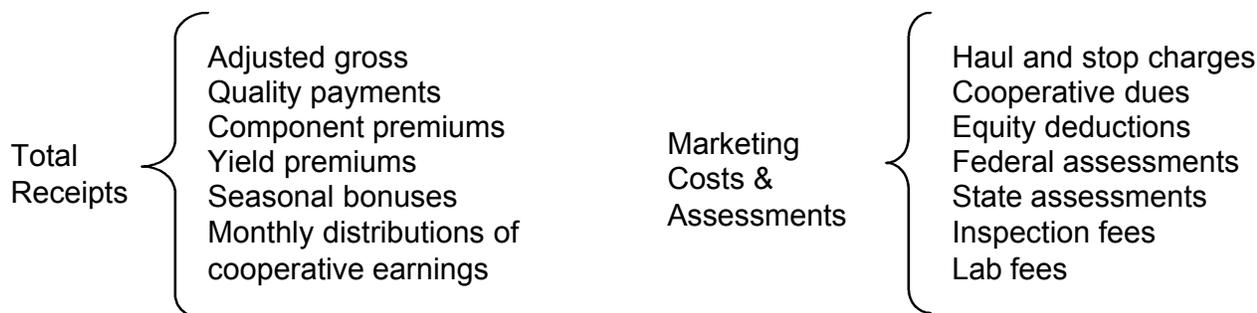


U. S. Mailbox Milk Prices

The California Department of Food and Agriculture began publishing California mailbox milk prices in 1998. Mailbox price is defined as the net price received by dairy producers for milk. The mailbox price includes all payments received for milk sold and deducts costs associated with marketing the milk. It does not matter whether a California producer is shipping milk to either a cooperative or a proprietary plant. The mailbox price will be comparable.

The Department uses the same criteria to calculate the mailbox price that USDA uses to calculate mailbox prices for Federal Milk Marketing Orders.



Total Receipts less Marketing Costs & Assessments = Mailbox Price

* Please note "thirteenth checks" are not included in the mailbox price.

2005 Mailbox Milk Prices for Selected Reporting Areas in Federal Milk Orders & California

Reporting Areas	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
	Dollars Per Hundredweight											
California	\$14.85	\$14.16	\$13.99	\$14.11	\$13.48	\$13.43	\$13.53	\$13.23	\$14.09	\$14.10	\$13.42	\$13.49
All Federal Order Areas	\$15.89	\$15.24	\$15.46	\$14.97	\$14.48	\$14.13	\$14.62	\$14.65	\$15.16	\$15.38	\$15.09	\$14.73
Western Texas	\$15.00	\$14.42	\$14.44	\$13.90	\$13.31	\$13.26	\$13.77	\$13.92	\$14.53	\$14.47	\$13.98	\$13.77
New Mexico	\$14.09	\$13.65	\$13.61	\$13.11	\$12.52	\$12.55	\$12.95	\$13.00	\$13.71	\$13.63	\$13.16	\$12.94
Northwest States	\$14.76	\$13.97	\$14.39	\$13.89	\$13.47	\$13.35	\$13.78	\$13.84	\$14.35	\$14.51	\$14.17	\$13.77
Northeast Fed. Milk Order	\$16.37	\$15.50	\$16.01	\$15.26	\$14.95	\$14.50	\$14.96	\$15.09	\$15.54	\$15.68	\$15.64	\$15.06
Appalachian States	\$16.57	\$15.18	\$15.97	\$14.97	\$14.59	\$13.92	\$15.00	\$15.38	\$15.34	\$15.61	\$15.64	\$14.93
Southeast States	\$17.21	\$15.61	\$16.37	\$15.25	\$15.04	\$14.49	\$15.65	\$16.59	\$16.55	\$16.61	\$16.67	\$16.01
Florida	\$18.70	\$16.87	\$17.69	\$16.72	\$16.44	\$16.40	\$17.62	\$18.60	\$18.32	\$18.02	\$18.36	\$17.98
Ohio	\$15.99	\$15.41	\$15.41	\$15.08	\$14.62	\$14.22	\$14.60	\$14.67	\$15.03	\$15.54	\$15.23	\$14.88
Indiana	\$16.11	\$15.27	\$15.69	\$15.06	\$14.66	\$14.29	\$14.61	\$14.68	\$14.91	\$15.36	\$15.17	\$14.76
Michigan	\$15.58	\$15.13	\$15.13	\$14.64	\$14.18	\$13.78	\$14.34	\$14.50	\$14.85	\$15.44	\$15.12	\$14.70
Wisconsin	\$16.00	\$15.91	\$15.77	\$15.68	\$14.98	\$14.67	\$15.06	\$14.74	\$15.46	\$15.77	\$15.25	\$15.06
Minnesota	\$15.78	\$15.61	\$15.61	\$15.41	\$14.76	\$14.47	\$14.69	\$14.57	\$15.36	\$15.46	\$14.93	\$14.83
Illinois	\$15.88	\$15.42	\$15.52	\$15.28	\$14.61	\$14.25	\$14.73	\$14.59	\$15.26	\$15.80	\$15.32	\$15.06
Iowa	\$15.92	\$15.39	\$15.41	\$15.23	\$14.64	\$14.32	\$14.64	\$15.64	\$15.15	\$15.59	\$15.21	\$14.88
Southern Missouri	\$16.01	\$14.75	\$15.44	\$14.25	\$13.97	\$13.18	\$14.24	\$14.67	\$14.90	\$15.30	\$15.18	\$14.43
Corn Belt States	\$14.98	\$14.37	\$14.42	\$14.16	\$13.61	\$13.27	\$13.62	\$13.58	\$14.11	\$14.49	\$13.98	\$13.82

