

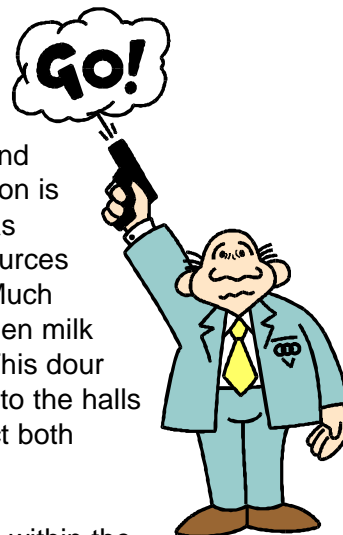
MARKETING SERVICE

BULLETIN

Federal Order Reform ????

There seems to be a vague perception that anything relating to federal milk order reform is detrimental to the dairy industry.

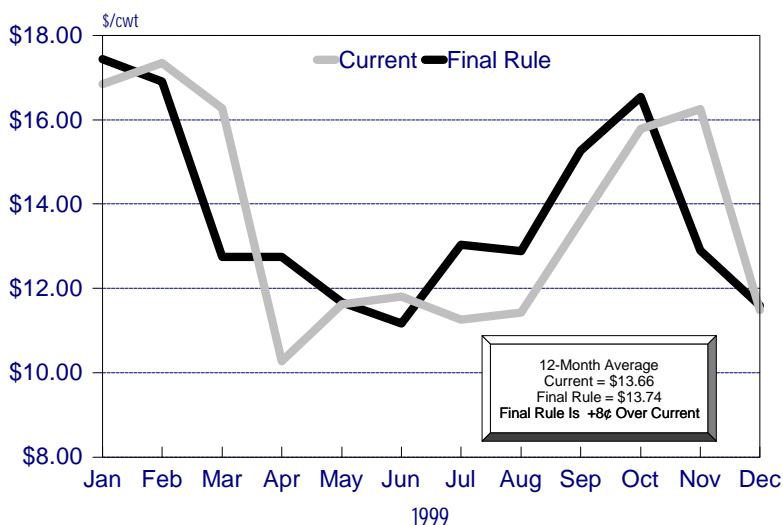
Especially after reading news media articles, listening to discussions and observing national debates on federal milk order reform. This perception is no longer shared just by those who deal within the dairy industry. It has spread to consumers who are told through all these communication sources that they are being "ripped off" every time the price of milk changes. Much concern is expressed for school children and how they are affected when milk prices go up and how they do not benefit when milk prices go down. This poor perception of everything associated with the dairy industry has spread to the halls of congress (both state and national) as legislators are asked to protect both consumers and the dairy industry -- many times from each other.



Much of the information used against the dairy industry originates from within the dairy industry. When changes such as those represented by federal milk order reform are proposed it is to be expected that every group would want the best. Due diligence demands that all aspects of reform be examined to understand its impact on any group of dairy producers or processors. However, misinformation about federal milk order reform seems to be growing. What one group uses as information for its own benefit is being taken and used elsewhere in ways it may not have been intended. One example is differing views of how price information under reform would help or hurt.

The most important question that **dairy farmers want to know** is will the new reform prices cut my pay price or how does this affect me? The following graphics present a comparison of selected federal milk order prices for the past year. This includes prices as they are currently calculated and prices as they would be calculated if federal milk order reform had been in place.

Federal Order Class I Mover



Interestingly, the average prices for the January to November '99 period are higher under the proposed reform in all cases except Class II.

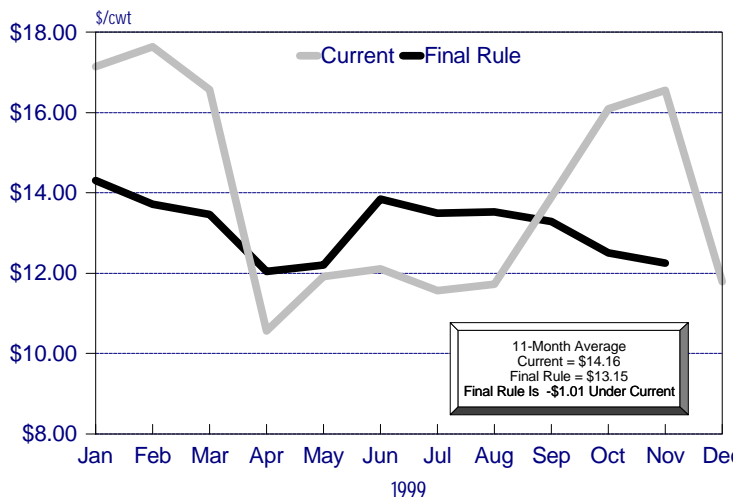
The graphics contained within this bulletin are provided to illustrate these two sets of prices. As in most issues, there are other factors not discussed which can affect the differences between the current prices and reform prices. Moving to a pricing system which reflects monthly price changes in a more timely manner is one such factor which can affect the yearly averages.

