

Exhibit 1A

Cheese Price Comparison, New FO Class III Vs Old FO Class III

	New Federal Order				Old Federal Order				Difference	
	Cwt.	BF	Protein	Other Solids	Cwt.	BF	Protein	Other Solids	Cwt.	BF
Oct 98	16.05	2.9206	1.7170	0.1218	16.04	2.7949	1.8947	0.0000	0.0100	0.1257
Nov	16.90	2.2078	2.8592	0.1090	16.84	1.8861	2.4178	0.4053	0.0600	0.3217
Dec	17.51	1.5151	3.8714	0.1098	17.34	1.4472	2.4693	0.7404	0.1700	0.0679
Jan 99	15.85	1.5871	3.2928	0.0792	16.27	1.4848	2.3225	0.6298	(0.4200)	0.1023
Feb	11.38	1.4444	2.0109	0.0544	10.27	1.4441	1.6072	0.0000	1.1100	0.0003
Mar	11.51	1.4486	2.0429	0.0565	11.62	1.3900	1.7281	0.2223	(0.1100)	0.0586
Apr	11.64	1.1000	2.5104	0.0491	11.81	1.0349	1.7333	0.4852	(0.1700)	0.0651
May	10.91	1.1757	2.1984	0.0381	11.26	1.1838	1.6713	0.3317	(0.3500)	(0.0081)
June	11.03	1.6429	1.6989	0.0353	11.42	1.6679	1.6826	0.0466	(0.3900)	(0.0250)
July	12.92	1.5430	2.4431	0.0368	13.59	1.4290	1.9407	0.4788	(0.6700)	0.1140
Aug	15.61	1.5296	3.3421	0.0452	15.79	1.4703	2.2721	0.6597	(0.1800)	0.0593
Sept	15.60	1.4771	3.3849	0.0537	16.26	1.3785	2.3790	0.6724	(0.6600)	0.0986
Oct	12.49	1.2361	2.6133	0.0613	11.49	1.1764	1.8992	0.1756	1.0000	0.0597
Nov	10.57	1.1582	2.0689	0.0575	9.79	1.1305	1.6029	0.0860	0.7800	0.0277
Dec	9.88	0.9716	2.0588	0.0550	9.63	0.9262	1.4941	0.2612	0.2500	0.0454
Average	13.32	1.5305	2.5409	0.0642	13.29	1.4563	1.9410	0.3463	0.0287	0.0742
99 avg.	12.45	1.3595	2.4721	0.0518	12.43	1.3097	1.8611	0.3374	0.0158	0.0498

*information
includes the
back of this
of exhibit*

Exhibit 1B

Butter-Powder Price Comparison, New FO Class IV Vs Former Class III / III-A

	NFDN		Butter		Old FO				Difference	
	NASS Avg. US	Western Mid-point	NASS Avg. US	Chicago AA	New FO Class IV SNF	BF	Class III-A SNF	Class III BF	SNF	BF
Oct 98	1.0729	1.1158	2.5089	2.4089	0.9175	2.9206	0.9808	2.7949	(0.0632)	0.1257
Nov	1.0749	1.1168	1.9244	1.7447	0.9195	2.2078	0.9795	1.8861	(0.0600)	0.3217
Dec	1.0865	1.1106	1.3564	1.4131	0.9309	1.5151	0.9721	1.4472	(0.0412)	0.0679
Jan 99	1.0637	1.0914	1.4154	1.4222	0.9085	1.5871	0.9546	1.4848	(0.0461)	0.1023
Feb	1.0359	1.0392	1.2984	1.3153	0.8813	1.4444	0.9011	1.4441	(0.0199)	0.0003
Mar	1.0169	1.0207	1.3019	1.2927	0.8626	1.4487	0.8852	1.3900	(0.0226)	0.0587
Apr	1.0071	1.0105	1.0160	1.0298	0.8530	1.1000	0.8798	1.0349	(0.0268)	0.0651
May	1.0069	1.0025	1.0781	1.1289	0.8528	1.1757	0.8695	1.1838	(0.0167)	(0.0081)
June	1.0045	1.0056	1.4612	1.4931	0.8505	1.6429	0.8788	1.6679	(0.0283)	(0.0250)
July	1.0055	1.0098	1.3793	1.3444	0.8515	1.5430	0.8842	1.4290	(0.0327)	0.1140
Aug	1.0089	1.0224	1.3683	1.3963	0.8548	1.5296	0.9004	1.4703	(0.0456)	0.0593
Sept	1.0176	1.0258	1.3252	1.3393	0.8633	1.4771	0.8956	1.3785	(0.0323)	0.0986
Oct	1.0184	1.0268	1.1276	1.1248	0.8641	1.2361	0.8884	1.1764	(0.0243)	0.0597
Nov	1.0168	1.0210	1.0637	1.0725	0.8625	1.1582	0.8815	1.1305	(0.0189)	0.0277
Dec	1.0111	1.0132	0.9179	0.9163	0.8570	0.9804	0.8715	0.9262	(0.0145)	0.0542
Average	1.0298	1.0421	1.3695	1.3628	0.8753	1.5311	0.9082	1.4563	(0.0329)	0.0748
99 avg.	1.0178	1.0241	1.2294	1.2396	0.8635	1.3603	0.8909	1.3097	(0.0274)	0.0506
Jan 00	1.0115	1.0138	0.8820	0.9090	0.8574	0.9366	0.8771		(0.0197)	
Feb	1.0106	1.0124	0.9002	0.9245	0.8565	0.9588	0.8767		(0.0202)	
Mar	1.0094	1.0089	0.9497	1.0198	0.8553	1.0191	0.8741		(0.0188)	
Apr	1.0078	1.0094	1.0449	1.0691	0.8537	1.1352	0.8746		(0.0209)	
Average	1.0098	1.0111	0.9442	0.9806	0.8557	1.0124	0.8756		(0.0199)	

