

Analysis of Proposals for Transportation Credits

June 13, 2006 Workshop

In Preparation for the July 6, 2006 Hearing

Methodology

The alternative proposals for the transportation credit system were analyzed using data from the period beginning January 2005 and ending April 2006. The data was based on actual pounds of product using transportation credits.

Monthly Average Jan 2005 - April 2006 Pounds	
Condensed Skim *	4,460,444
Skim	7,452,073
Milk **	19,795,185

* The WUD proposal would eliminate condensed skim as an eligible product

** Milk Includes Whole, 2-10 and 1-11

The monetary impacts were generated by assuming the current, April 2006, credit rates were in effect for the entire analysis period. The proposed changes to these rates included:

- * Changing the rates for the credits
- * Eliminating condensed skim as an eligible product

This methodology assumes that historic patterns of milk movement would have remained unchanged under the new proposals.

Results

For January 2005 through April 2006, the average monthly transportation credits would have been:

- * \$108,152 under the current system
- * \$133,345 under the CDI proposal, an increase of \$25,193 (+23.3%)
- * \$110,839 under the Driftwood proposal, an increase of \$2,687 (+2.5%)
- * \$88,563 under the Western United proposal, a decrease of \$19,589 (-18.1%)

Table 100 - ESTIMATED IMPACT ANALYSIS - TRANSPORTATION CREDITS (plant-to-plant)

January 2005 - April 2006 Monthly Average

Costs based on current Class 1 differentials and various alternative rates for transportation credits.
The data in this table corresponds to Figure 100.

TOTAL AVERAGE MONTHLY VALUE OF CREDITS TO PROCESSORS

Current Rates

	Monthly Average Jan 2005 - April 2006	Tulare to	Tulare to	Kings/Fresno to	Merced/Stanislaus to	TOTAL CREDITS
	Orange, Riverside, San Bernardino, San Diego, and Ventura	LA, Orange, and Ventura	Riverside, San Bernardino, and San Diego	LA, Orange, San Diego	Alameda, San Francisco, Santa Clara	
Average Monthly Total	\$65,503	\$25,107	\$0	\$4,645	\$12,898	\$108,152

Estimated Impact of CDI Proposal

	LA to	TOTAL CREDITS
	Orange, Riverside, San Bernardino, San Diego, and Ventura	
Change to Credits	+ \$25,193	+ \$25,193
New Total Credits	\$90,696	\$133,345
Percentage Change	+ 38.5%	+ 23.3%

Estimated Impact of Driftwood Proposal

	Tulare to	TOTAL CREDITS
	LA, Orange, and Ventura	
Change to Credits	+ \$2,687	+ \$2,687
New Total Credits	\$27,793	\$110,839
Percentage Change	+ 10.7%	+ 2.5%

Estimated Impact of Western United Proposal

	LA to	Tulare to	Tulare to	Kings/Fresno to	Merced/Stanislaus to	TOTAL CREDITS
	Orange, Riverside, San Bernardino, San Diego, and Ventura	LA, Orange, and Ventura	Riverside, San Bernardino, and San Diego	LA, Orange, San Diego	Alameda, San Francisco, Santa Clara	
Change to Credits	-\$5,995	-\$4,597	\$0	\$0	-\$4,351	-\$19,589
New Total Credits	\$59,507	\$20,509	\$0	\$4,645	\$8,546	\$88,563
Percentage Change	-9.2%	-18.3%	0.0%	0.0%	-33.7%	-18.1%

Figure 100 - Estimated Impact Analysis
Total Value of Credits to Processors after Proposed Changes
In Monthly Averages, Jan 2005 - April 2006 Credits

