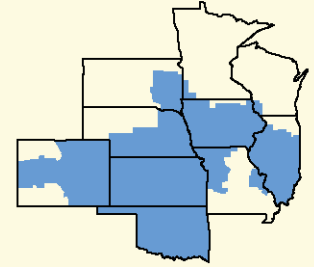


APRIL 2014

Marketing Service

# Bulletin

Facilitating the efficient marketing of milk and dairy products.



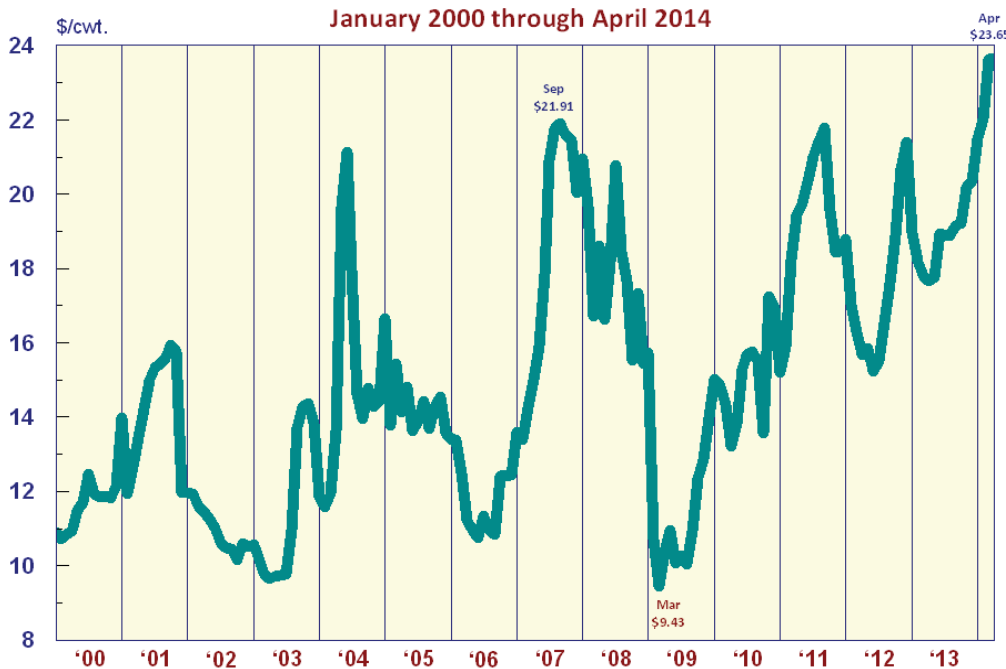
CENTRAL MARKETING AREA



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

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 during the last 14 full calendar years. Moreover, this high to low price extreme occurred over a period of just 18 months - September 2007 to March 2009. As indicated by the accompanying graph, new record high Class I base prices have been posted during each of the last three months (February, March and April 2014).

### Federal Milk Order Class I Base Prices



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.

The "benchmark year" for Federal order prices was 2007 with four of the ten highest Class I base prices during the 2000 through 2013 time frame. Three of the remaining top ten prices during that period were recorded in 2011, while the years 2004, 2008, and 2012 each had one Class I base price among the ten highest. Prior to 2014, the record

high price occurred in September 2007 when the Class I base price reached \$21.91 per hundredweight. Class I base prices for February, March, and April of this year have substantially surpassed the September 2007 level with prices of \$22.12, \$23.64, and \$23.65, respectively.

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 four cities in the Central Order from January 2000 through December 2013.

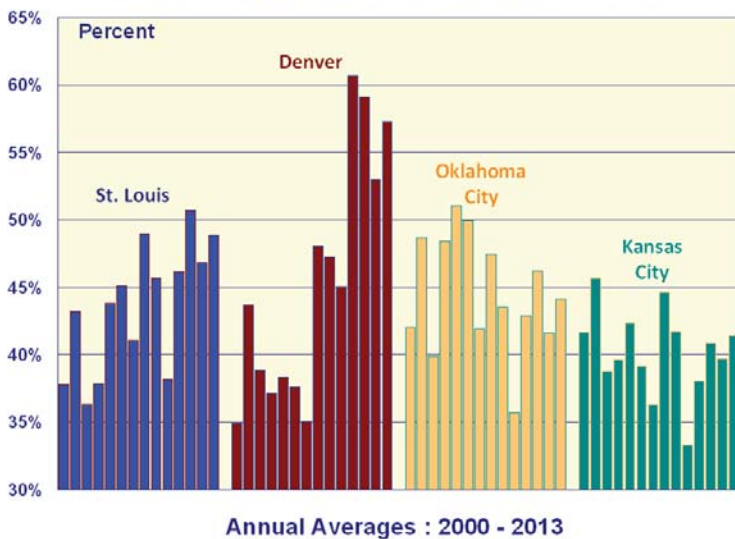
\* The methodology used for the monthly survey of retail prices is detailed on the following page.