Exhibit 2A

HANDLER PRICE ANALYSIS PACIFIC NORTHWEST AND CALIFORNIA (Federal Order Prices as announced)

MO / YR	Cheese California			Cheese & Butter Pacific Northwest			Butter & Powder California		Nonfat dry milk powder Pacific Northwest	
	Class 4b per cwt.	BF (Per Lb)	SNF (Per Lb)	Class III per cwt.	BF (Per Lb)	SNF * (Per Lb)	Class 4a per cwt.	SNF (Per Lb)	Class III-A per cwt.	Class III-A SNF /lb*
Jan 99	\$14.34	1.5449	\$ 1.0273	\$16.27	\$ 1.4848	1.2670	\$13.39	0.9179	\$13.14	0.9072
Feb	11.29	1.4076	0.7314	10.27	1.4441	0.6022	12.62	0.8847	12.75	0.8873
Mar	11.52	1.3636	0.7750	11.62	1.3900	0.7851	12.30	0.8655	12.33	0.8667
Apr	11.48	1.0674	0.8906	11.81	1.0349	0.9449	11.24	0.8624	10.94	0.8449
May	10.68	1.1676	0.7573	11.26	1.1838	0.8252	11.55	0.8575	11.43	0.8447
Jun	11.91	1.6276	0.7140	11.42	1.6679	0.6405	13.15	0.8565	13.21	0.8462
Jul	13.96	1.4264	1.0304	13.59	1.4290	1.0048	12.45	0.8570	12.30	0.8566
Aug	16.90	1.5053	1.3375	15.79	1.4703	1.2325	12.74	0.8587	12.49	0.8532
Sep	15.06	1.4318	1.1554	16.26	1.3785	1.2990	12.52	0.8629	12.17	0.8289
Oct	11.66	1.1729	0.8688	11.49	1.1764	0.8282	11.62	0.8643	11.61	0.8420
Nov	9.88	1.1136	0.6871	9.79	1.1305	0.6584	11.42	0.8646	11.46	0.8503
Dec	9.67	0.9186	0.7416	9.63	0.9262	0.7293	10.72	0.8625	10.66	0.8477
Avg	\$12.36	1.3123	\$ 0.8930	\$12.43	\$ 1.3097	0.9014	\$12.14	0.8679	\$12.04	0.8563

MO / YR	Cheese California			Cheese Pacific Northwest			Butter & Powder California		Butter & Powder Pacific Northwest	
	Class 4b per cwt.	BF (Per Lb)	SNF (Per Lb)	Class III per cwt.	BF (Per Lb)	SNF ** (Per Lb)	Class 4a per cwt.	SNF (Per Lb)	Class IV per cwt.	Class IV SNF
Jan 00	\$9.58	\$0.9109	\$0.7352	\$10.05	\$0.9366	\$0.7783	\$10.67	\$0.8599	\$10.73	\$0.8574
Feb	9.28	0.9322	0.6915	9.54	0.9588	0.7108	10.74	0.8596	10.80	0.8565
Mar	9.34	1.0218	0.6625	9.54	1.0191	0.6868	11.05	0.8591	11.00	0.8553
Apr	9.27	1.1194	0.9156	9.41	1.1352	0.6250	11.39	0.8588	11.38	0.8537
May										
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Avg	\$9.37	\$0.9961	\$0.7512	\$9.64	\$1.0124	\$0.7002	\$10.96	\$0.8594	\$10.98	\$0.8557

