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STATE OF NEVADA

DEPARTMENT OF AGRICULTURE

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NOTICE OF PUBLIC MEETING
OF THE NEVADA DAIRY COMMISSION

TRANSCRIPT OF PROCEEDINGS

August 20, 2015

Reno, Nevada

Reported by: Karen Bryson
Certified Court Reporter #120

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APPEARANCES

CHRISTOPHER COOK, Chairman
TROY CROWTHER, Commission Member (via videoconference)
JOHN COLLIER, Commission Member
LYNN HETTRICK, Deputy Director/Department of Agriculture

ALSO PRESENT:
BRYAN STOCKTON, Deputy Attorney General
KATHY EASLY
AL TRACE
KIMBERLY WHITFIELD (via videoconference)
RON MARTIN (via videoconference)
DAMON HERNANDEZ (via videoconference)

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Nevada Dairy Commission

1 RENO, NEVADA, THURSDAY, AUGUST 20, 2015, 1:06 P.M.

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3

4 CHAIRMAN COOK: Okay. We are past time to
5 start the meeting. So, Mr. Hettrick, will you convene the
6 August meeting of the Dairy Commission, please.

7 MR. HETTRICK: Yes, sir, Mr. Chairman.

8 This is the time and place set for a regularly
9 scheduled meeting of the Nevada State Dairy Commission for
10 the month of August 2015.

11 This meeting has been scheduled and noticed in
12 compliance with pertinent statutes, including the open
13 meeting law. Copy of the agenda has been handed to the
14 court reporter with the request that it be a part of the
15 official transcript of these proceedings.

16 My name is Lynn Hettrick, Deputy Director for
17 the Department of Agriculture. Present today are
18 Mr. Christopher Cook, chairman; Mr. Troy Crowther, member
19 of the commission; and Mr. John Collier, member of the
20 commission.

21 Those who present statements or evidence to the
22 commission during this meeting are requested to first be
23 acknowledged by the chairman and to identify themselves
24 for the record.

25 CHAIRMAN COOK: Thank you.

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1 Will you proceed to the first agenda item,
2 please.

3 MR. HETTRICK: First item, Mr. Chairman, is
4 public comment and discussion.

5 CHAIRMAN COOK: Do we have any members of the
6 public that care to offer any comment or discussion at
7 this point?

8 MR. CROWTHER: We do down here.

9 MR. MARTIN: Hi, I'm Ron Martin, Anderson
10 Dairy. I just wanted to thank you, Dave Coon would like
11 to thank you, for sending down the cow for the school
12 district here. It worked out really well for us. We
13 appreciate it.

14 I guess the question I have is: Are you
15 sending someone to pick it up? Or do we need to send it
16 back to you? Or do you want us to keep it?

17 CHAIRMAN COOK: Just turn it loose, it should
18 be able to find its way home.

19 MR. HETTRICK: Yeah, she'll come home.

20 COMMISSIONER COLLIER: Be more cost effective
21 just to leave it there.

22 CHAIRMAN COOK: Well, I think what I'll do is
23 defer that question to Mr. Hettrick because he's sort of
24 the chief scheduler of the cow here, so.

25 MR. HETTRICK: Moo-Lissa has transportation

1 arranged. They should be there to pick her up probably
2 next week for -- and they'll come directly to your
3 facility and get her. And they'll be bringing her home.

4 It worked out really good. We just happen to
5 not have anything in between the time you needed her and
6 the next time we needed her, which is next week.

7 Following week she'll be out at the Fallon, I
8 guess it's the melon festival, for three or four days, and
9 they're excited about having her as well.

10 So, anyway, we'll get her, no problem. We're
11 glad it worked out for you. We appreciate the fact that
12 you wanted her, and we were able to get there -- get her
13 there, so worked out good.

14 MR. MARTIN: It was a big hit with the school
15 district, superintendent of schools here. Everybody had
16 their pictures taken with it. It was a big hit. So we
17 appreciate it.

18 CHAIRMAN COOK: Well, would this be an
19 appropriate time to update the status of Moo-Lissa two?

20 MR. HETTRICK: Moo-Lissa two is still on hold
21 until we get the southern Nevada headquarter's office open
22 and we see what we have for storage space, parking space,
23 and the like. So we'll hold on to her until we know that
24 we have adequate room to get her in there and actually
25 house her there on a permanent basis.

1 So until we get that done, we're going to hold,
2 but, yeah, we're good. The trailer from this end is on
3 order. Of course, they'll actually pick it up in southern
4 Nevada. They'll go to Phoenix and get it for us, pull it
5 back to the Las Vegas office, southern Nevada headquarters
6 is what they're calling it.

