



FOR-2959

**WESTERN DAIRYMEN COOPERATIVE, INC.**

July 16, 1997

Mr. Richard McKee, Director  
Dairy Division, AMS  
U.S. Department of Agriculture  
Room 2971, South Building  
P.O. Box 96456  
Washington, DC 20090-6456



Dear Mr. McKee:

**Re: Federal Order Reform**

**Re: Proposed Western Marketing Order**

Our previous comments have indicated that one of the problems facing this proposed consolidation is the wide difference in pooling standards existing in the current federal orders.

We suggest:

- Participation in the Federal order pool should be contingent upon services provided to Class I and II processors.
- We support the designation of a pool plant to be that from which at least 25 percent of milk receipts are distributed in the form of Class I products.
- There are two handlers in the current Great Basin market who balance their own milk supplies. All of the remaining handlers, including the proprietary bulk tank handlers in Federal Order 135, use cooperative associations to balance supply and demand. For this reason:
  - We support the designation of a cooperative owned and operated manufacturing plant as a pool plant based on the balancing services these facilities perform which are of marketwide benefit.
- We support a diversion limitation of 75 percent of the total receipts of a pooled handler, which includes cooperatives and proprietary plants. This is the limitation currently in effect in the Great Basin FO 139 Market.
- We believe the current FO 135 producer definition is adequate: That a producer associating with the class I market for three months in a row has established himself as a producer for the market, but must continue to be pooled monthly to maintain that association.



- The current class I differential relationships have maintained a price relationship that has not eliminated the uneconomic movement of milk: ie. FO 135 area \$0.40 less than Salt Lake City, FO 134 area \$0.10 more than Salt Lake City, Southern Utah and Eastern Nevada \$0.30 less than Salt Lake City and Southeast Idaho Counties \$0.25 less than Salt Lake City.
- The existing regulated areas of the Great Basin Marketing Area should remain intact. While the Las Vegas, Clark County Nevada area is more closely aligned with southern California in terms of milk movements, with no knowledge of whether California will be included in the federal order geography, at this time we object to the removal of Las Vegas from the western marketing area.

**Re: Proposed Central Marketing Area**

- The inclusion of Eastern Colorado into the Central Marketing Area is consistent with current overlapping route disposition and milk supply areas.
- Location adjustments or zone pricing within the large areas proposed are necessary to keep milk moving to areas of fluid demand.

**Re: Classified Pricing**

- Classified pricing should be maintained.
- An export clearing vehicle – with costs shared nationally – is necessary to help maintain the domestic balance between supply and demand. WDCI would consider having a national sharing of costs of export regardless of the product exported. This could be called a Class IV price, or merely a national export pool.

**Re: United States as a national market, not a regional market.**

- There should be one BFP applicable to all areas of the United States. Failure to institute this will result in inconsistencies where different prices overlap (California and adjacent federal orders is a good example.) This does not preclude the use of multiple basing points for the determination of Class I pricing points.
- The national cheese price should reflect a competitive market driven product price, and not competitive producer pay prices in the upper midwest as is currently the case. The national cheese price should be a NATIONAL cheese price including California

**Re: Class I Pricing Options**

- Decouple the manufacturing price from the Class I price of milk. A formula should be developed to reflect changes in supply and demand in the Class I price within the regionally consolidated federal order geography,

**Re: Inequities between California and the Federal Order system.**

- As the largest dairy state, California should be part of the Federal Order system, to continue to ignore this is disruptive to the entire Federal Order program.

**Re: Producer Handlers**

- Producer Handlers should be part of the regulated market.  
(The identical provisions committee has recommended exempt from regulation status for all handlers disposing of less than 150,000 lbs of class I product per month. We support this. This would exempt from regulation all small "mom and pop" producer handlers.)

**Re: Identical Provisions:**

- Handlers should not be able to circumvent the payment of minimum prices to producers or associations by asking them to provide services, without compensation, that are the responsibility of the handler. Such services include, but should not be limited to, antibiotic screening, tanker washing, marketing balancing, field services, and quality control testing.

Respectfully submitted:



Janice Dunlap  
Market Analyst  
Western Dairymen Cooperative, Inc.