* CI III SNF = ((protein x 3.2) + (O/S x 5.5)) / 8.7

** CI III SNF = (.965 x ((protein x 3.1) + (O/S x 5.9))) / 8.7

Exhibit 2B

HANDLER PRICE ANALYSIS PACIFIC NORTHWEST AND CALIFORNIA (1999 Modeled using the new Federal Order Final Decision Formulas)

MO / YR	Cheese California			Cheese & Butter Pacific Northwest			Butter & Powder California		Nonfat dry milk powd Pacific Northwest	
	Class 4b per cwt.	BF (Per Lb)	SNF (Per Lb)	Class III per cwt.	BF (Per Lb)	SNF * (Per Lb)	Class 4a per cwt.	SNF (Per Lb)	Class IV per cwt.	Class IV SNF
Jan 99	\$14.34	1.5449	\$ 1.0273	\$15.85	\$ 1.5871	1.2133	\$13.39	0.9179	\$13.45	0.9085
Feb	11.29	1.4076	0.7314	11.38	1.4444	0.7471	12.62	0.8847	12.71	0.8813
Mar	11.52	1.3636	0.7750	11.51	1.4486	0.7603	12.30	0.8655	12.56	0.8626
Apr	11.48	1.0674	0.8906	11.64	1.1000	0.9134	11.24	0.8624	11.26	0.8530
May	10.68	1.1676	0.7573	10.91	1.1757	0.7949	11.55	0.8575	11.53	0.8528
Jun	11.91	1.6276	0.7140	11.03	1.6429	0.6203	13.15	0.8565	13.13	0.8505
Jul	13.96	1.4264	1.0304	12.92	1.5430	0.8777	12.45	0.8570	12.79	0.8515
Aug	16.90	1.5053	1.3375	15.61	1.5296	1.1954	12.74	0.8587	12.77	0.8548
Sep	15.06	1.4318	1.1554	15.60	1.4771	1.2188	12.52	0.8629	12.67	0.8633
Oct	11.66	1.1729	0.8688	12.49	1.2361	0.9613	11.62	0.8643	11.83	0.8641
Nov	9.88	1.1136	0.6871	10.57	1.1582	0.7702	11.42	0.8646	11.54	0.8625
Dec	9.67	0.9186	0.7416	9.88	0.9716	0.7642	10.72	0.8625	10.88	0.8571
Avg	\$12.36	1.3123	\$ 0.8930	\$12.45	\$ 1.3595	0.9031	\$12.14	0.8679	\$12.26	0.8635

MO / YR	Cheese California			Cheese Pacific Northwest			Butter & Powder California		Butter & Powder Pacific Northwest	
	Class 4b per cwt.	BF (Per Lb)	SNF (Per Lb)	Class III per cwt.	BF (Per Lb)	SNF * (Per Lb)	Class 4a per cwt.	SNF (Per Lb)	Class IV per cwt.	Class IV SNF
Jan 00	\$9.58	\$0.9109	\$0.7352	\$10.05	\$0.9366	\$0.7783	\$10.67	\$0.8599	\$10.73	\$0.8574
Feb	9.28	0.9322	0.6915	9.54	0.9588	0.7108	10.74	0.8596	10.80	0.8565
Mar	9.34	1.0218	0.6625	9.54	1.0191	0.6868	11.05	0.8591	11.00	0.8553
Apr	9.27	1.1194	0.9156	9.41	1.1352	0.6250	11.39	0.8588	11.38	0.8537
May										
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Avg	\$9.37	\$0.9961	\$0.7512	\$9.64	\$1.0124	\$0.7002	\$10.96	\$0.8594	\$10.98	\$0.8557

* CI III SNF = (.965 x ((protein x3.1) + O/S x 5.9)) / 8.7

DEPARTMENT OF FOOD AND AGRICULTURE



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February 8, 2000

TO THE PERSON ADDRESSED:

Attached are copies of latest Nonfat Powder, Bulk Butter and Cheddar Cheese costs for selected periods January 1997 to April 1999.

