Before the United States Department of Agriculture
Agriculture Marketing Service

MILK IN THE PACIFIC NORTHWEST AND WESTERN MARKETING AREAS; HEARING ON POOLING

Docket No. AO-368-A30, AO-380-A18; DA-01-08

Excerpts of Transcript Testimony by California Department of Food & Agriculture Officials Kelly Krug and Robert Horton from the Upper Midwest Hearing Regarding Pooling Amendments (Docket No. AO-361-A35; DA-01-03)

Submitted on Behalf of Dean Foods Company
GRIEVANCE BOARD

UNITED STATES DEPARTMENT OF AGRICULTURE

IN RE:

UPPER MIDWEST

MILK MARKETING ORDER

Docket No. AO-361-A35
DA-01-03

Hearing held on the 26th day of June 2001

at Radisson Hotel South & Plaza Tower

7800 Normandale Boulevard

Bloomington, MN

TRANSCRIPT OF PROCEEDINGS

BEFORE: THE HONORABLE JILL CLIFTON

APPEARANCES:

GREGORY COOPER, GINO TOSI, WM. RICHMOND, MARVIN BESHORE,
JOHN VETNE, ESQUIRE, RICHARD LAMERS, CHARLES ENGLISH,
SYDNEY BERDE, VICTOR HALVERSON, NEIL GULDEN, ROBERT E.
VANDER LINDEN, RODNEY CARLSON, CURTIS KURTH, DENNIS
TONAK, BILL DROPIK, KELLY KRUG, ROBERT HORTON, CARL
CONOVER, JIM HARSDFOR, BILL HUGHES, JAMES HAHN, PETER
HARDIN

York Stenographic Services, Inc.
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ADMINISTRATIVE LAW JUDGE: Thank you. Both
Mr. Krug and Mr. Horton are sworn in. Mr. Krug, you may
proceed.

***

KELLY KRUG,

having first been duly sworn, according to the law,
testified as follows:

MR. KRUG: Thank you, Judge Clifton, USDA
staff, and interested parties. My name is Kelly Krug,
I'm the Director of Marketing Services for California
Department of Food and Agriculture. The operation of
CDFA's pricing and pooling system occurs in the
Marketing Services Division. With me today is Robert
Horton, Chief of the Milk Pooling Branch. We were
requested by USDA to participate at this Hearing to
provide information on the operation of the pooling
system administered by CDFA. The CDFA takes no position
on the petitions at the Hearing. Mr. Horton has
prepared an overview the California Department of Food
and Agriculture's pooling program that we are able to
present in the record. In fact, it was put in the
record this morning by one of the Attorneys and I think
that was Hearing Exhibit #18. We also, well, our
participation today is to provide factual and technical
public data and we're not authorized to provide

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opinions, speculation, or discuss matters that are
before litigation with the Department. Thank you.

ADMINISTRATIVE LAW JUDGE: Thank you, Mr.
Krug. If you'd hand the microphone to Mr. Horton.

***

ROBERT HORTON,
having first been duly sworn, according to the law,
testified as follows:

MR. HORTON: Thank you. The Gonzales Milk
Pooling Act, which went into effect on July 1, 1969
authorizes the Secretary of the California Department of
Food and Agriculture to operate a statewide pooling
system under specific guidelines. These statutes
provide for the formulation and adoption of the milk
pooling plans for market milk. The California pooling
system is similar to the Federal Orders except
California has a quota system. During the preliminary
stages of formulating a plan, basic milk production was
gathered to establish two benchmarks for each producer,
production base and pool quota. Production base and
pool quota were established for each producer by milk
fat and solids non-fat on an average daily basis. The
production base was computed by dividing the total
production during the base period by the number of days
milk was produced. Pool quota was established as 110

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percent of the Class I utilization accounted for during
the base period, divided by the number of days in that
period the producer actually shipped Class I
utilization. The amount by which the production base
exceeds pool quota was designated as base. Producer's
production base and pool quota is transferable with some
restrictions. Market milk shipped by a producer through
a pool handler cannot be defined as quota milk or
overbase milk.

