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Nevada State Dairy Commission

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THE STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
BEFORE THE NEVADA STATE DAIRY COMMISSION

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TRANSCRIPT OF PROCEEDINGS
PUBLIC MEETING
VIDEO/AUDIO CONFERENCE

9:00 A.M., WEDNESDAY, DECEMBER 19, 2012

NEVADA STATE DAIRY COMMISSION

KIETZKE PLAZA

4600 KIETZKE LANE, A-107

RENO, NEVADA

APPEARANCES:

COMMISSIONERS PRESENT:

CHRISTOPHER COOK, Chairman

JOHN COLLIER, Commissioner

TROY CROWTHER, Commissioner

LYNN HETTRICK, EXECUTIVE DIRECTOR

TOM ORZECH, OPERATIONS MANGER

REPORTED BY:

SUZANNE KUES ROWE, CCR, RPR

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1 WEDNESDAY, DECEMBER 19, 2012, RENO, NEVADA, 9:00 A.M.

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3 (This meeting is held concurrently in Reno and Las
4 Vegas via video conferencing.)

5 CHAIRMAN COOK: We're going to go ahead and convene
6 this December meeting of the Nevada State Dairy Commission.
7 Mr. Hettrick, would you do the formalities, please?

8 MR. HETTRICK: Yes, sir. Thank you, Mr. Chairman.

9 This is the time and place set for the regularly
10 scheduled meeting of the Nevada State Dairy Commission for the
11 month of December 2012.

12 This meeting has been scheduled and noticed in
13 compliance with pertinent statutes, including the open meeting
14 law.

15 A copy of the agenda has been handed to the court
16 reporter, with the request that it be a part of the official
17 transcript of these proceedings.

18 My name is Lynn Hettrick, Executive Director of the
19 Nevada State Dairy Commission.

20 Present today are Mr. Christopher Cook, chairman,
21 Mr. Troy Crowther, member of commission, Mr. John Collier, member
22 of the commission, Mr. Warren Goedert, Counsel for the Nevada
23 State Dairy Commission, and other members of the Dairy Commission
24 staff.

25 Those who present statements or evidence to the

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1 commission during this meeting are requested to first be
2 acknowledged by the chairman and to identify themselves for the
3 record.

4 CHAIRMAN COOK: Okay. Would you proceed with the first
5 agenda item, please?

6 MR. HETTRICK: Yes, sir. First item on the agenda is
7 public comments and discussion.

8 Anybody from the public would like to comment, now is
9 the appropriate time.

10 CHAIRMAN COOK: Okay. Anybody want to throw their two
11 cents worth in at this point? Seeing none, I guess we will
12 proceed.

13 MR. HETTRICK: All right. Mr. Chairman, item number
14 two for possible action, license application processing
15 distributor license for Darigold, Incorporated, Seattle
16 Washington.

17 John Kenley is the Assistant General Counsel.

18 The applicant seeks a license to distribute fluid milk,
19 fluid cream, yogurt, cottage cheese and butter in the Northern
20 Nevada Marketing Area. Fluid labels will be Darigold, Great
21 Value, Cream of Weber and Kirkland Signature.

22 The applicant's prices and costs have been reviewed by
23 Dairy Commission staff, and are in compliance with the agency's
24 rules and regulations.

25 The applicant will be responsible for the assessments.

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1 CHAIRMAN COOK: Is there anyone here representing this
2 applicant?

3 MR. BEAZER: Yes.

4 CHAIRMAN COOK: Please come have a seat. And state
5 your name and spell it for the record so our reporter -- or,
6 good. A business card is even better.

7 MR. BEAZER: Allan Beazer.

8 CHAIRMAN COOK: And your capacity with Darigold is?

9 MR. BEAZER: Key account representative.

10 CHAIRMAN COOK: We appreciate you being here.

11 I think we had some questions left over from last month
12 when this application was presented to us, and I think a lot of
13 it had to do with what your intentions are in terms of mostly the
14 Western Nevada Marketing Area, and we are hoping you could maybe
15 answer some of those questions for us.

16 MR. BEAZER: Western would include Las Vegas?

17 CHAIRMAN COOK: That's the southern area.

18 MR. BEAZER: Southern. Okay.

19 CHAIRMAN COOK: Western is basically Northwestern
20 Nevada. Reno/Sparks and that area.

21 MR. BEAZER: Okay. Our intentions are that Cream of
22 Weber Dairy, which has had a license with the Dairy Commission
23 for years and years and years and years.

24 CHAIRMAN COOK: We know this.

25 MR. BEAZER: Was purchased by Darigold about two years

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1 ago. And then we continued with that license.

