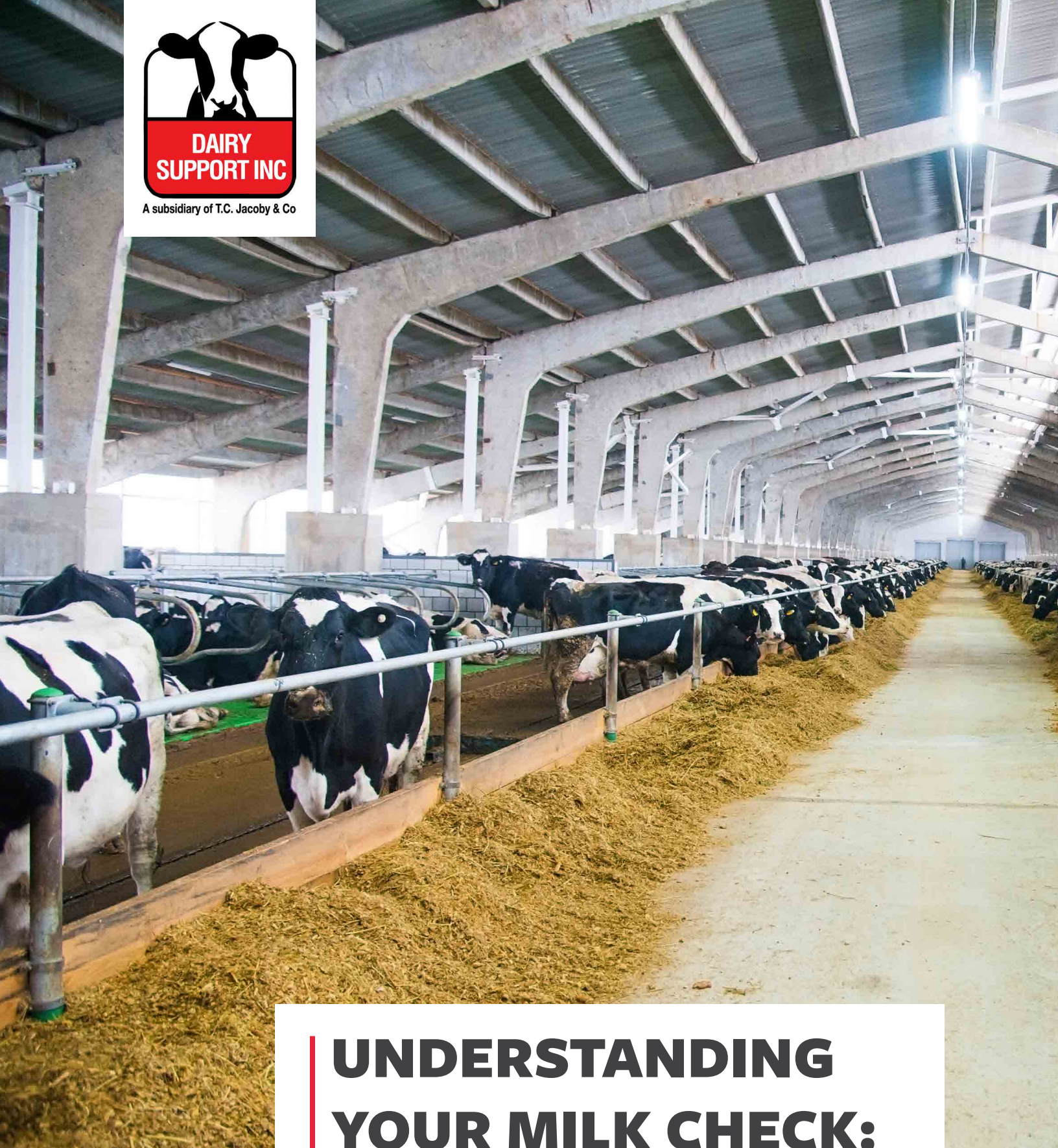




A subsidiary of T.C. Jacoby & Co



**UNDERSTANDING
YOUR MILK CHECK:
CAN YOU GET A
BETTER PRICE?**

Are you getting paid what you're owed for the milk produced on your farm?

Do you even know for sure?

Many farmers can't easily tell what they're truly earning. This is partly because milk pricing is generally complicated and partly because co-ops or third-party co-op administrators obfuscate or manipulate information on monthly milk checks. It can happen in the following ways:

- Producer prices shown on milk checks don't match prices announced by the Federal Order.
- Deductions for co-op operations or hauling are expressed vaguely across multiple lines, potentially causing confusion or masking the full impact of deductions.
- Co-op statements don't clearly state whether deductions are applied to payments on a monthly or bi-weekly basis as part of advance payments.

While it's usually not out of malice, it's not totally transparent. This resource is meant to help you better understand what you're owed, what's rightfully being deducted and how to spot potential manipulation.

