BEFORE THE UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

In the Matter of	:	
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MILK IN THE NORTHEAST AND OTHER MARKETING AREAS	:	**Docket Nos.: AO-14-869 et al; DA-00-03**
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POST HEARING BRIEF SUBMITTED ON BEHALF OF DAIRY FARMERS OF AMERICA INC. AND ASSOCIATION OF DAIRY COOPERATIVES IN THE NORTHEAST

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I. **Introduction**.

This Brief is submitted on behalf of the Association of Dairy Cooperatives in the Northeast ("ADCNE") and Dairy Farmers of America ("DFA"). The Association consists of the following member dairy cooperatives: Agri-Mark, Inc.; Dairy Farmers of America; Dairylea Cooperative Inc.; Land O'Lakes, Inc.; Maryland and Virginia Milk Producers Cooperative Association, Inc.; O-AT-KA Cooperative; St. Albans Cooperative Creamery, Inc.; and Upstate Farms Cooperative, Inc. The members of ADCNE market in excess of 65 percent of the milk in Order 1, the federal order regulating the marketing of milk in the Northeast marketing area. Order 1, in turn, represents more than 20 percent of the milk in the Federal Milk Marketing Order system. Each of the ADCNE member cooperatives and DFA are Capper-Volstead qualified cooperatives recognized to represent their members in federal milk market orders.

ADCNE members have a diverse set of operations and, consequently, a diverse set of individual interests. Agri-Mark, Inc., a northeastern cooperative, markets milk to third-party buyers and operates a butter powder plant as well as two cheese plants, through its Cabot Cheese

subsidiary. Dairylea Cooperative Inc. primarily markets milk to third parties, but is also a member of O-AT-KA, which owns and operates a butter powder plant. Dairylea is also a member and a joint venture partner in Deitrich's Milk Products, LLC, which has butter powder plants at Middlebury Center and Reading, Pennsylvania. Dairy Farmers of America, in the Northeast markets to third parties and is a joint venture partner in Deitrich's Milk products, LLC. Land O'Lakes operates a butter powder plant at Mt. Holly, Pennsylvania, and markets to third parties. Maryland and Virginia Milk Producers Association, like Land O'Lakes, markets to third parties and operates a butter powder plant at Laurel, Maryland. O-AT-KA is a cooperative of three cooperatives, Upstate, Niagara and Dairylea, and it owns and operates a butter powder plant at Batavia, New York. St. Albans Cooperative Creamery markets to third parties and also operates a condensing and drying plant. Upstate Farms is a cooperative in western New York which owns and operates fluid bottling plants and is a part owner in O-AT-KA system. Upstate Farms also markets milk to third parties.

Dairy Farmers of America ("DFA") is owned by more than 22,000 members who produce milk on over 17,500 farms. There are DFA member- owned farms in every state except Alaska, Arizona, Maine and Rhode Island. DFA is a regular reporting handler on all Federal Orders except the Arizona/Las Vegas Order and it markets milk in most state milk marketing orders. In calendar year 1999, DFA marketed 42.2 billion pounds of milk, which represents approximately 26.1 percent of the national supply. DFA markets its member milk production directly to customers or processes it in member-owned plants. DFA had total revenues of $7.6 billion in calendar year 1999. Of that total, 73.8 percent was derived from sales of fluid milk, 2.2 percent from butter sales, 2.3 percent from NFDM sales, 17.8 percent from cheese sales and the balance

from sales of various other dairy products. DFA is the sole owner of one fluid milk processing business and a joint owner of 13 others. Combined, these businesses operate 91 plants in 35 states. DFA has 24 "value added manufacturing" operations in ten states that are wholly-owned by DFA members. These plants manufacture American and Italian cheeses, processed cheese, butter and condensed milk products. Additionally DFA members wholly own and operate seven "balancing operations" that manufacture nonfat dry milk and condensed milk products. DFA is also part owner in two nonfat dry milk condensing plants in the Northeast. In calendar 1999 DFA plants manufactured approximately 7.5 percent of the U.S. cheese supply, 8.4 percent of the U.S. butter supply and 4.2 percent of the combined U.S. production of nonfat dry milk and buttermilk.

The positions advanced in this Brief represent the consensus of the positions of these dairy farmer cooperatives and do not necessarily represent the narrow economic interest of each organization. In reaching and advancing consensus positions in this rule making hearing, ADCNE and DFA have attempted to balance the interests of their dairy farmer members as producers and of the cooperatives' operations as both marketers of milk to third parties and manufacturers of all classes of dairy products. These consensus positions on each hearing proposal are summarized on Hearing Exhibit 13 (Exhibit "D" to this Brief). Agri-Mark and DFA have separately stated positions on some issues. With that perspective in mind, we will discuss the Hearing Record and our positions on the issues, as follows: (1) proposed changes to Class I and Class II differentials; (2) proposed changes in product prices used in Class III and Class IV formulas; (3) proposed changes in the manufacturing allowances; (4) proposed changes in yield factors; (5) proposed changes in the butterfat price; and (6) adoption of an interim final decision.

II. DFA and ADCNE Oppose the Adoption of Proposals 30 and 31 or Any Other Proposals Which Would Change the Differentials or Formulas for Calculating Class I or Class II Prices.

The Department should not adopt Proposals 30, 31, or any modifications to those proposals which would change the basis for calculating Class I and Class II prices or Class I and Class II differentials. There are three reasons why these proposals should not be adopted. First, the proposals are beyond the scope of the Congressional mandate which was the basis for this hearing. As the Notice of Hearing (Exhibit 1) stated: "The purpose of the hearing is to receive evidence with respect to the economic and marketing conditions which relate to reconsideration of the Class III and Class IV milk pricing formulas included in the final rule for the consolidation and reform of federal milk orders. The mandate from Congress via the Consolidated Appropriations Act 2000 (P.L. 106-113, 115 Stat. 1501), requires the Secretary of Agriculture to conduct a formal rule-making proceeding to reconsider the Class III and Class IV milk pricing formulas included in the final rule for the consolidation and reform of federal milk orders and to implement any changes until January 1, 2001." Neither Proposal 30 (which proposes to change the Class I differentials) nor Proposal 31 (which would change the Class II differential) are proposals which address reconsideration of the Class III or Class IV price formulas. Consequently, those proposals should not be considered.

Secondly, even if the proposals are considered properly within the scope of the Hearing Notice, they should not be adopted because they were not fully debated. The industry rightfully approached this Hearing as one mandated to reconsider Class III and Class IV prices. For that reason, there was minimal consideration given to the practicalities or ramifications of the changes in Class I and Class II differentials proposed in Proposals 30 and 31. Each of these

proposals could have very substantial impacts on producers in all markets. It should be sufficient to note that the Class I differential structure has been the subject of many days of federal order hearings; many days of congressional hearings and debates; and substantial federal court litigation. To tinker with the resulting statutorily-mandated system without a focused hearing process would be quite inappropriate, in our view.

Finally, the Hearing Record on the proposals, such as it is, does not support adoption of the proposals. The revised Proposal 30, advocated by the Family Dairies USA, would result in substantial reductions in dairy farmer income throughout the federal order system. There is nothing in the evidence presented by the proponents of Proposal 30 or elsewhere in the hearing record which supports the need or desirability of such broad revenue reductions to dairy farmers.[1] Furthermore, the proposal presented in testimony at the hearing — to change the formulation of the base price for Class I differentials — was not in the hearing notice and, consequently, hearing participants were not able to fully evaluate its impact, as Mr. Hollon testified. (Tr. 1545-1546). Because of both these procedural and substantive defects, the proposal should not be adopted.

Proposal 31 is also not supported by the record. All of the evidence of record suggests that the current 70¢ differential between Class II and Class IV is an appropriate recognition of the additional value of the Class II soft manufactured products and it does not provide any artificial or inappropriate incentive for substitution of Class IV ingredients for Class II ingredients. See, e.g., Exhibit 45. Furthermore, it is not clear how Proposal 31 could be implemented: presumably, it would require the maintenance in the order of two sets of order language which

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[1] In fact, the period of the hearings is the period of some of the lowest prices generated by the federal order program in twenty years.

calculate Class II prices on both a "before" and "after" basis. This would be highly impractical, if it were even possible, and is in no way justified by the hearing record.

On the basis of the foregoing, DFA and ADCNE respectfully suggest that Proposals 30 and 31 should not be adopted.

III. No Changes Should Be Adopted in the Product Prices Used in the Class III and Class IV Price Formulas.

Several changes to the product prices or price calculations presently used in the formulas for Class III and Class IV are advocated in Proposals 1, 10, 12, 13, 19, and 26. The proposed changes are: (1) To change from the use of NASS-collected prices to Chicago Mercantile Exchange (CME) prices; (2) To change the cheese prices collected by NASS to include 640 lb. block prices; and (3) To change the formula which is used to aggregate block and barrel cheese prices by reducing the 3 cent add-on to barrel prices by 2 cents. We will discuss each of these proposed changes in turn.

A. NASS Survey Prices Should Continue To Be Used in Class III and Class IV Price Formulas.

Several proposals in the hearing notice suggest using Chicago Mercantile Exchange ("CME") prices rather than USDA National Agricultural Statistics Service ("NASS") prices in Class III and Class IV price formulas. While DFA and ADCNE recognize the validity of CME prices and their widespread use for various purposes throughout the industry, NASS survey prices should continue to be used in the federal order end product price formulas for several important reasons.

First, the primary reason for the Department going to NASS survey prices rather than

exchange prices (CME or the former Green Bay (National) Cheese Exchange) remains valid. That is, the number of transactions involved in the price surveys give the NASS prices a much broader base of data and, thus, a much firmer foundation for industry price confidence. CME prices for spot cash prices continue to represent, and will always represent by virtue of the nature of the market, a limited number of actual transactions. That being the case, they will always be subject to questioning with respect to the potential for short term or long term manipulation by a few interested traders. Because we recognize the Department's concern with this inherent problem of confidence relating to the number of exchange transactions, DFA and ADCNE support the continued use of the NASS survey prices.

Secondly, because the NASS survey prices represent a broad geographic base of transactions, they address on a built-in basis the issue of geographic differences in product prices which the Chicago-based CME prices cannot directly address. In other words, use of the weighted-average NASS survey prices in the manner that they are presently utilized addresses the issue of whether any orders would need to have location differentials off the Chicago-based CME prices, if CME prices were used. For the Western orders, this is a particularly critical issue and one which strongly supports continued use of the NASS survey prices.

