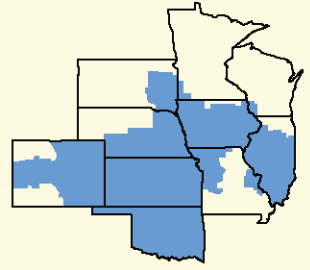


AUGUST 2021

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

Pandemic Market Volatility Assistance Program :

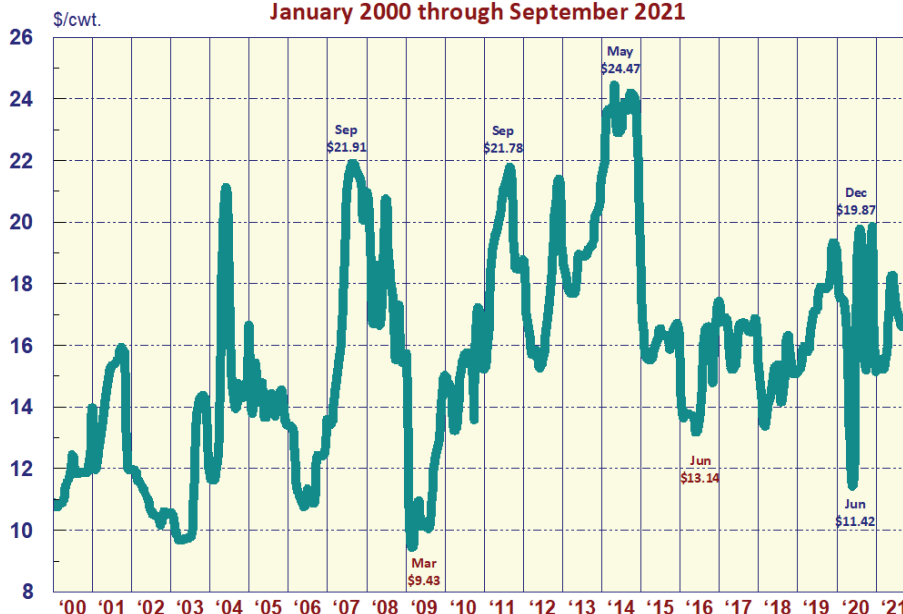
Through the Pandemic Market Volatility Assistance Program, USDA will provide more than \$350 million in pandemic assistance payments to dairy farmers who received a lower value due to market abnormalities caused by the pandemic and ensuing Federal policies. Additional information is available via a link on our home page (<https://www.fmmcentral.com/>), or at the following website: <https://www.ams.usda.gov/services/pandemic-market-volatility-assistance-program>.

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.

Federal Milk Order Class I Base Prices

January 2000 through September 2021



Class I base prices were much less volatile from late 2016 through mid-2019, with prices fluctuating in a relatively narrow range. Prices escalated substantially during the second half of 2019, before plummeting to \$11.42 in June 2020 which is the lowest since September 2009 when it was \$10.93. The December 2020 Class I base price regained strength to ascend to \$19.87, a 74% turnaround in six months.

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 \$19.87 in December 2020 to a low of \$11.42 in June 2020. After falling to a 21-month low of \$13.36 in March 2018, the Class I base price escalated throughout the rest of 2018 and 2019, reaching a high of \$19.33 in December 2019. 2020 followed with a sharp decline through the middle of the year, falling to \$11.42 in June before rebounding to close out the year with a six-year high price of \$19.87. The Class I base price has decreased significantly since the peak in December 2020, averaging \$16.41 during the first three quarters of this year with a high of \$18.29 in June.