Note that this resource is compiled for farmers paid under the component pricing model and does not consider skim fat pricing or cheese yield pricing.

Is your base price really your base price?

Under the component pricing model, the price farmers earn is based on the combined value of butterfat, protein and other solids in their milk.

Here's how those totals on your check are calculated:

Component value = weight of the component multiplied by the announced price of that component in the Federal Order into which the milk was sold.

Plant prices are announced monthly by each Federal Order's Market Administrator. [Skip](#) to page 5 for instructions on locating plant prices published for each Federal Order.

A Producer Price Differential (PPD) is applied next. The sum of the component value and the PPD is the base price.

However, some co-ops or administrative providers don't pay farmers according to the component prices announced by the Federal Order. Instead, they'll list a price just a couple cents off the announced price. The result is a deduction in farmer pay that doesn't show up in the "deductions" section of a check.

Some co-ops or administrative providers don't pay farmers according to the component prices announced by the Federal Order. That results in a deduction in farmer pay that doesn't show up in the "deductions" section of a milk check.

No rule forbids co-ops from doing this. And while it is mainly done to cover legitimate costs, it does so in a way that camouflages the impact on the producer's check.

Co-ops get away with it because some farmers don't know how to locate where Federal Order plant price information is posted. See the "[Locating Federal Order pricing information](#)" section on page 5 for instructions on checking your prices each month to make sure you're getting the full value of your components.

Example: Adjusting the protein price

The fictional example below shows component pricing for a check paid to a farmer for milk sold into Federal Order 33 in November 2018.

Milk Check Example 1

DID YOU KNOW? It is the policy of T.C. Jacoby & Co.'s Dairy Support staff to always use the correct announced plant price when determining component values for farmers.

This farmer was paid \$1.3119 per pound for the protein component of the milk they sold. But Federal Order 33's announced protein price for that pay period was actually three cents higher.

Whole America Coop Association			
Producer:			
Producer No.	8907631	For milk sold during:	November 2018
Name	Mark Porter	Payment date:	December 1, 2018
Address	56711 US HWY 280 Northwood, OH 43619		
Milk shipped information in pounds:			
Total milk	Butterfat	Protein	Other solids
121,450	4,566	3,704	6,971
Milk price information:			
		Plant price	Month totals
Price differential		\$0.5600 per cwt.	\$680.12
Butterfat		\$2.5385 per lb.	\$11,590.79
Protein		\$1.3119 per lb.	\$4,859.28
Other solids		\$0.2714 per lb.	\$1,891.93
SCC adjustment		\$0.00085 per cwt.	\$0.00
	Total milk value	\$15.66 cwt	\$19,022.12
Deductions:			
		Per cwt.	Month totals
Testing fee		\$0.0300	\$36.44
CWT program		\$0.0400	\$48.58
Marketing fee		\$1.6700	\$2,028.22
National milk promotion		\$0.0500	\$60.73
State milk promotion		\$0.1000	\$121.45
	Total deductions	-\$1.8900	
Final settlement to producer:			\$16,726.70

Comparing FMMO and co-op prices

	Whole America Coop Association		United States Department of Agriculture	
Milk Price Information:	Price rate	Month totals	Price rate	Month totals
Price differential	\$0.5600 per cwt.	\$680.12	\$0.5600 per cwt.	\$680.12
Butterfat	\$2.5385 per lb.	\$11,590.79	\$2.5385 per lb.	\$11,590.79
Protein	\$1.3119 per lb.	\$4,859.28	\$1.3419 per lb.	\$4,970.40
Other solids	\$0.2714 per lb.	\$1,891.93	\$0.2714 per lb.	\$1,891.93
SCC adjustment	\$0.00085 per cwt.	\$0.00	\$0.00085 per cwt.	\$0.00
Total milk value	\$15.66 cwt	\$19,022.12	\$15.75 cwt	\$19,133.24

Paid base price $\$19,022.12 / 121,450 \text{ lb} = \$0.1566/\text{lb} \times 100 = \15.66 cwt

Actual base price $\$19,133.24 / 121,450 \text{ lb} = \$0.1575/\text{lb} \times 100 = \15.75 cwt

$\$15.75 - \$15.66 = \$0.09$

Hidden deduction \$0.09/cwt

Note the PROTEIN row in the PLANT PRICE column. The co-op paid this farmer \$1.3119 per pound for protein. But Federal Order 33's **component price posting** for that month indicated the plant price for protein was \$1.3419 per pound.

Had the co-op paid the announced \$1.3419 per pound on protein, that component of the farmer's milk would have been worth \$4,970.40. Instead, by posting a \$1.3119 per pound plant price, the component value for which the farmer was paid was \$4,859.28.

The resulting \$111.12 difference calculates out to a deduction of a little over \$0.09/cwt that isn't shown anywhere on the check.