We do recognize the inherent limitations which the NASS survey has until it can be made mandatory and be enhanced with an auditing mechanism. DFA and ADCNE support, and will support, legislation which would make the NASS survey prices mandatory. This will eliminate the lingering questions of participation which exist with respect to the NASS survey. We were encouraged by the broad support expressed by hearing participants for a mechanism to make the NASS surveys mandatory and subject to audit. Even with this limited shortcoming, the NASS

surveys remain the preferable option at this time.

B. 640-Pound Blocks of Cheddar Cheese Should Not Be Included in the NASS Survey.

The NCI Proposal 12 to include 640 lb. blocks of cheddar cheese in the NASS cheese price survey should not be adopted. Industry and NASS experience demonstrate that there is an insufficient basis of arms-length trading in this cheese variety to make it a part of the NASS survey.

There are several aspects of the record with respect to insufficiency of the market in 640s. First, Mr. Milton of NASS testified to the lack of sufficient reporters and value of 640s to make it a viable part of the NASS survey. (Tr. 54-55) That confirms, in essence, what occurred at the old National Cheese Exchange in 1995 and 1996 when the Exchange traded 640s for a period of time, beginning in February 1995, and then disbanded the trading for lack of interest about a year or so later. While there may be substantial commerce in 640s in an absolute sense, there was testimony that much of the trade also tends to involve customer-specified characteristics. (Tr. 1575). Therefore, the product is not sufficiently uniform to support a price series. In summary, there is no reason to believe that the market in 640 pound blocks of cheddar cheese involves sufficient buyers and sellers in arms-length transactions to provide good data to establish the Class III price for producer milk in all federal milk orders.[2]

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[2] If 640 prices were to be collected and used in the NASS series, another adjustment to the average price, similar to the adjustment for averaging barrels and 40 lb. blocks, would need to be determined. Obviously, the cost of manufacturing and packaging a 640-lb. block of cheese is something less than that for 16 separate packages of 40 lb. cheese blocks. Consequently, the 640 lb. block price would need to be adjusted appropriately if it were to be averaged with 40 lb. block prices for the purpose of pricing producer milk. When 640s traded on the National Cheese Exchange, they tended to trade at a price between the price of blocks and barrels.

C. The NCI/IDFA Proposal to Add Only 1 Cent to the Moisture-Adjusted Barrel Cheese Prices Should Not Be Adopted.

The NCI/IDFA proposal to reduce the price adjustment for barrel cheese from 3¢ to 1¢ (thereby reducing the Class III milk price by 15¢-20¢ per hundred-weight) should not be adopted. IDFA's analysis was made on the basis of a wholly-erroneous premise which does not withstand scrutiny. That erroneous premise is : "This 3¢ really consists of two components [cost of manufacture and a moisture adjustment]" (Yonkers, Tr. 309). In fact, the 3¢ does not reflect a moisture adjustment factor at all because it is representative of the historical difference in market value of barrel cheese versus block cheese after adjustments for moisture.

When block cheese and barrel cheese were traded on the now-defunct National Cheese Exchange or are now traded on the Chicago Mercantile Exchange, the prices are for cheddar cheese, minimum moisture 36.5% and 500-lb. barrels, 39% moisture.[3] Consequently, with those moisture values in place, barrels have historically traded, and still continue to trade, at a discount per pound to 40-lb. blocks.[4] Thus, Dr. Yonkers' calculation (Exhibit 14)–which takes the 3¢ and assumes it is based on a difference between barrel cheese at moisture (which tends to average about 35%) and block cheese–is wholly erroneous and inaccurate.

A study of the NASS prices, from July 1998 (when they were first collected) to the present, shows that the 3¢ adjuster is too low, if anything. Exhibits "A", "B", and "C" attached hereto depict this information in a table and graphically. The NASS data confirms the CME exchange data. On any market observation basis, the moisture-adjusted barrel prices are less than

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[3] CME Rulebook, Chapter S-10 (Cheese–Spot Call).

[4] The historical difference, using simple annual average figures published in Dairy Market Statistics, are: 1999, 5.6¢; 1998, 5.6¢. (Hearing Exhibit 6)

block prices per pound. The difference is attributable to the volume utility (500 lb. units v. 40 lb. units) and the cost difference in packaging and handling these products.

Several witnesses at the hearing testified that there is at least a 2¢-per-pound cost difference in the packaging and handling of barrel cheese versus block cheese. (Christ Tr. 1246-1248; Hollon Tr. 1561-1562). This undisputed testimony documents the basis for the market price difference in barrel and block cheese and discredits further the premise of the proposals to reduce the barrel-block differential.

IV. The Manufacturing Allowances for Class III and Class IV as Proposed by the National Milk Producers Federation Should Be Adopted.

The manufacturing allowances for Class III and Class IV as advocated by the National Milk Producers Federation should be adopted.

A. Standards for Determining Make Allowances.

The Department should reject the invitation of NCI/IDFA to adopt make allowances which err on the high side and adhere to the analysis in the final decision of April 2, 1999, which stated:

> If the make allowances are established at too low a level, manufacturers will fail to invest in plants and equipment, and reduced production capacity will result. If the make allowances are established at too high a level, there will be unwarranted incentive to increase capacity above the needs of the industry, leading to over capacity and resulting losses to manufacturers. Either scenario would not be in the best interests of the dairy industry. (64 Fed. Reg. 16097, April 2, 1999)

It is extremely important, in our view, that make allowances be set at a level which is fair and equitable to all concerned, and not one which is intentionally tilted toward the manufacturing

side. As discussed at greater length hereafter, the manufacturing allowances proposed by the National Milk Producers Federation endorse and apply, to the most current data available, the Department's technique for balancing, in a fair and equitable manner, the interests of all participants in the industry, east coast and west coast, manufacturers and producers, cooperatives and proprietaries.

To intentionally tilt the make allowance to the manufacturers' side, as advocated by NCI/IDFA, may well run afoul of the statutory requirement that producer costs be taken into account in establishing minimum milk prices. See 7 U.S.C. § 608c (18). As the federal court decision in St. Albans Cooperative Creamery v. Glickman, 68 F.Supp.2d 380 (D.Vt. 1999), made clear, the AMAA is a producer-oriented statute and minimum prices must be established with the required consideration of producers' economic interests.

Furthermore, there are serious market distortions which would result from a make allowance which is set too high, in addition to the possibility of over capacity noted in the final decision. When make allowances build-in guaranteed high margins, product prices can be cut to increase market share without concern for profitability losses. Armed with overly generous make allowances, efficient manufacturers will have an incentive to cut finished product prices in the marketplace to increase market share at the expense of less efficient processors. This can lead to a downward spiraling of product prices which will be felt directly by all dairy farmers through the end pricing system. Enabling, or perhaps ordaining, the market conditions which would foster cut-throat product price competition, does not protect the economic interest of dairy farmers which is the purpose of minimum class prices in the first place.

The NCI/IDFA contention that if manufacturing allowances are set high, the marketplace

will require manufacturers to pay over order premiums to producers is not supported by the record. In fact, the record indicates that the areas of the country with the most efficient, modern, newly-constructed cheese manufacturing operations (Idaho and the Southwest) have the lowest over order prices paid to producers by manufacturing handlers. All indications are that local supply, demand and market structure are more important factors than gross plant profitability in determining over-order payments to producers. Over order prices paid to producers by manufacturing plants have been, and continue to be, highest in the Upper Midwest. These prices are a function of regional plant capacities and supply-demand factors. There is nothing in this record, or in any published studies to our knowledge, to indicate that plant margins are higher in the Upper Midwest, thus causing prices paid to producers to be increased accordingly. The Department should not put dairy producers' incomes and economic well-being at risk by accepting the NCI/IDFA invitation to intentionally err on the low side of producer prices, with the expectation that market forces will appropriately enhance dairy farmers' incomes.

We also believe that the industry witnesses have over-stated the degree to which they are dependent upon the make allowance for their profitability.[5] While butter powder manufacturers are certainly tightly constrained by the Class IV prices and value, since something in excess of 90% of Class IV milk is processed into either butter or nonfat dry milk, which are commodity products with very little opportunity for product differentiation, the circumstances for Class III

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[5] Dr. Yonkers led the anthem with his contention at Tr. 260-61 that all product price increases for cheese are reflected back into the product price. He contended that handlers' attempts to recover costs in product prices are "as futile as a dog chasing its own tail". Picking up the refrain, the chorus followed: end product pricing "leaves only the make allowance for my company to recover all its costs" (Eastham, Tr. 1277); "My company is therefore very dependent on the make allowance to cover all of its costs." (Williams, Tr. 1300).

are quite different. Consequently, while NASS cheese prices and the Class III make allowance set the minimum Class III federal order price, those products are, in all likelihood, less than 20% of federal order Class III usage.[6] Thus, sellers of other cheese varieties do not have their sales price reflected back into the class price for their product (as is the case with butter and NFDM) and they are not constrained by the make allowance limitation. On balance, the use of commodity cheddar prices, west coast weighted, gives cheese manufacturers throughout the federal order system a fair minimum pricing structure, more so than their orchestrated, misleading testimony would suggest.

B. RBCS and California Data Should Be Used to Determine the Make Allowances.

In determining the appropriate make allowance for Class III and Class IV prices, the Department should use all credible, reliable information available to it. That includes the RBCS survey data; the data compiled and published by the California Department of Food and Agriculture; and data presented for the hearing record by individual plant owners and operators who provided cost information under oath and were available for cross-examination. It does not include the IDFA survey material which does not meet minimum acceptable standards for reliable information in a federal administrative record.

The RBCS survey, about which Dr. Ling was grilled mercilessly at the hearing, presents probative, reliable information which should be used to establish the make allowances for Class III and IV products. The RBCS survey information is reliable for many reasons, including: (1) it

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[6] Cheddar is only 35% of cheese production. (1999 Dairy Products Annual). NASS eligible cheddar is about 70% of cheddar production. Hearing Exhibit 8. Not all Class III is cheese; it also includes, *inter alia*, evaporated and sweetened condensed milk (7 C.F.R. § 1000.40). There are no published statistics to our knowledge which quantify the percentage of federal order Class III use which is for cheese.

has been collected annually for approximately sixteen years; (2) it has been assembled for independent business reasons; (3) the reported information is independently scrutinized by Dr. Ling, who has no representational or advocacy interest in the results of the survey; and (4) Dr. Ling testified under oath and was cross-examined about the survey data, clarifying what was included and not included in the materials.

