9/30/06

To: USDA/AMS/Dairy Programs STOP 0231 Room 2971 1400 Independence Ave., SW Washington, DC 20250-0231 Attention: Gino Tosi

Dear Sir.

The current pricing system for farmgate milk is hurtful for farmers, processors and consumers: it has delivered roller-coaster prices for farmers and roller-coaster costs for independent processors, contrary to the Secretary of Agriculture's mandate to ensure "orderly markets." This is particularly hurtful for small family farmers, in spite of their surprising record of efficient (and profitable, relative to large farms!) production, for which see Cornell Department of Ag Economics annual cost and profitability studies on small and large farms.

There must be a large cost-of-production component to any workable Class III price system: since farm costs are MUCH more stable than CME prices and the NASS prices that track the CME with such startling regularity, this will have the effect of stabilizing farm income and processor costs: I write as the owner of a small cheese factory which is currently (Aug. '06 figures) paying 29% above Class III prices for our producers' milk in an effort to keep them in business, and selling most of our product, through our own distribution system, to local "convenience" and "Mom & Pop groceries.

Our experience suggests that there is plenty of money in the farmgate to checkout counter food system to pay stable and fair prices to farmers and independent processors, and is backed up by the record of the food industry, as a whole, which is the second most profitable industry in this country.

The job of the USDA regulatory program must be to see to it that those profits are fairly distributed to farmers and processors: the record of the USDA, on that score, is lousy.

Mours truly,

James Amory

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