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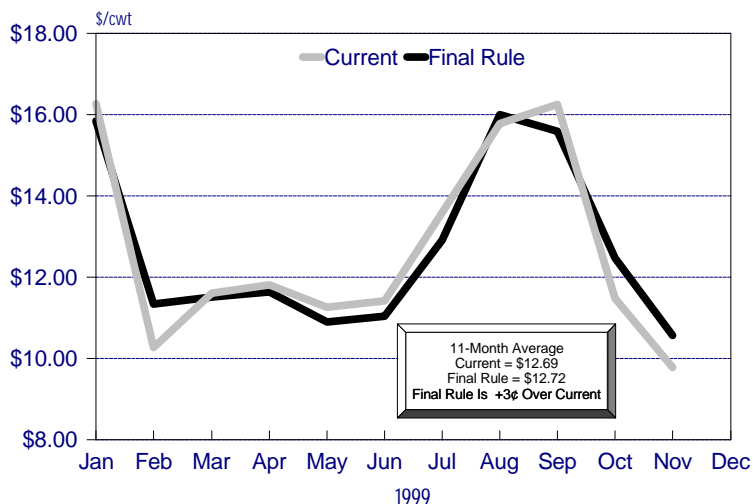
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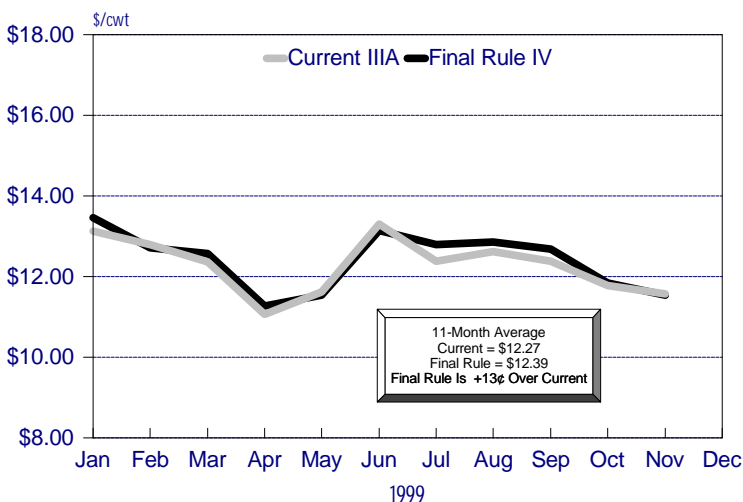
Federal Order Class II Price