Average Prices Paid to Producers

Average Prices Paid Producers in California For All Bulk Milk (Grade A and Grade B), by Month, 2001-2005 ^{1/2/}

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
<i>Dollars Per Hundredweight</i>													
2001	12.03	12.27	13.04	13.76	14.65	15.35	15.25	15.67	16.07	13.84	12.90	12.30	13.93
2002	12.52	11.73	11.47	11.38	10.98	10.42	10.07	10.34	10.48	10.86	10.53	10.61	10.95
2003	10.53	10.15	9.92	9.97	9.95	9.99	11.52	12.77	13.31	13.52	12.80	12.37	11.40
2004	11.94	12.55	14.63	17.29	17.63	16.26	13.85	13.64	14.27	14.01	15.18	15.17	14.70
2005	14.87	14.14	14.03	14.08	13.47	13.38	13.77	13.47	14.32	14.31	13.62	13.68	13.93

^{1/} Prices are F.O.B. plant, at actual test.

^{2/} Includes in-state pool shipments and California milk shipped into Federal Milk Marketing Orders. Excludes bonuses and premiums.

Average Prices Paid Producers in California For Market Milk (Grade A), by Month, 2001-2005 ^{1/2/}

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
<i>Dollars Per Hundredweight</i>													
2001	12.03	12.28	13.04	13.76	14.64	15.34	15.25	15.66	16.06	13.85	12.90	12.30	13.93
2002	12.52	11.73	11.47	11.38	10.97	10.43	10.07	10.34	10.48	10.85	10.53	10.60	10.95
2003	10.53	10.15	9.92	9.97	9.95	9.99	11.51	12.76	13.31	13.53	12.80	12.37	11.40
2004	11.94	12.55	14.61	17.26	17.62	16.26	13.86	13.64	14.27	14.00	15.16	15.16	14.69
2005	14.86	14.12	14.01	14.06	13.46	13.35	13.75	13.44	14.29	14.29	13.60	13.65	13.91

^{1/} Prices are F.O.B. plant, at actual test.

^{2/} Includes in-state pool shipments and California milk shipped into Federal Milk Marketing Orders. Excludes bonuses and premiums and exempt production.

