



VIA EMAIL AND FACSIMILE

June 8, 2015

Hearing Officer
c/o CDFA Dairy Marketing Branch
1220 N Street
Sacramento, CA 95814

Re: CDFA Hearing June 3, 2015, Sacramento, CA to Consider Amendments to the Stabilization and Marketing Plans for Market Milk For California; Cacique Inc., 14940 Proctor Ave, Industry, CA 91746; Supplemental Submission.

Introduction

Our company was grown from the imaginations of my newly-immigrated parents in 1971. They had little money, two suitcases, 3 small children, one on the way (me), and a big dream to succeed in America's promise that hard work, integrity, and persistence would be met with fair and just rules of governing. Every day we are thankful for those proven truths.

Cacique Incorporated ("Cacique"), founded in 1973, has been a California cheese manufacturer for 42 years. With \$800 raised and borrowed, my parents founded our family business, Cacique. Our beginnings were very humble: rented bottling space at the back of a drive-through dairy, product sold from a Styrofoam cooler in the trunk of a teal green 1966 Pontiac, and hard work are the Cacique genesis. We produced high-quality cheeses and grew by selling an additional pound at each corner grocery store every time they were serviced. Cacique was literally built one pound at a time. Today, after years of very hard work, some luck, and excellent people, Cacique is America's most popular brand of Mexican-style cheeses and creams as measured by nationally recognized auditors of such consumer demands.

Current Operations

Cacique is owned and operated by my family's 2nd generation. Our dairy facility is located in the Los Angeles suburb of the City of Industry. At this facility we manufacture cheese, cream, and yogurt. Cacique currently has about 320 California-based employees and 55 non-California employees (almost all are sales-related employees). More than 80% of Cacique's employees are of minority origin and, as I stated in my testimony, Cacique is not a minimum-wage employer. It's our educated estimate that between employees and vendor/suppliers, we help support more than 1,000 families.

By basing such a large portion of our sales force in other states, we have made a very deliberate and expensive commitment to grow our out-of-state business. Cacique spends a considerable amount of marketing funds in activities like demos, advertising, and retailer ads to grow its out-of-state volume. This is well above and beyond the support provided by the Milk Advisory Board. As a result, we ship considerable amounts of California milk out of state.

Every pound of cheese we ship out of state is equal to 10 pounds of California milk being shipped into competing markets. Furthermore, every single unit of Cacique brand products proudly carries the “Real California Milk” seal. Not only are we shipping California milk-based product out of state, we are also telling everyone about it.

Cacique Distribution Costs.

Most of our consumers are on the lower end of the income range and, as a result, retail price points are crucial. On average, Cacique consumes about 1 million pounds of milk on any given production day and more than 300 million pounds per year. About 47% of that milk is shipped out of California as cheese, cream, and yogurt. It is estimated about 60% of the United States population lives east of the Mississippi River. (See: en.wikipedia.org/wiki/Eastern_United_States.) As our products travel east, transportation and other expenses drive our costs higher. Depending on load size, refrigerated freight costs into the Midwest and East Coast are between 30 and 70 cents *per pound of product* for LTL (Less than Truck Load), which is the most common method. As you can see, Cacique’s Midwest and East Coast based competitors enjoy a significant competitive product transportation advantage and in order to stay on a level price point with these brands, Cacique is unable to pass the full cost onto the consumer and must often subsidize the freight expense just to keep the playing field level.

Cacique’s Out-of-State Competitors Lower Operation Costs.

