

**BEFORE THE UNITED STATES DEPARTMENT
OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE**

**In the Matter of
Milk In The Western
Marketing Area**

**:
: Docket Nos.:
: AO-380-A18;
: DA-01-08
:**

**Exhibits Regarding
Proposal 8**

**Elvin Hollon
Dairy Farmers of America, Inc.**

**April 16, 2002
Salt Lake City, Utah**

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Exhibit _____ Table 1
Analysis of Local Haul Mileages

RPM	rate per mile
NMIL	number of miles
CWTS	number of hundredweights
RCWT	rate per hundredweight
$\frac{\text{RPM} \times \text{NMIL}}{\text{CWTS}}$	= RCWT
$\frac{\text{RCWT} \times \text{CWTS}}{\text{RCWT}}$	= NMIL
$\frac{\text{RCWT} \times \text{CWTS}}{\text{RPM}}$	= NMIL

Calculation Area	
\$	1.90 rate per mile
630 typical tank size ID to SLC	

Geography	Rate Per CWT	Miles
Both Orders	\$ 0.3685	122
FO 124	\$ 0.4010	133
FO 135	\$ 0.3343	111
Idaho	\$ 0.2827	94
Utah	\$ 0.4411	146
NW Utah	\$ 0.3707	123
SW Idaho	\$ 0.2346	78
NW Utah SW Idz	\$ 0.2712	90

Counties	Pounds	Rate	Dollars			
NW Utah Box Elder & Tooele	18,361,000	\$ 0.3868	\$ 71,020			
NW Utah Cache	28,330,000	\$ 0.3455	\$ 97,880			
NW Utah Weber	11,247,000	\$ 0.4081	\$ 45,899	\$ 214,800	57,938,000	\$ 0.3707 NW Utah Weighted Average
SW Idaho Ada	26,911,000	\$ 0.2916	\$ 78,472			
SW Idaho Canyon	19,220,000	\$ 0.2731	\$ 52,490			
SW Idaho Gooding	54,768,000	\$ 0.2044	\$ 111,946			
SW Idaho Jerome	31,232,000	\$ 0.2282	\$ 71,271			
SW Idaho Twin Falls	<u>25,230,000</u>	\$ 0.2179	\$ 54,976	\$ 369,156	157,361,000	\$ 0.2346 SW ID Weighted Average
	215,299,000		\$ 583,955			\$ 0.2712 All Area Weighted Average

Exhibit _____ Table 2
 Example of Possible Outcomes from Proposed Transportation Credit

Rate Assumptions	
Rate Per Loaded Mile	\$ 1.90
Miles	1
Load Volume / Cwts	630
Cost Per Mile	\$ 1.90
Rate Per Cwt / Mile	0.00302
Producer Haul	80
Plant Class I Utilization	90%
Class I Load Volume	567

Demand Point	Various Milksheds			
	Boise	Jerome	Smithfield	Beaver
Salt Lake City				
mileage between locations	339	224	80	230
miles of local haul responsibility	80	80	80	80
transport miles	259	144	0	150
credit rate per mile	0.00302	0.00302	0.00302	0.00302
credit per cwt	\$ 0.781	\$ 0.434	\$ -	\$ 0.452
hundredweights of Class I	567	567	567	567
total dollars of credits	\$ 442.89	\$ 246.24	\$ -	\$ 256.50
differential @ Salt Lake City	\$ 1.90	\$ 1.90	\$ 1.90	\$ 1.90
differential @ shipping location	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60
difference in differentials	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
location dollar value	\$ 170.10	\$ 170.10	\$ 170.10	\$ 170.10
credit due shipper after location adjustment	272.79	76.14	0	86.4
percentage recovery credit plus differential	69%	58%	0%	59%
percentage recovery credit	42%	18%	0%	20%

