

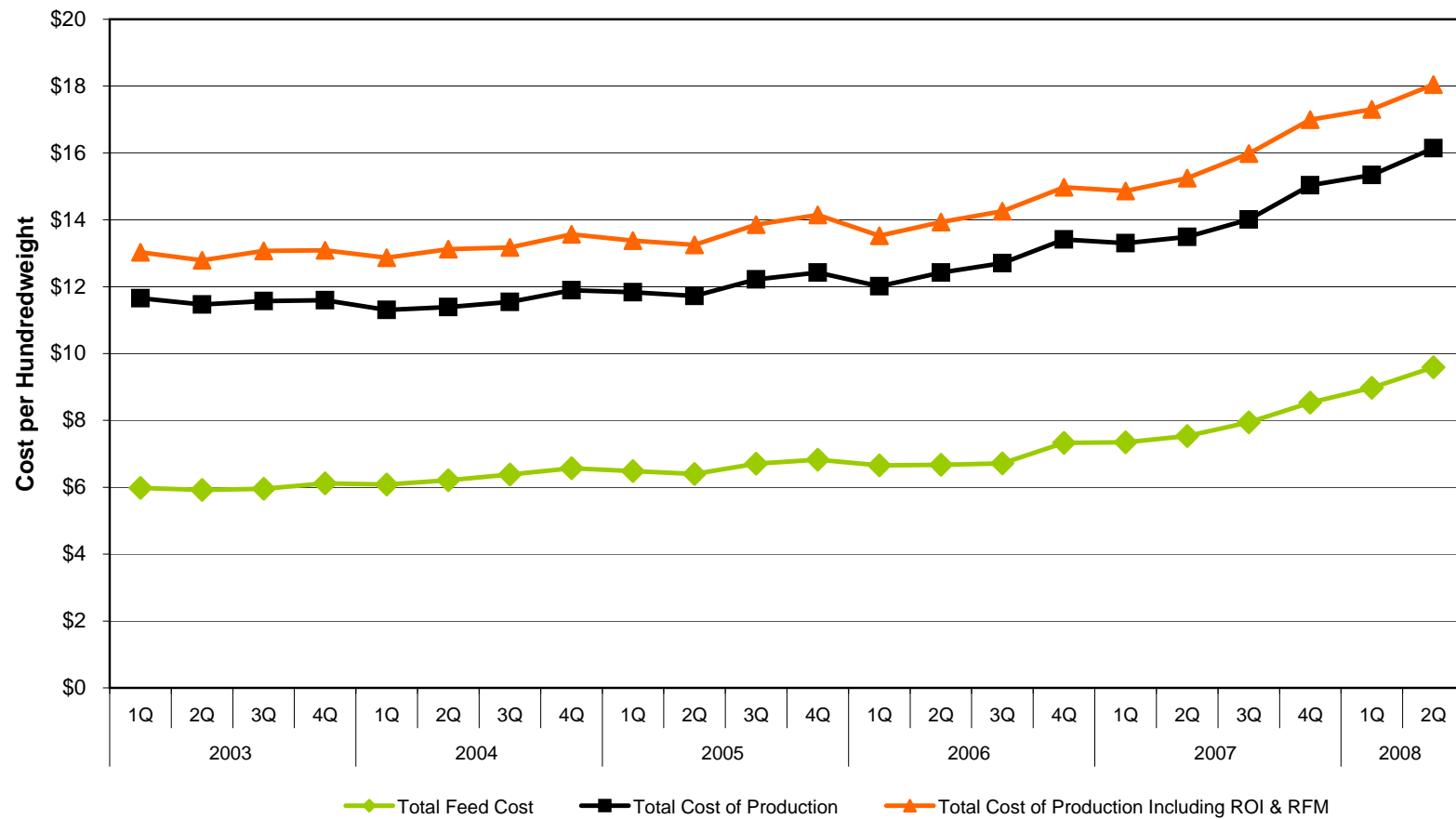
# Background Material For Class 1, 2, and 3 Hearing

## October 15, 2008 Workshop In Preparation for the October 30 and 31, 2008 Hearing

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**Figure 1 - California Cost of Production**

Based on California Cost of Production Survey  
Quarterly, January 2003 through June 2008



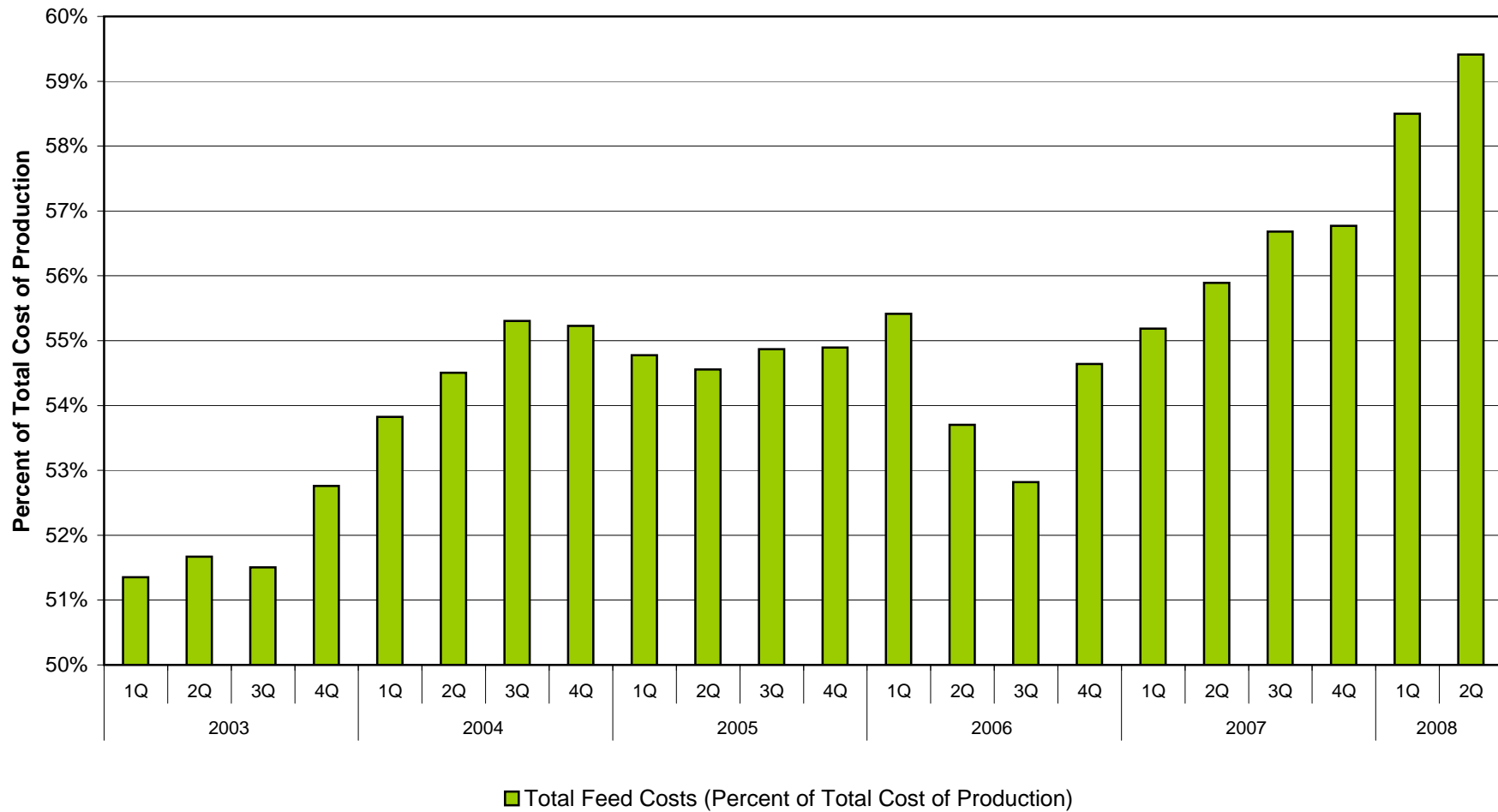
ROI - Return on Investment  
RFM - Return For Management

Data Source: CDFA Dairy Marketing Branch

**Figure 2 - Total Feed Cost as Percentage of Total Cost of Production**

Based on California Cost of Production Survey

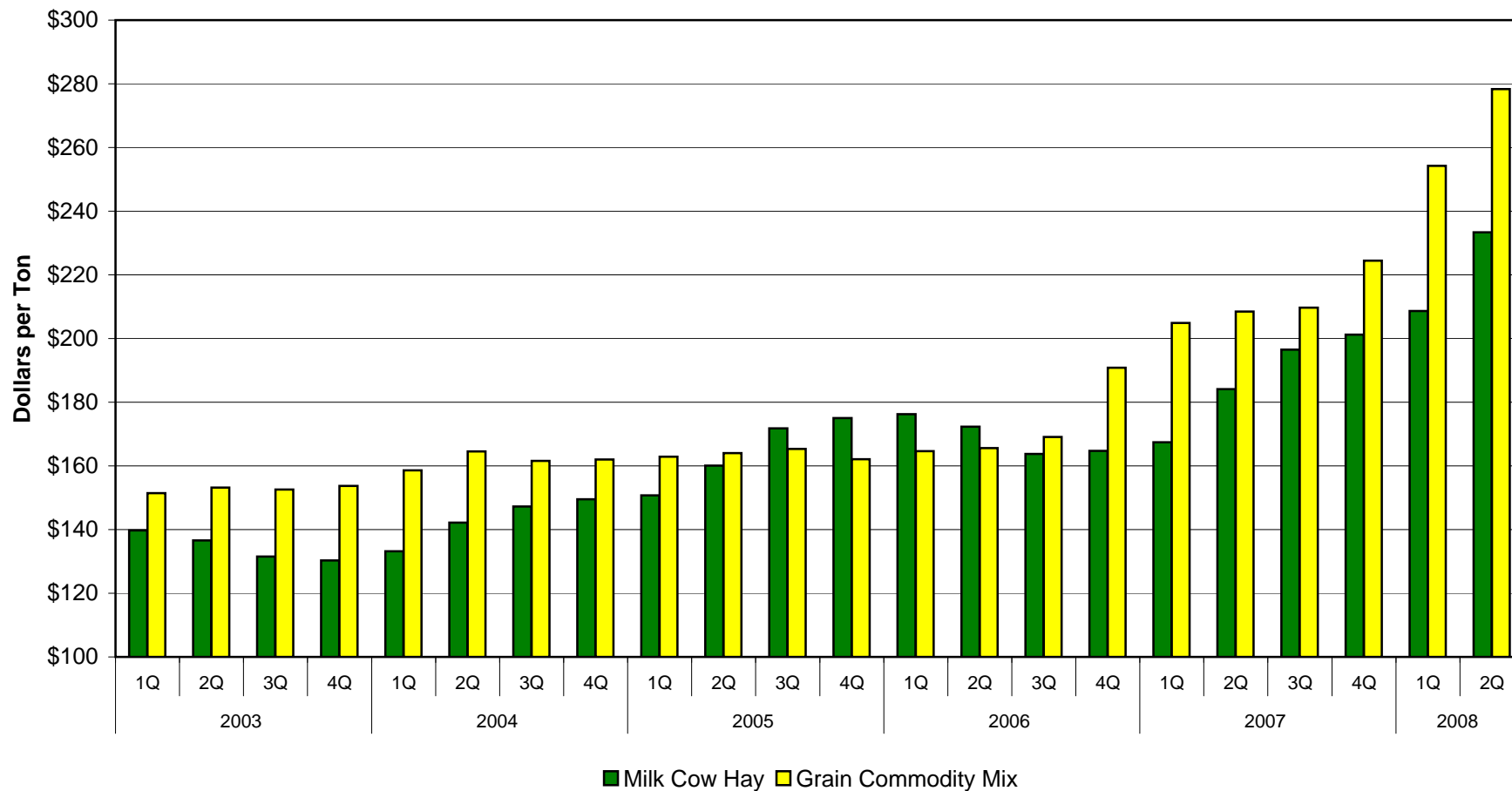
Quarterly, January 2003 through June 2008



Data Source: CDFA Dairy Marketing Branch

**Figure 3 - California Milk Cow Hay & Grain Mix Prices<sup>1</sup>**

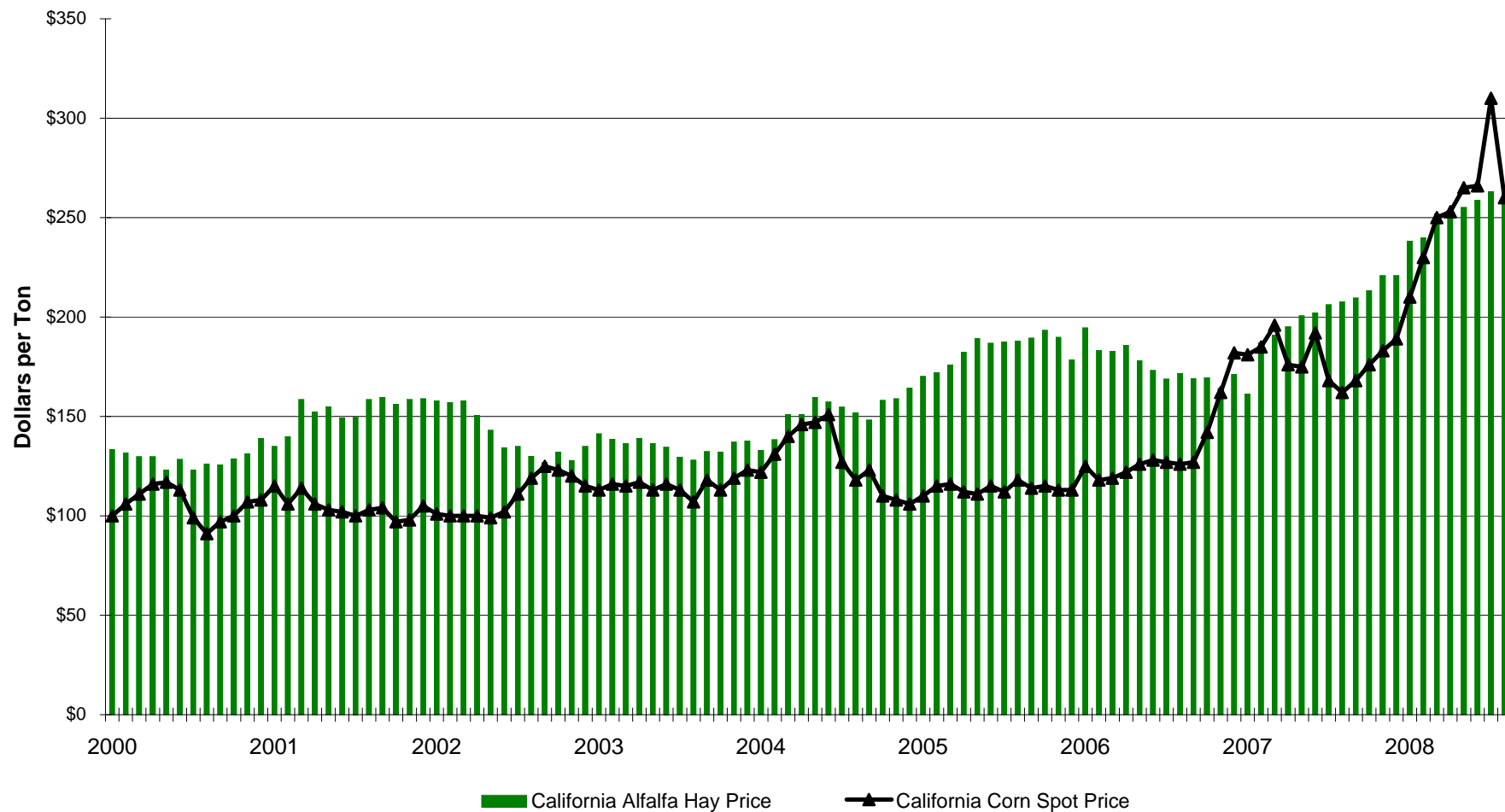
Based on California Cost of Production Survey  
Quarterly, January 2003 through June 2008



<sup>1</sup> Survey of average prices for hay & grain mix fed by California producers.