2 CHAIRMAN COOK: Okay.

3 MR. BEAZER: Using that license to service the
4 customers that we had over in this Marketing Area.

5 CHAIRMAN COOK: To be the eastern part of the state?

6 MR. BEAZER: Which would be the eastern part of the
7 state, yeah.

8 Now, Darigold has closed, temporarily at least, the
9 plant in Salt Lake City, and the production is moved to Boise,
10 Idaho. And they felt at that time it was probably better to
11 change the license from Cream of Weber base to a Darigold base,
12 since they're the primary owners.

13 So, really our intention is just to continue doing the
14 business that we have been doing in this marketplace.

15 So, no grand scheme to take over the market or storm
16 the place. But, we are planning to continue to service the
17 customers that we have had for quite a while.

18 CHAIRMAN COOK: Okay. And are you retiring the Cream
19 of Weber label or are you just holding it in reserve?

20 MR. BEAZER: No. The Cream of Weber label is still
21 used in certain areas, it's still available, but now instead of
22 being bottled in Salt Lake City, it's bottled in Boise.

23 CHAIRMAN COOK: Are you continuing to service the Salt
24 Lake Market? Just out of curiosity?

25 MR. BEAZER: We are.

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1 CHAIRMAN COOK: From the Boise plant?

2 MR. BEAZER: Yes.

3 CHAIRMAN COOK: Now, Darigold is a family owned co-op?

4 MR. BEAZER: Darigold is, well it's a co-op, but it's
5 farmer owned.

6 CHAIRMAN COOK: Yeah, I think I recall reading there
7 was, what, 80 something member families?

8 MR. BEAZER: Actually like 500, I think.

9 CHAIRMAN COOK: I've got some old information,
10 apparently. And you started primarily, as I recall, in the
11 Washington and in the northwest?

12 MR. BEAZER: It started, I believe -- I'm a Cream of
13 Weber guy from years past. I was with Cream of Weber for 20
14 something years prior to the purchase.

15 So, Darigold was started, I believe, in about 1918 in
16 the Seattle area, and then since then has grown. They have 12
17 plants, do a variety of different things. Butter, powders, fluid
18 milk products. They have two ultra pasteurized plants and two
19 culture plants.

20 CHAIRMAN COOK: Okay.

21 MR. BEAZER: So, many of the things that you see, for
22 instance, the costing sheet that we submitted to the staff here
23 lists all the products that we plan to sell.

24 And there are a few Great Value items, but they're
25 butter, they're whipping cream, they're half and halves, that are

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1 ultra pasteurized, and then, of course, Kirkland Signature,
2 because we serve the Costcos here on fluid milk. And then the
3 Darigold label and a Cream of Weber label of milk. But, our plan
4 is just to continue doing what we have been doing.

5 CHAIRMAN COOK: Great Value, that's the Wal-Mart brand,
6 isn't it?

7 MR. BEAZER: Yeah.

8 CHAIRMAN COOK: Okay. I have no further questions.
9 John, Troy, any questions?

10 COMMISSIONER CROWTHER: No. I think last month when
11 we, you know, the concern was raised that it was going to eat
12 into about 30 percent of our producer's volume and displace it.
13 And from what I'm hearing, that's not the intent, is that
14 accurate?

15 MR. BEAZER: That's correct.

16 COMMISSIONER CROWTHER: Okay. Then I have no other
17 questions.

18 COMMISSIONER COLLIER: These brands are already here,
19 aren't they?

20 MR. BEAZER: They are.

21 COMMISSIONER COLLIER: Darigold and Great Value.
22 That's your milk that's already here?

23 MR. BEAZER: Yes. It is, yes.

24 COMMISSIONER COLLIER: So, pardon me, but is that, do
25 you do that under the Cream of Weber permit? Is that, is that

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1 what you do that under now?

2 MR. BEAZER: It was the Cream of Weber permit that
3 Darigold was the owner of. About a year ago I think, I can't
4 remember the date on that.

5 MS. PUGH: November, 2010.

6 MR. BEAZER: November 2010 is when they bought them,
7 but we changed the license to include Darigold.

8 MS. PUGH: March 2012.

9 MR. BEAZER: March of 2012. But, now the, our business
10 license with the State of Nevada was a Cream of Weber business
11 license, and that business license is tied to your Dairy
12 Commission license as well.

13 So, we changed that state business license to be
14 Darigold instead of Cream of Weber, which then required us to
15 get --

16 COMMISSIONER COLLIER: Get a new permit.

17 MR. BEAZER: Yeah. Essentially there's nothing new;
18 it's just a name change.

19 CHAIRMAN COOK: I just want to make a comment that I
20 hope you understand our concerns, because we have a producer
21 community out in Fallon that we have to be concerned with trying
22 to protect.