Retail fluid dairy prices are surveyed monthly in St. Louis (MO), Denver (CO), Kansas City (MO), and Oklahoma City (OK). 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 1<sup>st</sup> and the 10<sup>th</sup> of each month, excluding Fridays and weekends, and represent the most common brand in each retail outlet.

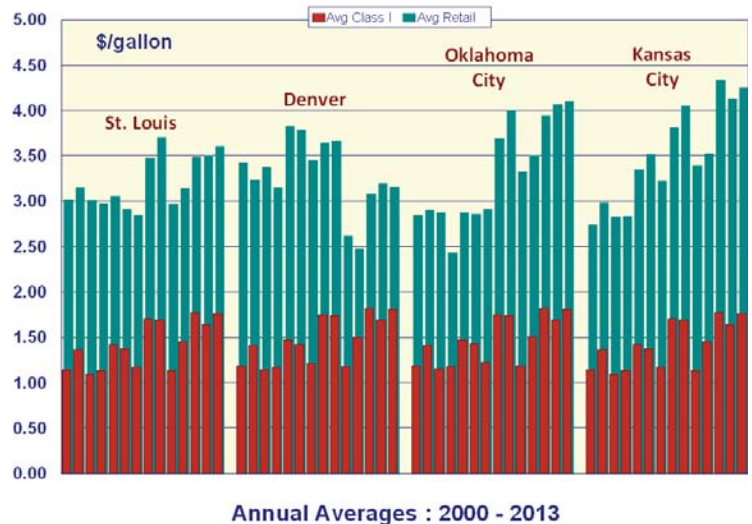
Federal milk order Class I prices represent the minimum dairy producers' share of the retail price. The Class I price in all Federal milk orders is the minimum amount processors must pay for milk utilized in fluid bottling. All Class I prices in this bulletin have been adjusted to a 3.25% butterfat content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

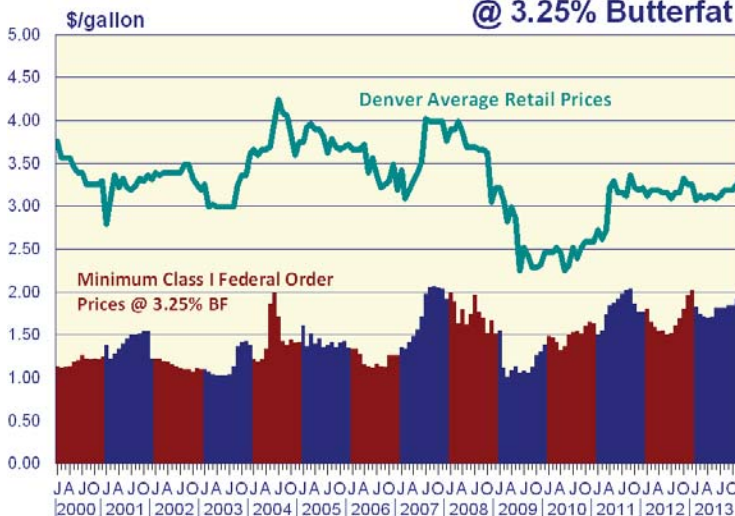
**Minimum Federal Order Class I Price @ 3.25% BF  
As % Of Average Retail Homogenized Milk Price**



