

# Analysis of Transportation Allowance Proposals

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

## Methodology

The alternative proposals for the transportation allowance system were analyzed using data from December 2004 to November 2005. The data was based on actual pounds of product using transportation allowances during this one year time period.

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 Pooling Plan. The changes included:

- Changing the rates for the allowances in all active receiving areas
- For the Southern California Receiving area only
  - Adding San Bernardino county as a receiving county
  - Modifying the mileage brackets
  - Creating two groups of supply counties with separate rates and mileage brackets

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

## Results

For the 12 months ending November 2005, the average *monthly* cost of the transportation allowance system would have been:

- \$1.77 million dollars under the current system
- \$2.02 million dollars under the Security proposal, an increase of \$0.25 million (+14.1%)
- \$1.95 million dollars under the CDI proposal, an increase of \$0.18 million (+10.1%)
- \$1.88 million dollars under the DFA proposal, an increase of \$0.11 million (+6.2%)

Figure 1 - 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 Dec. 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 +		0.72			
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.

- 1) Costs for Tables 1 and 2 are based on historic milk movements as reported to the Milk Pooling Branch for the twelve months of December 2004 through November 2005.
- 2) Costs were calculated by applying the proposed new rates for each area. In analyzing the CDI proposal, the rates were changed to reflect the county of origin (supply counties), and a change in the mid level mileage bracket. In Analyzing the Security Proposal, San Bernardino county was included in the Southern California Receiving area.

**Table 1. Monthly Average Cost of Transportation Allowances by Receiving Area, Current and for the Three Proposals December 2005 through November 2005**

	Current	Security	DFA	CDI
BAY AREA	\$ 231,536	\$ 231,536	\$ 242,336	\$ 249,472
SACRAMENTO	\$ 43,993	\$ 43,993	\$ 47,209	\$ 43,993
SAN DIEGO	\$ 6,483	\$ 6,483	\$ 6,483	\$ 6,978
NORTH BAY	\$ 104,113	\$ 104,113	\$ 109,908	\$ 104,113
SOUTHERN CA	\$ 1,384,663	\$ 1,634,185	\$ 1,476,049	\$ 1,550,022
<b>Total</b>	<b>\$ 1,770,789</b>	<b>\$ 2,020,310</b>	<b>\$ 1,881,986</b>	<b>\$ 1,954,578</b>

**Table 2. Change in Average Monthly Cost by Receiving Area, for the Three Proposals, December 2005 through November 2005**

	Security	DFA	CDI
BAY AREA	\$ -	\$ 10,800	\$ 17,936
SACRAMENTO	\$ -	\$ 3,216	\$ -
SAN DIEGO	\$ -	\$ -	\$ 496
NORTH BAY	\$ -	\$ 5,795	\$ -
SOUTHERN CA	\$ 249,521	\$ 91,386	\$ 165,358
<b>Total</b>	<b>\$ 249,521</b>	<b>\$ 111,197</b>	<b>\$ 183,790</b>

Table 3 and 4 show the costs per proposal for each receiving area for November 2005, and the change in cost from the current rates and brackets.

**Table 3. Cost Per Receiving Area, By Proposal  
November 2005**

	<b>Current</b>	<b>Security</b>	<b>DFA</b>	<b>CDI</b>
<b>BAY AREA</b>	\$ 236,591	\$ 236,591	\$ 247,727	\$ 254,881
<b>SACRAMENTO</b>	\$ 43,329	\$ 43,329	\$ 46,483	\$ 43,329
<b>SAN DIEGO</b>	\$ 6,507	\$ 6,507	\$ 6,507	\$ 7,028
<b>NORTH BAY</b>	\$ 103,889	\$ 103,889	\$ 109,628	\$ 103,889
<b>SOUTHERN CA</b>	\$ 1,480,846	\$ 1,747,102	\$ 1,577,907	\$ 1,656,738
<b>Total</b>	\$ 1,871,162	\$ 2,137,418	\$ 1,988,253	\$ 2,065,864

**Table 4. Change in Cost, Per Receiving Area, Per Proposal  
November 2005**

	<b>Security</b>	<b>DFA</b>	<b>CDI</b>
<b>BAY AREA</b>	\$ -	\$ 11,137	\$ 18,290
<b>SACRAMENTO</b>	\$ -	\$ 3,154	\$ -
<b>SAN DIEGO</b>	\$ -	\$ -	\$ 520
<b>NORTH BAY</b>	\$ -	\$ 5,739	\$ -
<b>SOUTHERN CA</b>	\$ 266,255	\$ 97,061	\$ 175,891
<b>Total</b>	\$ 266,255	\$ 117,091	\$ 194,701

**Notes for Tables 1, 2, 3 and 4**

- The Shasta Receiving Area was inactive during 2004 – 2005.
- Hollandia proposed a change in the rates for distant milk moving to San Diego, but there was not sufficient milk receiving allowances in this bracket to make a visible change in the cost.
- CDI proposed higher rates for milk moving into Southern California if the milk originated in Fresno, Kern, Kings, Imperial, San Diego, Santa Barbara or Tulare Counties than for milk moving the same distance but originating outside of those counties.
- CDI also proposed changing the 120 to 139 mile bracket to 110 to 139.

