

Analysis of Proposals for Transportation Credits

January 11, 2006 Workshop

In Preparation for the January 31, 2006 Hearing

Methodology

The alternative proposals for the transportation credit system were analyzed using data from two 12-month periods: (a) November 2003 to October 2004, and (b) November 2004 to October 2005. The data was based on actual pounds of product using transportation credits during the two year time period:

	2003-04 Pounds	2004-05 Pounds
Condensed Skim *	41,681,621	51,324,957
Skim	70,333,193	82,996,782
Milk **	391,916,038	226,317,098

* The WUD proposal would eliminate condensed skim as an eligible product

** Milk Includes Whole, 2-10 and 1-11

The monetary costs were generated by putting in different “filters” as proposed in the petition (revised December 21), the alternative proposals, and as currently exists in the Stabilization Plans. The changes included:

- * Changing the rates for the credits
- * Eliminating condensed skim as an eligible product

This methodology assumes that historic patterns of milk movement would have remained unchanged under the new proposals.

Results

For the 12 months ending October 2004, the total cost of the transportation credit system would have been:

- * \$4.40 million dollars under the current system
- * \$4.77 million dollars under the CDI proposal, an increase of \$0.37 million (+8.3%)
- * \$4.41 million dollars under the Hollandia proposal, an increase of \$0.01 million (+0.2%)
- * \$4.17 million dollars under the WUD proposal, a decrease of \$0.23 million (-5.3%)

For the 12 months ending October 2005, the total cost of the transportation credit system would have been:

- * \$1.40 million dollars under the current system
- * \$1.48 million dollars under the CDI proposal, an increase of \$0.08 million (+5.9%)
- * \$1.44 million dollars under the Hollandia proposal, an increase of \$0.04 million (+2.8%)
- * \$1.17 million dollars under the WUD proposal, a decrease of \$0.22 million (-16.0%)

Table 1 - PROPOSED CHANGES TO TRANSPORTATION CREDITS: *Plant-to-Plant*

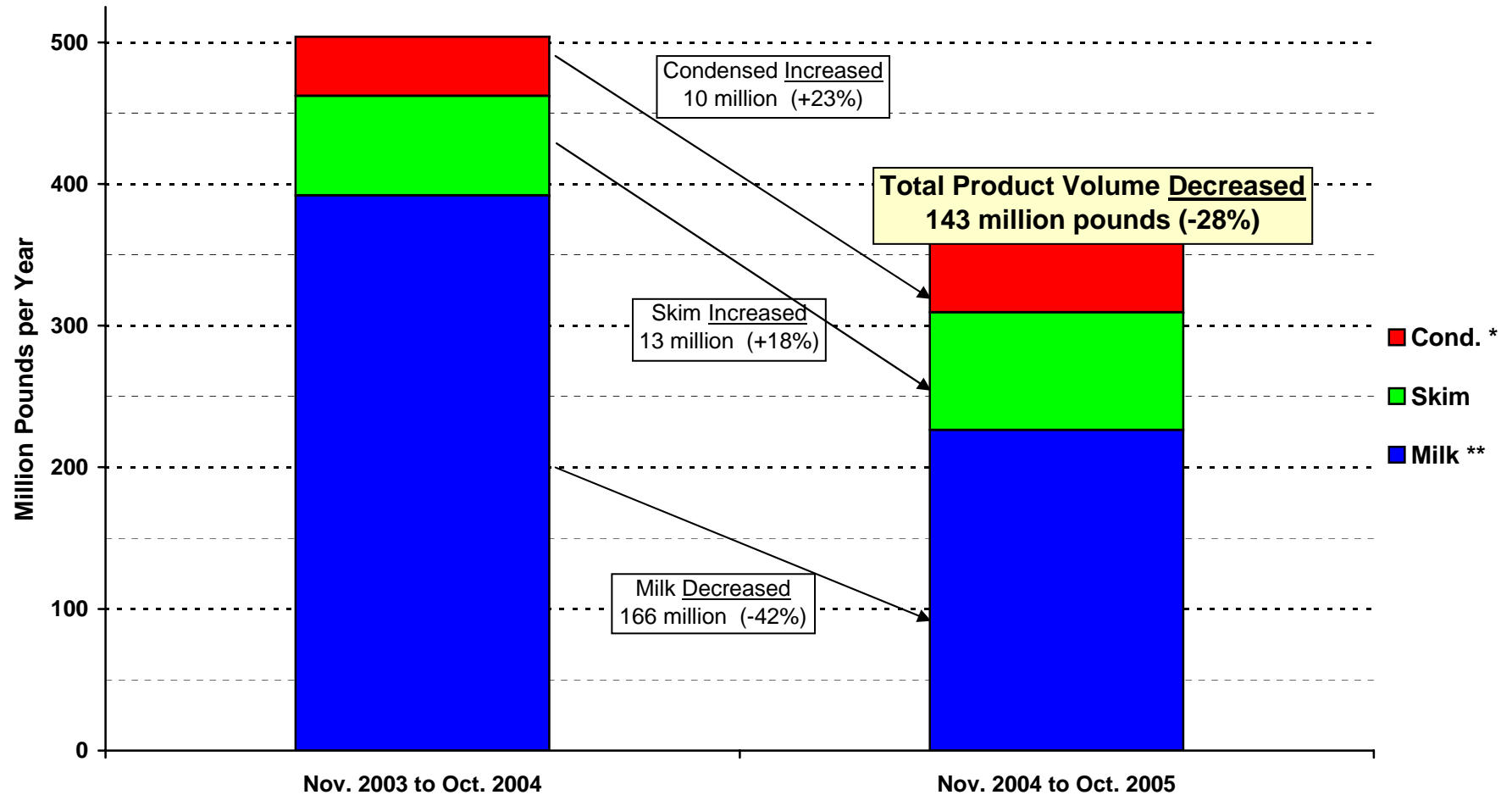
The proposals from Security Milk Producers and DFA did not include changes to Transportation Credits. Area differentials based on milk: \$0.27 = \$0.0031x87.8, for skim the differential would be \$0.28 = \$0.0031x90.9, for condensed skim \$0.21 = \$0.0031x68.0

