



Alto Dairy is a member-owned cooperative of dairy farmers consisting of over 580 member dairy farms located throughout Wisconsin and Michigan. Alto markets over 110 million pounds of member milk each month. Milk plants are located in Alto, WI and Black Creek, WI. Both plants are FMMO #30 pool supply plants.

During the Upper Midwest Order hearing the week of August 16<sup>th</sup> 2004, there were two main issues discussed, distant pooling and depooling of patron milk. Distant pooling occurs in a majority of all federal orders. Many of the cooperatives and handlers pooled on Order #30 are also pooling patrons located in the Federal Order #30 marketing area on other federal orders. The result of this distance milk pooling is to level the pay prices between federal orders. Alto Dairy believes the unilateral ban on distance pooling in one federal order will lead to similar bans in the other orders, widening the gap in blend prices among the orders.

Depooling is due solely to negative producer price differentials and should be addressed in a national hearing. Negative producer price differentials are a symptom of advance FMMO pricing. The advance Class I price for a month is announced six weeks in advance of the Class III price for the same month. Large increases in cheese prices during these six weeks will result in a Class III price that is higher than the Class I price. The result of this price inversion is a negative producer price differential, a direct result of advance pricing. The elimination of advance pricing for Class I, or the addition of advance pricing for all classes, would significantly lessen negative producer price differentials and the resulting incentive to depool. The end of the economic incentive for depooling would also result more revenue for the Market Administrator's office since more milk would be pooled on the order.

Alto Dairy is also opposed to the removal of the option to depool milk on Order #30. Order #30 is a Class I market with utilization of approximately eighteen percent. This leaves the other eighty two percent of the order's milk in excess of Class I needs. Those companies that choose to serve the Class I market are making a business decision. As a supplier on Order #30, you need only supply to the Class I market with ten percent of the milk pooled on the order. It is a handler's business decision is to supply more than ten percent to distributing plants. There are benefits and risks to that decision. The benefit is that there is normally a higher premium for the milk sent to distributing plants. The risk is that you will have to pool all shipments to distributing plants in a negative producer price differential month, just like any other month. That is a business decision by the handler, not a requirement by order language. To require that all milk be pooled in a negative producer price differential month would, in effect, subsidize handler's who have supplied more milk to distributing plants than is required by order language.

Alto's positions on the following proposals are as follows:

Proposal #1: Opposed

Proposal #2: Opposed

Proposal #3: Opposed

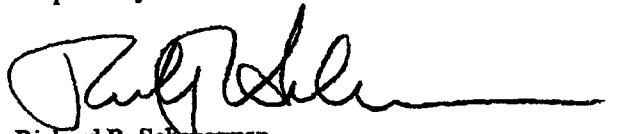
Proposal #4: Opposed

**Proposal #5: Opposed**

**Proposal #6: Opposed**

**Proposal #7: Opposed**

**Respectfully submitted,**

A handwritten signature in black ink, appearing to read "Richard R. Scheherman", with a long horizontal flourish extending to the right.

**Richard R. Scheherman  
President & CEO**