

December 6, 2011

Sandra Schubert, Undersecretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814



Re: Petition for a Class 4b hearing from Western United Dairymen

Dear Undersecretary Schubert:

Farmdale Creamery respectfully implores the Department to deny the above referenced petition. The ink has not yet dried on the August 2011 decision to raise the 4b Whey Factor from the \$0.25/cwt level to the current \$0.65/cwt level and Farmdale is still trying to find ways to cope with this unrecoverable (to us) additional cost of raw milk.

Farmdale, along with the majority of the other smaller cheese makers in California, does not make the dried whey product the 4b formula uses to value the whey stream. We cannot recover this added cost in our animal feed whey sales or other alternative whey disposal methods. Thus, our commodity cheese products suffer a competitive disadvantage of about \$0.04 per pound against the larger commodity cheese makers who have raised the capital required to install processing facilities capable of extracting higher values from their whey products.

The impact of the newly imposed 160% increase in the cost of the whey in milk must be worked out as to how it would affect any move ahead with our cheese making operation. The analysis necessary to evaluate an alternative to our current whey processing methodologies cannot be done if the rules keep changing.

Should we decide to take the risks inherent in a new project, we would need to know we could rely on the projected return on investment in order to raise the necessary capital. If the underlying costs are going to be dramatically changing on a frequent basis, we will not be able to follow through with any project. Even worse, without a new whey process and without a stable whey factor (or overall price structure for that matter), we may find ourselves in a sufficiently untenable profitability position as to be better off quitting the cheese business outright; thus yielding back our 0.9 million pound-per-day milk utilization in cheese to find another home.

On risk-taking: we do not understand why the producer community seems to feel entitled to tax the processor community on a revenue stream in which producers bear virtually no risk-of-loss, make no capital investments, and make no technological contributions nor expenditures for necessary marketing activities. This thinking continues to mystify.

Please, deny this petition. It is too soon to consider having another hearing, much less go down the whey factor path yet again, when we don't know if we will survive the aftermath of the most recent journey.

Respectfully submitted,
Michael W Shotts
Vice President & General Manager

A handwritten signature in black ink, appearing to read "Michael W Shotts", is written over the typed name and title.

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