23 MR. BEAZER: Oh, yes.

24 CHAIRMAN COOK: And we have a processor community here
25 in Reno that we're interested in trying to protect. Because all

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1 of them are very good corporate citizens, and are significant
2 contributors to the community, and we are concerned about, you
3 know, out-of-state, obviously there's nothing we can legally do
4 to prevent Cream of Weber or Darigold from making an entry into
5 the market.

6 But, we're concerned about, you know, preserving the
7 local producers and processors, and their presence in our
8 community.

9 So, when we hear of a fairly significant operation like
10 Darigold, that's sort of, it was viewed as maybe a thrust coming
11 from the east, because we're used to them coming from the west,
12 from the behemoth on our western border.

13 So, we were a little bit concerned about that, and
14 that's why we asked for someone to be here today to address the
15 concern.

16 MR. BEAZER: Sure.

17 CHAIRMAN COOK: Any other questions?

18 COMMISSIONER COLLIER: I have none.

19 CHAIRMAN COOK: Questions or comments from staff?

20 Questions or comments from any member of the audience?

21 MR. RECK: I have one comment.

22 CHAIRMAN COOK: Okay. Identify yourself for the
23 record, please.

24 MR. RECK: Gary Reck with Model Dairy.

25 My comment is basically the same as yours, that our

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1 concern would be based on the labels that they are applying for,
2 if indeed they were to bid on the fluid milk portion of that
3 business, it would be very detrimental to the processors as well
4 as the producers in this marketplace.

5 So, I just want to get that out in the open. That's
6 the only comment I really have.

7 CHAIRMAN COOK: Okay. Thank you, Gary.

8 Okay. Being that there is no other comments,
9 questions, or concerns, I will entertain a motion.

10 COMMISSIONER CROWTHER: I'll go ahead and make a
11 motion. I'll make a motion to approve the processing distributor
12 license application by Darigold, Inc., Seattle, Washington, to
13 distribute fluid milk, fluid cream, yogurt, cottage cheese and
14 butter in the Northern Nevada Marketing Area.

15 Fluid milk labels to be Darigold, Great Value, Cream of
16 Weber and Kirkland Signature.

17 COMMISSIONER COLLIER: Mr. Chairman, I will second
18 that.

19 CHAIRMAN COOK: There being a motion and second and no
20 dissenting votes, the motion carries.

21 Thank you, Mr. Beazer. We appreciate you being here.

22 MR. BEAZER: Thank you. My pleasure.

23 CHAIRMAN COOK: Next agenda item, please?

24 MR. HETTRICK: All right. Thank you. Number three on
25 the agenda to for possible action and approval of the minutes of

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1 the November, 2012, Dairy Commission meeting.

2 There are a list of corrections. Apparently I moved
3 mine out of the way. There they are. And I'll just pass those
4 to the court reporter. Some minor corrections.

5 And with that, we just need to have a motion to approve
6 the minutes with the corrections.

7 CHAIRMAN COOK: Okay. I will entertain a motion.

8 COMMISSIONER COLLIER: Mr. Chairman, I move that we
9 approve the minutes of our November 14th, 2012 meeting.

10 COMMISSIONER CROWTHER: Second.

11 CHAIRMAN COOK: As amended?

12 COMMISSIONER COLLIER: As amended.

13 CHAIRMAN COOK: A motion and a second, and no
14 dissenting votes, the minutes are approved.

15 MR. HETTRICK: Next, Mr. Chairman, on the agenda,
16 number four is the staff report, and the staff report for
17 December, our balance carry forward at the end of November was
18 472,736.20. That is an increase of 36,647.43 from the end of
19 October.

20 We anticipate that we'll see a similar increase for
21 December, and if that occurs, we are probably going to recommend
22 that the commission approve another tax holiday for our licensees
23 and permittees.

24 The milk price report has been handed out, and you
25 should have copies of that.

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1 And down in Las Vegas, sitting at the back table there
2 you see Julie Johnson-Hiu. She is the new auditor down there,
3 came to work with us, what now, Julie, how long ago?

4 MS. JOHNSON-HIU: Since November 26th.

5 CHAIRMAN COOK: Okay. So, a couple, 12 days after the
6 last meeting, and we are pleased to have her there and she is
7 definitely fitting in.

8 And you can see how nice their office looks down there.
9 The ladies have done a really nice job of decorating and making
10 it look pleasant. A lot nicer than the guys did. So, we are
11 pleased to have Julie down there.

