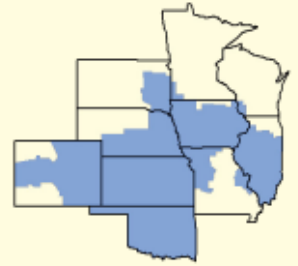


APRIL 2013

Marketing Service

Bulletin

Facilitating the efficient marketing of milk and dairy products.

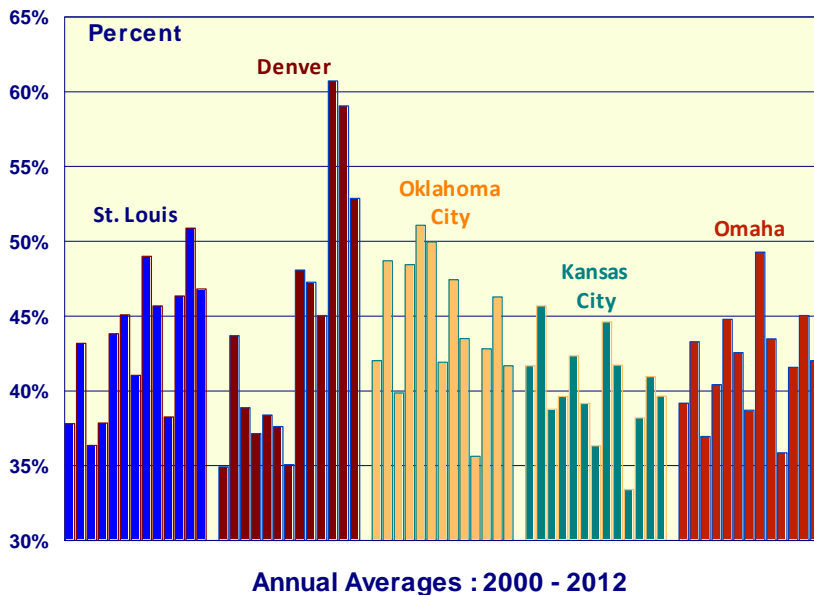


CENTRAL MARKETING AREA



Federal Milk Order Class I Prices: Record Highs and 30-Year Lows ... plus, Central Order Retail Milk Price Survey Update

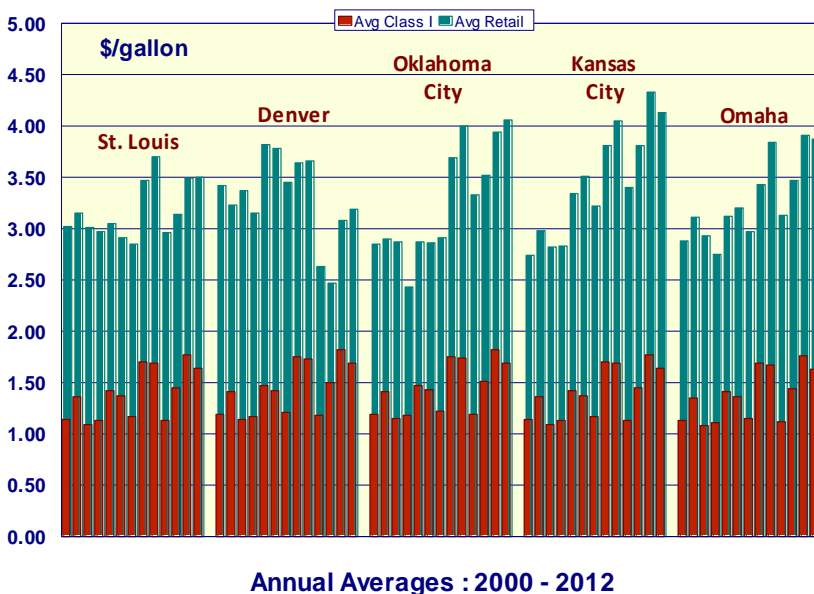
Minimum Federal Order Class I Price @ 3.25% BF
As % Of Average Retail Homogenized Milk Price



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, may not adequately describe dairy price volatility in recent years. An examination of Federal order prices indicates an eye-opening \$12.48 per hundredweight spread between the highest and lowest Class I base prices over the last 13 years. Class I base prices from January 2000 through December 2012 are depicted in the graph on the last page of this bulletin.

