

UNITED STATES DEPARTMENT OF AGRICULTURE  
BEFORE THE SECRETARY OF AGRICULTURE  
Agricultural Marketing Service  
(Dairy Programs)

USDA  
CALJ/HCO

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In re: )  
Milk in the Northeast and )  
Other Marketing Areas )  
(Class III/IV Pricing) )  
Docket Nos. AO 14-A69, *et al.*; DA-00-03

COMMENTS ON THE TENTATIVE FINAL DECISION  
SUBMITTED ON BEHALF OF KRAFT FOODS, INC.

Last year, Congress directed that: "The Secretary shall conduct rulemaking, *on the record after an opportunity for an agency hearing*, to reconsider the Class III and Class IV milk pricing formulas..." (Consolidated Appropriations Act, 2000, as amended by Section 2(b) of HR 3428, emphasis supplied). In these comments, Kraft Foods, Inc. ("Kraft") contends that, in light of the evidence of record in the agency hearing which Congress mandated, certain provisions and recommendations of the Tentative Final Decision do not satisfy the standards for reasoned decision-making under the Administrative Procedure Act and the Agricultural Marketing Agreement Act, as amended. In support of its comments, Kraft endorses and incorporates comments submitted by the International Dairy Foods Association and National Cheese Institute, and comments of National All-Jersey, Inc., concerning Class III fat and protein pricing, which some seventy other dairy companies and organizations have also joined.

**I. USDA SHOULD CONTINUE TO BASE THE CLASS III BUTTERFAT PRICE ON THE PRICE OF BUTTER, AND USE COMPETITIVE BUTTER PRICES TO FIX BUTTERFAT VALUES FOR CLASS III AND CLASS IV MILK. .**

The Tentative Decision departed from the established competitive method of pricing Class III fat in milk and cream from regulated sources as a function of the butter price, and instead proposed to price butterfat used in cheese as a function of the cheese price and the dry weight of fat in cheese. No evidence of record supports the agency's conclusion that the "value of butterfat in cheese," as reflected in commercial practice such as cream sales for Class III use, is a function of the dry weight of fat in cheese. No published proposal gave forewarning of the Tentative Decision's conclusion. The Administrative Law Judge excluded the only proposal of this nature advanced in the course of hearing as beyond the scope of the hearing. Accordingly, Kraft and other parties submitted neither testimony nor post-hearing briefs responsive to the Secretary's economic and regulatory conclusions. For reasons discussed in greater detail in the comments of National All-Jersey and IDFA, in concurring exceptions on behalf of the National Milk Producers Federation, and in the record of proceedings before the Federal District Court for the District of Columbia,<sup>1</sup> the regulated butterfat price for all uses of milk, including Class III, should be based on competitive butter prices.

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<sup>1</sup> See, *Select Milk Producers, et als. v. Veneman*, Civil Action No. 1:01CV00060(RCL), of which Official Notice is requested. On January 31, 2001, the District Court entered a preliminary injunction which would appear consistent with judicial precedent on the issue of adequate notice under the APA, as explained, *inter alia*, in *American Medical Association v. Reno*, 57 F.3d 1129 (D.C. Cir. 1995); *AFL-CIO v. Donovan*, 757 F.2d 330, 339 (D.C. Cir. 1985); *Chocolate Mfrs. Ass'n v. Block*, 755 F.2d 1098, 1106 (4th Cir. 1985); and *Small Refiner Lead Phase-Down Task Force v. EPA*, 705 F.2d 506, 548-49 (D.C. Cir. 1983).

**II. TO REMEDY AN ACCOUNTING OVERSIGHT, USDA SHOULD REDUCE FROM 3-CENTS TO 1-CENT THE ADJUSTMENT ADDED TO THE BARREL PRICE FOR PURPOSES OF COMPUTING THE WEIGHTED AVERAGE CHEESE PRICE.**

The Tentative Decision relies on a weighted average of 40-pound block and 500-pound barrel cheddar cheese prices to calculate Class III component prices. It makes two significant conclusions with respect to differences in these forms or sizes of cheddar cheese. First, that there has been an "historical 3-cent price spread" in the survey (or commodity exchange) prices for these products, which USDA attributes to the differences in the "cost of manufacturing and packaging." 65 Fed. Reg. at 76845 (col. 3). Second, that barrel cheese prices are reported at 39% moisture, but 40-pound block cheese averages 38% moisture. *Id.* at 76845 (col. 1).

