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May 18, 2011

Karen Ross, Secretary
California Department of Food and Agriculture
1220 N Street Sacramento, CA 95814

RE: Request to Broaden Scope of Hearing to
Include the Class 4b Formula

Dear Secretary Ross:

We understand your staff is currently reviewing the hearing petition received from California Dairies, Inc. regarding changes to the Class 4a pricing formula. We wanted to raise your awareness to a critical issue regarding the Class 4b formula and its importance to Land O'Lakes' producer-owners as well as all of the dairy families in California.

We would like to request, if a hearing is announced, you broaden the scope to include consideration of proposals to change the Class 4b pricing formula. More specifically, we have been engaged in discussions pertaining to changes to the whey factor in the Class 4b formula as well as the cheese manufacturing allowance and FOB adjuster. We anticipate these discussions to continue in the next few days.

By way of background, the current Class 4b formula contains a whey factor which values whey at a fixed level of 25-cents per hundredweight. The fixed value is constant regardless of Western whey markets and stands in stark contrast to the Federal Order Class III formula whey value. The Federal Order Class III formula contains a whey factor that has effectively returned values in excess of \$1.75 per hundredweight (April 2011) to dairy producers in Federal Order markets.

Thank you for your consideration in expanding the scope of this prospective hearing.

Sincerely,

A handwritten signature in black ink that reads 'Jim Fife'.

Jim Fife

Senior Vice President, Member Affairs and Western Region Liaison

cc: Candace Gates