

CALIFORNIA DAIRY CAMPAIGN

PO Box 2044 Turlock, Ca 95381

April 5, 2005

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

RE: Alternative Proposal for Northern and Southern California Class 1 Price Hearing.

Dear Mr. Ikari,

The California Dairy Campaign is proposing the following Class 1 formula changes as per the hearing notice of March 25, 2005.

For both the Northern and Southern Marketing Areas we urge CDFA to replace the CRP and the Fat component with the Federal Market Order Advanced Class I Fat and Skim Milk Prices. This will align California's Class 1 price with that of the surrounding areas. Using the FMMO Class I base price will make it necessary to announce the Class 1 price later in the month.

CDC additionally proposes the following changes for Class 1 Fat, SNF, and Fluid: For fat use the FMMO advanced Class I Fat price plus the area differential divided by 100. For SNF use the FMMO advanced skim milk price plus the area differential multiplied by .76 divided by 8.7. For Fluid use the FMMO advanced skim milk price plus the area differential multiplied by .24 divided by 87.8.

We recommend the Class 1 location differential for Northern California should be \$1.75 and the differential for Southern California should be \$2.00. These differentials represent the approximate average location differentials, published in the Federal Order Marketing Plan for Orders 124 §1000.52, for the counties making up each of the two California marketing areas.

We appreciate your attention in this regard.

Sincerely,



Andy Zylstra, President
California Dairy Campaign

Effective April 1, 2005 By Southern California Order Number Sixty (60)

Section 300.0. The minimum class prices for the milk fat and skim milk components of market milk, market cream, and market skim milk f.o.b. the pool plant or nonpool plant located within this Marketing Area where the milk was first received from producers, shall be as follows:

(A) The minimum monthly prices for components used for Class 1 shall be determined prior to the beginning of each month, using the following formulas and procedures, except as such formulas and procedures may be modified by Paragraph (H) of this Section:

(1) For all milk fat, not less than the price per pound ~~computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less a butter adjuster of ten cents (\$0.10), and the result multiplied by a yield factor of 1.2.~~ **plus the differential adjuster pursuant to Subparagraph (A)(6) divided by one hundred (100).**

(2) For all milk solids-not-fat, not less than the ~~price per pound computed by the formula using the price~~ **Advanced Skim Milk Price for Class I** per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, plus ~~forty-six and four-tenths cents (\$0.464)~~ **the differential pursuant to Subparagraph (A)(6)**, less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.76 and divided by 8.7.

(3) For all fluid carrier, not less than the ~~price per pound computed by the formula using the Commodity Reference price~~ **Advanced Skim Milk Price for Class I** per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, plus ~~forty-six and four-tenths cents (\$0.464)~~ **the differential pursuant to Subparagraph (A)(6)**, less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.24 and divided by 87.8.

(4) ~~The Commodity Reference Price per hundredweight shall be the higher of either:~~

(a) ~~The sum of the following two formulas:~~

(i) ~~The price per hundredweight computed by the formula using the Cheddar cheese price determined pursuant to Subparagraph (A)(6) of this Section, multiplied by a Cheddar cheese yield factor of nine and eight tenths (9.8).~~

(ii) ~~The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less ten cents (\$0.10), all multiplied by a whey butter yield factor of twenty seven hundredths (0.27).~~

(b) ~~The sum of the following two formulas:~~

(i) ~~The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, multiplied by a butter yield factor of 1.2, and the result multiplied by 3.5.~~

(ii) ~~The price per hundredweight computed by the formula using the nonfat dry milk price determined pursuant to Subparagraph (A)(7) of this Section,~~

multiplied by a nonfat dry milk yield factor of 0.99, and the result multiplied by 8.7. **The advanced base skim milk price for Class I announced by the United States Department of Agriculture for use in the Federal milk marketing orders released by the 23rd of the previous month.**

~~(5) The butter price used in calculations pursuant to Paragraph (A) shall be the simple average of the daily closing Grade AA butter prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange Grade AA butter prices are not available to calculate the butter price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the butter price used in the previous month's calculation.~~ **Advanced butterfat price announced by United States Department of Agriculture for use in the Federal milk marketing orders released by the 23rd of the previous month.**

~~(6) The Cheddar cheese price used in calculations pursuant to Paragraph (A) shall be the simple average of the daily closing 40 pound block Cheddar cheese prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange 40 pound block Cheddar prices are not available to calculate the Cheddar cheese price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the Cheddar cheese price used in the previous month's calculation.~~ **The differential price used pursuant to Paragraph (A) shall be two dollars (\$2.00).**

