

Milk Producers Council
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Chino, California 91710
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Mr. Kelly Krug, Director
Division of Marketing Services
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

Re: Alternative Proposal for February 1, 2005 Dairy Marketing Hearing

Dear Mr. Krug,

Milk Producers Council submits the following alternative proposals for the February 1, 2005 Dairy Marketing hearing:

Change the 4a formula to reflect updated California butter price data. We used the January 2003 to September 2004 timeframe.

Section 300.0 (D)

(1) For all milk fat, not less than the price per pound computed by the formula using the butter price less an f.o.b. California price adjuster of three and six hundredths cents (**\$0.0306**), less a manufacturing allowance of thirteen and two tenths cents (\$0.132), and the result multiplied by a yield factor of one and two-tenths (1.2).

Change the 4b formula to reflect updated California Cheddar cheese price data. We used the January 2003 to October 2004 timeframe and we used the 55%/45% CME weighting numbers developed by the department. In addition we propose raising the dry whey make allowance and implementing a "snubber" to prevent the dry whey factor from producing a negative impact on the 4b price.

Section 300.0 (E)

(1) (a) The price per hundredweight computed by the formula using the Cheddar cheese price, less an f.o.b. California price adjuster of two and thirty-four hundredths cents (**\$0.0234**), less a Cheddar cheese manufacturing cost allowance of seventeen and five tenths cents (\$0.175), all multiplied by a yield factor of ten and two-tenths (10.2).

(c) The price per hundredweight computed by the formula using the dry whey price, less a manufacturing cost allowance of eighteen cents (**\$0.18**), all multiplied by a yield factor of 5.8. **In the event that the product of this formula produces a negative number, then zero (\$0.00) will be used.**

We thank the department for this opportunity to submit an alternative proposal. For analysis purposes we assume that all other parts of the current formula's remain in place as they currently are. We look forward to presenting testimony to support this alternative proposal.

Sincerely,

Geoffrey Vanden Heuvel, Director
Milk Producers Council