

Day II - Wednesday, September 11, 2002

312	3	Inaudible	two levels of operating reserves, not necessarily those two levels should be operating reserves for the markets
312	14	Inaudible	yes.
313	1	Inaudible	You are basically correct. The first thing computed was based on satisfying the Class I demand and operating reserve and we will calculate the seasonal reserve and the total operating reserves and seasonal reserves is that I put.. The total reserves...
314	2	Inaudible	except to say that the seasonality is different in the Northeast order
314	14	Inaudible	When I did ... butter-powder plants, there were several papers reporting at the time, attempting to argue the various percentages of operating reserves. Now for the purpose of the presentation, I just picked
316	6	Inaudible	... excess reserves it's ...
316	7	Inaudible	Ultimately, reserve that isn't ordinarily associated with cities in the Class I market can be called
316	24	Inaudible	*strike*
317	4	Inaudible	are there
318	23, 24	it's just quite -- (inaudible) -- spread over the plant capacity.	it's just spread, spread over all the milk, more than spread over the plant capacity.
320	4	Inaudible	53 percent, you say?
320	23	BY MR.	BY MR. LING:
320	24	Inaudible	while the total necessary reserves flattened
321	1	Inaudible	in the case
321	22	Inaudible	about 66 percent
321	24	Inaudible	*strike*
323	4	33,000	30000
325	15	Inaudible	It's the same as column II
326	3	Inaudible	yeah, 11.8 million pounds
326	4	--8 million pound--	*strike*
326	6	Inaudible	peak
327	5	Inaudible	very good

327	10	Inaudible	If you compare the two columns and it comes out that way, then you can say that
328	4	Inaudible	am not going to give you
328	5, 6, 7, 8	I am not ready to...	I am not privy to the negotiations between cooperatives and handlers. I'm not prepared to answer a questions, it's something you can ask coops or your members.
328	21	Inaudible	the association members came to me
331	10	Inaudible	total volume
333	13	Inaudible	You're talking about 2001, there's no -- (inaudible)
333	19	Inaudible	I didn't compute that
334	5	Inaudible	Historically, yes
334	10	Inaudible	Based on
334	14	Inaudible	If that's what the statistic say
335	5	Inaudible	Mathematically find what happened to -- (inaudible)-- didn't -- (inaudible) -- come to a conclusion
335	11	Inaudible	I didn't look at the numbers ...
335	24	Inaudible	... Table 3 is based on ... I don't want to compare the two tables, and I haven't studied the statistics with regards to these tables.
336	18	(1st) Inaudible	pooled
336	18	(2nd) Inaudible	study them
336	20	Inaudible	milk shipments between -- (inaudible)--
337	21	MR. ROSENBAUM:	MR. BESHORE:
338	18	Inaudible	as long as this data set for 2000 - post marketing order reform, if milk is pooled...
338	20, 21, 22	Delete all text	I haven't studied post-reform statistics, so I'm not... If you want to... there's probably somebody qualified.
339	12, 13, 14	Delete all text	because post-reform was operating under a different set of rules from pre-reform, pre-reform there were 3 marketing orders, 3 different sets of rules, and so the two data sets are not the same because, people would say what's better advantageous for them to ship their milk and pool so it's not the same data set.
339	20	Inaudible	but they are pooled under different sets of rules
340	1	Inaudible	They're pool receipts under different sets of rules.
340	4	Inaudible	You ask him that, mine was the old rules.
340	9	Inaudible	-- (inaudible) -- USDA data set, that's probably a very conservative number.
340	16, 17	Delete all text	Well, as I explained earlier, the \$28 million number was based on a study I did in 1984 for a cooperative