12 CHAIRMAN COOK: Yes, indeed. It is an improvement.

13 MR. GOEDERT: Oh, that's cold.

14 CHAIRMAN COOK: We will expect seasonally appropriate
15 decorations on the back wall.

16 MR. HETTRICK: And that's all I have, Mr. Chairman, for
17 the staff report.

18 CHAIRMAN COOK: Any reports from the producers about
19 how their margins are holding up?

20 MR. HETTRICK: We haven't heard anything. Obviously
21 the prices you can see are --

22 CHAIRMAN COOK: Or holding down?

23 MR. HETTRICK: Yeah, holding down. You know, I don't
24 know how quickly some of those costs reflect, the prices on fuel
25 are going down slightly, but I don't think they have seen that

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1 yet.

2 So, I would say that they are no better off than they
3 were over the last few months in terms of margins.

4 CHAIRMAN COOK: There was quite a drop in the January
5 Class I.

6 MR. HETTRICK: Yeah, like 02.80. Yeah, it's pretty
7 big. But, of course, there's a formula they use to come up with
8 all of that stuff, and I guess some of the other costs must have
9 gone down, and that's why we're seeing a variation.

10 CHAIRMAN COOK: Any updates on the progress of the
11 Fallon powder plant?

12 MR. HETTRICK: They're well under way. There were
13 walls up some time ago. I haven't been over to look at it
14 recently, but the last time I was there, they were driving
15 pilings and they were really active in putting in pilings.

16 And I heard they were doing ten a day or 15 a day.
17 They were really going at it.

18 So, good progress. Everything I have heard is still
19 that they are anticipating, you know, a late summer, early fall
20 opening.

21 CHAIRMAN COOK: Wow. They are really going to be
22 making some time.

23 MR. HETTRICK: So, doing good.

24 CHAIRMAN COOK: It seems like no matter what we do to
25 try to keep that balance down, we're having a hard time keeping

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1 it down. Does that mean people are buying more dairy?

2 MR. HETTRICK: Actually, revenues are probably flat at
3 best. What we, you know, we have done some cost saving measures,
4 but the other thing that we have gone through, as you well know,
5 is that we have had staff turnover because of the ability, we
6 can't raise wages, because of the state freeze, and so we have
7 had a lot of staff turnover that people see an opportunity, and
8 you can't blame 'em, because despite, you know, what's happening
9 with the state, the cost of living goes on, and so we have had a
10 lot of people who have moved on.

11 We have had two retirees, and so we're not paying
12 salaries.

13 We've had a reduction in payroll. So, that's a part of
14 why you're seeing the increases that have gone down, despite the
15 tax holidays that we have already done.

16 CHAIRMAN COOK: So, if we do one early next year, that
17 will be the third one, won't it?

18 MR. HETTRICK: It there be fourth one, actually.

19 Well, it will be the third tax holiday. What we also
20 did, as you recall last, what, at the end of the last legislative
21 session, we lowered the assessment on fluid milk 20 percent
22 across the board, and that's been there ever since.

23 So, we did that one. That was the first tax reduction
24 that we did on fluid milk, and then we have done two tax holidays
25 since.

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1 And we anticipate doing probably one more. And again,
2 a part of the impetus for that is not only because we can do it
3 and we would like to give the money back, but as you recall, the
4 legislature also said, well, you are over our guideline for how
5 much reserve you have. We think your reserve should be less, and
6 therefore we want you to reduce your reserves.

7 So, that's what we have been doing is trying to lower
8 those and maintain a lower balance.

9 CHAIRMAN COOK: We going to get another tax holiday
10 done before the next legislative session begins.

11 MR. HETTRICK: We would like to, we purposely are kind
12 of holding on, so if we do it, we can kind of going into the
13 legislative session saying we just did a tax holiday.

14 CHAIRMAN COOK: Timing.

15 MR. HETTRICK: We are timing it a little bit so we have
16 something to brag about for the legislature when we walk in the
17 door, let them know that we are running efficiently and
18 effectively.

19 CHAIRMAN COOK: Okay. I have no further comments or
20 questions. John? Troy?

21 COMMISSIONER CROWTHER: When is that Tulare Ag Expo?

22 MR. HETTRICK: February 12 through 14.

23 COMMISSIONER CROWTHER: And we are positioned to get
24 back in there?

25 CHAIRMAN COOK: Yes, we are. We're looking forward to

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1 it. We are hopeful this time with the plant going up in Fallon,
2 that we are actually going to be able to maybe talk to a few more
3 dairymen and start, you know, moving a few people up here.

