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Subject: Request for witness on NFDM
Attachments: ATTACHMENT.TXT; Benjamin F. Yale.vcf

Dana

Good afternoon. As a follow up to the report on the "Impacts of NASS Nonfat Dry Milk Price and Sales Volume Revisions on Federal Order Prices" on June 28, 2007. Dairy Producers of New Mexico, the proponent of Proposal 15 which calls for the replacement of the NASS series, requests that this report be made part of the Record and that a witness be provided to testify as to how the NASS survey has been conducted and will be conducted in the future. The hearing will resume July 9.

In particular, DPNM is not only interested in the extent of the "reporting error" and revisions because of that, but the impact of circular pricing which evidently USDA is now permitting. Under this procedure, plants selling NFDM are using the NASS price to set the price for NFDM the next week and then the following week reporting that price as part of the NASS survey--thus making a mockery of the survey as being a realistic appraisal of current market conditions. Just last week Dairy Market News reported that it was to the advantage of buyers of NFDM to purchase NFDM based upon the NASS survey because it was lower.

Producers and others in the industry were led to believe in 1998 when the survey was created and in 2000 with USDA confirmed the use of the NASS survey that circularity would not happen and that forward contracts would not be included. Without notice to the industry, buyers of NFDM with the concurrence of USDA have for sometime been doing just that. I am not referring to the foreign sales that were part of the "revisions" but approximately 50% of the sales of NFDM each week which are sold on forward contracts at the NASS survey price plus or minus a basis. Those are forward contracts and should not be included in the survey. We would like to know the volume of the products thus reported.

The impact of these forward contracts compounds the "reporting error" because by reporting lower prices, that reporter was able to keep prices lower for the domestic forward contracts. The impact on the blend prices from the FMMO as a result of that has not been fully considered in the June 28, 2007 report.

Also the recent revelations about "reporting errors" have disclosed that although there are approximately 30 butter powder plants in the US, there are only four or five "reporters". Further it has been reported that 75% or more of NFDM milk reported in the NASS survey comes from one reporter. We would request information that would show each week the number of "reporters", not plants that submit information.

Thank you for your consideration

Ben

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