SUPPLY COUNTIES\DEFICIT COUNTIES			CURRENT SINCE Aug 2003	Range of Hauling Rates from CDFA Study for August	CDI PROPOSAL (revised Dec. 21)	HOLLANDIA PROPOSAL	WUD PROPOSAL 1/
Los Angeles	Orange, Riverside, and Ventura	Differential	0.00		0.00	0.00	0.00
		Credit	0.34		0.36	0.34	0.34
		Total	\$0.34	0.52 to 0.58	\$0.36	\$0.34	\$0.34
	San Diego	Differential	0.00		0.00	0.00	0.00
		Credit	0.34		0.36	0.60	0.34
		Total	\$0.34	0.50	\$0.36	\$0.60	\$0.34
Tulare	Los Angeles, Orange, and Ventura	Differential	0.27		0.27	0.27	0.27
		Credit	0.60		0.68	0.60	0.60
		Total	\$0.87	1.08 to 1.10	\$0.95	\$0.87	\$0.87
	Riverside, and San Diego	Differential	0.27		0.27	0.27	0.27
		Credit	0.68		0.76	0.68	0.68
		Total	\$0.95		\$1.03	\$0.95	\$0.95
Kings and Fresno	Los Angeles, Orange, and Ventura	Differential	0.27		0.27	0.27	0.27
		Credit	0.63		0.70	0.63	0.63
		Total	\$0.90		\$0.97	\$0.90	\$0.90
	Riverside, and San Diego	Differential	0.27		0.27	0.27	0.27
		Credit	0.71		0.78	0.71	0.71
		Total	\$0.98		\$1.05	\$0.98	\$0.98
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	0.53	\$0.38	\$0.38	\$0.38

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

Figure 1 - VOLUME OF MILK BY TYPE USING TRANSPORTATION CREDITS - Plant-to-Plant

Two year period, November 2003 to October 2005



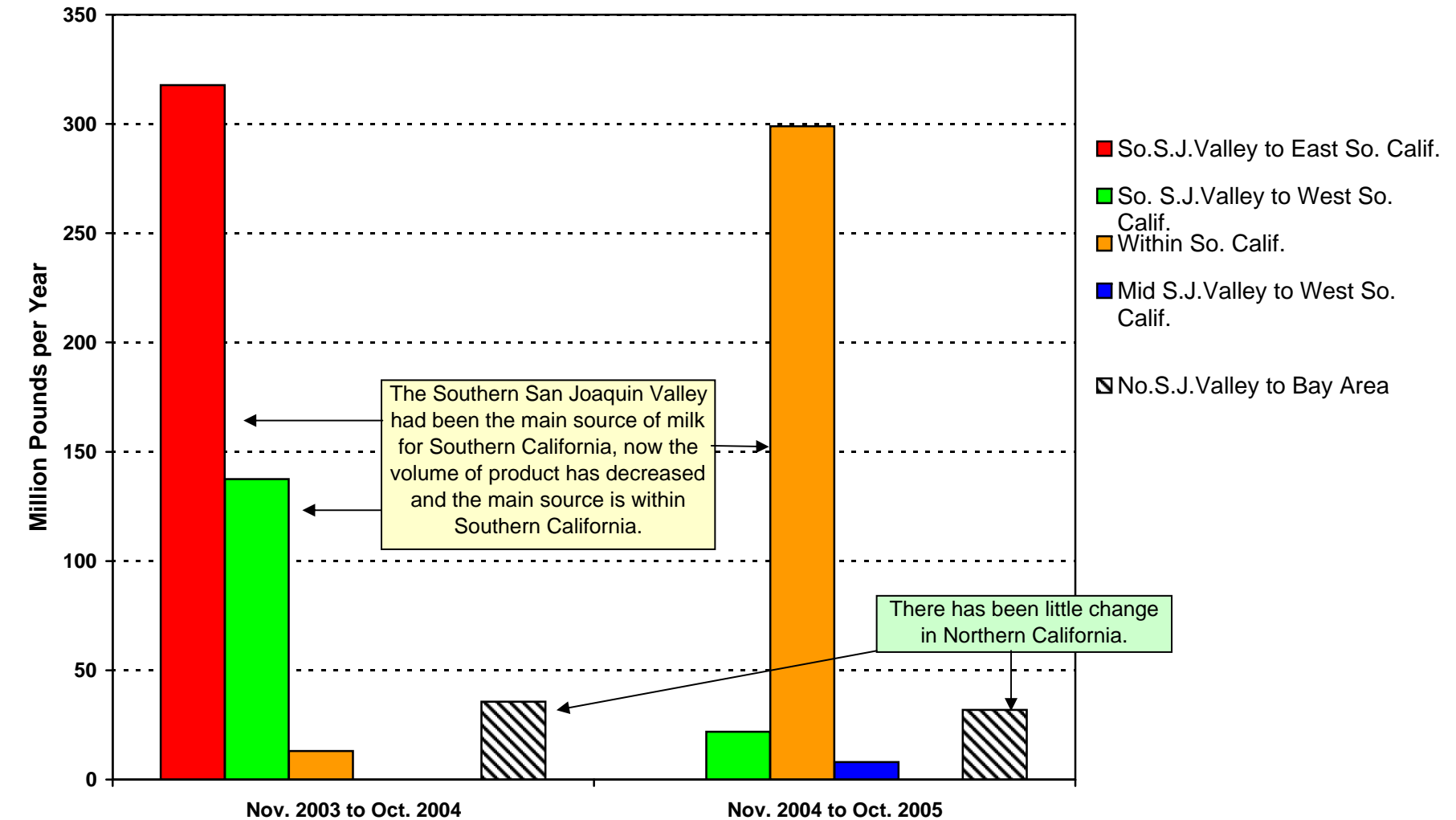
*The WUD proposal would eliminate condensed skim as an eligible product

