

**Testimony of
Robert D. Wellington of Agri-Mark Dairy Cooperative
Regarding Proposals 14
At Federal Order Hearing
(Docket No. AO-14-A77, et al.; DA-07-02)
April 9, 2007 in Indianapolis, Indiana**

My name is Robert D. Wellington. I testified during the first week of this hearing on proposals 1, 2, 10, and 11 and now wish to do so regarding Agri-Mark proposal #14.

PROPOSAL #14

This proposal seeks to amend the Class III and Class I product price formulas by using a combination of the weekly NASS (National Agricultural Statistical Service) and CME (Chicago Mercantile Exchange) cheese price series to determine the cheese price to be used in the Class III and Class I product price formulas.

CME VS NASS CHEESE PRICES

U.S. cheese manufacturers use the CME market prices as a basis to set the cheese prices they charge in the marketplace. In addition, California uses the CME price series to set its state mandated milk price for milk used to make cheese (Class 4b). However, USDA uses a different price series in its price determination.

USDA uses the NASS cheese price survey to determine the cheese prices that in turn, are used to determine Class III prices each month. While the NASS and CME are closely linked, that relationship usually involved a two week lag.

The two week lag between NASS and CME prices became a serious problem in 2004 when CME cheese prices changed so quickly from week to week that the monthly average between the two price series fluctuated dramatically. In fact the two prices varied by more than ten cents per pound in seven of the twelve months of 2004.

Figure 1 provides a graphic representation of the differences in CME versus NASS weighted average cheese prices shown in red and the differences in CME versus Proposal #14 weighted average cheese prices on a monthly basis from 2003 through 2006. The intent of Proposal #14 is to reduce those differences while still using the NASS price series as the primary indicator of cheese price changes. The data shown in Figure 1 is also given in Appendix Table 1.

RELATIONSHIP BETWEEN THE NASS AND CME CHEESE PRICES SERIES

The following table shows the simple regression results estimating the relationship between the NASS and the CME for block and barrel cheese price series. The table shows the relationships based on having no lag as well as one week, two weeks and three week lags. The time period considered is from January 2000, when the Orders were amended to use NASS pricing, to February 2007. Specifically, there are 372 weeks going from January 22, 2000 through February 24, 2007. The initial weeks of January 2000 were not included in the direct regression analysis due the assumption of a three week lag as one of the scenarios.

As seen in Table 1, a two week lag in the CME relative to NASS prices shows the best relationship. In fact during the last seven years, the CME price series accounted for between 97% and 98% of the variation in the NASS price series.

TABLE 1: NASS VERSUS CME WEEKLY CHEESE PRICE RELATIONSHIP
REGRESSION ANALYSIS: R Squared Values

	<u>BLOCK PRICES</u>	<u>BARREL PRICES</u>
CURRENT NASS VS CME	88%	91%
1 WEEK LAG NASS VS CME	95%	97%
2 WEEK LAG NASS VS CME	98%	97%
3 WEEK LAG NASS VS CME	95%	92%

HOW PROPOSAL #14 WORKS

Figures 2A and 2B show the weekly time line for the monthly cheese price used in the Class III and Class I price calculations of Proposal #14. Using the month of April as an example, Figure 2A shows the NASS cheese prices for the four weeks of April that are used to calculate the Class III price that month. While the April NASS prices are correlated with the CME price for the last two weeks of March and the first two weeks of April, there is no adjustment in the price formulas currently done to relate the two.

Underneath the current April Class III pricing time line in Figure 2A is an alternative time line showing the weeks to be used in Proposal #14 that links the cheese price used to calculate the Class III price (referred to as "the Class III cheese price") with the CME market prices. The

proposal uses the actual CME weekly prices for the four weeks of April adjusted by the difference between the NASS cheese prices (for the last two weeks of March and the first two weeks of April) and the previous month's CME cheese prices (the four weeks of March in this example).

The Class III cheese price setting mechanism of Proposal #14 uses all the weekly observations of all NASS and CME prices. Over a number of months, the CME current month price series and the previous month CME prices series cancel one another out, leaving only the NASS price series as the average price indicator overtime. This proposal allows the USDA to use up-to-date CME prices needed by the industry while making the appropriate adjustments in those prices to assure that the NASS price is the primary determinant of cheese prices used overtime. If the CME is manipulated in such a way as to diverge from true NASS prices, this proposal adjusts those CME prices to the actual NASS prices to correct the situation.

The time line chart in Figure 2B shows how the cheese prices for the Class I price determination can also be adjusted in order to use the more current CME price series, while also maintaining a relationship to NASS prices. This part of the proposal allows the use of actual CME prices for the second and third weeks of March to determine the Class I cheese price instead of the current first two weeks of NASS pricing. This part of the proposal does use a different set of weeks than currently used so it may not come back entirely to the NASS pricing on a historical basis. However it does relate back to the NASS price series.

IMPACT ON FEDERAL ORDER PRICES

Appendix Tables 2 through 5 show the detailed monthly changes in the cheese prices used in the Class I and III formulas, the changes in the Class I and III prices, the changes in the Northeast Order producer price differentials and the Northeast uniform prices, and changes in the protein price.

Table 2 contains a summary of those appendix tables showing the average of the annual and 4-year cumulative time periods (2003-2006). While the annual averages under Proposal #14 can differ from year to year, the 4-year cumulative average for all prices were less than half a cent per pound of cheese or less than two cents per hundredweight of milk for all priceews.

Proposal #14 is not intended to increase or decrease any prices used or determined by Federal Orders. The intent is to reduce the monthly differences between the prices that most cheese manufacturers sell their product for and the cheese prices used to determine their cost of milk. In this process, the proposal also reduces the number of weeks it takes to transmit marketplace cheese prices into changes in farm milk prices.

