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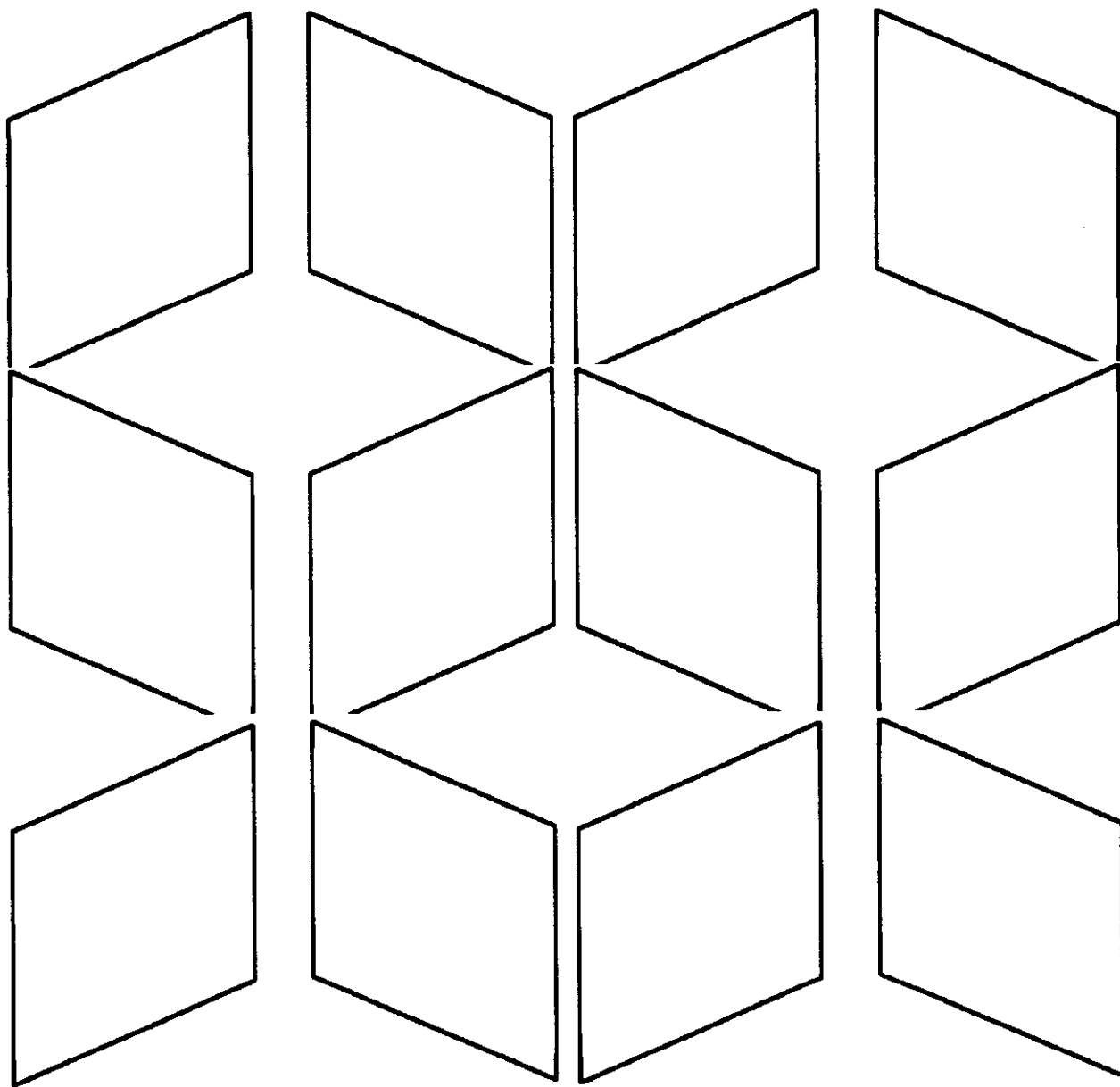
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Washington, D.C.

June 1996  
Pr 1-4 (96)

# Prices Received Minnesota-Wisconsin Manufacturing Grade Milk 1995 Summary





**Minnesota-Wisconsin Manufacturing Grade Milk Price Series  
and Final Two-State Estimates for 1993-95**

Each month, the National Agricultural Statistics Service of the U.S. Department of Agriculture published estimates of the average price received by farmers and the average milkfat test for milk of manufacturing grade for the preceding month for the Minnesota-Wisconsin area. This series which began in August 1961, was discontinued in May 1995. NASS continues to publish a two-State Base Month Price. The Agricultural Marketing Service developed a replacement for the M-W series, known as the Basic Formula Price (BFP), which uses product prices to update the Base Month Price to a current basis.

