



November 7, 2012

Karen Ross, Secretary

California Department of Food and Agriculture

1220 N Street

Sacramento, CA 95814

Dear Secretary Ross:

On behalf of the members of Dairy Institute, I am writing to request that you deny the Class 4b petition submitted by California Dairies, Land O'Lakes and Dairy Farmers of America on November 2, 2012. While we are cognizant of the struggles facing many California dairy farms, the solution proposed again by the co-operatives simply cannot be the answer. The minimum price requirements that would result from their proposal would be devastating to numerous California cheesemakers and would poison the climate for any additional proprietary investment in the state's cheese industry. For this reason, the cooperatives' proposal should be vigorously rejected.

We note that the market is continuing to provide price relief to those California dairymen who are struggling. Already, wholesale prices for major dairy commodities have risen by 40 to 50 percent in response to both higher feed costs and their impact on the producer sector. These prices are currently working their way to California dairy farmers through state's milk pricing formulas and will be providing additional revenue in the coming months. In addition, we are aware that large cheesemakers have increased the premiums they pay their producer suppliers in response to tightening supply conditions in the state. In other words, the market is reacting, and will continue to respond, to the changing supply and demand balance by increasing the milk price. This is how markets work.

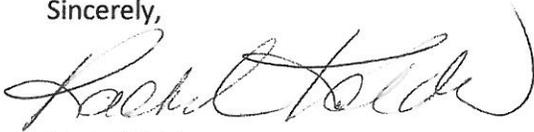
The current high cost of feed facing California producers was brought about by an unusually severe drought amid strong demand for grains. Weather events such as this are transitory, bringing about a temporary, albeit sometimes painful, change in market conditions. But changing the regulated pricing structure in response to temporary market challenges does not make for good dairy policy and sends

the wrong signals to both producers and companies that are considering making investment in the state. In making efforts to position California for long-term success, it would be unfortunate if we address short-term concerns in a manner that sabotages the industry's future by driving potential investment away, perhaps permanently.

The fact that the state's dairy farmer cooperatives have largely abandoned their past cheese plant investments suggests that they are unlikely to reverse course and assume the necessary market-based risks or put up the enormous capital necessary to make sustainable investments in the cheese business. Therefore, driving proprietary cheese investors away from California, which will surely happen if their petition is successful, will commence a vicious cycle of disinvestment and industry decline, which will cost even the most competitive and successful dairymen their chance at a profitable future in California.

Again, we urge you to reject the cooperatives' petition.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rachel Kaldor". The signature is written in black ink and is positioned above the printed name.

Rachel Kaldor

Executive Director