

FNS Announces Cheese and Nonfat Dry Milk Pricing for SY 2009

(Revised 11/05/2007)

We have considered a proposal on cheese valuations to be used on End Product Data Schedules (EPDS) for the purpose of rebating or discounting finished product prices for USDA commodities. It was suggested that the value be a three year average based on data that was accessible to the public through a website.

We have examined the Agricultural Marketing Service publication the Dairy Market News that is available online. As part of that newsletter, pricing statistics are readily available to the public at www.ams.usda.gov/dairy/mnncs/average.htm. We have chosen to use this site to determine a 33-month average for cheddar block pricing to be used **on EPDS for all varieties and pack sizes of cheese purchased by USDA**. We will derive the average using the following methodology.

- 1) Use the last two columns of this report under Chicago Mercantile Exchange, cheddar 40# Blocks to retrieve the average price for the previous two years. Set those numbers aside.
- 2) Retrieve the Annual and Monthly Averages section on the same page of the current year. Average the price of the Chicago Mercantile Exchange/Cheese-Daily Trading/40 # Blocks for months January through September.
- 3) Finally, take the average computed in #2, add that to the two averages from #1, and divide that total by three to arrive at the final average for use on all EPDS containing commodity cheese.

We chose 33 months for this average instead of the recommended three-year average because we wanted to use the most current data to arrive at the average. Some States begin the process of initiating processing contracts in the month of October to be effective on July 1 of the following year. If we chose to use a 36-month average we would not have a number for the schedules until sometime in January.

Based on the above discussion the average price for all cheese for SY 2009 is **\$1.4695**. If you have any questions, please email David C. Brothers, Program Analyst, at: David.Brothers@fns.usda.gov.