

MARKETING SERVICE

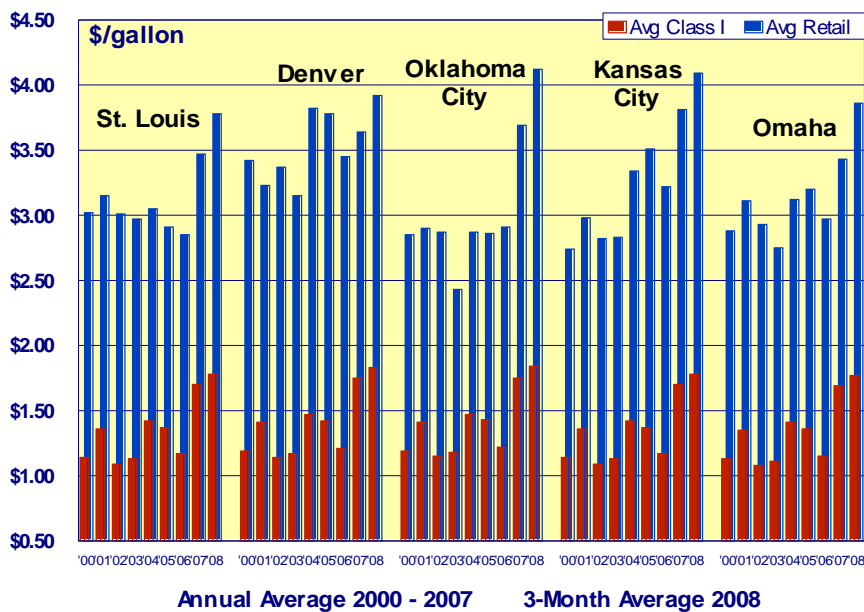
B U L L E T I N

> 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 price volatility since congressionally mandated federal milk order reform became effective in January 2000. "Normal cyclical price

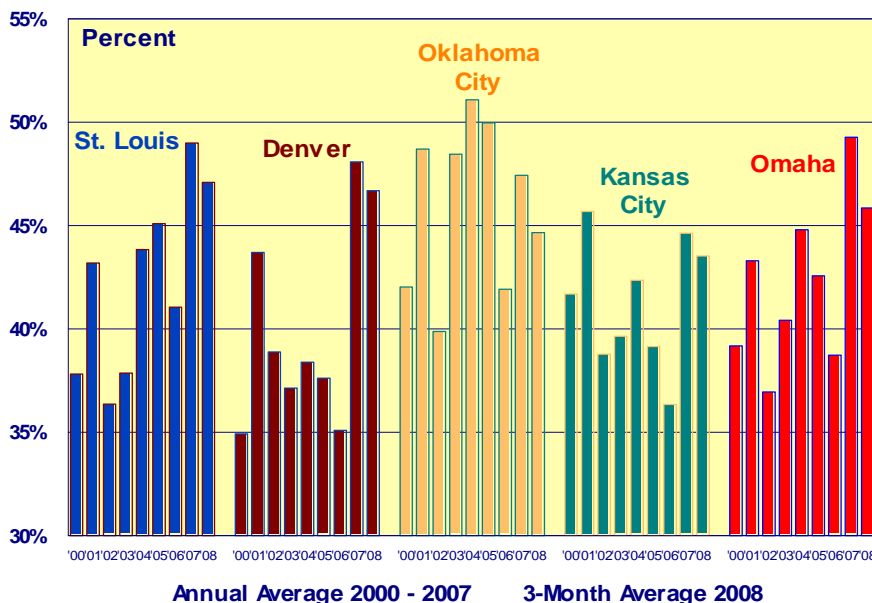
fluctuation" cannot adequately describe the \$12.27 difference between the highest and lowest monthly Class I price movers during this post reform period.

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



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 was \$9.33 in September 1978.) The record high occurred in September 2007 when the Class I mover reached \$21.91. This price has since decreased by \$5.21, resulting in a \$16.70 mover for March 2008. Even though this represents a 23.8% decline compared with September's record high, the March mover still ranks 13th among the 99 Class I movers recorded since order reform.

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



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 along with the corresponding federal order minimum Class I price for each city from January 2000 through March 2008.

