Oct	1.2553	3.2815	0.0311	-0.16	0.00080
Nov	1.2877	2.9267	0.0368	0.20	0.00075
Dec	1.3688	2.2997	0.0362	1.04	0.00066
Jan 2004	1.4978	2.0875	0.0217	0.69	0.00065
Feb	1.8518	1.7911	0.0090	0.77	0.00066
Mar	2.3813	2.0133	0.0234	0.14	0.00078

This table provides historical data on all producer component prices for the Central federal milk order since the inception of federal milk order reform in January 2000. These component prices can be used to calculate a producer's total revenue for any month.

A representation of producer values generated by these prices are illustrated by the graph at the right (page 3). It should be noted that the Producer Price Differential makes up a small percentage of a producer's total revenue.

A sample format used in calculating total producer revenue is also provided below the graph. The calculation assumes a 200,000 pound producer with a 3.67% BF test, 3.10% Protein test, 5.70% Other Solids test, and a 330,000 Somatic Cell Count.



**United States
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March 2004
Central Federal Milk Order #32
Producer Price Differential, Component Prices & Average Component Tests

	Percent	Pounds	Value
Producer Price Differential @ Jackson County, MO (cwt)			\$0.14
Butterfat Price (lb)			\$2.3813 3.67 %
Protein Price (lb)			\$2.0133 3.05 %
Nonfat Solids Price (lb)			\$0.6634 8.78 %
Other Solids Price (lb)			\$0.0234 5.74 %
Somatic Cell Adjustment Rate (1 cwt)			\$0.00078 299
Statistical Uniform Price (Class I) % Butterfat (cwt)			\$14.63

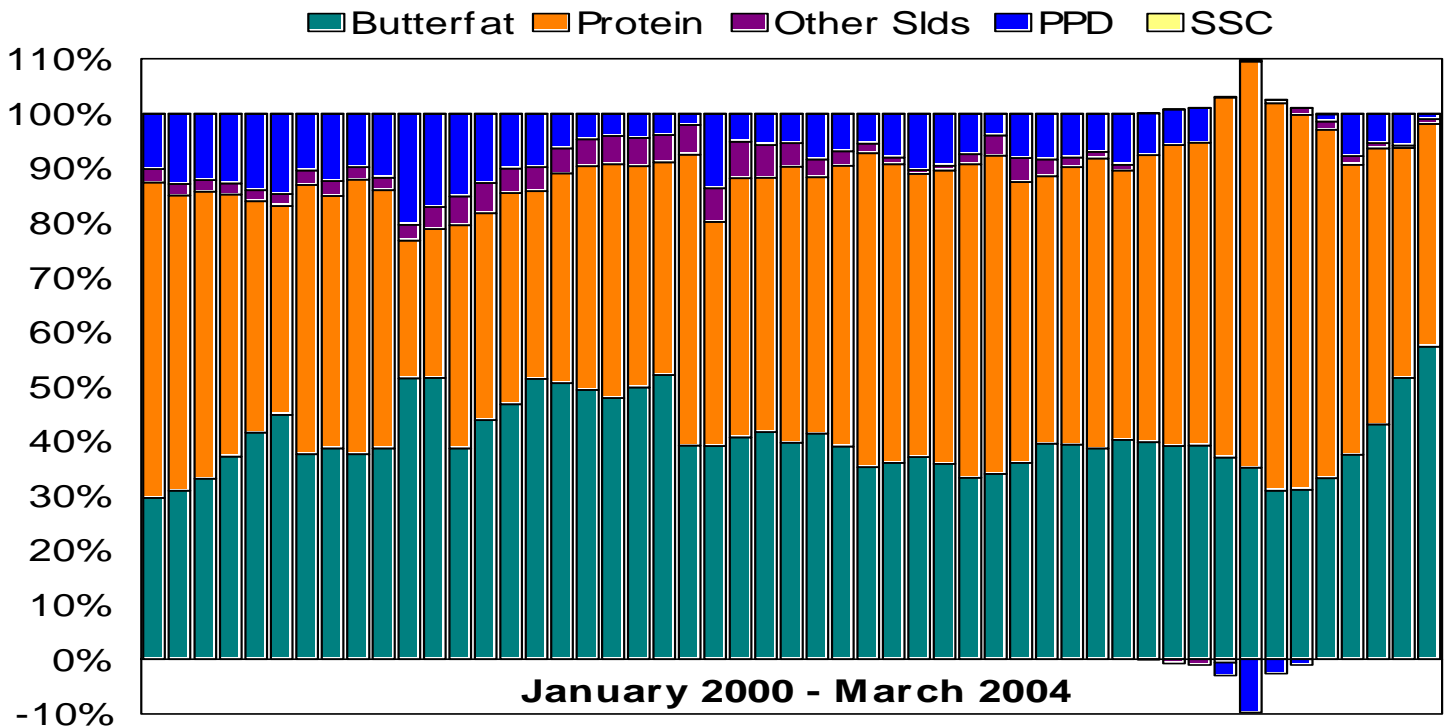
	Percent	Pounds	Value
Class I Producer Milk	53.77	382,953,252	42,800,394.24
Class II Producer Milk	14.12	100,569,696	22,308,823.22
Class III Producer Milk	19.86	141,609,875	23,893,940.78
Class IV Producer Milk	12.23	87,138,704	19,387,722.89
Class V Producer Milk	100.00	712,291,427	\$108,390,981.12
Inventory Reclassification & Adjustments			152,305.38
Receipts From Unregulated Supply Plants		38,849	617.33
Somatic Cell Adjustment - Classes II, III, and IV			156,610.39
Handler Use Value Of Producer Milk			\$108,700,514.22
Subtract Value Of Protein In Producer Milk			\$43,725,668.85
Subtract Value Of Other Solids In Producer Milk			955,888.26
Subtract Value Of Butterfat In Producer Milk			62,250,391.99
Subtract Somatic Cell Value In Producer Milk			285,193.33
Subtract Producer Location Adjustment			623,384.89
Add 1/2 Unobligated Producer Settlement Fund Balance			481,263.44
Subtract Producer Settlement Fund Reserve			343,987.92
Total Pounds & Value Of Pool Computation		712,330,276	\$997,262.42