7 And -- and then we'll send somebody out and
8 pick it up, bring it back to here, and get Moo-Lissa
9 permanently housed into the trailer, so. And we're
10 looking to do a second trailer as well, as you know.

11 CHAIRMAN COOK: Okay.

12 MR. HETTRICK: So, yeah, but we're just on hold
13 until we know what our space situation is.

14 CHAIRMAN COOK: Well, it won't be long, you'll
15 have a -- you'll have one down there to access when you
16 need it.

17 MR. MARTIN: Appreciate it.

18 CHAIRMAN COOK: Well, we appreciate you
19 thinking of using it.

20 MR. MARTIN: Came in handy.

21 CHAIRMAN COOK: That's good to know. Okay.

22 MR. MARTIN: Taught a lot of people how to milk
23 a cow now, so we're shooting them to our dairy farmers up
24 in Utah.

25 CHAIRMAN COOK: Taking applications, huh?

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1 MR. MARTIN: Yeah, exactly.

2 CHAIRMAN COOK: Okay. Any other comments or
3 observations?

4 If not, let's move on to the next agenda item,
5 please.

6 MR. HETTRICK: All right. Mr. Chairman, item
7 number two for possible action, a license application,
8 processing distributor, Pint -- Kraft Heinz Company,
9 Tulare, California.

10 The applicant seeks a license to distribute
11 fluid milk and cottage cheese in the northern and southern
12 Nevada marketing areas. Temporary approval was granted on
13 July 30, 2015.

14 The applicant's prices and cost have been
15 reviewed by members of the Dairy Commission staff, and
16 they are in compliance with the agency's laws and
17 regulations.

18 And the applicant will be responsible for the
19 assessments.

20 CHAIRMAN COOK: Okay. I'm guessing nobody
21 representing this applicant is present? Is there anything
22 you can add to this? Are they distributing their own
23 brand of milk? Or is there --

24 MR. HETTRICK: I can look at their application
25 and see what I have.

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1 MS. EASLY: They were formerly Kraft. And they
2 had an account with us for many years now.

3 CHAIRMAN COOK: So this is just a license
4 change then?

5 MS. EASLY: Correct. Heinz and Kraft merged,
6 and so this is the new company.

7 CHAIRMAN COOK: Okay.

8 MR. HETTRICK: And the product line looks like
9 it's all going to be Knudsen based on the application.

10 CHAIRMAN COOK: Okay.

11 MR. HETTRICK: So looks like it will all be
12 Knudsen.

13 CHAIRMAN COOK: Is that a Kraft brand name?
14 Label? Knudsen?

15 MR. HETTRICK: Apparently. It says manufacture
16 Kraft, Kraft Foods, and the brand label says Knudsen. So,
17 yes, I would say it is.

18 CHAIRMAN COOK: I didn't realize that.

19 Okay. Any questions from other commissioners?
20 John? Troy?

21 COMMISSIONER COLLIER: I have none.

22 CHAIRMAN COOK: Troy?

23 COMMISSIONER CROWTHER: None.

24 CHAIRMAN COOK: Okay. Any questions or
25 comments from -- something you want to say, John?

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1 COMMISSIONER COLLIER: No.

2 CHAIRMAN COOK: Okay. Questions or comments
3 from any member of the audience? Public? Staff?

4 Seeing none, I will entertain a motion.

5 COMMISSIONER COLLIER: Mr. Chairman, I move
6 that we accept the Kraft Heinz Company application to
7 distribute fluid milk and cottage cheese in the northern
8 and southern Nevada marketing areas, and they're out of
9 Tulare, California, and Priscilla -- I guess Priscilla
10 Arzola is a representative.

11 COMMISSIONER CROWTHER: Second.

12 CHAIRMAN COOK: Okay. Having a motion and a
13 second, and no dissenting votes, the motion carries, and
14 the license is granted.

15 MR. HETTRICK: All right. Mr. Chairman, next
16 on the agenda for possible action is approval of the
17 minutes from July 16, 2015. There are minor corrections.
18 And I would request that we have a motion to approve the
19 minutes with the appropriate corrections.

20 CHAIRMAN COOK: Okay. I will entertain a
21 motion to adopt the minutes from the last meeting.

22 COMMISSIONER CROWTHER: Mr. Chairman, I will
23 make a motion to approve the minutes of the July 16, 2015,
24 meeting with the indicated corrections.

25 COMMISSIONER COLLIER: Mr. Chairman, I'll make

1 a second.