TABLE 2: SUMMARY OF DIFFERENCES BETWEEN CURRENT AND PROPOSAL #14 PRICES

<u>YEAR</u>	<u>CHEESE PRICES</u>		<u>CLASS PRICES</u>		<u>NORTHEAST PRODUCER PRICES</u>		
	<u>ADVANCED</u> (CLASS I)	<u>FINAL</u> (CLASS III)	<u>CLASS I</u>	<u>CLASS III</u>	<u>PPD</u>	<u>UNIFORM PRICE</u>	<u>PROTEIN</u>
2003	\$0.010	\$0.000	\$0.096	(\$0.004)	\$0.048	\$0.045	(\$0.001)
2004	\$0.013	\$0.009	\$0.138	\$0.086	\$0.030	\$0.114	\$0.028
2005	(\$0.037)	(\$0.009)	(\$0.319)	(\$0.085)	(\$0.077)	(\$0.164)	(\$0.029)
2006	(\$0.001)	\$0.003	\$0.006	\$0.034	(\$0.019)	\$0.015	\$0.011
4-YR AVERAGE	(\$0.004)	\$0.001	(\$0.020)	\$0.008	(\$0.004)	\$0.003	\$0.002

Originally I had hoped that this proposal would also lessen the occurrence of negative producer price differences, which are mostly a by-product of the time lag between Class III and Class I price changes. This was indeed the case when the Class I cheese pricing changes (shown in Figure 2B) were considered independently of the Class III price changes. However when both changes were considered at the same time, as is being proposed, the lags are reduced for both the Class I and III prices BUT the lag relative to each price series is not reduced. This is why Appendix Table 4 does not show any reduction in the negative PPDs for 2004.

Thank you for this opportunity to present Proposal #14.

APPENDIX TABLE 1: CURRENT AND PROPOSAL #14 CHEESE PRICE COMPARISONS

	CME	NASS			
2003	<u>CURRENT</u>	<u>CURRENT</u>	<u>DIFFERENCE</u>	<u>PROPOSAL #14</u>	<u>VS CME</u>
JANUARY	\$1.135	\$1.137	\$0.002	\$1.138	\$0.003
FEBRUARY	\$1.081	\$1.130	\$0.049	\$1.077	(\$0.004)
MARCH	\$1.083	\$1.078	(\$0.005)	\$1.064	(\$0.019)
APRIL	\$1.126	\$1.100	(\$0.026)	\$1.129	\$0.003
MAY	\$1.143	\$1.139	(\$0.004)	\$1.142	(\$0.001)
JUNE	\$1.218	\$1.146	(\$0.072)	\$1.218	\$0.000
JULY	\$1.513	\$1.350	(\$0.163)	\$1.482	(\$0.031)
AUGUST	\$1.601	\$1.550	(\$0.051)	\$1.617	\$0.016
SEPTEMBER	\$1.595	\$1.594	(\$0.001)	\$1.609	\$0.014
OCTOBER	\$1.572	\$1.594	\$0.022	\$1.574	\$0.002
NOVEMBER	\$1.344	\$1.494	\$0.150	\$1.331	(\$0.013)
<u>DECEMBER</u>	<u>\$1.306</u>	<u>\$1.326</u>	<u>\$0.020</u>	<u>\$1.257</u>	<u>(\$0.049)</u>
AVERAGE	\$1.310	\$1.303	(\$0.007)	\$1.303	(\$0.007)
2004					
JANUARY	\$1.293	\$1.302	\$0.009	\$1.293	\$0.000
FEBRUARY	\$1.420	\$1.326	(\$0.094)	\$1.424	\$0.004
MARCH	\$1.928	\$1.568	(\$0.360)	\$1.958	\$0.030
APRIL	\$2.169	\$2.052	(\$0.117)	\$2.260	\$0.091
MAY	\$1.927	\$2.127	\$0.200	\$1.958	\$0.031
JUNE	\$1.677	\$1.841	\$0.164	\$1.604	(\$0.073)
JULY	\$1.450	\$1.570	\$0.120	\$1.381	(\$0.069)
AUGUST	\$1.575	\$1.517	(\$0.058)	\$1.548	(\$0.027)
SEPTEMBER	\$1.553	\$1.587	\$0.034	\$1.564	\$0.011
OCTOBER	\$1.518	\$1.526	\$0.008	\$1.504	(\$0.014)
NOVEMBER	\$1.763	\$1.589	(\$0.174)	\$1.756	(\$0.007)
DECEMBER	\$1.516	\$1.715	\$0.199	\$1.573	<u>\$0.057</u>
AVERAGE	\$1.649	\$1.643	(\$0.006)	\$1.652	\$0.003
2005					
JANUARY	\$1.621	\$1.606	(\$0.015)	\$1.547	(\$0.074)
FEBRUARY	\$1.483	\$1.496	\$0.013	\$1.524	\$0.041
MARCH	\$1.512	\$1.522	\$0.010	\$1.512	\$0.000
APRIL	\$1.540	\$1.518	(\$0.022)	\$1.521	(\$0.019)
MAY	\$1.481	\$1.468	(\$0.013)	\$1.446	(\$0.035)
JUNE	\$1.445	\$1.499	\$0.054	\$1.499	\$0.054
JULY	\$1.473	\$1.477	\$0.004	\$1.484	\$0.011
AUGUST	\$1.454	\$1.461	\$0.007	\$1.443	(\$0.011)
SEPTEMBER	\$1.578	\$1.544	(\$0.034)	\$1.559	(\$0.019)
OCTOBER	\$1.446	\$1.423	(\$0.023)	\$1.435	(\$0.011)
NOVEMBER	\$1.360	\$1.377	\$0.017	\$1.352	(\$0.008)
<u>DECEMBER</u>	<u>\$1.352</u>	<u>\$1.417</u>	<u>\$0.065</u>	<u>\$1.420</u>	<u>\$0.068</u>
AVERAGE	\$1.479	\$1.488	\$0.009	\$1.479	(\$0.000)
2006					
JANUARY	\$1.380	\$1.335	(\$0.045)	\$1.335	(\$0.045)
FEBRUARY	\$1.195	\$1.182	(\$0.013)	\$1.178	(\$0.017)
MARCH	\$1.149	\$1.163	\$0.014	\$1.143	(\$0.006)
APRIL	\$1.169	\$1.161	(\$0.008)	\$1.164	(\$0.005)
MAY	\$1.222	\$1.204	(\$0.018)	\$1.202	(\$0.020)
JUNE	\$1.187	\$1.200	\$0.013	\$1.213	\$0.026
JULY	\$1.162	\$1.167	\$0.005	\$1.162	\$0.000
AUGUST	\$1.305	\$1.260	(\$0.045)	\$1.261	(\$0.044)
SEPTEMBER	\$1.294	\$1.307	\$0.013	\$1.328	\$0.034
OCTOBER	\$1.287	\$1.267	(\$0.020)	\$1.272	(\$0.015)
NOVEMBER	\$1.406	\$1.401	(\$0.005)	\$1.406	\$0.000
<u>DECEMBER</u>	<u>\$1.322</u>	<u>\$1.325</u>	<u>\$0.003</u>	<u>\$1.342</u>	<u>\$0.020</u>
AVERAGE	\$1.257	\$1.247	(\$0.009)	\$1.251	(\$0.006)
4-YR AVERAC	\$1.424	\$1.420	(\$0.003)	\$1.421	(\$0.003)

