



# Announcement of Advanced Prices and Pricing Factors

United States Department of Agriculture

**Agricultural Marketing Service**

**Dairy Programs**

**Market Information Branch**

ADV-0814

July 23, 2014

## August 2014 Highlights

Base Class I Price was \$23.87 per hundredweight for the month of August 2014. The price per hundredweight increased \$0.85 from the previous month.

Base Skim Milk Price for Class I was \$15.22 per hundredweight for the month of August 2014. The price per hundredweight increased \$0.21 from the previous month.

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Base Class I Price:	\$23.87	(per hundredweight)
Base Skim Milk Price for Class I:	\$15.22	(per hundredweight)
Advanced Class III Skim Milk Pricing Factor:	\$12.82	(per hundredweight)
Advanced Class IV Skim Milk Pricing Factor:	\$15.22	(per hundredweight)
Advanced Butterfat Pricing Factor:	\$2.6235	(per pound)
Class II Skim Milk Price:	\$15.92	(per hundredweight)
Class II Nonfat Solids Price:	\$1.7689	(per pound)
Two-week Product Price Averages:		
Butter	\$2.3379	(per pound)
Nonfat Dry Milk	\$1.8763	(per pound)
Cheese	\$2.0445	(per pound)
Dry Whey	\$0.6873	(per pound)
Special information for Appalachian and Southeast:		
Diesel Fuel Price	\$3.831	(per gallon)
Mileage Rate Factor	\$0.00489	(per hundredweight per mile)

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**Federal Milk Order Class I and Class II Advanced Prices and Pricing Factors, 2014**

Month	Class I Base Price	Base Skim Milk Price for Class I	Advanced Class III Skim Milk Pricing Factor	Advanced Class IV Skim Milk Pricing Factor	Advanced Butterfat Pricing Factor	Class II Skim Milk Price	Class II Nonfat Solids Price
	Dollars per cwt.				\$ per lb.	\$ per cwt.	\$ per lb.
Jan	21.48	15.81	12.99	15.81	1.7791	16.51	1.8344
Feb	22.02	16.57	15.06	16.57	1.7225	17.27	1.9189
Mar	23.64	17.14	17.14	16.97	2.0298	17.67	1.9633
Apr	23.65	17.22	16.36	17.22	2.0094	17.92	1.9911
May	24.47	17.45	17.45	16.36	2.1790	17.06	1.8956
Jun	22.86	15.58	15.58	15.23	2.2356	15.93	1.7700
Jul	23.02	15.01	13.26	15.01	2.4377	15.71	1.7456
Aug	23.87	15.22	12.82	15.22	2.6235	15.92	1.7689
Sep							
Oct							
Nov							
Dec							

**Federal Milk Order Class I and Class II Advanced Prices and Pricing Factors, 2013**

Month	Class I Base Price	Base Skim Milk Price for Class I	Advanced Class III Skim Milk Pricing Factor	Advanced Class IV Skim Milk Pricing Factor	Advanced Butterfat Pricing Factor	Class II Skim Milk Price	Class II Nonfat Solids Price
	Dollars per cwt.				\$ per lb.	\$ per cwt.	\$ per lb.
Jan	18.97	13.33	13.33	12.26	1.7452	12.96	1.4400
Feb	18.21	12.91	12.91	12.41	1.6427	13.11	1.4567
Mar	17.80	12.44	11.73	12.44	1.6564	13.14	1.4600
Apr	17.66	12.07	11.27	12.07	1.7189	12.77	1.4189
May	17.76	11.89	11.24	11.89	1.7955	12.59	1.3989
Jun	18.93	13.09	12.77	13.09	1.8000	13.79	1.5322
Jul	18.91	13.50	12.56	13.50	1.6803	14.20	1.5778
Aug	18.88	13.77	12.26	13.77	1.5969	14.47	1.6078
Sep	19.16	14.26	13.01	14.26	1.5420	14.96	1.6622
Oct	19.20	14.55	13.22	14.55	1.4727	15.25	1.6944
Nov	20.20*	14.86*	12.74*	14.86*	1.6755*	15.56*	1.7289*
Dec	20.37	15.31	13.82	15.31	1.5986	16.01	1.7789
Avg	18.84	13.50	12.57	13.37	1.6604	14.07	1.5631

\* Pricing constituent used in calculation. Equivalent Prices, computed pursuant to 7 CFR, Section 1000.54  
(<http://www.fmma30.com/>).

