

Background Material For Class 1, 2, 3, 4a, and 4b Hearing

In Preparation for the November 9, 2009 Hearing

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Estimated Impacts of Hearing Proposals on California Class 1, 2, 3, 4a, 4b, and Pool Prices

- The table below shows the impacts of the petition and alternative proposals on class and pool prices relative to current prices from October 2004 through September 2009.
- The analysis assumes that the petition, alternative proposals and current formulas were in effect throughout the entire period.
- When a change is a "plus", the proposal would have increased the price.
- When a change is a "minus", the proposal would have decreased the price.

**Table 1 - Estimated Impacts¹ on Class 1, 2, 3, 4a, 4b, and Pool Prices if the hearing proposals had been in effect for the 5-year period: October 2004 to September 2009
Annual and Five-Year Averages**

	Class 1 Northern (\$/cwt.)	Class 1 Southern (\$/cwt.)	Class 2 Northern (\$/cwt.)	Class 2 Southern (\$/cwt.)	Class 3 Statewide (\$/cwt.)	Class 4a (\$/cwt.)	Class 4b (\$/cwt.)	Pool ² (\$/cwt.)
Alliance Proposal								
2004-2005	+\$0.50	+\$0.50	+\$0.26	+\$0.26	+\$0.26			+\$0.10
2005-2006	+\$0.50	+\$0.50	+\$0.26	+\$0.26	+\$0.26			+\$0.10
2006-2007	+\$0.50	+\$0.50	+\$0.26	+\$0.26	+\$0.26			+\$0.10
2007-2008	+\$0.50	+\$0.50	+\$0.26	+\$0.26	+\$0.26			+\$0.10
2008-2009	+\$0.50	+\$0.50	+\$0.26	+\$0.26	+\$0.26			+\$0.11
5-year average	+\$0.50	+\$0.50	+\$0.26	+\$0.26	+\$0.26			+\$0.10
Western United Dairymen Proposal (TEMPORARY)								
2004-2005	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.51
2005-2006	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.51
2006-2007	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.51
2007-2008	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.51
2008-2009	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.51
5-year average	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.50	+\$0.51
Milk Producers Council Proposal³								
2004-2005	-\$0.06	-\$0.06	+\$0.12	+\$0.12	+\$0.12	+\$0.13	\$0.00	+\$0.03
2005-2006	-\$0.06	-\$0.06	+\$0.14	+\$0.14	+\$0.14	+\$0.13	\$0.00	+\$0.03
2006-2007	+\$0.11	+\$0.11	+\$1.02	+\$1.02	+\$1.02	+\$1.06	+\$0.68	+\$0.71
2007-2008	-\$0.11	-\$0.11	+\$0.05	+\$0.05	+\$0.05	+\$0.01	+\$0.07	+\$0.02
2008-2009	+\$0.02	+\$0.02	+\$0.12	+\$0.12	+\$0.12	+\$0.14	\$0.00	+\$0.06
5-year average	-\$0.02	-\$0.02	+\$0.29	+\$0.29	+\$0.29	+\$0.29	+\$0.15	+\$0.17
Dairy Institute Proposal (TEMPORARY)								
2004-2005	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20
2005-2006	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20
2006-2007	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20
2007-2008	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20
2008-2009	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20
5-year average	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20	+\$0.20
California Dairy Campaign Proposal⁴								
2004-2005	\$0.00	\$0.00	-\$0.17	-\$0.17	-\$0.17	-\$0.19	-\$0.44	-\$0.28
2005-2006	+\$0.61	+\$0.61	+\$0.03	+\$0.03	+\$0.03	+\$0.11	-\$0.01	+\$0.12
2006-2007	+\$0.03	+\$0.03	-\$0.08	-\$0.08	-\$0.08	-\$0.30	-\$0.49	-\$0.33
2007-2008	\$0.00	\$0.00	-\$0.51	-\$0.51	-\$0.51	-\$0.32	-\$0.47	-\$0.35
2008-2009	+\$4.66	+\$4.66	+\$0.55	+\$0.55	+\$0.55	+\$0.73	+\$0.54	+\$1.32
5-year average	+\$1.06	+\$1.06	-\$0.04	-\$0.04	-\$0.04	\$0.0	-\$0.17	+\$0.10
California Dairy Women Association Proposal⁴ (TEMPORARY)								
2004-2005	-\$2.51	-\$2.78	-\$0.94	-\$1.17	-\$0.89	-\$2.88	-\$3.91	-\$3.20
2005-2006	+\$0.20	-\$0.08	+\$0.46	+\$0.23	+\$0.51	-\$0.85	-\$0.73	-\$0.55
2006-2007	-\$2.85	-\$3.12	-\$0.68	-\$0.91	-\$0.63	-\$4.18	-\$2.93	-\$3.09
2007-2008	-\$4.61	-\$4.88	-\$3.50	-\$3.73	-\$3.45	-\$4.11	-\$4.92	-\$4.48
2008-2009	+\$4.98	+\$4.71	+\$5.02	+\$4.79	+\$5.07	+\$4.06	+\$3.32	+\$3.96
5-year average	-\$0.96	-\$1.23	+\$0.07	-\$0.16	+\$0.12	-\$1.59	-\$1.83	-\$1.47
California Dairies, Inc. Proposal								
2004-2005			-\$0.38	-\$0.38	-\$0.38	-\$0.38	+\$0.01	-\$0.13
2005-2006			-\$0.38	-\$0.38	-\$0.38	-\$0.38	+\$0.01	-\$0.13
2006-2007			-\$0.38	-\$0.38	-\$0.38	-\$0.38	+\$0.01	-\$0.13
2007-2008			-\$0.38	-\$0.38	-\$0.38	-\$0.38	+\$0.01	-\$0.15
2008-2009			-\$0.38	-\$0.38	-\$0.38	-\$0.38	+\$0.01	-\$0.16
5-year average			-\$0.38	-\$0.38	-\$0.38	-\$0.38	+\$0.01	-\$0.14

¹ Compares proposed alternative formulas with current California formulas

² Quota and overbase price

³ The historic NASS dry whey and non-fat dry milk commodity averages used in Federal Order pricing were utilized to estimate the impact of this proposal.

⁴ The impact analysis for these proposals assumes the Department's Quarterly Cost of Production Summary is released 3 months following the end of the quarter in question. For example, the 1st Quarter Cost of Production Summary (for the months January - March) is assumed to be released at the end of June.

**Estimated Impacts of Hearing Proposals on California Ice Cream, Yogurt, Whole Milk,
Reduced Fat Milk, Lowfat Milk and Skim Milk Raw Product Cost**

- The table below shows the impacts of the petition and alternative proposals on fluid milk, ice cream and yogurt raw product costs relative to current prices from October 2004 through September 2009.
- The analysis assumes that the petition, alternative proposals and current formulas were in effect throughout the entire period.
- When a change is a "plus", the proposal would have increased the price.
- When a change is a "minus", the proposal would have decreased the price.

Table 2 - Estimated Impact¹ on California Whole, Reduced Fat, Lowfat and Skim Milk, Ice Cream and Yogurt raw product costs² if the hearing proposals had been in effect for the 5-year period: October 2004 to September 2009 Annual and Five-Year Averages

	Whole (¢/gallon)	Reduced Fat (¢/gallon)	Lowfat (¢/gallon)	Skim (¢/gallon)	Ice Cream (¢/½ gallon)	Yogurt (¢/quart)
Alliance Proposal						
2004-2005	+4.3¢	+4.8¢	+5.2¢	+4.5¢	+1.0¢	+0.5¢
2005-2006	+4.3¢	+4.8¢	+5.2¢	+4.5¢	+1.0¢	+0.5¢
2006-2007	+4.3¢	+4.8¢	+5.2¢	+4.5¢	+1.0¢	+0.5¢
2007-2008	+4.3¢	+4.8¢	+5.2¢	+4.5¢	+1.0¢	+0.5¢
2008-2009	+4.3¢	+4.8¢	+5.2¢	+4.5¢	+1.0¢	+0.5¢
5-year average	+4.3¢	+4.8¢	+5.2¢	+4.5¢	+1.0¢	+0.5¢
Western United Dairymen Proposal (TEMPORARY)						
2004-2005	+4.3¢	+4.7¢	+5.1¢	+4.3¢	+1.8¢	+1.0¢
2005-2006	+4.3¢	+4.7¢	+5.1¢	+4.3¢	+1.8¢	+1.0¢
2006-2007	+4.3¢	+4.7¢	+5.1¢	+4.3¢	+1.8¢	+1.0¢
2007-2008	+4.3¢	+4.7¢	+5.1¢	+4.3¢	+1.8¢	+1.0¢
2008-2009	+4.3¢	+4.7¢	+5.1¢	+4.3¢	+1.8¢	+1.0¢
5-year average	+4.3¢	+4.7¢	+5.1¢	+4.3¢	+1.8¢	+1.0¢
Milk Producers Council Proposal						
2004-2005	-0.5¢	-0.5¢	-0.6¢	-0.5¢	+0.3¢	+0.3¢
2005-2006	-0.5¢	-0.6¢	-0.7¢	-0.6¢	+0.4¢	+0.3¢
2006-2007	+0.9¢	+1.0¢	+1.1¢	+1.0¢	+2.6¢	+2.5¢
2007-2008	-0.9¢	-1.0¢	-1.1¢	-0.9¢	+0.1¢	+0.1¢
2008-2009	+0.2¢	+0.2¢	+0.2¢	+0.2¢	+0.3¢	+0.3¢
5-year average	-0.2¢	-0.2¢	-0.2¢	-0.2¢	+0.8¢	+0.7¢
Dairy Institute Proposal (TEMPORARY)						
2004-2005	+1.7¢	+1.9¢	+2.0¢	+1.7¢	+0.7¢	+0.4¢
2005-2006	+1.7¢	+1.9¢	+2.0¢	+1.7¢	+0.7¢	+0.4¢
2006-2007	+1.7¢	+1.9¢	+2.0¢	+1.7¢	+0.7¢	+0.4¢
2007-2008	+1.7¢	+1.9¢	+2.0¢	+1.7¢	+0.7¢	+0.4¢
2008-2009	+1.7¢	+1.9¢	+2.0¢	+1.7¢	+0.7¢	+0.4¢
5-year average	+1.7¢	+1.9¢	+2.0¢	+1.7¢	+0.7¢	+0.4¢
California Dairy Campaign Proposal						
2004-2005	+0¢	+0¢	+0¢	+0¢	-0.7¢	-0.3¢
2005-2006	+5.2¢	+5.8¢	+6.3¢	+5.4¢	+0.1¢	+0.1¢
2006-2007	+0.2¢	+0.2¢	+0.3¢	+0.2¢	-0.3¢	-0.2¢
2007-2008	+0¢	+0¢	+0¢	+0¢	-1.9¢	-1.0¢
2008-2009	+40.1¢	+44.9¢	+48.6¢	+41.6¢	+2.1¢	+1.1¢
5-year average	+9.1¢	+10.2¢	+11.1¢	+9.5¢	-0.1¢	-0.1¢
California Dairy Women Association Proposal³ (TEMPORARY)						
2004-2005	-21.6¢	-13.8¢	-8.6¢	-2.6¢	-9.7¢	+1.3¢
2005-2006	+1.7¢	+5.9¢	+8.8¢	+9.7¢	-1.2¢	+2.4¢
2006-2007	-24.5¢	-23.9¢	-23.8¢	-18.4¢	-2.8¢	-1.1¢
2007-2008	-39.7¢	-42.9¢	-45.6¢	-37.7¢	-8.7¢	-8.8¢
2008-2009	+42.8¢	+44.7¢	+46.4¢	+39.0¢	+16.9¢	+10.6¢
5-year average	-8.2¢	-6.0¢	-4.5¢	-2.0¢	-1.1¢	+0.9¢
California Dairies, Inc. Proposal						
2004-2005					-1.5¢	-0.7¢
2005-2006					-1.5¢	-0.7¢
2006-2007					-1.5¢	-0.7¢
2007-2008					-1.5¢	-0.7¢
2008-2009					-1.5¢	-0.7¢
5-year average					-1.5¢	-0.7¢

¹ Compares proposed alternative formulas with current California formulas

² Assumes Whole Milk is 3.5% fat, 8.7% SNF, 8.6 lb/gallon; Reduced Fat is 2% Fat, 10% SNF, 8.65 lb/gallon; Lowfat is 1% Fat, 11% SNF, 8.69 lb/gallon; Skim Milk is 0.1% Fat, 9% SNF, 8.63 lb/gallon; Ice Cream is 10% fat, 10% SNF, 2.25 lb/½gallon; Yogurt is 1% fat, 10% SNF, 2.1625 lb/quart

³ The estimated raw product cost impacts listed are based on the Northern California Class 1, 2, and 3 changes for this proposal.

