

MARKETING SERVICE

BULLETIN

3.4% of Central Federal Order Farms Market 50% of Pooled Milk

Central federal order milk marketings have undergone dynamic changes as dairy producers, cooperatives and processors seek opportunities which maximize returns through milk pooling practices. Dramatic shifts in the location of farms that supply Central order regulated handlers have occurred since the inception of the "reformed" order in January 2000. Many of these changes are attributable to revisions in pooling provisions for either the Central order or adjacent federal milk orders. Milk from distant locations, such as California, became associated with the order but were later removed as pooling provisions were tightened. In recent years negative Producer Price Differentials (PPD's) resulted in substantial amounts of milk, previously associated with the order, being "De-Pooled" due to Class price alignments. The Central order "milkshed" has undergone additional changes as a result of recent order revisions.

The number of farms with marketings pooled on the Central order increased from 7,479 in January 2000 to a peak of 11,683 farms during June 2001. This number has declined to less than 34% of the peak, with 3,926 farms marketing milk on the order during October 2008. The tables on the first two pages of this bulletin provide distribution data by farm size based on October 2008 Central order milk marketings.

Central Order Eligible Milk Marketings Ranked From Largest Producer to Smallest October 2008

| Quartiles | # of Farms | Range Of Milk Marketings Per Farm |
|-----------|------------|-----------------------------------|
| 1 | 34 | 4,428,935 - 16,608,125 lbs. |
| 2 | 98 | 1,227,115 - 4,398,620 lbs. |
| 3 | 552 | 204,738 - 1,223,449 lbs. |
| 4 | 3,242 | < 204,628 lbs. |

A relatively small number of farms with large milk marketings make up a disproportionate share of the Central order total. This is also true for many of the states that have producers supplying the order, as indicated by the table on page two. Moreover, data from the table above indicates that 34 of the largest farms accounted for 25% of Central order marketings during October 2008. Each of these farms marketed more than 4.428 million pounds during the month. Half of the milk on the Central order in October was accounted for by including the next 98 farms - these farms had marketings between 1.227 & 4.399 million pounds. Thus, 3.4% of the farms marketed 50% of the milk during October 2008. The table below provides a farm distribution based on the amount of milk marketed on the Central order. Notably, there were 2,350 farms (down from 5,727 farms in October 2002) which marketed less than 100,000 pounds on the order. These producers accounted for over 59% of the farms but less than 12% of the milk marketed.

Distribution of Farms by Amount of Pooled Marketings* - October 2008

| Range Of Marketings | Farms | % Of Farms | Pounds Of Milk | % Of Lbs. | Avg. Lbs. Per Farm |
|-----------------------------|--------------|---------------|--------------------|---------------|--------------------|
| < 100,000 Lbs. | 2,350 | 59.86 | 106,398,098 | 11.48 | 45,276 |
| 100,000 to 250,000 Lbs. | 1,033 | 26.31 | 156,677,447 | 16.90 | 151,672 |
| 250,000 to 500,000 Lbs. | 277 | 7.06 | 94,255,756 | 10.17 | 340,273 |
| 500,000 to 750,000 Lbs. | 66 | 1.68 | 39,588,138 | 4.27 | 599,820 |
| 750,000 to 1 Million Lbs. | 41 | 1.04 | 35,827,677 | 3.87 | 873,846 |
| 1 to 1.250 Million Lbs. | 29 | 0.74 | 31,972,770 | 3.45 | 1,102,509 |
| 1.250 to 1.500 Million Lbs. | 18 | 0.46 | 24,144,763 | 2.61 | 1,341,376 |
| > 1.500 Million Lbs. | 112 | 2.85 | 437,966,107 | 47.25 | 3,910,412 |
| Federal Order Total | 3,926 | 100.00 | 926,830,756 | 100.00 | 236,075 |

* There is no requirement that the total monthly production of a farm be pooled on the order. The data contained in this bulletin represents the pounds of milk marketed on the Central federal milk order.

