California
Department
of Food & Agriculture

Gray Davis, Governor
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CDFA™
California Department of Food and Agriculture

November 6, 2003

TO ALL INTERESTED PARTIES:

Enclosed are copies of the latest nonfat powder, bulk butter and Cheddar cheese processing costs for the period of January through December 2002. The processing cost data does not include the cost of raw product nor does it include any cost of marketing finished product.

For each of the three manufactured products, the cost data are presented in a table that shows actual weighted-average cost of plants grouped by efficiency. Also enclosed is a summary table showing the weighted-average manufacturing cost for nonfat powder, butter and Cheddar cheese as published since May 1989. Cost includes packaging, processing labor, processing non-labor, general and administrative cost, return on investment and, for butter and Cheddar cheese, miscellaneous ingredients.

Should you have any questions regarding this material, please contact Eric Erba or me at the telephone number or e-mail address above.

Sincerely,

Original signed by:

Edward Hunter
Supervising Auditor I

Enclosures

Visit our Website at
www.cdfa.ca.gov/dairy

Weighted Average Manufacturing Costs for Butter, Nonfat Powder and Cheddar Cheese 1989 - 2003

Costs include processing labor, non-labor processing, packaging, other ingredients (for butter and Cheddar cheese only), general and administrative and return on investments.

Date of Release		Butter		Nonfat Powder		Cheddar Cheese[1]	
Year	Month	Cost per Pound	Number of Plants	Cost per Pound	Number of Plants	Cost per Pound	Number of Plants
1989	May	$0.0879	11	$0.1370	11	$0.2251	9
1990	June	$0.0888	11	$0.1398	11	$0.2324	9
1991	May	$0.0883	10	$0.1438	11	$0.2192	9
1992	July	$0.0969	12	$0.1443	12	$0.2010	9
1993	August	$0.0936	12	$0.1430	11	$0.1868	10
1994	September	$0.0895	11	$0.1341	11	$0.1889	8
1995	April	$0.0889	9	$0.1327	9	$0.1862	8
1995	November	$0.0928	9	$0.1328	9	$0.1981	8
1996	December	$0.0970	9	$0.1333	9	$0.1898	8
1997	July	$0.0958	8	$0.1327	9	$0.1840	9
1999	February	$0.0930	8	$0.1277	9	$0.1759	10
2000	February	$0.0957	8	$0.1356	10	$0.1693	9
2001	October[2]	$0.1001	8	$0.1590	11	$0.1802	9
2002	November[3]	$0.1208	7	$0.1619	11	$0.1775	9
2002	December[4]	$0.1211	7	$0.1512	11	$0.1746	9
2003	November[5]	$0.1235	7	$0.1464	10	$0.1632	9

[1] For the 1996 Cheddar cheese cost study and subsequent cost studies, we have included costs associated with Cheddar cheese plants producing 500 pound barrels and 640 pound blocks. However, costs for packaging labor and packaging expenses were replaced with the average of those costs associated with 40 pound block plants.

[2] Includes the cost studies completed for periods between January 1998 and December 1999 and adjusted for utility costs. The utility cost adjustments were made using each plant's invoices for energy costs for August 2001.

[3] Includes the unadjusted cost studies for periods between July 2000 and December 2001.

[4] Includes the cost studies for periods between July 2000 and December 2001 and adjusted for August 2002 utility invoices as well as 2002 data updating wages, payroll taxes and fringe benefits for all plants.

[5] Includes the unadjusted cost studies for periods between January and December 2002.

Butter Processing Costs

Released November 2003

1. Manufacturing cost data were collected and summarized from 7 California butter plants. The 7 plants processed 381.8 million pounds of butter during the study period, representing 99.9% of the butter processed in California.

2. The processing costs summarized in this study were incurred during a 12-month period, starting in January 2002 and concluding in December 2002.

3. The "Processing Non-Labor" category includes costs such as utilities, repairs and maintenance, supplies, depreciation and rent.

4. The volume total includes both bulk butter and cut butter, but the costs reflect only costs for bulk butter (25 kg and 68 lb. blocks).

5. To obtain the weighted average, individual plant costs were weighted by their butter processing volume relative to the total volume of butter processed by all plants involved in the cost study.

6. The current manufacturing cost allowance for butter is $0.132 per pound. About 69% of the butter was processed at a cost less than the manufacturing cost allowance.