We recognize, of course, that the RBCS data is not the type of precision-engineered data, or mandatory, audited survey data, either or both of which might be ideal for purposes of establishing a make allowance. See Final Decision, 64 Fed. Reg. at 16096. However, just as the RBCS data was found useful in the Final Decision, it should be utilized in updating that decision. The RBCS data is probative and reliable information, representative of manufacturing plants located from coast to coast and involved in each of the Class III and Class IV commodities requiring make allowance determinations.

The most current plant cost data compiled by the California Department of Food and Agriculture should also be used, as it was in the Final Decision. While, unfortunately, there was not a witness available at the hearing to discuss the California information, it remains an audited, state-agency-compiled study which has inherent indicia of reliability.

In addition, there was some, albeit limited, testimony from plant operators not involved in the RBCS study with respect to their costs for certain products. We have no objection to this data being weighted with the RBCS and California data to reach an aggregate result.

We support the weighting by volume of the available, reliable plant cost data to reach the new make allowance figures. As Mr. Coughlin from the National Milk Producers Federation testified, the approach used in the Final Decision is a satisfactory one which should be utilized.

Mr. Coughlin's calculations (Hearing Exhibit 10; Exhibit "E" to this Brief) show the application and usage of this procedure.

The NCI/IDFA survey data is not admissible evidence because it is not of the "sort upon which responsible persons are accustomed to rely," (7 C.F.R. § 900.8 (D) (1)) and would not constitute substantial evidence such as is required for agency action pursuant to the Administrative Procedure Act (5 U.S.C. § 706 (2) (E)). See, e.g., Carter-Wallace, Inc., v. Gardner, 417 F.2d 1086 (4th Cir. 1969)(In an administrative hearing, summary exhibit of pharmacy costs and inventories was not admissible where witness was not familiar with underlying data and supporting documents were not available for use in cross-examination).

The NCI/IDFA survey data is hearsay upon hearsay upon hearsay. The primary witness, Dr. Yonkers, had no first hand knowledge of the survey reports, the survey compilation having been transmitted to him by a survey firm which did not send a witness to testify. In turn, the survey firm had no first hand knowledge of the information which it compiled, having simply compiled data mailed in at the request of NCI/IDFA. Furthermore, there is no evidence in the record that the person or persons who compiled and sent in the information for the survey actually had knowledge of the data they were submitting. What we know they had knowledge of, however, was the purpose of submitting the data and that purpose itself makes the data inherently suspect. **The purpose of assembling the data was for this hearing and for this hearing only: to compile plant cost data to set the manufacturing allowance thereby setting the minimum price which the plant manufacturers are required to pay for milk from producers.** The survey forms were not documents prepared for any other independent business purpose which might give them some basis for reliability. They were documents specially prepared solely for

the purpose of establishing the make allowance in this hearing.

NCI/IDFA did not even deliver what it promised with respect to support of the cost survey. Dr. Yonkers, when testifying early in the hearing, indicated that individual plant operators would subsequently testify to information provided for the survey. (Tr. 351, 361, 443, 461). That never occurred. Plant operators testified, but the witnesses did not have or reveal plant cost information or knowledge of the surveyed costs of operation. Consequently, IDFA did not present any credible, reliable, substantial evidence of plant costs through its survey. The survey was not properly admissible testimony and it is not substantial evidence which could support any action by the Secretary.

If any thought is given to consideration of the NCI/IDFA survey numbers, the Department might think about what NCI/IDFA's views would be if the shoe were on the other foot. For instance, if dairy farmer costs of production were the basis for the minimum Class III and IV prices, would NCI/IDFA be satisfied to have those prices set on the basis of testimony by, for instance, the President of the Progressive Agriculture Organization to farm costs tallied by his accountant to whom PRO-AG members were requested to send their cost figures so that those totals could be presented at a federal order hearing to set the minimum milk price. We are confident that NCI/IDFA would rightfully oppose setting prices on the basis of such data and we are confident that the Department would not accept such data as the basis for setting producer prices. Likewise, it should not utilize in any way the NCI/IDFA survey data collected for this hearing.

C. The Make Allowances Should Include a Factor for Marketing Expense and Return on Investment as Presently Included in the Final Rule.

ADCNE and DFA support the continued inclusion of a marketing expense factor in the make allowances. We also support the continued inclusion of a return on investment figure as is included in the present make allowance calculations. We endorse and support the formulations of these cost factors testified to by Mr. Coughlin of the National Milk Producers Federation.

We do not support, however, any new "cost" factors being included in the make allowances for shrinkage, plant losses, or product returns. There was substantial focus by plant operator witnesses upon the production losses which are inherent in any manufacturing operation. Farm-to-plant and in-plant shrinkage was emphasized. Plant losses of butterfat and other milk components were detailed. There was discussion of product returns, under-grade or off-quality products, and the like. The implication of all of the testimony seemed to be that some additional increase in the make allowance, particularly for cheese making, should be adopted in order to compensate the plant operator for these inherent aspects of the manufacturing operation. The Secretary should refuse this invitation to further pad plant costs.

Lost in the discussion of all these factors is that both the RBCS and California plant cost data implicitly (if not explicitly) include all of these costs. The costs are included when total costs of plant operation are allocated to products produced. In other words, taking the California data, all of the plant costs (which include the cost of disposing of plant waste, for instance) are allocated to, and only to, actual products produced by the plant. Consequently, if the manufacturing allowance per pound of cheese is applied to the components of producer milk

through an appropriate yield formula, all of the costs of plant operation have been recognized. [7]

D. Recommended Make Allowance for Each Product.

DFA and ADCNE support the recommended make allowances set forth in the testimony of Ed Coughlin for the National Milk Producers Federation and derived on hearing Exhibit 10 (Exhibit "D" to this brief). The recommended make allowances are: for cheese, $.1536 per pound; for butter, $.096 per pound; for nonfat dry milk, $.14 per pound; and for whey, $.15 per pound. These proposed make allowances are, as Exhibit 10 shows and Mr. Coughlin explained, weighted average figures calculated on the basis of the volumes included in the RBCS survey and the California audited plant cost data.[8] They represent the best calculations available in this hearing record for product make allowances and should be adopted by the Secretary.

V. The Current Yield Factors Utilized in Class III and Class IV Product Price Formulas Should Be Retained.

A. The "Divide By 1.02" Factor in the Class IV Price Formula Is Appropriate and Should Be Retained.

Several proposals suggest changing the "divide by 1.02" factor used in the Class IV price

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[7] It is worth noting that the California data show actual vat yields for cheddar cheese which are healthy in comparison to the yields contemplated by the modified Van Slyke formula used here. See CDFA Manufacturing Costs Annual 2000, at Table 2.

[8] The exception is the whey cost data for which we support the sue of the NFDM costs plus 1 ¢ per pound. Any higher allowance for whey costs is not justified and could seriously erode producer prices. For instance, Leprino's engineered data with respect to the "added" cost to dry whey (Venkat, Tr. 1387-1415) should not be utilized to increase the make allowance "base" where Leprino carefully did not offer evidence of its "base" costs for drying whey or its total costs. We would also point out that a substantial amount of whey is marketed in the form of concentrate which requires less processing and commands a higher price. The potential value of whey was described by Dr. Cropp in Hearing Exhibit 43, and is arguably understated in the gross value whey formula. The minimum dry whey values in the price formula should not be deflated by an inflated make allowance figure for whey.

formula. These proposals should not be adopted. The Class IV price is composed of the Class IV skim milk price and the butterfat price. The Class IV skim milk price is nine times the nonfat solids price, which, in turn, is derived as follows: "The nonfat solids price per pound, rounded to the nearest one-hundredths cent, shall be the U.S. averaged NASS nonfat dry milk survey price reported by the Department for the month less 13.7¢, **with the result divided by 1.02.**" (Emphasis supplied) (7 C.F.R. § 1000.50(m)). The highlighted portion of this formula was the subject of several hearing proposals.

In considering these proposals the first, and in our view the most important, point to keep in mind is that the "divide by 1.02" factor is not a yield factor per se. That is, it does not represent the precise yield of any particular manufactured dairy product from a given volume of producer milk or skim milk. Rather, it is a factor which appropriately represents a combination of the physical yield of skim milk powder and buttermilk powder and the value of those two products to a butter-powder plant operator. By combining into one factor the diverse yields and valuations of skim milk powder and buttermilk powder, the 1.02 factor appropriately simplifies the valuation process at a rate which is fair to both producers and handlers of Class IV milk.

Three products are produced from the skimming of raw milk and processing it into butter and powder: butter, skim milk powder, and buttermilk powder. Buttermilk powder is produced from the "buttermilk"–the nonfat milk solids which are a by-product of the churning of 40% cream into butter. From each hundred-weight of producer milk at average test some 4/10^{ths} of a pound of buttermilk powder is produced. The value of this product is not explicitly recognized in the nonfat solids price formula. To explicitly recognize its value would require input into the formula of several additional factors and data series: a yield of buttermilk powder would have to

be adopted per hundred-weight of milk; a price would have to be adopted; and a price series for buttermilk powder would have to be established or referenced. NASS does not presently survey prices for buttermilk powder. Consequently, NASS would have to start collecting such prices or some other indication of product value would need to be calculated. In addition, a make allowance would need to be determined for buttermilk powder. The current price formula properly avoids the insertion of these factors into the pricing formula by utilizing the 1.02 factor in the skim milk powder price.

Dennis Schad of Land O'Lakes and Bob Wellington of Agri-Mark both testified in some detail from their own plant operations that the divide by 1.02 factor is a realistic and appropriate one for butter powder operators. See Tr. 1213-1215 (Schad); and Tr. 1497-1502 (Wellington). Several elements in this equation are not subject to serious dispute: the value of buttermilk powder is substantially less per pound than the value of skim milk powder. This was established not only by testimony but is a matter of record in the published Dairy Market News and Dairy Market Statistics price reports for buttermilk powder. Furthermore, the processing of buttermilk solids into buttermilk powder is more expensive and would be subject to a greater make allowance than the processing of skim milk into skim milk powder. Buttermilk solids are more difficult to process and require elimination of more water than do skim condensed solids. Consequently, the net value to the plant of buttermilk solids is substantially less than skim milk solids per pound.

Dennis Schad for Land O'Lakes and Bob Wellington for Agri-Mark each described their plant operations in support of the 1.02 divisor. Both Agri-Mark and Land O'Lakes recover approximately one pound of NFDM for each pound of skim solids sent to the dryer. If that were

the end of the matter, no divisor would be necessary; a yield of 1-to-1 would be appropriate. In other words, the minimum payment for one pound of nonfat solids would be returned in one pound of nonfat dry milk with an appropriate make allowance. However, a portion of the nonfat solids processed by butter powder plants, and paid for as a pound of nonfat solids, goes into buttermilk powder, not nonfat dry milk. Mr. Schad established the reported price of buttermilk powder for 1999 to be 74% of the price of nonfat dry milk.

