| STATE OF NEVADA |
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| DEPARTMENT OF AGRICULTURE |
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| NOTICE OF PUBLIC MEETING |
| OF THE NEVADA DAIRY COMMISSION |
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| TRANSCRIPT OF PROCEEDINGS |
| April 21, 2016 |
| Fallon, Nevada |
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| Reported by: Karen Bryson |
| Certified Court Reporter #120 |
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| 1 | APPEARANCES |
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| 5 | CHRISTOPHER COOK, Chairman TROY CROWTHER, Commission Member (via telephone) |
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| 7 | ALSO PRESENT: BRYAN STOCKMAN, Deputy Attorney General KATHY EASLY |
| | ANNA VICKREY |
| 9 | AL TRACE KIMBERLY WHITFIELD (via telephone) |
| 10 | DAVE COON (via telephone) |
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FALLON, NEVADA, THURSDAY, APRIL 21, 2016, 1:00 P.M. 1 ---000--2 3 CHAIRMAN COOK: Ms. Vickrey, will you open the 4 meeting for the April 2016 Nevada State Dairy Commission, 5 please. This is the time and place set 6 MS. VICKREY: 7 for the regularly scheduled meeting of the Nevada State 8 Dairy Commission for the month of April 2016. This meeting has been scheduled and noticed in compliance with 9 10 pertinent statutes, including the open meeting law. 11 A copy of the agenda has been handed to the 12 court reporter, with the request that it be part of the 13 official transcript of these proceedings. 14 My name is Anna Vickrey, operations manager, 15 food safety, for the Department of Agriculture. Present 16 today are Mr. Christopher Cook, chairman; Mr. Troy G. Crowther, member of the commission. Absent is Mr. John 17 18 Collier. 19 Those who present statements or evidence to the 20 commission during this meeting are requested to be first 21 acknowledged by the chairman and to identify themselves 22 for the record. 23 CHAIRMAN COOK: Thank you. 24 Would you proceed to the first agenda item, 25 please.

| 1 | MS. VICKREY: First item is public comments and |
|----|---|
| 2 | discussion. |
| 3 | CHAIRMAN COOK: And recognize that we'll have |
| 4 | another section near the end of this meeting for public |
| 5 | comments, does anybody from the public, Dave or Al, care |
| 6 | to say anything now or |
| 7 | MR. TRACE: Wait till the end. |
| 8 | CHAIRMAN COOK: Wait till the end? |
| 9 | Dave? |
| 10 | MR. COON: Dave Coon. |
| 11 | No, Mr. Chairman. |
| 12 | CHAIRMAN COOK: Let's move on to number two. |
| 13 | MS. VICKREY: For possible action, approval of |
| 14 | the minutes for the March 17th, 2016, Dairy Commission |
| 15 | meeting. |
| 16 | CHAIRMAN COOK: Well, Troy, this is your only |
| 17 | chance to make a motion. |
| 18 | COMMISSIONER CROWTHER: Okay. Looks like |
| 19 | looks like we confused Anderson with Coon a few times? So |
| 20 | that |
| 21 | CHAIRMAN COOK: Hopefully we caught them all. |
| 22 | COMMISSIONER CROWTHER: Okay. Well, I will |
| 23 | make the motion to approve the minutes of the March 17th, |
| 24 | 2016, Dairy Commission meeting with the indicated |
| 25 | corrections. |

| 1 | CHAIRMAN COOK. Okay. And I will second that |
|----|--|
| 2 | motion. |
| 3 | And there being no dissenting votes with a |
| 4 | first motion and a second, the motion carries, and the |
| 5 | minutes are adopted. |
| 6 | Ms. Vickrey, will you press on to number three, |
| 7 | please? Wherever that is. |
| 8 | MS. VICKREY: Yes. Discussion of NAC 584 |
| 9 | proposed changes. |
| 10 | I did just want to make a comment, that we do |
| 11 | have the final proposed regulations in front of us and |
| 12 | that they have been posted. |
| 13 | Because of the changes that we decided to make |
| 14 | during the last commission meeting, these were delayed for |
| 15 | possible hearing action today. And we will reschedule |
| 16 | that meeting that hearing at the next meeting. |
| 17 | COMMISSIONER CROWTHER: I'm sorry, I didn't |
| 18 | hear that. Reschedule for the next meeting or next week? |
| 19 | MS. VICKREY: For the next meeting. It'll be |
| 20 | one we'll schedule one hour before next month's |
| 21 | commission meeting. |
| 22 | CHAIRMAN COOK: Okay. So we are going to start |
| 23 | the meeting early next month then? |
| 24 | MS. VICKREY: Yes. |
| 25 | CHAIRMAN COOK: Okay. So, actually, it'll be a |