Data Source: CDFA Dairy Marketing Branch

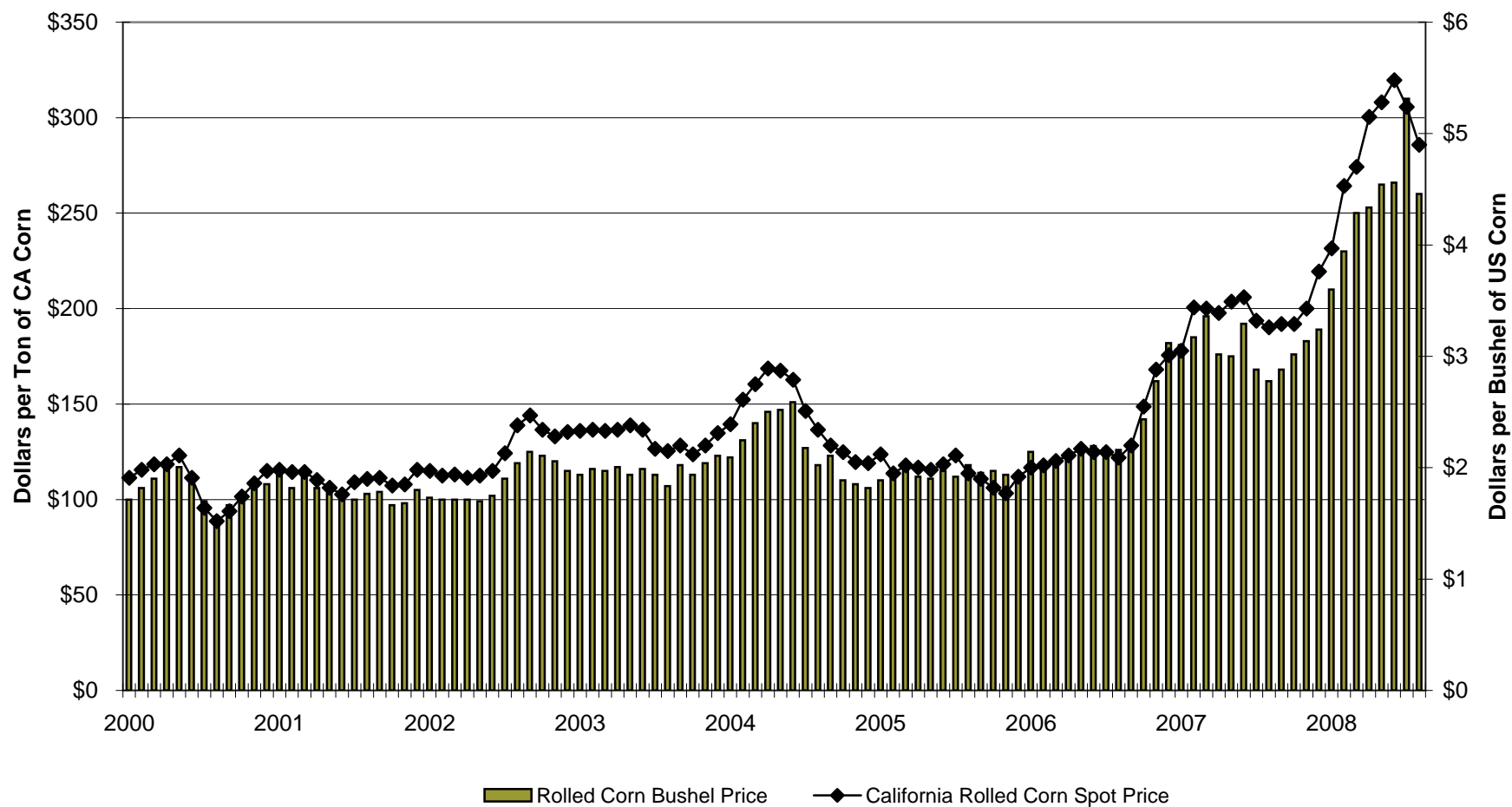
**Figure 4 - California Alfalfa Hay Price<sup>1</sup> and California Corn Spot Prices<sup>2</sup>**  
 Monthly, January 2000 through August 2008



<sup>1</sup> USDA Market News - Monthly Avg. Price at Tulare-Visalia-Hanford-Bakersfield

<sup>2</sup> California Spot Price for Rolled Corn Delivered: Western Milling

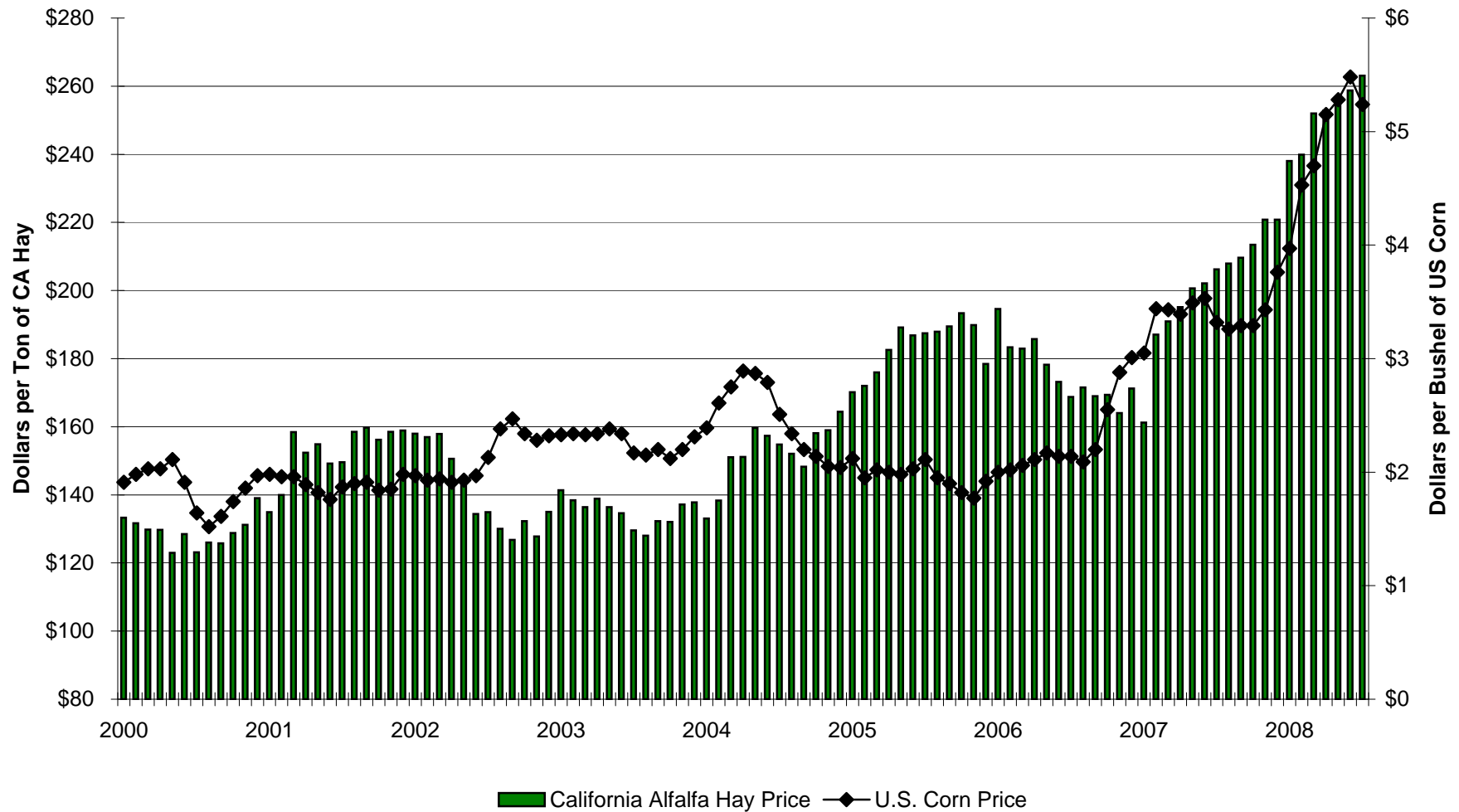
**Figure 5 - U.S. Corn Price Per Bushel<sup>1</sup> Compared to California Corn Spot Price Delivered<sup>2</sup>**  
 Monthly, January 2000 through July 2008



1 NASS Agriculture Prices - US

2 California Spot Price for Rolled Corn Delivered: Western Milling

**Figure 6 - US Corn Price<sup>1</sup> and California Alfalfa Hay Price<sup>2</sup>**  
 Monthly, January 2000 through July 2008



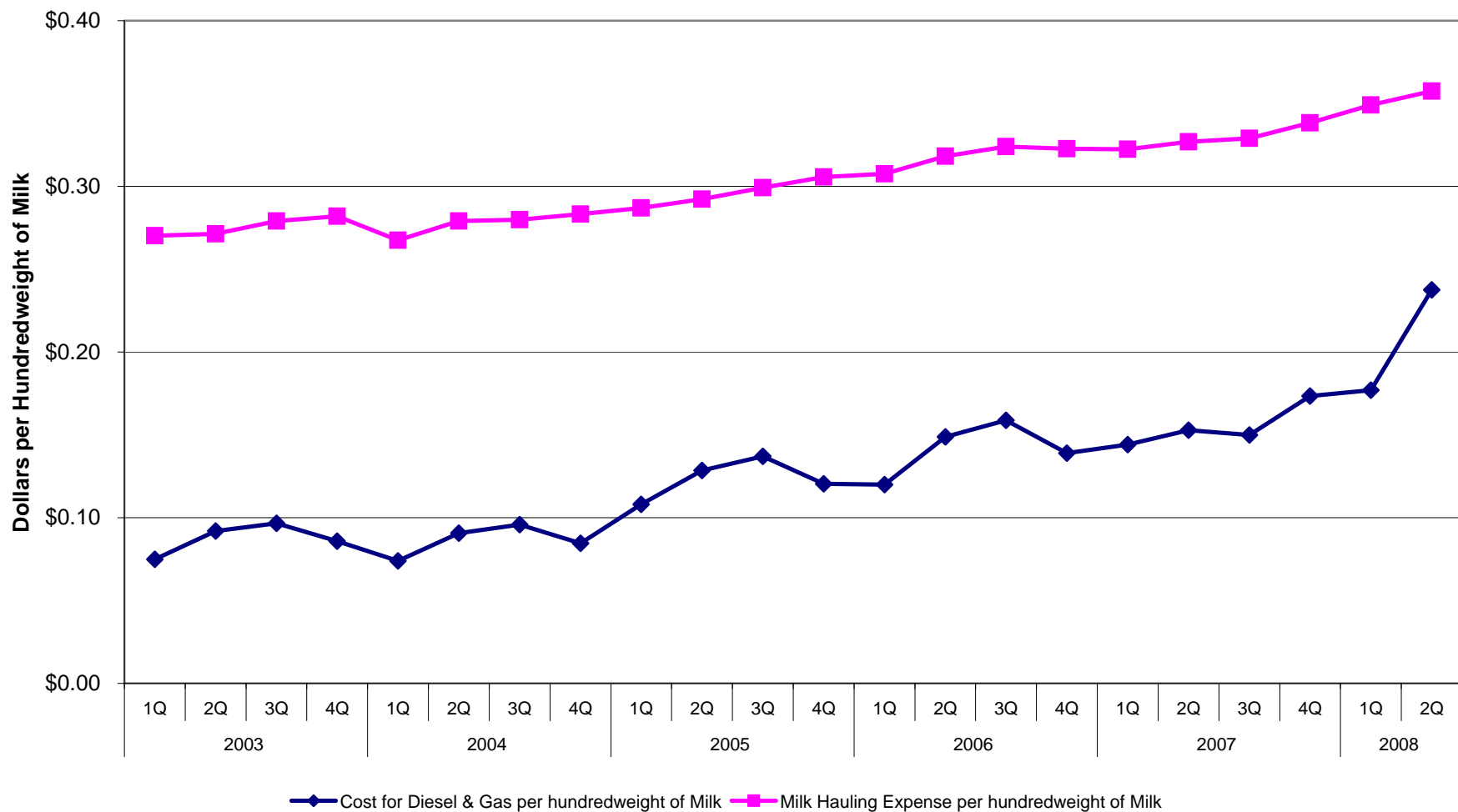
1 NASS Agriculture Prices - US

2 USDA Market News - Monthly Avg. Price at Tulare-Visalia-Hanford-Bakersfield

**Figure 7 - Diesel & Gas and Milk Hauling Expense of California Dairy Farms**

Based on California Cost of Production Survey

Quarterly, January 2003 through June 2008

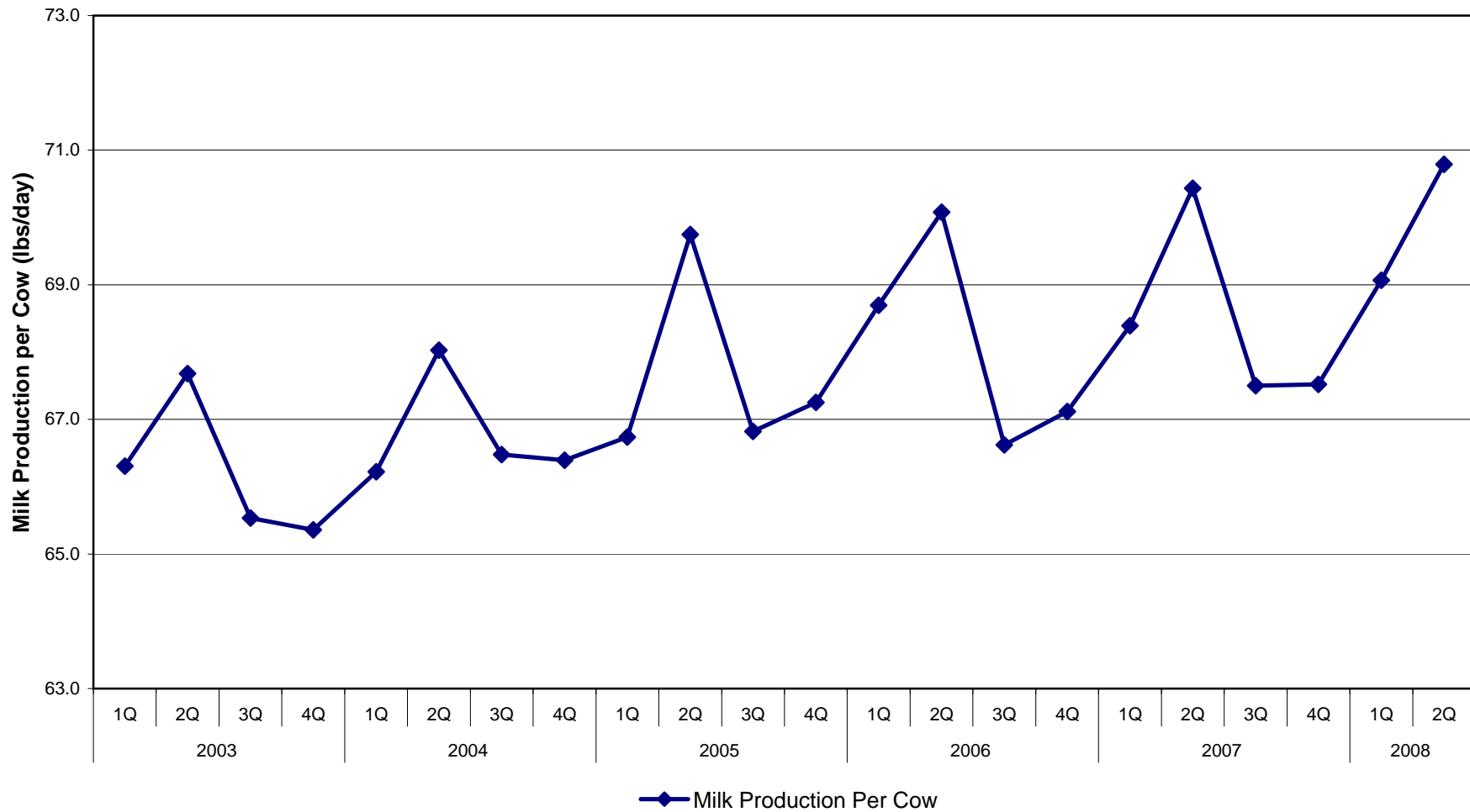


Data Source: CDFA Dairy Marketing Branch



**Figure 8 - Milk Production Per Cow (Pounds Per Day)**

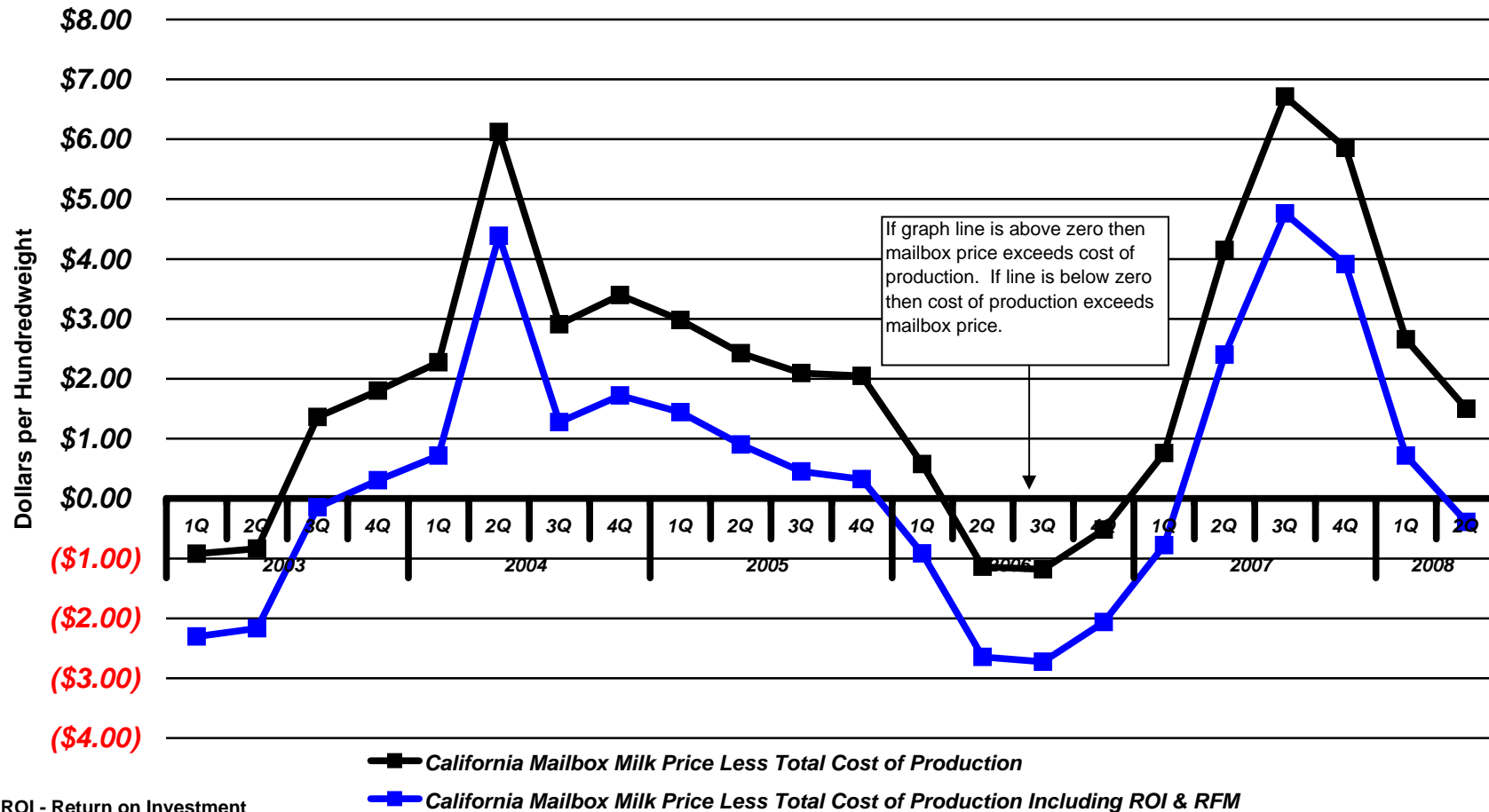
Based on California Cost of Production Survey  
Quarterly, January 2003 through June 2008



