

# MARKETING SERVICE

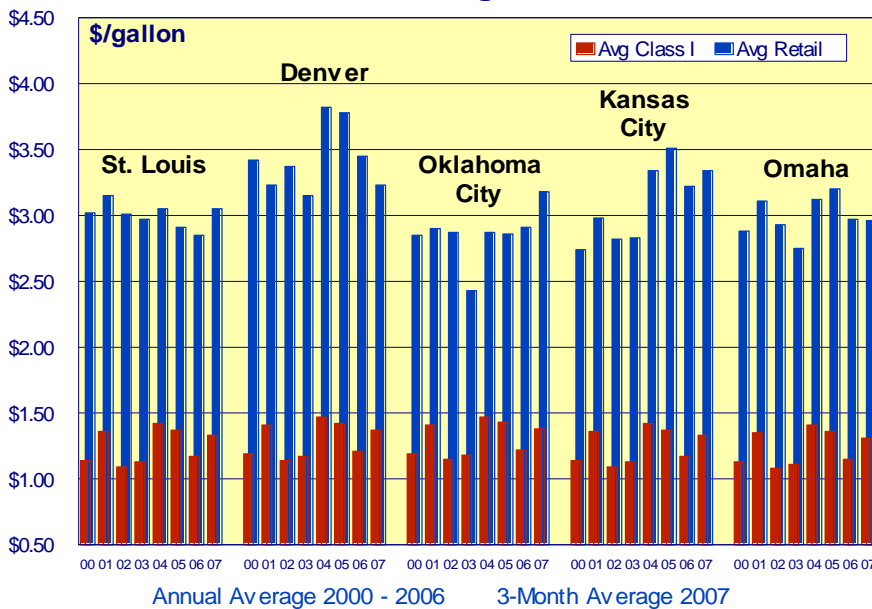
## BULLETIN

### Federal Milk Order Class I Prices From 25-Year Lows to Record Highs . . . Retail Milk Price Update

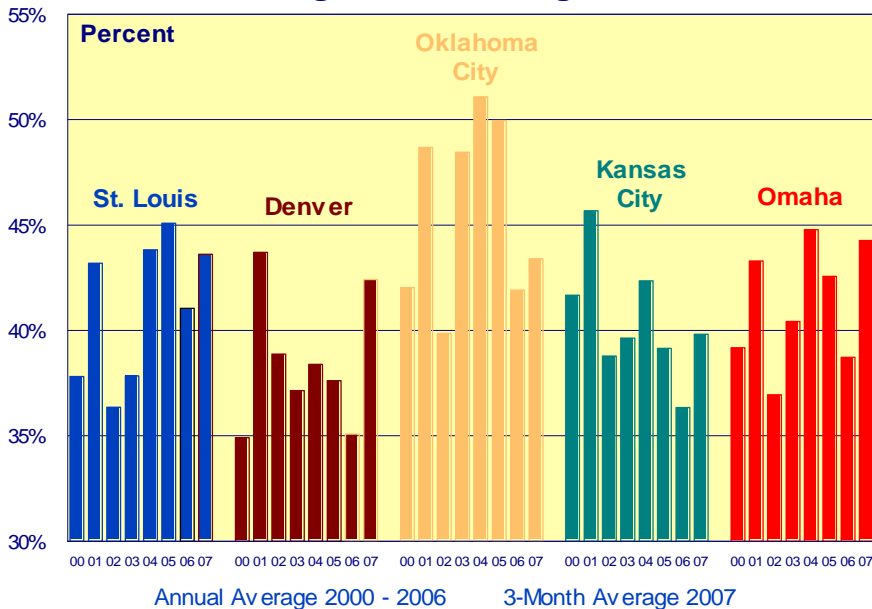
The U.S. dairy industry has experienced dynamic federal order price volatility since congressionally mandated federal milk order reform became effective in January 2000.

"Normal cyclical price fluctuation" cannot adequately describe the \$11.49 difference between the highest and lowest Class I price movers during this post reform period.

