



August 14, 2012

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

Dear Secretary Ross:

On August 6, 2012 Western United Dairymen (WUD) submitted a petition for a public hearing to consider several changes to the Stabilization and Marketing Plans for Market Milk. California Dairies, Inc. (CDI), the State's largest milk processing cooperative, is not supportive of the petition as written.

CDI has been a long-time proponent of the foundational element of milk marketing, principally that dairy producers receive a fair price for the milk they produce. In that vein and in this current milk pricing environment, we do support the portion of the petition that represents a continued effort to more closely align the whey pricing in California with the whey valuation procedures used in Federal Milk Marketing Orders. We also support providing an exemption for whey pricing for smaller cheese plants, a concept for which we provided direct support during our testimony at the May 31st / June 1st 2012 hearing. Furthermore, we support emergency and temporary increases for the minimum prices paid by processors of Class 1, 2 and 3 products because the additional costs can be passed along by those processors to their customers.

We cannot support WUD's petition to increase the minimum prices for Classes 4a and 4b. Both represent the manufacturing classes of milk in California, which must compete for sales in domestic and international markets. As such, those processors have limited or no ability to pass along cost increases to customers without impacting sales. Furthermore, the vast majority of the Class 4a processing facilities in the State are owned and operated by dairy cooperatives. A higher price for Class 4a, even if only temporary, simply means transferring revenue from dairy cooperatives, i.e., a subset of dairy producers who have chosen to make investments in processing facilities, to every dairy producer in the State.

We appreciate your continued concern for the dairy industry in our State. It is essential that the entire California dairy industry work toward solutions that will deliver a fair return for the production of milk.

Sincerely,

A handwritten signature in black ink that reads "Andrei A. Mikhalevsky".

Andrei Mikhalevsky
President & CEO

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