Boise	Jerome		
mileage between locations	116		
local haul responsibility	80		
transport miles	36		
credit per mile	\$ 0.00302		
credit per cwt	\$ 0.11		
hundredweights of Class I	567		
total dollars of credits	\$ 61.56		
differential @ Boise	\$ 1.60		
differential @ shipping location	\$ 1.60		
difference in differentials	\$ -		
location dollar value	\$ -		
credit due shipper after location adjustment	61.56		
percentage recovery credit plus differential	28%		
percentage recovery credit	28%		

Exhibit _____
 Impact of Credit on the Blend Pool
 CY 2001

Lds	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY	
Eligible	1,609	163	196	160	128	122	171	117	128	87	89	123	125	1609
All Possible	2,299	206	239	208	152	177	178	127	187	178	223	192	232	2299
As Proposed to Actual Destination	\$ 8,601	\$ 7,555	\$ 8,617	\$ 4,960	\$ 4,883	\$ 7,718	\$ 4,152	\$ 7,725	\$ 5,106	\$ 5,482	\$ 8,752	\$ 7,671	\$ 81,222	
All Eligible Loads Jerome to SLC	\$ 10,460	\$ 12,577	\$ 10,267	\$ 8,214	\$ 7,829	\$ 10,973	\$ 7,476	\$ 8,214	\$ 5,583	\$ 5,711	\$ 7,893	\$ 8,021	\$ 162,374	
All Possible Loads to SLC	\$ 13,219	\$ 15,337	\$ 13,347	\$ 9,754	\$ 11,358	\$ 11,422	\$ 8,118	\$ 12,000	\$ 11,422	\$ 14,310	\$ 12,321	\$ 14,887	\$ 313,063	

Cost as Proposed

Statistical Blend	\$ 11.70	\$ 11.79	\$ 12.89	\$ 13.41	\$ 14.74	\$ 15.67	\$ 15.90	\$ 16.04	\$ 16.32	\$ 14.35	\$ 12.87	\$ 12.33
Total Pool Pounds	327,449,974	293,798,204	300,209,737	339,073,167	394,382,475	459,467,224	447,362,300	456,502,752	447,492,060	296,359,432	453,390,508	461,446,703
Total Pool Dollars	\$ 38,311,647	\$ 34,638,808	\$ 38,697,035	\$ 45,469,712	\$ 58,131,977	\$ 71,998,514	\$ 71,130,606	\$ 73,223,041	\$ 73,030,704	\$ 42,527,578	\$ 58,351,358	\$ 56,896,378
Revised Pool Dollars	\$ 38,303,048	\$ 34,631,254	\$ 38,688,418	\$ 45,464,752	\$ 58,127,094	\$ 71,990,796	\$ 71,126,454	\$ 73,215,316	\$ 73,025,598	\$ 42,522,096	\$ 58,342,606	\$ 56,888,707
Revised Blend	\$ 11.697	\$ 11.787	\$ 12.887	\$ 13.409	\$ 14.739	\$ 15.668	\$ 15.899	\$ 16.038	\$ 16.319	\$ 14.348	\$ 12.868	\$ 12.328
Impact per Cwt	\$ 0.0026	\$ 0.0026	\$ 0.0029	\$ 0.0015	\$ 0.0012	\$ 0.0017	\$ 0.0009	\$ 0.0017	\$ 0.0011	\$ 0.0018	\$ 0.0019	\$ 0.0017