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**Dairy Products Price Averages Used in Federal Milk Order Price Formulas, 2014**

Month	Product Price Averages For:							
	Class I (Skim, Bfat.), Class II (Skim, Nonfat Solids)				Class II (Bfat.), Class III, Class IV, Components			
	Butter	Nonfat dry milk	Cheese	Dry Whey	Butter	Nonfat dry milk	Cheese	Dry Whey
	Dollars per pound				Dollars per pound			
Jan	1.6406	1.9423	1.8583	0.5669	1.6475	2.0335	2.0838	0.6025
Feb	1.5939	2.0270	2.0308	0.5939	1.8320	2.0783	2.2864	0.6314
Mar	1.8476	2.0718	2.3213	0.6238	1.8562	2.0897	2.2689	0.6554
Apr	1.8308	2.1007	2.2211	0.6495	1.9227	2.0191	2.3547	0.6774
May	1.9708	2.0040	2.3695	0.6751	2.0477	1.8768	2.1703	0.6745
Jun	2.0176	1.8768	2.2029	0.6724	2.1874	1.8633	2.0358	0.6789
Jul	2.1845	1.8526	2.0334	0.6767				
Aug	2.3379	1.8763	2.0445	0.6873				
Sep								
Oct								
Nov								
Dec								

**Dairy Products Price Averages Used in Federal Milk Order Price Formulas, 2013**

Month	Product Price Averages For:							
	Class I (Skim, Bfat.), Class II (Skim, Nonfat Solids)				Class II (Bfat.), Class III, Class IV, Components			
	Butter	Nonfat dry milk	Cheese	Dry Whey	Butter	Nonfat dry milk	Cheese	Dry Whey
	Dollars per pound				Dollars per pound			
Jan	1.6126	1.5442	1.8250	0.6588	1.5066	1.5601	1.7485	0.6503
Feb	1.5280	1.5603	1.7535	0.6536	1.5438	1.5559	1.6623	0.6393
Mar	1.5393	1.5644	1.6480	0.6399	1.6146	1.5208	1.6467	0.6048
Apr	1.5909	1.5219	1.6402	0.6094	1.6766	1.5312	1.7310	0.5741
May	1.6542	1.5021	1.6803	0.5797	1.6483	1.6374	1.8274	0.5765
Jun	1.6579	1.6367	1.8388	0.5741	1.5422	1.6878	1.7810	0.5738
Jul	1.5590	1.6826	1.7806	0.5710	1.4674	1.7272	1.7142	0.5804
Aug	1.4902	1.7131	1.7201	0.5769	1.4187	1.7706	1.7731	0.5778
Sep	1.4448	1.7679	1.7778	0.5752	1.4263*	1.8085*	1.7961*	0.5791*
Oct	1.3876	1.8008	1.7739	0.5791	1.5454*	1.8366*	1.8025*	0.5731*
Nov	1.5551*	1.8358*	1.7938*	0.5757*	1.5205	1.8892	1.8612	0.5831
Dec	1.4916	1.8856	1.8774	0.5749	1.6308	1.9537	1.8761	0.5706
Avg	1.5426	1.6680	1.7591	0.5974	1.5451	1.7066	1.7683	0.5902

\* Pricing constituent used in calculation. Equivalent Prices, computed pursuant to 7 CFR, Section 1000.54 (<http://www.fmma30.com/>).

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## Methodology: Advanced Prices and Pricing Factors

**Data:** The Advanced Prices and Pricing Factors are calculated using the most recent two weeks of data from the latest National Dairy Products Sales Report.

**Reliability:** National Dairy Products Sales Reports are subject to revision for four weeks following the initial weekly report. For enforcement purposes, the information in the National Dairy Products Sales Report is subject to verification for up to two years from the time of submission. The AMS audit staff periodically reviews a company's sales records to ensure accurate reports during onsite verifications. Note that the monthly Announcements of Advanced Prices and Pricing Factors are not subject to revision.

**Terms and Definitions:** Announced milk prices are per 100 pounds or cwt, rounded to the nearest cent. Component prices are per pound, rounded to nearest one-hundredth cent. Announced product prices and pricing factors are per pound, rounded to the nearest one-hundredth cent. The diesel fuel price is per gallon, rounded to the nearest one-tenth cent. The mileage rate factor is per hundredweight per mile, rounded to the nearest one-thousandth cent.

