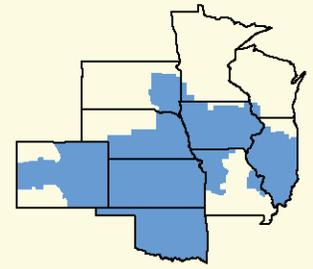


MARCH 2018

Marketing Service

Bulletin

Facilitating the efficient marketing of milk and dairy products.



CENTRAL MARKETING AREA

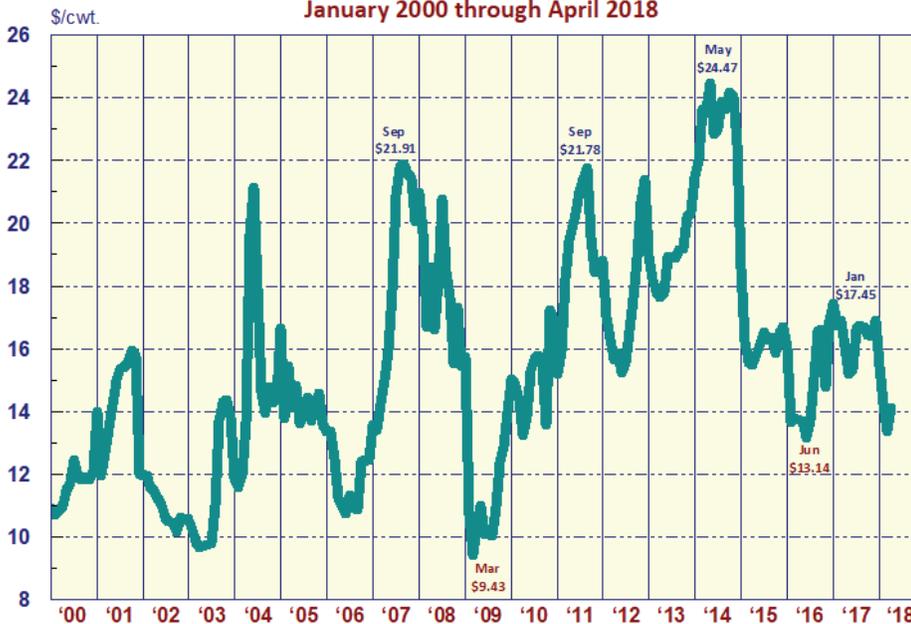


Federal Milk Order Class I Prices: Record Highs and 30-Year Lows ... plus, Central Order Retail Milk Price Survey Update

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 during much of the time period depicted in the graph on this page. An examination of Federal order prices indicates an eye-opening \$15.04 per hundredweight spread between the highest and lowest Class I base prices between March 2009 and May 2014. Moreover, extreme peaks and valleys in this price series have occurred over relatively short time spans. For example, the all-time high price (prior to 2014) was \$21.91 recorded for September 2007, but prices plummeted \$12.48 (-57.0%) over the following 18 months, falling to \$9.43 in March 2009. The Class I base price reached near-record highs again just thirty months later, increasing to \$21.78 in September 2011. A new record high of \$24.47 was reached in May 2014, before prices plummeted

Federal Milk Order Class I Base Prices

January 2000 through April 2018



over the next two years, falling by nearly 47% to \$13.14 in June 2016. Class I base prices have been substantially less volatile since early 2015, however, with prices fluctuating in a much narrower range than any comparable length of time since Federal Order reform became effective in January 2000.

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 milk order Class I prices was 2014, with the 11 highest base prices on record occurring during the year. During 2014, the Class I base price averaged \$23.29, or nearly 22% more than the next

highest yearly average of \$19.13 recorded in 2011. Since 2014, the Class I base price has ranged from a low of \$13.14 in June 2016 to a high of \$17.45 in January 2017. The average price in 2015 was \$16.34, which was nearly 30% below 2014's all-time high, but more than 10% greater than the \$14.80 average the following year (2016). Last year's average price increased by over 11% compared with 2016, rising to \$16.45. Through April of this year, all Class I base prices have been lower than the corresponding month of 2017, with a four-month average of \$14.29 compared with \$16.78 last year, a decrease of 14.8%.

