

SUMMARY OF PROPOSALS

January 11, 2006 Workshop
In Preparation for the
January 31, 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.

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CALIFORNIA DAIRIES, INC.

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	\$0.31/cwt.
Over 199 miles	\$0.32/cwt.

*Southern California Area (Los Angeles, Orange, Riverside, Ventura):

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

0-89 miles	\$0.11/cwt.
89-109 miles	\$0.31/cwt.
109-139 miles	\$0.52/cwt.
Over 139 miles	\$0.68/cwt.

Milk shipments from all other counties:

0-89 miles	\$0.11/cwt.
Over 89 miles	\$0.31/cwt.

*San Diego Area (San Diego county):

0-89 miles	\$0.11/cwt.
Over 89 miles	\$0.31/cwt.

*Also proposes adjustments in the mileage brackets

Transportation Credits:

Make the following changes to transportation credits:

- Increase to \$0.36/cwt for shipments from Los Angeles County to: Orange, Riverside, San Diego, Ventura counties.
- Increase to \$0.68/cwt for shipments from Tulare County to: Los Angeles, Orange, Ventura counties.
- Increase to \$0.76/cwt for shipments from Tulare County to: Riverside, San Diego counties.
- Increase to \$0.70/cwt for shipments from Fresno and Kings counties to: Los Angeles, Orange, Ventura counties.
- Increase to \$0.78/cwt for shipments from Fresno and Kings counties to: Riverside, San Diego counties.

WESTERN UNITED DAIRYMEN

Transportation Allowances:

- No proposed changes

Transportation Credits:

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

HOLLANDIA DAIRY

Transportation Allowances:

- Increase the transportation allowance for the San Diego receiving area, for the “Over 139 miles” to \$0.72.

Transportation Credits:

- Increase the transportation credit for shipments from the designated supply county of Los Angeles to the designated deficit county of San Diego to \$0.60/cwt.

Other Proposal:

- Support any other cost justified increases presented at the hearing.

SECURITY MILK PRODUCERS ASSOCIATION

Transportation Allowances:

- For transportation allowances, expand the Southern California receiving area to include San Bernardino County.
- Increase the transportation allowances for plants located in the Southern California Area (Los Angeles, Orange, Riverside, San Bernardino, Ventura) as follows:

0-89 miles	\$0.12/cwt.
89-109 miles	\$0.32/cwt.
109-139 miles	\$0.53/cwt.
Over 139 miles	\$0.76/cwt.

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	\$0.26/cwt.
99-199 miles	\$0.31/cwt.
Over 199 miles	\$0.32/cwt.

North Bay Area (Marin, Solano, Sonoma):

0-44 miles	\$0.19/cwt.
44-99 miles	\$0.26/cwt.
Over 99 miles	\$0.31/cwt.

Sacramento Area (Sacramento County):

0-59 miles	\$0.14/cwt.
Over 59 miles	\$0.17/cwt.

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

0-89 miles	\$0.11/cwt.
89-120 miles	\$0.31/cwt.
120-139 miles	\$0.51/cwt.
Over 139 miles	\$0.66/cwt.

Transportation Credits:

- No proposed changes

Table 2 - PROPOSED CHANGES TO TRANSPORTATION ALLOWANCES: Ranch-to-Plant 1/

The proposal from Western United did not include changes to Transportation Allowances.

		CONSTRUCTIVE MILES	DOLLARS PER HUNDREDWEIGHT				
			Current since Oct 2004	CDI Proposal (revised Dece.21)	Hollandia Proposal	Security Proposal	DFA Proposal
Bay Area Receiving Area	2/	0 to 99	\$0.25	\$0.27	\$0.25	\$0.25	\$0.26
		99 to 199	0.29	0.31	0.29	0.29	0.31
		199 +	0.30	0.32	0.30	0.30	0.32
North Bay Receiving Area	3/	0 to 44	0.18	0.18	0.18	0.18	0.19
		44 to 99	0.25	0.25	0.25	0.25	0.26
		99 +	0.29	0.29	0.29	0.29	0.31
Sacramento Receiving Area		0 to 59	0.13	0.13	0.13	0.13	0.14
		59 +	0.16	0.16	0.16	0.16	0.17
San Diego Receiving Area		0 to 89	0.10	0.11	0.10	0.10	0.10
		89 to 139	0.43	0.31	0.43	0.43	0.43
		139 +	0.58	0.31	0.72	0.58	0.58
Southern California Receiving Area	4/	0 to 89	0.10		0.10		0.11
		89 to 120	0.29		0.29		0.31
		120 to 139	0.48		0.48		0.51
		139 +	0.62		0.62		0.66
Southern California Receiving Area	5/	0 to 89				0.12	
		89 to 109				0.32	
		109 to 139				0.53	
		139 +				0.76	
Southern California Receiving Area from seven designated counties	6/	0 to 89		0.11			
		89 to 109		0.31			
		109 to 139		0.52			
		139 +		0.68			
from all other counties		0 to 89		0.11			
		89 +		0.31			

1/ Transportation Allowances for the Shasta Receiving Area have not been used since mid 1996.

2/ Alameda, Contra Costa, San Francisco, San Mateo, Santa Clara, and Santa Cruz Counties.

3/ Marin, Solano and Sonoma counties.

4/ Los Angeles, Orange, Riverside and Ventura Counties.

5/ Security proposes to add San Bernardino county to the Southern California receiving area.

6/ Fresno, Kern, Kings, Imperial, San Diego, Santa Barbara and Tulare Counties.

Table 2 - 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 COUNTIE: 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	0.52 to 0.58	0.00	0.00	0.00
		Credit	0.34		0.36	0.34	0.34
		Total	\$0.34		\$0.36	\$0.34	\$0.34
	San Diego	Differential	0.00	0.50	0.00	0.00	0.00
		Credit	0.34		0.36	0.60	0.34
		Total	\$0.34		\$0.36	\$0.60	\$0.34
Tulare	Los Angeles, Orange, and Ventura	Differential	0.27	1.08 to 1.10	0.27	0.27	0.27
		Credit	0.60		0.68	0.60	0.60
		Total	\$0.87		\$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	0.53	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.