

California Creamery Operators Association


June 2018

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Dairy Farmers of America

Changes

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- Ch-ch-ch-ch-Changes
- (Turn and face the strain)
- Ch-ch-Changes
- Just gonna have to be a different man

• **David Bowie 1971**

Just Some of These

- “All in” is not the same
 - Performance - 10%
- Pricing
 - FMO pricing in CA and consistent across more of the US
 - PPD
- Milk and Component Testing
 - Other Solids
- Fortification
- Transportation
- Quota

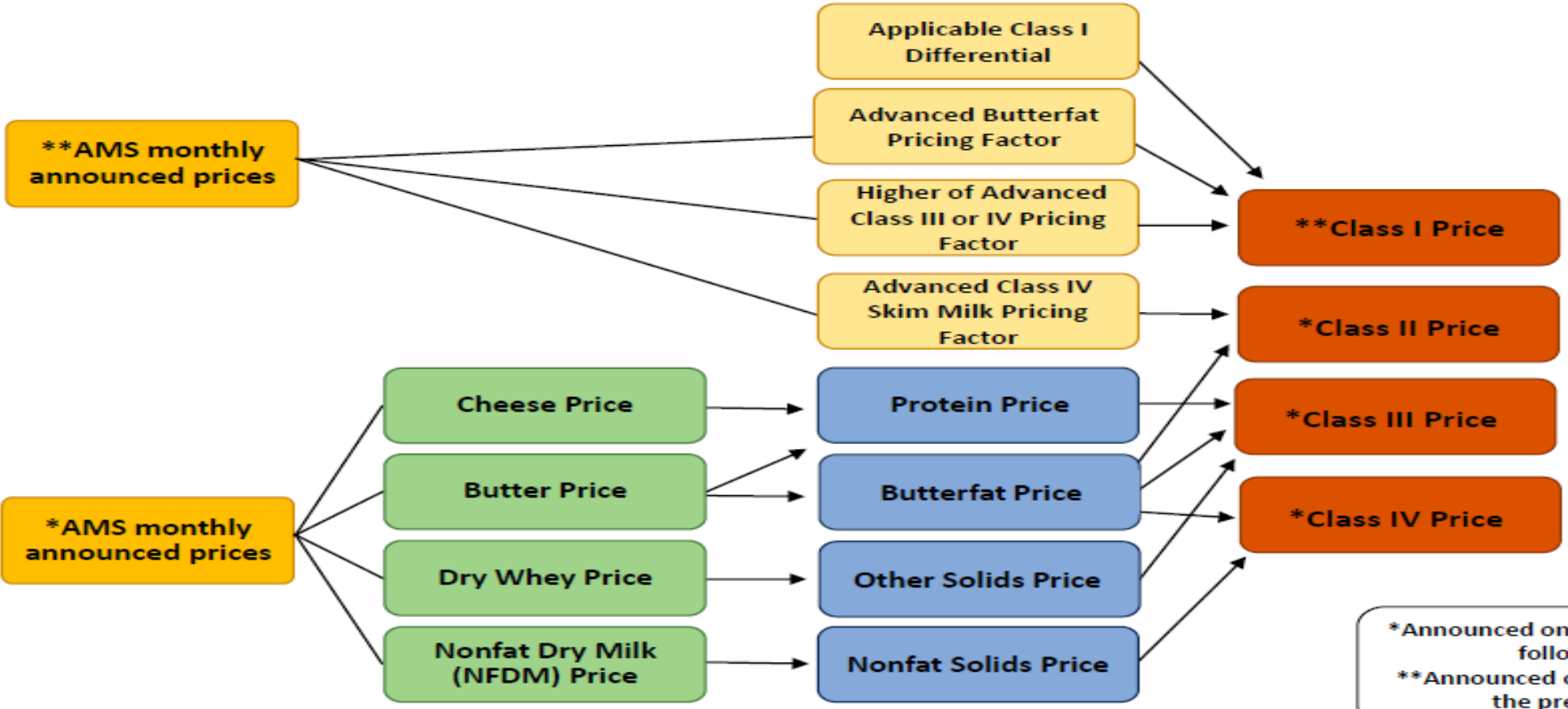
Just Some of These

Price Announcements

- ☒ California Federal Order Effective **November 1, 2018**
- ☒ Advanced Class I & II Prices - To be announced on **October 17th**
- ☒ Class II, III, & IV Prices - To be announced on **December 5th**
- ☒ Producer Price Differential - To be released on or before **December 14th**

Just Some of These for the visual learners

“Three C’s” of Federal Milk Marketing Order Pricing



*Announced on or before the 5th of the following month
 **Announced on or before the 23rd of the preceding month

Just Some of These for the spreadsheet nerds

Class Price Calculations

- [Calculating Class I Price \(pdf\)](#)
- [Calculating Class II Price \(pdf\)](#)
- [Calculating Class III Price \(pdf\)](#)
- [Calculating Class IV Price \(pdf\)](#)

Just Some of These

- A word of wisdom for your big price spreadsheet
- Have a Weekly Prices tab (CME, NDPSR, DMNews) with a monthly average cell
- Keep the Two Week prices on a separate tab (for Class I Mover)
- Have a Monthly Prices tab that computes the (NDPSR) monthly prices for Class II/III/IV and Class I in separate columns (will have monthly and two week totals)
- Never revise the commodity prices once the monthly prices are set
- Have a separate Order Prices tab to calculate Class Prices and the composition of them with the formulas in a cell with references to a separate table for the make allowance constants
- Have a separate tab for each year just to display your monthly prices

Specifically these

- **Ease in Policies**
 - Learn as we go
- The Industry communication of June 8, 2018
- **Dear California Dairy Processors and Manufacturers:**

Specifically these

- Touch Base
- “Waive the initial 1-day touch base requirement for any producer (including producers outside California) that regularly supplied a California plant during the previous year.”
- Once for life policy
- Have to be a Grade A producer

Specifically these

- Repooling
 - Pooling milk in a subsequent month if it has been de-pooled
- “Waive the repooling percentages for the first 3-months of the order. The normal stated levels will apply thereafter. “
 - November, December, January – pool or not pool
 - February – limits will apply to the following month

Specifically these

- Safeguard
- “Require a supply plant located outside of California to transfer milk to a qualifying plant in order to participate in the California FMMO pool. “

Specifically these

- Supply plan system - to help create orderly marketing
 - Supports supplying higher value markets
 - Minimizes transportation
 - Enhances plant efficiencies
- “Create a supply plant system consisting of all manufacturing plants that would have been part of the CSO. This system will apply through July 2019 when a new system would normally be requested.”
 - Assures eligibility to pool until July 2019 if you stay in
 - But the repooling rules will still apply (125% / 135%) after February
 - Split Plant

To think about

- Supply plant systems
- If you have a supply plant all the milk must be pooled and accountable for the minimum price
- Split plants
- Information will have to be shared
- Discussions going forward on systems

Milk Price Hedging

- Enhanced by the Federal Order
- Will benefit the industry
- DFA is working on programs for members now
- It will enhance our abilities to provide programs for our customers

Our industry is never dull!