

**BEFORE THE UNITED STATES DEPARTMENT
OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE**

In the Matter of :
Milk In The Western : **Docket Nos.:**
Marketing Area : **AO-380-A18;**
 : **DA-01-08**
 :

**Exhibit Regarding
Proposals 3 & 4 & 6 & 7**

Elvin Hollon
Dairy Farmers of America, Inc.

April 16, 2002
Salt Lake City, Utah

Exhibit _____ Table 1

Summary of Diversion Provisions Under Federal Milk Marketing Orders

Marketing Area	Individual Producer Conditions for Diversion	Handler Diversion Limits
Northeast	Not eligible for diversion unless milk of dairy farmer has been physically received as producer milk.	No diversion limit specified but in practical terms limited to 100% minus the applicable shipping standard.
Appalachian	July-Dec., at least 6 days' production received at pool plant. Jan-June, at least 2 days'.	25% July-Nov., Jan & Feb.; 40% Dec. & March-June, of milk physically received at pool plants.
Florida	Any month, at least 10 days' production received at pool plant.	20% July-Nov.; 25% Dec.-Feb.; 40% March-June, of milk physically received at pool plants.
Southeast	Jan.-June, at least 4 days' production physically received at pool plant. July-Dec., at least 10 days'.	33% July-Dec.; 50% Jan.-June, of milk physically received at pool plants.
Upper Midwest	Not eligible for diversion unless one day's production physically received at pool plant in 1st month.	90% any month of receipts of producer milk by handler described in §1000.9(c). No limits for distributing plants.
Central	Not eligible for diversion until one day's production physically received at pool plant in 1st month.	65% Sept.-Nov. & Jan.; 75% Feb.-April & Dec., of handler's receipts of producer milk.
Mideast	Not eligible for diversion until one day's production physically received at pool plant in 1st month. Sept.-Nov., at least one day's production physically received at a pool plant.	60% Sept.-Feb. of handler's receipts of producer milk.
Pacific Northwest	None	80% Sept.-Feb.; 99% March-Aug. of handler's receipts of producer milk.
Southwest	Lesser of 40,000 lbs. or one day's production physically received at pool plant.	50% any month of handler's receipts of producer milk.
Arizona-Las Vegas	Each month, at least one day's production physically received at a pool plant.	50% any month of handler's receipts of producer milk.
Western	Not eligible for diversion unless one day's production physically received at pool plant.	90% any month of handler's receipts of producer milk.

Population Data for Idaho and Utah Counties in the Marketing Area

State	County	2000 Population	State	County	2000 Population
Idaho	Ada	260,147	Utah	Salt Lake	827,868
	Canyon	112,449		Utah	321,171
	Bonneville	79,362		Davis	221,535
	Bannock	73,431		Weber	179,460
	Twin Falls	60,402		Cache	84,454
	Bingham	41,185		Washington	75,931
	Madison	24,547		Box Elder	40,078
	Elmore	23,612		Tooele	30,105
	Cassia	21,322		Iron	26,985
	Minidoka	20,565		Uintah	24,924
	Payette	19,858		Summit	24,494
	Jefferson	18,964		Carbon	20,715
	Jerome	17,329		Sanpete	20,160
	Blaine	16,938		Sevier	17,584
	Gem	14,081		Duchesne	14,005
	Gooding	13,253		San Juan	13,512
	Franklin	10,528		Wasatch	12,283
	Owyhee	9,834		Millard	12,175
	Washington	9,788		Emery	10,652
	Power	8,162		Grand	8,037
Valley	7,957	Juab	7,044		
Caribou	7,371	Morgan	6,799		
Bear Lake	6,503	Kane	6,012		
Boise	4,900	Beaver	5,696		
Adams	3,893	Garfield	4,150		
Oneida	3,878	Wayne	2,378		
Lincoln	3,757	Rich	1,852		
Camas	874	Plute	1,430		
			Daggett	764	
	Total Population	894,890			2,022,253
	Six Largest Counties				1,710,419
	Percent of Order	31%			69%
	Six Largest Pct of Order				59%