Estimated Impacts of Hearing Proposals on California Raw Product Prices Relative to Contiguous States

- The table below shows the difference between the current formula, petition and alternative proposal's raw product costs with comparable costs in contiguous states, from October 2004 through September 2009.
- The state and federal prices are those that would have resulted from using the current pricing formulas.
The analysis assumes that these formulas have been in place since October 2004.
- Both federal and state prices are based on California standards for fluid milk.
- When a price is a "plus", plants in contiguous states have a price advantage
- When a price is a "minus", plants in California have a price advantage

Table 3 - Estimated Difference in Raw Product Costs for Ice Cream, Yogurt and Whole Milk¹, California Costs less Current Costs in Contiguous States, October 2004 to September 2009

	Southern California less: <i>Phoenix, AZ</i>			<i>Las Vegas, NV</i>	Northern California less: <i>Medford, OR</i>			<i>Reno, NV</i>
	Whole milk (¢/gallon)	Yogurt (¢/quart)	Ice cream (¢1½-gallon)		Whole milk (¢/gallon)	Whole milk (¢/gallon)	Yogurt (¢/quart)	
Current Formulas ²								
2004-2005	-1.7¢	-1.1¢	-3.0¢	+6.4¢	-0.2¢	-1.1¢	-2.0¢	0.0¢
2005-2006	-2.7¢	-0.6¢	-0.5¢	+5.5¢	-1.1¢	-0.6¢	+0.4¢	0.0¢
2006-2007	-3.4¢	-5.5¢	-8.0¢	+4.7¢	-1.9¢	-4.8¢	-5.9¢	0.0¢
2007-2008	-1.6¢	-0.1¢	-2.3¢	+6.5¢	-0.1¢	+0.3¢	-0.7¢	0.0¢
2008-2009	-4.8¢	+0.2¢	+0.8¢	+3.4¢	-3.3¢	+0.1¢	+1.6¢	0.0¢
5 year average	-2.9¢	-1.4¢	-2.6¢	+5.3¢	-1.3¢	-1.2¢	-1.3¢	0.0¢
Alliance Proposal ³								
2004-2005	+2.6¢	-0.6¢	-2.0¢	+10.7¢	+4.1¢	-0.6¢	-1.0¢	+4.3¢
2005-2006	+1.6¢	0.0¢	+0.5¢	+9.8¢	+3.2¢	-0.1¢	+1.4¢	+4.3¢
2006-2007	+0.9¢	-5.0¢	-7.1¢	+9.0¢	+2.4¢	-4.3¢	-5.0¢	+4.3¢
2007-2008	+2.7¢	+0.4¢	-1.4¢	+10.8¢	+4.2¢	+0.8¢	+0.2¢	+4.3¢
2008-2009	-0.5¢	+0.7¢	+1.7¢	+7.7¢	+1.0¢	+0.6¢	+2.5¢	+4.3¢
5 year average	+1.5¢	-0.9¢	-1.7¢	+9.6¢	+3.0¢	-0.7¢	-0.4¢	+4.3¢
Western United Dairywomen Proposal (TEMPORARY)								
2004-2005	+2.6¢	-0.1¢	-1.1¢	+10.7¢	+4.1¢	-0.1¢	-0.1¢	+4.3¢
2005-2006	+1.6¢	+0.4¢	+1.4¢	+9.8¢	+3.2¢	+0.4¢	+2.2¢	+4.3¢
2006-2007	+0.9¢	-4.5¢	-6.2¢	+9.0¢	+2.4¢	-3.9¢	-4.1¢	+4.3¢
2007-2008	+2.6¢	+0.9¢	-0.5¢	+10.8¢	+4.2¢	+1.3¢	+1.1¢	+4.3¢
2008-2009	-0.5¢	+1.2¢	+2.6¢	+7.7¢	+1.0¢	+1.1¢	+3.4¢	+4.3¢
5 year average	+1.4¢	-0.4¢	-0.8¢	+9.6¢	+3.0¢	-0.2¢	+0.5¢	+4.3¢
Milk Producers Council Proposal								
2004-2005	-2.2¢	-0.8¢	-2.7¢	+6.0¢	-0.7¢	-0.8¢	-1.7¢	-0.5¢
2005-2006	-3.2¢	-0.2¢	-0.1¢	+5.0¢	-1.7¢	-0.3¢	+0.7¢	-0.5¢
2006-2007	-2.5¢	-3.0¢	-5.4¢	+5.7¢	-1.0¢	-2.3¢	-3.3¢	+0.9¢
2007-2008	-2.6¢	+0.1¢	-2.2¢	+5.6¢	-1.0¢	+0.5¢	-0.6¢	-0.9¢
2008-2009	-4.6¢	-0.3¢	+1.1¢	+3.5¢	-3.1¢	+0.4¢	+1.9¢	+0.2¢
5 year average	-3.0¢	-0.7¢	-1.9¢	+5.1¢	-1.5¢	-0.5¢	-0.6¢	-0.2¢
Dairy Institute Proposal (TEMPORARY)								
2004-2005	+0.0¢	-0.7¢	-2.2¢	+8.2¢	+1.5¢	-0.7¢	-1.3¢	+1.7¢
2005-2006	-0.9¢	-0.2¢	+0.2¢	+7.2¢	+0.6¢	-0.2¢	+1.1¢	+1.7¢
2006-2007	-1.7¢	-5.1¢	-7.3¢	+6.5¢	-0.2¢	-4.5¢	-5.2¢	+1.7¢
2007-2008	+0.1¢	+0.3¢	-1.6¢	+8.2¢	+1.6¢	+0.7¢	0.0¢	+1.7¢
2008-2009	-3.1¢	+0.6¢	+1.5¢	+5.1¢	-1.6¢	+0.5¢	+2.3¢	+1.7¢
5 year average	-1.1¢	-1.0¢	-1.9¢	+7.0¢	+0.4¢	-0.8¢	-0.6¢	+1.7¢
California Dairy Campaign Proposal								
2004-2005	-1.7¢	-1.4¢	-3.6¢	+6.4¢	-0.2¢	-1.4¢	-2.6¢	0.0¢
2005-2006	+2.6¢	-0.5¢	-0.4¢	+10.7¢	+4.1¢	-0.6¢	+0.5¢	+5.2¢
2006-2007	-3.2¢	-5.7¢	-8.3¢	+5.0¢	-1.7¢	-5.0¢	-6.2¢	+0.2¢
2007-2008	-1.6¢	-1.0¢	-4.2¢	+6.5¢	-0.1¢	-0.6¢	-2.6¢	+0.0¢
2008-2009	+35.3¢	+1.3¢	+2.9¢	+43.4¢	+36.8¢	+1.2¢	+3.7¢	+40.1¢
5 year average	+6.3¢	-1.5¢	-2.7¢	+14.4¢	+7.8¢	-1.3¢	-1.5¢	+9.1¢
California Dairy Women Association Proposal (TEMPORARY)								
2004-2005	-25.7¢	-0.4¢	-12.7¢	-17.5¢	-21.8¢	+0.2¢	-11.7¢	-21.6¢
2005-2006	-3.3¢	+1.3¢	-1.7¢	+4.9¢	+0.6¢	+1.8¢	-0.9¢	+1.7¢
2006-2007	-30.2¢	-7.2¢	-10.8¢	-22.1¢	-26.4¢	-6.0¢	-8.7¢	-24.5¢
2007-2008	-43.7¢	-9.4¢	-11.0¢	-35.5¢	-39.8¢	-8.5¢	-9.4¢	-39.7¢
2008-2009	+35.7¢	+10.3¢	+17.7¢	+43.8¢	+39.5¢	+10.8¢	+18.5¢	+42.8¢
5 year average	-13.4¢	-1.1¢	-3.7¢	-5.3¢	-9.6¢	-0.3¢	-2.4¢	-8.2¢
California Dairies, Inc. Proposal								
2004-2005		-1.7¢	-4.5¢			-1.7¢	-3.5¢	
2005-2006		-1.2¢	-2.0¢			-1.3¢	-1.1¢	
2006-2007		-6.2¢	-9.6¢			-5.5¢	-7.5¢	
2007-2008		-0.7¢	-3.9¢			-0.3¢	-2.2¢	
2008-2009		-0.4¢	-0.8¢			-0.5¢	+0.1¢	
5 year average		-2.1¢	-4.1¢			-1.9¢	-2.9¢	

¹ Assumes Whole Milk is 3.5% fat, 8.7% SNF, 8.6 lb/gallon; Yogurt is 1% fat, 10% SNF, 2.1625 lb/quart; Ice Cream is 10% fat, 10% SNF, 2.25 lb/½gallon

² Uses current California, Nevada State and Federal Order pricing formulas

³ The Petition and Alternative proposed formulas compared with current Nevada State and Federal Order pricing formulas

**Table 4 - Estimated Volume Covered by
Current Formula and Proposals¹**

The Approximate Percent Volume of Butter, Nonfat Dry Milk, and Cheddar Cheese Covered by the Current Manufacturing Cost Allowances and the Hearing Proposals based on the Department's Calendar Year 2008 Manufacturing Cost Studies

	Butter	Volume Covered Nonfat Dry Milk	Cheddar Cheese
Current Formula	54%	56%	5%
<i>Hearing Proposals:</i>			
Alliance	54%	56%	5%
Western United Dairymen	6%	0%	0%
Milk Producers Council	54%	21%	0%
Dairy Institute	28%	0%	0%
California Dairy Campaign	0%	0%	0%
California Dairy Women Association	0%	0%	0%
California Dairies, Inc.	97%	77%	5%

¹The component price changes of each proposal was equated to a change in the manufacturing cost allowance that would yield the same price impact, which was then used to determine the approximate volume covered.

