



VITAMILK

DAIRY, INC.



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June 6, 1996

Richard McKee
 Director
 Agricultural Marketing Service
 United States Department of Agriculture
 P.O. Box 96456
 Washington, D.C. 20090-6456

Dear Mr. McKee:

Vitamilk Dairy is primarily a Class I operation receiving milk from 30 independent producers. Vitamilk is in competition with major coops, other independent dairies and producer handlers.

We have a milk market that has many problems caused by the Federal Market Order that need to be addressed.

In the State of Washington, a sizable percentage of the Class I sales are bottled by producer handlers. By not having to participate in the Federal Market Order, these handlers can sell milk to a Class I plant's customers for the same price a Class I plant pays for raw milk. This is causing chaos in the marketing of fluid milk and unfair competition. These plants are increasing their production with no penalty on the surplus they are creating.

With the introduction of the Class IIIA price class for the milk that goes into powder, large segments of Class III milk sold to cheese plants are being held out of the Federal Market Order pool. This is occurring when the blend price becomes less than the Class III price. A coop can put the milk it sells for Class IIIA into the pool, collect money from the Class I milk sold into the market and withhold the Class III milk it sells to cheese plants. Last month, the blend price was 44 cents per hundred pounds less than the Class III price. All the milk sold to cheese plants was not pooled, but the coops collected for the Class I milk we paid into the pool which was 2.34 per hundred pounds. The 44 cent per hundred pounds advantage gained from withholding the Class III milk from the pool was

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Page 2
Richard McKee
June 6, 1996

pocketed. The independent producer received less for their milk because Class III milk was not pooled. This can cause unfair market conditions if the 44 cent per hundred pound of milk is used by the coops against Class I milk to bring the costs of their Class I raw milk down by this advantage. This also causes the blend price of the producer selling his milk to a Class I plant to be unfairly lower than it would be if the Class III milk was properly pooled.

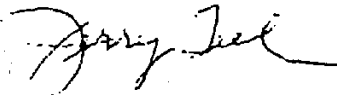
One month a coop can withhold the Class III milk from the pool and the next month it can pool the Class III milk whichever way it gains the most. This is done at the expense of the independent producers selling milk to a Class I plant such as ours. The Class I milk always must be pooled while the coop can manipulate the market.

Another problem that needs to be addressed is the large profit center created by the Federal Milk Marketing Order's make allowance powder plants enjoy. We realize powder plants need to be profitable, but when too large a profit is allowed, excess profits can be used to force the Class I market prices down and also unfairly reduce the independent producer's blend price.

We feel that either fairness with a level playing field should be implemented or the whole Federal Market Order should be abandoned and milk should be bought and sold on the free market. Either all segments should have to participate equally; powder, cheese, producer handlers, Class II and Class I or none should be forced to participate.

Thank you for taking the time to hear my thoughts. I hope something can be done to make market conditions the same for all.

Sincerely,



Jerry Teel
President

JT:jb