

**Appendix to Preliminary Analysis for
Hearing Concerning Class III and IV Make Allowances**

January 2006

**United States Department of Agriculture
Marketing and Regulatory Programs
Agricultural Marketing Service
Dairy Programs**

Note: There is a misprint in Table 3 posted in the hearing notice. The title of the table should refer to five-year averages rather than six-year averages.

Table A-1. Baseline

Make allowances--cheese: \$0.1650, butter: \$0.1150, nonfat dry milk: \$0.1400, dry whey: \$0.1590

	Units	2005/06	2006/07	2007/08	2008/09	2009/10	Average
F.O. Minimum Prices, 3.5% BF							
Class I	\$/cwt.	15.93	16.27	16.60	17.09	17.43	16.46
Class II	\$/cwt.	13.92	13.86	14.10	14.68	14.52	13.98
Class III	\$/cwt.	13.13	13.56	13.89	14.38	14.72	13.73
Class IV	\$/cwt.	13.22	13.16	13.40	13.98	13.82	13.28
Blend	\$/cwt.	14.31	14.59	14.90	15.40	15.64	14.76
Average Class Butterfat Test							
Class I	% of milk	2.04	2.04	2.04	2.04	2.04	2.04
Class II	% of milk	8.30	8.31	8.30	8.30	8.29	8.29
Class III	% of milk	3.53	3.53	3.54	3.53	3.52	3.53
Class IV	% of milk	5.12	5.01	5.04	5.31	5.38	5.14
F.O. Minimum Prices at Test							
Class I	\$/cwt.	13.17	13.47	13.73	14.03	14.37	13.63
Class II	\$/cwt.	23.02	23.12	23.60	24.81	24.63	23.32
Class III	\$/cwt.	13.17	13.62	13.97	14.44	14.77	13.79
Class IV	\$/cwt.	16.29	16.07	16.44	17.79	17.79	16.50
Blend	\$/cwt.	14.72	15.00	15.32	15.85	16.09	15.18
Product Prices							
Cheddar Cheese	\$/pound	1.4328	1.4819	1.5175	1.5677	1.6026	1.4999
Butter	\$/pound	1.7509	1.7749	1.8178	1.9284	1.9295	1.7920
Nonfat Dry Milk	\$/pound	0.8784	0.8597	0.8664	0.8797	0.8608	0.8658
Dry Whey	\$/pound	0.1964	0.1873	0.1825	0.1760	0.1767	0.1863
Federal Order Component Prices							
Protein	\$/pound	2.0179	2.1458	2.2065	2.2284	2.3393	2.1824
Butterfat	\$/pound	1.9631	1.9919	2.0433	2.1760	2.1774	2.0123
Other solids	\$/pound	0.0385	0.0291	0.0242	0.0175	0.0183	0.0281
Nonfat solids	\$/pound	0.7310	0.7125	0.7192	0.7323	0.7136	0.7186
Class I skim price	\$/cwt.	9.29	9.53	9.69	9.72	10.07	9.66
Class II skim price	\$/cwt.	7.28	7.11	7.17	7.29	7.12	7.17
Class III skim price	\$/cwt.	6.48	6.82	6.98	7.01	7.36	6.93
Class IV skim price	\$/cwt.	6.58	6.41	6.47	6.59	6.42	6.47
Federal Order Class Uses							
Class I	mil. pounds	45,639	45,856	46,193	46,273	46,230	45,928
Class II	mil. pounds	15,479	15,676	15,756	15,617	15,793	15,675
Class III	mil. pounds	48,030	49,357	50,866	52,394	53,775	50,163
Class IV	mil. pounds	10,181	10,429	10,308	9,567	9,222	9,954
Total F.O. Marketings	mil. pounds	119,329	121,318	123,123	123,851	125,020	121,719
Federal Order Cash Receipts							
Class I	mil. \$	6,010	6,175	6,341	6,490	6,644	6,261
Class II	mil. \$	3,564	3,625	3,718	3,875	3,890	3,655
Class III	mil. \$	6,328	6,724	7,106	7,568	7,944	6,936
Class IV	mil. \$	1,659	1,676	1,694	1,701	1,641	1,639
Total	mil. \$	17,560	18,200	18,859	19,635	20,119	18,491
All Milk Price at Test	\$/cwt.	14.75	15.05	15.35	15.80	16.05	15.19
U.S. Marketings	mil. pounds	175,840	179,114	182,188	183,824	185,989	179,973
U.S. Producer Revenue	mil. \$	25,938	26,965	27,974	29,050	29,855	27,360

Table A-2. Scenario 1, Differences From Baseline

Make allowances--cheese: \$0.1750, butter: \$0.1561, nonfat dry milk: \$0.1615, dry whey: \$0.1749

