



April 1, 2016

The Honorable Karen Ross, Secretary
California Department of Food & Agriculture
1220 N Street
Sacramento, CA 95814

Dear Secretary Ross:

Dairy Farmers of America (DFA) supports the alternative proposal submitted by Milk Producers Council (MPC), Western United Dairywomen (WUD) and California Dairy Campaign (CDC) which, if adopted, would modify the permanent dry whey scale in the Class 4b formula.

Reduced and negative margins at the farm level have critically impacted milk production which has now declined for 14 consecutive months and it appears that March will represent a continuation of this trend. In 2015 California milk production dropped 3.4% versus 2014. Meanwhile overall milk production for 2015 in the U.S. was up 1.2% over 2014. This difference was largely due to pricing and cost of production inequities which are being born by the California producers relative to the rest of the U.S. In Wisconsin and Michigan milk production was up 4.3% and 6.7% respectively. The Federal Order Class III price has averaged \$1.74 per hundredweight higher than the California 4b price from 2010 through 2015. The 4b price today continues to trail the Class III price. The critical impact on farm margins has also been an ongoing factor in the loss of California dairy farms which declined 1.74% in 2014 and 2.18% in 2015. This trend is continuing in 2016 and it should signal an alarm to all stakeholders in the California dairy industry.

The Secretary has broad authority and latitude in determining the methods used to establish class prices. Section 62062 of the California Food & Agricultural Code states the Secretary *"shall establish the prices by designating them in the plan, or by adopting methods or formulas in the plan whereby the prices can be determined, or any combination of the foregoing"*. The adoption of a dry whey scale that more closely mimics the Federal Order is well within the existing authority of the Secretary. There is every reason to act with all urgency to ensure that California's dairy farmers receive a fair and equitable milk price.

While DFA along with California Dairies Inc. and Land O' Lakes Inc., continue to work towards a California Federal Order we also recognize the need to fully engage in matters related to the California milk pricing system. None is more urgent right now than correcting the current and ongoing pricing inequities that have greatly benefitted the buyers of 4b milk in California while so unfairly punishing the California family farms who have faithfully supplied this milk. To that end we urge you to consider the proposal, as submitted, by the three producer trade organizations.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink that reads 'Dennis Rodenbaugh'.

Dennis Rodenbaugh
Senior Vice President and Chief Operating Officer

More Cooperative.