



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

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TO ALL INTERESTED PARTIES:

Enclosed is a copy of the skim whey powder processing costs for selected periods between January 2002 and October 2003. The processing cost data does not include the cost of raw product nor does it include any cost of marketing finished product.

The cost data are presented in a table that shows actual weighted-average cost of the four plants. Cost includes packaging, processing labor, processing non-labor, general and administrative cost, and return on investment.

Should you have any questions regarding this material, please contact Eric Erba or me at the telephone number or e-mail address above.

Sincerely,

Edward Hunter
Supervising Auditor I

Enclosure

Skim Whey Powder Processing Costs

Released April 2004

1. Manufacturing cost data was collected and summarized from 4 California skim whey powder plants. The 4 plants processed 106.8 million pounds of skim whey powder during the study period, representing 75% of the skim whey powder processed in California in 2003.
2. The processing costs summarized in this study were incurred during a 22-month period, starting in January 2002 and concluding in October 2003.
3. The "Processing Non-Labor" category includes costs such as utilities, repairs and maintenance, supplies, depreciation and rent.
4. The volume total includes skim whey powder packaged in container sizes of 25 kg and 50 lb. bags.
5. To obtain the weighted average, individual plant costs were weighted by their skim whey powder processing volume relative to the total volume of skim whey powder processed by all plants involved in the cost study.
6. The current manufacturing cost allowance for skim whey powder is \$0.17 per pound. All four plants processed skim whey powder at costs higher than the manufacturing cost allowance.

<u>Cost Groups</u>	<u>Number of Plants</u>	<u>Processing Labor</u>	<u>Processing Non-Labor</u>	<u>Package</u>	<u>General & Administrative</u>	<u>Return on Investment</u>	<u>Total Cost</u>	<u>Volume in Group</u>
		-----dollars per pound of powder-----						
Weighted Average	4	\$0.0681	\$0.1579	\$0.0134	\$0.0033	\$0.0248	\$0.2675	106,758,368

Summary Statistics

Range	{	Minimum	\$0.0309	\$0.1052	\$0.0091	\$0.0013	\$0.0083
		Maximum	\$0.1031	\$0.3149	\$0.0218	\$0.0063	\$0.0336