4 Because there's actually something on the ground they
5 can see, they can see the investments going on, they can see
6 there will be a plant. It's not just pie in the sky, and so
7 we're hopeful we're going to start seeing some movement. We have
8 got local producers who are expanding. I think Perazzo Dairy is
9 tripling in size, as I recall.

10 So, they'll pick up a piece of it, and things are
11 moving forward. We are pleased with what's going on.

12 CHAIRMAN COOK: Are the dairymen in Fallon a little
13 more comfortable now with the arrangement with DFA and the
14 pricing?

15 MR. HETTRICK: You know, I think they're still some
16 concern, but I was at a speaking function with Pete Olsen,
17 obviously one of the dairymen. Allen Perazzo and myself, and
18 Mr. Perazzo, and, of course, as I just said, he's the one who is
19 expanding.

20 He said that initially he was concerned about the
21 pricing, and then he sat down and actually went through the
22 pricing with I guess DFA or Pete or both, and realized that by
23 the time they took the freight out that they're paying to get the
24 bulk of the milk over the hill, it came out that the net to them
25 was virtually identical. It hasn't changed much.

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1 Now, that powder price will ultimately be controlled by
2 the world market, not by DFA or anybody else. I mean they are
3 going to have to live with that world market price.

4 But, it appears that they're satisfied in the long run
5 it's going to be, they're going to maintain around the same
6 margins.

7 CHAIRMAN COOK: So, there's a little broader acceptance
8 then of the notion?

9 MR. HETTRICK: I believe there is, and I think that
10 they are more comfortable with the way it is.

11 CHAIRMAN COOK: And are more of them stepping up and
12 signing the contracts?

13 MR. HETTRICK: To my knowledge. I mean the DFA has
14 obviously got a contract to market all their milk, and they are
15 obviously going to supply their own plant, so I think they are
16 all signed up to provide milk, regardless.

17 CHAIRMAN COOK: Wasn't there a production quota that
18 they were all expected to commit to?

19 MR. HETTRICK: They were asked to commit to a quota,
20 and I don't know how that turned out. I haven't heard any more
21 about it.

22 I think DFA realizes that they had some concerns and
23 were kind of holding back a little bit, so I think they have
24 worked together. And they seem to be proceeding without
25 incident.

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1 CHAIRMAN COOK: Good. I'm glad to hear that.

2 COMMISSIONER COLLIER: What countries are they
3 marketing to overseas?

4 CHAIRMAN COOK: My understanding is primarily Asia. It
5 will go primarily into the Asian markets.

6 It's an interesting situation. Again, they are going
7 to do powdered whole milk, because in those countries they like
8 the energy that comes from the full fat.

9 They've got unique processors. This will be one of
10 only two or three plants like it in the world.

11 They're going to flush the oxygen out of the powdered
12 milk with nitrogen as they package, which extends the shelf life
13 significantly.

14 And then my understanding is when it gets to Asia, it
15 will go through a packaging plant, where it will be
16 reconstituted.

17 And it's going to go into those little like juice boxes
18 you see with the foil top that you push the straw into. Because
19 if you do that, you eliminate a hundred percent the, of any air
20 contact or anything like that. It doesn't have to be
21 refrigerated at that point. It still has a significant shelf
22 life.

23 And it allows them to ship it out into the areas, the
24 less developed areas, and still get essentially whole milk
25 delivered into some of the more rural areas, undeveloped areas.

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1 COMMISSIONER COLLIER: What country is the primary
2 where the primary plant is that they're shipping it to?

3 MR. HETTRICK: I can't answer that. I don't know,
4 John. I don't know. I just know that that's what they told us
5 was the basic plan was to get it into those foil packs, because
6 when they do that, the shelf life is extended. I don't know
7 where or how they'll do that.

8 CHAIRMAN COOK: Okay.

9 MR. HETTRICK: All right.

10 CHAIRMAN COOK: Any further questions or comments?

11 MR. HETTRICK: Next on the agenda, Mr. Chairman, is the
12 legal report. Mr. Goedert?

13 MR. GOEDERT: I'm glad to be back.

14 MR. HETTRICK: We are glad to have you back.

15 MR. GOEDERT: I don't have really anything to report.
16 I have kind of been out of commission for a while.

17 But, I am recovered fairly well, and I don't think
18 we're are going to have any more problems.

19 MR. HETTRICK: Good. We're glad to hear it.

20 MR. GOEDERT: Little chemo brain once in a while. It's
21 embarrassing to walk someplace and go: What am I in here for?

