

California Farmers Union



November 12, 2009

Hearing Officer
The Dairy Marketing Branch
CDFA
1220 N Street
Sacramento, CA 95814
Email: dairy@cdfa.ca.gov
Fax: 916-654-0867

Dear Mr. Hearing Officer:

The following is a post-hearing brief from the November 9, 2009, CDFA emergency hearing on all classes submitted by the California Dairy Campaign (CDC) and the California Farmers Union.

We would like to state for the record that we found the manner by which CDFA Dairy Marketing Chief David Ikari questioned CDC and CFU members and staff to be hostile and combative. Many of the points he raised for clarification could have been more adequately addressed if he had behaved in a less confrontational and aggressive manner. We found it especially disconcerting that he chose to take an argumentative approach with individuals representing producer organizations. It became obvious by his manner that Mr. Ikari is not an impartial member of the panel and should not be involved in the decision making process from this point forward.

Mr. Ikari became fixated on the line in our testimony that stated, "Due to the current pricing system, California dairy producers do not benefit from this important safety net that was intended to aid producers in California and around the country."

The line immediately after that line explains our intent in making that statement. The next line reads, "We call on CDFA to correct this inequity so that producers in California receive the higher of the prevailing market price or the USDA announced federal support purchase price."

A decision by CDFA in 2003 confirmed the fact that California dairy producers do not benefit from this important safety net. On March 20, 2003 CDFA announced that it would include the federal support price for butter NFDM and cheddar cheese as floors to their respective commercial commodity prices in the 4a and 4b pricing formulas. In the DETERMINATIONS document relating to that decision it states, *"The Secretary agrees with supporters of flooring the commodity prices for butter, nonfat powder and Cheddar cheese at the federal support purchase prices. The intent of the federal dairy price support program is such that milk prices*

should not fall below the target price range if the program is functioning correctly. During times when commodity prices are extremely weak, California producers should be afforded a safety-net support price for their milk that is based on the federal support purchase prices..."

Producer prices have been much weaker in 2009 than in previous years. For this reason a price floor at the federal support purchase prices is vital.

Again due to Mr. Ikari's hostile and combative manner it was difficult to ascertain what exactly he was asking about in his series of questions about the federal support purchase price program. Due to the lack of clarity caused by his hostile manner, we will provide background information about the federal support purchase program.

Please find the definition of the dairy support purchase price program from ExpectMore.gov which was developed by the U.S. Office of Management and Budget and Federal agencies.

Is the program purpose clear?

Explanation: The Agricultural Adjustment Act of 1933, as amended by the Agricultural Act of 1949 and subsequent bills, authorized the first surplus purchases of dairy products. The stated purpose of the program was to ensure an adequate supply of milk and a level of farm income to maintain productive capacity sufficient to meet future needs. The current program, hereafter referred to as Milk Price Support Program (MPSP), was reauthorized in the Farm Security and Rural Investment Act of 2002 (the Act), which extended the program through 2007. The purpose of the program is to support the price of milk in order to ensure an adequate supply of milk and a level of farm income to maintain productive capacity sufficient to meet future needs.

Question about the graph showing the accumulated losses of dairy producers: The graph was produced from data extracted from the California Dairy Information Bulletin, specifically the Class and Pool Prices and the Milk Production Cost Comparison Summary pages. When creating the chart, Scott Magnuson subtracted the average blend price from the cost less \$.20 to arrive at a monthly income or loss. That amount was multiplied times a monthly production estimate for an average dairy, using 600 cows producing 60 pounds of milk each, multiplied by the number of days in a month divided by 100. The monthly profit or loss was added to the previous months profit or loss to show an accumulated financial position.

Question by Mr. Ikari regarding the variable make allowance proposal: Mr. Ikari suggested that our proposal for a variable make allowance would not cover the costs of any butter plants in the state. Due to the fact that CDFA only ran data for one year and it showed no plants covering their costs, we chose to include a longer timeframe to illustrate the validity of our variable make allowance proposal. We included a graph on page 6 of our testimony that shows the make allowance levels over that time period.

Furthermore, the current pricing formulas do not take into account the increased yields enjoyed by processors. The yields are substantially higher than reflected in the current pricing formulas. The increased yields combined with set make allowance guarantees a return to processors while producers have no such guarantee. The market for mozzarella cheese is far

greater and more profitable than the market for cheddar cheese, yet the producer price is based on the cheddar cheese market.

Due to hostile and combative manner exhibited Mr. Ikari, it was difficult to adequately address the points he raised during the hearing. Had Mr. Ikari behaved in a more respectful manner, we could have provided much of the information included in our post-hearing brief during the hearing.

Although we sent out numerous notices to our members about the hearing, few producers were willing to participate because they believed it unlikely that CDFA would consider their views. Mr. Ikari confirmed this long-held belief during Monday's hearing.

Sincerely,



Joaquin Contente
President
California Farmers Union



Joe Augusto
President
California Dairy Campaign