Minnesota and Wisconsin produce over one-third of the manufacturing grade milk marketed in the United States. The estimates relate only to manufacturing grade milk purchased from farmers and do not include Grade A milk diverted to manufacturing uses. Data needed for the preparation of the two-State series are collected by the Minnesota and Wisconsin Agricultural Statistics Offices. These data come from regularly scheduled monthly reports submitted by plants receiving manufacturing grade milk. After data are summarized and analyzed by the Federal-State Statisticians, estimates are forwarded to Washington, D.C. for final review and consolidated into the two-State average price and test.

The M-W price estimate was developed by evaluating reports from a sample of 61 plants selected in the two States (18 plants in Minnesota and 43 in Wisconsin) in terms of change from the previous month to the month to which the M-W price estimate related. The Minnesota-Wisconsin (M-W) estimate was the average price for all milk of manufacturing grade delivered f.o.b. plant or receiving station, before hauling costs and producer assessments under the various dairy collection programs were deducted. It included quantity, quality, protein, and other premiums paid to producers. Because the M-W price estimate represented the full month, but used actual data from only one-half of the month, additional information was incorporated into the estimate. This information included historic relationships between the average prices reported by the M-W plants for the first half of the month and the base month average prices; monthly changes in wholesale prices of manufactured dairy products; historical trends in prices, fat-test, and protein test; and estimated prices from some plants for the second half of the month.

The Base-Month Price and test are determined using reports from about 100 plants in Wisconsin and 70 in Minnesota. These plants purchase approximately 80 percent of all manufacturing-grade milk sold in the two States. Plants report total pounds of manufacturing-grade milk received from producers, total pounds of milkfat in the milk, and total dollars paid to producers. The price is f.o.b. plant or receiving station, before hauling costs and producer assessments under various dairy collection programs are deducted. It includes quantity, quality, protein, and other premiums paid to producers.

The estimated monthly two-State prices and fat tests are weighted by the total quantity of manufacturing-grade milk purchased from farmers in each State. During the first four months of the year, these weights are based on milk purchases for the same month two years earlier. During the remaining eight months of the year, weights are based on purchases for the corresponding month in the preceding year.

Plants in Minnesota and Wisconsin are classified into three major product groups according to the proportion of manufacturing-grade milk purchased for cheese, for butter and its by-products, and for varied products. In both Minnesota and Wisconsin, the varied-products group consists mostly of plants which make butter, cheese, or other products in such proportions that they cannot be clearly classified in any one specific group. In Minnesota during 1995, the cheese group accounted for 72 percent of all manufacturing-grade milk in the State, butter and by-products 18 percent, and the varied-products group

10 percent. The proportion of manufacturing-grade milk in Wisconsin purchased in 1995 by each product group was: cheese, 87 percent; butter and by-products, 1 percent; and varied products, 12 percent.

These product group percentages are used as weights for combining reported price and milkfat test data by groups for the monthly manufacturing-grade average price and milkfat estimates in each State.

Data for the M-W price series were collected from the 61-plant sample using a questionnaire mailed near the end of each month. This inquiry obtained information for the base month and for the first half of the succeeding month relating to: (1) quantity of manufacturing-grade milk purchased, (2) quantity of fat included, (3) dollars paid, (4) average price at average test, including premiums, and (5) the base price for milk at 3.5 percent fat, without premiums, and point differentials for varying amounts of fat. Space was provided on the inquiry for the plant manager's best estimate of the average fat test and milk price for the last half of the month to which the M- W estimate relates.

**Comparison of M-W series and final estimates:** The table on page 3 presents a comparison of the current Minnesota-Wisconsin manufacturing-grade milk price at average test with the final estimate combined for the two States from 1993 through 1995, together with the corresponding comparison for milkfat. The entries in the column headed "Final Two-State Estimate" are weighted averages of the final monthly prices for Minnesota and Wisconsin combined, using complete monthly marketings for each State as weights.

