

**Summary of the Petitions and Alternative Proposals for the
June 30 and July 1, 2011 Public Hearing**

PETITIONS:

California Dairies, Inc.

In the Class 4a formula:

- Change the f.o.b. California price adjuster for butter to \$0.0485
- Change the butter manufacturing cost allowance to \$0.1811
- Change the nonfat dry milk manufacturing cost allowance to \$0.1984

Land O'Lakes, Inc.

In the Class 4b formula:

- Change the f.o.b. California price adjuster for cheese to \$0.0018
- Change the cheese manufacturing cost allowance to \$0.1966
- Maintain the fixed whey value of \$0.25 when the dry whey market value averages \$0.2449 or lower. When the dry whey market value is above \$0.2500, the value will be based on a table of sliding scale values:

Average monthly Whey Prices Per Lb.:	Whey factor Per Cwt.:
Up to \$ 0.2449	\$0.25
\$0.245 to \$0.2549	\$0.30
\$0.255 to \$0.2649	\$0.35
\$0.265 to \$0.2749	\$0.40
\$0.275 to \$0.2849	\$0.45
\$0.285 to \$0.2949	\$0.50
\$0.295 to \$0.3049	\$0.55
\$0.305 to \$0.3149	\$0.60
\$0.315 to \$0.3249	\$0.65
\$0.325 to \$0.3349	\$0.70
\$0.335 to \$0.3449	\$0.75
\$0.345 to \$0.3549	\$0.80
\$0.355 to \$0.3649	\$0.85
\$0.365 to \$0.3749	\$0.90
\$0.375 to \$0.3849	\$0.95
\$0.385 or above	\$1.00

- The dry whey prices used to determine per cwt. whey values used in calculations shall be the simple average of the Dry Whey-West Mostly prices as published in Dairy Market News between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.
- In the event that the Dry Whey-West Mostly price is not available to determine the per cwt. whey values to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the Dry Whey-West Mostly price used in the prior month's whey price to determine the per cwt. whey values to calculate the Cheese per hundredweight price.

ALTERNATIVE PROPOSALS:

California Department of Food and Agriculture

In the Class 4a and 4b formulas:

- The Department is proposing to make administrative changes to the Class 4a and 4b pricing formulas to include language to implement the collection of security charges provided by the Milk Producers Security Trust Fund (Fund) as found in Section 62561, Article 4, Chapter 2.5, Part 3, Division 21 of the FAC. The Department was given the authority to collect Fund charges on all classes of milk, including Classes 4a and 4b.

For any month in which the Secretary implements the collection of security Fund charges, the minimum Class 4a and 4b prices shall be increased by the following amounts:

- (a) For milk fat, three and two-tenths mils (\$0.0032) per pound.
- (b) For milk solids-not-fat, one and three-tenths mils (\$0.0013) per pound

Western United Dairymen

In the Class 4b formula:

- Change the f.o.b. California price adjuster for cheese to \$0.0018
- Change the cheese manufacturing cost allowance to \$0.1966
- Eliminate the \$0.25 fixed whey factor and change to:
 $80\% \times ((\text{Dry Whey West Price} - \$0.1991) \times 5.9318)$
- The Dry whey prices used in calculations shall be the simple average of the Dry Whey-West Mostly prices as published in Dairy Market News between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.
- In the event the Dry Whey-West Mostly price is not available to determine the per hundredweight whey values to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the Dry Whey-West Mostly price used in the prior month's whey price to determine the per hundredweight whey values to calculate the Cheese per hundredweight price.

Dairy Institute of California

In the Class 4b formula:

- The whey value will be based on the following schedule:

Average monthly Whey prices Per Lb.:	Whey factor Per Cwt.:
< \$0.35	\$0.25
>=\$0.35 and <\$0.40	\$0.35
>=\$0.40 and <\$0.45	\$0.45
>=\$0.45 and <\$0.50	\$0.55
>=\$0.50 and <\$0.55	\$0.65
>=\$0.55	\$0.75

- The dry whey price used in the calculations shall be the weighted average of the most recent weekly United States dry whey prices, first published beginning the 26th day of the previous month and concluding the 25th day of the current month, as revised and reported as of the 25th day of the current month in the U.S. Department of Agriculture's *Dairy Product Prices* report compiled by the National Agricultural Statistics Service (NASS).
- In the event that the United States dry whey price reported by NASS is not available to calculate the Cheese hundredweight price pursuant to Subparagraph (E)(1), then used in its place shall be the United States dry whey price used in the prior month's calculation of the Cheese hundredweight price.