Average Prices Paid Producers in California For Manufacturing Milk (Grade B), by Month, 2001-2005 ^{1/}

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
<i>Dollars Per Hundredweight</i>													
2001	11.23	11.42	13.12	13.67	15.31	15.93	15.87	16.51	17.08	13.23	12.26	12.55	14.01
2002	12.88	11.43	11.28	11.38	11.33	10.24	9.80	10.51	10.75	11.46	10.35	10.87	11.02
2003	10.89	10.47	9.80	10.23	10.37	10.29	12.93	13.65	13.95	13.34	12.42	12.18	11.71
2004	11.94	12.57	16.20	19.30	18.10	16.23	13.43	14.04	14.49	14.50	15.97	15.50	15.19
2005	15.52	14.95	14.64	14.94	13.98	14.47	14.67	14.39	15.51	15.25	14.48	14.89	14.81

^{1/} Prices are F.O.B. plant, at actual test.

Quota Summary

California Grade A milk producers are paid based on a system of quota and non-quota prices (pool prices). California's milk pooling system dates to 1968, when each producer with a market milk license was assigned a production base and Class 1 quota based on historical milk production during 1966 or 1967. Prior to 1968, market milk producers contracted with fluid handlers for specific volumes of milk. Since 1968, additional quota was made available to both new and existing producers. The amount of new quota allocated was based on increases in statewide Class 1 sales. Allocations to existing producers was according to the ratio of quota to production base. Specifically, to promote equity among producers, quota was allocated to "equalize" producers at a quota production base ratio of 95 percent. However, due to stagnant growth in Class 1 sales, equalization was occurring very slowly, and in 1978 a blanket allocation of new quota was made to equalize all producers holding production bases at that time. The Quota Reform legislation in 1993 introduced a fixed

price differential of \$1.70/cwt. between "quota" and "overbase" prices which changed the method of determining pool prices.

Quota and its associated base have always been freely transferable on the open market and can move anywhere in the state. A fairly active market exists for quota. Transactions are monitored by the Milk Pooling Branch which also oversees all pool operations. Quota selling prices are quoted on a per pound of solids-not-fat basis per day (formerly fat prior to the \$1.70 spread). Quota prices are related primarily to the difference between quota and overbase prices. The value of quota holdings statewide is estimated at about \$1.1 billion in 2005.

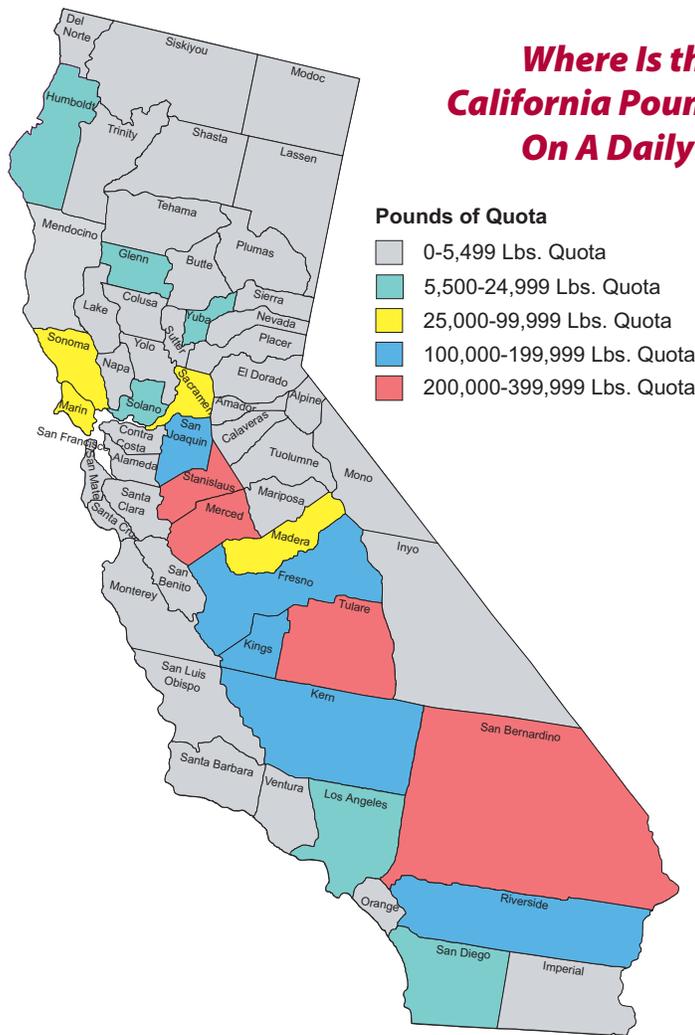
Producers can sell market milk without owning any quota. In this case, however, they receive the overbase price. In 2005, approximately 65% of all market milk producers held quota.