~~(7) The nonfat dry milk price used in calculations pursuant to Paragraph (A) shall be the weighted average of the two most recent weekly price reports for nonfat dry milk f.o.b. California manufacturing plants available on the 10th day of the previous month. The weekly reports are used to calculate the weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b. California manufacturing plants for the seven day period ending on Friday as reported by the California Department of Food and Agriculture.~~

~~(8)~~ **(7) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 1 prices shall be increased by the following amounts:**

- (a) For milk fat, five and seven-tenths mils (\$0.0057) per pound.**
- (b) For milk solids-not-fat, two and three-tenths mils (\$0.0023) per pound.**
- (c) For fluid carrier, one-tenth mil (\$0.0001) per pound.**

Effective April 1, 2005 By Northern California Order Number Sixty (45)

Section 300.0. The minimum class prices for the milk fat and skim milk components of market milk, market cream, and market skim milk f.o.b. the pool plant or nonpool plant located within this Marketing Area where the milk was first received from producers, shall be as follows:

(A) The minimum monthly prices for components used for Class 1 shall be determined prior to the beginning of each month, using the following formulas and procedures, except as such formulas and procedures may be modified by Paragraph (H) of this Section:

(1) For all milk fat, not less than the price per pound ~~computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less a butter adjuster of ten cents (\$0.10), and the result multiplied by a yield factor of 1.2.~~ **plus the differential adjuster pursuant to Subparagraph (A)(6) divided by one hundred (100).**

(2) For all milk solids-not-fat, not less than the ~~price per pound computed by the formula using the price~~ **Advanced Skim Milk Price for Class I** per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, ~~plus forty-six and four-tenths cents (\$0.464)~~ **the differential pursuant to Subparagraph (A)(6)**, ~~less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section,~~ all multiplied by 0.76 and divided by 8.7.

(3) For all fluid carrier, not less than the ~~price per pound computed by the formula using the Commodity Reference price~~ **Advanced Skim Milk Price for Class I** per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, ~~plus forty-six and four-tenths cents (\$0.464)~~ **the differential pursuant to Subparagraph (A)(6)**, ~~less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section,~~ all multiplied by 0.24 and divided by 87.8.

(4) The Commodity Reference Price per hundredweight shall be the higher of either:

(a) The sum of the following two formulas:

(i) The price per hundredweight computed by the formula using the Cheddar cheese price determined pursuant to Subparagraph (A)(6) of this Section, multiplied by a Cheddar cheese yield factor of nine and eight tenths (9.8).

(ii) The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less ten cents (\$0.10), all multiplied by a whey butter yield factor of twenty seven hundredths (0.27).

(b) The sum of the following two formulas:

(i) The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, multiplied by a butter yield factor of 1.2, and the result multiplied by 3.5.

(ii) The price per hundredweight computed by the formula using the nonfat dry milk price determined pursuant to Subparagraph (A)(7) of this Section, multiplied by a nonfat dry milk yield factor of 0.99, and the result multiplied by

8.7. The advanced base skim milk price for Class I announced by the United States Department of Agriculture for use in the federal milk marketing orders released by the 23rd of the previous month.

~~(5) The butter price used in calculations pursuant to Paragraph (A) shall be the simple average of the daily closing Grade AA butter prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange Grade AA butter prices are not available to calculate the butter price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the butter price used in the previous month's calculation.~~ **advanced butterfat price announced by United States Department of Agriculture for use in the federal milk marketing orders released by the 23rd of the previous month.**

~~(6) The Cheddar cheese price used in calculations pursuant to Paragraph (A) shall be the simple average of the daily closing 40 pound block Cheddar cheese prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange 40 pound block Cheddar prices are not available to calculate the Cheddar cheese price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the Cheddar cheese price used in the previous month's calculation.~~ **The differential price used pursuant to Paragraph (A) shall be one and seventy-five hundredth dollars (\$1.75).**

~~(7) The nonfat dry milk price used in calculations pursuant to Paragraph (A) shall be the weighted average of the two most recent weekly price reports for nonfat dry milk f.o.b. California manufacturing plants available on the 10th day of the previous month. The weekly reports are used to calculate the weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b. California manufacturing plants for the seven day period ending on Friday as reported by the California Department of Food and Agriculture.~~

~~(8)~~ **(7)** For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 1 prices shall be increased by the following amounts:

- (a) For milk fat, five and seven-tenths mils (\$0.0057) per pound.
- (b) For milk solids-not-fat, two and three-tenths mils (\$0.0023) per pound.
- (c) For fluid carrier, one-tenth mil (\$0.0001) per pound.