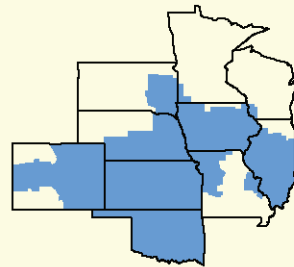


MAY 2020

Marketing Service

Bulletin

Facilitating the efficient marketing of milk and dairy products.



CENTRAL MARKETING AREA

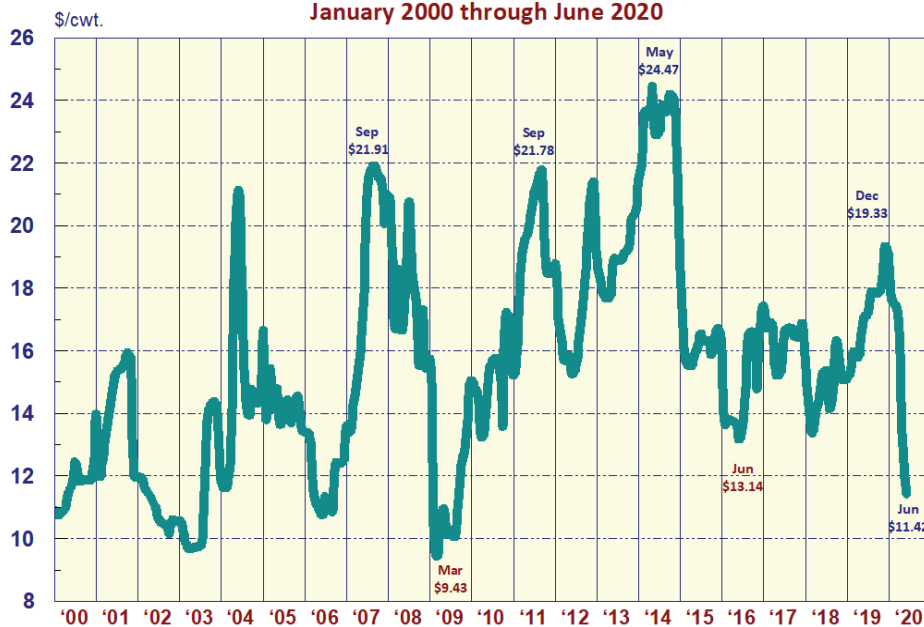


Federal Milk Order Class I Prices: Record Highs and 30-Year Lows ... plus, Central Order Retail Milk Price Survey Update

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 over the next two years, falling by nearly 47% to \$13.14 in June 2016. Class I base prices were much less volatile from late 2016 through mid-2019,

Federal Milk Order Class I Base Prices

January 2000 through June 2020



with prices fluctuating in a relatively narrow range. Prices escalated substantially during the second half of 2019, climbing to \$19.33 in December before plummeting by over 40% by over the next six months. The June 2020 Class I base price of \$11.42 is the lowest since September 2009 when it was \$10.93.

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 high of \$19.33 in December 2019 to a low of \$11.42 in June 2020. 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). This roller coaster trend continued in 2017 with an increase in the average base price of over 10% to \$16.45, before falling by nearly 10% in 2018 to \$14.84. Class I base prices escalated throughout 2019 averaging \$16.99 for the year, which was \$2.15 (+14.5) above the 2018 average. Although the average Class I base price for the first six months of this year (\$15.84) is comparable to 2019 (\$15.94), prices have decreased each month falling from \$19.01 in January to \$11.42 in June, a decline of nearly 40%.

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 2019.

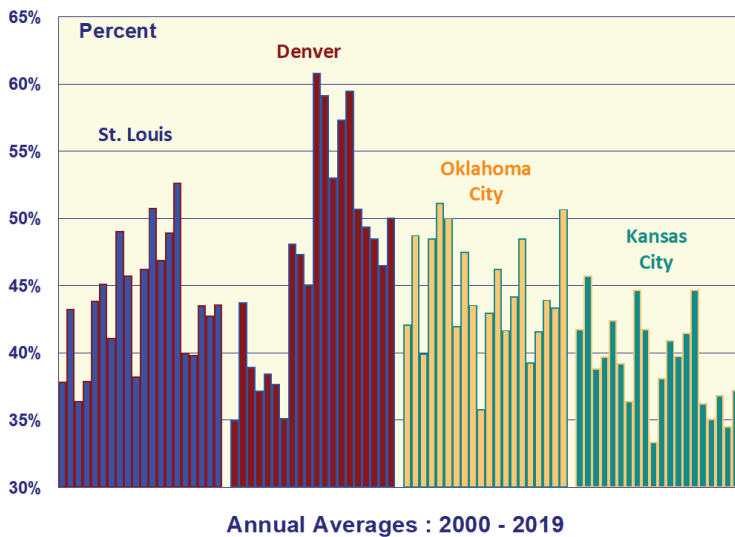
* The methodology used for the monthly survey of retail prices is detailed on the following page.