Federal order Class I prices hit a 30-year low in March 2009 when the base price declined to \$9.43. Prior to this, the lowest post-reform Class I base prices occurred in 2002 and 2003. The most recent month with a price lower than March 2009 was more than 30 years earlier in September 1978 with a Class I base price of \$9.33 per hundredweight.

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



The "benchmark year" for Federal order prices was 2007 with four of the ten highest Class I base prices. Three of the remaining top ten were recorded in 2011, while the years 2004, 2008, and 2012 each had one Class I base price among the ten highest. The record high price occurred in September 2007 when the Class I base price reached \$21.91 per hundredweight.

Dairy producers, processors, and retailers are all affected by Federal order Class I prices. The graphics contained in this bulletin depict monthly Federal order minimum Class I prices along with surveyed* retail homogenized milk prices for five cities in the Central Order from January 2000 through December 2012.

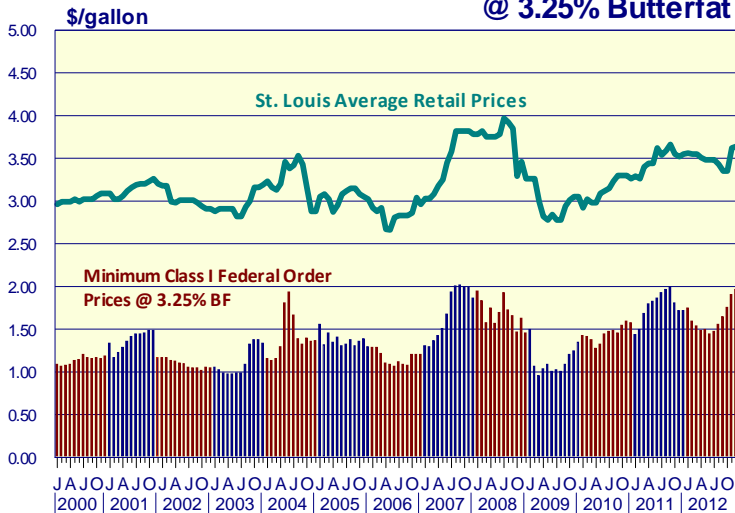
* The methodology used for the monthly survey of retail prices is detailed on the following page.

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 illustrated in this bulletin are averages for the two largest retail grocery chains and the largest convenience chain. Prices are obtained between the 1st and the 10th of each month, excluding Fridays and weekends, and represent the most common brand in each retail outlet.

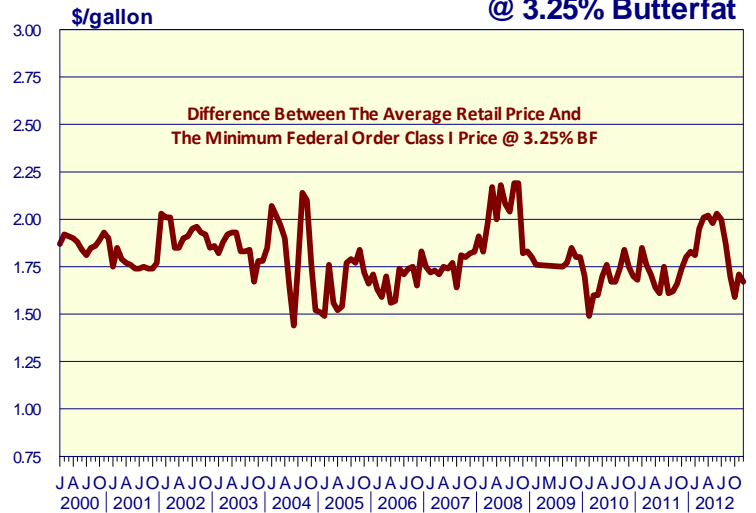
Federal milk order Class I prices represent the minimum dairy producers' share of the retail price. The Class I price in all Federal milk orders is the minimum amount processors must pay for milk utilized in fluid bottling. All Class I prices in this bulletin have been adjusted to a 3.25% butterfat content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