To arrive at a common cheese component value, the Interim Rules adjust block prices to 38% moisture, as follows: "1000.50(l)(1)(i)(B). The U.S. average NASS survey price for 500-pound barrel cheddar cheese (38 percent moisture) reported by the Department for the month plus 3 cents." Because 40-pound block cheese (at 62% cheese solids and 38% moisture) has 1.64% *more* cheese solids than barrel cheese (61% solids and 39% moisture), the adjustment of barrel cheese to 38% moisture effectively adds about two cents to the barrel survey price when the cheese price is \$1.10 per pound. ( $.0164 \times 1.10 = .018$ ). At average cheese prices for October 1998 through December 2000, the additional 1.64% cheese solids in 40-pound blocks accounts for 2.1 cents of the price difference. When three cents is subsequently added to the moisture-adjusted barrel price, as provided in the Tentative Decision, the surveyed barrel price has been increased by five cents. This result was apparently unintended, since the Decision

explained that the agency merely intended to retain "the historical 3-cent price spread" attributable to packaging and non-milk costs.

Without resolving the source for the difference between block and barrel cheddar prices, USDA has previously observed: "...the prices move very similarly, with the barrel price approximately 3 to 4 cents per pound lower than the block price during 1991-93.... The price difference between block and barrel cheese *may* be due to packaging and other nonmilk factors." 60 Fed. Reg. 43066, 43074 (Aug. 18, 1995)(So. Mich. Component Pricing Decision, emphasis supplied); 60 Fed. Reg. 41833, 41841 (Aug. 14, 1995)(Upper Midwest/Chicago Component Pricing Decision). These proceedings apparently are the source of the conclusion in the Tentative Decision that the "historical 3-cent price spread" between blocks and barrels, reflects manufacturing and packaging costs. The 1994-1995 component pricing proceedings, however, do not reveal any awareness at that time of differences in the moisture content of block and barrel cheese, or of the product value differences attributable to moisture content.

If an effective five-cent barrel price add-on was intended, it is neither explained in the decision nor supported by the record. To satisfy the standards of *Motor Vehicles Manufacturers Association v. State Farm Mutual Automobile Insurance Co.*, 463 U.S. 29, 103 S. Ct. 2856, 77 L. Ed. 2d 443 (1983), the Final Decision should add one cent, not three, to the surveyed barrel price.

### **III. THE DRY WHEY MAKE ALLOWANCE SHOULD BE INCREASED BY AT LEAST TWO CENTS.**

The Tentative Decision concludes that the make allowance for converting liquid whey to whey powder should be "increased from 13.7 cents to 14 cents per pound to

reflect the increase in the NFDM make allowance.” 65 Fed Reg. at 76847 (col. 1).

USDA’s decision that the whey make allowance should be the same as the NFDM make allowance is unsupported by substantial record evidence, contrary to unrebutted record evidence, and significantly incompatible with the agency’s standards and reasons for expressly including higher buttermilk drying costs in the NFDM make allowance.

**A. The Whey Make Allowance Adopted in the Interim Decision is Unreasonable Because it is Not Supported by Substantial Record Evidence.**

The Consolidated Appropriations Act, 2000, required the Secretary to examine Class III and Class IV make allowances *de novo*, and to justify his decision on the basis of an “on the record” rulemaking hearing. A make allowance for whey, an important by-product of cheese production, is a significant part of this Congressional mandate.

The Tentative Decision makes no effort to support a 14-cent make allowance for whey powder based on facts of record in this proceeding. It simply provides for continued use of the NFDM make allowance as a surrogate for converting liquid whey to whey powder, perhaps implying or assuming that in a previous hearing there was substantial record evidence revealing that the make costs for the two products are the same. The source of this implied factual finding is not identified; and on the record of this proceeding, it is revealed to be clearly erroneous. If Congress intended, as we believe it did, for USDA to justify make allowances and product price formulas on the basis of the best evidence of record in this hearing, the agency’s non-resolution of whey make costs fell far short of the mark.

