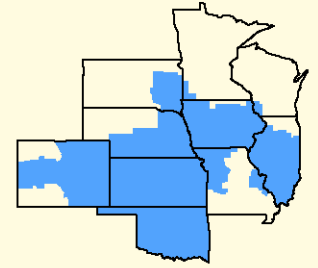


Bulletin

Facilitating the efficient marketing of milk and dairy products.



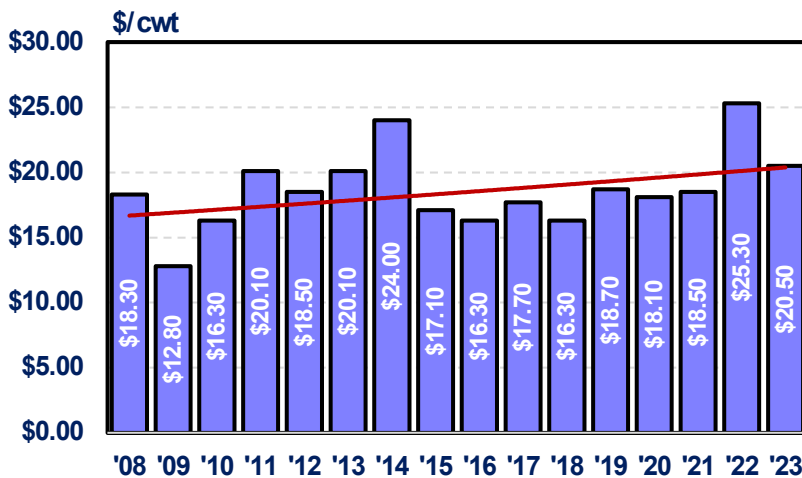
CENTRAL MARKETING AREA



Record Milk Prices But What About the "Bottom Line"?

U.S. Average All-Milk Price

Price at Test

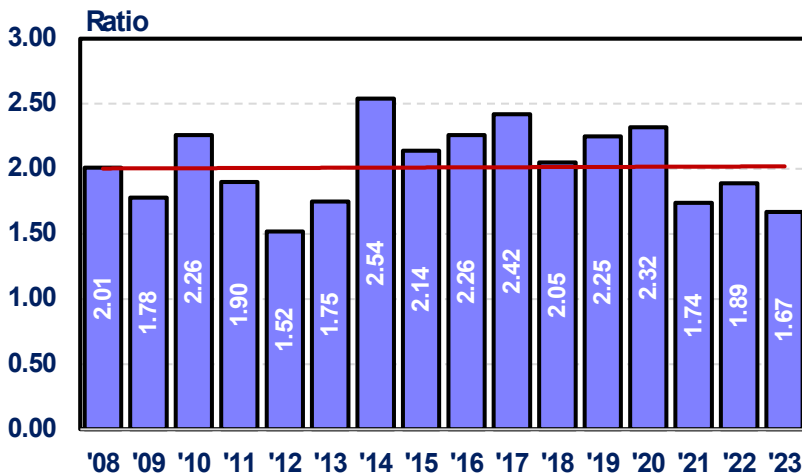


Extremely elevated prices dominated the U.S. dairy industry in 2022 where they then returned to previously seen levels in 2023. High price levels were well documented at all stages of the milk marketing channel, with most prices reaching all-time records. The All Milk price¹ recorded historic highs, posting a record \$25.30 annual average, along with a single month record of \$27.20 in May of 2022. The first graph on this page depicts annual averages for this price series over the last 15 years. The 2022 average was \$6.64 (+35.6%) greater than the 15-year average of \$18.66. Based on these record high farmlevel milk prices, some have concluded that 2022 farm-level profits must have reached historically high levels as well. This seemingly logical conclusion ignores the expense portion of the profitability equation, however. Since many milk production input costs skyrocketed during 2022, the "bottom line" may

be less favorable than expected. This bulletin examines some of the revenue and cost items² relevant in "bottom line" calculations for dairy farmers. The milk-feed ratio is a statistical measure that calculates the pounds of 16% mixed dairy feed³ equal in value to one pound of whole milk. This ratio is frequently referenced in regard to milk production profitability. However, the milkfeed ratio measures only one aspect of the revenue/cost structure for milk production - that being the