**Minimum Federal Order Class I Prices @ 3.25% BF  
versus Retail Homogenized Milk Prices**



**Minimum Federal Order Class I Price @ 3.25% BF  
As % Of Average Retail Homogenized Milk Price**



Federal order Class I prices hit a 25-year low in April 2003 when the Class I mover declined to \$9.64 per hundredweight. (The previous low occurred in September 1978 when the Class I mover was \$9.33.) In June 2004, just fourteen months after this 25-year low, the federal milk order Class I mover increased to a record high \$21.13. The price mover announced for March 2007 is \$14.25, which ranks it 22nd among the 87 Class I movers recorded since order reform.

Federal order Class I prices affect both dairy producers and dairy processors. The graphics contained in this bulletin illustrate retail homogenized milk prices for five cities in the Central federal order and the corresponding federal order Class I price for each city from January 2000 through March 2007.

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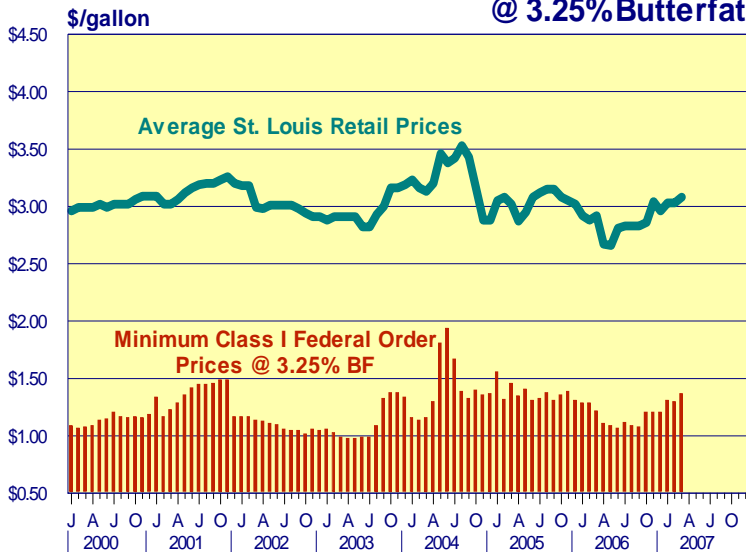


Retail fluid dairy prices are surveyed monthly in St. Louis (MO), Denver (CO), Kansas City (MO), Oklahoma City (OK), and Omaha (NE). The retail prices used are averages at the two largest retail grocery chains and the largest convenience chain. Prices are obtained between the 1st and the 10th of the month, excluding Fridays and weekends, and represent the most common brand.

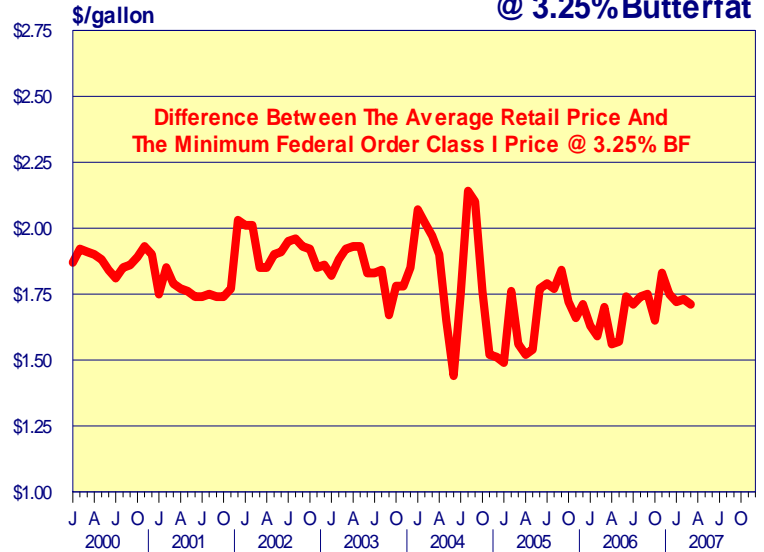
The federal milk order Class I price represents the minimum dairy producers' share of the retail price. The Class I price in all federal milk orders is the minimum amount processors must pay for milk utilized in fluid bottling. All Class I prices in this bulletin have been adjusted to a 3.25% butterfat content to correspond with the average butterfat content of homogenized (whole) milk.

