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September 26, 2006

Hearing Clerk  
United States Department of Agriculture  
Stop 9200  
Room 1031  
South Building  
1400 Independence Ave., S.W.  
Washington, DC 20250-9200

RE: Docket No. AO-14-A74, *et al.*; DA-06-01

Grande Cheese Company submits this post-hearing brief regarding the proposed updating of the Class III and IV make allowances. Grande Cheese Company is a proprietary cheese processor manufacturing ... "*The finest Italian cheeses money can buy!*"® We are located in Wisconsin, employing more than 700 Associates. We purchase more than 1.5 billion pounds of milk annually from what many consider the finest milk supply in the country. Our cheeses are sold nationally and our whey products are sold globally. All of our plants are, or can be, regulated by the Federal Milk Marketing Order.

While Grande did not testify at the January 2006 make allowance hearing, we did attend and submitted a post hearing brief dated February 24, 2006. It was crucial in January that USDA act expeditiously to update the make allowances and it is only more so today. The financial distress of the delays in the adjustments are an unintended consequence of the Federal Order system requirement that by law 100% of the proceeds received from the sale of commodity products, minus the make allowance, be passed onto producers in the form of a minimum price.

Eight months have now passed with substantial losses of revenue to processors.

Thankfully, USDA reopened the make allowance hearing to receive evidence regarding the recently completed Cornell University study of costs of producing products used by USDA to set minimum milk prices. We believe Dr. Stephenson's data is the best available data for setting make allowances. The statistical methods used to adjust the raw data to be used by USDA resulted in weighted average costs of processing that we believe should be the starting point for setting the per pound make allowances for cheese (20.28 cents), whey (19.41 cents), butter (11.08 cents) and nonfat dry milk (14.23 cents).

Because Dr. Stephenson's data does not include marketing costs, we urge USDA to add 0.15 cents to the surveyed cost data for each of the commodities surveyed, in order to capture this necessary expense. USDA took this same step when it last set make allowances.

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Letter to USDA

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We also understand that Dr. Stephenson presented data with which one can update the energy costs components of the make allowance, in order to reflect increased energy costs between the time periods covered by his survey and the end of 2005. It is important USDA include this energy adjustment, but urge USDA leave consideration of ongoing, future adjustments to make allowances to a later hearing.

The industry needs a decision as soon as possible. The need for emergency action presented last January has only gotten worse. We ask that USDA issue an interim final decision as soon as possible that will adopt make allowances no lower than those reflected in Dr. Stephenson's data as to the costs of processing, adjusted for marketing costs and increased energy costs.

Grande regrets the regulatory process of price setting by the federal government puts regulators, farms, and processors at risk and/or in such an awkward conflict. It is particularly disheartening these issues have only become more numerous and serious as market forces continue to push for a national market (dare I say, a world market) for dairy products while the regulatory efforts continue to limit marketplace adjustments to those acceptable to the political process which we must live with.

In short, Grande is frustrated and disappointed the industry must be here to ask for relief.

Sincerely,

A handwritten signature in black ink, appearing to read "John Fridirici". The signature is stylized and cursive.

John Fridirici  
Vice President  
Milk Marketing and Procurement

JIF/slr

c: IDFA