**B. Unrebutted and Objective Evidence of Record Reveals that Whey Is Different Than Skim Milk and Whey Manufacturing Is More Costly Than NFDM Manufacturing.**

Liquid whey, from which whey powder is manufactured, indisputably contains less solids and more water than skim milk, from which NFDM is made. Yonkers, 5/8 Tr. 292-93; Barbano, 5/9 Tr. 534; Venkatachalam, 5/11 Tr. 1387 – 1415; Reinke, 5/11 Tr. 1041; Cropp, 5/12 Tr. 1460. Sweet whey contains about 6.3% solids and 93.7% water, yielding 6.2 pounds dry whey per hundredweight of liquid whey. Skim milk contains about 9.2% solids and 90.8% water, yielding about 9.3 pounds NFDM (including 3% moisture and trace fat). *Id.* It is further undisputed that whey powder and NFDM are both produced at high energy costs, as required to remove water.

The RBCS NFDM plant cost survey revealed that energy costs (electricity and fuel) represent almost 3 cents per pound NFDM. Ex. 9. Since about 10.5 pounds of water are removed to produce a pound NFDM, while 14.4 pounds of water must be removed to produce a pound of whey powder (Tr. 1391), simple arithmetic indicates that whey energy costs exceed NFDM costs by about one cent, assuming that equipment used and procedures employed are otherwise identical. A more sophisticated and detailed approach, explained by an extraordinarily meticulous expert witness, pegged the added energy costs to produce whey powder over NFDM at \$0.00774. Venkatachalam, 5/11 Tr. 1395 – 1399; Ex. 41; *See also* post-hearing Brief of Northwest Dairy Association, filed July 19, 2000, by Douglas Marshall, at p. 20 adopting and lauding the analysis of Mr. Venkatachalam. This evidence, and similar uncontested testimony by other

interested parties concerning added energy costs to dry whey, does not reflect the steep increase in utility costs since the May 2000 hearing.

Equipment used and procedures employed to make whey powder, moreover, are not otherwise identical to those used in making NFDM. To convert liquid whey into a free-flowing, non-caking powder, partially evaporated whey must be cooled and crystallized before the drying is complete. Venkatachalam, 5/11 Tr. 1390 – 1398, 1405; Yonkers 5/8 Tr. 292-93. As explained by Mr. Venkatachalam (Tr. 1390 - 92):

To produce sweet whey powder the pasteurized whey is evaporated to about 52 to 55 percent total solids, is then flash cooled to about 85-95 degrees Fahrenheit to form nuclei for fine lactose crystals. This product is then cooled in jacketed, agitated, crystallizers to about 45 degrees F under controlled cooling conditions. The resulting slurry is then spray-dried in a two-stage dryer to produce a free flowing, non-caking powder. \*\*\*

Extra clarifiers, separator, pasteurizer, larger evaporator, crystallization and refrigeration equipment and a double stage dryer are needed for whey powder.

These facts are also uncontested. And it is likewise uncontested that this extra equipment and these additional processing steps add costs to the manufacture of whey powder that do not exist for NFDM.

Aggregated average costs for making cheese, nonfat dry milk, and butter, as revealed in survey evidence relied upon by USDA, are based on reports from handlers with great variation of costs from plant to plant. The RBCS surveys, for example, report the average of costs from cheese plants with make cost differences of 8.15 cents per pound from low cost plant to high cost plant. The range for butter was 19 cents per pounds, and the NFDM range exceeded 11 cents per pound.. Ling, 5/8 Tr. 158. Another witness, upon whom USDA relied, testified that buttermilk powder make costs exceed

NFDM make costs by 1 to 3 cents per pound. 65 Fed. Reg. 76844. These data demonstrate the danger of a regulated make allowance that is too small.

The record, predictably, reveals similar differences in plant experience concerning whey manufacturing costs, and the amount by which such costs exceed NFDM costs. The National Milk Producers Federation proposed an allowance of 15 cents per pound, one cent higher than its proposed NFDM make costs. Coughlin 5/8 Tr. 196. IDFA proposed an allowance of 16 cents based upon results of a carefully structured survey of geographically diverse, cooperative and proprietary, whey manufacturing plants. Yonkers, 5/8 Tr. 292-93, 5/12 Tr. 1772-73. NFO proposed an allowance of 14.6 cents. Pacheco, 5/11 Tr. 1108. West Farm Foods testified that its whey manufacturing costs range from 17 to 20 cents per pound. Marshall, 5/12 Tr. 1801-02. DFA proposed a whey powder allowance of 14.78 cents. Hollon, 5/12 Tr. 1500. Kraft's experience in making both whey powder and NFDM in California reveal that whey powder costs are 2.6 cents per pound greater than NFDM. Reinke, 5/11 Tr. 1041.<sup>2</sup> Proponents of the 1998 RBCS cost survey for other products admitted that the prior survey, which they otherwise did not elect to disclose for the record, revealed a whey make cost of 15.75 cents per pound. Coughlin, 5/8 Tr. 216. And the most detailed evidence of record revealed that making whey powder costs 2.559 cents per pound more than NFDM. Venkatachalam, 5/11 Tr. 1399; *see also* Cropp, 5/12 Tr. 1460-61.