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.

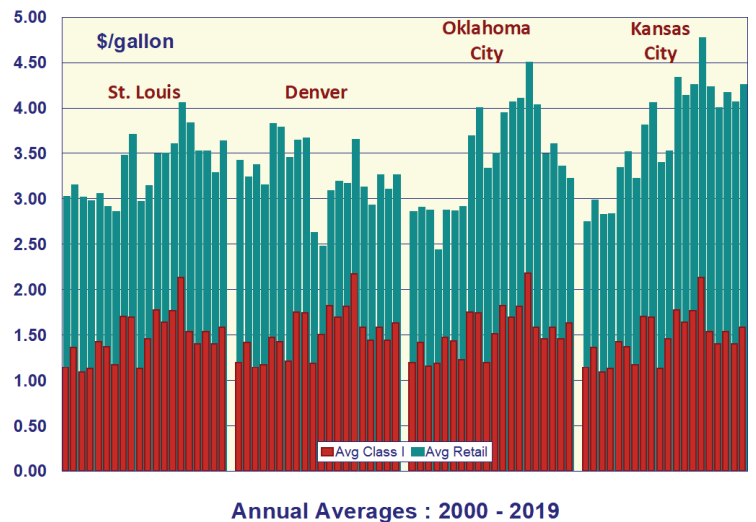
Federal milk order Class I prices represent the minimum dairy producers' share of the retail price. The Class I price in all Federal milk orders is the minimum amount processors must pay for milk utilized in fluid bottling. All Class I prices in this bulletin have been adjusted to a 3.25% butterfat content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

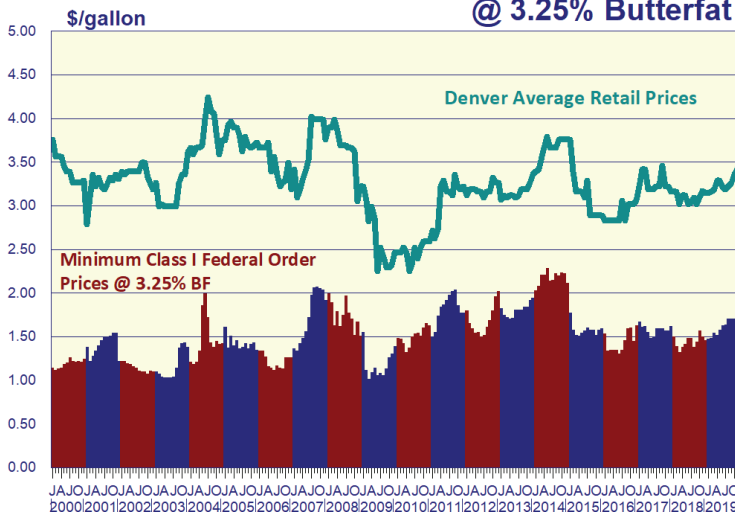
**Minimum Federal Order Class I Price @ 3.25 BF
As % Of Average Retail Homogenized Milk Price**



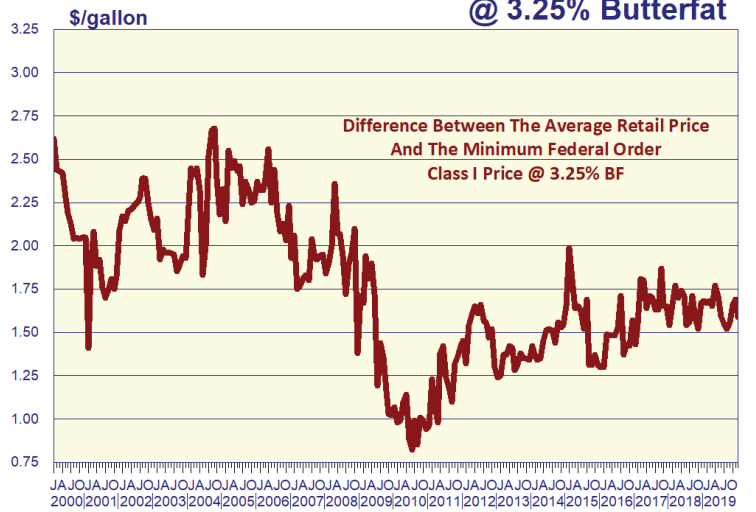
**Minimum Federal Order Class I Prices @ 3.25 BF
versus Retail Homogenized Milk Prices**



