TABLE 1 A comparison of current FMMO pricing provisions and proposed changes

Milk pricing category	Proposed changes	How FMMO pricing provisions currently operate
Milk composition factors	Update the factors to 3.3% true protein, 6% other solids and 9.3% nonfat solids. The amendments are intended to more accurately represent component levels in milk produced. **Ever.Ag impact analysis** Had these new assumed skim milk solids levels been in place over the past five years, all class prices would be higher. In particular, the underlying Class III and Class IV prices would be up by 55 cents and 31 cents per hundredweight, respectively.	FMMO milk prices are based on three primary components – protein, other solids and nonfat solids. Skim milk composition factors in the current price formulas codified in the FMMO regulations were adopted in 2000: 3.1% protein, 5.9% other solids and 9% nonfat solids. Actual component tests of skim milk have increased since 2000, with more significant increases beginning in 2016.
Surveyed commodity products	Remove 500-pound barrel cheddar cheese prices from the Dairy Products Mandatory Reporting Program (DPMRP) survey and rely solely on the 40-pound block cheddar cheese price to determine the monthly average cheese price used in the formulas. The amendment is intended to provide for more orderly marketing through a survey of only one product. **Ever.Ag impact analysis** Eliminating the "barrels plus 3 cents per pound" factor from the average cheese price formula will result in an overall increase of 27 cents per hundredweight to the Class I price and 27 cents per hundredweight in the Class III price relative to the five-year average. Interestingly, because the barrel price currently exceeds the block price, if the change were to be implemented today, it would result in a reduction of approximately 57 cents per hundredweight in Class III price for June.	Milk prices under FMMOs are related to wholesale prices for butter, cheese, nonfat dry milk and dry whey. The formulas use the USDA-surveyed average wholesale prices to calculate milk component prices (butterfat, protein, nonfat solids and other solids) that are converted to Class III and IV milk prices. The protein value in cheese is a component of the Class III price. Currently, the prices of commodity cheddar cheeses packaged in 40-pound blocks ("blocks") and 500-pound barrels ("barrels") are collected weekly by the AMS through the DPMRP survey. A monthly average of those prices is used to represent commodity cheese in the Class III price formula. The butterfat value in commodity salted butter is the driver of the butterfat price used in all classified prices.
Class III and Class IV formula factors	Update the manufacturing (make) allowances to: • Cheese: $0.2504 • Butter: $0.2257 • Nonfat dry milk (NFDM) $0.2268 • Dry whey: $0.2653 This decision also proposes updating the butterfat recovery factor to 91%. The amendments are intended to update the formula factors to be more representative of current costs and butterfat recovery observed in dairy product manufacturing. **Ever.Ag impact analysis** Higher make allowances will directly reduce minimum pay prices to dairy producers. We estimate that could be a reduction of 74 cents per hundredweight for Class IV milk to as much as a cut of 98 cents per hundredweight for Class III milk.	Make allowances are a factor in the FMMO pricing formulas representing the cost of converting raw milk into the four manufactured dairy products surveyed by the USDA (butter, cheese, nonfat dry milk and dry whey). Make allowances were last updated in 2008 following a rule-making proceeding in 2007 and are currently as follows: • Cheese: $0.2003 • Butter: $0.1715 • NFDM: $0.1678 • Dry whey: $0.1991 The current butterfat recovery factor set in 2000 is 90%.
Base Class I skim milk price (Class I mover)	Update the formula as follows: The base Class I skim milk price would be the higher of the advanced Class III or Class IV skim milk prices for the month. In addition, adopt a Class I extended shelf-life (ESL) adjustment equating to a Class I price for all ESL products equal to the average-of mover, plus a 24-month rolling average adjuster with a 12-month lag. The amendments are intended to provide for more orderly marketing by returning to the higher-of mover; while the Class I ESL adjustment would provide better price equity for ESL products whose marketing characteristics are distinct from other Class I products. **Ever.Ag impact analysis** Had the "higher-of" approach been used to determine the Class I mover over the five-year period from 2019-23, it would have resulted in a Class I mover averaging 49 cents per hundredweight higher than the current "average-of" method.	The Class I mover is the base price for the skim milk portion of raw milk used in the production of Class I products. The Agriculture Improvement Act of 2018 (2018 Farm Bill) amended the Class I skim milk price mover from the higher of Class III or Class IV skim prices to a simple average of the two classes plus 74 cents, referred to as the "average-of" mover.
Class I and Class II differentials	Keep the $1.60 base differential and adopt modified location specific Class I differential values. The amendments are intended to recognize the evolution of the dairy industry since 2000 and the increased cost of servicing the Class I market given current transportation costs and plant and producer locations. This decision finds these amendments are necessary. The evidentiary record reflected testimony from a broad range of stakeholder views that updates are necessary in all five pricing subject areas to reflect current market conditions. **Ever.Ag impact analysis** The average suggested change in differential is $1.25 per hundredweight, a 48% increase over current differentials. This change will likely drive a boost in producer income of roughly $4 billion annually. If passed to consumers, these changes represent an increase of roughly 11 cents per gallon. Moreover, these changes will add revenue to all FMMO pools and will likely increase PPDs paid to dairy producers, potentially reducing the frequency and severity of depooling.	FMMO Class I prices are calculated as the average of the advanced Class III and Class IV prices, plus 74 cents, plus a location-specific differential referred to as a Class I differential. As the value of milk varies by location, Class I differentials have been determined for every county in the continental U.S. Current Class I differential levels were implemented Jan. 1, 2000, with updates to the differentials in the three Southeastern orders taking effect May 1, 2008.

Source: Information extracted by *Progressive Dairy* from the USDA-AMS recommended decision document released on July 1, 2024, and an Ever.Ag press release