As Mr. Schad testified: "Absent a methodology to price nonfat dry milk solids used to produce buttermilk powder which would utilize a non-existent NASS buttermilk price series and an uncalculated buttermilk powder make allowance, Land O'Lakes supports the adjustment of the nonfat dry milk yield to reflect the manufacture of buttermilk powder." It makes good sense and good policy to avoid the necessity of collection of an additional NASS price series; establishment of an additional yield formula and make allowance for buttermilk; and, instead, to use on a continued basis the divisor of 1.02 to adjust the yield of NFDM to reflect the value of buttermilk powder.

The primary advocate for a change in the 1.02 divisor was the representative of the Western States Dairy Producers Trade Association, et al., Mr. Vanden Heuvel. His testimony was based upon yields cited in a two-page report of the California Department of Food and Agriculture dated June 19, 1998, Table 13 of Exhibit 26, a document which has never been utilized in California regulations.[9] The newsletter reported observed yields of nonfat dry milk and buttermilk powder at certain California plants. Furthermore, as Mr. Vanden Heuvel

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[9] Curiously, the plants which produce the largest volumes of buttermilk powder were excluded from the yield study.

acknowledged on cross-examination, his proposed yield factor makes no adjustment (of any moment) for the reduced value of buttermilk powder or for the increased processing costs involved. (Tr. 997-1000). Consequently, the proposed "divide by .98" factor in Proposal 28 is not a credible proposal because it proposes to price all nonfat solids at the NFDM value when it is not seriously disputed that buttermilk powder solids are both more expensive to process and less valuable.

There is no substantial support in the record for any proposal which would change the 1.02 NFDM divisor. Proposals 26, 27, and 28 should not be adopted. The Department should retain the "divide by 1.02" factor in the nonfat solids pricing formula.

B. The Yield Factors in the Class III Cheese Product Price Formula Are an Important Part of the Total Equation establishing the minimum Class III price.

Minimum Class III milk values are the product of numerous factors in the end product pricing system. Those factors include the product prices used to determine the gross product values; the make allowance deducted from the gross product values; and the yield factors or amounts of product assumed to be produced from a hundred-weight of producer milk. Consequently, the Class III "bottom line" is the aggregate product of all of these elements. Assuming that the gross values of Class III milk are not reduced by industry-endorsed changes to the product prices (reduction of the 3¢ barrel add-on or use of 640 lb. blocks in the NASS price series) and assuming that the manufacturing allowance for cheese is not reduced by more than the costs documented in the RBCS and California data, as a group these cooperatives are not advocating any specific adjustments in the cheese yield formulas at this time.[10]

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[10] With respect to Proposal 11 concerning the fat recovery factor in the cheese yield formula, DFA is supporting a change to the 1.60 factor. That position is set out in a separate

VI. The Price of Butterfat in Class IV Should Be Reduced By Six Cents (6¢) Per Pound; All Other Proposed Changes to Butterfat Pricing Should Not Be Adopted.

A. The Class IV Butterfat Price Should Be Reduced 6 Cents Per Pound.

There was a near-consensus among hearing participants that an adjustment in the final rule's butterfat price should be made. The primary issue was: to what classes should the change apply. In our view, the change in butterfat pricing should be limited to Class IV. ADCNE and DFA support the adoption of Proposal 8, and oppose the adoption of Proposals 3 or 4.

The implementation of the Final Rule in January 2000 changed the price relationship between the cost of producer butterfat and the resultant end product, butter. During the sixteen month period between September 1998 and December 1999, the average federal order price derived from the Chicago Mercantile Exchange (CME) and the average NASS survey price of butter were nearly identical. However, under the Final Rule calculation, the ingredient cost of butter, Class IV butterfat, would have averaged six cents ($0.06) per pound more than the actual Class III butterfat price during the period (Exhibit 33). Thus, the effect of the Final Rule was a decrease in the buttermaker's margin of six cents per pound.

When trading of Grade A butter at the CME was discontinued in June 1998, the Secretary had to determine an equivalent price for Grade A butter, which was used in the federal order language establishing the butterfat price. He ruled that the CME Grade AA butter price, less nine cents ($0.09), was equivalent to the Grade A butter price. That price was the basis for the price of butterfat as a butter ingredient prior to implementation of the Final Rule in January.

Butter is primarily made from surplus cream (Land O'Lakes: Tr. 1201and 1237, Agri-

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brief which DFA is filing. The consensus ADCNE view is in support of the NMPF position espoused by Mr. Coughlin and indicated on Hearing Exh. 10.

Mark: Tr. 1492 and Dairy Farmers of America: Tr. 1544). Butter manufactured from cream incurs increased costs as compared to butter manufactured from producer milk. Mr. Schad, for Land O'Lakes, testified that butter manufactured from cream had to be received at two separate locations; that the cream was pasteurized twice; and that it had to be transported from plant of separation to plant of butter manufacture. He estimated the increased cost at four and ninety-seven-hundredths cent ($0.0497) per pound of butterfat. (Tr. 1200-2). Mr. Wellington for Agri-Mark concurred on these higher costs and stated there is an additional cost related to yield loss from making butter from cream, because of the breakdown of fat globules during the double handling of the fat. Agri-Mark experiences an additional cost of five and three-quarters cents ($0.0575) per pound of butterfat (Tr. 1494-5) when making butter from cream.

Prior to the institution of the Final Rule, butter ingredients, the fat from producer milk and cream were priced on the basis of the Grade A butter market, while the end product was priced based on the Grade AA butter market. As recently as June 1999, the Secretary recognized the difference between the A and AA markets and determined an equivalent price for federal order purposes when the Grade A market was eliminated at the CME. The witnesses from Land O'Lakes and Agri-Mark testified that the historic differences between the cost of fat, based on the Grade A butter price, and the product price of finished butter, based on the Grade AA market, allowed, *inter alia*, the buttermaker to cover the additional costs of making butter from cream.

The Final Rule prices producer butterfat through an end-product formula: a make allowance is subtracted from the butter price and the result is divided by butter yield. When considering the major uses of butterfat, only with Class IV fat (used to produce butter) is there a direct relationship between the price of the end-product, butter, and the ingredient cost, producer

butterfat. While the ingredient cost, producer fat, is determined by the butter price for Classes I, II and III, the processor's return for the use of fat is determined by the value of fat in other end products, namely fluid milk, soft products or cheese.

Class IV butterfat is uniquely caught in a circularity of price that is not found in the other classes. If a buttermaker must raise the price of butter to cover the diminished margin resulting from the Final Rule, his ingredient cost then increases as a function of the end-product pricing formula. Price increases in the other classes of milk usage do not directly impact the butterfat ingredient cost in the same manner.

Supporters of Proposals 3 and 4 argued that changes to butterfat pricing should be extended to all classes of milk use, or at least to Classes II, III, and IV. They claim the adoption of Proposal 8 will result in "disorderly marketing" (Tr. 801, 1335) because a change between the relative prices of Class II and Class IV butterfat will encourage the substitution of butter for Class II producer butterfat (Tr. 1336, 1375 and 1677). One witness also asserted that the adoption of Proposal 8 would encourage Class II handlers to depool their milk (Exhibit 59, page 9). The decision to depool Class II producer milk results from a comparison of the Order uniform price and the class price. A handler would be encouraged to depool volumes of Class II producer milk only if the Class II price is greater than the Order's uniform price. Testimony was offered by the witnesses from Land O'Lakes (Tr. 1209) and Suiza (Tr. 1340) which estimated that the adoption of Proposal 8 would decrease the average Federal order blend price by about four cents ($0.04) per hundredweight. Additionally, testimony from witnesses from Land O'Lakes (Tr. 1208) and Hershey (Tr. 1689) stated that the Class II price of milk would be unchanged, if Proposal 8 is adopted. Thus, it would be highly improbable that any handler's

decision to depool milk would be influenced by a four cents per hundredweight blend price change resulting from the adoption of Proposal 8.

Proponents of Proposal 3 also claim that a decrease in the butterfat price, only applicable to Class IV, would encourage buyers of Class II fat to substitute butter or anhydrous milk fat for producer fat. This substitution, they argue, will negatively impact producer blend prices. The assertion comes from the erroneous assumption that the end product butter price is determined by the ingredient price (Class IV butterfat) and that a 6¢ proposed change in price could make a difference in the substitution equation. Mr. Schad for Land O'Lakes stated that there would be no change to butter prices from the adoption of Proposal 8 (Tr. 1208); and Mr. Hollon of DFA documented that the economics of ingredient substitution (Class IV to Class II) will not be materially impacted by adoption of Proposal 8. See Exhibit 45.

If there is an ingredient cost advantage (to Class II processors) in buying butterfat in the form of butter and storing it as a physical hedge against seasonal increases in Class II butterfat prices, that advantage exists with or without the adoption of Proposal 8 and will not be substantially impacted by the adoption of Proposal 8.

Conclusory claims of "disorderly marketing" resulting from the adoption of Proposal 8 were advanced by Mr. Yates for Suiza, who testified:

> Beyond our concern that Proposal No. 8 will distort the Class II and IV relationship, we believe Proposal No. 8 would force me to move cream in inefficient ways. The experts would call this disorderly marketing. (Tr. 801)

Presumably, such inefficiencies would result from classified values for butterfat where there had been only one uniform value. However, varying classified values for skim milk in classes II, III,

and IV impact (or should impact) the cream seller's costs and marketing decisions more than proposal 8 ever would.

The adoption of the Final Rule explicitly facilitates component and classified pricing in the marketing of cream. Simply stated, cream is priced as milk with higher fat levels; for example, a hundredweight of 40 percent cream used to produce ice cream is priced as Class II milk, containing 40 pounds of butterfat and 60 pounds skim. Similarly, cream used to produce cream cheese would be priced as Class III milk; and cream used to produce butter is priced as Class IV milk.

The supporters of Proposal 3 suggest that the adoption of that proposal will simplify the seller of cream's marketing decisions. Decreasing the butterfat value for Classes II, III and IV, will, the supporters claim, allow the cream seller to sell the product, based on cream prices, rather than classified input costs. However, since the cream seller's Federal order obligation is class specific, and since the seller must account to the Federal order for both the cream's fat and skim values, the adoption of Proposal 3 will do nothing to simplify cream marketing due to variations in cream input prices.