APPENDIX TABLE 2: CURRENT AND PROPOSAL #14 FEDERAL ORDER CHEESE PRICES

	ADVANCED CHEESE PRICE (FOR CLASS I)			MONTHLY CHEESE PRICE (FOR CLASS III)		
	CURRENT	PROPOSAL #14	DIFFERENCE	CURRENT	PROPOSAL #14	DIFFERENCE
2003						
JANUARY	\$1.120	\$1.114	(\$0.005)	\$1.137	\$1.138	\$0.001
FEBRUARY	\$1.136	\$1.135	(\$0.001)	\$1.130	\$1.077	(\$0.053)
MARCH	\$1.130	\$1.083	(\$0.047)	\$1.078	\$1.064	(\$0.014)
APRIL	\$1.070	\$1.071	\$0.001	\$1.100	\$1.129	\$0.029
MAY	\$1.084	\$1.122	\$0.038	\$1.139	\$1.142	\$0.003
JUNE	\$1.142	\$1.159	\$0.017	\$1.146	\$1.218	\$0.072
JULY	\$1.139	\$1.172	\$0.033	\$1.350	\$1.482	\$0.132
AUGUST	\$1.269	\$1.548	\$0.280	\$1.550	\$1.617	\$0.067
SEPTEMBER	\$1.540	\$1.571	\$0.031	\$1.594	\$1.609	\$0.015
OCTOBER	\$1.594	\$1.587	(\$0.007)	\$1.594	\$1.574	(\$0.020)
NOVEMBER	\$1.592	\$1.584	(\$0.008)	\$1.494	\$1.331	(\$0.163)
<u>DECEMBER</u>	<u>\$1.533</u>	<u>\$1.318</u>	<u>(\$0.215)</u>	<u>\$1.326</u>	<u>\$1.257</u>	<u>(\$0.069)</u>
AVERAGE	\$1.279	\$1.289	\$0.010	\$1.303	\$1.303	\$0.000
2004						
JANUARY	\$1.323	\$1.370	\$0.047	\$1.302	\$1.293	(\$0.009)
FEBRUARY	\$1.298	\$1.278	(\$0.020)	\$1.326	\$1.424	\$0.098
MARCH	\$1.305	\$1.406	\$0.101	\$1.568	\$1.958	\$0.390
APRIL	\$1.458	\$1.810	\$0.352	\$2.052	\$2.260	\$0.208
MAY	\$2.053	\$2.147	\$0.094	\$2.127	\$1.958	(\$0.169)
JUNE	\$2.184	\$1.938	(\$0.246)	\$1.841	\$1.604	(\$0.237)
JULY	\$1.868	\$1.824	(\$0.044)	\$1.570	\$1.381	(\$0.189)
AUGUST	\$1.544	\$1.355	(\$0.189)	\$1.517	\$1.548	\$0.031
SEPTEMBER	\$1.505	\$1.557	\$0.052	\$1.587	\$1.564	(\$0.023)
OCTOBER	\$1.596	\$1.548	(\$0.048)	\$1.526	\$1.504	(\$0.022)
NOVEMBER	\$1.537	\$1.458	(\$0.079)	\$1.589	\$1.756	\$0.167
DECEMBER	\$1.548	\$1.689	\$0.141	\$1.715	\$1.573	(\$0.142)
AVERAGE	\$1.602	\$1.615	\$0.013	\$1.643	\$1.652	\$0.009
2005						
JANUARY	\$1.765	\$1.553	(\$0.212)	\$1.517	\$1.547	\$0.030
FEBRUARY	\$1.479	\$1.631	\$0.152	\$1.571	\$1.524	(\$0.047)
MARCH	\$1.648	\$1.354	(\$0.294)	\$1.506	\$1.512	\$0.006
APRIL	\$1.514	\$1.502	(\$0.012)	\$1.559	\$1.521	(\$0.038)
MAY	\$1.578	\$1.607	\$0.029	\$1.477	\$1.446	(\$0.030)
JUNE	\$1.461	\$1.484	\$0.023	\$1.485	\$1.499	\$0.015
JULY	\$1.483	\$1.467	(\$0.016)	\$1.516	\$1.484	(\$0.032)
AUGUST	\$1.522	\$1.556	\$0.034	\$1.432	\$1.443	\$0.011
SEPTEMBER	\$1.445	\$1.460	\$0.015	\$1.496	\$1.559	\$0.063
OCTOBER	\$1.497	\$1.531	\$0.035	\$1.500	\$1.435	(\$0.065)
NOVEMBER	\$1.521	\$1.402	(\$0.119)	\$1.397	\$1.352	(\$0.045)
<u>DECEMBER</u>	<u>\$1.421</u>	<u>\$1.337</u>	<u>(\$0.084)</u>	<u>\$1.396</u>	<u>\$1.420</u>	<u>\$0.024</u>
AVERAGE	\$1.528	\$1.490	(\$0.037)	\$1.488	\$1.479	(\$0.009)
2006						
JANUARY	\$1.398	\$1.437	\$0.039	\$1.390	\$1.335	(\$0.055)
FEBRUARY	\$1.390	\$1.371	(\$0.018)	\$1.264	\$1.178	(\$0.086)
MARCH	\$1.292	\$1.152	(\$0.140)	\$1.161	\$1.143	(\$0.018)
APRIL	\$1.169	\$1.146	(\$0.023)	\$1.165	\$1.164	(\$0.001)
MAY	\$1.170	\$1.159	(\$0.011)	\$1.169	\$1.202	\$0.033
JUNE	\$1.160	\$1.188	\$0.028	\$1.217	\$1.213	(\$0.004)
JULY	\$1.203	\$1.206	\$0.003	\$1.179	\$1.162	(\$0.017)
AUGUST	\$1.186	\$1.152	(\$0.034)	\$1.181	\$1.261	\$0.080
SEPTEMBER	\$1.163	\$1.220	\$0.057	\$1.291	\$1.328	\$0.037
OCTOBER	\$1.306	\$1.327	\$0.021	\$1.272	\$1.272	(\$0.000)
NOVEMBER	\$1.285	\$1.219	(\$0.066)	\$1.312	\$1.406	\$0.094
<u>DECEMBER</u>	<u>\$1.275</u>	<u>\$1.402</u>	<u>\$0.128</u>	<u>\$1.362</u>	<u>\$1.342</u>	<u>(\$0.020)</u>
AVERAGE	\$1.250	\$1.248	(\$0.001)	\$1.247	\$1.251	\$0.003
4-YR AVERAGE	\$1.414	\$1.411	(\$0.004)	\$1.420	\$1.421	\$0.001