The federal order Class I price does not represent a processor's total milk cost. Additional items associated with fluid milk marketing also need to be considered when calculating the total cost of Class I dairy products. These include items such as: over-order premiums charged by raw milk suppliers; costs associated with processing, packaging, marketing and sales; profit margins; etc.

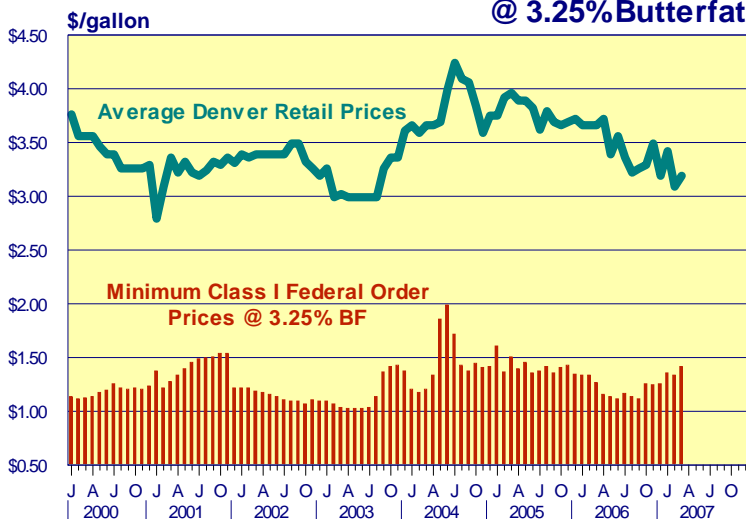
**St. Louis Homogenized Milk Prices @ 3.25% Butterfat**



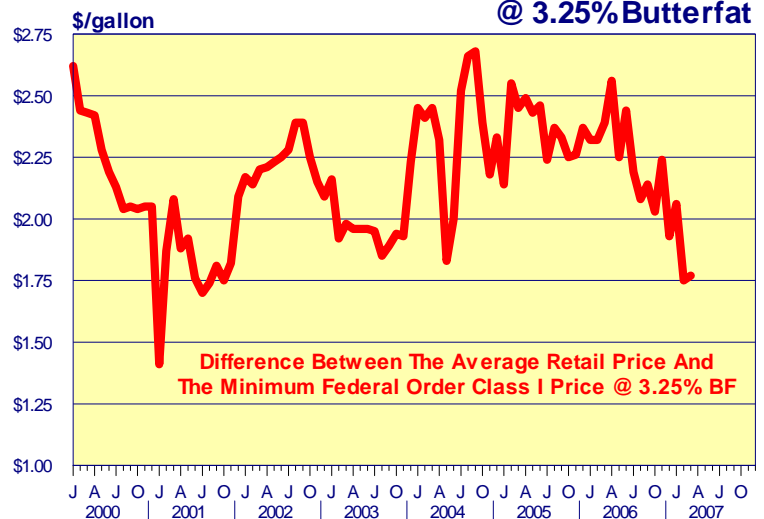
**St. Louis Homogenized Milk Prices @ 3.25% Butterfat**



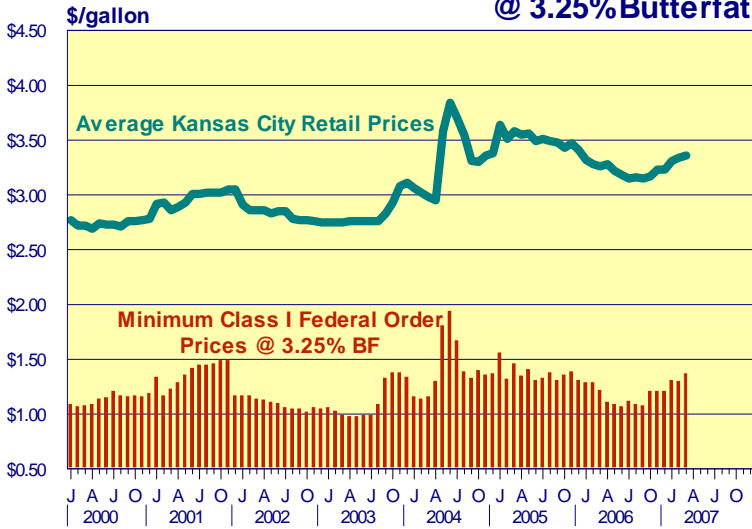
**Denver Homogenized Milk Prices @ 3.25% Butterfat**



