



November 15, 2012

Karen Ross, Secretary

California Department of Food and Agriculture

1220 N Street

Sacramento, CA 95814

Dear Secretary Ross:

The members of Dairy Institute are committed to the long term viability of the California dairy industry. In light of the demands being placed upon you and your staff, our members and staff have struggled to find a shorter term "regulatory fix" that will end the constant barrage of petitions seeking the same, one-sided, unrealistic and unwise change in the regulated 4b price.

In our struggle we keep coming back to the same reality: markets are working and milk prices are responding. Those processors who have the ability are responding outside the regulated price. And we see another harsher reality: those cooperatives who are unwilling to make investments in California file these petitions for one reason; to ask you to take value away from the processors who do invest and give it instead to the petitioners. We renew our request that the most recent petition be denied.

Three cheese plants have closed since the last hearing was held. A regulated price increase like the one the petitioners advocate would accelerate this trend, eviscerating a sector of our industry that is a crucial market for dairy farmers. This is the wrong direction for our industry. The current feed cost situation is pressing many dairy farmers across the country. But as we work through this challenging time, regulatory decisions that ignore market responses and dampen competitiveness pose the greater threat to the short and long term viability of the entire California dairy industry.

We renew our pledge to fully commit to the work of the Dairy Future Task Force. It is vital to the survival of a diverse, prosperous California industry. It may pose more challenge than we anticipated, but it is worth the effort.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rachel Kaldor". The signature is fluid and cursive, with a large loop at the end.

Rachel Kaldor

Executive Director