

MARKETING SERVICE

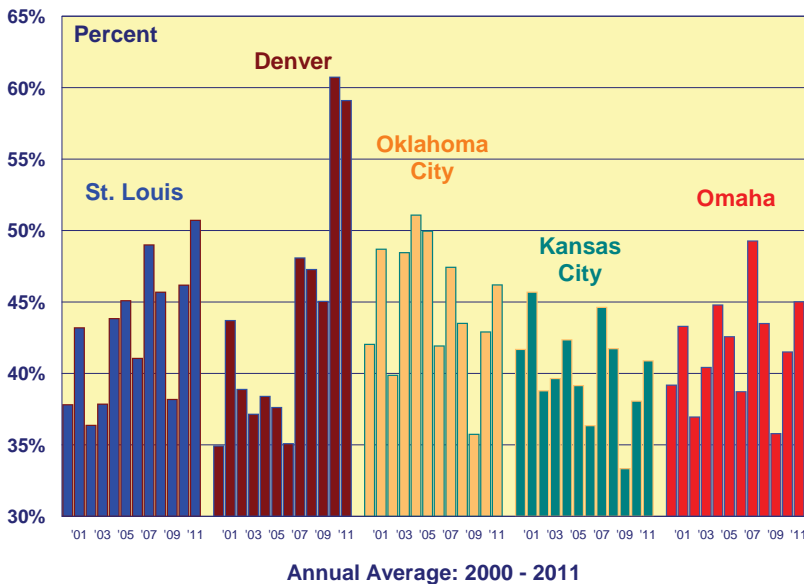
BULLETIN

> Federal Milk Order Class I Prices: From Record Highs to 30-Year Lows . . . > Retail Milk Price Update

Cyclical price fluctuation is a phenomenon common to most segments of production agriculture in the United States, including the dairy industry. "Normal" cyclical price fluctuation, however, does not adequately describe the extreme dairy price volatility in recent years. An examination

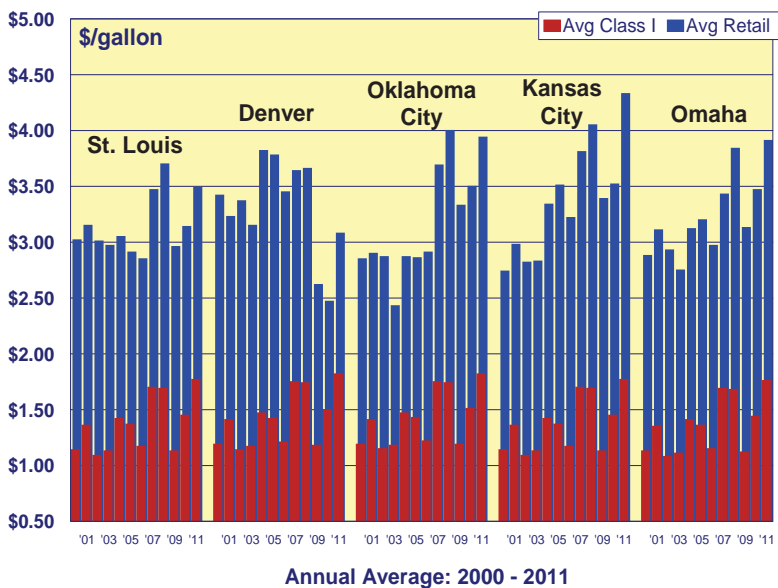
of Federal order prices indicates an astounding \$12.48 per hundred-weight spread between the highest and lowest Class I base prices over the last 12 years (January 2000 through December 2011).

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



Federal order Class I prices hit a 30-year low in March 2009 when the base price declined to \$9.43 per hundredweight. September 1978 was the most recent month with a lower price, recording a Class I mover of \$9.33 per hundredweight. Prior to March 2009, the 13 lowest post-reform Class I base prices occurred in 2002 and 2003. The "benchmark year" for Federal order prices was 2007 with 5 of the highest 10 Class I base prices, while the remaining top 10 Class I base prices were recorded in 2004 (1), 2008 (1) and 2011 (3). The record high occurred in September 2007 when the Class I mover reached \$21.91 per hundredweight.

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



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 order, along with the corresponding federal order minimum Class I price for each of these cities from January 2000 through December 2011.