**Milk Includes Whole, 2-10 and 1-11

Data source: CDFA-MPB Form 801

Figure 2 - VOLUME OF MILK BY AREA USING TRANSPORTATION CREDITS - Plant-to-Plant

Two year period, November 2003 to October 2005.



Data source: CDFA-MPB Form 801

Figure 3 - UNIT COST OF MILK BY TYPE USING TRANSPORTATION CREDITS - Plant-to-Plant

Two year period, November 2003 to October 2005.

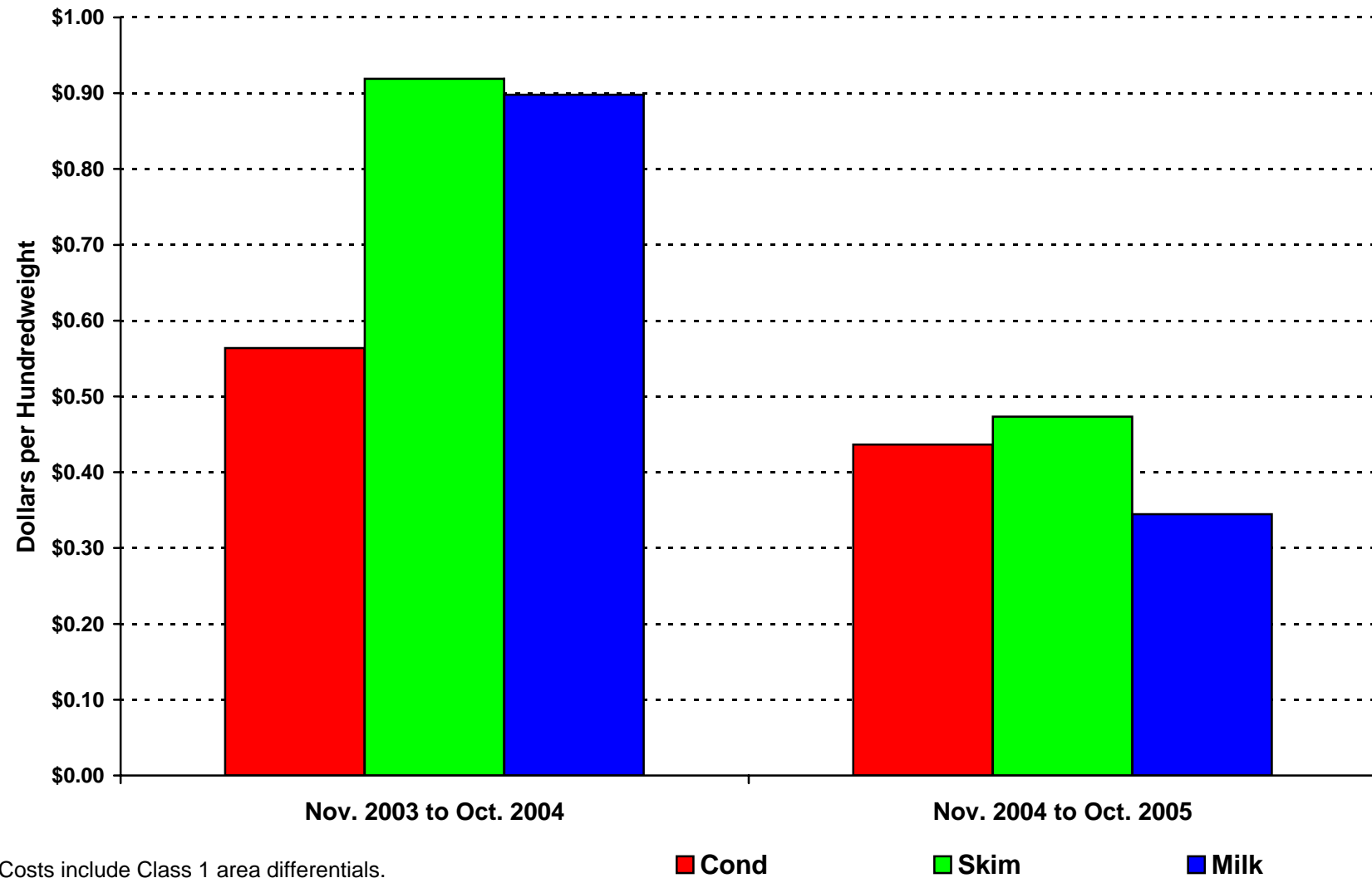
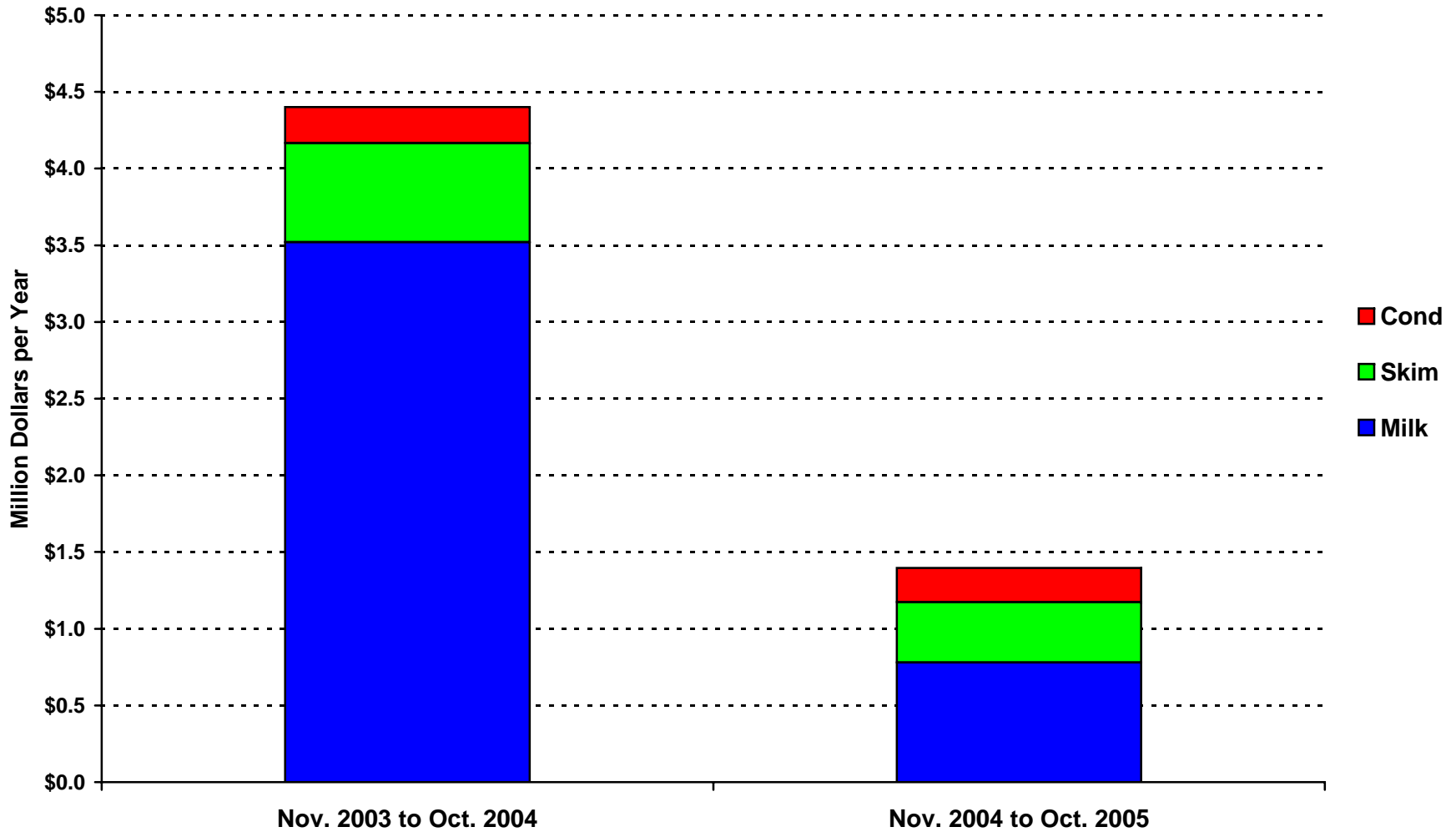


