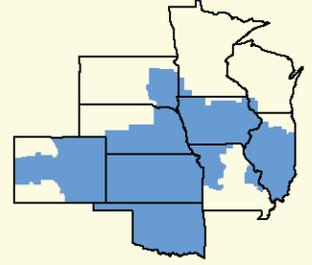


JULY 2022

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. Post-reform Class I base prices have ranged from a low of \$9.43 in March 2009 to the all-time high of \$25.87 recorded in June and July of this year. The recent all-time high price is an increase of an eye-opening \$16.44 (+174.3%) compared with March 2009.

Extreme peaks and valleys in this price series have occurred over relatively short time spans since order reform was implemented in 2000. For example, the September 2007 price of \$21.91 was an all-time high at the time, but prices plummeted by \$12.48 (-57.0%)

over the following 18 months, falling to \$9.43 in March 2009. Just thirty months later the Class I base price peaked at \$21.78 in September 2011, an increase of \$12.35, or +130.3% compared with March 2009. Prices steadily declined through the remainder of 2011 and early 2012 before beginning an upward trend that resulted in another peak in May 2014. The Class I base price increased to \$24.47 in May 2014, which was the all-time high at the time. Prices plummeted over the next two years, falling by 46.3% to \$13.14 in June 2016.

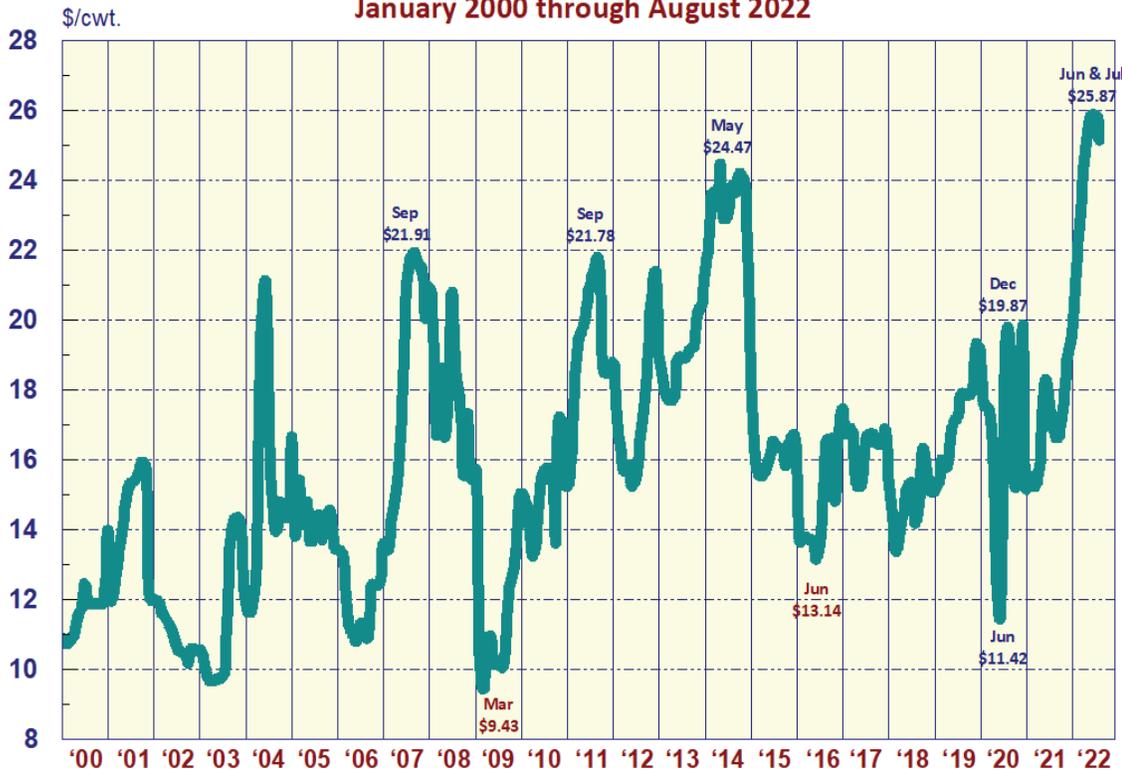
Class I base prices were much less volatile from late 2016 through mid-2019, with prices fluctuating in a relatively narrow range. Prices escalated

substantially during the second half of 2019, before plummeting to \$11.42 in June 2020. The June 2020 price is the lowest recorded since September 2009 when it was \$10.93. In the 27 months since June 2020, the Class I base price has increased by 126.5% to the current all-time high of \$25.87.