2 CHAIRMAN COOK: Hearing a motion and a second,
3 no dissenting votes, the motion carries. The minutes are
4 adopted.

5 MR. HETTRICK: Next, Mr. Chairman, is the staff
6 report. In your packets you have the prices -- current
7 prices. They're not fluctuating a great deal. They've
8 been hovering around near the \$18 mark for sometime now,
9 several months. Not changing significantly.

10 Beyond that we have the Dairy Commission budget
11 summary. Should be in your packet as well. Maybe Damon
12 would like to speak to that?

13 MR. HERNANDEZ: Sure. Damon Hernandez for the
14 record.

15 The -- with the exception of some minor
16 adjustments as we close this budget for fiscal year, this
17 report represents the -- substantially the actuals for the
18 year. Net revenue year to date, \$802,626.91. Net
19 revenue, excluding the balance forward, \$336,450.91.

20 CHAIRMAN COOK: And what is our reserve now?
21 Are we -- is that 802 number the --

22 MR. HERNANDEZ: 802 would be the amount that
23 would roll over.

24 MR. HETTRICK: And you can see in the work
25 program, if you look up above, where it says agency

1 reserve? Item -- line item 86? On your left bottom in
2 the expenditures it says agency reserve. And the work
3 program, which is essentially the budget, anticipated
4 budget, it was 698, so it's gone up 104,000, if I'm
5 reading it right.

6 Am I correct, Damon? Is that correct, Damon?

7 MR. HERNANDEZ: Yes. Correct.

8 MR. HETTRICK: Yeah. Okay. So now we
9 should --

10 CHAIRMAN COOK: In spite of our efforts to
11 whittle it down, it's grown.

12 MR. HETTRICK: It's grown 104,000 this year.
13 We do again reiterate what we have going on. We -- a
14 trailer will be purchased, which will go against the
15 reserve. Because I think we actually may have it
16 budgeted, but -- but it still will reduce the overall
17 cash, so.

18 CHAIRMAN COOK: Microbiologist in here?

19 MR. HETTRICK: Microbiologist is not in there
20 yet. That's coming. We still have some equipment to buy.
21 There still is potential to do some additional testing and
22 the like.

23 So, you know, I don't think we're going to get
24 yelled at. We -- it's clear we've made attempts by
25 cutting out butter assessments and returning money in the

1 past, and so on. So I think we're okay.

2 But we definitely need to keep it in mind and
3 we need to know that we need to do things with it.
4 Ultimately we're going to have to change it, so.

5 CHAIRMAN COOK: Are we at the point yet where
6 we need to consider reducing assessments, do you think,
7 or --

8 MR. HETTRICK: I'd like to wait until we get
9 the microbiologist on and also to determine when -- if and
10 when we can buy the second trailer and cow. There's --
11 and then just see where we're at.

12 We also have, as I said, that additional
13 equipment and some software that we're going to need for
14 the FDA reporting in the dairy lab, and we're not certain
15 yet what that's going to cost, and the like, so.

16 CHAIRMAN COOK: Okay.

17 MR. HETTRICK: And then the other thing is,
18 we're in what we call a budget base year, so we want to --
19 you know, I'd rather not change things in the base year.
20 It establishes what we have going forward, and then we can
21 change it.

22 Because, again, this is -- the way the state
23 government budget works, the base year is what you hinge
24 everything off of going forward.

25 CHAIRMAN COOK: This is the first year the

1 biennium is --

2 MR. HETTRICK: Yes.

3 COMMISSIONER COLLIER: So how often is there a
4 base year?

5 MR. HETTRICK: Every second year.

6 COMMISSIONER COLLIER: Every -- oh, every two
7 years it changes.

8 MR. HETTRICK: Yeah. So, correct.

9 So I think we're all right. I mean, we've --
10 we've clearly made efforts to reduce it. And we totally
11 eliminated butter assessments. We've given money back.
12 We've tried to do things to promote the industry and spend
13 money for the industry's benefits.

14 So I don't think we're -- we're going to get
15 hurt there at all. And we're fully aware of it. It's
16 been on the record month after month that we're aware of
17 it and know what's going on.

18 With that, two other things. One is, Kathy,
19 did you have some information regarding the bird control?

20 MS. EASLY: The Starling program that we --
21 that we funded? We billed the ranchers for their 20
22 percent? We already have two of them that have already
23 sent in their checks.