22 CHAIRMAN COOK: I can't blame that on chemo. Shoot.

23 MS. PUGH: Me either.

24 MR. GOEDERT: Don't worry. I'll loan you all the chemo
25 I've got left.

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1 CHAIRMAN COOK: I don't want any. Thanks.

2 MR. HETTRICK: Next on the agenda, Mr. Chairman,
3 consideration of any other matters relating to the dairy
4 industry.

5 CHAIRMAN COOK: Okay. Anybody have any comments?
6 Anything they want to bring forward regarding this heavily
7 regulated, overburdened industry that we are all --

8 MR. HETTRICK: Under taxed. We don't think they're
9 under taxed. We like sending money back. We are quite proud of
10 that.

11 CHAIRMAN COOK: Are we going to do anything differently
12 in Tulare than we have done in the past?

13 MR. HETTRICK: No, basically the same.

14 CHAIRMAN COOK: We are going to be in the barn this
15 time rather than outside?

16 MR. HETTRICK: The girls know. Yes, we will be in the
17 barn.

18 CHAIRMAN COOK: So, are we going to do the whole raffle
19 thing, or whatever? The drawing for the weekend?

20 MS. EASLY: Yes. I was trying not to say anything so
21 she had to write my name in there. Yes. We were in the barn
22 last year.

23 MS. WILLMOTH: They can't see you.

24 MS. EASLY: Do you have to see me?

25 Okay. You saw me.

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1 MR. HETTRICK: She really is there. Not just a voice.

2 MS. EASLY: Lisa got us back in the barn this year in
3 the same spot. I'm very excited about that. She won't be able
4 go down with us, but Walter is going with me. And Mike hasn't
5 confirmed yes or no, but it looks like Mike will be going with
6 me, and Moolissa will be down there.

7 And we have our little handouts now, we have our
8 pencils and our coloring books. And even though it's like the
9 World Ag Expo, kids do come through, so we decided to take the
10 kid stuff. Even the adults go by and grab the kid stuff for
11 their kids.

12 And then I'm going to be trying to get in touch with
13 DFA again to see if they are going to want us to take anything
14 down, or if Allen is going to come with us or what.

15 So, yeah, we are all set for Tulare.

16 CHAIRMAN COOK: Do you have any help from NNDA or
17 Churchill County?

18 MR. HETTRICK: Not in terms of going to Tulare this
19 time, no.

20 CHAIRMAN COOK: Or development authorities?

21 MR. HETTRICK: No, not that I'm aware of.

22 MS. EASLY: No. I am going contact the Silver Legacy
23 again, see if they will give us the trip for the drawing.

24 I have to do that. By the end of next week. We're all
25 set for Tulare. We are also working on Churchill County again.

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1 I'm trying to get ahold of Churchill County people so we can get
2 down there.

3 Fallon wanted us to come back again, so we're going to
4 try and see if we can find some other local ones.

5 Or not too far away ones. I shouldn't say local ones,
6 but not, ones aren't too far away and include those in the
7 routine.

8 COMMISSIONER COLLIER: What are the dates of the Tulare
9 show?

10 MR. HETTRICK: February 12th through 14th.

11 MS. EASLY: 12th through 14th.

12 MR. HETTRICK: We have a total, I think, of ten passes,
13 is that correct?

14 MS. EASLY: Yes.

15 MR. HETTRICK: If people want to go down, if you have
16 an interest in going down there to pop in and see what it looks
17 like.

18 MS. EASLY: Let me know and I will get a pass with your
19 name on it.

20 MR. RECK: Would it be helpful to have eight ounce milk
21 to give away to the kids? How many kids do you get, Kathy?

22 MS. EASLY: There aren't that many kids down there.

23 MR. RECK: We would love to supply that. And we have a
24 refer that would get down there.

25 CHAIRMAN COOK: That would be a poke in the eye.

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1 MR. HETTRICK: All California milk, and Model is down
2 there from Nevada.

3 MS. EASLY: The adults do drink it, though.

4 MR. HETTRICK: As much as we would like to take you up
5 on it and do that...

6 CHAIRMAN COOK: You know what you ought to do is you
7 ought to get a great big banner, and have prop 30 with a red
8 circle and a slash through it, and put it on your booth
9 somewhere.

10 MS. EASLY: I think our display is big.

11 CHAIRMAN COOK: No, just to remind them that our tax
12 laws are a little more sane and coherent.

13 I read a, just as a passing comment, I read an article
14 the other day that was talking about a, it's still small
15 sentiment that is beginning to take hold in some of the political
16 circles in places like California that people who are exiting the
17 state and going elsewhere for reasons of trying to avoid the tax
18 bite and everything, are leaving behind their share of the debt
19 load, and in California, it's \$16,000 per person.