Data Source: CDFA Dairy Marketing Branch

**Figure 9 - Difference Between "Adjusted" California Mailbox Milk Price<sup>1</sup> and California  
Cost of Production**

Based on California Production Cost Survey  
Quarterly, January 2003 through June 2008

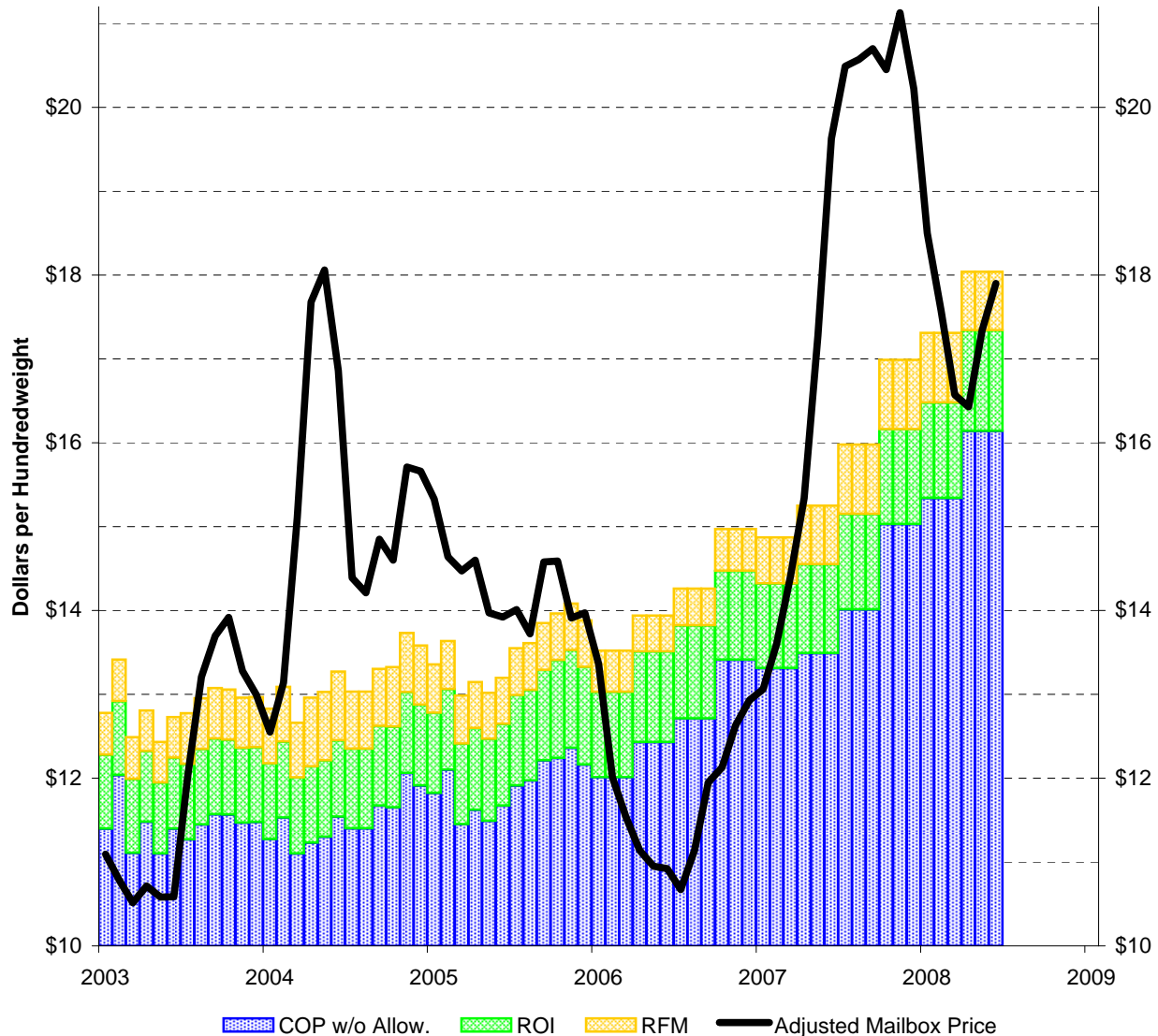


ROI - Return on Investment  
RFM - Return on Management

<sup>1</sup> See footnote for figure 10 for definition of "Adjusted" CA Mailbox Price.

Data Source: CDFA Dairy Marketing Branch

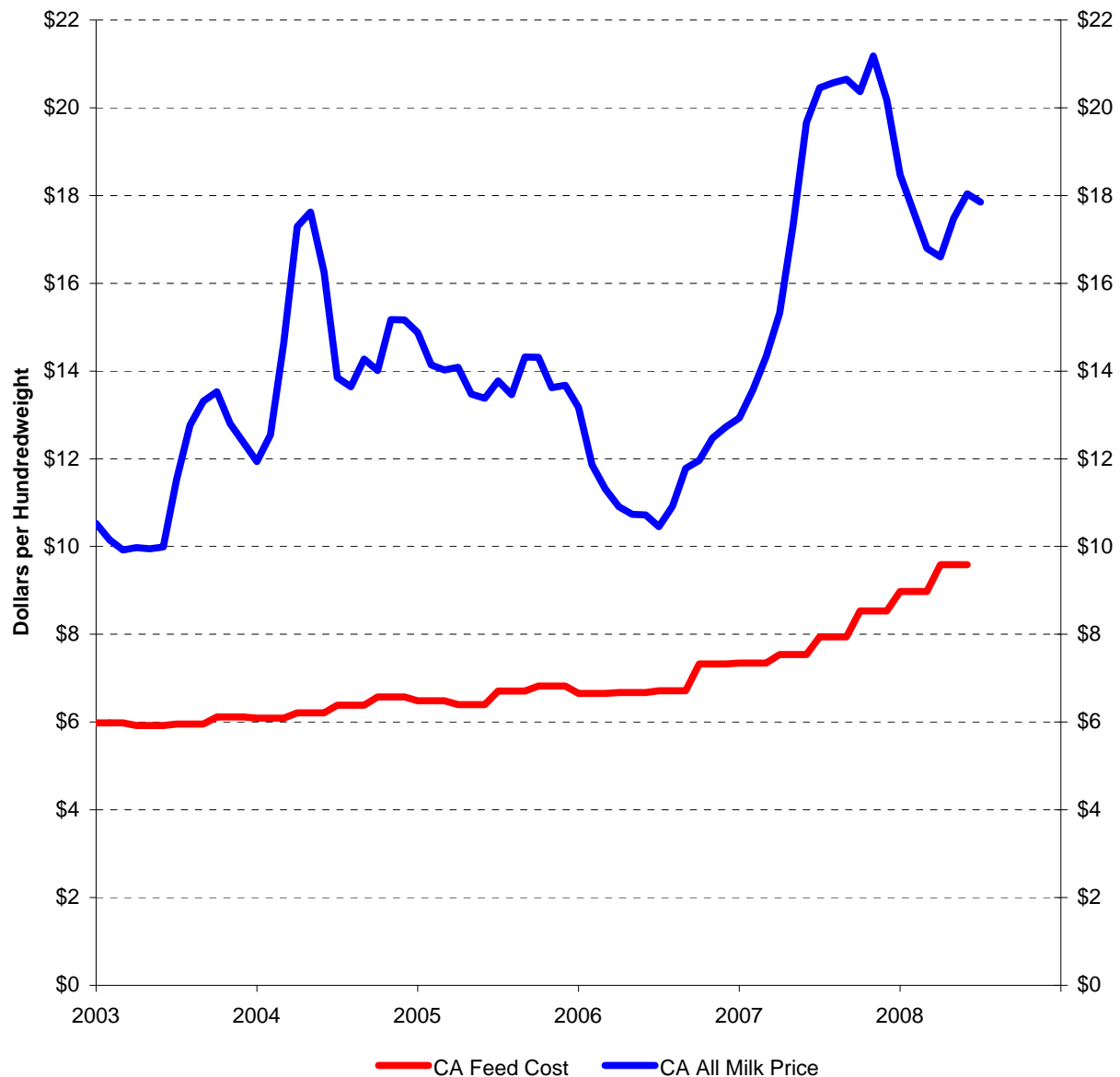
**Figure 10 - California on Farm Cost of Production  
and "Adjusted" Mailbox Prices, January 2003 through June 2008**



- **Cost of Production without Allowances for ROI and RFM (COP w/o Allow.):** "Includes total feed costs, total hired labor costs, total replacement costs (less sales), total operating costs, and total milk marketing costs." Excludes Return on Investment (ROI) and Return for Management (RFM)
- **Return on Investment (ROI):** "A remaining book value figure for each asset is calculated by subtracting accumulated depreciation from the original cost of the asset. The remaining book value is then multiplied by the Mood's Baa Corporate Bond Index."
- **Return for Management (RFM):** "A flat 4 percent times the pool blend price."
- **Adjusted Mailbox Price:** "Total receipts (receipts includes gross dollars, quality payments, component premiums, yield premiums, seasonal bonuses, monthly distribution of cooperative earnings) less marketing costs and assessments" Adjusted by addition of marketing costs which are included in Cost of Production (i.e., no double counting)

*All data from Cost of Production Unit Surveys, Dairy Marketing Branch, CDFA*

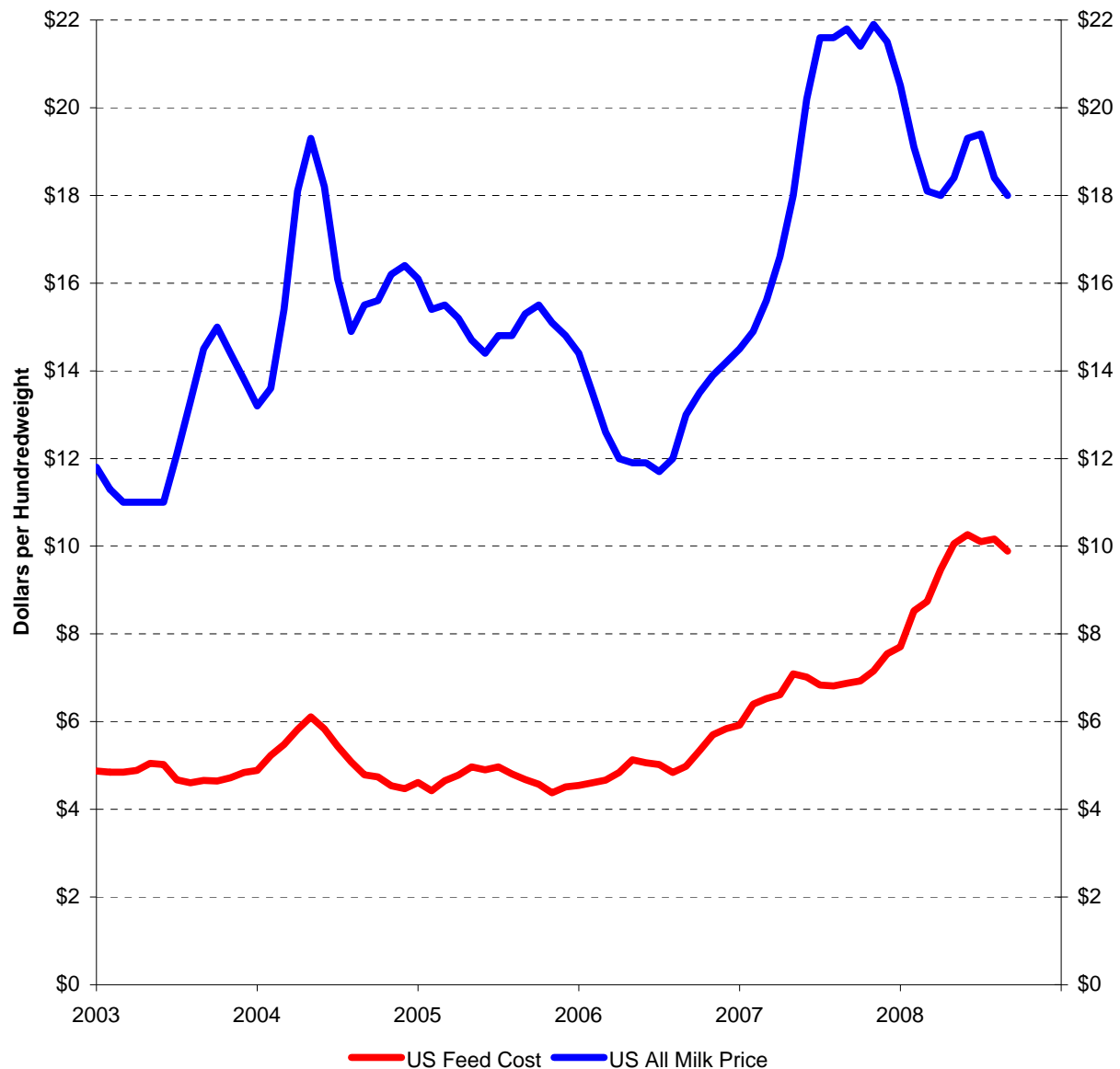
**Figure 11 - California All Milk Prices and California Feed Costs, Monthly, January 2003 through June 2008**



- All Milk Price: "Prices are F.O.B. plant, at actual test. Includes in-state pool shipments, and California milk shipped into a Federal Milk Marketing Order."
- Feed Cost: "All feed costs attributed to the dairy enterprise, includes: Dry Roughage, Wet Feed, Wet Roughage, Concentrates, Mineral, Supplements, and Pasture"

*All data from Dairy Marketing Branch, CDFA*

**Figure 12 - National All Milk Prices and National Feed Costs, U.S.,  
Monthly, January 2003 through September 2008**



- All Milk Price: "Prices Received by Farmers before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies."
- Feed Cost: "16% Mixed Dairy Feed - The price of commercial prepared dairy feed is based on current U.S. prices received for corn, soybeans, and alfalfa. The modeled feed uses 51 percent corn, 8 percent soybeans, and 41 percent alfalfa."

