



# Calculating Class I Extended Shelf Life (ESL) Adjustment



*For each of the 13 - 36 preceding months, calculate the difference:*

$$1 \quad \left[ \begin{array}{l} \text{Higher of Advanced Class III or Class IV Skim Milk Pricing Factors (\$/cwt)} \end{array} \right] - \left[ \begin{array}{l} \text{Average of Advanced Class III and Class IV Skim Milk Pricing Factors (\$/cwt)} \end{array} \right]$$

*Calculate the 24 Month Rolling Average*

$$2 \quad \text{Average: } \left[ \begin{array}{l} \text{The 24 differences computed in Step 1} \end{array} \right] = \text{Rolling Average}$$

*Calculate the ESL Adjustment*

$$3 \quad \left[ \begin{array}{l} \text{Current month average of Advanced Class III and Class IV Skim Milk Pricing Factors (\$/cwt)} \end{array} \right] + \left[ \begin{array}{l} \text{Rolling Average computed in Step 2} \end{array} \right] - \left[ \begin{array}{l} \text{Current month higher of Advanced Class III and Class IV Skim Milk Pricing Factors (\$/cwt)} \end{array} \right] = \text{ESL Adjustment}$$

# Calculating Class I ESL Adjustment: Details

*Monthly advanced commodity prices and the Base Class I Prices are announced on or before the 23rd day of the preceding month and use the most recent two weeks of price data available at that time. Monthly final prices are announced on or before the 5th of the following month and use the most recent four or five weeks of price data since the last publication of Class and Component Prices. Class prices are announced as dollars per hundredweight. cwt = hundredweight, 100 pounds.*

## Formula Details

- 1** Calculate the difference between the higher of and the average of Class III and Class IV skim milk pricing factors for each of the 13-36 preceding months.
- 2** To calculate the Rolling Average, calculate the average of the 24 differences computed in Step 1.
- 3** To calculate the ESL Adjustment, add the average of the current month's Advanced Class III and Class IV skim milk pricing factors to the Rolling Average calculated in step 2. Then subtract the higher of the Advanced Class III and IV Skim Milk Pricing Factors for the current month.

Note - The ESL Adjustment can be positive or negative.

*For more information on the Price Formulas, visit*

**[www.ams.usda.gov/resources/price-formulas](http://www.ams.usda.gov/resources/price-formulas)**

*For more information on Advanced Prices & Pricing Factors and Class & Component Prices, visit **[www.ams.usda.gov/rules-regulations/mmr/dmr](http://www.ams.usda.gov/rules-regulations/mmr/dmr)***

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