20 So, there's some people that are starting to float the
21 notion that, you want to leave the state of California? Here's
22 your exit bill.

23 MR. HETTRICK: Here's your bill.

24 CHAIRMAN COOK: You know, pay us \$16,000 for your share
25 of the cost of the state's indebtedness, and you can go.

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1 And I thought, now that's really going to accelerate
2 the departure.

3 MR. HETTRICK: People will be leaving quickly if they
4 start working on that law.

5 CHAIRMAN COOK: Especially since there's a net out
6 migration, which means that the debt burden of the remaining
7 citizens continues to grow as everybody else leaves.

8 MR. HETTRICK: We'll get some dairies in a hurry.

9 CHAIRMAN COOK: Oh, yeah.

10 COMMISSIONER COLLIER: Is that primarily a dairy show,
11 or is that like all their fruits and vegetables and nuts and
12 everything?

13 MS. EASLY: It's a lot of their equipment and growers
14 are down there selling trees and other agricultural product.

15 MR. HETTRICK: They call it the World Ag Expo, and it
16 covers everything from soup to nuts and it's huge.

17 MS. EASLY: And we have met people from other
18 countries. Um, China -- was he from China? The one guy was from
19 China. I mean, in fact, the guy from China and said, you should
20 come to China and give your offer to us.

21 We have money. We can come here and make dairy plants
22 he told me. And I was going -- I could just see that. Dairy
23 Commission, please send me to China.

24 CHAIRMAN COOK: I want to know how you're going to get
25 Moolissa there.

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1 Okay. Anybody else have any comments?

2 COMMISSIONER CROWTHER: I have a question. At that
3 Expo, you know, you bring up some good points, kind of in joking,
4 but in all seriousness, you know, I attended a class last week
5 specific to the California tax laws. And what's happened and
6 what is going to be happening, and there's some pretty
7 significant things coming up for those guys.

8 Is there, and maybe it would be a little too bold, and
9 I don't know, but a way to at that Expo, kind of outline, not in
10 a negative sense against California, but promoting Nevada's, you
11 know the differences, and how we do, we are more friendly that
12 way.

13 Is there something that we can maybe be a little more
14 aggressive that way?

15 MS. EASLY: We have handouts that explain the tax
16 benefits of coming to Nevada. We had those out there the last
17 two years, and I got those from DFA.

18 So, that's part of the reason I am trying to get in
19 touch with DFA, so that I can get their handouts again. If they
20 don't make it down, at least we will have their handouts.

21 MR. HETTRICK: We express to the people the benefits
22 of, you know, quicker obvious permitting for building things, and
23 a lot more receptive attitude in regard to the counties and the
24 all the things that go with it, and the potential, because of the
25 market, I mean essentially in this market, as you know, Troy,

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1 with the powder plant going here, it effectively, even though
2 they say they have no quota, it's effectively a quota because
3 that production needs go in that plant, and the plant needs the
4 production.

5 So, the two are kind of hooked together, and it's a
6 mutual benefit. So, it has raised value for our dairymen and
7 people see that as a plus.

8 We have tried to exploit all of that. And you're
9 right. We also have to try to be a little bit careful, because
10 as the chairman put it, we don't want to do a stick in the eye
11 while we're down in California, poking them in the eye while
12 we're trying to get people to come up here at the same time.

13 So, we try to be a little bit careful about how we do
14 it, but we certainly are making it clear to anybody who walks by
15 and talks to us that this is a great place to do business and we
16 will help them in any way we possibly can.

17 COMMISSIONER CROWTHER: Okay.

18 CHAIRMAN COOK: I'm just wondering if maybe we couldn't
19 have somebody like Troy create a summary sheet of the wonderful
20 taxes that the Californians get to bear that we don't have to
21 deal with up here. Maybe just hand it to them as a back page of
22 a handout.

23 COMMISSIONER COLLIER: I'd put it on the front page.

24 MR. HETTRICK: On the coloring book.

25 CHAIRMAN COOK: On the coloring book. They'd never

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1 suspect it.

2 MS. EASLY: So, I will be waiting for your letter,
3 Troy.

4 COMMISSIONER CROWTHER: I imagine -- does the NNDA put
5 out something like that?

6 MR. HETTRICK: NNDA has a lot of that that they put
7 out. And I am sure the Governor's office on economic development
8 has it as well.

9 But, I think DFA pretty well covered it last time.
10 They understood what it was, and they had a nice handout that
11 pointed out all the benefits of being in Nevada. And I'm sure we
12 can get copies with that, and they will be happy to provide that,
13 or one that we can copy.

