4A52.214-2 Basis of Offers DRAFT

1) Offers shall be submitted as an F.O.B. destination 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 award price, PLUS the following economic price adjustment (EPA): the changes from solicitation month to delivery month in the Base Skim Milk Price for Class I and Advanced Butterfat Pricing Factor 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 announced Base Skim Milk Price for Class I for the solicitation and delivery months ($/cwt) by the percent skim milk in the product and divide by 100 (rounded to the nearest 100th cent) and ADD the difference between the announced Advanced Butterfat Pricing Factors for the bid and delivery months ($/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 100th 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) <u>Example</u>: for Fresh Whole Milk an awarded price 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).

(EXAMPLE)

Announcement of the Economic Price Adjustment (EPA) for Fluid Milk

Release Date: May 23, 2018

USDA Commodity Procurement

Solicitation #		SN000000		
		Solicitation Month	Product Delivery	Difference
Year		2018	2018	
Month		February	June	
Base Skim Milk Price for Class I, $/cwt		5.71	6.35	0.64
Advanced Butterfat Pricing Factor, $/lb		2.4976	2.6074	0.1098

Component	Finished Fluid Product			
	3.25% Milk	2% Milk	1% Milk	Skim
Skim milk percent	96.75	98.00	99.00	99.90
Butterfat percent	3.25	2.00	1.00	0.10
Weight, pounds per gallon	8.60	8.62	8.62	8.63

Item	Material code			
	MILK WHOLE FRESH	MILK 2% FRESH	MILK 1% FRESH	MILK SKIM FRESH
	$/pound			
Class I Skim milk value difference	0.0062	0.0063	0.0063	0.0064
Class I Butterfat value difference	0.0036	0.0022	0.0011	0.0001
Class I Price difference	0.0098	0.0085	0.0074	0.0065

JUNE 2018 Deliveries	**$/gallon**			
Economic Price Adjustment (EPA)	0.0843	0.0733	0.0638	0.0561

Formulas:

Class I Skim milk value difference = (Base Skim Milk Price for Class I for DELIVERY month — Base Skim Milk Price for Class I for SOLICITATION month) **X** Skim milk percent ÷ 100 (rounded to the nearest 100th cent)

Class I Butterfat value difference = (Advanced Butterfat Pricing Factor for DELIVERY month — Advanced Butterfat Pricing Factor for SOLICITATION month) **X** Butterfat percent (rounded to the nearest 100th cent)

Class I Price difference = Sum of Class I Skim milk value difference + Class I Butterfat value difference

Economic Price Adjustment, $/gallon = Class I price difference X weight per gallon (rounded to the nearest 100th cent)