***

[Off the record]
[On the record]

***

MR. HORTON: A cooperative association is
treated as a single producer for both producer payment
and pool settlement purposes. The daily production base
and pool quota entitlements for members of a cooperative
association belong to the individual producers but is
assigned to the custody and control of the cooperative
association. As in Federal Orders, the California Order
is designed to promote orderly marketing conditions by
applying a uniform pricing system throughout the market.
The pooling system provides the sharing among producers,
the value of all milk uses. California has a pricing
system, which handlers pay for bulk milk based on their
monthly usage. This usage is accumulated by the pooling system statewide to determine producer prices. Producers are paid on their allocated quota base and overbase by components as determined by the producer's actual butterfat and solids not fat. Since cooperatives are treated as a single producer, the individual producer daily production base and pool entitlements are added together to determine the cooperative's pool settlement. In January 1994, the California legislature adopted a major milk pooling reform language at the request of producers. The value between the quota price and the overbase price was fixed at $1.70 a hundredweight. This change was determined to be a more equitable method by producers to share all revenue contained in the pool. Prior to the amendments the difference between quota and overbase prices fluctuated greatly in the range of $5 a hundredweight to on occasion overbase price being more than the quota price. The other changes made by this legislation was to fix the base price at the same level as the overbase price. All market milk produced and marketed through a pool plant in California is pooled. To become a pool plant a California handler or a cooperative must have direct or indirect Class I or Class II usage. A California non-pool plant is a plant that does not qualify as pool

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plant. A non-pool cheese plant can qualify as a pool plant if they have contract producers and ship milk each month to a pool plant that produces Class I or Class II products. If a pool plant transfers or diverts milk to a non-pool plant, the milk is pooled because it's marketed through a pool plant. In California, all cooperatives are qualified to be pool plants and all their members market milk is pooled except market milk shipped directly to handlers out of state. Milk shipped directly out of state by a producer, including a cooperative acting for their member, is not pooled, and not accounted for in the California pooling system. For the purpose of this Hearing I present the attached table comparing milk prices for Class 4-B cheese milk and the California overbase price. The table covers the period of September 1999...

ADMINISTRATIVE LAW JUDGE: Yes, let's go off record just a moment, and may I interrupt you...

MR. HORTON: Sure.

ADMINISTRATIVE LAW JUDGE: ...while we do that.

***

[Off the record]

[On the record]

***

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ADMINISTRATIVE LAW JUDGE: Back on record now at 2:37. I'd like to ask the Court Reporter if this is Exhibit 26.

COURT REPORTER: It is.

ADMINISTRATIVE LAW JUDGE: All right. Mr. Horton, you may resume.

MR. HORTON: This table shows the period of September 1999 through April 2001 and it shows the differences between the overbase price and the Class 4-B cheese price. September was chosen because it was the last time that the 4-B price exceeded the overbase price. For the months of October 1999 through April 2001 the overbase price exceeded the Class 4-B price by at least 45 cents a hundredweight and as much as $2.28 a hundredweight. This concludes my testimony. Mr. Krug and I will be happy to answer any questions regarding how the California pool works.

ADMINISTRATIVE LAW JUDGE: Thank you, Mr. Horton. I wanted to make sure that anyone asking a question will indicate whether it's directed to one of these gentlemen in particular or whether either of them may answer. Who would like to ask the first question? Mr. English will be first. Thank you.

***

BY MR. ENGLISH:

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Q. Gentlemen, thank you very much for the courtesy of coming here today and helping explain the system for this record. Earlier today, as you know, I had admitted into evidence a number of documents including Exhibit 13, which is the June 2001 bulletin, monthly bulletin. Did you bring those up with you?

A. No, I have it back there.

Q. I'll hand you this one for a moment. May I approach, Your Honor?

***

ADMINISTRATIVE LAW JUDGE: You may.

***

BY MR. ENGLISH:

Q. And from, Your Honor, either witness may answer the question. I'm not trying to get one witness tied to this. Obviously they are speaking for the Department. I just want to clarify some issues on what kind of data appears on Page 10 of this monthly report. And let me first ask, since I made the representation earlier today, this is a monthly bulletin that is prepared by your office. Correct?

A. Yes, it is.

Q. And this would be the most recent addition of this document that has been published. Correct?

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A. Yes.

Q. And would I be correct that Page 10, Table 4-A and 4-B appears each month and the only difference is you've updated for the next month and then you have the prior year data as well.

A. Yes.

Q. Okay.

A. It's a monthly table that we update.

Q. So...

***

ADMINISTRATIVE LAW JUDGE: And that was Mr. Horton.