24 One rancher has two locations, that's Storm's
25 Oasis, and their share for the both locations will be

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1 \$1,094.51. Hillside Dairy's share, \$632.35. Sorensen
2 Dairy, 142.36. And Perazzo Brothers Dairy, 790.74.

3 Those are the ones we're still waiting on.
4 We've already received from Desert Hills, 855.25. And
5 from Whitaker Dairy, 388.97. So they're already starting
6 to, you know, pay their 20 percent. And no questions
7 asked.

8 CHAIRMAN COOK: The past one.

9 MS. EASLY: This is for the past one.

10 CHAIRMAN COOK: Any additional inquiries coming
11 in for --

12 MS. EASLY: Not yet.

13 CHAIRMAN COOK: -- future --

14 MS. EASLY: I'm expecting that more in November
15 and December.

16 COMMISSIONER COLLIER: Does that budget re --
17 does it replenish itself? Does it come back whole?

18 MR. HETTRICK: Well, it's not a -- it was an
19 IFC work program item, which means it was a special
20 request added to the budget, so --

21 COMMISSIONER COLLIER: I see.

22 MR. HETTRICK: -- we -- and I don't know
23 frankly if they -- if they put it in as a budget request
24 this time or we'll have to do it through IFC, but we'll --
25 we'll replenish one way or the other.

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1 COMMISSIONER COLLIER: Uh-huh.

2 MR. HETTRICK: Yeah, come back to it.

3 CHAIRMAN COOK: So is there any way we can make
4 that a permanent standing --

5 MR. HETTRICK: That's what I'd like to do,
6 especially if we come back the second time on IFC, I would
7 like to see if we can't just get it to become a budget
8 line item and make it an every year thing.

9 I still think we have to work out some more
10 permanent arrangement with wildlife services because
11 the reality of this situation, if you recall, was that we
12 were going to pay -- up to \$2500 we would pay 80 percent.
13 And anything -- the dairy was to pay 20 percent, which
14 would have been \$500.

15 You can tell from the amounts received and the
16 amounts billed that we've had several that were billed
17 significantly more than that and have paid their 20
18 percent more than that.

19 Still was far under the program that we agreed
20 to, the total \$50,000, it was far under that. So it's not
21 an issue for us. It's simply that the -- dealing with the
22 federal government is difficult. They don't bill just
23 because we agree to a way to do it, they don't necessarily
24 agree, and they do it the way they want to.

25 And so we agreed to support the dairies. And

1 we did. And we've -- you know, we're happy to have done
2 what we did, and maybe we've got to change this so it
3 reflects better what we actually did. But we need to
4 finalize that better. And that just means we've got to
5 work with wildlife services more, figure out what we are
6 doing.

7 CHAIRMAN COOK: There's no way we can get out
8 from underneath the purview of the federal government in
9 this?

10 MR. HETTRICK: They're the only ones that can
11 use the effective Starla sign.

12 MR. TRACE: So -- so does -- Al Trace, Dairy
13 Farmer of America -- so does that mean, Kathy, we're
14 missing something? Is that six members in --

15 MS. EASLY: Six members.

16 MR. TRACE: -- total that participated in the
17 program?

18 MS. EASLY: Uh-huh.

19 MR. TRACE: Okay. I -- I would think that
20 they'll be more next year, a lot of that, just through
21 word of mouth --

22 CHAIRMAN COOK: We hope so.

23 MR. TRACE: -- I mean, you know, when one
24 producer talks to another producer that seems to go
25 further than -- no disrespect for any of us -- but it

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1 just --

2 CHAIRMAN COOK: None -- none taken.

3 MR. TRACE: -- that's just the way it works.

4 CHAIRMAN COOK: We understand.

5 MR. HETTRICK: Yeah, that's the way it works.

6 MR. TRACE: I would -- I would hope that there
7 would be more people taking advantage of that next year.

8 COMMISSIONER COLLIER: If I -- would it be
9 possible for this program to pay a hundred percent of that
10 cost so it's a free program to the dairymen?

11 MR. HETTRICK: It's possible. I think we felt
12 that participation was a positive, that we would --

13 COMMISSIONER COLLIER: Well, it --

14 MR. HETTRICK: -- not just have everybody jump
15 up and say, well, it's free, I'm going to call them every
16 other day and I'm going to have them out here doing
17 something more.

18 We felt that some participation was meaningful
19 and to pay 80 percent of the cost. I mean, if -- if that
20 thousand dollar bill that was paid by one of them was 20
21 percent, that was --

22 COMMISSIONER COLLIER: That was pretty --

23 MR. HETTRICK: -- a \$5,000 bill, they got
24 \$4,000 from us.

25 COMMISSIONER COLLIER: Yeah, that's pretty

1 significant.