340	22	more	new
341	1-5	Delete all text	I tried to isolate what is necessary for the market, ok, and the best way to estimate the costs is, as far as what I did in the report -- (inaudible)-- because the costs data is very difficult to come by and so this probably is the most correct.
341	7	Inaudible	What I say is most correct
341	10	Inaudible	no, no, no
341	13	Inaudible	So, everybody's clear and on the same page.
341	16	Inaudible	Until recently, there has been just one new butter-powder plant in Idaho, it's total producing number is higher than what I have here, 28 million.
341	21	Inaudible	correct
342	1	New	No new
342	1	Inaudible	but there have been expansions of some plants
342	4	Inaudible	your
342	12	Inaudible	there have been expansions.
345	1	Inaudible	no
345	6	Inaudible	estimate, to come up with a number and then come up with an estimate for the cost of balancing milk.
345	8	Inaudible	They didn't ask me to look at which one.
345	17	Inaudible	do use butter powder plants, to a limited extent they might use cheese for a short period of time and that, but I don't really know why people use cheese plants to do balancing, that's why I picked butter-powder plants.
346	5	Inaudible	150 million pounds
346	6	By 170 but ...	I had 170, but the
347	9	Inaudible	It's based on pool statistics of wherever the milk was pooled.
347	11	Inaudible	In this order.
347	17	Inaudible	reported by Dairy Programs is posted for Order 2 and Order 4.
348	7	Inaudible	didn't study the statistics.
348	14	Inaudible	and reported by Dairy Programs.
348	21	Inaudible	under those 3 orders.
349	2	Inaudible	Well, as I said, it's based on whatever Class I milk was pooled under those 3 orders.
349	7	Inaudible	I don't know.
349	11	Inaudible	Whatever was reported by the Dairy Division pooled as Class I milk.
351	6	Inaudible	Page 85?

351	18	Inaudible	Frankly, page 85 is kind of confusing to me, so I'm not ready to answer questions.
351	20	Inaudible	The captions and so forth, I don't really understand them.
352	3	Inaudible	What you said is correct, it's just a number there.
352	8	a	any
352	11	Inaudible	They didn't ask ... to explain everything, to compare numbers.
352	22	Inaudible	for estimating the balancing needs for the marketing order.
353	2	Inaudible	What I said before, I don't think I can answer these
354	20	Inaudible	*strike*
354	21	MR. ENGLISH	MR. BESHORE
354	23	Inaudible	referred to
354	23	possible	*strike*
354	24	Inaudible	post-reform
355	12	Inaudible	pool milk, and the Class I milk pooled
357	5	Inaudible	Whatever is reported by the Dairy Division as
357	24	Inaudible	reported as Class I milk pooled on the orders.
358	4	Inaudible	It's Class I milk pooled.
358	10	Inaudible	I don't know.
358	20	Inaudible	No, I don't.
359	11	Inaudible	I don't have an
359	13	Class 2 --	Class II milk, which is not considered reserves, were included in estimating balancing cost
360	8	Inaudible	knowledge of working in New York City in Federal
360	9	Inaudible	I had intimate knowledge about the provisions of plants, fluid plants.
360	12	Inaudible	usually geared towards shopping patrons and customers
361	2	Inaudible	No I don't.
361	15	Inaudible	I can't say.
362	1	Delete all text	It was explained in a previous question, that the \$28 million was
362	2	a	my
362	6	Inaudible -- study in 2002,	, I did the study in 2000, 2001, 2002,
362	10-11	Inaudible -- what I have in the -- Inaudible	If you don't know what I have the (inaudible) Plug in a number, anyone you want.
362	19	Inaudible	for the
362	22	Delete all text	Not per unit.

363	8	Inaudible	spread
363	18	Inaudible	increase in per-unit
364	24	Inaudible	and 8.13
365	1	Inaudible	numbers used in CCC's price support calculation.
365	5	Inaudible	plug in your own numbers.
365	10	is a	has a
365	16	Inaudible -- higher yield but	if, components are higher,
365	20	considerably	conceptually
366	11	Inaudible	to reserves
367	14	Inaudible	an economist
368	9	Inaudible	Whatever it says in the statute of marketing orders.
368	13	I think the --	*strike*
368	14	Inaudible	I simply read those and recited them.
368	17	MR. STEVENS	THE WITNESS
369	13	Inaudible	independently
369	16	Inaudible	something
370	11	Inaudible	quantify
371	5	Inaudible	in real-life
371	6	Inaudible	by III plants, is by several plants.
371	8	Inaudible	III plants. For the real-life processing costs, I think it's a
371	8	than	you need
373	7	excesses	reserves and excess reserves.
374	3	Inaudible	I have the approval of my
375	21	upgrade -- Inaudible	agree with the formula and cost
377	24	Cost study's	Coop services
378	6	only	normally
378	8-9	Delete all text	The milk volume statistics are public numbers, the costs are not published.
378	19-21	Inaudible -- (end of statement)	, plant accounting people, markdown costs for balancing, of costs for constant production.
379	19	Inaudible -Inaudible	essentially, if the deliveries was assigned,
379	20	Inaudible	because
379	21	Inaudible	study that to answer your question.