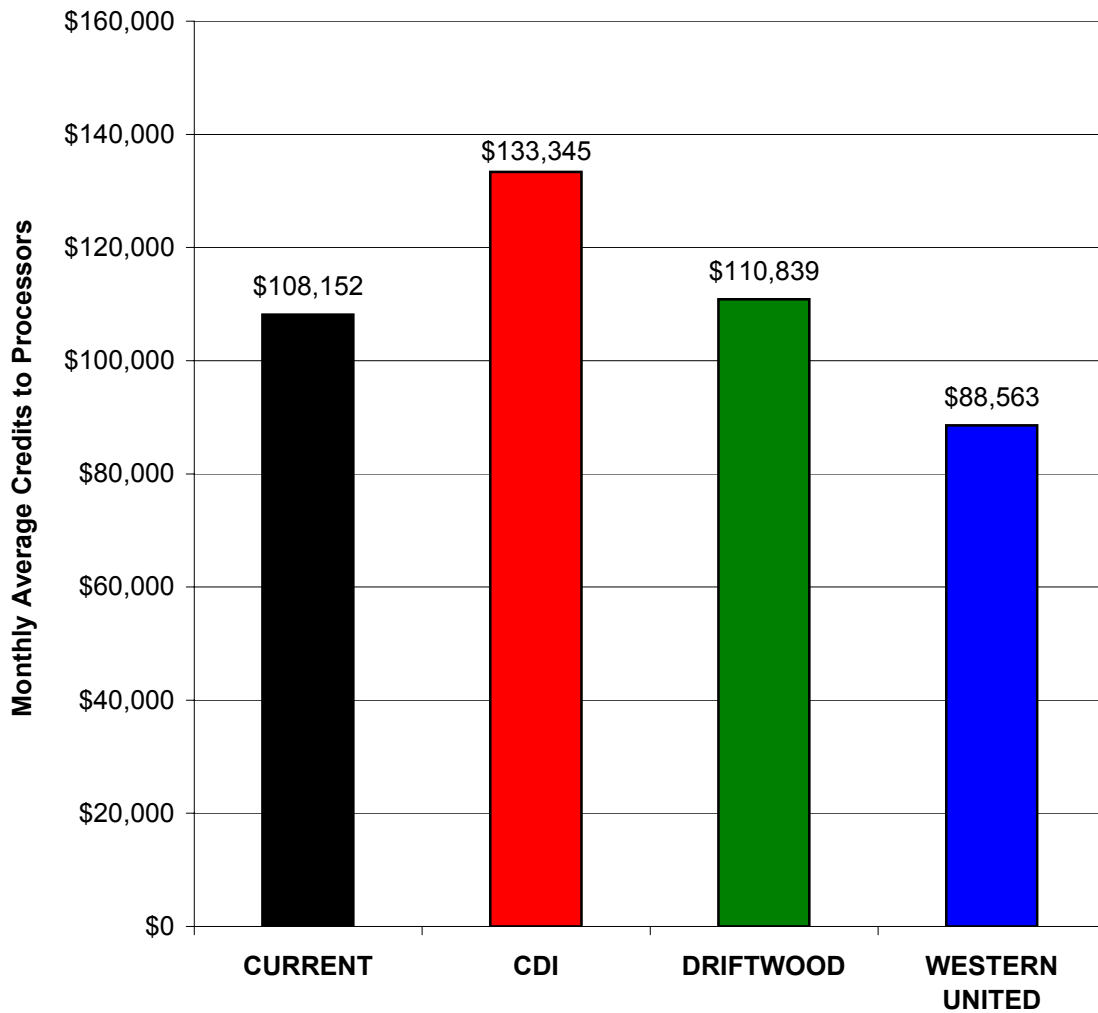


Figure 101 - Estimated Impact Analysis: CURRENT RATES
Transportation Allowances and Credits

Three alternatives for supplying 2-10 milk from Tulare County to So. Calif. counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants with 90% Class 1 utilization

