

Hilmar Cheese Company

## **Post-Hearing Brief**

Concerning proposed changes in the Class 2, 3, 4a and 4b price formulac as provided in the Consolidated Stabilization and Marketing Plan considered at the June 1-2, 2006, hearing held by the California Department of Food and Agriculture in Sacramento, California.

Hilmar Cheese Company (HCC) is submitting this post-hearing brief to amplify its testimony and respond to questions that arose during the course of the hearing regarding Class 4b milk pricing.

### **Documentation of 2006 processing capacity issues**

Attached. This is by no means an exhaustive list of all communications within the industry about capacity issues this year. It is a sampling of discussions.

### **Projected cost of WPC-34% production**

As we addressed at the hearing, Hilmar Cheese Company's projected cost of processing WPC-34 is much higher than the 26 cents suggested by an alternative proposal. Because of proprietary pricing issues, we cannot share the exact amount of the WPC-34 projected cost, but it is approximately double the manufacturing allowance suggested by the alternative proposal.

Summary of Some Discussions Regarding Plant Capacities January 1-June 9, 2006

February 22, 2006—Meeting with Milk Receiving Manager

Getting input from haulers that [REDACTED] is dumping milk in North Bay

Would like to be able to take [REDACTED] milk they need to place, too high on milk inventories right now to be able to accept more outside milk

February 27, 2006—Phone call with [REDACTED]

Can they add additional loads to come to HCC April through December, want to place an additional six loads through December, production up

March 1, 2006—Phone call with [REDACTED]

Willing to wave premium on all milk April-July if they can get extra six loads in, we do not have room

March 2, 2006—Phone call with [REDACTED]

Can we take ½ load of milk; answer—no, we do not have room

March 22, 2006—Phone call with [REDACTED]

Can we take one load of milk for them; answer—no, we do not have room

April 5, 2006—Phone call with [REDACTED]

Can we take more than our contracted amount, their producer volume is up and they have no place to put the milk; answer—no, no room

April 11, 2006—Discussion with [REDACTED]

They have 35 loads too much for the week; willing to sell to us at under IPU to get rid of it; we can't buy at under IPU, so not interested

April 12, 2006—Phone call with [REDACTED]

Might need help in moving milk out of Orland, can move milk south, but nowhere to put it up north; answer—cannot commit, but will see if we have room when they need help

April 17, 2006—Phone call with [REDACTED] (out of state processor)

Only room for milk in the West is [REDACTED] and [REDACTED], [REDACTED] is buying condensed from South Valley, [REDACTED] is buying about 10 percent of its milk right now from CA at under class pricing

April 21, 2006—Phone call with [REDACTED]

What can they do to get above contracted volume into HCC; nowhere to put it until at least the end of June, they would be willing to contract through end of year to move more milk to us now

April 21, 2006—Phone call with Mel Lemos

Need help in Petaluma, too much milk for the number of milk truck routes, can we move it somewhere else?

May 12, 2006—Phone call with [REDACTED]

Can they extend current contract through the end of the year, they don't have anywhere else to go with it right now

June 6, 2006—Phone call with [REDACTED]

Contract extension?

Message

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**Patty Stroup**

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**From:** Patty Stroup  
**Sent:** Thursday, January 12, 2006 8:43 AM  
**To:** Art DeRooy  
**Cc:** John Jeter  
**Subject:** RE: [REDACTED] extra milk

-----Original Message-----

**From:** Art DeRooy  
**Sent:** Thursday, January 12, 2006 7:53 AM  
**To:** Patty Stroup  
**Subject:** RE: [REDACTED] extra milk

I called [REDACTED] this morning to acknowledge his message. [REDACTED]. This is an evaporator shutdown [REDACTED]. He also mentioned that he's trying to get to offering us more [REDACTED] because he's worried about their spring flush.

...Art

-----Original Message-----

**From:** Art DeRooy  
**Sent:** Wednesday, January 11, 2006 3:31 PM  
**To:** Patty Stroup  
**Subject:** [REDACTED] extra milk

[REDACTED] left a voicemail saying he has some extra milk from 1/31 - 2/19. [REDACTED]  
[REDACTED]  
[REDACTED]

...Art

**Patty Stroup**

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**From:** Patty Stroup  
**Sent:** Wednesday, January 25, 2006 2:43 PM  
**To:** Art DeRooy  
**Subject:** Fw:

FYI.

-----Original Message-----

**From:** Mel Lemos <MLemos@hilmarcheese.com>  
**To:** Patty Stroup <PStroup@hilmarcheese.com>  
**CC:** John Jeter <JJeter@hilmarcheese.com>  
**Sent:** Wed Jan 25 11:14:03 2006  
**Subject:**

Trucks are taking no less than two and half hours to get out of HCC and producers are calling with full tanks and have to stop milking. I called Superior and Cal-Western and they are using all the spare trucks they have . This also went on last night.

