



UPPER MIDWEST MARKETING AREA
Federal Order No. 30

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March 12, 2019

TO: Handlers, Cooperatives, and Interested Persons

SUBJECT: Amendment to Class I Skim Milk Price Formula

On March 8, 2019, the U.S. Department of Agriculture (USDA) announced an amendment to the Class I skim milk price formula under the Federal Milk Marketing Order (FMMO) program, in accordance with the Agriculture Improvement Act of 2018 (2018 Farm Bill). The change is effective May 1, 2019.

The new price formula will be used in the May 2019 Advanced Class I Skim Milk Price that will be announced on April 17, 2019.

Currently, the Class I skim milk price is calculated using the higher of the monthly advanced pricing factors for Class III or Class IV skim milk, which reflect dairy product survey prices for the two weeks prior to the price announcement, plus the applicable adjusted Class I differential. Because market prices for these surveyed products fluctuate, the "higher of" factor used to determine the Class I skim milk price can change, increasing risk and uncertainty associated with hedging.

To address this issue, Congress determined that the formula for the FMMO Class I skim milk price should be the average of the monthly Class III and Class IV advanced pricing factors plus \$0.74 per hundredweight plus the applicable adjusted Class I differential.

In accordance with the 2018 Farm Bill, the amendment is effective indefinitely, until further modified, and may not be modified sooner than two years after the effective date of this rule.

The *Federal Register* notice is available at: www.federalregister.gov/documents/2019/03/11/2019-04347/federal-milk-marketing-orders-amending-the-class-i-skim-milk-price-formula.

If you have any questions about this, please contact this office.

/s/ Victor J. Halverson
Market Administrator