MR. KRUG: Krug.

MR. ENGLISH: Krug.

ADMINISTRATIVE LAW JUDGE: I'm sorry. Mr. Krug. Thank you.

***

BY MR. ENGLISH:

Q. The first set of columns on Table 4-A are labeled Pool Milk. Would this then be the all market milk produced and marketed through a pool plant in California?

A. Yes.

Q. Okay. Now...

***
ADMINISTRATIVE LAW JUDGE: It will...

MR. ENGLISH: That again...

ADMINISTRATIVE LAW JUDGE: It will help if you'll identify yourself because you're both speaking into the same mic so there's no differentiation.

***

BY MR. ENGLISH:

Q. So that was Mr. Krug again. The second set of columns are labeled Grade A milk not pooled with a footnote. And may I just for a moment, as I understand it, what is totaled in that number is milk that is shipped direct from the farm to out of state plants and milk that is shipped to exempt producer/handlers under your system. Correct?

A. It's Mr. Krug. Yes. That is correct.

Q. Okay. The third set of columns then are basically the summation of the first two sets of columns. Correct?

A. Mr. Krug, yes.

Q. Turning to Table 4-B for a moment, the third set of two columns, Production Leaving California, 2000-2001. Is milk -- With a caveat in a moment in terms of what may be left out. -- but is milk that is delivered direct from a California dairy ranch to a non-California plant. Correct?
A. That is correct. This is Mr. Krug and there are two components. The information we obtained from our own plants in California and information from Federal Order Market Order Administrators who provide some of that information.

Q. Now the footnote indicates that these are lower limits, that in essence as I understand it some of the milk that leaves California direct from the ranch to a non-California plant is not captured within that data. Correct?

A. We're uncertain if it's all captured or not. We know the figures we have in here we feel are reliable, there may be some that is not captured.

Q. And that was Mr. Krug again. Sorry. To your knowledge if something has not been captured your belief is it's a relatively small number. Correct?

A. Yes. This is Mr. Krug.

Q. And would I be correct that if you take the third set of columns from Table 4-B that those numbers are contained in the second set of columns of Table 4-A. That those numbers are subsumed within the second set of columns, Grade A Milk not Pooled, Table 4-A.

A. Mr. Krug, yes.

Q. Is there to your knowledge during the
year 2001 quantities of Grade A milk produced on
California dairy ranches received by California plants
that is not being pooled on the California system?

A. This is Mr. Horton. I would say that the
vast majority of all Grade A market milk produced in
California and delivered to California plants is pooled.
There is a small amount that farms the cheese that is
not pooled.

Q. Do you have an approximate, you know, a
range of a percentage or approximate percentage for
that?

A. It would have to be very small.

Q. Would very small be less than one million
pounds a month?

A. I would assume so.

Q. So that would mean other than one million
pounds of milk that isn't pooled for that reason, exempt
producer handler milk and milk that is direct shipped
and represented outside of California and is represented
on Table 4-B, that all other Grade A milk produced in
California is pooled.

A. That would be correct.

***

MR. ENGLISH: I have no further questions.

Again I thank you for your attendance.

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ADMINISTRATIVE LAW JUDGE: Thank you, Mr. English. Any other cross examination of either of these witnesses? Mr. Beshore?

***

CROSS EXAMINATION

BY MR. BESHORE:

Q. Either Mr. Krug or Mr. Horton. Would audited information with respect to any data in the California system be available to the Federal Order system if it were important in implementing a regulation such as Proposal 1?

A. It's Mr. Krug. Are you speaking of aggregate numbers or are you speaking of...

Q. No, I'm speaking of individual producer numbers or individual handler numbers.

A. That our department would deem to be confidential.

Q. Okay. So the information would not be available?

A. Correct.

Q. Okay. With respect -- quota you say is owned by individual producers but, and I'll address this to Mr. Horton, you've got the microphone, owned by individual producers but assigned to and utilized by cooperative associations. Did I understand that
A. This is Mr. Horton. Yes. That's correct.

Q. Okay. How would -- is base and overbase handled the same way?

A. Those are pricing amounts and so depending on the entitlements for all the co-ops members, they would be settled with the pool based on the aggregate of all their members entitlement.

Q. Okay. For an individual producer, is his entitlement to minimum payments in California determined in part by the proportion of his production, which is base and overbase?