380	14	Inaudible	The statistics that I
380	17	Inaudible	That needs to be processed.
380	24	Inaudible	Um,Um,Um
381	13	Inaudible	necessary reserve
381	14	Inaudible	have a plant, that's a business judgment, that's a, that should not be -- (inaudible)-- balancing costs
381	18	typical	pivotal
383	23	Inaudible	testimony and
460	10	Delete all text	I imagine that was before the -- (inaudible) -- of 3A pricing.
551	11	Inaudible	actually, I think
554	4	Delete all text	for whatever they may be worth.
559	2	Inaudible	will admit that's tough
561	9-12	Delete all text	Q Previously you've contracted to sell to some of the cooperatives in the market?
			A Yeah, we've contracted with both Agrimark and DFA
			Q You got a better deal with Elmhurst I take it?
			A Yeah
			Q One other question. Are you - do you hold any elected position in the New York Farm Bureau?
561	20	Inaudible	on this.
562	12	Inaudible	record's going to understand why either, so explain.
563	24	Inaudible	Arms
563	24	dairy	Dairy
564	1	Inaudible	*strike*
565	4	Inaudible	on the Van Buren Town Board
566	21	Inaudible	at hand
568	14	Inaudible	Twice a day
573	6	Inaudible	we shall proceed to
577	10	Inaudible	Yes
582	11	Inaudible	with the Market Administrator
583	3	Inaudible	That's correct.
583	17	Inaudible	That number varies.
584	2	Inaudible	Yes
588	3	Inaudible	dealing of monthly volume

588	4	Inaudible	condensed
588	6	Inaudible	130,000, or 3 loads of condensed a day , or around 135
591	10	Inaudible	very back row, Mr. Arms.
591	11	Inaudible	We'll figure it out.
592	13	Inaudible	are what you consider to be balancing?
592	14	Inaudible	Yes, that's exactly correct.
594	17	Inaudible	Yes, Mr. Tosi.
596	19	Inaudible	Mr. Beshore
598	13	Inaudible	what those figures are. I don't want to give you an erroneous figure.
598	21-22	In excess of a dollar a hundredweight?	*strike*
598	23	Inaudible	In excess of a dollar a hundredweight.
599	23	I'm sure you and your clients would	*strike*
599	24	like to know	A: I'm sure you and your clients would like to know.
600	3	Inaudible	The witness can decline to answer,
600	4	Inaudible	the witness wishes to
600	5	Inaudible	to these 200 producers
602	2	Inaudible	Would you like to do that?
603	12	Inaudible	hearings as well as a
608	8	Inaudible	obviously, the
608	11	Inaudible	at distributing plants differ on a
608	14	Inaudible	*strike*
610	23	Inaudible	a "greenfield"
611	14	Inaudible	wastewater
611	24	Inaudible	and assuming no shipments of intermediate
613	4	Inaudible	per hundredweight
613	6	further	furthermost
613	7	Inaudible	*strike*
615	11	Inaudible	*strike*
615	16	Inaudible	Lake Utz
615	18	Inaudible	Federal Order 5, a reserve
616	3	Inaudible	Morganmaid

