Correction to the Testimony on Cost of Processing in Cheese, Whey, Butter and Nonfat Dry Milk Plants

presented at the

Federal Milk Marketing Order Hearing

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by

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Table 3. shows the weighted average processing costs for the 4 butter plants participating in the project and Figure 4. shows the breakdown of the costs.

Table 3. Processing Costs for 4 Butter Plants.

<table>
<thead>
<tr>
<th>Pounds Butter</th>
<th>Labor</th>
<th>Energy</th>
<th>Ingredients</th>
<th>Packaging</th>
<th>Repairs &amp; Depreciation</th>
<th>G&amp;A</th>
<th>ROI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted Ave</td>
<td>$0.0522</td>
<td>$0.0157</td>
<td>$0.0029</td>
<td>$0.0189</td>
<td>$0.0662</td>
<td>$0.0204</td>
<td>$0.0038</td>
<td>$0.1846</td>
</tr>
<tr>
<td>Last time Wt Ave</td>
<td>$0.0281</td>
<td>$0.0114</td>
<td>$0.0104</td>
<td>$0.0541</td>
<td>$0.0064</td>
<td>$0.0198</td>
<td>$0.0108</td>
<td>$0.1108</td>
</tr>
</tbody>
</table>

Figure 4. Breakdown of Butter Processing Costs.

Table 3. would indicate that butter plants have seen a substantial increase in overall costs of processing—up a little more than 7¢ per pound while average volume of the plants had nearly doubled. In my testimony on plant processing costs on September 14, 2006, I had stated that “The confidence interval for ... butter a range from -$0.0921 to $0.3905. The large range on butter costs reflects relatively few observations and a fair amount of variability in the data.” Although the increase looks large, I have much more confidence in the data this time.