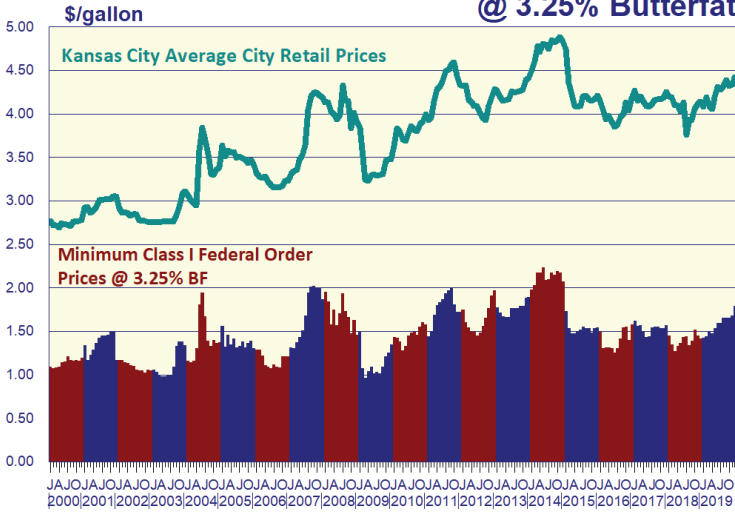
**Denver Homogenized Milk Prices
@ 3.25% Butterfat**



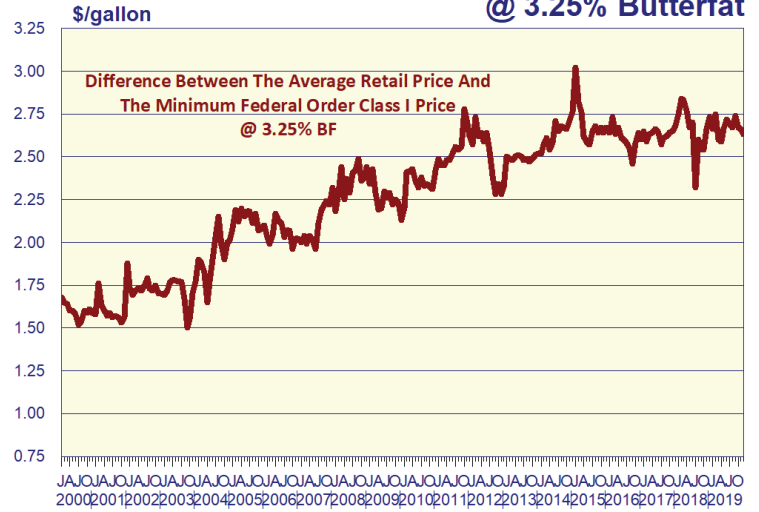
**Denver Homogenized Milk Prices
@ 3.25% Butterfat**



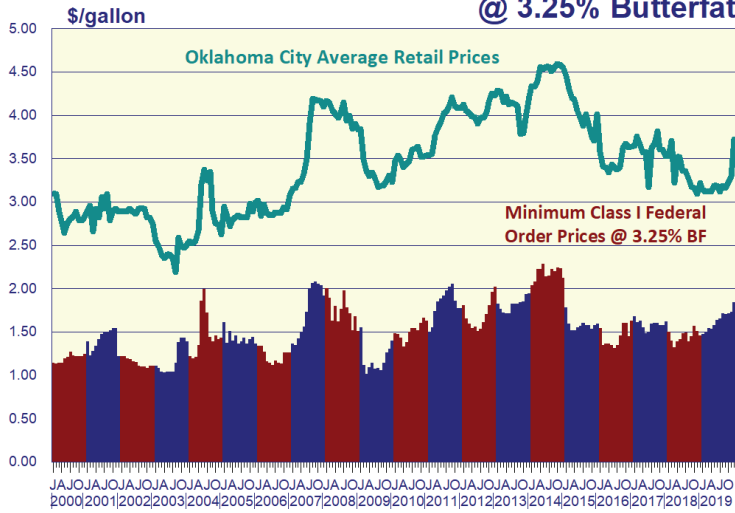
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