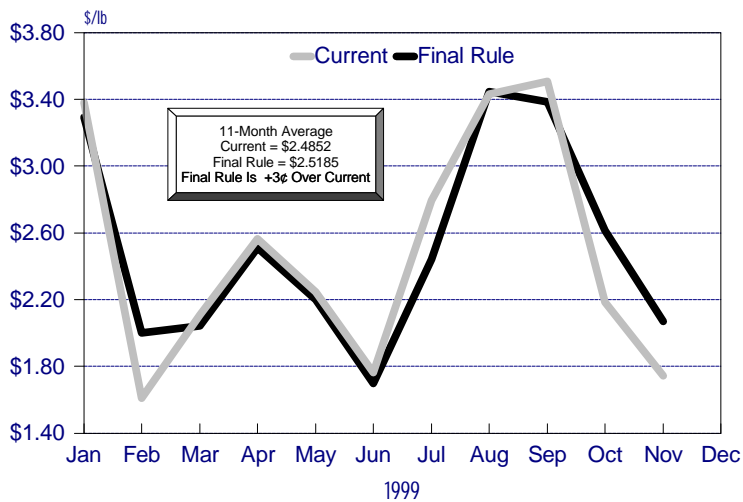
Federal Order Class III Price



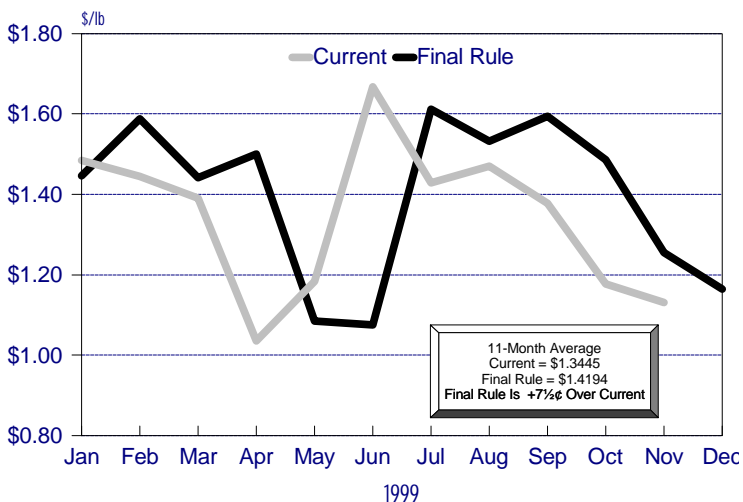
Federal Order Class IIIA / Reform IV Price



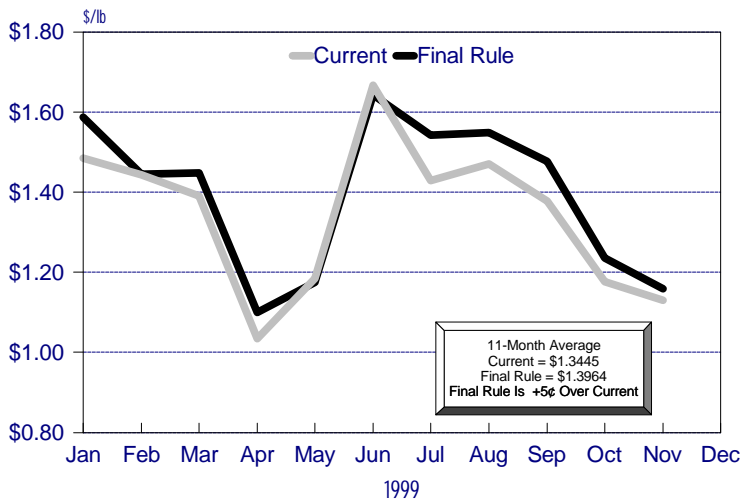
Federal Order Protein Price



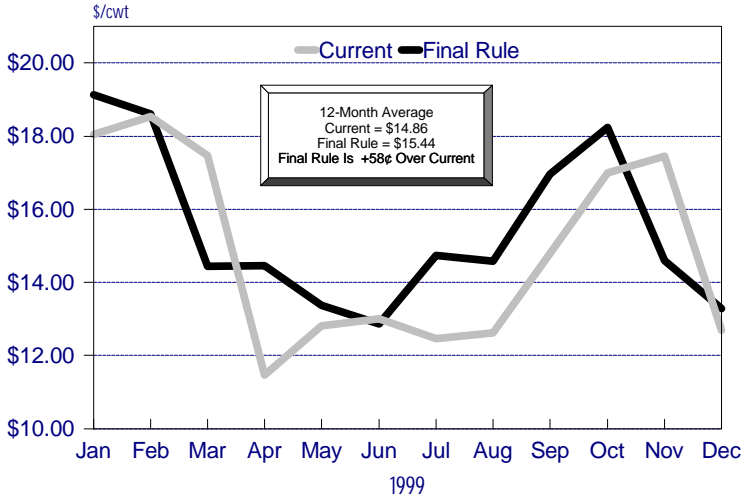
Federal Order Class I Butterfat Price



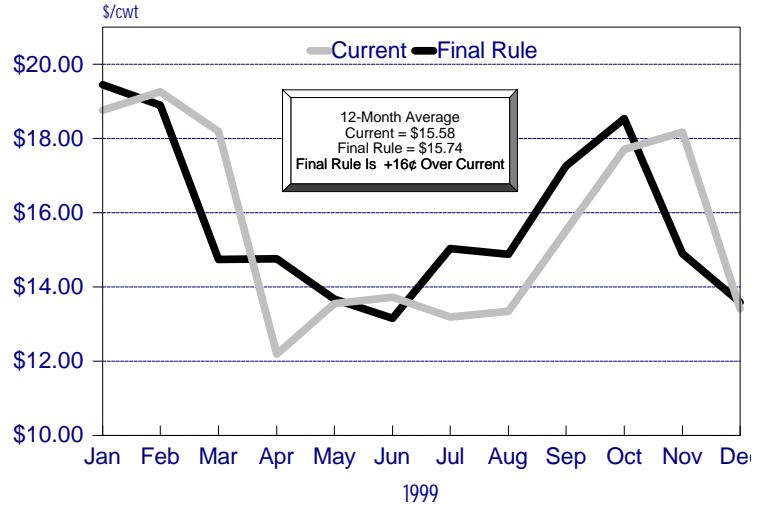
Federal Order Class III, IV, & Producer Butterfat Price



