

FMMO November 6, 2015

The eighth week of the California FMMO hearing

“Is it already week 7 of the California FMMO hearing? Because it sure feels like it’s only the second or third week!” Said no one ever. Indeed, this week marked the end of the seventh week of the CA FMMO hearing. And the amount of information entered into the record has been nothing short of impressive. While this hearing has been going from 9am to 5pm on a daily basis, there has also been another world of work that has been happening each evening. In fact, when those participating in this hearing full time retire to their “war room” in the evening (this includes some of your coops’ staff), they invest most of their time digesting the days’ information and preparing for the next. With the exception of a few football games watched here and there, that is a lot of total hours spent on this hearing. No wonder the “dairy bar” likes FMMO hearings!

The week started with Mr. Britt from Clover Stornetta stating support for proposal 2. Then Dr. Schiek (Dairy Institute) took the stand again, along with Mr. Fish (Saputo Cheese US) to discuss the whey factor. “Whey” has to be one of the words most used so far this hearing (“market clearing”, “Class III” and “disorderly marketing” are not too far behind in the ranking). When asked if there was a risk in setting a minimum price too low, Dr. Schiek answered without concern that the market should determine the correct price. Mr. Dolan (Driftwood Dairy) came next in support of proposal 2, stating he did not believe the coops’ proposal provides the performance standards necessary to serve the Class I market.

On Tuesday, two cheeseheads joined the ranks of those taking the stand, as Mr. Buholzer and Mr. Stettler (two cheesemakers) presented testimony on whey and the accompanying challenges of pricing it. Mr. Zolin (a representative for HCC) introduced a one page testimony on producer milk definition (i.e. what milk can associate with the order). Mr. Vetne (a representative for HCC) took the stand for part 2 of his policy evolution testimony to discuss the pricing of Grade A milk used to manufacture dairy products. The history was interesting, but the coops’ attorney, Mr. Beshore, argued that this testimony would have been well suited for a brief instead. The confrontation changed the mood from peaceful to Law & Order like for a few minutes, but things smoothly resumed afterwards. Mr. Anthony (Unified Grocers) testified against proposal 1 as he is concerned about price increases. Mr. Blaufuss (Dean Foods) came back up for part 3 of his testimony to state that Class I differentials should be justified; the coops’ currently are not doing that. Trying to take the lead of witness with the most appearance on the stand (I believe Mr. Hollon from DFA is still in the lead), Mr. Zolin came back with part 5 of his testimony to discuss marketing assessments.

Hump day took an academic turn as Dr. Stephenson from the University of Wisconsin introduced some of his research into the record. He started by saying he has no position, but he did state he has concerns with the CA FMMO because the Class III formula may not set the price low enough to clear the market if California was part of a FMMO. Reading between the lines, this does not sound particularly helpful to the coops’ case. The day ended with Joe Paris (consultant with Joseph Gallo Farms) opposing the coops’ proposal.

Thursday was more of the same, with Sue Taylor going on for her testimony part 2, discussing pricing and its impact on Leprino. Her stated preference would be that USDA waits for a national hearing to revise the Class III formula. If not, then the Class III should be set for achievable returns. A nice change of pace, a dairyman from Modesto (Mr. Verburg), shared his support for proposal 1 because it will align

prices with the rest of FMMO system and preserve quota. Mr. Kluesner (Nestle), stating concerns with the strict pooling rules in the coops' proposal, and Mr. Zolin (part 6 – I still don't think he's in the lead), capped off the day.

Processors were as abundant as candy corn in kids' Halloween buckets this week and Friday was no exception. Mr. Williams and Mr. Blaufuss (Dean Foods) took the stand together to discuss how the California producer-handlers have an unfair advantage. They cranked the heat by sharing a somewhat provocative statement that the soft cap the producer-handlers are enjoying is "the gift that keeps on giving". They were grilled by the producer-handlers' attorney (Ms. Hancock) for a few hours. Through a well thought-out testimony, Mr. Doornenbal (dairyman from Escalon) changed the pace positively, highlighting how the situation has changed in California and why we need to be on a level playing field with the rest of the country.

The hearing will resume Monday at the Picadilly Hotel by the Fresno airport, streamed live at: www.ams.usda.gov/live. Don't have time to sit through entire days of deliberations? "Like" Western United Dairymen on Facebook or follow us on twitter (@wudnews) for daily progress updates. Members who don't like Twitter or Facebook are more than welcome to send me an email at aacmoody.wud@gmail.com if they would like to receive the daily updates directly in their inbox.