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 2017.

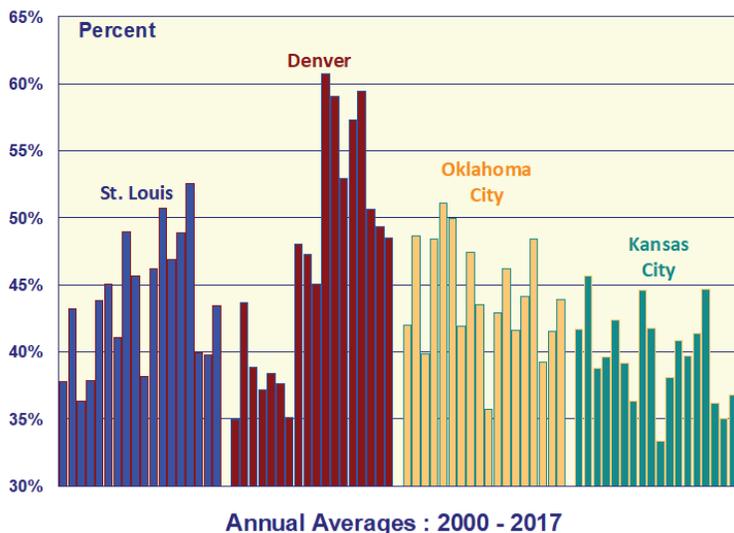
* The methodology used for the monthly survey of retail prices is detailed on the following page.

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 1st and the 10th of each month, excluding Fridays and weekends, and represent the most common brand in each retail outlet.

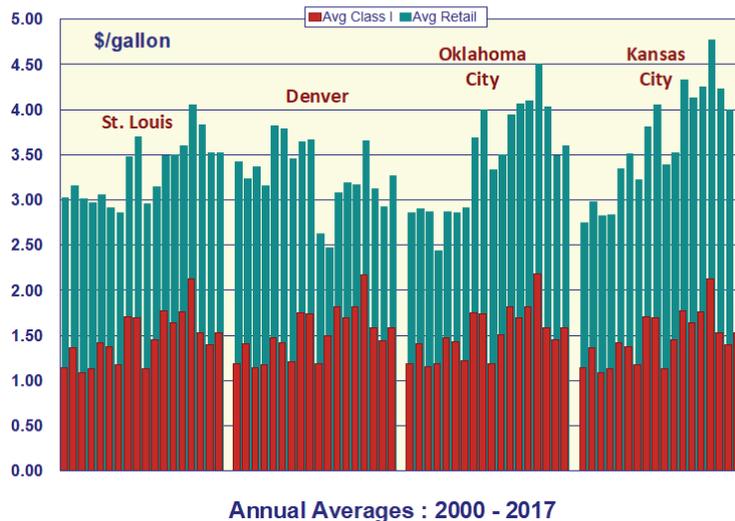
Federal milk order Class I prices represent the minimum dairy producers' share of the retail price. The Class I price in all Federal milk orders is the minimum amount processors must pay for milk utilized in fluid bottling. All Class I prices in this bulletin have been adjusted to a 3.25% butterfat content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

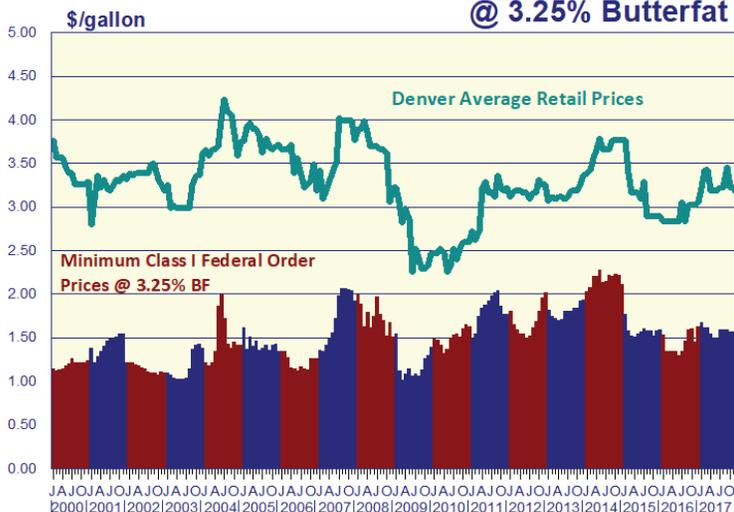
**Minimum Federal Order Class I Price @ 3.25 BF
As % Of Average Retail Homogenized Milk Price**



