

SUMMARY OF PROPOSALS

June 13, 2006 Workshop
In Preparation for the
July 6, 2006 Hearing

Under statewide pooling, producers have an incentive to ship their milk to a local plant, which for most producers is a manufacturing plant instead of a more distant Class 1 plant. To encourage sufficient milk supplies for Class 1 plants, three methods currently exist: call provisions (1979), transportation credits (1981), and transportation allowances (1982). The current hearing only addresses the latter two.

Transportation Allowances

Transportation allowances partially compensate for the cost of hauling milk from a producer's ranch to qualified plants in designated receiving areas. They are funded from the producer pool.

Transportation allowances apply to some market milk moving from the dairy farm to processing plants. This occurs when the receiving plant is located in certain deficit areas and processes more than 50 percent of its production into Class 1, Class 2, and/or Class 3 products. All relevant economic factors are considered in setting allowances, including, but not limited to: (1) CDFA audited hauling costs; (2) distance considerations; (3) local alternative hauling costs; (4) encouragement of close-in milk to be shipped first; (5) local competition for milk; and (6) relative cost to the pool of milk moving under allowances and credits.

In addition, cooperative members receive transportation allowances on shipments to their cooperative plant, which is located in a deficit area, if that plant supplies 40 percent of its receipts for Class 1 usage.

Table 1 summarizes the current transportation allowances and the proposed changes by the petitioner and those submitting alternative proposals.

Transportation Credits

Transportation credits are reduction in the obligation handlers pay for Class 1 milk that partially compensates for the cost of hauling milk, and more recently condensed skim, assigned to Class 1 usage from plants in designated supply counties to plants in designated deficit counties. If the supply counties and deficit counties are in different marketing areas, the Class 1 area differentials are added to the transportation credit.

All relevant economic factors are considered in setting allowances, including, but not limited to: (1) CDFA audited hauling costs; (2) distance considerations; (3) encouragement of close-in milk to be shipped first; (4) competition for milk; and (5) relative cost to the pool of milk moving under allowances and credits.

Table 2 summarizes the current transportation credits and the proposed changes by the petitioner and those submitting alternative proposals.

SUMMARY OF PROPOSALS

CALIFORNIA DAIRIES, INC.

Transportation Allowances:

- Adopt the following transportation allowances for plants located in the following receiving areas:

Southern California Receiving Area (Los Angeles, Orange, Riverside, San Bernardino and Ventura):

For milk shipments from Santa Barbara, San Diego, Imperial, Kern, Tulare, Kings, and Fresno counties only:

0-89 miles	\$0.11/cwt.
*89-109 miles	\$0.32/cwt.
*109-139 miles	\$0.53/cwt.
Over 139 miles	\$0.70/cwt.

Milk shipments from San Bernardino and Riverside Counties:

**0-89 miles	\$0.11/cwt.
**Over 89 miles	\$0.32/cwt.

Milk shipments from all other counties:

**Over 139 miles	\$0.70/cwt.
------------------	-------------

San Diego Area (San Diego county):

*0-89 miles	\$0.11/cwt.
*Over 89 miles	\$0.32/cwt.

***Indicates mileage bracket changes**

****Indicates mileage bracket/rate change for shipments from specific areas**

Transportation Credits:

Make the following changes to transportation credits:

- Increase the transportation credit for shipments from the designated supply county of Los Angeles to: Orange, Riverside, San Diego, or Ventura Counties to \$0.36/cwt.

DRIFTWOOD DAIRY

Transportation Allowances:

- No proposed changes

Transportation Credits:

- Increase the transportation credit for shipments from the designated supply county of Tulare to Los Angeles, Orange, or Ventura Counties to \$0.7925/cwt.

WESTERN UNITED DAIRYMEN

Transportation Allowances:

- No proposed changes

Transportation Credits:

- Eliminate all transportation credits for the shipment of condensed skim milk.

SECURITY MILK PRODUCERS ASSOCIATION

Transportation Allowances:

- Increase the transportation allowances for plants located in the Southern California Area (Los Angeles, Orange, Riverside, San Bernardino, Ventura) as follows:

0-89 miles	\$0.11/cwt.
*89-109 miles	\$0.32/cwt.
*109-139 miles	\$0.62/cwt.
Over 139 miles	\$0.86/cwt.

*Indicates mileage bracket changes

Transportation Credits:

- No proposed changes

DAIRY FARMERS OF AMERICA

Transportation Allowances:

- Increase the transportation allowances for plants located in the following receiving areas:

Bay Area (Alameda, Contra Costa, Santa Clara, Santa Cruz, San Francisco, and San Mateo):

0-99 miles	\$0.27/cwt.
99-199 miles	\$0.34/cwt.
Over 199 miles	\$0.36/cwt.

North Bay Area (Marin, Solano, Sonoma):

0-44 miles	\$0.20/cwt.
44-99 miles	\$0.29/cwt.
Over 99 miles	\$0.35/cwt.

Sacramento Area (Sacramento County):

0-59 miles	\$0.15/cwt.
Over 59 miles	\$0.19/cwt.

Southern California Area (Los Angeles, Orange, Riverside, San Bernardino and Ventura):

0-89 miles	\$0.11/cwt.
*89-109 miles	\$0.36/cwt.
*109-139 miles	\$0.55/cwt.
Over 139 miles	\$0.72/cwt.

