

SUMMARY OF PROPOSALS

**March 21, 2013 Workshop
In Preparation for the
April 4, 2013 Hearing**

Under statewide pooling, producers have an incentive to ship their milk to a local plant, which for most producers is a manufacturing plant instead of a more distant Class 1 plant. To encourage sufficient milk supplies for Class 1 plants, three methods currently exist: call provisions (1979), transportation credits (1981), and transportation allowances (1982). The current hearing only addresses the latter two.

Transportation Allowances

Transportation allowances partially compensate producers for the cost of hauling milk from a producer's ranch to qualified plants in designated receiving areas. They are funded from the producer pool.

Transportation allowances apply to some market milk moving from the dairy farm to processing plants. This occurs when the receiving plant is located in a designated deficit area and processes more than 50 percent of its production into Class 1, Class 2, and/or Class 3 products. All relevant economic factors are considered in setting allowances, including, but not limited to: (1) CDFA audited hauling costs; (2) distance considerations; (3) local alternative hauling costs; (4) encouragement of close-in milk to be shipped first; (5) local competition for milk; and (6) relative cost to the pool of milk moving under allowances and credits.

In addition, cooperative members receive transportation allowances on milk shipments to their cooperative plant, which is located in a deficit area, if that plant supplies 40 percent of its receipts for Class 1 usage.

Table 1 summarizes the current transportation allowances and the proposed changes by the petitioner and those submitting alternative proposals.

Transportation Credits

Transportation credits are reductions in the obligation paid by handlers for Class 1 milk (including condensed skim) to partially compensate for the cost of hauling milk assigned to Class 1 usage from plants in designated supply counties to plants in designated deficit counties. If the supply counties and deficit counties are located in different marketing areas, Class 1 area differentials are added to the transportation credit.

All relevant economic factors are considered in setting credits, including, but not limited to: (1) CDFA audited hauling costs; (2) distance considerations; (3) encouragement of close-in milk to be shipped first; (4) competition for milk; and (5) relative cost to the pool of milk moving under allowances and credits.

Table 2 summarizes the current transportation credits and the proposed changes by the petitioner and those submitting alternative proposals.

SUMMARY OF PROPOSALS

Changes indicated in ***Bold Italic***

WALLABY YOGURT COMPANY

Transportation Allowances:

- Adopt Napa County as a deficit milk area for processing into the North Bay Receiving Area.

North Bay Receiving Area (Marin, ***Napa***, Solano, and Sonoma)

0-45 miles	\$0.23/cwt.
45-96 miles	\$0.35/cwt.
Over 96 miles	\$0.44/cwt.

Transportation Credits

- No proposed changes

CALIFORNIA DAIRIES, INC.

Transportation Allowances:

- Increase the transportation allowances for plants located in the following receiving areas:

Southern California Receiving Area (Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties):

1) From the counties of Riverside and San Bernardino:

0- 45 miles	\$0.15/cwt.
46-93 miles	<i>\$0.30/cwt.</i>
Over 93 miles	\$0.46/cwt.

2) For shipments from all other counties:

0-79 miles	\$0.15/cwt.
79-99 miles	\$0.46/cwt.
99-119 miles	\$0.67/cwt.
119-139 miles	\$0.84/cwt.
Over 139 miles	<i>\$1.00/cwt.</i>

Transportation Credits:

- Increase the transportation credit for shipments from the designated supply county of Los Angeles to: Orange, Riverside, San Bernardino, San Diego, or Ventura Counties to ***\$0.54/cwt.***

DAIRY FARMERS OF AMERICA

Transportation Allowances:

- Increase the transportation allowances for plants located in the following receiving areas:

Bay Area (Alameda, Contra Costa, Santa Clara, Santa Cruz, San Francisco, and San Mateo counties):

0-78 miles	\$0.48/cwt.
78- 139 miles	\$0.55/cwt.
Over 139 miles	\$0.72/cwt.