2 MR. TRACE: I can say they appreciated it.

3 MR. HETTRICK: Yeah, so, I mean, it was
4 substantial. And so if that's what it represents. Again,
5 I don't know how the federal governments decided that they
6 were going to play the game just by what we said, so --
7 but we spent a significant amount of money and they have
8 the opportunity. And I think 20 percent is little to ask
9 to have that much service and make sure it's fair for
10 everybody.

11 COMMISSIONER COLLIER: Sure.

12 MR. HETTRICK: The other thing that bothers me
13 is if we go a hundred percent we'll have somebody grab on
14 early on and spend all the money we allocate and somebody
15 else won't get anything, so --

16 CHAIRMAN COOK: Yeah, we actually stretch the
17 money a little bit if we --

18 COMMISSIONER COLLIER: Yeah, I think that's
19 wise. I'm just asking the question.

20 MR. HETTRICK: Yeah, no, and I understand. And
21 that kind of brings me to a second thing that's coming up,
22 and you'll get it next time. It's not agendized. We
23 can't act on it or talk about what we might do on it.

24 But I think it's fair to at least inform you
25 that I did get a request asking whether or not in the aid

1 of promoting dairy in the Fallon area we would be willing
2 to fund 50 percent of the cost of a grant writer to ask
3 for a grant.

4 It turns out that all the dairies in the Fallon
5 area buy their commodities through a single individual who
6 has a rail siding access. The Union Pacific in its
7 infinite wisdom has decided to cut the amount of weight
8 that can go onto that rail siding, therefore increasing
9 the cost of the commodities and increasing the cost of
10 freight for the dairymen.

11 They have an opportunity to access a grant with
12 the -- if they can get a grant request written, and
13 perhaps develop another rail siding that would allow them
14 to get back up to the full commodity load on the rail car
15 and reduce the freight again.

16 That clearly is supporting the economic
17 viability of the dairymen because the cost of commodities
18 is a significant part of their -- of that cost.

19 So I anticipate that we will receive a letter
20 requesting us to consider funding half of a grant writer.
21 I think the estimated cost is around \$2600.

22 We will agendize that. And we can discuss and
23 fully deal with it next time. But don't want Mr. Stockman
24 to tell me that we can't talk about that. So we can't do
25 anymore than just let me inform you.

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1 COMMISSIONER COLLIER: Okay. Can I ask one
2 question?

3 CHAIRMAN COOK: No, you can't.

4 MR. HETTRICK: You can ask a question if you
5 don't ask about whether or not we're going to --

6 COMMISSIONER COLLIER: What commodities
7 are they buying?

8 MR. HETTRICK: Well, they buy soybean, corn --

9 COMMISSIONER COLLIER: Oh, you're talking
10 about -- you're talking about feed?

11 MR. HETTRICK: Yeah. They call that a
12 commodity because they buy it on the commodity market.

13 COMMISSIONER COLLIER: Yeah, I thought maybe
14 you were talking about powdered milk or --

15 MR. HETTRICK: No, no, no.

16 COMMISSIONER COLLIER: -- cheese or -- I mean,
17 that's where I'm -- where I'm coming from.

18 MR. TRACE: Would that include, Lynn -- I think
19 I'm allowed to ask this -- that the rail line going in
20 down south towards Yerington, too? That spur? Or that
21 would be --

22 MR. HETTRICK: My understanding of the little
23 bit I know of it is that there is a facility available
24 that they need -- they would have to go in and build a
25 spur on and the -- they've already talking to -- talked to

1 the site and the people who own the site. They're more
2 than willing. And it's in an area where the UP is
3 willing.

4 I don't know where it will go or how far it
5 reaches. All I know is that right now it affects every
6 single one of the Fallon dairymen because their freight
7 and costs are going up based on what's happening.

8 So we always look for ways. You guys ask
9 incessantly, which I'm pleased with, that how can we help
10 them. And this is clearly a way that we can help and
11 participate. So we'll agendaize and we'll talk about it
12 again next time.