All Eligible to SLC

Statistical Blend	\$ 11.70	\$ 11.79	\$ 12.89	\$ 13.41	\$ 14.74	\$ 15.67	\$ 15.90	\$ 16.04	\$ 16.32	\$ 14.35	\$ 12.87	\$ 12.33
Total Pool Pounds	327,449,974	293,798,204	300,209,737	339,073,167	394,382,475	459,467,224	447,362,300	456,502,752	447,492,060	296,359,432	453,390,508	461,446,703
Total Pool Dollars	\$ 38,311,647	\$ 34,638,808	\$ 38,697,035	\$ 45,469,712	\$ 58,131,977	\$ 71,998,514	\$ 71,130,606	\$ 73,223,041	\$ 73,030,704	\$ 42,527,578	\$ 58,351,358	\$ 56,896,378
Revised Pool Dollars	\$ 38,301,187	\$ 34,626,231	\$ 38,686,768	\$ 45,461,498	\$ 58,124,148	\$ 71,987,541	\$ 71,123,130	\$ 73,214,828	\$ 73,025,121	\$ 42,521,867	\$ 58,343,465	\$ 56,888,357
Revised Blend	\$ 11.697	\$ 11.786	\$ 12.887	\$ 13.408	\$ 14.738	\$ 15.668	\$ 15.898	\$ 16.038	\$ 16.319	\$ 14.348	\$ 12.868	\$ 12.328
Impact per Cwt	\$ 0.0032	\$ 0.0043	\$ 0.0034	\$ 0.0024	\$ 0.0020	\$ 0.0024	\$ 0.0017	\$ 0.0018	\$ 0.0012	\$ 0.0019	\$ 0.0017	\$ 0.0017

All Possible to SLC

Statistical Blend	\$ 11.70	\$ 11.79	\$ 12.89	\$ 13.41	\$ 14.74	\$ 15.67	\$ 15.90	\$ 16.04	\$ 16.32	\$ 14.35	\$ 12.87	\$ 12.33
Total Pool Pounds	327,449,974	293,798,204	300,209,737	339,073,167	394,382,475	459,467,224	447,362,300	456,502,752	447,492,060	296,359,432	453,390,508	461,446,703
Total Pool Dollars	\$ 38,311,647	\$ 34,638,808	\$ 38,697,035	\$ 45,469,712	\$ 58,131,977	\$ 71,998,514	\$ 71,130,606	\$ 73,223,041	\$ 73,030,704	\$ 42,527,578	\$ 58,351,358	\$ 56,896,378
Revised Pool Dollars	\$ 38,298,428	\$ 34,623,472	\$ 38,683,688	\$ 45,459,958	\$ 58,120,619	\$ 71,987,092	\$ 71,122,488	\$ 73,211,042	\$ 73,019,282	\$ 42,513,269	\$ 58,339,038	\$ 56,881,491
Revised Blend	\$ 11.696	\$ 11.785	\$ 12.886	\$ 13.407	\$ 14.737	\$ 15.668	\$ 15.898	\$ 16.037	\$ 16.317	\$ 14.345	\$ 12.867	\$ 12.327
Impact per Cwt	\$ 0.0040	\$ 0.0052	\$ 0.0044	\$ 0.0029	\$ 0.0029	\$ 0.0025	\$ 0.0018	\$ 0.0026	\$ 0.0026	\$ 0.0048	\$ 0.0027	\$ 0.0032

Proxy Make Allowance for Converting 100 Pounds of Milk to Cheese Using the Class III Formula

B	Make	\$	(2.47) Make Allowance for converting 100 pounds of milk to cheese @3.5% test including cheese, butterfat & whey portions.
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Cheese Component	=((Market Price of Zero - Cheese Make Allowance) * Cheese Yield) ((0.00 - \$0.165) * 10)
\$	(1.650)

Whey Cream Component	=(((Market Price of Zero - Butter Make Allowance) - Adjustment for Whey Cream) * Whey Cream Yield) =(((0 - \$0.115) - \$0.09) * 0.25)
\$	(0.05)

Whey Component	=((Market Price of Zero - Whey Make Allowance) * Whey Yield) =((0 - \$0.14) * 5.5)
\$	(0.77)

Per 100 pounds of Milk	Sum of the Components
\$	(2.47)

Yield Data from Class III Formula	
Cheese	10
Whey Powder	5.5
Whey Cream	0.25
Cheese Make - FO Reform	\$ 0.1650
Butter Make - FO Reform	\$ 0.1150
NFDM / Whey Make - FO Reform	\$ 0.1400

