



# Announcement of Advanced Prices and Pricing Factors

United States Department of Agriculture

Agricultural Marketing Service

Dairy Programs

Market Information Branch

ADV-0512

April 18, 2012

## May 2012 Highlights

**Base Class I Price** was \$15.85 per hundredweight for the month of May 2012. The price per hundredweight increased \$0.19 from the previous month.

**Base Skim Milk Price** for Class I was \$10.76 per hundredweight for the month of May 2012. The price per hundredweight increased \$0.06 from the previous month.

## Announcement of Advanced Prices and Pricing Factors for May 2012

Base Class I Price:	\$15.85	(per hundredweight)
Base Skim Milk Price for Class I:	\$10.76	(per hundredweight)
Advanced Class III Skim Milk Pricing Factor:	\$10.76	(per hundredweight)
Advanced Class IV Skim Milk Pricing Factor:	\$9.77	(per hundredweight)
Advanced Butterfat Pricing Factor:	\$1.5633	(per pound)
Class II Skim Milk Price:	\$10.47	(per hundredweight)
Class II Nonfat Solids Price:	\$1.1633	(per pound)
Two-week Product Price Averages:		
Butter	\$1.4624	(per pound)
Nonfat Dry Milk	\$1.2642	(per pound)
Cheese	\$1.5431	(per pound)
Dry Whey	\$0.6022	(per pound)
Special information for Appalachian and Southeast:		
Diesel Fuel Price	\$4.078	(per gallon)
Mileage Rate Factor	\$0.00499	(per hundredweight per mile)

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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 Dairy Products Sales Report.

**Reliability:** Dairy Products Sales Reports are subject to revision for four weeks following the initial weekly report. For enforcement purposes, the information in the Dairy Products Sales Reports is subject to verification for up to two years from the time of submission. The AMS audit staff periodically review a company's sales records to ensure accurate reports during onsite verifications.

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

- Butter Price\* =  $((\text{Week One Butter Price} \times \text{Week One Butter Sales}) + (\text{Week Two Butter Price} \times \text{Week Two Butter Sales})) / (\text{Week One Butter Sales} + \text{Week Two Butter Sales})$
- Nonfat Dry Milk (NFDM) Price\* =  $((\text{Week One NFDM Price} \times \text{Week One NFDM Sales}) + (\text{Week Two NFDM Price} \times \text{Week Two NFDM Sales})) / (\text{Week One NFDM Sales} + \text{Week Two NFDM Sales})$
- Cheese Price\* =  $((\text{Week One (Barrel price} + 0.03) \times \text{Week One Barrel Sales}) + (\text{Week Two (Barrel price} + 0.03) \times \text{Week Two Barrel Sales}) + (\text{Week One Block price} \times \text{Week One Block Sales}) + (\text{Week Two Block price} \times \text{Week Two Block Sales})) / (\text{Week One Barrel Sales} + \text{Week Two Barrel Sales} + \text{Week One Block Sales} + \text{Week Two Block Sales})$
- Dry Whey Price\* =  $((\text{Week One Dry Whey Price} \times \text{Week One Dry Whey Sales}) + (\text{Week Two Dry Whey Price} \times \text{Week Two Dry Whey Sales})) / (\text{Week One Dry Whey Sales} + \text{Week Two Dry Whey Sales})$
- Base Class I Price =  $(\text{Class I Base Skim Milk Price} \times 0.965) + (\text{Class I Butterfat Price} \times 3.5)$
- 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 =  $((\text{Cheese Price} \times 0.2003) \times 1.383) + (((\text{Cheese Price} - 0.2003) \times 1.572) - \text{Butterfat Price} \times 0.9) \times 1.17) \times 3.1 + ((\text{Dry Whey Price} - 0.1991) \times 1.03) \times 5.9)$
- Advanced Class IV Skim Milk Pricing Factor =  $(\text{NFDM Price} - 0.1678) \times .99) \times 9$
- Advanced Butterfat Pricing Factor =  $(\text{Butter Price} - 0.1715) \times 1.211$
- Class II Skim Milk Price =  $\text{Class IV Skim Milk Price} + 0.70$
- Class II Nonfat Solids Price =  $\text{Advanced Class II Skim Milk Price} / 9$

*\*Additional Notes: Each Product Price Average is weighted by sales volume. The weighted average price for each week is a weighted average price based upon volumes reported. Commodity prices used for Federal order formulas 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.*

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

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

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**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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**Dairy Products Mandatory Reporting Program**

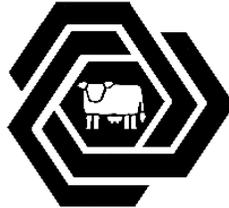
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