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.

### Federal Milk Order Class I Base Prices

January 2000 through August 2022



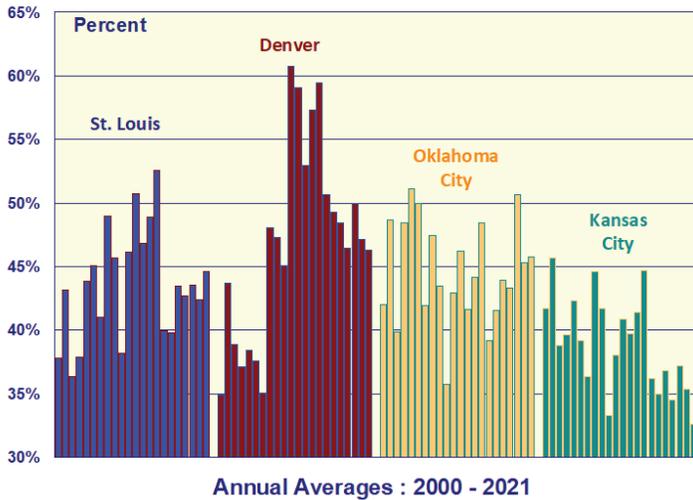
Dairy producers, processors, and retailers are all affected by Federal order Class I prices. The graphics contained in the rest of this bulletin depict monthly Federal order minimum Class I prices along with surveyed\* retail homogenized milk prices for four cities in the Central Order from January 2000 through December 2021.

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.

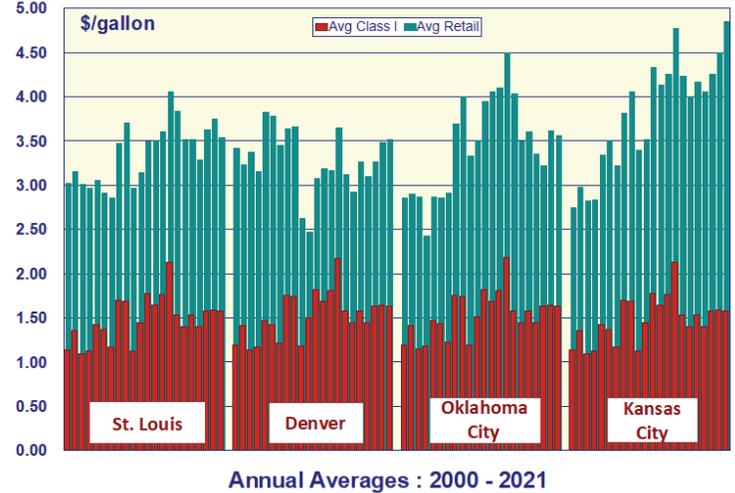
Federal milk order Class I prices represent the minimum dairy producers' share of the retail price. The Class I price in all Federal milk orders is the minimum amount processors must pay for milk utilized in fluid bottling. All Class I prices in this bulletin have been adjusted to a 3.25% butterfat content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

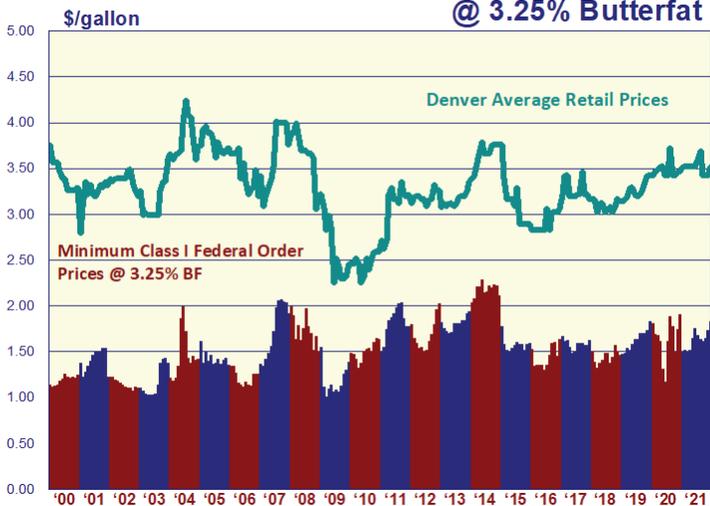
**Minimum Federal Order Class I Price @ 3.25% BF  
As % Of Average Retail Homogenized Milk Price**



