

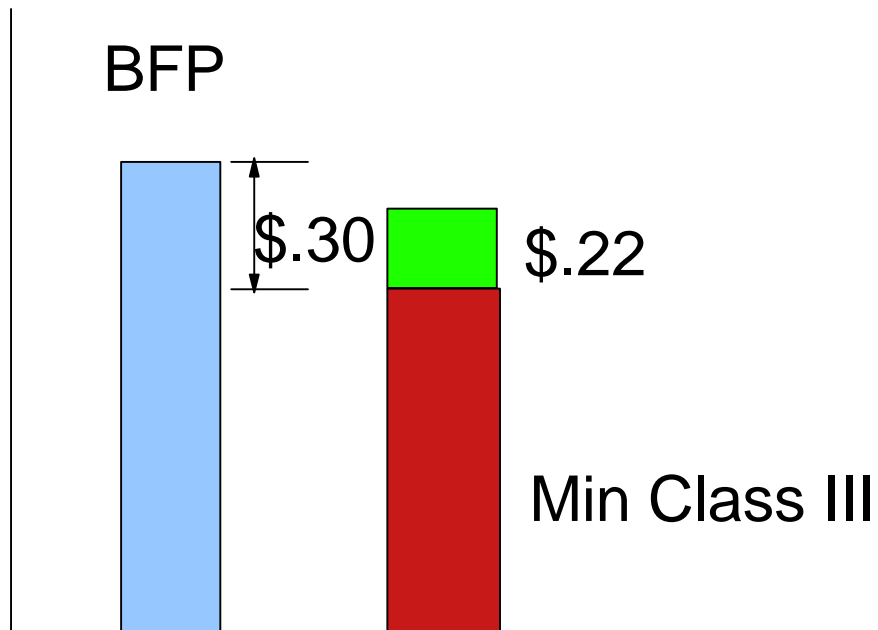
Consensus Analysis of the Final Rule for Reform of the Federal Milk Marketing Order System

June 9, 1999

Assumptions

- Higher of Concept for Class I Price Mover - \$0.10
- Butter/NFD Survey Prices - \$-0.01 per Pound
- Cheese Survey Price - \$-0.03 per Pound
- Revenue to Cheese Processors - 75% Returned to Farmers
- Over-Order Premiums
 - ▶ NOPREM
 - ▶ 50PREM
 - ▶ MOD1A
- California

BFP vs Minimum Class III Price Given Dairy Product Prices

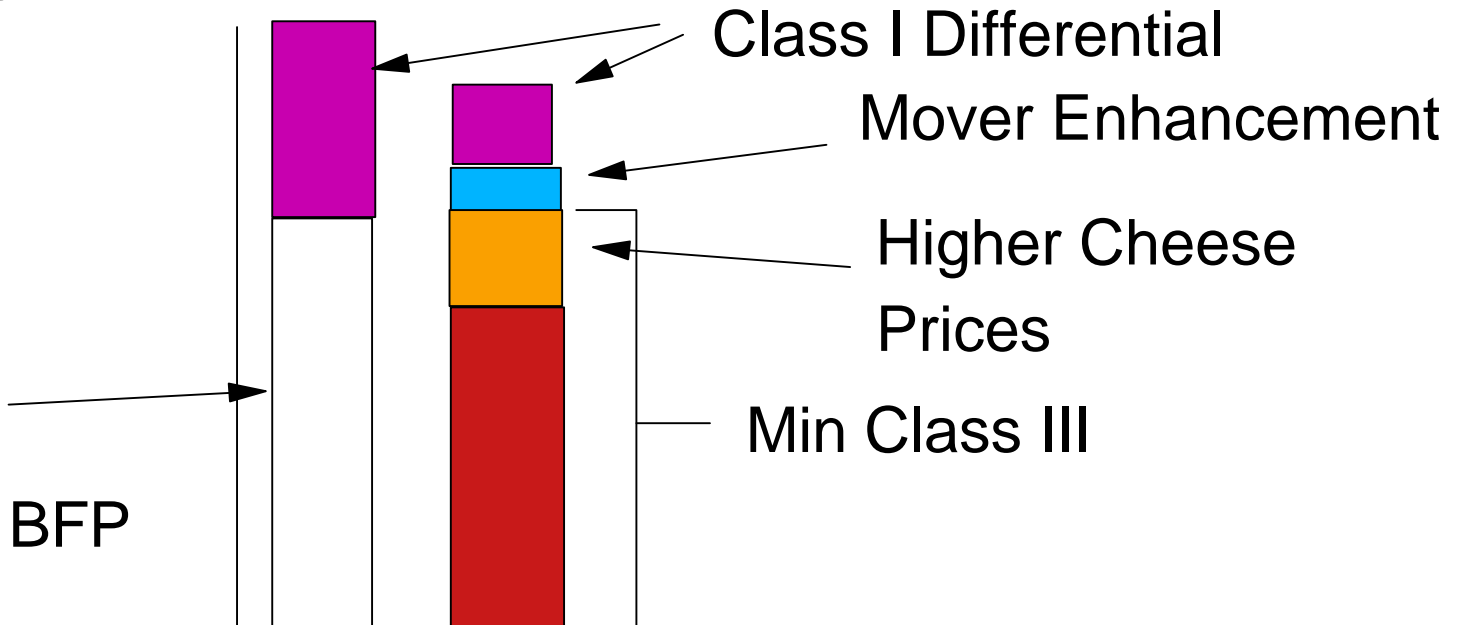


Reduced Class I Differentials Results in Less Milk Production and More Fluid Use, Thus Less Milk is Available for Manufactured Uses

" Effective" Class III Price



Class I Price

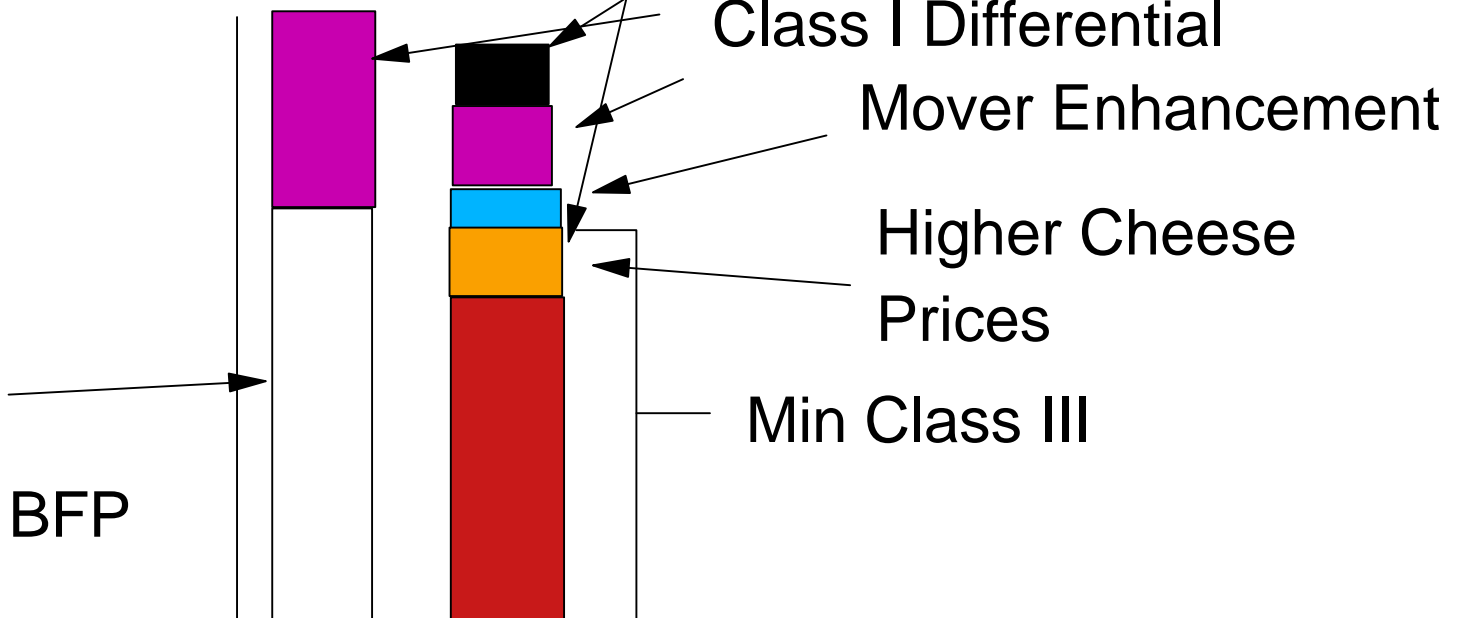


What Happens When Premiums or Differentials Increase for Class I Milk ?

