

Select Milk Producers, Inc.

Testimony of Chris Allen

Adoption of Proposals 10, 11, and 12

Select Milk Producers would like to again thank USDA for holding this hearing and for its consideration of our proposals to address butterfat recovery (Proposal 10), farm-to-plant shrink (Proposal 11), and the yield of nonfat dry milk (Proposal 12). In my previous testimony, I outlined the regulatory text changes associated with each of these proposals. In the event USDA was to implement all three proposals, the regulatory text would require slightly different modifications.

Below are the the impacts of adopting each proposal individually as well as the collective impact of adopting all three proposals. The impacts for each of Proposals 10, 11, and 12 are the same as those contained in my previous statements. The only additional information is in the final column demonstrating the impacts on component and class prices associated with the adoption of all three proposals.

Note that the butterfat price is only impacted by Proposal 11. The protein price is impacted by both Proposal 10 and Proposal 11. The nonfat solids price is impacted only by Proposal 12. The price for other solids is not impacted by any of our three proposals.

Five Year Average

	Current	Proposal 11 (Farm- to-Plant Shrink)	Proposal 10 (Butterfat Recovery)	Proposal 12 (Nonfat Solids Yield)	All Proposals
Butterfat Price	\$2.3987	\$2.4166	\$2.3987	\$2.3987	\$2.4166
Protein Price	\$2.7086	\$2.7150	\$2.7231	\$2.7086	\$2.7303
Nonfat Solids Price	\$1.0243	\$1.0243	\$1.0243	\$1.0656	\$1.0656
Class III Price	\$18.05	\$18.13	\$18.09	\$18.05	\$18.18
Class IV Price	\$17.29	\$17.35	\$17.29	\$17.65	\$17.71

Ten Year Average

	Current	Proposal 11 (Farm- to-Plant Shrink)	Proposal 10 (Butterfat Recovery)	Proposal 12 (Nonfat Solids Yield)	All Proposals
Butterfat Price	\$2.3495	\$2.3669	\$2.3495	\$2.3495	\$2.3669
Protein Price	\$2.6407	\$2.6468	\$2.6546	\$2.6407	\$2.6616
Nonfat Solids Price	\$1.0026	\$1.0026	\$1.0026	\$1.0431	\$1.0431
Class III Price	\$17.63	\$17.71	\$17.67	\$17.63	\$17.75
Class IV Price	\$16.93	\$16.99	\$16.93	\$17.28	\$17.34

Regulatory Text of All Select Proposals

The proposed regulatory text for each proposal is set forth in my previous testimony. If all three proposals were adopted, the regulatory text would be slightly different. That language is set forth below:

7 C.F.R. § 1000.50(l): Butterfat price. The butterfat price per pound, rounded to the nearest one-hundredth cent, shall be the U.S. average NASS AA Butter survey price reported by the Department for the month, less 17.15 cents, with the result multiplied by ~~1.211~~ **1.22**.

7 C.F.R. 1000.50(m): Nonfat solids price. The nonfat solids price per pound, rounded to the nearest one-hundredth cent, shall be the U.S. average NASS nonfat dry milk survey price reported by the Department for the month, less 16.78 cents and multiplying the result by ~~0.99~~ **1.03**.

7 C.F.R. § 1000.50(n)(2): (2) Subtract 20.03 cents from the price computed pursuant to paragraph (n)(1) of this section and multiply the result by ~~1.383~~ **1.386**.

7 C.F.R. § 1000.50 (n)(3) Add to the amount computed pursuant to paragraph (n)(2) of this section an amount computed as follows:

(i) Subtract 20.03 cents from the price computed pursuant to paragraph (n)(1) of this section and multiply the result by ~~1.572~~ **1.635**; and

(ii) Subtract ~~0.9~~ **0.93** times the butterfat price computed pursuant to paragraph (l) of this section from the amount computed pursuant to paragraph (n)(3)(i) of this section; and

In addition, when I reviewed this statement in advance of its presentation, I realized that one additional regulatory change would be necessary to implement Proposal 11. This change relates to the advance pricing factor for butterfat, which is the only advance factor that does not cross-reference another CFR section.

7 C.F.R. § 1000.50 (q) (3): An advanced butterfat price per pound rounded to the nearest one-hundredth cent, shall be calculated by computing a weighted average of the 2 most recent U.S. average NASS AA Butter survey prices announced before the 24th day of the month, subtracting 17.15 cents from this average, and multiplying the result by ~~1.211~~ 1.22.