



Milk Pricing Fact Sheet

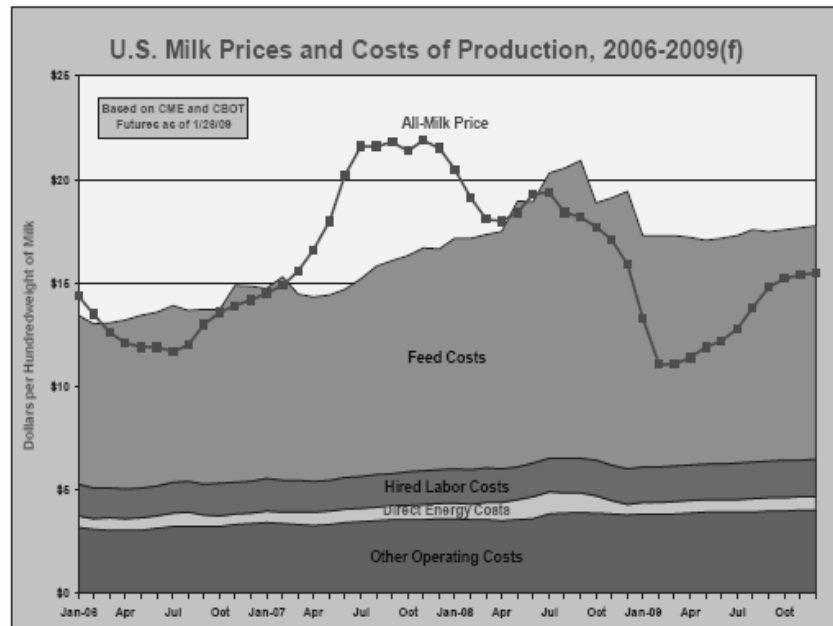


The price of milk can fluctuate due to changes in supply and demand, just like other grocery products and commodities. For the next several months, like many people in America, dairy farmers will be facing some of the hardest times in history. The price that farmers received for milk dropped by about 50% in just a matter of weeks during the first two months of 2009. It costs dairy farmers almost twice as much to produce a gallon of milk as they are getting paid.¹

However, dairy products are still one of the most cost-effective investments you can make for your family's health. Americans are not only in an economic recession but also a "nutrient recession" because they are eating more calories but getting less nutrition. Enjoying three servings of milk, cheese or yogurt every day is a way for people to spend their food dollar wisely and obtain necessary nutrients.

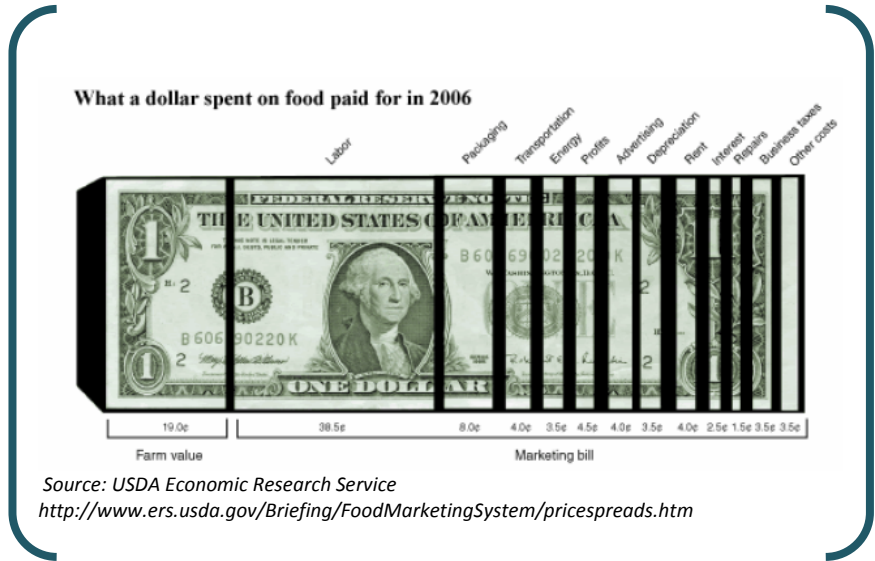
Background on Milk Pricing

- America's dairy farmers work hard every day to produce a nutritious, wholesome product. During the past two years, farmers faced record high costs for fuel and animal feed. Then export market opportunities dwindled at the same time as Americans faced the realities of economic recession. That led to a severe drop in the price farmers receive for their milk. Unlike many other businesses, dairy farms cannot directly pass on their increasing production costs.
- Farmers do not set the milk price. Wholesale and retail prices are determined by market forces of supply and demand. There is often a huge variance in the retail price of milk from store to store, and from city to city. This is because of differing markups by supermarkets, mass merchandisers, convenience stores and drug stores.



This chart illustrates the steep plunge in the price farmers receive for their milk (the dotted line) compared to the average cost of making milk. Animal feed costs remain elevated. Combined with the other costs – such as energy, labor and other operating expenses, most farmers will be selling milk at a loss for most of 2009. Source: National Milk Producers Federation, February 2009

- Many factors affect the price retailers charge for milk - including processing, transportation and marketing costs. On average, farmers receive about 19 cents of every dollar consumers spend on food products, according to the USDA's most recent data gathered in 2006.



Finding Value in the Supermarket

- Dairy products remain a solid value for consumers. No other food offers as much great nutrition as milk - including calcium and eight other essential nutrients - all for just pennies per ounce. While food budgets are tight for many people, dairy products remain an important staple ingredient for their great taste and nutrition.
- Shoppers have stayed loyal to dairy, even during times of price fluctuations, due to dairy's excellent nutrition and great taste. Americans recognize the important role of dairy in their families' diets. Since dairy is prevalent in almost every American home, changes in price can have an immediate impact.
- For your health, it's a good time to buy more delicious, nutritious dairy products. Be sure to consume enough dairy – three servings of milk, cheese or yogurt every day – as recommended by the U.S. government's Dietary Guidelines for Americans.
- The Dietary Guidelines recommends nutrient-rich foods, such as low-fat or fat-free milk or milk products, along with whole grains, and fruits and vegetables, as food groups to encourage. That means Americans need to enjoy more dairy.

¹ National Milk Producers Association, Feb. 2009