



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

Karen Ross, Secretary

October 27, 2011

TO ALL INTERESTED PARTIES:

This report represents the latest nonfat dry milk, bulk butter, and Cheddar cheese Manufacturing Cost Exhibit for the period of January through December 2010. The processing cost data does not include the cost of raw product nor does it include any cost of marketing finished product.

The cost data for nonfat dry milk and bulk butter are presented in a table that shows actual weighted-average cost of plants grouped by efficiency; the Cheddar cheese is presented in a table as one group to protect confidentiality. The report includes a summary table showing the weighted-average manufacturing cost for nonfat dry milk, bulk butter, and Cheddar cheese as published since July 2000. In addition, included in this package is a comparative analysis of common line item costs. Costs include: packaging, processing labor, processing non-labor, general and administrative cost, return on investment, and for butter and Cheddar cheese, other miscellaneous ingredients.

We continue to appreciate the assistance of those plants that are providing the Manufacturing Cost Unit with data to complete the studies.

Should you have any questions regarding this material, please contact me at the telephone number below or by e-mail at [venetta.reed@cdfa.ca.gov](mailto:venetta.reed@cdfa.ca.gov).

Sincerely,

*Original Signed by*

Venetta Reed  
Supervising Auditor I



**Summary of Weighted Average Manufacturing Costs**  
**Butter, Nonfat Dry Milk, Cheddar Cheese, and Dry Whey Powder**

Costs include processing labor, non-labor processing, packaging, other ingredients (for butter and Cheddar cheese only), general and administrative, and return on investments at 6.038% for 2010.

Study Period	Release Date	BUTTER		NONFAT DRY MILK		CHEDDAR CHEESE		DRY WHEY POWDER	
		Cost Per Pound	Number of Plants	Cost Per Pound	Number of Plants	Cost Per Pound	Number of Plants	Cost Per Pound	Number of Plants
July 2000-Dec 2001	Nov-02	\$0.1208	7	\$0.1619	11	\$0.1775	9	--	--
Jan-Dec 2002	Nov-03	\$0.1235	7	\$0.1464	10	\$0.1632	9	--	--
Jan-Dec 2003	Nov-04	\$0.1299	7	\$0.1560	10	\$0.1706	9	\$0.2675	4
Jan-Dec 2004	Nov-05	\$0.1368	8	\$0.1543	10	\$0.1769	7	\$0.2673	3
Jan-Dec 2005	Nov-06	\$0.1408	8	\$0.1659	9	\$0.1914	7	\$0.2851	3
Jan-Dec 2006	Sep-07	\$0.1373	7	\$0.1664	8	\$0.1988	7	\$0.3099	3
Jan-Dec 2007	Sep-08	\$0.1316	7	\$0.1568	8	\$0.2003	6	--	--
Jan-Dec 2008	Oct-09	\$0.1553	8	\$0.1931	9	\$0.2099	6	--	--
Jan-Dec 2009	Nov-10	\$0.1811	8	\$0.1984	9	\$0.1966	6	--	--
Jan-Dec 2010	Oct-11	\$0.1781	8	\$0.2070	9	\$0.1921	6	--	--

**Notes:**

- Since 1996, the Cheddar cheese cost studies have included costs associated with Cheddar cheese plants producing 500-pound barrels and 640-pound blocks. However, costs for packaging labor and packaging expenses were replaced with the average of those costs associated with 40-pound block plants.
- No cost studies performed for Dry Whey Powder plants since January 2007 due to less than 3 plants manufacturing Dry Whey Powder.

## BUTTER MANUFACTURING COSTS

CURRENT Study Period: January through December 2010  
With Comparison to the same time period Prior Year (2009)

- Manufacturing cost data were collected and summarized from eight California butter plants. The eight plants processed 552.4 million pounds of butter during the 12-month study period, January through December 2010, representing 99.2% of the butter processed in California.
- The volume total includes both bulk butter and cut butter, but the costs reflect only costs for bulk butter (25 kg and 68 lb. blocks).
- To obtain the weighted average, individual plant costs were weighted by their butter processing volume relative to the total volume of butter processed by all plants included in this cost study.
- For this study period, approximately 4.7% of the butter was processed at a cost less than the current manufacturing allowance for butter of \$0.1635 per pound.

