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Ann Veneman, Secretary
U.S. Department of Agriculture
C/O Office of the Hearing Clerk
Room 1081 South Building
U.S. Department of Agriculture
Washington, D.C. 20250

e-copy: Gino.Tosi@usda.gov

Re: Milk in the Northeast and Other Marketing Areas Docket
Nos. AO 14-A69, *et al.*; DA-00-03; 66 Fed. Reg. 54064.

Dear Secretary Veneman:

As President of McCadam Cheese Company, I wish to express my opposition to the Recommended Decision of the Dairy Programs Branch, Agricultural Marketing Service, significantly reducing the manufacturing allowance for Class III milk used to produce cheese and cheese byproducts.

McCadam is located in a rural, economically distressed region of upstate New York. We have approximately 200 employees and provide an important local market for about 300 dairy producers. McCadam is the oldest cheese manufacturer in North America and one of only three cheddar manufacturers remaining in New York State. We have a national and even international reputation for quality cheesemaking. All of our products are manufactured from Grade A Class III milk.

We understand that USDA proposes to reduce cheese plant manufacturing margins by about 50 cents per hundredweight of farm milk at average test. That is, the Department intends to reduce the spread between regulated Class III prices and market prices for cheese and cheese by-products.

In its Decision, it appears that USDA has concluded that the proposed lower manufacturing allowance rate (a) will have negligible impact on small cheese manufacturers, (b) will not impede the competitiveness of small

handlers, and (c) that in any event most cheese makers will be able to recover their costs plus a return on investment under the rule.

The Decision assumes that cheese manufacturing plants operated by small businesses such as ours have the same manufacturing costs and the same opportunities to realize by-product revenue as larger, better capitalized firms. This is totally untrue. From data published by the California Dept. of Food & Agriculture, we have benchmarked our plant costs to those of larger cheese plants located in California and most assuredly do not even come close to achieving the same economies of scale. Furthermore, since our company does not have a whey dryer or butter making facilities, we realize only a fraction of the profit potential of cheese by-products.

We compete in a national cheese market with plants that receive unregulated milk, with regulated cooperative plants that are not required to pay producers regulated prices, and with California cheese manufacturers who last month were granted an *increase* in manufacturing margins. We do not believe that we are competing on a level playing field. USDA's Decision makes the playing field even more skewed against small firms such as ours, making it only a matter of time before McCadam, with all of its history, outstanding products, valuable employment, and market opportunity for local producers, ceases to be.

It is our hope that our perspective, which is by no means unique, will be carefully considered prior to the rendering of a final decision. We respectfully request that the Department reopen its' hearing to make a more comprehensive study that includes small business cheese plants.

Sincerely yours,

Brian Lee
President