Source Market Administrator Exhibit

**Comparison of Estimated Non Pool Plant Capacities by Type of Plant and Location
Federal Order 135 - Utah and Idaho**

Type	Name	City	State	County	Capacity Monthly
Nonpool	Glanbia Foods, Inc.	Gooding, ID	ID	Gooding	
Nonpool	Glanbia Foods, Inc.	Twin Falls, ID	ID	Twin Falls	
Nonpool	Jerome Cheese Co.	Jerome, ID	ID	Jerome	
Nonpool	Kraft Foods	Rupert, ID	ID	Minidoka	
Nonpool	Sorrento Lactalis, Inc.	Nampa, ID	ID	Canyon	
Nonpool	WestFarm Foods	Caldwell, ID	ID	Canyon	
Nonpool	WestFarm Foods	Jerome, ID	ID	Jerome	500,000,000
Nonpool	Casper Ice Cream	Richmond, UT	UT	Cache	
Nonpool	Chappel Cheese	Loa, UT	UT	Wayne	
Nonpool	Dairy Farmers of America, Inc.	Beaver, UT	UT	Beaver	
Nonpool	Dairy Farmers of America, Inc.	Smithfield, UT	UT	Cache	
Nonpool	Deseret Milk Plant (Exempt)	Salt Lake City, UT	UT	Salt Lake	
Nonpool	Gossner Foods, Inc. (cheese)	Logan, UT	UT	Cache	
Nonpool	Meadow Gold Dairies, Inc.	Orem, UT	UT	Utah	
Nonpool	Nestles Foods (CFPE)	Springville, UT	UT	Utah	
Nonpool	Russells R & W Ice Cream	Salt Lake City, UT	UT	Salt Lake	
Nonpool	Snelgrove Ice Cream	Salt Lake City, UT	UT	Salt Lake	
Nonpool	Utah State Prison (exempt)	Draper, UT	UT	Salt Lake	
Nonpool	Utah State University	Logan, UT	UT	Cache	
Nonpool	West Point Dairy Products, Inc.	Logan, UT	UT	Cache	
Nonpool	Western Quality Foods	Cedar City, UT	UT	Iron	105,000,000

Trends in Production Factors in Idaho and Utah

A.

Annual Milk Production

million pounds State											2001 Change from	
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	1992	2000
Idaho	3,138	3,229	3,754	4,210	4,735	5,193	5,765	6,453	7,223	7,757	147.2%	7.4%
Utah	1,345	1,332	1,431	1,473	1,547	1,540	1,513	1,618	1,687	1,635	21.6%	-3.1%

Source: National Agricultural Statistical Service - Milk Production Report

B.

Annual Cheese Production

thousand pounds State											2001 Change from	
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	1992	2000
Idaho	214,220	-	-	389,914	432,888	427,952	514,953	514,956	585,228	581,509	171.5%	-0.6%
Utah	87,455	78,353	86,167	80,893	84,702	29,679	63,282	75,628	74,795	64,232	-26.6%	-14.1%

Source: National Agricultural Statistical Service - Dairy Products Report

C.

Estimate of Milk Production Used in Cheese Manufacture

million pounds State											2001 Change from	
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	1992	2000
Idaho	68.3%			92.6%	91.4%	82.4%	89.3%	79.8%	81.0%	75.0%	9.8%	-7.5%
Utah	65.0%	58.8%	60.2%	54.9%	54.8%	19.3%	41.8%	46.7%	44.3%	39.3%	-39.8%	-11.4%

Source: National Agricultural Statistical Service - Computation
Cheese Production x 10 / Milk Production

D.

Sources of Milk for the Order

State	million pounds	
	2000	2001
Idaho	164.5	277.0
Utah	111.3	111.9
Order 135 Total	308.1	461.5
Percent Idaho	53%	60%
Percent Utah	38%	24%

Source: Federal Order 135

E.

Annual All Milk Price

\$ / cwt State											2001 Change from	
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	1996	2000
Idaho	\$ 12.00	\$ 12.20	\$ 12.30	\$ 12.20	\$ 13.90	\$ 12.30	\$ 14.50	\$ 13.00	\$ 10.62	\$ 13.37	-3.8%	25.9%
Utah	\$ 12.30	\$ 12.12	\$ 12.40	\$ 12.10	\$ 14.00	\$ 12.30	\$ 15.40	\$ 13.90	\$ 11.20	\$ -	-100.0%	-100.0%
US Average	\$ 13.15	\$ 12.84	\$ 13.01	\$ 12.78	\$ 14.75	\$ 13.36	\$ 15.46	\$ 14.36	\$ 12.33	\$ 14.93	1.2%	21.1%

Source: National Agricultural Statistical Service - Agriculture Prices

F.