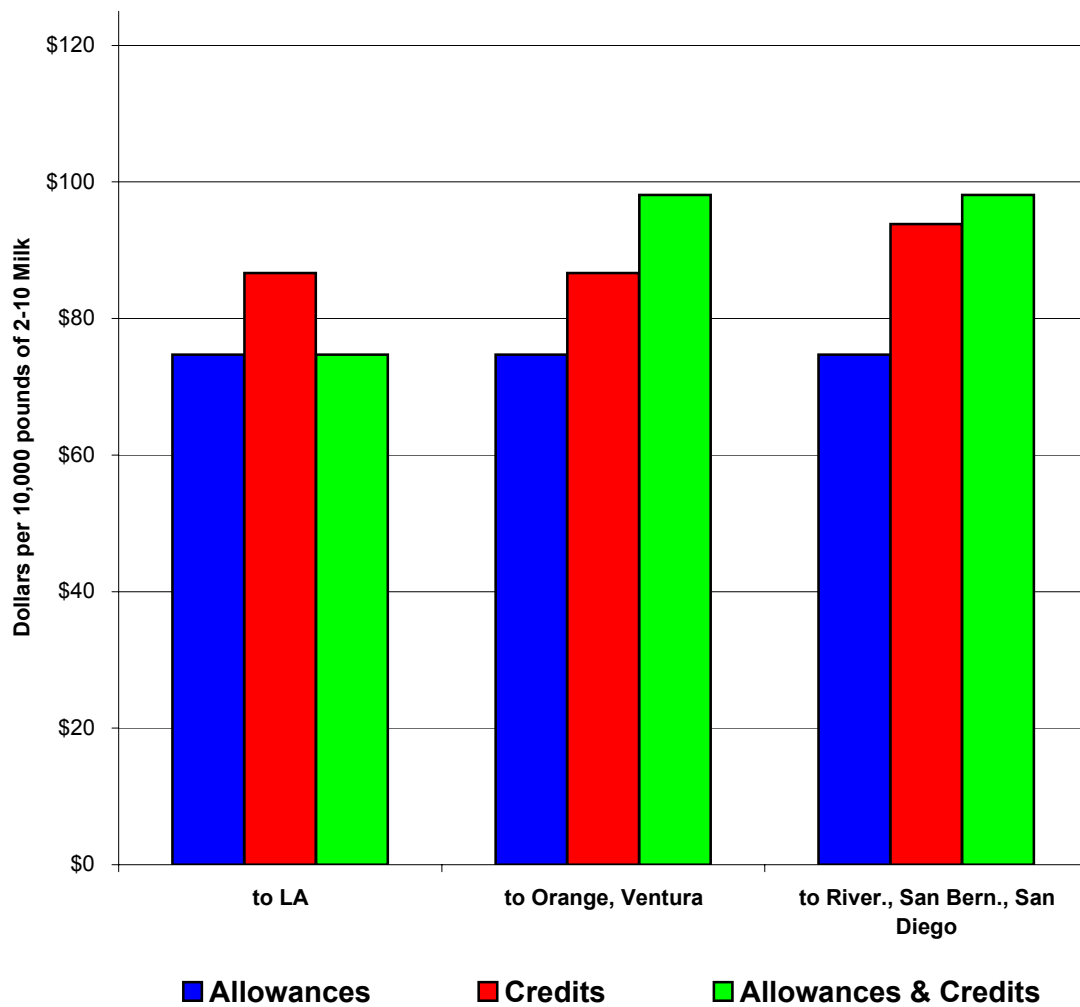


Figure 102 - Estimated Impact Analysis: CDI PROPOSAL
Transportation Allowances and Credits

Three alternatives for supplying 2-10 milk from Tulare county to So. Calif. Counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants with 90% Class 1 utilization