APPENDIX TABLE 3: CURRENT AND PROPOSAL #14 FEDERAL ORDER CLASS I AND III PRICES

	NORTHEAST ORDER CLASS I PRICES			NORTHEAST ORDER CLASS III PRICES		
	CURRENT	PROPOSAL #14	DIFFERENCE	CURRENT	PROPOSAL #14	DIFFERENCE
2003						
JANUARY	\$13.81	\$13.81	\$0.000	\$9.78	\$9.79	\$0.010
FEBRUARY	\$13.48	\$13.48	\$0.000	\$9.66	\$9.12	(\$0.540)
MARCH	\$13.06	\$13.06	\$0.000	\$9.11	\$8.96	(\$0.145)
APRIL	\$12.89	\$12.89	\$0.000	\$9.41	\$9.69	\$0.280
MAY	\$12.96	\$12.96	\$0.000	\$9.71	\$9.74	\$0.029
JUNE	\$12.99	\$13.15	\$0.164	\$9.75	\$10.44	\$0.685
JULY	\$13.02	\$13.23	\$0.212	\$11.78	\$13.05	\$1.274
AUGUST	\$14.22	\$16.91	\$2.692	\$13.80	\$14.44	\$0.647
SEPTEMBER	\$16.96	\$17.26	\$0.299	\$14.30	\$14.45	\$0.145
OCTOBER	\$17.52	\$17.45	(\$0.068)	\$14.39	\$14.20	(\$0.193)
NOVEMBER	\$17.62	\$17.54	(\$0.077)	\$13.47	\$11.90	(\$1.573)
<u>DECEMBER</u>	<u>\$17.09</u>	<u>\$15.02</u>	<u>(\$2.075)</u>	<u>\$11.87</u>	<u>\$11.21</u>	<u>(\$0.666)</u>
AVERAGE	\$14.63	\$14.73	\$0.096	\$11.42	\$11.42	(\$0.004)
2004						
JANUARY	\$15.10	\$15.55	\$0.454	\$11.61	\$11.52	(\$0.087)
FEBRUARY	\$14.84	\$14.64	(\$0.193)	\$11.89	\$12.83	\$0.936
MARCH	\$15.19	\$15.89	\$0.704	\$14.49	\$18.25	\$3.764
APRIL	\$16.89	\$19.96	\$3.078	\$19.66	\$21.67	\$2.007
MAY	\$22.90	\$23.81	\$0.907	\$20.58	\$18.96	(\$1.621)
JUNE	\$24.38	\$22.01	(\$2.374)	\$17.68	\$15.40	(\$2.287)
JULY	\$21.20	\$20.77	(\$0.425)	\$14.85	\$13.04	(\$1.814)
AUGUST	\$17.87	\$16.73	(\$1.139)	\$14.04	\$14.35	\$0.309
SEPTEMBER	\$17.19	\$17.69	\$0.502	\$14.72	\$14.49	(\$0.222)
OCTOBER	\$18.03	\$17.57	(\$0.463)	\$14.16	\$13.96	(\$0.203)
NOVEMBER	\$17.54	\$16.78	(\$0.762)	\$14.89	\$16.51	\$1.621
DECEMBER	\$17.68	\$19.04	\$1.361	\$16.14	\$14.77	(\$1.370)
AVERAGE	\$18.23	\$18.37	\$0.138	\$15.39	\$15.48	\$0.086
2005						
JANUARY	\$19.90	\$17.85	(\$2.046)	\$14.14	\$14.44	\$0.299
FEBRUARY	\$17.04	\$18.51	\$1.467	\$14.70	\$14.24	(\$0.454)
MARCH	\$18.68	\$15.93	(\$2.750)	\$14.08	\$14.13	\$0.058
APRIL	\$17.38	\$17.27	(\$0.116)	\$14.61	\$14.25	(\$0.367)
MAY	\$18.05	\$18.34	\$0.290	\$13.77	\$13.48	(\$0.289)
JUNE	\$16.87	\$17.09	\$0.212	\$13.92	\$14.07	\$0.145
JULY	\$17.14	\$16.98	(\$0.154)	\$14.35	\$14.05	(\$0.299)
AUGUST	\$17.69	\$18.01	\$0.318	\$13.60	\$13.71	\$0.106
SEPTEMBER	\$16.95	\$17.09	\$0.145	\$14.30	\$14.90	\$0.608
OCTOBER	\$17.52	\$17.85	\$0.328	\$14.35	\$13.73	(\$0.618)
NOVEMBER	\$17.81	\$16.78	(\$1.033)	\$13.35	\$12.92	(\$0.434)
<u>DECEMBER</u>	<u>\$16.82</u>	<u>\$16.33</u>	<u>(\$0.492)</u>	<u>\$13.37</u>	<u>\$13.59</u>	<u>\$0.222</u>
AVERAGE	\$17.65	\$17.34	(\$0.319)	\$14.05	\$13.96	(\$0.085)
2006						
JANUARY	\$16.63	\$17.01	\$0.376	\$13.39	\$12.86	(\$0.531)
FEBRUARY	\$16.63	\$16.45	(\$0.183)	\$12.20	\$11.37	(\$0.830)
MARCH	\$15.74	\$14.65	(\$1.090)	\$11.11	\$10.93	(\$0.174)
APRIL	\$14.47	\$14.26	(\$0.212)	\$10.93	\$10.92	(\$0.010)
MAY	\$14.22	\$14.12	(\$0.106)	\$10.83	\$11.15	\$0.318
JUNE	\$14.00	\$14.26	\$0.261	\$11.29	\$11.25	(\$0.039)
JULY	\$14.59	\$14.59	\$0.000	\$10.92	\$10.75	(\$0.164)
AUGUST	\$14.22	\$13.90	(\$0.318)	\$11.06	\$11.83	\$0.772
SEPTEMBER	\$14.10	\$14.64	\$0.540	\$12.29	\$12.65	\$0.357
OCTOBER	\$15.67	\$15.87	\$0.193	\$12.32	\$12.32	(\$0.010)
NOVEMBER	\$15.65	\$15.02	(\$0.627)	\$12.84	\$13.75	\$0.907
<u>DECEMBER</u>	<u>\$15.68</u>	<u>\$16.92</u>	<u>\$1.235</u>	<u>\$13.47</u>	<u>\$13.28</u>	<u>(\$0.193)</u>
AVERAGE	\$15.14	\$15.14	\$0.006	\$11.89	\$11.92	\$0.034
4-YR AVERAGE	\$16.414	\$16.394	(\$0.020)	\$13.187	\$13.194	\$0.008

