

Appendix A: Federal Milk Marketing Order Price Formulas¹

Note: Milk prices are per 100 pounds or cwt, rounded to the nearest cent. Component prices are per pound, rounded to the nearest one-hundredth cent. Cheese, dry whey, butter, and nonfat dry milk prices are weighted averages of weekly NASS survey prices.

Class I

Class I price = (Class I skim milk price x 0.965) + (Class I butterfat price x 3.5).

Class I skim milk price = Higher of advanced Class III or IV skim milk pricing factors + applicable Class I differential.

Class I butterfat price = Advanced butterfat price + (applicable Class I differential divided by 100).

Note: Advanced pricing factors are computed using applicable price formulas listed below, except that product price averages are for 2 weeks.

Class II

Class II price = (Class II skim milk price x 0.965) + (Class II butterfat price x 3.5).

Class II skim milk price = Advanced Class IV skim milk pricing factor + \$0.70.

Class II butterfat price = Butterfat price + \$0.007.

Class II nonfat solids price = Class II skim milk price divided by 9.

Class III

Class III price = (Class III skim milk price x 0.965) + (butterfat price x 3.5).

Class III skim milk price = (protein price x 3.1) + (other solids price x 5.9).

Protein price (true protein) = ((cheese price – 0.165) x 1.405) + (((cheese price - 0.165) x 1.582) – butterfat price) x 1.28).

Other solids price = (dry whey price – 0.140) divided by 0.968, snubbed at zero.

Butterfat price = (butter price – 0.115) divided by 0.82.

Class IV

Class IV price = (Class IV skim milk price x 0.965) + (butterfat price x 3.5).

Class IV skim milk price = nonfat solids price x 9.

Nonfat solids price = (nonfat dry milk price – 0.140).

Butterfat price = See Class III.

Producer Prices:

Butterfat price = See Class III.

Protein price = See Class III.

Other solids price = See Class III.

Somatic cell adjustment rate = cheese price x 0.0005, rounded to fifth decimal place. Rate is per 1,000 somatic cell count difference from 350,000.

¹Formulas have been modified by a tentative decision that took effect January 1, 2001. However, the Agricultural Marketing Service (AMS) accepted comments on the changes until early February. Further changes may be made based on those comments. Further details of the tentative decision can be found on the AMS Dairy Program web site, <http://www.ams.usda.gov/dairy/index.htm>.