



National Milk Producers Federation

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March 31, 1997

Dairy Division, AMS, USDA
ATTN: BFP Evaluation
Room 2968-S
PO Box 96456
Washington, DC 20090-6456

To Whom It May Concern:

In response to USDA's January 29, 1997 invitation, the National Milk Producers Federation (NMPF) submits the following comments on using National Cheese Exchange (NCE) data in determining the Basic Formula Price (BFP) for all Federal milk marketing orders.

NMPF is the national organization that represents dairy cooperatives and their dairy producer owners throughout the United States. NMPF members market about 60 percent of all the milk produced in the U.S. and market milk in every Federal order.

Subsequent to the January 29 invitation for comments, the NCE members decided to end trading at the exchange in Green Bay, Wisconsin on April 25, 1997. A new cash market for cheese will open at the Chicago Mercantile Exchange (CME) on May 2, 1997.

Closing the NCE creates a federal milk order pricing problem that must be addressed when the May 1997 BFP is announced on June 5. The 40 pound block Cheddar cheese price at the NCE is used in determining the federal milk order BFP and in determining the protein price in some orders that include a multiple component pricing program.

To deal with a situation where a price quotation needed to determine a federal order price is not available, every order contains a provision whereby the Secretary of Agriculture determines an equivalent price quotation for the information that is not available. Absent an NCE 40 pound block Cheddar cheese price, the Secretary of Agriculture will have to make an equivalent price determination.

NMPF recommends that the Secretary consider all relevant information in making an equivalent price determination. Relevant information includes the 40 block Cheddar cheese price on the new CME cash market, information USDA gathers during the




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Cheddar cheese price survey that was started recently, Wisconsin Assembly Point prices reported by USDA and any other relevant data.

Until the dairy industry and USDA gain experience with the new cash market and with the survey data that USDA has started to collect, NMPF cannot recommend one specific alternative to replace the NCE 40 pound block Cheddar cheese price. For now, we think the best alternative is to have the Secretary of Agriculture determine an equivalent price using all relevant data. By using all available data the Secretary can determine an equivalent price that is accurate and fair for both producers and processors.

Sincerely,


Edward T. Coughlin
Acting Chief Executive Officer