



Upstate Farms Cooperative, Inc.

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October 26, 2005

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

Re: Upstate Farms supports emergency hearing to update the manufacturing cost allowances.

Dear Ms. Coale:

Upstate Farms (a New York dairy cooperative that markets 1 billion pounds of milk annually) supports holding an emergency hearing to update the manufacturing cost allowances used in Federal Order pricing for cheese, whey powder, butter and nonfat dry milk powder.

As set forth in Agri-mark's request for an emergency hearing on changes in the Class III and Class IV price formulas, "[t]he current allowances were fixed based upon now antiquated cost data from 1998-2000, yet are still used to establish minimum prices for milk under all Federal Milk Orders." **With the dramatic surge in the price of energy since 2000, the need to update the make allowances has become urgent.**

We understand that some dairy industry stakeholders desire a far-reaching, comprehensive re-examination of the methodology and/or use of make allowances in Federal Order pricing. However, such a thorough review of make allowances may take years. We cannot wait that long for relief.

Therefore, the prudent course is to hold an emergency hearing to update the data in the make allowances. Holding such a focused emergency hearing does not prevent holding a subsequent hearing that conducts a far-reaching, comprehensive re-examination of the methodology and/or use of make allowances in Federal Order pricing.

Thank you for your prompt attention to this important, urgent matter.

Very truly yours,

Timothy R. Harner
General Counsel

Cc: Mr. Erik Rasmussen, Market Administrator
Federal Milk Order No. 1
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Boston, Massachusetts 02205-51478