

Whey Review Committee
February 4, 2008

Whey Review Committee Meeting Notes

February 4, 2008
Sacramento, California

MEMBERS PRESENT

Andrew Branagh
Scott Hofferber
Scott Magneson
Mike McCully
Tony Mendes
Joe Paris
Bill Schiek
Ray Souza
Sue Taylor
Sietse (Sean) Tollenaar
William C. Van Dam
Geoffrey Vanden Heuvel
Tom Wegner
John Jeter
Dr. Jim Morgan – Facilitator

MEMBERS ABSENT

n/a

DEPARTMENTAL STAFF PRESENT

George Gomes
Kelly Krug
John Lee
Dave Ikari
Jeff Cesca
Tom Gossard
Hyrum Eastman

PUBLIC GUESTS IN ATTENDANCE

Art Marquez
Jim Gruebele
Edwin Genasci
John Ellsworth
Tiffany La Mendola
Frances Pacheco
Bill Wise
Ana Dyrland
Rachel Kaldor
Cornell Kasbergen
Dominic Carinalli
Rob Vanden Huevel

Opening Remarks / Introductions

Undersecretary George Gomes began the meeting at 9:30 a.m. by welcoming the Whey Review Committee members present and restating the goal of the group. He then introduced Dr. Jim Morgan.

Mr. Morgan asked all persons in the room to introduce themselves.

Recap of Activities / Committee Goal

Mr. Morgan recapped activities since the last meeting, namely the homework performed by the members. He also restated the goal of the Committee, which is:

The Whey Review Committee's Goal is to provide a recommendation to CDFA Secretary A.G. Kawamura on or about March 31, 2008:

*On whey pricing within the context of the current 4b pricing formula and its structure.
Demonstrate common understanding of producers and processors costs and issues.
May provide recommendations on other pricing areas to be addressed.*

Agenda for the Day

Mr. Morgan informed everyone that the agenda for today would focus on the homework from the last meeting. Since the last meeting, members were asked to 'vote' for their top 15 important items from the "Need to Know (Facts)", "Producer Assumptions", and "Processors Assumptions" listings. Today's meeting will focus on those items receiving the most number of votes.

In regards to the "Need to Know (Facts)", three questions must be asked to determine if the fact is important and a valid issue, and whether additional information needs/can be gathered to assist them with meeting the goal of the group. The questions are:

- 1) Is this important (Y/N)?
- 2) Is it valid?
- 3) If important and valid, do we need any follow up?

From the discussions today, teams will be created (composed of producers and processors). These teams will develop whey alternatives/options. This information is due to Mr. Morgan by Monday, March 3. The next committee meeting is Tuesday, March 11).

Mr. Morgan answered questions from the members on the agenda and the activities for the next meeting.

“Need to Know (Facts)” Discussion

Mr. Morgan, referencing a PowerPoint slide, introduced the items receiving the most number of votes. There are a total of 15 items (NOTE: the item numbers listed below refer back to the item’s original number assignment from the last meeting and subsequent homework).

Item #16 (which received the most number of votes: 6): *Is there an acceptable price series that tracks WPC34, WPC80 and Whey Isolates? Is the DMN Dry Whey price report acceptable price series? Is there another plausible Dry Whey price available? Could CDFA create useful price series?*

Discussion ensued. Jim captured the member’s comments/thoughts. It was determined that the members need additional information:

It was asked that a search be done of past hearing records and USDA documents for alternatives that have been proposed in the past to represent whey value in price formulas. *See support piece #1 to minutes.*

Bill Wise from USDA said he will research USDA materials. CDFA is to research USDA public documents and CDFA hearing documents for any data on past alternatives that could go back to 1996 or 1997. *See support piece #2 to minutes.*

Item #11 (which received a total of 5 votes): *What are the underlying principals needed to guide a successful end-produce pricing system?*

Mr. Morgan informed the members that these principals would help the group with their decision making process. Jim captured the member’s comments/thoughts. Discussion ensued. The following principles were decided upon (by the closure of the meeting).

- 1) The base price is based upon a common denominator for a product group
- 2) Reveals market value for milk
- 3) The underlying value of milk will rise and fall with the end product value
- 4) A regulated system should not put a group of plants at a disadvantage beyond what would happen in an unregulated market
- 5) Does not discourage investment beyond what would happen in an unregulated market
- 6) Producers and processors should receive a share of market value
- 7) We abide by CA laws and regulations

Pubic Comments / Lunch

Jim asked for any comments from the public (2). The Committee was released for lunch at 12:30 pm and asked to return at 1:00 pm.