*All data from Agricultural Statistics Board, USDA-NASS*

**Figure 13 - U.S. WEEKLY AVERAGE CRUDE OIL PRICES**  
West Texas Intermediate Crude, January 2000 through September 2008



Source: US Department of Energy

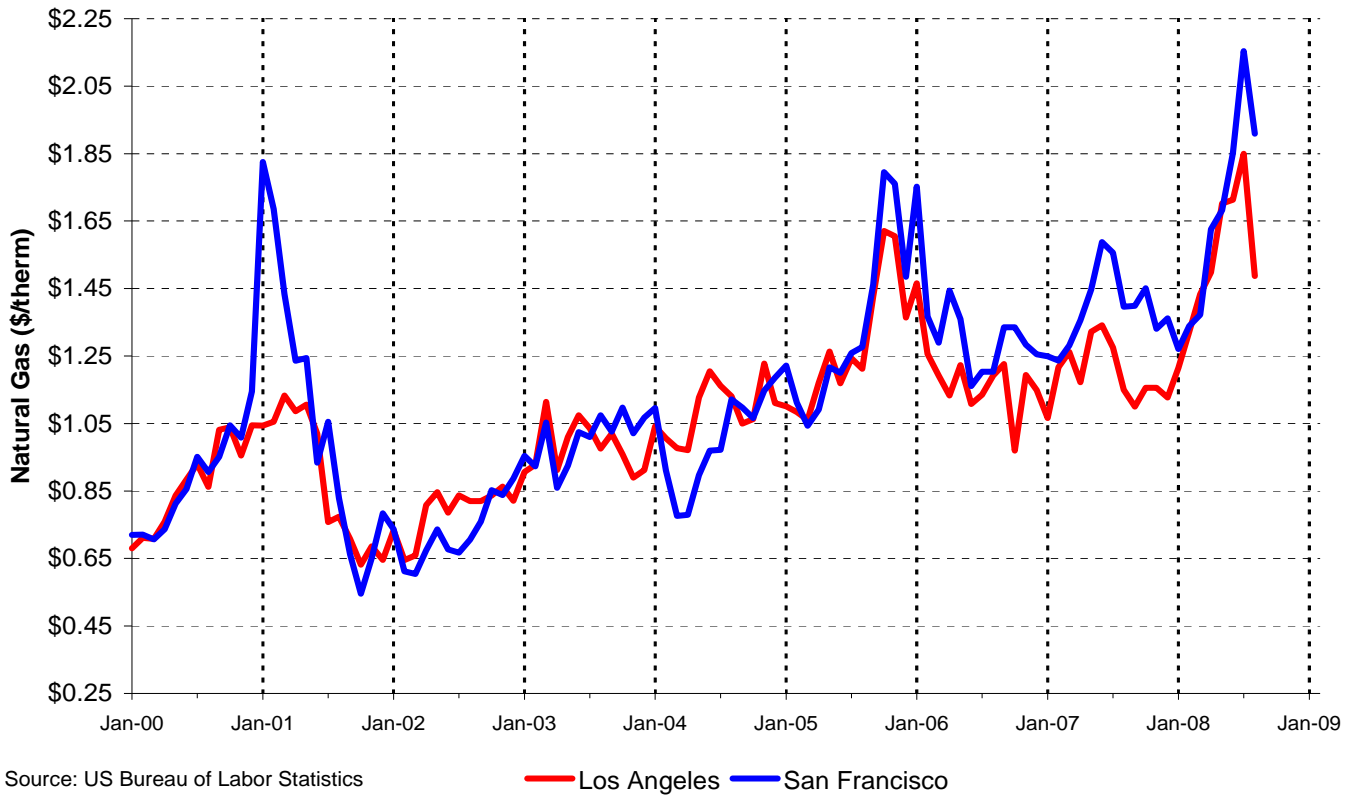
**Figure 14 - CA WEEKLY AVERAGE DIESEL PRICES**  
California Retail On-highway, January 2000 through September 2008



Source: US Department of Energy

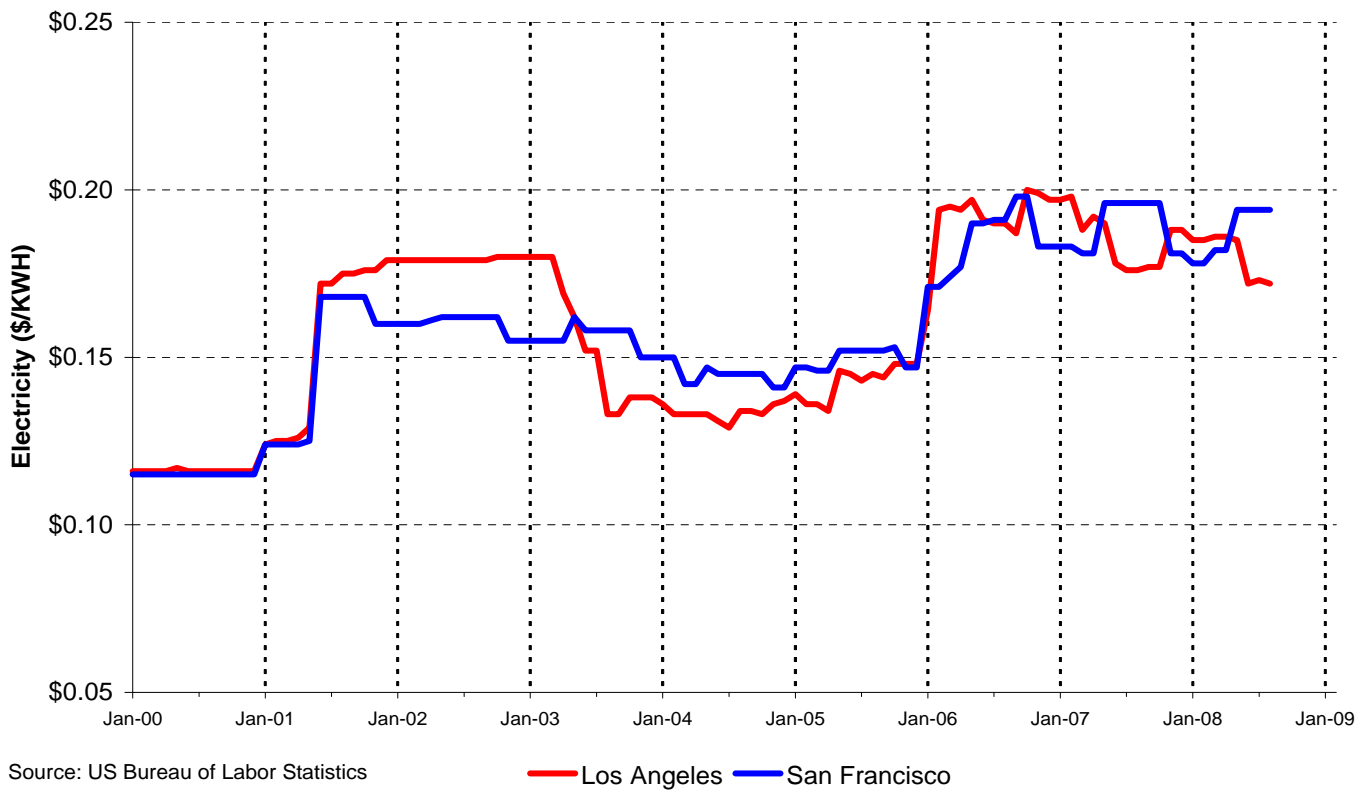
**Figure 15 - CA MONTHLY AVERAGE NATURAL GAS PRICES**

Residential Unit Prices in Los Angeles and San Francisco  
January 2000 through August 2008



**Figure 16 - CA MONTHLY AVERAGE ELECTRICITY PRICES**

Residential Unit Prices in Los Angeles and San Francisco  
January 2000 through August 2008



**Table 1 - Comparison of Historic<sup>1/</sup> Raw Product Prices for  
Whole Milk,<sup>2/</sup> Yogurt,<sup>3/</sup> and Ice Cream<sup>4/</sup> in California and Contiguous States  
Annual Averages and 69-Month Averages  
January 2003 to September 2008**

| Whole Milk           |                                    |                                |                                 |                                    |                               |                            |
|----------------------|------------------------------------|--------------------------------|---------------------------------|------------------------------------|-------------------------------|----------------------------|
| YEAR                 | Southern<br>California<br>(\$/gal) | Phoenix<br>Arizona<br>(\$/gal) | Las Vegas<br>Nevada<br>(\$/gal) | Northern<br>California<br>(\$/gal) | Medford<br>Oregon<br>(\$/gal) | Reno<br>Nevada<br>(\$/gal) |
| 2003                 | \$1.18                             | \$1.18                         | \$1.10                          | \$1.16                             | \$1.14                        | \$1.16                     |
| 2004                 | \$1.44                             | \$1.49                         | \$1.41                          | \$1.41                             | \$1.45                        | \$1.41                     |
| 2005                 | \$1.38                             | \$1.44                         | \$1.36                          | \$1.35                             | \$1.40                        | \$1.35                     |
| 2006                 | \$1.14                             | \$1.22                         | \$1.14                          | \$1.12                             | \$1.19                        | \$1.12                     |
| 2007                 | \$1.73                             | \$1.76                         | \$1.68                          | \$1.70                             | \$1.72                        | \$1.70                     |
| Jan 2008 - Sept 2008 | \$1.78                             | \$1.80                         | \$1.72                          | \$1.76                             | \$1.77                        | \$1.74                     |
| 69-Month Average     | \$1.43                             | \$1.47                         | \$1.39                          | \$1.40                             | \$1.43                        | \$1.40                     |

| Yogurt               |                                    |                                |                                    |                               |
|----------------------|------------------------------------|--------------------------------|------------------------------------|-------------------------------|
| YEAR                 | Southern<br>California<br>(\$/gal) | Phoenix<br>Arizona<br>(\$/gal) | Northern<br>California<br>(\$/gal) | Medford<br>Oregon<br>(\$/gal) |
| 2003                 | \$0.19                             | \$0.19                         | \$0.18                             | \$0.19                        |
| 2004                 | \$0.21                             | \$0.22                         | \$0.20                             | \$0.21                        |
| 2005                 | \$0.22                             | \$0.23                         | \$0.22                             | \$0.22                        |
| 2006                 | \$0.20                             | \$0.21                         | \$0.20                             | \$0.21                        |
| 2007                 | \$0.32                             | \$0.37                         | \$0.32                             | \$0.36                        |
| Jan 2008 - Sept 2008 | \$0.33                             | \$0.33                         | \$0.33                             | \$0.31                        |
| 69-Month Average     | \$0.24                             | \$0.26                         | \$0.24                             | \$0.25                        |

| Ice Cream            |  |                                    |  |                                   |
|----------------------|--|------------------------------------|--|-----------------------------------|
| YEAR                 | Southern<br>California<br>(\$/1/2-gal) | Phoenix<br>Arizona<br>(\$/1/2-gal) | Northern<br>California<br>(\$/1/2-gal) | Medford<br>Oregon<br>(\$/1/2-gal) |
| 2003                 | \$0.43                                 | \$0.45                             | \$0.43                                 | \$0.44                            |
| 2004                 | \$0.60                                 | \$0.64                             | \$0.60                                 | \$0.64                            |
| 2005                 | \$0.58                                 | \$0.59                             | \$0.58                                 | \$0.58                            |
| 2006                 | \$0.48                                 | \$0.49                             | \$0.48                                 | \$0.48                            |
| 2007                 | \$0.63                                 | \$0.70                             | \$0.63                                 | \$0.67                            |
| Jan 2008 - Sept 2008 | \$0.63                                 | \$0.66                             | \$0.63                                 | \$0.64                            |
| 69-Month Average     | \$0.55                                 | \$0.59                             | \$0.55                                 | \$0.57                            |

<sup>1/</sup> Raw product prices are historic announced prices only.

<sup>2/</sup> Assumes whole milk is 3.5% fat, 8.7% snf, 8.6 lb./gallon

<sup>3/</sup> Assumes yogurt is 1% fat, 10% snf, 2.1625 lb./quart

<sup>4/</sup> Assumes ice cream is 10% fat, 10% snf, 2.25 lb./1/2-gallon



**Table 2 - A.C. Nielsen Whole Milk Retail Prices, Selected Cities  
Average Annual Prices (\$/Gallon)**

| <b>Year</b>                | <b>Los Angeles</b> | <b>San Diego</b> | <b>Las Vegas</b> | <b>Phoenix</b> |
|----------------------------|--------------------|------------------|------------------|----------------|
| <b>2003</b>                | \$2.77             | \$2.71           | \$2.57           | \$2.12         |
| <b>2004</b>                | \$3.06             | \$3.03           | \$2.78           | \$2.54         |
| <b>2005</b>                | \$2.84             | \$2.81           | \$2.88           | \$2.46         |
| <b>2006</b>                | \$2.64             | \$2.61           | \$2.72           | \$2.18         |
| <b>2007</b>                | \$3.25             | \$3.26           | \$3.25           | \$2.58         |
| <b>Jan 2008 - Aug 2008</b> | \$3.42             | \$3.43           | \$3.38           | \$2.92         |

| <b>Year</b>                | <b>Sacramento</b> | <b>San Francisco</b> | <b>Portland</b> | <b>Seattle</b> |
|----------------------------|-------------------|----------------------|-----------------|----------------|
| <b>2003</b>                | \$2.94            | \$2.93               | \$2.77          | \$3.13         |
| <b>2004</b>                | \$3.27            | \$3.26               | \$3.04          | \$3.50         |
| <b>2005</b>                | \$3.03            | \$3.11               | \$2.98          | \$3.17         |
| <b>2006</b>                | \$2.81            | \$2.91               | \$2.49          | \$2.79         |
| <b>2007</b>                | \$3.39            | \$3.55               | \$2.82          | \$3.05         |
| <b>Jan 2008 - Aug 2008</b> | \$3.58            | \$3.77               | \$3.05          | \$3.21         |

Source: A. C. Nielsen Scantron Reports

**Table 3 - ANNUAL AVERAGE FLUID MILK PRICES FOR 2007 - HISTORIC**  
**California Class 1 Prices Compared to Class I Prices in Contiguous States**

|                                | <u>So.Calif.</u> | <u>No. Calif.</u> | <u>Wt. Ave.</u><br><u>Calif.</u> | <u>Northwest</u><br><u>Nevada</u> | <u>Southern</u><br><u>Nevada</u> | <u>Western</u><br><u>Oregon</u> | <u>Southwest</u><br><u>Arizona</u> | <u>Central</u><br><u>Arizona</u> |
|--------------------------------|------------------|-------------------|----------------------------------|-----------------------------------|----------------------------------|---------------------------------|------------------------------------|----------------------------------|
|                                | (\$/cwt.)        | (\$/cwt.)         | (\$/cwt.)                        | (Reno)<br>(\$/cwt.)               | (Las Vegas)<br>(\$/cwt.)         | (Medford)<br>(\$/cwt.)          | (Yuma)<br>(\$/cwt.)                | (Phoenix)<br>(\$/cwt.)           |
| 2007                           |                  |                   |                                  |                                   |                                  |                                 |                                    |                                  |
| January                        | \$14.00          | \$13.73           | \$13.88                          | \$13.73                           | \$14.99                          | \$15.49                         | \$15.69                            | \$15.94                          |
| February                       | \$15.37          | \$15.10           | \$15.25                          | \$15.10                           | \$14.79                          | \$15.29                         | \$15.49                            | \$15.74                          |
| March                          | \$16.01          | \$15.74           | \$15.89                          | \$15.74                           | \$15.65                          | \$16.15                         | \$16.35                            | \$16.60                          |
| April                          | \$16.71          | \$16.44           | \$16.59                          | \$16.44                           | \$16.40                          | \$16.90                         | \$17.10                            | \$17.35                          |
| May                            | \$17.71          | \$17.44           | \$17.59                          | \$17.44                           | \$17.32                          | \$17.82                         | \$18.02                            | \$18.27                          |
| June                           | \$20.28          | \$20.01           | \$20.16                          | \$20.01                           | \$19.24                          | \$19.74                         | \$19.94                            | \$20.19                          |
| July                           | \$23.26          | \$22.99           | \$23.14                          | \$22.99                           | \$22.31                          | \$22.81                         | \$23.01                            | \$23.26                          |
| August                         | \$23.76          | \$23.49           | \$23.64                          | \$23.49                           | \$23.16                          | \$23.66                         | \$23.86                            | \$24.11                          |
| September                      | \$23.10          | \$22.83           | \$22.98                          | \$22.83                           | \$23.31                          | \$23.81                         | \$24.01                            | \$24.26                          |
| October                        | \$23.81          | \$23.54           | \$23.69                          | \$23.54                           | \$22.99                          | \$23.49                         | \$23.69                            | \$23.94                          |
| November                       | \$23.43          | \$23.16           | \$23.31                          | \$23.16                           | \$22.85                          | \$23.35                         | \$23.55                            | \$23.80                          |
| December                       | \$23.26          | \$22.99           | \$23.14                          | \$22.99                           | \$21.44                          | \$21.94                         | \$22.14                            | \$22.39                          |
| 12-Month<br>Average: \$/cwt.   | \$20.06          | \$19.79           | \$19.94                          | \$19.79                           | \$19.54                          | \$20.04                         | \$20.24                            | \$20.49                          |
| 12-Month<br>Average: \$/gallon | \$1.73           | \$1.70            | \$1.71                           | \$1.70                            | \$1.68                           | \$1.72                          | \$1.74                             | \$1.76                           |