Summary of Quota Transfers, 2005

Effective 1st of the month	No. of Sellers	No. of Buyers	No. of Sales at 100%	Sales Without Cows			Total Quota Fat Transferred	Total Quota SNF Transferred	Average Ratio
				Low	Avg.	High			
January	6	9	3	\$464	\$471	\$475	1,918.49	4,771.43	2.49
February	4	7	3	\$460	\$472	\$480	1,347.57	3,361.17	2.49
March	4	5	2	\$465	\$473	\$475	1,344.28	3,324.77	2.47
April	8	12	6	\$465	\$475	\$487	7,465.01	18,212.97	2.44
May	7	8	7	\$475	\$488	\$527	2,044.10	4,984.99	2.44
June	4	4	4	\$457	\$472	\$483	1,348.40	3,361.02	2.49
July	2	4	2	\$475	\$475	\$475	1,059.26	2,504.73	2.36
August	4	5	3	\$475	\$486	\$491	1,832.28	4,405.04	2.40
September	6	7	4	\$412	\$470	\$485	2,399.84	5,859.81	2.44
October	7	7	3	\$465	\$484	\$507	936.72	2,291.88	2.45
November	5	4	5	\$475	\$484	\$510	729.82	1,859.86	2.55
December	8	7	6	\$480	\$490	\$500	2,288.76	5,305.44	2.32
TOTAL	65	79	48	\$464	\$478	\$491	24714.53	60243.11	2.45