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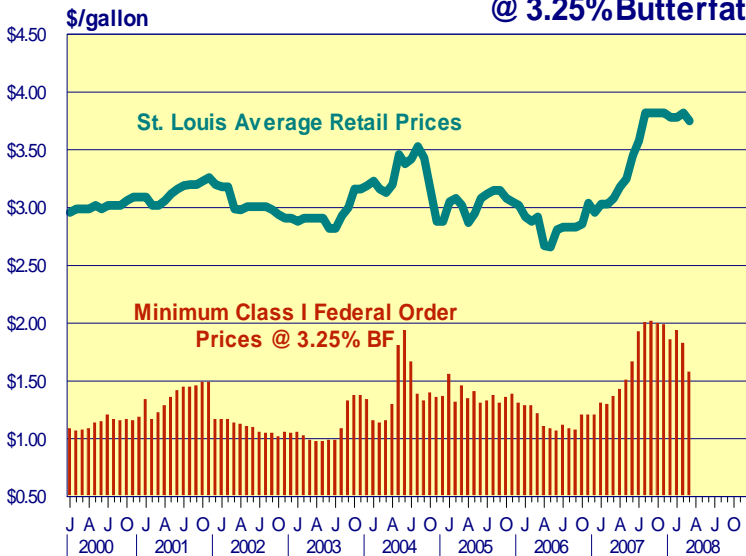


Retail fluid dairy prices are surveyed monthly in St. Louis (MO), Denver (CO), Kansas City (MO), Oklahoma City (OK), and Omaha (NE). The retail prices used are averages for the two largest retail grocery chains and the largest convenience chain. Prices are obtained between the 1st and the 10th of the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

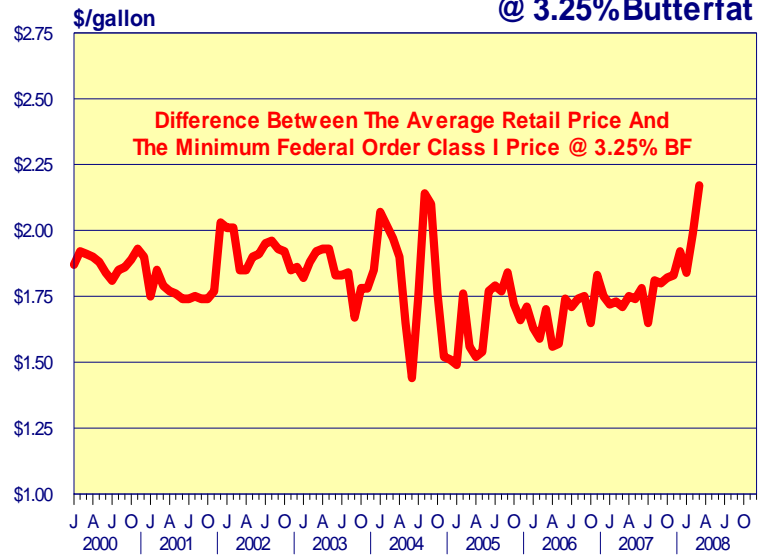
The federal milk order Class I price represents the minimum dairy producers' share of the retail price. The Class I price in all federal milk orders is the minimum amount processors must pay for milk utilized in fluid bottling. All Class I prices in this bulletin have been adjusted to a 3.25% butterfat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

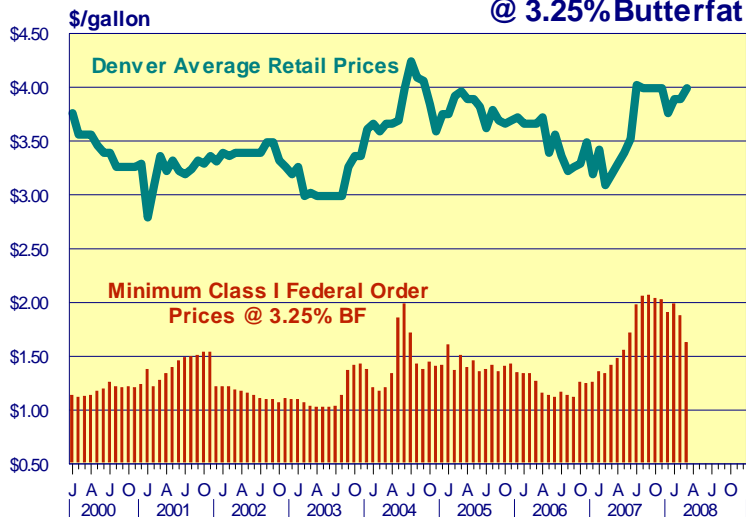
St. Louis Homogenized Milk Prices @ 3.25% Butterfat



