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December 2, 2011

Ms. Candace Gates, Chief
Dairy Marketing Branch
California Department of Food and Agriculture
2800 Gateway Oaks
Sacramento, CA 95833

Regarding: Petition for Class 4b Hearing

Dear Ms. Gates:

Western United Dairymen respectfully requests the call of a public hearing to consider changes to the Class 4b formula, more specifically to the whey value portion of the formula. While we appreciate the modification from a fixed whey factor to a sliding scale the Department implemented after the June 30, 2011 hearing, we believe it still falls short of a fair method to determine the whey value in the Class 4b formula.

Our members remain concerned about the large discrepancy between the whey value contribution in California's Class 4b formula and Federal Orders' Class III. The California Food and Agricultural Code states that "the methods or formulas shall be reasonably calculated to result in prices that are in a reasonable and sound economic relationship with the national value of manufactured milk products" (Section 62062). With that in mind, WUD seeks formula adjustments that would result in a 4b whey value that tracks the market direction followed by the Class III whey value, thus bringing the two into a more reasonable relationship.

More specifically, WUD proposes modifying the current sliding scale in the Class 4b formula to allow the whey factor to more closely reflect the whey value generated by the current Class III formula. The second page highlights the scale changes. Also attached are extracts from the current Stabilization and Marketing Plans for Northern and Southern California reflecting WUD's proposed amendments.

The recovery on dairy prices seen over the summer was short lived. Already, producers' margins are pressured due to extremely high feed costs and declining milk prices. Since the new sliding scale was implemented on September 1, 2011, the California whey value has averaged \$1.75/cwt lower than in federal orders. California dairy families need a better way to capture whey value and we believe the Department should call a hearing to find a more fair method of doing so.

Very truly yours,


Michael E. H. Marsh, CPA
Chief Executive Officer

cc: Western United Dairymen board of directors

WUD proposes that the whey portion of Class 4b will move in accordance with the following table:

Average Monthly Western Dry Whey		Whey value/cwt
Less than 0.2500		0.2500
0.2500	0.2599	0.3034
0.2600	0.2699	0.3568
0.2700	0.2799	0.4102
0.2800	0.2899	0.4636
0.2900	0.2999	0.5170
0.3000	0.3099	0.5704
0.3100	0.3199	0.6238
0.3200	0.3299	0.6772
0.3300	0.3399	0.7306
0.3400	0.3499	0.7840
0.3500	0.3599	0.8374
0.3600	0.3699	0.8908
0.3700	0.3799	0.9442
0.3800	0.3899	0.9976
0.3900	0.3999	1.0510
0.4000	0.4099	1.1044
0.4100	0.4199	1.1578
0.4200	0.4299	1.2112
0.4300	0.4399	1.2646
0.4400	0.4499	1.3180
0.4500	0.4599	1.3714
0.4600	0.4699	1.4248
0.4700	0.4799	1.4782
0.4800	0.4899	1.5316
0.4900	0.4999	1.5850
0.5000	0.5099	1.6384
0.5100	0.5199	1.6918
0.5200	0.5299	1.7452
0.5300	0.5399	1.7986
0.5400	0.5499	1.8520
0.5500	0.5599	1.9054
0.5600	0.5699	1.9588
More than 0.5699		2.0000

Proposed changes to the Stabilization and Marketing Plans for Northern and Southern California:

Section 300 (E) The minimum price to be paid for components used for Class 4b shall be computed as follows, except as such procedures may be modified by Paragraph (H) of this Section:

(1) The Cheese hundredweight price shall be the price per hundredweight computed by the sum of the following:

(a) The price per hundredweight computed by the formula using the Cheddar cheese price, less an f.o.b. California price adjuster of two and fifty-two hundredths cents (\$0.0252), less a Cheddar cheese manufacturing cost allowance of nineteen and eighty-eight hundredths cents (\$0.1988), all multiplied by a yield factor of ten and two-tenths (10.2).

(b) The price per hundredweight computed by the formula using the butter price, less a manufacturing cost allowance of sixteen and thirty-five hundredths cents

(\$0.1635), less ten cents (\$0.10), all multiplied by a yield factor of twenty-seven-hundredths (0.27).

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

Average Monthly Western Dry Whey		Whey value/cwt	0.4000	0.4099	1.1044
			0.4100	0.4199	1.1578
Less than 0.2500	0.2500	0.2500	0.4200	0.4299	1.2112
0.2500	0.2599	0.3034	0.4300	0.4399	1.2646
0.2600	0.2699	0.3568	0.4400	0.4499	1.3180
0.2700	0.2799	0.4102	0.4500	0.4599	1.3714
0.2800	0.2899	0.4636	0.4600	0.4699	1.4248
0.2900	0.2999	0.5170	0.4700	0.4799	1.4782
0.3000	0.3099	0.5704	0.4800	0.4899	1.5316
0.3100	0.3199	0.6238	0.4900	0.4999	1.5850
0.3200	0.3299	0.6772	0.5000	0.5099	1.6384
0.3300	0.3399	0.7306	0.5100	0.5199	1.6918
0.3400	0.3499	0.7840	0.5200	0.5299	1.7452
0.3500	0.3599	0.8374	0.5300	0.5399	1.7986
0.3600	0.3699	0.8908	0.5400	0.5499	1.8520
0.3700	0.3799	0.9442	0.5500	0.5599	1.9054
0.3800	0.3899	0.9976	0.5600	0.5699	1.9588
0.3900	0.3999	1.0510	More than 0.5699		2.0000

(2) For all milk fat, not less than the price per pound computed pursuant to Subparagraph (D)(1) of this Section.

(3) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Cheese hundredweight price established pursuant to Subparagraph (E)(1) less the product of three

and seventy-two hundredths (3.72) multiplied by the Class 4b fat price established pursuant to Subparagraph (E)(2), all divided by eight and eighty hundredths (8.80).

(4) The Cheddar cheese prices used in calculations pursuant this Paragraph shall be the simple average of the 40 pound block Cheddar cheese price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.

(5) The butter prices used in calculations pursuant this Paragraph shall be the simple average of the Grade AA butter price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.

(6) The dry whey prices used in calculations pursuant to this Paragraph 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.

(7) In the event the Chicago Mercantile Exchange 40 pound block Cheddar cheese price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the cheese price used in the prior month's calculation of the Cheese hundredweight price.

(8) In the event that the Chicago Mercantile Exchange Grade AA butter price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the Grade AA butter price used in the prior month's calculation of the Cheese hundredweight price.

(9) In the event that the Dry Whey – West Mostly price is not available 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 calculation of the Cheese hundredweight price.

(10) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 4b price shall be increased by the following amounts: (a) For milk fat, three and two-tenth mils (\$0.0032) per pound. (b) For milk solids-not-fat, one and three-tenths mils (\$0.0013) per pound.