**Table 4 - ANNUAL AVERAGE FLUID MILK PRICES FOR 2007 - CURRENT FORMULAS**  
**California Class 1 Prices Compared to Class I Prices in Contiguous States**

all milk prices assume current formulas as of October 1, 2008 were in effect for all of 2007

|                                | <u>So.Calif.</u> | <u>No.Calif.</u> | <u>Wt. Ave.</u><br><u>Calif.</u> | <u>Northwest</u><br><u>Nevada</u> | <u>Southern</u><br><u>Nevada</u> | <u>Western</u><br><u>Oregon</u> | <u>Southwest</u><br><u>Arizona</u> | <u>Central</u><br><u>Arizona</u> |
|--------------------------------|------------------|------------------|----------------------------------|-----------------------------------|----------------------------------|---------------------------------|------------------------------------|----------------------------------|
|                                | (\$/cwt.)        | (\$/cwt.)        | (\$/cwt.)                        | (Reno)<br>(\$/cwt.)               | (Las Vegas)<br>(\$/cwt.)         | (Medford)<br>(\$/cwt.)          | (Yuma)<br>(\$/cwt.)                | (Phoenix)<br>(\$/cwt.)           |
| 2007                           |                  |                  |                                  |                                   |                                  |                                 |                                    |                                  |
| January                        | \$15.22          | \$14.95          | \$15.10                          | \$13.95                           | \$14.39                          | \$14.89                         | \$15.09                            | \$15.34                          |
| February                       | \$15.37          | \$15.10          | \$15.25                          | \$14.10                           | \$14.20                          | \$14.70                         | \$14.90                            | \$15.15                          |
| March                          | \$16.01          | \$15.74          | \$15.89                          | \$14.74                           | \$15.30                          | \$15.80                         | \$16.00                            | \$16.25                          |
| April                          | \$16.71          | \$16.44          | \$16.59                          | \$15.44                           | \$16.05                          | \$16.55                         | \$16.75                            | \$17.00                          |
| May                            | \$17.71          | \$17.44          | \$17.59                          | \$16.44                           | \$16.97                          | \$17.47                         | \$17.67                            | \$17.92                          |
| June                           | \$20.28          | \$20.01          | \$20.16                          | \$19.01                           | \$18.98                          | \$19.48                         | \$19.68                            | \$19.93                          |
| July                           | \$23.26          | \$22.99          | \$23.14                          | \$21.99                           | \$22.05                          | \$22.55                         | \$22.75                            | \$23.00                          |
| August                         | \$23.76          | \$23.49          | \$23.64                          | \$22.49                           | \$22.90                          | \$23.40                         | \$23.60                            | \$23.85                          |
| September                      | \$23.10          | \$22.83          | \$22.98                          | \$21.83                           | \$23.05                          | \$23.55                         | \$23.75                            | \$24.00                          |
| October                        | \$23.81          | \$23.54          | \$23.69                          | \$22.54                           | \$22.73                          | \$23.23                         | \$23.43                            | \$23.68                          |
| November                       | \$23.43          | \$23.16          | \$23.31                          | \$22.16                           | \$22.59                          | \$23.09                         | \$23.29                            | \$23.54                          |
| December                       | \$23.26          | \$22.99          | \$23.14                          | \$21.99                           | \$21.18                          | \$21.68                         | \$21.88                            | \$22.13                          |
| 12-Month<br>Average: \$/cwt.   | \$20.16          | \$19.89          | \$20.04                          | \$18.89                           | \$19.20                          | \$19.70                         | \$19.90                            | \$20.15                          |
| 12-Month<br>Average: \$/gallon | \$1.73           | \$1.71           | \$1.72                           | \$1.62                            | \$1.65                           | \$1.69                          | \$1.71                             | \$1.73                           |

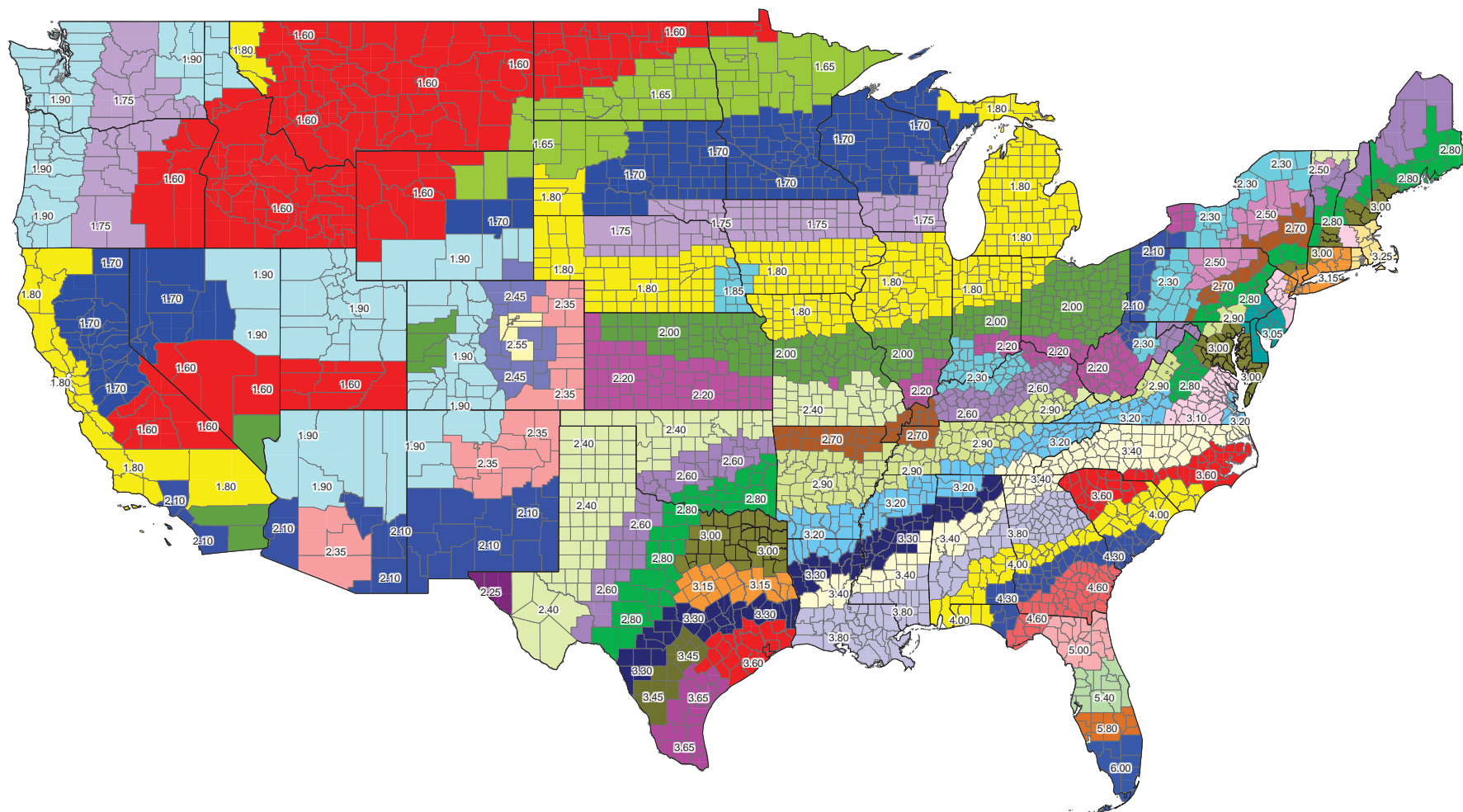
**Table 5 - ANNUAL AVERAGE FLUID MILK PRICES FOR 2008 - HISTORIC**  
**California Class 1 Prices Compared to Class I Prices in Contiguous States**

|                  | <u>So.Calif.</u> | <u>No.Calif.</u> | <u>Wt. Ave.</u><br><u>Calif.</u> | <u>Northwest</u><br><u>Nevada</u><br>(Reno) | <u>Southern</u><br><u>Nevada</u><br>(Las Vegas) | <u>Western</u><br><u>Oregon</u><br>(Medford) | <u>Southwest</u><br><u>Arizona</u><br>(Yuma) | <u>Central</u><br><u>Arizona</u><br>(Phoenix) |
|------------------|------------------|------------------|----------------------------------|---|---|--|--|---|
| 2008             | (\$/cwt.)        | (\$/cwt.)        | (\$/cwt.)                        | (\$/cwt.)                                   | (\$/cwt.)                                       | (\$/cwt.)                                    | (\$/cwt.)                                    | (\$/cwt.)                                     |
| January          | \$23.23          | \$22.96          | \$23.11                          | \$22.96                                     | \$22.37   | \$22.87                                      | \$23.07                                      | \$23.32                                       |
| February         | \$21.98          | \$21.71          | \$21.86                          | \$21.71                                     | \$21.08   | \$21.58                                      | \$21.78                                      | \$22.03                                       |
| March            | \$19.17          | \$18.90          | \$19.05                          | \$18.90                                     | \$18.10   | \$18.60                                      | \$18.80                                      | \$19.05                                       |
| April            | \$20.19          | \$19.92          | \$20.07                          | \$19.92                                     | \$20.01   | \$20.51                                      | \$20.71                                      | \$20.96                                       |
| May              | \$19.05          | \$18.78          | \$18.93                          | \$18.78                                     | \$18.02   | \$18.52                                      | \$18.72                                      | \$18.97                                       |
| June             | \$20.50          | \$20.23          | \$20.38                          | \$20.23                                     | \$19.58   | \$20.08                                      | \$20.28                                      | \$20.53                                       |
| July             | \$22.77          | \$22.49          | \$22.64                          | \$22.49                                     | \$22.18   | \$22.68                                      | \$22.88                                      | \$23.13                                       |
| August           | \$20.07          | \$19.79          | \$19.95                          | \$18.79                                     | \$19.87   | \$20.37                                      | \$20.57                                      | \$20.82                                       |
| September        | \$19.51          | \$19.23          | \$19.39                          | \$18.23                                     | \$19.05   | \$19.55                                      | \$19.75                                      | \$20.00                                       |
| October          | \$18.50          | \$18.23          | \$18.38                          | \$17.23                                     | \$16.93   | \$17.43                                      | \$17.63                                      | \$17.88                                       |
| November         |                  |                  |                                  |   |   |  |  |   |
| December         |                  |                  |                                  |   |   |  |  |   |
| 10-Month         |                  |                  |                                  |   |   |  |  |   |
| Average: \$/cwt. | \$20.50          | \$20.22          | \$20.37                          | \$19.92                                     | \$19.72   | \$20.22                                      | \$20.42                                      | \$20.67                                       |
| 10-Month         |                  |                  |                                  |   |   |  |  |   |
| Average:         | \$1.76           | \$1.74           | \$1.75                           | \$1.71                                      | \$1.70  | \$1.74                                       | \$1.76                                       | \$1.78  |

**Table 6 - ANNUAL AVERAGE FLUID MILK PRICES FOR 2008 - CURRENT FORMULAS**  
**California Class 1 Prices Compared to Class I Prices in Contiguous States**  
all milk prices assume current formulas as of October 1, 2008 were in effect for all of 2008

|                  | <u>So.Calif.</u> | <u>No.Calif.</u> | <u>Wt. Ave.</u><br><u>Calif.</u> | <u>Northwest</u><br><u>Nevada</u><br>(Reno) | <u>Southern</u><br><u>Nevada</u><br>(Las Vegas) | <u>Western</u><br><u>Oregon</u><br>(Medford) | <u>Southwest</u><br><u>Arizona</u><br>(Yuma) | <u>Central</u><br><u>Arizona</u><br>(Phoenix) |
|------------------|------------------|------------------|----------------------------------|---|---|--|--|---|
| 2008             | (\$/cwt.)        | (\$/cwt.)        | (\$/cwt.)                        | (\$/cwt.)                                   | (\$/cwt.)                                       | (\$/cwt.)                                    | (\$/cwt.)                                    | (\$/cwt.)                                     |
| January          | \$23.23          | \$22.96          | \$23.11                          | \$21.96                                     | \$22.02   | \$22.52                                      | \$22.72                                      | \$22.97                                       |
| February         | \$21.98          | \$21.71          | \$21.86                          | \$20.71                                     | \$20.73   | \$21.23                                      | \$21.43                                      | \$21.68                                       |
| March            | \$19.17          | \$18.90          | \$19.05                          | \$17.90                                     | \$17.75   | \$18.25                                      | \$18.45                                      | \$18.70                                       |
| April            | \$20.19          | \$19.92          | \$20.07                          | \$18.92                                     | \$19.66   | \$20.16                                      | \$20.36                                      | \$20.61                                       |
| May              | \$19.05          | \$18.78          | \$18.93                          | \$17.78                                     | \$17.67   | \$18.17                                      | \$18.37                                      | \$18.62                                       |
| June             | \$20.50          | \$20.23          | \$20.38                          | \$19.23                                     | \$19.23   | \$19.73                                      | \$19.93                                      | \$20.18                                       |
| July             | \$22.77          | \$22.49          | \$22.64                          | \$21.49                                     | \$21.83   | \$22.33                                      | \$22.53                                      | \$22.78                                       |
| August           | \$20.07          | \$19.79          | \$19.95                          | \$18.79                                     | \$19.53   | \$20.03                                      | \$20.23                                      | \$20.48                                       |
| September        | \$19.51          | \$19.23          | \$19.39                          | \$18.23                                     | \$18.71   | \$19.21                                      | \$19.41                                      | \$19.66                                       |
| October          | \$18.50          | \$18.23          | \$18.38                          | \$17.23                                     | \$16.93   | \$17.43                                      | \$17.63                                      | \$17.88                                       |
| November         |                  |                  |                                  |   |   |  |  |   |
| December         |                  |                  |                                  |   |   |  |  |   |
| 10-Month         |                  |                  |                                  |   |   |  |  |   |
| Average: \$/cwt. | \$20.50          | \$20.22          | \$20.37                          | \$19.22                                     | \$19.41   | \$19.91                                      | \$20.11                                      | \$20.36                                       |
| 10-Month         |                  |                  |                                  |   |   |  |  |   |
| Average:         | \$1.76           | \$1.74           | \$1.75                           | \$1.65                                      | \$1.67  | \$1.71                                       | \$1.73                                       | \$1.75  |

Figure 17: Federal Milk Marketing Order  
Class 1 Price Structure



*Effective May 1, 2008*

## **FEDERAL CLASS I PRICE STRUCTURE AND PRODUCER DIFFERENTIALS**

In federal Milk Marketing Orders, every county in the contiguous 48 states is assigned a Class I price differential. These differentials range from a minimum of \$1.60 to a maximum of \$6.00 per hundredweight. For any Class I processor in a federal order, their pool obligation is the base Class I price plus the Class I differential applicable to the county where their plant is located. Differentials vary by county of plant location throughout the U.S. In those counties of the states adjoining California that are part of Federal Orders and contain Class I plants, the differentials range in value from \$1.90 to \$2.10 per hundredweight. In general, the differentials are highest in the Southeast, Northeast, and South Central states and lowest in the Upper Midwest and Great Basin.

Thus for example only, if California were part of a federal order, the pool obligation for a Class I plant located in Los Angeles County would be \$0.50 per hundredweight more than for a Class I plant located in Tulare County (\$2.10 less \$1.60 equals \$0.50). In California, there are differentials between the Class 1 farm price and the California Class 1 base price (called the Commodity Reference Price or CRP). Currently, these differentials are set at -\$0.12 to +\$0.15 per hundredweight, for Northern California and Southern California respectively.

**Table 7 - 2008 COMMODITY PRICES USED IN  
FEDERAL MILK MARKETING ORDERS**

**PRICES USED TO DETERMINE**

- Federal Class I Skim & Fat
- Federal Class II Skim & SNF

| 2008 | Weeks<br>Ending | Butter<br>(\$/lb) | NFDM<br>(\$/lb) | Cheese<br>(\$/lb) | Dry Whey<br>(\$/lb) |
|------|-----------------|-------------------|-----------------|-------------------|---------------------|
| Jan  | 12/8,15         | \$1.3146          | \$1.8304        | \$2.1328          | \$0.4568            |
| Feb  | 1/5,12          | \$1.2585          | \$1.6931        | \$2.0126          | \$0.4380            |
| Mar  | 2/9,16          | \$1.2150          | \$1.3398        | \$1.8092          | \$0.2673            |
| Apr  | 3/8,15          | \$1.2438          | \$1.2537        | \$2.0190          | \$0.2454            |
| May  | 4/5,12          | \$1.3421          | \$1.2456        | \$1.8038          | \$0.2528            |
| Jun  | 5/10,17         | \$1.4223          | \$1.3006        | \$1.9527          | \$0.2686            |
| Jul  | 6/7,14          | \$1.4607          | \$1.3479        | \$2.2156          | \$0.2774            |
| Aug  | 7/5,12          | \$1.5205          | \$1.3957        | \$1.9792          | \$0.2690 *          |
| Sep  | 8/9,16          | \$1.5711          | \$1.3790        | \$1.9041          | \$0.2487            |
| Oct  | 9/6,13          | \$1.6125          | \$1.2628        | \$1.7279          | \$0.2241            |
| Nov  | 10/4,11         |                   |                 |                   |                     |
| Dec  | 11/8,15         |                   |                 |                   |                     |

**PRICES USED TO DETERMINE**

- Federal Class II Fat
- all Federal Class III & IV components

| 2008 | Weeks<br>Ending   | Butter<br>(\$/lb) | NFDM<br>(\$/lb) | Cheese<br>(\$/lb) | Dry Whey<br>(\$/lb) |
|------|-------------------|-------------------|-----------------|-------------------|---------------------|
| Jan  | 1/5,12,19,26      | \$1.2301          | \$1.5090        | \$1.9998          | \$0.3992            |
| Feb  | 2/2,9,16,23       | \$1.2044          | \$1.3331        | \$1.8403          | \$0.2736            |
| Mar  | 3/1,8,15,22,29    | \$1.2539          | \$1.2512        | \$1.9575          | \$0.2435            |
| Apr  | 4/5,12,19,26      | \$1.3492          | \$1.2506        | \$1.8164          | \$0.2560            |
| May  | 5/3,10,17,24      | \$1.4170          | \$1.2985        | \$1.9525          | \$0.2700            |
| Jun  | 5/31,6/7,14,21,28 | \$1.4669          | \$1.3508        | \$2.1609          | \$0.2758            |
| Jul  | 7/5,12,19,26      | \$1.5180          | \$1.4053        | \$1.9585          | \$0.2642            |
| Aug  | 8/2,9,16,23,30    | \$1.5713          | \$1.3840        | \$1.8699          | \$0.2470 *          |
| Sep  | 9/6,13,20,27      |                   |                 |                   |                     |
| Oct  | 10/4,11,18,25     |                   |                 |                   |                     |
| Nov  | 11/1,8,15,22,29   |                   |                 |                   |                     |
| Dec  | 12/6,13,20,27     |                   |                 |                   |                     |