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<sup>2</sup> The Tentative Decision discounts Kraft's cost evidence because the whey processing equipment was new, "meaning that depreciation costs are likely higher than average." 65 Fed Reg. at 76847. While this may be true, the size of the plant and efficiency of the new equipment provide offsetting savings. In any event, make allowance regulation should not discourage plant investment in efficient equipment.



The Tentative Decision, applying an approach at odds with make allowances for cheese, butter and NFDM, unreasonably discounts the usefulness of whey manufacturing cost evidence because testimony revealed such costs to vary from plant to plant. The Deputy Under Secretary stated:

Although a number of witnesses testified that the cost of drying whey is greater than that of drying nonfat milk, the record does not provide clear support for any particular differential over the NFDM make allowance. The differential costs of manufacturing whey powder over those of nonfat dry milk do not provide close enough agreement with the NCI-sponsored survey to use either means of determining a make allowance with any confidence.

65 Fed. Reg. at 76847 (col. 3).

The Tentative Decision thus adopts the NFDM make allowance as the allowance for whey powder even though:

- Uncontested evidence demonstrates that whey make costs are greater than NFDM make costs;
- Very substantial evidence revealed that the cost of making whey is at least 2 cents per pound greater than the cost of making powder,<sup>3</sup> and
- **Not a scintilla** of record evidence supports the conclusion that whey powder make costs are the same as NFDM make costs.

This result is consistent neither with the expectations of Congress in the Consolidated Appropriations Act, nor with standards for reasoned decision making expressed in *Motor Vehicles Manufacturers Association v. State Farm Mutual Automobile Insurance Co.*, 463 U.S. 29, 103 S. Ct. 2856, 77 L. Ed. 2d 443 (1983).

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<sup>3</sup> Evidence of whey make costs is based on costs of large, highly efficient plants. Some cheese plants incur additional expense by sale and transportation of whey to other manufacturers. In other cases, whey is simply dumped or used for fertilizer as a waste product, rather than by-product, of cheesemaking. Wellington, 5/12 Tr. 1488-89. USDA's failure to factor in these practices unreasonably reduces the whey make allowance. The impact of this analytical failure on plants which qualify as small business entities is, moreover, not acknowledged in the Tentative Decision. 65 Fed. Reg. 76832-34.

**C. The Tentative Decision's Approach to Whey Make Costs Is Irreconcilable With Its Acceptance of 16 Cents Per Pound as the Reasonable Cost of Making Buttermilk Powder.**

Irrespective of the extensive and uncontested evidence recited above, the Tentative Decision stated: "the record does not provide clear support for any particular differential [for the whey powder make allowance] over the NFDM make allowance." 65 Fed. Reg. 76847. The implication that whey cost evidence was too soft to come to a reasoned conclusion stands in sharp contrast to the agency's express incorporation of 16 cents as a reasonable cost for making buttermilk powder, which was included as part of (and thereby reduced) the NFDM allowance.

Buttermilk, like sweet whey, contains more moisture and less solids than skim milk. Extra energy is therefore required to dry buttermilk. The Tentative Decision, in its Regulatory Flexibility Analysis emphasized "the need to reflect the generally lower price and *higher manufacturing cost of buttermilk powder* [compared to NFDM] that also must be considered in calculating the Class IV nonfat solids price." 65 Fed. Reg. at 76833 (cols. 2-3). In the end, the Tentative Decision concluded that it was reasonable to rely on a make cost of 16 cents per pound BMP – two cents per pound greater than NFDM make costs – for incorporation into its recommended Class IV nonfat solids price formula. 65 Fed. Reg. at 76844.

