



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

*Exhibit 44*

March 23, 2007

Roger Cryan  
Vice President, Milk Marketing and Economics  
National Milk Producers Federation  
2101 Wilson Boulevard, Suite 400  
Arlington, Virginia 22201

Dear Mr. Cryan:

Your request for utility costs corresponding to the 2005 Manufacturing Cost Exhibit published by the California Department of Food and Agriculture is listed in the table below.

**WEIGHTED UTILITY COSTS BY EXHIBIT GROUPINGS  
2005**

**POWDER**

	Electricity	Gas
Low Cost	0.0161	0.0259
Medium Cost	0.0195	0.0394
High Cost	0.0286	0.0387
Total weighted avg. cost	0.0177	0.0293

**BUTTER**

	Electricity	Gas
Low Cost	0.0048	0.0017
High Cost	0.0127	0.0033
Total weighted avg. cost	0.0067	0.0021





Mr. Cryan  
March 23, 2007  
Page 2

**CHEESE**

	<u>Electricity</u>	<u>Gas</u>
Low Cost	0.0051	0.0075
High Cost	0.0121	0.0105
Total weighted avg. cost	0.0080	0.0087

**WHEY POWDER**

	<u>Electricity</u>	<u>Gas</u>
Total weighted avg. cost	0.0337	0.0310

Weighted average utility costs for powder, butter, whey and cheese by groups

Should you have any questions, please feel free to contact me at the number below.

Sincerely,

Venetta Reed  
Supervising Auditor I



## Roger Cryan

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**From:** Venetta Reed [VREED@cdfa.ca.gov]  
**Sent:** Thursday, April 05, 2007 2:50 PM  
**To:** Roger Cryan  
**Subject:** RE: Request for 2005 electricity and natural gas costsfordairy processing

Mr. Cryan,

The information I sent you represents gas and electricity costs ONLY, for all plants for year 2005. The information in the Annual includes all utilities (gas, elec, water, sewer, garbage, fuel oil) for same year.

>>> "Roger Cryan" <rcryan@nmpf.org> 4/5/2007 11:11 AM >>>  
Ms. Reed,

Would you please confirm that the spreadsheet you sent are the energy cost element of the 2005 plant costs presented in "California Manufacturing Cost Annual 2006", compiled and published by CDFA in 2007?

Thank you again for your invaluable assistance.

Roger Cryan, Vice President, Milk Marketing & Economics National Milk Producers Federation 2101 Wilson Boulevard, Suite 400 Arlington, Virginia 22201  
(703) 294-4350  
rcryan@nmpf.org

-----Original Message-----

**From:** Venetta Reed [mailto:VREED@cdfa.ca.gov]  
**Sent:** Tuesday, March 20, 2007 4:58 PM  
**To:** Roger Cryan  
**Subject:** Re: Request for 2005 electricity and natural gas costs fordairy processing

Hope this helps.

>>> "Roger Cryan" <rcryan@nmpf.org> 3/16/2007 2:37 PM >>>  
Ms. Reed,

As you know, on April 9 the U.S. Department of Agriculture is reconvening a hearing on the Class III and IV price formulas.

One proposal under consideration would update the manufacturing cost allowances for nonfat dry milk, butter, cheddar cheese, and dry whey using, in part, CDFA's most recent published manufacturing costs.

Another proposal, supported by my organization, would make regular updates to the energy cost elements of these manufacturing costs. For this to be effective (if USDA chooses to use CDFA numbers to update the underlying make allowances), the hearing record must contain specific energy cost information that corresponds to the 2005 manufacturing cost data contained in your recent release, "California Manufacturing Cost Annual 2006."

For this reason, on behalf of the National Milk Producers Federation, I respectfully request that you provide both electricity costs and natural gas

costs per pound of product for each of the following: cheddar cheese, dry whey, nonfat dry milk, and butter.

This would update the numbers which you provided to Neil Gulden of Associated Milk Producers early last year and then confirmed in your testimony at the Federal order make allowance hearing in Alexandria, Virginia. Here is the table I prepared for that hearing, based on those numbers:

<http://www.ams.usda.gov/dairy/proposals/ex26.pdf>

Here is the transcript from that hearing, which includes your confirmation of these numbers in testimony on pages 212 to 217:

[http://www.ams.usda.gov/dairy/proposals/transcript\\_day\\_1.pdf](http://www.ams.usda.gov/dairy/proposals/transcript_day_1.pdf)

Could you please provide the same numbers for 2005, as would correspond to the manufacturing costs published in your most recent annual survey?

Please call me if you have any questions, or if I can be of any assistance to you.

Thank you again for your invaluable assistance.

Roger Cryan, Vice President, Milk Marketing & Economics

National Milk Producers Federation

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