Locating Federal Order pricing information

Need help finding component price announcements from your Federal Order? The list below should help:

- **Federal Order 1** (Northeast) – Choose the month of the current year in the left column, or select past years in the right column.
http://www.fmmone.com/Price_Announcements_Class_Component.htm
- **Federal Order 5** (Appalachian) – Choose the month you wish to view. Note that FO 5 uses skim milk and butterfat pricing, not component pricing.
<http://www.malouisville.com/AdvPrice.html>
- **Federal Order 6 & 7** (Florida & Southeast) – Choose the month of the current year in the left column, or select past years in the right column.
http://fmmatlanta.com/Price_Announcements_Class_Component.htm
- **Federal Order 30** (Upper Midwest) – Choose the month you wish to view.
<http://www.fmma30.com/ClassPrices.html>
- **Federal Order 32** (Central) – Choose the month you wish to view.
https://www.fmmacentral.com/class_component_advance_prices.html
- **Federal Order 33** (Mideast) – Click the year in the box at the top of the page and then scroll to find the month you wish to view.
<http://www.fmmacllev.com/NEWTemplateClassComponenet.htm>
- **Federal Order 51** (California) – Choose the month you wish to view.
<https://cafmmo.com/prices/class-component/>
- **Federal Order 124 & 131** (Pacific Northwest & Arizona) – Choose the month you wish to view. Note that FO 124 uses component pricing while FO 131 uses skim milk and butterfat pricing.
<https://fmmaseattle.com/classcomponent.html>
- **Federal Order 126** (Southwest) – Choose the month you wish to view. Note that FO 126 uses skim milk and butterfat pricing, not component pricing.
http://www.dallasma.com/order_prices/class_prices_reports.jsp?cat=3and4

Are your deductions straightforward?

Deductions taken from farmer checks come in many forms, and most of them are easy to understand.

For example, subtracting for state and national promotions is standard. Deductions for things like testing, hauling charges, and marketing fees are all common. But common doesn't mean transparent.

Below is another fictional example, but it's based on real tactics we've observed.

Milk Check Example 2

NOTE that there are more deduction line items in Example 2 compared to Example 1. While some of the added deductions in Example 2 appear rather minor, the actual impact on the net price paid emerges when the line items are added together.

Compare the deductions here to Example 1. Here deductions are spread out across more line items. Some co-ops create more line items to give the appearance of smaller individual deductions.

Note the cumulative effect of the deductions in Example 2. Compare that to the total deduction in Example 1.

Whole America Coop Association

Producer:

Producer No.	8907631	For milk sold during:	November 2018
Name	Mark Porter	Payment date:	December 1, 2018
Address	56711 US HWY 280 Northwood, OH 43619		

Milk shipped information in pounds:

Total milk	Butterfat	Protein	Other solids
121,450	4,566	3,704	6,971

Milk price information:

	Plant price	Month totals
Price differential	\$0.5600 per cwt.	\$680.12
Butterfat	\$2.5385 per lb.	\$11,590.79
Protein	\$1.3419 per lb.	\$4,970.40
Other solids	\$0.2714 per lb.	\$1,891.03
SCC adjustment	\$0.00085 per cwt.	\$0.00
Total milk value	\$15.75 cwt	\$19,133.24

Deductions:

	Per cwt.	Month totals
Retains	\$.10000	\$121.45
Stop charge	\$.26000	\$315.77
Testing fee	\$0.0300	\$36.44
CWT program	\$0.0400	\$48.58
Marketing fee	\$0.4600	\$558.67
National milk promotion	\$0.0500	\$60.73
State milk promotion	\$0.1000	\$121.45
Fuel subcharge	\$0.1900	\$230.76
Hauling	\$0.7900	\$959.46

Total deductions - \$2,020.00

Final settlement to producer:

\$16,679.93

Farmers typically do not like to see high deduction totals. As the deductions in Example 2 demonstrate, co-ops sometimes break up deductions across more line items of smaller amounts in hopes that farmers don't calculate the cumulative effect.

Comparing alternative offers

Co-ops are always recruiting. Farmers are always on the lookout for a better return on their milk.

Chances are good you've had co-ops hoping to win you over with their offer. But how do you know if that offer will leave you better off?

For starters, ask some questions. What deductions do you apply to checks? Is your quoted hauling rate a fixed, unchanging amount or is it a base rate to which additional deductions might be applied month-to-month? Do you use a tiered system for hauling or do you deduct a fixed amount representing an average? Will you show me an example of your check?

In Example 3 below, we show two fictional checks side by side. One results in a better return to the farmer than the other. Compare the line items between the checks and reference the table below to check your math.