* The average ratio is the relation of total quota fat to total quota SNF

Where Is the Quota



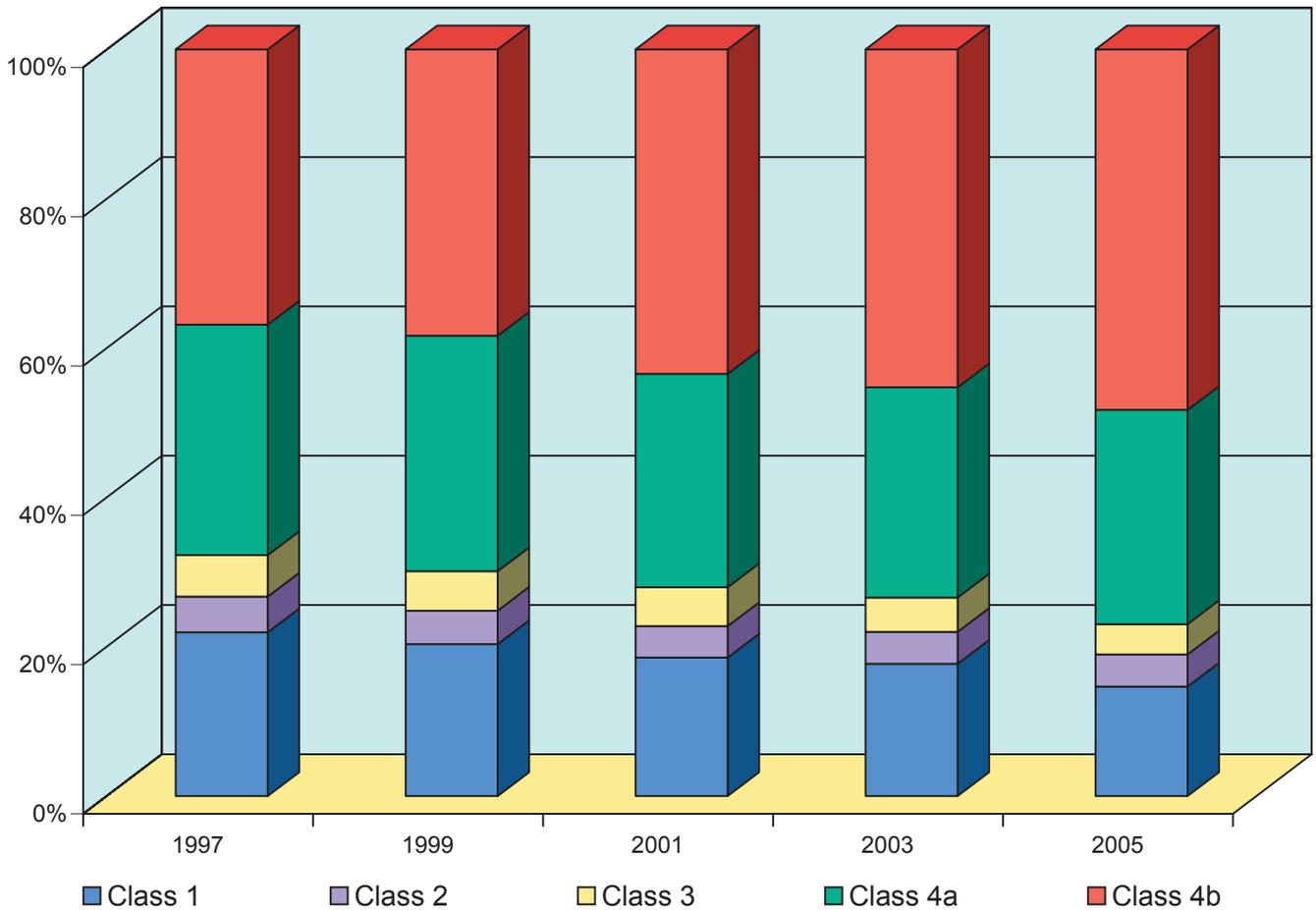
Where Is the Quota in California? California Pounds of Solids-Not-Fat Quota On A Daily Basis, December 2005

Annual Summary of Quota Transfers, 1996-2005

Year	No. of Sellers	No. of Buyers	Sales at 100%	Average Sales Without Cows	Total Quota Fat Transferred	Total Quota SNF Transferred
1996	139	149	102	\$315	29,086.35	71,205.08
1997	90	92	65	\$303	21,291.85	52,241.89
1998	107	137	86	\$323	31,029.44	76,122.48
1999	63	93	51	\$392	31,663.39	77,277.52
2000	73	110	55	\$410	29,600.23	71,275.67
2001	58	92	40	\$421	22,178.66	54,320.73
2002	53	64	39	\$445	18,046.56	43,611.70
2003	80	103	53	\$455	37,917.08	93,150.97
2004	72	108	62	\$457	31,579.91	77,498.39
2005	65	79	48	\$478	24,714.53	60,243.11

Market Milk Utilization

Utilization of Market Milk by Class California, 1997-2005



Between 1997 and 2005:

- Utilization of Class 4a has moved from approximately 1,014 million pounds to 1,275 million pounds on a total solids basis, an increase of 26 percent.
- Utilization of Class 4b has moved from approximately 1,212 million pounds to 2,144 million pounds on a total solids basis, an increase of 77 percent.
- Utilization of all market milk has moved from approximately 3,288 million pounds to 4,442 million pounds on a total solids basis, an increase of 35 percent.
- In total, Class 4a and 4b accounted for 77 percent of all milk available on a total solids basis in 2005.
- Class 1 representation of total milk, on a total solids basis, continued to decline, dropping from 22.2 percent in 1997 to 14.7 percent in 2005.