While the current classified fat values for Class II and Classes III/IV differ only by seven-tenths of cent, the variation between classified skim prices may be as much as $3.35 per hundredweight. May's Class III skim price was $5.05 per hundredweight, while the Class II skim price $8.40. The Federal order obligation during May on a hundredweight of 40 percent Class III cream was $54.45, while the obligation on Class II cream was $56.74, a difference of input costs of $2.29 per hundredweight of cream. Since the Federal order obligation on Class IV cream for that month was $56.02 and the value of Class III and Class IV fat is equal, the $1.57

per hundredweight variation between Class III and Class IV is solely attributable to variations in the skim prices between classes.

Clearly, the adoption of Proposal 3 will do little to alleviate the surplus cream seller's perception and mis-definition of "disorderly marketing." Cream is not priced solely on the value of butterfat and an educated cream seller must price cream based on its ultimate classified use, irrespective of the adoption of Proposal 8.

The marketplace for cream for Class II, III, and IV uses already reflects the separate use values which would just be reflected in the minimum order prices if Proposal 8 is adopted. Cream is typically sold on the basis of pounds of butterfat times a multiple of the butter price. For example, a 50,000 lb. truck load of 40 percent cream contains 20,000 pounds of butterfat. The fat is then priced as a multiple of the butter price. Since butter must contain 80 percent butterfat, the mathematical equivalent multiple is 125 percent, which is the reciprocal of 80 percent butterfat content requirement. That is to say, if a buttermaker can produce butter at exactly the 80 percent minimum standard level, transport the cream to the plant at no cost and incur no cost of production, that person can break even when buying cream at 125 percent of the butter price.

However, included with the fat in cream are non-fat milk solids that can be sold as condensed buttermilk or, if the butter maker has drying capabilities, as buttermilk powders. Class II milk, testing 40 percent butterfat (40 percent cream), would be expected to include five and four-tenths (5.4) pounds per hundredweight of solids-not-fat which can be used as buttermilk solids. Thus, contained in the 50,000 lb. load of cream are 20,000 pounds of butterfat and 2,700 pounds of buttermilk solids. During 1999 the average price of buttermilk powder in the

Northeast was $0.7686 per pound (Dairy Market News, volume 67, report 2 January 10-14, 2000, page 14). Thus, a butter maker could expect to obtain an additional $2,075 from the load of cream due to the value of the buttermilk solids.

Given these economics, if a buttermaker can buy cream at a 125 percent multiple, it will have $2,075 to pay for the transportation of the cream and the costs incurred in the manufacture of butter and buttermilk powder. The witness from Grassland Dairies, the largest proprietary buttermaker in the country, testified that his company's breakeven multiple for cream purchases was 123.5 percent of the butter price (Tr. 1827, 1836). As the market price of cream, expressed as a multiple, climbs above the butter breakeven multiple, the buttermaker receives increasingly stronger economic signals to obtain butter via the CME (or elsewhere) rather than buying cream to manufacture butter.

There are two inter-related markets involved in the economics of cream purchasing. First, since butter is the residual use of butterfat, the butter price serves as the base of the price of cream. The price of butter, at any time, is related to the supply, including frozen butter in storage, and the demand for butter. Cream, on the other hand, is a perishable product, and is priced as a function of the demand for fat in all uses as compared to the immediate supply of cream. Pricing cream as a multiple of the butter price reflects the time and form utilities of butterfat.

Dairy Market News publishes weekly the market prices for Class II cream, expressed as the price of fat per pound. Dividing that fat price by the price of butter reveals the "multiple" for Class II cream. Following are the average monthly Class II butterfat prices for the Northeast region, Grade AA butter prices and the resulting multiples for 1999.

	CME Butter	Class II Cream	Multiple
January	$1.4222	$1.7126	120.4 %
February	$1.3163	$1.5871	120.7 %
March	$1.2927	$1.6187	125.2 %
April	$1.0298	$1.3076	127.0 %
May	$1.1289	$1.4583	129.2 %
June	$1.4931	$2.0181	135.2 %
July	$1.3440	$1.8182	135.3 %
August	$1.3963	$1.9553	140.0 %
September	$1.3393	$1.8287	136.5 %
October	$1.1248	$1.4971	133.1 %
November	$1.0725	$1.4424	134.5 %
December	$0.9163	$1.1975	130.7 %
Average	$1.2396	$1.6201	130.7 %

Source: Dairy Market News, January 10-14, 2000, volume 67, report 02, p 13.

Users of Class II cream have and continue to pay a premium for time and form utility. The average Class II cream multiple is well above the breakeven multiple of cream to butter, as expressed by the witness from Grassland Dairy. The end product value of Class II products is only peripherally related to butter; however, due to the relationship between butter and the price of Class IV cream, the butter maker is tied to the price of his end product. Clearly the markets for cream for Class II uses and for Class IV uses are separate priced markets. Adoption of Proposal 8 will simply reflect the free marketplace in butterfat values in minimum federal order pricing; it will promote orderly marketing, not generate market disorder.

ADCNE and DFA support the adoption of Proposal 8, and oppose the adoption of Proposals 3 and 4.

B. Other Proposed Changes With Respect to Butterfat Pricing Should Not Be Adopted at This Time.

In Proposal 34 the Department asked whether any changes in class prices for butterfat

should be reflected in changes to the producer butterfat price or handled in some other way. ADCNE and DFA support the continuation of the use of the Class III butterfat price for the producer butterfat price. Any change in the Class IV butterfat price should be settled through the producer price differential mechanism in the market order pools. Our view is that further changes in direct pricing to the producer are not prudent at this time with the still-recent implementation of the full federal order reform process. The producer price differential is already a blending of various debits and credits in the pooling process and the additional equalizing of any butterfat pricing adjustments through this procedure consequently makes the most sense at this time. Maintaining the producer butterfat price as the Class III price will give producer butterfat pricing some stability at a benchmark butterfat value.

For similar reasons, DFA and ADCNE do not support any change in the calculation of the Class III butterfat value at this time. We are in concurrence with the ruling of A.L.J. Hunt that Dr. Barbano's proposals, as such, including that for changing the Class III butterfat pricing formula, should not be considered at this time. Consequently, we support maintaining the Class III butterfat pricing calculation as it is. This is not to say that at a different time and on a different record there may not be reasons to consider the issues raised by Dr. Barbano's testimony. However, this hearing and this record does not present the appropriate time or place, in our view.

VII. <u>An Interim Final Decision Should Be Adopted</u>.

ADCNE and DFA support the adoption of an interim final decision as the best decision-making process on this hearing. The statutory mandate to implement the results of this hearing

by January 1, 2001, requires that emergency decision making procedures be utilized. We recognize that, given the time constraints, it would be very difficult, at best, to have a full recommended decision and final decision implemented by the statutory date. Attempting to compress those procedures into the limited time available could also compromise the quality of the decision-making process. Consequently, the alternatives are an emergency final decision or an interim final decision. Because an interim final decision will provide the industry with the opportunity to comment upon the decision after its implementation on an interim basis, it is certainly the most desirable option and the one best supported by this hearing record.

The issues involved in this hearing are such that a final decision should not be implemented without recourse for comments from the industry. Therefore, an interim final decision will provide the possibility for comments so that an ultimate final decision may reflect most appropriately the collective wisdom and judgment of industry participants and the Department.

VIII. Conclusion.

On the basis of the foregoing Brief, DFA and ADCNE respectively request that the Secretary adopt an interim final decision acting upon the notices in the hearing as requested in this Brief.

Respectfully submitted,

MILSPAW & BESHORE

Dated: July 14, 2000

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LIST OF EXHIBITS

to

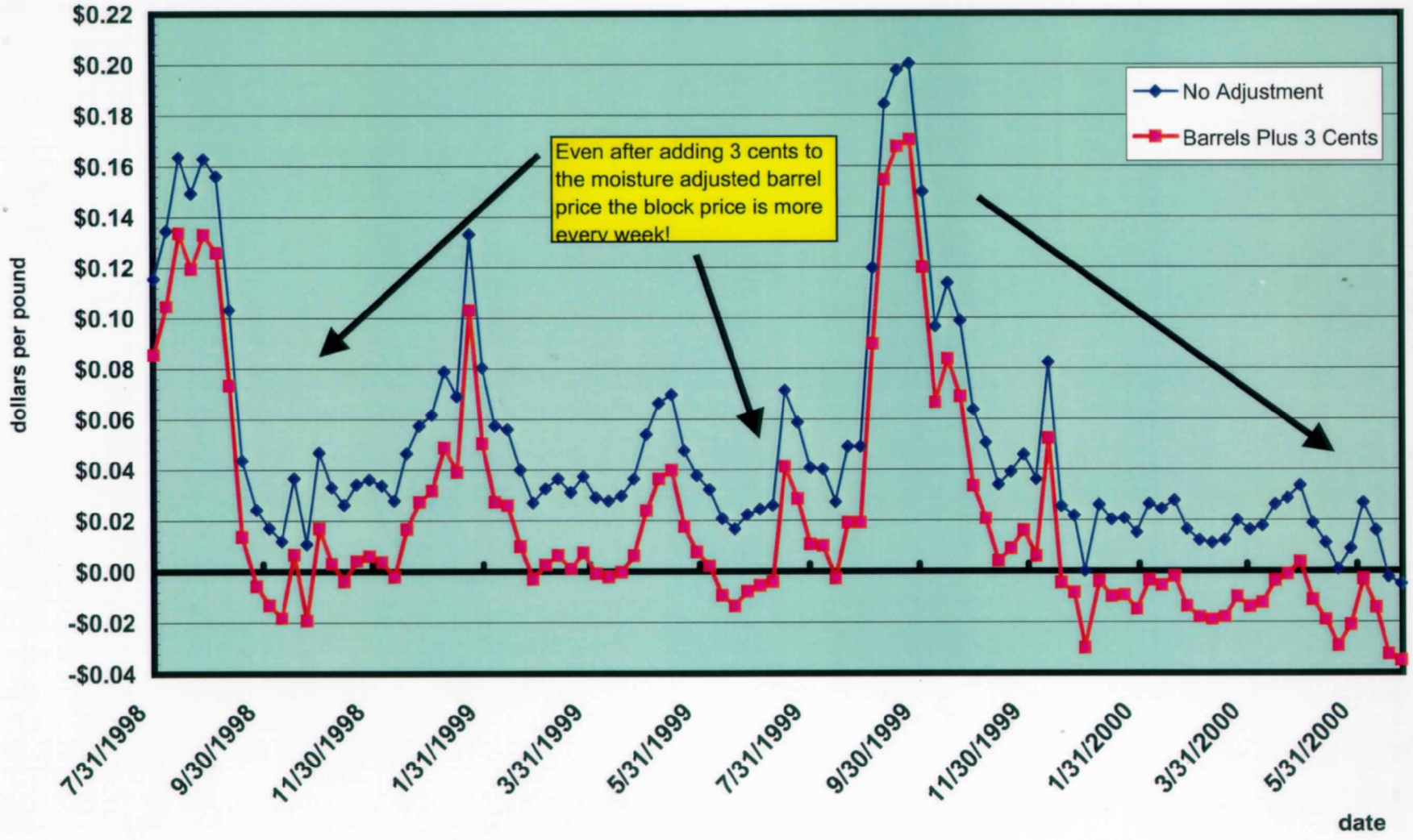
Post Hearing Brief
Submitted on Behalf of Dairy Farmers of America Inc.
and
The Association of Dairy Cooperatives in the Northeast