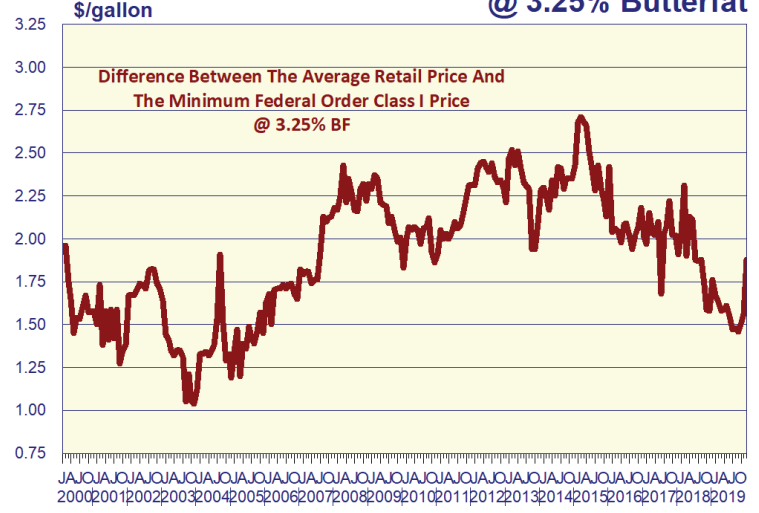
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



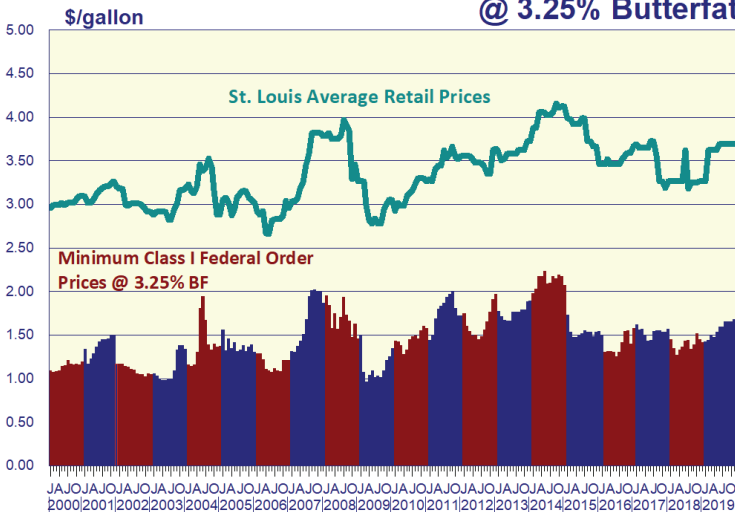
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



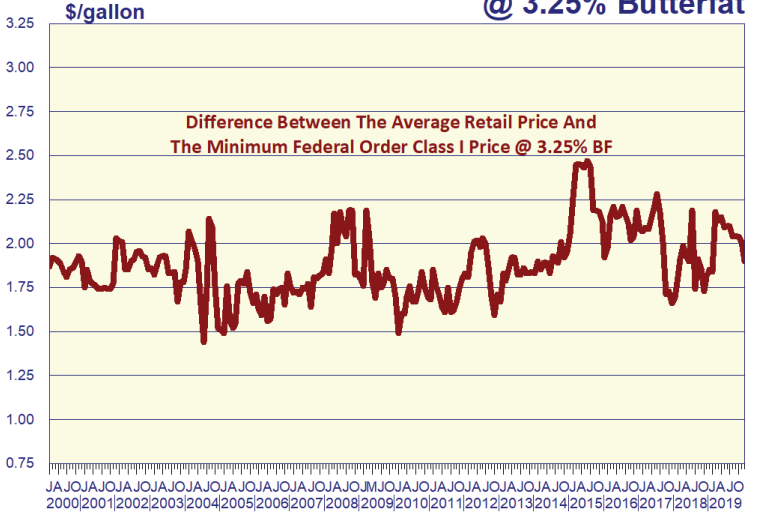
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



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	
	Apr '20	Mar '20	Apr '20	Mar '20	Apr '20	Mar '20
Northeast	14.92	17.74	1.85	1.49	29.82	30.94
Appalachian	17.49	19.49	-----	-----	71.21	70.75
Florida	19.35	21.64	-----	-----	77.61	82.45
Southeast	17.75	19.64	-----	-----	69.42	66.16
Upper Midwest	13.31	16.42	0.24	0.17	8.23	9.64
Central	13.51	16.40	0.44	0.15	24.30	29.53
Mideast	14.22	16.97	1.15	0.72	32.88	35.37
California	12.94	16.02	-0.13	-0.23	21.21	23.62
Pacific Northwest	13.15	16.11	0.08	-0.14	22.25	24.27
Southwest	14.22	17.12	1.15	0.87	28.64	38.69
Arizona	13.33	16.56	-----	-----	21.80	25.26

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