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Hon. Ann Veneman, Secretary
U.S. Department of Agriculture
14th Street & Independence Ave. S.W.
Washington, D.C. 20250

Congress of the United States

House of Representatives
Washington, DC 20515-4907
OFFICE OF THE EXECUTIVE
SECRETARIAT, USDA

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35-4170076
AMS

Dear Secretary Veneman:

I am writing to you to express concerns with USDA's Tentative Final Rule for Class III butterfat and protein pricing.

I have heard from a number of dairy organizations which oppose USDA's changes in Class III butterfat and protein formulas because they fear it will result in disorderly marketing of milk, may encourage processors to look outside the U.S. for their raw materials and could cause significant reductions in revenue for producers. Unanimously, these organizations support returning to the general format of the Class III butterfat and protein formulas originally implemented last year as part of the broader Federal Milk Marketing Order Reform.

Principal among those concerns that have been expressed are that the new formulas overvalue fat and undervalue protein in most types of cheese most of the time, sending a distorted signal to producers on the relative value of fat and protein in most dairy products. This, they charge, will provide a significant incentive for cheese processors to turn away from "cheese fat" and towards alternative dairy or non-dairy sources, and to turn away from standardized cheese products to nonstandard cheeses.

Other concerns include:

- it creates significant bookkeeping challenges for FMMO plants that sell cream because the value of that cream varies significantly from one use to another;
- it complicates the pricing of fluid milk products and could be disruptive to fluid milk markets;
- it makes it harder to move high solids milk into cheese plants and diffuses the signal to farmers to produce the milk components highest in demand by cheese makers;
- it makes it harder for producers to engage in forward contracting.

For these reasons, I urge you to reconsider the Tentative Final Rule for Class III butterfat and protein pricing.

Sincerely,

David R. Obey, M.C.

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