Sacramento Area (Sacramento County):

0-59 miles	\$0.17/cwt.
Over 59 miles	\$0.23/cwt.

North Bay Area (Marin, Solano, Sonoma counties):

0-45 miles	\$0.23/cwt.
45-96 miles	\$0.37/cwt.
Over 96 miles	\$0.52/cwt.

Southern California Area (Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties):

1) From the counties of Riverside and San Bernardino:

0- 45 miles	\$0.15/cwt.
45-93 miles	\$0.30/cwt.
Over 93 miles	\$0.46/cwt.

2) For shipments from all other counties (no changes proposed):

0-79 miles	\$0.15/cwt.
79-99 miles	\$0.46/cwt.
99-119 miles	\$0.67/cwt.
Over 119 miles	\$0.84/cwt.

Transportation Credits:

- No proposed changes

Table 1: PROPOSED CHANGES TO TRANSPORTATION ALLOWANCES: *Ranch-to-Plant*

AREAS	CONSTRUCTIVE MILES			Current since September 2008 <i>In Dollars per Hundredweight</i>	Wallaby Proposal	CDI Proposal	DFA Proposal
Bay Area Receiving Area ¹	0	to	78	\$0.36	-	-	
	78	to	199	\$0.45	-	-	
	199	+		\$0.47	-	-	
	0	to	78				\$0.48
	78	to	139				\$0.55
	139	+					\$0.72
North Bay Receiving Area ²	0	to	45	\$0.23	-	-	\$0.23
	45	to	96	\$0.35	-	-	\$0.37
	96	+		\$0.44	-	-	\$0.52
Proposed Change to Area Counties					Add Napa Co.	-	-
Sacramento Receiving Area	0	to	59	\$0.15	-	-	\$0.17
	59	+		\$0.23	-	-	\$0.23
Shasta Receiving Area ³	0	to	29	\$0.13	-	-	-
	29	to	49	\$0.16	-	-	-
	49	+		\$0.19	-	-	-
San Diego Receiving Area	0	to	79	\$0.15	-	-	-
	79	to	119	\$0.46	-	-	-
	119	+		\$0.84	-	-	-
Southern California Receiving Area ⁴ from San Bernardino and Riverside counties	0	to	93	\$0.15	-		
	93	+		\$0.46	-		
	0	to	45			\$0.15	\$0.15
	45	to	93			\$0.30	\$0.30
	93	+				\$0.46	\$0.46
from all other counties	0	to	79	\$0.15	-		-
	79	to	99	\$0.46	-		-
	99	to	119	\$0.67	-		-
	119	+		\$0.84	-		-
	0	to	79			\$0.15	
	79	to	99			\$0.46	
	99	to	119			\$0.67	
	119	to	139			\$0.84	
	139	+				\$1.00	

¹ Alameda, Contra Costa, San Francisco, San Mateo, Santa Clara, and Santa Cruz Counties.

² Marin, Solano and Sonoma counties.

³ Transportation Allowances for the Shasta Receiving Area have not been used since mid-1996.

⁴ Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties.

Values in bold and yellow shading represent proposed changes

Table 2 - PROPOSED CHANGES TO TRANSPORTATION CREDITS: Plant-to-Plant

WALLABY and DFA proposals would not affect transportation credits.

Area differentials based on whole milk \$0.27 = \$0.0031 x 87.8; for skim the differential would be \$0.28 = \$0.0031 x 90.9; for condensed skim \$0.21 = \$0.0031 x 68.0

SUPPLY COUNTIES	DEFICIT COUNTIES		CURRENT SINCE Sep 2008	CDI Proposal
<i>In Dollars per Hundredweight</i>				
Los Angeles	Orange, Riverside,	Differential	\$0.00	\$0.00
	San Bernardino,	Credit	\$0.45	\$0.54
	San Diego and Ventura	Total	\$0.45	\$0.54

Values in bold and yellow shading represent proposed changes