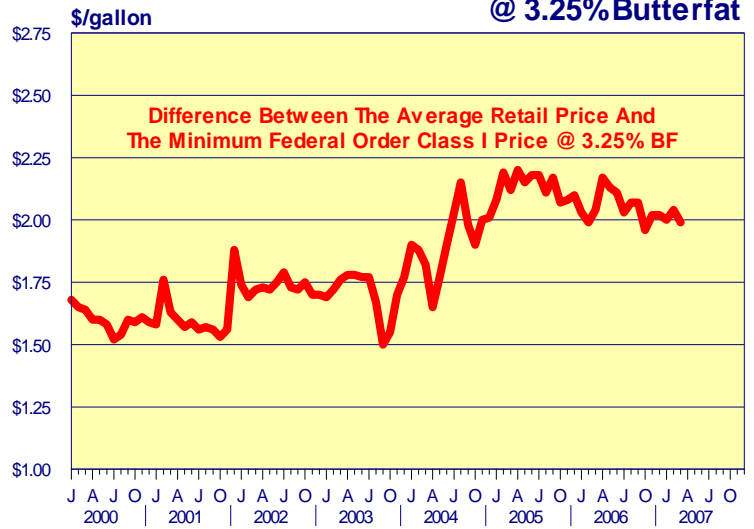
**Denver Homogenized Milk Prices @ 3.25% Butterfat**



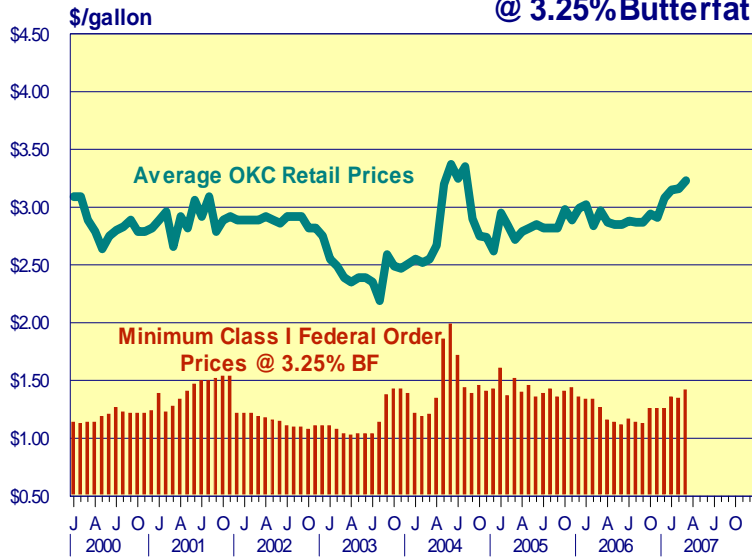
**Kansas City Homogenized Milk Prices @ 3.25% Butterfat**



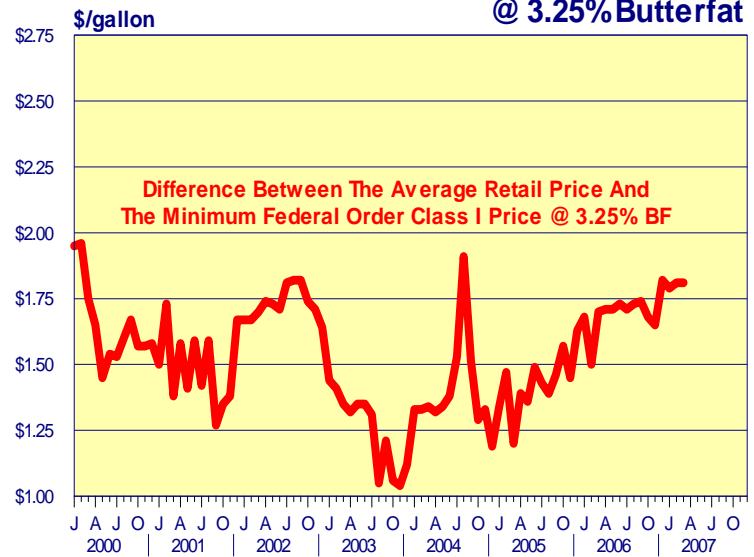
**Kansas City Homogenized Milk Prices @ 3.25% Butterfat**