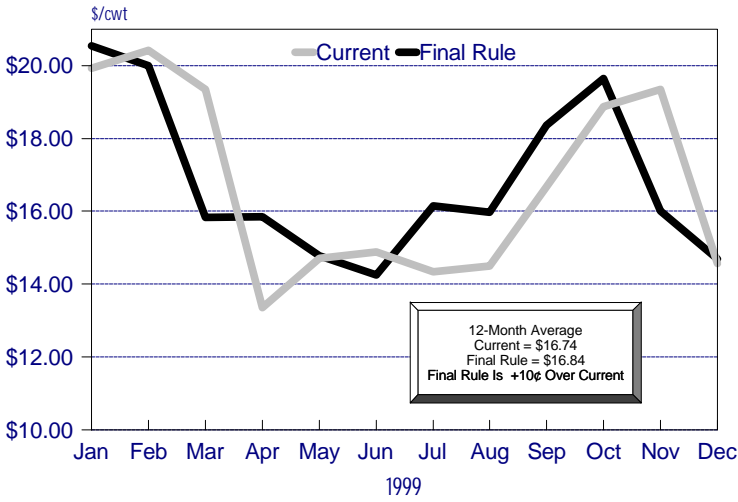
Federal Order Class I Price Minneapolis



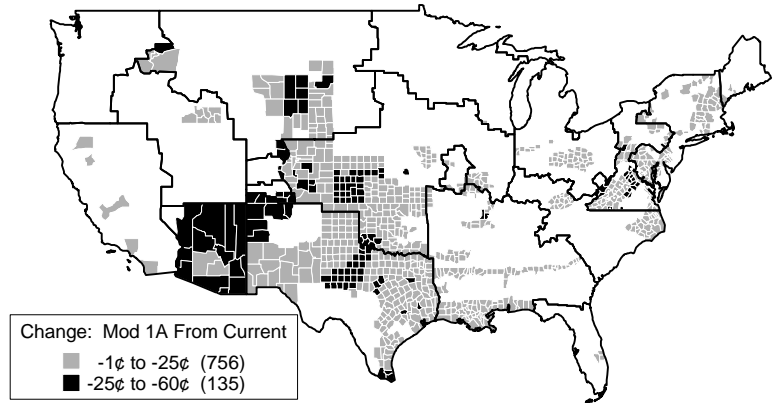
Federal Order Class I Price Kansas City



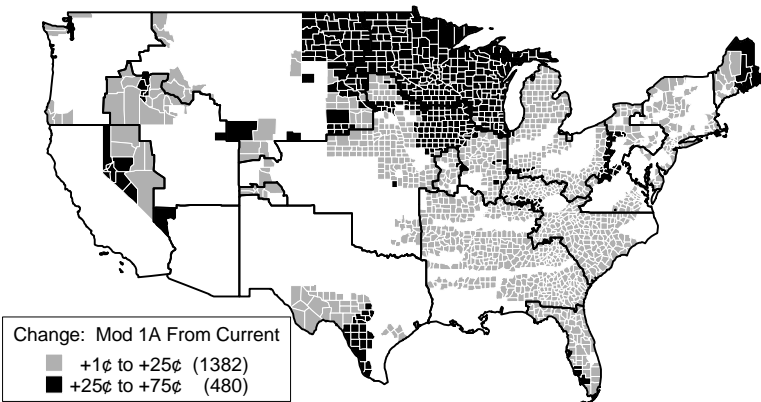
Federal Order Class I Price Atlanta



Decreases In Modified "1A" Class I Differentials Versus Current Differentials



Increases In Modified "1A" Class I Differentials Versus Current Differentials



| A comparison of Blend Prices for milk of 3.5% butterfat content is provided for selected Federal milk marketing orders: | | Nov 1999 | Oct 1999 | Nov 1998 |
|---|--------------------|----------|----------|----------|
| | Southeast (Zone 7) | \$18.25 | \$17.96 | \$17.92 |
| Chicago Regional (Zone I) | 11.61 | 12.86 | 16.39 | |
| Greater Kansas City | 17.82 | 17.35 | 16.92 | |
| Indiana | 16.06 | 16.12 | 16.54 | |
| Iowa (Zone I) | 12.37 | 13.36 | 16.36 | |
| Southwest Plains (Zone I) | 15.12 | 15.52 | 17.40 | |
| Central Illinois (Zone I) | 15.92 | 15.85 | 16.69 | |
| Southern Illinois - Eastern Missouri (Base Zone) | 16.29 | 16.20 | 16.65 | |

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