For the 3 years 1993 through 1995, the annual average differences between the current Minnesota-Wisconsin estimates of price per hundredweight (at test) and the final data averaged 0.5 cents while the difference in average milkfat test was .003 percent.

Since the Minnesota-Wisconsin price is used in Federal milk orders, the table on page 4 is included showing the same comparisons converted to a 3.5 percent milkfat basis. The price at average milkfat test is converted to a 3.5 percent basis using the method specified in Federal milk orders.

**Basic Formula Price:** The Basic Formula Price is calculated by adjusting the preceding month's Base Month Price with changes in product prices. Information on the formula can be obtained by contacting the Dairy Division, AMS, at (202)720-2352. Comparisons between the Basic Formula Price, Base Month Price and the final two-State estimate for 1995 are shown in the table on page 6.

**Publication:** The monthly Base Month Minnesota-Wisconsin price and Basic Formula Price are issued on or about the 5th of the following month by the Wisconsin Agricultural Statistics Service, P.O. Box 8934, Madison, Wisconsin 53708. The report is available on a subscription basis from that office. The price series is also published in the Dairy Market News reports issued by the Dairy Division, Agricultural Marketing Service, USDA.

Comparison of Minnesota-Wisconsin Manufacturing Grade Milk Price and Milkfat Test with the Two-State Average of Final Estimates, By Months, 1993-95

Year and Month	Minnesota-Wisconsin Series		Final Two-State Estimates		Difference	
	Price per Cwt 1/	Milkfat Test	Price per Cwt 1/	Milkfat Test	Price per Cwt 1/	Milkfat Test
1993	Dollars	Percent	Dollars	Percent	Dollars	Percent
Jan	11.14	3.85	11.16	3.86	.02	.01
Feb	10.97	3.82	11.03	3.82	.06	.00
Mar	11.24	3.81	11.35	3.83	.11	.02
Apr	12.36	3.81	12.40	3.81	.04	.00
May	12.69	3.75	12.73	3.74	.04	-.01
Jun	12.14	3.66	12.16	3.68	.02	.02
Jul	11.52	3.64	11.43	3.63	-.09	-.01
Aug	11.25	3.62	11.24	3.62	-.01	.00
Sep	12.04	3.71	12.29	3.78	.25	.07
Oct	12.75	3.94	12.88	3.92	.13	-.02
Nov	13.06	3.98	13.08	3.98	.02	.00
Dec	12.78	3.95	12.83	3.93	.05	-.02
Simple Avg	11.9950	3.7950	12.0483	3.8000	.0533	.0050
1994						
Jan	12.61	3.88	12.59	3.91	-.02	.03
Feb	12.61	3.89	12.58	3.86	-.03	-.03
Mar	12.96	3.85	12.83	3.82	-.13	-.03
Apr	13.15	3.80	12.95	3.79	-.20	-.01
May	11.64	3.73	11.65	3.71	.01	-.02
Jun	11.31	3.61	11.18	3.59	-.13	-.02
Jul	11.46	3.58	11.36	3.59	-.10	.01
Aug	11.81	3.62	11.75	3.64	-.06	.02
Sep	12.19	3.74	12.17	3.75	-.02	.01
Oct	12.54	3.89	12.72	3.89	.18	.00
Nov	12.15	3.95	12.21	3.93	.06	-.02
Dec	11.64	3.95	11.63	3.92	-.01	-.03
Simple Avg	12.1725	3.7908	12.1350	3.7833	-.0375	-.0075
1995						
Jan	11.56	3.89	11.62	3.85	.06	-.04
Feb	11.96	3.80	11.92	3.81	-.04	.01
Mar	12.07	3.81	11.98	3.80	-.09	-.01
Apr	11.33	3.79	11.36	3.79	.03	.00
May			11.22	3.74		
Jun			11.32	3.61		
Jul			11.16	3.57		
Aug			11.50	3.57		
Sep			12.44	3.74		
Oct			13.24	3.94		
Nov			13.63	4.00		
Dec			13.47	3.96		
Simple Avg	11.7300	3.8225	12.0717	3.7817	-.01	-.01
36-Month Simple Avg	2/12.0332	2/3.7971	12.0850	3.7883	2/.0054	2/-.0025

1/ Average price for milk of average milkfat test.  
 2/ 28-Month simple average.