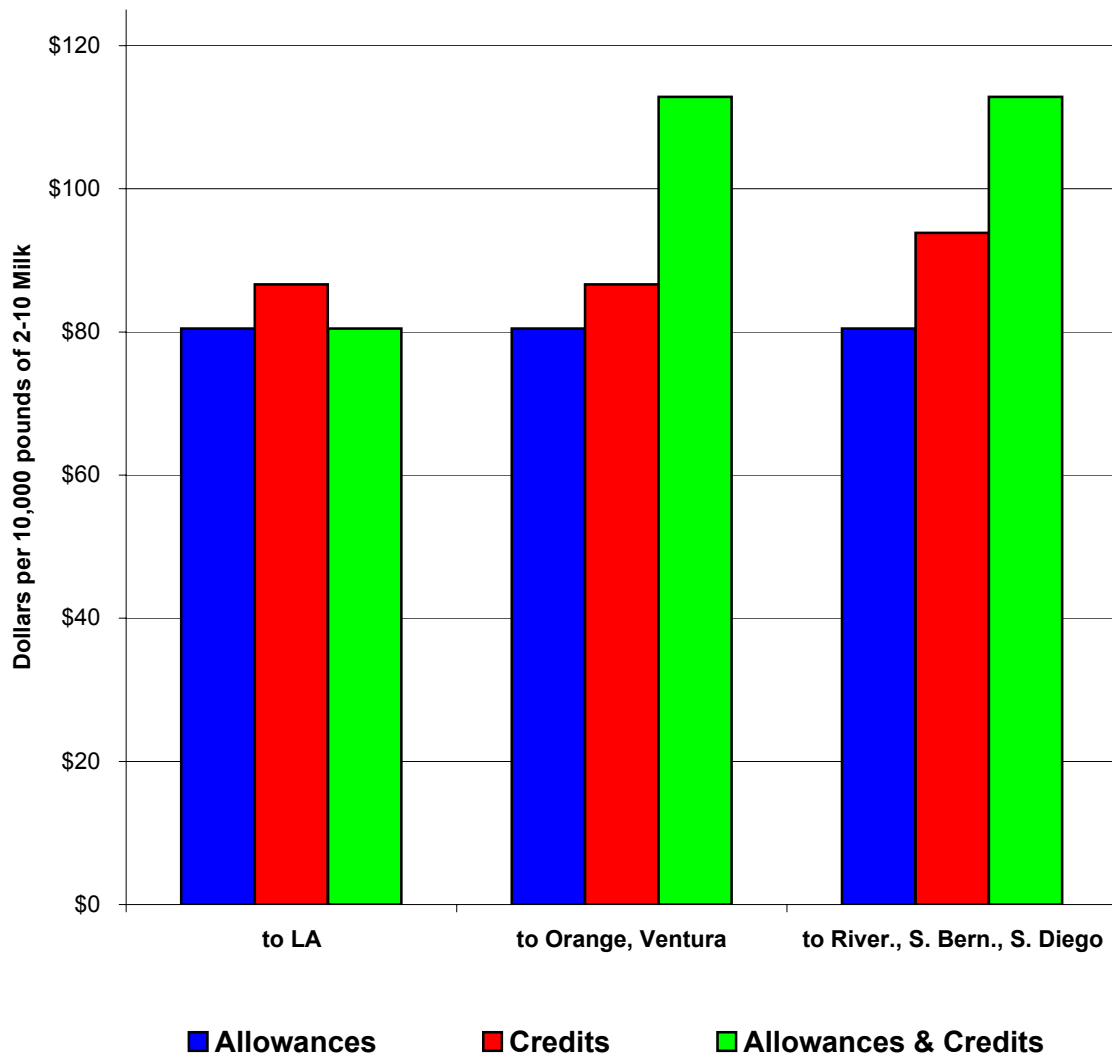


Figure 103 - Estimated Impact Analysis: DRIFTWOOD PROPOSAL
Transportation Allowances and Credits

Three alternatives for supplying 2-10 milk from Tulare county to So. Calif. Counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants with 90% Class 1 utilization

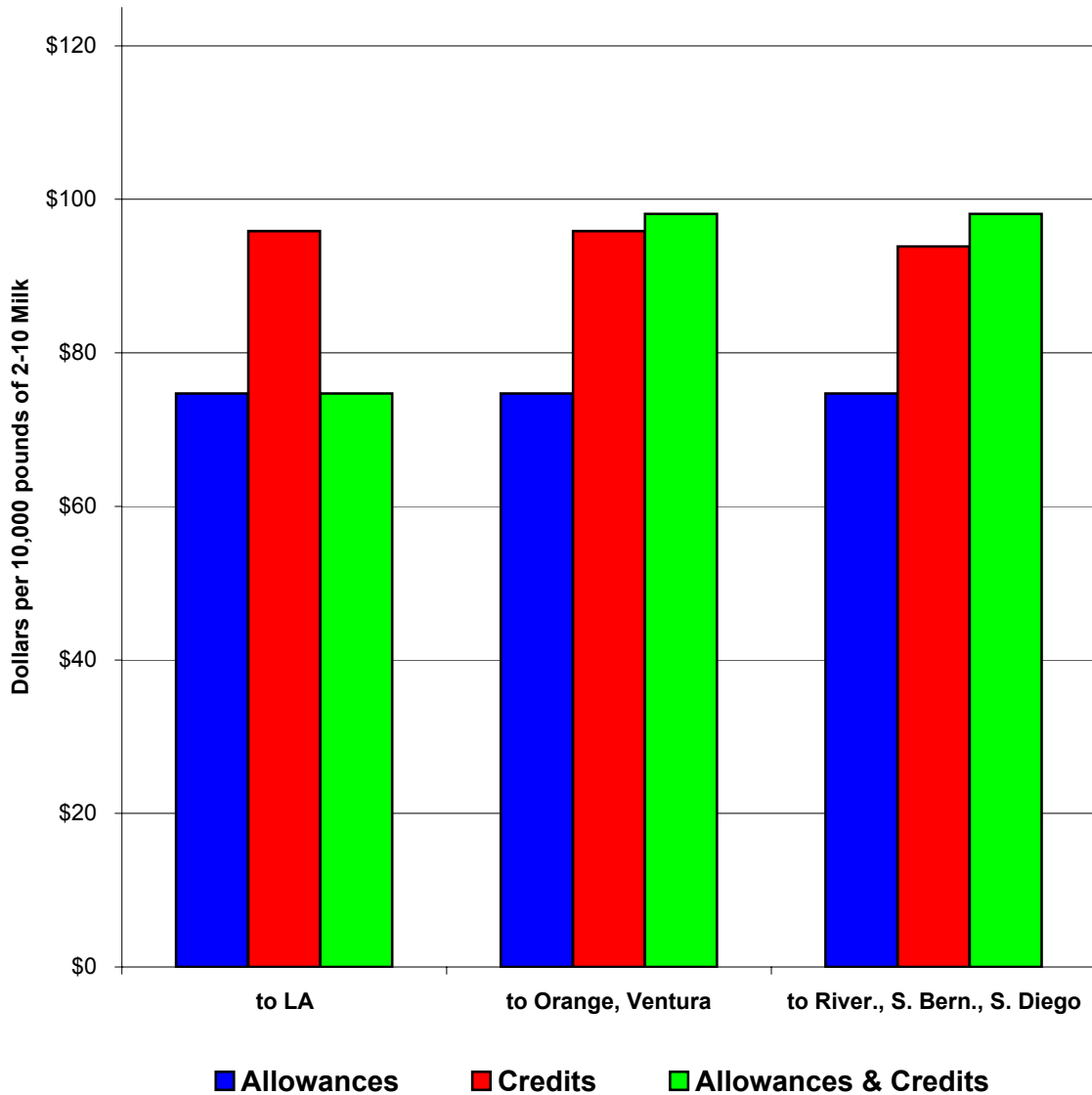


Figure 104 - Estimated Impact Analysis: SECURITY PROPOSAL
Transportation Allowances and Credits

