

Attachment B

*to Letter to Anne Alonzo, Administrator
Agricultural Marketing Service
United States Department of Agriculture*

*Supplementary responses to topics
addressed in 7 CFR 900.22*

Submitted by:
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Supplementary responses to topics addressed in 7 CFR 900.22.

7 CFR Section 900.22 requires several questions to be answered by proponents in a Federal Milk Marketing Order hearing request. A recap of the questions and additional information not covered already follows.

1. Explain the proposal. What is the disorderly marketing condition that the proposal is intended to address?
 - a. Covered in the proposal request
2. What is the purpose of the proposal?

While more detail is provided in the proposal, a summary would include:

- a. Promulgate a Federal Order for California;
 - b. The Order would recognize the unique situation involving the California quota system;
 - c. Foster orderly marketing conditions by the correction of the misalignment of minimum prices for federal order Class III and California Class 4b;
 - d. Foster orderly marketing conditions by instituting a more coordinated national pricing surface for Class II, III, IV class prices and uses;
 - e. Foster orderly marketing conditions by providing uniform marketing regulations in California (the largest milk producing state) with the rest of the Federal Order system; (i.e., formulas, timing of announcement and effective periods, commodity prices, classification terms:)
 - f. Eliminate disorderly marketing conditions arising from out of state milk moving into California but not sharing revenues from the sales into the producer price pool;
 - g. Foster orderly marketing conditions by standardizing provisions in all Orders with regard to producer handlers;
 - h. Foster orderly marketing conditions by better allowing for risk management tools to function for both buyer and seller;
3. Describe the current Federal order requirements or industry practices relative to the proposal.

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This was described in detail in the proposal request.

4. Describe the expected impact on the industry, including on producers and handlers, and on consumers.
 - a. Note that limitations to data availability will reduce the possibility of calculating specific impacts of the changes.
 - i. Producer prices should increase primarily due to the increase in the Class III price;
 - ii. Handler prices will increase, most noticeably, for Class III use handlers;
 - iii. Handler prices will increase to some extent for Class I, II and IV products;
 - iv. Consumer prices changes are dependent on many factors in addition to the minimum prices so impacts are more difficult to measure;
5. What are the expected effects on small businesses as defined by the Regulatory Flexibility Act (5 U.S.C. 601-612)?
 - a. Small businesses that are cheese plants will see an increase in their minimum regulated prices.
 - b. Small businesses that are dairy farms will see noticeable increase in their milk price.
6. How would adoption of the proposal increase or decrease costs to producers, handlers, others in the marketing chain, consumers, the Market Administrator offices and/or the Secretary?
 - a. All the above mentioned parties operate currently in a regulated system complete with reporting and compliance requirements. A Federal Order would supplant the existing requirements and not duplicate them. So there would be little, if any, additional cost.
7. Would a pre-hearing information session be helpful to explain the proposal?
 - a. Pre-hearing information sessions could be useful. All parties choosing to make proposals should have responsibility to explain their proposal at an information session.