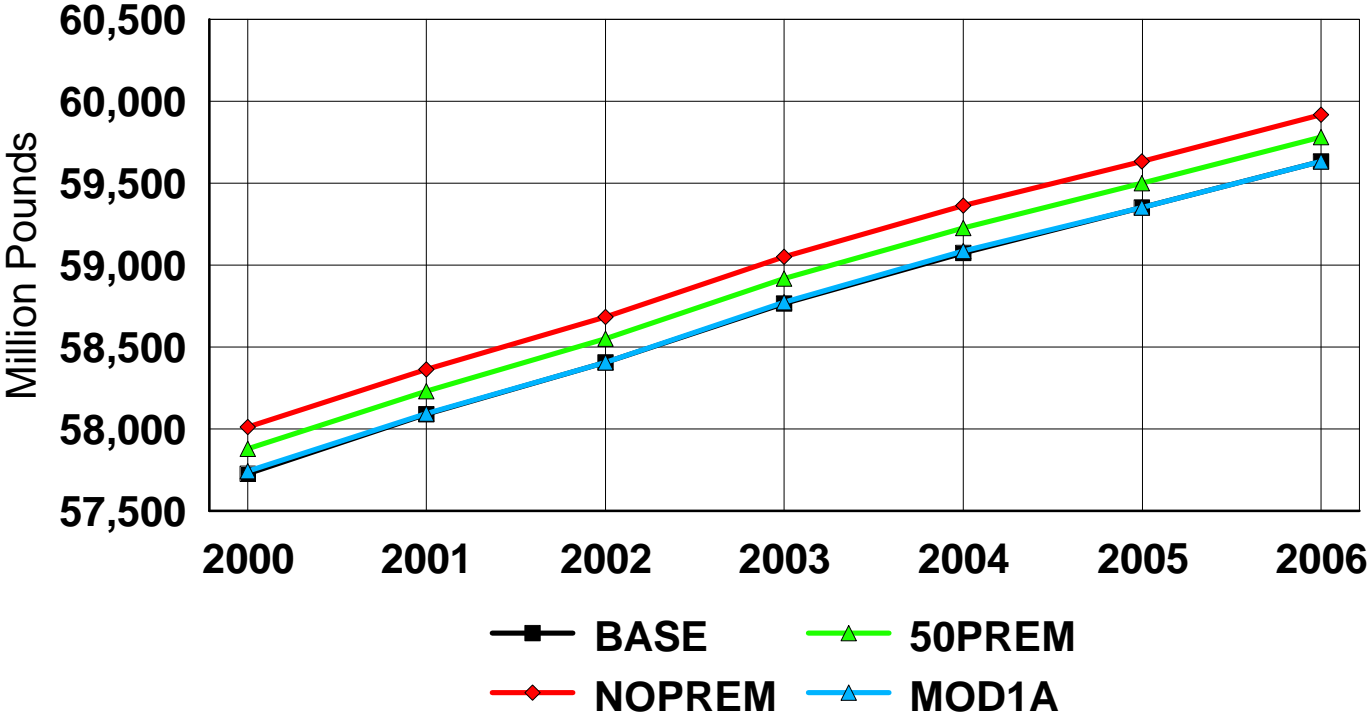
" Effective" Class III Price



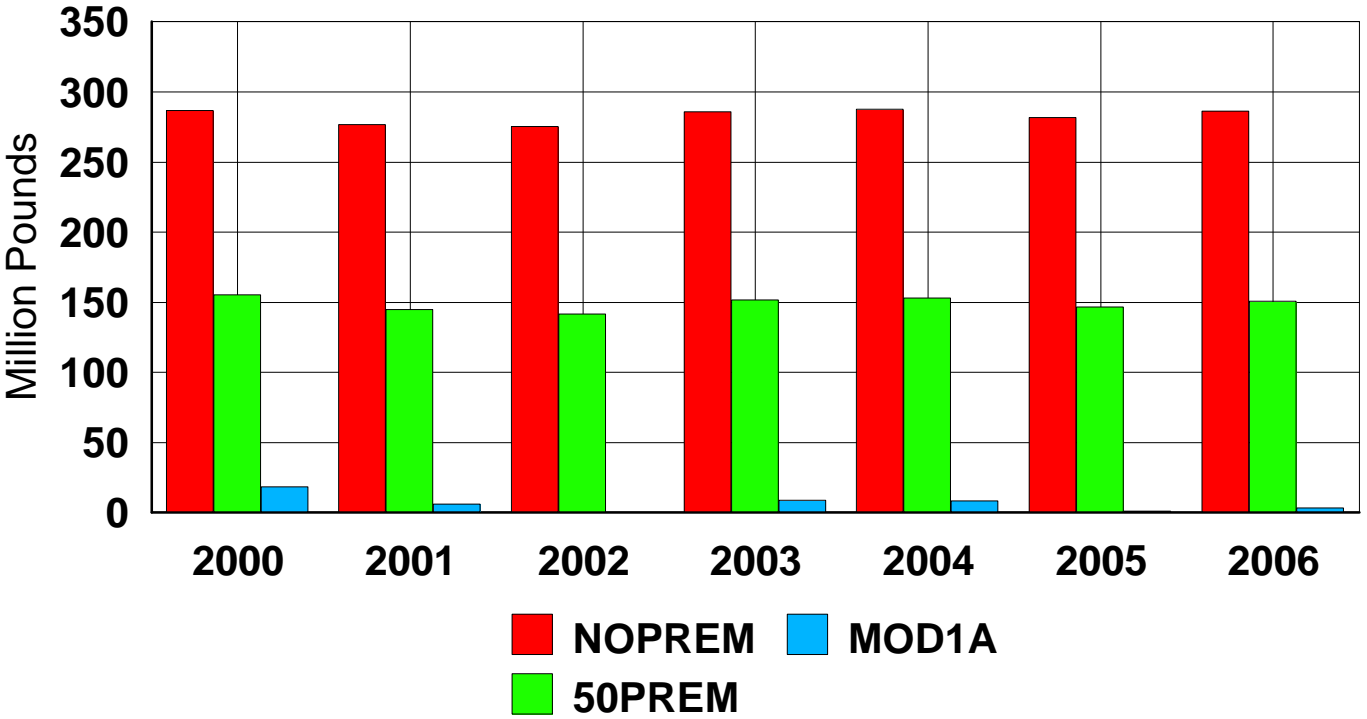
Class I Price



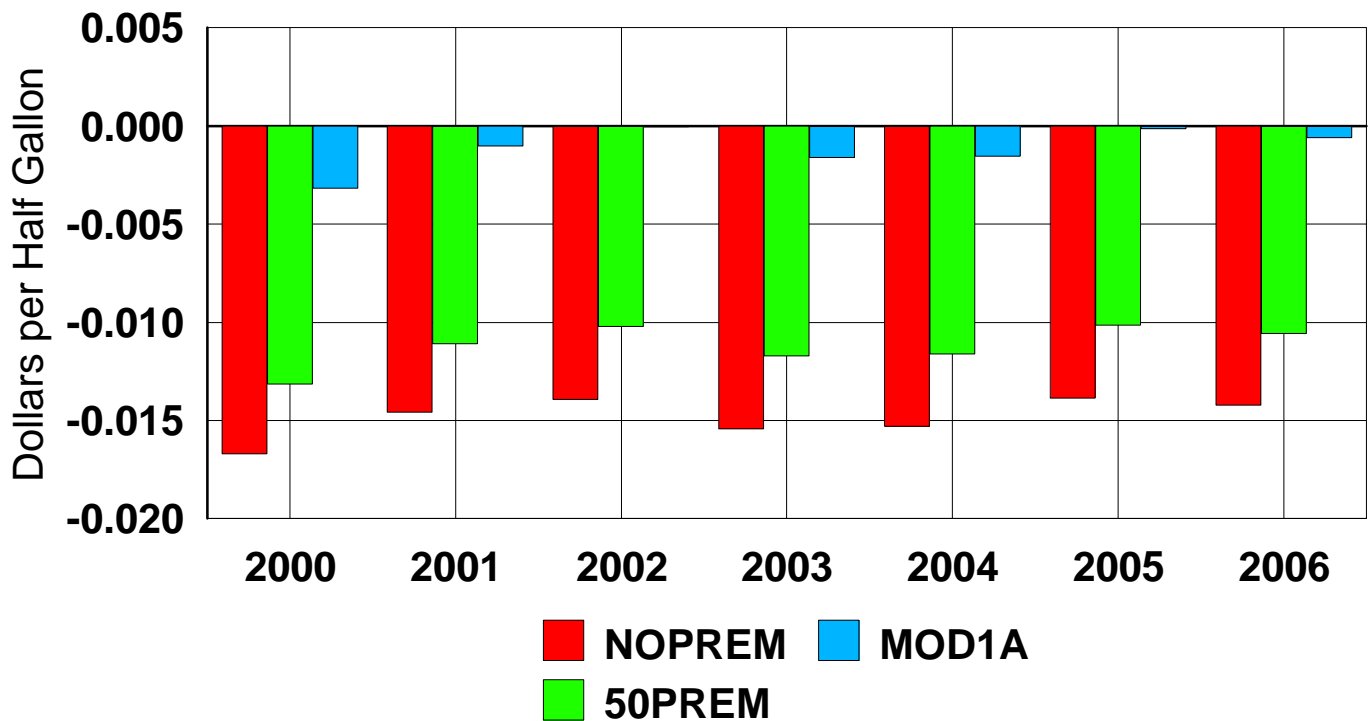
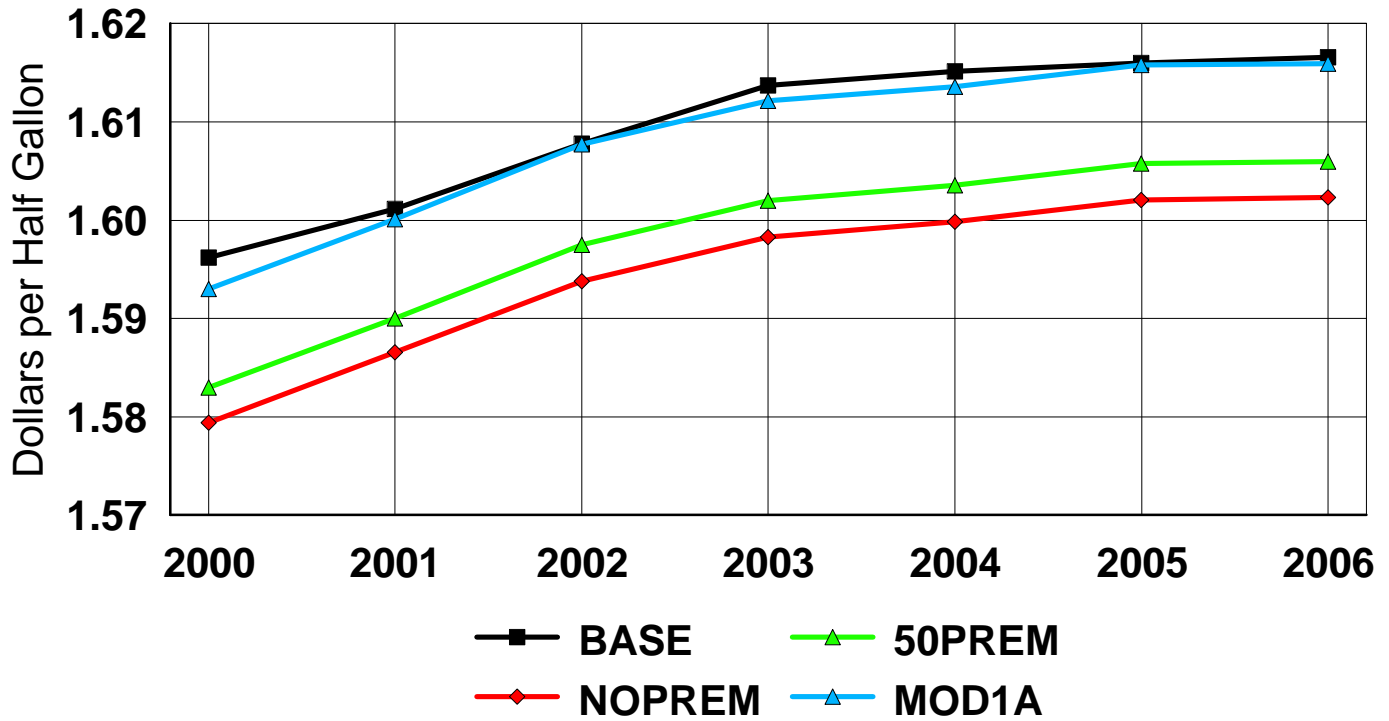
U.S. Fluid Use



