The Department believes, based on the evidentiary record of this proceeding, that the base month M–W price represents national supply and demand conditions. Therefore, it is concluded that the larger production volumes and marketings of dry buttermilk powder and nonfat dry milk in the Western states will reflect changes in national market values more precisely than will the Central States prices. There is also concern about the use of equivalent prices that would need to be determined whenever a price or pricing constituent is not reported.

Consequently, the Department is revising the product price updating formula to use the Western Dry Buttermilk price and the Western Nonfat Dry Milk price. The Department concludes that the adoption of the Western prices in the updating formula will provide for a reliable measure of market changes for these two products.

Due to the fact that the updating formula measures only the changes in product prices and does not establish a price level, an analysis of the impact of substituting the Western powder prices shows that they have little effect on the updated base month M–W price. During the four year period from 1990–1993, the updated price using Western prices yielded the same 12-month average as the recommended updating formula during 1990, 1992, and 1993. During 1991, the use of the Western prices would have resulted in an average price that was one cent less than the recommended M–W price.

The following table provides a comparison of the current M–W price, recommended decision updated base month M–W price, and the final decision updated base month M–W price:

MONTHLY PRICE COMPARISONS—1993

Month/year (col.1)	Current M–W (col. 2)	Rec. decision M–W (col. 3)	Final dec. M–W [1] (col. 4)	Difference: rec dec. M–W—final dec. M–W (col. 5)	Difference: final dec. M–W—current M–W (col. 6)
Jan 93	$10.89	$11.02	$11.02	$0.00	$0.13
Feb 93	10.74	10.72	10.72	0.00	(0.02)
Mar 93	11.02	11.19	11.19	0.00	0.17
Apr 93	12.15	12.61	12.61	0.00	0.46
May 93	12.52	12.37	12.37	0.00	(0.15)
Jun 93	12.03	11.82	11.82	0.00	(0.21)
Jul 93	11.42	11.30	11.31	0.01	(0.11)
Aug 93	11.17	11.18	11.17	(0.01)	0.00
Sep 93	11.90	12.29	12.29	0.00	0.39
Oct 93	12.46	12.19	12.19	0.00	(0.27)
Nov 93	12.75	12.62	12.62	0.00	(0.13)
Dec 93	12.51	12.44	12.44	0.00	(0.07)
Ave 93	11.80	11.81	11.81	0.00	0.01

[1] Uses Western Dry Buttermilk and Nonfat Dry Milk prices in the updating formula.

Most hearing participants advocated the use of either support price yield factors or annual yield factors in the formula. The study released by the Department developed and used annual yield factors for each month. These annual yield factors will be used in the updating formula. Basically these yields are those used under the price support program adjusted to milk containing 3.5 percent butterfat. The yields used in the formula are: butter—4.27 pounds per hundredweight of milk; nonfat dry milk—8.07 pounds per hundredweight of milk; dry buttermilk—.42 pounds per hundredweight of milk; Cheddar cheese—9.87 pounds per hundredweight of milk; and whey cream butter—.238 pounds per hundredweight of milk.

Hearing participants also advocated the use of factors to weight the butter-nonfat dry milk and cheese components of the formula. These weights are based on the proportion of milk used in the production of butter-nonfat dry milk and in the production of American cheese in the Minnesota and Wisconsin area. Nonfat dry milk is used to compute the butter-nonfat dry milk weighting factor because significant proportions of butter are manufactured in Minnesota and Wisconsin from the butterfat that is in excess of fluid milk operations. Cheese accounts for about 95 percent of the milk used in these products in the two States and about 75 percent in the United States. The Minnesota and Wisconsin weights are being used in the product price formula because the competitive pay price adopted is a Minnesota and Wisconsin pay price series. The milk equivalent used will typically be for the second preceding month.

In their exception, WCMA requested that Grade A skim milk used to produce a Class III–A product be eliminated from the weighting calculation. WCMA believes that the use of this powder in the formula will lower the recommended replacement price.

Nonfat dry milk production is not divided into that produced from Grade A milk and that produced from Grade B milk. The nonfat dry milk price is based on the sales of all nonfat dry milk as described earlier. The weighting percentages should continue to be based on the entire volume of milk used to make both cheese and nonfat dry milk regardless of the grade of milk used. The WCMA request to remove powder produced from Grade A milk from production data is denied.

The exception filed on behalf of CMPC strongly supported the recommended replacement for the current M–W price. In their exception, CMPC did express concern about the proposed weighting method used in the updating formula. CMPC pointed out that the section of the decision that contained the written computation (59 FR 40428) did not set forth a specific definition as to the month that will be used to weight the production of cheese and butter/nonfat dry milk in Minnesota and Wisconsin. However, the order language contains the phrase ''most recent reporting period'' to indicate the production data to be used. CMPC's concern regards exactly which monthly data will be used in the updating formula.

As is stated in the order language, the most recent reporting period data will