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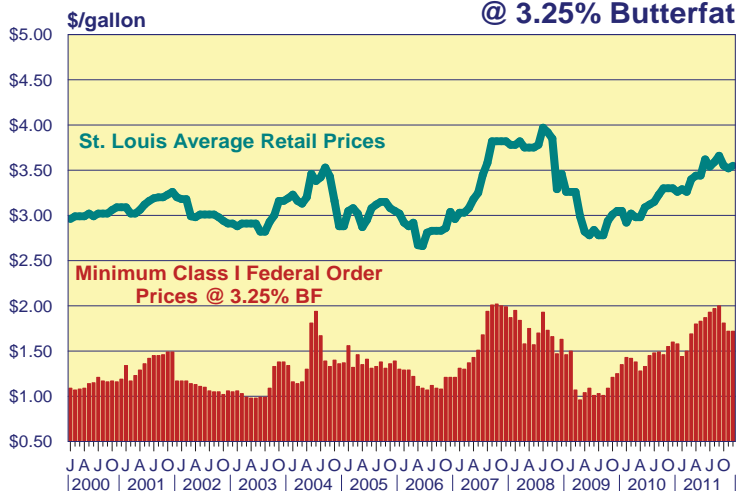


Retail fluid dairy prices are surveyed monthly in St. Louis (MO), Denver (CO), Kansas City (MO), Oklahoma City (OK), and Omaha (NE). The retail prices used are averages for the two largest retail grocery chains and the largest convenience chain. Prices are obtained between the 1st and the 10th of the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

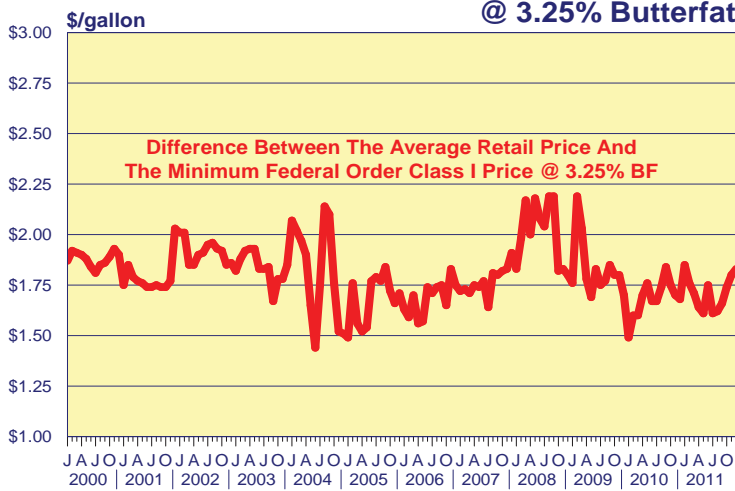
The federal milk order Class I price represents the minimum dairy producers' share of the retail price. The Class I price in all federal milk orders is the minimum amount processors must pay for milk utilized in fluid bottling. All Class I prices in this bulletin have been adjusted to a 3.25% butterfat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

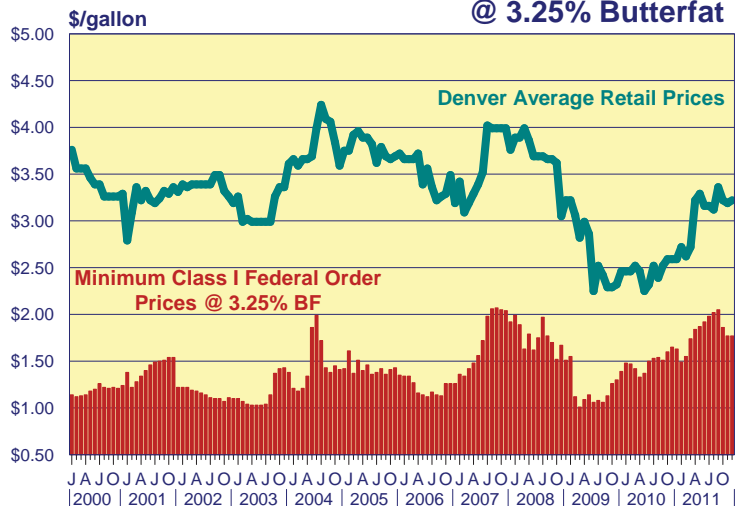
St. Louis Homogenized Milk Prices @ 3.25% Butterfat



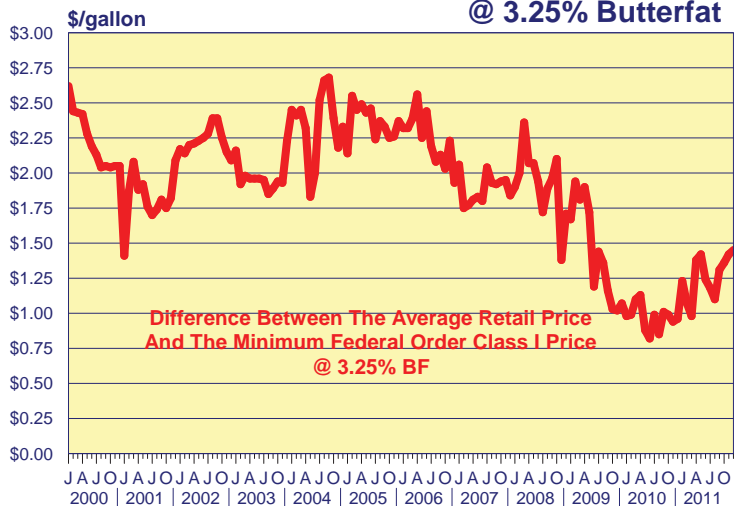
St. Louis Homogenized Milk Prices @ 3.25% Butterfat



