



4001 Lexington Avenue North  
Arden Hills, MN 55126

Mailing: P.O. Box 64101  
St. Paul, MN 55164-0101

651-375-2827 Phone  
www.landolakesinc.com

Peter S. Janzen  
Chief Administrative Officer and  
General Counsel

March 28, 2016

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

Dear Secretary Ross:

Land O'Lakes supports the hearing proposal submitted by Western United Dairymen (WUD), Milk Producers Council (MPC) and California Dairy Campaign (CDC) to permanently modify the sliding scale that values dry whey within the class 4b milk pricing formula.

Financial conditions on California's dairy farms have worsened since the June 2015 hearing held to consider a temporary modification to the whey sliding scale. For example, the overbase price has fallen by \$1.20 per hundredweight from June 2015 price of \$14.64 per hundredweight to the January 2015 price of \$13.44 per hundredweight. At the same time, milk production costs have increased from \$17.30 per hundredweight in the second quarter of 2015 to \$18.08 per hundredweight in the fourth quarter of 2015. More importantly, the estimated margin has gotten nearly \$2.00 per hundredweight worse over the same period. The estimated margin (overbase price less production cost) in the second quarter of 2015 was -\$2.66 and by the fourth quarter of 2015, the margin had slipped to -\$4.64, on a per hundredweight basis.

This decrease in profitability on California's dairy farms has resulted in a drastic reduction of milk production. In January 2016, California's dairy farms produced 2.8% less milk than in January 2015—this represents a decrease of three million pounds per day or sixty fewer truck loads delivered to California's processing plants. This has had a major impact on the utilization of California's processing plants in 2015.

Land O'Lakes support of this proposal to the CDFA does not change in any way our continued support for the adoption of a CA FMMO, which is presently in the post-hearing, briefing process. We and our partner cooperatives, DFA and CDI, remain fully focused on our joint effort but are hopeful you will support the proposal submitted by the three trade associations.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter S. Janzen", is written over a horizontal line.

Peter S. Janzen  
Senior Vice President  
Chief Administrative Officer  
General Counsel