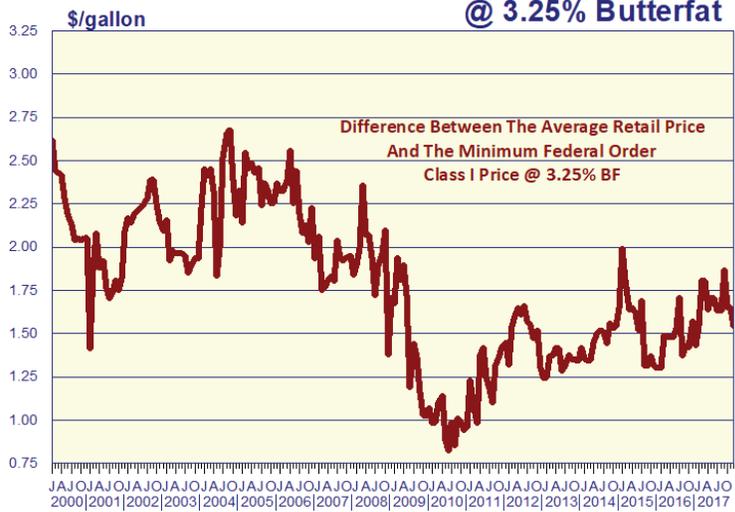
**Minimum Federal Order Class I Prices @ 3.25 BF
versus Retail Homogenized Milk Prices**



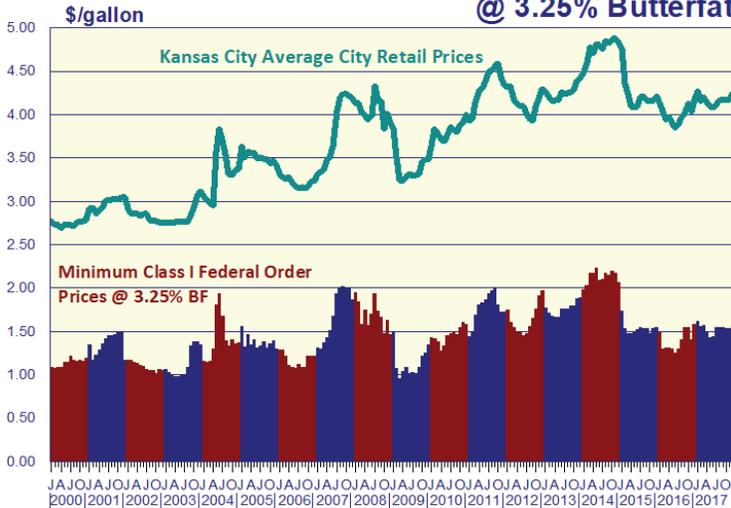
**Denver Homogenized Milk Prices
@ 3.25% Butterfat**



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



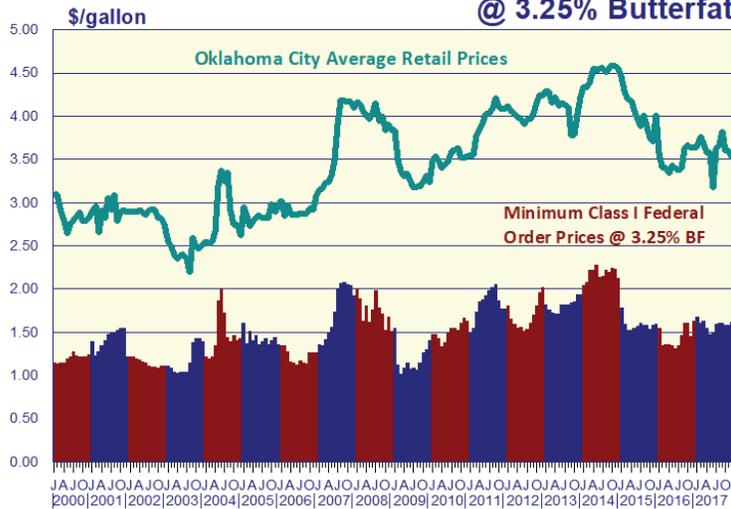
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