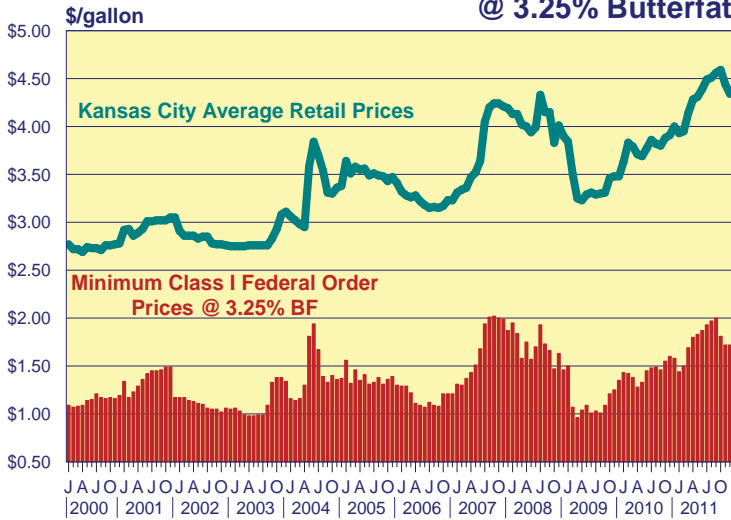
Denver Homogenized Milk Prices @ 3.25% Butterfat



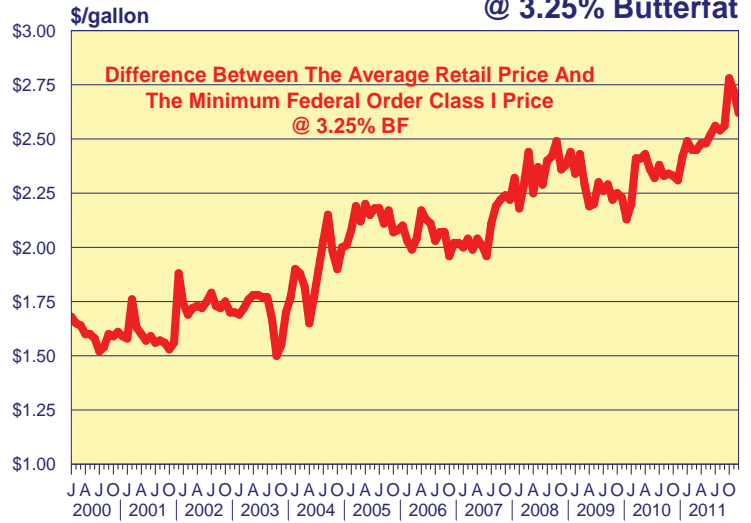
Denver Homogenized Milk Prices @ 3.25% Butterfat



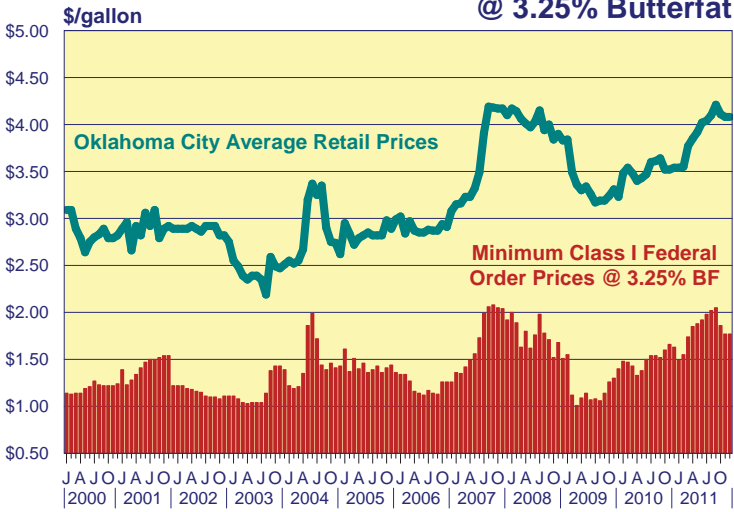
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



