

Higher of Basis	Min	Average	Max	Range	Std Dev
2010-2019					
Class III	-0.60	0.48	3.80	4.40	0.79
Class IV	-0.53	0.85	4.32	4.85	1.04
2020-present					
Class III	-1.91	1.03	5.21	7.12	1.63
Class IV	-0.94	1.66	11.58	12.52	3.02

Average of Basis	Min	Average	Max	Range	Std Dev
2010-2019					
Class III/IV Avg	0.10	0.72	1.55	1.45	0.21
2020-present					
Class III/IV Avg	-0.42	0.72	2.29	2.71	0.41

Theoretical Cheese Hedging Example

	Physical	Financial	
Sell	1.70	2.00	Transaction cost 0.0015
Buy	2.00	1.70	
P/L	-0.30	0.30	Total P/L 0.00

Month

Hedging Class I Milk under Higher of formula using Class III Futures

9/1/2022

Physical

Financial

Sell

18.03

20.10

Buy

25.31

17.00

Total P/L

P/L

-7.28

3.10

-4.18

Month

Hedging Class I Milk under Higher of formula using Class IV Futures

12/1/2020

Physical Financial

Sell	18.66	13.30	
Buy	24.88	17.00	Total P/L
P/L	-6.22	-3.70	-9.92

Month

Hedging Class I Milk under Average of formula using Class III and IV Futures

9/1/2022

Physical Financial

Sell	17.72	22.46	
Buy	23.62	17.00	Total P/L
P/L	-5.90	5.46	-0.45

Month

Hedging Class I Milk under Average of formula using Class III and IV Futures

12/1/2020

Physical Financial

Sell	17.72	18.32	
Buy	19.87	17.00	Total P/L
P/L	-2.15	1.32	-0.83