



CALIFORNIA DAIRY WOMEN ASSOCIATION

619 S. VINCENT RD. ~ TURLOCK, CA. 95380
Phone 209 632-7225 ~ Fax 209 634-0885

November 21, 2002

Hearing Officer
c/o Dairy Marketing Branch
Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

ALTERNATIVE PROPOSAL TO CONSIDER CHANGES IN THE CALIFORNIA MILK STABILIZATION PLAN CLASSES 2, 3, 4a and 4b PROVISIONS.

Dear Secretary Lyons,

On November 18, 2002, the Board of Directors of California Dairy Women Association , authorized the re-filing of this petition to consider emergency changes in the Milk Stabilization Plan for Classes 2, 3, 4a and 4b. The CDWA are submitting a alternative proposal due to the details of the Final Rule for these competing classes to change California's Class 4 pricing formulas. This petition is filed on behalf of the membership of the California Dairy Women Association.

All estimations indicate that the November overbase price will be \$9.39 (that is if all prices go to support) and beyond that even lower. California dairy producers **cannot** survive with these prices. Almost all dairy experts predict that these low prices will continue for at least (12) months.

Based on the serious financial impact that these sales trends have on all California producers, the Board of CDWA respectfully request an emergency hearing to reinstate provisions similar to those included in the June 1995 Stabilization Plans. These provisions provided for the 4a and 4b prices to be established at the higher of the calculations of market prices or the USDA announced support price.

The current marketing trends noted above (sales of product below support) circumvent the will and intent of Congress manifest in the renewal of the Dairy Support Purchase program. It was clearly Congress's intention to have the program operate in such a manner that when the Commodity Credit Corporation purchased commodities at announced prices, manufacturers would in turn be able to pay producers no less than \$9.90 per hundredweight.

Today, manufacturers are succumbing to pressures from buyers to continue to sell directly to them at per pound prices considerably below support. The decreased income is shoved down to the California dairy producers.

This marketing scheme does two economically devastating things to California producers. It eliminates the “price safety net” intended by congress and drops their pay far below support and it allows the accumulation of “cheaply priced” cheese solely in the hands of commercial marketers; indefinitely prolonging the period until producer price recovery would otherwise normally occur. While this marketing strategy presses California producer prices continually downward, the system allows cheese manufacturing plants to continue with their operating margins in place.

Flooring the 4a and 4b prices at the higher of the market price or the \$9.90 support price will not stimulate production since according to CDFA statistics the support price is far below the California cost of production. The Department identifies the 2001 average cost of production at \$12.81.

Even though the November Class 4a prices are above support, we are requesting a modification of both Class 4a and Class 4b provisions also in order to be fair to both manufacturing entities and to prevent butter/powder manufacturers from being coerced into similar below-support-price selling to accommodate their buyers.

We believe these price-modifying provisions should be immediately put in place as many prominent dairy economists are projecting an extended period before producer price recovery begins. It is imperative that the price is adequate to cover both the cost of processing and producing milk.

Therefore, we respectfully request this petition be granted so that disclosure of all pertinent information may be fully considered.

Very truly yours,

Linda Lopes
President California Dairy Women