\* These prices are used to show examples of federal price calculations in Table 8

*Table 8 - CALCULATIONS OF FEDERAL PRICES FOR AUGUST 2008  
using formulas effective October 1, 2008*

**Class III, IV**

**Fat** Fat Price = (Butter price – 0.1715) times 1.211  
Fat Price = (\$1.5713 – 0.1715) times 1.211  
**Fat Price = \$1.6952**

**Class IV**

**SNF** SNF Price = (Nonfat dry milk price - 0.1678) times 0.99.  
SNF Price = (\$1.3840 - 0.1678) times 0.99.  
**SNF Price = \$1.2040**

**Class III**

**Protein** Protein Price = ((Cheese price – 0.2003 x 1.383) + (((Cheese price – 0.2003 x 1.572) - Fat price x 0.9) x 1.17)  
Protein Price = ((\$1.8699 – 0.2003 x 1.383) + ((((\$1.8699 – 0.2003 x 1.572) - \$1.6952 x 0.9) x 1.17)  
**Protein Price = \$3.5948**

**Class III**

**Other Solids** Other Solids Price = (Dry whey price – 0.1991) times 1.03  
Other Solids Price = (\$.2470 – 0.1991) times 1.03  
**Other Solids Price = \$0.0493**

**Advanced**

**Fat** Fat Price = (Butter price – 0.1715) times 1.211  
Fat Price = (\$1.5205 – 0.1715) times 1.211  
**Fat Price = \$1.6336**

**SNF** SNF Price = (Nonfat dry milk price - 0.1678) times 0.99.  
SNF Price = (\$1.3957 - 0.1678) times 0.99  
**SNF Price = \$1.2156**

**Protein** Protein Price = ((Cheese price – 0.2003 x 1.383) + (((Cheese price – 0.2003 x 1.572) - Fat price x 0.9) x 1.17)  
Protein Price = ((\$1.9792 – 0.2003 x 1.383) + ((((\$1.9792 – 0.2003 x 1.572) - \$1.6336 x 0.9) x 1.17)  
**Protein Price = \$4.0119**

**Other Solids** Other Solids Price = (Dry whey price – 0.1991) times 1.03  
Other Solids Price = (\$0.2690 – 0.1991) times 1.03  
**Other Solids Price = \$0.0720**

*Table 8 - CALCULATIONS OF FEDERAL PRICES FOR AUGUST 2008  
using formulas effective October 1, 2008*

**Class II**

**Fat**

Class II Fat Price = Class III, IV Fat price + \$0.007

Class II Fat Price = \$1.6952 + \$0.007

**Class II Fat Price = \$1.7022**

**SNF**

Class II SNF Price = Advance SNF price + (\$0.70 divided by 9)

Class II SNF Price = \$1.2156 + (\$0.70 divided by 9)

**Class II SNF Price = \$1.2934**

**Skim**

Class II Skim Milk Price = Class II SNF price times 9

Class II Skim Milk Price = \$1.2934 times 9

**Class II Skim Milk Price = \$11.64**

**Base Class I**

**Fat**

Class I Fat Price = Advanced Fat price

**Class I Fat Price = \$1.6336**

**Skim**

Class I Skim Milk Price = Higher of advanced Class III or IV skim milk prices

Advanced Class III skim = (Advanced protein price times 3.1) + (advanced other solids price times 5.9)

Advanced Class III skim = (\$4.0119 times 3.1) + (\$0.072 price times 5.9)

Advanced Class III skim = \$12.86

Advanced Class IV skim = Advanced SNF price times 9

Advanced Class IV skim = \$1.2156 times 9

Advanced Class IV skim = \$10.94

**Class I Skim Milk Price = \$12.86**



**Table 9 - California Pool Utilization by Class and Component <sup>1/</sup>**

| YEAR | MONTH     | CLASS 1       |               |                 | CLASS 2       |               | CLASS 3       |               |
|------|-----------|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|
|      |           | FAT<br>(lbs.) | SNF<br>(lbs.) | FLUID<br>(lbs.) | FAT<br>(lbs.) | SNF<br>(lbs.) | FAT<br>(lbs.) | SNF<br>(lbs.) |
| 2003 | January   | 12,763,126    | 54,138,263    | 496,337,653     | 5,544,624     | 9,884,728     | 8,700,890     | 7,213,685     |
|      | February  | 11,520,974    | 48,760,107    | 446,989,990     | 4,887,829     | 9,342,216     | 8,019,834     | 7,140,168     |
|      | March     | 12,809,252    | 53,793,795    | 492,424,949     | 5,419,791     | 9,813,005     | 8,588,451     | 7,620,943     |
|      | April     | 12,368,763    | 45,850,621    | 473,170,197     | 5,474,060     | 9,668,222     | 9,659,623     | 8,070,721     |
|      | May       | 12,672,548    | 52,856,527    | 484,732,896     | 5,381,367     | 9,548,500     | 9,728,526     | 8,009,825     |
|      | June      | 12,324,097    | 50,117,264    | 460,377,368     | 5,402,952     | 9,280,047     | 11,216,045    | 8,784,173     |
|      | July      | 12,540,720    | 50,707,477    | 465,881,170     | 5,808,190     | 11,026,905    | 13,138,483    | 8,509,623     |
|      | August    | 12,342,730    | 50,555,008    | 466,408,301     | 5,700,003     | 10,343,870    | 11,145,652    | 8,030,463     |
|      | September | 12,423,292    | 52,410,725    | 479,990,491     | 5,135,930     | 10,333,106    | 9,913,306     | 7,556,373     |
|      | October   | 13,481,500    | 56,445,589    | 514,019,552     | 5,989,967     | 9,946,376     | 8,642,339     | 7,292,715     |
|      | November  | 12,285,027    | 50,923,519    | 464,592,199     | 6,917,488     | 10,127,142    | 7,377,719     | 6,102,356     |
|      | December  | 12,874,993    | 52,467,991    | 480,071,289     | 6,982,897     | 9,463,167     | 6,198,485     | 4,680,606     |
| 2004 | January   | 12,855,828    | 53,220,715    | 487,250,027     | 5,275,900     | 9,480,177     | 7,841,576     | 6,178,580     |
|      | February  | 12,044,328    | 50,663,516    | 464,187,754     | 5,847,432     | 9,495,624     | 9,039,332     | 6,553,553     |
|      | March     | 13,087,152    | 55,090,282    | 505,806,732     | 7,373,708     | 11,116,230    | 16,578,830    | 8,693,851     |
|      | April     | 11,230,909    | 47,116,495    | 427,450,502     | 6,287,178     | 9,274,937     | 12,497,915    | 8,518,216     |
|      | May       | 9,433,560     | 41,964,872    | 374,312,112     | 5,995,304     | 9,389,046     | 12,352,945    | 8,662,208     |
|      | June      | 9,520,187     | 40,909,474    | 366,199,280     | 5,309,274     | 8,405,822     | 8,578,275     | 8,092,540     |
|      | July      | 9,963,118     | 42,307,276    | 380,125,964     | 5,210,807     | 8,119,388     | 7,661,207     | 7,578,635     |
|      | August    | 10,779,191    | 46,161,131    | 416,037,168     | 5,639,030     | 9,921,010     | 8,049,860     | 7,921,733     |
|      | September | 10,612,056    | 46,526,465    | 418,677,630     | 5,253,405     | 8,791,332     | 7,640,528     | 6,754,630     |
|      | October   | 10,538,924    | 46,576,895    | 417,557,288     | 6,240,358     | 9,249,216     | 7,313,331     | 6,199,395     |
|      | November  | 10,196,373    | 44,913,170    | 403,405,889     | 8,698,700     | 10,042,928    | 6,455,932     | 5,610,706     |
|      | December  | 10,541,695    | 44,888,749    | 404,368,507     | 6,768,935     | 8,910,591     | 4,524,568     | 4,088,787     |
| 2005 | January   | 10,192,538    | 45,231,725    | 406,730,289     | 4,814,604     | 9,174,410     | 5,775,316     | 5,861,711     |
|      | February  | 9,262,171     | 41,416,524    | 372,897,582     | 5,072,457     | 9,120,605     | 6,373,811     | 5,845,991     |
|      | March     | 10,282,183    | 45,447,788    | 409,642,255     | 5,948,142     | 9,476,841     | 8,113,507     | 7,475,137     |
|      | April     | 9,607,065     | 42,921,021    | 386,703,256     | 5,286,124     | 9,755,279     | 8,471,451     | 7,606,501     |
|      | May       | 9,872,426     | 44,662,502    | 402,339,888     | 5,758,506     | 9,619,042     | 9,113,999     | 8,429,933     |
|      | June      | 9,727,183     | 42,482,257    | 383,190,332     | 5,975,367     | 10,102,136    | 9,681,842     | 8,646,546     |
|      | July      | 9,562,570     | 41,261,647    | 372,269,720     | 6,586,532     | 9,914,889     | 10,512,522    | 8,538,630     |
|      | August    | 10,240,571    | 45,014,073    | 405,151,304     | 6,688,698     | 11,050,719    | 10,799,992    | 8,606,089     |
|      | September | 10,449,552    | 46,744,297    | 418,725,108     | 6,116,398     | 9,745,384     | 8,518,529     | 6,878,251     |
|      | October   | 10,254,860    | 47,084,833    | 421,740,467     | 6,532,600     | 10,071,054    | 8,014,594     | 7,278,846     |
|      | November  | 10,132,632    | 45,356,453    | 407,885,181     | 7,715,688     | 10,492,648    | 5,900,787     | 5,871,984     |
|      | December  | 10,165,319    | 44,379,414    | 399,376,135     | 7,180,106     | 10,292,777    | 4,015,019     | 4,115,214     |
| 2006 | January   | 10,169,180    | 47,102,708    | 422,972,963     | 5,594,749     | 9,780,214     | 6,718,423     | 6,241,677     |
|      | February  | 9,249,068     | 41,699,552    | 374,145,625     | 5,441,089     | 9,555,885     | 6,091,835     | 6,180,151     |
|      | March     | 10,720,011    | 48,305,192    | 432,830,451     | 6,015,838     | 10,195,960    | 8,196,871     | 7,623,762     |
|      | April     | 9,554,207     | 42,765,953    | 384,980,100     | 5,912,230     | 9,888,495     | 7,830,074     | 7,382,303     |
|      | May       | 10,103,470    | 46,486,905    | 418,192,991     | 6,336,044     | 10,557,516    | 8,781,956     | 8,104,708     |
|      | June      | 9,871,291     | 43,406,291    | 391,162,157     | 6,083,702     | 9,995,120     | 9,652,554     | 8,679,595     |
|      | July      | 9,800,253     | 42,598,591    | 384,196,224     | 5,926,709     | 10,568,738    | 9,600,954     | 8,547,015     |
|      | August    | 10,445,523    | 46,485,712    | 418,261,500     | 7,537,111     | 11,434,474    | 10,447,061    | 8,813,860     |
|      | September | 9,776,877     | 45,296,433    | 406,298,944     | 6,614,277     | 10,498,699    | 7,632,680     | 6,245,941     |
|      | October   | 10,483,072    | 49,056,355    | 441,755,242     | 6,998,074     | 11,778,988    | 6,860,753     | 6,468,844     |
|      | November  | 10,058,953    | 46,196,127    | 414,765,480     | 8,228,389     | 11,083,345    | 6,281,373     | 6,003,986     |
|      | December  | 10,135,519    | 45,170,580    | 406,353,154     | 7,046,426     | 10,845,929    | 4,079,507     | 4,053,204     |
| 2007 | January   | 10,554,714    | 48,912,500    | 440,094,381     | 6,028,972     | 10,933,837    | 6,004,043     | 6,188,682     |
|      | February  | 9,328,085     | 42,786,344    | 385,647,310     | 5,531,784     | 9,575,337     | 6,701,876     | 6,638,702     |
|      | March     | 10,174,115    | 47,147,579    | 425,991,682     | 6,654,429     | 11,363,121    | 7,698,313     | 7,770,009     |
|      | April     | 10,352,503    | 46,351,806    | 417,846,535     | 6,627,967     | 10,533,619    | 8,741,338     | 10,316,833    |
|      | May       | 10,379,432    | 48,570,212    | 435,970,837     | 7,851,782     | 11,434,132    | 10,052,889    | 9,828,947     |
|      | June      | 9,658,584     | 42,889,404    | 386,835,574     | 7,290,893     | 11,348,010    | 9,477,391     | 9,513,451     |
|      | July      | 10,759,147    | 45,712,745    | 413,771,452     | 7,468,177     | 11,646,661    | 9,006,407     | 9,533,452     |
|      | August    | 11,012,069    | 48,110,152    | 434,362,381     | 6,818,254     | 12,167,757    | 7,811,262     | 8,445,684     |
|      | September | 10,206,984    | 45,608,005    | 410,139,637     | 6,206,969     | 11,901,241    | 6,326,617     | 6,588,102     |
|      | October   | 11,422,320    | 50,929,767    | 455,987,117     | 7,560,530     | 11,952,525    | 6,898,137     | 6,690,684     |
|      | November  | 10,756,452    | 48,183,069    | 434,408,357     | 7,690,481     | 10,925,338    | 5,961,676     | 5,880,725     |
|      | December  | 11,198,071    | 48,561,920    | 438,015,761     | 6,601,179     | 10,508,928    | 3,487,424     | 4,534,821     |
| 2008 | January   | 11,490,072    | 51,776,927    | 468,226,943     | 5,824,755     | 10,946,393    | 6,592,024     | 6,833,784     |
|      | February  | 10,295,289    | 46,738,667    | 422,354,860     | 5,660,818     | 10,283,279    | 6,723,958     | 6,578,621     |
|      | March     | 10,724,160    | 48,444,046    | 437,827,699     | 6,329,552     | 10,700,336    | 8,442,378     | 8,493,150     |
|      | April     | 10,474,983    | 48,104,137    | 434,362,826     | 6,694,091     | 11,207,838    | 8,942,012     | 8,817,989     |
|      | May       | 10,536,439    | 48,630,374    | 437,403,756     | 6,881,022     | 11,365,084    | 9,065,372     | 8,453,162     |
|      | June      | 10,165,520    | 45,164,218    | 406,763,029     | 6,567,461     | 10,731,516    | 10,489,999    | 9,310,561     |
|      | July      | 10,890,658    | 47,270,231    | 426,867,195     | 7,486,931     | 11,869,141    | 9,999,650     | 8,203,197     |
|      | August    | 10,457,695    | 47,492,936    | 425,723,414     | 8,337,620     | 11,622,803    | 9,484,001     | 7,220,306     |

<sup>1/</sup> The pool utilization data published by the Department in the Dairy Information Bulletin vary slightly due to adjustments for plant gain and inventory variance