Exhibit _____ Chart 1
SLC Class I Market - Daily Average Deliveries - 2001
Thousands of Pounds

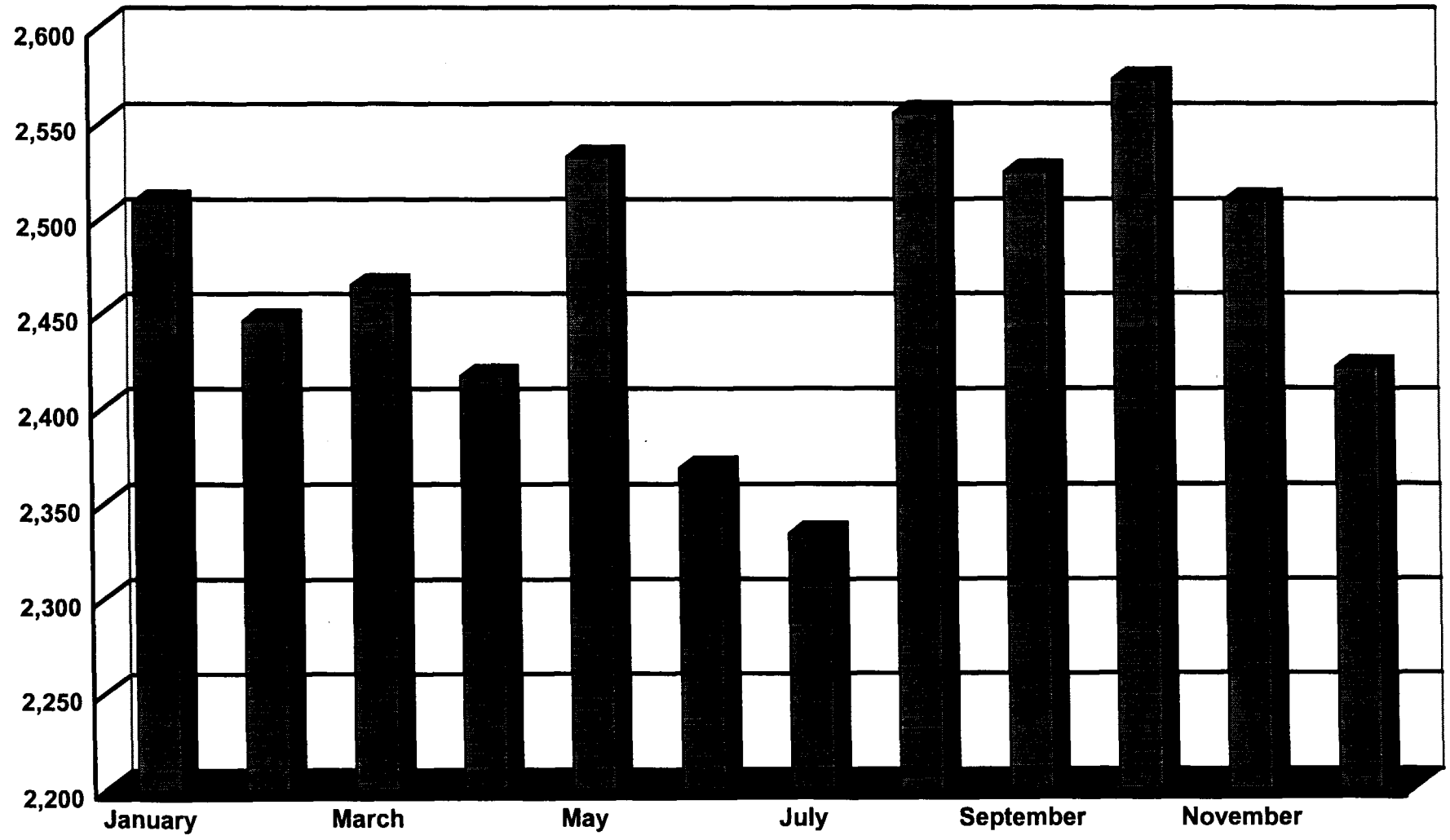


Exhibit _____ Chart 2
Fluctuation in Within Week Deliveries to Class I Customers
Salt Lake City Market - February 2002