13 CHAIRMAN COOK: Okay.

14 MR. HETTRICK: All right?

15 Then consideration of other matters relating to
16 the dairy industry.

17 CHAIRMAN COOK: Nothing?

18 MR. HETTRICK: Once again the opportunity for
19 public comment and discussion.

20 CHAIRMAN COOK: It's your chance, Al. Floor's
21 yours.

22 MR. TRACE: Can I give a brief --

23 CHAIRMAN COOK: Please do.

24 MR. TRACE: I would start out with reporting
25 about Vlot. Smith Valley Dairy had their open house last

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1 Saturday, community barbecue open house --

2 COMMISSIONER COLLIER: Oh, great.

3 MR. TRACE: -- at their new 3500-cow facility
4 in Wellington, Nevada.

5 Very well attended, over 300 people attended.
6 They had informational wagon tours. Everybody was treated
7 to a tri-tip lunch. We had milk and ice cream from Model
8 Dairy, of course, here in Reno.

9 They handed out -- they being the Vlot
10 family -- made over 300 Smith Valley Dairy T-shirts and
11 hats they handed out to each -- each attendee, children as
12 well.

13 CHAIRMAN COOK: Was -- was the crowd mostly
14 friendly?

15 MR. TRACE: The crowd was all friendly.
16 There's --

17 CHAIRMAN COOK: Or was there --

18 MR. TRACE: -- 99.99 percent positive comments.
19 And I think we had a few of what we would term the
20 unfriendly folks were in attendance. And I think it was a
21 real educational experience for them. So I think it went
22 a long ways and --

23 CHAIRMAN COOK: Did it open their eyes a little
24 bit?

25 MR. TRACE: I think it opened their eyes a lot

1 of bit, a lot --

2 CHAIRMAN COOK: Good.

3 MR. TRACE: -- so it was a successful day for
4 them down there.

5 CHAIRMAN COOK: Good. Good.

6 MR. TRACE: I would say that I've -- in talking
7 to two California farm families that are looking kind of
8 seriously at relocating to Nevada, one's a dairyman from
9 southern California. He's made several trips specific to
10 Churchill County trying to find some property to build a
11 2500-cow dairy.

12 And I've been talking pretty regularly to a
13 farm family in central California, the central valley,
14 that's looking anyplace in the region to build a new
15 3,000-cow dairy.

16 So we'll see. So there's still interest out
17 there given the downward trend in milk pricing now.
18 That's a challenge. And, of course, our drought, and --
19 but the dairymen coming from California, drought's nothing
20 new to them. They're suffering through the same --

21 CHAIRMAN COOK: They're living it.

22 MR. TRACE: They're living it.

23 And I would say the plant's doing well. We're
24 receiving about one point two million pounds a day. That
25 equates to about 20 to 22 loads. About 20 loads is all

1 Nevada right now. So we've grown that much. When we go
2 to 22 we have to bring a couple loads in from over the
3 hill yet.

4 CHAIRMAN COOK: How's the marketing of the
5 product being affected by this Chinese currency
6 de-valuation?

7 MR. TRACE: Not so much the Chinese currency
8 thing. The marketing of our product is being affected
9 just by China over-buying. The inventory is huge and
10 they're sitting on inventory.

11 That's why the price -- the price is in the
12 tank. And that's somewhat -- not somewhat, that greatly
13 reflects on the price that we're paying our dairymen in
14 the Nevada region. Because we're paying them on what we
15 call straight class four.

16 We do pool our class one sale with Model Dairy,
17 but the price is down. I would anticipate another two to
18 three loads locally by the end of this year because our
19 Vlot Dairy will grow one more load.

20 We have a dairy that's up and running that was
21 sitting empty, the Pellandini Dairy, and they're just
22 at -- they started out with five or 600 cows, putting on
23 another 500 as we speak, or soon, with anticipating to go
24 to 1600 by the end of the year, which will be another
25 load.

1 So overall in our -- in our western area
2 region, milk production -- which includes California and
3 Nevada -- our milk production is down about -- July was
4 down five percent. That's due to heat more than anything
5 else. That's a seasonal type thing.

6 July we marketed -- we averaged 403 loads per
7 day that we marketed. In the spring we were marketing
8 probably 425 to 430, so the milk production has dropped
9 off. Most of that is heat related. There has been a few
10 dairy farm families exit the business due to the economics
11 of it.

12 And one more thing as long as I've got the
13 floor. It's not specific to Nevada. It could have some
14 overlying effects. But the USDA has announced that they
15 will -- they're proceeding with the hearings for the
16 Federal Milk Marketing Order proposal in California.

17 The hearing's set to take place September 22nd
18 in Clovis, California. That's in the Fresno area. It
19 will be a minimum eight weeks process of hearings. That's
20 just to get all the different proposals. And then they
21 will proceed from there after about -- after that.

22 CHAIRMAN COOK: Is that notion universally
23 supported by the California --

24 MR. TRACE: Yes.

25 CHAIRMAN COOK: -- dairymen?

1 MR. TRACE: The California dairymen. Not so
2 much the processors. I mean, there is definitely a line
3 in the sand there.

