



United States
Department of
Agriculture

Agricultural
Marketing
Service

P.O. Box 96456
Washington, DC
20090-6456

JUN 5 2001

Mr. Richard J. Lamers
Lamers Dairy, Incorporated
N410 Speel School Road
Appleton, Wisconsin 54915

Dear Mr. Lamers:

Thank you for your proposals to amend the Upper Midwest Federal Milk Marketing Area Order (Order 30) on behalf of Lamers Dairy, Inc., and Pollard Dairy, Inc. Your proposals would: 1) establish an individual handler pool and allow multiple handlers to form their own individual pool; 2) reduce the Class I differential for Order 30 to \$0.30; and 3) use the weighted average of the Class III and Class IV price as the base price for setting and moving the Class I price. None of these proposals are acceptable for consideration at this proceeding.

The recent reform of the Federal milk order program, implemented on January 1, 2000, made a purposeful decision to eliminate the last remaining individual handler pool. Marketwide pooling ensures that all milk processors have equal opportunity to attract sufficient supplies of milk regardless of the different proportions of milk that may be used in fluid milk products. It also provides for a broad and equal sharing among all producers of the benefits of supplying the fluid market, as well as the burden of maintaining the supplies of milk that are in excess of fluid milk needs. This method of sharing on a marketwide basis results in promoting and maintaining orderly market conditions that cannot be accomplished by individual handler pooling or by allowing handlers to form their own pools.

Your second proposal calls for reducing the Class I differential in the Upper Midwest order to \$0.30. You seem to base this differential level on your interpretation of Agricultural Marketing Agreement Act of 1937 (the Act), as amended, which in part 2(b) of the Declaration of Policy, states "... authorizing no action under this title which has for its purpose the maintenance of prices to farmers above the level (parity) which is declared to be the policy of Congress to establish in subsection (1) of the section, ..."

This proposal, whether intended as a national issue or one limited to the Upper Midwest, is well beyond the scope of any hearing to consider issues specifically affecting the Upper Midwest order. Federal order reform coordinated the Class I pricing structure on a national basis to assure the attraction of an adequate supply of milk for fluid use at each location. Adjustments in the Class I differential in one order also would require adjustments in another. Therefore, your proposal for reducing the Class I differential to \$0.30 must be denied.

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Far from violating the Act by maintaining prices to producers above parity, current Federal order prices would have to be increased greatly to reach the current parity level of \$32.20 per hundredweight (for March 2001). Therefore, the current prices are not inconsistent with the Declarations of Policy.

Your third proposal to use the weighted average of the Class III and Class IV price as the base price for milk must also be denied. The proposal is denied because the implications of the proposal are national in scope and therefore well beyond the intent of consideration of amendments to the Upper Midwest order. Class I prices are coordinated nationally, with all orders using the same basis for establishing a base price -- the mechanism for setting and for moving Class I prices.

Again, we thank you for your interest and participation in the milk order program. While we did not deem your proposals appropriate for consideration at the hearing, we nevertheless encourage your participation at the hearing on the proposals that are specified in the hearing notice.

Sincerely,

Kenneth C. Clayton
Acting Administrator

cc: Pollard Dairy, Inc.
W5483 Pine Creek Road
Norway, MI 49870



John F. Borovics
Chief, Order Formulation Branch
Dairy Division

AMS:DP:OFB:Gtosi:jmm:690-1366:4/16

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