

FNS Announces Cheese Pricing for SY 2012

(Revised 11/10/2010)

We are continuing our policy of cheese valuations to be used on the Summary End Product Data Schedules (SEPDS) for the purpose of rebating or discounting finished product prices for USDA commodities. The value will be a three year average based on data that is accessible to the public through a USDA website.

We have examined the Agricultural Marketing Service publication the Dairy Market News that is available online. As part of that newsletter, pricing statistics are readily available to the public at www.ams.usda.gov/dairy/mncs/average.htm. From this link click on Dairy Market News, then Commodity Averages. We have chosen to use this site to determine a 33-month average for cheddar block pricing to be used **on SEPDS for all varieties and pack sizes of cheese purchased by USDA**. We will derive the average using the following methodology.

- 1) Use the last column of these reports under Chicago Mercantile Exchange, cheddar 40# Blocks to retrieve the average price for the previous two years. Set those numbers aside.
- 2) Retrieve the Annual and Monthly Averages section on the same page of the current year. Average the price of the Chicago Mercantile Exchange/Cheese-Daily Trading/40 # Blocks for months January through September.
- 3) Finally, take the average computed in #2, add that to the two averages from #1, and divide that total by three to arrive at the final average for use on all SEPDS containing commodity cheese.

We chose 33 months for this average instead of the recommended three-year average because we wanted to use the most current data to arrive at the average. Some States begin the process of initiating processing contracts in the month of October to be effective on July 1 of the following year. If we chose to use a 36-month average we would not have a number for the schedules until sometime in January.

Based on the above discussion the average price for all cheese for SY 2012 is **\$1.5465**. If you have any questions, please contact David Brothers at 703.305.2668.