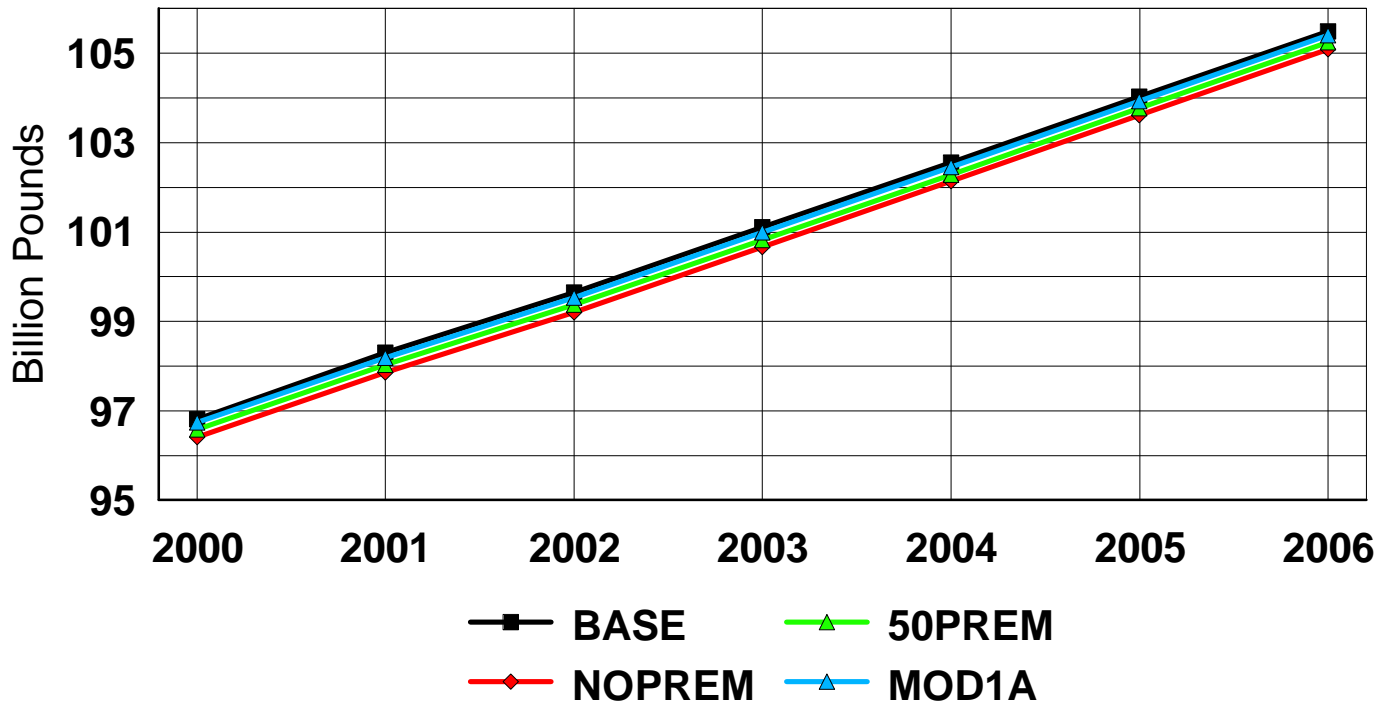
Change in Fluid Use



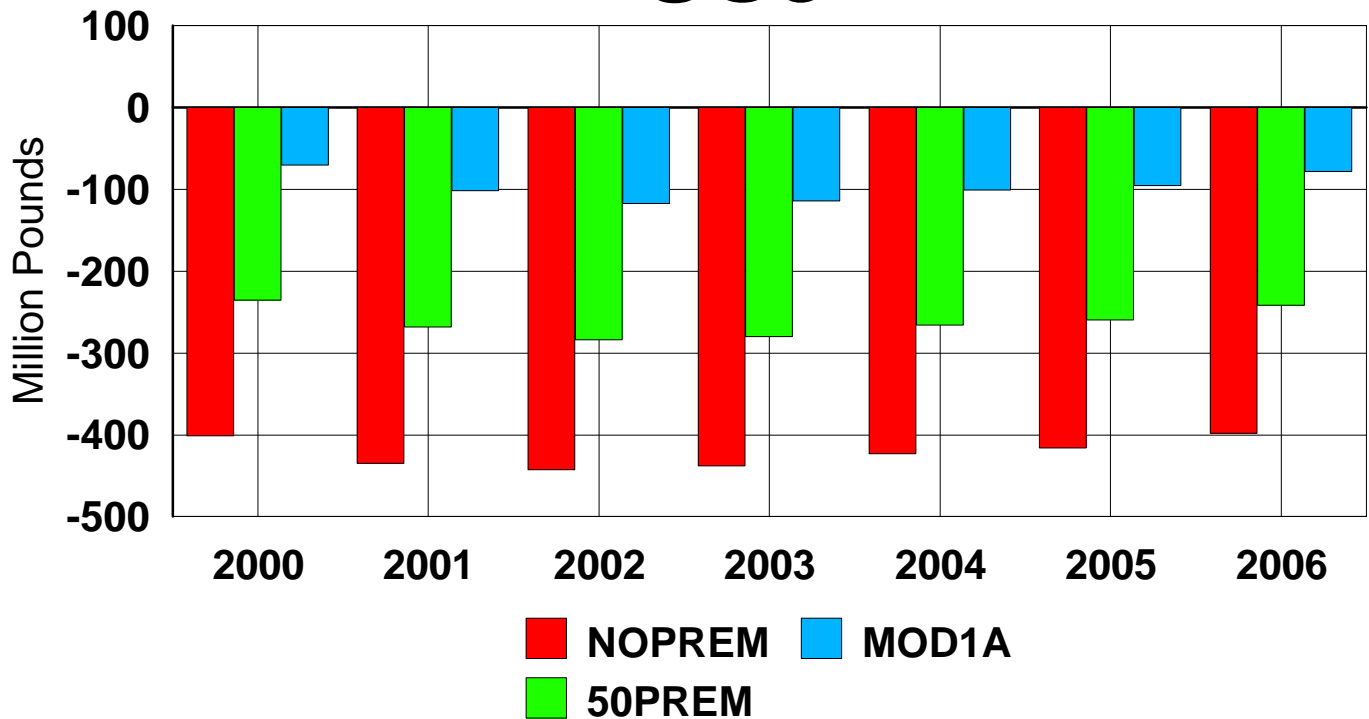
U.S. Retail Fluid Milk Price



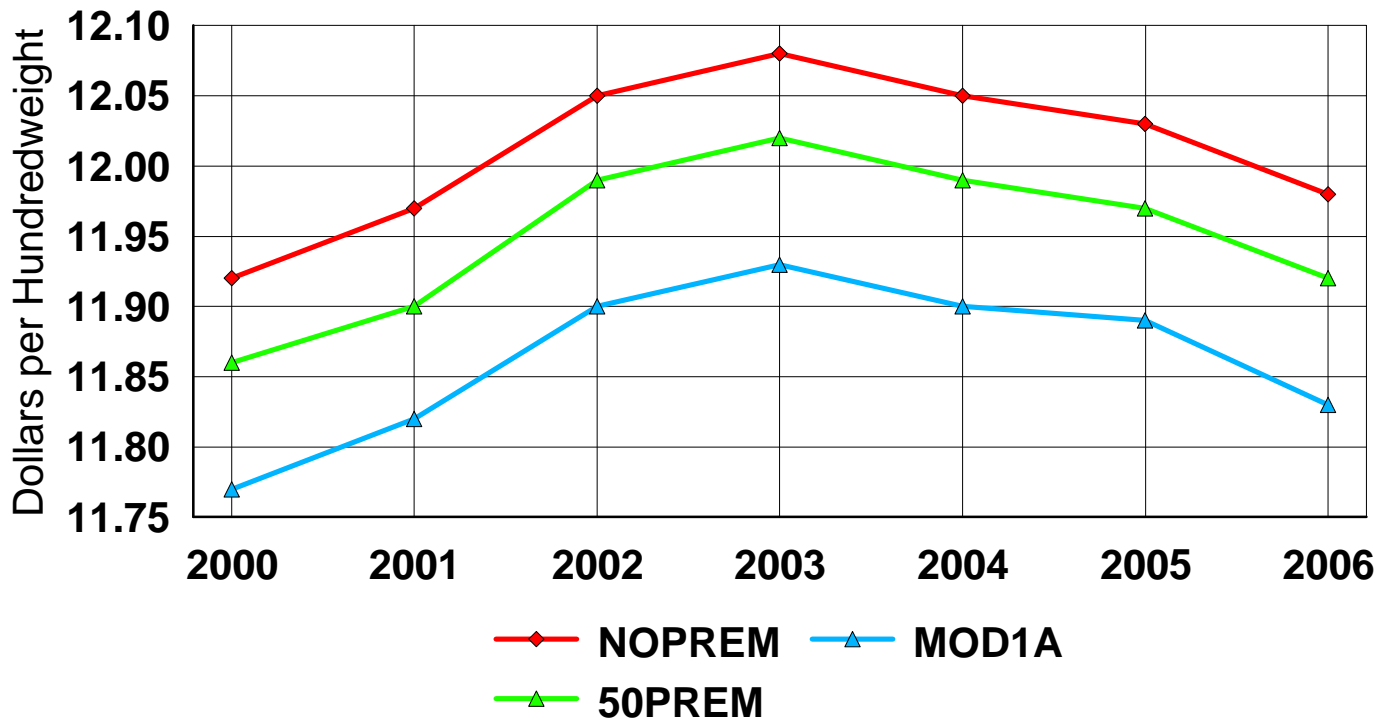
U.S. Manufacturing Use



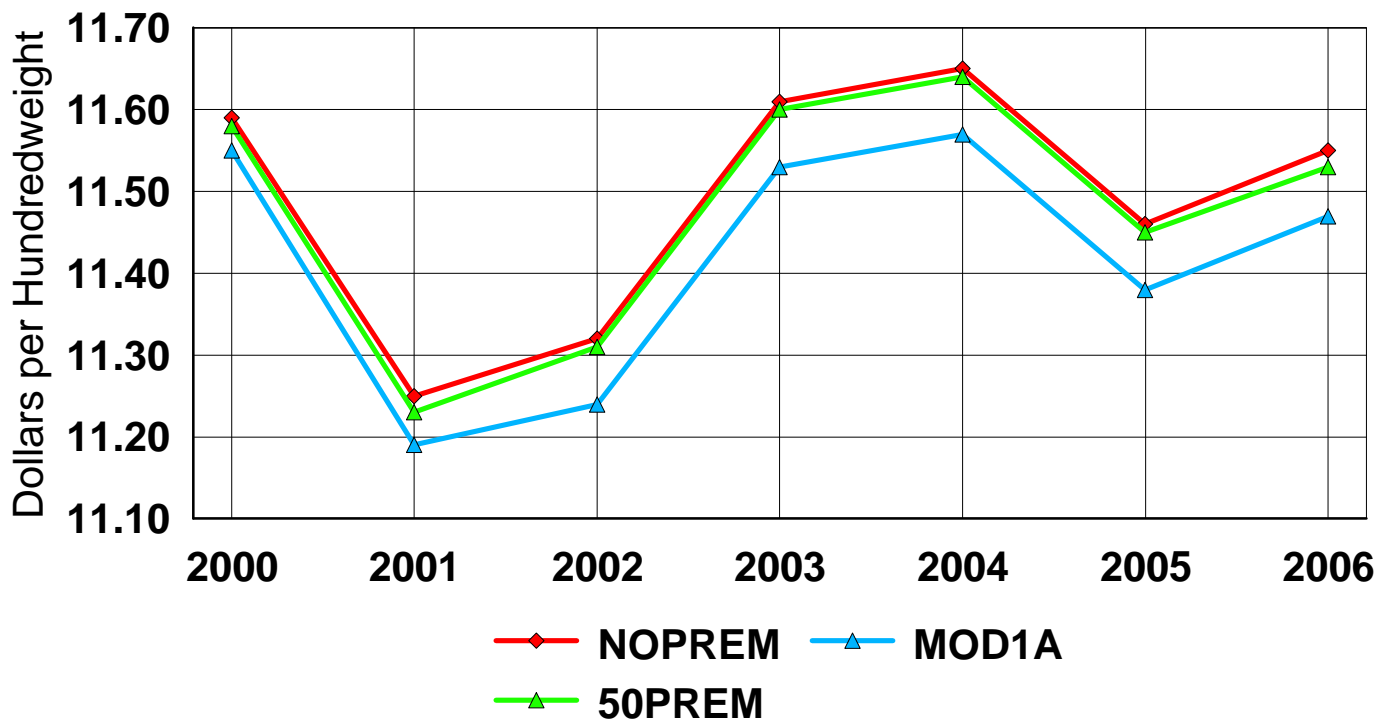
Change in Manufacturing Use



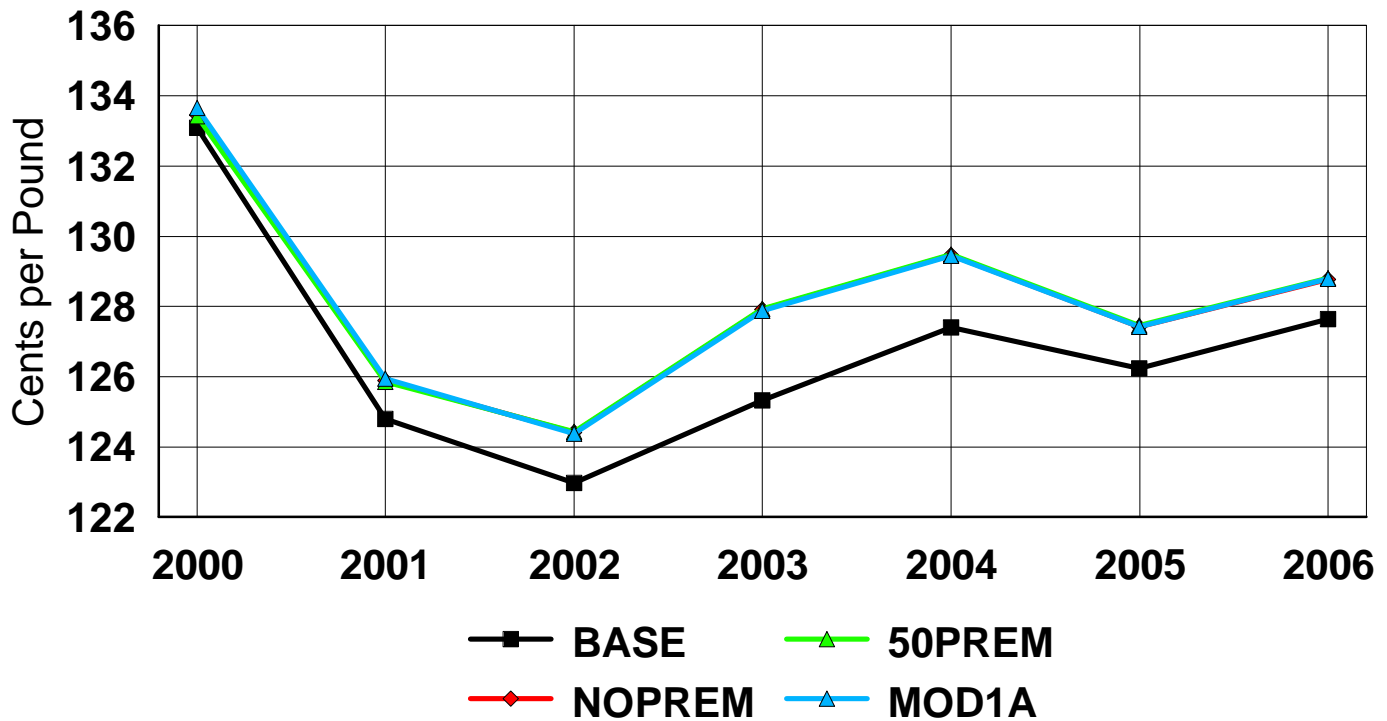
Minimum Class III Milk Price



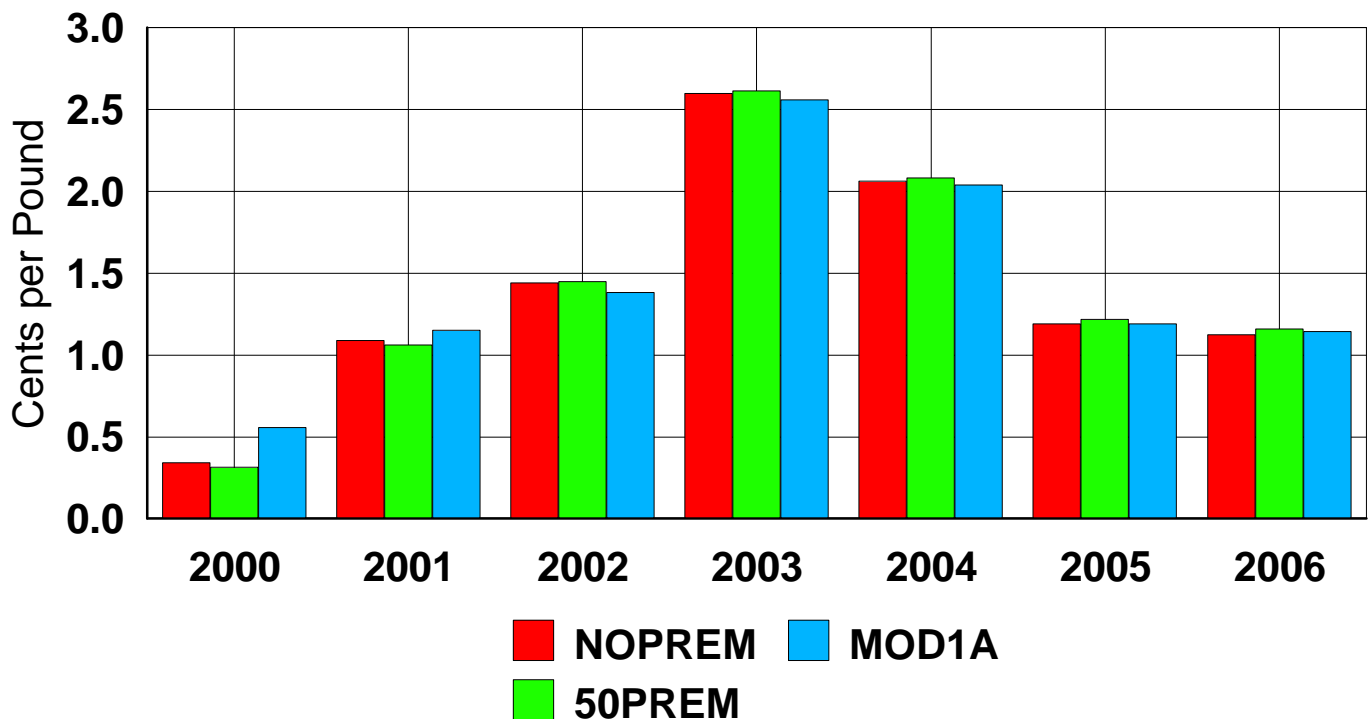
