



The Department received a request from a member of the Whey Committee. The request was for an analysis of four options for whey components using the 56-month period April 2003 to November 2007. The table shows the result of the analysis. Notes on the second page show more details of the methodology used for the analysis.

**Pool Impact of Various Whey Components
56-month Period (April 2003 through November 2007)**

Four Options for Whey Components	56-month revenues just for the various components
	(million \$)
(1) The actual total dollar value of the [historic] whey component added to the 4b price pool.	\$640
(2) The actual total dollar value of the whey make allowance factor related to determining the whey contribution added to the 4b price pool.	\$976
(3) The calculated total dollar impact on the pool of the inversion correction proposed in Alternative 8c as if it had been applied to each month.	\$225
(4) The calculated total dollar value of applying the current 25 cent fixed factor instead of the actual formula.	\$206

Notes:

	56-month Period
An <u>approximation</u> of total pool revenues:	(million \$)
(A) Fixed Whey Factor = \$0.00, i.e., no whey factor	\$22,991
(B) Whey Factor = (Whey Price - MCA) x 5.8	\$23,631
(C) Whey Factor = (Whey Price) x 5.8	\$24,607
(D) Whey Factor = (Whey/WPC Price - MCA) x 5.8	\$23,406
(E) Fixed Whey Factor = \$0.25	\$23,197

Use of pool totals to calculate the four options for whey components:

- (1) = (B) less (A)
- (2) = (C) less (B)
- (3) = (B) less (D)
- (4) = (E) less (A)

Historic manufacturing cost allowances (MCA) for dry whey:

- \$0.17 for April 2003-March 2005
- \$0.20 for April 2005-October 2006
- \$0.267 for November 2006-November 2007

The price inversion series is the lower of (i) the whey price or (ii) the WPC price times 12.5%, divided by 34%