

EXHIBIT A

Exhibit 5

USDA's Calculation of Proposed Make Allowances, November 2006

Table 1. Calculation of Proposed Make Allowances

Cheese	
Weighted average cost, Cheddar cheese, \$/pound:	
CDFA Study ¹	0.1769
Cornell Study ²	0.1638
2005 volume, American cheese ³	
California	
Cheddar	522,624
Colby and Monterey Jack	332,080
Total American	854,704
U.S. other than California	
Cheddar	2,529,791
Colby and Monterey Jack	428,455
Total American	2,958,246
U.S.	
Cheddar	3,052,415
Colby and Monterey Jack	760,535
Total American	3,812,950
Weighted average cost per pound:	
Before sales and administrative costs	0.1667
Sales and administrative costs	0.0015
Proposed make allowance	0.1682

Whey	
Weighted average cost, \$/pound:	
Cornell Study	0.1941
Sales and administrative costs	
	0.0015
Proposed make allowance	0.1956

NDM	
Weighted average cost, \$/pound:	
CDFA Study--medium cost plants	0.1733
Cornell Study ⁴	0.1423
2005 volume, 1000 pounds:	
California	506,452
U.S. other than California	679,652
U.S.	1,186,104
Weighted average cost per pound	
Before sales and administrative costs	0.1555
Sales and administrative costs	0.0015
Proposed make allowance	0.1570

Butter	
Weighted average cost, \$/pound:	
CDFA Study	0.1368
Cornell Study	0.1108
2005 volume, 1000 pounds:	
California	407,872
U.S. other than California	939,355
U.S.	1,347,227
Weighted average cost per pound:	
Before sales and administrative costs	0.1187
Sales and administrative costs	0.0015
Proposed make allowance	0.1202

¹ Weighted Average Manufacturing Costs for Butter, Nonfat Powder, Skim Whey Powder and Cheddar Cheese, California Department of Food and Agriculture, Costs for Calendar Year 2004, Amended January 2006

² Cost of Processing in Cheese, Whey, Butter, and Nonfat Dry Milk Plants, by Mark Stephenson, Cornell Program on Dairy Markets and Policy, September 2006

³ Source for all volumes: USDA, National Agricultural Statistics Service, 2005 values

⁴ The text of the Cornell study indicates that the weighted average nonfat dry milk manufacturing cost is \$0.1410 per pound. This was corrected to \$0.1423 at the hearing.

Exhibit 6

**USDA's Calculation of Make Allowances for
Scenario A, February 2007**

Table 4. Calculation of Make Allowances for Scenario A

Cheese	
Weighted average cost, Cheddar cheese, \$/pound:	
CDFA Study ¹	0.1914
Cornell Study ²	0.1638
2006 volume, ³ American cheese, 1000 pounds:	
California	822,230
U.S. other than California	<u>3,115,858</u>
U.S.	3,938,088
Weighted average cost per pound:	
Before sales and administrative costs	0.1696
Sales and administrative costs	<u>0.0015</u>
Scenario make allowance	<u><u>0.1711</u></u>

NFDM	
Weighted average cost, \$/pound:	
CDFA Study--medium cost plants	0.1872
Cornell Study ⁴	0.1423
2006 volume, 1000 pounds:	
California	613,240
U.S. other than California	<u>614,304</u>
U.S.	1,227,544
Weighted average cost per pound	
Before sales and administrative costs	0.1647
Sales and administrative costs	<u>0.0015</u>
Scenario make allowance	<u><u>0.1662</u></u>

Whey	
Weighted average cost, \$/pound:	
Cornell Study	0.1941
Sales and administrative costs	<u>0.0015</u>
Scenario make allowance	<u><u>0.1956</u></u>

Butter	
Weighted average cost, \$/pound:	
CDFA Study	0.1408
Cornell Study	0.1108
2006 volume, 1000 pounds:	
California	448,590
U.S. other than California	<u>995,674</u>
U.S.	1,444,264
Weighted average cost per pound:	
Before sales and administrative costs	0.1201
Sales and administrative costs	<u>0.0015</u>
Scenario make allowance	<u><u>0.1216</u></u>