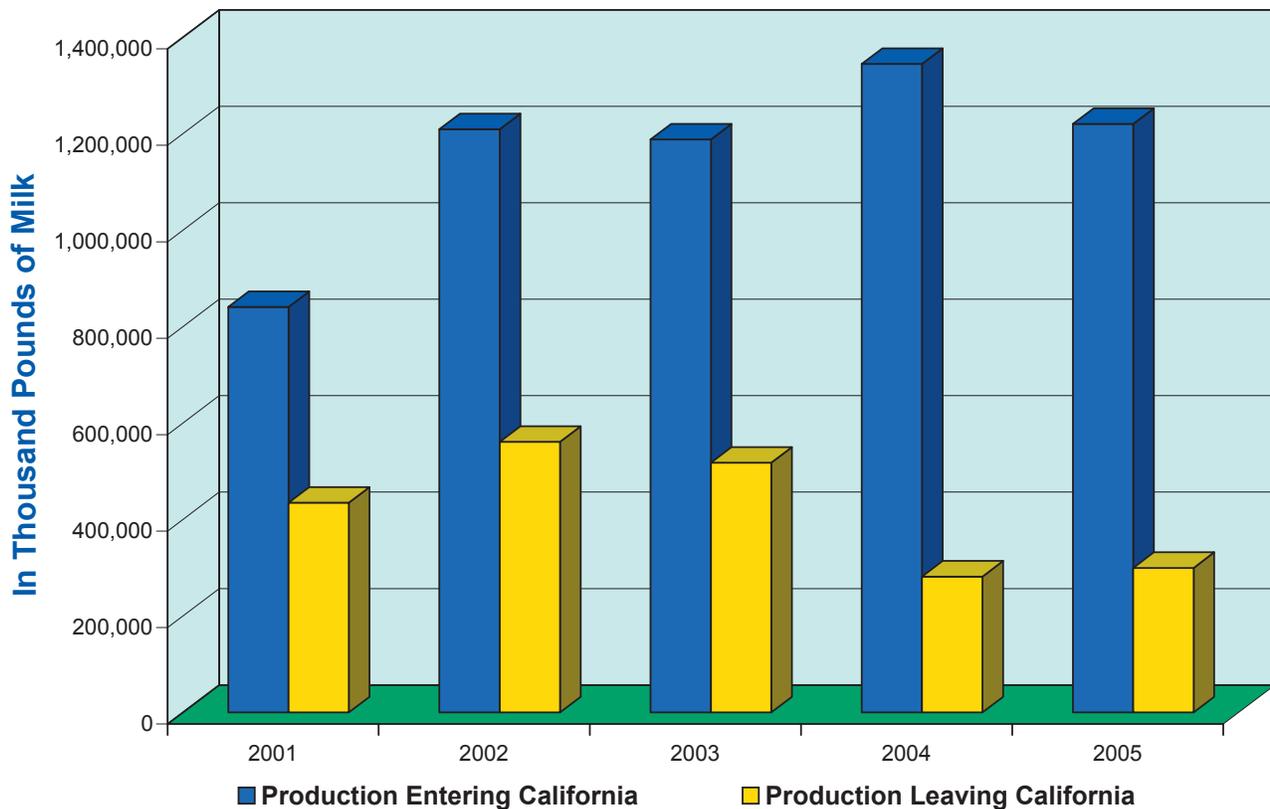


Pooled Milk and Net Milk Available

Net Milk Available in California

California Commercial Milk Production, Production Entering, Production Leaving, Net Milk Available, in Thousand Pounds, 2001-2005

Year	California Milk Production	Production Entering California	Production Leaving California	Net Milk Available in California
2001	33,183,393	840,655	434,823	33,738,766
2002	35,026,340	1,208,973	560,900	35,674,413
2003	35,393,369	1,187,717	514,266	36,066,820
2004	36,427,964	1,344,585	281,539	37,491,010
2005	37,521,450	1,220,251	299,443	38,442,258



