



June 19, 2014

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

RE: Opposition to CDI 4a Hearing Petition

Dear Secretary Ross:

On behalf of the dairy producer members California Dairy Campaign (CDC) represents, I write to request that the California Department of Food and Agriculture (CDFA) deny the petition put forward by California Dairies, Inc. (CDI) calling for a hearing to consider increases in the manufacturing cost allowances in the 4a milk pricing formula.

Dairy producers have undergone unprecedented financial hardship in recent years and should not be required to pay higher 4a manufacturing cost allowances given the profitability of that class of milk in the domestic and international market. Increasing the manufacturing cost allowances in the 4a formula as called for in the petition would significantly increase the differential between the 4a price and the Federal Order Class IV Milk Price creating even greater inequity in our state dairy pricing system than already exists.

As a result of the historic drought, California dairy producers continue to pay record high feed costs, face looming feed shortages, and have incurred a range of additional costs due to the lack of water availability. Yet these cost increases are not factored into the milk pricing formulas. In fact, according to 2013 data from the USDA, National Agricultural Statistics Service (NASS), California ranks last out of all fifty states in terms of the average return to dairy producers. California produces 20 percent of the country's milk supply and has some of the highest milk production costs in the nation, yet California dairy producers are paid the lowest average return per hundredweight of any state. Although dairy producer prices have improved, the future for many dairy producers is uncertain due to the tremendous losses suffered up until this point. According to CDFA data, dairy producer income fell below dairy producer production costs in all but one of the last five years. As dairy producers recover from the financial losses sustained over many years, they simply cannot afford to pay more in manufacturing cost allowances.

We urge CDFA to deny the request for a hearing put forward by CDI to raise the 4a manufacturing cost allowances in the 4a milk pricing formula. We appreciate your attention in this regard.

Sincerely,

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

Joe Augusto
President

cc: Sandra Schubert, Undersecretary
Kevin Masuhara, Director Dairy Marketing Division
Candace Gates, Dairy Marketing Branch Chief

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