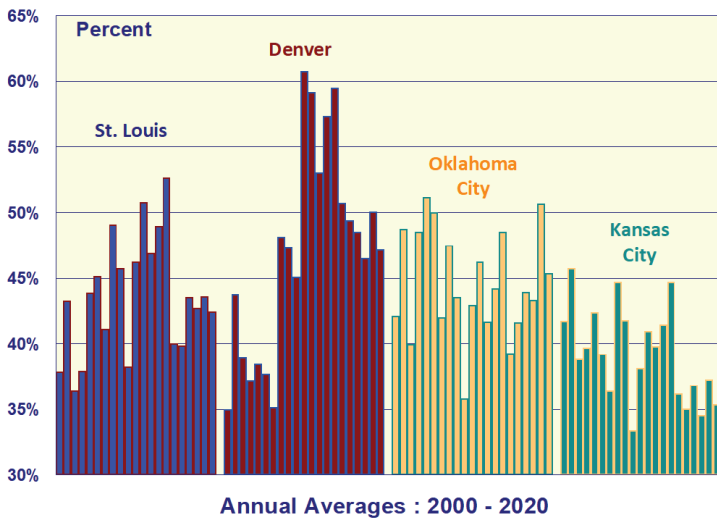
Dairy producers, processors, and retailers are all affected by Federal order Class I prices. The graphics contained in the rest of this bulletin depict monthly Federal order minimum Class I prices along with surveyed* retail homogenized milk prices for four cities in the Central Order from January 2000 through December 2020.

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.

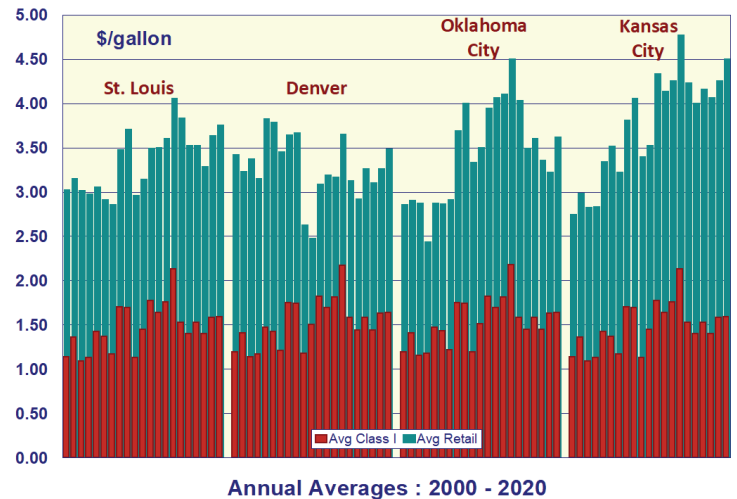
Federal milk order Class I prices represent the minimum dairy producers' share of the retail price. The Class I price in all Federal milk orders is the minimum amount processors must pay for milk utilized in fluid bottling. All Class I prices in this bulletin have been adjusted to a 3.25% butterfat content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

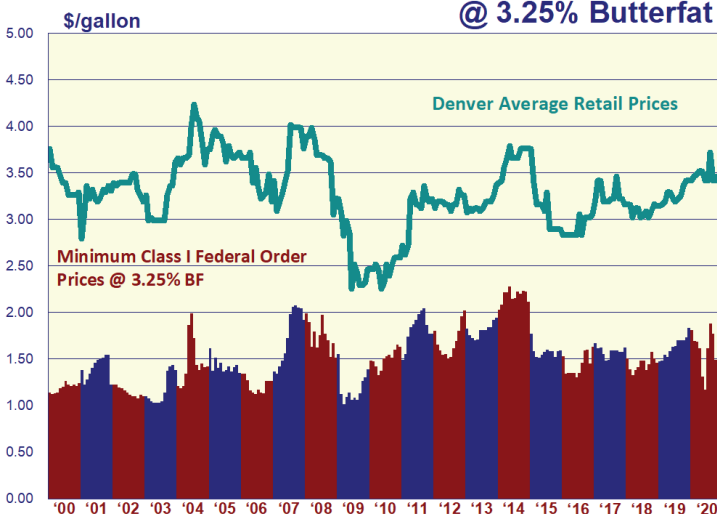
**Minimum Federal Order Class I Price @ 3.25% BF
As % Of Average Retail Homogenized Milk Price**