Figure 4 - COST OF MILK BY TYPE USING TRANSPORTATION CREDITS - Plant-to-Plant

Two year period, November 2003 to October 2005



Costs include Class 1 area differentials. Data source: CDFA-DMP Stabilization Plans

Figure 5 - COST OF ALTERNATIVE PROPOSALS FOR TRANSPORTATION CREDITS - Plant-to-Plant

Two year period, November 2003 to October 2005

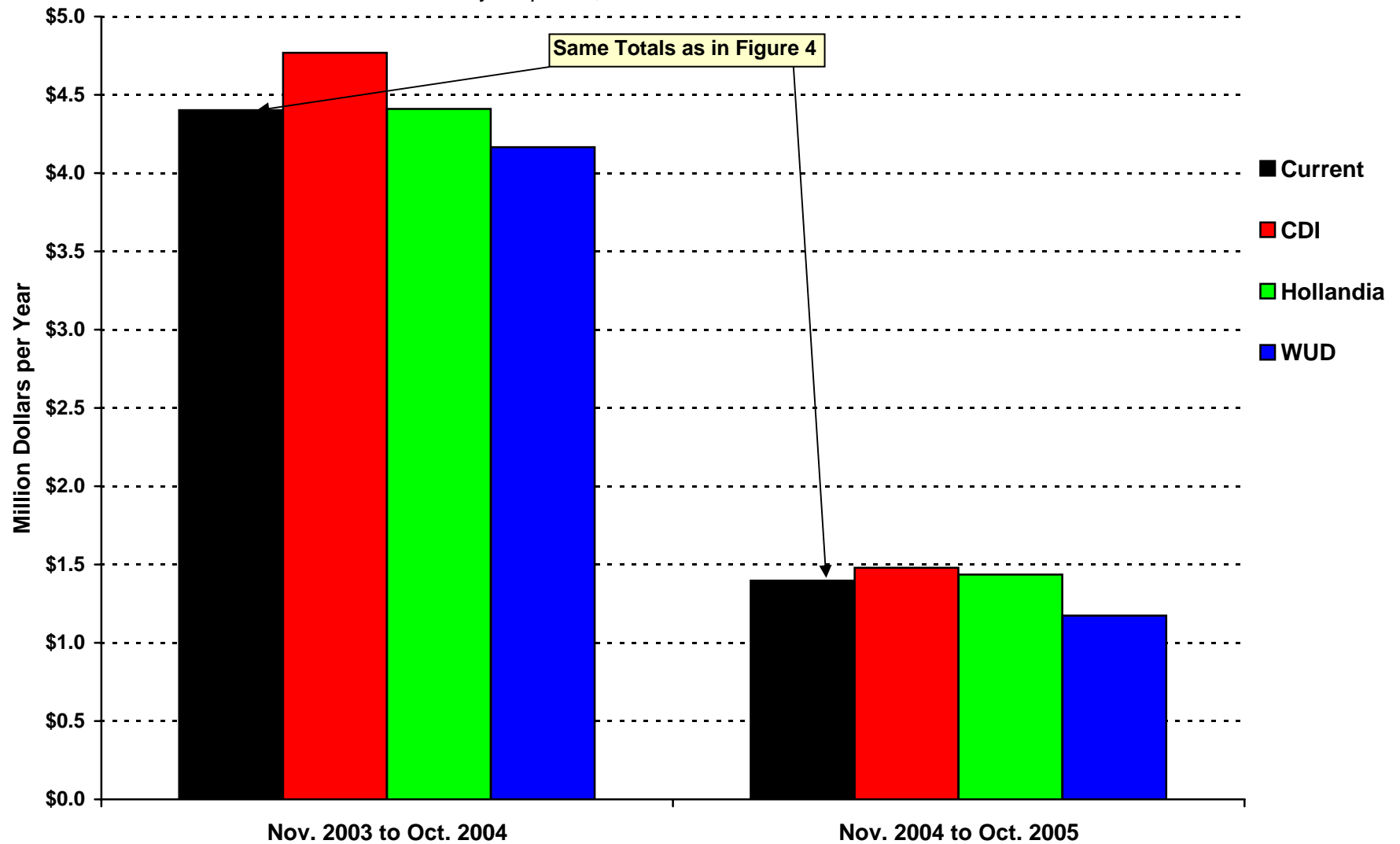


Table 2 - COST OF ALTERNATIVE PROPOSALS FOR TRANSPORTATION CREDITS - Plant-to-Plant

Costs based on current Class 1 differentials and various alternative rates for transportation credits. The data in this table is displayed on Figure 5.

CURRENT RATES

	Within So. Calif.	So.S.J.Valley to East So. Calif.	So.S.J.Valley to West So. Calif.	Mid S.J.Valley to West So. Calif.	No.S.J.Valley to Bay Area	TOTAL
Nov. 2003 to Oct. 2004	\$44,201	\$3,023,278	\$1,198,303	\$0	\$135,441	\$4,401,223
Nov. 2004 to Oct. 2005	\$1,016,375	\$0	\$192,412	\$67,135	\$120,942	\$1,396,864

CALIFORNIA DAIRIES INC. PROPOSAL

	Within So. Calif.	So.S.J.Valley to East So. Calif.	So.S.J.Valley to West So. Calif.	Mid S.J.Valley to West So. Calif.	No.S.J.Valley to Bay Area	TOTAL
Nov. 2003 to Oct. 2004	\$46,801	\$3,277,534	\$1,308,277	\$0	\$135,441	\$4,768,054
Nov. 2004 to Oct. 2005	\$1,076,162	\$0	\$209,927	\$72,724	\$120,942	\$1,479,755

HOLLANDIA PROPOSAL

	Within So. Calif.	So.S.J.Valley to East So. Calif.	So.S.J.Valley to West So. Calif.	Mid S.J.Valley to West So. Calif.	No.S.J.Valley to Bay Area	TOTAL
Nov. 2003 to Oct. 2004	\$53,623	\$3,023,278	\$1,198,303	\$0	\$135,441	\$4,410,645
Nov. 2004 to Oct. 2005	\$1,055,010	\$0	\$192,412	\$67,135	\$120,942	\$1,435,499

WESTERN UNITED PROPOSAL

	Within So. Calif.	So.S.J.Valley to East So. Calif.	So.S.J.Valley to West So. Calif.	Mid S.J.Valley to West So. Calif.	No.S.J.Valley to Bay Area	TOTAL
Nov. 2003 to Oct. 2004	\$6,303	\$2,917,704	\$1,159,748	\$0	\$82,514	\$4,166,268
Nov. 2004 to Oct. 2005	\$919,957	\$0	\$185,817	\$0	\$67,102	\$1,172,875