Except as noted, the table below depicts the Weighted Average Manufacturing Costs for Butter (salted and unsalted), Nonfat Powder and Cheddar Cheese as published for the last twelve years. Costs include Packaging, Processing Labor, Processing Non-Labor, General and Administrative, Return on Investment and, for Butter and Cheddar Cheese, Miscellaneous Ingredients. Also included is the number (#) of plants costed for each exhibit.

<u>Exhibit Date</u>	<u>Butter*</u>	<u>Nonfat Powder</u>	<u>Cheddar Cheese</u>
May 1989	0.0879 (11)	0.1370 (11)	0.2251 (9)
June 1990	0.0888 (11)	0.1398 (11)	0.2324 (9)
May 1991	0.0883 (10)	0.1438 (11)	0.2192 (9)
July 1992	0.0969 (12)	0.1443 (12)	0.2010 (9)
August 1993	0.0936 (12)	0.1430 (11)	0.1868 (10)
September 1994	0.0895 (11)	0.1341 (11)	0.1889 (8)
April 1995	0.0889 (9)	0.1327 (9)	0.1862 (8)
November 1995	0.0928 (9)	0.1328 (9)	0.1981 (8)
December 1996	0.0970 (9)	0.1333 (9)	0.1898* (8)
July 1997	0.0958 (8)	0.1327 (9)	0.1840 (9)
February 1999	0.0930 (8)	0.1277 (9)	0.1759 (10)
February 2000	0.0957 (8)	0.1356 (10)	0.1693 (9)

**This figure includes, for the first time, costs associated with a bulk cheddar plant, although packaging labor and packaging expenses reflect costs from the seven 40-lb. block plants.*

This exhibit can be found on our website by clicking the Manufacturing Cost Link at:

<http://www.cdfa.ca.gov/dairy/briefdmb2.html>

If you have any questions, please contact Tom Gossard or myself at the above number.

Sincerely,

Edward Hunter
 Supervising Auditor I
 Dairy Marketing Branch

Attachments

HISTORY OF THE MANUFACTURING COST AND FORTIFICATION ALLOWANCES ¹

EXHIBIT 3B

A dash indicates that the allowance was not changed from the previous level

Date	MANUFACTURING COST ALLOWANCE					FORTIFICATION ALLOWANCE ²	
	CCC Butter ^{3,4} (\$/lb.)	Commercial Butter ^{5,6} (\$/lb.)	CCC Nonfat Dry Milk ⁴ (\$/lb.)	Calif. Nonfat Dry Milk (\$/lb.)	Comm. Cheddar Cheese ⁷ (\$/lb.)	Powdered Skim (\$/lb.)	Condensed Skim (\$/lb.)
1955 Sept. 16	0.0500	---	---	---	---	---	---
1961 Oct. 15	---	---	---	---	---	0.0537	0.0537
1962 April 1	---	---	---	---	---	0.0550	0.0381
1965 April 1	0.0550	---	---	---	---	---	---
1965 Sept. 22	---	---	0.0500	0.0500	---	---	---
1966 Aug. 1	---	---	0.0550	0.0550	---	---	---
1969 July 1	---	---	0.0500	0.0500	---	---	---
1973 Sept. 1	---	0.0850	---	---	---	---	---
1973 Dec. 1	0.0600	0.0950	0.0650	0.0650	---	0.0700	0.0403
1975 Nov. 1	---	---	0.0800	0.0800	---	0.0850	0.0425
1976 Dec. 12	0.0630	0.0980	0.0850	0.0850	---	0.0900	0.0437
1977 June 12	0.0650	0.1000	0.1000	0.1000	---	0.1050	0.0515
1978 June 1	0.0730	0.1080	0.1175	0.1175	---	0.1225	0.0604
1979 Dec. 1	0.0830	0.1160	0.1300	0.1300	---	0.1350	0.0660
1980 June 1	0.0880	0.1230	0.1480	0.1480	---	0.1530	0.0750
1980 Nov. 1	0.0930	0.1430	0.1655	0.1655	---	0.1705	0.0839
1982 April 1	0.1130	0.1630	0.1865	0.1865	---	0.1915	0.0951
1983 May 1	0.1160	0.1660	0.1935	0.1935	---	0.1985	0.0987
1987 June 1	---	---	0.1832	0.1832	---	---	---
1988 Sept. 1	---	---	0.1780	0.1780 ⁹	---	---	---
1989 July 1	0.0970	0.1470	0.1600	0.1600 ⁹	---	---	---
1989 Aug. 1	---	---	---	---	0.1950	---	---
1990 March 1	---	---	---	---	---	---	---
1996 April 1	---	0.0970 ¹²	---	0.1400	0.1800 ¹³	---	---
1997 Nov. 1	---	---	---	---	0.1690	---	---

¹The price for milk used for butter and powder has been uniform for all marketing areas, however, the dates and values have only been verified for the following marketing areas: Los Angeles Marketing Area 1955-1962; Southern Metropolitan Marketing Area 1963 - 1975; Southern California Marketing Area 1975 - present.

