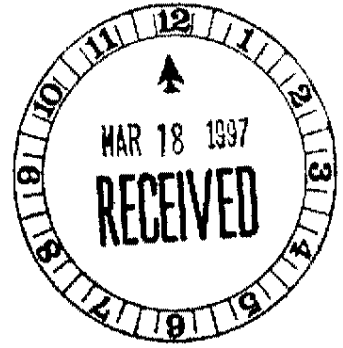




ASSOCIATED MILK PRODUCERS, INC.  
Southern Region



March 4, 1997

Mr. Richard McKee  
Director, Dairy Division, AMS, USDA  
PO Box 96456  
Washington, DC 20090-6456

Response to Preliminary Report on Suggested Federal Milk  
Order Consolidation

Dear Richard:

On July 2, 1996 Associated Milk Producers, Inc. submitted a proposal to merge several current order areas into the "Great Southwest" in cooperation with United Dairymen of Arizona and Western Dairymen Cooperative, Inc. The report subsequently issued by the Department omitted the inclusion of both Oklahoma and Colorado with the Southwest consolidated area.

The report made no reference to pricing zones within the proposed structure. At that time, we felt it futile to make comments on the boundaries of the reformation when pricing would dictate the flow of revenues to producers. However, support of the Great Southwest merger still exists.

The report specifies that "analysis of the distribution and procurement patterns of the fluid processing plants...was used to determine which order areas were most closely related." The report goes on further to outline "association in terms of sales, procurement, and structural relationships...[including]:

- Overlapping route disposition.
- Overlapping areas of milk supply.
- Number of handlers within a market.
- Natural boundaries.
- Cooperative association service areas.

Features common to existing orders, ...  
Milk utilization in common dairy products..

The reported data provides solid evidence of these factors in the suggested Southwest consolidation of Texas, New Mexico, and Arizona. There are, however, areas where inclusion of Southwest Plains, Eastern Colorado, and Western Colorado need revisiting.

The reasons given for excluding Southwest Plains, in entirety, are unfounded. Only a small percentage of the Southwest Plains route disposition is attributed to Order 1032 sales, of which, is sourced from Springfield, MO; an area not included in the Great Southwest merger.

Route disposition in the Southwest Plains order is primarily associated with deliveries within the current order boundaries, but is more closely aligned with Texas and New Mexico. There is significant procurement for one of the four distributing plants in Oklahoma from the state of New Mexico. There is also a great deal of overlap between Texas and Oklahoma in both producer supplies and packaged milk sales. Oklahoma cooperative membership is parallel to that of Texas and New Mexico associations. The current provisions with the Southwest Plains order are more closely aligned with those in the proposed Southwest merger. A change in pooling requirements may cause milk to move inefficiently to gain a sharing in uniform pricing. Additionally, the inclusion of all of the Southwest Plains area in a Central market would not eliminate the attractiveness of the Southeast markets, whereby milkshed areas would move into higher blend return locations.

The Central Marketing Area data refers to procurement of producer milk in Nebraska utilized in the Eastern Colorado market. This was true in the late 70's and early 80's. Although milk from outside the Federal Order 1137 marketing area continues to be pooled on the order because of the historical association of those producers fifteen years ago, none of that milk actually touches a plant in the Eastern Colorado area. Additionally, supplies from Colorado have been associated with New Mexico during the fall season when influences from the east drain western production.

Milk in the Western Colorado area is associated with only a very small number of regulated handlers. Route sales from these plants are distributed into both the New Mexico/West Texas and Central Arizona markets. Milk in the area is priced on butterfat and skim basis, which is commensurate with the Southwest. These handlers are serviced by a common cooperative association whose market includes Eastern Colorado.

The representative cooperatives direct a very large portion of milk pooled and produced in the current and proposed federal order areas. Overlap occurs both in procurement and balancing among these areas. Market conditions have not changed

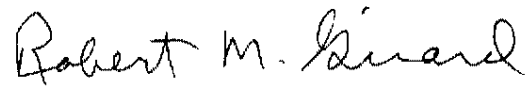
since the original Great Southwest was proposed. The effort to merge into the proposed Great Southwest merger continues.

Your consideration of this effort is appreciated. Any data that the Department may require for review is available upon request.

Sincerely,



Jim Carroll  
Associated Milk Producers, Inc.



Bob Girard  
United Dairymen of Arizona

Cc: Greg Yando (3/5/97)  
Greg Yando  
Western Dairymen Cooperative, Inc.

cc: Richard Fleming, Market Administrator  
Joe Albright, Market Administrator  
Dr. Don Nicholson, Market Administrator