Mel

**Patty Stroup**

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**From:** Patty Stroup  
**Sent:** Thursday, January 26, 2006 3:11 PM  
**To:** Art DeRooy  
**Subject:** Fw: Update

-----Original Message-----

**From:** Mel Lemos <MLemos@hilmarcheese.com>  
**To:** Patty Stroup <PStroup@hilmarcheese.com>  
**CC:** John Jeter <JJeter@hilmarcheese.com>  
**Sent:** Thu Jan 26 15:09:22 2006  
**Subject:** Update

In past two days I have gotten 19 phone calls from dairymen about trucks being late from two to four. Most of the calls they kind of worked with us. But three dairies [REDACTED] come close to dumping milk. [REDACTED] had two full silos ( 7,000 each ) and cows in holding pen for one hour. Told him if truck didn't show up in next half hour to start dumping and truck showed up in twenty minutes. It was same thing with other two dairies. [REDACTED] The worst thing was that the drivers told the dairymen the reason they were late because of HCC buying too much outside milk. So then it was the same story from all of them that outside milk is more important to us than direct ship. [REDACTED] went the extra mile to try to pick up the dairymen with full tanks first and handle shippers who had room later. [REDACTED] doesn't have the resource that [REDACTED] has and they had a more difficult time.

Mel

Message

**Art DeRooy**

**From:** Art DeRooy  
**Sent:** Tuesday, March 07, 2006 5:21 PM  
**To:** Patty Stroup; zz - Milk Supervisors; John Barros; Larry Fillman; Phil Robnett  
**Cc:** John Jeter; Bill Kleiber  
**Subject:** Milk Availability Update

[REDACTED]

Outside milk calls still occur regularly. This week we turned down [REDACTED] and [REDACTED] and [REDACTED] don't bother calling anymore. [REDACTED] at [REDACTED] was explaining what a tough time they are having keeping tankers turning over to get back in the system. He agreed when I characterized their current plight as rolling silos. [REDACTED]

The plants have really stepped up to the plate and have brought inventories down to a much better level. Still no plans to purchase extra milk at any price until we get much lower. [REDACTED]

- 7-Mar [REDACTED]
- 8-Mar [REDACTED]
- 9-Mar [REDACTED]
- 10-Mar [REDACTED]
- 11-Mar [REDACTED]
- 12-Mar [REDACTED]
- 13-Mar [REDACTED]
- 14-Mar [REDACTED]
- 15-Mar [REDACTED]
- 16-Mar [REDACTED]
- 17-Mar [REDACTED]
- 18-Mar [REDACTED]
- 19-Mar [REDACTED]

Message

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**Art DeRooy**

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**From:** Art DeRooy  
**Sent:** Friday, March 24, 2006 6:02 PM  
**To:** Patty Stroup; zz - Milk Supervisors; John Barros; Larry Fillman; Phil Robnett  
**Cc:** John Jeter; Bill Kleiber  
**Subject:** Milk Availability Update

[REDACTED]

Renewed and urgent requests for help from [REDACTED] and [REDACTED] this week. Keep letting them know how full we are and can't risk helping them at this juncture. [REDACTED]

[REDACTED]

Message

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**Art DeRooy**

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**From:** Art DeRooy

**Sent:** Tuesday, March 28, 2006 6:52 PM

**To:** Patty Stroup; zz - Milk Supervisors; John Barros; Larry Fillman; Phil Robnett

**Cc:** John Jeter; Bill Kleiber

**Subject:** Milk Availability Update

[REDACTED]

Already got calls from [REDACTED] and [REDACTED] looking for homes for milk [REDACTED] is running well just too full; [REDACTED] is having plant problems in [REDACTED]. [REDACTED]

**Art DeRooy**

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**From:** Art DeRooy  
**Sent:** Friday, March 31, 2006 5:36 PM  
**To:** Patty Stroup; zz - Milk Supervisors; John Barros; Larry Fillman; Phil Robnett  
**Cc:** John Jeter; Bill Kleiber  
**Subject:** Milk Availability Update

[REDACTED]

Got renewed calls from help from [REDACTED] and [REDACTED] this week. [REDACTED]

**Art DeRooy**

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**From:** Art DeRooy

**Sent:** Wednesday, April 05, 2006 5:30 PM

**To:** Patty Stroup; zz - Milk Supervisors; John Barros; Larry Fillman; Phil Robnett

**Cc:** John Jeter; Bill Kleiber

**Subject:** Milk Availability Update

[REDACTED]

[REDACTED]

[REDACTED] Received calls from

[REDACTED] and [REDACTED] this weekend looking for room.

**Patty Stroup**

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**From:** Patty Stroup  
**Sent:** Wednesday, April 12, 2006 8:40 AM  
**To:** Art DeRooy  
**Subject:** RE: [REDACTED] call

Nice.