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



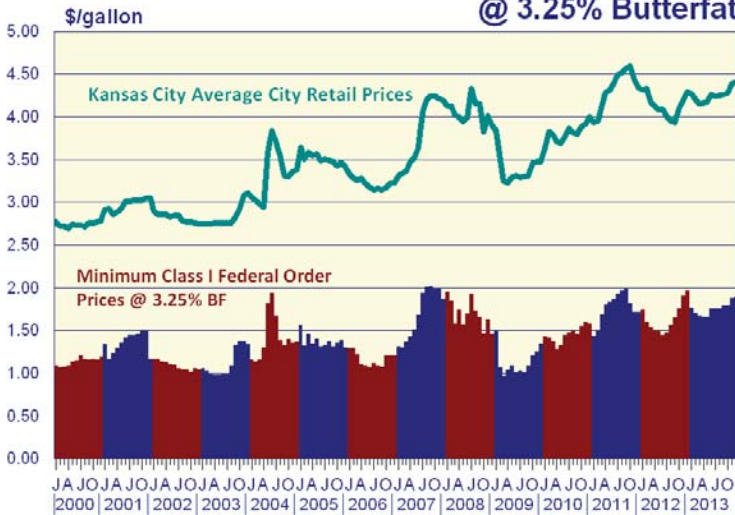
**Denver Homogenized Milk Prices  
@ 3.25% Butterfat**



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



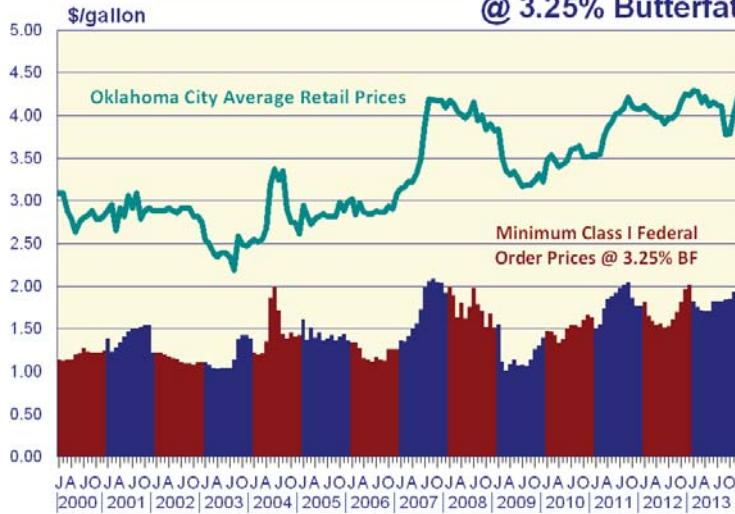
**Kansas City Homogenized Milk Prices @ 3.25% Butterfat**



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



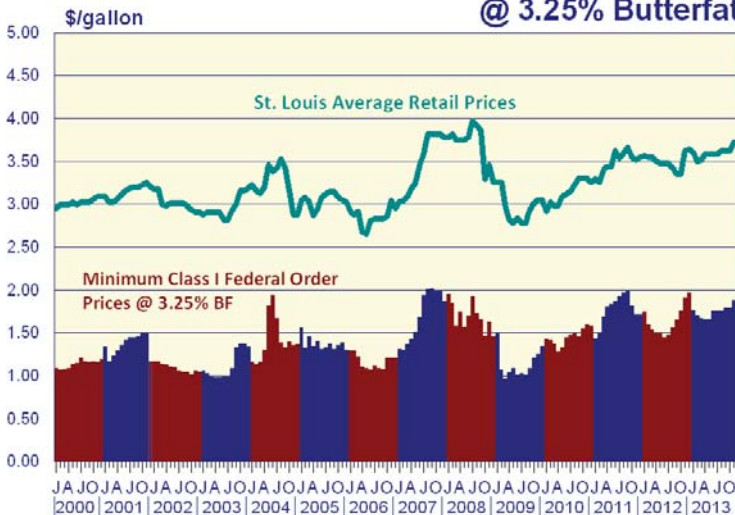
**Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat**



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



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



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





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Agriculture**

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	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>Mar '14</u>	<u>Feb '14</u>	<u>Mar '14</u>	<u>Feb '14</u>	<u>Mar '14</u>	<u>Feb '14</u>
Northeast	24.97	24.42	1.64	1.07	35.60	36.94
Appalachian	26.02	25.38	-----	-----	60.79	69.51
Florida	28.19	27.24	-----	-----	82.70	84.39
Southeast	26.56	25.81	-----	-----	66.61	73.77
Upper Midwest	23.52	23.42	0.19	0.07	10.81	12.62
<b>Central</b>	<b>23.68</b>	<b>23.21</b>	<b>0.35</b>	<b>-0.14</b>	<b>29.66</b>	<b>34.73</b>
Mideast	23.95	23.37	0.62	0.02	36.52	38.68
Pacific Northwest	23.68	23.22	0.35	-0.13	22.58	36.52
Southwest	24.52	24.02	1.19	0.67	28.41	54.90
Arizona	24.22	23.84	-----	-----	24.48	25.89

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