



Methodology of Separating the Estimated Impacts of the Whey Inversion and the Estimated Impacts of the Formula Changes of Alternatives 1 & 5 & 8

The Department previously provided the Whey Committee with analysis showing the price impacts of replacing the “lower of” whey value in the previous Class 4b formula and analysis showing the price impacts of using the “lower of” whey value in each alternative. The Department received a subsequent request by a member of the Whey Committee for further analysis regarding the price impacts of the alternatives that are being considered by the Whey Committee. Specifically, the request asks for a separation of the price impacts that occur by using the “lower of” whey value in each of the alternatives and the price impacts of the different formula changes (i.e. make allowance changes, yield changes, snubbers, floors, etc.) of each alternative. Hence, the attached table shows both the individual price impacts of using the “lower of” whey value and the individual price impacts of the formula changes on the total price impacts.

Comparing the previous pricing formula that was in place prior to the October 2007 hearing (previous formula) with the proposed changes outlined in Alternatives 1, 5 and 8, the attached table shows the following price impacts:

Total Impact – The price impacts of each alternative using the “lower of” whey value as described in Alternative 8.

Impact of Whey Inversion – The price impacts of using the “lower of” whey value as described in Alternative 8 in the previous formula without any formula changes. The impact of the whey inversion is the same across all the alternatives.

Impact of Formula Changes – The price impacts of only the formula changes of each alternative obtained by taking the difference between the **Total Impact** and the **Impact of the Whey Inversion**.



Price Formula Changes on California Class and Pool Prices*

Estimated Price Impacts of Alternatives 1, 5 and 8 using the "Lower of" whey price proposed in Alternative 8. Price impact figures have been separated to show (1) the total effects of the formula changes and the whey inversion, (2) only the whey inversion (same for all alternatives), and (3) the impact of the formula changes equaling the total impact minus the whey inversion impact.

	Class 4b Pool Price Change (\$/cwt)		Pool Price Change (millions)		Class 4b Pool Price Change (\$/cwt)		Pool Price Change (millions)	
	Change (\$/cwt)	Change (\$/cwt)	Change (millions)	Change (millions)	Change (\$/cwt)	Change (\$/cwt)	Change (millions)	Change (millions)
Alternative 1	Total Impact							
2003	0.58	0.27	7.9					
2004	0.27	0.13	3.7					
2005	-0.17	-0.08	-2.5					
2006	-0.39	-0.20	-6.1					
2007	-1.47	-0.73	-23.8					
Alternative 5	Impact of "Whey inversion"							
2003	0.76	0.35	10.3					
2004	0.45	0.21	6.2					
2005	0.00	0.00	0.4					
2006	-0.22	-0.11	-3.4					
2007	-1.46	-0.73	-23.6					
Alternative 8a	Impact of "Whey inversion"							
2003	0.00	0.00	0.0					
2004	-0.03	-0.02	-0.5					
2005	-0.02	-0.01	-0.3					
2006	-0.42	-0.21	-6.5					
2007	-0.56	-0.28	-9.1					
Alternative 8a	Impact of Formula Changes							
2003	0.76	0.35	10.3					
2004	0.48	0.23	6.7					
2005	0.02	0.01	0.7					
2006	0.20	0.10	3.1					
2007	-0.90	-0.45	-14.5					
Alternative 8b	Impact of Formula Changes							
2003	0.58	0.27	7.9					
2004	0.30	0.14	4.2					
2005	-0.07	-0.03	-1.0					
2006	0.06	0.03	1.0					
2007	-0.85	-0.42	-13.8					
Alternative 8b	Impact of Formula Changes							
2003	0.58	0.27	7.9					
2004	0.30	0.14	4.2					
2005	-0.07	-0.03	-1.0					
2006	0.06	0.03	1.0					
2007	-0.46	-0.23	-7.5					
Alternative 8c	Impact of Formula Changes							
2003	0.83	0.38	11.2					
2004	0.52	0.24	7.2					
2005	0.07	0.04	1.1					
2006	-0.15	-0.07	-1.7					
2007	-0.89	-0.45	-14.5					

* Using historic commodity prices, estimates assume the previous formula, prior to the October 2007 hearing, had been in effect from January 2003 through December 2007.