**Breakdown of Butter Manufacturing Costs - January through December 2010**

Categories	Low Cost Group	High Cost Group	Range of Costs		CURRENT Weighted Average Cost All Plants Jan-Dec 2010	PRIOR YEAR Weighted Average Cost All Plants Jan-Dec 2009	Actual Difference Current Less Prior Year
			Minimum	Maximum			
<i>Dollars Per Pound of Butter</i>							
Number of Plants	4	4	8	8	8	8	0
Processing Labor	\$0.0613	\$0.0584	\$0.0342	\$0.2261	\$0.0598	\$0.0620	-\$0.0022
Processing Non-Labor	\$0.0694	\$0.0693	\$0.0505	\$0.2230	\$0.0694	\$0.0718	-\$0.0024
Packaging	\$0.0111	\$0.0120	\$0.0100	\$0.0134	\$0.0116	\$0.0124	-\$0.0008
Other Ingredients	\$0.0026	\$0.0017	\$0.0015	\$0.0030	\$0.0021	\$0.0024	-\$0.0003
General & Administrative	\$0.0170	\$0.0272	\$0.0166	\$0.0452	\$0.0222	\$0.0182	\$0.0040
Return on Investment	\$0.0068	\$0.0189	\$0.0027	\$0.0340	\$0.0130	\$0.0143	-\$0.0013
Average Total Cost	\$0.1682	\$0.1875	--	--	\$0.1781	\$0.1811	-\$0.0030
Volume in Group (Lbs.)	269,294,778	283,084,117	--	--	552,378,895	512,544,105	39,834,790
% Volume by Group	48.80%	51.20%	--	--	100.0%	100.0%	--

**Processing Labor:** Labor costs associated with processing of product, including wages, payroll taxes and fringe benefits.

**Processing Non-Labor:** Includes costs such as utilities, repairs and maintenance, laundry, supplies, depreciation, plant insurance, outside storage, and rent.

**Packaging:** Includes all non-reusable items used in the packaging of the product, such as boxes, bags, cartons, liners, tape, glue, and stretch wrap.

**Other Ingredients:** Includes salt and color.

**General & Administrative:** Includes expenses in the management of the company, such as office supplies, short-term interest, dues and subscriptions, accounting fees, headquarter charges, office clerical wages and executive salaries.

**Return on Investment:** Calculated by subtracting accumulated depreciation from the original cost of assets, with the remaining book value multiplied by Moody's "BAA" corporate bond index.

	<b>WEIGHTED AVERAGE COSTS</b>	<b>2010 WEIGHTED AVERAGE COSTS</b>	<b>% CHANGE</b>
<b>Total Lbs - All Butter</b>	512,544,105	552,378,895	7.77%
<b>Total Lbs - Bulk Butter</b>	204,172,879	246,762,053	20.86%
<b>SUMMARY OF COSTS</b>			
Misc. Ingredient Costs	0.0024	0.0021	-12.50%
Packaging Expense	0.0124	0.0116	-6.45%
Processing Labor	0.0620	0.0598	-3.55%
Processing Non-Labor	0.0718	0.0694	-3.34%
Gen & Admin Expenses	0.0182	0.0222	21.98%
Return On Investment	0.0143	0.0130	-9.09%
Manufact Costs - per Lb.	0.1811	0.1781	-1.66%
<b>SELECTED EXPENSES PER LB.</b>			
Natural Gas & Fuel Oil	0.0028	0.0051	82.14%
Electricity	0.0098	0.0089	-9.18%
Sewer, Water, Garbage	0.0042	0.0039	-7.14%
Depreciation	0.0118	0.0149	26.27%
Property Taxes	0.0020	0.0028	40.00%
Insurance	0.0015	0.0015	0.00%
Repairs & Maintenance	0.0073	0.0090	23.29%
Plant Supplies	0.0145	0.0129	-11.03%
Outside Storage	0.0079	0.0047	-40.51%
Rent-Plant & Equip	0.0018	0.0011	-38.89%
Outside Testing & Grading	0.0030	0.0025	-16.67%
Gen & Admin Payroll	0.0060	0.0062	3.33%
Short-Term Interest	0.0036	0.0057	58.33%
Professional Services	0.0030	0.0015	-50.00%
Headquarter Expenses	0.0053	0.0054	1.89%
Other Misc. Expenses	0.0055	0.0055	0.00%
Total Non-Labor & G&A Exps	0.0900	0.0916	1.78%
<b>MISC. INFORMATION</b>			
Payroll per Employee-Plant	\$74,718	\$75,354	0.85%
Total Book Value of Assets	\$6,135,200	\$11,113,049	81.14%
Book Value of Assets per Lb.	0.1960	0.2162	10.31%

