

January 22, 2007

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

USDA
OALJ/OHC

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Docket AO-14-A74. et al.; DA-06-01

Written exception to the USDA decision

To Whom It May Concern:

I am in opposition to the interim final decision granted by the USDA with regards to the make allowance offered to the manufactures. It would seem to me that the department is giving the larger manufactures a free ride in milk process manufacturing. I have evidence from the CDFA showing the cost of manufactured butter to be \$.1134 per pound in 2002. The larger scale cheese manufacturing cost was \$.1531 for 2002. The medium cost for NFDm in 2002 was \$.1524. Given these factors for California the make allowances are or have been within 70% of all the manufactures cost in California as a whole. With California it seems the manufactures get a free ride of the backs of the producer.

The same seems true for the entire FMMO system. When are producers going to wake up and say no to these continuing free rides we give into in this regulated market place. Doesn't the manufacturer have to bear some of the burden? The order language in the FMMO system follows California not their own. My opinion is that the USDA in its decision in this matter should take the stance of issuing a make allowance in retailing products. That way the manufacturer and the producer would both benefit. Given the fact that some costs in manufacturing have gone up significantly, western dairy costs have doubled in two years going into calendar year 2007. To effectuate the timeline discussed in the hearing, the producer has absorbed more cost than the manufacturer. We have to be orderly in our assessment of the market place counting all factors with regard to the producer and the manufacturer simultaneously. If fully adopted as recommended producers lose. Isn't a 20% loss of NFDm to the CCC from \$ 1.00 per pound to \$.80 per pound enough of a loss for producers over the same timeline instituted by the USDA? Who gets the \$.40 per pound bonus under the TRQ when it's exported? Why are our MPC's the cheapest in the world?

Sincerely,

Michael A. Zylstra

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