Minimum Class IV Milk Price



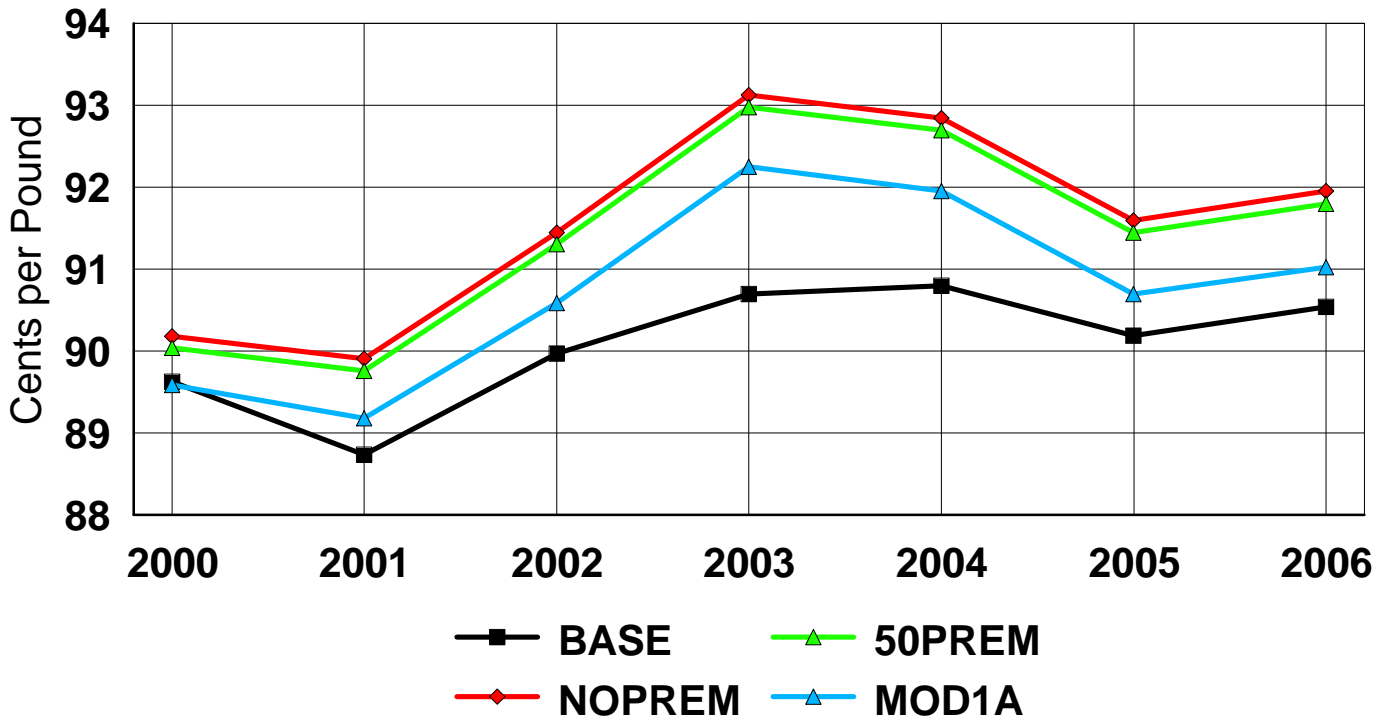
U.S. Wholesale Butter Price



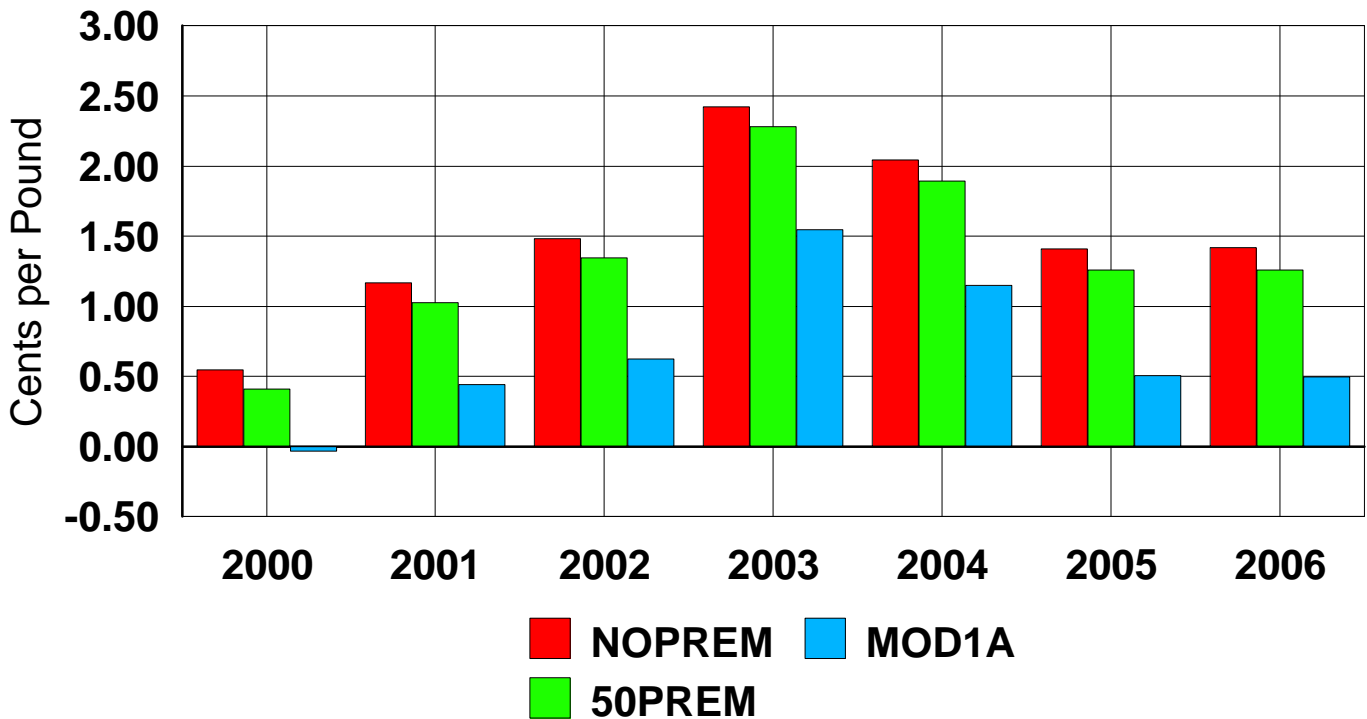
Change in Wholesale Butter Price



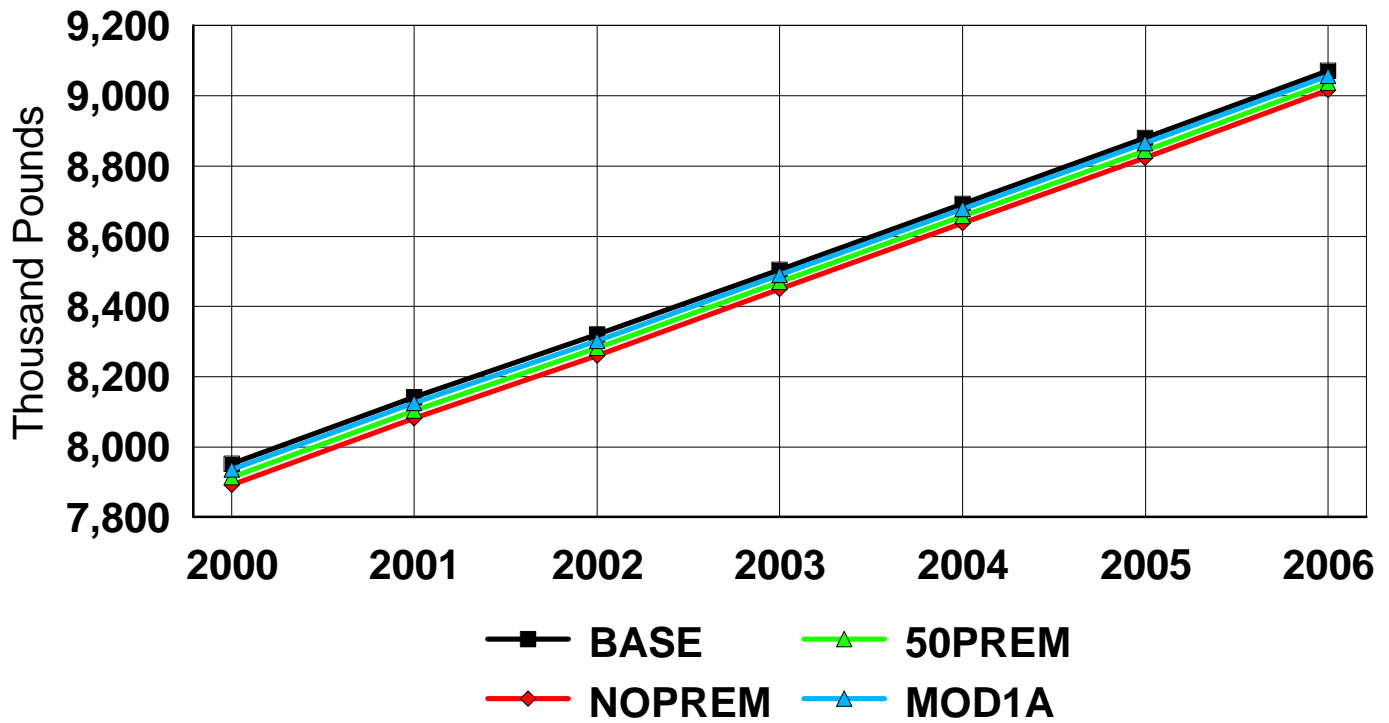
U.S. Wholesale NFD Price



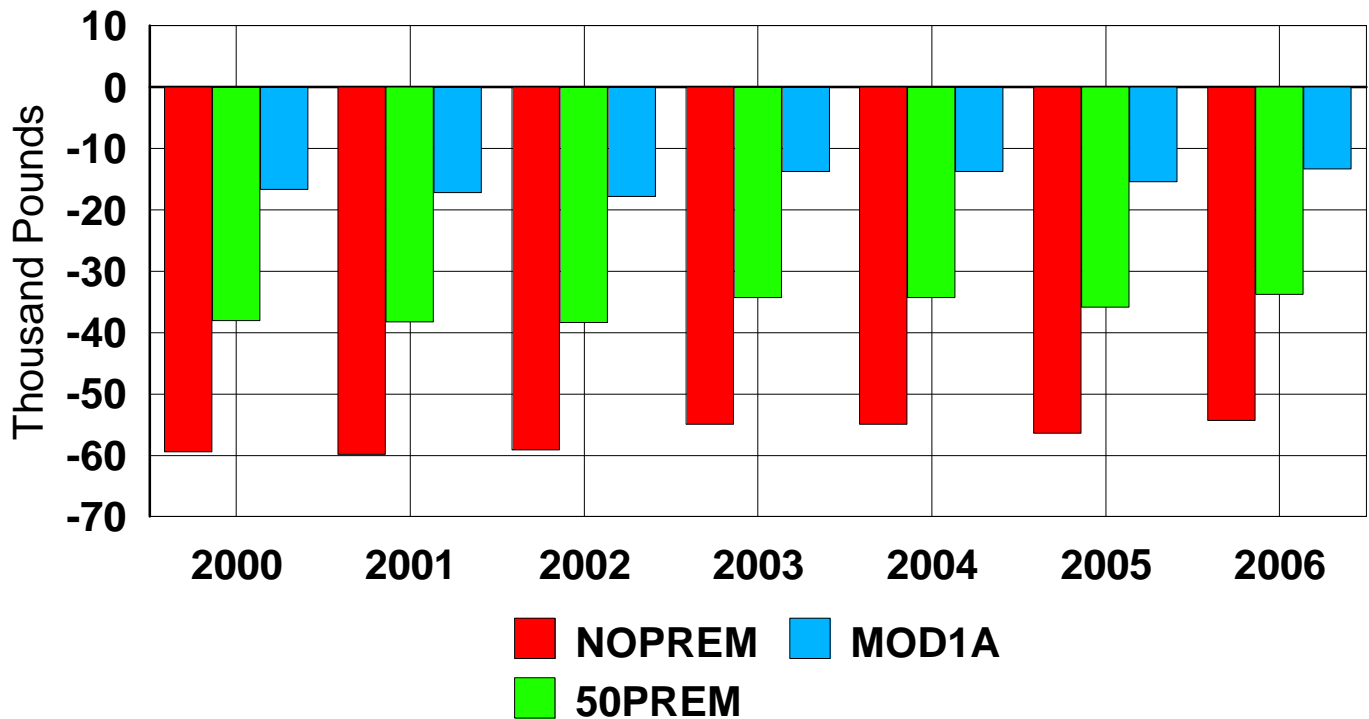
Change in Wholesale NFD Price



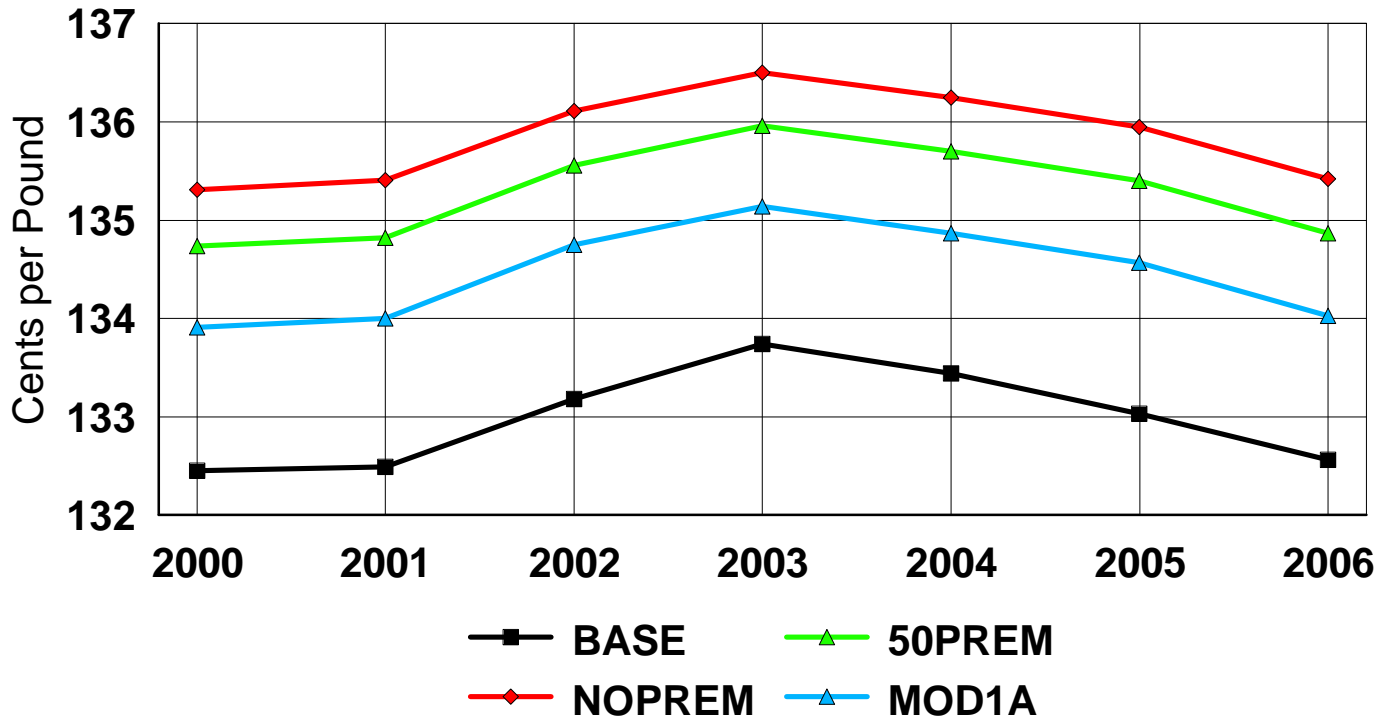
U.S. Cheese Production