Kansas City Homogenized Milk Prices @ 3.25% Butterfat



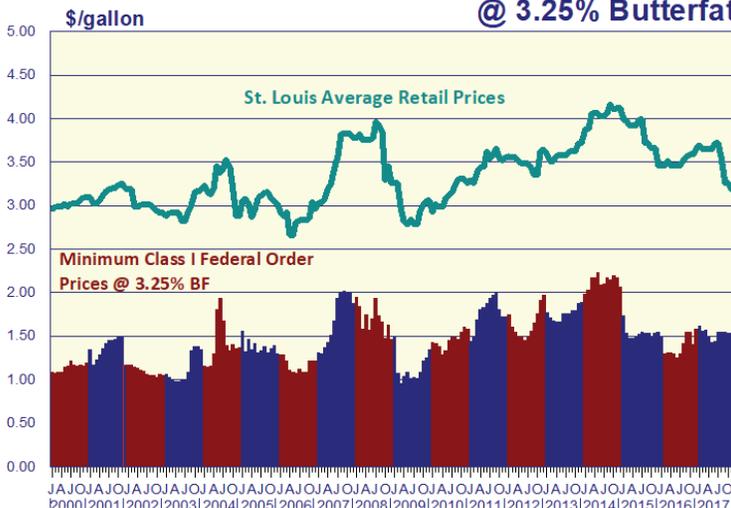
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



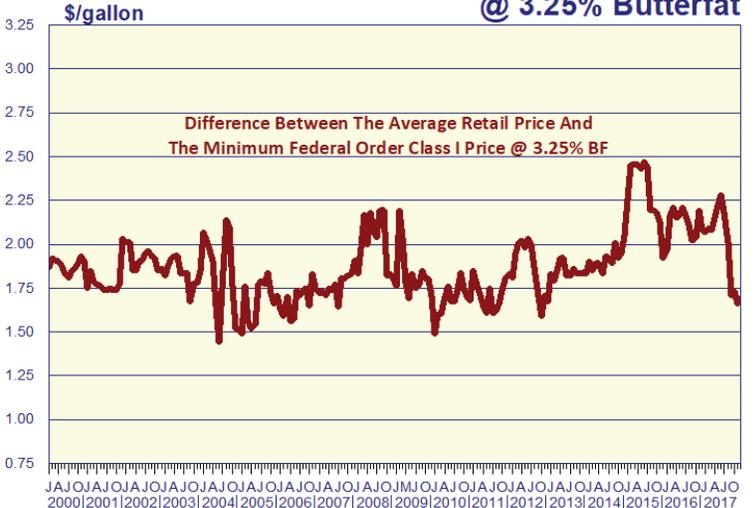
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



St. Louis Homogenized Milk Prices @ 3.25% Butterfat



St. Louis Homogenized Milk Prices @ 3.25% Butterfat





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	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>Feb '18</u>	<u>Jan '18</u>	<u>Feb '18</u>	<u>Jan '18</u>	<u>Feb '18</u>	<u>Jan '18</u>
Northeast	14.88	15.70	1.48	1.70	31.71	33.39
Appalachian	16.31	17.53	-----	-----	68.78	71.13
Florida	18.57	19.62	-----	-----	85.35	81.84
Southeast	16.57	18.00	-----	-----	68.06	72.54
Upper Midwest	13.59	14.26	0.19	0.26	8.75	9.91
Central	13.72	14.52	0.32	0.52	26.29	29.44
Mideast	14.01	14.84	0.61	0.84	31.08	33.16
Pacific Northwest	13.66	14.32	0.26	0.32	21.01	21.97
Southwest	14.60	15.35	1.20	1.35	27.30	28.17
Arizona	13.91	14.56	-----	-----	23.69	23.93

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