**Figure 6 - CHANGES IN COST OF ALTERNATIVE PROPOSALS FOR TRANSPORTATION
CREDITS - Plant-to-Plant**

Two year period, November 2003 to October 2005

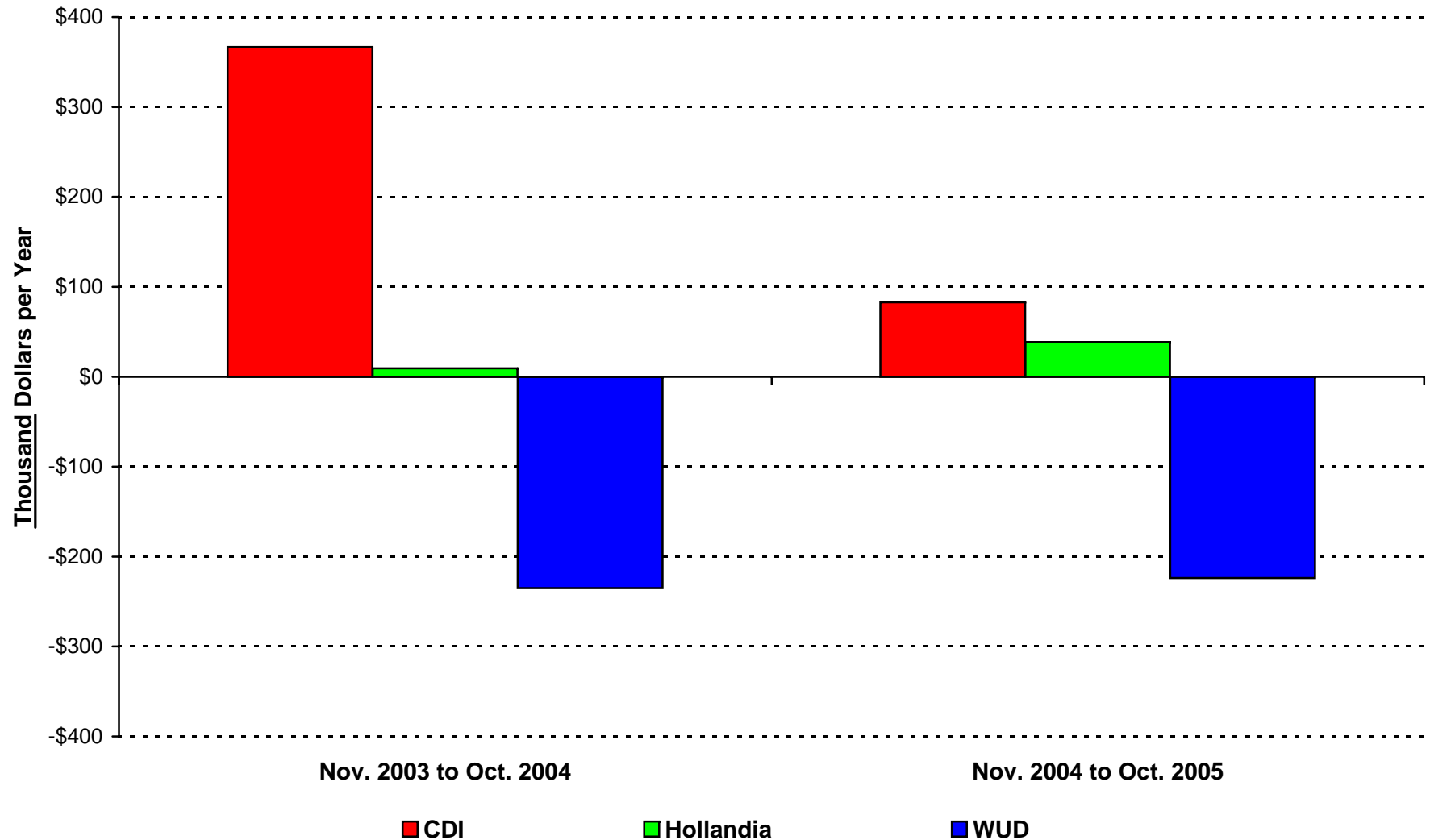


Table 3 - CHANGES IN COST OF ALTERNATIVE PROPOSALS FOR TRANSPORTATION CREDITS

Plant-to-Plant

Costs based on current Class 1 differentials and various alternative rates for transportation credits. The data in this table is displayed on Figure 6.

CURRENT RATES

	Within So. Calif.	So.S.J.Valley to East So. Calif.	So.S.J.Valley to West So. Calif.	Mid S.J.Valley to West So. Calif.	No.S.J.Valley to Bay Area	TOTAL
Nov. 2003 to Oct. 2004	\$0	\$0	\$0	\$0	\$0	\$0
Nov. 2004 to Oct. 2005	\$0	\$0	\$0	\$0	\$0	\$0

CALIFORNIA DAIRIES INC. PROPOSAL

	Within So. Calif.	So.S.J.Valley to East So. Calif.	So.S.J.Valley to West So. Calif.	Mid S.J.Valley to West So. Calif.	No.S.J.Valley to Bay Area	TOTAL
Nov. 2003 to Oct. 2004	\$2,600	\$254,256	\$109,974	\$0	\$0	\$366,831
Nov. 2004 to Oct. 2005	\$59,787	\$0	\$17,515	\$5,589	\$0	\$82,891