	Units	2005/06	2006/07	2007/08	2008/09	2009/10	Average
F.O. Minimum Prices, 3.5% BF							
Class I	\$/cwt.	-0.16	-0.02	0.00	0.00	0.00	-0.03
Class II	\$/cwt.	-0.19	-0.18	-0.16	-0.17	-0.17	-0.18
Class III	\$/cwt.	-0.06	-0.02	0.00	0.00	0.00	-0.02
Class IV	\$/cwt.	-0.19	-0.18	-0.16	-0.17	-0.17	-0.18
Blend	\$/cwt.	-0.13	-0.05	-0.03	-0.03	-0.03	-0.05
Average Class Butterfat Test							
Class I	% of milk	0.00	0.00	0.00	0.00	0.00	0.00
Class II	% of milk	0.00	0.00	0.00	0.00	0.00	0.00
Class III	% of milk	0.00	0.00	0.00	0.00	0.00	0.00
Class IV	% of milk	0.01	0.00	-0.01	-0.01	-0.01	0.00
F.O. Minimum Prices at Test							
Class I	\$/cwt.	-0.15	-0.01	0.02	0.02	0.02	-0.02
Class II	\$/cwt.	-0.24	-0.20	-0.21	-0.23	-0.23	-0.22
Class III	\$/cwt.	-0.07	-0.02	0.00	0.00	0.00	-0.02
Class IV	\$/cwt.	-0.19	-0.18	-0.19	-0.21	-0.22	-0.20
Blend	\$/cwt.	-0.13	-0.05	-0.03	-0.04	-0.04	-0.06
Product Prices							
Cheddar Cheese	\$/pound	0.0128	0.0178	0.0202	0.0199	0.0198	0.0181
Butter	\$/pound	0.0332	0.0363	0.0325	0.0299	0.0302	0.0324
Nonfat Dry Milk	\$/pound	0.0030	0.0033	0.0068	0.0072	0.0066	0.0054
Dry Whey	\$/pound	0.0008	0.0005	0.0004	0.0003	0.0003	0.0005
Retail fluid milk ¹	\$/gallon	-0.0125	-0.0008	0.0017	0.0017	0.0016	-0.0017
Federal Order Component Prices							
Protein	\$/pound	0.0193	0.0312	0.0438	0.0460	0.0455	0.0372
Butterfat	\$/pound	-0.0095	-0.0058	-0.0102	-0.0133	-0.0131	-0.0104
Other solids	\$/pound	-0.0155	-0.0158	-0.0160	-0.0161	-0.0161	-0.0159
Nonfat solids	\$/pound	-0.0183	-0.0180	-0.0147	-0.0142	-0.0147	-0.0160
Class I skim price ²	\$/cwt.	-0.13	0.00	0.04	0.05	0.05	0.00
Class II skim price	\$/cwt.	-0.16	-0.16	-0.13	-0.13	-0.13	-0.14
Class III skim price	\$/cwt.	-0.03	0.00	0.04	0.05	0.05	0.02
Class IV skim price	\$/cwt.	-0.16	-0.16	-0.13	-0.13	-0.13	-0.14
Federal Order Class Uses							
Class I	mil. pounds	28	2	-3	-3	-2	4
Class II	mil. pounds	47	43	46	50	52	48
Class III	mil. pounds	-27	-41	-62	-72	-82	-57
Class IV	mil. pounds	-71	-63	-46	-45	-44	-54
Total F.O. Marketings	mil. pounds	-23	-58	-65	-70	-76	-58
Federal Order Cash Receipts							
Class I	mil. \$	-63	-4	9	9	8	-8
Class II	mil. \$	-26	-22	-22	-24	-24	-23
Class III	mil. \$	-36	-15	-7	-11	-14	-17
Class IV	mil. \$	-31	-29	-27	-28	-28	-28
Total	mil. \$	-155	-70	-48	-54	-58	-77
All Milk Price at Test	\$/cwt.	-0.08	-0.03	-0.01	-0.01	-0.01	-0.03
U.S. Marketings	mil. pounds	-63	-113	-130	-142	-155	-120
U.S. Producer Revenue	mil. \$	-158	-64	-39	-47	-50	-72

¹ Retail fluid milk prices are not projected in the baseline. Projected impacts are calculated by multiplying the Class I price per pound at test by 8.62 pounds of milk per gallon.

² While the baseline indicates the Class IV skim milk price as the Class I price mover in the 2005/06 fiscal year with Class III as the mover in the other years, Class III is the mover throughout the projection period for Scenario 1.

