



January 18, 2018

Karen Ross, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

Re: Petition for Emergency Hearing to Consider Increases to Class 1, 2, 3, 4a & 4b Prices on a Temporary Basis

Dear Secretary Ross:

California Dairy Campaign (CDC) and Western United Dairymen (WUD) respectfully request the call of an emergency hearing to consider increases to Class 1, 2, 3, 4a and 4b prices for a period of twelve months (April 1, 2018 through March 31, 2019). Specifically, we propose a sixty cents per hundredweight increase on Class 1,2 and 3, a ten cents increase on Class 4a and a forty cents increase on Class 4b. This hearing is being requested under your authority outlined in 3 CCR 2080.2. Our proposed changes to the Northern and Southern California Stabilization and Marketing Plans are attached.

As you are well aware, California dairy families have suffered severe economic hardship in the past three years. As a result, many have gone out of business or acquired massive debt on top of eroded equity. The significant negative margins witnessed every quarter since January 2015 have placed many producers in a dire financial situation. 2017 displayed a modest recovery in the markets but the improvements were short lived and not significant enough to allow for positive margins according to CDFA's cost of production data, with the smallest loss recorded at \$0.23 per hundredweight of milk produced during the first quarter of 2017.

2017 ended on a sour note, with the estimated overbase price reaching the lowest level since June 2016. As we start 2018, producers are facing an even lower overbase price, with current commodity prices yielding an overbase of \$13.30 per hundredweight. Unfortunately, the forecast is even more concerning, with potential for prices to fall below that level in the next few months. Compared to the latest cost of production of \$18 per hundredweight released by CDFA (third quarter of 2017), this clearly illustrates how the price of milk will be insufficient to cover costs.

If approved, implementation of a California federal milk marketing order could be another year away. Until then we urge the California Department of Food and Agriculture (CDFA) to increase milk prices to prevent the closure of more California dairies. California's milk production

pattern relative to the rest of the country is concerning, with year-over-year milk production down 1.1% in November (the U.S. was up 1%). This is not a recent pattern but rather a result of depressed margins these past three years. California's milk production declined in 32 of the past 36 months. California dairy families clearly need additional revenues and we believe the Department should promptly call a hearing to assist in this matter.

We thank you for your immediate consideration of this petition and look forward to your quick response.

Respectfully submitted,



Anja Raudabaugh
Chief Executive Officer
Western United Dairymen



Lynne McBride
Executive Director
California Dairy Campaign

Stabilization and Marketing Plan for Market Milk – Proposed Changes

Northern California Marketing Area

(Same changes shall be applied to the Stabilization Plan for the Southern California marketing area)

Article III: Class prices

Section 300.0

(H) The minimum prices for components used for Class 1, Class 2, Class 3, Class 4a, and Class 4b, as set forth respectively in Paragraphs (A), (B), (C), (D), and (E) of this Section, shall be increased only for the period ~~July 1, 2013 to June 30, 2014~~ **April-1, 2018 to March 31, 2019** as described below:

(1) For Class 1 milk fat, ~~three tenths mils (\$0.0003)~~ **six tenths cents (\$0.006)** per pound.

(2) For Class 1 milk solids-not-fat, ~~two and three tenths mils (\$0.0023)~~ **four and six tenths cents (\$0.046)** per pound.

(3) For Class 1 milk fluid carrier, ~~one tenth mils (\$0.0001)~~ **two tenths cents (\$0.002)** per pound.

(4) For Class 2 and 3 milk fat and milk solids-not-fat, ~~four and one tenth mils (\$0.0041)~~ **four and nine tenths cents (\$0.049)** per pound.

(5) For Class 4a milk fat and milk solids-not-fat, ~~one and twenty three hundredths cents (\$0.0123)~~ **eight and five tenth mils (\$0.0085)** per pound.

(6) For Class 4b milk fat and milk solids-not-fat, **three and twenty five hundredths cents (\$0.0325)** per pound.

~~(6)~~ **(7)** Any modifications to the Class 1 fat price resulting from this Paragraph shall not be included in the calculation of the Class 1 solids-not-fat and fluid carrier prices, as set forth in Paragraph (A) of this Section.

~~(7)~~ **(8)** Any modifications to the Class 4a component prices resulting from this Paragraph shall not be included in the calculation of the Class 2, 3 **and 4b** component prices, as set forth, respectively, in Paragraphs (B) and (C) and **(D)** of this Section.

~~(8)~~ **(9)** Any modifications to the Class 4b fat price resulting from this Paragraph shall not be included in the calculation of the Class 4b solids-not-fat price, as set forth in Paragraph (E) of this Section.