

Quota Review Committee Meeting Notes

July 27, 2007
Sacramento, California

MEMBERS PRESENT

Ann Silva - Chair
Domenic Carinalli
Ben Curti
Frank Faria
Frank Konyyn, Jr.
Steve Maddox
Brad Scott
Dennis Leondardi
Richard Shehadey

DEPARTMENTAL STAFF PRESENT

George Gomes, Undersecretary
Kelly Krug, Director
John Lee
Dave Ikari
Donald Shippelhoute
Candace Gates
Steven Donaldson
Nancy Hartman
Marie R. Caron-Lyles

Jim Morgan, Strategy Dynamics

MEMBERS ABSENT

Pete Vander Poel
Ray Veldhuis

PUBLIC GUESTS IN ATTENDANCE

Doug Maddox
Tiffany LaMendola
Diane Coderniz
John Migliazzo
Eric Erba

Glenn Gleason
Bill Van Dam
Jim Gruebele
Francis Pacheco
Mike Griffin

Opening: The Chair, Ann Silva, opened the meeting at 9:30 a.m. thanking the Quota Review Committee (QRC) for their ongoing efforts. Ms. Silva began the meeting with refreshing everyone with the purpose and summarized the previous meeting where options #3 was studied. The goal of this meeting was to review and reach conclusions on option #2, continue studying option #3, distill the conclusions of options 1, 2 and 3, and review the decision process. A review of the options is as follows:

- Option #1: Should the existing quota system continue without change?
- Option #2: Should the quota system be modified?
- Option #3: Should quota be retired?

As with the previous meeting Ms. Silva indicated that the facilitation portion of the meeting was QRC members input only. However, members of the public would be allowed to make comments for a period of time no longer than three minutes at the end.

Facilitation: Ms. Silva then turned the meeting over to facilitator Jim Morgan, who briefly discussed the facilitation process and the material that was updated in the meeting packet. Mr. Morgan also thanked the members and CDFA staff for their continued work efforts.

Review of QRC Goal: Mr. Morgan started the meeting with revisiting the QRC Goal (See Page 3 of the 07/27/07 Packet). As stated at the previous meetings, this goal was set for mid-August with the members in consensus agreement. The target was to finish as much as possible at this meeting but if that was not possible definitely by next week.

Informal Comments: A number of industry statements were clarified or expanded upon and Mr. Morgan stated the changes have been reflected in the assignment packet. It was noted the committee's contribution has been based on experience, knowledge and additional comments will be incorporated as received.

As part of the Committee's request, CDFA staff briefly revisited the RQA history and the historical spread between fixed \$1.70 Differential vs. a Variable Spread. A lengthy roundtable discussion was held regarding the relationship of RQA's to the pool and a brief discussion was held regarding the Referendum explanation in the assignment packet. After this discussion a QRC member commented on the positive education they have received and thanked CDFA staff for the better understanding of how RQA's were developed.

Homework Assignments: At the last meeting, members were asked to evaluate and comment on work efforts to date. In addition members were asked to evaluate and make comments for Section 5 (Option 2 Modifying Quota) and Section 6 (Option 3 Retiring Quota). Following the format set from previous meetings, Mr. Morgan and members continued a lengthy and productive discussion reaching consensus conclusions for each section or a ranking according to member votes. These conclusions and rankings will be reflected in the next packet.

Visitor Comments: Two visitors commented and clarified some issues on the historical difference in market areas, class prices and their historical relationship to the requirements of the Pool Plan. One visitor advised producers to fully review all factors when voting on changes to the Pool Plan, such as the McKinsey Report, or considering Quota buyout alternatives. Another visitor made a comment regarding picking a center point of quota prices and look at current price formula vs. past trends and price fluctuations. Another comment was made regarding a realistic evaluation when considering legislative changes to the Pool Plan, because the legislation process may take a year or two.

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Goal Timeline and Next Meetings: For the next meeting, August 9th, the committee requested CDFA to gather facts on Administrative & Legislative procedure, preliminary data complexities in issuing a bond, and any other possible financial ranges and or other municipalities.

The committee requested a draft summary to be generated by the facilitator. This summary would be a synthesis of the 3 primary options as developed by the QRC in meetings 1-5 and would assist the members in their decision making. It was made clear, that in providing the summary, the facilitator would not vote in the decision.

A goal of the next meeting was the decision process – QRC recommendation to the Secretary of the Department of Agriculture.

The Chair, Ann Silva, wanted each member to know they have contributed significantly to the value of the committee. Ann also stated, a recommendation was going to be the final challenge and each member brings an important perspective when forming a consensus.

At the close of the meeting, QRC members were distributed travel claims.

The meeting adjourned at 3:10 p.m.

Original Signed By

John Lee, Chief
Milk Pooling Branch