Milk-Feed Ratio Comparisons

2008 - 2023

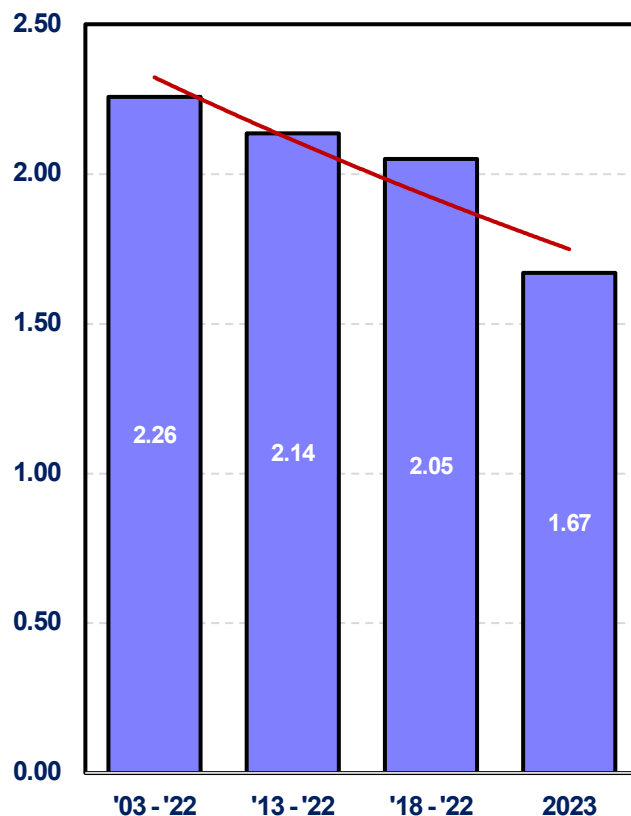


relationship between milk prices and feed costs. Many other costs are involved in the milk production process. Moreover, this ratio is an average for the entire U.S. and may not accurately reflect local or regional conditions. It does not incorporate changes in production efficiency or farm size. Finally, the milk-feed ratio reflects only one out of many possible dairy feed ratios. Keeping these limitations in mind, this ratio can be used as a general reference point in examining the "bottom line" for milk production in the U.S. The bottom graph on this page depicts annual averages for the milk-feed ratio from 2008 to the most recent annual average. The 1.89 recorded for 2022 was 0.14 points below the 15-year average of 2.03, despite that year's record high milk prices. 2023's ratio of 1.67 was even lower along with a falling All Milk price.

The top graph on this page compares the 2023 milk-feed ratio with the previous 5-year, 10-year, and 20-year averages. As indicated, the 2023 ratio was lower than all of these historical averages. This data implies that 2023 may have actually been less profitable for U.S. milk producers. The bottom graph on this page compares monthly milk-feed ratios for the most recent 18-month period with monthly averages for the previous 20 years. The 2023 monthly averages were below the 20-year average in every month for that year. Moreover, data for 2024 indicates an increase in this "bottom line" measure for dairy farmers. The graphs on the third page of this bulletin portray milk prices and selected milk production cost items over the last 11 years. All of the data depicted by these graphs has been indexed, with 2011 as the base period, before 2011 the base period was 1990-92. The indexed All Milk Price is portrayed in the top left graph, while milk production input cost items are depicted in the other five graphs. The 2022 All Milk Price index of 126 is substantially above the 11-year average of 96, while 2023 fell closer to the average. The 2022 index for most of the selected production cost items exceeds the All Milk Price index, however in 2023 all but one are significantly higher. The index for production, interest, taxes, and wage rates (PITW) provides a look at expenses as a whole for a farm. The PITW rose sharply over the last few years increasing by 30 points from 2020 to 2022. This data implies a less favorable "bottom line" for 2022 despite it's record milk prices. The all milk price index fell from 126 to 102 in 2023 yet the PITW index increased by 2 points furthering the implication of a less favorable "bottom line". The data included in this bulletin is not intended to be a comprehensive analysis of milk production profitability, but rather a cursory look at a few of the relevant factors. The index for milk cow replacement prices has also increased greatly in recent years going from 96 in 2021 to 124 in 2023, a 29.2% increase. Mixed fertilizer prices were trending down until 2021 where they increased by 63.6% over the next 3 years. Feed prices were trending down after 2014 yet returned to their previous levels by 2021, peaking in 2022 at an index of 138. Fuel prices fell sharply in 2015 before also rising back up in 2021 with 2020 to 2021 having the largest year over year change of any selected statistic with a 44.2% increase. Additional cost data can be obtained from [Agricultural Prices](#)².