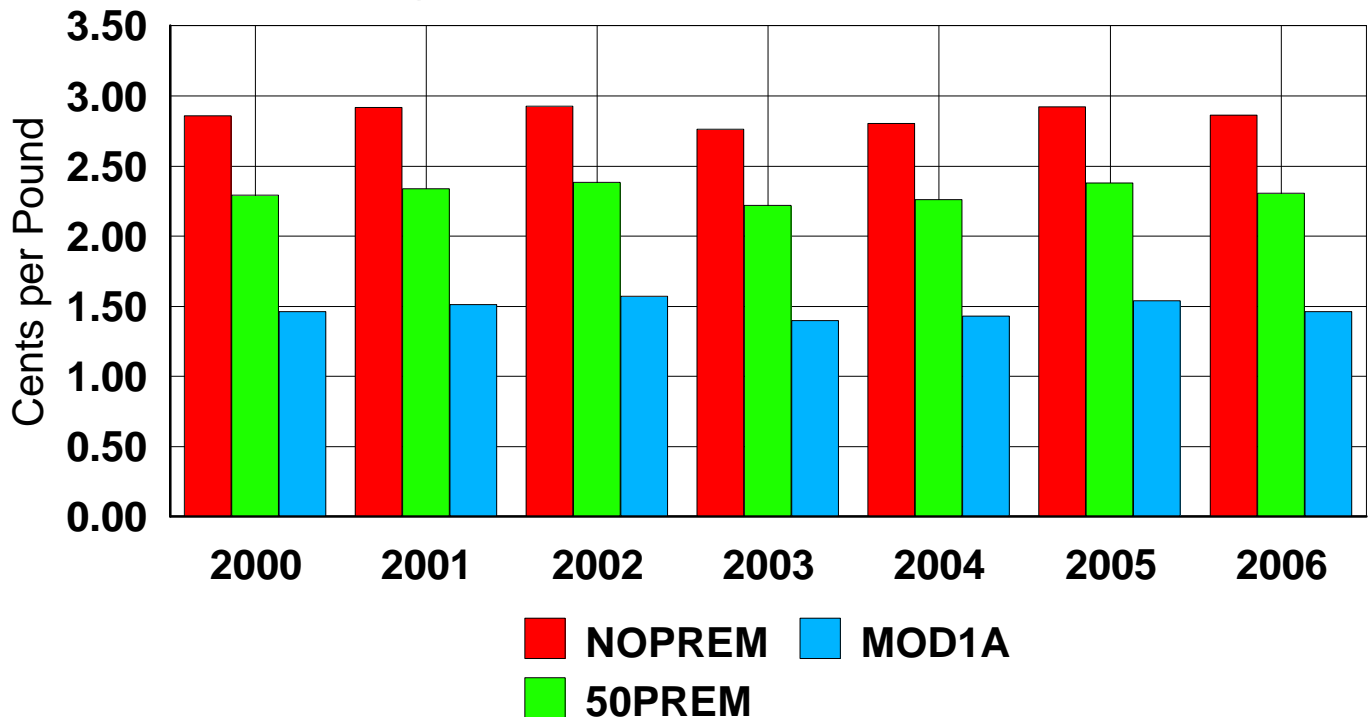
Change in Cheese Production



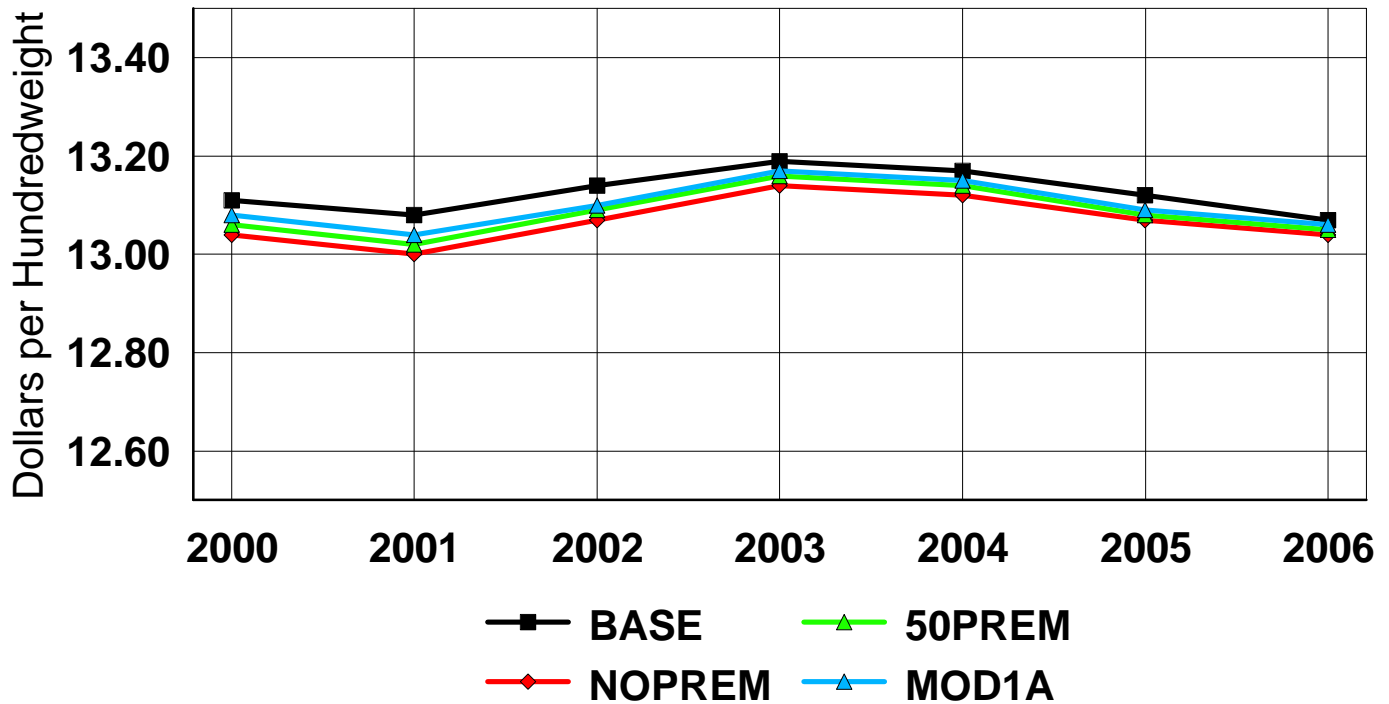
U.S. Wholesale Cheese Price



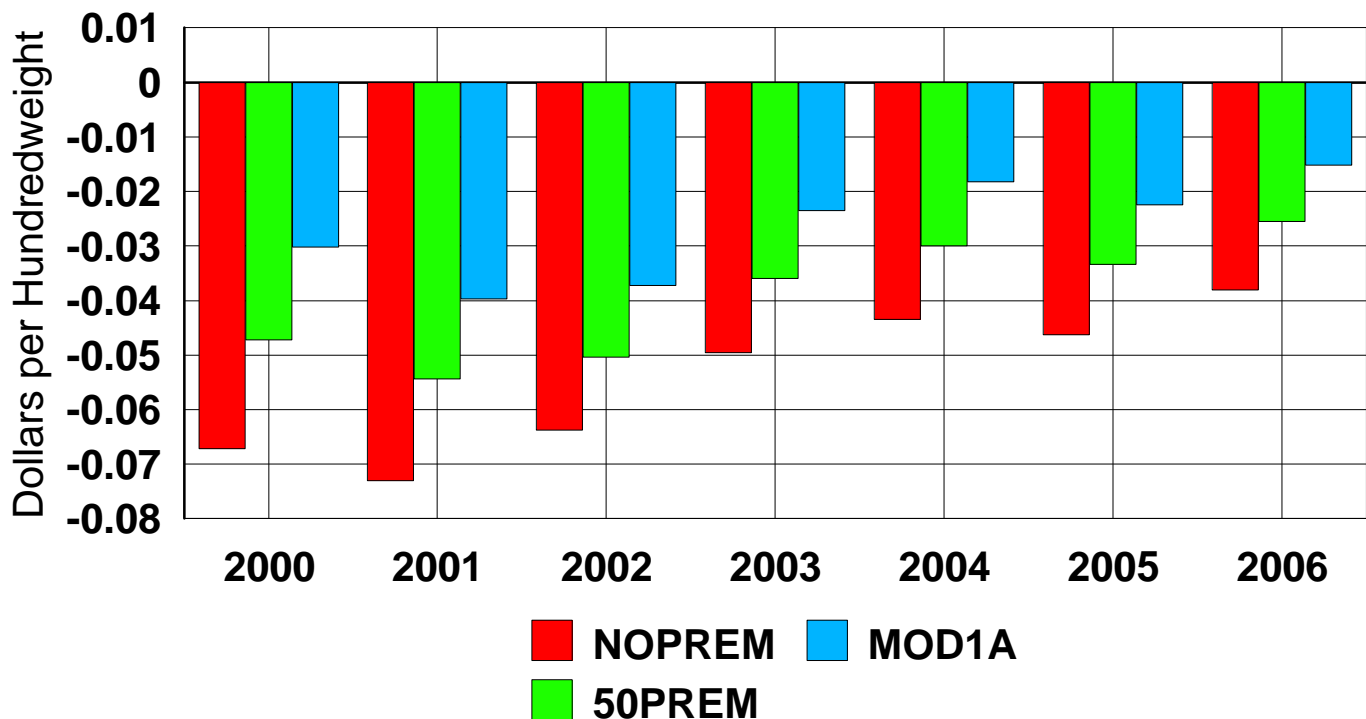
Change in Wholesale Cheese Price



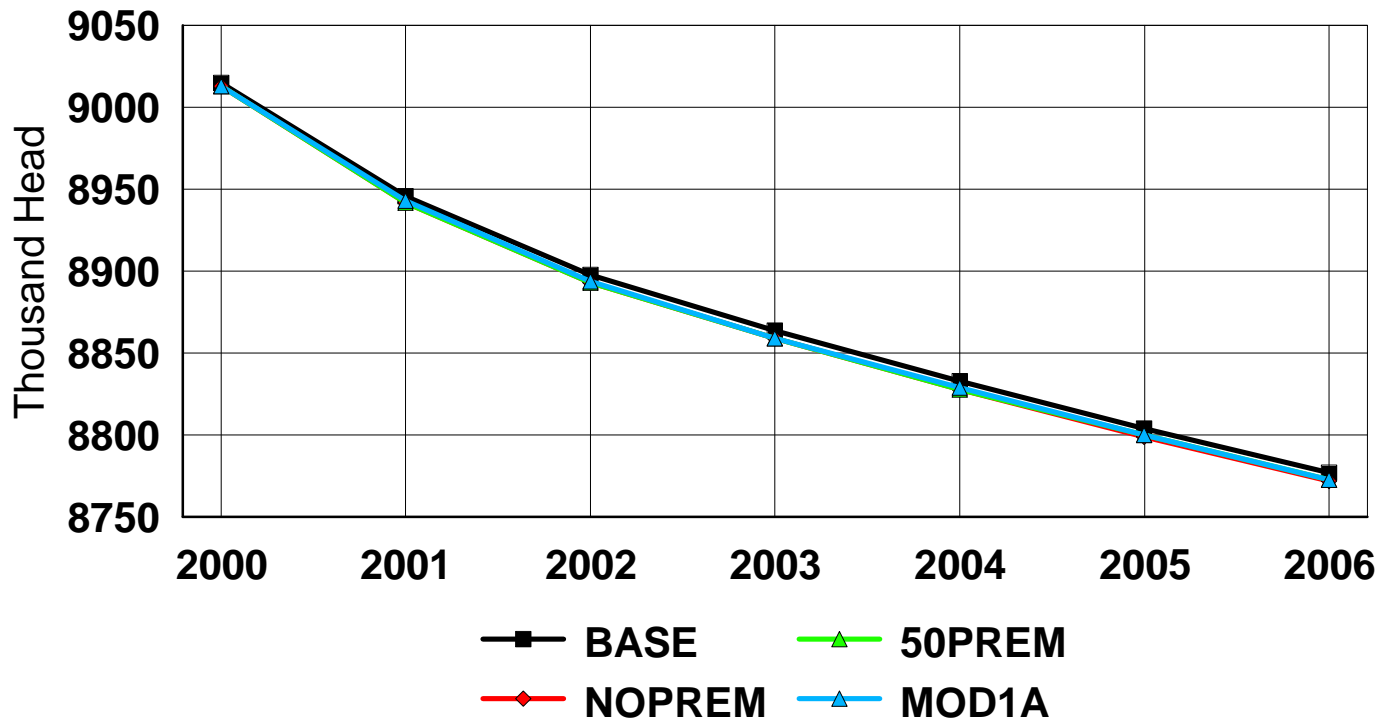
U.S. All Milk Price



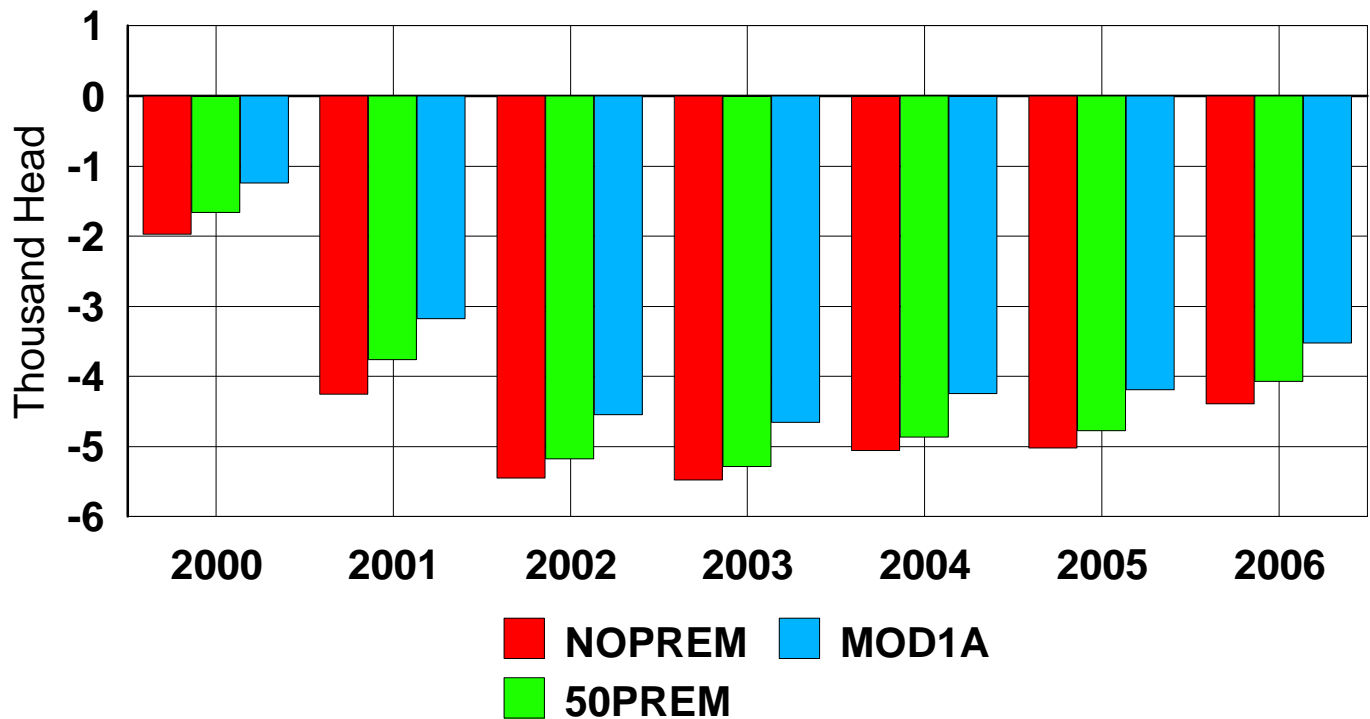
Change in All Milk Price



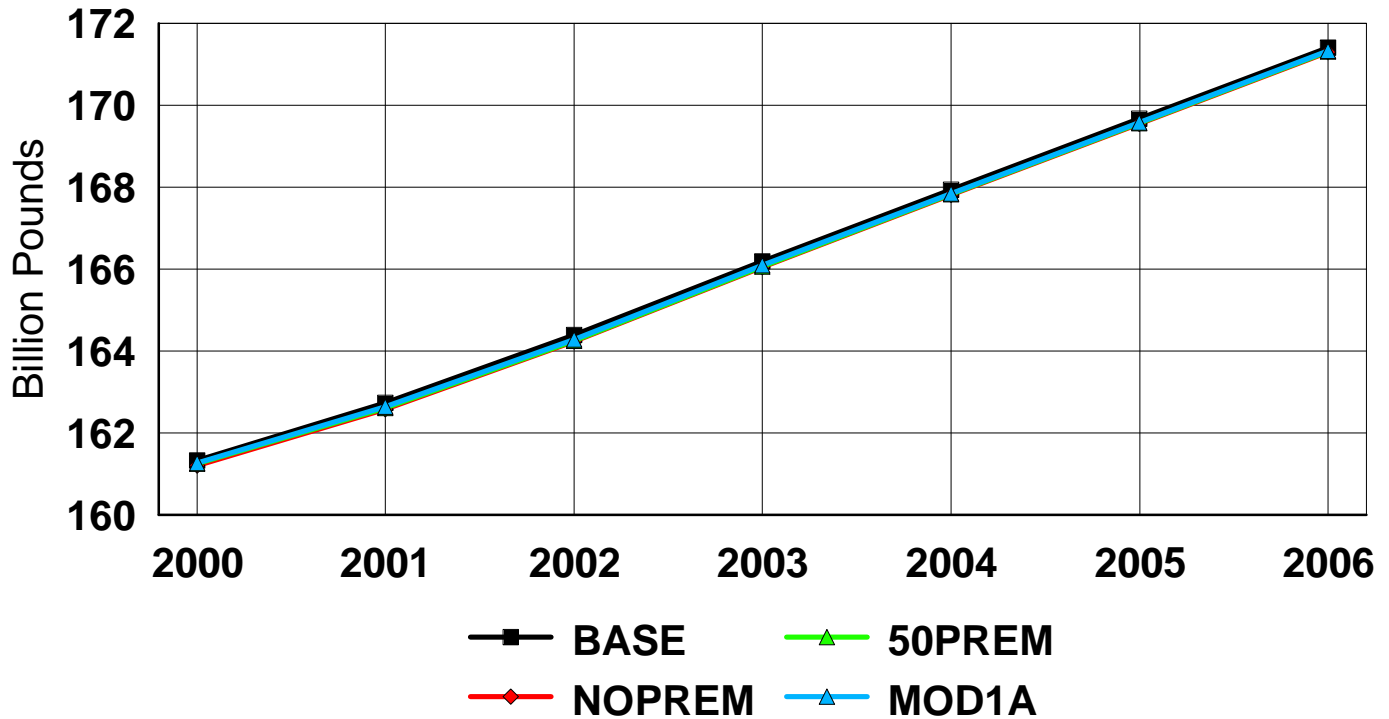
U.S. Milk Cows



