7196 Secret Garden Loop
Roseville, California 95747

June 15, 2008

Mr. David Ikari, Branch Chief
Dairy Marketing Branch
California Department of Food and Agriculture
1220 N Street
Sacramento, California 95814

Re: Hearing on July 1, 2008 to consider Amendments to the pooling plant for Market Milk and the Stabilization and Marketing plans for Market Milk for Northern California and Southern California Marketing Areas

Dear Mr. Ikari:

Land O' Lakes is submitting written testimony for the hearing on the technical amendments and on the transportation allowance and credit hearing which will be held on July 1, 2008. We have carefully reviewed the petition submitted by California Dairies Inc. and we support the changes they have offered to Section 921.2 of the Pooling Plan.

Our emphasis will be on milk shipped ranch to plant to the Southern California receiving area. We are in agreement with the petitioners for adjusting the mileage brackets. The technical amendments proposed by CDFA would change the mileage in California from the constructive miles used historically to the most current version of PC Miler. Because of the technical amendments, CDI proposed changes in the mileage brackets to accommodate the shift to the PC Miler program. These changes are not large but they are necessary because of the mileage adjustments from various counties to the Southern California receiving areas. Land O' Lakes supports CDI's changes in the mileage brackets.

Based upon our research, we also support the CDI's recommended changes in the transportation allowances for the Southern California receiving area. The petitioners stated that it is well known that fuel prices have increased dramatically since September 1, 2006. Land O' Lakes has always endorsed the principle that the transportation allowances should reflect the difference between the local haul to a manufacturing facility and the long distance haul to a Class 1 or 2 plant in the deficit market. We believe that the petitioners reflected that principle in the recommended changes in the transportation allowances. We agree that the transportation allowance of $.11 per cwt for the adjusted mileage bracket of zero through 79 miles should be changed to $.15 per cwt. We agree that for the adjusted mileage bracket of over 79 miles through 99 miles should be adjusted from $.37 per cwt to $.46 per cwt. We also agree that the adjusted mileage bracket of over 99 miles through 119 miles should be adjusted from $.56 per cwt to $.67 per cwt. This latter mileage bracket would apply to producers in the Bakersfield area to the Los Angeles area. Our research shows that the adjustment in the transportation allowance is necessary so ensure that producers in that area will be properly compensated for shipping milk into Class 1 plants in the Counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura counties.

CDI also proposed that for the adjusted mileage bracket of over 119 miles that the transportation allowance should be changed from $.70 per Cwt to $.84 per cwt. This particular transportation allowance is not enough to cover the difference between the local haul rate and the long distance haul to a class 1 or class 2 plant in Southern California. But that is acceptable. There has usually been a short fall in the transportation allowance for ranch to plant milk from the South Valley to Southern California. The closer in milk should be used first to service the fluid milk needs in the Southern California receiving area.

We do not object to the adjustments recommended in the mileage brackets or the recommended changes in the transportation allowances for plants located in the San Diego receiving areas.

Finally, we support the Dairy Institutes recommended adjustment in the transportation credit in Section 300.2 of the Stabilization and Marketing plans from Tulare to Los Angeles, Orange or Ventura Counties from $.73 per cwt to $.96 per cwt. The hauling rate is significantly higher than $.96 per cwt. Land O' Lakes has a customer in Southern California. Even if the transportation credit is adjusted by 23 cents per cwt, there will still be a shortfall of more than $.33 per cwt. It is not unusual to have a shortfall in the transportation credit for plant-to-plant milk movement from Tulare to the Southern California receiving area. The reason for the shortfall is encourage the utilization of the closest milk to the Southern California market.

One final comment may be appropriate. The latest recommended changes by CDI was dated on June 11, 2008. By July 1, 2008, there is the distinct likelihood that the hauling rates could be adjusted again. If so, and if CDI amends their recommended rate changes, Land O' Lakes would support those changes if they are cost justified. Again, we support the Dairy Institutes recommended change in the transportation credit from Tulare to Los Angeles, Orange and Ventura counties.

This concludes the written testimony.

Sincerely,

Original was signed by

James W. Gruebele
Consultant for Land O' Lakes, Inc