



August 22, 2011

TO ALL INTERESTED PARTIES:

Having carefully weighed the contents of the hearing record from the June 30 and July 1, 2011 milk pricing hearing, the Department has decided to amend the Class 4a and 4b pricing formulas in the Stabilization and Marketing Plans for Market Milk (Plans).

The Department has decided to:

- Implement the Department’s administrative changes to the Class 4a and 4b formulas by including language to implement the collection of security charges provided by the Milk Producer Security Trust Fund as found in Code Section 62561.
• Increase the f.o.b. California Price Adjuster for Grade AA butter from \$0.0309 per pound to \$0.0485 per pound.
• Increase the manufacturing cost allowance for Grade AA butter from \$0.1560 to \$0.1635.
• Increase the manufacturing cost allowance for nonfat dry milk from \$0.1698 to \$0.1763.
• Replace the \$0.25/cwt. fixed whey factor with a sliding scale with five cent ‘steps’ that floors whey values at \$0.25/cwt. and caps whey values at \$0.65/cwt., using the Dairy Market News (DMN) Dry Whey-West Mostly commodity price series.

Table with 2 columns: DMN Monthly Average Dry Whey Price (\$/lb) and Whey Factor in 4b Formula (\$/cwt.). Rows show price ranges from < 0.25 to ≥ 0.60 and corresponding whey factors from 0.25 to 0.65.





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The Department has decided not to make changes to:

- the f.o.b. California Price Adjuster for Cheddar cheese, and
- the manufacturing cost allowance for Cheddar cheese.

The Department recommends holding industry stakeholder meetings to:

- review the methodology and parameters used in the calculation of the f.o.b. California Price Adjusters, especially for Cheddar cheese, and
- compare the National Agricultural Statistics Service (NASS) price series to the DMN price series for dry whey.

Had these changes been in effect from May 2006 to April 2011, the five-year average annual impact would have been a decrease of \$0.162/cwt. in Class 2/3/4a prices, an increase of \$0.149/cwt. in Class 4b prices, and no change in Quota and Overbase prices.

The changes to the Class 4a and 4b pricing formulas will be reflected in the amendments to the Plans for the Northern California and Southern California Marketing Areas, Order Numbers 55 and 70, respectively. The adjustments to the Plans will take effect for milk delivered to processing plants on or after September 1, 2011.

The Hearing Determinations, Panel Report, Plans and documents related to the hearing can be obtained on the Dairy Marketing home page at [www.cdfa.ca.gov/dairy](http://www.cdfa.ca.gov/dairy) by clicking on [Hearing Matrix]. To access the Plans, click on [Dairy Marketing], located in the middle of the dairy home page and then on [Stabilization Plans].

Should you have any questions or desire further information, please contact Hyrum Eastman or Candace Gates at (916) 341-5988. After August 26, 2011, please contact the Department at (916) 900-5014.

Media contacts and publication staff are asked to contact the Department's Public Affairs Office by e-mail at [officeofpublicaffairs@cdfa.ca.gov](mailto:officeofpublicaffairs@cdfa.ca.gov) or by phone at (916) 654-0462.

Sincerely,

Candace Gates, Chief  
Dairy Marketing Branch