Evidence upon which the Deputy Under Secretary relied in adopting 16 cents as the reasonable make cost for BMP, and his rationale, is described in full as follows:

The witness representing Agri-Mark stated that Agri-Mark employees engaged in manufacturing operations had estimated that the costs of producing BMP range from 1 to 3 cents more per pound than those of producing NFDM. Given that the manufacturing costs estimated by the Agri-Mark witness for other products were somewhat higher than those supported by the bulk of the hearing record, it is

reasonable to consider the extra cost of manufacturing BMP to be generally not more than 2 cents in excess of the cost of manufacturing NFDM.

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Testimony regarding actual yields of NFDM and BMP were provided by only one witness representing a manufacturing plant operator. The numbers provided, while not complete enough for an exact accounting of the ultimate disposition of the plant's receipts of producer milk, indicate strongly that the approximate loss of nonfat solids used in the manufacture of NFDM at the specific plant was 3 percent, with 16 percent lost in the manufacture of BMP; a weighted average loss of more than 3.5 percent.

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The following information from the hearing record was used to determine a multiplier or divisor for the total nonfat solids pricing formula that would result in a minimum price for nonfat solids while incorporating the data and testimony in the record about the manufacture of NFDM and BMP. To assure that the result represents a *minimum* price, the low or high areas of ranges of numbers related to the manufacture of these two products were used. The CDFA report on butter and powder yield in California plants in 1996 was used in making some of the calculations regarding this factor.

- a. The price of BMP represents roughly 80 percent of the price of NFDM (80 percent is less than the average historical relationship of these prices over the past 5 years).
- b. The cost of manufacturing BMP is not more than 2 cents greater than the make allowance for manufacturing NFDM.

65 Fed. Reg. 76844 (cols. 2-3).

The Deputy Under Secretary thus adopted a 16 cent make cost for BMP in reliance on one witness who spoke only of a range on one to three cents more than NFDM,<sup>4</sup> and a single witness who testified concerning "actual yields of NFDM and BMP."

The decision arbitrarily applied a very different evidentiary and analytical standard than that used for whey powder make costs. These inconsistencies also seem to

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<sup>4</sup> Mr. Wellington's actual testimony concerning a range of BMP costs over NFDM, though we accept it as accurate, was even softer in substance than the Decision suggests: "Buttermilk power make allowance, I'm assuming .147, a penny above what it is for nonfat dry milk. Actually, our plant people have said it's probably a few cents above. I asked what's the range. They said probably one to three. so I chose one just to try to say it was - I didn't want to over exaggerate the impact of it." 5/12 Tr. 1499.

be result-oriented, to produce the highest possible Class III price regardless of the substance and weight of whey cost evidence.

The agency's "General Approaches on Make Allowances" explained, in essence, that no allowance for whey powder other than that assembled by CDFA or RBCS was worthy of evidentiary credit for make allowance ratemaking purposes:

For the calculation of the Class III "other nonfat solids" price, neither the California nor RBCS studies included information on the cost of making dry whey, and a survey done for this proceeding under the auspices of IDFA was not considered sufficiently reliable for use in establishing a make allowance. Consequently, the "other solids" make allowance should continue to be the same as that used for nonfat dry milk.

65 Fed. Reg. at 76838 (col. 2). Since USDA and the parties were aware at the inception of the hearing that neither RBCS nor CDFA reported a whey powder cost for 1998 or 1999, it appears that USDA was prepared to discredit any private survey evidence as unreliable and individual plant cost evidence, however detailed or numerous, as anecdotal or too variable.<sup>5</sup> If any evidence on whey powder costs is or would have been sufficient to overcome the agency's apparent predisposition, it is absolutely unclear from this Decision what the standard for such evidence might be. Like the ratemaking decision criticized in *Chemical Manufacturers v. Environmental Protection Agency*, 28 F. 3d 1259 (D.C. Cir. 1994), USDA's response to whey costs evidence is arbitrary because it appears that the agency "was committed to its position regardless of any facts to the contrary."

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<sup>5</sup> The agency's facile dismissal of the IDFA plant surveys as "unreliable" is unconscionable. AMS dairy programs could have conducted its own cost survey for purposes of make allowance regulation in the same manner as its sister agency in California. The IDFA survey was appropriately designed by dairy professionals and aggregated by statistical professionals. It was presented under oath and subject to sanctions of 18 U.S.C. 1001. Yet USDA questioned it without any evidentiary basis supporting the agency's conclusion of unreliability. If USDA had in mind any additional standards for giving weight to an industry-sponsored cost survey, those standards should have been expressed in the Notice of Hearing, not seven months after the record was closed.