**Table 9 (cont.) - California Pool Utilization by Class and Component <sup>1/</sup>**

| YEAR | MONTH     | CLASS 4A      |               | CLASS 4B      |               | TOTAL         |               |
|------|-----------|---------------|---------------|---------------|---------------|---------------|---------------|
|      |           | FAT<br>(lbs.) | SNF<br>(lbs.) | FAT<br>(lbs.) | SNF<br>(lbs.) | FAT<br>(lbs.) | SNF<br>(lbs.) |
| 2003 | January   | 39,803,245    | 75,245,408    | 46,911,910    | 115,552,657   | 113,723,795   | 262,034,741   |
|      | February  | 35,851,456    | 70,024,813    | 42,447,075    | 106,768,803   | 102,727,168   | 242,036,107   |
|      | March     | 39,106,599    | 78,410,217    | 47,838,046    | 120,145,573   | 113,762,139   | 269,783,533   |
|      | April     | 38,118,979    | 78,001,191    | 46,424,459    | 117,561,177   | 112,045,884   | 259,151,932   |
|      | May       | 35,775,552    | 75,912,284    | 48,741,141    | 122,629,725   | 112,299,134   | 268,956,861   |
|      | June      | 27,748,119    | 67,635,059    | 48,957,594    | 123,241,186   | 105,648,807   | 259,057,729   |
|      | July      | 25,809,459    | 63,374,424    | 47,960,593    | 121,761,182   | 105,257,445   | 255,379,611   |
|      | August    | 26,041,628    | 64,489,680    | 47,754,162    | 121,184,290   | 102,984,175   | 254,603,311   |
|      | September | 27,131,262    | 58,481,270    | 46,270,902    | 115,762,019   | 100,874,692   | 244,543,493   |
|      | October   | 31,457,848    | 64,559,315    | 46,969,628    | 117,209,350   | 106,541,282   | 255,453,345   |
|      | November  | 31,557,805    | 68,219,346    | 46,438,663    | 112,666,692   | 104,576,702   | 248,039,055   |
|      | December  | 36,753,004    | 74,398,434    | 49,088,783    | 121,399,031   | 111,898,162   | 262,409,229   |
| 2004 | January   | 38,037,814    | 71,399,430    | 49,870,466    | 122,785,914   | 113,881,584   | 263,064,816   |
|      | February  | 34,279,536    | 70,087,091    | 45,633,197    | 114,419,247   | 106,843,825   | 251,219,031   |
|      | March     | 28,572,935    | 70,122,647    | 49,231,934    | 125,567,491   | 114,844,559   | 270,590,501   |
|      | April     | 30,494,558    | 75,180,794    | 46,300,718    | 118,831,174   | 106,811,278   | 258,921,616   |
|      | May       | 30,775,105    | 78,014,541    | 47,788,140    | 123,279,618   | 106,345,054   | 261,310,285   |
|      | June      | 36,086,909    | 77,698,975    | 44,440,882    | 118,026,578   | 103,935,527   | 253,133,389   |
|      | July      | 36,226,905    | 75,783,692    | 45,328,458    | 121,939,695   | 104,390,495   | 255,728,686   |
|      | August    | 35,522,462    | 73,582,994    | 45,942,835    | 120,238,868   | 105,933,378   | 257,825,736   |
|      | September | 34,459,593    | 68,199,232    | 45,919,249    | 119,745,702   | 103,884,831   | 250,017,361   |
|      | October   | 36,976,512    | 74,320,530    | 47,404,970    | 122,875,081   | 108,474,095   | 259,221,117   |
|      | November  | 33,597,093    | 68,766,996    | 48,453,618    | 122,793,137   | 107,401,716   | 252,126,937   |
|      | December  | 38,322,551    | 74,578,965    | 52,488,689    | 130,508,298   | 112,646,438   | 262,975,390   |
| 2005 | January   | 38,137,921    | 67,704,009    | 52,298,556    | 130,435,033   | 111,218,935   | 258,406,888   |
|      | February  | 34,817,201    | 64,750,793    | 45,468,438    | 117,104,575   | 100,994,078   | 238,238,488   |
|      | March     | 37,364,525    | 73,989,335    | 50,624,024    | 132,345,039   | 112,332,381   | 268,734,140   |
|      | April     | 36,004,265    | 73,416,138    | 50,666,096    | 131,625,883   | 110,035,001   | 265,324,822   |
|      | May       | 35,541,514    | 73,901,103    | 51,966,570    | 136,454,716   | 112,253,015   | 273,067,296   |
|      | June      | 34,284,213    | 72,088,634    | 48,438,056    | 131,528,179   | 108,106,661   | 264,847,752   |
|      | July      | 29,239,559    | 66,179,470    | 48,718,544    | 129,841,584   | 104,619,727   | 255,736,220   |
|      | August    | 31,148,533    | 68,288,261    | 48,072,262    | 129,276,836   | 106,950,056   | 262,235,978   |
|      | September | 34,277,344    | 71,862,352    | 47,131,842    | 123,513,615   | 106,493,665   | 258,743,899   |
|      | October   | 36,055,777    | 71,568,221    | 50,069,606    | 128,866,050   | 110,927,437   | 264,869,004   |
|      | November  | 35,483,558    | 68,538,943    | 49,380,041    | 127,687,875   | 108,612,706   | 257,947,903   |
|      | December  | 42,571,953    | 78,080,790    | 49,723,964    | 132,337,790   | 113,656,361   | 269,205,985   |
| 2006 | January   | 42,834,667    | 77,408,842    | 50,350,725    | 131,958,945   | 115,667,744   | 272,492,386   |
|      | February  | 40,973,744    | 71,840,837    | 46,558,065    | 126,072,031   | 108,313,801   | 255,348,456   |
|      | March     | 44,544,653    | 81,619,963    | 52,478,138    | 142,090,887   | 121,955,511   | 289,835,764   |
|      | April     | 40,137,469    | 76,722,360    | 51,623,839    | 139,011,821   | 115,057,819   | 275,770,932   |
|      | May       | 39,614,952    | 75,409,949    | 51,219,518    | 140,439,850   | 116,055,940   | 280,998,928   |
|      | June      | 35,398,949    | 72,390,424    | 48,485,719    | 132,676,514   | 109,492,215   | 267,147,944   |
|      | July      | 30,859,516    | 62,371,933    | 47,779,361    | 130,033,101   | 103,966,793   | 254,119,378   |
|      | August    | 31,436,444    | 65,997,586    | 50,932,859    | 140,249,880   | 110,798,998   | 272,981,512   |
|      | September | 33,410,655    | 66,861,033    | 50,150,888    | 133,853,461   | 107,585,377   | 262,755,567   |
|      | October   | 36,880,220    | 67,881,016    | 51,927,213    | 136,138,518   | 113,149,332   | 271,323,721   |
|      | November  | 36,625,045    | 70,928,905    | 49,263,824    | 129,995,359   | 110,457,584   | 264,207,722   |
|      | December  | 42,290,685    | 77,976,218    | 53,396,439    | 140,053,409   | 116,948,576   | 278,099,340   |
| 2007 | January   | 46,708,852    | 75,983,301    | 53,124,034    | 141,604,679   | 122,420,615   | 283,623,034   |
|      | February  | 41,654,092    | 72,534,536    | 48,180,085    | 132,177,943   | 111,395,922   | 263,712,862   |
|      | March     | 44,974,825    | 78,957,712    | 54,257,120    | 149,410,614   | 123,758,802   | 294,649,035   |
|      | April     | 42,484,409    | 78,200,805    | 50,730,695    | 141,544,125   | 118,936,912   | 286,947,188   |
|      | May       | 38,673,933    | 73,742,745    | 51,771,544    | 146,208,590   | 118,729,580   | 289,784,626   |
|      | June      | 35,505,113    | 72,566,251    | 49,819,914    | 138,069,880   | 111,751,895   | 274,386,996   |
|      | July      | 38,428,224    | 77,651,461    | 50,793,065    | 141,226,286   | 116,455,020   | 285,770,605   |
|      | August    | 40,626,550    | 77,158,875    | 50,461,772    | 140,310,514   | 116,729,907   | 286,192,982   |
|      | September | 39,529,398    | 71,026,926    | 47,131,127    | 130,455,605   | 109,401,095   | 265,579,879   |
|      | October   | 45,666,645    | 83,027,254    | 50,115,168    | 135,055,928   | 121,662,800   | 287,656,158   |
|      | November  | 42,568,658    | 80,105,851    | 49,655,098    | 134,572,492   | 116,632,365   | 279,667,475   |
|      | December  | 53,036,204    | 91,027,532    | 50,298,696    | 139,704,566   | 124,621,574   | 294,337,767   |
| 2008 | January   | 54,502,907    | 90,468,324    | 51,099,952    | 138,053,209   | 129,509,710   | 298,078,637   |
|      | February  | 50,581,755    | 89,583,423    | 47,846,243    | 131,027,448   | 121,108,063   | 284,211,438   |
|      | March     | 52,339,298    | 105,139,550   | 51,063,165    | 134,968,007   | 128,898,553   | 307,745,089   |
|      | April     | 50,197,817    | 101,183,045   | 49,186,963    | 129,804,962   | 125,495,866   | 299,117,971   |
|      | May       | 47,877,592    | 102,447,415   | 50,253,675    | 130,811,264   | 124,614,100   | 301,707,299   |
|      | June      | 43,189,050    | 94,501,387    | 47,964,700    | 128,255,107   | 118,376,730   | 287,962,789   |
|      | July      | 40,382,387    | 89,977,949    | 47,538,404    | 128,365,522   | 116,298,030   | 285,686,040   |
|      | August    | 41,847,563    | 92,274,869    | 47,125,871    | 127,497,055   | 117,252,750   | 286,107,969   |

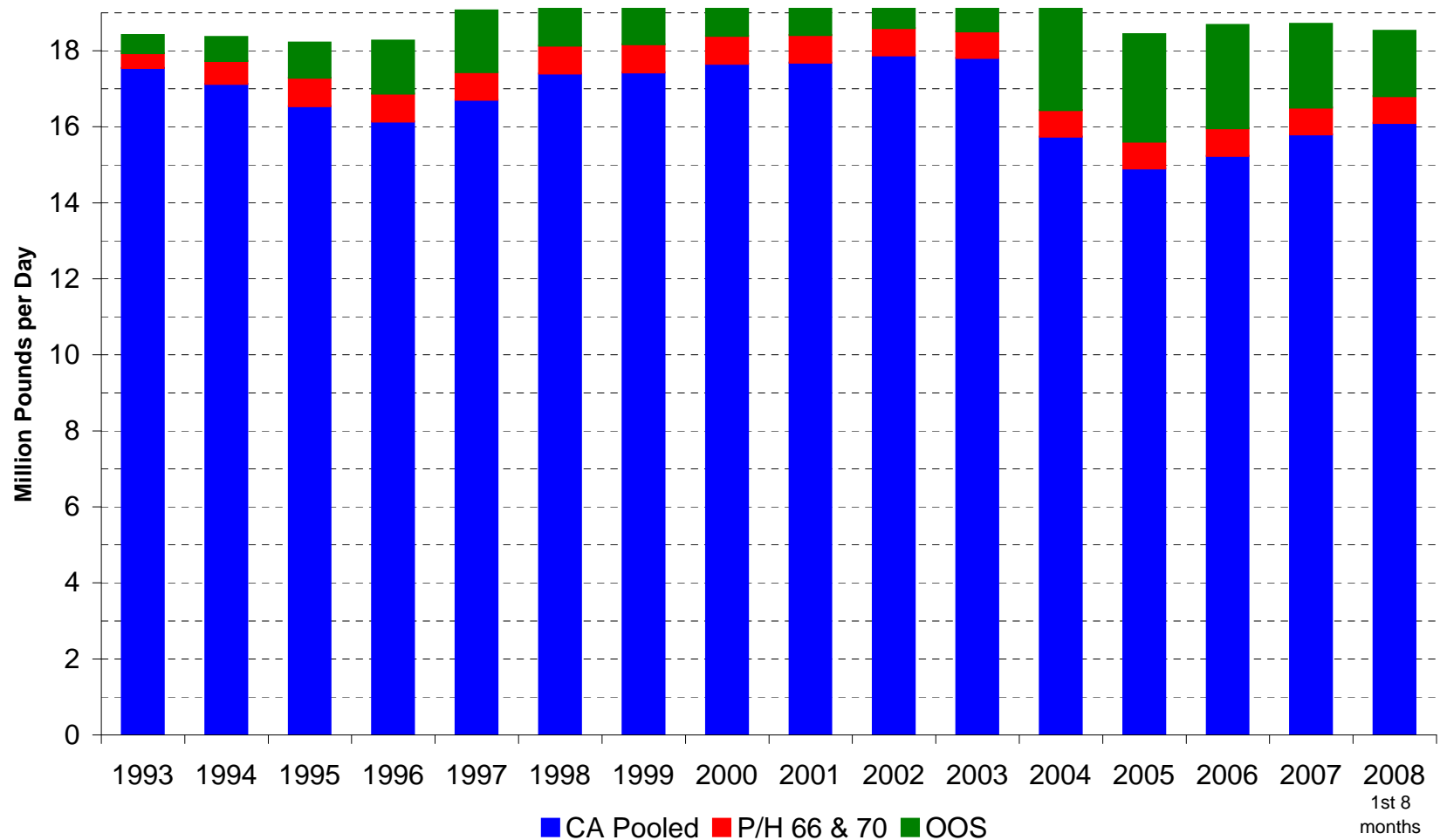
<sup>1/</sup> The pool utilization data published by the Department in the Dairy Information Bulletin vary slightly due to adjustments for plant gain and inventory variance

Table 10 - CALIFORNIA CLASS 1 SALES

**Sales of Selected Class 1 Products in  
California, by Marketing Areas, 2003 - 2007**

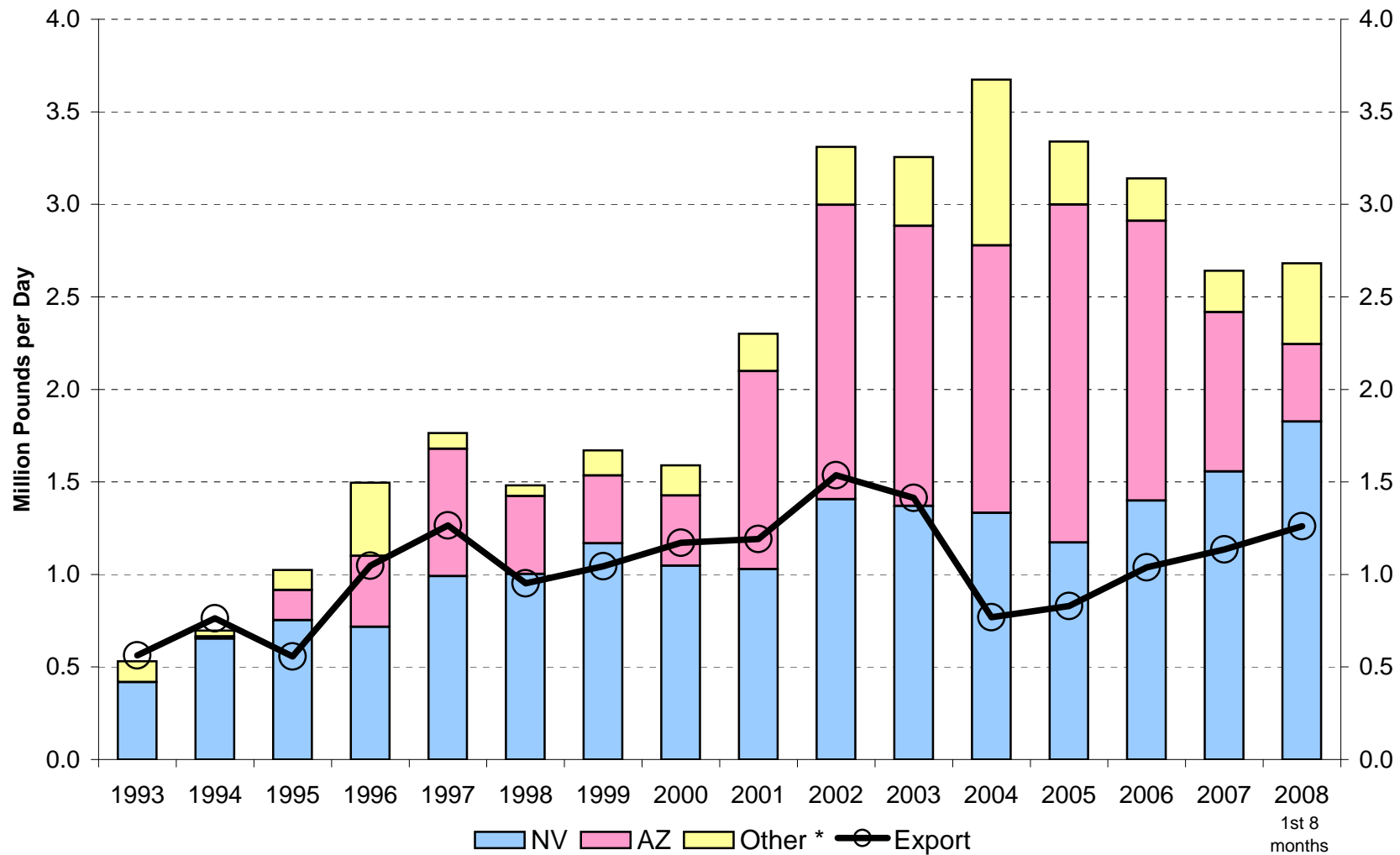
| Products & Marketing Areas       | 2003           | 2004           | SALES<br>2005  | 2006           | 2007           |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <i>in Thousand Gallons</i>       |                |                |                |                |                |
| <b>Whole Milk</b>                |                |                |                |                |                |
| Northern California              | 111,237        | 107,291        | 105,436        | 105,993        | 101,757        |
| Southern California              | 186,252        | 175,193        | 167,280        | 163,335        | 155,903        |
| <b>State Total</b>               | <b>297,489</b> | <b>282,484</b> | <b>272,716</b> | <b>269,328</b> | <b>257,661</b> |
| <b>Reduced Fat Milk</b>          |                |                |                |                |                |
| Northern California              | 93,947         | 96,966         | 98,159         | 100,444        | 103,619        |
| Southern California              | 142,889        | 146,171        | 148,369        | 150,701        | 154,979        |
| <b>State Total</b>               | <b>236,836</b> | <b>243,138</b> | <b>246,527</b> | <b>251,145</b> | <b>258,598</b> |
| <b>Lowfat/Light Milk</b>         |                |                |                |                |                |
| Northern California              | 48,839         | 49,895         | 49,929         | 50,319         | 51,215         |
| Southern California              | 55,030         | 52,785         | 52,441         | 53,534         | 54,243         |
| <b>State Total</b>               | <b>103,869</b> | <b>102,679</b> | <b>102,370</b> | <b>103,853</b> | <b>105,459</b> |
| <b>Skim/Nonfat/Fat Free Milk</b> |                |                |                |                |                |
| Northern California              | 40,806         | 41,396         | 44,190         | 47,646         | 48,465         |
| Southern California              | 67,444         | 66,976         | 69,648         | 72,471         | 74,253         |
| <b>State Total</b>               | <b>108,250</b> | <b>108,372</b> | <b>113,838</b> | <b>120,117</b> | <b>122,718</b> |
| <b>Half-and-Half</b>             |                |                |                |                |                |
| Northern California              | 7,720          | 8,245          | 8,149          | 7,912          | 6,460          |
| Southern California              | 8,924          | 9,384          | 9,209          | 9,219          | 9,765          |
| <b>State Total</b>               | <b>16,644</b>  | <b>17,629</b>  | <b>17,357</b>  | <b>17,130</b>  | <b>16,225</b>  |
| <b>Miscellaneous Class 1</b>     |                |                |                |                |                |
| Northern California              | 5              | 8              | 10             | 8              | 21             |
| Southern California              | 1              | 2              | 2              | 2              | 4              |
| <b>State Total</b>               | <b>6</b>       | <b>9</b>       | <b>12</b>      | <b>10</b>      | <b>25</b>      |
| <b>TOTAL CLASS 1</b>             |                |                |                |                |                |
| Northern California              | 302,554        | 303,801        | 305,873        | 312,321        | 311,537        |
| Southern California              | 460,540        | 450,510        | 446,949        | 449,261        | 449,148        |
| <b>STATE TOTALS</b>              | <b>763,094</b> | <b>754,311</b> | <b>752,822</b> | <b>761,582</b> | <b>760,685</b> |