We compete directly with regional manufacturers that aggressively defend their markets. Most of these competitors are east of the Rockies. Milk prices in states outside of California are higher; however, business operating expenses are considerably lower and these states are far more business-friendly than California. Below are a few examples of the high cost of business operations in California compared to national averages:

- **Workers’ Compensation in California:** Workers’ compensation cost in California is 188% higher than the national mean. California businesses spend \$3.48 for every \$100.00 of payroll compared to the national mean of \$1.85. See Exhibit A: Oregon Department of Consumer and Business Services, 2014 Oregon Workers’ Compensation Premium Rate Ranking summary.
- **Electrical Cost for Industrial Companies:** The United States March 2015 average retail price of electricity in the Industrial sector was \$6.79. California’s rate in the Industrial Sector is \$10.63 or 56.55% above the national mean. See Exhibit B: United States Energy Information Administration.
- **California Taxes:** California ranks 48th out of 50 states for least business-friendly states. See Exhibit C: Tax Foundation October 2013 publication.
- **Cost of Litigation in California** is ranked 47th out of 50 states. See Exhibit D: California Foundation for Commerce & Education; The Cost of Doing Business in California. August 2014.

- Cost of Energy in California is ranked 48th out of 50 states. See Exhibit D: California Foundation for Commerce & Education; The Cost of Doing Business in California. August 2014.
- Cost of Labor in California is ranked 41st out of 50 states. See Exhibit D: California Foundation for Commerce & Education; The Cost of Doing Business in California. August 2014.

Cacique, as a result of manufacturing in California, must bear these and other costs which far exceed national averages. Cacique's out-of-state competition have key strategic cost advantages because they are located in more business-friendly states, with far lower freight expenses.

Risk to Cacique

Raising California milk prices will stifle Cacique's ability to grow and be price competitive in many regions within the United States. As reflected above, Cacique's current operational costs are materially impacted because of its location in California. The operational cost burden imposed on California cheese makers like Cacique may well meet or exceed the delta between class 4b and class 3 milk. Thus, changing the 4b pricing structure will impose additional costs onto Cacique significantly increasing our operational costs far beyond those of our competitors. ***A change in the 4b pricing structure will, without question, jeopardize our 47% out of state business!***

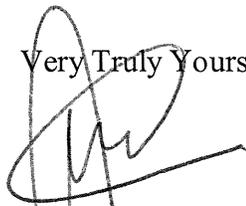
This operational cost increase will further jeopardize our California business because out-of-state competitors will be able to enter the California market with lower-priced goods. ***As I said in my testimony, my out of state competitors want the committee to increase the price of 4b milk!***

Closing

As I said in my June 3 testimony, Cacique wants to grow its business and buy more California milk. However, the increase of 4b milk pricing will stifle our ability to do so and likely cause Cacique to lose a material amount of volume and reduce our demand for milk. We are in this together with our milk producer partners. We are ambassadors of California Milk. However, we cannot support an initiative that will so drastically change the trajectory of California's legendary cheese industry.

Thank you for your attention to this matter.

Very Truly Yours,



Antonio de Cardenas
Cacique Inc.
Family Member and Owner

Complete versions of the materials referenced and cited in this Letter can be located as follows:

1. http://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_6_a
2. http://www.cbs.state.or.us/external/dir/wc_cost/files/report_summary.pdf
3. <http://taxfoundation.org/article/2014-state-business-tax-climate-index>
4. <http://www.calchamber.com/CFCE/Documents/CFCE-Cost-of-Doing-Business-in-California.pdf>
5. http://en.wikipedia.org/wiki/Eastern_United_States

Exhibit A

2014 Oregon Workers' Compensation Premium Rate Ranking Summary

Department of Consumer and Business Services

October 2014

By [Jay Dotter](#) and [Mike Manley](#)

Oregon employers in the voluntary market pay, on average, the 43rd highest workers' compensation premium rates in the nation. Oregon's rates are 26 percent below those of the median state in the study.

Premium rate indices are calculated based on data from 51 jurisdictions, for rates in effect as of Jan. 1, 2014. The 2014 median value is \$1.85, which is a drop of 2 percent from the \$1.88 median of the 2012 study. Oregon's premium rate index is \$1.37 per \$100 of payroll, or 74 percent of the national median. National premium rate indices range from a low of \$0.88 in North Dakota, to a high of \$3.48 in California. There were 21 states that had an index rate that was within plus or minus 10 percent of this benchmark value. In the upper part of the rate distribution, 13 states had index rates higher than 110 percent of the median, while 17 states were below 90 percent of the median. For an interactive map of the state rankings, [click here](#).