Comparison NASS Blocks and Moisture Adjusted Barrels

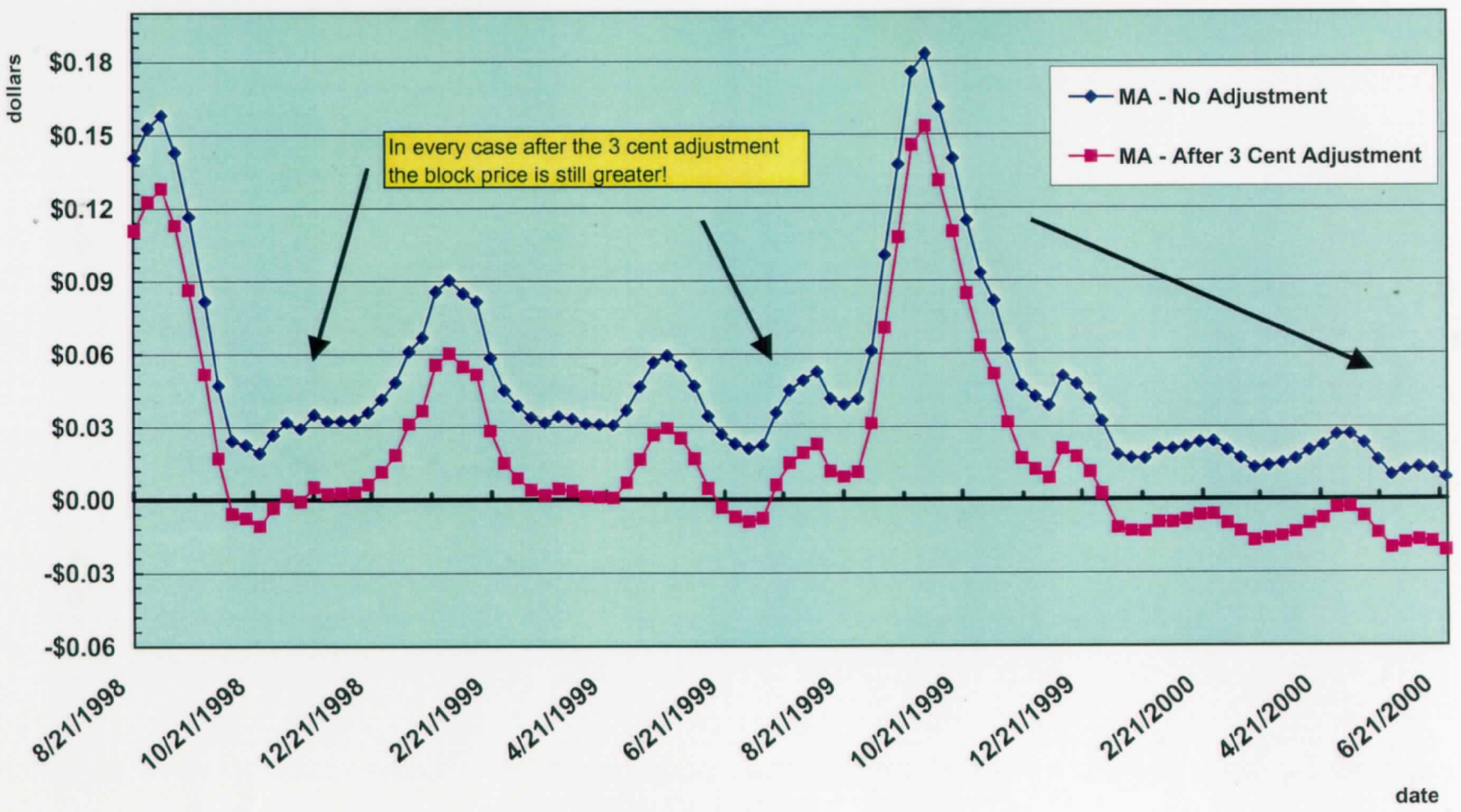
Market Date	Publication Date	NASS Blocks	NASS Barrels Moisture Adjusted	Barrels Plus 3 Cents	Spread Block Less Barrel	Spread Block Less Barrel Plus 3	4 Week Moving Average Spread No Adjustment	4 Week Moving Average Spread 3 Cent Adjustment
31-Jul-98	07-Aug-98	$1.6155	$1.5000	$1.5300	$0.1155	$0.0855		
07-Aug-98	14-Aug-98	$1.6197	$1.4851	$1.5151	$0.1346	$0.1046		
14-Aug-98	21-Aug-98	$1.6380	$1.4744	$1.5044	$0.1636	$0.1336		
21-Aug-98	28-Aug-98	$1.6419	$1.4925	$1.5225	$0.1494	$0.1194	$0.1408	$0.1108
28-Aug-98	04-Sep-98	$1.6432	$1.4802	$1.5102	$0.1630	$0.1330	$0.1527	$0.1227
04-Sep-98	11-Sep-98	$1.6403	$1.4843	$1.5143	$0.1560	$0.1260	$0.1580	$0.1280
11-Sep-98	18-Sep-98	$1.6436	$1.5403	$1.5703	$0.1033	$0.0733	$0.1429	$0.1129
18-Sep-98	25-Sep-98	$1.6599	$1.6162	$1.6462	$0.0437	$0.0137	$0.1165	$0.0865
26-Sep-98	02-Oct-98	$1.6806	$1.6563	$1.6863	$0.0243	-$0.0057	$0.0818	$0.0518
03-Oct-98	09-Oct-98	$1.7240	$1.7070	$1.7370	$0.0170	-$0.0130	$0.0471	$0.0171
10-Oct-98	16-Oct-98	$1.7441	$1.7322	$1.7622	$0.0119	-$0.0181	$0.0242	-$0.0058
17-Oct-98	23-Oct-98	$1.7690	$1.7323	$1.7623	$0.0367	$0.0067	$0.0225	-$0.0075
24-Oct-98	30-Oct-98	$1.7817	$1.7709	$1.8009	$0.0108	-$0.0192	$0.0191	-$0.0109
31-Oct-98	06-Nov-98	$1.8029	$1.7560	$1.7860	$0.0469	$0.0169	$0.0266	-$0.0034
07-Nov-98	13-Nov-98	$1.8211	$1.7880	$1.8180	$0.0331	$0.0031	$0.0319	$0.0019
14-Nov-98	20-Nov-98	$1.8328	$1.8066	$1.8366	$0.0262	-$0.0038	$0.0293	-$0.0008
21-Nov-98	27-Nov-98	$1.8481	$1.8139	$1.8439	$0.0342	$0.0042	$0.0351	$0.0051
28-Nov-98	04-Dec-98	$1.8529	$1.8168	$1.8468	$0.0361	$0.0061	$0.0324	$0.0024
05-Dec-98	11-Dec-98	$1.8544	$1.8206	$1.8506	$0.0338	$0.0038	$0.0326	$0.0026
12-Dec-98	18-Dec-98	$1.8579	$1.8300	$1.8600	$0.0279	-$0.0021	$0.0330	$0.0030
19-Dec-98	25-Dec-98	$1.8828	$1.8362	$1.8662	$0.0466	$0.0166	$0.0361	$0.0061
26-Dec-98	31-Dec-98	$1.8893	$1.8319	$1.8619	$0.0574	$0.0274	$0.0414	$0.0114
02-Jan-99	08-Jan-99	$1.8745	$1.8128	$1.8428	$0.0617	$0.0317	$0.0484	$0.0184
09-Jan-99	15-Jan-99	$1.8799	$1.8011	$1.8311	$0.0788	$0.0488	$0.0611	$0.0311
16-Jan-99	22-Jan-99	$1.8148	$1.7458	$1.7758	$0.0690	$0.0390	$0.0667	$0.0367
23-Jan-99	29-Jan-99	$1.7257	$1.5926	$1.6226	$0.1331	$0.1031	$0.0857	$0.0557
30-Jan-99	05-Feb-99	$1.4397	$1.3594	$1.3894	$0.0803	$0.0503	$0.0903	$0.0603
06-Feb-99	12-Feb-99	$1.3062	$1.2488	$1.2788	$0.0574	$0.0274	$0.0850	$0.0550
13-Feb-99	19-Feb-99	$1.2907	$1.2347	$1.2647	$0.0560	$0.0260	$0.0817	$0.0517
20-Feb-99	26-Feb-99	$1.3068	$1.2669	$1.2969	$0.0399	$0.0099	$0.0584	$0.0284
27-Feb-99	05-Mar-99	$1.3017	$1.2747	$1.3047	$0.0270	-$0.0030	$0.0451	$0.0151
06-Mar-99	12-Mar-99	$1.3092	$1.2766	$1.3066	$0.0326	$0.0026	$0.0389	$0.0089
13-Mar-99	19-Mar-99	$1.3093	$1.2729	$1.3029	$0.0364	$0.0064	$0.0340	$0.0040
20-Mar-99	26-Mar-99	$1.3094	$1.2783	$1.3083	$0.0311	$0.0011	$0.0318	$0.0018
27-Mar-99	02-Apr-99	$1.3090	$1.2716	$1.3016	$0.0374	$0.0074	$0.0344	$0.0044
03-Apr-99	09-Apr-99	$1.3097	$1.2806	$1.3106	$0.0291	-$0.0009	$0.0335	$0.0035
10-Apr-99	16-Apr-99	$1.3149	$1.2871	$1.3171	$0.0278	-$0.0022	$0.0314	$0.0013
17-Apr-99	23-Apr-99	$1.3143	$1.2846	$1.3146	$0.0297	-$0.0003	$0.0310	$0.0010
24-Apr-99	30-Apr-99	$1.3136	$1.2773	$1.3073	$0.0363	$0.0063	$0.0307	$0.0007
01-May-99	07-May-99	$1.3111	$1.2572	$1.2872	$0.0539	$0.0239	$0.0369	$0.0069
08-May-99	14-May-99	$1.2990	$1.2327	$1.2627	$0.0663	$0.0363	$0.0466	$0.0166
15-May-99	21-May-99	$1.2806	$1.2109	$1.2409	$0.0697	$0.0397	$0.0565	$0.0265
22-May-99	28-May-99	$1.2396	$1.1920	$1.2220	$0.0476	$0.0176	$0.0594	$0.0294
29-May-99	04-Jun-99	$1.2113	$1.1736	$1.2036	$0.0377	$0.0077	$0.0553	$0.0253
05-Jun-99	11-Jun-99	$1.2250	$1.1928	$1.2228	$0.0322	$0.0022	$0.0468	$0.0168
12-Jun-99	18-Jun-99	$1.2562	$1.2355	$1.2655	$0.0207	-$0.0093	$0.0346	$0.0046
19-Jun-99	25-Jun-99	$1.2905	$1.2739	$1.3039	$0.0166	-$0.0134	$0.0268	-$0.0032
26-Jun-99	02-Jul-99	$1.3254	$1.3032	$1.3332	$0.0222	-$0.0078	$0.0229	-$0.0071
03-Jul-99	09-Jul-99	$1.4039	$1.3795	$1.4095	$0.0244	-$0.0056	$0.0210	-$0.0090