Cost Groups	Number of Plants	Processing Labor	Processing Non-Labor	Package	Other Ingredient	General & Administrative	Return on Investment	Total Cost	Volume in Group	Percent in Group
		dollars per pound of butter								
Low Cost	4	$0.0410	$0.0433	$0.0092	$0.0026	$0.0136	$0.0037	$0.1134	264,454,994	69.3%
High Cost	3	$0.0528	$0.0576	$0.0088	$0.0047	$0.0155	$0.0068	$0.1462	117,368,832	30.7%
Summary Statistics										
Weighted Average		**$0.0447**	**$0.0477**	**$0.0091**	**$0.0032**	**$0.0142**	**$0.0046**	**$0.1235**		
Range { Minimum		$0.0367	$0.0369	$0.0072	$0.0015	$0.0063	$0.0029			
Range { Maximum		$0.1583	$0.1330	$0.0105	$0.0054	$0.0597	$0.0073			
Total									381,823,826	100%

Manufacturing Cost Unit,
Ed Hunter, Supervising Auditor

Dairy Marketing Branch, CDFA

Nonfat Powder Processing Costs

Released November 2003

1. Manufacturing cost data were collected and summarized from 10 California nonfat powder plants. The 10 plants processed 749.6 million pounds of nonfat powder during the study period, representing 100% of the nonfat powder processed in California.

2. The processing costs summarized in this study were incurred during a 12-month period, starting in January 2002 and concluding in December 2002.

3. The "Processing Non-Labor" category includes costs such as utilities, repairs and maintenance, supplies, depreciation and rent.

4. The volume total includes all grades of nonfat powder packaged in any container size, but the costs reflect only costs for 25 kg and 50 lb. bags of nonfat powder.

5. To obtain the weighted average, individual plant costs were weighted by their nonfat powder processing volume relative to the total volume of nonfat powder processed by all plants involved in the cost study.

6. The current manufacturing cost allowance for nonfat powder is $0.15 per pound. About 66% of the nonfat powder was processed at a cost less than the manufacturing cost allowance.

Cost Groups	Number of Plants	Processing Labor	Processing Non-Labor	Package	General & Administrative	Return on Investment	Total Cost	Volume in Group	Percent in Group
		dollars per pound of powder							
Low Cost	3	$0.0299	$0.0717	$0.0145	$0.0087	$0.0064	$0.1312	341,369,050	45.5%
Medium Cost	4	$0.0311	$0.0885	$0.0140	$0.0115	$0.0073	$0.1524	380,810,900	50.8%
High Cost	3	$0.0660	$0.1379	$0.0131	$0.0232	$0.0071	$0.2473	27,371,984	3.7%
Summary Statistics									
Weighted Average		**$0.0319**	**$0.0827**	**$0.0142**	**$0.0107**	**$0.0069**	**$0.1464**		
Range Minimum		$0.0248	$0.0689	$0.0123	$0.0065	$0.0037			
Range Maximum		$0.0885	$0.1529	$0.0148	$0.0297	$0.0124			
Total								749,551,934	100%

Manufacturing Cost Unit,
Ed Hunter, Supervising Auditor

Dairy Marketing Branch, CDFA

Cheese Processing Costs

Released November 2003

1. Manufacturing cost data were collected and summarized from 9 California cheese plants. The 9 plants processed 756.4 million pounds of cheese during the study period, representing 98.4% of the Cheddar and Monterey Jack cheese processed in California.

2. The processing costs summarized in this study were incurred during a 12-month period, starting in January 2002 and concluding in December 2002.

3. The "Processing Non-Labor" category includes costs such as utilities, repairs and maintenance, supplies, depreciation and rent.

4. The volume total includes both Cheddar and Monterey Jack cheeses, but the costs reflect only costs for 40 lb. blocks of Cheddar.

5. Three plants processed 500-lb. barrels or 640-lb. blocks. Packaging costs and packaging labor for 40 lb. blocks were substituted for these plants.

6. To obtain the weighted average, individual plant costs were weighted by their cheese processing volume relative to the total volume of cheese processed by all plants involved in the cost study.

7. The current manufacturing cost allowance for cheese is $0.175 per pound. About 81% of the cheese was processed at a cost less than the manufacturing cost allowance.

8. The weighted average yield was 10.85 lbs. of cheese per hundredweight of milk. The weighted average moisture was 37.08%, and weighted average vat tests were 3.95% fat and 8.95% SNF.

Cost Groups	Number of Plants	Processing Labor	Processing Non-Labor	Package	Other Ingredient	General & Administrative	Return on Investment	Total Cost	Volume in Group	Percent in Group
		dollars per pound of cheese								
Low Cost	3	$0.0370	$0.0679	$0.0170	$0.0114	$0.0126	$0.0072	$0.1531	446,321,465	59.0%
Medium Cost	3	$0.0485	$0.0685	$0.0191	$0.0101	$0.0161	$0.0050	$0.1673	241,126,317	31.9%
High Cost	3	$0.0872	$0.0709	$0.0261	$0.0110	$0.0138	$0.0049	$0.2139	68,933,683	9.1%
Summary Statistics										
Weighted Average		**$0.0452**	**$0.0684**	**$0.0185**	**$0.0110**	**$0.0138**	**$0.0063**	**$0.1632**		
Range Minimum		$0.0360	$0.0436	$0.0140	$0.0068	$0.0094	$0.0027			
Range Maximum		$0.0917	$0.0988	$0.0273	$0.0251	$0.0227	$0.0096			
Total									756,381,465	100%

Manufacturing Cost Unit,
Ed Hunter, Supervising Auditor

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