

# CALIFORNIA DAIRY CAMPAIGN

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PO Box 2044 Turlock, Ca 95381

January 3, 2004

David Ikari, Branch Chief  
Dairy Marketing Branch  
California Department of Food & Agriculture  
1220 N Street  
Sacramento, CA 95814

RE: Alternative Proposal for Milk Price Hearing February 1, 2005

Dear Mr. Ikari,

The California Dairy Campaign is proposing the following formula changes as per the hearing notice of September 22, 2004.

For the 4b formula, snub the whey price to prevent it from having a negative impact on the formula. Adjust the whey make allowance to fifteen and nine-tenths cents (\$.159) equal to the level used in the federal orders. In addition we recommend the 4b cheese make allowance be set at \$0.1634 per pound which is the weighted average price from the December 2004 cost study less one cent. Also eliminate the marking adjustment, because it is being used to sell below the national price. The 4b cheese yield should be 10.92 and the formula should incorporate a vat average fat and solids-not-fat of 3.94 and 8.95 percent respectively as reported in the December 2004 cheese manufacturing cost study.

We appreciate your attention in this regard.

Sincerely,



Xavier Avila, President  
California Dairy Campaign

Stabilization and Marketing Plan for Market Milk,  
as Amended, for the *Northern California Marketing Area and Southern California Marketing Area*  
Effective August 1, 2003 Order Number Forty-Four (44)

### Article III

(E) The minimum prices to be paid for components used for Class 4b shall be computed as follows:

(1) The Cheese hundredweight price shall be the price per hundredweight computed by the sum of the following:

(a) The price per hundredweight computed by the formula using the Cheddar cheese price, ~~less an f.o.b. California price adjuster of three and twenty one hundredths cents (\$0.0321)~~, less a Cheddar cheese manufacturing cost allowance of ~~seventeen and five tenths cents (\$0.175)~~ sixteen and thirty-four hundredths (\$0.1634), all multiplied by a yield factor of ~~ten and two tenths (10.2)~~ ten and ninety-two hundredths(10.92).

(b) The price per hundredweight computed by the formula using the butter price, less a manufacturing cost allowance of thirteen and two-tenths cents (\$0.132), less ten cents (\$0.10), all multiplied by a yield factor of twenty-seven hundredths (0.27).

(c) The price per hundredweight computed by the formula using the dry whey price, less a manufacturing cost allowance of ~~seventeen cents (\$0.17)~~ fifteen and nine-tenths cents(\$0.159) all multiplied by a yield factor of 5.8.

(2) For all milk fat, not less than the price per pound computed pursuant to Subparagraph (D)(1) of this Section.

(3) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Cheese hundredweight price established pursuant to Subparagraph (E)(1) less the product of ~~three and seventy two hundredths (3.72)~~ three and ninety-four hundredths(3.94) multiplied by the Class 4b fat price established pursuant to Subparagraph (E)(2), all divided by ~~eight and eighty hundredths (8.80)~~ eight and ninety-five hundredths (8.95).

(4) The Cheddar cheese prices used in calculations pursuant this Paragraph shall be the higher of the simple average of the 40 pound block Cheddar cheese price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25<sup>th</sup> day of the current month, or the calendar weighted average of the federal support purchase prices for block Cheddar cheese in effect for the 26th day of the previous month and concluding the 25th day of the current month as announced by the United States Department of Agriculture.

(5) The butter prices used in calculations pursuant this Paragraph shall be the simple average of the Grade AA butter price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.

(6) The dry whey prices used in calculations pursuant this Paragraph shall be the simple average of the Dry Whey – West Mostly prices as published in Dairy Market News between the period beginning the 26th day of the previous month and concluding the 25<sup>th</sup> day of the current month or fifteen and nine-tenths cents(\$0.159), whichever is higher.

**CURRENT FORMULA**

	VAT SNF/FAT	INPUT PRICES	MARKET ADJUST.	MAKE ALLOW.	YIELDS	
CHEESE	8.8	1.664	0.0321	0.175	10.2	14.8604
B BUTTER		1.7558		0.132	0.27	0.4384
WHEY		0.2425		0.17	5.8	0.4205
CWT						15.7193
BUTTER	3.72	1.8558	0.0332	0.132	1.2	7.5468
4b FAT \$/lb.						2.0287
CWT-FAT						8.1725
4b SNF						0.9287
4b per CWT 3.5% 8.7%						15.1801

**CDC YEILD AND COMPONENTS EQUAL TO COST STUDY**

	VAT SNF/FAT	INPUT PRICES	MARKET ADJUST.	MAKE ALLOW.	YIELDS	
CHEESE	8.95	1.664	0.0321	0.175	10.92	15.9093
B BUTTER		1.7558		0.132	0.27	0.4384
WHEY		0.2425		0.17	5.8	0.4205
CWT						16.7683
BUTTER	3.94	1.8558	0.0332	0.132	1.2	7.9932
4b FAT \$/lb.						2.0287
CWT less FAT						8.7751
4b SNF \$/lb.						0.9805
4b per CWT 3.5% 8.7%						15.6305

**LOL PROPOSAL**

	VAT SNF/FAT	INPUT PRICES	MARKET ADJUST.	MAKE ALLOW.	YIELDS	
CHEESE	8.8	1.664	0.0277	0.1706	10	14.6570
B BUTTER		1.8558	0.1	0.1235	0.27	0.4407
WHEY		0.2425		0.2675	5.8	-0.1450
CWT						14.9527
BUTTER	3.65	1.8558	0.0332	0.1235	1.2	7.4421
4b FAT \$/lb.						2.0389
CWT less FAT						7.5107
4b SNF \$/lb						0.8535
4b per CWT 3.5% 8.7%						14.5615

**CDC YEILD, COMPONENTS AND OTHER CHANGES**

	VAT SNF/FAT	INPUT PRICES	MARKET ADJUST.	MAKE ALLOW.	YIELDS	
CHEESE	8.95	1.664	0	0.1634	10.92	16.3866
B BUTTER		1.7558		0.132	0.27	0.4384
WHEY		0.2425		0.159	5.8	0.4843
CWT						17.3093
BUTTER	3.94	1.8558	0.0332	0.132	1.2	7.9932
4b FAT \$/lb.						2.0287
CWT less FAT						9.3161
4b SNF \$/lb						1.0409
4b per CWT 3.5% 8.7%						16.1564