Market Date	Publication Date	NASS Blocks	NASS Barrels Moisture Adjusted	Barrels Plus 3 Cents	Spread Block Less Barrel	Spread Block Less Barrel Plus 3	4 Week Moving Average Spread No Adjustment	4 Week Moving Average Spread 3 Cent Adjustment
10-Jul-99	16-Jul-99	$1.4443	$1.4184	$1.4484	$0.0259	-$0.0041	$0.0223	-$0.0077
17-Jul-99	23-Jul-99	$1.4925	$1.4212	$1.4512	$0.0713	$0.0413	$0.0359	$0.0059
24-Jul-99	30-Jul-99	$1.5434	$1.4848	$1.5148	$0.0586	$0.0286	$0.0451	$0.0151
31-Jul-99	06-Aug-99	$1.5810	$1.5403	$1.5703	$0.0407	$0.0107	$0.0491	$0.0191
07-Aug-99	13-Aug-99	$1.6538	$1.6137	$1.6437	$0.0401	$0.0101	$0.0527	$0.0227
14-Aug-99	20-Aug-99	$1.7218	$1.6946	$1.7246	$0.0272	-$0.0028	$0.0417	$0.0117
21-Aug-99	27-Aug-99	$1.8144	$1.7653	$1.7953	$0.0491	$0.0191	$0.0393	$0.0093
28-Aug-99	03-Sep-99	$1.8842	$1.8351	$1.8651	$0.0491	$0.0191	$0.0414	$0.0114
04-Sep-99	10-Sep-99	$1.9095	$1.7898	$1.8198	$0.1197	$0.0897	$0.0613	$0.0313
11-Sep-99	17-Sep-99	$1.8526	$1.6681	$1.6981	$0.1845	$0.1545	$0.1006	$0.0706
18-Sep-99	24-Sep-99	$1.7661	$1.5684	$1.5984	$0.1977	$0.1677	$0.1378	$0.1078
25-Sep-99	01-Oct-99	$1.7021	$1.5018	$1.5318	$0.2003	$0.1703	$0.1756	$0.1456
02-Oct-99	08-Oct-99	$1.6243	$1.4744	$1.5044	$0.1499	$0.1199	$0.1831	$0.1531
09-Oct-99	15-Oct-99	$1.5305	$1.4340	$1.4640	$0.0965	$0.0665	$0.1611	$0.1311
16-Oct-99	22-Oct-99	$1.4462	$1.3324	$1.3624	$0.1138	$0.0838	$0.1401	$0.1101
23-Oct-99	29-Oct-99	$1.3518	$1.2530	$1.2830	$0.0988	$0.0688	$0.1148	$0.0848
30-Oct-99	05-Nov-99	$1.3126	$1.2490	$1.2790	$0.0636	$0.0336	$0.0932	$0.0632
06-Nov-99	12-Nov-99	$1.2806	$1.2299	$1.2599	$0.0507	$0.0207	$0.0817	$0.0517
13-Nov-99	19-Nov-99	$1.2396	$1.2056	$1.2356	$0.0340	$0.0040	$0.0618	$0.0318
20-Nov-99	26-Nov-99	$1.1833	$1.1443	$1.1743	$0.0390	$0.0090	$0.0468	$0.0168
27-Nov-99	03-Dec-99	$1.1426	$1.0966	$1.1266	$0.0460	$0.0160	$0.0424	$0.0124
04-Dec-99	10-Dec-99	$1.1238	$1.0878	$1.1178	$0.0360	$0.0060	$0.0388	$0.0087
11-Dec-99	17-Dec-99	$1.1142	$1.0319	$1.0619	$0.0823	$0.0523	$0.0508	$0.0208
18-Dec-99	24-Dec-99	$1.1355	$1.1100	$1.1400	$0.0255	-$0.0045	$0.0474	$0.0174
25-Dec-99	31-Dec-99	$1.1769	$1.1552	$1.1852	$0.0217	-$0.0083	$0.0414	$0.0114
31-Dec-99	07-Jan-00	$1.1465	$1.1465	$1.1765	$0.0000	-$0.0300	$0.0324	$0.0024
08-Jan-00	14-Jan-00	$1.1675	$1.1415	$1.1715	$0.0260	-$0.0040	$0.0183	-$0.0117
15-Jan-00	21-Jan-00	$1.1627	$1.1425	$1.1725	$0.0202	-$0.0098	$0.0170	-$0.0130
22-Jan-00	28-Jan-00	$1.1363	$1.1156	$1.1456	$0.0207	-$0.0093	$0.0167	-$0.0133
29-Jan-00	04-Feb-00	$1.1140	$1.0989	$1.1289	$0.0151	-$0.0149	$0.0205	-$0.0095
05-Feb-00	11-Feb-00	$1.1106	$1.0842	$1.1142	$0.0264	-$0.0036	$0.0206	-$0.0094
12-Feb-00	18-Feb-00	$1.1013	$1.0769	$1.1069	$0.0244	-$0.0056	$0.0217	-$0.0083
19-Feb-00	25-Feb-00	$1.1036	$1.0758	$1.1058	$0.0278	-$0.0022	$0.0234	-$0.0066
26-Feb-00	03-Mar-00	$1.0963	$1.0799	$1.1099	$0.0164	-$0.0136	$0.0237	-$0.0063
04-Mar-00	10-Mar-00	$1.0958	$1.0837	$1.1137	$0.0121	-$0.0179	$0.0202	-$0.0098
11-Mar-00	17-Mar-00	$1.0956	$1.0845	$1.1145	$0.0111	-$0.0189	$0.0168	-$0.0132
18-Mar-00	24-Mar-00	$1.1012	$1.0891	$1.1191	$0.0121	-$0.0179	$0.0129	-$0.0171
25-Mar-00	31-Mar-00	$1.1047	$1.0848	$1.1148	$0.0199	-$0.0101	$0.0138	-$0.0162
01-Apr-00	07-Apr-00	$1.0986	$1.0824	$1.1124	$0.0162	-$0.0138	$0.0148	-$0.0152
08-Apr-00	14-Apr-00	$1.0986	$1.0809	$1.1109	$0.0177	-$0.0123	$0.0165	-$0.0135
15-Apr-00	21-Apr-00	$1.0985	$1.0723	$1.1023	$0.0262	-$0.0038	$0.0200	-$0.0100
22-Apr-00	28-Apr-00	$1.0961	$1.0674	$1.0974	$0.0287	-$0.0013	$0.0222	-$0.0078
29-Apr-00	05-May-00	$1.0977	$1.0641	$1.0941	$0.0336	$0.0036	$0.0266	-$0.0035
06-May-00	12-May-00	$1.0897	$1.0709	$1.1009	$0.0188	-$0.0112	$0.0268	-$0.0032
13-May-00	19-May-00	$1.0927	$1.0816	$1.1116	$0.0111	-$0.0189	$0.0231	-$0.0070
20-May-00	26-May-00	$1.0863	$1.0855	$1.1155	$0.0008	-$0.0292	$0.0161	-$0.0139
27-May-00	02-Jun-00	$1.0882	$1.0793	$1.1093	$0.0089	-$0.0211	$0.0099	-$0.0201
03-Jun-00	09-Jun-00	$1.0882	$1.0614	$1.0914	$0.0268	-$0.0032	$0.0119	-$0.0181
10-Jun-00	16-Jun-00	$1.0870	$1.0711	$1.1011	$0.0159	-$0.0141	$0.0131	-$0.0169
17-Jun-00	23-Jun-00	$1.0965	$1.0989	$1.1289	-$0.0024	-$0.0324	$0.0123	-$0.0177
24-Jun-00	30-Jun-00	$1.1296	$1.1346	$1.1646	-$0.0050	-$0.0350	$0.0088	-$0.0212
Average Total Period		$1.4153	$1.3645	$1.3945	$0.0508	$0.0208	$0.0504	$0.0204

Comparison of NASS Block Price Less the NASS Moisture Adjusted Barrel Price Before and After Adding 3 Cents to the Barrel Price



Comparison of Moving Average NASS Block Price Less NASS Moisture Adjusted Barrel Price Before and After Adding 3 Cents to the Barrel Price



NATIONAL MILK PRODUCERS FEDERATION
POSITION ON FEDERAL ORDER CLASS III & CLASS IV PRICE HEARING PROPOSALS
May 8, 2000, Alexandria, VA

Exhibit 13 (1)

	Proposal	Proponent	Description	NMPF Position
Butter/Butterfat	1	Western States et al & NFO	Use Chicago Mercantile Exchange (CME) product prices	Continue using NASS product prices and seek legislation to require price reporting with reports subject to verification. If mandatory reporting fails revisit issue.
	2	Pam Festge	Remove the marketing allowance ($0.0015) from the manufacturing allowance	Oppose
	3	Suiza, MIF-IICA, Wells	Reduce the NASS butter survey price 6 cents in computing the butterfat price in Class II, III & IV	Oppose
	4	MIF, IICA, Wells	Reduce the NASS butter survey price 6 cents in computing the butterfat price in Class I	Oppose
	5	Schreiber Foods	Use the CME butter price minus 9 cents in determining the butterfat price	Oppose
	6	NMPF	Use the March 2000 Rural Business-Cooperative Service (RBCS) cost survey data plus an $0.0015 marketing cost as the manufacturing allowance	Replace the current $0.114 manufacturing allowance with $0.096, the weighted average of the new California and the RBCS manufacturing cost surveys with a $0.0015 per lb. marketing cost added to both surveys and the CA return on investment added to the RBCS survey. Data on actual marketing costs to be in NMPF members' testimony.
	7	SE Dairy Farmers (SE)	Use the March 2000 RBCS cost survey data as the manufacturing allowance	Adopt NMPF position in #6.
	8	NMPF, SE, LOL & DFA	Incorporate a Class IV butterfat price calculated by subtracting 6 cents from the butterfat price	Support approximately 6 cents, based on higher costs in using cream to make butter and need for price alignment with CA. Data on higher manufacturing costs when cream is used to make butter to be in NMPF members' testimony.