616	8	Inaudible -- pounds	100, 125 million pounds a month
616	9	Inaudible	*strike*
619	18	Inaudible	No
619	23	Inaudible	supply plants
620	8	Inaudible	*strike*
620	17	Inaudible	*strike*
622	6	Inaudible	how you pronounce it
622	7	Inaudible	that plant was built
622	8	INSERT (after previously written text)	Q: Do you know whether or not that was financed by a bank loan?
			A: No
622	16	Inaudible	from the Upper Midwest
622	17	Inaudible	ok
622	18	Inaudible	well, they gave us
622	19	Inaudible	*strike*
622	23	Inaudible	in September
624	2	Inaudible	the entity
624	17	Inaudible	income specific -- (inaudible) --
624	19	Inaudible	*strike*
625	1	Inaudible	before that there are such things as "contingency"
625	15	Inaudible	and I am continually cautioned by my finance department
625	24	Inaudible	is total
626	3	Inaudible	Absolutely.
626	14	Inaudible	Yeah.
627	1	Inaudible	I think that since I
627	12	Inaudible	plug some numbers in a calculator
627	15	Inaudible	are they?
627	15	Agramark	Agrimark
627	17	Inaudible	for Boise
627	18	(1st) Inaudible	was in the
627	18	(2nd) Inaudible	is that correct
629	14	Inaudible	in printed containers with it's brand on it is sold
630	8	Inaudible	that or

630	11	Inaudible	or your
630	12	Inaudible	has the greatest quantity of milk
630	24	Inaudible	leave it
631	4	Inaudible	them on
632	2	dryer - -	dryer at a later date.
632	3	Inaudible	*strike*
632	7	Inaudible	probably middle 90's
633	8	Inaudible	I admit
633	12	rural	Laurel
633	14	rural	Laurel
633	15	rural	Laurel
633	16	Inaudible	when that was built
633	17	Inaudible	genesis of that plant
633	18	Inaudible	*strike*
633	21	Inaudible	that, yes
634	7	Inaudible	one other thing
634	21	Inaudible	Virginia
635	1	Inaudible	their milk
637	2	Inaudible	specified maximum
637	6	Inaudible	companies those are
637	9	Inaudible	Foods
637	20	Inaudible	is a super
637	23	Inaudible	a convenience store. I think that you would
638	1	Inaudible	their demand peaks during the summer months
638	6	Inaudible	Consumers go to the shore
638	23	If they possibly -- (inaudible)	There is a possibility that
639	2	Inaudible	5, 6 years
639	19	supply pooling	fluid milk
639	21	Inaudible	is that correct?
640	2	Inaudible	by ourselves
640	2	like slave labor	legislatively
640	8	Inaudible	with

640	14	Inaudible	Well then
641	14	Inaudible	the plants to which are partial
641	18	Inaudible	right
642	11	Inaudible	go back
642	15	Inaudible	-- (inaudible) -- move on to the next question
642	17	Inaudible	distributors
643	17	Inaudible	exactly
643	18	Inaudible	it right off hand
644	7	Inaudible	in the Northeast Federal order.
644	10	Inaudible	Extended shelf life.
644	24	Inaudible	In Order 5 and Order 7
646	3	Inaudible	needed and is cause for your alleged
646	10	Inaudible	that in most spring months
646	11	Inaudible	of unused capacity
646	15	Inaudible	show total
646	16	Inaudible	number that got transferred out of my plant.
647	1	Inaudible	greater
647	11	to try and --(inaudible)--	that Charlie Ling uses in his study.
647	14	Inaudible -- pool	in the Northeast has producers pooled.
647	18	Inaudible	premium structure in
647	19	Inaudible	over-order premium structure
648	3	Inaudible	And do you have an over-order premium structure in
649	3	Inaudible	the over-order premium for Class II is higher
649	4	of Class 2	*strike*
649	8	Inaudible	Quite frankly there's a
649	20	Inaudible	Exhibits
649	22	Inaudible	Page 79?
651	11	Inaudible	designated
651	18	Inaudible	there aren't any in the Northeast order
651	23	Inaudible	*strike*
652	12	Inaudible	aseptically packaged UHT, which
652	13	Inaudible	stored on

