

Dairy Institute

Of California

June 3, 2008

The Honorable A.G. Kawamura, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

Re: Alternative Proposal for the July 1, 2008 Hearing on Transportation Allowances and Credits

Dear Secretary Kawamura:

The attached extracts from the current Pooling Plan and Stabilization and Marketing Plans for Northern California and Southern California contain Dairy Institute's proposed amendments to transportation allowances and credits. These proposals respond to the revised Notice of Public Hearing dated May 9, 2008. The Department of Food and Agriculture called the hearing on its own motion and expanded the hearing scope in response to a petition from California Dairies, Incorporated (CDI).

Description of requested changes:

The proposed changes to the pooling plan would increase transportation allowances in most areas of the state. We continue to advocate the principle that transportation allowances should be based on the difference between the cost of the local haul and the cost of the longer haul to deficit markets. The changes we propose utilize the rates set forth in CDI's petition reflecting its actual costs for moving milk from ranch to plant. Those transportation allowance rates in Northern California that were not addressed by CDI have been increased in our proposal by the same order of magnitude as proposed by CDI for other Northern California areas.

The proposed changes to the transportation credits are based on the cost of the haul (less any area price differential) as reported in the Department's October 2007 Hauling Cost Survey. It is important to note that fuel costs have escalated rapidly in recent months. As such, we expect to make changes to our proposed rates for both transportation allowances and credits as new hauling cost data become available prior to the July 1st hearing.

Sincerely,

William Schiek
Economist

cc G. Gomes, Undersecretary
Kelly Krug
David Ikari
John Lee

Proposed Changes to the Pooling Plan for Market Milk

Article 9.2 Transportation Adjustments for Ranch to Plant Shipments

Section 921.2 Transportation allowances shall be calculated on the constructive miles from the dairy farm to the location of the plant of first receipt, subject to Sections 921 and 921.1, and shall apply to all pool milk.

The following rates shall be utilized in calculation of the allowances:

(a) For plants located in the Bay Area receiving area, which shall consist of the counties of Alameda, Contra Costa, Santa Clara, Santa Cruz, San Francisco, and San Mateo:

- (1) From zero through 99 miles ~~\$0.27~~ **\$0.31** per CWT
- Over 99 miles through 199 miles ~~\$0.34~~ **\$0.38** per CWT
- Over 199 miles ~~\$0.36~~ **\$0.40** per CWT

(b) For plants located in the Sacramento receiving area, which shall consist of the County of Sacramento:

- (1) From zero through 59 miles ~~\$0.15~~ **\$0.19** per CWT
- Over 59 miles ~~\$0.20~~ **\$0.24** per CWT

(c) For plants located in the Shasta receiving area, which shall consist of the County of Shasta:

- (1) From zero through 29 miles \$0.13 per CWT
- Over 29 miles through 49 miles \$0.16 per CWT
- Over 49 miles \$0.19 per CWT

(d) For plants located in the North Bay receiving area, which shall consist of the counties of Marin, Solano, and Sonoma:

- (1) From zero through 44 miles ~~\$0.19~~ **\$0.23** per CWT
- Over 44 miles through 99 miles ~~\$0.29~~ **\$0.33** per CWT
- Over 99 miles ~~\$0.34~~ **\$0.38** per CWT

(e) For plants located in the Southern California receiving area, which shall consist of the counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura:

(1) For shipments from the Barstow Supply Area, which shall consist of the counties of Riverside and San Bernardino:

- a. From zero through 89 miles ~~\$0.11~~ **\$0.15** per CWT
- b. Over 89 miles ~~\$0.37~~ **\$0.43** per CWT

(2) For shipments from all other counties:

- a. From zero through 89 miles ~~\$0.11~~ **\$0.15** per CWT

- b. Over 89 miles through 109 miles ~~\$0.37~~ **\$0.43** per CWT
- c. Over 109 miles through 139 miles ~~\$0.56~~ **\$0.63** per CWT
- d. Over 139 miles ~~\$0.70~~ **\$0.80** per CWT

(f) For Plants located in the San Diego receiving area, which consists of the county of San Diego:

- (1) From zero through 89 miles ~~\$0.11~~ **\$0.15** per CWT
- Over 89 miles through 139 miles \$0.43 per CWT
- Over 139 miles ~~\$0.70~~ **\$0.80** per CWT

Proposed Changes To the Marketing and Stabilization Plans for Northern and Southern California

Section 300.2. Each handler located in counties designated herein as a supply county may deduct from the applicable minimum prices pursuant to Section 300.0, Paragraph (A), a transportation credit for quantities of market milk, market skim milk, and condensed skim milk shipped in bulk form to a plant located in a designated deficit county. Shipments of market cream are excluded from such transportation credits. However, only for the three months of August, September and October 2003, shipments of condensed skim milk are excluded from such transportation credits. Such deduction shall not exceed the amounts shown for such bulk transfers in the following schedule:

Maximum Deduction		
Designated Supply County	Per Cwt.	Designated Deficit Counties
Los Angeles County	\$0.37 \$0.59	Orange, Riverside, San Bernardino, San Diego, or Ventura Counties
Tulare County	\$0.73 \$0.96	Los Angeles, Orange or Ventura Counties
Tulare County	\$0.81 \$1.14	Riverside, San Bernardino or San Diego Counties
Fresno and Kings Counties	\$0.76 \$0.96	Los Angeles, Orange or Ventura Counties
Fresno and Kings Counties	\$0.84 \$1.14	Riverside, San Bernardino or San Diego Counties
Sonoma County	\$0.27	Alameda, San Francisco or Santa Clara Counties
Merced County and that portion of Stanislaus County lying south of the standard parallel between Township 3 South and Township 4 South, Mount Diablo Meridian	\$0.38 \$0.67	Alameda, San Francisco or Santa Clara Counties

<p>Merced County and that portion of Stanislaus County lying south of the standard parallel between Township 3 South and Township 4 South, Mount Diablo Meridian</p>	<p>\$0.20 \$0.73</p>	<p>Sacramento</p>
<p><i>Merced County and Stanislaus County</i></p>	<p>\$0.73</p>	<p><i>Solano and Sonoma Counties</i></p>