



April 15, 2016

Mr. Donald Shippelhoue, Chief
Dairy Marketing Branch
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

RE: Post Hearing Brief for the April 11th Milk Pricing Hearing

Dear Mr. Shippelhoue and Members of the Hearing Panel:

California Dairies, Inc. ("California Dairies") appreciates the opportunity to submit the following post-hearing brief to address some questions posed by a member of the Hearing Panel.

At the hearing held on Monday April 11th, and following the presentation of my testimony, Mr. Eastman and I engaged in a short discussion about milk sales to customers who buy farm milk from California Dairies. The contracts under which milk is sold by California Dairies and bought by customers are legally binding with legitimate and significant penalties for breach of obligation, such as not delivering the quantity of milk specified in the contract. Consequently, when milk is short, California Dairies diverts milk from its own plants to customer plants to satisfy customer needs. Hopefully, it is understood that this milk would have been processed in California Dairies own plants.

The trend since 2014 is for less milk production in California. As California Dairies pulls milk from its own plants to fulfill its contractual obligations, it must also make internal changes to try to control milk plant processing costs, especially in the area of plant labor. Over the past year, California Dairies has reduced its milk processing plant labor force by thirty-three personnel (5% of the milk processing plant employees). The layoffs were widespread and occurred at five of the six California Dairies milk processing plants. If the milk supply continues to fall, more plant personnel lay-offs will need to occur to align plant labor with milk production volumes.

Sincerely,

A handwritten signature in blue ink, appearing to read "Eric Erba".

Dr. Eric M. Erba
Sr. VP & Chief Strategy Officer

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