A. I'm not sure I understand.

Q. I'm not sure I understand. If I'm a California milk producer, is my -- the payments I receive at the end of the month for milk determined in part by whether I own quota or not?

A. Yes.

Q. Okay. To the extent I own quota I'm paid more for that volume of milk. Is that correct?

A. That's correct.

Q. Okay. Now to the extent that my production is deemed base or overbase, how does that affect what I receive for my milk production?
A. You would receive the overbase price for everything over your quota entitlement.

Q. Now the overbase price then is -- I think your table compared it to the Class 4-B price. Does it have some? Was that just for purposes of illustration or does it have some fixed relationship to the 4-B price?

A. No, it was strictly done for display purposes. If you wanted to take the difference between the 4-B price and the quota price you would add $1.70 to the overbase price.

Q. Okay. Thank you very much.

A. Thank you.

***

ADMINISTRATIVE LAW JUDGE: Thank you, Mr. Beshore. Mr. English, did you want to go to clarify something before I call on Mr. Vetne? Mr. Vetne.

***

BY MR. VETNE:

Q. Good afternoon. I just have a couple of questions about accounting. The first, I'd like to paraphrase in the simplest term I can how I think the system works, and if I'm wrong please try to identify that -- All right? -- Mr. Horton, I'll direct these to you. The Stabilization and Marketing Plan fixes prices York Stenographic Services, Inc.

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that handlers must pay by class. Correct?

A. That's correct.

Q. And in detail that's based on solids, not fat, received by the handler, butterfat received by the handler, in the case of fluid plants, a little extra for the fluid carrier. Correct?

A. Yes, the prices are applied to the amount of milk that the -- by class that the handler processes.

Q. Okay. And all of the money in all of the classes of milk, including the revenue from fluid carrier, all of it goes into a pool of money which is then divvied out to farmers. Correct?

A. That's correct.

Q. Okay. And in order to divvy the money out to farmers, one thing you need to do is to make sure quota holders get their guaranteed $1.70 and that's the quota price per pound times 8.7 pounds. Correct?

A. Are you talking about, speaking of how the $1.70 is arrived at?

Q. The $1.70 is the hundredweight equivalent at standardized milk for whatever the legislature did and...

A. Actually it's based on 19-and-a-half cents a pound for solids, not fat only.

Q. Right. And multiplied by 8.7 is roughly
$1.70?

A. That's correct.

Q. Okay. So after all of this money is gathered and put in a pot you need to reserve $1.70 a hundredweight standardized milk for quota holders. So you multiply the quota of non-fat pounds times $1.70 and put that aside for a minute.

A. That's correct.

Q. And you take all the money and divvy it up amongst all the solids, not fat pounds for all the milk that's pooled in California, and that in essence is what the overbase and base price are now. Correct?

A. That's correct.

Q. And you add back the $1.70 to the quota holders?

A. That's correct.

Q. So all producers marketwide share pro rata revenue and Class 4-A, 4-B, III, II, and I. Correct?

A. That's correct.

Q. Okay. Now when a handler accounts to the pool, sort of like the Federal system but the accounting is a little different, the accounting to or from the fund, the settlement fund, is simply the difference between the handlers classified obligation and the
producers entitlement for a mixture of quota and non-quota milk. Correct?

A. That's correct.

Q. And sometimes the handler pays in and sometimes if the classified use value is less than the producer's entitlement to their share of the pool, the handler draws out so the producer can get paid the amount?

A. That's correct.

Q. Okay. And in the case the handler draws from the pool, the class -- in that case his classified value is less than the aggregate quota and the overbase draw of the producer so money is drawn out. What does the Department do to assure that the producers get the classified value of that handler in addition to the pool draw. Is there an audit system that assures that both of those payments are made?

A. Yes, we have an audit program.

Q. Okay. And let's say for example that some California milk happens to be pooled somewhere in the Federal Order system but stays in California. Does it matter to CDFA pool auditors and regulators if some of the payments that went directly to producers that count against the handlers classified price obligation that some of that revenue happened to come from a

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Federal Order pool?

A. I'm not sure I understand exactly what your question is.

Q. Okay. Let me try to give an example. Without identifying the mix, let's say that a handler's classified price obligation for a month is $12. Are you with me so far?

