

May 1, 2012

The Honorable Karen Ross, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814



Re: *Notice of a Consolidated Public Hearing to Consider Amendments to the Stabilization and Marketing Plans for Market Milk for the Northern and Southern California Marketing Areas* scheduled for May 31 and June 1, 2012 –

Alternative Proposal

Dear Secretary Ross:

Farmdale Creamery proposes that the whey factor be returned to the \$0.25/cwt factor in the Class 4b formula as was in place on August 31, 2011 (see Attachment).

We reason that smaller scale cheese-makers like Farmdale, representing at least 2/3 of the cheese-making community and processing approximately 15% of the Class 4b milk in California:

1. are struggling to dispose of their whey streams at minimal cost to their cheese operations
2. suffered a significant increase in the cost of whey disposal with the September 2011 implementation of the \$0.25 to \$0.65 sliding scale whey factor (as did all cheese-makers in California)
3. are challenged because any notion of constructing a whey plant that would provide a market value sufficient to overcome the 9/11 cost increase is completely destroyed by the onerous and obscene demand called for in the Petition.
4. see no reason for us to invest what is required to convert our whey stream into a higher value process if that entire added-value is taxed and transferred to the producer community by the petitioned-for regulation.

Farmdale Creamery proposes that the whey factor be returned to the \$0.25/cwt factor in the Class 4b formula, as was in place on August 31, 2011, because it allows free-market mechanics to work at the service charge level; sorting out the varying values of the whey streams. This will also incentivize the processor community to grow by allowing the majority of the returns to be realized by those taking the risk of investment, applying the technological knowhow and developing the market for those whey products.

Respectfully proposed,

Norman R. Shotts II
President

Scott D. Hofferber
Controller

Attachment

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May 1, 2012 – Farmdale Creamery

Attachment to the Alternative Proposal

Proposed Changes To Northern and Southern California Stabilization and Marketing Plans:

Article III - Class Prices

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:

(E) The minimum prices to be paid for components used for Class 4b shall be computed as follows, except as such formulas and procedures may be modified by Paragraph (H) of this Section:

(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 two and fifty-two hundredths cents (\$0.0252), less a Cheddar cheese manufacturing cost allowance of nineteen and eighty-eight hundredths cents (\$0.1988), all multiplied by a yield factor of ten and two-tenths (10.2).

(b) The price per hundredweight computed by the formula using the butter price, less a manufacturing cost allowance of sixteen and thirty-five hundredths cents (\$0.1635), less ten cents (\$0.10), all multiplied by a yield factor of twenty-seven hundredths (0.27).

(c) The price per hundredweight for the whey factor value, corresponding to the monthly average dry whey price, based on the following schedule:

Monthly Average

Dry Whey Price

(\$/lb)

Whey Factor Value

(\$/cwt.)

~~< \$0.25~~ \$0.25

~~≥ \$0.25 and < \$0.30~~ \$0.30

~~≥ \$0.30 and < \$0.35~~ \$0.35

~~≥ \$0.35 and < \$0.40~~ \$0.40

~~≥ \$0.40 and < \$0.45~~ \$0.45

~~≥ \$0.45 and < \$0.50~~ \$0.50

~~≥ \$0.50 and < \$0.55~~ \$0.55

~~≥ \$0.55 and < \$0.60~~ \$0.60

~~≥ \$0.60~~ \$0.65

The constant whey factor of twenty-five cents per hundredweight (\$0.25).