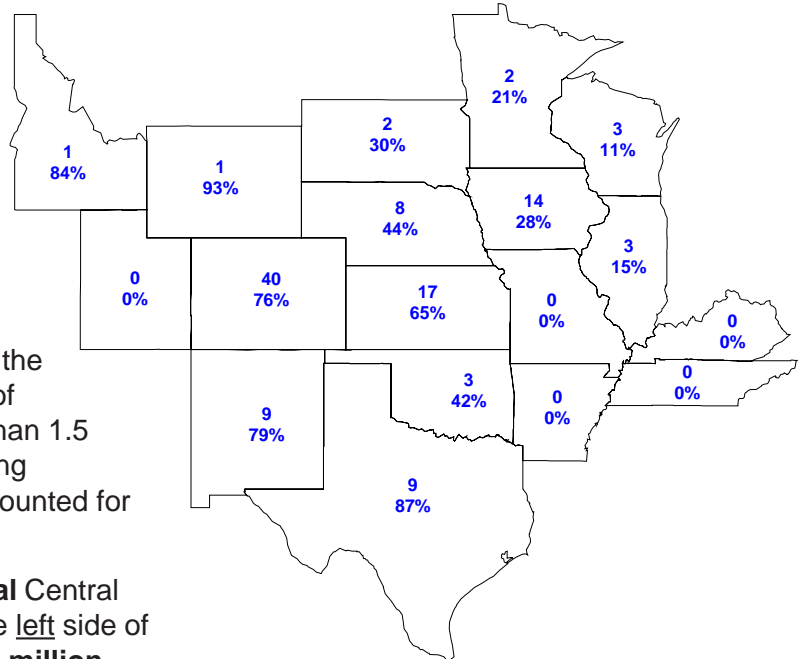
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Number Of Farms Marketing More Than 1.5 Million Pounds (About A Tanker Load Per Day For Each Farm) & Their Portion Of Each State's Central Order Marketings -- October 2008

During October 2008 there were 112 individual producers that marketed more than 1.5 million pounds of milk on the Central federal order. Farms marketing this volume of milk, which approximates a tanker load per day, are sometimes referred to as a milk plant on wheels. A tanker load of milk each day is very mobile and can be readily directed to different locations as needed. Although these 112 producers accounted for only 2.85% of the total producers on the Central market, their marketings comprised 47.25% of the milk pooled. The map at the right depicts the number of producers with Central order milk marketings greater than 1.5 million pounds in each state **in blue**. The corresponding percentage of the state's Central order marketings accounted for by these large producers is also depicted **in blue**.



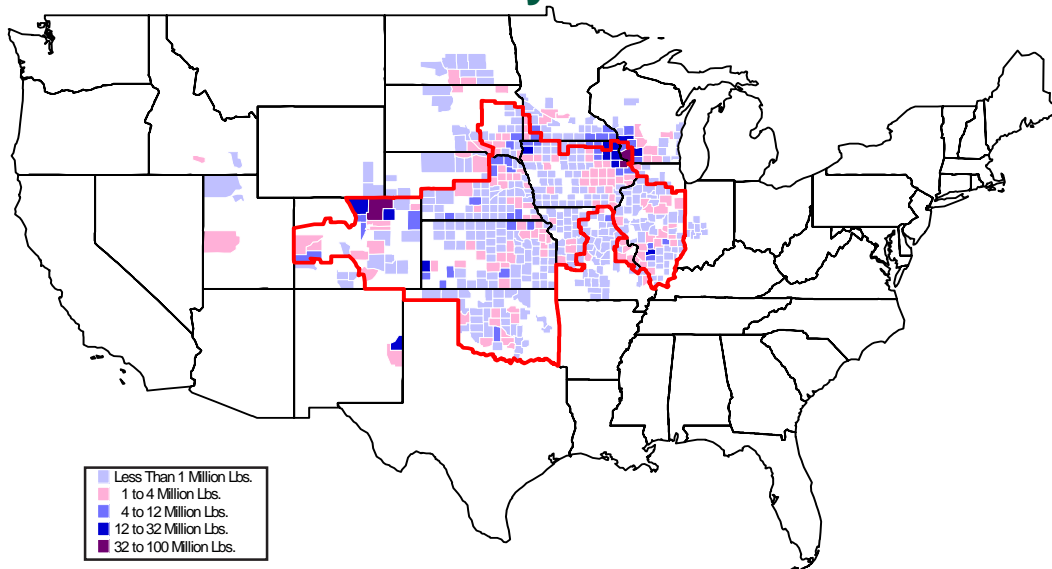
**# Farms > 1.5 Mil Lbs
% Of State's Central Order Mktgs**

The table below provides additional data by state. **Total** Central order marketings and number of farms are listed on the left side of the table. Information for producers with more than **1.5 million** pounds pooled is listed for each state on the right side.