The National Dairy Products Sales Report provides current wholesale market prices for basic dairy commodities. These commodity prices for the previous two weeks are used in the following formulas to calculate the USDA's Advanced Prices and Pricing Factors used in the Federal milk marketing order program.

For the product price averages below,  $j$  corresponds to the number of previous weeks. For example, where  $j=1$ , this corresponds to the week ending the Saturday prior to the date of the Announcement; where  $j=2$ , this corresponds to the week ending the Saturday before that. The summation sign ( $\sum$ ) indicates that terms are added corresponding to the previous 2 weeks.

- Butter Price = 
$$\frac{\sum_{j=1}^2((\text{Weekly Butter Price})_j \times (\text{Weekly Butter Sales})_j)}{\sum_{j=1}^2(\text{Weekly Butter Sales})_j}$$
- Nonfat Dry Milk (NFD) Price = 
$$\frac{\sum_{j=1}^2((\text{Weekly NFD Price})_j \times (\text{Weekly NFD Sales})_j)}{\sum_{j=1}^2(\text{Weekly NFD Sales})_j}$$
- Cheese Price = 
$$\frac{\sum_{j=1}^2(((\text{Barrel Price} + 0.03)_j \times (\text{Barrel Sales})_j) + ((\text{Block Price})_j \times (\text{Block Sales})_j))}{\sum_{j=1}^2((\text{Barrel Sales})_j + (\text{Block Sales})_j)}$$
- Dry Whey Price = 
$$\frac{\sum_{j=1}^2((\text{Weekly Dry Whey Price})_j \times (\text{Weekly Dry Whey Sales})_j)}{\sum_{j=1}^2(\text{Weekly Dry Whey Sales})_j}$$
- Base Class I Price = (Base Skim Milk Price for Class I x 0.965) + (Advanced Butterfat Pricing Factor x 3.5)
- Base Skim Milk Price for Class I = Higher of Advanced Class III or IV Skim Milk Pricing Factors
- Advanced Class III Skim Milk Pricing Factor = (Protein Price x 3.1) + (Other Solids Price x 5.9)
  - Protein Price =  $((\text{Cheese Price} - 0.2003) \times 1.383) + (((\text{Cheese Price} - 0.2003) \times 1.572) - \text{Advanced Butterfat Pricing Factor} \times 0.9) \times 1.17$
  - Other Solids Price =  $(\text{Dry Whey Price} - 0.1991) \times 1.03$
- Advanced Class IV Skim Milk Pricing Factor = Nonfat Solids Price x 9
  - Nonfat Solids Price =  $(\text{Nonfat Dry Milk Price} - 0.1678) \times 0.99$
- Advanced Butterfat Pricing Factor =  $(\text{Butter Price} - 0.1715) \times 1.211$
- Class II Skim Milk Price = Advanced Class IV Skim Milk Pricing Factor + 0.70
- Class II Nonfat Solids Price = Class II Skim Milk Price / 9

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*\*Additional Notes: All product prices used in this report are weighted by sales volume. Commodity prices used for Federal order formulas for Advanced Prices are weighted averages for the previous two weeks. To weight the product price average, it must be multiplied by each week's respective sales volume in pounds; each resulting total weekly sales dollars are combined to calculate the weighted product price average. The Cheddar cheese barrel price is adjusted to 38 percent moisture content. The Class I Base Price is shown for informational purposes only; it is not defined in Section 1000.50 of the order. The Class I skim milk price equals the Base Skim Milk Price plus the applicable Class I differential. The Class I Butterfat Price equals Advanced Butterfat Pricing Factor plus the (applicable Class I differential divided by 100).*

For more information on pricing formulas please visit: <http://www.ams.usda.gov/AMSV1.0/MilkPrices>.

**Revisions:** The monthly Announcements of Advanced Prices and Pricing Factors are not subject to revision.

**Information Contacts**

Listed below are the specialists in the Agricultural Marketing Service, Dairy Programs, Market Information Branch to contact for additional information. E-mail inquiries may be sent to [dpp@ams.usda.gov](mailto:dpp@ams.usda.gov)

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