Figure 1. 2014 Workers' compensation premium index rates

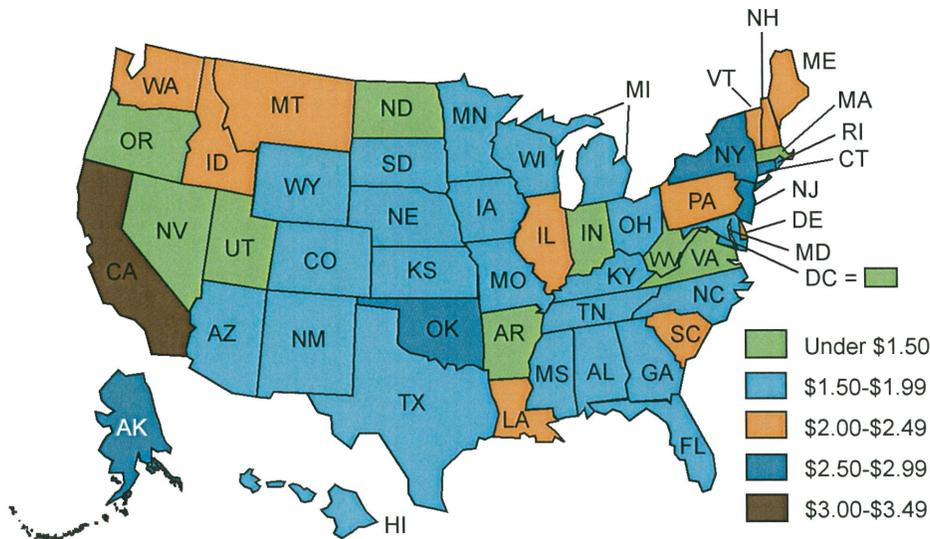


Table 1. Oregon's ranking in the top 10 classifications

Occupation	Ranking
Clerical office employees	44
Salespersons - outside	46
College: professional employees and clerical	42
Physician and clerical	37
Restaurant	43
Hospital: professional employees	38
Store: retail	41
Automobile service/repair center and drivers	32
Trucking: all employees and drivers	37
Retirement living centers: health care employees	32

The study is based on methods that put states' workers' compensation rates on a comparable basis, using a constant set of risk classifications for each state. This study used classification codes from the National Council on Compensation Insurance (NCCI). Of approximately 450 active classes in Oregon, 50 were selected based on relative importance as measured by share of losses in Oregon. To control for differences in industry distributions, each state's rates were weighted by 2008-2010 Oregon payroll to obtain an average manual rate for that state. Listed in Table 1 are Oregon's rankings in the top 10 of the 50 classifications used.