Farm Numbers Utah and Idaho 1992- 2001

State											2001 Change from	
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	1996	2000
Idaho	1,550	1,248	1,179	1,156	1,111	1,054	989	955	917	847	-23.8%	-7.6%
Utah	750	648	637	609	577	560	518	479	488	420	-27.2%	-13.9%

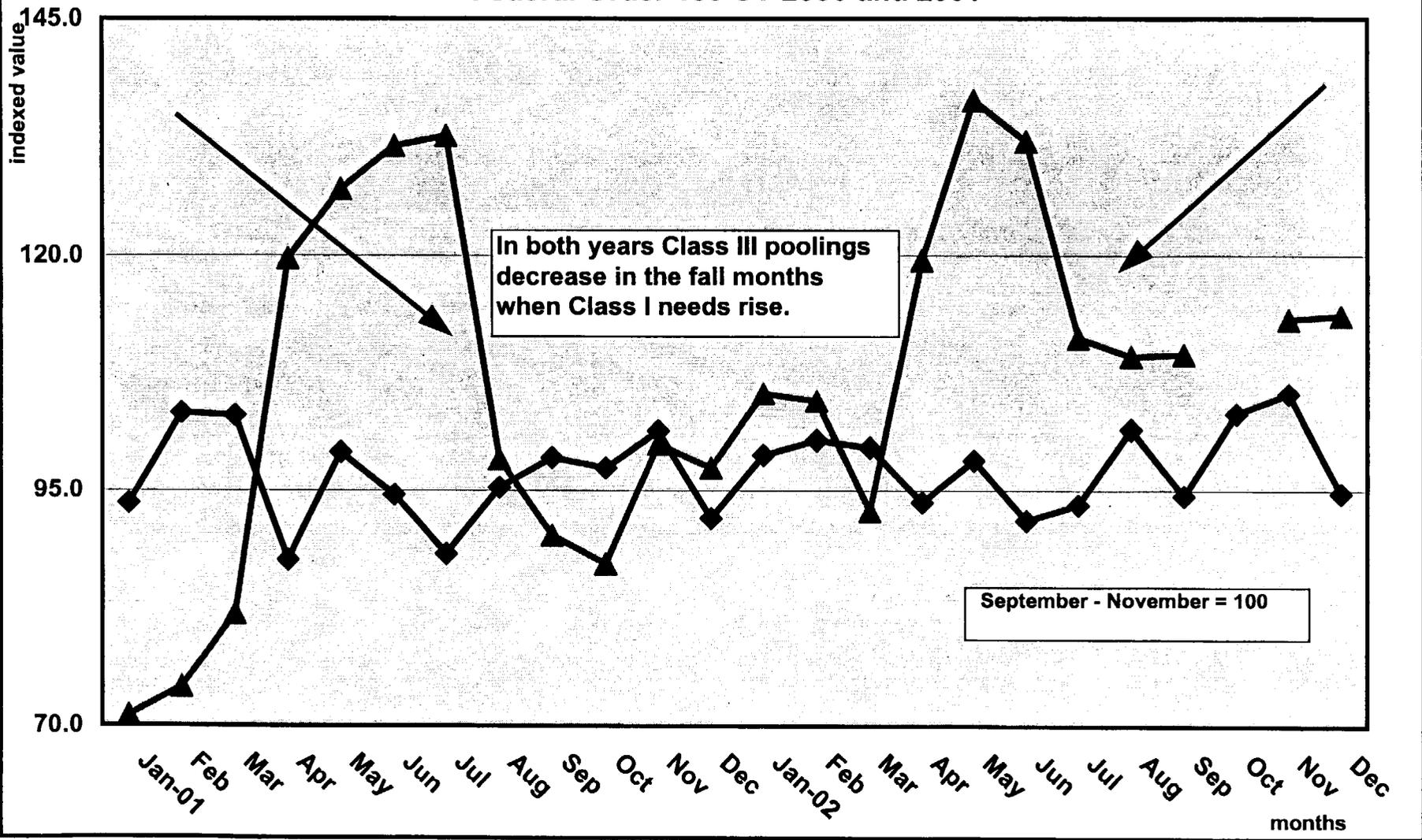
Source: Dr. Ken Olsen for the American Farm Bureau
Survey of each State Dpt of Health for Farm Permits