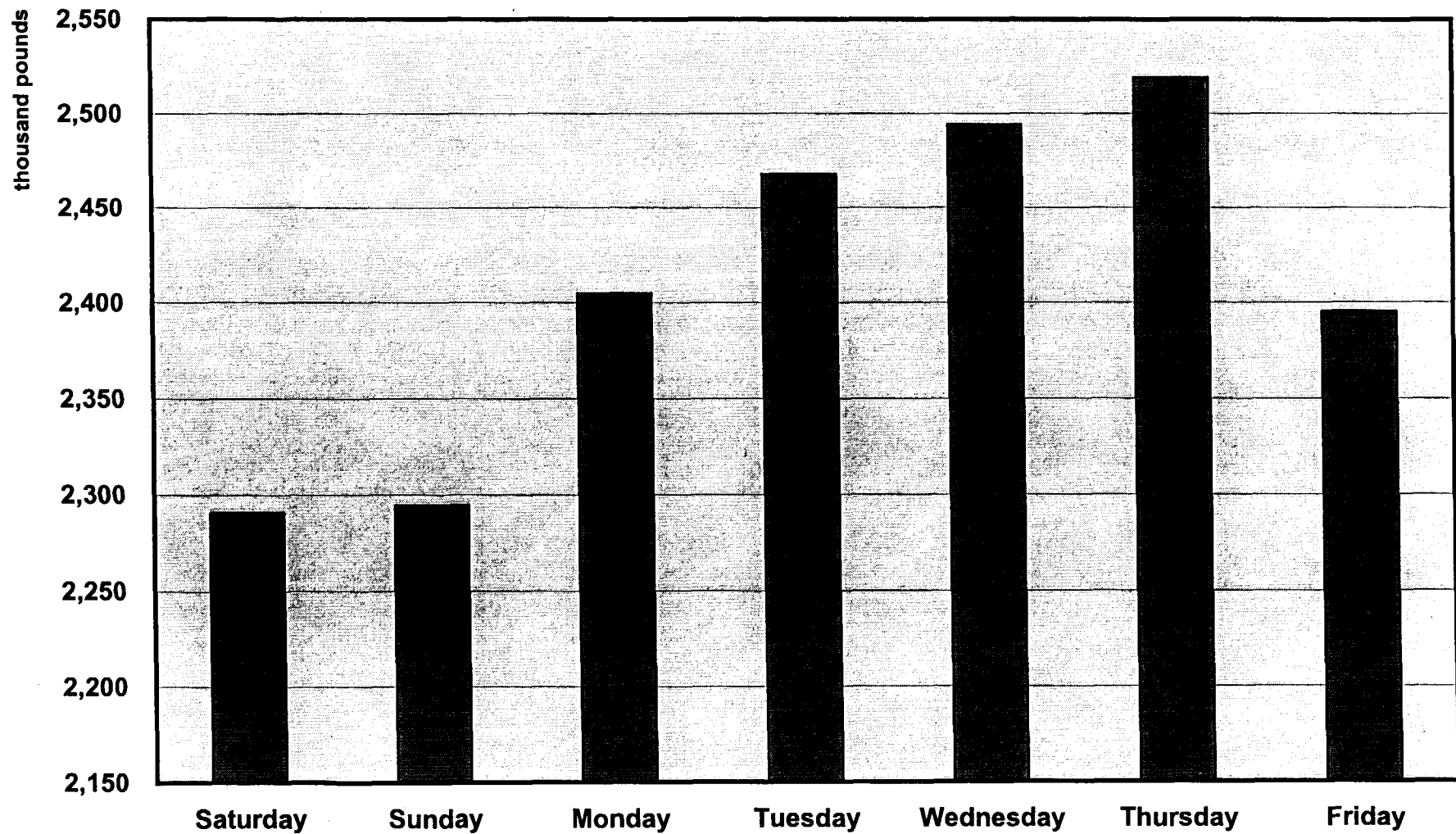


Exhibit _____ Chart 3
Smithfield - Average Daily Milk Volumes and Processing Costs

