

August 21, 2007

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The Honorable A.G. Kawamura, Secretary  
California Department of Food and Agriculture  
1220 N Street  
Sacramento, CA 95814

Re: Opposition to Class 4b Hearing Petition

Dear Secretary Kawamura:

Milk Producers Council respectfully requests that you deny the hearing petition from the specialty cheese makers for a hearing to consider eliminating the whey solids factor from the Class 4b formula.

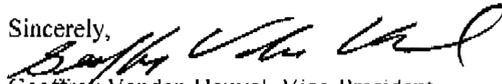
We understand that the specialty cheese makers have always opposed having any consideration of whey solids values included in the producer price formula. The battles on this issue stretch over a decade and they have been resolved in a compromise that has California granting a massive make allowance for dry whey, but still including a residual whey solids value potential for producers. We say potential because the way the current formula is constructed, there is a significant risk to producers that the whey solids value could be negative to the class 4b price.

It is important to realize that the product value formula that you have adopted to establish a minimum price for milk used to make cheese is based on bulk cheddar cheese, the lowest value commodity cheese in the market. The specialty cheese manufacturers who have petitioned for this hearing are not selling bulk cheddar cheese, but they are paying a milk price based on that bulk cheddar cheese value. Whey solids values have risen sharply over the past six months, but so have hay and grain and other dairy producer inputs. The reality is that in many ways agriculture prices across the board have risen the equivalent of about 20 years worth of inflation in about six months. Producers weren't happy about that when went to the hay lots this spring and were told that 1<sup>st</sup> cutting was going to cost us \$220 per ton, or when corn prices hit \$200 per ton. We understand sticker shock and we understand why cheese makers aren't happy about it now. But it is the consumers who have to ultimately should have to pay these higher costs, not dairy farmers. The answer for the specialty cheesemakers is to get the additional money they need out of their buyers, not run to the department to get you to deprive producers of the real economic values that exist for whey solids.

Starting in late 2005 and throughout all of 2006 and into 2007, California dairy farmers lost enormous amounts of money. The price recovery that has occurred over the past couple of months has only just begun to restore profitability to the farm. Ideal weather conditions and better prices and the fact that 2007 summer milk production is being compared to disastrous summer of 2006 milk production figures gives the impression that all is well on the farm. This is an inaccurate picture. Both cheese and dry whey prices have significantly moderated from the highs of the spring and while we don't blame the specialty cheese makers from seeking to exploit what they perceive as an emergency, no such emergency exists.

We urge you to deny the class 4b petition.

Sincerely,

  
Geoffrey Vanden Heuvel, Vice-President  
Milk Producers Council