

## **FNS Announces Cheese and Nonfat Dry Milk Pricing for SY2007**

(Revised 11-03-2005)

This memorandum establishes the new cheese valuation to be used on End Product Data Schedules (EPDS) for the purpose of rebating or discounting finished product prices for USDA commodities for SY 2006-07. The value is a three year average based on data that is accessible to the public through a USDA website. The Agricultural Marketing Service publication Dairy Market News is available online. As part of that newsletter, pricing statistics are readily available to the public at [www.ams.usda.gov/dairy/mncs/average.htm](http://www.ams.usda.gov/dairy/mncs/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) Under the Annual and monthly averages section go to year 2003, Chicago Mercantile Exchange, cheddar 40# Blocks, and retrieve the average price. Repeat for 2004. Set those two numbers aside.

2) Retrieve the Annual and Monthly Averages section on the same page for the current year. Average the price of the Chicago Mercantile Exchange/Cheese-Daily Trading/40 # Blocks for months January through September. Add these figures and average them.

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 2007 is **\$1.4936**. Also, for your information, the EPDS for nonfat dry milk will continue to be \$.80 for SY 2007. If you have any questions, please email David C. Brothers, Program Analyst, at: [David.Brothers@fns.usda.gov](mailto:David.Brothers@fns.usda.gov).