Table 2. Workers' compensation premium rate ranking

2014 Ranking	2012 Ranking	State	Index Rate	Percent of study median	Effective Date
1	3	California	3.48	188%	January 1, 2014
2	2	Connecticut	2.87	155%	January 1, 2014
3	7	New Jersey	2.82	152%	January 1, 2014
4	5	New York	2.75	148%	January 1, 2014
5	1	Alaska	2.68	145%	January 1, 2014
6	6	Oklahoma	2.55	137%	1/1/13 State Fund, 1/1/14 Private
7	4	Illinois	2.35	127%	January 1, 2014
8	14	Vermont	2.33	125%	April 1, 2013
9	30	Delaware	2.31	125%	December 1, 2013
10	15	Louisiana	2.23	120%	January 1, 2014
11	8	Montana	2.21	119%	July 1, 2013
12	9	New Hampshire	2.18	118%	January 1, 2014
13	10	Maine	2.15	116%	April 1, 2013
14	19	Idaho	2.01	109%	January 1, 2014
17	13	Washington	2.00	108%	January 1, 2014
17	16	South Carolina	2.00	108%	September 1, 2013
17	12	Pennsylvania	2.00	108%	April 1, 2013
20	27	New Mexico	1.99	108%	January 1, 2014
20	20	Rhode Island	1.99	107%	July 1, 2013
20	17	Minnesota	1.99	107%	January 1, 2014
21	36	Missouri	1.98	107%	January 1, 2014
22	19	Tennessee	1.95	105%	March 1, 2013
23	12	Wisconsin	1.92	104%	October 1, 2013
24	25	Iowa	1.88	101%	January 1, 2014
25	23	South Dakota	1.86	100%	July 1, 2013
27	35	Hawaii	1.85	100%	January 1, 2014
27	25	North Carolina	1.85	100%	April 1, 2013
28	29	Florida	1.82	98%	January 1, 2014
29	21	Alabama	1.81	97%	March 1, 2013
30	33	Nebraska	1.78	96%	February 1, 2013
31	31	Wyoming	1.76	95%	January 1, 2014
32	27	Georgia	1.75	95%	July 1, 2013
33	28	Ohio	1.74	94%	July 1, 2013
34	32	Michigan	1.68	91%	January 1, 2013
35	34	Maryland	1.64	88%	January 1, 2014
36	38	Texas	1.61	87%	June 1, 2013
37	37	Arizona	1.60	86%	January 1, 2014
38	42	Mississippi	1.59	85%	March 1, 2013
39	41	Kansas	1.55	83%	January 1, 2014
40	22	Kentucky	1.51	82%	October 1, 2013
41	43	Colorado	1.50	81%	January 1, 2014
43	40	West Virginia	1.37	74%	November 1, 2013
43	39	OREGON	1.37	74%	January 1, 2014
45	45	Utah	1.31	71%	December 1, 2013
45	47	District of Columbia	1.31	70%	November 1, 2013
46	46	Nevada	1.26	68%	March 1, 2013
48	44	Massachusetts	1.17	63%	September 1, 2010
48	48	Virginia	1.17	63%	April 1, 2013
49	49	Arkansas	1.08	58%	July 1, 2013
50	50	Indiana	1.06	57%	January 1, 2014
51	51	North Dakota	0.88	47%	July 1, 2013

Notes: Starting with the 2008 study, when two or more states' Index Rate values are the same, they are assigned the same ranking. The index rates reflect adjustments for the characteristics of each individual state's residual market. Rates vary by classification and insurer in each state. Actual cost to an employer can be adjusted by the employer's experience rating, premium discount, retrospective rating, and dividends. [Link to previous reports and summaries.](#)

Employers can reduce their workers' compensation rates through accident prevention, safety training, and by helping injured workers return to work quickly.

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440-2082 (10/14/COM)

Information Technology and Research Section
 350 Winter St. NE, Room 300
 P.O. Box 14480
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Exhibit B



Electric Power Monthly

Data for March 2015 | Release Date: May 26, 2015 | Next Release: June 26, 2015

Previous Issues

Issue: Format:

Table 5.6.A. Average Retail Price of Electricity to Ultimate Customers by End-Use Sector,

by State, March 2015 and 2014 (Cents per Kilowatthour)

