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June 18, 2007

Secretary AG Kawamura
California Department of Food and Agriculture
Sacramento, California 95814

Re: Petition for a Milk Stabilization Plan Hearing on Class 4a and Class 1

Dear Secretary Kawamura,

Milk Producers Council respectfully requests that you call a consolidated hearing on the Stabilization and Marketing Plans for the Northern and Southern California Marketing Areas, to consider changing the method used to determine the market value of nonfat dry milk used in the Class 4a formula and also in the Commodity Reference Price used by the Class 1 formula.

The California Food and Agriculture Code, Division 21, Part 3, Chapter 2, Article 9, Section 62062 reads as follows:

"Each stabilization and marketing plan shall contain provisions whereby the director establishes minimum prices to be paid by handlers to producers for market milk in the various classes. The director shall establish the prices by designating them in the plan, or by adopting methods or formulas in the plan whereby prices can be determined, or any combination of the foregoing.... If the director adopts methods or formulas in the plan for the designation of prices, the methods or formulas **shall be reasonably calculated to result in prices that are in a reasonable and sound relationship with the national value of manufactured milk products.**" (Emphasis added)

Since the beginning of 2007, the California price for nonfat dry milk used in the class 4a formula has not kept up either with published market data for national prices, or published nonfat dry milk prices that are used nationally in the Federal Milk Marketing Order program.

For example:

	CA NFDM	DMN -West Mostly Ave.	FMMO NFDM
January 2007	\$1.0266	\$1.1070	\$1.0677
February 07	1.0702	1.2219	1.1021
March 07	1.1353	1.3181	1.1902
April 07	1.2574	1.5658	1.4354
May 07	1.3753	1.8653	1.6670

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When you understand that each penny per pound represents nearly nine cents per cwt. of class 4a, class 3 and class 2 milk you can understand the great anxiety this discrepancy causes producers.

Clearly, the usage in the current class 4a formula of the monthly weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b. California manufacturing plants no longer reflects the national value of manufactured milk products. **Therefore our current class 4a formula no longer complies with the California Food and Agriculture Code Section 62062.**

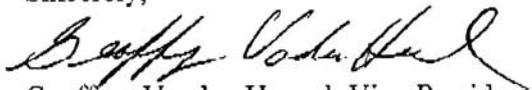
Milk Producers Council, together with other dairy industry groups, has brought this problem to the attention of the department and has proposed administrative remedies. Letters on this issue were sent to the department by the California Dairy Campaign, Milk Producers Council and Western United Dairymen. The department called an industry meeting on May 16, 2007 to discuss the issue. Correspondence received by the department at that meeting again proposed a remedy. The department made this issue part of the agenda of the Dairy Advisory Committee on May 31, and solicited input from the industry at that meeting. Much input was received, including written correspondence from Milk Producers Council and the California Dairy Campaign. To date we have not received any response back from the department with regards to fixing this problem. Certainly an administrative fix is preferable, but we do not know of any way to force the department to respond to our requests.

The law however does require the department to respond to petitions for hearings on the Milk Stabilization Plans and the law requires the Secretary to follow the code when establishing formulas. Therefore, we believe we have no choice but to formally petition you for a hearing.

The class 1 formula also uses the weighted average price per pound for all Grade A and extra grade nonfat dry milk on a weekly basis to determine product values in the Commodity Reference Price. This price series has suffered the same divergence from the national value of manufacture milk products that plagues the class 4a formula. Therefore we also need to address the CRP in the class 1 formula.

Attached are our proposed language changes. We are proposing to replace the current product value with the simple average of the Nonfat Dry Milk – West Mostly prices as published in the Dairy Market News. This is a similar data set to what is used in the class 4b formula for Dry Whey.

Sincerely,


Geoffrey Vanden Heuvel, Vice-President
Milk Producers Council

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Proposed New Language.

Section 300.0 (A)(8) The nonfat dry milk prices used in calculations pursuant to Paragraph (A) shall be the two most recent weekly, simple average of the Nonfat Dry Milk – West Mostly prices as published in Dairy Market News available on the 10th day of the previous month.

Section 300.0 (D)(4) The nonfat dry milk prices used in calculations pursuant to this Paragraph shall be the simple average of the Nonfat Dry Milk – West Mostly prices as published in Dairy Market News between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.

Section 300.0 (D)(6) In the event that the Nonfat Dry Milk – West Mostly price is not available to calculate the current Class 4a solids-non-fat component price, pursuant to Subparagraph (D)(2), then used in its place shall be the Nonfat Dry Milk – West Mostly price used in the prior month's calculation of the Class 4a solids-not-fat price. All other Paragraphs that use the Class 4a solids-not-fat price shall operate as if the solids-not-fat price had been established pursuant to Subparagraph (D)(2).