²The 1961 allowance was set at \$0.48/cwt. for both powdered and condensed skim; starting in 1962, \$/lb. was used for powdered skim and \$/cwt. was used for condensed skim; starting in October 1987, \$/lb. was used for both powdered skim and condensed skim. The conversion between \$/lb. and \$/cwt. is determined by assuming 8.9347 pounds of solids-not-fat per hundredweight of

³CCC adjustment of \$0.005/lb. included starting 1 December 1973 and dropped 1 July 1989.
CCC support purchase prices for butter, nonfat dry milk and cheddar cheese were eliminated from pricing formulas starting 1 April 1996.

⁵Includes freight adjustment of \$0.03/lb. starting 1 September 1973; increased to \$0.04 starting 1 December 1973, increased to \$0.055 starting 1 November 1980; decreased to \$0.05 starting 1 July 1989; decreased to \$0.045 starting 1 April 1996.

⁶For Class 4a fat calculation, commercial butter was Chicago Mercantile Exchange starting 1 September 1973; California weighted average starting 1 April 1996, except that if the California price is not available, then the CME less the freight adjustment of \$0.045

⁷Commercial cheddar cheese was National Cheese Exchange starting 1 August 1996; California weighted average starting 1 April 1996, except that if the California price is not available, then the NCE plus \$0.01 would be used

⁸Condensing allowance established starting 1 April 1962 at the same level as the condensed skim fortification allowance.

⁹Cost allowances of \$0.178 and \$0.16 are for 4a only; the 4b powder manufacturing cost allowance remained at \$0.1832.

¹⁰Allowance set at the difference between the SNF prices for Classes 1 and 4a.

¹¹Upper and lower limits were set on the allowance of \$0.1985 and \$0.0000 per pound, respectively

¹²Actual allowance unchanged, apparent change only due to elimination of freight adjustment due to adaptation of California weighted average price.

¹³Change in allowance overstated because of other changes in Class 4b pricing formula.