Census Division and State	Residential		Commercial		Industrial		Transportation		All Sectors	
	March 2015	March 2014	March 2015	March 2014	March 2015	March 2014	March 2015	March 2014	March 2015	March 2014
New England	20.83	17.67	16.95	15.55	13.00	12.95	12.59	9.01	17.94	16.03
Connecticut	21.94	19.51	17.35	16.43	14.32	13.65	11.06	14.21	19.11	17.56
Maine	15.51	15.22	13.31	13.95	10.13	12.20	--	--	13.02	14.01
Massachusetts	22.12	17.33	17.30	15.44	14.03	13.24	12.82	NM	18.73	15.83
New Hampshire	19.56	17.33	16.42	15.32	13.95	13.18	--	--	17.44	15.85
Rhode Island	20.05	16.86	18.76	15.73	16.26	13.99	17.86	13.46	19.03	15.99
Vermont	16.68	17.36	14.29	14.70	10.15	10.58	--	--	14.34	14.83
Middle Atlantic	15.78	16.40	13.52	14.21	8.11	8.36	11.52	12.27	13.32	13.91
New Jersey	15.56	15.93	13.15	13.79	11.29	12.95	10.46	10.33	13.87	14.48
New York	19.15	20.87	15.79	16.89	7.49	6.75	12.85	13.93	16.01	17.13
Pennsylvania	13.13	13.01	10.01	10.08	7.86	8.18	8.28	7.20	10.59	10.67
East North Central	12.35	11.94	9.94	9.85	7.01	6.99	6.84	6.46	9.76	9.61
Illinois	11.95	10.73	9.19	8.92	6.97	6.65	6.49	6.03	9.35	8.80
Indiana	10.79	10.98	9.67	9.72	6.78	6.76	10.78	10.12	8.81	8.83
Michigan	13.81	14.14	10.36	10.92	7.12	7.94	11.35	13.42	10.59	11.14
Ohio	12.16	11.56	10.07	9.72	6.89	6.67	8.14	7.96	9.83	9.44
Wisconsin	13.97	13.34	10.86	10.54	7.61	7.43	--	--	10.69	10.43
West North Central	10.42	10.54	8.62	8.88	6.57	6.73	7.94	6.94	8.65	8.88
Iowa	10.87	11.00	8.46	8.62	5.58	5.87	--	--	7.93	8.25
Kansas	12.05	11.74	10.04	9.95	7.33	7.30	--	--	9.88	9.79
Minnesota	11.54	11.87	8.90	9.73	6.62	7.30	9.19	10.15	9.04	9.73