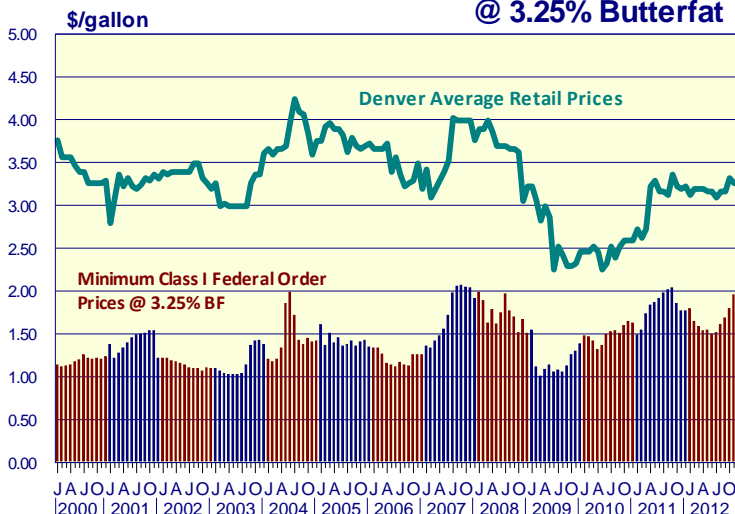
St. Louis Homogenized Milk Prices @ 3.25% Butterfat



St. Louis Homogenized Milk Prices @ 3.25% Butterfat



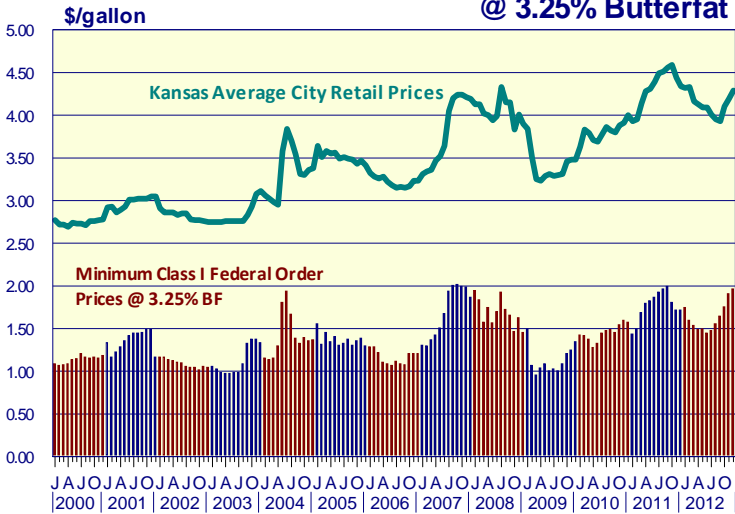
Denver Homogenized Milk Prices @ 3.25% Butterfat



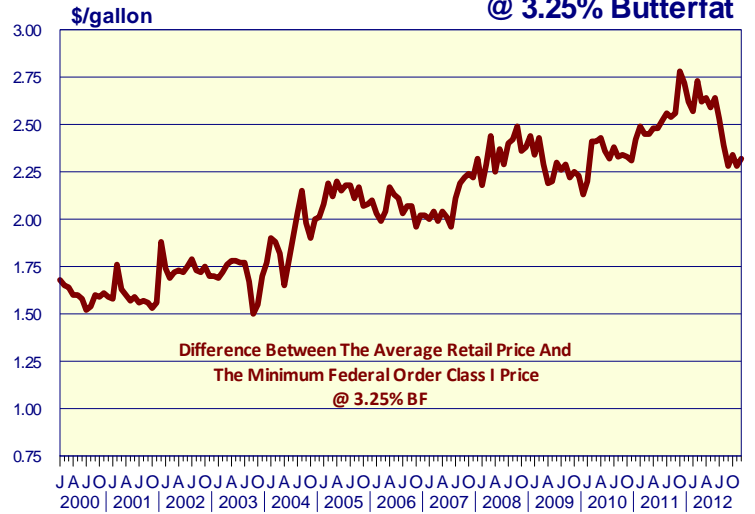
Denver Homogenized Milk Prices @ 3.25% Butterfat



