

DEPARTMENT OF FOOD AND AGRICULTURE

A.G. KAWAMURA, Secretary

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November 15, 2004

Ms. Rachel Kaldor, Executive Director
Dairy Institute of California
1127 11th Street, Suite 718
Sacramento, CA 95814

Dear Ms. Kaldor:

On November 3, 2004, Dairy Institute of California petitioned the Department to call a hearing pursuant to Food and Agricultural Code (FAC) Sections 61891 through 62079, indicating there is an economic disincentive for California's fluid processing plants (Class 1 plants), to purchase milk supplied by California producers due to the current pricing formulas employed by the Stabilization and Marketing plans for Market Milk.

The Department has received opposition to granting the petition from three producer groups; Milk Producers Council, Western United Dairymen and the Alliance of Western Milk Producers. Their written comments are being posted on the CDFA website at www.cdfa.ca.gov/dairy.

CDFA will soon have the information available for the current calendar year to perform the analysis required by Section 62062.1 regarding the minimum Class 1 price of milk compared to Class I (1) prices in contiguous states. Although we must wait for the December data to complete the analysis, it appears that California Class 1 prices for 2004 will be below surrounding state prices. At this time, it would be premature to call a hearing to consider adjustments to the current Class 1 pricing formulas. Therefore, CDFA denies the petition submitted by Dairy Institute of California.

Other factors considered in this decision:

1. As we stated in a reply to Dairy Institute's September 24th petition, CDFA has appealed a recent court ruling that prevents California from adopting regulations to handicap out-of-state shipments of milk into California. CDFA is mindful of adopting regulations that are consistent with the court's determinations. CDFA is concerned about the references to out-of-state shipments of milk in light of those determinations.

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2. Federal legislation appears to be the appropriate solution to bring about a level playing field regarding regulatory "holes" outside California. CDFA is supportive of this type of federal solution.

Sincerely,

Original signed by:

Kelly Krug, Director
Division of Marketing Services

KK: tc