Table 5: Historic Nonfat Dry Milk and Dry Whey Commodity Prices
CWAP, Dairy Market News, and NASS
Pricing Periods: 26th-25th, 26th-10th, 2-Week, 4-Week

Month/Year	CA NFDM CWAP 26th - 25th (\$/lb)	CA NFDM CWAP 26th - 10th (\$/lb)	DMN Dry Whey Western Mostly 26th - 25th (\$/lb)	DMN Dry Whey Western Mostly 26th - 10th (\$/lb)	USDA NASS NFDM 4-Week (\$/lb)	USDA NASS NFDM 2-Week (\$/lb)	USDA NASS Dry Whey 4-Week (\$/lb)	USDA NASS Dry Whey 2-Week (\$/lb)
Jan-04	0.8023	0.8033	0.1706	0.1731	0.8062	0.8051	0.1801	0.1824
Feb-04	0.8015	0.8015	0.1631	0.1650	0.8064	0.8085	0.1677	0.1691
Mar-04	0.8038	0.8017	0.1666	0.1613	0.8101	0.8090	0.1817	0.1706
Apr-04	0.8116	0.8056	0.2208	0.2163	0.8171	0.8179	0.2602	0.2611
May-04	0.8218	0.8131	0.2631	0.2588	0.8383	0.8372	0.2992	0.2975
Jun-04	0.8333	0.8299	0.2683	0.2750	0.8497	0.8500	0.2890	0.2942
Jul-04	0.8356	0.8368	0.2356	0.2413	0.8513	0.8552	0.2607	0.2600
Aug-04	0.8437	0.8462	0.2181	0.2200	0.8584	0.8596	0.2246	0.2280
Sep-04	0.8457	0.8420	0.2160	0.2131	0.8639	0.8622	0.2162	0.2155
Oct-04	0.8476	0.8507	0.2266	0.2238	0.8565	0.8626	0.2247	0.2241
Nov-04	0.8478	0.8462	0.2410	0.2363	0.8570	0.8553	0.2367	0.2338
Dec-04	0.8663	0.8592	0.2528	0.2506	0.8713	0.8698	0.2423	0.2436
Jan-05	0.8801	0.8733	0.2584	0.2569	0.8906	0.8892	0.2463	0.2481
Feb-05	0.8865	0.8837	0.2625	0.2600	0.8990	0.8964	0.2478	0.2479
Mar-05	0.8946	0.8922	0.2700	0.2669	0.9083	0.9073	0.2513	0.2485
Apr-05	0.9007	0.8939	0.2769	0.2750	0.9156	0.9159	0.2580	0.2596
May-05	0.9109	0.9097	0.2859	0.2838	0.9289	0.9287	0.2603	0.2597
Jun-05	0.9048	0.9040	0.2945	0.2938	0.9259	0.9289	0.2696	0.2684
Jul-05	0.9201	0.9083	0.3054	0.3025	0.9389	0.9377	0.2794	0.2796
Aug-05	0.9374	0.9362	0.3100	0.3100	0.9601	0.9594	0.2869	0.2843
Sep-05	0.9500	0.9493	0.3173	0.3163	0.9705	0.9726	0.2960	0.2904
Oct-05	0.9682	0.9533	0.3219	0.3225	0.9794	0.9719	0.3038	0.3055
Nov-05	0.9724	0.9827	0.3280	0.3250	0.9835	0.9834	0.3149	0.3084
Dec-05	0.9743	0.9780	0.3384	0.3356	0.9899	1.0018	0.3242	0.3244
Jan-06	0.9359	0.9801	0.3466	0.3450	0.9614	0.9782	0.3416	0.3394
Feb-06	0.8737	0.8980	0.3515	0.3525	0.8833	0.9053	0.3531	0.3532
Mar-06	0.8480	0.8533	0.3381	0.3450	0.8697	0.8789	0.3409	0.3478
Apr-06	0.8363	0.8395	0.3125	0.3175	0.8429	0.8400	0.3054	0.3056
May-06	0.8173	0.8304	0.3031	0.3050	0.8288	0.8309	0.2805	0.2811
Jun-06	0.8063	0.8075	0.2910	0.2900	0.8221	0.8205	0.2808	0.2817
Jul-06	0.8149	0.8077	0.2906	0.2900	0.8300	0.8268	0.2810	0.2796
Aug-06	0.8329	0.8273	0.3018	0.2956	0.8484	0.8463	0.2965	0.2925
Sep-06	0.8383	0.8368	0.3213	0.3125	0.8537	0.8542	0.3191	0.3162
Oct-06	0.8676	0.8555	0.3550	0.3488	0.9027	0.8891	0.3557	0.3500
Nov-06	0.9224	0.8913	0.3938	0.3863	0.9837	0.9691	0.3800	0.3740
Dec-06	0.9762	0.9572	0.4331	0.4263	1.0225	1.0233	0.4079	0.4051

Table 5: Historic Nonfat Dry Milk and Dry Whey Commodity Prices
CWAP, Dairy Market News, and NASS
Pricing Periods: 26th-25th, 26th-10th, 2-Week, 4-Week

Month/Year	CA NFDM CWAP 26th - 25th (\$/lb)	CA NFDM CWAP 26th - 10th (\$/lb)	DMN Dry Whey Western Mostly 26th - 25th (\$/lb)	DMN Dry Whey Western Mostly 26th - 10th (\$/lb)	USDA NASS NFDM 4-Week (\$/lb)	USDA NASS NFDM 2-Week (\$/lb)	USDA NASS Dry Whey 4-Week (\$/lb)	USDA NASS Dry Whey 2-Week (\$/lb)
Jan-07	1.0266	0.9993	0.4781	0.4675	1.0677	1.0461	0.4680	0.4539
Feb-07	1.0702	1.0472	0.5680	0.5625	1.1021	1.0960	0.6005	0.5986
Mar-07	1.1353	1.1078	0.6700	0.6375	1.1902	1.1655	0.7060	0.7021
Apr-07	1.2574	1.2023	0.7388	0.7300	1.4354	1.3692	0.7789	0.7709
May-07	1.3753	1.3448	0.8038	0.7863	1.6670	1.6024	0.7578	0.7623
Jun-07	1.4727	1.4203	0.8238	0.8238	1.9012	1.9084	0.7617	0.7595
Jul-07	1.8065	1.5936	0.7809	0.8106	2.0180	2.0358	0.7329	0.7428
Aug-07	1.9753	1.9327	0.6175	0.6375	2.0545	2.0383	0.6197	0.6429
Sep-07	2.0533	2.0528	0.4419	0.4713	2.0557	2.0494	0.4762	0.4885
Oct-07	2.0639	2.0614	0.4025	0.3975	2.0615	2.0699	0.4175	0.4111
Nov-07	1.9680	2.0370	0.4295	0.4250	1.9562	1.9131	0.4345	0.4385
Dec-07	1.8151	1.8407	0.4406	0.4425	1.8031	1.8304	0.4516	0.4568
Jan-08	1.5505	1.7009	0.3780	0.4275	1.5090	1.6931	0.3992	0.4380
Feb-08	1.3188	1.4868	0.2588	0.2750	1.3331	1.3398	0.2736	0.2673
Mar-08	1.2738	1.2482	0.2394	0.2350	1.2512	1.2537	0.2435	0.2454
Apr-08	1.2387	1.2498	0.2730	0.2650	1.2506	1.2456	0.2560	0.2528
May-08	1.2973	1.2614	0.2813	0.2825	1.2985	1.3006	0.2700	0.2686
Jun-08	1.3351	1.3421	0.2800	0.2800	1.3508	1.3479	0.2758	0.2774
Jul-08	1.3647	1.3528	0.2800	0.2800	1.4053	1.3957	0.2642	0.2690
Aug-08	1.3477	1.3585	0.2756	0.2800	1.3840	1.3790	0.2470	0.2487
Sep-08	1.2357	1.3301	0.2338	0.2488	1.2131	1.2628	0.2183	0.2241
Oct-08	0.9769	1.1214	0.1860	0.1850	0.9987	1.0452	0.1945	0.1970
Nov-08	0.8684	0.9174	0.1663	0.1700	0.8701	0.8617	0.1895	0.1896
Dec-08	0.8349	0.8639	0.1588	0.1600	0.8425	0.8460	0.1730	0.1716
Jan-09	0.8161	0.8146	0.1495	0.1500	0.8318	0.8333	0.1696	0.1701
Feb-09	0.8074	0.8106	0.1519	0.1488	0.8215	0.8195	0.1567	0.1545
Mar-09	0.8058	0.8036	0.1747	0.1644	0.8166	0.8152	0.1662	0.1632
Apr-09	0.8082	0.8069	0.2200	0.2150	0.8195	0.8181	0.1949	0.1852
May-09	0.8124	0.8084	0.2563	0.2488	0.8318	0.8314	0.2317	0.2323
Jun-09	0.8203	0.8212	0.2925	0.2825	0.8461	0.8443	0.2693	0.2649
Jul-09	0.8198	0.8152	0.3170	0.3175	0.8422	0.8416	0.2912	0.2873
Aug-09	0.8458	0.8296	0.3200	0.3200	0.8666	0.8695	0.2925	0.2938
Sep-09	0.9514	0.9355	0.3210	0.3200	0.9664	0.9541	0.2979	0.2942
Oct-09		0.9577		0.3313		1.0299		0.3186
Nov-09								
Dec-09								

Table 6 - Estimated Loss of Dairy Producer Income, July 2008 - June 2009

Estimated Loss of Income							
Quarter	Year	NASS Cow Numbers (In Thousand Head)	Average Loss Per Cow (In \$/Per Month) ¹	Total Estimated Loss of Dairy Producer Income by Quarter (In Actual Dollars)	Estimated Percentage of Dairies Experiencing Loss of Income	Number of Dairies in CA reported by CDFA MDFSB January 2009	Total Estimated Loss Per Dairy (In Actual Dollars)
3rd Quarter	2008	1,845	(\$29.31)	(\$162,230,850.00)	44%		
4th Quarter	2008	1,843	(\$41.20)	(\$227,794,800.00)	87%		
1st Quarter	2009	1,813	(\$101.52)	(\$552,167,280.00)	94%		
2nd Quarter	2009	1,825	(\$87.65)	(\$479,883,750.00)	94%		
Total				(\$1,422,076,680.00)		1,850	(\$768,690.10)

¹ Based on CDFA Cost of Production cost study sampling

Estimated Dairy Cow Value Loss				
Quarter	Year	NASS Reported California Cow Numbers (In Thousand Head)	Change Dairy Cow Replacement Value from August 2009 Less August 2008 ²	Total Decrease in California Herd Value (In Actual Dollars)
2nd Quarter	2009	1,825	(\$700)	(\$1,277,500,000)

² Based on NASS California cow replacement value estimates

Historic Temporary Emergency Price Proposals and Adjustments 1988-2009

December 8, 1988 - Consolidated Statewide Hearing Effective: January 1, 1989

Hearing proposal

- Add \$1.00 per cwt to the Class 1 price for six months
- Floor Class 4a and 4b prices for 6 months, but the formulas would only be effective if the prices were above the floor.

The result

- Implement a temporary floor on the Class 1 price for February through July 1989 of \$.68 per cwt. above the December 1988/January 1989 price
- Temporary floors were placed on the Class 4a and 4b prices for January through June 1989 of \$.68 per cwt. above the current minimum prices that occurred when commercial butter, cheese, and powder prices were all at or below CCC support purchase prices.
- Classes 2 and 3 had indirect floors through the floors on Class 4a

November 20 and December 10, 1991 - Pooling and Consolidated Hearing Effective: February 3, 1992

Hearing proposal

- Whether a temporary price increase on Class 1, 2, and 3 is warranted in accordance with the economic emergency criteria as defined in AB 2203 and AB 1232

The result

- The Department adopted a weighted average 4a/4b price of \$10.00 per cwt or less to implement a temporary price
- As a result, the Class 1, 2, and 3 component prices were increased \$0.058 per lb. (approximately \$0.70 per cwt.) for up to six months, and the resulting funds will be used to uniformly increase the quota, base and overbase prices
- The temporary increase was in effect all six months.