4 CHAIRMAN COOK: Right. But --

5 MR. TRACE: Yeah, they -- they -- they being
6 USDA -- would not come to California and entertain even --
7 I mean, this has been a long -- this has been probably a
8 year or more in the process just to get it to the proposed
9 hearing. But they -- they didn't want to entertain the
10 idea of even having hearings if it wasn't universally
11 accepted, if you will.

12 So the three major co-ops in California, which
13 would be DFA, CDI, and Land O' Lakes, did go together
14 arm-and-arm and work diligently together on this to -- you
15 know, for our membership. So it's -- it's a long answer.

16 So, yes, it's universally accepted by the
17 producer community. We're quick to point out that that
18 won't be the fix-all maybe, but it might make things
19 better than what it is now. They're not without their
20 faults, but -- so. So that's all I have.

21 CHAIRMAN COOK: Was that automatically -- would
22 we -- would Nevada be folded into that? Or would we be --

23 MR. TRACE: The -- as -- the way it's written
24 now, and all the proposals, the way I understand it,
25 Nevada would be a part of that given the two northern

1 Nevada plants? Our DFA Fallon plant? And our Model --
2 not our -- the Model Dairy, the Dean Food, Model Dairy
3 plant here in Reno, and that would be specific to how much
4 milk they sell out of state.

5 The last numbers I heard were 20 to 25 percent
6 of that milk was sold out of state, then they would have
7 to be attached to the California pool. And, you know, I'm
8 certainly not an expert in any of this, but, you know,
9 that could in some selfish way affect our pay price a
10 little bit because we would be spreading that moneys out
11 more than keeping it home, so.

12 But we'll see how that all unfolds. The
13 hearing itself will last eight weeks but then the
14 decision-making process past that could go well into
15 another year almost before -- it's a long --

16 CHAIRMAN COOK: Now, is that going to be an
17 administrative process decided by the USDA? It's not
18 going to require congressional action or anything --

19 MR. TRACE: Right, it's the USDA that --
20 correct.

21 That's it. Thank you.

22 CHAIRMAN COOK: Thank you for your input.

23 COMMISSIONER COLLIER: Are there any dairies up
24 in Lassen County and north of there that would feed down
25 into this market?

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1 MR. TRACE: In California?

2 COMMISSIONER COLLIER: In California.

3 MR. TRACE: That would feed into our market
4 here?

5 COMMISSIONER COLLIER: That would bring milk in
6 here.

7 MR. TRACE: No, not so much. What we do -- we
8 do have dairies in northern California, but when we bring
9 milk over the hill we -- we domino it? We bring some of
10 that milk in to replace the milk that we're bringing over
11 here, if that's making any sense? So --

12 COMMISSIONER COLLIER: I'm thinking -- I'm
13 thinking more on the eastern slope of the Sierras
14 rather than the western slope of the Sierras and the
15 valleys.

16 MR. TRACE: Right.

17 COMMISSIONER COLLIER: I know there's milk --
18 that's where the milk comes from. I'm just wondering what
19 the dairy viability is up in those areas. I've never been
20 aware of there even being any dairies up in there.

21 MR. TRACE: No, I don't -- I don't think there
22 is much up there. Most of our dairies in northern
23 California are in the Humboldt region. They're smaller,
24 if you will, California standards, you know, three to
25 500-cow dairies. There's a large organic presence up

1 there, organic farms. So I don't think, John, that
2 would --

3 COMMISSIONER COLLIER: Yeah.

4 MR. TRACE: Yeah. We had looked at one time
5 the close proximity of bringing milk into Fallon from our
6 Idaho market, which would be actually a little more
7 feasible and doable, if you will. That was until Chobani
8 built a plant up there. So we need all the milk -- we
9 need to keep our milk in Idaho now.

10 CHAIRMAN COOK: Has Chobani gotten their
11 problems resolved up there?

12 MR. TRACE: Not completely, but, I mean,
13 they're -- yeah, they came a long ways, you know. They --

14 CHAIRMAN COOK: Are they open and operating?

15 MR. TRACE: Oh, yeah. Oh, yeah. Yeah, they
16 have been open and operating for quite a long time.

17 MR. HETTRICK: They're not anywhere near
18 capacity.

19 MR. TRACE: No. It's a huge plant. You know,
20 our Fallon plant at full capacity is two million pounds a
21 day. That Chobani plant is I think eight or nine, just to
22 put it in perspective.

