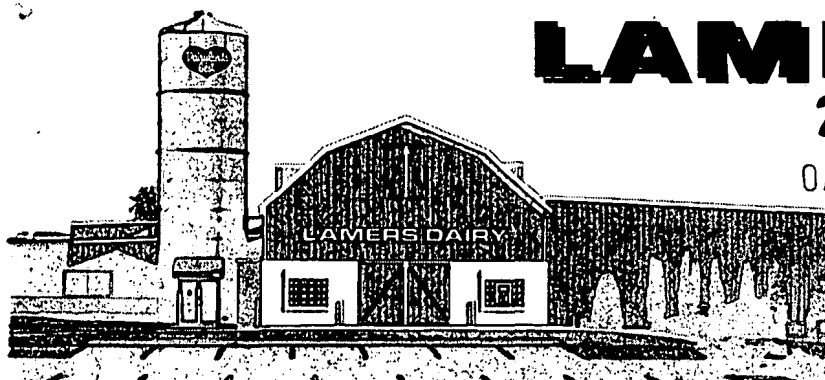




LAMERS DAIRY

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DEPARTMENT OF AGRICULTURE

Agriculture Marketing Services

[Docket No. AO-14-A69, ET AL.: DA-00-03]

Comments to the Tentative Decision -Northeast, et al.; DA-00-03

1. **Base line.** Quote from page 51 "As explained in the final decision of Federal Order reform, the higher of the Class III or Class IV prices are used to move the Class I price to assure that fluid plants will be better able to attract milk away from manufacturing uses. Use of the weighted average of the two prices when there is a significant difference between them would provide no assurance that milk would be available as needed for fluid uses, and would be more likely to result in Class price inversions (where the Class I price falls below one or more of the manufacturing class prices). In addition, use of a weighted average Class I price mover would increase the occurrence of the blend price falling below the Class III or IV price in markets with low Class I utilization."

What this is saying is that the higher of Class III or IV price will increase the Class I price to the fluid consumer then providing more funds to be available to subsidize the lower Class III or IV prices with higher uniform blend prices with which to attract producer milk for manufacturing. The logic used here **is false** as higher Class I prices will still be subject to market blending and do nothing to attract milk to the fluid plant. **The market wide pool negates the purpose of the Class I differential to attract milk for fluid use** and you people know this. You are not being truthful in your decisions.

Also on page 50 it is stated; "A group representing upper Midwest producer interests filed a brief that described the recent movement of milk from the Upper Midwest pool onto the Central and Mideast marketwide pools as disorderly

marketing caused by increases of Class I prices in these higher Class I use markets. This shift in the pooling of milk from the upper Midwest to higher-valued markets has been a long-sought outcome on the part of upper Midwest producer groups. It is difficult to understand why it is now seen as a manifestation of disorderly marketing."

This kind of comment acknowledges that the Class I differentials are too high and has caused a problem. I'm sure the marketing service also knows that producers do not move milk, rather it is the plants that move it. I'm sure the marketing service also know that plants compete for producer milk based on how much they pay producers for milk on a cwt. basis. I'm also sure that the marketing service knows that this is proof that manufacturing plants try to get all the money they can out of the producer settlement fund so as to be able to pay more to their producers without it coming out of their own pocket. The way to eliminate the problem is obvious.

Besides this, the action taken here is unlawful. The Marketing Agreement Act under B: PRICING OF MILK UNDER THE ACT, DECLARATION OF POLICY, "(2)(b) authorizing no action under this title which has for its purpose the maintenance of prices to farmers above the level which it is declared to be the policy of Congress to establish in subsection (1) of this section. Subsection (1) refers to the level of prices to be at parity."

To use the higher of Class III or IV prices as the base line to add Class I differentials (which are already artificially high) then adds the difference between Class III and IV which actually increases the subsidy to the manufactured milk prices which resulting higher uniform price will be used to attract milk for manufacturing purposes.

Only where there is monopoly control over the dairy industry, are there no over order premiums paid to producers. In most areas, over order premiums are paid and producers receive mail box prices which are not indicative of uniform prices to all producers. The prices are driven and set by competition for producer milk. All the orders and market wide pooling do is to contribute to disorderly marketing and unfair trade practices.

2. **Make Allowances.** After much discussion it is stated at page 26, "Both the marketing allowance and return on investment factors should be included in the manufacturing allowances provided in the component price formulas at the rates supported by the California data. If processors are not provided enough of a manufacturing allowance to market the product they process, or to earn any return of investment, they will not continue to provide processing capacity for producers' milk."

It is a well known fact that "make allowances" have been guaranteed to manufacturing plants in the establishment of the Class III and Class IV prices. The fact that these same allowances include marketing and return on investment margins is unreal when in the establishment of Class I and Class II prices, there is no consideration for such allowances relative to the wholesale prices of Class I or Class II products for fluid milk processors.

It would appear that this would be in violation of the 14th Amendment by "not providing equal treatment or protection under the law."

3. **Butterfat prices.** There is much discussion on butterfat pricing. As the wholesale price for butter sets the butterfat price, (CME), there should be only one price for fat regardless of where it is used. Multiple fat prices makes product pricing very difficult and almost impossible. It would be much better if it were the way it used to be with a fat differential. There should be no class differentials attached to butterfat.

These are our comments and observations.

January 25, 2001

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Lamers", with a long, sweeping horizontal line extending to the right.

Richard J. Lamers
Lamers Dairy, Inc.