February 17, 1995 – Consolidated Statewide Hearing
Effective: No changes implemented

Hearing proposal

- Consider emergency price relief to producers for losses incurred because of rainstorms during January 1995

The result

- The Department determined that there was insufficient evidence of an emergency as defined by the Food and Agricultural Code

April 21, 1995 – Consolidated Statewide Hearing
Effective: June 1, 1995 through January 31, 1996

Hearing proposal

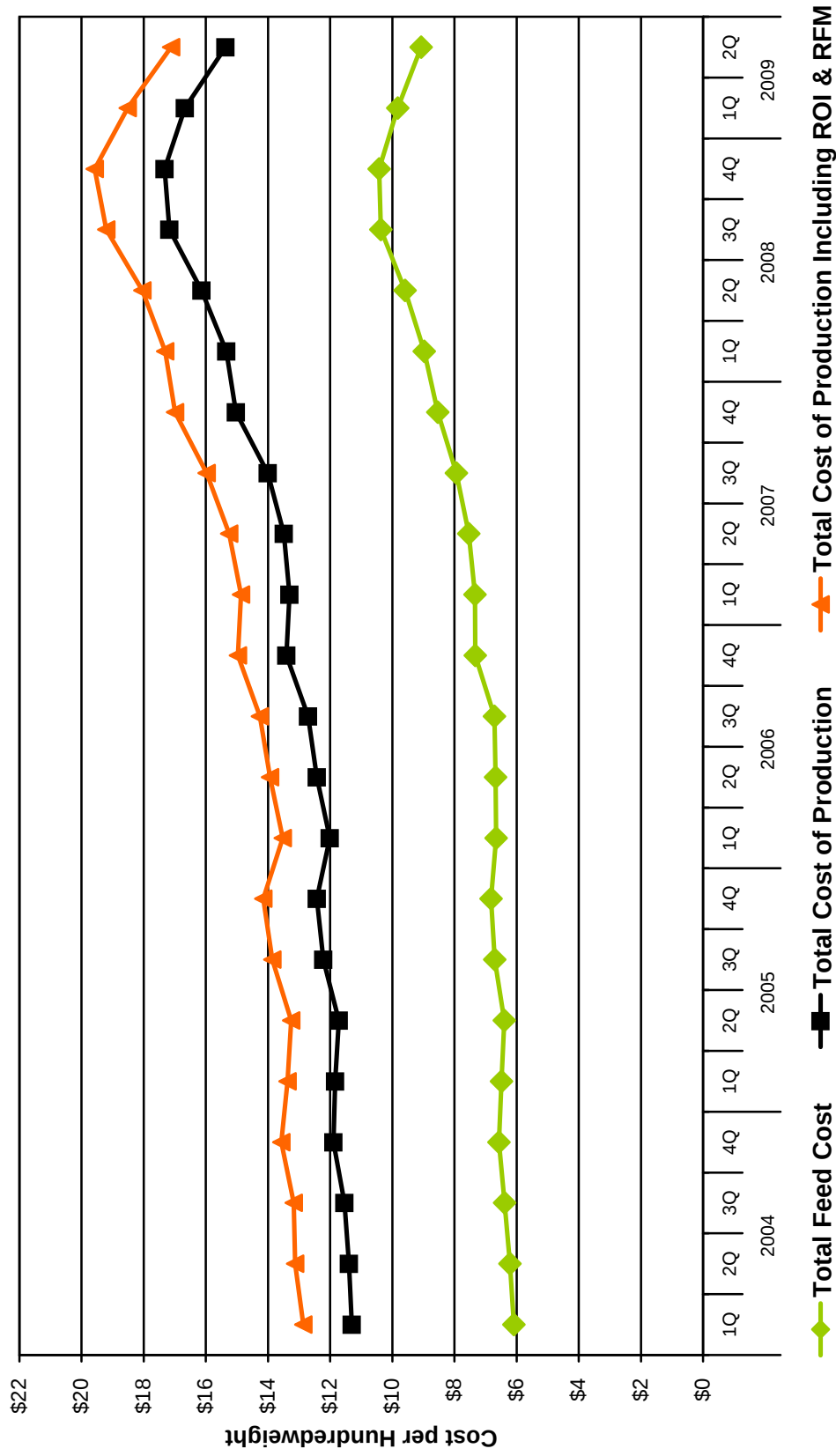
- The Department called the hearing on its own motion to consider temporary uniform increases in the price of milk utilized in all classes. Increases were considered as a means of providing additional revenues to producers to cover the higher costs of production caused by both the January and March 1995 rainstorms

The result

- A temporary uniform increase of \$0.13 per hundredweight (\$0.0107 per pound of both fat and SNF) across all classes of milk was implemented for the period June 1, 1995 through January 31, 1996

Figure 1 - California Cost of Production

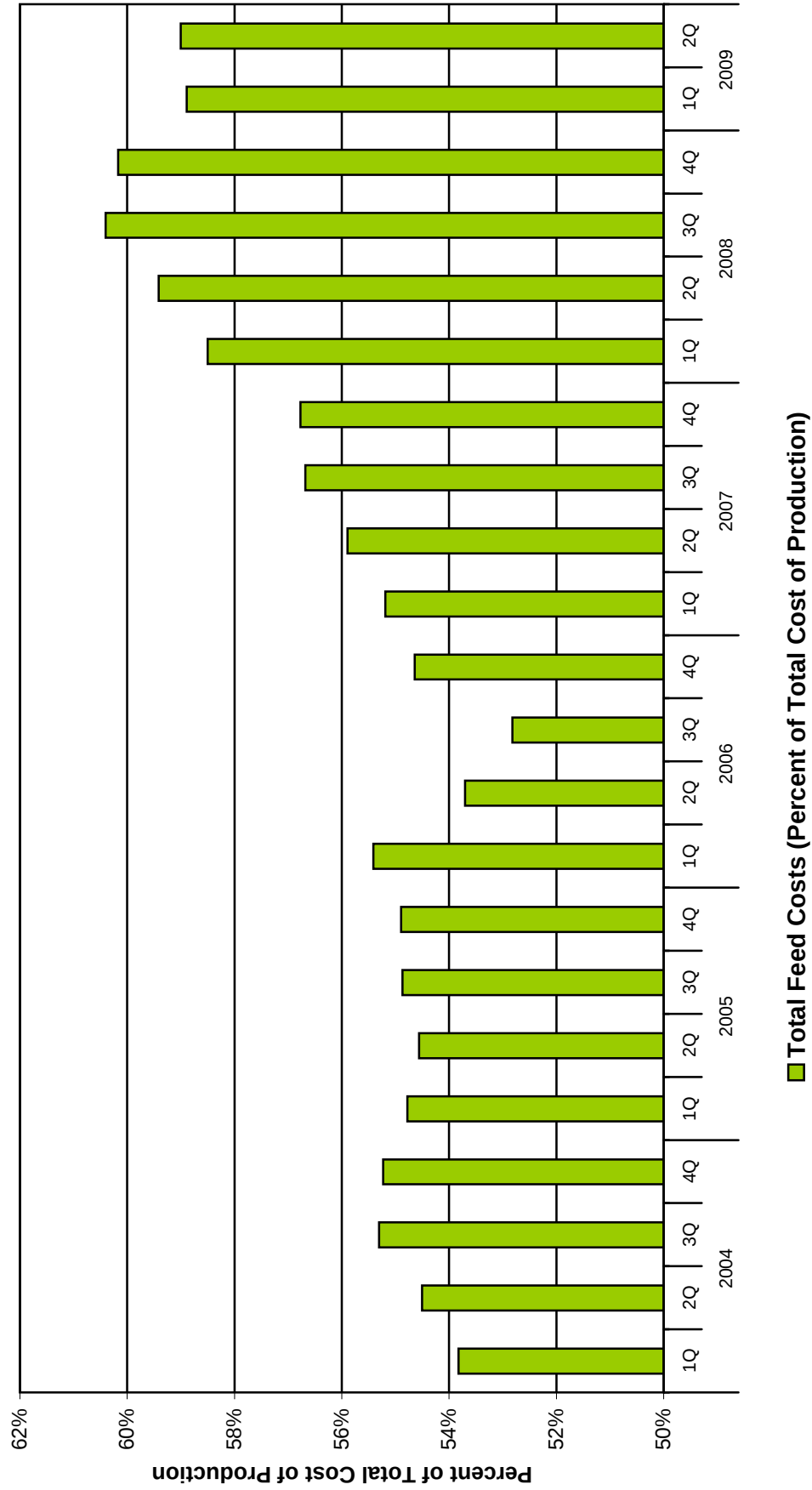
Based on California Cost of Production Survey
Quarterly, January 2004 through June 2009



ROI - Return on Investment
RFM - Return For Management

Data Source: CDFA Dairy Marketing Branch

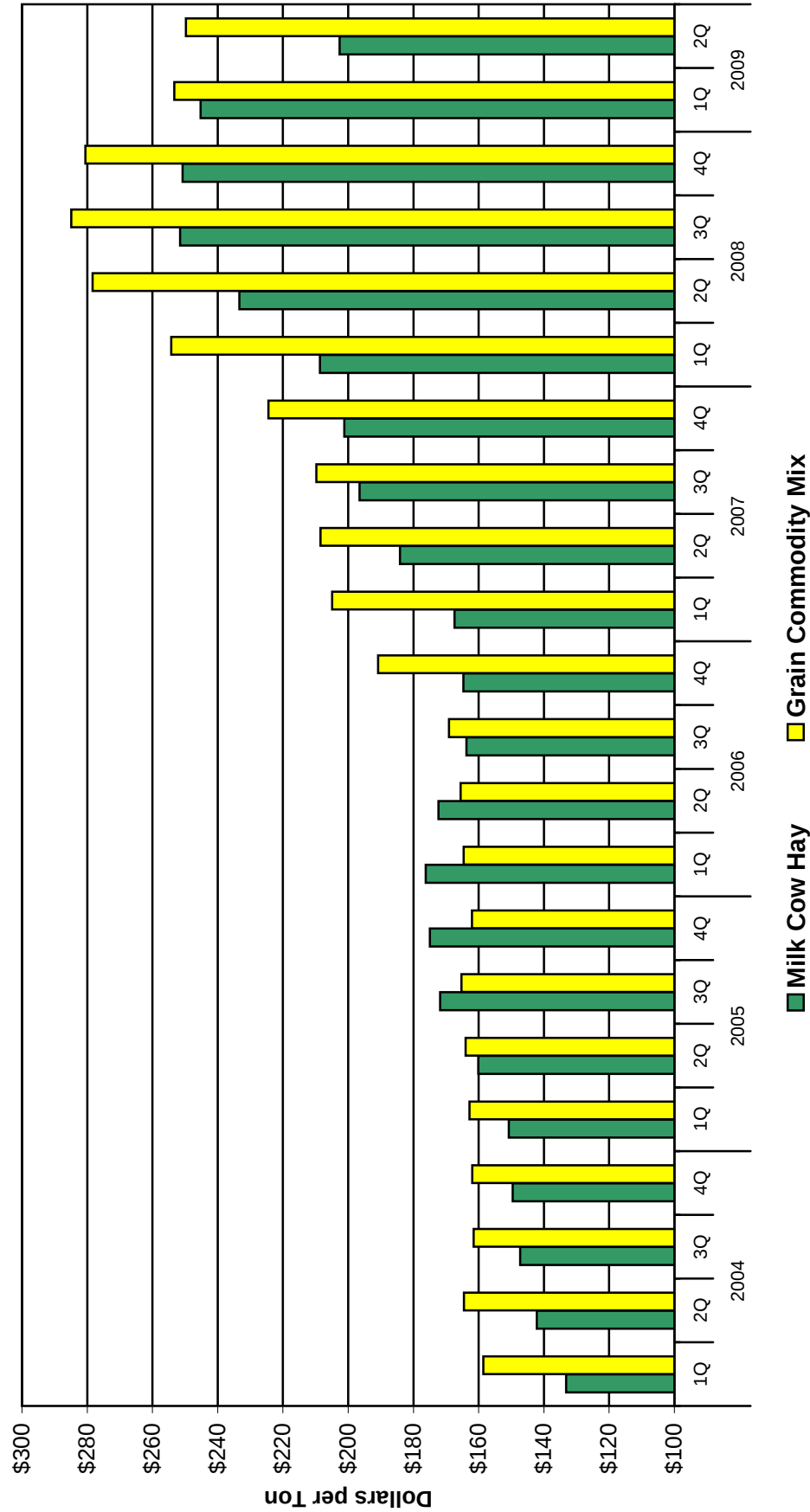
Figure 2 - Total Feed Cost as Percentage of Total Cost of Production
 Based on California Cost of Production Survey
 Quarterly, January 2004 through June 2009



