



Statement of Lorie Warren
USDA – AMS – Dairy Program
California Promulgation Hearing

My name is Lorie Warren. I am Chief of the Market Information Branch (MIB) of the Agricultural Marketing Service (AMS) of the United States Department of Agriculture (USDA). I have bachelor's and master's degrees in Agricultural Economics from the University of Tennessee. After graduation, I worked for 5 years for AMS as an auditor in the Federal Order 5 Appalachian Marketing Area. I then worked for 5 years for the National Agricultural Statistics Service (NASS) in the New England Field office as a statistician preparing regional dairy, cattle, and crop statistics. After that, I worked for NASS for 2 years in headquarters compiling the National Dairy Products report. I have worked for AMS in MIB for the last 3 years coordinating the Dairy Products Mandatory Reporting Program (DPMRP) and national level Federal order statistics.

The data in the following exhibits were compiled at the request of Dairy Farmers of America, Inc., Land O'Lakes, Inc., and California Dairies, Inc. (hereinafter "Cooperatives") (marked as Exhibits 9 -) and the Dairy Institute of California (marked as Exhibits 9 -). The USDA data were prepared by me or a data committee of economists from each Federal order office selected to assemble data for their individual order. All of the data was compiled under my supervision and are not presented for or against any proposal.

The following tables were compiled at the request of the Cooperatives.

- Attachment A shows the formulas for the Advanced Prices and Pricing Factors and the Monthly Class and Component Prices. These are mathematical representations of 7 CFR 1000.50.
- Attachment B explains the reporting criteria for the National Dairy Products Sales Report (NDPSR) in accordance with 7 CFR 1170.
- Tables 1 and 2 display the class prices and underlying commodity prices for both the Announcement of Advanced Prices and Pricing Factors (Table 1) and the Announcement of Class and Component Prices (Table 2). These prices are derived based on the current product price formulas located in 7 CFR 1000.50. The advanced prices and pricing factors are released at 3:00 p.m. ET no later than the 23rd of the preceding month. The class and component prices are released at 3:00 p.m. ET no later than the 5th of the following month.
- Table 3 displays the current Class I differentials by state, as well as the adjustments contained in the Appalachian (5), Southeast (6), and Florida (7) Orders.
- Tables 4 and 5 are the lists of Pool Distributing Plants (Table 4) and Pool Supply Plants (Table 5) by state, county, and Order.
- Table 6 contains the Monthly Mailbox Prices (in dollars per hundredweight (\$/cwt)) for January 2000 to May 2015.
- Table 7 shows the Component Tests by Order for January 2000 – June 2015. These are only shown for the orders in which component pricing is used (excludes the Appalachian (5), Southeast (6), Florida (7), and Arizona (131) Orders). Table 8 shows the butterfat tests for the Orders in which component pricing is not used (i.e., Orders 5, 6, 7, and 131). The tests are the weighted market averages of producer milk pooled each month based on test results submitted by Market Administrator, Cooperative, or outside laboratories.
- Table 9 shows the Total Pounds of Eligible Milk Pooled, Eligible Milk not Pooled, and the Pounds of Eligible Milk not Pooled for the Upper Midwest Order (30) for January 2000 – July 2015. Other orders were not included due to confidentiality.

The following tables were compiled at the request of the Dairy Institute of California (DIC).

- Table 10 shows the Total Dumped Milk Pounds Pooled by Order for January 2000 – July 2015.
- Table 11 displays the Producer Milk Utilization by Class and by Order for January 2000 – July 2015.
- Table 12 shows the Class I Utilization Percentage of Producer Milk by Order for January 2000 – June 2015.
- Table 13 shows the Pool Distributing Plant Qualifying Route Disposition as a Percentage of Physical Receipts by Order for January 2000 – June 2015.
- Table 14 shows the Pool Distributing Plant Qualifying In-Area Route Sales as a Percentage of Total Sales by Order for January 2000 – June 2015.
- Table 15 displays the Pool Supply Plant Shipping Percentages of Total Receipts by Order for January 2000 – June 2015.
- Table 16 shows the Diversion Limits as a Percentage of Producer Receipts by Order for January 2000 – June 2015.
- Table 17 displays the Pool Distributing Plant Receipts of Transferred Bulk Milk Pounds by Order for January 2008 – June 2015.
- Table 18 displays the Total 7(a) and 7(b) Plants with Excess Shrinkage in All Orders for January 2009 – June 2015, as well as the pounds involved in the calculation of excess shrinkage.
- Table 19 shows the Uniform Prices by Order for January 2000 – June 2015.
- Table 20 shows the Producers That Do Not Meet the Small Business Definition for June 2015.

I was also asked to review the Mailbox Price calculation in response to a request from Dairy Farmers of America (DFA). The Mailbox Price is defined as the net price received by producers for milk, including all payments received for milk sold, and deducting costs associated with marketing the milk.

- Included in all payments for milk sold are: over-order premiums; quality, component, breed, and volume premiums; payouts from state-run over-order pricing pools; payments from superpool organizations or marketing agencies in common; payouts from programs offering seasonal production bonuses; and, monthly distributions of cooperative earnings. Annual distributions of cooperative profits/earnings or equity repayments are not included.
- Included in costs associated with marketing milk are: hauling charges; cooperative dues, assessments, equity deductions/capital retains, and reblands; the Federal milk order deduction for marketing services; Federally-mandated assessments such as the National Promotion Program and budget deficit reduction; and advertising/promotion assessments above the national program level. Other deductions, such as loan, insurance or feed mill assignments are not included.
- For all markets, the mailbox price is reported at the handlers' average butterfat test (i.e., no adjustment to 3.5 percent).

The Market Administrators collect the information and calculate prices relative to their reporting areas then submit to MIB. MIB then combines the data and publishes a weighted average. CDFA calculates their mailbox price using our methodology and submits monthly to MIB to include in the Mailbox publication, as per usual practice.