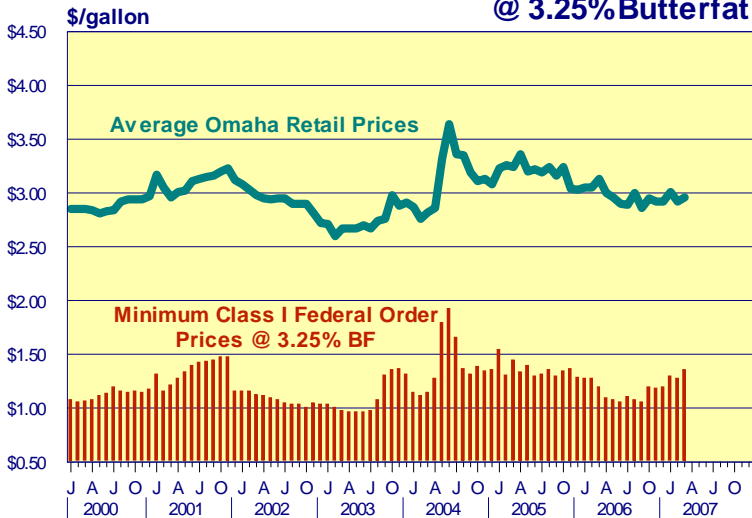
**Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat**



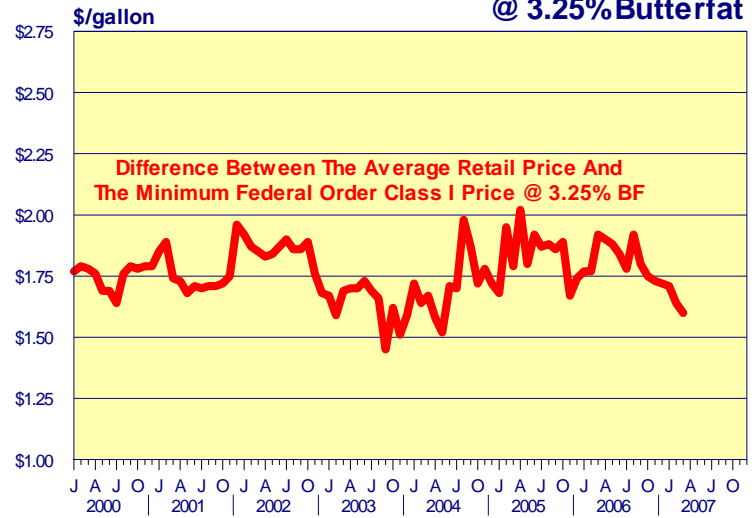
**Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat**



**Omaha Homogenized Milk Prices @ 3.25% Butterfat**



**Omaha Homogenized Milk Prices @ 3.25% Butterfat**



	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Feb '07	Jan '07	Feb '07	Jan '07	Feb '07	Jan '07
Northeast	15.21	15.09	1.03	1.53	48.57	48.62
Appalachian	15.57	15.60	-----	-----	67.27	68.92
Florida	16.71	16.77	-----	-----	81.17	82.92
Southeast	15.68	15.49	-----	-----	58.63	59.00
Upper Midwest	14.23	13.75	0.05	0.19	18.35	14.96
<b>Central</b>	<b>14.06</b>	<b>13.92</b>	<b>-0.12</b>	<b>0.36</b>	<b>40.85</b>	<b>38.16</b>
Mideast	14.23	14.03	0.05	0.47	41.55	39.92
Pacific Northwest	13.81	13.63	-0.37	0.07	30.03	31.69
Southwest	14.98	14.77	0.80	1.21	37.07	40.57
Arizona-Las Vegas	14.22	14.12	-----	-----	36.82	39.26

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