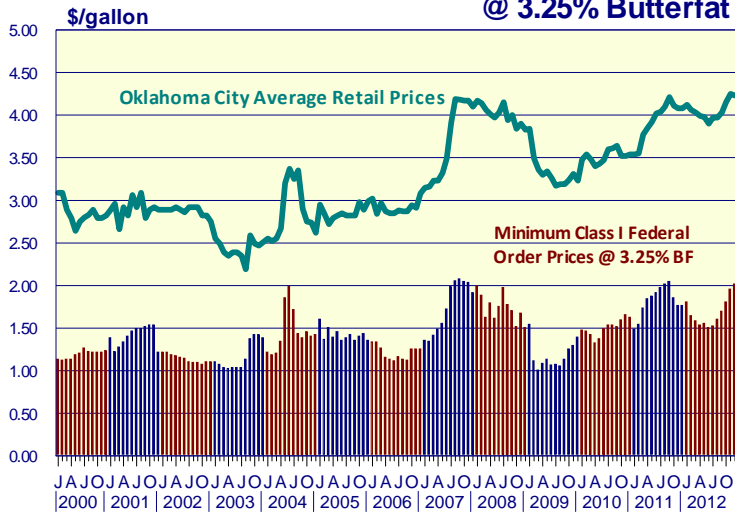
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



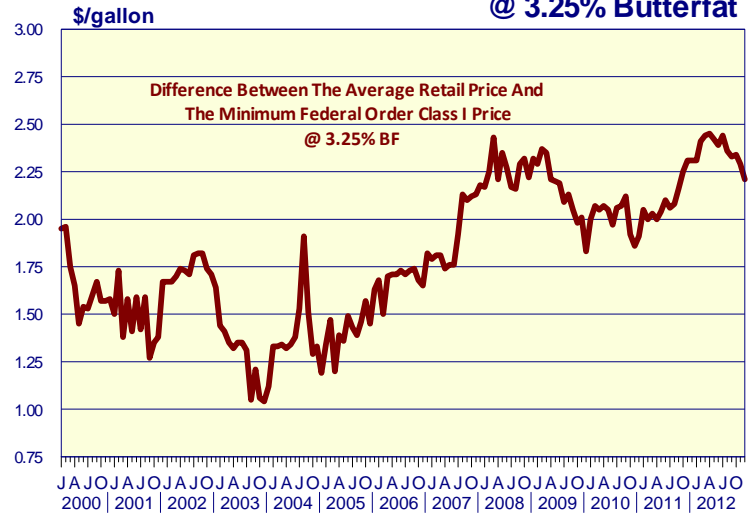
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



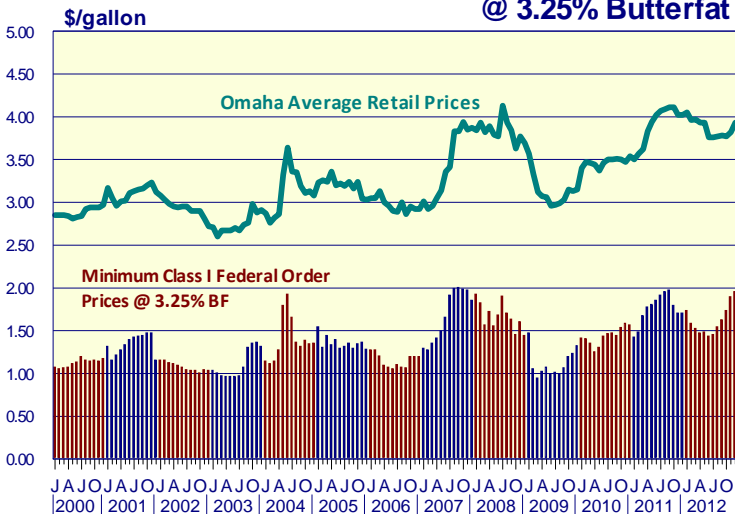
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



