

History of Class 4b Pricing Formula (as of February 2008)

(A) - Prior to August 1983, there was a single Class 4 price both for cheese/whey products and for butter/nonfat dry milk (NFDM). The formula used commodity prices, yields and manufacturing cost allowances (MCA) to establish component prices for fat and solids-not-fat (SNF):

- Class 4 fat price = (Butter price less MCA) times yield
- Class 4 SNF price = (NFDM price less MCA) times yield

(B) - From August 1983 through August 1988, the Class 4b price was set equal to the Class 4a price. The Class 4a price continued to be based on butter and NFDM prices:

- Class 4a fat price = (Butter price less MCA) times yield
- Class 4a SNF price = (NFDM price less MCA) times yield

- Class 4b fat price = Class 4a fat price
- Class 4b SNF price = Class 4a SNF price

(C) - From September 1988 through December 1988, the Class 4b SNF price was set equal to the Class 4a SNF price less \$0.0052 per pound:

- Class 4b fat price = Class 4a fat price
- Class 4b SNF price = Class 4a SNF price less \$0.0052

(D) - From January 1989 through September 1989, the Class 4b price was based on a hundredweight (Cwt.) price set equal to the Class 4a price calculated at the Support Purchase Prices (SPP) both for butter and for NFDM, times the National Cheese Exchange (NCE) block Cheddar cheese price divided by the SPP for block Cheddar cheese:

- Cwt. price = (SPP for butter less MCA) times yield times 3.5, plus
(SPP for NFDM less MCA) times yield, times 8.7, all times
(the NCE cheese price divided by the SPP for cheese)
- Class 4b fat price = Class 4a fat price
- Class 4b SNF price = Cwt. price less (fat vat test times Class 4b fat price) all divided by SNF vat test
 - Except that for February and March 1989, because of a price floor on both Classes 4a and 4b, the Class 4b SNF prices reverted to being set equal to the Class 4a SNF price less \$0.0052

(E) - From October 1989 through March 1996, the cheese MCA varied based on the ratio of the Chicago Mercantile Exchange (CME) cheese price to the SPP for cheese (starting in May 1997, the CME cheese price had replaced the NCE cheese price):

- Cwt. price =
 ((SPP for cheese times moisture adjuster) less MCA) times yield, all times
 (the CME cheese price divided by the SPP for cheese), plus
 (whey butter price less MCA) times yield
- Class 4b fat price = Class 4a fat price
- Class 4b SNF price = Cwt. price less (fat vat test times Class 4b fat price) all divided by SNF vat test

(F) - From April 1996 to present, the Class 4b price was set using the current formula:

- Cwt. price = (Cheese price less MCA) times yield, plus
 (whey butter price less MCA) times yield
 - Except that from April 2003 through November 2007, the Cwt. price also included: (Dry whey price less MCA) times yield
- Class 4b fat price = Class 4a fat price
- Class 4b SNF price = Cwt. price less (fat vat test times Class 4b fat price) all divided by SNF vat test