**Figure 18 - Source of Fluid Milk Processed in California Plants:  
Out-of-State (OOS), California Exempt (P/H Types 66 & 70), California  
Pooled, Annual Averages, January 1993 through August 2008**



Data Source: CDFA Milk Pooling Branch

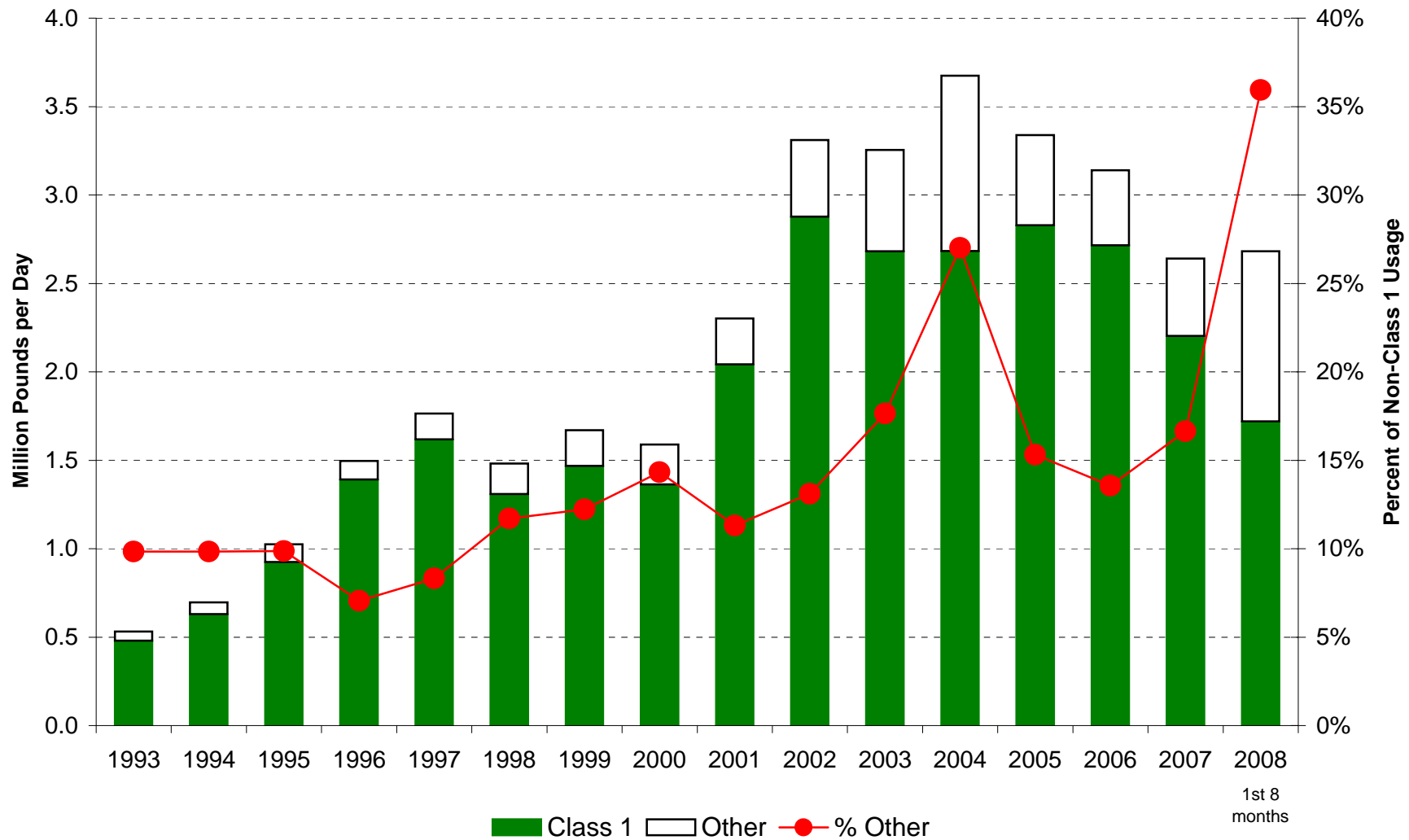
**Figure 19 - California Bulk Milk Imports by Source and Total Exports,  
Annual Averages, January 1993 through August 2008**



\* Other may include AZ and NV milk

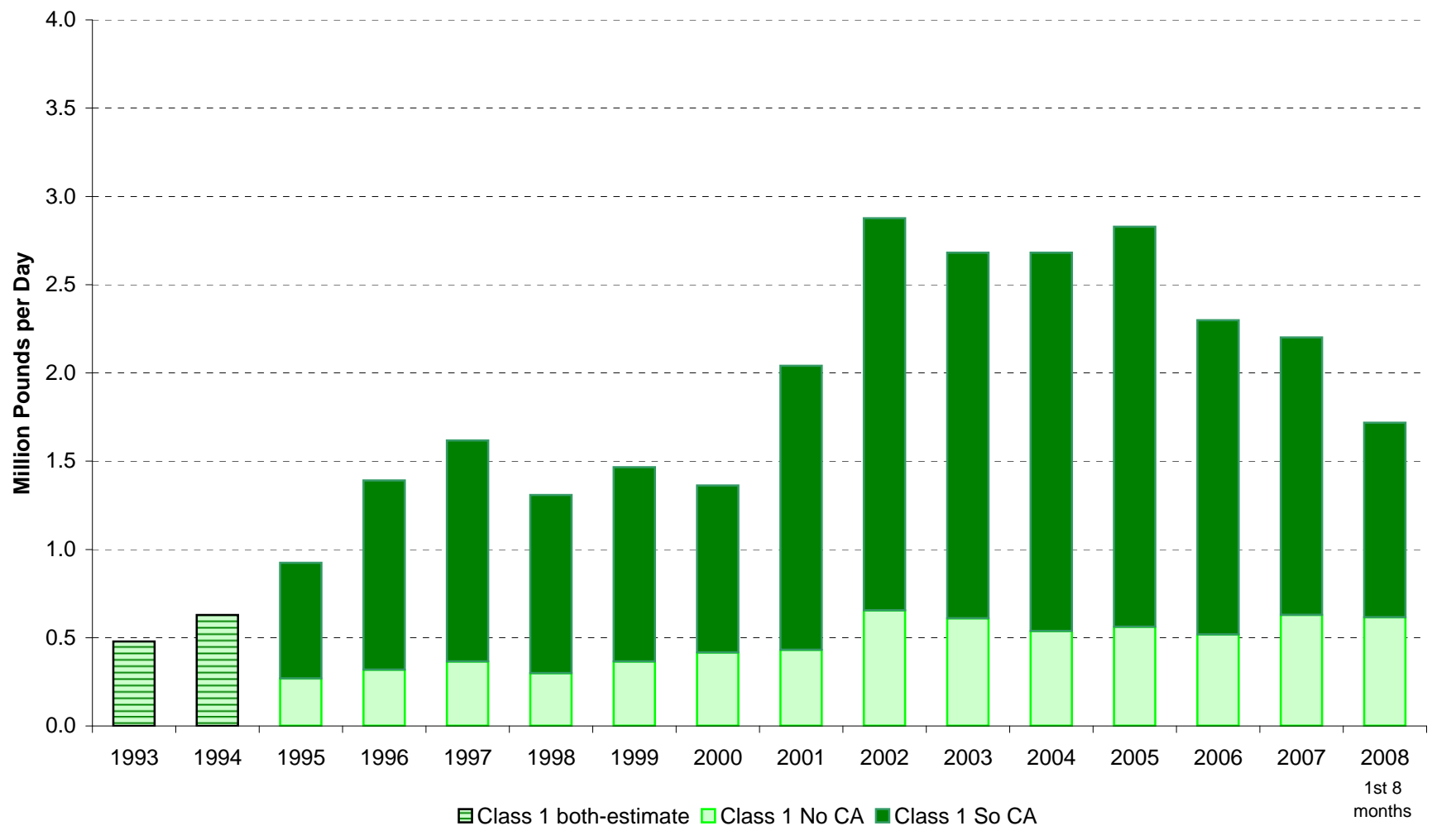
Data Source: CDFA Milk Pooling Branch

**Figure 20 - California Bulk Milk Imports by Utilization,  
Annual Averages, January 1993 through August 2008**



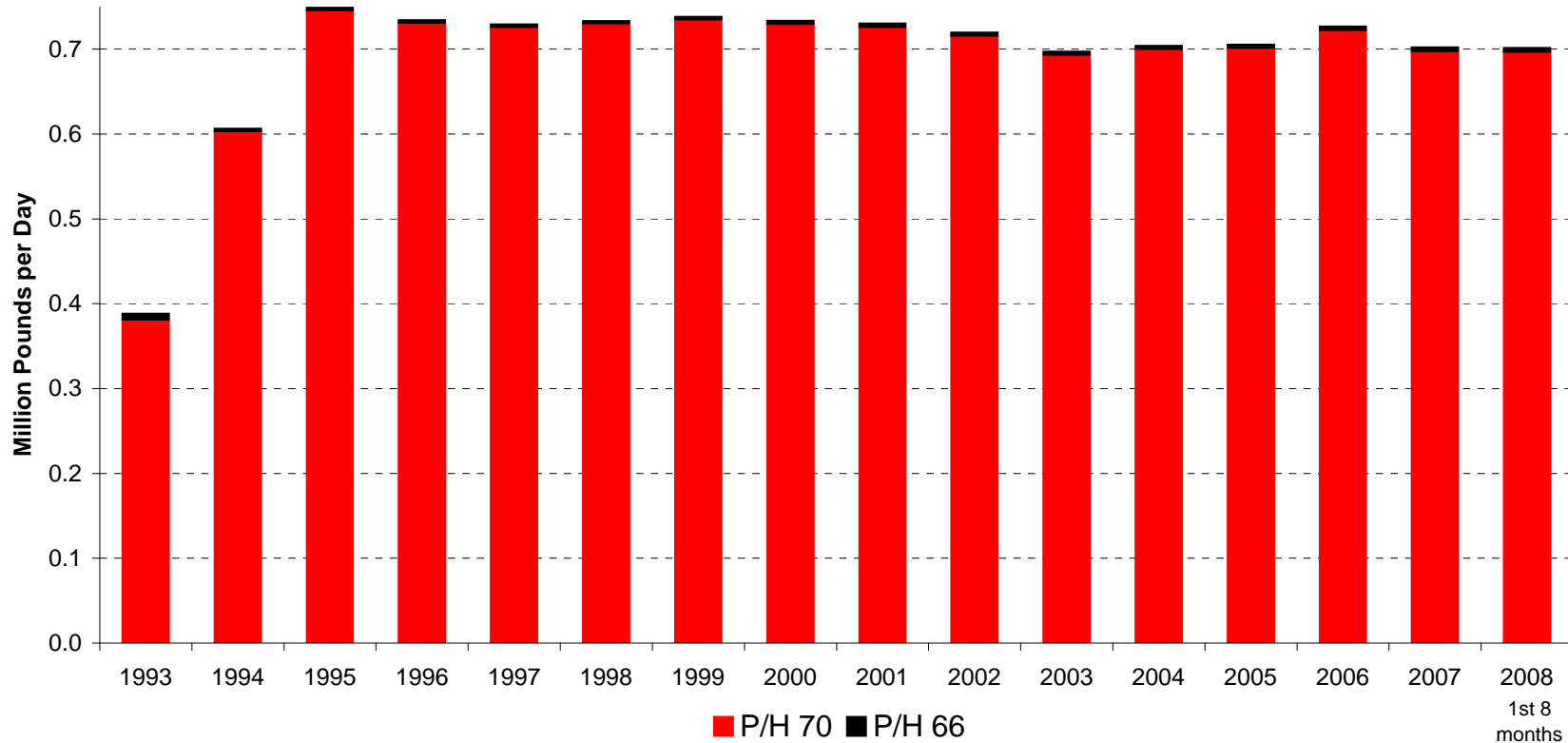
Data Source: CDFA Milk Pooling Branch

**Figure 21 - California Bulk Milk Imports used as Class 1 by Marketing Area, Annual Averages, January 1993 through August 2008**



Data Source: CDFA Milk Pooling Branch

**Figure 22 - Exempt Fluid Milk Processed by Producer-Handlers  
(P/H Types 66 & 70), Annual Averages,  
January 1993 through August 2008**



**Type 66 Producer-Handler (Pool Plan Article 6):**

- Production and sales both must average less than 500 gallons per day for the 12 months from September through August
- 95% of both production and sales must be disposed to retail/wholesale outlets (other than handlers)

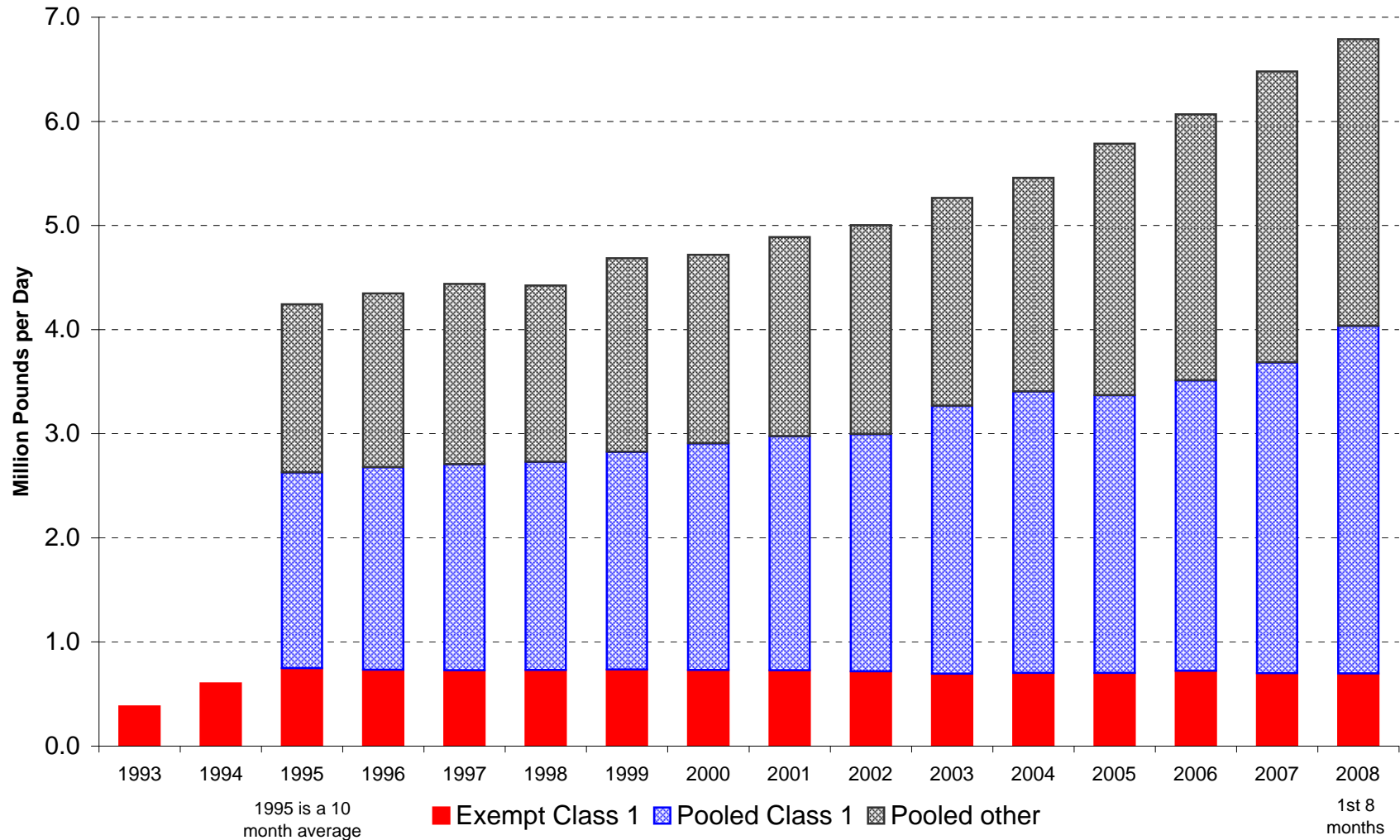
**Type 70 Producer-Handler (Pool Plan Article 6.5):**

- Both "original" exempt quota and quota purchased before March 1995, plus 150 lb. fat and 375 lb. SNF, deducted from Class 1 usage
- Exempt quota may be sold, but it does not retain its exemption

**Data Source: CDFA Milk Pooling Branch**



**Figure 23 - Milk Processed by Type 70 Exempt Producer-Handlers,  
Annual Averages, January 1995 through August 2008**



Data Source: CDFA Milk Pooling Branch