Data Source: CDFA Dairy Marketing Branch

Figure 3 - California Milk Cow Hay & Grain Mix Prices¹

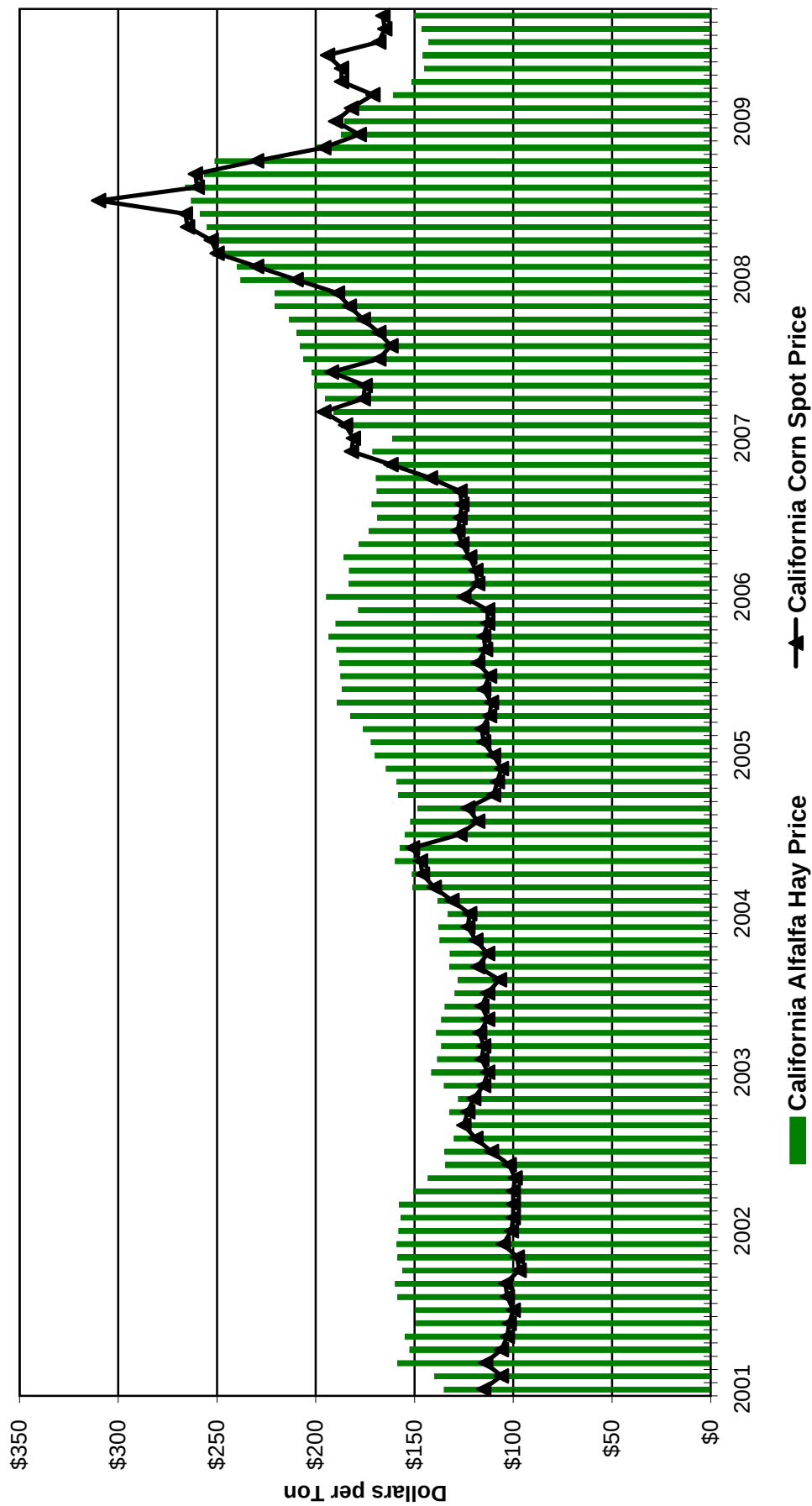
Based on California Cost of Production Survey
Quarterly, January 2004 through June 2009



¹ Survey of average prices for hay & grain mix fed by California producers.

Data Source: CDFA Dairy Marketing Branch

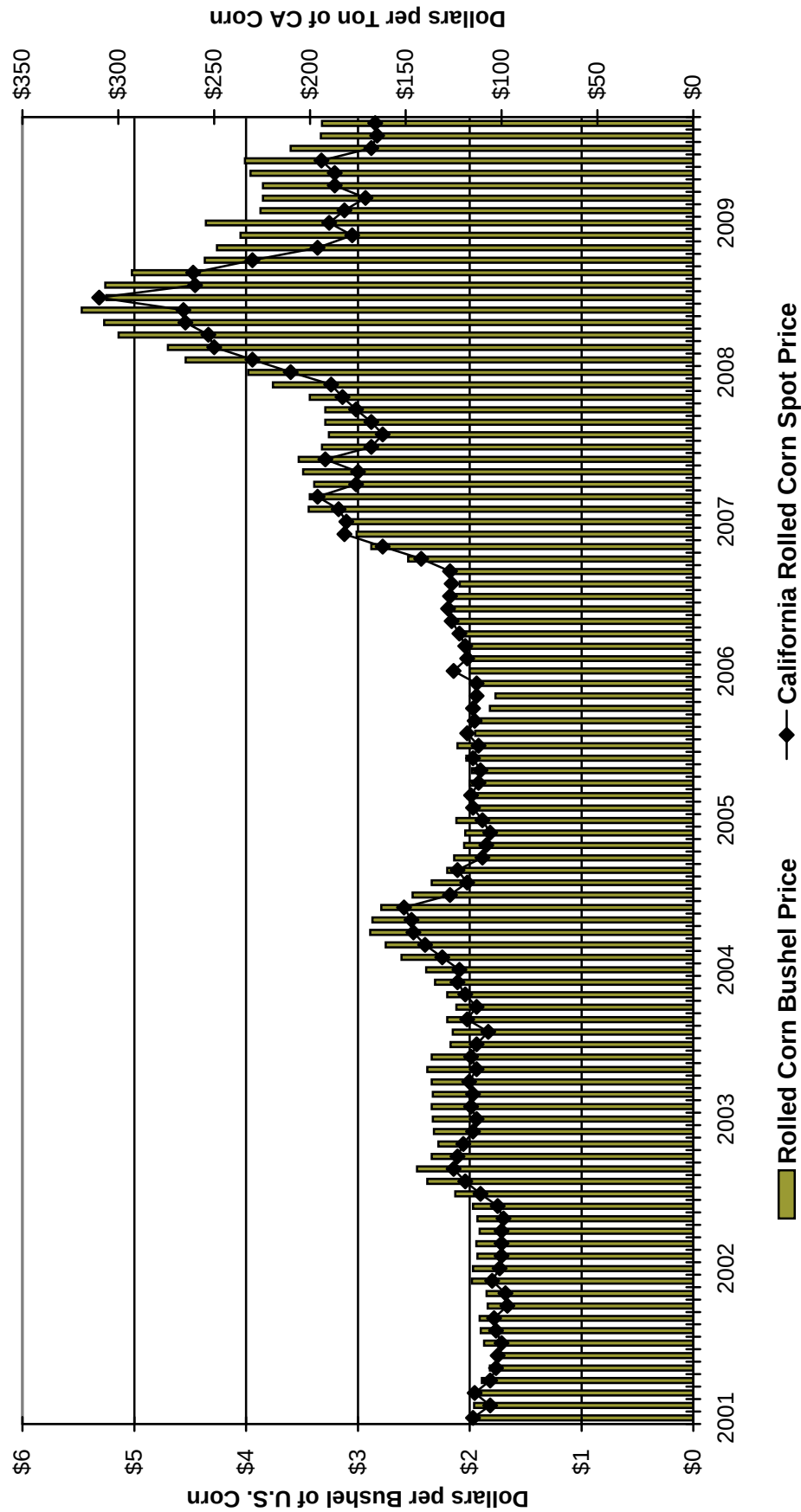
Figure 4 - California Premium Alfalfa Hay Price¹ and California Corn Spot Prices²
 Monthly, January 2001 through September 2009



¹ USDA Market News - Monthly Average Price at Tulare-Visalia-Hanford-Bakersfield

² California Spot Price for Rolled Corn Delivered: Western Milling Hanford-Tulare-Visalia