APPENDIX TABLE 4: CURRENT AND PROPOSAL #14 NORTHEAST ORDER PPD AND UNIFORM PRICES

2003	PRODUCER PRICE DIFFERENTIAL			NORTHEAST ORDER UNIFORM PRICE (Boston)		
	CURRENT	PROPOSAL #14	DIFFERENCE	CURRENT	PROPOSAL #14	DIFFERENCE
JANUARY	\$2.41	\$2.40	(\$0.007)	\$12.19	\$12.19	\$0.003
FEBRUARY	\$2.13	\$2.52	\$0.392	\$11.79	\$11.64	(\$0.152)
MARCH	\$2.36	\$2.46	\$0.101	\$11.47	\$11.42	(\$0.043)
APRIL	\$2.04	\$1.83	(\$0.203)	\$11.45	\$11.53	\$0.080
MAY	\$1.89	\$1.87	(\$0.017)	\$11.60	\$11.61	\$0.008
JUNE	\$1.91	\$1.49	(\$0.423)	\$11.66	\$11.93	\$0.269
JULY	\$0.68	(\$0.10)	(\$0.777)	\$12.46	\$12.96	\$0.502
AUGUST	(\$0.08)	\$0.67	\$0.740	\$13.72	\$15.11	\$1.392
SEPTEMBER	\$0.71	\$0.75	\$0.040	\$15.01	\$15.19	\$0.185
OCTOBER	\$0.82	\$0.92	\$0.106	\$15.21	\$15.13	(\$0.084)
NOVEMBER	\$1.48	\$2.59	\$1.112	\$14.95	\$14.48	(\$0.464)
DECEMBER	<u>\$2.52</u>	<u>\$2.03</u>	<u>(\$0.486)</u>	<u>\$14.39</u>	<u>\$13.24</u>	<u>(\$1.153)</u>
AVERAGE	\$1.57	\$1.62	\$0.048	\$12.99	\$13.04	\$0.045
2004						
JANUARY	\$1.97	\$2.25	\$0.282	\$13.58	\$13.77	\$0.192
FEBRUARY	\$2.06	\$1.30	(\$0.762)	\$13.95	\$14.13	\$0.185
MARCH	\$1.07	(\$1.33)	(\$2.402)	\$15.56	\$16.93	\$1.368
APRIL	(\$2.38)	(\$2.50)	(\$0.124)	\$17.28	\$19.16	\$1.886
MAY	(\$0.74)	\$1.02	\$1.759	\$19.84	\$19.97	\$0.129
JUNE	\$2.02	\$2.81	\$0.791	\$19.70	\$18.20	(\$1.501)
JULY	\$2.79	\$3.89	\$1.105	\$17.64	\$16.93	(\$0.717)
AUGUST	\$1.53	\$0.78	(\$0.748)	\$15.57	\$15.13	(\$0.445)
SEPTEMBER	\$1.34	\$1.76	\$0.426	\$16.06	\$16.26	\$0.206
OCTOBER	\$1.91	\$1.84	(\$0.074)	\$16.07	\$15.79	(\$0.283)
NOVEMBER	\$1.31	(\$0.32)	(\$1.635)	\$16.20	\$16.18	(\$0.017)
DECEMBER	\$0.29	\$2.03	\$1.738	\$16.43	\$16.80	\$0.369
AVERAGE	\$1.10	\$1.13	\$0.030	\$16.49	\$16.60	\$0.114
2005						
JANUARY	\$2.17	\$1.01	(\$1.161)	\$16.31	\$15.44	(\$0.866)
FEBRUARY	\$0.81	\$1.85	\$1.036	\$15.51	\$16.09	\$0.581
MARCH	\$1.96	\$0.68	(\$1.276)	\$16.04	\$14.82	(\$1.219)
APRIL	\$0.91	\$1.15	\$0.238	\$15.52	\$15.39	(\$0.130)
MAY	\$1.58	\$1.94	\$0.352	\$15.35	\$15.41	\$0.057
JUNE	\$1.31	\$1.29	(\$0.019)	\$15.23	\$15.35	\$0.121
JULY	\$1.50	\$1.67	\$0.172	\$15.85	\$15.72	(\$0.133)
AUGUST	\$2.24	\$2.31	\$0.062	\$15.84	\$16.00	\$0.166
SEPTEMBER	\$1.62	\$1.22	(\$0.397)	\$15.92	\$16.13	\$0.214
OCTOBER	\$1.53	\$2.18	\$0.650	\$15.88	\$15.91	\$0.025
NOVEMBER	\$2.06	\$1.89	(\$0.165)	\$15.41	\$14.81	(\$0.598)
DECEMBER	<u>\$1.46</u>	<u>\$1.05</u>	<u>(\$0.412)</u>	<u>\$14.83</u>	<u>\$14.65</u>	<u>(\$0.184)</u>
AVERAGE	\$1.60	\$1.52	(\$0.077)	\$15.64	\$15.48	(\$0.164)
2006						
JANUARY	\$1.39	\$1.98	\$0.581	\$14.78	\$14.84	\$0.054
FEBRUARY	\$2.05	\$2.61	\$0.561	\$14.25	\$13.98	(\$0.268)
MARCH	\$2.32	\$1.96	(\$0.355)	\$13.43	\$12.90	(\$0.531)
APRIL	\$1.71	\$1.63	(\$0.077)	\$12.64	\$12.55	(\$0.090)
MAY	\$1.78	\$1.49	(\$0.290)	\$12.61	\$12.63	\$0.025
JUNE	\$1.37	\$1.51	\$0.142	\$12.66	\$12.77	\$0.107
JULY	\$1.86	\$1.99	\$0.127	\$12.78	\$12.74	(\$0.040)
AUGUST	\$2.00	\$1.25	(\$0.747)	\$13.06	\$13.09	\$0.024
SEPTEMBER	\$1.14	\$1.14	\$0.005	\$13.43	\$13.79	\$0.361
OCTOBER	\$1.72	\$1.82	\$0.100	\$14.04	\$14.14	\$0.099
NOVEMBER	\$1.37	\$0.34	(\$1.030)	\$14.21	\$14.09	(\$0.124)
DECEMBER	<u>\$0.95</u>	<u>\$1.71</u>	<u>\$0.759</u>	<u>\$14.42</u>	<u>\$14.98</u>	<u>\$0.561</u>
AVERAGE	\$1.64	\$1.62	(\$0.019)	\$13.53	\$13.54	\$0.015
4-YR AVERAGE	\$1.476	\$1.471	(\$0.004)	\$14.662	\$14.665	\$0.003