Comparison of Minnesota-Wisconsin Manufacturing Grade Milk Price per cwt,  
with Final Two-State Estimated Price, for Milk of 3.5 Percent Milkfat Content,  
By Months, 1993-95 1/

Year and Month	Minnesota-Wisconsin Series	Final Two-State Estimate	Difference
Dollars			
1993			
Jan	10.89	10.90	+.01
Feb	10.74	10.80	+.06
Mar	11.02	11.12	+.10
Apr	12.15	12.19	+.04
May	12.52	12.57	+.05
Jun	12.03	12.03	+.00
Jul	11.42	11.34	-.08
Aug	11.17	11.16	-.01
Sep	11.90	12.10	+.20
Oct	12.46	12.61	+.15
Nov	12.75	12.77	+.02
Dec	12.51	12.58	+.07
Simple Avg	11.7967	11.8475	+.0508
1994			
Jan	12.41	12.38	-.03
Feb	12.41	12.39	-.02
Mar	12.77	12.66	-.11
Apr	12.99	12.80	-.19
May	11.51	11.53	+.02
Jun	11.25	11.13	-.12
Jul	11.41	11.31	-.10
Aug	11.73	11.66	-.07
Sep	12.04	12.01	-.03
Oct	12.29	12.28	-.01
Nov	11.86	11.93	+.07
Dec	11.38	11.39	+.01
Simple Avg	12.0042	11.9558	-.0484
1995			
Jan	11.35	11.43	+.08
Feb	11.79	11.75	-.04
Mar	11.89	11.81	-.08
Apr	11.16	11.19	+.03
May		11.08	
Jun		11.25	
Jul		11.11	
Aug		11.45	
Sep		12.25	
Oct		12.82	
Nov		13.10	
Dec		13.19	
Simple Avg	11.5475	11.8692	-.0030
36-Month Simple avg	2/11.8500	11.8908	2/.0007

1/ Prices have been converted from the average milkfat test to 3.5 percent using the milkfat differential specified in federal orders.

2/ 28-Month simple average.

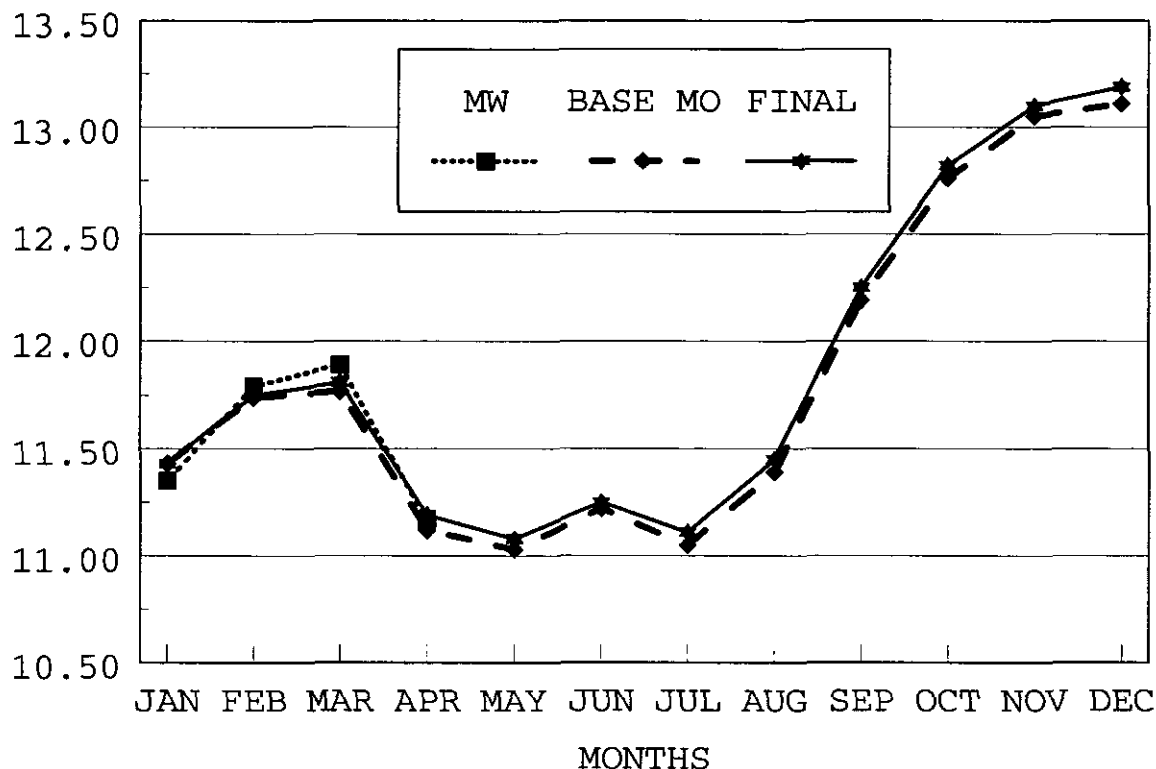
Manufacturing Grade Milk: Weights Used to Calculate  
The Minnesota-Wisconsin Milk Price Series, by Months, 1995-97 1/