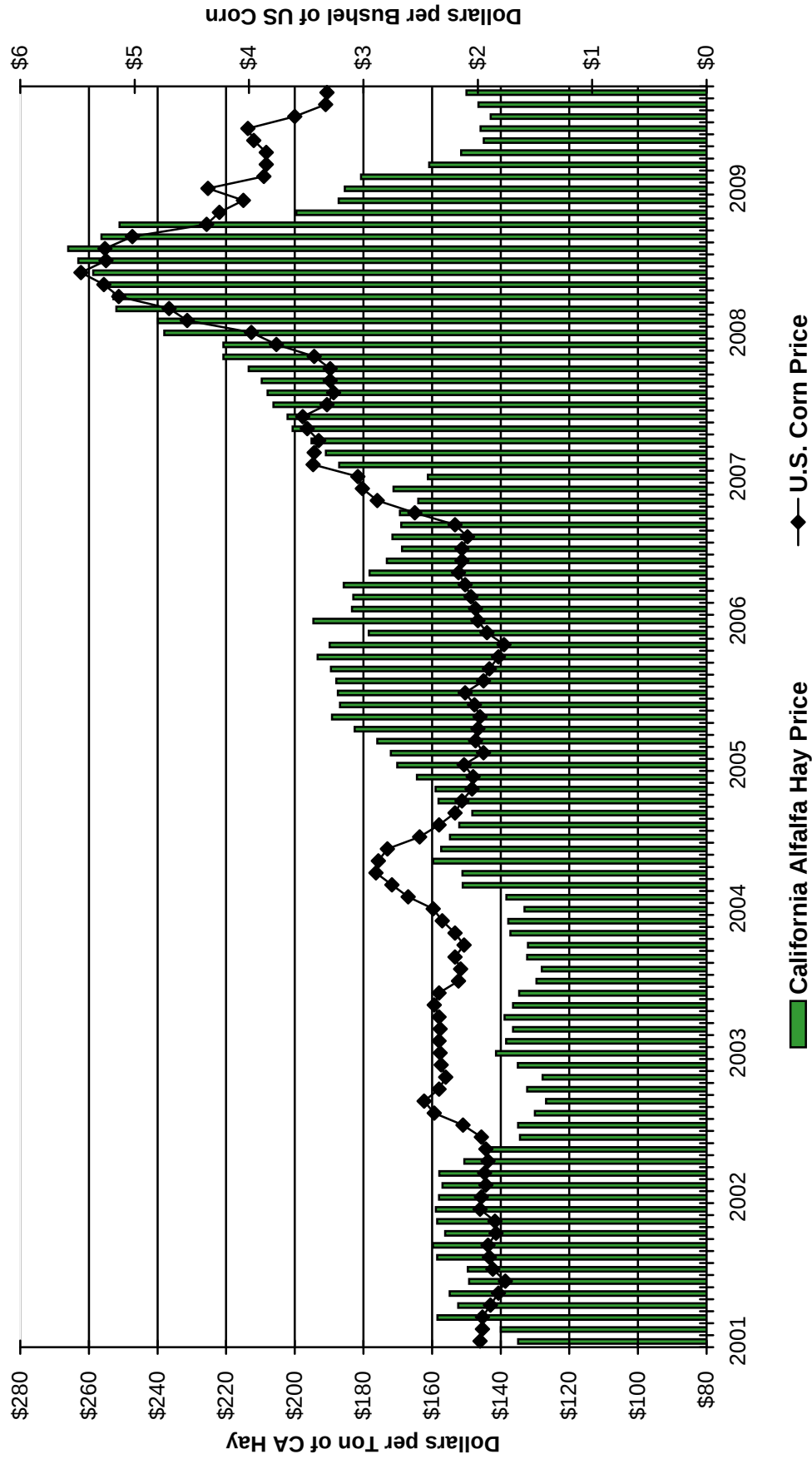
Figure 5 - U.S. Corn Price Per Bushel¹ Compared to California Corn Spot Price Delivered²
 Monthly, January 2001 through September 2009



¹ NASS Agricultural Prices - U.S.

² California Spot Price for Rolled Corn Delivered: Western Milling Hanford-Tulare-Visalia

Figure 6 - US Corn Price¹ and California Alfalfa Hay Price²
 Monthly, January 2001 through September 2009

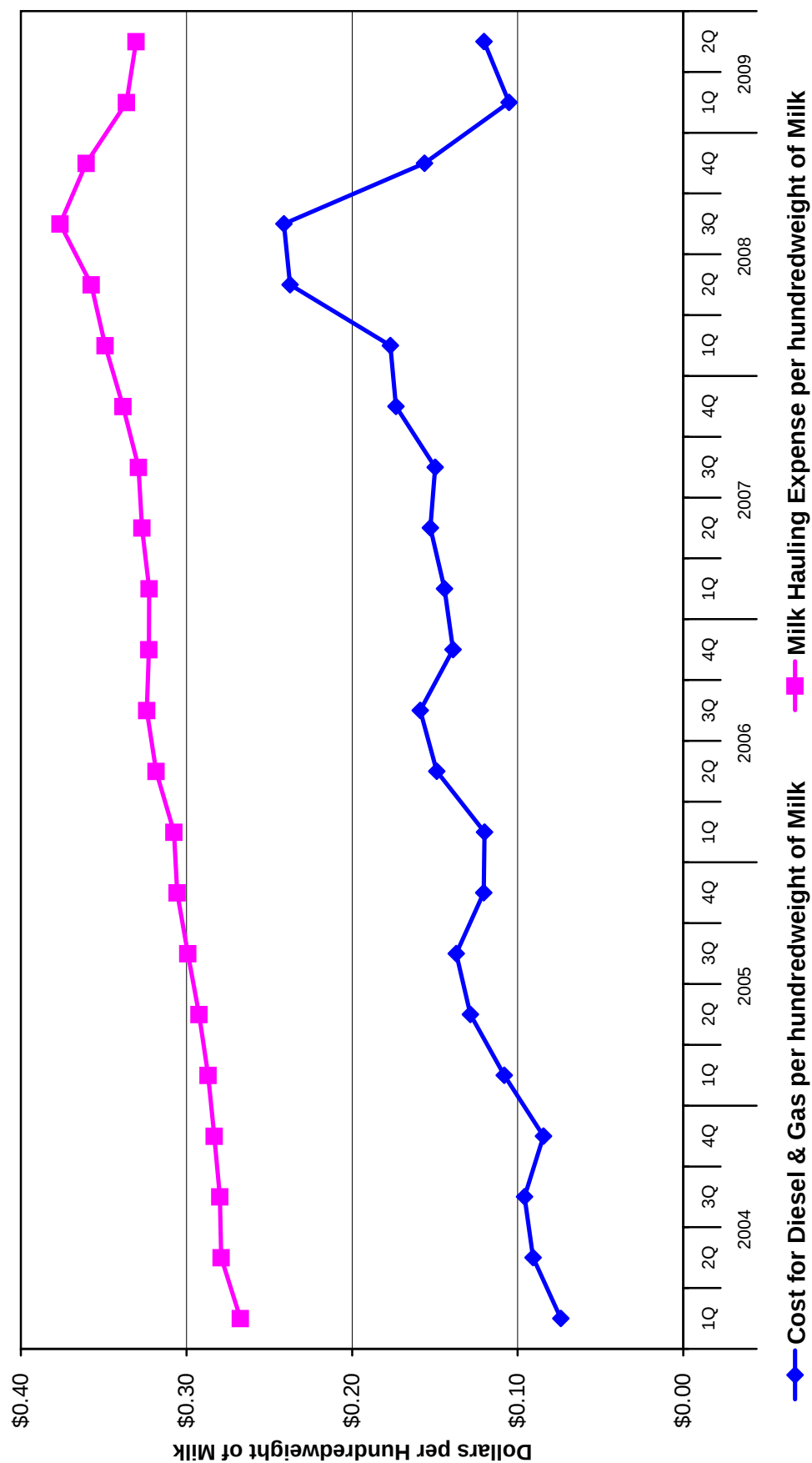


¹ NASS Agricultural Prices - U.S.

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

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

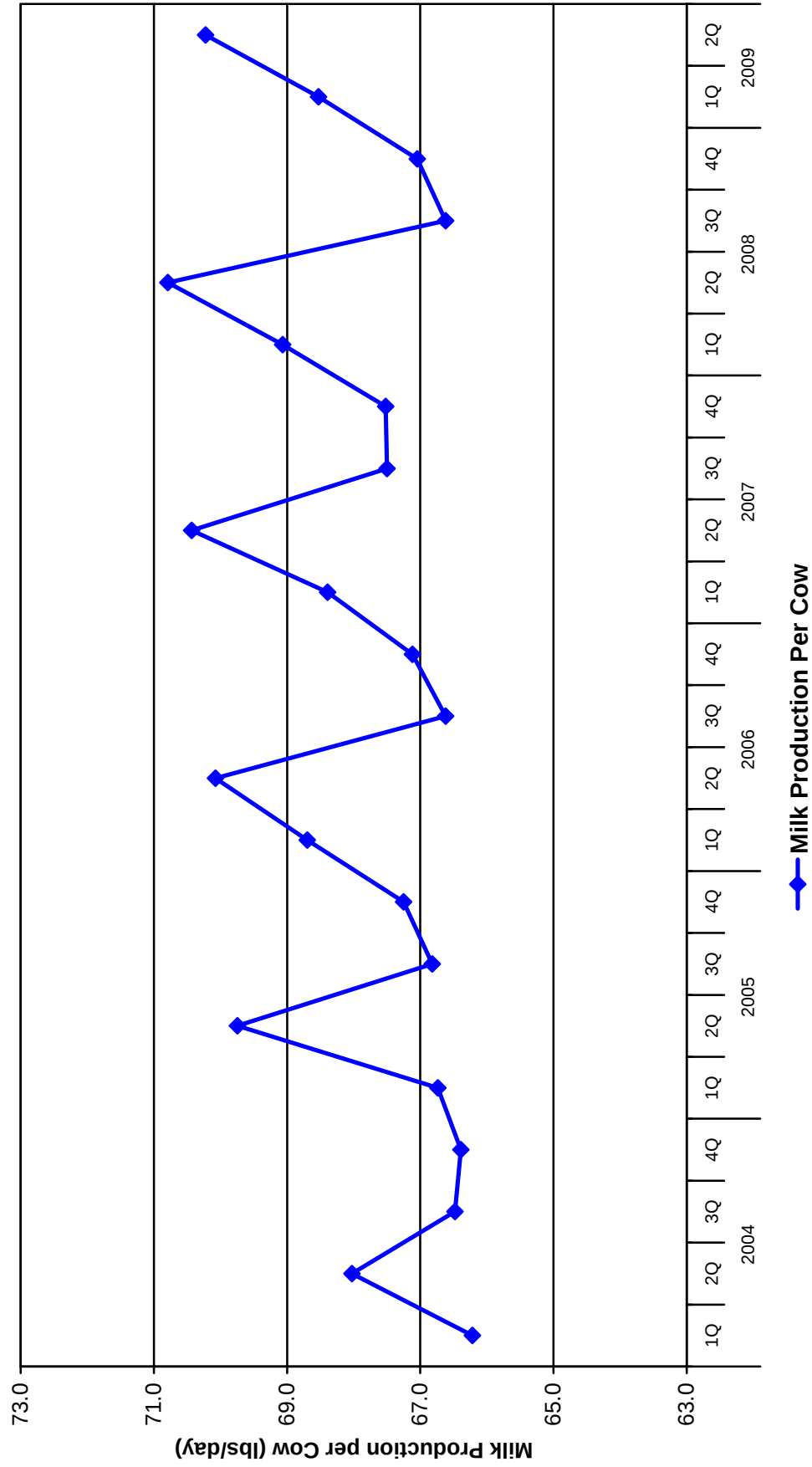
Based on California Cost of Production Survey
Quarterly, January 2004 through June 2009



Data Source: CDFA Dairy Marketing Branch

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

Based on California Cost of Production Survey
Quarterly, January 2004 through June 2009