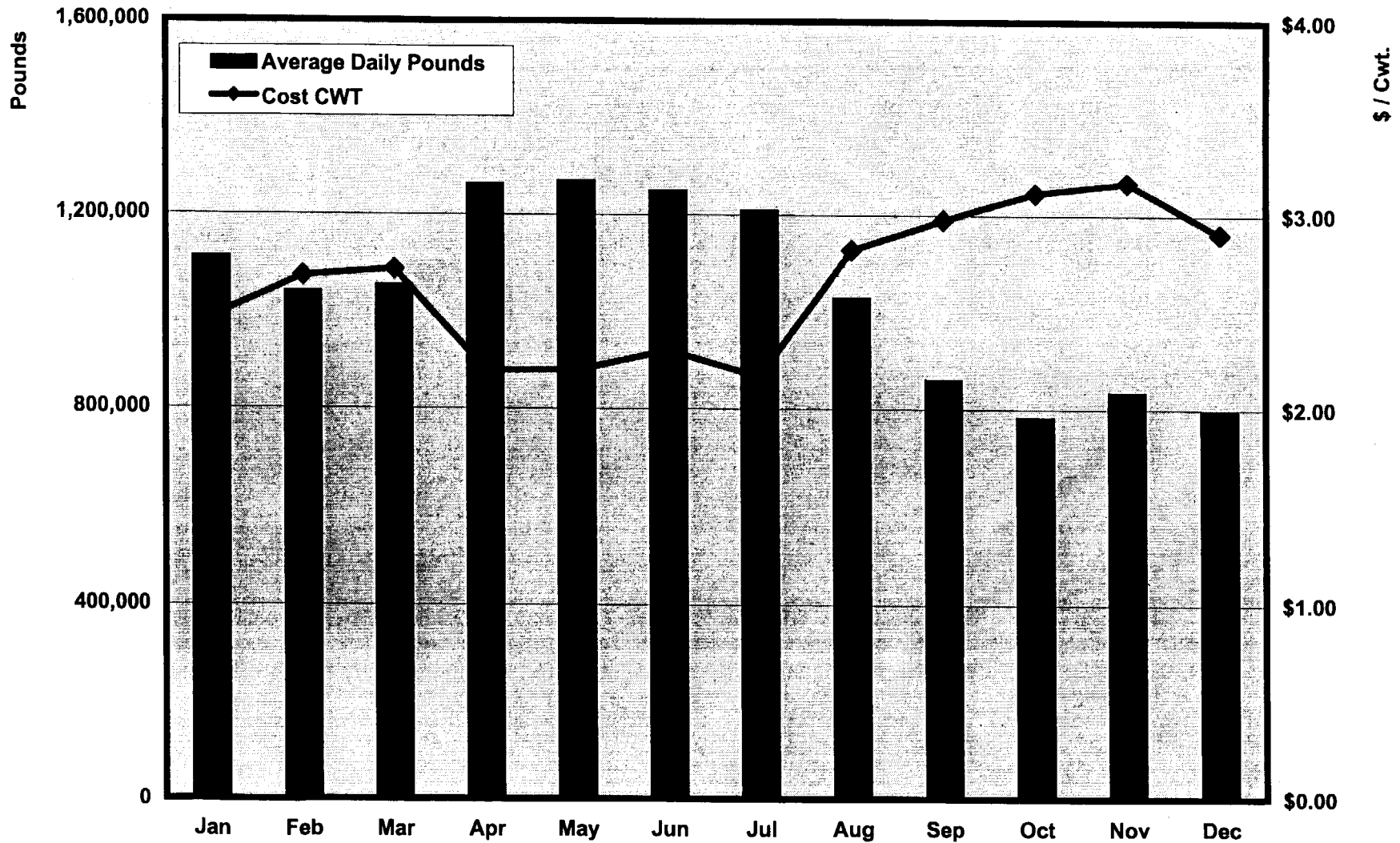
