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September 23, 2005

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

Mr. Erik F. Rasmussen, Market Administrator
Federal Milk Order No. 1
P.O. Box 51478
Boston, MA 02205-51478

Dear Ms. Coale and Mr. Rasmussen:

Allied Federated Cooperatives is a marketing cooperative representing 27 cooperatives and their 870 members regulated under the Northeast Federal Order. We are very concerned about the closing of a number of local manufacturing plants in our region.

The plant closings, as well as the reluctance of many cheese and dairy product plants to accept additional milk at current Class III and IV prices, have burdened our members with higher hauling costs as their milk is shipped longer distances in search of markets, as well as lower milk prices as fewer buyers compete for their milk. We have been forced to support the capitalization of our hauler's equipment besides paying the additional hauling to reach more distant markets. These problems are further compounded by the rapidly escalating fuel costs.

We understand there is a significant problem with Class III and IV pricing formulas that are effectively forcing local dairy product manufacturers, who receive Federal Order milk, to receive manufacturing allowances that are based upon obsolete costs from more than five years ago. This problem will jeopardize even more plants in our region and further exacerbate milk market outlet problems if not corrected as soon as possible.

We have reviewed Agri-Mark's proposal to update Federal Order manufacturing allowances based upon more current cost information and respectfully submit this correspondence in support of Agri-Mark's petition for an emergency hearing. Furthermore, we would ask the Department to review Class I differentials in light of the dramatically higher costs of moving milk to plants and consider raising those differentials accordingly.

Sincerely yours,

Mike Barnes, Chairman of the Board
Allied Federated Cooperatives, Inc.