Milk Check Example 3

Whole America Coop Association			
Producer:			
Producer No.	8907631	For milk sold during:	November 2018
Name	Mark Porter	Payment date:	December 1, 2018
Address	56711 US HWY 280 Northwood, OH 43619		
Milk shipped information in pounds:			
Total milk	Butterfat	Protein	Other solids
121,450	4,566	3,704	6,971
Milk price information:			
	Plant price	Month totals	
Price differential	\$0.5600 per cwt.	\$680.12	
Butterfat	\$2.5385 per lb.	\$11,590.79	
Protein	\$1.3419 per lb.	\$4,970.40	
Other solids	\$0.2714 per lb.	\$1,891.93	
SCC adjustment	\$0.00085 per cwt.	\$0.00	
Total milk value	\$15.75 cwt	\$19,133.24	
Deductions:			
	Per cwt.	Month totals	
Testing fee	\$0.3000	\$36.44	
CWT program	\$0.0400	\$48.58	
Marketing fee	\$1.6700	\$2,028.22	
National milk promotion	\$0.0500	\$60.73	
State milk promotion	\$0.1000	\$121.45	
Total deductions	-\$1.8900		
Final settlement to producer:		\$16,726.70	

MILK PRODUCERS OF AMERICA, INC.									
NAME	MARK PORTER			PAYMENT DATE	12/14/2018				
ADDRESS	56711 US HWY 280 NORTHWOOD, OH 43619			PERIOD	11/01/2018 - 11/30/2018				
	WEIGHT	GROSS PAYMENTS	DEDUCTIONS	NET					
PERIOD TOTALS	121,450	19,847.98	2,286.31	17,561.67					
PRICING INFORMATION					DEDUCTIONS / ADJUSTMENTS				
DESCRIPTION	QUANTITY	RATE	UOM	PTD	DESCRIPTION	RATE	UOM	CURRENT	
Butterfat	4,566	\$2.5385	lb.	\$11,590.79	Retains	\$1.0000	cwt.	\$121.45	
Protein	3,704	\$1.3119	lb.	\$4,859.28	Stop charge	\$2.6000	cwt.	\$315.77	
Other solids	6,971	\$0.2714	lb.	\$1,505.98	Testing fee	\$0.0300	cwt.	\$36.44	
SCC adjustment		\$0.00085	cwt.	\$0.00	CWT program	\$0.0400	cwt.	\$48.58	
Producer price diff		\$0.5600	cwt.	\$520.80	Marketing fee	\$0.4600	cwt.	\$958.67	
					National milk promotion	\$0.0500	cwt.	\$60.73	
					State milk promotion	\$0.1000	cwt.	\$121.45	
					Fuel surcharge	\$0.1900	cwt.	\$230.76	
					Hauling	\$0.7900	cwt.	\$959.46	
TOTAL AMOUNT	\$19,022.12				PAY PRICE	\$16,568.81			

NOTE that the checks aren't formatted the same way. This simulates the real world. There are as many ways to format a milk check as there are co-ops.

	Whole America	Milk Producers	Affect cwt	Cummulative gain/loss
Protein	\$4,970.40	\$4,859.28	-\$0.09	-\$0.09
Marketing	\$1.67	\$0.46	+\$1.21	\$1.12
Fuel	0	\$0.19	-\$0.19	\$0.93
Hauling	0	\$0.79	-\$0.79	\$0.14
Stop charge	0	\$0.26	-\$0.26	-\$0.12
Retains	0	\$0.10	-\$0.10	-\$0.22

= \$0.22 / cwt loss with Milk Producers

As the comparison table demonstrates, an adjusted protein price and some of the deductions in the check on the right result in a \$0.22 cwt (or \$157.89) loss compared to the check on the left.

Are you getting the best return on your milk?

Hopefully, you now have a better understanding of the factors determining your income. What now?

Keep your eyes open for new offers and run the numbers on your own. Are you satisfied with the return on your milk? Or is it time to make a change?

The **Dairy Support** staff at T.C. Jacoby & Co. values honesty, transparency and simplicity. Send us a few of your recent checks and we'll do the math as if you were one of our members. If the numbers indicate you could keep more of your money by working with us, we'd be happy to bring you aboard. If they show you're better off staying where you are, we'll tell you so.

Contact T.C. Jacoby & Co. here. Or, reach out directly to Dairy Support Manager Anna Donze by emailing anna@jacoby.com or calling 314-822-5955.



| Partnership with T.C. Jacoby & Co.

Our roots in the dairy industry date back to 1949, when we began balancing fluid milk supplies in the Midwest. With a strong commitment to our industry partners and a keen eye kept on the future, we grew to become the nation's leading dairy product trading firm. We've been building trusted relationships across the country and around the world for more than 70 years, **catalyzing change in the industry** along the way.

If your business can benefit from outside-the-box thinking backed by the expertise of professionals well-versed in every facet of the dairy industry, we're the right fit. **Contact us** now to get the conversation started.