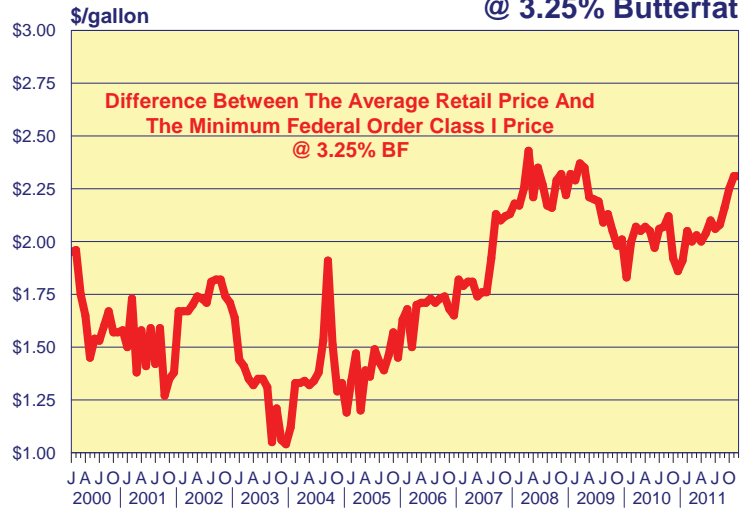
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



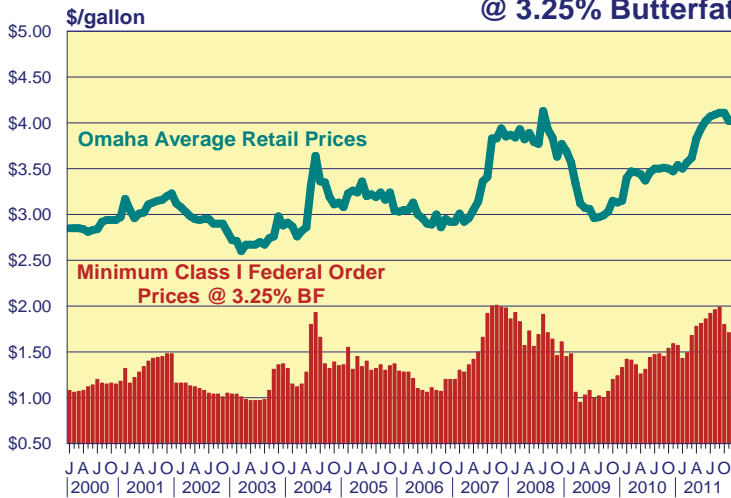
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



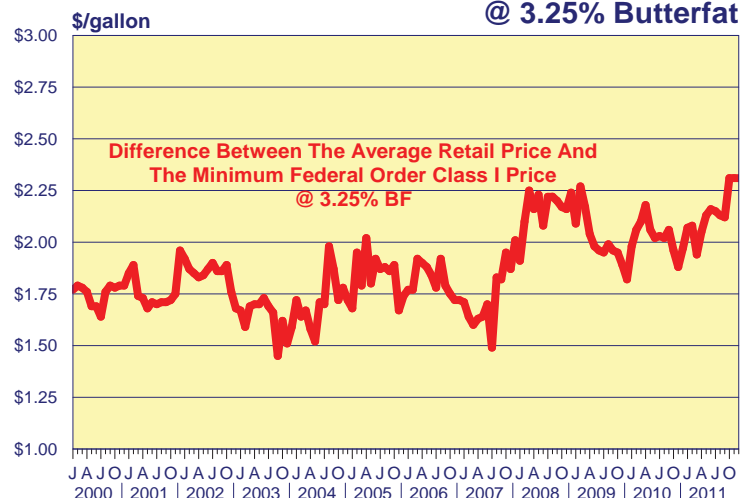
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



Omaha Homogenized Milk Prices @ 3.25% Butterfat



Omaha Homogenized Milk Prices @ 3.25% Butterfat



	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>2/2012</u>	<u>1/2012</u>	<u>2/2012</u>	<u>1/2012</u>	<u>2/2012</u>	<u>1/2012</u>
Northeast	18.09	19.37	2.03	2.32	39.92	41.24
Appalachian	19.22	20.78	-----	-----	69.30	68.56
Florida	21.34	23.11	-----	-----	84.50	84.47
Southeast	19.38	21.07	-----	-----	64.44	66.22
Upper Midwest	16.35	17.44	0.29	0.39	11.38	11.60
Central	16.63	17.93	0.57	0.88	28.59	32.85
Mideast	16.98	18.24	0.92	1.19	34.66	36.24
Pacific Northwest	16.64	17.76	0.58	0.71	26.74	27.76
Southwest	17.58	18.88	1.52	1.83	32.54	36.18
Arizona	16.94	18.12	-----	-----	28.28	29.54

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