



August 14, 2008

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

Dear Secretary Kawamura:

On behalf of the dairy producer members the California Dairy Campaign (CDC) represents, I write in support of the petition put forward by the Alliance of Western Milk Producers calling for an emergency hearing to consider the implementation of a "surcharge" on the regulated minimum prices for Class 1, 2 and 3 milk.

We support the proposal put forward in the petition to implement a surcharge of \$1.00 per cwt on the regulated minimum prices for classes 1, 2, and 3 for a period of six months. We believe a temporary surcharge is necessary to account for the fact that the price of feed grains has more than doubled in just the last year alone combined with the ongoing volatility in the Chicago Mercantile Exchange (CME) cheese market.

California dairy producer continue to pay record prices for feed due to a combination of factors. A report issued this spring by the Congressional Research Service (CRS) concluded that the reason for higher commodity prices is due to a variety of factors. The report stated that commodity prices have surged because demand for corn for ethanol is competing with food and feed for acreage; global food grain and oilseed supplies are low due to poor harvests; the weak dollar has increased U.S. exports; rising incomes in large, rapidly emerging economies have changes eating habits; and input costs have increased. CDFA should act to raise minimum prices to account for the record high feed prices that are the result of facts that are well beyond their control.

We continue to be concerned about the tremendous volatility in the cheese price on the CME. At the end of July, the cheese price dropped by one of the largest margins in the history of the Chicago Mercantile Exchange (CME) amounting to a nearly a 15 percent decline. The CME is a thinly traded market that includes less

than 2 percent of all cheddar cheese produced in the United States and is highly volatile as a result. The General Accounting Office (GAO) has concluded that the thin trading on the spot cheese markets “makes it ripe for manipulation” which could affect the milk price paid to producers.

We remain concerned about the continued variation in prices paid in California and surrounding states. However, given the record price drops at the CME and the record spikes in feed costs, CDFA should take action to increase prices paid to producers for Class 1, 2 and 3 milk.

We appreciate your attention in this regard.

Sincerely,



A handwritten signature in black ink, appearing to read 'Joe Augusto', with a long horizontal flourish extending to the right.

Joe Augusto
President

California Dairy Campaign
2881 Geer Road, Suite D
Turlock, CA 95382
209-632-0885
www.californiadairycampaign.com