Three alternatives for supplying 2-10 milk from Tulare county to So. Calif. Counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants with 90% Class 1 utilization

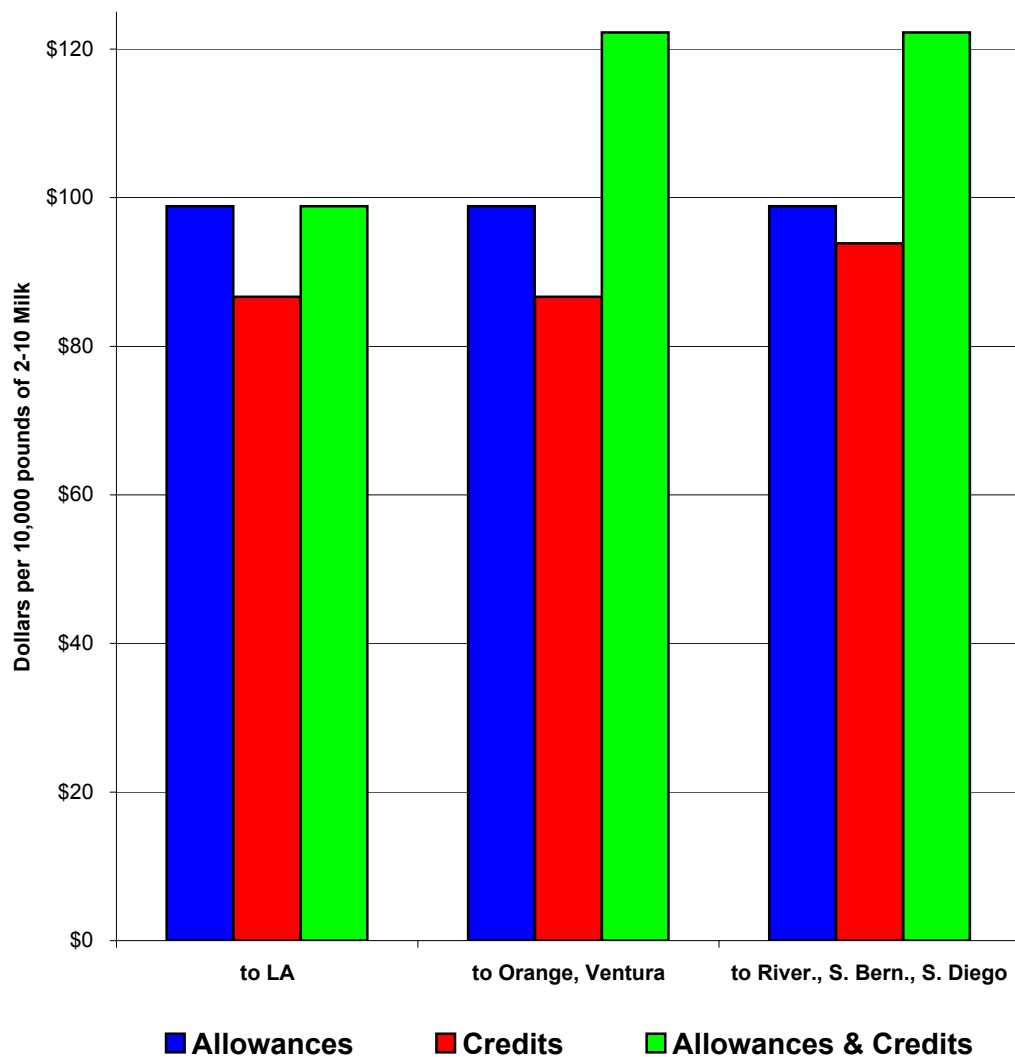


Figure 105 - Estimated Impact Analysis: DFA PROPOSAL
Transportation Allowances and Credits

Three alternatives for supplying 2-10 milk from Tulare county to So. Calif. Counties, assuming 11,494 pounds of ranch milk are needed to make 10,000 pounds of 2-10 milk for plants with 90% Class 1 utilization

