



## **Michigan Milk Producers Association**

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November 7, 2005

Ms. Dana Coale, Deputy Administrator  
USDA – AMS – Dairy Programs  
1400 Independence Avenue, SW  
Washington, D.C. 20250-0225

Re: Request for an emergency hearing on changes in the Class III and IV price formulas

Dear Deputy Administrator Coale:

Michigan Milk Producers Association (MMPA) has reviewed the emergency hearing request submitted by Agri-Mark Dairy Cooperative in a letter dated September 28, 2005 regarding changes needed in the make allowance provisions of the Class III and IV pricing formulas and we would like to submit the following comments in support of their proposal:

MMPA has two manufacturing plants that produce Grade A nonfat dry milk and Grade AA bulk butter. MMPA's manufacturing plants participated in the USDA Cooperative Service survey of costs at cooperative manufacturing plants performed in 1998 and 1999. The data from those surveys were combined with the results of a similar survey of California instate manufactures and used as the basis for determining the make allowances for Class III and IV product formulas.

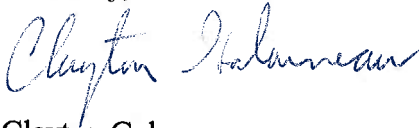
Our manufacturing costs have risen dramatically since those cost surveys were completed. Our gas costs for the fiscal year ending September 30, 2005 were 33% higher per pound of solids nonfat than the gas costs experienced in fiscal year 2004. Based on the most recent gas futures, it looks like we will be in for an additional 48% increase for our fiscal 2006. Most of the cost increases for 2005 had to be absorbed by our company. Any increases we have been able to tack on to our butter and powder prices are reported to NASS and then serve to increase the raw material cost for the milk used to make butter and powder.

Our gas costs for our manufacturing operations in 2005 were nearly \$2.7 million. If gas costs continue as projected, we anticipate that our gas costs are likely to increase by nearly \$1.3 million dollars for the year. For our size of organization, that will represent a significant hit to our bottom line and unfortunately the dairy pricing mechanisms do not allow us to recover these costs.

Agri-Mark Dairy Cooperative provided several examples of the necessity to adjust the make allowances for Class III and IV product pricing formulas. MMPA has two plants that when combined process over a billion pounds of milk per year and we have considerable experience in the production of nonfat dry milk and butter. We agree that the make allowances should be adjusted to take into consideration the increased costs manufacturers are experiencing. Due to the significant impact these increased costs have inflicted upon our industry, we agree with the need to consider changing the make allowance on an emergency basis in order to provide needed relief as soon as possible.

These comments are submitted on behalf of the Michigan Milk Producers Association which is a member owned and operated dairy cooperative serving over 2,400 dairy farmers in Michigan, Ohio, Indiana and Wisconsin. Thank you for considering our comments.

Sincerely,

A handwritten signature in blue ink that reads "Clayton Galarneau". The signature is written in a cursive, flowing style.

Clayton Galarneau  
Director, Manufactured Sales and Operations