Month	1995		1996		1997	
	Minn	Wis	Minn	Wis	Minn	Wis
	Percent					
Jan	39.0	61.0	39.0	61.0	35.1	64.9
Feb	39.5	60.5	39.4	60.6	35.6	64.4
Mar	39.1	60.9	38.7	61.3	35.0	65.0
Apr	38.2	61.8	37.4	62.6	34.5	65.5
May	36.1	63.9	34.1	65.9		
Jun	35.2	64.8	33.4	66.6		
Jul	34.7	65.3	32.9	67.1		
Aug	34.0	66.0	32.1	67.9		
Sep	34.1	65.9	32.2	67.8		
Oct	34.5	65.5	32.9	67.1		
Nov	35.0	65.0	33.9	66.1		
Dec	35.9	64.1	33.8	66.2		

1/ Weights shown for January through April are based upon purchases of manufacturing grade milk two years earlier while weights for may through December are based upon purchases from one year earlier. "Final Two-State" estimates are weighted by complete monthly marketings for the respective month.

### MW vs BASE MONTH vs FINAL, 1995

DOLLARS/CWT



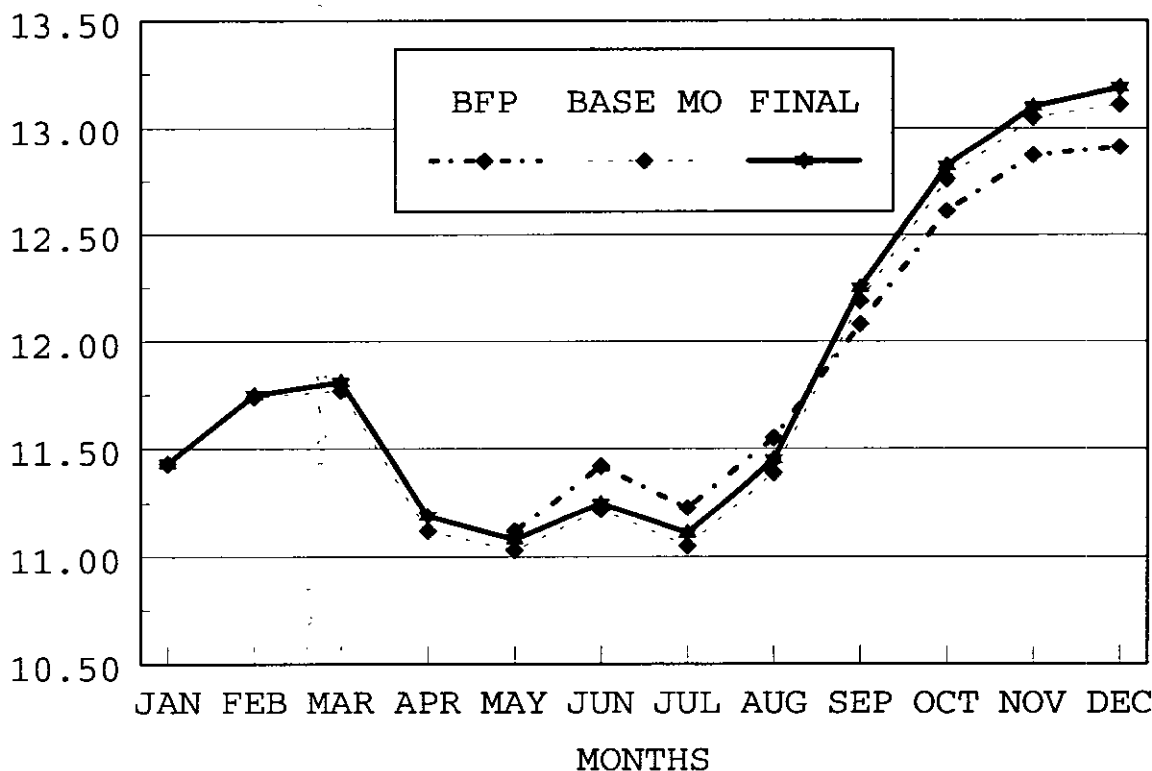
Comparison of Basic Formula Price per cwt, Base Month Price per cwt, and the Final Two-State Estimated Price, for Milk of 3.5 Percent Milkfat Content, By Months, 1995 1/