¹ Summary of Weighted Average Manufacturing Costs for Butter, Nonfat Powder, Cheddar Cheese, and Skim Whey Powder, Jan.-Dec. 2005 data, released November 29, 2006

² Cost of Processing in Cheese, Whey, Butter, and Nonfat Dry Milk Plants, by Mark Stephenson, Cornell Program on Dairy Markets and Policy, September 2006

³ Source for all volumes: USDA, National Agricultural Statistics Service, 2006 values

⁴ The text of the Cornell study indicates that the weighted average NFDM manufacturing cost is \$0.1410 per pound. This was corrected to \$0.1423 per pound at a previous hearing.

Exhibit 7

**Dairylea's Modified Version of Exhibit 6,
Calculating the Maximum Cost Add-on**

Modified Version Scenario A, Calculating Maximum Cost Add-on

Cheese	
Weighted average cost, Cheddar cheese, \$/pound:	
CDFA	0.1914
Cornell	0.1638
2006 volume, American Cheese, 1000 pounds	
California	822,230
U.S., other than California	<u>3,115,858</u>
U.S.	3,938,088
Weighted average cost per pound	
Before sales and administrative costs	0.1696
Sales and administrative costs	<u>0.0015</u>
Target Make Allowance	0.1711
Cost add-on calculation	
Target Make Allowance	0.1711
Existing Make Allowance	<u>-0.1682</u>
Cost of Production Change	0.0029
Maximum Cost Add-on	0.0029

NFDM	
Weighted average cost, \$/pound:	
CDFA Study - medium cost plants	0.1872
Cornell Study	0.1423
2006 volume, 1000 pounds	
California	613,240
U.S., other than California	<u>614,304</u>
U.S.	1,227,544
Weighted average cost per pound	
Before sales and administrative costs	0.1647
Sales and administrative costs	<u>0.0015</u>
Target Make Allowance	0.1662
Cost add-on calculation	
Target Make Allowance	0.1662
Existing Make Allowance	<u>-0.1570</u>
Cost of Production Change	0.0092
Maximum Cost Add-on	0.0092

Whey	
Weighted average cost, \$/pound:	
Cornell Study	0.1941
Sales and administrative costs	<u>0.0015</u>
Target Make Allowance	0.1956
Cost add-on calculation	
Target Make Allowance	0.1956
Existing Make Allowance	<u>-0.1956</u>
Cost of Production Change	0.0000
Maximum Cost Add-on	0.0000

Butter	
Weighted average cost, \$/pound:	
CDFA Study	0.1408
Cornell Study	0.1108
2006 volume, 1000 pounds	
California	448,590
U.S., other than California	<u>995,674</u>
U.S.	1,444,264
Weighted average cost per pound	
Before sales and administrative costs	0.1202
Sales and administrative costs	<u>0.0015</u>
Target Make Allowance	0.1217
Cost add-on calculation	
Target Make Allowance	0.1217
Existing Make Allowance	<u>-0.1203</u>
Cost of Production Change	0.0014
Maximum Cost Add-on	0.0014

EXHIBIT B

Federal Order Proposal submitted by Dairylea Cooperative Inc.

Amend section 1000.50 by adding a new section as follows:

(r) Manufacturing Surcharges. For the purposes of determining the NASS survey prices for this section, as reported by the Department, cost of production add-on surcharges, up to a maximum value as contained in part (1) of this section, shall not be included in the NASS survey prices.

(1) the maximum cost of production add-on surcharges shall be as follows:

- (i) cheese \$0.0xxx per pound;
- (ii) butter \$0.0xxx per pound
- (iii) whey powder \$0.0xxx per pound, and
- (iv) nonfat dry milk \$0.0xxx per pound

(2) To be excluded from the NASS survey price, cost of production factors must be shown on the appropriate invoice as a separately negotiated surcharge to the normal price charged on the invoice, up to the maximum amount as shown for such product pursuant to part (1), above. Failure to show the add-on as such will result in any such values being included in the NASS survey price.

Amend section 1000.53 (a) by adding a new section as follows:

(12) The rates as determined in 1000.50 (r) (1).