| 1 | separate meeting? |
|----|--|
| 2 | MS. VICKREY: Yes. It'll be a separate posted |
| 3 | meeting just prior to the commission meeting. So I think |
| 4 | we allow one hour for that. |
| 5 | CHAIRMAN COOK: Okay. Any questions, Troy? |
| б | COMMISSIONER CROWTHER: Say that again? |
| 7 | CHAIRMAN COOK: We're going to start an hour |
| 8 | early next month to discuss the changes? |
| 9 | COMMISSIONER CROWTHER: Caught that. |
| 10 | Now, in the event that meeting only goes, say, |
| 11 | ten minutes, can we roll right into the commission meeting |
| 12 | or do we need to wait until one o'clock straight up? |
| 13 | CHAIRMAN COOK: We have to wait till 1:00. |
| 14 | COMMISSIONER CROWTHER: Okay. |
| 15 | CHAIRMAN COOK: May have a chance to go out and |
| 16 | get some lunch. |
| 17 | COMMISSIONER CROWTHER: Okay. |
| 18 | CHAIRMAN COOK: Okay. Let's move onto what? |
| 19 | MS. VICKREY: Next on the agenda is the staff |
| 20 | report. |
| 21 | I just wanted to report that we recently opened |
| 22 | a new goat dairy facility in Fernley. It's actually not a |
| 23 | new facility, but it is a new operator. In the past it |
| 24 | was a goat dairy, and it's been sitting vacant for |
| 25 | approximately a year. |

| 1 | Name of that facility is the Double K. Excited |
|----|--|
| 2 | to have them on board. We're not sure yet if they're |
| 3 | going to be operating year-round or if they're going to |
| 4 | be |
| 5 | COMMISSIONER CROWTHER: I'm sorry. There's |
| 6 | somebody there's some papers shuffling right by the |
| 7 | microphone and we can't hear can't hear what's being |
| 8 | said. |
| 9 | MS. VICKREY: Can you hear me now? |
| 10 | COMMISSIONER CROWTHER: I can hear you now, |
| 11 | yeah. |
| 12 | MS. VICKREY: Okay. So I'll just repeat that. |
| 13 | We did have the new goat dairy open in Fernley. |
| 14 | It's called the Double K Dairy. We don't know if they're |
| 15 | going to remain open year-round or if they're just going |
| 16 | to be seasonal. Lot of the new goat facilities opening |
| 17 | now only operate about nine months out of the year. |
| 18 | They plan to be at that facility leasing that |
| 19 | for approximately a year, year and a half, and they plan |
| 20 | on opening their own facility here in Fallon. |
| 21 | Then currently we have Erica at training in |
| 22 | Vancouver, Washington. She's a special problems course |
| 23 | that FDA is putting on right now. |
| 24 | Then the only other thing we did pass out some |
| 25 | materials for the IAMCA meeting in July. I believe |

| 1 | Kathy's going to be trying to schedule everybody to go to |
|----|---|
| 2 | that here very shortly. |
| 3 | So if you do want to attend, we want to get the |
| 4 | dates that you want to go possibly before the meeting |
| 5 | before it begins or maybe extend your trip. We just need |
| 6 | to know that so we can coordinate those efforts and get |
| 7 | all the approvals we need to send to everyone. |
| 8 | COMMISSIONER CROWTHER: This is Troy. |
| 9 | I I have I think I talked to Chris about |
| 10 | this to that I received an email that my apparently |
| 11 | my term expires at the end of June. And they asked to |
| 12 | have me, if I wanted to continue, to submit the |
| 13 | application to be a commissioner again, which I did, and |
| 14 | submitted within that same day all of the requested forms |
| 15 | and information. |
| 16 | I've not heard back. I called the state, the |
| 17 | person I submitted them to. They indicated that I |
| 18 | probably would not hear back until mid-June about whether |
| 19 | I'm reappointed. I would like to go to the Vancouver |
| 20 | convention; however, I don't know if I'll still be a |
| 21 | commissioner then. |
| 22 | Any ideas about how to maybe expedite that or |
| 23 | find out the status? |
| 24 | MS. VICKREY: I can speak with our director and |
| 25 | see if he can look into it for us. But we can go ahead |