St. Louis Homogenized Milk Prices @ 3.25% Butterfat



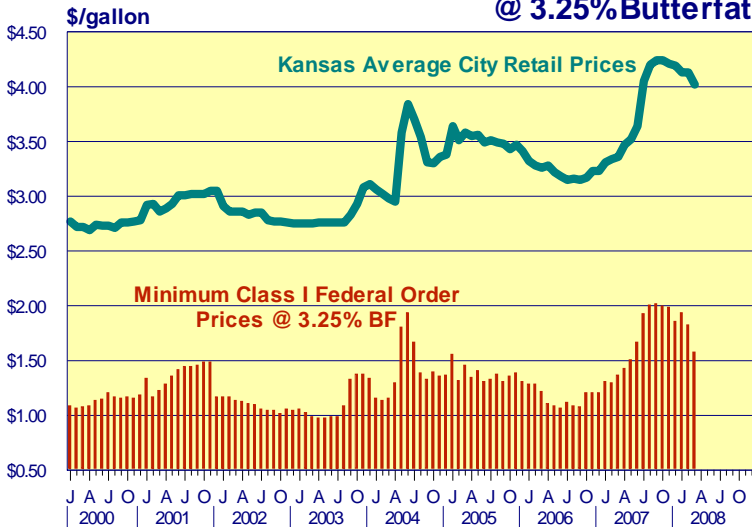
Denver Homogenized Milk Prices @ 3.25% Butterfat



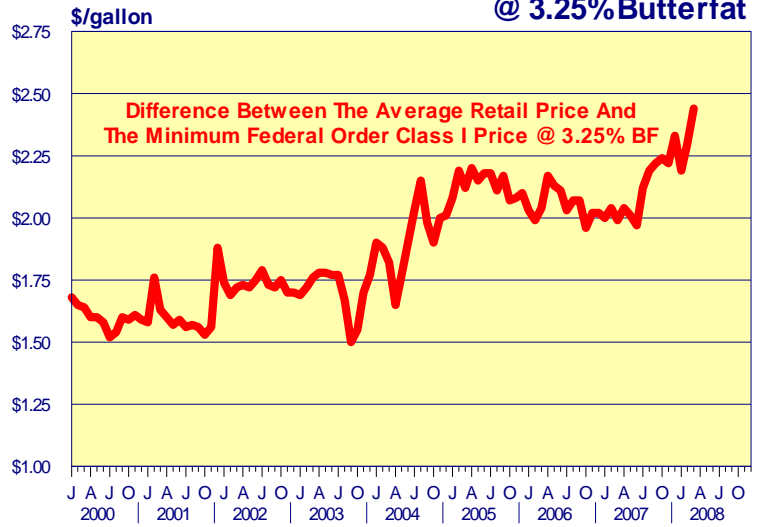
Denver Homogenized Milk Prices @ 3.25% Butterfat



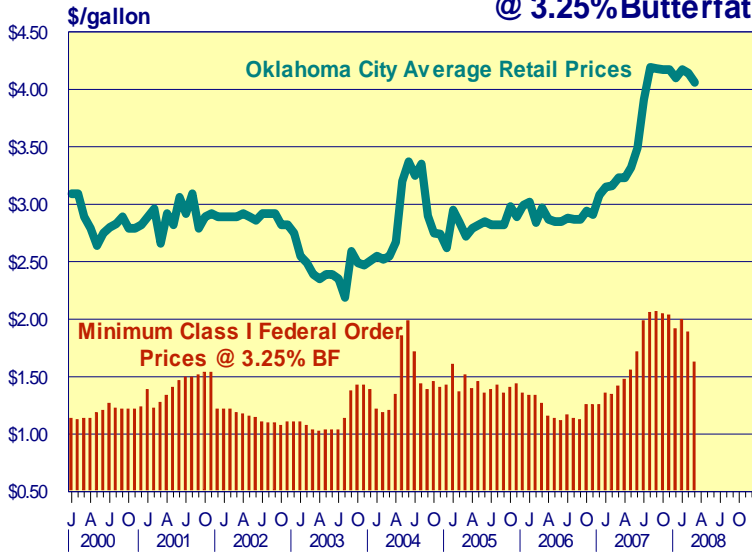
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