Table A-3. Scenario 2, Differences From Baseline

Make allowances--cheese: \$0.1900, butter: \$0.1561, nonfat dry milk: \$0.1615, dry whey: \$0.1749

	Units	2005/06	2006/07	2007/08	2008/09	2009/10	Average
F.O. Minimum Prices, 3.5% BF							
Class I	\$/cwt.	-0.17	-0.11	-0.06	-0.06	-0.05	-0.09
Class II	\$/cwt.	-0.17	-0.13	-0.08	-0.09	-0.09	-0.11
Class III	\$/cwt.	-0.19	-0.11	-0.06	-0.06	-0.05	-0.10
Class IV	\$/cwt.	-0.17	-0.13	-0.08	-0.09	-0.09	-0.11
Blend	\$/cwt.	-0.18	-0.11	-0.06	-0.06	-0.06	-0.09
Average Class Butterfat Test							
Class I	% of milk	0.00	0.00	0.00	0.00	0.00	0.00
Class II	% of milk	0.00	0.00	0.00	0.00	0.00	0.00
Class III	% of milk	0.00	0.00	0.00	0.00	0.00	0.00
Class IV	% of milk	0.01	0.02	0.01	0.00	0.00	0.01
F.O. Minimum Prices at Test							
Class I	\$/cwt.	-0.17	-0.12	-0.06	-0.05	-0.05	-0.09
Class II	\$/cwt.	-0.20	-0.11	-0.09	-0.11	-0.11	-0.12
Class III	\$/cwt.	-0.20	-0.12	-0.06	-0.06	-0.05	-0.10
Class IV	\$/cwt.	-0.15	-0.09	-0.07	-0.08	-0.09	-0.10
Blend	\$/cwt.	-0.18	-0.11	-0.06	-0.06	-0.06	-0.10
Product Prices							
Cheddar Cheese	\$/pound	0.0143	0.0224	0.0281	0.0288	0.0290	0.0245
Butter	\$/pound	0.0362	0.0437	0.0392	0.0364	0.0369	0.0385
Nonfat Dry Milk	\$/pound	0.0037	0.0057	0.0127	0.0139	0.0132	0.0098
Dry Whey	\$/pound	0.0009	0.0007	0.0006	0.0004	0.0005	0.0006
Retail fluid milk ¹	\$/gallon	-0.0144	-0.0103	-0.0050	-0.0041	-0.0040	-0.0076
Federal Order Component Prices							
Protein	\$/pound	-0.0281	-0.0115	0.0122	0.0182	0.0184	0.0018
Butterfat	\$/pound	-0.0059	0.0031	-0.0022	-0.0055	-0.0050	-0.0031
Other solids	\$/pound	-0.0154	-0.0156	-0.0157	-0.0159	-0.0160	-0.0157
Nonfat solids	\$/pound	-0.0176	-0.0157	-0.0087	-0.0075	-0.0083	-0.0116
Class I skim price ²	\$/cwt.	-0.16	-0.13	-0.05	-0.04	-0.04	-0.08
Class II skim price	\$/cwt.	-0.16	-0.14	-0.08	-0.07	-0.07	-0.10
Class III skim price	\$/cwt.	-0.18	-0.13	-0.05	-0.04	-0.04	-0.09
Class IV skim price	\$/cwt.	-0.16	-0.14	-0.08	-0.07	-0.07	-0.10
Federal Order Class Uses							
Class I	mil. pounds	32	23	12	10	9	17
Class II	mil. pounds	40	23	21	25	26	27
Class III	mil. pounds	-30	-54	-90	-108	-123	-81
Class IV	mil. pounds	-87	-106	-84	-83	-84	-89
Total F.O. Marketings	mil. pounds	-46	-114	-141	-157	-173	-126
Federal Order Cash Receipts							
Class I	mil. \$	-72	-52	-25	-21	-20	-38
Class II	mil. \$	-22	-11	-9	-11	-11	-13
Class III	mil. \$	-98	-64	-44	-45	-47	-60
Class IV	mil. \$	-30	-26	-21	-23	-23	-25
Total	mil. \$	-222	-153	-100	-100	-102	-135
All Milk Price at Test	\$/cwt.	-0.13	-0.07	-0.03	-0.03	-0.03	-0.06
U.S. Marketings	mil. pounds	-98	-198	-248	-279	-306	-226
U.S. Producer Revenue	mil. \$	-243	-160	-99	-98	-99	-140

¹ Retail fluid milk prices are not projected in the baseline. Projected impacts are calculated by multiplying the Class I price per pound at test by 8.62 pounds of milk per gallon.

² Both the baseline and Scenario 2 indicate the Class IV skim milk price as the Class I price mover in the 2005/06 fiscal year with Class III as the mover in the other years.