## NONFAT DRY MILK MANUFACTURING COSTS

CURRENT Study Period: January through December 2010  
With Comparison to the same time period Prior Year (2009)

- Manufacturing cost data were collected and summarized from nine California NFDM plants. The nine plants processed 875.0 million pounds of NFDM during the 12-month study period, January through December 2010, representing 99.4% of the NFDM processed in California.
- The volume includes NFDM, both animal and human consumption. NFDM for human consumption represented 99.67% of the 875 million pounds of NFDM processed, and NFDM for animal consumption represented 0.33%.
- The volume total includes all grades of NFDM packaged in any container size, but the costs reflect only costs for 25 kg and 50 lb. bags of NFDM.
- To obtain the weighted average, individual plant costs were weighted by their NFDM processing volume relative to the total volume of NFDM processed by all plants included in the cost study.
- For this study period, approximately 31.8% of the NFDM was processed at a cost less than the current manufacturing cost allowance for NFDM of \$0.1763 per pound.

### Breakdown of Nonfat Dry Milk Manufacturing Costs - January through December 2010

Categories	Low Cost Group	Medium Cost Group	High Cost Group	Range of Costs		CURRENT Weighted Average Cost All Plants Jan-Dec 2010	PRIOR YEAR Weighted Average Cost All Plants Jan-Dec 2009	Actual Difference Current Less Prior Year
				Minimum	Maximum			
<i>Dollars Per Pound of NFDM</i>								
Number of Plants	3	3	3	9	9	9	9	0
Processing Labor	\$0.0402	\$0.0456	\$0.0265	\$0.0221	\$0.1015	\$0.0388	\$0.0366	\$0.0022
Processing Non-Labor	\$0.1018	\$0.1232	\$0.1379	\$0.0983	\$0.2791	\$0.1194	\$0.1156	\$0.0038
Packaging	\$0.0151	\$0.0138	\$0.0136	\$0.0135	\$0.0167	\$0.0142	\$0.0145	-\$0.0003
General & Administrative	\$0.0104	\$0.0150	\$0.0268	\$0.0090	\$0.0290	\$0.0164	\$0.0135	\$0.0029
Return on Investment	\$0.0062	\$0.0162	\$0.0378	\$0.0040	\$0.0398	\$0.0182	\$0.0182	\$0.0000
Average Total Cost	\$0.1737	\$0.2138	\$0.2426	--	--	\$0.2070	\$0.1984	\$0.0086
Volume in Group (Lbs.)	308,708,212	341,898,356	224,433,182	--	--	875,039,750	815,148,443	59,891,307
% Volume by Group	35.28%	39.07%	25.65%	--	--	100.0%	100.0%	--

**Processing Labor:** Labor costs associated with processing of product, including wages, payroll taxes and fringe benefits.

**Processing Non-Labor:** Includes costs such as utilities, repairs and maintenance, laundry, supplies, depreciation, plant insurance, outside storage, and rent.

**Packaging:** Includes all non-reusable items used in the packaging of the product, such as boxes, bags, cartons, liners, tape, glue and stretch wrap.

**General & Administrative:** Includes expenses in the management of the company, such as office supplies, short-term interest, dues and subscriptions, accounting fees, headquarter charges, office clerical wages and executive salaries.

