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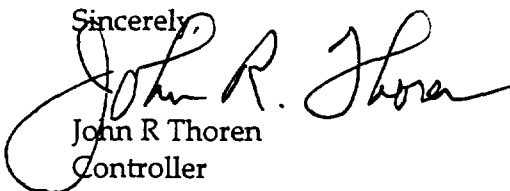
Hearing Clerk
Room 1081, South Building
US Department of Agriculture
Washington, DC 20250

USDA
OALJ/HCO
2002 JAN -1 P 3:12
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Re: Proposed rule, [Docket No. AO-14-A69, et al.: DA-00-03]

For anyone who manufactures part-skim cheese, the proposed rule has just made things worse than they were before as the protein price just got skewed higher. As reflected in the comments on page 54 and 55 of the Docket, the department recognizes that the Class III protein and butterfat prices should be tied more directly to their value in cheese than the results obtained from the Federal order reform price formulas. We make a part skim cheese that requires a part-skim milk of around 1.9% butterfat depending on the protein value of the skim. At the October 2001 component prices other than butterfat and our average milk test of 3.79%F, 3.12%P and 5.70%OS, the cost of our 1.9% milk would range from \$13.27 to \$12.03 per cwt with corresponding butter fat prices of \$1.20 and \$1.90. So given the same cheese price, my vat milk could vary \$1.24 per cwt which equates to 15.5 cent per pound of cheese at an 8% yield. It is very difficult to market a cheese product when the cost can vary this drastically at a given cheese price. Additionally, based on October 2001 component prices and our average milk test listed above, under the proposed rule a 1.9%F milk would cost \$12.79 per cwt. Based on the cheese yield values for butterfat and protein multiplied by the result of the cheese price less the \$.165 make allowance and adding the other solids value, the same 1.9%F milk would cost only \$11.17. That is a difference of \$1.62 per cwt or over 20 cents per pound of cheese at an 8% yield. I know there is a lot more part-skim cheese being made now than 10 years ago. I don't know what the industry leaders are thinking. The only conclusion I can come to is that most of them don't understand the Van Slyke cheese yield formula and what it is telling them. The part-skim cheese manufactures are in a most difficult situation of trying to keep their milk cost in line with the market of their end product under the current and proposed milk pricing schemes. How long can we survive?

Sincerely,


John R Thoren
Controller

Recipient of Governor's Export Award for Excellence in 2000