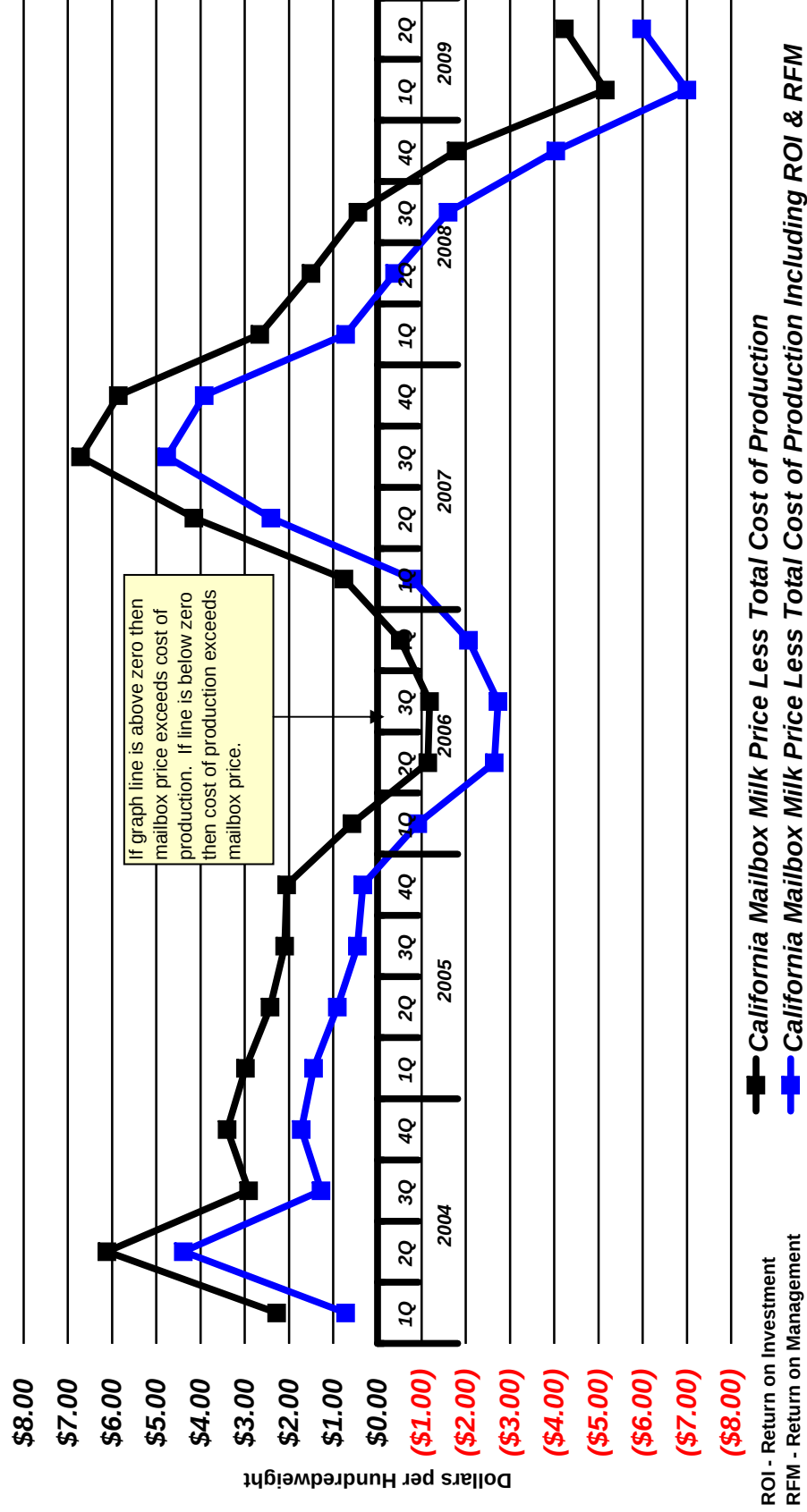


Data Source: CDFA Dairy Marketing Branch

Figure 9 - Difference Between "Adjusted" California Mailbox Milk Price¹ and

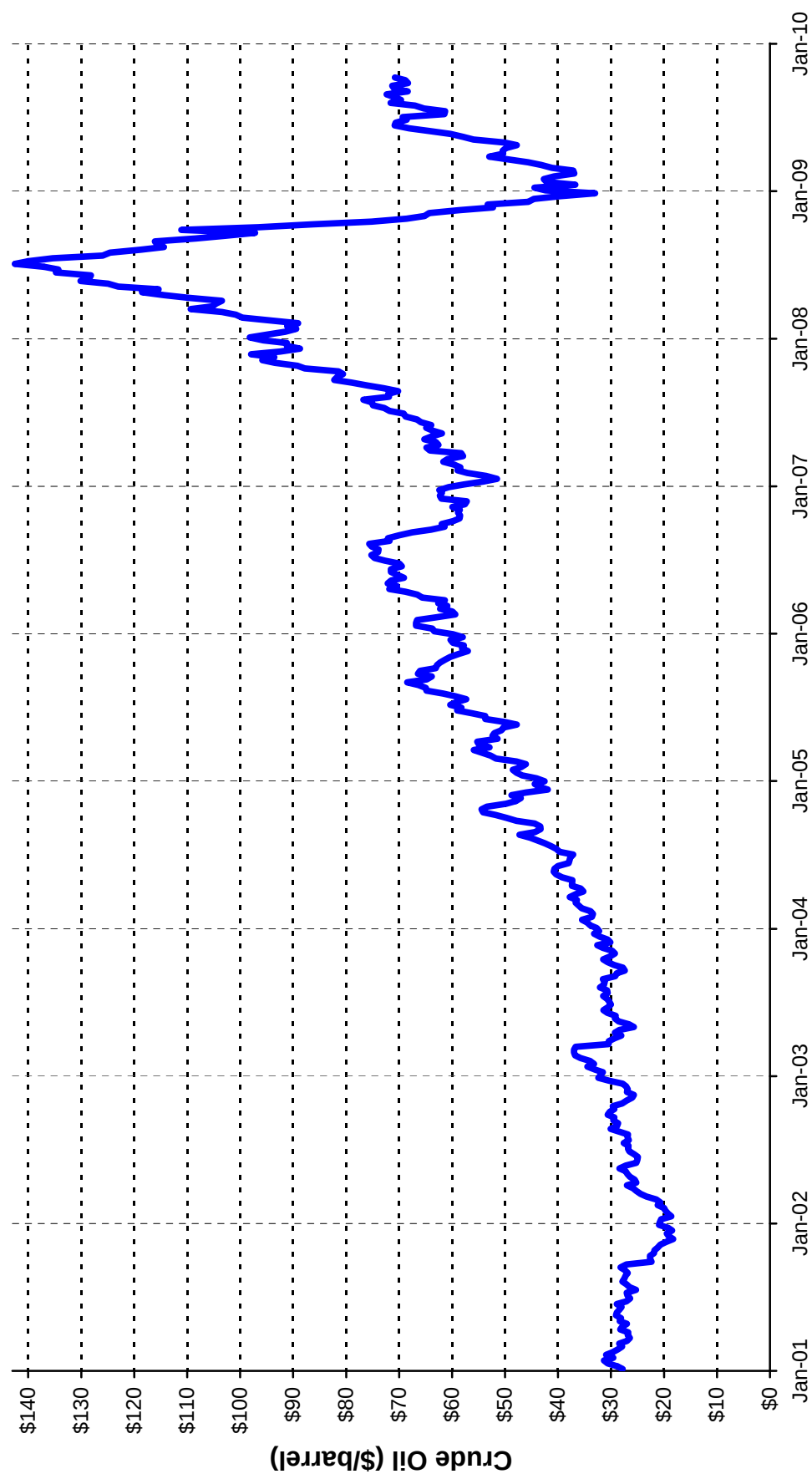
California Cost of Production

Based on California Production Cost Survey
Quarterly, January 2004 through June 2009



¹ Adjusted Mailbox Price: Cost of Production Sample Mailbox Price + Marketing Costs

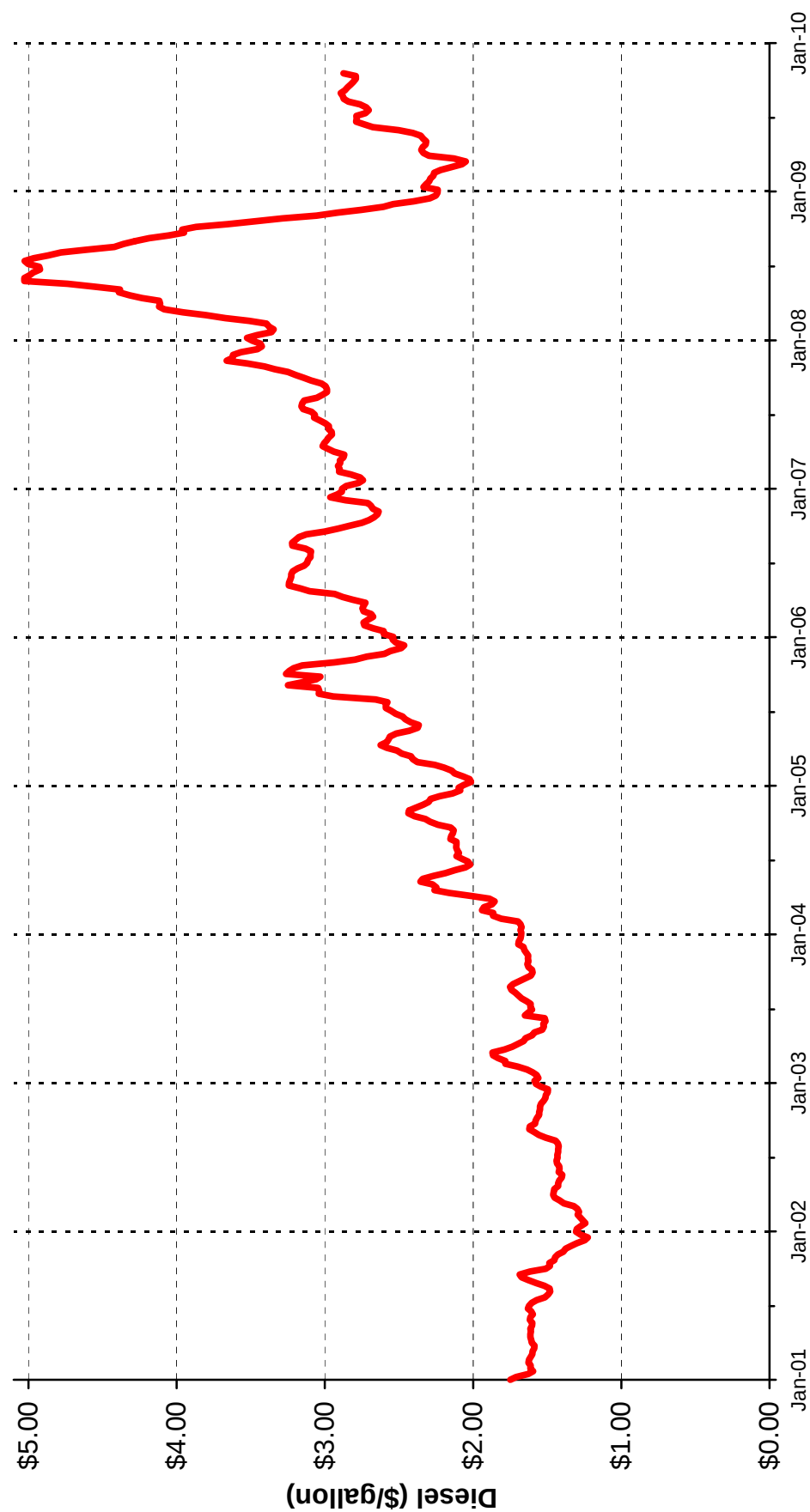
Figure 10 - U.S. WEEKLY AVERAGE CRUDE OIL PRICES
 West Texas Intermediate Crude, January 2001 through October 9, 2009



