

TILLAMOOK COUNTY CREAMERY ASSOCIATION

Producers of genuine "TILLAMOOK® CHEESE"
www.tillamookcheese.com

USDA
GALLIUM

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January 24, 2001

Hearing Clerk
Room 1081 South Building
United States Department of Agriculture
Washington, D.C. 20250

Re: Comments on Recommended Decision,
Milk in the Northeast and Other Marketing Areas,
Docket No. AO-14-A69, et. al., DA-00-03

Mr. Secretary, Ladies and Gentlemen:

The above-identified administrative rule making proceeding primarily involves the formulas by which Federal Milk Marketing Orders determine the class prices for milk used to manufacture cheese and whey (Class III) and to manufacture butter and powder (Class IV).

Our cooperative markets the milk of 153 dairy producers in Western Oregon and Southwest Washington. We operate a cheese plants at Tillamook and Bandon, Oregon, and market cheese nationally under the "Tillamook" label. We also own a separate company, Columbia River Processing, which owns a new cheese plant at Boardman, Oregon. We wish to offer for your consideration the following general comments on the new formulas proposed in the recent Recommended Decision.

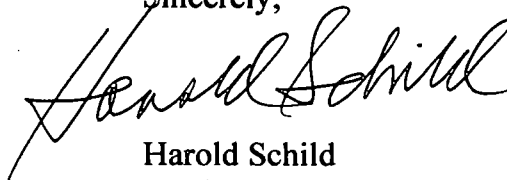
First, we emphasize that cheese processing is important to dairy producers in our state and a cornerstone of our dairy economy. It is vital that the Class III formula provide an appropriate return to ensure that cheese plants pay into the Federal Order pool a Class III price that is appropriate to producers, while still being able to operate profitably and provide a secure market for dairy producers. The current proposal also ignores the need to construct adequate capacity for future processing of additional milk production. This will ultimately lead to distressed milk supplies and lower prices to dairymen.

Given the importance of that to us, we ask that USDA fairly evaluate the following two concerns that have been expressed to us by operators of cheese plants throughout the West:

1. The proposed Class III price will be significantly higher than the corresponding price to California cheese plants. We suspect that California's system may favor plants at their producers' expense, but we also feel it is important that USDA not just ignore the competitive problem that this presents for the plants to which many producers in this state ship their milk. The new formula could establish a competitive disadvantage for our cheese plants in the range of \$.85 to \$1.10 per hundredweight (8 to 10 cents per pound). That would create very real concern for the future of our market. We do not know what the "ideal" price is, but we join many other cheese processors in believing that USDA must take into account the competitive situation with California. The Recommended Decision ignores the California factor, and that would put our plants at a severe competitive disadvantage.
2. Transportation factors must also be considered. Our cheese is marketed all over the country, and that our cheese must be transported to the populous markets in the East at a greater expense than Midwestern and Eastern plants have. By using the "NASS Average" price, the Class III formula ignores the greater transportation costs faced by plants in the West. We believe that the Class III formula must recognize our region's higher cost of transporting cheese to market, in addition to the cost of processing it. Whether this is done in the make allowance or in the determination of the market price to be used in the Class III formula, that reality must be recognized.

Again, we do not have the ability to evaluate or propose the specific price formula that USDA should use. We do, however, want to join Northwest Dairy Association and the Idaho cheese makers in expressing to USDA our strong general belief that it is important to all dairy producers in our region that USDA establishes class pricing formulas that specifically consider the unique challenges faced by plants in our region, so that they can compete fairly in national markets for Class III and IV products.

Sincerely,



Harold Schild
President and CEO

HS/sah