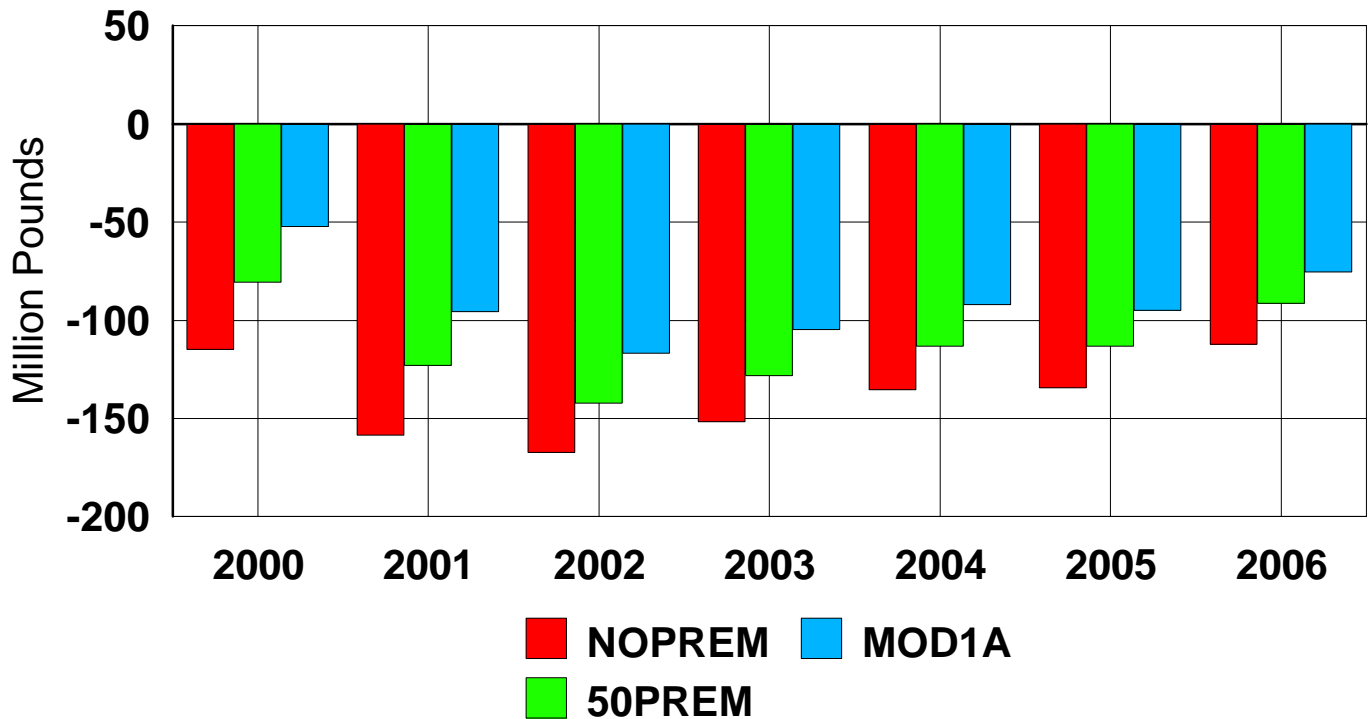
Change in Milk Cows



U.S. Milk Production



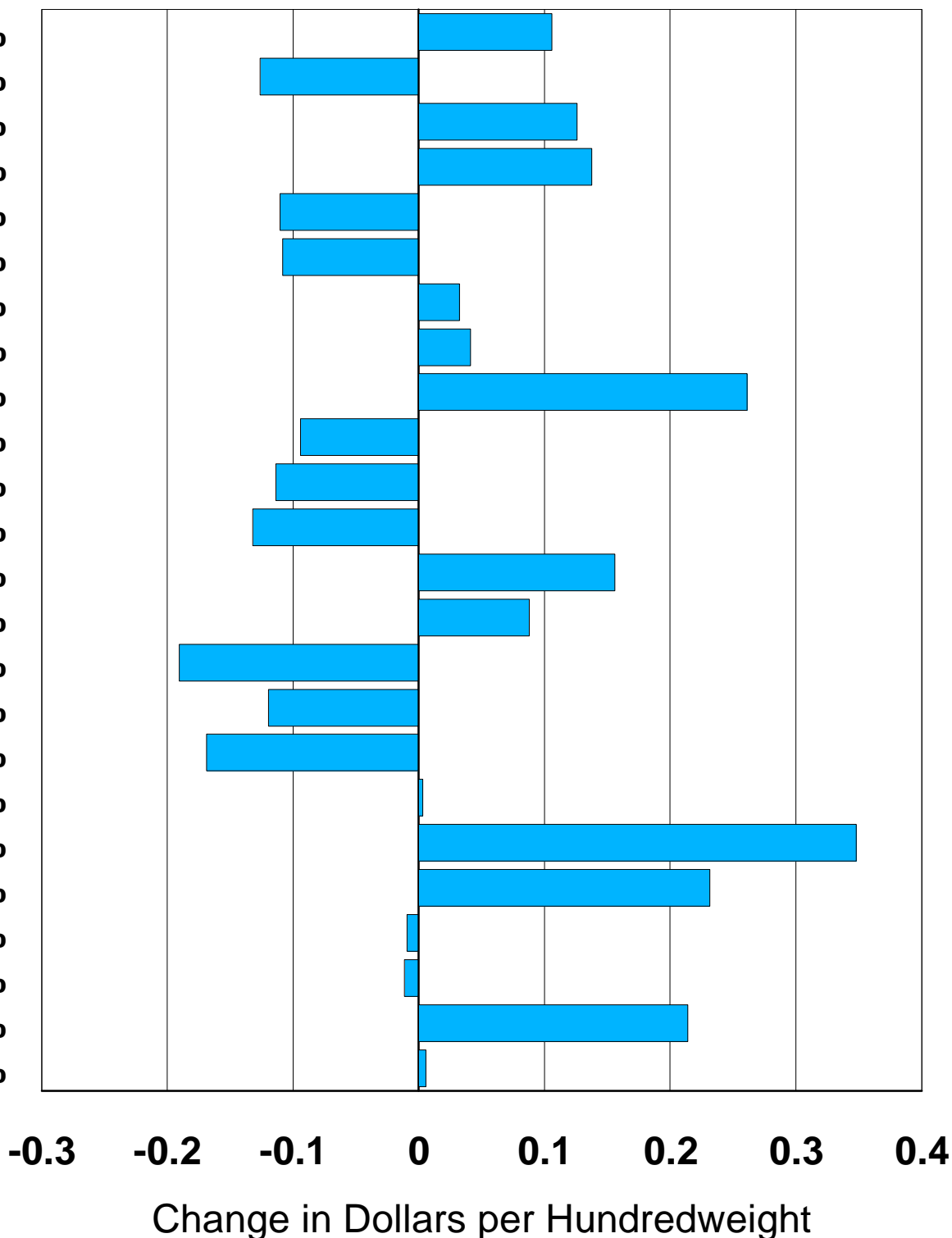
Change in Milk Production



Change in State Level All Milk Prices

Avg. 2000-06 MOD1A - NOPREM

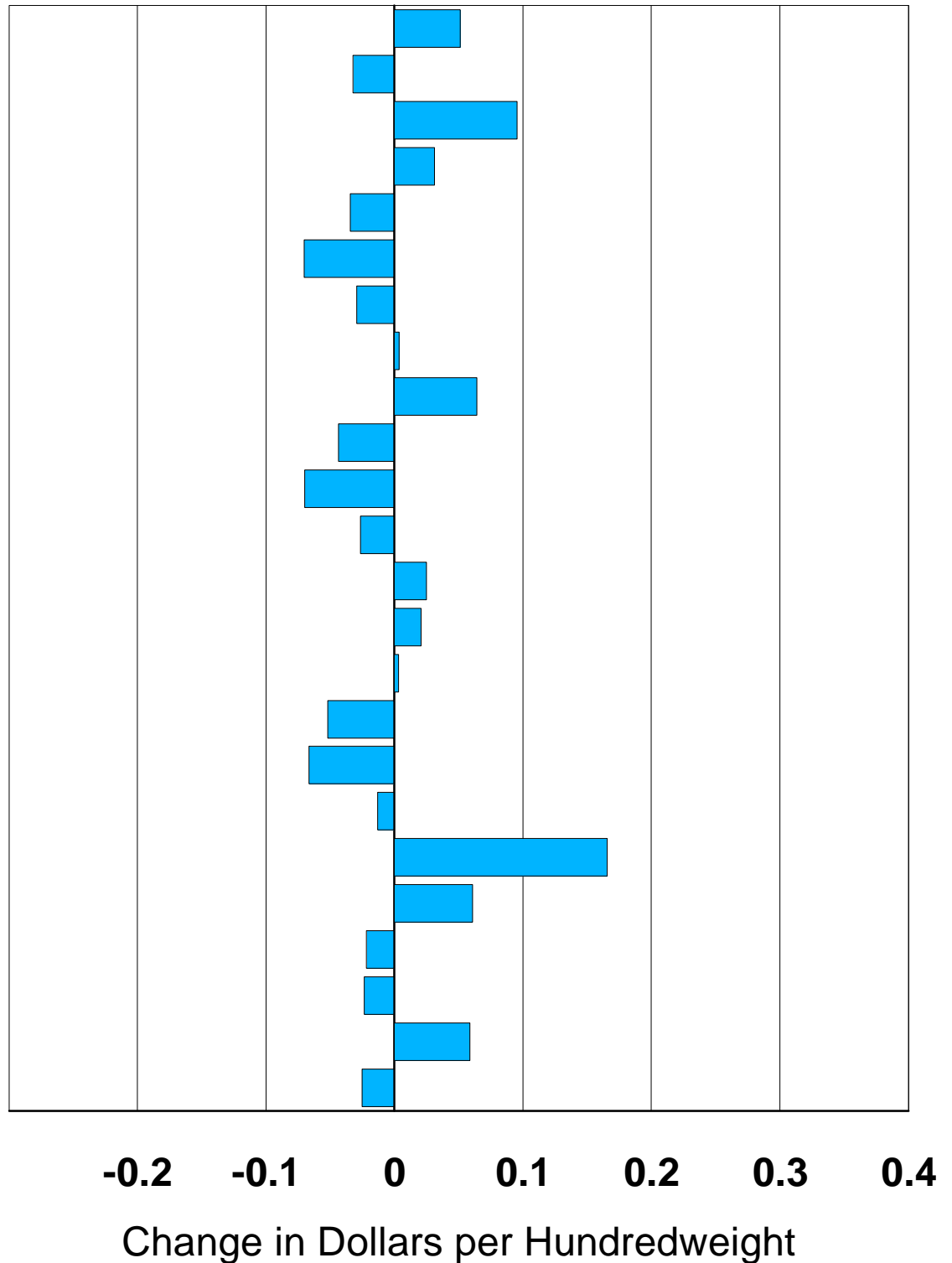
CA,	20.0%
WI,	14.2%
NY,	7.5%
PA,	6.9%
MN,	5.3%
ID,	4.7%
NM,	3.7%
WA,	3.4%
TX,	3.2%
MI,	3.1%
OH,	2.5%
IA,	2.2%
AZ,	1.8%