| <u>Central Order - October '08</u> | | | <u>Farms Marketing More Than 1.5 Million Pounds</u> | | |
|------------------------------------|------------------------------|-------------------|---|-----------------------|--------------------------|
| <u>State</u> | <u>Pounds of Milk Pooled</u> | <u># of Farms</u> | <u>Number of Farms</u> | <u>Oct '08 Pounds</u> | <u>% of State Pounds</u> |
| AR | 5,288 | 2 | 0 | 0 | 0 |
| CO | 219,281,952 | 127 | 40 | 167,619,259 | 76.44 |
| ID | 5,857,602 | 13 | 1 | 4,948,080 | 84.47 |
| IL | 84,509,082 | 548 | 3 | 12,275,545 | 14.53 |
| IA | 199,624,407 | 1,292 | 14 | 56,290,213 | 28.20 |
| KS | 110,635,991 | 303 | 17 | 71,689,513 | 64.80 |
| KY | 174,426 | 1 | 0 | 0 | 0 |
| MN | 19,030,880 | 175 | 2 | 4,072,878 | 21.40 |
| MO | 28,733,682 | 269 | 0 | 0 | 0 |
| NE | 67,391,723 | 273 | 8 | 29,408,644 | 43.64 |
| NM | 28,993,695 | 31 | 9 | 23,026,013 | 79.42 |
| OK | 31,026,938 | 133 | 3 | 13,056,500 | 42.08 |
| SD | 32,175,213 | 174 | 2 | 9,634,872 | 29.95 |
| TN | 586,271 | 7 | 0 | 0 | 0 |
| TX | 39,323,634 | 57 | 9 | 34,151,658 | 86.85 |
| UT | 129,776 | 1 | 0 | 0 | 0 |
| WI | 53,006,977 | 516 | 3 | 5,906,472 | 11.14 |
| WY | 6,343,219 | 4 | 1 | 5,886,460 | 92.80 |
| Total | 926,830,756 | 3,926 | 112 | 437,966,107 | 47.25 |

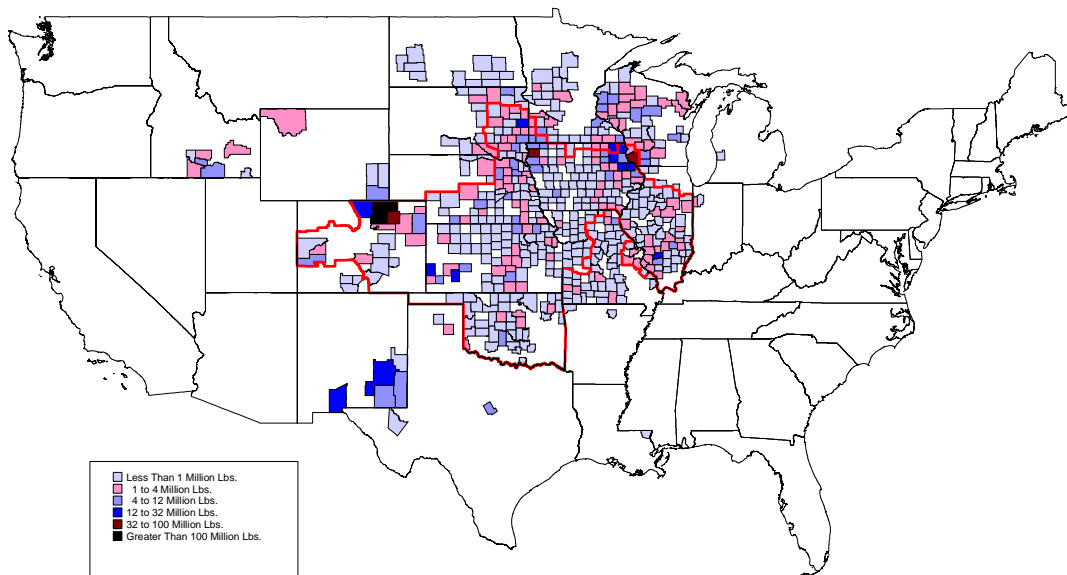
Central Federal Order Milk Marketings

January 2000



The location of dairy producers and the volume of milk pooled on the Central federal milk order continues to evolve over time, as indicated by the maps on this page. The location and density of milk marketings for January 2000, October 2006, and October 2008 are depicted to illustrate this fact. During January 2000, 79% of the milk pooled came from inside the Central marketing area, compared to 74% in October 2006 and 83% in October 2008.

