

Farmdale Creamery, Inc. – Post Hearing Brief
June 30 & July 1, 2011
California Department of Food and Agriculture
Consolidated Public Hearing on Amendments to the Stabilization and Marketing
Plans for Market Milk for the Northern California and Southern California
Marketing Areas & Amendments to the Pooling Plan for Market Milk

July 11, 2011

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Sacramento, CA 95814

RE: June 30 – July 1, 2011 Class 4a and 4b Hearing -- Post Hearing Brief

To The Hearing Panel:

Farmdale Creamery, Inc. appreciates the opportunity to submit the following post-hearing brief to respond to question(s) from the hearing panel on issues presented in Sacramento on June 30, 2011 and to clarify our position relating to the matters before the panel.

It doesn't make much sense to us to raise the factor from its current level when the 40-month average market price for the base product (Dry Whey) from Dec '07 to Mar '11 supports the current \$0.25 rate. To raise it now, before there is any real evidence that the current higher whey markets (Apr '11 to Jun '11) are going to be sustained at these levels for the next 40 months, is premature. For this reason we would see greater wisdom in some sliding-scale construct (that would directly react to changes in the price levels) over a fixed construct (that would try to estimate what the future holds and average that estimation). That sliding scale, however, should not increase the value of the whey stream beyond what was transferred under the \$0.25 fixed factor scheme since Dec '07. The Dairy Institute's proposal on its face raises our cost of raw product beyond our ability to recover that cost in the market place.

The best solution is to set the minimum regulated price at a truly minimal level and allow each manufacturer and supplier organization to find the unique middle ground for that specific set of circumstances through negotiation and service charges (premiums). The folly of the inclusion of the whey factor was fully revealed in 2007 and its continuation or amplification in the 4b formula cannot occur without the risk of further loss of cheese making capacity in California. Certainly, Farmdale's ability to continue will be seriously challenged should any increase in the cost of Class 4b milk be implemented. We urge the department to make no change in the formula that puts companies like ours at risk for continuing as cheesemakers in California.

Respectfully submitted,
Farmdale Creamery, Inc.

By Michael Shotts, Vice-President & General Manager, Owner
Scott Hofferber MBA, CPA, Controller