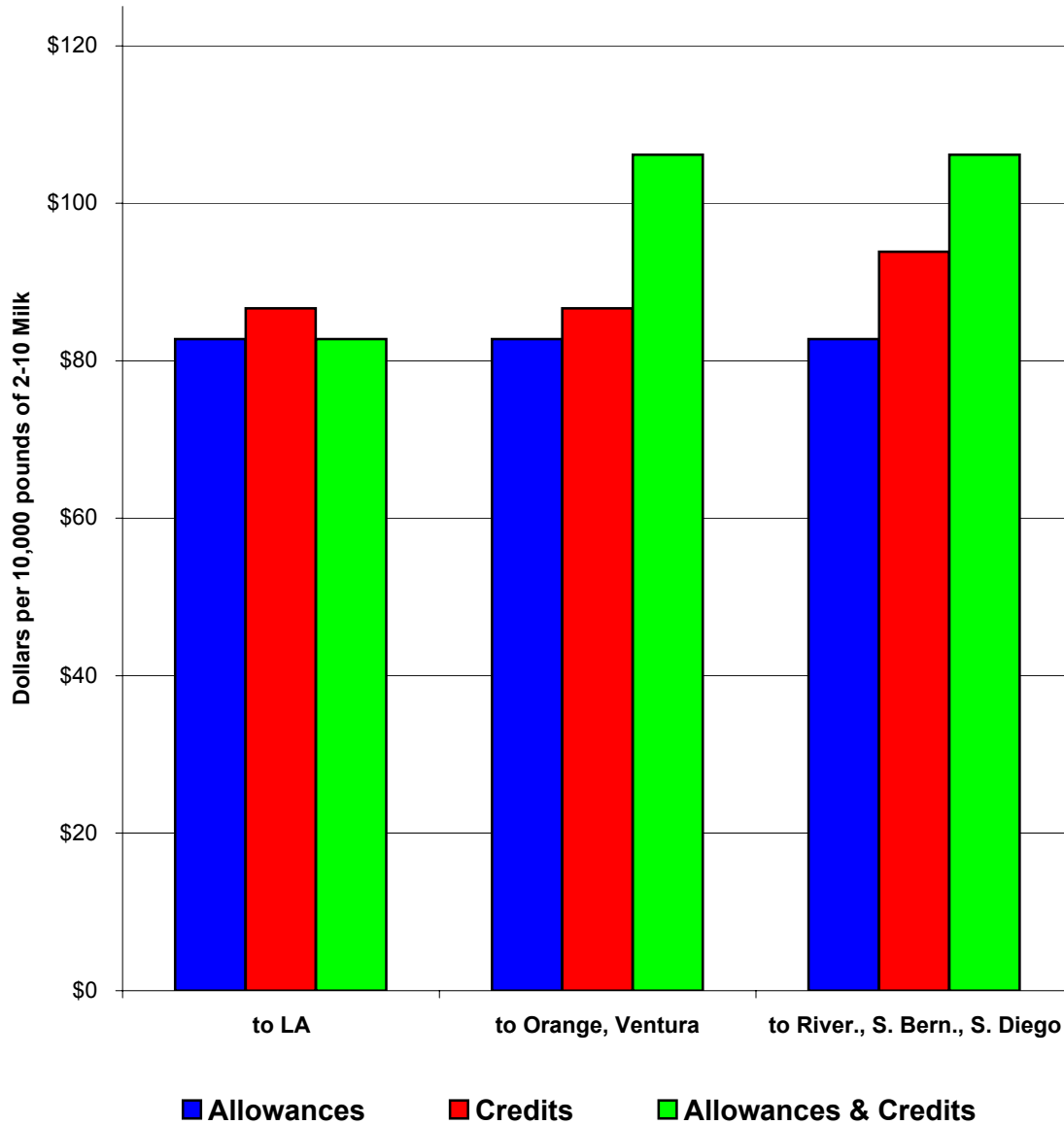
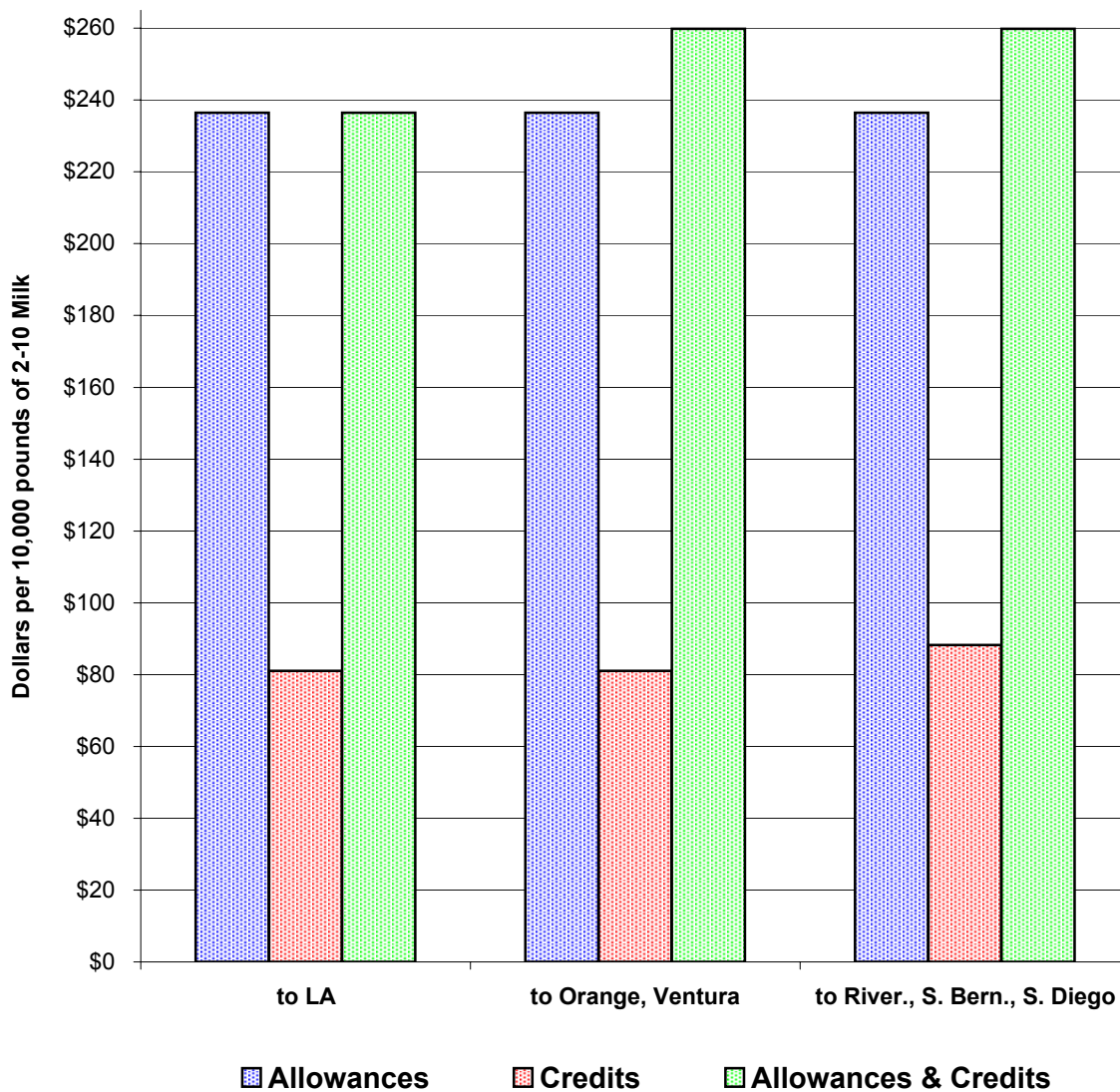