Producer Price Differential @ Jackson County, MO (cwt) \$0.14

Released: April 9, 2004 by Donald R. Nicholson, Market Administrator

Producer price announcements may be obtained from the Market Administrator at the website, address, or phone number found on the back page. The prices used to calculate producer revenue can be found in the box located at the top of the price announcement.

**Component Values As A Percent Of 100 Lbs. Producer Milk
At 3.67% BF - 3.10% Protein - 5.70% OS - 330,000 SCC
Central Federal Order**



A Look At How You Can Calculate Your Pay Price

Assume a dairy producer with:

200,000 pounds of marketings
3.67% Butterfat test
3.10% Protein test
5.70% Other Solids test
Producer Price Differential (PPD)
330,000 Somatic Cell Count

Mar '04 Prices:

\$2.3813 /lb
\$2.0133 /lb
\$0.0234 /lb
\$0.14 /cwt
\$0.00080 / 100,000 cells / cwt

Prices For
Different Months
May Be Found In
The Table On
Page 2

Component	Avg Test	Hundred-Weights	Lbs. Component Marketed	Mar '04 Component Prices	Total Value
Butterfat	3.67	x 2,000	= 7,340	x \$2.3813	= \$17,478.74
Protein	3.10	x 2,000	= 6,200	x \$2.0133	= \$12,482.46
Other Solids	5.70	x 2,000	= 11,400	x \$0.0234	= \$ 266.76
PPD		2,000		x \$0.14	= \$ 280.00
Somatic Cell Count (Calculate Adjuster) (350-330=20)	330,000 20	x \$0.00080	= \$0.02 x 2,000		= \$ 40.00

