



Via FedEx

December 9, 2011

Karen Ross, Secretary  
California Department of Food and Agriculture  
1220 N Street  
Sacramento, California 95814

Dear Secretary Ross:

We were surprised to learn of the petition by Western United Dairymen so soon after the September 1, 2011 implementation of the hearing decision of August 22, 2011. The issue of the Class 4b whey factor was fully vetted at the hearing on June 30<sup>th</sup> and July 1<sup>st</sup> and was the subject of a comprehensive industry-wide study conducted by the Department in 2008. The fact that U.S.D.A. chose not to follow the thoughtful lead provided by CDFA does not warrant revisiting this issue yet again. Due to its high transport cost (mostly water) and extreme perishability, milk is limited to serve just a fundamentally local market. Economic circumstances that exist in distant markets, such as the upper Midwest and others under USDA's jurisdiction, bear no resemblance to those that exist in California. According to an article appearing in the October 25, 2011 *Hoard's Dairymen*, the nation's largest dairy accounting firm reports that for 2010, the cost of production was \$2.50 per hundredweight lower in California than in the upper Midwest for farms of comparable size. USDA's Economic Research Service pegs the difference between *all* California and Wisconsin farms at \$4.63 per hundredweight. They report a ten-to-one advantage in scale, which presumably helps fuel California's growth in milk production, up by almost 3% this year to date over last. If you had Wisconsin market level milk prices in California's cost structure, you would likely stimulate over production.

Moreover, since June, the Class 4b price has averaged \$3.63 per hundredweight higher than the previous year. Presumably, on-farm economics have improved markedly since the dire conditions that existed in 2009.

Dairy Products Division (USA)

Saputo Cheese USA Inc.  
25 Tri-State International Office Center  
Suite 250  
Lincolnshire, Illinois  
US 60069

Tel: 847-267-1100  
Fax: 847-267-1110  
[www.saputo.com](http://www.saputo.com)

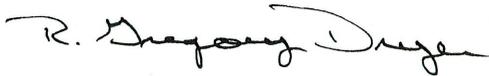
Karen Ross, Secretary

December 9, 2011

Page Two

We believe the State should resist the impulse to make frequent or knee-jerk changes to a system the industry must rely on as the foundation from which it conducts business. Uncertainty is the enemy of progress. Investment is inhibited where risk cannot reasonably be quantified. Change in regulation is largely unpredictable and should be infrequent. We urge you to deny the petition from Western United.

Sincerely,

A handwritten signature in black ink that reads "R. Gregory Dryer". The signature is fluid and cursive, with the first name "R." and the last name "Dryer" clearly legible.

R. Gregory Dryer  
Executive Vice President  
Industry and Government Relations

RGD:ba

cc: Sandra Schubert, Undersecretary  
Candace Gates