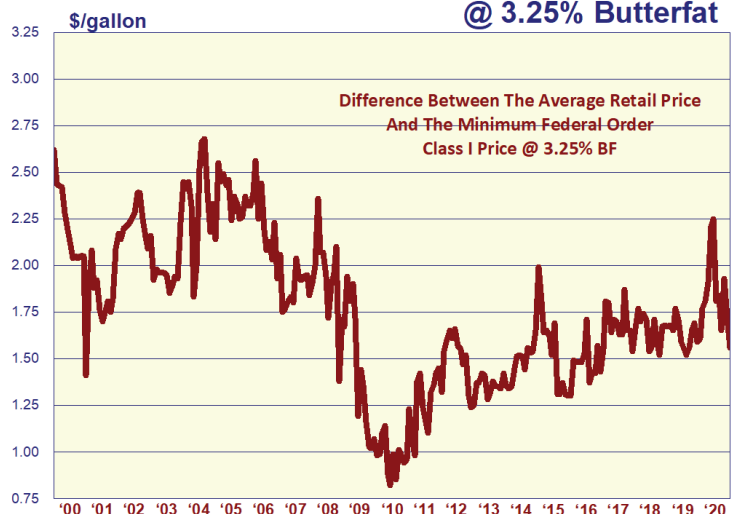
**Minimum Federal Order Class I Prices @ 3.25% BF
versus Retail Homogenized Milk Prices**



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

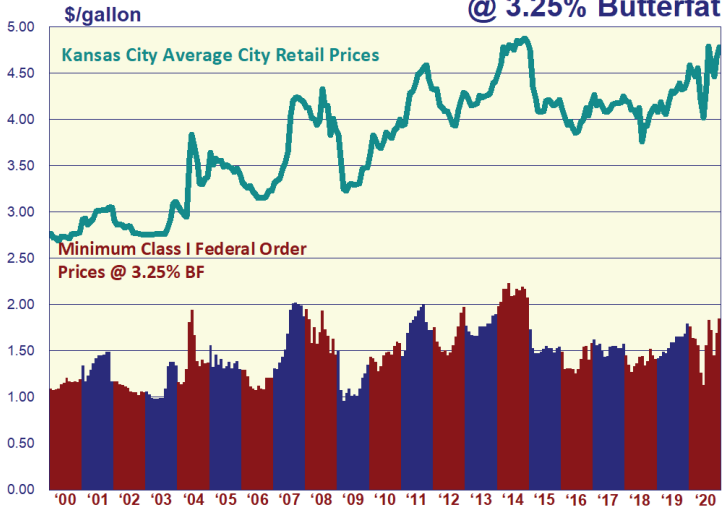


**Denver Homogenized Milk Prices
@ 3.25% Butterfat**



* The methodology used for the monthly survey of retail prices is detailed above.

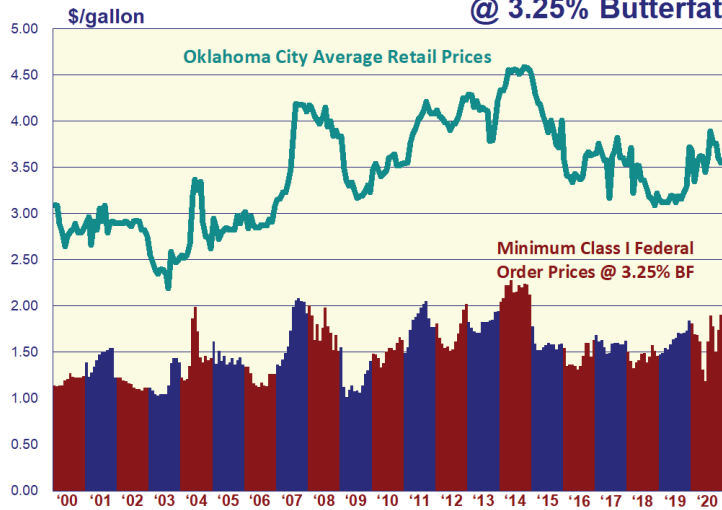
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



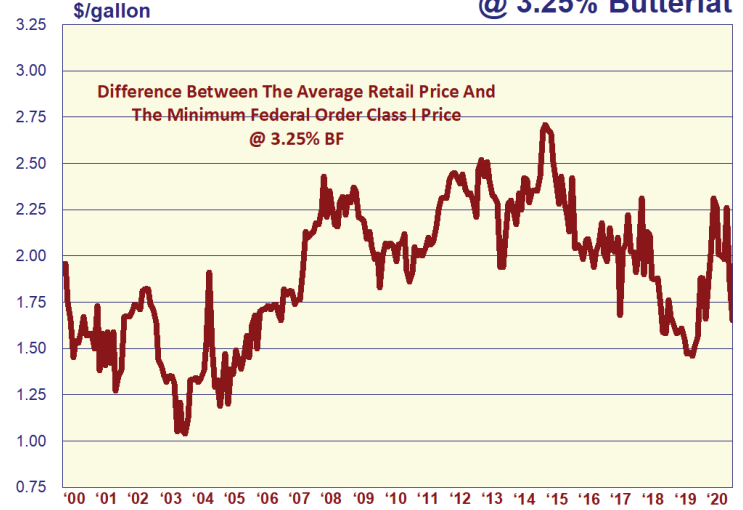
Kansas City Homogenized Milk Prices @ 3.25% Butterfat