**Return on Investment:** Calculated by subtracting accumulated depreciation from the original cost of assets, with the remaining book value multiplied by Moody's "BAA" corporate bond index.

	<b>2009 WEIGHTED AVERAGE COSTS</b>	<b>2010 WEIGHTED AVERAGE COSTS</b>	<b>% CHANGE</b>
<b>NFDM Powder Pounds</b>	815,148,443	875,039,750	7.35%
<b>SUMMARY OF COSTS</b>			
Misc. Ingredients Cost	0.0000	0.0000	0.00%
Packaging Expense	0.0145	0.0142	-2.07%
Processing Labor	0.0366	0.0388	6.01%
Processing Non-Labor	0.1156	0.1194	3.29%
Gen & Admin Expenses	0.0135	0.0164	21.48%
Return On Investment	0.0182	0.0182	0.00%
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Manufact Costs - per Lb.	0.1984	0.2070	4.33%
<b>SELECTED EXPENSES PER LB.</b>			
Natural Gas & Fuel Oil	0.0313	0.0270	-13.74%
Electricity	0.0179	0.0176	-1.68%
Sewer,Water,Garbage	0.0053	0.0062	16.98%
Depreciation	0.0143	0.0192	34.27%
Property Taxes	0.0026	0.0039	50.00%
Insurance	0.0012	0.0013	8.33%
Repairs & Maintenance	0.0074	0.0104	40.54%
Plant Supplies	0.0178	0.0161	-9.55%
Outside Storage	0.0058	0.0073	25.86%
Rent-Plant & Equip	0.0015	0.0014	-6.67%
Outside Testing & Grading	0.0060	0.0058	-3.33%
Gen & Admin Payroll	0.0039	0.0042	7.69%
Short-Term Interest	0.0044	0.0052	18.18%
Professional Services	0.0003	0.0008	166.67%
Headquarter Expenses	0.0034	0.0038	11.76%
Other Misc.Expenses	0.0060	0.0056	-6.67%
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Total Non-Labor & G&A Exps	0.1291	0.1358	5.19%
<b>MISC. INFORMATION</b>			
Payroll per Employee-Plant	\$73,074	\$74,974	2.60%
Total Book Value of Assets	\$40,952,298	\$65,349,050	59.57%
Book Value of Assets per Lb.	0.2494	0.3025	21.29%

## CHEESE MANUFACTURING COSTS

CURRENT Study Period: January through December 2010  
With Comparison to the same time period Prior Year (2009)

- Manufacturing cost data were collected and summarized from six California cheese plants. The six plants processed 585.1 million pounds of cheese during the 12-month study period, January through December 2010, representing 95.9% of the Cheddar and Monterey Jack cheese processed in California.
- The volume total includes both Cheddar and Monterey Jack cheeses, but the costs reflect only costs for 40-lb. blocks of Cheddar.
- Three plants processed 500-lb. barrels or 640-lb. blocks. Packaging costs and packaging labor for 40-lb. blocks were substituted for these plants.
- To obtain the weighted average, individual plant costs were weighted by their cheese processing volume relative to the total volume of cheese processed by all plants included in the cost study.
- For all cheese: the weighted average yield was 13.70 lbs. of cheese per hundredweight of milk. The weighted average moisture was 37.78% and the weighted average vat tests were 4.67% fat and 9.60% SNF.
- For the study period, approximately 88.8% of the cheese was processed at a cost less than the current manufacturing cost allowance for cheese of \$0.1988 per pound.