| 1 | and we can put all the materials in for the trip and just |
|----|---|
| 2 | get the approval in. And if it's canceled, we just cancel |
| 3 | all those plans. But I don't I don't think that, you |
| 4 | know, they'll throw you out as a commissioner. |
| 5 | MR. STOCKTON: This is Bryan Stockton. |
| 6 | Just my experience with other boards is the |
| 7 | reappointment does come fairly late, but usually |
| 8 | usually if they ask you if you want to continue, you're |
| 9 | going to be reappointed, so for what it's worth. |
| 10 | COMMISSIONER CROWTHER: Yeah. |
| 11 | MR. STOCKTON: This is not atypical. |
| 12 | COMMISSIONER CROWTHER: Right. I'll go ahead |
| 13 | and put things together then for the Vancouver trip. |
| 14 | MS. VICKREY: Excellent. |
| 15 | Mr. Chairman, that's all I have. |
| 16 | CHAIRMAN COOK: Okay. |
| 17 | MS. VICKREY: Oh, except for the our budget. |
| 18 | Kimberly, did you want to go over some items on |
| 19 | the budget? |
| 20 | MS. WHITFIELD: Sure. |
| 21 | Kimberly Whitfield for the record. |
| 22 | This is the Dairy Commission budget summary |
| 23 | year to date as of 4/19/2016. |
| 24 | Our net revenue year to date is \$813,916.79. |
| 25 | The net that's what ties to DAWN; |

| 1 | Our net revenue year to date excluding balance |
|----|---|
| 2 | forward is \$11,450.79; |
| 3 | Our projected net revenue at fiscal year end, |
| 4 | excluding balance forward, is \$90,449.19; |
| 5 | And then the projected balance forward at |
| б | fiscal year end is \$892,915.19. |
| 7 | CHAIRMAN COOK: And do we have the |
| 8 | microbiologist is on staff, correct? |
| 9 | MS. VICKREY: Correct. |
| 10 | CHAIRMAN COOK: And do we have the lab fully |
| 11 | equipped? |
| 12 | MS. VICKREY: There may be a few items that |
| 13 | we'll be purchasing for the lab, but that's going to wait |
| 14 | till next fiscal. Because our operating budget right now, |
| 15 | we're right around 20,000, and that's pretty low. |
| 16 | I believe he needs a sterilizer and a few |
| 17 | other that's probably a bigger item that may be |
| 18 | around five or \$6,000, but we do have Kimberly just did |
| 19 | some interviews for a new audit position, and we still |
| 20 | have one vacant audit position. |
| 21 | And we've had some discussion about possibly |
| 22 | bringing in another another administrative assistant |
| 23 | for the southern office. So, you know, that's where we're |
| 24 | having a lot of savings, too, is in our personnel. |
| 25 | CHAIRMAN COOK: Okay. Now, the bird control |

| 2 MS. VICKREY: Correct. 3 CHAIRMAN COOK: With the 10,000, right? 4 MS. VICKREY: Correct. 5 CHAIRMAN COOK: And have we used all that? 6 MS. VICKREY: Not yet. We're still trying to 7 figure out how to pay everybody. Kathy's going to be 8 working on that to we've had, what, five submissions 9 for reimbursement right now? 10 The state system's a little complicated 11 sometimes and how you pay people, even if it's a one-time 12 event. So we have to get them registered with the 13 secretary of state. 14 CHAIRMAN COOK: Okay. 15 MS. VICKREY: And that's what we're kind of 16 working with them to do right now. I don't think we're 17 going to spend all of the \$10,000 this go-around. 18 CHAIRMAN COOK: But there is no provision to 19 carry over. 20 MS. VICKREY: Yes, there is. 21 cHAIRMAN COOK: To the next year? Next fiscal 22 year? 23 MS. VICKREY: Yes. 24 CHAIRMAN COOK: There is? | 1 | issue, we're recharging that every year? |
|--|----|---|
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| | 23 | MS. VICKREY: Yes. |
| | 24 | CHAIRMAN COOK: There is? |
| 25 MS. VICKREY: Uh-huh. | 25 | MS. VICKREY: Uh-huh. |

