

Table 1

Column	1	2	3	4
	UConn Pre-Compact Base	UConn Study Reported Results	Recalculated UConn Study Results #1	Recalculated UConn Study Results #2
Federal Order Minimum Price	\$1.400	\$1.400	\$1.387	\$1.337
P-D-R Costs	\$1.090	\$1.090	\$1.090	\$1.090
Average Change in P-D-R Costs	-	\$0.070	\$0.050	\$0.050
Compact Cost	-	\$0.045	\$0.045	\$0.045
High Milk Prices	-	\$0.065	-	\$0.050
Total	\$2.490	\$2.670	\$2.572	\$2.572
Actual Retail Price	\$2.490	\$2.780	\$2.780	\$2.780
Difference	\$0.000	\$0.110	\$0.208	\$0.208

Notes for Table 1:

Column 1 is the UConn study's reported analysis of the pre-compact base period (16 months from March 1996 through June 1997).

Column 2 is what the UConn study reported as its conclusions regarding the impacts of the compact on retail milk prices during the 36 month period from July 1997 through June 2000.

Column 3 and 4 is an analysis which attempts to use the UConn study's methods , but corrects the statistical errors in the UConn analysis. The first correction is that the federal order minimum price during the compact period averaged only \$1.387, not \$1.40, and this includes those months when the federal order price exceeded the compact minimum of \$1.46. If one wants to show the impact of periods when the federal order minimum price was higher than \$1.46 as a separate line, then the average federal order minimum price assuming a cap of \$1.46 was only \$1.337. The UConn study reported that the average increase in processing, distribution and retailing costs (P-D-R costs) was 7 cents, but a correct analysis of a 3 percent per year increase in costs starting with a P-D-R of \$1.09 yields an average increase during the compact period of only 5 cents. Lastly, the average of the compact minimum price was \$1.51, only 5 cents higher than the compact minimum of \$1.46, so the impact of federal order minimum prices exceeding the compact minimum during this period was only 5 cents, not the 6.5 cents reported by the UConn study.

Table 2

Column	1	2
	Alternate Pre-Compact Base #1	Analysis Using Base #1
Federal Order Minimum Price	\$1.300	\$1.387
P-D-R Costs	\$1.190	\$1.190
Average Change in P-D-R Costs	-	\$0.065
Compact Cost	-	\$0.123
High Milk Prices	-	-
Total	\$2.490	\$2.765
Actual Retail Price	\$2.490	\$2.780
Difference	\$0.000	\$0.015

Notes for Table 2:

This analysis assumes a different base period of only 6 months, from January 1997 through June 1997, when the federal order minimum price averaged only \$1.30. The compact cost was the average compact premium paid by processors to consumers over the 36 month period analyzed (note this is not the difference between the pre-compact federal order minimum price and the compact minimum price). This 12.3 cents is equal to the \$128.5 million paid by processors to farmers and the compact commission divided by the 1.04 billion gallons of milk sold in the New England market during this period. This analysis also assumes an increase in P-D-R costs of 3.5 percent per year rather than the 3 percent in the UConn study, based on the fact that the major costs associated with P-D-R (labor wages and energy costs) increased on average 3.5 percent according to the Bureau of Labor Statistics Producer Price Indices.

The unexplained difference in the expected compact retail price and the actual retail price falls from the 11 cents reported in the UConn study to only 1.5 cents, or only 0.5 percent of the average retail price of \$2.78. This simplified analysis attempts to remain using the UConn study methodology, and which ignores other factors which we believe should be included in the analysis (including, but not limited to, the administrative assessment on processors, the impacts of the level and changes over time in the over-order premium in the New England market, and the fact that this methodology assumes a fixed dollar mark-up between farm and retail prices which may not be correct).