Year and Month	Basic Formula Price Estimate 2/	Base Month Price Estimate	Final Two-State Estimate
Dollars			
1995			
Jan		11.43	11.43
Feb		11.74	11.75
Mar		11.77	11.81
Apr		11.12	11.19
May	11.12	11.03	11.08
Jun	11.42	11.22	11.25
Jul	11.23	11.05	11.11
Aug	11.55	11.39	11.45
Sep	12.08	12.19	12.25
Oct	12.61	12.76	12.82
Nov	12.87	13.05	13.10
Dec	12.91	13.11	13.19
Simple Avg 3/	11.97	11.98	12.03

- 1/ Prices have been converted from the average milkfat test to 3.5 percent using the milkfat differential specified in federal orders.
- 2/ Source: Dairy Division, Agricultural Marketing Services, USDA.
- 3/ Average is for eight month period, May-December.

### BFP vs BASE MONTH vs FINAL, 1995

DOLLARS/CWT





Competitive A/B Price Series: Milkfat Test, Price at Test,  
Price at 3.5% Milkfat, Protein Test and Hauling Subsidy  
by Months, 1993-1995 1/

Year and Month	Milkfat Test	Price Per Cwt 1/		Protein Test	Hauling Subsidy
	Percent	At Test	At 3.5%	Percent	Dollars
<b>1993</b>					
Jan	3.81	11.93	11.71	3.19	.24
Feb	3.79	11.64	11.43	3.17	.26
Mar	3.79	11.98	11.77	3.17	.29
Apr	3.76	13.01	12.83	3.14	.27
May	3.71	13.46	13.32	3.13	.29
Jun	3.67	12.86	12.74	3.12	.28
Jul	3.63	12.09	12.00	3.06	.27
Aug	3.61	11.92	11.84	3.07	.27
Sep	3.75	12.96	12.79	3.20	.28
Oct	3.87	13.66	13.42	3.25	.29
Nov	3.90	13.89	13.63	3.27	.29
Dec	3.88	13.58	13.36	3.24	.27
<b>1994</b>					
Jan	3.86	13.38	13.19	3.22	.26
Feb	3.83	13.38	13.21	3.19	.29
Mar	3.82	13.68	13.51	3.17	.28
Apr	3.78	13.78	13.63	3.13	.30
May	3.70	12.13	12.02	3.12	.31
Jun	3.59	11.81	11.76	3.09	.27
Jul	3.58	12.10	12.05	3.06	.30
Aug	3.64	12.48	12.39	3.12	.30
Sep	3.71	12.86	12.73	3.18	.26
Oct	3.81	13.26	13.06	3.25	.31
Nov	3.85	12.82	12.60	3.28	.28
Dec	3.85	12.31	12.11	3.23	.28
<b>1995</b>					
Jan	3.82	12.32	12.14	3.21	.29
Feb	3.79	12.68	12.52	3.18	.29
Mar	3.78	12.70	12.54	3.17	.30
Apr	3.77	11.97	11.81	3.16	.23
May	3.72	11.82	11.69	3.14	.26
Jun	3.64	12.03	11.94	3.07	.29
Jul	3.55	11.75	11.71	3.03	.30
Aug	3.56	12.11	12.06	3.05	.33
Sep	3.71	13.10	12.94	3.17	.30
Oct	3.86	13.97	13.62	3.27	.30
Nov	3.92	14.45	14.01	3.27	.30
Dec	3.89	14.24	14.00	3.24	.28

1/ Series began September, 1990. Data are collected under a contract with the Agricultural Marketing Service (AMS) and published in Dairy Market News. Data are collected from plants receiving Grade A milk and/or Grade B milk used primarily to manufacture cheese, butter, and nonfat dry milk.

The next **"Minnesota-Wisconsin Manufacturing Grade Milk"** report will be released in June 1997.

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