APPENDIX TABLE 5: CURRENT AND PROPOSAL #14 PROTEIN PRICES

PROTEIN PRICES PER POUND (CLASS III)			
2003	<u>CURRENT</u>	<u>PROPOSAL #14</u>	<u>DIFFERENCE</u>
JANUARY	\$1.816	\$1.820	\$0.003
FEBRUARY	\$1.854	\$1.672	(\$0.181)
MARCH	\$1.665	\$1.617	(\$0.048)
APRIL	\$1.801	\$1.895	\$0.094
MAY	\$1.928	\$1.936	\$0.008
JUNE	\$1.943	\$2.174	\$0.231
JULY	\$2.548	\$2.974	\$0.426
AUGUST	\$3.144	\$3.361	\$0.217
SEPTEMBER	\$3.318	\$3.366	\$0.048
OCTOBER	\$3.282	\$3.218	(\$0.063)
NOVEMBER	\$2.927	\$2.401	(\$0.526)
<u>DECEMBER</u>	<u>\$2.300</u>	<u>\$2.077</u>	<u>(\$0.222)</u>
AVERAGE	\$2.377	\$2.376	(\$0.001)
2004			
JANUARY	\$2.088	\$2.058	(\$0.030)
FEBRUARY	\$1.791	\$2.107	\$0.316
MARCH	\$2.013	\$3.270	\$1.257
APRIL	\$3.447	\$4.117	\$0.670
MAY	\$3.764	\$3.221	(\$0.543)
JUNE	\$3.109	\$2.345	(\$0.764)
JULY	\$2.363	\$1.755	(\$0.607)
AUGUST	\$2.466	\$2.567	\$0.101
SEPTEMBER	\$2.543	\$2.470	(\$0.073)
OCTOBER	\$2.381	\$2.312	(\$0.070)
NOVEMBER	\$2.430	\$2.969	\$0.539
<u>DECEMBER</u>	<u>\$2.849</u>	<u>\$2.392</u>	<u>(\$0.456)</u>
AVERAGE	\$2.604	\$2.632	\$0.028
2005			
JANUARY	\$2.530	\$2.628	\$0.098
FEBRUARY	\$2.661	\$2.510	(\$0.152)
MARCH	\$2.502	\$2.521	\$0.019
APRIL	\$2.706	\$2.583	(\$0.122)
MAY	\$2.597	\$2.498	(\$0.098)
JUNE	\$2.574	\$2.621	\$0.047
JULY	\$2.456	\$2.354	(\$0.102)
AUGUST	\$2.162	\$2.197	\$0.035
SEPTEMBER	\$2.301	\$2.505	\$0.204
OCTOBER	\$2.378	\$2.170	(\$0.208)
NOVEMBER	\$2.272	\$2.128	(\$0.144)
<u>DECEMBER</u>	<u>\$2.385</u>	<u>\$2.461</u>	<u>\$0.076</u>
AVERAGE	\$2.460	\$2.431	(\$0.029)
2006			
JANUARY	\$2.399	\$2.224	(\$0.176)
FEBRUARY	\$2.122	\$1.846	(\$0.276)
MARCH	\$1.884	\$1.825	(\$0.059)
APRIL	\$1.924	\$1.919	(\$0.004)
MAY	\$1.912	\$2.017	\$0.105
JUNE	\$2.079	\$2.067	(\$0.012)
JULY	\$1.981	\$1.925	(\$0.056)
AUGUST	\$1.905	\$2.162	\$0.257
SEPTEMBER	\$2.135	\$2.253	\$0.119
OCTOBER	\$2.078	\$2.077	(\$0.000)
NOVEMBER	\$2.238	\$2.540	\$0.302
<u>DECEMBER</u>	<u>\$2.439</u>	<u>\$2.373</u>	<u>(\$0.066)</u>
AVERAGE	\$2.091	\$2.102	\$0.011
4-YR AVERAGE	\$2.383	\$2.385	\$0.002

