be used in the updating formula. The production data used in the formula is published by NASS in the monthly "Dairy Products" report. The "Dairy Products" report is released at the beginning of each month and contains data for the second preceding month. For example, the "Dairy Products" report issued on January 5, 1993, contained data for November 1992. The "Dairy Products" report is issued at 3:00 p.m. EST.

If a Dairy Products report is published on the same day as the M-W price is announced, that production data cannot be used in the updating formula because it is not known until after the release of the M–W price at 1:00 p.m. EST. Therefore, in most cases the most recent production data available for use in the updating formula is for the second preceding month from the month the M–W price applies. On occasion (typically about once per year), NASS will release the "Dairy Products" report prior to the announcement of the M-W price. In these months, the most recent data available to be used in the updating formula is for the preceding month and this data is used to determine the weighting percentages. Although this may result in production data for one month being used twice, stating that the most recent reporting period data will be used in the updating formula allows the Department to use the most current data available when calculating the M-W price.

The butter/powder/cheese formula recommended in this decision was developed and tested in the Department's study. The gross value change in the product price formula from the preceding month to the current month will be used to update the base month M–W price. The gross value change for each month will be computed as follows:

(1) Determine the gross value of milk used to manufacture Cheddar cheese and butter/nonfat dry milk:

(a) The gross value of milk used to manufacture Cheddar cheese equals (9.87×NCE)+(.238×AB); and

(b) The gross value of milk used to manufacture butter-nonfat dry milk equals

 $(4.27 \times AA)+(8.07 \times NFDM)+(.42 \times DBM).$ (2) Determine the amount by which these gross values exceed or are less than the respective gross values for the preceding month.

(3) Compute weighting factors to be applied to the gross value changes. The weighting factors will be calculated as follows:

(a) Determine the milk equivalent for the most recent reporting period for both American cheese and butter-nonfat dry milk by using the American cheese production in Minnesota and Wisconsin divided by 9.87 to determine the cheese milk equivalent and the nonfat dry milk production in Minnesota and Wisconsin divided by 8.07 to determine the butternonfat dry milk equivalent;

(b) Add the cheese milk equivalent and the butter-nonfat dry milk equivalent together to calculate the total milk equivalent; and

(c) Divide the milk equivalent for cheese by the total milk equivalent to yield the cheese weighting factor and divide the butter-nonfat dry milk equivalent by the total milk equivalent to yield the butter-nonfat dry milk weighting factor.

(4) Use these weighting factors to compute a weighted average of changes in the gross values described above.

An analysis of the base month M-W price updated by the full gross value change in the butter/powder/cheese formula, as revised in this decision, and by 50 percent of the gross value change, revealed that using the full gross value change results in an updated base month M-W price which better reflects current price levels. During 1990 the full gross value change in the butter/ powder/cheese updating formula resulted in an average updated base month M–W price eight cents greater than the current M–W price, and in 1991 the updated price averaged two cents less. During 1992 and 1993, the average updated base month M-W price was greater than the current M–W price by three cents and one cent, respectively. The base month M-W price updated by 50 percent of the same formula resulted in a 1990 average price which exceeded the M–W price by 31 cents, in 1991 the average price was 11 cents less, in 1992 the average price was seven cents greater, and in 1993 the average price was three cents less Official Notice is taken of "Dairy Market Statistics", 1992 and 1993 Annual Summaries, Agricultural Marketing Service; and "Dairy Products", 1992 and 1993 Annual Summaries, National Agricultural Statistic Service. From evidence in the record, and the results of this analysis, it is concluded that the full value of gross change between the preceding month and the current month using the butter/powder/cheese formula described above results in an updated price that best reflects the current value of manufacturing milk.

Although the updated base month M– W price will result in annual price levels that nearly maintain the current annual price levels, the updated base month M–W price will not track the current M–W price precisely from month-to-month. This is because the

month-to-month price variability will increase as a result of the use of a product price formula that will allow the updated base month price to react quicker to marketing conditions both on the upside and downside of the market. Column six of the preceding table compares the monthly updated base month M-W price as modified in this decision to the current monthly M-W price for 1993. During this period, the greatest monthly differences occurred in April when the updated base month M-W price of \$12.61 per hundredweight, exceeded the current M-W price by 46 cents, and in October when the updated base month M-W price of \$12.19 per hundredweight, was 27 cents lower than the current M-W price. However, for the entire 12 month period the updated base month M-W price exceeded the M-W price by only one cent.

As previously indicated, the SBA objected to the certification that the proposed rule would not have a significant economic impact on a substantial number of small entities. The SBA contended that the certification was suspect as a result of an alleged previous finding "that the proposed modifications could result in wide swings in price for any given month."

First of all, the previous finding does not indicate that the modification could result in wide price swings. Wide price changes from month-to-month have occurred with the current M-W price. Over the last four years, the M–Ŵ price has increased by as much as \$1.13 from the previous month and decreased by as much as \$2.02 from the previous month. The findings in the recommended decision indicated that the modified price would be expected to be more variable from month-to-month than the current M-W price during periods of both increasing and decreasing prices. Over the last four years the modified price contained herein, which is almost identical to the price modification in the recommended decision, increased by as much as \$1.42 from the previous month and decreased by as much as \$2.03 from the previous month. These maximum month-to-month changes occurred during the same months that the M–W price registered its greatest month-tomonth changes.

Over the long run, the modified price tracks the M–W price very closely, as previously stated, and thus reflects the same changes in supply and demand conditions that are represented by the current M–W price. The price modification represents the best alternative to the M–W price compared to other pricing options considered at the hearing. Since the continued