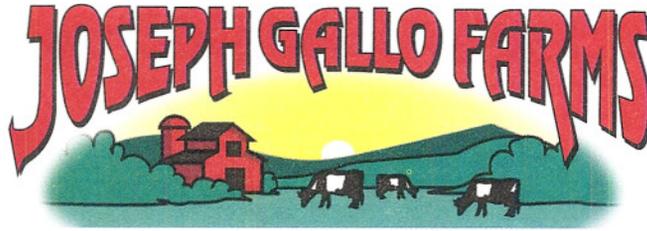


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October 15, 2007

**Post-Hearing Brief
On behalf of**

Gallo Cattle Company, d.b.a. Joseph Gallo Farms

**Hearing to Consider Amendments to the California Milk Stabilization
Plan and the California Milk Pooling Plan for 4a and 4b Milk**

Held October 10 & 11, 2007

Based on Testimony Given by

Joe E Paris

Gallo Cattle Company Consultant

Post-Hearing Brief

Hearing to Consider Amendments to the California Milk Stabilization Plan & California Milk Pooling Plan

October 10 & 11, 2007

Joseph Gallo Farms wishes to thank the Department of Food and Agriculture for the opportunity to file this post-hearing brief.

1. Joseph Gallo Farms strongly supports the petition submitted by the California Dairy Institute. We took no position on the proposal submitted by F & A Dairy, et. al. in the hearing but we do support their proposal in this post-hearing brief if the department rejects the California Dairy Institute proposal. We take no position on the California Dairies, Inc. proposal at this time.
2. Joseph Gallo Farms strongly opposes the proposals submitted by Western United Dairymen, et.al., and Humboldt Creamery. As stated in our testimony, these proposals are discriminatory on their faces and will open CDFA to legal action if adopted. We also do not support the proposal proffered by Land O' Lakes.
3. It is our opinion that the greatest need for California milk producers is increased processor capacity. This can only be accomplished when processing milk into cheese and other milk products is profitable. The huge increases in the dry whey price used in the 4b formula have made it impossible for most cheese plants to be profitable. Although Joseph Gallo farms produces whey protein isolate (WPI), the input cost of milk through the 4b price, left Gallo more than \$2.00 cwt. short in being able to recoup our costs through the marketing of our cheese and whey products. The WPI market has not moved in a like relationship with the dry whey price.
4. Joseph Gallo Farms operates its own dairies. Gallo balances their cheese plant milk needs by either selling milk when our supply is long or by purchasing milk from other handlers when our needs are short. This has not been a problem in past years. In 2007 we have found our milk needs long in most months. We have increased culling in our own herds but have also needed to sell milk at times. Due to the huge milk supply in California and the lack of increased processing capacity, we have been forced to ship milk into Arizona at a transportation cost in excess of \$4.00 cwt. In addition, the price received for the milk was \$2.22 cwt. below the Federal Order Class IV price.

5. Most cheese plants buy some or all of their milk from cooperatives. If the whey price is removed from the 4b formula, cooperatives can negotiate extra premiums from the processor based on the value of whey. Independent producers will be paid higher premiums due to the market competition from the cooperatives in the field.

6. In the June 2006 4b hearing, Land O' Lakes submitted an alternative proposal that was rejected. This proposal might be a good compromise position at this time. The make allowance for whey would be set at the current rate and the whey factor split evenly between producers and processors. The formula would read as follows:

Article III

Section 300

(E) (1) (c) The price per hundredweight computed by the formula using the dry whey price, less a manufacturing cost allowance of twenty-six and seven tenths cents (\$0.267) plus .5 times (whey price minus \$0.267), all multiplied by a yield factor of 5.8.

Again we thank you for the opportunity to file this post-hearing



Joe E. Paris, Gallo Consulting