Table 5 shows how much milk qualified for Transportation Allowances in each area, by 10- mile mileage bracket. It also shows the percent of qualifying milk in each bracket.

**Table 5. Annual Summary of Qualifying Milk Moved by Mileage Bracket by Receiving Area, in Thousand Pounds, and Percent by Bracket December 2004 through November 2005**

Miles	BAY AREA		NORTH BAY		SACRAMENTO		SAN DIEGO		SOUTHERN CA	
		%		%		%		%		%
<b>Zero to 9</b>	2,708	0%	9,532	2%	0	0%	573	1%	7,282	0%
<b>10 to 19</b>	0	0%	110,856	20%	44,074	11%	35,151	47%	188,950	5%
<b>20 to 29</b>	0	0%	127,595	23%	148,726	39%	22,032	30%	419,689	11%
<b>30 to 39</b>	29	0%	1,011	0%	91,836	24%	0	0%	129,458	3%
<b>40 to 49</b>	0	0%	6,025	1%	12,263	3%	0	0%	136,874	4%
<b>50 to 59</b>	17,217	2%	11,807	2%	1,836	0%	5,909	8%	15,559	0%
<b>60 to 69</b>	30,111	3%	12,603	2%	63,843	17%	3,055	4%	28,749	1%
<b>70 to 79</b>	333,826	31%	6,685	1%	13,108	3%	6,463	9%	18,943	0%
<b>80 to 89</b>	309,934	29%	88,078	16%	5,801	2%	0	0%	36,744	1%
<b>90 to 99</b>	162,533	15%	22,002	4%	0	0%	968	1%	32,573	1%
<b>100 to 109</b>	83,727	8%	35,768	7%	4,474	1%	0	0%	95,799	2%
<b>110 to 119</b>	37,001	3%	46,358	8%	0	0%	0	0%	26,269	1%
<b>120 to 129</b>	737	0%	29,981	5%	0	0%	0	0%	432,678	11%
<b>130 to 139</b>	77,270	7%	4,949	1%	0	0%	0	0%	829,772	21%
<b>140 to 149</b>	1,570	0%	6,269	1%	0	0%	0	0%	158,060	4%
<b>150 to 159</b>	7,200	1%	8,459	2%	0	0%	0	0%	240,549	6%
<b>160 to 169</b>	8,713	1%	1,117	0%	0	0%	0	0%	83,771	2%
<b>170 to 179</b>	2,733	0%	0	0%	0	0%	0	0%	228,632	6%
<b>180 to 189</b>	0	0%	0	0%	0	0%	0	0%	260,696	7%
<b>190 to 199</b>	0	0%	0	0%	0	0%	0	0%	199,319	5%
<b>200 +</b>	861	0%	16,732	3%	0	0%	78	0%	300,826	8%
<b>Total</b>	<b>1,076,170</b>	<b>100%</b>	<b>545,827</b>	<b>100%</b>	<b>385,961</b>	<b>100%</b>	<b>74,229</b>	<b>100%</b>	<b>3,871,192</b>	<b>100%</b>

**Notes for Tables 5**

- This is for milk in 1,000's of pounds.

Table 6 shows the cost of milk qualifying for Transportation Allowances in each area, by 10-mile mileage brackets. It also shows the percent of cost for each bracket.