| 1 | CHAIRMAN COOK: Oh, okay. Good. |
|----|--|
| 2 | Okay. Well, I have no further questions. |
| 3 | Troy? |
| 4 | COMMISSIONER CROWTHER: No, no further |
| 5 | questions. |
| 6 | CHAIRMAN COOK: Okay. Let's press on to the |
| 7 | next agenda item. |
| 8 | MS. VICKREY: Consideration of any other |
| 9 | matters of the Dairy Commission or to the dairy |
| 10 | industry. Sorry. |
| 11 | CHAIRMAN COOK: Okay. Anybody want to throw |
| 12 | anything out on the table for discussion? |
| 13 | I have a question for Al. |
| 14 | How is the Chinese economic situation impacting |
| 15 | the powder plant here? |
| 16 | MR. TRACE: Al Trace, Dairy Farmers of America, |
| 17 | for the record. |
| 18 | Not to answer your question, not in a good |
| 19 | way. We have yet to sell any powder from our Fallon plant |
| 20 | to China. We've had all the contracts, agreements, but |
| 21 | the Chinese have over-bought, I mean, specific, to powder. |
| 22 | And I don't know if that to circle back to your |
| 23 | question if that's because of their general economy, |
| 24 | what's happened, but it hasn't been good. |
| 25 | This week last week, powder price can I |
| 1 | |

| 1 | just give a quick report right now |
|----|---|
| 2 | CHAIRMAN COOK: Sure. |
| 3 | MR. TRACE: about everything in general |
| 4 | that will fill right into that? |
| 5 | I'll bounce all around a little bit here. |
| 6 | The Fallon plant is, as you know, up and |
| 7 | running and doing doing quite well. I mean, it's |
| 8 | it's, you know, running at all eight cylinders. We're |
| 9 | receiving about anywhere from 900,000 to a million one a |
| 10 | day there. And, as you know, we still supply Model Dairy |
| 11 | in Reno, and will continue to. |
| 12 | The good news about that is that it's all |
| 13 | Nevada milk. Nothing's coming in from over the hill. We |
| 14 | have grown significantly in Nevada. We had a 27 percent |
| 15 | increase in milk production from last year to this year. |
| 16 | That's with our builds and with existing members, you |
| 17 | know, milking more cows. |
| 18 | We're we're projecting that our Nevada milk |
| 19 | supply will peak in July, about a million two, so we'll |
| 20 | have ample milk for the plant. |
| 21 | To circle back, the bad news is on the spot |
| 22 | market, powder market hit an all-time low at 69 cents. So |
| 23 | on purpose we're not maxing out our plant at two million |
| 24 | pounds a day. It just makes sense. I mean, it's |
| 25 | CHAIRMAN COOK: Sure. |

| 1 | MR. TRACE: Every pound we sell we'd be losing |
|----|--|
| 2 | money. |
| 3 | We're selling internationally powder to |
| 4 | Colombia and to Argentina. Domestically to Gerber and |
| 5 | Nestles right now is where we're selling our powder. |
| 6 | So the good thing about the China thing is that |
| 7 | it has forced us, for lack of a better word, to take our |
| 8 | blinders off and and get out there and find some other |
| 9 | customers. |
| 10 | I will say that the industry, the milk |
| 11 | industry, is still bullish on powder milk. The prices |
| 12 | will rebound, so much the fact that we, DFA, we have |
| 13 | started construction on a new powder plant identical to |
| 14 | Fallon in western Kansas. |
| 15 | It's a four million. It's twice as large. |
| 16 | It'll be open next year. There's a plant in California, |
| 17 | Hilmar Dairy, has built a plant identical to Fallon. It's |
| 18 | three million pounds a day. It's up and running. |
| 19 | I found out earlier in the week that there's a |
| 20 | group of dairy producers in California, 12 to 14 of them, |
| 21 | that have bought ground, and supposedly are going to break |
| 22 | ground April 25th on a new powder plant exactly like our |
| 23 | plant. |
| 24 | So we'll see where that goes. And if there's |
| 25 | anything they've hired a CEO already. She used to work |