NATIONAL MILK PRODUCERS FEDERATION
POSITION ON FEDERAL ORDER CLASS III & CLASS IV PRICE HEARING PROPOSALS
May 8, 2000, Alexandria, VA

Exhibit 13(a)

	Proposal	Proponent	Description	NMPF Position
Cheese/Protein Price	9	Deer River, Jefferson & Lowville Cooperatives	Use 12.7 cents per pound as the manufacturing allowance	Oppose
	10	Western States et al	• Use the CME 40 pound block cheese price; • Reduce the manufacturing allowance from $0.1702 to $0.142 per pound • Change the 1.582 factor in the butterfat portion of the formula to 1.61	• Continue to use 40 lb. block and barrels. • Reduce the manufacturing allowance from $0.1702 to $0.1536 per pound (See #14). • Let USDA decide the factor for the butterfat portion of the formula based on the hearing record.
	11	NFO	Change the 1.582 factor in the butterfat portion of the formula to 1.60	Let USDA decide the factor for the butterfat portion of the formula based on the hearing record.
	12	NCI	• Include 640 pound cheese prices in addition to 40 pound blocks and 500 pound barrels • Adjust 640 and 500 pound cheese prices based on actual industry cost data on manufacturing costs differences between 40 pound blocks and 500/640's	• Oppose • Continue the present provision of adding $0.03 per pound to the NASS 500 lb. barrel price.
	13	NFO & 5 individuals	Adjust 40 pound cheese block prices for moisture	No position - Let USDA decide based on hearing record.
	14	NMPF	• Use the March 2000 RBCS cost survey data plus $0.0015 marketing cost as the manufacturing allowance • Change the 1.582 factor in the butterfat portion of the formula to 1.60	Replace the current $0.1702 manufacturing allowance with $0.1536, the weighted average of the new California and the RBCS manufacturing cost surveys with a $0.0015 per lb. marketing cost added to both surveys and the CA return on investment added to the RBCS survey. Data on actual marketing costs to be in NMPF members' testimony. Let USDA decide the factor for the butterfat portion of the formula based on the hearing record.
	15	DFA	• Reduce the manufacturing allowance from $0.1702 to $0.1508 • Change the 1.582 factor in the butterfat portion of the formula to 1.60	Adopt NMPF position in #14.
	16	Am Farm Bureau & SE Dairy Farmers	Replace the $0.1702 manufacturing allowance with the RBCS survey cost, reviewed annually. AFBF also proposed including California survey costs	Adopt NMPF position in #14.
	17	Michigan Milk	Simplify the formula - subtract $0.1702 & the quantity obtained by multiplying the butterfat price by .3732 from the NASS cheese survey price, divide the result by .2915	No opposition to simplifying the formula - let USDA decide. If USDA adopts the simplified formula, the factors used in the simplified formula should reflect the NMPF position in #14
	18	5 Individuals	Include a value for butterfat in whey cream in the Class III price	Oppose

NATIONAL MILK PRODUCERS FEDERATION
POSITION ON FEDERAL ORDER CLASS III & CLASS IV PRICE HEARING PROPOSALS
May 8, 2000, Alexandria, VA

Exhibit 13 (3)

	Proposal	Proponent	Description	NMPF Position
Whey & Other Solids	19	Western States et al	Use CME whey prices	Use NASS - no CME price quote.
	20	NCI	Increase the manufacturing allowance from $0.137 to $0.171 per pound	Adopt NMPF position in #21 - use $0.150
	21	NMPF	Use the March 2000 RBCS cost survey data plus $0.0015 marketing cost as the manufacturing allowance	The new RBCS survey does not contain whey manufacturing cost information due to insufficient data. Replace the current $0.137 manufacturing allowance with $0.150 derived from the nonfat manufacturing allowance of $0.140 plus $0.01 for additional energy and equipment costs required to process whey. Data on additional costs to be in NMPF members' testimony.
	22	SE Dairy Farmers	Use the March 2000 RBCS cost survey data as the manufacturing allowance	Adopt NMPF position in #21.
Nonfat Solids	23	NMPF	Use the March 2000 RBCS cost survey data plus $0.0015 marketing cost as the manufacturing allowance	Replace the current $0.137 manufacturing allowance with $0.140, the weighted average of the new California and the RBCS manufacturing cost surveys with a $0.0015 per lb. marketing cost added to both surveys and the CA return on investment added to the RBCS survey. Data on actual on marketing costs to be in NMPF members' testimony.
	24	SE Dairy Farmers	Use the March 2000 RBCS cost survey data as the manufacturing allowance	Adopt NMPF position in #23.
	25	AMPI	Increase the manufacturing allowance from $0.137 to $0.1563 per pound	Adopt NMPF position in #23 - use $0.140.
	26	Western States et al	Use CME nonfat dry milk prices	Use NASS - no CME price quote.
	27	NFO	Divide the CME nonfat dry milk prices minus the manufacturing allowance by .99 rather than 1.02	Continue to use 1.02.
	28	5 Individuals	Divide the CME nonfat dry milk prices minus the manufacturing allowance by .975 rather than 1.02	Continue to use 1.02.

NATIONAL MILK PRODUCERS FEDERATION
POSITION ON FEDERAL ORDER CLASS III & CLASS IV PRICE HEARING PROPOSALS
May 8, 2000, Alexandria, VA

Exhibit 13 (4)

	Proposal	Proponent	Description	NMPF Position
Miscellaneous	29	5 Individuals	Incorporate cost of production into the Class III & IV formulas	The Secretary should consider cost of production as the law provides in section 18 of the Agricultural Marketing Agreement Act of 1937.
	30	Family Dairies USA & Midwest Coalition	Assure that any increases resulting from changes to the Class III and IV price formulas not increase Class I prices	Oppose - Issues regarding Class I prices are not open for consideration at this hearing.
	31	Galloway Co. & Hershey Foods	Offset any changes made to the Class IV formula that increase the Class II price with a reduction in the Class II differential	Oppose - Issues regarding Class II prices are not open for consideration at this hearing.
	32	USDA	• Should the butterfat price for milk used in Class III be based directly on the value of butterfat in cheese? If so, should component pricing orders pool butterfat values for payment to producers? • Do emergency conditions that warrant the omission of a recommended decision exist?	• Oppose • If a recommended decision is omitted USDA should issue an interim final rule to be implemented on January 1, 2001. There should be a comment period on the interim final rule.

Exhibit 10

DAIRY PRODUCT MANUFACTURING COST SURVEYS

	MOST RECENT		USED IN CURRENT ORDER		CHANGE FROM PREVIOUS	
	RBCS	CALIFORNIA	RBCS	CALIFORNIA	RBCS	CALIFORNIA
CHEESE	0.1292	0.1590	0.1421	0.1736	(0.0129)	(0.0146)
BUTTER	0.1062	0.0883	0.1327	0.0890	(0.0265)	(0.0007)
NONFAT DRY MILK	0.1271	0.1182	0.1245	0.1168	0.0026	0.0014
WHEY			0.1575			
CHEESE						
Cost per pound	0.1292	0.1590	0.1421	0.1736		
Add - Marketing Cost	0.0015	0.0015	0.0015	0.0015		
Sub-Total	0.1307	0.1605	0.1436	0.1751		
Add- Ret on Investment	0.0103	0.0103	0.0104	0.0104		
Total	0.1410	0.1708	0.1540	0.1855		
Quantity	633,142,812	466,396,548	352,636,158	375,639,197		
Mfg Cost	$ 89,247,810.78	$ 79,660,530.40	$ 54,305,968.33	$ 69,681,071.04		
COMBINED						
Total Quantity		1,099,539,360		728,275,355		
Total Mfg Cost		$ 168,908,341.18		$ 123,987,039.38		
Wt. Ave. Mfg. Cost		$0.1536		$0.1702		
BUTTER						
Cost per pound	0.1062	0.0883	0.1327	0.0975		
Add - Marketing Cost	0.0015	0.0015	0.0015	0.0015		
Sub-Total	0.1077	0.0898	0.1342	0.0990		
Less- Packaging Costs (Print)	-0.0277		-0.0254			
Add- Bulk Pkg (use CA #)	0.0079		0.0079			
Add- Ret on Investment	0.0073	0.0073	0.0068	0.0095		
Total	0.0952	0.0971	0.1236	0.1085		
Quantity	166,782,343	314,668,096	182,739,200	307,948,407		
Mfg Cost	$ 15,881,171.29	$ 30,554,272.12	$ 22,577,428.16	$ 33,412,402.16		
COMBINED						
Total Quantity		481,450,439		490,687,607		
Total Mfg Cost		$ 46,435,443.41		$ 55,989,830.32		
Wt. Ave. Mfg. Cost		0.096		0.114		
NONFAT DRY MILK						
Cost per pound	0.1271	0.1182	0.1245	0.1168		
Add - Marketing Cost	0.0015	0.0015	0.0015	0.0015		
Sub-Total	0.1286	0.1197 #	0.1260	0.1183		
Add- Ret on Investment	0.0174	0.0174	0.0159	0.0159		
Total	0.1460	0.1371	0.1419	0.1342		
Quantity	271,870,431	504,849,061	255,028,788	409,015,092		
Mfg Cost	$ 39,690,364.22	$ 69,214,806.26	$ 36,188,585.02	$ 54,889,825.35		
COMBINED						
Total Quantity		776,719,492		664,043,880		
Total Mfg Cost		$ 108,905,170.48		$ 91,078,410.36		
Wt. Ave. Mfg. Cost		0.140		0.137		

Compiled by National Milk Producers Federation from USDA, Rural Business-Cooperative Service (RBCS) and State of California Cost Survey Data