***Indicates mileage bracket changes**

Transportation Credits:

- No proposed changes

Table 1 - PROPOSED CHANGES TO TRANSPORTATION CREDITS: *Plant-to-Plant Security and DFA proposals would not affect transportation credits.*

Area differentials based on whole milk \$0.27 = \$0.0031x87.8; for skim the differential would be \$0.28 = \$0.0031x90.9; for condensed skim \$0.21 = \$0.0031x68.0

SUPPLY COUNTIES	DEFICIT COUNTIES		CURRENT SINCE APR 2006	CDI Proposal	Driftwood Proposal	WUD Proposal 1/
Los Angeles	Orange, Riverside, San Bernardino, San Diego and Ventura	Differential	0.00	0.00	0.00	0.00
		Credit	0.26	0.36	0.26	0.26
		Total	\$0.26	\$0.36	\$0.26	\$0.26
Tulare	Los Angeles, Orange, and Ventura	Differential	0.27	0.27	0.27	0.27
		Credit	0.69	0.69	0.7925	0.69
		Total	\$0.96	\$0.96	\$1.06	\$0.96
	Riverside, and San Diego	Differential	0.27	0.27	0.27	0.27
		Credit	0.77	0.77	0.77	0.77
		Total	\$1.04	\$1.04	\$1.04	\$1.04
Kings and Fresno	Los Angeles, Orange, and Ventura	Differential	0.27	0.27	0.27	0.27
		Credit	0.72	0.72	0.72	0.72
		Total	\$0.99	\$0.99	\$0.99	\$0.99
	Riverside, and San Diego	Differential	0.27	0.27	0.27	0.27
		Credit	0.80	0.80	0.80	0.80
		Total	\$1.07	\$1.07	\$1.07	\$1.07
Sonoma	Alameda, San Francisco and Santa Clara	Differential	0.00	0.00	0.00	0.00
		Credit	0.27	0.27	0.27	0.27
		Total	\$0.27	\$0.27	\$0.27	\$0.27
Merced and Stanislaus (part)	Alameda, San Francisco and Santa Clara	Differential	0.00	0.00	0.00	0.00
		Credit	0.38	0.38	0.38	0.38
		Total	\$0.38	\$0.38	\$0.38	\$0.38

^{1/} WUD does not propose any rate changes, only the elimination of condensed skim as an eligible product.

Shaded area indicates rate change

Table 2 - PROPOSED CHANGES TO TRANSPORTATION ALLOWANCES: Ranch-to-Plant
Driftwood and Western United Dairymen proposals would not affect transportation credits

	CONSTRUCTIVE MILES		Current since April 2006	CDI Proposal	Security Proposal	DFA Proposal	
<i>In Dollars Per Hundredweight</i>							
Bay Area Receiving Area ^{1/}	0	to 99	\$0.26	\$0.26	\$0.26	\$0.27	
	99	to 199	\$0.31	\$0.31	\$0.31	\$0.34	
	199	+	\$0.32	\$0.32	\$0.32	\$0.36	
North Bay Receiving Area ^{2/}	0	to 44	\$0.19	\$0.19	\$0.19	\$0.20	
	44	to 99	\$0.26	\$0.26	\$0.26	\$0.29	
	99	+	\$0.31	\$0.31	\$0.31	\$0.35	
Sacramento Receiving Area	0	to 59	\$0.14	\$0.14	\$0.14	\$0.15	
	59	+	\$0.17	\$0.17	\$0.17	\$0.19	
Shasta Receiving Area ^{3/}	0	to 29	\$0.13	\$0.13	\$0.13	\$0.13	
	29	to 49	\$0.16	\$0.16	\$0.16	\$0.16	
	49	+	\$0.19	\$0.19	\$0.19	\$0.19	
San Diego Receiving Area	0	to 89	\$0.10	\$0.11	\$0.10	\$0.10	
	89	to 139	\$0.43	\$0.32	\$0.43	\$0.43	
	139	+	\$0.65	\$0.32	\$0.65	\$0.65	
Southern California Receiving Area ^{4/}	0	to 89	\$0.10				
	89	to 122	\$0.20				
	122	to 139	\$0.52				
	139	+	\$0.65				
	0	to 89			\$0.11	\$0.11	
	89	to 109			\$0.32	\$0.36	
	109	to 139			\$0.62	\$0.55	
	139	+			\$0.86	\$0.72	
	Southern California Receiving Area from seven designated counties	0	to 89		\$0.11		
		89	to 109		\$0.32		
109		to 139		\$0.53			
139		+		\$0.70			
from San Bernardino and Riverside counties	0	to 89		\$0.11			
	89	+		\$0.32			
from all other counties	0	to 89		-			
	89	to 109		-			
	109	to 139		-			
	139	+		\$0.70			

- 1/ Alameda, Contra Costa, San Francisco, San Mateo, Santa Clara, and Santa Cruz Counties.
2/ Marin, Solano and Sonoma counties.
3/ Transportation Allowances for the Shasta Receiving Area have not been used since mid 1996.
4/ Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties.

Shaded area indicates rate change or mileage bracket change