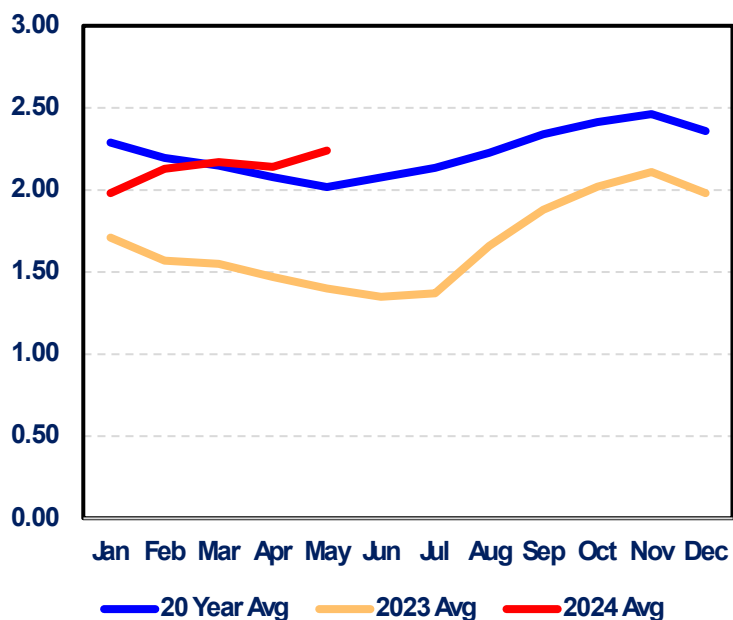
Milk-Feed Ratio Comparisons

16% Mixed Dairy Feed Ration



Milk-Feed Ratio Comparisons

Monthly U.S. Data



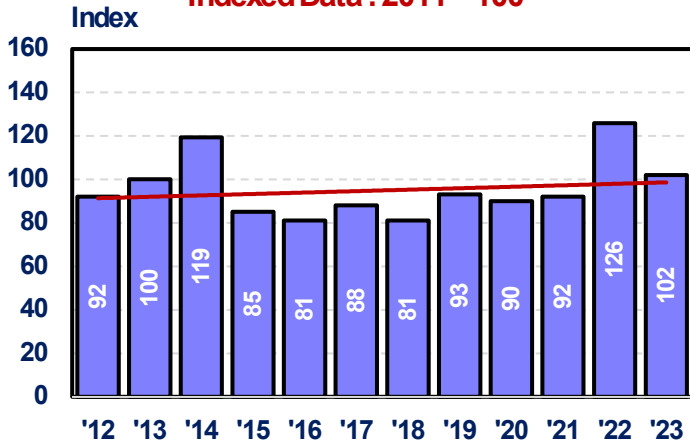
1 The All Milk Price is the average price, at test, for all milk sold at plants

2 The source for data in this bulletin is *Agricultural Prices*, United States Department of Agriculture, National Agricultural Statistics Service. (www.nass.usda.gov/publications/)

3 The price of commercially prepared dairy feed is based on U.S. prices received for corn, soybeans, and alfalfa. The mixed dairy feed ration uses 51 percent corn, 8 percent soybeans, and 41 percent alfalfa.

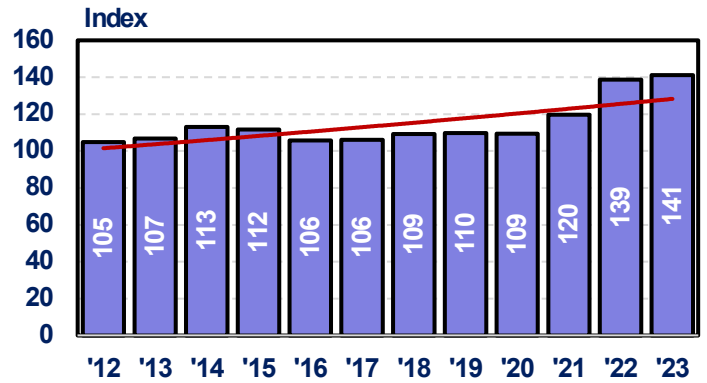
U.S. All-Milk Prices

Indexed Data : 2011 = 100



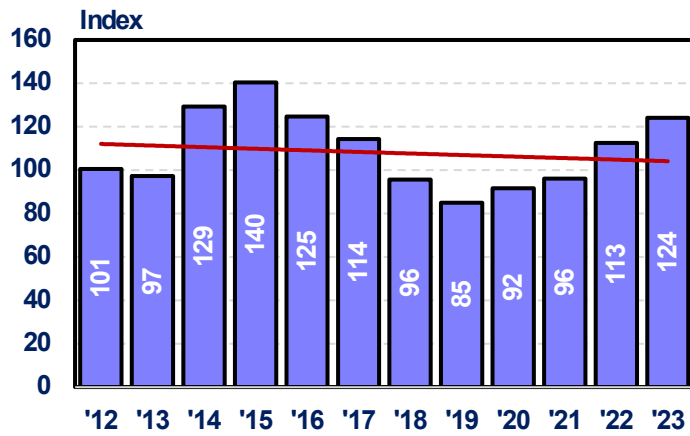
Production, Interest, Taxes, and Wage Rates (PITW)

