

**DETERMINATIONS, FINDINGS, CONCLUSIONS AND
ORDER OF THE SECRETARY OF FOOD AND AGRICULTURE**

*Public Hearing to Consider Petitions to Adjust the Stabilization and Marketing Plans for
Market Milk for the Northern California and Southern California Marketing Areas*

May 31 - June 1, 2012

PROCEDURAL HISTORY

On March 2, 2012, the California Department of Food and Agriculture (Department) received two petitions requesting adjustments to the whey factor values in the Class 4b milk portion of the Stabilization and Marketing Plans for Market Milk for the Northern California and Southern California Marketing Areas (Stabilization Plans). The petitioners included: Western United Dairymen and a coalition made up of California Dairies, Inc., Dairy Farmers of America – Western Area Council, Land O'Lakes, Inc., Security Milk Producers Association, Milk Producers Council, California Dairy Campaign, and Alliance of Western Milk Producers. One alternative proposal was submitted by Farmdale Creamery (Petitions).

On March 16, 2012, the Department held a workshop to provide necessary procedural information to the Petitioners and interested parties in preparation for a hearing on the matter. On May 31 and June 1, 2012, pursuant to the Food and Agricultural Code, the Department conducted a public hearing for the purpose of accepting testimony and any other pertinent information from petitioners, stakeholders and interested parties.

Subsequent to the close of testimony, the Department received and entered into the record nine post-hearing briefs, having held the record open until June 8, 2012, for that purpose.

DETERMINATIONS

The Department Secretary is responsible for determining pricing issues and implementing appropriate policies to ensure an adequate and continuous supply of milk in relation to demand. She may adopt, deny, or modify proposals based upon any relevant economic factors, including, but not limited to: a reasonable and sound economic relationship between class prices; the combined income from those classes in relation to the cost of producing milk; consumer prices that are fair and reasonable while considering relevant economic criteria; prices that bear a reasonable and sound economic relationship to each other; and the relationship of California class prices and federal order class prices.

In weighing all available information, the Secretary has determined that a change to the Stabilization Plans is warranted. Despite a Hearing Panel recommendation that no

change be made to the Class 4b formula, the Secretary has decided that an adjustment is necessary because production costs are high and volatile, primarily due to the disproportionate cost of feed, which has been exacerbated by recent events including current weather patterns.

Accordingly, the Secretary adopts the following change to the Stabilization Plans:

Increase the cap on the whey factor value in the Class 4b formula from \$0.65/cwt. to \$0.75/cwt., while maintaining the current floor of \$0.25/cwt. For each five cent 'step' in the dry whey commodity price, the corresponding whey factor will increase in \$0.0625/cwt. increments (Attachment A).

FINDINGS AND CONCLUSIONS

The Secretary has considered all provisions set forth in Chapters 2 and 3, Part 3, Division 21 of the Food and Agricultural Code, whether specifically mentioned herein, including, without exception, all provisions and declarations regarding public interest considerations.

The Secretary has decided to modify the Class 4b whey factor to balance the needs of all industry stakeholders while recognizing the current milk supply imbalance with farm milk demand. All industry stakeholders have expressed concerns to the Secretary regarding aspects of the current pricing regulations that create difficulties with the long-term success of the California dairy industry. The whey factor is just one component of the Class 4b pricing formula, which is only one formula within the regulated system that is designed to facilitate the orderly marketing of California's milk production and its manufactured dairy products. The Secretary strongly believes that the ultimate solution to long-term issues facing the California pricing system must be pursued in a collaborative manner with the industry.

It is hereby found and concluded that:

- Modifications to the Class 4b whey factor referenced above to increase the cap and the corresponding whey factor value of the steps in the sliding scale will tend to effectuate the purposes of said Chapters 2 and 3.
- The new Stabilization and Marketing Plans for Market Milk for Northern California (Attachment B) and Southern California (Attachment C) conform to the standards prescribed in said Chapters 2 and 3.

ORDER

It is hereby ordered that the revised Stabilization and Marketing Plans for Market Milk for Northern California (Order Number 56) and for Southern California (Order Number 71) shall become effective on and after August 1, 2012.

A handwritten signature in cursive script that reads "Karen Ross". The signature is written in black ink and is positioned above a horizontal line.

Karen Ross, Secretary
California Department of Food and Agriculture

Signed and entered in the Office of the Secretary
of Food and Agriculture at Sacramento, California,
On July 20, 2012

**DRY WHEY SLIDING SCALE
IN THE CLASS 4b PRICING FORMULA**

Effective August 1, 2012

DMN Monthly Average Dry Whey Price (\$/lb)	Whey Factor in 4b Formula (\$/cwt.)
< 0.25	0.2500
≥ 0.25 and < 0.30	0.3125
≥ 0.30 and < 0.35	0.3750
≥ 0.35 and < 0.40	0.4375
≥ 0.40 and < 0.45	0.5000
≥ 0.45 and < 0.50	0.5625
≥ 0.50 and < 0.55	0.6250
≥ 0.55 and < 0.60	0.6875
≥ 0.60	0.7500