Assessment Rates

CALIFORNIA DAIRY PRODUCER ASSESSMENT RATES

2005	POOL ADMIN FEE RATE (CWT)	MKT. MILK ADMIN. FEE RATE (CWT)	MFG. MILK ADMIN. FEE RATE (CWT)	DAIRY COUNCIL				MKT ORDER (MKT) RATE (CWT)	MKT ORDER (MFG) RATE (CWT)	MILK & DAIRY FOOD SAFETY (CWT)
				CLASS 1%		CLASS 1 RATE (CWT)	OTHER MILK RATE (CWT)			
				QUOTA FAT	QUOTA SNF					
JAN	0.011	0.010	0.012	36.93%	67.86%	0.0150	0.0060	0.001	0.001	0.0008
FEB	0.011	0.010	0.012	37.39%	67.71%	0.0150	0.0060	0.001	0.001	0.0008
MAR	0.011	0.010	0.012	37.57%	68.13%	0.0150	0.0060	0.001	0.001	0.0008
APR	0.011	0.010	0.012	35.74%	66.47%	0.0150	0.0060	0.001	0.001	0.0008
MAY	0.011	0.010	0.012	35.99%	66.91%	0.0150	0.0060	0.001	0.001	0.0008
JUN	0.011	0.010	0.012	36.64%	65.80%	0.0150	0.0060	0.001	0.001	0.0008
JUL	0.011	0.000	0.012	34.94%	61.84%	0.0150	0.0060	0.001	0.001	0.0008
AUG	0.011	0.000	0.012	37.35%	67.44%	0.0150	0.0060	0.001	0.001	0.0008
SEP	0.011	0.000	0.012	39.30%	72.36%	0.0150	0.0060	0.001	0.001	0.0008
OCT	0.011	0.000	0.012	37.37%	70.51%	0.0150	0.0060	0.001	0.001	0.0008
NOV	0.011	0.000	0.012	38.15%	70.19%	0.0150	0.0060	0.001	0.001	0.0008
DEC	0.011	0.000	0.012	37.17%	66.62%	0.0150	0.0060	0.001	0.001	0.0008

Milk Pooling Administration Fee: (.011 cents per hundredweight) - Funds used to administer the functions of the Milk Pooling Branch. Functions include:

- Pool and distribute milk revenue
- Establish the monthly quota and overbase prices
- Administer the registration and transfer of quota holdings
- Audit monthly reports of California plants to verify receipts and usage

Market Milk Administration Fee: (.0100 cents per hundredweight on Grade A milk) - Funds used to administer the functions of the Dairy Marketing Branch. Functions include:

- Establish the minimum farm price for milk
- Manage the Milk Producers Security Trust Fund
- License all milk handlers in the State
- Production and manufacturing cost audits
- California dairy industry statistics

- This assessment was suspended for part of 2005 due to sufficient operating reserves.

Manufacturing Milk Administration Fee: (.012 cents per hundredweight on Grade B milk) - Funds used for the same purpose as Market Milk Administration Fee above.

Dairy Council Fee (DCC): (Class 1 milk .015 cents per hundredweight, other milk .006 cents per hundredweight)- Funds used to administer the functions of the Dairy Council. This program's function is to provide nutrition education materials that show the role of dairy products in a balanced diet.

California Milk Advisory Board Fee (CMAB): (Market milk, 10 cents per hundredweight) - Funds used to administer the functions of the California Milk Advisory Board. This program is involved in advertising, promotion and research. This program promotes all dairy products, with a current emphasis on cheese.

California Manufacturing Milk Advisory Board Fee (CMMAB): (Manufacturing milk, 10 cents per hundredweight on Grade B milk). This program is similar to CMAB but does not promote fluid milk products because fluid milk products cannot contain Grade B milk.

Milk and Dairy Foods Safety Fee: (.0008 cents per hundredweight) - Funds used for the testing of milk fat, solids not fat and the weighing and sampling of market milk delivered to handlers by producers.

National Dairy Promotion and Research Board (NDPRB): (.05 cents per hundredweight on all milk) - Funds used to administer the functions of the NDPRB, a federal program. This program conducts promotions and research activities on behalf of all United States dairy farmers.