



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

March 8, 2006

Mr. James Tillison, CEO  
Alliance of Western Milk Producers  
1225 H Street, Suite 102  
Sacramento, CA 95814

Dear Mr. Tillison:

After carefully reviewing your letter of February 24, we have decided not to revise the call of the June 1 hearing.

As the State agency charged with the public responsibility to administer the milk pricing and pooling programs, it is difficult to satisfy all the interests of our California stakeholders surrounding the Class 4a and 4b pricing formulas. What we can and must be willing to do is to be open and objective to proposals to improve the pricing system.

When the hearing is held on June 1, 2006, a period of sixteen months will have elapsed since the last hearing that considered Class 4a and 4b modifications. Significant adjustments in the milk markets have occurred and will likely continue to occur before June. Milk supplies that were in balance with demand during our February 2005 hearing have increased dramatically. Various stakeholders have expressed concern that California's milk processing capacity may not be keeping up.

By the June hearing date additional information will be available for consideration. The Department's enhanced comparison of California versus national dairy product sales prices will be complete. We will have three more months of energy price trends and updates to economic projections of the dairy supply and demand situation. Further information on proposed changes in the federal class III and IV prices may also be announced by USDA.

Thank you for taking the time to share your thoughts with us regarding the call of the hearing.

Sincerely,

A.J. Yates  
Undersecretary