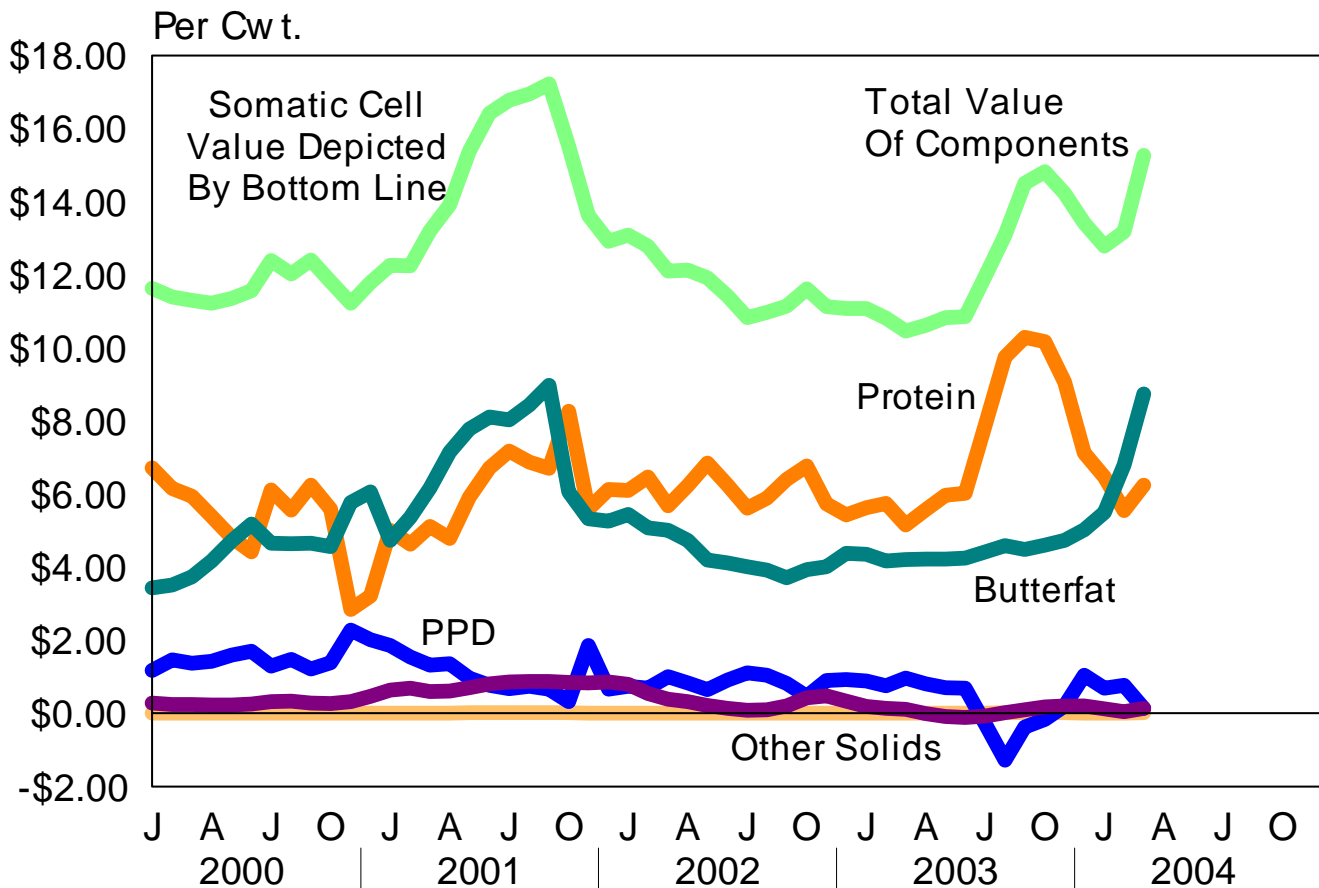
Total Federal Order Value Of Milk Marketed: March 2004 **\$30,547.96**
Effective Price Per Hundredweight **\$15.27**

Note: The March 2004 price announcement on the previous page published a Central order statistical blend price of \$14.63. This price is published at 3.5% BF, 2.99% Protein, and 5.69% Other Solids. Individual producers should be aware their price can vary from that published price. In the above example, the price is 64¢ above the published price.

