

**SCHREIBER FOODS, INC.**USDA
OALJ/HCO**UNITED STATES DEPARTMENT OF AGRICULTURE
BEFORE THE SECRETARY OF AGRICULTURE**

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RECEIVED**Exceptions in the Matter
Milk in the Northeast and Other Marketing Areas: Tentative Decision****Docket Number AO 14-A69, et al.: DA-00-03**

Schreiber Foods, Inc. welcomes the opportunity to file exceptions with respect to the Tentative Final Decision regarding changes in the Class III and Class IV pricing formulas implemented January 1, 2001.

Headquartered in Green Bay, Wisconsin, Schreiber Foods, Inc. is the largest privately held cheese company in the world. Our products are primarily dairy based, but also include frozen entrees.

Schreiber is a significant purchaser of cheese, milk and its components that are used in cheese manufacturing. With sales in excess of 1.5 billion dollars annually, and 17 locations worldwide, we compete in a global environment. Schreiber buys eight billion pounds of milk equivalent dairy ingredients within the Federal Order system. Because of multiple production sites, we purchase dairy components from virtually every region of the country – most often through contract supply agreements with cooperatives and proprietary sources.

Schreiber Foods acknowledges USDA's efforts to develop the best milk pricing system possible. We commend the USDA's hard work and diligence to meet the aggressive timeline imposed by Congress.

While several aspects of the tentative final rule are troubling to Schreiber, in the interest of industry cohesiveness, and speed of execution of a final rule, we are prepared to accept all but one provision of the Tentative Final Rule. That provision is the separate Class III butterfat price.

Schreiber Foods urges USDA to revert to using the monthly average National Agricultural Statistics Service (NASS) AA butter price minus 6 cents to calculate both the Class III and Class IV butterfat prices. Schreiber believes that USDA was acting in good faith to address the butterfat issue raised in the May 2000 hearing. However, the decision to adopt a different butterfat value for Class III brings about unintended consequences that can severely disrupt the orderly marketing of milk, and provides incentives for processors to find alternative ingredient sources for Class III products. As a complement of the butterfat change, Schreiber Foods believes it is necessary to also use the protein price calculation as implemented in the Final Rule, January 1, 2000.

Prior to the implementation of the Final Rule, the industry used a grade A butter price to set the value of butterfat used as an ingredient to produce manufactured products from butter to cheese to ice cream. Schreiber Foods requests that the NASS grade AA butter price should be reduced by six cents in the butter price formulas. When both price series co-existed the difference between the two prices would range from four to nine cents. In the interest of compromise, both processors and producers agreed to a six-cent discount verses the grade AA butter price. The industry only differed on whether the discount should apply to just class IV or to all classes of milk.

During the past month, the potential for a separate Class III butterfat price brought the industry to the conclusion that a separate butterfat price for Class III disrupts the market. Hence, **Schreiber Foods respectfully requests that USDA return the value of butterfat to an ingredient price equivalent of the grade AA butter price minus six cents.**

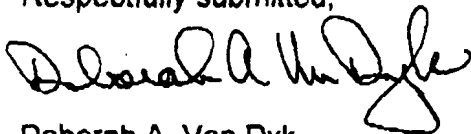
Conclusion

Schreiber Foods fully supports all aspects of the Tentative Final Rule with the exception as noted in our comments. Schreiber believes that the decision to adopt a different butterfat value for Class III brings about unintended consequences to the orderly marketing of milk, and increases the potential for substitution of other dairy ingredients within Class III products.

Schreiber Foods, Inc. urges USDA to adopt the modifications to butterfat prices and protein that return us to the orderly marketing of milk found in the Final Rule of 2000.

Schreiber Foods, Inc. appreciates the opportunity to submit exceptions to the Tentative Final Rule. We stand ready to respond to any questions. Thank you for considering our exceptions.

Respectfully submitted,



Deborah A. Van Dyk
Vice President, Industry and
Regulatory Affairs