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



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

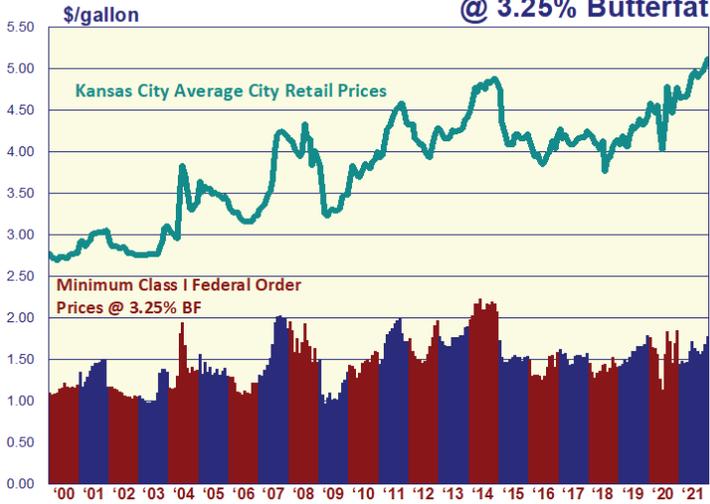


**Denver Homogenized Milk Prices  
@ 3.25% Butterfat**



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

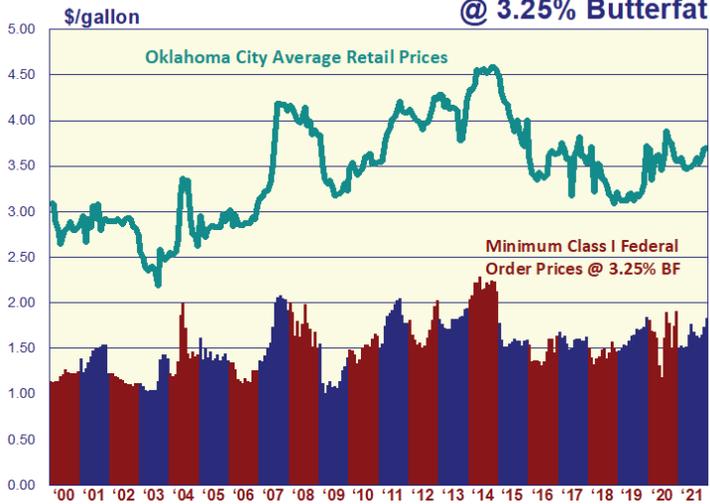
**Kansas City Homogenized Milk Prices @ 3.25% Butterfat**



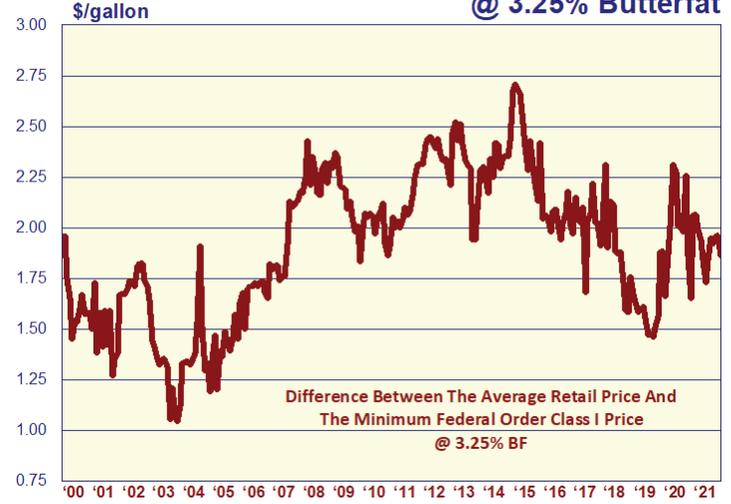
**Kansas City Homogenized Milk Prices @ 3.25% Butterfat**