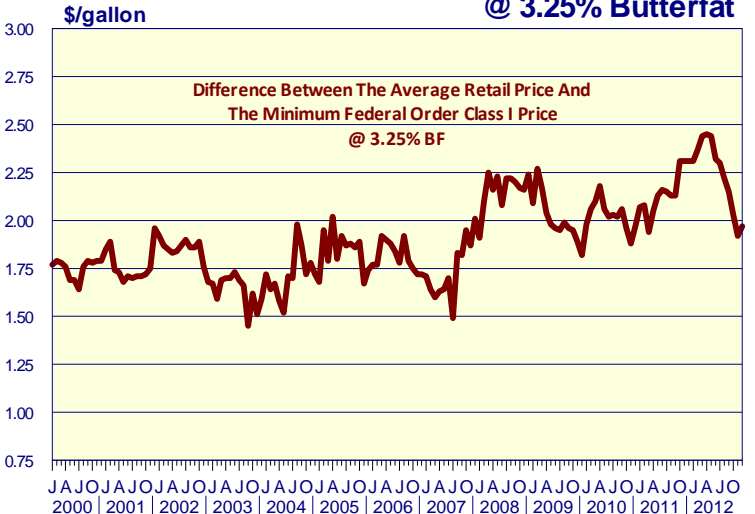
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



Omaha Homogenized Milk Prices @ 3.25% Butterfat



Omaha Homogenized Milk Prices @ 3.25% Butterfat



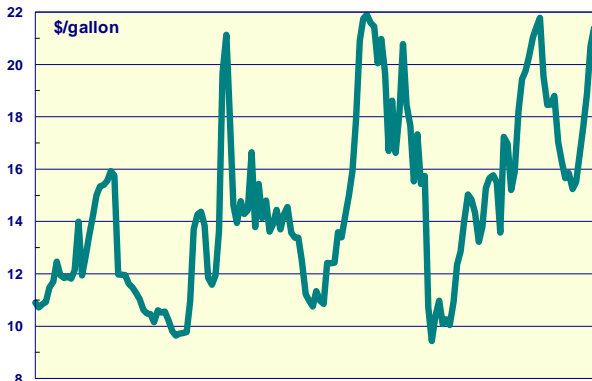
**Statistical
Uniform Price**

**Producer Price
Differential**

**Class I
Utilization**

	<u>Mar '13</u>	<u>Feb '13</u>	<u>Mar '13</u>	<u>Feb '13</u>	<u>Mar '13</u>	<u>Feb '13</u>
Northeast	19.32	19.43	2.39	2.18	36.09	38.13
Appalachian	20.29	20.66	-----	-----	60.69	67.54
Florida	22.59	22.90	-----	-----	85.19	86.25
Southeast	20.70	21.05	-----	-----	64.64	66.40
Upper Midwest	17.26	17.57	0.33	0.32	10.39	10.97
Central	17.87	18.11	0.94	0.86	30.38	33.37
Mideast	18.22	18.37	1.29	1.12	38.12	37.25
Pacific Northwest	17.82	18.02	0.89	0.77	24.39	25.96
Southwest	18.64	18.86	1.71	1.61	29.25	29.80
Arizona	18.30	18.51	-----	-----	26.45	28.51

Federal Milk Order Class I Base Prices



January 2000 through December 2012

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Department of
Agriculture**

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