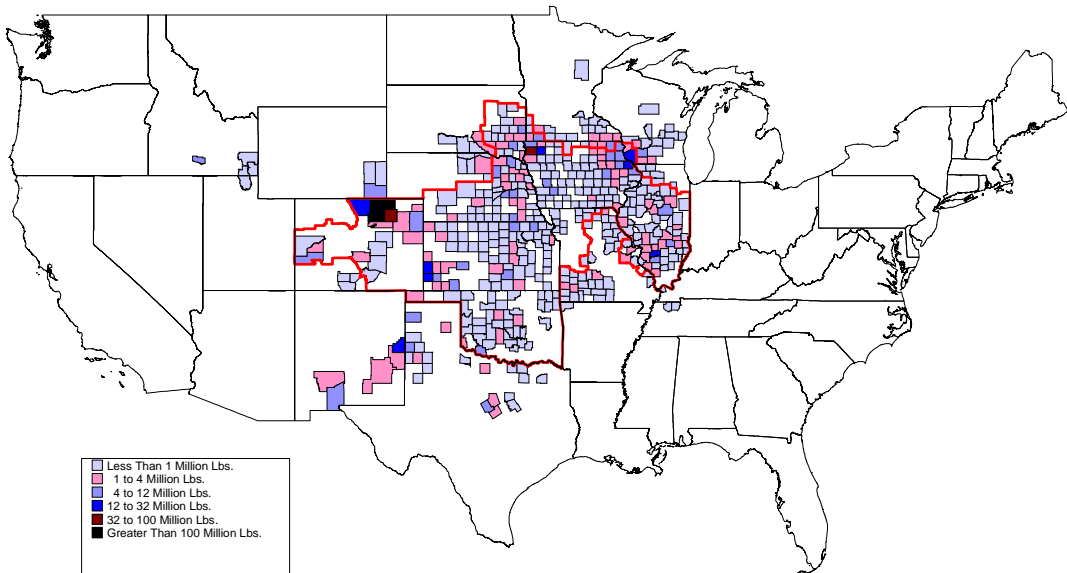
October 2006



January 2000
1.103 Billion Lbs.
Inside Area -- 874 Million Lbs.
Outside Area -- 229 Million Lbs.

October 2006
1.142 Billion Lbs.
Inside Area -- 840 Million Lbs.
Outside Area -- 302 Million Lbs.

October 2008



October 2008
0.927 Billion Lbs.
Inside Area -- 769 Million Lbs.
Outside Area -- 158 Million Lbs.

Change: Jan '00 to Oct '06
Up 39 Million Lbs.
Inside Area -- **Down** 34 Million Lbs.
Outside Area -- **Up** 73 Million Lbs.

Change: Oct '06 to Oct '08
Down 215 Million Lbs.
Inside Area -- **Down** 71 Million Lbs.
Outside Area -- **Down** 144 Million Lbs.

| | Statistical Uniform Price | | Producer Price Differential | | Class I Utilization | |
|-------------------|---------------------------|--------------|-----------------------------|--------------|---------------------|--------------|
| | Nov '08 | Oct '08 | Nov '08 | Oct '08 | Nov '08 | Oct '08 |
| Northeast | 17.09 | 17.44 | 1.58 | 0.38 | 45.29 | 47.42 |
| Appalachian | 18.75 | 18.49 | ----- | ----- | 68.25 | 73.58 |
| Florida | 21.25 | 20.42 | ----- | ----- | 83.80 | 86.98 |
| Southeast | 19.21 | 18.95 | ----- | ----- | 67.96 | 73.62 |
| Upper Midwest | 15.85 | 17.02 | 0.34 | -0.04 | 13.91 | 18.33 |
| Central | 15.61 | 16.30 | 0.10 | -0.76 | 32.31 | 41.14 |
| Mideast | 16.32 | 16.80 | 0.81 | -0.26 | 42.40 | 50.67 |
| Pacific Northwest | 15.29 | 15.49 | -0.22 | -1.57 | 29.42 | 45.55 |
| Southwest | 16.89 | 17.26 | 1.38 | 0.20 | 36.22 | 67.64 |
| Arizona | 15.83 | 16.59 | ----- | ----- | 34.38 | 37.50 |

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