**FIGURE 1: DIFFERENCES BETWEEN MONTHLY
AVERAGE CHEESE PRICES AT THE CME
VS NASS AND VS PROPOSAL 14, 2003-2006**

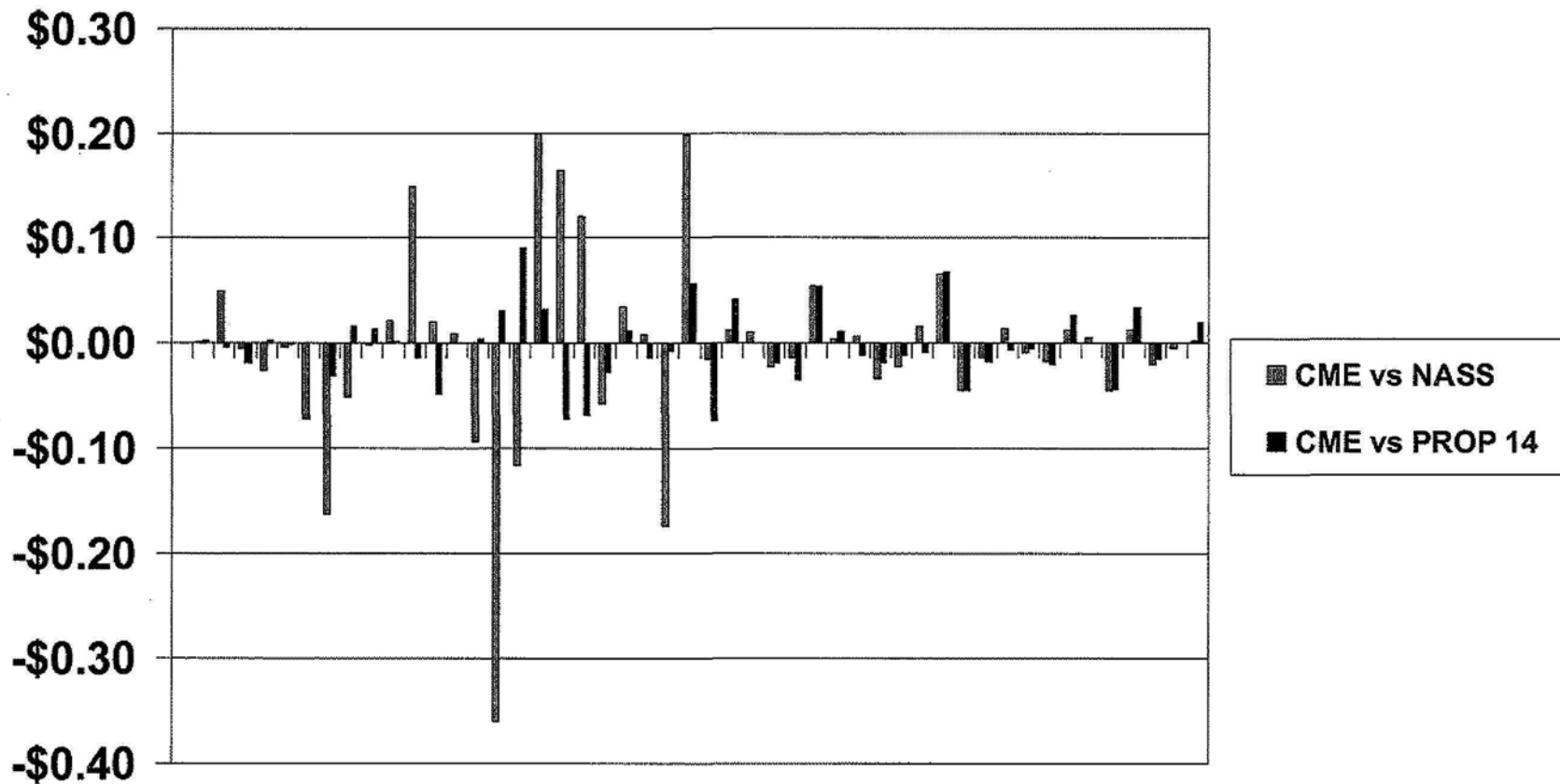
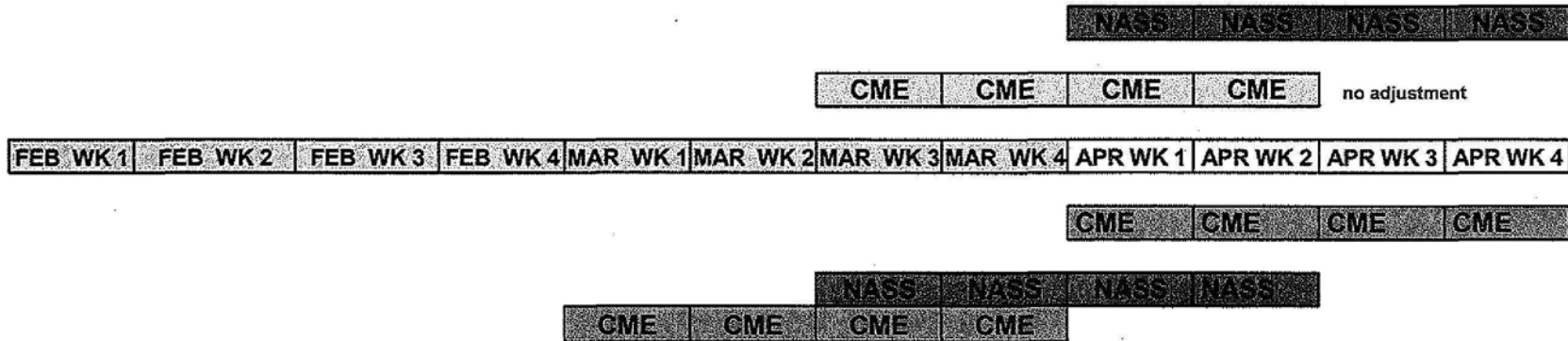


FIGURE 2A: CLASS III CHEESE PRICING

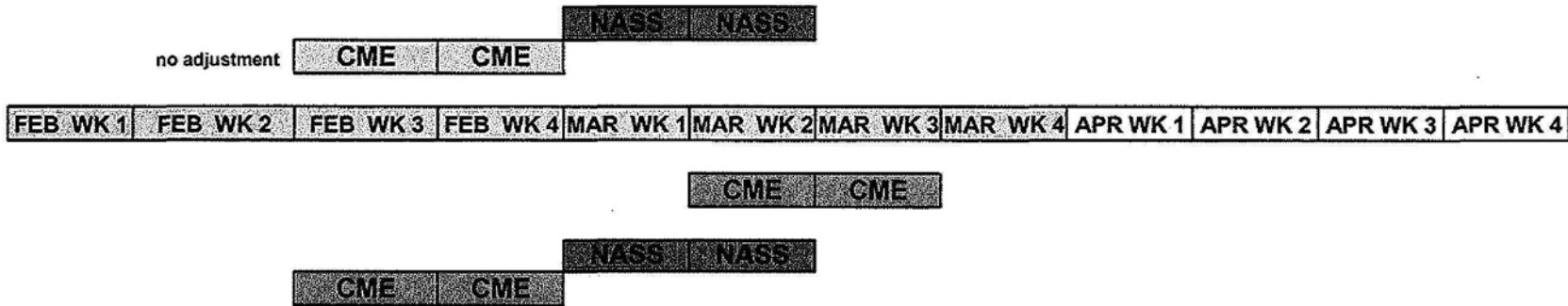
CURRENT APRIL USES NASS PRICING FOR FOUR WEEKS OF APRIL



PROPOSED APRIL USES CME PRICING FOR APRIL PLUS (NASS PRICING LAGGED 2 WEEKS MINUS CME PRICES LAGGED FOUR WEEKS)

FIGURE 2B: CLASS I CHEESE PRICING

CURRENT APRIL USES NASS PRICING FOR FIRST TWO WEEKS OF MARCH



PROPOSED APRIL USES CME PRICING FOR 2nd AND 3rd WEEKS OF MARCH PLUS (NASS PRICING FOR FIRST TWO WEEKS OF MARCH MINUS CME FOR LAST TWO WEEKS OF FEB.)