Teams / Subcommittees Created

Based upon input from CDFA staff, Mr. Morgan announced the composition of three teams:

<u>Team</u>	<u>Team</u>	<u>Team</u>
John Jeter	Mike McCully	Tom Wegner
Geoff Vanden Heuvel	Bill Van Dam *	Andrew Branagh
Scott Hofferber *	Scott Magneson	Ray Souza
Sean Tollenaar	Tony Mendes	Bill Scheik *
	Sue Taylor	Joe Paris

Mr. Morgan asked that each team meet for a few minutes and identify a team lead/coordinator. Each team did so are informed Jim (see "*" above for identified lead/coordinator).

Homework for Next Meeting (March 11th)

By March 4, 2008, each team was asked to identify three (3) whey pricing alternatives. Any information that is needed, and that can be developed or discovered, will or can be provided by CDFA and other organizations (i.e., USDA).

"Need to Know (Facts)" Discussion (continued)

Item #10 (which received a total of 4 votes): *What is the disposition of the total whey protein produced in California? What products are made?*

Discussion ensued. Jim captured the member's comments/thoughts. It was determined that the members need additional information:

It was asked that CDFA to run the analysis again with the goal of striving to account for total protein utilization rather than SNF utilization. *See support piece #3 to minutes.*

Item #14 (which received a total of 4 votes): *Can WPC34 be used as a base value for whey processed into the various WPC products? To what extent is the value of WPC34 used to determine the price of WPC80? WP Isolates?*

Discussion ensued. Jim captured the member's comments/thoughts.

CDFA was asked to review price relationships between the products. *See support piece #4 to minutes.*

Break/Team Caucus

A short break was provided. Teams were asked to meet and determine logistics regarding their assignment due March 4th.

“Need to Know (Facts)” Discussion (continued)

Item #23 (which received a total of 4 votes): *Evaluation of volume/price (or return) combination needed for dry whey facility to pencil out.*

Discussion ensued. Jim captured the member’s comments/thoughts. It was determined that the members need additional information:

CDFA will search for any academic studies on this topic. *See support piece #5 to minutes.*

Item #28 (which received a total of 4 votes): *For processor that does not have whey drying ability, what is the cost of getting rid of whey? Cost or removal, are sewage costs a concern?*

Discussion ensued. It was determined that this information is not available.

Item #42 (which received a total of 4 votes): *How many cheese plants in California do not produce a human grade product from their skim whey stream?*

Discussion ensued. It was determined that this information was provided by Dairy Marketing in January.

Item #46 (which received a total of 4 votes): *How much milk was disposed of at less than CA minimum milk prices?*

Discussion ensued. It was determined that this information is not available.

Item #59 (which received a total of 4 votes): *Have all committee members read the Hearing Panel’s Report and understand the Panel’s reasoning – is a brief summary necessary?*

All members have read the panel report. If any questions, please contact Dave Ikari.

The following items were discussed briefly (all received a total of 3 votes each):

Item # 18: *Data: Production of dry whey, WPC products, lactose – U.S. and CA and CA %, 1996-2006, # of plants in each category.*

Item #20: *Data: Prices of dry whey, WPC and lactose – per pound and on protein basis – 2001 to current.*

Item #21: *List/understanding of alternatives to valuing the whey stream in Class 4b formula (alternatives suggested in the past and new ideas).*

Item #22: *Of cheese plants in CDFA cost study – what is done with whey stream (i.e., how many dump, produce animal feed, produce dry whey, produce WPC products, etc.) – current compared to ten years ago.*

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For item 18, CDFA may have some data available and will include data through 2007.
See support piece #6 to minutes.

For items 20-21-22, more-than-likely, no data from CDFA is available.

Item #45: *How much CA milk dumped, left on farm, or fed to animals in 2007?*

Discussion ensued. It was determined that this information is not available.

Item #57: *What are CDFA's options in addressing the impact of the whey component on cheese plants that do not have whey processing facilities?*

This is part of the Committee's charge/goal.

Processor and Producer Assumptions (top 'vote getters') Discussion

Mr. Morgan, referencing a PowerPoint slide, introduced the items receiving the most number of votes for these two items. He asked members to use those top "vote getters" as reference material/information for the three teams.

Comments/ Next Meeting

Mr. Morgan answered questions or received comments from the members (2) and the public (1).

The next meeting is scheduled for Tuesday, March 11, 2008, from 9:30 am - 2:30 pm @ CDFA Auditorium.

The meeting adjourned at 2:30 pm.

Submitted By:

Jeff Cesca, Special Assistant
CDFA – Marketing Services

Date