Source: U.S. Department of Energy

Figure 11 - CALIFORNIA WEEKLY AVERAGE DIESEL PRICES

California Retail On-Highway, January 2001 through October 19, 2009

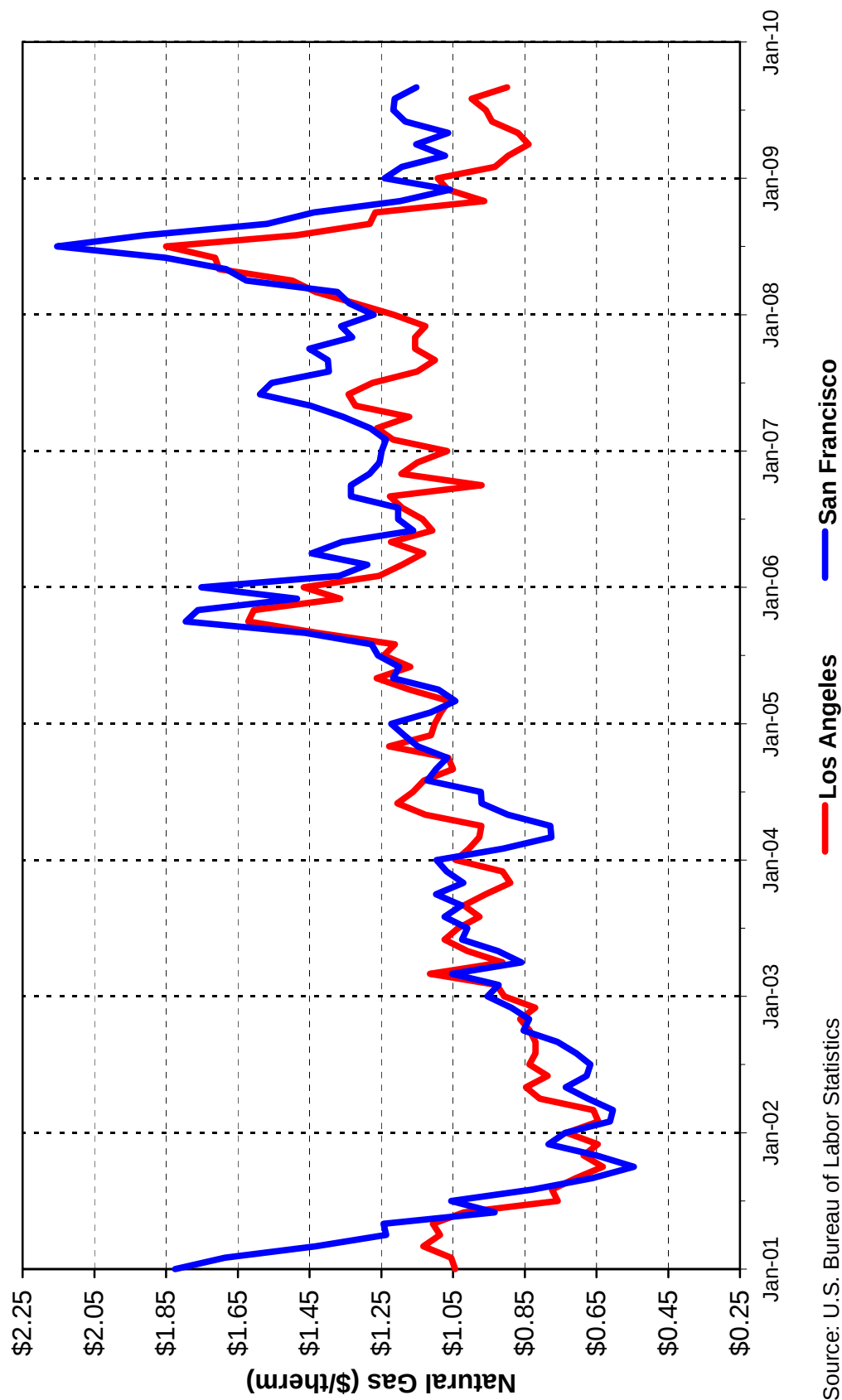


Source: U.S. Department of Energy

Figure 12 - CALIFORNIA MONTHLY AVERAGE NATURAL GAS PRICES

Residential Unit Prices in Los Angeles and San Francisco

January 2001 through September 2009

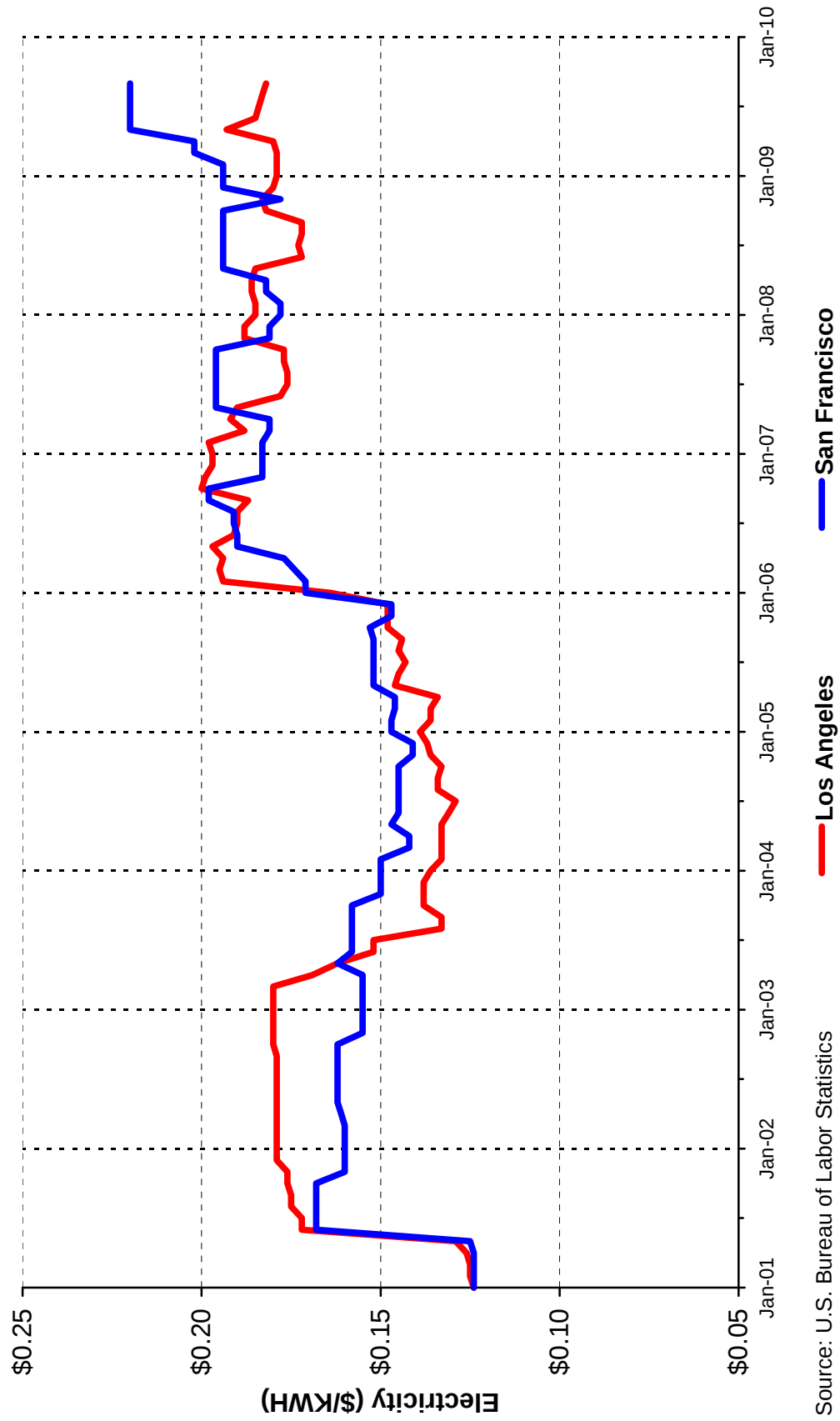


Source: U.S. Bureau of Labor Statistics

Figure 13 - CALIFORNIA MONTHLY AVERAGE ELECTRICITY PRICES

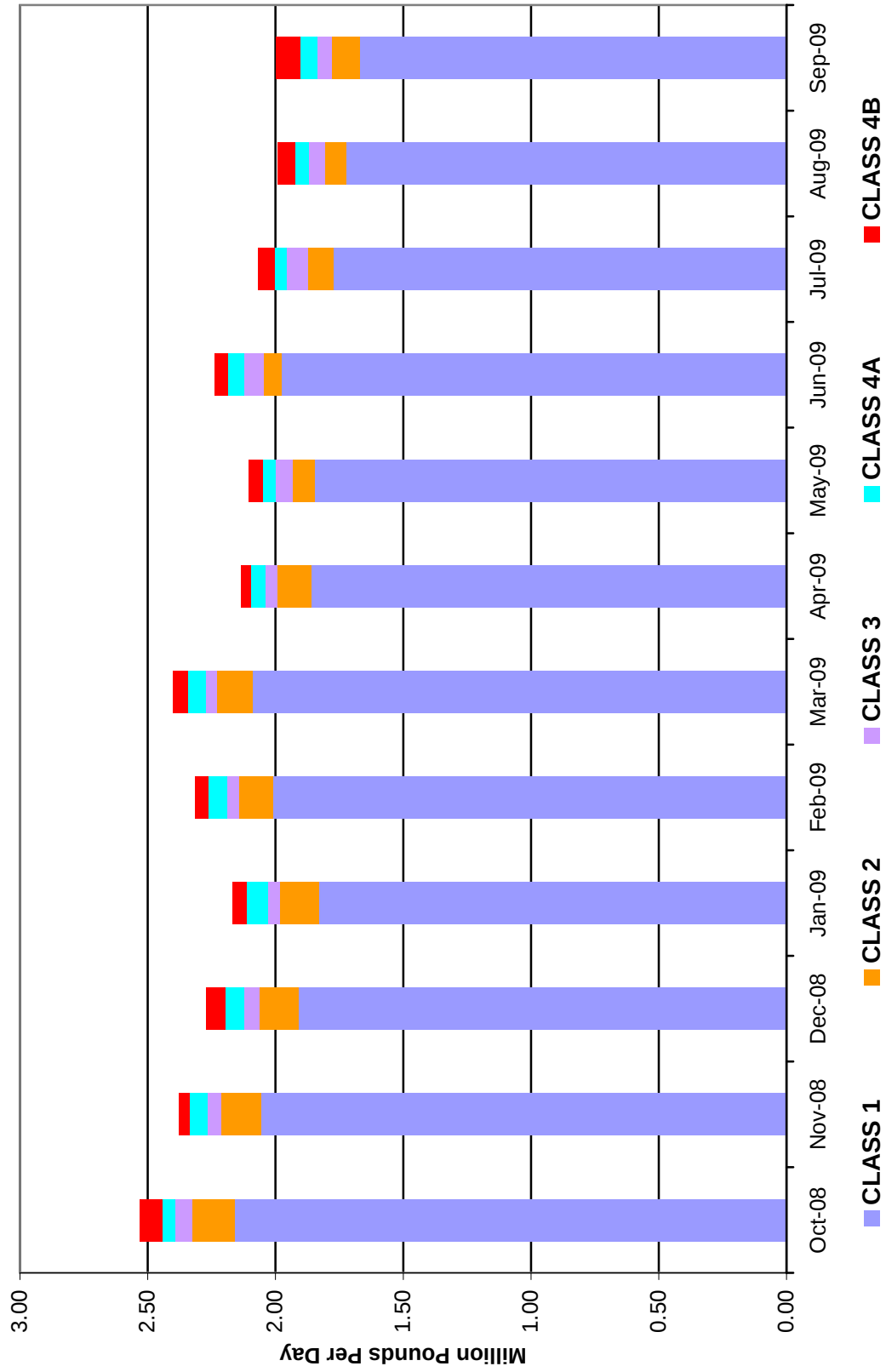
Residential Unit Prices in Los Angeles and San Francisco

January 2001 through September 2009



Source: U.S. Bureau of Labor Statistics

Figure 14 - California Bulk Milk Imports by Utilization
Monthly Averages, October 2008 through September 2009



Source: CDFA Milk Pooling

Figure 15 - California Bulk Milk Imports by Source and Total Exports
Monthly Averages October 2008 through September 2009