**Comparison of Poolings
Western Order
CY 2000 and 2001**

	Monthly Volume Million Pounds					Daily Volume Million Pounds			Index Value Sep - Nov 2000/01 Equals 100	
	Class I	Class II	Class III	Class IV	Pounds	Class I	Class III	Days	Class I	Class III
Jan-01	83.9	32.1	138.8	67.7	322.6	2.7	4.5	31.0	93.6	71.1
Feb	83.6	30.0	130.5	58.4	302.6	3.0	4.7	28.0	103.2	74.1
Mar	92.3	34.6	159.6	80.8	367.2	3.0	5.1	31.0	102.9	81.8
Apr	76.0	31.6	226.0	58.4	392.0	2.5	7.5	30.0	87.5	119.7
May	88.8	29.0	247.9	22.4	388.1	2.9	8.0	31.0	99.1	127.1
Jun	82.0	35.5	248.5	16.0	381.9	2.7	8.3	30.0	94.5	131.6
Jul	79.0	32.2	258.9	22.8	392.9	2.5	8.4	31.0	88.2	132.7
Aug	85.4	25.6	191.9	5.6	308.5	2.8	6.2	31.0	95.3	98.4
Sep	85.5	30.7	170.2	4.6	290.9	2.8	5.7	30.0	98.5	90.1
Oct	87.3	33.6	170.0	4.1	295.1	2.8	5.5	31.0	97.4	87.1
Nov	87.9	26.4	188.7	3.1	306.1	2.9	6.3	30.0	101.3	99.9
Dec	82.5	23.3	190.1	4.9	300.7	2.7	6.1	31.0	92.0	97.4
Jan-02	88.5	29.0	205.4	4.5	327.4	2.9	6.6	31.0	98.8	105.3
Feb	81.2	24.6	184.1	3.8	293.8	2.9	6.6	28.0	100.3	104.5
Mar	89.3	26.5	180.9	3.5	300.2	2.9	5.8	31.0	99.6	92.7
Apr	81.3	27.6	225.6	4.5	339.1	2.7	7.5	30.0	93.7	119.5
May	88.1	35.8	266.1	4.4	394.4	2.8	8.6	31.0	98.2	136.4
Jun	79.6	32.9	249.3	97.6	459.5	2.7	8.3	30.0	91.7	132.1
Jul	83.8	50.6	217.1	95.9	447.4	2.7	7.0	31.0	93.4	111.3
Aug	91.0	53.1	213.3	99.1	456.5	2.9	6.9	31.0	101.5	109.3
Sep	81.9	52.5	206.9	106.2	447.5	2.7	6.9	30.0	94.4	109.6
Oct	92.4	48.5	44.4	111.0	296.4	3.0		31.0	103.1	
Nov	91.3	44.7	213.7	103.6	453.4	3.0	7.1	30.0	105.3	113.2
Dec	84.9	40.3	221.6	114.7	461.4	2.7	7.1	31.0	94.7	113.6
Average Sep / Nov						2.9	6.3			

October 2001 was a month that Class III was depooled so it was deleted from the calculation for Class III pounds.

Chart _____
Comparison of Indexed Average Daily Class I and Class III Pounds
Federal Order 135 CY 2000 and 2001



Comparison of Provisions

Pre Reform Great Basin Order 139

Pre Reform Southwestern Idaho - Eastern Washington Order 135

Post Reform Western Order

	Supply Plant Percentages	Free Ride Period	Diversion Percent	Class I Utilization
FO 139 Great Basin	50%	Yes March - July	75%	
1999				51%
1998				46%
1997				37%
1996				35%
1995				35%
<hr/>				
FO 135 SW Idaho	25%	Yes March - July	80%	
1999				8%
1998				13%
1997				8%
1996				7%
<hr/>				
FO 135 Western	35%	Yes March - August	90%	
2000				26%
2001				23%

