



CROWLEY FOODS, INC.

MARTIN J. MARGHERIO
President & Chief Executive Officer

USDA
OALJ/HCO

December 21, 2000

2001 JAN -9 P 12: 48

Richard McKee, Deputy Administrator, Dairy Programs
Agricultural Marketing Service
U.S. Department of Agriculture
Room 2968, South Agriculture Building
1400 Independence Avenue, SW
Washington, DC 20250

RECEIVED

Dear Mr. McKee:

Crowley Foods is a dairy products processor and manufacturer, with eight plants in the Northeast. We market a variety of fresh and frozen products, including cream cheese.

We are writing to strongly urge you to stay the implementation of the tentative final decision that provides for a separate Class III butterfat price.

The new Class III formula results in dramatic increases to butterfat that significantly elevate the cost of highfat products. Of particular concern is cream cheese. The cream cheese category has done well in recent years. Driving up Class III butterfat 46.51%, as USDA estimates, will curb demand for this product.

The marketing of cream will take on new twists, as values will be significantly different, depending on which finished product it ends up in. The Federal Orders will be out of line with California, tilting the competitive playing field.

Above all, the industry has not had time to absorb and comment on the ramifications of this startling decision. Customers and staff have not been provided sufficient time to prepare for the change.

We respectfully urge the Department to stay implementation.

Sincerely,

Martin J. Margherio
President & CEO

MJM:kc
d:mkt gi class3

THE CROWLEY FAMILY OF BRANDS
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Heluva Good • Kemps • Maggio • Penn Maid • PenSupreme • Weeks

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Department of
Agriculture

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Mr. Martin J. Margherio
President & CEO
Crowley Foods, Inc.
95 Court Street
Post Office Box 549
Binghamton, New York 13902

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Dear Mr. Margherio:

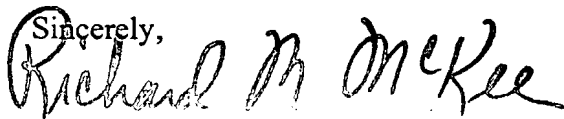
Thank you for your comments on the tentative final decision filed on December 21, 2000. Your comments and our response will be filed with the Hearing Clerk and considered with other comments received in response to the tentative final decision issued November 29 in the process of formulating a final decision on amending the Class III and Class IV pricing formulas. An interim final rule was issued on December 21, after producers approved the amended orders. The interim amended orders will become effective for milk marketed on or after January 1, 2001.

As you may know by now, we have denied the motion for a stay of the implementation of the tentative final decision. The congressional mandate that we hold a hearing requires that any amendments adopted be effective on January 1, 2001. As a result of issuance of a tentative final decision instead of a final decision, interested persons have until February 5, 2001, to comment on the decision.

As stated in the decision, the current butterfat price does not reflect the value of butterfat used in cheese, and our attempt to adjust for that shortcoming in Federal order reform by incorporating a differential value for butterfat in the protein price formula results in a protein price that fails to reflect the value of protein in cheese. The Class III butterfat and protein price formulas in the tentative final decision do reflect the role of these components in contributing to cheese yield.

As we continue to be under *ex parte* rules, we cannot discuss the merits of the decision beyond the reasons stated for adoption of the tentatively adopted formulas in the decision. We look forward to receiving your further comments.

Thank you again for sharing your views.

Sincerely,


Richard M. McKee
Deputy Administrator
Dairy Programs

AMS:DP:OFB:CBrenner:csw:jmm:720-2357:01/03/01

My docs:crowley-ltr.wpd

Acting Chief, Order
Formulation Branch