

Supplemental Data Relating to Cost Exhibits

During the pre-hearing workshop held January 19, 2005, supplemental data relating to the Cost Exhibits was requested by the participants. The following information is in response to those requests:

In November 2004, the Department released a Powder, Butter, and Cheese cost exhibit for the time period January 1-December 31, 2003.

At the request of industry and released in December 2004, the November 2004 cost exhibit was updated with current payroll and utility costs, utilizing invoices from September 2004 (the most current invoices available).

Changes in production when comparing the November 2004 cost exhibit (January-December 2003 costs) to the November 2003 cost exhibit (January-December 2002 costs):

- Butter production decreased 20.7 million lbs (- 5.4%)
- Nonfat powder production decreased 10.5 million lbs (-1.4%)
- Cheese production increased .2 million lbs (0%)

Parameters used for All Cost Studies:

- Total butter lbs. include both bulk and print, but costs are based on 25 kg or 68 lb. boxes only.
- Total powder lbs. include both standard bags and totes, but costs are based on 25 kg or 50 lb. bags only.
- Total cheese lbs. include Cheddar and Monterrey jack, but costs are based only on 40 lb. blocks of Cheddar cheese.

The following utility and payroll costs compare the updated December 2004 cost exhibit (reflecting September 2004 invoices) to the cost exhibit released in November 2004 (covering January-December, 2003 costs):

Utilities:

- Butter and powder plants: Natural gas -10.8% cost per therm
Electricity +3.6% cost per KWH
- Cheese plants: Natural gas +1.6% per therm
Electricity +9.0% per KWH

Workers' Compensation Insurance rate changes:

- Butter and powder plants: +13.5%
- Cheese plants: +32%