

## LORINDA DAIRY

**March 12, 2012**

Ms. Karen Ross  
Secretary of Agriculture  
California Department of Food and Agriculture  
Executive Office  
1220 N Street, Suite 400  
Sacramento, CA. 95814

Re: **Petition for Hearing Regarding California's Class 4b Milk Pricing Formula**

Dear Secretary Ross:

I am asking you to grant the petition for a hearing to adjust the Class 4b Milk Pricing Formula to equal the Federal Order Class 3 price paid for milk used for the manufacturing of cheddar cheese. The whey value is the most obvious price disparity in the formula however the CDFA has provided other lucrative allowances for the Cheese processors to be profitable and successful and they are. The cost study for the make allowance is showing 88.8% of the Cheese plants are within the allowable make allowance. This has come at the cost of the dairy producers that have vested in cheese production in California. It is time for CDFA to vest back in the producers through the needed changes in the formula to achieve this. **This needs to be done sooner than later to stabilize the producer sector.**

**The proper value of milk should have the cost of production and return on investment factored in as the make allowance for the processors is determined.** The current end product pricing scheme based on whole sale prices minus make allowance and other allowances deducted fall short of determining the true value of milk at the producer level. The producer takes all the risk and the brunt of the volatility and is used as a financial shock absorber for the processor and retailer.

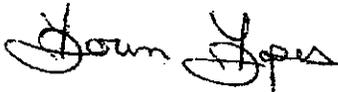
California dairy producers are still recovering from the tremendous losses in 2009 of approximately \$1,000 per cow between the milk price and the cost of production. This was also a loss to the economy of California and the tax base. The percentage of feed cost to the milk price has held above 65% since that time. The total operating cost has continued to rise. The last quarter of 2011 and the first quarter of 2012 feed costs according to most consultants are running 80% of the milk price or more. The 4b milk price has been under the 4a milk price for the past 26 months. The pool has subsidized the 4b price during this time.

The cost study needs to be done on a timelier basis for you to really know what the current cost of production really is. However the cost department can gather information for a preliminary projection of rising costs from the producers, feed companies hay dealers other vendors. According to the March 2012 *CDFA'S DAIRY REVIEW* newsletter the third quarter of 2011 had the highest feed costs in five years.

**Remember Dairy producers, dairy workers, and the related businesses are also California consumers**

**For these reasons I urge you to grant this hearing petition.**

**Respectfully Yours**

A handwritten signature in black ink that reads "Loren Lopes". The signature is written in a cursive style with a large initial "L".

**Loren Lopes**