23 CHAIRMAN COOK: Oh.

24 MR. HETTRICK: Massive.

25 MR. TRACE: It's massive. You drive by, it's

1 just physically massive. I mean, it's --

2 COMMISSIONER COLLIER: Is it purely

3 dehydration? Or, I mean --

4 MR. TRACE: It's yogurt. It's yogurt.

5 COMMISSIONER COLLIER: Yogurt?

6 MR. HETTRICK: Nothing but yogurt.

7 MR. TRACE: All yogurt.

8 COMMISSIONER COLLIER: Wow.

9 MR. HETTRICK: Yeah, yeah. There are 22 loads
10 in a million, little over a million, so eight times that.
11 They're doing 160, 180 loads of milk a day. Can you
12 imagine?

13 MR. TRACE: It's incredible.

14 MR. HETTRICK: Capacity. They're not --

15 CHAIRMAN COOK: Traffic control there --

16 COMMISSIONER COLLIER: Oh, yeah.

17 CHAIRMAN COOK: -- to keep all those trucks --

18 MR. TRACE: I think they'll get there. I mean,
19 they're a class -- you know, they're -- they're a great
20 organization. They did have some start-up issues. And I
21 think still have some bugs. I -- for whatever reason, I
22 don't know. I mean, they opened that plant pretty --

23 CHAIRMAN COOK: Are they still producing out of
24 their -- what is it -- New York?

25 MR. TRACE: New York plant. Yeah. A little

1 less now but they -- they -- from what I understand, they
2 transferred a lot of the production out here. But they
3 still are -- they still have their plant in New York.

4 MR. HETTRICK: They didn't get as big as they
5 are as fast as they did by doing things wrong.

6 MR. TRACE: Right.

7 MR. HETTRICK: They do a lot of things right.

8 MR. TRACE: They do a lot of things right. And
9 they're -- they're good for the industry. You know, at
10 the end of the day, we're not -- we're not --

11 CHAIRMAN COOK: That's not the only growth
12 category in the dairy --

13 MR. HETTRICK: No. Actually if you -- if you
14 do look at your sheet there, those red numbers are quite
15 interesting. Those were all over income. And they're --
16 they're in fluid milk, yogurt, cottage cheese -- or, ice
17 cream, and there's dairy assessments and -- but that's
18 just because we have additional dairies --

19 MR. TRACE: Yeah, yeah.

20 MR. HETTRICK: -- and additional stuff coming
21 on.

22 So, actually, we're seeing increases in the
23 actual usage, which is a good thing.

24 MR. TRACE: It's a good thing.

25 CHAIRMAN COOK: Yeah, that's the first time

1 that's happened in a long time.

2 MR. TRACE: Long time.

3 MR. HETTRICK: Positive. Very positive.

4 See? That's another one of our issues, why we
5 keep going over on our -- on our reserves. Growing
6 revenues, in addition to everything else.

7 CHAIRMAN COOK: I would say that it's proof
8 positive that the strategy that we adopted when you came
9 on as executive director of the Dairy Commission to
10 promote and grow the industry has paid off.

11 MR. HETTRICK: I'd love to take credit --

12 CHAIRMAN COOK: Well, you can --

13 MR. HETTRICK: -- but I won't.

14 I think the commission has done a great deal --

15 CHAIRMAN COOK: As far as I'm concerned --

16 MR. HETTRICK: -- in regard to doing this, so.

17 CHAIRMAN COOK: All right.

18 Well, is there anything else for the good of
19 the industry anybody would like to add?

20 Seeing nothing, let's --

21 MR. HETTRICK: Adjourn.

22 CHAIRMAN COOK: -- adjourn this meeting and go
23 have lunch.

24 (Exhibit 1 marked.)

25 (1:35 p.m. proceedings concluded.)

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BOARD SIGNATURE PAGE

CHRISTOPHER COOK, CHAIRMAN

TROY CROWTHER, COMMISSION MEMBER

JOHN COLLIER, COMMISSION MEMBER

1 STATE OF NEVADA,)
) SS.
2 COUNTY OF WASHOE.)

3

4

5 I, Karen Bryson, a Certified Court Reporter
6 and notary public in and for the County of Washoe, State
7 of Nevada, do hereby certify:

8 That on August 20, 2015, I reported the
9 proceedings entitled herein;

10 That the foregoing transcript is a true and
11 correct transcript of the stenographic notes of testimony
12 taken by me in the above-captioned matter to the best of
13 my knowledge, skill, and ability.

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Karen Bryson, CCR #120

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