

**Valley
Fresh****Producers**
DAIRY FOODS, INC.MAILING ADDRESS: P.O. BOX 1231 • FRESNO, CA 93715-1231
STREET ADDRESS: 144 E. BELMONT • FRESNO, CA 93701-1406
PHONE (209) 264-6583

May 8, 2001

(Via Facsimile)
Mr. Dave Ikari
Branch Chief
Dairy Marketing Branch
Department of Food & Agriculture
1220 N Street, Room A-224
Sacramento, Ca 95814

Dear Mr. Ikari:

Please refer to the attached letter dated November 2, 2000. Please note that the same situation exists today.

I would appreciate your including our requests in your hearing folder for the upcoming hearings you have scheduled on June 28, 2001 in Ontario, CA and again on July 2, 2001 in Sacramento, CA.

As for the enclosed CDFA Exhibits I, II and III, because they are not current there may be some updated information available from the CDFA.

Thank you for your help in this matter and if you have any questions or concerns, please do not hesitate to call me.

Thank you.

Sincerely,



Richard A. Shehadey
President

RAS/dg

Encl.

Locally Owned



OVER
50 years
Producers
VALLEY FRESHNESS

From Local Farms

Valley
Fresh

Producers

DAIRY FOODS, INC.

MAILING ADDRESS: PO. BOX 1271 • FRESNO, CA 93716-1271
STREET ADDRESS: 114 E. BURLINGTON • FRESNO, CA 93701-1400
PHONE (209) 254-2520

November 2, 2000

BY FACSIMILE
916-657-2261

Mr. Dave Ikari
Branch Chief
Dairy Marketing Branch
Department of Food & Agriculture
1220 N Street, Room A-224
Sacramento, CA 95814

Dear Mr. Ikari:

As a concept for improvement to the transportation allowance system and to help move milk to the Class I plants in the major receiving areas, we propose the following:

Option I:

Being that Northern California is basically one market area today for both finished product and raw milk supplies, the current transportation allowance system should be eliminated and thus creating an equal playing field for all Class I processors. It is inequitable to have special incentives for some but not for all fluid processors.

Option II:

Add Fresno County to the qualified "receiving areas". This concept is only equitable since these plants are competing in the same market for raw product against the rapidly expanding number of cheese plants in the state, many within 50 miles of Fresno.

The two Class I plants in Fresno receive approximately 45,000,000 lbs. per month. If you apply an average of 12¢ per hundred weight of milk received, we are disadvantaged by \$54,000 per month in Fresno County.

In order to achieve equity with Sacramento, Shasta, Solano and the Bay Area receiving areas, Fresno County should be added as a qualified receiving area.

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over
50
Years of
Producers

From Local Farms

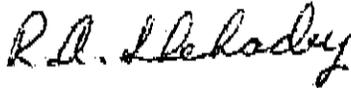
5-08-2001 7:29PM FROM PRODUCERS DAIRY FOOD 209 204 5033
Mr. Dave Ikari
November 2, 2000
Page Two

There is no need to re-state all the numbers as the CDFA has already done that.

Attached are some CDFA exhibits that show the impact of having Fresno included, based on various mileage schedules.

Thank you for your consideration of these proposals, hopefully an equitable solution can be achieved.

Sincerely,



Richard A. Shehadey
President

RAS/dg

Encl.

cc: Jim Costa
Chuck Poochigian
Mike Briggs

CDFA EXHIBIT I

Table 3. Average Cost of Operation per Month Using Various Ranch-to-Plant Rate Schedules and Potential Receiving Areas.

Receiving Areas <i>Major</i>	Estimated Cost Using Rate Schedule for... (see Table 1)				
	Sacramento	Solano	Southern California*	Southern California	Bay Area
Los Angeles	\$353,918	\$517,222	\$765,693	\$399,696	\$756,022
Bay Area	\$96,313	\$196,216	\$219,060	---	\$167,817
Sacramento	\$46,235	\$38,620	\$61,006	---	\$96,611
Solano	\$26,848	\$40,606	\$60,455	---	\$51,041
Fresno	\$44,460	\$55,250	\$55,250	---	\$98,341
San Diego	\$32,760	\$45,232	\$54,530	---	\$66,738
<i>Miscellaneous</i>					
Bakersfield	\$1,489	\$2,178	\$4,266	---	\$3,465
Guadalupe	\$2,804	\$3,891	\$6,598	---	\$6,475
Riverside	\$17,664	\$24,491	\$41,313	---	\$40,704
Chino	\$3,232	\$5,331	\$8,550	---	\$7,472
Petaluma	\$13,341	\$17,544	\$27,593	---	\$29,529
Modesto	\$10,254	\$15,745	\$34,353	---	\$24,441
Tulare	\$10,184	\$14,369	\$25,593	---	\$23,643
Major total	\$600,532	\$853,146	\$1,215,994	\$399,696	\$1,236,570
Misc Total	\$58,968	\$83,547	\$148,265	---	\$135,728
All Areas	\$659,500	\$936,692	\$1,364,259	---	\$1,372,297

*Average costs based on all eligible ranch-to-plant milk movements from June, September and December 1999 and March 2000.

*Los Angeles rate, modified. See Table 1 for details.

June, September and December 1999 and March 2000 actual transportation allowances averaged \$655.350 per month.

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CDEA EXHIBIT II

Ranch-to-Plant Rate Schedules and Costs of Operation for Various Receiving Areas

Table 1. Rate Schedules for Four Receiving Areas

Sacramento		Solano		Southern California (modified)		Bay Area	
Mileage Zone	Rate	Mileage Zone	Rate	Mileage Zone	Rate	Mileage Zone	Rate
0 - 60 miles	\$0.09	0 - 44 miles	\$0.11	0 - 44 miles	\$0.11	0 - 99 miles	\$0.20
> 60 miles	\$0.12	44.1 - 99 miles	\$0.16	44.1 - 74 miles	\$0.16	99 - 199 miles	\$0.24
		> 99 miles	\$0.21	74.1 - 149 miles	\$0.32	> 199 miles	\$0.30
				> 149 miles	\$0.58		
Receiving County: Sacramento		Receiving County: Solano		Receiving Counties: Orange, Ventura, Los Angeles		Receiving Counties: Marin, Contra Costa, Alameda, Santa Clara, San Francisco, Santa Cruz, San Mateo	
Status: Current		Status: Current		Status: Modification of current		Status: Current	

Table 2. Rate Schedule for Southern California
Receiving Area

Mileage Zone	Rate
0 - 74 miles	\$0.00
74.1 - 149 miles	\$0.32 ^{a,c}
74.1 - 149 miles	\$0.30 ^{a,c}
> 149 miles	\$0.58 ^{a,c}
> 149 miles	\$0.30 ^{a,c}

Receiving Counties: Orange, Ventura, Los Angeles

^a For Fresno, Kings, Kern and Tulare^b For all counties other than Fresno, Kings, Kern and Tulare^c \$0.00 if Imperial, Inyo, Los Angeles, Mono, Orange, Riverside, San Bernardino, San Diego, Ventura

Status: Current

CDFA EXHIBIT III

Percent of Milk Received at Class 1 Plants by Receiving Area and Mileage Bracket
Average distances based on all eligible ranch-to-plant milk movements from June, September and December 1999 and March 2000.