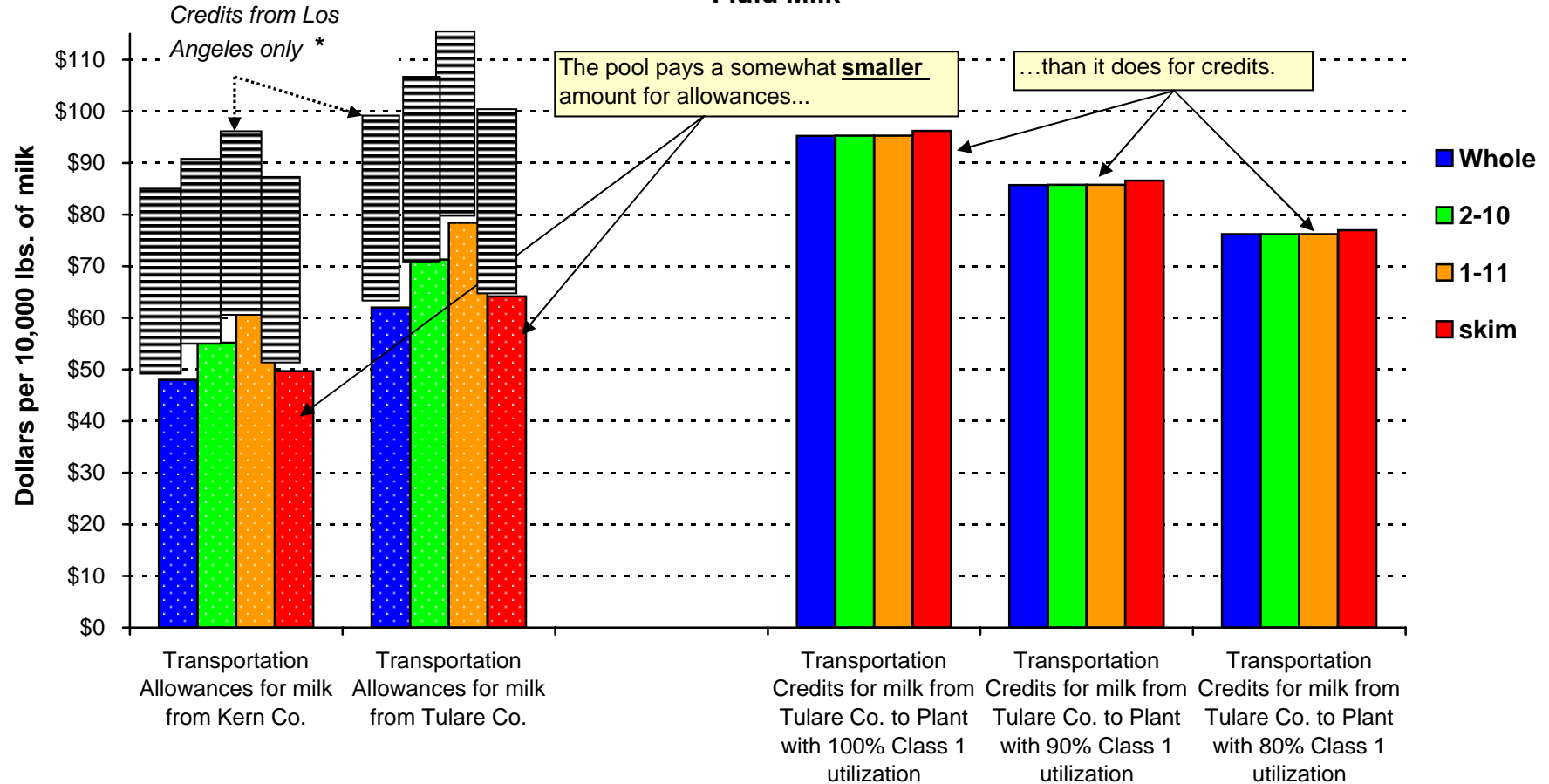
HOLLANDIA PROPOSAL

	Within So. Calif.	So.S.J.Valley to East So. Calif.	So.S.J.Valley to West So. Calif.	Mid S.J.Valley to West So. Calif.	No.S.J.Valley to Bay Area	TOTAL
Nov. 2003 to Oct. 2004	\$9,423	\$0	\$0	\$0	\$0	\$9,423
Nov. 2004 to Oct. 2005	\$38,635	\$0	\$0	\$0	\$0	\$38,635

WESTERN UNITED PROPOSAL

	Within So. Calif.	So.S.J.Valley to East So. Calif.	So.S.J.Valley to West So. Calif.	Mid S.J.Valley to West So. Calif.	No.S.J.Valley to Bay Area	TOTAL
Nov. 2003 to Oct. 2004	-\$37,898	-\$105,574	-\$38,554	\$0	-\$52,928	-\$234,955
Nov. 2004 to Oct. 2005	-\$96,418	\$0	-\$6,595	-\$67,135	-\$53,841	-\$223,989