Table A-4. Scenario 3, Differences From Baseline

Make allowances--cheese: \$0.2050, butter: \$0.1561, nonfat dry milk: \$0.1615, dry whey: \$0.1749

	Units	2005/06	2006/07	2007/08	2008/09	2009/10	Average
F.O. Minimum Prices, 3.5% BF							
Class I	\$/cwt.	-0.16	-0.21	-0.13	-0.11	-0.11	-0.14
Class II	\$/cwt.	-0.16	-0.08	0.00	0.00	-0.01	-0.05
Class III	\$/cwt.	-0.32	-0.21	-0.13	-0.11	-0.11	-0.18
Class IV	\$/cwt.	-0.16	-0.08	0.00	0.00	-0.01	-0.05
Blend	\$/cwt.	-0.22	-0.18	-0.10	-0.09	-0.08	-0.13
Average Class Butterfat Test							
Class I	% of milk	0.00	0.00	0.00	0.00	0.00	0.00
Class II	% of milk	0.00	0.00	0.00	0.00	0.00	0.00
Class III	% of milk	0.00	0.00	0.00	0.00	0.00	0.00
Class IV	% of milk	0.02	0.03	0.02	0.02	0.02	0.02
F.O. Minimum Prices at Test							
Class I	\$/cwt.	-0.16	-0.23	-0.14	-0.12	-0.11	-0.15
Class II	\$/cwt.	-0.17	-0.01	0.03	0.01	0.01	-0.03
Class III	\$/cwt.	-0.33	-0.21	-0.13	-0.11	-0.10	-0.18
Class IV	\$/cwt.	-0.13	0.00	0.04	0.04	0.04	0.00
Blend	\$/cwt.	-0.22	-0.18	-0.10	-0.09	-0.08	-0.13
Product Prices							
Cheddar Cheese	\$/pound	0.0155	0.0269	0.0359	0.0377	0.0383	0.0309
Butter	\$/pound	0.0386	0.0508	0.0458	0.0429	0.0437	0.0444
Nonfat Dry Milk	\$/pound	0.0042	0.0080	0.0187	0.0206	0.0197	0.0142
Dry Whey	\$/pound	0.0010	0.0009	0.0009	0.0006	0.0006	0.0008
Retail fluid milk ¹	\$/gallon	-0.0135	-0.0199	-0.0118	-0.0100	-0.0096	-0.0130
Federal Order Component Prices							
Protein	\$/pound	-0.0758	-0.0544	-0.0194	-0.0096	-0.0086	-0.0336
Butterfat	\$/pound	-0.0030	0.0116	0.0057	0.0022	0.0031	0.0039
Other solids	\$/pound	-0.0154	-0.0154	-0.0155	-0.0157	-0.0158	-0.0156
Nonfat solids	\$/pound	-0.0171	-0.0133	-0.0028	-0.0009	-0.0018	-0.0072
Class I skim price ²	\$/cwt.	-0.15	-0.26	-0.15	-0.12	-0.12	-0.16
Class II skim price	\$/cwt.	-0.15	-0.12	-0.03	-0.01	-0.02	-0.06
Class III skim price	\$/cwt.	-0.33	-0.26	-0.15	-0.12	-0.12	-0.20
Class IV skim price	\$/cwt.	-0.15	-0.12	-0.03	-0.01	-0.02	-0.06
Federal Order Class Uses							
Class I	mil. pounds	30	44	26	22	21	29
Class II	mil. pounds	34	5	-3	-1	-1	7
Class III	mil. pounds	-33	-66	-118	-143	-163	-105
Class IV	mil. pounds	-98	-148	-121	-122	-124	-123
Total F.O. Marketings	mil. pounds	-67	-166	-215	-244	-268	-192
Federal Order Cash Receipts							
Class I	mil. \$	-68	-100	-60	-50	-48	-65
Class II	mil. \$	-19	-1	3	2	2	-3
Class III	mil. \$	-162	-114	-81	-78	-80	-103
Class IV	mil. \$	-29	-23	-15	-18	-18	-21
Total	mil. \$	-277	-239	-152	-144	-145	-191
All Milk Price at Test	\$/cwt.	-0.17	-0.12	-0.06	-0.05	-0.04	-0.09
U.S. Marketings	mil. pounds	-128	-278	-363	-413	-455	-327
U.S. Producer Revenue	mil. \$	-318	-258	-160	-149	-148	-207

¹ Retail fluid milk prices are not projected in the baseline. Projected impacts are calculated by multiplying the Class I price per pound at test by 8.62 pounds of milk per gallon.

² Both the baseline and Scenario 3 indicate the Class IV skim milk price as the Class I price mover in the 2005/06 fiscal year with Class III as the mover in the other years.