*See also. La Amistad Residential Treatment Center, v. United States*, 29 F.3d 645 (Fed. Cir. 1994), and *Salt River Project v. United States*, 762 F.2d 1053 (D.C. Cir. 1985), for discussions on the reasonableness of agency rejection or disregard of un rebutted evidence.

#### **IV. OTHER FACTORS ALSO CONTRIBUTE TO REGULATED MAKE ALLOWANCES THAT ARE UNREASONABLE**

Among additional significant factors of record that make up costs to convert milk to cheese are loss (shrinkage) of milk components from farm to the plant and reduced value of butterfat in whey cream.

USDA reasoned that yield formulas from a "given input" of milk account for milk or milk component shrinkage during manufacturing. 65 Fed. Reg. at 76841. This is correct. It is incorrect, however, to conclude that all shrinkage is therefore accounted for in the product price formulas. The "given input" in all yield formulas is milk received in the plant silo. The formulas do not account for milk and components lost between the farm and the plant for which a handler must pay just like labor, utilities and other components of make allowances.

Farm to plant shrinkage, even for plants receiving milk from larger farms with less handling loss, is reasonably expected to range between 0.5 % and 1%. Costs associated with such shrinkage must be incorporated into the make allowance or product yield factor in order to produce a "technically correct" make allowance. *Barbano, Tr.* 595-96, 681-82, 758, 774. Even at a loss of 0.5%, at a Class III milk price of \$ 11.00 per cwt, farm to plant shrinkage represents a cost of 5.5 cents. Applied to cheese at 9.7 lbs./cwt, this represents 0.53 cents which must be included in the make allowance.

Alternatively, applied pro rata to cheese and whey, 0.34 cents should be added to the cheese allowance, and 0.21 cents added to the whey allowance.

Likewise, the Class III formula does not account for the fact that some of the butterfat in incoming milk is not recovered in cheese or simply lost in manufacturing as part of the cheese yield. Rather, about 0.3 pounds of the butterfat received per hundredweight of incoming Class III milk is recovered as whey cream, and commonly converted to Grade B, whey butter. Grade B butter, which has in the past been included in NASS price surveys, is significantly less valuable than Grade A or Grade AA butter. Currently, for example, Kraft is able to recover about 40 cents per pound fat in whey cream *less* than the value of fat in fresh, sweet cream. Reinke, 5/11 Tr. 1041. This represents a real cost of 12 cents per hundredweight not included in the make allowance formula. Applied to cheese, the lower market value of whey cream should add 1.16 cents to the make allowance; applied to whey make costs, the reduced value of whey fat should add 1.9 cents to the dry whey allowance.

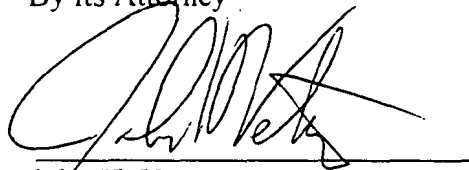
As discussed in Kraft's post-hearing brief, make allowance rates are lawful if they fall within a "zone of reasonableness." Rates fall outside of this standard if they are "less than compensatory," including a reasonable return on investments, or "excessive." *See, e.g., Mobil Oil Exploration v. United Distribution*, 498 U.S. 211 (1991); *Permian Basin Area Rate Cases*, 390 U.S. 747 (1968); and *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). USDA's unreasonable addition of an extra two cents to the moisture-adjusted barrel cheddar price, its failure to incorporate a record-supported allowance for making whey powder, its failure to allow for farm to plant shrinkage, and its disregard of the lower market value of fat in whey cream, combine to eliminate all of

the purported "return on investment" (\$ 0.0103/lb. cheddar cheese) included in the Class III product price formula. The result is less than compensatory, and therefore unreasonable.

### CONCLUSIONS

The record of this proceeding provides ample evidence for the Secretary to consider the Class III and Class IV milk pricing formulas, as mandated by Congress. There is no need to reopen the hearing or invite other procedural delay. A decision that addresses all relevant factors, produces rates that allow a "reasonable return on investment," and otherwise conforms to APA standards, should be implemented as soon as possible. To this end, butterfat prices in all classes should be based on competitive butter prices, the make allowance for dry whey should be not less than 16 cents per pound, the cheese price survey should be corrected to add one rather than three cents to the barrel price, and all real plant costs should be accounted for in the product price formulas.

Respectfully submitted,  
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