

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

Pittsburgh, PA
July 10, 2007

by

Mark W. Stephenson
Cornell Program on Dairy Markets and Policy
Cornell University

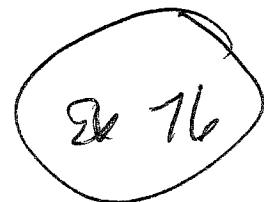
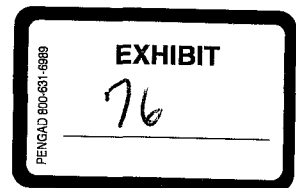


Table 3. shows the weighted average processing costs for the 4 butter plants participating in the project and Figure 4. shows the breakdown of the costs.

Table 3. Processing Costs for 4 Butter Plants.

	Pounds Butter	Labor	Energy	Ingredients	Packaging	Repairs & Depreciation	G&A	ROI	Total
Weighted Average	57,626,803	\$0.0522	\$0.0157	\$0.0029	\$0.0189	\$0.0662	\$0.0204	\$0.0083	\$0.1846
Last time Wt Ave.	31,400,511	\$0.0281	\$0.0114		\$0.0104	\$0.0541	\$0.0064	\$0.0108	\$0.1108

Figure 4. Breakdown of Butter Processing Costs.

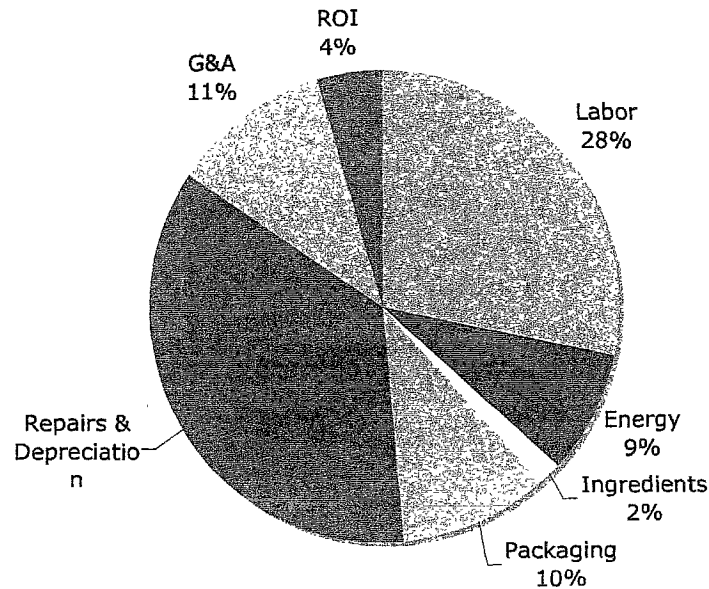


Table 3. would indicate that butter plants have seen a substantial increase in overall costs of processing—up a little more than 7¢ per pound while average volume of the plants had nearly doubled. In my testimony on plant processing costs on September 14, 2006, I had stated that “The confidence interval 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.