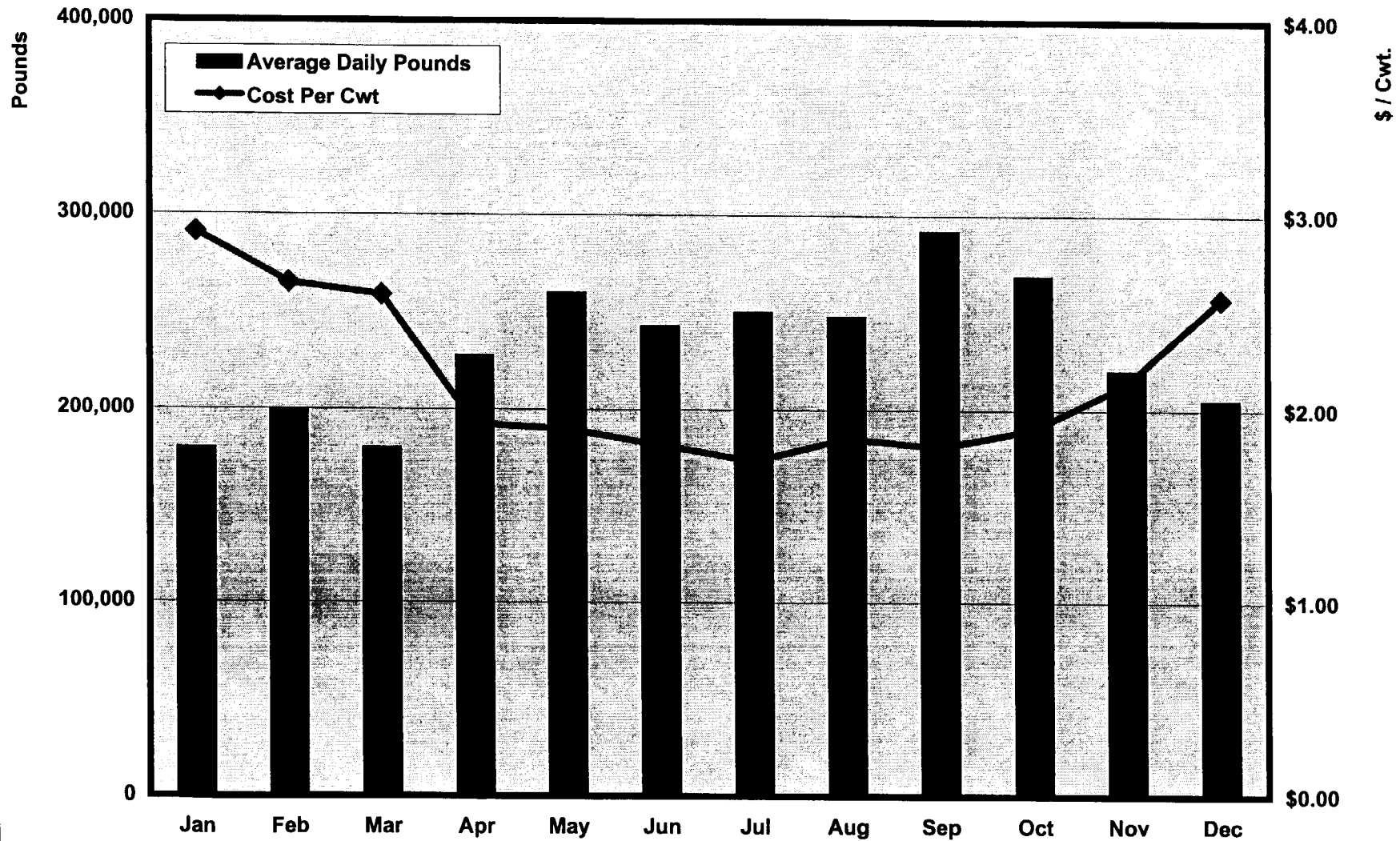