14 CHAIRMAN COOK: So, maybe we would convince Ruan to
15 convert their trucks to natural gas so we can knock the cost of
16 transporting surplus milk back to California for processing in
17 plants?

18 I mean there's all kinds of things we could be doing
19 here.

20 MR. HETTRICK: I don't think we are going to have any
21 surplus milk to transport back. But, that's okay. I'm hopeful
22 DFA is going to take all of, you know, what's left of the
23 production here and looking for more.

24 We did hear that there was one dairy, one new dairy
25 looking for a site as well. And that they have looked at land in

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1 Churchill County, and also land in Lyon County. So, I heard 2900
2 acres.

3 CHAIRMAN COOK: Wow.

4 MR. HETTRICK: Pretty big dairy.

5 CHAIRMAN COOK: Will they be growing their own food?

6 MR. HETTRICK: They want to grow all their own feed.

7 They are seeing the writing on the wall. That in order to
8 maintain feed costs, you may be want to be growing your own. So,
9 yes. We did hear that as well.

10 CHAIRMAN COOK: Okay.

11 COMMISSIONER CROWTHER: Are there any talks about any
12 new Southern Nevada dairies?

13 MR. HETTRICK: Not that I'm aware of. We'd love to
14 have some, but I'm not aware of any talks of anybody moving
15 there.

16 As you know, Troy, California right now is losing
17 dairies. And unless you've got a market like we've got here with
18 Fallon coming in, where you've got a plant and virtually a
19 guaranteed market for your milk, it's going to be tough for
20 anybody to go down there and borrow the money to build a dairy.
21 So, I just don't know, you know, I don't think that's going to
22 happen in the near future.

23 COMMISSIONER COLLIER: Is there any rules or
24 regulations that prevent our dairymen here in Fallon from
25 shipping their milk north up to the Darigold plants or the

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1 processing unit that they have up there in Idaho?

2 MR. HETTRICK: There's no rules that prevent that, but
3 the dairymen in Nevada, the Northern Nevada dairymen, are all
4 essentially all marketing their milk through DFA. And DFA
5 determines where the milk goes. They market the milk.

6 And of, course Darigold, is a co-op and they are, they
7 have their own members who produce milk, so they are probably not
8 looking for a supply of milk from DFA or Northern Nevada.

9 And we've got a market for all of the milk we produce
10 between Model and the new DFA plant right now. We're begging for
11 more milk.

12 So, we're not looking to market it anywhere else. And
13 they wouldn't want to pay the freight if they didn't have to.

14 COMMISSIONER COLLIER: Sure.

15 CHAIRMAN COOK: That's the thing that determines it
16 all, is the freight cost, the distance from the plant.

17 Okay. Anybody else have any other comments? Seeing
18 none, I want to take this --

19 MR. HETTRICK: Oh, wait. I just have to do the one
20 thing that we are bound by law to do, and that is to say that we
21 are also open for public comment again.

22 CHAIRMAN COOK: Oh. Okay. Public comment again?

23 Seeing none, before I close the meeting, I want to wish
24 everybody a Merry Christmas, and a Happy New Year, and hope that
25 you have a nice holiday season with your families, and we'll see

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1 you all in January.

2 MR. HETTRICK: Thank you.

3 Mr. Chairman, before you go, I just want to say on the
4 record, thanks, Dave, for coming to the meeting. It's good to
5 see you back there.

6 MR. COON: Thank you. And best to all of you.

7 CHAIRMAN COOK: Merry Christmas, Dave.

8 MR. COON: Thanks. You too. All of you.

9 CHAIRMAN COOK: Okay. We're done.

10 (Whereupon proceedings concluded at 9:40 a.m.)

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BOARD SIGNATURE PAGE

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CHRISTOPHER COOK, CHAIRMAN

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JOHN COLLIER, MEMBER

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TROY CROWTHER, MEMBER

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1 STATE OF NEVADA)
) Ss.
2 COUNTY OF DOUGLAS)

3

4 I, SUZANNE KUES ROWE, Certified Court Reporter,
5 licensed in the State of Nevada, License #127, and a Notary
6 Public in and for the State of Nevada, County of Douglas, do
7 hereby certify that the foregoing proceeding was reported by me
8 and was thereafter transcribed under my direction into
9 typewriting; that the foregoing is a full, complete and true
10 record of said proceedings.

11 I further certify that I am not of counsel or attorney
12 for either or any of the parties in the foregoing proceeding and
13 caption named, or in any way interested in the outcome of the
14 cause named in said caption.

15

16

17

18 Date: December 26, 2012

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SUZANNE KUES ROWE, CCR #127

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