Exhibit _____ Table 7

Comparison of Poolings
Western Order
CY 2000 and 2001

	Monthly Volume Million Pounds				
	(a)	(b)	(c)	(d)	(e)
	Class I	Class II	Class III	Class IV	Pounds
Jan-01	83.9	32.1	138.8	67.7	322.6
Feb	83.6	30.0	130.5	58.4	302.6
Mar	92.3	34.6	159.6	80.8	367.2
Apr	76.0	31.6	226.0	58.4	392.0
May	88.8	29.0	247.9	22.4	388.1
Jun	82.0	35.5	248.5	16.0	381.9
Jul	79.0	32.2	258.9	22.8	392.9
Aug	85.4	25.6	191.9	5.6	308.5
Sep	85.5	30.7	170.2	4.6	290.9
Oct	87.3	33.6	170.0	4.1	295.1
Nov	87.9	26.4	188.7	3.1	306.1
Dec	82.5	23.3	190.1	4.9	300.7
Jan-02	88.5	29.0	205.4	4.5	327.4
Feb	81.2	24.6	184.1	3.8	293.8
Mar	89.3	26.5	180.9	3.5	300.2
Apr	81.3	27.6	225.6	4.5	339.1
May	88.1	35.8	266.1	4.4	394.4
Jun	79.6	32.9	249.3	97.6	459.5
Jul	83.8	50.6	217.1	95.9	447.4
Aug	91.0	53.1	213.3	99.1	456.5
Sep	81.9	52.5	206.9	106.2	447.5
Oct	92.4	48.5	44.4	111.0	296.4
Nov	91.3	44.7	213.7	103.6	453.4
Dec	84.9	40.3	221.6	114.7	461.4

	Class I & II Pounds		Diversion @ 43%	Diversion @ 70%	Diversion @ 90%		
	(f)	(g)	(h)	(i)	(j)		(k)
	Pounds Poolable	Reserve Over Pooled Now	Pounds Poolable	Reserve Over Pooled Now	Pounds Poolable	Reserve Over Pooled Now	
	116.1	203.6	(118.9)	386.8	64.3	1,160.5	838.0
	113.6	199.3	(103.2)	378.7	76.1	1,136.1	833.5
	126.8	222.5	(144.7)	422.8	55.5	1,268.3	901.1
	107.5	188.7	(203.3)	358.5	(33.5)	1,075.5	683.5
	117.8	206.7	(181.4)	392.7	4.6	1,178.2	790.1
	117.5	206.1	(175.8)	391.6	9.7	1,174.8	792.9
	111.2	195.1	(197.8)	370.7	(22.2)	1,112.0	719.1
	111.0	194.8	(113.7)	370.1	61.6	1,110.2	801.8
	116.1	203.8	(87.2)	387.1	96.2	1,161.4	870.4
	121.0	212.2	(82.9)	403.2	108.1	1,209.5	914.5
	114.3	200.5	(105.6)	381.0	74.9	1,143.1	837.0
	105.8	185.6	(115.1)	352.6	51.9	1,057.9	757.2
	117.5	206.1	(121.3)	391.7	64.2	1,175.0	847.6
	105.8	185.7	(108.1)	352.8	59.0	1,058.3	764.5
	115.7	203.0	(97.2)	385.8	85.6	1,157.3	857.1
	108.9	191.1	(148.0)	363.1	24.0	1,089.3	750.2
	123.9	217.3	(177.0)	412.9	18.6	1,238.8	844.5
	112.5	197.4	(262.1)	375.0	(84.5)	1,125.0	665.6
	134.3	235.6	(211.7)	447.7	0.4	1,343.1	895.8
	144.0	252.7	(203.8)	480.1	23.6	1,440.3	983.8
	134.4	235.8	(211.7)	448.0	0.5	1,343.9	896.4
	141.0	247.3	(49.1)	469.9	173.5	1,409.6	1,113.2
	136.0	238.6	(214.8)	453.4	0.0	1,360.2	906.8
	125.2	219.6	(241.9)	417.2	(44.2)	1,251.6	790.2

Column (g) = the Class I & II pounds divided by the reciprocal of the diversion limit.