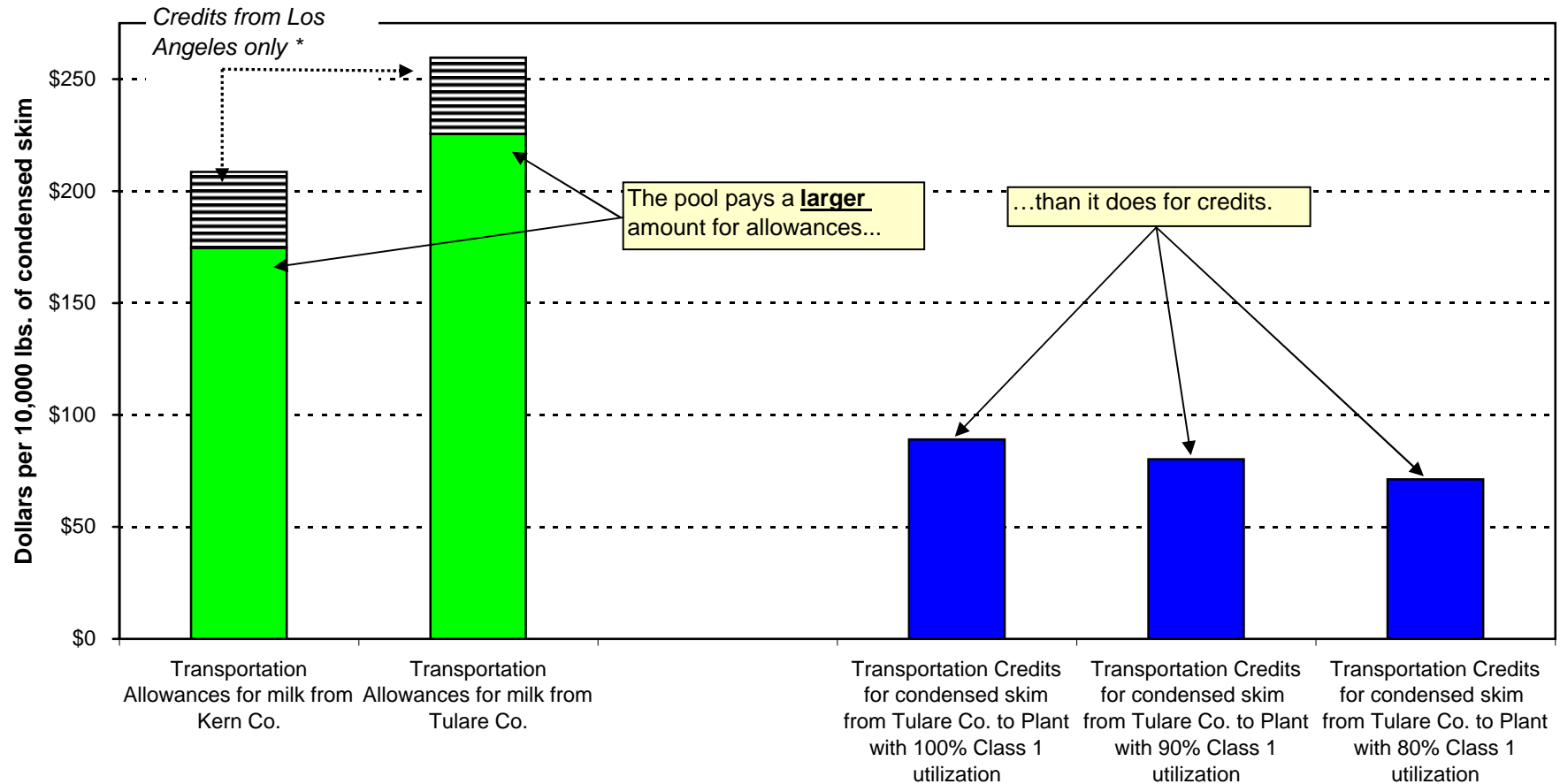
Figure 7 - POOL COST COMPARISON OF TRANSPORTATION ALLOWANCES & CREDITS - Fluid Milk



Pool cost of delivering 10,000 pounds of the four types of fluid milk to Southern California when the ranch milk originates in the Southern San Joaquin Valley. The comparison is between the relative cost of transportation allowances and the relative cost of transportation credits. The cost of transportation credits varies with the Class 1 utilization of the receiving plant. Data source: the Stabilization Plans and the Pooling Plan.

* Milk receiving transportation allowances from ranch to plant only into Los Angeles county, also receives transportation credits from plant to plant into Orange, Riverside, San Diego and Ventura counties.

Figure 8 - POOL COST COMPARISON OF TRANSPORTATION ALLOWANCES & CREDITS
Cond. Skim



Pool cost of delivering 10,000 pounds of condensed skim to Southern California when the ranch milk originates in the Southern San Joaquin Valley. The comparison is between the relative cost of transportation allowances and the relative cost of transportation credits. The cost of transportation credits varies with the Class 1 utilization of the receiving plant. Data source: the Stabilization Plans and the Pooling Plan.

* Milk receiving transportation allowances from ranch to plant only into Los Angeles county, also receives transportation credits from plant to plant into Orange, Riverside, San Diego and Ventura counties.

Table 4 - POOL COST COMPARISON OF TRANSPORTATION ALLOWANCES AND CREDITS

Pool costs of delivering 10,000 pounds of various products to Southern California when the ranch milk originates in the Southern San Joaquin Valley. The costs are for transportation allowances, transportation credits, or a combination of the two. The data in this table is displayed on Figures 7 and 8. Source: Stabilization Plans and the Pooling Plan.

	WHOLE	2-10	1-11	SKIM	COND. SKIM direct	COND. SKIM with TC*
ALLOWANCES: RANCH TO PLANT						
from Kern at \$0.48 per cwt	\$48	\$55	\$61	\$50	\$175	\$209
from Tulare at \$0.62 per cwt	\$62	\$71	\$78	\$64	\$226	\$260
CREDITS: PLANT TO PLANT						
Credit + Class 1 Differential from Tulare	\$0.95	\$0.95	\$0.95	\$0.96	\$0.89	\$0.89
Receiving Plant Class 1 Percentage						
100%	\$95	\$95	\$95	\$96	\$89	\$89
90%	\$86	\$86	\$86	\$87	\$80	\$80
80%	\$76	\$76	\$76	\$77	\$71	\$71
ASSUMPTIONS						
Ranch Milk lbs. @ 3.5% 8.7%	10,000	11,494	12,644	10,345	36,377	36,377
Tailored Product pounds	10,000	10,000	10,000	10,000	10,000	10,000
Fat Test	3.5%	2.0%	1.0%	0.1%	0.4%	0.4%
SNF Test	8.7%	10.0%	11.0%	9.0%	31.6%	31.6%
Fluid Test	87.8%	88.0%	88.0%	90.9%	68.0%	68.0%

* Milk receiving transportation allowances from ranch to plant only into Los Angeles county, also receives transportation credits from plant to plant into Orange, Riverside, San Diego and Ventura counties.