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January 22, 2007

Hearing Clerk
Stop 9200-Room 1031
United States Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250-9200

RE: Docket No. AO-14-A74, *et al.*; DA-06-01: Milk in the Northeast and Other Marketing Areas; Tentative Final Decision on Proposed Amendments and Opportunity To File Written Exceptions to Tentative Marketing Agreements and Orders.

Grande Cheese Company submits these comments on why USDA must increase the make allowances contained in the decision, and in support of the IDFA submission.

Grande Cheese Company is a proprietary cheese processor manufacturing ... "*The finest Italian cheeses money can buy!*"® We are located in Wisconsin, employing more than 700 Associates. We purchase more than 1.5 billion pounds of milk annually from farms that many consider the finest in the country. Our cheeses are sold nationally and our whey products are sold globally. All of our plants are, or can be, regulated by the Federal Milk Marketing Order. Grande has long advocated minimizing the regulation of price, favoring marketplace solutions with minimally intrusive/distorting market prices/barriers (pooling).

Marketplaces are not simple. Therefore, efforts to regulate "better" will grow increasingly complicated. The uniformity of the industry in the 30s, 40s and 50s along with its then very local nature masked the destructive impacts experienced in today's increasingly national/world markets. The size of today's market makes small errors big ones. The increasingly sophisticated management teams at the farm level and the processor level compounds the destructive nature of regulation – as participants "game" the regulations and process (i.e. overuse of emergency procedures) to their advantage.

These structural changes and new technologies with sophisticated management teams ensure markets will not stop changing. Milk produced on farms of the 30s and 40s took a year to produce volumes that take two or three days on today's modern dairy farm. In real time, that's one-hundred times faster. So not only do we have "change", it is extremely fast!

Regulation cannot cope with changes of this magnitude.

Free markets are entrepreneurial in nature with much participation with many specialties/resources drawn into the marketplace using common sense applications of cost benefit analysis based on their individual skills and creativity contributing to the market's success. When people can see an opportunity, they pursue it. Price regulation creates risks common sense cannot foresee. As a result, we can only speculate on the positives the dairy industry is missing as we remain cloaked in regulation.

(Continued)

My list of specific shortcomings of this decision cannot address that "unknown" creative entrepreneurial participant who cannot contribute as common sense is lost. I limit my list of specifics to three.

1. As mentioned above, setting a milk price too high makes market adjustments very, very difficult. Setting the make allowance low compared to the presented materials establishes a higher milk price which the market cannot adjust to. Milk processors locked into a return insufficient to cover their costs go out of business. A high make allowance gives processors the opportunity to pay more for milk and/or invest in their businesses to move forward if milk is readily available. If the marketplace price, through the end product pricing mechanism, is too low, these same processors can raise the price of cheese to generate more income to producers through the NASS survey process. Not a perfect market solution, but a step in the right direction. The 16.82 cents denies many the market opportunity to succeed. We support the IDFA number (18.1 cents or higher).
2. Given the importance of energy costs and the timing of the studies, USDA should have applied an energy adjustment to the data as presented at the hearing. Thus, not only was the 16.82 cents low, it is even lower when one considers the energy costs in place at the time of the surveys, compounding the market distortion of the already too low allowance.

This market frustration and misdirection can only be classified as destructive.

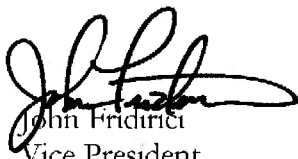
3. Finally, to wait ten months for a decision clearly documented in the hearing as too low challenges the value of the system, the hearings, and the objectives of those managing the process.

It is embarrassing that the industry has repeatedly had to come into the hearing process, hat in hand, asking for relief. The system, which may have worked well enough years ago, does not work today. The repeated emergency meetings of the past few years are proof of that.

This failure is not for a lack of talent or trying. A regulated price frustrates economic resources in the dairy industry and limits those who could be in the marketplace if common sense and business experience could compete with "age and treatment" of those steeped in the "black box" of regulation.

At a time when the world market is craving U.S. dairy products and national demand is at a high, that we continue to burden the ability of processors and producers with intrusive regulation is wrong.

Sincerely,



John Fridrich
Vice President
Milk Marketing and Procurement

JIF/slr

c: IDFA