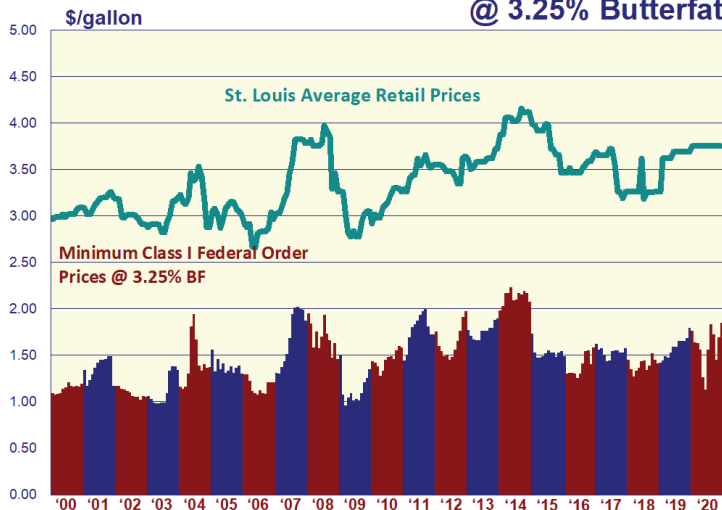
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



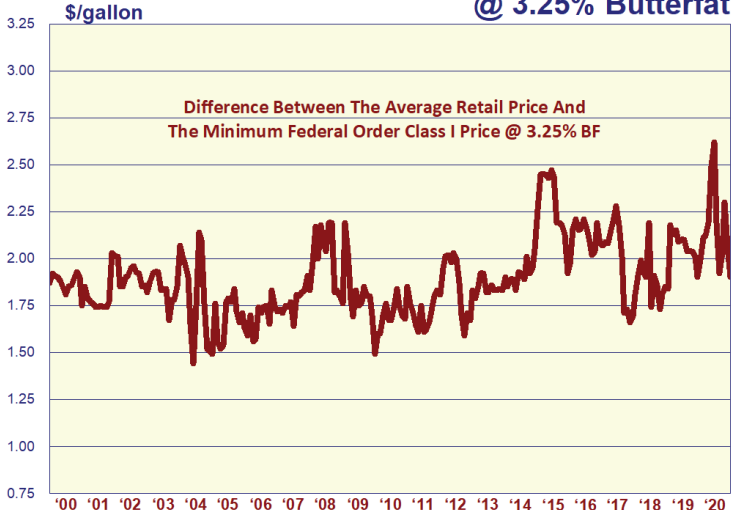
Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat



St. Louis Homogenized Milk Prices @ 3.25% Butterfat



St. Louis Homogenized Milk Prices @ 3.25% Butterfat





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Department of
Agriculture**

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	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jul '21	Jun '21	Jul '21	Jun '21	Jul '21	Jun '21
Northeast	18.06	18.50	1.57	1.29	27.71	28.14
Appalachian	19.61	20.19	-----	-----	69.24	65.70
Florida	21.98	22.40	-----	-----	86.33	80.56
Southeast	19.80	20.39	-----	-----	67.87	64.50
Upper Midwest	16.74	17.38	0.25	0.17	10.25	14.60
Central	16.84	17.44	0.35	0.23	25.72	29.96
Mideast	17.25	17.81	0.76	0.60	28.25	31.21
California	16.94	17.30	0.45	0.09	20.74	19.13
Pacific Northwest	16.77	17.32	0.28	0.11	17.28	20.81
Southwest	17.65	18.05	1.16	0.84	28.53	29.84
Arizona	17.27	17.76	-----	-----	28.24	27.99

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