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LAMERS DAIRY

Dairyland's Best Exhibit #33

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June 9, 2001

Mr. Kenneth C. Clayton
Acting Administrator, USDA , AMS
P.O. Box 96456
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Dear Mr. Clayton:

I received your letter of June 5, 2001 to which I feel compelled to reply. The reason there is a request for an emergency hearing for order 30 is because of **disorderly marketing conditions under the market wide pool.** The artificially high Class I prices which produce extreme amounts of pool money in the PPD has manufacturing handlers (who really receive money out of the Producer Settlement Fund which is a misnomer), pooling milk on other orders and from other orders or areas of the country to get a piece of the pie.

You contradict yourself in the letter. In the 4th paragraph you state, "Federal Order reform coordinated the Class I pricing structure on a national basis to <u>assure the attraction of an adequate supply of milk for fluid use at each location."</u> This is exactly what an individual handler pool would do. --- Earlier, in the 2nd paragraph, you state," Marketwide pooling ensures that all milk processors have equal opportunity to attract sufficient supplies of milk regardless of the different proportions of milk that may be used in fluid milk products." --- This presents a great opportunity for manufacturing plants to fill their plants with cheap Class III Grade A milk. **You can't have it both ways. This can not attract milk to fluid plants for fluid use. It does not work.** If you know anything about the market, you know that it is the cheese market that is the price mover based on supply and demand. When there is an excess supply of cheese, the price goes down and when supplies are tight, the price goes up. In fact the price goes up so fast, that in 1998 and 1999 the cheese price exceeded Class I price and we had price inversion and manufacturers de-pooled substantial quantities of milk because they did not want to share their higher price with the fluid market. And this was allowed by the administration. Fair trade practices? All producers share? Orderly marketing? What happened those months?

To continue, you state, "It also provides for a broad and equal sharing among all producers of the benefits of supplying the fluid market, as well as the burden of maintaining the supplies of milk that are in excess of fluid needs." This is gross misrepresentation. First of all, the administration does not give money to producers from the pool nor does it take money from producers. (If it did, it would truly be a "Producer Settlement Fund" but then the producers would never let the administration get away with that.) No. It provides for equal sharing as between handlers in the market which provides for disorderly marketing, as sited above, and also provides for **unfair trade practices** in violation of the AMAA Section 608c(7)A. Whether you want to acknowledge it or not, **it is supply demand pricing which moves milk prices in the market and this is the way it is supposed to be. Federal Orders were never intended to attract milk to all handlers, fluid and manufacturing, equally. What justification is there that fluid milk should <u>carry the burden of milk which are in excess of fluid needs? This is only justifiable to the need of the fluid market reserve which is 20%. Order 30 has 400% excess and this is justifiable?</u>**

Maybe you fellows ought to be in the business so you leam to know what unfair trade practices are. The individual handler pool is the only marketing under the AMAA that can prevent disorderly marketing. If it is thought that producers would sell to the fluid market for less, under cutting the Class I price, this would then be evidence that the Class I price is artificially high.

Individual handler pooling would cause the elimination of artificially high Class I prices because competition would not allow the **abuse of government monopolized fixed prices which are artificially high and gouging the consumers of fluid milk** (that is if the fluid handler can get what he needs to cover the cost). The artificially high Class I price provides a leverage tool for cut throat competition in the fluid market as well. If you need this explained, let me know and I'll explain it to you. The AMS hearings contain testimony from expert economists which show the additional cost to produce Grade A milk to be 5 to 7 cents per cwt..

Paragraph 6 you refer to Parity to be $32.20 per cwt.. Parity has been defined as a level of pricing which will cover the cost of production. If your figure is correct, we would not have any milk produced in this country at all. I'm sorry, I do not buy the argument and I can site your court cases if you wish. The disparity between the Class prices are definitely inconsistent with the Act. Did you forget that it is not the price that producers receive, but rather the price that is charged handlers which are the prices in question. Please, let us not try to confuse the issue. If producers need more to produce milk, the manufacturing market will raise the price and everything else will follow which is what happens in a supply demand market..

As far as changes to the base is concerned, of course, if it should be changed in Order 30, it should be changed nationally and there is nothing preventing the Secretary from doing that except the disapproval of the Cooperative monopolies which have authority over the Secretary.

I thank you for your views misrepresenting the truth in milk marketing and federal orders. A Power greater than ours will administer justice in the end .

Sincerely,

Richard J. Lamers

Richard J. Lamers

cc: Pollard Dairy, Inc.
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