| 1 | for Fonterra. They worked out a name. They're calling |
|----|--|
| 2 | their new plant Valley Milk, so and it's identical to |
| 3 | Fallon. |
| 4 | So, I guess the message is, the bottom price is |
| 5 | down now but it will rebound. I mean, everybody's crystal |
| 6 | ball. I would say I think DFA's out of the business of |
| 7 | building powder plants. Our western Kansas plant will |
| 8 | probably be our last until we really see this thing |
| 9 | through a little bit. |
| 10 | If I may? I've got a couple other things. |
| 11 | CHAIRMAN COOK: Yeah. |
| 12 | MR. TRACE: Having said all that, the plants, |
| 13 | we are not just DFA but the dairy industry and the |
| 14 | western United State's a little apprehensive about where |
| 15 | all our milk's going to come from to supply our customers. |
| 16 | You know, we're we're dairymen are |
| 17 | exiting the business at a pretty rapid rate. You know, |
| 18 | they're getting another brutal year, average price is 14 |
| 19 | dollars a hundred weight, and the average price of |
| 20 | production is probably or cost is \$20. So it's been |
| 21 | tough for them. |
| 22 | And, you know, we we, DFA and I think |
| 23 | that's a footprint for the western United States we |
| 24 | reached our our peak maximum loads this year at 435 |
| 25 | loads a day, compared to last year, that was 450 loads a |
| | |

| 1 | day. |
|----|--|
| 2 | So it's the lowest peak we've seen since 2010. |
| 3 | So that's just an indication of, you know, the survival |
| 4 | mode that dairy producers are in throughout the western |
| 5 | United States, particularly California. |
| б | But having said that, I would say, you know, |
| 7 | Nevada, we're in a little different position, northern |
| 8 | Nevada. As I said, we grew 27 percent. And a lot of |
| 9 | that's just a tribute to our plant, that there is a |
| 10 | succession plan now. There is a place you know, their |
| 11 | transportation is a lot cheaper than going over the hill. |
| 12 | Make no mistake about it. Our members here are |
| 13 | feeling the price pinch, but it's you know, it's just a |
| 14 | little bit different scenario for them here. |
| 15 | So we do have an existing member building a new |
| 16 | dairy, a new 2,000-cow dairy, Double 30, that will be open |
| 17 | this fall, I would say. So to date since we built our new |
| 18 | plant, that would be the third new dairy that we've had |
| 19 | built here, so that's all that's all good stuff. |
| 20 | We still need milk, local milk, for our local |
| 21 | supply. When we do ramp that plant up we probably still |
| 22 | need another eight or 9,000 cows to you know, to fill |
| 23 | our needs there. |
| 24 | So, water is a good thing in the area this |
| 25 | year? We're about 70 percent allocation. I heard earlier |

| 1 | in the week there's some rumor that in this Fallon region |
|----|---|
| 2 | it could go to 90 percent? So that's all positive |
| 3 | positive stuff there. |
| 4 | CHAIRMAN COOK: Canals are all full? |
| 5 | MR. TRACE: Yeah, yeah. The water's flowing |
| 6 | well. So we should have a good year with hay. Good |
| 7 | quality forages, get back to growing corn, which was |
| 8 | pretty non-existent last year because of the lack of |
| 9 | water. |
| 10 | One more thing if I may? Completely unrelated |
| 11 | to the west but it's big news in the dairy industry. And |
| 12 | maybe you heard and maybe you haven't. |
| 13 | But Wal-Mart's building their own processing |
| 14 | plant in in Fort Wayne, Indiana. And you wonder how |
| 15 | that will affect us in the west? Well, it will. You |
| 16 | know, Wal-Mart is the largest retailer in the country. |
| 17 | And it will be disruptive to the supply, maybe |
| 18 | not throughout the United States, but probably more so |
| 19 | locally, but an example would be typically right now most |
| 20 | of the Wal-Mart stores are supplied by Dean Foods. And we |
| 21 | supply most of the Dean Foods plants. |
| 22 | So we're eliminating some people. They'll |
| 23 | be you know, there's going to be losers and there's |
| 24 | going to be winners in the whole |
| 25 | CHAIRMAN COOK: They're not actually going to |