Indexed Data : 2011 = 100



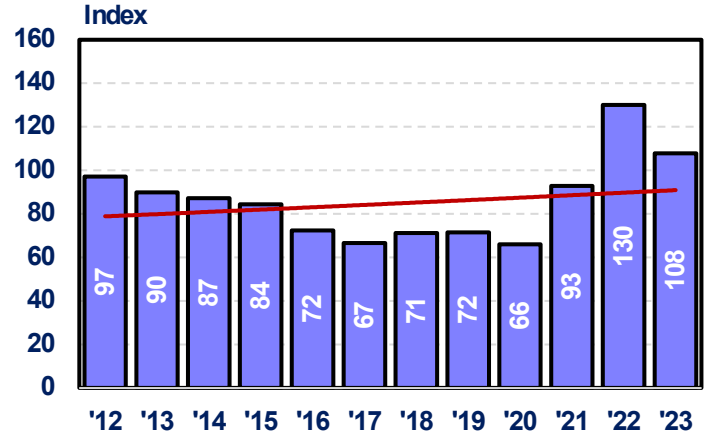
Milk Cow Replacement Prices

Indexed Data : 2011 = 100



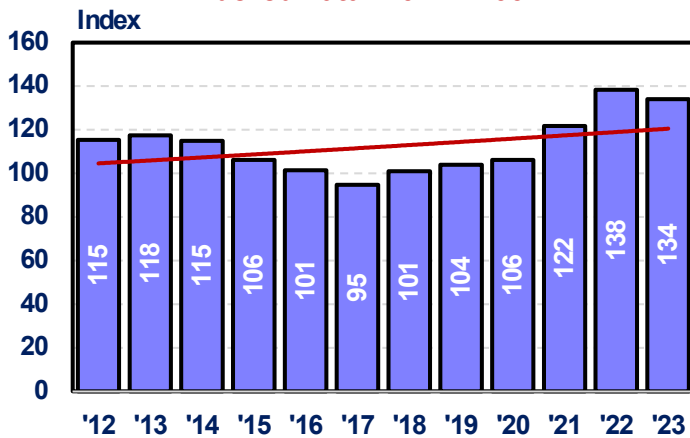
Mixed Fertilizer Prices

Indexed Data : 2011 = 100



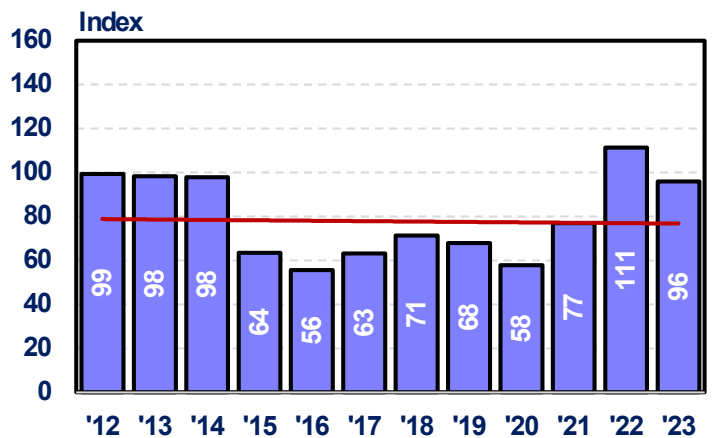
Feed Prices

Indexed Data : 2011 = 100



Fuel Prices

Indexed Data : 2011 = 100





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	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>Jun '24</u>	<u>May '24</u>	<u>Jun '24</u>	<u>May '24</u>	<u>Jun '24</u>	<u>May '24</u>
Northeast	21.83	20.89	1.96	2.34	26.45	28.50
Appalachian	22.84	21.77	-----	-----	63.13	70.54
Florida	24.72	23.46	-----	-----	79.83	81.23
Southeast	23.23	22.08	-----	-----	60.11	70.94
Upper Midwest	20.05	18.74	0.18	0.19	5.47	5.84
Central	20.36	19.14	0.49	0.59	24.86	26.90
Mideast	20.83	19.45	0.96	0.90	35.48	38.28
California	20.66	19.40	0.79	0.85	17.57	18.94
Pacific Northwest	20.57	19.52	0.70	0.97	18.70	21.09
Southwest	21.20	19.89	1.33	1.34	27.20	28.56
Arizona	21.15	20.09	-----	-----	28.54	37.73

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