A. Yes, I am.

Q. Whatever the mix there's probably a lot of cheese in there. And let's say that all of his producers, mostly overbase, their entitlement is 12.50.

A. Okay.

Q. Right. So that handler would draw 50 cents from the pool.

A. That's correct.

Q. The California pool. Right?

A. Right. The California pool.

Q. The California pool. Let's say that some of that milk was also associated with a Federal Order pool so that the handler drew 50 cents from a Federal Order pool. Now in your auditing process you want to make sure that the handler pays $12 out of his own pocket plus the 50 cents received from the California pool. Correct?

A. Yes, we make sure that the producer is York Stenographic Services, Inc.

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paid his minimum pricing.

Q. Which is 12.50?
A. Correct.

Q. And 50 cents comes from your pool and $12 would come from the handler. My question to you is, it doesn't matter to you does it whether 50 cents of that $12 came from a Federal Order pool source. As long as the handler actually forks over $12 from whatever source he might get it. Are you able to answer that question?

A. Well, I'm not sure because the milk from my understanding of being here today...

***

ADMINISTRATIVE LAW JUDGE: Mr. Horton, please speak right into the mic.

MR. HORTON: Yes. What we're speaking here today is that this milk that is being pooled in the Upper Midwest is cooperative milk and we do not get into the payments to individual members of a cooperative.

***

BY MR. BESHORE:

Q. Okay. And the aggregate you don't get into whether the cooperative is paid $12 in the aggregate to its members or not?
A. That's correct.
Q. Okay. So you actually don't do that part...
of the accounting. You make the 50 cents available from
the pool and then it's really none of your business what
happens to any of the revenues after that.

A. Not to their members.

Q. Okay. So whatever that draw is it
doesn't matter if it's -- for California enforcement
purposes. It doesn't matter if monies drawn from a
Federal pool are distributed to California farmers
providing whatever competitive benefit that might in
California, or distributed to farmers in the Midwest,
you don't follow that money as part of your program?

A. No, we don't.

Q. Okay. If it were a proprietary handler
however you would follow that money?

A. If it was a proprietary handler we would
make sure that the producer was paid the minimum price
and also their contract price.

Q. Okay. So the $12 portion of my example
you would actually -- you would look to make sure that
the $12 had been paid?

A. That's correct.

Q. Okay.

***

MR. BESHORE: Thanks. That's all I have.

MR. HORTON: Thank you.
ADMINISTRATIVE LAW JUDGE: Thank you, Mr. Vetne. Mr. Berde?

MR. BERDE: On Page 2, second paragraph...

ADMINISTRATIVE LAW JUDGE: Can you -- I think if you'll just tip it down...

MR. BERDE: Yes. Okay.

ADMINISTRATIVE LAW JUDGE: ...it will pick you up fine.

***

BY MR. BERDE:

Q. On Page 2, the second full paragraph, last sentence in which you state, "Milk shipped directly out of state by a producer, including a cooperative acting for their member, is not pooled and not accounted for in the California Pooling System." Do you see that?

A. Page 2?

Q. I'm looking, well, maybe it's Page -- yes, Page 2, the middle paragraph.

A. Here it is.

Q. Testimony of Robert Horton I'm looking at, and the...

A. Okay. I'm with you.

Q. You've got me? -- Okay. -- now with respect to that milk there is no what has been referred to as double dipping is there? In other words, there is

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no Pool Draw at all with respect to that milk?

A. Yes, if the milk is shipped directly out of state by a producer, including a co-op...

Q. Yes.

A. ...it is not pooled in California.

Q. Okay. Now let's take the circumstance of a producer whose relationship to base, overbase, over quota is such that he holds no California marketing rights let's call them for a general term. Is there a producer whose relationship between production and over quota, overbase is such that such a producer would have no draw from the -- between the Uniform price and the surplus price?

A. Well, the producer doesn't get a draw from the pool.

Q. Well, let's call the producer a co-op with respect to that milk. Who gets the, well, a producer ultimately realizes the draw doesn't he?

A. They would in their price that they were paid.

Q. Yes, well, I'm talking about the circumstance. Is there a circumstance where a producer's production would not result in any Pool Draw?

A. If the milk was utilized in a higher usage product, such as Class I, there would probably be
a payment into the pool.

Q. Let's suppose all of it is going for manufacturing and that producer owns no quota or base. Would such a producer be entitled to anything out of the pool?

