

# Milk Prices — Some Recent Developments

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## The Minnesota-Wisconsin Price Series (M-W)

Most of our readers know how important the M-W is to farm milk prices throughout the United States. It reflects prices actually paid for Grade B milk in Minnesota and Wisconsin, and serves as the basic price for milk that is regulated under all the federal milk marketing orders across the country. These orders account for about 80 percent of all Grade A, and 70 of all milk produced in the U.S.

The M-W was at \$11.18 in January 1988 (3.67 butterfat basis), 58 cents above the support price. By June the M-W had fallen to \$10.61, just one cent above the support price. (Remember, the support price went from \$11.10 to \$10.60 on January 1, 1988.) Then, during the period July through December the M-W rose to \$12.54, an increase of \$1.93, and stood \$1.94 above the support price. By March 1989 the M-W fell to \$11.25, a reduction of \$1.29 from its December high. This was just 65 cents above the March support price (then still at \$10.60).

For the months of April, May,

and June the support price will be raised to \$11.10, only 15 cents below the March M-W. These three spring months are normally ones of highest seasonal production and lowest seasonal prices. Furthermore, buyers of butter, powder, and cheese, anticipating a return to lower support prices in July, may choose to limit purchases of such products to current operating needs, rather than risk holding inventories whose values are likely to decline with the decline in the support price. Thus, we can probably expect the M-W to be at or near the \$11.10 level for most of the next three months.

## CCC Purchase Prices

Because uncommitted CCC inventories are now composed almost exclusively of butter, all the 50-cent increase in the support price for April through June has been assigned to powder. Thus powder prices will rise from 72.75 cents to 70 cents per pound, while CCC purchase prices for butter will remain unchanged at \$1.32 per pound. Cheese purchase prices will rise by five cents per pound for both blocks and barrels. It has not yet been announced how the 50 cents will be taken off the support price on July 1. Speculation is, however, that most of it will come off butter, leaving powder prices near their newly established levels. The motivation for tilting prices toward powder in both the rise and fall of the support price is that the demand for non-fat milk has grown much stronger relative to the demand for butterfat during the last two or three years.

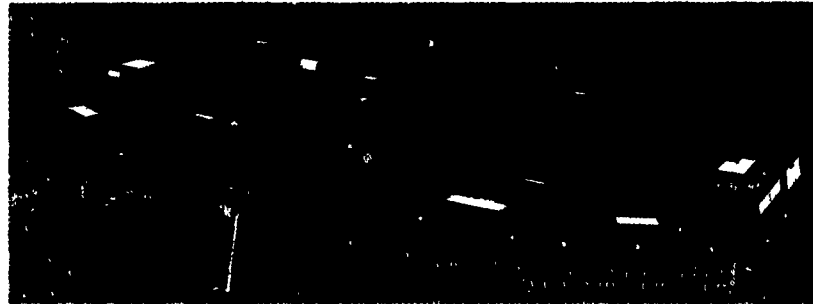
\$1.05 To Continue

**In Pennsylvania**  
Last fall the Pennsylvania Milk Marketing Board raised the required Class I minimum price to be paid for Pennsylvania produced milk by \$1.05 for the period of September 1988 through February 1989. The rationale for this in-

crease was to offset some of the adverse effects of the 1988 drought on the costs of producing milk. Early this year the \$1.05 premium was extended through August 1989. Since about 50 percent of all Pennsylvania produced milk is used in Class I, the average

price received by Pennsylvania farmers is now about 50 cents higher than it would have been, except for whatever over-order premiums handlers would otherwise be paying voluntarily or through negotiations with dairy farmer cooperatives.

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