VT,	1.7%
FL,	1.5%
IN,	1.4%
IL,	1.2%
MO,	1.1%
VI,	1.1%
CO,	1.0%
OR,	0.9%
UT,	0.9%
MD,	0.9%
KS,	0.8%



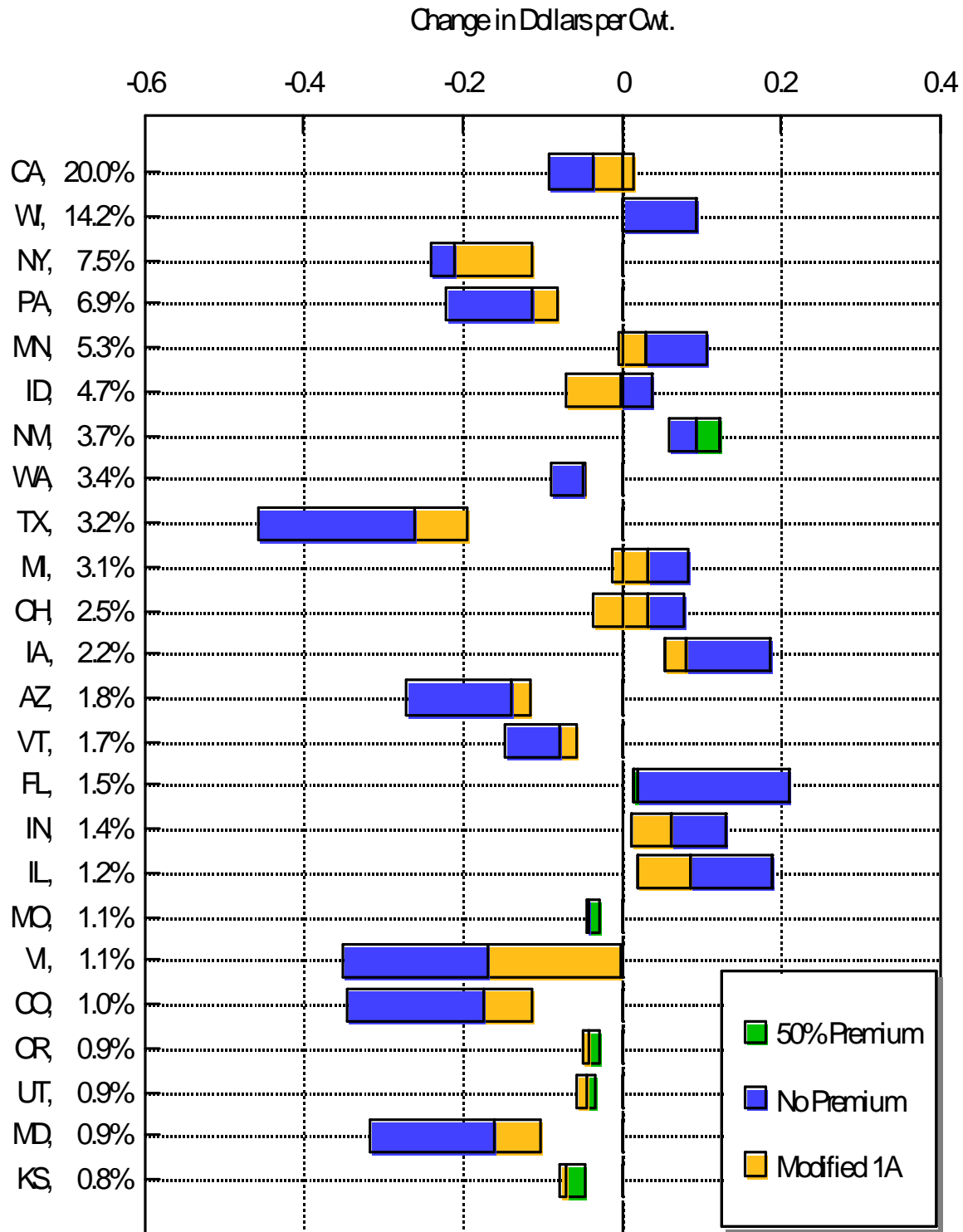
Change in State Level All Milk Prices

Avg. 2000-06 MOD1A - 50PREM

CA,	20.0%
WI,	14.2%
NY,	7.5%
PA,	6.9%
MN,	5.3%
ID,	4.7%
NM,	3.7%
WA,	3.4%
TX,	3.2%
MI,	3.1%
OH,	2.5%
IA,	2.2%
AZ,	1.8%
VT,	1.7%
FL,	1.5%
IN,	1.4%
IL,	1.2%
MO,	1.1%
VI,	1.1%
CO,	1.0%
OR,	0.9%
UT,	0.9%
MD,	0.9%
KS,	0.8%



Change in State-Level All Milk Prices



Summary

- Small Changes to the U.S. Dairy Sector Under Any of the Scenarios
- Testing the Ability of Any Model to Quantify Such Small Changes
- In Many Cases, 50PREM and MOD1A Give Similar Results at the Regional Level
 - ▶ MOD1A - Legislated Class I Differentials
 - ▶ 50PREM - Premiums Must be Extracted From the Market