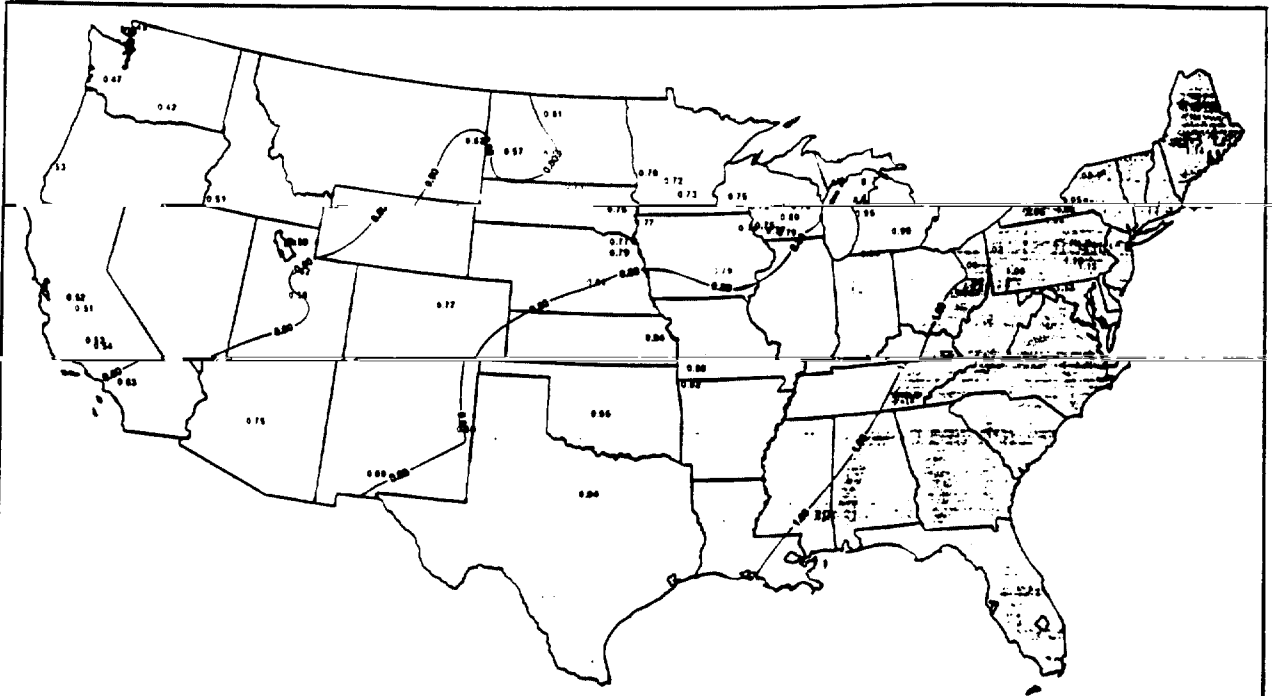


Figure 7. USDSS Model-Generated Cheese Differentials (\$/cwt @ 3.5% fat and 8.62% snf), May 1995

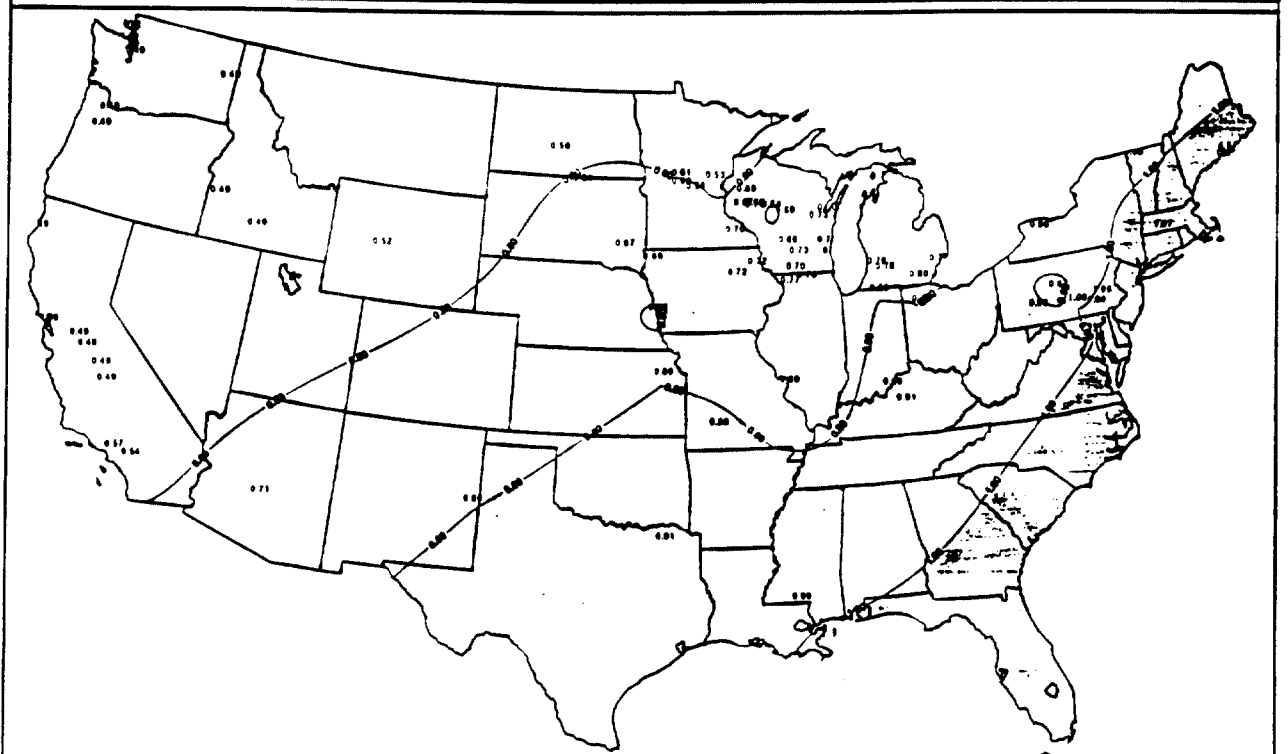


Figure 8. USDSS Model-Generated Butter/Powder Differentials (\$/cwt @ 3.5% fat and 8.62% snf), May 1995

Table 2. Simulated Differential Values at Manufacturing Plants. \$/cwt.