-----Original Message-----

**From:** Art DeRooy  
**Sent:** Wednesday, April 12, 2006 8:05 AM  
**To:** Patty Stroup  
**Subject:** [REDACTED] call

Heard from a [REDACTED] who is [REDACTED] counterpart desperate because [REDACTED] ran 6 hours short and then is taking a down day this week. I told her that I spoke with [REDACTED] already. She explained this was different milk [REDACTED]. She said they needed to move milk at any price. I explained that as I told [REDACTED] we were full currently, might have some room by the weekend, [REDACTED].

[REDACTED]

[REDACTED]

...Art

**Art DeRooy**

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**From:** Art DeRooy  
**Sent:** Friday, April 21, 2006 4:50 PM  
**To:** Patty Stroup; zz - Milk Supervisors; John Barros; Larry Fillman; Phil Robnett  
**Cc:** John Jeter, Bill Kleiber  
**Subject:** Milk Availability Update

[REDACTED]

Coop calls continue with an added call from [REDACTED] this week. [REDACTED]

**Patty Stroup**

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**From:** Patty Stroup  
**Sent:** Monday, May 01, 2006 3:30 PM  
**To:** Art DeRooy  
**Subject:** Re: [REDACTED] help

No. [REDACTED]

-----Original Message-----

**From:** Art DeRooy <aderoo@hilmarcheese.com>  
**To:** Patty Stroup <PStroup@hilmarcheese.com>  
**Sent:** Mon May 01 12:46:25 2006  
**Subject:** [REDACTED] help

[REDACTED] asked for help this week up to 3 loads per day this week (more [REDACTED] problems). I told him we have a little room but that in-plant pricing was a problem because we could get milk cheaper. I said I'd talk to you. Let me know.

...Art

**From:** [REDACTED]  
**Sent:** Thursday, May 11, 2006 9:48 AM  
**To:** Art DeRooy  
**Subject:** We're drowning, You?

Art,

I've been under the impression Hilmar is an exporter of milk these days but thought I should check. Without notice, we're 19 loads long next week and I'm looking for homes. If there's anything Hilmar can do, please let me know.

Thanks. [REDACTED]

**Art DeRooy**

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**From:** Art DeRooy  
**Sent:** Friday, May 12, 2006 5:21 PM  
**To:** Patty Stroup; zz - Milk Supervisors; John Barros; Larry Fillman; Phil Robnett  
**Cc:** John Jeter; Bill Kleiber  
**Subject:** Milk Availability Update

Direct ship is inching up now slightly [REDACTED]

[REDACTED]

Outside milk seemed to be more available with [REDACTED] calls from [REDACTED] (no loads for now) and [REDACTED] 24 loads). Getting 19 loads from [REDACTED] due to [REDACTED] plant down day. [REDACTED]

**Art DeRooy**

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**From:** Art DeRooy  
**Sent:** Friday, June 02, 2006 6:05 PM  
**To:** Patty Stroup; zz - Milk Supervisors; John Barros; Larry Fillman; Phil Robnett  
**Cc:** John Jeter; Bill Kleiber; Don Olson  
**Subject:** Milk Availability Update

Direct ship has jumped in last few days. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Availability seems to be growing. [REDACTED] continues to offer 20-30 loads @ [REDACTED] but had to turn back due to high inventories. [REDACTED] called offering milk for the whole month of June citing decreased [REDACTED] orders. I believe [REDACTED] and [REDACTED] continue to be long.

**Patty Stroup**

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From: Art DeRooy  
Sent: Friday, June 09, 2006 12:42 PM  
To: Patty Stroup  
Subject: FW: I'll be on vacation 6/13 - 6/28.

FYI

-----Original Message-----

From: [REDACTED]  
Sent: Friday, June 09, 2006 11:53 AM  
To: Art DeRooy  
Subject: RE: I'll be on vacation 6/13 - 6/28.

I knew you would be full, [REDACTED] been calling trying to sell off milk, I have 3 plants taking down time next week, otherwise I could help out.  
Have a good vacation

[REDACTED]

"Art DeRooy"  
<aderooy@hilmarch  
ese.com>

06/09/2006 11:47  
AM

[REDACTED]

"Patty Stroup"  
<PStroup@hilmarchese.com>

Subject  
RE: I'll be on vacation 6/13 -  
6/28.

To  
cc

Sorry. After our scare yesterday, we dropped about 40 vats and will need all next week to run inventories down. Check back next week with Patty.

...Art

-----Original Message-----

From: [REDACTED]  
Sent: Friday, June 09, 2006 11:44 AM  
To: Art DeRooy  
Cc: Patty Stroup  
Subject: Re: I'll be on vacation 6/13 - 6/28.

Do you have any homes for next week?

[REDACTED]