A. It would depend on where he ships his milk. If it was going for -- if it's going through a pool source and it's being used in Class 4-B cheese then that milk is drawing out of the pool even if he has no quota.

Q. Yes, and the Pool Draw in that case goes to the plant does it not?

A. That's correct.

Q. Okay. And if the -- you would consider the co-op the same as a plant in that circumstance would you not?

A. For pool settlement purposes...

Q. Yes.

A. ...yes.

Q. Yes. Very good. Thank you.

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ADMINISTRATIVE LAW JUDGE: Thank you, Mr. Berde. Any other questions for the California witnesses? Yes, Mr. Beshore.

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BY MR. BESHORE:

Q. Just one other question, Mr. Horton.

Milk entering California, is that pooled?

A. We account for milk coming in from other sources. The handler receiving the milk accounts for the usage and the receipts of that milk.

Q. Is the milk pooled?

A. That whole subject is subject to litigation right now.

Q. Okay. Okay. So the 74 million pounds of milk in April 2001 entering California reflected on Table 4-B of Exhibit 13 is handled in the manner that you just testified to I take it.

A. That's correct.

Q. Okay. And if I understood your answer, the handler, you require the handler to account for the milk. At what price might I ask?

A. The handler is charged how the milk was used and there's a credit to the handler on the pool obligation at a plant lend not to exceed the quota price and not to fall below the overbase price.

Q. So it's an individual handler pool on that milk between the quota price and the overbase price value?

A. Yes, depending on the individual

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handler's credit it would depend on where the milk went.

Q. Okay. Thank you.

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ADMINISTRATIVE LAW JUDGE: Thank you, Mr. Beshore. Any further question? Yes, Mr. Tosi.

MR. TOSI: I just have one quick question. Do you have any direct knowledge of California producers who are pooled on the Upper Midwest Order at the same time being pooled on the California State Program receiving two payments? One minimum payment from the State and then one that comes from being pooled on the Upper Midwest?

MR. HORTON: I have no direct knowledge.

MR. KRUG: And I don't either.

MR. TOSI: Thank you.

ADMINISTRATIVE LAW JUDGE: Mr. Cooper?

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BY MR. COOPER:

Q. Yes, a couple of questions. When we're talking about quota milk here it's not like a particular portion of a producer's milk is designated quota milk or non-quota milk is it? This is just a payment method. So if he's got three truckloads of milk sitting in his farm you can't say the first truck is the quota truck and the other two are non-quota. Am I correct?
A. Yes, you're correct.

Q. So when we talk about only non-quota milk being attached to a Federal Order or a quota milk being attached we're I guess dealing in meaningless terms because we can't determine which truckload of milk is quota and which is non-quota.

A. That's correct.

Q. Okay. Secondly as I understand it the producer owns the quota. Is that correct?

A. Yes, the producer owns the quota.

Q. Now how about if the producer is a member of the co-op. Does the co-op own the quota or does producer member of the co-op owns it?

A. The producer retains title to the quota. It is as I testified is assigned to the cooperative.

Q. So there's no legal requirement on the co-op to pay more to a producer who owns a lot of quota versus a producer who owns very little quota although the guy might quit the co-op obviously.

A. I'm not sure how the individual co-ops pay their members.

Q. Okay. But there's no requirement under your program that they pay more to the producer who has more quota?

A. No, there's no requirement.

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Q. Okay. Next item. Is it within your regulatory power to exclude producers from pooling under the State Order if they're also pooled under a Federal Order?

A. This is Mr. Krug. We wouldn't have jurisdiction over what they're doing in the Federal Order.

Q. No, I'm saying it's -- right here we're talking one of the proposals here is that we not pool under a Federal Order a producer who is also pooled under a State Order. Would you have authority under your program to not pool under a producer under your California State Order because they're pooled a Federal Order?

A. It would be speculation for me to say but I don't feel we've got jurisdiction on that.

Q. Okay. Thank you.

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MR. COOPER: I have no further questions.

ADMINISTRATIVE LAW JUDGE: Thank you, Mr. Cooper. Are there any other questions for the California witnesses? Is there any objection to the admission into evidence of Exhibit 26? There being none, Exhibit 26 is admitted into evidence. Mr. Horton and Mr. Krug, thank you and I presume you'll be leaving.

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