City	State	Class II		Cheese		Butter/Powder	
		May	October	May	October	May	October
Anniston	AL	1.52	1.07				
Birmingham	AL	1.52	1.07				
Greensboro	AL	1.56	1.11				
Montgomery	AL	1.56	1.12				
Batesville	AR	1.49	1.06				
Conway	AR	1.47	1.05				
Fayetteville	AR			0.92	0.76		
Fort Smith	AR	1.15	0.97				
Phoenix	AZ	0.74	0.58	0.75	0.58	0.72	0.23
Bakersfield	CA	0.38	0.15				
Chico	CA				0.34		
Corona	CA	0.62	0.39	0.63	0.40	0.54	0.17
Eureka	CA			0.51	0.21	0.49	0.12
Fresno	CA					0.49	0.13
Hanford	CA			0.53	0.32		
Lodi	CA	0.55	0.11				
Los Angeles	CA	0.80	0.58			0.57	0.19
Merced	CA			0.51	0.32	0.49	0.13
Modesto	CA	0.50	0.29	0.52	0.29	0.49	0.13
Salinas	CA	1.06	0.74				
San Francisco	CA	0.94	0.49			0.59	0.15
Santa Barbara	CA	1.09	0.77				
Tulare	CA	0.52		0.54	0.33		
Visalia	CA	0.61	0.32			0.49	0.13
Denver	CO	0.76	0.60	0.77	0.60		
Bridgeport	CT	1.58	1.15				
Hartford	CT	1.47	1.03				
Dover	DE	1.44	1.13				
Deerfield Beach	FL	1.76	1.32				
Tampa	FL	1.72	1.28				
Atlanta	GA	1.51	1.07				
Columbus	GA	1.54	1.10				
Des Moines	IA	1.13	0.81				
Elkader	IA			0.74	0.58	0.72	0.29
Le Mars	IA	0.88	0.68				
Oskaloosa	IA			0.79	0.63		
Sioux Center	IA			0.77	0.59	0.69	0.26
Waterloo	IA	1.05	0.57			0.72	0.27
Boise	ID	0.55	0.36				
Coeur d'Alene	ID				0.31		
Jerome	ID			0.51	0.34	0.49	0.14
Nampa	ID			0.51	0.31	0.49	0.12
Shelley	ID	0.53	0.36	0.54	0.37		
Carlyle	IL	1.14	0.95				
Chicago	IL	1.31	0.88				
Decatur	IL	1.23	0.96				
Forreston	IL	0.89	0.74				
Mason	IL					0.77	0.27
Quincy	IL	0.95	0.77				

Table 2. (Continued)

City	State	Class II		Cheese		Butter/Powder	
		May	October	May	October	May	October
Decatur	MS	1.57	1.13				
Glendive	MT			0.62	0.46		
Greenville	NC	1.58	1.19				
Bismarck	ND			0.60	0.43	0.56	0.18
Dickinson	ND			0.57	0.40		
Granville	ND			0.61	0.45		
Grand Island	NE			0.81	0.64		
Norfolk	NE	0.77	0.60	0.79	0.62		
Omaha	NE					0.56	0.25
Randolph	NE			0.77	0.60		
Franconia	NH	1.34	1.15				
Manchester	NH	1.62	1.22				
Albuquerque	NM	1.32	0.96				
Las Cruces	NM			0.80	0.61		
Portales	NM			0.80	0.62	0.80	0.31
Adams	NY			1.05	0.89		
Batavia	NY		0.81			0.96	0.58
Bath	NY	0.93	0.78				
Binghamton	NY	0.95	0.81				
Buffalo	NY	1.02	0.86	1.04	0.87		
Canton	NY			1.03	0.87		
Delhi	NY	1.00	0.85				
Elmira	NY			1.08	0.92		
Friendship	NY			1.05	0.89		
Glens Falls	NY	1.26	1.10				
Goshen	NY	1.38	1.23				
Jamestown	NY	0.80	0.66				
New York	NY	1.63	1.25				
Rochester	NY			1.05	0.88		
Syracuse	NY	0.92	0.78				
Utica	NY	1.07	0.91	1.09	0.93		
Warsaw	NY	0.88					
Watertown	NY	0.98	0.83				
Brewster	OH	0.98	0.84	1.00	0.85		
Greenville	OH	0.82	0.74				
Minerva	OH	1.05	0.91				
Ottawa	OH					0.80	0.41
Saint Marys	OH	1.02	0.85				
Chickasha	OK			0.95	0.77		
Oklahoma City	OK	1.07	0.89				
Tulsa	OK	1.09	0.90				
Aumsville	OR		0.12			0.49	0.12
Coquille	OR	0.52	0.31	0.53	0.31		
Eugene	OR	0.74	0.37				
Portland	OR	0.57	0.31			0.49	0.07
Carlisle	PA					1.00	0.61
Chambersburg	PA	0.92	0.79				
Greensburg	PA			1.06	0.90		
Harrisburg	PA	1.09	0.93	1.11	0.93		

