



August 1, 2008

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

RE: California Class 1 Price Level

Honorable Secretary Kawamura:

Please allow me to introduce myself. My name is John Keith, and I am the General Manager at Alta Dena Dairy located in City of Industry, California. Alta Dena is one of the largest fluid milk processors in California and employs 500 people.

I am writing to make you aware of the extreme economic conditions being encountered by Alta Dena and the other fluid milk processors located in California who purchase milk from California producers. I begin by restating what my company has been saying publicly for years; we process California produced milk in California plants and sell to California consumers. I say this with great pride. However, today's competitive environment jeopardizes our ability to continue this operational practice if California Class 1 Milk price levels increase more than those not held to the same regulations.

By choosing to purchase California produced milk in our California plants we are subject to the pricing imposed by the California Department of Agriculture. This, in and of itself, is not a bad thing. The challenge arises when we face competitors that do not have the same pricing oversight because they purchase milk outside of California and sell it to California consumers. We also face competition with fluid processing plants located outside of the state who sell inside the state. In both instances our competition escapes your influence. This unbalanced competitive situation has cost our company sales. As recently as last week, we lost one account to an out of state processor in Arizona equaling to a loss of 360,000 gallons a year, which amounts to \$1,206,000 in sales. When we lose fluid milk sales, California dairymen lose Class 1 dollars from the pool. This loss of revenue could jeopardize their quota.

We understand from our dairy farmer suppliers that they are facing challenges. We also face some related challenges; our fuel costs have increased 67% and our resin costs have increased 33% in the last 12 months. It is rumored that dairy farmers believe a solution to their economic pressures is to increase the California Class 1 Milk Price. We believe such a request is counter logical. Furthermore, support of such a request by your department would be irresponsible.

Any increase in the California Class 1 price is going to decrease our competitiveness. We and other California processors purchasing California produced milk are quite likely to lose business. Any loss will increase the milk supply to be processed by one of California's manufacturing plants. As you are aware, California does not have enough plant capacity to handle the California produced milk. So, an increase in California Class 1 Prices is not a viable solution as it forces utilization to lower class prices or to out of state processors.

We would also like to make you aware that we, in partnership with our trade association, Dairy Institute of California, will soon request a hearing to decrease the California Class 1 Price. We believe such a request is warranted, for all the reasons we stated above. On top of those reasons we are aware that USDA has issued a tentative final rule which will lower FMMO Class 1 prices. Currently we are unsure of implementation of this new price. When it takes effect, it will mean - if California takes no action -- our competitors regulated by Federal orders will gain competitive ground. This will affect our business so profoundly, that I feel that I need to express my concern on this matter.

I thank you for your time and interest in our business. I would welcome an opportunity bring a few of my key managers to visit you and your staff in Sacramento. We would also welcome you to meet with us here in City of Industry and tour our Alta Dena Dairy facility.

Sincerely,



John Keith
General Manager
Alta Dena Dairy

cc: David Ikari
Rachael Kaldor
Kelly Krug
Tom Murray