

Whey Review Committee
July 17, 2008

**Whey Review Committee
Meeting Notes***

July 17, 2008
Sacramento, California

MEMBERS PRESENT

Andrew Branagh
Scott Hofferber
Tony Mendes
Joe Paris
Bill Schiek
Ray Souza
Sue Taylor
Sietse (Sean) Tollenaar
William C. Van Dam
Geoffrey Vanden Heuvel
Tom Wegner
Mike McCully
John Jeter
Dr. Jim Morgan – Facilitator

MEMBERS NOT PRESENT

Scott Magnuson

DEPARTMENTAL STAFF PRESENT

Kelly Krug
John Lee
Dave Ikari
Jeff Cesca
Hyrum Eastman
Candace Gates
Annie Pelletier
Don Shippelhoue
Tom Gossard
A.G. Kawamura
Linda Berg-Gandara

PUBLIC GUESTS IN ATTENDANCE

Rachel Kaldor
Ana Dyrland
Jacob Schuelke
Rob Vandenheuvel
Bill Wise
Eric Erba
Mike Marsh

Opening Remarks / Introductions

Kelly Krug began the meeting at 9:45 a.m. by welcoming the Whey Review Committee (WRC) members. He asked that all persons in the room introduce themselves.

Mr. Krug then introduced Secretary A.G. Kawamura. A.G. thanked the WRC for their efforts. He realized the challenges of increasing input cost and not being able to include those costs in your return. This condition is representative of many commodities, not just dairy. He is dedicated to ensuring the profitability of both producers and processors.

Mr. Morgan, facilitator, then reviewed the agenda for the day, as well as the charter of the WRC.

Activities since last meeting (March 27th)

Mr. Morgan reviewed activities since the last meeting (March 27th). Each WRC member was to initiate discussions with other members of the committee and other interested parties on the top three alternatives (1, 5, and 8) to further flesh out these options. The goal was to develop one version of these 4b whey pricing alternatives that can receive WRC consensus for a recommendation to the Secretary.

Four data requests were received by CDFA and distributed since March 27th. The most recent was distributed on July 16th. Annie Pelletier, CDFA economist, presented information related to this most recent request. She answered questions from the WRC.

In July, Dairy Institute had also asked for CDFA assistance and analysis. Bill Sheik presented information on the request. He answered questions from the WRC.

Whey Inversion

Bill Van Dam presented a PowerPoint entitled "Inversion Issue and Solution" which highlighted that the values for whey products moved away from their traditional price correlation during 2007. Discussion ensued and Mr. Van Dam answered questions from the WRC.

Break

A short break was called at 10:45 a.m. The meeting resumed at 11:05 a.m.

Whey Inversion (continued)

Mr. Van Dam completed his presentation describing how his solution addressed the "Evaluation Criteria" developed by the WRC at the March 27th meeting.

As result of this presentation, the WRC made modifications to option #8 to correct the inversion issue:

- 1) No snubbers. No cap and no floor (either both or neither)
- 2) Make allowance based upon the cost of the four (4) smallest powder plants

WRC members did mention that there was no analysis available however to determine how these changes would impact the formula.

Lunch

Lunch was taken from Noon to 12:35 p.m.

Voting (Options 1, 5, 8)

Mr. Morgan then asked each member present to vote for *one of the four* options available: 1 or 5 or 8 (with modifications listed above) or “no change”.

Voting pads were handed out and CDFA staff tabulated the results as follows:

| | |
|---------------|------------------|
| Option #1 - | 0 votes |
| Option #5 - | 0 votes |
| Option #8 - | 5 votes |
| “No change” - | <u>8 votes</u> |
| | 13 votes tallied |

It was asked if a second vote could be performed whereas each WRC member would vote either “yes” or “no” on each alternative (1, 5, 8, or “no change”).

Voting pads were handed out and CDFA staff tabulated results. Committee members were asked separately if they would favor four different options and the results were:

| <u>Option</u> | <u>“YES”</u> | <u>“NO”</u> |
|---------------|--------------|-------------|
| Option #1 - | 2 votes | 11 votes |
| Option #5 - | 4 votes | 9 votes |
| Option #8 - | 6 votes | 7 votes |
| “No change” - | 9 votes | 4 votes |

Voting (Option 4)

Option #4 was discussed. This option is outside the charter of the group but asked to be voted upon and whether it should be included as a recommendation to the Secretary. The option was discussed and slightly reworded to the following:

“To create the opportunity for competition for producer milk between the current regulated system and a new regulated and/or unregulated system.”

Voting pads were handed out and CDFA staff tabulated the results as follows:

| | | |
|-------------|----------------|--------------|
| Option #4 - | 10 “YES” votes | 3 “NO” votes |
|-------------|----------------|--------------|

Whey Review Committee
July 17, 2008

Closure and Preparation of Final Report

Mr. Morgan asked for any comments from the public; one comment was received.

Kelly Krug said that a report would be prepared by CDFA staff for review before it is submitted to the Secretary.

The meeting adjourned at 1:45 pm.

Submitted By:

Jeff Cesca, Special Assistant
CDFA - Marketing Services

Date

* Revised version of notes