Exhibit

_____ Attachment 8

**Comparison of Procurement Schemes
Western Order Cheese Plants**

Letters to Producers Outlining Payment Schemes



DAVISCO
FOODS INTERNATIONAL

T. Monroe +
Don
F. Roland 1/3

GENERAL MANAGER
JEROME CHEESE COMPANY
1000 South
C Street
PO Box 405
Jerome, ID 83338
Phone 208-324-8292 Fax 208-324-8292

All Jerome Cheese Producers
From: Jon Davis
Re: Milk Pricing
Date: August 5, 1997

As you are all now aware, as of August 1, 1997 Jerome Cheese will begin paying milk based on a new formula. This formula will be reflective of the Chicago Mercantile Exchange cheese price for 500 lb. barrels and 640 lb. blocks. Jerome Cheese produces 500 lb. barrels and 640 lb. blocks in differing amounts on a month to month basis. Jerome Cheese will pay for milk monthly based on our percent of 500 lb. barrels and 640 lb. blocks manufactured during that month. Historically, we have produced 60% barrels and 40% blocks in the winter months, and about 90% barrels and 10% blocks in the summer months. We expect that to continue in the future, but that ultimately that will be determined by our customer.

Due to the various rules and regulations in the Federal Order in Idaho, there are some months where it is advantageous to Jerome Cheese, and its' producers, to be involved in the Federal Order. In order to economically accomplish this, we will have to pool some milk from each producer every month. Satisfying the order requirements in this fashion will force us to have two milk checks for each Grade A producer. One will be for the milk that is associated with the Federal Order, and the other one will be for the milk not pooled in the Federal Order System. This will allow us to keep all of our producers eligible to pool their milk on the Federal Order. In turn, this will allow us to pool all of our milk in months where it is advantageous to do so, case in point would be a month after a large milk price drop. We are certain that by paying for milk in this fashion we will put ourselves in position to return the highest milk price to our producers.

The gross amount of this check will be based on a cheese yield formula that will reflect the amount of cheese we are able to produce from 100 lbs. of a certain test milk. The formula is as follows:

$$(.93 * \text{Butterfat}) + (.78 * \text{Protein}) - 1 * 1.09 / 1 - \text{Moisture}$$

and equates to a yield at 3.5% butterfat/3.2% protein of: 9.6244 lbs. per cwt

This yield is multiplied by the weighted average cheese price for the month based on our production mix of 640 lb. blocks and 500 lb. barrels and the Chicago Mercantile Exchange cash cheese price. In addition to this price, we will pay a somatic cell bonus based on the attached bonus summary.

Apr. 10. 2002 8:37AM Dairy Farmers of America - MAC
Aug-00-97 07:40A tires west LSMD A752

+++ DENVER No. 0339 P. 4
208 678 4498 @003/004 P.02

3/13

Jerome Cheese will continue to be the premium buyer of milk in Idaho, as we have been since we began buying milk in 1992. If you have any questions feel free to give Mark or Myself a call at your convenience.

3/93

Jerome Cheese Company Somatic Cell Bonus Program

Requirements needed to qualify:

1. No Positive loads for antibiotics during the month
2. No Added Water
3. Standard Plate Count Average less than #30,000 mg/l
4. Producer Maintains Grade A status for the entire month

Somatic Cell Table

0-100,000	-> \$.45/cwt.
101,000-200,000	-> \$.30/cwt.
201,000-300,000	-> \$.17/cwt.
301,000-400,000	-> \$.13/cwt.
401,000-500,000	-> \$.04/cwt.
501,000-600,000	-> \$.00/cwt.
601,000-701,000	-> (\$.04)/cwt.
701,000-800,000	-> (\$.13)/cwt.
801,000-900,000	-> (\$.17)/cwt.
901,000-1,000,000	-> (\$.45)/cwt.

**AVONMORE WEST, INC.
MILK PRICING SYSTEM**

CHEESE YIELD FORMULA:

$$\frac{.9 * (\% \text{ FAT}) + .78 * (\% \text{ PROTEIN}) - .01 * 1.09}{1 - 0.36}$$

EXAMPLE:

FOR 3.5% FAT, 3.2% PROTEIN

$$\frac{.9 * (3.5) + .78 * (3.2) - .01 * 1.09}{0.64}$$

= 9.4457

THE MILK PRICE IS DETERMINED BY MULTIPLYING THE CALCULATED CHEESE YIELD BY A CHEESE PRICE.

EXAMPLE:

IF THE CHEESE PRICE WAS \$1.25, THE PRICE FOR 3.5/3.2 MILK WOULD BE 1.25 * 9.4457 = \$11.81

NOTE:

IN THE EXAMPLE ABOVE, WITH A CHEESE PRICE OF \$1.25, THE FAT "DIFFERENTIAL" WOULD BE \$.19 AND THE PROTEIN "DIFFERENTIAL" WOULD BE \$.17.