

**DEPARTMENT OF FOOD AND AGRICULTURE**

1220 N Street, Room A-224  
Sacramento, CA 95814-5607  
Phone (916) 654-1456  
Fax (916) 654-0867  
E-mail: [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov)

**William (Bill) J. Lyons, Jr., Secretary**

August 14, 2002

Ms. Linda Lopes, President  
California Dairy Women's Association  
619 South Vincent Road  
Turlock, CA 95380

Dear Ms. Lopes:

This letter is in response to the petition submitted by California Dairy Women's Association on July 31, 2002 proposing amendments to the Class 1, 4a and 4b pricing formulas. The Department has carefully reviewed the petition along with its proposed amendments and has decided not to grant a hearing at this time.

Participants at the May 30<sup>th</sup> Dairy Advisory Committee (DAC) meeting, including California Dairy Women's Association representatives and CDFA staff, held extensive discussion concerning the Class 4a and 4b formulas. The Department prefers to use the next several months to complete the normal updating of all dairy processing costs. The Department will prepare an adjusted exhibit using the updated energy costs applied to all cost studies that will help indicate if a hearing is needed to review various aspects of the Class 4a and 4b formulas, especially the manufacturing cost allowances.

We are also hopeful that USDA's review of changes to Class III and Class IV pricing formulas will soon be complete for federal milk marketing orders. It would be preferable to have the formula details of USDA's Final Rule for these competing classes before we again consider changes to California's Class 4 pricing formulas. At that time, you can resubmit your proposal either as a petition or as an alternative proposal if a hearing is called. Your Class 1 issue can be addressed in December; pursuant to Food and Ag Code Section 62062.1, the Department will make its annual comparison of California Class I prices to prices in adjacent states.

As you know, commodity prices are currently above their support purchase prices. We look forward to continued dialogue with California Dairy Women's Association and other interested parties as the various studies and projects progress.

Sincerely,

*Original signed by:*

David Ikari, Chief  
Dairy Marketing Branch