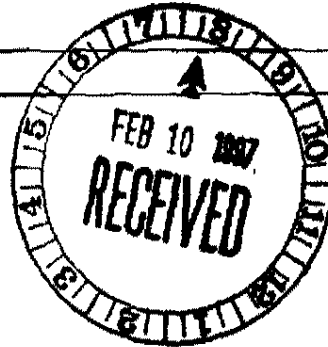


FOR-693



WESTERN DAIRYMEN COOPERATIVE, INC.

John Brown



FAX COVER SHEET

To: Rich McKee

There are 4 pages to this fax (including this cover sheet). Please call 303-451-0422 if fax transmission was not complete.

WDCI Fax- Thornton, CO: 303-452-5484
WDCI Fax-Salt Lake City : 801-977-3090

From: Janice Dunlap
WDCI



WESTERN DAIRYMEN COOPERATIVE, INC.

P.O. Box 2730, Salt Lake City, UT 84110
P.O. Box 33120, Thornton, CO 80233

February 14, 1997

MEMO:

To: Richard McKee, Director, Dairy Division

From: Western Dairymen Cooperative, Inc.
Thornton, CO and Salt Lake City, UT

We find it difficult to respond to the proposed map without having knowledge of other proposed changes, particularly those changes involving pricing and pooling requirements. However, assuming that only the geography changes, we have the following comments.

Re: Proposed Western Marketing Area

Impact of the creation of a regional federal order using 1996 data (data from the Market Administrator's office in Seattle):

Lower the F.O. 139 uniform price by \$0.28
Lower the F.O. 134 uniform price by \$1.29
Raise the F.O. 135 uniform price by \$0.38

Comments: 90% of class I use in the region is in the Great Basin and Western Colorado marketing areas. It does not make sense to lower the producer pay price to the class I producers while concurrently raising the price of surplus milk.

Because of the permissiveness of the F.O. 135 pooling requirements, most of the F.O. 135 producers have "served" the class I market only one month - ever. The manufacturing plants maintaining 'bulk tank handler' status have no intention of supplying the Class I market. WDCI members pool with every intention of serving the class I market

The Utah and Western Colorado producers would be financially damaged to the extent that production would decline, making the major class I market more difficult to serve.

This inequity could be eased by the pricing surface; using zone pricing, or producer location differentials to more fairly compensate the producers serving the class I market. Without this the proposed Western Marketing Area is not workable.

Page 2
Western Dairymen Cooperative, Inc.

February 14, 1997

Most of the class I disposition in the Great Basin area that is not served by Great Basin producers per the statistics, is into Las Vegas from California handlers.

Comment: In terms of regions, the southern Nevada area fits more conveniently into an area including the state of California, instead of into the Western Marketing Area.

Differences to be reconciled in the Department's initial proposal failed to mention the very different nature of pooling requirements in the existing 3 federal orders.

Comments: Producers in F.O. 135 need to touch a pool plant one day for three consecutive months, then can be pooled forever. F.O. 134 producers must have 3 day's production into a distributing pool plant each month. F.O. 139 producers must deliver one day's production into a pool plant each month.

The F.O. 139 requirements were established to ensure that California producers could not easily degrade the F.O. 139 market when price differences between the two areas make that an attractive option. The price difference conditions still exist and without that pooling requirement, disorderly marketing is likely.

Currently the movement of some California producer milk into the area undermines the integrity of the Great Basin Federal Order (and the back haul of Nevada milk into California erodes the California producer pay price). This situation merits the inclusion of California in the Federal Order system.

The requirement of touching a pool plant at least one day each month could be imposed on the current F.O. 135 area, but would eliminate from the federal order pool much of the milk currently pooled in Idaho. Although this milk has no real tie to serving the class I market, eliminating this milk would be a significant change for the F.O. 135 producers.

Rc: Proposed Central Marketing Area

WDCI continues to support the Greater Southwest Marketing Area proposed by Associated Milk Producers, Inc., Mid America Dairymen, United Dairymen of Arizona and Western Dairymen Coop. Inc. last fall. The structure of the dairy industry in the west is in the midst of a state of change and milk movements currently are not necessarily following historical patterns. There have been several plant closures in Nebraska and Kansas in recent years. For example, surplus disposition from F.O. 137 has been making its way into New Mexico, and some 1996 class I needs in Oklahoma and Texas were met by Colorado production. The reasons set forth for the advisability of the proposed Greater Southwest Marketing Area remain as originally stated.

Page 3
Western Dairymen Cooperative, Inc.

February 14, 1997

However, if the Central Marketing Area is to remain as proposed:

The former Black Hills Marketing Area F.O. 75 has route disposition into F.O. 137 to an extent that provides significant market disruption for F.O. 137 handlers. To prevent future disorderly marketing, that area should be included in the proposed Central Marketing Area.

It was noted that F.O. 137 has an association with this market through procurement of producer milk from the other F.O. markets included in this geography. This was true in the late 70's and early 80's. Although milk from outside the F.O. 137 marketing area continues to be pooled on 137 because of the historical association of those producers 15 years ago, none of that milk actually touches a plant in the 137 area. It is true, however, that some of the surplus milk in F.O. 137 is marketed within the proposed Central Marketing Area. Surplus F.O. 137 milk also goes to areas in F.O. 139, F.O. 135, F.O. 138, F.O. 65 and F.O. 64.