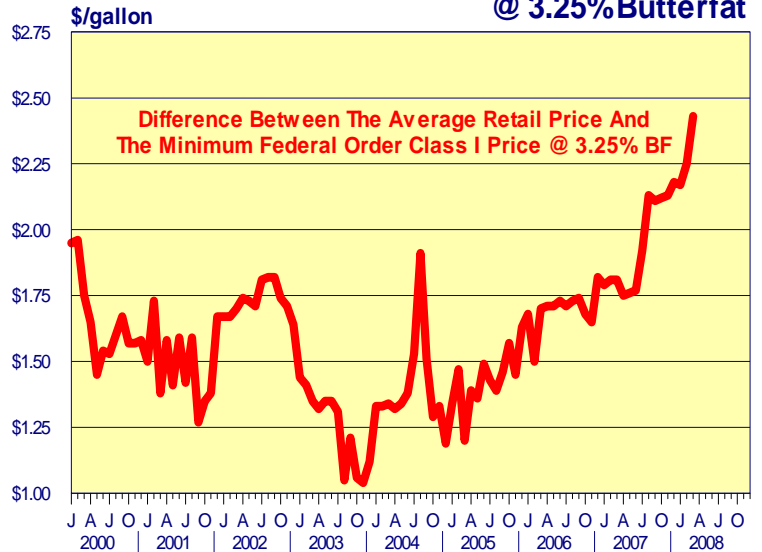
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



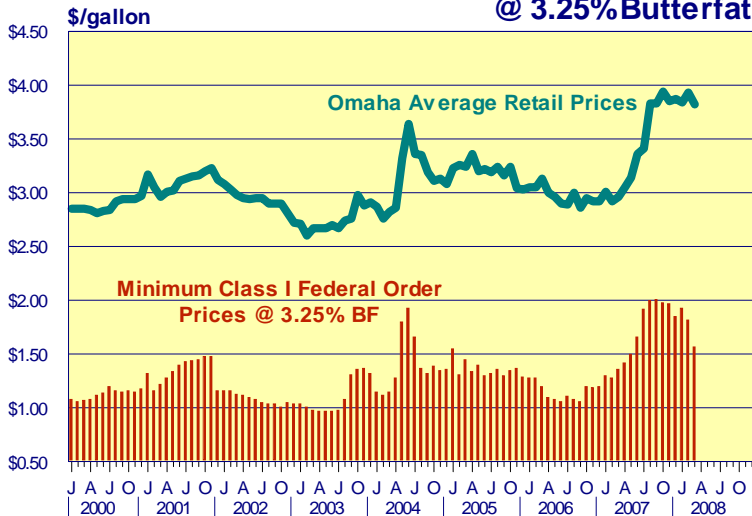
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



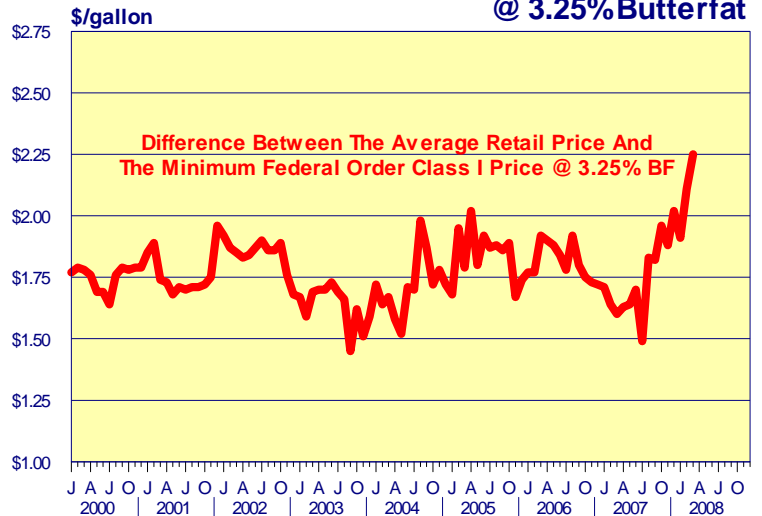
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



Omaha Homogenized Milk Prices @ 3.25% Butterfat



Omaha Homogenized Milk Prices @ 3.25% Butterfat



	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>2/2008</u>	<u>1/2008</u>	<u>2/2008</u>	<u>1/2008</u>	<u>2/2008</u>	<u>1/2008</u>
Northeast	19.54	21.11	2.51	1.79	42.54	44.10
Appalachian	21.32	22.60	-----	-----	72.26	72.50
Florida	22.60	23.80	-----	-----	83.06	82.62
Southeast	20.90	22.46	-----	-----	64.23	66.56
Upper Midwest	17.63	19.70	0.60	0.38	15.12	15.60
Central	18.11	19.71	1.08	0.39	33.14	34.73
Mideast	18.65	20.25	1.62	0.93	39.00	38.87
Pacific Northwest	17.47	19.39	0.44	0.07	29.93	34.37
Southwest	19.28	20.70	2.25	1.38	45.08	44.77
Arizona	18.00	19.72	-----	-----	33.75	36.22

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Website: www.fmmacentral.com
E-mail: market.administrator@fmmacentral.com
Phone: 913-495-9300