652	19	Inaudible	line of products
652	22	Inaudible	know that for sure.
652	24	Inaudible	located in
653	11	--	went on strike
653	12	Inaudible	*strike*
653	13	Delete all text	as reported in Dairy Market News
653	15	Delete all text	For whom we are a supplier.
653	20	Inaudible	your
654	7	Inaudible	Do you have any questions?
654	15	Inaudible	how much per pound of
654	17	Inaudible	total solids
654	22	Inaudible	intermediate
654	23	Inaudible	it's
654	24	size	solids
655	1	Inaudible	solids
655	2	Inaudible	basically -- (inaudible) -- the LOL plant in Solea, California, we basically have the same setup.
655	16-17	Inaudible - Inaudible	clearing the market, so to speak, so that milk is not out chasing -- (inaudible) --
655	18	Inaudible	said, that the only thing worse than a low price is no price
655	21	Inaudible	receive over-order premiums
655	23	Inaudible	if the Secretary should determine, that handlers should charge
656	3	Inaudible	it has
656	7	Inaudible	payment
656	24	Inaudible	that your opinion is that
657	6	Inaudible	a semantic argument
657	7	Inaudible	argument
657	8	Inaudible	going to
657	9	Inaudible	of the Market Administrator?
657	14	pools	producers
657	16	imagine there is	answer you
657	20	Inaudible	the reason I'm asking
658	2	have the	not be
658	3	it would probably come out of	we're talking about

658	5,6	a very	there a
658	8	Inaudible	I guess I'll have to pass this back
658	10	BY MR. TOSI	*strike*
658	11	Inaudible	Mr. Gallagher,
658	14	Inaudible	for balancing milk
658	17	Inaudible	If he doesn't answer it, I'll come back
658	20	Inaudible	can you
658	21	Inaudible	please into the mikes
659	1	Inaudible	, or perhaps even ignore,
659	10	Inaudible	offer balancing services
659	11	Inaudible	result of the
659	16	Inaudible	that, I think
659	19	Inaudible	pay the bills
659	20	Inaudible	which I understand in New York, you can do
659	22	Inaudible	it, they'll turn it into cheese for you, you can sell it for cheese
660	10	expansive -- Inaudible	expensive with cheese than it is
660	13	Inaudible	in the wisdom of the
660	13	rates	grants
660	18	Inaudible	is right
660	22	indicated	educated
661	4	Inaudible	the market, and to show
661	7	Inaudible	put an enhancement on the blend price for the
661	9	Inaudible	sub-group of
661	24	Inaudible	*strike*
662	16	Inaudible	So in that regard it
662	20	Inaudible	the producer is not charged
663	16	Inaudible	The answer is yes
664	19	Inaudible	*strike*
664	19	Inaudible	was left out
665	9	Inaudible	LOL Plants
665	15	Inaudible	Of course it does
665	16	Inaudible	cannot use
665	17	qualifies	to qualify itself

665	19	Inaudible	states
667	11	Inaudible	influenced those numbers
667	12	2	3
667	12	Inaudible	-- (inaudible) -- them.
667	14	received -- Inaudible	receipts at plant.
668	20	Inaudible	pooling rights
668	23	Inaudible	the increase in PPD
668	23	Inaudible	\$1.80, to \$2.05 in New York
668	23, 24	of the order	*strike*
669	1	Inaudible	historically
669	3	Inaudible	the over-order premiums would have to go up a little.
670	9	Inaudible	load outs of
673	8	Inaudible	Yes, the
673	22	Inaudible	have not been able to agree.
674	2	Inaudible	Q: I'm not sure whether you were specifically asked if Land O' Lakes has occasional volumes of milk received at Carlisle that are regulated on other than Order 1. Do you have some limited volumes?
			A: Yes, we do.
			Q: Occasionally milk from un-regulated -- non-federally regulated Pennsylvania sources, I assume.
			A: Alright, I asked a question to my plants and I expect Mr. English would ask me as well and in anticipation, how much milk in the year 2001 was delivered to Land O' Lakes plant in Carlisle that was not pooled on Order 1? The answer came back 5.6%.
			Q: And that would include surplus cream from distributing plants?
			A: No, I don't think so, I phrased the question "producer milk."
674	3	Inaudible	And
674	4	Inaudible	milk
674	18	Inaudible	tomorrow morning.
674	21	Inaudible	He will appear tomorrow?
674	23	Inaudible	who will we hear after that?
675	3	Inaudible	*strike*
675	6	inaudible	that's what I was wondering whether we're
675	13	Inaudible	we will start in the morning.

675	15	Inaudible	We will hear the other
675	16	Again	Then
675	17	Inaudible	we can begin
675	20	Inaudible	everyone wants to
676	21	Inaudible	proceed to - (inaudible).