Total Federal Order Value Of Milk Marketed By Month ¹ For A 200,000 Pound Producer With 3.67% BF, 3.10% Protein, 5.70% Other Solids, & 330,000 SCC

Monthly calculations were performed (holding test averages constant) to arrive at the values in the table on page 5. These calculations use the prices found in the table on page two and the formula at the bottom of page three. This table may be useful in examining the relationships between actual component prices (page 2) as they compare with each other in determining the total component value to the producer (table on page 5). Highs are denoted in blue and lows in red. The PPD value during the last 51 months was always less than either the butterfat or protein values, and it comprised less than 8% of the total producer revenue. In comparison, protein values accounted for over 49% of total revenue while butterfat values comprised over 40%. Moreover, total producer revenue increased during numerous months when the PPD decreased, and vice-versa. **Despite these facts, the PPD remains the most closely watched, quoted, and compared dairy price by many in the dairy industry, especially when the value is negative.** The graph below illustrates the dollar values found in the table at the right (page 5) on a per cwt. basis.

Note: The PPDs used in this illustration are for milk marketed at plants located in Jackson or St. Louis County Missouri (\$2.00 location differential). The PPD would be reduced for milk delivered to plants north of these counties while deliveries south would be higher.



Total Federal Order Value Of Milk Marketed By Month ¹

	Butterfat	Protein	Other Solids	PPD	SCC	Total Value	Effective Price
Jan 2000	6,874.64	13,439.74	573.42	2,360.00	20.00	23,267.80	11.63
Feb	7,037.59	12,306.38	492.48	2,920.00	20.00	22,776.45	11.39
Mar	7,480.19	11,882.92	483.36	2,740.00	20.00	22,606.47	11.30
Apr	8,332.37	10,787.38	465.12	2,860.00	20.00	22,464.87	11.23
May	9,434.84	9,618.68	459.42	3,180.00	20.00	22,712.94	11.36
Jun	10,369.95	8,852.36	499.32	3,400.00	20.00	23,141.63	11.57
Jul	9,315.19	12,230.12	634.98	2,580.00	20.00	24,780.29	12.39
Aug	9,291.71	11,130.24	657.78	2,960.00	20.00	24,059.73	12.03
Sep	9,326.94	12,484.94	572.28	2,420.00	20.00	24,824.16	12.41
Oct	9,133.90	11,177.36	536.94	2,760.00	20.00	23,628.20	11.81
Nov	11,556.83	5,672.38	644.10	4,560.00	20.00	22,453.31	11.23
Dec	12,135.96	6,434.36	945.06	4,020.00	20.00	23,555.38	11.78
Jan 2001	9,465.66	10,032.22	1,276.80	3,720.00	20.00	24,514.68	12.26
Feb	10,735.48	9,269.62	1,366.86	3,100.00	20.00	24,491.96	12.25
Mar	12,345.88	10,228.76	1,184.46	2,640.00	20.00	26,419.10	13.21
Apr	14,300.52	9,574.66	1,232.34	2,720.00	20.00	27,847.52	13.92
May	15,554.19	11,846.96	1,401.06	1,940.00	40.00	30,782.21	15.39
Jun	16,213.33	13,435.40	1,606.26	1,540.00	40.00	32,834.99	16.42
Jul	16,062.12	14,368.50	1,721.40	1,360.00	40.00	33,552.02	16.78
