



April 11, 2013

Hearing Officer c/o
CDFA Milk Pooling Branch
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

RE: Post-Hearing Brief for Consolidated Public Hearing held on April 4, 2013 concerning Transportation Allowances and Credits

Dear Mr. Hearing Officer:

California Dairies, Inc. (CDI) appreciates the opportunity to this post-hearing brief to amplify parts of the testimony given on April 4, 2013 and to address some of the issues brought up by the Hearing Panel.

The transportation subsidy system has served the California dairy industry well for decades. However, even the most ardent supporters must admit that the system was not meant to accomplish all of its stated goals within the structure that we have today, particularly in the milk deficit area of Southern California. The general principles and objectives of transportation allowances and credits remain relevant, but the relative geographic positioning of dairy farms, manufacturing plants and fluid milk plants in Southern California will not allow the system function as precisely as intended unless some Southern California manufacturing plants are willing to give up their milk supplies. As was provided for in testimony, both CDI and Dairy Farmers of America have significant milk sales to customers in Southern California. Both cooperatives have been forced to use identical milk allocation procedures to service customers and still attempt to be consistent with the general concepts and goals of implied by the transportation subsidy system.

Some concerns over the cost of the transportation subsidy system were voiced by other witnesses at the hearing. We too are concerned about the increase in the cost of maintaining the system, but we are more concerned about the cost of transportation in general. We must point out that in spite of comments made about the cost of transportation allowances and credits, four witnesses supported the proposed changes unequivocally and two maintained neutral positions. No witnesses opposed the changes that were proposed, and no witnesses suggested that the transportation allowances and credits that are provided today be reduced. While we would all like to have the most cost-efficient mechanism available to get milk to move to the markets where it is needed, the structure of the industry is not conducive to identifying or implementing such a system easily.

Thank you for allowing us the opportunity to submit this post-hearing brief.

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

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