Figure 106 - ESTIMATED IMPACT ANALYSIS: Current Rates
CONDENSED SKIM: TRANSPORTATION ALLOWANCES AND CREDITS

Three alternatives for supplying condensed skim from Tulare county to So. Calif. Counties, assuming 36,377 pounds of ranch milk are needed to make 10,000 pounds of condensed skim for plants with 90% Class 1 utilization



**Table 101 - Estimated Impact Analysis: CURRENT RATES
Allowance and Credit Rates Compared**

Impacts of delivering 10,000 pounds of 2-10 milk to Southern California plants with 90% Class 1 utilization when the ranch milk originates in Tulare county.

The impacts are for transportation allowances, transportation credits, or a combination of the
The data in this table is displayed on *Figure 101*.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.65	\$0.65	\$0.65
Allowance Impact (\$/10,000 lb)	\$75	\$75	\$75
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$0.96	\$0.96	\$1.04
Credit Impact (\$/10,000 lb)	\$87	\$87	\$94
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.65	\$0.65	\$0.65
Allowance Impact (\$/10,000 lb)	\$75	\$75	\$75
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$23	\$23
Total Allowances plus Credit Impact (\$/10,000 lb)	\$75	\$98	\$98
indicates rates subject to change as a result of this hearing			

Source: Stabilization Plans, Pooling Plan and industry proposals.

Table 102 - Estimated Impact Analysis: CDI PROPOSAL
Allowance and Credit Rates Compared

Impact of delivering 10,000 pounds of 2-10 milk to Southern California plants with 90% Class 1 utilization when the ranch milk originates in Tulare county.

The impacts are for transportation allowances, transportation credits, or a combination of the two.

The data in this table is displayed on *Figure 102*.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.70	\$0.70	\$0.70
Allowance Impact (\$/10,000 lb)	\$80	\$80	\$80
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$0.96	\$0.96	\$1.04
Credit Impact (\$/10,000 lb)	\$87	\$87	\$94
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.70	\$0.70	\$0.70
Allowance Impact (\$/10,000 lb)	\$80	\$80	\$80
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.36	\$0.36
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.36	\$0.36
Credit Impact (\$/10,000 lb)	\$0	\$32	\$32
Total Allowances plus Credit Impact (\$/10,000 lb)	\$80	\$113	\$113
indicates changes from current rates			

Source: Stabilization Plans, Pooling Plan and industry proposals.