| 1 | transport processed milk all the way from Indiana out |
|----|--|
| 2 | here, are they? |
| 3 | MR. TRACE: No, no, no. They'll be I mean, |
| 4 | the industry's getting so small. Like I say I mean, |
| 5 | it's even though it's Indiana and, you know, |
| б | there'll be a ripple effect, you know, into the west coast |
| 7 | in some fashion. It's just really big news in the dairy |
| 8 | industry that Wal-Mart's going to become fully integrated |
| 9 | now. |
| 10 | CHAIRMAN COOK: Is there any blow-back coming |
| 11 | in the dairy industry from California's |
| 12 | fifteen-dollar-an-hour minimum wage? |
| 13 | MR. TRACE: Yeah, yeah, there is. There's |
| 14 | concern. Yeah. A lot of concern about that actually. |
| 15 | CHAIRMAN COOK: I would think that would hit |
| 16 | pretty hard if their |
| 17 | MR. TRACE: Yeah, yeah. |
| 18 | CHAIRMAN COOK: margins are is thin or |
| 19 | non-existent as they are now, if |
| 20 | MR. TRACE: Well, and, you know, you have |
| 21 | the yeah. Yeah. I can't answer that yes, there |
| 22 | are. There's a lot of concern there. And it's just I |
| 23 | think it's pretty much a done deal from what I'm |
| 24 | understanding, and, you know, so it's just another cost of |
| 25 | the dairy industry. |

| 1 | CHAIRMAN COOK: Yeah, passed the legislature |
|----|--|
| 2 | and Jerry Brown signed it. |
| 3 | MR. TRACE: Yeah, yeah. And, unfortunately, as |
| 4 | you know, the dairymen, they can't pass this on like other |
| 5 | industries, you know? They can't you know, they're at |
| 6 | the mercy of the CMA and CME and the price of milk they |
| 7 | get, so. |
| 8 | I would say one last thing. To the Wal-Mart |
| 9 | thing, I kind of have a different spin. I think it's |
| 10 | pretty cool maybe if the largest retailer in the country |
| 11 | wants to stick their toe in the water and getting into the |
| 12 | milk processing business, that should be good for all of |
| 13 | us in some way. |
| 14 | I mean, we've lost milk sales through the |
| 15 | years. So, who knows? You know, it could improve the |
| 16 | milk sales around the country. I don't know. So I'll |
| 17 | stop there. I'm sorry I got off |
| 18 | CHAIRMAN COOK: No, no |
| 19 | MR. TRACE: just the China thing. |
| 20 | CHAIRMAN COOK: It's wide open. Anything |
| 21 | relating to the dairy industry. |
| 22 | MR. TRACE: I haven't been here for a couple of |
| 23 | months. I need to |
| 24 | CHAIRMAN COOK: No. We appreciate it. |
| 25 | MR. TRACE: Yeah. |

1 CHAIRMAN COOK: We appreciate it. 2 MR. TRACE: Okay. 3 MS. VICKREY: I have question. 4 MR. TRACE: Yes. 5 MS. VICKREY: Do you know, the Wal-Mart facility, are they looking at just fluid milk? Are 6 7 they --8 MR. TRACE: Just fluid milk. 9 MS. VICKREY: Just fluid. Okay. 10 MR. TRACE: Yeah, yeah. Yep. 11 CHAIRMAN COOK: And they're going to be 12 sourcing mostly from midwestern dairies? 13 MR. TRACE: Yeah, yeah. And it's yet to be known whether they're going to try to source it 14 15 independently or through co-ops, you know, buy their 16 supplies. So there's a lot of people on eqqshells right 17 now, particularly in that part of the country. 18 CHAIRMAN COOK: Oh, yeah. 19 MR. TRACE: And --20 CHAIRMAN COOK: Well, you know what they say 21 about landing Wal-Mart as a customer? Happiest day of 22 your life until you realize it's the tail wagging the dog, 23 and then it becomes the worst day of your life. 24 MR. TRACE: Yeah, yeah. It's a tough -- a 25 tough organization.

