

FMMO November 13, 2015

The positive note on which week 7 ended with the statement of Mr. Vanden Heuvel (producer from Southern California), was unfortunately no sign of things to come for week 8. Indeed, the week was filled with ups and downs and a few tense moments. The week started with Mr. Zolin (consultant for HCC), who after changing his flight home a few times, got to give his seventh and final testimony. Dr. Schiek (Dairy Institute) then took the stand to discuss quota. The cross-examination that ensued from Mr. Vlahos (attorney for the coops) successfully poked holes in proposal 2, getting Dr. Schiek to basically admit that their proposal would make quota disappear. The USDA's analysis had shown that quota would likely disappear after 3 decision points. Dr. Schiek also suggested an annuity-like buy-out concept of quota over 8 years, where the proposed funding for the buy-out would be from the pool, with quota holders basically paying to buy themselves out. Mr. Vlahos asked him bluntly: "if quota disappears after a few decision points, is the value of quota recognized?" Dr. Schiek's answer was yes. It looks like the definition of "value" may be more relative than I thought. Mr. Blaufuss (Dean Foods) ended the day to discuss fortification allowances.

While Monday seemed successful enough on the quota discussion, the Administrative Law Judge dropped a surprise statement that took some people by surprise on Tuesday. The statement, which seemed innocent enough, was requesting help from economists to try to find a way to phase out quota so nobody would be robbed of the value. The rest of the day went on as usual, with multiple witnesses taking the stand. Ms. Duarte and Ms. Lopes (dairy producers from Sacramento and Stanislaus counties) testified in support of proposal 1. Then Mr. Gonsalves presented a dairy legislative history on behalf of the California Producer-Handlers Association (CPHA). Mr. Blaufuss returned for his cross-examination. Did you know a gallon of milk in California weighs differently than a gallon in a FMMO? This is just one example of the level of details to which witnesses have been testifying. Mr. Shehadey (Producers Dairy) went last to support proposal 1 with the addition of proposal 3. He highlighted clearly that the exempt quota that exists for producer-handlers is a producer benefit, not a processor benefit. This was quite contrary to what Mr. Blaufuss had testified to, stating that Dean Foods had lost contracts to producer-handlers who owned exempt quota.

Wednesday started with a bang that reverberated further than the hearing room, as Mr. Beshore stated the idea of paying off quota out of producers own money was a non-starter. Understanding the Dairy Institute (DI)'s position, that in fact they don't want a FMMO, he added: "the entire discussion is a cynical attempt to put sand in the gears of this process, to embed it with a poison pill so it's not able to come to fruition for the producers in California". Mr. English (DI's attorney) accused Mr. Beshore of using words Congress didn't use when discussing the importance of maintaining quota and the tone was set for a rather tense day. As the dust cloud cleared, Mr. Shehadey went back on the stand for his cross-examination. As he got questioned by Mr. English on why the producer-handlers got more contracts, Mr. Shehadey was quick to respond: "you gotta remember, we're farmers. We work hard." Next, Mr. Blaufuss went back up for his now daily appearance, discussing transportation credits. Mr. Adams (dairy producer from Laton) testified in support of proposal 1. His wife, Ms. Adams, followed in support of proposal 1, as did their son, Mr. Adams. At 15, I believe he was the youngest witness so far. Mr. Netto (dairy producer from Hanford) also supported proposal 1. He also mentioned he was in complete agreement with Mr. Doornenbal's testimony from the previous week. Ms. Taylor (Leprino), who unfortunately was supposed to be gone already, introduced her third testimony.

With many people with other scheduling conflicts, Thursday went by faster than Usain Bolt. Ms. Taylor finished her testimony and questioning. Mr. Otis and Mr. Lund (Foster Dairy) were next, stating support for proposal 1 combined with proposal 3. Two dairy producers followed, but this time they stated concerns with a CA FMMO. The reason? They were from Georgia and Tennessee. And according to USDA's analysis, they could see lower prices if there was a FMMO in California. They also stated that USDA should allow producers impacted by a CA FMMO to be part of the referendum. Mr. Tosi (a retired USDA employee) was the last witness on the stand. He was there to discuss the technical aspects of the CPHA proposal.

Friday the 13<sup>th</sup> wasn't too ominous, with Mr. Tosi taking the stand again. He testified in support of the Ponderosa proposal (proposal 4). A dairy producer from Laton, Mr. Medeiros and a dairy producer and consultant also from Laton, Ms. Medeiros, testified in support of proposal 1. Mr. DeGroot took the stand in support of proposals 3 and 4. He was still on the stand at the time of going to press (you can check WUD's Facebook page for the latest updates). Mr. DeGroot should be the last witness for CPHA and Ponderosa. Once they are done with their case, the coops will go up for rebuttal.

The hearing will resume Monday at the Falls Event Center, streamed live at: [www.ams.usda.gov/live](http://www.ams.usda.gov/live). You can "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](mailto:aacmoody.wud@gmail.com) if they would like to receive the daily updates directly in their inbox.