Table 2. (Continued)

City	State	Class II		Cheese		Butter/Powder	
		May	October	May	October	May	October
Darlington	WI			0.77	0.61		
Eau Claire	WI					0.70	0.27
Green Bay	WI	0.84	0.66			0.70	0.28
Greenwood	WI			0.76	0.60	0.54	0.24
Lancaster	WI			0.75	0.60		
Madison	WI	0.77	0.64	0.80	0.64	0.73	0.30
Manitowoc	WI	0.73		0.77	0.61		0.25
Menomonie	WI			0.76	0.59	0.67	0.26
Milwaukee	WI					0.79	0.36
Monroe	WI			0.79	0.63	0.70	0.27
Reedsburg	WI					0.66	0.24
Shawano	WI			0.74	0.58		
Tomah	WI			0.73	0.57		
Viroqua	WI	0.69	0.56	0.73	0.57		
Wausau	WI	0.69	0.55	0.72	0.57		
West Bend	WI					0.76	0.33
Whitehall	WI			0.76	0.60		
Martinsburg	WV	1.00	0.90				
Afton	WY			0.55	0.38		
Lander	WY					0.52	0.16
	Count:	129	128	86	90	67	68
	Minimum:	0.35	0.11	0.43	0.21	0.49	0.04
	Maximum:	1.76	1.32	1.14	0.98	1.07	0.67

WHEY PLANT STUDY SUMMARY
TILLAMOOK CO. CREAMERY ASSOCIATION

Prepared For USDA Federal Order Hearing
May 8, 2000

1. In connection with our Boardman, Oregon, cheese plant project, Tillamook Country Creamery Association engaged the firm of Covert Engineering, Inc. (Tigard, OR) to analyze and project construction costs. They estimated that the cost of adding a whey drying plant to our project would be \$20,000,000 for a plant with the capacity to produce approximately 30,000,000 lbs of dry whey per year, if operated at maximum capacity. As a practical matter, we would anticipate running 25,000,000 lbs during the first few years, and ramp up later toward the 30,000,000 level.
2. We then projected the plant costs. Based on our experience with our whey plant here at Tillamook, Oregon (which is a similar size), we projected operating costs of \$2,473,854 per year. This figure is intended to cover labor costs (including fringes), maintenance, packaging, cleansing materials, utilities, insurance, etc. We computed annual depreciation of the \$20,000,000 plant cost based on a 15 year schedule. We computed a capital cost as follows: based on the average interest rates for our project, first year interest cost would be \$1,260,000; we then used that number as the appropriate "total capital cost" for each year (a combination of interest and ROI). We feel this is a very conservative ROI, since it only matches our interest cost; in reality, we would be looking for some additional return.
3. We then computed a "drying cost per pound", as follows (all numbers based on annual costs and a volume of 30,000,000 lbs):

• Operating Costs:	\$2,473,854
• Depreciation:	1,320,000
• Capital Costs:	<u>1,260,000</u>
Total Annual Cost:	\$5,053,854
Divided over:	25,000,000 lbs/yr = \$.202/lb
Divided over:	30,000,000 lbs/yr = .168.b

4. Since wholesale prices of processed whey are often below 20 cents per pound, we were reluctant to proceed with this alternative. The high capital cost could not be justified without a positive return on investment.
5. We therefore looked at other alternatives, and are now contractually partnered with WestFarm Foods. Our mutual expectation is that WestFarm Foods will dry the whey on an interim basis at their Chehalis, Washington drying plant, until a better long term solution can be developed. Because of the additional costs of hauling whey from Boardman, OR to Chehalis, WA (240 miles), the Chehalis alternative works only because there is unused capacity there, and only as an interim step.
6. Because of the proximity of our Boardman plant and the much larger cheese plant operated by WestFarm Foods at Sunnyside, WA, both companies foresee the potential for a new whey drying facility to handle the whey stream from both these plants. The two companies are very aware of the costs described in this memorandum. Our future plans will be heavily dependent on whether this current Federal Order hearing will allow such a project to be economically feasible.

Harold Schild, President
Herb Dorn, V.P. Finance
Tillamook Co. Creamery Assoc.