Aug	16,864.38	13,756.56	1,749.90	1,480.00	40.00	33,890.84	16.95
Sep	17,945.57	13,421.14	1,732.80	1,320.00	40.00	34,459.51	17.23
Oct	12,130.08	16,531.68	1,689.48	640.00	40.00	31,031.24	15.52
Nov	10,643.00	11,187.90	1,675.80	3,720.00	20.00	27,246.70	13.62
Dec	10,512.35	12,264.84	1,729.38	1,320.00	20.00	25,846.57	12.92
Jan 2002	10,896.96	12,189.20	1,586.88	1,480.00	20.00	26,173.04	13.09
Feb	10,141.68	12,948.08	1,100.10	1,380.00	20.00	25,589.86	12.79
Mar	10,010.29	11,372.04	784.32	2,020.00	20.00	24,206.65	12.10
Apr	9,461.26	12,467.58	645.24	1,660.00	20.00	24,254.08	12.13
May	8,391.82	13,700.14	426.36	1,300.00	20.00	23,838.32	11.92
Jun	8,228.87	12,491.76	281.58	1,820.00	20.00	22,842.21	11.42
Jul	8,021.89	11,218.90	171.00	2,220.00	20.00	21,651.79	10.83
Aug	7,854.53	11,793.02	201.78	2,080.00	20.00	21,949.33	10.97
Sep	7,412.67	12,800.52	418.38	1,640.00	20.00	22,291.57	11.15
Oct	7,872.88	13,540.18	860.70	920.00	20.00	23,213.76	11.61
Nov	8,017.48	11,450.78	969.00	1,800.00	20.00	22,257.26	11.13
Dec	8,750.75	10,853.72	665.76	1,860.00	20.00	22,150.23	11.08
Jan 2003	8,702.30	11,261.68	386.46	1,780.00	20.00	22,150.44	11.08
Feb	8,347.78	11,493.56	273.60	1,500.00	20.00	21,634.94	10.82
Mar	8,410.91	10,321.76	234.84	1,940.00	20.00	20,927.51	10.46
Apr	8,443.20	11,163.72	-9.12	1,620.00	20.00	21,237.80	10.62
May	8,449.81	11,950.50	-164.16	1,400.00	20.00	21,656.15	10.83
Jun	8,496.78	12,049.08	-228.00	1,380.00	20.00	21,717.86	10.86
Jul	8,848.37	15,797.60	-141.36	-580.00	20.00	23,944.61	11.97
Aug	9,185.28	19,491.56	29.64	-2,560.00	40.00	26,186.48	13.09
Sep	8,968.01	20,571.60	193.80	-760.00	40.00	29,013.41	14.51
Oct	9,213.90	20,345.30	354.54	-320.00	40.00	29,633.74	14.82
Nov	9,451.72	18,145.54	419.52	400.00	40.00	28,456.78	14.23
Dec	10,046.99	14,258.14	412.68	2,080.00	20.00	26,817.81	13.41
Jan 2004	10,993.85	12,942.50	247.38	1,380.00	20.00	25,583.73	12.79
Feb	13,592.21	11,104.82	102.60	1,540.00	20.00	26,359.63	13.18
Mar	17,478.74	12,482.46	266.76	280.00	40.00	30,547.96	15.27

¹ The federal order value of milk marketed is the minimum federal order price that dairy producers or their cooperative associations must be paid under the order. The price does not include authorized deductions, marketing service fees, etc.

	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	3/2004	2/2004	3/2004	2/2004	3/2004	2/2004
Pacific Northwest	14.55	12.67	0.06	0.78	31.61	28.34
Western	14.69	12.53	0.20	0.64	60.03	19.40
Arizona-Las Vegas	14.69	12.89	-----	-----	32.35	31.41
Central	14.63	12.66	0.14	0.77	53.76	29.49
Southwest	15.22	13.67	0.73	1.78	58.74	44.39
Upper Midwest	14.70	12.36	0.21	0.47	58.64	18.25
Southeast	15.61	14.23	-----	-----	61.14	58.32
Mideast	14.68	12.87	0.19	0.98	44.50	36.31
Appalachian	15.80	14.49	-----	-----	76.20	66.52
Northeast	15.56	13.95	1.07	2.06	44.61	43.56
Florida	16.48	15.48	-----	-----	83.02	81.91

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