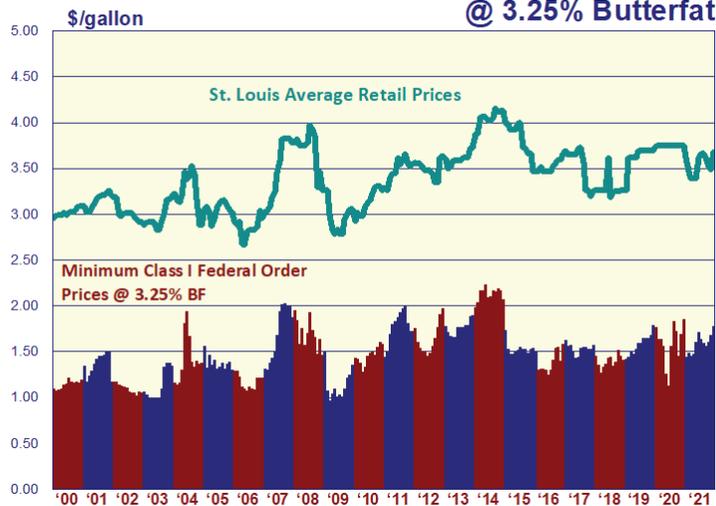
**Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat**



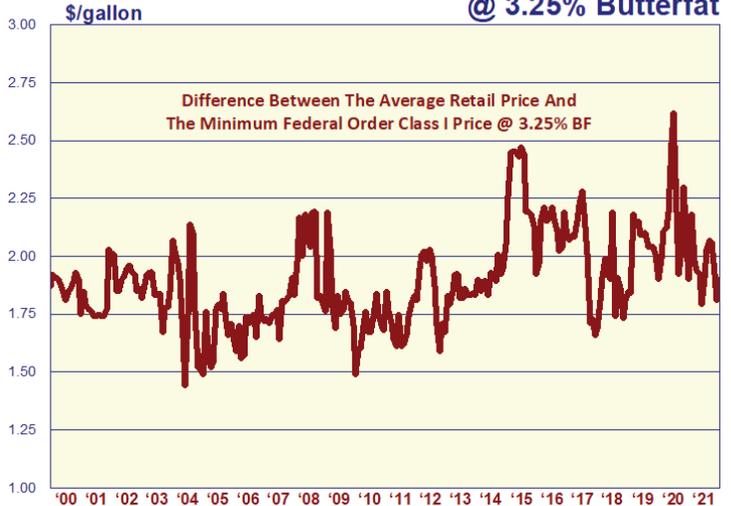
**Oklahoma City Homogenized Milk Prices @ 3.25% Butterfat**



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



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





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Agriculture**

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	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>Jun '22</u>	<u>May '22</u>	<u>Jun '22</u>	<u>May '22</u>	<u>Jun '22</u>	<u>May '22</u>
Northeast	26.98	26.58	2.65	1.37	27.53	28.70
Appalachian	28.52	27.79	-----	-----	66.43	65.59
Florida	30.60	29.76	-----	-----	81.14	78.54
Southeast	28.74	28.07	-----	-----	62.24	63.09
Upper Midwest	24.63	25.34	0.30	0.13	6.58	9.53
<b>Central</b>	<b>25.37</b>	<b>25.22</b>	<b>1.04</b>	<b>0.01</b>	<b>26.19</b>	<b>25.66</b>
Mideast	25.78	25.59	1.45	0.38	34.85	30.09
California	25.59	25.43	1.26	0.22	22.62	22.49
Pacific Northwest	25.39	25.12	1.06	-0.09	20.52	23.30
Southwest	26.04	25.85	1.71	0.64	26.81	25.97
Arizona	26.22	25.83	-----	-----	24.69	23.43

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