



Los Altos Food Products Inc.

November 8, 2012

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

Dear Secretary Karen Ross:

On behalf of Los Altos Food Products, Inc. (Los Altos), I am writing to you to urge the CDFA to deny the October 30, 2012 petition submitted by California Dairies, Inc., Dairy Farmers of America – Western Area Council and Land O'Lakes, Inc. (the "Dairy Interests") to once again raise the whey value portion of the Class 4b pricing formula.

This latest petition comes on the heels of an August request which followed a week after the effective date of your determination on July 20th to adjust upward the whey factor contained in the 4b pricing formula. This issue was thoroughly debated for two days on May 31st and June 1st and carefully considered by the Department. More significant is the fact the most recent whey factor increase followed a previous increase on September 1, 2011. To date, the Dairy Interests (via one organization or another) have requested hearings in May 2011, December 2011, March 2012, August 2012 and now October 2012. Moreover, the request precedes the decision by the San Bernardino Superior Court of the Dairy Interests judicial challenge of your July 20th determination to increase the whey factor. This serial tactic is counter-productive, creates market uncertainty and inhibits investment by California's cheese manufacturers.

There may be an emergency in California's dairy industry, but it is one facing the State's cheese manufacturers, especially the smaller ones. Milk prices are at historic highs, and have been so since February 2011. The impact of high 4b prices coupled with the Dairy Interests pursuit to triple and quadruple whey component prices threatens California's cheese manufacturers on a monthly basis. Margins are lost, pricing is unpredictable and no investment in manufacturing capacity can go forward within such economic uncertainty.

We support your, thoughtful, systemic approach to milk pricing that balances all interests within the larger economic picture, through the Dairy Future Task Force.

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Instead of rehashing the hearing from July, we urge the Department to deny the petition, await the Court's decision on the Dairy Interests' lawsuit and move forward with the Task Force's evaluation of balanced, sound dairy future for California.

Respectfully submitted,

Los Altos Food Products, Inc.

By: _____



Corin Andrade,
Chief Financial Officer