### Breakdown of Cheese Manufacturing Costs - January through December 2010

Categories	Total Cost One Group	Range of Costs		CURRENT Weighted Average Cost All Plants Jan-Dec 2010	PRIOR YEAR Weighted Average Cost All Plants Jan-Dec 2009	Actual Difference Current Less Prior Year
		Minimum	Maximum			
<i>Dollars Per Pound of Cheese</i>						
Number of Plants	6	6	6	6	6	0
Processing Labor	\$0.0481	\$0.0403	\$0.1102	\$0.0481	\$0.0491	-\$0.0010
Processing Non-Labor	\$0.0766	\$0.0606	\$0.1340	\$0.0766	\$0.0729	\$0.0037
Packaging	\$0.0228	\$0.0126	\$0.0262	\$0.0228	\$0.0260	-\$0.0032
Other Ingredients	\$0.0211	\$0.0103	\$0.0324	\$0.0211	\$0.0248	-\$0.0037
General & Administrative	\$0.0189	\$0.0155	\$0.0432	\$0.0189	\$0.0183	\$0.0006
Return on Investment	\$0.0046	\$0.0033	\$0.0154	\$0.0046	\$0.0055	-\$0.0009
Average Total Cost	\$0.1921	--	--	\$0.1921	\$0.1966	-\$0.0045
Volume in Group (Lbs.)	585,108,135	--	--	585,108,135	614,680,488	-29,572,353
% Volume by Group	100.0%	--	--	100.0%	100.0%	--

**Processing Labor:** Labor costs associated with processing of product, including wages, payroll taxes and fringe benefits.

**Processing Non-Labor:** Includes costs such as utilities, repairs and maintenance, laundry, supplies, depreciation, plant insurance, outside storage, and rent.

**Packaging:** Includes all non-reusable items used in the packaging of the product, such as boxes, bags, cartons, liners, tape, glue and stretch wrap.

**Other Ingredients:** Includes salt, color, and rennet.

**General & Administrative:** Includes expenses in the management of the company, such as office supplies, short-term interest, dues and subscriptions, accounting fees, headquarter charges, office clerical wages and executive salaries.

**Return on Investment:** Calculated by subtracting accumulated depreciation from the original cost of assets, with the remaining book value multiplied by Moody's "BAA" corporate bond index.

	<b>2009 WEIGHTED AVERAGE COSTS</b>	<b>2010 WEIGHTED AVERAGE COSTS</b>	<b>% CHANGE</b>
<b>Cheddar Cheese Pounds</b>	614,680,488	585,108,135	-4.81%
<b>SUMMARY OF COSTS</b>			
Misc. Ingredient Costs	0.0248	0.0211	-14.92%
Packaging Expense	0.0260	0.0228	-12.31%
Processing Labor	0.0491	0.0481	-2.04%
Processing Non-Labor	0.0729	0.0766	5.08%
Gen & Admin Expenses	0.0183	0.0189	3.28%
Return On Investment	0.0055	0.0046	-16.36%
Manufact Costs - per Lb.	0.1966	0.1921	-2.29%
<b>SELECTED EXPENSES PER LB.</b>			
Natural Gas & Fuel Oil	0.0070	0.0072	2.86%
Electricity	0.0065	0.0072	10.77%
Sewer & Whey Disposal	0.0077	0.0042	-45.45%
Depreciation	0.0100	0.0099	-1.00%
Property Taxes	0.0020	0.0022	10.00%
Insurance	0.0018	0.0013	-27.78%
Repairs & Maintenance	0.0101	0.0124	22.77%
Plant Supplies	0.0119	0.0140	17.65%
Outside Storage	0.0009	0.0009	0.00%
Rent - Plant & Equipment	0.0132	0.0135	2.27%
Outside Testing & Grading	0.0010	0.0011	10.00%
Gen & Admin Payroll	0.0098	0.0106	8.16%
Short-Term Interest	0.0003	0.0006	100.00%
Professional Services	0.0022	0.0052	136.36%
Headquarter Expenses	0.0017	0.0011	-35.29%
Other Misc. Expenses	0.0051	0.0041	-19.61%
Total Non-Labor & G&A Exps	0.0912	0.0955	4.71%
<b>MISC. INFORMATION</b>			
Payroll per Employee-Plant	\$58,668	\$60,791	3.62%
Total Book Value of Assets	\$15,728,362	\$15,708,923	-0.12%
Book Value of Assets per Lb.	0.0748	0.0748	0.00%
<b>FINISHED MOISTURE</b>			
VAT FAT	38.03	37.78	-0.65%
VAT SNF	4.62	4.67	1.12%
VAT SNF	9.58	9.60	0.22%
VAT YIELD	13.28	13.70	3.13%