1 CHAIRMAN COOK: Yes, very, very tight, tough to 2 deal with, so. 3 Thank you. Appreciate that. 4 MR. TRACE: Sure. 5 CHAIRMAN COOK: Okay. Is there anything from down south? 6 7 COMMISSIONER CROWTHER: No. 8 CHAIRMAN COOK: Okay. 9 COMMISSIONER CROWTHER: No. Just appreciate 10 that input. That was -- that was interesting. 11 CHAIRMAN COOK: Well, I will add 12 parenthetically that I've been reading a lot of things 13 about other segments of the Chinese economy that are 14 wallowing in excess right now, and it's had impact on 15 things like the price of scrap steel has plummeted. 16 I read recently that the Chinese has shut down 17 146 shipyards. I think you can count on two hands the 18 total number of shipyards we have in the United States. 19 And they have closed down 146. 20 The -- from the -- one of the reasons why I'm curious about how the plant's doing with Chinese sales is 21 22 the cost of shipping containerized freight has also 23 plummeted to record lows because of excess capacity. 24 And it's just astounding what's going on in --25 in -- so I'm -- I'm nervous and fearful for the plant.

| 1 | I'm hoping they can find |
|----|---|
| 2 | MR. TRACE: We couldn't have picked a worse |
| 3 | time to start a plant. But, I mean, that's in the cards |
| 4 | and we're in the business. It's you know, we have 36 |
| 5 | other plants across the country. |
| 6 | So, you know, it's not our first rodeo. That's |
| 7 | not going to say that we're the biggest and know |
| 8 | everything about it, but, I mean, we understand the |
| 9 | CHAIRMAN COOK: Yeah. |
| 10 | MR. TRACE: game and the volatility. |
| 11 | CHAIRMAN COOK: How about other Asian buyers? |
| 12 | Are there other Asian buyers for the powder? |
| 13 | MR. TRACE: Not at the present well, not |
| 14 | that we're dealing with at the present time. Yeah. I'm |
| 15 | sure there could be. |
| 16 | And with the Chinese situation those could |
| 17 | become, you know, more apparent to us, or, you know, |
| 18 | find our find themselves on our radar screen, so. |
| 19 | CHAIRMAN COOK: Uh-huh. |
| 20 | MR. TRACE: We, DFA, there's no secret about |
| 21 | it, was talking at one point about actually having bricks |
| 22 | and mortar in China, just an office type because we have |
| 23 | staff there now. But, I mean, actually having more of a |
| 24 | presence there. So, we'll see. I don't know where that |
| 25 | is at the present time. |

1 CHAIRMAN COOK: Okay. 2 Well, thank you. 3 MR. TRACE: Sure. 4 CHAIRMAN COOK: Shall we press on to number 5 six, please. б MS. VICKREY: Yes. Public comments and 7 discussion. 8 CHAIRMAN COOK: Okay. This is the opportunity 9 for anybody else who wants to throw anything on the table? 10 Anybody down south? COMMISSIONER CROWTHER: No. No. We're --11 12 we're good. 13 CHAIRMAN COOK: Okay. Well, there being 14 nothing else to deal with on the agenda, I suppose we can go ahead and close the meeting. 15 16 So the April meeting is now adjourned. 17 (Exhibit 1 marked.) 18 (1:22 p.m. deposition concluded.) 19 20 ---000---21 22 23 24 25

| 1 | BOARD SIGNATURE PAGE |
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| 9 | CHRISTOPHER COOK, CHAIRMAN |
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| 1 | STATE OF NEVADA,) |
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| 2 |) ss. County of Washoe.) |
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| 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 April 21, 2016, 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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| 17 | Karen Bryson, CCR #120 |
| 18 | Ratchi Bryson, CCR #120 |
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