

#### 4A52.214-2 Basis of Offers

- 1) Offers shall be submitted as an F.O.B. destination, firm-fixed price per unit (i.e. gallons) for the stated line item quantity. The final price paid will be the bid price adjusted by the economic price adjustment (EPA) for the month in which the milk is delivered. The EPA accounts for the differences in the announced Base Skim Milk Price for Class I and Advanced Butterfat Pricing Factor applicable for the month in which the solicitation is announced from those applicable for the delivery month.
- 2) Offers will be evaluated for award to lowest price.
- 3) The contract price for a delivery month shall be the bid price, PLUS the following economic price adjustment (EPA): the changes from month of solicitation issuance to delivery month in the Class I base skim price and the advanced butterfat price as reported monthly in USDA's *Announcement of Advanced Prices and Pricing Factors* and adjusted by the amount of skim and butterfat in the product.
- 4) The EPA per gallon calculation shall be as follows: Multiply the difference between the reported Base Skim Milk Price for Class I for the solicitation issuance and delivery months (\$/cwt) by the percent skim milk in the product and divide by 100 (rounded to the nearest 100th cent) and ADD the difference between the Advanced Butterfat Pricing Factors for the solicitation issuance and delivery months (\$/lb) multiplied by the butterfat percent in the product (rounded to the nearest 100th of a cent). Multiply the result by the number of pounds in a gallon of the product (rounded to the nearest 100<sup>th</sup> of a cent). This monthly adjustment may be positive, zero, or negative.
- 5) The information on the following page, including the EPA, will be issued under a contract modification by USDA Commodity Procurement on or before the 28th of the month preceding each delivery month.
- 6) Example: for Fresh Whole Milk an awarded price, for a solicitation issued in February, of \$3.00 per gallon and delivered in June, the EPA would be \$0.0843/gallon and the June delivered price with the EPA would be \$3.0843 per gallon (\$3.00 plus \$0.0843).
- 7) When the 3-day delivery period dates overlap to the following month for a contract order/line item, that milk will be paid under the milk price in effect for the date of the first delivery period day (ie; Monday).

