

Taylor, Erin

From: Galarneau@mimilk.com
Sent: Monday, January 22, 2007 12:06 PM
To: amsdairycomments
Subject: Tentative Final Decision on Class III & IV Make Allowances
Attachments: ATTACHMENT.TXT

January 22, 2007

Office of the Hearing Clerk
United States Department of Agriculture
Stop 9200 - Room 1031
1400 Independence Ave., S. W.
Washington, D.C., 20250-9002

Re: Comments Regarding the Tentative Final Decision on Proposed Amendments to the Manufacturing Allowances Contained in the Class III and Class IV Product Price Formulas

Docket No. AO-14-A74, et. al.; DA-06-01

Dear Sir or Madam:

Michigan Milk Producers Association (MMPA) has reviewed the findings and conclusions of the department regarding the Tentative Final Decision on Proposed Amendments to the Manufacturing Allowances Contained in the Class III and Class IV Product Price Formulas and we would like your consideration of the following comments:

We support the department's decision to amend the manufacturing allowances. Considerable testimony was provided and surveys conducted that supported the fact that manufacturing costs have increased and the current make allowances were no longer adequate.

We support the department's decision to continue the inclusion of a marketing cost recovery factor as a component of the manufacturing allowance. This is a necessary cost incurred by manufactures in order to sell dairy products and compete with non-dairy alternatives.

We support the department's decision to continue the inclusion of a return on investment factor as a component of the manufacturing allowance. In order for manufacturers to obtain and maintain capital necessary for investment in dairy processing facilities it is essential that assets provide a competitive return. Without an adequate return on investment, capital will not be retained in the industry and dairy farmers will not find manufacturers willing to process their milk.

1/29/2007

MMPA supports the proposal from NMPPF regarding the need for incorporating a monthly energy cost adjustor as a component of the manufacturing allowances. The volatility of energy costs has put considerable pressure on the profitability of the manufactures of dairy commodities. These prices can move very quickly and losses incurred in one month due to a rapid rise in energy costs may not be recovered in later months as prices return to lower levels if there are changes in the volume of milk processed.

MMPA supports the annual adjustment of the manufacturing allowance factors based on the information obtained from an annual survey conducted in a manner similar to the research study provided by the Cornell Program on Dairy Markets and Policy. We believe the study should be subject to audit verification to ensure the reliability of the information collected.

We support the department's determination that emergency marketing conditions warrant the immediate implementation of the proposed manufacturing allowance adjustments.

Considerable testimony was provided that supported the fact that manufacturing costs have increased significantly and the current make allowances may no longer be adequate to ensure the survival of a processors of cheddar cheese, whey, nonfat dry milk and butter. The manufactures of these products in the federal order system are vital to the balancing needs of the dairy industry. Many of the balancing plants are under significant financial stress and require immediate relief from the current make allowance structure. If these plants cannot afford to process milk under the current make allowance conditions, dairy farmers will suffer the loss of markets for their milk and incur greater hauling cost to move milk to suitable markets.

These comments are submitted on behalf of the Michigan Milk Producers Association which is a member owned and operated dairy cooperative serving over 2,300 dairy farmer members in Michigan, Ohio, Indiana and Wisconsin. Thank you for considering our comments.

Sincerely,

Clayton Galarneau
Director, Manufactured Sales and Operations