Exhibit _____ Chart 4
Beaver - Average Daily Milk Volumes and Processing Costs



Proxy Make Allowance for Converting 100 Pounds of Milk to Cheese Using the Class III Formula

B	Make	\$	(2.47) Make Allowance for converting 100 pounds of milk to cheese @3.5% test including cheese, butterfat & whey portions.
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Cheese Component	=((Market Price of Zero - Cheese Make Allowance) * Cheese Yield)
	((0.00 - \$0.165) * 10)
\$	(1.650)

Whey Cream Component	=(((Market Price of Zero - Butter Make Allowance) - Adjustment for Whey Cream) * Whey Cream Yield)
	=(((0 - \$0.115) - \$0.09) * 0.25)
\$	(0.05)

Whey Component	=((Market Price of Zero - Whey Make Allowance) * Whey Yield)
	=((0 - \$0.14) * 5.5)
\$	(0.77)

Per 100 pounds of Milk	Sum of the Components
\$	(2.47)

Yield Data from Class III Formula	
Cheese	10
Whey Powder	5.5
Whey Cream	0.25
Cheese Make - FO Reform	\$ 0.1650
Butter Make - FO Reform	\$ 0.1150
NFDM / Whey Make - FO Reform	\$ 0.1400

Effect of Volume on Operating Cost DFA Smithfield Plant

Calendar Year 2001

Daily Thru-Put	
Average All	1,041,875 Average
May	1,269,379 Highest Month
December	795,951 Lowest Month
Difference	227,504 Average to High
Percent	22%
Make Allowance	\$ 2.47
Opportunity Cost	\$ 0.54

The cost per day applied over the entire pool for a year:

\$	5,619.36	Cost Per Day
\$	2,051,065	Cost Per Year
	4,676,934,536	2001 Annual Volume FO 135
	1,033,245,740	2001 Class I Volume FO 135
\$	0.044	Cost Per Cwt over All Milk
\$	0.199	Cost Per Cwt over Class I

Effect of Volume on Operating Cost DFA Beaver Plant

Calendar Year 2001

Daily Thru-Put	
Average All	231,048 Average
September	291,789 Highest Month
January	179,716 Lowest Month
Difference	60,742 Average to High
Percent	26%
Make Allowance	\$ 2.47
Opportunity Cost	\$ 0.65

Applying the equation to the monthly volumes results in:

\$ 1,500.32	Cost Per Day
\$ 547,616	Cost Per Year
4,676,934,536	2001 Annual Volume FO 135
1,033,245,740	2001 Class I Volume FO 135
\$ 0.012	Cost Per Cwt over All Milk
\$ 0.053	Cost Per Cwt over Class I

Exhibit

Table

**Summary of Laboratory and Procurement Costs
DFA - Western Order Area
Calendar Year 2001**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY 2001
Total Service Costs for Utah / Idaho													
Market:													
Procurement / Field Services													
Lab (Western Order Portion Only)													
Milk Receiving (SLC / Meridian)													
Accounting / G&A													
Total Service Costs for UT / ID	\$215,991	\$186,362	\$219,619	\$178,753	\$219,671	\$210,595	\$191,945	\$193,714	\$222,241	\$217,630	\$214,746	\$244,477	\$2,515,780

Market Class I Percentage 22.09%
Cost Allocated to Class I \$555,795.45

Cost Per Year \$ 555,795
2001 Annual Volume FO 135 4,676,934,536
2001 Class I Volume FO 135 1,033,245,740
Cost Per Cwt over All Milk \$ 0.012
Cost Per Cwt over Class I \$ 0.054