Table 103 - Estimated Impact Analysis: DRIFTWOOD PROPOSAL
Allowance and Credit Rates Compared

Impact of delivering 10,000 pounds of 2-10 milk to Southern California plants with 90% Class 1 utilization when the ranch milk originates in Tulare county.

The impacts are for transportation allowances, transportation credits, or a combination of the two.

The data in this table is displayed on *Figure 103*.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.65	\$0.65	\$0.65
Allowance Impact (\$/10,000 lb)	\$75	\$75	\$75
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.7925	\$0.7925	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$1.07	\$1.07	\$1.04
Credit Impact (\$/10,000 lb)	\$96	\$96	\$94
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.65	\$0.65	\$0.65
Allowance Impact (\$/10,000 lb)	\$75	\$75	\$75
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$23	\$23
Total Allowances plus Credit Impact (\$/10,000 lb)	\$75	\$98	\$98

indicates changes from current rates

Source: Stabilization Plans, Pooling Plan and industry proposals.

Table 104 - Estimated Impact Analysis: SECURITY PROPOSAL
Allowance and Credit Rates Compared

Impact of delivering 10,000 pounds of 2-10 milk to Southern California plants with 90% Class 1 utilization when the ranch milk originates in Tulare county.

The impacts are for transportation allowances, transportation credits, or a combination of the two.

The data in this table is displayed on *Figure 104*.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.86	\$0.86	\$0.86
Allowance Impact (\$/10,000 lb)	\$99	\$99	\$99
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$0.96	\$0.96	\$1.04
Credit Impact (\$/10,000 lb)	\$87	\$87	\$94
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.86	\$0.86	\$0.86
Allowance Impact (\$/10,000 lb)	\$99	\$99	\$99
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$23	\$23
Total Allowances plus Credit Impact (\$/10,000 lb)	\$99	\$122	\$122
indicates changes from current rates			

Source: Stabilization Plans, Pooling Plan and industry proposals.

Table 105 - Estimated Impact Analysis: DFA PROPOSAL
Allowance and Credit Rates Compared

Impact of delivering 10,000 pounds of 2-10 milk to Southern California plants with 90% Class 1 utilization when the ranch milk originates in Tulare county.

The impacts are for transportation allowances, transportation credits, or a combination of the two.

The data in this table is displayed on *Figure 105*.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.72	\$0.72	\$0.72
Allowance Impact (\$/10,000 lb)	\$83	\$83	\$83
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.27	\$0.27	\$0.27
Credit + Class 1 Differential (\$/cwt)	\$0.96	\$0.96	\$1.04
Credit Impact (\$/10,000 lb)	\$87	\$87	\$94
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.72	\$0.72	\$0.72
Allowance Impact (\$/10,000 lb)	\$83	\$83	\$83
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$23	\$23
Total Allowances plus Credit Impact (\$/10,000 lb)	\$83	\$106	\$106
indicates changes from current rates			

Source: Stabilization Plans, Pooling Plan and industry proposals.

**Table 106 - Estimated Impact Analysis: CURRENT RATES
CONDENSED SKIM: Allowance and Credit Rates Compared**

Impact of delivering 10,000 pounds of condensed skim to Southern California plants with 90% Class 1 utilization when the ranch milk originates in Tulare county.

The impacts are for transportation allowances, transportation credits, or a combination of the two.

The data in this table is displayed on *Figure 106*.

	to LA	to Orange Ventura	to River. S. Bern. S. Diego
Monthly Average Jan 2005 - April 2006			
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.65	\$0.65	\$0.65
Allowance Impact (\$/10,000 lb)	\$236	\$236	\$236
CREDITS: PLANT TO PLANT			
Credit Rate - Tulare (\$/cwt)	\$0.69	\$0.69	\$0.77
Class 1 Differential (\$/cwt)	\$0.21	\$0.21	\$0.21
Credit + Class 1 Differential (\$/cwt)	\$0.90	\$0.90	\$0.98
Credit Impact (\$/10,000 lb)	\$81	\$81	\$88
ALLOWANCES: RANCH TO PLANT			
Allowance Rate (\$/cwt)	\$0.65	\$0.65	\$0.65
Allowance Impact (\$/10,000 lb)	\$236	\$236	\$236
CREDITS: PLANT TO PLANT			
Credit Rate - Los Angeles (\$/cwt)	\$0.00	\$0.26	\$0.26
Class 1 Differential (\$/cwt)	\$0.00	\$0.00	\$0.00
Credit + Class 1 Differential (\$/cwt)	\$0.00	\$0.26	\$0.26
Credit Impact (\$/10,000 lb)	\$0	\$23	\$23
Total Allowances plus Credit Impact (\$/10,000 lb)	\$236	\$260	\$260

indicates rates subject to change as a result of this hearing

Source: Stabilization Plans, Pooling Plan and industry proposals.