



1315 K STREET  
 MODESTO, CALIFORNIA 95354-0917  
 TELEPHONE (209) 527-8453  
 FAX (209) 527-0630

July 28, 2006

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

**Re: Request to Expedite December 5, 2006 Class 1 Hearing**

Dear Mr. Secretary:

Western United Dairymen respectfully requests that the December 5, 2006 Class 1 hearing be expedited. The December 5, 2006 Class 1 hearing was set as a result of petitions submitted by both Western United Dairymen and the Alliance of Western Milk Producers in April 2006.

Even though California's Class 1 average prices were below surrounding orders for 2005 and January-April 2006, the Department noted their desire for additional data. Four more months of Class 1 prices for California and surrounding states is now available and there has been no deviation from the trend detailed in our petition dated April 21, 2006.

A review of 2006 average Class 1 prices to date in California and surrounding areas shows the following.

2006, January-August	Average	Difference from CA statewide
Arizona Central - Phoenix, Tucson	\$14.16	\$1.06
Oregon, Western - Medford, Portland	\$13.71	\$0.61
Southern California - Los Angeles	\$13.24	
California - Statewide Average <sup>1</sup>	\$13.11	
Nevada, Southern - Las Vegas <sup>3</sup>	\$13.21	\$0.10
No. CA - S.F., Nevada, Northwest Reno <sup>2</sup>	\$12.97	
Arizona, Yuma	\$13.91	\$0.80

1 Weighted by utilization

2 The Northwest Nevada price is set equal to the Northern California price

3 The Southern Nevada price is set equal to the federal Class 1 mover plus \$1.40

As was the case in April 2006, it is interesting to note that the Southern Nevada price has, on average, exceeded the California statewide Class 1 price through August of 2006. Additionally, the disparities for the other surrounding areas have increased over 2005 levels. Clearly, the figures support that immediate action should be taken to bring California's Class 1 prices into more reasonable relationship to surrounding areas.

The Honorable A.G. Kawamura  
July 28, 2006  
Page 2

Further, we must note the severe financial stress that California dairy producers are currently under and point out that the situation is only going to get worse. Given the recent heat wave and devastating loss of cows and reductions in milk production, California producers will be thrown into dire financial situations. The recent determination on the Class 2, 3, 4a, 4b hearing will result in an additional \$0.20 per hundredweight drop in producer prices on top of the already historically low prices coupled with extreme reductions in milk production. Despite recent concerns over adequate plant capacity we are told that production across the state is off 10-40% and some plants are short on milk.

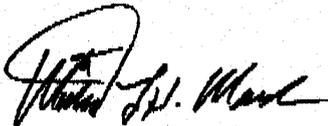
Additionally, we expect that findings from the recent transportation hearing will also result in increased costs to the pool. Our members have supported the transportation system which aims to keep adequate supplies flowing to the Class 1 market. However, in order for producers to afford to take on additional costs to secure this market, Class 1 prices must be set at appropriate levels.

Finally, as you are aware, WUD was part of an unprecedented national coalition of producer and processor groups that supported the passage of legislation aimed to correct the regulatory loophole that allowed the Arizona bottler to escape regulation and undercut California processors. S. 2120, the Milk Regulatory Equity Act was signed by the President and was effective as of May 1, 2006. The bill greatly reduces the once enjoyed competitive advantage held by the Arizona bottler. Clearly, a review of the Yuma, Arizona Class 1 price confirms this notion. Further, as previously noted, due to the passage of S. 2120, California bottlers will no longer be required to pay compensatory payments when shipping into the Clark County, Nevada area.

We are grateful for the call of the Class 1 hearing but feel there is no reason to wait until December 5, 2006 when the data clearly supports a hearing now. It is unlikely that four additional months of Class 1 prices (September-December 2006) will make any substantive changes to the relationships noted above. California dairy families have done their part in supporting the California pooling and pricing system; now, something must be done to ensure that appropriate prices are paid for their milk used for fluid purposes.

We thank you for your careful consideration of this request and look forward to your swift response.

Very truly yours,



Michael L. H. Marsh, CPA  
Chief Executive Officer

cc: A.J. Yates, Undersecretary  
Kelly Krug, Director, Marketing Services  
David Ikari, Chief, Dairy Marketing Branch  
Board of Directors, Western United Dairymen