**Table 6. Cost of Milk Moved Into Each Receiving Area  
December 2004 through November 2005**

miles	BAY AREA		NORTH BAY		SACRAMENTO		SAN DIEGO		SOUTHERN CA	
		%		%		%		%		%
Zero to 9	\$6,769	0	\$17,158	1	\$0	0	\$573	1	\$7,282	0
10 to 19	\$0	0	\$199,542	16	\$57,297	11	\$35,151	45	\$188,950	1
20 to 29	\$0	0	\$229,672	18	\$193,344	37	\$22,032	28	\$419,689	3
30 to 39	\$74	0	\$1,819	0	\$119,387	23	\$0	0	\$129,458	1
40 to 49	\$0	0	\$14,291	1	\$15,942	3	\$0	0	\$136,874	1
50 to 59	\$43,043	2	\$29,518	2	\$2,387	0	\$5,909	8	\$15,559	0
60 to 69	\$75,278	3	\$31,507	3	\$102,148	19	\$3,055	4	\$28,749	0
70 to 79	\$834,565	30	\$16,712	1	\$20,973	4	\$6,463	8	\$18,943	0
80 to 89	\$774,835	28	\$220,196	18	\$9,282	2	\$0	0	\$36,744	0
90 to 99	\$406,332	15	\$55,006	4	\$0	0	\$4,163	5	\$94,463	1
100 to 109	\$242,809	9	\$103,727	8	\$7,158	1	\$0	0	\$277,816	2
110 to 119	\$107,304	4	\$134,438	11	\$0	0	\$0	0	\$76,180	0
120 to 129	\$2,136	0	\$86,943	7	\$0	0	\$0	0	\$2,076,856	12
130 to 139	\$224,082	8	\$14,353	1	\$0	0	\$0	0	\$3,982,906	24
140 to 149	\$4,554	0	\$18,180	1	\$0	0	\$0	0	\$979,973	6
150 to 159	\$20,880	1	\$24,531	2	\$0	0	\$0	0	\$1,491,404	9
160 to 169	\$25,267	1	\$3,238	0	\$0	0	\$0	0	\$519,379	3
170 to 179	\$7,924	0	\$0	0	\$0	0	\$0	0	\$1,417,521	9
180 to 189	\$0	0	\$0	0	\$0	0	\$0	0	\$1,616,316	10
190 to 199	\$0	0	\$0	0	\$0	0	\$0	0	\$1,235,781	7
200 +	\$2,584	0	\$48,522	4	\$0	0	\$451	1	\$1,865,119	11
<b>Total</b>	<b>\$2,778,436</b>		<b>\$1,249,353</b>		<b>\$527,917</b>		<b>\$77,797</b>		<b>\$16,615,960</b>	

Table 7 shows qualifying milk vs. non-qualifying milk moving by county of origin, and the average miles the milk was moved.

**Table 7. Qualifying vs. Non-qualifying Milk,  
In Thousand Pounds and Miles Moved,  
December 2004 through November 2005**

County	Qualifying		Non-qualifying	
	Pounds	Avg Miles	Pounds	Avg Miles
Butte	-		10,869	31
Del Norte	3,001	314	21,791	90
Fresno	6,650	254	2,335,656	28
Glenn	76,369	122	270,150	46
Humboldt	13,695	248	184,675	22
Imperial	-		76,071	5
Kern	1,896,380	143	1,061,167	84
Kings	42,456	216	3,091,153	29
Los Angeles	40,410	91	2,491	98
Madera	46,111	142	1,305,027	52
Marin	149,775	59	62,263	81
Mendocino	26,856	106	161	173
Merced	157,570	124	4,791,414	24
Monterey	18,255	100	3,044	115
Placer	-		14,932	108
Riverside	331,785	43	851,295	34
Sacramento	169,722	35	194,324	86
San Benito	14,581	82	3,121	82
San Bernardino	827,468	47	1,355,468	40
San Diego	91,280	57	4,105	112
San Joaquin	520,637	68	1,674,630	38
San Luis Obispo	-		4,724	113
Santa Barbara	7,697	189	31,555	186
Santa Clara	6,582	65	986	83
Shasta	-		1,715	56
Solano	78,365	25	8,347	83
Sonoma	423,969	58	193,461	115
Stanislaus	269,584	87	3,545,222	18
Sutter	-		12,519	95
Tehama	3,845	125	52,646	46
Tulare	690,640	197	8,853,748	23
Unidentified	8,238	1	83,801	1
Yolo	7,334	26	5,804	118
Yuba	24,122	40	46,262	116
<b>Total</b>	<b>5,953,379</b>		<b>30,154,597</b>	

**Table 8. Milk Shipped to Southern California  
Qualifying vs. Non-qualifying, by Mileage Bracket,  
December 2004 through November 2005**

<b>Shipped to Southern CA</b>		
<b>miles</b>	<b>Qualifying</b>	<b>Non-qualifying</b>
<b>Zero to 9</b>	7,282,182	360,700,440
<b>10 to 19</b>	188,949,672	416,993,441
<b>20 to 29</b>	419,688,678	89,355,748
<b>30 to 39</b>	129,457,682	329,397,308
<b>40 to 49</b>	136,874,044	450,652,245
<b>50 to 59</b>	15,558,993	22,357,800
<b>60 to 69</b>	28,749,026	17,793,583
<b>70 to 79</b>	18,943,301	18,552,675
<b>80 to 89</b>	36,743,868	56,993,218
<b>90 to 99</b>	32,573,426	13,069,777
<b>100 to 109</b>	95,798,644	13,222,148
<b>110 to 119</b>	26,268,889	837,385
<b>120 to 129</b>	432,678,413	35,832,138
<b>130 to 139</b>	829,771,993	456,995
<b>140 to 149</b>	158,060,185	14,209,516
<b>150 to 159</b>	240,549,004	81,600,524
<b>160 to 169</b>	83,770,818	36,431,909
<b>170 to 179</b>	228,632,410	18,642,129
<b>180 to 189</b>	260,696,102	156,858,236
<b>190 to 199</b>	199,319,462	11,649,370
<b>200 +</b>	300,825,594	141,380,946
<b>Total</b>	<b>3,871,192,386</b>	<b>2,286,987,531</b>