



What does the Dairy Marketing Branch do?

The Dairy Marketing Branch promotes, fosters and encourages sound production and marketing of milk that reflect market conditions by resolving critical policy issues. The Branch is organized into several smaller units, each of which concentrates on a specific area of work but contributes to the overall agenda of the Branch. For example, economists, auditors and milk production cost analysts prepare information that is used to set minimum farm marketing milk prices each month. These data may also be used during public hearings that are held periodically to allow for public input on the pricing system.

Individual Units in Brief

Cost of Production

As mandated by the Food and Agricultural Code, the Department of Food and Agriculture (Department) must consider the cost of producing and marketing Grade A milk when establishing prices. To accomplish this objective, the Cost of Production unit within the Dairy Marketing Branch surveys about 200 dairies to obtain costs by individual categories associated with milk production. The data collected from the participating dairies are combined to generate quarterly cost of production indexes.

Cost of production surveys cover the four principal production areas in the state: North Coast, North Valley, South Valley, and Southern California.

The most important categories contributing to the overall cost index are feed, labor, operating costs, herd replacement costs, and marketing costs. In addition, the Department must also consider the cost of management and a reasonable return on investment.

Manufacturing Cost

The Food and Agricultural Code requires the Department of Food and Agriculture to collect and to summarize cost data from California dairy manufacturing plants. Any plant that produces class 4a or 4b products may be asked to participate in the cost studies. The data from the cost studies are used to establish reasonable manufacturing cost allowances and, in the case of nonfat dry milk (NFDm), to assist in the establishment of a price for 4a milk.

The Manufacturing Cost Unit within the Dairy Marketing Branch is responsible for collecting cost data from butter, NFDm, and Cheddar cheese plants. Each plant in a study submits cost data for a recent 12-month period but most of the plants submit data for the most recent calendar year.

Enforcement

The Dairy Marketing Branch (DMB) of the California Department of Food and Agriculture (CDFA) is responsible for enforcing regulations pertaining to marketing and trade practices associated with distribution of milk and dairy products. The Food and Agricultural Code describes regulated business practices and the affected parties, which include manufacturers, distributors, producers, wholesale customers, and brokers. These regulations were adopted to maintain an orderly and stable market for milk and dairy products by discouraging marketing tactics that may cause sudden market price fluctuations. The laws also deter the formation of monopolies in the wholesale and retail sectors of the dairy industry, which if left unmonitored, could lead to discriminatory practices and predatory pricing designed to force competitors out of business.

The Enforcement Unit of the DMB performs investigations to verify handler compliance with the dairy industry regulations set forth in the Food and Agricultural Code. If violations are discovered, DMB may exercise its authority to take enforcement actions.

Statistics

Information is essential in today's business world. Information that is collected and published by an unbiased third party is viewed as a valuable resource. The Department of Food and Agriculture provides that valuable resource to California's Dairy Industry and all interested parties.

The Dairy Marketing Branch's Statistics Unit collects and compiles information on the production and utilization of dairy products produced in California. This information is supplied on a monthly basis by the milk processors and handlers in the state. Data is analyzed and is used to establish the minimum farm price. Some of the data is summarized and published in publicly available reports.

Economics

The Economics Unit works closely with the Cost of Production, Manufacturing Cost and Statistics Units and uses many of information resources provided to develop reports and analyses. Some of the frequently used information includes monthly data for milk production, milk utilization and production of manufactured dairy products. The Economics Unit is responsible for establishing the monthly minimum farm prices that are published in the price letter. In addition, the Unit also researches and publishes policy issues and alternatives. During public hearings to amend the Milk Stabilization Plans, personnel from the Economics Unit typically sit on the Hearing Panel and receive testimony from witnesses.