Census Division and State	Graph	Residential		Commercial		Industrial		Transportation		All Sectors	
		March 2015	March 2014	March 2015	March 2014	March 2015	March 2014	March 2015	March 2014	March 2015	March 2014
Missouri		9.50	9.79	7.87	8.02	5.42	5.46	6.51	4.81	8.11	8.30
Nebraska		9.76	9.48	8.62	8.54	8.38	8.17	--	--	8.94	8.77
North Dakota		8.78	8.64	8.17	8.41	8.13	7.39	--	--	8.34	8.19
South Dakota		10.17	9.81	8.59	8.57	7.35	7.15	--	--	9.00	8.83
South Atlantic		11.44	11.50	9.66	9.82	6.37	6.65	8.18	8.59	9.92	9.98
Delaware		12.73	12.20	11.63	10.95	8.98	9.32	--	--	11.73	11.23
District of Columbia		12.29	12.63	12.60	12.52	8.80	10.44	10.69	NM	12.39	12.42
Florida		11.63	11.86	9.81	10.12	8.31	8.12	9.05	9.60	10.64	10.81
Georgia		10.58	11.22	9.25	10.36	5.15	6.08	4.89	5.50	8.79	9.64
Maryland		13.16	13.57	11.64	11.84	9.72	10.22	8.34	8.88	12.24	12.54
North Carolina		11.24	10.94	8.86	8.90	6.32	6.45	7.87	8.08	9.56	9.32
South Carolina		12.22	12.21	10.12	10.22	5.75	6.19	--	--	9.38	9.43
Virginia		10.94	10.60	8.48	7.97	7.17	6.79	8.32	7.97	9.47	8.94
West Virginia		9.63	9.24	8.71	8.18	5.98	5.91	9.54	10.01	8.02	7.78
East South Central		10.46	10.80	10.25	10.60	5.68	6.09	8.09	13.80	8.85	9.14
Alabama		11.78	11.63	10.92	10.94	5.65	5.88	--	--	9.11	9.07
Kentucky		9.75	10.01	9.37	9.49	5.20	5.64	--	--	7.87	8.18
Mississippi		11.11	11.28	10.96	11.04	6.45	6.73	--	--	9.55	9.59
Tennessee		9.82	10.58	10.04	10.86	5.82	6.58	8.09	13.80	9.05	9.76
West South Central		10.72	10.82	8.03	8.32	5.61	5.93	5.58	5.40	8.36	8.48
Arkansas		9.02	9.05	7.84	7.77	5.65	5.56	11.33	NM	7.69	7.53
Louisiana		8.81	9.17	8.74	9.16	5.43	5.87	8.77	9.21	7.61	7.96
Oklahoma		9.51	9.66	7.35	7.59	5.06	5.43	--	--	7.51	7.77
Texas		11.64	11.70	8.02	8.33	5.75	6.09	5.35	5.11	8.75	8.85
Mountain		11.45	11.11	9.47	9.26	6.29	6.31	9.91	9.97	9.09	8.93
Arizona		11.55	11.30	9.69	9.32	5.94	6.11	7.39	--	9.57	9.33
Colorado		11.74	11.68	9.73	9.75	6.94	6.95	10.23	10.07	9.58	9.61
Idaho		9.59	9.17	7.77	7.63	5.96	5.73	--	--	7.90	7.67
Montana		10.64	9.91	10.27	9.51	5.02	5.78	--	--	8.93	8.74
Nevada		13.62	13.39	9.94	9.84	6.15	6.22	8.68	8.68	9.21	9.23
New Mexico		12.10	11.56	10.11	9.90	6.26	6.54	--	--	9.40	9.23
Utah		10.49	10.15	8.28	8.28	5.90	5.72	9.99	10.02	8.18	7.95

Census Division and State	Graph	Residential		Commercial		Industrial		Transportation		All Sectors	
		March 2015	March 2014	March 2015	March 2014	March 2015	March 2014	March 2015	March 2014	March 2015	March 2014
Wyoming		10.62	10.07	9.17	8.75	7.04	6.72	--	--	8.21	7.85
Pacific Contiguous		13.73	12.79	12.32	11.84	7.80	7.69	8.17	8.06	11.85	11.33
California		17.04	15.90	13.80	13.28	10.63	10.59	8.13	8.01	14.27	13.66
Oregon		10.50	10.18	8.91	8.92	6.00	6.15	9.25	9.21	8.80	8.79
Washington		8.68	8.71	8.23	8.10	4.30	4.29	9.25	9.61	7.28	7.33
Pacific Noncontiguous		25.58	28.74	22.93	26.54	21.21	26.72	--	--	23.18	27.27
Alaska		19.64	18.66	17.57	16.99	14.62	14.98	--	--	17.66	17.15
Hawaii		31.20	38.51	28.14	35.69	23.79	31.47	--	--	27.23	34.80
U.S. Total		12.35	12.24	10.58	10.66	6.79	6.96	10.26	10.28	10.30	10.30

See Technical notes for additional information on the Commercial, Industrial, and Transportation sectors.

Notes: - See Glossary for definitions. - Values are preliminary estimates based on a cutoff model sample.

See Technical Notes for a discussion of the sample design for the Form EIA-826.

Utilities and energy service providers may classify commercial and industrial customers based on either NAICS codes or demands or usage falling within specified limits by rate schedule.

Changes from year to year in consumer counts, sales and revenues, particularly involving the commercial and industrial consumer sectors, may result from respondent implementation of changes in the definitions of consumers, and reclassifications.

Totals may not equal sum of components because of independent rounding.

Source: U.S. Energy Information Administration, Form EIA-826, Monthly Electric Sales and Revenue Report with State Distributions Report.